



The Impacts of Habitat for Humanity in West Virginia: Economic and Social Considerations

January 23, 2015



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The Impacts of Habitat for Humanity in West Virginia: Economic and Social Considerations

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Executive Summary

Habitat for Humanity of West Virginia (HFHWV) is the statewide cooperative of Habitat for Humanity International (Habitat). Along with **15 community-level Habitat affiliates** in the State, HFHWV strives to fulfill the organization's **mission of a world where everyone has a decent place to live**. Habitat helps **reduce poverty housing** in West Virginia by **providing homeownership opportunities and home repairs to families in need**.

Habitat efforts are aided through the operation of **six Habitat for Humanity ReStore locations** in West Virginia, which sell new and gently-used home improvement items donated by patrons. West Virginia affiliates also participate in *Women Build* and *Veterans Build* programs in their service areas. HFHWV recently launched a five-year statewide awareness campaign called the *Hand Up Initiative*. The initiative **“provides awareness** to the State of West Virginia about the work of Habitat for Humanity through **publicity, community involvement, events, affiliate participation and recognition recall”** (HFHWV 2014).

Habitat is primarily a mission-driven, socially-focused Christian organization that **relies on volunteers and donations** to deliver affordable housing options to partner families, with a focus on veterans, statewide. By lending “a hand up, not a hand out,” Habitat provides these individuals with opportunities that may not be otherwise available. Beyond the social contributions, HFHWV and affiliates **also generate economic and fiscal impacts** for West Virginia through spending on goods and services to continue operations and fulfill its mission.

Estimated Economic and Fiscal Impacts

Money spent by the organization for goods and services, such as building supplies, equipment rentals and contract labor, benefit the economy and tax base. Specifically, HFHWV and affiliates:

- Spent an average of nearly \$4 million on operations and programs in the last three years, which **generated an additional \$2.4 million** in economic activity throughout West Virginia.
- **Directly supported 31 full-time equivalent (FTE) positions** through operational spending and employee compensation alone.
- **Supported a total of 60 FTE positions** throughout the State as a result of operational, program and employee compensation spending.
- Generated approximately **\$95,000 in total tax revenue** for the State through program spending alone.

Social Benefits

The activities of HFHWV and West Virginia Habitat affiliates provide social benefits to partner families served through the organization. Since the late 1980s, HFHWV and West Virginia affiliates have **constructed more than 700 homes** and provided **rehabilitation and repairs on hundreds of dwellings**.

Review of a 2014 community survey conducted by HFHWV indicated:

- Habitat homeowners **felt safer** and **more connected** to their community.
- **Improved educational benchmarks**, such as attendance and completion of degrees, among Habitat homeowners and their children.
- **Decreased dependence** on government assistance programs for recipients.

The dedication of HFHWV and its affiliates to the Habitat mission have also benefitted individuals worldwide. Recently, the Wood County HFH achieved a milestone of providing funding for its 100th overseas home through its tithing efforts. The organization's activities **improve property values and promote community improvement and development** in Habitat service areas statewide.

Introduction

Habitat for Humanity (HFH or Habitat) has had a presence in West Virginia for nearly three decades and has played an important role in providing affordable homeownership and reducing substandard living conditions statewide. The organization has provided hundreds of partner families with affordable housing in the State through the work of local Habitat affiliates and their volunteers.¹ Thousands of volunteer hours have been invested to promote the Habitat mission. Habitat for Humanity of West Virginia and West Virginia Habitat affiliates have collectively constructed more than 700 homes and rehabilitated, repaired and reconditioned hundreds of residential structures since the late 1980s (HFHWV 2014).²

To better understand its contributions to the State, Habitat for Humanity of West Virginia (HFHWV) contracted with the Center for Business and Economic Research (CBER) to examine the economic and fiscal benefits of this organization and its affiliates in the State of West Virginia. A brief review of social and community benefits are also noted.

About Habitat for Humanity

Habitat for Humanity International is a nonprofit Christian organization founded on the belief that every individual deserves a safe and affordable place to live

Vision: A world where everyone has a decent place to live.

