

FURMAN CENTER POLICY BRIEF

# The Impact of Supportive Housing on Surrounding Neighborhoods: Evidence from New York City

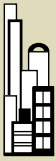
*This policy brief is a summary of the Furman Center's research on the effects supportive housing has on the values of surrounding properties. The full study is available at <http://furmancenter.nyu.edu>.*

## What Is Supportive Housing?

Supportive housing is a type of affordable housing that provides on-site services to people who may need support to live independently. Residents may include formerly homeless individuals and families, people with HIV/AIDS or physical disabilities, young people aging out of foster care, ex-offenders, people with mental illness or individuals with a history of substance abuse. Residents in supportive housing developments, unlike those in temporary or transitional housing options, sign a lease or make some other long-term agreement. Developments provide a range of services to residents, which can include case management, job training and mental health or substance abuse counseling. Supportive housing developments are run by non-profit organizations that typically provide both support services and management.

Researchers have found supportive housing to be an effective and cost-efficient way to house disabled and formerly homeless people.<sup>1</sup> The combination of permanent affordable housing and support services is seen as key to providing a stable environment in which individuals can address the underlying causes of their homelessness—at far less cost than placing them in a shelter or treating them in a hospital.

<sup>1</sup> See, e.g., Culhane, Dennis, Stephen Metraux and Trevor Hadley. 2002. Public Service Reductions Associated with Placement of Homeless Persons with Severe Mental Illness in Supportive Housing. *Housing Policy Debate*. 13(1): 107 - 163; Lipton, Frank R., et al. 2000. Tenure in Supportive Housing for Homeless Persons With Severe Mental Illness. *Psychiatric Services*. 51(4): 479-486.



## Supportive Housing in NYC

Supportive housing grew out of attempts in the late 1970s and early 1980s to provide services to mentally-ill individuals who were homeless or living in substandard, privately-owned Single Room Occupancy (SRO) buildings. Soon thereafter, nonprofit groups formed to rehabilitate the housing in addition to providing on-site services.

By 1990, New York City nonprofits were operating over 2,000 units of supportive housing. The success of these efforts led the state and city to sign a historic joint initiative to fund the creation of thousands of new supportive housing units for homeless persons with mental illness. The “New York/New York Agreement,” signed in 1990, was the first of three initiatives that have helped spur the development of over 14,000 units in more than 220 supportive housing residences in the city for formerly homeless and inadequately housed people with a range of disabilities. As Figure A shows, the overwhelming majority of these developments were built in Manhattan, Brooklyn and the Bronx. As seen in Figure B, there has been

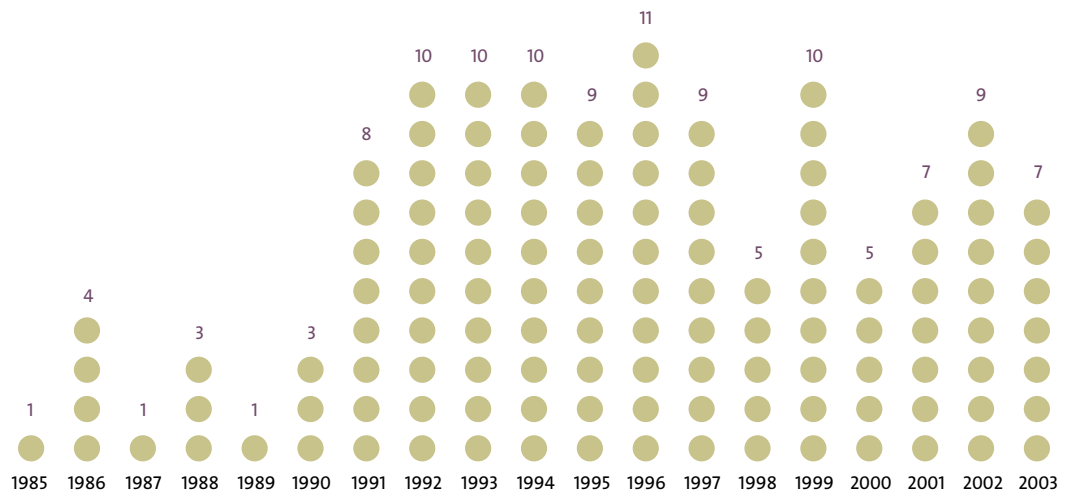
**Figure A: Supportive Housing Developments in Our Study by Borough (as of 2003)**



fairly steady development throughout the past two decades, with a big building boom following the 1990 NY/NY agreement.

