What Is the Impact of Low-Income Housing on Property Values?

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Some homeowners oppose the construction of low-income housing in their neighborhoods over fears that property prices will drop.

Executive Summary

Some housing experts have noted that homeowners lobby for zoning laws that exclude affordable housing and high-density buildings to protect their property values. This, in turn, may lead to housing shortages as people struggle to find housing that costs less than 30% of their income, the maximum percentage recommended by the federal government.

California Governor Gavin Newsom and Los Angeles Mayor Karen Bass have both spoken about the need for more affordable housing to address the housing crisis.

This report offers some background on federal housing assistance, public response to low-income housing, and California property values, along with a summary of studies on how low-income housing impacts property values.

Research studies into the impact of low-income housing on neighborhood property values have mostly concluded that there was either no impact or positive impacts on property values.

In studies in which results were mixed, some positive impacts on property values were found. Seven studies found that when low-income housing was built, property values in the neighborhoods increased.

Two studies concluded that low-income housing had negative effects on property values if built in affluent or higher-income areas but positive effects if built in areas with more lower-income residents or a lack of investment. Another study found the opposite.

Affordable / Low-Income Housing

In late September 2022, California Governor Gavin Newsom signed a slate of legislation designed to tackle the housing shortage with housing units for low- and middle-income people. [9]

In January 2023, newly inaugurated Los Angeles Mayor Karen Bass told the Los Angeles Times, "I think the most significant problem that the city faces is profound income inequality. The difference in how expensive it is to live in the city now... In some areas, there's a need for affordable housing, especially in areas that have traditionally been inner-city areas that are now being gentrified. People are being pushed out of their neighborhoods, and they don't want to be." [12]

On July 6, 2023, Bass signed into law an update to the city's zoning code that exempts certain buildings containing affordable housing units from having to undergo a Site Plan Review. Prior to this amendment, any building of 50 housing units or more had to go through the Site Plan Review process which can lead to increased costs, delays in development, or the building of 49 unit buildings or less on sites that could house more. Bass's amendment means that buildings of 50 units or more of affordable housing can bypass the Site Plan Review process, speeding up approvals of much needed affordable housing stock. [8]

The term “affordable housing” is often used colloquially to refer to housing assistance for low-income individuals, including housing vouchers or housing designated for residents below a certain income for the area. [4]

Affordable housing can refer to rental properties or privately owned properties with mortgages. The Department of Housing and Urban Development (HUD) specifies that affordable housing costs no more than 30 percent of the occupant’s gross income, including utilities. [5]

Statistics from the U.S. Census Bureau and compiled by the Pew Research Center showed that, in 2020, 46% of American renters spent 30% or more of their income on housing, including 23% who spent at least 50%. [6] This means that nearly half of U.S. renters are paying more for housing than what HUD considers affordable.

Households that make less than 80 percent of the median income in the surrounding area are defined as low-income. Discussions about low-income housing generally involve housing programs with federal funding, such as housing subsidies, public housing, and...
projects financed with tax credits. [7]

The Housing Act of 1937, established under President Franklin D. Roosevelt’s New Deal, marked the beginning of federal funding for low-income housing in the United States. [8] Approximately 5.2 million households received federal housing assistance in the United States in 2020. [9] Public housing and Section 8 housing voucher programs are limited to low-income individuals and families whose incomes do not exceed 80% of the median income of the area in which they live, as well as very-low-income individuals and families whose incomes do not exceed 50% of the median income (for public housing) or 30% of the median income of the area in which they live or the federal poverty line; $30,000 for a family four in 2022, whichever is higher. [10] [11][12]

The Low-Income Housing Tax Credit (LIHTC) program, created in 1986, “is the largest source of new affordable housing in the United States,” according to the National Housing Law Project. The purpose of the tax credits is to incentivize developers to build more low-income housing. [13] Several studies into the impact of affordable housing on property values looked at projects that were funded by LIHTC. An estimated two million housing units have been constructed or rehabilitated using LIHTC since the program began. [14]

See Appendix I for more information about federal assistance programs and Appendix II for more information about local assistance programs in Southern California.

