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## Price Charities Impact Study: Assessing the Impact of Affordable Rental Housing on Neighboring Apartment Buildings

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## **EXECUTIVE SUMMARY**

City Heights experienced numerous changes between 1960 and 1994 that caused a middle class suburb to change demographically and socioeconomically. A rapid influx of foreign-born immigrants, lack of police presence, high crime rates, and disinvestment from businesses created a changed City Heights. Price Charities saw it necessary to intervene and remedy the city's ailments by creating the "City Heights Initiative." The initiative focused on improving quality of life issues and services ranging from healthcare to education, and most recently affordable housing.

To measure the impact of Price Charities' affordable housing units, both quantitative and qualitative methods were applied. Qualitative methods consisted of semi-structured interviews with local stakeholders, surveying private landlords and property managers, and observing various apartment buildings to ascertain if changes in quality were made due to Price Charities' housing investments. Quantitative methods included a descriptive analysis, a comparative analysis with a similar neighborhood, as well as a spatial analysis of City Heights.

Based on the findings, Price Charities' affordable housing developments were unable to substantially increase or decrease neighboring property values or quality of units. Two relatively small housing projects may be insufficient to have a significant impact on the surrounding neighborhood. A critical mass of affordable units might be required to make a difference. Changes in rental prices were due more to low housing stock and increasing demand from potential tenants. Quality of units was seen to be unaffected by neighboring competition.

## **ISSUE**

### **Problem Definition**

City Heights experienced dramatic demographic and socioeconomic changes due to increases in population, lack of public goods to meet the demands, and disinvestment. City Heights is located in eastern San Diego County, California and is known for its ethnic diversity. City Heights consists of 16 neighborhoods with a population of 74,000 all living in a four-mile radius, making it the densest community in San Diego County (City Heights Community Plan, 2004).

Before 1960, City Heights was a predominantly middle class neighborhood with the majority of its population living in single-family homes. The population was 37,500 with an ethnic makeup of 93% white, 2% black, and 5% Hispanic (SDPD, 1998). Housing units were 85% single-family and 15% multi-family (Charities, 2011a).

Between 1960 and 1990, the city experienced an unprecedented population growth and a demographic shift. Most residents became foreign born (42.4%) (SDPD, 1998). Only 63% of adults completed high school and 33% are non-English speakers (Heights, 2013). Since the 1970s, the median income has been declining as the population grows (City

Heights Community Plan, 2004). According to the 2000 census, the average median income in City Heights was around \$23,000, while that of San Diego was more than double at \$47,000 (City Heights Community Plan, 2004). In the 1990s, City Heights experienced the highest crime rates in San Diego (Charities, 2013). Due to an insufficient police force businesses began to flee. Properties became dilapidated. Disinvestment and lack of private and public services subsequently became commonplace (Charities, 2013).

## **CITY HEIGHTS BACKGROUND**

### **Zoning Changes and Population Boom**

A zoning change allowed for high-density apartment complexes throughout the 16 neighborhoods, potentially contributing to the boom in population growth. The majority of the new residents emigrated from underdeveloped foreign countries, accelerating demographic and socioeconomic changes (Malpazzi, 1996). The San Diego City Council believed that an increasing of density in Mid-City would help to increase business and commerce (SDPD, 1998). Since then, developers began removing single-family homes and putting up low-quality and low-price apartments. In 1970, the percentage of multifamily units in City Heights increased to 31% from only 9% in 1950 (EHC, 2011). In a study of 50 metropolitan areas, Rothwell and Massey find that certain zoning practices exacerbate segregation between low-income and high-income areas, keeping the concentration of poverty in denser areas in metropolitan cities (Rothwell & Massey, 2010). Higher population density and low quality housing are demonstrated to be highly correlated with increasing crime rates (Suresh & Vito, 2007). The 1998 Mid-City Development Plan identified the increased multi-family residential housing and the deterioration of housing stock caused by zoning changes as one of the main reasons for the lack of public goods (i.e. centralized police station) that led to increased crime rates and a decrease in public safety (SDPD, 1998).

### **Lack of Public Good and Elevated Crime Rates**

A centralized police department was unable to provide quick response times and keep up with a rapidly growing population. A lack of police presence and increasing response times resulted in elevated crime rates throughout the city (Charities, 2013). The diminished police presence can be viewed as a lack of public goods. A public good is a good that is enjoyed by all and individuals cannot be excluded from use. In addition, use by one does not reduce availability to others (Wooldridge, 2009).

The police department did not adapt to the changing characteristics of City Heights and expand its police presence to match the growing population; therefore, they were not able to supply the residents of City Heights with the public good of police. The benefits to commit crime began to outweigh the costs. Unsafe neighborhoods due to increased criminal activities, was imposed on the community and the residents of City Heights.

### **Disinvestment**

Elevated crime rates coupled with increased demographic and socioeconomic changes may have contributed to socially desirable businesses and corporations disinvesting in the community (SDPD, 1998). Socially undesirable businesses such as pawnshops, check cashing shops, liquor stores, businesses seen in low-income communities, became

commonplace (City Heights Community Plan, 2004). In addition, suburban shopping malls began siphoning business away from local commercial districts (City Heights Community Plan, 2004). The final blow to the community of City Heights came in 1994 when a local Vons grocery store closed. Vons was one of only two supermarkets in City Heights. The closing further reduced residents' options for adequate shopping and consumer services (Charities, 2011a). Residents' only option was to travel miles outside of City Heights to shop and buy their necessities.

## **PRICE CHARITIES**

Price Charities is designated as a 501(c)3 nonprofit. Price Charities became involved in City Heights in 1994 when they read about a local Vons closing in the community and the detrimental effects it would have on the residents. They became aware of the depletion of inner-city neighborhoods, the jobless ghettos, and subsequent private and public disinvestment occurring in these communities (Charities, 2013). Housing was sub-standard, public services were lacking, and crime was rampant (Charities, 2013). Price Charities felt a social obligation to address the problems plaguing City Heights by creating a non-profit, socially responsible corporation that would invest in inner cities (Charities, 2013). This led to the creation of Price Charities and the "City Heights Initiative" and the following economic investment and real estate development throughout City Heights. The "City Heights Initiative's" aim was to revitalize the urban community of City Heights by improving public safety, housing, retail, and other quality of life services (Charities, 2011a).

In recent years, Price Charities has begun to incorporate quality housing at affordable prices as part of their "City Heights Initiative" and has developed two complexes, the Village Townhomes, completed in 2003, and City Heights Square, completed in 2011. In order to evaluate these housing initiatives and guide future housing development plans, both quantitative and qualitative research methods will be utilized to understand the impact of Price Charities' affordable housing projects on the quality and affordability of neighboring rental units in City Heights.

## **RESEARCH QUESTIONS**

Based on past and current literature of how the quality of affordable housing structures affect neighboring property values, Price Charities seeks to find out the impact of their newly constructed affordable housing units on the surrounding community. To find the answer, Price Charities asks a more general question about the historical cycle and the market environment of rental properties in City Heights, and more specific questions about the organization's impact on its neighboring rental properties. The research questions are:

1. What is the context of the rental housing market in the community of City Heights?
2. Does Price Charities' affordable housing projects have the ability to significantly affect neighboring property values and/or alter neighboring apartments' rental prices?

3. What is the impact of the Price Charities' affordable housing developments on the quality of neighboring apartment units?

It is important to note that Price Charities' definition of affordable housing is not the same as the government's definition. Price Charities does not provide government defined affordable housing; rather they provide "quality housing at affordable prices" typically below market price.

## **LITERATURE REVIEW**

In our study looking at the impact of Price Charities' affordable housing units on the surrounding neighborhood, we realize that Price Charities is just a single part of the impact equation. There are other environmental, internal, and possibly other unrecognized factors, that could affect neighboring property values. In order to realize the impact by Price Charities, we must first identify other possible variables of affordable housing units that have shown to impact neighboring property values.

According to the literature regarding the impacts of affordable housing on neighboring property values, the results are varied. One study finds that affordable housing units cause neighboring property values to increase. Another study finds that affordable housing units cause a decrease in neighboring property value. Furthermore, the literature suggests that many factors come into play when determining the impacts of affordable housing on nearby neighboring properties. The design and management of the project, the compatibility between affordable housing and surrounding community, and a variety of other factors are able to completely change the results (Nguyen, 2005).

### **Variables that Impact Property Values**

#### *Quality of Management*

The quality of management in the affordable units is a factor in determining its effect on neighboring values (Goetz et al., 1996). According to the literature, a neighborhood-based organization is quicker to respond to community concerns. In Minneapolis, it was found that non-profit owned affordable housing bolstered neighboring property values (Goetz et al., 1996). It was also found that proximity to abandoned homes was a factor in determining the impact of the affordable units (Goetz et al., 1996).

#### *Quality of Housing Units*

The quality of the affordable housing units is also a factor when determining their impact on neighboring properties. Whether the units are newly constructed, rehabilitated, or existing structures, determines the impact on neighboring properties (Briggs et al., 1999). Briggs et al. (1999) found that newly constructed affordable housing had no detrimental effects on nearby property values. Rehabilitated affordable housing has been shown to have beneficial impacts on neighboring communities (Nguyen 2005). Furthermore, when rehabilitation occurs in dilapidated and depreciating neighborhoods, the increase in nearby property values is stronger (Santiago et al., 2000). Existing housing that is converted to affordable housing units has been found to not affect neighboring property values (Goetz et al., 1996). Neighbors were unable to tell that the units were designated as affordable or the residents were low-income.

### *Economic Characteristics of Host Neighborhood*

The characteristics of the host neighborhood, whether it was urban or suburban, were found to affect the amount of impact affordable housing has on neighboring communities. In Philadelphia, affordable housing units located in suburban neighborhoods negatively affected nearby property values (Lee et al., 1999). When compared to urban neighborhoods, suburban locations saw a 35% decline in neighboring property values (Lee et al., 1999). In Denver, it was shown that rehabilitated affordable housing units positively affected neighboring property values even when they were located in neglected and deteriorating areas (Santiago et al., 2000). The visible contrast between the newly rehabilitated structures and existing housing caused surrounding property values to appreciate (Santiago et al., 2000). They further postulate that quality and management of a property affect neighboring property values regardless of whether it is a privately owned unit or an affordable housing unit (Santiago et al., 2001).

### *Demographics*

Demographics are another factor that affects the impact of affordable housing on neighboring property values. In Baltimore, Galster et al. (1999) found that a positive correlation between affording housing and property values. When affordable housing was located in wealthier white neighborhoods, property values were positively affected (Galster et al., 1999). When located in low-income communities, typically racially mixed, a negative association between property values and affordable housing was found (Galster et al., 1999). However, Briggs et al (1999), found that when affordable housing was built in white middle class neighborhoods, no significant effect on surrounding property values was found.

## **Significance of Impact**

### *Size of the Project*

Size of the affordable housing project is an important factor in determining the significance of the impact on neighboring property values. When the new housing project is large, it can lead to a population growth effect, which can lead to more street traffic, improve neighborhood safety, and promote economic development by fueling demand for retail services. When the project is too small, its impact is limited (Schwartz et al, 2006). In New York, the large affordable housing projects, 66,000 total units, account for about 52% of the total units in the study area. Projects of that size could significantly improve the neighboring property values by about 12.2% on average, due to the fact that they account for a large proportion of the housing units in that given area (Schwartz et al, 2006). In contrast, Denver's dispersed subsidized houses, which only have one to two households, could only slightly improve the neighboring property values (1.7%) (Santiago et al, 2001).

### *Location*

Generally, it is found that affordable housing projects tend to have a larger impact on low-income neighborhoods. However, when the project is small (e.g. 50 units), the impact is diminished when located in a low-income neighborhood compared to a high-income neighborhood. In New York, a 50-unit project could increase neighboring

property values by 14.3% in a high-income area, whereas it could only increase the neighboring property values by 6.7% in a low-income neighborhood (Schwartz et al, 2006).

### **REFLECTION ON THE STUDY**

Ideally, following the existing literature, a regression model (hedonic pricing or repeat sales) could sufficiently control all the variables in literature review and show the specific impact of Price Charities' two projects on their neighboring property values (i.e. positive or negative and significant or not significant). This method required a sufficient amount of micro-level data about various characteristics of apartments located in the 2,000 feet vicinity of Price Charities' two projects in the past decade. This information was hard to come by and as Community Housing Works mentioned to us, it is hard to track the rental housing market in City Heights due to a lack of information. Data sources tend to track larger, more institutional properties, buildings with 75 or more units, which City Heights has very few of (Gatzke, 2014).

More importantly, an area without affordable housing projects managed by Price Charities can help to improve the accuracy of an impact estimate by eliminating the potential effects of general shocks (i.e. recession) in the housing market. Even though we have successfully found a comparable neighborhood without Price Charities' housing investments, a lack of micro data on the comparable neighborhood made this research strategy unfeasible. Nevertheless, we are still able to roughly determine whether Price Charities' projects can have a significant impact on neighboring property values, however, we cannot determine if it is a positive or negative impact. Therefore, based on existing literature, we utilized a mixed methods approach, which will be discussed in next section, to answer our research questions.

### **METHODOLOGY: A MIXED METHODS APPROACH**

We conducted both quantitative and qualitative analysis to answer the three research questions. The details for each question are as follows.

#### **Research Question 1: What is the context of the rental housing market in the community of City Heights?**

To answer our first research question, a complete quantitative analysis on the general housing market in City Heights was conducted. We followed the research structure used by the Department of Housing and Urban Development (HUD) (Aten, Figueroa, & Martin, 2011). Specifically, we conducted a general descriptive analysis of the overall economic development in City Heights. We also explored the demographic (ethnic/race) changes, employment, and median household income in City Heights from 2000 to 2012. Such information is critical because, based on our literature review, shifts in demographics and economic development may lead to changes in property values. Under the section of housing market conditions, a special focus had been put on the development of market rate and affordable housing projects in City Heights. We have

also compared the situation in City Heights with San Diego County to evaluate the relative position of City Heights. Therefore, the general descriptive analysis is able to provide a systematic understanding of the overall rental housing market conditions in City Heights.

