The Impact of Scattered Site Public Housing on Residential Property Values

a study prepared by
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Like other housing authorities and cities throughout the country, the Housing Authority of the City of Charlotte, NC, has come under legal and social pressure to locate assisted housing in neighborhoods which are not racially or economically stigmatizing (Vernarelli, 1986). In response to these pressures, Charlotte has been locating small public housing and low-income developments in suburban middle-income neighborhoods since the late 1970's. The rationale for this policy has been to avoid concentrating the poor in low-income, predominantly minority neighborhoods, to expand the housing choices of low-income and minority groups, and to promote suburban residential integration.

In spite of the legal and moral rationales, the dispersal of low-income groups throughout the community has met with great resistance (DeMuth, 1985). Arguments against such dispersal range from inconveniences to the low-income families themselves due to lack of transportation and distance to "their churches" and shopping to rising crime rates. Most understandable to the general public is opposition from suburban homeowners who fear that the entry of low-income housing developments into their neighborhood will reduce neighborhood desirability and lower property values. Because of these concerns, the Charlotte Housing Authority has co-sponsored studies to examine each of the issues as they have been raised. These studies have looked at resident satisfaction with their housing and the amenities in their suburban neighborhoods (Lord and Rent, 1987), shopping availability, costs and variety in suburban areas compared to traditionally minority and inner-city areas (Howell, Priest, and Hayes, 1987), and crime in and around scattered-site developments (Hayes, 1988). The study reported here seeks to determine the impact of scattered-site public housing on residential property values.

Previous studies which examined the relationship between subsidized housing and property values indicated that proximity to such developments did not reduce sales prices (California Department of Housing and Community Development, 1988). However, the few studies which had been conducted concerning assisted housing's impact on property values focused on locating only two or three subsidized units on a block face (Rabiega and Robinson, 1980). As such, they were not generalizable to the small, 30-50 unit developments utilized in Charlotte, NC, and other cities which have come under fire from groups opposed to low-income housing in their neighborhoods.

In addition, few studies involved both racial and economic integration. Over 90 percent of the public housing residents in Charlotte's family developments are black and the neighborhoods into which they were to be thrust ranged from 70 to 95 percent white. Moreover, 1980 median incomes for the neighborhoods ranged from $16,319 to $35,909 contrasted to a median income for the public housing residents of $3,845. Charlotte's scattered-site housing program, therefore, provided an excellent test case of the impact of public housing developments and racial and economic integration on the property values issue.

Methods

The research was based on an analysis of price trends in four neighborhoods with scattered-site developments and three matched control neighborhoods without any assisted housing. These four scattered-site neighborhoods were selected because they were suburban, predominantly single-family residential areas and the developments were adjacent to or very near the single-family homes. A further consideration was the development's year of construction. A four-to-five year before and after construction period was chosen in order to chart price trends over time. Thus, only those developments built between 1978-1983 were selected. The developments selected for the study were: 1) Cedar Knoll (1979); 2) Mallard Ridge (1982); 3) Savanna Woods (1983); and 4) Gladedale (1983).

The scattered-site development neighborhoods were matched with control neighborhoods which were located in the same geographic area as the scattered-site developments and which were also similar in all other respects except for the presence of public housing. The comparability of the neighborhoods was ascertained by field observations, an analysis of housing characteristics, the values of homes as recorded in tax records, and by an analysis of demographic data obtained from the 1980 Census Bureau's Neighborhood Statistics Program. Two of the developments (Savannah Woods and Mallard Ridge) were located within five miles of each other and these neighborhoods shared many of the same demographic characteristics. Therefore, it was possible to match one control neighborhood to both of these developments. The remaining two development neighborhoods were
matched to separate control areas.

Sales data were gathered from county tax records on all single-family properties within a one-half mile radius of the development which were sold during the study period. These prices were then compared to those of control neighborhoods which were similar in all respects except for the presence of scattered-site public period. A total of 2,189 home sales were included in the study: 1,261 in the four test areas, and 928 in the three control neighborhoods. For each sales record, information was collected regarding the sales price, date of sale, appraised value, square footage of heated space, age of house and lot size.

The statistical procedures utilized in this research included: 1) a comparison of mean sales prices (adjusted to a price per square foot measure) between the test and control neighborhoods; 2) t-tests to measure the significance of the difference between these means; and 3) regression analysis of sale prices with various control variables such as house and lot size, inflation rates, and distance from the development.

The first analytical procedure used to examine the relationship between subsidized housing and property values involved an analysis of the central tendency of the sales data. The mean price per square foot was calculated for each year of the study period in each of the test neighborhoods. The mean sales prices in the post-location years were compared to those of the pre-location years. The overall price trends in each test area were then compared to those of their respective control neighborhoods.

Second, T-Tests were conducted in order to measure the significance of the difference between these means. Since the control areas were comparable to the test neighborhoods in all respects except for the presence of public housing, the two neighborhoods were expected to display similar price behaviors. Any changes in general market conditions that might have coincided with the development would also be reflected in the control area's price trends. If prices were similar before but not after the development was built, with prices being lower in the test area, then it could be inferred that the development adversely affected property vales.