Public Opinion on Low-Income Housing

While many Americans might agree that more affordable housing is needed, wealthier neighborhoods often try to block the development of low-income housing with exclusionary zoning practices. [15] [16] This behavior is known as NIMBYism (Not in My Backyard), a term that refers to people who oppose the creation of affordable or low-income housing in their neighborhoods. Researchers from the University of Queensland noted that the term NIMBY dates back to the 1970s and often carries racist and classist connotations because people described as NIMBYs tend to be white with middle- or upper-class incomes. [17]

Former President Obama raised concerns at the 2022 American Institute of Architects conference, saying, “Frankly, some very well-intentioned laws and regulations at the local level, often generated from the left and from my own party, sometimes are inhibiting the creation of affordable housing and powering NIMBY attitudes and make it very difficult to integrate communities and allow people to live close to where they work.” [18]

Reasons for opposing low-income housing include fears about increased traffic and overcrowding in schools, lower tax revenues, the potential for more crime, and a negative impact on property values. [19] [20] Some housing experts theorize that homeowners lobby for zoning laws that prevent low-income housing in their neighborhoods to protect their property values, a practice that contributes to housing shortages. [21]

Others note that resistance to affordable housing can be rooted in racism and perpetuate racial inequality. Rev. Eric Dobson, deputy director of Fair Share Housing Center, wrote, “When folks hear that affordable housing is coming, they immediately assume that low-income Black and Brown people without jobs will move into their neighborhoods and rising crime and falling property values will quickly follow.” [22]

In 2020, then-President Trump voiced opposition to low-income housing being built in suburban neighborhoods, saying that homeowners “don’t want to have people coming in and forcing low-income housing down their throats.” [23] After ending an Obama-era rule intended to reduce racial segregation in communities, Trump tweeted, “I am happy to inform all of the people living their Suburban Lifestyle Dream that you will no longer be bothered or financially hurt by having low income housing built in your neighborhood….Your housing prices will go up based on the market, and crime will go down.” [24]

That perspective has been echoed in cities across the country. For example, in New Berlin, a suburb of Milwaukee, residents fought against the construction of a 102-unit affordable housing project. After a legal battle, the property was built. [25] Comedian Dave Chapelle was a vocal opponent to an affordable housing project in Yellow Springs, Ohio, that was ultimately shot down by the city council. [26] A proposal to create 518 affordable apartment units in Chandler, Arizona, was opposed by residents and elected officials for stated reasons including an increased burden on city services, inadequate parking, a rise in crime, traffic impact, and more. [27] [28]

Zoning laws often make it difficult to get approval for multi-family housing, but higher-density projects enable developers to sell at a lower per-unit cost, compared to single-family homes traditionally found in the suburbs. [29] According to ProPublica, “more than three dozen Connecticut towns have blocked construction of any privately developed duplexes and apartments within their borders for the last two decades.” [30]

One important question to consider is whether low-income housing actually lowers property values as many homeowners fear it will.

Property Values in Southern California

According to data from the California Association of Realtors, the average median price of a detached home in California in 2022 was $828,047. In Southern California, the average median price was $792,853, and in LA County, $892,284. Over a five-year period from 2018 to 2022, the average median price of a detached home in California increased by 37.7%; in Southern California, it increased by 46.3%; and in LA County it increased by 43.3%. [31]
In Venice, California, house values increased on average 17% a year between 2012 and 2019, “vastly outpacing growth in the rest of Los Angeles,” according to an article in The Wall Street Journal, referencing data from Zillow. This trend reversed in July 2020, “when price growth across Los Angeles began to outpace growth in Venice.” According to data from the Zillow Home Value Index, in November 2022 the typical home value in Los Angeles was $949,827, representing a 3.3% increase over one year. As of June 30, 2023, the typical home value had dropped to $882,549, a 4.8% decrease over that period. In Venice, the typical home value in November 2022 was $2,005,703, a 5.3% increase over one year. As of June 30, 2023, the typical value had dropped to $1,903,729, an 4.6% decrease.

