

Right at Home: Local Support for Employer-Assisted Housing

By Samantha DeKoven

Everyone gains when employees live close to their workplaces. They can devote more time to their work, families and communities. Employers reduce turnover costs and increase their appeal to new employees. Communities benefit from increased local investment and a more stable housing stock, while shorter commutes reduce stress on transportation infrastructure and the environment. This issue of *ideas@work* provides background, case studies and resources to help municipal and county leaders determine how employer-assisted housing (EAH) programs can benefit employers and employees, and how government can support local EAH initiatives.

More and more business leaders understand that meeting the demand for workforce housing requires their involvement. Gov. Rod Blagojevich's administration has executed new policies to encourage municipalities to meet the needs of people who live in their communities. The time is right for local leaders to leverage private sector investment to complement public support of housing solutions.

Advocate Bethany Hospital in Chicago became interested in EAH as a way to keep people in their jobs and reduce turnover expenses. "We are interested in housing issues overall because we believe employer-assisted housing will reduce our own turnover," said Brenda Mitchell, Bethany's human resource consultant. "Every time we lose an employee, it costs us."



PHOTO BY ANDREW CAMPBELL

Riverdale Mayor Zenovia Evans started an employer-assisted housing initiative for municipal employees in November 2002.

Ideas@work is a series developed by the Campaign for Sensible Growth to showcase innovative solutions and best practices, particularly at the local level. Volume 2 covers issues such as:

- technology and sensible growth
- transit-oriented development
- design and open space
- historic preservation
- rewriting a zoning ordinance

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The growing mismatch between employment growth and where workers can afford to live creates significant costs for employers, as lengthy commutes reduce employee productivity by increasing tardiness and absenteeism. In addition, the stress of long commutes translates into unhappy and less motivated workers. And, employers have lost employees to jobs closer to home as they seek to reduce time spent traveling to work – time better spent elsewhere.

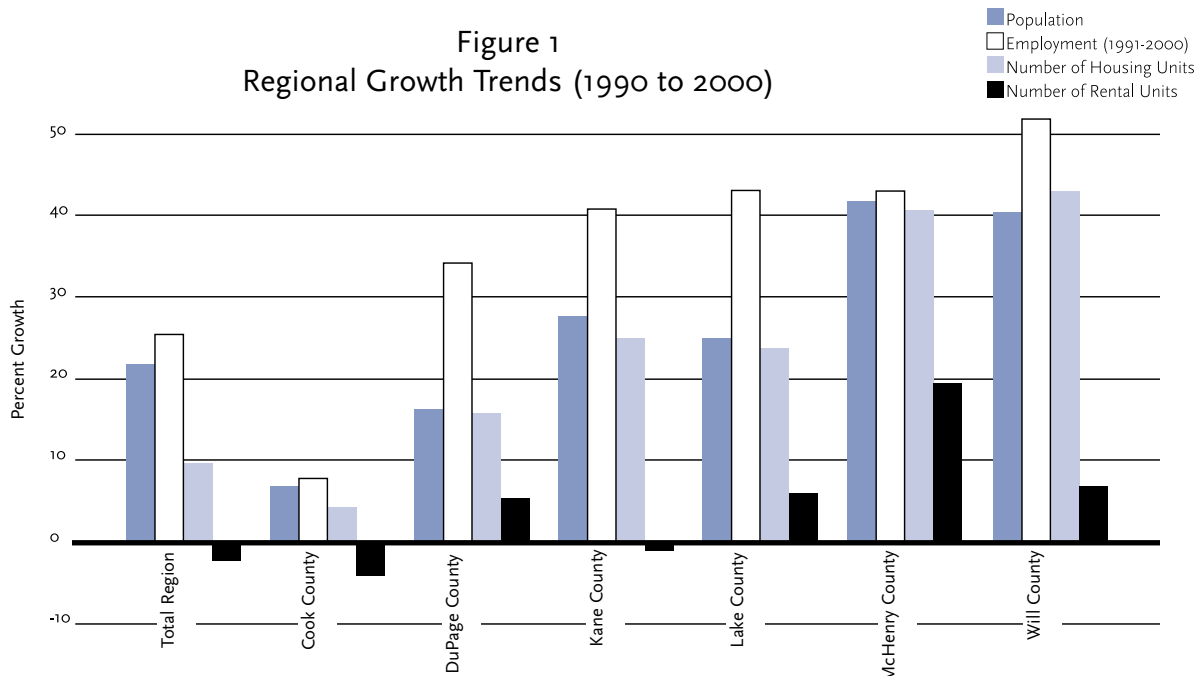
EAH is not a new concept. However, it is rapidly gaining momentum as an effective strategy for policymakers and a broad range of employers to address housing needs and workforce challenges. Lake Forest College, Loyola University, University of Chicago and Wheaton College have encouraged employees to live in nearby communities through a variety of programs. The City of Chicago, City of Evanston and other municipalities offer down payment assistance or reduced interest loans to police officers buying homes in the communities they serve. Holy Cross, Lake Forest and St. Bernard Hospitals offer local housing initiatives. Bank of America, Bank One and Fannie Mae offer down payment assistance to help their employees buy homes.

