Employer-Assisted Housing

An Investment That Pays Many Times Over
Problem

Metro Chicago jobs and population are growing at a faster rate than the supply of workforce housing.

Issue

Workforce problems result from this ‘Jobs-Housing Mismatch’.

Solution

Employer-Assisted Housing (EAH) – Maximizes employee retention by implementing this outsourced, easy-to-administer employee benefit.
An employee cannot afford typical housing near where he works.

- Elk Grove Village, Cook
- Naperville, DuPage
- St. Charles, Kane
- Gurnee, Lake
- Crystal Lake, McHenry
- Bolingbrook, Will

Salary, Housing Value ($1,000)

- Attainable Price, 1-Income HH*
- Attainable Price, 2-Income HH**
- Average Market Price

* Database Admin. @15.69/hr
** Medical Assistant @$9.79/hr and Database Admin. @15.69/hr
Housing costs more than workers can afford.

**Wages and the Cost of Housing in the Chicago Region**

- **Annual income needed:** $72,940
- **Median price of a home in 2004:** $230,000

<table>
<thead>
<tr>
<th>Job Title</th>
<th>Average Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elementary School Teacher</td>
<td>$49,399</td>
</tr>
<tr>
<td>Police Officer</td>
<td>$47,805</td>
</tr>
<tr>
<td>Nurse (LPN)</td>
<td>$39,849</td>
</tr>
<tr>
<td>Retail Salesperson</td>
<td>$25,711</td>
</tr>
<tr>
<td>Janitor</td>
<td>$24,801</td>
</tr>
</tbody>
</table>

Source: Center for Housing Policy
Rental housing is not a safe back-up.

Chicago Region Growth Trends 1990-2000
Despite overall improvements since 1978 (homeownership increased nationwide from 65.2% to 68%), working families — defined as employed households with children earning less than 120 percent of AMI — have actually experienced a decrease in homeownership rates (from 62.5% to 56.6%).
Employer-Assisted Housing as a workforce stability tool.

EAH is an employer-provided, easy-to-administer benefit that helps employees buy or rent a home closer to work.

*Each EAH plan is different, customized to meet the needs and circumstances of the employer.*

An EAH program could include:

- Counseling about housing choices and financing
- Direct financial help with closing costs and mortgage payments
- Rental housing assistance
- A real estate investment
- An Individual Development Account (IDA) or other savings program
- A combination of the above
Employer-Assisted Housing helps you reinvest in the neighborhood.

An EAH program can:

- Encourage employees to live in the community
- Engage employees in neighborhood life
- Support community development and reinvestment
What happens when workers have lengthy commutes?

- **Traffic congestion.** Average commute time has increased 10% in a decade. Employees waste approximately one extra workweek per year sitting in traffic.

- **Consequences:**
  - Employee stress
  - Morale problems
  - Tardiness
  - Absenteeism
  - Turnover
  - Recruitment costs
The Community at large benefits from EAH.

As former commuters transition into invested members of the community
EAH is a win for everyone.

Why Employer-Assisted Housing?

EAH benefits . . .

- The EMPLOYEE
- The COMMUNITY
- The EMPLOYER
- The HOUSING POLICY ARENA
Your company can benefit from EAH.

**EAH Benefits to Employer**

- Improved employee retention
- Reduced recruitment and training costs
- A benefits package with a competitive edge
- Subsidized assistance for relocating employees
- Reduced commutes, stress and absenteeism for your staff
- State and federal tax benefits
- Leveraged state assistance for your employees
Your employees can benefit from EAH.

**EAH Benefits to Your Employees**

- For homebuyers, provide down payment and closing cost assistance
- For renters, provide rental subsidy, security deposit and/or savings account to promote homeownership
- Help resolve poor credit history
- Enable employees to live closer to work (reducing stressful commutes)
- Make employees invested members of the local community
EAH provides tax benefits and financial incentives for employers and employees.

**State Matching Funds**
- State match of $1 for each $1 of down payment/closing cost assistance provided to an employee
- Reimbursement of some counseling costs for successful home purchases by employees
- Participating buyers’ income restricted to 80% Area Median Income – approximately $58,500 (for a family of four in the Chicago region)

**State Income Tax Credits**
- 50 cent tax credit for $1 invested in EAH, for both rental and homeownership models
- Up to $2 million in tax credits available per year for five years
- Credit is “transferable” if donating entity does not have tax liability

**Federal Tax Benefits**
- Federal tax benefit for contributing to nonprofit organization
- Housing America’s Workforce Act introduced in Congress 6/29/05
Tax Credits for Employers

- Offers a $.50 cent tax credit for every dollar that an employer provides to eligible employees, up to $10,000 or six percent of the employee’s home purchase price (whichever is less) or up to $2,000 for rental assistance.

