

# Multifamily Benefits

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THE HOUSING AFFORDABILITY TOOLKIT

Developed in Partnership with  
HR&A Advisors

# The Benefits of Multifamily Housing

**Comprising 15% (20.6 million units) of the nation's housing stock, multifamily rental housing plays a vast and diverse housing role that serves an essential and evolving purpose in communities across the country.**

At its core, multifamily housing increases the **density, variety, and efficiency** of a municipality's housing.

Multifamily housing broadly improves our cities in four far-reaching ways:

- Invigorating **economic vitality** by improving the livelihood of workers and businesses
- Improving **fiscal health** by increasing the tax base and efficiently using public resources
- Increasing **environmental sustainability** by efficiently building and operating residential units
- Enhancing **quality of life** by allowing for healthy, culturally vibrant, and place-based lifestyles

This document explores the extensive benefits of multifamily housing while dispelling several misconceptions.

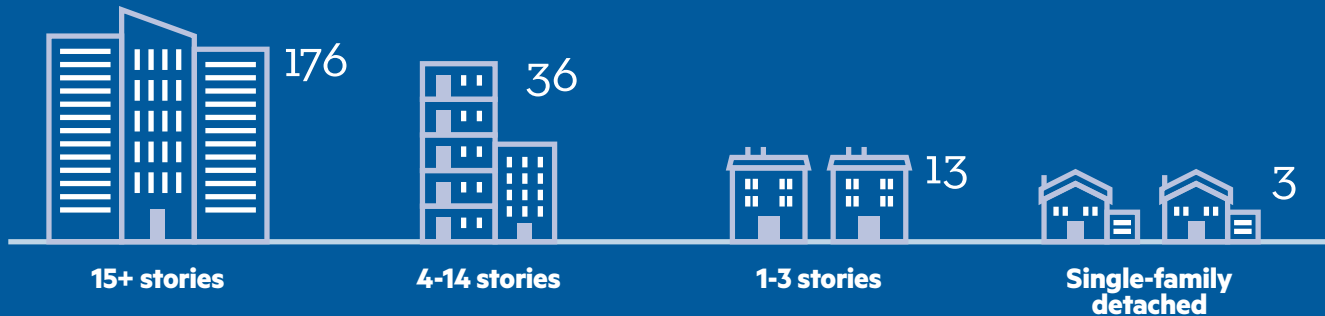
# The Benefits of Multifamily Housing

In any market, multifamily housing exhibits three fundamental characteristics that allow it to yield a far-reaching set of benefits.

## Increased Density

**Multifamily housing allows for more housing units to be built on any given parcel of land.** Increasing the density of households can quickly expand the tax base and commercial vitality of an area. It also allows for more much-needed housing to be built in desirable areas with greater employment, easier access to transit, and generally a higher quality of life, as these areas typically are more land-constrained and expensive to build in.

**AVERAGE NUMBER OF UNITS PER ACRE BY HOUSING TYPE<sup>1</sup>**



## Wide Variety

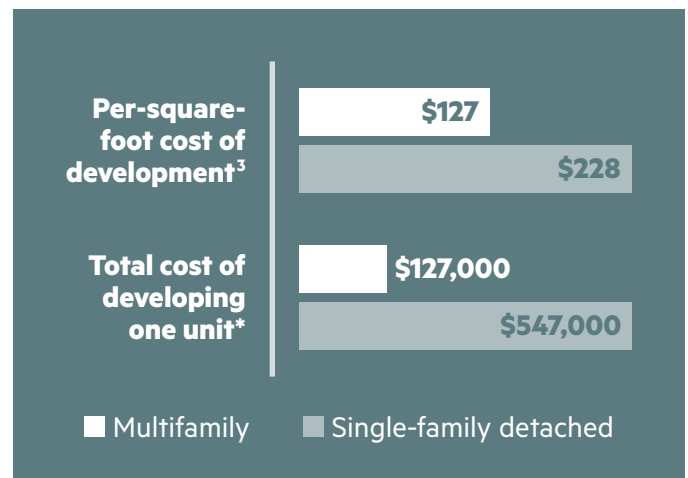
**Multifamily housing serves a wide range of household types and needs.** The wide range of available unit types, locations, and price points allows multifamily housing to accommodate a unique variety of household types, income levels, and lifestyle preferences.