The need for sound public/private initiatives to facilitate living near work is becoming more broadly understood. As the Metropolitan Planning Council's (MPC) 1999 Regional Rental Market Analysis demonstrated and 2000 Census data confirm, thousands of entry-level workers cannot afford housing near their workplaces. Census data also show an increase in commute times, particularly for workers in those parts of northeastern Illinois that have affordable housing but few jobs.

“We are interested in housing issues overall because we believe employer-assisted housing will reduce our own turnover.”

Brenda Mitchell, Advocate Bethany Hospital

Figure 1 highlights the region's growth between 1990 and 2000, showing significant increases in population and employment opportunities. Growth in numbers of housing units, however, particularly rental housing units, has not kept pace.



Source: 2000 U.S. Census and Ill. Dept. of Employment Securities, 2001

¹ MPC's Regional Rental Market Analysis estimated that more than 250,000 entry-level workers in the six counties cannot afford rental housing close to work.

What is employer-assisted housing?

Employer-assisted housing refers to a variety of programs employers use to help employees find and finance housing closer to the workplace. It can take the form of education or counseling about homebuying and financing, direct financial help with closing costs and mortgage payments, rental assistance, individual development accounts, real estate investment, or some combination of these.

Recognizing that many employers are not equipped to take on new responsibilities related to housing and real estate, eight nonprofit housing organizations from around the region have come together with MPC to form the Regional Employer-Assisted Collaboration for Housing (REACH). These housing groups administer EAH initiatives on behalf of employers and provide credit counseling and homebuyer education to employees.

Companies of any size, from start-ups employing just a dozen workers to corporations employing thousands, can benefit from EAH programs. They can also be a valuable employee benefit for nonprofit and government employers.

EAH initiatives provide maximum value when they are customized to meet the needs of the particular company. One company offers EAH to differentiate itself from others as having unique benefits. A municipal employer uses an EAH program as a reinvestment tool to help stabilize and invest in the community. EAH reduces turnover if financial assistance is forgiven over time, provided the employee remains with the employer. Employers are also attracted to EAH for the positive profile it creates in their community.

