

## CHAPTER 2

# Cooperation and Partnerships

**N**o matter what a community's housing goals – increasing rental supply, rehabilitating older buildings, creating a high-end residential market downtown, or maintaining existing homes – building a diverse housing stock is challenging. Municipal officials find the need to be creative, rethink traditional roles, and seek partners who bring experience, skills and resources many municipalities do not have. Rather than wait for developers to come to them, local officials can brainstorm development concepts (or at least outline some goals), and take those ideas to developers. They can involve area employers to lower existing housing costs. They also can find ways for market-rate and affordable housing developers to share responsibilities in new developments.

Communities can become partners in the development by facilitating needed zoning changes or taking other actions within their purview.

Ambitious goals require ambitious action, and that is much easier with the right partners.

This chapter outlines the roles various players in residential development can play, and presents examples of successful cooperation and collaboration. Rehabilitating or constructing affordable housing usually requires a joint effort (and often a formal partnership) among multiple entities. Even market-rate housing priced above a community's norm can be difficult to build without some form of collaboration. Participants can include: municipal, county, state, and federal governments; for-profit and nonprofit residential developers; nonprofit organizations; private and quasi-private financial institutions; and employers.

### WHAT TO GAIN FROM THIS CHAPTER

- 1. Understand how cooperation and partnerships between the players in residential development can make ambitious goals easier to achieve.**
- 2. Learn the roles, both traditional and creative, participants in housing development can play, and how to maximize cooperation.**

Building even one home is harder to do alone than with the right partners. This chapter demonstrates who the right partners are and how to find them.

Photo: Lydia Shalanko



## Players in Residential Development

Each partner is likely to approach housing issues from a different perspective, but collaboration is critical to a development's success. Affordable, mixed-income, and mixed-use developments can be more complicated than traditional development involving a single private developer and lender; the more challenging the site and development concept, the more likely some type of partnership will be required. Understanding the objectives and motivation of each party is critical in building trust and workable relationships.

To be successful, collaborations must incorporate the following at the onset of any development project:

- Consensus-based, realistic development goals and priorities of each party.
- Clearly defined roles, responsibilities, finances, and risk for each party.
- Staff with the relevant experience and time to undertake a development of the scale and type given their other commitments.
- Clear, agreed-upon timelines for each party for each step of the process.
- Legal remedies if problems arise.

### THE PARTNERSHIP AGREEMENT, MEMORANDUM OF UNDERSTANDING, AND LETTER OF INTENT

Legal documents describe the parameters of bilateral or multilateral partnerships.

The basic components of these documents include a description of the parties, roles and responsibilities, capital or other contributions, means of sharing benefit and risk, and partnership dissolution procedures.

Each development and each partnership arrangement will require a uniquely tailored document. However, a template is available on the MPC web site, [www.metroplanning.org](http://www.metroplanning.org), search *Sample Joint Venture Operating Agreement Form*.

### IMPORTANT TIP

#### Check a Developer's References

*IHDA, Community Investment Corporation, Metropolitan Planning Council, Illinois Housing Council, and other municipalities can offer names of developers, as well as information on projects they have completed successfully. Municipal officials should check references to ensure the developer has the expertise and financial capacity to complete a given development.*

## The Value of Partnership

Partnerships make sense when there is efficiency to be gained through cooperation.

Generally speaking, partnerships are advisable for a community when it has something to contribute to a deal (land, financial incentives, zoning, etc.), but lacks the capacity, funding, or particular expertise the development demands.

Developers, particularly those specializing in affordable homes, and nonprofit groups have expertise in property management, know the ins and outs of government programs and incentives, or have experience serving different segments of the population.

As you consider whether your community should form a partnership on any given development, be sure to ask yourself the following questions:

- What does my community stand to gain from entering this partnership? What do we stand to lose?
- What are the risks and opportunities for potential partners? Are these balanced, or is one partner clearly at an advantage or disadvantage?
- What can my community add to the deal? Is there anything we would prefer not to contribute?
- What can the other partners bring? Could a different partner do more?
- Are the goals of the partnership clear? Roles and responsibilities? Timeline?
- Is the partnership necessary to make the deal work? If not, how could a partnership benefit everyone involved?

Photo: Josh Hawkins



Photo: Habitat for Humanity



Partnerships can help with small-scale developments, such as Habitat for Humanity's Block Build in Elgin (right), and large-scale efforts like the Chicago Housing Authority's bold Plan for Transformation (left).

