



# THE (GOOD NEWS ABOUT) METRO AREA HOME BUILDING IN WASHOE COUNTY, NEVADA

Presented by:  
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January 26, 2012  
Reno, NV

# 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**

# CONSTRUCTION PHASE

## INPUTS:

VALUE OF CONSTRUCTION  
SERVICES PROVIDED AT CLOSING  
PERMIT/HOOK-UP FEES  
\$ \$ \$ \$ \$  
(Obtained from Local Sources)



MODEL OF THE LOCAL ECONOMY



## OUTPUTS:

INCOME FOR LOCAL RESIDENTS  
&  
TAX/FEE REVENUE  
FOR LOCAL GOVERNMENTS

# RIPPLE PHASE

**INPUTS:**

LOCAL INCOME & TAXES  
FROM PHASE 1



SPENDING ON  
LOCAL GOODS & SERVICES  
Consumer Expenditure Survey  
(U.S. Bureau of Labor Statistics)

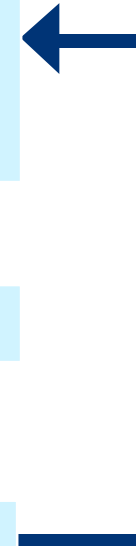


MODEL OF THE LOCAL ECONOMY



**OUTPUTS:**

LOCAL INCOME & TAXES



# OCCUPANCY PHASE

**INPUTS:**

INCOME OF HOUSEHOLD  
OCCUPYING NEW HOUSING UNIT



SPENDING ON  
LOCAL GOODS & SERVICES  
PROPERTY TAX PAYMENTS



MODEL OF THE LOCAL ECONOMY



**OUTPUTS:**

LOCAL INCOME & TAXES



# Reno-Sparks, NV MSA



# The Reno-Sparks, NV, 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 Care.

### But Not:

Auto Manufacturing, Beer Bottling, Mattress Manufacturing, Meat Packing, Movie Production, and Travel Agency Services

# History of the Model

Over 700 Economic Impact Analyses Performed

Users of the Model Include:

Boone County Kentucky

Enterprise Foundation

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 '11

<u>Inputs To Model</u> <u>Family</u>	<u>Single</u>
Average house price:	\$320,620
Average raw lot cost:	\$13,116
Permits/Infrastructure:	\$16,500
Annual prop. taxes:	\$2,849

# Assumptions of the Model '09/'10

<u>Inputs To Model</u>	<u>Single Family</u>
Average house price:	\$299,001
Average raw lot cost:	\$12,232
Permits/Infrastructure:	\$15,387
Annual property taxes:	\$2,657

# Economic Impact of Single Family Home Building

1<sup>st</sup> - Construction phase

2<sup>nd</sup> - Ripple effect from construction phase

3<sup>rd</sup> - Occupancy phase

4<sup>th</sup> - Ten year total

# FIRST YEAR IMPACT: SF Construction Every 541 SF Homes

Local Income	Local Taxes	Local Jobs
\$8,387,800	\$14,421,000	1,278

## INCLUDING:

884 Jobs in Construction

193 Jobs in Wholesale & Retail Trade

100 Jobs in Business and Professional Services

# FIRST YEAR IMPACT: SF Ripple

Local Income	Local Taxes	Local Jobs
\$44,432,442	\$3,593,048	737

## INCLUDING:

180 Jobs in Wholesale and Retail Trade

108 Jobs in Health, Education & Social Services

112 Jobs in Local Government

# ONGOING SF ANNUAL EFFECT

Local Income	Local Taxes	Local Jobs
\$17,290,000	\$3,376,000	304

## INCLUDING:

83 Jobs in Wholesale and Retail Trade

46 Jobs in Health, Education & Social Services

41 Jobs in Eating and Drinking Places

## **Total SF Impact: First Ten Years '11**

Local Income	Local Taxes
\$292,557,000	\$50,087,000

**Along with 2,015 temporary jobs  
And 304 permanent ones!**

# Total SF Impact: First Ten Years '09/'10

Local Income	Local Taxes
\$304,567,000	\$51,892,000

**Along with 2,031 temporary jobs  
And 321 permanent ones!**

## **Total SF Impact: First Ten Years '06**

Local Income	Local Taxes
\$2,189,000,000	\$360,100,000

**Along with 17,978 temporary jobs  
And 3,175 permanent ones!**

# Largest Private Local Employers

<u>Employer</u>	<u># of FT Jobs</u>
Renown Regional Medical Center	2,250
Peppermill Hotel & Casino	2,250
International Game Technologies	1,250
Silver Legacy Resort Casino	1,750
Atlantis Casino Resort	1,750
St. Mary's	1,750
Grand Sierra Resort & Casino	1,750
New SF Residential Construction (2011)	1,278
Eldorado Hotel & Casino	1,250
Circus Circus Casino	1,250
Sparks Nugget, Inc.	1,250
Harrah's Reno	1,250
UPS National Association of Home Builders	1,250
Hire Dynamics LLC	650



