Mixed-Income Housing

Myth and Fact

Urban Land Institute

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About ULI–the Urban Land Institute

ULI–the Urban Land Institute is a nonprofit education and research institute that is supported by its members. Its mission is to provide responsible leadership in the use of land in order to enhance the total environment. ULI sponsors educational programs and forums to encourage an open exchange of ideas and sharing of experiences; initiates research that anticipates emerging land use trends and issues and proposes creative solutions based on that research; provides advisory services; and publishes a wide variety of materials to disseminate information on land use and development. Established in 1936, the Institute today has more than 18,000 members and associates from more than 60 countries representing the entire spectrum of the land use and development disciplines.

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Recommended bibliographic listing:
Myerson, Deborah L. *Mixed-Income Housing: Myth and Fact.* Washington, D.C.: ULI–the Urban Land Institute, 2003.

ULI Catalog Number: M61
International Standard Book Number:
0-87420-916-1

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Amidst a backdrop of growth and prosperity in America, the number of working families struggling to afford housing has grown steadily in recent years. Mixed-income housing, offering housing units affordable to a range of incomes, has become a popular solution to providing affordable housing—using the strengths of the market to create attractive, competitive residential developments.

ULI is a leader in examining land use policy issues through timely research and publications; workshops, forums, and symposiums. *Mixed-Income Housing: Myth and Fact* continues ULI's tradition of conducting high-quality research and producing publications on housing topics. This is the fifth in a series of publications designed to dispel myths and offer good examples on issues related to growth and land use. It tackles some of the more challenging and complicated aspects of providing housing that is accessible to households with a variety of income levels.

ULI will continue to provide forums in which all stakeholders can explore and debate affordable housing issues. Through research and documentation of best practices, ULI and its partners will seek to find solutions that accommodate growth and also meet essential housing needs.

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Mixed-Income Housing: Myth and Fact

For many communities, the development of mixed-income housing has successfully addressed the scarcity of affordably priced housing. Long thought to be an issue only for the unemployed, the need for affordable housing is affecting more and more of the workforce. The sustained strong housing market in the United States in recent years has had its downside for many moderate- and low-income workers who, as a result, have faced escalating rents and home prices coupled with little to no income growth. In many metropolitan areas, working families are coping with a dwindling number of choices for affordably priced housing—housing costing no more than 30 percent of a family's gross income—that is within a manageable commuting distance to work.[1] Recent figures illustrate this problem further, with 8.6 million renters and 6.4 million homeowners in the United States paying more than 30 percent of their incomes for housing, and/or living in structurally inadequate or overcrowded homes.[2]

In the last decade, much of the most successful affordable housing has been built as part of mixed-income housing developments or neighborhoods, providing stable, attractive communities with prices to accommodate the needs of a variety of households. This publication profiles mixed-income housing that combines market-rate and publicly assisted units, as well as all market-rate housing offering a range of price points. While there is no single accepted definition of "mixed-income housing," this publication considers developments (achieved through a variety of policies and practices) that contain units that are affordable to households with different income levels, whether the households earn an above-moderate income, a moderate income (80 to 120 percent of the area median income (AMI)), a low income (50 to 80 percent of the AMI), or in some cases, a very low income (below 50 percent of the AMI).[3]

The idea of mixing incomes in residential settings is not new: urban neighborhoods traditionally have contained a mix of housing products suitable for an array of incomes. More recently, however, mixed-income housing has been recognized as a means to leverage market forces to provide a secure, high-quality, well-maintained living environment while increasing affordable housing options for lower- and moderate-income households.[4] As a result, mixing incomes has become a popular way to supply affordable housing options, increase absorption in large planned developments, revitalize urban neighborhoods, and decrease the concentration of poverty in publicly assisted housing. When located close to job centers and services, mixed-income housing provides more than just another housing product—it also activates smart growth principles by reducing travel times and congestion.

Some examples of mixed-income housing illustrated in the profiles in this publication include:

Master-Planned Communities: A larger-scale development (from several hundred to as many as 50,000 or more units) that often offers all market-rate prices but includes a mix of housing types at different price points and tenures, such as rental apartments, condominiums, townhouses, and single-family homes. Some master-planned communities also successfully incorporate assisted housing.

Neighborhood-Based Communities: An effort, often generated by a community development corporation, to revitalize a declining neighborhood by rehabilitating existing housing stock, building new units, and attracting affluent residents. The revitalization provides a retention program to prevent the displacement of longtime, lower-income inhabitants.

Project-Based Communities: A development with a mix of market-rate and publicly assisted residents (such as one-third market-rate, one-third moderate-income, and one-third low-income). It is achieved through a variety of state, local, and federal policies and developer incentives, such as low-income housing tax credits, inclusionary zoning, fee waivers, or expedited review. The U.S. Department of Housing and Urban Development's (HUD) HOPE VI also has transformed public housing projects into new mixed-income communities, funded with a mix of public dollars and private investment.