## Greater Efficiency

**Multifamily housing is cost-effective and efficient to both build and operate.** Development costs for multifamily housing are far lower on a per-unit basis than single-family. Multifamily housing also makes more efficient use of utilities and other infrastructure.

“Multifamily rental housing offers a powerful tool to increase residential density in downtown and suburban locations, while also accommodating a socio-demographically diverse population.”

– Journal of Housing Studies<sup>2</sup>



\*Assuming median unit sizes of 2,400 SF for a single-family detached home and 1,000 SF for an apartment.

<sup>1</sup> HR&A analysis of CoStar and U.S. Census data.

<sup>2</sup> Rebecca Walter, 2018. “The geographic and sociodemographic transformation of multifamily rental housing in the Texas Triangle.”

<sup>3</sup> Craftsman Handbook.

# Economic Growth and Vitality

Multifamily housing stimulates and sustains local economies, neighborhood health, and overall economic competitiveness.

Multifamily housing supports the expansion and diversification of the local workforce.

**An expanding housing supply often both indicates and allows for an expanding economy.** Multifamily housing is the most efficient way to increase the supply of housing, which is necessary to accommodate employment and household growth. A lack of housing supply will either prevent growth or lead to the displacement of existing households.

**Housing density can improve the productivity and lifestyle of people who work in employment centers with high traffic volume.** As jobs cluster within employment centers that experience growing levels of traffic, commute times can be ameliorated if people can find and afford housing near where they work. Because apartments allow housing to be efficiently built in desirable areas near employment and transit, people living in apartments have shorter commute times on average.

**Multifamily rental housing attracts critical segments of the workforce, such as younger households and households earning modest incomes.** While multifamily housing serves households of all ages and income levels, it is uniquely able to provide young people with the mobility and urbanism they often prefer and is able to provide affordably priced housing options in good locations.

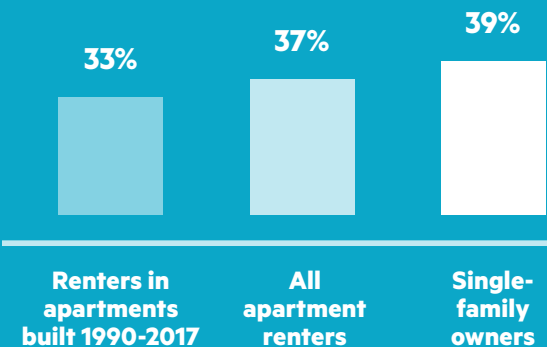
At a national level, housing constraints and regulations are estimated to have lowered aggregate economic growth by

# 36%

between 1964 and 2009.<sup>1</sup>

Due to a lack of housing in productive but highly regulated cities (such as New York City and San Francisco), people have consistently been priced out of optimal jobs.

## SHARE OF HOUSEHOLDS COMMUTING 30 MINUTES OR MORE TO WORK<sup>2</sup>



Of households younger than 35:

# 7.1 MILLION

rent multifamily

# 6.2 MILLION

own single-family<sup>3</sup>

<sup>1</sup> Chang-Tai Hsieh and Enrico Moretti, 2015. "Housing Constraints and Spatial Misallocation."

<sup>2</sup> "NMHC Quick Facts." NMHC tabulations of 2016 American Community Survey.

<sup>3</sup> 2016 American Community Survey.

# Economic Growth and Vitality

Multifamily housing stimulates and sustains local economies, neighborhood health, and overall economic competitiveness.

Denser housing and denser cities support the formation and growth of businesses.

**Denser urban areas are more economically productive due to the networks that form when firms and people locate near each other.** As ideas are more freely exchanged between both collaborators and competitors, urban areas benefit from advancements in innovation.<sup>1</sup> Multifamily housing contributes to this effect by significantly increasing urban density.

