

SHIFT – The Only Affordable Car Ownership Program in Arizona

Stephen Sparks 16 May 2017

Approximately 1.2 million men, women, and children in Arizona currently live below the poverty line. An additional 300,000 individuals live just above the official poverty line in Arizona according to the U.S. Census. (Census 2015)

Low income families earning an income near the poverty line are often caught in a difficult predicament. They have reached a level of stability where they are no longer in immediate crisis, by finding low wage employment, they may no longer be as reliant on government benefits. Yet, they are still living paycheck to paycheck hoping not to fall off the bottom rung of the economic ladder. For these working poor families, predatory lenders are a major threat to their long term economic independence.

Although a vehicle purchase can be the catalyst for a family moving out of poverty, it can also be the start of a debt spiral that cripples their financial security.

Securing Help In Family Transportation or SHIFT provides an innovative approach to addressing the lack of affordable transportation accessible to low income families with poor credit and limited resources. SHIFT is

the only affordable car purchasing program for working poor families in Arizona and is operated by the 501c3 nonprofit organization, Labor's Community Service Agency (LCSA). The goal of this financial empowerment program is to target families with an income below 80 percent of the area median income (AMI), who identify a lack of transportation as the primary barrier to achieving a living wage and economic stability. SHIFT allows these families to enter an agreement where they pay a modest monthly car payment/program fee (approximately two hundred dollars) that includes a 100 percent maintenance coverage agreement for 24 months. If the check engine light comes on, brakes start to squeak, the battery dies, and even routine oil changes, are all covered free of charge under the maintenance program.

With the security of having a reliable and affordable vehicle through the program, families must then engage in Financial Coaching and Workforce Development services through LCSA to set realistic goals to increase their earned income, improve budgeting skills, reduce debt, and engage in mainstream banking. SHIFT is more than just a car purchasing program; it is an economic growth and workforce development tool that allows families to access higher paying jobs while avoiding predatory lending that can cripple their financial future. Research from the Brookings Institute shows that in major municipalities, only approximately 30 percent of entry level jobs are accessible within 90 minutes on public

transportation. A vehicle can make approximately 90 percent of the job market available, offering more opportunities for higher wage employment. (Tomer 2012)

LCSA has established strong data tracking and outcome measures to determine the true economic impact a SHIFT vehicle can have on a working poor family over the course of the program. Some of these outcome measurements include:

- Increases in employment wages and benefits
- Establishing mainstream bank accounts
- Reducing debt
- Rebuilding credit

At the end of the program, families will have obtained a new asset in the form of a vehicle that they can continue to drive, trade, or sell. They will also have developed vital budgeting and auto maintenance skills that come with responsible car ownership.



How does SHIFT work?

First -- SHIFT is not a FREE car program. Each vehicle has the potential to generate program fee revenue over the

course of the agreement to make the program sustainable. An example of the revenue generated by a SHIFT vehicle includes: a four hundred dollar down payment plus two hundred dollars per month over 36 months for a total of seven thousand, six hundred dollars generated.

LCSA works with a network of car brokers who help to identifying quality vehicles at auctions for the purchase price of four thousand dollars but these same vehicles would retail for approximately five thousand, five hundred dollars. In order to scale this program over the next few years, LCSA will need to connect with additional community minded auto dealerships to ensure an adequate access to quality vehicle inventories.

LCSA has also established strong partnerships with several local auto mechanics who provide repair and maintenance services at approximately 50 percent of their standard rate as well as assistance in locating auto parts at discounted prices. The single most expensive and valued component of the SHIFT Program is the total maintenance coverage agreement. For many low-income families, one unexpected auto repair can erase their entire savings, or force them to choose between paying for their car repairs or necessities like rent or utilities. As the SHIFT Program continues to grow in capacity, there will be an increased need to grow our partnerships with even more mission minded auto mechanics.

LCSA tracks all maintenance expenses and estimates that each SHIFT vehicle needs to budget an average of three thousand dollars in maintenance expenses over the course of 24 months. To make the SHIFT Program financially viable, LCSA must secure funding from grants, foundations, corporations, and individual donors in the amount of two thousand, five hundred dollars per SHIFT vehicle to cover a portion of the maintenance costs and the staffing/administrative costs to operate the program.

