

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

at

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

November 3, 2017

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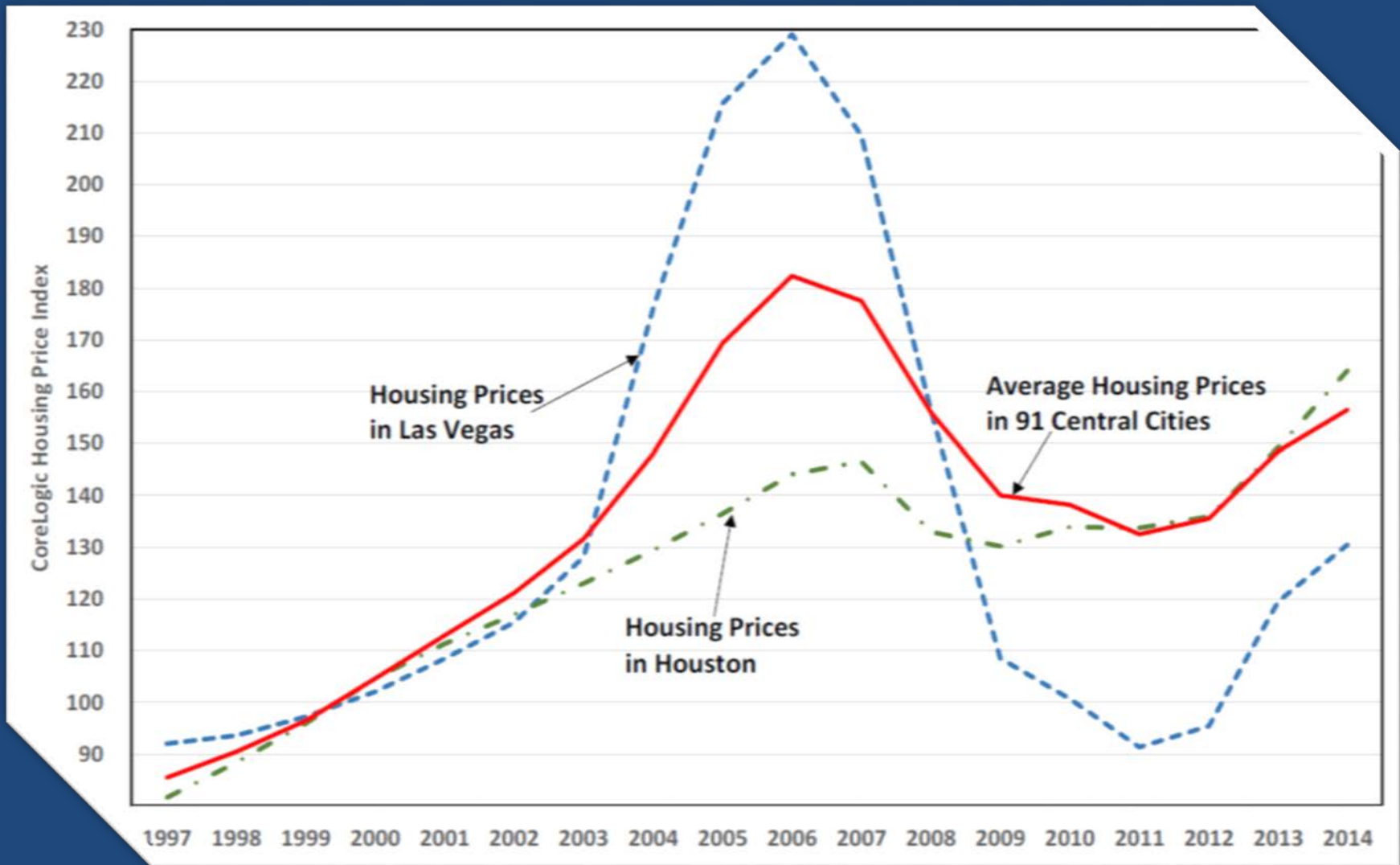
Based on, including excerpts from:

[C-R-N] Chernick, H., A. Reschovsky, and S. Newman. 2017. The Effect of the Housing Crisis on the Finances of Central Cities. Presented at *Housing Markets and the Fiscal Health of US Central Cities*, Urban Institute, April 17.