Mixed-Income Housing: Myth and Fact is the fifth in the Urban Land Institute's Myth and Fact Series. Earlier editions have addressed transportation and growth, smart growth, urban infill housing, and the environment and development. This most recent publication in the series offers facts to address eight of the most common myths associated with mixed-income housing, especially misconceptions related to affordability. In support of these facts, it highlights profiles of a variety of mixed-income housing projects and profiles developers with significant experience in this area.

For-profit developers, public agencies, community development corporations, and others can work collaboratively or independently to provide high-quality, attractive living environments that include affordably priced housing. *Mixed-Income Housing: Myth and Fact* is aimed at dispelling common misconceptions related to these housing developments by providing relevant facts and information about a variety of settings in which such developments succeed.

Profile

Wellington

As is the case in many popular resort towns, high housing prices in Breckenridge, Colorado, pose a serious problem for the local workforce. In 2000, the median cost of a single-family home rose to more than $800,000—sending workers 50 miles away to buy or to rent housing. To address this need, Boulder housing developers David O'Neil, John Wolff, and Tom Lyon formed Poplarhouse, LLC, to build Wellington, a new urbanist community of 122 homes, of which 98 are being offered to local workers at moderate, deed-restricted prices. As a neighborhood populated mostly by year-round residents, Wellington provides a welcome sense of community—a rarity in a resort town where most residences are second homes with seasonal occupants. To help preserve the sense of community, market-rate homes cannot be rented for less than six months.

At Wellington, eligibility for below-market-rate housing is not based on income, but on employment: homeowners must work 30 hours per week at jobs in Summit County and reside in the houses they buy. In addition, appreciation

POPLARHOUSE, LLC

Like many popular resort towns, high housing prices in Breckenridge, Colorado, pose a serious problem of affordability for the local workforce.

is limited to 3 percent annually or the percentage increase in the area median Income (AMI), whichever is greater. The homes in Wellington, priced at $220,000 for a two-bedroom duplex and $281,000 for a single-family house with four bedrooms, sell to people making 90 to 120 percent of the AMI. The remaining 24 of the planned 122 homes are priced at market value—close to $375,000 each. The rapid absorption of the units in Wellington suggests that there is strong demand for affordable, permanent resort housing in a traditional neighborhood. Inexpensive land was crucial to building the development—the development team kept costs down by acquiring property in unincorporated Summit County, 1.3 miles away from downtown Breckenridge. The town recently instituted a circulator bus route that links Wellington to downtown Breckenridge.[10]

Myth #1

Mixed-income housing cannot work—high-income residents will not live near low-income residents.

Fact #1

Healthy neighborhoods have long included a blend of incomes—and new developments can achieve the same compatibility.

Mixed-income housing is not a new invention. Throughout the United States and elsewhere, many neighborhoods, especially in urban areas, historically have included a variety of housing types and residents with a mix of incomes. Such communities often contain larger homes as well as smaller, more affordable units on a variety of lot sizes. Both a large home and a small unit may even be part of the same property—as in the case of a smaller accessory unit over the garage of or adjacent to a larger home.

Today, newer developments that include a mix of households with different income levels can take on a variety of forms, from all market-rate housing to a combination of market-rate and assisted affordable rental and/or for-sale housing. Though the strategies to achieve a compatible living environment can vary, mixed-income households can live comfortably in any of these settings. For many communities, offering housing that is affordable to local workers is crucial, as a mix of housing that meets a diversity of needs and incomes allows teachers, police officers, and retail clerks to live in the community in which they work. In all varieties of mixed-income housing, a high-quality development that is well located and well managed and that offers amenities will appeal to higher-income residents with a choice of housing options.

A range of housing types and price points also accommodates the needs of different generations, so that a retired couple on a fixed income who have downsized to a two-bedroom apartment can live down the street from their grandchildren who live in a single-family detached home. Harbor Town, a new urbanist, 136-acre, master-planned community adjacent to downtown Memphis, includes a mix of housing types, with apartments that rent for $800 a month near riverfront houses that sell for $800,000. The development's visual guidelines have resulted in an appealing, shared aesthetic for the community in which lower-priced homes are seamlessly compatible with more expensive homes. The variety of housing options has drawn a wide range of buyers, including empty nesters, singles, families with children, and professional couples.[5]

Developers of master-planned communities seeking a broad market with a range of price points often include a variety of housing products that may be rental as well as for-sale. In particular, many new urbanist communities have sought to build balanced neighborhoods while also meeting market demand.[6]

