

THE METO AREA IMPACT OF HOME BUILDING IN VANDERBURGH & WARRICK COUNTIES

Presented

by

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Evansville, IN



LOCAL ECONOMIC IMPACT

- Construction phase
 - Jobs
 - Materials
 - Local fees, taxes, contributions
- Ripple or feed-back from construction
 - Wages spent in local economy
- Occupancy phase
 - Earnings spent in local economy

- Conventional Wisdom is that more jobs produce homes
- But, new homes produce more jobs too!

HOUSING ⇒ JOBS

CONSTRUCTION PHASE

INPUTS:

VALUE OF CONSTRUCTION
SERVICES PROVIDED AT CLOSING
PERMIT/HOOK-UP/IMPACT FEES
(Info Obtained From Local Sources)



MODEL OF THE LOCAL ECONOMY



OUTPUTS:

INCOME FOR LOCAL RESIDENTS
TAX/FEE REVENUE
FOR LOCAL GOVERNMENTS

RIPPLE PHASE

INPUTS:

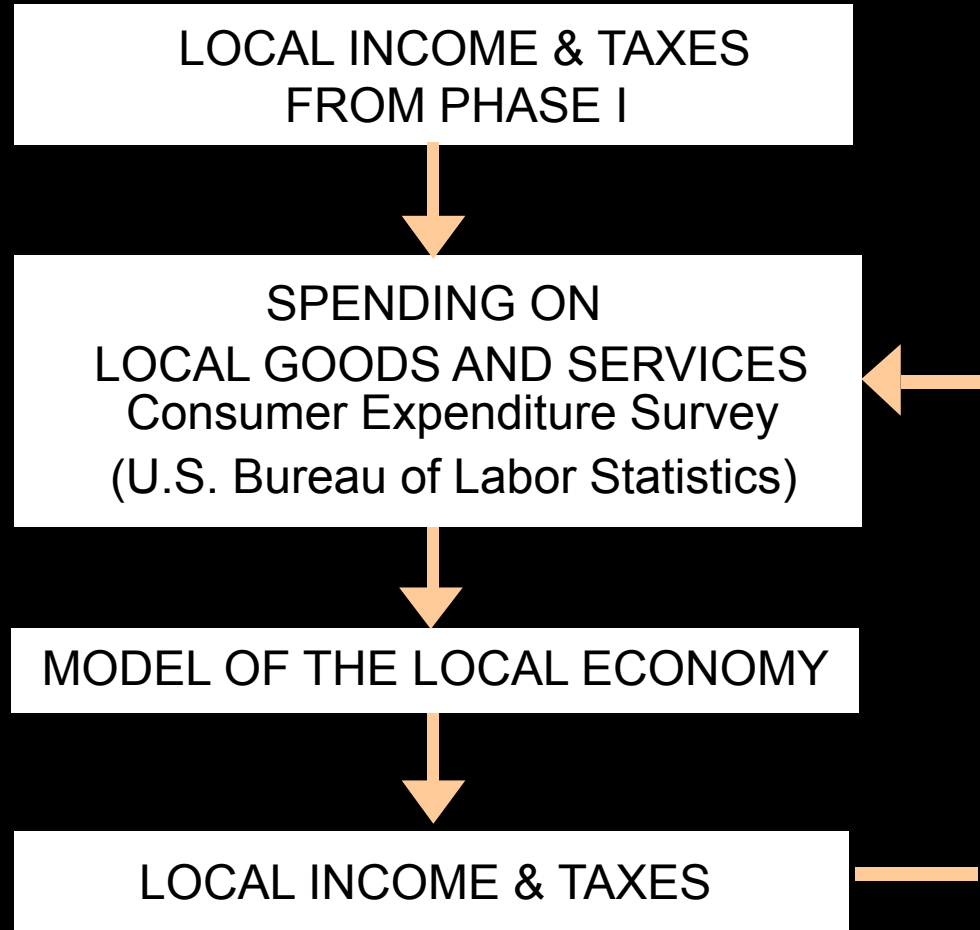
LOCAL INCOME & TAXES
FROM PHASE I

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

MODEL OF THE LOCAL ECONOMY

OUTPUTS:

LOCAL INCOME & TAXES



OCCUPANCY PHASE

INPUTS:

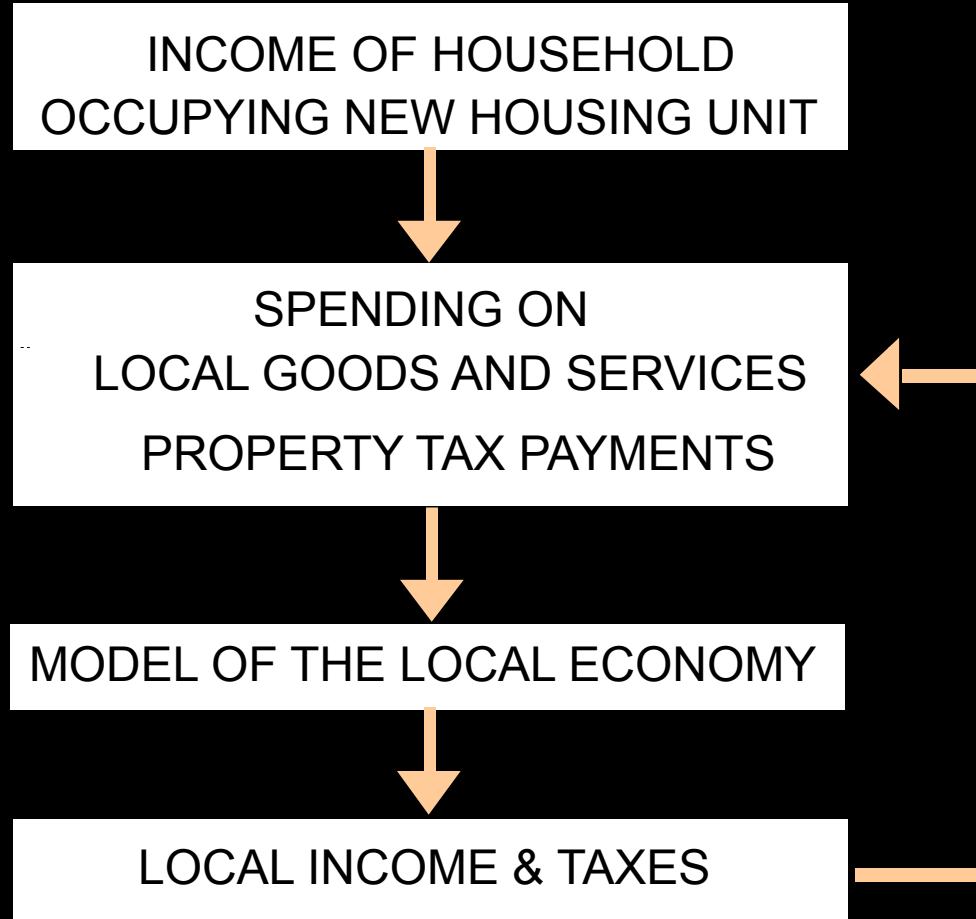
INCOME OF HOUSEHOLD
OCCUPYING NEW HOUSING UNIT

SPENDING ON
LOCAL GOODS AND SERVICES
PROPERTY TAX PAYMENTS

MODEL OF THE LOCAL ECONOMY

OUTPUTS:

LOCAL INCOME & TAXES



The Evansville, IN-KY MSA



The Evansville, IN-KY Multiplier

**Only Captures
Spending that Stays in the MSA**

Includes:

Banking, Car Repair, Dry Cleaning

Day Care Services, Legal Services

Newspaper Delivery, and Restaurants

But not:

Auto Manufacturing, Mattress Manufacturing, Movie

Production, and Travel Agency Services

History of the Model

- Over 475 eco. impact analyses performed

Users of the model include:

Boone County Kentucky

Habitat for Humanity, International

MI State Housing Development Authority

Michigan State University

Missouri Housing Development Commission

Univ. of Florida

Univ. of Massachusetts

Univ. of Montana

West Virginia Housing Development Fund...

Assumptions of the Model

	<u>Single Family</u>	<u>Multifamily</u>
Average house price:	\$213,757	\$115,640
Average raw lot cost:	\$8,667	\$2,600
Permits/Infrastructure:	\$2,441	\$1,846
Annual prop. taxes:	\$3,527	\$2,123

Economic Impact of Single Family Home Building

- Construction phase
- Ripple effect from construction phase
- Occupancy phase
- Ten year total

FIRST YEAR IMPACT: SF Construction

Every 100 SF Homes

Local Income	Local Taxes	Local Jobs
\$9,059,000	\$473,000	203

INCLUDING:

144 Jobs in Construction

31 Jobs in Wholesale & Retail Trade

18 Jobs in Business and Professional Services

FIRST YEAR IMPACT: SF Ripple

Local Income	Local Taxes	Local Job
\$4,041,000	\$292,000	94

INCLUDING:

22 Jobs in Wholesale and Retail Trade

12 Jobs in Local Government

12 Jobs in Health, Education & Social Services

ONGOING SF ANNUAL EFFECT

Local Income	Local Taxes	Local Jobs
\$2,565,000	\$561,000	65

INCLUDING:

15 Jobs in Wholesale and Retail Trade

11 Jobs in Local Government

7 Jobs in Health, Education & Social Services

TOTAL SF IMPACT: FIRST TEN YEARS

Local Income	Local Taxes
\$37,468,000	\$6,095,000

**Along with 298 temporary jobs
and 65 permanent ones!**

FIRST YEAR IMPACT: MF Construction

Every 21 MF Homes

Local Income	Local Taxes	Local Jobs
\$1,170,000	\$68,000	29

INCLUDING:

23 Jobs in Construction

3 Jobs in Business and Professional Services

3 Jobs in Wholesale & Retail Trade

FIRST YEAR IMPACT: MF Ripple

Local Income	Local Taxes	Local Job
\$529,000	\$38,000	12

INCLUDING:

3 Jobs in Wholesale and Retail Trade

2 Jobs in Local Government

2 Jobs in Health, Education & Social Services

ONGOING MF ANNUAL EFFECT

Local Income	Local Taxes	Local Jobs
\$583,000	\$93,000	13

INCLUDING:

- 3 Jobs in Wholesale and Retail Trade
- 2 Jobs in Local Government
- 2 Jobs in Health, Education & Social Services

TOTAL MF IMPACT: FIRST TEN YEARS

Local Income	Local Taxes
\$7,238,000	\$990,000

**Along with 42 temporary jobs
and 13 permanent ones!**

BUT

NEW HOMES REQUIRE:

INFRASTRUCTURE

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

Required Current Expenses per SF Unit

Function	Single Family	State Aid
Education	\$1,137	63%
Police Protection	\$392	0%
Fire Protection	\$209	0%
Corrections	\$92	0%
Streets and Highways	\$12	93%
Water Supply	\$284	1%
Sewerage	\$154	0%
Health Services	\$28	64%
Recreation and Culture	\$342	0%
Other General Government	\$967	30%
Electric Utilities	\$115	0%
Gas Utilities	\$115	0%
Total	\$3,847	

Required Current Expenses per MF Unit

Function	Multifamily	State Aid
Education	\$661	63%
Police Protection	\$292	0%
Fire Protection	\$155	0%
Corrections	\$69	0%
Streets and Highways	\$8	93%
Water Supply	\$149	1%
Sewerage	\$81	0%
Health Services	\$21	64%
Recreation and Culture	\$254	0%
Other General Government	\$720	30%
Electric Utilities	\$85	0%
Gas Utilities	\$85	0%
Total	\$2,581	

Required Capital per SF Unit

Function	Single Family
Schools	\$3,685
Hospitals	\$314
Other Buildings	\$3,333
Highways and Streets	\$435
Conservation & develop	\$33
Sewer Systems	\$1,570
Water Supply	\$11,200
Other structures	\$3,676
Equipment	\$189
Total	\$24,435

Required Capital per MF Unit

Function	Multifamily
Schools	\$2,144
Hospitals	\$234
Other Buildings	\$2,480
Highways and Streets	\$301
Conservation & develop	\$25
Sewer Systems	\$822
Water Supply	\$5,861
Other structures	\$2,736
Equipment	\$141
Total	\$14,743

Now that we know:

The benefits of construction

&

The costs of construction

Does new construction pay for itself?

Yes it does!