[G-L-M-R-1] Gordon, T., M. Lens, P. Monkkonen, and L. Rosenthal. 2017. Irrational Exuberance at City Hall: Local Government Resilience in Housing Booms and Busts Presented at *Housing Markets and the Fiscal Health of US Central Cities*, Urban Institute, April 17.

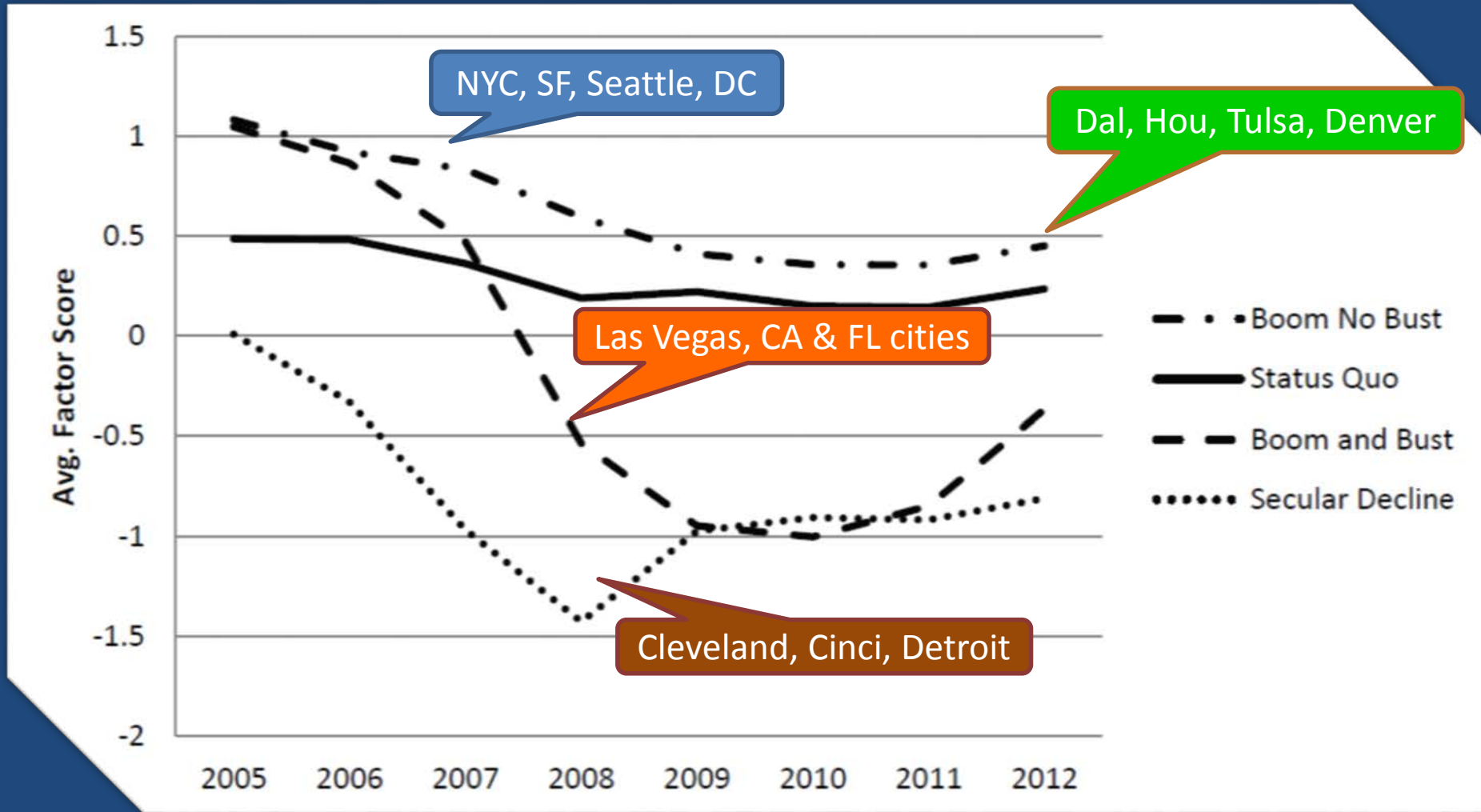
[G-L-M-R-2] Gordon, T., P. Monkkonen, M. Lens, and L. Rosenthal. 2016. A Rising Tide: How do Changes in Cities' Housing Wealth Translate into Property Tax Revenues? Presented at the *Association of Collegiate Schools of Planning Conference*. Portland, OR. October.

