Housing and Economic Development

Workforce Housing

Workforce housing supports successful economic development because businesses may have trouble attracting or retaining workers if they cannot afford to live near their jobs or convenient transportation options. As jobs are added to an area, new housing units need to be built, with consideration for housing type and location at the forefront. "Without an adequate supply of housing, there will be untenable strains on the region's transportation and transit networks, and an erosion of the region's economic base" (Sturtevant & Chapman, 2013).

Workforce housing is generally described as the housing that is affordable to households earning less than 120% of area median income (Cohen & Wardrip, 2011). When a community lacks sufficient affordable housing there is often not enough housing for the community's essential, low-income workers. This imbalance can impede economic development by making it difficult for businesses to recruit and retain employees.

Housing costs are among the top five factors affecting where households choose to live and work (Wardrip, Williams, & Hague, 2011). The cost of housing in most metropolitan areas in the U.S. has increased at a significantly faster rate than incomes in the last few decades ("Strengthening The Workforce And Communities Through Housing Solutions," 2005). This trend has created a jobs/housing mismatch that is a big concern for firms. The jobs/housing mismatch has more severe consequences for low-wage employees, who may be forced to choose either substandard housing in underserved neighborhoods or to go without other necessities, like food. To help curb this problem, business and housing groups need to work together to plan for adequate housing. Local, state, and federal policies should also advocate for housing policies that facilitate the development of affordable housing units ("Strengthening The Workforce And Communities Through Housing Solutions," 2005).

Case Study: Citistorage, Inc.

Citistorage, Inc. in Brooklyn, NY noticed that over the last 20 years many of their employees have had to move farther and farther away from work to find housing they can afford. Consequently, Citistorage, Inc. has been forced to reduce their working hours to offset longer commuting times ("Strengthening The Workforce And Communities Through Housing Solutions," 2005).

Job Creation and Local Economic Growth

Building new affordable housing has lasting impacts on the local economy in which it is built. During construction, it sustains jobs for the construction workers, supervisors and suppliers. The National Association of Home Builders (2010) has estimated that building 100 new Low Income Housing Tax Credit (LIHTC) developments creates about 80 jobs from the construction and 42 jobs in the surrounding community from construction workers spending their wages locally. After the construction is complete, roughly 30 long-term jobs are created in the community as a result of the added consumer demand from the new residents (National Association of Home Builders, 2010).

In comparison to higher income households that are more likely to save additional income, low-income households are likely to spend extra money on basic needs. Moving from substandard housing to quality, affordable housing frees up roughly 57% of low-income households' income, which allows them to spend more on non-housing related goods and services such as food, clothing, and health services (Econsult Corporation, 2007). Any of that money that is spent locally, significantly boosts the local economy.

Case Study: Minnesota

"A study conducted by the Minnesota Housing Finance Agency (2009) shows that the $260.6 million invested in affordable housing construction, rehabilitation, and rental assistance over a two-year period (May 2006-May 2008) leveraged an additional $471.1 million in public and private funds for this same activity. In total, the $731.7 million in direct spending generated an additional $0.91 on the dollar in indirect and induced spending, for a total of nearly $1.4 billion in total economic activity. This level of economic activity supported nearly 10,700 jobs in Minnesota over the two-year period" (Wardrip et al., 2011).

Tax Revenue

Local governments benefit from sales taxes of increased consumer demand, corporate taxes on builders' profits, income taxes paid by workers, real estate taxes, as well as any fees paid for permitting, zoning, inspections and utilities during construction (Gambo, Idowu, & Anyakora, 2012; Wardrip et al., 2011). Local governments also collect fees and taxes from the sale of a home. These taxes and fees are the primary source of income for most localities (Higgins, 2001). Renovating or replacing dilapidated housing with LIHTC housing also raises the value of homes in the surrounding neighborhoods, which eventually translates to higher property tax revenue for state and local governments (Gambo et al., 2012; Wardrip et al., 2011).

Health Costs

Health care costs associated with substandard housing have been cited in the billions annually (U.S. Department of Housing and Urban Development, 2014). Direct medical costs associated with substandard housing conditions include those for doctor visits, medications, and inpatient medical treatment, medication, facilities and supplies. Indirect nonmedical costs include lost school days, costs of home and auto modifications (for physical impairments), developmental services (for cognitive impairments), lost parental and lifetime wages, and premature death (Chenoweth, Estes, & Lee, 2009). These costs have negative social and economic impacts for the U.S. and localities (Mueller & Tighe, 2007).

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