

Can Homeownership Transform Communities? Evidence on the Impact of Subsidized, Owner- Occupied Housing Investments on the Quality of Local Schools

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Abstract:

While recent evidence demonstrates that subsidized investments in owner-occupied housing can lead to increases in property values (Schwartz et al. 2006), the impact of such housing on other community amenities is largely unexamined. Yet, the response of local services to public investments is crucial for policy-makers and community development practitioners who view increasing subsidized homeownership as a mechanism to improve urban neighborhoods. Drawing on evidence from New York City, we examine the impact of subsidized housing on the quality of local schools by studying exogenous variation in city investments in owner and rental units. Specifically, we explore whether – and in what ways – publicly financed investments in owner- or renter-occupied housing made in the late 1980s and 1990s by the City of New York affected the characteristics and performance of local public schools. Our results suggest that the completion of subsidized, owner-occupied housing is associated with a decrease in schools’ percentage of free lunch eligible students, an increase in schools’ percentage of white students, and controlling for these compositional changes, a positive change in pass rates on standardized reading and math exams.