(Habitat for Humanity International 2014). Since its establishment in 1976, Habitat has evolved to become a world leader in addressing the issue of poverty housing. Habitat continues to operate through volunteer labor and donations to complete construction projects, which are sold to partner families at no profit and financed by affordable loans. To date, Habitat has served more than 1 million families through constructing or repairing homes through its 70 national organizations in North and South America, Africa, Europe and Asia (Habitat for Humanity International 2014). Beginning 1986, the first Monday of October has been designated World Habitat Day to bring awareness to the rights of all individuals to have adequate shelter (UN Habitat 2014).

Habitat for Humanity of West Virginia

Habitat for Humanity of West Virginia (HFHWV) was founded in 2002 by West Virginia Habitat affiliates as the State Support Organization. The organization strives to uphold the mission and vision of Habitat International by raising awareness of the housing crisis, addressing the reasons behind poverty housing and working to eliminate poverty housing from West Virginia (HFHWV 2014). HFHWV provides six support programs for

¹ There are currently 15 Habitat affiliates operating in the State of West Virginia.

² Since 1990, nearly 226,000 homes have been constructed in the State of West Virginia; Habitat homes account for approximately 0.3 percent of this total (U.S. Census Bureau 2014).

Mission: Seeking to put God's love into action, Habitat for Humanity brings people together to build homes, communities and hope.

affiliates in West Virginia to help them serve more families in need.

In partnership with a local Habitat affiliate, HFHWV held the inaugural Capitol Build event at

the West Virginia State Capitol Complex on World Habitat Day 2014 (HFHWV 2014). Volunteers, alongside the Habitat partner family, built the walls of a Habitat home. The walls were transported to a permanent site in Huntington, West Virginia.

Also on World Habitat Day 2014, HFHWV launched the *Hand Up Initiative*, a five-year statewide campaign intended to raise awareness of the need for affordable housing and the work of Habitat (HFHWV 2014). The State Support Organization is an advocate for affordable housing and shares the work of Habitat in the State of West Virginia through this initiative.

The initiative addresses some common misconceptions³ about the organization and focuses on five areas of awareness (HFHWV 2014):

- Getting involved. Habitat encourages community involvement through **gifts of talent, time and treasure**. Volunteers can be involved in the Habitat program in many ways, from working to build a Habitat home to serving as committee/board members and making financial and in-kind donations.
- Partner families. Habitat is committed to finding qualified partner families who need a “**hand up, not a hand out**” and fulfills this goal by requiring families to contribute to the construction of their home and making a monthly mortgage payment.
- The Habitat mission. The *Hand Up Initiative* brings awareness to the true intent of the Habitat mission to **unite people** and **build homes, communities and hope**.
- Building practices. Habitat is committed to **affordable, sustainable and energy-efficient** building practices.
- Advocacy. Habitat encourages the community to “**build louder!**” by inspiring action to end poverty housing.

West Virginia Habitat Affiliates

Affiliates are community-level Habitat offices that provide services to a specific area, collaborating with and in the name of Habitat for Humanity International (Habitat for Humanity International 2014). Each affiliate organizes all elements of Habitat home-building endeavors in its area (such as site selection, fundraising, partner family

³ Please see <http://www.habitat.org/how/myths.aspx> for further information.

selection and support, house construction and mortgage servicing). Although affiliates function as independently-run, non-profit organizations, each operates within the guidelines of the Habitat Affiliate Covenant. Today, there are more than 1,400 affiliates in the U.S. and approximately 80 national organizations around the world collaborating in Habitat's efforts (Habitat for Humanity International 2014).

As a whole, West Virginia's Habitat affiliates promote the fundamental mission of building houses, communities and hope through the construction of new and renovation of existing homes (Habitat for Humanity of West Virginia 2014). There are 15 Habitat affiliates in West Virginia that operate service areas in 20 counties across the State of West Virginia (see Figure 1).⁴

- Almost Heaven
- Buckhannon River*
- Eastern Panhandle
- Hardy County*
- Harrison County*
- Huntington Area
- Jackson County
- Kanawha and Putnam County
- Lewis County
- Marion County
- Mon County
- Pleasants County*
- Wayne County
- Wheeling Area*
- Wood County

* Indicates affiliates excluded from expenditure analysis.

