The Feasibility of Constructing Two- or Three-Family Owner-Occupied Housing in Single-Family Neighborhoods as an Infill Strategy

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ABSTRACT

THE FEASIBILITY OF CONSTRUCTING TWO- OR THREE-FAMILY OWNER-OCCUPIED HOUSING IN SINGLE-FAMILY NEIGHBORHOODS AS AN INFILL STRATEGY.

by

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Prior to the Great Depression and WW II, two- and three-family owner-occupied housing served a vital need by providing affordable housing at a time when single-family housing was prohibitively expensive and tenement housing was deplorable. Afterward, national housing policy focused on promoting single-family housing, which became artificially inexpensive because of cheap land, federal subsidization, and a booming economy. Multi-family housing, particularly large rental complexes, became an investment option. Small rental properties have since comprised a decreasing share of the housing market, resulting in a loss of housing options. Changing demographics, and current problems of sprawl and unaffordable housing, point to a need to revive theses alternate forms of housing.

By analyzing data from the Property Owners and Managers Survey, which was conducted by HUD and the Census Bureau in 1995, this paper argues that a two- or three-family owner-occupied house can be built within single-family neighborhood, without the supposed decrease in property value, service quality, or neighborhood quality of life. Smaller rental properties provide numerous advantages over large rental properties, not the least of which is providing more affordable housing. The paper discusses ways in which the two- or three-family house can become part of the urban landscape. The paper concludes with a market forecast for two- and three-family housing in Lansing, Michigan.

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By

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To my wife, Zoë, who believed in me enough to agree to selling our two-family house in New Jersey to move to Michigan in pursuit of my dreams; and

to my son, Samuel, who spent too many weekends without me, which made the ones we spent together all the better.

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INTRODUCTION

Homeownership is an important goal in this country, offered to as many people as possible. However, the high cost of homeownership continues to prevent many people, whom a generation ago could have afforded homeownership, from realizing that goal. Various government programs and financing mechanisms have been created to aid people in the purchase of their homes. But what if a property generated income for the owner, thereby reducing his or her expense and making the property more affordable? Two- and three-family, owner-occupied housing could allow more people to own homes more affordably, at less cost to government.

Young people are increasingly unable to afford to live in the suburban communities in which they were raised. Homeownership requires huge up-front costs and continual maintenance costs. This requires a relatively high income, which many young people do not have. The same holds true for elderly people on fixed incomes. In some older single-family neighborhoods, many houses are illegally occupied by two or more families. This practice points to a need for a change in the zoning ordinances to accommodate housing needs.

Today's families are smaller than they were a generation ago, having declined from 3.58 persons in 1970 to 3.17 persons in 1990. Single-person households have increased from 17.1% in 1970 to 24.6% in 1990. Single-parent households have increased from 12.9% in 1970 to 28.1% in 1990. (Pollak 1994) The divorce rate remains high at 4.6 divorces per 1,000 population. (NCHS 1997) These figures point to a need for smaller housing. Despite these demographic trends, high numbers of large single-family houses meant for large families continue to be built. The median new home size grew from 1,385 square feet in 1970 to 1,920 square feet in 1992 (USDHUD 1995, 3-5)

A one-floor apartment in a two- or three-family house is large enough for a small family, but not so large that space is underutilized. A two- or three-family house permits people to live closer to one another. It puts a renter together with an owner, which has the social benefit of mixing people of different economic

means. A two- or three-family house can keep families living in the same community by providing affordable housing. It can also keep families in the same—but separate—house.

The purpose of this research is to determine if the two- or three-family owner-occupied/rental structure is a viable new construction alternative that can revitalize declining single-family neighborhoods, and can potentially be integrated within new single-family developments. It will begin by examining why rental housing remains a necessary component of housing, and how rental housing and ownership housing have changed over the past century, resulting in the loss of housing options.

Next, it will explore the history of two- and three-family housing, and the benefits of this type of housing. As the evidence will show, this kind of arrangement was common, and readily accepted, in the turn-of-the-century streetcar suburbs of the Northeast. For various reasons, it was discarded in the late 1920s. Yet two-and three-family housing—in terms of social, economic, and environmental costs—may have been a more efficient method of housing, leading to heterogeneous neighborhoods, affordability, and compactness.

Homeowners tend to have concerns about allowing rental housing into their communities. The next section will address these concerns about changes in property values, service quality, and neighborhood quality of life. In all instances, the evidence indicates that these concerns are unfounded. Two- and three-family housing has no apparent effect on property values, service quality, or neighborhood quality of life. Nevertheless, people's concerns are what become translated into political action. The next section will discuss the regulatory barriers that prevent integrating housing types, and how they may be overcome. Zoning has been the foremost regulatory obstacle, and will be explored in depth.

Infill development is increasingly important as our society struggles to come to terms with a desire for growth and a desire to protect the natural world. A section will explore what infill is and how two- and three-family housing can be an aspect of it. Good ideas require marketing and financing. The next sections will discuss the potential buyers of two- and three-family housing, and the financial mechanisms that can allow them to buy these houses. This is followed by a section on what these houses should look like. It is

based on the traditional decker model of two- and three-family housing, rather than the side-by-side duplex or triplex.

A final section explores the housing market of Lansing, Michigan. It is the state capital, has a large student population, and is currently experiencing downtown revitalization. For these reasons, it is an ideal place to apply the ideas presented.

No study has been completed to determine the viability of constructing two- or three-family owner-occupied structures to revitalize declining single-family neighborhoods. Typically, the debate on housing focuses on such issues as increasing homeownership for the poor (in single-family detached housing), creating rental housing in high-density multi-family zones, letting tenants purchase public housing, and reducing regulations to decrease the costs of new housing. Even the Neo-traditionalists and New Urbanists tend to put forth many of their ideas in the context of single-family housing.

Logically, there should be no reason why a two- or three-family house cannot be built on a vacant lot in a single-family neighborhood. The overall density would hardly be affected. Affordable housing would be created for those unable to afford a single-family house, namely the young just leaving the home of parents, and the elderly who can no longer afford to maintain an "empty nest." Often, neither group desires to leave their community, but economic reality forces them to, because of the barriers that prohibit them from staying where they would rather be.

This paper analyzes some of the results of the Property Owners and Managers Survey (POMS), which was conducted by the U.S. Bureau of the Census between November 1995 and June 1996. (U.S. Census 1997) Its purpose was to provide data on the characteristics of the nation's rental property and their owners. Information was gathered concerning maintenance, management practices, tenant policy, financial aspects of rental property ownership, and owner characteristics. The survey was divided into single-family rental properties and multi-family rental properties. Because single-family residences are generally built for owner-occupancy rather than for rent, they are not considered in this study.

The POMS included units that were privately owned rental units in the 1993 American Housing Survey (AHS) and were still rental at the time of the POMS. "A unit was considered rental if it was either rented for cash rent, occupied by someone other than the owner without payment of cash rent, or vacant but available for rent." (U.S. Census 1997) The POMS excluded from its survey public housing, military housing, owner-occupied housing, housing that was vacant but for sale, housing that was vacant but not available for sale or rent, second homes, housing that was rental but is no longer, and housing that became rental after the AHS. That the POMS did not include owner-occupied housing limits the data's applicability to this study, but generalizations concerning owner-occupied housing can still be inferred because of the differences among the structure categories.[1]

[1] The POMS divided multi-family properties into the following structure type categories: 2-units; 3 - 4 units; 5 - 9 units; 10 - 19 units; 20 - 49 units; and 50 + units.

WHY RENTAL HOUSING IS NEEDED

Currently, homeownership is being promoted by HUD with strong support by the Clinton Administration. (USDHUD 1995) It is being done through various programs, including "Homeownership Zones," for which HUD recently appropriated $90.8 million to boost homeownership rates in six blighted inner-city areas.[1] (USDHUD 1997c) The program targets new and rehabilitated single-family housing. The belief is that homeownership creates personal financial security, strengthens families and creates good citizenship, results in a commitment to community, and promotes economic growth. (USDHUD 1995, 1-1) To an extent, this is all true.

However, many scholars have criticized the promotion of homeownership. In *Shelter Poverty*, Stone (1993) demonstrates that a surprising number of people are living in shelter poverty, meaning that after they pay for housing (if they can even do so), they cannot afford the other basic necessities of life. This is true of 43% of all renters and 23% of all homeowners, among both low and middle-income groups.

Another point often disregarded is that even if people can afford the downpayment and the continuing carrying costs (mortgage, interest, taxes, insurance, utilities), the costs of emergency maintenance and repair can bankrupt people. Most people living at the edge do not have the liquid capital necessary for these contingencies. (Meyer 1994, 569)[2]

A third point is that many of these people have limited and unpredictable income. They may be employed this year, but next year they may not be, which means that they cannot know when they may have to move, or if they will be able to continue paying off a mortgage. Promoting homeownership for these people assumes that they will always be able to afford it. (Meyer 1994, 571)

More revealing is that, overall, homeownership has never surpassed the two-thirds mark. Nationally, the homeownership rate peaked in 1980 at 65.6 %. Table 1 below shows the homeownership rate trend

[1] Baltimore, Buffalo, Cleveland, Louisville, Philadelphia, and Sacramento.

[2] This also points to a need for affordable home improvement financing.

from 1984 to 1996 for the United States and Michigan. The rate has fallen slightly, and only recently has it approached the 1980 peak. What this may be suggesting is that approximately a two-thirds homeownership rate is the saturation point; there will always at least one-third who rent. The Midwest, of which Michigan is a part, has always had the highest homeownership rates, most likely because this region typically has the lowest home prices. (Joint Center 1996, 32)

Table 1: Homeownership Rates, United States and Michigan, 1984-1996

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
United States	64.5	63.9	63.8	64.0	63.8	63.9	63.9	64.1	64.1	64.0	64.0	64.7	65.4
Michigan	72.7	70.7	70.9	71.7	72.5	73.2	72.3	70.6	70.6	72.3	72.0	72.2	73.3

Source: Bureau of the Census, Housing Vacancy Survey

The homeownership rate has not been equal among age cohorts. There has been a divergence, as the younger cohorts have experienced lower ownership rates and the older cohorts have experienced increasing ownership rates, as shown in Table 2. It is the younger cohorts, because of generally lower incomes, that have the least ability to purchase houses.

Table 2: National Homeownership Rates by Age, 1973-1995

	1973	1976	1980	1983	1987	1989	1991	1993	1995
U.S. Total	64.4	64.8	65.6	64.9	64.0	64.0	64.0	64.1	64.7
under 25	23.4	21.0	21.3	19.3	16.1	17.6	15.7	14.9	14.2
25 to 29	43.6	43.2	43.3	38.2	35.9	35.4	32.8	34.1	33.6
30 to 34	60.2	62.4	61.1	55.7	53.2	53.6	51.3	50.6	53.1
35 to 39	68.5	69.0	70.8	65.8	63.8	63.9	62.4	62.6	62.3
40 to 44	72.9	73.9	74.2	74.2	70.6	70.8	69.1	68.4	68.3
45 to 54	76.1	77.4	77.7	77.1	75.8	75.3	75.4	75.1	75.1
55 to 64	71.3	72.7	75.2	76.9	78.1	78.2	79.9	79.9	80.6
75 and over	67.1	67.2	67.8	71.6	70.7	70.3	72.4	73.9	74.3

Source: Joint Center for Housing Studies, Harvard University, *The State of the Nation's Housing 1996.*

Another factor that will, at least for the future, always guarantee a certain amount of renters is that incomes have remained stagnant while home prices and rents have been increasing. Table 3 shows monthly incomes for owners and renters, compared to home prices and gross rents. All values are in constant 1989 dollars.

Table 3: National Income and Housing Costs, 1975-1995

	monthly income			
	owner	renter	home price	gross rent
1975	$2,250	$1,406	$75,148	$353
1976	2,288	1,430	76,595	357
1977	2,298	1,436	80,706	361
1978	2,313	1,446	86,950	365
1979	2,290	1,431	90,757	360
1980	2,251	1,407	88,473	358
1981	2,245	1,403	84,894	361
1982	2,256	1,410	82,838	371
1983	2,268	1,417	82,001	381
1984	2,280	1,425	81,544	386
1985	2,304	1,440	82,686	396
1986	2,354	1,471	86,798	410
1987	2,374	1,484	89,539	410
1988	2,394	1,496	91,920	409
1989	2,364	1,477	92,508	407
1990	2,348	1,468	90,604	403
1991	2,349	1,468	88,701	402
1992	2,400	1,500	88,473	402
1993	2,372	1,483	87,940	402
1994	2,364	1,477	88,549	403
1995	2,364	1,477	89,462	402

Source: Joint Center for Housing Studies, Harvard University, *The State of the Nation's Housing 1996.*

Who make up this one-third that will always rent? In an analysis of a survey conducted by the National Association of Realtors, Varady and Lipman (1994) have identified six "clusters" of renters to determine likely target groups for homeownership programs. The clusters do not imply permanency, since families pass through various life-cycle stages, and may move between owning and renting, though some clusters have more permanency than others.

The first cluster, families moving up the housing ladder, comprise 17% of all renters. They are usually young families, of which 37% have school-age children. About two-thirds expect to buy on the next move, and half are currently saving to do so. They are making progress towards ownership but are discouraged by high costs.

Lifestyle renters, who make up 21% of renters, tend to be older, averaging age 56. They rent because they do not want the cost, trouble, or responsibility of ownership, and consider ownership a poor investment. Three-quarters are not interested in owning at this stage in life.

A third cluster, college graduates starting out, comprise 26% of renters. They are upwardly mobile white-collar workers at the earliest stage of the life cycle. Though they have the highest average income ($38,373) of the rental groups, the highest proportion with both spouses working (21%), and an interest in owning, most plan to move two or more times within the next five years. This is because work tends to be temporary and they rent to be able to move quickly.

The fourth cluster, black renters, make up 15% of all renters. Socio-economically, they are almost as well off as cluster 1, but they trail considerably in the progress toward ownership. They have a higher cost burden than the first cluster (monthly rent divided by income, 44% versus 26%), and have the highest proportion of single parents (34%). Discrimination is a likely reason for being shut out of the housing market.

A fifth cluster is the elderly life cycle renters, comprising 10% of renters. They are at the post-child stage (average age 61), 83% owned their last location, and 100% owned at one time during their lives. They are "over-housed" and moved because they do not need the space. They have achieved the highest congruence between housing needs and lifestyle.

Struggling blue-collar workers make up the final cluster with 11%. The average age is 33, and 90% cite affordability as the largest obstacle to homeownership. This cluster has the highest proportion of young singles, and the lowest average income ($25,423). Their future is the most uncertain in the face of the restructuring economy. Nearly all of them want to own, but nearly half are not ready, and most are prone to move (54% will move twice in next ten years).

Though the Varady and Lipman analysis was done to determine who will likely buy a house, and who should be targeted for homeownership programs, it can be used conversely to determine who will likely rent. According to Varady and Lipman, 32% of renters prefer to rent because they expect to move

frequently, they would rather avoid the responsibilities of homeownership, or they find that renting is more affordable. (1994) Regardless of whether people wish to remain renters or not, the fact is that there will always be a need for rental housing, and what is increasingly lacking for renters are housing choices. The next section covers briefly the reasons for this decline in options, and shows the extent of it.

WHY 2 AND 3 FAMILY RENTAL HOUSING IS NEEDED

Over the last century, rental housing has undergone some major transformations. At the close of the 19th century, it was the slum tenements that caused enormous alarm. The majority of people could not be housed affordably in single-family houses. The small apartment house became the acceptable compromise between single-family housing and large tenements. The strict building and fire codes being enacted in cities across the nation prevented large unit structures from being erected; they became too expensive to build. Unfortunately, the codes became so strict that eventually the small structures could not be built profitably. (Jackson 1985)

Table 4: Year Existing Rental Structure Built, Percent of Total for Each Structure Type

		TYPE OF MULTI FAMILY PROPERTY					
	Total U.S.	2 units	3 - 4 units	5 - 9 units	10 - 19 units	20 - 49 units	50 + units
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00
1990 or later	3.65	2.65	2.05	2.33	3.59	2.55	4.91
1985 - 1989	11.18	3.97	4.59	8.14	5.59	8.79	17.30
1980 - 1984	9.31	4.37	5.31	3.90	11.43	10.99	12.32
1970 - 1979	24.32	10.95	12.03	14.07	16.54	22.49	35.59
1960 - 1969	14.70	9.27	10.04	14.28	15.54	17.15	17.06
1950 - 1959	6.29	9.98	8.68	8.10	8.46	6.10	3.80
1940 - 1949	5.32	10.64	8.15	7.73	6.46	3.76	2.55
1930 - 1939	4.75	10.10	9.46	6.35	5.13	6.01	1.10
1920 - 1929	6.15	11.01	10.40	8.46	7.46	8.46	2.25
1919 or earlier	9.28	19.24	22.17	16.53	12.14	7.12	1.26
not reported	5.06	7.81	7.12	10.10	7.64	6.58	1.85

Source: U.S. Bureau of the Census, Property Owners and Managers Survey, Multi Family Properties, Table 8.

As Table 4 shows, the greatest portion of small apartment structures in existence today was built before 1940, whereas the greatest portion of large apartment complexes was built after 1960. One reason for this was that after World War II single-family housing was built in huge quantities. With FHA insurance, VA loans, and the FNMA secondary mortgage market, the government's policy was to get people into their own housing as inexpensively as possible. (Jackson 1985) With the support of zoning, housing options became increasingly limited between the single-family districts and the new apartment complexes being built.

Both forms were less expensive to build and more profitable than small apartment structures. Rising wages, cheap land, and low interest rates kept housing inexpensive. (Husock 1990)

The bulk of all rental units in existence today, about 24%, were built in the 1970s. Two-thirds of that were in 50+ unit structures, whereas only 6.75% were in 2-unit structures. The trend for 2-unit construction has been steadily declining. Of all 2-unit structures standing today, 19.24% were built in 1919 or earlier, and only 2.65% have been built since 1990. By contrast, only 11% of all 50+ unit structures were built before 1960. Of the 3-4 unit structures, 61% were built before 1960.

Table 5: Percent of Each Structure Type Built per Year

		TYPE OF MULTI FAMILY PROPERTY					
	Total U.S.	2 units	3 - 4 units	5 - 9 units	10 - 19 units	20 - 49 units	50 + units
Total	100.00	14.99	12.00	9.20	7.13	10.80	45.87
1990 or later	100.00	10.91	6.76	5.89	7.03	7.56	61.85
1985 - 1989	100.00	5.32	4.92	6.70	3.57	8.50	70.99
1980 - 1984	100.00	7.03	6.84	3.86	8.76	12.75	60.75
1970 - 1979	100.00	6.75	5.94	5.33	4.85	9.99	67.15
1960 - 1969	100.00	9.45	8.20	8.94	7.54	12.61	53.26
1950 - 1959	100.00	23.78	16.57	11.85	9.60	10.47	27.73
1940 - 1949	100.00	29.98	18.39	13.38	8.66	7.63	21.96
1930 - 1939	100.00	31.85	23.90	12.29	7.70	13.66	10.59
1920 - 1929	100.00	26.80	20.29	12.65	8.65	14.85	16.77
1919 or earlier	100.00	31.08	28.68	16.40	9.33	8.29	6.23

Source: U.S. Bureau of the Census, Property Owners and Managers Survey, Multi Family Properties, Table 8.

Table 5 shows the percent of each structure type built per year. The 50+ unit structure has become the norm since the 1960s, when it captured 53% of the multi-family rental construction market. Though most units were built in the 1970s, it was in the 1985-1989 period that 50+ unit structures captured 71% of the rental construction market, probably to take advantage of the low-income housing tax credits created by the 1986 tax reform.[1] One more noticeable trend is that after 1990, 2-to-4 unit construction increased its market share of rental housing construction, whereas 20+ unit construction lost some market share.

[1] This analysis assumes that each type of structure has the same life expectancy, and any demolition has occurred equally across all types.

As a percent of the total housing units available, 2-to-4 unit structures have been steadily declining since 1940, decreasing from 15.3% in 1940 to 9.7% in 1990, despite a peak of 18.9% of total housing units in the census year of 1950 (Table 6). Overall, however, the absolute number of 2-to-4 unit structures has been increasing, except for a loss of 1,123,318 units between 1950 and 1960. This was the decade immediately following the passage of the 1949 Housing Act, which began the period of urban renewal and slum clearance. (Hays 1995) It is likely that many old 2-to-4 unit structures were demolished during this time. Even forty years after slum clearance, though, the 2-to-4 unit structures built before 1919 still account for the largest proportion of all 2-to-4 unit structures (see Table 4).

Table 6: Number and Percent of Total Units per Year by Structure Type, 1940-1990

	total	1-detached	1-attached	2 to 4	5 or more	other
1940	37,325,470	23,730,637	2,835,176	5,723,658	3,928,298	1,107,701
%	100.00%	63.58%	7.60%	15.33%	10.52%	2.97%
1950	45,983,398	29,115,698	2,798,632	8,676,183	5,077,667	315,218
%	100.00%	63.32%	6.09%	18.87%	11.04%	0.69%
1960	58,314,784	40,103,346	3,655,210	7,551,865	6,237,798	766,565
%	100.00%	68.77%	6.27%	12.95%	10.70%	1.31%
1970	67,699,357	44,800,684	1,989,867	9,006,950	9,828,969	2,072,887
%	100.00%	66.18%	2.94%	13.30%	14.52%	3.06%
1980	86,758,717	53,595,586	3,587,019	9,681,832	15,478,306	4,415,974
%	100.00%	61.78%	4.13%	11.16%	17.84%	5.09%
1990	102,263,678	60,383,409	5,378,243	9,876,407	18,104,610	8,521,009
%	100.00%	59.05%	5.26%	9.66%	17.70%	8.33%

Source: Bureau of the Census, Census of Housing

This loss of housing choice has been quietly happening, even as scholars and politicians lament the loss of affordable housing. The results of this loss are higher housing costs and greater segregation, as homeowners separate themselves from renters. As Gilderbloom and Appelbaum (1988) point out, the beneficiaries of this housing policy have been the professional landlords (owners of 5 or more units), who typically charge higher rents than amateur landlords (owners of 4 or fewer units). The section on the benefits of two- and three-family housing will explore the reasons why more small apartment buildings would help overcome some of these problems. The next section, however, explores the history of two- and three-family housing, the factors that created it ,and the factors that undermined it.

A HISTORY OF 2 AND 3 FAMILY HOUSING

ORIGINS OF TWO- AND THREE-FAMILY HOUSING

In his book *Built in Boston*, Douglas Tucci describes apartment living as a new fashion for the upper class in the late 19th Century. The first apartments were called hotels, although they were distinct from commercial hotels, which catered to transients. The "hotel" apartment encouraged permanent tenancy. It was characterized by a single tenement occupying an entire floor, rather than several floors in a single house. (Tucci 1978)

In the streetcar suburbs of Boston, the apartment "hotel" manifested as a "two-suite" apartment house. Most often, single- and two-family houses were built simultaneously on the same block, and were often indistinguishable from each other. An important characteristic was that the apartment house had no windowless walls, and that it conformed to the context of the neighborhood. The side-by-side duplexes[1] failed in this era because they have only three exterior walls. The fourth wall was a common wall or a hallway, which, in the streetcar suburb, was second rate. By dividing the house horizontally instead of vertically, light and air entered on all four sides. (Tucci 1978)

At the end of the nineteenth century, housing reform legislation restricted the construction of tenements, while the street car allowed the expanding middle-class population to move out of the central city into the suburbs. (Jackson 1985) The two-family house gave way to four- and six-family houses. Four-story multi-family apartments were greatly opposed, not because they were apartments, but because often they clashed in the neighborhood. (Tucci 1978) This encouraged builders to develop an alternative form of low-cost housing. The three-decker became an acceptable compromise in the streetcar suburbs. They provided more housing than single-family housing, yet fit in with the character of the suburb (light and air on four

[1] The side-by-side duplex became the standard after W.W.II, and today is the image that comes to most people's minds when referring to two-family housing.

sides for each unit). Triple-deckers are characterized by frame-built construction with the narrow side facing the street, flat roofs, open porches on the back, and one apartment per floor. (Elving 1975)

Between 1880 and 1930, approximately 16,000 three-deckers were constructed in Boston. Assuming an average family of four, they would have housed 192,000 people. In Worcester, where 6,000 three-deckers were built in the same time period, it is estimated that the three-deckers housed about a third of the city's 100,000 residents as recently as 1972. (Husock 1990)

The early two-suite apartments and three-decker houses equally suited upper-class and lower-class living. It was never a question of owning versus renting, or single-family living being superior to apartment living. It was always a matter of the neighborhood environment and the quality of the house itself, in terms of spaciousness, interior finish, and privacy. Early apartment houses kept the same standards as single-family houses. Separate baths were required for servants, the kitchen was connected to the dining room by way of a china pantry, and no room could be accessed by going through another room. Even at the lower middle-class level, three-deckers had many amenities for their low rent ($20-25/mon.), such as hard wood floors, a parlor, two bedrooms, a dining room, a kitchen with set tubs and attached water heater, a hot air furnace, and electricity. (Tucci 1978)

The problem of private access for each apartment—an important aspect of suburban living—was solved by using multiple stairwells that cut through the floors vertically, though the first floor suffered from less usable space. Typically, the owner would occupy the second floor. The expense of constructing the staircases (twice as many as in single-family home) was one reason why these houses initially catered to the upper class. Because the middle-class two-family house cost only half as much to build as its upper-class cousin, compromises were made, such as smaller size and common rear staircases. (Tucci 1978)

As with any housing type, there are high quality and low quality structures. Unfortunately, many three-deckers were cheaply built for the lower classes, and that fact helped to discredit their viability as a housing option. However, the frequent charges of protesters—that they deteriorated rapidly, were fire hazards, and required continual maintenance—were equally valid of any wooden house. The charge that

they decreased land values was never substantiated, and one protester asserted that they *increased* land values to the point of making single-family houses prohibitively expensive. (Tucci 1978)

Proponents, however, claimed triple-deckers supplied low- and middle-income housing better than other housing options. According to Lloyd Rodwin, "the free-standing triple-decker was probably the most economical building ever devised which provided light and air on four sides for each family, a large private balcony, and private access to the ground, not to mention the opportunity for small ownership and investment and the economy of owner maintenance."[2] (quoted in Elving 1975, 10)

DEMISE OF TWO- AND THREE-FAMILY HOUSING

In "The National Movement to Halt the Spread of Multifamily Housing, 1890-1926," Kenneth Barr explains that the reformers wanted to prohibit apartments, rather than just regulate them. Howard Husock reaches a similar conclusion in "Rediscovering the Three-Decker House."

Beginning in the 1840s, health officials in New York began lobbying for building codes. Their efforts were unsuccessful until the epidemics of the 1860s, which spurred New York, as well as Boston and Chicago, to introduce building codes. (Barr 1992)

In the 1890s, tenement house reform became a national issue. Various studies claimed that tenements had higher rates of death, disease, alcoholism, and crime rates. An equal number of studies showed this was not true, but the housing reformers conveniently ignored those studies. (Barr 1992)

The reform movement was also sparked by an anti-immigrant sentiment.[3] A majority of the three-deckers were built by immigrants. Prescott F. Hall, chair of the Town Improvement Committee of the Brookline (Mass.) Civic Society, led the attack by writing "The Menace of the Three Decker" in 1916. In it, he described a process by which the immigrants borrow workingmen's money to build cheap houses. (Husock 1990) Regardless of the quality of the housing, the immigrants—despite their lower wages—came

[2] Rodwin, Lloyd. 1961. *Housing and Economic Progress.* Boston: Harvard University Press.

[3] Of note is that zoning arose hand-in-hand with the passage of the Immigrant Act of 1924, which fixed quotas. (Perin 1977, 194) See the section, "Overcoming Regulatory Barriers," for an in-depth analysis of zoning.

to the United States with the skills to build them, consequently owned them and rented apartments in them, and thus had homeownership rates equal to or higher than more affluent native-white Americans. (Jackson 1985, 126)

Although some reformers advocated better tenement housing, most were against them completely, regardless of quality. The reformers considered apartments an evil. They claimed that apartment living led to indulgent, immoral life-styles. A declining homeownership rate was perceived as a sign that tenancy was threatening the social order. Multi-family housing prevented people from investing in single-family housing, and this needed to be prohibited to promote homeownership and maintain land values. (Barr 1992)

Their solution was the promotion of suburban homeownership, advocated through tax exemptions, a single tax on land values and not on improvements, and municipal construction. Some critics, however, questioned homeownership for the working classes. (Barr 1992)

The only way reformers could legally prevent multi-family housing was to attack it as a nuisance or unsafe. Excessive fire code restrictions were used to prevent the construction of multi-family housing. Height regulations, meant to allow in more light, were enacted to further prevent their construction. Courts upheld both as proper uses of government power to ensure health and safety. These positions were spearheaded by the National Housing Association, led by Lawrence Veiller. He effectively persuaded legislators and planners of the need to prohibit apartment houses. (Barr 1992)

There were critics who argued that these kinds of restrictions increased rents, making housing unaffordable to the lower classes. They also pointed out that even the middle-class could hardly afford homeownership in single-family houses. (Barr 1992)

These restrictions led to zoning, particularly exclusive single-family districts. The reasoning was that a neighborhood made up of economically homogenous people supposedly promoted greater civic interest. (Barr 1992) Single-family zoning was supported by the lending institutions, which made a practice of favoring single-family housing on the grounds that "single-family zoning was a prerequisite for ensuring the security of loans on single-family dwellings." (Barr 1992, 44) In this country, the relationship that an owner

has with a banker (through a mortgage) is considered superior to the relationship that a tenant has with a landlord, because, even though the owner is indebted, the owner is deemed credit-worthy. (Perin 1977)

Despite this, apartment living, because of the various urban conveniences, continued to be popular. In the late 1920s, apartments accounted for 48% of new construction in cities with populations over 25,000. (Barr 1992) The New Jersey Supreme Court ruled against apartment exclusion because apartments provided conveniences to people who otherwise could not have them, and stated that a four-story building hardly endangered the public health or safety. The Ohio Supreme Court made a similar ruling, stating that apartment living taught people to be considerate of each other more so than people living in private houses.

