Mixed-Income Housing: Factors for Success

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Abstract

A renewed emphasis has been placed on mixed-income housing through HUD's HOPE VI program and the bipartisan consensus to end the concentration of low-income people in public housing. Through an analysis of seven successful mixed-income housing developments, this article defines a research and learning agenda for academics and practitioners in the field. Preliminary analysis indicates that successful mixed-income developments must be well located and excellent in their design and management if they are to attract renters who have location choices. Mixed-income housing works best where there are sufficient units aimed at the higher income renters to create a critical mass of market units and where there are no differences in the nature and quality of the units being offered that are due to the income of the renters. If upward mobility of the low-income residents is a goal, it is necessary to have activities that are specifically aimed at creating opportunities for them; income mixing alone is not sufficient. Perhaps the biggest challenge is income integration in neighborhood settings where property management is not able to set behavioral norms.

During the first Clinton administration, a bipartisan consensus developed that this Nation must "end public housing as we know it." One of former Secretary of Housing and Urban Development Henry G. Cisneros' most symbolic actions was his supervision of the implosion of numerous obsolete and troubled public housing structures in cities across the United States. These demolitions were usually associated with the award of funds from the U.S. Department of Housing and Urban Development's (HUD's) HOPE VI program, which is designed to replace projects housing a uniformly poor population with developments that provide homes to a mixed-income population. Federal rules dating back to the 1970s, coupled with the challenge to public housing agencies (PHAs) of attracting stable residents to projects generally viewed as unsafe and troubled, led to a continuing decline in the average income of public housing residents. As one HUD document stated, "The concentration of the poorest families creates problems that predictably become unmanageable, and the larger the public housing development, the more complex the problems" (U.S. Department of Housing and Urban Development, 1995).

The 1993 Appropriations Act authorized funds for the HOPE VI program, permitting distressed PHAs to move aggressively to demolish some of their obsolete buildings and replace them with mixed-income developments.[1] By the end of 1996, HUD's Office of Public Housing and Investments had awarded more than $2 billion to PHAs for a comprehensive renovation of public housing projects, many of which are being converted to mixed-income developments. Secretary Cisneros summed up the new approach:

> PHAs can now combine public housing dollars with low-income housing tax credits, leveraging public and private resources to develop attractive and competitively priced units in scattered-site, mixed-income neighborhoods. And they can refurbish and maintain existing units so that they will be competitive in the open market. This new approach returns to the original concept of public housing, which was to offer impoverished families a stable platform for working their way toward self sufficiency (Cisneros, 1995).

Similarly, the aggressive efforts to move a substantial portion of the Federal Housing Administration's (FHA's) multifamily portfolio into a new economic framework through a mark-to-market approach has important consequences for owners who face competition for tenants at various income levels.[2] In some of these developments, subsidy reductions may require an effort to attract moderate-income and market-rate renters to sites that, to date, have had only low-income tenants.

This movement toward mixed-income housing is based on the widely held belief that mixed-income, multifamily housing is preferable to housing in which large numbers of low-income residents are clustered together. Yet our knowledge about the correctness of this assumption and the factors that contribute to successful mixed-income housing is extremely limited. The literature is sparse, and the exchange among developers and property managers is largely anecdotal.[3] However, an in-depth study published in 1974 that measured success by higher levels of satisfaction among tenants in mixed-income developments found that income mixing works. The primary reasons for the increased satisfaction were related to the quality of the development, specifically its "superior design, construction, and management." (Ryan et al., 1974.)

Much of the for-profit development industry views mixed-income housing as a higher risk than either fully conventional market-rate housing or totally subsidized developments. There is also a sense that mixed-income housing is too complicated to manage, given the varying income communities, their needs, and the potential conflicts. Hence the number of planned, mixed-income developments in the United States is quite limited.[4]

Defining Terms

Clarity about the meaning of the term *mixed-income* and about the question of whether the mix is a planned effort to integrate a development or a neighborhood economically is of fundamental importance to a discussion of mixed-income housing. In a very basic sense, mixed-income housing is not a new phenomenon. Many urban American neighborhoods have residents of varied incomes, and two of our most prominent new towns of the 1960s and 1970s—Columbia, Maryland, and Reston, Virginia—were planned for a mix of incomes. In addition, the State of Massachusetts has promoted mixed-income housing through a variety of funding programs since the creation of its housing finance agency in 1966 (Gallese, 1974).

The term does not carry a formal definition in the housing field. It means different things to different people and varies by housing market. Alex Schwartz and Kian Tajbakhsh, for example, categorize mixed-income housing based on whether it is mixed at the project level or the neighborhood level and whether the sponsors/owners are public, private, or a combination of the two (Schwartz and Tajbakhsh, 1996). In the context of this article, mixed-income housing means a deliberate effort to construct and/or own a multifamily development that has the mixing of income groups as a fundamental part of its financial and operating plans. The ratio of income levels and the developer's reasons for seeking to create a mixed-income development will vary. In general, however, a mix of incomes is planned because of the juncture of community desire and need, housing market conditions in the surrounding area, and the availability of financing and/or subsidies.[5]

This article frames the issues in the management of mixed-income housing, both for purposes of stimulating a research agenda and to share preliminary findings with owners, developers, and policymakers involved with mixed-income housing. Seven multifamily mixed-income developments are reviewed.[6] These sites, chosen on the basis of geographic diversity, the nature of the housing market in their environs, building type, population mix, ownership entity, and years in operation, are:

- Harbor Point, a 1,283-unit rental development on the site of a former troubled public housing project, Columbia Point, in Boston, Massachusetts.
- Jones Family Apartments, a 108-unit highrise in San Francisco's Tenderloin District that mixes very-low-income and low-income residents.
- Emery Bay Club and Apartments, a 260-unit garden apartment project in Emeryville, California, immediately north of Oakland.
- Tent City, a 269-unit development in downtown Boston, the result of community activists' demand for affordable housing.
- Timberlawn Crescent, a 107-unit, garden-style rental development in suburban Montgomery County, Maryland.
- The Residences at Ninth Square, a 335-unit, mixed-use development in New Haven, Connecticut, with 50,000 square feet of commercial space.
- New Quality Hill, a 466-unit development of townhouses and rehabilitated midrise structures adjoining downtown Kansas City, Missouri.

Each site has been visited by the authors, and interviews have been conducted with the developer, property manager, residents, and other relevant participants or partners. Rent rolls, crime rates, financial reports, and other indicators of project condition have been reviewed.[7] Although the review is not a structured, scientific sample, the diversity of the developments provides a basis for describing the dimensions of success and drawing a research agenda for more in-depth study of mixed-income housing.[8]

Perceived Benefits of Mixed-Income Housing

Proponents of mixed-income housing see it as a tool to address the difficulties related to what has been termed the *culture of poverty*. This phrase derives from the view that physical concentration of poor households in multifamily projects causes severe problems for the residents, including joblessness, drug abuse, and welfare dependency. According to this theory, a mixture of income levels will reduce the social pathology caused by concentration.[9] Anticipated results of mixed-income housing include the following:

- The behavior patterns of some lower income residents will be altered by emulating those of their higher income neighbors. The quality of the living environment, not housing quality alone, leads to upward mobility.
- Nonworking low-income tenants will find their way into the workplace in greater numbers because of the social norms of their new environment (for example, going to work/school every day) and the informal networking with employed neighbors.
- The crime rate will fall because the higher income households will demand a stricter and better enforced set of ground rules for the community.
- Low-income households will have the benefit of better schools, access to jobs, and enhanced safety, enabling them to move themselves and their children beyond their current economic condition.[10]

Many of these anticipated results are subtle and difficult to measure. Unlike such a quantifiable result as the effect of mixed incomes on the project's financial condition, analysis of the effects of mixed-income housing on the behavior of residents must take into account the subtleties of human behavior. It is also important to differentiate between two reasons for these intended benefits. First, if low-income tenants are subsidized to live in developments that are in locations with good schools, low crime rates, and access to jobs, there is some likelihood that the benefits of the location will result in the anticipated outcomes described above.[11] One entire branch of HUD's reinvention during Cisneros' tenure as Secretary was based on the premise that housing vouchers that could be used in mixed-income developments and neighborhoods would contribute to the upward mobility of low-income renters. In the case of severely distressed public housing in blighted inner-city areas however, such an assumption may be problematic. At least for the present, these locations offer few of the desired benefits. Thus the question is whether an environment created within the development can compensate for the shortcomings of the surrounding community.