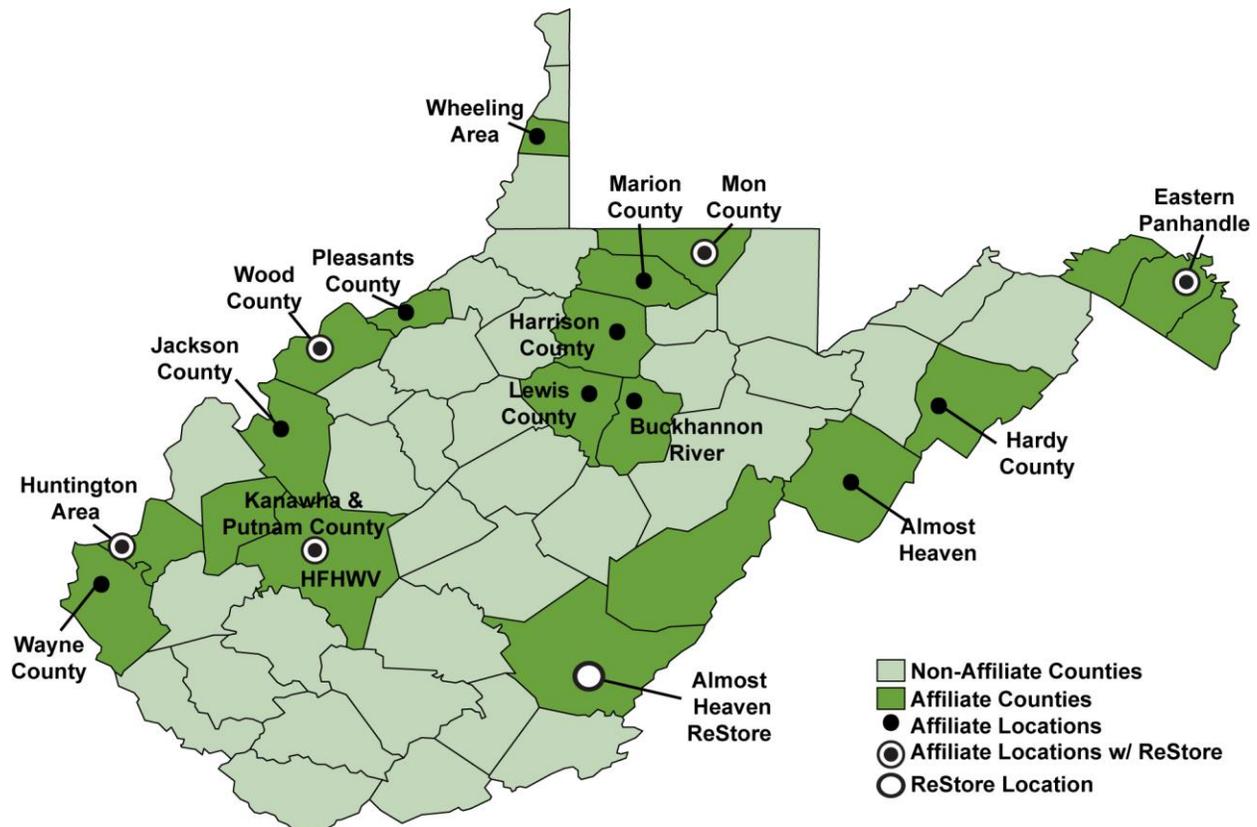
West Virginia Habitat affiliates provide services and programs, such as Habitat ReStores, *Women Build* and *Veterans Build*, in their service areas. Six West Virginia Habitat affiliates operate Habitat for Humanity ReStores to supplement donations and fund services.

- Almost Heaven HFH
- HFH of Eastern Panhandle
- HFH of Kanawha and Putnam County
- Huntington Area HFH
- Mon County HFH
- Wood County HFH.

These non-profit donation centers sell new and gently-used home improvement items, including furniture, appliances, building materials and home accessories, to patrons at discounted prices. Affiliate and ReStore locations are depicted on the map in Figure 1.

⁴ The Huntington Area Habitat for Humanity also includes Lawrence County, OH, in its service area.

Figure 1 West Virginia Habitat Affiliate and ReStore Locations



The *Women Build* program was established in 1991 to engage crews of women to build Habitat homes (Habitat for Humanity International 2014).⁵ *Veterans Build* engages military members, families and veterans in the fight against poverty housing and provides housing solutions, employment and volunteer opportunities to veterans enduring financial hardship. Several West Virginia Habitat affiliates have sponsored *Women Build* and *Veterans Build* events in recent years.