The final blow to apartment houses came with the famous *Euclid v. Ambler* decision[4] by the U.S. Supreme Court in 1926. The decision did more than constitutionally uphold zoning as a reasonable use of police power. The decision made exclusive single-family districts legal, by stating that apartments intrude in every way possible, from creating too much noise to blocking out light. According to Perin, "the apartment house, presumably to be occupied by families along with other household types, is classified *as a business or trade, properly excluded from residential districts.*" [italics in original] (1977, 47) The passage of a new zoning law in Boston in 1924 put an end to the construction of triple-deckers. Very few were built after that, and by the end of the 1920s none were built at all. (Elving 1975, 46) Thereafter, single-family districts became the predominant form of residential housing construction.

Was this necessarily a good thing for American society? Is there something about two-or three-family housing that makes it a viable housing option, if not for most, then at least for some? The next section explores the benefits that a two -or three-family house can offer to an owner, a renter, and society.

[4] *Village of Euclid, Ohio v. Ambler Realty Co.*, 272 U.S. 365, 47 S.Ct. 114, 71 L.Ed. 303 (1926)

BENEFITS OF 2 AND 3 FAMILY HOUSING

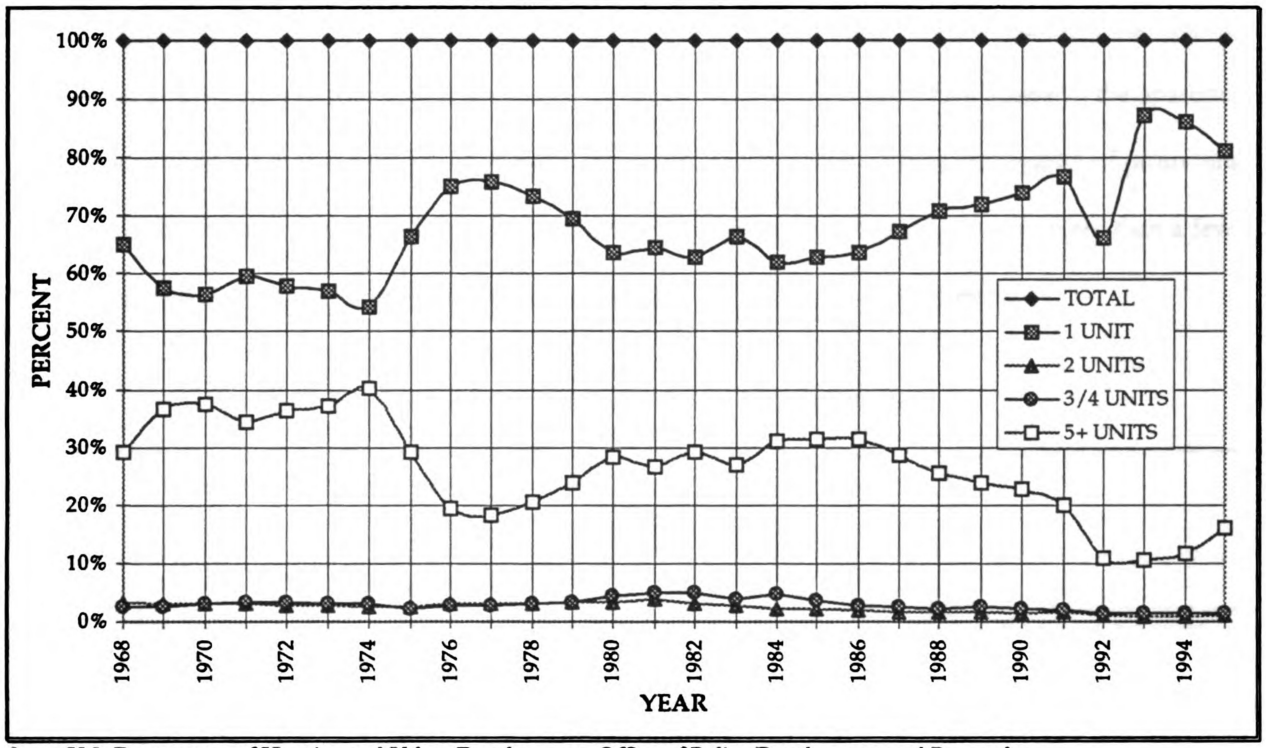
This section explores the reasons why more two- or three-family housing should be constructed. Briefly, it covers the benefits of expanding housing options, the owner as occupant, affordability for the owner and the renter, market control versus rent control, compact residential development, and social integration.

HOUSING OPTIONS

The main housing goal of the Bush and Clinton Administrations has been the expansion of homeownership. One method for expanding homeownership that has been recognized by HUD is constructing small rental properties. Because of zoning restrictions, local development standards, lending and appraisal guidelines, local government concerns regarding absentee ownership, and market preferences, these properties generally have not been built, though the rental income would enable low- and moderate income people to purchase homes (USDHUD 1995).

Figure 1 on the following page shows the percentage of new houses that have been built each year from 1968 through 1995, by structure type. The housing options for approximately 95% of Americans have been either a single-family house or an apartment in a dense multi-family structure of five or more units, with little in between. The very poor are typically further limited to subsidized or public housing. The reason this has not mattered too much until recently is that housing built following W.W.II was comparatively inexpensive. Interest rates were low, the federal government insured mortgages, incomes steadily increased, and land was inexpensive. This masked the problem of limited housing options. (Husock 1990) It is only now, with current affordability problems, that a lack of housing options has become so acute. Increasing the number of two- and three-family houses can be one way to give more housing options to buyers who either do not need, or cannot afford, a single-family house, and to renters who do not want to live in an apartment building.

Figure 1: New Privately Owned Housing Units Completed by Structure Type, 1968-1995, Percent of Total



Source: U.S. Department of Housing and Urban Development, Office of Policy Development and Research

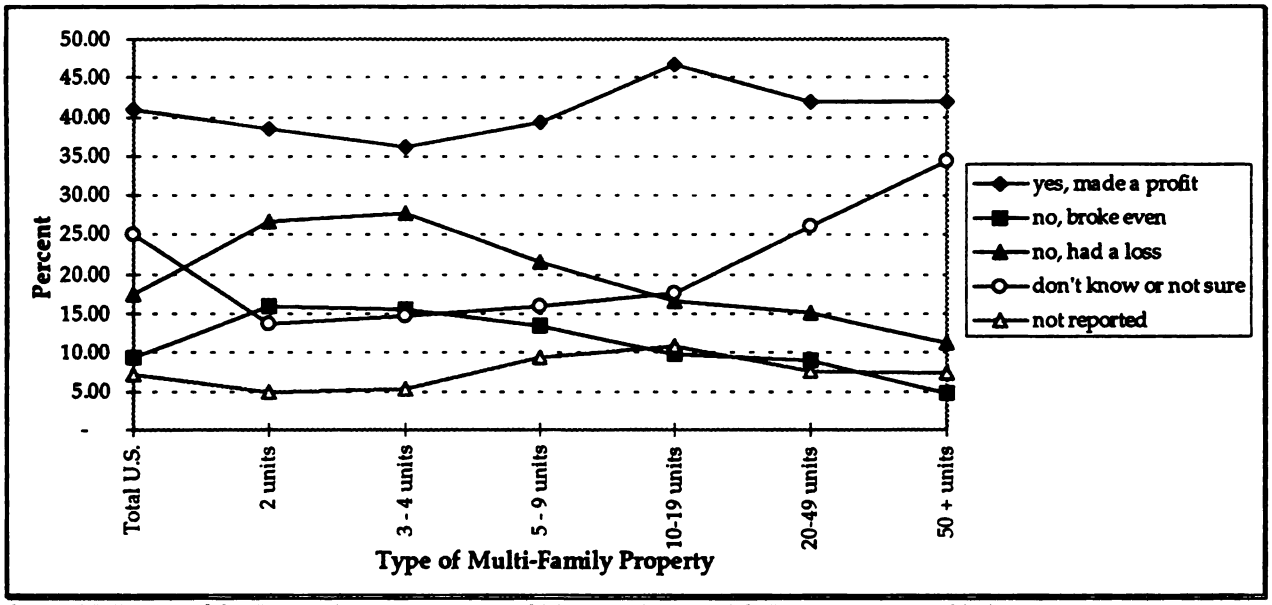
Infill development offers opportunities to create more housing options for people. Today, families are smaller, comprised of parents who both work, single parents, singles, or people who want to work at home. The working dad/domestic mom family accounts for only 14% of all families. This diversity of interests and living styles is not well served by the standard single-family subdivision typical of the 1950's (Greenbelt Alliance 1997), and still built ad nauseam. Many housing choices can be built, including two- or three-family housing.

OWNER AS OCCUPANT

Politicians and economists frequently talk about the small business person or the entrepreneur as being the backbone of the free enterprise system. Entrepreneurship is chanted like a mantra in this country. It stems from the frontier attitude that founded this country, harking back to the days when people set out to make it on their own. It is a part of the be-your-own-boss philosophy.

According to Husock (1990), the three-decker encouraged entrepreneurship. This applies equally to the two-family. A person who would otherwise not be inclined to start his or her own business may decide to invest in a two-family house. Owning a two- or three-family house is much like a business; the apartment is the product and the rent is a source of income. This is in line with our society's philosophy of promoting homeownership, namely that the wealth of the country is distributed among many people rather than a few. This, more than any other reason, is why homeownership is so important to this country.

Figure 2: Profits Last Year, Percent Distribution for Each Structure Type



Source: U.S. Bureau of the Census, Property Owners and Managers Survey, Multi Family Properties, Table 41.

As pointed out by Gilderbloom and Appelbaum, however, most rental housing today is owned by relatively few people (1988, 58), which raises the issue of equity. This phenomenon has been facilitated by the propensity to build large-scale rental properties for investors rather than small-scale properties for owner-occupants. Figure 2 shows the profit earned by owners of rental property. The smaller rental properties had a lower likelihood of profit and greater likelihood of a loss. The POMS did not include owner-occupied units in the survey. Also, owners of larger rental properties are less divulging of monetary information.[1] It is

[1] Generally, all the financial questions of the POMS follow the pattern of large-scale owners knowing less or reporting less than small-scale owners.

likely that owner-occupants had even less profit. According to a study of Orange, New Jersey in 1982, average rent for 4½ rooms was $325 if one unit was owner-occupied, whereas a similar unit rented for $450 if no unit was owner-occupied (Gilderbloom and Appelbaum 1988, 65). By promoting single-family housing over all other types, followed by large-scale rental structures, this country has created the illusion of spreading wealth around, yet has continued to keep wealth in the hands of a few.

One distinctive advantage of the owner being an occupant is that the house will be better maintained over a house that is used purely as a business investment by an absentee landlord. The house is more than an investment; it is also home. To satisfy their own living needs, owners invest to fix up a house even if value does not increase (Elving 1975, 175). Typically, therefore, repairs will be made promptly.[2] Maintenance costs are low, because the owner usually does most of the repairs. Owner-occupants generally maintain their buildings better because living on the site makes them immediately aware of problems; homeowner pride generates more care; and they are willing to underwrite maintenance and modernization to keep good tenants. (Elving 1975, 349)

It is assumed that new construction would not have the maintenance requirements of existing housing. However, all new housing eventually has need of maintenance. Elving (1975, 192-206) describes four types of owner-occupants, and the maintenance behavior of each type. The *modernizers* are young, who are looking for a permanent home and neighborhood, and will invest in renovating a house to modern standards, usually as quickly as possible after purchase. They only charge tenants for improvement within the tenants' apartments, leaving other expenses to themselves. The *fixers* tend to be middle-aged, and make sure the house is structurally safe and the mechanicals are always working, but do not invest in modernizing. Their resources are more limited, so things are done over a longer period of time. The home is an investment for retirement. The *decorator* is concerned with appearances, such as new paint, new cabinet

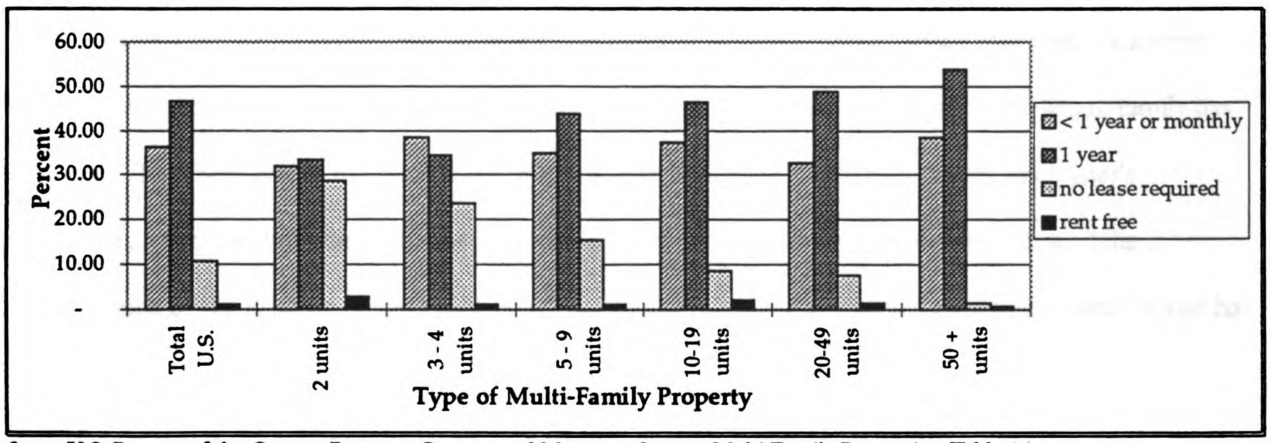
[2] According to the responses of the POMS, Multi-Family Properties, Table 39 (see Table A4 in the appendix), most owners repair immediately, though no hard evidence was explored to validate the claims. The author's personal experience in the housing field agrees with the responses insofar as non-owner-occupied small houses are generally less maintained than large-unit structures. Owner-occupied houses, however, are maintained by their owners well or poorly, regardless if the property is single-family or multiple-family; it depends on the nature of the owner, as well as the availability of affordable home improvement financing.

doors, new lighting fixtures. Major repairs are done only when necessary. A person looking to save to move on to more expensive housing fits here, as do resident investors. The *mender* fixes things only when absolutely necessary, and only to a level to make it functional again, such as to continually repair leaks in the roof rather than replace it. People of very limited incomes fit this category, as well as elderly people. There are also the apathetic menders who have little experience or desire to maintain a house.[3]

These kinds of houses and their owners are what keeps housing costs affordable to moderate-income renter households. The owner is basically subsidizing rent in the hopes of appreciating value, but also because the house is his or her home and would be maintained anyway. (Elving 1975, 208)

Another distinctive advantage is that the owner-occupant is looking for long-term income, rather than the highest net return. The owner, therefore, looks for a more permanent tenant, and will take the time to find one. (Gilderbloom and Appelbaum 1988, 93) This is because owner-occupants must live with the tenants, so "establishing good relationships with tenants is more important than getting the highest possible rents." (Elving 1975, 175) Also, owner-occupants are consumers *and* suppliers of housing; the first role, however, is their primary motive. They therefore are careful about to whom they choose to rent, and will keep rents low and relationships informal to keep good tenants. (Elving 1975, 343)

Figure 3: Length of Lease, Percent Distribution for Each Structure Type



Source: U.S. Bureau of the Census, Property Owners and Managers Survey, Multi Family Properties, Table 16.

[3] It should be pointed out that the same kinds of behavior exist among single-family owners.

This informal relationship can be seen in Figure 3 on the previous page, which shows the length of leases required by owners. For owners requiring leases of 1 month or less than 1 year, all groups are close to the average of 36%. At 54%, the majority of owners of large-scale structures require leases for 1 year, whereas only 33% of 2-unit owners require 1 year leases. The biggest difference occurs in structures that do not require leases at all. Of all 2-unit owners, 29% do not require leases, whereas only 1.6% of 50+ unit owners do not require leases. This is probably because of the greater informality—and trust—that exists between landlords and tenants in small-scale structures.

AFFORDABILITY

The affordability of two- or three-family houses applies to both the renter and the owner. This part will explore both in turn.

For a person looking to purchase a home, a two-or three-family house often carries less out-of-pocket expenses than would a single-family house. The most obvious reason is that the rent helps pay the mortgage. In a study of the Boston triple-decker housing market, the majority of owners bought triple-deckers instead of other housing because that was all they could afford; the rental income afforded them the opportunity to become homeowners. (Elving 1975, 166) Another reason is the tax benefits of being able to deduct certain expenses for the rental unit.

Table 7 on the following page compares the costs of owning a single-family house versus a three-family house. Both houses were listed during the same week in a Boston newspaper. The single-family has six rooms. The three-family has two six-room floors and one seven-room floor. From the owner's perspective, a two- or three-family house is much more affordable than a single-family house. This is because much of the expense is covered by the rent. As can be seen, the owner of the three-family house has a lower monthly cost by nearly $500, and therefore does not require as high a salary as the owner of the single-family house ($43, 640 vs. $62,240). Of course, the more expensive house requires a larger down-payment, which is the greatest deterrent to home purchasing. However, many new financing options are available to homebuyers, such as lower down-payment requirements, lower loan-to-value ratios, adjustable

rate mortgages, graduated-payment mortgages, and interest rate buydowns by the lender or developer. A welcome policy change would be to extend these programs to two- and three-family houses.

Table 7: Comparative Costs of Homeownership (in dollars)

	Single-Family House	Three-Family House
Price	149,000	225,000
Down Payment (5%)	7,450	11,250
Mortgage Principal (12%, 30 yr.)	141,550	213,750
Monthly Payment (principal and interest)	1,457	2,199
Annual Property Taxes (rate=1.077%)	1,192	2,302
Monthly Property-Tax Payment	99	192
Monthly Rental Income ($650/unit)	0	1,300
Net Monthly Carrying Cost	1,556	1,091
Required Non-Rental Annual Family Income (housing cost as 30% of income)	62,240	43,640

Source: Husock 1990

Besides a lower monthly carrying cost, the owner of the three-family house enjoys tax deductions for depreciation and repairs. Table 8 shows the tax benefits of owning a three-family house. It is obvious that the three-family house confers many financial advantages over that of the single-family house, making it an attractive investment to someone of modest means.

Table 8: Comparative Tax Benefits of Homeownership (in dollars)

	Single-Family House	Three-Family House
Gross Income	62,240	59,240
Tax Liability on Gross Income (family of four)	13,559	12,719
Deductible Principal and Interest	17,484	26,388
Deductible Property Taxes	1,192	2,301
Deductible Annual Repairs	0	1,500
Deductible Depreciation (30 yr., straight line)	0	5,000
Adjusted Gross Income	43,564	24,081
Tax Liability on Adjusted Gross Income	8,334	3,611
Dollar Value of Adjustments to Gross Income	5,225	9,108

Source: Husock 1990

Owners of small rental properties, particularly if owner-occupied, are likely to pass on the benefits of these lower costs to their tenants as lower rents. Gilderbloom and Appelbaum (1988) and Elving (1975) point out that an owner-occupant frequently rents to relatives or friends, and will keep an apartment vacant until a suitable tenant is found. Owner-occupants forgo rent increases to keep good tenants, and tend to

increase rent only when fixed costs, such as taxes, increase. Though this does not make standard economical sense, over the long run, the owner saves on the expense of repairs by destructive tenants, evictions, or vacancy. (Elving 1975) This kind of attitude promotes stable, moderate-priced housing, though it ends up costing the owner. However, given the choice, these owners would not accept subsidies if it meant giving up control of tenant selection or relationship. (Elving 1975, 179-180)

Table 9: Monthly Rent per Unit, Percent Distribution for Each Structure Type

		TYPE OF MULTI FAMILY PROPERTY					
	Total U.S.	2 units	3 - 4 units	5 - 9 units	10-19 units	20-49 units	50 + units
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00
less than $100	0.26	0.69	0.00	0.00	0.63	0.26	0.19
$100 to $199	2.22	4.07	3.32	2.62	2.29	2.54	1.16
$200 to $299	9.49	14.97	12.71	13.37	11.68	13.83	4.52
$300 to $399	18.29	17.54	24.79	23.50	21.89	20.34	14.75
$400 to $499	20.11	18.39	17.92	17.79	23.85	20.78	20.96
$500 to $599	17.38	11.64	14.12	17.27	13.29	15.07	21.31
$600 to $699	12.06	10.26	7.08	9.76	9.89	9.86	15.26
$700 to $799	6.32	4.87	4.97	4.85	5.04	6.05	7.70
$800 to $899	3.42	3.99	1.54	2.18	1.55	3.07	4.35
$900 to $999	1.60	2.10	0.85	0.87	0.39	1.79	1.91
$1,000 or more	3.02	3.41	3.10	1.86	3.25	0.89	3.56
no cash rent	1.23	3.00	0.97	1.05	2.09	1.48	0.57
not reported	4.70	5.08	8.63	4.87	4.14	4.04	3.75

Source: U.S. Bureau of the Census, Property Owners and Managers Survey, Multi Family Properties, Table 20.

Table 9 shows monthly rent per unit. A greater percentage of 2-unit structures has lower rents, while the 50+ unit structures have higher rents. The least expensive rents can be found in the 2-unit structures, in which 19.7% of 2-unit structures are less than $299, compared to only 5.9% of units in 50+ unit structures. Also, the 2-unit structures have the highest percentage of rent-free units. This table represents what the "professional" landlord charges (the POMS did not include owner-occupied units in the survey). Owner-occupants, who make up the bulk of amateur landlords, tend to keep rents below market. These numbers indicate that renting today is less expensive than owning, and smaller-unit structures are more affordable than larger-unit structures.

Table 10: Rent Change from Previous Tenant, Percent Distribution for Each Structure Type

		TYPE OF MULTI FAMILY PROPERTY					
	Total U.S.	2 units	3 - 4 units	5 - 9 units	10-19 units	20-49 units	50 + units
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00
rent increased	39.53	30.51	31.47	33.57	34.54	38.67	46.76
rent decreased	4.71	6.28	5.64	4.03	3.11	4.44	4.40
no change	47.23	53.54	55.09	55.24	54.54	48.51	40.05
no previous tenant	3.82	7.31	4.21	3.77	3.55	3.27	0.28
not reported	4.71	2.36	3.56	3.39	4.25	5.11	6.02

Source: U.S. Bureau of the Census, Property Owners and Managers Survey, Multi Family Properties, Table 15.

A related aspect to monthly rent is what happens to that rent when there is a change in tenancy. Table 10 shows the rent change from the previous tenant. When there is an occupancy change, the small-unit structure owners tend to increase rent 31% of the time, compared to large-unit structure owners, who raise rent 47% of the time for new tenants in 50+ unit structures. A similar, reverse pattern is observed for new tenants paying lower rents. New tenants are more likely to pay less than previous tenants in small-unit structures than in large-unit structures. This pattern is likely because large-unit structures are run more as a business than the small-unit structures, and thus have high overhead expenses in the way of managers, maintenance people, etc.

These numbers fall in line with the findings of Elving (1975), who concludes that "a majority of triple-decker owners do not act to maximize economic returns" (17), contrary to prevailing economic thought about investment. Also, many long-term owner-occupants of small rental structures have either paid off their mortgage, or are long-term owners making relatively low monthly payments, which helps keep rents modest. (Gilderbloom and Appelbaum 1988)

There are possibly other economic benefits as well. A two- or three-family house only requires one water and gas main, and one sewer hook-up, which reduces initial infrastructure costs. A builder has fewer per-unit construction costs because of economies of scale. And quite often, a landlord provides a common laundry facility, which reduces the living expenses for tenants. Of course, higher construction costs because of more stringent building code requirements may offset these savings.

MARKET CONTROL VERSUS RENT CONTROL

Gilderbloom and Appelbaum (1988) have found that rents within an area (if it is not rent-controlled) are generally regulated by owners with large rental holdings. Through landlord associations, rents are set within an area according to people's incomes and the current demand, and owners often set rent levels so that no owner is charging rent differently for an equivalent unit. This happens because small landlords cannot afford to have vacant units, and will charge lower rents if it means covering the bills. Large landlords, on the other hand, have the capacity to have vacant units, and will not lower the rents for those units lest everyone else to whom they rent demands the same low rent. Thus, large landlords have more control over rents in an area than small landlords. (Gilderbloom and Appelbaum 1988)

Tenants' groups have sought to use rent control to gain some power over landlords, and restore a balance to what they can afford to pay and what landlords are charging. Three types of rent control laws are in use. *Restrictive rent control* puts a cap on what landlords can charge, regardless of whether or not landlords can maintain a return on their investment. *Moderate rent control* attempts to balance tenant interests in affordable rents with landlord interests in fair-market return. It controls how much rent can increase yearly, typically in line with the increase in the Consumer Price Index (CPI), and is often tied to code inspections. Moderate rent controls also allow leniency for hardship, new construction, and vacancy decontrol. The overall effect of moderate rent control is rent stabilization. *Strong rent control* caps rent increases at one-half to one-third of the CPI, which studies have shown are in line with landlords' actual costs. It is intended to keep landlords' profits steady over time, instead of increasing over time. (Gilderbloom and Appelbaum 1988)

According to Tucker (1991), rent control keeps rents artificially low in the belief that it will keep housing costs down. Price controls, according to economic theory, create shortages because people tend to stay in place longer in rent-controlled areas, which makes the uncontrolled housing market artificially expensive. Owners of rental properties can then no longer afford to maintain their buildings, particularly when they are forced to comply with rent regulations. The result is disrepair and eventual abandonment.

On the other hand, certain conditions in a free market can cause abandonment. According to Elving, a lack of housing demand can prompt disinvestment, leading to abandonment. This happens because

the number of tenant applicants drops or the ability to pay rent diminishes. The owners cut maintenance to recoup lost income, and eventually give up and walk away. (Elving 1975, 285-286) Elving further states that "abandonment is usually preceded by a period of absentee management." (1975, 297) This supports the argument to have two- or three-family housing be owner-occupied.

Gilderbloom and Appelbaum (1988) contend that most of the debate surrounding rent control has focused on restrictive rent control. Numerous studies examined by them have shown that moderate rent control has had no significant effect on multifamily construction levels, maintenance and capital improvements, abandonment and demolition, or property valuation and a city's tax base. They conclude that rent levels are similar between non-rent controlled cities and cities with moderate rent control, with the rent-controlled cities being slightly higher (due to pressure that forced the rent control). Further, rent increase rates are similar. Strong rent control laws have had the effect of redistributing income from landlords to tenants.

The debate on rent control is overblown, however. Currently, only New York, New Jersey, California, and the District of Columbia have rent control laws.[4] Many other states have laws that "actually preempt or restrict the enactment of rent control." (Ceraso 1995) In regard to owner-occupied two- or three-family housing, rent control is mixed. New Jersey, for example, excludes owner-occupied two- or three-family houses from rent control laws. In San Francisco, however, the passage of Proposition I in 1994 recently brought owner-occupied 2-4 unit dwellings under rent control. (San Francisco... 1997)

Regardless of whether or not rent control is in effect, its impact on owner-occupied two- or three-family housing is minor. Owner-occupants of two- and three-family houses are protecting more than their personal investment; they live there. They cannot afford to price themselves out of the market, hoping someone may come along to fill their vacancy. The rent they receive pays the bills. Therefore, they charge rents comparable to, and often lower than, the market rate anyway. (Robinson 1992)

[4] Maryland and Connecticut have very limited rent control. In Maryland, only Takoma Park, a D.C. suburb, has rent control. In Connecticut, some jurisdictions have Fair Rent Commissions, a system generally not considered rent control. (Ceraso 1995)

According to Gilderbloom and Appelbaum (1988), rent levels are conventionally believed to be dependent on vacancy rates. Generally, a vacancy rate of 5% or lower indicates a housing shortage, resulting in a tight market, and thus rents will be higher. Vacancy rates above 5% indicate a loose market, and rents will generally be lower. This assumption is "shared by government officials, builders, bankers, landlords, and tenant activists." (1988, 52) The courts also use this number to determine the validity of rent control laws. Their own study concluded, however, that a vacancy rate as high as 10% can still be competitive, and that although low vacancy rates are associated with high rents, high vacancy rates are not necessarily associated with low rents. (1988, 106)

It appears, then, that the best policy to keep rents affordable would be to allow the construction of more small rental houses, preferably to be owner-occupied, and fewer large rental structures. This would diminish the control that large landlords have over rents, increase homeownership for moderate-income people, and possibly lessen the need for rent control.

COMPACT DEVELOPMENT

Compact development has societal and environmental benefits. Sprawl development and single-use zones, which have defined land use in this country for the past three-quarters of a century, have been cited for causing traffic congestion, long commutes, environmental degradation, inner-city blight, loss of a sense of community, high property taxes, and unaffordable housing. (Downs 1994)

Compact development can reduce further sprawl. This has the benefit of maintaining agricultural land and forest land. Keeping people closer will reduce commuting, thus reducing air pollution, and the various ills it creates. It can also bring people into closer contact with each other, creating safer neighborhoods.

