

MIT

CENTER FOR
REAL ESTATE

HOUSING AFFORDABILITY INITIATIVE

EFFECTS OF MIXED-INCOME, MULTI-FAMILY RENTAL HOUSING DEVELOPMENTS ON SINGLE-FAMILY HOUSING VALUES

HENRY O. POLLAKOWSKI

DAVID RITCHAY

ZOE WEINROBE

APRIL 2005

CENTER FOR REAL ESTATE
MASSACHUSETTS INSTITUTE OF TECHNOLOGY
77 MASSACHUSETTS AVENUE
BUILDING W31-310
CAMBRIDGE, MA 02139

ACKNOWLEDGMENTS

We would like to thank the Housing Affordability Initiative at the MIT Center for Real Estate, Mass Housing, and Joe Mullins for financial support. We also thank Lynn Fisher, David Geltner, Andrew Jakabovics, Langley C. Keyes, and W. Tod McGrath for helpful suggestions and comments. Karl “Chip” Case, Aaron Gornstein, and Clark Ziegler provided useful comments on an earlier version. We are, however, solely responsible for the contents.

CONTENTS

EXECUTIVE SUMMARY	I
CHAPTER 1: INTRODUCTION	1
CHAPTER 2: CASE STUDIES: METHODOLOGY AND DESCRIPTION	9
CHAPTER 3: QUANTITATIVE METHODOLOGY	33
CHAPTER 4: FINDINGS	45
APPENDIX	55

EXECUTIVE SUMMARY

Do mixed-income, high-density rental developments negatively impact nearby single-family property values? This question has been at the core of the controversies surrounding mixed-income housing in suburban Boston communities. Chapter 40B, enacted through the Comprehensive Permit Law and Anti-Snob Zoning Act, is a Massachusetts statute that enables developers to obtain state-authorized comprehensive permits in municipalities that are not in compliance with state affordability criteria: If less than ten percent of a municipality's housing stock is defined as affordable, developers with comprehensive permits can build developments that override local zoning regulations. Because zoning rules are viewed by some as regulatory mechanisms that protect property values by controlling local land use, the ability of developers to circumvent such regulations has given rise to fears that the values of homes surrounding these mixed-income, multi-family developments will decline. These fears are considered one of the strongest motives for residents' opposition to proposed 40B developments. But are such fears justified by the facts?

We designed a rigorous research methodology to examine the impact over time of introducing a large-scale, mixed-income, multi-family rental development into a neighborhood of single-family houses. We developed strict selection criteria that identified seven 40B developments located in six communities in the Boston metropolitan area—Littleton, Mansfield, Norwood, Randolph, Wilmington, and Woburn. These case studies represent some of the most dense and controversial Chapter 40B developments in Greater Boston, in other words, a suburban homeowner's worst nightmare.

After selecting the cases, we conservatively established impact areas, taking care to include only the single-family homes mostly likely to be affected by each respective 40B development. Our process for identifying impact areas essentially restricted the boundaries to abutters and immediate neighbors of each of the seven developments. The purpose of establishing such impact areas was to objectively measure single-family home price changes over time as 40B developments were

announced, approved, constructed, occupied, and integrated into the resident communities.

We then examined the relationship between the large-scale, high-density, mixed-income rental developments and single-family home values. Using hedonic modeling to create comparative house price indexes for each impact area and an appropriate control area (the remainder of the host community) determined how home values had changed over time within the impact and control areas. As will be demonstrated in the report, the results in all seven case study towns lead us to conclude that the introduction of large-scale, high-density mixed-income rental developments in single-family neighborhoods *does not* affect the value of surrounding homes. The fear of potential asset-value loss among suburban homeowners is misplaced.

CASE SELECTION

Our methodology was designed to ensure that our study would identify any relationship between the introduction of a large rental development and single-family house prices. First, we chose to limit our selection to projects within the Greater Boston region. Second, the projects were required to have received their comprehensive permit and have been fully developed between the mid-1980s and 2000. Third, we limited the selection to multi-family, mixed-income rental developments. Last, we generally selected larger developments that were very dissimilar in size, bulk, form, and density from the surrounding community. Our hypothesis was that these types of developments would be the most likely to impact the values of neighboring single-family houses. Two of the most controversial 40B projects in the study, Olde Derby Village and Kimball Court, are shown below (Figure 1).

Given that we wished to test whether these projects would adversely impact neighboring property values, it was necessary to construct detailed maps of the projects and their surroundings. For this step, we built digital maps that identified streets, rivers, open space, zoning, and land use designations. We analyzed these maps using Geographic Information Systems (GIS) technology to assure that the developments were not located at the edge of the town and were sited in residential neighborhoods. Additionally, we evaluated the siting of potential projects using aerial photographs in order to obtain a better sense of the degree to which projects were integrated into residential neighborhoods. The results of this analysis were striking: We found the overwhelming majority of potential case studies were either sited at the edges of towns or cut off from the nearest

community by large amounts of open space, interstate highways, rail corridors, or industrial and manufacturing uses. This step considerably reduced the number of potential case studies appropriate for more rigorous analysis.

