

**National Association of Home Builders**

# **The Metro Area Impact of Home Building in Grand Rapids, MI**

## **Income, Jobs, and Taxes Generated**

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**Housing Policy Department**







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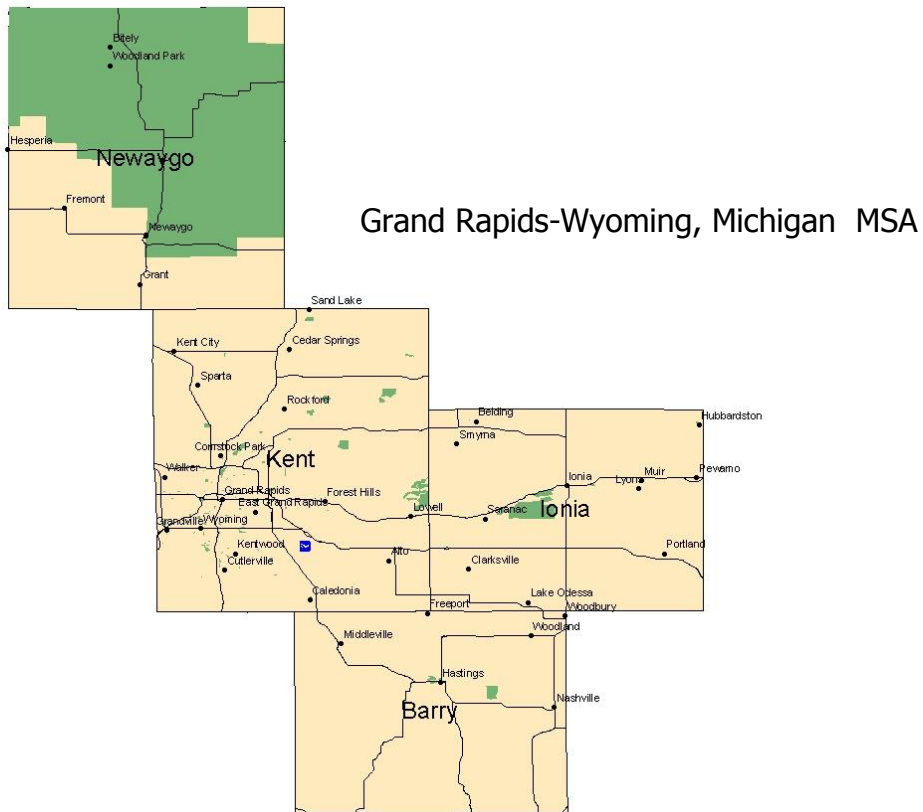
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## Executive Summary

Home building generates substantial local economic activity, including new income and jobs for residents, and additional revenue for local governments. The National Association of Home Builders has developed a model to estimate these economic benefits. The model captures the effect of the construction activity itself, the ripple impact that occurs when income earned from construction activity is spent and recycles in the local economy, and the ongoing impact that results from new homes becoming occupied by residents who pay taxes and buy locally produced goods and services. In order to fully appreciate the positive impact residential construction has on a community, it is important to include the ripple effects and the ongoing benefits. Since the NAHB model was initially developed in 1996, it has been used to estimate the impacts of construction in over 600 projects, local jurisdictions, metropolitan areas, non-metropolitan counties, and states across the country.

This report presents estimates of the metro area impacts of home building in Grand Rapids, Michigan. The comprehensive nature of the NAHB model requires that the local area over which the benefits are spread be large enough to include the places where construction workers live and spend their money, as well as the places where the new home occupants are likely to work, shop, and go for recreation. In practice, this usually means a Metropolitan Statistical Area (MSA) or Metropolitan Division, as defined by the U.S. Office of Management and Budget (OMB). Based on local commuting patterns, OMB has identified the Grand Rapids-Wyoming MSA as a metro area consisting of four counties (Barry, Ionia, Kent, and Newaygo) in Michigan (see map below).



In this report, wherever the terms local or Grand Rapids are used, they refer to the entire metro area. The report presents estimates of the impacts of building 637 single-family homes based on construction activity in Kent County in 2011. According to the Building Permit Survey data maintained by the U.S. Census Bureau's Manufacturing and Construction Division, over 80 percent of the single-family building permits issued in the Grand Rapids MSA in 2010 were issued in Kent County.

The NAHB model produces impacts on income and employment in 16 industries and local government, as well as detailed information about taxes and other types of local government revenue. Aggregate results are summarized below. Subsequent sections of the report show detail by industry and type of tax or fee revenue generated.

- The estimated one-year metro area impacts of building 637 single-family homes in Grand Rapids include
  - **\$111.2 million** in local income,
  - **\$11.5 million** in taxes and other revenue for local governments, and
  - **1,927** local jobs.

These are local impacts, representing income and jobs for residents of the Grand Rapids-Wyoming MSA, and taxes (and other sources of revenue, including permit fees) for all local jurisdictions within the metro area. They are also one-year impacts that include both the direct and indirect impact of the construction activity itself, and the impact of local residents who earn money from the construction activity spending part of it within the local area. Local jobs are measured in full time equivalents—i.e., one reported job represents enough work to keep one worker employed full-time for a year, based on average hours worked per week by full-time employees in the industry.

- The additional, annually recurring impacts of building 637 single-family homes in Grand Rapids include
  - **\$16.2 million** in local income,
  - **\$4.5 million** in taxes and other revenue for local governments, and
  - **315** local jobs.

These are ongoing, annual local impacts that result from the new homes being occupied, and the occupants paying taxes and otherwise participating in the local economy year after year. The ongoing impacts also include the effect of increased property taxes, based on the difference between the value of raw land and the value of a completed housing unit on a finished lot, assuming that raw land would be taxed at the same rate as the completed housing unit.

The above impacts were calculated assuming that new single-family homes built in Grand Rapids have an average price of \$236,022; are built on a lot for which the average value of the raw land is \$2,500; require the builder and developer to pay an average of \$8,725 in impact, permit, and other fees to local governments; and incur an average property tax of \$3,540 per year. This information was provided by Byron Township, Cascade Township, Gaines Township, Grand Rapids Area Builder Tracker Reports, the Grand Rapids Association of REALTORS®, Grand Rapids Township, the Kent County Treasurer, McGraw Hill Dodge Construction Reports, State of Michigan Treasury, Wyoming Township, and the U.S. Census Bureau.