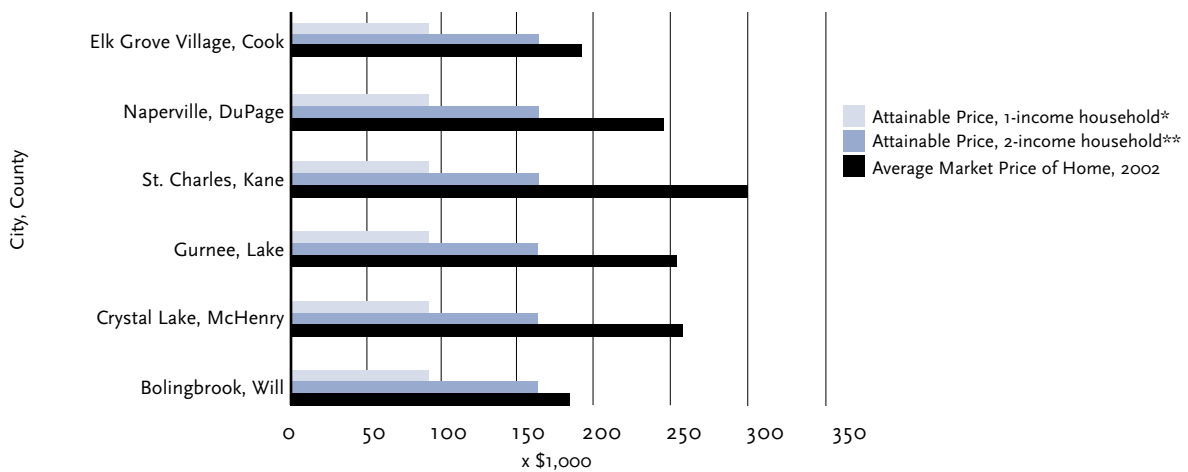
“We want employees to become a part of the community. EAH doesn’t solve the affordable housing problem, but it’s an element to helping address it.”

St. Charles, Ill. Mayor Sue Klinkhamer

Figure 2 demonstrates the mismatch between the typical home sale prices in some of the Chicago region’s job-rich communities with home prices that are affordable to working families.

Figure 2
Home Sale Prices Out of Reach for Working Families

ATTAINABLE vs. ACTUAL HOMEOWNERSHIP



* Database Administrator @ \$15.69/hr

** Medical Assistant @\$9.79/hr and Database Admin. @15.69/hr

*Purchase price affordable to a family with a single income (a database administrator – one of the fastest growing occupations) earning approximately \$32,000 per year

**Affordable purchase price for two-income family with a database administrator (\$32,000) and medical assistant earning \$20,000 per year

Roles Government Can Play

Local, regional and state governments can play important roles by offering EAH programs to their own workforces, and promoting them to local businesses. Communities benefit from reduced traffic, increased local investment and improved community ties. The State of Illinois encourages private investment in workforce housing by offering matching funds and tax credits. The Illinois Housing Development Authority (IHDA) matches dollar-for-dollar an employer's contribution to a worker's down payment or closing costs. The Illinois Affordable Housing Tax Credit provides \$.50 in tax credits for each \$1 invested in EAH programs.

Be A Good Employer

Communities in need of community development can offer EAH to their employees to boost local investment. Mayors in high job growth areas can help their employees live in those communities with expensive housing markets. For communities with residency requirements, EAH programs provide an incentive to accompany the mandate and help recruit new employees. Governments with high turnover may find that an EAH benefit improves retention. The Village of Riverdale has approved a down payment assistance initiative to address several of these objectives – encouraging employees to choose to live in Riverdale, boosting their financial investment in the community and increasing their personal commitment to the community.

“Local or county governments can take advantage of state matching funds and offer EAH to their employees.”

Riverdale Mayor Zenovia Evans, Chair of the Metropolitan Mayors Caucus Housing Task Force

Promote Local Business Involvement

Governments can provide incentives to encourage local employers to develop EAH programs. By offering EAH to their own employees, government agencies serve as models for local businesses.

Governments can also provide funding to cover some of the costs of a program for private employ-



PHOTO BY ANDREW CAMPBELL

Kerri Janizen, a 6 1/2 year Bank One Veteran, took advantage of employer-assisted housing to buy a condominium in Chicago's Gold Coast neighborhood within easy access of his Loop office.

ers. The City of St. Charles is offering an EAH program to its own employees and providing funds to cover the counseling costs for employees of local employers, reducing the costs to those employers as they launch initiatives for their workers. The City hopes to encourage private investment in support of workers' housing, and help these local employees access St. Charles' expensive housing market.

