

Effects of Group Homes on Neighborhood Property Values

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Abstract: Several indicators of property values were examined to determine the effect that group homes have on property values. Data were collected for 525 houses which sold around 13 group homes. Independent variables were the time of sale (before or after group home occupancy) and distance from the group home. No significant differences were found in length of time on the market and sale/list ratios. Exceptionally high sale prices in certain areas are believed to have accounted for significant differences in list and sale prices. The results support the notion that group homes do not adversely affect neighborhood property values.

The Eastern Nebraska Community Office of Retardation (ENCOR) was formed in 1970 to provide community-based services to persons with mental retardation. Their services include residential services which are provided through the establishment of small group homes in which individuals with mental retardation live with staff support.

Group homes located in two of the five counties served by ENCOR were selected for the Study. Douglas County (population approximately 411,000) includes the city of Omaha—a metropolitan area of Nebraska. Omaha is described as a medium sized service center. A substantial proportion of its economic activity stems from agriculture.

Sarpy County (which is adjacent to Douglas County) is the location of the Strategic Air Command (SAC)—Offutt Air Force Base. SAC is an important part of the economy in Sarpy County and the leading employer in the metropolitan area.

The stability of the population in the Omaha metropolitan area is comparable to cities of similar size in the United States.

Approximately 12% of the population is black, which is about the national average. About 2.1% is Chicano according to documented reports (D. Dimartino, University of Nebraska at Omaha Center for Applied Urban Research, personal communication, February, 1985).

The purpose of ENCOR's residential services is to prepare children and adults with mental retardation for the independent use of the same residential environments and other community resources and settings available to all citizens. Some individuals live in a group of two or three. Others live in their own homes or apartments

with friends or alone. Skills and abilities determine the level of staff support. In some cases, it may be 24-hour supervision. In others, staff persons may drop in for only an hour or two each week.

ENCOR maintains residences within neighborhoods such that they are not landmarks. Neither the residential facilities nor their residents are intended to be more conspicuous than any other segment of their community.

Residential services, like all other ENCOR services, are based on the theory of normalization. That is, they are based on the belief that all people, whether or not they have mental retardation, should have the opportunity to enjoy the same environment and have access to the same resources. Indeed, such opportunities are essential if people are to grow and learn to live as part of the larger society.

There are two aspects involved in living as part of the larger society. One is the physical setting or integration of the person's home. The other is social integration or the day-to-day interaction with other individuals in the community including neighbors, merchants, etc. Exclusion by the community can be a major barrier facing providers and consumers of community-based residential services. The community may exclude persons with mental retardation by blocking their entrance into the community through zoning laws, city ordinances, and various informal methods such as neighborhood and community pressure (Aviram & Segal, 1973). Thus, neighborhood and community acceptance is an important part of assisting persons with mental retardation to live as part of the larger society.

Before making a decision to rent a house in which to provide residential services to persons

with mental retardation. ENCOR staff persons routinely conduct neighborhood surveys. Staff persons inform the neighbors of the agency's programs and goals, provide some reading material, answer questions, and solicit their opinion on having a residence in their neighborhood. i.e., favorable, no opinion, or unfavorable. Their responses are only one factor on which the decision to rent a house is made.

One area of concern to potential and current neighbors of ENCOR residences and to the agency, is the effect that group homes have on neighborhood property values. Such community concerns can be a major barrier towards the physical and social integration of persons with mental retardation. This study examines several measures of property values to determine what effects, if any, the presence of ENCOR group homes have on neighborhood property values. Such research should prove useful as a source of information to the agency and property owners.

Literature Review

Several studies (Caulkins, Noak & Wilkerson, 1976; City of Lansing Planning Department, 1976; Dear, 1977; Developmental Disabilities Program, 1982; Knowles & Baba, 1973; Wiener, Anderson & Nietupski, 1982) examining various measures of property values have revealed no evidence that neighborhood values are adversely affected by the presence of a group home.

A study issued by the Metropolitan Human Services Commission (Wagner & Mitchell, 1980) in Columbus, Ohio examined real estate transactions which occurred before and after the location of group homes serving a variety of populations including developmentally disabled women. No statistical differences were found between the before and after measures of property values. Indicators of value used were the time that a parcel remained on the market and sale price as a percentage of list price. A quick sale was assumed to be more beneficial to the seller so that a better investment could be made and the inconvenience involved in the sales process could be eliminated. The price ratio was used to permit comparisons of different real properties and to decrease the biasing effects of time and history.