Housing Market Volatility



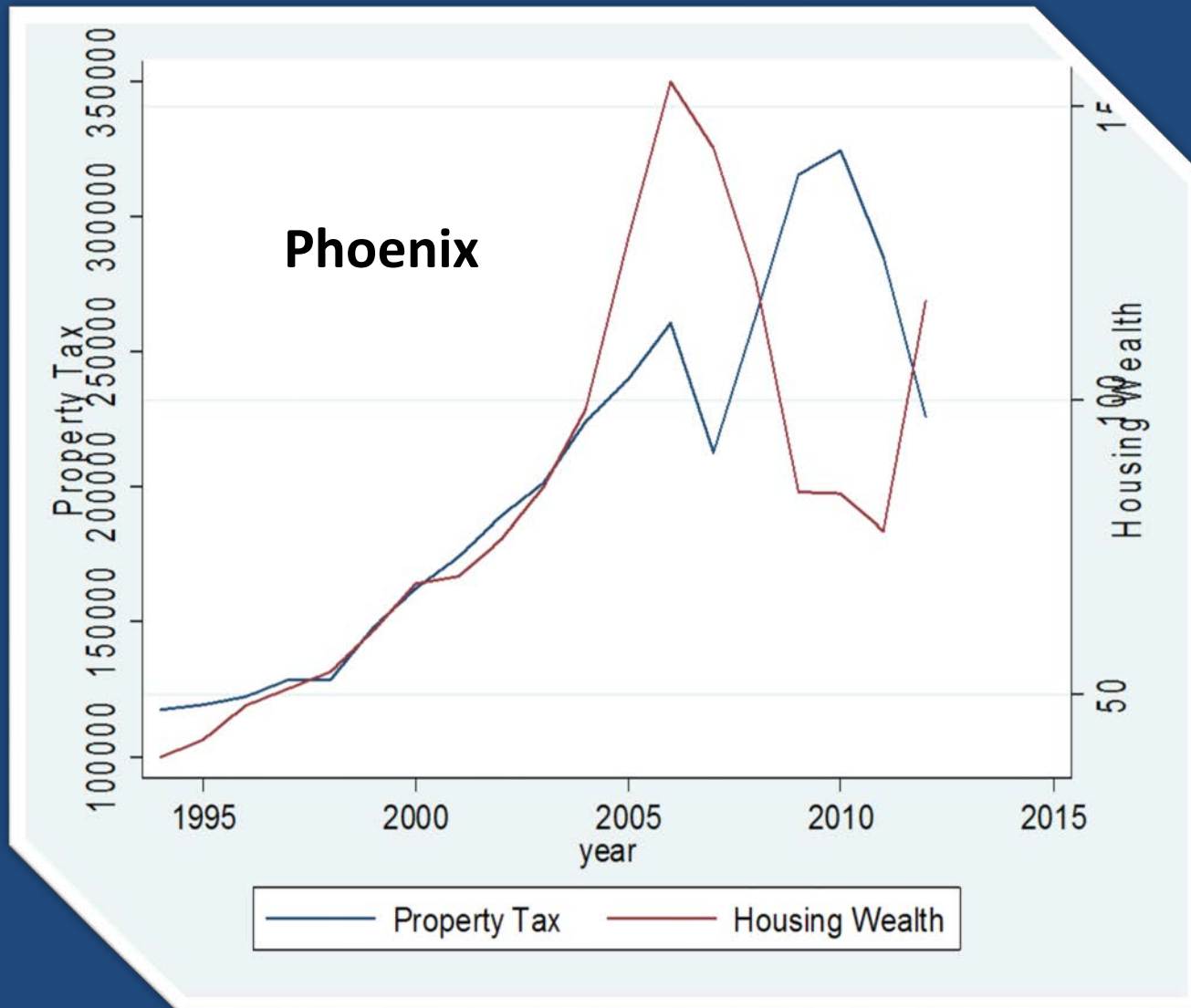
From: Chernick, H., A. Reschovsky, and S. Newman. 2017.

