



Community Development Block Grants:

Impacts on Metro Economies

(Preliminary Report)

Prepared for:

**The United States
Conference of Mayors**

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INTRODUCTION

The Community Development Block Grant (CDBG) program provides federal funding for housing, economic development, neighborhood revitalization, and other community development activities. CDBG funding, administered by the US Department of Housing and Urban Development is provided directly to medium and large cities and urban counties (entitlement communities) and to states for distribution to smaller communities.

Program funds are required to meet one of three objectives: (1) principally benefit low and moderate income persons, (2) aid in the elimination or prevention of slums or neighborhood blight, or (3) meet urgent community development needs. In the last fiscal year CDBG grant funds of \$3.95 billion were provided to 1,163 entitlement communities and all 50 states.

The purpose of this study is to assess the economic impact of the CDBG program as it has been funded in communities across the nation. We have surveyed here ten communities across the country to begin a series of economic case studies of the CDBG program.

THE ECONOMIC IMPACT OF CDBG EXPENDITURES

CDBG expenditures by communities have been classified in five categories: acquisition of property, administration, economic development, housing, public improvements, and public services.

The acquisition and clean up or clearance of property is in many instances necessary to remediate blight, though it does not have a direct economic impact by itself. Similarly, program administration and planning is a necessary prerequisite to the effectiveness of any program, though outside of the direct employment of public workers it does not have a direct economic impact by itself. It is the other spending, on economic development, housing, and public improvement and services that directly add to economic activity in a community.

Economic development expenditures consist of direct financial and technical assistance to businesses, as well as the construction or rehabilitation of commercial and industrial properties. These investments directly add to the productive income-generating potential of the community. Jobs in construction and other services are generated immediately and the aided businesses can continue to provide local jobs and income for many years to come.

Housing expenditures consist primarily of rehabilitation of single-family and multi-family structures. This spending directly generates local area construction jobs and

income. Of course the rehabilitated structures provide stable household living conditions, helping to maintain a local workforce for further economic development. It also enhances the value of other properties in the neighborhood and broader community.

Public improvement expenditures include water and sewer improvements, street improvements, sidewalks, parks, recreation and neighborhood facilities, fire stations and equipment, and senior centers. The direct spending of the grant funds creates construction jobs, and the investments pay off as future infrastructure capital, a crucial assist to business productivity in the community, encouraging business and household location.

Funding for public services consists of assistance to residents of the community who are elderly or disabled, to youth, and to the various needs stemming from problems such as substance abuse, spouse abuse, crime prevention, and neglected children. Employment training and transportation assistance are also provided. The economic impacts here are measured by employment of counselors and other service personnel, but the social impacts are the primary goal.

CDBG expenditures during the last decade (2001-2010) averaged \$4.585 billion per year. These funds were disbursed for the following purposes, on average, over the decade:

Acquisition of Property	\$ 257 million
Administration	\$ 654 million
Economic Development	\$ 390 million
Housing	\$1.144 billion
Public Improvements	\$1.485 billion
Public Services	\$ 499 million

Moreover, this spending in many cases leverages other funding sources. Since 2009 for instance \$416 million in economic development grants have leveraged \$4.53 billion in project funds.

METHODOLOGY

CDBG expenditures are spent in the local community. As such the resulting economic impact must be measured in the context of the structure of the local economy. For each community in this study we have developed local economic estimates that our economic models predict as outcomes of the types of CDBG expenditures in the community. Expenditure data from 10 communities has been provided by those cities or counties for the period 2003-2008. (We chose not to analyze available data from 2009 and 2010 because the funding patterns were then greatly affected by the ARRA stimulus spending during the recession). It is important to note that these findings are preliminary. The final report, to be issued in the future, will contain final data and an analysis of additional cities and counties.