The simplest way to achieve compact development is to double or triple the permitted densities. The common reason for our sprawling suburbs is that cities are "crowded." According to Daniel Stokols (1972), however, density is not crowding. Crowding is caused by social interference, restriction of movement, and the arousal of competitive feelings. Density may lead to crowding if there is little

coordination and cooperation. It is possible for people to feel crowded in sprawling, monotonous suburbs defined by residential subdivisions and commercial parks connected by collector roads.[5]

A related concept to density is intensity, which refers to the level of use of the land. There is no exact definition of residential intensity of use, though Gellen (1985, 82) suggests it can be defined as the number of occupants per unit. Intensity can possibly be regulated by the number of bedrooms per lot. The National Association of Homebuilders considers intensity to be a more relevant measure than the standard units-per-acre measure, because higher density units are often smaller than conventional units. Small families would occupy these kinds of units, resulting in fewer school children and lower traffic generation. (NAHB 1986, 14) Current demographics show that families are smaller, so it would make sense to consider intensity of use over density.

SOCIAL INTEGRATION

Perin (1977, 83) sums up the general philosophy that has supported single-use zones: "Among neighbors and in neighborhoods conflict will generally be avoided by not mixing income groups, housing types, tenure forms, or land-use activities." The single-family detached house has been the agreed upon form for achieving the least social conflict (Perin 1977), just as homeownership of single-family homes had been promoted by business leaders at the turn of the century as a means to prevent solidarity among the working class to avoid potential class conflict (i.e. workers' strikes) (Edel, Sclar, Lauria 1984). Perin adds that "people who 'live among their own' or prefer to be among 'like-minded people' are making use of strategies that can, sensibly, lessen the effort and time it takes to work out many intrinsic conflicts of social life" (85). This kind of thinking has governed land use for three-quarters of a century, though some are challenging it and argue that it is to the detriment of this country (see, for example, Kunstler 1994).

Mostly, it is private property that has created this kind of disassociated land use pattern. (Krueckeberg 1995) Within large cities, where there are fewer individual owners and separate dwelling units,

[5] Kunstler explores these ideas in *The Geography of Nowhere.* The proposed solution is a return to higher densities and mixed use, not the further reduction in density that is commonly occurring.

and higher proportions of renters, people live with less territorial isolation and in closer quarters. They are "less likely to be able to avoid one another or choose the time when they will see one another, so they have to know more rules in order to handle the higher levels of actual and potential contact" (Perin 1977, 89). This kind of rule-making and rule-knowing accounts for the urban sophisticate of the city, and the ignorance of these kinds of rules accounts for the social fears common in small-town America. Suburbia has replaced rules with walls and time, the walls so as not to hear or see one another, and time so as not to have to spend it negotiating with one another. (Perin 1977, 105)

These two counter philosophies go back to the original settlements of four hundred years ago. The prevailing political-economic theory then was that people must be allowed to profit from their labor, or else they would not labor. Community stock was seen as charity and provided no incentive. This was carried over into one's home—the reward for one's hard work. A counter argument, provided by Robart Cushman, was that fine houses led to the debilitation of society. If a person was not content that another had a house as fair as his own, then that man was not capable of living in society. (Con 1979) Of course, it has been the first philosophy that became dominant.

How does two- or three-family housing relate to societal rule-making and community? Because different families occupy the same building, owner and tenant must learn to live by agreed-upon rules of behavior. Typically, a lease provides written expectations for both the tenant and the landlord[6], though as shown before (see Figure 3), 29% of owners of two-family houses do not use leases. In actuality, the lease protects either party should differences arise that necessitate court resolution. The following two tables (see Table 11 and Table 12, following page) show how often owners go to court to settle differences with their tenants.

By far, owners of large-unit structures go to court more often than owners of small-unit structures (Table 11), decreasing steadily from 78% of 2-unit owners who *never* go to court to 25% of 50+ unit owners who *never* go to court, as plaintiff. Hardly ever do property owners end up in court as defendants, with all

[6] Most states have rental laws that also protect the interests of tenants.

groups close to the average of 80% never going. A full third of 50+ unit owners goes to court more than 5 times per year. This pattern is similar for the number of times an owner starts an eviction procedure.

Table 11: Number of Times to Court in Last 2 Years, Percent Distribution for Each Structure Type

	Total U.S.	TYPE OF MULTI FAMILY PROPERTY					
		2 units	3 - 4 units	5 - 9 units	10 - 19 units	20 - 49 units	50 + units
Management as Plaintiff							
never	45.15	78.36	73.13	60.57	50.03	39.31	24.51
once	8.97	4.64	9.67	11.87	9.48	10.69	9.13
twice	6.68	2.01	3.65	5.66	10.38	9.15	8.03
3 to 5 times	10.24	0.58	2.52	4.42	8.34	15.37	15.67
more than 5 times	18.65	0.36	1.34	4.27	8.44	18.53	33.66
not reported	10.31	14.05	9.68	13.20	13.33	6.94	9.00
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Management as Defendant							
never	80.00	85.92	89.90	84.84	80.60	87.22	72.71
once	6.42	0.69	1.49	3.49	6.97	4.72	10.48
twice	1.99	0.27	0.12	-	0.46	0.37	4.06
3 to 5 times	1.38	-	0.18	0.76	-	1.26	2.51
more than 5 times	0.64	-	-	0.19	0.19	-	1.34
not reported	9.57	13.13	8.31	10.72	11.79	6.43	8.89
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: U.S. Bureau of the Census, Property Owners and Managers Survey, Multi Family Properties, Table 62.

Table 12: Number of Times Eviction Procedures Started in Last 2 Years, Percent Distribution for Each Structure Type

	Total U.S.	TYPE OF MULTI FAMILY PROPERTY					
		2 units	3 - 4 units	5 - 9 units	10 - 19 units	20 - 49 units	50 + units
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00
never	35.99	74.69	65.46	52.29	34.70	28.42	14.35
once	10.02	7.32	15.59	11.72	16.75	12.61	7.46
twice	7.90	2.86	5.31	9.53	12.25	11.28	8.43
3 to 5 times	11.94	1.00	3.84	6.91	13.64	17.14	17.15
more than 5 times	24.79	0.59	1.18	8.06	10.98	23.10	44.77
not reported	9.35	13.54	8.63	11.48	11.69	7.46	7.84

Source: U.S. Bureau of the Census, Property Owners and Managers Survey, Multi Family Properties, Table 63.

Table 12 shows that 75% of 2-unit properties *never* start an eviction procedure, compared to 14% of 50+ unit owners. Additionally, 45% of 50+ unit owners began eviction procedures more than 5 times in the last 2 years, compared to less than 1% of 2-unit owners.

There are several possible explanations for this. First, larger owners can afford to go to court more often than smaller owners. However, small claims courts (which handle landlord-tenant disputes) do not cost much, so this would not seem to explain the difference. Second, court actions take time, which many smaller landlords may not have, and thus try to avoid. Third, the fear of law suits forces small landlords to settle differences outside of court. If this were true, though, a much higher percentage of small landlords would use leases, which is not the case (see Figure 3). Fourth, it could be that tenants of small-unit rental properties leave when problems arise that cannot be resolved. However, the turnover rate in these properties is the lowest among rental property types (see Table 16 in "Community Concerns"), so this does not seem likely.

Perhaps, then, the reason is that tenants in small-unit houses are of a higher quality and cause fewer problems to begin with (see "Community Concerns"). They understand better the relationships and rules necessary for harmonious living. It could be that living in these two- and three-family houses elicits better social behavior than does living in large rental complexes. The subject of this paper is not whether higher quality tenants choose small-unit housing or small-unit housing produces higher quality tenants. However, the differences exist, and small-unit properties come out more favorably than large-unit properties. Most definitely, owners of smaller properties take the time to resolve problems before they end up in court.[7]

Another social integration benefit is that two- or three-family owner-occupied housing holds the prospect of mixing people of different means, something that single-use zoning has tried to prevent. The differences are generally not much,[8] but the relationship between landlord and tenant produces a sense of upward mobility. (Tucker 1991, 61)

There is the inherent social advantage that exists to having people live under the same roof. People have someone else nearby to whom they can turn in emergencies. Living under the same roof may also help

[7] POMS Table 49 shows that 27% of 2-unit owners rely on personal interviews for screening tenants, compared to 6% of 50+ unit owners. Conversely, 13% of 2-unit owners rely on credit checks, compared to 30% of 50+ unit owners. This indicates that small-unit owners tend to rely more on character than coin. See appendix for table.

[8] According to William Tucker, "wealthy tenants have wealthy landlords, middle-class tenants have middle-class landlords, and poor tenants have poor landlords" (Tucker 1991, 28).

reinforce social norms, and there is a reduced risk of burglary because more people are around. (Husock 1990)

Two- or three-family housing can also mix families of different generations. Grown children are staying home longer because of the larger income-to-rent gap than previous generations. Pollak (1994, 523) points out that communities can be "enriched by the presence of people of all ages." The presence of the elderly among children creates within the children a more caring attitude toward the aged, which will have an effect on future policy. Having a range of generations within a community can stabilize the fluctuating demand for community services, reduce nursing home placements, and reduce the need for specialized services such as meals and transportation.

Two- and three-family housing has also served a socialization function for new immigrants, such as in Chicago, New York, and Boston. Owners often rent to relatives or friends they wish to bring into the country. This aids in the socialization and assimilation of immigrants. (Metzger 1997)

Despite the advantages that two- and three-family housing can bestow upon society, they remain but a fraction of new construction. Further, because such a great number are now nearly a century old, they are in danger of disappearing to near extinction. The benefit argument may be convincing, but it takes more to change the institutional behavior that has also been around for nearly a century. Most people would agree that building community is a worthy goal, yet either because of ignorance or fear, refuse to allow the changes necessary to achieve it.

The next section explores various community concerns about rental housing. It will show that the concerns are based on misconceptions about rental housing and renters, and offer evidence that the concerns are unfounded. However, the concerns are real enough to the people who have them, and only by understanding these concerns can they be properly addressed in regard to policy formulation.

COMMUNITY CONCERNS

DECREASE IN PROPERTY VALUES

The specter of declining property values is one of the primary reasons people fear neighborhood change. They want their values to increase or at least stay the same. Rental properties are often perceived as contributing to decreasing property values. People view any change as detrimental to the quality of their neighborhood and as having a negative impact on property values. Without doubt, there is some truth in this argument. The stereotypical example is the landfill that destroys the value of a neighborhood. But there is a difference between introducing such vastly incompatible uses into a neighborhood and introducing a slightly different kind of housing.

Table 13 shows the effect of rental properties on surrounding property values, as perceived by the owners of rental property. All structure groups are close to the average in every category. Generally, property values increased in 24.4% of neighborhoods, decreased in 12.7% of neighborhoods, and remained the same in 40.2% of neighborhoods. The actual change in property values, and whether these changes occurred because of the presence of rental property, is impossible to determine with this data. However, the data does suggest that rental properties have little impact on neighborhood property values.

Table 13: Changes in Neighborhood Property Values Last Year, Percent Distribution

		TYPE OF MULTI FAMILY PROPERTY					
	Total U.S.	2 units	3-4 units	5-9 units	10-19 units	20-49 units	50 + units
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00
values increased	24.39	21.60	20.08	19.25	21.50	25.47	27.65
values decreased	12.72	16.03	21.52	19.18	15.40	12.02	7.77
values remained the same	40.16	44.39	42.93	40.47	36.14	38.61	38.97
don't know or not sure	17.54	13.57	11.41	14.23	19.86	18.55	20.50
not reported	5..20	4.40	4.06	6.87	7.09	5.34	5.10

Source: U.S. Bureau of the Census, Property Owners and Managers Survey, Multi Family Properties, Table 43.

The data is based on subjective responses, not on any statistical measurement. This may explain why owners of 20+ unit structures have a higher percentage of value increase and a lower percentage of value

decrease—they have a greater interest in increasing property value, and so would feel that property values in their neighborhoods are increasing.

Goetz et. al. (1996) offer a more precise illustration of the impact of rental property on neighborhood property values. They cite numerous studies showing that public housing has no impact, or a positive impact, on neighboring property values in white, middle-class, inner-city, and suburban neighborhoods. In St. Louis, Missouri, two of three neighborhoods felt no impact, and the third had an insignificant positive effect on property values, after public housing was built. Thirteen subsequent studies showed negative impacts in only two instances. In New York State, a study of 33 cities showed that the existence of public housing had no impact on the private housing industry, nor of the deterioration, demolition, or vacancy rate of the private market. A recent study in San Francisco reached similar conclusions. Another recent study in St. Paul, Minnesota concluded slight, significant negative impacts on property values, most significant at one-quarter mile. (Goetz et. al. 1996, 12)

Goetz et. al.'s (1996) own study of non-profit subsidized housing on neighborhood property values in Minnesota shows that neighboring property values actually increase at the rate of $0.86 per foot the nearer to the subsidized housing. Conversely, public housing and privately owned, publicly subsidized housing yield a decrease in neighboring property values at the rate of -$0.42 per foot and -$0.82 per foot respectively the nearer the property. Suggested reasons are that the Community Development Corporations (CDC's) have high resident involvement for a project to succeed (residents are often board members) and they are involved in the planning of the project. Second, the CDC's remain responsive to the residents. This is in contrast to private owners, who use public housing subsidies for tax benefits. They generally have no concern beyond profit. Public housing has been consistently underfunded, which has led to deterioration and the negative image of public housing. (Goetz et. al. 1996, 52-53)

Although no study has been done to determine the impact of new two-or three-family owner-occupied rental housing on neighboring property values, it is reasonable to conclude that if non-profit

subsidized housing has a slight positive impact on property value, then two-or three-family owner-occupied housing will also have a positive impact on neighboring property values.

DECREASE IN SERVICE QUALITY

Another reason people fear neighborhood change is that the quality of services they receive may diminish. The most common reason residents resist infill is lack of infrastructure capacity—residents fear traffic congestion and sewer backups. Infill can be encouraged by strengthening neighborhood qualities. A municipality can make infrastructure improvements and condition residents to the idea of infill, usually through the development of neighborhood plans. (Smart 1985, 30)

Beyond that, one must consider logically how much impact a small residence has on an entire neighborhood. Consider a neighborhood that has 50 lots, 48 of which have single-family houses and the other 2 lots are vacant and awaiting development. Typically, the current residents would want single-family houses to fill those lots. This raises the issue of intensity of land use mentioned earlier. Suppose single-family houses are built and sold to families, one a family of four having 2 parents and 2 grown children, the other a family consisting of a brother and a sister and their spouses. The neighborhood has an increase of 8 adults, all of whom have cars.

Now suppose that instead 2 two-family houses are built. The first is bought by an older couple who rent to a young family of 2 parents and one toddler. The second is bought by a single middle-age mother of two children, who rents to her parents. The neighborhood has an increase of 10 people—7 adults and 3 children. Each elderly couple has one car, the young family has one car, and the single mother has one car, for a total of 4 cars.

In the first scenario, 2 housing units have been added to the neighborhood. There are no children in school, but there may be in the future should either of the young couples have children. The grown children most likely have friends that will add to the neighborhood traffic and noise. In the second scenario, 4 housing units have been added to the neighborhood. There are 2 children who attend school and one that

will eventually. The density in the second scenario is higher, but the overall intensity of the land use is similar to the first scenario.

DECREASE IN NEIGHBORHOOD QUALITY OF LIFE

There is the belief in this country that tenants are second class citizens who are less hard-working, less reliable, and generally more unruly than homeowners. (Perin 1977) Allowing tenants into owner-occupied single-family neighborhoods is believed to deteriorate the quality of the neighborhood. Rarely do studies focus on the factors that may cause tenants to fit these stereotypical beliefs in the first place. Should society focus on income redistribution so that more people can afford to buy homes? Various programs exist to aid in the purchase of homes, though no serious effort will ever be made in our "free" society. Do tenants behave differently in different living environments? Should society focus on accepting that there will always be tenants and instead find ways to distribute them better throughout "mainstream" society? That is the focus here, to show that there is a way to bring tenants into the mainstream without the associated negatives.

Table 14: Types of Undesirable or Disruptive Behavior in Last 2 Years, Percent of Total for Each Structure Type

	Total U.S.	TYPE OF MULTI FAMILY PROPERTY					
		2 units	3 - 4 units	5 - 9 units	10-19 units	20-49 units	50 + units
With Disruptive Behavior	73.36	44.75	62.51	64.38	73.01	81.65	85.45
vandalism to inside of units	40.81	15.33	25.48	30.92	40.25	50.64	52.91
vandalism to outside of buildings or to grounds	49.98	17.62	30.02	37.30	47.08	59.63	66.49
theft	46.24	12.55	20.77	28.06	39.32	52.54	67.15
loud or disruptive behavior	58.76	22.40	40.66	46.80	57.72	69.56	75.39
violence	32.39	11.07	16.66	21.30	27.85	38.32	45.00
drug usage	32.26	9.36	16.76	21.53	30.79	40.51	44.23
other undesirable behavior	10.72	4.04	7.56	7.21	12.67	14.92	13.15
No Disruptive Behavior	20.29	49.56	32.31	26.00	17.79	13.54	8.42
not reported	6.35	5.69	5.18	9.62	9.21	4.81	6.13

Source: U.S. Bureau of the Census, Property Owners and Managers Survey, Multi Family Properties, Table 59.
NOTE: Items listed add to more than totals because of multiple responses

Residents fear that allowing tenants into a neighborhood will increase the incidence of undesirable behavior. Table 14 on the previous page shows the percentage of housing types that have different kinds of undesirable behavior. In all cases, the percentage of units with undesirable behavior increases as the number of units in a structure increases. Overall, there is a general increase of undesirable behavior from 45% in 2-unit structures to 85% in 50+ unit structures. The most common problem is loud or disruptive behavior. Theft increases from 13% to 67%, violence increases from 11% to 45%, and drug usage increases from 9% to 44%. Thus, smaller-unit structures are safer than larger-unit structures.

Table 15: Characteristics of Disruptive Tenants, Percent of Total for Each Structure Type

		TYPE OF MULTI FAMILY PROPERTY					
	Total U.S.	2 units	3-4 units	5-9 units	10-19 units	20-49 units	50 + units
from low-income households	7.95	4.94	7.64	9.55	11.43	10.92	7.46
section 8 voucher holders	2.67	1.10	2.92	3.25	2.41	3.20	2.91
from single-parent households	8.69	4.94	9.54	7.10	8.35	9.28	9.92
from overcrowded units	4.08	1.73	2.38	3.51	3.97	5.75	5.04
from households with teenage children	7.29	4.40	5.86	6.56	6.81	9.77	12.90
from young adult or student households	10.45	4.08	8.33	7.31	12.16	12.66	12.93
from households with unemployed adults	8.79	5.43	9.81	9.34	11.85	11.24	8.46
from households with visitors unwelcome to the management	13.00	4.33	11.14	10.95	13.64	18.03	15.44
from households with visitors unwelcome to the tenants	9.14	2.79	7.20	6.22	8.51	13.63	11.34
something else	2.83	0.57	3.92	3.03	2.55	5.78	2.59
No Disruptive Behavior	20.29	49.56	32.31	26.00	17.79	13.54	8.42
characteristics not different than other tenants	43.17	22.38	28.13	33.80	40.46	47.00	55.29

Source: U.S. Bureau of the Census, Property Owners and Managers Survey, Multi Family Properties, Table 61.
NOTE: Items will not sum to totals because of multiple responses

Table 15 shows the characteristics of disruptive tenants. Most commonly, disruptive tenants have visitors unwelcome to the management, whereas least commonly, disruptive tenants are Section 8 tenants and

tenants of overcrowded households. In a 2-unit structure, the most common disruptive tenant is unemployed. What form this disruptive behavior takes is not known, because there is no cross-reference to the previous table.

Another common fear is that tenants bring instability to a neighborhood because of their greater transiency,[1] which indirectly would lead to an increase in the undesirable behaviors just described. As shown in Table 16, turnover rates tend to increase as the units per structure increases. Of 2-unit structures, 55.8% had *no* turnover, decreasing to only 1.3% of 50+ unit structures with *no* turnover. Though the turnover rate is generally low for 2-unit structures, it increases to 10% in the 50% or more turnover rate category. It is not possible to explain why those 10% have such a high turnover, but it is likely that these units are dilapidated or in blighted neighborhoods.

Table 16: Turnover Rate in Last 12 Months, Percent Distribution for Each Structure Type

		TYPE OF MULTI FAMILY PROPERTY					
	Total U.S.	2 units	3 - 4 units	5 - 9 units	10-19 units	20-49 units	50 + units
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00
none	15.73	55.80	33.06	19.51	8.61	3.74	1.28
less than 5 %	19.20	12.32	22.71	21.46	27.81	29.51	16.31
5 to 9 %	11.35	1.68	2.41	10.16	15.28	15.08	15.61
10 to 19 %	11.50	1.13	4.72	10.21	14.14	15.82	15.50
20 to 49 %	15.26	1.36	13.24	12.32	11.70	15.90	21.32
50 % or more	10.45	9.83	8.97	6.79	5.58	7.13	13.30
don't know	8.56	3.95	6.56	9.00	7.80	7.25	10.92
not reported	7.95	13.93	8.32	10.54	9.09	5.58	5.76

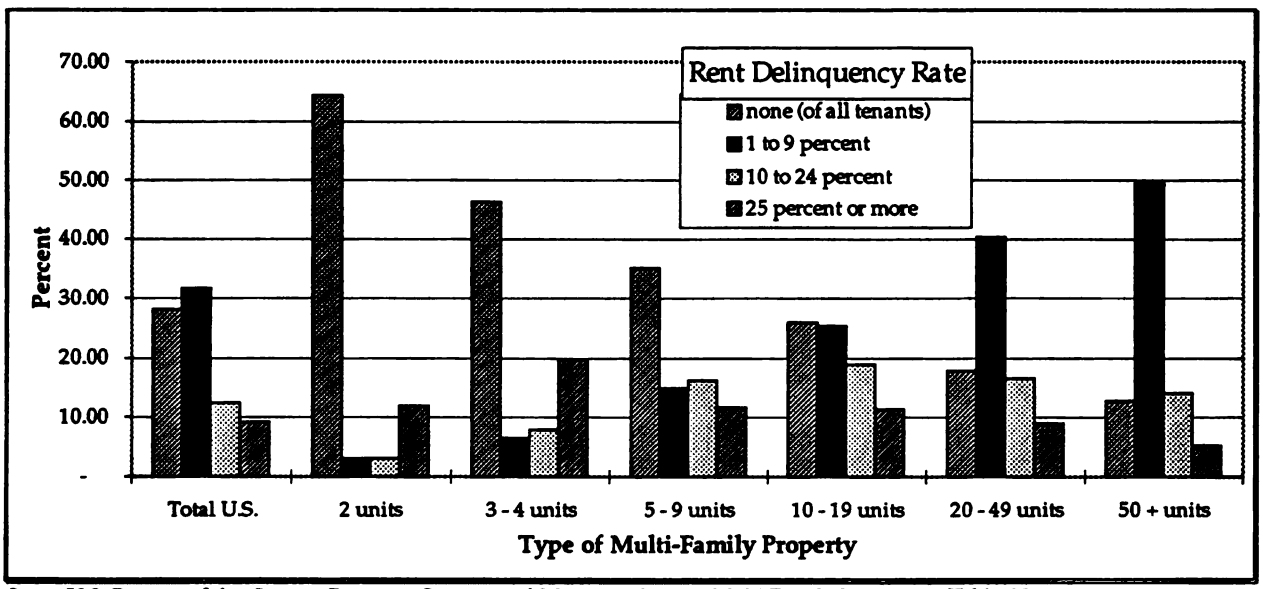
Source: U.S. Bureau of the Census, Property Owners and Managers Survey, Multi Family Properties, Table 23.

Although little data exists specifically for turnover rates of owner-occupied two-and three-family houses, it is reasonable to assume that the rates would be as low, as pointed out by Elving: "Absentee owners reported more vacancies and rent losses due to vacancies than resident owners. This may reflect the tendency of absentee owners to have more turnover in their buildings than residents." (1975, 134)

[1] The 1990 census indicates that 9.4% of owners moved within the 15 months prior to the decennial census, compared to 41.6% of renters. (U.S. Bureau of the Census)

Tenants of smaller-unit structures are more financially stable, as can be seen in Figure 4 on the next page, which shows the percentage of rent delinquent tenants at a property in the last 2 years. Generally, structures with more units have a higher percentage of delinquent tenants, increasing from 36% of 2-unit structures with rent delinquent tenants to 87% of 50+ unit structures with rent delinquent tenants. Of the rental property owners having a 1-to-9% delinquency rate, fewer delinquencies occur in the smaller structures than in the larger structures, increasing steadily from 3% to 50%. The same pattern occurs for the properties with a 10%-to-24% delinquency rate. The unusual occurrence is that the properties having a delinquency rate of 25%-or-more increases to 12% for the 2-unit structures, and to 20% for the 3-4 unit structures. The findings for the turnover rate help explain this (see Table 16). For some reason, a percentage of 2-unit structures cannot retain tenants, probably because the properties are in terrible condition and the landlords continue to neglect them.

Figure 4: Rent Delinquency Rate at Property in Last 2 Years, Percent Distribution for Each Structure Type



Source: U.S. Bureau of the Census, Property Owners and Managers Survey, Multi Family Properties, Table 55.

Neighborhood quality is an important determinant of the condition of the housing stock. It is generally believed that owners of single-family homes have an incentive to upkeep their property and thus maintain value, whereas owners of rental housing only have an incentive to earn a profit. Thus, as

maintenance costs outweigh profits, disinvestment will occur, followed by a deterioration of the rental units. (Kolodny 1981; O'Mara et. al. 1984) This has the impact of bringing down the quality and value of the neighborhood as a whole. However, owner-occupants of two-or three-family houses have a vested interest in maintaining their properties. They live there, and would maintain a property the same as any owner-occupant. (Elving 1975)

Why, then, did this nation turn away from the smaller rental structures in favor of the larger rental structures? That is beyond the scope of this paper, though the simple answer is that this country opted for the single-family house as the housing of choice, and rental housing became nothing more than another investment option. It is clear from the data and argument presented that smaller rental structures would serve many communities better than large rental structures. The next section will offer ways to overcome the legal barriers that have been erected to prevent the inclusion of two- and three-family housing within single-family zones.

OVERCOMING REGULATORY BARRIERS

There are many obstacles preventing the construction of two- and three-family housing within single-family neighborhoods. The previous section discussed the cultural forces that prevent construction, which translate into the political actions that prevent construction. These are encoded in zoning ordinances and building codes, the legal regulatory barriers that prevent their construction. Finally, there are the market forces, governed by financing practices, which will be covered in a later section. For now, this section will deal with the legal barriers.

ERECTING THE EXCLUSIVE SINGLE-FAMILY ZONE

Zoning is a land use system by which municipalities divide land uses into different use districts, generally residential, commercial, and industrial. Zoning further regulates intensity of use by setting density limits to control population density and the load on municipal services and infrastructure. Finally, zoning regulates building bulk through setbacks, height restrictions, and lot coverage to control accessibility to air, light, and open space.

The original purpose of zoning was to stabilize and protect property values. As industrial cities grew in an unregulated market, demand for more intense land use increased land speculation and conflicts. Single-family houses had the least productive value and, as intrusion by other uses occurred, were at risk of depreciation, social disruption, and deterioration. Likewise, industrial uses were often at risk of injunction from a nuisance settlement. This was because, prior to zoning, land use was controlled to an extent by nuisance law and restrictive covenants, and the courts were left to settle conflicts. By applying the police power of ensuring public safety, health, and welfare, the legislature assumed the power to regulate land use.

Bulk restrictions were upheld by the courts because of the obvious relation to public health and safety, namely the lack of fire fighting technology to deal with high-rise structures, and the overloaded capacity of streets caused by congestion. (Gellen 1985)

Regulating land use districts proved more difficult to justify, because land use is zoned in two ways. The first is separating land uses because of physical incompatibilities, such as separating an oil refinery from a residential neighborhood. No one would argue that this should not be done. The second is separating land uses according to taste and preference, such as separating single-family detached housing from other types of housing. This necessitates a value judgment about the proper ordering of land use and bestowing more status upon one over the other. (Mandelker 1971, 32)

In *Euclid v. Ambler*[1], the U.S. Supreme Court wrestled with both problems. Backed by a long history of nuisance law, the Court easily found the first justification of separation valid—that incompatible land uses can be zoned. It had difficulty justifying the second. Why should an apartment—a residential use—be excluded from a residential neighborhood? In this, the Court used a value judgment that justified the exclusion. (Mandelker 1971) The Court was persuaded by the argument that society would benefit by protecting family life,[2] encouraging homeownership, and maintaining a stable local tax base. (Gellen 1985)

According to Gellen, "[o]nce courts had legitimized this broader conception of the public welfare . . . municipalities began to define a set of residential norms based on the family life cycle and to separate out residential districts not by density so much as building-type and life-style." (1985, 108) This was because of the difficulty of actually measuring and enforcing density standards. Municipalities instead zoned according to building type and units per acre. The assumption is that one family will occupy one unit. This would be a valid way to regulate density, provided that all housing units had the same number of occupants, and that multi-family buildings sat on the same size lots as single-family houses. In reality, there is no one-to-one relationship between family size, dwelling unit size, and lot size. (Gellen 1985)

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[1] *Village of Euclid, Ohio v. Ambler Realty Co.*, 272 U.S. 365, 47 S.Ct. 114, 71 L.Ed. 303 (1926)

[2] According to a *Newsweek* special edition on the family in America (Winter/Spring 1990), the nuclear family of Dad going to work and Mom staying home with the children thrived only from 1860 to 1920 among middle-class whites, peaking about 1890. Minorities and immigrants did not fit this model at all. (Shaffer and Anundsen 1993). This corresponds with the height of the progressive reform movement, and explains why such importance was placed upon the single-family home. The reformers were protecting their way of life. Why then does this notion still endure when demographics indicate this pattern has not been true for over two decades?

