Housing as an Economic Stimulus

The economic and community benefits of affordable housing development

Setting the Standard
OREGON HOUSING AND COMMUNITY SERVICES
Housing as an economic stimulus

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Ridgeview Commons, Prineville
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A strategic approach

Like a stone dropped in a pond, investments in housing ripple through Oregon’s economy. Affordable, quality housing gives people opportunities to build better lives.

The positive effects of our housing investments include strengthening families, helping children finish school, and providing safe, affordable housing for seniors and people with disabilities.

Construction and rehabilitation of affordable housing generates more than homes for low-income Oregonians. Investments in housing benefit local communities — creating jobs, increasing activity at local businesses, generating taxes, and improving civic and social engagement among tenants.

Affordable housing can revitalize a struggling downtown and beautify a blighted neighborhood. Oregon’s economy continues its slow recovery from the 2001 recession. State and local governments struggle to continue services. Unemployment remains high and the state poverty rate continues to rise. State economists predict significant revenue shortfalls through the 2005-2007 biennium.

Against this grim backdrop, Governor Kulongoski has prioritized economic development and improving the economy through strategic investments as a means to speed the state’s recovery.

Creating affordable housing has always been a goal of Oregon Housing and Community Services; these recent economic troubles sharpened policymakers’ focus on the department’s contributions to a stronger state economy.

Our goals in developing affordable housing include creating jobs and investing in communities. More importantly, we’re seeking to strengthen families, help children finish school and build healthy communities.
The second goal of the OHCS 2003–2005 strategic plan focuses on how housing investments stimulate the economy.

The goal’s three components:

• assist communities where lack of affordable housing is an impediment to economic development
• reliably project the short-term impact of investments in affordable housing
• provide Internet access to support low-income persons’ access to services, information, and the computer skills required in today’s job market

This report highlights the agency’s progress toward achieving these objectives.

Each $1 we invest in affordable housing leverages substantial additional investments averaging $5 to $7. This combined investment generates additional economic activity in the community (via the “multiplier effect”) equal to the initial investment.

The table below shows that every $1 invested by the department results in a total economic benefit of as much as $15.

<table>
<thead>
<tr>
<th>Statewide Impacts¹</th>
<th>Aurora</th>
<th>Ridgeview</th>
<th>St. Francis</th>
</tr>
</thead>
<tbody>
<tr>
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¹ Note: The total leverage for a specific funding stream may vary from these examples.

Having an affordable, quality home changes a family’s financial future — generating greater and more lasting benefits than those measured in this report. We are proud of our results.
Objective 1: Community assistance

OHCS continues to target housing funds to those communities facing the greatest needs for affordable housing. Between July 1, 2003 and December 2004, OHCS and its private sector partners have financed 2,130 units, with a total development cost of $238.7 million.

These investments ranged from 28 units in Lakeview to address prison siting needs to an apartment complex in McMinnville for adults with developmental disabilities whose aging parents could no longer provide care. OHCS also invested in senior housing in Morrow County and workforce housing in the state’s metropolitan areas.

Objective 2: A model for understanding

Policymakers need a solid economic model to assess the benefits of housing investments.

OHCS selected a powerful economic modeling tool known as IMPLAN to achieve this strategic objective. The tool allows OHCS to demonstrate how spending on a housing project generates jobs, wages, business income, and taxes.

OHCS leaders use IMPLAN to evaluate project proposals and to educate potential project sponsors, local communities, and policymakers about the economic impact of proposed new housing.

Objective 3: Internet access

Since the spring of 2004, OHCS requires all new construction and major rehabilitation projects to provide high-speed Internet access in the living area of each housing unit. Infrastructure investments ensure that residents benefit from future technologies.
Role of Oregon Housing and Community Services and its partners

OHCS supports the development of affordable housing through two primary approaches: funding via grants and tax credits, and financing through bonds and low-cost loans.

Using a mix of funding, OHCS subsidizes all forms of housing development, from new construction and rehabilitation to first-time home buyer assistance. OHCS efforts reinforce the connections among housing, economic development, infrastructure, and community capacity.

