

# ECONOMIC POLICY BRIEF

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## Shelter from the Storm: Assessing the Economic Impacts of the Affordable Housing Bond Act of 2018 (SB 3 Beall)

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### CONTACTS

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In December 2016 Senator Jim Beall introduced [SB 3](#) to provide \$3 billion through a statewide housing general obligation bond to fund successful existing affordable housing programs in California, with the intent of making significant progress in addressing the state's deficit of more than 1.5 million affordable homes. SB 3 will fund the following existing state programs while helping to leverage billions in Federal, Local, and private funds for residential investment:

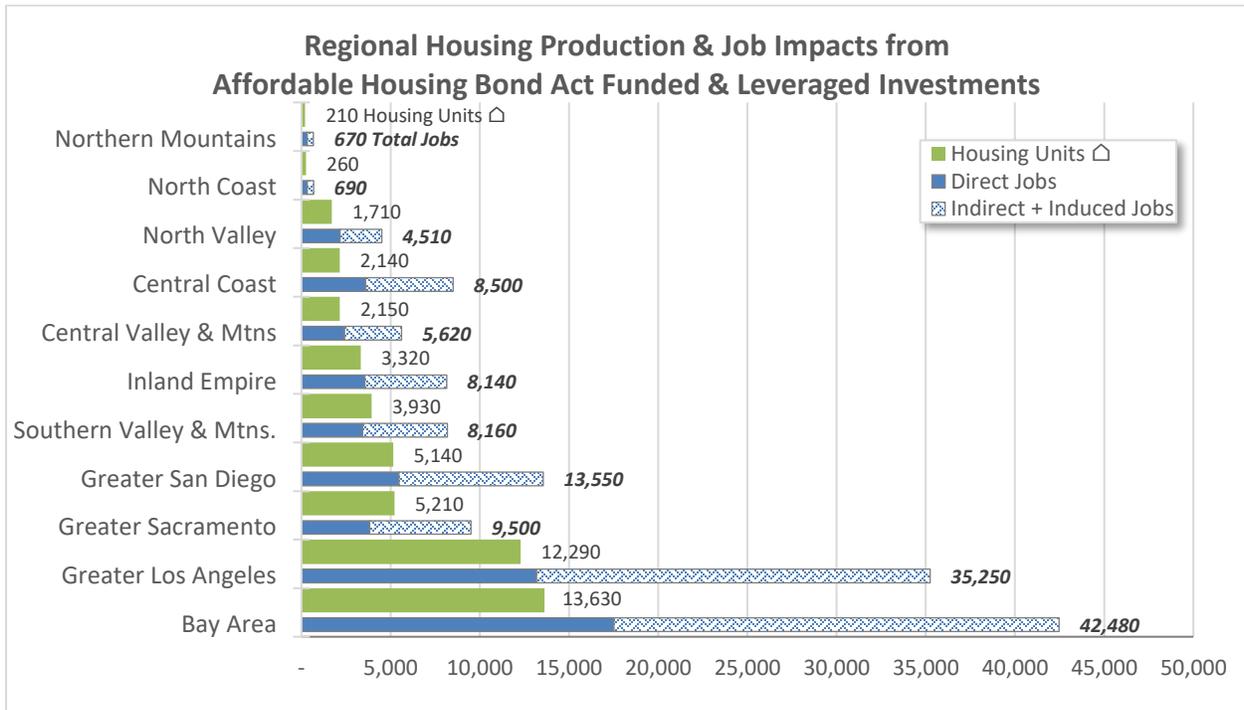
- **\$1.5 billion** for Multifamily Housing
- **\$500 million** for Transit-Oriented Development & Infill Infrastructure
- **\$400 million** for CalHome and the BEGIN<sup>i</sup> program
- **\$300 million** for Joe Serna Farmworker Housing
- **\$300 million** for Local Housing Trust Fund Matching Grant

In collaboration with the California Housing Partnership, the research department of the Northern California Carpenters Regional Council (NCCRC) analyzed the economic impacts of the proposed bond. The NCCRC is affiliated with the United Brotherhood of Carpenters and represents more than 30,000 carpenters and affiliated craftspeople throughout Northern California.