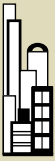
Signed in November of 2005, the “New York/New York III Agreement” was the largest yet, committing \$1 billion to create 9,000 units of supportive housing (both scattered-site and single-site<sup>2</sup>) for homeless and at-risk individuals and families with disabilities in New York City over ten years. The large scope of this initiative ensures that there

**Figure B: Supportive Housing Developments Completed Annually**



Note: This figure includes all developments examined in this study: all supportive housing opening in New York City before 2004 that resulted from new construction or the gut renovation of a vacant building.

<sup>2</sup> Our research looks only at the impact of single-site supportive housing (developments in which the supportive housing units all are located in a single building with on-site social services), but it is important to note that New York City has an additional 9,000 supportive housing units that are scattered-site (dispersed within non-supportive housing buildings).



will continue to be a robust development pipeline of supportive housing to house homeless New Yorkers living with mental illness and other challenges.

As providers of supportive housing begin to implement the NY/NY III agreement, however, they are encountering two related and significant obstacles: New York City has a serious shortage of land suitable for building such developments; and community opposition to hosting supportive housing further limits the sites on which supportive housing can be built. The state and city require some form of public notification for all proposed supportive housing developments, and opposition by the local community often makes it difficult or impossible for developments to secure the necessary funding and land use approvals.

Despite the critical role that supportive housing plays in helping to address the problem of homelessness, communities asked to host the housing often resist, expressing fears that the housing will have a negative impact on the neighborhood. Neighbors voice worries, for example, that the supportive housing will increase crime, drain the neighborhoods' services and overburden its infrastructure, bring people to the community whose personal appearance or behavior will make residents and visitors uncomfortable, or otherwise decrease the quality of life in the neighborhood. They also commonly express a concern that supportive housing will depress the value of housing in the neighborhood, thereby depriving them of potential returns on their investment, and triggering a spiral of deterioration.

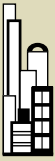
## What Do We Know About Neighborhood Impacts of Supportive Housing?

Theoretically, supportive housing developments could either depress or raise neighborhood property values. If the development isn't well-maintained or doesn't blend in well with the surrounding community, it could have a negative impact on neighborhood property values. Similarly, if the residents of the new supportive housing engage in offensive behavior or participate in or are targets for illegal behavior, the housing might cause prices to drop. On the other hand, if a new development is attractive and replaces a community eyesore, such as an abandoned or vacant property, or helps to house people who otherwise would be living on the streets nearby, it likely would have a positive impact on property values. Similarly, if the new development is a conscientious and good neighbor and provides useful services to the community, it could raise prices.

While some who oppose supportive housing may do so regardless of the facts, objective, credible research about the experiences other neighborhoods have had with supportive housing should help to inform discussions about proposed developments. Some researchers have studied the effects of group homes, but few have looked specifically at the supportive housing model. Moreover, previous studies have been limited by data constraints, including small sample sizes (as few as 79 units) and limited time frames, and have studied effects in low-density neighborhoods, making it difficult to generalize their results to denser urban settings.<sup>3</sup>

The Furman Center's research aims to fill this gap in the literature with a rigorous, large-scale examination of the impacts of approximately 7,500 units of supportive housing created in New York City over the past twenty years.

<sup>3</sup> See, e.g., Galster, George, Peter Tatian and Kathryn Pettit. 2004. Supportive Housing and Neighborhood Property Value Externalities. *Land Economics*. 80(1): 35-54; for studies of precursors to supportive housing such as group homes, see, e.g., Colwell, Peter F, Carolyn A. Dehring and Nicholas A. Lash. 2000. The Effects of Group Homes on Neighborhood Property Values. *Land Economics*. 76(4): 615-637.



