



Mixed-Income Housing Developments: Promise and Reality

Alastair Smith

**Fellowship Program for Emerging Leaders
in Community and Economic Development**

October 2002

**Joint Center for Housing Studies of Harvard University
Neighborhood Reinvestment Corporation**



NEIGHBORHOOD REINVESTMENT CORPORATION

Neighborhood Reinvestment Corporation was established by an Act of Congress in 1978 (Public Law 95-557). A primary objective of the Corporation is to increase the capacity of local community-based organizations to revitalize their communities, particularly by expanding and improving housing opportunities.

These local organizations, known as NeighborWorks[®] organizations, are independent, resident-led, nonprofit partnerships that include business leaders and government officials. All together they make up the NeighborWorks[®] network.

JOINT CENTER FOR HOUSING STUDIES OF HARVARD UNIVERSITY

The Joint Center for Housing Studies analyzes the ways in which housing policy and practices are shaped by economic and demographic trends, and provides leaders in government, business and the nonprofit sector with knowledge and tools for formulating effective policies and strategies.

Established in 1959, the Joint Center is a collaborative unit affiliated with the Harvard Design School and the Kennedy School of Government. The Center's programs of research, education and public outreach inform debate on critical housing issues and illuminate the role of housing in shaping communities. The Policy Advisory Board, a diverse group of business leaders in the housing sector, provides support and guidance for the Center and its activities. The Joint Center also receives input from its Faculty Committee, which draws on the expertise of a university-wide group of scholars.

This paper was written with the support of the Neighborhood Reinvestment Corporation's Emerging Leaders in Community and Economic Development Fellowship, which provides opportunities for highly qualified professional students at Harvard University to research and publish applied analytical projects of interest to the community-development field.

Any opinions expressed are those of the author and not those of the Joint Center for Housing Studies of Harvard University or of any of the persons or organizations providing support to the Joint Center for Housing Studies, including the Neighborhood Reinvestment Corporation. The findings and conclusions of this report are solely the responsibility of the author.

This analysis was performed with the support of Neighborhood Reinvestment Corporation, with editing and production by Amy Christian, consultant. The Corporation has full rights to use and distribute this document.

Copyright © 2002 by Alastair Smith. All rights reserved.

Harvard Joint Center on Housing Studies
Harvard University
1033 Massachusetts Avenue
Cambridge, MA 02138
(617) 495-7908
www.jchs.harvard.edu

Neighborhood Reinvestment Corporation
1325 G Street, NW, Suite 800
Washington, DC 20005
(202) 220-2300
www.nw.org

ABOUT THE AUTHOR

Alastair Smith is a Master of Public Policy candidate at the Kennedy School of Government of Harvard University. Prior to entering the Kennedy School, he was a Program Associate at the firm of Tonya, Inc., helping to design workshops on affordable housing and economic development for nonprofits, and city and state agencies. In addition, he was a Research Associate at the Committee for Economic Development, where he co-authored the policy reports *Welfare Reform and Beyond* and *U.S. Immigration Policy*. He also holds a B.A. in Growth and Structure of Cities from Haverford College.

ABSTRACT

This paper examines the rationale for mixed-income approaches to affordable housing development, as well as the record of such developments in meeting their objectives, from the perspective of housing developers and those responsible for designing housing programs and policies. The drivers of the recent, renewed emphasis on a mixed-income housing projects are also examined and analyzed. The potential benefits this mixed-income approaches are summarized based on existing literature and interviews with key informants. Overall, this paper finds mixed-income approaches can have an important role in getting additional affordable units built, ensuring high-quality housing, and deconcentrating poverty. However, mixed-income housing is not a silver bullet to overcoming the difficult challenges faced by families seeking to escape from poverty or the realities of housing markets. Because mixed-income developments are complex, present unique risks, and often house fewer needy families than other types of development, mixed-income approaches must carefully consider the local housing market, the population to be served, financing options, the scale of the project, and the community context. This paper concludes by discussing the implications of these findings and suggests guiding questions for developers and policy makers considering mixed-income projects and policies.

TABLE OF CONTENTS

ABOUT THE AUTHOR	ii
ABSTRACT	iii
TABLE OF CONTENTS	iv
EXECUTIVE SUMMARY	1
Drivers of Policy	1
Mixes, Motivations and Markets	1
Key Findings.....	2
Alleviating Concentrations of Poverty.....	2
Producing High-Quality Developments.....	2
Meeting the Shortage of Affordable Units.....	2
Implications	2
I. MIXED-INCOME HOUSING: A RENEWED ROLE	3
New Emphasis on an Old Idea.....	3
Goals of This Paper.....	6
II. WHY DEVELOP MIXED-INCOME HOUSING?	7
Drivers of Policy	7
1. Adverse Effects of Concentrations of Poverty.....	7
2. Poor Perceived Quality of Subsidized Low-Income Housing	10
3. Shortage of Affordable Housing	12
III. MIXES, MARKETS AND MOTIVATIONS	15
Moderate-Income Inclusion	17
Low-Income Inclusion.....	18
Broad Range of Incomes.....	19
Market Inclusion	19
Affordable Mix	20
IV. IS MIXED-INCOME HOUSING ACCOMPLISHING ITS GOALS?	21
1. Driver of Policy: Adverse Effects of Concentrations of Poverty.....	21
a. Goal: Avoid Negative Behavior.....	21
b. Goal: Offer More Life Chances	23
c. Goal: Rebuild Healthy Communities	26
2. Driver of Policy: Poor Quality of Subsidized Low-Income Housing	28
a. Goal: Develop High-Quality Housing	28
b. Goal: Maintain Developments to a High Standard	29
3. Driver of Policy: Shortage of Affordable Housing.....	30
a. Goal: Develop Units With Less Public Subsidy	31
b. Goal: Assuage Community Concerns Over Affordable Housing	33
c. Goal: Build a Political Constituency for Affordable Housing	35
Summary.....	35

V. KEY IMPLICATIONS AND QUESTIONS..... 37

 Key Implications 37

 1. There Is No Silver Bullet for Solving Housing Affordability or Poverty 37

 2. Healthy Communities Are Needed to Address Poverty 37

 3. Mixed-Income Housing Can Have a Role in Alleviating Poverty 37

 4. Different Populations Mean Different Goals..... 38

 5. Mixed-Income Presents Unique Challenges..... 38

 6. The Bottom Line: Meeting the Nation’s Greatest Housing Needs 38

 Key Questions: Getting to Mixed Income..... 38

SELECTED SOURCES41

AUTHOR INTERVIEWS 45

ACKNOWLEDGEMENTS 47

EXECUTIVE SUMMARY

Mixed-income housing is increasingly becoming a *preferred* model among academics, policy makers and practitioners for developing affordable housing. To support this growing interest, changes have been implemented in recent years at the federal, state and local levels to promote mixed-income housing, and prominent advocates, such as the Millennial Housing Commission, are calling for more mixed-income programs. The U.S. Department of Housing and Urban Development's HOPE VI program is a notable example of this approach, having allocated \$4.5 billion over 10 years for the demolition and redevelopment of distressed public-housing projects into mixed-income housing developments.

Despite this renewed emphasis on including a mix of incomes in affordable developments, relatively little research has been conducted to substantiate claims that mixed-income housing per se leads to positive benefits for low-income families. By examining past research and conducting interviews with developers, property managers and financiers of mixed-income housing, this paper seeks to offer a more nuanced framework for discussing the different types of mixed-income developments, their objectives, and a preliminary assessment of mixed-income housing's record in meeting its objectives.

Drivers of Policy

Why is a mixed-income approach being adopted, and what do developers and policy makers hope to achieve? One reason for the growing popularity of a mixed-income approach is the higher incidence of crime, unemployment and other social ills found within high-poverty neighborhoods and public-housing developments. In theory, mixed-income developments can reduce the incidence of social ills while providing an opportunity for low-income households to gain access to better neighborhoods, to network and to build relationships with higher-income families. Another motivation is the poor quality that many associate with subsidized housing. By including market-rate units, developers should be forced to build and maintain a high-quality housing development. Finally, a mixed-income approach is viewed as a means of alleviating the nation's severe shortage of affordable housing. Including market-rate units might potentially reduce the subsidies needed for affordable units while overcoming protests against low-income housing in many communities.

Mixes, Motivations and Markets

Mixed-income developments vary greatly depending upon the same factors as any other housing development: population served, location, tenure type, management and scale. Most importantly, the mix of incomes within the developments varies greatly. In large part, the market determines what mix of incomes is possible. In addition, different mixed-income developments and funding programs give higher priority to different goals, which also shapes the income mix. Thus, a combination of the market and the priority given to the goals results in the mix of incomes served.

The wide range of mixed-income developments may generally be thought of as falling on a scale where properties take on an identity that is closer or further away from being a true market-rate property. Within that scale, there are at least five different categories of mixed-income properties.

- *Moderate-Income Inclusion*: Predominately market-rate developments that include units for moderate-income households.
- *Low-Income Inclusion*: Predominately market-rate developments that include units for low-income households.

- *Broad Range of Incomes:* Serves market-rate, moderate-income or low-income households, and extremely low-income households.
- *Market-Rate Inclusion:* Predominately low-income developments that include market-rate units.
- *Affordable Mix:* Serves moderate- or low-income and extremely low-income households.

Key Findings

The success in and/or necessity of mixed-income developments meeting their key objectives varies greatly by geography, demographics, market and developer. Some of the common findings about affordable-housing developments' success in meeting the three primary motivations are:

Alleviating Concentrations of Poverty

- There is more evidence to support the importance of living in a healthy, mixed-income community in breaking the cycle of poverty than simply living in an isolated mixed-income development. Such a development may have an important role in achieving a healthy neighborhood; however, other housing strategies may prove to be more effective.
- There is little evidence that tenants in mixed-income developments interact in a meaningful way, limiting any potential social benefits.
- Property managers now apply strict screening and management practices regardless of the mix of incomes, greatly curtailing the incidence of negative social behavior.

Producing High-Quality Developments

- Market pressure is the most reliable force in guaranteeing high standards. However, most subsidized housing is in good condition, and community pressure in particular can be a powerful force in ensuring high standards, regardless of the mix of incomes.

Meeting the Shortage of Affordable Units

- Generally, mixed-income developments do not lessen the subsidy needed. Only in a few very tight housing markets is a cross-subsidy possible, and only for developers with low return thresholds. In weak markets and transitional neighborhoods, additional investments must be made to attract higher-income households.
- A mixed-income approach does appear to be effective in overcoming political and community barriers to moving a project forward. It is unclear if a mixed-income approach will build future political support for affordable housing.

Implications

A mixed-income approach can have an important role in getting additional affordable units built, ensuring high-quality housing, and deconcentrating poverty. However, it either need not, or cannot, be relied upon to achieve all of these goals. Mixed-income housing is not a silver bullet to overcoming the difficult challenges faced by families seeking to escape from poverty or the realities of the housing market. Thus it is essential to be clear about what a developer or policymaker is trying to achieve. Because mixed-income developments are almost always more complex, present unique risks, and often house fewer needy families, this approach should not be casually adopted. Careful consideration of factors, such as the condition of the housing market, population to be served, financing, number of units and community context, must be evaluated before deciding if mixed-income housing is needed or appropriate, and what mix of incomes is feasible.

I. MIXED-INCOME HOUSING: A RENEWED ROLE

“We risk a societal collapse by the first decade of the next century if we tolerate racism and the economic isolation of millions of people,” former HUD Secretary Henry Cisneros warned in 1993.¹ While dramatic, his statement underscores the barriers that the physical and social isolation of poor families presents to breaking the cycle of poverty. As a result of this realization, the economic integration of poor families has become a key goal of our nation’s housing policy. Policies promoting integration have come in two forms: dispersal, helping extremely low-income families move into middle-class neighborhoods; and, mixed-income housing, which includes households of various incomes within the same housing development. The focus of this paper is on the latter strategy, mixed-income developments, which are becoming a preferred strategy for developing affordable housing.

Although not a new idea, the mixed-income approach has become a key element of HUD’s recent public-housing policy. It is also a concept supported by many states and localities, and is a common model for nonprofit or mission-based housing developers. Despite this widespread support, there is a wide variation in how “mixed-income” is defined. Various definitions stipulate a specific mix of incomes, the inclusion of market-rate² units, or the presence of working families.³ In fact, mixed-income developments are extremely diverse. They include many different types of income mixes, are located in a range of markets, offer both home-ownership and rental opportunities, and ultimately have different objectives for the development. The lack of a definitive description and set of objectives makes it difficult to evaluate the effectiveness of mixed-income programs and the sensibility of such a policy. Nevertheless, as the popularity of a mixed-income approach grows, a critical examination of its goals and success in meeting them is required to determine its appropriate role in meeting the nation’s housing needs.

New Emphasis on an Old Idea

The favor given to mixed-income housing by policymakers has waxed and waned over the years. The evolution of public housing is one example of this phenomenon. During the 1940s and 1950s, public housing generally served a range of upwardly mobile, working families. Over time, public housing came to predominantly house a population that was extremely poor and less upwardly mobile. The same forces of cheap suburban homes, highway construction and economic changes that led to the flight of middle-class, white families from urban areas also led to the concentration of extremely poor, minority families in public housing. Schizophrenic policy changes also helped to facilitate this transition. The Brooke Amendment of 1969 eliminated a minimum rent and stipulated that tenants pay no more than 25 percent of their income for rent. This made public housing more affordable to the extremely poor. To prevent the concentration of lower-income tenants, Congress passed a law in 1974 that directed public housing authorities to “include families with a broad range of incomes.” However, this regulation was trumped by a 1981 law that limited Section 8 and public-housing tenancy almost exclusively to households with incomes below 50 percent of area median income

¹ Nyden, Lukehart, Maly and Peterman, 1998, p. 4.

² Through this paper, the term “market-rate” refers to housing units without limits on the incomes of the residents. “Market-rate rent” is the amount of rent that can be charged for such units on the market. These will often be lower than “construction rents” or the rents necessary to justify new construction.

³ Brophy and Smith offer a definition of mixed-income housing as “a deliberate effort to construct and/or own a multifamily development that has a mixing of groups as a fundamental part of its financial and operating plans.” Brophy and Smith, 1997, p. 5.

(AMI).⁴ In 1997, the average annual income of public-housing tenants was \$8,900, and only five percent earned more than \$20,000 per year.

One federal program that directly encouraged mixed-income housing was the 80/20 Bond Program that permitted local governments and state agencies to sell tax-exempt bonds to finance developments that reserved 20 percent of the units for rental to families that met Section 8 eligibility requirements (80 percent of AMI).⁵ However, this program was discontinued in 1986. A number of HUD-funded properties have also become mixed-income without special stipulations. By one count, 1,136 (12.3 percent) of HUD's multifamily properties had a significant mix of incomes.⁶ Some states and localities, notably Massachusetts and New York City, also have had financing programs to facilitate mixed-income developments in place since the 1970s that are still in effect.

As a substantial body of research emerged documenting the negative impacts of concentrations of poverty, a mixed-income approach began to reemerge as a promising means of alleviating these negative effects.⁷ While some of the boldest steps have been taken in federal public-housing programs, the approach is gaining favor at all levels of government. Some of the most notable recent steps in promoting mixed-income housing are described below.

■ Federal Programs and Legislation

- *Low Income Housing Tax Credit (1986)*: The nation's largest affordable-housing production program, the Low Income Housing Tax Credit, allows developers to commit as few as 20 to 40 percent of their units for low-income tenants. These low requirements for the inclusion of low-income households were designed to promote mixed-income developments. In addition, because the rent level is not fixed as a percent of income, families were encouraged to remain in the development even if their incomes rose. However, because the subsidy allocated is based on the number of affordable units, it is usually more financially appealing for the developer to include all income-qualified units. Only 18 percent of the tax-credit properties include market-rate units.⁸
- *Family Self-Sufficiency Program (1990)*: This program seeks to develop a mixed-income property by raising the incomes of existing public-housing and Section 8 tenants. Families receive case-management services to identify employment goals and access supportive services in the community needed to meet the goals. Typically, families must pay 30 percent of any additional earnings in rent to the public housing authority. However, through this program the PHA deposits any increase in rent into an escrow account for the family members to help them develop savings. At present, fewer than half of all PHAs offer this program, and less than 5 percent of eligible families with children participate.⁹

⁴ The new Section 16 of the 1937 Housing Act "limits Section 8 and public-housing occupancy by tenants other than those of very low income (50 percent of area median for a family of four) to 25 percent of the units under subsidy contracts as of October 1, 1981, which become vacant after that date and 5 percent of the units which first become available after October 1, 1981." Jacobs, Harney, Edson and Lane, 1986, p. 63.

