

# **Economic Contributions of the Florida Housing Finance Corporation in Florida in 2013**

*Sponsored Project Report Submitted to the Florida Housing Finance Corporation*

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## Introduction

The Florida Housing Finance Corporation (FHFC) is a public corporation of the State created by the Florida Legislature with the mission of promoting homeownership and affordable rental housing for low- and moderate-income Florida residents, using both private and public funds from state and federal sources. This study was commissioned by FHFC to estimate the total impacts of the corporation's activities on the State economy in 2013. By creating new final demand for construction activity and related services, the affordable housing programs administered by FHFC generate broad regional economic impacts in the form of increased industry output (revenues), employment, personal income, and local and state government tax revenues. The direct spending for housing development and related assistance stimulates additional indirect and induced economic activity through economic multiplier effects. For example, building contractors purchase materials and equipment, and households of proprietors and employees purchase goods and services for everyday living. The combined direct, indirect, and induced impacts of an activity represent its total economic impacts (Miller and Blair, 2009). These impacts occur over the development period, typically 18 to 24 months.

### Description of Florida Housing Finance Corporation Programs

FHFC programs consist of a variety of activities to facilitate access to affordable housing, such as housing tax credits, loans, mortgage down payment assistance, and other financial instruments. In 2013, FHFC provided assistance through sixteen (16) different programs that were highlighted under Rental Housing Programs, Homeownership programs, and Special Programs. Funding for these programs were allocated as single family programs and multifamily programs (Tables 2 and 3). Some FHFC programs are funded through state appropriations, while others are self-financing through fees or principal and interest payments received for outstanding loans. For example, most rental developments in the FHFC portfolio pay ongoing fees to FHFC for compliance monitoring. FHFC programs that were active in 2013 are briefly described as follows.

**State Apartment Incentive Loan (SAIL).** This program is typically funded by Florida's State Housing Trust Fund, to provide non-amortizing, low-interest loans to developers for multifamily rental units. This money bridges the gap between the development's primary financing, which is often bonds or other private or public sector loans or grants, and the total cost of the development. This funding is in the form of a cash flow loan, meaning that interest payments to FHFC on the loan are deferred until maturity, unless the property has available cash flow after senior debt service. In 2013, SAIL was also used to reduce the debt on new or existing properties to make a small portion of units in each development affordable to extremely low-income residents.

**Multifamily Mortgage Revenue Bonds (MMRB).** Funding for this program comes from Federal private activity bond volume allocated to the states, using tax-exempt bonds to provide below-market rate loans to developers for financing affordable housing. FHFC awards an allocation of bonds to a developer through an application process. Once the transaction is approved by the board, the bonds are sold in one of two ways. The bonds may be credit enhanced by a governmental entity or the private sector and then sold on the public market.

The credit enhancement improves the bond's rating, allowing them to be sold at a lower interest rate. Alternatively, an investor may agree to buy the bonds in a privately placed transaction without credit enhancement. When the transaction is closed, a trustee holds the funds and they are dispersed to the developer to finance construction. Developers who receive a tax-exempt bond allocation are also eligible to receive an allocation of 4% LIHTC to finance their developments. The bond mortgage acts as the first mortgage, and the developer may also receive gap financing from the state or a local government, including FHFC programs such as SAIL or HOME.

**Low Income Housing Tax Credit (LIHTC).** This is a federal tax credit allocated to designated state agencies by the Internal Revenue Service based either on state population (9% LIHTC) or qualifying development costs (4% LIHTC). FHFC allocates this tax credit to developers who then sell them to investors to raise capital to finance the new construction or rehabilitation of affordable multifamily rental housing units. Developers may also get a first mortgage—typically from a private lender, or other loans or grants, or local government grants to make the development feasible.

**Tenant-Based Rental Assistance (TBRA).** These HOME funds are granted to qualifying public housing authorities that administer the HUD Section 8 Housing Choice Voucher Program. TBRA is a critical resource to provide decent, safe housing to eligible families affected by the economic downturn. Eligible households include those who have incomes at or below 80% of area median income (AMI), adjusted for household size, as established by HUD. At least 90 percent of the eligible households assisted through HOME TBRA have incomes at or below 60% of AMI. Rental assistance is available for up to two years.

**First Time Homebuyer (FTHB).** This program offers 30-year, fixed-rate first mortgage loans originated by trained and approved lenders throughout the State of Florida. The program is offered to all borrowers who meet income, purchase price and other program criteria; can qualify for a loan; and successfully complete a homebuyer education course. Borrowers who qualify for this first mortgage program may access one of Florida Housing's down payment assistance programs.

**Homeownership Assistance Program (HAP)** is typically funded from the State Housing Trust Fund, to provide funds for down payment assistance and closing costs, in conjunction with the First Time Homebuyer Program. In 2013, up to \$7,500 was available to first time homebuyers. HAP loans are zero percent interest, non-amortizing second mortgage loans repaid when the homebuyer sells the home, transfers ownership, satisfies or refinances the first mortgage, or ceases to occupy the home. HAP loans are funded in conjunction with the First Time Homebuyer Program.

**Homeownership Assistance for Moderate Income (HAMI).** This program is funded by FHFC through repaid loans to provide up to \$5,000 to assist first time homebuyers with down payment and closing costs. HAMI provides an amortized loan to the homebuyer at a low, fixed interest rate with level monthly payments for a 10-year term. It is used in conjunction with the First Time Homebuyer Program.

**State Housing Initiatives Partnership (SHIP).** This is traditionally funded from Florida’s Local Government Housing Trust Fund. This funding provides resources to local governments on a population-based formula to produce and preserve affordable housing for very low, low, and moderate income families. SHIP dollars may be used to fund such activities as emergency repairs, new construction, rehabilitation, and down payment assistance. SHIP funding is allocated to local governments, which then allocate funding based on a locally adopted plan to individuals, developers, contractors, or other organizations.

**Homeownership Pool Program (HOP).** This program is typically funded with Federal HOME Program dollars and is a non-competitive and on-going program, where developers can reserve funds to provide eligible homebuyers with down payment assistance. HOP funds are primarily used for construction of new homes by “self-help” organizations.