Finally, we made site visits to each of the remaining potential projects. This exercise was instrumental in determining whether a project was actually integrated with the community. We also met with planners, building inspectors, assessors, and GIS specialists in order to obtain a better sense of the neighborhood context for each of the developments.

SELECTED SITES

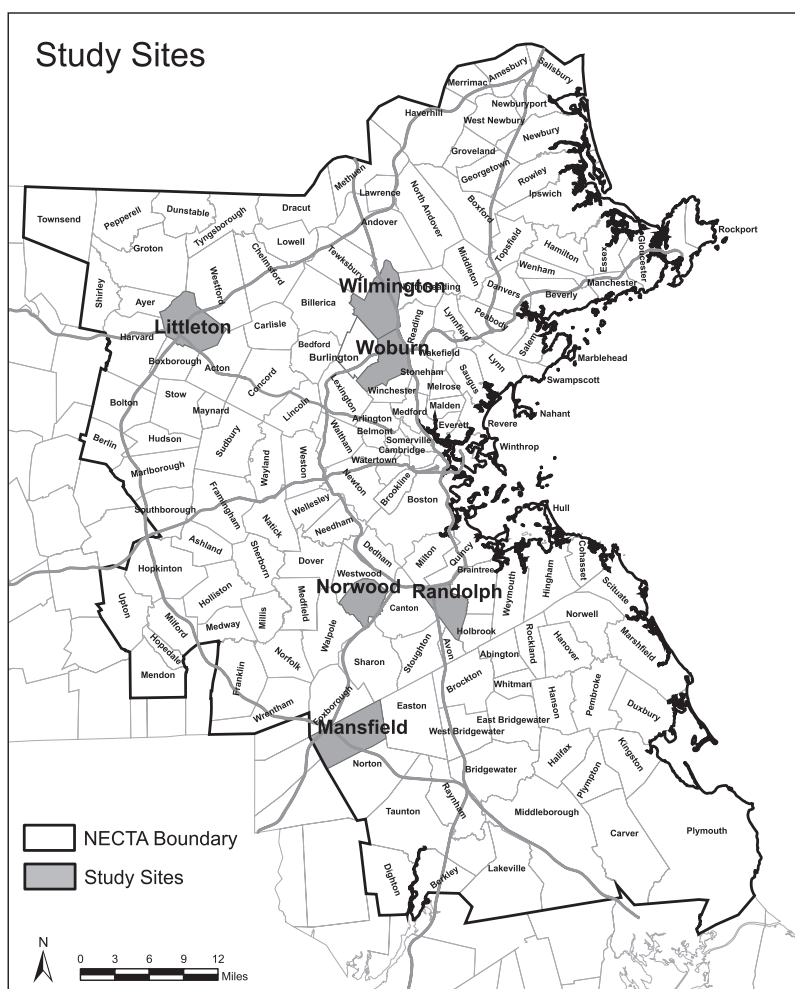
The selection process identified seven projects that are, in most cases, larger and denser than the typical 40B development. Our intention in choosing large multi-family rental projects was to find developments with the highest likelihood of creating negative impacts on the surrounding neighborhood. It could be argued that the projects selected as case studies are the types of developments that suburbanites fear most. If there were ever a development that would cause a negative impact on surrounding property values, it would be one of the large, dense developments examined in this study.

Figure 1. Two Controversial 40B Projects



Olde Derby Village, Norwood (top) and Kimball Court, Woburn (bottom)

Figure 2. Towns with Study Sites



As can be seen by Figure 2, the seven developments in the study are dispersed throughout the greater Boston metropolitan area. Woburn is bisected by Route 125/Interstate 95 northwest of Boston. Wilmington borders Woburn to the north along I-93. Littleton is further northwest of the city at the junction of Route 2 and I-495. Norwood and Randolph are south of Boston along the southern section of I-128. Finally, Mansfield is on the southwest edge of the region at the junction of I-95 and I-495.

Table 1 details the characteristics of each project including its location, developer, size, the number and percentage of affordable units, density, year permitted and completed, and comprehensive permit approval body.

IMPACT AREA DESIGNATION

The impact area for each case study is intended to represent the neighborhood within which the development is located. The single-family houses within this designation are the homes that can most likely be expected to be impacted by a large, dense development. For properties to be included in the impact area they must be either (1) direct abutters, (2) part of a contiguous network of streets radiating from the site, (3) in the direct line-of-sight of the development, or (4) adjacent to open space connections, via playing fields and dedicated walking or bike paths.

