



NEW YORK STATE ASSOCIATION FOR AFFORDABLE HOUSING

450 7th Avenue • New York, New York 10123

Phone: 646-473-1208 • info@nysafah.org • www.nysafah.org

The Role of Affordable Housing in New York State's Economic Development

Nearly 600,000 homeowners across New York State, 211,000 in New York City and 367,000 elsewhere in the State, are under the significant financial duress of spending more than 50% of their income on housing. In addition, more than half of New York City's renters, 1 million tenants, were spending over 30% of their incomes for rent in 2008, including three out of ten, 574,000 tenants, who were spending over 50%. Stable, safe affordable housing is shown to have a profound effect on childhood development, school performance, and health outcomes for families and individuals. Just as significant is the impact of affordable housing on economic development, neighborhood stability, and job creation in New York State.

I. Regional and Statewide Economic Impact of Affordable Housing

The availability and production of affordable housing plays a critical role in regional economic development throughout New York State, specifically:

- Affordable housing development creates immediate jobs during construction, including for the construction trades, material suppliers, and other local businesses.
- Affordable housing developers largely employ a local workforce, including minority and women owned business enterprises.
- Affordable housing sustains long-term jobs associated with maintaining the buildings and servicing their residents, such as jobs in the food service and other retail and commercial industries, plumbers, electricians and utilities.
- Housing affordable to a moderate income workforce is essential to attracting and retaining employees and therefore new businesses.
- State public investment in affordable housing leverages federal and other government support, as well as significant private capital.
- Local economies benefit from millions in local income, taxes and other revenue to local government resulting from the construction and annual recurring impact of projects.
- Affordable housing stabilizes neighborhoods by providing quality residential buildings, which in turn attract commercial development and infrastructure investment.
- Local residents benefiting from safe, affordable housing opportunities have additional discretionary income to support local businesses.

II. The Impact of Affordable Housing on Distressed Neighborhoods

Affordable housing developers work in close coordination with local government officials, community groups and businesses to develop a project proposal that meets local housing needs and

advances redevelopment goals. Often affordable housing developers are first into a blighted community, with resources for housing construction that integrate supporting infrastructure improvements, including water, sewer, natural gas, storm drains, roads, curbs, and sidewalk improvements. In urban areas, affordable developers may remediate environmentally contaminated brownfield sites, building to energy efficient and other green standards. Government and private equity investors ensure the project not only meets current housing needs, but is a fiscally sound, sustainable development, evidenced by market analysis, project reserves, annual audits and other compliance monitoring. As a result, the production of affordable housing not only stabilizes the immediate area with safe residential options for community members, but also serves to catalyze revitalization of the surrounding neighborhood.

Examples of the Revitalizing Effect of Affordable Housing

- An examination of the development and substantial rehabilitation of 66,000 units of affordable housing in New York City between 1980 and 1999 found home values increased within 2,000 feet of affordable projects. As a result, New York City was projected to receive \$2.8 billion in additional property tax revenue over the subsequent 20 year period. (Schwartz et al. 2006)
- An analysis of a tax credit project in the Bronx found the redevelopment project resulted in an appreciation of nearby home values of approximately \$22 million in the aggregate. The same study estimated that providing affordable housing to residents resulted in a doubling of their residual income, now available for purchasing local goods and services. (Walker, 2010)
- Affordable housing construction has been used as the lynchpin in redevelopment plans for several upstate New York cities. Rochester for example, has consistently used affordable housing to stabilize neighborhoods and promote economic development:
 - A 1970s low-income barracks-style housing project along Rochester's waterfront, long-plagued by poverty and crime, was transformed into safe, quality affordable housing. Combined with infrastructure improvements, including a new riverfront promenade, this affordable housing development, known as The Hamilton, has reconnected local residents with one of the city's greatest assets, its waterfront. The project developer has now begun a second phase of adjacent market-rate housing construction.



Affordable housing development – before and after on Rochester's waterfront

- A three phase, 150 unit affordable housing development played a key role in the revitalization of Rochester’s Plymouth-Exchange neighborhood, which in 1990 was one of the city’s poorest. A \$35 million investment in the project, including \$1.8 million in infrastructure road improvements, generated an additional \$25 million in economic activity within the surrounding community, including indirect business activity supporting the construction project and induced household spending generated by related wages. By 2010, the median owner-occupied home value in the neighborhood was 20% greater than 1990 levels, double the 10% rate of change for the city.