The department manages and distributes housing funds though seven unique funding streams:

- Low-Income Housing Tax Credit encourages new construction and rehabilitation of rental housing for low-income families
- HOME, a US Department of Housing and Urban and Development program (supports affordable housing options for people at less than 60 percent of their area’s median income)
- Housing Trust fund (receipt of trust funds obligates projects to provide 25 years of affordable housing)
- Oregon Affordable Housing Tax Credit (tax credits lower the cost of financing by up to 4 percent and tenant rents are reduced by an amount equal to the savings that result from the low interest rate)
- Low-Income Weatherization program (brings old units up to code, enables new construction to be built above code and when energy savings justify the additional investment)
- Alcohol and Drug Free Housing (reserves units for people in recovery)
- HELP program (targets assistance to farm workers, victims of domestic violence, and the homeless)
Project sponsors and partners include for-profit businesses, local governments, housing authorities, not-for-profit agencies, nonprofit corporations, and private individuals and businesses.

**Generating benefits beyond the direct and most visible impacts**

Researchers identify many benefits of affordable quality housing, including:

- increased housing stability and reduced risk of homelessness
- reduced housing cost burden freeing households to spend more on food and other necessities
- safer neighborhoods and less crowded living quarters for people with low-incomes
- better school performance and reduced dropout rates
- lower levels of psychological distress and better mental health
- better behavior and increased motivation among children
- lower incidence of obesity
- increases in health insurance coverage
- improved health status

1 Research references available upon request; email info@ohcs.state.or.us.
Ridgeview Commons

Addressing community needs, reflecting community values

Valued by residents for its small-town feel, the city of Prineville has a history of locally designed solutions to community problems. In 1917, the people of Prineville built the United States’ only city-owned railroad to connect with communities to the west. The City of Prineville Railway is the backbone of the city’s reputation as the world’s largest Ponderosa Pine shipping center.

Crook County’s lack of affordable housing brought the community together to create a safe, affordable, high-quality alternative for neighbors in need.

Ridgeview Commons is the first Low-Income Housing Tax Credit development in the Prineville area. Its 40 units serve people in alcohol and/or substance abuse recovery, seniors and people with disabilities, and low-income individuals and families.

In 2004, OHCS recognized Ridgeview Commons for innovation in integrating services and housing. Local social service providers participated in the project design and developed a set of services for the project’s residents.

Project residents can access:

• information and referral services
• case management
• job training
• transportation for seniors and people with disabilities
• health services
• recovery support services
• recreational opportunities
• meal services (for older residents)

OHCS awarded the project $470,000 in annual low-income housing tax credits, which brought nearly $4 million in equity to the project. Oregon Affordable Housing Tax credits reduced the interest rate on loans, and allowed the project to charge lower rents. Finally, the project received a $100,000 Housing Trust Fund grant.

Construction expenses for Ridgeview Commons totaled $4.7 million. Statewide, the project generated an estimated $10 million in economic activity and 110 jobs.

Looking at the local impact, the construction of Ridgeview Commons generated $7.5 million in economic activity and 89 local jobs.

A commitment to local community and businesses

Developer Dave Glennie of Telos Development sought to involve contractors from the Prineville area in every aspect of the job. “We have four projects with OHCS and they’re all rural. We involve as many locals as possible. On the other side of the coin, we won’t give up quality.”

Ridgeview Commons was a “community-wide effort from the get go,” observes Glennie. The developers held several meetings with community leaders and social service providers before turning one shovel of soil. “The idea is to bring a sense of ownership to the community as a whole,” says Glennie, “and that’s what we did.”

General contractor David Reese supports Glennie’s involvement of local businesses for practical and philosophical reasons. “We solicit local help and use them if they’re qualified,” says Reese. “After we’re gone, if there are maintenance or warranty issues, local businesses will be better able to respond.”
For Reese, the community makes the work worthwhile. On a recent visit to Ridgeview, two older women residents remembered him from the opening. “They approached me with such a grateful spirit,” Reese recalls. “The women said, ‘We just want to thank you for what you’ve done. These are the nicest places we’ve lived in our lifetimes.’”

