Seven Strategies for Successfully Marketing and Stabilizing the Occupancy of Mixed-Income/Mixed-Race Properties

Summary Report

MIXED-INCOME HOUSING PROVIDES OPPORTUNITIES FOR EXTREMELY LOW-INCOME HOUSEHOLDS

By Kenneth D. Wade

Mixed-Income rental properties that include extremely low-income households (below 30 percent of AMI) are a valuable strategy for community health. They simultaneously address two critical challenges: housing for those most in need and desegregating poverty. Understanding how to operate mixed-income apartments profitably is important to increase the development and underwriting of these properties.

With the generous support of the Ford Foundation, NeighborWorks® America undertook this study of management and marketing practices of successful mixed-income properties that have served extremely low-income families while maintaining positive cash flow for at least five years. Frances Ferguson, director of NeighborWorks® America's Multifamily Initiative spearheaded the study, which was conducted by partners Abt Associates (Larry Buron and Jill Khadduri) and Viva Consulting (Judy Weber).

This report describes seven strategies used by these properties to stabilize and maintain high occupancy rates with healthy operating budgets. For each strategy, we provide concrete implementation examples.

We wish to thank the Ford Foundation, especially Miguel Garcia of the Asset Building and Community Development Program, for generous funding for this study. It was funded under the Ford Foundation's "Flexible Capital" Grant Funding Programs for the Development or Preservation of Mixed-Income/Mixed-Race (MI/MR) Developments and Practical MI/MR Research and Assessments. ■

Kenneth D. Wade is NeighborWorks® America's chief executive officer

For more information on mixed income/ELI properties:

Committed to supporting this kind of development, NeighborWorks® Mutifamily Initiative has funded a three-year demonstration of mixed-income apartments. Special congressional funding supported 45 properties providing a total of 3,291 apartments, of which 365 apartment homes are affordable to extremely low-income families. Several symposia and research papers have been published on mixed-income housing. We are pleased to add this study on successful operating practices. **For copies go to www.nw.org/multifamily and click on "Publications."**

FOREWORD

This summary report is based on eight case studies of mixed-income developments that were chosen because of their success in developing and operating a mixed-income and usually mixed-race development. One of the study team members visited each of the sites in the first half of 2005 to see the property and neighborhood, and to talk to the owner, asset manager, property manager, and a few residents. The resulting case studies and summary report, along with other reports on mixed-income housing, are available on NeighborWorks® America's website: www.nw.org/multifamily.

This summary extracts the common management, marketing, and occupancy strategies from the case studies that are related to the success of mixed-income/mixed-race developments and gives specific examples of how the strategies were implemented. The first few pages of the summary describe the criteria for selecting the sites and describe the sites. Descriptions and examples of seven recurring strategies we identified from the case studies start on page 5. They are:

- Strategy 1: Build Financing for a Healthy Operating Budget
- Strategy 2: Align Neighborhood and Target Markets
- Strategy 3: Aim for Curb Appeal Above Market Niche
- Strategy 4: Demand Asset Managers be Attentive and Proactive
- Strategy 5: Sharpen Leasing Practices to Capture Market-Rate Renters
- Strategy 6: Adjust Marketing Strategies Continually
- Strategy 7: Match Amenities and Services to Target Markets

The case studies and summary report would not have been possible without the participation of the organizations that owned or sponsored the properties we studied. We are extremely grateful to the executive director, asset manager, property manager, and other staff who took the time to have in-depth conversations with us, produce reports, and otherwise gather the information we requested. We extend our thanks to the following organizations:

- Homeowner's Rehab Inc. and Cambridge Neighborhood Apartment Services (Auburn Court in Cambridge, Massachusetts)
- BRIDGE Housing (Montevista in Milpitas, California)
- Urban Edge Housing Corp and Academy Homes Tenant Council (Academy Homes in Roxbury, Massachusetts)
- Foundation Communities (Peters Colony in Carrollton, Texas)
- Housing Partnership of Northeast Florida and Families First (Spanish Oaks in Jacksonville, Florida)
- Manchester Neighborhood Housing Services (Cedar Beech and Elm Street Properties in Manchester, New Hampshire)
- Community Housing Works (Cedar Road in Vista, California, and Parkview Terrace in Poway, California) ■


NO PARKING

I. INTRODUCTION

This report describes successful strategies that the sponsors of eight mixed-income properties used to develop and manage their property. Each of these properties specifically included extremely low-income households in their tenant income mix. The goal of the report is to provide guidance to other developers, lenders, owners and managers considering development of a mixed-income property. The importance of this particular income mix is that extremely low-income households (under 30 percent AMI) face the greatest housing crisis today and concentration of poverty is a failed strategy — for families, properties, neighborhoods, and cities. Therefore, understanding how to successfully include extremely low-income households within the fabric of properties and neighborhoods is essential to the success of our cities, properties, and families.

The mixed income properties are all owned by nonprofit organization dedicated to affordable housing and neighborhood revitalization efforts. All, but one of the properties is part of the NeighborWorks® America network and six of the properties have at least some tax credit units.

