

# Mixed-Income Housing: Unanswered Questions

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## Abstract

*Mixed-income housing represents the current direction of U.S. housing policy, but little is actually known about its social benefits, its costs, and the preconditions for its viability. Until these key questions are answered, advocacy of mixed-income housing will be based largely on faith and on dissatisfaction with the previous thrust of housing policy. This article examines various types of mixed-income housing and develops a simple analytic framework for exploring critical questions about it. The feasibility of mixed-income housing is shaped by local housing market conditions and by the physical and demographic characteristics of individual housing developments. The article also reviews the literature regarding the key questions and frames a research agenda.*

After decades of using public housing and other federally subsidized housing developments to shelter the poor and only the poor, the Federal Government is shifting toward policies that mix households with varying incomes. Responding both to the growing awareness of the social problems connected to concentrated poverty and to the economic burden of warehousing the very poor in large developments, housing policy increasingly emphasizes two approaches that deconcentrate the poor. The dominant method is to disperse the poor throughout a metropolitan region by providing them with rental vouchers for use in privately owned housing. The other approach is to combine low-income and higher income households in the same development.

Although they share the objective of deconcentrating poverty, the two approaches operate in different ways. Dispersal strategies try to move the poor into more affluent neighborhoods, while mixed-income housing attempts to attract higher income households to developments that are also occupied by the poor.

Dispersal programs are built on the Section 8 Existing Housing program, which authorizes housing authorities to issue portable rental vouchers for use in the private market. By the late 1980s, tenant-based subsidies (Section 8 certificates and vouchers) constituted the

single largest form of Federal housing assistance. Because the subsidy is tied to the household and not to a specific building, rental vouchers enable recipients to seek out housing in any neighborhood, provided the landlord accepts them and the rent does not exceed the area's fair market rent.<sup>1</sup>

In Chicago's court-ordered Gautreaux program, a nonprofit organization helps public housing residents from the inner city move to middle-income suburbs and neighborhoods by providing rental vouchers combined with extensive counseling and other types of assistance (Polikoff, 1994; Rosenbaum, 1994). Gautreaux, in turn, inspired HUD's \$234 million Moving to Opportunity (MTO) demonstration program, begun in 1994 by the U.S. Department of Housing and Urban Development (HUD). MTO provides housing vouchers and other types of assistance to public housing residents in Baltimore, Boston, Chicago, Los Angeles, and New York. The program tests the value of rental vouchers, with and without counseling and other assistance, in helping the poor move into higher income communities (Polikoff, 1994).

Mixed-income housing is not new. Some States and localities have promoted it since at least the 1970s, through land-use regulations and tax-exempt financing. In New York City, mixed-income housing has long been a way of life as a result of rent regulation and public housing management that selected relatively higher income families from the public housing waiting list. However, the Federal Government has only recently embraced the concept of mixed-income housing developments, largely in an effort to revitalize public housing. Since mixed-income housing has not been evaluated as closely as dispersal-based policies and programs, it will be the focus of this article.

Much of the rationale for dispersal and mixed-income strategies is based on the increasing consensus among policymakers and scholars that high concentrations of poor households in a neighborhood or housing development lead to negative social and behavioral outcomes. William Julius Wilson, most notably, has argued that the isolation of the poor from middle- and working-class institutions and role models encourages and reinforces nonmainstream behavioral characteristics such as weak labor force participation and results in an "underclass" culture (Wilson, 1987; Tienda and Stier, 1991; Crane, 1991; Ricketts and Sawhill, 1988; Massey and Denton, 1993; Jargowsky and Bane, 1991; Spence, 1993). Building on this model, arguments in support of dispersal and mixed-income housing appear to rest on the assumption that reversing the process of concentration by mixing incomes will produce better outcomes.

Despite the consensus about the underclass perspective, other scholars have raised questions regarding the strength of the evidence supporting the concentrated poverty thesis and some of its underlying assumptions (Briggs, 1997; Gans, 1990; Hughes, 1989; Jencks, 1992; Jencks and Mayer, 1990; Katz, 1993; Newman and Schnare, 1994; Roisman, 1995; Portes and Landolt, 1996). Although extremely poor neighborhoods do exhibit markedly higher levels of social problems than less poor ones,<sup>2</sup> the variables that account for the link between neighborhood or project characteristics and behavioral and social outcomes remain unclear. What is it about socioeconomically heterogeneous neighborhoods and housing developments that leads to better outcomes? Is it the presence of role models or institutions providing social capital and job contacts? What effects do racial and ethnic demographic characteristics have? Research on mixed-income housing is necessary to determine the extent to which reducing the concentration of poverty can also reverse the social problems connected to poverty.

This article, which looks at the efficacy of mixed-income housing in the United States, begins by examining various types of mixed-income housing. It then presents several key

questions about mixed-income housing: its social effects, the costs of providing it, and the essential preconditions that make it financially viable. The article develops a simple analytic framework for discussing these topics. It then reviews the literature to determine which of the critical questions about mixed-income housing have been addressed and concludes by framing a research agenda for the remaining questions.

## Types of Mixed-Income Housing

The term *mixed-income housing* can refer to many different kinds of housing. Mixed-income developments vary in the number of income groups included, the amount of income mixing that occurs, and the quality of housing occupied by various income groups. Low-income households may occupy from 20 percent to more than 60 percent of the units. The most affluent households in a mixed-income project may have incomes as low as 51 percent of the area median income or as high as 200 percent. Sometimes each building—or even each floor—of a mixed-income development includes households from every income group. In other instances the income groups occupy different sections of the development, with lower income households positioned apart from higher income residents. Similarly, some developments provide the same quality of housing—in terms of size and amenities—for residents from all income groups, while others offer smaller, less-lavish homes for lower income households. Mixed-income housing has been sponsored by public, nonprofit, and for-profit organizations and can include homeowners as well as renters.