“People appreciate what we’ve done and where they live. They’re proud to be living in a place that’s really well-done,” observes Reese. “It’s really worth the effort. Those are the nicest apartments in Prineville.”

**The Ridgeview Commons team**

Developer — Dave Glennie, Telos Development Co., Salem, Oregon

General Contractor — David Reese, Reese Construction, Gresham, Oregon

Owner — Ridgeview Commons Limited Partnership

**Key contractors**

David Reese identifies several businesses whose participation particularly contributed to the Ridgeview Commons success story:

Parr Lumber, Prineville — Reese says local manager Mike Merwin earned “gold stars for service, attitude, and price.” Parr’s prices were always competitive, and the company helped by providing storage. “Over and over again, Parr went the extra mile.”

Prineville Electric, Inc. consistently provided top-notch, high-quality work, according to Reese. “They performed perfectly the whole job.”
Other local contractors winning Reese’s kudos include:
AM 1 Roofing, Bend — roofing
B & R Continuous Guttering Company, Bend — gutters
Bell Hardware, Bend — doors
Central Oregon Wholesale Flooring, Bend — flooring
Davis Insulation Company, Bend — insulation
Duckette Welding, LLC, Prineville — iron
Gary Shelfer, Bend — flooring
Precision Countertops, Inc., Prineville — counters
The St. Francis

Creating a more livable downtown

For many cities, the passage of time means the decay of downtown neighborhoods. As the suburbs grow, the city center loses its vitality. In Portland, however, visionary politicians, business leaders and government agencies see a different story for their city.

Near Portland State University and the city’s famous park blocks, the once grand St. Francis Hotel sat in disrepair. Originally built in the early 1900s, the hotel fell on hard times, providing crowded and substandard accommodations to some of the city’s poorest residents.

At the same time, two vintage low-rent apartment buildings in the city, the Hamilton and the Lownsdale had been demolished. The Housing Authority of Portland and others sought to restore the lost affordable housing capacity with the new St. Francis. The goal: “a blend of affordable options in the city,” says Housing Authority’s Development Director, Victor Smeltz.

Where the dilapidated hotel stood, a newly constructed seven-story apartment community serving low-income households now stands.

The 132-unit mixed-use development represents four years of planning and community involvement.

Part of the three-block mixed-use and mixed-income Museum Place development in downtown Portland, The St. Francis provides housing for some of Portland’s lowest income residents. In all, 100 units are reserved for people at or below 30 percent of area median income and the remaining units for those at or below 80 percent of area median income.
Beyond housing opportunities for future tenants, construction of The St. Francis created jobs for people entering the building trades, helped small businesses grow, and expanded opportunities for minority-owned companies.

**Helping small business grow stronger**

For Wendell Talley, owner of painting company WCTJ, Inc., working on The St. Francis opened the door to a long-running partnership with Howard S. Wright, the project’s general contractor firm.

In The St. Francis development agreement, project partners set a goal that 15 percent of the contractors would be small businesses or owned by minorities or women. In the end, people entering the trade accounted for 17 percent of the labor hours on the project.

As a minority-owned and emerging small business, Talley’s company attracted the attention of a Howard S. Wright project manager who wanted to create opportunities for businesses like his.

“I wasn’t a low bidder,” remembers Talley, “I might have been second or third overall.” The project manager called Talley for a bid on The St. Francis stairwells. Hiring Talley and other minority-owned business helped the project manager meet requirements of certain funding sources.

The fact that Howard S. Wright and other major construction firms continue to solicit bids from Talley is evidence of his company’s commitment to quality.

“I make sure that we get in and do a good job,” says Talley. “They’re happy with my work and the guys I work with.”

Working on The St. Francis was also an opportunity for Talley to provide more stable work for his employees. In the past, he primarily worked in new residential construction, a highly seasonal type of work.

