Geography

Senior Thesis

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The purpose of this research paper is to analyze the differences of land and real estate values. I will attempt to identify the different factors and characteristics that make up these values and by doing this, I will have a better understanding of how to raise or maintain the property value in a given area.

This is a difficult subject to address because there are so many factors included. In order to keep it somewhat simple, I will place my focus strictly on residential zones rather than trying to include commercial and industrial zones in my assessment. Many of the factors included in one's property value are externalities that are beyond a landowner's control such as the geography and the location of the area. Other externalities include such things as crime rates, neighbors land values, quality and quantity of surrounding development, and city programs.

This study will focus on the inter-relationship between individual properties and their neighborhood. I will try to determine what can be done for neighborhood rejuvenation and combat falling property values in depressed areas.
Methodology

First I studied written materials on land values, real estate values, neighborhood and city rejuvenation, and urban economics. I received most of this information through books and a little on the World Wide Web. The purpose of these readings is to obtain an overall better understanding of the assessment of property values and what, in general, is used to determine those values. The readings are also a good source of what causes urban blight and ideas for neighborhood rejuvenation programs. In addition to using this valuable secondary information in my results, I was also better suited to interpret first-hand, primary research with this background.

I then went to the city assessment office in Kenosha and conducted an interview with Mr. Peter Krystowiak, an Appraiser for the City of Kenosha. It was with him that I obtained information about what the city does to assess land values. He also gave me suggestions of areas that I could analyze first-hand that were of different property values.
I then wrote down different characteristics about the property that I was going to look for when visiting an area that I thought would influence its value (size and condition of house, landscape, etc.). I then visited areas that had different property values, which I have categorized in classes. Those classes are: an area with a high property value, an area with a middle property value, and an area with a low property value.

According to Mr. Krystowiak and Ms. Mary Reavey, the City's Chief Assessor, the entire City of Kenosha was increasing in property value due to low interest rates for homeowners and the quality of city programs. I had hoped to include an area that was decreasing in property value in my survey, but I could not because there weren't any available. I was also going to include an area that is increasing in property value, but considering every neighborhood was on the rise, I would not be able to compare the physical characteristics to a neighborhood with declining property values in order to determine what the characteristics were.

In my investigation I will note the characteristics and the differences of those characteristics between the different areas I am assessing. I will make a decision based on my observations and
research whether or not these values are accurate and in jeopardy of changing.

**Body - Discussion and Results**

When tackling a subject this large and with so many different variables and possible outcomes, it is important to first define what it is exactly I am looking for. The operational definition of a property value is measured by dollar value put on the homes in a certain area. The biggest dictator of these dollar values on properties is at what price it was sold for. Needless to say, some properties are worth more than others.

The question then is to determine what the attributes are in properties that cause the values of the properties to be different. What characteristics are used to determine how much to buy a property for? What will people pay for a property ten years from now? Is it a good investment? Can I see myself being happy living here? What is the neighborhood like? These are just a few of the aspects need to be addressed when trying to put a monetary value on something as large and important as a home.
The next definition we must address is what a neighborhood is. There is little consensus that one can find within the scholarly literature because it can usually be bypassed because it is part of common language. Though most people may not be able to define what a neighborhood is precisely, we all know what they are and what they mean when we talk about them. (Clay and Hollister, pg. 5)

There are, however, certain characteristics we can use to form a general concept of what a neighborhood is. The issue of defining what a neighborhood is has been addressed through the Urban Geography courses I have taken at Carthage College. One of the characteristics is that a neighborhood has a central place, such as a park. Another is that it has boundaries, such as railroad tracks, a river, or a main roadway. Neighborhoods are also homogeneous in the sense of the same basic architecture, landscape, and style. There is a sense of social togetherness and interaction that is evident in neighborhoods.

There are four basic functions of a neighborhood. They are: (1) the economic function, (2) the administrative and control function, (3) the political function, and (4) the socialization and socialblility function. (Clay and Hollister, pg. 9).
An important part in determining the property values in a city falls on the shoulders of the City Assessor's Office. It is their job to put a dollar value on a piece of property. Part of my research included an interview with someone in the City of Kenosha Assessor's Office. His name is Mr. Peter Krystowiak and his job title is Appraiser.

According to Mr. Krystowiak, the most important factor in determining the property value is what the property was sold for. Because some properties have had the same owner for a number of years, this can not be the only determinant involved.

There is a complicated formula that is used by the city to assess property value. It was developed by someone for use in Milwaukee and was adapted for Kenosha. I will try to explain the formula as clearly as I can.