Any assessment of mixed-income housing must consider the variety of forms it can assume. Most mixed-income housing falls into four broad categories (see appendix for examples of each type). First, some State and local governments (for example, New Jersey and Montgomery County, Maryland) foster mixed-income housing through density bonuses, inclusionary zoning ordinances, and other land-use regulations that encourage developers to reserve a portion of the total amount of new housing (usually 20 percent) for low- and moderate-income households. Second, public housing authorities have recently experimented with mixed-income housing. HOPE VI, the Federal program for the physical and social revitalization of distressed public housing, has strongly promoted mixed-income housing. One-half of the program's implementation grants, totaling about \$1 billion, have funded proposals to transform public housing into mixed-income developments ("McCormick Baron Teams with PHA," 1996). Prior to HOPE VI, individual housing authorities obtained Federal waivers to redevelop selected public housing projects such as Chicago's Lake Parc Place and Boston's Harbor Point into mixed-income developments. Third, some State and local housing programs require mixed-income occupancy as a condition for funding proposed developments. For example, State housing finance agencies in Massachusetts, New York, and elsewhere provide tax-exempt financing for projects that reserve at least 20 percent of their units for low- and moderate-income households.

Finally, not all mixed-income housing originates with government programs designed to encourage this type of housing; some results from the independent efforts of individuals and agencies. For example, a few private developers have drawn on local tax abatements, tax-increment financing, Federal block grants (HOME, Community Development Block Grants), and Low Income Housing Tax Credits to help finance mixed-income developments (Suchman, 1995). None of these funding sources explicitly favors mixed-income housing. Similarly New York City, with the Nation's largest public housing authority, has long sustained mixed-income communities in its projects in spite of Federal pressure to house only the very poor. Indeed, New York City's public housing probably has the Nation's largest amount of mixed-income housing.

## Key Questions

### Social Effects

The first question concerns the possible social benefits of mixed-income housing. Does it improve the life chances of low-income residents? How? To what extent do the social effects differ in the various types of mixed-income housing outlined above? For example, is the social interaction between income groups the same, whether they reside across the hall or across the street?

Although the shortcomings of public housing and other project-based, low-income housing programs are well documented, little research is available on the social benefits of mixed-income housing. Its advocates seem to believe that if concentrating poverty in public housing engenders chronic welfare dependency and other social pathologies, then mixing differing income groups will produce more desirable social outcomes. Exposure to the routines of working families, it is suggested, may make the children of poor families more likely to adopt the values, expectations, and behavior necessary for formal employment. However, there is inconclusive research on the extent to which physical proximity between the poor and the nonpoor leads to desired outcomes.

There also is little research on the effect of mixed-income housing on the delivery of public services. Does the introduction of more affluent households to a development or area previously occupied exclusively by the poor lead to improved sanitation, police protection, schooling, and other services?<sup>3</sup> Also unknown is the minimum income of the more affluent residents that is necessary to achieve the desired social effects. Need they be middle income, moderate income, or simply employed, regardless of their income? This question, which is important because the higher the income of the best-off residents the more difficult it is to attract and retain them, is examined in more detail below.

### Costs

The second question concerns the cost of developing and maintaining mixed-income housing. Although it has not been discussed as extensively as the social benefits of income mixing, proponents seem to assume that mixed-income housing is less costly—that is, involves a smaller public subsidy—than low-income housing. The Reagan and Bush administrations required that most public housing and Section 8 subsidies be targeted to very low-income households that had excessive housing cost burdens (at least 50 percent of total income) and lived in physically deficient housing or were homeless. Because household income partly determines the subsidy per household, it costs more to support the very poor than those with higher incomes. By giving housing subsidies only to the very poor, the Federal Government spends more per household than it would if households with a wider range of incomes were assisted.

Moreover, because most subsidy programs require that tenants pay a fixed percentage of their income for rent, inclusion of more affluent households lowers the cost of subsidized housing by increasing the amount of rental income collected from tenants and reducing the amount the government pays. If a mixed-income housing development contains unsubsidized market-rate units, it might be possible for these units to cross-subsidize low-income units within the development, thereby reducing the need for government funding.<sup>4</sup> Indeed, this is the logic of so-called 80–20 housing finance programs and density bonuses. In New York State's 80–20 tax-exempt bond-financing program, which is often coupled with New York City's density-bonus and tax abatement program, 80 percent of the units in highrise Manhattan apartment buildings are rented at high-end market prices, enabling the owner to charge reduced rents for the 20 percent of the units occupied by low- and moderate-income tenants (Oser, 1995). Similarly, the density bonuses utilized by New

Jersey developers enable them to sell or rent one-fifth of their units to low- and moderate-income households (see appendix).

While the inclusion of higher income households may reduce the subsidy necessary to sustain mixed-income housing projects, one must not overlook possible additional costs. There is little research, for example, on the vacancy losses and turnover costs for market-rate units in mixed-income housing developments. When occupied, such units may indeed generate surplus revenue, but developments may not always be able to attract or retain tenants for them. Because the demand for market-rate units in mixed-income housing could be weaker than for lower income units, it could take considerably longer to rent out these units. Furthermore, if market-rate households become dissatisfied with their homes or surroundings, they are more likely to move out than are their lower income neighbors. In short, because households with higher incomes have more housing choices, market-rate units are vulnerable to vacancy losses and rapid turnover. Depending on their duration and frequency, vacancy losses may offset the additional revenue generated when market-rate units are occupied.

To attract market-rate tenants and minimize vacancy losses, sponsors of mixed-income housing may need to invest more resources in construction and maintenance than they would if their housing were occupied solely by the poor.<sup>5</sup> Moderate- and middle-income households may be more interested in mixed-income developments if the housing offers high-quality amenities—for example, architectural details, better appliances, landscaping, and services—as well as superb maintenance and management. All of these attractions, however, increase the development and operating costs of the housing.

