THE ECONOMIC IMPACT OF PUBLIC HOUSING



Ongoing Investment with Wide Reaching Returns

OCTOBER 2018

CLPHA
Strengthening Neighborhoods. Improving Lives.

INTRODUCTION

Public housing is critical to addressing the nation's poverty crisis. As a long-term asset, public housing provides decent housing to the nation's most vulnerable citizens, connects low-income workers to economic opportunities, and spurs regional job creation and economic growth.

Approximately 45 million people, including one out of five children, live in poverty in our nation and only one in four households that are eligible for housing assistance receive it.

As one of the nation's largest sources of affordable housing, public housing represents a significant investment on the part of the federal government. Public housing is home to nearly 1.1 million low-income families and is a multi-billion dollar public asset for local communities. Along with housing vouchers, which house another 2.2 million low-income families, these programs are the foundation of the affordable rental housing market.

Public housing also acts as an economic generator by leveraging public and private resources to: increase resident earning; contribute to local tax revenue; and support job creation and retention. Continued and enhanced investments in public housing directly support local economies as well as their residents.

The Council of Large Public Housing Authorities (CLPHA) commissioned Econsult Solutions to evaluate the economic impacts of six CLPHA member public housing authorities (PHAs) in diverse markets across the country: Akron Metropolitan Housing Authority, Akron, Ohio; Charlotte Housing Authority, Charlotte, North Carolina; Housing Authority of Kansas City, Kansas City, Missouri; Housing Authority of the City of Los Angeles, Los Angeles, California; New York City Housing Authority, New York City, New York; and Oklahoma City Housing Authority, Oklahoma City, Oklahoma.

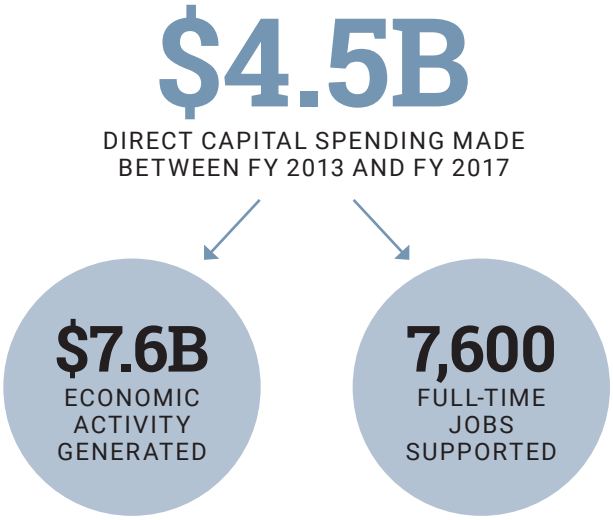
Public housing authorities provide an important component to local housing markets and generate wide reaching economic impacts.

The research shows that PHAs generate and induce multiple streams of economic activity benefitting those who reside in public housing, as well as local employers, governments, and industries. In this brief, we highlight four key findings.

PUBLIC HOUSING IS An Economic Driver

Housing authorities generate economic impacts that ripple through the community, city, and region. PHAs own and manage large property portfolios as well as directly support real estate markets through housing choice vouchers and other housing assistance payments.

Capital projects that include ongoing development, maintenance and property upgrades ensure millions of Americans have access to safe and stable housing while generating multiple points of regional economic activity. Across the six PHAs in this study, $4.5 billion in direct capital spending made between FY 2013 and FY 2017 generated an estimated $7.6 billion in economic activity, supporting 7,600 full-time jobs. Every $1 million spent on capital investments generates $1.89 million in economic activity and supports 11 full-time jobs.



Through their operations and voucher programs, these PHAs have a $4.2 billion direct annual economic impact and these expenditures generate additional economic activity. On average, for every $1 million the PHAs spend on operations and vouchers, another $1 million in spending occurs in their local economies. In addition, for every $1 million spent on operations and vouchers in these regions, 12 full-time jobs are supported.

The indirect and induced impacts of PHA spending supports the output and employment of diverse industries including administrative services, health care, retail, hospitality and food services, and real estate. In addition, many of these industries benefit from the local employment base residing in public housing.

PUBLIC HOUSING IS
Workforce Housing

While the majority of public housing residents are elderly and/or disabled, among work-able households, most are either working, subject to work requirements, or have worked recently.[i]

The shortage of affordable housing nationwide has the greatest impact on the poorest Americans. In localities where home prices and rents are outpacing wage growth, many low-wage, often entry-level, workers cannot afford to live in market rate housing and must locate farther from employment hubs. In the six communities studied, low-wage workers would need to work anywhere from 68 to 118 hours a week to be able to rent the average market-rate apartment in their city.[ii]

LOW-WAGE WORKERS WOULD NEED TO WORK ANYWHERE FROM

68-118 HOURS EACH WEEK

TO BE ABLE TO RENT THE AVERAGE MARKET-RATE APARTMENT IN THEIR CITY.

The costs associated with living outside of employment hubs also negatively impact the ability to work consistently. Public housing and voucher-assisted housing provide low income people an opportunity to live in stable housing and to be located near employment centers. Ultimately, the less public housing provided to lower income families, the greater the dislocation from job opportunities and the smaller employment base in a given area.

Public housing is effectively a form of subsidy to the industries that employ entry level and low-wage workers. By estimating the number of working age[iii] adults in public housing, and using the annual fair market rent and average annual rent paid by public housing households, we approximated the total subsidy housing authorities effectively provide to industries that rely on low-wage workers. **The six PHAs in this study effectively provide over $1.078 billion in direct subsidy to low-wage industries in their regions.**

Reducing the level of public housing provided not only negatively impacts low-wage earners but also has a potentially stunting effect on industries that rely on local low-wage workers, including tourism, retail, hotels, and food and beverage.