The third analytical procedure was a regression analysis. A basic linear model was formulated to explain variations in sales prices of homes proximate to scattered-site housing. Regression analysis was included to determine the effects of proximity to subsidized housing while controlling for other factors which might influence housing price.

The dependent variable, sales price, was adjusted to remove the effect of inflation and average appreciation. All sales prices were adjusted to the base year of each neighborhood's study period. The adjusted sales price for each home sold was based on a price index derived from annual mean sales prices in the control neighborhoods. The percent change in the mean sale prices in the control neighborhood between the base year and the appropriate subsequent years of the study period was used as a deflator for prices in the test area in the same way that the Consumer Price Index is used to adjust for inflation of consumer goods.

The independent variables included in the model were 1) house size; 2) age of home at time of sale; 3) size of lot; 4) the number of sales in the test area for each year of the study period; 5) the distance of each home from the development site as measured in linear feet. By holding other factors constant, it was possible to isolate the effects of proximity to the scattered-site developments. If it were considered undesirable to live near subsidized housing, then homes closer to the development would be more likely to be adversely affected.

The sales data were collapsed into three time categories within the overall time frame due to an inadequate number of sales in some years. These time categories refer to the pre-location years (generally the first 3-4 years of the time frame); the critical years (the year prior to and immediately following the location year); and the post-location years (the remaining 3-7 years of the study period). Separate regressions were calculated for each of these time categories in each of the test neighborhoods.

Findings

The results of these tests revealed that there was no systematic relationship between proximity to scattered-site public housing and property values. As shown in the accompanying graphs, the before- and after- construction price trends were similar in all development neighborhoods. Likewise, comparisons of price trends between test and control neighborhoods showed that these trends were similar. T-tests, measuring difference in mean sales prices, did not indicate any major shifts between the test and control neighborhood mean sale prices in the pre-and-post periods. The periodic declines that were observed in all project areas between 1981 and 1983 were also observed in the control neighborhoods indicating that any price declines were due to market fluctuations rather than the influence of locating housing developments in the neighborhoods.

More importantly, the results showed that prices in all neighborhoods increased considerably over the study period. The price increases ranged from 84% to 127% during the 10-13 year time frame. The presence of scattered site public housing did not appear to affect the test area price trends relative to those of the control neighborhoods.

The results of the regression analysis showed that the most significant factors which contributed to property values was the size of the home, its age and lot size; larger, newer homes on larger lots usually sell at higher prices than smaller, older homes. The number of sales which occur in any given year also contribute to sales price - fewer sales tend to increase prices, whereas a greater number of sales contributes to lower prices.

The regressions also showed that there was no systematic relationship between distance from development and sales price, nor was there a relationship between sales prices and the number of sales that could be attributed to the development. Thus, the findings do not support the notion that subsidized housing precipitates an increase in sales and that this increase in sales reduces prices. Therefore, it was concluded that, across all neighborhoods, the results do not support the belief that proximity to scattered-site housing reduces property values.

Overall, prices increased substantially during the course of the study period. The periodic declines that were observed in all development areas in the early 1980's were also observed in the control neighborhoods. It is unlikely, therefore, that these declines could be attributed to the construction of these developments. These findings suggest that broad economic factors, household income, and preferences with respect to housing characteristics such as house size override location or neighborhood characteristics such as the presence or absence of subsidized housing.

Discussion

As housing officials, such as those in Charlotte, come under increasing pressure to lead the battle for socio-economic integration of our communities, they will continue to experience resistance from those affected by such policies. However, it is becoming increasingly clear that the fears are ill founded and more emotional than substantive. On all fronts, therefore, we have found little empirical support for arguments against locating lower income housing in predominantly single- family middle-income majority neighborhoods.

Because it is easier for us to sympathize with arguments defending one's property, than it is to sympathize with arguments defending racial make-up of one's neighborhood, the issue of the impact of locational policies on property values has received political and legal support in both the Reagan administration and local politics. These findings, therefore, are important in that they contradict conventional wisdom and suggest that we should expect absolutely no impact from locating public housing in either working or upper-middle class neighborhoods.

It would appear that once public housing is a fait accompli, the residents of the host neighborhoods adjust to the developments and go on about every day living. This research provides support for Anthony Down's (1973) contention that suburban subsidized housing is not a major threat to white hegemony in the suburbs. As argued by Downs, if the entry of nonwhites and/or low income groups does not substantially alter the proportion of moderate income to low income households, no pattern of declining values will appear. The scattered site concept introduces low-income and minority groups into middle-income neighborhoods at a very low rate and in complexes which blend with the surrounding neighborhoods.

Where both public and housing officials are committed to the scattered-site housing program in order to help alleviate the critical shortage of affordable housing and reduce concentrations of low income families in minority and low-income neighborhoods, scattered site housing can be achieved with minimal impact on the neighborhoods. The findings of this research should reassure neighborhood residents that their property values will not be affected by a scattered-site housing plan, whether it be one or two units on a block face or a small housing complex. Long-range planning to continue the development of suburban subsidized housing in traditionally white, middle-class neighborhoods should not be diverted by emotional arguments concerning economic and social impact on the area, at least not as far as Charlotte's history has shown.

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