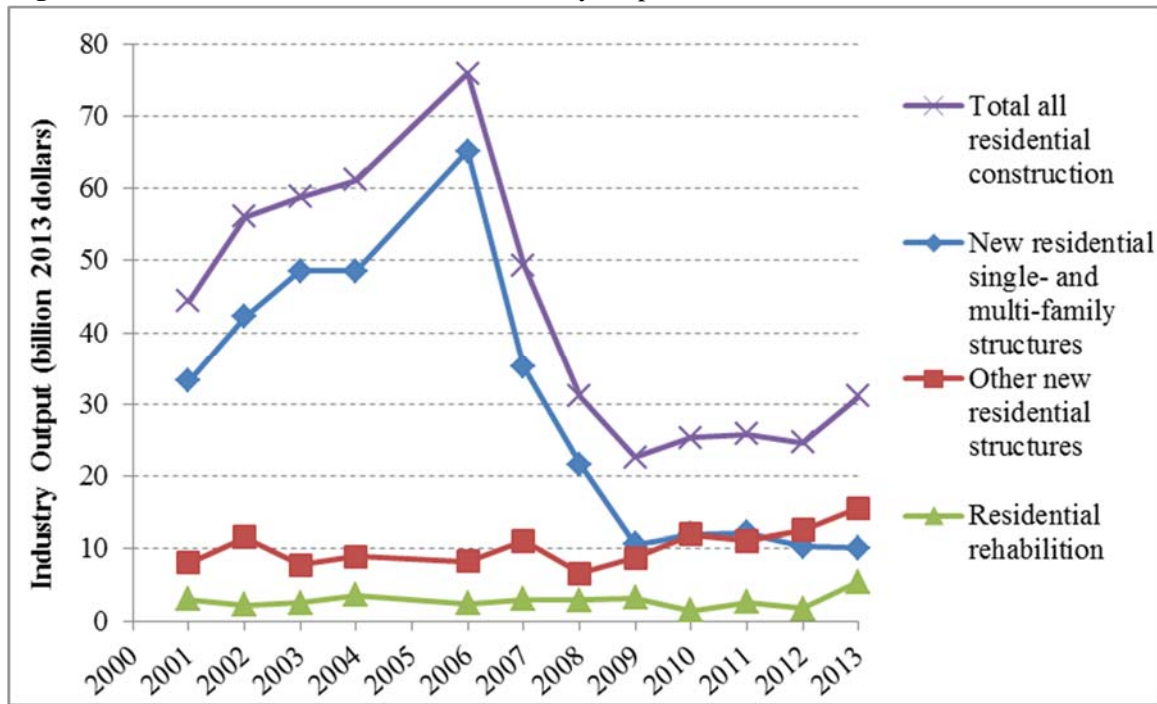
**Predevelopment Loan Program (PLP).** This is a revolving loan fund originally funded from the State Housing Trust Fund to assist nonprofit developers and public housing authorities with planning, financing, and developing affordable housing. Eligible activities include rezoning, title searches, legal fees, administrative costs, soil tests, engineering fees, appraisals, market studies, audit fees, earnest money deposits, commitment fees, and acquisition expenses. The loans are repaid upon closing of construction financing for rental developments or when the homes are sold for homeownership developments. Loans are at a one percent interest rate for a term of three years.

**Other Programs.** Several other housing programs or initiatives contribute to FHFC’s mission but do not fit in with the analysis of this report, as they do not create new final demand for construction activity and related services. These programs and initiatives do, however, help make housing affordable to homeowners and renters in Florida, or assist Floridians to stay in their homes. In addition, they have either fees or administrative funding to external entities, such as housing counseling agencies, that contribute to the economic impact of FHFC’s operational budget. Two programs, the Foreclosure Counseling Program and the National Foreclosure Mitigation Counseling Program, which only pay fees for service to these counseling agencies, are incorporated into the operations analysis. The impact of FHFC operations expenditures is discussed in a separate section in this report. The Mortgage Credit Certificate program also does not result in development activity, but instead provides additional household income to the recipients. Programs that were not analyzed for economic impacts include funds disbursed for the Florida Hardest-Hit Fund (HHF).

## Florida Residential Construction Market Conditions

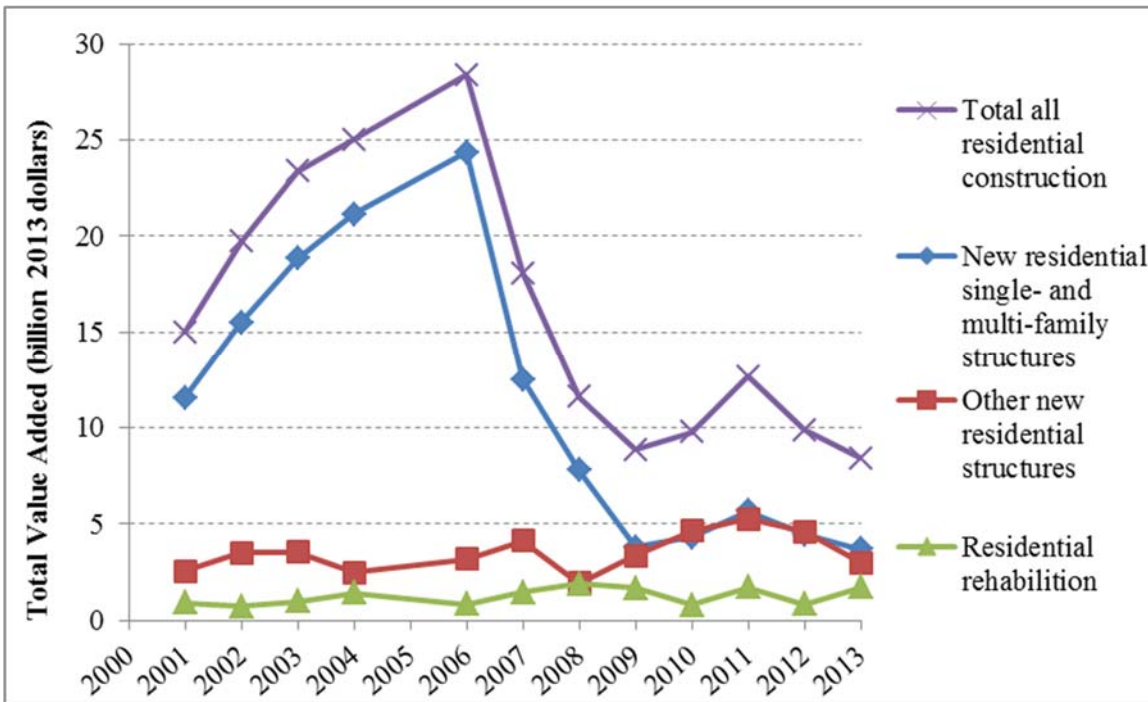
The impacts of the Florida Housing Finance Corporation may be considered in the context of the overall residential housing development and construction market in the state. Real estate development and housing construction activity have historically been leading drivers of Florida’s economy. Since the historic recession of 2007-09, however, these industries have been relatively weak. Residential construction industry output (revenues) in Florida declined from a peak of \$75.84 billion in 2006 to a low of \$22.62 billion in 2009, representing a decrease of 70 percent, then increased to \$31.13 billion in 2013, an increase of 38 percent, in inflation-adjusted terms (Figure 1). The decline in industry output in 2007-09 was entirely due to reduced activity for new single family and multifamily structures, while other new residential construction and residential rehabilitation construction actually increased during this period. Trends in value added and employment in residential construction during this time mirror those in industry output. Total value added, or contribution to Gross Domestic Product, declined from \$28.38 billion in 2006 to \$8.40 billion in 2013 (Figure 2). Total employment (full-time and part-time jobs) in residential construction decreased from 461,951 in 2006 to 143,370 in 2009, then increased 22 percent to 175,425 in 2013 (Figure 3).