To revitalize urban neighborhoods, community development corporations may oversee the rehabilitation of existing homes and new construction, with the aim of attracting higher-income residents—while ensuring that current residents are not displaced in the process. In Atlanta, the Historic District Development Corporation (HDDC) has sought to renew the residential neighborhood in the Sweet Auburn National Historic District—birthplace of Martin Luther King, Jr., and home to the national historic site dedicated in his honor—without pricing lower-income residents out of the community. Since 1994, HDDC has worked block by block to re-create a vital, mixed-income neighborhood. Producing more than 50 units of affordable rental housing and more than 110 single-family homes, HDDC has renovated existing houses to highlight their historic architectural features and built new houses that blend architecturally with the existing streetscape.[7]

Mixed-income developments that contain assisted units—often built with developer incentives, or under a partnership between a private, for-profit developer and a public and/or nonprofit entity—can vary in the exact proportion of the income mix, but often include a broad mix of incomes. Generally, the most successful mix (as noted in rental communities) includes moderate-income residents that can bridge the gap between low-income and market-rate tenants.[8] In Tent City, a 269-apartment rental building in Boston, half of the units are targeted for low- to moderate-income households (50 to 120 percent of the median income), while 25 percent are designated for very-low-income households (less than 50 percent of the median income), and 25 percent are market-rate units, creating a successful graduated balance among residents' incomes that downplays differences between the opposite ends of the spectrum.[9]

Profile

Belle Creek

Belle Creek is a 171-acre, mixed-income, master-planned, new urbanist community located in Commerce City, Colorado—a suburban area approximately eight miles northeast of downtown Denver and west of Denver International Airport. The goal of the developers of Belle Creek was to create a mixed-income community offering a walkable lifestyle. Fifty-one percent of the rental and for-sale units are designed to be affordable to households earning 80 percent of the local median income. Housing types and price points span a wide range, from apartment rents that begin at $346 per month to single-family homes that sell for more than $300,000. In addition to affordable rentals, 166 of the for-sale units are priced for households with incomes at or below 80 percent of the area median income, which was $69,900 in the Denver PMSA in 2002, with an option for developer-assisted downpayments for homebuyers if needed. Homes at Belle Creek are a mix of single-family units, townhouses, and multilevel apartments.

MICHAEL PECK

The goal of the developers of Belle Creek was to create a mixed-income community offering a walkable lifestyle. The development plan disperses buyers and renters of various income levels throughout the community.

Belle Creek was conceived by a partnership consisting of Sam Gary, Gene Myers, and Rocky Mountain Mutual Housing. Sam Gary, of Gary-Williams Energy and the Piton Foundation, is a longtime advocate of communities that enable families to move from poverty and dependence to self-reliance. Gene Myers, of Greentree Homes and New Town Builders—a production, custom, and niche-market home developer—is well versed in the homebuilding and land development process and shares Gary's community vision; Myers also has a particular interest in the aesthetics of community planning. Rocky Mountain Mutual Housing—a nonprofit organization with a solid track record in low- and moderate-income housing—joined the team.

In addition to paying a fair-market price for the land, the master developer consented to several covenants as part of the land purchase agreement, including a plan that would disperse throughout the community buyers and renters with a mix of income levels.

Home sales have been very successful. In the beginning, press coverage and word of mouth made advertising virtually unnecessary. A later marketing effort has focused on selling community over selling houses, and the owners of higher-priced homes have shown little resistance to living close to lower-priced housing.[11]

Myth #2

Local regulations make it too difficult to develop mixed-income housing.

Fact #2

Local and state regulations, incentives, and technical assistance can help the private sector to produce mixed-income housing.

Many local leaders realize that an inadequate supply of affordable housing effectively limits economic growth: when people pay too much for housing, they spend less on other goods and services, while businesses cannot expand without enough housing available for their workforce.

Public policy at the state or local level—whether in the form of regulations, incentives, or technical assistance—is key to support the development of mixed-income housing. Inclusionary zoning, density bonuses, and land assembly assistance are just some of the ways that public policy can facilitate the production of mixed-income housing.

Inclusionary zoning is an increasingly popular tool used to stimulate more affordable housing units in a mixed-income setting. With inclusionary zoning, localities can require that some percentage of every new residential development beyond a given minimum size (e.g., 50 units) is offered at a price below the market rate and thus is affordable to lower-income residents. The technique makes the provision of affordable housing predictable and even-handed, and removes it from the political process. Though the details of inclusionary zoning programs vary, typically they provide incentives such as development rights or zoning variances to developers for including affordable housing units in their projects.