Conversely, if the benefits to be garnered by the low-income population in a mixed-income development are to result primarily from interaction among income groups in the development, they will be achieved only if there is, in fact, interaction. Proponents of mixed-income housing must account for the fact that interaction and neighboring in the United States have been in decline and may be particularly low among mobile renters, regardless of their income levels.[12] Renters move more frequently than owners. They may be at a period in their lives when neighboring is relatively unimportant and may already be considering their next move, whether to another rental property or to homeownership.[13] In one of the projects surveyed for this article, the market-rate units had an annual turnover rate of close to 100 percent, even though the development was usually fully occupied. The residents who were interviewed generally described low or very low levels of neighboring, even lacking the ability to name their immediate neighbors. In rental developments such as these, the mere physical integration of tenants with mixed incomes is unlikely to produce the intended results.

The Developments

Harbor Point, Boston, Massachusetts

Table 1

Income Mix: Harbor Point

Income Mix	< 50% AMI*	50–79% AMI	80–99% AMI	> 100% AMI
Percent	59%	14%	8%	18%

Number of Units: 1,283, with modest commercial space

Placed in Service: 1988

Ownership: Private, for-profit company with former public housing residents as partners

Rent Range: $795–$1,395 per month

* Area Median Income.
Source: Schubert and Thresher, 1996.

Harbor Point is a mixed-income development located on a dramatic waterfront site adjacent to the John F. Kennedy Library and the University of Massachusetts at Boston. The project, formerly the Columbia Point public housing development owned by the Boston Housing Authority, had become a classic troubled, family highrise public housing project, inundated with crime and drugs. By 1979, only 350 units of the original 1,500 units remained occupied. But in the wake of its successful transformation into mixed-income housing, the development has achieved a reputation as a prototype for mixing market-rate units with public housing.

History. The transition of Columbia Point was spearheaded by tenants who are now active residents of Harbor Point. The Harbor Point Apartment Company was formed in 1986 as a joint enterprise between the residents and a private developer to produce a mixed-income development consisting of 70 percent market-rate housing and 30 percent subsidized housing. Out of concern that the mix be dispersed throughout the highrise buildings, the plan specified that no more than one-half of the residents in any building be low-income tenants. Some of the highrise buildings were demolished to make way for townhouse construction, while others were renovated.

Complex financing was required in order to assemble the $250 million needed for the new development. The State provided $154 million in a combination of loans and grants. From HUD came an Urban Development Action Grant (UDAG) of $12 million and an Urban Initiatives loan of $9 million. The remaining $75 million came from equity. Ongoing operating subsidies are provided by a combination of Federal and State programs.

Tenant Composition and Interaction. Harbor Point is located in Dorchester, a Boston neighborhood with a reputation for high crime rates. Yet its proximity to downtown Boston and other large employment centers, as well as its waterfront location, gave the developers an opportunity to create a viable mixed-income development. Emphasis was placed on making the units attractive, the community safe, and the amenity package sufficient to attract market-rate tenants. With a swimming pool, tennis courts, fitness center, and free parking, Harbor Point can offer a package of amenities unavailable at similar rents in downtown Boston.

Rents for the project's 883 market-rate units range from $795 for a one-bedroom unit to $1,395 for three bedrooms—a bargain in the Boston area, especially for apartments with modern amenities. Rents for the 400 subsidized units range from $863 for a one-bedroom unit to $1,139 for four bedrooms. HUD's Section 8 certificates subsidize 350 of these units and the remainder are subsidized by a similar State program in which the residents' portion of the rent is equal to 35 percent of their income. The rental subsidies for the low-income units seem to enable the project to offer competitive rents on the market-rate units.

The market-rate units are occupied by a wide range of tenants, from students to professionals, many of them foreign nationals living in Boston for a limited period. At times, residents have represented as many as 40 nations. The market-rate units are ethnically and racially diverse, with only 43 percent occupied by white households. These mobile, market-rate households have few children. On average only about 6 percent of the units house a child, usually an infant or preschooler. The median household income for the market-rate units is $41,000 a year, and the turnover rate is about 50 percent.[14]

Many of the subsidized units are occupied by minority families with children. A total of 285 families, about 70 percent of which are minority headed, were residents of the former public housing project. On average, 2.3 children live in each unit. Most of the household heads in these units receive public assistance. The median income is $10,000 a year, and the annual turnover rate of 5–7 percent is far lower than in the market-rate units. The amenities package and a set of active community and social service programs are available to the occupants of subsidized Harbor Point units. An outside contractor provides the social services, including a health clinic, daycare center, and youth activities. Resident leadership reports a modest amount of participation by market-rate residents in the project's mentoring program, a type of big brother or big sister arrangement.

When a tenant is in danger of being evicted or persists in engaging in behavior that is inconsistent with the community's rules, a Tenant-at-Risk Committee composed of resident leaders meets with the subsidized household to ensure that the resident is fully aware of the possibility of eviction. Evictions in the subsidized category are low. In 1995, approximately 50 households were evicted—most of them market-rate renters. Forty of the evictions were for nonpayment of rent and 10 for violation of project rules. However, the manager noted an emerging trend: while the majority of market-rate evictions were for nonpayment, eviction for cause was more prevalent among subsidized tenants.

Harbor Point is generally well maintained, as it must compete successfully with similarly priced market-rate developments. However, its location on the waterfront places a greater strain on the building exteriors than might otherwise occur and makes maintenance a constant challenge for management.

Crime in the surrounding neighborhood is higher than in Harbor Point, where a security company operates under contract to the resident owners. Management reports some tension between the children in the project—particularly the teens—and the market-rate tenants. There is a fair amount of vandalism to vehicles, thought to be largely the work of teenagers. In the view of the manager, this phenomenon is due in part to animosity from the youths of the subsidized units toward their more affluent neighbors. The result is a certain amount of fear of the teens on the part of some residents.

When the units are marketed, no reference is made to the fact that Harbor Point is located in Dorchester, an area with a reputation for high crime rates. Concerned that this fact would deter prospective tenants, the leasing staff encourages them to view the community before revealing its location. The community is separated from the rest of Dorchester by a highway and by its location on a point jutting into the harbor. Leasing agents mention the mixed-income nature of the development but do not emphasize it. Instead they focus on such assets as water access, proximity to mass transportation, the recent renovation of the units, and free parking. Most market-rate renters seem inattentive to the income mix.

With regard to the level of interaction between the market-rate and subsidized tenants, the two groups "coexist." Management sets and enforces clear rules so that the project functions well for everyone. All new tenants are given a thorough orientation to the rules. Management and residents regularly sponsor a "Munch and Mingle" event for new residents to help them meet their neighbors. Attendance, however, is modest and composed largely of subsidized residents.

The physical layout of Harbor Point, with the townhouse units grouped along the periphery of the project, has resulted in some divisions among income groups. The three- and four-bedroom townhouses are intended to accommodate the community's families. Since the majority of these are subsidized, there is a de facto concentration of low-income renters in these units. Moreover, management has observed a trend of transfers by market-rate tenants from the townhouses to the midrise and highrise buildings that have only one- and two-bedroom units. The demographics of one section of townhouses has become particularly skewed, with the ratio of subsidized tenants to market-rate renters as high as 15 to 1. Not only is such a tendency counter to the original income-mix goals, but it seems also to have increased tension between the market-rate and subsidized residents.

Commentary. As a complex development, Harbor Point is a remarkable accomplishment. This large urban project has clearly improved the physical and community conditions for a group of low-income tenants who had been living in very distressed public housing. Through hard work and strong marketing, Columbia Point has become a financially viable, desirable mixed-income development, attractive to a mobile population seeking housing of an urban nature in Boston. The former public housing residents are justifiably proud of what they have accomplished to improve their housing and their neighborhood.

The subsidized residents and the market-rate tenants "coexist," to use one official's description. The mobile and upwardly mobile market-rate residents generally have little time for, or interest in, significant neighboring activities. For them, the project's attractions are its location, design quality, and price. The community of former public housing residents and other subsidized renters continues to have a commitment to the project as a place to live and to neighbor. They have much more in common with one another—including children—than they do with the market-rate tenants.

Since the development is situated near large job centers in and around Boston, it is clear that movement into the labor force by those not currently employed is not constrained by location. The dearth of job development within the subsidized-income group may be an indication that active job-training and placement programs are needed to supplement the advantages of the location and the presence of working people in the complex. A more aggressive welfare-to-work program might be appropriate but is not currently a priority for the owners of the project.

From a leasing standpoint, the 70/30 split between market-rate and subsidized units may be less than is ideal. The leasing staff see a market for a set of units that are priced between the low-income and the market-rate units. Ideally, a split into thirds of low-income, moderate-income, and market-rate rentals would have been desirable, but a moderate-income subsidy was not available when the project's finances were structured.