## About Our Research

In order to measure the impacts of supportive housing on property values, we use a large dataset with information on the sales prices of all apartment buildings, condominium apartments and one to four family homes selling in the city between 1974 and 2005, as well as property-level data on the characteristics of the units sold. We link these data to a list of all the supportive housing developments and their addresses, which we compiled with assistance from the New York City Department of Housing Preservation and Development (HPD), the New York State Office of Mental Health (OMH), the Supportive Housing Network of New York (SHNNY)—the member association of nonprofit supportive housing providers in New York State, and the Corporation for Supportive Housing (CSH)—a financial and technical assistance intermediary to supportive housing providers. This comprehensive dataset includes 7,500 units in 123 developments that opened between 1985 and 2003 and either were newly constructed or the result of gut renovations of

vacant buildings.<sup>4</sup> The median size of the 123 developments is 48 units.

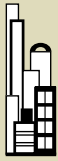
Identifying the impacts of supportive housing on the values of neighboring properties is challenging, primarily because it is difficult to disentangle what causes what—to determine whether supportive housing affects neighboring property values or whether neighboring property values affected the decision to build supportive housing in the neighborhood. Developers of supportive housing might, for example, be more likely to build the housing on sites in neighborhoods with very low property values, because more city-owned sites are available in such neighborhoods, because community opposition may be lower in these neighborhoods, or because developers can only afford to build in neighborhoods with the lowest property values. In fact, a simple comparison of census tracts in the city reveals that in 1990, before most supportive housing was sited, tracts that now have supportive housing tended to have higher poverty rates and lower homeownership rates than tracts that do not (see Table A).

**Table A: Demographics (as of 1990) for Census Tracts with and without Supportive Housing**

<i>Indicator* (as of 1990)</i>	<i>All Tracts in NYC</i>	<i>Tracts that now have Supportive Housing**</i>	<i>Tracts without Supportive Housing</i>
Number of Tracts	2,217	102	2,115
Poverty Rate	19.3%	31.4%	18.4%
Homeownership Rate	28.6%	10.9%	30.5%

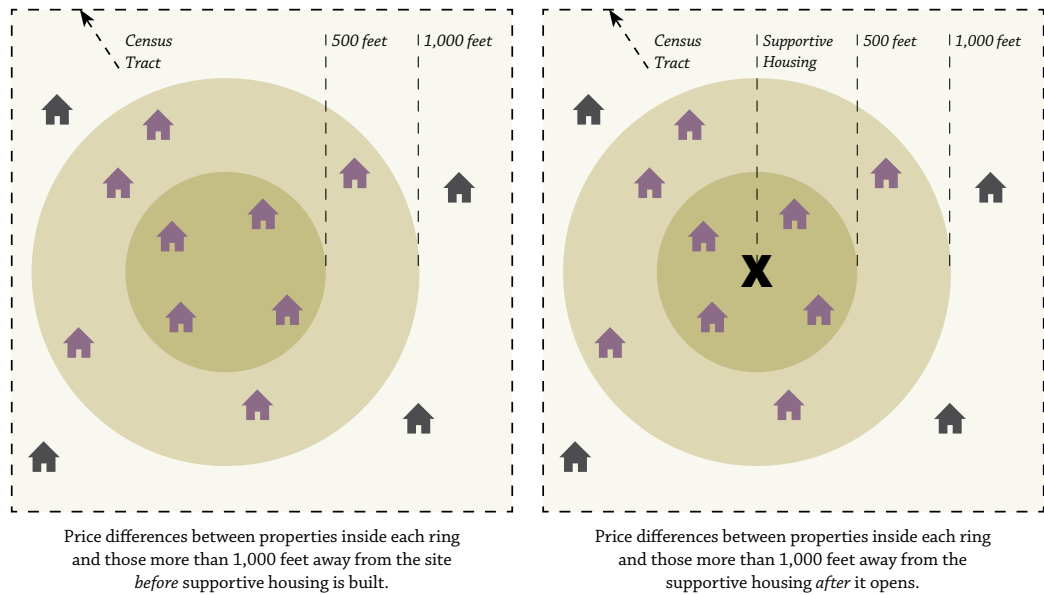
Source: 1990 Decennial Census data (NCDB). \*All reported numbers represent the mean value across census tracts, weighted by population. \*\*Tracts with supportive housing are those that are host to the 123 supportive housing developments in our study.