First the city is broken down into different neighborhood zones. Those neighborhood zones, otherwise known as Key Value Location Numbers, are coded with a multiplier number that is used in determining the value (Figure 1, Section 2). The city assigns a number to each neighborhood for identification purposes (Figure 1, Section 1). For easy reference, the City uses a map and color coordinates those areas, which are based on the multiplier number
The multiplier number is the unit price of each foot of frontage property and is determined by the neighborhood assessment.

*Figure 3, Section 3* has the specifications of land information on the property. To figure out the value of the land, you multiply the frontage (60 ft.) by the price or multiplier number (300). This comes out to 18,000. We then take the depth of the property (135) and refer to *Figure 4*. We identify the depth (135) with the factor number, which is 106. We move the decimal over two places (1.06) and multiply by 18,000. The answer we get is 19,080. We round up the number to 19,100 to get the value of the land itself.

Determining the value of the building is a lot more complicated. *Figure 5* is the complicated 33-step formula used to determine the Dwelling Quantitative value. The completed computer print out of all the work done in this formula for this example is shown in *Figure 6*. All of the specifications used in determining the Dwelling Quantitative Value are shown in *Figure 3, section 5*.

*Figure 7* uses other factors based on the assessment and those numbers next to each factor identifies a grade the building gets in that capacity. In this case, they equal out to an overall
grade of 1.1370. You then multiply this number by the Dwelling Qualitative number we calculated before (71,926). This determines the Dwelling Value of the building, which comes out to be 81,800.

There are other factors involved (apparent in Figure 3, section 4) in the calculation. In this example, the value comes out to be 3,700 which is then added to the Qualitative Dwelling Value (81,800) and gives the building a final value of 85,500. Add this number up with the land value (19,100) and you get the total value of the property (104,600).

The following is an example of an assessment in the neighborhoods that I surveyed. I will use the same value of the building assessment and the same specifications of lot size as the example above to better show the importance of the land value in a given neighborhood. The properties calculated below are highlighted on Figure 1.
**Low Property Value**

Key value location number = 40.00  
Multiplier number = 150.00  
Frontage = 60.00  
Depth = 135.00  
Depth Factor = 1.06  

*Calculation:*  
60 X 150 = 9000  
9000 X 1.06 = 9540 (rounded down 9500)  

*Land:* 9,500  
*Building:* 85,500  
*Total:* 95,000  
*Difference:* -9,000

**Middle Property Value**

Key value location number = 20.00  
Multiplier number = 300.00  
Frontage = 60.00  
Depth = 135.00  
Depth Factor = 1.06
Calculation:

60 X 300 = 18,000

18,000 X 1.06 = 19,080 (rounded up to 19,100)

Land: 19,100

Building: 85,500

Total: 104,600

Difference: 0

High Property Value

Key value location number = 36.00

Multiplier number = 600.00

Frontage = 60.00

Depth = 135.00

Depth Factor = 1.06

Calculations:

600 X 60 = 36,000

36,000 X 1.06 = 38,160 (rounded up to 38,200)

Land: 38,200

Building: 85,500

Total: 123,700

Difference: +19,100
The above calculations support evidence that property value is strongly influenced by the neighborhood they are located in. If you put a house in an area with a low property value, it is worth $28,100 less than if you were to locate the same exact house with the exact same lot size in a neighborhood with a high property value.

A neighborhood can always be improved and the property value can always go up. This is, however, a far cry away from an easily obtainable goal. The topic of neighborhood renewal has many different variables and each variable is weighted differently depending on the neighborhood.

The biggest factor in raising or maintaining property value is a sense of pride in the neighborhood. Because there is more than one house in a neighborhood, it may seem that one person can’t make much of an impact on neighborhood renewal. Nothing is farther from the truth.

According to Mr. Krystowiak, neighborhood pride spreads as fast as neighborhood apathy. If one person on the block makes
improvements to their house, other people will follow up by making improvements on there own.

It is a sense of friendly competition that I can compare to the Christmas season. It is the time of year when people decorate their houses with lights and nativity scenes. There is a desire to beautify your house with more Christmas joy than your neighbors. People drive around many parts of the city looking at different decorations and critiquing them. They take different designs that they liked and apply it to their own house to create a total package of what they think is the most beautiful.

The same thing can be true to neighborhood renewal. People within the neighborhood notice the changes made to your house and like what they see. They have a sense of friendly competitiveness that drives them to want to improve their house. It could be as simple as one person re-landscaping their yard and a few neighbors take notice of the beauty. Those neighbors in turn do something as simple as trim their hedges and get rid of their weeds. The effect snowballs with other people in the neighborhood keeping better care of their yard and an improvement in the neighborhood is made. How heavily you want to weigh this improvement is a matter of opinion, but the property value in the
whole neighborhood has increased as well as a sense of pride that was missing before.