In urban areas, municipalities can help developers overcome the problems of land assembly and acquisition that can stand in the way of development. To encourage the construction of mixed-income housing on vacant land, thereby fostering new affordable housing, cities can compile an inventory of vacant

Profile

Montgomery County Inclusionary Zoning

Perhaps one of the earliest and best-known examples of inclusionary zoning is in Montgomery County, Maryland's Moderately Priced Dwelling Unit (MPDU) ordinance, under which private, for-profit homebuilders have built nearly 11,000 MPDUs in mixed-income communities since 1974.[15] The MPDU law requires that at least 12.5 to 15 percent of the units in residential developments of more than 50 units are affordable to households in the lowest third of the county's income range. To offset the lost rent, developers receive a density bonus of up to 22 percent. To ensure continued affordability, the Housing Opportunities Commission of Montgomery County (the local public housing authority) has the right of first purchase of one-third of the affordable units in every new development. The public housing authority has purchased 1,600 townhouses outright and rents another 1,200 apartments in the midst of middle-class neighborhoods. In all, through its MPDU policy and other housing initiatives, the Housing Opportunities Commission has leveraged about 35,000 homes in mixed-income settings.[16]

Beyond Montgomery County, many municipalities around the country have adopted inclusionary zoning ordinances, such as Burlington, Vermont; Boston; Denver; Santa Fe, New Mexico; and San Diego, and many others are considering passing similar measures. In fact, most jurisdictions can trace some aspect of their inclusionary zoning ordinances to the Montgomery County program.[17]

TORTI GALLAS AND PARTNERS

King Farm, a 430-acre, planned community in Rockville, Maryland, will include 3,200 units at buildout. As part of the MPDU program, 12 percent of the units will meet the affordable housing requirements.

lots, plan for land assembly and redevelopment, and streamline the legal and administrative requirements for land acquisition.

A strategic combination of public policy measures can help to stimulate the production of mixed-income housing. Localities can modify area plans, local zoning, subdivision regulations, and building codes to more readily accommodate a mix of unit types or housing products. For instance, by allowing residential development anywhere in the downtown area, reducing parking requirements, and mandating affordable housing, the city of San Rafael, California, has sparked new vitality in its central business district and stimulated mixed-income housing. As a result, 314 units—148 of which are affordable —have been added or approved for the downtown since 1990.[12]

State initiatives also can help stimulate the production of affordable housing in a mixed-income setting at the local level. The Massachusetts Housing Partnership (MHP) is a self-supporting state agency that promotes the development and preservation of affordable rental and for-sale housing in cities and towns across the state through a variety of finance and technical assistance programs.[13] In addition, Massachusetts's Comprehensive Permit Law, also known as Chapter 40B, allows local zoning boards of appeals to approve affordable housing developments under flexible rules if at least 25 percent of the units have long-term affordability restrictions. Since 1970, projects have been approved in 170 communities representing approximately 25,000 units of housing.[14]

Profile

Austin S.M.A.R.T. Housing Initiative

In an effort to provide more affordable housing within the city limits, the city of Austin enacted in May 2000 its S.M.A.R.T. (Safe, Mixed-Income, Accessible, Reasonably Priced, Transit-Oriented) Housing Initiative. "Reasonably priced" housing was defined as affordable for households that make 80 percent of Austin's median income, which then was $44,300 for a family of four. To qualify for S.M.A.R.T. incentives, units must remain affordable for at least five years. Developers who agree to meet S.M.A.R.T. housing standards—incorporating a portion of affordable units, building near mass transit, and developing compatibly with green building standards—qualify for incentives offered by the city.

The incentives include:

- Waived development fees, with the amount waived increasing as the percentage of affordable housing units increases;
- Expedited permitting and zoning reviews;
- Reduced parking requirements; and
- Support from the Neighborhood Housing and Community Development Department in the city's development process.

S.M.A.R.T. housing is funded by the city's Housing Trust Fund commissioned in 2000 at $1 million. Of that total, 75 percent is designated to subsidize the construction of multifamily affordable housing units, with the remainder serving to guarantee home improvement loans for low-income city residents.

The program's stated goal is the development of 5,000 new affordable housing units in the city by 2005. The program has met with a greater success rate than anticipated: in the first two years of the program, 1,400 units of S.M.A.R.T. housing were built, 87 percent of which were affordable. Another 2,100 units are expected to be built during the program's third year.[18]

Profile

Summerfield Homes and Montevista Apartments

Using a combination of financial tools, several public, nonprofit, and private partners collaborated to produce 184 units of mixed-income rental and for-sale housing in the city of Milpitas, California, outside of San Jose in the competitive Silicon Valley housing market. The city of Milpitas chose the BRIDGE Housing Corporation, a Bay Area nonprofit housing developer, to acquire the land, arrange for financing, and build and manage the project. As a nonprofit developer, BRIDGE was able to negotiate a lower price for the county-owned land—which was particularly crucial, as the high cost of land is one of the biggest hurdles to overcome in producing affordable housing in Silicon Valley. To develop the Summerfield subdivision of 114 single-family homes—20 percent of which were below the market rate—BRIDGE partnered with the for-profit developer DKB Homes, LLC, in a profit-sharing agreement. DKB purchased the Summerfield site from BRIDGE, managed Summerfield's public outreach efforts, and led the process to select the buyers of the assisted homes. To develop the adjacent Montevista Apartments, BRIDGE received a $3 million redevelopment loan as well as federal community development block grant (CDBG) and HOME funds from the city and county. Permanent project financing used tax-exempt bonds from the California Housing Finance Agency and the sale of 4 percent tax credits to John Hancock. The completed apartment complex includes a pool, a cabana, play areas, a community building, and fitness facilities.[21]

PHOTO COURTESY OF DKB HOMES, LLC

To build the 114 for-sale Summerfield homes, for-profit developer DKB Homes purchased the site from the nonprofit BRIDGE Housing Corporation, managed public outreach efforts, and led the selection process for the buyers of the assisted homes.

