

The Impact of Sex Offender Legislation on San Francisco
Property Values

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Executive Summary:

Does the knowledge of a registered sex offender living in a given neighborhood in San Francisco affect property values? The intent of this inquiry is to observe a correlation between these two variables. In our design, the independent variable is the presence/absence of a registered sex offender, while the dependent variables are the home's proximity to the RSO (if applicable) and the property value. There are two assumptions underlying this research: 1) A negative relationship exists between RSO's and property values, and 2) RSO's are present in every district of San Francisco. Lurking variables take the form of property values in different neighborhoods, and this will be addressed in our methodology. Our research will consist primarily of a cross-sectional study for the quantitative data, and an interview schedule for the qualitative component.

Introduction:

Sex offender legislation is ostensibly designed with the intent of reducing recidivism by tracking paroled sex offenders through mandatory registration at regular intervals, and every time an individual moves to a new residence. Overwhelmingly approved by the voters of California in 2006, Proposition 83's stated purpose was to provide lifelong monitoring of registered sex offenders (RSO's) through Global Positioning System (GPS) tracking. One of the central components of Prop 83 was the provision that an individual convicted of a specified sex crime, as defined by the California Department of Justice, be prohibited from living within 2,000 feet of any K-12

school or public park. This component has already been struck down as unconstitutional, but it raises serious questions about the impact of such legislation on property values, especially in an incredibly tight real estate market, such as San Francisco's, wherein property values are reappraised only when a change of ownership occurs.

While there has been considerable research into external variables that affect affordable housing, little work has been done to examine the potential correlation between registered sex offenders and housing costs. In asking the question, "Does the knowledge of a registered sex offender living in a given neighborhood in San Francisco affect property values?" we can further the research about the impact of sex offender legislation by applying it to a highly dense urban setting.

Literature Review:

In 1994, Meese and Wallace suggested that housing and rental prices in San Francisco were not necessarily co-integrated, and that disparities between national and regional housing and rental markets could occur in the short-term. In San Francisco, these fluctuations are the result of an incredibly tight real estate market, which may not be immediately responsive to national trends. It is precisely this market that may render moot any and all research suggesting a strong negative correlation between RSO's and property values (as expressed in housing prices.)

Using housing market data from the State of North Carolina in conjunction with that state's sex offender registry, Linden and Rockoff (2006) were able to assess the impact of sex offenders on property values by creating a baseline market value prior to the registrant's arrival in a community, and the subsequent changes in housing values

(taking into consideration market fluctuations and other housing trends.) Their research indicated that houses within one-tenth of a mile from the residence of a registered sex offender diminished in value by roughly four percent. The one-tenth of a mile measurement is fascinating, because Prop 83 creates a 2,000-foot buffer zone around K-12 schools and public parks, which is almost four-tenths of a mile. The most interesting aspect of this article was the inclusion of the hidden costs for the victims of sex crimes, as communities depreciate residences surrounding the offender. The methodology was clearly defined, as were the measurements used to arrive upon one-tenth of a mile as a guideline.

Similar work by Larsen, Lowrey, and Coleman (2003) examined property values in Ohio. Their research indicated that homes within a .3-mile radius were negatively impacted by the knowledge of a RSO living in an area, and the depreciation was more intense the closer a home was to the residence of a RSO. This data varies significantly from Linden and Rockoff's findings, in that, on average, homes within a .1-mile radius of RSO's sold for 17.4% less than those outside of this range, as opposed to a 4% depreciation. This may indicate a strong negative relationship between RSO's and property values.

With respect to issues of economic and social equity surrounding restrictive housing for RSO's, Cowan, Pantazis, and Gilroy (2001) examined social housing in the United Kingdom, focusing on the punitive, exclusionary aspect of forcing RSO's to live in designated areas. In the U.K., social policies during Thatcher's reign reduced the availability of publicly funded low-income housing for the lower classes. The result has been the economic marginalization of the poor, and their increased proximity to RSO's.

Levenson and Cotter (2005, 1) found that although a myriad of methods exist for informing communities about RSO's in their midst, some states do not use a tiered system to identify the different threat levels of recidivism within the overall RSO population. Such a tiered system might mitigate the negative impact of RSO's on property values. Surprisingly, those interviewed identified social ostracism as a potential factor contributing to recidivism. Self-reported data by parolees in Florida provided the basis for this study, with many surveyed indicating that the information on the state's Megan's Law website pertaining to them was incorrect. Additional research by Levenson and Cotter (2005, 2) suggests that forcing RSO's to live in designated areas may not decrease offenses, as some RSO's may seek victims outside of their own neighborhoods, in order to avoid being caught. Both pieces emphasized the inaccuracies of "stranger danger"- the widely held perception that assailants are unknown to their victims.

Although the existing literature suggests that there is, indeed, a negative relationship between the knowledge of an RSO living in a given neighborhood and property values, this fails identify the externalities that sex offender legislation may create in a highly dense urban setting, with very finite space. Given the incredibly tight real estate market in San Francisco, sex offender legislation may have a minimal impact on property values, counter to the existing literature. Conducting research in this setting will provide a more complete assessment as to the overall impact of such legislation- the implications of which will be discussed further in this proposal.

Proposed Methodology:

In constructing a research methodology for testing our hypothesis, we will begin by identifying the subjects. For the purposes of our research, the human subjects are registered sex offenders (RSO's) who currently appear on the State of California Attorney General's Megan's Law website. While there are over 65,000 RSO's in the state, a considerably smaller number of these are considered to be at "high risk" of recidivism, and these are the individuals whose names and supposed whereabouts are provided on the website. Subsequently, the human subjects are to be selected from a very specific, predominantly male group, which raises issues of randomness. No direct interviews or questionnaires will be administered to RSO's during this inquiry. It is unknown whether a human subjects protocol will be necessary.

