

Research and Analysis to Address Questions Regarding Multifamily and Rental Housing



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In response to inquiries from area communities, the following review of the literature on the impacts of market-rate and affordable multifamily rental housing on communities' attempts to address the following questions:

- 1) **Does multiple family rental housing support the service demands it creates?**
- 2) **Is there a relationship between housing density and negative community impacts?**
- 3) **Is there evidence that neighborhoods or multifamily developments are more stable and lasting when multi-family and/or rental housing units are below a particular threshold as a percentage of total units in an area?**
- 4) **What strategies assure lasting quality in multifamily living environments?**

Executive Summary

The following points summarize the existing research on these subjects as they relate to multifamily housing development. Many questions depend heavily on local context, and a deeper analysis of this context will require further research.

Impact on Local Government Revenues and Demand for Services

- Multifamily apartment developments often pay a higher property tax rate than single-family homes, but their small size sometimes offsets that revenue.
- Fiscal impact analyses show wide variation in fiscal impact of multifamily rental housing, depending on mix of incomes targeted and types and configurations of housing developed.
- Multifamily housing tends to have less impact per unit on local school districts than single-family housing.
- Higher residential densities can lower the per-unit cost of housing development and can avoid some future expenses on roads and utilities.
- Research is lacking on the long-term fiscal impacts of multifamily housing.

Negative Impacts

- Very little research has been done on the neighborhood effects of market-rate multifamily rental housing.
- Affordable housing does not tend to have sizeable negative impacts on surrounding neighborhoods and may, in many cases, lead to increases in nearby property values.
- Certain types of multifamily housing tend to have more impacts than others; effects are not consistent across development types.
- Emergency services demands of multifamily housing do not differ substantially from single-family housing on a per-unit basis, although the types of calls and services needed may change.

Neighborhood Stability and Housing Mix

- Homeowners are more likely to engage in social and community organizations in their neighborhoods and are more financially invested in their communities.
- Other measures of social interaction show that renters do not differ substantially from homeowners.
- Mixed-tenure housing tends to have more positive neighborhood effects when ratio of owned to rented units is higher.
- Modest increases in homeownership rates may have positive effect on property values in neighborhoods with low homeownership rates, but large increases are likely to see diminishing returns.

Lasting Quality

- Higher-density housing positively affects neighborliness when good public spaces are present.
- Good management, good tenant selection, proper site selection, and attractive landscaping likely have much more influence on creating lasting quality than the type of housing.

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- 6) **Is there a relationship between housing density and negative community impacts?**
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- 8) **What strategies assure lasting quality in multifamily living environments**

Definition of Terms

Communities in Dane County have expressed interest in the neighborhood and fiscal effects of multiple-family housing. To that end, a definition of terms will help effectively summarize existing research and perform preliminary local analyses of the issue. Below, the following terms are explained: market-rate multiple-family housing, neighborhood effects (negative impacts), neighborhood stability, and lasting quality.

Market-Rate Housing

- Housing that is not subsidized directly or indirectly by public funds.
- Which market and which rate depend on market analysis, which usually includes the following factors:
 - Regional context – demographic and economic data at various scales.
 - Target market area – travel time from employment, transit and highway links, existing and anticipated development, socioeconomics, physical barriers, and political subdivision.
 - Competitive market area – projects that potential consumers would consider comparable to any given development.
 - Demand factors – employment increase/decrease, population change, number and type of households, and trends in income.
 - Supply factors – number, type, and price ranges of comparable units and projects, regional development pipeline, niche markets or products, and capture and absorption rates (Schmitz, 2000).

Multiple (Multi)Family Housing: structures that contain two or more separate housing units not separated by a ground-to-roof wall (U.S. Census Bureau, 2013).

Neighborhood Stability: the sum of a number of factors related to individual and collective behaviors and attitudes within a geographic area defined as a neighborhood, including:

- Social conditions in the neighborhood, like dropout and crime rates.
- Length of tenure of current residents.
- Property values.
- Physical condition of properties (Rohe and Stewart, 1996).

Neighborhood Effects (research term for “negative impacts”):

- Social-Interactive – contagion, socialization, networks, cohesion and control, relative deprivation, and parental mediation.
- Environmental – exposure to violence, physical surroundings (including decayed infrastructure) and noise.
- Geographical – spatial mismatch (poor accessibility/proximity to job opportunities), and poor public services.
- Institutional – stigmatization, local institutional resources (or lack of access to), and local market actors (fresh food markets vs. fast food, wine shops vs liquor stores, etc.) (Galster, 2010).

