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A Review of Existing Research on
the Effects of Federally Assisted
Housing Programs on Neighboring
Residential Property Values

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*A Review of Existing Research on the
Effects of Federally Assisted Housing Programs on
Neighboring Residential Property Values*

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EXECUTIVE SUMMARY

The Issues: Deconcentrating Poverty or Destabilizing Neighborhoods?

Neighborhoods across America are roiling with a conflict created by public policy. At odds are federal policymakers, who wish to deconcentrate assisted housing for low-income and special needs households into areas where these households are underrepresented, and citizens, who wish to keep such housing out of their neighborhoods. One side sees the evils of concentrated poverty and the expanded opportunities and quality of life for residents when their assisted housing is located in low-poverty neighborhoods. The other side sees an invasion of reputedly undesirable neighbors who will undermine their quality of life, security, and—perhaps most important—residential property values.

Both sides typically have been myopic. In their zeal to deconcentrate assisted housing, federal policymakers have often ignored legitimate concerns of effected neighbors, sometimes dismissing their complaints out of hand as uninformed or purely prejudicial. In their knee-jerk, “not in my back yard” style of opposition, prospective neighbors have often ignored the fact that deconcentrated assisted housing can have neutral or even beneficial affects on the neighborhood when the program is done well. This report tries to expand the field of view from both sides.

Overview of the Report

This report explores the fundamental questions at the heart of the current controversy: *Does federally assisted housing of various types cause negative impacts on neighboring residential property values? Do impacts vary across different neighborhoods? How does the spatial concentration of assisted housing or the scale of the facility affect impacts?*

The report reviews and critiques existing studies that have attempted through statistical methods to quantify the impacts of federally assisted housing on proximate residential property values. Impact studies related to conventional and scattered-site public housing, Section 8 tenant-based assistance (now called Housing Choice Vouchers), Low Income Housing Tax Credit

(LIHTC) developments, and other federally assisted rental developments are all considered. The report demonstrates that

- most existing studies suffer from severe methodological weaknesses that render their findings to be of questionable validity; and
- a recent set of works overcomes these methodological weaknesses and yields an emerging consensus that focuses on impacts that differ depending on neighborhood context, scale of assisted housing facility, and concentration thresholds of subsidized households.

Why Previous Studies of Property Value Impacts of Federally Assisted Housing Come Up Short

Research on the topic has not produced consistent findings. A prime reason is that past statistical methodologies have been flawed in several serious ways. Of most concern are the

- inability to distinguish the direction of causation between trends in neighborhood property values and the siting of assisted housing (i.e., whether assisted sites lead to neighborhood residential property decline, or whether these sites are systematically developed in areas having property values that already are low and expected to depreciate in the future);
- failure to control adequately for the idiosyncratic characteristics of the neighborhoods surrounding assisted sites that may affect property values independently; and
- lack of tests for impacts that vary according to neighborhood context and concentration and scale of assisted housing.

A New and Superior Method for Measuring Property Value Impacts of Federally Assisted Housing

A few years ago, this author and colleagues developed an advanced statistical technique for assessing the property value impacts of federally assisted housing. This technique measures the *level and trend* in home sales values in two types of neighborhoods during two periods: in neighborhoods surrounding assisted housing *both before and after* it was developed, and in neighborhoods where no assisted housing was developed for the same years as above. The method compares property values *after* the assisted housing was developed to *what these values would have been had pre-development trends in the neighborhood persisted*, adjusting for any metro-wide changes in trends occurring during the post-development period.

This approach overcomes the shortcomings of prior approaches. By measuring both level and trend of home values in a small neighborhood before an assisted household is present, this new method controls for the idiosyncratic characteristics of that area. By relating post-assisted housing property value trends and levels in the affected neighborhood to those in larger, unaffected geographic areas, the method controls for forces affecting all areas, such as

metropolitan-wide changes in the economy. By doing both, the model distinguishes the self-selection of assisted housing into weak neighborhoods from the ultimate consequences of such housing on these neighborhoods. By explicitly measuring impacts in this manner across a variety of neighborhoods, assisted housing concentrations, and facility scales, the contextuality of impacts can be explored.

The new method is not only different but also significantly better. Essentially the previous method produces a result such as the following: “Within X feet of assisted housing sites, property values are \$Y different, although one cannot be sure what other factors within X feet also may be affecting values or whether these differences were already present before the assisted housing was present.” The new method produces a result such as the following: “Within X feet of assisted housing sites, property values are \$Y different from what they would have been had the assisted housing not been developed.”

