



Affordable Housing's Contribution to Economic Development

THE ISSUE

Many Americans support the development of affordable housing. But they may nonetheless object to putting money toward affordable housing when the local economy is struggling. However, the data show that investments in affordable housing contribute significantly to local economic development.

THE FACTS

Rehabilitation, construction and production of affordable homes can put people to work, leading to increased spending in the local economy.

- ▶ A study of the economic impact of expenditures by ten large public housing authorities found that the combined spending by all ten agencies generated an estimated \$8.2 billion for their regional economies.
- ▶ This study used an economic impact modeling system to calculate the ripple effect of the public housing authorities' spending on their regional economies and found that for every \$1 in direct spending, the region experienced \$1.34 in induced or indirect expenditures.
- ▶ The National Association of Home Builders estimates that the construction of the average single-family home generates 3.05 jobs and \$89,216 in taxes. They further estimate that the average new multifamily rental unit generates 1.16 jobs and \$33,494 in taxes and every \$100,000 in residential remodeling generates 1.11 jobs and \$30,217 in taxes.

It is easier for businesses to attract and retain workers when housing is available in a range of prices that workers can afford.

- ▶ A 2001 study in the Twin Cities area found that approximately 5,000 additional households could be attracted to the area if workforce housing were available.

- ▶ The additional households would lead to an estimated \$128 million in additional consumer spending annually and \$137 million in additional business income for employers.

When done well and as part of a comprehensive community revitalization strategy, the development of quality, affordable housing can stimulate neighborhood revitalization. The economic benefits may be due in part to the replacement of dilapidated properties or underutilized lots with new or significantly rehabilitated homes.

- ▶ A study of an initiative in Richmond, Virginia, that featured the development of new mixed-income housing in seven struggling neighborhoods found that after five years housing prices in the targeted neighborhoods appreciated almost 10 percent faster than the citywide average.
- ▶ Prices in non-targeted areas of Richmond, but within 5,000 feet of the targeted neighborhoods, appreciated over five percent faster than the citywide average.
- ▶ A study in New York City looked at price appreciation in the vicinity of subsidized housing and found that prices appreciated more in the immediate vicinity of newly built or rehabilitated subsidized homes than in other parts of the city. In addition, the tax benefit to New York City of these subsidized homes exceeded the money the city put into the developments.

Green affordable housing can stimulate the economy by increasing purchases from local businesses.

- ▶ Using local materials reduces the carbon footprint of housing development or rehab and is therefore a common practice for green affordable housing. Prioritizing the use of local materials leads to increased business for local manufacturers and industries.
- ▶ Affordable transit-oriented development, as well as other compact forms of development, can stimulate the local economy by increasing spending and earning in the area.

- ▶ Affordable housing located in close proximity to public transit or places of employment can help reduce families' combined costs for housing and transportation, increasing the amount of funds available to meet other expenses. Locating retail, grocery stores, restaurants and other services nearby can increase the chances that families' additional disposable income will be spent near home and flow back into the local economy.
- ▶ Well-located affordable housing can also reduce barriers to employment — and it can potentially lead to increases in earned income — by giving families better access to jobs at local businesses and in transit-accessible employment centers.

Answers to Common Questions

Isn't attracting jobs more important than providing affordable housing?

A balanced economic development plan should include both commercial growth and affordable housing. Where decent, affordable housing is lacking, firms often encounter difficulty hiring and retaining workers.

- ▶ Boeing cited the rising costs of housing and commuting as one of the main reasons for the relocation of its corporate headquarters from Seattle to Chicago.
- ▶ Small businesses are affected as much or more. "It's hard enough for small employers to find good people," a small business owner in Suffolk County, Long Island, New York, was quoted as saying. "If there were more affordable housing ... I would definitely have a broader range of potential employees to choose from."

Why do we need more housing for workers when so many homes are vacant?

In many communities, vacant foreclosed homes can be part of the solution to the affordable housing shortage facing low- and moderate-income households, but the properties will often need to first be acquired and rehabilitated by an affordable housing provider in order to be suitable for occupancy.

- ▶ Vacancies due to foreclosure are often subject to vandalism and may even be stripped of wiring, pipes, appliances and siding. The rapid deterioration of vacant foreclosed properties may leave them more suitable for demolition than for occupancy. Extensive rehabilitation may be needed before the homes can be re-occupied.
- ▶ While home prices have fallen around the country, they remain unaffordable to most working families. In the fourth

quarter of 2008, the salaries for neighborhood wage earners, such as carpenters, construction laborers, equipment operators, teachers, police officers and licensed practical nurses, fell short of the level needed to afford to purchase a home in the majority of metropolitan areas — despite home prices dropping in 194 out of 199 metro markets.

- ▶ As home prices have declined, rents have actually gone up. Many workers' salaries are not sufficient to even afford to rent a market-rate apartment.

Isn't overproduction of housing what got us into the economic mess we're in now?

No. The foreclosure crisis is due primarily to the use of unaffordable and unsustainable mortgage products — products whose popularity was related at least in part to the shortage of homes at levels that families could afford with traditional fixed-rate mortgages.

Some markets did experience an overproduction of higher-priced homes, and this supply will need to be worked through before the higher-end market can grow again. But even in markets with an oversupply of higher-end homes, there were often shortages of housing affordable to working families. The problem may be better described as a mismatch between supply and demand, rather than overproduction.

These Talking Points are based on a forthcoming research summary and literature review by the Center for Housing Policy on the impacts of affordable housing on economic development.

For more information on the relationship between affordable housing and economic development visit

www.housingpolicy.org/talkingpoints.html.