

Regional Employer-Assisted Collaboration for Housing (REACH)

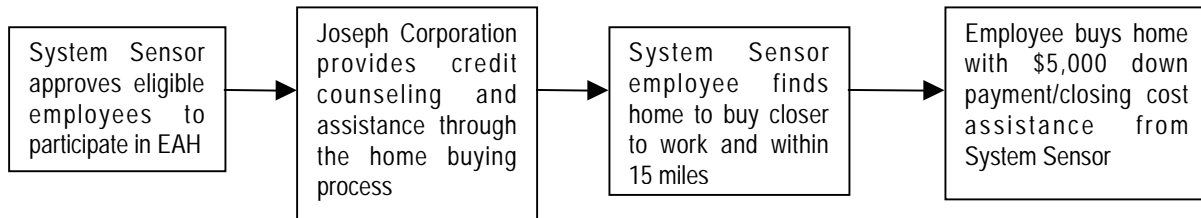
This is the fourth quarterly report on the employer-assisted housing (EAH) initiative undertaken by the Metropolitan Planning Council (MPC) in collaboration with non-profit housing organizations and regional employers. The first model is already providing homes for St. Charles-based System Sensor employees. The Joseph Corporation, an Aurora-based housing counseling agency administers the program for the company.

As of the end of its first year, System Sensor had helped 16 employees buy homes closer to work. Twelve families are first-time homebuyers, and all recognize the company's critical role in helping them achieve homeownership. System Sensor credits this program with saving the company \$100,000 in training and recruitment costs, raising worker morale and reducing turnover and absenteeism.

The EAH Program at System Sensor

Committed to maintaining its business edge through innovative workforce benefits, System Sensor's EAH program assists employees in buying homes closer to work, reducing employee commutes, tardiness and turnover. Workers must be in good standing, have completed at least one year with the company, and earn less than \$63,800. Eligible employees are referred to the non-profit Joseph Corporation for homeownership counseling and receive a \$5,000 forgivable loan from System Sensor at closing. The home they buy must be within 15 miles of the plant and closer to work than their current home. The employee must contribute \$1,000 or 1 percent of the purchase price. Joseph Corporation works with buyers, providing credit counseling and other assistance throughout the homeownership process, and attending the closing to deliver the \$5,000 check. At closing, System Sensor provides \$5,000 toward down payment/closing costs. If the worker stays with the company for five years, the loan is forgiven. In addition to assisting with the startup process of developing the program, MPC provides ongoing evaluation, marketing and technical assistance to Joseph Corporation and System Sensor.

**Illustration 1
System Sensor's EAH Program**



Background

In 1999, System Sensor disseminated an employee housing survey that was prepared by MPC and Joseph Corporation. The survey, which had an 11 percent response rate (98 of 850 employees), found that:

- o Over 50 percent thought that housing costs were too high in the western suburbs
- o Over 50 percent felt credit and/or financing problems would make homeownership difficult
- o Over 50 percent spent more than 30 minutes commuting to work; 10 percent spent more than 60 minutes in transit

Once System Sensor had assessed interest in a housing program, Joseph Corporation held a homeownership fair at the plant. It was attended by 35 employees. In response to additional marketing, 29 more employees applied and were referred to Joseph Corporation. Fifty of these 54 who completed Eligibility Applications to see if they could qualify for the EAH program were eligible and were referred to the Joseph Corporation for assistance. All 50 were seen individually by a counselor at the Joseph Corporation.

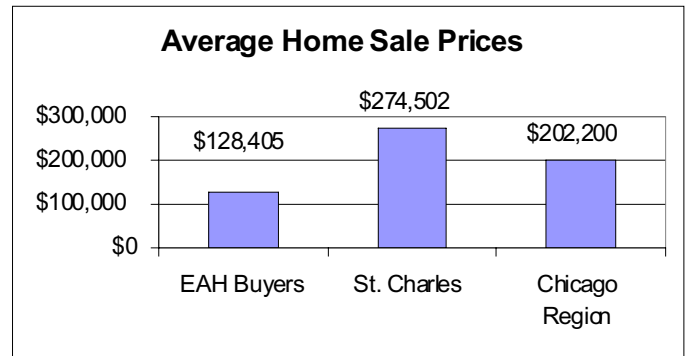
What happened to these people?

- 16 became new homeowners through the program in 2000
- 34 are working with Joseph Corporation to repair their credit record, obtain financing, or find a house
- One left System Sensor and repaid \$4,500 of the \$5,000 grant.

What kind of homes did they purchase?

Sale Price	Number of Homes
Less than \$100,00	7
\$100,00–\$140,000	5
\$200,000–\$217,000	4
Total EAH buyers	16
First-time buyers	12

Illustration 2



Source: 24th Annual Survey of Recent Home Buyers, Chicago Magazine (October 1999).

Who were these buyers?