Benefit to Employees

- Treats housing assistance as a nontaxable benefit by excluding from taxable income up to $10,000 in home ownership assistance and up to $2,000 of rental assistance received.

Funding for Nonprofit Housing Organizations

- Establishes a competitive grant program available to nonprofit housing organizations that provide technical assistance, program administration, and outreach support to employers undertaking EAH initiatives.
Who are we?

MPC
- The Metropolitan Planning Council, founded in 1934, is an independent, non-profit, civic organization working in the public interest to achieve policies that enhance the vitality and livability of the Chicago region.

Housing Action Illinois
- Housing Action Coalition, which was founded in 1985, is the only broad-based coalition working to promote affordable housing opportunities throughout Illinois.

REACH Illinois
- The Regional Employer Assisted Collaboration for Housing includes housing counseling organizations throughout the State – convened by MPC and Housing Action Illinois.

The REACH Model
1. Simple, hassle-free program for the employer
2. Nonprofit partner administers the program, counsels employees
3. State provides matching funds and tax credits, and outsources with MPC/Housing Action to spearhead evaluations, leverage other resources, media, etc.
Versatility of EAH

Sample of Participating Companies

- Advocate Bethany Hospital, Chicago
- Allstate
- Bank One
- Charter One
- Chicago Public Schools
- City of Evanston
- City of North Chicago
- City of St. Charles
- Draper and Kramer
- First Midwest Bank
- Illinois Institute of Technology
- MB Financial
- Medela Corporation, McHenry
- National Interfaith Committee for Worker Justice, Chicago
- Northwest Community Healthcare, Arlington Heights
- Robinson Engineering, South Holland
- Rosenthal Brothers, Deerfield
- Sinai Health Systems, Chicago
- Seaquist Perfect, Crystal Lake
- Small Business Consortium, Chicago
- System Sensor, St. Charles
- St. James Hospital
- University of Chicago
- Village of Riverdale
- Walsh Construction
How to Implement EAH at Your Company

MPC and REACH Partners help you every step of the way.

1. Conduct a Cost/Benefit Analysis
2. Complete a Housing Needs Survey
3. Establish criteria for a target group of employees
4. Approve eligible employees to participate in EAH
5. REACH Partner provides credit counseling and assistance during homebuying process
6. Employee buys home with down payment/closing cost assistance from your company
An investment of $1,000-5,000/employee pays for itself within 1 year.

## Employer-Assisted Housing Model

<table>
<thead>
<tr>
<th>Employer Investment</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing assistance: 20 people at $3,000 each</td>
<td>$60,000</td>
</tr>
<tr>
<td>Outsourced program administration, counseling, etc.: 60-80 people counseled and 20 closings</td>
<td>+$40,000</td>
</tr>
</tbody>
</table>

**Gross Employer Investment**  
$100,000

<table>
<thead>
<tr>
<th>Tax Benefits</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax credit (50 percent of $100,000)</td>
<td>$50,000</td>
</tr>
<tr>
<td>Federal tax deduction (based on 38 percent tax bracket)</td>
<td>+$19,000</td>
</tr>
</tbody>
</table>

**Total Tax Benefits**  
$69,000

<table>
<thead>
<tr>
<th>Employer Net Cost</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$31,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employer Potential Savings (estimate based in reduced turnover)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$100,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Additional State Incentives for Homeownership</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>IHDA match (down payment): 20 people at $3,000 each</td>
<td>$60,000</td>
</tr>
<tr>
<td>IHDA counseling funds (for successful buyers only)</td>
<td>$17,000</td>
</tr>
</tbody>
</table>

**Total Leverage**  
$77,000
### How to Implement EAH at Your Company

<table>
<thead>
<tr>
<th>Employer Role</th>
<th>REACH Partner Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Identifies targeted population and approximate budget</td>
<td>▪ Administers the EAH program</td>
</tr>
<tr>
<td>▪ Provides small grants to employees or local loan pool for housing assistance</td>
<td>▪ Provides credit counseling and housing education to employees</td>
</tr>
<tr>
<td>▪ Contracts with non-profits for technical assistance, education and counseling services and evaluation services</td>
<td>▪ Connects buyers and renters with financing products, financial institutions and realtors</td>
</tr>
<tr>
<td>▪ Applies for and administers state tax credits</td>
<td>▪ Applies for and administers state tax credits</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MPC/Housing Action Role</th>
<th>Financial Partners Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Supports partnership development</td>
<td>▪ May offer special loan products or other incentives for you and your employees</td>
</tr>
<tr>
<td>▪ Provides assistance in program design, ongoing t.a. and resource development</td>
<td>▪ Provide program support for REACH partners</td>
</tr>
<tr>
<td>▪ Coordinates program evaluation</td>
<td>▪ Are often leading EAH employers</td>
</tr>
<tr>
<td>▪ Facilitates outreach to companies and partnership development</td>
<td></td>
</tr>
<tr>
<td>▪ Assists in marketing and publicity</td>
<td></td>
</tr>
</tbody>
</table>
Company contracted with both MPC and local REACH partner