# Largest Private Local Employers

<u>Employer</u>	<u># of FT Jobs</u>
Renown Regional Medical Center	2,250
Peppermill Hotel & Casino	2,250
International Game Technologies	1,250
Silver Legacy Resort Casino	1,750
Atlantis Casino Resort	1,750
St. Mary's	1,750
Grand Sierra Resort & Casino	1,750
New SF Residential Construction (2009/2010)	1,288
Eldorado Hotel & Casino	1,250
Circus Circus Casino	1,250
Sparks Nugget, Inc.	1,250
Harrah's Reno	1,250
UPS <small>National Association of Home Builders</small>	1,250
Hire Dynamics LLC	650



# Largest Private Local Employers

## Employer

## # of FT Jobs

New SF Residential Construction (2006)	11,257
Renown Regional Medical Center	2,250
Peppermill Hotel & Casino	2,250
International Game Technologies	1,250
Silver Legacy Resort Casino	1,750
Atlantis Casino Resort	1,750
St. Mary's	1,750
Grand Sierra Resort & Casino	1,750
Eldorado Hotel & Casino	1,250
Circus Circus Casino	1,250
Sparks Nugget, Inc.	1,250
Harrah's Reno	1,250
UPS National Association of Home Builders	1,250
Hire Dynamics LLC	650



## Total '09/'10 vs. '06 SF Impact: First Ten Years

Lost Local Income	Lost Local Taxes
\$1,884,666,000	\$308,497,000

Along with **15,947** temporary job losses  
**2,854** permanent job losses,  
and **2,707** units

## Total '09/'10 vs.'06 SF Impact: First Ten Years

Lost Local Income	Lost Local Taxes
86.1% Down	85.6% Down

Along with a **88.7% decline** in  
temporary jobs  
A **89.9% decline** in permanent jobs  
and a **82.2% decline** in units

## Total '11 vs. '09/'10 SF Impact: First Ten Years

Lost Local Income	Lost Local Taxes
\$12,001,000	\$1,806,000

Along with **16** temporary job losses  
**17** permanent job losses,  
and **46** units

## Total '11 vs. '09/'10 SF Impact: First Ten Years

Lost Local Income	Lost Local Taxes
3.9% Down	3.5% Down

Along with a **0.8% decline** in  
temporary jobs  
A **5.3% decline** in permanent jobs  
and a **7.8% decline** in units

# ***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	\$912	75%
Police Protection	\$825	0%
Fire Protection	\$643	0%
Corrections	\$406	0%
Streets and Highways	\$369	17%
Water Supply	\$280	8%
Sewerage	\$172	0%
Health	\$72	52%
Recreation and Culture	\$790	0%
Other General Government	\$374	80%
Total	\$4,844	

# Required Capital per SF Unit

Function	Single Family
Schools	\$6,272
Hospitals	\$105
Other Buildings	\$377
Highways and Streets	\$915
Sewer Systems	\$2,004
Water Supply	\$671
Other Structures	\$2,048
Equipment	\$298
<b>Total</b>	<b>\$12,690</b>