This shift from zoning by area type (residential, commercial, industrial) to zoning by building type (single-family, two-family, multi-family) was supported by the persuasive reasoning that children needed the safety and comfort of clean, orderly neighborhoods of families with similar interests to grow into moral and righteous citizens. Keeping children away from all the "evil" influences of apartment and city life was judged to be in the interest of the public welfare. (Gellen 1985)[3]

Along with this belief came the notion that families needed to own their homes to provide stability to a community. Wide-spread homeownership was seen as a public goal, and only exclusive single-family zoning could allow property values to be protected.[4] Property rights had not yet developed to the point of recognizing separate air rights—which is how condominiums are divided—so ownership of a house meant a single-family house on a piece of land. (Gellen 1985)

It was stated in the section, "A History of 2 and 3 Family Housing," that *Euclid* affirmed the validity of exclusive single-family districts. That was a simplification. A more critical interpretation needs to be made, particularly in reference to two-family dwellings. To see why, it is necessary to quote *Euclid* at length:

> [T]he segregation of *residential*, business, and industrial buildings will make it easier to provide fire apparatus suitable for the character and intensity of the development in each section; that it will increase the safety and security of *home life*, greatly tend to prevent street accidents, especially to children, by reducing traffic and resulting confusion in *residential sections*, decrease noise and other conditions which produce or intensify nervous disorders, preserve a more favorable environment in which to rear children, etc. With particular reference to apartment houses, it is pointed out that the development of *detached house sections* is greatly retarded by the coming of apartment houses, which has sometimes resulted in destroying the entire section for *private house purposes*; that in such sections very often the apartment house is a mere parasite, constructed in order to take advantage of the open spaces and attractive surroundings created by the *residential character of the district*. Moreover, the coming of one apartment house is followed by others, interfering by their height and bulk with the free circulation of air and monopolizing the rays of the sun which otherwise would fall upon the *smaller homes*, and bringing, as their necessary accompaniments, the disturbing noises incident to increased traffic and business, and the occupation, by means of moving and parked automobiles, of larger portions of the street, thus detracting from their safety and depriving children of the privilege of quiet and open spaces for play, enjoyed by those in more favored localities—until, finally, the *residential character of the neighborhood* and its desirability as a *place of detached residences* are utterly

[3] Kunstler (1994) argues, however, that it is this rigid separation of uses that *prevents* children from learning how to interact, be independent, and learn the moral distinctions necessary to live in a modern society.

[4] A necessary factor for lenders.

> destroyed. Under these circumstances, apartment houses, which in a different environment would be not only entirely unobjectionable but highly desirable, come very near to being nuisances. [emphasis added][5]

Several points need to be made. First, apartment buildings at that time were tall, bulky, and prone to fire. This was what was trying to be prevented. The Court also assumed that apartments would necessarily bring more traffic and on-street parking. It did not consider that the zoning could have required various setbacks, height restrictions, and off-street parking requirements as a condition of allowing apartments.[6] Thus, other types of apartment structures were zoned "apartment" rather than "residential." Second, the Court did not specify what constituted a residential neighborhood. Was it only a single-family detached neighborhood, exclusive of all other uses, or was it something else? All reference is to "residential sections," "residential character," "private house purposes," and the like. Because the residential zone being threatened in *Euclid* was a single-family zone, it was, and has been since, interpreted by politicians and planners that the single-family zone was what the Court had in mind. Also, the Court made implicit, general value judgments about the lifestyle of apartment dwellers, in effect allowing zoning to be used as a social control and not merely as a land use control. (Mandelker 1971)

A more defining ruling in regard to two-family dwellings, cited by the Court in *Euclid*, is in *Miller v. Board of Public Works*.[7] Though that case persuasively defended single-family zoning on the principles of protecting the welfare of the American family, it recognized that two-family houses were architecturally comparable to single-family houses, did not add any burden to civil services, and did not change the character of a neighborhood devoted to residential purposes. (Gellen 1985, 118) Unfortunately, this aspect of the ruling was forsaken in favor of what zoning advocates wanted—the validation of single-family neighborhoods—and in that regard the decision served them well.

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[5] *Village of Euclid, Ohio v. Ambler Realty Co.*, 272 U.S. 365, 47 S.Ct. 114, 71 L.Ed. 303 (1926)

[6] "The difficulty, of course, is that apartment development of this kind was simply not known, or in its infancy, when the *Euclid* opinion was written." (Mandelker 1971, 36)

[7] *Miller v. Board of Public Works*, 195 Cal 477, 234 P. 381 (1925)

One final legality—the presumption of legislative validity—stamped exclusive single-family zoning in the psyche of America. Prior to *Euclid*, the courts were suspicious of any use of the police power that might infringe on the life, liberty, and property of citizens, and required municipalities to prove the reasonableness of zoning ordinances. In *Euclid*, the Court stated, "[i]f the validity of the legislative classification for zoning purposes be fairly debatable, the legislative judgment must be allowed to control."[8] After *Euclid*, courts presumed that the legislative act of zoning was in the interests of the public, and shifted to affected parties the burden to prove an ordinance arbitrary or unreasonable. The courts no longer attempted "to articulate a rational basis for single-family zoning", but accepted single-family zoning to be self-evident. (Gellen 1985, 119)

REDEFINING THE RESIDENTIAL NEIGHBORHOOD

Zoning evolved from being a legislative tool to regulate land use to being a political process to regulate land use. (Babcock 1966) Once this happened, zoning itself was no longer questioned, but only the finer details of the process of zoning and the effects on property rights. Consequently, it is not the exclusive single-family zoning ordinance itself that needs to be overcome. It is the political process that needs to be reckoned with, of which the zoning ordinance is, in actuality, but a legal record. The zoning ordinance is defined in this manner because it is the decisions, after the town meetings and votes have occurred, that are transformed into and become the essence of a zoning ordinance. Ultimately, changing the desires of the participants will effect a change in the zoning ordinance.

What change is being sought? Zones exist to allow two- and three-family houses to be built, yet two- and three-family houses are not built *to the extent* of the land allowed to them, generally because of market and political forces. If all the land zoned as two-family were built out with two-family houses, there would be many more of these houses, but the numbers show an obvious lack of them.[9] The land zoned for

[8] *Village of Euclid, Ohio v. Ambler Realty Co.*, 272 U.S. 365, 47 S.Ct. 114, 71 L.Ed. 303 (1926)

[9] See previous sections.

two- and three-family housing is, to a great extent, underutilized.[10] This is not to say a problem does not exist in the other direction. Many single-family neighborhoods contain illegal rental apartments. (Gellen 1985)

Herein lies the crux of the residential zoning matter—the absolute separation of housing types even where market forces and human behavior dictate otherwise. Babcock sums it thus: "The unstated consequence of the 'principle' of exclusive use districts . . . was that it underscored the differences between uses and discouraged a search for a way to recognize and express in the law the similarities between different uses." (1966, 130)

Absolute physical separation of residential land use is relatively recent. Even though the courts legally recognize separating single-family houses from other kinds of houses, most neighborhoods at the time of *Euclid* included a mix of single- and two-family houses. Except among the wealthy, exclusive single-family districts were uncommon until the 1940s. This ambiguity of what constituted a residential neighborhood is what frustrated the courts in the early days of zoning (Gellen 1985), and frustrates community planners and activists today.

Following WW II, subdivision regulations played a more crucial role than zoning in the creation of single-family neighborhoods. Pent-up housing demand, coupled with inexpensive land, federal programs that encouraged single-family homeownership, and a U.S. economy experiencing unchallenged growth, allowed the creation of a housing production system exemplified by Levittown. (Jackson 1985) The "cookie-cutter" subdivision and the real estate development process were able to put millions of people into homes inexpensively. By the 1970s, however, wages began to stagnate as the rest of the world's economy caught up with the U.S., and single-use sprawl growth was seen as causing many environmental and social ills. (Calthorpe 1993) Perhaps subdivision regulations, along with zoning, need to be reformed to permit an integration of residential uses.

[10] Take a drive in any two-family zone, count up all the single-family houses, and you will get an idea of the extent of the problem.

Defining a residential neighborhood as a specific dwelling type at a certain number of units per acre considerably limits who can live where. In general, renters must live apart from owners, and the less well to-do must live apart from the more well to-do. However, if a residential neighborhood is simply defined as a place where people live, options can be expanded. A neighborhood of different dwelling types can allow different types of residents, much as they did at the turn of the century.

SETTING THE STAGE FOR CHANGE

Consensus building is the best way to achieve change. If all players (residents, elected officials, planners, developers, lenders) agree upon a set of goals and policies, change becomes possible. These goals are typically set down in a master plan. Although the plan does not have the force of law, even after it is adopted by the municipality, many states now require any zoning ordinances to be consistent with the master plan.[11] Particular to the creation of mixed residential neighborhoods are the following set of goals that should be included within such a document.

Promote Mixture of Housing Types. Foremost, a municipality should have a policy of allowing a range of housing types to be integrated throughout a neighborhood. A mixture of housing types within a neighborhood would create a more diverse living environment.

Encourage Neighborhood Planning. The neighborhood planning process raises awareness of the various issues involved in mixed housing environments, typically by enlisting the active participation from a variety of members in a community. The neighborhood plan thus has a greater chance of being implemented, because people are more committed to something in which they helped to create. Having a neighborhood plan can also ease the approval process and lend support to a developer whose project is atypical. (Smart 1985, 28)

[11] Florida is a leading example for enforcing the "consistency doctrine." (Callies, Freilich, and Roberts 1994, 379) State zoning enabling legislation typically requires zoning to be "in accordance with a comprehensive plan." In zoning cases, courts often rely upon a plan to determine legislative intent, though many courts continue to find a plan within the zoning ordinance. (Mandelker 1993)

Allow Higher Density Infill Development. Higher density infill development can reduce the pressure for fringe growth and make better use of existing infrastructure and municipal services. Allowing higher densities can make infill development financially attractive, and a wider range of housing types can improve marketability. Many municipalities often have policies to encourage infill, but lack the means to implement those policies. Various strategies that municipalities can use include: identifying and providing to developers information on infill sites; encouraging neighborhood support; improving services and infrastructure in infill areas; providing tax incentives; creating appropriate zoning and zoning incentives; improving regulatory requirements and procedures; and providing flexibility in requirements for building location and site so that difficult sites can be developed. (Smart 1985)

Work With Lenders To Ensure Capital Availability. Infill projects often remain on the drawing board because lenders deem them too risky. This is particularly true when rental housing is proposed. In the cities, restrictive and racially discriminatory lending practices hampers reinvestment. (USDHUDAC 1991, 6) Municipalities can enforce Community Reinvestment Act (CRA) requirements, set up a grant or loan fund to help finance infill projects, and link funds to an educational program for buyers of two- or three-family houses.

Review Existing Infrastructure Capacity And Services. Municipalities need to assess the current conditions of infrastructure and services. Are they being used to the capacity for which they were designed, or are they underutilized? Likewise, how much upgrading may be necessary to make areas attractive? Municipalities should also project demand and need.

Review Codes And Ordinances. According to Richard Babcock, "the danger of the spread of infectious disease, the loss of light and air, the increase in fire hazards and crime, strike one (in retrospect) as a tad overblown today." (quoted in Husock 1990, 59) In Boston, it requires at least five variances—including one to permit construction of a multi-family house—to build a new three-family where one once stood. (Husock 1990) Also, horizontal and vertical levels of government regulation of land use build a maze of duplication and uneven standards that slow the building process. (USDHUDAC 1991, 8) Yesterday's

codes are no longer valid today, and yet they control the majority of new construction. Municipalities need to eliminate outdated, redundant codes and ordinances, and adopt new standards that will allow the building industry to make use of new materials and techniques.

Streamline Development Review And Permitting Process. How much review is necessary to ensure the construction of a livable house? Municipalities need to streamline the permitting process. Slow permitting procedures, intended to ensure the health and safety of the public, are excessively burdensome, and add to the costs of new housing. (USDHUDAC 1991, 5) This is particularly important for small developers working on scattered sites; delays can raise costs considerably, or even halt a desirable project. (Smart 1985, 34) For a developer, it is important to find a person within city hall who can help maneuver a project through the system. It also helps if the developer has city plans or neighborhood plans that emphasize infill, reinvestment, and revitalization. (Smart 1985, 27)

The plan is an important first step because it sets a policy for what the municipality desires. By having a plan in place, the proper legislative tools can than be chosen to implement the plan. Since the basic issue being dealt with is infilling developed single-family zones, the tools would necessarily involve zoning ordinances. This could include anything from minor tinkering through zoning variances all the way to a full-scale rewriting of the ordinances.

A further important aspect of the plan is that it helps form a legally defensible basis for the tools chosen. Private property rights are one of the founding principles in America, and one of the purposes of zoning was to aid in the protection of those rights. When a person purchases a home in a particular zone, he or she has certain expectations because it is in that zone. Any threat to those expectations becomes the object of close scrutiny. Having a plan with which property owners are in agreement can obviate costly legal battles.

THE TOOLS OF CHANGE

Ever since zoning was created, it has had its critics and supporters. It has been modified and expanded upon, but never seriously challenged as a way of managing land use. Zoning serves a purpose—it

brings a semblance of order to land use development. Whether zoning is good or bad is not the issue, because it will probably be around for a long time. The aim then is to apply zoning tools to the idea presented here—allowing two- or three-family housing to be built within single-family neighborhoods.

Several zoning techniques exist that could accomplish this, and they will be discussed in turn. Briefly, they are: the zoning amendment, the variance, the special exception, inclusionary zoning, performance zoning, zoning by building envelope, and overlay zoning.

The Zoning Amendment. An owner can request a rezoning from single-family to two- or three-family. A rezoning may be granted if doing so serves a public need and a public purpose. A public need would exist if there were a housing shortage, particularly affordable housing. The public purpose would be to create more diverse neighborhoods, or to revitalize a declining neighborhood. Both of these can be shown in the context of the plan. The zoning amendment process has no specified criteria, and usually is based upon the policy of the comprehensive plan, equal protection, due process, changes in the physical environment, or changes in the zoning policy. (Mandelker 1971)

Rezoning carries the risk of being challenged for "spot" zoning, which is a "zoning map amendment that rezones a tract of land from a less intensive to a more intensive use district." (Mandelker 1993, 248) Courts dislike spot zoning because of the potential for abuse. A court may find the rezoning invalid if the site is small and inconsistent with the surrounding area. It may also find a rezoning invalid if it benefits the owner and harms the neighbors. It is necessary to establish in a plan the intent to allow neighborhood change so that the rezoning is not arbitrary.

Since the actual use of the land is not changing, but only becoming—possibly—more intensive, rezoning can potentially work. A municipality may want to rezone all infill parcels to permit two- or three-family houses as-of-right, instead of rezoning each parcel piecemeal. This would be less arbitrary and more consistent with the plan. One of the criteria that Maryland courts use to support apartment rezonings in neighborhoods is that a mere increase in traffic and school population is not grounds for a denial, unless the rezoning created an obvious traffic hazard. (Mandelker 1971, 95)

The Variance. A municipality can grant a variance from the specifics of a zoning ordinance, generally for unique lots that cannot be developed if the zoning ordinance were strictly followed. There are two kinds of variances. A *use variance* permits uses other than those prescribed in the zoning ordinance, such as building a two-family house in a single-family zone. An *area variance* permits a change in the standards of the permitted use, such as building on an undersized lot. The owner requesting a variance must show hardship in three ways: that the property cannot yield a reasonable return if used only for the purpose in the ordinance; that the property has unique conditions not general to the surrounding neighborhood; and that the new use will not alter the basic character of the area.

Many courts do not allow use variances, holding that a change in use requires an amendment. Courts will also not accept policy reasons for a variance, such as the claim that a housing shortage justifies a variance for an apartment in a single-family neighborhood. (Mandelker 1993) This is not to say that a variance could not be used to permit a two-family house in a single-family zone; it would just be difficult to prove the hardship. In a declining or depressed area with many illegal apartments, it may be possible to show that the property has no value as a single-family lot. In this instance, though, the municipality should rezone the area.

The variance is more useful after a lot has been rezoned to allow a two- or three-family house. Often, municipalities require larger lots for two- or three-family houses than for single-family houses. Height and setback variances may be necessary to fit a house on the lot, as well as variances for parking requirements. A useful tool may be zero lot-line zoning, which can allow a house to fit on a smaller lot.

The Special Exception. Also called a conditional use or special use, the special exception in a zoning ordinance is a use that is permitted depending upon certain conditions being met. The use is something that is essentially compatible with surrounding uses, but the municipality desires to retain discretion over where and how such use will be permitted. No proof of hardship is necessary; only the conditions specified in the ordinance must be met.

According to Crawford, "the purpose of the exception is to alleviate the rigidity of the zoning ordinance for the convenience of the community and advance the public welfare, and that the permit should not be denied unless some very good reason can be advanced why the particular use would be harmful at the location where it is sought to be established." (1979, 47) In general, courts will reverse a denied permit for a special use, because if the zone were designed to permit these conditional uses, it stands to reason that the use, if conditions are met, will be compatible. (Mandelker 1993, 279)

The special exception does not permit something as-of-right, though it can be effective at allowing two- or three-family housing to be built in single-family neighborhoods, particularly if linked to a plan that stresses this kind of development.

Inclusionary Zoning. Lack of affordable housing has been a pressing issue for the past two decades. Zoning has been largely to blame by its use of exclusionary zoning, such as minimum lot size and minimum house size requirements. (Callies, Freilich, and Roberts 1994) Zoning was meant to prevent incompatible land uses from occupying the same area. Instead, it has evolved to be used as a tool to screen new development to ensure that property values do not decline. The result is that school teachers, fire fighters, young families, and the elderly are all regulated out. Subdivision ordinances require developers to provide off-site amenities (e.g., parks, libraries, recreational facilities) that add to the cost of new housing. (USDHUDAC 1991, 4) Inclusionary zoning requirements have been used to correct past inequities.[12]

For the most part, inclusionary zoning policies have applied to large-scale development. One common technique used is a mandatory set-aside, which requires a developer to include a minimum percentage of units for low- to moderate-income people. In exchange, the developer is permitted to build at higher densities. Set-asides may be possible with infill development if a developer is doing scattered-site development all at once.

Other inclusionary zoning techniques include the aforementioned density bonus, relaxing site development requirements, fees in-lieu-of to fund affordable housing, off-site provision of affordable

[12] New Jersey, Pennsylvania, and California are leading examples.

housing, and dedication of land, on-site or off-site. (Mandelker 1993) Of these techniques, the first three would be the most adaptable to infill development, unless the infill project was of a large enough scale, or encompassed many scattered sites.

For a municipality that is required by law to provide a fair share of affordable housing (as in New Jersey), the two- or three-family house can be a compromise solution for the community that absolutely does not want apartment structures. Relaxing site requirements along with bonus densities and fees in-lieu-of could provide housing to people of moderate incomes, if not low incomes.

There are many legal issues raised by requiring a developer to provide affordable housing. Does inclusionary zoning violate equal protection and substantive due process? (Mandelker 1993) Does it exceed the police power, amounting to a taking without compensation? Who gets to buy the affordable housing, and how is it determined? (Callies, Freilich, and Roberts 1994) Finally, should added requirements be placed on a developer who is already taking a risk on infill development?

Performance Zoning. Performance zoning is a technique that focuses on the end result of development, rather than on particular detailed requirements to achieve that end. This permits greater flexibility in urban design and mix. Though typically applied to industrial areas, performance zoning can work in residential areas. Largo, Florida is one municipality that only uses performance zoning. The focus is on the larger issue of housing people and controlling storm water run-off. Five residential performance zones "differ only by the maximum density permitted. Intensity of use is controlled by limits on floor area ratio and the percentage of site that can be under impervious cover. There are no limitations on the type of housing, side yard and rear yard setback, and building height." (Levy 1991, 125)

This technique offers great possibility for allowing two- or three-family housing within single-family neighborhoods. For example, assume a standard residential zone allows 4 units per acre, and that the zone is nearly developed to capacity. If the zone were changed to an 8 unit per acre performance zone, a vacant lot could be developed with a two- or three-family house without much impact on the existing infrastructure.

Zoning by Building Envelope. As proposed by Gellen (1985), this technique seeks to regulate intensity of use instead of population density. It would control bulk, height, yard setbacks, and parking requirements only. There would be no restrictions on how many dwelling units are put within the structure, other than to require minimum dwelling unit size based on minimum standards for adequate health and safety. Intensity would be controlled by a floor-area ratio, which would govern the amount of off-street parking required—for example, one space per 500 square feet of living space.

Zoning by building envelope is another type of performance zoning technique, and may be particularly useful for infill development in which the goal may be to maintain the character of a neighborhood. For example, if a neighborhood consisted of colonials or Victorians, the ordinance can be written so that a new structure must conform to that basic bulk and height of the existing structures, without specifying how many actual dwelling units are in that structure.

Overlay Zoning. An overlay zone combines the use and structure requirements of different zones into one. Rather than rezoning a neighborhood, a municipality may want to overlay an infill zone. It may permit all infill sites to be developed to a certain density, or it may permit up to a certain number of two- to three-family structures within a single-family neighborhood (e.g., so many per block, per zone, or per square mile). A planning report for Albuquerque, New Mexico suggests overlaying an urban infill zone. Infill sites in the zone would be given special incentives. A staff person would be assigned to assist with the site planning, approval process, review, cost minimizing, and locating sources of public financial assistance. (Smart 1985, 34)

ENSURING OWNER-OCCUPANCY

A common concern of residents is that of an absentee landlord owning a house in their neighborhood. The house would become run-down and invite undesirable people. The section "Benefits of 2 and 3 Family Housing" discussed the benefits of having these houses be owner-occupied. Given the nature of property rights in this country, can the owner of one of these houses be required to reside in it? Land use controls are upheld because they regulate the *use* of the land, not the *user*. (Pollak 1994)

Gellen (1985) suggests that as a condition for permitting accessory apartment conversions, a municipality can require that the owner live at the property. This would be done through a deed restriction on the property. As noted before, deed restrictions (covenants) were common before the advent of zoning to regulate land use.[13] In the case of converting part of a single-family house to an accessory apartment, the covenant would work. If the owner sold the house or moved out while wishing to retain ownership, the municipality could then require that the accessory apartment be removed. In essence, this is a form of contract zoning, and not a covenant between private parties.

According to a typical real estate definition, a covenant is a "written agreement or restriction on the use of land or promising certain acts. Homeowner Associations often enforce restrictive covenants governing architectural controls and maintenance responsibilities. However, land could be subject to restrictive covenants even if there is no homeowner's association." (Sykes 1997) As such, the deed restriction falls under the purview of contract law. According to Random House, a contract is "an agreement between two or more parties for the doing or not doing of something specified," and "an agreement enforceable by law."[14] It stands to reason, then, that if the owner would agree to sign a contract requiring owner-occupancy, it would be enforceable.

Who would be the other party of such a contract? Although municipalities have been using contract zoning with developers for some time, this could not be an extension of that use. Should a municipality become involved, the legal issues of equal protection and due process are brought into question. Contract zoning raises the issue of a state bargaining away its authority because it "violates the statutory provision that requires uniform land use regulations within zoning districts." (Mandelker 1993, 288)

One precedent for owner-occupancy requirements by government is the FHA mortgage insurance program. FHA will only insure home purchases for principal residence use. (USDHUD 1997a) Another precedent has been the section 810 Urban Homesteading Program of the Housing and Community

[13] In Houston, the only major U.S. city that does not use zoning, covenants are use to regulate land use. (Perin 1977)

[14] Random House Unabridged Dictionary, Second Edition.

Development Act of 1974. With the stipulation that they would rehabilitate the house, purchasers were required to occupy their houses for three years. The Housing and Urban-Rural Recovery Act of 1983 increased the requirement to five years. This requirement, however, was tied to a subsidy that helped people to buy these abandoned houses inexpensively. (Chandler 1988)

A better choice for the other party would be a neighborhood homeowners' association, since it is the other homeowners that have a concern about maintaining the quality of their neighborhood. Homeowners' associations have a history dating to 1844, and make use of covenants to control and protect their property interests. (Bookout 1990) The association is a private entity, and therefore could be a party to a deed restriction requiring owner-occupancy.

There are unanswered questions. Considering the cost of purchasing a house, could not the market achieve the same goal? How marketable would a house be that had such a restriction? Should the restriction run with the land, or should each successive owner renegotiate the terms? Would an owner-occupancy restriction need an escape clause, such as job relocation or military service?

Some final thoughts. A possibility is to have the covenant tied to any subsidy that may have been used to get the house built, such as if the house were built by a CDC. Also, it may not hold up in court that the property must be owner-occupied, but it may hold up that only one apartment (if a two-family) or two apartments (if a three-family) could be rented. This would be closer to regulating the use of the property, and not the user. In effect, the owner would need to live there (not many people can support two houses).

STEPS IN THE RIGHT DIRECTION

Many communities are already reversing their thinking about what constitutes a residential neighborhood. New Urbanist and Neo-traditionalist planning attempt to undo the damage caused by single-use only zoning by changing zoning ordinances to allow more flexibility in the location of different kinds of residential structures.

Based on findings that second units are a valuable source of affordable housing and provide income to homeowners, California authorized and required municipalities to adopt ordinances to allow second units

to be built on lots in single- and multi-family neighborhoods. The second unit may be attached or detached if standards are met. (LULZD 1995)

In Kentucky, new zoning regulations may designate "urban residential zones" in areas where a majority of houses have a distinctive architectural style and character that was in use before 1926. Within these zones, land use may be regulated structure by structure, which would permit a mix of uses. The only restriction is a requirement to maintain the architectural style. (LULZD 1996)

With the rise of housing costs, increasing traffic congestion in the suburbs, increasing amenability to mixed land use, and trends toward smaller families and non-family households, a municipality can combine these zoning techniques in a workable strategy to achieve a mix of residential building types within a neighborhood. But people resist change when it is next door, even if they agree to it in principle. The next section explores infill housing, what it is, why it is important, and what prevents it from occurring. Understanding this can help lead to overcoming concerns that many people have about change in their neighborhoods.

INFILL HOUSING

A city or an urban area is a dynamic system that changes over time. Infill development is one of the ways in which change occurs, and can be defined as "building homes, businesses and public facilities on unused and underutilized lands *within existing urban areas*." (Greenbelt Alliance 1997) It is a vital technique to make cities environmentally and socially sustainable while accommodating growth. (Greenbelt Alliance 1997)

Land for infill development comes from two main sources. The first are the vacant lots that—because of a lack of access to public services, particular environmental or physical limitations, or a general unattractiveness to the market—have been passed over when development first occurred. The second are the developed sites that, because of disaster, abandonment, or re-subdivision of existing property, are available for redevelopment. (RERC 1982; Smart 1985) According to a mid-1980s study, the median infill lot size is 6,000 sq. ft. in a city and 20,000 sq. ft. in the suburbs. Individuals own 55%, businesses and institutions own 30%, and local governments own 15%. (Smart 1985)

Generally, infill does not produce affordable housing, because higher development costs offset any savings from higher density allowances or existing infrastructure. In fact, infill developers are few in number because of the low profitability of infill. Unless infill housing is subsidized (most affordable housing is anyway), infill attracts middle- or upper-income people. (Smart 1985) Infill development, therefore, can achieve the goal of social scientists and politicians to bring the middle class back into the cities.

Infill is often as costly as new fringe development for several reasons. Difficult physical characteristics, such as steep grading or poor drainage, will increase development costs even though construction techniques can overcome these hindrances. Infill land typically costs more than fringe land. Permits and approvals, as well as delays in obtaining them, can cost more for infill sites. If a site was previously developed, clean-up must be done. Poor access to a site may require new streets and infrastructure. Finally, new services may be required because a site is under-served or may have poorly located utility lines. (Smart 1985)

Despite these costs, there are many trends occurring that encourage, and in some instances require, infill development. First, denser development can reduce traffic congestion because it can bring home and work closer together, and make mass transit more feasible. (Greenbelt Alliance 1997) However, the reduction in traffic congestion can only happen if there is a concurrent expansion of mass transit use and pedestrian and bicycle use. Otherwise, traffic congestion will worsen. Also, energy can be saved because of improved transportation, and because attached housing requires less energy to heat.

Second, local governments have limited capability to expand infrastructure at the fringe because the cost of infrastructure and land preparation is increasingly high. Infill can lower public expenditures by maximizing the use of existing services. Infill generates more taxes, but only marginally costs more in services. This would benefit older urban areas, because the suburban expansion following WW II eroded much of their tax base.

Third, concern for the environment has created a growing political obstacle to fringe development because of pressure to preserve open space, environmentally sensitive lands, and agricultural lands. An infill policy can help protect and enhance the natural environment, and revitalize older neighborhoods, especially if rehabilitation is occurring.