Because the flexibility provided by the CDBG program allows communities to meet their specific needs and community development priorities, the program's economic impacts will vary significantly in each city and county. For example, a community may determine that using CDBG dollars for blight remediation through clearance of property, and for public services to assist disadvantaged residents are priorities, yet these two program activities would register less economic impacts than other CDBG eligible program categories.

In addition to the direct grant spending, many projects were enabled by grants which leveraged other sources of funding. The surveyed communities also provide this documentation. We have added the benefits accruing from these levered projects to generate the full economic impacts created by the CDBG program. The estimated economic impacts are direct, indirect, and induced. That is, we have estimated the effects of hiring at the program site, by suppliers to that project, and as a result of incomes generated by the direct project spending.

CASE STUDIES

1. Akron, OH

Over the period studied Akron averaged annual CDBG expenditures of \$8.4 million, including \$3.2 million for housing and \$2.7 million for property acquisition. This direct grant expenditure was leveraged by other sources to total spending of \$14.7 million. The economic impact calculated from these expenditures was, annually, 243 new jobs with \$12 million in wages, generating \$31 million in economic output, \$18 million in Gross Metro Product, and providing \$1.4 million in additional state and local tax revenue annually. Thus the \$8.4 million grant per year generated \$18.1 million in gross metro product annually, a multiple of 2.2. The annual grant expense per job generated was \$34,500.

Community Development Block Grant: Average Annual Impacts 2003-2008

(Thousands of 2011\$, Employment: Full-time Equivalent Jobs)

Akron, OH

	CDBG	Total
Expenditure	8,394.3	14,734.8
Employment	132.1	243.2
Output	16,994.3	31,903.2
Gross Product	10,055.1	18,071.9
Labor Income	6,342.0	12,632.3
State and Local Taxes	851.0	1,440.6

2. Chicago, IL

Over the period studied, Chicago averaged annual CDBG expenditures of \$108 million, including \$37 million for public services and \$29 million for housing. This direct grant expenditure was leveraged by other sources to total spending of \$155 million. The economic impact calculated from these expenditures was, annually, 2,234 jobs with \$133 million in wages, generating \$339 million in economic output, \$197 million in Gross Metro Product, and providing \$12.6 million in additional state and local tax revenue annually. The annual grant expense per job generated was \$48,600.

Community Development Block Grant: Average Annual Impacts 2003-2008

(Thousands of 2011\$, Employment: Full-time Equivalent Jobs)

Chicago, IL

	CDBG	Total
Expenditure	108,487.0	155,093.5
Employment	1,588.4	2,234.3
Output	239,385.7	338,534.0
Gross Product	135,684.4	197,169.3
Labor Income	94,572.0	133,705.5
State and Local Taxes	8,946.0	12,624.0

3. Dekalb County, GA

Over the period studied Dekalb County averaged annual CDBG expenditures of \$7 million, including \$2.9 million for public improvements and \$1.2 million for housing. This direct grant expenditure was leveraged by other sources to total spending of \$16 million. The economic impact calculated from these expenditures was, annually, 253 jobs with \$13 million in wages, generating \$34 million in economic output, \$19 million in Gross Metro Product, and providing \$1.3 million in additional state and local tax revenue annually. The annual grant expense per job generated was \$27,700.

Community Development Block Grant: Average Annual Impacts 2003-2008

(Thousands of 2011\$, Employment: Full-time Equivalent Jobs)

Dekalb County, GA

	CDBG	Total
Expenditure	7,031.9	16,375.5
Employment	112.5	253.5
Output	15,406.5	34,068.8
Gross Product	8,659.6	19,217.8
Labor Income	6,162.9	13,684.1
State and Local Taxes	599.0	1,343.5

4. Los Angeles County, CA

Over the period studied Los Angeles County averaged annual CDBG expenditures of \$45 million, including \$14 million for housing and \$6 million for administrative and planning activities. This direct grant expenditure was leveraged by other sources to total spending of \$87 million. The economic impact calculated from these expenditures was, annually, 1,063 jobs with \$75 million in wages, generating \$182 million in economic output, \$108 million in Gross Metro Product, and providing \$9 million in additional state and local tax revenue annually. The annual grant expense per job generated was \$41,900.