Taken together with and additional \$10.5 billion in leveraged funding, the impacts of the state's investment of \$3 billion over the 5-year bond implementation period are summarized below:

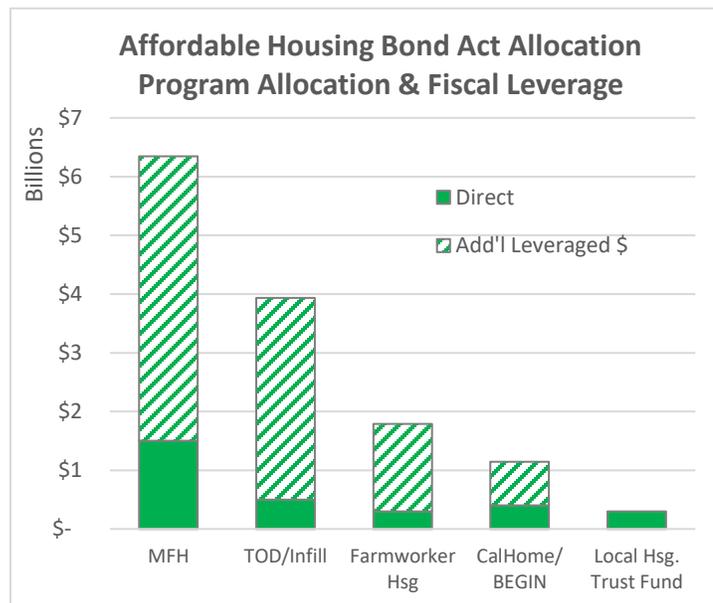
- **Nearly 50,000 new and rehabilitated housing units**
- **137,000 jobs**
- **More than \$8.5 billion in labor income**
- **\$23.4 billion in economic activity**
- **More than \$1 billion in additional local and state taxes & fee revenue**

The state's directly funded expenditures alone would result in a total economic impact of more than \$5 billion, nearly 1.6 times the amount authorized by the bond and produce almost 30,000 jobs, \$1.9 billion in labor income in every region of the state.

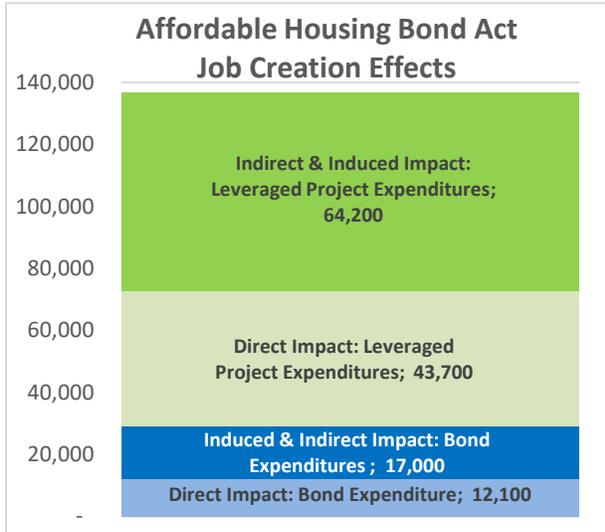


The financial returns to the state’s economy produced by the Affordable Housing Bond go beyond simply direct program expenditures because the state’s investment will be leveraged several-fold through Federal Low Income Housing Tax Credits, local funds, and private investment. Based on experience with Propositions 1C (2006) and 46 (2002), the state’s direct \$3 billion investment is expected to be leveraged nearly fourfold to inject an additional \$10.5 billion into California’s economy.<sup>ii</sup>

Design, development, and construction of the 50,000 housing units made possible as a result of the Affordable Housing Bond Act will create nearly 56,000 jobs across the state during the life of the grant program, split between the professional and administrative occupations designing and developing the projects, and the blue collar construction occupations building those structures. Almost 33,000 construction jobs at family-supporting prevailing wages with health care and retirement benefits will comprise nearly 60% of the direct employment impact.<sup>iii</sup> California’s public works apprenticeship requirements will also create workforce development pathways for persons just establishing their construction careers.

