

ECONOMIC IMPACT OF THE PHILADELPHIA HOUSING TRUST FUND

Housing Trust Fund advocates and the City of Philadelphia have agreed to introduce legislation calling for a nearly \$15 million per year Housing Trust Fund. Each year, the Trust Fund will create 275 affordable rental and homeownership homes, increasing city housing production by roughly 60 percent; assist more than 900 additional homeowners with home repairs; and prevent nearly 1,000 families from becoming homeless.

The \$15 million per year Housing Trust Fund proposal that advocates and the Administration have agreed upon will have a yearly impact of \$85 million in economic activity for Philadelphia.

Creating a Housing Trust Fund will also boost Philadelphia's economy.

In May 2004, Econsult Corporation analyzed the Housing Trust Fund proposal at PACDC's request. They found that the Trust Fund "will have significant potential economic and fiscal impacts on the city of Philadelphia, the 5-county metropolitan region, and the state of Pennsylvania." Creating a \$15 million per year Housing Trust Fund will:

- Have a total yearly impact of \$85 million in economic activity for Philadelphia, \$142 million for the region, and \$169 million in total economic activity for Pennsylvania;
- Create 279 jobs in Philadelphia, 1,027 jobs in the region, and 1,288 jobs in the state every year;
- Add \$10 million in wages and salaries in the city, \$31 million in wages and salaries in the region, and \$39 million in wages and salaries for the state every year;
- Boost city and state budgets by contributing \$880,000 per year in city taxes and \$6.9 million per year in state taxes.

The opportunity to leverage additional private and public sector funds is one of the major reasons for Philadelphia to create a Housing Trust Fund.

Currently, we are missing out on many opportunities to draw significant funding to Philadelphia. The Housing Trust Fund will leverage outside resources such as Low Income Housing Tax Credits, PennHOMES, and the Federal Home Loan Bank's Affordable Housing Program, as well as private sector resources and foundation funding. The state recently doubled funding for homeownership development through PHFA's Homeownership Choice Program; leveraging these resources requires additional local matching funds.

Furthermore, Philadelphia is denied access to Pennsylvania's Brownfields for Housing program because we do not have an Act 137 Trust Fund. This program matches local Housing Trust Fund dollars 4 to 1. In addition, some versions of the legislation to create the proposed National Housing Trust Fund call for those funds to be used to match local Trust Funds. If this legislation were to pass and Philadelphia did not have a Trust Fund in place, we would be excluded from access to these moneys.

Nationally, Trust Funds are highly successful in leveraging resources. We have conservatively estimated that the Trust Fund dollars invested in housing production will leverage \$3.76 for every \$1.00 spent, for a total of an additional \$50 million in outside resources leveraged on an annual basis. In fact, the national leverage average is significantly higher than this.

Housing development is economic development.

The Housing Trust Fund's primary purpose is to support new construction, rehab of vacant buildings, and home repair. With leverage, total construction investment (including rehab and repair) will be \$50.7 million per year - \$14 million from the Trust Fund and \$36.8 million from outside sources.

Construction has an extremely high multiplier effect on the economy. Econsult found that the \$50.7 million per year in direct construction expenditures could generate \$82.3 million per year in total economic activity for the city, and \$164.6 million per year in total economic activity for the state.

In addition to construction expenditures, the Housing Trust Fund will generate other expenditures resulting from increased annual disposable income available to new families living in affordable housing, move-in effect spending by new homeowners, and direct investment in homelessness prevention. These other expenditures will amount to \$1.9 million per year, which Econsult found will potentially generate \$2.6 million in total economic activity per year for the city, and \$4.0 million in total economic activity per year for the state.

The Housing Trust Fund will have a direct fiscal benefit for the city and the state.

The potential economic activity from construction and the annual expenditures of renters and new homeowners will generate a significant amount of tax revenue for Philadelphia and for Pennsylvania, coming primarily from the wage tax and from real estate transfer taxes. Econsult found that the Housing Trust Fund will directly generate \$880,000 per year in City taxes and \$6.9 million in state taxes each year.