Employees received down payment assistance and homeownership counseling

Company saved $100,000 annually in reduced turnover

Inspired new incentives now available through State (matching funds for employees and tax credits for employers)

60 homeowners purchased within 15 miles of work

Company sold to Honeywell
Partners: University, Hospital, NHS, MPC, City of Chicago

73 closings: 61 from University, 12 from Hospitals.

Benefit
- Zero interest
- $7,500 loan
- Forgivable over five years

Service Area
- Primary: Woodlawn, North Kenwood Oakland, Washington Park
- Secondary: Hyde Park-South Kenwood

Counseling activity:
- 306 employees have participated in NHS counseling session
- 63% of these employees have begun Homebuyer Education Course and 56% have completed all 4 classes.

Ethnicity of buyers:
- 40 Caucasian buyers.
- 19 Asian buyers.
- 12 African American buyers.
- 2 Latino buyers.
Previous proximity to area:

- 47 participants previously lived in the EAHP area.
- 14 participants lived in Chicago, outside of the EAHP area.
- 12 participants lived outside of Chicago, 5 of whom relocated to accept a position.
- Average family income: $54,840

Other items of note:

- 23 EAH buyers leveraged funds beyond employer’s.
- 70 purchases were condos, 3 were single-family homes
- 66 purchasers were first-time homebuyers
Key Lessons Learned

- City and State leadership profoundly encourage and enhance the University’s programs.
  - Mayor and Governor engagement
  - DOH and IHDA resources
- Nonprofit partnerships - MPC and NHS are important
  - Outsourcing counseling integral
  - Evaluation demonstrates success
- Program can both aid community development and contribute to employee loyalty
- Challenge: Housing prices
What Our Employees Say*:

“This is a huge perk . . . Everything is in walking distance of my home. I really lucked out.”

“When I heard the university was giving out down payments for homes, I couldn’t believe it.”

“I don’t know many employers that would do that. It would have taken me another four years to save the money to buy a house if I hadn’t gotten help from the university.”

“I’m so blessed. I have exactly what I want. I’m living where I want to be in an active, interested community.”

“I am definitely building equity. I am definitely less stressed by the commute.”

* All the above quotes were pulled from recent media coverage
Strategic Momentum

- City of St. Charles launched a program
- Metropolitan Mayors Caucus Housing Task Force embraced “workforce housing” challenge, adopting
  - Housing Endorsement Criteria
  - Housing Action Agenda
  - Model Housing Plan
- Housing Illinois (www.housingillinois.org)
• **Affordability & Choice**
  Expand current employer assisted housing programs through interdepartmental coordination, and increased resources for counseling and homebuyer assistance

• **Creation & Preservation**
  Leverage private sector investment to support Housing Plan priorities including housing near jobs and transportation

• **Leadership**
  Support public and private affordable housing planning and development through resource alignment and coordinated programs
For more information

Visit www.reachillinois.org for:

- EAH brochure and marketing material
- Information about the state tax credits and matching funds
- Semi-annual reports with data on participating employers and their successful employee-buyers
- Link to e-advocacy in support of the federal bill
- The list of participating employers
- Press clips
- Link to National Housing Conference’s *Private Sector Partnerships: Investing in Housing and Neighborhood Revitalization*
- Illinois Gov. Rod Blagojevich’s *Comprehensive Housing Plan*
Interested in learning more?

- In the Chicago region, call the Metropolitan Planning Council at 312/863-6005.
- Statewide, call Housing Action Illinois at 312-939-6074 x 3.
- Ask for Employee Survey or Cost Benefit Analysis.
- Encourage your legislator to support the “Housing America’s Workforce Act,” which will offer
  a) fifty cent federal tax credit on every dollar an employer invests in EAH
  b) five million a year for counseling agencies, structured as receding grants - - to encourage counseling experts to gradually replace federal dollars with employer contracts
  c) a change in the tax code so that the money received by employees from their employers for EAH is non-taxable.
- Spread the word!
Employer-Assisted Housing

An Investment That Pays Many Times Over