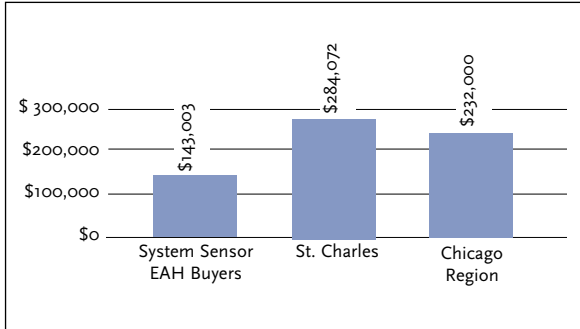
Government entities can also encourage employer investment in EAH by partnering existing programs with employer initiatives. To support homeownership goals of local residents, the City of Chicago offers rehab and purchase loans, closing cost and down payment assistance, and programs to create new, affordable, single-family housing. Working with REACH partner Neighborhood Housing Services of Chicago, the Chicago Department of Housing is leveraging employer investment in worker housing by actively marketing its programs to the employees of participating employers. The Affordable Housing Corporation of Lake County can use county funds to match the employer's assistance with an additional \$5,000 for the new homebuyer.

System Sensor, St. Charles, Illinois

As the first regional employer to use the REACH model, Pittway Corporation CEO King Harris saw EAH as a way to maintain the company's business edge and reduce turnover through innovative workforce benefits. Pittway Corporation worked with MPC and the Joseph Corporation, the Aurora-based REACH partner, to develop a unique program at its System Sensor plant in St. Charles. In 1999, the company committed to provide \$5,000 in down payment assistance to help as many as 50 qualified employees buy homes closer to work. Assuming an employee stays with the company for five years, the \$5,000 loan is fully forgiven. If an employee leaves the company within that time, the unforgiven portion must be repaid. Pittway also contracted with the Joseph Corporation to provide counseling and homeownership education. Developed as a two-year pilot, the program was suspended at the end of 2001 when Honeywell acquired System Sensor, but was reinstated in January 2003.

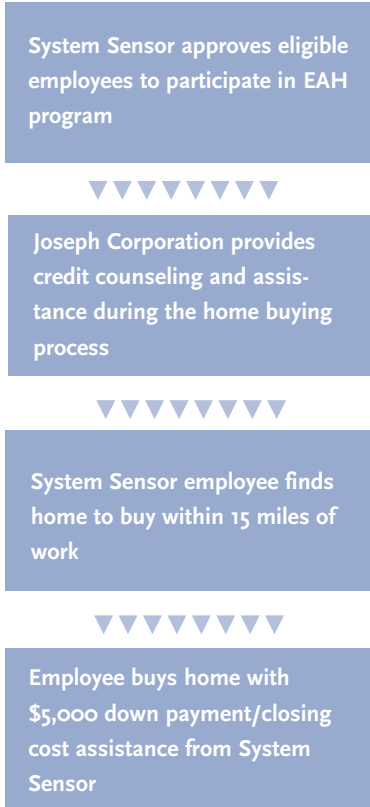
Figure 3 shows the average sale prices for homes in St. Charles and in the Chicago region overall.

Figure 3
Average Home Sale Prices



Source: Applied Real Estate Analysis survey of sales activity for one year, ending Nov. 1, 2002

Figure 4
How System Sensor's Employer-Assisted Housing Program Works



Highlights

- NEW HOMEOWNERS AS OF SEPTEMBER 2003: 43
- PARTICIPATING EMPLOYEES' MEDIAN INCOME: \$34,700
- HOUSEHOLD MEDIAN INCOME: \$48,900
- AVERAGE TENURE AT SYSTEM SENSOR: 7 years
- MEMBERS OF RACIAL OR ETHNIC MINORITY GROUPS: 27
- FIRST-TIME HOMEBUYERS: 31

- System Sensor credits EAH with saving more than \$100,000 per year through reduced turnover costs.
- Media attention included a mention in the *Wall Street Journal*, a profile in *Newsweek*, and stories in the *Daily Herald*, *Kane County Chronicle* and *Chicago Tribune*.