⁵ Jacobs, Harney, Edson and Lane, 1986.

⁶ Of these properties, 784 were 100-percent subsidized but had either a range of incomes or a majority of the tenants have very low incomes and work. Khadduri and Martin, 1997.

⁷ See discussion on "Adverse Effects of Concentrations of Poverty" in Section II.

⁸ U.S. Dept. of Housing and Urban Development, *Assessment of the Economic and Social Characteristics of LIHTC Residents and Neighborhoods*, 2000.

⁹ Sard, 2001.

- *Mixed-Income New Communities (1990)*: This HUD demonstration program permitted between 25 and 50 percent of the units in a public-housing development to be leased to families with incomes of up to 80 percent of the area median income. In addition, housing authorities could lease up to 25 percent of the units in a privately owned property for public-housing tenants.¹⁰
- *HOPE VI Revitalization Grants (1992)*: Focusing on the most distressed public-housing developments, HUD allocated a total of \$4.55 billion from 1993 to 2002 to demolish 78,000 units of public-housing and to transform these projects into mixed-income housing developments. Among the enabling rule changes were the elimination of federal preferences for admitting very-low-income households, and authorizing public-housing development funds and operating subsidies for projects owned by a private entity.¹¹
- *Quality Housing and Work Responsibility Act (1998)*: This legislation explicitly moves toward a mixed-income approach by requiring public-housing authorities to “bring higher-income tenants into lower-income projects and lower-income tenants into higher-income projects.” The act also states that while 40 percent of households newly admitted to public housing must have incomes below 30 percent of the area median income, the rest of the units may be leased to households with incomes of up to 80 percent of AMI.
- **State LIHTC Allocations Policies**: States are responsible for allocating their share of low-income housing tax credits. To encourage more mixed-income developments, some states now give preference in the allocation of tax credits to developments that include market-rate units. Among the states that have adopted such an allocation strategy are Georgia, Indiana, New Jersey and Massachusetts. The preference for mixed-income developments was first introduced in Indiana in 1998, and 42 of 486 properties now include market-rate units.¹² The preference was introduced in Massachusetts in 1995, and about 200 out of 350 properties now include market-rate units.¹³
- **Local Zoning and Planning Regulations**: While the financing powers of localities are more limited, many now encourage mixed-income housing through zoning and regulations. For example, the city of Raleigh, North Carolina, limits the number of affordable units that the city will fund in one development, often resulting in the inclusion of market-rate units. Other municipalities use zoning laws to require that developers include affordable units in market-rate developments. The Moderately Priced Dwelling Unit program in Montgomery County Maryland, which offers an increase in allowable density for the inclusion of affordable units, is one of the most established programs, having been initiated in 1978. Local “inclusionary zoning” programs appear to be becoming more prevalent.¹⁴

Future policy changes are likely to continue a shift in favor of mixed-income housing. The recently released report of the Millennial Housing Commission emphasizes that “mixed-income housing is generally preferable to affordable housing that concentrates and isolates poor families.”¹⁵ Recommendations from the Commission, such as a new production program for mixed-income developments housing extremely low-income households, reflect this guiding principle. In addition, a recent

¹⁰ Ceraso, 1995.

¹¹ Salama, 1999. See also, National Housing Law Project, 2002.

¹² E-mail correspondence with Rochelle Gilbert, August 29, 2002.

¹³ E-mail correspondence with Michele Dick, July 22, 2002.

¹⁴ Center for Housing Policy, 2000.

¹⁵ Millennial Housing Commission, 2002.

report from the U.S. Conference of Mayors calls on federal programs to “place a high priority on achieving both mixed-income developments and mixed-income neighborhoods.”¹⁶

Despite recent policy changes and the excitement surrounding mixed-income developments, most housing programs are not well designed to facilitate the financing of mixed-income developments. Some developers are finding ways to arrange the financing of mixed-income developments under federal programs, but many report that they are limited to financing all-low-income developments. However, even those that cannot structure the financing report increasing political pressure to include a mix of incomes in their developments.¹⁷

Goals of This Paper

At first glance, a mixed-income approach seems like a common-sense idea that should be readily adopted. If the isolation of low-income families is a major problem, housing them with middle-class households within a development seems an ideal approach to promoting their social and economic integration. Despite the seemingly solid rationale, relatively little research has been conducted to substantiate claims that mixed-income housing developments per se can lead to positive benefits for poor families. Compiling evidence to definitively answer the question of the effectiveness of mixed-income housing is beyond the scope of this paper. Instead, by examining past research and conducting interviews with developers, property managers and financiers of mixed-income housing, this paper seeks to offer a more nuanced framework for discussing the different types of mixed-income developments, their objectives, and a preliminary assessment of mixed-income housing’s record in meeting its objectives.

Toward this end, the starting point of this paper is to explore what forces have made mixed-income housing such an attractive option to policymakers. One force clearly is a general perception that past approaches have failed and that the mixed-income approach offers more promise. However, the failure of past approaches can be overstated and blur the discussion about what unique goals mixed-income housing is trying to achieve. Thus, this paper will seek to define the specific goals of mixed-income housing prior to assessing its record in achieving these goals. Also, because mixed-income developments have such wide variation in their mix of incomes, the goals and achievements of various mixes will be examined. Based on these preliminary assessments, a number of key implications and questions for assessing the need for a mixed-income approach are offered. This paper also seeks to present more evidence and clarify the goals and implications of various mixes.

This paper does not attempt to offer best practices for future mixed-income developments. Nor does it offer recommendations to facilitate the financing of mixed-income developments through federal housing programs.¹⁸ These are important steps, but they are ancillary to the central questions of mixed-income housing’s goals and effectiveness that this paper seeks to address.

¹⁶ U.S. Conference of Mayors, 2002, p. 4.

¹⁷ An informal survey of housing developers found that all faced increasing political pressure. The survey was taken in a discussion group arranged for this paper in San Francisco, August 5, 2002.

¹⁸ Recommendations for changes to existing programs and new programs to facilitate the financing of mixed-income developments can be found in the report of the Millennial Housing Commission, *Meeting Our Nation’s Housing Challenges*, 2002.

II. WHY DEVELOP MIXED-INCOME HOUSING?

To a great extent, mixed-income housing has become a preferred means of developing affordable housing without a rigorous debate about what is to be accomplished via this approach. The rationale articulated by proponents sometimes consists of a vague reference to a better social situation in mixed-income developments, or a declaration that all-low-income public housing did not work. The favor given to mixed-income housing appears to be as much of a reaction to past housing efforts as it is an acceptance of the merits of this approach. This mix of reasoning can often confuse the debate on mixed-income housing. Thus, a sound analysis requires clarification of the following questions:

- What pre-existing conditions have prompted a shift to mixed-income housing?
- What are we seeking to accomplish through a mixed-income approach?

Drivers of Policy

The results of past housing programs, social conditions and policy changes all combined to signal that a new strategy is needed for addressing the nation's affordable-housing problem. Mixed-income housing thus owes much of its resurgence to the following three factors:

1. Adverse effects of concentrations of poverty,
2. Poor perceived quality of subsidized housing, and
3. Shortage of affordable housing.

These factors represent the underlying problems to be addressed. Following from these factors is the perceived impact that mixed-income housing can have in addressing the problem. An assessment of mixed-income housing's record in addressing these problems is offered in Section IV.

1. Adverse Effects of Concentrations of Poverty

The degree to which neighborhoods with high concentrations of poverty proliferated due to the exodus of middle-class families from urban areas is startling. In 1970, only one neighborhood in Chicago had a poverty rate of over 40 percent, but by 1980 that number had grown to nine. In the nation's five largest cities, the number of poor families living in such neighborhoods grew by 182 percent during this time period.¹⁹ Bruce Katz of the Brookings Institution asserts that researchers have "found a direct correlation between these neighborhoods of high poverty and such key social indicators as declining school performance and relatively high rates of criminal activity, family fragmentation, substance abuse and teenage pregnancy."²⁰ Some of the key reports and findings for individuals living in neighborhoods with very high concentrations of poverty, particularly those with poverty rates of greater than 40 percent, include:

- **Low School Performance:** One study reports that when the percentage of high-status workers in a neighborhood fell below 5.6 percent, the dropout rates of African-American teenagers rose dramatically.²¹
- **Low Earnings and Employment Levels:** One study found that at least one quarter of the gap in education and earnings of African-American men due to background differences can be accounted for by differences in neighborhood quality.²²

¹⁹ Wilson, 1987.

²⁰ Katz, 1999, p. 3.

²¹ Crane, 1991.

²² Datcher, 1992.

- **High Teenage Pregnancy Rates:** A review of empirical research found that almost all studies indicate a negative relationship between neighborhood poverty levels and sexual activity or pregnancy among adolescents.²³
- **High Incidence of Crime:** Studies indicate a strong association between violence and low neighborhood socioeconomic status.²⁴

Several theories exist as to why these negative factors grow more prevalent in communities with high concentrations of poverty, and why it is more difficult to break a cycle of poverty in such circumstances. One reason is that fewer opportunities exist in high-poverty communities to encourage skill development and income growth. Schools are often poor, local employment opportunities are scarce, and community institutions are weak or nonexistent. Other poverty researchers place additional emphasis on the social effects of economic isolation. William Julius Wilson argues that social isolation of residents of high-poverty areas constrains their access to job networks, marriageable partners and exposure to conventional role models.²⁵ “Ghetto-specific culture is a response to these structural constraints and limited opportunities.”²⁶ Other researchers, such as Oscar Lewis, have asserted that the negative behaviors of poor persons in high-poverty areas are not only a response to their environment, but represent an endemic culture of poverty, “passed down from generation to generation.”²⁷ While the role of social and strictly economic factors in perpetuating a cycle of poverty can be debated, the underlying finding is clear that families residing in high-poverty areas face a tremendously difficult path to escaping poverty.

Also troubling has been the role of U.S. housing policy in reinforcing these concentrations of poverty. Many high-density, multifamily public-housing developments were sited in neighborhoods that already had high levels of poverty, and created an influx of very-low-income tenants. Often this was due to the objections of higher-income neighborhoods to siting the developments there, making low-income neighborhoods the only politically feasible sites to build the housing. As of 1997, the average neighborhood poverty rate of public-housing projects was 37 percent.²⁸ Rather than acting as stabilizing forces, many developments instead contributed to the problems of the neighborhood. For example, of the 1,251 households in the Cabrini-Green development in Chicago in 1996, only seven percent of the tenants worked, 90 percent were on public assistance, and the average income was \$6,000.²⁹ In this setting, violent crime became rampant, leading one of the parks in the development to be nicknamed “the killing field.” While most public-housing developments actually provide fair-quality housing, such extreme examples produced a “widely held stereotype... of notorious housing developments in overly concentrated, distressed neighborhoods — poorly designed and managed, starved of social and recreational facilities, and isolated from economic opportunities.”³⁰

In reaction to the abject conditions found in both neighborhoods and public-housing developments with high concentrations of poverty, many policymakers have concluded that these concentrations must be broken up at all costs. The boldest step in this direction, and the one with the most resources, has been the HOPE VI program administered by HUD. From 1993 to 2002, \$4.55 billion in grants have been awarded to public-housing authorities to demolish distressed public-housing units and replace them with new units that are better integrated into the surrounding neighborhood, serve households with a broader range of incomes, and are supported by additional social services and on-

²³ Turner and Ellen, 1997.

²⁴ Short, 1997; Skogan and Maxfield, 1981.

²⁵ Wilson, 1987, p. 61.

²⁶ *Ibid.*, p. 137.

²⁷ Katz, 1989, p. 17.

²⁸ HUD, *1997 Picture of Subsidized Households Quick Facts*, 1997.

²⁹ Salama, 1999.

³⁰ Abravanel, Smith and Turner, 1998.

site facilities. Public-housing authorities have the option of replacing all of the demolished units, but most opt to provide vouchers for some percentage of the displaced tenants instead. The goal of these developments is to create a mixed-income community that lacks the social ills of the prior development.

HUD's Moving to Opportunity and Chicago's Gautreaux program focus on moving residents out of high-poverty neighborhoods, rather than creating mixed-income developments in their place. Participants are offered a variety of support services in addition to rental assistance to facilitate a move from a high-poverty to low-poverty community. The initial findings of the Gautreaux program demonstrate positive results, indicating increased employment among parents as well as higher test scores and college attendance among children.³¹ Such findings lend support to the importance of healthy neighborhoods in breaking a cycle of poverty, and add momentum to the concept of mixed-income developments, particularly those sited in low-poverty neighborhoods.

What Can Mixed-Income Housing Accomplish In Theory?

The Moving to Opportunity strategy demonstrates the merits of moving individual residents from a high-poverty area to a low-poverty one. Some mixed-income developments essentially accomplish the same thing by enabling low-income households to live in neighborhoods in which they could not otherwise afford to live. In this situation, the potential benefits are primarily derived from the community in which the development is located. The greater challenge for mixed-income strategies is to produce significant benefits in developments that are in neighborhoods that either have high levels of poverty or lack good schools and employment opportunities. What can a mixed-income housing development hope to accomplish in such an environment?

a. Manage Negative Behavior

By mixing households of various incomes within a housing development, it is hoped that the social ills found in many public-housing projects and high-poverty neighborhoods can be avoided. This reasoning applies most directly to the idea that there is a "culture of poverty" that must be broken. Very poor adults and their children may be less likely to engage in negative behavior if higher-income families are present. Crime is less likely to be tolerated by the higher-income tenants residing in the development. In addition, children may adopt more of the "mainstream values" of their higher-income neighbors, and postpone childbearing or place greater emphasis on education. The inclusion of families who work regardless of income may be a key factor in avoiding the social problems of concentrated-poverty housing development. A "culture of work" may thus be created at the housing development.³²

b. Offer More Life Chances

In addition to reducing negative social behavior, mixed-income housing might lead to positive "life chances" for low-income families via interaction with higher-income families. As one author asserts, higher-income tenants are more likely to be "well-adjusted citizens who can serve as role models for lower-income tenants, helping them to become more self-sufficient and less dependent upon the public dole."³³ In addition to creating a "culture of work," interaction between residents may serve to create informal job networks. The benefits from such a network might apply both to nonworking households in need of employment and to working households in search of better employment. However, high levels of social interaction are clearly needed to produce such networks.

³¹ Rosenbaum, 1995.

³² Khadduri and Martin, 1997.

³³ Jacobs et al., 1986, p. 63.

Children may benefit from exposure to working families as well as households with high-stature jobs. Even without significant interaction, the presence of families with various types of employment may at least suggest to children a range of opportunities that would not be apparent in a development with a concentration of poverty. High levels of interaction may also produce working role models that could have a significant impact on the children's lives. Some evidence suggests that children who do not have exposure to working-adult role models will have difficulty finding and sustaining employment as adults.³⁴ Because interaction between children is more likely than between adult residents, there is a greater chance of significant interaction and positive benefits for children.

This discussion of social benefits centers largely upon working-age adults and children. In fact, elderly residents (over age 62) comprise 33 percent of all households receiving a subsidy, and the majority of households for project-based Section 8 properties.³⁵ A mixed-income property may thus be achieved with either a mix of low- and high-income elderly residents, or working-age households with low-income elderly residents. Developments that rely upon elderly households to achieve their mix of incomes are unlikely to produce more life chances, because these households are unlikely to either be working or to have dependent children residing with them.

c. Rebuild Healthy Communities

Mixed-income housing also potentially can have a significant role in transforming a distressed neighborhood into a healthy community that is home to households with a wider range of incomes, has fewer social ills, and offers a higher quality of life. In a distressed community with a large number of vacant lots, the infusion of 500 attractive new townhouses may provide an impetus for the development of new properties and upgrading the condition of existing ones. In transitional communities, the addition of attractive housing may help to stabilize a block or section of a neighborhood that is experiencing disinvestment. A mixed-income development that succeeds in attracting higher-income households that would otherwise not have considered living in that community may encourage additional higher-income households to live in the community.