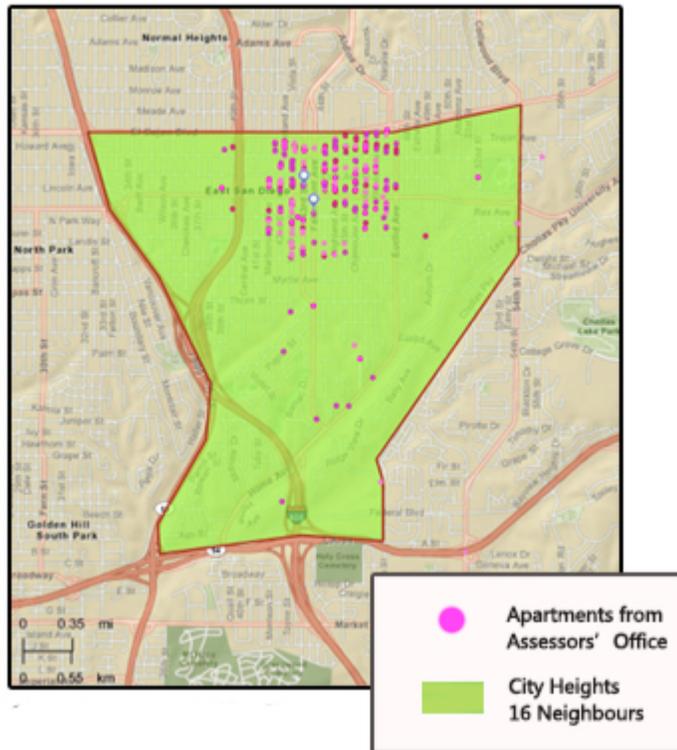
**Research Question 2: Does Price Charities' affordable housing projects have the ability to significantly affect neighboring property values and/or alter neighboring apartments' rental prices?**

The second research question called for multiple analyses, including quantitative, qualitative (surveys and interviews) and a literature review. Quantitative analysis was conducted using data from the San Diego County Assessor's Office to gain more information on apartment buildings that were within the 2,000 feet ring centered on Price Charities (see Map 1 below); data on 290 apartment buildings was gathered from the Assessor's Office, which included: number of units, number of apartment buildings, and year buildings were constructed (Assessor's Office, 2014). According to the literature, the impact of one affordable housing project is often restricted to a 2,000 feet ring (Ellen et al, 2007; Santiago et al, 2001; Nguyen, 2005). We also conducted a comparative study to determine if there were different housing market trends in the 2,000 feet ring surrounding Price Charities' affordable housing projects and the 2,000 feet ring surrounding a comparative neighborhood (Santiago et al, 2001; Nguyen, 2005). This comparison can potentially show whether Price Charities' projects have a unique impact on their neighborhood's housing market, as opposed to another similar project in a different neighborhood. In addition, through a literature review, we also compared Price Charities' housing programs with other housing programs in New York and Denver that have already been evaluated.

### Map 1: Distribution for Assessor's Office Data\*

\*Information on 290 buildings were collected in the 2,000 feet ring of Price Charities marked by the concentration of pink dots

## Distribution for Assessors Office Data



Source: Assessor's Office, 2014

Given the limited information from the Assessor's Office, surveys (see Appendix A-1) were also utilized to gain more in-depth information about the buildings in Price Charities' 2,000 foot ring. Surveys were targeted towards private landlords and property managers who oversee rental apartment buildings in that specific area. Survey questions were a mix of closed and open-ended questions and touched on background information (i.e. vacancy rates, number of units and year building was purchased or built), price (historical and current prices for 1, 2 and 3 bedroom units), and quality of units. With survey information, we evaluated how monthly rental prices changed over the years. Open ended questions focused on landlords'/owners' reasons for altering rental prices, and we also probed whether competition with Price Charities (or other similar buildings) had a bearing on their decisions to change rental prices.

Of the 290 property records from the Assessor's Office, we were able to retrieve 194 property owners' contact information. In total, we received 19 market-rate surveys in the 2,000 foot vicinity of Price Charities. Approximately 15 property owners/property managers completed the 19 surveys, because three owners/managers oversaw multiple buildings. Of these three owners/managers, one oversees three buildings and the others managed two buildings each. The remaining 12 buildings each had a single owner. In

regards to the 15 respondents, 11 were building owners or landlords and four were property managers. When asked about their total ownership of buildings (ownership of buildings beyond City Heights, and even beyond San Diego), the majority of respondents (40%) said they only owned that single apartment building for which they were surveyed; 33% owned 2 to 10 apartment buildings total; 20% had 11 to 20; and 7% had above 20 apartment buildings. Some of the information from the 19 buildings was compared to both Price Charities' buildings (Village Townhomes and City Heights Square). In addition, face-to-face interviews with each of Price Charities' building managers were conducted during the research team's visit to San Diego in April 2014.

### **Research Question 3: What is the impact of the Price Charities' affordable housing developments on the quality of neighboring apartment units?**

The answers to the third research question came largely from the surveys we conducted. Respondents were asked to describe quality improvements they made to units and buildings over time. We also asked what they attributed these changes to, in an attempt to decipher whether the presence of Price Charities had made any impacts on landlords' decisions to improve quality. The survey questions were based on the American Housing Survey (U.S. Census Bureau, n.d.) and the Rental Housing Finance Survey (U.S. Census Bureau, n.d.). The questions on these government-administered tools were useful to adapt in our own surveys because they assess quality in specific measures. Thus, our survey questions concentrated on the conditions and/or improvements potentially made by apartment landlords to physical characteristics and amenities such as: appliances, heating or air conditioning system, roof, windows, doors, flooring/carpeting, exterior, plumbing system, electrical system, kitchen facilities, bathroom facilities, security system, swimming pool, playground or play area, and handicapped/universal access.

Lastly, semi-structured interviews (see Appendix A-2; A-3) with key experts (i.e. nonprofit and public agency leaders) in the housing arena in San Diego were conducted to give context to all of the three aforementioned questions. From these individuals, we learned their perceptions of the City Heights rental environment. Mostly, we wanted to learn from them whether they believe that landlords' decisions to change quality or prices of their private rental units, resulted from competition, structural community changes, shifts in demographics, development of housing/private investments, shifts in property values/economy, and/or changes in social/community ties among residents. While competition with Price Charities may be one reason that these interviewees discuss, we wished to explore the other environmental factors that may have impacted landlords' decisions.

We identified particular nonprofits and public agencies as interviewees because they are well versed and experienced in the City Heights rental market (i.e. Community Housing Works). All organizations (see Table 1 below) also have mission statements with an aim to improve housing quality in City Heights, and can therefore, speak to changes in the rental-housing field in the last 10 years. Interviewees were screened to ensure that they had ample experience working in the housing sector in City Heights or the greater San

Diego area. Semi-structured interview responses are embedded throughout the findings sections.

**Table 1: Interviewees for Semi-Structured Interviews**

<b>Nonprofits and Public Agencies</b>
<b>Price Charities (Nonprofit)</b>
<b>Community Housing Works (Nonprofit)</b>
<b>City Heights Community Development Corporation (Nonprofit)</b>
<b>San Diego Housing Commission (Public Agency)</b>
<b>San Diego County Apartment Association</b>

## **DATA SOURCES**

Our primary data sources for quantitative analysis were the decennial census database, the American Community Survey (ACS) database, USC Lusk Center Database (REIS), San Diego County Apartment Association, and data published on the websites of Price Charities. Census and ACS provided data including: fundamental demographic characteristics and economic development in City Heights over time such as population, employment, median income, rental units and essential geographic data (i.e. boundary maps) (Census Bureau, 2011). Data about rental units, apartment locations, affordable housing projects for the neighborhood of Price Charities’ projects, and comparable projects in the 2,000 foot ring and beyond were collected from the Assessor’s Office and the Department of Housing and Community Development of San Diego.

Online databases such as City-Data.Com and FindtheBest.Com provided detailed descriptions about different affordable housing projects in City Heights. Landlord or property manager information for the surveys was gathered from the San Diego County Assessor’s office. Again, a 2,000 ft. concentric circle, centered on Price Charities’ affordable housing buildings, encapsulated our study area. The study area was bounded by El Cajon Blvd (North), Dwight St (South), Escondido Freeway (West), and Euclid Ave (East). While we attempted to find contact information for the almost 300 apartment buildings in the study area, we were only able to find about 200. We used a “people search” service online entitled Intelius.com to determine the phone numbers and/or email addresses associated with each of the apartment building’s owner.

## **ANALYSIS AND FINDINGS**

### **I. Findings from Question 1: What is the context of the rental housing market in the community of City Heights?**

#### **Demographic Changes and Economic Conditions**

City Heights is still one of the most densely populated regions in San Diego, though the total population of City Heights has decreased by an average of about 500 people, or 0.6% a year from 2000 to 2012 (Census, 2000a & Census, 2012a) (see Table 2 below). In 2012, the population density of City Heights was 15,638 people per square mile while the

population density of San Diego was only 4,089 people per square mile (Census, 2012a). Concerning demographic changes, City Heights had fewer immigrants from 2000 to 2012. Still, about 40% of the population was foreign born in 2012 and most of them came from Latin America and Asia (Census, 2012a) (See Appendix B Graph 1 & 2). According to what we discovered in our literature review, upward demographic shifts could potentially increase the average property values in City Heights. However, as the literature indicates, communities with more residents of color are less likely to see increases in surrounding properties' values as a result of construction of new affordable housing buildings (Santiago et al, 2000).

**Table 2. Demographic and economic changes in City Heights from 2000 to 2012**

<b>City Heights</b>	<b>2000</b>	<b>2012</b>
<b>Total population</b>	83,084	76,608
<b>Annual Growth Rate</b>		-0.6%
<b>Median household income (dollars)</b>	32,344	34649
<b>Annual Growth Rate</b>		0.6%
<b>Total rental housing units</b>	18,613	17698
<b>Annual Growth Rate</b>		-0.41%

*Source: U.S. Census, ACS 2000 & 2012*

Bearing in mind the challenges regarding property values that can occur in low-income communities, economic development in City Heights was stagnant between 2000 and 2012. The median household income in City Heights had only increased by 0.6% a year since 2000 and was only about half of the median household income in San Diego in 2012 (Census, 2012b) (See Table 2). In addition, the unemployment rate remained high in City Heights during the same time period. Even though the unemployment rate had decreased somewhat from 10.8% to 9.6% from year 2000 to 2010, the unemployment rate was always much higher than the average of San Diego County (Census, 2000b). In 2013, unemployment rate in City Heights reached its peak of 13.2% in 2013 while the average in San Diego was 9.6% (Census, 2000b).

### **Rental Housing Market in City Heights**

According to Price Charities, the rental housing market has changed quite a bit in the last ten years (2003-2013) (Hervey, 2014). In 2007, City Heights went through a strong phase of condo conversion. Many apartments were converted into condominiums causing a decrease in rental units throughout the city. Coupled with the fact that no new apartment complexes were being built in the same period, families began to consolidate as the affordability of rental units decreased (Hervey, 2014). The rental housing market has also changed partially in part to the greater influx of people moving into City Heights (as evidenced by the information we retrieved from the Census). Price Charities believes that this could have impacted rental rates and caused them to increase due to rising demand and stagnant multifamily housing stock in City Heights (Hervey, 2014).

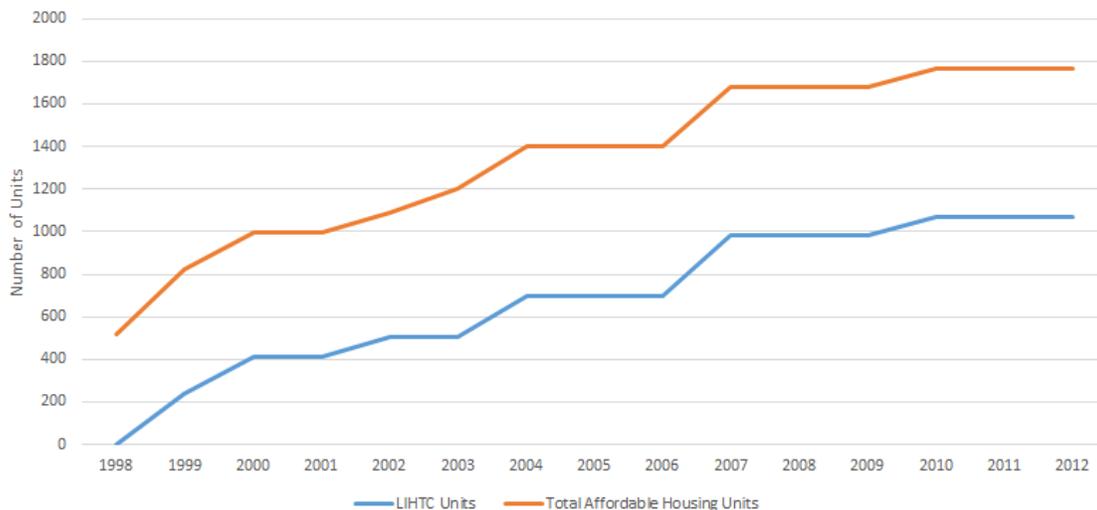
### Changes in Rental Units Supply

Based on official data from multiple sources, between 2000 and 2012, City Heights experienced a decrease in rental housing supply. The total amount of rental apartment units in City Heights had decreased by 915 units from 2000 to 2012 (Census, 2000a & Census, 2012a). It was only in recent years (2010 to 2012), that the total rental units started to increase by a rate of about 2% each year (Census, 2000a & Census, 2012a). However, since the third quarter of 2012, no new market rate apartment buildings have been built in City Heights (REIS, 2013).

