

CHFA's Community Investment Economic Impact Methodology

CHFA's financing of single family, rental, and business programs provides economic stimulus in Colorado. In order to determine the economic impact of this financing, CHFA developed an economic impact model using the Bureau of Economic Analysis RIMS II regional input-output (I-O) multipliers. According to the RIMS II User Handbook, the "measure the economic impact of a change in final demand, in earnings, or in employment on a region's economy".¹ Multipliers based on 2005 national annual input-output data and 2005 regional data were used.

Because CHFA's financing is statewide, Colorado multipliers were used to determine economic impact. Three different models were developed: one for single family finance, one for rental finance, and one for business finance.

Single Family Finance Model

CHFA's single family finance programs are primarily for first time and homebuyers. For the single family finance program, the model is based on the following assumptions:

- First time homebuyers ultimately increase the demand for ('flow through to') new housing construction. CHFA's model assumes that 70% of first time homebuyer dollars ultimately flow through to new construction, and that 10% of the new construction dollars flows through to land purchase rather than to construction.
- First time homebuyers create a loss in the rental market. The model assumes that 1% of the first time homebuyer dollars represents the rental market loss.
- Five percent of CHFA mortgage financing flows through to the finance sector.
- The impact of CHFA's bond issuance flows through to the finance sector.

This model is conservative for the sake of simplicity – it estimates only the impacts to the finance and construction markets rather than the impact of new homes in a geographic area and the subsequent economic benefits of household purchases, taxes, and associated jobs.

Rental Finance Model

CHFA's rental finance programs include both new construction and acquisition/rehabilitation of rental properties. The financing of rental construction includes land purchase (or building purchase for acquisition/rehabilitation), construction, fees, and financing costs. The percentage in each category is project-specific, and for current projects, CHFA applies the model to each project financed. To assess historic production, averages were applied in each category.

As in the single family finance model, the rental finance model is conservative because it estimates only the impacts of the construction and financing rather than the impact of the multifamily dwelling and associated household purchases.

Business Finance Model

CHFA's business finance economic impact is assessed based on the type of business financed. Often, CHFA's business finance loans are for new construction, real estate, or equipment purchases. The aggregate business finance model estimates the economic impact of the construction and real estate financing. This estimates just the first phase of the business, the construction phase. Project financing includes more economic benefits through additional jobs, goods, and services produced by the financed business.

For individual business economic impact assessments, the appropriate Industry Multiplier was used, thereby estimating the direct and induced effects of financing the business. For example, CHFA financed Montessori Academy for \$3.9 million dollars. The Educational Services multiplier was applied yielding a \$9.4 million economic impact and 120 jobs.

Summary

CHFA's economic impact is significant, and the methodology we have chosen to estimate our historic economic impact estimates only the construction and financing aspects of our economic impact. This methodology was intentional to maintain simplicity and avoid aggregation errors. The economic impact provided, then, may be considered the *minimum* economic impact of CHFA's financing in Colorado.

¹The RIMS II User Handbook is available at <http://www.bea.gov/scb/pdf/regional/perinc/meth/rims2.pdf>