“Now I run eight to 10 guys year-round,” Talley says. “Having diverse work to do means not losing my good guys or laying them off in the winter time.”
A project with big impact

Project developer Doug Obletz, of Shiels Obletz Johnsen, Inc., of Portland put together a combination of funds for the project, including low-income housing tax credits, Oregon Affordable Housing Tax Credits, Portland Development Commission funds, deferred development fees, and mortgage financing.

Construction expenses for The St. Francis totaled $13.9 million. Statewide, the project generated an estimated $29.1 million in economic activity and 301 jobs. Every dollar spent generated another $1.10 in economic activity across the state.

Looking at Clackamas, Multnomah, and Washington counties, construction of The St. Francis generated $27.2 million in local economic activity and 262 jobs.

Troy Dickson of Howard S. Wright, served as the project’s senior manager. He points to The St. Francis as a myth-buster, “The St. Francis changes people’s perspective on affordable housing.” The quality of the design, the attention to detail in the brickwork, and finish work set the project apart.

Painting contractor Talley notes that these projects give low-income people a chance to live in neighborhoods that would otherwise be too expensive. He also supports bringing people of diverse backgrounds together. “It’s a good deal that they’re creating more mixed housing.”

The St. Francis team

Master Developer—Doug Obletz, Shiels Obletz Johnsen, Inc., Portland

Project Manager/General Contractor—Troy Dickson, Howard S. Wright, Portland

Owner—Housing Authority of Portland, General Partner
Key contractors

Konell Construction & Demolition, Portland — tear down of existing structure
Coffman Excavation, Oregon City — excavation
Davidson Masonry, Salem — brickwork
GBD Architects, Portland — architectural design work, canopies and handrails
Starline Windows, Inc., Woodinville, WA — windows
A-Professional Fire Systems, Beavercreek — fire sprinkler system
Penninsula Plumbing, Portland — plumbing
Hunter-Davisson, Inc. — heating, ventilation and air conditioning
Merit Electric, Portland — electric
Aurora Building

From neighborhood blight to handsome landmark

“From the first neighborhood organizing meeting, through conversations with people with disabilities, the city council, and neighbors, to working with subcontractors, this project captured the imagination of the community and enlisted the best of our community,” comments Terry McDonald.

McDonald serves as Executive Director of St. Vincent de Paul Society of Lane County, owner of the Aurora Building. St. Vincent de Paul operated a store on 11th and Oak, next to an urban blight property. The society’s housing board envisioned a new mixed-use building with retail space and housing. The project would begin to address Lane County’s affordable housing crisis and support the society’s efforts to ensure that people at all income levels have access to clean, decent, and affordable housing.

According to McDonald, the five-story, 54 unit Aurora is now home to “one of the more remarkable cross sections of people ... seniors, people with disabilities, working people, people of color, and students.”

McDonald notes that the new units in the Aurora just begin to address the area’s need for affordable housing opportunities. “The city of Eugene is the third most unaffordable housing market in the state. Area residents tend to be well-educated and underpaid.”

Making a difference in Lane County

St. Vincent de Paul put together a diverse combination of funds for the project including:

• City of Eugene Affordable Housing Program
• Oregon Economic and Community Development Department Brownfield funding
• Brownfield settlement dollars
• Lane Community College student housing support
• City of Eugene permit and fee waivers, tax abatement
• Eugene Water and Electric Board fee waivers
• HOME funds
• Oregon Affordable Housing Tax Credits
• Oregon Housing Trust Fund grants
• Low-Income Housing Tax Credits
• private donations
• art donations
• St. Vincent de Paul funds

Construction expenses for Aurora Building totaled $7.5 million. Statewide, the project generated an estimated $16.3 million in economic activity and 173 jobs. Every dollar spent generated another $1.15 in economic activity across the state.

Looking at local impacts, in Lane County, construction of the Aurora Building generated $14.4 million in local economic activity and 168 jobs.

A safe and secure home

The Aurora Building offers many features to create a safe environment to its residents. Key cards provide access to the building entrances, a computer resource room, and storage facilities. Video cameras monitor public spaces. More importantly, living in the Aurora building provides a sense of community to its residents.

