



Iowa Research Online

The University of Iowa's Institutional Repository

Social & Education Policy

Public Policy Center

4-2013

Building communities and growing the economy: Economic impacts of Habitat for Humanity of Iowa in 2011

Jerry Anthony
University of Iowa

Sally Scott
University of Iowa

Andrea Uhl

Follow this and additional works at: https://ir.uiowa.edu/ppc_social_policy

 Part of the [Social Policy Commons](#)

DOI: <https://doi.org/10.17077/9shc-4ki4>

Copyright © 2013 the authors

Hosted by [Iowa Research Online](#). For more information please contact: lib-ir@uiowa.edu.

April 2013

Building Communities and Growing the Economy

Economic Impacts of Habitat For Humanity of Iowa in 2011

Jerry Anthony, Ph.D.
Sally Scott, Ph.D.
Andrea Uhl



Key Findings

This report quantifies certain economic impacts of Habitat for Humanity affiliates in Iowa in 2011. We used regional input-output analysis to estimate the total impacts to the state's economy that result from money directly spent and wages directly paid by Habitat for Humanity. The economic impacts presented in this report are a conservative estimate of Habitat's impacts because no single analysis can capture the benefits of all of the services that Habitat provides. This report covers new home construction and rehabilitation of homes that were sold to low-income Iowa families.

While Habitat for Humanity primarily engages in construction of new houses and rehabilitation of old homes, many Habitat affiliates in Iowa also provide housing repairs and weatherization assistance to low-income homeowners. In addition, nine Iowa Habitat affiliates operate ReStores, which accept donations of new and used building and housing materials that anyone, regardless of income, can purchase at affordable prices. For seven of the larger Iowa Habitat affiliates, payroll for the repair, weatherization, Restore and other non-construction projects was \$1,204,414, which is over one quarter of the payroll for all the affiliates, which totaled \$4,288,363. The report includes payroll costs but does not capture production numbers, such as the tonnage of material diverted from landfills by the Restores, for these important activities.

The houses that Habitat affiliates construct and rehabilitate for working families with low incomes are tangible evidence of the impact that the affiliates have on people's lives. The economic impacts are less immediately apparent but provide significant income to individuals, businesses, and the public sector. Data from 2011 show that Habitat for Humanity affiliates accomplished the following:

- Built and/or rehabilitated 87 homes¹
- Employed 101.6 full-time employees and paid \$4,288,363 in wages
- Spent \$3,090,261 on building materials and \$2,957,168 on labor used in the construction and rehabilitation of houses
- Spent \$4,995,596 on other operating costs

We used input-output analysis to determine the Habitat for Humanity's cumulative impacts after direct wages and expenditures cycle through the rest of Iowa's economy. From this analysis we find that:

- Habitat directly increased the output of Iowa's economy by \$13,199,108, inducing an additional \$10,461,114 in economic growth for a total economic impact of \$23,660,222. Therefore, \$100,000 in

¹ Please note that all production, payroll and expense data are self-reported by Iowa Habitat for Humanity affiliates. In 2011, Habitat affiliates across the state constructed or rehabilitated 90 houses; however detailed data for the economic impact analysis was available only for 87 of these when the study was conducted.

Habitat activities in a city or county boosted the local economy by \$54,325 for a total economic impact of \$154,325.

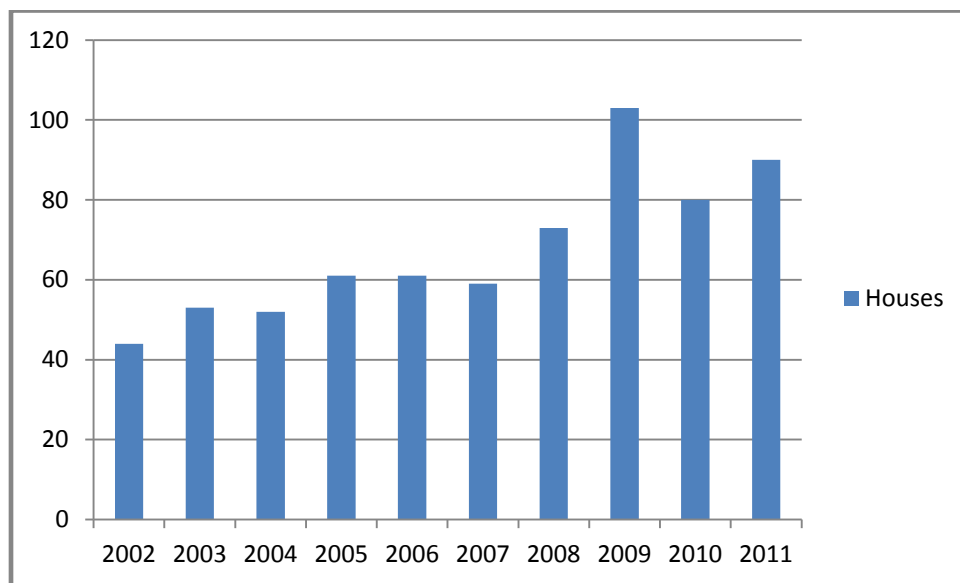
- Habitat had 101.6 full-time employees. Its expenditures directly created 33.4 jobs in the wholesale and construction sectors, and indirectly created 95.3 more jobs in the economy for a grand total of 230.3 jobs. Therefore, one full-time Habitat job added another 1.27 full-time jobs overall to the local economy.