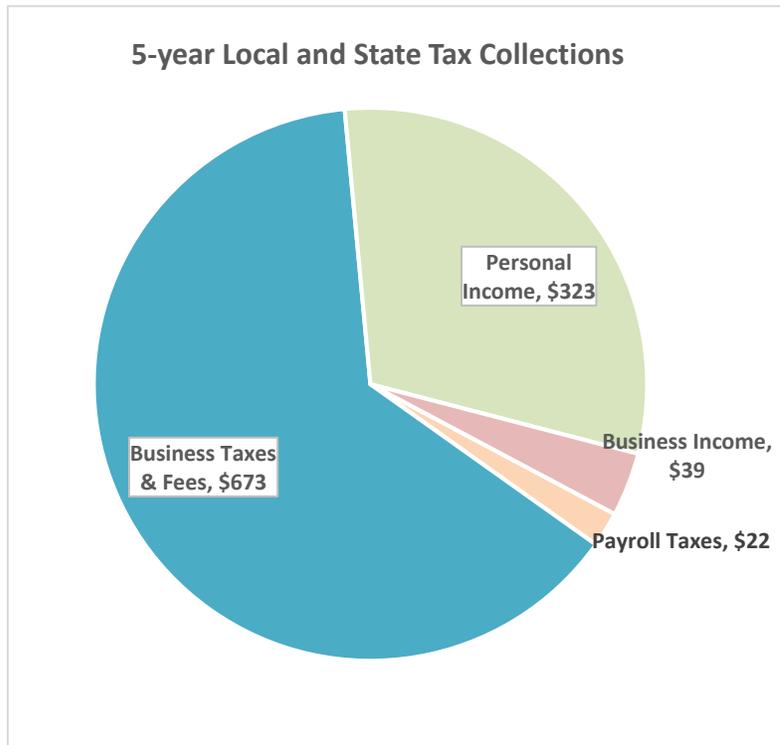


Additionally, this investment will create another 87,000 jobs in supporting industries (such as suppliers) as well as throughout the broader economy as a result of household spending from the directly created jobs rippling through the state’s economy.



Economic and job growth will also result in increases tax and fee collections for local governments and the state. The estimated state and local tax impact from the Affordable Housing Bond Act and the estimated leveraged dollars is \$1.06 billion over the 5-year program window. Business contributes the bulk of those tax revenues, with nearly \$673 million in property, sales, and use taxes. Corporate profits and dividends contribute another \$39 million and payroll taxes add more than \$22 million. Personal income, property, and sales taxes and fees make up the remaining \$322 million.

This analysis was performed using the IMPLAN input-output model, the industry standard for economic impact analysis. Input-output analysis measures the inter-industry relationships within an economy. Specifically, input-output analysis is a means of measuring the market transactions between businesses and between businesses and consumers. The IMPLAN model allows for the examination of how a change in one sector affects the entire economy. In this way, input-output analysis is able to analyze the economic effects of additional affordable housing investments by measuring the multiplier, or ripple effect, as an initial change in one industry stimulates further changes in transactions between other businesses and households. The results are reported in 2017 dollars.



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<sup>i</sup> Building Equity and Growth in Neighborhoods

- <sup>ii</sup> Regional allocations estimates are based on historic allocations of the state’s allocation of prior investments in Proposition 1C. Leverage estimates are based on program-level historical levels of the Multi-Family Housing Program and the other programs funded through Proposition 1C and Proposition 46. Cost allocations for affordable housing construction impacts are derived from the 2014 California Affordable Housing Cost Study prepared for the California Department of Housing and Community Development ("HCD"), the California Tax Credit Allocation Committee ("TCAC"), the California Housing Finance Agency ("CalHFA"), and the California Debt Limit Allocation Committee ("CDLAC"). Land purchases, comprising 9% of affordable project costs according to the TCAC report, are excluded from the impact analysis since the purchase of land does not have intrinsic economic value.
- <sup>iii</sup> Combined white and blue collar employment accounts for \_\_\_% of the total project development job creation impact. Construction industry employment –According to the 2012 Economic Census Construction 73% of workers employed in NAICS Sectors 236 Construction of Buildings & 238 Specialty Subcontractors were in construction occupations.