As part of the commitment to furthering Habitat’s mission, West Virginia affiliates tith a portion of donations received to the International organization, which uses these funds to provide housing for families worldwide. As one of many examples, the Wood County HFH recently achieved the tithing milestone of providing funding for its 100th overseas home (HFHWV 2014).

Review of the Literature

A review of available literature suggests that Habitat for Humanity has a positive

⁵ Nationally, *Women Build* volunteers have constructed more than 1,650 homes by 2010 (Habitat for Humanity International 2014).

economic and social impact, benefiting hundreds of communities worldwide (Anthony, Scott and Uhl 2013, Bruce, Murray

Mission Principle 2: Focus on shelter.

and Sowell 2011, Hansen, et al. 2011). According to one study, a profound relationship between housing and well-being is evident (Bratt 2002).

The economic benefits of Habitat organizations have been studied in numerous reports that consider costs for rehabilitation and construction of residences, employee compensation spending and other operational expenditures (Anthony, Scott and Uhl 2013, Bruce, Murray and Sowell 2011, Habitat for Humanity Charlotte 2013). Anthony, Scott and Uhl (2013) found that Habitat for Humanity affiliates in Iowa had an impact of nearly \$24 million on the Iowa economy in 2011.⁶ An analysis of Habitat's presence in Tennessee estimated the total impact on economic activity to exceed \$55 million (Bruce, Murray and Sowell 2011).⁷

U.S. Habitat organizations have also been found to improve home equity wealth, improve state and local tax bases through tax revenue contributions and promote job sustainability (Anthony, Scott and Uhl 2013, Bruce, Murray and Sowell 2011, Habitat for Humanity Charlotte 2013). Habitat for Humanity Charlotte (2013) estimated that homeowner families contributed \$10.3 million in property taxes in the last 30 years, and that approximately \$42 million in home equity wealth has been added to the community as a result of Habitat ownership. Other authors found that 230 and more than 1,500 jobs were sustained in the states of Iowa and Tennessee, respectively (Anthony, Scott and Uhl 2013, Bruce, Murray and Sowell 2011).

⁶ The authors used the Regional Input/Output Modeling System (RIMS II).

⁷ *Ibid.*

Design and Methodology

To estimate the economic and fiscal impact of HFHWV and affiliates, CBER collected expenditure data from Form 990 financial statements. The key data component for this analysis consists of expenses of HFHWV and its affiliates.⁸ It is important to note that this is not a comprehensive impact assessment, but rather one component of the overall contribution of HFHWV and its affiliates on the State of West Virginia.

Study Area

The study area for this analysis is the State of West Virginia. While affiliate service areas and locations are concentrated in about one-third⁹ of West Virginia counties, inputs such as labor and materials may come from anywhere in the State's 55 counties or beyond its borders. This study area allows for a statewide representation of the

Mission Principle 3: Advocate for affordable housing.

economic and fiscal benefits of the organization, including expenses that may cross county borders, with the understanding that some leakages occur outside the State.¹⁰

Data Collection

Expenses used in this analysis represent a three-year average of fiscal years 2011, 2012 and 2013 as reported on annual IRS 990 and 990-EZ forms for two-thirds of West Virginia Habitat affiliates plus HFHWV.^{11,12} The resulting economic impact estimate is conservative as it only captures a portion of total Habitat activity in the State.

Expenses were categorized as follows:

- **Programmatic expenses** represent any spending related to the construction or

⁸ This analysis focuses solely on the impact of operational, programmatic and employee compensation spending by Habitat in West Virginia. Other quantitative factors, such as property tax and home equity wealth impacts, are excluded.

⁹ Habitat affiliates have a presence in 20 West Virginia counties: Berkeley, Cabell, Greenbrier, Hardy, Harrison, Jackson, Jefferson, Kanawha, Lewis, Marion, Monongalia, Morgan, Ohio, Pendleton, Pleasants, Pocahontas, Putnam, Upshur, Wayne and Wood.

¹⁰ "Leakages" refer to monies being lost outside the study area, such as through the purchase of goods and services beyond the bounds of the specified region. Leakages are relatively inconsequential in the overall estimate, and IMPLAN[®] accounts for these losses within the modeling software.

¹¹ Aggregated expenses for HFHWV and the 10 Habitat affiliates represented in this report exhibit an increase of nearly 30 percent during this time period. Using average expenditures allows for a conservative estimate of recent annual expenses.

