



The Westchester Public Issues Institute

*Independent Minds • Independent Voices
Informed Decisions*



A Public/Private Partnership
The Westchester County Association Inc.

THE HIGH COST OF HOUSING: A SURVEY OF EMPLOYERS & EMPLOYEES IN WESTCHESTER COUNTY

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April 2002



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SUMMARY

Westchester County real estate, unique both for its proximity to Manhattan and its beauty, has long been in great demand. The expansion of the NYC and downstate economy from 1992 into 2001 dramatically increased pressure on remaining open space, increasing the price of new and existing homes alike.

Westchester County's poor have long found it difficult to house their families. But the escalation of prices since 1992 has made the cost of housing a problem for the middle and upper middle class as well. Municipalities and school districts find it difficult to hire teachers, police officers and fire fighters who live within the communities they serve.

Business also feels the pressure on the cost of living. As only the very well compensated can afford to live in the county, business firms that depend on workers earning moderate salaries are likely to look elsewhere.

CGR and the Westchester Public Issues Institute conducted two surveys on the housing challenge facing Westchester County. One survey targeted Westchester County employers and the second, employees. The findings, detailed below, confirm that housing cost and its twin, extended commutes from other counties, is increasing turnover among lower-paid workers, eroding loyalty at Westchester County firms.

Contributing Staff

Sarah Boyce, Senior Research Associate
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Staff Team

Sarah Boyce assisted with project design and general counsel. Cliff Milligan was responsible for overseeing the administration and compilation of the surveys. Peter Hernberg contributed his technical skills to the survey mechanics. Thanks, too, to Brian Donegan and Eric Hinman for assistance with survey analysis.

INTRODUCTION

Westchester County is suffering from the unintended consequences of success. Rapid economic expansion in New York City during the late 1990s coupled with the inherent appeal of Westchester communities have driven real estate values and rents to levels far above what many people working in Westchester County can afford. Simultaneously, the Westchester economy has continued to evolve. Not simply a bedroom community to Manhattan, Westchester is an attractive business location in its own right. Employment at Westchester firms rose 12% since the 91-92 recession (September 92 to September 01), 2% above pre-recession peak employment achieved in 1988.

Nonresidents fill many jobs in Westchester County. A survey of employers conducted by the NYS Department of Labor found that 39% of all Westchester workers commute into the county from other locales, particularly NYC, Connecticut, New Jersey and the NYS counties of Putnam and Rockland. Confirmed by estimates from the NY Transportation Council, this is an increase from the 32% reported in the 1990 Census.

The tight housing market creates two problems for the Westchester community. First, rising housing costs have a disproportionate impact on low and middle-income residents. This changes the character of the county as only the relatively affluent can afford to remain. Second, the expansion of business will slow as existing and prospective firms find it difficult and costly to attract workers in sufficient numbers.

Without the services of a local workforce, the gains of recent decades are put at risk as new and existing firms choose to locate facilities in other communities. Coordination of workforce investment initiatives, having been recently over-hauled by the federal and state governments, may not be capable of addressing the significant challenges created by this scarcity of workers.

Ultimately, the challenge posed by Westchester's housing shortage can be mitigated but not solved. Caused as it is by pure scarcity—too little undeveloped land in a county that combines exceptional

beauty with proximity to one of the world's greatest economic engines—the problem can only be truly solved by precipitous economic decline or by the destruction of what makes the county desirable to residents. Clearly, the solution would be worse than the problem Westchester now confronts.

The terms *affordable housing* and *low-income housing* conjure up images of non-descript apartment buildings reserved for the unemployed and destitute. But the unusual economic position of Westchester County has created a need for a different kind of housing—housing for the working people of Westchester County.

The demographic breadth of Westchester's housing shortage distinguishes Westchester's problem from the challenge facing the rest of urban America. Certainly housing cost is a critical problem for Westchester's poor. Yet Westchester is unusual inasmuch as housing cost is also a serious challenge for working people, even households that would be considered upper middle class in most other communities.

The estimated median income for a four-person Westchester household in 2000 was \$86,000. By traditional affordability guidelines, this “average” household should limit its home purchase to a home worth barely more than \$200,000. Yet the average single family home sold for twice the “affordable” value. Even homes in multi-family buildings sold for nearly \$300,000 in 2000¹.

THE PROBLEM FOR BUSINESS

The problem of housing a community's poor can be treated by many as a social welfare problem, to be addressed by the public sector and the philanthropic gestures of wealthy individuals and businesses. Homeless shelters, food pantries and traditional affordable housing programs depend heavily on the generosity of business.

The housing problem in Westchester is different. Housing demands the attention of business out of simple *self interest*. The

¹ Statistics from Westchester County Department of Planning; analysis by CGR.

continued viability of Westchester as a business location depends on its ability to attract a competent and stable workforce. Continued price growth will erode Westchester's ability to compete nationwide for new business sitings and will encourage current Westchester firms to seek locations in less costly parts of the metro area—or nation. In an economic downturn, firms are likely to become more cost conscious; expensive sites may be selected for closure or shrinkage.