**Figure 1.** Residential construction sector industry output in Florida, 2001-13



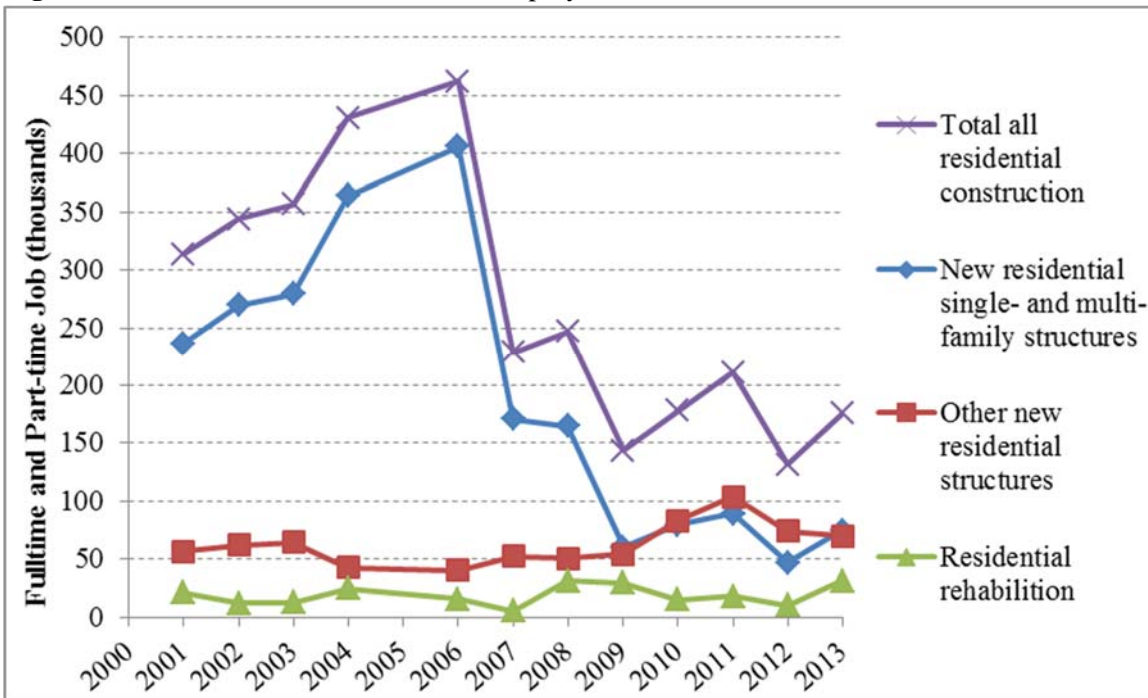
Source: *IMPLAN* data for Florida (Implan Group, LLC). Note: data not available for 2005.

**Figure 2.** Residential construction sector value-added in Florida, 2001-13



Source: IMPLAN data for Florida (Implan Group, LLC). Note: data not available for 2005.

**Figure 3.** Residential construction sector employment in Florida, 2001-13



Source: IMPLAN data for Florida (Implan Group, LLC). Note: data not available for 2005.



## Regional Economic Impact Analysis Methodology

The total economic impacts of program funding and development/construction expenditures generated by Florida Housing Finance Corporation programs were estimated using a regional economic model for the state of Florida constructed with the *Impact Analysis for Planning (IMPLAN)* software (v.3) and associated 2012 region data licensed from Implan Group, LLC (Huntersville, NC). At the time of this analysis, 2012 was the latest *IMPLAN* data available. A glossary of terms related to economic impact analysis is provided in the appendix of the report. *IMPLAN* is an input-output analysis/social accounting matrix (I-O/SAM) modeling system, which is a standard technique for estimating the broad economic impacts resulting from changes in specific economic activities in a regional economy (Miernyk, 1965; Miller and Blair, 2009). These economic models are based upon regional and national accounting data on transactions between industries, governments, social institutions, employees, and households for a specific base year. *IMPLAN* models provide estimates of impacts on the regional economy from changes in final demand or purchases for final use, changes in earnings, or changes in employment. Final demand is the value of goods and services produced and sold to final users (households or institutions), which result in changes in industry purchases of goods and services from their input industries in the local economy, and changes in employee spending. The secondary economic effects of given changes in output or employment are estimated by economic multipliers that represent the activity generated from intermediate purchases through the industry supply chain (indirect effects) and activity generated from employee household spending (induced effects). *IMPLAN* is a static equilibrium model, meaning that the estimated changes in output, earnings or employment have no real time dimensions, however, it is usually assumed that the forecasted changes represent annual changes since the model is based upon annual data. Spending that occurs outside the region represents a “leakage” of money that has no local economic impact.

Economic impacts on the regional economy are assessed through several separate measures. Final demand represents sales to final consumers, including households and governments, and exports from the region. Industry output is the dollar value of goods and services produced or sold, and is equivalent to sales revenues plus changes in business inventories. Value added is a measure of income, including employee compensation, proprietor income, other property income, indirect business taxes and capital consumption or depreciation; it is also the basis of national accounting systems for measurement of Gross Domestic Product. Labor income represents gross earnings by employees and business owners or proprietors, including wages, salaries, and payroll benefits. Other property income is income from investments such as corporate dividends, royalties, property rentals, or interest on loans. Tax on production and imports are taxes paid to governments by individuals or businesses for property, excise and sales taxes, but excluding income taxes. Employment represents full-time and part-time jobs (not full-time equivalents or FTEs).

Parameters in the *IMPLAN* software and regional economic databases are derived from state and federal government statistics. Regional data are available for all U.S. states and counties, for 440 industry sectors classified by North American Industry Classification System (NAICS) and an additional 25 institutional sectors. Information is provided on industry output (revenues), employment, labor and property income, personal and

business taxes, household and institutional commodity demand, inter-regional commodity trade (imports, exports), transfer payments (e.g. welfare and retirement pensions), personal savings and capital investments. In addition to estimating the total economic impacts of new final demand in a specific region, *IMPLAN* supports disaggregation of direct, indirect, and induced changes in output, earnings, or employment across the sectors, thereby separating the direct industry effects from inter-industry effects and those of households.