Myth #3

Only nonprofit developers and public housing authorities build mixed-income housing.

Fact #3

For-profit developers produce mixed-income housing in many forms.

For-profit developers can bring market savvy to the development of high-quality, mixed-income housing. Working independently or in partnership with a nonprofit or public agency, for-profit developers can produce mixed-income housing in a variety of forms and types.

Master-planned communities that include a mix of housing types and price points provide greater affordability simply by offering a product at the lower end of the price scale. Knowledgeable developers realize that offering an assortment of housing types at a range of price points reduces the overall risk of the project and can help increase absorption rates. The mix of housing products widens the scope of the target market and allows developments to respond more flexibly to changing market conditions.

For-profit developers also develop mixed-income housing with the help of a variety of federal, state, and local housing finance programs, incentives, or regulatory initiatives that support the development of affordably priced units. For example, the federal low-income housing tax credit encourages the development of affordable rental housing, while localities often offer developers density bonuses as part of an inclusionary zoning program.

An increasing number of for-profit developers are partnering with public agencies and/or nonprofit development organizations to build mixed-income communities that combine market-rate and publicly assisted units. Many public/private partnerships were established under the federal HOPE VI program (Housing Opportunities for People Everywhere) administered by the U.S. Department of Housing and Urban Development (HUD). Established by Congress in 1992 to improve the nation's most severely distressed public housing, HOPE VI encouraged public housing authorities to collaborate with private developers to build new, mixed-income neighborhoods. Approximately 49 different private development firms varying in size, specialization, and experience—including some of the nation's foremost developers—have been involved in more than 80 HOPE VI revitalization projects in 48 different cities.

The redevelopment of First Ward Place offers valuable insight into the mixed-finance process. One of the first housing projects built with HOPE VI funding, First Ward Place is a 406-unit, mixed-income community located on 27 acres adjacent to downtown Charlotte, North Carolina. The development includes 283 units of low- to moderate-income rental housing; 68 housing units for seniors; and 55 for-sale homes available to market-rate and low-income households. NationsBank (now Bank of America) served as a development partner with the Charlotte Housing Authority (CHA). To subsidize the low-income units, NationsBank acquired approximately $10 million in low-income housing tax credits. Rather than collect a development fee, NationsBank agreed to receive half of the net operating income. The $41.7 million HOPE VI grant helped to finance part of the development costs of the project and the program and administrative costs of CHA. CHA has remained the landowner and the improvements are owned by First Ward Place LLC (of which NationsBank and CHA are members).[19]

Public/private collaborations in the development of large-scale, mixed-income housing projects allow partners to share and cultivate their areas of expertise. Such partnerships provide access to conventional financing as well as to municipal, state, or federal funds in the form of grants, tax credits, or other incentives. Nonprofit organizations and public agencies may also be eligible for support from mission-driven foundations committed to affordable housing and community development.[20]

Profile

The Woodlands

The Woodlands, 30 miles north of Houston and one of the country's more successful master-planned communities, today has more than 25,000 residential units, including single-family homes in a wide range of prices and architectural styles (78 percent); townhomes and condominiums (almost 6 percent); and rental apartments (16 percent). A variety of programs have been employed at the Woodlands to provide affordable housing choices for families and seniors, including HUD Section 8, FHA 235 for-sale housing and tax credit programs for rental apartments. To date, more than 1,000 assisted housing units have been developed. Affordable housing choices for employees and customers have supported extensive office and commercial development in the Woodlands, where more than 34,000 permanent jobs have been created since 1974. Companies seeking new corporate locations show a preference for communities in which employees at all levels in their organizations can benefit from a good living environment near their work locations. Affordable housing for seniors has encouraged extended families to reunite in the community, thus strengthening the community through the grandparent-child relationship. The remaining ten to 15 years of development in the Woodlands will benefit from the early commitment to mixed-income housing opportunities.[22]

THE WOODLANDS OPERATING COMPANY, L.P.

A variety of programs have been employed at the Woodlands to provide an assortment of housing choices for families and seniors, and to produce more than 1,000 affordable housing units. The Lennar townhomes are affordably priced, starting from the low $100,000s, making them a popular choice for first-time buyers or retirees.

