

SYSTEM SENSOR ST. CHARLES, ILL.



ORGANIZATION BACKGROUND

- System Sensor, a subsidiary of Honeywell International Inc., is one of the largest manufacturers of fire detection and notification products in the world. The company's global headquarters in St. Charles, Ill., employs approximately 500 people.
- System Sensor launched its employer-assisted housing program in early 2000 under the leadership of its then parent company, Pittway Corporation. Pittway was acquired by Honeywell that same year.

AFFORDABILITY GAP IN ST. CHARLES, ILL.

Median home price	\$260,000
Income needed to afford a median-priced home	\$75,049
AVERAGE ANNUAL SALARY FOR:	
Computer support specialist	\$48,120
Maintenance and repair worker	\$39,880
Manager of production and operating workers	\$54,430
Sales representative (technical and scientific products)	\$69,970

Sources: Illinois Association of Realtors (Second Quarter 2006: Median home price for Kane County, Ill.); Bureau of Labor Statistics (May 2006).

THE BOTTOM LINE

"I don't think it's any coincidence that System Sensor is one of Honeywell's most productive subsidiaries. Through the EAH program, we've figured out a cost-effective way to recruit and retain essential employees. The program is beneficial for everyone because it increases employee morale and ensures a more successful future for the company."

-KING HARRIS

Former CEO of Pittway Corporation
Currently a consultant to Honeywell
International Inc.

SITUATION OVERVIEW

In the late 1990s, System Sensor had difficulty recruiting and retaining well-trained manufacturing workers at its global headquarters in St. Charles, an affluent suburb of Chicago. The company also experienced higher than normal rates of absenteeism from workers who had long commutes to work. Contributing to these problems was the fact that some affluent communities near System Sensor's headquarters were resistant to any affordable housing solutions that would enable more of the company's factory workers to move into those neighborhoods. Hoping to address these issues, System Sensor embraced the opportunity to pilot an employer-assisted housing (EAH) program.

EAH PROGRAM AT-A-GLANCE

Since 2000, System Sensor has offered an EAH program that provides financial counseling and homebuyer education services, as well as down payment assistance in the form of interest-free loans. By June 2007, 122 employees had participated in homebuyer education and 67 had purchased homes with down payment assistance.

COMPETITIVE ADVANTAGE

System Sensor's management team calculated that the program not only recouped its initial investment, but ultimately saved approximately \$100,000 per year in the form of workforce stability. The program made a significant impact: turnover was reduced; workers' compensation claims decreased; and employees who were on probation for poor attendance and tardiness worked to improve their standings so they would be eligible to participate in the program.



PROGRAM DETAILS

System Sensor's EAH program offers homebuyer education and provides opportunities for employees to purchase homes closer to work. To encourage employees to move closer to the facility, the company established a target area in which it would provide assistance for employee home purchases. This target area extends to a 15-mile radius around the headquarters to account for the high-cost housing market in surrounding neighborhoods.

System Sensor utilizes the services of the Joseph Corporation, a local nonprofit, to provide educational and financial counseling services to employees interested in the EAH program. Qualified employees who "graduate" from the education program and meet the other eligibility requirements receive a \$5,000 interest-free loan from System Sensor toward the purchase of a home in the target area. The loan is completely forgiven after five years provided the employee remains employed at System Sensor and resides in the house as a primary home.

Employee Eligibility

- Employees must be regular, full-time employees earning up to 80 percent of the area median income and have one year of service.
- Employees must be in good standing.
- Employees must qualify for mortgages without the assistance of System Sensor.
- Employees must contribute either \$1,000 or 1 percent of the purchase price of the home, whichever is greater, toward the down payment.

Program Expenses

For the first two years of the program, the total cost was \$225,000, which included:

- Payment for program design and evaluation;
- Payment for homebuyer education and administration of the loan program; and
- \$5,000 for each employee who graduated from the homebuyer education program and purchased a home.

Current annual costs for the program include a \$20,000 contract with the Joseph Corporation and \$5,000 for each employee purchasing a home in the target area.

Key Partners

- **Metropolitan Planning Council:** designed the pilot program and conducted the first evaluation of the program's effectiveness.

- **Joseph Corporation:** administers the program, including providing homebuyer education and confidential credit counseling to employees.
- **Illinois Housing Development Authority:** provides matching funds to eligible homebuyers and tax credits to employers.

OUTCOMES

- Within the first year of the program's operation, 60 employees enrolled in homebuyer education and 16 purchased homes.
- By June 2007, a total of 122 employees had enrolled in homebuyer education and 67 had purchased homes.
- King Harris, who championed the implementation of the EAH program at System Sensor, shared the success of the pilot program in testimony before Illinois lawmakers and regulators. This testimony resulted in:
 - The development of a matching fund program by the Illinois Housing Development Authority that doubles the down payment assistance employees receive from qualified Illinois employers;
 - The creation of a statewide tax credit for employers equal to 50 percent of the employer's qualified investments in affordable homes; and
 - The creation of the state's first Comprehensive Housing Plan and passage of numerous pieces of legislation promoting the development of affordable homes near work centers.



"My long commute made it tough to schedule any family time during the week. The EAH program gave me the help I needed to afford a home close to the plant, so now I get to spend more time with my family and feel less stressed when I'm at work."

—JENNIFER CHESLEY
Staff Accountant
System Sensor

IMPLEMENTATION INSIGHT

Before implementing the program, System Sensor's management was aware that both internal and external parties, such as employee unions, would need to buy into the idea for it to be successful. To secure this buy-in, company management conducted an employee housing needs survey and presented the results to those key stakeholders. As a result, the stakeholders supported the development of a pilot program that could be evaluated after two years to test its effectiveness.