Design and Data Collection:

Since our primary concern is the potential effect that known sex offenders have on property values/housing costs in San Francisco, our unit of analysis will be homes. For our purposes, homes include condominiums, townhouses, and subdivisions, but not apartment buildings. Quantitative research will be conducted by cross-referencing the information obtained through the Megan's Law website with the appraised value of a home (<http://www.zillow.com>) and its sale price (<http://www.sfgate.com/homes/>). These data sources in tandem may allow us to observe macro trends, and provide us with a better idea of whether San Francisco's incredibly tight housing market makes it an anomaly, in comparison to the existing literature. The true measure of a RSO's potential

impact on property values rests in the actual sale price of the home, so these will be our cases (n=50).

Aside from the realtor interviews, all data gathered will be observational, with a sample size of 50 homes (n=50), selected on a semi-random basis from all homes sold within the last year, to allow a minimum of two homes per district. Ideally, to ensure that the data collected pertains to our research question, we would include a home with RSO presence, and one without, per district. However, we feel that this will even further reduce the randomness of our study, and may result in bias. Individual property values will be compared in the same district, as defined by the City of San Francisco, because property values could potentially be a lurking variable. This reduces the ambiguity pertaining to the exact boundaries of any given neighborhood, and will allow us to observe larger trends. There are currently eleven districts, so a cross-sectional design will be employed to allow us to encode the data for different categories, such as: District, Presence of RSO, Appraised Value, and Sale Price.

With the advent of Geographic Information Systems (GIS), the Internet has become an invaluable tool in comparing property values in different areas. Since our research will focus exclusively on the impact of RSO's on property values in San Francisco, lurking variables such as Prop 13 analogues in other states will not be a consideration.

The final piece of data collection will occur in the form of interviews with realtors in San Francisco. The purpose of these interviews is to ascertain if professionals familiar with the local housing market have noticed any effects on their business due to RSO's. Careful consideration will be given to how the questions (which will be nominal, ordinal,

and open-ended) will be phrased, so as not to introduce bias. A precursory interview schedule has been included as an attachment. The qualitative data will be obtained through interviews with San Francisco realtors, who will be selected from the yellow pages at random (n=10). The interview/survey will be administered either in person or over the phone, at the convenience of the respondent, but such distinctions will be noted in the final write-up, as well as the number of non-responses. Content-wise, the questions asked will contain a mixture of nominal, ordinal, and open-ended formats. Full disclosure of our purposes for conducting this research will precede the actual survey, and we will make every effort to remove biases in how the questions are framed. Additionally, anonymity will be maintained by assigning respondents numbers.

Instrumentation:

It is hopeful that we will be able to demonstrate with a high confidence level that there is a strong association between RSO's and property values. PRE's, such as Gamma, may be useful in measuring the findings of our data. Ambiguity will be mitigated in every possible area, in order to avoid misrepresentation of data due to flaws in the design. Proximity to the residence of a RSO may allow us to establish a factor or coefficient for the relationship, once the data has been analyzed. Additional analysis through SPSS or similar statistical software may reduce ambiguity.

Timeline:

Collection of both quantitative and qualitative data will begin on June 1, 2007. The expected completion date of quantitative data is July 31, 2007, and June 30, 2007 for

the qualitative. Coding will occur throughout the month of August 2007, and the data will be analyzed using SPSS beginning in September 2007. A final-write up will be presented in December 2007, which will include a thorough assessment of the hypothesis and findings.

Conclusion:

One of the inherent limitations of this model is that it is completely reliant upon the State of California's Megan's Law website for the whereabouts of RSO's. Relying on the veracity of this data may compromise the validity of this study's findings if that data is inaccurate. Another potential design flaw is the assumption that every district will contain RSO's and will therefore provide useful data for the purposes of testing our hypothesis. Although it is unlikely, there is a possibility that some districts may not have any RSO's present on the Megan's Law website within their boundaries. Similarly, the unique conditions present in San Francisco's tight housing market may ultimately render moot our hypothesis.

One desirable outcome of this research is that it may be possible to create a spatial model of sex offenders by district using the data. Such a tool would prove useful to urban planners, educators, and housing administrators. By furthering the discussion of the impact of sex offender legislation, we may also be able to identify potential externalities that arise as a result of these policies, which could be of particular significance, given the high population density of San Francisco.

Appendix - Interview Schedule:

1. How many years have you worked in real estate or housing?

0-5 6-10 11-15 16+

2. Does your office/agency have a disclosure policy for prospective buyers/renter with respect to registered sex offenders?

Y N Not Sure

3. In your opinion, does the knowledge of an RSO in a neighborhood affect housing costs? (This is a very odd question to try to ask in a content-neutral fashion, because I don't want to preclude the possibility that there might be unseen economic gains from this phenomenon.)

Greatly depreciates Somewhat depreciates No effect Somewhat
increases Greatly increases

4. In your opinion, how does an RSO affect your ability to sell a home in SF?

Much More Difficult Slightly More difficult No Effect Slightly Less
Diff Much Less Diff

5. Please describe any experience(s) you have had with selling homes near the residence of a RSO.

- Ask probing question to determine if respondent is aware of Prop 83, and ask follow-up questions, if applicable.

6. Questions/Comments?

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