




THE METRO AREA IMPACT OF HOME BUILDING IN FARGO-MOORHEAD, ND-MN

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LOCAL ECONOMIC IMPACT

Construction phase

- Jobs
- Materials
- Local fees, taxes, contributions

Ripple or feed-back from construction

- Wages spent in local economy

Occupancy phase


- Earnings spent in local economy





The model does not say build housing to stimulate the local economy

Rather, it is job creation that results in increased demand for housing, but remember that.....

HOUSING → JOBS



Fargo-Moorhead, ND-MN MSA

The Fargo-Moorhead, MSA Multiplier

Only Captures Spending that Stays in the MSA

Includes:
Banking, Car Repair, Dry Cleaning, Day Care Services, Dental Services, Electricity, Landscaping, Legal Services, Manicures, Medical Services, Newspaper Delivery, Restaurants and Psychiatric Services.

But Not:
Auto Manufacturing, Beer Bottling, Faucet Manufacturing, Mattress Manufacturing, Meat Packing, Movie Production, and Travel Agency Services




History of the Model

Over 650 Economic Impact Analyses Performed

Users of the Model Include:

- Boone County Kentucky
- Habitat for Humanity, International
- MI State Housing Development Authority
- Michigan State University
- Missouri Housing Development Commission
- University of Florida
- University of Massachusetts
- University of Montana
- West Virginia Housing Development Fund...



Assumptions of the Model

Inputs To Model	Single Family	Multifamily
Average house price:	\$193,423	\$60,000
Average raw lot cost:	\$5,000	\$968
Permits/Infrastructure:	\$6,267	\$3,352
Annual property taxes:	\$1,203/\$3,080	\$1,155

Economic Impact of Single Family Home Building

1st - Construction phase

2nd - Ripple effect from construction phase

3rd - Occupancy phase

4th - Ten year total

FIRST YEAR IMPACT: SF Construction Every 100 SF Homes

Local Income	Local Taxes	Local Jobs
\$9,492,200	\$1,008,700	154

INCLUDING:

- 106 Jobs in Construction
- 23 Jobs in Wholesale & Retail Trade
- 12 Jobs in Business and Professional Services

FIRST YEAR IMPACT: SF Ripple

Local Income	Local Taxes	Local Jobs
\$4,658,800	\$485,000	82

INCLUDING:

- 21 Jobs in Wholesale and Retail Trade
- 13 Jobs in Health, Education and Social Services
- 11 Jobs in Eating and Drinking Places

ONGOING SF ANNUAL EFFECT

Local Income	Local Taxes	Local Jobs
\$2,717,600	\$501,000	51

INCLUDING:

- 14 Jobs in Wholesale and Retail Trade
- 8 Jobs in Health, Education & Social Services
- 7 Jobs in Eating and Drinking Places

Total SF Impact: First Ten Years

Local Income	Local Taxes
\$39,968,000	\$6,353,000

Along with 235 temporary jobs And 51 permanent ones!

FIRST YEAR IMPACT: MF Construction Every 75 MF Homes

Local Income	Local Taxes	Local Jobs
\$2,175,000	\$351,200	36

INCLUDING:

- 25 Jobs in Construction
- 5 Jobs in Wholesale & Retail Trade
- 3 Jobs in Business and Professional Services




FIRST YEAR IMPACT: MF Ripple

Local Income	Local Taxes	Local Jobs
\$1,139,800	\$115,200	20

INCLUDING:

- 5 Jobs in Wholesale and Retail Trade
- 3 Jobs in Health, Education & Social Services
- 3 Jobs in Local Government




ONGOING MF ANNUAL EFFECT

Local Income	Local Taxes	Local Jobs
\$1,167,100	\$208,800	18

INCLUDING:


- 5 Jobs in Wholesale and Retail Trade
- 3 Jobs in Eating and Drinking Places
- 2 Jobs in Health, Education & Social Services



Total MF Impact: First Ten Years


Local Income	Local Taxes
\$14,402,000	\$2,450,000

**Along with 56 temporary jobs
And 18 permanent ones!**



Largest Local Private Employers

Employer	# of FT Jobs
Sanford Health	3,691
Blue Cross	2,401
Essentia	1,285
US Bank Service Center	952
Microsoft	948
New Residential Construction (506/253)	890
Concordia College	750
Phoenix International Corporation	634
Case New Holland	554
Integrity Windows by Marvin	494
American Crystal Sugar	380



BUT

NEW HOMES REQUIRE:

INFRASTRUCTURE

- Fire and police protection
- Garbage collection
- Parks and recreational opportunities
- Roads
- Correctional facilities
- Primary and secondary education
- Etc...