## The Municipality

The municipality should document its goals in a comprehensive, neighborhood, or housing plan (as described in Chapter 1).

It can place controls and restrictions on the development relative to the aesthetics, scale and type of development, as well as its effect on the surrounding neighborhood. More direct municipal participation in the development or redevelopment process should be considered if the development is advancing municipal housing goals and strategies, such as:

- Improving a blighted neighborhood or block.
- Funding a catalyst development that can spur further redevelopment.
- Taking direct action to meet an identified housing need.
- Enhancing the municipal tax base.
- Increasing housing opportunities for targeted income groups where supply does not meet demand.

Municipalities can participate by using the tools outlined below (and described in detail in Chapters 3, 4 and 5).

- Set community goals for a site through planning, visioning and zoning. Municipal regulations that can enhance affordability include minimum lot sizes, accessory or granny flats, parking requirements, or density bonuses. The community should identify its site-specific preferences for density, height, setbacks, lot sizes, permitted uses, parking, etc.
- Guide, shape and support public participation through education campaigns, community meetings, newsletters, and local media.
- Streamline and expedite the approval process for desired housing to reduce development costs.
- Reduce acquisition, construction, financing, and operating costs through financial assistance such as tax increment financing (TIF), tax abatement, tax exempt bonds, or housing trust funds.
- Assist homebuyers, homeowners and renters by offering homebuyer assistance and counseling, foreclosure prevention, rehabilitation loans or grants, property tax relief, or rental assistance.

Photos: Josh Hawkins



A municipality can target infill sites (above) for housing developments that meet community goals. The New Homes for Chicago program (left) is such an effort, targeting residential development in communities in need of reinvestment.

- Acquire and assemble land through sale or donation of sites to developers. Donated or discounted land contributes to lower development costs, and results in less expensive housing. By offering the land for free or at a discounted price, the municipality will have additional leverage to increase the number of affordable homes in the final development (and could earn a tax credit through the Illinois Affordable Housing Tax Credit Program).
- Identify qualified for-profit developers for municipally owned land, nonprofit partners, and lenders for the specific type of housing by issuing Requests for Proposals (RFPs) and Requests for Qualifications (RFQs). (See Appendix E for more details on writing an RFP and RFQ.)
- Ensure long-term affordability through direct subsidies to the developer or resident, deed restrictions, or land trusts.
- Offer assistance in selecting qualified residents.
- Support the developer's effort to secure financing from public and private sources. Municipal officials can submit letters of support to such agencies as the Illinois Housing Development Authority (IHDA), Federal Home Loan Bank, and private lending institutions to show its commitment to the success of an affordable development.
- Mobilize local employers to offer employer-assisted housing (EAH). Described in greater detail toward the end of this chapter, municipalities in the Chicago region and across the country have found EAH is a cost-effective, mutually beneficial program that allows employers to invest in their personnel, communities and themselves by helping qualifying employees purchase homes close to work. Municipalities can be proactive in marketing EAH, offering EAH to their own employees, and using it as a reinvestment tool by directing benefits to specific neighborhoods.
- Ensure local stakeholders are aware of state, county and other incentives and resources to support municipal efforts.

How does a municipality decide which approach to take? First, a municipality should determine if the development is worthwhile by answering the following questions.

#### **Land and site control:**

- Who owns or controls it?
- What is on the land now?
- Are there problems or issues with the site (e.g., contaminants to remove, poor management)?
- Is the land for sale? If so, is the price realistic, based on other sales in the area?
- Is this a critical site in furthering municipal goals?
- Are there other sites to consider for the intended use?
- Will current tenants need relocation assistance?

#### **Developer:**

- Has a developer been identified? If not, which developers can be contacted for a given development?
- Does the developer have successful experience with this type of development in your community or others?
- Has the developer demonstrated there is a market for this type of development at this location? (The market study should verify the developer's assessment.)

### Municipal plans and participation:

- Is the proposed housing consistent with the municipality's vision and plans?
- Is the site zoned for this type of housing, or is rezoning or a variance required?
- Is the developer asking for public financial assistance? Is the site in a TIF district, enterprise zone, Special Service Area, other special taxing district, or Community Development Block Grant (CDBG) targeted area that may offer financing incentives to a developer?
- If financial incentives are being requested, are they critical for the development, and can they be used to gain public benefits and meet community goals?
- Is the developer applying for tax credits through IHDA or the City of Chicago?