The state of Florida was the region modeled in this study. The *IMPLAN* model was constructed with 2012 regional data for Florida, and with trade flows estimated using econometric regional purchase coefficients (RPCs). All social accounts in the Social Accounting Matrix were treated as internal or endogenous to the model, including households, state/local and federal governments and enterprises, but excluded changes in business inventories.

Each category of expenditures for program funding or total development costs generated by the 2013 FHFC programs was assigned to the appropriate industry sector, defined according to the North American Industry Classification System (NAICS). All expenditures were considered as events taking place in year 2013 even though some development activities started in 2013 may not be completed until subsequent years. Some expense categories for total development costs were split into two or three separate industry sectors to represent typical spending patterns. Total development costs analyzed for economic impact exclude costs associated with items classified as asset transfers since they do not create any economic impact. However, costs associated with services related to asset transfers have been included. Common activities classified as asset transfers include purchase price of property and debt reduction/refinancing.

Selected *IMPLAN* Multipliers used for estimating economic impacts of FHFC programs in 2013 are shown in Table 1. Each multiplier represents the sum of direct, indirect, and induced effects. Multipliers for output, value added, labor income, other property income and tax on production and imports are denominated in dollars per dollar output, while multipliers for employment are denominated in full-time and part-time jobs per million dollars output. Social Accounting Matrix (SAM) multipliers measure the direct, indirect and induced multiplier effects by treating households and governments as internal to the regional model, thus capturing the effects of re-spending by these institutions. Multipliers are derived by mathematical procedures from the input-output tables (Miller and Blair, 2009). Total output multipliers typically range from 2 to 3, meaning that for each one dollar change in spending or final demand, a total of \$2 to \$3 in industry sales are generated in the regional economy. Employment multipliers range from 19 to 29, meaning that this many new jobs will be created for each one million dollars of new spending. A glossary of economic impact analysis terminology is provided in the appendix.

**Table 1.** Selected economic multipliers for the state of Florida

Activity Item	<i>IMPLAN</i> Sector	Employment	Industry Output	Value Added	Labor Income	Other Property Income	Tax on Production and Imports
New construction	37. Construction of new residential permanent site single- and multifamily structures	21.159	3.091	1.751	1.009	0.606	0.136
Rehabilitation construction	40. Maintenance and repair construction of residential structures	23.022	3.148	1.846	1.059	0.585	0.202
Furniture, fixtures and equipment	319. Wholesale trade businesses	24.363	3.409	2.234	1.311	0.640	0.283
Other financial costs, fees	355. Non-depository credit intermediation and related activities	28.142	3.661	2.322	1.646	0.505	0.171
Insurance (title)	358. Insurance agencies, brokerages, and related activities	29.048	3.626	2.322	1.502	0.680	0.140
Land acquisition costs	360. Real estate establishments	24.000	3.229	2.272	0.985	1.043	0.244
Legal	367. Legal services	27.354	3.469	2.404	1.557	0.617	0.230
Accounting	368. Accounting, tax preparation, bookkeeping, and payroll services	27.074	3.313	2.326	1.378	0.810	0.138
Architecture, engineering	369. Architectural, engineering, and related services	29.225	3.513	2.231	1.565	0.521	0.146
Technical services	374. Management, scientific, and technical consulting services	29.370	3.521	2.287	1.588	0.549	0.149
Sales and marketing	377. Advertising and related services	23.812	3.217	2.198	1.188	0.871	0.139
Developer fees	381 Management of companies and enterprises	24.333	3.522	2.259	1.490	0.600	0.169
Federal government fees	429. Other Federal Government enterprises	22.165	3.032	2.074	1.143	0.814	0.117
Permits, taxes, impact fees, FHFC administration	432. Other state and local government enterprises	21.668	3.212	1.912	1.193	0.674	0.045
Tax credits	Household income	19.100	2.482	1.598	0.904	0.540	0.154

Multipliers for output, value added, labor income, other property income and indirect business taxes are denominated in dollars per dollar output; multipliers for employment are denominated in full-time and part-time jobs per million dollars output.

Source: *IMPLAN* software and 2012 regional data for Florida (Implan Group, LLC).

## Data and Analysis

This report is based on data from the FHFC 2013 Annual Report together with supplemental information provided by FHFC staff on program funding amounts, projected total development costs (TDC), closing costs, program fees, sources and uses of funds, value of mortgages financed, and the typical distribution of expenditures by type.

FHFC administered ten separate multifamily programs in 2013. Each multifamily program that creates new final demand via construction activity (i.e., total development costs) will indicate such in Table 2 along with the number of housing units financed. However, some developments received funding from more than one FHFC program and each of these programs is reporting its respective total development costs and housing units financed separately. This means that for developments that received funding from multiple FHFC programs, these total development costs and housing units financed are being duplicated within the table. All such duplicative costs are included under Gross Total Development Costs and all such duplicative housing units financed are listed under Housing Units for each program. This is sometimes referenced herein as duplicated funding.

When overall economic impact results from all FHFC activities are reported, they are reported only on non-duplicated funding, meaning the total development costs and housing units financed were counted only once. When evaluating the economic impact of FHFC as a whole, one should view the non-duplicated funding analysis as provided herein, whereas the economic impact of each multifamily program individually can be understood with the duplicated funding data.

Total funding of multifamily programs in 2013 was \$129.2 million, including \$56.7 million for new construction, \$62.3 million for rehabilitation (“rehab”) construction, \$9.8 million for mortgage reduction, and \$0.5 million for rental assistance. A total of 5,098 housing units (non-duplicated) were financed or assisted across all multifamily programs. Note that rental assistance is not associated with actual construction, so there is no applicable development cost. Additionally, mortgage reduction is an asset transfer, so the associated funding amount was deducted from the total development cost. Non-duplicated Total Development Costs for all multifamily programs in 2013 were \$763.9 million. Among the multifamily programs in 2013, the largest Total Development Costs were for *Low Income Housing Tax Credits-9%* (\$400.4 million), *Low Income Housing Tax Credits-4%* (\$336.4 million), *Multifamily Mortgage Revenue Bonds* (\$92.3 million, \$0 non-duplicated funding), *State Apartment Incentive Loan-Extremely Low Income rentals* (\$63.4 million, \$14.3 million non-duplicated), and *Grants to Serve Persons with Developmental Disabilities* (\$43.9 million, \$2.2 million non-duplicated). Note that the *Multifamily Mortgage Revenue Bond* and *State Apartment Incentive Loan* programs had their duplicative total development costs accounted for within the primary funding program, either the *Low Income Housing Tax Credit 9%* program or the *Low Income Housing Tax Credit 4%* program.

