

The Role of LIHTC-Financed Developments in the Urban Affordability Crisis: Lessons from Los Angeles

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RQ: What is the cumulative effect of concentration: first property versus subsequent properties?

Dependent variable: house price

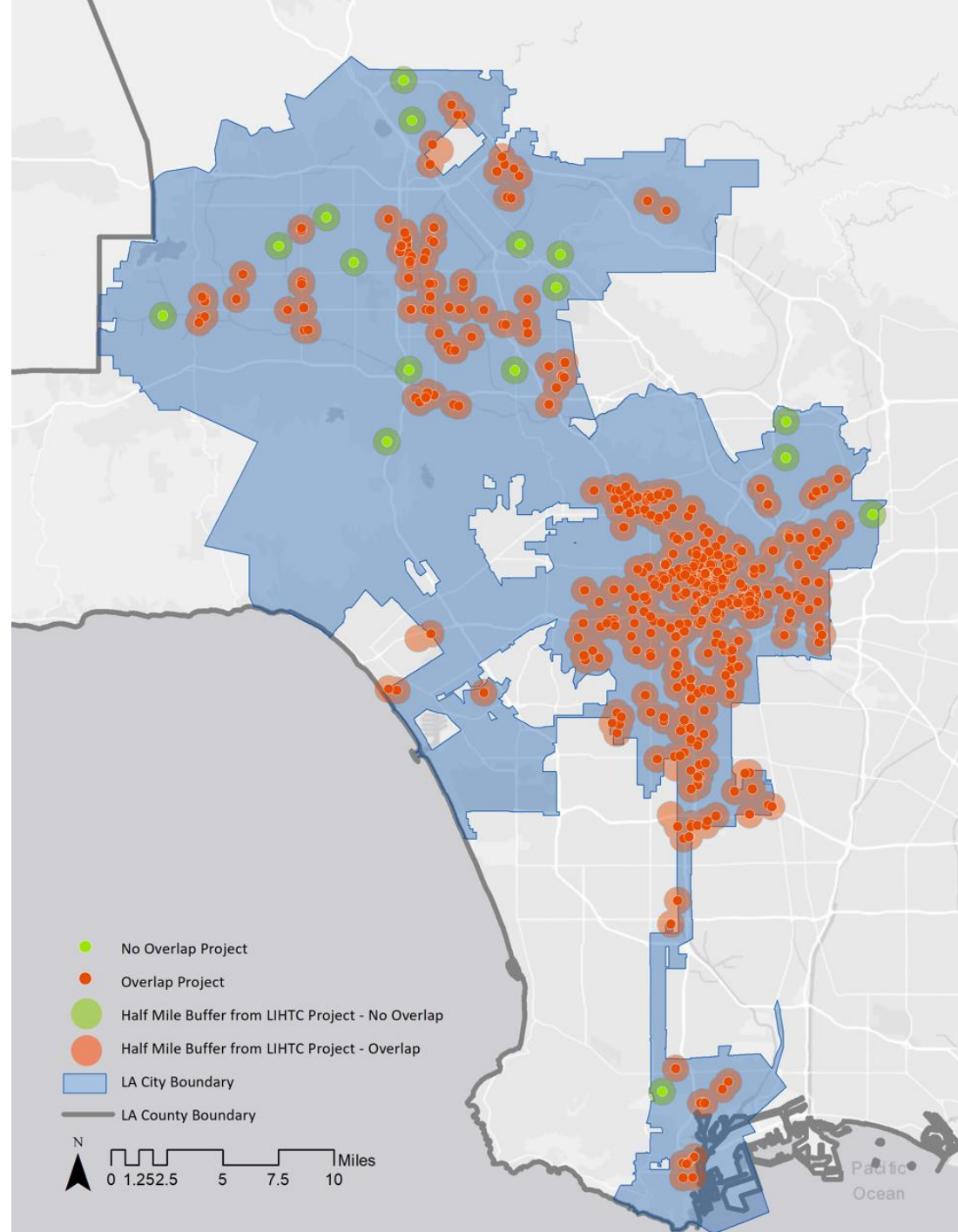
Model: ITS/DID

- LIHTC (treatment) vs. Non-LIHTC (control) neighborhoods
- Time: pre- and post-LIHTC development; over long-duration (up to 20 years, based on data availability)
- Concentration effect: 1st, 2nd, and 3+ LIHTC development within 3 distance bands (0 – 1/8 mile, 1/8 – 1/4 mile, 1/4 - 1/2 mile)
- Controls: property characteristics, year f.e., census tract f.e.