### ADDITIONAL RESOURCES

In 2006, the Metropolitan Mayors Caucus, Metropolitan Planning Council, and Chicago Metropolitan 2020 produced *Home Grown: Local Housing Strategies in Action*, which describes more than 30 examples of best practices of housing developments, policies and programs from around the Chicago region. The examples featured in *Home Grown* (and its subsequent updates) illustrate how communities across the region are successfully undertaking affordable housing initiatives.



To access Home Grown on the web, go to [www.metroplanning.org/homegrown](http://www.metroplanning.org/homegrown).

### A REGIONAL APPROACH: COOPERATION BETWEEN COMMUNITIES

Sometimes a community-specific housing solution is not enough. Instead, a larger-scale regional approach is more appropriate. In the Chicago region, momentum is building among local policy-makers to collaborate across municipal boundaries on planning, policy-setting, and even building needed housing.

As of this book's writing, mayors in five communities along the north shore of Lake Michigan – Deerfield, Highland Park, Highwood, Lake Forest, and Northbrook – have met to discuss interjurisdictional solutions to shared housing concerns. As of 2008, those towns have 60,000 workers earning less than \$50,000 per year and fewer than 5,000 housing options they can afford. To meet the projected demand, 650 new homes (for rent or sale) will be needed every year for the next 20 to 25 years.

Highland Park Mayor Michael Belsky is among those spearheading this approach. “I think we all see the value in creating efficiencies through joint housing programs and ‘points of entry’ for the development community,” Mayor Belsky said. “Coordination requires time to cultivate and a high level of trust. Starting with employer outreach around employer-assisted housing seemed like a logical first step.” In addition to EAH, the communities have discussed a shared housing trust fund selected by each community that could be tapped for an affordable development in any of the towns. By working together, these communities are seeking regional, cooperative solutions to challenges they all face.

For more information about interjurisdictional housing solutions, contact Robin Snyderman, Vice President of Community Development, Metropolitan Planning Council, at 312-863-6007, or [rsnyderman@metroplanning.org](mailto:rsnyderman@metroplanning.org).

## CASE STUDY

### Purchasing a property for redevelopment

A municipality may choose to purchase a property to enhance the surrounding area and serve a housing need. The municipality can retain ownership following rehabilitation, or it can sell the property, often at below-market prices, to give the community leverage when requesting the developer include an affordability component.

South suburban Alsip and Hickory Hills have both purchased and renovated apartment complexes that were built in the 1960s as senior housing. Alsip Heritage I and II have a total of 512 one and two-bedroom apartments. Hickory Hills' Parkview Apartments, with 72 apartments, is across the street from an attractive park and adjacent to the town's senior center.

While not subject to income guidelines because neither development used state or federal funds, the rents are affordable to households earning less than \$35,000 annually. The properties are open to anyone over 55 years of age, without any income or residency restrictions. The buildings are owned and managed by the municipalities and stay well occupied.

The following case studies illustrate ways communities can be involved in the development process:

- Purchasing and redeveloping existing buildings.
- Serving as a catalyst and facilitator.
- Providing and securing funding.
- Direct development.

Photo: Josh Hawkins



By purchasing and renovating these buildings, Alsip was able to improve a neighborhood and preserve affordable options for its residents. Ownership gave it leverage it might not have had otherwise.

## CASE STUDY

### Development as a catalyst

When a community recognizes a problem with a particular property, in addition to conventional strategies such as code enforcement, it can bring together the property owner, lenders, and possibly a new owner to address the issue or particular housing need. In other situations, a municipality might proactively offer regulatory relief on different types of development, or offer some form of incentives in exchange for affordability and amenities. Increasingly, communities are

reaching out to employers to use employer-assisted housing as a tool in these situations.

The Village of Riverdale, in southern Cook County, was very concerned about deteriorating building conditions and criminal activity at Pacesetter, a 1950s-vintage townhome community. Some of the 397 homes were owner-occupied, but many were owned by several different, absentee parties. Village staff engaged the Urban Land Institute-Chicago and Campaign for

The preservation and rehabilitation of Whistler Crossing, near Pacesetter, was part of a larger effort by Riverdale to improve its housing stock and reinvigorate a struggling neighborhood.