According to Wagner and Mitchell (1980), the study was criticized for defining location date as the purchase date of the facilities studied. That is, it was suggested that property values would not be affected by the presence of a group home until the neighborhood became fully aware of the

intended use of a house as a group home. Thus, the study was replicated and the date of occupancy was used to define the establishment of the group home.

Again, the results showed that group homes did not adversely affect neighborhood property values. Three homes showed no statistically significant differences in the before and after measures for the two variables. For two homes, there was a statistically significant difference such that the measures after the date of occupancy were more positive than the before measures for at least one of the variables.

Other researchers have reported that property values in communities with group homes had the same increase (or decrease) in market prices as other similar neighborhoods; that the close proximity of neighboring properties to a group home did not significantly affect their market values; that adjacent properties did not experience property value declines; and that the establishment of the group homes did not generate a higher degree of neighboring property turnover than in other similar neighborhoods (Mambort Thomas & Few, 1981; Wolpert, 1978).

In another study, property transactions were examined for houses located in the immediate area of a group home, those located on the same street, and those located in the same block. An analysis of turnover rates, mean selling prices, mean annual rates of appreciation, the mean number of days properties were listed before selling, and the actual selling prices as percentages of the asking prices showed no evidence that property values or marketability were adversely affected by the establishment or presence of group homes in residentially zoned neighborhoods (Wickware & Goodale, 1981).

Thus, researchers examining a number of possible indicators of property values have found no evidence that the presence of group homes affects property values. The methodology has included the analysis of real estate transactions occurring before the establishment of group homes with those occurring after, the use of comparison neighborhoods or a matched control group, and the analysis of real estate transactions for houses located at progressively further distances from the group home.

Method

Overview

In order to determine the effects that group homes serving individuals with mental retarda-

tion have on neighborhood property values, property transactions occurring during a period if time both before and after the occupancy dates of group homes were analyzed. In addition, property transactions were analyzed in relation to their distance from the group homes. Thus, effects, if any, can be seen as occurring after the establishment of the group homes and/or as a result of proximity to the group homes (diminishing as distance from the group home increases).

Group Home Selection

Thirteen group homes administered by ENCOR were selected for the study. The following criteria were used in the selection process: (1) 24-hour staff coverage; (2) occupancy by two or more clients; (3) location in Douglas or Sarpy County, Nebraska; and (4) location in a primarily non-rental neighborhood (e.g., not located in an apartment complex). Facilities established prior to 1978 were not included because of a lack of available information.

Data Collection

Data were collected from the *Omaha Statistical Marketing Analysis* (Multiple Listing Service) and included the following: (1) the date each house sold; (2) the amount of each transaction; (3) the list price of each house sold; (4) the number of days each house was on the market; and (5) the address of each house sold. Data was also collected from the 1980 Census on Population and Housing on median housing value for each group home neighborhood. Data did not include those houses sold by the owner (which, according to a local real estate agent are minimal) and those houses that never sold and went off the market as this information was not available.

Data were collected on a total of 525 homes for the period of time from one year before ($n = 198$) to three years after ($n = 327$) the date of occupancy for each group home. Occupancy dates were used rather than dates of leases as it is believed that it is at occupancy when neighbors become aware that individuals with mental retardation have moved into the homes. It should be noted that neighborhood surveys (the soliciting of neighbors' opinions prior to renting) were begun by ENCOR only in July of 1980. Thus, for two of the thirteen group homes, neighbors would have become aware of the potential establishment of a group home in their neighborhood

prior to the date of occupancy. For the other eleven group homes neighbors would not have known.

Data were collected for those homes that sold within 1200 feet of each group home. Each house was determined to be in a certain zone with reference to the group home, i.e., Zone 1 included houses located within 400 feet of the group home. Zone 2 included those located between 400 and 800 feet of the group home, and Zone 3 included those located between 800 and 1200 feet of the group home. In cases where the dividing line ran through a house, the house was included in the zone nearest to the group home.

Of the 537 houses located in the Zone 1 areas around the group homes, 111 sales took place. Of the 1,118 houses in the Zone 2 areas, 246 sales took place. Finally, of the total 1,381 houses located in the Zone 3 areas, 225 sales took place.

Turnover rates were calculated for each zone of each group home based on the number of property transactions that occurred and the total number of houses in each zone. The latter information was derived from aerial photographs which were obtained from the Omaha and Bellevue (Nebraska) City Planning Departments. Rates were calculated separately for before and after the group home occupancy dates as well as by zone.

Sale price/list price percentages were individually calculated for each transaction.