The combination of these factors can have a significant impact in attracting households of all incomes to this neighborhood. Additional households, particularly those with higher incomes, will attract new investment, new services and new jobs. These households may also have impacts in reducing crime, improving neighborhood schools, and bringing more political clout that can translate into better municipal services.³⁶ The potential of this accomplishment speaks to the role of inadequate institutions and services in perpetuating cycles of poverty.

2. Poor Perceived Quality of Subsidized Low-Income Housing

A major problem associated with subsidized low-income housing in the U.S. is the perception of poor quality. Many of the problems begin with the design of the developments. A typical public-housing development consists of several high-rise buildings, built in a standardized, institutional design, and surrounded by open fields. Such a design leaves little private or "defensible" space, contributing to higher incidences of crime.³⁷ Because this design looks different from surrounding homes, a stigma tends to be associated with such developments. Catherine Bauer asserts, "Each project proclaims, visually, that it serves the 'lowest income group.'"³⁸

³⁴ Wilkins, 2001.

³⁵ HUD, *1997 Picture of Subsidized Households Quick Facts*, 1997.

³⁶ Wyly and Hammel, 1999.

³⁷ Newman, 1996.

³⁸ J. Paul Mitchell, Ed., *Federal Housing Policy and Programs: Past and Present*, 1985, p. 280.

The initial quality of many of the buildings was also poor. With limited funds to build as many units as possible, and to save money on future maintenance, corners were cut in construction. “Cost restrictions discouraged design features which were essential to the smooth function of families and of the projects as communities. Units with minimal floor space; elevators which stopped on every other floor; floor plans arranged to minimize costs but maximize security problems; a total absence of site planning or recreational facilities — all of these were seen as prudent cost-cutting measures.”³⁹ Finally, the resources needed to maintain the buildings properly were not available, causing many to fall into severe disrepair. As public housing began to serve the most needy families, the revenue from rent decreased. While HUD provided operating subsidies, they were not sufficient to cover all maintenance costs.⁴⁰ In addition, much of the subsidized housing stock is 30 to 40 years old, and the normal effects of aging have added to the poor condition of the properties. Many subsidized housing developments, both publicly and privately owned and managed, became of such poor quality that they became virtually uninhabitable. For example, the vacancy rate in all properties managed by the Detroit PHA averaged 40 percent. In the Lafayette Courts development in Baltimore, the refusal rate of eligible tenants was 70 percent.⁴¹

However, it is easy to overstate the degree of poor quality and design of both public housing and privately owned and managed subsidized housing. Many of the elements described above apply only to public housing. Furthermore, a survey conducted during 1998 and 1999 by HUD of its inventory of public and privately owned subsidized housing found that 82 percent of the properties inspected were in “good” or “excellent” condition. Only three percent were considered to be in “failing” condition.⁴² However, such developments, while a small minority, tend to dominate the public’s perception of subsidized housing. Also, while a majority of the units are in good condition, many low-rise public-housing units tend to look different from their surrounding environment. Thus, a stigma may still be attached to the development and the residents that they live in “low-income housing.”

What Can Mixed-Income Housing Accomplish In Theory?

A mixed-income approach can potentially provide both higher-quality units that lack any social stigma, and an incentive to maintain the development to a high standard.

a. Develop High-Quality Units

Mixed-income developments must attract tenants willing to pay market rents, instead of only tenants with few or no housing options. Because they must be marketed to and attract a population with more housing options, the development must be built to a high standard. This approach should be able to achieve a higher quality of housing than other subsidized housing. Most mixed-income funding programs require that the affordable units be similar in design and interspersed with the market-rate units. In addition, developers may be required to include amenities such as pools or fitness centers that benefit all residents.

b. Maintain the Development to a High Standard

Housing quality in affordable developments also suffers from the fact that many tenants simply have no other alternatives due to their low incomes. Thus, there is no incentive for private landlords to invest in maintenance. The inclusion of households that can afford other housing options, even if they are limited, imposes a burden upon the owner to both develop housing that is attractive and market-

³⁹ Hays, 1985, p. 97.

⁴⁰ Hays, p. 88.

⁴¹ Fosburg, Popkin and Locke, 1996.

⁴² HUD, *A House in Order*, 1999.

able and to maintain its quality. If it is not attractive, tenants will move elsewhere.⁴³ Requirements that units for households of different incomes be interspersed may be a key component to keeping pressure on the management to maintain all units to a high standard. In addition to placing pressure on management, higher-income tenants may also be more likely to complain or place pressure on tenants who are not conforming to upkeep standards.

The use of private financing in almost all mixed-income developments requires an additional degree of oversight in evaluating the feasibility of housing developments. Lenders and investors will not fund a project unless there are sufficient replacement and operating reserves. Of course, this principle also holds true for privately financed affordable-housing developments that do not have a significant mix of incomes, such as most LIHTC projects.

3. Shortage of Affordable Housing

There is a great shortage of affordable housing in the U.S., with 12.1 million households paying more than half of their income for rent. Households paying this level of rent are considered to be severely cost-burdened, as their high rent payments likely cause hardship in paying for other needed goods and services. The problem is particularly severe for households with incomes below 30 percent of AMI, as nearly eight million, or 53 percent of this group, are severely cost-burdened. While there may be disagreement over definitions of “needy” households with regards to housing, such numbers give at least a sense of the scale of the need. Table 1 shows the number of households by income group that are severely cost-burdened.

Table 1. Severe Housing Burdens by Income Group⁴⁴

Income Categories	Owners		Renters		Total Households		Percent of Total Households Severely Burdened
	All (1,000s)	Severely Burdened (1,000s)	All (1,000s)	Severely Burdened (1,000s)	All (1,000s)	Severely Burdened (1,000s)	
Extremely Low-Income (<30% AMI)	6,410	3,175	8,513	4,798	14,923	7,973	53%
Very-Low-Income (30–50% AMI)	7,138	1,151	6,243	1,121	13,381	2,272	17%
Low-Income (50–80% AMI)	10,680	783	7,270	252	17,950	1,035	6%
Moderate-Income (80–120% AMI)	14,284	465	6,681	93	20,965	558	3%
High-Income (>120% AMI)	30,283	239	5,300	15	35,583	254	0.7%
Total	68,795	5,813	34,007	6,279	102,802	12,092	12%

However, public resources to meet this great need are woefully inadequate. Housing-production programs operate with very limited resources in comparison to the need. Funded at \$4.1 billion

⁴³ Increasing housing options is also a key reason for tenant-based, rather than project-based, Section 8 vouchers.

⁴⁴ Millennial Housing Commission, 2002, data from Table 1.

annually, the LIHTC is now the largest production program, and has funded the construction of over one million units of affordable housing since its inception in 1986. In addition, direct housing assistance is provided to about 5 million households. However, this level of assistance only reaches one in three eligible households. One reason for the limited funding is a lack of public support for low-income housing programs. Public housing is the most visible of the nation's housing programs, and it is safe to say it does not enjoy a favorable perception among the general public. In comparison, housing subsidies for middle- and upper-income families in the form of deductions for mortgage interest, property tax and capital gains enjoy broad support. These deductions total about \$120 billion in reduced tax revenues, or roughly three times HUD's budget.⁴⁵

Another barrier to meeting the nation's housing needs is the objections that residents raise when affordable housing developments are proposed in their communities. Such objections, often referred to as NIMBY (Not In My Back Yard), are common to nearly every neighborhood. In affluent neighborhoods, many residents complain about the potential for lowered property values due to the construction of affordable housing. As noted earlier, much of the public associates affordable housing with the negative images of run-down, poorly designed and crime-ridden public-housing developments. This likely fuels a great deal of the backlash against locating low-income housing in many communities. Practitioners also report that many homeowners believe that their property values will suffer if lower-income households are allowed into their neighborhoods, regardless of the quality of the housing. The issue of race, and negative behaviors residents associate with a given race, are also delicately, or not so delicately, raised in many settings. As one observer has noted, "Being poor is a proxy for being minority and vice versa, and being either is a proxy for not wanting them in your neighborhood."⁴⁶ However, the issue of NIMBYism is not confined to affluent, predominantly white communities. Many of the strongest objections are found among residents of all races in predominantly low-income neighborhoods, particularly among low-income homeowners. Many object to proposed developments on the grounds that they already have more than their fair share of affordable housing.⁴⁷

Objections are not limited to housing for extremely low-income households either. Proposed housing for households at 50 to 60 percent of the median income draw the ire of residents as well. As Patricia Garrett of the Charlotte-Mecklenberg Housing Partnership in Charlotte, North Carolina, explains, "We have to do a lot of education that the housing is for people such as your bus drivers, teacher aides or librarians."⁴⁸ Such objections make the construction of new affordable housing extremely difficult, even with adequate funding. To counter such objections, the term "work-force housing" is often used to convey that working families are being served, rather nonworking families that may be reliant upon public assistance and engender more community resistance.

What Can Mixed-Income Housing Accomplish In Theory?

A mixed-income approach can potentially alleviate both the political and financial barriers to meeting the nation's need for affordable housing.

a. Develop Affordable Units With Less Public Subsidy

Operating with limited funding to address the housing needs of low-income families, policymakers and developers have increasingly looked to new and creative means of leveraging private-sector resources to produce and preserve affordable housing. Programs have been created under the premise that with the right mix of incentives, the inclusion of market-rate units will allow developers to

⁴⁵ Millennial Housing Commission, 2002, Table 8.

⁴⁶ Interview with Charles Buki, July 17, 2002.

⁴⁷ Interview with Jeanne Pinado, July 23, 2002.

⁴⁸ Interview with Patricia Garrett, July 15, 2002.

construct affordable units with a subsidy below that needed in 100-percent affordable developments, or that a subsidy can be provided in a form other than a direct public expenditure or tax reduction. Some notable examples of programs that have existed for many years include:

- The 80/20 programs in New York City and Massachusetts offer a shallow subsidy of tax-exempt, below-market financing to developers who make 20 percent of their units affordable to households earning less than 50 percent of AMI.
- The Moderately Priced Dwelling Unit program in Montgomery County, Maryland, requires that residential developments of more than 50 units make at least 12.5 percent of the units affordable to moderate-income households. To offset the lost rent, developers receive a density bonus of up to 22 percent. The local PHA also has the option to purchase the affordable units, ensuring that they remain affordable in perpetuity.

Public housing authorities and nonprofit developers can also take advantage of the concept of cross-subsidization. If rents on the market-rate units are high enough, there is a potential to use the cash flow in excess of operating costs to subsidize the affordable units. Thus, in theory, less subsidy per affordable unit is needed.

Furthermore, the inclusion of market rents may make a project more viable financially in the long term than affordable-housing developments that have a limit on rents that can be charged for all units. This will reduce the need for costly government bailouts of subsidized projects that fail to cover their operating costs.

b. Assuage Community Concerns Over Affordable Housing (Overcome NIMBYism)

Including a mix of incomes in an affordable development, particularly market-rate units, can be a way to assuage community concerns. Residents concerned that a development will come to resemble a troubled public-housing project in both the appearance of the property and the behavior of tenants, may be more willing to accept a development that includes higher-income families. This may be particularly important in attempting to locate affordable housing in low-poverty neighborhoods that offer the best schools, employment opportunities and range of services. The inclusion of market-rate units can provide assurance that both the design and the management will be of high quality.

c. Build a Political Constituency for Affordable Housing

Given the general reluctance of government to provide adequate resources for antipoverty programs, and the common perception that past resources for housing were spent on ill-conceived developments that often made neighborhoods worse, attaining public support for affordable housing is an uphill battle, particularly at the federal level. By assisting low- and moderate-income families, who are more likely to vote than extremely low-income families, a broader political constituency can be built in support of affordable housing. Legislators are also more likely to support housing that aids the “deserving poor” of working families rather than an additional subsidy to families who are reliant upon public assistance and may not be working steadily. To the degree that families living in market-rate units benefit from good housing at competitive rents, another potential constituency can be built around them. Developers should also be willing to support additional funding, as they will benefit from increased housing starts. Finally, if mixed-income housing is successful in developing units that are of high quality, the public may be more willing to support initiatives that do not repeat mistakes of the past and offer a clear social benefit. If the properties developed today are still successful 15 years from now, affordable-housing advocates will have a stronger case for more public funding.

III. MIXES, MARKETS AND MOTIVATIONS

Mixed-income housing is a broad term that carries different meaning for different audiences. The Millennial Housing Commission, academic authors, and the wide range of practitioners each define mixed-income housing differently.⁴⁹ To some, a truly mixed-income development must include market-rate, or close to market-rate, units. For others, mixed-income developments are exactly what the name implies, a mix of incomes without strict definitions on how high or low the incomes of the residents are. Other authors have also categorized different properties by the nature of the funding that was used to produce the units.⁵⁰ The tenure type of the development (home-ownership, rental or cooperative) may be another way to classify developments. And finally, some classifications emphasize different characteristics of the tenants, such as employment status or families with children, rather than simply the mix of incomes.⁵¹ Regardless of the definition, mixed-income developments vary greatly depending upon the same factors as any other housing development: population served, location, tenure type, management and scale.

The previous section discussed the underlying motivation for a mixed-income approach and the goals such developments aim to accomplish. However, like any other real estate development, the market determines to a great extent what mix of incomes is possible. A mixed-income development located in a very soft market will have a difficult time renting market units to high-income households. Furthermore, not every mixed-income development or funding program places the same priority on the various goals. Some may place top priority on building units with a low amount of subsidy, while others are most concerned with providing greater life chances for their low-income residents. The priority given to different goals also helps to shape the mix of incomes in the development. Thus, a combination of the market and the priority given to the goals results in the mix of incomes served.

While there is clearly a wide range of mixed-income developments, it may be helpful to think of them as falling on a scale where properties take on an identity that is closer or further away from being a true market-rate property. Within that scale, there are at least five different categories of mixed-income properties. It should be noted that some of the properties serve very few, or no, families with incomes below 30 percent of AMI. This income level is generally associated with the federal poverty level and is the income group with the greatest housing needs (see Table 1).⁵² While there are always exceptions, properties that fit within these categories of income mixes generally share similar motivations and markets. Table 2 describes five categories of mixes and an example of the range of incomes that might be served in such a development.


⁴⁹ Brophy, 1997; Khadduri, 1997; Rosenbaum, 1998; and Wilkins, 2001.

⁵⁰ Schwartz, 1997.

⁵¹ Khadurri and Martin (1997) offer culture-of-work properties as one category of mixed-income properties. Such properties are defined as developments in which fewer than 20 percent of the tenants have incomes above \$20,000, and more than 70 percent have wages as their primary source of income. The authors also exclude developments in which fewer than 20 percent of the units are occupied by families with incomes below \$10,000 per year. They do not consider these to be mixed-income housing as they serve too few poor households.

⁵² The federal poverty level in 2001 for a household of three persons was \$14,269, compared to the income level of \$16,344 equal to 30 percent of national median income for a family of three.