Background

Habitat for Humanity of Iowa (HFH-IA) is a nonprofit organization that supports 34 Habitat for Humanity affiliates throughout the state.² The primary work of the affiliates is to construct safe, decent, affordable housing for families who need a better place to live, are willing to put their own time and effort ('sweat equity') into the construction of a home, and can make a monthly interest-free mortgage payment. The number of homes that an affiliate produces varies depending on a community's need, available resources, and whether the affiliate has volunteer or full-time professional staff. Habitat affiliates also provide in-depth homebuyer education to partner families, repair and weatherize occupied homes, divert tons of material from landfills, and help revitalize neighborhoods.

In 2011, Habitat for Humanity affiliates in Iowa constructed or rehabilitated 90 homes (87 were included in this study). As the graph below shows, this number is higher than the average annual production (~75 per year) in the five year-period prior to 2011 but below the highest production of 103 achieved in 2009.

Habitat for Humanity statewide production trends from 2002-2011



² For a complete list of Habitat for Humanity affiliates in Iowa, see Appendix A.

Iowa Habitat affiliates also operated nine ReStores, which accept donations of new and used building and housing materials that anyone, regardless of income, can purchase at affordable prices. The ReStores' proceeds provide much-needed support for Habitat affiliates and recycle materials that would have ended up in local landfills. The importance of this work is demonstrated by the fact that for seven of the larger Iowa Habitat affiliates, payroll for the repair, weatherization, Restore and other non-construction projects was \$1,204,414, which is over one quarter of payroll for all the affiliates, which totaled \$4,288,363. The social benefits of providing safe, decent, and affordable housing for families in need are profound and long-lasting. Less immediately obvious but also important are the economic impacts of Habitat affiliates. This report presents an analysis of the economic impacts of Habitat for Humanity activities of new construction and renovated homes resulting in a sale in Iowa in 2011.



The first section of the report presents the direct and indirect economic impacts of Habitat for Humanity affiliates in Iowa. For this we used activity data from 20 Habitat affiliates from across the state³ and analyzed them using the Regional Input-Output Modeling System (RIMS II) developed by the Regional Products Division of the U.S. Bureau of Economic Analysis. Using RIMS II multipliers, we quantified Habitat affiliates' impacts in terms of output created, earnings generated, and total jobs supported throughout all sectors of Iowa's economy.⁴ The second part of the report presents information on property tax benefits of Habitat activities and discusses benefits to the community.



³ Habitat for Humanity of Iowa requested data from all 34 affiliates. Ten affiliates did not sell a house in 2011 and three affiliates were unable to respond to the request in a timely fashion. The affiliates that responded accounted for 87 of the 90 houses constructed or rehabilitated by Iowa Habitat affiliates in 2011.

⁴ We thank Dave Swenson, Ph.D., of Iowa State University for taking the time and making the effort to share his expertise in the use of multipliers to measure economic impact.

Part 1: Economic Impacts

To compute Habitat’s economic impacts, first we grouped 2011 activity data from HFH affiliates into four categories of spending and the number of full-time jobs (see Table 1). Purchased construction material and purchased labor relate to the actual construction of homes. Payroll expenses and all other non-payroll, non-construction related costs represent Habitat’s general operations as a social advocacy organization, including the cost of operating ReStores. These expenditures, along with the number of workers employed by HFH, directly increase the output, earnings, and number of jobs in Iowa’s economy.