Overlap matters: most LIHTC is next to other LIHTC

- **Map of Sampled LIHTC Properties and Surrounding 1/2 Mile Radius**
- **In the City of Los Angeles**
- **Placed in Service between 1987 – 2015**
- **Excludes LIHTC for Senior Housing, due to different characteristics & impacts (Freeman & Botein 2002)**

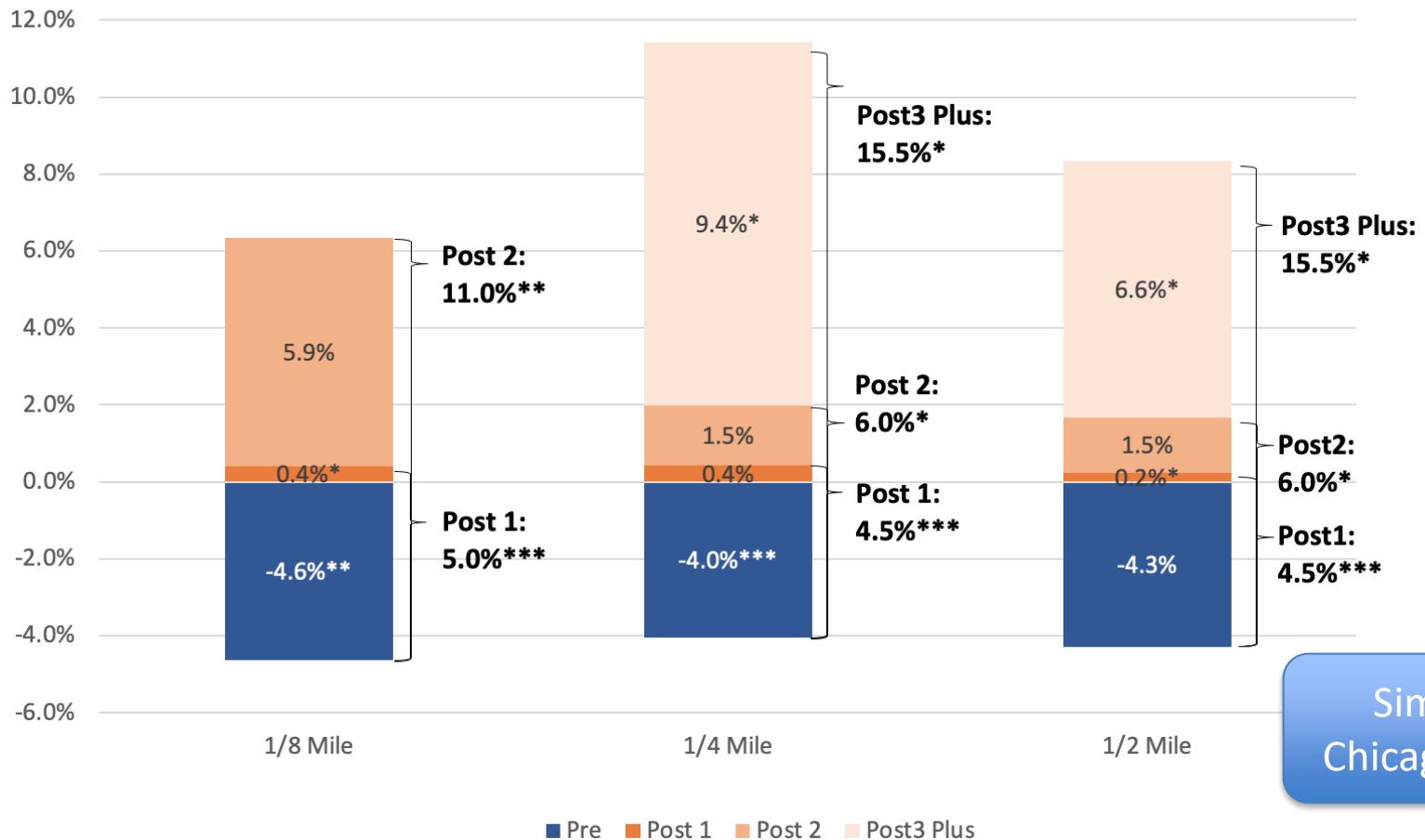


LIHTC in LA are in low-income tracts, with multiple properties

	Tracts with Any LIHTC Properties	Tracts with Only 1 LIHTC Property	Tracts with 2+ LIHTC Properties	Tracts with No LIHTC Properties
Total Census Tracts	287	170	117	712
Tract Median HH income	\$39,538	\$43,439	\$33,869	\$63,469
Tract Median % Hispanic	59.0%	57.5%	61.3%	43.4%
Tract Median % African-American	10.9%	11.2%	10.4%	7.7%
Tract Median Home Value	\$394,300	\$438,100	\$330,600	\$556,900