Table 1. Study Sites—Detailed Statistics

Development	Location	Developer	Total Units	Affordable Units	% Affordable	Density (units/acre)	Year Permitted	Year Completed	Approval Body
Littleton Green	Littleton	Dementian Guschov	24	24	100%	10.0	1986	1987	Board of Appeals
Pond Side at Littleton	Littleton	First Littleton LP/State Street Development	90	32	35.6%	9.0	1987	1989	Mediation: ZBA, HAC, Developer
Mansfield Depot I/II	Mansfield	Keith Development	245	71	29.0%	16.6	1986 1987	1988 1989	Mediation: ZBA, HAC, Developer
Olde Derby Village	Norwood	Wilson Street Trust	193	35	25.2%	15.4	1985	1986	Superior Court
Liberty Place	Randolph	Liberty Place Associates	107	27	25.2%	9.2	1987	1989	Board of Appeals
Avalon Oaks	Wilmington	AvalonBay ¹	204	41	20.1%	9.1	1997	1999	MA Appeals Court
Kimball Court Apartments (I, II, III)	Woburn	Joseph Mullins	525	127	24.2%	19.3	1985 1989 1999	1988 1990 2002	MA Appeals Court

1. Initial permit request initiated by Wilmington Arboretum.

These criteria define an area where houses are more likely to be negatively impacted from the development than the municipality at large.

Ultimately, impact areas were determined on a case-by-case basis. It would have been inappropriate to apply a generic test such as drawing an arbitrary distance radius around the development capturing all the homes in the area. Our decisions were informed by analyses of zoning and land use maps, aerial photographs, road atlases, and site visits. Most importantly, we held discussions with town planners, building inspectors, tax assessors, GIS specialists, and town managers in order to gain their perspective of neighborhood impact of each development. In almost every case, these discussions reduced the size of our preliminary impact area. This study's careful and conservative treatment of each impact area limited its boundary to just slightly beyond the direct abutters of each development. Figure 3 shows photographs of the impact areas for three of the case studies. The top left, top right, and bottom right photographs were taken from the developments looking out to abutting properties. The bottom left photo was taken from an adjacent street looking into the development from the surrounding neighborhood. As can be seen below, all of these homes have direct sight lines into the developments and the projects are truly embedded in their neighborhoods. The houses deemed to be at the greatest risk of being affected by the mixed-income, multi-family development were included in the defined impact area for each

Figure 3. Impact Area Photographs



Kimball Court Apartments (Top Left), and Avalon Oaks (Top Right and Bottom)

development. The balance of the single-family houses in each town formed the control group.

The few related studies examining the relationship between affordable housing and residential property value that have been conducted in other parts of the US often define their impact areas as contiguous neighborhood areas extending between one-quarter mile and one-half mile from the site in question. This convention is not readily adaptable to our study or Boston's suburban metropolitan area. The former studies examined much more densely developed neighborhood areas comprised of a continuous urban fabric. In suburban Boston, however, an impact area dissolves quickly due to the large lot sizes and irregular street grids.

In addition, previous studies have typically not been longitudinal. That is, they attempt to discern property value effects at a single point in time. Following neighborhood property values over time is a much more powerful tool.

HEDONIC METHODOLOGY

Our methodology draws from the considerable body of spatial and longitudinal research in urban and housing economics. We used hedonic modeling techniques to create quality-controlled sales price indexes for both the impact area and control area (the remainder of single-family homes in that town). Hedonic modeling is based on the assumption that home buyers assign quantifiable values to the individual characteristics that make up a house (e.g., size, bathrooms, lot size). Our models estimate both the contributions to value of the characteristics of a house and the variations in value that occur over time. This allows us to “price” a typical house over time. We have isolated time in the equation to see how house prices within the impact areas move as affordable housing developments are announced, built, and occupied. That is, we build and compare house price indexes for the impact and control areas to determine if house prices within the impact areas were affected by the introduction of large, dense rental housing developments. By considering both spatial and longitudinal house price variation, we provide a comprehensive look at the micro-level valuation impacts associated with such development.

DATA AND MODEL SPECIFICATION

This study used sales transaction data for single-family houses. We obtained records for about 36,000 transactions between 1982 and 2003. In order to use transaction data in hedonic

modeling, the records must contain structural attributes of the house in addition to the sales price and the sale date. All the requisite information is not compiled by one agency in a uniform format. Transaction data including address, sales price, date, buyer, seller, and mortgage amount are collected by the Registries of Deeds in Massachusetts. Records containing information pertaining to property attributes are maintained by local municipal assessors. We purchased data from a third party vender, The Warren Group, to bridge the gap between registries' and assessors' records.

Drawing on the relevant economic literature, and guided by the availability of transaction data for individual houses, appropriate hedonic models were constructed for each case. In particular, thorough analyses of descriptive statistics were undertaken to construct appropriate explanatory variables.

