THE PROOF IS IN THE NUMBERS:

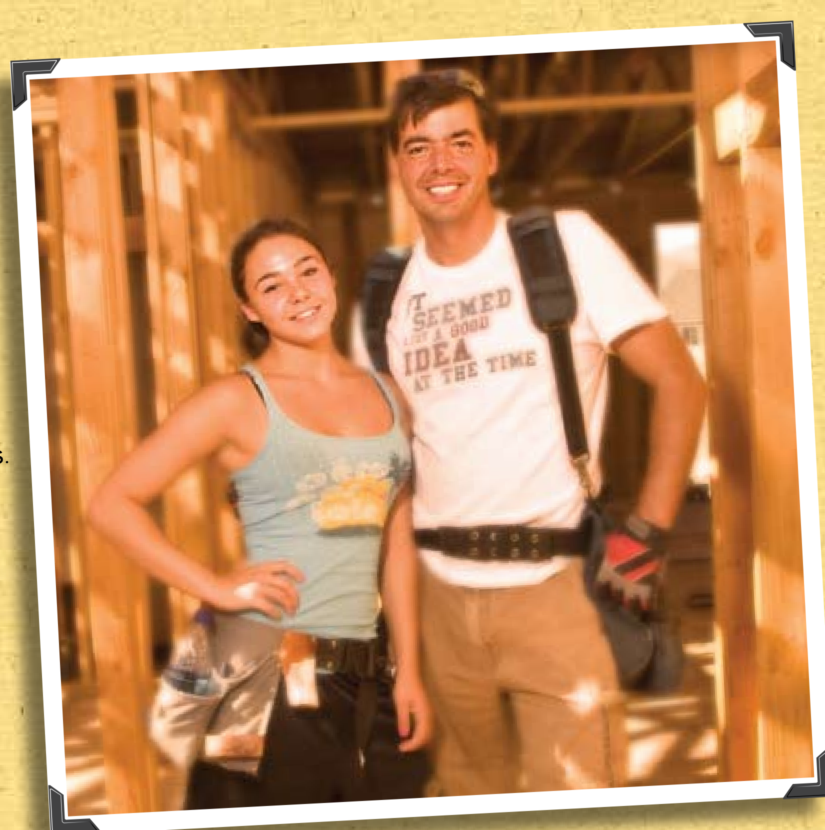
The Positive Economic Impact Of Residential Development

NEVADA RURAL HOUSING AUTHORITY

Getting you home

Housing matters to people

When a family, or business, contemplates relocating to a new area, they evaluate their future success, to a large extent, on the availability and affordability of housing. Other considerations include access to quality education, churches, community organizations and convenient shopping. Before someone commits to a new location, they need to feel secure that there are no barriers to their success. Housing expenses can easily consume 30-50% of household income, so it is no surprise that access to and the affordability of housing impacts community development.



According to the US Dept of Housing and Urban Development, the generally accepted definition of affordability is for a household to pay no more than 30% of its annual income on housing. Families who pay more than 30% of their income for housing are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation and medical care. An estimated 12 million renter and homeowner households now pay more then 50% of their annual incomes for housing, and a family with one full-time worker earning the minimum wage cannot afford the local fair-market rent for a two-bedroom apartment anywhere in the United States.

95 million Americans were burdened with paying more than 30% of their income for housing in 2001[1]

[1]*The Joint Center for Housing Studies at Harvard University, "State of the Nation's Housing," 2003*

People attract business and housing attracts people

Most communities want to provide for a diverse, economically stable population, with adequate infrastructure and resources for its citizens. The dichotomy between the need for new economic development and the need to attract new citizens (with all of their accompanying support requirements) has always been a delicate balancing act for local government policy makers. One of the major debates seems to be; 'do we need new industry to create new or better jobs for citizens', or 'do we need more housing options to attract citizens that will be available to work in the industries interested in locating in our area.'

The up side of this debate is that residential development can address both concerns. Housing construction is its own economic engine that simultaneously enhances a communities' ability to attract new business. The following pages document—with the support of national research studies—the definite, identifiable economic impact that housing development has on a local community before, during and after housing is constructed.

Housing development creates new jobs for citizens and provides desired housing options that attract residents.

PHASE I:

Direct and indirect impact of construction activity

Money trickles into a community well before noticeable construction activity. Planning professionals, attorneys, engineers, architects and designers are commissioned to develop preliminary designs. Financial models are prepared and land is acquired. Redevelopment plans are presented and local businesses strategize for their position in a growing economy.

There is an increase in construction related jobs that are available to local workers, thereby increasing wages. There are local permit fees, impact fees, utility fees, and transfer taxes. There is increased work in landscaping, trucking and transportation, and off-site improvements such as road and sidewalk work, as well as sewer and water systems infrastructure. There are also marketing, financing, and realtor costs that bring money to local coffers.

The financial impact of construction is felt by a variety of business types including lenders, title companies, appraisers, insurance agents, relocation, moving and rental companies, cable and internet providers, cleaning and window washing services, locksmiths, appliance and furniture stores, hardware stores, gutter companies and landscapers.