A Typology of City Housing Market Stress Trajectories



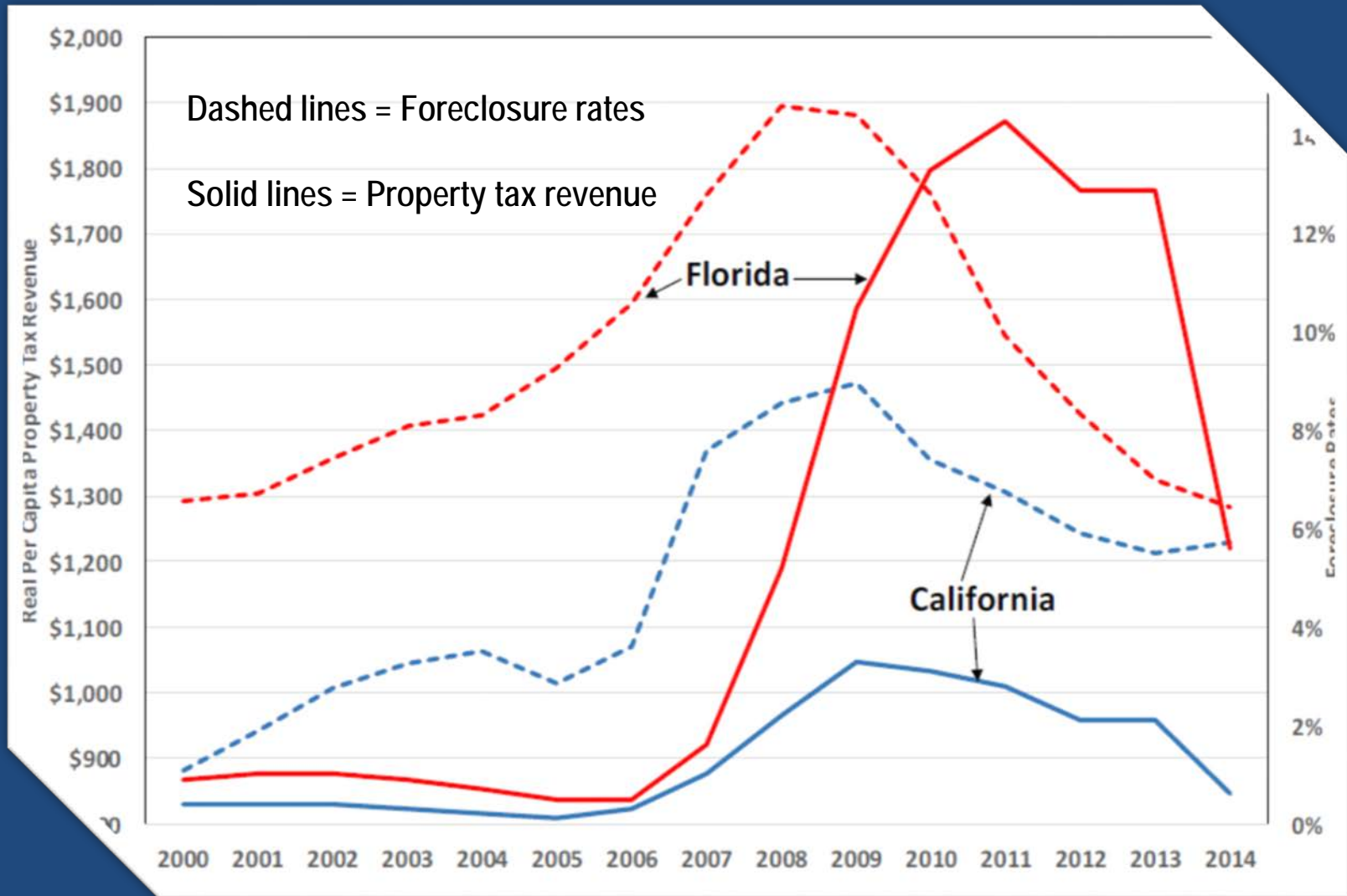
From: Chernick, H., A. Reschovsky, and S. Newman. 2017.