Finally, centrally located office employment has been increasing, and there are fewer child-oriented households with an increasing desire for accessibility to urban amenities. (Smart 1985; RERC 1982)

The essential conditions for successful infill are a proximity to downtown employment, transportation, and shopping, cultural, recreational, and other facilities; evidence of successful rehabilitation or redevelopment projects; new techniques that overcome previous site limitations; and a minimum of crime, pollution, or service problems. (Smart 1985)

Even if positive conditions exist, however, there are obstacles that can prevent infill from occurring. Most commonly, residents resist infill because of a perceived lack of infrastructure capacity. They fear traffic congestion and sewer backups. Their concerns include neighborhood incompatibility, insufficient parking, overloaded municipal services, and increased taxes. Residents also resist to protect property values.

Additionally, the threat of displacement concerns renters. A municipality can make infrastructure improvements and condition residents to the idea of infill, usually through the development of a neighborhood plan. (Smart 1985)

Local regulations, such as inappropriate zoning or excessive setback requirements and building codes, are a major obstacle. Infill projects present complexities and raise issues that push the limits of the current review system, which was designed to handle large scale development or simple renovation projects. Infill projects require special reviews, extra public hearings, and additional zoning variances, all of which delay a project and increase costs. (Smart 1985)

Other obstacles include title problems and determining property ownership, prohibitively expensive sites, undervalued tax assessment of a vacant site that reduces pressure to develop it, historical context conflicts, undersized or odd-shaped sites, and difficulty in obtaining financing. (Smart 1985)

Most would agree that homeownership is important for stabilizing a neighborhood. Two- and three-family owner-occupied housing can be an important part of infill development because it creates more homeowners and housing for renters, who otherwise might be displaced by single-family housing development. In areas with low homeownership rates and lower resident incomes, two- and three-family housing makes the most sense for infill. Neither single-family houses, which lower-income residents often cannot afford, nor high-density rental housing, which bleeds wealth out of a community, can "rebuild" a neighborhood alone.

Today, the potential for infill development is high. The neighborhood life-cycle theory, which states that a neighborhood experiences periods of growth, stability, and eventual decay, is being proven wrong by communities with citizens who are not willing to give up on their neighborhoods. Community Development Corporations have demonstrated the benefits of rebuilding neighborhoods that were considered hopeless. Municipalities are realizing that growth at the fringe is costly both economically and politically.

Infill housing can be built. It just requires a bit more work, waiting for the right market conditions, and maybe accepting lower profits. Large developers, who have the financial capabilities to take risks on

infill, prefer to develop huge tracts to achieve economies of scale. On the other hand, small developers generally prefer to build high-end houses to make up for small volume. Municipalities must choose whether to front some initial costs for infill development, or pay higher costs[1] over the long run by allowing sprawl development to continue. (Greenbelt Alliance 1997)

Expanding the production of two- and three-family housing may require that people become socialized to accept it as an alternative. A marketing campaign would best accomplish this. But to whom should these houses be marketed? The next section explores the reasons that people would buy two-or three-family houses, and identifies those potential buyers.

[1] Building and maintaining new roads, sewers, schools, fire stations, and the costs of air pollution, increased traffic congestion, and the loss of open space.

MARKETING

Single-family detached houses hold the allure of nearly complete individualism and privacy. Attached single-family condominiums offer all the benefits of ownership without the hassle of any maintenance outside the actual living space. By contrast, a two- or three-family house requires a higher level of responsibility, in terms of maintenance and social interaction. Who would buy a two- or three-family house? Does a market exist for this type of housing, or can some untapped market be created if the option were provided? This section will identify first, why someone would want to purchase a two- or three-family house, and second, who are the potential buyers of two- and three-family houses.

There are several reasons why someone would want to purchase a two- or three-family house. First among them would be as a residence. As pointed out previously, a two- or three-family house is a more affordable option to homebuyers because the rental income helps support the mortgage. The house provides the tax benefits available to all homeowners, plus the tax benefits of the business expenses for the rental unit(s).

A reason why people buy any type of home is to build equity as retirement security. After a mortgage is paid off, the owner lives "rent free," excepting maintenance costs and property taxes. A two- or three-family house offers these benefits along with an income stream from the rental unit(s), which can augment the fixed incomes of social security and a pension.

Another reason why someone would want a two- or three-family home is to keep their family close together. Throughout the world, the extended family has been an important aspect of social life, though much less so in this country since the promotion of the single-family detached home and the nuclear family a century ago. (Hayden 1984; Shaffer and Anundsen 1993) For many, though, the extended family continues to play an important role in their lives. A two- or three-family house can provide the means to let families remain close, to let elderly parents be cared for by their children, to let grandparents provide care for children

whose parents both work, or to offset the high cost of housing by sharing costs and responsibilities among family members.

Others may want a two- or three-family house because they can no longer afford the expense of a single-family house, due to a loss of income. They may still desire, however, to retain ownership status. Finally, there are those who like to manage, or are naturally entrepreneurial, and see a two-or three-family house as a way to express that ability.

Table 17 shows the reasons why people buy two- and three-family houses. The first set of columns shows the overall reasons from a multiple-response question; the second set of columns shows the main reason from a single-response question. Numbers are a percentage of the total. It must be stressed that this data was based on a survey that did not include owner-occupants. The table indicates reasons similar to those above; the properties were bought mainly as a residence, for the rental income, and for retirement security.

Table 17: Reasons for Acquisition of Property, Percent of Total by Structure Type

	TYPE OF MULTI FAMILY PROPERTY			
	overall reasons		main reason	
	2 units	3 - 4 units	2 units	3 - 4 units
Total U.S.	*	*	100.00	100.00
Acquired (Not by Inheritance or Gift) **	93.69	93.59	93.69	93.59
as residence	34.03	21.56	29.38	15.79
to provide affordable housing	5.87	6.77	0.95	1.84
for income from rents	49.20	50.91	25.47	27.04
for long-term capital gains	21.76	26.57	6.89	9.00
to convert to non-residential use	0.49	0.78	0.26	0.24
as tax shelter	8.20	9.60	2.23	1.80
as retirement security	21.03	28.99	7.45	12.72
as future security for family	13.63	17.78	1.21	5.76
other reasons	7.99	6.38	6.56	5.01
not reported **	9.20	10.72	13.18	14.40
Acquired by Inheritance or Gift	6.31	6.41	6.31	6.41

Source: U.S. Bureau of the Census, Property Owners and Managers Survey, Multi Family Properties, Tables 77 & 78
NOTE: Items will not sum to totals because of multiple responses
NOTE: Includes not reported on method of acquisition

Changing demographics such as the increase in non-traditional families, the rise of a service-based economy, the increase in higher income households in cities, and the growth of adult-oriented residential areas, create opportunities for infill. (Smart 1985, 50) According to Smart (1985, 24), two principal groups comprise the residential infill development market. The first group, the empty nesters, seek low-maintenance, high-quality housing, security, and convenient location. In his research on accessory apartment conversions, however, Gellen (1985) has found that empty-nesters are unlikely to give up the space and privacy to which they have grown accustomed in their single-family homes. Though older couples may have the time required to maintain a two- or three-family house, it is therefore doubtful that they would make up a significant percentage of this market given the added burden of the rental unit(s). This reasoning, however, disregards the fact that many older couples have the equity available to buy one of these houses, and possibly rent to their grown children.

The other group Smart identifies are the young professional singles or couples, who seek convenient locations and will sacrifice luxury and convenient parking for low price, and will opt for interesting architectural features over square footage. (1985, 24) According to Gellen (1985, 96), young adults represent the largest share of the home-buying market. They are the least able to purchase homes because of the great expense and their lower buying power. Young families are also smaller than they were a generation or two ago, and do not necessarily require the greater space afforded by single-family houses. Few single parents, and even working couples, have the time to maintain a large house and care for children. (Gellen 1985, 181) Having a tenant who can help with maintenance in exchange for a lower rent can be appealing to someone who desires homeownership. For these reasons, young couples, single parents, and individuals are thus a potential market for two- or three-family houses.

There are other factors to consider as well. Large metropolitan areas, such as New York, Boston, San Francisco, and Los Angeles, are frequently the first places of residence for immigrants. In Boston, immigrants have historically filled the triple-decker market (Jackson 1985), and, in New York, immigrants continue to be the cornerstone of the two- and three-family market (Metzger 1997).

From a policy perspective, government would benefit by promoting two- and three-family housing. First, predominantly single-family communities often oppose the construction of large apartment complexes, and yet may be under pressure to include other types of housing options. Two- and three-family homes can be marketed as a compromise solution to meeting housing requirements.

Second, the aging of the population is increasing the demand for more senior housing, nursing homes, and hospital bedrooms. Rising health care costs are running into the wall of the federal deficit, of which the government is under pressure to reduce. Two- and three-family homes can be marketed to people who desire other options for their aging parents. This can reduce the demand for the expensive options previously mentioned. This would also keep seniors involved within a community, and possibly avoid generational conflict over issues such as school tax increases.

Third, private informal subsidies—in the form of a reciprocity relationship between tenant and landlord—are much more efficient than public subsidies, which require cost accounting and reimbursement. (Elving 1975, 280) In a reciprocity relationship, the owner has some maintenance done at a lower cost, and the tenant pays a lower rent for doing some work. This is an alternative to cash payment, which comes from the renter, owner, or the property. Because this can reduce the need for government aid, it is in the best interest of government to promote two- and three-family housing.

In sum, two- and three-family housing can be marketed as an affordable option over single-family housing that can provide long-term financial security. It can also be marketed to people who need care for others—young or old—but cannot afford other options. Promoting two- and three-family housing is also a sound policy for municipalities. It can expand homeownership and still provide affordable rental housing, and create intergenerational neighborhoods.

The next section will discuss the financing of two- and three-family housing. It will examine the difficulties in financing this type of housing, and explore some recent innovations.

FINANCING

Housing is like any other marketable product. No matter how good an idea may be, it will not fly unless there is capital to support it, and the capital will not support the idea unless it is marketable to people who will buy it. But unlike other marketable products, if there is no political will to carry out the idea, it does not matter how much capital exists; the idea still will not fly. The necessary mechanisms exist to finance two- and three-family houses; what is lacking is the political will to build greater numbers of these houses. This creates within the real estate industry a perceived greater risk to support the product. It has become a self-sustaining cycle: lenders will not lend because builders will not build because buyers will not buy because the lenders will not lend. Recognizing this, it has been the purpose of this paper to demonstrate the feasibility of constructing more two- and three-family houses, of which financing is one of the determining factors.

The same basic mechanisms that finance single-family houses finance two-and three-family houses. Indeed, both the FHA and FNMA group one-to-four family houses into one category. (USDHUD 1997a; FannieMae 1997) When a single-family house is built, it is generally paid for entirely by the owner-occupant. The mortgage and all operating costs associated with that house are the responsibility of the owner. Thus, a lender can easily assess the risk for such a loan. By contrast, multi-family apartment complexes are paid for by the equity capital of the developer/investors and by the rental income, which supports the mortgage, the operating costs, and a profit for the owner/investor. Rents are calculated so that expenses can be met, and a certain level of vacancy is calculated into the operating budget so that risk can be determined.

However, a two- or three-family house has the complexity of being occupied by both owner and renter(s), so one of the issues facing the financing of two- and three-family housing is that of rental income. Should it be included in the owner's income for qualifying for a mortgage? Doing so would permit the housing to be sellable to more people. With an owner-occupied two- or three-family house, as with a single-family house, the homeowner is ultimately responsible for paying off the mortgage. Since most two- or

three-family owner-occupants count on the rent to meet the mortgage payments, lenders must assess the risk involved in relying upon rental income as a source to help pay back the mortgage.

This dilemma arose because of the mortgage underwriting procedures created by the FHA. The FHA appraisers believed that a depression similar to the one in the 1930s would occur every twelve to fifteen years. This meant that even if the owner of a two-family house retained employment and suffered no loss in income, the possibility existed that he or she would have difficulty servicing the mortgage once or twice during the term of the mortgage. Therefore, the two-family house was given a higher risk rating. The FHA not only charged higher premiums for two-family houses, but also discouraged mixing single-family and two-family houses in the new subdivisions to minimize the risk of the entire neighborhood. (Gellen 1985, 120)

A survey of mortgage lenders in the Lansing, Michigan metropolitan area[1] revealed that financing is obtainable for two- and three-family houses. In general, lenders will count the rental income toward the owner's income, but at a percentage of the full rent, typically about 75%. The lenders also require the owner to have a lease with their tenant(s) for them to count the rental income. The appraisal costs for two- and three-family houses are much higher than for single-family houses, often twice as much. This is because of the extra work required to evaluate additional units and to find comparables.

Many lenders will originate FHA insured loans, but these are more difficult to obtain because of the stricter FHA guidelines. One lender will originate FHA loans for two-family houses, but not three-family houses. For three-family houses, the FHA requires a cash reserve of at least two months of the proposed mortgage payment. It also stipulates that the mortgage payment for a three-family house cannot exceed 90% of the rental income as determined by the appraiser. (Garden State Mortgage 1996) The FHA requires that the house be the principal residence of the owner (required of any one-to-four family FHA loan) (USDHUD 1997a).

[1] Phone survey conducted July 1997 by the author. It is important to keep in mind that this is for one local market only. Other markets can be different, depending on the strength of the two- and three-family market and the local practices of lenders. For example, a lender used by the author in New Jersey did count the full rental income towards the owner's income.

As of July 1997, the current maximum mortgage limits for FHA insured loans were $104,329 for a two-family and $126,103 for a three-family. If the property is located in a high cost area, mortgage limits are equal to 95% of the area median house price. However, the high cost limits are subject to a ceiling based on 75% of the Freddie Mac Loan limits. Currently, the ceilings are $205,912 for a two-family and $248,887 for a three-family.[2] (USDHUD 1997b) Because of today's high construction costs, however, these limits may not be high enough for new construction, so the FHA may not be sufficient in and of itself to serve the needs of lower income groups without some other form of subsidy.

As for the secondary market, FNMA will buy two- and three-family mortgages. According to one lender, however, they do this on a limited basis. Other lenders have no difficulty selling these mortgages to FNMA, and one lender stated that they set up a program prior to originating a mortgage to ensure that FNMA will purchase it. Currently, FNMA's mortgage loan limit for two-family houses is $274,550, and for three-family houses the limit is $331,850. (FannieMae 1996)

A typical development proceeds as follows. The developer acquires or has already acquired property. The equity capital for this purchase and subsequent construction financing is raised through personal capital, friends, business associates, other developers, or syndicates. Next, the developer gets a construction loan, usually from a commercial bank, an S&L, or a mortgage broker. A for-sale project construction loan is paid off from proceeds of sale. (Bookout 1990, 110-111)

Infill development adds another level of risk to a lender. Unproven marketability, the limited track record of an infill developer, or a site location in an older, deteriorating neighborhood may make lenders resistant to infill development. The advantage to the developer, however, is that infill projects are relatively small and do not tie up a great deal of capital. Therefore, a developer may not need to secure a large amount of money. (Smart 1985, 39) Small project equity capital is easier to raise, and loans can be made by local

[2] "Section 214 of the National Housing Act provides that mortgage limits for Alaska, Guam, Hawaii, and the Virgin Islands may be adjusted up to 150 percent of the new ceilings." This results in new ceilings for these areas of $308,868 for a two-family and $373,330 for a three-family. (USDHUD 1997b)

lenders. By contrast, a large project requires a more formal process, and capital may come from a syndicator. (Bookout 1990, 138)

One way a developer can reduce the risk to a lender is to pre-sell the housing. This is particularly advantageous for scattered-site development. The developer can build a few models and then construct the remaining units after sales contracts are signed by potential buyers. (Smart 1985, 117)

Another way for a developer to reduce the risk to a lender is to erect manufactured units. They offer economies of scale for scattered-site development, and get the units to market faster than stick-built units. The main obstacles include ensuring an ordinance exists that allows manufactured housing, and convincing all parties of the viability of manufactured units. A developer can personalize a manufactured unit through construction techniques to make it fit a neighborhood. (Smart 1985, 40, 41)

It is likely that the construction of two- or three-family housing on infill sites will require some form of subsidy or alternative financing mechanism. The assumption is that much infill development will occur within older, lower-income neighborhoods. These sites typically have low appraisals, which may make it impossible to develop units at market rates. (Smart 1985, 42) The wise developer will make full use of these various sources in order to get a project financed and built.

Until a decade ago, the primary source for subsidy has been the federal government, mainly through its Section 8 Rental Assistance program, which, through vouchers or certificates, provides the owner with a guaranteed rent. The other main subsidy has been the Community Development Block Grant program (CDBG). (Bookout 1993) Unfortunately, CDBG funds are not strictly limited to housing, and many communities freely used the money for projects such as street beautification. The HOME program was created by the National Affordable Housing Act of 1990, and provides money for housing directly to state and local governments and to nonprofit housing producers, who are then free to use the funds to meet affordable housing needs. (Steinbach 1992)

Many states have attempted to fill the void left by federal cutbacks, primarily by creating state housing finance agencies. States have the financial capacity for high risk loans, and often issue mortgage

revenue bonds, increasing the supply of below-market funds. (Smart 1985, 42) At the present time, the Michigan State Housing Development Authority (MSHDA) does not cover two- or three-family housing.[3] This may not be the case with all state housing agencies.

Local government can raise capital through mortgage revenue bonds, general obligation bonds, capital improvement bonds, and industrial revenue bonds. Tax increment financing can be used as an incentive. A local government can sell or lease development sites at below-market prices with favorable terms. It can provide short- or long-term loans for construction, particularly of low- and moderate-income housing, at below-market interest rates and with special terms. A local government can provide indirect financial help by providing or funding needed infrastructure improvements, and by offering technical assistance. Lastly, local governments that own property through owner abandonment and subsequent tax foreclosure can also auction the property, have a lottery, or sell it for as little as a dollar. (Smart 1985, 42-43)

A growing source of alternative capital is a housing trust fund, which is "a government established fund, financed from an alternative source (not general revenue), and targeted to low- and moderate-income housing." (Connerly 1993, 307) They are used to meet the debt, equity, subsidy, and credit enhancements necessary for production of new units and loan guarantees. (Rosen 1987, 1) Funding can come from a number of sources, including development linkages, real estate transfer taxes, deed recording fees, public or private grants, the sale of urban renewal land, interest on real estate sales escrow accounts, general obligation bonds, and general revenue. (Connerly 1993)

Housing trust funds are not without drawbacks. The funding has been but a fraction of the federal budget cuts for housing, and the dependence on real estate taxes and fees makes the funding reliant on the strength of the local real estate market. Housing trust funds often lack the capacity to help the poorest,[4] who have historically been served by federal government programs. Lastly, while the federal government

[3] Phone interview by the author, May 1997.

[4] Both Illinois and Ohio have housing trust funds that help the homeless. Both were created after the Connerly article (1993).

guarantees low-income affordability for forty or more years, housing trust funds have much lower guarantees of fifteen or twenty years, if they have them at all. (Connerly 1993)

Despite this, housing trust funds offer a few advantages over federal sources of money. First, they are flexible and responsive to local housing needs, which may be highly specialized. Second, whereas the focus of federal money has been on the demand-side (as vouchers), housing trust funds focus on the supply-side (constructing new or rehabilitating existing housing). Third, housing trust funds encourage and use the participation of citizens and non-profit community based organizations in determining housing needs. (Connerly 1993)

Housing trust funds are easily replicable, but their wide-spread use is hampered by regional political attitudes toward low-income housing. Realtors and homebuilders pose a formidable political block against housing trust funds that use real estate taxes, because they perceive them as hampering the real estate market. The majority of trust funds are in the Northeast and the West, where low-income housing has always received consideration. The Midwest and the South resist attempts to use taxes or other sources of public revenue to finance low-income housing. The key is how they are politically packaged, and the notable exceptions are in Florida and Kentucky. (Connerly 1993, 315)

The Kentucky Housing Corporation (KHC), which operates a housing trust fund, established a cluster loan program for scattered-site infill development. A minimum of eight sites is required, and this helps reduce the risk and increase the possibility of high appraisals. (Smart 1985, 42) The KHC loan program provides below market financing to low and moderate income homebuyers. KHC loans are originated as either FHA or VA loans. The purchase price may not exceed $73,700, and buyer income is capped at $34,175 for a single person, plus $1500 for each additional dependent. These guidelines may vary according to property location and other factors. KHC will also allow buyers to borrow up to 60% of the downpayment, closing costs and pre-paid escrows. (Hickerson 1996)

The New York City Housing Partnership (NYCHP) is a leader in putting public interests together with private resources to build affordable housing. The NYCHP is a non-profit intermediary that "induces

builders and lenders to undertake affordable housing projects by assuming all responsibility for dealing with government agencies." (USDHUDAC 1991, 8-8) The NYCHP obtains government funds and approvals for a project, and ensures that builders will not incur costs for delays. They also involve community-based organizations in marketing and selling the housing developments.

After many years of experience, the NYCHP has developed certain principles that help achieve the greatest affordability in housing. First, city-financed development, when tied to city-owned land, is greatly enhanced by constructing low rise, owner-occupied housing. It requires the least public subsidy and leverages the greatest private investment. Affordable rental housing requires greater capital and operating subsidies to reach a comparable income group. (NYCHP 1994, 21)

Second, owner-occupancy housing is a superior investment of money than rental housing. There is no need to ensure a return to investor-owners, and the occupants get federal income tax advantages to reduce their housing costs. Pre-sales can provide credit enhancement at no cost. The secondary market provides capital on terms unavailable for multifamily rental housing. Before debt service, taxes, and a return on equity, the cost of operating a two bedroom unit is at least $300 a month, which is twice the cost of low rise, owner-occupied housing. (NYCHP 1994, 21)

Third, a two-family attached home with about 2,200 square feet of living space and a basement provides the best affordability and marketability. The owner benefits from the rental income of a two- or three-bedroom apartment. The NYCHP worked with Fannie Mae to develop a program that allows two- and three-family houses to be purchased with five percent downpayments, the mortgaging of most closing costs, and counting the full value of rental income. These mortgages performed equal to or slightly better than conventional mortgages. (NYCHP 1994, 56)

Fourth, the NYCHP houses allow the owners to realize equity on the investment by not excessively restricting resale profit. This is a necessary incentive to get people to risk their money in redeveloping areas. Unlike the federal HOME program, which has strict resale restrictions, the NYCHP has an incentive for people to stay in continuous ownership. There is a three-year anti-speculation period. The owner pays back

50% of the city lien from the net profit if the property is sold within a 25 year period from initial purchase, after which no repayment is necessary. For two- and three-family houses, the city does not have any rent restrictions or tenant income restrictions for rental units. This allows the owner to receive market-rate rents, which allows for financing at 5% down and an adequate appraisal of the property, making it possible to obtain a private mortgage. (NYCHP 1994, 57)

The NYCHP has worked out cost comparisons of different kinds of structures and tenure. A $25,000 public investment in a new, owner-occupied, low rise building will be affordable to a household earning $22,000 to $30,000 a year. "To accommodate this same group in an owner-occupied elevator building requires a subsidy of $40,000 to $50,000 per unit. For a rental development, the subsidy required to reach the same income targets is closer to $40,000 per unit for low rise or $60,000 per unit for elevator buildings." (NYCHP 1994, 22)

The NYCHP has established affordability restrictions. "At least 90% of homes in a project must be affordable to purchasers whose annual adjusted gross household income does not exceed the lesser of $53,000 or 165% of area median income. The public subsidy available to an eligible purchaser may not exceed the amount necessary to reduce housing payments to 28% of household income." (NYCHP 1994, 101) The house must be owner-occupied.

One project the NYCHP put together consisted of 114 attached two-family houses in a six-block area in the South Bronx. The City provided the land at $1,000 per house, plus $10,000 per unit from city capital budget funds. Another $30,000 per house came from the State Affordable Housing Corporation funds. The houses were built with a modular component system to reduce costs and to limit vandalism. The cost per house was $189,000, with a sales price of $149,000. A first-time homebuyer earning $35,000 annually needed $15,000 to purchase a house with a conventional mortgage, and the full rental income value was applied through Fannie Mae's enhanced affordability guidelines. The city and state funds converted to a declining 15 year lien. Homeowners also received a 421b real estate tax abatement. Construction began in

June 1989, Certificate of Occupancy was issued in May 1992, and 100% occupancy was achieved by July 1993.

Another NYCHP project consisted of 14 two-story, semi-attached two-family homes on parts of two blocks in Queens. This project was designed to use local companies and provide on-the-job training. The NYCHP held title to the project sites to facilitate builder substitution in case of default. The City provided the land at $1,000 per house and another $20,000 per house. The State provided $40,000 per house in Affordable Housing Corporation funds. Another $5,000 per house came from federal UDAG funds. The houses were frame built on-site. A local church helped market the houses. The final cost was $215,000 per house and sold for $150,000 each. A first time homebuyer earning $28,000 annually needed $10,000 to purchase a house. Homebuyers obtained conventional mortgages, and received a 421b real estate tax abatement. Construction started in May 1991, Certificate of Occupancy was issued in December 1991, and 100% occupancy was achieved by May 1992.

Although this kind of financing has done much to enhance affordability for many people, Stone (1993) argues that it does not address long-term affordability. A house can enter the speculative market after repaying a portion of the subsidy—which is free from interest and inflation—so there is very little capital recapture. Stone advocates stronger resale restrictions and direct capital grant financing instead of debt financing. A first step was taken in 1987, when Congress authorized the use of direct capital grants to build public housing, which should keep those units affordable indefinitely. However, the level of construction is still well below what is needed.

Lenders need to originate loans to stay in business, and the Community Reinvestment Act requires lenders to do a certain amount of business within their communities. Therefore, unconventional products, such as two- and three-family housing, can become more important to them. Additionally, lenders need to look at two- and three-family housing as something that is financially supported by two or three sources of income, not one. The advantage of two-or three-family owner-occupied housing is that the housing is more affordable, as the NYCHP demonstrates. The high speculative gain inherent in large multifamily projects

does not exist. Building the housing for affordability may still require government subsidies for construction and financing, but the final cost of the housing is borne by the owners of the properties, with the benefit of the rental income to these owners. Since the owner subsidizes the operating costs, the need for government subsidies is greatly reduced.

The next section describes a design criterion for constructing new two- or three- family housing in single-family neighborhoods, and is based on the principles that permitted their construction and acceptance in neighborhoods a century ago. It is in line with the New Urbanist theories that are making inroads into national housing policy. (USDHUD 1996a)

A DESIGN CRITERION

One of the principles of New Urbanism is that a neighborhood should include a range of housing types and price levels to allow a diverse mix of people, which could strengthen community bonds (USDHUD 1996a). An important and often overlooked aspect in this approach is that a neighborhood include renters as well as owners. It is the thesis of this paper that the best way to achieve this is to incorporate small rental units within single-family neighborhoods. The advantages are that it would: 1) avoid lumping all renters together in apartment complexes, thereby making renters a part of a community and eliminating large pockets of "undesirable" residents; 2) keep families and friends closer together as children leave home into their first apartment, or as empty nesters move to smaller units but wish to remain in the same neighborhood; and 3) provide tangible models to renters for the often-touted upward mobility opportunities upon which this country is founded.

There is a general belief that single-family residential zones are inviolable, and that anything other than the same within these zones will destroy the character of the neighborhood and set it on a downward spiral towards ruin. Before the advent of zoning three-quarters of a century ago, however, land use development generally was mixed. There were some obvious drawbacks, such as pollution from industry encroaching upon houses, but technological and legal advances[1] would probably have eliminated them without the need to separate land uses to such a degree. Unfortunately, zoning arose along with these advances, and since it was less costly and politically amenable to implement, zoning became the end of, instead of just a means to, development. (Kunstler 1994)

Infill development is unlike large tract development because it must take into account the surroundings, and whether the surrounding area is uniform or diverse in styles. (Smart 1985, 22) There are three design approaches used to build new housing units in older neighborhoods. The first is *replicated design*, which seeks to reproduce the existing styles. This technique offers the highest acceptance of an infill project.

[1] E.g., improved waste treatment, improved transportation, environmental laws.

However, this approach neglects the incremental way in which urban areas grow and change, thus demeaning the value of the past and present architecture. The second approach is *continuity in design*, which respects the old in the way of scale, design elements, and materials, but also matches contemporary forms and functions. The third is *contrasting design*, which seeks to juxtapose with the existing designs. This works best with public, ceremonial, or symbolic buildings. (Smart 1985, 16-18)

Residential neighborhood groups generally want replica buildings, but most reviewing bodies (which may be a historical preservation society) are open to any style, provided the building maintains and enhances a historical district. (Smart 1985, 21) What is equally important in the design of two- or three-family houses is the context in which the structure will exist and function.

The design of a house impacts two groups of people: those who experience it from the outside, or the neighbors and passersby; and those who experience it from the inside, or the residents. Ideally, the design will be able to address the concerns and needs of both sets simultaneously. This study has proposed constructing two- or three-family houses within single-family neighborhoods, so there are certain expectations from both groups.

The first group, the "outsiders," live in a single-family neighborhood and generally want it that way. It has a low- to medium-density character with nothing particularly tall or bulky-looking and plenty of greenery. They will want the house to fit the neighborhood, to look and feel like a single-family house, and not an apartment building.

The second group, the "insiders," also desire the character of a single-family neighborhood. They do not want the closeness of row houses or the abundance of concrete. They will want the house to feel like a single-family house as much as possible, with plenty of air and sunshine, and a private yard. It should look like an apartment as little as possible.