FHFC administered six single family programs in 2013 to assist home owners in Florida, as shown in Table 3. The FHFC homeownership programs contributed to development and rehabilitation as well as assistance in downpayments and closing costs for homebuyers. Total funding for single family programs in 2013 was \$323.3

million, including \$155.0 million for rehabilitation construction, \$28.2 million for new construction, \$134.2 million for mortgage reduction, and \$5.8 million for downpayment assistance. A total of 8,874 housing units were financed or assisted. The non-duplicative Total Development Cost for single family programs financed in 2013 was \$189.9 million, including \$37.7 million for new construction, and \$152.2 million for rehabilitation construction. In addition, single family programs generated real estate closing costs amounting to \$28.5 million, based on an average of \$14,960 per home. Total Development Costs combined with Closing Costs were highest for the *First Time Homebuyer Program* (\$195.2 million), *Homeownership Assistance-Downpayment Assistance* (\$175.9 million), *Homeownership Assistance for Moderate Income-Downpayment Assistance* (\$22.7 million), and *State Housing Initiatives Partnership* (\$17.4 million). Note that funding for mortgage assistance on existing homes under the *Hardest-Hit Fund* was not considered to result in development costs since there was no actual construction activity generated. Also, FHFC funded the *Mortgage Credit Certificate Program* in the amount of \$314,000 in tax credits to homeowners, which was modeled as a household income change.

**Table 2.** Funding amounts, number of housing units financed or assisted, and total development costs for FHFC multifamily programs in 2013

Program	Type Activity	Funding Amount	Housing Units	Gross Total Development Cost	Non-Duplicative Total Development Cost
State Apartment Incentive Loan (SAIL)-affordable rentals	New construction	<u>\$3,490,000</u>	<u>191</u>	<u>\$41,697,062</u>	<u>\$0</u>
	New construction	\$7,145,000	71	\$59,182,565	\$10,067,017
State Apartment Incentive Loan (SAIL)-ELI rentals	Rehab Construction	\$460,800	16	\$3,770,342	\$3,770,342
	Mortgage reduction	\$9,760,000	131	\$417,268	\$417,268
	Total	<u>\$17,365,800</u>	<u>218</u>	<u>\$63,370,175</u>	<u>\$14,254,627</u>
Multifamily Mortgage Revenue Bonds (MMRB)	Rehab construction	<u>\$46,800,000</u>	<u>872</u>	<u>\$92,259,936</u>	<u>\$0</u>
	New construction	\$29,675,222	1,911	\$359,604,411	\$359,604,411
Low Income Housing Tax Credits (LIHTC)-9%	Rehab construction	\$3,160,804	357	\$40,794,121	\$40,794,121
	Total	<u>\$32,836,026</u>	<u>2,268</u>	<u>\$400,398,532</u>	<u>\$400,398,532</u>
Low Income Housing Tax Credits (LIHTC)-4%	New construction	\$3,540,092	589	\$102,911,721	\$102,911,721
	Rehab construction	\$7,345,261	2,055	\$233,500,480	\$233,500,480
Total	<u>\$10,885,353</u>	<u>2,644</u>	<u>\$336,412,201</u>	<u>\$336,412,201</u>	
Tenant-Based Rental Assistance (TBRA)	Rental assistance	<u>\$463,255</u>	<u>320</u>	N/A	N/A
	New construction	\$7,415,283	221	\$43,259,990	\$1,562,928
Grants to Serve Persons with Developmental Disabilities	Rehab construction	\$601,708	52	\$654,725	\$654,725
	Total	<u>\$8,016,991</u>	<u>273</u>	<u>\$43,914,715</u>	<u>\$2,217,653</u>
	New construction	\$4,572,717	40	\$5,085,730	\$5,085,730
Grants to Serve Homeless Persons	Rehab construction	\$3,730,385	34	\$4,191,185	\$420,843
	Total	<u>\$8,303,102</u>	<u>74</u>	<u>\$9,276,915</u>	<u>\$5,506,573</u>
State Housing Initiatives Partnership (SHIP)-multifamily rental	Rehab construction	<u>\$168,909</u>	<u>57</u>	<u>\$4,718,641</u>	<u>\$4,718,641</u>
Predevelopment Loan Program (PLP)-rental loans approved in 2013	New construction	<u>\$865,908</u>	<u>128</u>	<u>\$14,289,994</u>	<u>\$365,908</u>
Total All Multifamily Programs (with housing units reporting only non-duplicative figures)	New construction	\$56,704,222	2,612	\$626,031,473	\$479,597,715
	Rehab construction	\$62,267,867	2,035	\$379,889,430	\$283,859,152
	Mortgage reduction	\$9,760,000	131	\$417,268	\$417,268
	Rental assistance	\$463,255	320	\$0	\$0
	Total	<u>\$129,195,344</u>	<u>5,098</u>	<u>\$1,006,338,171</u>	<u>\$763,874,135</u>

**Table 3. Funding amounts, total development costs and closing costs for FHFC single family programs in 2013**

Program	Type Activity	Funding Amount	Housing Units	Gross Total Development Cost	Closing Costs
First Time Homebuyer (FTHB)	New construction	\$24,666,314	172	\$26,129,481	\$2,573,120
	Rehab construction	\$139,590,257	1,345	\$146,349,785	\$20,121,200
	Total	<u>\$164,256,571</u>	<u>1,517</u>	<u>\$172,479,266</u>	<u>\$22,694,320</u>
Homeownership Assistance (HAP)-down-payment assistance (within FTHB)	New construction	\$1,192,209	147	\$22,133,937	\$2,199,120
	Rehab construction	\$9,503,592	1,205	\$133,526,250	\$18,026,800
	Total	<u>\$10,695,800</u>	<u>1,352</u>	<u>\$155,660,187</u>	<u>\$20,225,920</u>
Homeownership Assistance for Moderate Income (HAMI)-down-payment assistance (within FTHB)	New construction	\$120,000	24	\$3,860,544	\$359,040
	Rehab construction	\$643,455	130	\$16,533,790	\$1,944,800
	Total	<u>\$763,455</u>	<u>154</u>	<u>\$20,394,334</u>	<u>\$2,303,840</u>
Homeownership Pool (HOP)	New construction	<u>\$1,182,820</u>	<u>40</u>	<u>\$5,190,320</u>	<u>\$598,400</u>
Florida Hardest-Hit Fund (HHF)-funds disbursed	Mortgage reduction	<u>\$134,245,891</u>	<u>6,443</u>	N/A	N/A
	New construction	\$1,039,441	35	\$6,413,675	\$523,600
State Housing Initiatives Partnership (SHIP)	Rehab construction	\$5,288,689	369	\$5,823,390	
	Down-payment assistance	\$5,808,110	313	N/A	\$4,682,480
	Total	<u>\$12,136,240</u>	<u>717</u>	<u>\$12,237,065</u>	<u>\$5,206,080</u>
Mortgage Credit Certificate program		\$314,000	<u>157</u>	N/A	N/A
Total All Single Family Programs (with total development costs, closing costs and housing units reporting only non-duplicative figures)	New construction	\$28,200,784	342	\$37,733,476	\$3,695,120
	Rehab construction	\$155,025,992	1,776	\$152,173,175	\$20,121,200
	Mortgage reduction	\$134,245,891	6,443	N/A	N/A
	Down-payment assist.	\$5,808,110	313	N/A	\$4,682,480
	Total	<u>\$323,280,778</u>	<u>8,874</u>	<u>\$189,906,651</u>	<u>\$28,498,800</u>

FHFC documents specifying “sources and uses” of funds for development and construction activities in 2013 were provided by FHFC staff to develop profiles of typical Total Development Costs by type of expenditure, for both new construction and rehabilitation activity within multifamily and single family programs. In addition, a profile of closing costs was developed for homeownership programs. The cost profiles for multifamily and single family programs are shown in Tables 4 and 5, respectively.