Jones Family Apartments, San Francisco, California

Table 2

Income Mix: Jones Family Apartments

Income Mix	< 50% AMI*	50–79% AMI	80–99% AMI	> 100% AMI
Percent	88%	7%	3%	3%

Number of Units:	108, with modest commercial space
Placed in Service:	1993
Ownership:	Private, nonprofit organization with religious affiliation
Rent Range:	$332–$689 per month

* Area Median Income.

The Tenderloin district in San Francisco is the setting for 111 Jones Street, a 108-unit building developed by Mercy/Charities Housing, a nonprofit developer/owner/manager of housing for low- and moderate-income families. The Tenderloin, a multicultural, inner-city neighborhood of 25,000 people, houses a large number of San Francisco's recent immigrants. Forty percent of the 18,000 housing units in the neighborhood are single-room occupancy (SRO) units—the highest concentration in the city—and more than 4,000 children are crowded into these SROs and hotels. Although the Tenderloin has the highest crime rate of any area in San Francisco, downtown is within walking distance and there is easy access to other parts of the Bay area through the mass transit system (North of Market Planning Coalition, 1992).

The corner on which 111 Jones is located was the site of significant crime and drug use before the building was constructed. While this activity is now gone from the corner, the area is still noted for drug use, pornographic retail outlets, and bars. Yet there is a vibrancy in the earthiness of the neighborhood and its resident leadership is determined to improve the area without allowing housing to become unaffordable to current residents.

History. Jones Family Apartments is an attractive, eight-story building with a lobby controlled by card access and staffed by a desk clerk 24 hours a day. A warm, friendly interior courtyard connects the apartments to a separately owned residential building that also houses low- and moderate-income households. The result is an island of attractive, crime-free affordable housing for low- and moderate-income residents, most of whom are immigrants. Rents at 111 Jones Street range from a low of $332 per month for the studio apartments to $689 for three-bedroom units. Most of the units have one bedroom. Rents for the one-, two-, and three-bedroom units are split between deeply subsidized units that rent for $375–$434 per month and modestly subsidized units that rent for $517–$689 per month. The range of the lowest to highest rents is a factor of 2:1. All residents pay the specified rent through the Section 8 program. Tenant incomes range from $6,500 (including public assistance income) to $83,000,[15] with a median income of $14,633. Slightly more than 50 percent of the households receive some form of public assistance. The rents charged are competitive at the various levels of income being served, given the location and amenities offered.

This was an expensive project to develop; overall costs totaled $18.6 million, or $172,600 per unit. Permanent financing was a combination of tax credit equity from Fannie Mae, the San Francisco Redevelopment Agency, and California's Rental Housing Construction Program. Aside from a bridge loan, the project has no amortizing debt. Each of the funding sources placed rent restrictions on the property. Just under one-half of the rental income is in the form of tenant assistance payments from a California program. The bulk of the costs for supportive services are raised from charitable sources and are not included in the project budget. Since the project has no market-rate rentals, cross-subsidization is a moot point.

Tenant Composition. Jones Family Apartments is a deliberate effort to mix low- and moderate-income groups. Given its location, rent levels, and demand for units, management is not concerned with marketing the project. There is a waiting list for all units. Tenants are selected on the basis of a careful screening system, including home visits, in an effort to filter out prospects who are unlikely to live by the building's rules and adapt to its culture. Strict building rules are enforced: drugs are forbidden, as is the consumption of alcohol in public spaces; overnight guests must be registered with front desk staff; and children must be supervised.

Considerable energy is directed to building community and to integration of the many immigrants into American society. Residents of 111 Jones Street are a diverse mix of recent arrivals—Arab, Asian, Hispanic, Polish, Russian—and a limited number of African-American and European-American households. The dynamics of making the building work well as a community have much more to do with the intercultural issues than with differences in income. Management works hard to develop an identity for each of the ethnic groups living in the apartments. A special celebration for each ethnic group promotes its ethnic identity and facilitates interaction among residents with a common language. Buildingwide meetings and celebrations are also held. A trained social worker works on site to help residents with project-related and personal issues.

Management also has worked hard to find activities for the 220 children living in this building and the adjoining, separately owned development. Control of children is a key element in the smooth functioning of the building work, particularly because the surrounding area is not perceived as a safe place for them to play. Philanthropic resources are being used to involve the Boys' and Girls' Clubs, which now provide an active after-school and leadership development program for the children. Many volunteers from outside the project are involved in social services and recreational activities, including a career resource center, literacy classes, a computer lab, citizenship classes, and refugee aid. All of this activity occurs in the community space designed for the building. There is a turnover of only two or three units a year, usually due to the death of an older resident or movement back to the country of origin. The project is financially healthy, and there has been only one eviction thus far.

Commentary. The income mix at 111 Jones Street is very different from that of the other developments investigated. It is a mix of tenants subsidized at various levels, few of whom are mobile or affluent. It is a mix of workers and nonworkers, young and old. And although the neighborhood containing the project is very troubled, the tight San Francisco housing market makes it easy for management to find tenants desirous of living in a clean, safe environment with clear rules of behavior enforced for all. The social worker's presence and the activities give 111 Jones Street the feel of a residential settlement house, where many recent immigrants become citizens and embrace the American culture and economy.

The success of this low- and moderate-income development is due in part to an intensive staff effort to build the community and to help individuals and families cope with issues that affect their lives. A professional management/social service team works to support the physical and social structures of the building. While a philosophy of being helpful has been instilled by the owner, no resident is allowed to remain in the building if he or she is causing problems for the community. Rules are clear and security is high. Rents are collected promptly. An excellent maintenance staff keeps the physically attractive building in top condition.

While it might have been possible to increase rents and attract market-rate tenants, the developers' intent was to build a community of low- and moderate-income households and to help them live together harmoniously in a safe, financially sound property. The emphasis on community building and social services at 111 Jones Street may indicate the importance of budgeting for and delivering services in projects that combine very poor families (at the public housing level) with tax credit families (below 60 percent of the median income). In fact, with this type of income mix, provision of supportive services may be as important as location and the quality of design.

Emery Bay Club and Apartments, Emeryville, California

Table 3

Income Mix: Emery Bay Club and Apartments

Income Mix	< 50% AMI*	50–79% AMI	80–99% AMI	> 100% AMI
Percent	23%	36%	11%	29%

Number of Units:	260 units (Phase II); adjoins 424 unit market-rate development
Placed in Service:	1993
Ownership:	Private, for-profit, and nonprofit joint venture
Rent Range:	$511–$1,685

* Area Median Income.

A subway ride away from San Francisco's Tenderloin, and at the opposite end of the spectrum in the mixing of incomes, is Emery Bay Club and Apartments, located in Emeryville, California, just north of Oakland. Emeryville is a burgeoning Bay Area suburb, with growth fueled by the rapid creation of additional high-tech jobs. Developed by the nonprofit BRIDGE Housing Corporation and the for-profit Martin Company, Emery Bay II is an upscale, mixed-income rental that adjoins Emery Bay I, a larger market-rate development.

History. The creation of Emery Bay II as a mixed-income development combined BRIDGE's interest in serving its target population—working people with incomes below 80 percent of the median—with the reality of the weak rental housing market that existed in the Bay Area in the late 1980s and early 1990s. This weak market precluded the owner of Emery Bay I from proceeding with the project's second phase without the financial security to be obtained from subsidized units. Emery Bay II's partnership also included the City of Emeryville. Interested in continuing its redevelopment while providing additional affordable housing, the city provided $4 million in development subsidies. These subsidies, along with tax credit equity, provided the funds for development costing approximately $100,000 per unit. In addition, the city agreed to forgo property taxes on the affordable housing units in Emery Bay II as part of an ongoing operating subsidy.

The Emery Bay apartments are split into three groups:

- 156 of the units are market-rate rentals ranging from $990 for a studio to $1,685 for a 1300-square-foot, three-bedroom apartment.
- 52 similar units are rented to households with total income below 80 percent of median; rents range from $727 for a studio apartment to $1,020 for three bedrooms.
- 52 units are rented to households with incomes below 50 percent of median at rents ranging from $511 to $730.

Since the median income in the Bay Area is higher than those in many other parts of the Nation, the maximum income for households in the lowest income category ranges from $20,450 for one person to $29,200 for four persons.