Table 1: HFH affiliates expenditure and jobs data, 2011^{5, 6}

Total Payroll	\$ 4,288,363
Total non-payroll, non-construction expenses	\$ 4,995,596
Total purchased materials	\$ 3,090,261
Total purchased skilled labor	\$ 2,957,168
Full-time Employees	101.6

Then, to estimate the cumulative impacts on the economy we used input-output modeling. The model estimates three levels of economic activity: direct, indirect, and induced. Direct values refer to those impacts that relate explicitly to the expenditures and wages of the industry under study. Indirect activity refers to the change in demand for inputs from other sectors that are caused by a change in the direct sector, as well as earnings and jobs created as a result of spending in these other sectors. Induced activity is the result of workers in the direct and indirect sectors converting their wages into household consumption; this creates additional growth in output, wages, and jobs. Combining these three levels of activity gives us an estimate of Habitat’s total economic impacts.

⁵ This is a summation of data for 20 affiliates.

⁶ Jobs here are full-time jobs. All part-time jobs were converted to full-time equivalents and summed up for this analysis. This means that the total number of jobs (part-time and full-time directly supported by HFH in Iowa) is much higher.

Input-output modeling uses multipliers to quantify the cumulative effects in a region that result from an increase in local demand. Table 2 below shows the relevant multipliers used in this analysis. The choice of multipliers is crucial in estimating indirect effects. We determined that Habitat’s activities belong in three industries. The organization’s general operations fall under *grant making, giving, and social advocacy organizations*. Expenditures related to construction materials are part of the *wholesale trade* sector, and purchased skilled labor count as payments to the *construction* industry.

Table 2: RIMS II Multipliers⁷

Multipliers		Type II Output Multiplier: Final-demand Output (dollars)	Final-demand Earnings (dollars)	Final-demand Employment (number of jobs per \$million direct output change)	Types II Earnings Multiplier: Direct-effect Earnings (dollars)	Types II Jobs Multiplier: Direct-effect Employment (number of jobs)
230000	Construction	1.873	0.597	16.054	1.617	1.705
420000	Wholesale trade	1.589	0.474	10.712	1.530	1.847
813A00	Grant making, giving, & social advocacy organizations	1.788	0.519	18.079	1.740	1.698

For the modeling itself we used, as noted earlier, the RIMS II model developed by the U.S. Bureau of Economic Analysis. This model calculates Habitat for Humanity’s economic impacts in terms of three categories: total industrial output, labor income, and jobs. The first, total industrial output, is the value of what is produced in the industries being examined; this model shows the level of output that results in all industries of the economy from increases in the social advocacy, wholesale, and construction activity categories that Habitat expenditures were grouped into. The second, labor income, is a subset of output that measures

⁷ The most recent data available for detailed industries was based on the 2002 Benchmark Input-Output Table for the nation and 2010 regional data.

payments to workers, benefits, and proprietors' incomes; this term is used interchangeably with earnings and wages. The third category is jobs; this refers to the number of jobs created throughout the entire state as a result of those directly supported by Habitat's operations and spending. Table 3 (on the next page) shows Habitat for Humanity's economic impacts broken down by category of spending, type of impact, and level of economic activity.

Habitat's annual output is the sum of its payroll and non-payroll, non-construction expenses (i.e., the total of items 1 & 2 from Table 1). This equals \$9,283,959 -- it reflects the value of Habitat's direct economic inputs into local economies and is presented in the top section of Table 3. These inputs induce other economic activity in local economies that are valued at \$16,599, 718 (see column 4 in Table 3).

The second section of Table 3 quantifies the impacts of HFH's expenditures on construction materials. The amount put into the model (\$957,981) is much lower than the amount reported in Table 1 (\$3,090,261) because expenditures in the wholesale trade industry are margined to reflect only their true economic contribution, which is the wholesaler's cost of operation (rent, electricity, and other standard inputs) plus payments to labor income. A wholesale margin of 31% was used in this model based upon best practices in economic impact assessment research and advice from economists at Iowa State University. The indirect and induced effects of Habitat's material purchases were calculated using earnings and jobs multipliers from Table 2. The analysis shows that material purchases lead to a \$1,522,615 boost to local economics and create 10.3 jobs.