¹² Although approximately one-third of Habitat affiliates in West Virginia are excluded from this analysis, spending for the largest affiliates statewide are represented.

renovation of homes for partner families, including skilled labor income.¹³

- **Operational expenses** represent any spending related to day-to-day organizational operations, such as rent, utilities, advertising and training, but do not include employee compensation. It is assumed that expenses (excluding any employee compensation paid) required to operate Habitat ReStores are also included in this category.¹⁴
- **Employee compensation** represents any salaries and benefits paid to employees of HFHWV and included affiliates.

Demographic and housing characteristics represent the 2013 three-year estimates from the U.S. Census Bureau American Community Survey (ACS). These data were chosen as they most closely fit with the three years of expenses used in the I-O model.

Economic Impact Model Inputs and Assumptions

CBER used the IMPLAN^{®15} regional economic input-output (I-O) software to analyze the impact of HFHWV and its affiliates. IMPLAN[®] analyzes the relationships between industries and socioeconomic characteristics of the local economy.¹⁶ The resulting economic impact provides estimates of income, output and employment as they directly and indirectly affect the area economy. For the purpose of this analysis, monetary output values represent 2014 dollars.¹⁷

Mission Principle 4: Promote dignity and hope.

Based on the three-year average of usable data, approximately 33 percent is attributable to programmatic expenses and the remainder to other operational expenses and employee compensation.^{18,19} These expenses are portioned within the model

¹³ Programmatic expenses represent only the **explicit spending** associated with carrying out the mission of Habitat for Humanity and is only a portion of total programmatic activity. Additional value is added with regard to volunteer hours and in-kind donations, among others, that were not quantified for this analysis. Further, omitted affiliate expenses likely constitute additional programmatic spending not currently included.

¹⁴ Expenses for all HFHWV affiliates currently operating a Habitat ReStore are included in this analysis.

¹⁵ IMPLAN[®] stands for Impact analysis for PLANning. For more information please visit the IMPLAN Group, LLC website at <http://implan.com/>.

¹⁶ This model uses a Type SAM (Social Accounting Matrix) multiplier. A Type SAM multiplier represents the direct, indirect and induced effects of spending and re-spending \$1 in the regional economy (IMPLAN 2014). Further detail is provided in the “Measuring Direct, Indirect and Induced Effects” subsection.

¹⁷ The IMPLAN[®] model is based on 2011 economic data.

¹⁸ IMPLAN[®] sectors “37—Construction of new residential permanent site single- and multi-family structures” and “424—Grantmaking, giving and social advocacy organizations” were assumed for programmatic expenses and operational expenses inclusive of employee compensation, respectively.

¹⁹ Data limitations prohibited the disaggregation of these expenses into more detailed categories for this analysis.

based on the local purchase percentage.²⁰

Measuring Direct, Indirect and Induced Effects

In general, the economic impact consists of three components: the direct, indirect and induced effects. Each component illustrates how money moves through the regional economy by re-spending, known as the multiplier effect.

- **Direct effect.** The **value of the output** (spending on goods and services such as supplies, equipment and labor) from the presence of HFHWV and affiliates in the local economy represents **direct spending**.
- **Indirect effect.** The **money used by HFHWV and affiliates to purchase goods and services is re-spent elsewhere** in the economy as **indirect spending**. For example, a local business that sold a West Virginia Habitat affiliate building supplies would use the money collected in that sale to pay employee wages.
- **Induced effect.** Households receive income from employment as a result of direct and indirect spending. **Induced spending** represents this **income being spent in the local economy**. In the above example, employees will use wages to purchase household goods, such as groceries, fuel and entertainment.

Mission Principle 5: Support sustainable and transformation development.

Fiscal Impact Analysis

State and local tax benefits of HFHWV and its affiliates are estimated using a tax model developed by CBER. Data are based on budgeting estimates for FY 2013 as provided by the West Virginia Department of Taxation (West Virginia Department of Taxation 2013). The model considers such taxes as business and consumer sales, and estimates a portion of these attributable to the presence of HFHWV based on direct and total FTE employment estimates.²¹ This estimate is not intended to represent a full fiscal impact of HFHWV and its affiliates on state and local economies, but rather provide a basis for illustrating fiscal benefit.

