



Issue
#141,
May/June
2005

Making the Case for Employer-Assisted Housing

By Robin Snyderman

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Given the array of housing challenges facing families and individuals in Illinois, advocates and other thoughtful observers might question the relevance of employer-assisted housing (EAH).

EAH is a generic term to describe any number of ways an employer invests in workforce housing solutions, such as providing homebuyer education, downpayment assistance and loan guarantee programs.

There are 274 municipalities in the Chicago region alone, nearly 1,300 statewide, each of which is dealing differently with its local housing issues. Meanwhile, more than one-fifth of the state's households earn less than 80 percent of area median income and experience significant housing problems (cost burdens, overcrowding and/or substandard conditions). So how could fewer than 40 individual EAH partnerships between employers and community-based housing agencies have an impact on the policymaking and availability of affordable housing in a state that historically had no housing policy at all?

It is frequently pointed out that a good EAH program benefits the full range of stakeholders:

- The employer enjoys the benefits of a more stable workforce when employees live near work. Improved morale, less turnover and reduced recruitment result in bottom line savings.
- The employee, beyond receiving financial support from an employer to buy a home closer to work, also gains extra time – formerly spent in traffic – for family or community life.
- And the surrounding community gratefully trades in a portion of its traffic congestion for the new investment and property taxes, as former commuters buy homes near the jobsite.

The Metropolitan Planning Council (MPC), a northeastern Illinois policy and advocacy organization with business and civic leadership, identifies a fourth winner – the broader housing arena. Since it launched the Regional Employer Assisted Collaboration for Housing (REACH) with eight community-based housing partners in 1999, MPC's strategic achievements among local and state policymakers have been at least as encouraging as the very

tangible results related to new employee homeowners and new employer investors. The initiative, which started in the Chicago area, is now a statewide effort called REACH Illinois.

The more that REACH Illinois partners are contracted by employers to tailor their housing programs for local employees, the more these housing experts are recognized as essential to the economic health of the region. The housing organizations engaged in REACH are all established nonprofit entities with a track record in homebuyer education and homeownership counseling. They have access to various social service alliances and a sophisticated understanding of the very different market demands and opportunities in the jurisdictions they serve. Several of the partners additionally develop, own and manage affordable homes.

MPC advanced the concept of EAH precisely to alter the nature of the regional housing debate in Chicago by addressing housing as being in the self-interest of business leaders in the region. In addition, one of the secrets of the EAH program's success was that modest partnerships between housing agencies and employers were leveraged to inform and engage policymakers at various junctures along the way.

Not only are close to 40 employers now offering EAH, projecting or experiencing bottom line savings, but Illinois now has a housing policy and its first ever comprehensive housing plan, which prioritizes resources to address the needs of employees who can't afford to live near work. Local policymakers advancing the state's housing objectives have some "carrots" available, and there's even a "stick" or two for those municipalities that have overlooked the housing needs of historically underserved constituencies. Gov. Rod Blagojevich, Chicago Mayor Richard M. Daley and the suburban officials engaged in the Metropolitan Mayors Caucus are among the key leaders who have embraced EAH and stepped up their vocal support of affordable and workforce housing. In addition, this year the Chicago Federal Home Loan Bank modified its funding criteria to offer a more competitive edge to EAH programs in the bank's local Affordable Housing Program application process.

A Good Idea in a Time of Crisis

During the 1990s there was a 49 percent increase in homeowners in the Chicago region paying more than 30 percent of their income on housing. And rental housing is not the safe backup plan many would expect. During that same decade, while population increased by 11 percent and jobs by 16 percent, the rental housing stock in the region

actually shrank. Only 3 percent of all permits issued were for multifamily housing, compared to 22 percent nationwide.

Researchers point out that typical economic models of supply and demand do not bear out in this regional housing market, and that powerful non-economic variables are at play. The notoriety of the old Cabrini-Green paradigm of public housing has clearly tainted public perceptions of affordable housing, while local policymakers have lacked the guidance and tools from the state to address the very real housing needs of people who live and work in their jurisdictions. Consistent with trends throughout the country, regulatory barriers preventing affordable housing tend to institutionalize NIMBY voices, however uninformed or scattered such voices may be.

The REACH model is intended to be hassle-free for the employer. Once a company signs on and determines its goals and budget, MPC and the REACH Illinois partner tailor a program and introduce all the necessary documents (memorandum of understanding, forgivable loan instrument, etc.). REACH partners ultimately administer the EAH program for the employer, providing housing fairs and educational classes for the employees as well as confidential, individualized counseling and pre- and post-occupancy assistance. Thanks to their networks in the community and their knowledge of the various financing products available, REACH partners are uniquely poised both to support employee families and to maximize the employer's investment in those families. MPC's main role has been "matchmaking" these partnerships, leveraging incentives and funding sources such as state and county matching funds and tax credits, while also leading evaluations and public education.