**“ Emerging sectors of the economy often place a premium on access to specialized business services, professional contacts, restaurants, and employee housing...these aspirations can best be realized in mixed-use agglomerations.”**

– Paul G. Lewis, *Shaping Suburbia*<sup>2</sup>

## PERCENTAGE OF PIPELINE PROPERTIES PLANNED AS MIXED-USE<sup>4</sup>

2010-2014

28.8%

2016-2021

34.9%

Multifamily housing enables neighborhood investment and commercial activity.

**Multifamily housing development is a signal and stimulator of neighborhood growth.**

The development of multifamily housing tends to encourage the concentration of households and incomes needed to support new retail and commercial development. At a time when retail footprints across the nation are receding, a notable increase in mixed-use developments containing residential with retail and/or office indicates that denser housing can attract and support commercial activity.<sup>3</sup>

In other cases, multifamily housing is the necessary piece to transform areas filled with predominantly commercial uses (office, retail, public facilities) into vibrant, 24-hour mixed-use districts, as has been the case for downtowns across many major cities.

**“ Residential has been the big story over the last couple decades. Downtown, prior to that, evolved as the location for commercial office and retail, and then for the major arts and cultural institutions.”**

– Jon Scholes, President & CEO of the Downtown Seattle Association<sup>5</sup>

1 Glaeser and Gottlieb, 2009. “The Wealth of Cities: Agglomeration Economies and Spatial Equilibrium in the United States.”

2 Paul G. Lewis, 1996. “Shaping Suburbia: How Political Institutions Organize Urban Development.”

3 Forbes, 2018. “How Retail Real Estate Continues To Change.”

4 Axiometrics, 2016. “Mixed Use Trending in Apartment Markets.”

5 U.S. News Real Estate, 2016. “How Commercial Real Estate Is Changing Residential Housing.”

# Fiscal Health

Multifamily housing improves fiscal health by both increasing revenues and decreasing costs, positioning local budgets to more effectively serve the public good.

Multifamily housing efficiently increases tax revenues for local governments.

**Greater household density increases the tax base through expanding the number of both households and businesses.** Denser households contribute more to property and sales taxes. Moreover, by stimulating commercial growth, multifamily housing can further increase local sales and business taxes.

Denser development generates

# 10 TIMES

**more tax revenue** per acre than conventional suburban development.<sup>1\*</sup>

## 2011 MUNICIPAL PROPERTY TAX YIELD (PER ACRE) OF SELECT BUILDINGS IN RALEIGH, NC

6-story mixed-use (multifamily & retail)	\$110,500
3-story office	\$30,100
3- to 4-story multifamily residential	\$26,100
Major shopping mall	\$22,200
Single-family residential	\$2,800
Walmart	\$2,100

Multifamily housing reduces fiscal burdens by efficiently using public infrastructure and services.

**Municipalities save significantly on costs incurred by critical physical infrastructure,** such as new roads, water lines, and sewer lines. Savings are experienced in upfront capital costs, operations and maintenance costs, and eventual replacement costs.

**Denser development also leads to savings on the costs of ongoing delivery of public services,** such as police, ambulance, and fire services.

Compared to conventional suburban development, denser development saves

# 38%

on the **delivery of upfront infrastructure,** and

# 10%

on the **cost of delivering public services.**<sup>1\*</sup>

\*These results were arrived at by compiling findings from 17 studies, which span city, state, and national scopes.

1 Smart Growth America, 2013. "Building Better Budgets: A National Examination of the Fiscal Benefits of Smart Growth Development."

# Environmental Sustainability

Increased urban density benefits the environment by reducing carbon impact and preserving open space and natural amenities.

Density reduces the energy required to build, operate, and service residential units.