### Essential Preconditions

Potential vacancy losses and higher development and operating costs raise a host of contextual questions. The ability to attract higher income households is contingent on such issues as the location, size, design, and condition of the development; the racial and ethnic composition of the development and the surrounding neighborhood; and the state of the regional housing market. These considerations are illustrated in figure 1. The columns refer to the physical and demographic characteristics of a mixed-income housing development—the combination of location, size, design, condition, amenities, and other physical and demographic attributes that make developments more or less desirable. The rows refer to the state of the area’s housing market, from extremely strong markets characterized by low vacancies and high prices to weak markets with high vacancies and low prices. The combination of physical characteristics and market conditions shapes the feasibility of any mixed-income housing development. Whereas its physical characteristics influence a development’s appeal to moderate- and middle-income households, the

**Figure 1**

Determinants of Mixed-Income Housing Feasibility

	<b>Desirable development characteristics*</b>	<b>Undesirable development characteristics*</b>
Strong housing market	Good feasibility	Poor feasibility
Weak housing market	Fair feasibility	Very poor feasibility

\* Location, cost, design, size, condition, amenities, and resident demographics.

housing market influences the range of housing options these households may consider beyond the mixed-income development. The weaker the housing market, the more difficult it is for mixed-income housing developments to compete for moderate- and middle-income households and the more desirable their location and other physical attributes must be.

Not all subsidized low-income developments are equally suited to mixed-income occupancy. Middle- and moderate-income households obviously have many more housing options than the poor. When subsidized housing becomes available, it is usually much easier to rent units to low-income households than to eligible households with higher incomes. Unless the regional housing market is extremely tight and there is a severe scarcity of affordable units, moderate- and middle-income households can easily opt not to reside in mixed-income housing. And they will decline to do so unless the development is appealing in some way—perhaps more appealing than conventional middle-income housing. Therefore the size, design, condition, location, and cost of the housing (and perhaps the demographic characteristics of its occupants) are extremely important in attracting higher income households. These factors are important individually and in combination, but there has been little research on the way their interaction creates viable mixed-income housing.

As with all real estate, the location of mixed-income housing is a critical determinant of market appeal. Other things being equal, mixed-income housing in desirable neighborhoods will be more attractive to moderate- and middle-income households than will poorly located developments. Housing located in areas with abandoned buildings, street crime, limited transportation access, and poor services is less attractive to higher income residents than developments situated in “good” neighborhoods. While this statement is self evident, it underscores the difficulty of converting a significant amount of the Nation’s public housing to mixed-income housing. Much public housing is located in the most remote and least desirable sections of the Nation’s cities (Bratt, 1989; Kotlowitz, 1991). It is no surprise that in Chicago, where mixed-income housing programs are perhaps more advanced than in any other major U.S. city, the public housing projects being converted to mixed-income occupancy are located in potentially desirable areas. Lake Parc Place, for example, although situated in one of the city’s poorest neighborhoods, is adjacent to Lake Michigan and only minutes away from downtown. Cabrini Green, once one of the Nation’s most infamous public housing projects, is being redeveloped as a mixed-income housing community (Allen and Kamin, 1996). Over the years, the surrounding neighborhoods have become increasingly affluent and have spread outward, converging on the project.

Real estate speculation has driven up the cost of land throughout the area (Terry, 1996; Roberts and Poe, 1996; Allen and Kamin, 1996). The Henry Horner Homes—site of Alex Kotlowitz’s *There Are No Children Here*—has also seen real estate speculation since Chicago’s new sports arena, the United Center, opened a few blocks away. Conversely, Robert Taylor Homes—7 miles of highrise public housing overlooking the busy Dan Ryan Expressway—has never been suggested for mixed-income conversion.<sup>6</sup> Interestingly, Cabrini Green, Henry Horner, and Robert Taylor have all received HOPE VI grants for physical redevelopment and community services, but Robert Taylor is the only project whose HOPE VI plans do not include mixed-income occupancy (Housing Research Foundation, n.d.).

In Boston, the Massachusetts Housing Finance Agency (MHFA) has backed a number of mixed-income housing developments in some of Boston’s more popular

neighborhoods. Here, mixed-income housing may be one of the few ways for moderate-income households to live in neighborhoods they could otherwise not afford.

Size, design, and physical characteristics such as amenities and condition also influence the attraction of mixed-income housing. It goes without saying that the stereotypical highrise public housing with “skip-floor” elevators, doorless closets, bleak design, poor construction, and inadequate maintenance is unlikely to attract households of any income level. It is not surprising that much of the extant mixed-income housing, even that which is public housing, involves new construction or substantial rehabilitation (Suchman, 1995). For example, the Chicago Housing Authority plans to demolish at least eight of Cabrini Green’s highrise buildings, replace them with lowrise structures, and renovate the remaining highrises (Kamin and Kass, 1996; Spelman, 1996). Similarly, the Columbia Point public housing project in Boston has been completely rebuilt and renamed Harbor Point.

A development’s physical configuration is of particular significance, in that low-density developments may be less intimidating to higher income households than highrises occupied by many low-income families. Other considerations are the race and ethnicity of the residents. What effect does the potential stigma associated with poor minorities have on the project’s ability to attract mixed-income households of all races? It is not clear whether all income groups must be of the same race in order to foster social interaction among households with differing incomes.

The viability of mixed-income housing depends at least as much on the state of the region’s housing market as it does on the physical attributes of the development. The greater the supply of affordable moderate- and middle-income housing, the greater the range of housing options available to these households and the more difficult it is for mixed-income housing to attract them. The importance of housing markets is well illustrated in New York City, where housing affordable to low- and moderate-income households has long been scarce (Schill, 1996). In 1993, for example, the vacancy rate for units renting at \$600 (the maximum affordable rent for households with incomes of 80 percent of the metropolitan area’s median) was less than 2 percent, and the rate for units renting for less than \$500 was just 1.1 percent (Blackburn, 1995).