The variables we included are all considered to be strong determinants of price. All of our models contain a combination of the following explanatory variables: house size, lot size, number of bedrooms, number of bathrooms, and the year the house was built. Our hedonic models also include explanatory variables to represent time. These allow us to measure the "effect" of the passage of time, while holding constant the characteristics of the house.²

For each of our seven cases, separate hedonic equations were constructed and estimated for both the control area and impact area. Using these results, we were able to "price" a typical house in each group over time. Comparisons of these price paths allowed us to see whether prices in an impact area deviated from those in a control area.

ANALYSIS PERIOD

Housing markets are very complex and information is absorbed differentially over time. As such, it is difficult to isolate the impact any one event has on sales price. The best way to capture the influence of an event is to observe impact area price paths or trends before, during, and after the event and look for substantial variations from a control path. We created house sales price indexes that begin before comprehensive permit approval and that extend beyond the initial occupancy of the projects. The twenty-year length of this study (1983-2003) provided a continuous time path that included cyclical changes in the larger market.

The analysis period for each development is designed to include the years in which the influence of the development was strongest. There are many competing factors affecting

sales price of single-family homes, and as time passes after the introduction of a large, dense development, other factors may dilute its influence. The length of each analysis period varies slightly as a function of the development process. Generally, the analysis period is three years long, beginning with comprehensive permit approval and ending the year the project was placed in service.

EMPIRICAL RESULTS—KIMBALL COURT APARTMENTS, WOBURN

For the purposes of this Executive Summary, we will give a thorough description of only one of the case studies, Kimball Court Apartments in Woburn. It is the largest development in our study and it is remarkably different from, and out of scale with, the surrounding neighborhood. As such, we might expect this development to be the most likely to affect single-family house prices.

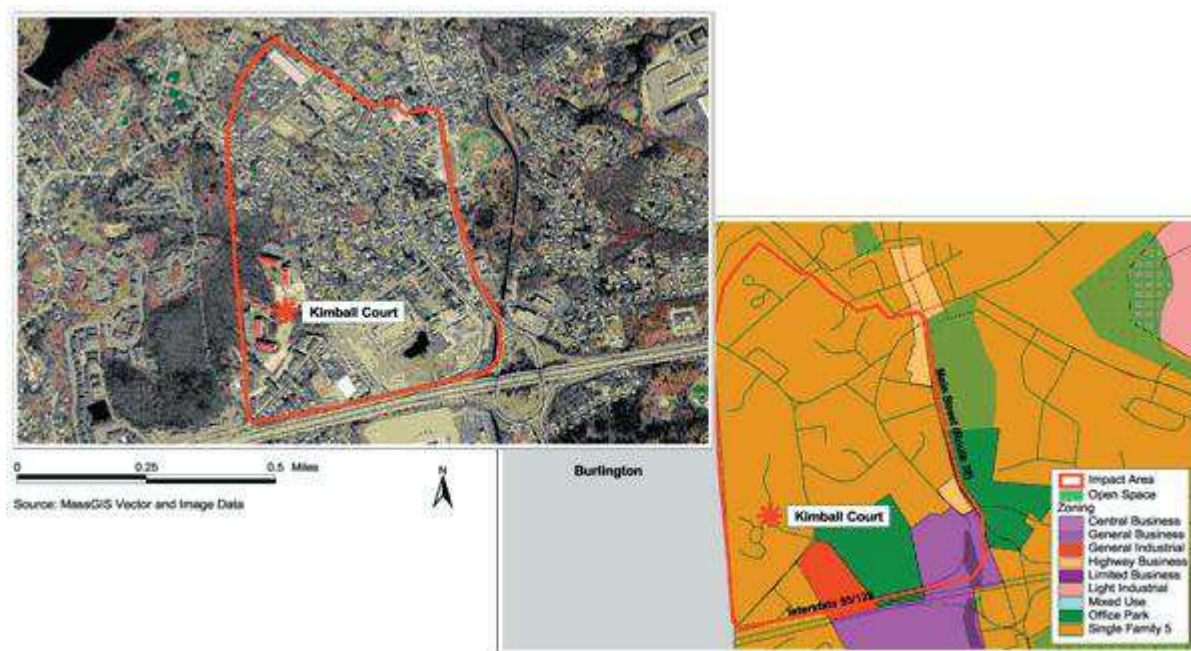
The City of Woburn has seen not one but *three* phases of the Kimball Court housing development. All phases were permitted using Chapter 40B, and each phase has a separate analysis period. The three analysis periods are not all the same length (differences are related to the construction and development timeline of each phase) but the impact area and the control area are the same for all phases.

IMPACT AREA

Kimball Court is located on the western edge of Woburn adjacent to the Burlington border. We have only considered the single-family homes in Woburn as part of the impact area. The boundary is rectangular shaped with three definitive edges formed by Burlington to the west, Route 128 to the south, and Main Street on the east. The northern edge is marked where Merrimac Street intersects Main Street and winds west through residential streets to where Pearl Street crosses into Burlington. The Kimball Court impact area is one of the largest in the study, in part because the development is so dominating that its presence radiates deeply into the residential neighborhood. The topography of the impact area slopes from the north and east toward Kimball Court. The grade affords houses close to Main Street and farther north clear site lines of the seven-story buildings.