Community Development Block Grant: Average Annual Impacts 2003-2008

(Thousands of 2011\$, Employment: Full-time Equivalent Jobs)

Los Angeles County, CA

	CDBG	Total
Expenditure	44,613.9	86,992.4
Employment	537.5	1,063.7
Output	94,036.7	182,404.4
Gross Product	55,772.1	107,720.1
Labor Income	37,722.9	74,718.0
State and Local Taxes	4,807.9	9,078.2

5. Newton, MA

Over the period studied Newton averaged annual CDBG expenditures of \$3.2 million, including \$1.3 million for housing and \$590 thousand for administrative and planning activities. This direct grant expenditure was leveraged by other sources to total spending of \$14.6 million, a factor of 3.9. The economic impact calculated from these expenditures was, annually, 188 jobs with \$12 million in wages, generating \$30 million in economic output, \$18 million in Gross Metro Product, and providing \$1.3 million in additional state and local tax revenue annually. Gross metro product was generated annually at a multiple of 5.6 times the grant. The annual grant expense per job generated was \$17,100.

Community Development Block Grant: Average Annual Impacts 2003-2008

(Thousands of 2011\$, Employment: Full-time Equivalent Jobs)

Newton, MA

	CDBG	Total
Expenditure	3,207.6	14,602.5
Employment	41.9	188.1
Output	6,471.2	29,504.7
Gross Product	4,097.2	18,031.3
Labor Income	2,702.0	12,224.9
State and Local Taxes	319.2	1,333.0

6. Philadelphia, PA

Over the period studied Philadelphia averaged annual CDBG expenditures of \$76 million, including \$29 million for housing. This direct grant expenditure was leveraged by other sources to total spending of \$207 million. The economic impact calculated from these expenditures was, annually, 2,818 jobs with \$171 million in wages, generating \$445 million in economic output, \$260 million in Gross Metro Product, and providing \$18 million in additional state and local tax revenue annually. The annual grant expense per job generated was \$26,900.

Community Development Block Grant: Average Annual Impacts 2003-2008

(Thousands of 2011\$, Employment: Full-time Equivalent Jobs)

Philadelphia, PA

	CDBG	Total
Expenditure	75,681.5	207,284.9
Employment	979.9	2,818.6
Output	163,439.4	445,218.7
Gross Product	94,733.6	259,880.3
Labor Income	62,012.9	171,376.1
State and Local Taxes	6,730.8	18,164.8

7. Salt Lake City, UT

Over the period studied Salt Lake City averaged annual CDBG expenditures of \$5.8 million, including \$2.4 million for housing and \$2.1 million for public improvements. This direct grant expenditure was leveraged by other sources to total spending of \$27 million, a factor of 4.8. The economic impact calculated from these expenditures was, annually, 530 jobs with \$21.6 million in wages, generating \$59 million in economic output, \$31 million in Gross Metro Product, and providing \$2 million in additional state and local tax revenue annually. Gross Metro Product was generated annually at a multiple of 5.4 times the grant. The annual grant expense per job generated was \$10,900.

Community Development Block Grant: Average Annual Impacts 2003-2008

(Thousands of 2011\$, Employment: Full-time Equivalent Jobs)

Salt Lake City, UT

	CDBG	Total
Expenditure	5,790.2	27,359.2
Employment	105.4	530.9
Output	12,781.8	59,385.7
Gross Product	7,100.8	31,216.9
Labor Income	5,011.4	21,611.5
State and Local Taxes	453.2	2,052.4

8. Seattle, WA

Over the period studied Seattle averaged annual CDBG expenditures of \$17 million, including \$6.6 million for public improvements and \$3.7 million for housing. This direct grant expenditure was leveraged by other sources to total spending of \$72 million, a factor of 4.1. The economic impact calculated from these expenditures was, annually, 845 jobs with \$61 million in wages, generating \$149 million in economic output, \$87 million in Gross Metro Product, and providing \$5 million in additional state and local tax revenue annually. Gross metro product was generated annually at a multiple of 5.1 times the grant. The annual grant expense per job generated was \$20,200.