Questions

1) Does multiple family rental housing support the service demands it creates?

The question of the fiscal impact of a particular housing type must be understood more broadly in the context of the local budget. In Wisconsin, local governments are heavily dependent on property taxes to fund their operating and capital expenses (Wisconsin Legislative Briefing Book 2015-2016). They are constrained by state law in how much they can raise property taxes, and because state aid has been generally declining for decades, the fiscal performance of property has become increasingly important (Wisconsin Legislative Fiscal Bureau, 2013). These institutional limits and constraints doubtless shape communities' interest in assessing the fiscal performance of different land uses as they plan for the future.

While residential properties contribute to local coffers through property taxes, special assessments, impact fees, and the spending power of inhabitants, they also draw on public resources. Housing requires extension of public utilities, including sewer, water, gas, electricity, and roads, and residents exert demands on the local transportation system. Moreover, households with children impact the local school district, and additional housing often necessitates increased local funding for police, fire, and emergency medical services. Existing research on the extent to which multiple family rental housing supports the services it demands is explored below.



Multiple Family Housing and Fiscal Impact

Property Tax and Fiscal Impact

Nationally, market-rate multifamily tends to pay a higher rate of property taxes compared to detached single-family homes, by as much as 18% (Goodman, 2006). According to the National Association of Home Builders, the revenues generated by 100 new, occupied market-rate apartments can be expected to exceed their costs to the public by \$92,000 over several years following completion (Wardrip, Williams, and Hague, 2011). While apartments obviously have a lower assessed value per unit due to their size and lack of private amenities one might find on a large-lot single-family house, multifamily apartments often end up contributing more in property taxes per acre because of increased density and because apartment buildings are often taxed as commercial property (Goodman, 2006).

Because different states have different rules governing tax revenues, these national statistics may or may not hold true locally. Wisconsin's uniformity clause ensures that residential and commercial properties are taxed at the same rate, but different valuation methods can make comparisons across different housing types tricky. For example, apartment buildings with over four units are taxed as commercial property with value determined based on income per unit, while single-family homes and small multifamily developments are assessed using a comparable sales technique. As a result, comparing the tax revenue from a single apartment dwelling and the tax revenue from a detached single-family home can be misleading in a fiscal impact context (Paulsen, 2015).

Locally, fiscal impact studies show mixed results for multifamily housing depending on the type of analysis performed. A fiscal impact analysis performed in 2001 by Tischler & Associates for the City of Sun Prairie examines the effects of three growth scenarios on the municipal budget: a continuation of existing land use trends, a “high employment” scenario based on growth in commercial land development, and a “residential mix” that leans more heavily toward single-family residential development. It concludes that a unit of multifamily housing in Sun Prairie represents a net expenditure of \$464 per year, while the average single-family house gains the city \$90 in revenue. This estimation is based on assessed property value and approximate cost per unit of delivering city services.

The analysis, however, does not address the area occupied by each housing unit type or the budget efficiencies of more compact development patterns. For example, multifamily units can be situated in a variety of configurations and densities that impact the efficiency of services delivered. Adding one additional unit of multifamily to a building or development can be accomplished at very low incremental infrastructure and service costs, while an additional single-family house in a suburban-style development costs roughly the same in infrastructure and services as the others. Additionally, this analysis is limited in scope to the city budget of Sun Prairie. As such, it does not address water and wastewater capital expenses (funded through an Enterprise Fund mechanism) or stormwater management capital projects, which are funded through a separate stormwater utility. It also does not address school district expenses.

In the Village of Shorewood Hills, Vierbicher (2010) found that a mixed-income development proposed in the village could end up with a per-unit cost of \$44 or a per-unit net revenue of \$223 per unit depending on the mix of market rate and affordable units constructed. Obviously, a greater number of market rate units increases the assessed value and hence the property tax revenue to the city, and a 100% market-rate rental development in Shorewood Hills would have the most positive impact on property tax revenues.

