

THE ROLE OF AFFORDABLE HOUSING IN CREATING JOBS AND STIMULATING LOCAL ECONOMIC DEVELOPMENT

Affordable housing plays a substantial and reinforcing role in local economic development. The development of affordable housing increases spending and employment in the surrounding economy, acts as an important source of revenue for local governments, and reduces the likelihood of foreclosure and its associated costs. Without a sufficient supply of affordable housing, employers—and entire regional economies—can be at a competitive disadvantage given the subsequent difficulty to attract and retain qualified workers. In fact, the Center for Housing Policy found that:

1. The initial development of affordable housing creates both immediate and long-term employment opportunities and spending in the local economy.

As with market-rate housing, research consistently shows that developing affordable housing creates jobs—both during construction and through new consumer spending after the homes have been occupied. The impacts of building certain kinds of affordable rental housing are on par with the impacts of comparable market-rate units.

2. The development and rehabilitation of affordable housing provides immediate fiscal benefits for states and localities.

Cities and states benefit financially from the development or substantial rehabilitation of affordable housing. Some of the most significant sources of revenue during the construction or rehabilitation phase are corporate taxes on builders' profits, income taxes on construction workers, and fees for zoning, inspections, and the like.

3. In addition to its direct effects, the development of affordable housing can improve a locality's fiscal conditions in a number of indirect ways.

- Municipalities stand to gain from the development of affordable housing if the activity leads to appreciating values for nearby homes, thus creating a more robust tax base.
- Affordable housing programs bring housing costs below market rates, which in turn increases the money available for purchasing goods and services in the local economy.
- In addition to increasing residents' residual income, the construction and rehabilitation of homes to make them more energy-efficient can have significant economic implications for localities that encourage or incentivize such practices.
- When revenues generated by occupants of affordable housing exceed the costs of providing services, affordable housing can generate ongoing fiscal benefits for communities.
- The development of new affordable housing can create spillover effects in the form of local consumer activity, employment opportunities, and private-market investment.

As a part of its Interlocal Agreement with the Yellowstone County Commission, BSED's Community Development Team manages a number of County initiatives, among which include housing projects. Recently, the County Commission asked BSED to prepare an application for Community Development Block Grant Funds to procure professional services to conduct a [senior housing needs assessment, market study, income survey and preliminary architectural report](#) for the unincorporated communities of Huntley, Worden, Ballantine, Pompey's Pillar, Waco and Shepherd. Currently, the Community Development Team is working with the County Commission, Montana State Department of Commerce, Huntley Project Senior Housing Coalition, Adult Resource Alliance, HRDC District 7 and Montana Cooperatives Development Center to evaluate ownership models and financing structures to develop an independent senior housing facility in that area.

The potential economic benefits of doing so are many. For example, research by the National Association of Home Builders shows that constructing a 100-unit Housing Tax Credit (HTC) senior facility will create 146 new jobs [75 created directly and indirectly by the new construction; 39 supported by spending locally earned wages (induced); and 32 supported by households occupying new homes (ongoing).] In addition, local jurisdictions stand to gain roughly \$768,000 when 100 HTC senior units are built via permitting/impact fees, utility user fees, taxes and other fees and charges.

Despite the many benefits, the costs to construct affordable housing can be unruly, presenting significant cash flow challenges for the private sector. To help offset the costs of development, BSED's Community Development Team works with the County Commissioners and private sector to evaluate various incentives, subsidies, and ownership structures including New Markets Tax Credits (NMT), Housing Tax Credits (HTC), Cooperative Business Models, Community Development Block Grants (CDBG) and loans, HOME funds, USDA Rural Development (USDA RD) Community Facilities Grants and Multifamily Housing loans, Historic Preservation Tax Credits and Tax Increment Financing (TIF), among others.

If you would like to talk to the Community Development Team about a potential housing project or assistance with structuring financing to support a project, please contact Sara Hudson at (406) 869-8407.