Architecturally, either an up/down structure or a side-by-side structure can be designed to appear as a single-family house from the outside. However, the only way a two- or three-family house can feel similar to a single-family house from the inside is if the apartments are stacked. As has been pointed out by Tucci

(1978), it is the only form that will allow light and air to enter from all sides. By contrast, a side-by-side duplex has one common wall, and a side-by-side triplex has one apartment with only two exposed walls. This at first does not seem to be much of a loss, but it does have significant drawbacks.

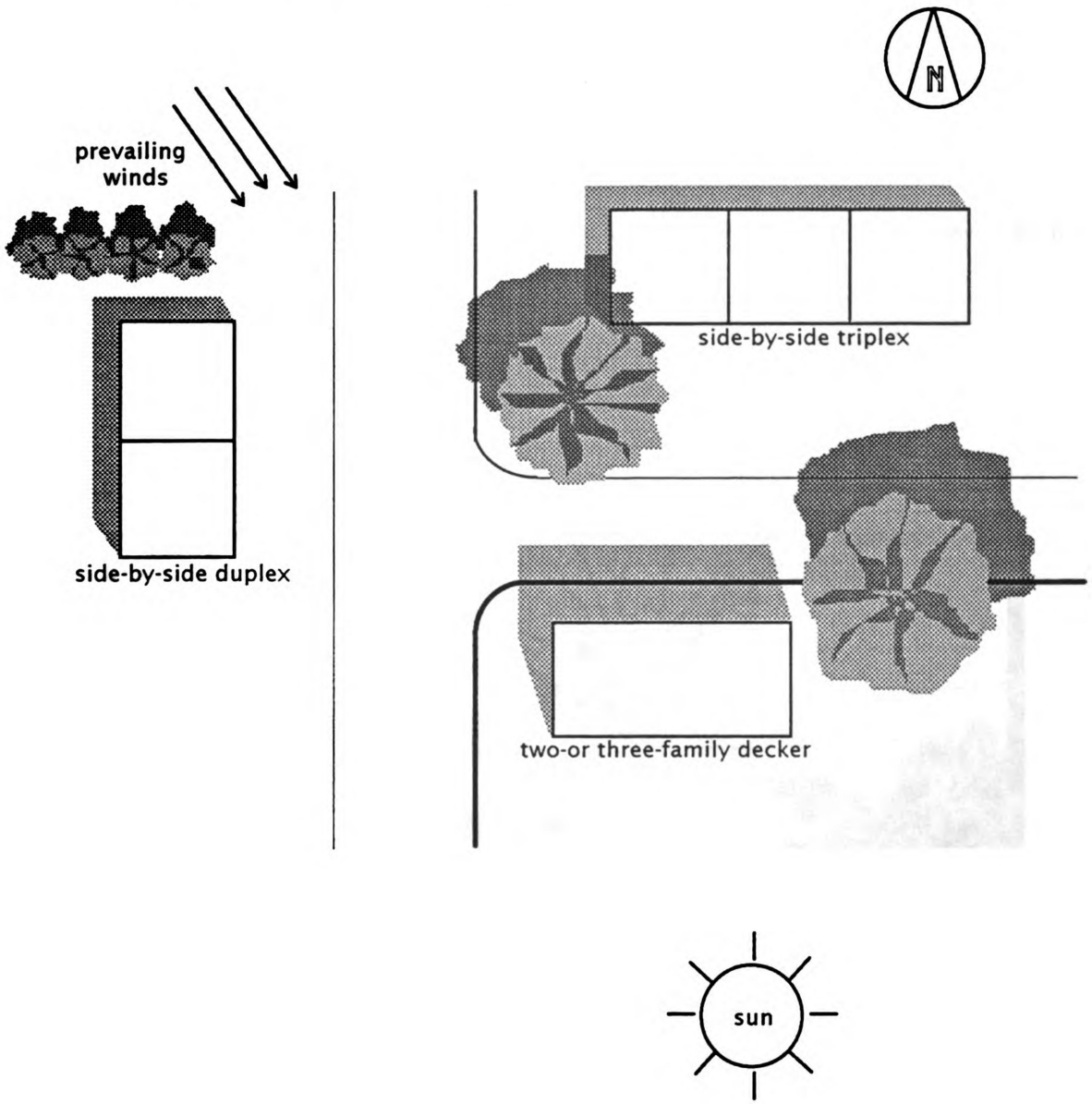
A house is sensitive to its climate in terms of prevailing winds and the rising, setting, and angle of the sun. With four exposed walls, a house will suffer or benefit from the elements regardless of its position on a site. When one apartment is stacked atop another, both have the same exposure to the elements. If the apartments are side-by-side, however, they will have different exposures to the elements, and in many cases one apartment will bear the brunt of the weather while the other benefits from its position.

For example, suppose a side-by-side is situated on a street running north/south so that its entrances are facing the street. One apartment will be exposed to the hot summer sun, and the other will be exposed to the cold winter winds. Proper landscaping can help alleviate this problem, but trees take a long time to reach mature height to serve as wind breaks or shade providers, and do not always act in the way they are intended. If the same house is situated on an east/west street, one apartment may invariably enjoy better summer breezes, or get only the afternoon sun while the other gets only the morning sun. For these reasons, it is to the benefit of the occupants and the neighbors that a two-or three-family house be an up/down design rather than a side-by-side design. The diagram (Figure 5) on the following page depicts these aspects.

A more practical reason to use the decker style, particularly for infill development, is that the structure can fit on a smaller lot, because the short side of the house typically faces the street. For example, a house that is twenty-four feet wide by forty feet long can fit on a lot that is forty-four feet wide by ninety feet deep. This includes a fifteen-foot front setback, ten-foot side setbacks, and a backyard that is thirty-five feet deep by forty-four feet wide. Variances could permit smaller setbacks if necessary.[2]

[2] The standard lot at the turn of the 20th century was 25' by 100'. With a decker house typically being 22' wide, this left no setback on one side and a 3' alley on the other side. Farther out from the central city, an owner often had a "double" lot—the house sat on one lot, and the other lot was a 25' wide side yard. Planners today have drawn on this arrangement to create what is commonly called "zero-lot-line" zoning, which makes more useable space available on a smaller lot.

Figure 5: Effect of Elements on Siting of Structure



In sum, there are several guidelines for planning and designing infill development, as outlined by Smart (1985, 25). First, it is important to understand the physical, social, economic, and regulatory contexts of the site. Second, infill should be sensitive to its surroundings and local residents' concerns. Third, contrasting design is justified if it enhances the neighborhood. Fourth, the best design results from well-

defined objectives, not from stipulated standards. Fifth, higher density is acceptable if it is unobtrusive and of superior quality. Sixth, an understanding of the targeted market helps assure that the design meets the need. Finally, the design should enhance the neighborhood while establishing its own identity.

The following pictorial shows examples of two-family decker structures. The earliest house was probably built around 1890, and the most recent house was completed in 1995. All houses were originally built as two-family structures. Although some houses are obviously two-family houses, many of them can easily be mistaken for single-family houses.

Montclair, New Jersey. This house was built around 1890. Except for the enclosure of the rear porches, it has remained relatively unchanged (notice the front bay window still has original lead panes).

Clifton, New Jersey. This house, probably built around 1910, is representative of the "two-family suite." The third floor most likely housed servants, and today may act as a third apartment.

Montclair, New Jersey. Though this house, built around 1915, looks like a single-family structure, it is a two-family house. The attic has two-foot high exterior walls to allow more usable space, probably for servants, yet does not appear like a full third floor from the outside.

Clifton, New Jersey. This is the classic decker two-family house, built in the 1920's. This one still has its front porch intact, unlike the two-family on the left, which had its porch removed, or the one on the right, which had its porch enclosed. Notice the house has a full attic, a common feature of these structures. Often, the owner will occupy the second floor and expand living space into the attic, or finish it and rent it.

Montclair, New Jersey. These two-family houses were built in the 1930s, and resemble a typical colonial house.

Paterson, New Jersey. From the late 1930s-early 1940s, this two-family house also resembles a colonial typical of the times.

Clifton, New Jersey. Built in the 1950s, this two-family appears to be a cape that had its front and rear dormered to add a second living unit, but it was originally built as a two-family house. Notice how there is no attic, only a crawl space. This is typical of most houses built after W.W.II.

Clifton, New Jersey. This odd two-family house was probably built in the late 1960s. Notice how the front porches are accessible only from within the units, which negates the purpose of the semi-private space of the front porch—that of allowing informal social interaction with neighbors. The side door on the right enters into a hallway with stairs that go to the basement as well as both floors.

Clifton, New Jersey. Also built in the late 1960s, this two-family house makes use of space under the house for garages. There is a door just to the left of the garage, which leads to a basement space, or potentially a third apartment. Notice how the landscaping is brought up to the first floor level, and contrast that with the next house.

Clifton, New Jersey. This house, completed in 1995, is nearly identical to the one above. Notice how the basement level is above grade, thus requiring climbing a flight of stairs to enter the main living space. Also notice how contemporary structures do away with semi-private space in the front of the house.

As the photographs reveal, two-family houses can be built in a wide variety of styles that can blend in with any kind of neighborhood. The next section examines rental housing demand in the city of Lansing, Michigan. Lansing is presumably not a unique city in terms of its demographic characteristics. Thus, many of the conclusions can be applicable to other similar cities.

LANSING, MICHIGAN: A MARKET FORECAST FOR 2 AND 3 FAMILY HOUSING

The demand for two- and three-family housing is most likely a factor of the number of renters in an area that can fill vacancies, rather than the number of potential buyers, because the property will be bought if it can generate an income. Therefore, this section will examine the factors that affect the demand for rental housing in Lansing, Michigan, and will make a general forecast for rental housing in Lansing for the year 2000. Among the factors to be examined are changes in local, regional, and state populations, employment trends, income trends, housing characteristics, financing availability, and a study that sheds light on likely renters. Lansing was chosen because it is an older city that is currently experiencing redevelopment. It has a high rental population because: 1) it is the State Capital (potentially higher levels of temporary employment); 2) it is the central city of a metropolitan area; and 3) it has a high student population.[1]

Table 18: Population, Michigan, Ingham County, and Lansing

	1980	1990	rate	2000 E	2000 L	2000 M
Michigan	9,262,078	9,295,297	0.36%	9,328,635	9,328,516	9,786,700
Ingham	275,520	281,912	2.32%	288,452	288,304	280,100
Lansing	130,414	127,321	-2.37%	124,301	124,228	
Lansing projection, ratio share using Michigan				127,778	127,776	134,052
Lansing projection, ratio share using Ingham County				130,275	130,208	126,503
Lansing projection for 2000:	128,140		rate: 0.64%			

Source: U.S. Bureau of the Census, and Michigan Dept. of Management and Budget

Notes: 2000 E is an exponential projection.
2000 L is a linear projection.
2000 M is a projection from the Michigan Department of Management and Budget.

Table 18 shows the population trends for Michigan, Ingham County, and Lansing. The overall growth rate for Michigan from 1980 to 1990 was 0.36%. This is in contrast to Ingham County, which grew 2.32% over the same period, and the City of Lansing, which fell by 2.37% over the same period. These kinds of changes make estimating the future population tricky at best. The solution used was to average the

[1] Lansing Community College, Cooley Law School, and Davenport College are located in Lansing, and Michigan State University is in East Lansing.

results of many projections, which are the results of ratio shares, linear projections, exponential projections, and Census projections. The result is a slow population growth for Lansing of 0.64% between 1990 and 2000, growing from 127,321 to 128,140. This is in line with the figure estimated by the Tri-County Regional Planning Commission's[2] estimate for 1994 of 127,812, a growth of 0.39%. The state growth is projected to be 5.3% and the county growth is projected to be -0.64%, both figures of which were determined by the Michigan Dept. of Management and Budget.[3]

Table 19: Population Cohorts, Michigan and Lansing, 1980-2000

MICHIGAN	total	under 5	5 to 24	25 to 44	45 to 54	55 to 64	65 +	75 +
1980	9,262,078	684,234	3,323,799	2,545,931	932,692	864,035	911,387	352,962
1990	9,295,297	702,554	2,760,738	2,980,702	948,119	794,723	1,108,461	452,623
2000	9,786,700	739,695	2,906,687	3,138,279	998,242	836,737	1,167,061	476,551
LANSING	**total**	**under 5**	**5 to 24**	**25 to 44**	**45 to 54**	**55 to 64**	**65 +**	**75 +**
1980	130,414	11,217	47,845	39,305	10,726	9,911	11,410	4,839
1990	127,321	11,702	38,863	45,521	10,437	8,627	12,171	5,083
2000	128,140	11,777	39,113	45,814	10,504	8,682	12,249	5,116

Source: U.S. Bureau of the Census

This slow growth is not distributed evenly among the age cohorts, shown in Table 19. The under 5 cohort has grown by 4.3%. There was a 5-7% growth in the 65 + and 75 + cohorts, which will have a positive impact on rental housing as this group seeks to move to more manageable dwellings in size and maintenance effort. This may take the form of special needs housing as is often the case, or it can take the form of two- or three-family housing as extended family care situations. The 45-54 cohort declined 2.7% and the 55-64 cohort declined 13.0%. Both of these cohorts represent the move-up buyers, the first group more so than the second group. Their decline means less of a demand for new single-family trade-ups. The largest changes occurred in the childhood through young adult cohorts.

[2] Clinton, Eaton, and Ingham Counties, Michigan

[3] A straight split between those projections would give Lansing a growth of 2.3%, for a year 2000 population of 130,278. The smaller average was used because it is unlikely, given the history of cities in the U.S., that Lansing itself will attract that many people.

The 25-44 cohort grew 15.8% between 1980 and 1990. The upper half of this cohort is in the "baby boomer" group. They will exert demand for new single-family homes. The younger half of this cohort is in a highly unsettled job market, which means they will probably change jobs often. This younger group may demand rental housing because of the need to be able to move frequently.

The biggest change is the decline of 18.8 % in the 5 to 24 cohort. The impact of this loss will be felt for many years because of the loss of potential consumers, particularly in the homebuying market, and the subsequent loss of new births. This is not to say that as this age group forms families that they will be small, but that the overall number will be small.

Table 20: Households (HH), Michigan and Lansing, 1980-2000

MICHIGAN	1980	1990	rate	2000 E	2000 L
Persons in HH	9,064,292	9,083,605	0.21%	9,102,959	9,102,918
Total HH	3,199,830	3,419,331	6.86%	3,653,889	3,638,832
Family HH	2,404,910	2,439,171	1.42%	2,473,920	2,473,432
Non-family HH	794,920	980,160	23.30%	1,208,566	1,165,400
Female-head HH	361,581	433,466	19.88%	519,643	505,351
HH living alone	671,838	809,449	20.48%	975,247	947,060
Persons per HH	2.83	2.66	-6.01%	2.49	2.50
LANSING	**1980**	**1990**	**rate**	**2000 E**	**2000 L**
Persons in HH	128,742	126,428	-1.80%	124,156	124,114
Total HH	49,516	50,635	2.26%	51,779	51,754
Family HH	32,339	31,428	-2.82%	30,543	30,517
Non-family HH	17,177	19,207	11.82%	21,477	21,237
Female-head HH	6,833	8,281	21.19%	10,036	9,729
HH living alone	12,970	14,740	13.65%	16,752	16,510
Persons per HH	2.60	2.50	-3.85%	2.40	2.40

Source: U.S. Bureau of the Census
Notes: 2000 E is an exponential projection
2000 L is a linear projection

Related to population change is household formation, shown in Table 20. Lansing has followed the state and national trends toward more, smaller households. A number of factors points toward an increased demand for rental housing. First, even though population in Lansing declined, the number of total households grew 2.3%, from 49,516 to 50,635 between 1980 and 1990. Second, the number of persons per household declined from 2.6 to 2.5. This trend indicates a need for more housing, with a good proportion of it being rental housing. The makeup of those households is even more illuminating.

Family households declined by 2.8%, and non-family households grew by 11.8%. Additionally, households headed by females with no husband present increased by 21.2%, and households of persons living alone increased by 13.6%. This enormous increase in "non-traditional" family types, particularly the latter two, will exert more demand for rental housing because of the lower buying power of the first group and the lesser need for large space by the latter group.

Table 21: Income, Michigan and Lansing, 1989

	Michigan	Lansing
Per capita income	$ 14,154	$ 12,232
Median household income	$ 31,020	$ 26,398
Median family income	$ 36,652	$ 31,576
Median non-family household income	$ 16,690	$ 18,619

Source: U.S. Bureau of the Census

Income is a significant determinant of housing choice for people. Without sufficient income, people cannot afford to purchase homes. As shown in Table 21, Lansing has lagged behind the state in income per capita and income per household. This is not particularly unusual; Lansing is a central city, and people with higher paying jobs tend to buy homes in the suburbs (where the majority of people live in this country). Non-family households earn considerably less than family households. The non-family household group is growing the fastest and will exert demand for more rental housing. These income trends are a good indicator of the need for more rental housing and less ownership housing, and the housing statistics (see Table 27 and Table A18 in the appendix) show that the ownership rate in Lansing is lower than the county and the state.

Table 22: Families Below Poverty, Percent

	1980	1990
Michigan	8.2	10.2
Ingham County	8.4	11.0
Lansing	10.3	16.5

Source: U.S. Census Bureau, County and City Databook

A related factor is the poverty rate , shown in Table 22. In general, the poverty rate has been increasing at the local and state levels. Of significance is that Lansing's poverty rate in 1990 was 16.5, which

is 61.8% higher than the state's rate of 10.2. Though it is unfortunate that poverty is increasing, the trend indicates a need for more rental housing.

Table 23: Employment Trends, Michigan and Ingham County

Industry	State of Michigan 1987	1990	1994	Ingham County 1987	1990	1994	LQ 1990	LQ 1994
mining	10,000	9,000	9,000	386	251	140	0.678	0.380
construction	123,000	142,000	143,000	3,920	4,310	3,961	0.738	0.676
manufacturing	973,000	940,000	952,000	29,870	26,345	24,677	0.681	0.633
trans., commun., pub. util.	152,000	158,000	163,000	7,096	6,269	4,043	0.964	0.605
wholesale trade	186,000	202,000	206,000	5,541	6,683	6,413	0.804	0.760
retail trade	674,000	748,000	765,000	24,809	26,040	28,867	0.846	0.921
finance, insur., real estate	180,000	191,000	197,000	7,619	7,977	11,212	1.015	1.389
services	826,000	942,000	1,075,000	30,835	34,118	42,581	0.880	0.967
government, total	611,000	633,000	639,000	48,302	51,139	48,077	1.964	1.837
federal	60,000	61,000	57,000	2,906	3,059	2,742	1.219	1.174
state and local	551,000	572,000	582,000	45,396	48,080	* 45,335	2.043	1.901
TOTAL	3,735,000	3,965,000	4,149,000	158,378	163,132	169,971	1.000	1.000

Source: Michigan Employment Security Commission, and U.S. Bureau of the Census
Notes: Three years are given to show that an industry's growth is not linear.
* figure is from 1993.

Table 23 shows the employment trends for Michigan and Ingham County. Ingham County (Lansing MSA) has seen a steady decline in manufacturing jobs, whereas the state has fluctuated but held reasonably steady. Manufacturing jobs, which have been the traditional bread and butter jobs, have experienced a 58% loss of union membership, indicating a loss of buying power for this sector.[4] There has been fairly steady growth in the wholesale and retail trade industries, and Ingham County has captured a reasonable share of the growth, more so in retail than in wholesale. The greater proportion of retail jobs are most likely low-paying jobs. Michigan has seen a steady growth in transportation, communication, and public utilities. Ingham County, however, has seen a steady decline in these industries, which tend to be higher-paying jobs. The majority of jobs in the private industries are in services. Ingham County has experienced solid growth, capturing more than its share in the 1990s. However, many of these jobs tend to be at the lower end of the pay-scale.

[4] Private sector union membership in Michigan has decreased from 997,000 in 1979 to 631,502 in 1994 (Michigan Employment Security Commission).

Recent actions by three major employers will have an impact on the housing market in Lansing. First, General Motors' purchase of the Renaissance Center in Detroit will result in the relocation of most of its white collar employment out of Lansing. Second, a large portion of state employees have accepted the state's early retirement offer, and only one in four of the positions will be filled.[5] These two actions can depress employment and lower the median income for the area. This could reduce the demand for single-family housing, and increase the demand for other housing options. The two- or three-family house could fill some of these housing needs.

The third action is Sparrow Hospital's major expansion of its facility near downtown and their recent purchase of St. Lawrence Hospital. The first will increase service sector employment, whereas the latter may reduce employment because of reduced administration. If there is an absolute increase of employment, what kind of jobs will be created? The downtown expansion is for physician suites, which would increase doctors and staff—high income and low income jobs. Further, Sparrow has expressed interest in revitalizing and stabilizing the surrounding neighborhoods by encouraging homeownership. These combined actions present an opportunity for two- or three-family housing to be built.

Being the capital city, Lansing has a high proportion of government jobs. With all the supposed federal cutbacks and deregulation, it is reasonable to assume that state and local government will pick up the slack, thus creating more state and local jobs. The data, however, does not indicate that this is occurring. Instead, it appears that the same rates of growth are occurring (and declining, as just pointed out), except that federal jobs have leveled off. Nonetheless, government employment remains a large sector of Ingham County's economy. Public sector membership in unions remains strong at 56.0% of all public workers (Michigan Employment Security Commission 1996), so there is strong purchasing power among many government employees. However, many government employment jobs are as permanent as the elected officials they serve, so this temporary nature may exert a demand for rental housing.

[5] This is state-wide. How many specific jobs in the Lansing metropolitan area will be lost is not known.

Table 24 shows the employment projections for Michigan and Ingham County. Ingham County is projected to lose its share of employment in all industries except F.I.R.E., services, and government. It is important to note, however, that these are based on simple projections, with no other factors considered. Recent downtown redevelopment in Lansing may prove these numbers wrong.

Table 24: Employment Projections, Michigan and Ingham County

Industry	State of Michigan 2000	2005	Ingham County 2000 L	2000 E	LQ 2000 L	LQ 2000 E
mining	8,000	8,700	(106)	78	-0.33	0.23
construction	163,000	151,100	4,002	3,640	0.62	0.61
manufacturing	931,000	939,200	19,484	23,115	0.53	0.62
trans., commun., pub. util.	174,000	161,900	990	2,607	0.14	0.41
wholesale trade	226,000	226,500	7,285	6,154	0.81	0.69
retail trade	856,000	858,600	32,925	32,001	0.97	0.94
finance, insur., real estate	214,000	219,900	14,805	15,759	1.74	1.81
services	1,324,000	1,344,200	54,327	53,143	1.03	1.00
government, total	667,000	683,500	47,852	45,198	1.80	1.67
federal	54,000	57,700	2,578	2,458	1.20	1.08
state and local	613,000	625,800	45,274	42,747	1.86	1.73
TOTAL	4,563,000	4,593,600	181,564	181,696	1.00	1.00

Source: Michigan Employment Security Commission.
Notes: Michigan 2000 is a linear projection from 1987 and 1994.
Michigan 2005 is a projection from the Michigan Employment Security Commission.
Ingham County 2000 L is a linear projection from 1987 to 1994.
Ingham County 2000 E is an exponential projection from 1990 to 1994.

Another indicator is the unemployment rate, shown in Table 25. Lansing's unemployment rate has tended to be close to the state unemployment rate. Recent trends have been towards a lower unemployment rate, with an all-time low being reached this past Winter of 1996-1997. The question is whether or not those jobs have been quality jobs. As Table 23 has shown, most of those jobs have been in services.

Table 25: Unemployment Rate, Michigan and Lansing

	1986	1990	1991	1996
Michigan	8.8	8.2	9.2	5.7
Lansing	8.7	8.4	8.2	3.9

Source: Bureau of the Census, County and City Databook

A final employment factor is the commuting pattern of workers, shown in Table 26. In 1990, 112,331 workers in Ingham County lived and worked in the same county. There were 20,502 people who lived in Ingham County but commuted to a different county to work, and there were 56,428 people who lived in other counties and commuted into Ingham County to work. The result is a net in-commuting of 35,926 workers. This can be viewed as 35,926 potential residents who would need housing.

Table 26: Ingham County Commuting Patterns, 1990

lives & works in same county	112,331
commutes TO different county to work	20,502
commutes FROM different county of residence	56,428
NET in-commuting	35,926

Source: Michigan Employment Security Commission

The *ULI 1996 Real Estate Forecast* (ULI 1996) predicts that capital will remain readily available. Acquisition and refinancing capital availability will continue to be higher than speculative capital availability, but the rate of growth for speculative financing will be positive, whereas acquisition and refinancing will decline. This potentially means more capital available for rental housing, which is entirely speculative development. Lansing is well served by all the major financial institutions in Michigan, including Old Kent, NBD, Comerica, and Michigan National Bank. It should be noted that the F.I.R.E. industries have grown by 40.6% through the early 1990s in Ingham County, capturing a large share of the state growth.

According to the ULI (1996), the demand for rental housing is expected to be strong, with particular demand being placed by life-style renters. This is because of job insecurity and low appreciation in single-family homes, which makes homebuying a risky short-term investment. The deciding factor is whether the building industry can deliver the product that consumers want. A factor that could make the supply of rental housing grow is the potential sunsetting of the Low Income Housing Tax Credit. Although it is not known whether or not this will occur in 1997, the threat of it happening may motivate builders to build some low-income rental units.

Table 27: Housing Units (HU), Lansing, 1980-2000

	1980	1990	rate	2000 E	2000 L	units E	units L
Total housing units (HU)	51,948	53,919	3.79%	55,965	55,890	2,046	1,971
Occupied HU	49,516	50,635	2.26%	51,779	51,754	1,144	1,119
Total vacancy rate, %	4.68	6.09					
Owner-occupied HU	28,361	27,737	-2.20%	27,127	27,113	(610)	(624)
% owner-occupied	57.3	54.8	-4.36%	52.4	52.4		
homeowner vacancy rate	1.20	1.50					
persons per HU	2.50	2.64					
Renter-occupied HU	21,155	22,898	8.24%	24,785	24,641	1,887	1,743
% renter-occupied	42.7	45.2	5.85%	47.9	47.6		
rental vacancy rate	6.30	6.80					
persons per HU	1.93	2.33					

Source: U.S. Bureau of the Census, County and City Databook

Notes: 2000 E is an exponential projection
2000 L is a linear projection
units E are the units needed based on the exponential projection
units L are the units needed based on the linear projection

As has been noted earlier, the population of Lansing decreased, yet the number of households increased (see Table 20). In 1980, there were 51,948 housing units, of which 49,516 were occupied. In 1990, there were 53,919 housing units (3.8% increase), of which 50,635 were occupied. Of greater significance is that the ownership rate declined 4.4%, from 57.3% in 1980 to 54.8% in 1990, shown in Table 27. The rental rate increased by 5.8%, from 42.7% to 45.2%. When these numbers are projected out, approximately 1,800 new rental units will be needed by the year 2000, whereas about 615 owner units will become vacant or converted to rental housing.

Using another projection technique widely used in the development industry and based on households (Miles 1996, 336), approximately 4,564 new rental housing units will be needed by the year 2000, and there will be an oversupply of approximately 4,568 owner-occupied units, as shown in Table 28 on the following page. It appears that just by projecting the numbers, there will be a demand for rental housing in Lansing, and a lack of demand for ownership housing. Given these numbers, which even if exaggerated still indicate this trend, why then does the city not allow, or entice, builders to supply the necessary housing?

Table 28: Housing Projection, Lansing

		total	owner	renter
1980 population		130,414	74,727	55,687
1990 population		127,321	69,772	57,549
2000 population		128,140	67,145	60,995
household size (1990)		2.50	2.64	2.33
est. required housing		51,256	25,434	26,178
vacancy rate, %		6.1	1.5	6.8
est. vacant units	+	3,127	382	1,780
total est. required housing	=	54,383	25,815	27,958
1990 # of units existing		53,919	30,896	23,023
units permitted (2 × sum of '90-'94)	+	868	497	371
total existing	=	54,787	31,393	23,394
housing required (difference of totals)		**(404)**	**(5,578)**	**4,564**
per year requirement (÷ 10)		-40	-558	456
1990 population		127,321	69,772	57,549
household size		2.50	2.64	2.33
est. 1990 housing requirement		50,928	26,429	24,699
vacancy rate, %		6.1	1.5	6.8
est. vacant units	+	3,107	396	1,680
est. current housing requirement	=	54,035	26,825	26,379
stock, existing & permitted	–	54,787	31,393	23,394
existing supply (oversupply)	=	(752)	(4,568)	2,985
est. time to deplete existing stock		18.60	8.19	6.54

Source: U.S. Bureau of the Census, and Miles, Haney, and Berens, *Real Estate Development Principles and Process.*

The following tables (Table 29 and Table 30, next page) show data for building permits issued and the number of units existing as of 1990. Lansing has tended to issue single-family unit permits and higher-density multi-family structures (Table 29), though of late the trend has been to favor single-family units by nearly 2 to 1 over all other types.[6]

Table 30 shows that most owners live in single-family homes. The trend in ownership in Lansing has been to decrease in number. It is therefore apparent, given that the city is issuing many more single-family housing construction permits than the projections indicate are needed, that the City of Lansing is highly optimistic about increasing homeownership.

[6] Between 1990 and 1994, 279 single-family units—compared to 155 multi-family units—were permitted.