Figure 4 shows an aerial photograph and zoning map of the impact area and surrounding

Figure 4. Aerial Photograph and Zoning Map: Kimball Court, Woburn



neighborhood. The photograph clearly depicts the mismatch between the form and scale of Kimball Court and neighboring single-family homes. Most of the open space adjacent to the development provides a buffer only to Burlington; Woburn residents face a sharp edge with little or no transition. The zoning map reinforces the point that Kimball Court is an island amid a single-family district. There are other non-residential uses to the south facing I-95/Route 128, but Kimball Court penetrates into the neighborhood as opposed to remaining on the periphery.

SALES PRICE INDEXES

Chart 1 shows the house price indexes for the control and impact areas. Both indexes track house price movements over time that are consistent with the Boston area's market experience. House prices rose strongly through the mid-1980's peaking in late 1988 and 1989. Prices generally declined during the early 1990s, but by 1996 the market had turned a corner and house prices rebounded sharply. Both the control area and the impact area followed the experience of the larger Boston market, with both indexes following very similar price paths.

In the years after the introduction of each Kimball Court phase, the impact area and control area experienced similar appreciation in sale price for single family homes. Over the

Chart 1. Woburn House Value Indexes



course of the entire study the compound annual growth rate for sale prices was 7.9% for the control area and 8.1% for the impact area.

PHASE I

The first phase was permitted in 1985 and completed in 1988. The appropriate analysis period using our price indexes begins at the two-year period preceding permitting (1983–84) and ends with the two-year period following completion. During this Phase I analysis period, the impact area experienced a 13.9 percent annual growth rate, slightly greater than the control area’s 11.9 percent rate. (See Chart 2.) This was a turbulent period, with home prices doubling.

PHASE II

The second phase was permitted in 1989 and completed in 1990. The analysis period thus begins with 1987–88 and runs through 1991–92, the two-year period after completion. For the Phase II analysis period the impact area house values were essentially unchanged (growth rate of 0.6 percent). Over the same time period, house prices in the control area declined slightly, with an annual growth rate of -3.3 percent. House values around Kimball Court were not adversely impacted by the mixed-income, multi-family rental development.

PHASE III

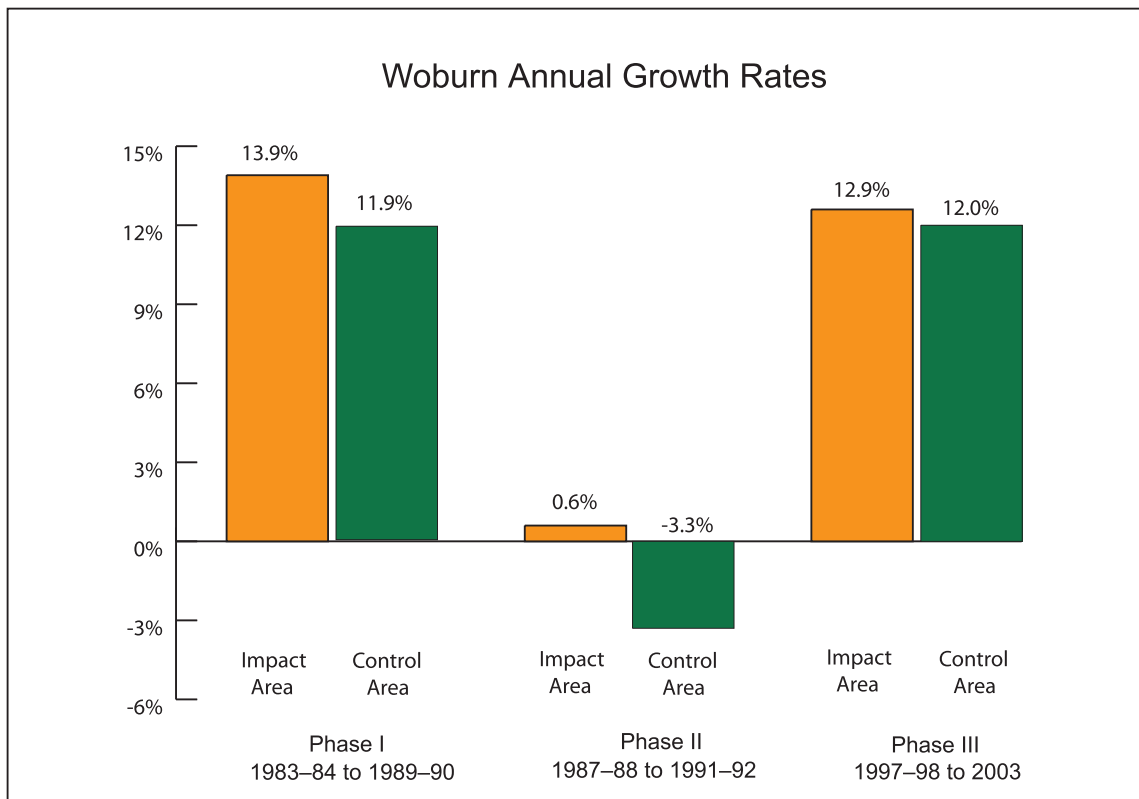
The final phase was permitted in 1999 and completed in 2002. Our analysis period, therefore, runs from 1997–98 through 2003, the last year for which data were available. During the Phase III analysis period, the house values in the impact area rose 12.6 percent annually. The trend for the control area was nearly identical, with house values experiencing an average annual appreciation rate of 12.0 percent.

