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Does Mixed-Income Housing Affect Surrounding Property Values?

Also see the search protocol at *http://stardust.asu.edu/research_resources/research_files/53/99/Search_Protocol.pdf*

Introduction

In the last couple decades, there has been momentum among housing policymakers, practitioners and advocates to press for mixed-income housing developments as the preferred model for developing affordable housing. Nowhere is this more prominent than in the U.S. Department of Housing and Urban Development's HOPE VI program, having allocated about $6.25 billion between 1993 and 2006 for the demolition and redevelopment of distressed public-housing projects into mixed-income housing developments. Newly-constructed mixed-income housing has also been constructed by for-profit and non-profit developers (and partnerships between these), using a variety of financing mechanisms and in some cases spurred on by inclusionary zoning regulations. Mixed-income developments have raised hopes of social integration and advancement, neighborhood stabilization, better quality living arrangements for lower-income households, and greater community acceptance of affordable housing. There is growing research on the impact of mixed-income developments, particularly HOPE VI, on these factors (for example, see Popkin and colleagues, 2004; Joseph, 2006). Much less investigation, yet still important, is the impact that mixed-income housing has on surrounding property values. This synthesis report looks at the research addressing this question.

Selection of Research Studies

This research synthesis is based on a review and analysis of 6 recent studies measuring the impact of various forms of mixed-income housing on property values. The selection process is outlined in Table 1. A list of these studies is provided in the end of this report.

Table 1: Selection Criteria for Research Studies

- Included if published in 1995 or later
- Mixed-income housing including HOPE VI developments. Can be either rental or homeownership.
- 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
- Excluded if not reflecting the US context.

As the number of selected studies suggest, research on the impact of mixed-income housing on surrounding property values is limited. Among the studies reviewed, 3 of them focused on a unique context, i.e. mixed-income, multi-family housing developed under Massachusetts' Chapter 40B local zoning overrides. These studies expanded our understanding of the possible impact of that kind of inclusionary zoning developments on strong housing markets, such as the Greater Boston Area. Two other studies used nation-wide HOPE VI cases to explore their property value impacts, but limited availability of data on such developments decreases the generalizability of the findings to other contexts.

In the research studies reviewed, mixed-income housing is generally defined as those housing developments containing units that are affordable to households with different income levels. This includes inclusionary zoning practices, HOPE VI developments, mixed-finance redevelopments, and mixed-income, age-restricted housing.

Synthesized Findings

Given the limited number of research studies and unique circumstances of particular types of mixed-income developments, synthesized findings are separated below for type of development.

Massachusetts' Chapter 40B Developments

Commonly referred to as the Commonwealth's affordable housing law, Chapter 40B is a Massachusetts' statute that exempts builders from local planning and zoning laws if they build housing with at least 25% of the units classified as affordable. The rest can be sold or rented at market prices. But these rules only apply in communities where less than 10-percent of all housing is affordable. Since its passage in 1969, an estimated 50,000 homes have been constructed under this statute.

Three high-quality research studies (Pollakowski et al, 2005; Ritchay & Weintrobe, 2004; and Schuur, 2005) examined the impact of high-quality, multi-family mixed-income rental developments on single family homes in a very strong housing market—the Greater Boston Area. None of these studies found a negative impact on property values. Even in one case, the impact was positive. However, these findings are not generalizable to younger, less dense cities with stagnant or declining housing markets.

HOPE VI Developments

Initiated in 1992, the HOPE VI program is one of HUD's most significant efforts to transform public housing. Key to HOPE VI is: changing the physical shape of public housing; establishing positive incentives for resident self-sufficiency and comprehensive services that empower residents; lessening concentrations of poverty by placing public housing in non-poverty neighborhoods and promoting mixed-income communities; and forging partnerships with other agencies, local governments, nonprofit organizations, and private businesses to leverage support and resources.
Another branch of research examining the impact of mixed-income housing on neighboring property values examines HOPE VI developments (Bair & Fitzgerald, 2005; Turbov & Piper, 2005). Replacing poorly maintained and managed public housing projects, these developments with rental and for-sale units were found to positively affect property values. These studies use

CAVEATS

- All studies examined the impact of multi-family mixed-income developments on property values of surrounding single-family homes.
- The difference that certain characteristics of the mixed-income development may make (e.g. building type; proportion of income mixing; size of mixed-income developments) are unclear given how few studies looked at these factors. But in one study (MacDonald 2007), positive effects were observed in 56-unit row houses with 29% affordable units, whereas negative impacts were found in 100+-unit, multi-story buildings with 40% affordable units. These findings are not conclusive, but suggest a possible influence of these factors.
- Most of the HOPE VI developments studied were newly constructed, high-quality developments, and frequently replaced distressed housing conditions. Without adequate comparison groups (e.g. newly-constructed, high-quality affordable-only housing developments), it is unclear to what extent these effects are the result of replacement of mixed-income developments or any improved housing development regardless of income level of residents.

nationwide cases, but are limited in the sense that most projects were still under construction during the time of study, and differences may ensue after a development is well-established. The data used in these studies are limited to census data, and depend on census home values or assessed values, rather than actual sales prices.

Low-Income Housing Tax Credit (LIHTC)

Using a quasi-experimental research technique in studying three mixed-income LIHTC developments over a 6-year period in Polk County, Iowa, MacDonald and colleagues' (2007) findings suggests a possible difference in mixed-income housing's impact on the surrounding neighborhood in the early years of the developments versus the later years. They found no significant effect during the first year or two, followed by positive effects on property values after 3 and 4 years. While the overall impact was positive, the results showed variation among studied developments—slowing growth rate versus accelerating values. The number of cases and the regional context limits the ability to generalize the findings or examine the reasons behind these variations.

List of Studies:

Bair, Edward and John M. Fitzgerald. 2005. Hedonic estimation and policy significance of the impact of HOPE VI on neighborhood property values. *Review of Policy Research*, 22/6: 771-786.

MacDonald, Heather and colleagues. April 2007. *Housing's Economic and Social Impacts.* A Report to the Iowa Finance Authority.
http://www.ifahome.com/documents/filelibrary/Economic_Impact_Final.pdf

Pollakowski, Henry O. and colleagues. 2005. *Effects of Mixed-Income, Multi-Family Rental Housing Developments on Single Family Housing Values.* Cambridge, MA: MIT Center for Real Estate.
http://web.mit.edu/cre/research/hai/pdf/40B_report_HAI_0405.pdf

Ritchay, David J. and Zoe R. Weintrobe. 2004. Fear and loathing in Massachusetts: Chapter 40B, community opposition, and residential property values. Master's thesis, MIT.

Schuur, Arah. 2005. The Impact of Multifamily Development on Single Family Home Prices in the Greater Boston Area. Master's thesis, MIT.

Turbov, Mindy and Valerie Piper. September 2005. *HOPE VI and Mixed-Finance Redevelopments: A Catalyst for Neighborhood Renewal.* Washington, D.C.: The Brookings Institution. *http://www.brookings.edu/~/media/Files/rc/reports/2005/09metropolitanpolicy_piper/20050913_hopevi.pdf*

References:

Popkin, Susan and colleagues. May 2004. *A Decade of Hope VI: Research Findings and Policy Challenges*. Washington D.C.: The Urban Institute and The Brookings Institution.

Joseph, Mark L. 2006. Is mixed-income development an antidote to urban poverty? *Housing Policy Debate*, 17/2: 209-234.

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