

## Development Opposition – Fact vs. Fiction

Apartment developers face a variety of obstacles getting new construction projects approved, not the least of which is competing with other real estate sectors for permits. For the most part apartments compete with single-family residences, but in some places, such as downtown urban areas, the competition may be with offices or other nonresidential real estate. In almost all cases, in order to win the competition, apartment firms must first overcome common myths and stereotypes about who lives in apartments.

One of the most common objections developers face is the belief that new apartments will overburden local school districts. To further assist NMHC members in the zoning approval process, the Council analyzed data from the U.S. Census Bureau's 2001 American Housing Survey (the most recent data available) to determine the true impact of apartments on schools.

As is the case with many apartment myths, there is a wide discrepancy between perception and reality. On average, rental apartments house fewer school-age children (0.31 per household) than single-family residences (0.53 per household). Newer apartments house fewer still, as do high rise and upscale apartments. Generally, there is no empirical support for the all-too-common strategy of barring or limiting apartment construction to relieve pressure on local school systems. While we can empathize with fast-growing municipalities facing exploding demand for public services, the numbers show that apartment moratoriums have little to do with effective planning and more to do with "not in my backyard" (NIMBY) attitudes.

### **The National Picture**

The U.S. has 106.4 million households and 51.1 million school-age children for an average of 0.48 children per household. This figure is a bit misleading, however, since the overwhelming majority of households (71 percent) actually have no children. If we compare owner households (single-family, condo and co-op owners) and renter households (single-family renters, renters in 2-4 unit buildings and apartment renters), we find that 70 percent of the nation's school children live in owner-occupied housing.

### **Single-family Owners vs. Apartment Residents**

The more appropriate comparison is between single-family owners and apartment renters (renters in properties with 5 or more units). The data show that single-family owners are significantly more likely to have school-age children than apartment renters. Fully 30 percent of owners have children, while just 20 percent of the apartment residents do. Not only are house owners more likely to have children, they also have more children. Apartments house just 0.31 children per household, compared to 0.51 children per single-family residence.

These differences are even greater if we look at newly built residences (residences built since 1990). These are clearly the more relevant numbers when it comes to gauging the impact of new housing construction on school demand. Newer single-family homes average three times as many school-age children as apartment renters, 0.64 children per household and 0.29 children per household, respectively. This means there are, on average, 64 school-age children for every 100 new owner-occupied single-family houses, but just 29 children for every 100 new apartments.

<b>Average Number of School-age Children per Household</b>		
	Total	Built in 1990s
Single-family owners	0.51	0.64
Apartment renters	0.31	0.29

Mutual funds use the disclaimer "past performance not a guarantee of future results." These figures are so dramatic, however, they can be considered a good indicator of likely future patterns. On a unit-by-unit comparison, single-family houses are the primary cause of school overcrowding.

### Variation within the Apartment Universe

Even among newly built apartments, the number of school-age children varies considerably depending on the apartment's location and other characteristics. To accurately gauge an apartment's likely impact on the school system, planners need to consider the specific aspects of a proposed apartment development.

For instance, there is a clear and consistent connection between income and children. As shown below, the higher the apartment residents' income, the fewer school-age children the property will likely house. Households making between 50 and 80 percent of area median income (AMI) have an average of 0.37 school children per household. While this is greater than the 0.31 average for all apartment renters, it is still significantly lower than the 0.51 per single-family household. The impact of upscale apartments is even less. Renters with incomes at least 170 percent greater than AMI average just 0.13 school children per household.

School-age Children Per Apartment Household, by Area Median Income (AMI)	
Less than 50% of AMI	0.37
50-79% AMI	0.37
80-119% AMI	0.24
120-170% AMI	0.21
170% AMI and above	0.13

High-rise apartments also tend to have fewer school children than garden apartments. Renters in newly built apartments with four or fewer stories have an average of 0.30 school children, while renters in newly built apartments with more than four stories average only 0.19 school children per household.