Other Highly Successful Communities Face Similar Problem

Westchester's problem is unusual but it is not unique. Cities like Austin, Seattle, Portland, Minneapolis, and the Bay Area in California are finding that residents in many occupations like teaching, nursing and public safety are increasingly unable to afford housing in the cities where they work. Like Westchester, these communities have recognized the risk faced by business firms and have taken steps to improve affordability for their employees.

Cost of Housing Shortage to Westchester Business

The shortage of housing imposes both direct and indirect costs on firms locating within the county. Direct costs include higher wages and salaries as existing and prospective employees bid these up. Indirect costs include lower productivity and absenteeism among workers with long commutes plus higher turnover and concomitant recruitment and training expenses. Given the importance of these indirect costs, business firms may not be aware of the full impact of the housing shortage on net returns.

That employment within the county continued to grow through the third quarter of 2001 testifies to the willingness of firms to absorb the higher operating costs imposed by the housing shortage. Therefore, programs addressing the housing shortage are key to the county's business attraction and retention efforts.

Employer Assisted Housing Programs

Unlike the early part of the 20th century, employer and business involvement in worker housing is now relatively unusual. Businesses are often unaware of how to initiate employer-assisted housing initiatives or other strategies that would help their employees.

Participation in Fannie Mae's Employer Assisted Housing program is one concrete step businesses can take to improve the situation for their own workers. The EAH program assists

companies interested in providing financial support for employee housing. As noted below, CGR discovered that most companies respond to the high cost of housing strictly through an increase in employees' entry salaries. The EAH program enables companies to target the challenge of housing cost at lower overall cost and without distorting the relative base salary across multiple business sites.

This participation will not address the fundamental scarcity problem that is central to the Westchester housing challenge, however. Some have suggested that widespread participation in EAH programs would actually made the situation worse by effectively lowering the cost of home ownership for a portion of the county's workers, increasing demand for the existing housing stock and driving up prices. The EAH programs are an important part of Westchester County's business attraction and retention arsenal. But they cannot address the underlying problem of scarcity.

HOUSING & TRANSPORTATION: SUBSTITUTES IN THE WESTCHESTER MARKETPLACE

Deeply entwined in the housing shortage is the NYC metropolitan area's longstanding battle with traffic congestion. Transportation alternatives have long influenced housing choices. Before the construction of subways and streetcars, employees had to live within walking distance of their places of employment, creating residential densities in the Lower East Side higher than those of the most crowded cities in the world today.

After the subways and streetcars came buses and the automobile. Robert Moses made New York City's modern suburbs possible by building bridges, tunnels, parkways and expressways, beginning his transformation of NYC geography in the 1920s and 1930s.

The NYC Metro economy is now dependent on a massive movement of workers throughout the area. The NY Metropolitan Transportation Council estimates that 24,000 workers enter Westchester from the nearby Bronx. More surprising, over 4,000 workers commute daily from Nassau County.

Like housing, the challenge of Westchester transportation is formidable. The problems and possible solutions have been carefully studied by county, regional, state and private agencies over many years and range from improvements to MTA service down the west side of the Hudson River to improved cross-county mass transit along the I-287 corridor. Concerted effort by the business community and elected officials is needed to move plans to the point of implementation.

SURVEY METHODOLOGY

Excellent analyses by numerous public and private sector institutions have described the dimension of the challenge and have explored ways to address these issues, including the work of the Westchester County Department of Planning and County Planning Board, the Housing Action Council, the Westchester Housing Fund and others.

To add to the collective understanding of Westchester's housing challenge, this report summarizes the results of two surveys designed and administered by CGR as a way of improving our collective understanding of the dimensions of the problem and the viability of some of the proposed solutions.

These survey instruments are not predictive of the entire Westchester population. Surveys of employers were limited to respondents from among the Westchester County Association's membership. Employee surveys were received from three major employers, Merrill Lynch, Westchester County and Pace University. These findings are illustrative, but should not be regarded as definitive for the population.

The business survey measures the degree of concern among employers regarding the housing shortage problem and the proportion of firms that address the housing issue in some direct way. An in-depth analysis of survey findings appears below. A copy of the instrument can be found in the Appendix.

The questionnaire targeting employees enables us to evaluate employees' interest in seeking another position closer to home to reduce commuting costs, or in finding housing elsewhere to

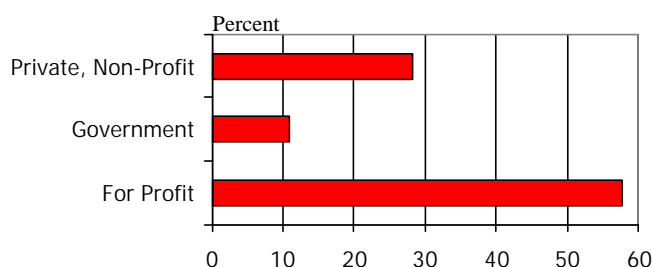
permit them to lower their housing costs. Again, further analysis appears below; the instrument can be found in the Appendix.