The properties were identified by working with the director of NeighborWorks® America Multifamily Initiative and soliciting input from the NeighborWorks® network. The criteria for selecting the sites were that:

- the property served primarily non-elderly families;
- the residents had a broad range of incomes, including a significant share of extremely low-income households;
- the mixed-income character of the development had been maintained for at least the last five years;
- the property was non-rural; and
- the property had positive cash flow.

Below we describe the characteristics of the study properties followed by a description of the seven strategies related to success that we identified at these mixed-income properties.

II. OVERVIEW OF STUDY PROPERTIES

The eight properties are located in a range of markets and metropolitan areas, from the high-priced real estate markets of Cambridge, Massachusetts, and Silicon Valley to the more modest markets of Jacksonville, Florida, and suburban Dallas. Overall, half the properties are in central cities and half are in suburban areas. Likewise, half were newly built and half were rehabbed by the new owners.

All the developments have at least 20 percent of the households in a low-income group and 20 percent in a higher-income group. For most of the properties, the low-income group was composed of households below 30 percent of the area median and the higher-income group was households above 60 percent of the area median. The mixed-income character of the developments falls into three general groups:

The importance of developing mixed-income housing that includes extremely low-income households is that (a) these households face the greatest housing crisis today and (b) concentration of poverty is a failed strategy — for families, properties, neighborhoods, and cities.

1. Market Comparable. These mixed-income developments serve modest- to middle-income renters with incomes above 80 percent of the median as well as extremely or very low-income renters. The higher income renters tend to have other rental options, and the property must therefore compete for them with property amenities and competitive rents. Even though the rents are slightly below the market rate for comparable housing, the rents charged to the higher-income renters are significantly higher than charged to the low-income renters for the same unit. Two of the eight properties in the study are in this group.

2. Value Proposition. These mixed-income developments have a mix of income-restricted and unrestricted units. While the owner does not necessarily seek out higher-income renters, they attract some because they provide a "value" rent to higher income renters willing to live in Class B properties in modest neighborhoods. There are fewer high-income renters, and their incomes are not as high as in the market-comparable developments, but the higher income renters tend to have incomes near or above 80 percent of the area median. The owner charges nearly the same rent for the restricted-income and unrestricted units, however the unrestricted rents are still substantially below comparable market-rate properties. Three of the eight properties in the study are in this group.

3. Tax Credit Developments. These mixed-income developments contain 100 percent tax credit units. Thus all the units are restricted to residents with income below 60 percent of the area median (and usually lower because of restrictions from other sources of funding) at initial occupancy. Rents are set to be affordable to renters meeting the income requirements. These developments can end up with a broad range of incomes because (a) they attract households with a broad range of incomes below the initial occupancy thresholds, and (b) the residents tend to stay even when their income increases above the initial occupancy threshold in order to continue to take advantage of the restricted rents. However, in most of these developments, there are restrictions on how high their rent can grow before they are no longer eligible to live in the development. Three of the eight properties in the study are in this group.

All but one of the eight properties are also mixed race, meaning no single racial or ethnic group comprises more than 75 percent of the resident population. Six of the seven mixed-race properties have substantial shares of whites and non-whites, and the seventh property has substantial shares of two minority groups.

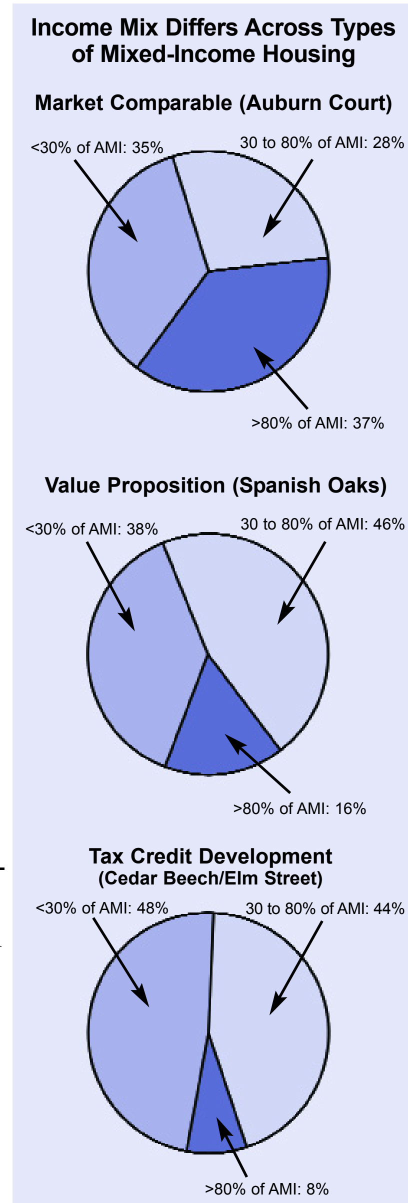
III. SITE BY SITE OVERVIEW

This section briefly describes the income and race mix of each of the eight study sites.