An important caveat in the use of fiscal impact analyses must be noted. While they often serve an important role in helping communities make basic financial decisions, they generally only study the project in question and do not factor in the economic development effects (both positive and negative) of new multifamily workforce housing. For example, in the Sun Prairie analysis described above, the fiscal impact of children of new residents is calculated based on estimated expenditures. However, if the projected growth in employment and new businesses materializes, those new employees need a place to live at a price that is affordable to them. This needed workforce housing might take a variety of forms depending on the type of business. The fiscal impact analysis (like most others) is not designed to address these complex relationships and thus should not be used as the sole determining factor in whether a community should build more multifamily housing.

School Districts

One of the chief concerns with multifamily residential development is its impact on the local school district. This is especially evident in a smaller community where development could have a larger proportional impact on services and schools than it does in a larger city like Madison. Communities worry both about the raw number of students and about the percentage of students needing free or reduced lunch. Research indicates, however, that the demographics of a community matter much more to the school district than the type of dwelling units present. Obrinsky and Stein (2007) use figures from the National Multifamily Housing Council (NMHC) to point out that, on average, single-family owner-occupied houses have far more children than apartments do. Roughly two apartment-dwelling households would therefore be expected to have the same financial impact on schools as one household in a single-family dwelling.

Number of Children per 100 Housing Units

	Single Family	Apartment
Overall Average	51	31
New Construction	64	29
High Income Apt	-	12
Low Income Apt	-	37

Source: National Multifamily Housing Council tabulations of American Housing Survey data

In a scenario planning exercise developed by the Capital Area Regional Planning Commission (CARPC) for the City of Stoughton, staff used demographic data from the U.S. Census at the block group level and geospatial land use data to determine average household size and average number of school-aged children per unit for different housing types. For this particular community, single-family housing units averaged 2.54 persons per household with 0.66 children per unit, duplexes averaged 2.25 persons per household and 0.5 children, and multifamily housing averaged 1.8 persons per household and 0.27 children. These data were used to inform the number of units and land demand associated with different future development scenarios. Once these dwelling unit types were scaled up to the neighborhood level, the study found that small multifamily buildings contributed more children per acre than single-family detached homes, as density more than made up for the smaller household size. Large multifamily developments contributed the most children per acre despite the lower average number of children per unit, but not significantly more than townhouses and other single-family attached units.

	Density du/ac	Children per Unit	Children per Acre
Residential			
Single Family Rural	1	0.66	0.7
Single Family Larger Lot	3	0.66	2.0
Single Family Stoughton Avg Lot	4.5	0.66	3.0
Single Family Compact Lot	7.25	0.66	4.8
Two Family	12	0.50	5.9
Townhomes/Row Houses	18	0.50	8.9
Apartments 2 Surface	24	0.27	6.5
Apartment 3 Structured	36	0.27	9.7

Source: CARPC

There was no attempt to cost this difference out to the school district, so the potential impact on the district's finances cannot be stated for certain. However, it should be noted that more dense developments that house fewer children on average also contribute a higher proportion of taxpayers – adults – than the single-family homes. The question of children per acre and children per unit and the impact of those proportions on funding for local schools requires further detailed study. The research behind this planning tool demonstrates that, in Stoughton, as in other areas of Dane County, current multifamily housing tends to have smaller household size and fewer children per unit but more children per acre compared to single-family housing. Using this more local data, the Stoughton School District could expect 33 new students from 50 single-family homes and only 14 students from 50 new units of multifamily housing.

Free or reduced lunch is provided through local schools to children whose families' incomes are at 130% or less of the federal poverty line. School districts must get reimbursed from the federal government, and these reimbursement rates are higher for free lunches than for reduced cost lunches. Statewide, the average school lunch costs \$3.16 per lunch served, and districts are reimbursed for free lunches at a rate of \$2.98 per student served. There is substantial variation in costs across regions and school districts, but on average, communities might expect to pay \$0.18 per student for free lunches provided and \$0.58 per student for reduced cost lunches after reimbursements are factored in. As a result, districts may see additional strain on their budgets if a greater percentage of the student population needs free or reduced lunch. In a rudimentary statistical analysis, one out of every five Dane County family households who rent is likely to be below the poverty line. Using the Stoughton data above, 50 units of multifamily housing are likely to cost the school district an additional \$454 to \$1,462 per year depending on the mix of free and reduced lunch. Whether this potential cost outweighs the potential savings of fewer overall children depends on the specifics of a school district's budget, but there are both positives and negatives to multifamily housing from a school district budget standpoint.