Myth #4

Affordable housing is unattractive and a blight to the neighborhood.

Fact #4

Mixed-income housing developments help raise the standards for good design in affordable housing, providing appealing residences that blend in with surrounding communities.

When people think of affordable housing, they may imagine the drab, monolithic, concrete high rises that characterized some of the most visible public housing projects of the mid-20th century. Yet the reality is that the design of today's affordable housing—housing that meets the users' needs, is responsive to its context, enhances its neighborhood, and is built to last—has made great strides in the last two decades as its benefits to the community have become more widely recognized.[23] For mixed-income developments, good residential design is often a competitive selling point to attract market-rate residents.

Mixed-income housing and good design are a winning combination that has demonstrated the capacity to encourage faster project approvals, attract the support of future residents, and overcome the fears of neighbors who are uncertain about the prospect of affordable housing next door. As a result, design principles for mixed-income housing typically incorporate human-scale buildings, architectural features that blend in with the surrounding community, walkable neighborhoods, and appealing landscaping. Over the long term, attractive mixed-income housing is becoming a neighborhood asset. Well-designed units also make the property more resilient and likely to succeed over the long term.

The growing popularity of the new urbanism since the early 1990s also has influenced the design of affordable and mixed-income housing. Many new urbanist design features—such as a grid street pattern, on-street parking, sidewalks, and pedestrian-friendly streets— have become common features in affordable and mixed-income housing in the last decade. HUD has collaborated with the Congress for the New Urbanism to urge public

Profile

Park DuValle

Park DuValle, located on approximately 125 acres on the west side of Louisville, Kentucky, is a HOPE VI mixed-income community developed by the Community Builders that, at completion, will have 1,008 rental and homeownership units. The goal of the income mix at Park DuValle is to include lower-, middle-, and upper-income residents, with 40 percent of the units occupied by households making 30 to 50 percent of the area median income, 30 percent of the units occupied by households making 50 to 60 percent of the median income, and 30 percent of the units occupied by households at or above 60 percent of the median income.

Organized according to a new urbanist master plan by Urban Design Associates (UDA)—and with the strong support of then-Mayor Jerry Abramson and the city of Louisville—Park DuValle consists of compact residential blocks in small-scale neighborhoods with houses attractively sited on a boulevard or on narrower residential streets and garages with rear alleys for services. UDA devoted substantial time and attention to the development of a pattern book (a reference for the shapes and forms of buildings in the neighborhood) for Park DuValle, based on traditional architectural styles found in Louisville neighborhoods. The pattern book represents a strategy the firm has employed with great success in community revitalization plans as well as new, market-rate developments. Designed to blend seamlessly with the surrounding neighborhoods, the residences, streets, and public spaces in the Park DuValle master plan seek to build on Louisville's traditions of community design.[25]

THE COMMUNITY BUILDERS

Organized according to a new urbanist master plan, Park DuValle consists of compact residential blocks in small-scale neighborhoods with attractively sited houses.

agencies and their allies to consider design, along with social and economic factors, in building a community.[24]

To further highlight the advantages of well-designed affordable housing, HUD, the National Endowment for the Arts, and the American Institute of Architects cosponsored a publication focusing on design quality—*Good Neighbors: Affordable Family Housing*—and the Web site *Affordable Housing Design Advisor.* The Web site (www.designadvisor.org) provides developers with information and resources to improve the design quality of affordable housing projects.

Mixed-income housing is sometimes achieved by providing a variety of market-rate single- and multifamily product types that are affordable to a range of income levels in a single development or neighborhood (such as a master-planned community). Good design also contributes to an attractive, architecturally compatible community in this type of environment. Rather than segregate multifamily buildings and single-family homes, developers use architectural design to integrate visually a variety of housing products.

Profile

Nava Adé

Nava Adé is a privately developed master-planned community in Santa Fe, New Mexico, built to address the shortage of affordable housing there. The developer of Nava Adé designated 35 percent of the planned 513 units for moderate-income households; the rest are market-rate units. The affordable units are reserved for households earning no more than 120 percent of the county AMI ($59,300 in 1995, the year the land was purchased for development). The developer, Auerbach Southwest, is a diversified private real estate development company offering full services in brokerage, land and property development, and management.

The look and feel of Old Santa Fe—more typical in the area's upscale neighborhoods—is present throughout Nava Adé, along with affordable housing designs and amenities usually associated with higher-end homes. The residential architecture represents Santa Fe's traditional styles, especially the native adobe houses.

AUERBACH SOUTHWEST

Nava Adé's residential architecture represents Santa Fe's traditional residential design, especially native adobe house styles.