**Multifamily housing lowers the energy intensity of creating a housing unit**, or the “embodied energy” of extracting materials and building the structure. The energy savings can be substantial, as embodied energy can range from 10 to 45 percent of the total energy impact of a building through its lifecycle.<sup>1</sup>

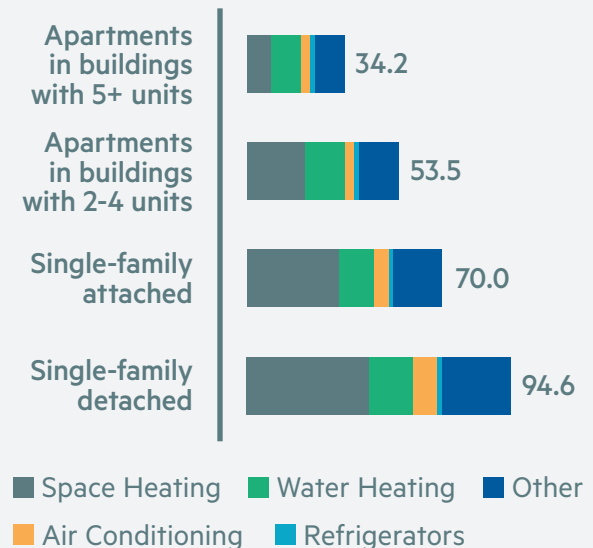
**Multifamily properties require less energy to maintain on a per-unit basis**, resulting in both energy and cost savings for residents and property managers. This energy impact is substantial, as residential and commercial buildings consume 41 percent of the nation’s energy each year.<sup>3</sup>

**Multifamily housing decreases the resources used for infrastructure and services.** Surrounding infrastructure, such as, roads, public transportation, street lighting, water pipes, and sewage treatment, also contributes to embodied and operational energy use. Multifamily housing makes uses of these resources much more efficiently.

Denser housing allows for the preservation of open spaces and natural amenities.

By requiring a smaller land footprint, multifamily housing helps to **preserve open space and undeveloped land, natural amenities that can be difficult to preserve in sprawling areas.**

**ENERGY CONSUMED PER RESIDENTIAL UNIT (MILLIONS OF BTUS)<sup>2</sup> 2017**



Energy consumption can be measured on a per-unit or per-square-foot basis. Both metrics show apartments use less energy after taking into account home size, climate, and other important characteristics (including whether the apartment renter pays utility costs directly).<sup>4</sup>

Planned, compact growth uses

# 20%-45%

**less land** than unplanned, sprawling, “overspill” development.<sup>5</sup>

1 Nichols and Kockelman, 2014. “Life-Cycle Energy Implications of Different Residential Settings.”

2 HR&A analysis of 2017 Energy Information Administration data.

3 Takano et al., 2015. “Life cycle energy balance of residential buildings.”

4 Obrinsky and Walter, 2016. “Energy Efficiency in Multifamily Rental Homes: An Analysis of the Residential Energy Consumption Data.”

5 Burchell et al., 1998. Costs of Sprawl Revisited: The Evidence of Sprawl’s Negative and Positive Impacts.

# Quality of Life

Multifamily housing improves quality of life by improving public health, allowing for vibrant public spaces and amenities, and providing housing options for a variety of lifestyles.

## Density increases connectivity.

Density allows for cities to be walkable and cyclable, for streetscapes to be attractively designed for high volumes of foot traffic, and for a wide variety of people to interact with each other. Not only does this improve the aesthetic experience of living in a city, it can positively affect public, physical, and mental health.

# 50%

of surveyed Americans would like to walk or bike more instead of driving.<sup>1</sup>

## Density allows vibrant public spaces and cultural amenities to exist and thrive.

Denser housing helps to preserve open space and public facilities and contributes to the volume and diversity of people who make these spaces interesting. Valuable cultural spaces that require high volumes of patronage to remain viable are made possible by densification.

“For consumers who want to be able to go to the opera regularly or go to live major league baseball games, living in large cities is a necessity.”