Dane County has an abundance of one- and two-bedroom apartments, while rental units with three or more bedrooms, which would be more appropriate for families with many children, are uncommon. Average household size has been dropping for a number of years and is projected to continue doing so as the baby boomer generation ages out of the workforce and as younger residents continue to delay having children. While the drop in household size is expected to level off and perhaps even reverse slightly in approximately 15-20 years, the effects of the current trends in household size will be felt for at least a generation (CARPC: Housing and Housing Trends, 2011). These larger demographic forces are likely to limit the number of larger, market rate multifamily units built in Dane County and beyond in the short and medium term.

Cost of Infrastructure

At the regional level, some evidence suggests that more rental housing, and thus higher residential densities, lowers the per-unit cost to local governments. Bollinger, Berger, and Thompson find that, between 1987 and 1997, the most sprawling counties in Kentucky had the highest average per-housing-unit costs for police, fire, highway, schools, sewer, and solid waste services, while counties with more concentrated housing had the lowest per-unit costs (2001). In a review of the literature, Frank (1989) observes that the per-unit cost of providing public infrastructure and services to new residents is up to three times higher for large-lot, single-family development far from the city center compared to the densest, most centralized apartments. These studies, while important, do not account for local variations in demographic trends, household size, construction costs, and other factors.

While studies specific to communities in Dane County are few, those that do exist show that compact multifamily development is a more efficient use of public infrastructure than less dense single-family housing. For example, CARPC undertook a scenario planning effort for the North Mendota Future Urban Development Area study to examine the fiscal effects of different development scenarios. Staff found that dispersed housing at 4.5 units per acre would cost \$18,000 per new resident to extend roads, while more compact, multifamily-oriented development would cost 40% less and save area taxpayers \$200,000 per year in the long run.

A 2005 fiscal impact analysis performed by the Dane County planning division for the Village of Mount Horeb shows some of the savings associated with denser, more compact development with more multifamily housing. This study estimates the total net cost to the village of multifamily housing to be around \$642 per unit, compared to \$959 per unit for single-family housing. While multifamily housing underperforms on revenue collection in this analysis, it overperforms on cost of services and can have a smaller burden on the school district's finances, depending on which types of units are built and how tenants are selected, leading to a smaller overall cost to the village.

Time Element

The fiscal question of multifamily rental housing also requires thinking about the next 30 years in addition to next year's local budget. How well will different housing unit types hold their value in the future? What demographic and societal changes might help determine what housing looks like going forward?

According to this review of the literature, there is not as of yet a body of research that examines the long-term effects of market-rate multifamily rental housing on local budgets and on the demand for services. Any measurable long-term effects are likely to be difficult to discern due to the complexities of how local governments interact with a regional job and housing market.

All these examples, which present different conclusions based on differing objectives and assumptions, highlight the need for in-depth local analysis of expenses, revenues, and externalities imposed. Only a comprehensive fiscal impact study can adequately determine the likely fiscal impacts of different housing type mixes

2) Is higher density correlated to more negative impacts?

Negative Impacts on Property Values

A chief fear of existing neighborhood residents is possible decreases in their property values as a result of multifamily rental development. The effects of market-rate multiple family housing on property values in nearby neighborhoods have not been researched to the same extent that the effects of subsidized multifamily housing have. The rich research and analysis of the effects of "affordable" housing, however, can still be instructive. Because affordable housing would be generally expected to generate less property tax revenue for local government, any market-rate multifamily rental housing would be expected to perform better and have fewer negative impacts than affordable housing. As such, the negative impacts of affordable housing might form a useful impacts baseline for any other form of housing development.



Scholars and policy institutes have been studying the effects of affordable housing on neighborhoods for more than 50 years. Inherent flaws and shortcomings in some of the early research, between the 1960s and the late 1990s, render studies like these less useful for decision makers. Galster (2004) identifies a body of research from this era whose conclusions about the effects of affordable housing are suspect due to lack of control of selection bias and use of trend-masking averages, among other methodological issues. Later studies use the more reliable difference-in-difference approach.¹ The following research uses variations of this more sophisticated approach, although there are limits on each study's usefulness in specific cases.

