

Economic Development and Housing



Photo Courtesy Chris Matthews; Washoe County

- The housing industry and subsidiary housing services account for about 16% of our nation's Gross Domestic Product.¹⁰
- Affordable housing helps to retain and recruit essential workers such as teachers, firefighters, police and service workers who could otherwise have difficulty living in the areas they work.⁸
- An investment of \$26.5M in Colorado will produce 3,400 affordable housing opportunities, create 3,200 jobs, generate \$344M in economic activity and realize \$26M in tax revenue annually, with \$11M going to local governments.³

The health of the U.S. economy depends on its housing industry. The production of housing and the value of housing services account for about 16% of the nation's Gross Domestic Product¹⁰ and are vital to local economies.¹

The positive effects of developing affordable housing go far beyond the benefits of providing shelter. Developing housing that is affordable for low and middle-income individuals also provides substantial, immediate and continuous economic benefits.⁹ These include the income and jobs generated by the construction activity itself, the economic stimulus—often referred to as the construction ripple—that occurs when income is spent in local areas, and the continuous benefits reaped by local governments and economies through taxes and ongoing spending.¹ Attainable workforce housing enables communities to retain and attract employers who bring jobs and revenue with them. In short, the link between affordable housing and healthy economies is an important one.

Construction

Development creates jobs that include on-site and off-site construction work and planning, retail and wholesale sales of housing components, transportation to the site, and the professional services—like closing and lending

officers—required to complete real estate transactions. Builders and developers pay local area governments for permits, utility connections, and services provided at closing, as well as impact, hook-up and other fees. These taxes and fees generate wages and salaries for local government employees. In turn, the wages and salaries generated through construction, in both the local private industry and local government, help to support other full time jobs in the local service sector.¹

The construction of multi-unit housing projects is an economic stimulus. The benefits are absorbed immediately by neighborhoods through the local purchase of building supplies and materials along with an increasing demand for goods and services.² One study, which assumed the annual investment of \$26.5 million towards the development of affordable housing in Colorado, found that the construction and real estate industries alone would experience direct, indirect and induced economic growth of \$290 million. Since most of this growth would eventually be recycled into the local economy, approximately 2,804 jobs would be created annually.³

According to estimates, new jobs in construction and related trades, commercial investments and the

development of additional residential units can multiply an initial financial investment by a factor of seven.²

Construction Ripple and Ongoing Effects

Residential construction indirectly stimulates the economy as the demand for goods and services increases.⁵ According to the National Association of Homebuilders (NAHB), in the first 10 months after buying newly constructed homes, owners spend an average of \$8,900 on furnishings and improvements, while buyers of existing homes typically spend \$3,766 in the same time period.¹¹



An annual investment of \$26.5 million towards the development of affordable housing in Colorado will reduce the burdens of rent and mortgage payments for low-income earners, allowing for more expendable income and increases in business and household spending. In turn, this generates annual sales tax revenue of \$4.2 million and new property tax revenue of \$2.9 million and \$1.8 million in state income tax revenue.³



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The NAHB estimates that the construction of 100 multi-family homes in an average US city generates \$4.1 million in local income, sales and property tax revenues and fees over 10 years.⁴ The Center for Community Change estimates that when the potential leverage of funds is taken into account, an investment of \$5 billion in affordable housing production of 1.5 million new or rehabilitated homes would create 1.8 million new jobs and \$50 billion in wages.⁴

Attracting and Retaining Employers

Affordable housing is vital for attracting and retaining employees. Workers need a variety of amenities and services; they need roads, transit options, schools, libraries, recreation and entertainment facilities, but most of all, they need housing.

Quality employees are vital to a business's success. If workers cannot afford to live in a community, businesses will likely not locate there, either. Well situated, affordable housing is a major criterion used to evaluate a city's desirability in which to locate a business. Unfortunately, Colorado does not rank well in this important category. The shortage of affordable housing for hospital workers, teachers, firefighters, police and other moderate-income workers is a serious problem. The dwindling supply of affordable housing for these workers is a major concern

for businesses trying to recruit and keep essential staff.⁸

In 2003, Denver hosted a group of nine site-selection consultants who came to see and learn about the metro Denver area. These nine people represented companies who could bring thousands of jobs to the metro Denver area, jobs that drive the economic engine of the city and state.⁷ The site selectors noted that the high cost of housing hurts Colorado and Denver in particular.¹² In 2003, Tom Clark, Executive Vice President of the Denver Metro Chamber of Commerce, noted that Colorado has, "the highest-priced housing in the nation for a state without a coastline."¹²

Many firms are looking not only for affordable housing, but also for housing close to their places of business or public transit. Evidence shows that affordable housing developments near employment centers and public transportation enhance Colorado's competitive position in attracting and retaining business.⁶

Another source of economic growth is the expansion of existing businesses,¹² which also requires adequate and attainable housing to meet the needs of new and existing employees. When a business is not able to attract employees to support that growth, its leaders may take the existing business and expand elsewhere, taking both the old and new jobs to

the new locale. Clearly, Colorado can attract and grow more businesses by ensuring an adequate supply of workforce housing.

What Housing Means to the Economy

The local housing market is an important factor in economic development. The quality of homes and neighborhoods in a community helps determine the local quality of life. Diverse housing types strengthen the ability of a locality to attract new businesses. In turn, businesses can attract and retain new workers so that they can compete and expand in a continually changing economy. The presence of a broad range of housing options not only creates greater equity and opportunity, but also makes success more likely for sustained economic development.

"The wages and salaries generated through construction in both the local private industry and local government then in turn help to support other full time jobs in the local service sector."¹



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