Table 2. Categories of Mixed-income Developments and Incomes Served

	Category	Description	Illustrative Mix of Incomes	
			% of Units	% of AMI
100% Market-Rate  100% Low-Income	Moderate-Income Inclusion	Predominately market-rate developments that include units for moderate-income households.	80% 20	Market 80%
	Low-Income Inclusion	Predominately market-rate developments that include units for low-income households.	80 20	Market 50
	Broad Range of Incomes	Serves market-rate, moderate income or low-income households, and extremely low-income households.	33 33 33	Market 60 30
	Market-Rate Inclusion	Predominately low income developments that include market-rate units.	20 80	Market 50/60
	Affordable Mix	Serves moderate or low-income and extremely low-income households.	50 50	60 30

While Table 2 illustrates the mix of incomes that may be served in different types of developments, the mix of incomes within the same type of development will vary greatly by market and geographic area. Table 3 illustrates the different income levels of households at different percentages of the AMI in high-, median- and lower-income areas. It also shows the median rent in these different markets and the percentage of AMI at which the rent would be affordable.⁵³ As this table demonstrates, in tight markets such as Boston, the market-rate rents may be close to or above the AMI, while in others such as Houston, market-rate rents may be at levels of AMI considered to be low- or moderate-income households. The income of a three-person household is used as a basis for comparison as this is close to the average household size of families in subsidized housing.⁵⁴

Table 3. Income Ranges and Rents in Different Markets⁵⁵

Income Group (% of AMI)	Income Limit for a 3-Person Household, FY 2002		
	<i>Boston, MA</i>	<i>Houston, TX</i>	<i>Mobile, AL</i>
100	\$66,833	\$53,667*	\$40,667
80	53,586	42,934	32,534
60	40,190	32,200	24,400
50	33,492	26,834	20,333
30	20,095	16,100	12,200
Median Rent 2 Bedroom Apt.	\$1,338	\$709	\$534
Income Needed to Afford Rent (% of AMI)	\$53,520 (80%)	\$28,360 (53%)	\$21,360 (53%)

*The median income for Houston is close to the national median income of \$54,481 (2001).

⁵³ Rents are generally considered affordable if they make up 30 percent of a household's income or less.

⁵⁴ The average household size in public housing is 2.4, and 2.8 in Section 8-assisted households.

⁵⁵ Data is from HUD, *FY 2002 Income Limits*, and *50th Percentile Rent Estimates*. See www.huduser.org.

In order to assess whether mixed-income developments are accomplishing their goals, it is important to note how the primary motivation for mixing incomes differs for various types of developments. If achieving a cross subsidy from the market units to the low-income units was never a realistic goal for a development in a low-income neighborhood, it should hardly be considered a failure when that goal is not met. Table 4 shows the primary motivations and the types of markets most commonly associated with each category of mix. This table is meant to be illustrative of the different markets and motivations associated with different mixes, rather than a scientific model. The motivations are based on interviews with developers and descriptions of various developments. The “Likely Market” column suggests the types of markets in which developments with a certain mix of incomes are most commonly located. A distinction is made between high-cost markets and tight markets. Some markets have low vacancy rates and are tight, but their rents are still relatively low compared to high-cost markets such as Boston, San Francisco or New York, where the median rent or home price is high compared to the median income.

Table 4. Income Mixes, Motivations, and Markets

Category	Likely Market	High-Priority Motivation							
		<i>Avoid Negative Behavior</i>	<i>Improve Life Chances</i>	<i>Rebuild Healthy Community</i>	<i>High-Quality Units</i>	<i>High-Quality Maintenance</i>	<i>Less Subsidy</i>	<i>Assuage Community Concerns</i>	<i>Build Political Constituency</i>
Moderate-Income Inclusion	High-cost				X	X	X	X	
Low-Income Inclusion	High-cost or Tight	X	X		X	X	X	X	
Broad Range of Incomes	Tight or Transitional	X	X	X	X	X		X	
Market Inclusion	Transitional	X	X	X	X	X		X	
Affordable Mix	Soft	X	X	X	X	X			

The following are examples of projects for each of the five general income categories. The funding sources and locations are representative of many, but not all, developments that fit within a category.

Moderate-Income Inclusion

Mix: These are developments in which a small minority, perhaps 10 to 20 percent, of the units are set at below-market-rate prices. The prices are also set to be affordable to households at the higher end of the affordable-housing spectrum, such as 80 percent of AMI. Because the affordable units are set at a relatively high threshold, many of the developments offer units for home ownership.

Market: These markets are typically in high-cost housing markets.

Primary Motivations: Because such developments serve a higher-income and stable population among needy families, these families would seem to have more housing options and be less likely to live in neighborhoods with high concentrations of poverty. The primary motivation for facilitating an “upper-income-mix” development thus appears to be the ability to use less subsidy in constructing the

units. In addition, such a mix may be very effective in overcoming community objections to affordable housing. Also, such developments may provide work-force housing in high-cost areas, offering affordable housing for teachers, police officers or other needed workers.

Funding: While zoning laws often facilitate these types of developments, they are usually privately financed. Incentives such as density bonuses or the easing of other zoning restrictions may be offered to encourage developers or to offset potential losses from the affordable units.

The Local Initiative Program (40B) program in Massachusetts allows developers to obtain “comprehensive zoning” approval, avoiding lengthy zoning appeals and hearings, if 25 percent of the units are affordable to households under 80 percent of AMI and are relatively indistinguishable and interspersed with the market-rate units.

Low-Income Inclusion

Mix: The vast majority of the units in these developments are market rate, but the affordable units that are included reach down to a lower-income population, such as 50 percent of AMI. Including home-ownership units is less common, particularly for the affordable units, since they serve a low-income population.

Market: Such developments are typically in high-cost or relatively tight housing markets.

Primary Motivation: A primary motivation for such developments is the potential to build low-income units with less subsidy. Other strong motivations are that the units are likely to be of high quality since they must be of same quality as the market-rate units, and they are likely to be located in low-poverty neighborhoods, where higher-income families will be attracted. Including affordable units as a minimal part of a higher-income development may also be a more amenable way for a community to accept the presence of affordable housing.

Funding: New York City and Massachusetts have created 80/20 programs that offer tax-exempt or taxable financing for projects in which 20 percent of the units are reserved for households with incomes of less than 50 percent of AMI. New York City also allows 25 percent of the units to be reserved for households at 60 percent AMI. Developments in which 20 percent of the units are reserved for households under 50 percent AMI may also use LIHTC funding, although it is unclear how often this option is used when the rest of the units are market rate.

Chelsea Centro: A project financed by the New York City Housing Development Corporation is currently in construction on West 26th Street and Seventh Avenue in the Chelsea neighborhood of Manhattan. It consists of two newly constructed buildings containing 356 residential units, of which 71 will be reserved for tenants with incomes less than 50 percent of AMI. The project was financed with a taxable bond and a low-interest second mortgage of \$20,000 per low-income unit.⁵⁶

⁵⁶ New York City Housing Development Corporation, 2002; www.nychdc.org.

Broad Range of Incomes

Mix: These developments have a strong balance between market-rate units and affordable units. However, the affordable units are targeted to families with 50 to 60 percent of AMI, or within range of the LIHTC subsidy. Home-ownership units may be part of the mix to attract higher-income families.

Market: Due to the large number of market units, the development generally needs to be in either a strong housing market or in a transitional neighborhood with characteristics that give it potential to attract higher-income households. However, additional subsidy may be needed to attract higher-income tenants to the market-rate units.

Primary Motivation: The strongest motivation in some of these developments may be to revitalize a transitional area by attracting higher-income families. Also, because tenants can move from a low-income unit into a higher-income unit as their incomes increase, or vice versa if their incomes decrease, the stability of the neighborhood may be enhanced. Another primary motivation is to meet the housing needs of families with a broad range of incomes. By serving a broader market, it may be easier to rent all of the units.

Funding: The funding for these developments may include LIHTC, HOME and/or HOPE VI.

Crawford Square Development: Located in the blighted Hill District neighborhood of Pittsburgh, the Crawford Square development is aiming to create a viable, mixed-income community of 550 units. The first two phases totaled 331 units, with about half market-rate and half subsidized. Of these units, 57 were for sale. Rents in the rental units range from about \$300 to \$800. While the neighborhood was a difficult market in which to attract higher-income residents, the development benefited from close proximity to downtown, as well as a scale large enough to have a significant positive impact on the neighborhood. The project was funded through a combination of loans and grants from the Urban Redevelopment Authority of Pittsburgh, HOME loans, foundation grants and LIHTC equity.⁵⁷

Market Inclusion

Mix: These are developments that predominantly serve low-income residents, with a minority of the units serving market-rate units. Home ownership may be included.

Market: These developments are generally in a transitional neighborhood.

Primary Motivation: A strong motivation for such developments is the possibility of positive interaction between the lower-income and higher-income tenants. While the number of market-rate units is limited, their inclusion may be seen as an important step in attracting higher-income families into a distressed neighborhood. The presence of higher-income families may also be a key factor for such a development in developing and maintaining the housing at a high standard. Because extra amenities may be needed to attract higher-income families, using less subsidy is not a primary motivation.

Funding: The funding for these developments may include HOPE VI, LIHTC, Section 8 and/or HOME.

⁵⁷ Jones, 1995.

Spring View Housing Project: The San Antonio Housing Authority was awarded a \$48.8 million HOPE VI grant in 1994 to redevelop its troubled Spring View housing project, located in a high-crime and high-poverty neighborhood. SAHA demolished 421 units and replaced them with 208 public-housing units limited to households with incomes below 30 percent AMI and 105 units for market-rate home ownership. Due to the soft real estate market for the neighborhood, incentives such as down-payment assistance and a zero-interest second mortgage were offered to homebuyers of market-rate units. Sale prices ranged from \$52,672 to \$65,957, and the income of the homebuyers ranged from 83 percent to 96 percent of AMI.⁵⁸

Affordable Mix

Mix: These developments do not include market-rate units, but have a strong mix of tenants with extremely low incomes (below 30 percent of AMI) and those with incomes between 30 to 80 percent of AMI. A significant difference in the characteristics of the tenants may be that those in the higher-income group have steady employment and are not reliant upon public assistance.

Market: These are generally located in communities in which the market is not strong enough to attract tenants with incomes that approach the AMI.

Primary Motivation: The strongest motivation appears to be the potential for positive social interaction between the higher- and lower-income tenants. While all the tenants may be classified as low- or moderate-income, the higher-income tenants are more likely to have steady employment, which may help to create a culture of work at the development as well as reduce negative behavior. The housing quality and maintenance are also clearly key elements of any development, but because the incomes of all tenants are limited, the importance of market pressures in setting a high standard of quality is also limited. Also, since all units in such a development receive some form of subsidy, cross-subsidization is not an issue.

Funding: The funding for these developments may include LIHTC, Section 8, HOME, HOPE VI and/or tax-exempt 501(c)3 bonds.

Lake Parc Place: In an attempt to reduce the concentration of extremely low-income families, a deteriorating public-housing project in Chicago was redeveloped into Lake Parc Place. Initially, half of the tenants are public-housing tenants and half are households with incomes between 50 and 80 percent of AMI. The average income of public-housing tenants is \$4,930, compared to \$21,789 for the higher-income tenants. Although both groups are living in subsidized housing, the relative difference in incomes is as large if not larger than the difference in the other types of mixed-income developments. Given Lake Parc Place's location in a neighborhood with a 72-percent poverty rate, rents were capped at \$371 for five years in order to attract the higher-income tenants. The project was funded in large part through the MINCS program, the precursor to HOPE VI.⁵⁹

⁵⁸ Salama, 1999.

⁵⁹ Rosenbaum, 1998.

IV. IS MIXED-INCOME HOUSING ACCOMPLISHING ITS GOALS?

If mixed-income housing is to continue to gain acceptance as a preferred approach to developing affordable housing, some evidence of its effectiveness is necessary. An evaluation of mixed-income housing must then answer two questions:

- Is a mixed-income approach to affordable housing accomplishing its fundamental goals?
- To the extent that a mixed-income approach is successful, is it due to the mix of incomes or to other unrelated factors? Put differently, is a mixed-income approach necessary to accomplish the same goals?

The research that has been conducted on the effectiveness of a mixed-income approach is limited and has focused primarily upon case studies of individual developments. Some researchers have seized upon the potential benefits of mixed-income housing and offered assessments, such as that of Diane Suchman: "Living in a mixed-income environment, lower-income families enjoy a better, more secure physical environment and a more beneficial social milieu that includes positive, economically independent role models."⁶⁰ Based on such positive assessments, the case studies have been used to draw conclusions about the conditions and practices that lead to successful mixed-income developments.⁶¹

Relatively few researchers have undertaken a more systematic evaluation of mixed-income developments to determine their effectiveness in meeting specific goals, rather than taking a broad overview of a development.⁶² Furthermore, very little attention has been paid to the question of whether a mixed-income approach is necessary. Can other strategies achieve the same goals with an all-low-income population? As Rachel Bratt notes, "What comes with mixed income is a bundle of housing attributes that allows policymakers to say how well it works. If you provide very-low-income people with good management, a good living environment, good maintenance, and housing that blends in, mixed income may not be necessary."⁶³

Because the research is limited, much is still unknown about mixed-income housing and cannot be conclusively addressed in this paper. The goal of this section is to use the prior research and interviews conducted with developers and financiers of mixed-income housing to offer some insight into the both the effectiveness and necessity of a mixed-income approach, as these questions are often glossed over in policy discussions. Each of the goals articulated as a response to the drivers of policy discussed in Section II will be individually assessed.

1. Driver of Policy: Adverse Effects of Concentrations of Poverty

Is a mixed-income approach effective in alleviating the adverse effects of high concentrations of poverty?

a. Goal: Avoid Negative Behavior

Perhaps most disturbing to the general public about high-poverty neighborhoods or housing developments is the incidence of negative social behavior, such as violent crime or drug use. Prior to its

⁶⁰ Diane Suchman, 1995, p. 1.

⁶¹ Shubert and Thresher, *Three Case Studies of Mixed-Income Housing Development*, 1996; Khadduri and Martin, 1997.

⁶² Brophy, 1997; Rosenbaum, 1995; Schwartz and Tajbakhsh, 2001.

⁶³ Interview with Rachel Bratt, Tufts University, August 7, 2002.

redevelopment into a mixed-income community, the Columbia Point public-housing development in Boston was perceived to be so dangerous that fire trucks and ambulances would not enter without a police escort.⁶⁴ For low-income Americans, overcoming the barriers of a limited education, low-performing local schools for one's children, a lack of employment opportunities and racism present a significant challenge by any standard. Trying to meet this challenge in an environment where drugs, violent crime and gang activity are constant threats can be nearly impossible. Thus, eliminating these threats and behavior in one's housing is a key starting point to breaking the cycle of poverty. Allan Mendelowitz of the Federal Housing Finance Board notes, "Housing cannot be expected to solve every problem, but it should not exacerbate existing problems."⁶⁵

Mixed-income housing is offered as a solution to reducing these negative behaviors because the higher-income households will not tolerate crime or drug trafficking in their housing development. The theory is that higher-income households will either place more pressure on management or police to address the problems, will refuse to live in the development (thereby imposing de facto pressure on management), or will confront tenants engaged in negative behavior. Some evidence seems to confirm this theory. Rosenbaum's study of Lake Parc Place in Chicago reported that the higher-income tenants were more likely than the public-housing tenants to support all of management's rules. Lake Parc Place also experienced significant reductions in crime that could not be achieved at other public-housing projects in Chicago, even with extensive efforts.⁶⁶ Marcos Andrade, management assistant of the HOPE VI redevelopment of the Mathew Henson homes in Phoenix, points out that his intervention was necessary in requesting that a prostitute openly soliciting customers on the premises leave. What was disturbing to him was that no tenants stepped forward to complain. In seeking to include a mixed-income component to the redevelopment, he commented that "Perceptions and standards of what is allowable need to change."⁶⁷

A problem with this theory, however, is that it presumes negative behavior on the part of low-income tenants. Interviews with property managers revealed few problems with their low-income tenants, even those with Section 8 vouchers — who tended to have the lowest incomes. Particularly for households earning upwards of 50 to 60 percent of AMI, or between \$30,000 and \$40,000 in some areas, concerns about bad behavior seem misplaced. One set of managers of mixed-income developments in New York City interviewed found, "no relationship at all between household income and the need for maintenance and repairs."⁶⁸ Also, the negative behaviors that arise may be isolated to a few individuals who may or may not be tenants. The Orchard Park public-housing development in Boston was one of the largest concentrations of crime in the city. After the demolition and redevelopment of the development and introduction of higher-income tenants, crime on the property was greatly reduced. This represents a major success in the redevelopment of the housing project and of the community. However, as one police officer observed, the drug dealers had not been converted into good citizens, but had moved onto a different part of the neighborhood.⁶⁹

The ability to manage negative social behaviors appears to have far more to do with the practices of the management than the income mix of the tenants. As noted in the case of Marcos Andrade of the Mathew Henson homes in Phoenix, while standards of the tenants are important, an active management office committed to a high-quality living environment can achieve many of the same goals. Other property managers confirm the importance of strong management in avoiding problems.