A. Market-Comparable Mixed-Income Developments

Auburn Court I in Cambridge, Massachusetts, is a 77-unit development that was built in 1996. Auburn Court is located in University Park at MIT, a location convenient to public transportation, shopping and restaurants, MIT itself and other employment centers. One-third of the residents have extremely low incomes (less than 30 percent of the area median), one-third have moderate to high incomes (more than 80 percent of the area median), and the other third are in between. Both the property and the neighborhood are racially diverse, but the property has twice the share of minority residents as the surrounding neighborhood (70 percent versus 36 percent). Auburn Court is owned by Brookline Limited Partnerships, which was co-sponsored by Homeowner's Rehab Inc. and Cambridge Neighborhood Apartment Services.

Montevista in Milpitas, California, is a 306-unit property in a small, relatively upscale city near San Jose in "Silicon Valley." It is across the street from one of the largest shopping malls on the West Coast. A little over half the units are tax credit units reserved for households below 50 or 60 percent of the area median and the rest (45 percent) are market-rate units serving primarily households with incomes above 80 percent of the area median. Montevista was built in 1998 as an infill development to meet the city goal of increasing affordable housing. It is in an extremely low-poverty neighborhood with less than a 4 percent poverty rate. Like the city as a whole, the property and the neighborhood are composed of a diverse mix of Asians, Hispanics, and whites. Montevista is owned by BRIDGE Housing.



B. Value Proposition Mixed-Income Developments

Academy Homes in Roxbury, Massachusetts, is a rehabbed 202-unit property in a formerly distressed neighborhood that is experiencing a rebound. The neighborhood had a 30 percent poverty rate according to the 2000 census, but property values increased dramatically over the last five years and there is substantial neighborhood redevelopment occurring. The property has a mix of project-based Section 8, tax credit units (43 percent), tax credit-only units (33 percent), and unrestricted units (24 percent). Approximately half the households are extremely low income and one-fifth have incomes above 60 percent of area median. Residents of both the property and the neighborhood are primarily African-Americans or Hispanic, but the property has a slightly higher share of African-Americans than the neighborhood. The property was originally built in the 1960s as subsidized housing and fell into severe disrepair over the years. It was purchased in 1998 and underwent a $10 million dollar rehabilitation at that time. The Urban Edge Housing Corporation and the Academy Homes Tenant Council jointly own Academy Homes.

Peters Colony in Carrollton, Texas, is a rehabbed 160-unit property located in a growing and prospering suburb of Dallas. It was purchased in 1995 from the Resolution Trust Corp's (RTC) Affordable Housing Disposition Program. The owner has one-third unrestricted units but voluntarily restricts them to households below 80 percent of the area median to be consistent with its mission. The rest of the units are restricted to extremely low-income (less than 30 percent of area median) or very low-income (less than 50 percent of median) households. The extremely low-income units are reserved for residents from areas affected by a public housing desegregation lawsuit settled by the city of Dallas. Currently, approximately one-third of the households have income below 30 percent of the area median, one-third are between 30 and 50 percent of the median, and one-third are above 50 percent of the median (including several households with income above 80 percent of the median). The property residents are relatively evenly split between African-Americans, Hispanics, and whites (nearly two-thirds of the whites are Middle Eastern). The surrounding neighborhood is also diverse, but has a much higher share of whites and Asians, and a much lower share of African-American residents. The neighborhood as a whole has a 13.5 percent poverty rate, but has a median income three times higher than the property ($61,000 versus $20,500). The property is across the street from a good elementary school and within walking distance to other schools, a grocery store, and other retail stores. Peters Colony is owned by Foundation Communities.

Spanish Oaks in Jacksonville, Florida, is a 194-unit property located in a moderate-income, racially diverse neighborhood. The property was purchased in 1995 at a favorable price from the RTC in return for rehabbing the development and restricting 20 percent of the units to households below 50 percent of the median (including some set aside for disabled people served by local social service agencies) and 55 percent for occupants up to 80 percent of the median. The other 25 percent of apartments have no income restrictions. The actual income levels of the households are more heavily weighted toward the low end with 60 percent below 50 percent of the area median. However, at the upper end, 16 percent of households have income above 80 percent of the median. The residents are primarily African-American, whereas the neighborhood has a slight majority of whites. The Housing Partnership of Northeast Florida and Families First own Spanish Oaks.

C. Tax Credit Developments that Include Extremely Low-Income Renters

The Cedar Beech and Elm Street Properties in Manchester, New Hampshire, consist of three inner-city, tax-credit properties with a total of 92 units. The properties are redeveloped 19th and early 20th century three- and four-floor walk-ups that were placed in service between 1994 and 2001. The neighborhood was a distressed older neighborhood that was the focus of a comprehensive revitalization effort. A critical mass of improved housing and community policing overcame early marketing problems associated with a neighborhood viewed as dangerous. Approximately half the residents have income below 30 percent of the area median and one-fourth have incomes above 60 percent of the area median. The properties and the neighborhoods are about two-thirds white; however, most of the whites living in the properties are refugees from the Balkans. The study properties also have a higher share of Hispanics than the surrounding neighborhood (29 percent versus 17 percent). Cedar Beech and the Elm Street Properties are owned by Manchester Neighborhood Housing Services.