Tenant Composition. The resident profile for Emery Bay II shows that just under 30 percent of the apartments are rented to professionals, whose incomes range from $17,743 to $153,000. Another 20 percent are rented to students, and almost one-third are rented to tenants employed in blue-collar, clerical, or sales positions with incomes ranging from $16,000 to $56,400. The quality of the development's design is high, and there is an attractive package of amenities. The rent includes membership in the Emery Bay Health Club, a year-round heated pool and spa. Access to the site is controlled, and there is ample parking. The development is located across the street from a movie theater and is a short walk from a complex containing a market, bookstore, restaurants, and other retail shops. A shuttle bus connects Emery Bay II to the region's mass transit system.

The vast majority of the development's residents are highly mobile. Turnover of the market-rate units is 80 percent a year, and even the most deeply subsidized units have a 25-percent annual turnover. This movement has little to do with dissatisfaction with Emery Bay II, and much more to do with the nature of the tenancy. Many workers who are transferred to the Bay Area use Emery Bay II and similar rental projects as a landing place while they decide on the purchase of a home or a move to another rental community. Understandably, there is very little neighboring under these conditions, and it is further limited by the small number of children in the complex. Only 2 to 3 percent of the units have any children. A monthly brunch sponsored by management draws approximately 100 participants. The population is diverse ethnically and racially.

Prospective tenants are informed of the mixed-income nature of the project, but the income mixing seems to be a relatively unimportant consideration for the market-rate tenants. They are drawn to Emery Bay II because it is priced competitively, given its location, amenity package, and security features. Prospective tenants are screened by landlord checks, credit checks, and a search for past evictions.

The development's cash flow is better than was originally expected. Because of the Bay Area's strong rental market, market-rate rents can be raised to keep pace with those of competitive rental communities. Crime and fear of crime are very low. The Emeryville police department patrols regularly, and a card entry system to access the property provides additional security.

Commentary. Emery Bay II is an example of successful market-driven, mixed-income housing. The income mix permitted it to be developed at a time when conventional market developments could not proceed. Relatively modest public subsidies have provided a location of high quality to households that would not otherwise have been able to afford the package offered by Emery Bay II. Market rents are as high as, or higher than, those of the competition and the project is performing well. The mixed-income nature of the project has in no way been a detriment to the leaseup of the market-rate units, although in today's market it is likely that the entire project could be readily leased on a market basis.

There is a waiting list for the most deeply subsidized units, indicating that the project is filling a need for high-quality housing for renters who earn less than 50 percent of median income. But, because the tax-credit rents are higher than the Fair Market Rents used by the Section 8 program, certificate holders are not likely to be able to afford to live at Emery Bay II.

Virtually all of the development's tenants are employed. Interaction among income groups is not a relevant concept at Emery Bay II, since the residents do not know which of their neighbors pay market-rate rents and which do not. For management, the certification and reporting requirements for the subsidized units require more paperwork than would otherwise be necessary. Emery Bay II provides solid evidence that good management, a strong market, high quality of design, and the right location can produce a winning combination for both market-rate and below-market apartments and a satisfactory financial return for the owners.

Tent City, Boston, Massachusetts

Table 4

Income Mix: Tent City

Income Mix	< 50% AMI*	50–79% AMI	80–99% AMI	> 100% AMI
Percent	46%	17%	30%	7%

Number of Units:	269, with modest commercial space
Placed in Service:	1988
Ownership:	Nonprofit, community-based entity
Rent Range:	$235–$2,100

* Area Median Income.

History. Tent City, a 269-unit mixed-income development in the heart of Boston, had its roots in citizen concerns about displacement and gentrification during the major redevelopment of the city's South End and the redevelopment of Copley Plaza, a major hotel, office, and retail complex near the Prudential Center and the Public Garden. Residents fought to save a key site for a mixed-income development that would be responsive to the market needs of the area, while housing low- and moderate-income individuals and families. In 1968 advocates for affordable housing pitched tents on the current site. The Tent City development continues—in both its name and its goals—the passion for mixed-income use of the site. After much controversy, negotiations, and complex financing, the project building was completed and occupied in 1988.

Physically, Tent City is a handsome development, serving as a transition from the commercial and business activities of Copley Plaza to the residential patterns of the South End. It consists of a highrise apartment building situated next to the Copley Place Mall and an adjoining complex of townhouses that fit nicely into the texture of the South End. The location is a major attraction for both market-rate and subsidized tenants. Jobs and universities throughout the Boston area can be accessed on foot or from the transit station located directly across the street.

Financially, the project uses a State operating subsidy program, annual payments from a UDAG income stream, Section 8 subsidies, and tax credits. The initial mix of incomes has been maintained: 25 percent very low income, 50 percent moderate income, and 25 percent market rate. The 134 moderate-income units consist of three tiers as well, due primarily to the need for some slightly higher rents.

Tenant Composition. Tent City's initial leasing drew 6,000 applicants for 202 subsidized units. Neighborhood residents who had been displaced by urban renewal and other former residents of the South End received priority. Current income and urgency of the applicants' rental situations were also weighed. The market-rate units were occupied within 6 months. Turnover rates—34 percent for market units, 5 percent for subsidized units—are low compared with other market and mixed-income properties.

Like other centrally located properties in Boston, Tent City attracts large numbers of graduate students. Two-thirds of the development's market-rate units are occupied by graduate students living together and paying up to $2,100 per month in rent. Rents of the subsidized units range from $235 for a one-bedroom apartment to $793 for four bedrooms. Approximately 25 percent of the lower income residents are on public assistance. As at the other mixed-income projects investigated, few market-rate residents of Tent City have children. Approximately 180 children live in the subsidized units.

Despite their more graduated income scale, residents still seem to form two populations living side-by-side with little interaction. The market-rate renters seldom participate in activities related to the building or the neighborhood. For them, Tent City is simply an attractive, well-located, competitively priced place to live for a few years. While these tenants are aware of the development's mixed-income composition, it is not an important factor in their decision to live there. From the viewpoint of the subsidized renters, Tent City is a highly desirable place to live at a remarkable bargain in the heart of Boston.

Management confronts a number of ongoing issues. First, since the building's design did not adequately provide for trash disposal and removal, there is a recurring problem keeping the area clean around dumpsters. Second, developing recreational outlets for large numbers of children concentrated in a small site requires considerable energy and creativity from management. The infrequent reports of friction between market-rate and subsidized tenants concern controlling noisy children, particularly during examination times for the resident students.

Tent City is owned and managed by nonprofit groups. In the early stages of project operations, some owners were reluctant to evict tenants from subsidized units. However, there now seems to be an agreement over the need to evict those in rent arrears or whose behavior is outside the project's norms, or the project's financial and social survival may be threatened.

The project actively provides services for residents. Approximately $25,000 per year is allocated from the project's budget for community services activities. An after-school program is available for all children ages 7 to 14. An independently owned and operated daycare center on site provides a specified number of spaces for children of Tent City residents. The subsidized tenants have organized an active residents operations committee that meets monthly with the management and the owners to discuss any problems in the project or to develop new ideas for project improvement. The owners employ a social service worker on the staff to help tenants with community, family, and personal needs.

Tent City is perceived to be safe, although it is not entirely a controlled-access site. The front doors of the townhouses face public streets. Access to the highrise building is with a card-entry system, and a desk clerk is on duty 24 hours a day. Few crimes have been reported in the complex.

Commentary. Like Harbor Point, Tent City is a very urban, mixed-income, mixed-lifestyle project. Income from the market-rate units supports some costs of the subsidized units. Little is spent to market the market-rate units. Minimal interaction and neighboring occurs among the market-rate tenants or between them and the subsidized group.

Tent City demonstrates above all the old real estate adage that location is the most important component of success. The project's sterling location makes it highly desirable to a wide category of prospective tenants. Sponsors of the development certainly had the right vision: to serve as a successful transition between the adjacent commercial and residential areas.

The tradition of neighborhood resident advocacy and activism that produced Tent City continues today in the building's operation. Some of the subsidized residents view involvement as important not only as a way to resolve deep problems, but also because involvement itself is valued. The owners seem to share that value. As a result, management spends more time on resident issues and involvement than is typical at most other projects.

Timberlawn Crescent, Montgomery County, Maryland

Table 5

Income Mix: Timberlawn Crescent

Income Mix	< 50% AMI*	50–79% AMI	80–99% AMI	> 100% AMI
Percent	29%	27%	7%	37%

Number of Units:	107
Placed in Service:	1989
Ownership:	Public Housing Authority
Rent Range:	$145–$1,200

* Area Median Income.
Source: Doerr and Siegel, 1990.

The Housing Opportunity Commission (HOC) of Montgomery County, Maryland, is a public body that has been involved in the development of low- and moderate-income housing for 30 years. Montgomery County, a relatively affluent suburb north of Washington, D.C., is easily accessible to the city and contains a number of high-growth job centers. Since the population in the county has grown rapidly over the past 20 years, including an increase in immigrants, housing affordability—especially for those who work in the county—has been a major issue. This concern has provided a positive political climate for HOC's aggressive activities designed to produce affordable housing.