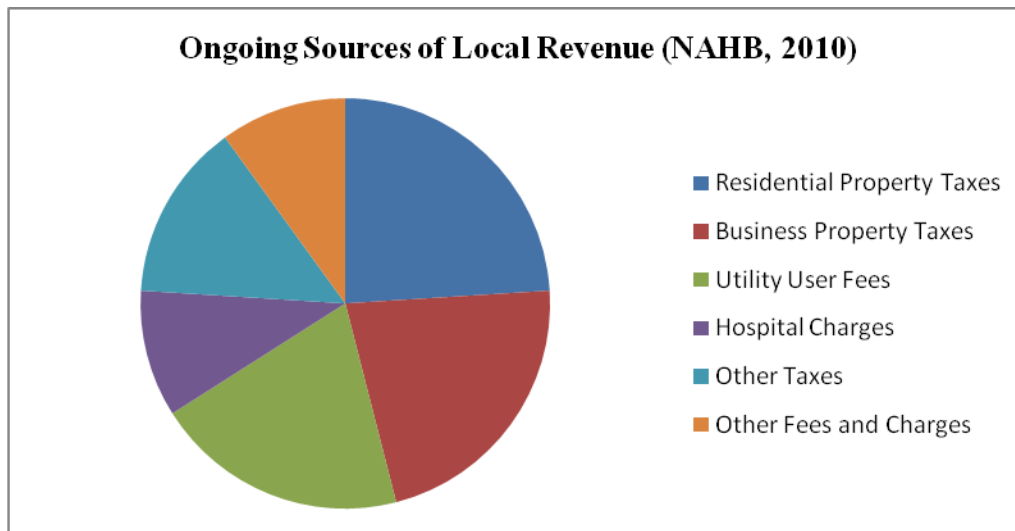
Affordable Housing Benefits Local Economies over the Near and Long-Term

According to the National Home Builders Association (NAHB, 2010), a typical 100 multifamily unit affordable housing project produces during construction alone:

- \$2,300,800 in local business owners’ income
- \$5,587,900 in local wages and salaries
- \$826,800 in local tax revenue

Ongoing, annual effects of a 100 unit occupied affordable housing project include:

- \$1,146,800 on local business owners’ income
- \$1,238,300 in local wages and salaries
- \$441,000 in local tax revenue



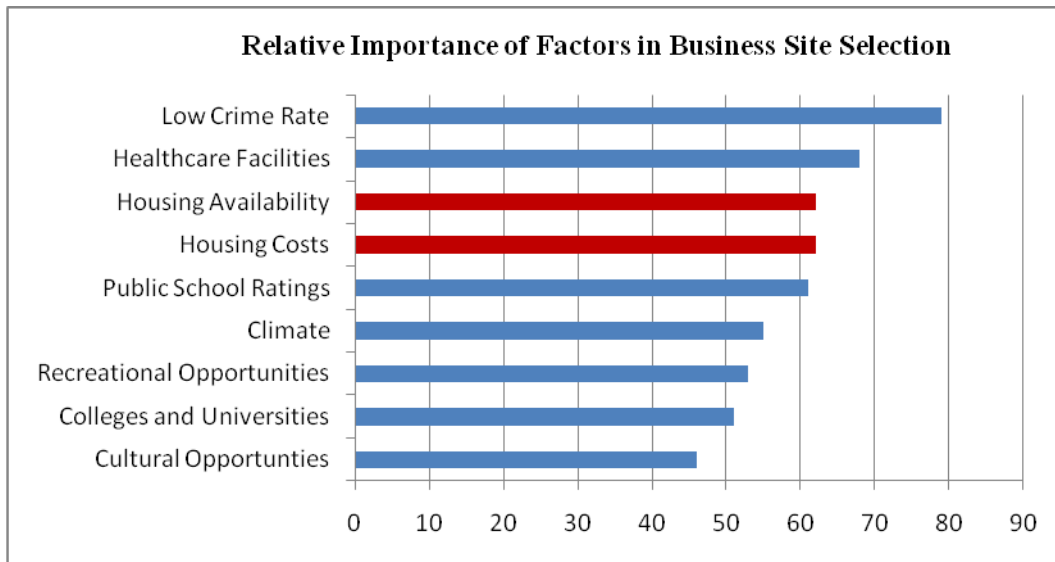
III. Affordable Housing Promotes New York’s Human Capital

Supporting Business Growth, Recruiting and Retaining Employees

Employers consistently rank affordable housing availability as a key concern in the growth and generation of new businesses, and recruitment and retention of employees:

- A survey of large and fast growing companies in New York City found that roughly 64% believe the local housing market compromises efforts to recruit and retain employees.