Cedar Road Apartments in Vista, California, is a 40-unit tax credit development built in 1996 and located in a modest neighborhood of single-family homes and conventional apartment buildings. Ten of the units serve as transitional housing for formerly homeless people and the other 30 are restricted to renters whose incomes are below 50 percent of the area median. It is across the street from a good elementary school and there are lots of entry-level jobs at the nearby Vista Business Park, which employs more than 18,000 people. Both the neighborhood and the property are racially and ethnically diverse with more than half the residents of Hispanic origin and most of the rest white. Cedar Road is owned by Community Housing Works.

Parkview Terrace in Poway, California, is a 92-unit, tax-credit development built in 1998 and located in an upscale suburb of San Diego. The surrounding neighborhood is the least affluent in Poway, but nevertheless the poverty rate is only 8 percent, and the median income is nearly twice that of Parkview Terrace ($51,161 versus $28,292). Parkview is an entirely tax credit development with units that have initial restrictions of either 35 percent or 50 percent of the area median. However, approximately half of the current households have incomes of more than 50 percent of the area median because their incomes have grown over time and they have chosen not to move. Both the neighborhood and Parkview are racially diverse with approximately two-thirds white residents and one-third minorities nearly equally split among African Americans, Hispanics, and Asians. Parkview Terrace is owned by Community Housing Works.

IV. SEVEN SUCCESSFUL STRATEGIES FOR MIXED-INCOME HOUSING

Overall, the successful strategies are based on following the fundamentals of real estate development and management that conventional and successful multifamily rental properties need to follow. However, implementing these fundamentals for a mixed-income and often mixed-race property involves some additional complexity and some contextual differences. For example, leasing and property management need to be able to work with both subsidized and market-rate renters. Subsidized renters require additional paperwork and documentation and have more limited housing options, but tend to have lower turnover once in place. Market-rate renters need to be sold on why this property is better than their alternatives, expect quick turnaround on their application and tend to have higher turnover rates. Other considerations for mixed-income and mixed-race properties include: creating a comfortable living environment for people of different cultures and economic backgrounds, avoiding stigmatization, and balancing investment in the property with affordable rents.

Strategy 1: Build Financing for a Healthy Operating Budget

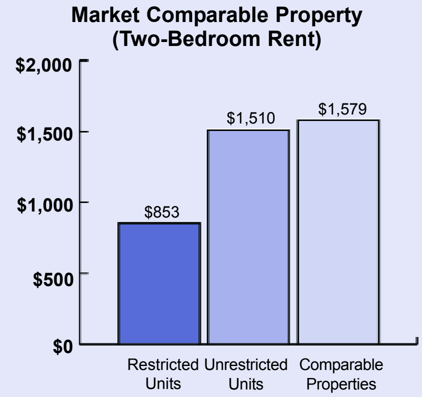
The participating mixed-income sites followed a strategy that involved developing realistic pro formas that were not overly optimistic on rent increases or cost containment and had appropriate planning for capital improvement and replacement reserves. This was accomplished by forecasting modest rent increases, tying the amount of money spent on rehabilitation to what could be supported by operating revenue, setting realistic expectations about what target occupants would pay in rent, and accessing multiple sources of funds to minimize the debt burden.

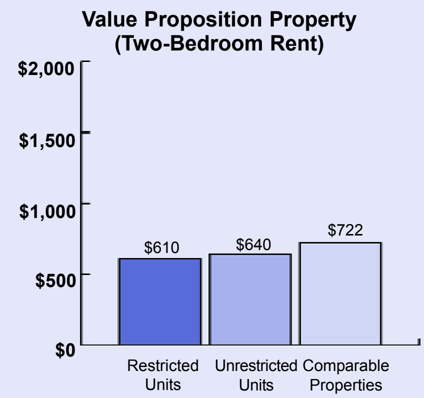
- Montevista was developed during the tech boom in Silicon Valley when rents were skyrocketing. Despite the forecast for continuing large rent increases, the sponsors developed the pro forma based on moderate rent increases. They took advantage of higher than pro forma rents in the first few years of operation to build their replacement reserves, but kept operating costs in line with the pro forma. When the tech market crashed in 2001 and market rents declined, they were in position to absorb the decrease in rental income.

- Academy Homes was dilapidated when the owners took over in 1998. However, rather than undertake a complete gut rehab, the new owners focused on exterior repairs such as roofs, windows, and painting, largely leaving the interiors unchanged. The modest repairs were a conscious decision to keep the debt burden low. This enabled them to charge below-market rents that would appeal to moderate- and market-income tenants who were willing to trade off lower rent for a more modest (but spacious) apartment in a well-managed development.

Value Rents. The market-rate comparable and value proposition developments all charged rents below the market rents for the unrestricted units. They did this to attract and retain renters in the mixed-income development. These "discounted" rents need to be taken into account in the rental revenue projections.

Below-Market Rents Draw Residents





Market comparable properties charge much higher rents in unrestricted than restricted units, but rents are still below market.

Value Proposition properties also charge below-market rents, but unrestricted rents are only slighly higher than restricted rents.

- In the two market-rate comparable properties, the rent for income-restricted units was approximately 40 percent less than in the unrestricted units. However, the unrestricted units were still approximately 5 percent below the average of comparable market-rate properties. In those markets, that translates into a $100 to $200 discount per month depending on the unit.