Overall, we see that there are no substantive differences between the two price paths. Sale prices for single-family homes in the impact and control areas moved nearly in tandem during the three development phases of Kimball Court.

CONCLUSION

To answer the question, “Do large-scale, high-density mixed-income rental developments negatively impact nearby single-family property values in suburban Boston?”, we studied the relationship over time, within 8 separate communities, between single-family house prices directly impacted by such developments and those that were not. Our case selection criteria identified

Chart 2. Woburn Annual Growth Rates



some of the worst-case scenarios of multi-family intrusion into a single-family neighborhood. As such, the developments we evaluated should have the greatest likelihood for negatively impacting adjacent residences. Moreover, given the often contentious nature of the comprehensive permit process, wherein fears of property devaluation and radical changes in neighborhood character were expressed, it seems readily apparent that many local residents would accept this premise.

The empirical analysis for each of the seven cases indicated that the sales price indexes for the impact areas move essentially identically with the price indexes of the control areas before, during, and after the introduction of a 40B development. We find that large, dense, multi-family rental developments made possible by chapter 40B do not negatively impact the sales price of nearby single-family homes. Our findings are transferable to similar developments in towns such as the ones studied.

Massachusetts-style mixed-income, multi-family developments need not be feared in terms of property value losses. The 40B developments considered in this study are high quality housing and, when built, represented the top of the local market. Nearly three-quarters of the housing units in our case studies are market rate. These 40B projects are not just affordable housing developments; they are market-rate multi-family rental communities incorporating an affordable component.

Our finding of the absence of negative property value effects associated with 40B developments should allay municipalities' and homeowners' fears with respect to approving high-quality projects. Given the severe shortage of affordable housing in the Boston metropolitan area, we hope the results of our research will contribute to increasing the rate at which municipalities are able to come into compliance with Massachusetts's affordable housing laws.

CHAPTER 1: INTRODUCTION

This report addresses an important question in the heated debate concerning higher-density, mixed-income development in neighborhoods comprised of single-family detached houses: Do multi-family mixed-income rental developments impact nearby single-family property values in suburban Boston communities? The fear of property value loss is often seen as a serious motive for resident opposition to higher-density mixed-income developments; in fact, there has been no research addressing this question for the Boston metropolitan area.

Our case studies are drawn from the set of developments made possible by Chapter 40B of the Massachusetts General Law, also known as the Comprehensive Permit Law and Anti-Snob Zoning Act. Chapter 40B is a Massachusetts statute that enables developers to obtain state-authorized comprehensive permits in municipalities that have not yet come in compliance with state affordability criteria. Developments seeking comprehensive permits can override local zoning regulations if (1) less than ten percent of a municipality's housing stock is defined as affordable; and (2) at least 20 or 25 percent of the housing units in the proposed development are affordable. The 20 percent figure applies when the affordable units are open to households earning less than 50 percent of the area median income (AMI), and 25 percent are set aside when the criterion is household income less than 80 percent of the AMI.

This study examines the relationship between seven predominantly large-scale, high-density, multi-family rental 40B developments and single-family house value in six communities in suburban Boston. Comparative house price indexes have been created for each development using hedonic modeling to determine whether home values decreased, stayed the same, or increased over time as the result of the 40B development. No effective differences were found between the home price indexes for the impact and control areas in all seven case studies. Property values of single-family homes adjacent to higher-density developments track values of homes that are not proximate to the high-density developments. The fear of relative decline

of nearby property values is not consistent with the empirical evidence.

The developments considered here were either “contentious” or “highly contentious.” These categories relate (1) to the level of opposition the developments faced during the permitting process and (2) which entity granted the final permit decision: the town, Housing Appeals Committee, Superior Court, Appellate Court, or Supreme Judicial Court. These categories are used to show how the 40B process has been framed and re-framed over time.

The 40B process can be conceptualized in terms of three stages:

1. Introduction—The developer introduces a project to the town.
2. Debate—The permitting process negotiations and bargaining between the developer and municipality.
3. Resolution—Final permit decision.