- 86% of these New York City employers believe the city’s housing supply and costs are barriers to attracting businesses from other locations.
- 79% believe that housing conditions inhibit the formation of new home-grown businesses.
- 75% believe that other regions in the country are more attractive than New York City because of housing. (McCall, 1999)
- 57% of 1,200 surveyed workers stated they would consider moving closer to work if affordable housing was available. This figure jumps to 67% for households with less than \$50,000 in income. (Urban Land Institute, 2007)
- A survey of company executives primarily involved in site selection of new facilities found that 62% considered housing cost an important consideration. (Gambale, 2009)



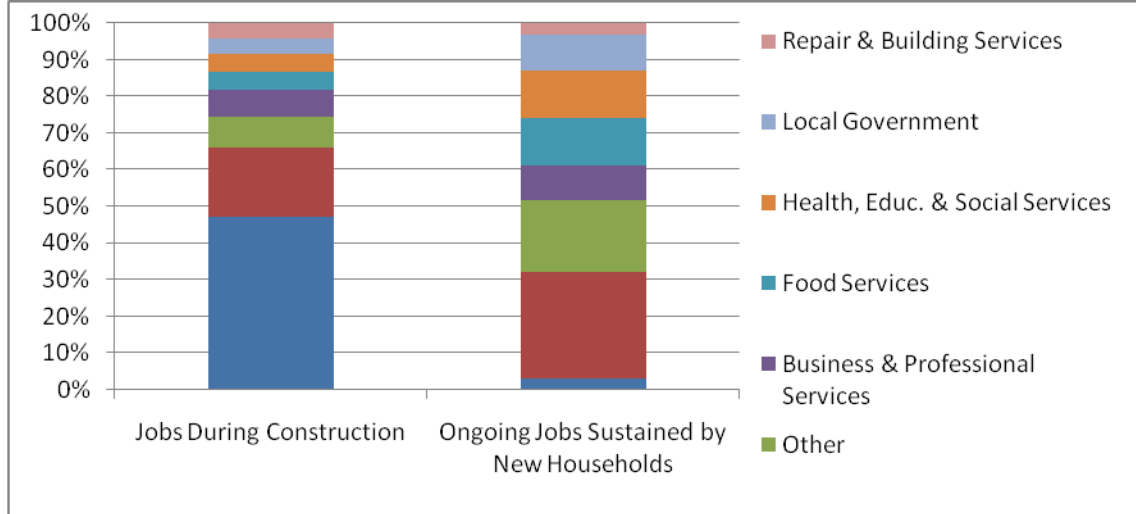
Affordable Housing Generates Immediate and Long-Term Jobs

Research consistently shows that developing affordable housing creates immediate jobs for construction laborers, suppliers, contractors and subcontractors as well as indirect jobs related to construction. Long-term employment opportunities are also created through jobs in food services, wholesale and retail trade, health and education services, and business and professional services that support the ongoing consumer activity of households occupying new affordable housing units.

According to NAHB (2010), a 100 unit affordable housing project generates:

- 122 jobs during construction, including 80 direct and indirect jobs created by new construction and 42 induced jobs supported by spending locally earned wages.
- 30 long-term jobs supported by households occupying new homes.

Types of Jobs Created During & After Affordable Housing Construction



New York produces approximately 3,000 units annually supported by the Low Income Housing Tax Credit. Using the NAHB multiplier or 152 jobs generated for every 100 units, affordable housing generates 4,560 new jobs every year in New York, 3,660 during construction, while sustaining 900 ongoing jobs.

Conclusion

Affordable housing has proven effective at stabilizing distressed neighborhoods, in New York City and elsewhere throughout New York State, and it is a proven job generator, for both the near and long-term. Employers rely on an adequate supply of housing their workforce can afford when looking to expand or relocate to New York. Every affordable project is supported through a mix of state and federal resources, leveraging significant private investment. With a constant stream of shovel ready projects in the pipeline, New York’s affordable housing industry has been a lifeline to the construction industry, and the professional services and other businesses benefiting from its sustained economic development activity, particularly during the downturn in New York’s real estate market. As government looks to invest its limited public resources in job creating activities that support economic and community development, affordable housing construction and rehabilitation offers a clear return.