It was government subsidized affordable housing projects that developed rapidly since 2000. Apart from Price Charities' mixed-use affordable housing developments in 2003 and 2011, the supply of affordable housing units has come mostly from the Low Income Housing Tax Credits (LIHTC) projects (see Graph 1 below) (Find the best, 2014). Before 1999, the total amount of government subsidized affordable rental units in City Heights was only about 515 (SDDHCD, 2013). About 26% of them were section 8 housing projects and none of them were LIHTC programs (Find the best, 2014).

Since 1999, 10 LIHTC projects with a total of 1,067 units had been built in City Heights (Find the best, 2014). Today, among the total 1,767 affordable housing units in City Heights, 1,067 of them are Low Income Housing Tax Credits (LIHTC) programs, which is about 60% of the entire stock of affordable housing in that area (See Graph 1 below) (Find the best, 2014). Despite the increase in affordable housing units (increased by 773 from 2000 to 2012), the total rental units in City Heights (i.e. affordable plus market rate) still decreased from 2000 to 2012. Therefore, we estimate that the amount of market rate rental units decreased rapidly in this period by about 1,688 units (see Table 2 above).

**Graph 1: Affordable Housing Units in City Heights**



Source: San Diego Department of Housing and Community Development (SDDHCD)

### Strong Demand on Rental Units

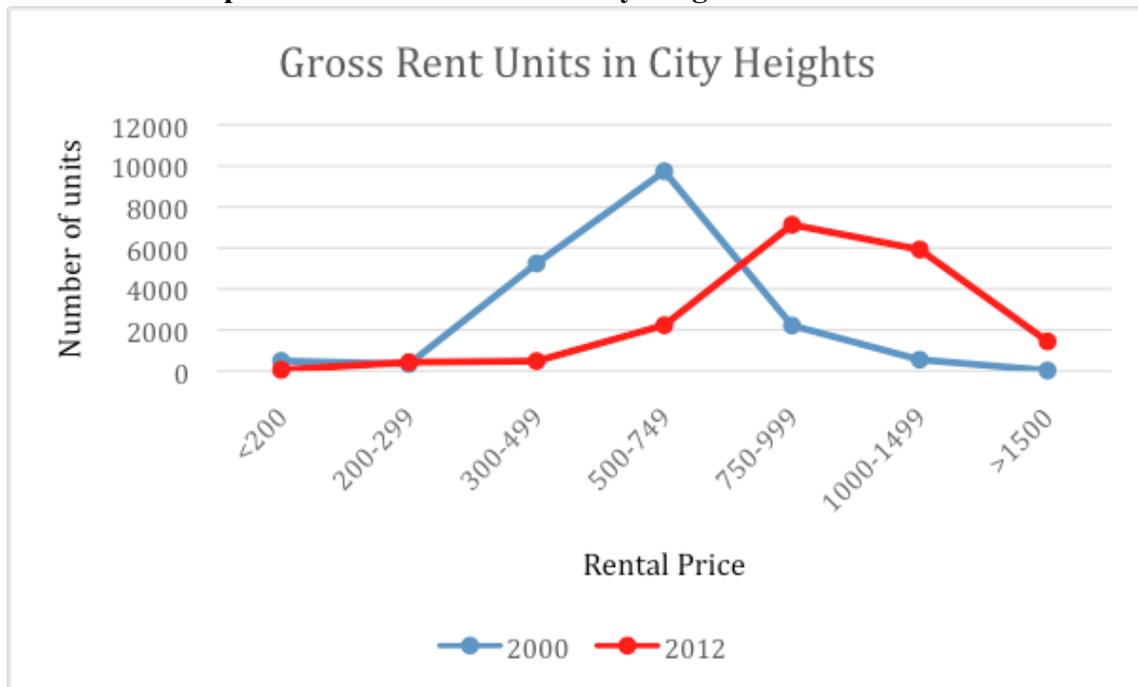
During our visit in City Heights, it was very difficult to find a vacant apartment unit for rent. Many property management companies had long waiting lists (Observation, 2014).

In 2013, the vacancy rate for rental properties with an age of 6 to 25 years was zero (SDCCA, 2013). Even for the low quality apartments with an age of more than 25 years, the vacancy rate was low (6.6%), which was slightly higher than the average of San Diego (4.5%) (SDCCA, 2013). This high demand on rental units followed the general pattern in other communities in the area east of I-15, which includes City Heights. The vacancy rate there had dropped significantly in 2013 (2.5%) (SDCCA, 2013).

**Increasing Rental Price**

In City Heights, many apartment units had a price higher than \$750 in 2012, compared with the data in 2000 (see Graph 2 below) (Census, 2000 & 2012). The units in the range of \$300 to \$750 had decreased dramatically (Census, 2012). However, due to the large amount of low-income families in the area, the average rental price of City Heights was still much lower than the average of San Diego, and the median rent was only about 78% of the median rent in San Diego (Find the best, 2014). This increasing trend in rental price followed the general pattern in the area East of the I-15, which includes City Heights. (See Appendix B: Map 3 & Graph 4).

**Graph 2: Gross Rent Units in City Heights in 2000 and 2012**



Source: U.S. Census Bureau (Census, 2000a & 2012a)

East of I-15, there was a relatively steady rental price increase in the past decade. Only in 2009 was there a sudden fall because of the international financial crisis. However, the housing rental market there quickly recovered to the price level pre 2009 over the next three years and reached its peak in 2013 (Appendix B: Graph 4; Table 1).

## **II. Findings from Question 2: Does Price Charities' affordable housing projects have the ability to significantly affect neighboring property values and/or alter neighboring apartments' rental prices?**

### **Price Charities' buildings may have little impact on surrounding property values due to its size and location**

Per the methodology section, data was gathered from the Assessor's Office to determine distinct apartment trends that were occurring within 2,000 feet of Price Charities' buildings. This information was compared with a nearby 2,000 feet ring-neighborhood in Talmadge, which was centered on similar affordable housing complexes: Talmadge Senior Village and Wesley Terrace. The information from both neighborhoods were then compared to the New York and Denver studies that evaluated how property values increased or decreased based on the existence of newer, affordable housing programs in a 2,000 feet ring.

Based on the information gathered from the Assessor's Office and the literature review of the New York and Denver studies, we can conclude that the number of Price Charities' units - 208 units, in total - may not significantly impact surrounding property values, because they only comprise a small percentage of the total number of apartment units in the 2,000 feet ring (6%). Further, the location of Price Charities also has a bearing on the magnitude of its impact on property values; being located in an extremely poor neighborhood hinders the potentially great impact that new, affordable housing complexes can have on surrounding property values.

We gathered information on 290 buildings within the 2,000 feet ring from the Assessor's Office and determined that no new apartment buildings were built since 2000, aside from Price Charities' buildings (Assessor's Office, 2014). Most of them (143 out of 290) were built in the period of 1961 to 1980 (Assessor's Office, 2014) (Appendix B: Graph 3). We attempted to contact all owners and/or property managers of the 290 buildings to conduct surveys over the phone and gather more in-depth information. The 19 total surveys received provided a bit more insight into the years buildings were either constructed or bought. Most survey respondents did not build the buildings; rather, they (or in some cases, the property managers' bosses) purchased the properties from previous owners. The information on the 290 buildings showed that hardly any buildings were being constructed after 2000, however, we can conjecture that properties were switching hands after 2000. This is due to the fact that survey results (see Table 3 below) showed that 53% of respondents started to own properties after 2000. Approximately, 26% of the survey respondents did not remember when they acquired or started to manage the properties.

**Table 3: Survey Results: Year properties were built or purchased**

<b>Respondents (n=19)</b>	<b>Year property was built/purchased</b>
26%	unknown/wouldn't say
21%	1975 to 1989
0%	1990 to 1999
42%	2000 to 2010
11%	2011 to present
<b>Price Charities Respondents (n=2)</b>	<b>Year property was built</b>
50%	2000 to 2010
50%	2011 to present

Of the 290 buildings whose information was collected from the Assessor’s Office, a large portion had about 10 to 13 units (Assessor’s Office, 2014). Interestingly, and quite the opposite, the majority of the 19 buildings for which we received surveys had 7 to 8 units (53%). Regardless, these numbers are a great deal lower than the number of units that Price Charities buildings have. Each of the Price Charities properties have close to 100 units, as is seen in the table 4 below.

**Table 4: Survey Results: Number of units in each building**

<b>Respondents (n=19)</b>	<b>Number of Units</b>
21%	5 to 6
53%	7 to 8
16%	9 to 15
0%	16 to 20
11%	21-40
<b>Price Charities Respondents (n=2)</b>	<b>Number of Units</b>
City Heights Square (50%)	92
Village Townhomes (50%)	116

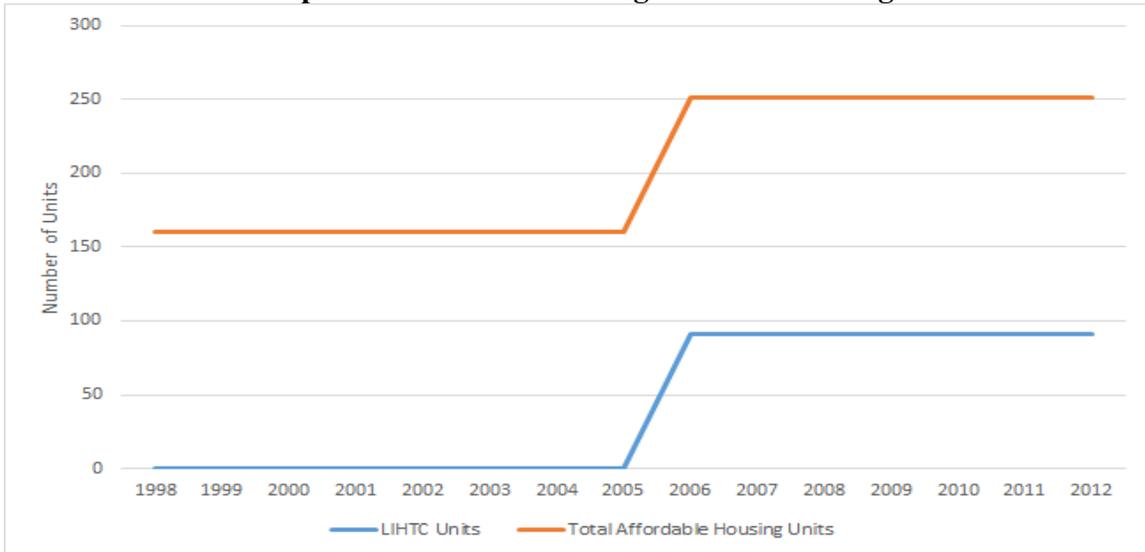
The two Price Charities’ projects, City Heights Square and Village Townhomes, have a total of 208 units and only about 40 of them are affordable units. In their 2,000 feet ring, the total amount of rental units is about 3,407 in 2012 (Assessor’s Office, 2014). Therefore, Price Charities’ units account for only about 6% of the housing units in this 2,000 feet ring (Assessor’s Office, 2014). If compared to the total affordable housing units in City Heights, which includes LIHTC buildings, Price Charities’ projects were only about 12% of the total units (1,767) in 2012 (See Appendix C: Table 1).

The number of Price Charities’ units relevant to the entire composition of the apartments within the 2,000 feet ring gave us context for evaluating the scope of Price Charities’ impact. To determine whether Price Charities’ scope (6%) within a specified area is common, we compared Price Charities’ 2,000 feet study boundary with that of the North East Talmadge neighborhood (Appendix C: Map 1). The 2,000 feet ring was centered on

comparable buildings to that of Price Charities’ two projects; we chose senior two LIHTC buildings with 251 units total as these buildings fare closely to Price Charities’ projects for multiple reasons. Statistical data shows that this area has very similar characteristics to the 2,000 foot ring surrounding the Price Charities’ projects. Its median household income and median rent are slightly higher than Price Charities’ neighborhood, and its median house value is lower (Appendix C: Table 2). In our observation, the housing/rental environment of these two areas was quite similar and we believe they have similar levels of development (See Appendix D).

The one slight difference is that the LIHTC units in Talmadge developed very slowly, as compared with that of City Heights (mentioned in Findings I). They only have two affordable housing projects (Wesley Terrace and Talmadge Senior Village), which were built in 1972 and 2006 respectively (see graph 3 below). Despite the different levels of affordable housing in the community of Talmadge and City Heights, the particular 2,000 foot areas we isolated in each community were quite similar.

**Graph 3: Affordable Housing Units in Talmadge**



Source: San Diego Department of Housing and Community Development

In the comparable neighborhood in Talmadge, the two affordable housing projects with 251 units that we likened to Price Charities, accounted for more than 6% in its 2,000-foot ring. In Talmadge, the comparable apartments there accounted for 18.5% of the housing units (Assessor’s Office, 2014). Furthermore, this comparable neighborhood has a median income of \$36,181, which is more than the median income of City Heights (\$35,095) in 2011 (Assessor’s Office, 2014; Census, 2012a) (Appendix C: Table 2)

We then compared the findings of the 2,000 foot areas centered on Price Charities and the Talmadge Senior housing complex with results from New York’s and Denver’s affordable housing programs (per the Literature Review). As discussed before, the size of the projects and the location in a low-income neighborhood are key factors in determining the significance of affordable housing’s impact. The larger size of the

projects relative to the composition of the neighborhood could lead to larger impacts and changes on property values (Schwartz et al, 2006; Santiago et al, 2001)

Meanwhile, low-income neighborhoods can reduce the impact of relatively small housing projects. Since Price Charities’ two projects are a small portion (6%) of the total apartment units in their distinct 2,000 feet circle in a low-income neighborhood, they may not be sufficient enough to significantly impact neighboring units within that circle. This is especially true given that in New York, the city saw more of a significant impact because the affordable housing projects there had replaced blighted areas and accounted for 52% of the total units in the respective 2,000 feet circle. The relative larger size of the projects in Talmadge (18.5%) and the higher income level of the neighborhood imply that the two affordable housing projects in Talmadge have a higher probability to significantly affect the neighborhood’s property values. Price Charities’ neighborhood proves to be a challenge for a significant impact on surrounding property values as it only has a median income of \$30,631, much lower than even the median income of City Heights (\$35,095) in 2011 (Census, 2012a) (Appendix C: Table 2).