An Expected Lag between Housing Value and Tax Revenue



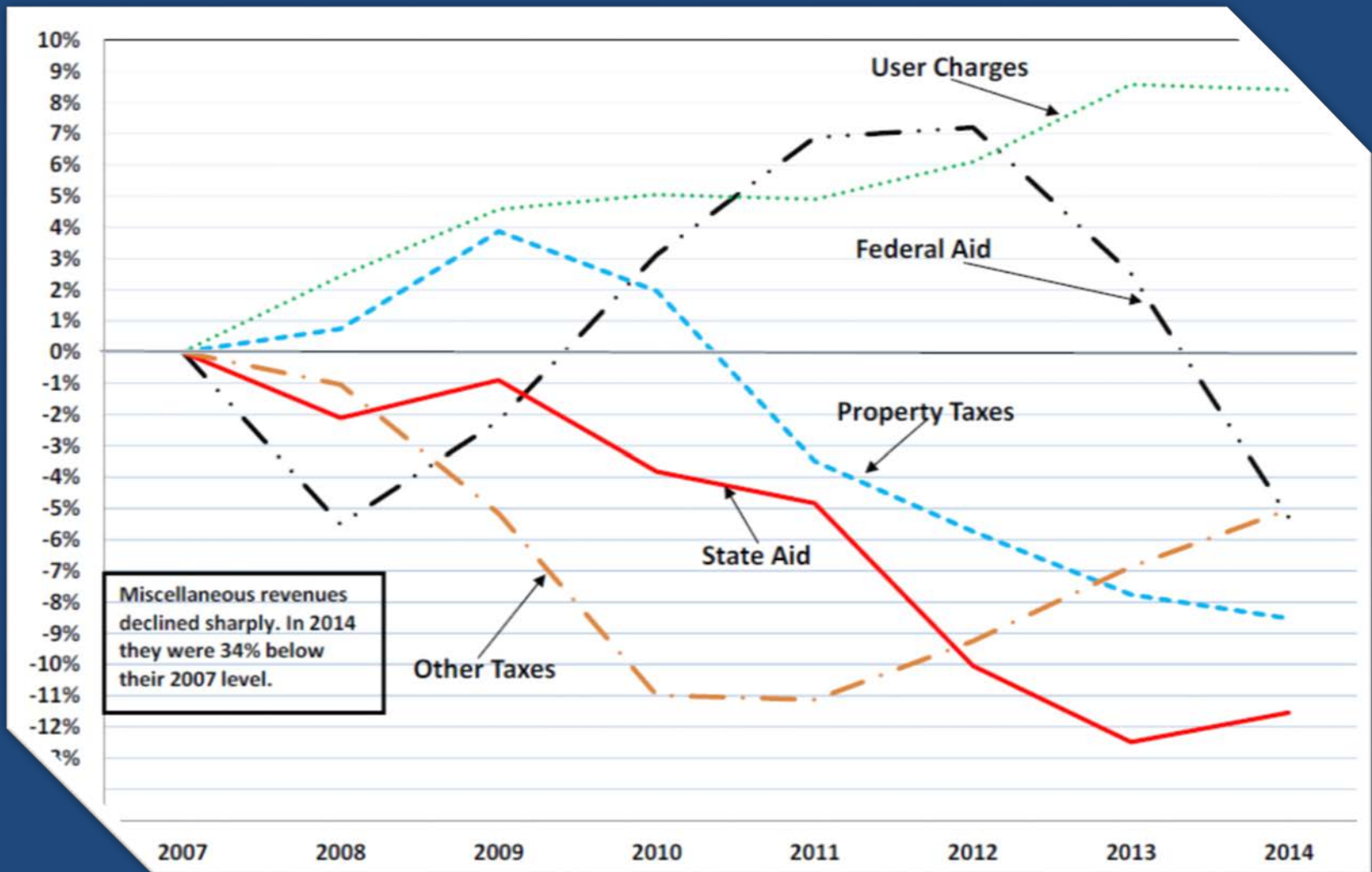
From: Gordon, T., P. Monkkonen, M. Lens, and L. Rosenthal. 2016.

Foreclosure Rates vs. Real Per Capital Property Tax Revenue



From: Chernick, H., A. Reschovsky, and S. Newman. 2017.

Cumulative % Change in Revenue Sources for 90 Fiscally Standardized Cities



From: Chernick, H., A. Reschovsky, and S. Newman. 2017.

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