School-age Children Per Apartment Household, by Type of Property		
	Total	Built in 1990s
Garden Apartments (Four or fewer stories)	0.31	0.30
High-rise Apartments (More than 4 stories)	0.30	0.19

### Do Apartments Pay Their Way?

Misinformed activists often claim that apartment residents do not pay for public services they use because they do not pay property taxes. Renters do pay property taxes indirectly; property owners pay property taxes and those taxes are passed on through the rent. Furthermore, considering taxes paid relative to market value, apartment properties typically pay at higher effective tax rates. (See the [December 4, 1998 Research Notes](#).) Education is the single largest expense for most jurisdictions. Apartment households have significantly fewer school age children, but they (indirectly) pay higher taxes. It appears, then, that in many locales, apartment residents are actually subsidizing their single-family neighbors and not vice versa.

### Apartments vs. Offices

When the competition for permits is between office and apartments, no residential construction, single- or multifamily, will win if local officials focus only on potential school burdens. In these cases, apartment advocates must point out the many benefits apartments offer that offices cannot. Apartments help create vibrant 24-hour cities by providing customers for local businesses after the office workers go home. They can also be a catalyst to revitalizing deteriorating neighborhoods. Furthermore, in many settings where apartments compete with offices (i.e., urban downtown areas) the kind of apartments that would be built (upscale high-rise buildings) are likely to have the fewest school-age children. The "school burden" these properties would create is negligible.

Apartments also make valuable contributions to suburban communities. Because they are higher density, they make it easier to accommodate population growth and still preserve open space. They create pedestrian-friendly neighborhoods and provide the critical mass needed for public transit systems. More importantly, communities that preclude or limit renters squeeze out much-needed employees for local businesses. Communities that offer a diversified work force and a wide range of housing are more likely to attract top employers and retain expanding local businesses.

In summary, decisions about the kind of real estate to permit should not get sidetracked by the issue of "school burdens."

*Technical Notes: All estimates are NMHC tabulations of data from the U.S. Census Bureau's American Housing Survey for 2001. School-age children are defined here as those between 6 and 17 years of age. Newly built apartments are those completed from 1990-2001. Data on both "area median income" and "fair market rent" are provided by HUD. The latter represents HUD's estimate of the 40th percentile rent, rather than the median, of "standard quality rental housing units" (adjusted for number of bedrooms).*

WASHINGTON, DC -- New data from the U.S. Census Bureau's American Housing Survey (AHS) disprove the conventional wisdom that new apartment construction disproportionately burdens local school systems. According to the AHS, single-family owners are significantly more likely to have school-age children than apartment renters. In fact, newer single-family homes average three times as many school-age children as apartment renters. There are, on average, 64 school-age children for every 100 new owner-occupied single-family houses, but just 21 children for every 100 new apartments, and only an average of 12 children for every 100 apartments in high-rise buildings (more than four stories).

"On a unit-by-unit comparison, single-family houses are home to more school children than apartments," noted NMHC's Chief Economist, Mark Obrinsky. "This finding is significant because it shows there is no empirical support for the all-too-common strategy of barring or limiting apartment construction to relieve pressure on local school systems."

Obrinsky explained that "misinformed activists often claim that apartment residents overly burden public services without paying their fair share, because they do not pay property taxes. But the truth is that renters do pay property taxes they just do so indirectly. Property owners pay the taxes and pass on the cost to residents via their rent. Moreover, apartments are typically taxed at a higher effective tax rate. When you consider the fact that education is the single largest expense for most jurisdictions, and that apartment households have significantly fewer school age children, but (indirectly) pay higher property taxes, it appears that in many cases, apartment residents are actually subsidizing their single-family neighbors."

"By refuting the myths about apartments, including the perception that apartments inordinately burden local school systems, we can help localities grow smarter and create more livable communities," added NMHC President Doug Bibby. "In addition to placing fewer demands on public services, apartments make other valuable contributions to communities. Their high density nature can accommodate population growth and still preserve open space. Apartments can help create the pedestrian-friendly neighborhoods many citizens are calling for and provide life to downtowns after office workers shut down for the day. They are also an important catalyst for revitalizing deteriorating neighborhoods. Most importantly, communities that preclude or limit renters, limit their own economic prosperity because they push much-needed employees and customers for local businesses into other areas. Generally, areas that offer a diversified work force and a wide range of housing are more likely to attract top employers and retain expanding local businesses"