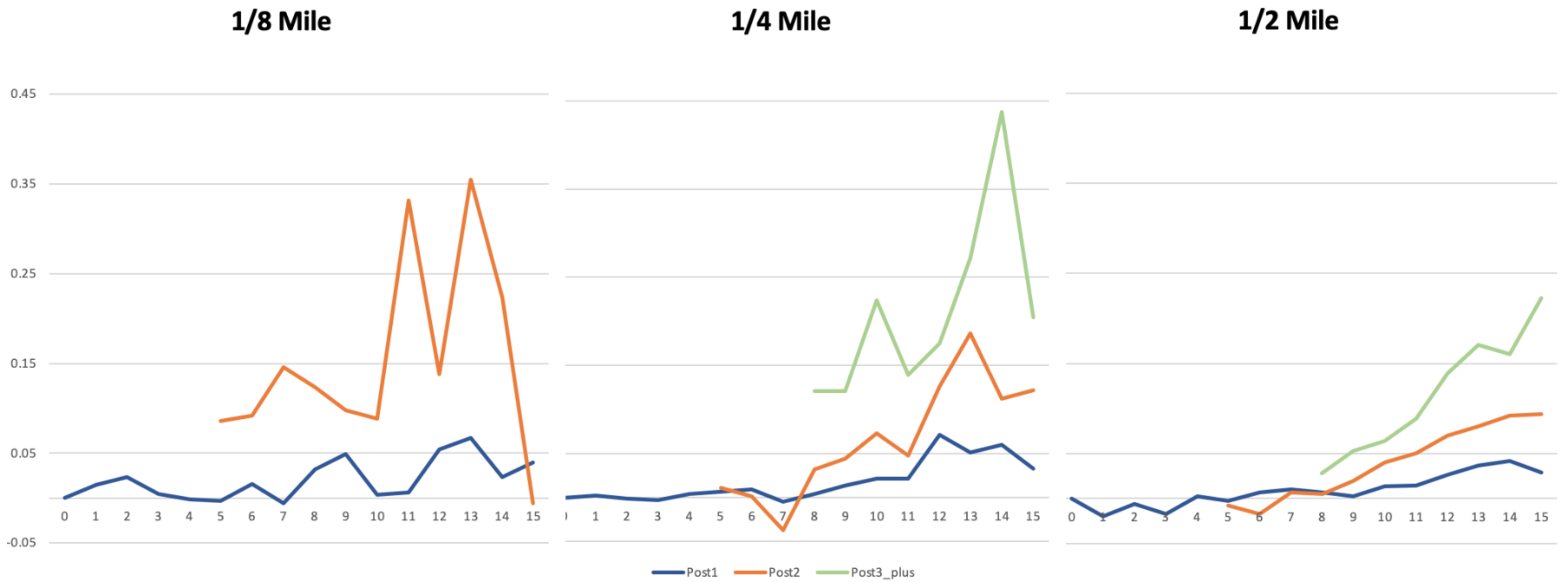
LIHTC increases area housing prices; more LIHTC = higher increase

