

The Impact of Affordable Housing on Property Values
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Ask the average American, whether a home owner or a renter, what he or she thinks about housing and the responses are generally consistent. Most Americans understand the significant social and economic value of housing and the important role it plays in our every day lives. However, ask the same group of Americans what they think about “affordable” housing, and in particular affordable rental housing, and you will likely get a variety of answers.

Battle lines continue to be drawn all across the country between affordable housing advocates who wish to deconcentrate assisted housing for low income households into areas where such households are inadequately represented, and home owners who wish to keep affordable housing developments out of their neighborhoods. Affordable housing supporters, including non-profit advocacy groups and an increasing number of local governments, see the evils of concentrated poverty and the opportunities missed by low income residents who are forced to live in high poverty neighborhoods. So-called NIMBY (“not in my back yard”) home owners, on the other hand, see an invasion of undesirable neighbors who seek to undermine their quality of life, security and, most importantly, their property values.

So who is right? The complexity of the emotional issues surrounding the debate makes it extremely difficult to analyze the merits of either position. Setting aside the subjective elements of the controversy, in recent years several researchers have studied the effects of affordable housing on surrounding property values in an attempt to confirm or refute the concerns often cited by NIMBY activist groups. The results of these studies may surprise many Americans, including those same NIMBY groups.

Take, for example, the research study conducted in 2002 by the Center for Urban Land Economics Research at the University of Wisconsin. The study examined the impact of affordable, rent-restricted housing developments subsidized with federal tax credits on property values in the Madison and Milwaukee Metropolitan areas. The report analyzed repeat home sales data to determine whether differences in appreciation could be explained by a home’s proximity to an affordable housing development. The researchers first identified affordable rental housing located within the target metropolitan area and single-family homes located in the same metropolitan area that were sold at least twice over a specific period of time. Researchers then compared home sales data against proximity to affordable housing developments.

The University of Wisconsin study generally found no evidence that affordable rental housing developments cause property values to decline. To the contrary, in one of the three metropolitan subregions studied there was evidence that homes located near such developments actually appreciated at a higher than average rate. Another finding in the report worth noting is that affordable rental housing may have a more positive impact on property values when located in higher income neighborhoods. Similar studies performed in other parts of the country support the findings published in the University of Wisconsin report. Collectively, the reports indicate that affordable housing developments sited appropriately within a larger metropolitan area have either no impact or a positive impact on surrounding property values.

Making housing more affordable to those who need help most is, with some exceptions, a cause without powerful supporters. Only a few housing-oriented trade associations and community-based non profits, academics, and private developers who use low income housing tax credits, care about this cause. Expanding affordable housing choices in racially homogenous or higher income neighborhoods is a cause

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with even fewer supporters. Recently, however, more and more municipal governments across the United States are implementing new and innovative housing programs seemingly intended to take aim at the NIMBY phenomenon.

In May 2003 the Raleigh City Council amended its scattered site housing policy in an effort to promote greater rental housing choices and opportunities for low income households. To achieve the policy's objective, the City has been divided into four distinct demographic zones. The zones are generally defined by the percentage and concentration of minorities and low income persons. The policy uses a point system to rank projects, with points awarded largely based upon where a proposed project will be located within these four zones. The City then makes recommendations to the funding agency based on the point total awarded to a particular project.

Consequently, proposed affordable rental projects are more likely to be funded if situated in West or North Raleigh where the percentage of minorities and low income residents (defined as individuals and families making 60 percent or less of the Wake County MSA median income) is lower. Conversely, proposed rental housing in areas of Raleigh with high concentrations of poverty or an adequate supply of existing affordable housing will be given the least priority.

In an apparent attempt to diversify its affordable housing initiatives, in August 2004 the Raleigh City Council's Comprehensive Planning Committee debated the merits of a new "inclusionary" zoning policy which, if adopted, would supplement its existing scattered site housing policy. The proposal received mixed reactions among committee members. Inclusionary zoning ordinances encourage, and in some rare cases require, private developers to set aside a minimum number of dwelling units in newly constructed subdivisions or apartment communities for low or moderate income households. Such programs have been implemented in approximately 400 towns and cities throughout the United States since the 1960s. The Town of Chapel Hill adopted a voluntary inclusionary zoning program whereby developers must either make 15 percent of all new homes or apartments affordable to people who make 80 percent or less of the area median income or pay a fee in lieu of building affordable units. Critics of the plan say it isn't voluntary at all and as proof they claim that since the program was implemented no builder has submitted a housing proposal that does not include either a set aside or a "fee in lieu."

The Town of Davidson enacted North Carolina's first inclusionary zoning ordinance in 2001 and, unlike Chapel Hill, made it mandatory. All new housing developments built in Davidson must include a 12.5 percent set aside for moderate income individuals and families.

Scattered site housing policies and inclusionary zoning are what housing analysts refer to as dispersal or mobility programs. Tenant-based vouchers which provide payments to low income families that can be used in the private rental market is another type of dispersal program. All of these programs have and will continue to fan the flames of NIMBY activism wherever such programs exist. No matter how much research is undertaken to dispel the myths surrounding affordable housing, the reality is that hard core NIMBY groups will never embrace localized efforts to expand housing options for low income families.

Therefore, developers seeking (or forced by local ordinances) to develop affordable housing must develop a thorough understanding of the affordable housing debate in order to facilitate approval of their development proposals. They must use their knowledge of the affordable housing issue to embark on a comprehensive public relations effort. This effort should include a strong educational component designed to inform the general public and elected officials about what affordable housing is and is not. Most people still think of affordable housing as large, concentrated tenement buildings. Developers, recognizing this stigma, must demonstrate to political and civic leaders that today's affordable housing projects endure a rigorous underwriting and due diligence process. When this rigorous underwriting

process is coupled with emerging “scattered site” affordable housing policies, affordable dwellings become virtually indistinguishable from “market rate” dwellings. Only when politicians and civic leaders come to realize this, will affordable housing be the norm rather than the exception.

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