

Who wants affordable housing in their backyard?

An equilibrium analysis of low income property development

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Affordable Housing as Place-Based Policy

- Increasing geographic income segregation & housing costs puts gov's role in promoting affordable housing at forefront of policy debate
- Policy question of **where** to build affordable housing
- Large Diversity in Geographic Targeting of Affordable Housing
 - SJ, SF, NYC incentivize mixed income communities
 - LIHTC: Larger subsidy to poorest neighborhoods
- Low-income housing may have spillover effects on neighborhood

This Paper: Effects of LIHTC on Neighborhood Residents

- Analyze affordable housing construction funded by Low-Income Housing Tax Credit (LIHTC)
- Examine impact of construction on local house prices, crime, and neighborhood demographics
- Quantify costs & benefits of affordable housing to surrounding neighborhood residents
 - Compare impacts across neighborhoods of different income and racial composition

Preview of Results

Reduced Form Prices Effects of LIHTC construction after 10 years:

- 6.5% price **appreciation** in lowest income areas
- 2.5% price **depreciation** higher income, low minority areas
 - No depreciation in high minority areas

Welfare Impacts

- LIHTC in lowest income, low minority area:
 - Avg HH benefits \$8,843
 - Aggregate benefit of \$116 Million
- LIHTC in higher income, low minority area:
 - Avg HH benefits -\$3,295
 - Aggregate loss of \$12 Million

DataQuick: 1988-2012

- Transaction history & property characteristics collected from county recorders' and assessors' offices

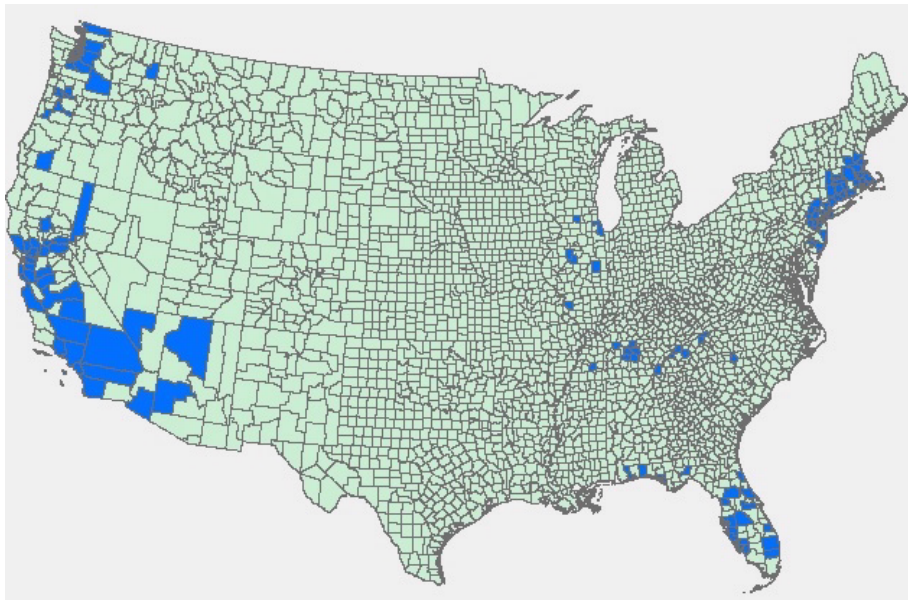
Home Mortgage Disclosure Act (HMDA): 1991-2012

- Merged with DataQuick to observe income of homebuyers

HUD Public Use LIHTC Database: 1987-2012

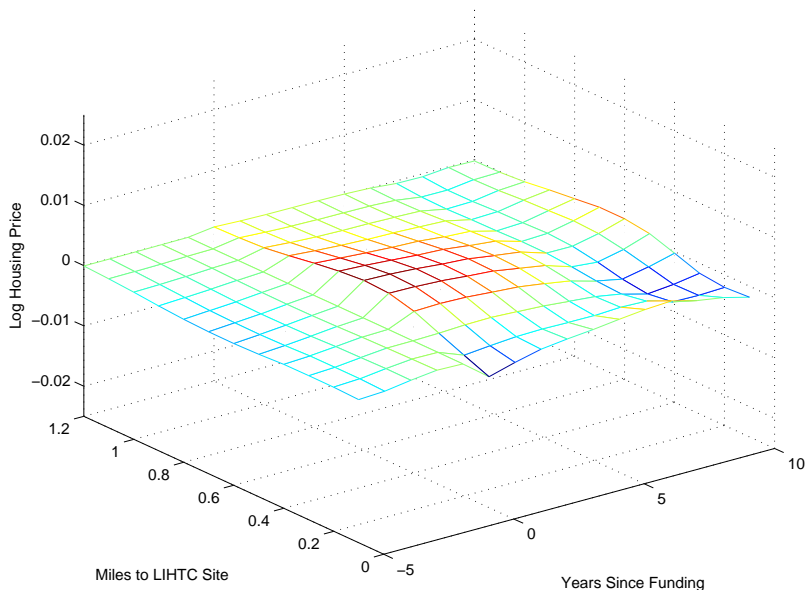
- Contains information on 39,094 LIHTC projects
- Project address, year funds allocated, number of units