The U.S. Department of Agriculture's Rural Housing Service estimated that each single-family home financed by the Section 502 program (loans primarily used to help low-income individuals or households purchase homes in rural areas) generates 1.75 jobs and $50,201 in wages and $20,560 in annual tax revenues to rural America.[2]

DIRECT AND INDIRECT IMPACT OF CONSTRUCTION ACTIVITY OF 100 HOUSING UNITS

Based on an average metropolitan statistical area, and homes with an average construction value of $145,372.[3]

Local Income	Business Owners' Income	Local Wages and Salaries	Local Taxes1	Local Jobs Supported
$4,845,000	$924,000	$3,921,000	$511,000	102

[2]*Maureen Kennedy, "Increasing Homeownership Through Partnership," Rural Voices (Summer 1996)*

[3]*National Association of Home Builders Housing Policy Department, "The Local Economic IMPACT of a Typical Tax Credit Housing Project", September 2007*

PHASE II:

Construction ripple

The Center for Home Ownership conducted a study in 2001 that found community-based homeownership programs were instumental in revitalizing neighborhoods. A portion of the local income generated by construction will be spent, generating more income, which generates more spending—a process known as the ripple effect.

In addition to the direct purchase of construction materials for the project, construction workers make purchases that affect the local economy. Workers generally live close to the construction site, and thus spend a substantial part of their wages in the local community for food, entertainment, and other services. Area businesses benefit from this increased patronage, from the sale of building supplies for the project, and from sales to the residents of the new units. The prosperity of the owners and employees of these businesses increases, allowing them to purchase more from other local ventures.

The U.S. Bureau of Labor Statistics produces a regional analysis of spending patterns by income levels called the Consumer Expenditure Survey (CES). According to CES, when workers become consumers and spend a portion of their wages in the local economy, they support additional jobs in 16 local industries.

ONE-YEAR ECONOMIC IMPACTS OF THE DEVELOPMENT OF 100 HOUSING UNITS

Based on an average metropolitan statistical area, and homes with an average construction value of $145,372.[4]

Type of Units	Jobs Supported	Wage and Salaries	Business Owner's Income	Local Taxes
Single Family	253	$7,388,000	$2,670,000	$854,000
Multifamily	121	$3,543,000	$1,280,000	$409,000

[4]*National Association of Home Builders, "The Local Impact of a Typical Tax Credit Housing Project", September 2007*

PHASE III:

Long term impact of housing development

Occupied housing increases local jobs, income, and taxes. A 2009 National Association of Home Builders study found that a household, whether in a single-family home or a rental unit, will typically pay 1.2% of its income on taxes and user fees. In addition, property taxes increase because of new housing activity and the increased value of surrounding property.

A household moving into a new housing situation generally spends about three-fifths of its income on goods and services sold in the local economy, causing an economic ripple that permanently increases the level of economic activity for local business owners. The list of goods and services affected include groceries, home improvement, pet food, gasoline, car repairs, beauty salons, clothing, fitness centers, school supplies and so on.

Twelve years after investing $94 million in 7,562 affordable housing units, Oregon has helped generate 12,212 jobs, $393 million in wages and $23 million in income tax.

Association of Oregon Community Development Organization, "Economic Impact of Affordable Housing Development," April, 2003

For moderate to low-income members of the community, the opportunity to purchase a home represents the family's first opportunity to begin developing personal assets. The wealth building effect of owning a home mainly comes from tax advantages. The deductible mortgage interest and the tax-free treatment on gains when a home sells offer a "forced" savings plan. Additionally, home values rise with the rate of inflation (except after real estate "bubbles"). For most households, these gains are the most significant way wealth is built.

According to an economic impact report issued by the Association of Oregon Community Development, 7,562 households in a community housing development paid, on average, $267 less in rent per month than they would have paid for a fair market apartment. Annual savings are estimated at over $24 million. Based on likely spending patterns, that money will support 833 full-time jobs each year.[5]

ONGOING, ANNUAL ECONOMIC IMPACTS OF 100 NEW HOUSING UNITS

Based on an average metropolitan statistical area, and homes with an average construction value of $145,372.[6]

Type of Units	Jobs Supported	Wage and Salaries	Business Owner's Income	Local Taxes
Single Family	76	$1,983,000	$416,000	$393,000
Multifamily	36	$945,000	$238,000	$243,000

[5]Association of Oregon Community Development Organization, "Economic Impact of Affordable Housing Development," April, 2003

[6]National Association of Home Builders, "The Local Impact of Home Building in Average City, USA: Income, Jobs, and Taxes Generated by Single Family Construction", and "The Local Impact of Home Building in Average City, USA: Income, Jobs, and Taxes Generated by Multifamily Construction", March 1997

The cost of not providing affordable housing

While there are endless studies outlining the positive economic impacts that housing developments have had all over the country, the negative consequences of not providing affordable are equally compelling.

Without affordable housing, a negative ripple effect occurs in almost the exact opposite way as the positive ripple described earlier. Businesses can't attract the young, educated workforce they need to expand. Young, well-educated professionals are often forced to leave because of high housing costs. New businesses and new industry are deterred from moving to the area. The region never cashes in on all of the potential income that new housing makes possible including construction income, consumer spending and tax revenues.

Failure to provide for a balance of housing options close to jobs leads to traffic congestion and other problems that diminish quality of life. If the community workforce must travel from a house in a distant region, there is a substantial loss of consumer spending and local annual business income. In 2003 highway congestion costs the nation $69.5 billion in wasted fuel and time, and congestion is increasing.[7]

Investment in affordable housing is a solution for many of our community's challenges offering exponential dividends that pay off for decades. Today's economic conditions may represent the most compelling case yet for acting now.

A worker must now earn at least $15.21 an hour to afford a two-bedroom home at the national median price, an increase of 37% since 1999.

National Low Income Housing Coalition. "Out of Reach: America's Housing Wage Climbs", 2003

[7]*NALEP and Smart Growth Leadership Institute, "Smart Growth is Smart Business", 2004*

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