**Price Charities have little direct impact on landlords’ decisions to change rental prices**

Through surveys and interviews, we evaluated how monthly rental prices changed in the 2,000 feet ring of Price Charities in the past 10 years. More importantly, however, we directly asked survey respondents (i.e. landlords, owners, and/or property managers) the reasons for why they altered rental prices. When asked directly about the impact Price Charities - or other similar buildings - had on their decisions to change rental prices, most survey respondents answered that such buildings had little to no impact on their decisions. To reiterate, 19 surveys were completed over the phone with 15 owners and/or property managers.

Related to pricing, neighboring properties that were surveyed and Price Charities were priced very similarly with regards to 2-bedroom units (see Tables 5 & 6). The story is a bit different with regards to 1-bedroom units, as Price Charities’ rental market rates were higher than neighboring properties. On the other hand, when comparing the pricing of 2-bedroom units between Price Charities and the surrounding apartment buildings, one can see from the two tables below (Tables 5-6) that they are quite similar. One reason we can attribute to Price Charities’ higher prices for 1-bedroom units is the fact that Price Charities’ units are of higher quality (i.e. security, amenities, upgrades, etc.) (Observations, 2014).

**Table 5: Survey Results: 2014 Monthly Rental Prices of Price Charities**

<b>Price Charities</b>	
<b>1 bedrooms (n=6)</b>	
<b><u>% of 1 bedroom apts</u></b>	<b><u>2014 Rental Price per month</u></b>
100%	\$1,110
<b>2 bedrooms (n=14)</b>	
<b><u>% of 2 bedroom apts</u></b>	<b><u>2014 Rental Price per month</u></b>

41%	\$809-1055*
59%	\$1,200
<b>3-4 bedrooms (n=170)</b>	
<b><u>% of 3-4 bedroom apartments</u></b>	<b><u>2014 Rental Price per month</u></b>
39%	\$720-1595*
56%	\$894-\$1315*
5%	\$962-1490*
<i>*Note that price variation is due to Price Charities' SD Housing Commission's set prices on some affordable units</i>	

**Table 6: Survey Results: Monthly Rental Prices of Neighboring Units**

<b>Neighboring Properties (2,000 ft away from Price)</b>	
<b>1 bedrooms (n=8)</b>	
<b><u>% of 1 bedroom apts</u></b>	<b><u>2014 Rental Price per month</u></b>
13%	under 700
25%	\$700-750
38%	\$751-800
25%	\$801-850
<b>2 bedrooms (n=14)</b>	
<b><u>% of 2 bedroom apts</u></b>	<b><u>2014 Rental Price per month</u></b>
14%	under 800
0%	\$800-\$900
43%	\$901-950
21%	\$951-1000
7%	\$1001-\$1200
14%	\$1201-\$1300
<b>2.5 bedroom (n=1)</b>	
<b><u>% of 2.5 bedrooms</u></b>	<b><u>2014 Rental Price per month</u></b>
100%	\$1,450.00
<b>3-4 bedrooms (n=2)</b>	
<b><u>% of 3-4 bedroom units</u></b>	<b><u>2014 Rental Price per month</u></b>
50%	\$900-\$1000
0%	\$1000-\$1500
50%	\$1501 and above

While the tables above feature 2014 rental prices, we wanted to estimate how rental prices changed on an average yearly basis. Some of the survey respondents were unsure of previous and historical records of rental prices, thus, we were only able to determine price changes with a sample of 18 (a mix of 1, 2, 3+ bedroom units). From our calculations, the estimated price increase over a single year is displayed below (see Table 7).

**Table 7: Survey Results: Yearly Increases in Rent, in Percentages**

Estimated increase in rent per year	Survey Respondents (n=18)
0%	11%
1%	22%
2%	28%
3-4%	33%
5%	6%

One can determine that the majority of price increases (33%) fell into the 3-4% mark, which is also the same rate increase of Price Charities, as determined by the survey from one of its property managers. Thus, there was nothing too surprising about these rate increases, as most owners were following the market trends to determine rental prices.

These questions were then followed up with more open-ended questions about the reasons for price changes. In the table below, the sample size is 19, represented by the total number of completed surveys. The sum of the percentages, however, exceeds 100% because the respondents were allowed to state multiple reasons for these price changes. Table 8 shows that the majority of respondents (58%) felt that they were increasing prices to account for the changes in the market, and therefore had to adjust their rates accordingly. A lesser number (21%) attributed price changes to bills going up and 16% discussed that minor upgrades to the units caused the rental prices to alter.

**Table 8: Survey Results: Respondents' Reasons to Rent Increases**

Responses to why rent was increased	Respondents (n=19)
Fluctuations in the market (adjusted according to market rate)	58%
Rent didn't increase; stayed the same	26%
Bills went up (i.e. property taxes, maintenance)	21%
Inflation	21%
Minor upgrades	16%
Compete with other Section 8 Housing	11%
Desire to keep tenants longer, because it's more expensive to re-rent	5%
Fully renovated apartment unit	5%

Since “fluctuation in the market” was the response most survey takers (58%) stated, we wanted to explore this a bit further. Evidence from the quantitative analysis (from Findings for Question 1) indicate that the rental market in City Heights is marked by extremely low vacancy rates and low housing stock which leads to higher prices. Such findings were also confirmed by our interview results. How do these fare in comparison to the 2,000 feet ring around Price Charities? Similar to those findings, our surveys indicated that only one building had a single vacancy, while the rest were fully occupied (see Table 9). Price Charities buildings also did not have a difficult time occupying their rental units. City Heights Square was fully occupied while the Village Townhomes had only one vacancy as of April 4, 2014. However, as the property manager indicated, units

within that property tended to lease within two weeks. The waiting list of interested potential tenants is close to 200 (Observations, 2014).

**Table 9: Survey Responses: Respondents’ Vacancy/Occupancy Rates**

Respondents (n=19)	Occupied/Vacancy Rates
89%	Fully Occupied
11%	Only has ONE vacant unit

Based on our earlier analysis from multiple sources, it was unsurprising that those landlords and owners indicated that they changed rental prices due to the “fluctuations in the market.” Quantitative analysis and survey results already indicated low vacancy rates and low housing stock, which economics tells us, naturally results in higher rental prices. Findings from a recent report by the USC Lusk, Casden Real Estate Economics Forecast confirm this. While Lusk broke down information by different San Diego communities, the City Heights community was incorporated into a larger area (4-5 times its size), entitled San Diego East I-15. In the report, the authors discussed that, in this area, from 2009 until 2013, only a few completions of apartments were made.

Few completions coupled with positive absorption caused a reduction in vacancy rates (Green et al., 2013). And while the law of supply and demand would tell us that if demands for apartment units exceeds that of supply, apartment owners would have the ability to increase prices at much higher rates (Rosen et al., 1983). However, as is seen in the research by Lusk and our study findings, there are various factors that are still limiting property owners to substantially increase rental prices. This includes: the recognition that low-income tenants are prevalent in City Heights and have barriers to affording apartments, and the high transaction costs that are associated with displacing old tenants and finding new ones due to increased rent. Regardless of low incremental changes, rental prices are still increasing and this is supported by the City Heights Community Development Corporation (CDC), a semi-structured interviewee, which said that the lack of new multifamily housing stock and a growing population is causing existing units to increase in price (Bowman, 2014).

City Heights’ overall rental market, characterized by low vacancy rates and low stock, proved to be a strong determinant for landlords’ decisions to increase rental prices. However, we also wanted to pointedly ask about how competition with new community investments in City Heights, including Price Charities’ City Heights Square and Village Townhomes, were affecting their decisions to increase or decrease rental prices. Naturally, given the low vacancy rates and low housing stock, one can expect that landlords are not very concerned with competition - there are more potential tenants looking for residences than there are available housing. However, we did want to delve deeper into this assumption to gauge respondents’ thoughts on competition. Seeing as the surveys were completed over the phone, we were able to get more detailed answers for the following open-ended questions. For this particular section the sample size of survey respondents is 15. Respondents were specifically asked questions about competition from other sources and Price Charities:

- Describe how investments in new apartments, new retail and other new buildings in the City Heights area affect how you price, maintain and advertise your rental apartments? Please name the companies and nonprofits that made these investments.
- Have you heard of Price Charities' apartment buildings (City Heights Square and Village Townhomes) in City Heights on Fairmount and University, and Wightman and University? If yes, how do you think these developments (built 2003 and 2011) impacted your decision to increase quality and/or change your rental prices?

Respondents answered to these open ended questions in a variety of ways. Six out of the 15-owners/property managers simply said “No” to the question of whether new city investments in City Heights made an impact at all to their pricing and maintenance, or whether they knew of the Price Charities' apartment buildings at all.

The remaining 9 out of 15 owners/managers expanded on their responses a bit more. These respondents acknowledged that they have definitely witnessed changes in the community as far as more investments from businesses or nonprofits, but that these new developments did not influence them when making decisions about prices. Rather, some stated that while they feel new investments improved the community with lessening gang activity (2 respondents), their decisions to increase prices were mostly attributed to changes in the rental market. To conclude this section, it is worth noting a couple emergent findings: surrounding landlords have little incentive to decrease prices because there is a strong demand on rental units in City Heights, as evidenced by low vacancy rates and low housing stock and secondly, rent increase is not due to competition but rather to other market factors.

### **III. Findings from Question 3: What is the impact of the Price Charities' affordable housing developments on the quality of their apartment units?**

#### **Competition with Price Charities has little direct impact on landlords' decisions to improve quality of their units**

Similar to questions regarding price changes, questions on alterations on quality were included in the survey. Based on the survey results, respondents mostly changed the external appearance of their buildings, and assessed carpets or flooring every so often. When probed about why they made such changes. Most landlords indicated that such improvements were simply a part of general maintenance. Competition with other apartment buildings, including Price Charities, did not affect how often - or to what extent - owners improved their units. Semi-structured interviews with nonprofits and public agencies also gave us context to what kinds of quality improvements were being made in City Heights.

According to our interviewee, City Heights Community Development Corporation (CDC), the quality of rental units within City Heights has experienced a decline (Bowman, 2014). From their perspective, developers are buying up existing building

stock and “flipping” them for a 10-15% profit margin. However, property owners are less interested in putting money into them and more interested in pulling cash out of them, causing some residents to live in substandard conditions (Bowman, 2014). Furthermore, no general improvements in actual units are being made throughout the city (Bowman, 2014). However, the CDC was unable to substantiate these claims. Another semi-structured interviewee, Community Housing Works (CHW), was unable to provide any information on whether quality was improving or declining. CHW is mostly concerned with providing services to encourage first time homeowners and less concerned with information regarding quality of rental units in City Heights (Gatzke, 2014). CHW also claimed that the market for rental apartments was competitive in City Heights and that there is a demand for purchasing rental apartment buildings, and that competition can increase prices. However, a surplus of capital can also increase prices (Gatzke, 2014).

*Changes to Quality of Units or Buildings*

Our 19 survey respondents were asked to check off all of the aspects of a unit/building for which they made improvements or upgrades, since they first acquired or bought the building. The list of choices was based on the U.S. Census’ American Housing and Rental surveys. Similar to previous questions, respondents were able to check off multiple amenities/aspects, and thus, the sum of the percentages came up to more than 100%. The majority of the respondents (95%) indicated that they have made improvements to flooring/carpeting. Consistently, the respondents indicated that improvements or upgrades to flooring and carpeting were assessed when tenants move out or when the lifespan of the carpet expired, which varied between 3 and 7 years. Exterior improvements came in second with 89% of respondents choosing this option. Two of the respondents were more specific as to when they last painted. They stated that new paint was applied in 2013.

**Table 10: Survey Responses: Amenities or Aspects of Buildings/Units Improved**

Responses to which amenities/building aspects were improved	Respondents (n=19)
Flooring/carpeting	95%
Exterior (paint, landscaping, etc.)	89%
Kitchen facilities	74%
Bathroom facilities	68%
Electrical system	63%
Plumbing system	63%
Heating or air conditioning system	47%
Roof	47%
Doors	37%
Security system	16%
Windows	16%
Handicapped/universal access	11%

According to CHW, there had been scattered instances in City Heights of landlords making capital improvements to their properties (Gatzke, 2014). One improvement includes working on the exterior in an effort to make them more attractive and reduce deferred maintenance (Observation, 2014). Observations of the area surrounding Price

Charities did show some buildings with refreshed paint, however, some had peeling paint as well (see Pictures 1-2). There was no consistency to this, as can be seen in the pictures taken below of apartments in City Heights within our 2,000 foot study boundary.

**Picture 1: An Apartment Building within Price Charities' 2,000 Foot Ring**

*This particular apartment building had evidence of peeling paint in the exterior/roof.*



**Picture 2: An Apartment Building within Price Charities' 2,000 Foot Ring**

*Paint in this apartments seemed to be in a reasonable condition, however, the lawn is not in top-condition and there are trash strewn on the front lawn.*



The next improvements with a high number of respondents included kitchen facilities (74%); bathroom facilities (68%); electrical system (63%); and plumbing system (63%). When pressed about whether these particular changes were major changes or major renovations, 14 of the 19 surveys indicated that they were simply general maintenance, adding that such changes happen when tenants move out and/or as needed. The remaining five did indicate some sort of major renovations; three of the apartment buildings will go through major renovations this year (2014). A respondent of one building indicated that half of the building was renovated and those units were able to fetch \$200 more for a 2-bedroom (from \$900 to \$1100). The last building was in the process of being renovated, which began in 2012. When one compares these results with Price Charities, they are

fairly similar. Interviews with Price Charities property managers indicated that major renovations have not been made, but this is mostly due to the fact that the buildings are newer. However, Price Charities differentiates itself by having improved both their security system (with new lights in the garage for one building) and handicapped access. These particular building features are not listed as priorities among the survey respondents, or they were simply not included as part of the buildings. For instance, Picture 3 below shows an apartment within the 2,000 feet ring whose gate and security system were completely broken. The differences between this market-rate apartment and Price Charities' buildings (Picture 4, below) are evident.

