

The Economic Impact of Community Development Corporation Affordable Housing Production

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Executive Summary

This report examines the economic impact that nonprofit-produced affordable housing has on neighboring property values in Austin, TX. The assessed market values are used in a difference-in-differences regression model to determine whether houses in CDC target neighborhoods increased in value more than houses in comparable low-income areas between 1993 and 2000. The results indicate that CDC-produced affordable housing has a positive economic impact on the assessed market value of houses in the surrounding area.

Community Development Corporations (CDCs), and other nonprofit housing organizations, provide greatly needed services to the community. They not only provide affordable housing for low-income residents, but also work to improve the overall conditions of low-income areas. But what impact does CDC housing really have on the surrounding areas? This study is an effort to answer this question, to discover if nonprofit-produced affordable housing has an economic impact on the neighborhoods in which it is built.

Based on previous studies, this study uses a difference-in-differences model to identify a change in the market values of houses in CDC-targeted neighborhoods. The dependent variable is the assessed market value of houses, obtained from the Travis Central Appraisal District. The change in the assessed value of houses in CDC-target neighborhoods in Austin between 1993 and 2001 is compared to the change in assessed market values in the same time period in the entire city, and in other low-income neighborhoods. The other low-income neighborhoods serve as the counterfactual – they show what would have happened in the neighborhoods without the CDC investment. U.S. Census Bureau census tracts are used to define neighborhoods.

The results show that the market values of houses in census tracts with more than five CDC-produced affordable housing units increased more between 1993 and 2001 than the market values in the city as a whole, and in other low-income areas. When examined at the individual tract level, the results were shown to differ by tract, with some tracts showing less change than in the low-income comparison areas. While the results did not appear to be correlated with the type of housing (new construction or rehabilitation), the overall number of units did appear to affect the impact (greater impact with more units). In addition, the impact was typically larger in tracts targeted by traditional CDCs and lower on average in tracts targeted only by area-wide housing organizations such as Habitat for Humanity. This could be due to the added impact of services CDCs provide in their target neighborhoods in addition to the affordable housing they produce.

Overall, the results are positive and should help to convince opponents of affordable housing that it will not lower the surrounding property values. Further studies could take the examination of the impact further by looking at the impact as a function of distance from the affordable housing, and looking at the impacts in other Texas and U.S. cities. However, this study builds on the positive findings of previous studies and should help to convince funders and stakeholders that CDCs provide a valuable service to the community, not only by providing decent, affordable housing, but also by stabilizing and revitalizing their target communities.