“It’s like a big family here,” says resident manager, David McNeal. “One tenant told me that they were feeling very scared where they were before,” remembers McNeal. “Now they’re feeling very safe.”
A commitment to sustainability

St. Vincent de Paul Society of Lane County sought to minimize the project’s consumption of limited natural resources and to keep utility costs low for residents.

“We’re very concerned about rising energy costs and how they punish low-income people,” says McDonald. “The only way to control those expenses is to control energy consumption.”

The Aurora Building’s designers incorporated an innovative geo-thermal heating system. Forty geo-thermal wells plunge 300 feet below the foundation of the building. Because the structure goes to the property lines, the wells sit under the building, requiring close attention from the architect in the foundation design.

The big investment had immediate payoffs for residents, with savings exceeding 50 percent. A typical two-bedroom unit pays a monthly average of $20 to $40 for electricity. The rate for a one-bedroom averages $15 to $25. In contrast, the local housing authority estimates the monthly rate for an all-electric one-bedroom unit at $63.

“We’re seeing a really, really phenomenal savings for our tenants,” shares Kristen Karle, Housing Development Director for St. Vincent de Paul. The Society pays for all the water heating for the facility. The Aurora Building’s hot water is also geo-thermal with natural gas back up tanks. The monthly hot water bill for the entire 54-unit building runs less than $220.

Creative solutions

According to Curt Meili, collaborative planning and innovative problem solving set Eugene’s Aurora Building apart from other projects. Months before the project began, the general contractor and representatives of the major subcontractors — plumbing, electric, heating, and sprinkler system — met with the architect and the owner to review design needs.
Meili, general contractor for Aurora project, says the team came up with many creative and practical solutions. “Without the subcontractors participation, the project never would have been designed and constructed affordably,” observes Meili. “The architects and the subcontractors came up with a design that made sense from the first day.”

“We had an exceptionally well-suited design/build team on this project,” says McDonald. He notes that at one point, it appeared that the project would not be able to provide geo-thermal to the residential part of the building. “Both WBGS, the architecture firm, and Curt Meili, general contractor, worked to solve that problem and at no extra cost to the project.”

The project sits on a major Eugene thoroughfare. To minimize impact on area commuters, the builders placed a construction crane in the elevator shaft of the building. Morrow Crane of Salem provided a crane small and strong enough for the job which was later extricated with a second larger crane. The result: minimal impact on traffic flow.

Post-Tension of Oregon installed a slab to serve as the ceiling of the retail space and the foundation of the four residential stories. The slab allowed the residential portion of the building to be wood framed, for a cost savings over steel construction.

**The Aurora Building team**

General Contractor — Curt Meili, Meili Construction, Eugene

Architect — Elaine Lawson, WBGS Architecture & Planning PC, Eugene

Owner — St. Vincent de Paul Society of Lane County
Key contractors

Builder’s Electric, Eugene — electric

Bergeson-Boese & Associates Inc., Eugene — environmental cleanup

Dora Natella, Eugene — bronze sculpture

Home Comfort Heating & Air Conditioning, Eugene — heating, ventilation, and air conditioning

Omlid & Swinney Fire Protection and Security Inc, Eugene — fire sprinkler system

Ridge Construction, Inc., Springfield — post-tension cable

Robinson Plumbing, Eugene — plumbing

Dora Natella, a Eugene artist, created and donated the bronze sculpture standing in the Aurora Building lobby.
An economic impact model for residential development in Oregon

Most people have a basic understanding of the phenomenon economists call “the multiplier effect.” This phrase describes how a dollar spent on a construction project, for example, keeps moving through the economy. As vendors and craftspeople spend that dollar to purchase goods and services, the dollar “multiplies.” How a dollar is initially spent determines how many times the dollar multiplies.