History. Timberlawn Crescent is a garden-style apartment complex in a suburban setting. The project was well-designed and constructed; after 8 years of occupancy, it is very well maintained. Mature trees give the development a sense of seclusion and a connection with the natural environment, even though the area is heavily travelled. Rents from the market-rate units subsidize the low- and moderate-income units without need for an additional operating subsidy. Rents range from a high of $1,200 per month for the most expensive market-rate units to a low of $145 per month for the smallest subsidized units—a factor of close to 10. The economics of the project work in part because HOC was able to acquire the land at far below market value. While the cost of the land was estimated at more than $20,000 per unit, the site was acquired for less than $1,000 per unit. As a result, development costs were only $70,200 per unit, despite much higher typical costs in the area.

Tenant Composition. After hiring a professional firm to gauge the potential market for the project, HOC developed a plan for a four-tiered rent structure:

- 15 percent of the units designated for households below 30 percent of median county income.
- 15 percent for households with incomes below 60 percent of median.
- 20 percent for those below 75 percent of median.
- 50 percent at market rates, affordable to individuals or households with a minimum income of $42,000.

As with the other projects reviewed, there is no distinction between the quality of subsidized and market-rate units; the two are seamlessly intermeshed throughout the complex. In fact, just over one-half of the units are currently rented to households with incomes below 60 percent of county median.

Demographically, Timberlawn is 59 percent white, 24 percent African-American, and 17 percent Hispanic, representing a significantly higher proportion of minorities than in the county as a whole. Overall, Montgomery County is 77 percent white, 12 percent African-American, and 6 percent Hispanic. Fifty-four percent of the households in the development have children, including 37 percent headed by single women with children. Median household income is $45,568, or about 84 percent of the county median. Management does not emphasize the mix of incomes in its marketing materials, so that market-rate residents are not fully aware of the subsidized units. The manager does make a point, however, of informing all incoming subsidized tenants of the higher rents paid by some of their new neighbors, thereby emphasizing the bargain that the subsidized tenants have been fortunate enough to obtain. The manager feels that this action establishes the ground rules for subsidized tenants, putting them on notice that failure to pay rent or follow the development's rules could result in the loss of a significant housing opportunity.

Turnover rates at Timberlawn Crescent vary with the price of the units. Market-rate units have a turnover rate of 12 percent annually, while assisted units turn over at 1 percent and "opportunity units" (20 percent at less than 75 percent AMI) at 3 percent per year. Rents of the market-rate units are monitored very carefully to remain competitive with those of certain nearby developments. Adjustments in rent levels, as well as marketing and advertising decisions, are made accordingly. A daycare center and meeting rooms are the only shared amenities in the project. The number of market-rate tenants with children is quite small. While there have been occasional instances of car vandalism, crime is not an issue in the complex. The project grounds are viewed as safer than the surrounding area, which is also relatively crime free.

HOC made an important business decision early in the development of Timberlawn Crescent. Although HOC was managing 3,000 units of low-income housing, it chose to contract with a private management firm for this mixed-income development. The company is responsible for tenant screening and selection, lease enforcement, maintenance, and other aspects of property management. The company's on-site manager has benefitted from prior experience in running a market-rate development and maintaining the project attractively.

Timberlawn Crescent's garden-style, suburban setting, with outdoor patios and grills, seems conducive to socializing. Yet, as at the other projects surveyed, the level of neighboring is quite low. Discussions with residents indicate that few, if any, know their neighbors by name, and very little socialization occurs among residents. Yet, the feeling is not one of isolation, but more a general sense of busyness and activity that occurs in the lives of residents at both the subsidized and market levels.

Commentary. Timberlawn Crescent demonstrates that mixed-income projects can be developed and owned by a public body. It is necessary, however, for the officials to understand market dynamics, value and employ competent management, be unconstrained by preference rules in selecting tenants, and act as freely as a private owner in evicting tenants. HOC brought such a point of view to Timberlawn and its other mixed-income developments. The manager at Timberlawn has found that screening residents directly relates to the level of behavior problems at the project with both subsidized and market-rate tenants. A recurring management challenge is reducing noise and, again, problems caused by blaring stereos and loud parties do not seem restricted to a particular group.

Because subsidized and market-rate units are indistinguishable, management can flexibly adapt the subsidized units to changing circumstances. For example, one market-rate resident who was laid off from his job, asked the management to help him work out a payment plan for his rent. Because he came forward at a time when there was an opening for a subsidized unit and since he was unemployed, management was able to assist him in qualifying for a subsidized unit. Like most market-rate residents, this tenant was unaware the development contained subsidized apartments.

The Residences at Ninth Square, New Haven, Connecticut

Table 6

Income Mix: The Residences at Ninth Square

Income Mix	< 50% AMI*	50–79% AMI	80–99% AMI	> 100% AMI
Percent	26%	46%	9%	19%

Number of Units:	335 apartments, 50,000 square feet of retail/commercial space
Placed in Service:	1994
Ownership:	Two private, for-profit companies
Rent Range:	$495–$1,140 per month

* Area Median Income.

History. Formerly a thriving light industrial and commercial center, the Ninth Square area of New Haven declined after World War II as city residents and businesses moved to the suburbs. The area is located near Yale University and a medical institution, with easy access to the interstate highway system. In the late 1980s the Ninth Square area was poised for revitalization. However, the process of securing financing for the Residences at Ninth Square took the developers and their partners 7 years to complete. Because the mixed-use, mixed-income project that bears the name of the square is situated in a historic area, two existing buildings were restored and two new buildings were designed to be compatible with the character of their surroundings.

Of the development's 335 residential units, 123 are located in the rehabilitated buildings, and the remainder are apartments in the new structures. Two parking garages and several surface lots serve the residents. Outdoor common areas are landscaped, and the streets are lined with sidewalks and attractive lighting. In an effort to bring more activity to the area, retail space was provided on the ground floors of the two historic buildings. But this goal has proved difficult to execute and much of the space remains unoccupied. While most of the current tenants are institution-oriented businesses, a brew-pub has recently signed a lease for part of this space and is expected to draw outsiders to the neighborhood.

Ninth Square is located three blocks from "The Green," two square blocks of park and green space in the heart of downtown New Haven. Yet the area continues to struggle to attract pedestrians and shoppers. Ninth Square's neighbor on its northeast border is Church Street, a renovated commercial district intended to revitalize the area. However, that goal has proved elusive; the retail district has been filled with adult bookstores and other commercial enterprises inconsistent with its objective or that of Ninth Square.

This development is set against the backdrop of a distressed economy. Between 1989 and 1992, New Haven lost an average of 23,000 jobs annually (U.S. Department of Housing and Urban Development, 1996). The downtown area suffered most, which partially explains the difficulty of leasing the commercial space, as well as the relatively slow rent-up of the market-rate residential units. Market conditions in New Haven stabilized somewhat in the last 2 years, especially in the middle and upper residential markets. By late 1996—after just 2 years of leasing—Ninth Square had achieved an occupancy rate of 96 percent.

Most of the public sector officials involved in the development of Ninth Square favored a fully market-rate rental structure. They wanted to avoid more subsidized housing in New Haven and sought to maximize the potential buying power of market-rate renters to stimulate the local economy. Recognizing that these projections were unrealistic, the developer presented the case that only a mixed-income development would be feasible financially and that it could achieve the goal of revitalizing the area. At first, 20 percent of the units were dedicated to lower income tenants. As the Federal Low Income Housing Tax Credit (LIHTC) was introduced, an additional 36 percent of the units were set aside for residents with incomes below 60 percent of median for New Haven metro areas. In the end, development costs totalled $86.6 million, yielding a cost of $258,000 per unit. Although this cost is high, it includes the commercial space and two garages.

Tenant Composition. Market rents in Ninth Square range from $550 per month for a studio apartment to $1,140 for a two-bedroom, two-bath unit. The subsidized rents for similar apartments start at $495 and rise to $768. A broad spread of incomes is represented, from residents with no earned income to those earning $169,000 per year. The relatively high level of subsidized units does not appear to deter prospective market-rate tenants from leasing apartments. Although the largest units have just two bedrooms, Ninth

Square houses a large number of children—only one of whom lives in a market-rate unit. The project's marginal location and the poor reputation of the public schools hold little appeal for prospective market-rate tenants who have children and an income that allows them to be selective.

