



BEYOND HOUSING

MAY 2017

ECONOMIC IMPACT OF THE FEDERAL HOME LOAN BANK OF SAN FRANCISCO'S
AFFORDABLE HOUSING PROGRAM 1990 – 2016

The Federal Home Loan Bank of San Francisco (Bank) commissioned Smart Cities Prevail to analyze the economic impact of the Bank's Affordable Housing Program beyond the immediate production of quality affordable housing for low- and moderate-income individuals and families.

The Bank is one of 11 regional banks in the FHLBank Bank System, each of which allocates 10% of its net earnings annually to fund its Affordable Housing Program (AHP). Most of the Bank's AHP funding is distributed based on a rigorous application process, while a smaller portion is set aside for two first-time homebuyer programs.

Between 1990 and 2016, the Bank awarded \$884 million in AHP grants for the construction or rehabilitation of below-market-rate housing through its competitive AHP. During the same period, the Bank provided an additional \$82 million in downpayment assistance grants for the purchase of existing homes through its first-time homebuyer programs. Offered through the Bank's member financial institutions, the Bank's WISH and IDEA matching grant programs for first-time homebuyers funded an additional 6,100 homes through yearend 2016.

Smart Cities Prevail analyzed the economic impacts of the Bank's first 27 years of affordable housing grant-making through the competitive AHP based on data provided by the Bank using the IMPLAN model. WISH and IDEA matching grants for first-time homebuyers were not included in this analysis. All results are reported in 2016 dollars.

Our analysis showed that the economic benefits of the projects supported by the Bank's AHP have gone far beyond the Bank's direct expenditures. From 1990 through 2016, the Bank's AHP grants, combined with the leveraged funding, contributed to the creation of:

- Nearly 120,000 new and rehabilitated housing units in 32 states and Washington, DC
- Over 500,000 full-time equivalent (FTE) jobs
- Over \$26.6 billion in labor income
- Over \$76.5 billion in economic activity
- Over \$3.2 billion in additional local and state taxes and fee revenue

LEVERAGED DEVELOPMENT FUNDING BY STATE 1990 – 2016

State	AHP Grants (millions)	Leveraged Development Funding (billions)	Number of Units
Arizona	\$88	\$1.0	9,800
California	\$673	\$18.6	93,200
Nevada	\$31	\$0.5	5,200
Out of District	\$92	\$1.4	11,300
Total	\$884	\$21.5	119,500

Leveraging Development Costs

Concentrated in the Bank’s geographic district, made up of Arizona, California, and Nevada, the Bank’s competitive AHP has helped to build or preserve nearly 120,000 housing units while helping to leverage nearly \$21.5 billion in additional funding for the development of affordable housing.

According to our analysis of the data for 1990 through 2016, on average the Bank’s AHP grants are leveraged more than 25-fold through a variety of funding sources, including federal Low Income Housing Tax Credits, state and local funds, and private investment. For every \$1 million in AHP funding from the Bank, \$25.3 million of housing is built or rehabilitated.

Job Creation

Design, development, and construction of the 120,000 housing units made possible as a result of the Bank’s AHP has created more than 507,000 FTE jobs across the nation during the life of the grant program. Of this total, 166,000 jobs are directly related to building development and construction, and another 341,000 jobs throughout the economy are related to the indirect and induced effects of the initial spending.

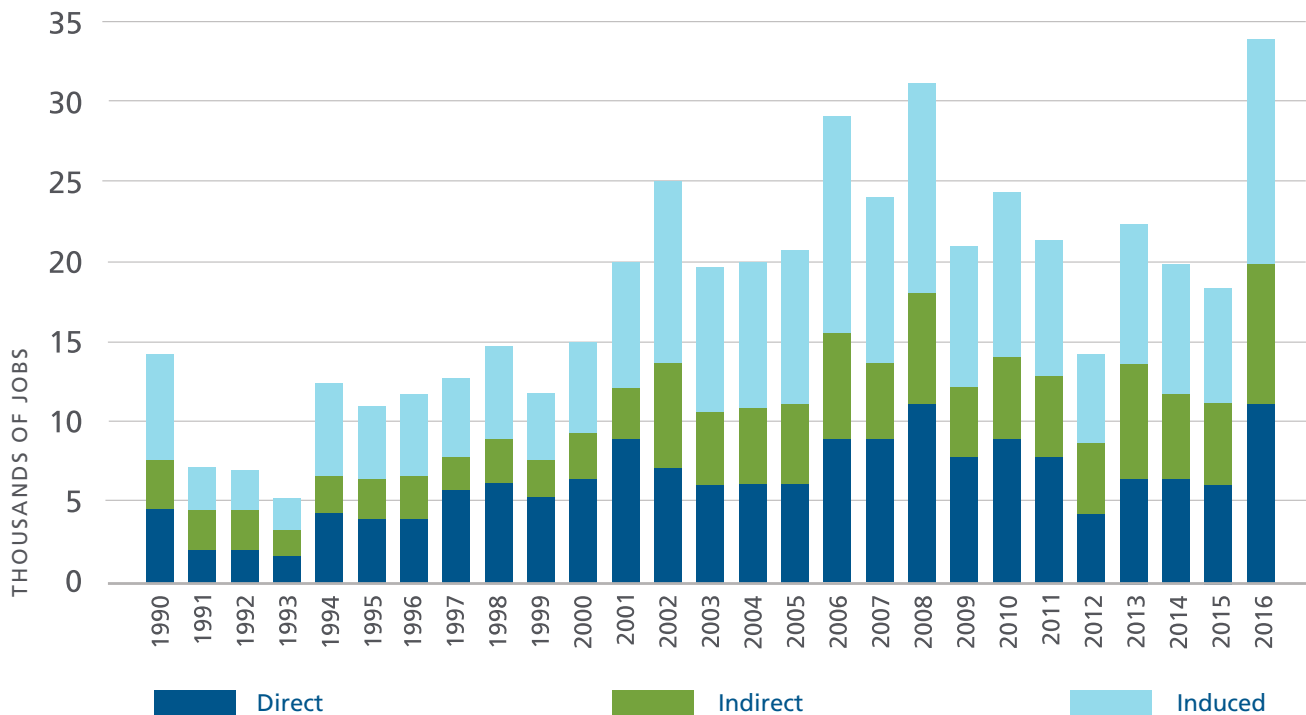
Indirect effects reflect new jobs in supporting industries, such as building material suppliers and architectural and engineering firms. Induced effects reflect job creation