WESTCHESTER EMPLOYERS

Introduction

This questionnaire was intended to assess employers' perceptions of the magnitude of the housing problem and the impact of housing issues on business. We also sought to identify what steps are being taken by employers to address the challenge.

The Majority of Companies Were For Profit Organizations



Surveys were administered in two separate forms. An initial wave of surveys was sent to business representatives by e-mail. Respondents were invited to follow a link in the e-mail to a survey form posted on CGR's web site. The form could be filled out online and submitted directly.

Individuals without valid e-mail addresses were sent the survey via facsimile and asked to fax their responses back to the Westchester County Association.

Survey Results

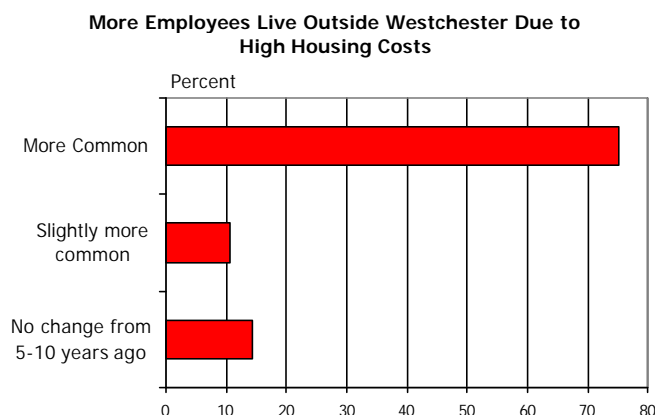
Survey results are summarized below. Different responses of survey subsets (e.g. small businesses v. large businesses or public v. private sector) are discussed when these differences appear to be substantial.

Composition of Respondents

Of about 90 business respondents, 71% have 100 employees or less. Eleven percent of respondents were governmental entities and 28% were private not-for-profit institutions. Of 24 respondents with more than 100 employees, 10 were private nonprofits, 10 were for-profits and 4 were governmental entities.

Severity of Housing Problem

Given a selection range of 1 (no difference) to 5 (usually a problem), nearly 60% of respondents chose either 4 or 5 in response to the question, **“Does the high cost of housing in Westchester County make the task of recruiting workers from outside the area more difficult?”** The problem is most severe among the not-for-profits; 73% find housing cost a very significant barrier to recruitment. Variations among businesses of different sizes were not significant.



Three quarters of respondents report that their employees are commuting greater distances than before. This includes respondents selecting 3 (“Yes, this is more common”), 4 or 5 (“Many more live far away”) in response to the question, **“Do an increasing share of your employees avoid the high cost of Westchester housing by living far away?”**

Firms’ Response to the High Cost of Housing Rather than programs directly targeting housing, the most common response to the cost of housing is to increase salaries. Nearly two-thirds of respondents adopted this approach to help employees contend with the high cost of housing.

Action Step	Share of respondents reporting use
Sign-on bonus	20%
Increased entry salaries	64%
Direct housing assistance	15%
Payroll savings plan	3%
Matching grants for down payment	2%
Low interest loan	6%
Own/develop housing for employees	3%
Assistance with bus/train fares	9%

In answer to the question, **“Would your firm benefit from assistance with information and strategies to provide affordable housing options to prospective and current employees?”** about one quarter of respondents expressed strong interest in learning about other options for addressing the housing needs of their employees, selecting 4 or 5 (“Definitely”)

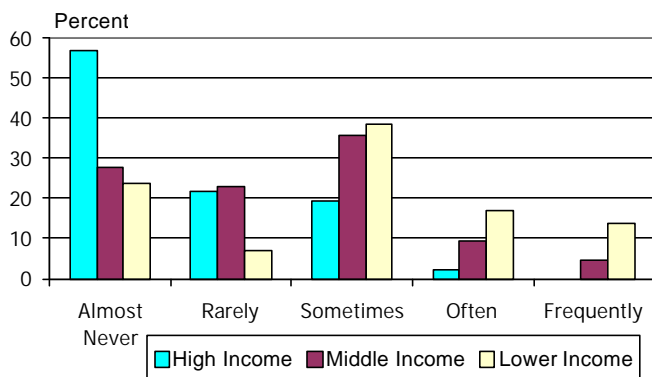
Private for-profit firms are more likely to employ sign-on bonuses (26%) than government (0%) or nonprofits (10%). Of the 26 nonprofits reporting, however, 84% indicated that they increased entry-level salaries to cope with the impact of housing on recruitment; about 62% of for-profit firms took this approach.