Reports indicate that despite a continual increase in property values in Venice between 2012 and 2022, the market is indeed cooling. In 2020, there were 43.2% more single-family homes on the market compared to the year prior, and price paid per-square-foot decreased by 5.7% in the same period. Anecdotal evidence from realtors suggests that while house prices “rose in neighborhoods such as Brentwood, Pacific Palisades and the beaches of Malibu, homes over $3 million in Venice have been a tougher sell.” Local realtors cite the pandemic and growing homeless population as the cause. The theory was supported by then-Councilmember Mike Bonin, who said, “I’m sure the fact that people are living on the street is impacting real-estate values where it is most concentrated.”

Research into the Impact of Low-Income Housing on Property Values

Research studies into the impact of low-income housing on neighborhood property values have, in general, concluded that there was either no impact or positive impacts on property values. Even in studies where results were mixed, some positive impacts on property values were found.

Of the studies detailed below, seven show that when low-income housing was built, house values in the neighborhoods increased; three of those studies researched areas in California.

One study that researched property values in the least affordable housing markets in the U.S. — 45% of which were in California (including Los Angeles, San Diego, and Orange County) — found that in California, newly built low-income housing had no effect on property values. Another study about a housing project in New Jersey concluded the same.

Three studies show that the introduction of low-income properties can have different impacts depending on the type of neighborhood the property is built in. Two of these studies concluded that low-income housing had negative effects on property values if built in affluent or higher-income areas but positive effects if built in areas with a higher number of lower-income residents or lack of investment. Another study found the opposite.

Few studies research the impact of low-income housing properties on both property values and crime. Two studies detailed below, including one from Orange County, California, and another from Mount Laurel, New Jersey, found that when low-income properties were built, neighborhood crime rates fell.

Studies that show that affordable or low-income housing has a positive impact on property values

1. A 2002 study by the Livable Cities Lab at UC Irvine found that when new low-income housing properties were built in Orange County, California, house prices went up and crime rates fell. [39] [40]

2. A 2002 study published in the Journal of Housing Economics concluded that properties built under the low-income housing tax credit (LIHTC) scheme in Illinois “generate positive price spillover effects on the surrounding neighborhoods.” The study found that developments of LIHTC housing have a positive effect in both low-income and higher-income areas, noting that “more development is not worse and often may be better – at least for local property values.” [41]

3. A 2002 report from the DC-based Urban Institute found that homes in Alexandria, Virginia, located within 1/16th of a mile (“a typical urban block”) from affordable housing developments, saw property values increase “a small but statistically significant” 0.9%. [42]

4. A 2007 study by researchers from Brown University and UC Santa Cruz found that property values increased in declining areas in California, Illinois, New Jersey and Texas when new low-income housing tax credit (LIHTC) properties were built. [43]

5. A 2007 study published in the Journal of Policy Analysis and Management found that, in New York City, “federally subsidized developments have not typically led to reductions in property values and have, in fact, led to increases in some cases.” [44]

6. A 2006 study by researchers from the University of Texas at Dallas concluded that, “LIHTC projects that went into place between 1986 and 2003 have a small, positive significant effect on single-family home prices located within 0.5 miles of the low-income units.” In particular, homes located within 0.5 miles of an LIHTC project sold for 2.7% more than homes located between 0.5 and 1.5 miles from an LIHTC project. [45]

7. A 1993 study on the effect of affordable housing on Northern California concluded that, “single-family home values in the neighborhood of Bridge Housing [affordable housing projects] are not adversely affected by their proximity to those projects. Indeed, in some cases, home values are actually higher the nearer a home is to a Bridge project.” [46]

Studies that show that affordable or low-income housing has no impact on property values

1. A 2010 study by Trulia, the online real estate company, found that “in the nation’s 20 least affordable housing markets [45% of which are in California], low-income [LIHTC] housing built during a 10-year span shows no effect on nearby home values.” [47]

2. A 2013 collaborative study by researchers from Northeastern University and Princeton University found that the opening of an affordable housing development in Mount Laurel, New Jersey “was not associated with trends in crime, property values, or taxes.” The study noted that the crime rate in Mount Laurel had been falling prior to the opening of the affordable housing complex and continued to do so after it had opened. Similarly, housing prices had been rising and continued to rise at the same rate as nearby townships. [48]

Studies show that affordable or low-income housing has mixed impact on property values