Sensible Growth to conduct a Technical Assistance Panel (TAP). Following the recommendations of the two-day TAP, Riverdale partnered with Holsten Development Corporation and its nonprofit partner, Turnstone Development Corporation, to acquire and rehabilitate some of the buildings, as well as build new ones. Holsten and Turnstone relocated residents affected by the first phase of rehabilitation, according to the requirements of the Uniform Relocation Act (see Appendix B). Upon completion, the homes in the first phase will be rented to qualified low-income and market-rate households. Subsequent phases will include market-rate, for-sale units.

The Pacesetter redevelopment required a partnership between the village, for-profit and nonprofit developers, and numerous funding sources. Financing included acquisition loans from IHDA and the Chicago Community Loan Fund, a pre-development loan from Fannie Mae, grants from Chase Bank, Richard H. Driehaus Foundation, Ill. Dept. of Commerce and Economic Opportunity, federal funds, and tax credits through IHDA. Employer-assisted housing and the Regional Housing Initiative also support this effort.

On the opposite side of the region, in Arlington Heights, Timber Court is a 108-unit condominium development that will include 21 affordable homes for households earning less than 80 percent of the Area Median Income (\$60,300 for a family of four in 2008). The 21 one and two-bedroom condominiums will remain affordable in perpetuity through a deed restriction. The market-rate condominiums will be priced within the low to mid- \$200,000 range. The village granted the developer, Tandem Realty, a density bonus of 28 homes plus other zoning variances for building height, lot area and setback minimums, and rezoned some commercial land to residential in return for the affordable homes. The development used no federal, state, or local housing programs and has no direct subsidies. The support of both the village and Northwest Community Hospital, a nearby employer advocating for workforce housing for its employees, was instrumental in crafting a plan for the mixed-income housing. The Village of Arlington Heights manages the tenant selection process for the affordable homes.

## CASE STUDY

### Community funding

A municipality might use its own funds or apply for grants from state and federal government sources to provide additional financing for a housing development. This reduces the amount of equity a developer must raise, and makes it easier for the developer to obtain financing. Municipalities also can create trust funds to ensure a steady supply of funding for rehabilitation grants, rent assistance, or any number of other strategies.

On a relatively small scale, the City of Evanston, Evanston Housing Coalition, and Evanston Community Development Corporation partnered on an affordable, for-sale duplex development for moderate-income households earning 80 percent of AMI. One of the single-family houses had been a neighborhood nuisance and was in foreclosure. The city provided \$83,000 in HOME funds per unit (excluding land) for the two homes. Purchasers can take advantage of the city's first-time homebuyers program, which offers a first mortgage for 80 percent of the purchase price and a soft second mortgage for 20 percent of the value of the property. During the first 25 years, the owner pays principal only on the first mortgage; no payments are due on the second mortgage for five years. The new 1,700 sq. ft. homes were appraised at \$310,000, but sold for \$185,000. In addition to the upfront subsidy, the new homes' many energy saving features will lower utility costs, especially important in an affordable home. The energy-efficient features include specially engineered lumber that is stronger and more durable than wood, as well as high-efficiency appliances, HVAC systems, and lighting.



Though small in scale, this Evanston duplex went from nuisance to amenity because of a partnership.

## CASE STUDY

### Taking a development role

The highest level of municipal involvement in housing is when the governmental entity develops and owns a piece of real estate. This is not very common, as most municipalities are not in the business of residential development and property management. Most prefer to play a supporting role, and have a private entity handle development and management functions. Developing, owning and managing housing of any kind is difficult and requires a great deal of energy and experience. Additionally, the municipality will be responsible should anything go wrong. Nonetheless, there are cases when a community determines it can best meet its goals through direct property development.

A community can choose to take a direct role by purchasing land or developing a building. While this is typically done in large cities – the City of Chicago’s partnership with the Chicago Housing Authority, for example – smaller municipalities also can achieve housing goals by being proactive developers or partnering with local housing authorities. The advantage of playing this role is the municipality can set prices, target homes to specific populations, and have control of the property.

New Lenox Township, in Will County, developed and continues to manage a 24-unit building for senior citizens aged 62 and older. While there are no income restrictions, the rents fall within the Chicago metro area affordable level for a single person earning less than \$30,000 annually. The \$3.6 million building was funded with a revenue bond approved by referendum and state grants. The rents are set so they cover all operating expenses and debt service. The four-year old-building is fully occupied and has a waiting list.