Community Development Block Grant: Average Annual Impacts 2003-2008

(Thousands of 2011\$, Employment: Full-time Equivalent Jobs)

Seattle, WA

	CDBG	Total
Expenditure	17,087.6	72,237.6
Employment	206.8	845.4
Output	35,622.4	149,500.5
Gross Product	19,095.2	87,071.9
Labor Income	13,268.7	61,267.5
State and Local Taxes	1,018.7	4,624.7

9. St. Louis, MO

Over the period studied St. Louis averaged annual CDBG expenditures of \$25 million. This direct grant expenditure was leveraged by other sources to total spending of \$54 million. The economic impact calculated from these expenditures was, annually, 1,030 jobs with \$57.8 million in wages, generating \$147 million in economic output, \$84 million in Gross Metro Product, and providing \$2.3 million in additional state and local tax revenue annually. The annual grant expense per job generated was \$30,900.

Community Development Block Grant: Average Annual Impacts 2003-2008

(Thousands of 2011\$, Employment: Full-time Equivalent Jobs)

St. Louis, MO

	CDBG	Total
Expenditure	25,442.5	54,861.4
Employment	406.7	822.4
Output	54,891.4	116,272.2
Gross Product	30,877.8	66,514.1
Labor Income	21,105.3	45,592.1
State and Local Taxes	2,009.7	4,354.7

10. Tarrant County, TX

Over the period studied Tarrant County averaged annual CDBG expenditures of \$4 million, including \$2.8 million for public improvements and \$595 thousand for housing. This direct grant expenditure was leveraged by other sources to total spending of \$5 million. The economic impact calculated from these expenditures was, annually, 83 jobs with \$5 million in wages, generating \$12 million in economic output, \$7 million in Gross Metro Product, and providing \$357 thousand in additional state and local tax revenue annually.

Community Development Block Grant: Average Annual Impacts 2003-2008

(Thousands of 2011\$, Employment: Full-time Equivalent Jobs)

Tarrant County, TX

	CDBG	Total
Expenditure	4,078.8	5,165.6
Employment	65.7	83.0
Output	9,778.1	12,377.5
Gross Product	5,538.2	6,977.2
Labor Income	4,168.9	5,282.8
State and Local Taxes	279.0	357.5

NATIONAL ECONOMIC IMPACTS

CASE STUDY TOTAL—10 Communities

Community Development Block Grant: Average Annual Impacts 2003-2008

(Thousands of 2011\$, Employment: Full-time Equivalent Jobs)

TOTAL

	CDBG	Total
Expenditure	299,815.3	653,176.1
Employment	4,176.8	9,080.1
Output	648,807.4	1,398,701.5
Gross Product	371,614.0	811,601.3
Labor Income	253,069.1	551,877.7
State and Local Taxes	25,854.1	64,907.9

On average across the communities of our survey, Gross Metro Product was generated annually at a multiple of 2.7 times the grant. The annual grant expense per job generated was \$33,000.

Extrapolating these numbers to the full program across the nation, our survey suggest that the CDBG program has created 147,000 jobs per year, and \$13.1 billion annually of Gross Domestic Product.

CONCLUSION

This report has demonstrated the unique economic contributions of the CDBG grant program in communities across the US. Our results suggest that in the last year the \$3.95 billion in grant funds generated 120,000 jobs and contributed \$10.7 billion in Gross Domestic Product, following up on the economic successes of the last decade, as well as providing numerous valuable social benefits.