



# **THE ECONOMIC IMPACT OF HOME BUILDING IN THE STATE OF WISCONSIN**

Presented by:  
Elliot F. Eisenberg, Ph.D.

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# LOCAL ECONOMIC IMPACT

## Construction phase

- Jobs
- Materials
- Local fees, taxes, contributions

## Ripple or feed-back from construction

- Wages spent in local economy

## Occupancy phase

- Earnings spent in local economy

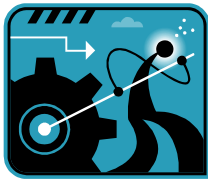
The model does not say build housing to stimulate the local economy

Rather, it is job creation that results in increased demand for housing, but remember that.....

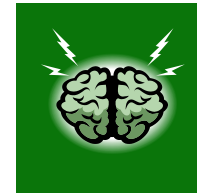
**HOUSING ⇒ JOBS**

# CONSTRUCTION PHASE

## INPUTS:



**\$\$ VALUE OF CONSTRUCTION \$\$**  
**SERVICES PROVIDED AT CLOSING**  
**PERMIT/HOOK-UP FEES**  
**\$ \$ \$ \$ \$**  
(Obtained from Local Sources)



**MODEL OF THE LOCAL ECONOMY**



## OUTPUTS:

**INCOME FOR LOCAL RESIDENTS**  
**&**  
**TAX/FEE REVENUE**  
**FOR LOCAL GOVERNMENTS**



# RIPPLE PHASE

**INPUTS:**

LOCAL INCOME & TAXES  
FROM PHASE 1



SPENDING ON  
LOCAL GOODS & SERVICES  
Consumer Expenditure Survey  
(U.S. Bureau of Labor Statistics)