Photo: Josh Hawkins



Direct development of housing is not just for the City of Chicago. These senior apartments were developed by New Lenox Township.

## The Developer

Developers, both for-profit and nonprofit, are in the business of building homes and being profitable. Whether the developer focuses on market-rate homes, or is driven by a specific mission to create affordable housing, they want to build developments that provide ongoing cash flow, development management fees, and sometimes “upside potential” – the ability to sell the property for a profit at some point in the future. Communities need to keep the developer’s interest in mind when considering a partnership; the market determines whether the homes will sell, and that determines developer interest.

Communities can defray developer costs, but if the community’s goals do not accord to market reality, it is unlikely a quality developer will be interested. It is important to remember nonprofit developers also look for profitability (although any financial gains must be reinvested or passed on to charitable benefit, rather than distributed to shareholders or investors.)

In an unsubsidized apartment building, rent should cover operating expenses and debt service for the property. However, in many locations, where these costs are high, affordable rents cannot cover enough, and either rents go up or the building is never built. Because of this gap, developers need to work with non-traditional financial partners to create economically viable developments that are affordable, through operating or capital subsidies, or other strategies.

Some developers specialize in building affordable homes. They have found a niche in the market that allows them to profit financially while meeting community affordability goals. They have expertise in navigating the maze of federal, state and local programs typically necessary to make their developments feasible. As each program has its own regulations, financing these developments is time-consuming and complicated.

When a municipality has an inclusionary zoning policy, even market-rate developments include a portion of the homes as affordable. As long as the entire development remains profitable, market-rate developers will take on the affordable homes as a cost of doing business in a community. Sometimes a market-rate developer will partner with an affordable developer (for-profit or nonprofit) to handle the affordable component.

When assessing a potential deal, any private developer is looking for:

- Readily developable land that is zoned or can be rezoned for the desired type of housing.
- A supportive, responsive municipality.
- Transparent development guidelines.
- Efficient approval and permitting processes.
- Funding sources.
- Ongoing management of rental properties.
- Profitability.

For developers, time truly is money. Once a parcel is identified, a developer will secure it, usually with an option to buy pending zoning approval. The developer wants to minimize the time it takes to get approval to prevent higher carrying costs, such as property taxes and interest on loans. Therefore, a predictable and streamlined approval process is extremely important for affordable developments. Concurrent with the municipal approval process, the developer is seeking financing from a variety of sources, and will ask the municipality to provide letters of support for state and federal tax credit applications, and other opportunities.

If a community wants affordable housing included in market-rate developments, it is important to build relationships with affordable housing developers that can build mixed-income developments or partner in a market-rate deal.

## The Nonprofit

Nonprofit housing organizations are mission driven. They are motivated by goals to address some social need, pursuit, or ideal, or aid a specific geographic area or population group. They are likely to have particular expertise in the neighborhood or development type, as well as better access to specific funding sources that can be valuable to a for-profit developer or owner. Nonprofits bring credibility to a development, which may help in marketing it to the surrounding community or funders. Nonprofits also can help to make the development more competitive for funding sources such as tax credits. Nonprofit developers can be community development corporations, faith-based organizations, or health and social service agencies. A list of active nonprofit housing organizations in the greater Chicago area can be found at [www.chicagoareahousing.com](http://www.chicagoareahousing.com).

In assessing a partnership opportunity, a nonprofit organization is generally looking for:

- Developments that will further its mission.
- Financing to further its mission.
- Long-term affordability for the community it serves.
- A municipality and community that support the organization's goals.

### IMPORTANT TIP

#### Partnerships Can Create Public Funding Opportunities

*Although certain housing programs and financial tools are available only to nonprofits, a for-profit developer likely has greater access to private financing and in-house management expertise. Public funding sources such as IHDA often give priority to joint ventures between for-profit and nonprofit organizations.*

## CASE STUDY

### For-profit and nonprofit developer collaboration

The Highland Park Illinois Community Land Trust, a local nonprofit, partnered with for-profit developer Brinshore Development and nonprofit developer Housing Opportunity Development Corporation (HODC), to develop Hyacinth Place. The 14-unit, affordable, "green" townhome development advances Highland Park's affordable housing plan and increases the community's housing supply for low to moderate-income households. After a city-issued Request for Proposals, Highland Park selected Brinshore and HODC because of their extensive experience in developing affordable properties and a productive relationship with the city.