For multifamily programs with new construction activity, hard construction costs represented 63.2 percent of total development costs, while for rehabilitation projects, hard construction costs represented 31.2 percent of total development costs (Table 4). Other significant expense items were management (which includes developer fees), representing 11.9 percent of total development costs for new construction and 13.4 percent for rehabilitation; land and existing building purchases (not applicable), representing 7.1 percent and 42.4 percent,

respectively; other financial costs (3.7 percent, 3.3 percent); permits, taxes and impact fees (5.1 percent, 2.6 percent); architect/engineer fees (3.5 percent, 1.7 percent).

Each expenditure item in these multifamily profiles was assigned to an appropriate industry sector in the *IMPLAN* regional model (Table 4). For example, new construction costs were assigned to *IMPLAN* sector 37-*Construction of New Residential Single- and Multifamily Structures*, while rehabilitation construction costs were assigned to sector 40-*Maintenance and Repair Construction of Residential Structures*. Note again that expenditures for purchase of land or existing buildings were not included in the impact analysis because they represent an asset transfer rather than new final demand.

The profile of total development costs and closing costs for new and rehabilitation construction for single family homes, and closing costs is presented in Table 5. *IMPLAN* sector 37-*Construction of New Residential Single- and Multifamily Structures*, was applied for new construction of single family homes (69.8%), while rehabilitation construction costs associated with SHIP were assigned to sector 40-*Maintenance and Repair Construction of Residential Structures* (100 percent). Financing costs were assigned to sector 355-*Non-Depository Credit Intermediation and Related Activities* (3.0 percent), and sales/marketing expenses were assigned to sector 377-*Advertising and Related Services* (5.5 percent). For existing home sales, total development costs that were not closing costs were considered to be an asset transfer. Tax credits provided to homeowners under the *Mortgage Credit Certificate Program* were assigned to the household income social account (no industry sector number). Again, note that land and existing building costs for single family homes were not included in the impact analysis.

For the closing cost profile, the breakdown of expenses was calculated based on an average home purchase price of \$113,698, as shown in Table 6. Expenses for surveys and inspections were assigned to sector 369-*Architectural, Engineering and Related Services* (4.7 percent), realtor fees and appraisals were assigned to sector 360-*Real Estate Establishments* (48.6 percent), title insurance was assigned to 358-*Insurance Agencies, Brokerages and Related Activities* (22.8 percent), loan officer expenses were assigned to sector 355-*Nondepository Credit Intermediation and Related Activities* (9.5 percent), and documentary stamps, settlement fees and FHFC fees were assigned to sector 432-*Other State and Local Government Enterprises* (14.4 percent).

Expenditures for FHFC administrative operations and staff salaries and benefits totaled \$29.56 million in 2013, of which \$26.05 million (88.1 percent) was spent within the state of Florida. This spending within the state was applied to industry sector 432-*Other State and Local Government Enterprises*.



**Table 4.** Profile of total development costs for new construction and rehabilitation construction under FHFC multifamily programs in 2013, by *IMPLAN* sector

Expenditure Group / Item	<i>IMPLAN</i> Industry Sector	New Construction	Rehabilitation Construction
<b>Construction Cost</b>			
New Construction	37. Construction of new residential single- and multifamily structures	63.23%	0.00%
Rehab Construction	40. Maintenance and repair construction of residential structures	0.00%	31.20%
Furniture, fixtures, equipment	319. Wholesale trade businesses	0.57%	0.39%
Other financial costs, fees	355. Non-depository credit intermediation and related activities	3.70%	3.26%
Insurance	358. Insurance agencies, brokerages, and related activities	1.05%	0.72%
Brokerage, land acquisition, lease, reserves	360. Real estate establishments	1.89%	2.88%
Legal	367. Legal services	1.35%	1.17%
Accounting	368. Accounting, tax preparation, bookkeeping, and payroll services	0.16%	0.17%
Architect fees, certifications, tests	369. Architectural, engineering, and related services	3.54%	1.65%
Technical services	374. Management, scientific, and technical consulting services	0.11%	0.13%
Sales and marketing costs	377. Advertising and related services	0.29%	0.10%
Management	381 Management of companies and enterprises	11.87%	13.37%
FHA fees	429. Other Federal Government enterprises	0.02%	0.01%
Permits, Taxes, Impact fees	432. Other state and local government enterprises	5.12%	2.57%
Land/buildings*	Not applicable	7.10%	42.39%
<b>Total</b>		<b>100.00%</b>	<b>100.00%</b>

\*Expenses for land and original buildings purchased are not applicable for impact analysis.

**Table 5.** Profile of total development costs for FHFC single family programs in 2013

Cost Type	<i>IMPLAN</i> Industry Sector	New Construction	Rehabilitation Construction (SHIP Only)
New construction materials and labor	37. Construction of new residential permanent site single- and multifamily structures	69.76%	
Rehabilitation construction materials and labor	40. Maintenance and repair construction of residential structure		100%
Financing	355. Non-depository credit intermediation and related activities	3.00%	
Sales/marketing	377. Advertising and related services	5.47%	
Land	Not applicable	21.77%	
<b>Total</b>		<b>100%</b>	<b>100%</b>

**Table 6.** Profile of closing costs for FHFC single family programs in 2013

Cost Type	<i>IMPLAN</i> Industry Sector	Percentage of closing costs
Loan officer	355. Nondepository credit intermediation and related activities	9.50%
Title insurance	358. Insurance agencies, brokerages and related activities	22.80%
Realtor fee, appraisal	360. Real estate establishments	48.61%
Survey, inspection	369. Architecture, engineering and related services	4.68%
Doc stamps, settlement fee, FHFC fees	432. Other state and local government enterprises	14.41%
Total		<u>100.00%</u>

## Economic Impact Results

### Multifamily Programs

Total economic impact results for FHFC multifamily programs in 2013 are summarized in Tables 7 and 8, for duplicated and non-duplicated funding amounts, respectively. These results reflect the regional economic multipliers (Table 1) applied to each multifamily program's total development cost and its respective profile.