Results and Discussion

Market Time

A two-way analysis of variance indicated there were no statistically significant differences in the number of days that houses were on the market before being sold. This held true for both independent variables—distance from the group home and whether a house sold before or after the occupancy date of the group home. There was also no significant interaction.

Turnover Rate

Turnover for homes before and after the establishment of the group homes was analyzed using chi-square. The chi-square $\chi^2 = 7.82$, $df = 1$ was significant at the .05 level. Turnover after the establishment of the group homes was significantly lower than turnover before. While this most likely represents a slow-down in the housing

market, it also indicates that presence of a group home does not increase turnover.

It can be concluded that the presence of a group home in a neighborhood did not adversely affect (i.e., cause an increase in) the number of property transactions in a neighborhood-

List Price, Sale Price, and

Sale/List Rates

Two-way analyses of variance revealed a significant interaction effect of distance from the group home and time of sale (i.e. whether the house sold before or after the occupancy date of the group home) on both list and sale prices ($F = 3.33, 2/254 \text{ df}, p < .022$ and $F = 4.19, 2/523 \text{ df}, p < .016$ respectively). After group home establishment, there was a greater increase in list prices and sale prices further away from some of the group homes. However, there was no significant difference in the sale/list ratios (i.e., sale prices expressed as percentages of list prices). Thus, homeowners were still getting the same percentage of their asking price for their property regardless of the distance from the group home or whether the house sold before or after the group home was established.

Overall the list and sale prices increased in every zone after the group homes were established. However, it appeared that in Zone 3 list prices were considerably higher after the establishment of the group homes. Table 1 shows the mean list and sale prices and the mean sale/list ratios by zone and time of sale.

It appeared however that these differences by zone existed only around four of the thirteen group homes where exceptionally high sales appear to have occurred in Zone 3 after the estab-

lishment of the four group homes. An analysis was done on the list and sale prices for properties around the nine other group homes ($n = 273$ and $n = 277$, respectively). There were no significant differences by zone when data for one year before the establishment of the group homes were compared with the data for one year after the establishment of the group homes.

The median housing value for Zone 3 areas around and the four group homes where exceptional sales occurred was 344,320. In contrast, the mean list price for homes in those areas that sold after the establishment of the group homes was \$65,670 and the mean sale price was \$63,230. Some of the actual sale prices in this group were \$107,500, \$80,000, \$95,000, and 382,500.

The median housing value for Zone 3 around the nine group homes where no exceptional sales occurred was \$45,270. The mean list and sale prices were \$43,160 and \$41,350, respectively. Thus, the data suggests that for some reason (probably unrelated to the presence of a group home in the neighborhood) a few exceptionally high sales occurred in Zone 3 around four of the group homes after group home establishment which may have caused a significant difference by zone in the overall analysis.

Discussion

The results of this analysis of several possible indicators of property values are very similar to those that have been reported in similar studies of group home effects on property values. Results for three of the five indicators—the length of time a house remained on the market, the rate of turnover in the neighborhood, and the sale-price as a percentage of the list price—lend sup-

TABLE
MEAN PRICES AND SALE/LIST RATIOS BY ZONE AND TIME OF SALE

Zone ^a	Number of sales ^b	List price ^{**}		Sale price ^{**}		Sale/list ratio ^c	
		Before	After	Before	After	Before	After
1	111	38.52	44.38	36.63	42.90	.959	.962
2	246	39.66	42.24	38.75	40.85	.980	.963
3	225	39.71	50.22	37.98	48.08	.959	.958
	582						

Note. Prices are expressed in thousands of dollars. Before and after indicate time of sale in relation to group home occupancy dates.

^a Zone 1 = 0-400 feet from group home, Zone 2 = 400-800 feet from group home, Zone 3 = 800-1200 feet from group home.

^b Number of sales = 582, Number of houses = 525.

^c * $p < .30$, ** $p < .022$, *** $p < .016$.

port to the notion that group homes do not adversely affect neighborhood property values. Indeed, turnover rates appeared to be lower and the sale prices and list prices significantly increased after group homes were established. This is probably the result of the overall slowdown of the housing market and inflation of housing costs in the 1979-83 period of the study rather than anything related to group home establishment. Although differences were found in list and sale prices by zone, there is evidence to suggest that these differences may be due to factors unrelated to the presence of group homes. In four specific areas exceptionally high list and sale prices for homes selling after the establishment of the group homes were noted. When these areas were removed from the analysis the apparent differences disappeared. It appears that neighborhood fears of lowered property values are unfounded.

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