Required Current Expenses per SF Unit

Function	Single Family	State Aid
Education	\$1,432	60%
Police Protection	\$382	0%
Fire Protection	\$132	0%
Corrections	\$149	0%
Water Supply	\$203	0%
Sew erage	\$73	0%
Recreation and Culture	\$351	0%
Other General Government	\$473	54%
Electric Utilities	\$144	0%
Gas Utilities	\$5	0%
Liquor Stores	\$21	0%
Total	\$3,365	

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Required Current Expenses per MF Unit

Function	Multifamily	State Aid
Education	\$859	60%
Police Protection	\$289	0%
Fire Protection	\$100	0%
Corrections	\$113	0%
Water Supply	\$106	0%
Sew erage	\$38	0%
Recreation and Culture	\$266	0%
Other General Government	\$358	54%
Electric Utilities	\$109	0%
Gas Utilities	\$4	0%
Liquor Stores	\$16	0%
Total	\$2,258	

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Required Capital per SF Unit

Function	Single Family
Schools	\$7,585
Hospitals	\$904
Other Buildings	\$1,207
Conservation & Dev.	\$7
Sew er Systems	\$1,398
Water Supply	\$862
Other Structures	\$944
Equipment	\$209
Total	\$13,114

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Required Capital per MF Unit

Function	Multifamily
Schools	\$4,549
Hospitals	\$684
Other Buildings	\$914
Conservation & Dev.	\$5
Sew er Systems	\$732
Water Supply	\$451
Other Structures	\$715
Equipment	\$158
Total	\$8,207

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Now that we know:

The benefits of construction

&

The costs of construction

Does new construction pay for itself?

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Yes it does!

- For every 100 SF and 75 MF units--
- By the end of the 1st year the debt is fully paid off
 - By the 1st year economic impacts offset fiscal costs
 - In the 1st year, net is \$45,900 and eventually grows to as much as 379,900 thereafter

Year	Current Expenses	Revenue	Operating Surplus	Investment Start of Year	Debt at Year End	Interest On Debt	Net Income
1	253,000	2,315,000	2,062,000	1,927,100	0	89,000	45,900
2	505,900	709,800	203,900	0	0	0	203,900
3	505,900	797,800	291,900	0	0	0	291,900
4	505,900	885,800	379,900	0	0	0	379,900
5	505,900	885,800	379,900	0	0	0	379,900
6	505,900	885,800	379,900	0	0	0	379,900
7	505,900	885,800	379,900	0	0	0	379,900
8	505,900	885,800	379,900	0	0	0	379,900
9	505,900	885,800	379,900	0	0	0	379,900
10	505,900	885,800	379,900	0	0	0	379,900

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What does 1 year really mean?

- That is, should it be done faster, or is it O.K.?
- Big purchases take time to pay off.
- Car loans now last 5 years, and many lease!
- How fast did you pay off your student loans?
- How fast are your kids paying off theirs?
- Did you pay off your home in 1 year?

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Almost done, just a bit more



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How Large Are Non Property Tax Revenues

Single family property taxes are \$3,080/unit per year but, yearly revenue is \$6,770/unit per year, which is 119% more.

Multifamily property taxes are \$1,155/unit per year but, yearly revenue is \$2,785/unit per year, which is 141% more.

Clearly, property taxes are not the whole story!

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A Closer Look at Primary and Secondary Education

- 12.6% attend private schools nationally
- 1.7% are home schooled nationally
- 0.4 school age children/MF unit nationally
- 0.6 school age children/SF unit nationally
- ND-MN State aid is 60% of the K-12 budget

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ANY QUESTIONS?

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Thank you very much!

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