**Picture 3: An Apartment Building within Price Charities' 2,000 Feet Ring**

*This particular apartment building features a broken gate and security system.*



**Picture 4: Price Charities' Village Townhomes**

*Price Charities' Village Townhomes feature a secure front gate for residents and guests*



*Reasons for Quality Improvements*

Respondents were then asked to choose from a list, “the reasons for their improvements on the buildings/units”, and the responses were as follows. The total of percentages also exceed 100 because respondents were able to choose multiple answers.

**Table 11: Survey Responses: Respondents’ Reasons to Changes in Quality**

Responses to why improvements were made	Respondents (n=19)
General Maintenance	79%
To attract new renters	53%
To beat competition from other apartment buildings	42%
Requested by residents	11%
Mandated by the city	5%

The majority of respondents (79%) indicated that improvements were made as a result of general maintenance. “Attracting new renters,” and “beating competition from other apartment buildings,” came in second and third. Since we asked specifically about competition from other apartment buildings, we wanted to probe more into whether they were referring specifically to competition with Price Charities, in this case. Again, we asked the following questions:

- Describe how investments in new apartments, new retail and other new buildings in the City Heights area affect how you price, maintain and advertise your rental apartments? Please name the companies and nonprofits that made these investments.
- Have you heard of Price Charities’ apartment buildings (City Heights Square and Village Townhomes) in City Heights on Fairmount and University, and Wightman and University? If yes, how do you think these developments (built 2003 and 2011) impacted your decision to increase quality and/or change your rental prices?

Six out of the 15 owners/property managers either indicated that new city investments in City Heights did not make an impact on their decisions to change quality or they did not know about Price Charities.

Seven out of 15 owners/managers knew of Price Charities’ buildings and stated that community investments improved the City Heights community. However, these 7 respondents did not feel that their decisions to increase quality or conduct more maintenance on their units were attributed to the new community investments.

One respondent mentioned that Price Charities do not impact her decision to increase quality because the investments were only happening “on one street.” She mentioned that higher quality improvements made by others would only really impact her if they were directly next to her buildings, rather than being concentrated in a single street or area. She also acknowledged that while she renovated a 2-bedroom unit that was able to acquire \$200 more than her other units, she feels that she has reached a threshold; she will not be able to do this any more because people cannot afford units such as these. She further compared this with the Price Charities’ tenants, who she believed might be willing to pay a higher rent for a more secured apartment with better amenities. She stated that Price Charities’ tenants are a different clientele from the typical City Heights tenant.

Again, while some were glad that new investments were coming into City Heights, especially for one who has lived in City Heights for years and witnessed the changes, decisions to alter prices and only conduct general maintenance on units were hinged upon their perceptions that people who move into City Heights expects low rent prices. In conclusion, the seven owners reiterated that they merely fix or upgrade aspects of the buildings and units as needed and for general maintenance.

The remaining two respondents did acknowledge that the new city investments, and particularly Price Charities’ properties, had an effect on how they improve the quality of their units. One respondent mentioned that because of the new developments, more people are interested in the area, thus he attempts to maintain the quality to make them more attractive to tenants. He also understands that this could potentially lead to a larger pool of applicants for him, which is a positive thing. The larger the pool, the more likely he can choose high quality tenants. The other respondent mentioned that Price Charities’ investments also incentivizes him to keep the building in “good shape” because he feels that potentially more people will pay more to feel comfortable. Like the other respondent, this particular person also acknowledged that new investments attract more people. He is also able to use the new investments as enticements in his apartment advertising, since these resources are walking distance. Interestingly enough, these two respondents (one owns 3 buildings, while the other owns 1) indicated that they are in the process or will be conducting larger renovations.

## **DISCUSSION**

Based off of the interviews we had with various agencies, it is hard to come to a definite answer in regards to the effect Price Charities’ affordable housing units had on the surrounding neighborhood. However, there is consensus on why prices have increased in the City Heights rental housing market (see table 12). Rental rates have risen due to the lack of new rental housing stock and an expanding population, natural growth and a greater influx of foreign-born immigrants into the city. Specifically, CHW and Price Charities believes that rent has increased in City Heights due to regional trends and that they are increasing at a faster rate than the rest of the city (Gatzke, 2014). In addition, Price Charities and the CDC believes that the lack of housing stock in City Heights, due to multiple factors, has created a higher demand for rental units which could have caused landlords to increase rent (Bowman, 2014; Hervey, 2014).

**Table 12: Semi-Structured Interview Synopsis**

Organization	Response
Price Charities	<ul style="list-style-type: none"> <li>● Loss of rental units due to strong phase of condo conversion</li> <li>● No new apartment buildings built between 2002 to 2012</li> <li>● Greater influx of people into City Heights causing a strain on the rental housing market</li> </ul>
San Diego Community Development Corporation	<ul style="list-style-type: none"> <li>● Lack of new multifamily housing and growing population causing existing units to increase in price</li> <li>● Quality of rental units declined due to developers being less interested in putting money into them and more concerned with pulling money out</li> </ul>

Community Housing Works

- Competition in the rental housing market causing rents to increase
- Less of a down swing due to Price Charities and proximity

Our interviewees' (Price Charities, CDC, and CHW) thoughts on the rental market were confirmed by the quantitative analysis and surveys we conducted. From these analyses, we determined that owners' decisions to increase rental prices in the region were caused by the fluctuations in the market and not necessarily as a result of competition with newer, higher quality apartment buildings. Based on our study findings, we conclude that competition with higher quality apartments such as Price Charities is not the prime reason for the changes in rental prices. Rather, it is attributed more to the low rental stock in the area and how this affects the overall market for apartments.

Additionally, with a higher demand for rental units than current supply, there is not much incentive for the apartment owners to truly renovate or make large improvements to their buildings. As is indicated by our surveys (and confirmed by one interview with a public agency stakeholder), only general maintenance (79% of surveys respondents) was being conducted on the apartments. And as confirmed by both our interviews and surveys, the majority of the improvements were exterior such as paint (89% of survey respondents).

While most of the surveys (17 out of 19) indicated that Price Charities' buildings were not necessarily competition for them, Price Charities have still made an impact on the resurgence of City Heights. Based on a New York Study on the "Ten Year Capital Plan", which re-built or rehabilitated more than 100,000 housing units in New York over 15 years, we believe that initiatives, such as Price Charities' City Heights Initiative, can make significant changes in a community. For instance, housing investment can replace abandoned, boarded up buildings, and cause surrounding property values to go up because unattractive properties have been removed and replaced with newer, higher quality buildings. Newer and more tenants can also be an impetus for new retail, increased economic development and neighborhood stability (Schwartz et al., 2006). Our survey respondents have acknowledged that these new city investments, including Price Charities, in City Heights have lessened gang activity and increased beautification.

Thus, for Price Charities to potentially make a larger impact on surrounding apartments' property values, which encompasses the issue of quality, we take recommendations from the New York study. Again, the study found that the new subsidized housing's (66,000 units studied in New York) impacts were different between higher income and lower income neighborhoods. They found that for "lower income neighborhoods with many distressed properties, a single small project may be insufficient to have significant impact since the remaining blight is too pervasive. In this situation a critical mass of investment might be required to make a difference" (Schwartz et al., 2006, p. 700). Thus, this can be applied to the Price Charities area, as this is a low-income community; there possibly could be larger impact on the rental community if more projects such as Village Townhomes and City Heights Square are built in the future.

Currently, as our quantitative analysis confirmed, the sizes of Price Charities' projects were relatively small – only 6% of the total rental units in the 2,000 foot ring-neighborhood. Thus, they may be unable to significantly affect neighboring property values. However, more research needs to be conducted on increasing the number of Price Charities' buildings, as there have been instances in other cities where such investments did not produce favorable results.

Despite our findings, interview and survey respondents tended to agree on some of the reasons why individuals and families continue to move into City Heights. Price Charities, CDC, and CHW all felt that individuals decided to live in City Heights because of its affordability. In particular, CHW believed that North Park, a neighborhood directly west of City Heights, has gotten more and more expensive and developed, therefore, encouraging people to venture east into City Heights (Gatzke, 2014). They also stated that City Heights had relatively low rental/housing prices when compared to other areas of the city (Bowman, 2014; Gatzke, 2014; Hervey, 2014).

Respondents also felt that individuals were drawn to City Heights because of its large and vibrant immigrant community. Currently, 55% of the population is Latino, and English is spoken in less than 50% of the homes in City Heights (Census, 2012). In addition, Price Charities believed that City Heights has a high concentration of non-profit services for immigrant communities (Hervey, 2014). Respondents also believed that City Heights is a diverse community that welcomes multiple nationalities and has a high tolerance for different cultures.

## **LIMITATIONS**

### **Lack of Available Data**

Most of the data we used in the descriptive analysis was extracted from Census.gov, which provided us with context to the housing market in City Heights. However, the lack of data we were able to gather inhibits our ability to do a more in-depth and thorough analysis. Data from REIS, which was obtained through the USC Lusk Center, covered an area four to five times bigger than the area in the research project. Without breaking down the area into smaller communities, we were not able to apply the average information of the whole area to the research result. We attempted to filter the information with specific addresses manually in order to sort out the data that falls in our research focus area. In addition, the REIS information was only for 2013. To our knowledge, there is no historical data for us to explore the trends of price change or quality development in the housing market of City Heights.

In terms of the data we pulled from San Diego Assessor's Office, we were unable to identify the prices, types of units, or the square feet for individual units. We were only able to retrieve the years buildings were built, number of units, addresses, and the owners' names.

In doing the descriptive analysis of the rental housing market within 2,000 feet of Price Charities' buildings, we used data on Homesnap, Zillow, Trulia, etc, which are

commercial information-share platforms for buyers, renters, property owners, and real estate agencies. The lack of non-commercial data in our research approach may lead to bias or inaccuracy in the results.

Lastly, 19 surveys from within the 2,000 feet ring are a small subset of the 290 buildings for which we identified as potential respondents. With more resources and time, it is possible to obtain more surveys in the future.

### **Failure to Fully Realize Price Charities' Impact**

Solely relying on descriptive analysis, we are not able to identify the causal relationship between Price Charities' impact and price changes in the surrounding properties.

Limitations in our data sources inhibit us from doing a regression analysis to accurately analyze Price Charities' impact on the surrounding neighborhood. A regression analysis would allow us to pinpoint which variables are correlated with each other and have the most impact on property values.

Another limitation we were presented with was the fact that we were unable to build a causal relationship due to the small size of Price Charities' stake in the rental housing market. Price Charities only has two apartment buildings located in City Heights.

Although they both contain a sizable number of units, it is only a small number of units when compared to the 300 apartment buildings within 2,000 feet.

### **CONCLUSION**

In conclusion, City Heights experienced changes over the past 30 years due to unprecedented population growth, lack of public goods, high crime rates, and disinvestment. The intervention of Price Charities helped revitalize the city economically. However, based on the quantitative and qualitative analyses performed, Price Charities' affordable housing units did not have a significant impact on the rental prices of apartment units within a 2,000-foot radius. In addition, competition with Price Charities' affordable housing units has not seemed to affect the quality of neighboring rental units. Changes in rental prices and quality of units in City Heights is due mostly to low housing stock and high rental demand. In order for Price Charities to have an effect on neighboring rental prices, they need to substantially increase their presence in the City Heights rental market.

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## **Appendix A-1: SURVEY QUESTIONS FOR PROPERTY OWNERS/MANAGERS**

**INTERVIEWER:** Hello, may I please speak with (owner's name) or (second owner's name) [\*Note that at times, the assessor's information gave us multiple names, so make sure to ask for all of the owners on the list for that particular apartment building]

**RESPONDENT** says yes, move to the next question. Respondent says no, apologize for the inconvenience and hang up and ask for the name & contact information of the new owner of the apt

**INTERVIEWER:** Great, my name is (state your name) and I am a student at the University of Southern California. I am conducting a study of rental housing properties in City Heights to determine how apartment building owners have changed the quality and/or pricing of their rental units to respond to major changes in the economy (e.g. the Recession), or in the community (e.g. new city investments). Based on public records, it's my understanding that you own and/or manage an apartment building in City Heights San Diego located at (say the address that you have on file). Is this true? [\*Note that some of the owners on our list have more than one apartment building that he/she/they own]

**RESPONDENT** says yes, move to the next question. Respondent says no, apologize for the inconvenience and hang up.

**INTERVIEWER:** Great, would you be interested in participating in my survey? Your responses will be kept anonymous, and the survey should only take 10-15 minutes. Would you have time right now to complete the survey with me over the phone? I can also take down your email, and I can email you the questions for you to answer them at a more convenient time, if you like.

**RESPONDENT** says yes, I will participate over the phone, move on to the questions. Respondent says he or she would rather get an email, and then acquire email address. [make sure that if the respondent selects email, please email the "Google Form" we created and saved on our Google Drive – all answer are populated in an excel sheet, this way]

**INTERVIEWER:** One last thing, if you have any questions about the study please feel free to contact me at (provide your phone number and email address) I'm happy to respond to any questions you may have.

