The Low-Income Housing Tax Credit and Neighborhood Property Values in North Carolina

In both urban and rural North Carolina, affordable rental properties funded through the Low-Income Housing Tax Credit have no effect on the median home values of their communities, showing that local homeowner fears about the impact of affordable housing developments on their property values are unfounded.

BACKGROUND

The Low-Income Housing Tax Credit, a public-private partnership, is the most crucial affordable housing tool in the country. The Housing Credit incentivizes private developers and investors to build apartments that low-income residents, including families, people with disabilities, seniors and formerly homeless veterans, can afford. Without the credit, apartments charging rents affordable to low-income tenants would not generate enough cash flow to be financially feasible.[1]

The credit also produces economic and social benefits. In North Carolina, every $1 in development equity raised through the Housing Credit leverages almost twice as much in additional public and private funds and generates state and local tax revenue. The credit also promotes residents' well-being by offering an affordable alternative to unsafe, overcrowded or otherwise substandard apartments that can contribute to physical and mental illness in children and parents.[2,3] In fact, the Housing Credit can save taxpayer dollars by reducing expenses that low-income residents incur to public health systems such as Medicaid. Affordable housing can also prevent frequent moves, which improves children's educational outcomes by supporting school attendance.[4]

NEIGHBORHOOD PROPERTY VALUES AND THE HOUSING CREDIT

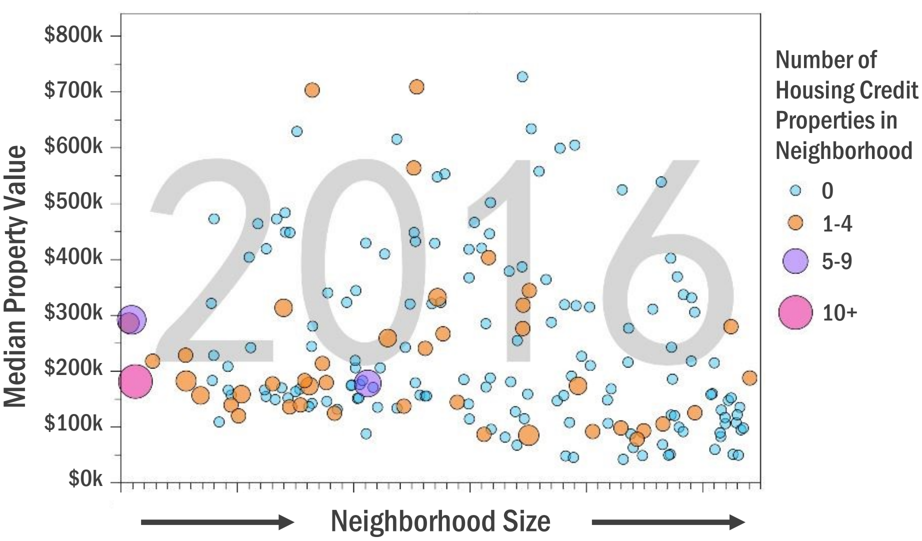
Despite the economic and social benefits of the Housing Credit, some people worry that affordable housing will hurt home values. However, research suggests that this is not the case. One literature review examined 17 research studies and found that 16 of them saw no or mixed positive/negative impacts on neighboring property values from affordable housing.[6] Another recent study found that Housing Credit developments in low-income neighborhoods actually increased surrounding home prices by 6.5 percent.[7]

Unfortunately, very little research exists on the Housing Credit's property value impacts in North Carolina. To fill this gap, we examined monthly median property value data from Zillow, which provided viable data sets for 181 urban neighborhoods and 14 small rural towns across the state to determine whether the presence of Housing Credit apartments has any link to property values of surrounding homes.[8]

Our analysis found no evidence that Housing Credit developments impact neighborhood home values in North Carolina communities. The graph to the right exemplifies this finding. The distribution of median property values for neighborhoods with Housing Credit properties (orange, purple and pink dots) generally matches that of neighborhoods with no Housing Credit properties (blue dots). While this graph only shows median property values for 2016, the trend persists over time.

Property values in metro N.C. neighborhoods, 2016[9]

(Each dot is a neighborhood)



