

Louisville Affordable Housing Trust Fund Economic Impact

With every \$1,000,000¹ of Affordable Housing Trust Fund dollars, we:

- **create 84 units of affordable housing²** in Louisville
- **support 112 jobs** in year 1, and **44 jobs** on an annual ongoing basis
- **generate \$6,468,000 in local revenue** in year 1, and
- **generate \$3,061,800** on an annual ongoing basis.

The National Association of Home Builders states, "These are local impacts, representing income and jobs for residents...and taxes (and other sources of revenue, including permit fees) for all local jurisdictions within the metro area. They are also one-year impacts that include both the direct and indirect impact of the construction activity itself, and the impact of local residents who earn money from the construction activity spending part of it within the local area."

Initial one-year impact³ of building 84⁴ units of affordable housing in Louisville:

Total local income generated for residents:	\$5,871,600
Local business owner income generated:	\$1,366,680
Local wages and salaries generated:	\$4,504,920

Total local tax revenue generated⁵:	\$ 596,400
Local property tax generated ⁶ :	\$ 131,000

Total local jobs supported:	112
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TOTAL 1-year impact⁷: \$6,468,000 and 112 jobs supported

Ongoing annual effect that occurs when the housing units are occupied⁸:

Total local income generated for residents:	\$2,674,560
Local business owner income generated:	\$1,100,400
Local wages and salaries generated:	\$1,573,320

Total local tax revenue generated:	\$ 387,240
Local property tax generated:	\$ 131,000

Total local jobs supported:	44
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TOTAL ongoing annual impact: \$3,061,800 and 44 jobs supported

*Analysis on behalf of the Revenue Committee of
Mayor Abramson's Affordable Housing Trust Fund Task Force, Nov 1 2006, by:*

- *Rachel M. Hurst*, Chair, Revenue Committee of AHTF Task Force;
Director of Public Relations, Community Education, and Advocacy, The Coalition for the Homeless, Inc.
- *Gale Lively*, Executive Vice President, Louisville Apartment Association
- *Tommy Logsdon*, Governmental Affairs Director, Homebuilders Association of Louisville
- *Janel Temple*, Director of Family Services, Habitat for Humanity of Louisville
- *Kevin Dunlap*, Senior Deputy Director, Kentucky Community Business Center, Fannie Mae

¹ \$1,000,000 in AHTF dollars leveraged 6:1 for a total investment of \$7,000,000. The Kentucky AHTF averages 7:1 leveraging, according to Kentucky Housing Corporation. A national survey of state and local AHTFs showed leveraging ranging from 6:1 to 13:1, according to the Center for Community Change. The group chose a conservative estimate of 6:1 leveraging for these calculations.

²**Cost to construct one affordable housing unit: \$85,000***
Value of one affordable housing unit: \$120,000**

*Louisville Apartment Association, Habitat for Humanity, and River City Housing Corporation estimated the 2005 cost to develop a basic unit of affordable housing is approximately \$85,000.

- According to a 2006 survey of for-profit developers of multifamily affordable housing units by Louisville Apartment Association, the cost breaks down as: \$55,000 for construction, \$14,000 development costs, \$10,000 site costs, \$6,000 common area costs, and \$7,500 land costs for 1 multi-family unit of housing and a total of \$85,500.
- Habitat for Humanity of Louisville's 2005 cost of developing a 3-bedroom, 1-bath, 1100 square foot affordable single family home was \$50,000 to \$60,000 plus labor expenses, and concurred with the \$85,000 total cost.
- The Homebuilders Association of Louisville estimates the development cost of one affordable single family home at \$95,000 to \$100,000.
- River City Housing's data is based on a basic 1,100 square foot single family home with 3 bedrooms and 2 bathrooms with a development cost of \$85,800.

Therefore, the group chose the common figure \$85,000 as the cost of one affordable unit of either multi-family or single family home.

*The 2005 Jefferson County Area Median Income (AMI) was \$59,800 for a family of four. A family of four earning 60% AMI, or \$36,000, if they spent 30% of their income on housing costs (spending more than 30% is considered "unaffordable"), would be able to afford \$11,360 a year for housing, or \$900 a month for housing. Factoring in an estimated \$50/month for insurance and \$80/month for taxes, a family of four earning 60% AMI in Jefferson County in 2005 can afford to pay no more than \$770/month for housing costs, and can afford a home valued at \$110,000 to \$115,000 with a 30-year mortgage, no downpayment, and 6.5% interest rate.