**\*\*Be mindful that the survey questions should be for EACH apartment building that the owner owns and manages. So if there's a second or third apartment building, they should answer the questions for each of those buildings.**

### **SURVEY QUESTIONS**

1. Choose one. I am a:
  - a. Landlord/property owner
  - b. Property manager
2. Name the cross streets of where the apartment building is located:

3. In total, how many apartment buildings do you own and/or manage?
4. In what year was this property acquired (if original owner, report year construction was completed)?
5. Did you rehabilitate this building? If yes, how?
6. Did you make any major changes in 2003 and/or 2011? If so, why and how? (Make sure to ask whether the changes were about **quality and/or rental prices**)
7. How many units/apartments are occupied in the apartment building?
8. How many units/apartments are vacant in the apartment building as of \_\_\_\_ (list the date that you are completing this survey)?
9. What were the average rental prices for the units in your first year of ownership or management? Provide information, if you can, for your 1,2, and 3 bedroom apartments.
10. What were the average rental prices for the units in 2014? Provide information, if you can, for your 1,2, and 3 bedroom apartments
11. Describe how your rental prices have changed since you acquired/built the building to now (2014).
12. Describe the reasons for why you adjusted the rental prices.
13. Since you acquired the building until now (2014), which of the following capital improvements or upgrades/replacements were made at this property to the following? [ASK ABOUT YEARS COMPLETED FOR EACH ONE AS WELL]  
*Check for ALL that apply.*

<b>Heating or air conditioning system</b>	
<b>Roof</b>	
<b>Windows</b>	
<b>Doors</b>	
<b>Flooring/carpeting</b>	
<b>Exterior (paint, landscaping, etc.)</b>	
<b>Plumbing system</b>	
<b>Electrical system</b>	
<b>Kitchen facilities</b>	
<b>Bathroom facilities</b>	
<b>Security system</b>	
<b>Swimming pool</b>	
<b>Playground or play area</b>	
<b>Handicapped/universal access</b>	
<b>OTHER</b>	

14. If you answered the previous questions, what were the reasons as to why you made capital improvements and/or upgrades to the units?
  - a. Residents' request
  - b. General maintenance
  - c. To attract new renters
  - d. To beat competition from other apartment buildings

- e. Mandated by the City
  - f. Other (Please specify): \_\_\_\_\_
15. If you answered Question 13, did you increase rental prices to renters to account and pay for the capital improvements and/or upgrades?
- a. Yes, if yes, by how much?
  - b. No
16. From your perspective, what attracts residents to live in City Heights?
17. Describe how investments in new apartments, new retail and other new buildings in the City Heights area affect how you price, maintain and advertise your rental apartments? Please name the companies and nonprofits that made these investments.
18. Have you heard of Price Charities' apartment buildings (City Heights Square and Village Townhomes) in City Heights on Fairmount and University, and Wightman and University. If yes, how do you think these developments (built 2003 and 2011) impacted your decision to increase quality and/or change your rental prices?
19. A Housing Choice (or Section 8) Voucher is a HUD program that pays all or part of the rent and allows the tenant to take the voucher to a different unit. Do any tenants hold Housing Choice (or Section 8) Vouchers?
- a. Yes
  - b. No
  - c. Don't know
20. How many tenants hold Housing Choice (or Section 8) Vouchers?
- \*\*Please also ask the respondent if he/she knows other apartment building owners in the proximal area so that we could contact that person... also ask about potential residents we could interview

**Appendix A-2: SEMI-STRUCTURED INTERVIEW QUESTIONS** (Adapted from *Assessing Property Value Impacts of Dispersed Housing Subsidy Programs*)

**Note to interviewer:** Ensure that interviewee read information sheet prior to interview. Ask for any questions prior to starting the interview. Re-state that the interviewee's name will be written in your notes; but it will not be recorded on your audio recording. Ask, again for permission, to record. Start the recording at Question #1.

- I. General Information
  1. Please describe your organization (mission, vision, etc)/ your position.
- II. Community Information and Demographics
  1. From your perspective, why do people choose to move/live in City Heights?
  2. What do they base their information on?
  3. What do you believe residents like most about City Heights?
  4. What do you believe are challenges residents face in City Heights?
  5. Please describe the people/residents of City Heights. (Probe about demographics)
- III. Perceived Changes in Rental Housing and Community in City Heights
  1. In the last 10 years (2003-2013), do you think rental housing has changed? If yes, how? (Probe about apartment qualities/affordability in the past/present; presence of investments; changes in property values)
  2. Are apartment buildings/rental units different from 2003 to 2013? If yes, how are they different? (*Probe about quality, affordability*)
  3. Has affordability of rental housing/units changed since 2003? If yes, how? Probe about the economic downturn.
  4. Are property values a measure of a good place to live?
  5. Have property values changed in the past 10 years?
  6. Based on your responses above, why do you think change has (or has not) occurred? Probe about investments/city initiatives in City Heights. Probe about competition from privately owned, non-profit owned, government owned affordable housing.
  7. In the last 10 years (2003-2013), do you think the demographics of City Heights have changed? If yes, how?
  8. In the last 10 years (2003-2013), do you think the quality of life in City Heights has changed? If yes, how?
  9. In the last 10 years, have residents' connection with each other changed? If yes, how?
  10. Based on the changes you described (i.e. demographics, quality of life, residents' connection, organizational or institutional investments) -- how has these changes impacted the rental housing environment in City Heights? (*Probe about quality, affordability*).
- IV. Conclusion
  1. Is there anything else you'd like to say about our topic today?
  2. Do you have any questions about the study?
  3. As a reminder, your name will not be shared in the study. Are we allowed to state that you are an employee of \_\_\_\_\_(state interviewee's organization here)?

## **Appendix A-3: Notes from Semi-Structured Interviews**

### **I. General Info**

- Housing director at City heights community org (Hanan Bowman)
- Focus is affordable housing development/acquisitions
- Broad range of community programs that services for residents and general population
  - Since 1981, oldest nonprofit in the area (I-15) section in city heights not completed
- Affordable housing
- Advocate of the residents
- Acquired properties and rehabbed, put in restrictive markets, affordable
- Programs that involve residents with local parks, Toronto park
- Single family rehab program
- Resident service programs, helping them with a range of services, ie. computer training, job search, family counseling

### **II. Community info and demographics**

- Most diverse section in San Diego
- Cultures already here they are familiar with
- UN relocation zone, east Africa, Cambodia, Vietnam
- Cultural diversity available to them
- Rental/home prices less expensive than other areas of the city
- Language groups feel at home in city heights, comfortable
- Native dress is accepted
- Support organizations, ie UN
- Low income section of San Diego, lowest census tract in SD county
- No political clout
- Marty Emerald, support city council member
- Majority of residents live in a community that is viewed as low income
- Lack of advocacy
- Proper maintenance and property manage is not what one would hope
- Leaking pipes, electrical wiring issues, etc..
- Need of development of affordable housing
- Lack of retail services
- Albertsons recently closing, no other grocery store
- Lack of hardware stores, clothing, banks, etc... basic services/businesses
- Access to individuals to advocate for the residents
- Forced to live in apartments that are over priced and not well maintained
- Transportation, buses go east to west, business are north to south
- Education, reality changers, helps high school students get into college, tutoring, other support services
- At least 30 languages spoken in city heights
- Broad range of reps of countries, Asia, Mexico, South America, Africa
- Majority Hispanic, primary language other than English

- 346 apartments that CDC owns in city heights, majority of demo is Spanish speakers
- Maybe 3,000 apartments in city heights
- 15% rent controlled or properly managed

### **III. Changes in rental housing and community**

- Hard to answer, not much has changed in last 10 years
- Development of Huffman apartments happened longer than 10 years ago
- Not much in terms of development
- Housing stock, lots of flipping of buildings, not much new stock
- New owners having to raise rents
- Existing multiple family housing stock are becoming the tools for individuals to cash in, flipping, ask for 10-15% increase in what they paid for it
- Gentrification issue, difficult for lower income families to rent in city heights
- Getting close to \$1500 for a 2 bedroom apartment, comparable to rents outside of city heights, higher income neighborhoods
- Rents increasing because of flipping and little increase in housing stock
- Last 10 years, quality of apartments have deteriorated
- Owners of buildings less interested in putting money into them, more interested in pulling cash out of them
- Living in substandard conditions
- Not happening in all buildings
- No general improve in units across the board
- Need to push for resources for affordable housing
- Unemployment is high in city heights
- Housing becomes a problem, rents continue to go up
- Quality of housing is less than acceptable
- If Appraised value, then a good measure of a good place to live or not
- Not the best judgment
- How does one determine value?
- Sales prices are increasing, values determined by how much someone is willing to pay, yes they have increased
- Property values have increased
- Conditions have not increased however
- Market force at work in city heights, individuals feel they can make money off of buildings, holding it for a year or two then selling it, flipping
- Certainly a need for an increase in available of local affordable housing
- “Linkage fee” received pushback from downtown developers
- 1990- developer fee put in place, if building commercial buildings that will house workers, then % of workers will be low or moderate income, participate in the funding the apartment where their workers will work housing coalition tried to increase the fee, put it back to 1990 levels characterizing it as a business tax, need local dollars to subsidize apartments so they can remain affordable; private owners will continue to purchase the building; some newer immigrants from east Africa; overall, demographics not changed dramatically; diverse pop, multiple languages, maybe diversity has increased quality of life – yes, slow step by step process;

pressure put on landlords and owners to improve their properties; affordable housing in city heights has helped with that gradual improvements but still remains a challenge; connection with others – has improved; emergence of cultural associations providing social support education, language support forces that effect the housing, less reflecting in changes in demographics or improved of interaction between groups conditions that impact rental housing market more based upon developers flipping and “cashing out” on properties

## **I. General Information**

- The position I hold is on the reality estate team, grant officer for 12 years (Matthew Hervey)
- Mission- very fluid thing, change over time.
- Place based non-profit org. funded by price foundation.
- To change the community into a place where families will remain, place were families want to stay and raise the family, rather than a stepping-stone to move on to another area.
- Create a community to a place where families wanted to leave to a place where families want to stay and raise their family.
- Combine our abilities at construction, developing things, education, social services health interventions
- Holistic approach to improve the neighborhood of city heights
- Our strengths are creative energy, mental resources that we have on staff
- Innovation, risk takers
- Our ability to fund through the fund of grants or own investment
- Patience, our ability to not be driven by the bottom line, driven by what is the best thing for this community
- First contribution was the creation of the police station in 1994-5
- Conversation of an urban grocery store to a police station
- Progressed to funding to designing an urban core, urban village, 8 city blocks
- Progressed to city heights center, 6-story office building, 120,000 feet of rental space, Fairmont and university ave.
- Village townhomes, opened in 2003, 116 rental unites, 34 affordable, remainder market rate, price slightly lower than market value
- City heights square, 92 apartments, primarily 2-3 bedroom units
- Own force partnership building, highway 15 and university ave.
- Pearson ford property, el cahone, Fairmont blvd
- North west/north east corner, granted to YMCA land on the north east corner, 70-80 thousand square ft.
- North east corner continue to own, undeveloped property
- Vacant land – Fairmont university, same square footage
- Total value of assets – \$110-120 million

## **II. Community Information and Demographics**

- #1 reason is affordability, rental rates are low, 1 of 3-4 lower income neighborhoods

- High concentration of non profit services, immigrant community; immigrants of like kind, tend to congregate
- Diversity; Many different nationalities, brings in variety in terms of grocery stores, restaurants, retail
- Becomes an attraction point
- Diversity of goods/services
- Some people want to live here all their life because they grew up here
- Some people it's a transition place, stepping stone, as they get their grounding with our culture they move on
- If you're a recent immigrant, getting a job and learning a language
- Long term = issues of safety or transportation, senior services
- Safety is ongoing problem
- City can improve the quality of safety in city heights
- Stresses of being an immigrant, domestic violence rate is high
- Graffiti is a challenge, litter a challenge
- Physical landscape is a challenge, density high, park space low
- Street width, age of facilities, sidewalk width
- Quality of education in public schools
- Schools ability to deal with students with English as a second language
- Health issues, significant problems at the schools
- Parents expect schools to take care of everything but they aren't
- Try to have programs to improve the strength of teaching, teach teachers to be culturally aware
- Improve quality of health care, health facilities built into elementary and high schools
- People face challenges in city heights and there are multiple explanations
- Try to improve the integration of new citizens into society
- Major challenges – language barrier, cultural misunderstandings, public education, access to health care
- Demographics = 55% Latino, 10-12% white, 10% black, 10-12% south east Asian, 10-12% east African
- But another layer on it, not just a break down, what percentage of those are fluent in English? Not sure
- English spoken at home – less than 50%
- How many here legally vs. undocumented, 20% of pop undocumented
- Think about a person with a language/documentation barrier, how comfortable are they accessing public education, health services, police department help

### **III. Changes in Rental Housing and Community in City Heights**

- Yes it has changed quite a bit
- Went through strong phase of condo conversion (2006-2008)
- Hot market for people that owned apartments to convert them to condos and sell them
- Lots of apartments went off the market because of this
- Lost quite a number of apartment units
- 2009-2012, shrinkage, condo residents couldn't finance them so abandon them