With a chronic shortage of affordable housing, New York City stands to be a favorable environment for mixed-income housing. Indeed, the city offers numerous examples of relatively successful mixed-income housing. Above all, as mentioned earlier, New York’s public housing stands out nationally for its inclusion of working families. The lack of other housing options, combined with benefits such as good management and a sense of community, has discouraged many working families from leaving public housing. In addition to public housing, New York’s Department of Housing Preservation and Development has devised a number of mixed-income housing programs using tax-foreclosed properties, low-interest loans, and tenant-based Section 8 vouchers. For example, in the Vacant Cluster program (see appendix), there are few differences in the vacancy rates and turnover frequency of units reserved for formerly homeless, low-income, and moderate-income households (Doyle, 1996; Gribbon, 1996; Weinstein, 1996).

## The Literature on Project-Based Mixed-Income Housing

Despite the importance and popularity of the concept of mixed-income housing in national housing policy circles, very few studies have attempted to evaluate the conditions under which programs have succeeded or failed and the implications for future programs. A clear understanding of which variables are important is critical to an understanding of the

general usefulness of this approach and to identification of variables that will help policymakers design more effective programs. To assess the state of knowledge about mixed-income housing strategies and to identify the questions that remain to be answered, this section briefly reviews the methodology and main findings of the few studies on mixed-income housing programs that we have located.<sup>7</sup>

Rosenbaum, Stroh, and Flynn (1996) provide the most in-depth study to date of a mixed-income housing development—Lake Parc Place in Chicago—which happens to be one of the best known. Lake Parc Place is owned by the Chicago Housing Authority (CHA) but is under private management. The project has 282 apartments, of which 50 percent are set aside for households with one working adult and incomes between 50 and 80 percent of the area median. (In 1992, that equaled \$21,000 to \$34,000 for a family of four.)

Rosenbaum et al. evaluated whether the experience at Lake Parc Place supported the purported positive effects associated with project-based economic residential integration. Specifically, they examined three Lake Parc Place goals:

- Increased social interaction between the low-income (“project”) and moderate-income (“nonproject”) groups.<sup>8</sup>
- Institutional maintenance and support of the management by moderate-income groups, through participation in volunteer programs and support of rules and rule enforcement by management.
- A positive effect on the employment rate of low-income residents.<sup>9</sup>

With regard to the general viability of the development, the authors found that the project had succeeded in attracting moderate-income working households<sup>10</sup> and that after several years in operation it is considered safe and without serious management difficulties. However, the evidence for the three substantive goals was mixed. First, they examined the extent of social isolation in terms of the extent to which residents interacted with their neighbors. They found that, for the less-demanding forms of interaction (such as greeting and talking for more than 10 minutes), the project group interacted with neighbors more than did the nonproject group, although there was no evidence that the latter isolated themselves from other households. In fact, only a minority of either group refused to participate at all in such types of interaction. Second, the authors found that a substantial proportion of both groups (about half) volunteered to participate in the maintenance and upkeep of the development, and anecdotal evidence suggested that the middle-income group’s volunteerism encouraged lower income groups to participate (providing potential support for the role-model theory). Similarly, they found substantial support among the nonproject group for enforcement of strict rules by the management—presumably an important factor contributing to the cleanliness and low crime rate of the development. Finally, employment rates (before and after moving to Lake Parc Place) declined for both groups, a fact that does not support the notion of positive employment effects from mixed-income housing.

The analysis by Rosenbaum et al. raises important questions and suggests at least three issues for future research. First, their analysis of intergroup activity remains somewhat inconclusive because, as they acknowledge, their research did not (and perhaps could not) record with whom residents interacted or with whom they maintained friendships.<sup>11</sup> In other words, because the analysis examined interaction and networking with *neighbors*, the authors did not record interaction between project and nonproject groups. Without these data, the central concern of the underclass hypothesis on which mixed-income housing is, to a large degree, founded—the isolation of low-income from middle-income

households—remains unaddressed. Notwithstanding the difficulties of collecting such data, this should be an important goal for future research. The assessment of the effects of volunteers who are active at the housing development raises parallel issues. The authors conclude that “volunteering may have created opportunities for interaction and perhaps for role modeling,” but a method of establishing this possible outcome of volunteering behavior cannot be determined from their data. Research should be designed to address this issue directly.

Second, the assessment of the support for rules and rule enforcement raises the issue of the need for comparative data. For example, the authors report that although the project group was less tolerant (30 percent did not support management), only 12 percent of the project group and 4 percent of the nonproject group felt the rules were too strict. Although this assessment does reflect significant support for enforcing the rules (and thereby maintaining the viability of the development), the lack of a comparison with other projects or managed housing arrangements makes it difficult to assess whether these percentages are high or low. Comparative data would add to our understanding of this important component of a project’s feasibility. Third, with regard to the effect on employment, the relationship between mixed-income housing and changes in the local labor market remains unclear. Indeed, it may be that employment effects should not be a primary goal of mixed-income housing if, indeed, they should be a goal at all.

In this issue of *Cityscape*, Brophy and Smith examine seven examples of mixed-income housing representing a range of locations throughout the country, in both suburbs and central cities. The developments have a diverse set of management and ownership models, very different mixes of incomes and ethnic and racial groups, and divergent goals.

In another study of various types of mixed-income housing, Mulroy (1991) examined three 80-percent market–20-percent subsidized developments in three cities and compared their characteristics with those of three nearby market-rate developments. Mulroy provides important details about the profiles of the tenants. She found that, compared with tenants in market-rate units, those in the below-market-rate units were more likely to be female, to have more children, and to be single parents and less likely to be white and to hold professional jobs. She also found that for most tenants, the decision to move into the development was determined primarily by location and quality and that income mixing was not a significant factor.<sup>12</sup>

In comparing the market-rate units in the mixed projects and the market-rate developments nearby, Mulroy found that for many measures (income, age, children, single parents) the characteristics of the residents in the two types of projects were similar. She concludes that this similarity and the general success of all three projects (reflected in high occupancy rates and low turnover rates) can be attributed to careful screening of applicants and a strong local housing market. In this she concurs with most other analysts. Mulroy observes, however, along with Brophy and Smith (1997) and Schubert and Thresher (1996), that innovative financial instruments to support mixed-income housing are an important—if not in many cases indispensable—requirement for success. Her focus on the demographic profiles of tenants in mixed-income housing and nearby market-rate projects contributes to our understanding of what makes mixed-income housing attractive for various income and racial or ethnic groups.