The three-stage process emerged from our analysis of the highly contentious developments. We found that highly contentious projects often occur when towns are unprepared for new development. They either lack background for judging the costs and benefits to the town of the proposed development, or they simply do not want higher density development. Developers sometimes propose a project that may be larger than appropriate and are met with hostility. The permitting process puts the two parties at odds, setting the stage for a high-stakes, seemingly zero-sum game. In these highly contentious projects, the debate stage, which could be an opportunity for mutual revision of the development program, takes place with little negotiation or bargaining between developers and municipalities. Inevitably, it ends in a permit denial from the town. This denial leads to an extensive third stage with a long, expensive legal process. Fear of a protracted battle gives developers incentive to maximize project density in their initial proposals to compensate for anticipated extra costs, and the failure to resolve the question of density in earlier stages leaves towns with little leverage once the courts render the permit decision.

The approach to contentious developments approved as a result of 40B requirements has been reframed over time. Initially, the process was framed in such a way that resulted in a strictly dichotomous solution of receipt or non-receipt of a comprehensive permit. As a result of contentious projects, developers and towns began to re-frame how to proceed with Stage 2 of the 40B process by concluding that they could each have a better end result if they negotiated

and bargained during the permitting process. In these cases, the municipality ends up making the final permit decision in Stage 3 instead of forcing the developer to appeal the permit through the higher-stakes court system.

Non-contentious developments are possible but have been uncommon. In this report, only Littleton Green, a 24-unit age-restricted development, falls into this category. Because of the target population and small size, there was little community opposition to the development. Moreover, from the town's perspective, granting the comprehensive permit without intervention by state-level authorities who often restrict the scope of town behavior provided an opportunity for the town to negotiate for the incorporation of its own needs into the development program.

RESEARCH METHODOLOGY

This is the first study for Massachusetts of property values effects of multi-family affordable developments. We applied rigorous, state-of-the-art quantitative research methods to explore this issue as fully as possible.

We designed the research approach to focus on contentious and highly contentious development; our focus on numerous “worst-case” scenarios meant choosing developments that many would consider “most likely” to have negative impacts. The selected 40B mixed-income developments had to be: (1) located within the Boston metropolitan area, (2) permitted between the mid-1980s and 2000, (3) rental apartments, and (4) embedded in single-family residential neighborhood. This process identified a group of developments that are generally both larger and denser than the typical 40B development. It could be argued that most of the case studies are the types of developments that suburbanites fear most: the worst neighbor that one would hope to have. If there were ever projects expected to cause negative impacts on surrounding property values, it would be the large, dense developments examined in this study.

A crucial step in building the methodology was to identify “impact areas” to use in the empirical analysis. How an impact area is defined is critical to achieving objective results. We carefully and conservatively drew impact area boundaries according to strict criteria, which resulted in impact areas that are almost exclusively abutters of the development. Impact area designation was done on a case by case basis; we did not simply apply a generic formula such as drawing a quarter- or half-mile radius around the development capturing all the homes in the

area. Our procedure included review of aerial photos, zoning maps, road maps, discussions with municipal officials, and site visits.

This study uses hedonic modeling techniques to create comparative sales price indexes for each impact area and its respective control area, defined as the remainder of single-family homes in a town. Implicit in hedonic modeling is the assumption that home buyers assign value to the individual characteristics that make up a house (e.g., size, number of bathrooms). Hedonic modeling is a statistical tool used to estimate the value of these structural attributes. Since home values change over time, our models also estimate effect of time on house value. This allows us to use the hedonic results to price a typical house over time. We thus built and compared house price indexes for impact and control areas to determine if house prices were affected by the introduction of 40B developments.

CHAPTER 40B: A HISTORY, DESCRIPTION AND RESULTS

Massachusetts' Chapter 40B statute was written in 1969 partly in response to the form and consequence of twentieth-century suburbanization. Chapter 40B was “based on a remarkably early recognition by its proponents that exclusionary zoning practices, such as large minimum lot size requirements and bans on multi-family housing, play a significant role in driving up housing costs and causing the dominant spatial pattern of economic and racial segregation found in most metropolitan areas of the United States.”¹ The law was intended to stem the tide of widespread income and racial segregation in Massachusetts by giving the state the authority to supercede local (suburban) exclusionary zoning regulations.

The 40B statute has two main objectives: housing production and household mobility. The production objective is to increase the supply of both affordable and multi-family housing in Massachusetts. The mobility objective is to provide opportunities for low- and moderate-income (particularly minority low-income) families to move out of the concentrated poverty of the inner city into suburban areas with increased educational and economic opportunities.