Graph created by Pamela Shultz, PhD, using DataGraph

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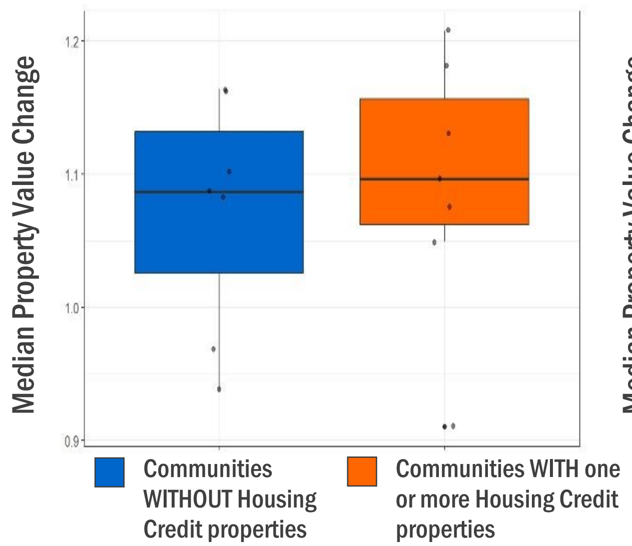
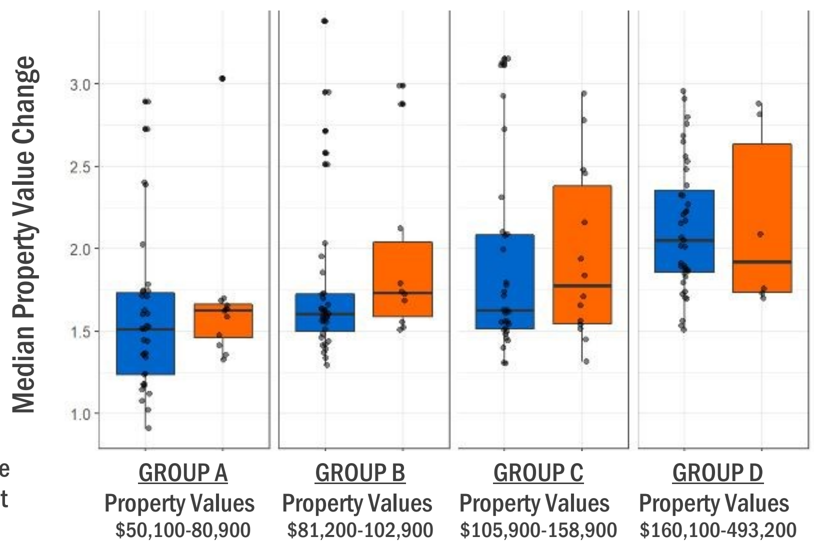
This finding holds true in both rural and urban communities. The graphs below show median changes in property value over several years for rural areas (left) and metro areas (right).[10] The overlapping ranges of communities without Housing Credit developments (blue) and with (orange) illustrate that Housing Credit properties do not significantly link to changes in surrounding home values. For urban neighborhoods, we deepened the analysis to look at neighborhoods of different socioeconomic levels: "Group A" neighborhoods are those with median property values in the bottom 25 percent of the total sample, while "Group D" neighborhoods are in the top 25 percent. In all four groups, no significant difference existed between places with Housing Credit properties and places without.[11]

Changes in property values and the Housing Credit

RURAL AREAS, 2008-2017



METRO AREAS, 1997-2017



The lack of evidence that Housing Credit properties impact home values supports continued development of affordable apartments. Despite some homeowners' fear that affordable rental housing will hurt property values, our analysis shows no link between the presence of Housing Credit apartments and surrounding home values. As such, communities can include Housing Credit apartments as viable housing options that benefit low-income residents and complement surrounding neighborhoods.

- ➢ *To learn more about the Housing Credit and the North Carolina Housing Finance Agency's other rental development programs, visit www.nchfa.com/rental-housing-partners/rental-developers.*
- ➢ *To learn more about our policy and research work, visit www.nchfa.com/about-us/research-reporting-and-policy.*

REFERENCES & NOTES

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8. Data were collected and organized by the North Carolina Housing Finance Agency and statistical analysis was performed by Zeydy Ortiz of DataCrunch Lab. Property value data used for urban areas were monthly median Zillow Home Value Index (ZHVI) data (or median list price for areas where no ZHVI data were available) at the neighborhood geography level, available at www.zillow.com/research/data/. Property value data used for rural areas were monthly ZHVI data (or median list price for areas where no ZHVI data were available) at the town level, and were downloaded by searching each town at www.zillow.com/home-values/. The data for metro areas spans 1987-2017 and the data for rural areas covers 2008-2017 (although not every neighborhood or town had data available for every month or year within those ranges). Data on the presence of Housing Credit properties was obtained from the North Carolina Housing Finance Agency's database. Since property value data were monthly, the month that Housing Credit funding was awarded was used as the month that Housing Credit presence in an area changed from zero to one (or two, three, etc. in the case of places with multiple developments).
9. This graphic was created by Pamela Schultz using DataGraph for the NC Open Pass Affordable Housing Datajam in March 2018.
10. Each dot in the graph represents a town (for rural areas) or a neighborhood (for metro areas). The boxes show the distribution of values for each group and the numbers on the y-axis represent the percent change in median home values for the area over a given time period. For example, the blue box on the left graph shows that 25 percent of the rural communities without Housing Credit properties examined had median property values in 2017 that were between 94% (0.94, the value associated with the bottom of the vertical line) and 103 percent (1.03, the value associated with the bottom of the blue box) of median property values in 2008; another 25 percent of communities had median property values in 2017 between 103 percent and 109 percent (1.09, the value associated with the horizontal line inside the blue box) of 2008 values; etc. The horizontal lines within each box show the median value for all communities within each group; so, for rural communities without Housing Credit properties, the median change in property values for all towns in the sample was 1.09 or 109 percent.
11. Welch's two sample t-test was used to test the true difference in means between areas with Housing Credit properties and areas without for both urban and rural communities. Below are the statistical results of each test: **Urban, Group A:** t = -0.562, df = 25.978, p = 0.579 | **Urban, Group B:** t = -1.342, df = 12.099, p = 0.204 | **Urban, Group C:** t = -0.437, df = 25.904, p = 0.665 | **Urban, Group D:** t = -0.116, df = 5.682, p = 0.912 | **Rural:** t = -0.427, df = 11.848, p = 0.677

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