¹ Increasingly sophisticated so-called "difference in difference" analyses of the effects of multifamily housing compare different neighborhoods that were and were not home to multifamily housing development and control for larger market effects and demographic differences in order to determine if pre- to post-development price changes in a neighborhood can be linked to that development and not to broader trends or idiosyncratic neighborhood effects. In contrast, previous research typically relied on "control area," which simply compared price levels in similar neighborhoods, "pre/post," which examined prices in comparable neighborhoods before and after multifamily development, and "cross-sectional," which use census tract-level data to build a regression model to attempt to explain changes in price.

The preponderance of evidence from across the country indicates that affordable rental housing has no measurable effect or a very small effect, sometimes in the positive direction, on the property values of nearby residents. Using a repeat-sales method to track the same properties over time, Green, Malpezzi, and Seah find that, in Madison, proximity to Section 42 housing was correlated positively with increases in property values; Waukesha and Ozaukee Counties showed no significant difference; Milwaukee showed slightly negative correlation, with the relative drop disappearing quickly (2002). Ellen (2007), meanwhile, shows that Section 202 and Low Income Housing Tax Credit programs lead to increases in property values in the surrounding community, while Section 8 and public housing lead to reductions that diminish or disappear over time. Since Section 202 and LIHTC developments often include a mix of incomes, their boost to property values is more in line with what one would expect from 100% market rate multifamily development.

In a study of affordable housing developments in suburban Boston, researchers deliberately chose seven projects with the highest densities, largest buildings, and greatest potential for negative effects. Their modeling of comparative house price indexes demonstrates that, in these seven cases, the introduction of large-scale, high-density mixed-income rental developments in single-family neighborhoods did not affect the value of surrounding homes (Pollakowski, Ritchay, and Weinrobe, 2005). A downside of this study is that the analysis period for each project was three years, which encompassed proposal and planning periods and may not indicate prolonged success. Nevertheless, research has failed to find consistent evidence of negative impacts from affordable rental housing. Given the expectation that negative effects on property values would be greater for affordable housing than for market-rate housing, there is little evidence to suggest negative impacts on neighborhood property values from market-rate multifamily housing, all other things being equal.

One study (Schwartz, Ellen, Voicu, and Schill, 2003) looks at the performance of properties near affordable housing developments in New York City before as well as one, three, and five years after completion relative to other areas within the census tract but not proximate to the developments. Since certain types of affordable housing tend to be located in lower income areas, those developments started at a lower price point relative to control neighborhoods. However, this difference diminishes over time, suggesting that in the medium term (five years out), high-quality affordable rental housing actually helps its immediate surroundings gain value faster than the rest of the neighborhood. This finding is consistent with other research: affordable rental housing tends to have small effects that largely dissipate over time.

Ellen, Schwartz, Voicu, and Schill (2007), also investigating subsidized housing in New York City, find that multifamily housing for elderly people tends to have more positive impacts and engender less opposition than low-income family housing. They reveal that neighborhood effects vary substantially by program type and by the site selection involved in each program. Additionally, they find that certain types of subsidized housing tend to be built in areas that already have higher poverty and other risk factors. They conclude that effects on nearby properties, whether positive or negative, are small, and that the marginal impact of each additional unit diminishes. This suggests that tenant type, site selection, and management regime may have a bigger impact than unit type. However, these two studies focus on New York City, which limits their generalizability.

In conclusion, most modern studies of the adverse impacts of affordable housing on neighborhoods and property values find that effects are likely to be small and may even have positive impacts. Affordable multifamily housing is likely to have the least negative impact when dispersed in smaller developments in neighborhoods that have higher incomes and lower unemployment, while struggling neighborhoods might see either positive or negative impacts depending on the size of a development and what it replaces. Most of these studies, however, examine unique cases in larger communities and engage specifically with different forms of affordable housing rather than with market-rate multifamily.

Negative Impacts on Crime and Emergency Services

In terms of impacts on emergency services, a study conducted by Vierbicher for the Village of Shorewood Hills analyzed the number and type of emergency calls in the village and in mixed-income developments around the Madison area similar to what had been proposed in the village. The consultants found that the number of calls per unit for fire and emergency medical services did not differ substantially between the village and comparable developments. Shorewood Hills currently records much higher numbers of police calls per unit than area mixed-income developments, although the type of call is expected to shift somewhat with the introduction of higher-density rental housing (2010).