This scenario could be relevant with any possible improvement made on a property stemming from yard work to new paint to home additions. The most important element is *something* is getting improved in the neighborhood.

A survey conducted by Peter D. Hart Research Associates in Boston provides an interesting interpretation of what constitutes a strong and weak neighborhood. It states that: Strong neighborhoods are built upon intangibles - good neighbors, stability, quiet, pride, etc. The weaknesses of a neighborhood are much more tangible - its crime, its sanitation, litter and dirt, its boarded-up buildings, its delinquents, and most of all property is not maintained. People can spot a weak neighborhood. Making a neighborhood has to come from the neighbors themselves. (Clay and Hollister, pg. 141)

An important factor in creating neighborhood pride is home ownership *vs.* absentee landlords. If the person living somewhere has none of their own capital invested in the property, they aren't going to be very inclined to take the time and effort to make improvements on the property. Depending on the condition of the
area they reside in, they might even be against a neighborhood renewal program altogether. If it is already a nice area and a desirable place to live, and improvements are made within the neighborhood that increases the property value for landlord, the tenant might have to pay a higher rent to the landlord without any improvements made on the property itself.

Housing is no longer viewed solely as shelter, but rather it is a form of investment, a way to keep pace or ahead of inflation. (Clay and Hollister, pg. 58) If the resident actually owns the property and improvements are being made throughout the neighborhood, they would be much more inclined to improve their property as well because the payoff is an increased value of the investment that they made when they bought the home.

When assessing strategies for improving declining markets, those who see housing primarily as an investment - both absentee property owners and banks - are inclined to overreact at the early stages of decline. Fearing deteriorating property values, they begin to disinvest, curtail maintenance, and extract what they still can out of their properties. (Clay and Hollister, pg. 64)

It is also important to note that in declining neighborhoods it is much easier for someone renting a property to move away than it
is for a resident owner. If the conditions of a neighborhood have become so unbearable that every one is fleeing, there would be little reluctance to simply move away when your lease is up. To find someone else to buy your property in a dismal, declining market is much harder to do.

In order to maintain an economic balance there needs to be some kind of assistance programs in areas that are so depressed that pride of ownership has become impossible without incentive. However, public funds are up against fierce competition with other powerful contestants such as juvenile delinquency, general education, urban transportation, and now days even professional baseball stadiums.

An important, but extremely difficult, figure to determine is that point when enough public money is invested that it tips the scales and starts generating private efforts and a chain reaction occurs. (Thompson, pg. 300)

With a limited amount of public funding available, it is important to lure middle and upper-middle income families back to severely depressed areas to generate increased money flow and a more healthy tax base. It is seen that the best way to do this if you
want to dump money in a public facility is with improved school districts. (Thompson, pg. 302)

The notion that ownership is the key determinant of property maintenance has been well accepted and confirmed by other research. Small-scale home-ownership programs have proved successful. Homeowner's Rehab, Inc. in Cambridge, Mass. has utilized the sweat-equity technique, trading labor for down-payments on houses. (Clay and Hollister, pg. 146)

According to Mr. Krystowiak, Kenosha attitude toward depressed housing is to fix it before it becomes a major problem. Kenosha acts faster on its poor housing than The Cities of Milwaukee or Racine do. Kenosha would rather purchase a troubled property for more money than it is worth now and rectify it rather than to hold off. This is because it will save the city money in the long run by preventing a problem within the neighborhood before it starts rather than waiting until it becomes one.

One program that the city was involved in which I thought was very clever took place on 17th Ave. between 50th and 52nd Street. The city purchased six depressed houses and rather than just demolishing them, they gutted the insides. The project was
coordinated with the school system that had students learning carpentry. They received valuable experience by doing the work redoing the houses. Granted, the quality of the repairs were probably not the greatest, but considering the effort was benefiting two aspects of public funding, while actually increasing the value of the homes, deserves recognition.

The city also believes heavily in the pride of ownership theory. They try to coordinate programs and organizations that will allow a family living in a multi-family house to get a loan for the purchase of the building when absentee owners are trying to sell. The reasoning behind it is that they still remain tenants while renting out the other units. They are much more inclined to maintain upkeep of the property and see to it that the other tenants don't do anything to lower the property value than if another absentee landlord were to purchase the property.

The areas that Mr. Krystowiak suggested I could study in my survey of neighborhoods in Kenosha that had different property values are as follows:
1. **Low Property Value** – The area around the intersection of 63rd Street and 14th Ave.

2. **Middle Property Value** – The area between 22nd Ave. through 20th Ave and Washington Road through 34th Street.

3. **High Property Value** – The Allendale neighborhood, which is located from 1st Ave through about 7th Ave and about 60th Street through 79th Street.