- Participating employees’ median income was \$31,000. Their household median income was \$42,700.
- They had averaged seven years of employment with System Sensor.
- 12 were members of racial or ethnic minorities.
- 12 were first-time homebuyers.

System Sensor Cost/Savings Analysis

Downpayment assistance and closing costs	\$ 80,000
Joseph Corporation homeownership counseling and program administration	\$ 20,000
MPC program design and evaluation	\$ 7,500
Savings due to reduced turnover, recruitment and training	\$207,500
Net savings to System Sensor	\$100,000

Other Benefits to System Sensor

System Sensor credits its EAH program with reducing turnover and absenteeism and boosting morale and loyalty. The program is also an innovative option to add to a benefits package for recruiting new employees. Companies participating in EAH also benefit through improved public relations: System Sensor's employer-assisted housing program has received local and national attention, including a mention in the *Wall Street Journal*, a profile in *Newsweek* and a series of stories in the *Daily Herald*.

Conclusion

Housing is a benefit an employer can afford to provide. An EAH investment ranging from \$1,000 to \$5,000 per employee can pay for itself in one year. With some financial assistance and homeownership counseling, many workers can become homeowners. The nonprofit housing counseling agency plays a critical role not only in providing credit counseling and homeownership assistance but also in promoting the program to workers who may not believe that they could ever own a home or that their employer would help them. With a small investment, EAH distinguishes a company in a tight labor market and pays for itself quickly.

Fourth Quarter Achievements

- Four new families bought homes through System Sensor's EAH program in the fourth quarter of 2000.
- The median income of fourth quarter participating employees was \$31,513.
- The median household income of fourth quarter participating homebuyers was \$42,720, as compared to the Chicago region's median household income of \$63,800.
- The median home price of fourth quarter participating workers was \$109,000, as compared to the Chicago region's median home sale price of \$202,000.

Table 2
Employee Homebuyer Profile

	1st Q	2nd Q	3rd Q	4th Q				
	Average	Average	Average	13th	14th	15th	16th	Average
General Information								
Age	27.5	36	41	39	38	41	29	37
Gender				f	m	f	f	
Marital status				s	m	m	m	
Time with current employer (years)	7	6	10	4.4	8	11	1	6
Annual gross salary	\$30,063	\$28,094	\$40,057	\$23,424	\$45,173	\$28,152	\$37,600	\$33,587
Total household income	\$42,012	\$40,082	\$48,307	\$23,424	\$45,173	\$51,816	\$98,370	\$54,696
Number of adults in household	2	1	1	1	2	2	2	2
Number of children in household	1	0	0	1	4	6	0	3
Ethnic background				White	Hispanic	Hispanic	White	
Sale price of property	\$100,113	\$131,875	\$164,073	\$90,000	\$60,000	\$113,000	\$207,237	\$117,559
Pre purchase vs. post purchase								
Cost of rent before (per month)	551	500	719	450	952	170	985	796
Mortgage payment (incl. taxes and insurance)	945	948	1,249	898	594	1060	1581	751
Increase/decrease in housing expenditures	394	448	531	448	-358	890	596	394
% increase/decrease in housing expenditures	72%	90%	74%	100%	-38%	524%	61%	2
(Increase)/decrease in commuting time (minutes)			1	0	25	5	40	18
(Increase)/decrease in commuting distance (miles)			2	0	8	3	16	7
Services received from Joseph Corporation								
Date of referral				10/13/00	7/28/00	1/3/00	7/19/00	
Date of closing				11/6/00	11/27/00	12/14/00	12/22/00	
Days from referral to closing	114	125	86	23	122	248	125	130
Joseph Corporation service hours	7	8	6.5	4	15	25	15	15

Source: System Sensor Individual Reporting Form. Joseph Corporation (January 2001).

Boost for EAH: State Funds

MPC and the Regional Employer-Assisted Collaboration for Housing have initiated conversations with the Illinois Housing Development Authority (IHDA) about providing financial assistance to families who purchase homes through employer-assisted housing with two mechanisms. The first is below-market interest rates: IHDA has offered to make below-market interest rates available to EAH participants. Employer contributions can be used to lower the interest rate further or to assist with down payment/closing costs. IHDA has also expressed interest in providing funds for down payments/closing costs to match the assistance committed by an employer.

On the legislative front, MPC, in cooperation with a wide range of partners, has built momentum behind a state "Live Near Work" fund which would help entry-level workers buy homes near their jobs, while addressing statewide concerns over traffic congestion and lack of affordable housing options. MPC commends Gov. George Ryan for proposing a \$1 million matching fund to be administered by IHDA. MPC, the Campaign for Sensible Growth and a growing list of partners support House Bill 504 to create a \$3 million fund that would match each dollar spent by companies on programs that help their workers buy homes near their jobs. This will make EAH programs more enticing to employers and broaden their impact, while improving worker retention and quality of life in our region.

For more information:

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