1. A 2019 study by researchers at Stanford University found that, “LIHTC development revitalizes low-income neighborhoods, increasing house prices by 6.5 percent. It lowers crime rates and attracts racial and income diverse populations. LIHTC
development in higher-income areas causes house price declines of 2.5 percent and attracts lower-income households.”[46]

2. A 2010 study published in Urban Studies researching LIHTC developments in Charlotte, North Carolina, and Cleveland, Ohio, found that developments in Charlotte had negative effects on house values where LIHTC properties were built in an affluent area with higher property values, but positive effects were found in Cleveland where LIHTC properties were built in an area experiencing stagnation and lack of new investment in the housing market. [52]

3. A 2015 University of Missouri study of LIHTC properties found that “while large new construction projects tend to diminish property conditions nearby, the effects of small new construction projects and larger rehabilitation projects generally are positive.”[59]

4. Research published in the Journal of Policy Analysis and Management in 2001 concluded that in Denver, Colorado, “proximity to a subsidized housing site generally had an independent, positive effect on single-family home sales prices. The most notable exception to this pattern occurred in neighborhoods more than 20 percent of whose residents were black. Proximity to dispersed public housing sites in these neighborhoods resulted in slower growth in home sales prices in an otherwise booming housing market and suggest a threshold within ‘vulnerable’ neighborhoods whereby any potential gains associated with rehabilitating existing units are offset by the increased concentration of poor residents.” [53]

Appendix I: Federal Assistance Programs

As of July 17, 2023, 829,434 low-income households lived in public housing owned by the Department of Housing and Urban Development (HUD) and administered by local housing authorities.[63] Stemming from the Housing and Development Act of 1974, HUD’s Section 8 Housing Choice Voucher Program and Project-Based Rental Assistance Program provide subsidies to over 3.4 million low-income tenants, allowing them to rent from private landlords, most often in low-income or mixed-income multifamily properties.[65][64][67][66]

There are a number of federal assistance programs currently in place for renters and providers of low-income housing. These include, but are not limited to:

Public Housing - First introduced as part of the Housing Act of 1937 under President Franklin D. Roosevelt’s New Deal, public housing, until recently, was the United States’ largest housing subsidy program. Public housing consists of a range of different types of properties (from single-family homes to high-rise apartment blocks) owned by the Department of Housing and Urban Development (HUD) and administered by local housing authorities. Public housing programs are limited to low-income individuals and families whose incomes do not exceed 80% of the median income of the area in which they live, as well as very low-income individuals and families whose incomes do not exceed 50% of the median income. They often suffer from underfunding and long waitlists.[68][60]

According to HUD’s Public Housing Data Dashboard (accessed July 19, 2023), there are a total of 16,391,417 public housing residents in the United States, including 678,673 children. The average annual household income of these residents is $15,703 and their average monthly rent is $331 a month.[61] On average, these residents spend 25.9% of their income on rent.

In California, there are a total of 58,464 public housing residents, including 21,818 children. Their average annual household income is $22,933 and the average monthly rent of these residents is $526 a month.[62] On average, these residents spend 27.9% of their income on rent.

Data from HUD’s Los Angeles field office shows that there is a total of 32,046 public housing residents in the Los Angeles area, including 11,386 children. In this area, the average annual household income is $25,757 and the average monthly rent of these residents is $573 a month.[63] On average, these residents spend 29.9% of their income on rent.

Low-Income Housing Tax Credit (LIHTC) - This program, created by the Tax Reform Act of 1986, is the federal government’s primary tool for encouraging the development, preservation and rehabilitation of dedicated affordable housing. The program “awards developers federal tax credits to offset construction costs in exchange for agreeing to reserve a certain fraction of units that are rent-restricted for lower-income households.”[64] These units must remain affordable for at least 30 years, with some states extending this affordability period to 50 years. To be eligible to rent in an LIHTC property, tenants must not earn over 80% of the median income of the area they are located in. To ensure very low-income tenants are accommodated, the average income of all households in a building must not exceed 60% of the median income of the area.[65]