*A family of four earning 80% AMI, or \$48,000, if they spent a maximum of 30% of their income on housing costs, would be able to afford \$14,400 a year for housing, or \$950 a month for housing. Factoring in an estimated \$50/month for insurance and \$80/month for taxes, a family of four earning 80% AMI in Jefferson County in 2005 can afford to pay no more than \$870/month for housing costs, and can afford a home valued at \$120,000 to \$130,000 with a 30-year mortgage, no downpayment, and 6.5% interest rate.

--*Estimations from The Homebuilders Association of Louisville*

**The Homebuilders Association of Louisville estimates a housing unit that costs \$85,000 to create would be valued at \$120,000.

³One-year impact includes Phase I: Direct and Indirect Impact of Construction Activity, and Phase II: Induced (Ripple) Effect of Spending the Income and Taxes from Phase I. From *The Local Impact of Home Building in a Typical Metropolitan Area: Income, Jobs, and Taxes Generated*. Oct. 2005, National Association of Home Builders.

The group used the NAHB summary of "Impact of Building 100 Multifamily Units in a Typical U.S. Metropolitan Area" because our Louisville numbers for cost and value of one unit of single family or multi-family affordable

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housing was the same (see endnote 2), and NAHB's multifamily unit value was closest to ours (\$112,000 NAHB vs. \$120,000). We calculated 84% of each NAHB figure given (representing the impact of constructing 84 units rather than 100). NAHB report is available at http://www.nahb.org/fileUpload_details.aspx?contentTypeID=3&contentID=35601&subContentID=28002.

⁴ Louisville Apartment Association states 33.3% of Louisvillians prefer to live in apartments or multifamily units. Therefore, a typical mix of affordable homes for Louisville would be 28 multifamily units and 56 single family homes, for a total of 84 units.

⁵ "The term local taxes is used as a shorthand for local government revenue from all sources: taxes, fees, fines, revenue from government-owned enterprises, etc." --*The Local Impact of Homebuilding in a Typical Metropolitan Area: Income, Jobs, and Taxes Generated*, Oct. 2005 National Association of Home Builders.

⁶ Because the property tax rate for Louisville varies by type and location of the housing unit, we gathered information about the average property tax rate as reported by the Urban League, Home Builders Association of Louisville, Habitat for Humanity of Louisville, and Louisville Apartment Association. **The average 2005 property tax rate, which we used in our calculations, was \$1.30 per \$100 of assessed value:**

- Homebuilders Association of Louisville: 2005 average property tax rate of \$1.20 per \$100 of assessed value. Habitat for Humanity of Louisville also uses this figure.
- Louisville Apartment Association: 2005 average property tax rate of \$1.26 per \$100 of assessed value, with most units in the urban services district
- Urban League: 2005 average property tax rate of \$1.45 per \$100 of assessed value

⁷ According to Habitat for Humanity of Metro Louisville's 2005 Economic Impact Report and "Determining Your Affiliate's Economic Impact: A Formula for Success," **the total direct economic impact of creating 84 affordable housing units valued at \$120,000 each is \$70,560,000.** This is based on \$10,080,000 in value of the units, multiplied by 7, "a common figure used by many Chambers of Commerce" as an indicator of "the number of times a dollar 'turns over' before it comes to rest or leaves your community."

⁸ "Ongoing Annual Effect that Occurs When New Homes Are Occupied," *The Local Impact of Home Building in a Typical Metropolitan Area: Income, Jobs, and Taxes Generated*. Oct. 2005, National Association of Home Builders.

The group used the NAHB summary of "Impact of Building 100 Multifamily Units in a Typical U.S. Metropolitan Area" because our Louisville numbers for cost and value of one unit of single family or multi-family affordable housing was the same (see endnote 2), and NAHB's multifamily unit value was closest to ours (\$112,000 NAHB vs. \$120,000). We calculated 84% of each NAHB figure given (representing the impact of constructing 84 units rather than 100).

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