Unlike traditional car dealers, SHIFT does not charge interest on the loan or require a credit check to qualify. The initial vetting of applicants is essential for program success. Families submit a thorough application and complete an interview. In addition to being below 80 percent AMI, families must demonstrate:

- housing stability;
- at least four hundred dollars a month in discretionary income;
- the ability to obtain full auto insurance; and
- a strong interest in working with our Financial Coach to set realistic goals that can be achieved within 24 months.

The SHIFT Program has recently explored working with families in Section 8 Housing. The goal is to demonstrate that Financial/Workforce Development Coaching combined with an affordable and reliable vehicle can significantly increase the financial stability of families.

Once these families have established financial stability, they can move out of subsidized housing thereby making those homes and housing vouchers available to other low income families in need within the community. It is estimated that only one in four families who qualify for subsidized housing are currently able to secure a voucher. The SHIFT Program could become a proven model for increasing family incomes and a catalyst to families transitioning out of subsidized housing to enable their previous housing vouchers to benefit other families in the community. One local municipality has already begun to participate in a pilot project to test this hypothesis.



Recently, the SHIFT program was selected by Social Venture Partners Arizona as its Innovator Award recipient.

LCSA will be working with Social Venture Partners to develop a capacity building model that will allow the program to sustainably grow from 20 to 100 vehicles a year. Part of this capacity building model includes a capital campaign to raise three hundred thousand dollars over the next three years. If successful, this investment will be recouped through program fees and fully reinvested into the program every three years, creating a self-sustaining model where at least 25 vehicles are purchased year after year.

LCSA is also exploring a second tier or (2nd Gear) for purchasing vehicles for six thousand, five hundred dollars that would have a retail value of approximately eight thousand dollars. The second phase of this program would offer more expensive cars with a longer repayment schedule, 48 months. The program would break down to a four hundred dollar down payment, two hundred dollars per month for 48 months for a total revenue of ten thousand dollars. The higher tier program would also offer one hundred percent maintenance coverage agreements for the first 24 months. SHIFT would need to budget two thousand, five hundred dollars for average maintenance costs per vehicle in this second-tier model. In an effort to cover staffing and administrative costs, the second gear program is projected to require private/grant investment of two thousand, one hundred and fifty dollars per vehicle.

LCSA is also exploring a matching savings fund to help cover auto repair and maintenance expenses after the

24-month total maintenance agreement expires.

Developing a two-tier model for the SHIFT Program also provides families with the opportunity to graduate from the 36-month program and to move up to the 48-month program. These families would also benefit from continuing to receive financial coaching and an additional 24 months of vehicle maintenance coverage. Likewise, if a family is unsuccessful in the 2nd Gear program, their vehicle can be repurposed for the 1st Gear program.

LCSA makes every effort to keep families in their car. If circumstances change, families can voluntarily return their vehicle and still be eligible to return to the program when they are ready for car ownership in the future.

LCSA believes the SHIFT Program can be financially sustainable, scalable, and ultimately replicable in other communities. We are excited to be working with Social Venture Partners and their network of community leaders.

Their financial support and mentorship will be essential in achieving our capacity building goals and demonstrating SHIFT is a replicable model that can be successfully implemented in other communities that struggle to provide access to transportation to working families.

Stay tuned!

About LCSA:

Established in 1974, Labor's Community Service Agency (LCSA) was built upon a partnership between

the United Way and AFL-CIO. Our mission is "To serve the general welfare of the community and to advocate for health and human services that meet the needs of all members of the community, especially the most vulnerable and dependent."

Over time, LCSA developed programs to provide stability and empowerment services to homeless and working poor families in the Phoenix metro area. LCSA is experienced in providing quality affordable housing, workforce development, and financial coaching services. LCSA also operates the only affordable car purchasing program in Arizona, Securing Help In Family Transportation (SHIFT).

LCSA's overarching goal is to create pathways out of poverty for working poor families with children. Our entire community is stronger when working families are financially stable, resource knowledgeable, and resilient when facing life's challenges. To learn more visit www.lcsaphx.org.

Stephen Sparks Bio

Stephen Sparks is the Development Manager for Labor's Community Service Agency. He has a Master of Public Administration from ASU with undergraduate degrees in English and Psychology.

For over 16 years, Stephen has advanced a nonprofit career helping vulnerable populations that include:

people experiencing homelessness, the elderly, and the working poor.