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U.S.

Low-Income Housing Shown to Not Weigh on Nearby Property Values

Findings based on major metro areas runs counter to a prevailing view

In the Boston area, the Trulia study concluded that many of the low-income housing tax-credit projects were concentrated in a few submarkets where prices already were depressed. *PHOTO: ELISE AMENDOLA/ASSOCIATED PRESS*

By CHRIS KIRKHAM

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Housing units earmarked for low-income residents have virtually no impact on surrounding property values in major U.S. metro areas, according to an analysis of home-price data that runs counter to the conventional view that such projects cause nearby property values to decline.

The findings, from real-estate tracker Trulia, looked at more than 3,000 projects financed using the federal low-income housing tax credit program between 1996 and 2006 in the 20 most expensive U.S. metro areas. Trulia researchers measured the change in home values for properties within a 2,000-foot radius of the low-income units as well as an outer ring between 2,000 and 4,000 feet.

Across the 20 metro areas, the study found no significant difference in price per square foot when looking at properties closest to the low-income units and those farther out. The 20 markets chosen are the ones with the highest percentage of a median household's income needed to pay toward a monthly mortgage payment on the median home value in each market.

Cheryl Young, a senior economist at Trulia who worked on the study, said the data present a "challenge to this prevailing argument around low-income housing, and shows there really isn't an effect."

The majority of metro areas in the study, which included most coastal markets in California, along with New York City, Miami, Denver and the Pacific Northwest, saw no significant differences in prices after low-income housing was built.

There were a few exceptions: In Boston and Cambridge, Mass., home values closest to low-income housing increased at a slower pace than the area slightly farther away, amounting to a difference of between $18 and $19 per square foot.

In Denver, the opposite happened: Prices for homes closest to the low-income housing grew at a faster rate than the more distant ones.

For the Boston area, the study concluded that many of the low-income housing tax-credit projects were concentrated in a few submarkets where prices already were depressed. In Denver, many of the projects were in downtown areas that saw a major turnaround beginning in the 1990s, which could explain the increase in property values near the low-income units.

The Trulia study focused on the 10 years before 2006 to ensure there were enough years to study the trends before and after low-income units were completed, and to avoid distortion from the real-estate bust after 2007.

Other research has shown that low-income housing has little negative impact on surrounding property values, and sometimes can have a positive effect. The studies show that the type of construction and location is important: Large concentrations of low-income units in already-distressed areas will likely cause a deterioration in prices, while a less concentrated approach in more stable neighborhoods leads to a boost in property values across the board.

"For well-designed, reasonably scaled projects that are well-maintained and managed, there's really no evidence that they have a negative impact," said Ingrid Gould Ellen, director of the Furman Center for Real Estate and Urban Policy at New York University.

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