⁶⁴ Schubert and Thresher, 1996.

⁶⁵ Comment in discussion group, August 15, 2002.

⁶⁶ Rosenbaum, Stroh and Flynn, 1998.

⁶⁷ Interview with Marcos Andrade, August 2, 2002.

⁶⁸ Schwartz and Tajbakhsh, 2001, p. 16.

⁶⁹ Comments of the police officer during a site visit to the redeveloped Orchard Gardens, March 2002.

Patricia Garrett of the Charlotte-Mecklenberg Housing Partnership reports, “We manage them like crazy and are right on top of any violations.”⁷⁰

Furthermore, many property managers of affordable-housing developments impose both strict screening and behavior standards. To live in many affordable-housing developments, tenants must pass a credit check, have a clean criminal record, have a good history with past landlords, and have a meeting with the manager, prior to residency. Evelyn Friedman of Nuestra Comunidad Development Corporation in Boston added that, “If possible, we also check the conditions of the current residence of potential tenants.”⁷¹ Screening standards at redeveloped HOPE VI properties are also stronger, if somewhat inconsistent. Residents must be in “good standing” and pass a credit check.⁷² In addition, residents at HOPE VI properties must also sign a new lease that has stricter provisions. In Phoenix, residents who move back will have to sign an agreement to work with family social services.⁷³ Management standards are equally strict. Nuestra and other property managers are clear that an incidence of drugs or violence is grounds for eviction. Thus, any tenants who are likely to cause problems are not admitted, and those who do cause problems are evicted immediately.

While the practice of strict screening and management appears to be effective in reducing negative behaviors in a property, it is also likely to serve those who would have the best chance of attaining housing, albeit at higher prices. Universally applying very strict screening risks leaving out a population of low-income households that can no longer be served in “mainstream” affordable housing. For example, if a criminal record is a hurdle to renting an apartment, one in five black men is excluded from affordable properties. Managers point out that since there is such a need for housing, priority should be given to those who will be respectful tenants. Also, because many affordable developments have such low revenues, management cannot admit tenants who, due to their credit or rental history, appear to be at risk of not paying their rents.

Conclusion: Affordable-housing developers and property managers commonly apply very strict tenant screening and management measures. With strict screening and property management, the role of a mixed-income approach in reducing negative behavior appears to be limited. A note of concern is that low-income households that may have the greatest difficulty finding housing in the market will not be served by affordable developments, particularly mixed-income developments.

b. Goal: Offer More Life Chances

In addition to reducing negative behavior, mixed-income housing is intended to encourage positive, upwardly mobile behaviors. This positive behavior, as well as new life chances, is thought to occur for low-income families through both observation of, and interaction with, higher-income families. While the negative effects and limited opportunities that accompany large concentrations of poverty are clear, the method of transferring positive influence, as well as the type of influence, from higher-income to lower-income families within housing developments is often unclear. Many proponents offer rationales that include the possibility of role-modeling, creating job networks and social capital, all with the hope that “higher-income households within the residential environment will influence the goals, perceptions and opportunities of [low-income households] toward greater labor market participation and ‘mainstream’ behavior.”⁷⁴

⁷⁰ Interview with Patricia Garrett, July 15, 2002.

⁷¹ Interview with Evelyn Friedman, July 15, 2002.

⁷² *False HOPE*, 2002.

⁷³ Interview with Marcos Andrade, August 2, 2002.

⁷⁴ Schwartz and Tajbakhsh, 2001, p. 28.

Working, and the transfer of a work ethic, is at the core of the rationale for mixed-income housing. David Connelly, president of Housing Opportunities Unlimited, comments, “One of the really great strengths of mixed-income communities is that young people see others going to work, and it enlarges what they feel they can accomplish.”⁷⁵ Mossik Hacobian, a nonprofit developer of mixed-income housing, offers a different view of his tenants: “They go to work because they have to, not because they see someone going to work.”⁷⁶ These different perceptions may speak to the different mix of low-income tenants within a development. For families at 50 to 60 percent of AMI, where at least one member of the family is working steadily, the transfer of mainstream values may not be a relevant goal. For extremely low-income tenants who have a limited work history, the importance of positive influence would seem to be greater. There may even be negative values to be transferred from higher- to lower-income tenants. Michael Pyatok, a designer and developer of affordable housing, notes from personal experience that the values he encountered when attending a private school in an adjacent, higher-income neighborhood were “arrogance, disrespect for authority, [and] spoiled and self-centered attitudes.”

He asserts that the value of work was easier to find in his own working-class neighborhood rather than in associating with high-income families.⁷⁷ Pyatok also suggests that developments that include very-high-income families with families struggling to find work can create a “cruel juxtaposition.”

These statements underscore the disagreement over the need for certain influences from higher-income populations. How such influence is actually exerted, or even if it is exerted, is also very poorly understood. Opinion is even divided over whether interaction is actually needed.⁷⁸ Few studies have been conducted documenting either the degree of interaction between tenants in mixed-income developments, particularly between income groups, or any positive results that occur for tenants in such developments. The primary findings of these studies are listed below:

- *Lake Parc Place, Chicago*: A deteriorating public-housing project in Chicago was redeveloped into Lake Parc Place (described in more detail on page 20). Initially, half of the tenants were public-housing tenants and half were households with incomes between 50 and 80 of AMI. This study found moderate levels of interaction among tenants. Almost all tenants greet a neighbor often, many talk to neighbors for more than 10 minutes at least once a month, and about half of both income groups volunteer on the grounds. More complex interactions, such as having a meal with a neighbor, are rarer and only occur about once a year, but about half of the tenants of each group have at least one friend in the development. Some employment opportunities were also created for other tenants as babysitters or beauticians. Two factors that the authors suggest may have contributed to the interaction among tenants is that all were of the same race (African-American), and that many of the higher-income tenants had lived previously in public housing. Increases in employment were not observed for residents living in this development.⁷⁹
- *Various developments, New York City, Boston, Chicago, Bay Area of California*: The authors conducted interviews with residents, property managers, service providers and project sponsors at several different developments. Developments in Chicago and New York found a high degree of interaction among tenants, although the degree of interaction between income groups is unclear. While residents offered each other advice and tips, “the overwhelming consensus was that many more residents owed their jobs to the developments’ social service staff than to their neighbors.”

⁷⁵ Suchman, 1995, p. 11.

⁷⁶ Interview with Mossik Hacobian, August 1, 2002.

⁷⁷ Pyatok, 2000, p. 2.

⁷⁸ Wilkins, 2001.

⁷⁹ Rosenbaum, Flynn and Stroh, 1998.

Information on interaction was difficult for the authors to gain for developments in Massachusetts and California, but managers reported that it seemed to be minimal. Based on their observations of differences in interaction, they conclude that, "It appears that the relative cultural homogeneity of residents, in addition to the availability of opportunities to interact usually organized by management, seemed to increase the propensity to interact."⁸⁰

- *Various developments, Boston; New Haven; San Francisco; Oakland; Montgomery County, Maryland; Kansas City:* The authors studied seven different mixed-income developments, each with a different mix of incomes. Residents interviewed at these developments generally described "Low or very low levels of neighboring, even lacking the ability to name their immediate neighbors." In the Harbor Point development in Boston, tension was found to exist between the low-income and higher-income tenants, and vandalism to vehicles was common. Across the developments studied, few market-rate tenants attended building activities. The propensity for interacting in some of the developments may have been limited by the difference in household composition. Upper-income tenants tended to be white and childless, while the lower-income families were predominantly African-American or Latino families with children.⁸¹
- *Ellen Wilson Dwellings, Washington, D.C.:* A vacant public-housing development in Capitol Hill was demolished and rebuilt with 134 units of mixed-income housing under the HOPE VI program. Twenty-five percent of the units are reserved for households under 25 percent of AMI, 25 percent of the units are for households with incomes between 25 to 50 percent of AMI, and 50 percent of the units are for households with incomes between 50 to 110 percent of AMI. While 63 percent of tenants reported that they socialize with other neighborhood residents, only 19 percent said that they socialize with other residents within the development. However, sixty-six percent reported that neighbors were willing to help each other, and 71 percent of residents report that they always or sometimes attend resident meetings. Because a majority of the tenants had lived there less than one year, interaction levels might be expected to increase in the future.⁸²

These findings show inconsistent patterns of interaction between tenants, and very few positive employment opportunities that can be attributed to interaction between a low- and high-income resident. As Schwartz and Tajbakhsh note, to the degree that there is interaction, it seems to due to a strong effort by the property management. In the case of the Ellen Wilson Dwellings, a cooperative financial arrangement was established to encourage residents' participation in the affairs of the development. Schwartz and Tajbakhsh's other finding that cultural homogeneity increases interaction raises a note of caution. If mixed-income housing is intended to provide a means of encouraging interaction between residents with different values and experiences, homogeneity as precondition for interaction offers an almost self-defeating proposition. The properties that seem to promote the most interaction are those, such as Lake Parc Place, that include tenants within a modest range of incomes. In properties where the differences in income and lifestyles is significant, such as an "Affordable Inclusion" development, the probability of interaction may be quite remote.

It should also be noted that the ability of developments to offer services to promote life chances may even be constrained by a mix of incomes. It can be more cost-effective to offer supportive services to a large concentration of clients with similar needs rather than serving clients over a larger area. Developers and property managers may also be reluctant to offer some needed services on-site for fear of advertising the low incomes of many tenants and alienating the higher-income tenants.

⁸⁰ Schwartz and Tajbakhsh, 2001.

⁸¹ Brophy and Smith, 1997.

⁸² Holin and Amendolia, 2001.

As referenced in Section II, the prospect for positive outcomes appears to be stronger when the influence of higher-income households is considered at the neighborhood level. Studies of the Moving to Opportunity and Gautreaux programs found many positive, though inconsistent, effects of moving families from public housing in high-poverty neighborhoods to low-poverty neighborhoods. Many participants in the Moving to Opportunity study reported that their new neighborhoods were safe, their new neighbors exhibited positive behavior, the quality of the schools was improved when a move to a suburban school district was involved, and that their neighbors and new location were helpful in opening economic opportunities. However, other participants had few connections with their new neighbors, saw little or no improvement in the local schools, and were restricted from employment by multiple skill and health barriers.⁸³ These results highlight the broad range of challenges faced by families in overcoming poverty. They also point to the importance of other factors, such as schools and economic opportunities, that function at a community level and cannot be affected significantly within a single housing development.

Conclusion: The limited evidence available suggests that meaningful interaction and transfer of positive influences among tenants in mixed-income developments is rather limited. Strong efforts on the part of property managers is likely needed to facilitate such interaction. The evidence, while still limited, suggests that healthy neighborhoods can have positive effects for low-income families.

c. Goal: Rebuild Healthy Communities

Following from the preceding discussion, if healthy communities are most important, are mixed-income properties successful in helping to achieve this goal? Because evaluations have not been conducted to determine the role of mixed-income developments in neighborhood revitalization, this question is difficult to answer. As discussed in Section II, if mixed-income properties can help rebuild neighborhoods, they can likely do so in two ways: by having a visible effect upon the physical environment, and by attracting households with a broad range of incomes to a distressed area. The visible effect of attractive new housing and its ability to attract further investment would seem achievable regardless of the mix of incomes within the development. A more pressing question is whether an all-low-income development can be built and maintained to a standard high enough to achieve the same effect. This question will be explored in the next section.

Much research has shown that attracting non-poor households to a community is critically important to creating a market for services, building a healthier social environment, and exerting political power to improve municipal services. In that mixed-income developments have attracted higher-income families to distressed neighborhoods, they have been successful in achieving this first step to rebuilding a healthy community. Of course, the range of incomes that can be attracted into a development is critically dependent upon the strength of the housing market. In the example of Lake Parc Place, attracting households with incomes above 80 percent of AMI may have been nearly impossible. Market-rate units are a core component of plans for the redevelopment of the Mathew Henson homes in Phoenix. However, this neighborhood and the large number of neighboring vacant lots combine to present a soft rental housing market, which is a serious challenge to attracting higher-income families.

The larger question is whether these developments have had broader impact within a neighborhood. Anecdotally, mixed-income developments, particularly those on a larger scale such as HOPE VI developments, appear to be having a positive effect in this regard. Two-thirds of residents report that the neighborhood housing the Ellen Wilson Dwellings has become safer since their redevelopment. New investment is taking place in the area next to the Cabrini-Green redevelopment in Chicago. Home prices in the Roxbury neighborhood of Boston near the Orchard Park redevelopment have

⁸³ Popkin, Harris and Cuninghame, 2002.

soared by 290 percent since 1996.⁸⁴ In the case of HOPE VI developments, many of the initial positive effects are presumably from the demolition of a troubled housing development that was a center of crime and drug activity, the addition of attractive new homes, and tighter screening of tenants. The role of the new mix of incomes may be important, but it may also be overshadowed by these other factors.

What makes mixed-income developments attractive from the standpoint of neighborhood development is that they can serve both needy residents and build a base of higher-income households as well. For example, the Orchard Park housing development reserves 85 percent of the units for a range of low-income families and 15 percent for market-rate units. While the focus of this development is clearly on serving needy families, a significant number of units are also used to attract higher-income households. Some developments, perhaps serving over 1,000 residents, are large enough that they represent a small community in themselves. Building a healthy, mixed-income community may be achieved within the development.

However, trying to serve these twin goals in one development does not always fit the overall needs of a neighborhood. Gregg Warren comments on the low-income communities he serves in Raleigh, North Carolina, “Distressed neighborhoods already have plenty of low-cost rental units. What they need is home-ownership opportunities.”⁸⁵ By focusing on home ownership in distressed communities, the range of incomes that can be served by such developments is generally limited to a higher-income population. The need for a mixed-income strategy can vary even within a neighborhood. Mossik Hacobian described how one area of a neighborhood in Boston contained several blocks of public and low-income housing. Thus, Urban Edge included a market-rate component in a development in the area. Several blocks away, the housing is predominantly market rate. In this location, the decision was made to focus on developing affordable housing. By keeping an eye on the overall mix of an area, Urban Edge could help to ensure that social services for that area would not be overwhelmed.⁸⁶ Felix Torres of Manchester Neighborhood Housing Services offers, “It is important to have a mix of properties for different incomes around the neighborhood, but not very important to have a mix of incomes within the property itself.”⁸⁷

Including a mix of incomes can also limit other community-development strategies tied to a development. In a town in western Washington state, a group of Southeast Asian immigrants organized to have an affordable-housing development built. They also wanted a development that reflected their cultural tradition, both in the architecture and uses allowed in the property. Toward this end, the development has a 6,000-square-foot vegetable garden and porches for hanging clothes to dry. The Hismen Hin-nu Terrace development in Oakland, targeted to families with incomes of 50 to 60 percent of AMI, seeks to celebrate the cultural diversity of the neighborhood. Murals, frieze panels, decorative tiles and steel entry gates in the form of a burst of sunshine depict the multi-ethnic mix of African-, Latino-, and Native-American tenants.⁸⁸ Including higher-income tenants does not preclude the addition of unique cultural elements. However, developments that emphasize attracting high-income tenants are more likely to favor amenities and a traditional design over celebrating the cultural tradition of a community. Preserving and building upon a cultural asset can be a key strategy in building a healthy community, but may not be compatible with every mix of incomes.

⁸⁴ Dimitracopoulos and Pollner, 2002.

⁸⁵ Interview with Gregg Warren, July 11, 2002.

⁸⁶ Interview with Mossik Hacobian, August 1, 2002.

⁸⁷ Interview with Felix Torres, July 10, 2002.

⁸⁸ Jones, Pettus and Pyatok, 1995, p. 100.

Conclusion: Mixed-income developments, particularly large-scale HOPE VI redevelopments, have demonstrated effectiveness in revitalizing distressed neighborhoods. However, a mixed-income approach is only one strategy, and often not the most feasible strategy, to rebuild neighborhoods and meet the housing needs of a low-income population.

