

# Mixed-Use Development

## Strategy description

Mixed-use development is designed to allow a variety of land uses, including office, commercial, residential, live/work and—in some cases—industrial or manufacturing, to be combined within a single development or district. Commercial and market-rate residential units are sometimes used to subsidize affordable units. In addition, cost savings including shared parking arrangements, shared costs for building operation, maintenance, and security, and higher density development can improve housing affordability. In addition to reducing the costs of housing, mixed-used development may also reduce traffic and transportation burdens to residents and has the potential for creating job opportunities near affordable housing.

## History of the strategy

Throughout most of human history, the majority of human settlements developed as mixed-use environments. Industrialization changed this, as cars and mass transit became standard and zoning segregated residential and other land uses early in the 20<sup>th</sup> century. Beginning in the 1960s the term mixed use development began to be incorporated into urban revitalization plans, as developers and city planners realized that combining residential and commercial land uses could benefit communities.

## Target population

Low- and moderate-income renters and homebuyers benefit from affordable housing units created in mixed-use developments. Mixed-use development may also benefit the community generally, as development is concentrated, often in infill locations, creating a better synergy between uses and a more vibrant setting.

## How the strategy is administered

- Administration varies, but often the local government works with developers (for-profit or not-for-profit) to identify land suitable for mixed-use development. Zoning ordinances must be in place to allow for mixed-use and/or high-density development; if they are not, new zoning laws must be adopted to allow for such development. For example, form-based codes, a method of regulation that primarily controls physical form and has only a secondary focus on land uses, can be implemented. This form of zoning addresses the design of a site in ways that are intended to create a sense of place. Codes may include requirements for building height, how a building is placed on site, and building elements (such as location of windows, doors, etc.).
- When affordable housing units are incorporated into mixed-use developments, local governments may be involved in ensuring long-term affordability.

### How the strategy is funded

- The funding can come from a number of different sources. Often, local municipalities that own the land offer grants or loans to developers who choose to use mixed-use strategies as part of their development plan. Financing for mixed-use development can be difficult to arrange because of its combination of residential and commercial uses, so multiple lenders and city and state agencies may be involved in the same development project.
- Local governments sometimes offer density bonuses for mixed-use developments that include affordable units

### Extent of use of the strategy

Mixed-use development is used widely throughout the country.

### Locations where the strategy is being used

- Vermont has established a Task Force on Redevelopment of Upper Stories of Downtown Buildings, New Town Center Development Incentives and Regulatory Reform, or “upper floors task force.” They found that many of Vermont’s older and historic buildings in downtowns have unused or underused upper stories. One of the task force’s recommendations that has been adopted is to provide a 50 percent state tax credit, up to \$12,000, for installation or improvement of a lift, and \$25,000 for installation or improvement of an elevator or sprinkler system in buildings in designated downtowns. Upper floors have been redeveloped in several Vermont towns, including Windsor, Brandon, Bellows Falls, and Randolph.
- In order to address the limited financing available for mixed-use development, the Pennsylvania Housing Finance Agency makes loans for rehabilitating residential portions of vacant properties while banks provide financing for the commercial portions.
- In Rollins Square, in South Boston, 20 percent of the units are rentals reserved for households with incomes from 30 to 60 percent of the Boston area median income, 40 percent are for-sale units for households with incomes 80 to 120 percent of the AMI, and the remaining 40 percent are market-rate units. A non-profit developer built Rollins Square.
- Through its “Upstairs, Downtown” program, New Jersey’s Housing and Mortgage Finance Agency provides below-market mortgage funds to encourage property owners to create and maintain second story residential units above commercial uses in downtown locations.
- East Greenwich, RI has a mixed-use planned district that specifically encourages affordable housing. The low-density commercial part of the development is intended to offset the tax burden of the higher density residential component.

### Pros and cons to using the strategy

#### Pros:

- Higher-density development can include a diversity of housing types, from lower-priced studio apartments to much larger units.

- May reduce residents' transportation expenses, because they are more likely to be in walking distance of jobs and amenities.
- Often makes use of underutilized existing space and infrastructure.
- Allows for shared parking between residential, office, and commercial uses.
- In distressed communities, mixed-use developments with careful planning of layouts can improve safety and create a sense of community.

**Cons:**

- Difficult to finance because lending institutions typically cannot sell loans for mixed-use developments on the secondary market, but must hold them in portfolio, limiting the financing available.
- Often requires changes in zoning ordinances that historically have separated residential from commercial land use.

**Sources of information about the strategy**

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## Research on State and Local Means of Increasing Affordable Housing



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