Observed Effects of Multiple LIHTC Developments on Surrounding Values



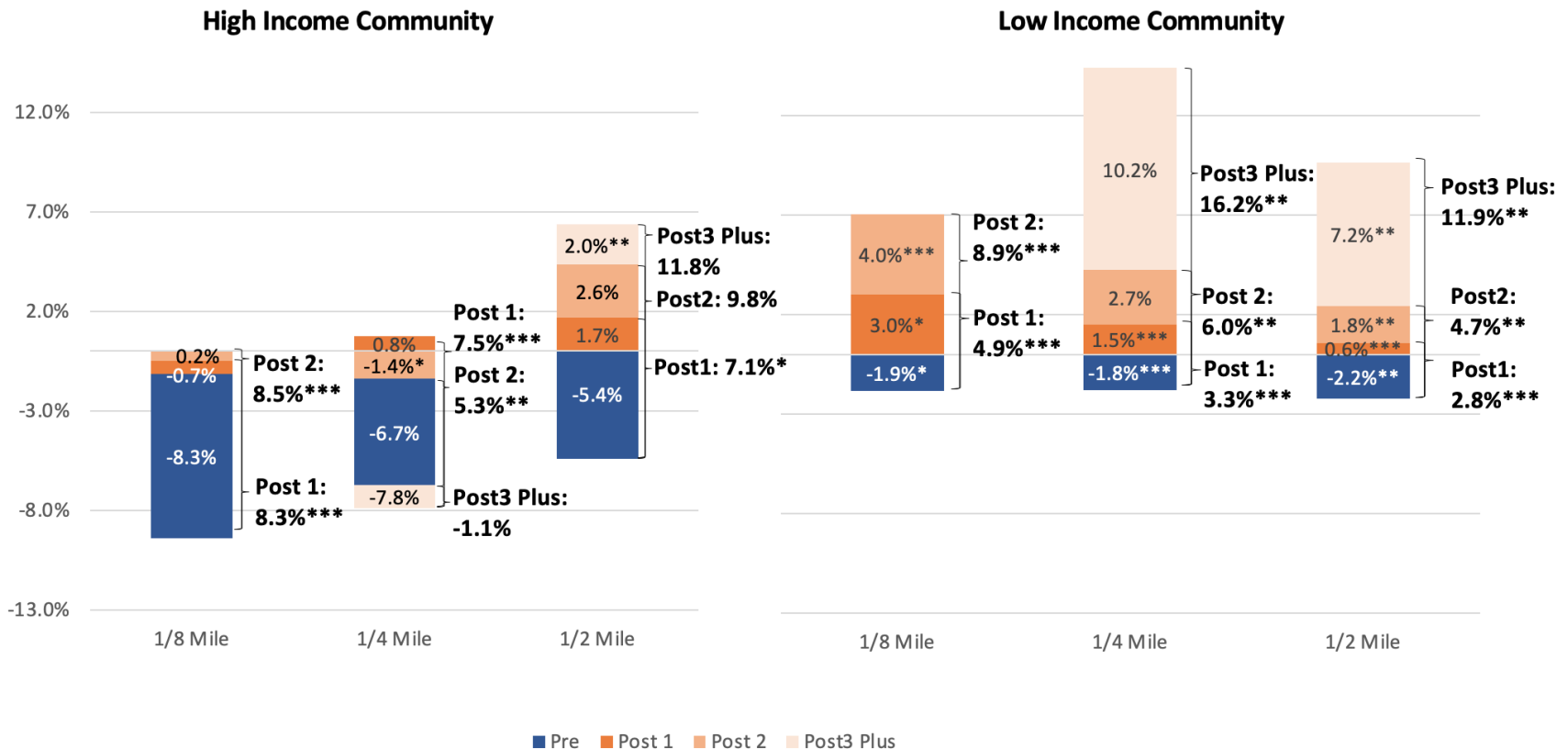
Price increases persist many years after LIHTC placed in service

Temporal Patterns of Impact in Different Distance Bands



Prices increase in both high & low income areas; by more in low-income

Observed Effects of LIHTC Clustering in Higher- versus Lower-Income Neighborhoods



Key results

- Housing prices ↑ near LIHTC
- Concentration furthers this effect: more LIHTC projects → higher price increases
- Price increases diminish with distance, out to ½ mile
- Positive price impacts in both low & high income neighborhoods; higher in low-income
- Similar findings in Los Angeles as in Chicago

Next steps:

- Examine role of for-profit vs. non-profit developers;
- Expand to strong markets vs. weak markets
- Examine effects on rents

Thank you.

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Is more affordable housing better for the neighborhood?

Policy debates:

1) Positive spillovers and “more is better” (Oakley 2008, Young 2016; Edmiston 2018)

OR deconcentration of poverty (Dillman, Horn, Verrilli 2017; Ellen, Horn, Kuai 2018)

2) Which kind of neighborhoods? Level of spillover greater in low-income or minority areas versus higher income or whiter areas (Woo, Joh, van Zandt 2016; Baum-Snow & Marion 2009; Diamond & McQuade 2019, Deng 2010)

3) Individual properties versus concentration (overlap). LIHTC is concentrated (for QAP reasons)