Nonprofits were also more likely to provide direct housing assistance than for-profits (23% v. 15%).

Impact on Turnover Varies by Worker Income

As expected, employers believe that the impact of housing cost on turnover varies dramatically by the income of the worker. When considering higher income workers, employers said “no” to the question, “**In your experience, does the high cost of housing increase turnover among your workforce?**” Only 2% of employers selected 4 or 5 (“Frequently”) while 75% selected 1 or 2 (“Rarely or not at all”).

Housing Costs Are More of an Issue With Lower Paid Workers



For lower income workers, these figures were quite different: Thirty-one percent of employers reported that turnover was often exacerbated by the high cost of housing while the same proportion reported that this was rarely a problem.

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Impact of Living at a Distance on Worker Productivity

Survey respondents had the choice of selecting one or more of four possible responses to the question, “**How does living at a distance from your workplace affect your employees?**” The following table shows the share of respondents selecting each alternative.

Impact on Employee	Share of respondents selecting
I don't see a difference in our employees based on the distance they travel to work.	33%
Long distance commuters are somewhat less productive than employees who live relatively close to our place of business.	28%
Long distance commuters are more likely to seek other employment close to home.	35%
Long distance commuters are less likely to "go the extra mile" for our organization.	21%

More than one quarter of respondents believe that productivity is affected by long commutes, a belief that is also held by a considerable share of employees (see analysis of employee survey below). One-third disagree, however, stating that the distance employees travel to work has no impact on employee behavior.

Firms Consider Relocation?

About one-fifth of for-profit firms state that they have considered relocating or expanding elsewhere as a result of the high cost of housing. Among nonprofits, about 15% have considered relocating for this reason. These percentages reflect those

selecting 3 (“Sometimes”), 4 or 5 (“Definitely”) to the question **“Has Westchester's housing situation (and its impact on recruitment and retention of workers) influenced your firm to consider expanding elsewhere or even relocating?”** Relocation is obviously not an option for public sector entities.

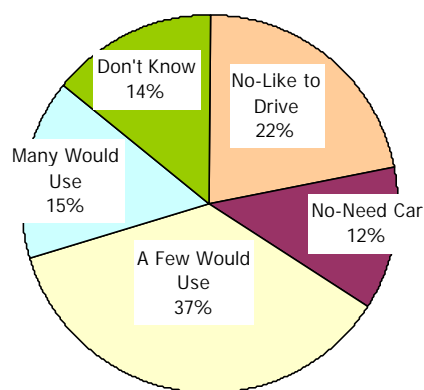
Transitional or On Site Housing

Support for transitional housing was weak among survey respondents. About 15% of non-governmental respondents selected either 4 or 5 (“Definitely”) in response to the question **“Would your firm use (or make more use of) transitional housing for new or temporary employees if this were more widely available in Westchester County?”** There was no discernable pattern of response by firm size, although a larger sample of large firms might reveal stronger demand for transitional housing.

About 60% of respondents indicated that they would probably oppose a proposal to construct worker housing on their office campus. Roughly 14%, however, indicated fairly strong support for this idea by selecting 4 or 5 (“Very interested”) in response to the question, **“How would your firm respond to a proposal to construct housing (for your workers or those of nearby firms) on your office campus?”**

Support for Public Transit

Would Workers Use New/Improved Mass Transit?

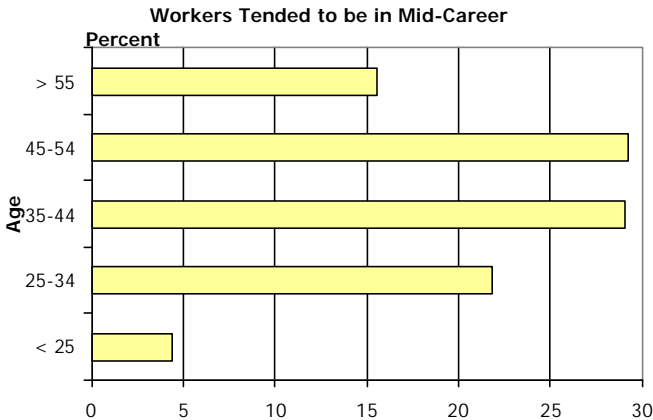


Slightly over half of respondents believe that at least some of their employees would make use of improved public transit, were it to reduce the time and uncertainty of their commute for a reasonable cost. The bulk of these respondents (37% of the total) selected the option “A few of our employees would be very interested . . .” with (16%) selecting the option “Many of our employees would be very interested . . .” Roughly one third believe that their employees would *not* be interested, either because they enjoy the freedom provided by driving or need their cars in their work.