Table 3: Model Results

Operations	Direct (1)	Indirect/Induced (2)	Multiplier (3)	Total (4)
Output	\$9,283,959	\$7,315,759	1.788	\$16,599,718
Labor Income	\$4,288,363	\$3,173,817	1.740	\$7,462,180
Jobs	101.6	70.9	1.698	172.5
Material Purchases				
Output	\$957,981	\$564,634	1.589	\$1,522,615
Labor Income	\$297,037	\$157,429	1.530	\$454,466
Jobs	5.6	4.7	1.847	10.3
Payments to Construction Contractors				
Output	\$2,957,168	\$2,580,721	1.873	\$5,537,889
Labor Income	\$1,090,879	\$673,072	1.617	\$1,763,951
Jobs	27.8	19.6	1.705	47.5
Total Economic Activity Supported by HFH				
Output	\$13,199,108	\$10,461,114		\$23,660,222
Labor Income	\$5,676,278	\$4,004,319		\$9,680,597
Jobs	135.0	95.3		230.3

The third section of Table 3 shows impacts from purchased labor. We treat expenditures on labor as payments to construction firms; therefore \$2,957,168 was treated as an increase in output in the construction sector. And as before, the indirect and induced effects of Habitat’s construction purchases were calculated using earnings and jobs multipliers from Table 2. Payments to construction firms had a total impact of \$5,537,889 on local economies and created 47.5 jobs. The bottom section of Table 3 sums up the organization’s combined output for operations, material purchases, and construction spending described above. Habitat’s statewide operations directly increased output by \$13,199,108, which resulted in an additional \$10,461,114 created through indirect and induced spending in the rest of the economy for a total output of \$23,660,222. Thus, Habitat’s output of \$13,199,108 had a \$23,660,222 impact on local economies across the

state. Also, the organization directly supported 135 jobs and indirectly supported an additional 95.3 for a total of 230.3 jobs. Thus, the 101.6 Habitat jobs created another 128.7 jobs in local economies across the state.

In more general terms, our findings show that a \$100,000 increase in Habitat activities in a city or county boosted the local economy by another \$54,325 and that one full-time Habitat job added another 1.27 full-time jobs in the same city or county.



Part 2: Property Tax Impacts and Community Benefits

Property Tax Impacts: In 2011, Habitat for Humanity built and rehabilitated 87 houses in Iowa. As a result, Habitat homes added an estimated \$175,147 in accruable property taxes to various taxing authorities. This figure was calculated using the consolidated levy for each city in 2011; the consolidated levy is determined by adding together the rates established by different government entities. Property taxes in Iowa are assessed on a two-year cycle. Therefore, it is quite likely that many of these homes were not assessed at all in 2011.⁸ Further given the lag between assessment and tax payment, it is highly unlikely that houses built in 2011 actually paid any taxes in 2011. So the property tax benefits from Habitat building and rehabilitation activities presented here are an estimation of what various taxing authorities would have received had all these homes been assessed and taxes collected in 2011.

Community Benefits: It would require additional research to quantify the many ways in which families and communities benefit from the work of Habitat affiliates. While there is a common misperception that Habitat houses are given away to needy families, the truth is Habitat staff and volunteer leaders carefully evaluate families based on housing need, willingness to partner, and ability to repay a zero interest mortgage before accepting them as potential homeowners. Once a family is selected, the affiliate involves the family and their support network in every step of the homeownership process. Each family is required to complete a minimum of 250 hours of “sweat equity”, or volunteer labor; however, many HFH affiliates require a higher number of hours. Generally, friends and family members may assist with the sweat equity. Sweat equity may be completed by working at the construction site, volunteering in the Habitat office, or at times, volunteering with other non-profit organizations in the community. Each HFH affiliate has a board approved sweat equity policy that is appropriate for their community. Affiliates also require partner families to attend education classes

⁸ All assessed values were procured from local assessor’s records. For houses constructed in 2011, the assessment numbers could be either from 2011 or 2012. For houses that were rehabbed, the numbers could be from 2010, 2011 or 2012. Given the scope and scale of this report, it was not possible to distinguish between the time-points at which these assessments were made.

on important topics for new homeowners, such as insurance, home maintenance, and budgeting. In this way Habitat affiliates help partner family members develop self-reliance and build new skills.

Habitat homeowners report significant benefits from moving into a decent, affordable home. A recent study of new Habitat homeowners found they feel less crowded in their new homes and safer in their neighborhoods, and (according to the parents) their children's confidence, grades, and social lives improved.⁹ Habitat homeowners also have demonstrated the ability and willingness to meet their financial responsibilities. The national foreclosure rate for Habitat homeowners is 2% or less, lower than either in Iowa (just over 2%) and the country as a whole (3.2%).¹⁰ Additional homeowners benefit from renovation programs that Habitat affiliates have the flexibility to develop and implement, depending on the needs of community members. For example, Iowa Valley Habitat for Humanity, based in Iowa City, provides weatherization services for low-income homeowners and home modifications for elderly residents who are at increased risk of falls and other injuries in their homes.