Table 7 presents the economic impacts created for each multifamily program. Within the suite of multifamily programs, the largest economic impacts were from *Low Income Housing Tax Credits-9%*, with employment impacts of 8,023 jobs, output impacts of \$1.143 billion, and value added impacts of \$677.7 million. The *Low Income Housing Tax Credit-4%* program generated employment impacts of 5,344 jobs, \$746.1 million in output impacts, and \$451.4 million in value added impacts. The *State Apartment Incentive Loan-Extremely Low Income* program generated employment of 1,292 jobs, \$184.1 million in output impacts, and \$109.1 million in value added impacts. The *Multifamily Mortgage Revenue Bonds* program generated employment of 1,267 jobs, \$174.2 million in output impacts, and \$107.1 million in value added impacts.

**Table 7.** Economic impacts of individual FHFC multifamily programs in Florida in 2013

Program	Employment (Fulltime and Part-Time Jobs)	Industry Output (M\$)	Value Added (M\$)	Labor Income (M\$)	Other Property Type Income (M\$)	Taxes on Production and Imports (M\$)
State Apartment Incentive Loan (SAIL)	865	123.6	73.1	44.1	23.6	5.4
State Apartment Incentive Loan (SAIL)- Extremely Low Income	1,292	184.1	109.1	65.8	35.1	8.2
Multifamily Mortgage Revenue Bonds (MMRB)	1,267	174.2	107.1	64.9	32.4	9.8
Low Income Housing Tax Credits (LIHTC)-9%	8,023	1,143.3	677.7	408.7	218.0	51.0
Low Income Housing Tax Credits (LIHTC)-4%	5,344	746.1	451.4	273.0	140.2	38.2
Tenant-Based Rental Assistance (TBRA)	11	1.5	1.1	0.5	0.5	0.1
Grants to Serve Persons with Developmental Disabilities	907	129.5	76.6	46.2	24.7	5.7
Grants to Serve Homeless Persons	163	23.0	13.8	8.3	4.4	1.1
State Housing Initiatives Partnership (SHIP)-multifamily rental	65	8.9	5.5	3.3	1.7	0.5
Predevelopment Loan Program (PLP)- rental	297	42.4	25.0	15.1	8.1	1.9

Values in millions 2013 dollars. Estimates include duplicative funding of multiple programs.

Table 8 presents the economic impacts created by FHFC multifamily programs as a whole in 2013 without duplicated funding. Estimated impacts totaled 13,876 full-time and part-time jobs, \$1.961 billion in industry output, \$1.172 billion in value added contribution to GDP, \$707.5 million in labor income to business owners

and employees, \$372.0 million in other property income impacts to investors and property owners, and \$92.6 million in taxes on production and imports to local, state and federal governments.

**Table 8.** Total combined economic impacts of FHFC multifamily programs in Florida in 2013

Program	Employment (Fulltime and Part-time Jobs)	Industry Output (M\$)	Value Added (M\$)	Labor Income (M\$)	Other Property Type Income (M\$)	Taxes on Production and Imports (M\$)
Total All Multifamily Programs (Non-duplicated funding)	<u>13,876</u>	<u>1,961.2</u>	<u>1,172.2</u>	<u>707.5</u>	<u>372.0</u>	<u>92.6</u>

Values in millions 2013 dollars. Impacts due to duplicative funding of multiple programs were netted-out of estimates.

## Single Family Programs

Economic impact results for individual FHFC single family programs in 2013 are summarized in Table 9.

Among single family programs, the *First Time Homebuyer Program* had by far the highest economic impacts in 2013, generating employment of 1,019 jobs, industry output of \$140.3 million, and value added of \$87.6 million. The *Homeownership Assistance Program* for downpayment assistance generated 889 jobs, \$122.2 million in output, and \$76.4 million in value added. The *State Housing Initiative Partnership-Homeownership* program generated 375 jobs, \$51.6 million in output, and \$31.4 million in value added.

**Table 9.** Economic impacts of individual FHFC single family programs in 2013

Program	Employment (Fulltime and Part-time Jobs)	Industry Output (M\$)	Value Added (M\$)	Labor Income (M\$)	Other Property Type Income (M\$)	Taxes on Production and Imports (M\$)
First Time Homebuyer (FTHB)	1,019	140.3	87.6	49.1	31.6	6.9
Homeownership Assistance (HAP)	889	122.2	76.4	42.8	27.6	6.0
Homeownership Assistance for Moderate Income (HAMI)	124	17.2	10.6	6.0	3.8	0.8
Homeownership Pool (HOP)	103	14.7	8.7	5.0	3.0	0.7
State Housing Initiatives Partnership (SHIP) - homeownership	375	51.6	31.4	17.8	10.9	2.8
Mortgage Credit Certificate program	6	0.8	0.5	0.3	0.2	0.0

Values in millions 2013 dollars.

The combined economic impacts of single family programs with non-duplicative funding are shown in Table 10. Total impacts included employment of 1,503 full-time and part-time jobs, \$207.4 million in industry output, \$128.2 million in value added, \$72.2 million in labor income, \$45.6 million in other property income, and \$10.4 million in taxes on production and imports.

**Table 10.** Total combined economic impacts of FHFC single family programs in 2013

Program	Employment (Fulltime and Part-time Jobs)	Industry Output (M\$)	Value Added (M\$)	Labor Income (M\$)	Other Property Type Income (M\$)	Taxes on Production and Imports (M\$)
Total All Single Family Programs (non-duplicative funding)	1,503	207.4	128.2	72.2	45.6	10.4

## FHFC Operations

FHFC administrative expenditures within Florida in 2013 amounted to \$26.0 million, including expenditures through the National Foreclosure Mitigation Program and the Foreclosure Counseling Program, which funded fee-for-service work at nonprofit housing counseling agencies working with homeowners in Florida. Total operational economic impacts were estimated at 564 jobs throughout the state, including the approximately 120 employees of FHFC, \$83.7 million in industry output, \$49.8 million in value added, \$31.1 million in labor income, \$17.6 million in other property type income, and \$1.2 million in tax on production and imports.

## All FHFC Housing Programs and Administrative Expenditures

The total economic impacts for all FHFC multifamily and single family programs and FHFC administrative expenses in Florida in 2013 are summarized in Table 10. The total economic impacts include employment of 15,943 full-time and part-time jobs, \$2.252 billion in industry output, \$1.350 billion in value added contribution to Gross Domestic Product, \$811 million in labor income, \$435 million in other property income, and \$104 million in taxes on production and imports. Note that this represents the impact of both single family and multifamily programs with non-duplicated funding.