Table 29: Building Permit Authorizations, Lansing and Ingham County, 1978-1994

Year	Total		1 unit		2 units		3 to 4 units		5 or more units	
1978	380	3,455	198	2,013	26	138	8	130	148	1,174
1979	864	3,986	389	2,237	24	122	4	190	447	1,437
1980	497	2,200	230	1,292	34	76	0	92	233	734
1981	633	1,671	65	725	24	58	44	154	500	734
1982	185	772	73	480	8	18	4	18	100	256
1983	247	1,212	114	940	2	12	16	60	115	200
1984	215	1,452	99	910	32	64	12	104	72	374
1985	288	1,697	68	967	20	48	12	66	188	616
1986	387	2,536	47	1,325	6	50	21	91	313	1,070
1987	358	2,236	37	1,488	4	34	0	40	317	674
1988	317	2,057	59	1,427	2	26	8	37	248	567
1989	122	2,215	98	1,425	4	32	0	13	20	745
1990	97	1,634	78	1,324	10	48	4	23	5	239
1991	97	1,839	55	1,424	4	24	4	15	34	376
1992	47	1,580	34	1,368	4	36	4	15	5	161
1993	125	1,853	46	1,416	2	16	0	10	77	411
1994	68	1,926	66	1,556	2	32	0	20	0	318

Source: U.S. Bureau of the Census, Current Construction Reports
Note: First column of each group is Lansing; second column is Ingham County.

Table 30: Units in Structure, Lansing 1990

Units in Structure	Total	%	Owner Occupied		Renter Occupied		Vacant	
1, detached	32,716	60.7%	25,715	78.6%	5,703	17.4%	1,298	4.0%
1, attached	3,082	5.7%	496	16.1%	2,384	77.4%	202	6.6%
2	3,467	6.4%	463	13.4%	2,540	73.3%	464	13.4%
3 or 4	2,376	4.4%	141	5.9%	1,980	83.3%	255	10.7%
5 to 9	2,317	4.3%	60	2.6%	2,019	87.1%	238	10.3%
10 to 19	3,659	6.8%	74	2.0%	3,281	89.7%	304	8.3%
20 to 49	2,817	5.2%	8	0.3%	2,454	87.1%	355	12.6%
50 or more	1,934	3.6%	-	0.0%	1,845	95.4%	89	4.6%
mobile home or trailer	879	1.6%	607	69.1%	220	25.0%	52	5.9%
other	672	1.2%	173	25.7%	472	70.2%	27	4.0%

Source: U.S. Bureau of the Census

What happens when other factors are considered? Varady and Lipman[7] (1994) defined three of six "clusters" of renters who are good candidates for rental housing: the lifestyle renters, college graduates just

[7] See the section, "Why Rental Housing Is Needed," for a detailed discussion of their survey.

starting out, and elderly life cycle renters. Renting appeals to the very young and the very old. Homeownership rates rise with age and dip after age 75. The average age of first-time homebuyers is rising, and the proportion of the age 40-44 cohort who remain renters is increasing. Falling homeownership rates reflect economic influences, family dissolutions, lifestyle preferences, and other factors. (Varady and Lipman 1994) Lansing's trends in demographics and employment fall in line with the assessment of Varady and Lipman. In particular, Lansing supports a huge college student population, and also has a growing elderly population.

The redevelopment of Lansing's downtown was barely underway when the projections used for portions of this study were done. It is a factor that will affect the rate of population growth, the employment, and the housing market of Lansing, and will probably create more demand for housing, with a good percentage of it being rental. The ULI forecast has projected a stronger climate for rental housing than for ownership housing. However, the ULI feels that rental housing is on a down-cycle because high levels of new construction in 1995 have reduced demand in 1996 (ULI 1996).

In sum, Lansing will have a greater need for rental housing through the year 2000. The unfortunate reality, however, is that the city appears to be using what little land it has for single-family development. For example, a study of Lansing's Renaissance Zones indicates a desire for low-density single-family housing in place of dilapidated, two-family housing.
(UP-494-CPP 1997) It has been the purpose of this study to demonstrate that a better solution would be to allow the construction of two- or three-family housing instead of single-family housing or large multi-family structures. This analysis has shown that Lansing possesses the conditions conducive to the construction of two- and three-family housing, which would allow ownership and rental housing simultaneously.

CONCLUSION

This paper began with the idea that it is feasible and desirable to construct two- and three-family housing within single-family neighborhoods. It presented evidence indicating why housing choices need to be expanded, the benefits of two- and three-family housing, the concerns people have about rental housing and neighborhood change, techniques to allow the construction of two-and three-family housing within single-family neighborhoods, the potential market for this housing, the financing mechanisms available for this kind of housing, what design criteria this housing should take, and finally, a rental housing forecast of Lansing, Michigan to determine a potential market for this kind of housing.

Two- and three-family housing adequately served the needs of the middle class prior to the Great Depression and W.W.II, after which the federal government massively subsidized the proliferation of the single-family house. Two- and three-family houses are still being built, but not nearly at the rates necessary to reduce housing affordability problems. Most smaller-unit structures were built in the first half of this century, while most large-unit structures were built in the latter half of this century. Even without rigorous analysis, this loss of smaller-unit properties, in which owners and renters live among each other, can be correlated to the general increase in societal problems.

Tenants in smaller-unit structures tend to pay less and are more stable, in terms of moving less frequently. This may be due to the greater social similarity between tenant and landlord, which creates more trust, resulting in fewer leases. This may be why smaller-unit structures have less crime and a lower percentage of rent delinquent tenants than larger-unit structures, and why owners of smaller-unit structures go to court much less frequently than larger-unit owners. They work out their problems before problems escalate.

Much of this can be explained because owners of small-unit structures more frequently occupy their properties as residences. Owners of small-unit structures tend to rely more on personal interviews when screening tenants than do large-unit structures. They want to ensure a compatibility because they must live

together. The owner of a large-unit structure is really just filling a vacancy, and as long as the rent is paid, they are not as concerned with tenant character. This may create lower-quality living environments, because there are no higher standards against which people can judge themselves. Peer pressure does exist for adults, though to a much lesser extent than in past years. Smaller-unit structures have a much greater potential of creating environments in which good social behavior can be enforced, across adult peers and from adults to children.

It may be likely that people in large rental complexes feel that if they miss the rent, or damage something, the owner will not be affected because the owner is wealthy. Consequently, these tenants feel no need for a sense of responsibility. Likewise, tenants in large complexes may feel that they have no control over their environment, so why bother trying to make anything better. Conversely, tenants who do want some control over their environment, or want some responsibility, may choose smaller rental properties, such as two- and three-family houses.

It is time to reconsider housing as more than just a roof, but as part of a larger social environment, and explore ways in which these better environments can exist. The analysis of the POMS demonstrates that there can be advantages to creating more small-unit structures, beyond the physical amenities that are often equated with large-unit complexes. These advantages address the social needs of people, which for too long have been addressed with more money spent in the wrong manner.

Was the U.S. Supreme Court justified in allowing exclusive single-family zones? They based their decision on the benefits to the public health, safety, and welfare. But if this were absolutely true, then why did the Court allow higher density housing at all, in any zone? Why were those citizens in single-family homes given such preferential treatment? What made them so special that they needed a more healthy environment than others who could not afford to live in such housing? Surely, all citizens are entitled to the same protection of the law, and zoning is an aspect of law that is meant to protect certain values.

The key is that those citizens were property owners. As has been pointed out, zoning was created mainly to protect property values. The citizens themselves were only a secondary concern. It is this notion

of private property being more important than the citizens of the community itself that permitted such a beast to be created. In this country, shelter—a basic human need—has always been tied to property, and, unlike food, has never been an entitlement. If one can own property, one can have shelter. If one cannot own property, then one can rent shelter from someone who does own property. If one cannot rent shelter, then that person hopefully will have generous friends or relatives, or be one of the lucky few to receive federal aid.[1]

The Advisory Commission on Regulatory Barriers to Affordable Housing (USDHUDAC 1991) has made several recommendations that can aid in the construction of two- or three-family housing within single-family neighborhoods. First, HUD and the federal financial regulatory agencies should allow the secondary markets to expand into other types of housing products. (6-7) Second, HUD should assume a leadership role and work with federal agencies and private-industry groups, such as the American Bar Association, American Planning Association, National Association of Home Builders, National Governor's Association, League of Cities, and nonprofit groups, to develop consensus-based model building codes, a new model State zoning enabling act (containing a fair-share component), model impact fee standards, and a model land-development and subdivision ordinance. (6-13) Third, recognizing that two- and three-family housing was a great source of affordable housing at the beginning of this century, the Commission recommends that States require localities to permit, as of right, two- and three-family construction, and to allocate land for such use. (7-13)

Similar recommendations were set forth in *The National Homeownership Strategy* (USDHUD 1995). That report further recommended the promotion of mixed-income neighborhoods, the redevelopment of vacant properties, and fully supporting fair housing practices and homeownership counseling.

Another recommendation is to create economic incentives to encourage the construction of two- and three-family housing. Historically, tax policy has been the most effective tool to create demand and investment in certain types of real estate development. One way is by increasing the deduction for small, owner-occupied rental property while decreasing the deduction for single-family homes. Additionally,

[1] The exception to this rule is the prison system, which has become a growth industry in this country, and is the most costly "housing" program in the country. All one has to do to partake of this housing program is to live a dishonest life.

property tax codes can be revised so that property is taxed by the square foot of land or by the street frontage of the lot, both of which would discourage large-lot housing. Currently, the land is taxed minimally while the improvement is taxed heavily. This also discourages maintenance or renovation, and encourages abandonment.

Another recommendation is to socialize people to the denser living styles of two- and three-family housing. Education can change people's attitudes. Advertising has enormous influence over the buying attitudes of the American consumer, and could play an important role in changing people's attitudes about housing types.

A final recommendation is to expand State housing programs into two- and three-family housing. If MSHDA is the rule and not the exception, this kind of housing is being abandoned by the states. Tax exempt mortgage revenue bonds require owner-occupancy of the participants who purchase single-family houses. This needs to be expanded to include two- and three-family housing.

Will the American people ever give up their penchant for single-family houses? Not in any foreseeable future. The best that can be done is to make more options available to those who do not want to live in an apartment building, or cannot afford to live in a single-family house.

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APPENDIX

The following tables detail the data presented in the paper. The POMS tables and figures that were presented were shown in percentage format for ease of comparing property types. Following are the raw numbers that were used to calculate those percentages. The tables were set up on Microsoft Excel 5.0. The percentage numbers to the right of the raw number represents the percentage for that row's total. The percentage numbers below the raw numbers represent the percentage of that column's total.

Also included are two housing tables. The first shows the raw data used to prepare Figure 1 (New Privately Owned Housing Units Completed by Structure) on page 24. The second shows a homeownership rate comparison between Michigan, Ingham County, and Lansing.

All tables are presented in the order in which they appeared or to which a reference was made. Page numbers are given for ease of cross-referencing the data.

Table A1: Year Structure Built

See Table 4, page 14, and Table 5, page 15.

	Total United States	%	TYPE OF MULTI FAMILY PROPERTY											
			2 units	%	3 - 4 units	%	5 - 9 units	%	10-19 units	%	20-49 units	%	50 + units	%
Total United States	20,584,822	100.00	3,084,750	14.99	2,471,070	12.00	1,894,445	9.20	1,467,786	7.13	2,223,786	10.80	9,442,986	45.87
1990 or later	750,351	100.00	81,859	10.91	50,711	6.76	44,233	5.89	52,722	7.03	56,721	7.56	464,105	61.85
%	3.65		2.65		2.05		2.33		3.59		2.55		4.91	
1985 - 1989	2,301,360	100.00	122,502	5.32	113,329	4.92	154,135	6.70	82,089	3.57	195,555	8.50	1,633,750	70.99
%	11.18		3.97		4.59		8.14		5.59		8.79		17.30	
1980 - 1984	1,915,560	100.00	134,754	7.03	131,104	6.84	73,915	3.86	167,836	8.76	244,322	12.75	1,163,629	60.75
%	9.31		4.37		5.31		3.90		11.43		10.99		12.32	
1970 - 1979	5,005,780	100.00	337,820	6.75	297,269	5.94	266,586	5.33	242,758	4.85	500,178	9.99	3,361,169	67.15
%	24.32		10.95		12.03		14.07		16.54		22.49		35.59	
1960 - 1969	3,025,402	100.00	285,904	9.45	248,152	8.20	270,547	8.94	228,115	7.54	381,381	12.61	1,611,303	53.26
%	14.70		9.27		10.04		14.28		15.54		17.15		17.06	
1950 - 1959	1,294,410	100.00	307,845	23.78	214,460	16.57	153,405	11.85	124,232	9.60	135,552	10.47	358,916	27.73
%	6.29		9.98		8.68		8.10		8.46		6.10		3.80	
1940 - 1949	1,094,959	100.00	328,255	29.98	201,392	18.39	146,508	13.38	94,824	8.66	83,557	7.63	240,423	21.96
%	5.32		10.64		8.15		7.73		6.46		3.76		2.55	
1930 - 1939	978,457	100.00	311,678	31.85	233,874	23.90	120,269	12.29	75,307	7.70	133,700	13.66	103,629	10.59
%	4.75		10.10		9.46		6.35		5.13		6.01		1.10	
1920 - 1929	1,266,807	100.00	339,522	26.80	257,005	20.29	160,198	12.65	109,543	8.65	188,143	14.85	212,396	16.77
%	6.15		11.01		10.40		8.46		7.46		8.46		2.25	
1919 or earlier	1,910,132	100.00	593,638	31.08	547,829	28.68	313,228	16.40	178,179	9.33	158,263	8.29	118,995	6.23
%	9.28		19.24		22.17		16.53		12.14		7.12		1.26	
not reported	1,041,605	100.00	240,972	23.13	175,948	16.89	191,419	18.38	112,179	10.77	146,415	14.06	174,672	16.77
%	5.06		7.81		7.12		10.10		7.64		6.58		1.85	

Source: U.S. Bureau of the Census, Property Owners and Managers Survey, Multi Family Properties, Table 8.

Table A2: New Privately Owned Housing Units Completed, 1968-1995

(Unit Numbers in Thousands)

See Figure 1, page 23

YEAR	TOTAL		1 UNIT		2 UNITS		3 - 4 UNITS		5+ UNITS	
1968	1319.8	100%	858.6	65.1%	44.2	3.3%	33.4	2.5%	383.6	29.1%
1969	1399.0	100%	807.5	57.7%	44.0	3.1%	35.4	2.5%	512.1	36.6%
1970	1418.4	100%	801.8	56.5%	42.9	3.0%	42.2	3.0%	531.5	37.5%
1971	1706.1	100%	1014.0	59.4%	50.9	3.0%	55.2	3.2%	586.1	34.4%
1972	2003.9	100%	1160.2	57.9%	54.0	2.7%	64.9	3.2%	724.7	36.2%
1973	2100.5	100%	1197.2	57.0%	59.9	2.9%	63.6	3.0%	779.8	37.1%
1974	1728.5	100%	940.3	54.4%	43.5	2.5%	51.8	3.0%	692.9	40.1%
1975	1317.2	100%	874.8	66.4%	31.5	2.4%	29.1	2.2%	381.8	29.0%
1976	1377.2	100%	1034.2	75.1%	40.8	3.0%	36.5	2.7%	265.8	19.3%
1977	1657.1	100%	1258.4	75.9%	48.9	3.0%	46.1	2.8%	303.7	18.3%
1978	1867.5	100%	1369.0	73.3%	59.0	3.2%	57.2	3.1%	382.2	20.5%
1979	1870.8	100%	1301.0	69.5%	60.5	3.2%	64.4	3.4%	444.9	23.8%
1980	1501.6	100%	956.7	63.7%	51.4	3.4%	67.2	4.5%	426.3	28.4%
1981	1265.7	100%	818.5	64.7%	49.2	3.9%	62.4	4.9%	335.7	26.5%
1982	1005.5	100%	631.5	62.8%	29.8	3.0%	51.1	5.1%	293.1	29.1%
1983	1390.3	100%	923.7	66.4%	37.0	2.7%	55.2	4.0%	374.4	26.9%
1984	1652.2	100%	1025.1	62.0%	35.0	2.1%	77.3	4.7%	514.8	31.2%
1985	1703.3	100%	1072.5	63.0%	36.4	2.1%	60.7	3.6%	533.6	31.3%
1986	1756.4	100%	1120.2	63.8%	35.0	2.0%	51.0	2.9%	550.1	31.3%
1987	1668.8	100%	1122.8	67.3%	29.0	1.7%	42.4	2.5%	474.6	28.4%
1988	1529.8	100%	1084.6	70.9%	23.5	1.5%	33.2	2.2%	388.6	25.4%
1989	1422.8	100%	1026.3	72.1%	24.1	1.7%	34.6	2.4%	337.9	23.7%
1990	1308.0	100%	966.0	73.9%	16.5	1.3%	28.2	2.2%	297.3	22.7%
1991	1090.8	100%	837.6	76.8%	16.9	1.5%	19.7	1.8%	216.6	19.9%
1992	1457.5	100%	963.6	66.1%	15.1	1.0%	20.8	1.4%	158.0	10.8%
1993	1192.7	100%	1039.4	87.1%	9.5	0.8%	16.7	1.4%	127.1	10.7%
1994	1346.9	100%	1160.3	86.1%	12.1	0.9%	19.5	1.4%	154.9	11.5%
1995	1312.6	100%	1065.5	81.2%	14.8	1.1%	19.8	1.5%	212.4	16.2%

Source: U.S. Department of Housing and Urban Development, Office of Policy Development and Research

Table A3: Profits Last Year

See Figure 2, page 24.

	Total United States	%	TYPE OF MULTI FAMILY PROPERTY											
			2 units	%	3 - 4 units	%	5 - 9 units	%	10-19 units	%	20-49 units	%	50 + units	%
Total United States	20,584,822	100.00	3,084,750	14.99	2,471,070	12.00	1,894,445	9.20	1,467,786	7.13	2,223,786	10.80	9,442,986	45.87
yes, made a profit	8,422,043	100.00	1,186,594	14.09	895,774	10.64	744,848	8.84	686,985	8.16	934,956	11.10	3,972,886	47.17
%	40.91		38.47		36.25		39.32		46.80		42.04		42.07	
no, broke even	1,934,466	100.00	495,852	25.63	387,010	20.01	256,180	13.24	146,338	7.56	200,002	10.34	449,084	23.21
%	9.40		16.07		15.66		13.52		9.97		8.99		4.76	
no, had a loss	3,580,849	100.00	826,549	23.08	687,401	19.20	410,296	11.46	245,001	6.84	338,360	9.45	1,073,242	29.97
%	17.40		26.79		27.82		21.66		16.69		15.22		11.37	
don't know or not sure	5,183,409	100.00	423,479	8.17	368,194	7.10	302,865	5.84	259,199	5.00	579,274	11.18	3,250,398	62.71
%	25.18		13.73		14.90		15.99		17.66		26.05		34.42	
not reported	1,464,052	100.00	152,275	10.40	132,692	9.06	180,254	12.31	160,262	10.95	171,193	11.69	697,376	47.63
%	7.11		4.94		5.37		9.51		10.92		7.70		7.39	

Source: U.S. Bureau of the Census, Property Owners and Managers Survey, Multi Family Properties, Table 41.

Table A4: Current Maintenance Program

See Footnote 2, page 25.

	Total United States	%	TYPE OF MULTI FAMILY PROPERTY 2 units	%	3 - 4 units	%	5 - 9 units	%	10-19 units	%	20-49 units	%	50 + units	%
Total United States	20,584,822	100.00	3,084,750	14.99	2,471,070	12.00	1,894,445	9.20	1,467,786	7.13	2,223,786	10.80	9,442,986	45.87
most maintenance postponed; major problems handled as quickly as possible	719,720	100.00	199,613	27.73	103,008	14.31	116,385	16.17	74,242	10.32	81,272	11.29	145,200	20.17
%	3.50		6.47		4.17		6.14		5.06		3.65		1.54	
minor problems postponed; major problems handled as quickly as possible	1,723,403	100.00	418,436	24.28	302,749	17.57	207,426	12.04	136,678	7.93	237,501	13.78	420,613	24.41
%	8.37		13.56		12.25		10.95		9.31		10.68		4.45	
all maintenance handled immediately; preventive maintenance practiced	17,454,073	100.00	2,331,787	13.36	1,970,130	11.29	1,449,183	8.30	1,177,669	6.75	1,843,661	10.56	8,681,643	49.74
%	84.79		75.59		79.73		76.50		80.23		82.91		91.94	
not reported	687,625	100.00	134,914	19.62	95,183	13.84	121,450	17.66	79,196	11.52	61,352	8.92	195,530	28.44
%	3.34		4.37		3.85		6.41		5.40		2.76		2.07	

Source: U.S. Bureau of the Census, Property Owners and Managers Survey, Multi Family Properties, Table 39.

Table A5: Length of Lease

See Figure 3, page 26.

	Total United States	%	TYPE OF MULTI FAMILY PROPERTY											
			2 units	%	3 - 4 units	%	5 - 9 units	%	10-19 units	%	20-49 units	%	50 + units	%
Total United States	20,584,822	100.00	3,084,750	14.99	2,471,070	12.00	1,894,445	9.20	1,467,786	7.13	2,223,786	10.80	9,442,986	45.87
< 1 year or monthly	7,501,597	100.00	981,193	13.08	951,102	12.68	661,886	8.82	547,929	7.30	729,616	9.73	3,629,871	48.39
%	36.44		31.81		38.49		34.94		37.33		32.81		38.44	
1 year	9,578,208	100.00	1,027,925	10.73	850,853	8.88	832,993	8.70	679,534	7.09	1,087,521	11.35	5,099,382	53.24
%	46.53		33.32		34.43		43.97		46.30		48.90		54.00	
> 1 year, but < 2 years	138,707	100.00	23,200	16.73	-	0.00	10,289	7.42	19,990	14.41	29,676	21.39	55,552	40.05
%	0.67		0.75		0.00		0.54		1.36		1.33		0.59	
2 years	600,429	100.00	41,641	6.94	20,396	3.40	59,351	9.88	39,848	6.64	147,888	24.63	291,305	48.52
%	2.92		1.35		0.83		3.13		2.71		6.65		3.08	
> 2 years	111,601	100.00	26,906	24.11	-	0.00	3,342	2.99	3,091	2.77	6,190	5.55	72,072	64.58
%	0.54		0.87		0.00		0.18		0.21		0.28		0.76	
no lease required	2,213,545	100.00	889,811	40.20	590,133	26.66	291,011	13.15	126,827	5.73	165,168	7.46	150,595	6.80
%	10.75		28.85		23.88		15.36		8.64		7.43		1.59	
not reported	187,302	100.00	1,606	0.86	34,585	18.46	15,691	8.38	19,844	10.59	24,833	13.26	90,743	48.45
%	0.91		0.05		1.40		0.83		1.35		1.12		0.96	
rent free	253,429	100.00	92,468	36.49	24,001	9.47	19,881	7.84	30,721	12.12	32,893	12.98	53,465	21.10
%	1.23		3.00		0.97		1.05		2.09		1.48		0.57	

Source: U.S. Bureau of the Census, Property Owners and Managers Survey, Multi Family Properties, Table 16.

Table A6: Monthly Rent per Unit

See Table 9, page 29.

	Total United States	%	TYPE OF MULTI FAMILY PROPERTY											
			2 units	%	3 - 4 units	%	5 - 9 units	%	10-19 units	%	20-49 units	%	50 + units	%
Total United States	20,584,822	100.00	3,084,750	14.99	2,471,070	12.00	1,894,445	9.20	1,467,786	7.13	2,223,786	10.80	9,442,986	45.87
less than $100	54,359	100.00	21,206	39.01	-	0.00	-	0.00	9,308	17.12	5,888	10.83	17,957	33.03
%	0.26		0.69		0.00		0.00		0.63		0.26		0.19	
$100 to $199	457,357	100.00	125,696	27.48	81,919	17.91	49,668	10.86	33,643	7.36	56,498	12.35	109,933	24.04
%	2.22		4.07		3.32		2.62		2.29		2.54		1.16	
$200 to $299	1,953,439	100.00	461,795	23.64	314,167	16.08	253,342	12.97	171,449	8.78	307,446	15.74	427,240	21.87
%	9.49		14.97		12.71		13.37		11.68		13.83		4.52	
$300 to $399	3,765,127	100.00	540,924	14.37	612,506	16.27	445,111	11.82	321,265	8.53	452,213	12.01	1,393,108	37.00
%	18.29		17.54		24.79		23.50		21.89		20.34		14.75	
$400 to $499	4,139,041	100.00	567,344	13.71	442,911	10.70	337,105	8.14	350,097	8.46	462,124	11.17	1,979,460	47.82
%	20.11		18.39		17.92		17.79		23.85		20.78		20.96	
$500 to $599	3,577,078	100.00	358,939	10.03	349,005	9.76	327,088	9.14	195,128	5.45	335,084	9.37	2,011,834	56.24
%	17.38		11.64		14.12		17.27		13.29		15.07		21.31	
$600 to $699	2,481,821	100.00	316,509	12.75	174,841	7.04	184,919	7.45	145,114	5.85	219,367	8.84	1,441,071	58.07
%	12.06		10.26		7.08		9.76		9.89		9.86		15.26	
$700 to $799	1,300,486	100.00	150,148	11.55	122,910	9.45	91,933	7.07	74,038	5.69	134,616	10.35	726,841	55.89
%	6.32		4.87		4.97		4.85		5.04		6.05		7.70	
$800 to $899	704,080	100.00	123,022	17.47	37,961	5.39	41,322	5.87	22,781	3.24	68,188	9.68	410,806	58.35
%	3.42		3.99		1.54		2.18		1.55		3.07		4.35	
$900 to $999	328,493	100.00	64,884	19.75	21,014	6.40	16,502	5.02	5,743	1.75	39,742	12.10	180,608	54.98
%	1.60		2.10		0.85		0.87		0.39		1.79		1.91	
$1,000 or more	620,784	100.00	105,125	16.93	76,699	12.36	35,268	5.68	47,745	7.69	19,815	3.19	336,132	54.15
%	3.02		3.41		3.10		1.86		3.25		0.89		3.56	
no cash rent	253,429	100.00	92,468	36.49	24,001	9.47	19,881	7.84	30,721	12.12	32,893	12.98	53,465	21.10
%	1.23		3.00		0.97		1.05		2.09		1.48		0.57	
not reported	967,328	100.00	156,691	16.20	213,136	22.03	92,307	9.54	60,753	6.28	89,910	9.29	354,531	36.65
%	4.70		5.08		8.63		4.87		4.14		4.04		3.75	

Source: U.S. Bureau of the Census, Property Owners and Managers Survey, Multi Family Properties, Table 20.

Table A7: Rent Change from Previous Tenant

See Table 10, page 30

	Total United States	%	TYPE OF MULTI FAMILY PROPERTY 2 units	%	3 - 4 units	%	5 - 9 units	%	10-19 units	%	20-49 units	%	50 + units	%
Total United States	20,584,822	100.00	3,084,750	14.99	2,471,070	12.00	1,894,445	9.20	1,467,786	7.13	2,223,786	10.80	9,442,986	45.87
rent increased	8,137,137	100.00	941,013	11.56	777,646	9.56	635,884	7.81	507,029	6.23	859,892	10.57	4,415,673	54.27
%	39.53		30.51		31.47		33.57		34.54		38.67		46.76	
rent decreased	969,288	100.00	193,803	19.99	139,289	14.37	76,381	7.88	45,602	4.70	98,737	10.19	415,476	42.86
%	4.71		6.28		5.64		4.03		3.11		4.44		4.40	
no change	9,721,811	100.00	1,651,637	16.99	1,361,364	14.00	1,046,495	10.76	800,565	8.23	1,078,852	11.10	3,781,898	38.90
%	47.23		53.54		55.09		55.24		54.54		48.51		40.05	
no previous tenant	786,962	100.00	225,586	28.67	103,916	13.20	71,436	9.08	52,135	6.62	72,678	9.24	26,121	3.32
%	3.82		7.31		4.21		3.77		3.55		3.27		0.28	
not reported	969,625	100.00	72,712	7.50	87,855	9.06	64,248	6.63	62,454	6.44	113,628	11.72	568,728	58.65
%	4.71		2.36		3.56		3.39		4.25		5.11		6.02	

Source: U.S. Bureau of the Census, Property Owners and Managers Survey, Multi Family Properties, Table 15.