Findings from the New Method

Recently a set of studies has used this new method to investigate impacts of a range of federal housing subsidy programs, including scattered-site public housing, tenant-based Section 8, and LIHTC developments. This body of work finds that a variety of residential property value impacts—ranging from positive to negative—can occur, depending on assisted housing scale and concentration and its neighborhood context. In sum, assisted housing of various types

- had positive or insignificant effects on residential property values nearby in higher value, less vulnerable neighborhoods, unless it exceeded thresholds of spatial concentration or facility scale; and
- evinced more modest prospects for positive property value impacts in lower value, more vulnerable neighborhoods, and strength of frequently negative impacts was directly related to the concentration of sites and scale of the facilities.

Details of these findings are presented in Executive Summary Tables 1 and 2.

Conclusions and Cautions

There appears to be no consistent impact of federally assisted housing on nearby residential property values; impacts are contingent on context, concentration, and scale. Studies using a new research method that overcome past shortcomings demonstrate that impacts can be positive, neutral, or negative, depending on the characteristics of the neighborhood in question, the concentration of assisted housing units, and the scale of the assisted housing facility.

Although these conclusions appear remarkably consistent over a range of federally assisted housing types in several cities, a major caveat is in order. The method of investigating residential property value impacts advanced here is still in its infancy and needs to be replicated for more types of assisted housing in more cities before the conclusions advanced above can be made with complete assurance. In particular, one cannot at this point define with confidence a metric for measuring neighborhood vulnerability to assisted housing or identify precisely the

thresholds of concentration or scale where negative impacts may ensue. This constitutes the single most significant need for future research in this field.

Executive Summary Table 1

Summary of Statistical Estimates of Residential Property Value Impacts: Scattered-Site Public Housing and Section 8 Tenant-Based Assistance (New Methodology)

Neighborhood Context	Dispersed Public Housing (Denver)	Section 8 Subsidies (Baltimore County)
<i>Higher Value, Less Vulnerable</i>	POSITIVE impacts if there are not more than 5 sites within 1,000 to 2,000 feet	POSITIVE impacts if there are not more than 3 sites within 500 feet.
	NEGATIVE impacts if there is more than 1 site within 1,000 feet or more than 5 sites within 1,000 to 2,000 feet	NEGATIVE impacts if there are more than 3 sites within 500 feet (maximum number observed = 4)
<i>Lower Value, More Vulnerable</i>	small POSITIVE impacts if there are not more than 4 sites within 1,000 to 2,000 feet	
	NEGATIVE impacts if there are more than 4 sites within 1,000 to 2,000 feet	NEGATIVE impacts if any sites within 2,000 feet; size of impact grows with number of sites [Impacts slightly mitigated if the same number of Section 8 tenants are in fewer sites]

Note: "Site" is an address with one or more dwelling units occupied by assisted tenants.

Sources:

Galster, G. C., Santiago, A. M., Smith, R., and Tatian, P. 1999a. *Assessing property value impacts of dispersed housing subsidy programs: final report*. Washington, DC: U.S. Department of Housing and Urban Development.

Galster, G. C., Tatian, P., and Smith, R. 1999b. The impact of neighbors who use Section 8 certificates on property values. *Housing Policy Debate* 10, 879-917.

Santiago, A., Galster, G., and Tatian, P. 2001. Assessing property value impacts of the Dispersed Subsidized Housing Program in Denver. *Journal of Policy Analysis and Management* 20, 65-88.

Executive Summary Table 2

Summary of Statistical Estimates of Residential Property Value Impacts: Low-Income Housing Tax Credit Developments (New Methodology)

Neighborhood Context	Cleveland	Portland	Seattle
<i>Moderate Value, Less Vulnerable</i>		POSITIVE impacts during interim and post-construction periods	POSITIVE impacts during post-construction period
	N/A	NO IMPACTS during interim or post-construction periods within 301 to 600 meters unless the percent of LIHTC units exceeds 0.2% of all units in area	NO IMPACT during interim or post-construction period within 301 to 600 meters
<i>Lower Value, More Vulnerable</i>	POSITIVE impacts during the interim and post-construction periods within 300 meters if the number of LIHTC units per site does not exceed 456	N/A	N/A
	NEGATIVE impacts during the interim period that outweigh POSITIVE impacts during post-construction period within 301 to 600 meters; net NEGATIVE impacts at any facility scale		

Note: "Site" is an address of Low-Income Housing Tax Credit (LIHTC) development, which can have a varied number of units.

Source: Johnson, J., and Bednarz, B. 2002. *Neighborhood effects of the Low Income Housing Tax Credit Program: final report*. Washington, DC: U.S. Department of Housing and Urban Development.

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