– Ed Glaeser, Professor of Economics at Harvard<sup>3</sup>

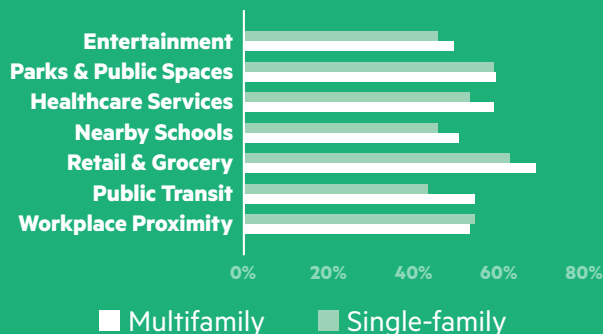
# 7 IN 10

renters are willing to downsize in order to live in a dense urban area.<sup>2</sup>

## Varied housing provides choosing power.

By efficiently increasing the stock of housing available in a city, multifamily housing allows people to more easily choose where they live. People might be able to live nearer to their work or avoid being displaced from or priced out of a neighborhood or municipality they prefer. They may choose to adopt a lifestyle that is unique to multifamily housing, such as ease of maintenance and walkability.

### % OF SURVEYED HOUSEHOLDS VERY SATISFIED WITH...<sup>4</sup>



1 Smart Growth America, 2003. "Measuring the Health Effects of Sprawl."

2 Fannie Mae, March 2017. Consumer Omnibus Results.

3 Ed Glaeser et al. 2000. "Consumer City."

4 <http://www.fanniemae.com/resources/file/research/housingsurvey/pdf/nhs-study-affordability-perceptions.pdf>



# Misconceptions

Contrary to some misconceptions, multifamily housing does not negatively affect property values, public schools, traffic, and emissions. In many markets, these community issues are in fact improved.

Single-family homeowners are understandably concerned about two community goods: property values for single-family homes and the viability of local public schools. Many studies have sought to understand the effects of multifamily housing on these goods.

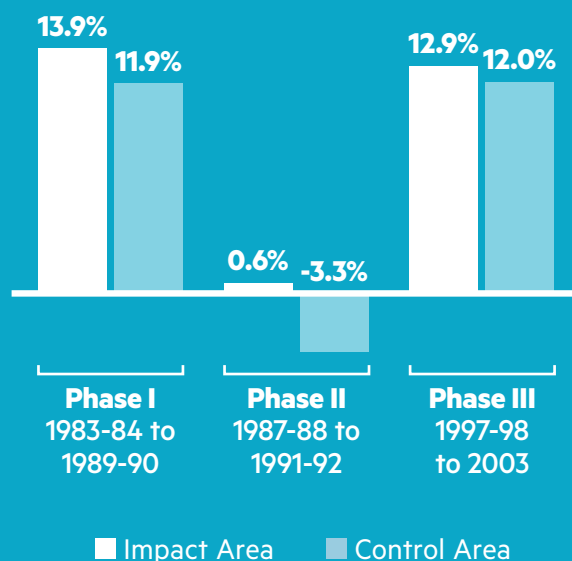
**Property values for single-family homes are not harmed, and in fact are often boosted, by the arrival of nearby multifamily housing development.**

Time series analyses of seven areas in Boston found that home values were generally boosted by being near pioneering multifamily housing developments over the course of thirty years, relative to areas without such development.<sup>1</sup> This study has been replicated in numerous cities, such as Portland, Richmond, and in numerous cities and regions, with similar results.<sup>2</sup>

**Similarly, multifamily housing does not place undue strain on local public schools.**

This concern is premised on the assumption that multifamily developments will bring in too many families with school-age children while yielding lower tax revenues. In fact, residents of multifamily housing typically have far fewer children, while the net impact of multifamily housing on a city's fiscal health is positive when considering the increase in tax revenues.

## CHANGE IN HOME VALUES IN BOSTON NEIGHBORHOODS WITH NEW MULTIFAMILY (IMPACT) AND WITHOUT (CONTROL)<sup>1</sup>



## AVERAGE NUMBER OF SCHOOL-AGE CHILDREN PER 100 UNITS OF HOUSING<sup>3</sup>

52

in single-family homes

27

in apartment units

61

in **new** single-family homes

22

in **new** apartment units

<sup>1</sup> Pollakowski et al., 2005. "Effects of Mixed-Income, Multi-Family Rental Housing Developments on Single-Family Housing Values."

<sup>2</sup> Streets MN, 2016. "No, Large Apartment Buildings Won't Devalue Your Home."

<sup>3</sup> NAHB Special Studies, 2017.

\* For recent mover households.