Specifically, General Law Chapter 40B “was enacted to provide expeditious relief from exclusionary local zoning by-laws and practices which might inhibit the construction of low and moderate income housing in the Commonwealth’s cities and towns.”² Pursuant to the statute, “a qualified builder wishing to build low or moderate income housing may file with a local board of

appeals an application for a comprehensive permit instead of filing separate applications with each local agency having jurisdiction over the project.”³ If a local zoning board denies an application for a comprehensive permit, the developer may appeal to the Housing Appeals Committee (HAC), and the HAC will review the decision “to determine whether the board’s decision is reasonable and consistent with local needs.”⁴ The local zoning board has the burden of proving that the development will cause health, safety, environmental effects that outweigh the need for low and moderate income housing. If the HAC finds that the decision of the zoning board is not reasonable and consistent with local needs, it can direct the issuance of a comprehensive permit by the board. Chapter 40B is responsible for creating approximately 30,000 housing units to date, nearly 18,000 of which are privately owned rental housing units that are affordable to households earning at or below 80 percent of the AMI.⁵

HOUSING TRENDS

While the Boston area’s population has been increasing, the number of housing units permitted annually in Massachusetts has declined significantly over the past few decades, from an average of 31,000 units per year during the 1970s to only 17,000 per year throughout the 1990s. Population and income growth and declining housing production are partly responsible for the recent major runup in housing prices and rents. Another contributory factor has been the constraints on land use throughout Boston’s metropolitan area imposed by large lot single-family zoning in suburban communities.

The decline in permitting of multi-family housing is even more striking, dropping from an average of 14,000 per year in the 1970s to 1,300 per year for most of the 1990s.⁶ Massachusetts ranked forty-seventh in the country in multi-family housing starts in 2002, in the same league as large rural states such as Wyoming and North Dakota with less than 10 percent of the population of Massachusetts.⁷

AFFORDABLE HOUSING TRENDS

A thorough assessment of housing affordability is the focus of a related project.⁸ It is useful here, however, to note that the vast majority of Boston-area towns and cities have not met the ten percent requirement in the Chapter 40B legislation. (See Table 1.1.) Jurisdictions with low-

income neighborhoods dominate the “above 10%” group (Boston, Lawrence, Lowell, Springfield, and Worcester).

EXCLUSION AND OPPOSITION

Exclusionary zoning and local opposition in suburban communities have significantly hindered both market-rate and affordable multi-family housing production. Massachusetts has a strong tradition of home rule, and municipalities use exclusionary zoning practices such as large lot single-family zoning to effectively close the door to the suburbs for lower- and moderate income families.

Chapter 40B has been so contentious because it supercedes the control over the most significant power suburbs have—zoning. Residents resist 40B developments in their neighborhoods and expend considerable effort to block comprehensive permit applications.

The arguments presented in opposition to 40B developments are numerous and often pertain to traffic and congestion, architectural design and contextual sensitivity, property value, municipal budgeting, and environmental impacts. Many believe, however, that most citizen opposition can be distilled to a fear of neighborhood devaluation. Thus, residents are acting in what they believe to be the interest of wealth preservation by protecting the value of their homes—the asset that is most often the largest component of their investment portfolios.¹⁰ This study examines whether this self-interest is well founded.

Table 1.1 Boston Area Municipalities Subsidized Housing Inventory

Boston Metropolitan Area Municipalities' Affordable Housing Share	Number of Municipalities	Percent
0-2.5%	24	15%
2.5-5.0%	69	45%
5.0-7.5%	33	21%
7.5-10.0%	16	10%
Above 10%	13	8%
Total	155	100%

Source: MA Dept of Housing and Community Development, Subsidized Housing Inventory, April 2002.

REPORT ORGANIZATION

In the following chapters we present our research methodology and empirically examine the impact of 40B developments on surrounding property values.

Chapter 2 describes the case selection process and identification of each impact area. Our treatment of these issues sets this study apart from most previous work.

Chapter 3 outlines the theoretical framework for using hedonic modeling and presents the specific econometric methodology used in this study.

Chapter 4 presents our empirical findings. We review the results of each case study by discussing the price indexes.

Notes

¹ Krefetz, Sharon Perlman. *The Impact and Evolution of the Massachusetts Comprehensive Permit and Zoning Appeals Act: Thirty Years of Experience with a State Legislative Effort to Overcome Exclusionary Zoning*, 22 Western New England Law Review, 2001.

² Stonefield, Sam. *Symposium: Affordable Housing in Suburbia: The Importance but Limited Power and Effectiveness of the State Override Tool*, 22 Western New England Law Review, 2001.

³ *Zoning Board of Appeals of Greenfield v. Housing Appeals Committee*, 1983.

⁴ *Zoning Board of Appeals of Wellesley v. Housing Appeals Committee*, 1982.

⁵ *Ibid.*

⁶ Heudorfer, Bonnie. *The Record on 40B: The Effectiveness of the Massachusetts Affordable Housing Zoning Law*. Citizens' Housing and Planning Association, June 2003.

⁷ *Ibid.*

⁸ Hindman, Matthew. "A worthy strategy for affordable housing," *The Boston Globe*, March 27, 2004.

⁹ Boston Affordability Index forthcoming, May 2005.

¹⁰ Fischel, William. *The Homevoter Hypothesis*. Cambridge, MA: Harvard University Press, 2001.