- In two of the three developments with unrestricted affordable units (the value proposition properties), the rent for the income-restricted units are only $20 to $30 less (or 3 to 5 percent less) than the rent for the unrestricted units. The unrestricted rents are, in turn, significantly less than in comparable market-rate properties — between 10 and 15 percent less.

- The third value proposition property, Academy Homes, charges approximately $50 more per month for the unrestricted units. However, this represents a huge discount of approximately 25 percent relative to nearby alternatives. Despite a booming housing market, the Academy Homes owner (a partnership of the Tenants Council and the nonprofit) agreed to establish rents well below the market rate as part of a commitment not to displace existing residents and to maintain resident stability. In turn, Academy Homes can afford to keep rents artificially low because they did not incur a large debt burden when they bought and rehabilitated the property.

Favorable Financing. The study sites accessed a variety of funding sources, and usually multiple sources, to purchase the property and develop the project. A significant source of funding for each site was a grant, soft loan, or a discounted price on the property or land. By minimizing the drain of the debt burden on their operating revenues, they were able to offer the discounted rents while still having sufficient funds to manage and maintain the development and make ongoing improvements. The key factors are to know the possible funding sources, recognize and seize unique funding opportunities, work with partners, and have a development team with the know-how to get access to the funding.

- Six of the eight properties had LIHTC funding, and the other two sites bought the property at a discounted price from the Resolution Trust Corporation's Affordable Housing Disposition program. But all the sites also accessed other funding sources or discounts. At the extreme, the Auburn Court's developer obtained financing from 12 different sources including city and state affordable housing trust funds, the Federal Home Loan Bank, NeighborWorks® America, HUD, and the Massachusetts Department of Housing and Community Development. The developer also obtained pre-development financing from several sources including local philanthropic foundations. Two sites received city funding because the projects were part of consent decrees signed to settle discrimination lawsuits while others received city funding to further the city's affordable housing goals.

There were other strategic financing decisions at the mixed-income sites.

- At Auburn Court, the project was divided into two phases to allow for extra time to obtain favorable financing for the second phase.

- At Parkview Terrace, a nonprofit and for-profit developer teamed up to obtain favorable financing. The nonprofit developer ensured that the project would obtain tax credits and maintain its affordable housing mission. The more experienced for-profit gave the city some assurance that the project would be completed on budget and on time. The complementary strengths each partner brought to the development process gave the city the confidence it needed to allocate funding to the project.

- The two sites with higher income market-rate tenants also cross-subsidize the operating costs by charging significantly higher rents for these units than the affordable housing units.

- Two other sites receive ongoing rental subsidies by designating some of the units as project-based Section 8. Other sites encourage the local housing authority to send residents with tenant-based vouchers to their property as they can obtain the full market rents for these tenants while keeping the rent burden low for the tenant.

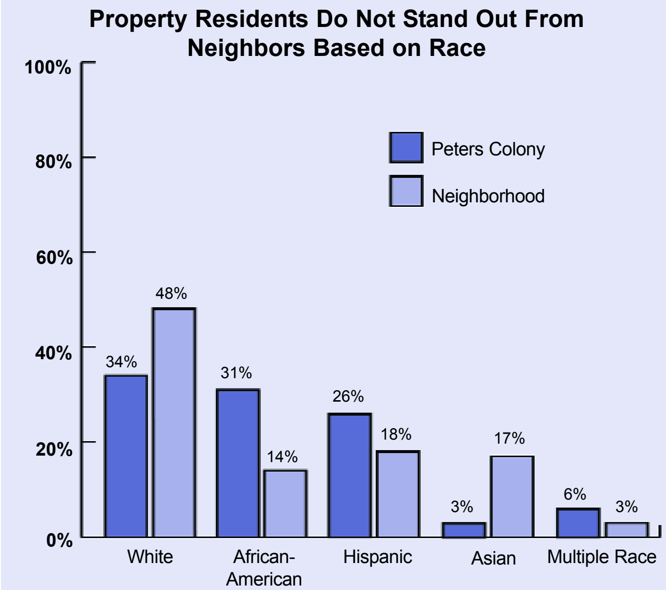
Strategy 2: Align Neighborhood and Target Markets

As with any development, a location with amenities such as nearby grocery and drug stores, schools within walking distance, access to public transportation (or in car-heavy areas, convenience to highways or roads to main destinations), close proximity to job centers, and low crime rates are important. The eight mixed-income developments do well on these measures of neighborhood desirability.

However, other factors need to be considered in developing a mixed-income/mixed-race development. First, none of the properties were built in a distressed or declining neighborhood (except where it was part of a larger revitalization effort). Second, a key pattern in the location of the site was ensuring that the property and tenant population would blend in even though the residents were more economically or racially diverse than the surrounding neighborhood.

- Six of the eight properties are in neighborhoods with relatively low poverty rates (less than 15 percent), and the two that are in high-poverty rate neighborhoods are part of a larger neighborhood revitalization effort. That is, none of the properties are in a distressed or isolated neighborhood where people with housing choices are not likely to live.

- The two properties with a higher-end market rate tier are in good neighborhoods in areas with tight housing markets. The location enables them to attract relatively high-income renters to live in a quality and well-managed, but not luxurious, development.