related to the ripple effect of increased household spending, such as an employee’s expenditures for retail, medical, or banking services, as a result of the directly created jobs. Because of this multiplier effect, for every \$1 million in AHP funding, 573 jobs are created.

Over the 27 years studied, the Bank’s AHP grants, combined with the leveraged funding, generated over \$26.6 billion in labor income. This translates to a multiplier effect of 30-to-1: for every \$1 million in AHP funding, \$30 million in labor income is generated.

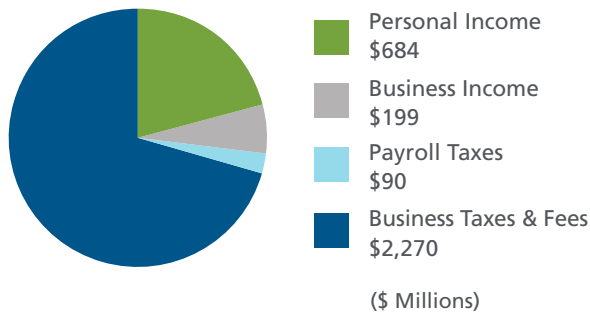
Approximately 58% of the direct employment impact is in 97,000 FTE construction jobs at family-supporting prevailing wages with healthcare and retirement benefits.¹ Because Davis-Bacon Act and state-level prevailing wages programs support and require the use of apprentices on funded projects, the Bank’s grant-making has also helped to create workforce development pathways for workers just establishing their construction careers. California, which has a robust apprenticeship system and strong prevailing wage standards, accounted for more than 75% of the AHP grant funding awarded by the Bank. This likely resulted in greater benefits to blue-collar construction workers in California than in states with weak programs.

ESTIMATED JOB CREATION EFFECTS OF FHLBANK SAN FRANCISCO AHP GRANTS 1990 – 2016



¹ 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.

ESTIMATED LOCAL TAX REVENUE IMPACTS OF FHLBANK SAN FRANCISCO AHP GRANTS



Tax Revenue Impacts

Economic and job growth also resulted in increased tax and fee collections for state and local governments. On a combined basis, the estimated impact of the AHP grants and the leveraged funding on state and local taxes was \$3.2 billion for the period. Business contributed the bulk of those tax revenues, with nearly \$2.3 billion in property, sales, and use taxes. Corporate profits and dividends contributed another \$199 million, and payroll taxes added more than \$90 million. Personal income, property, and sales taxes and fees make up the remaining \$684 million. These results show that every \$1 million in AHP funding generates \$3.6 million in state and local taxes and fees.

Total Economic Activity

Smart Cities Prevail calculated that the \$884 million in AHP grants awarded between 1990 and 2016 generated \$76.5 billion in total economic activity, taking into account the ripple effects that the projects funded by the AHP have beyond their direct effect on the housing construction and rehabilitation industry. This translates to a multiplier effect of 86-to-1: for every \$1 million in AHP funding, \$86 million in total economic activity is generated.

Beyond Housing

The impact of the Federal Home Loan Bank of San Francisco's Affordable Housing Program goes far beyond housing. In addition to the transformative effect quality affordable housing development projects have on the individuals and families who live in them, the construction and rehabilitation of affordable housing has significant impacts on the local economy. To sum up, every \$1 million in AHP funding generates:

- \$25 million in new or rehabilitated housing
- 573 full-time equivalent jobs
- \$30 million in labor income
- \$3.6 million in state and local taxes and fees
- \$86 million in total economic activity

These figures are an impressive indicator of the value and effectiveness of the Bank's AHP.

ABOUT THIS STUDY

Smart Cities Prevail conducted this analysis 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 Federal Home Loan Bank of San Francisco provided data on all projects that received grant funding from the competitive AHP between January 1, 1990, and December 31, 2016. The AHP grants awarded during that period totaled \$884 million. Affordable Housing Program funds used to support downpayment and closing costs through the Bank's homeownership grant programs, which totaled \$82 million, were not included in the study.

Because the IMPLAN model extrapolates activity based on the particular characteristics of the model year and output deflators, the final results are variable depending on the underlying model used for the analysis. The ideal methodological approach in such a circumstance is to use a time series of harmonized IMPLAN data for the years in question, but resource constraints and data limitations—compatible IMPLAN models are unavailable prior to 1996—prevented acquisition of all data years. Although it was not possible to obtain all years of data, IMPLAN national files were available for the years 1996, 2001, 2003, 2007, 2011, and 2013 and were used to estimate impacts. In addition, impacts were calculated using deflators embedded in the IMPLAN datasets as well as the Bureau of Economic Analysis deflators for multifamily housing construction.