Highland Park donated the land for Hyacinth Place to the local land trust, which will guarantee the homes and apartments' long-term affordability. The Land Trust will own the land and hold a ground lease for the townhomes sold to qualified purchasers. By removing the cost of the land from the purchase equation, the Land Trust ensures Hyacinth Place will remain affordable. The target market is residents and individuals who work in the community, particularly local government employees. Anticipating a LEED Certification, Hyacinth Place's environmentally friendly design features are expected to reduce energy consumption and utility expenses for its renters and buyers.

In the Roseland neighborhood, on the far south side of Chicago, for-profit Pathway Senior Living and nonprofit Neighborhood Housing Services-Chicago (NHS) built Victory Centre, a supportive living facility for low-income seniors. They also are partnering on an adjacent independent living facility. The site, which had been vacant for many years, will provide housing for grandpar-

ents raising their grandchildren, and the City of Chicago will operate a satellite senior center in the independent living building. Each partner brought its own strengths to the development. NHS has a long history of housing construction and rehabilitation in the Roseland neighborhood, including senior buildings, single-family houses, and homeowner counseling and assistance. Pathway Senior Living has developed numerous affordable senior buildings throughout the Chicago metro area, and has a track record of strong property management and successfully earning tax credits from IHDA.



Victory Centre is the result of a successful partnership between a for-profit and a nonprofit.

Photo: Josh Hawkins

## The Financial Institution

Financial institutions are in the business of making loans and generating profit from the interest paid by borrowers. Under the federal Community Reinvestment Act (CRA), banks with at least \$250 million in assets are required to invest in local communities, which has become a prime incentive for them to become involved with affordable housing developments. Typical activities include low-interest loans for developers of affordable housing, funding support for nonprofit organizations, and below-market-rate loans for income-qualified homebuyers.



Photo: John Booz and ULI Chicago

Dolton's cooperation with a nonprofit financial institution, Community Investment Corporation, led to preservation of affordable options at Dorchester Towers.

### Financial institutions are looking for:

- Entities that have a successful track record in developing the proposed product.
- Realistic financial, construction, marketing, and management plans.
- Evidence of other public or private financing layers the development needs.
- Community support for preservation or creation of new housing.

A community with a specific housing goal – such as rehabilitating a troubled apartment complex – can partner with a financial institution to channel investment capital to qualified borrowers who will make the necessary improvements. As long as the development is profitable for borrower and lender, this can be an effective means of mobilizing the private market for public benefit.

Community Investment Corporation (CIC) is a nonprofit lender that works with small-scale rental housing providers. The Village of Dolton, in southern Cook County, asked CIC to assist in rehabilitating Dorchester Towers, a 51-unit apartment building. CIC acted as an intermediary, identifying a qualified buyer with experience in the rehabilitation of older buildings and providing attractive financing. The new owner made major system upgrades, interior repairs, and added new landscaping to improve the building. Dorchester Towers also received a substantial decrease in its real estate taxes through the Cook County Assessor's Class 9 assessment classification. Now a mixed-income development, one-third of the apartments must be rented to low and moderate-income households.

## The Employer

Forward-thinking employers recognize that attracting and retaining quality employees is critical to business success. In locations with high housing costs, it is often extremely difficult for employees to buy or rent homes that are close to their jobs. The additional transportation costs and higher turnover associated with long commutes make it increasingly important for employers to look for creative ways to address this problem. In areas with depressed markets, employers can help spur reinvestment.

Employer-assisted-housing (EAH) programs provide an incentive for employees to live closer to work, thereby reducing commuting time and costs. This type of program has been helpful in attracting employees to positions that are difficult to fill, increasing investment, and improving the community, as well as making it possible for workers to live in high-cost locations. In Illinois, an employer can deduct 50 percent of the cost of the employer-assisted housing program from its state tax liability with a tax credit from IHDA, and employers with no income tax liability can transfer or sell this credit. Income-eligible EAH employees also are eligible for state funds to match their employers' assistance.

There are several types of EAH programs that can be tailored to the specific needs of individual companies and their employees, including:

- Education and counseling about homebuying and financing.
- Direct financial help with down payments, closing costs, mortgage payments, rental assistance, and individual development accounts.
- Direct real estate investment.