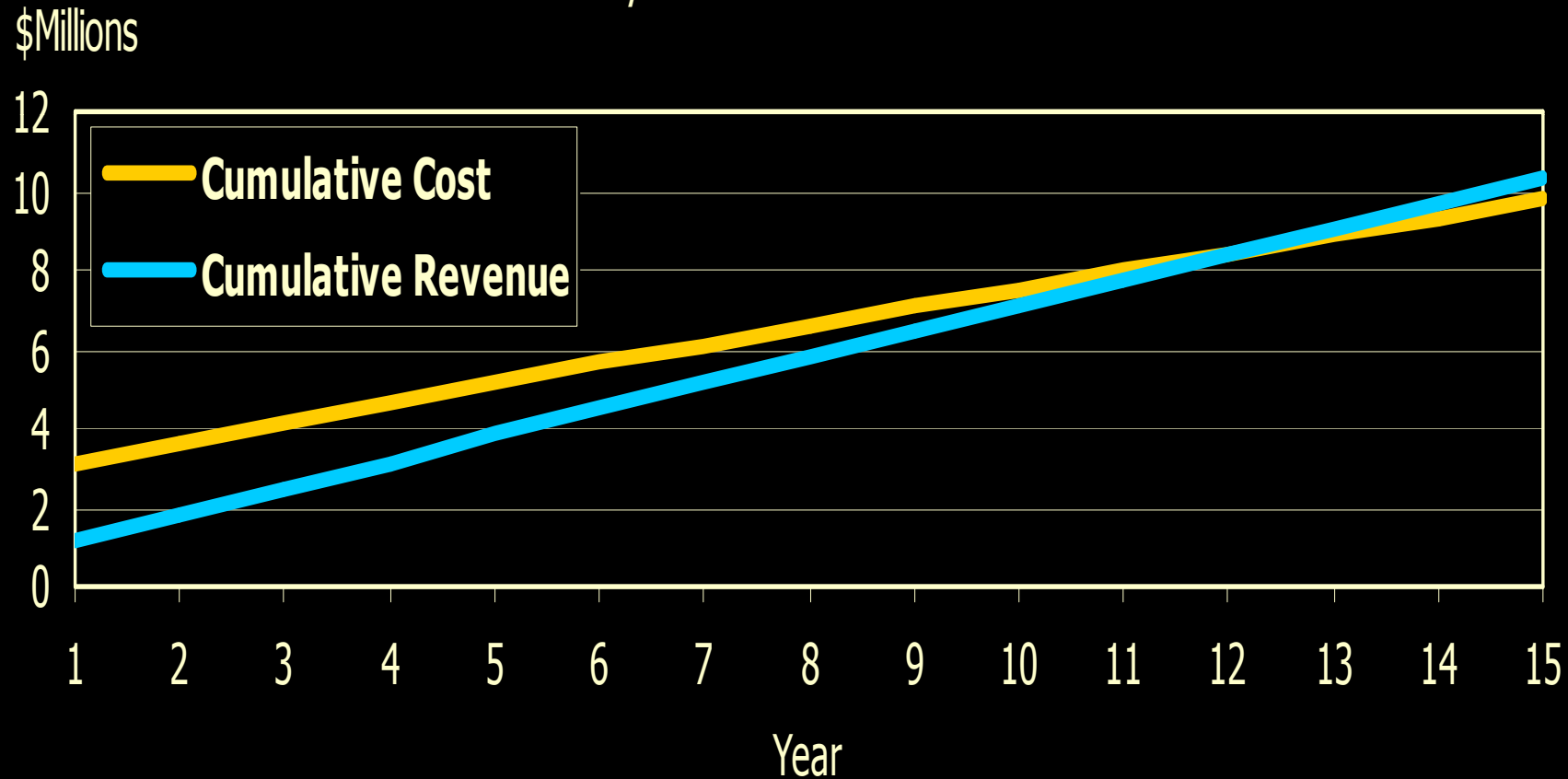
For every 100 SF and 21 MF units--

- By the 2nd year economic impacts offset fiscal costs
- By the end of the 13th year the debt is fully paid off
- In the 13th year, net is \$216,740 and is \$218,918 thereafter

Year	Current Expenses	Revenue	Operating Surplus	Investment Start of Year	Debt at Year End	Interest On Debt	Net Income
1	218,000	1,197,566	979,566	2,752,000	1,893,544	121,111	-1,893,544
2	436,000	654,918	218,918	0	1,757,958	83,332	135,586
3	436,000	654,918	218,918	0	1,616,404	77,365	141,553
4	436,000	654,918	218,918	0	1,468,621	71,135	147,783
5	436,000	654,918	218,918	0	1,314,335	64,632	154,286
6	436,000	654,918	218,918	0	1,153,258	57,842	161,076
7	436,000	654,918	218,918	0	985,093	50,753	168,165
8	436,000	654,918	218,918	0	809,527	43,352	175,566
9	436,000	654,918	218,918	0	626,235	35,626	183,292
10	436,000	654,918	218,918	0	434,876	27,560	191,358
11	436,000	654,918	218,918	22,000	257,096	19,138	199,780
12	436,000	654,918	218,918	0	49,492	11,314	207,604
13	436,000	654,918	218,918	0	0	2,178	216,740
14	436,000	654,918	218,918	0	0	0	218,918
15	436,000	654,918	218,918	0	0	0	218,918

Over 20 years, every 100 SF and 21 MF units generate a cumulative \$13.7 million in revenue for local governments—but only \$12.0 million in costs

Costs Compared to Revenue:
Every 100 SF and 21 MF Units



Almost done, just a bit more



What does 13 years really mean?

- Is it OK, or should it be done faster?**
- 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 13 years?**

A Closer Look at Primary and Secondary Ed.

- 12.6% attend Private Schools
- 1.7% are Home schooled
- 0.4 school age children / MF unit
- 0.6 school age children / SF unit
- State aid is \$209.6 million or 63% of budget

How Large Are Non Property Tax Revenues

- SF property taxes are \$3,527/year
But, yearly revenue is \$5,615/unit per year, which is 59% more.
- MF property taxes are \$2,123/year
But, yearly revenue is \$4,451/unit per year, which is 97% more.
- Clearly, property taxes are not the whole story!

QUESTIONS?

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