



How Does Affordable Housing Affect Surrounding Property Values?

Also see the search protocol at http://stardust.asu.edu/research_resources/research_files/49/73/Search_Protocol.pdf.

Introduction

It isn't enough to ask whether or not affordable housing impacts the property values of surrounding homes. Key to understanding this conundrum is identifying those particular conditions of the housing, neighborhood or regional economy that can depress or, in many cases, even stabilize and strengthen neighboring property values. A clearer delineation and understanding of these conditions enables developers, builders, and public officials to make better informed decisions that will result in better quality affordable housing and the surrounding community as well.

Initial research investigations into the impact of affordable housing on surrounding property values were fraught with methodological inadequacies and statistical flaws. But in the last ten years a number of well-crafted, large-scale, methodologically sophisticated studies have provided more solid footing for their findings. Using multiple regression techniques as well as more sophisticated GIS-enabled spatial analyses, these studies have begun to identify the mediating conditions and factors that influence the relationship between affordable housing and surrounding property values.

Selection of Research Studies

This research synthesis is based on a review and analysis of 21 recent studies measuring the impact of various forms of affordable housing on property values. The selection process is outlined in Table 1. A list of these 21 studies is provided in a separate document on the ASU Stardust Center web page: http://stardust.asu.edu/research_resources/research_files/49/74/List_of_Studies.pdf.

Studies published before 1995 were excluded because of methodological shortcomings that have been highlighted by George C. Galster and Mai Thi Nguyen in their reviews of the research literature. Since these two research reviews were published in 2004 and 2005, several major research studies on the topic have been conducted, particularly in New York City and Boston. These as well as some recent qualitative studies have further expanded, and in some cases substantiated, our understanding of the mediating influence of contextual factors of affordable housing on surrounding property values.

In the research studies reviewed, affordable housing is generally defined as those housing developments which are subsidized so they can sell or rent for less than market value. This includes housing with site-based and tenant-based voucher assistance programs; housing developed with low-income housing tax credits; and public housing. Studies that examine the impact of mixed-income housing on surrounding property values are synthesized in a separate report.

RESEARCH QUESTIONS

- > Under what conditions and circumstances does affordable housing decrease property values?
- > Under what conditions and circumstances does it increase or stabilize property values?

CAVEATS

- > The majority of studies are located in older, east coast cities, and typically in high price markets, such as Boston and New York City. The extent to which findings can be generalized to younger, less dense cities (e.g. Phoenix) or to suburbs is tentative, although a few of the research studies that do examine younger and western cities (e.g. Las Vegas, Denver) have shown similar patterns.
- > Few studies consider the role of race and ethnicity when examining the relation between affordable housing and surrounding property values.

Synthesized Findings

There is no single, unqualified answer to whether or not introducing affordable housing lowers property values of surrounding homes. Rather it depends on a host of contextual conditions: of site, host community, scale and other external factors. However, some major studies in New York City show that in certain circumstances, the magnitude of benefits can be substantial (see, for example, Furman Center’s research). The factors most consistently identified across a number of rigorous research studies include:

1. Replacement: Affordable housing developments that replace depressed conditions—vacant, abandoned properties or other blighted conditions—likely generate more positive impacts on surrounding properties than those developed on vacant land in untroubled neighborhoods. Generally it seems that when affordable housing development is part of a neighborhood revitalization program, benefits accrue to the greater neighborhood.

2. Degree of Concentration of Affordable Housing Units: Up to a certain point, larger affordable housing developments (whether new construction or rehabilitation) result in positive price impacts for nearby homes. In part this may be a factor of the scale and nature of what that housing replaced, as noted above. In many cases, the displaced conditions were deplorable, often vacant, sites; hence a larger housing development translated into greater elimination of those depressed conditions. But some studies also suggest that there may be a *threshold* in terms of scale, particularly for tenant-based subsidy programs, where an overconcentration of units in a neighborhood may result in stagnant or declining property values. What constitutes this threshold number has not been stringently identified in many of these studies, and likely varies by community, and the housing appreciation and economic strength of the target and regional housing markets.