Marketing for Ninth Square has focused on Yale students and employees of downtown businesses and institutions. These efforts have included posters, flyers, and other forms of advertising, as well as notifying brokers of special offers and rewarding them with bonuses. Section 8 certificate holders have been encouraged to apply; 16 percent of the current residents use certificates to rent a tax-credit unit.

The tenant-screening process at Ninth Square is rigorous. Management performs the standard background checks on credit, criminal record, and prior evictions for each applicant. In addition, it conducts a home visit of all prospects living within a 50-mile radius of the site. This requirement applies to both market-rate and subsidized applicants; however, management may eliminate the home visit for market-rate renters since their rejection rate is only 3 percent, compared with approximately 15 percent of applicants for the subsidized units. This intensive screening process has resulted in a low rate of eviction. In 1996, evictions peaked at 15 during one month, all for failure to pay rent rather than for "cause."

Ninth Square's security system includes card-key access to all residential buildings and, for visitors, mandatory calls to residents from keypads at each door. Residents can view callers through a designated television channel. In addition, cameras monitor the lobby of each building, and a concierge is on duty throughout the night and most of the day. Although management does not consider it a security position, the concierge monitors all who enter and leave the building, files incident reports with management, and reports any criminal activity to the police. While the concierge is not armed or authorized to apprehend suspects, he does patrol the property to discourage crime. Management consistently has demanded a timely response from local police to any calls in the neighborhood. It also has relentlessly removed graffiti from the property, as well as from nearby buildings. Management has obtained permission from adjacent building owners to clean their properties if necessary. This attention to detail has been critical in maintaining the development's curb appeal, particularly when the commercial space is partially vacant.

Commentary. Ninth Square management's approach to achieving the best tenant mix is a thorough screening of prospective renters to determine those who are likely to adhere to the project's rules and fit in with its culture and behavior patterns. The shared value of respect for one's self and for others seems critical. Since management does not feel responsible for tackling each tenant's personal challenges, social services are not provided. Instead, its efforts focus on enforcing the rules that provide a desirable environment. As with the other projects reviewed, neighboring among residents is limited. Management schedules some events to foster a sense of community, but they are sparsely attended, and the majority of attendees are residents of the subsidized units. However, informal resident interaction resulted in more than a social benefit in at least one instance. A low-income resident reported that after hearing about a job opening from an employed neighbor, she followed up on the tip and obtained a job interview.

Ninth Square demonstrates the risks involved in the market side of mixed-income development: the successful economic future of the project is not fully within the control of its owner and managers. They can produce a sterling building and a safe, attractive, place to live, but if the immediate area declines, the project will be affected as well. If the overall economy of New Haven falls again, this project's market-rate units and commercial space may suffer higher vacancies. Interestingly, these market risks have not affected the mixed-income nature of the project. It is apparent that management has been able to attract a group of residents who can live together compatibly. The real issue for Ninth Square seems to be the condition of the surrounding area.

New Quality Hill, Kansas City, Missouri

Table 7

Income Mix: New Quality Hill

Income Mix	< 50% AMI*	50–79% AMI	80–99% AMI	> 100% AMI
Percent	12%	34%	11%	43%

Number of Units:	466 apartments, 30 condominiums, and 52,400 square feet of commercial space
Placed in Service:	1987
Ownership:	Private, for-profit company
Rent Range:	$410–$820 per month

* Area Median Income.

History. Development of the New Quality Hill has been a turning point for this historic neighborhood, resting on a bluff at the edge of downtown Kansas City. Once one of the area's prime residential locations, by the early 1970s Quality Hill had become another distressed neighborhood adjoining a midwestern downtown and struggling to overcome residents' flight to the suburbs. After a 1978 fire in the Coates House Hotel, one of the city's key historic buildings, the local historical association bought the structure as a first step toward protecting part of the neighborhood's past. By the early 1980s, development of the Kansas City convention center and hotel, coupled with a healthy real estate market, positioned Quality Hill for a focused redevelopment effort.

Building on the investment of the Historical Society, the local business community formed a consortium that provided a low-interest loan of approximately $4 million to rehabilitate the neighborhood. The Kansas City government was also a key player in this large-scale revitalization effort. Its support for the project was demonstrated through provision of $7.5 million in community development funds and an investment of approximately $3.2 million in public improvements. In addition, the city issued $11 million worth of mortgage-backed revenue bonds and agreed to a tax abatement for the project during its first several years of operation. More than 100 limited partners provided the remaining $11 million for Phase I of the development. This combination of private and public resources produced a large-scale, mixed-income community that integrated rehabilitated historic structures with well-designed new buildings.

Quality Hill is bounded on three sides by the river, a bluff, and an interstate highway, creating an island effect that gives the neighborhood a clear sense of identity. Fifteen historic buildings were renovated in a six-block area, providing both housing and commercial space for two major nonprofit organizations: the YMCA and United Way. New construction provided an additional 171 apartments and townhouses that fill the gaps where older buildings had been demolished and have revived the area's residential character. Red-brick facades on the new structures recall the area's earlier look. Streetscape amenities add charm, with decorative street lights, brickwork, and monuments to mark the main entry points into the neighborhood.

Applying the same design criteria, the owners transformed three sites adjacent to the Phase I area. This Phase II project included the renovation of a dilapidated historic building into 34 housing units and the construction of 99 new apartments. Since the Low Income Housing Tax Credit program was used as a source of equity funding, all of these units were restricted to residents with incomes below 60 percent of area median income. Total development costs for both phases were approximately $69 million, or $148,000 per unit.[16] Kansas City's economy is thriving. Jobs increased by 26,000 in the metropolitan area between 1995 and 1996. The apartment market is active, with only a 5-percent vacancy rate. While more multifamily housing is under construction, continuing job growth is likely to keep pace, thereby holding the overall vacancy rate at about its current level. Quality Hill's vacancy rate for 1996 was just under 4 percent.

Given the area's problems in the 1970s and 1980s, the major question facing the owners was whether Quality Hill could attract market-rate clientele. The developer sought to produce the highest possible quality while still pricing the units and amenities (including several amenities not commonly found elsewhere in Kansas City) at a level considered attractive to prospective residents. Each unit has a washer and dryer, dishwasher, cable hookup, wall-to-wall carpeting, miniblinds, large closets, and cabinet/bar in the dining room area.

But location is the project's key asset. When residents were surveyed about their reasons for settling in Quality Hill, 60 percent of respondents gave location as the primary factor. Appearance, design, and quality rated a distant second, at 20 percent.

Tenant Composition. The typical Quality Hill tenant is between 25 and 35 years of age, single, and white. There are very few children in the project; 65 percent of the units have only one occupant. This is the ratio anticipated by the project's design, which does not include private yard space, and its marketing, aimed at single professionals rather than families. The project is more racially integrated than is typical for most Kansas City neighborhoods. White-collar workers make up more than 75 percent of the residents, with managers and professionals dominant. Five percent are artists, giving the community a somewhat trendy, urban character. Household incomes range widely, from $1,900 to $180,000 annually. As with Emery Bay II, no certificate holders currently reside at Quality Hill, because tax-credit rents are higher than those under the Section 8 Fair Market Rent program.

Quality Hill residents describe the community as friendly, although there is not a great deal of neighboring. While some informal barbecues are held in warm weather, neither residents nor management makes much of an effort to plan these or other neighboring activities. Lacking any crises to deal with, there seems to be no incentive to form a resident association. Security, however, is sometimes an issue. Although the crime rate in Quality Hill is lower than that in many other parts of the city, there is a perception that the level of crime is high. All multifamily buildings have a secured entrance, and each townhouse has an alarm system. An armed security guard patrols the area during the evening. Women tenants interviewed said that while they feel very comfortable in the neighborhood, they do not go out alone at night.

Commentary. The large scale of Quality Hill places it almost in the category of a neighborhood revitalization effort, rather than simply a mixed-income, multifamily project.

The development conveys to visitors and residents the overall impression of a revitalized historic neighborhood. It succeeds in part because of its excellent design and convenient location. Its success is also attributable to careful maintenance and a management that screens prospective residents to determine their adaptability to the project's culture. Management's attention to security arrangements, the orientation of new residents to the development, its surroundings, and firm enforcement of the project's rules all seem critical to Quality Hill's ongoing viability.

The private and government partners involved with the developers in creating Quality Hill have succeeded beyond their expectations. Like Ninth Square, Harbor Point, and Tent City, this is an inner-city effort. In each case, one of the fundamental conditions for success is the overall health of the housing market and the city's general economy. Kansas City has thrived during the past several years, and Quality Hill has benefitted from that economic strength.