According to the low-income housing tax credit (LIHTC) database, up-to-date to 2021, there were 52,007 LIHTC properties in the United States containing 2,965,641 low-income housing units.[66] Up from 50,567 properties and 2,863,619 low-income units in 2020.[67] 4,602 of these properties are located in California, containing 357,483 low-income housing units. Of these, 568 are in Los Angeles (37,283 units), 30 are in Santa Monica (1,096 units) and 2 are in Venice (88 units). California gained 81 LIHTC properties comprising 6,069 low-income units between 2020 and 2021. 10 of these new properties were in Los Angeles (972 new units) and 2 were in Santa Monica (77 new units).[68]

HUD’s Section 8 Housing Choice Voucher Program - Created in the 1970s, HUD’s Section 8 Housing Choice Voucher Program has surpassed public housing as the federal government’s primary rental assistance program. Administered by state and local public housing agencies, it provides eligible renters with a voucher that can be used toward the payment of rent at any privately owned rental unit; as long as that unit meets the program’s guidelines and is rented out at the current market rate. The federal government aims to target these vouchers to the neediest households by requiring that at least 79% of new enrollees each year must be classed as “extremely low-income,” meaning that they have a household income that does not exceed 30% of the local median income of the area or the federal poverty line, whichever is higher.[69] Other tenants must not have an income that exceeds 80% of the median income of the area.[70][71]

HUD’s Section 8 Project-Based Rental Assistance Program - This program works with private owners of multifamily rental buildings who commit to providing affordable housing in some or all of their rental units. Under this scheme, 40% of units must be reserved for extremely low-income tenants. As per the Housing Choice Voucher scheme, other eligible tenants must not have a household income that exceeds 80% of the median income of the area. Project-based assistance is tied to particular units and does not move with the tenant as the Section 8 Housing Choice Vouchers do.[72]

USDA Rural Multifamily Housing Rental Assistance - This program helps eligible low-income and very low-income tenants, housed in USDA-financed rural rental housing or farm labor housing, pay their rent. Rental rates for tenants are capped at 30% of the tenant’s income with the remainder paid directly to the landlord by the USDA.[73][74]

According to data from HUD and the USDA compiled by the Center on Budget and Policy Priorities,[75][76]

Federal Housing Assistance, United States, 2020

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<tr>
<th>Type of Federal Assistance</th>
<th>Number of Households</th>
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<tbody>
<tr>
<td>5.2 million households received federal housing assistance in the United States in 2020 costing $48.5 billion.</td>
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### Federal Housing Assistance, California, 2020

536,000 households received federal housing assistance in California in 2020 costing $7.8 billion.

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<th>Type of Federal Assistance</th>
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<td>USDA Rural Rental Assistance</td>
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<td>Other</td>
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### Appendix II: Local Assistance Programs

Local organizations also provide assistance to low-income households. Often run by nonprofits or religious organizations, they offer help with rent payments, utilities and crisis housing, as well as other services and resources to help residents stay housed.

In Venice, California, for example:

- The **Venice Community Housing Corporation** is a nonprofit that provides 262 housing units across 17 properties for low-income residents as well as 28 short-term housing units for families and youth experiencing homelessness. [77]
- The **St. Joseph’s Center**, another nonprofit, offers short-term rental subsidies and move-in assistance to low-income individuals, youth and families and those at risk of homelessness. [78]

**Safe Place for Youth** offers up to 36 months of no-cost housing for pregnant and parenting youth who are experiencing homelessness, alongside education, employment training and family services designed to help the transition into permanent housing. [79]

In the Los Angeles area:

- The **Community Corporation of Santa Monica** is a nonprofit organization that builds, restores and manages affordable housing in Santa Monica. Their portfolio contains more than 80 properties, comprising 1,800 units, for low-income residents in Santa Monica. [80]

- Santa Monica-based charity **One Voice** provides support to low-income families with children in south, central and downtown Los Angeles at risk of homelessness by providing rental assistance and covering the cost of utilities and other necessities such as food. [81]

Based in North Hollywood and Vista, the **Foundation for Women Warriors** runs the Warrior Assistance Program that provides short-term grants to women veterans that can be used to cover rent, utilities or other necessities when unforeseen circumstances put them at risk of homelessness. [82]

### References


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