



Economic Impact of Housing Investment by CHFA

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It has been noted that housing plays an integral role in the economic vitality of the State of Connecticut. Without the optimum supply of affordable and worker housing, businesses are reluctant to move to Connecticut. Without business growth, jobs that are vital to Connecticut's citizens will not be available. This will result in fewer people paying taxes and fewer people purchasing goods and services in the state. The ripple effect of the loss of jobs is far reaching into many sectors of the economy.

According to a 2007 study from the Federal Reserve Bank of Boston New England Public Policy Center¹, there is only one affordable housing unit available in Connecticut for every three people needing housing.

The demand for affordable housing in Connecticut is clearly acute. The impacts of not meeting that demand can also be measured. According to a 2009 Study prepared for The Massachusetts Housing Partnership², there are three main determinants of high economic growth; the composition of businesses, the ability to expand housing stock and the attraction as a destination for in-migration.

According to the regression that was completed for the study, the presence of large manufacturing "explained" 36% of economic growth in cities across the U.S. Construction of additional housing and in-migration together "explains" another 30% of the economic growth within a city. Wage levels "explain" another 1% of the economic growth. These factors in total "explain about 67% of the economic growth in the cities studied. Some of the additional factors of economic growth are educational attainment, tax rates, climate, as well as other factors that do not correlate as strongly and consistently but are inter-related to each other and the major factors.

There are several key points that the study drew as conclusions about economic growth in a region:

1. "Large manufacturing means slower growth
- 2. Regions that build more housing achieve stronger job growth**
- 3. Housing supply has more impact of job growth than housing cost**
- 4. Job growth is much weaker in places with large-lot zoning**
5. Domestic in-migration proves to be a strong predictor of job growth
6. High in-migration is critical to employment growth
7. State, local tax burdens have little impact on job growth
8. Really fast growth requires warm winters"³

Clearly housing plays a pivotal role in economic growth and Connecticut already has a high demand for affordable and worker housing. The Connecticut Housing Finance

¹ Rollins Saas, Darcy and Sasser, Alicia, "Crowded Out of the Housing Market", Federal Reserve Bank of Boston New England Public Policy Center, March 2007.

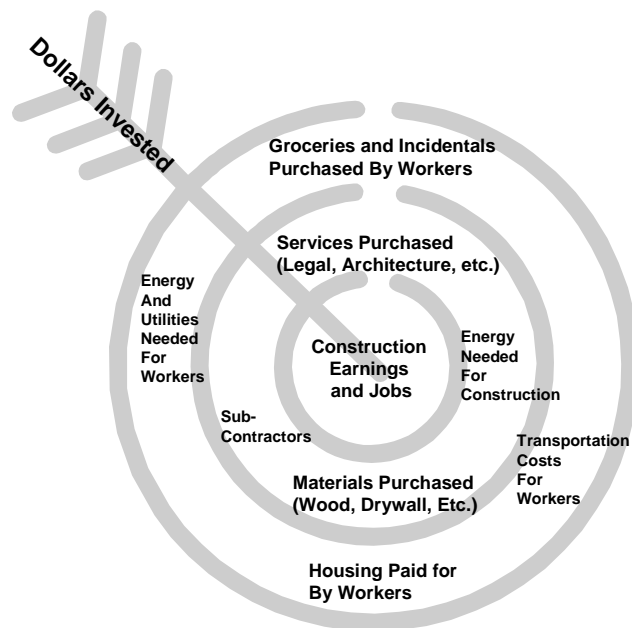
² Moscovitvh, Edward, "Recipe for Growth", Prepared for The Massachusetts Housing Partnership, January 2009.

³ Moscovitvh, Edward, "Recipe for Growth", Prepared for The Massachusetts Housing Partnership, January 2009.

Authority (CHFA) has been financing the construction of affordable multi-family housing in order to help fulfill the demand. In the past seven years CHFA lending and investment has resulted in adding or rehabilitating more than 15,000 units of affordable rental housing.

Many econometric models can calculate the theoretical impacts of housing construction. These effects include not only direct construction jobs but also jobs related to the construction on the units, jobs that needed to support the construction workers, and other “ripple” effect jobs. The following chart shows some of the industries that can benefit of “ripple” effects business.

Examples of “Ripple Effect” Impacts



In total, since 2011, the 15,000 units financed by CHFA have created nearly 14,000^{4 5} jobs. About half of the jobs that are created by constructing and preserving affordable multifamily housing are jobs in the construction industry, an industry that was negatively impacted by the 2008 recession.

In addition to jobs, CHFA’s financing of affordable housing has created \$2.7 billion of economic activity and more than \$180 million of new state revenue. The following chart shows the economic impacts for CHFA’s activity:

⁴ Source: REMI PI+ State Model, Regional Economic Models, Inc., Amherst, MA.

⁵ Includes payroll employment of full and part-time workers based on the industry.

CHFA Activity - 2011 to 2017

Year	Number of Affordable Rental Homes			Estimated Economic Activity (1)			
	Total	New	Substantial Rehab	Total Jobs (2)	Construction Jobs (2)	Total Economic Activity (millions)	Net State Revenue (millions)
2011	1,813	554	1,259	4,028	2,240	\$521.75	\$42.19
2012	1,706	580	1,126	1,256	703	\$172.98	\$13.57
2013	2,728	487	2,247	1,810	951	\$258.56	\$20.26
2014	3,291	409	2,882	2,029	1,200	\$293.04	\$23.82
2015	2,609	1,283	1,326	2,361	829	\$690.19	\$39.37
2016	1,439	955	484	1,045	253	\$348.67	\$19.21
2017	1,503	617	886	1,285	341	\$442.55	\$24.65
Total	15,089	4,885	10,210	13,814	6,517	\$2,727.75	\$183.07

In addition, once the housing units are filled, there is economic activity around the apartments as people consume goods and services. It is estimated that on average, 1.26 occupants in each housing unit are employed⁶ which will therefore lead to additional, on-going earnings and revenue for the state through income taxes.

The financing of affordable housing that CHFA been able to accomplish over the past decade has not only provided much needed affordable homes for families and individuals in Connecticut, but it has also been an economic driver of growth for the state. Without this affordable housing, Connecticut could not have recovered many of the jobs lost during the recession which has led to the record low unemployment that Connecticut is experiencing today.

⁶ Klepper-Smith, Don, "Updated Perspectives on the Need for Affordable Housing Within Connecticut", January 2008