Figure 5
System Sensor Cost-Benefit Analysis

	2000	2001
Downpayment/closing cost assistance	\$5,000 x 16 participants = \$80,000	\$5,000 x 19 participants = \$95,000
Joseph Corporation homeownership counseling and program administration	\$20,000	\$20,000
MPC program design and evaluation	\$7,500	\$7,500
Savings due to reduced turnover, recruitment and training	\$207,500	\$247,500
Net savings to System Sensor	\$100,000	\$125,000

Source: System Sensor, 2002

Northwest Community Healthcare, Arlington Heights, Illinois

Northwest Community Healthcare (NCH) saw an EAH program as a way to encourage employees to live closer to the hospital, thereby reducing turnover costs and increasing the number of staff who would be available to work off-hours or emergency shifts. Funding for the program was approved in October 2001. Hospital executives considered purchasing an apartment building nearby to offer to employees at affordable rents, but instead took advantage of state tax credits and matching funds to roll out an EAH homeownership program to employees. The program was administered by the North West Housing Partnership.

The new initiative was announced in March 2002. The program is available to employees who have worked for the hospital for at least a year and earn less than \$70,500. The employee should also be a first-time homebuyer, and the home must be within a 10-mile radius of the hospital. Like System Sensor, the hospital offers \$5,000 loans forgiven at 20 percent per year over five years. If an employee leaves before completing the five-year commitment, the portion that has not been forgiven must be repaid to the hospital.

As of August 2003, 10 NCH employees had bought homes. The hospital has also benefited from heightened exposure in the local community, including coverage in area newspapers and an appearance by Mark Lusson, vice president of Northwest Community Healthcare, on WTTW Channel 11 as part of the Chicago Matters series on housing.



Darlene Dugo, Fannie Mae, presents a plaque to Northwest Community Hospital in recognition of their employer-assisted housing initiative. Also shown are Arlington Heights Mayor Arlene Mulder, Donna Thomas, North West Housing Partnership and Mark Lusson, Northwest Community Healthcare.

COURTESY OF FANNIE MAE

Bank One, Metropolitan Chicago

Bank One offers \$2,500 grants to help with down payment and closing costs for employees purchasing their first homes. The employee needs to have been employed with the bank for one year to participate, and his income must be less than 80 percent of the area's median income. Bank One has committed \$500,000 toward this program.

In northeastern Illinois, Bank One has partnered with MPC and all eight REACH partners, leveraging IHDA matching dollars to provide eligible employees with a total of \$5,000 of assistance. Bank One and the REACH partners set a goal of assisting 25 new home-

buyers during the first year of the program. Since the local launch in June 2002, more than a dozen Chicago-area employees have qualified for the program and six participants have successfully bought new homes.

Bank One managers believe the initiative fosters loyalty and commitment to the company, in turn creating a desire to serve bank customers better. Given the competitive marketplace for banking associates, the bank sees its investment in EAH as a way to ensure Bank One is an attractive place to work.

Figure 6
Bank One's Employer-Assisted Housing Program

	Chicago	Nationwide (including Chicago)
Total new homeowners	18	195
Grant amount	\$2,500 + taxes	\$2,500 + taxes
Average mortgage amount	\$101,837	\$90,480

Source: Bank One, July 30, 2003

Steps to Implementation

Put a program in place

MPC and REACH partners are available to help determine the economics of an EAH program for any organization. A cost-benefit analysis examines the value of an EAH initiative, taking into consideration turnover expenses and projected savings. MPC and REACH partners also provide a housing needs survey to help determine whether employees currently own or rent, how they get to work and if they would be interested in moving closer to their jobs. The survey can be customized to meet the particular needs of each employer. After these evaluation steps, MPC and REACH partners work with an employer to design and implement an EAH initiative.

Introduce EAH to local employers

Local or county governments can help introduce EAH to local employers. Government or business associations can invite employers to attend presentations, or schedule individual meetings. MPC and REACH partners can arrange presentations for groups convened to learn about EAH. By offering to help cover program counseling costs or targeting existing housing programs to employees of local companies, governments can provide financial incentives to employers to invest in EAH and a boost to workers looking to buy homes in the community.

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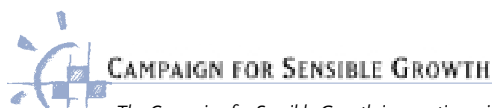
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The Campaign for Sensible Growth is an action-oriented coalition of government, civic and business leaders in northeastern Illinois' six counties working to promote economic development while preserving open space, minimizing the need for costly new infrastructure and improving the livability of our communities.

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