Li and Rainwater (2000) use GIS analysis to examine the determinants of crime in census tracts. Their analysis shows that socioeconomic status as determined by income, unemployment rate, household size, and education, rather than unit density or presence of multifamily rental housing, correlates more strongly with crime rates. It reinforces the conclusion of others previously mentioned that the relative presence of multifamily rental housing has, at best, a small effect on crime rates compared to other factors. This study also echoes the Shorewood Hills study in finding that different types of crime are associated with differences in housing type and socioeconomic indicators. A major weakness of this study is that it is purely correlative; lack of a time element or control groups makes it impossible to determine the presence or direction of causality.

3) Is there evidence that neighborhoods or multifamily developments are more stable and lasting when multifamily and/or rental housing units are below a particular threshold as a percentage of total units in an area?

Isolating housing type as a causal or even correlative factor relative to neighborhood stability or longevity is a tall order. Many different factors work together to affect neighborhood stability. The question of how market-rate multifamily housing may or may not impact neighborhood stability has not been studied in great detail. Despite a lack of research on the topic, an examination of the evidence on multifamily rental and single-family owner residents is in order.

Very little research has been done that would suggest an “optimal” ratio or threshold of single to multiple-family households. Existing research on the topic focuses largely on subsidized multifamily housing and on ratios within particular development projects. Schwartz, Ellen, Ellen, and Voicu (2003) investigate the performance of properties within 2,000 feet of subsidized housing developments under various federal housing programs. They find that larger developments have a larger positive impact that diminishes more quickly as one gets further from the project site. They also find that developments with a smaller percentage of rental units as opposed to owner-occupied units have a larger positive impact. However, this research is confined to subsidized housing in New York City, and effects or lack thereof observed here may not be relevant to smaller and more suburban communities. Additionally, they use 10% and 55.5% rental units as the bases of comparison, too wide and coarse a variation to be of any use to other communities. Part of the reason for this wide split could be the relative lack of mixed-tenure housing with relatively even splits between rental and owned housing units in the study community. As the Center for Housing Studies puts it, the answer to what constitutes an acceptable concentration of affordable housing is often, “it depends.” This observation likely rings true for market-rate multifamily housing as well.



However, existing research can highlight some of the differences between homeowners and renters. Obrinsky and Stein (2007) summarize research on the social ties of apartment dwellers and homeowners with the observations that apartment dwellers are:

1. Twice as likely to socialize with neighbors;
2. Just as likely to be involved in structured social groups;
3. Less likely (44% vs 55%) to attend religious services;
4. Close to as likely to closely identify with the town or city;
5. Less likely to feel “close to” neighborhood they live in;
6. Just as likely (66% vs 70%) to be interested in politics and national affairs); and
7. Less likely to vote in local elections.

Rohe and Stewart (1996) find a positive association between homeownership and housing tenure. Census tracts with a higher proportion of homeowners have a lower turnover rate. Factors also related to lack of mobility, like low income, also affect tenure, and these factors may have a mitigating effect on neighborhood health in long run, and the researchers caution against assuming that tenure and stability are one and the same. They estimate that modest increases in homeownership rates may have slight positive effect on property values in long run in areas with lower homeownership but that large increases are likely to see diminishing returns. Empirical evidence suggests that homeowners are more likely than renters to participate in social organizations, even after controlling for income, education, and other socioeconomic characteristics. Evidence also supports relationship between homeownership and informal participation and between homeownership and “neighborhood commitment,” although the evidence is not as plentiful or strong as for formal participation (1996).

In summary, a higher rate of homeownership is correlated with higher levels of social interaction. However, the relationship is not universal, and some evidence hints at the importance of wealth and socioeconomic status. No preponderance of evidence points to some sort of optimal threshold of rented versus owner-occupied housing in a neighborhood or community, as that threshold, if it exists, would likely depend heavily on local context.

4) **What strategies assure lasting quality in multifamily living environments?**

Research into the lasting effects of multifamily rental housing identifies public amenities and quality of maintenance and management as key elements of quality multifamily environments. The Urban Land Institute (2000) identifies travel time from major employment centers, ease of access to the transportation system, existing and anticipated patterns of development, and socioeconomic composition as key factors in market success for multifamily housing. Fox, Fox, and Marans (1980) reveal that density positively affects neighborliness when quality public spaces are present and negatively when they are absent.