Table 1: Selection Criteria for Research Studies

- Included if published in 1995 or later
- Affordable housing defined as either: public housing, subsidized housing, low-income housing, federally assisted housing, low-income tax credit housing. Can be either rental or homeownership.
- Excluded if affordable housing was mixed-income housing; housing for special populations (such as developmentally disabled, seniors-only assisted housing).
- Includes new developments or rehabilitation of existing developments
- Metric for property values could be: sales price; appraised value; or other property value information of residential property.
- Methodological rigor

3. Host Neighborhood Context: Affordable housing seems least likely to generate negative property value impacts when it is embedded within higher-value, low-poverty, stable neighborhoods and when the affordable housing development is well managed (see below). In comparison, neighborhoods with significant poverty rates and with owner perceptions of vulnerability experienced smaller or no positive price impacts with the introduction of affordable housing developments at low concentrations. In depopulated,

KEY FINDINGS

- > In those studies that do discover depressed property values, the impacts are generally slight and often transitory
- > It is not the affordable housing development *per se* but conditions or characteristics of the affordable housing or neighborhood – and how they interact -- that mediate the impact on property values. Conditions that are well supported by research studies include:
 - Host neighborhood context and compatibility of affordable housing with that context
 - Degree of concentration of affordable housing units
 - Replacement
 - Management
- > Anecdotal factors that are often purported to have an impact but which have *not* been sufficiently examined by research include:
 - Design quality
 - Tenant characteristics

References:

Furman Center for Real Estates and Urban Policy. 2006. *The Impact of Subsidized Housing Investment on New York City's Neighborhoods*. Working Paper 06-02. New York City: Furman Center for Real Estate and Urban Policy, School of Law, New York University.

Galster, George C., Peter Tatian & Robin Smith. 1999. The impact of neighbors who use Section 8 certificates on property values. *Housing Policy Debate*, 10/4: 879-917.

Galster, George C. 2004. The effects of affordable and multifamily housing on market values of nearby homes (176-201). In Anthony Downs, ed. *Growth Management and Affordable Housing: Do They Conflict?* Washington, D.C.: Brookings Institution.

Nguyen, Mai Thi. 2005. Does affordable housing detrimentally affect property values? A review of the literature. *Journal of Planning Literature*, 20/1: 15-26.



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highly distressed neighborhoods, the impacts on values may be more positive where larger numbers of affordable homes have been introduced, although this only had a marginal positive impact in large scale cities like New York City.

4. Management: **Good management makes a difference.** In one major study, good property management coincided with properties developed by non-profit community development corporations, less so with those developed and managed by for-profit developers or public housing authority. This tendency typically occurred in areas with well-established, high quality non-profit organizations such as Minneapolis/St. Paul, New York City, and the Bay Area of California. These nonprofit builders who have been operating successfully for decades may be more attentive to designing affordable housing that matches neighborhoods in terms of size, scale, design and amenities. Also in these instances the housing is usually operated by neighborhood-based organizations that are quicker to respond to community concerns and more in tune with community needs. In sustaining property values over time, many of these non-profits invest more in developing and maintaining features that benefit the broader community than did their non-profit counterparts. However, these developments tended to be smaller in scale than those developed by private developers, and hence it may also be the scale of the development that influences the impact on property values. Scale may also enable a heightened ability to manage the development in a quality manner (particularly in relation to developers' resources.)

Conditions that have been researched and ruled out as impacting surrounding property values either negatively or positively include: **ownership type** (but these studies are predominately examining New York City conditions); **structure type** (single family houses vs. town homes vs. multifamily units; although again this may be a reflection of the cities where many of these studies have occurred, which reflect a diversity of housing types in the study neighborhoods); **type of subsidization** (in particular whether developed as LIHTC development or Section 8 housing).

In addition, there are several factors that are mentioned by architects, developers and policy makers that likely impact property values but that, to date, have little or inconclusive research investigation. A number of anecdotal reports speculate that the **quality and design of the structure** strengthen neighboring property values. However, actual comparisons between poorly or standard design quality vs. well-crafted, high-quality design (and what that consists of) are virtually absent in studies. Other underexamined conditions that have been mentioned as possible factors are **tenant characteristics**, such as race, ethnicity, and household size.

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