2. Driver of Policy: Poor Quality of Subsidized Low-Income Housing

Is mixed-income housing more effective in producing high-quality, affordable housing?

a. Goal: Develop High-Quality Housing

The poor quality and stigma of many subsidized low-income housing developments, particularly inner-city public-housing developments, has led many to condemn an all-low-income approach to affordable housing. As noted in Section II, while most of the nation's subsidized housing stock is of good quality, too much of it can still be identified as "low-income housing." Thus, the implicit benchmark for affordable-housing design is that it goes unnoticed and blends in with other middle-class housing. While there are no comprehensive surveys of the mixed-income housing stock, nearly all of the mixed-income properties that have been documented appear to meet this benchmark and be of good quality.

However, many all-low-income developments now also meet a high standard. Painfully aware that the image of troubled public-housing projects is linked to low-income housing, many affordable-housing developers and designers have focused on building their housing to a very high standard. Architect Michael Pyatok notes, "Good design can alleviate any stigma associated with low-income housing." The market pressure from serving a higher-income population is offered as a key feature of mixed-income approach in building affordable units to a high standard. However, developers of affordable housing often note that the pressure from the community in which they build is as strong if not stronger. Both high- and low-income communities, wary of approving any type of new development, are particularly reluctant to approve housing serving a low-income population. Concerned about social problems and poor quality accompanying low-income housing, developers are forced to design developments that meet a high standard and will not have a negative visual effect upon a neighborhood. While community pressure most clearly applies to neighborhood-based housing developers who must build in one area repeatedly, it can also apply to for-profit developers who may only build one development in a community.

What mixed-income developments may bring that all-low-income developments do not is extra amenities. Developers report that in order to attract market-rate rents in mixed-income developments, amenities such as pools or fitness centers must often be added. Some affordable-housing developers such as Rodney Fernandez of the Cabrillo Economic Development Corporation try to offer such amenities regardless of the income mix. "From a philosophical standpoint, we try to add as many amenities as possible, period. It provides a better quality of living for our residents. The fact that it is market rate has no bearing."⁸⁹

Conclusion: While a mixed-income approach may be effective in building high-quality housing, community pressures may be as important as market pressures in holding the housing to a high development standard.

⁸⁹ Interview with Rodney Fernandez, July 17, 2002.

b. Goal: Maintain Developments to a High Standard

Just as market pressure should cause mixed-income developments to be built to a high standard, it should force them to maintain the development to a high standard as well. For long-term maintenance to be of high quality, two conditions must be met:

- Sufficient operating and replacement reserves, and
- Incentives for high quality maintenance.

For many public housing authorities, the rents from tenants combined with a federal operating subsidy were insufficient to fully cover the costs of maintenance.⁹⁰ Without adequate operating and replacement reserves, many developments fell into moderate or severe disrepair. While they often have more of a market-rate component than all-low-income developments, many mixed-income developments are equally dependent upon public subsidies. Thus, they both face the risk of reduced public subsidies in affecting operating reserves. Where they may differ is that all-low-income properties could present more physical stress on a property and require greater per unit operating costs. However, some studies suggest that there is no difference in maintenance costs.⁹¹ They also both face the risk of operating costs rising faster than their income-limited rents or the value of a Section 8 voucher. In the case of mixed-income developments, this risk may be offset by their ability to raise rents on the higher-income units. Conversely, the housing market may suffer a downturn and the reduced rents from the market-rate units will be insufficient to cover operating costs.

Market-rate units in mixed-income developments present other unique risks. One concern is not just that the housing market may soften, but that a mixed-income development will have difficulty attracting higher-income tenants to live with lower-income tenants. It may be particularly difficult to do so at a rent that approaches the market level. Also, turnover in market-rate units is generally higher than in lower-income units, presenting greater vacancy losses.⁹² This is due to the greater demand for lower-priced units and limited options for low-income tenants. Some managers also report difficulties complying with the “next available unit” rule for developments funded with Low Income Housing Tax Credits. In developments with both market-rate and tax-credit units, managers must first fill vacant units with tax-credit-eligible tenants. This can cause vacancy losses in the market units. Jeanne Pinado of the Madison Park Development Corporation in the Roxbury neighborhood of Boston asserts, “This can become a big drawback in a big project.”⁹³

Opinion appears divided over whether the risk of reduced federal subsidies or lost rents from the market units presents a greater risk. Bill Kargman of First Realty speaks of his experience, “Low-income units present the risk. It puts a property in jeopardy if higher rents are needed. What if limited Section 8 rents are not high enough to cover costs?”⁹⁴ Gregg Warren of DHIC in Raleigh, North Carolina, offers the opposite, “The risk is in the market rate. Funders and underwriters are most concerned about being able to rent the market-rate units.”⁹⁵ A syndicator of Low Income Housing Tax Credits, Will Cooper, Jr., suggests that due to the inclusion of market-rate units, “The general perception in the market is that mixed-income properties do present greater risk to the investor.” Reflecting that perceived risk, he says that his company, WNC, generally underwrites rents for the market-rate units to the same rents as the tax-credit units, not to the higher predicted market rents. Ultimately though, he says there has been “no real difference” in performance between tax-credit

⁹⁰ Suchman, 1996.

⁹¹ Schwartz and Tajbakhsh, 2001.

⁹² Ibid.

⁹³ Interview with Jeanne Pinado, July 23, 2002.

⁹⁴ Interview with Bill Kargman, July 22, 2002.

⁹⁵ Interview with Gregg Warren, July 11, 2002.

developments that include market-rate units and those that do not.⁹⁶ Based on these differences of opinion and experience, it may only be safe to say that the financial situation of each development has more to do with the individual characteristics of the development than its mix of incomes.

If the revenues are sufficient, will developers and property managers spend money to maintain a high quality of maintenance? Four factors are key to producing high-quality maintenance: (1) market pressures, (2) community pressures, (3) competence and internal standards of the owner and manager, and (4) government standards.⁹⁷ Again, while there are no comprehensive surveys of the mixed-income housing stock, nearly all of the mixed-income properties that have been documented appear to have high-quality maintenance. While most subsidized, all-low-income properties are in good condition, their record appears to be more inconsistent. Government standards and competent government administrators, along with competent and committed property managers, have succeeded in holding the vast majority of the nation's affordable housing stock to a high standard of maintenance.

The maintenance issues may sometimes be related to the motives of the developer. Bill Sullivan of Rocky Mountain Mutual Housing Association says that, "We have found that when buying [low-income housing properties] from an institutional investor, we always have a lot of work to do. It seems that when properties are owned by REITs [Real Estate Investment Trusts], they really didn't care."⁹⁸ Conversely, affordable developments owned by private, profit-motivated owners are often of the highest quality.⁹⁹ Rachel Bratt points out, "There are good for-profits and bad ones, and good nonprofits and bad ones."¹⁰⁰ The variance in competence, standards and commitment of for-profit and nonprofit developers and local government administrators suggests that market pressures are the best guarantee of high-quality maintenance.

As in the case of housing quality, pressure from the community can force developers to maintain their properties to a high standard. Providing high maintenance may be a necessary cost of doing repeat business in a community. However, maintenance can slowly decline over time, or can deteriorate quickly in the case of a change in ownership. Thus, while community pressure has an important role in ensuring high-quality maintenance, it still leaves some cause for concern.

Conclusion: Disagreement exists over whether mixed-income developments present greater long-term financial risks. However, while affordable housing has generally been maintained well, market pressures appear to be the best set of incentives to maintain the development to a high standard.

3. Driver of Policy: Shortage of Affordable Housing

Can a mixed-income approach produce more units by making more effective use of existing public funds, build support for more public funds, and overcome local obstacles to affordable housing?

⁹⁶ E-mail exchange with Will Cooper, Jr.

⁹⁷ Comments by Charlie Wilkins, August 26, 2002.

⁹⁸ Interview with Bill Sullivan, July 26, 2002.

⁹⁹ The Brandywyne Village development owned and managed by First Realty Management Corporation won the Community of Quality Award for Exemplary Family Property from the National Affordable Housing Management Association in 2000.

¹⁰⁰ Interview with Rachel Bratt, August 7, 2002.

a. Goal: Develop Units With Less Public Subsidy

The overall decline in public funding for development of affordable housing places pressure upon policymakers and mission-based developers to find ways to build housing in a cost-effective manner. Mixed-income housing is proposed as one means of building more affordable housing with a reduced outlay of public subsidy.

In theory, the rents or sales from higher-income units can be used to cross-subsidize the lower-income units, reducing the subsidy needed. This can take place through a variety of financing programs and mechanisms. However, it generally requires a very tight housing market to achieve the high rents needed for cross-subsidization. There are probably only a limited number of markets where cross-subsidization can be accomplished consistently. Terry Goddard, former mayor of Phoenix, Arizona, suggested, “Mixed-income housing is probably a myth outside of New York, San Francisco and Boston.”¹⁰¹

In some of the tighter markets, such as New York City and Massachusetts, mixed-income housing-finance programs have been in place for years and have funded numerous developments. However, the number of developments that can be funded with a greatly reduced public subsidy and that heavily utilize a cross-subsidy are limited even in these tight markets. For example, the New York City Housing Partnership’s 80/20 program offers low-cost, tax-exempt financing to lure developers to build developments that reserve 20 percent of the units for households with incomes below 50 percent of AMI. Because low-cost financing is the primary subsidy, the cross-subsidy is relied upon to help finance the lower-income units. But even in New York, one of the nation’s tightest housing markets, this program only funds about two developments a year, and there are probably not enough potential sites to do more.¹⁰² A sensitivity analysis of a potential mixed-income development in the Boston suburbs reflects the limits of utilizing a shallow subsidy. The analysis found that if the number of low-income units were increased slightly from 20 to 25 percent, the return to the developer would be insufficient to justify the development.¹⁰³ Thus if a large reduction in the public subsidy required is a high-priority goal, it can probably only be accomplished in developments with a small number of low-income units.

Recognizing the production limits of its 80/20 program, the Massachusetts Housing Finance Agency sought to expand production through the State Housing Assistance for Rental Production (SHARP) program in 1983. In addition to offering low-cost financing of five percent, MHFA also offered operating subsidies that were structured as loans. As designed, these loans would be repaid as the rents rose and the need for operating subsidies was phased out. In return, developers were to reserve 25 percent of the units for tenants whose incomes qualify them for public housing. In one sense, the program was phenomenally successful, spurring development that dwarfed that of the 80/20 program. In a span of seven years, 82 projects were built, consisting of 9,350 total units and 3,131 low-income units.¹⁰⁴ However, certain assumptions, particularly that of continued growth in market rents, proved unrealistic and led to a need to restructure the financial terms for a majority of the developments. The problem with the program, according to former MHFA director Marvin Sifflinger, was that when the economy and housing market softened, MHFA could not use its savings from refinancing under lower interest rates to offer additional subsidies to the developments. His advice for future programs is to “Make sure that annual subsidy appropriation is linked to the status of the economy.”¹⁰⁵ A reason so many units were built, and also that the program encountered financial difficulties, was that

¹⁰¹ Interview with Terry Goddard, August 2, 2002.

¹⁰² Interview with Joan Tally, July 22, 2002.

¹⁰³ Adnani and Crabtree, 2000.

¹⁰⁴ Ibid.

¹⁰⁵ Interview with Marvin Sifflinger, July 23, 2002.

developers had to invest very little equity, and since they did not have to repay the loans if rents did not increase as expected, they bore little financial risk. If rents had risen as predicted, the program may have been able to achieve some level of cross-subsidization, but developers were guaranteed a strong return regardless of the increase in rents. Thus, a note of caution about developments that rely upon cross-subsidization is that they are only as strong as the markets and the economies in which they operate.

Based on these experiences, the degree to which these programs are actually achieving a cross-subsidy must be questioned. First, because the entire development receives the benefit of reduced financing costs, a shallow subsidy to the whole development might better be thought of as a deep subsidy to only the affordable units. For example, in a 100-unit development, a two-percent reduction in the interest rate on a loan, say from ten percent to eight percent, has the same effect as offering a zero-percent interest rate to only the 20 low-income units. Developers also often use additional financing sources such as the Low Income Housing Tax Credit to subsidize development costs, and tenants may use Section 8 vouchers to subsidize operating costs.¹⁰⁶ Thus the total subsidy per low-income unit may be comparable to that of developments without market-rate units. More generally, for-profit developers must receive a subsidy at least equal to, if not greater than, the revenue lost through the reduced rents for the low-income units, to give them the incentive to serve a low-income population. This fact alone suggests that cross-subsidization of low-income units is unlikely to occur in developments constructed by for-profit developers. As seen in the SHARP program, developers were eager to participate in a cross-subsidization program when their return was guaranteed, but would be far less likely to use such a program if more of the risk was shifted to them.

Programs such as the Moderately Priced Dwelling Unit Program in Montgomery County, Maryland, or the Local Initiative program in Massachusetts encourage the construction of affordable units with little financial subsidy for the housing. However, that is not to say the programs are not without public subsidies. In the case of Montgomery County, the developments are awarded additional density allowances beyond that permitted by local zoning regulations. In Massachusetts, developers who include affordable units are allowed to circumvent local zoning hearings. Such provisions may impose costs that are difficult to calculate, such as less shade from a taller building, or more traffic. By increasing the number of families in one area, these provision may also result in more direct public expenditures, such as the cost of providing education for additional children.

Cross-subsidization is more likely to occur for nonprofit developers who have a lower financial return threshold. For example, while a for-profit developer requires a 15 percent annual return on the investment, a nonprofit developer may only require a five percent return to cover organizational costs.¹⁰⁷ If the market-rate units in a development in a transitional area produce a ten percent return, this return would be less than what is necessary to induce a for-profit developer to build there. However, for a nonprofit developer the excess five percent return from the market-rate developments could be used to help offset the debt service or operating costs of the low-income units. Some developers, such as Cabrillo Economic Development Corporation, report that the rents in their locale of Ventura County, California, are high enough to achieve some level of cross-subsidization. However, the markets in which cross-subsidization can occur are limited. Home-ownership developments may provide a less risky means of cross-subsidization for nonprofits since the gains can be recaptured immediately.

A more common scenario in mixed-income developments appears to be a cross-subsidy from the low-income units to the market units. One way this cross-subsidization can occur is when the value of

¹⁰⁶ If tax-exempt financing is used, the developer can only use the 4% tax credit, instead of the 9 percent credit.

¹⁰⁷ This return refers to a cash-on-cash return of annual Net Operating Income as a percentage of equity invested.

Section 8 vouchers is greater than the rent that can be charged for a true market-rate unit. For example, a mixed-income development in a low-income neighborhood in the South Bronx could only charge about \$700 for market-rate units, while the value of the Section 8 certificates was \$920.¹⁰⁸ In other instances, development subsidies can be used to partially fund the construction of market-rate units that would otherwise not be financially feasible.¹⁰⁹ Finally, including market-rate units can shift the sources of financing, costing localities more. Rodney Fernandez describes a development he proposed to the city of Saticoy, California, as a 100-percent low-income project, financed with Low Income Housing Tax Credit equity. When the city stipulated that market-rate units be included, the new funding structure required a \$1.2 million contribution from the city that was not needed before, and the Cabrillo Economic Development Corporation had to invest additional equity.¹¹⁰ In many developments, such as Harbor Point in Boston and Lake Parc Place in Chicago, low-ceiling rents were needed to attract higher-income tenants to live in the development.¹¹¹ Amenities such as a swimming pool, tennis courts, fitness center and free parking were added at Harbor Point and can be found at many other developments as a means of attracting higher-income tenants. While they can be financed more cost-effectively for larger developments, they still add extra costs. When the below-market rents and extra amenities are included, mixed-income developments can sometimes cost more per low-income unit than comparable all-low-income developments.