In a pioneering effort, the Massachusetts Home Finance Agency (MHFA) was established in 1968 with the explicit policy goal of meeting a legislative mandate for economic and racial residential integration. This goal makes the agency’s housing distinctive in comparison to most mixed-income housing projects, which have, by definition, focused only

on income mixing. By 1997, 17,000 units had been sponsored under the mixed-income housing model (see appendix). Ryan, Sloan, Seferi, and Werby (1974) evaluated 16 Massachusetts developments with a total of 3,200 tenants. Following an extensive survey; interviews with managers, tenants, and developers; and an examination of project documents, the authors used a complex model to explore the degree of tenant satisfaction as a way of evaluating the feasibility of mixed-income housing. Their central conclusion was that tenant satisfaction was unrelated to income mix in the buildings. In fact, tenants in MHFA's mixed-income projects were in general more satisfied than a comparison group of residents in various types of non-mixed-income developments. The authors found that tenant satisfaction was highly related to the quality of their development's design, construction, and management and was not related to their subjective evaluations of neighbors. The authors suggest that any relationship between income mixing and tenant satisfaction be interpreted as an interaction effect, since mixed-income housing developments tend to be built to a lower standard than conventional market-rate housing. In a further significant result, given oft-stated concerns about the intractability of racial residential segregation, the study suggests that the relationship between tenant satisfaction and racial mix, when controlled for quality of the development, is weak. Finally, the authors observed very little difference along income lines in the attitudes, lifestyle preferences, and values of tenants (as they related to residential space).

The results of Ryan et al. are important in that they confirm the findings of most other analysts that income mixing, *per se*, does not play a major role in the subjective evaluation by tenants of the desirability of a given project. The study raises three issues that can inform future research. First, the fact that all of the projects were in suburban Massachusetts makes the results somewhat less generalizable, and studies of tenant satisfaction should be replicated in other settings. Second, tenant satisfaction cannot be used as the sole—or even a major—criterion for whether a project “works,” although clearly a minimum level of satisfaction is required to maintain occupancy levels. The precise role played by tenant satisfaction is an important matter to be determined. Third, the study challenges the conventional wisdom that residential segregation by income and status stratification is an inescapable feature of American society. Policy initiatives encouraging residential income mixing and, to a lesser extent, racial and ethnic mixing can succeed in many cases, the study suggests, if market-rate households believe that quality has not suffered, low-income households have reliable community and social services, and the project is managed efficiently.

## Summary

The current literature provides useful information, but much remains to be done.

In particular, we still need to know:

- The income thresholds and mixes that “make or break” a mixed-income housing project.
- The conditions under which mixed-income developments can attract and retain middle-income households.
- The economic (employment) effects, if any, for low-income households.
- The challenges of financing mixed-income developments.
- The effect of racial and ethnic demographics on the viability of mixed-income housing.

## Conclusions: Toward a Research Agenda for Mixed-Income Housing

More research is needed on both the preconditions for mixed-income housing and its outcomes. Rosenbaum's research on Chicago's Gautreaux program and, more recently, on the Lake Parc Place development should be replicated elsewhere. In addition to the quantitative approach taken by Rosenbaum and his colleagues, qualitative ethnographic research could shed light on the question of whether mixed-income housing improves the lives of low-income residents and on how it does so. If research on the social effects of mixed-income housing has been limited, there has been almost none on the preconditions for building and managing a successful development. We need a better understanding of the way several variables—the development and operating costs of mixed-income housing; its design, size, location, and amenities; the socioeconomic composition (income, race, ethnicity) of its residents; and the strength of the regional housing market—interact to influence its feasibility.

These questions could be explored through a comparative analysis of existing mixed-income housing developments. Such research would involve a comparative analysis of the development pro formas and operating budgets of otherwise similar mixed-income and low-income developments. It would also entail in-depth interviews with the sponsors and managers of mixed-income housing developments regarding the challenges of achieving and maintaining mixed-income occupancy.

The research should try to control for differences in regional housing markets and in the physical, locational, and demographic characteristics of the developments. Housing markets could be controlled by comparing a number of mixed-income housing developments within the same city or, ideally, the same neighborhood. This type of research would be possible in locations—New York City; Boston; Montgomery County, Maryland; New Jersey; and California, for example—that already have a large number of mixed-income housing developments. The physical, locational, and demographic characteristics of developments could be controlled by comparing similar sites located in various housing markets or by analyzing the operation of a sampling of developments throughout a housing market cycle. Similarly, mixed-income housing could be compared with dispersal strategies (such as Moving to Opportunity) being carried out within the same city.

Mixed-income housing may be the current direction of U.S. housing policy, but its effectiveness remains open to question. At present there is little understanding of its social benefits, costs, and necessary preconditions. Until the questions raised here about these aspects have been answered, advocacy of mixed-income housing will be based largely on faith and on dissatisfaction with the previous thrust of low-income housing policy.