In its search for software to build a model that could describe the short-term economic impact of affordable housing development, OHCS identified and selected IMPLAN Professional® (IMPLAN stands for IMPact Analysis and PLANning). Public and private analysts across the country have adopted IMPLAN to estimate the impacts of economic changes in their states, counties, and communities.

The tool

IMPLAN’s strength comes from a flexible input-output model supported by a database of all US economic sectors. Information from US Department of Commerce, the US Bureau of Labor Statistics and other government agencies enhances the predictive power of IMPLAN-based models.

OHCS convened a panel of economists to review Oregon’s use of IMPLAN as a modeling method. The economists supported the model as a best practice approach to providing data on a variety of factors, such as:

- purchases made between industries resulting from affordable housing development
- employment
- employee compensation and proprietor income
• corporate, personal, and indirect business taxes at local, state, and federal levels
• property, excise, and social security taxes
• purchases of goods and services by households and government

Project development impacts in Oregon

Any residential development activity involves two types of expenditures: “bricks and mortar” (construction costs) and “soft costs” (non-construction costs).

“Bricks and mortar” refers to actual construction and site development goods and services. “Soft costs” include architectural and engineering fees, financing, closing, insurance, legal and accounting expenses, tenant relocation, lease-up, appraisals, building permits, system development charges and developer fees.

Oregon’s IMPLAN-based model uses actual regional economic data to describe how “bricks and mortar” and soft cost spending moves through a local economy.

The model captures three kinds of economic activity:
• direct — initial spending
• indirect — spending by industries purchasing from other industries as they restock inventory or buy supplies in response to direct spending
• induced — expenditures by households and governments as a result of receiving direct and indirect income

The model does not measure social benefits or long-term community benefits of affordable housing development.

With its foundation in actual regional data, the model predicts how much initial economic activity stays local and how much goes out of the study area for a given housing project.
Impact of three multi-family projects in Oregon

The development of a housing project generates economic activity locally and statewide. Each $1 spent on development generates at least another $1.10 in economic activity across the state.

### Total Economic Impact

<table>
<thead>
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<th>Project multipliers¹</th>
<th>Local Impact</th>
<th>Statewide Impact</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Direct</td>
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<tr>
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¹ Multipliers represent the increase in economic activity per dollar of project expenditure or per direct job.
Labor income has significant impact at the local level. Labor income includes wages, salaries, and proprietor’s income. Every $1 in project labor income generates another $1.20 or more in labor income.

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Housing development’s most significant short-term economic impact is on employment. Each job supported or created through such projects generates another one or more at the local level. Statewide, every job generates another one and one half, on average.

<table>
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<th>Project multipliers</th>
<th>Local Impact</th>
<th>Statewide Impact</th>
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Long-term: operating impacts in Oregon

The economic benefits of a housing project go beyond the construction phase. Operating a housing project on an ongoing basis also generates benefits for the state and local economy.

Every $10,000 in rental income generates more than $19,000 in economic activity across the state. At the local level, the impact of the $10,000 in rental payments is approximately $17,400 in economic activity. The impact of labor income is even greater, with each dollar generating about $2.60 in statewide economic activity.

### Annual Operational Impact

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<td>$2,145</td>
<td><strong>$17,399</strong></td>
<td>$10,000</td>
<td>$2,249</td>
<td>$2,823</td>
</tr>
<tr>
<td>Labor Income</td>
<td>$2,070</td>
<td>$739</td>
<td>$2,145</td>
<td><strong>$4,955</strong></td>
<td>$2,249</td>
<td>$917</td>
<td>$2,823</td>
</tr>
<tr>
<td>Multipliers</td>
<td>1.000</td>
<td>0.203</td>
<td>0.537</td>
<td><strong>1.740</strong></td>
<td>1.000</td>
<td>0.245</td>
<td>0.678</td>
</tr>
</tbody>
</table>

1 Per $10,000 in income
2 Multipliers represent the increase in economic activity per dollar of project expenditure or per direct job.
Credits

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*Back cover: detail of Aurora Building exterior. Glass tiles manufactured at the Aurora Glass Foundry, a St. Vincent de Paul Society of Lane County company.*