# **Now that we know:**

The benefits of construction

&

The costs of construction

**Does new construction pay for itself?**

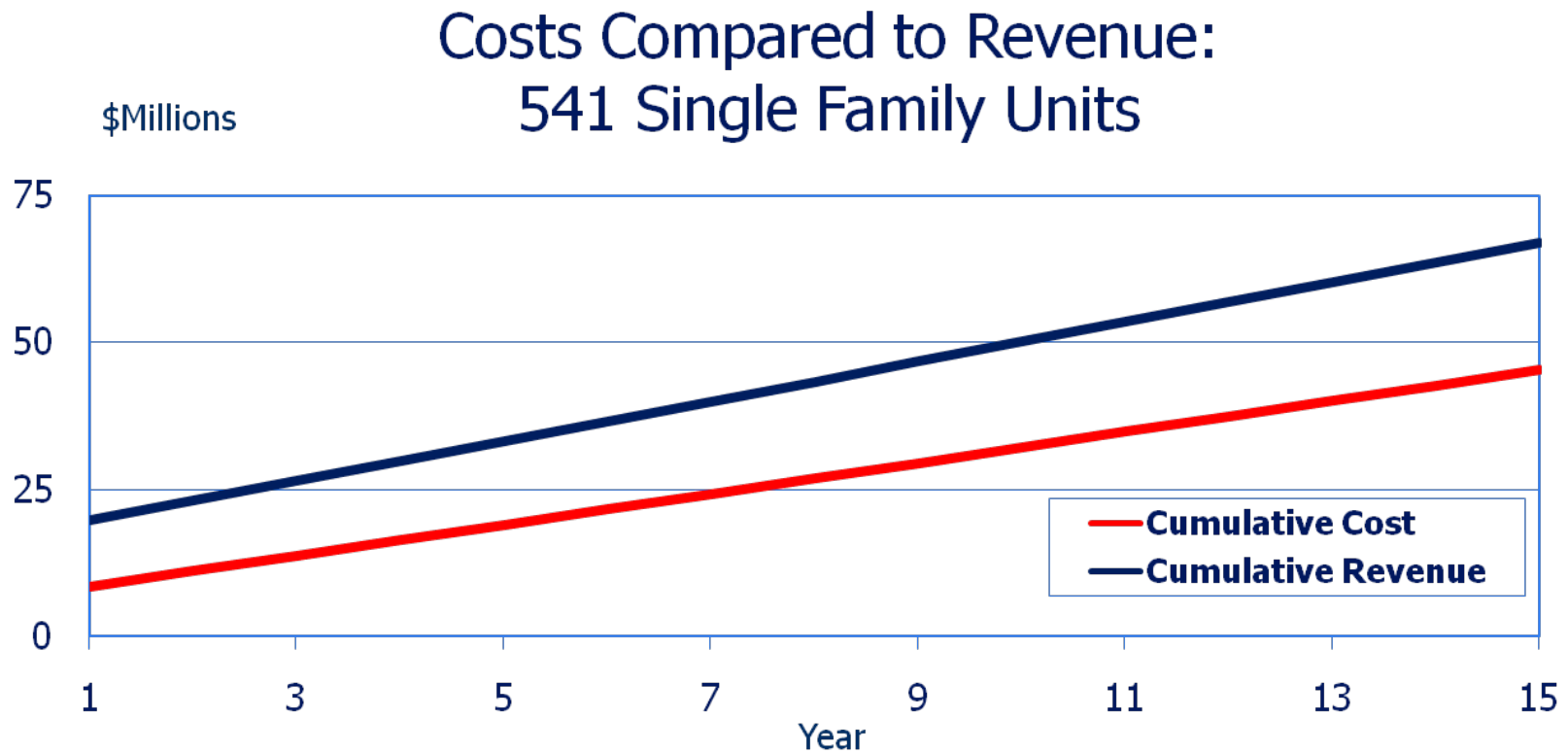
# Yes it does!

For every 541 SF units--

- By the end of the 1<sup>st</sup> year the debt is fully paid off
- By the 1<sup>st</sup> year economic impacts offset fiscal costs
- In the 1<sup>st</sup> year, net is \$11,209,300 and is \$755,700 thereafter

Year	Current Expenses	Revenue	Operating Surplus	Investment Start of Year	Debt at Year End	Interest On Debt	Net Income
1	1,310,200	19,702,000	18,391,800	6,865,300	0	317,200	11,209,300
2	2,620,400	3,376,100	755,700	0	0	0	755,700
3	2,620,400	3,376,100	755,700	0	0	0	755,700
4	2,620,400	3,376,100	755,700	0	0	0	755,700
5	2,620,400	3,376,100	755,700	0	0	0	755,700
6	2,620,400	3,376,100	755,700	0	0	0	755,700
7	2,620,400	3,376,100	755,700	0	0	0	755,700
8	2,620,400	3,376,100	755,700	0	0	0	755,700
9	2,620,400	3,376,100	755,700	0	0	0	755,700
10	2,620,400	3,376,100	755,700	0	0	0	755,700

Over 15 years, every 541 SF units generate a cumulative \$67.0 million in revenue for local governments—but only \$45.3 million in costs



# What does 1 year 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?**

# Almost done, just a bit more



# How Large Are Non Property Tax Revenues

Single family property taxes are \$2,849/unit per year but, yearly revenue is \$6,240/unit per year, which is 119% more.

Clearly, property taxes are not the whole story!

# **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

NV school aid is \$387 million or 75% of budget

# ANY QUESTIONS?

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Thank you very much!