MODEL OF THE LOCAL ECONOMY



LOCAL INCOME & TAXES



**OUTPUTS:**

# OCCUPANCY PHASE

**INPUTS:**

INCOME OF HOUSEHOLD  
OCCUPYING NEW HOUSING UNIT



SPENDING ON  
LOCAL GOODS & SERVICES  
PROPERTY TAX PAYMENTS

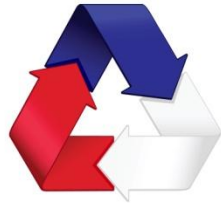


MODEL OF THE LOCAL ECONOMY

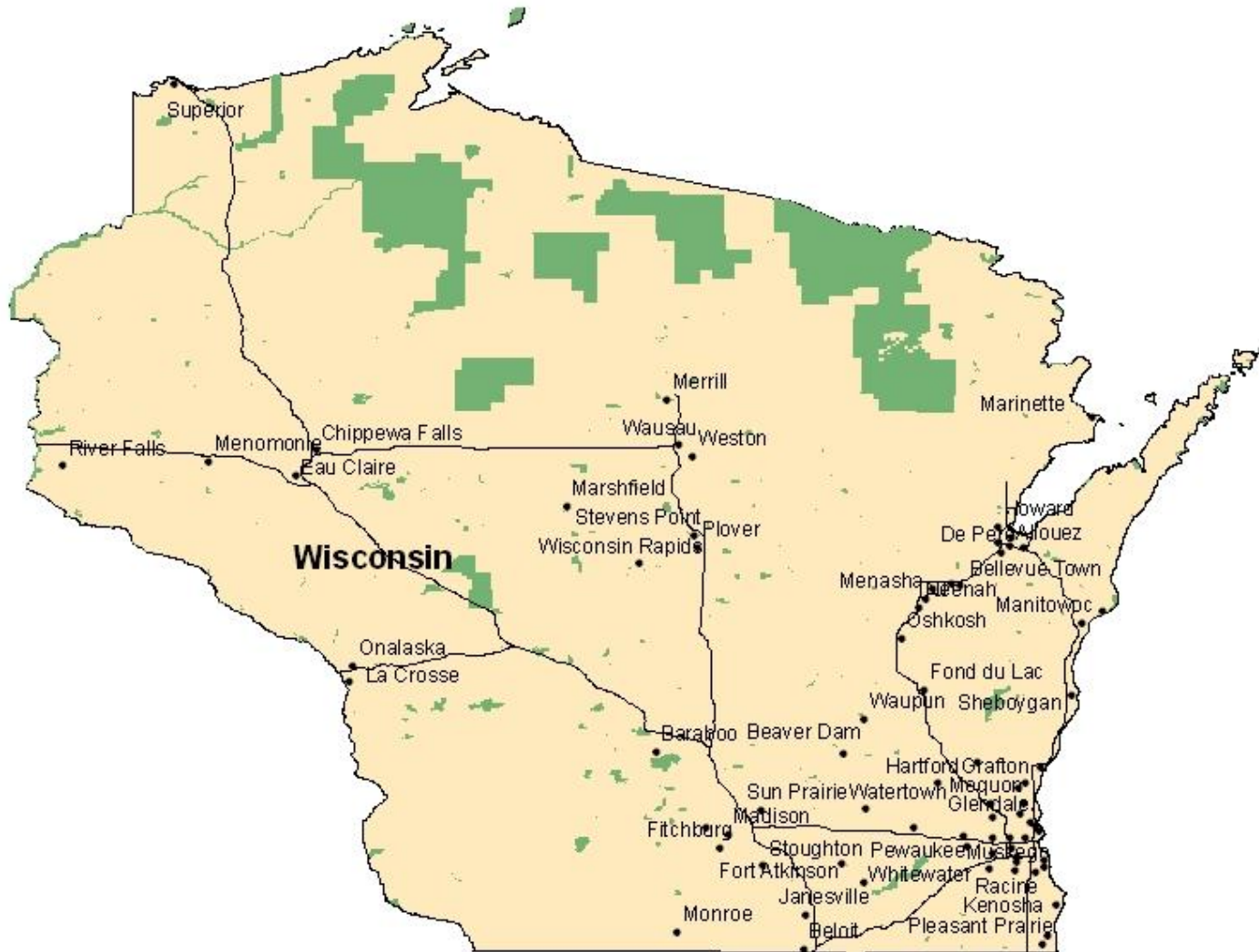


**OUTPUTS:**

LOCAL INCOME & TAXES



# State of Wisconsin



# The State of Wisconsin Multiplier

## Only Captures Spending that Stays in the State

### Includes:

Banking, Car Repair, Dry Cleaning, Day Care Services, Dental Services, Electricity, Landscaping, Legal Services, Manicures, Medical Services, Newspaper Delivery, Restaurants and Psychiatric Care.

### But Not:

Auto Manufacturing, Beer Bottling, Mattress Manufacturing, Meat Packing, Movie Production, and Travel Agency Services



# History of the Model

Over 600 Economic Impact Analyses Performed

Users of the Model Include:

Boone County Kentucky

Habitat for Humanity, International

MI State Housing Development Authority

Michigan State University

Missouri Housing Development Commission

University of Florida

University of Massachusetts

University of Montana

West Virginia Housing Development Fund...

# Assumptions of the Model

## Inputs To Model

## Single Family

Average house price:	\$250,184
Average raw lot cost:	\$18,468
Permits/Infrastructure:	\$5,124
Annual prop. taxes:	\$4,524

# Economic Impact of Single Family Home Building

1<sup>st</sup> - Construction phase

2<sup>nd</sup> - Ripple effect from construction phase

3<sup>rd</sup> - Occupancy phase

4<sup>th</sup> - Ten year total

# FIRST YEAR IMPACT: SF Construction Every 1,000 SF Homes

Local Income	Local Taxes	Local Jobs
\$117,024,000	\$15,154,000	2,043

## INCLUDING:

1,412 Jobs in Construction

308 Jobs in Wholesale & Retail Trade

160 Jobs in Business and Professional Services

# FIRST YEAR IMPACT: SF Ripple

Local Income	Local Taxes	Local Jobs
\$63,634,000	\$14,656,000	1,213

## INCLUDING:

290 Jobs in Wholesale and Retail Trade

206 Jobs in State and Local Government

166 Jobs in Health, Education & Social Services

# ONGOING SF ANNUAL EFFECT

Local Income	Local Taxes	Local Jobs
\$34,144,000	\$12,392,000	690

## INCLUDING:

- 164 Jobs in Wholesale and Retail Trade
- 122 Jobs in State and Local Government
- 83 Jobs in Eating and Drinking Places

