



THE ECONOMIC IMPACT OF HOME BUILDING IN CONNECTICUT

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STATE ECONOMIC IMPACT

Construction phase

- Jobs
- Materials
- State and local fees, taxes, contributions

Ripple or feed-back from construction

- Wages spent in state economy

Occupancy phase

- Earnings spent in state economy

The model does not say build housing to stimulate the state economy

Rather, it is job creation that results in increased demand for housing, but remember that.....

HOUSING ⇒ JOBS

CONSTRUCTION PHASE

INPUTS:

VALUE OF CONSTRUCTION
SERVICES PROVIDED AT CLOSING
PERMIT/HOOK-UP FEES
\$ \$ \$ \$ \$
(Obtained from Local Sources)



MODEL OF THE STATE ECONOMY



OUTPUTS:

INCOME FOR STATE RESIDENTS
&
TAX/FEE REVENUE
FOR S&L GOVERNMENTS

RIPPLE PHASE

INPUTS:

STATE INCOME & TAXES
FROM PHASE 1



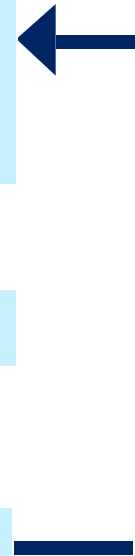
SPENDING ON
STATE GOODS & SERVICES
Consumer Expenditure Survey
(U.S. Bureau of Labor Statistics)



MODEL OF THE STATE ECONOMY



S&L INCOME & TAXES



OUTPUTS:

OCCUPANCY PHASE

INPUTS:

INCOME OF HOUSEHOLD
OCCUPYING NEW HOUSING UNIT



SPENDING ON
STATE GOODS & SERVICES
PROPERTY TAX PAYMENTS



MODEL OF THE STATE ECONOMY

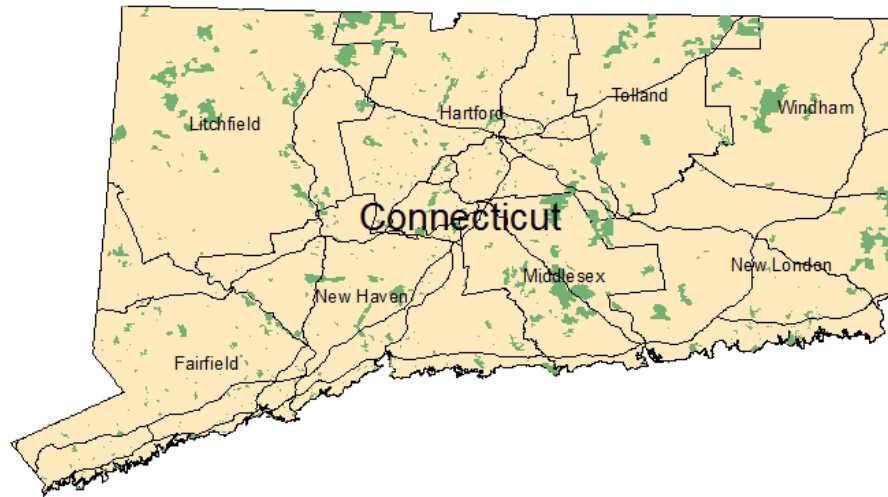


S&L INCOME & TAXES

OUTPUTS:



State of Connecticut



The State of Connecticut Multiplier

Only Captures Spending that Stays in the State

Includes:

Banking, Car Repair, Dry Cleaning, Day Care Services, Dental Services, Electricity, Landscaping, Legal Services, Manicures, Medical Services, Newspaper Delivery, Restaurants and Psychiatric Care.

But Not:

Auto Manufacturing, Beer Bottling, Mattress Manufacturing, Meat Packing, Movie Production, and Travel Agency Services

History of the Model

Over 700 Economic Impact Analyses Performed

Users of the Model Include:

Boone County Kentucky

Enterprise Foundation

Habitat for Humanity, International

MI State Housing Development Authority

Michigan State University

Missouri Housing Development Commission

University of Florida

University of Massachusetts

University of Montana

West Virginia Housing Development Fund...

Assumptions of the Model

<u>Inputs To Model</u>	<u>Single Family</u>	<u>Multifamily</u>
Average house price:	\$427,132	\$213,111
Average raw lot cost:	\$50,000	\$25,000
Permits/Infrastructure:	\$5,000	\$2,975
Annual prop. taxes:	\$7,373	\$3,679

Economic Impact of Single Family Home Building

1st - Construction phase

2nd - Ripple effect from construction phase

3rd - Occupancy phase

4th - Ten year total

FIRST YEAR IMPACT: SF Construction Every 2,130 SF Homes

S & L Income	S & L Taxes	S & L Jobs
\$406,649,900	\$56,412,800	4,462

INCLUDING:

3,083 Jobs in Construction

673 Jobs in Wholesale & Retail Trade

351 Jobs in Business and Professional Services

FIRST YEAR IMPACT: SF Ripple

S & L Income	S & L Taxes	S & L Jobs
\$221,450,200	\$43,341,200	2,656

INCLUDING:

634 Jobs in Wholesale and Retail Trade

442 Jobs in State and Local Government

374 Jobs in Health, Education & Social Services

ONGOING SF ANNUAL EFFECT

S & L Income	S & L Taxes	S & L Jobs
\$101,916,000	\$34,670,200	1,296

INCLUDING:

313 Jobs in Wholesale and Retail Trade

211 Jobs in State and Local Government

168 Jobs in Health, Education & Social Services

Total SF Impact: First Ten Years

Local Income	Local Taxes
\$1,596,302,000	\$429,121,000

**Along with 7,119 temporary jobs
And 1,296 permanent ones!**

FIRST YEAR IMPACT: MF Construction

Every 983 MF Homes

S & L Income	S & L Taxes	S & L Jobs
\$91,964,100	\$13,236,600	1,015

INCLUDING:

705 Jobs in Construction

152 Jobs in Wholesale & Retail Trade

80 Jobs in Business and Professional Services

FIRST YEAR IMPACT: MF Ripple

S & L Income	S & L Taxes	S & L Jobs
\$50,380,200	\$9,835,700	605

INCLUDING:

144 Jobs in Wholesale and Retail Trade

102 Jobs in State and Local Government

85 Jobs in Health, Education & Social Services

ONGOING MF ANNUAL EFFECT

S & L Income	S & L Taxes	S & L Jobs
\$37,518,600	\$10,700,300	417

INCLUDING:

- 107 Jobs in Wholesale and Retail Trade
- 63 Jobs in State and Local Government
- 59 Jobs in Eating and Drinking Places

Total MF Impact: First Ten Years

Local Income	Local Taxes
\$498,771,000	\$124,725,000

**Along with 1,619 temporary jobs
And 417 permanent ones!**

Largest State Employers

<u>Employer</u>	<u># of FT Jobs</u>
Yale University	13,615
Pratt & Whitney	10,500
The Hartford Financial Services Group	10,500
Yale New Haven Hospital	8,500
General Dynamics	8,350
Mohegan Sun	8,000
Foxwoods Resort Casino	7,210
Aetna	7,018
Hartford Hospital	7,000
13) New Residential Construction	5,477

BUT

NEW HOMES REQUIRE:

INFRASTRUCTURE

- Fire and police protection
- Garbage collection
- Parks and recreational opportunities
- Roads
- Correctional facilities
- Primary and secondary education
- Etc...

Required Current Expenses per SF Unit

Function	Single Family
Education	\$8,221
Police Protection	\$756
Fire Protection	\$383
Corrections	\$546
Street and Highw ays	\$471
Water Supply	\$122
Sew erage	\$129
Health Services	\$1,646
Recreation and Culture	\$306
Other General Government	\$2,068
Electric Utilities	\$206
Gas Utilities	\$6
Public Transit	\$149
Total	\$15,009

Required Capital per SF Unit

Function	Single Family
Schools	\$4,808
Hospitals	\$210
Other Buildings	\$2,012
Highways & Streets	\$4,920
Conservation and Dev.	\$13
Sewer Systems	\$1,428
Water Supply	\$2,128
Other Structures	\$1,334
Equipment	\$168
Total	\$17,021

Required Current Expenses per MF Unit

Function	Multifamily
Education	\$4,930
Police Protection	\$572
Fire Protection	\$290
Corrections	\$413
Street and Highw ays	\$360
Water Supply	\$64
Sew erage	\$67
Health Services	\$1,247
Recreation and Culture	\$232
Other General Government	\$1,566
Electric Utilities	\$156
Gas Utilities	\$4
Public Transit	\$113
Total	\$10,016

Required Capital per MF Unit

Function	Multifamily
Schools	\$2,884
Hospitals	\$159
Other Buildings	\$1,523
Highways & Streets	\$3,766
Conservation and Dev.	\$10
Sewer Systems	\$748
Water Supply	\$1,114
Other Structures	\$1,010
Equipment	\$127
Total	\$11,341

Now that we know:

The benefits of construction

&

The costs of construction

Does new construction pay for itself?

Yes it does!