Properties have a higher share of minority residents than their neighborhoods, but neighborhoods are also diverse.

- All seven of the properties with a racially diverse resident population are in or near neighborhoods accustomed to racial diversity. The property owners thought this was important in order that residents of all races could be comfortable living in the development and the development would not be stigmatized as "affordable" because of the racial composition of its residents.

- Most of the ownership organizations knew the neighborhood and housing market for the property extremely well — either from a previous development project or because the organization was a leader in a broader neighborhood revitalization effort. The other owners either partnered with an organization more experienced in the local market or did extensive research on the local market before making design and rent-setting decisions.

Strategy 3: Aim for Curb Appeal Above Market Niche

Aiming for curb appeal above the market niche is both a part of the initial design decisions and part of ongoing maintenance and upgrading of the development to keep up with the market. Several asset managers stated that curb appeal was very important to a mixed-income development and was a focus of their efforts.

- The two properties that target relatively high-income renters aim to make their property indistinguishable from the 100 percent market-rate properties serving higher-income renters. They want it to be impossible to tell from looking at the development that it is mixed-income.

- Two other newly constructed properties with 100 percent affordable units also aim to make their development indistinguishable from 100 percent market-rate developments. The owner of those two properties is the same and its motto is "Creating community and pride through design." One of the properties (Parkview Terrace) won a coveted 1999 Pacific Builders Award of Merit and a 1999 Award of Excellence from the California Redevelopment Association.

- The other four properties — all rehab rather than new construction — have more modest curb appeal, but are maintained at a higher level than similar properties in the areas. For example, the Academy Homes asset manager said, "You can tell it's our property, because it's the first one shoveled out after a snowstorm."

The mixed-income properties are attractively landscaped, have clear property signage, and have the leasing and management office in visible locations. An important aspect is the ongoing commitment to keep the landscape looking attractive and repainting the exteriors on a regular basis.

- At Auburn Court, the asset manager established a separate painting reserve account to ensure that the development had the funding for re-painting without having to draw down the replacement reserve. When they had surplus cash from higher than budgeted rents, the owners reinvested it in upgrades to the common areas, some of which were features that had been eliminated during the "value engineering" stage of development.

- At Peters Colony, the owner continually reinvests in the property, including a phased exterior repainting and upgrading the landscaping, rather than creating surplus cash that its contract dictates would be split between the owner and the repayment of soft loans.

"You can tell it's our property, because it's the first one shoveled out after a snowstorm."

Strategy 4: Demand Asset Managers be Attentive and Proactive

The successful mixed-income developments have attentive and proactive asset management that is separate and distinct from property management. The asset managers regularly meet with the property managers, periodically inspect the property, and closely monitor occupancy rates, turnaround time, rental rates, marketing success in drawing applicants, and closing ratios.

Attentive Asset Managers

- Six of the eight properties have third party managers, but the asset manager still sets the goals for cash flow, rent levels, occupancy, and physical conditions. The property management company provides the expertise and staff to achieve these goals. Two of the six sites changed property management companies after the first couple of years when the management company's performance no longer met the asset manager's expectations.

- Monthly meetings of the owner, asset manager, the on-site property manager, and senior property manager for the portfolio are routine. At these meetings, they review key indicators of occupancy, rent collection, and marketing efforts and discuss whether any strategies need to change.

- To ensure achievement of targeted returns to owners and investors, asset managers compare how the property is doing versus both the pro forma and the current year's operating budgets and make adjustments if the numbers are not adding up.

- At the two properties with relatively high-income renters, the asset managers conduct formal or informal surveys of comparable properties every few months (and monthly during crunch times) to stay on top of market rents and the specials that

Asset managers need to be proactive. For example, when a Manchester food service plant closed, several families in the Cedar Road and Elm Street properties lost the income of one or both workers. The Manchester Neighborhood Housing Services' social service coordinator immediately stepped in to help connect the dislocated workers with the job placement center established to deal with this plant closing. Most of the dislocated workers were reemployed within a few months. This effort both helped the residents and ensured the plant closing did not create a rent collection or vacancy problem at the property.

their competitors are offering to the market-rate renters. The market is fluid and market-rate renters have a higher turnover rate, so it is an ongoing process to continue to be attractive to current renters and to know where to set the rents.

- All sites have on-site managers and, at two sites, the property manager lives in the development. At the other sites, a staff person such as a leasing agent or maintenance person lives at the site. Although not always financially feasible at smaller developments, establishing an on-site manager and management staff that live on site ensures more monitoring of the property.

Several of the asset managers also mentioned situations where they were proactive to help their residents, which in turn, protected their asset.

- At Peters Colony, an emergency appeal committee helps residents who have a short-term emergency that affects their ability to pay the rent (such as a temporary disability to the breadwinner). The resident appeals to the emergency committee, which consists of resident leaders (from this property and another property owned by the same organization), a staff member from the ownership organization, and the property manager. The committee is authorized to recommend rent discounts or rent forgiveness for up to three months. If the situation is expected to continue longer than three months, the committee helps the resident obtain other benefits that will allow the tenant to stay at the property and continue paying rent or helps the tenant find an appropriate subsidized unit. One resident explained that this safety net had been very important to her decision to live there, because her biggest fear about leaving public housing had been that she would end up homeless.