# Total SF Impact: First Ten Years

Local Income	Local Taxes
\$505,026,000	\$147,534,000

**Along with 3,255 temporary jobs  
And 690 permanent ones!**

# Largest State Employers

<u>Employer</u>	<u># of FT Jobs</u>
New SF Residential Construction (10,000 SF)	20,430
University of WI-Madison	14,464
Menards, Inc.	10,000
Columbia St. Mary's	5,000
General Mitchell Int'l Airport	5,000
Kraft Foods Oscar Mayer	5,000
Marchfield Clinic	5,000
Northern Chocolate Co.	5,000
Rockwell Automation	5,000
Thedacare, Inc.	5,000
University of Wisconsin Hospital Clinics	5,000



# ***BUT***

## **NEW HOMES REQUIRE:**

### INFRASTRUCTURE

- Fire and police protection
- Garbage collection
- Parks and recreational opportunities
- Roads
- Correctional facilities
- Primary and secondary education
- Etc...

# Required Current Expenses per SF Unit

Function	Single Family
Education	\$7,381
Police Protection	\$721
Fire Protection	\$268
Corrections	\$619
Street and Highw ays	\$187
Water Supply	\$151
Sew erage	\$163
Health Services	\$1,139
Recreation and Culture	\$318
Other General Government	\$715
Electric Utilities	\$194
Public Transit	\$61
<b>Total</b>	<b>\$11,918</b>

# Required Capital per SF Unit

Function	Single Family
Schools	\$6,293
Hospitals	\$800
Other Buildings	\$1,848
Highways & Streets	\$4,583
Conservation and Dev.	\$137
Sewer Systems	\$2,024
Water Supply	\$3,343
Other Structures	\$2,428
Equipment	\$192
<b>Total</b>	<b>\$21,648</b>