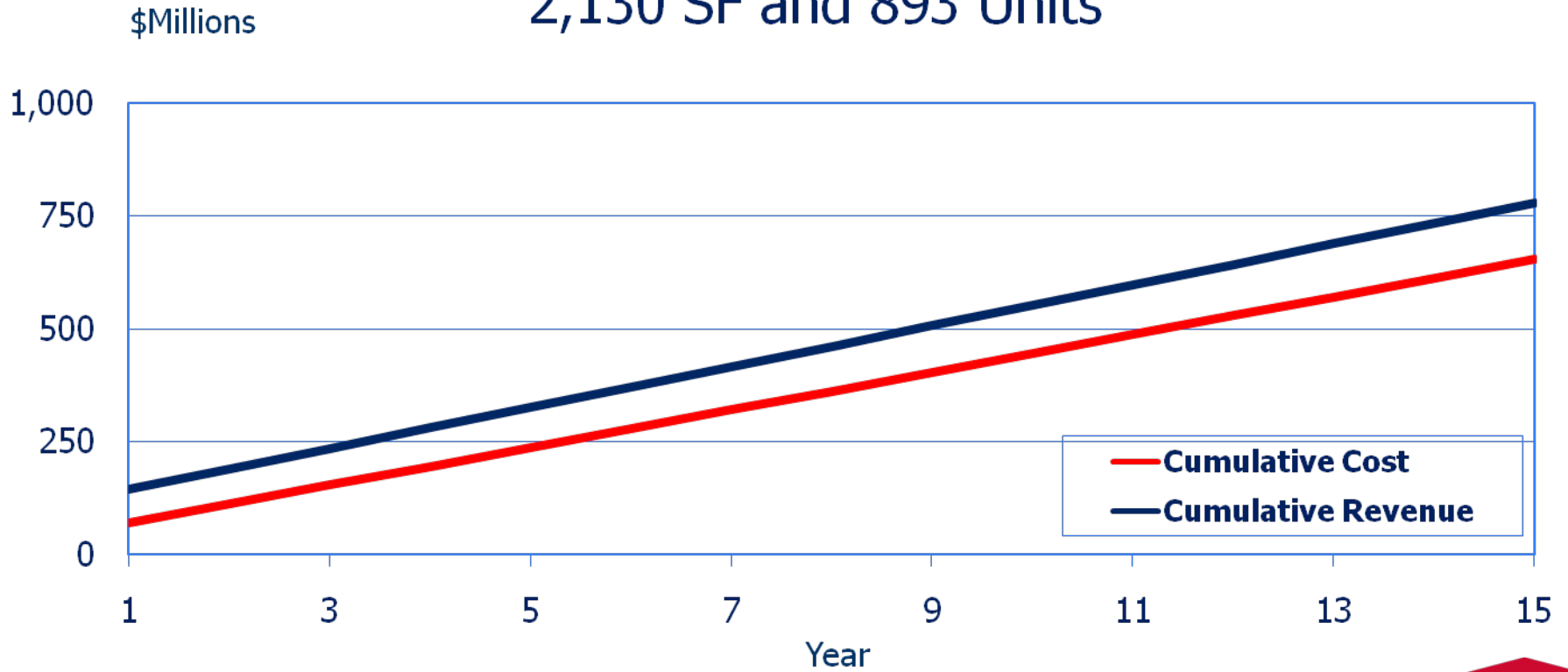
For every 2,130 SF units and 893 MF Units

- By the end of the 1st year the debt is fully paid off
- By the 1st year economic impacts offset fiscal costs
- In the 1st year, net is \$750,010,500 and is \$3,555,800 thereafter

Year	Current Expenses	Revenue	Operating Surplus	Investment Start of Year	Debt at Year End	Interest On Debt	Net Income
1	20,907,400	145,511,500	124,604,100	47,403,200	0	2,190,400	75,010,500
2	41,814,700	45,370,500	3,555,800	0	0	0	3,555,800
3	41,814,700	45,370,500	3,555,800	0	0	0	3,555,800
4	41,814,700	45,370,500	3,555,800	0	0	0	3,555,800
5	41,814,700	45,370,500	3,555,800	0	0	0	3,555,800
6	41,814,700	45,370,500	3,555,800	0	0	0	3,555,800
7	41,814,700	45,370,500	3,555,800	0	0	0	3,555,800
8	41,814,700	45,370,500	3,555,800	0	0	0	3,555,800
9	41,814,700	45,370,500	3,555,800	0	0	0	3,555,800
10	41,814,700	45,370,500	3,555,800	0	0	0	3,555,800

Over 15 years, every 2,130 SF and 893 MF units generate a cumulative \$780.7 million in revenue for local governments—but only \$656.4 million in costs

Costs Compared to Revenue: 2,130 SF and 893 Units



What does 1 year mean?

- That is, should it be done faster, or is it O.K.?
- Big purchases take time to pay off.
- Car loans now last 5 years, and many lease!
- How fast did you pay off your student loans?
- How fast are your kids paying off theirs?
- Did you pay off your home in one year?

Almost done, just a bit more



How Large Are Non Property Tax Revenues

Single family property taxes are \$7,373/unit per year but, yearly revenue is \$16,277/unit per year, which is 121% more.

Multifamily property taxes are \$3,679/unit per year but, yearly revenue is \$10,885/unit per year, which is 196% more.

Clearly, property taxes are not the whole story!

A Closer Look at Primary and Secondary Education

12.6% attend private schools nationally

1.7% are home schooled nationally

0.4 school age children/MF unit nationally

0.6 school age children/SF unit nationally

ANY QUESTIONS?

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Thank you very much!