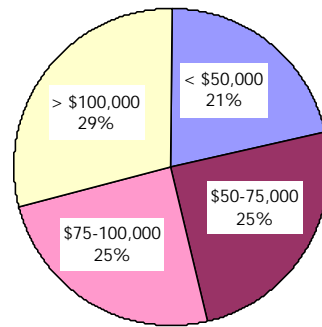
SURVEY OF WESTCHESTER EMPLOYEES

Introduction

The survey of Westchester employees was submitted through the company e-mail of Merrill Lynch, Pace University and Westchester County. Many other employers were approached but were



Responses Spread Across Income Classes

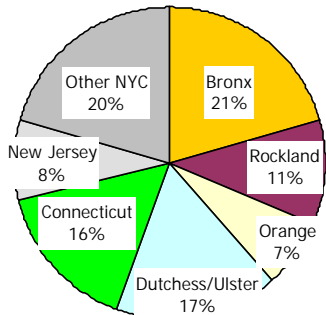


unwilling to participate in the survey for a variety of reasons. Employees in each of the cooperating organizations were sent an e-mail message by the administration requesting their cooperation. The message included a link that would take the respondent to a survey form on the CGR web site. On submission, the survey response would immediately be stored in a database on the web site.

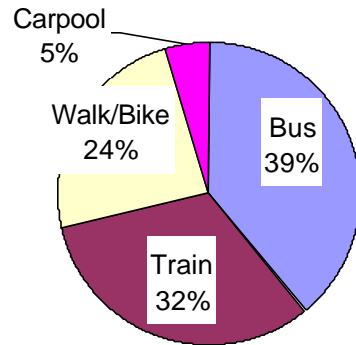
Survey Results

The final tally includes 527 responses, 62 from Merrill Lynch, 261 from Pace and 204 from Westchester County. As with the employer survey, these results are not representative of individuals working in Westchester County but do contain valuable insights into the housing situation in the county. To preserve confidentiality, the analysis that follows will not break out the responses by institution.

Workers Not Living in Westchester Are Scattered Across Three States



Bus and Train Preferred by Nondrivers



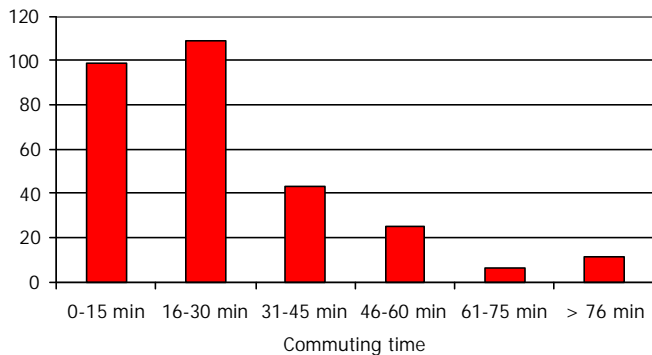
Most (84%) respondents live in Westchester County; approximately the same proportion drives to work. Only about 11% take public transportation.

Do You Want to Move Closer to Work or Find a Job Closer to Home?

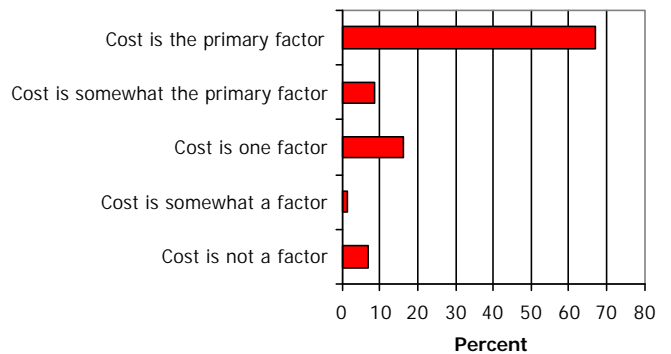
Sixty percent of respondents express satisfaction with their present living situation and indicate no desire to move closer to their place of work. These comments are in response to the question, **“What prevents you from moving closer to work?”**

When examined according to the amount time spent commuting, the answer to this question is rather different. Of the 126 respondents commuting more than 45 minutes each way to work,

Most Not Looking to Be Closer to Work Commute Less Than 30 Minutes

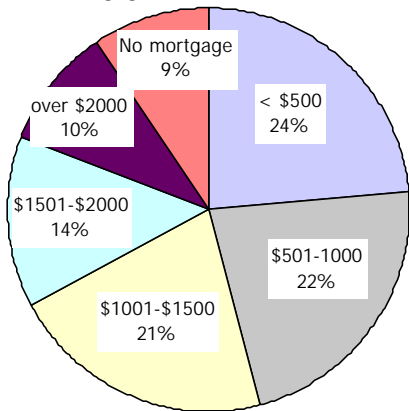


Cost of Housing is a Significant Reason for Not Moving Closer to Work

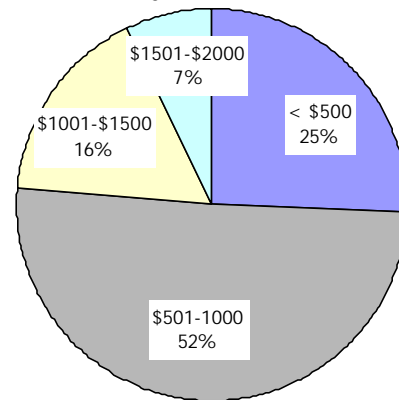


57% state that they cannot find appropriate housing they can afford closer to their place of work. An additional 38% of respondents declare themselves satisfied with their living situation.