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## Notes

1. Section 8 vouchers, unlike certificates, allow recipients to occupy units renting at a price above the HUD-designated rental standard. However, they must pay the additional rent themselves.
2. For recent trends, see Kasarda (1993) and Jargowsky (1994).
3. In a different context, Massey and Denton (1993) argue that those African-Americans who live in racially segregated neighborhoods receive inferior public services compared with those who live in predominantly white neighborhoods.
4. In some situations, however, low-income households may actually cross-subsidize moderate-income residents. When low-income tenants have Section 8 certificates, these subsidies provide the landlord with HUD-designated fair market rents, which may, in some cities, exceed the market rents charged to moderate-income renters.
5. Brooklyn's Starret City housing development exemplifies the added costs that may be associated with mixed-income housing. The largest rental housing development in the United States (Husock, 1990), Starret City contains 5,881 units in 46 buildings. It is best known for its use of racial quotas ("managed waiting list") to achieve integration, which sharply divided fair housing advocates and was ultimately declared illegal by the courts (Husock, 1990). Nevertheless, it also shows how the need to attract higher income households can induce higher costs. Soon after construction began, the sponsor began receiving far more applications from minorities than from whites, potentially jeopardizing attainment of the desired racial mix. In response, the sponsor proposed not only a racial quota for tenant selection but also a series of expensive physical changes: "We started to put dishwashers in the apartments. We started to upgrade the cabinets and upgrade the lobbies.... We started to do everything you could do from a marketing point of view to make the development attractive to a broader band than the population we were getting" (Husock, 1990; p. 8). In addition, the sponsor added a community center with a swimming pool and a free-standing shopping center. The sponsor also changed the order in which the development's buildings were constructed. Instead of starting at the site's northern end, adjacent to the low-income African-American neighborhood of East New York, work began at the southern end, close to the white, working-class Canarsie neighborhood (Husock, 1990; p. 8).
6. Referring to the renovation of another Chicago public housing project, Clarence Darrow Homes, Chicago Housing Authority Executive Director Joseph Shuldiner recently remarked that, unlike Cabrini Green, the impoverished neighborhood surrounding the project "doesn't lend itself to bringing in higher income people." (McRoberts, 1996; p. 2.)
7. Several other articles and reports (especially Ceraso, 1995; Schubert and Thresher, 1996; Suchman, 1995) provide valuable information on particular mixed-income developments but are more descriptive than analytic and thus are not discussed in this section.
8. Using interviews and surveys, they examined two groups of residents. The first consisted of low-income families that had been in CHA housing before moving to Lake Parc Place ("project"). The second group had not lived in any CHA project before moving to Lake Parc Place ("nonproject"). These categories are meant to differentiate between low-income households with incomes below 50 percent of median and

middle-income or working-class households with at least one working adult and a family income of between 50 and 80 percent of median.

9. As the authors point out, increasing employment of low-income residents is not necessarily a goal of mixed-income housing, although it was a goal at Lake Parc Place.
10. However, *Crain's Chicago Business* recently reported that the percentage of moderate-income households has declined to 33 percent (Wangensteen, 1996).
11. The authors report that many respondents were uncomfortable when asked whether they interacted with low-income households, and whether middle-income households acted as potential role models for low-income households and individuals. These questions were deleted from the survey instrument.
12. This point is also noted by Brophy and Smith.

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## Appendix: Types and Examples of Mixed-Income Housing

This appendix presents several examples of mixed-income housing created through four different contexts: density bonuses and other land-use regulations, special public housing programs and initiatives, State and local housing programs, and nonprogrammatic mixed-income housing (private individuals and organizations building and sustaining mixed-income housing outside of any institutional framework that specifically promotes such housing).

### Density Bonuses and Other Land-Use Regulations

Several States and localities encourage private developers to produce low- and moderate-income housing by providing them with density bonuses and other land-use incentives. Density bonuses allow developers to build housing at densities that exceed prevailing zoning standards if they reserve a specified proportion of the housing for low- and/or moderate-income households.

**New Jersey.** New Jersey's Fair Housing Act of 1985 requires the State's 567 municipalities to provide a "fair share" of low- and moderate-income housing. This legislation put into statute the principle, articulated by the State Supreme Court in its two landmark Mount Laurel decisions, that municipalities are obligated to provide housing for residents of all incomes and cannot use zoning or other land-use regulations to price housing beyond the means of lower income households. The law established an administrative mechanism (Council on Affordable Housing, or COAH) that determines each municipality's minimum quota of low- and moderate-income housing and approves its plans for attaining them (Calavita et al., 1997; Kirp et al., 1995; Fitzpatrick, 1993). By 1993, 40 percent of the State's municipalities with affordable housing obligations had their housing plans approved by COAH or were under court supervision. An additional 16 percent were negotiating with COAH to have their housing plans authorized (Fitzpatrick, 1993).

Neither the Mount Laurel rulings nor the subsequent State legislation requires the creation of mixed-income housing; they require only that municipalities accommodate their “fair share” of low- and moderate-income housing. However, most municipalities use density bonuses to create this housing and, in so doing, create mixed-income housing. In exchange for density bonuses, private developers set aside 20 percent of the units for low- and moderate-income households. As of 1993, density bonuses accounted for about 45 percent of the 13,600 low- and moderate-income units built under the Fair Housing Act (Fitzpatrick, 1993:3). Other units have been developed with funding from a State housing trust fund that was established by the Fair Housing Act, as well as from Low Income Housing Tax Credits, other HUD programs, and municipal resources (Fitzpatrick, 1993). The low- and moderate-income units developed through density bonuses include both rental and owned housing in developments of varying sizes and configurations. In some cases low-income units are clustered apart from the development’s market-rate units, while in others they are blended in among market-rate units (Calavita et al., 1997).

**Montgomery County, Maryland.** Montgomery County, Maryland, a suburb of Washington, D.C., has employed land-use regulations to provide mixed-income housing for more than 20 years. In 1974 the county enacted the Moderately Priced Dwelling Unit (MPDU) program, which requires that all residential developments with 50 or more units make 12.5–15 percent of the units affordable to low- and moderate-income households. It also provides a density bonus of up to 25 percent for developers that set aside more than the minimum 12.5 percent for low- and moderate-income households (Schubert and Thresher, 1996). Since its inception, MPDU has yielded more than 10,000 low- and moderate-income units (Calavita et al., 1997).