Other Contributions

HFHWV and affiliates receive various other contributions each year that cannot be easily measured for analysis, despite their importance to the organization. The value of

²⁰ The local purchase percentage (LPP) represents the portion of expenditures that will remain within the local economy (IMPLAN 2014).

²¹ Since non-profit organizations are often tax-exempt, the fiscal analysis focuses only on employment attributable to program spending is considered in this model. Positions attributed to operational expenditures are omitted.

volunteer labor, monetary and in-kind donations, homeowner “sweat equity” investments and monthly mortgage payments paid by Habitat homeowners are all leveraged to continue building and repairing Habitat homes for new partner families (Habitat for Humanity 2014). The value of these contributions are not measured and thus not considered in this analysis.

Economic and Fiscal Impacts

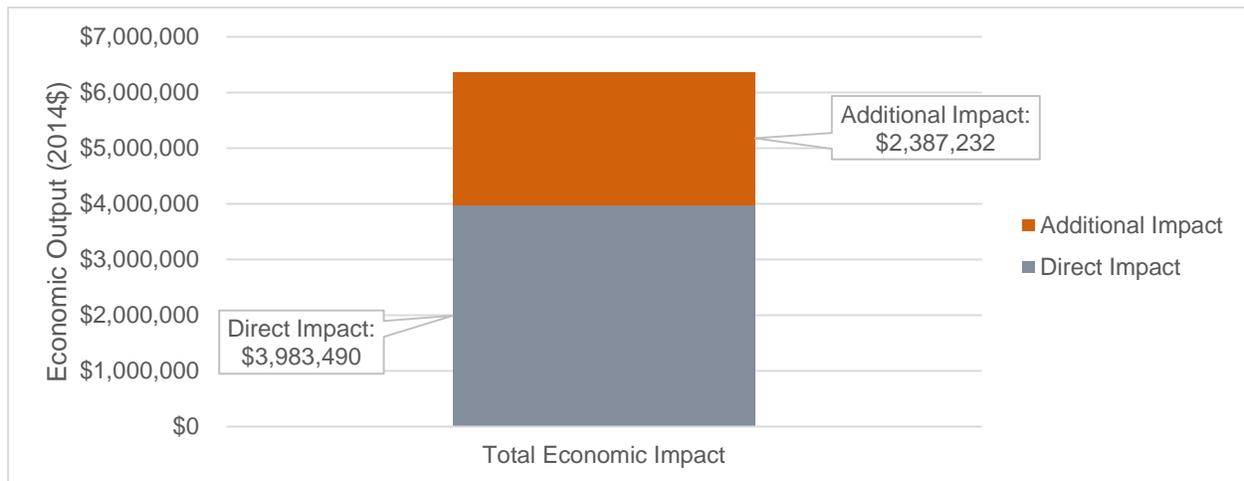
The economic impact of HFHWV and affiliates is based on the direct, indirect and induced spending related to the presence of Habitat in the State of West Virginia and is measured in three main categories:

- Output. Total output reflects **the dollar value of industry production and represents the total effect of direct, indirect and induced spending** on the regional economy (IMPLAN 2014). Output is represented as an annual estimate of the impact of economic activity.
- Employment. In this model, employment is measured in **full-time equivalent (FTE) positions and represents the number of FTEs being directly and indirectly affected** by the presence of HFHWV as well as those positions induced as a result of indirect spending. Employment numbers provided in the following results section reflect FTEs, so it is important to note that both full-time and part-time positions are included.
- Labor income. Labor income is inclusive of **all types of employment income**. This includes employee compensation, such as wages and benefits, as well as income received by those who are self-employed and unincorporated business owners (IMPLAN 2014).

Direct, Indirect and Induced Output

In total, **\$6.4 million in economic output** can be attributed to the presence of HFHWV and its affiliates in West Virginia (see Figure 2). Nearly \$4 million of this impact is a result of direct spending of the organization, indicating that HFHWV and West Virginia Habitat affiliates add an additional \$2.4 million to the State economy each year, more than 50 percent of their total direct spending.

Figure 2 2014 Economic Impact of Habitat for Humanity of West Virginia



A total of approximately **60 full-time equivalent (FTE) positions are supported statewide** each year due to the presence of HFHWV and its affiliates.²² Nearly 70 percent of these positions (41 FTE positions) are attributable to spending of the organization directly. **Total labor income** resulting from HFHWV and affiliate spending is estimated **to be nearly \$2.4 million**. Nearly \$800,000 in labor income is added to the economy as a result of organizational, program and employee compensation spending.