- Peters Colony management has also been proactive in addressing crime and safety issues. Despite having no crime issues on site, they volunteered to host a City of Carrollton police substation on site. The police use the substation as a place to fill out paperwork or take a break during their shift. To encourage the police to use the substation, the property manager keeps it stocked with snacks and drinks. Peters Colony volunteered the site because it would increase the police presence on the property and develop a good relationship with the police department to discourage any crime problems or nip them in the bud if they should occur.

- At Spanish Oaks, the owners took a number of steps to make the property more attractive to current and future residents after a murder took place on the property. The murder was an isolated incident, and could have occurred anywhere, but it led to higher turnover and fewer applicants, and maintenance began to slip. The owner hired a new management company, which temporarily hired extra maintenance workers to catch up on the backlog of maintenance requests, improve response time to new maintenance calls, and to make a visible difference in the appearance of the property. They also initiated a marketing campaign that was more typical of an initial lease-up period. The result was that the occupancy rate climbed back from 80 percent to 95 percent.

- The owner and manager of Cedar Beech responded to a vacancy crisis by taking a risk on renting to families from a new immigrant group whose credit and housing histories were impossible to check. The immigrants were Bosnians who were part of a Department of State resettlement program. The owner mitigated the risk by starting with a trial basis of a few families. When those families proved to be good tenants, the owner accepted more immigrants without verifiable credit and housing histories. Along with other immigrants from the Balkans, they now make up a substantial fraction of the residents at Cedar Beech.

- At Auburn Court, the asset manager noticed an upward trend in lost rental days (and thus lost rental revenue) in turnover units. To combat this, they started offering certain incentives (e.g., cleaning the carpets) for existing tenants to extend their lease. They also re-worked all their market leases so they would expire in the easier-to-rent spring and summer seasons.

- The properties with a substantial share of non-English speaking residents always hire at least one on-site management person who is proficient in the native tongue of these residents. In most cases, this means having at least one bilingual staff person who speaks Spanish. In the Manchester, New Hampshire, property, it means that of the three social services staff members, at least one is a bilingual person who speaks Spanish and at least one is a multilingual person who speaks Balkan languages.

Strategy 5: Sharpen Leasing Practices to Capture Market-Rate Renters

To draw relatively higher-income renters to a mixed-income development, the leasing process needs to be as sharp as that of the 100-percent market-rate peers, or sharper. This means, for example, that the leasing office must be attractive and well decorated and staff must be dressed professionally. The office needs to be easy to find and applications must be processed quickly to give timely responses to potential applicants.

- Market-rate units tend to have more turnover than affordable units, so, after the initial lease-up, a substantial amount of time needs to be spent routinely marketing and leasing market-rate units. The leasing function needs to be staffed with people who can sell. That is, it needs to be staffed with people who can convert the market-rate renters who express interest into new tenants.

- At Montevista, both affordable and market-rate renters go to the same leasing agents and get the same sales pitch and site tours. After the potential renter fills out the application, renters who might qualify for the restricted units are told about the opportunity for reduced rents. If they are interested, property management staff (rather than the leasing agent) work with them to fill out the necessary paperwork and obtain the necessary documentation.

- Management at Montevista has the philosophy that everyone is part of the team that is selling the property to prospective tenants. This means that all staff are trained in treating current and prospective tenants professionally. For example, maintenance staff have professional maintenance uniforms while on duty and are expected to greet people visiting the property in a friendly manner. The uniforms are even laundered for the maintenance staff.

- The leasing office needs to have some evening and weekend hours to meet the schedules of market-rate renters and working households of all income levels. Depending on the market, leases for less than 12 months may be necessary to compete with other market-rate renters.

- Promotional rents, such as discounts on the first month's rent, may be necessary when the rental markets cool or the supply increases too fast. Owners of both market-comparable properties sought to avoid promotional rents and tried instead to set reasonable rents so they could attract market-rate renters and retain them. However, when the market cooled, they had to offer promotional rents to compete with their peers. Budgeting for higher vacancy rate and rent concession periods can help mitigate the impact of these rent promotions.

- Leasing agents at Auburn Court receive training in successful marketing techniques and are encouraged to become certified by the National Association of Leasing Professionals. When closing ratios fall or when a staff member requests it, they can have a telephone call with a prospective tenant taped. They can then self-critique their leasing performance.

Strategy 6: Adjust Marketing Strategies Continually

The marketing strategies at the mixed-income sites were fairly conventional during the initial lease-up and included such activities as advertisements in newspapers, apartment magazines, Internet postings, and "For Lease" signs during and after construction. However, marketing efforts were monitored and strategies were adjusted as the market evolved and they learned what worked.

- Property managers at several sites stated that apartment magazines and newspaper advertisements were successful during the initial lease up, but less so later. Over time, they relied more on Internet listings, word of mouth, and "For Lease" signs. One manager said brokers were successful in the beginning, but their success decreased over time. However, another manager found brokers were more successful now than they had been in the beginning. The key is continuously identifying what works and what does not work for your situation.