The public funds in the partnership have helped Quality Hill to gain a market edge. The development, in turn, has helped the city by pioneering the return of market-rate renters to the downtown area. Given its location and amenities, Quality Hill is a housing bargain. The owner believes that providing such a value is critical to the success of mixed-income developments located in areas with a history of distress. This developer is applying the same principles to similar projects in other inner cities: Crawford Square in Pittsburgh and the renovations of Residences at Murphy Park in St. Louis and Centennial Place in Atlanta.

Defining a Research and Learning Agenda for Mixed-Income Housing

Understanding the composition of successful mixed-income projects requires an ability to articulate the goal for each development and for mixed-income housing in general. Each development surveyed started with a different set of problems and definition of success. In their own terms, they are generally considered successful by their owners, residents, and outside stakeholders. In broader public policy terms, these projects indicate that if the goal of mixed-income housing involves positive outcomes—including upward mobility—for the low-income population, more is needed than merely bringing together people of different incomes in one physical location.

Clear goal statements about what is expected by mixed-income developments, of course, are necessary to judge their success. In their examination of Lake Parc Place, a mixed-income public housing development in Chicago,[17] Rosenbaum et al. observe that two goals clearly have been reached: Lake Parc has created a mixed-income population and has well-managed buildings. Yet the project has failed to achieve other goals: employment has not increased, and public safety is still a problem.

The projects surveyed and the literature reviewed for this study point to a number of lessons and hypotheses for further research on mixed-income housing.

1. Mixed-income housing works best when it emphasizes the basics of real estate development and management.

It is impossible to talk about successful mixed-income development and ownership without emphasizing the fundamentals of real estate development and management.

Location. Each of the projects surveyed is situated in a strong market area that holds the potential of attracting renters who can afford to make choices. In some locations, such as Harbor Point, Quality Hill, and Ninth Square, the market was untested because a market-rate product had not been offered in that location or a similar one. Still, the overall market dynamics seemed favorable for projects with a high level of quality. In such situations, the developer often creates a market for the product—an approach that is more difficult and more risky than entering an existing market. However, these three projects have several assets in common. They are all bounded either by natural or manmade features: a bluff, water, railroads, and highways. These boundaries enable the developments to create new communities without confronting the problems of surrounding neighborhoods. In addition, these developments typically offer a housing bargain to their residents, at least during lease-up and for the first few years of operation. These developments also have been produced on a scale large enough to create a market, or neighborhood, with its own distinctive character, an accomplishment that would be extremely difficult with a one- or two-building development.

These three projects are attracting many new residents as a result of their proximity to growing employment centers and universities. This provides a pool of young market-rate renters, who lack preconceived notions about these formerly blighted areas and biases against living there. A previously distressed neighborhood not experiencing this type of in-migration might have difficulty building a market.

Design quality. The development's overall design and configuration are also critical to its success. All of the projects surveyed are distinguished by superior design, from their siting to the detailed finishes that contribute to their appeal to both market-rate and subsidized residents.

Excellent management and maintenance. All of the projects reviewed are professionally managed. Each manager has a firm and clear set of rules for the development that are enforced routinely and quickly. Strong management is critical to building a shared culture within the development. With rare exceptions, the physical structures of these projects are kept in top condition. Grass is trimmed, common areas are attractive, and maintenance requests are handled promptly and courteously. A great deal of attention is paid to security measures by front desk staff, security guards, or electronic surveillance. Safety, security, attractive maintenance, and noise control are all indications of excellent management in mixed-income housing.

The need for new developers to understand and follow these basic rules is one of the main challenges to the growth of mixed-income housing. Public housing authorities that move into mixed-income development may need to overcome years of weak management and maintenance and employ private management companies. Nonprofit groups that may have somewhat stronger records in project management face the challenge of assessing markets carefully—taking over mixed-income projects where market circumstances warrant or entering new markets with developments of high quality.

From a research perspective, more analysis of the attributes of successful management, the way to create a common culture in a development, and the ways that culture can connect the residents are critically important to building a cadre of managers capable of managing mixed-income developments successfully.

Financial viability. Each project required a great deal of time in the predevelopment process in order to secure financing from a range of sources and ensure the project's long-term viability. Without sufficient funds to market the project, maintain it scrupulously well, weather the inevitable downturns in the residential real estate market, and provide the subsidies needed to continue to house the lower income residents, mixed-income housing developments are likely to fail. Determining the levels of reserves needed to accomplish these objectives must evolve as the number of mixed-income developments increases.

The relationship between tax-credit-eligible rents and Section 8 certificate rent ceilings is an area of financial viability that requires special analysis. In some projects, rent levels for the tax-credit units are higher than those permitted by the Section 8 Certificate program; in others, they are within the same range. Having the ability to admit Section 8 certificate holders is an important feature of an income-mixing strategy, particularly in a regulatory environment in which owners can be more selective about the number of Section 8 certificate holders they will accept.

2. Where the goal of mixed-income housing is upward mobility of the low-income residents, more than income-mixing and good management is needed.

These developments provide clear evidence that it is possible to create mixed-income housing environments in which different income groups can live together comfortably. In a society increasingly segregated by income, that is a significant accomplishment.[18] At the same time, the level of interaction between the income groups in the projects appears to be insignificant. It cannot be assumed that the simple act of creating a successful mix of incomes will affect the likelihood of employment or the chances for upward mobility. Rosenbaum et al. report that 3 years after Lake Parc became a mixed-income development, employment actually declined (Rosenbaum et al., 1996).

In examining the mobility at projects managed by community development corporations (CDCs), Sullivan and Mueller found that, among those surveyed employment increased only in settings where the CDCs had invested substantial effort and resources in employment training and placement (Sullivan and Mueller, 1994). As this study shows, helping lower income residents achieve the goal of upward mobility may depend less on the income mix of a project than on opportunities to increase skills needed to find and keep a job. A critical question for future research is how mixed-income projects handle the connection between job development and upward mobility.

From a policy development perspective, if HUD seeks to use its public or FHA-financed projects—in their current form, or transformed into mixed-income developments—as vehicles for upward mobility of low-income tenants, the appropriate roles and incentives offered to owners and managers to accomplish this mission should be tested in demonstration settings.

3. Mixed-income housing will work only where there are sufficient units aimed at the higher income population to create a critical mass.

We know virtually nothing about the optimal combination of incomes needed for successful mixed-income housing. In each project surveyed, the developer's determination of the mix varied according to the objectives of the nonprofit (Tent City and 111 Jones Street), a collective sense of numbers that would succeed (Harbor Point and Timberlawn Crescent), and objectives tempered by financing opportunities (Emery Bay II, Ninth Square, and Quality Hill). Nationally, we have seen Federal programs that permit a ratio of 80 percent market-rate units and 20 percent subsidized apartments. The Low Income Housing Tax

Credit program also has provided guidelines for the income mix permitted, but many developments that take advantage of this program produce 100-percent subsidized units.

Generally, developers who choose to mix income groups try to avoid the mistake of overloading a project with low-income households and jeopardizing the marketability of higher priced units. But there may be circumstances that warrant a more aggressive balance of incomes, such as very strong markets or active student markets. Given the concern for increasing eligibility of public-housing households in mixed-income developments, some of the HOPE VI mixed-income proposals have been more aggressive in trying to increase the numbers of very low-income households. Research is needed to determine the correlation between market strength and unit mix.

Another critical dimension of the optimal tenant mixture relates to racial and class issues. More research is needed to address the effect of these factors on the ability of subsidized residents to move toward self-sufficiency. Is it important that the various income levels have similar racial demographics? Is it more beneficial to have a moderate income tier to bridge the gap between the low-income and market-rate tenants? While it might be assumed that such a tier would provide more harmony among residents, a longitudinal study could help determine the most effective means to increasing upward mobility for subsidized renters.

4. Mixed-income housing works best when the income mix is not emphasized in marketing and there are no differences in the nature and quality of units being offered.

In all of the developments surveyed, the management and leasing staff disclose, but do not emphasize, to market-rate prospects the mixed-income nature of the project. As with the selling of any consumer good, emphasis is placed on the particular features that are most likely to appeal to prospective renters. Subsidized and market-rate units are generally indistinguishable, and the location of a unit gives no indication of whether or not it is subsidized. This full integration also has an important positive effect on the overall functioning of the developments.

In the ongoing design and financing of mixed-income projects, it will be important to learn more about the optimal physical layout of the development. If, as is the case in these developments, subsidized units usually go to families with children, there is a need for units with varying numbers of bedrooms in each building. On the marketing side, a detailed analysis will be required to find out the best way to present units, particularly in those settings in which troubled public housing or subsidized development is being replaced or renovated and reconfigured.