**Table 11.** Economic impacts of all FHFC housing assistance programs and administrative operations in 2013

Program	Employment (Fulltime and Part- time Jobs)	Industry Output (M\$)	Value Added (M\$)	Labor Income (M\$)	Other Property Type Income (M\$)	Taxes on Production and Imports (M\$)
All Multifamily Programs	13,876	1,961.2	1,172.2	707.5	372.0	92.6
All Single Family Programs	1,503	207.4	128.2	72.2	45.6	10.4
FHFC Administrative Operations	564	83.7	49.8	31.1	17.6	1.2
Total All Programs and Activities	<u>15,943</u>	<u>2,252.2</u>	<u>1,350.2</u>	<u>810.8</u>	<u>435.2</u>	<u>104.2</u>

Values in millions 2013 dollars.

## Discussion and Conclusions

The Florida Housing Finance Corporation is dedicated to providing affordable housing for low and moderate income Florida residents. In 2013, the corporation's multifamily and single family housing programs assisted in the development of or assistance to rent, buy or maintain nearly 14,000 housing units, and provided assistance to thousands more homeowners to help them keep their homes. These programs provided funding of \$452 million to support new housing construction, rehabilitation construction, down payment assistance, rental assistance, closing costs, mortgage reduction, and pre-development activities. Economic multipliers from a regional economic model for the state of Florida (*IMPLAN*) were applied to estimate the economic impacts of activity generated by FHFC programs. These funds were leveraged to generate over \$1.01 billion in total development costs, closing costs and FHFC operating expenditures. With total economic impacts in Florida of nearly 16,000 jobs, \$2.25 billion in industry output, and \$1.35 billion in Gross Domestic Product, the Florida Housing Finance Corporation contributed significantly toward economic development in the state through its affordable housing programs. These impacts are notable in view of the continuing generally very weak market for real estate and housing construction in 2013.

This analysis relied strictly upon values provided by the FHFC annual report and supplemental data provided by FHFC staff. A more complete economic impact analysis of FHFC programs may be possible through tracking and accounting procedures for funds leveraged by FHFC programs, particularly for homeownership programs.

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## Appendix: Glossary of Economic Impact Terms

**Employee compensation** is comprised of wages, salaries, commissions, and benefits such as health and life insurance, retirement and other forms of cash or non-cash compensation.

**Employment** is a measure of the number of jobs involved, including full-time, part-time and seasonal positions. It is not a measure of full-time equivalents (FTE).

**Exports** are sales of goods to customers outside the region in which they are produced, which represents a net inflow of money to the region. This also applies to sales of services to customers visiting from other regions.

**Final Demand** represents sales to final consumers, including households and governments, and exports from the region.

**Gross Regional Product** is a measure of total economic activity in a region, or total income generated by all goods and services. It represents the sum of total value added by all industries in that region, and is equivalent to Gross Domestic Product for the nation.

**IMPLAN** is a computer-based input-output modeling system that enables users to create regional economic models and multipliers for any region consisting of one or more counties or states in the U.S. The current version of the *IMPLAN* software, version 3, accounts for commodity production and consumption for 440 industry sectors, 10 household income levels, taxes to local/state and federal governments, capital investment, imports and exports, transfer payments, and business inventories. Regional datasets for individual counties or states are purchased separately.

**Impact or total impact** is the change in total regional economic activity (e.g. output or employment) resulting from a change in final demand, direct industry output, or direct employment, estimated based on regional economic multipliers.

**Imports** are purchases of goods and services originating outside the region of analysis.

**Income** is the money earned within the region from production and sales. Total income includes labor income such as wages, salaries, employee benefits and business proprietor income, plus other property income.

**Indirect business taxes** are taxes paid to governments by individuals or businesses for property, excise and sales taxes but do not include income taxes.

**Input-Output (I-O) model and Social Accounting Matrix (SAM)** is a representation of the transactions between industry sectors within a region that captures what each sector purchases from every other sector in order to produce its output of goods or services. Using such a model, flows of economic activity associated with any change in spending may be traced backwards through the supply chain.

**Intermediate sales** are sales to other industrial sectors. The value of intermediate sales is netted-out of Total Value Added.

**Local** refers to good and services that are sourced from within the region, which may be defined as a county, multi-county cluster, or state. Non-local refers to economic activity originating outside the region.

**Margins** represent the portion of the purchaser price accruing to the retailer, wholesaler, and producer/manufacturer, in the supply chain. Typically, only the retail margins of many goods purchased by consumers accrue to the local region, as the wholesaler, shipper, and manufacturer often lie outside the local area.

**Multipliers** capture the total effects, both direct and secondary, in a given region, generally as a ratio of the total change in economic activity in the region relative to the direct change. Multipliers are derived from an I-O model of the regional economy. Multipliers may be expressed as ratios of sales, income, or employment, or as ratios of total income or employment changes relative to direct sales. Multipliers express the degree of interdependency between sectors in a region's economy and therefore vary considerably across regions and sectors. A **sector-specific multiplier** gives the total changes to the economy associated with a unit change in output or employment in a given sector (i.e. the **direct economic effect**) being evaluated. **Indirect effects multipliers** represent the changes in sales, income, or employment within the region in backward-linked industries supplying goods and services to businesses (e.g., increased sales in input supply firms resulting from



more nursery industry sales). **Induced effects multipliers** represent the increased sales within the region from household spending of the income earned in the direct and supporting industries for housing, utilities, food, etc. An **imputed multiplier** is calculated as the ratio of the total impact divided by direct effect for any given measure (e.g. output, employment).

**Other property income** represents income received from investments, such as corporate dividends, royalties, property rentals, or interest on loans.

**Output** is the dollar value of a good or service produced or sold, and is equivalent to sales revenues plus changes in business inventories.

**Output-consumption ratio** is the total industry output divided by the apparent consumption, for any given commodity or industry, and is a measure of the degree to which local demands are met by local production.

**Producer prices** are the prices paid for goods at the factory or point of production. For manufactured goods the purchaser price equals the producer price plus a retail margin, a wholesale margin, and a transportation margin. For services, the producer and purchaser prices are equivalent.

**Proprietor income** is income received by non-incorporated private business owners or self-employed individuals.

**Purchaser prices** are the prices paid by the final consumer of a good or service.

**Region** defines the geographic area for which impacts are estimated, usually an aggregation of several counties defined on the basis of worker commuting patterns.

**Sector** is an individual industry or group of industries that produce similar products or services, or have similar production processes. Sectors are classified according to the North American Industrial Classification System (NAICS).

**Value Added** is a broad measure of income, representing the sum of employee compensation, proprietor income, other property income, indirect business taxes and capital consumption (depreciation). Value added is a commonly used measure of the contribution an industry to regional economy because it avoids double counting of intermediate sales.