

The Role of Subsidized Rental Housing in Creating Jobs and Stimulating Local Economic Development

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The construction of affordable housing provides clear benefits for families whose wages aren't sufficient to afford market-rate housing. But research shows that affordable housing development also drives local economic growth. This fact sheet summarizes the different ways in which subsidized rental housing can contribute to rising employment and economic recovery.

Building subsidized rental housing creates jobs and spending both during construction and after the homes are occupied.

It stands to reason that building or rehabilitating affordable housing creates jobs in the construction field. Less obvious is that this activity ripples through the economy, supporting businesses that supply the construction trade as well as retailers, health services, and restaurants where newly employed workers spend their pay. The following illustrate the significant impact that building subsidized rental housing can have on local economic activity and employment:

- Twenty public housing authorities (PHAs) leveraged \$700 million in Recovery Act funds to invest a total of \$1.2 billion in public housing capital improvements. The total economic impact of this spending neared \$3.8 billion and supported over 31,000 jobs. This amounted to 26 jobs for every \$1 million spent on capital projects.¹
- The construction and redevelopment of nine HOPE VI sites around the country generated 2,751 jobs and over \$1 billion in economic output. Demonstrating the sensitivity of the impact to project size, effects ranged from almost \$250 million and nearly 800 jobs for one project to under \$50 million and fewer than 100 jobs at two other redevelopments.²

- Building a hypothetical 100-unit Low-Income Housing Tax Credit property for families can lead to the creation of more than 120 jobs during the construction phase and roughly 30 jobs after the homes are occupied. Employment gains are not limited to the construction industry but are also experienced in wholesale and retail trade, eating and drinking establishments, local government, and in the health, education, and social service sectors.³

Investing in affordable homes increases revenues for states and localities.

When affordable homes are built or rehabbed, the funds flowing to cities and states can be considerable. Revenues can take the form of fees for permitting, zoning, and utilities, or they can reflect sales, income, or property taxes generated by the construction-related economic activity. For example:

- The construction of 100 Low-Income Housing Tax Credit units for families is estimated to generate roughly \$827,000 in local revenue, with more than half coming from permit/impact fees and utility user fees. After the units are occupied, the typical property and its residents generate \$441,000 in local government revenue annually.⁴
- When new affordable housing increases the value of nearby properties, the initial investment can be recaptured in property taxes. As an example, the construction of one tax credit property in New York City increased the value of surrounding homes by \$22 million. This increase could yield as much as \$1.2 million in property taxes each year – or about half of the initial tax credit investment.⁵

- Another study concludes that after 20 years, New York City could more than recover its \$2.4 billion investment in affordable housing development – based solely on incremental property tax receipts associated with higher nearby property values.⁶

When housing and utility costs are affordable, families have more income to spend on local goods and services.

Affordable rent payments can significantly increase the residual income that households have at their disposal after meeting necessary housing costs. For example:

- In a 10-city study, the average monthly subsidy for a household living in public housing was \$497, or roughly 57 percent of the household's income. Funds freed up by housing subsidies can be used to meet other necessities such as groceries, clothing, and health-related expenses.⁷
- In a study of two LIHTC developments in New York City, families paying monthly rents

averaging \$500 below market saw their discretionary income more than double, which dramatically increased their ability to purchase goods in the local economy.⁸

Research shows that low- and moderate-income households are more likely than others to spend (rather than to save) this money to fulfill basic, but otherwise unmet, household needs.⁹ Local businesses stand to gain from the increased buying power made possible by the availability of affordable housing.

Making homes more energy-efficient is another way to lower monthly costs. The United States Department of Energy estimates that the federal Weatherization Assistance Program helps low-income families reduce utility costs by an average of \$437 per year.¹⁰ Similar to an affordable rent or mortgage, reduced utility costs free up funds in a family's budget, allowing them to purchase more goods from local businesses.

¹ Voith, Richard, and Michael Mariano. 2011. *Public Housing Stimulus Funding: A Report on the Economic Impact of Recovery Act Capital Improvements*. Philadelphia, PA: Econsult Corporation.

² Zielenbach, Sean, Richard Voith, and Michael Mariano. 2010. "Estimating the Local Economic Impacts of HOPE VI." *Housing Policy Debate* 20(3): 485-522.

³ National Association of Home Builders, 2010. *The Local Economic Impact of Typical Housing Tax Credit Developments*. Washington, DC: Author.

⁴ National Association of Home Builders, 2010. *The Local Economic Impact of Typical Housing Tax Credit Developments*. Washington, DC: Author.

⁵ Walker, Chris. 2010, June. *Affordable Housing for Families and Neighborhoods: The Value of Low-Income Housing Tax Credits in New York City*. Columbia, MD, and Washington, DC: Enterprise Community Partners, Inc., and Local Initiatives Support Corporation.

⁶ Incremental property taxes would not cover the full public cost, which includes state and federal funds and is estimated at \$3.7 billion. See Schwartz, Amy Ellen, Ingrid Gould Ellen, Ioan Voicu, and Michael H. Schill. 2006, November. "The External Effects of Place-Based Subsidized Housing." *Regional Science and Urban Economics* 36(6): 679-707.

⁷ Econsult Corporation. 2007. *Assessing the Economic Benefits of Public Housing*. Washington, DC: Council of Large Public Housing Authorities.

⁸ Walker, Chris. 2010, June. *Affordable Housing for Families and Neighborhoods: The Value of Low-Income Housing Tax Credits in New York City*. Columbia, MD, and Washington, DC: Enterprise Community Partners, Inc., and Local Initiatives Support Corporation.

⁹ Bivens, Josh, and Kathryn Anne Edwards. 2010, September 14. "Down-Payment on Economic Recovery: Why Temporary Payments to Social Security and Supplemental Security Income Recipients Are Effective Stimulus." Briefing Paper #269. Washington, DC: Economic Policy Institute.

¹⁰ United States Department of Energy. 2010. "About the Weatherization Assistance Program." Washington, DC: Author. Retrieved August 20, 2010 (<http://www1.eere.energy.gov/wip/wap.html>)