5. Successful income integration in a neighborhood setting is more difficult than in a housing project context.

All of the mixed-income cases examined here are multifamily projects with strong, competent management that enforces a de facto contract among residents to follow clearly defined rules of behavior. The strength of this contract is evident in the small number of evictions for rule-breaking in each development. An intriguing question, then, is how well mixed-income communities will perform in neighborhood settings, where there are projects with a variety of management styles, as well as independent homeowners. Can social norms and shared behavior patterns be created without the presence of a single management company to enforce them?[19] Some insight may be provided by a closer look at Section 8 certificate holders who are renting houses on a scattered-site basis. In fact, complaints from neighborhood leaders about the difficulty of persuading some Section 8 residents to conform to neighborhood norms provides an indication of the complex balance between individual rights and neighborhood behavior patterns—an undertaking that is far more difficult in such settings than in the projects reviewed here.

6. Mixed-income housing may be more difficult to manage when there is a dichotomy between the subsidized and market-rate renters, rather than a gradual climb represented by moderate-income tiers.

The higher rent projects reviewed in this study—Timberlawn Crescent, Quality Hill, and Emery Bay II—include both market-rate tenants and low-income residents who do not receive public assistance. At the other end of the spectrum, 111 Jones Street, has low- and very low-income tenants without any market-rate renters. Only one of the projects with both market-rate renters and residents on public assistance includes a moderate-income tier to bridge the gap: Tent City has a moderate-income tier comprising one-half of all residents. Perhaps because of this balance, management reports minimal tension or conflict between market-rate renters and those on public assistance. This ratio may reflect the statisticians' concept of "normal distribution," de-emphasizing differences between the extremes.

The other two projects that combine market-rate and very low-income renters—Ninth Square and Harbor Point—lack an intentional moderate-income tier. And both seem to be faced with a clash of lifestyles between the residents at either end of the income range. The clash seems more pronounced at Harbor Point, for several possible reasons. First, Harbor Point has a larger population on public assistance than the Residences at Ninth Square—23 percent compared with 16 percent.

Table 8

Income Differences Among Renters at Ninth Square and Harbor Point

Development	Market-Rate Median Income	Subsidized Median Income	Difference
Ninth Square*	$38,059	$20,280	$17,779
Harbor Point*	$41,000	$10,000	$31,000

* Income statistics for residents were provided by the property management company.

Second, the difference in incomes is greater at Harbor Point. As seen in table 8, the median income for the market-rate and subsidized households at Harbor Point vary by a factor of four, while the difference at Ninth Square is only half as great. These differences may account for the increased sense of tension at the Harbor Point community.

A third factor to consider is the number and ages of children in each development. Approximately 25 percent of the units at Harbor Point and Ninth Square house one or more children. However, this percentage represents only 80 households at Ninth Square, whereas the number at Harbor Point is more than 300. In addition, most of the children at Ninth Square are preadolescent, while about one-half of those at Harbor Point are between ages 11 and 18. The larger number of teenagers and their tendency to present problems is an ongoing issue for the management at Harbor Point. Complaints range from excessive noise and vandalism to the larger issues of drugs and violence. These problems are often found in upper income communities as well. However, since most of the children and teenagers come from the subsidized households within these mixed-income communities, normal tensions that tend to arise from the activities of children may exacerbate the friction between the two income groups.

7. In the financing of mixed-income housing, the implicit subsidization may work to make units affordable or to make a mixed-income project feasible from a market perspective, depending on market circumstances.

In three of the projects reviewed—Emery Bay II, Ninth Square, and Quality Hill—the decision to include public subsidies and below-market rents and income levels was largely due to a weak housing market. The developers and their partners confronted the challenge of obtaining sufficient subsidies and below-market residents so that the project would be financially feasible without changing its market-rate character. In these instances it is fair to say that the subsidy from the below-market rate units allowed the market-rate units to proceed.

At Timberlawn Crescent, the situation was quite different. In this case, the Housing Opportunity Commission took advantage of a low acquisition price combined with market-rate rents in a strong area. Its astute development and the competitive market produced an internal project subsidy that supports affordable rents for low- and moderate-income families. In Harbor Point and Tent City, on the other hand, the Federal subsidies enabled the developments to set aside units for low-income households while also providing a housing bargain that would attract market-rate tenants.

The critical factor in financing such projects is that the developer and the funding partners clarify the mixed-income objectives. When the public sector that is providing subsidies has a goal of mixed-income housing, the use of project-based capital or operating subsidies can help to achieve that mix. Perhaps more challenging, however, is understanding and capitalizing on the conditions in which the strength of the market can support more affordable units through cross-subsidization from market-rate to low-income units.

Summary

A great deal still remains to be learned about the factors that lead to a successful mixed-income project. This brief survey of seven mixed-income developments indicates that if the definition of success is a group of people representing various income categories living together compatibly, then to achieve that goal the project must be conveniently located, well designed, and effectively managed.

However, if success is defined in broader terms and includes the upward mobility of lower income residents, then active programming of activities aimed at increasing employment are apt to be necessary as well. Such activities go well beyond the general parameters of managing a multifamily housing development. But if this more ambitious goal is to be reached, connecting with volunteers or funding supportive service programs will be the requisite next step.

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Notes

1. Public Law 102–389, approved October 6, 1992.

2. Using the mark-to-market approach, the value of real estate, stocks, and other assets is set at its current market value rather than its initial purchase price; that value may be either higher or lower than the initial price. (This approach is commonly used by homeowners to express the value of their dwellings.) Project-based Section 8 rents in FHA-insured housing are often higher than market-rate rents for comparable units. To lower future Section 8 subsidies, HUD proposes to reduce the mortgages on these properties to an amount that can be supported by market-rate rents.

3. See references for pertinent literature. James Rosenbaum at Northwestern University has done the most extensive research into the effectiveness of mixed-income housing with regard to improving the self-sufficiency of low-income individuals.

4. Interview with Marty Jones, President, Corcoran Jennison, October 29, 1996.

5. Generalizations made in this article about mixed-income developments, whose units are controlled by a single owner, should not be applied to mixed-income neighborhoods or towns, where ownership is more diverse and management's influence over behavior patterns is far more limited.

6. We are grateful to the individuals who agreed to be interviewed, particularly the primary contact person at each site: Harbor Point, Marty Jones; Timberlawn Crescent, Richard Ferrara; Tent City, Louise Elving and Pat Clancy; Emery Bay Club and Apartments, Carol Gallante; The Residences at Ninth Square and New Quality Hill, Richard Baron and Barbara Jarrett; Jones Family Apartments, Jane Graf.

7. Each development has its own dramatic story of entrepreneurship, vision, risk taking, financing creativity, community politics, and partnership. We have resisted the temptation to tell the stories here, but have referred to other descriptions when they are available.

8. The telephone survey that led to the selection of the developments, as well as the review of projects cited in the literature, was an indication of the limited number of mixed-income developments that professionals in the low- and moderate-income housing field could identify.

9. William Julius Wilson's *The Truly Disadvantaged* makes this point clearly.

10. See Schwartz and Tajbakhsh in this issue for a summary of the literature making these arguments.

11. See Rosenbaum (1991) for an analysis of the differences in economic success between Chicago-area residents who used Section 8 certificates to move to suburbs and those who chose to remain in the central city.

12. See Putnam (1995). In 1974, 72 percent of those surveyed in the General Social Survey said they spent a social evening with a neighbor at least once a year. By 1995, this figure had declined to 61 percent.

13. See Varady and Lipman (1994). Two-thirds of renters surveyed by the National Association of Realtors stated that they would like to buy a home. The one-third who reported a preference for renting include elderly tenants and lifestyle renters, who prefer the greater flexibility and reduced commitment associated with renting.

14. "Households" rather than "families" must be used to describe the occupants of these units and those in the other projects studied. Many of the units are occupied by two or more unrelated individuals for cost-sharing purposes.

15. This unit is rented to a resident who qualified initially under the Federal Low Income Housing Tax Credit (LIHTC) program and who does not have to leave now that his income has increased.

16. Again, as in the computation for Ninth Square, this figure includes the cost of the commercial space.

17. Rosenbaum, Stroh, and Flynn (1996) present a case study of Lake Parc Place, a 282-unit project owned by the Chicago Housing Authority. Half of the units are restricted to middle-income families in the 50–80 percent of median category. The other half have residents who are below 50 percent of median.

18. Kasarda (1993) documents the increased concentration of the urban poor.

19. The Randolph neighborhood in Richmond may be an example of a deliberately planned mixed-income neighborhood that has different ownership and management. See Gentry (1993).

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