### Special Public Housing Programs and Initiatives

In the 1980s and 1990s, several public housing agencies have obtained waivers from HUD to make selected public housing projects into mixed-income developments. More recently, HUD’s HOPE VI program has encouraged the redevelopment of certain distressed public housing projects for mixed-income occupancy.

**Lake Parc Place, Chicago.** As part of the National Affordable Housing Act of 1990, Congress authorized the Mixed Income New Communities Strategy (MINCS) to promote economic integration in public housing. MINCS allows one-half of the units to be occupied by very low-income and low-income working families and the other half—which can be privately developed—to be occupied by moderate- and low-income working families. The program also calls for social services to be provided for the public housing families and requires residents to conform to a set of behavioral guidelines in order to retain their apartments.

Lake Parc Place, the first development to be rebuilt under this program, consists of two buildings located on Chicago’s lakefront, a few miles south of the downtown business district in one of the city’s poorest neighborhoods (Rosenbaum et al., 1996). The renovated buildings contain amenities seldom found in highrise developments (Ceraso, 1995; Polikoff, 1994:121), including a day-care center, an after-school program, and a full-time janitorial and security staff. One-half of the units are reserved for low-income households whose incomes are below 50 percent of area median, with priority given to former residents of the public housing projects that were vacated for the redevelopment of Lake Parc Place. The other half are reserved for moderate-income households (those with incomes of 50–80 percent of area median) in which one adult is employed (Rosenbaum et al., 1996). However, the project has recently slipped from its target income mix of 50 percent low-income and 50 percent moderate-income to 67 percent low-income and 33 percent moderate-income (Wangensteen, 1996).

**Harbor Point, Boston.** Harbor Point is a large, mixed-income development on the site of the former Columbia Point public housing project. Located on a 51-acre waterfront site on Boston's inner harbor, Columbia Point was one of the Nation's most deteriorated public housing projects. By 1979 only 349 of 1,054 units were occupied. The remaining tenants formed a task force that was instrumental in pushing the Boston Housing Authority, the Boston Redevelopment Authority, and other agencies to redevelop the site into mixed-income housing. With approval from HUD, the Boston Housing Authority eventually turned the site over to a private developer, Corcoran-Jennison, to renovate the projects into a mixed-income rental project with 1,283 units. After more than a decade of negotiation and planning, Harbor Point opened in 1991. The complex contains 11 buildings, including highrise towers, townhouses, and garden apartments. It also features a health-care center, day-care and youth centers, recreational and sports facilities, retail stores, and 24-hour security. The development is owned by a partnership of the original tenant organization and a group of private developers, including Corcoran-Jennison (Schubert and Thresher, 1996). Just under one-third of the units (31 percent) are reserved for low-income households that receive Section 8 or State rental subsidies. The median household income of the subsidized residents is \$10,000, compared with \$40,000 among market-rate tenants (Schubert and Thresher, 1996).

**HOPE VI.** The Federal HOPE VI program is behind most recent efforts to convert public housing into mixed-income developments. The program began in 1993 in response to a recommendation of the National Commission on Severely Distressed Public Housing. The program provides planning and implementation grants for the physical and social improvement of selected public housing projects. Eligibility is restricted to public housing authorities in the 40 largest metropolitan areas and those on HUD's troubled authority list (Abt Associates Inc., 1996b). At least 80 percent of HOPE VI grants must be used for capital costs for reconstruction, rehabilitation, replacement housing, and related expenses, and not more than 20 percent for community service programs. Since the program's inception, HUD has issued more than \$2 billion in HOPE VI grants to 52 housing authorities, including \$1.9 billion in implementation grants (Housing Research Foundation, n.d.). Housing authorities have used HOPE VI funds to renovate or redevelop public housing projects—activities that usually involve demolition of some existing units to reduce the scale and density of the development.

About one-half of all HOPE VI grants have funded proposals to transform public housing into mixed-income developments ("McCormack Baron Teams with PHA," 1996). Mixed-income HOPE VI projects vary in terms of the extent of income mixing and the representation of various income groups. In most cases the inclusion of higher income households enables the developments to secure additional sources of financing—including Low Income Housing Tax Credits and bank mortgages—that would not otherwise be available for public housing. In many cases the conversion of public housing into mixed-income developments under HOPE VI reduces the number of low-income units (although not necessarily the number of *occupied* low-income units) at the sites of the original projects. Because of the program's objective of reducing the size and density of public housing developments and the need to set aside a portion of the remaining units for higher income households, fewer units are available for low-income families. Low-income families that cannot be accommodated in the developments or do not wish to remain are usually given Section 8 subsidies for use in the private market. The displacement of low-income households is one of the few areas of controversy associated with the government's embrace of mixed-income housing (Chicago Rehab Network, n.d.).

## State and Local Housing Programs

Some State and local housing programs require mixed-income occupancy as a condition for funding a proposed development. State housing finance agencies and local housing departments provide low-interest loans and other subsidies for developments that include units for low- and/or moderate-income households as well as market-rate units for more affluent households.

**Massachusetts Housing Finance Agency.** MHFA was created in 1968 with the explicit goal of promoting economic integration. Since that time, the agency has financed more than 30,700 units for low-, moderate-, and higher income households in 468 housing developments throughout the State. MHFA's mixed-income portfolio now contains 141 developments with 17,039 units, which constitute 55 percent of all housing produced with agency financing. Slightly more than half (53 percent) of the mixed-income units have market-rate rents. Thirty percent are reserved for low-income households (those with incomes below 50 percent of area median) and 16 percent for moderate-income households (50–80 percent of median). Rents for low- and moderate-income households are set at 30 percent of monthly income. Since about 1990, MHFA has structured most of its mixed-income projects to be 80 percent market-rate and 20 percent low-income, using the revenue from the market-rate units to cross-subsidize the low-income units. Previously, when additional housing subsidies were available from the State government, the agency required developers to include a larger proportion of low- and moderate-income units. Throughout its history MHFA has required that households from all income groups be intermixed in the developments it finances and that units occupied by differing income groups be of equal quality (Pyne, 1997).