The entire project was privately financed, without the use of federal or state tax credits or subsidies. The developer was able to make the project financially feasible with the help of the city of Santa Fe. Although Santa Fe traditionally has maintained a no-growth policy, Auerbach Southwest petitioned the city to annex the subdivision (which bordered the existing city limits) in order to obtain water and sewer service and make the development possible. The planning commission approved the petition based on the developer's promise to allocate 35 percent of the units to affordable housing.

Little marketing has been necessary. The market-rate homes sell for $170,000 to $250,000, while the affordable units are priced from $70,000 to $110,000. All units have three or four bedrooms. During the first year, all 143 homes built were sold, and in 2001, the following year, 78 more houses were constructed and sold. With the success of Nava Adé, Auerbach Southwest has been exploring additional opportunities to build communities with affordable housing.[26]

Profile

Stapleton Airport Redevelopment

The city of Denver, under the leadership of Mayor Wellington Webb, has taken an aggressive stance in promoting the development of more affordable housing. Denver's former Stapleton Airport—currently the nation's largest urban infill development—includes a mixed-income residential component. In 1999, the city of Denver and the Stapleton Development Corporation selected Forest City as their private partner in the development of Stapleton. The 15-year plan for total buildout envisions more than 12,000 homes, 3 million square feet of retail space, 10 million square feet of office/industrial space, and over 1,100 acres of regional parks and open space.[28] The Stapleton Workforce Housing Program designates 10 percent of the owner-occupied homes (800 units) and 20 percent of the apartments (800 units) for households at or below 80 percent of the area median income (AMI). To maintain long-term affordability of the owner-occupied homes, each of the units will have a deed with a 30-year price restriction that allows the owner to realize some of the home's appreciation in the value but keeps the price below market value. At the end of the 30 years, a nonprofit entity—created to control and monitor the for-sale units—has the option of buying back the homes at the restricted price and re-restricting the units, or letting them be sold on the open market and collecting the difference in price. Forest City also has donated acreage for 200 units of affordable housing that will be reserved for people with incomes of 30 to 50 percent of the AMI.[29]

DRAWING COURTESY OF FOREST CITY-STAPLETON

The Stapleton Workforce Housing Program designates 1,600 rental and for-sale units for households that have incomes at or below 80 percent of the area median income (AMI). Roslyn Court offers the first homes for sale at Stapleton that will be restricted for purchase by police officers, firefighters, teachers, nurses, and others with "workforce" incomes.

Myth #5

The marketplace can meet the demand for moderate-income housing.

Fact #5

The marketplace needs help to supply enough housing, especially for working families; mixed-income developments can alleviate that need, providing housing that is safe, livable, and close to employment centers.

More than any government program, the marketplace typically can provide more housing that is affordable through the process of filtering: older housing stock becomes affordable to low- and moderate-income households as the older housing units decrease in value and higher-income households move on to new, high-quality housing. However, the marketplace has not provided an adequate supply of decent affordable housing, especially in locations that are low in crime, have good schools, and are close to employment centers. And increasingly, workforce families—families earning too much to be eligible for housing assistance but often not enough to afford market-rate housing—are finding that having a job does not guarantee a place to live at an affordable cost. Recognizing that gaining public support for new affordable housing can be difficult, many communities are exploring mixed-income housing as a way to provide workforce housing.

The last decade's rapid appreciation in home prices in many housing markets has outstripped the means of many moderate- and low-income working households, including teachers, police officers, sales clerks, and clerical workers, forcing many to spend more than 30 percent of their incomes—in some cases, as much as 50 percent—on housing. The dire shortage of workforce housing, especially near job centers, means that workers must endure long commutes from far-flung residential developments—worsening highway congestion, accelerating urban sprawl, consuming open space, and threatening a region's economic competitiveness.

According to a study by the National Housing Conference examining the availability of decent, affordable housing for workers in five "vital occupations" in 60 of the nation's largest housing markets, janitors could afford to rent a one-bedroom apartment in only six of the 60 metropolitan areas, while salespersons could rent a one-bedroom apartment for no more than 30 percent of their income in only three of the areas. Neither janitors nor salespersons could afford to rent a two-bedroom apartment in any of the 60 areas studied. As for homeownership, the report found that households dependent on the salary of one elementary school teacher or one police officer alone could not afford to buy a median-priced home in two-thirds of the metropolitan areas. Retail salespersons and janitors could not afford to purchase a home in any of the markets studied.[27]

Mixed-income housing allows working families to live in the communities in which they are employed while augmenting the marketplace's insufficient supply of affordable housing. Government policies and developer incentives such as inclusionary zoning, density bonuses, expedited reviews, parking requirement mitigation, rebates, and fee waivers can all support the construction of mixed-income housing in the marketplace.