PUBLIC HOUSING IS
A Long-Term Investment

The 1.1 million public housing units around the country are a significant investment by the federal government, with a replacement cost of $183 billion.

During the last decade, capital fund appropriations have continued to dwindle, while ongoing accrual needs have increased. The growing disinvestment in public housing has led to the substantial loss of approximately ten thousand public housing units each year, resulting in fewer and fewer people served by the program.

Years of chronic underfunding has had substantial negative impacts on the public housing stock. In recent years, Capital Fund appropriations have averaged less than $2 billion annually, while annual capital accrual needs are estimated at $3.4 billion. The capital needs backlog is currently estimated to be $50 billion—and growing.

Given the decades of federal disinvestment and the uncertain budget climate, there is a significant chance that many of the older public housing developments that are in need of major upgrades could be a cause of blight in the future. Accounting for historic correlations between capital funding, physical building quality, and nearby house values, a previous Econsult study[iv] conservatively estimates that **a "permanent 20 percent cut (present value of $6.7 billion) in capital funding would result in an aggregate property value decline ranging from $2.5 billion to $2.8 billion."** This reduction in property value would have negative impacts on tax revenue.

When public housing is well maintained, well managed, and has an attractive design consistent with that of the surrounding homes, it will have a positive impact on the surrounding neighborhood. Public housing developments that replace depressed or blighted conditions typically generate positive impacts as well.

$50B

THE CURRENT ESTIMATED CAPITAL NEEDS BACKLOG

$3.4B

ESTIMATED ANNUAL CAPITAL ACCRUAL NEEDS

less than **$2B**

AVERAGE CAPITAL FUND APPROPRIATIONS

When public housing is well maintained, well managed, and has an attractive design consistent with that of the surrounding homes, it will have a positive impact on the surrounding neighborhood.

PUBLIC HOUSING IS A Tax Revenue Generator

Public housing is a critical element of regional and local infrastructure due to its proximity to transportation, business centers, educational opportunities, other housing, and community centers, as well as its multiple economic intersections and influence on the economic growth of their cities.

Public housing is a tremendous economic resource in cities and regions. **The PHAs in this study house up to 11 percent of their city's populations.** They generate economic activity in multiple ways – through their operations, by moving families from unstable to stable housing, subsidizing industries that rely on low-wage workers, supporting the local rental housing markets, and by supporting businesses providing ongoing maintenance and property management services to their buildings.

Public housing generates multiple direct and indirect tax benefits, that without public housing, in some cases, the tax benefits are entirely lost. Across all six cities, capital investments made from FY2013 to FY2017 resulted in potential tax revenues from income, business and sales taxes of $104 million. Over the same time period, the six states in which the PHAs are located received an estimated $148 million.

ESTIMATED TOTAL ANNUAL TAX PAYMENTS GENERATED

$69M TO THE CITIES IN WHICH THE PHAs ARE LOCATED

$215M TO THE STATES IN WHICH THE PHAs ARE LOCATED

When accounting for the direct, indirect, and induced economic activity of the PHAs operations and the housing assistance payments, the total annual tax payments generated to the cities in which the PHAs are located for income, sales, and business taxes are estimated to be $69 million. To the states in which the PHAs are located, the annual taxes revenues are estimated to be $215 million.

CONCLUSION

Research continues to show that stable housing provides positive health, education, income, and quality of life outcomes for residents. And, for those living in public housing or voucher-assisted housing, it is usually their only opportunity for living in stable housing and to be located near employment centers.

But, the benefits of public housing go far beyond the residents and their families. Housing authorities generate economic impacts that ripple through the community, city, and region. As such, they are a critical part of the infrastructure in their regions. In 2017, PAHRC estimated that completing the $25 billion backlog of public housing repairs would infuse $80 billion into local economies.[v] It also estimated that providing eligible families with rental assistance would increase consumer spending by $48 billion. Given the cost of rebuilding the affordable housing units at risk of losing their affordability, estimated at $6.4 billion, the net economic gain of investing in public housing is significant.



ENDNOTES

[i] Center on Budget and Policy Priorities. Policy Basics: Public Housing. 2017. https://www.cbpp.org/research/policy-basics-public-housing

[ii] National Low Income Housing Coalition. Out of Reach 2017: The High Cost of Housing. 2017. http://nlihc.org/sites/default/files/oor/OOR_2017.pdf

[iii] "Working age" is defined for purposes of this analysis as age 25-59. This age range was taken from the data available in HUD's Picture of Subsidized Housing Database.

[iv] Econsult Corporation. The Cost of Cuts: The Impact of Reductions in Capital Investments to Public Housing Authorities. 2012. https://www.housingcenter.com/wp-content/uploads/2017/11/the-cost-of-cuts-the-impact-of-reductions-in-capital-investments-to-public-housing-authorities-report.pdf

[v] The Public and Affordable Housing Research Corporation (PAHRC). How Sustainable Communities Create Resilient People. 2017. https://www.housingcenter.com/wp-content/uploads/2017/11/2017-pahrc-report.pdf

CLPHA WOULD LIKE TO THANK THE FOLLOWING
PUBLIC HOUSING AUTHORITIES FOR THEIR PARTICIPATION:

Akron Metropolitan Housing Authority
Akron, Ohio

Charlotte Housing Authority
Charlotte, North Carolina

Housing Authority of Kansas City
Kansas City, Missouri

Housing Authority of the City of Los Angeles
Los Angeles, California

New York City Housing Authority
New York City, New York

Oklahoma City Housing Authority
Oklahoma City, Oklahoma

CLPHA

The Council of Large Public Housing Authorities is a national non-profit organization that works to preserve and improve public and affordable housing through advocacy, research, policy analysis, and public education.

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