The community as a whole benefits when Habitat builds a new, energy-efficient home, and responsible people with limited incomes become homeowners. As this study has indicated, new and rehabilitated homes generate substantial tax revenues for local and state governments. Both adults and children benefit from a more stable, healthy, secure home environment, which means partner family members can be more productive in their jobs and schools. In addition, Habitat provides valuable repair and weatherization services as well as recycling of building materials through ReStores. In partnership with local government and other nonprofit housing and service organizations, Habitat homes and families can contribute to the stabilization of struggling neighborhoods. Finally, Habitat home builds provide a meaningful opportunity for volunteers from different

⁹ See "Building a Better City" (October 1, 2012) <http://www.torontohabitat.ca/2012report>.

¹⁰ See National Mortgage Professional Magazine website (August 2012) <http://nationalmortgageprofessional.com/news31660/nationwide-foreclosure-rate-sees-near-20000-year-over-year-drop-august>

backgrounds to give back to their communities by creating a tangible structure that will benefit a family for years to come.



Conclusion

Habitat for Humanity affiliates in Iowa make a difference in the lives of partner families by giving family members the opportunity to help build and then purchase an affordable, decent, energy-efficient home. Habitat affiliates also repair and weatherize occupied homes, connect thousands of volunteers to their communities, help revitalize neighborhoods, divert tons of material from landfills, and provide in-depth homebuyer education to partner families.

While a comprehensive picture of the benefits of Habitat affiliates in Iowa provide would require additional research, this report delivers a conservative and reliable estimate of certain economic impacts of Habitat affiliates in Iowa, which ripple through the state to create levels of activity far greater than what the organization directly creates. Spending by Iowa Habitat affiliates over the course of 2011 resulted in a total output of \$23,660,222, total earnings of \$9,680,597, and 230 jobs in the state's economy. In addition, the homes built increased potential property tax revenue by \$175,147. Habitat affiliates transform public and private grants and gifts as well as donated materials and labor into much-needed housing and other vital services for low-income families, and in the process make an important contribution to Iowa's economy.

APPENDIX A: Habitat for Humanity Affiliates in Iowa

<u>Office Location</u>	<u>Name of Affiliate</u>
Ames	Habitat for Humanity of Central Iowa *
Bettendorf	Quad Cities Habitat for Humanity *
Boone	Habitat for Humanity of Boone/Greene Counties *
Carroll	Habitat for Humanity of West Central Iowa *
Cedar Rapids	Cedar Valley Habitat for Humanity *
Clinton	Habitat for Humanity of Clinton County *
Council Bluffs	Habitat for Humanity of Council Bluffs *
Creston	Habitat for Humanity of Union County
Decorah	Winneshiek/Fayette Counties Habitat for Humanity *
Des Moines	Greater Des Moines Habitat for Humanity *
Dubuque	Dubuque/Jackson Counties Habitat for Humanity *
Fairfield	Greater Fairfield Area Habitat for Humanity *
Fort Dodge	Twin Rivers Habitat for Humanity *
Independence	Buchanan County Habitat for Humanity *
Indianola	Warren County Habitat for Humanity
Iowa City	Iowa Valley Habitat for Humanity *
Keokuk	Greater Keokuk Area Habitat for Humanity
Knoxville	Habitat for Humanity of Marion County *
Mason City	Habitat for Humanity of North Central Iowa *
Marshalltown	Marshall County Habitat for Humanity

Mount Pleasant	Henry County Habitat for Humanity
Muscatine	Muscatine County Habitat for Humanity
Newton	Mid-Iowa Habitat for Humanity *
Oskaloosa	Mahaska County Habitat for Humanity
Osage	Habitat for Humanity of Mitchell County
Ottumwa	Ottumwa Habitat for Humanity *
Perry	Dallas-Guthrie Habitat for Humanity
Shenandoah	Southwest Iowa Habitat for Humanity
Sioux City	Siouxland Habitat for Humanity *
Spirit Lake	Northwest Iowa Corridor Habitat for Humanity
Storm Lake	Habitat for Humanity of Buena Vista County
Wapello	Louisa County Habitat for Humanity
Washington	Washington Area Habitat for Humanity
Waterloo	Iowa Heartland Habitat for Humanity *

*NOTE: * indicates that data for this affiliate informed the economic impacts study.*