Table A8: Number of Times to Court in Last 2 Years

See Table 11, page 36

	Total United States	%	TYPE OF MULTI FAMILY PROPERTY 2 units	%	3 - 4 units	%	5 - 9 units	%	10-19 units	%	20-49 units	%	50 + units	%
Total United States	20,584,822	100.00	3,084,750	14.99	2,471,070	12.00	1,894,445	9.20	1,467,786	7.13	2,223,786	10.80	9,442,986	45.87
Management as Plaintiff														
never	9,294,687	100.00	2,417,363	7.76	1,807,103	12.95	1,147,523	12.18	734,270	7.54	874,195	12.87	2,314,233	46.70
%	45.15		78.36		73.13		60.57		50.03		39.31		24.51	
once	1,845,889	100.00	143,199	4.52	239,048	6.57	224,884	7.80	139,106	11.09	237,645	14.81	862,007	55.20
%	8.97		4.64		9.67		11.87		9.48		10.69		9.13	
twice	1,374,219	100.00	62,144	0.84	90,290	2.96	107,234	3.98	152,410	5.81	203,582	16.21	758,559	70.21
%	6.68		2.01		3.65		5.66		10.38		9.15		8.03	
3 to 5 times	2,108,117	100.00	17,748	0.84	62,309	2.96	83,829	3.98	122,449	5.81	341,778	16.21	1,480,004	70.21
%	10.24		0.58		2.52		4.42		8.34		15.37		15.67	
more than 5 times	3,839,439	100.00	11,024	0.29	33,094	0.86	80,947	2.11	123,830	3.23	412,175	10.74	3,178,369	82.78
%	18.65		0.36		1.34		4.27		8.44		18.53		33.66	
not reported	2,122,471	100.00	433,272	20.41	239,226	11.27	250,028	11.78	195,720	9.22	154,410	7.28	849,815	40.04
%	10.31		14.05		9.68		13.20		13.33		6.94		9.00	
Management as Defendant														
never	16,467,823	100.00	2,650,314	16.09	2,221,458	13.49	1,607,221	9.76	1,183,061	7.18	1,939,551	11.78	6,866,218	41.69
%	80.00		85.92		89.90		84.84		80.60		87.22		72.71	
once	1,321,108	100.00	21,259	1.61	36,769	2.78	66,124	5.01	102,268	7.74	104,877	7.94	989,811	74.92
%	6.42		0.69		1.49		3.49		6.97		4.72		10.48	
twice	409,831	100.00	8,296	2.02	3,067	0.75	-	0.00	6,708	1.64	8,204	2.00	383,556	93.59
%	1.99		0.27		0.12		0.00		0.46		0.37		4.06	
3 to 5 times	284,061	100.00	-	0.00	4,387	1.54	14,451	5.09	-	0.00	28,109	9.90	237,114	83.47
%	1.38		0.00		0.18		0.76		0.00		1.26		2.51	
more than 5 times	132,709	100.00	-	0.00	-	0.00	3,532	2.66	2,745	2.07	-	0.00	126,432	95.27
%	0.64		0.00		0.00		0.19		0.19		0.00		1.34	
not reported	1,969,290	100.00	404,881	20.56	205,389	10.43	203,116	10.31	173,004	8.79	143,045	7.26	839,855	42.65
%	9.57		13.13		8.31		10.72		11.79		6.43		8.89	

Source: U.S. Bureau of the Census, Property Owners and Managers Survey, Multi Family Properties, Table 62.

Table A9: Number of Times Eviction Procedures Started in Last 2 years

See Table 12, page 36.

	Total United States	%	TYPE OF MULTI FAMILY PROPERTY											
			2 units	%	3 - 4 units	%	5 - 9 units	%	10-19 units	%	20-49 units	%	50 + units	%
Total United States	20,584,822	100.00	3,084,750	14.99	2,471,070	12.00	1,894,445	9.20	1,467,786	7.13	2,223,786	10.80	9,442,986	45.87
never	7,408,351	100.00	2,304,061	31.10	1,617,508	21.83	990,622	13.37	509,249	6.87	631,946	8.53	1,354,965	18.29
%	35.99		74.69		65.46		52.29		34.70		28.42		14.35	
once	2,063,525	100.00	225,723	10.94	385,174	18.67	222,005	10.76	245,871	11.92	280,310	13.58	704,442	34.14
%	10.02		7.32		15.59		11.72		16.75		12.61		7.46	
twice	1,626,820	100.00	88,191	5.42	131,145	8.06	180,611	11.10	179,756	11.05	250,758	15.41	796,359	48.95
%	7.90		2.86		5.31		9.53		12.25		11.28		8.43	
3 to 5 times	2,457,530	100.00	30,995	1.26	94,924	3.86	130,991	5.33	200,242	8.15	381,157	15.51	1,619,221	65.89
%	11.94		1.00		3.84		6.91		13.64		17.14		17.15	
more than 5 times	5,103,016	100.00	18,230	0.36	29,179	0.57	152,654	2.99	161,121	3.16	513,739	10.07	4,228,093	82.85
%	24.79		0.59		1.18		8.06		10.98		23.10		44.77	
not reported	1,925,576	100.00	417,550	21.68	213,141	11.07	217,560	11.30	171,545	8.91	165,875	8.61	739,905	38.43
%	9.35		13.54		8.63		11.48		11.69		7.46		7.84	

Source: U.S. Bureau of the Census, Property Owners and Managers Survey, Multi Family Properties, Table 63.

Table A10: Primary Method of Screening Tenants

See Footnote 7, page 37.

	Total United States	%	TYPE OF MULTI FAMILY PROPERTY											
			2 units	%	3 - 4 units	%	5 - 9 units	%	10-19 units	%	20-49 units	%	50 + units	%
Total United States	20,584,822	100.00	3,084,750	14.99	2,471,070	12.00	1,894,445	9.20	1,467,786	7.13	2,223,786	10.80	9,442,986	45.87
personal interviews	3,010,076	100.00	831,165	27.61	640,155	21.27	475,165	15.79	210,092	6.98	275,121	9.14	578,378	19.21
%	14.62		26.94		25.91		25.08		14.31		12.37		6.12	
responses on the application form	603,254	100.00	58,463	9.69	94,512	15.67	52,537	8.71	42,870	7.11	102,088	16.92	252,784	41.90
%	2.93		1.90		3.82		2.77		2.92		4.59		2.68	
credit references or checks	4,738,560	100.00	400,697	8.46	325,651	6.87	270,654	5.71	361,022	7.62	577,444	12.19	2,803,092	59.15
%	23.02		12.99		13.18		14.29		24.60		25.97		29.68	
employment checks or references	1,040,365	100.00	156,722	15.06	154,351	14.84	90,690	8.72	116,128	11.16	147,398	14.17	375,076	36.05
%	5.05		5.08		6.25		4.79		7.91		6.63		3.97	
personal references	614,648	100.00	196,767	32.01	131,282	21.36	97,844	15.92	25,859	4.21	46,506	7.57	116,390	18.94
%	2.99		6.38		5.31		5.16		1.76		2.09		1.23	
bank references	71,359	100.00	20,082	28.14	3,262	4.57	8,938	12.53	-	0.00	12,531	17.56	26,546	37.20
%	0.35		0.65		0.13		0.47		0.00		0.56		0.28	
references from previous residence	3,550,374	100.00	354,810	9.99	380,551	10.72	281,057	7.92	260,811	7.35	395,872	11.15	1,877,273	52.88
%	17.25		11.50		15.40		14.84		17.77		17.80		19.88	
proof of meeting income requirements	1,367,003	100.00	105,944	7.75	86,920	6.36	98,938	7.24	92,853	6.79	159,724	11.68	822,624	60.18
%	6.64		3.43		3.52		5.22		6.33		7.18		8.71	
other	1,137,775	100.00	196,867	17.30	78,726	6.92	55,310	4.86	53,654	4.72	118,819	10.44	634,399	55.76
%	5.53		6.38		3.19		2.92		3.66		5.34		6.72	
not reported	4,451,403	100.00	763,232	17.15	575,659	12.93	463,311	10.41	304,495	6.84	388,283	8.72	1,956,423	43.95
%	21.62		24.74		23.30		24.46		20.75		17.46		20.72	

Source: U.S. Bureau of the Census, Property Owners and Managers Survey, Multi Family Properties, Table 49.

Table A11: Changes in Neighborhood Property Values Last Year

See Table 13, page 39

	Total United States	%	TYPE OF MULTI FAMILY PROPERTY 2 units	%	3 - 4 units	%	5 - 9 units	%	10-19 units	%	20-49 units	%	50 + units	%
Total United States	20,584,822	100.00	3,084,750	14.99	2,471,070	12.00	1,894,445	9.20	1,467,786	7.13	2,223,786	10.80	9,442,986	45.87
values increased	5,020,033	100.00	666,324	13.27	496,225	9.88	364,628	7.26	315,585	6.29	566,475	11.28	2,610,796	52.01
%	24.39		21.60		20.08		19.25		21.50		25.47		27.65	
values decreased	2,617,533	100.00	494,393	18.89	531,845	20.32	363,300	13.88	226,057	8.64	267,307	10.21	734,085	28.04
%	12.72		16.03		21.52		19.18		15.40		12.02		7.77	
values remained the same	8,265,945	100.00	1,369,198	16.56	1,060,786	12.83	766,681	9.28	530,445	6.42	858,593	10.39	3,680,242	44.52
%	40.16		44.39		42.93		40.47		36.14		38.61		38.97	
don't know or not sure	3,610,312	100.00	418,595	11.59	281,969	7.81	269,625	7.47	291,571	8.08	412,580	11.43	1,935,972	53.62
%	17.54		13.57		11.41		14.23		19.86		18.55		20.50	
not reported	1,071,000	100.00	135,693	12.67	100,246	9.36	130,211	12.16	104,127	9.72	118,831	11.10	481,892	44.99
%	5.20		4.40		4.06		6.87		7.09		5.34		5.10	

Source: U.S. Bureau of the Census, Property Owners and Managers Survey, Multi Family Properties, Table 43.

Table A12: Types of Undesirable or Disruptive Behavior in Last 2 Years

See Table 14, page 42.

	Total United States	%	TYPE OF MULTI FAMILY PROPERTY 2 units	%	3 - 4 units	%	5 - 9 units	%	10-19 units	%	20-49 units	%	50 + units	%
Total United States	20,584,822	100.00	3,084,750	14.99	2,471,070	12.00	1,894,445	9.20	1,467,786	7.13	2,223,786	10.80	9,442,986	45.87
With Disruptive Behavior	15,100,913	100.00	1,380,564	9.14	1,544,635	10.23	1,219,567	8.08	1,071,568	7.10	1,815,757	12.02	8,068,822	53.43
%	73.36		44.75		62.51		64.38		73.01		81.65		85.45	
vandalism to inside of units	8,401,187	100.00	472,807	5.63	629,515	7.49	585,703	6.97	590,833	7.03	1,126,020	13.40	4,996,309	59.47
%	40.81		15.33		25.48		30.92		40.25		50.64		52.91	
vandalism to outside of buildings or to grounds	10,287,555	100.00	543,506	5.28	741,851	7.21	706,714	6.87	691,016	6.72	1,326,088	12.89	6,278,380	61.03
%	49.98		17.62		30.02		37.30		47.08		59.63		66.49	
theft	9,518,227	100.00	387,267	4.07	513,195	5.39	531,579	5.58	577,092	6.06	1,168,304	12.27	6,340,790	66.62
%	46.24		12.55		20.77		28.06		39.32		52.54		67.15	
loud or disruptive behavior	12,095,547	100.00	690,931	5.71	1,004,696	8.31	886,520	7.33	847,153	7.00	1,546,917	12.79	7,119,330	58.86
%	58.76		22.40		40.66		46.80		57.72		69.56		75.39	
violence	6,667,287	100.00	341,335	5.12	411,649	6.17	403,451	6.05	408,809	6.13	852,250	12.78	4,249,793	63.74
%	32.39		11.07		16.66		21.30		27.85		38.32		45.00	
drug usage	6,639,890	100.00	288,661	4.35	414,204	6.24	407,848	6.14	451,868	6.81	900,881	13.57	4,176,428	62.90
%	32.26		9.36		16.76		21.53		30.79		40.51		44.23	
other undesirable behavior	2,207,473	100.00	124,652	5.65	186,755	8.46	136,674	6.19	185,998	8.43	331,817	15.03	1,241,577	56.24
%	10.72		4.04		7.56		7.21		12.67		14.92		13.15	
No Disruptive Behavior	4,177,538	100.00	1,528,814	36.60	798,430	19.11	492,649	11.79	261,092	6.25	301,049	7.21	795,504	19.04
%	20.29		49.56		32.31		26.00		17.79		13.54		8.42	
not reported	1,306,370	100.00	175,372	13.42	128,005	9.80	182,228	13.95	135,125	10.34	106,980	8.19	578,660	44.30
%	6.35		5.69		5.18		9.62		9.21		4.81		6.13	

Source: U.S. Bureau of the Census, Property Owners and Managers Survey, Multi Family Properties, Table 59.

NOTE: Items listed add to more than totals because of multiple responses

Table A13: Characteristics of Disruptive Tenants

See Table 15, page 43.

	Total United States	%	TYPE OF MULTI FAMILY PROPERTY											
			2 units	%	3 - 4 units	%	5 - 9 units	%	10-19 units	%	20-49 units	%	50 + units	%
Total United States	20,584,822	100.00	3,084,750	14.99	2,471,070	12.00	1,894,445	9.20	1,467,786	7.13	2,223,786	10.80	9,442,986	45.87
from low-income households	1,637,289	100.00	152,439	9.31	188,796	11.53	180,881	11.05	167,792	10.25	242,773	14.83	704,608	43.04
%	7.95		4.94		7.64		9.55		11.43		10.92		7.46	
section 8 voucher holders	548,943	100.00	33,934	6.18	72,048	13.12	61,623	11.23	35,416	6.45	71,253	12.98	274,669	50.04
%	2.67		1.10		2.92		3.25		2.41		3.20		2.91	
from single-parent households	1,788,352	100.00	152,278	8.51	235,656	13.18	134,552	7.52	122,544	6.85	206,412	11.54	936,910	52.39
%	8.69		4.94		9.54		7.10		8.35		9.28		9.92	
from overcrowded units	840,388	100.00	53,342	6.35	58,809	7.00	66,536	7.92	58,210	6.93	127,793	15.21	475,698	56.60
%	4.08		1.73		2.38		3.51		3.97		5.75		5.04	
from households with teenage children	1,499,892	100.00	135,663	9.04	144,724	9.65	124,291	8.29	100,009	6.67	217,286	14.49	1,217,819	81.19
%	7.29		4.40		5.86		6.56		6.81		9.77		12.90	
from young adult or student households	2,151,102	100.00	125,983	5.86	205,801	9.57	138,392	6.43	178,556	8.30	281,630	13.09	1,220,740	56.75
%	10.45		4.08		8.33		7.31		12.16		12.66		12.93	
from households with unemployed adults	1,809,348	100.00	167,382	9.25	242,441	13.40	176,947	9.78	173,971	9.62	250,060	13.82	798,547	44.13
%	8.79		5.43		9.81		9.34		11.85		11.24		8.46	
from households with visitors unwelcome to the management	2,675,277	100.00	133,466	4.99	275,265	10.29	207,401	7.75	200,228	7.48	400,892	14.99	1,458,025	54.50
%	13.00		4.33		11.14		10.95		13.64		18.03		15.44	
from households with visitors unwelcome to the tenants	1,880,707	100.00	86,079	4.58	178,014	9.47	117,776	6.26	124,958	6.64	303,197	16.12	1,070,683	56.93
%	9.14		2.79		7.20		6.22		8.51		13.63		11.34	
something else	582,470	100.00	17,465	3.00	96,905	16.64	57,370	9.85	37,410	6.42	128,441	22.05	244,879	42.04
%	2.83		0.57		3.92		3.03		2.55		5.78		2.59	
No Disruptive Behavior	4,177,538	100.00	1,528,814	36.60	798,430	19.11	492,649	11.79	261,092	6.25	301,049	7.21	795,504	19.04
%	20.29		49.56		32.31		26.00		17.79		13.54		8.42	
characteristics not different than other tenants	8,885,631	100.00	690,412	7.77	695,116	7.82	640,319	7.21	593,866	6.68	1,045,266	11.76	5,220,652	58.75
%	43.17		22.38		28.13		33.80		40.46		47.00		55.29	

Source: U.S. Bureau of the Census, Property Owners and Managers Survey, Multi Family Properties, Table 61.
NOTE: Items will not sum to totals because of multiple responses

Table A14: Turnover Rate in Last 12 Months

See Table 16, page 44.

	Total United States	%	TYPE OF MULTI FAMILY PROPERTY											
			2 units	%	3 - 4 units	%	5 - 9 units	%	10-19 units	%	20-49 units	%	50 + units	%
Total United States	20,584,822	100.00	3,084,750	14.99	2,471,070	12.00	1,894,445	9.20	1,467,786	7.13	2,223,786	10.80	9,442,986	45.87
none	3,238,357	100.00	1,721,279	53.15	816,854	25.22	369,674	11.42	126,361	3.90	83,104	2.57	121,085	3.74
%	15.73		55.80		33.06		19.51		8.61		3.74		1.28	
less than 5 %	3,952,348	100.00	380,120	9.62	561,266	14.20	406,613	10.29	408,134	10.33	656,330	16.61	1,539,885	38.96
%	19.20		12.32		22.71		21.46		27.81		29.51		16.31	
5 to 9 %	2,337,026	100.00	51,834	2.22	59,607	2.55	192,474	8.24	224,265	9.60	335,248	14.35	1,473,598	63.05
%	11.35		1.68		2.41		10.16		15.28		15.08		15.61	
10 to 19 %	2,367,617	100.00	34,808	1.47	116,748	4.93	193,401	8.17	207,537	8.77	351,783	14.86	1,463,340	61.81
%	11.50		1.13		4.72		10.21		14.14		15.82		15.50	
20 to 49 %	3,141,324	100.00	41,859	1.33	327,186	10.42	233,406	7.43	171,692	5.47	353,507	11.25	2,013,674	64.10
%	15.26		1.36		13.24		12.32		11.70		15.90		21.32	
50 % or more	2,150,258	100.00	303,294	14.11	221,649	10.31	128,628	5.98	81,903	3.81	158,509	7.37	1,256,275	58.42
%	10.45		9.83		8.97		6.79		5.58		7.13		13.30	
don't know	1,761,597	100.00	121,944	6.92	162,075	9.20	170,592	9.68	114,469	6.50	161,151	9.15	1,031,366	58.55
%	8.56		3.95		6.56		9.00		7.80		7.25		10.92	
not reported	1,636,295	100.00	429,612	26.26	205,685	12.57	199,657	12.20	133,423	8.15	124,155	7.59	543,763	33.23
%	7.95		13.93		8.32		10.54		9.09		5.58		5.76	

Source: U.S. Bureau of the Census, Property Owners and Managers Survey, Multi Family Properties, Table 23.

Table A15: Percentage of Rent Delinquent Tenants at Property in Last 2 Years

See Figure 4, page 45.

	Total United States	%	TYPE OF MULTI FAMILY PROPERTY 2 units	%	3 - 4 units	%	5 - 9 units	%	10-19 units	%	20-49 units	%	50 + units	%
Total United States	20,584,822	100.00	3,084,750	14.99	2,471,070	12.00	1,894,445	9.20	1,467,786	7.13	2,223,786	10.80	9,442,986	45.87
none	5,762,195	100.00	1,987,072	34.48	1,142,814	19.83	666,016	11.56	380,065	6.60	398,305	6.91	1,187,923	20.62
%	27.99		64.42		46.25		35.16		25.89		17.91		12.58	
1 to 9 percent	6,481,153	100.00	88,200	1.36	158,049	2.44	283,288	4.37	372,134	5.74	896,547	13.83	4,682,935	72.25
%	31.49		2.86		6.40		14.95		25.35		40.32		49.59	
10 to 24 percent	2,552,979	100.00	88,368	3.46	191,444	7.50	309,227	12.11	278,382	10.90	367,255	14.39	1,318,303	51.64
%	12.40		2.86		7.75		16.32		18.97		16.51		13.96	
25 percent or more	1,915,962	100.00	368,708	19.24	487,340	25.44	218,704	11.41	165,895	8.66	200,170	10.45	475,145	24.80
%	9.31		11.95		19.72		11.54		11.30		9.00		5.03	
not reported	3,872,530	100.00	552,401	14.26	491,423	12.69	417,209	10.77	271,309	7.01	361,508	9.34	1,778,680	45.93
%	18.81		17.91		19.89		22.02		18.48		16.26		18.84	

Source: U.S. Bureau of the Census, Property Owners and Managers Survey, Multi Family Properties, Table 55.

Table A16: Reasons for Acquisition of Property

See Table 17, page 69

	Total United States	%	TYPE OF MULTI FAMILY PROPERTY 2 units	%	3 - 4 units	%	5 - 9 units	%	10-19 units	%	20-49 units	%	50 + units	%
Total United States	20,584,822	100.00	3,084,750	14.99	2,471,070	12.00	1,894,445	9.20	1,467,786	7.13	2,223,786	10.80	9,442,986	45.87
Acquired (Not by Inheritance or Gift) *	20,027,344	100.00	2,890,022	14.43	2,312,666	11.55	1,815,033	9.06	1,436,496	7.17	2,175,792	10.86	9,397,335	46.92
%	97.29		93.69		93.59		95.81		97.87		97.84		99.52	
as residence	1,949,606	100.00	1,049,782	53.85	532,646	27.32	183,224	9.40	55,144	2.83	60,931	3.13	67,879	3.48
%	9.47		34.03		21.56		9.67		3.76		2.74		0.72	
to provide affordable housing	3,261,494	100.00	180,975	5.55	167,279	5.13	221,564	6.79	182,525	5.60	430,320	13.19	2,078,831	63.74
%	15.84		5.87		6.77		11.70		12.44		19.35		22.01	
for income from rents	9,300,019	100.00	1,517,768	16.32	1,258,098	13.53	1,001,380	10.77	670,903	7.21	1,099,274	11.82	3,752,596	40.35
%	45.18		49.20		50.91		52.86		45.71		49.43		39.74	
for long-term capital gains	5,892,809	100.00	671,252	11.39	656,440	11.14	629,731	10.69	481,804	8.18	684,066	11.61	2,769,516	47.00
%	28.63		21.76		26.57		33.24		32.83		30.76		29.33	
to convert to non-residential use	48,755	100.00	15,142	31.06	19,218	39.42	3,105	6.37	-	0.00	2,189	4.49	9,101	18.67
%	0.24		0.49		0.78		0.16		0.00		0.10		0.10	
as tax shelter	1,896,712	100.00	252,909	13.33	237,148	12.50	160,179	8.45	161,867	8.53	252,620	13.32	831,989	43.86
%	9.21		8.20		9.60		8.46		11.03		11.36		8.81	
as retirement security	3,287,360	100.00	648,774	19.74	716,412	21.79	509,768	15.51	325,881	9.91	451,055	13.72	635,470	19.33
%	15.97		21.03		28.99		26.91		22.20		20.28		6.73	
as future security for family	2,444,328	100.00	420,468	17.20	439,248	17.97	390,715	15.98	269,628	11.03	309,577	12.67	614,692	25.15
%	11.87		13.63		17.78		20.62		18.37		13.92		6.51	
other reasons	1,431,809	100.00	246,433	17.21	157,639	11.01	120,159	8.39	93,804	6.55	168,895	11.80	644,879	45.04
%	6.96		7.99		6.38		6.34		6.39		7.59		6.83	
not reported *	4,868,924	100.00	283,664	5.83	264,929	5.44	300,679	6.18	338,820	6.96	502,344	10.32	3,178,488	65.28
%	23.65		9.20		10.72		15.87		23.08		22.59		33.66	
Acquired by Inheritance or Gift	557,478	100.00	194,726	34.93	158,405	28.41	79,412	14.24	31,290	5.61	47,994	8.61	45,651	8.19
%	2.71		6.31		6.41		4.19		2.13		2.16		0.48	

Source: U.S. Bureau of the Census, Property Owners and Managers Survey, Multi Family Properties, Table 77.

NOTE: Items will not sum to totals because of multiple responses

*** NOTE: Includes not reported on method of acquisition**

Table A17: Main Reason for Acquisition of Property

See Table 17, page 69.

	Total United States	%	TYPE OF MULTI FAMILY PROPERTY											
			2 units	%	3 - 4 units	%	5 - 9 units	%	10-19 units	%	20-49 units	%	50 + units	%
Total United States	20,584,822	100.00	3,084,750	14.99	2,471,070	12.00	1,894,445	9.20	1,467,786	7.13	2,223,786	10.80	9,442,986	45.87
Acquired (Not by Inheritance or Gift) *	20,027,344	100.00	2,890,022	14.43	2,312,666	11.55	1,815,033	9.06	1,436,496	7.17	2,175,792	10.86	9,397,335	46.92
%	97.29		93.69		93.59		95.81		97.87		97.84		99.52	
as residence	1,445,118	100.00	906,402	62.72	390,180	27.00	81,830	5.66	28,563	1.98	17,249	1.19	20,894	1.45
%	7.02		29.38		15.79		4.32		1.95		0.78		0.22	
to provide affordable housing	1,569,572	100.00	29,385	1.87	45,446	2.90	68,923	4.39	90,911	5.79	198,619	12.65	1,136,288	72.39
%	7.62		0.95		1.84		3.64		6.19		8.93		12.03	
for income from rents	5,609,360	100.00	785,822	14.01	668,163	11.91	599,012	10.68	436,395	7.78	722,134	12.87	2,397,834	42.75
%	27.25		25.47		27.04		31.62		29.73		32.47		25.39	
for long-term capital gains	2,307,473	100.00	212,416	9.21	222,381	9.64	259,654	11.25	203,685	8.83	206,014	8.93	1,203,323	52.15
%	11.21		6.89		9.00		13.71		13.88		9.26		12.74	
to convert to non-residential use	20,468	100.00	8,108	39.61	5,832	28.49	3,105	15.17	-	0.00	-	0.00	3,423	16.72
%	0.10		0.26		0.24		0.16		0.00		0.00		0.04	
as tax shelter	517,765	100.00	68,672	13.26	44,482	8.59	40,260	7.78	44,074	8.51	92,258	17.82	228,019	44.04
%	2.52		2.23		1.80		2.13		3.00		4.15		2.41	
as retirement security	1,091,368	100.00	229,760	21.05	314,303	28.80	205,793	18.86	110,417	10.12	149,071	13.66	82,024	7.52
%	5.30		7.45		12.72		10.86		7.52		6.70		0.87	
as future security for family	474,189	100.00	37,272	7.86	142,308	30.01	89,720	18.92	45,295	9.55	62,248	13.13	97,346	20.53
%	2.30		1.21		5.76		4.74		3.09		2.80		1.03	
other reasons	1,178,655	100.00	202,282	17.16	123,733	10.50	105,703	8.97	78,347	6.65	133,060	11.29	535,530	45.44
%	5.73		6.56		5.01		5.58		5.34		5.98		5.67	
not reported *	5,799,066	100.00	406,510	7.01	355,838	6.14	361,033	6.23	398,809	6.88	595,139	10.26	3,681,737	63.49
%	28.17		13.18		14.40		19.06		27.17		26.76		38.99	
Acquired by Inheritance or Gift	557,478	100.00	194,726	34.93	158,405	28.41	79,412	14.24	31,290	5.61	47,994	8.61	45,651	8.19
%	2.71		6.31		6.41		4.19		2.13		2.16		0.48	

Source: U.S. Bureau of the Census, Property Owners and Managers Survey, Multi Family Properties, Table 78.

*** NOTE: Includes not reported on how property acquired**

Table A18: Housing Data, Michigan, Ingham County, Lansing

see page 95

MICHIGAN	1980	1990	rate	2000 E	2000 L	units E	units L
Total housing units (HU)	3,589,912	3,847,926	7.19%	4,124,484	4,105,940	276,558	258,014
Occupied HU	3,195,213	3,419,331	7.01%	3,659,169	3,643,449	239,838	224,118
Total vacancy rate, %	10.99	11.14					
Owner-occupied HU	2,322,920	2,427,643	4.51%	2,537,087	2,532,366	109,444	104,723
% owner-occupied	72.7	71.0	-2.34%	69.3	69.3		
median value ($)		60,600					
homeowner vacancy rate		1.30					
persons per HU		2.80					
Renter-occupied HU	872,293	991,688	13.69%	1,127,425	1,111,083	135,737	119,395
% renter-occupied	27.3	29.0	6.24%	30.8	30.7		
median rent ($)		423					
rental vacancy rate		7.20					
persons per HU		2.31					
INGHAM	**1980**	**1990**	**rate**	**2000 E**	**2000 L**	**units E**	**units L**
Total housing units (HU)	99,517	108,542	9.07%	118,385	117,567	9,843	9,025
Occupied HU	95,179	102,648	7.85%	110,703	110,117	8,055	7,469
Total vacancy rate, %	4.36	5.43					
Owner-occupied HU	55,680	59,942	7.65%	64,530	64,204	4,588	4,262
% owner-occupied	58.5	58.4	-0.18%	58.3	58.3		
median value ($)	39,800	61,800	55.28%	95,961	83,800		
homeowner vacancy rate							
persons per HU							
Renter-occupied HU	39,499	42,706	8.12%	46,173	45,913	3,467	3,207
% renter-occupied	41.5	41.6	0.25%	41.7	41.7		
median rent ($)		422					
rental vacancy rate							
persons per HU							
LANSING	**1980**	**1990**	**rate**	**2000 E**	**2000 L**	**units E**	**units L**
Total housing units (HU)	51,948	53,919	3.79%	55,965	55,890	2,046	1,971
Occupied HU	49,516	50,635	2.26%	51,779	51,754	1,144	1,119
Total vacancy rate, %	4.68	6.09					
Owner-occupied HU	28,361	27,737	-2.20%	27,127	27,113	(610)	(624)
% owner-occupied	57.3	54.8	-4.36%	52.4	52.4		
median value ($)	33,388	48,400	44.96%	70,162	63,412		
homeowner vacancy rate	1.20	1.50					
persons per HU	2.50	2.64					
Renter-occupied HU	21,155	22,898	8.24%	24,785	24,641	1,887	1,743
% renter-occupied	42.7	45.2	5.85%	47.9	47.6		
median rent ($)	238	399	67.92%	670	560		
rental vacancy rate	6.30	6.80					
persons per HU	1.93	2.33					

Source: U.S. Census of the Bureau, County and City Databook

See parenthetical Reference, page 106.

Notes: 2000 E is an exponential projection

2000 L is a linear projection

units E are the units needed based on the exponential projection

units L are the units needed based on the linear projection