- At one site, the marketing division of the property manager formally analyzes the marketing efforts and provides feedback to the asset and property manager at monthly meetings.

- At two sites, property managers targeted specific large employers when they noticed that they had several good tenants from that employer. In Spanish Oaks, it was military personnel at a Naval base. At Auburn Court, it was airline employees whom they identified as good candidates for the units restricted to households with income between 60 and 80 percent of area median.

- Several of the properties solicited voucher holders from the local housing authority or administering agency to fill their low-income units. Voucher holders were desirable to them because the voucher rent was based on a fair market rent while the voucher holder's rent burden is only 30 percent of their income. The housing authority or administering agency pays the rest of the rent.   This increases the cash flow for the property while still providing affordable rental units to extremely low-income renters.

- Two of the sites did not mention the availability of subsidized units in their advertisements. The Spanish Oaks manager reported that the development received enough applications from very low-income renters even without mentioning it, and that the small discount in the rent is a bonus to applicants who come in. Auburn Court marketing materials do not mention subsidized units because of their desire not to be perceived as a subsidized development. Both sites have no problem filling their affordable housing units without advertising the discounted rates for eligible households.

Strategy 7: Match Amenities and Services to Target Markets

The mixed-income properties consciously chose the property amenities and services with their target markets in mind. Given the different types of mixed-income properties in the study, this resulted in different packages of amenities.

The two properties with market-rate renters focused on amenities that would make them competitive with 100 percent market rate developments for higher-income renters. The other properties generally focused on amenities that would be attractive to working households with children.

- The owners of the market-comparable, mixed-income developments did extensive research on what amenities and services the 100-percent market rate properties in their area offered and what amenities would draw higher-income renters to their development. They comparison shopped in the neighborhood and in the broader market area, elicited input from the development and management team and discussed this input with knowledgeable in-house staff.

- Neither of the market-rate, mixed-income developments wanted services that would be used solely by one income group or amenities that would stigmatize the development as subsidized housing. Hence, they did not offer supportive service type amenities, but instead offered amenities that would be attractive to renters of all income levels. Albeit, amenities that are not normally available in affordable housing developments.

- At Auburn Court in Cambridge, Massachusetts, the owner decided to offer amenities such as a free parking space for each unit ($75 to $150 per month at their competitors), washers and dryers in each unit, private patios or balconies for each unit, extra sound proofing between apartments, and high quality interior finishes.

- In Montevista in Milpitas, California, the owner chose to offer a sizeable and well-equipped workout room, a swimming pool, a small computer room, a party room, and outdoor basketball and sand volleyball courts. Each unit also has an enclosed garage — some are attached to the unit and some are in a common area — and designated visitor parking spots. The units have high-end furnishings and décor, washer/dryer hook-ups, and a balcony or patio. The owners also built some dual master two-bedroom units to attract roommates who were young professionals.

The other six developments — with either 100-percent restricted units or unrestricted units that targeted modest-income renters — offered few amenities beyond a well maintained, well managed and relatively visually appealing place to live. Two of the developments, both rehabbed market-rate developments that had fallen into disrepair, had swimming pools.

- Five of the six developments offered an after-school program for children. Children get help with their homework, access to computers, and participate in other fun or educational activities. The programs are staffed in a variety of ways, including by professionals on the owner's resident services staff, paid local teachers, and volunteers from local universities. The programs help working parents bridge the time between when children are let out of school and when they get home from work. This is a popular amenity for households of all income levels.

- Property management staff at several of the sites reported that their units were more spacious than other area developments. The stated purpose was to make the units more appealing and livable for larger families who may stay there a long time.

- Foundation Communities, the owner of Peters Colony, offers a homebuyer course. While the course is not specific to Peters Colony, Foundation Communities aggressively marketed the program to their tenants and gave them first priority for the program. Community Housing Works, the owner of the two California properties, also runs a homebuyer program. There is no strategic tie to the development, but the property manager refers clients to the program.

- Parkview Terrace established a resident services account with $200,000 in savings from developing the property under budget. The City of Poway allowed them to use their funds for this account because they also returned $675,000 in savings to the city. In addition, from its operating funds, the Parkview Terrace owner purchases swimming passes for residents at the local Community Center. This encourages a healthy activity for residents and helps connect them to the rest of the community. ■

"The secret of success is to do the common things uncommonly well."

John D. Rockefeller

The NeighborWorks® Multifamily Initiative is a national member-driven collaborative of 88 nonprofit housing developers who together provide over 50,000 lower income families with high quality rental homes. Through the Multifamily Initiative, NeighborWorks® America supports its affiliates in achieving sustained excellence in their housing portfolios. Services of the Initiative include:

- Flexible capital grants for development
- Neighborhood Capital Corporation, providing interim and predevelopment loans
- Asset Management resources, including comparative portfolio performance reporting, training and consultation
- Neighborhood Risk Management Corporation, providing risk management services and education
- Learning Center Consortium, supporting productivity and funding of resident services

For more information on the Multifamily Initiative, please visit our web site at **www.nw.org/multifamily** or contact its director, Frances Ferguson at fferguson@nw.org.

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