

The Economic Impact of Austin Habitat for Humanity on the Austin, Texas Region in 2012

Prepared For:
Austin Habitat for Humanity

Prepared By:
Texas Association of Community Development
Corporations

I. Introduction

Austin Habitat for Humanity is a high performing community development nonprofit serving the greater Austin area through new home construction, home repair, housing counseling, homebuyer education, and neighborhood revitalization efforts. Austin Habitat has a distinctive focus on environmental stewardship through its construction, home repair, and ReStore efforts.

In 2012, Austin Habitat served 609 families by building 23 new homes for low-income families, providing home repairs with energy savings for 37 qualifying families, offering 446 hours of financial counseling, 1,244 hours of homebuyer education, and preventing 30 home foreclosures. To accomplish this activity, Austin Habitat staff had to manage over 58,000 volunteer hours and over 3,200 ReStore donations.

When Austin Habitat for Humanity builds a new home or rehabilitates a house in central Texas, the organization generates economic impacts and other benefits not only for the family, but for the City of Austin, the surrounding counties, and the State of Texas. These economic contributions derive from the core activities of Austin Habitat, namely, the construction and rehabilitation of homes.

The construction and rehabilitation of houses requires the purchase of construction materials from local businesses, spending on labor through construction contractors, and salary for staff. Creating a new demand for goods and services, in turn, generates sales, additional salary at the supplier level, and taxes that are in turn invested into the community as well through subsequent rounds of spending. As each purchase transaction occurs, the economic impact of Austin Habitat cumulatively grows while the specific economic impact of each round of spending diminishes due to part of the payments leaking outside of the local economy as goods and services are purchased from outside the region.

It is important to distinguish between activities that have a quantifiable economic impact and those impacts beyond the scope of this report. While Austin Habitat has a long list of achievements during 2012, including providing over 440 hours of counseling and leveraging over 58,000 volunteer hours with an estimated value of \$1,293,108, it is important to realize that the main economic driver of the organization is the production and rehabilitation of houses and the salary paid to staff. Likewise, it is important to recognize that Austin Habitat homeowners paid over \$540,000 in property taxes in 2012, but this report does not analyze the economic impact of taxes as those impacts would be recognized by the spending of the taxing entities.

The purpose of this report is to quantify the known economic impacts of Austin Habitat for Humanity on the regional economy of Austin Texas by analyzing the direct, indirect, and induced demand change in the region on economic output, earnings, and total jobs.

II. Methodology

To generate the analysis, the authors worked with Austin Habitat for Humanity to gather the necessary data on total payroll, total number of employees, total construction expenses, and any other non-payroll expenses incurred by Austin Habitat. With this information, the economic impact stemming from Habitat's employment and expenditures was estimated using the Regional Input-Output Modeling System (RIMS II) for the Austin Metropolitan Statistical Area. RIMS II, originally developed by the U.S. Department of Commerce, is a widely accepted method for measuring regional economic impacts and serves as the primary analysis tool in this report. Given that Habitat is a multi-faceted organization operating as a homebuilder, social services agency and retail store operator, the data were broken down by sector to generate a more complete and accurate impact for the organization.

The RIMS II multipliers quantify the ripple effect of Habitat spending throughout the economy. The ripple effect occurs when the salaries of Habitat staff are spent and re-spent within the local economy. For example, Habitat employees spend part of their earnings locally on goods and services like housing, entertainment, and food. In turn, the business owners collecting these payments use part of their earnings to purchase goods and pay employees, and the cycle continues. As the process repeats itself, portions of the income leak out of the local economy through taxes, out-of-state spending, and savings. This leakage has a diminishing effect on additional local income through each successive round of spending. A similar pattern emerges for employment, as every Habitat job generates indirect employment effects through suppliers, contractors, sub-contractors, and other partners, and then through additional indirect channels as with the spending discussion above

III. Total Economic Impact

The total economic impact of Austin Habitat for Humanity can be expressed in terms of total economic output and value added. In other words, total economic impact is the sum of the value added work Austin Habitat performs and the outlay of capital for intermediate goods. In the case of total economic impact, earnings are part of the value added component for the analysis.

Based on the cost of construction goods (\$4,354,814) and cost for other goods and services purchased by Austin Habitat (\$1,023,536) during 2012, the total direct spending by the organization equaled \$5,378,350.

Using the Input-Output tables we can estimate the total impact on gross economic output by Austin Habitat on the economy of the Austin region at \$10,912,546. This figure takes into account the direct purchase of goods and services, and the ripple effect that those purchases have as suppliers buy materials and labor in providing the goods and materials Austin Habitat uses to achieve its mission.

IV. Employment Impact

In addition to estimating the total economic impact on the region, Austin Habitat's activities also have a direct and indirect impact on regional employment that can be estimated. Austin Habitat directly employs 37 staff members and based on the economic activity from its construction and non-construction expenditures, created an additional 50 full and part-time jobs in the Austin Region, mostly in construction and related industries.

During 2012, Austin Habitat for Humanity created 87 jobs in the Austin Region directly, indirectly, and induced through household purchases as a result of regional payroll increases.

V. Earnings Impact

During 2012, Austin Habitat for Humanity employed 37 staff members and paid a total payroll of \$1,946,579. The earnings generated directly from Habitat, indirectly through their vendors and suppliers, and the earnings induced in the region due to the payroll spending from the direct and indirect employment is estimated at \$3,742,490.

VI. Conclusions

Austin Habitat for Humanity provides significant direct and indirect economic impacts for the Austin Region. We estimate that Habitat annually generates a total economic output for the region of \$10,912,546, estimate that Habitat is directly and indirectly responsible for creating 87 full and part-time jobs, and generates regional earnings of \$3,742,490.

A shortcoming of economic impact statements such as this is that it is impossible to quantify the non-economic benefits and impacts that an organization such as Habitat for Humanity has on the lives of the families it serves and the greater community as a whole.

Austin Habitat for Humanity estimates that the families they serve through homeownership have a higher educational attainment over similar positioned families in the community, that children of homeowners are 20% more likely to graduate from high school and 62% more likely to get post-secondary education and ultimately earn 24% more income than children not served by Austin Habitat.

Economic impact statements are not the proper tool to assess the value of family assets over time, to quantify how a family is better off living in safe, decent, affordable housing, or to ascertain the value of volunteers and the deepening connection they feel to an area once they contribute to the mission of Austin Habitat for Humanity.