Counties in Sample



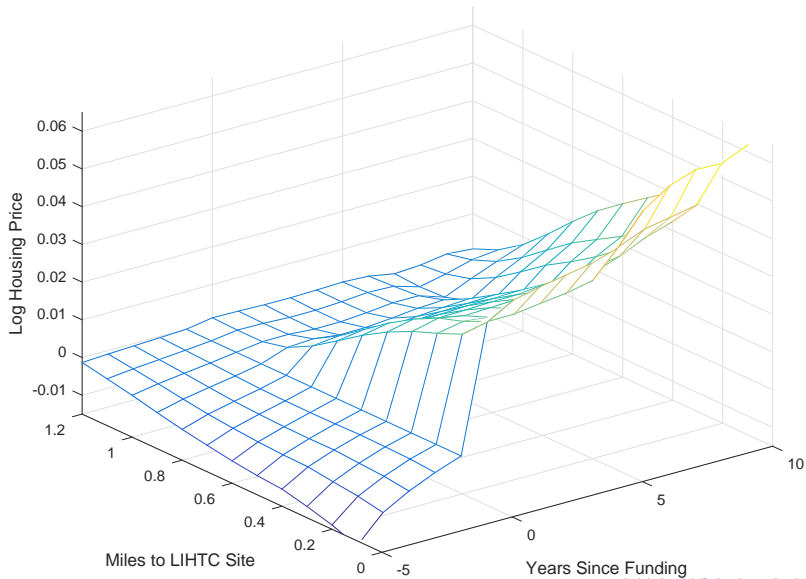
Impact of LIHTC on House Prices

All LIHTC Projects



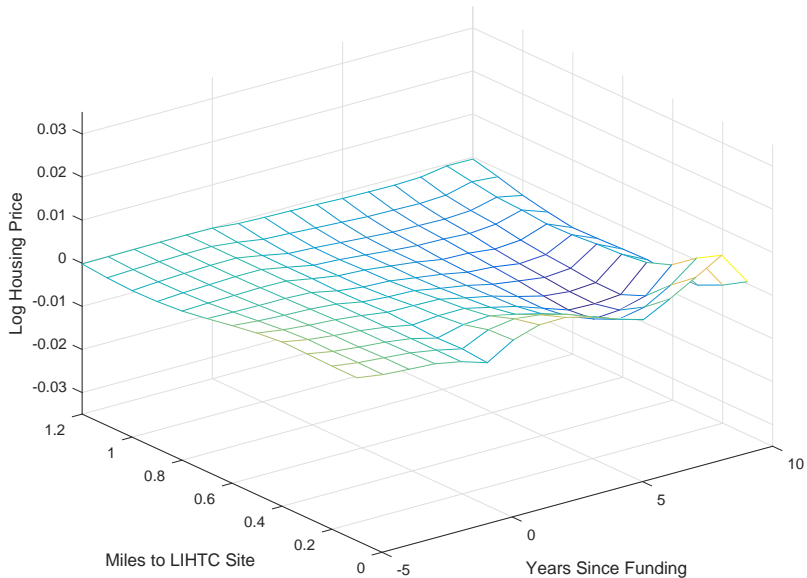
Impact of LIHTC on House Prices

Projects located in Census Block Groups with Median Income < \$26k



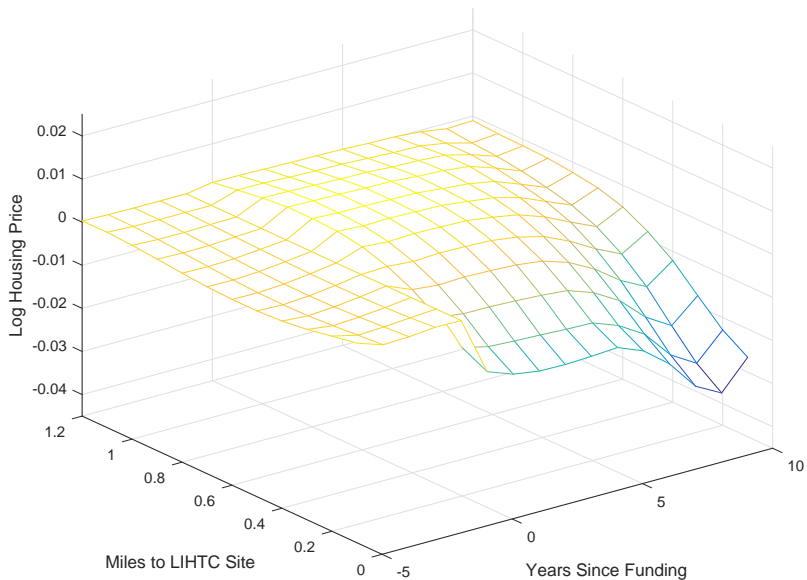
Impact of LIHTC on House Prices

Projects located in Census Block Groups with Median Income \$26k-\$38k



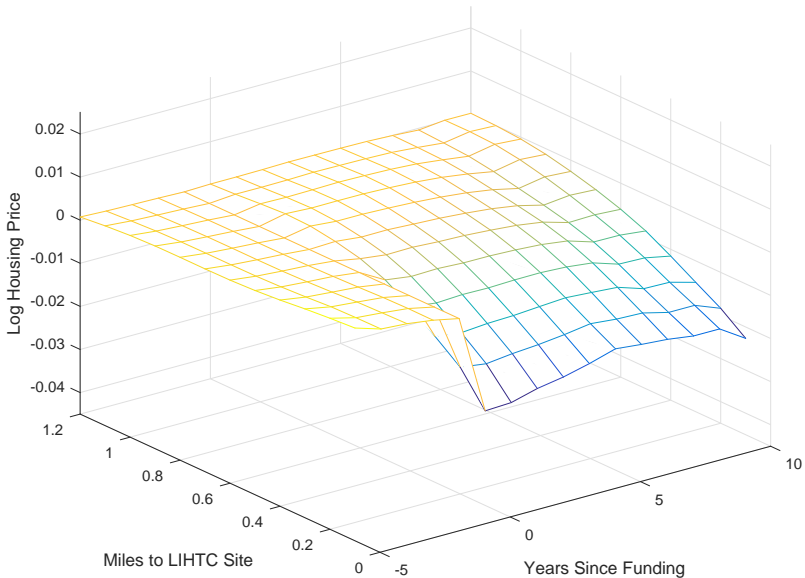
Impact of LIHTC on House Prices

Projects located in Census Block Groups with Median Income \$38k-\$55k



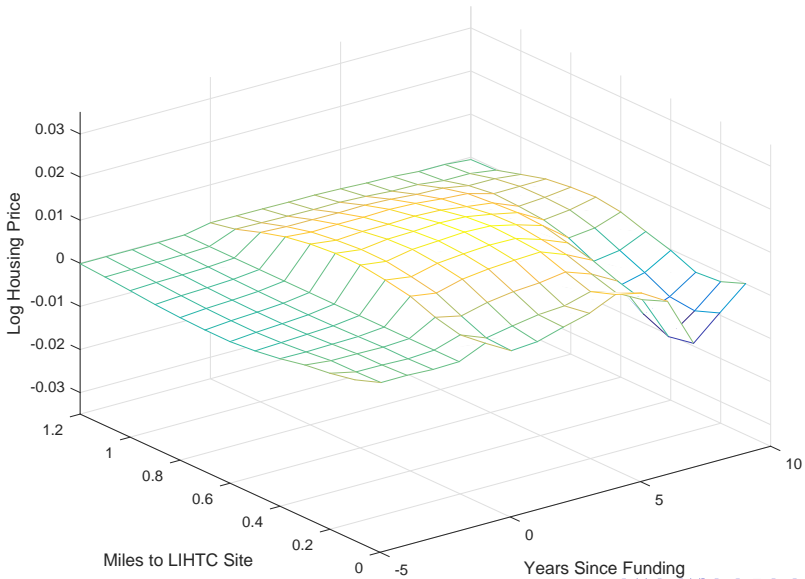
Impact of LIHTC on House Prices

Projects located in Census Block Groups with Median Income $>$ \$55k



Impact of LIHTC on House Prices

Projects located in Census Block Groups with Income > \$38k, % Minority >50



Additional Neighborhood Changes

- Lower income LIHTC development attracts 5% higher income homebuyers
- Higher income, low minority LIHTC development attracts 1.2% lower income homebuyers
- Development in high minority areas decreases black share of homebuyers by 3 percentage points → less racial segregation
- Property and violent crime fall in low income areas

Welfare Analysis

- Quantify welfare benefits of **local** neighborhood change
- Decompose into impacts on:
 - Homeowners
 - Renters
 - Absentee landlords

Mean Utility Benefit per Household: Low Minority Areas

	Med Income <26K	Med Income >55k
Average Benefit per Home Owner	23,402	-3,972
Average Benefit per Renter	6,502	67
Average Benefit per Landlord	6,011	-2,416

Mean welfare benefit from LIHTC construction to households who choose to live nearby. Utility is measured in 2012 dollars.

Aggregate Utility Benefit: Low Minority Areas

	Med Income <26K	Med Income >55k
Aggregate Benefit to Home Owners	57.9	-9.0
Aggregate Benefit to Renters	29.2	.78
Aggregate Benefit to Landlords	29.0	-3.2
Aggregate Benefit to Society	116.2	-12.1

Aggregate welfare benefit from LIHTC construction to society. Utility is measured in million of 2012 dollars.

Thank You!