- Some empty, some of them destroyed
- Huge fluctuation of the market
- Looking at apartments on their own, density of the last 5 years, density has gone up, families can afford less, tend to consolidate
- In terms of charting out the increase of what rent is, I don't know
- Beyond our properties, don't know about quantity or quality or rental rates of other units in city heights
- In terms of stock, hasn't changed
- Only people building apartments in city heights is price charities
- Only 1 other unit on el canon, 44<sup>th</sup> st, housing commission stepped in bought it and converted it to low income housing
- Other than that, no one building apartment housing in city heights
- Built more than we displaces, village townhomes -116, city heights square – 92
- Helped design a merge project, metro career center, behind it is 120 apartments, opened in 2003, aside from those and our 2 buildings, nothing else is city heights being built
- No change in quantity in units
- II. Don't have answer on that
- Affordable rate units, housing commission project is 1, senior community center project, corner of Polk and 43<sup>rd</sup> St. 151 apartments, SRO style, either stupid or 1 bedroom, very low income, targeted to seniors
- Only changes over the last 10 years
- III. Instinct – yes, normally a good guideline for anybody
- IV. City Heights, rollercoaster effect, 2003-2008 everything going up, 2008-going down, where they are today compared to 10 years ago, don't know
- Our building values have gone down
- After 10 years, probably around the same or slightly lower, no empirical data to support that
- Some change has occurred because of greater influx of people into city heights, as economy got worse in 2008 and affordability a bigger issue, people have moved into city heights because they see it as the next best neighborhood they can still afford, but pressure on the people who want to rent in city height
- My opinion that that has pushed rental prices up, no data to prove that though
- II. No one come into the market and build units
- Only way to compete is improving their quality of units or drop their price.
- Maybe offer more amenities
- Clearly they've changed, Latino community gone up 10%, 45%, now its 55%
- White population and black have gone down, south east Asian has grown a little bit in the same time period
- No theory on why, more of an observer
- Yes, no question about change.
- Last 10 years, seen continued expansion of the urban village, city heights square, senior housing
- Addition of social service non profit organizations
- Additional services coming online soon, YMCA

- Also seeing improvement in access to health care, health centers have come online, increased capacity of these non profit medical services
- Improvement in programs, library, park and rec facilities
- No question about improvement of services
- Education still a challenge
- Central elementary school, 1 of 9 in city heights, shining example of successful elementary school
- Pockets of success rather than overall success in educational areas
- Quality of life in terms of reducing crime, reduce of crime in city heights
- Better off asking residents, my impression – yes
- Amazing level of diversity, tolerance, appreciation of differences, embracing differences of culture and systems, created strong fabric in city heights
- Neighborhood that appreciates the neighbor
- I'm very impressed, not any racial strife in city heights, in part because it's an immigrant community, common bond of being new to the US, creates more of a working tolerance/appreciative community
- Quality – don't know
- Hope that city heights is becoming a more sought after place to live
- Instincts tell me, because there isn't an increase in quantity it has to drive up the price on units already here

## I. **General Info**

- Dave Gatzke, vice president of acquisitions of community housing works.
- Non profit org that believes the stability of homes is a platform for its residents to achieve other objectives in their lives, to move up in the world. “own, rent, achieve”.
- Suite of services to encourage first time home owners to build equity and build a house, financial fitness, eventually make a home purchase.
- 1,800 affordable apartments in southern California, mostly in San Diego.
- In charge of new development sites, multi family properties to build affordable housing units.
- Also offer services to the community, primarily financial self sufficiency. 6 distinct lines of business activity
- In city heights much more active on the ownership side.
- Not made significant investments in city heights.
- Had 14 unit complex, did not fit into our program, decent disposed of it.
- Not city heights expert in regards to multi family home ownership side

## II. **Community Information and Demographics**

- Variety of reasons, large immigrant community from variety of locations.
- Affordability is a strong draw.
- North park have gotten more and more expensive, people venturing more east, into city heights.
- Long-standing community in city heights, anecdotal
- Depends on the resident, same thing that attracted them there, strong immigrant community, comfort, affordability, and vibrant community.
- People appreciate its diversity and proximity to transit to get downtown.

- Face challenge of being lower or moderate income in an expensive city.
- School system is a challenge, prevents people from being more attracted to city height
- Don't have anything specific, all anecdotal.
- Had to generalize, it's a melting pot.
- Lots of young urbanites strongly committed to diversity, an urban environment.
- Strong cohort of long time residents who tend to be homeowners, more Caucasian.
- Immigrant communities, lower income residents, wide range

### **III. Perceived Changes in Rental Housing and Community in City Heights**

- Clearly gotten more expensive.
- Scattered instances of landlords making capital investments in their properties, working on the exterior, cleaning them up, making them seem more attractive. Committed to reducing deferred maintenance
- Regional trend in terms of affordability and getting more expensive.
- Data sources that I know tend to track larger more institutional properties, not a lot of those in city heights.
- Lots of buildings 20 units or below.
- Hard to know how city heights has moved differently than the rest of the San Diego market.
- Probably turning into more of an alternative from north park.
- Progression of people who have more mobility in determining where they live.
- Rent in city heights accelerating faster than rest of the city
- Hard time parsing City Heights out from the rest of the city, some softening, some rent reduction, happens more in lower income areas.
- Because of proximity and price charities, less of a down swing than comparable neighborhoods.
- Sure, market forces at work, supply and demand.
- People are choosing to live there because they are finding some aspect of it a good place to live
- Yes, certainly increased.
- Interest rates are low, building becomes more expensive.
- More expensive because cheaper to borrow
- Changes occurred because of the broader region economy, San Diego has a shortage of housing options, city heights is well located.
- Investments in the neighborhood shows residents it's improving.
- Market is competitive, from both a for profit and non profit.
- Lot of demand for purchase of rental apartment buildings. Competition does affect why prices are higher.
- Surplus of capital too.
- Driving cost of acquiring rental properties up Have changed.
- Good objective census data on that.
- I see more people looking at single family housing.
- Hard to see certain waves of immigration.

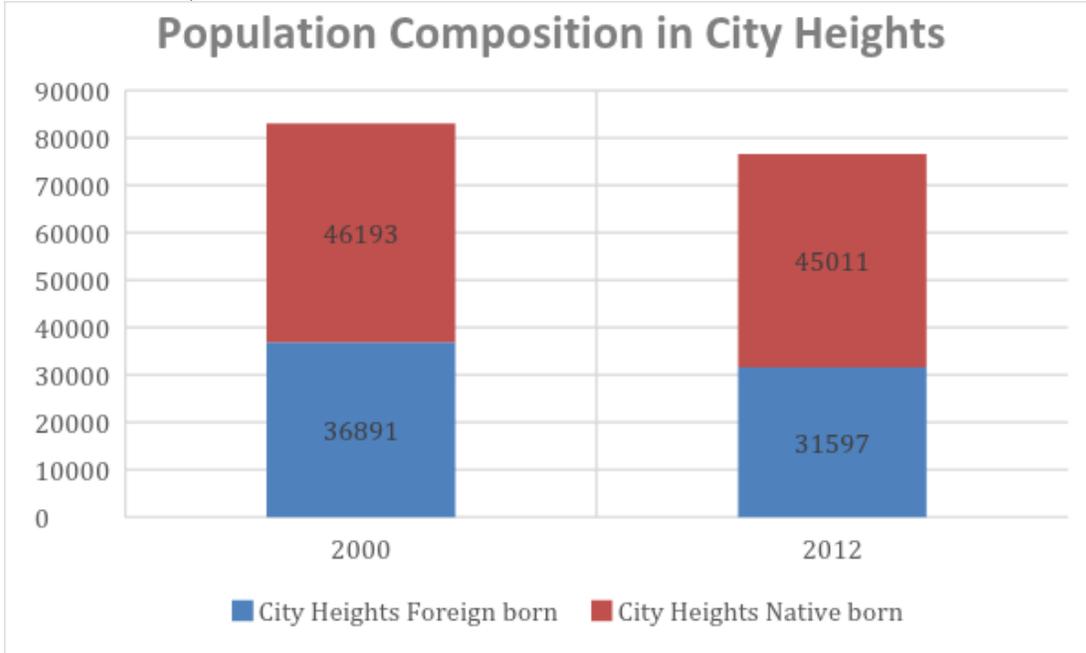
- Expect to see increase in house hold income, increased overcrowding in some pockets, immigration waves and economic downturn causing people to double up.  
T
- Those 2 trends may cancel each other out- Very hard to answer, could say yes, probably more access to retail amenities.
- Probably more competitive both for renters and owners.
- More of a demand and interest.

#### IV. Conclusion

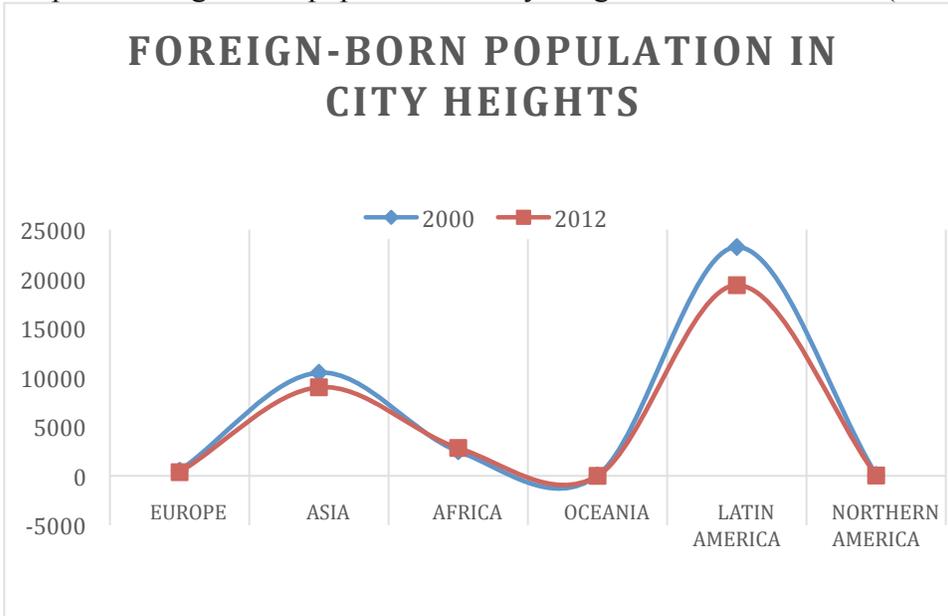
- In terms of what data is available.
  - Look at home ownership as a proxy.
  - Going to be skewed in the last 10 years.
  - Case-Shiller Index
  - Look at data, avail on zip code.
  - Look at 2003, neighborhoods in the same category, Encanto.
  - Going to see spike in 2005, drop in 2009. Only data source that can get that low of a scale.
  - REIS uses a minimum property size, majority of city heights is probably within 8-30 units.
  - REIS does not track buildings that small.
  - Try to figure out what % of apartments were surveyed.
  - Lots will survey the big ones, they may operate differently than the rest of the market.
  - City Heights may be really low.

## Appendix B

Graph 1: Population Composition in City Heights in 2000 and 2012 (Census, 2000a & Census, 2012a)

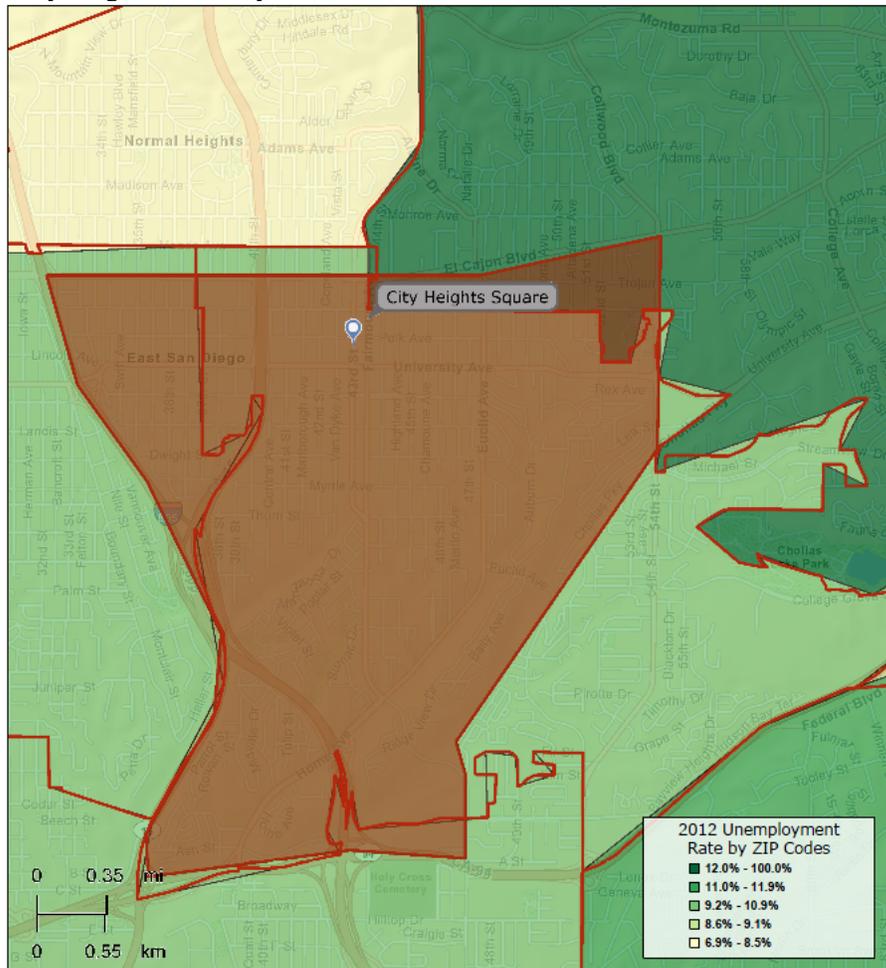


Graph 2: Foreign-born population in City Heights in 2000 and 2012 (Census, 2012b)