Most Mortgages Are Under \$1500/month



75% of Renters Pay Less Than \$1000/month



In response to the follow up question, **“If you want to move closer to work, how important a barrier is housing cost?”** 60% of those wishing to move indicate that cost is the primary obstacle (selecting 5 on a scale of 1 to 5).

In response to the question, **“Do you think about finding a different job, just to be closer to your home?”** about one-fifth of respondents commuting more than 30 minutes each way select either 3 (“Often think about it”), 4 or 5 (“Currently looking”). This rises to 45% for individuals commuting more than 45 minutes to work. These findings do not change significantly when viewed at different levels of household income.

Impact of Long Commute on Productivity

About one-third of respondents to the question **“In your experience, does a long commute make it more difficult for you or your co-workers to be as productive and successful at work?”** selected either response 4 or 5 (“Yes, it is very hard to your best with a long commute”). The length of the respondent’s commute did influence their answer: Thirty-seven percent of respondents commuting *less* than 30 minutes selected response 4 or 5 compared to 25% of those whose personal commute was longer than 30 minutes. Perhaps workers with shorter commutes feel that they bear part of the burden of longer-commuting co-workers.

Leaving the Car at Home: Drivers on the Subject of Mass Transit

Mass transit might offer a solution to the housing problem for some Westchester workers. For those respondents who presently drive to work, question 16 (“**Looking at your current commuting habits, what prevents you from taking mass transit?**”) probes what might persuade them to move to mass transit.

What prevents mass transit use?	Share of respondents selecting 4 or 5 (primary reason)
I need my car to do my job (traveling to clients/meetings)	19%
Buses/trains are not frequent enough to fit my schedule	28%
Buses/trains do not run late enough for me to get home	15%
There is no transit stop close enough to my home/work	37%
Public transit is too expensive	3%

Reasons of convenience override financial considerations in responses to this question. In response to the statement “Public transit is too expensive,” 72% stated categorically that this was “not a reason.” The most frequent reason given for not using mass transit was that there was not a transit stop close enough to home or work.

The next question further probes their willingness to pay for mass transit. The question is “**What's the most you'd be willing to pay per month to take an express bus or light rail line, assuming the new transit alternative cut your commuting time by a quarter and made it more reliable?**” Nearly half of all individuals responding to the question indicated that they would pay no more than \$50 per month (the lowest category).

SUMMARY OF FINDINGS

The Impact of Housing Cost on Business Is Significant

- ❖ Housing costs make it difficult to recruit workers. **Sixty percent of business** respondents and **three quarters of nonprofits** believe that the **housing** situation **makes it difficult to recruit** new workers.
- ❖ Salaries grow in response to high housing costs. **Two thirds of businesses** and **84% of nonprofits** report having to **increase entry-level salaries** to offset the high cost of housing.
- ❖ The cost of housing encourages relocation/expansion elsewhere. **One fifth** of businesses have **considered relocating or expanding outside Westchester County** because of high housing costs.

Use of Housing Assistance Programs Limited but Info Wanted

- ❖ Employers make sporadic use of direct housing assistance. Only **15%** report **providing direct assistance** to employees.
- ❖ Employers want to learn more about housing programs. About **one-quarter** report themselves to be **very interested in information and assistance**.

Commuting Influences Productivity; Housing Cost Increases Commuting

- ❖ Many business leaders and employees believe that long commutes reduce productivity. **One-fifth** of employers believe long distance **commuters are less likely to “go the extra mile”** for the firm; **one-third** of employees believe the **long commute “makes it more difficult to be productive & successful at work.”**
- ❖ The cost of housing prevents workers from moving closer to their place of employment. **Sixty percent** report the **high cost of housing is the primary reason they don’t move** near the workplace.
- ❖ Long distance commuting is on the rise. **Three-quarters** of employers report that **long distance commuting is more common**.

Housing Cost & Commuting Increase Turnover

- ❖ The cost of housing increases employee turnover. Almost **one third** of employers report that the high **cost of housing increases turnover** among **lower income workers**, although businesses believe that turnover among higher income workers is unaffected.
- ❖ Distance commuters look for a different job closer to home. **One fifth** of workers traveling **more than 30 minutes** each way to work report giving **serious consideration to finding a job closer to home**. Of individuals with long commuting times (45 minutes or more), this figure rises to **nearly half**.