Even if they do not impose additional costs, mixed-income developments are almost always more complicated to finance. Diane Suchman asserts, "As a general rule, mixed-income housing cannot be financed successfully using conventional financing models and funding sources. Instead, the financing typically involves piecing together funds from a number of public and private sources."¹¹² While complexity is a barrier that can certainly be overcome, it was cited in discussions with developers as an issue, particularly in using certain programs such as the Low Income Housing Tax Credit. In addition, mixed-income developments can sometimes pose additional financial risks, as discussed in the preceding section. Thus, even when cross-subsidization from market-rate units to low-income units is feasible, complexity and risk of the financing may limit the number of additional affordable units that can be developed under a mixed-income model.

Conclusion: The ability of mixed-income developments to reduce the public subsidies needed for the production of low-income units is critically dependent upon the strength of local housing markets. Even in very tight markets, only developers with low return thresholds are likely to use market rents to cross-subsidize low-income units. The cost of public subsidies may actually be higher for mixed-income developments in some markets.

b. Goal: Assuage Community Concerns Over Affordable Housing

Even with sufficient funding, community objections can keep proposed affordable-housing developments from ever being built. Can including a mix of incomes so that a development does not serve exclusively low-income households be effective in overcoming such objections? Developers interviewed in both high- and low-income communities suggest that the answer is yes.

They also suggest that including a mix of incomes may not only be effective, but necessary to gain approval in their communities. Jeanne Pinado suggests that for developments in the Roxbury neighborhood of Boston, "Mixed-income is almost the rule now."¹¹³ Clearly this is not the case in all

¹⁰⁸ Schwartz and Tajkabhsh, 2001.

¹⁰⁹ Brophy and Smith, 1997.

¹¹⁰ Interview with Rodney Fernandez, July 17, 2002.

¹¹¹ Brophy and Smith, 1997, and Rosenbaum, Stroh and Flynn, 1996.

¹¹² Suchman, 1995, p. 6.

¹¹³ Interview with Jeanne Pinado, July 23, 2002.

communities, as mixed-income housing is still more the exception than the rule. However, in low-poverty communities that may be the most desirable place to develop low-income housing, it may be nearly impossible to attain approval without a mix of incomes.

Michael Pyatok offers a more hopeful view and a strategy for gaining community approval of all low-income developments:

It is important to demonstrate the work of the architect and policies of the management company. Provide assurances that it will be high-quality housing with a tightly controlled management policy, and allow community members to be on the board of the housing development. These strategies can allay fears in lower-income neighborhoods. It is harder to gain approval in a middle-income neighborhood. But even there, a good architect and management company can win them over. Another way is to work through faith-based channels. Find out where all of the synagogues, mosques and churches are, and talk to them and get them on board. See if they can sponsor a meeting. By gradually working through this channel, you get to reach out to the community leadership who can then call a major public meeting.¹¹⁴

Even with this investment of time, a commitment to quality, and outreach to build community support, it is difficult to overcome deep-rooted fears about the effects of low-income housing and its residents.

A serious downside to this approach, however, is that it can result in the production of fewer units of affordable housing. If a 100-unit, all-low-income development was proposed, but following negotiations with the city, only half of the units were affordable, that means 50 fewer units. Perhaps zero units would have been built without including a mix of incomes, but the loss of potential units in a mixed-income development is an important consideration. While the public subsidies per unit may remain constant, valuable time and land are expended. Nonprofits in particular have limited staff and resources to expend, and may be fortunate to complete one deal per year. Marianne Garvin of CDC of Long Island in Centereach, New York, comments that, "It is very difficult to get zoning and site plans approved, and we don't want to squander it on regular market-rate housing." Particularly in stable, diverse communities that may be the most attractive location to site affordable-housing developments, the number of potential locations may be very limited. Rodney Fernandez adds, "Vacant parcels in many of our neighborhoods are at a premium."¹¹⁵

Even more pressing is the loss of *current* units in a mixed-income model. While some HOPE VI redevelopments have pledged to rebuild an affordable unit for each that is demolished, others have only rebuilt one-third of the public-housing units they demolished. Families who are displaced through the demolition are offered Section 8 vouchers that in many tight housing markets may be difficult to use, or limit them to housing far from the central city.¹¹⁶

Conclusion: Including a mix of incomes appears to be an effective strategy in overcoming community objections to affordable housing, and may be a necessary strategy in many communities. However, it may result in fewer needy families being served in the most desirable developments or locations.

¹¹⁴ Interview with Michael Pyatok, July 26, 2002.

¹¹⁵ Interview with Rodney Fernandez, July 17, 2002.

¹¹⁶ The national average for successful use of a Section 8 voucher fell from 81 percent in 1993 to 69 percent in 2000. PHAs attribute the decline to the tightening of housing markets. Success rates in 2000 declined with an increase in the tightness of the local market. Success rates are also tied to the characteristics and demographics of the tenant. Finkel and Buron, 2001.

c. Goal: Build a Political Constituency for Affordable Housing

While it is a longer-term goal, and is not a high priority for any individual development, mixed-income housing may be effective in building a political constituency for affordable housing. The high quality found in mixed-income developments as well as the higher range of incomes may help to create more favorable impressions of affordable housing. This could result in both more funding for affordable housing and more willingness among communities to allow affordable housing to be built in their area.

While it is too early to speculate on the prospects of building such a constituency, recent developments suggest that it can be built. First, more Americans, and Americans of higher incomes, have become concerned about the affordability of housing as prices have jumped in recent years. A recent poll shows that a lack of affordable housing is the top-priority issue for 41 percent of working-class families, defined as having incomes up to \$54,000.¹¹⁷ This creates an opportunity to link support for those with the greatest needs to those with more moderate needs. In an era of federal deficits, however, support for those with higher incomes could come at the cost, rather than in addition to, support for very-low-income households.

One prominent organization, the National Low Income Housing Coalition (NLIHC), is trying to build a broad-based coalition in support of additional funding for low-income housing. Its National Housing Trust Fund Campaign has received 3,000 endorsements and has helped introduce legislation in the House and Senate. A recent poll conducted by NHLIC also shows support for new housing initiatives, including that 66 percent of likely voters support the creation of National Housing Trust Fund, and that 52 percent believe that increased spending to make sure that low-income people have affordable housing is more important than cutting taxes.¹¹⁸ The recent increase in funding for the Low Income Housing Tax Credit also shows that Congress is willing to fund housing that is generally of good quality and lacks the social problems of prior federally funded housing developments.¹¹⁹ However, the tax credit program has met these objectives and received additional funding without a significant mix of incomes in most of its developments.¹²⁰ The role of developers in advocating for additional resources to fund the construction of low- and moderate-income should be noted as well.

Conclusion: Mixed-income developments may be helpful in building a political constituency, but may not be necessary to meet that goal. The development of well-managed, high-quality affordable housing developments, regardless of income mix, may be most important to overcoming the long-standing negative perceptions of public housing and other “failed” housing approaches.

Summary

While the evidence is far from conclusive, mixed-income housing appears to be effective in meeting most of its goals. A notable exception is in offering additional life chances. More research is clearly needed in this area. Whether or not a mix of incomes is needed or responsible for many of these goals is far more ambiguous. Table 5 below summarizes the findings of mixed-income housing’s success in meeting its various goals.

¹¹⁷ Pierce, 2002.

¹¹⁸ Poll results can be found at www.chapa.org/polldata.pdf.

¹¹⁹ In 2000, Congress approved legislation that increased funding for the tax credit from \$1.25 to \$1.75 per capita and indexed it for inflation.

¹²⁰ Eighty-two percent of LIHTC properties consist entirely of qualified units. HUD, *Assessment of the Economic and Social Characteristics of LIHTC Residents and Neighborhoods*, 2000.

Table 5. Achievements of a Mixed-Income Approach

Goal	Effective in Achieving Goal	Necessary to Achieve Goal
Manage Negative Behavior	Crime and vandalism appear to be minimal in mixed-income developments.	Strict screening and management are more responsible for reducing negative behavior than a mix of incomes.
Improve Life Chances	There is little evidence so far that low-income tenants improve their life chances in mixed-income developments.	Social services and location are more important in promoting upward mobility of low-income tenants.
Rebuild Healthy Communities	Mixed-income developments, particularly large scale HOPE VI projects, have a positive impact in revitalizing distressed neighborhoods.	Including a mix of incomes is more important in large-scale developments to rebuild communities.
High-Quality Units	Mixed-income developments generally have high-quality units.	Community pressure appears to be equally important to ensuring high quality.
High-Quality Maintenance	Mixed-income developments generally have high-quality maintenance.	Community pressure appears to be equally important to ensuring high quality.
Develop Units With Less Subsidy	Cross-subsidization is generally possible only in tight housing markets, and for nonprofit developers. Mixed-income developments can also lead to higher costs.	While cross-subsidization is limited, a mix of incomes is necessary to achieve this goal.
Assuage Community Concerns	Including a mix of incomes is often effective in overcoming community objections.	A mix of incomes may be necessary to overcome objections in many communities.
Build Political Constituency	Serving a range of incomes may be necessary to build a constituency, but mixed-income's role in building a political constituency is unclear.	The necessity of mixed-income developments to building political support is also unclear.

V. KEY IMPLICATIONS AND QUESTIONS

The primary purpose of this paper is to clarify the reasons and motivations for adopting a mixed-income approach to developing affordable housing, and to offer an initial assessment of its progress in meeting its goals. An absolute verdict cannot yet be offered on the effectiveness or necessity of a mixed-income approach. However, several key implications and notes of caution have emerged over the course of this research that are emphasized below. In addition, a checklist of questions is offered to guide policymakers and practitioners evaluating the merit of a mixed-income approach.

Key Implications

1. There Is No Silver Bullet for Solving Housing Affordability or Poverty

A mixed-income approach to affordable housing is not a “silver bullet” to address either the nation’s affordable-housing problem or the nation’s poverty problem.¹²¹ On the housing side, mixed-income development appears to be effective in producing high-quality housing, overcoming community barriers, and — in limited instances — producing housing more cost-effectively. In regard to alleviating poverty, mixed-income’s effects appear limited at best. Low-income families face serious barriers in the form of limited education, poor local schools for one’s children, a lack of employment opportunities and racism. Large concentrations of poverty are clearly detrimental and add an extra layer to these barriers, but there is little evidence thus far demonstrating positive social benefits for low-income households living in mixed-income developments per se. Because this is a key motivation behind mixed-income developments, more research is necessary to better document the effects. However, many mixed-income developments serve either very few or no extremely low-income families who have the worst-case housing needs and face the greatest obstacles to overcoming poverty. Thus, in many cases, mixed-income developments are not serving the group that would have the most to gain from this approach’s potential advantages.

2. Healthy Communities Are Needed to Address Poverty

Affordable housing can play a significant role in alleviating poverty, beyond reducing rent burdens. Housing located in healthy communities can reduce the effects of concentrations of poverty, offer a safer living environment, offer proximity to transportation and employment opportunities, link households with social services, offer access to better schools, and connect families to a broader range of people and institutions. In sum, housing in a healthy community generally offers a more stable platform for moving out of poverty. There is nothing inherent in mixed-income developments that links households to these important factors that can alleviate poverty. Therefore, housing developers and policymakers need to consider factors beyond a single development in addressing housing and poverty problems in this country. While mixed-income housing is one key strategy in linking households to these needed elements, it is only one factor among many needed to address the complex problem of poverty.

3. Mixed-Income Housing Can Have a Role in Alleviating Poverty

While community-specific advantages deserve more attention in using housing to alleviate poverty, mixed-income housing can play an important role in helping residents access these advantages. The strategy can overcome barriers to allow low-income families to live in communities with these

¹²¹ Schwartz and Tajbakhsh reach a similarly worded conclusion in *Mixed-Income Housing as Social Policy: The Case for Diminished Expectations*, 2002.

advantages; it can help to attract higher-income families to redevelop a transitional community; and it can have a role in deconcentrating poverty within very large developments. Furthermore, it ensures a mix of incomes in a development over time, helping to retain a mix of incomes within a larger community. Policymakers and developers should be cautioned that the mixed-income approach can have negative effects on low-income families as well. Depending on the mix of incomes chosen, extremely low-income families are often priced out of the affordable housing. In addition, services for low-income individuals can be harder and less efficient to provide in the deconcentrated model, as providers have to stretch their resources to reach all needy people.

4. Different Populations Mean Different Goals

“Poor” people’s needs are very different, depending on such factors as income and education. Chronic poverty is often associated with other problems beyond a low income, and a stronger case can be made for mixing incomes and deconcentrating families with the lowest incomes and most barriers to steady employment. For families with steady employment, the focus should be first and foremost on meeting their housing needs. Furthermore, these considerations should be taken into account when designing and evaluating developments serving different income groups.

5. The Mixed-Income Approach Presents Unique Challenges

The mixed-income housing approach presents unique challenges. The financing almost always appears to be more complex, it can be riskier, and ultimately it can be more costly. Some developers report that mixed-income developments are nearly impossible to finance using existing financing tools in their geographic areas. A mixed-income development can also present unique managing and marketing challenges. These challenges can be overcome, but they require extra knowledge, effort and dedication to make the development successful.

6. The Bottom Line: Meeting the Nation’s Greatest Housing Needs

The commonly levied critique of mixed-income housing is that it results in fewer needy families being served. HOPE VI developments often replace only a fraction of the public-housing units demolished; recent public-housing laws allow preference to be given to higher-income families; and the mix of many private developments limits the number of low-income families that can live in that location. An effort to balance the mix of incomes can also result not only in fewer units for low-income families, but fewer units for the extremely low-income families who comprise two-thirds of households with severe housing burdens. Mixed-income housing, by reducing subsidies and overcoming political barriers, can help to get more units of affordable housing built. This approach also places a high priority on the quality, location and social ramifications of the housing development. These considerations should be at the core of every affordable-housing development, but caution must be exercised that they do not overshadow the top priority of any housing policy: helping families with the greatest housing needs.

Key Questions: Getting to Mixed Income

The following is checklist of considerations in deciding if a mixed-income development is needed or desirable.

- **What is the market?** The starting point for any development is the market, and for mixed-income developments it is particularly important. Attracting moderate- or high-income households, particularly into a rental development, may not be possible in many markets.

- **Who is being served in a development?** If the housing is for an extremely low-income population, there may be a stronger case for a mix of incomes. A mix of incomes may be necessary even within this group to ensure that not all of the tenants are nonworking or have serious social service needs that could overwhelm the social-service provision and management capacity of the development. Conversely, a development might also be specifically designed to efficiently help a population with serious social-service needs, such as formerly homeless individuals. Focusing on a mix of incomes may ultimately detract from meeting the goal of assisting families who truly need housing assistance.
- **What is the tenure type?** The tenure type (rental, home-ownership or cooperative) is determined in large part by the population and market being served. Home-ownership units may eventually become unaffordable as these homes appreciate in value, making the initial mix of incomes in a development a temporary phenomenon. In contrast, a mixed-income rental development remains generally remains affordable to low-income households for at least 20 years, if not the life of the development. Thus, a mixed-income rental development may help to maintain a mix of incomes within a community over a longer period.
- **What is the scale?** As developments take on a larger scale, the need for a mix of incomes seems to grow. Creating a mix of incomes in small developments may create needless marketing and management challenges.
- **What is the greater community context?** Large-scale, all-very-low-income developments will always pose problems. Yet the need to provide a mix of incomes within one development appears to decline, particularly in a small development in a community that already has a mix of higher-income households. Conversely, mixed-income housing in a distressed neighborhood might be part of a larger revitalization strategy.
- **What are the financial considerations?** In limited instances, a mixed-income approach can reduce the subsidy needed and provide financial stability, particularly in tight markets. However, a mixed-income approach will also require that the lower-income units are built to a very high standard, and it will require that those units fit into the neighborhood. Both are desirable, but come at a cost. Moreover, if the wrong mix is attempted, the property might actually fail. In others it can increase the risk and cost of the development. Accordingly, mixed-income housing should be pursued carefully, with good analysis of the market, neighborhood, costs and potential benefits.
- **Is a mix of incomes necessary for approval?** Even if all of the preceding factors suggest that a mix of incomes is not necessary for a successful development, city regulations or community objections may require that higher-income households be included.
- **What defines success?** Any housing development represents the push and pull of a variety of factors, most notably financial realities and community concerns. However, the final product may serve far fewer needy families than the original vision, and in some cases at a higher cost. Thus, it is important to begin the process with a definition of what will meet the threshold for a successful development. While a public subsidy may be reallocated to another development, time, land and equity are all scarce inputs. If a sufficient number of families is not being served, the investment should be reconsidered.