<sup>4</sup> Because we are interested in the impacts new developments have on a neighborhood, our data on supportive housing developments only include new construction or projects that involved the complete, physical rehabilitation of a formerly vacant building. We did not include instances where an occupied building received cosmetic rehabilitation or was converted into a supportive housing development without undergoing substantial renovation.



**Figure C: Methodology**

Supportive housing development is represented by the **X**. We compare prices of properties within 500 feet and 1,000 feet of the development to similar properties in the same census tract but more than 1,000 feet away before and after the supportive housing is built.



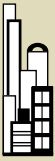
We address this problem by controlling for the difference between the prices of properties very near to a supportive housing site and the prices of other properties in the same neighborhood before the supportive housing is constructed. Specifically, our research compares the price differences between properties within 500 and 1,000 feet of a supportive housing development, before and after it is built, with a comparable group of properties more than 1,000 feet from the site but still within the same census tract.<sup>5</sup>

Our strategy is illustrated in Figure C. Our approach controls for differences in prices between properties near to supportive housing sites and other properties in the neighborhood before supportive housing is built. It also controls for neighborhood price appreciation over time. Accordingly, we are able to specifically isolate the impact of the supportive housing. Our approach

also allows us to examine whether impacts vary with distance from the supportive housing development, because the impact on a property closer to a development might very well differ from impacts on properties still affected but further out in the 1,000 foot ring.

Finally, because impacts might be felt as soon as people learn that a supportive housing development is going to be built, and because construction of any building may bring noise, truck traffic, and other problems, we exclude the construction period from our estimate of property value differences between properties within the ring of supportive housing and those beyond 1,000 feet, before supportive housing opens.

<sup>5</sup> One thousand feet is approximately the length of four North/South streets in Manhattan; across the city, on average, 1,000 feet is about the length of two blocks. While previous property value impact studies have looked at larger distances, it is unlikely that the relatively small developments we study would have an effect on property values many blocks away in the fairly dense Manhattan, Bronx and Brooklyn neighborhoods in which they are concentrated.



## What Do We Find?

Our research finds little evidence to support neighbors' fears that supportive housing developments will reduce the price of surrounding properties over time. To the contrary, we find that the opening of a supportive housing development does not have a statistically significant<sup>6</sup> impact on the value of the properties within 500 feet of the development.

We find that two to five years before a supportive housing development opens, properties within 500 feet of the site sell for almost 4 percent less than properties in the comparison group. This indicates that supportive housing developments are generally being built in areas that are more distressed than the surrounding neighborhood.

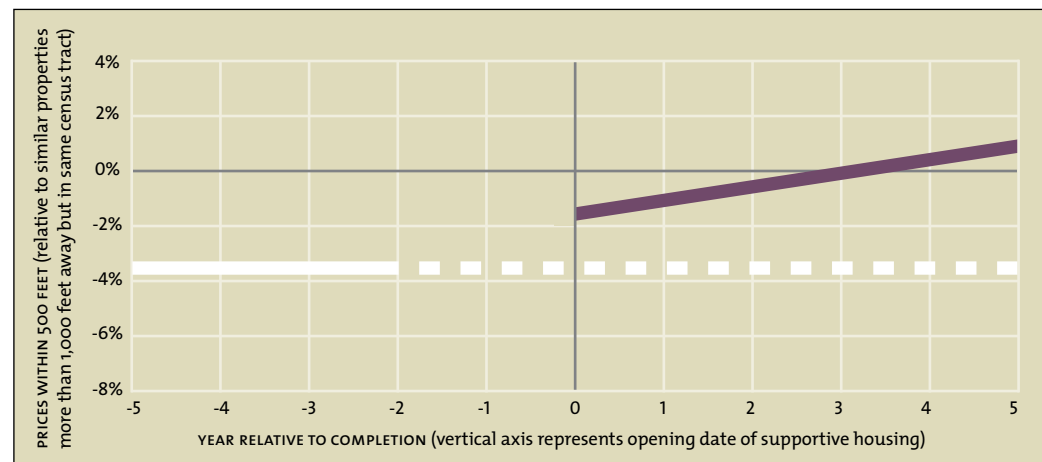
In the five years after completion, we find that the prices of those nearby properties experience strong and steady growth, appreciating more than comparable properties in the same neighborhood but further than 1,000 feet from the supportive housing.