I listed the characteristics to look for when evaluating the value of the neighborhoods before I surveyed them. I was to take note of the condition of those aspects specifically. They were as follows:

- Exterior condition (paint peeled, brick or stone dirty, etc.)
- Apparent prosperity of surrounding businesses
- Evidence of crime
- Street lights
- Buffers between properties (trees, fences, distance, etc.)
- Size of homes
- Architecture
- Homogeneous
• Building to lot ratio
• Charm
• Landscape
• General up-keep
• Approximate percentage of single-family homes
• Approximate percentage of multi-family homes
• Parks
• General neighborhood feel (would I like to live there?)
• Other notable factors

I did my survey evaluation of each area twice in order to get a better feel for the neighborhood and to go over any aspects that I might have missed the first time. All surveys were done during the daylight hours.

I had also attempted to get information from the Kenosha Public Safety Building regarding crime rates in these areas, but was surprised to find out that Kenosha doesn’t keep crime rate statistics (but they are thinking about starting).
Results of the Low Property Value Survey

When surveying this area, the first thing that struck my attention was the general overall feel of the neighborhood. The transition between properties was very poor. There were vacant lots with broken glass covering the ground. Some of the lots were fenced in with barbed wire reinforcement. The central place of the area was a run-down factory. There were vagrants wandering all over the place and I witnessed what appeared to be a drug deal from a car that pulled up to one of them.

Many businesses in the area were closed down and for sale. Many of these vacant buildings were littered with gang graffiti. Streetlights were more abundant than in the other areas I surveyed, but I felt there still weren't enough.

For the most part, the sizes of the houses were bigger and more well-kept than I expected. There were, however, some that were smaller and in bad condition, but I would estimate that number to be only about 15% - 20% of the houses. The building to lot ratio was pretty small in most properties. There was a major lack of buffers between properties and the landscaping was poor in most cases. I would estimate the number of single-family homes to
be at about 70% - 80% leaving approximately 1/4 of the houses as multi-family units.

The area was fairly homogeneous with the housing being of basic architectural style. Some charm could be found in the area with the abundance of parks and 62nd Ave consisting of brick rather than asphalt.

It is also important to note that Mr. Krystowiak said that the property value in this area was not in decline, but rather increasing in value. He said that two years ago ambulances would not go into the area without a police escort.

**Results of the Middle Property Value Survey**

The first thing that struck me about this area was the charm and homogeniality of the neighborhood. You could almost sense a pride of ownership that they possessed.

The architectural style the houses were virtually all Ranches with a few Tudors included. Predominantly, the houses were made out of either brick or stone which helped give the area part of its charm.

The landscaping and up-keep was excellent on most of the houses. A good use of buffers was evident through the use plentiful
trees and quality of distance between the houses. There were parks around the area as well as a golf course and a ravine which added to the beauty.

The neighborhood appeared to be all single-family homes, which added to the pride of ownership that was apparent. The sizes of the homes were upper-medium and there was a good building to lot ratio. Businesses in the area were flourishing and there was plenty of activity going on (people walking their dogs, working in the yard, etc.)

The only negative aspect I could determine was that 22nd Ave and on Washington Road serve as boundaries for the neighborhood and are large traffic arteries. This could be seen as a characteristic that lowers the property values in a residential zone.

**Results of the High Property Value Survey**

The first thing that struck me when surveying this neighborhood was the historic look to the houses, and of course the lake. Waterfront property is a huge factor when assessing the property value as high in this area.

Southport Park gives the neighborhood a sense of place. It is absolutely gorgeous because of its location right on Lake Michigan.
and wide open space. The Kemper Center is another example of a sense of place because of its historic value and enormous size.

The reason I chose the Allendale neighborhood to assess over another area with a high property value such as Hunter's Ridge is because of the tremendous charm that is evident when visiting the area. Though the neighborhood is not homogeneous in its architectural style, the tasteful uniqueness of each house makes it all fit together. Though there is almost every style of home present, the predominant ones in the area are Tudor, Colonial, and Post-Modern.

The landscape and up-keep of the properties is excellent and there are buffers such as trees and driveways between every property which helps the different styles blend together nicely.

While most of the houses are pretty large, there are some that are smaller and others that are absolutely enormous. The building to lot ratio is pretty good in most cases.

**Conclusion**

Considering the strong economy, wonderful housing market due to low interest rates, and current trend within the city, I believe
the property values will continue to either remain constant or rise. The fact that there is not a single area in the entire City of Kenosha that is experiencing declining property values is a strong indication of the continuing trend of a strong economy.

It is my understanding that financial analysts are predicting another drop in interest rates soon. If this were to occur, it would encourage property values to rise even higher and more rapidly because of the creation of more homeowners.
References