Over 700 employees have begun participating in homeownership education since the program began in 2000, and close to 300 have successfully bought homes through an EAH initiative. Of the 141 new homeowners in 2004, based on available data, employee median salary was just over \$36,000, while the household median income was \$43,000.

A Variety of Options

EAH has proven effective as a tool to promote affordability in more expensive, high job-growth areas, as well as a strategy to encourage reinvestment in urban communities. It has further proven itself among large and small employers alike, as well as for both nonprofit and for-profit organizations. What began as a simple homeownership model, where employers helped employees afford existing housing options, is now

expanding to address rental and new development options as well.

Allstate Insurance Company implemented a pilot EAH initiative in the expensive housing market of Vernon Hills, to assist households earning less than 80 percent of area median income to buy homes in the area. The local REACH partner, Lake County Affordable Housing Corporation, helped employees with credit counseling and homebuyer education and introduced a range of available mortgage products. The \$5,000 (per employee) assistance from Allstate leveraged not only matching dollars from the state, but also the county. The \$15,000 ultimately provided to each of six employees made it possible for them to afford homes near work in what otherwise would have been an impossible market to penetrate. Every dollar that Allstate invests into its REACH partner and down payment assistance can leverage a 50-cent tax credit from the Illinois Housing Development Authority, which also provides the state matching funds.

On the other side of the marketplace and region, the Illinois Institute of Technology (IIT), located on Chicago's South Side, is partnering with MPC and the community-based Genesis Housing Development Corporation to launch a new EAH model. To bolster the Chicago Housing Authority's redevelopment of neighboring Stateway Gardens, a high-rise slated for demolition and transformation into mixed-income housing, IIT will offer any employee a \$7,500 forgivable loan to buy a home in the new community. IIT also recruited two other employers, encouraging them to implement similar programs; the Illinois College of Optometry and De La Salle, a local Catholic High School, are part of the agreement with IIT, the developer and the REACH Illinois partners (Genesis and Rogers Park CDC). Because these three employers are nonprofits with no income tax liability, they will be selling their tax credits to the developer. So far, over 50 employees are engaged in counseling with Genesis and 16 have placed deposits on new homes. The CHA's mixed-income sites aim to serve former public housing residents, moderate-income households and market-rate owners and renters within the same development. Employer participation can promote that integration by encouraging the investment of moderate-income and market rate households in the redeveloping communities. This will be an important step in undoing the historic isolation of low-income public housing residents.

Looking Forward

Given the state's unprecedented budget crisis, EAH is a particularly compelling strategy because, through 2004,

every dollar of state matching funds utilized for this program has leveraged over five dollars from employers.

While EAH has proven a promising strategy in Illinois, one MPC recommends that to be advanced nationwide will take time. The MPC/REACH programs evolved quite incrementally before moving into a more accelerated, exponential pace. While human relations directors, chief executive officers and others typically recognize the merits of EAH, it takes multiple levels of buy-in for corporations to change the way they do business, choose EAH over other benefit or scholarship programs and ultimately decide to launch. Word of mouth and media help spread the concept. As many employers signed on in 2003 as during the previous three years combined. Similarly, in both 2003 and 2004, as many employees became homeowners with employer assistance as were assisted in the program's entire first three years.

Employers and municipalities across the metropolitan Chicago region continue to discover the benefits of EAH and the value of their community-based housing experts. At the state level, many observers credit the voice of employers on housing issues as inspiring suburban and state policymakers to give desperately needed attention to housing policy. The more business leaders recognize their self-interest in the housing issue, embracing community-based housing partners and the value of affordable workforce housing, the more policymakers respond. Sen. Hillary Clinton (D-NY) is expected to introduce legislation soon to further sweeten the pot for EAH through federal tax incentives for employers and grants for agencies that provide counseling. Nationwide, as we struggle to maintain the commitment of federal policymakers to affordable housing, EAH is a promising strategy.

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Resources
Metropolitan Planning
Council
www.metroplanning.org

REACH program
www.reachillinois.org

**“Building for Success:
Illinois Comprehensive
Housing Plan,” released
January 2005.**

**“Private Sector
Partnerships.” National
Housing Conference, June
2004. www.nhc.org.**

**Information on similar
programs in Illinois can be
found at
www.statewidehousing.org.**

**See
www.housingillinois.org
for research indicating
widespread support for
affordable housing and for
the campaign underway to
tap into that constituency.**

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