



# How Housing Construction and Rehabilitation Creates Jobs

By Mark Hendrickson

**I**n today's environment, every interest group pursuing government funds claims that their programs create jobs. The difference between many of these claims and housing construction and rehabilitation is that housing really does create jobs—in fact, more jobs per million of state expenditures than any other program.

For every \$1 million of state funding for housing, 77 jobs are created and the total economic impact is \$7.66 million. As part of that activity, the \$1 million of state funding generates over \$2.98 million of income/earnings.

## Housing Created Jobs When Job Creation Wasn't Politically Fashionable

The analysis that proves that housing funding creates jobs was performed well before today's tough economic times, when it became politically fashionable to be job creating. The initial White Paper detailing the Economic Impact of housing funding, including job creation, was written in March 2007, when the housing boom and the economy were still in full swing—and job creation was not the claim du jour.<sup>[1]</sup>

## Why is Housing Funding Such an Effective Job Creator?

First, the state's housing programs are well designed and bring private sector loans and equity to the table. The State of Florida is not footing the entire tab—in fact the state's share of the housing produced or sold is less than \$1 of every \$4.

Second, like any economic activity, there is a multiplier effect where the total economic impact of an activity is greater than the basic cost of the activity. For new construction and rehabilitation in Florida, the multiplier is approximately 1.8-1.0.

Therefore, the key point is that the total economic impact is the leveraging of the state funds with private sector loans and equity PLUS the economic multiplier effect—creating the total economic impact of \$7.66 million and 77 jobs for every \$1 million of state funds.

What does that mean? If government funded 100% of the cost of the housing produced with the state's programs, the total

economic impact of \$1 million of state funding would be only \$1.8 million, rather than \$7.66 million, and the number of jobs created would be 12 instead of 77.

This is exactly why housing creates more jobs than any other state expenditure of funds—because it combines creative leveraging of private sector investment with a healthy multiplier effect.

## Is Job Creation the Same for New Construction and Rehabilitation?

There is a misconception that new construction creates more jobs than rehabilitation. That is not true. Data for Florida from a national economic modeling firm shows that slightly more jobs are created for every \$1 million spent on rehabilitation activities than new construction (0.8 jobs per million). Therefore, there is no loss of job creation if state funds are targeted to rehabilitation activities.

## Conclusion

If Florida wants to create jobs and move to a new reality of a healthy economy and more robust state revenues, it must fully fund its housing programs. An economically healthy Florida needs increased construction jobs. The documentary tax on deeds was increased in 1992 to fund housing programs, and the investment of those Housing Trust Funds monies today is a necessity for job creation. **HNN**

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*Prior to forming the Hendrickson Company in 1994, Hendrickson served as the Executive Director of the Florida Housing Finance Agency from 1981 to 1994, and previously as the Executive Director of the Arkansas Housing Development Agency from 1978 to 1981. During his tenure at the FHFA, the landmark Sadowski Affordable Housing Act was enacted, and he was responsible for the oversight of all state-administered affordable housing programs, including SHIP, HOME, SAIL, HAP, the Single-family and Multifamily Mortgage Revenue Bond Programs, Housing Credit, and the Florida Affordable Housing Guarantee program. As Executive Director of two different State HFA's, Hendrickson served under six Governors, including two Republicans and four Democrats.*

[1] See full Economic White Paper prepared for the Florida Legislature at [www.flhousing.org](http://www.flhousing.org) click on trust fund advocacy.