Support for Mass Transit Mixed

- ❖ Employers believe there is some support for greater use of mass transit. About **16%** responded that **“many” employees would be interested**; an additional **36%** selected **“few.”**
- ❖ Ties to the automobile are still strong. About **one-third** of employers believe that workers either **prefer the freedom of driving (22%) or need their cars for work (12%)**.
- ❖ Objections to mass transit use among workers largely center on convenience. **Only 3% report price as a major obstacle** to mass transit use. The proximity of stops and frequency are the most commonly mentioned obstacles to increased mass transit use.
- ❖ When asked directly, workers’ willingness to pay for public transit is limited. **Nearly half** of respondents say that they would **pay no more than \$50 per month**.

CONCLUSIONS

CGR’s survey reinforces the proposition that the housing problems Westchester faces are not easily mitigated. The business costs of scarce and expensive housing are undeniable. So is the evidence that the problem is getting steadily worse.

Workers are unhappy with the choices they face: Convenient housing is unaffordable to many; the only alternative is an extended commute that few find acceptable. Yet individuals remain dedicated to continued use of their automobiles and express some reluctance to pay significantly to use mass transit

(although this is certainly an expected result and should not be used as evidence that mass transit cannot pay for itself).

Westchester County can be commended for working with nonprofits, developers and municipal officials to address this difficult problem. The Westchester Public Issues Institute and CGR are eager to continue their involvement. The future course of Westchester County's economy depends on the direction taken by these various initiatives.

APPENDIX

COMPARABLE REGIONS: HOUSING COST INITIATIVES IN OTHER PARTS OF THE UNITED STATES

Although Westchester's situation is unique in many respects, a number of communities in other parts of the country have confronted similar problems and put initiatives in place to address them.

Many of these initiatives have counterparts in Westchester County. The Westchester Housing Fund and the Housing Action Council, Westchester County, other municipalities and a number of local housing organizations have developed a sophisticated array of initiatives aimed at addressing the challenge of housing in Westchester County.

California

Silicon Valley Public-Private Trust--Perhaps no other region has faced a housing crisis as severe as that in the Silicon Valley. The New Economy created 250,000 or more new jobs between 1992 and 1999, but only 50,000 new housing units were constructed during that time (Census Bureau, 2000). The median house price rose to \$410,000, which was more than twice the national average.

A consortium of community leaders and private firm executives created a public-private partnership called the Housing Trust Fund of Santa Clara County (HTF) in the early 1990s. The goal of the partnership was to generate revolving loans and grants, and to provide access to other local housing resources. The three programs include low-interest loans for down payments for first-time homebuyers, gap financing for affordable rental housing projects, and funds to help the homeless find stable housing.

Santa Clara County Housing Trust Fund--The Trust Fund was founded in 1999 as a cooperative effort among public and private sector housing leaders, lenders, environmental organizations, city

and county officials. The Fund's mission is to provide affordable rental housing for families, first-time homebuyer's assistance, and housing for the homeless.

Several regions in the nation have set up similar housing trust funds. However, other trust funds rely on taxes or development fees, while the Santa Clara Fund relies on voluntary investments from individuals, foundations, corporations, and government agencies.

In April 2000, Cisco Systems, Inc. donated \$800,000 to the Fund, after contributing \$200,000 in 1999. Cisco is San Jose's largest employer, and as such, is committed to participating in collaborative solutions to the affordable housing issue.

San Francisco Bay Area—Bay area communities have established partnerships between local government, non-profit housing developers, community leadership, and private financial institutions to build housing developments that serve modest income residents. The partnerships take three steps towards the development of affordable housing.

First, the community conducts a community needs assessment, available funding for housing projects, and evaluates the city's housing policies. Second, a developer becomes involved in continuing to build the concept, find potential financing, identify available land, and develop a specific proposal. Third, the proposal is reviewed, revised, and ultimately approved by local government, property owners, community groups, and other concerned parties. Once the financing is secured, the developer begins work, and tenants are screened and selected to move in once construction is complete.

Minnesota

Greater Minnesota Housing Fund—The GMHF has an employer-assisted housing program that provides opportunities for local employers to participate in creating affordable housing. The GMHF spends up to \$5 million per year on this program. Several types of initiatives are supported by GMHF. Payroll savings matches for homeownership costs such as downpayment and closing cost barriers are an example. An employee might save \$2,000 from their earnings, with a \$2,000 match from the employer and a \$2,000 match from GMHF, for a total of \$6,000.

Another initiative is a multi-family housing development match. In this case, GMHF matches the employer's cash contribution to an affordable housing development supported by the local community. Third, GMHF will work with an employer to design a customized approach to meeting employee housing needs. Finally, GMHF provides technical support to employers by linking them to available resources.

In order for employers to become involved in the program, they must agree to follow certain guidelines. First, the employer assisted project must meet a demonstrated need in the community and have significant local public investment. Second, the employer must have significant financial involvement in the proposed initiative. GMHF will match the employer's financial contribution. Third, if the employer wishes to become involved in homeownership counseling or mortgage products, the employer's contribution must be combined with pre- and post-purchase homeownership and credit counseling.