VI. CONCLUSION

Housing policy in the U.S. often seems torn over whether housing is a physical good or a social good. Are other factors so ingrained in where and how we live that building good-quality, safe housing is never enough of an accomplishment in itself? Mixed-income housing, perhaps more than any other housing policy, embodies this debate. It seeks to build more high-quality, affordable housing while also pursuing ambitious social goals of alleviating the effects of concentrations of poverty.

It is this confluence of physical and social benefits that makes mixed-income housing such an appealing approach. However, while more research into this topic is clearly needed, it is probably fair to say that the mixed-income approach has a varied record of success in accomplishing its goals. Its clearest success seems to be in alleviating community objections to low-income housing, while the most questionable results are in achieving positive social or economic gains for low-income families through interaction with their higher-income neighbors. Also, while a mixed-income approach offers potential benefits, it also presents additional costs and risks. Furthermore, in many situations the benefits offered by mixed-income housing might be achieved in developments without a significant mix of incomes.

History has shown that concentrating large numbers of very poor households in one area is a destructive policy that is to be avoided at all costs. Yet it does not follow that housing tenants with a significant mix of incomes within a development is universally the best policy either. A careful consideration of the population being served, community and financing objectives is needed to determine the best approach. Ultimately, a mixed-income approach is one tool among many for addressing the housing needs of low-income families and building healthy communities. It is an effective tool in some situations and inappropriate in others.

SELECTED SOURCES

Abravanel, Martin D., Robin Ross Smith and Margery Austin Turner. *Building Healthy Communities Through Federal Housing Policy: Current Developments in the United States*. Washington, DC: The Urban Institute, August 1998.

Abt Associates, Inc. *Development and Analysis of the National Low-Income Housing Tax Credit Database*. Cambridge, MA: Abt Associates, Inc., July 1996.

Adnani, Mecky and Peter D. Crabtree. *A New Financial Architecture for Developing Mixed-Income Housing in Massachusetts*. Cambridge, MA: Massachusetts Institute of Technology, 2000.

Brophy, Paul and Rhonda Smith. "Mixed-Income Housing: Factors for Success." *Cityscape*, Vol. 3, No. 2, 1997.

Center for Housing Policy. "Inclusionary Zoning: A Viable Solution to the Affordable Housing Crisis." *New Century Housing*, Vol. 1, No. 2, October 2000.

Ceraso, Karen. "Is Mixed-Income Housing the Key?" *Shelterforce*, March/April 1995.

Compass Group, LLC. *Concept Paper: Long-Term Sustainability and Affordability*. Millennial Housing Commission, 2001.

———. *Concept Paper: Mixed-Income Rental Housing Production Program Using Tax-Exempt Bond Financing*. Millennial Housing Commission, 2001.

———. *Policy Option Paper: How to Promote Mixed-Income Housing?* Millennial Housing Commission, 2001.

———. *Policy Option Paper: Production of Units for Extremely Low-Income Households*. Millennial Housing Commission, 2001.

———. *Policy Option Paper: Working Family Mixed-Income Rental Housing Production Program Using Tax-Exempt Bond Financing*. Millennial Housing Commission, 2001.

Cummings, Jean L. and Denise DiPasquale. "The Low-Income Housing Tax Credit: An Analysis of the First Ten Years." *Housing Policy Debate*, Vol. 10, No. 2, 1999.

Dimitracopoulos, Monica and Leslie Pollner. *Assessing the Boston Housing Authority's Approach to Developing "Mixed-Income" HOPE VI Communities*. Kennedy School of Government, 2002.

Gross, Cort and John Sweazy. "Urban Community Housing." *Urban Land*, Vol. 56, No. 11, 1997.

Finkel, Meryl and Larry Buron. *Study on Section 8 Voucher Success Rates. Volume I: Quantitative Study of Success Rates in Metropolitan Areas*. Cambridge, MA: Abt Associates Inc., August 2001.

Fosburg, Linda, Susan Popkin and Gretchen Locke. *An Historical and Baseline Assessment of HOPE VI: Volume I, Cross-Site Report*. Prepared by Abt Associates, Inc. for the HUD Office of Policy Development and Research, Washington, DC, July 1996.

- Hays, R. Allen. *The Federal Government and Urban Housing: Ideology and Change in Public Policy*. Albany, NY: State University of New York Press, 1985.
- Higgins, Lindley R. *Measuring the Economic Impact of Community-Based Homeownership Programs on Neighborhood Revitalization*. Local Initiatives Support Corporation and George Mason University, School of Public Policy, April 2001.
- Huffman, Richard W. "A New Look at Inner-City Housing." *Urban Land*, Vol. 56, No. 1, 1997.
- Husock, Howard. "A Critique of Mixed Income Housing: The Problems With 'Gautreaux.'" *The Responsive Community*, Spring 1995.
- Jacobs, Barry G., Kenneth R. Harney, Charles L. Edson and Bruce S. Lane. *Guide to Federal Housing Programs*. Washington, DC: The Bureau of National Affairs, Inc., 1986.
- Katz, Bruce. "The Transformation of Chicago's Public Housing: Challenges and Opportunities." Speech Before the Chicago Futures Forum, February 26, 1999.
- Katz, Michael B. *The Undeserving Poor*. New York: Pantheon Books, 1989.
- Khadduri, Jill. "Deconcentration: What Do We Mean? What Do We Want?" *Cityscape*, Vol. 5, No. 2, 2001.
- Khadduri, Jill and Marge Martin. "Mixed-Income Housing in the HUD Multi-Family Stock." *Cityscape*, Vol. 3, No. 2, 1997.
- Loustau, Jeffrey J. "How Expensive is Affordable Housing?" *Urban Land*, Vol. 52, No. 11, 1993.
- Mason, M. *Mixed Income Public Housing: Outcomes for Tenants and Their Community. A Case Study of Lake Parc Place Development in Chicago, Illinois*. Department of Sociology and Anthropology, Loyola University of Chicago, 1998.
- MassHousing. "MHFA's Plan to Fix Troubled SHARP Housing Portfolio Wins National Award." www.mhfa.com, September 28, 2000.
- Millennial Housing Commission. *Meeting Our Nation's Housing Challenges*. Washington, DC, 2002.
- Mitchell, J. Paul, Ed. *Federal Housing Policy and Programs: Past and Present*. The State University of New Jersey, Rutgers, Center for Urban and Policy Research, 1985.
- National Housing Conference. "Strengthening Neighborhoods by Creating Long-Term Multifamily Assets." *NHC Affordable Housing Policy Review*, Vol. 2, No. 2, 2002.
- National Housing Law Project. *False HOPE: A Critical Assessment of the HOPE VI Public Housing Redevelopment Program*. National Housing Law Project, June 2002.
- Neighborhood Reinvestment Corporation. *Early Conclusions From the Mixed Income Demonstration Program*. Washington, DC, 2002.
- Nelson, Kathryn P. "Whose Shortage of Affordable Housing?" *Housing Policy Debate*, Vol. 3, No. 1, 1992.

Nelson, Kathryn P. and Jill Khadduri. "To Whom Should Limited Housing Resources Be Directed?" *Housing Policy Debate*, Vol. 3, No. 1, 1992.

Newman, Oscar. *Creating Defensible Space*. Washington, DC: HUD, 1996.

Nyden, Phillip. "Comment on James E. Rosenbaum, Linda K. Stroh, and Cathy A. Flynn's 'Lake Parc Place: A Study of Mixed-Income Housing.'" *Housing Policy Debate*, Vol. 9, No. 4, 1998.

Nyden, Phillip, John Lukehart, Michael T. Maly, and William Peterman, "Chapter 1: Neighborhood Racial and Economic Diversity in U.S. Cities." *Cityscape*, Vol. 4, No. 2, 1998.

Pierce, Neal. "Housing: Back Into the Political Limelight?" National Academy of Public Administration, www.citistates.org, July 7, 2002.

Popkin, Susan J., Larry F. Buron, Diane K. Levy and Mary K. Cunningham. "The Gautreaux Legacy: What Might Mixed-Income and Dispersal Strategies Mean for the Poorest Public Housing Tenants?" *Housing Policy Debate*, Vol. 11, No. 4, 2000.

Ranghelli, Lisa. *The Immediate Crisis in Public and Assisted Housing: More Than a Million Homes Are at Risk*. Center for Community Change, January 1999.

Recapitalization Advisors, Inc. *The Low Income Housing Tax Credit Effectiveness and Efficiency: A Presentation of the Issues*. Boston, 2002.

Rosenbaum, James E. "Changing the Geography of Opportunity by Expanding Residential Choice: Lessons from the Gautreaux Program." *Housing Policy Debate*, Vol. 6, No. 1, 1995.

Rosenbaum, James E., Linda K. Stroh and Cathy A. Flynn. "Lake Parc Place: A Study of Mixed-Income Housing." *Housing Policy Debate*, Vol. 9, No. 4, 1998.

Salama, J.J. "The Redevelopment of Distressed Public Housing: Early Results from HOPE VI Projects in Atlanta, Chicago, and San Antonio." *Housing Policy Debate*, Vol. 10, No. 1, 1999.

Sard, Barbara. *The Family Self-Sufficiency Program: HUD's Best Kept Secret for Promoting Employment and Asset Growth*. Washington, DC: Center on Budget and Policy Priorities, April 2001.

Schubert, Michael, and Alison Thresher. *Lessons From the Field: Three Case Studies of Mixed-Income Housing Development*. Chicago: MacArthur Foundation, 1996.

Schwartz, Alex, and Kian Tajbakhsh, "Mixed Income Housing: Unanswered Questions." *Cityscape*, Vol. 3, No. 2, 1997.

Shroder, Mark. "Moving to Opportunity: An Experiment in Social and Geographic Mobility." *Cityscape*, Vol. 5, No. 2, 2001.

Siegel, Joyce. *The House Next Door*. Washington, DC: The Grier Partnership and the Innovative Housing Institute, 2001.

Turnham, Jennifer and Jill Khadduri. *Issues and Options for HUD's Tenant-Based Housing Assistance Programs*. Millennial Housing Commission, 2001.

U.S. Department of Housing and Urban Development. *Assessment of the Economic and Social Characteristics of LIHTC Residents and Neighborhoods: Final Report*. Washington, DC: HUD Office of Policy Development and Research, 2000.

———. *A House in Order: Results From the First National Assessment of HUD Housing*. Washington, DC: HUD, April 1999.

———. *1997 Picture of Subsidized Households Quick Facts*. Washington, DC: HUD Office of Policy Development and Research, 1997.

Urban Land Institute. *Inclusionary Zoning/Mixed Income Housing*. Washington, DC, 2001.

———. *Sustaining Urban Mixed-Income Communities: The Role of Community Facilities*. Washington, DC, 2001.

Vale, Lawrence J. “Comment on James E. Rosenbaum, Linda K. Stroh, and Cathy A. Flynn’s ‘Lake Parc Place: A Study of Mixed-Income Housing.’” *Housing Policy Debate*, Vol. 9, No. 4, 1998.

Wilkins, Charles S., Jr. *Concept Paper: Mixed Income Rental Housing*. Millennial Housing Commission, 2001.

Wyly, Elvin K. and Daniel J. Hammel. “Islands of Decay in Seas of Renewal: Housing Policy and the Resurgence of Gentrification.” *Housing Policy Debate*, Vol. 10, No. 4, 1999.

AUTHOR INTERVIEWS

All interviews were conducted by the author between June 10 and August 31, 2002. Persons participating in a focus group are indicated with an asterisk.

Adelman, Craig*

Tenderloin Neighborhood Development
San Francisco, CA

Andrade, Marcos

City of Phoenix, HOPE VI Project
Phoenix, AZ

Avanzino, Kathy*

Federal Home Loan Bank of San Francisco
San Francisco, CA

Bratt, Rachel

Tufts University
Somerville, MA

Buki, Charles

Consultant
Washington, DC

Clark, Allison

Fannie Mae Foundation
Chicago, IL

Cooper, Will Jr.

WNC and Associates, Inc.
Costa Mesa, CA

Crowe, David

National Association of Home Builders
Washington, DC

Dare, Ramie*

Mercy Housing California
San Francisco, CA

Dick, Michele

Massachusetts Department of Housing and
Community Development
Boston, MA

Dubrock, Garry

Barron Collier
Phoenix, AZ

Fernandez, Rodney

Cabrillo Economic Development Corp.
Saticoy, CA

Friedman, Evelyn

Nuestra Comunidad Development Corporation
Roxbury, MA

Garrett, Patricia

Charlotte-Mecklenberg Housing Partnership
Charlotte, NC

Garvin, Marianne

Community Development Corporation of
Long Island
Centereach, NY

Gilbert, Rochelle

Indiana Housing Finance Authority
Indianapolis, IN

Goddard, Terry

Former mayor of Phoenix
Phoenix, AZ

Gross, Kenneth*

Chattanooga Neighborhood Enterprise
Chattanooga, TN

Hacobian, Mossik

Urban Edge
Roxbury, MA

Kargman, Bill

First Realty
Boston, MA

Latimer, E.D.*

Affordable Housing Resources, Inc.
Nashville, TN

Malakoff, Merle*

Mercy Housing California
San Francisco, CA

Pinado, Jeanne

Madison Park Development Corporation
Roxbury, MA

Pyatok, Michael

Pyatok Associates
Oakland, CA

Roberts, Buzz

LISC (Local Initiatives Support Corporation)
Washington, DC

Robbins, David

Lend Lease Real Estate Investments
Boston, MA

Schechter, Jerry*

Westside Housing Organization
Kansas City, MO

Siflinger, Marvin

Housing Partners, Inc.
Watertown, MA

Simon, Patricia*

Abyssinian Development Corporation
New York, NY

Sullivan, Bill

Rocky Mountain Mutual Housing
Association, Inc.
Denver, CO

Tally, Joan

New York City Housing Development
Corporation
New York, NY

Torres, Felix

Neighborhood Housing Services of Manchester
Manchester, NH

Warren, Gregg

DHIC
Raleigh, NC

ACKNOWLEDGEMENTS

This paper is the product of the ideas, expertise and experience of those who were kind enough to lend me their time and support. Thank you to everyone who contributed. Special thanks must be given to Nicolas Retsinas of the Joint Center for Housing Studies, and Michael Collins of the Neighborhood Reinvestment Corporation. Without their advice, guidance and support, this paper would not have been possible.

Collaborating Staff:

Joint Center for Housing Studies

William Apgar
Pamela Baldwin
Eric Belsky
Cushing Dolbear
Elizabeth England
Jackie Hernandez
Nicolas Retsinas

Neighborhood Reinvestment Corporation

Tom Austin
Marie Bequillard
Michael Collins
Elaine Covert
Natty DeSilva
Frances Ferguson
Calece Johnson
Margo Kelly
Ellen Lazar
Harold Nassau
Sheila Squier
Lynsey Wood

Additional Reviewers and Contributors

Peter Beard, Fannie Mae Foundation
Rachel Bratt, Tufts University
Connie Chung, Harvard University, Graduate School of Design
Conrad Egan, Millennial Housing Commission, NHC
Dave Garrison, National Academy of Public Administration
Jim Gray, NCB Development Corporation
Jennifer Lavorel, Millennial Housing Commission
Sylvia Martinez, Federal Housing Finance Board
Allan Mendelowitz, Federal Housing Finance Board
Joanna Ramani, U.S. Department of Housing and Urban Development
John Sepulveda, Freddie Mac
Kara Stein, Office of Senator Reed (D-RI)
Charlie Wilkins, Compass Group



Neighborhood Reinvestment Corporation
1325 G Street, N.W., Suite 800
Washington, DC 20006
(202) 220-2300
www.nw.org



Joint Center for Housing Studies
Harvard University
1033 Massachusetts Avenue
Cambridge, MA 02138
(617) 495-7908
www.jchs.harvard.edu