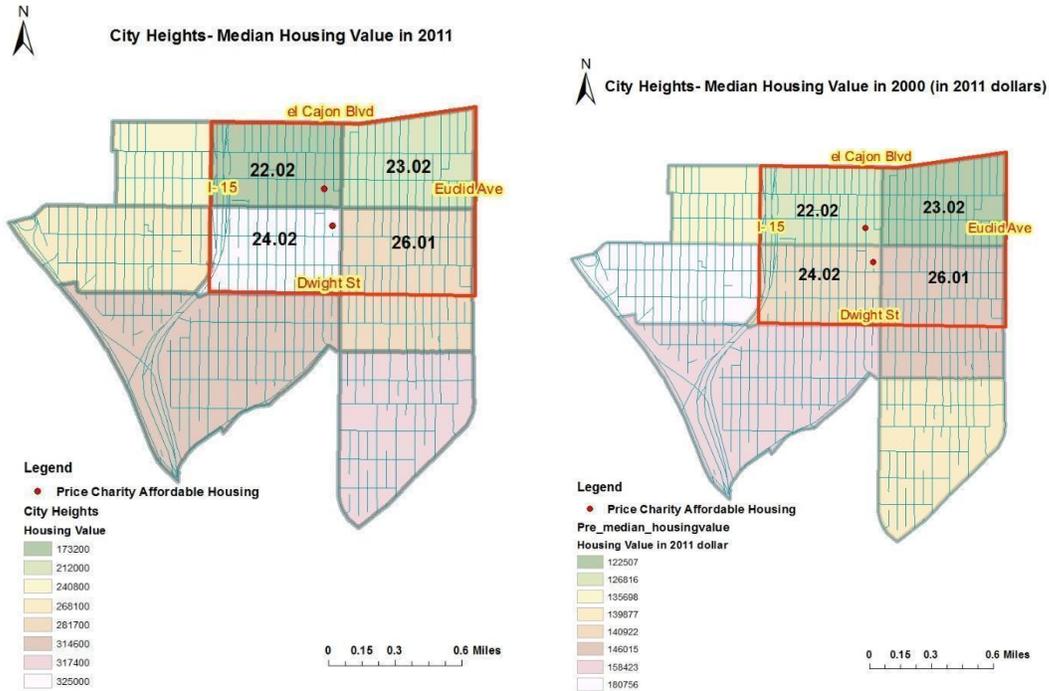
# Map 1: Unemployment rate by Zip Code (ESRI, 2012)

\*City Heights marked by brown area



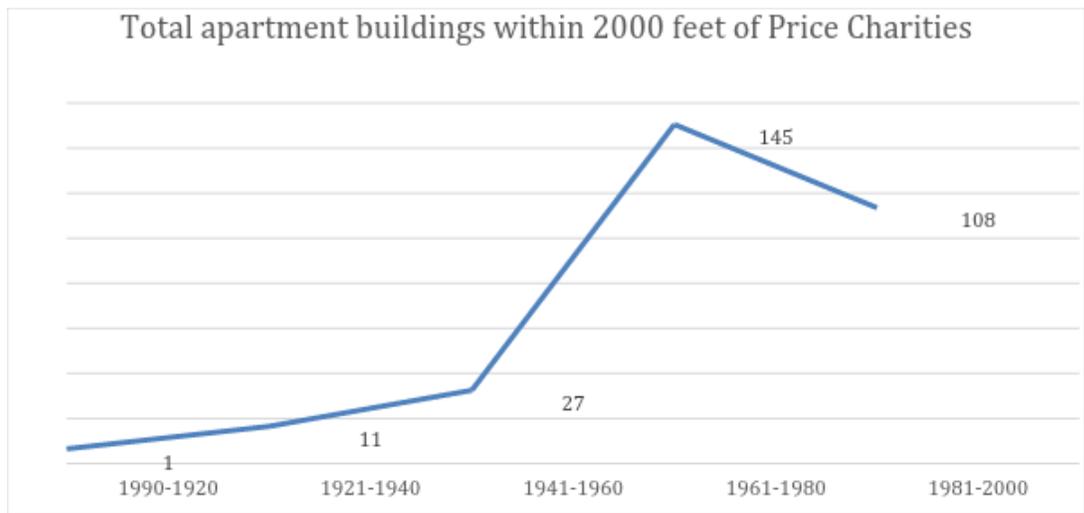
Source: ESRI Business Analyst

Map 2: Median housing value change in City Heights



Source: U.S. Census Tracts

Graph 3: Year built of apartment buildings in 2,000 feet ring of Price Charities (Assessor’s Office, 2014)

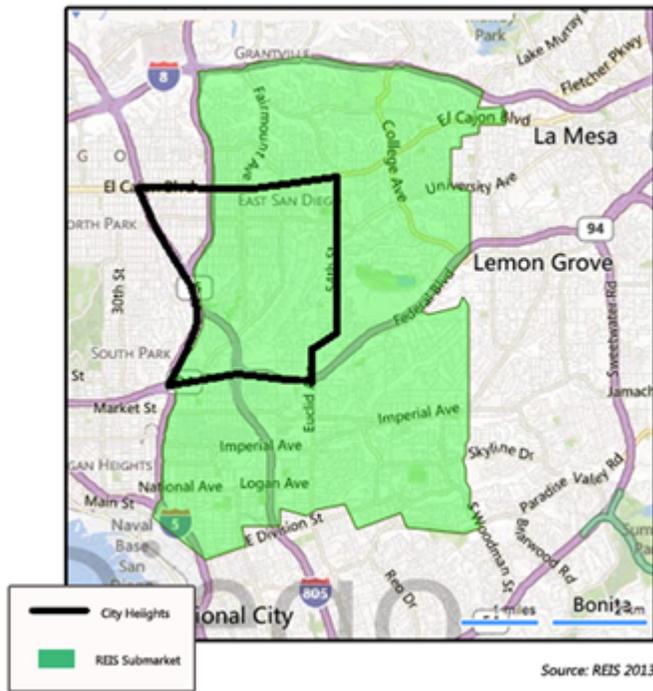


Source: Assessors’ Office

### Map 3: Submarket Boundaries for REIS Data

\*Note that REIS data included San Diego Area larger than City Heights, as seen below

## Submarket Boundaries for REIS Data



Source: Lusk Center

Graph 4: Average Effective Rent in the REIS Submarket (East I-15)

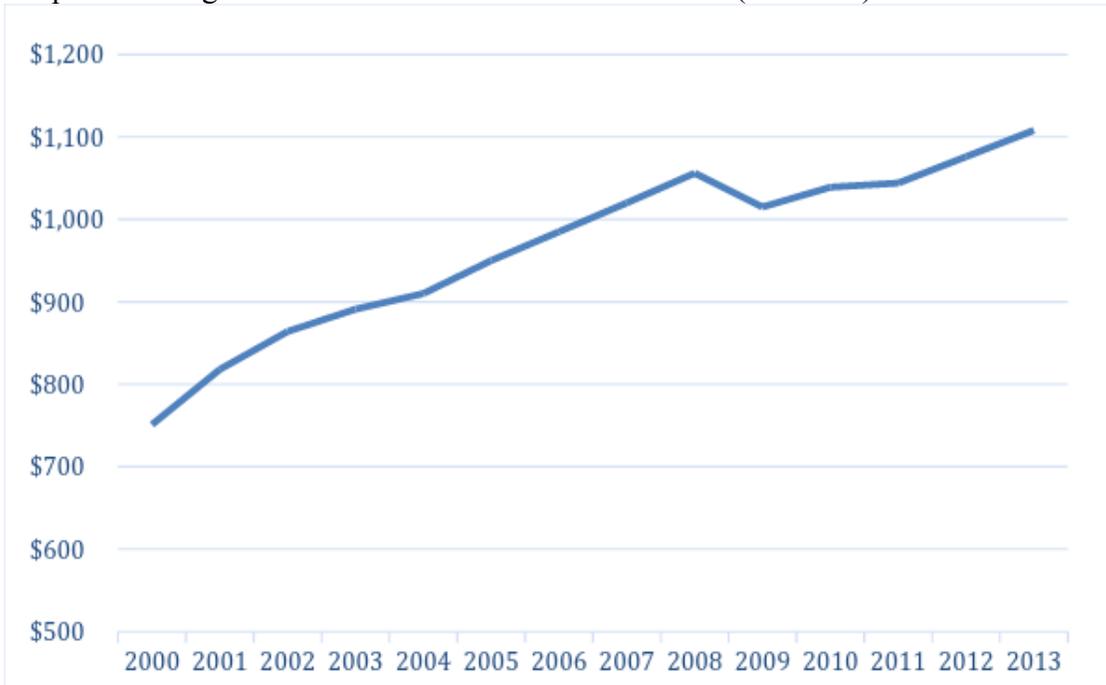


Table 1: Average Effective Rent and Rent Increase in Percentage in REIS Submarket

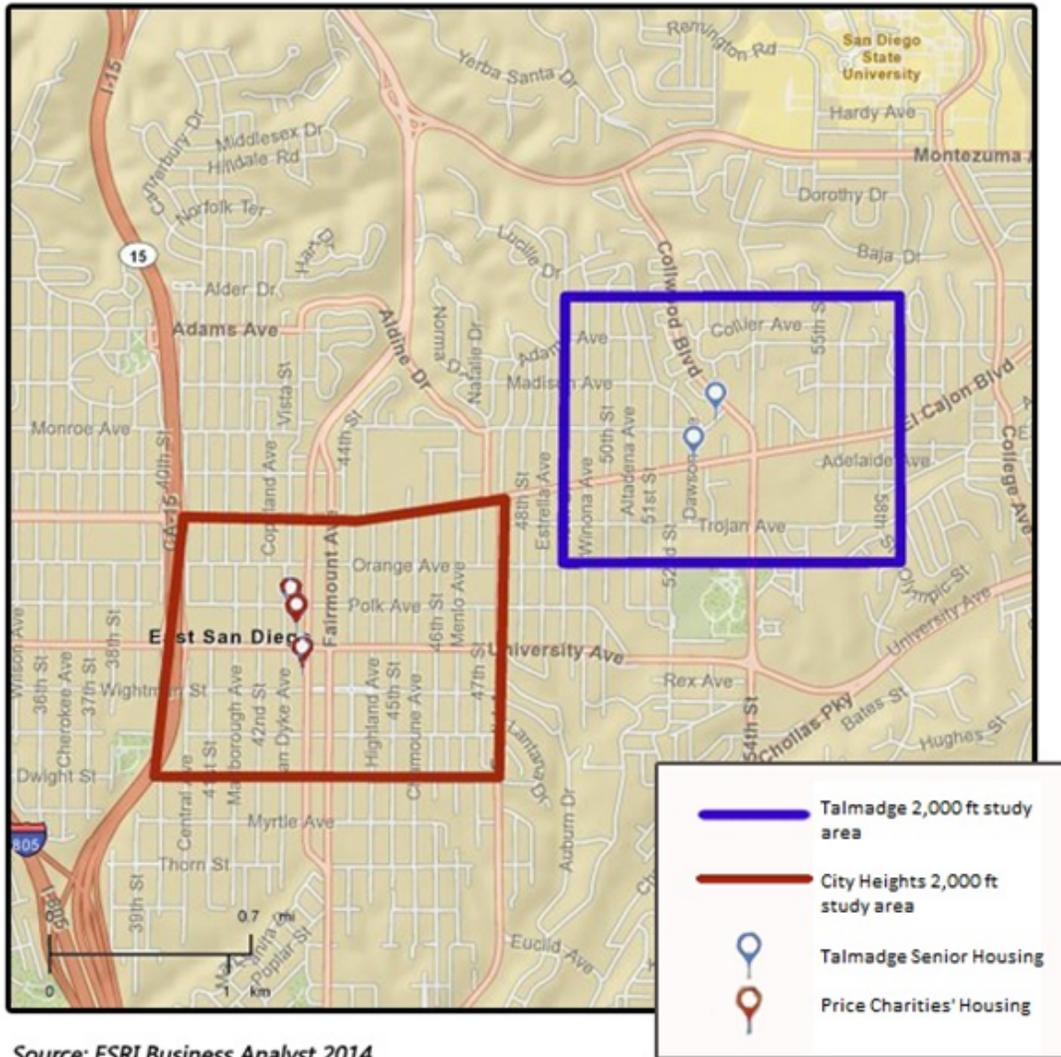
Year	Average Effective Rent	Price Increase in Percentage of Previous Year
2000	\$751	-
2001	\$818	8.9%
2002	\$864	5.6%
2003	\$891	3.1%
2004	\$910	2.1%
2005	\$950	4.4%
2006	\$985	3.7%
2007	\$1,020	3.6%
2008	\$1,056	3.5%
2009	\$1,015	-3.9%
2010	\$1,039	2.4%
2011	\$1,044	0.5%
2012	\$1,076	3.1%
2013	\$1,108	3.0%

Source: REIS Online Database

## Appendix C

Map 1: Price Charities' 2000-foot Area and the Comparable Neighborhood in Talmadge

# City Heights and Talmadge 2000ft Research Area



Source: ESRI Business Analyst 2014

Table 1: Affordable Housing Projects in City Heights

Year	LIHTC Units	Non-LIHTC Units	LIHTC New Completed Projects	Total Affordable Housing Units
1999	242	584	1	826
2000	410	584	2	994
2001	410	584	0	994
2002	503	584	1	1087
2003	503	700	0	1203
2004	698	700	2	1398
2005	698	700	0	1398
2006	698	700	0	1398
2007	980	700	3	1680
2008	980	700	0	1680
2009	980	700	0	1680
2010	1067	700	1	1767
2011	1067	700	0	1767
2012	1067	700	0	1767

Source: the San Diego Department of Housing and Community Development; Findthebest.Com

Table 2: Comparable Group Identification – Talmadge and Price Charities' Area

	North East Talmadge Area	Price Charities' Area
Affordable Housing Projects	Talmadge Senior Village; Wesley Terrace	Urban Village Town Homes; City Heights Square;
Project Locations	5252 El Cajon Blvd, San Diego; 5343 Monroe Ave, San Diego	3806 Fairmont Ave; 4065 43rd Street; 4029 43rd Street;
Total Affordable Units	251	208
Program Types	One Senior Housing LIHTC; One Section 8 Housing	One Senior Housing LIHTC; Two mixed-used housing projects
Target Group	Seniors	\
Median Household Income (2011)	\$36,181	\$30,613
Median House or Condo Value	\$237,317	\$308,170
Median Contract Rent	\$891.00	\$788.00
Unemployment Rate	2.20%	5.70%

Source: City-Data. Com and Department of Housing and Community Development in San Diego

**Appendix D: Onsite Observations**

**Talmadge Area**



Price Charities' Area