Several examples of employer participation through GMHF exist. Weerts Company, a construction and landscaping firm in Winnebago, MN invested \$233,585 in producing eight rental units for its employees. Weerts will own and operate the project. The GMHF provided a 0% deferred loan of \$120,000.

A manufacturing company in Edgerton MN, Fey Industries, provides a 0% interest loan of up to \$5,000 to help with downpayment costs. The GMHF provides a \$2,000 grant per employee.

Other employer involvement includes the purchase of low income housing tax credits at a premium rate, grant funds for new construction, cash contribution and infrastructure, and land contribution for new development.

Family Housing Fund--In 1998 the Family Housing Fund adopted a new mission: "To preserve and maintain quality affordable housing for families with low and moderate incomes in the seven-county metropolitan area of Minneapolis and St. Paul."

The **Austin/Travis County Community Action Network** has developed a Working Group on Affordable Housing. Austin grew

Texas

dramatically between 1990 and 1999, and housing has not kept up, resulting in increased prices.

Several ongoing efforts in the Austin area are described by the Network. Some examples are the following:

1. The Austin Housing Finance Corporation has bonds designed to finance the construction of affordable single and multifamily homes through low-interest loans. This public effort has helped create 660 apartment units.
2. Fannie Mae provides mortgages to lenders that in turn enable low- and moderate-income persons to purchase homes.
3. Freddie Mac purchases and secures home mortgages to enable home purchase for low- and moderate income families.
4. Band of America provides affordable mortgage programs to low- and moderate-income families.
5. Anderson Community Development Corporation, a private firm, worked to build 100 single-family homes for families below 80% of the area's median income.

The Working Group developed a series of recommendations as a result of a community housing assessment. Selected recommendations include the following:

1. Improve existing financing methods by using development incentives for affordable housing, facilitate a review of housing resources, and challenge lenders to develop new loan products for lower-income borrowers.
2. Create a housing trust fund and encourage private institutions to provide more housing programs.
3. Promote efforts to make land available for low-income housing; encourage affordable multifamily developments in zoning ordinances.

4. Change zoning laws to require residential developers to set aside affordable housing units.

Washington

In 1999, the Seattle homeownership rate (47%) was reportedly 20 percentage points lower than the national average (66%). With a hot economy riding the coattails of the high-tech boom, the area's housing prices increase rapidly. The Northwest Multiple Listing service reported that housing prices in the late 1990s increased at 10% annually, and the median King County property was priced at \$220,000. This high median price presents a serious problem since entry-level teachers earn \$27,000, which affords them an \$83,000 house, and when an entry level Boeing manager makes \$34,500, which makes a \$110,000 home affordable.

Private industry has begun to take note of this disturbing trend. A US Bank President indicated that the ability to recruit and retain quality employees would be negatively affected by climbing housing prices. The bank started a lease-purchase program, and a second program that permits lower down payments and higher debt than is customarily permitted.

Further, Redmond's Genie Industries, which manufactures large construction equipment, has found that many of their employees have an average round trip of 90 minutes because the employees cannot afford to live near their place of work.

***Public solutions
include grant funds
and loan programs***

In King County, unneeded public properties were used as a site for 170 new affordable homes. Also, in Seattle, the city increased funding for multifamily development and preservation, which resulted in more than 680 housing units. The city also provided a loan program that helped 500 government employees to purchase homes.

A nonprofit developer called Homesight provides homebuyer counseling and down-payment assistance. The developer also built 160 homes affordable to persons earning less than median income.

Private initiatives include down-payment assistance and counseling for first-time homebuyers

The Community Housing Resource Center (CHRC) was funded by banks and other contributors, as a result of research conducted by the Community Reinvestment Alliance Working Group. The research found that while several programs were in place for low and moderate income potential homebuyers, the information about such programs was not widely known.

As a non-profit, public-private partnership, CHRC provides education and counseling to first-time homebuyers, who need to be walked through the home purchase process. Partners of the CHRC include the City, County, HUD, private foundations, banks, corporations, and others.

The CHRC believes employer-assisted housing information is important because it provides employers with an advantage in hiring and retaining employees, provides increased workplace motivation, and can reduce commuting costs and improve labor relations.

Federal Initiatives

In 1999 and 2000, Housing and Urban Development (HUD) and Congress agreed to provide 110,000 Section 8 housing vouchers for low-income families to help pay for rent, an increase of 60,000 over the previous years. In addition, the government-sponsored Fannie Mae and Freddie Mac have developed new range of mortgage options to help working families become first-time homebuyers under HUD oversight.

In 1999, the Federal Housing Administration (FHA) insured 1.3 million mortgages, a record number.

SURVEY OF EMPLOYERS

SURVEY OF EMPLOYEES