

Aspects of Housing Choice

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Lecture 16

Population Density from the Center (Santa Clara County)



Aspects of Housing Choice

- ⑩ Choosing House Location
 - ⑩ Choosing Housing Characteristics
 - ⑩ Choosing Neighborhood Characteristics
 - ⑩ Locational choice (including housing) in a multi-jurisdictional setting
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Choosing Housing Location

- ⑩ Bid-rent function for housing
 - ⑩ How is it derived?
 - ⑩ What is its shape?
 - ⑩ Is it empirically tenable?
 - ⑩ What factors affect the shape of the (empirically observed) housing bid-rent function
 - ⑩ Age of structures
 - ⑩ Jurisdictional fragmentation which leads to
 - ⑩ Fiscal zoning
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Choosing Housing Characteristics

- ⑩ Characteristics Space vs. Commodity Space
 - ⑩ Preferences over characteristics vs. preferences over commodities
 - ⑩ Different bundles of characteristics can be on the same indifference curve
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Choosing Neighborhood Characteristics

- ⑩ Neighborhood defined differently for different characteristics
 - ⑩ Crime
 - ⑩ Demographic characteristics
 - ⑩ Schooling (defined by school attendance boundaries – defacto vs. dejure)

NOTE: overlapping boundaries of “neighborhood”

Neighborhood Characteristics – Choice of Jurisdiction (Tiebout-like model)

- ⑩ Assume there are M types of households (indexed $m=1,2,\dots,M$); households of the same type are identical
 - ⑩ They have identical preferences
 - ⑩ They have identical income
 - ⑩ Assume that there are J jurisdictions (indexed $j=1,2,\dots,J$)
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Neighborhood Characteristics – Choice of Jurisdiction

- ⑩ Each jurisdiction has:
 - ⑩ Amenities indicated by a_j specific to the jurisdiction
 - ⑩ Tax-expenditure package (t_j, y_j) specific to the jurisdiction
 - ⑩ Are amenities exogenous or endogenous?
 - ⑩ exogenous
 - ⑩ endogenous
 - ⑩ Is the tax-expenditure package exogenous or endogenous?
 - ⑩ exogenous
 - ⑩ endogenous
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Multi-jurisdictional Equilibrium with Amenities and Tax-Expenditure Package

⑩ Equilibrium requires:

- ⑩ Equilibrium prices for all commodities traded on markets
- ⑩ Labor market
- ⑩ Housing (land) market in each jurisdiction
- ⑩ Balanced budget: $c_j(y_j) = t_j B_j$
- ⑩ Locational equilibrium of households
 - ⑩ For each type of household m which resides in jurisdiction j [†]
$$U_{mj}(*x_{mj}, *h_{mj}, y_j) \geq U_{mk}(*x_{mk}, *h_{mk}, y_k)$$

NOTE: If type m resides in both j and k , then the inequality is replaced by an equation

[†] The asterisks (*) in the expression below indicate optimal (realized) consumption.

Review of Teaser Questions

- ⑩ Questions from previous lectures