

The Impact of Affordable Housing on Property Values

A REVIEW OF KEY STUDIES

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Invariably, there is local opposition to the development of multifamily housing, particularly housing that is targeted for a lower income population. The phrase that is often used to express this opposition is known as NIMBY, meaning “Not In My Back Yard.” Opponents to subsidized housing developments often invoke the likelihood that the new housing will create a number of problems, such as increased traffic, burdens on the local school systems due to an increased student population, the possibility of increased crime, and a fear that property values of neighboring homes will be reduced.

Proponents of multifamily housing typically point out that such criticisms often mask underlying biases and racist attitudes. However, in an effort to assess the extent to which these concerns may have merit, a number of US researchers have undertaken a range of studies.

A thorough review of seventeen research projects that attempted to measure the effect of affordable housing on property values revealed that “the extent to which property values are lowered depends on a variety of factors” that are often independent of the subsidized nature of a particular development or the fact that the development is multifamily. Specifically, the quality of design and management of the housing were among the most important criteria in explaining property value changes. (“Does Affordable Housing Detrimentially Affect Property Values? A Review of the Literature,” Nguyen, *Journal of Planning Literature*, 2005 (<http://jpl.sagepub.com/cgi/content/abstract/20/1/15>).

In an econometric analysis of the impacts of CDC development work on property values, it was found that these groups have “been able to spark a chain reaction of investment that leads to dramatic improvements to neighborhoods.” Specifically, the study showed that “CDC (Community Development Corporation) investments in affordable housing and commercial retail facilities have led to increases in property values “that are sometimes as great as 69 percent higher than they would have been in the absence of the investment.” (“The Impact of Community Development Corporations on Urban Neighborhoods,” Galster, Levy,

Sawyer, Temkin, Walker, Urban Institute, 2005, http://www.urban.org/UploadedPDF/311217_CDCs.pdf).

Another rigorous research study conducted in Massachusetts concluded that the “introduction of large-scale high density mixed income rental developments in single-family neighborhoods does not affect the value of surrounding homes.” The authors concluded that “the fear of potential asset-value loss among suburban homeowners is misplaced.” (“Effects of Mixed-Income, Multi-Family Rental Housing Developments on Single-Family Housing Values,” Pollakowski, Ritchay, Weinrobe, MIT Center for Real Estate, 2005, http://web.mit.edu/cre/research/hai/pdf/40B_report_HAI_0405.pdf).

A highly respected analyst from NYU both reviewed existing studies as well as carried out an investigation in New York City. The study concluded: “The evidence clearly fails to support the notion that subsidized housing will, as a general matter, depress neighborhood property values or otherwise undermine communities, the neighborhood impacts of subsidized rental housing will differ depending on where it is built, the scale of the development, the characteristics of its tenants, and the nature of ownership and management.” (“Spillovers and Subsidized Housing: The Impact of Subsidized Rental Housing on Neighborhoods,” Ellen in Retsinas and Belsky, eds., *Revisiting Rental Housing: Policies, Programs and Priorities*, Brookings Institution Press, 2008).

Between January and April 2009, a group of four graduate students working under my direction at Tufts University examined four affordable housing developments built under the guidelines of Massachusetts, Chapter 40B² that had been strongly opposed by local

The Impact of Affordable Housing on Property Values: A Review of Key Studies, prepared by Rachel G. Bratt, (rachel.bratt@tufts.edu) Professor, Department of Urban and Environmental Policy and Planning, Tufts University, Compiled October 2009, and distributed through the Community Development Banking List, an active, free, ongoing e-mail discussion resource, <http://www.communityinvestmentnetwork.org/CDB-L/>



Affordable Housing — Why NOT in My Back Yard?

residents or town officials. They reviewed the arguments that were presented before the developments were built and they assessed the outcomes some 2-3 years after the buildings were occupied. We were interested in determining the extent to which the fears and concerns that had been articulated when the developments were proposed, actually materialized.

Interviews with over 40 individuals who were knowledgeable about the developments revealed that none of the predicted negative outcomes and fears materialized. The buildings are attractive, environmental impacts have been negligible, municipal services have been able to meet the increased demand, traffic problems have not occurred, site planning has maximized open space, and property values have not decreased. While at least one development contributed to an increase in the number of students in the school system, pre-construction estimates were far higher than the actual outcome. Moreover, these additional costs are partially or fully offset by the property taxes paid by the development. Finally, there is no evidence that the new residents of the developments have created adverse social conditions in the community.

The cases also revealed how the 40B process provides significant opportunities for residents to voice their concerns and for developers to work through these issues with town officials, resulting in high quality housing that serves community needs.

Further, there is evidence that the controversies surrounding the development of the 40B projects have contributed to a better understanding of the need for communities to provide a diverse set of housing opportunities, particularly for town employees and lower income households (“On the Ground: 40B Developments

Before and After,” DeGenova, Goodwin, Moriarty, Robitaille, Tufts University, 2009, http://ase.tufts.edu/UEP/Degrees/field_project_reports/2009/Team_4_Final_Report.pdf).

To the extent that there are legitimate concerns about the impacts of new housing on school costs, an innovative program being pioneered in Massachusetts, known as Chapter 40S, will provide state subsidies to cover any net new school costs created by new affordable housing development, built under a companion piece of legislation known as Chapter 40R.

So, in summary, it appears that if housing is well designed, fits in with the surrounding neighborhood, and managed well, there are no negative impacts of affordable housing on the property values of neighboring single family homes. In addition, in view of the serious need for affordable housing, the public sector can play a positive role in providing local governments subsidies to cover any additional costs that accompany the new housing. ✍

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2. Chapter 40B enables local Zoning Boards of Appeals (ZBAs) to approve affordable housing developments that do not conform to existing zoning if at least 20-25% of the units have long-term affordability restrictions. Enacted in 1969 to help address the shortage of affordable housing in Massachusetts, 40B is aimed at overcoming local barriers to the development of affordable housing, such as large minimum lot sizes and no zoning for multi-family housing. If a city or town does not have at least 10% of its housing stock as affordable, the state Housing Appeals Committee can override the local ZBA and a comprehensive permit may be issued, allowing the development to be built. As of late 2009, over 56,000 units had been developed, under Chapter 40B, with nearly one-half affordable to households earning less than 80% of area median income. For more information see: <http://www.chapa.org/?q=chapter40B>

Studies Reviewed in This Article

- * “Does Affordable Housing Detrimentally Affect Property Values? A Review of the Literature,” Nguyen, Journal of Planning Literature, 2005 (<http://jpl.sagepub.com/cgi/content/abstract/20/1/15>)
- * “The Impact of Community Development Corporations on Urban Neighborhoods,” Galster, Levy, Sawyer, Temkin, Walker, Urban Institute, 2005, http://www.urban.org/UploadedPDF/311217_CDCs.pdf
- * “Effects of Mixed-Income, Multi-Family Rental Housing Developments on Single-Family Housing Values,” Pollakowski, Ritchay, Weinrobe, MIT Center for Real Estate, 2005, http://web.mit.edu/cre/research/hai/pdf/40B_report_HAI_0405.pdf
- * “Spillovers and Subsidized Housing: The Impact of Subsidized Rental Housing on Neighborhoods,” Ingrid Gould Ellen in Retsinas and Belsky, eds., Revisiting Rental Housing: Policies, Programs and Priorities, Brookings Institution Press, 2008
- * “On the Ground: 40B Developments Before and After,” DeGenova, Goodwin, Moriarty, Robitaille, Tufts University, 2009, http://ase.tufts.edu/UEP/Degrees/field_project_reports/2009/Team_4_Final_Report.pdf