Municipalities can offer EAH to their own employees as a way to stabilize staff and invest in long-term community growth. They also can market EAH to employers as a recruitment and retention tool. EAH has proven to be cost-effective, and is particularly attractive to place-based

employers with an established community presence such as schools and hospitals. Successful EAH programs have been established by municipalities such as Evanston, St. Charles, Northlake, and South Holland; schools and universities including Loyola University and the University of Chicago; hospitals such as St. James Hospital and Rush University Medical Center; and large employers such as Chicago Public Schools, Harris Bank, Chase Bank, and System Sensor in St. Charles. Charter One, in addition to its own program, also offers financial support to small businesses for their own EAH programs.

Because many employers are not equipped to take on housing-related program responsibilities, the Metropolitan Planning Council worked with the Illinois Housing Development Authority (IHDA), Housing Action Illinois and dozens of counseling agencies to form the Regional Employer-Assisted Collaboration for Housing (REACH Illinois) to administer employee assistance initiatives on behalf of employers. (See sidebar on the following page.) Most EAH programs target households earning no more than 120 percent of the AMI (\$90,480 for a four-person household in the Chicago area in 2008).

## CASE STUDY

### Employer-assisted housing and REACH Illinois

EAH programs are designed for employers to help their workers buy or rent homes close to work, using state tax credits and state matching funds to promote and supplement employer investment. EAH reduces long commute times and inherent job stress, improves worker productivity and quality of life, and strengthens the overall community.

In Illinois, the Metropolitan Planning Council (MPC), IHDA, and Housing Action Illinois created a coalition of nonprofit counseling partners – Regional Employer-Assisted Collaboration for Housing (REACH Illinois) – to serve the needs of businesses and other entities offering EAH programs. REACH provides employees with credit counseling, home purchase assistance, and access to supportive financing products.

Since 2000, more than 70 companies have worked with MPC and REACH Illinois to establish EAH programs, from hospitals and universities, to school districts and municipalities. All of them have benefited from reduced turnover, tardiness and absenteeism.

Chicago-area employers offering EAH include such diverse entities as Allstate, Mercy Hospital, and The John Buck Company.

For more information go to [www.reachillinois.org](http://www.reachillinois.org).

Photo: Josh Hawkins



Rifat Hasina is one of many Chicago-area employees to benefit from her company's Employer-Assisted Housing program. EAH is a unique partnership between the private and public sectors.

Employers receive a state tax credit from IHDA, provided employees earn less than 120% AMI and purchase a home within 15 miles of the workplace. Most participating employers in the Chicago region limit the geographic boundary guidelines of their programs to promote walking, biking, and taking public transit to work. Loyola University, for example, requires participating employees to live within walking distance of the Chicago Transit Authority Red Line. Some other creative approaches to the guidelines are:

- Providing assistance to workers who purchase a home within one mile of public transit options, or a specific bus or train route, and use it to commute.
- Embracing the communities surrounding the workplace within a certain radius, or communities in which the employer does business.
- Connecting downpayment assistance to particular new and rehabbed housing developments near the workplace.

## CASE STUDY

### Partnerships can make solutions easier

Complex problems often require complex solutions, and a partnership between multiple entities across sectors can make solving problems easier and more effective.

Lawndale Restoration, on the west side of Chicago, consisted of 100 project-based Section 8 buildings, with more than 1,100 apartments in poor condition (and more than 1,800 code violations). This was the most troubled portfolio of properties financed by the U.S. Dept. of Housing and Urban Development (HUD) in Chicago, and the second largest foreclosure in HUD's history, when the owner fell behind on a \$51 million mortgage. Under a complex plan, HUD turned the buildings over to the Chicago Dept. of Housing for \$1 each. The city, in turn, worked with the Community Investment Corporation (CIC), which is funded by financial institutions investing to meet their Community Reinvestment Act requirements. CIC turned the properties over to 23 different developers to rehabilitate the buildings. The City of Chicago provided financing to the new owners, and several rehabs are now underway.



Photo: Valerie Keitchner

Partnership across sectors may have been the only way to save Lawndale Restoration. HUD, the City of Chicago, CIC, and 23 developers were involved. What had the makings of tragedy will now be remembered as cooperative community reinvestment.

## What's Next?

**A**s this chapter illustrates, there are many types of partnerships among developers, nonprofit organizations, municipalities, lenders, and employers. Each community and deal will be different, but every successful development, particularly for affordable and mixed-income housing, needs collaboration to make it work. The following chapters on new construction, preservation, and building community support provide additional details on how successful developments are done.