Fiscal Impact

HFHWV and its affiliates also provide a fiscal benefit to state and local economies in the form of tax revenue.²³ The fiscal impact represents a conservative estimate based on direct and total sustained employment only for programmatic expenditures. The analysis indicates that **programmatic spending of HFHWV and affiliates directly generates nearly \$56,000 in tax revenue** (see Table 1). When considering indirect and induced effects, **total estimated tax revenues generated amount to nearly \$95,000**.

Table 1 State and Local Tax Benefit of Habitat for Humanity of West Virginia

	<i>Direct</i>	<i>Total</i>
<i>Initial Business Taxes</i>	\$9	\$15
<i>Business Taxes</i>	\$9,104	\$15,477
<i>Consumer Sales & Use Taxes</i>	\$15,619	\$26,552
<i>Personal Taxes</i>	\$23,508	\$39,963
<i>Excise Taxes</i>	\$7,301	\$12,412
<i>Miscellaneous Fees and Transfers</i>	\$243	\$414
<i>Taxes Collected by Counties</i>	\$87	\$149
Total	\$55,872	\$94,983

²² Full-time equivalent (FTE) employment represents the number of positions sustained year-to-year.

²³ Fiscal impact estimates in this analysis do not consider property taxes collected or home equity wealth.

Other Impacts

While the above analysis focused on economic and fiscal impacts, other impacts beyond the scope of this study also exist. These impacts include the value of volunteer time, property tax impacts and community improvement. For example, Marron (2012) examined the social impact of Habitat for Humanity of Greater Indianapolis (HFHGI), which estimated value based on:

- Volunteer labor supporting the Habitat mission;
- “Sweat equity”²⁴ contributed by Habitat partners;
- Program features;
- Fiscal impact for neighborhoods and local tax base; and
- The value of homeownership.²⁵

The author found that the benefits HFHGI’s activities stretch far beyond the provision of housing. More specifically, HFHGI generates benefits as a result of no-interest loans to partner families, averted costs attributable to foreclosure prevention and an increased tax base for local government.

For partner families, additional benefits may arise from positive health and youth outcomes, asset-building habits and increased civic engagement. Additional benefits resulted from improved value of homeownership characteristics, including increased community participation and reductions in risky adolescent behavior.

Hansen, et al. (2011) suggested similar benefits in their analysis of the homeowner impact of Habitat for Humanity of Minnesota. An anonymous, self-report survey was distributed to a sample of 261 partner families.²⁶ Homeowners reported improvements in a number of areas, including community, personal and financial well-being; family; education; and health and safety, as well as a reduction in dependence on government assistant programs. In general, homeowners reported feeling better about themselves, their families and their communities than they did before becoming partner families, which the authors suggested may be a result of the sweat equity program.

A 2014 survey conducted by HFHWV echoed similar outcomes. Among the West Virginia Habitat homeowners surveyed, respondents indicated improvements in personal and child safety after receiving a Habitat home (Pierce 2014). Respondents also indicated feeling more connected to their community, much better about themselves and much more positive about the future. Similar to the Hansen, et al. (2011) study, HFHWV survey respondents reported decreased dependence on government assistance programs—such as utility and energy assistance, food

²⁴ The term “sweat equity” denotes the time and effort invested by partner families in the construction of a home.

²⁵ “Value of homeownership” was defined in terms of decreased dependence on social services, improved mental health, improved educational outcomes and reduced risky teen behavior.

²⁶ The response rate for this survey was of 45.9%.

assistance and Medicaid/medical assistance—after partnering.

Conclusions

HFHWV and affiliate spending adds an additional impact of nearly \$2.4 million to the West Virginia economy each year and impacts the state and local tax base by nearly \$40,000 in additional fiscal collections. Organizational spending sustains nearly 20 additional FTE positions each year beyond those directly employed by the organization's program alone, and total spending by HFHWV and affiliates adds nearly \$800,000 in labor income to the local economy each year.

Additional social benefits, such as improved feelings of safety and personal well-being, have been demonstrated among dozens of individuals influenced by the organization's dedication to its partner families. With a continued commitment to the Habitat mission, HFHWV and its affiliates will continue to provide an array of benefits to the State of West Virginia.

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