Housing Value Volatility & Local Government Finance: Findings from Some Recent Literature

at

State of the Southeast:
Challenges and Opportunities for State and Local Governments

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Dan Immergluck
Professor
Urban Studies Institute
Andrew Young School of Policy Studies
Georgia State University
Based on, including excerpts from:


Housing Market Volatility

A Typology of City Housing Market Stress Trajectories

An Expected Lag between Housing Value and Tax Revenue

Foreclosure Rates vs. Real Per Capital Property Tax Revenue

Dashed lines = Foreclosure rates
Solid lines = Property tax revenue

Cumulative % Change in Revenue Sources for 90 Fiscally Standardized Cities

Additional Findings, and Some Recommendations...

- Property tax revenue response to volatility varies based on tax policy and tax practice/administration [G-L-M-R-1 & 2]

- ~1/3 of decline in general revenue due to housing market stress [C-R-N]
  - Fall in home values
  - Rise in foreclosures

- 1/3-1/2 of decline in general revenue 2007-13 due to declining state aid [C-R-N]

- Build up reserves during housing value strength/increases (Now!) [C-R-N]

- Do not delay increases, will just create larger shocks, more resistance later

- Create climate for less volatile housing markets
  - Regulate high-risk home lending, reduce/mitigate foreclosures