# **Now that we know:**

The benefits of construction

&

The costs of construction

**Does new construction pay for itself?**

# Yes it does!

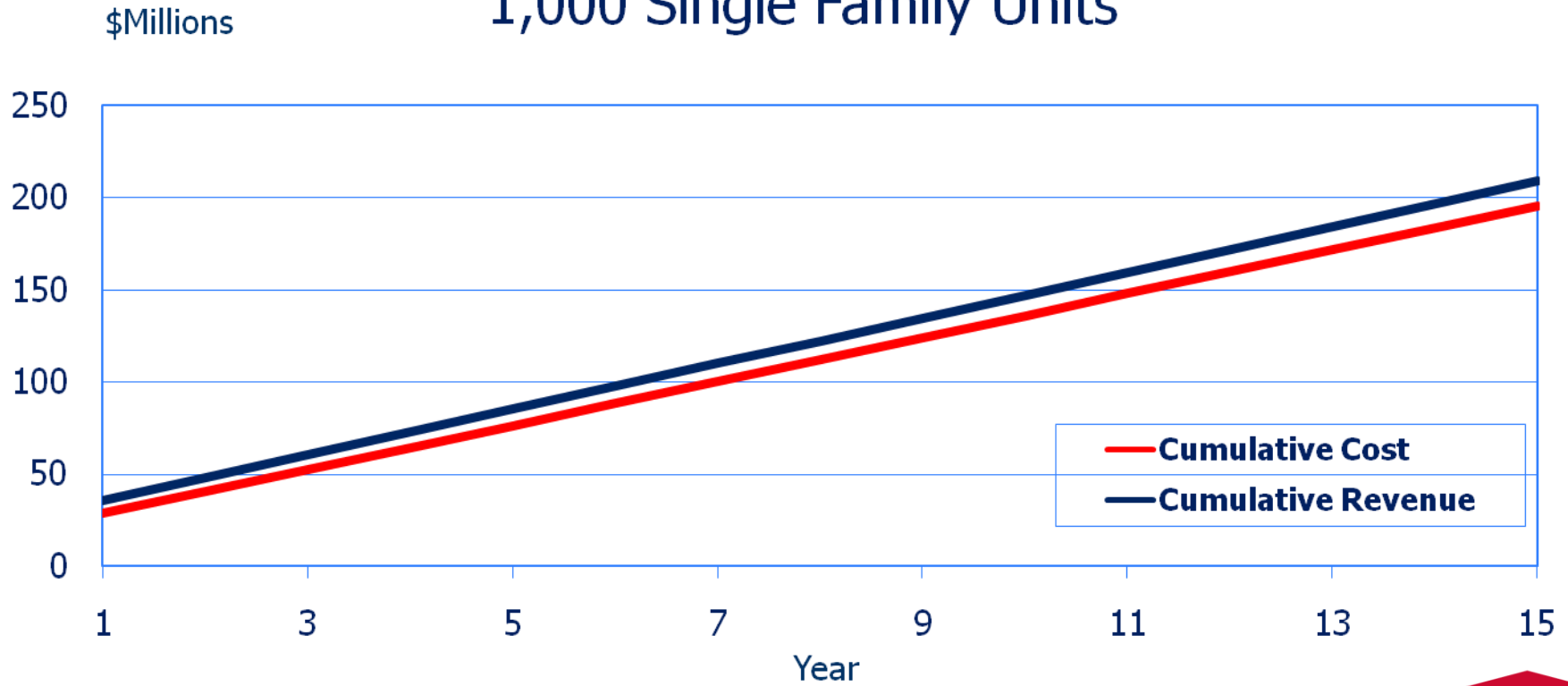
For every 1,000 SF units--

- By the end of the 1<sup>st</sup> year the debt is fully paid off
- By the 1<sup>st</sup> year economic impacts offset fiscal costs
- In the 1<sup>st</sup> year, net is \$7,447,245 and is \$475,122 thereafter

Year	Current Expenses	Revenue	Operating Surplus	Investment Start of Year	Debt at Year End	Interest On Debt	Net Income
1	5,958,500	36,006,437	30,047,937	21,648,000	0	952,692	7,447,245
2	11,917,000	12,392,122	475,122	0	0	0	475,122
3	11,917,000	12,392,122	475,122	0	0	0	475,122
4	11,917,000	12,392,122	475,122	0	0	0	475,122
5	11,917,000	12,392,122	475,122	0	0	0	475,122
6	11,917,000	12,392,122	475,122	0	0	0	475,122
7	11,917,000	12,392,122	475,122	0	0	0	475,122
8	11,917,000	12,392,122	475,122	0	0	0	475,122
9	11,917,000	12,392,122	475,122	0	0	0	475,122
10	11,917,000	12,392,122	475,122	0	0	0	475,122

Over 15 years, every 1,000 SF units generate a cumulative \$209.5 million in revenue for local governments—but only \$195.6 million in costs

### Costs Compared to Revenue: 1,000 Single Family Units



# What does 1 year mean?

- **That is, should it be done faster, or is it O.K.?**
- **Big purchases take time to pay off.**
- **Car loans now last 5 years, and many lease!**
- **How fast did you pay off your student loans?**
- **How fast are your kids paying off theirs?**
- **Did you pay off your home in 1 year?**

# Almost done, just a bit more





# How Large Are Non Property Tax Revenues

Single family property taxes are \$4,524/unit per year but, yearly revenue is \$12,392/unit per year, which is 176% more.

Clearly, property taxes are not the whole story!

# A Closer Look at Primary and Secondary Education

12.6% attend private schools nationally

1.7% are Home schooled nationally

0.4 school age children/MF unit nationally

0.6 school age children/SF unit nationally

In **WI** it is 0.424 school age children/house

# ANY QUESTIONS?

Elliot F. Eisenberg, Ph.D.

Call: 202.266.8398

Fax: 202.266.8426

[eeisenberg@nahb.com](mailto:eeisenberg@nahb.com)

1201 15<sup>th</sup> Street NW  
Washington, DC 20005-2800

Thank you very much!