As seen in Figure D, which illustrates the impact of a new supportive housing development of median size (48 units) on properties up to 500 feet away, there is a slight increase in the value of nearby properties when the development opens (compared with their value before construction began), but this difference is not statistically significant. After the supportive housing opens, we see a statistically significant rise in the value of these nearby properties, relative to property values in the comparison group. As a result, the four percent discount neighboring properties experienced before the supportive housing was built steadily narrows over time.

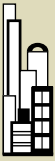
Moving farther away from the development, we find that properties between 500 and 1,000 feet away, unlike those less than 500 feet away, see a statistically significant drop in value when the building is under construction and when the supportive housing opens (compared to prices more than 1,000 feet from the development but within the neighborhood). But once again, we find that prices then show a steady relative gain in the years after completion. That pattern might suggest that the positive effects of the sup-

**Figure D: Sales Prices of Properties Within 500 Feet of Supportive Housing Relative to Comparison Group, by Year Relative to Completion (For Median Size Development of 48 Units)**

*In this figure, the dotted line represents what we estimate would have happened to the prices of nearby properties had there been no new supportive housing development; the solid purple line represents the results of our analysis, which show steady growth in the value of nearby properties.*



<sup>6</sup> The term "statistically significant" refers to the likelihood that the differences between the groups being compared (in this study, the difference between the values of the properties near supportive housing and those further away) could have occurred by chance. If statistical methods show that results are statistically significant at the 95 percent level, we can be sure that the probability that the results are due to pure chance is five percent or less. Generally, researchers will consider results reliable only if they are statistically significant at the 90 (or higher) percent level.



portive housing are diluted farther away from the site and initially are outweighed by community uneasiness about the housing, but as the neighborhood grows comfortable with the supportive housing, prices show steady growth relative to the comparison properties.

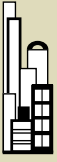
In sum, our research reveals that the prices of properties closest to supportive housing—which are the properties opponents of supportive housing claim are most likely to be affected by the development—increase in the years after the supportive housing opens, relative to other properties located in the neighborhood but further from the supportive housing. Prices of properties 500 to 1,000 feet from the supportive housing may fall somewhat while the buildings are being built and as they open, but then steadily increase relative to the prices of properties further away from the supportive housing but in the same neighborhood. Our results accordingly suggest that over time, the values of homes near supportive housing do not suffer because of their proximity to the supportive housing.

## Does the Size or Type of Supportive Housing Matter? Does the Population Density of the Neighborhood Matter?

Because of the diversity of supportive housing developments and the neighborhoods in which they are being built, we also wanted to evaluate whether characteristics of either the development or the neighborhood influence any effects the development has. We were somewhat surprised to find that the effects on neighboring property values do not depend on the size of the development (number of units) or the development's characteristics, such as whether the development sets aside a certain number of affordable units for neighborhood residents. The impact supportive housing has on property values also does not differ between lower and higher density neighborhoods.



GLASS FACTORY, a supportive housing development in the East Village, managed by BRC.



## What Do These Findings Mean?

Our findings show that the values of properties within 500 feet of supportive housing show steady growth relative to other properties in the neighborhood in the years after supportive housing opens. Properties somewhat further away (between 500 and 1,000 feet) show a decline in value when supportive housing first opens, but prices then increase steadily, perhaps as the market realizes that fears about the supportive housing turned out to be wrong.

The city, state, and providers of supportive housing must continue to maximize the positive effects of supportive housing and ensure that supportive housing residences remain good neighbors. But the evidence refutes the frequent assertions by opponents of proposed developments that supportive housing has a sustained negative impact on neighboring property values.



JEROME COURT, a supportive housing development in the Bronx, managed by Palladia, Inc.

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### **THE FURMAN CENTER FOR REAL ESTATE AND URBAN POLICY**

is a joint research center of the New York University School of Law and the Robert F. Wagner Graduate School of Public Service at NYU. Since its founding in 1995, the Furman Center has become the leading academic research center in New York City dedicated to providing objective academic and empirical research on the legal and public policy issues involving land use, real estate, housing and urban affairs in the United States, with a particular focus on New York City. More information about the Furman Center can be found at [www.furmancenter.nyu.edu](http://www.furmancenter.nyu.edu).