Nelson and Moody (2003) examine all homes sold in a suburban Atlanta county in the 1990s as well as 158 separate apartment developments. They find that, within a half-mile radius, house prices near these apartment buildings are higher than those further away. They hypothesize that properly executed apartment buildings can create value in an area and can lead rather than follow on price increases and state that, “if located properly with attractive landscaping and entryways, adverse price effects can be minimized and sometimes can add value. In the long term, such apartment complexes probably raise the overall value of detached homes relative to their absence.” Ellen (2007) finds that proper management of affordable housing can have a significant impact, especially when undertaken by a nonprofit organization with significant local ties to the neighborhood.

According to the Center for Housing Studies, which summarizes most of the recent relevant research on affordable housing, the following lessons from the literature will help communities minimize possible negative outcomes and build on positive ones:

- Design — Affordable housing that is attractively designed and blends with the surrounding neighborhood may be more likely to have no effect or even a positive effect on nearby property values. An attractive design also may be helpful in allaying community concerns about the aesthetics of a proposed development.
- Management — Not surprisingly, poorly maintained housing — whether privately owned or subsidized — has been shown to depress nearby property values. Affordable housing that is well managed and well maintained is more likely to have a neutral or even positive effect on surrounding properties.
- Revitalization — Rehabilitation of distressed properties for affordable housing has proven beneficial to neighboring home values. Neighbors are likely to view quality, affordable housing as preferable to vacant lots or dilapidated buildings.
- Strong Neighborhoods — As long as it is not overly concentrated, locating affordable housing developments in strong neighborhoods with high home values and low poverty rates is unlikely to have adverse effects on nearby property values. These findings provide support for the emerging trend toward mixed-income housing and communities.
- Concentration — Research suggests that distressed areas may benefit from new affordable housing developments that are large enough to overcome surrounding blight. In other neighborhoods, large concentrations of affordable units are best avoided in favor of more moderately sized developments that may limit the negative effects (2009, p. 6).

The general conclusions from the Center for Housing Policy are drawn from a review of many studies, including some discussed here. Some of these elements, like management and concentration, are more easily quantifiable than the others.

Another possible definition of “lasting quality” could include long-term financial solvency of multifamily developments. Developers and communities are eager to avoid overbuilding any one type of housing, mindful of the single-family-driven housing market collapse of 2007 or, to use a local example, the glut in the local condominium market that resulted in some high-profile condo developments being converted to rental properties (Ivey, 2014). Some research aims to predict risk of default for various types of housing. Pivo (2013) examines whether certain “sustainability features” can help lower the default risk of multifamily rental housing development. His analysis reveals that including these features (commute time, percent of workers commuting via transit and walking, proximity of retail destinations, proximity to freeways and natural areas, and affordability) lowers the risk of default for multifamily rental developments.

Low commute times, high walkability and transit use, suitable distance from freeways, proximity to natural areas, and affordability are increasingly desirable attributes for neighborhoods and developments of all types. Therefore, one potential limitation of this study is that many (though not all) homebuyers, as well as renters, desire neighborhoods like this, making it difficult to determine an appropriate housing mix for any given neighborhood or community. This equivalency, however, can also be helpful for analyzing and planning housing needs and demand. After all, if similar neighborhood attributes help ensure lasting quality for most types of housing, general community planning that encourages this type of development could help improve neighborhood health community wide.

Any analysis of a community's future housing needs must further define "lasting quality." Quality of construction, site design, and landscaping may impact the long-term maintenance, profitability, tenant quality, and other factors that might reveal lasting quality.

Conclusions and Suggestions for Further Research

Well designed and managed affordable and multifamily housing that is integrated into strong neighborhoods with quality public spaces and access to regular destinations through multi-modal transportation choices is likely to sustain its quality, enhance economic values, and retain community social cohesion over time. Higher rates of homeownership is marginally associated with higher property values and community involvement..

More detailed research is needed to assess the demand for multifamily housing at the local scale. Such research could include:

- Studies of comparable communities in Dane County, particularly their policies on housing mix and owner/renter balance;
- Examination of patterns of migration within the Dane County job-shed and whether "favored quarters" exist that help determine patterns of demographic change spatially across Dane County;
- Design standards for multifamily housing that are likely to help developments sustain value; and
- Analysis of potential conditions on permits, such as deed restrictions or performance bonds, that require and enforce effective tenant management and screening.

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