**New York State's 80–20 Program.** The New York State Housing Finance Agency and the New York City Housing Development Corporation issue tax-exempt bonds for housing that reserve 20 percent of the units for low-income households with incomes below 50 percent of area median. Since the program's inception in 1985, 25 developments with a total of 9,291 units have been completed (through June 1997), providing 1,858 low-income units. Because of New York City's prolonged real estate slump in the late 1980s and early 1990s, the 80–20 program did not become fully active until the mid-1990s. In the 18 months between January 1995 and June 1997, the State housing finance agency closed more 80–20 mortgages than it had in the previous 12 years. It now has a pipeline of more than \$1 billion in 80–20 proposals (Schrader, 1997; McConnell, 1997). In New York City, projects benefiting from tax-exempt financing usually receive property tax abatements under a program (421A) requiring that at least 20 percent of the units be reserved for lower income households (Hevesi, 1997). The 80–20 program typically finances buildings in high-income areas, especially Manhattan, where market-rate units can generate sufficient revenue to cross-subsidize the lower income units. For example, a 180-unit apartment building completed in 1996 on Manhattan's Upper East Side charges market-rate rents of \$2,400–\$5,900 a month for one- to three-bedroom units and \$428–\$590 a month for lower income units (Garbarine, 1996).

**New York City's Vacant Cluster Program.** New York City has established several programs that fund the development of mixed-income housing. A prime example is the Vacant Cluster program. The city's Department of Housing Preservation and Development financed the gut rehabilitation of large assemblages of vacant, tax-foreclosed buildings in several low-income neighborhoods of the Bronx and Manhattan.<sup>1</sup> The program developed six projects containing a total of more than 2,000 units.<sup>2</sup> Thirty percent of the units in each Vacant Cluster development are occupied by formerly homeless or doubled-up households, to most of which the city provides Section 8 vouchers. Another 45 percent

of the units are occupied by low-income households with incomes not exceeding 50 percent of the area's median. The remaining 25 percent are assigned to moderate-income households (50–80 percent of median). By design, the program mixes households from each group together. Each development, building, and floor houses tenants from every income group. To ensure that the developments retain their mixed-income occupancy, each unit is designated for a specific income category. Vacant Cluster developments are owned by nonprofit housing groups, which are responsible for the management and maintenance of the developments and provide residents with a variety of social services.<sup>3</sup>

## Nonprogrammatic Mixed-Income Housing

Not all mixed-income housing originates with government programs designed to encourage this type of housing. Some of it results from the desire of individuals and agencies to create mixed-income housing. For example, a few private developers have drawn on local tax abatements, tax-increment financing, Federal block grants (HOME and/or CDBG), and the Low Income Housing Tax Credit to help finance mixed-income developments (Suchman, 1995). None of these funding sources explicitly favors mixed-income housing. For example, about 98 percent of all housing units in projects financed with tax credits are restricted to households with incomes below 50–60 percent of area median (Abt Associates Inc., 1996a). Additionally, some public housing managers, as the following example illustrates, have created and sustained mixed-income developments in a program that is famous for housing the poorest families.

**New York City Public Housing.** Although not explicitly a mixed-income housing initiative, New York City's public housing is probably the Nation's largest example of such an effort. Besides being by far the largest public housing agency—accounting for 10 percent of all public housing units—the New York City Housing Authority (NYCHA) has long enjoyed a reputation for excellent management and maintenance (Thompson, 1996). It also has long made a priority of including among the residents of its housing projects a large proportion of working households. More than any other public housing agency, it has resisted Federal pressure to limit tenant selection to extremely poor households, whose members are seldom in the labor force. As a result, public housing residents in New York City have a lower poverty rate and a higher rate of labor force participation than their counterparts in the Nation as a whole. For example, 30 percent of families in New York City's public housing receive public assistance, compared with more than 44 percent throughout the United States. Conversely, about 30 percent of New York City's households in public housing receive income from wages or salaries, compared with 21 percent nationally (U.S. Department of Housing and Urban Development, 1995).

Even though it continues to have a higher proportion of working (and thus moderate- and middle-income) residents than other public housing systems, New York's public housing population has become poorer since the 1980s. Partly because of Federal preferences and partly because of pressure from the city government to place homeless families in public housing (Thompson, 1996), the proportion of working households in New York's public housing has dropped from 49 percent in 1983 to about 30 percent in 1996 (Love, 1996). Moreover, fewer than 8 percent of the 135,000 households on the waiting list for public housing in early 1996 had a member who worked (Love, 1996). If these trends continue, the waiting list could be depleted of working households within a year or two, and New York's public housing will lose its mixed-income character and become more like that of the Nation as a whole (New York City Housing Authority, 1995; U.S. Department of Housing and Urban Development, 1995). Because of this threat, NYCHA has recently announced a change in its admission standards that will emphasize working families (Ceraso, 1995).

## Notes

1. See New York City Housing Partnership (1994) for details on the underwriting of Vacant Cluster developments and Bernstein (1994) and Settlement Housing Fund (n.d.) for information on the Bronx's New Settlement Apartments, one of the first developments produced through the Vacant Cluster program.
2. These include two projects built under the earlier, but quite similar, Construction Management program (see Michetti, 1993; New York Housing Partnership, 1994).
3. The Vacant Cluster program is one of several launched by the city since 1986 as part of its multi-billion-dollar capital budget housing program to build and renovate low-, moderate-, and middle-income housing (Willis, 1987). In the subsequent 10 years, the city spent more than \$4 billion of its own resources, along with Federal and State funds, to support new construction, gut rehabilitation, and moderate rehabilitation of more than 154,000 housing units (Schwartz and Vidal, 1996). In 1989 the city devoted more own-source revenue to housing than the 50 next largest cities combined (Berenyi, 1989). The capital budget plan embraced a variety of housing programs, most of which involved community development corporations and other nonprofit organizations (Michetti, 1993).