Profile

Corcoran Jennison Companies

Established in 1971, the Corcoran Jennison Companies is a private, for-profit developer of a range of projects from luxury resorts to affordable housing, as well as other properties. Headquartered in Boston, Corcoran Jennison has developed more than $1.8 billion worth of real estate. It has built, developed, and currently manages more than 26,000 units in its multifamily division, many of which are in mixed-income communities. The company is a pioneer in the use of the mixed-income-housing concept, particularly in conversions of distressed urban multifamily housing into successful mixed-income neighborhoods.

Recognizing that the market alone cannot serve the economics of producing affordable housing, Corcoran Jennison is developing mixed-income housing, using its expertise with governmental assistance programs. One of the company's best known mixed-income developments, the Harbor Point Apartments in Boston, was a $250 million project financed through a consortium of private and public sources, including an urban development action grant (UDAG), a Massachusetts Housing Finance Agency (MHFA) insured loan, the State Housing Assistance Rental Program (SHARP), syndicated tax credits, and mortgage-backed securities. Of Harbor Point's 1,283 apartments, two-thirds are market-rate units and one-third are for low-income households.[30]


CORCORAN JENNISON COMPANIES

Harbor Point, in Boston, an award-winning national model for transforming public housing into private, mixed-income housing, is one of Corcoran Jennison's best-known developments. The $250 million project was financed through a complex package of private and public sources.

Myth #6

Financing for mixed-income housing developments is unavailable or hard to come by.

Fact #6

There are many sources of financing to support the development of mixed-income housing.

Mixed-income developments with all market-rate units (such as a master-planned community with a range of price points) usually rely on conventional financing. However, mixed-income housing developments containing assisted units can draw on many sources of financing—and may in fact have more options than market-rate housing. Because additional funding comes from government sources layered with conventional sources, financing generally is more complex in a development with assisted units. Financing tools for mixed-income housing may include tax-exempt bonds, low-income housing tax credits, housing trust funds, tax increment financing, and revolving loan funds. These supplemental funding sources typically have regulatory and reporting requirements and often operate on annual cycles that govern when money is paid out.

The federal government sponsors the following programs that can help support the development of mixed-income housing:[31]

- *HOME Investment Partnerships Program*—a block grant program that provides funds to states and localities on an annual basis. Funds may be used for a variety of affordable housing activities.
- *Community Development Block Grant Program*—provides funds to eligible metropolitan cities and urban counties on an annual basis. Emphasis is on use of funds to benefit low- and moderate-income families.
- *Community Development Block Grant Program/Section 108 Loan Guarantees*—enables state and local governments to obtain federally guaranteed loans that can be used for a variety of housing and community development activities.

Profile

MassHousing

MassHousing (formerly the Massachusetts Housing Finance Agency) is the state's affordable housing bank, created by an act of the legislature in 1966 as a self-supporting, independent public authority charged with increasing affordable rental and homeownership housing in Massachusetts. The agency lends money at rates below the conventional market rate to support rental and homeownership opportunities for low- and moderate-income residents of Massachusetts, relying on private nonprofit and for-profit developers to construct and operate the rental housing that it finances. MassHousing sells federally authorized, tax-exempt, and taxable bonds to individual and corporate investors, raising private capital for mortgages that it loans to eligible borrowers. This money is loaned at rates that are well below those offered by conventional lenders, thus making the housing financed more affordable to low- and moderate-income households.

MassHousing makes financing available to developers proposing to construct new, mixed-income rental housing developments in which a minimum of 20 percent of the units are affordable to low-income households, or to refinance and extend affordability requirements at existing developments through innovative and award-winning programs. MassHousing offers "one-stop shopping" for developers of mixed-income rental housing by providing construction, bridge, and permanent financing at rates below conventional interest rates. Since making its first loan in 1970, MassHousing has provided more than $6 billion to finance more than 60,000 apartments and 40,000 home mortgages throughout the state.

GREIG CRANNA

Avalon Oaks, in Wilmington, Massachusetts, is a 204-unit mixed-income development with 41 units set aside for low-income families. MassHousing financed Avalon Oaks in 1998 with a $17.8 million permanent loan. The project's developer was AvalonBay Communities, Inc.

- *Low-Income Housing Tax Credit Program (LIHTC)*—provides investor equity capital to reduce debt service on multifamily rental housing. Established by the Tax Reform Act of 1986, this program authorizes a federal tax incentive for the construction or rehabilitation of rental housing units occupied by low-income households. The LIHTC provides the owner with a tax credit to offset federal income taxes for a period of ten years. The size of the tax credit is based on the construction or rehabilitation costs for the low-income units.

As state-chartered authorities established to help meet the affordable housing needs of the residents of their states, state and local housing finance agencies also provide a source of funding for mixed-income housing. These agencies administer a wide range of affordable housing and community development programs, including federally authorized housing programs such as the Mortgage Revenue Bond program, the Low-Income Housing Tax Credit Program, and the HOME Investment Partnerships program.

Housing trust funds, administered at the state and local levels, offer another means of providing a dedicated revenue stream to support the development and retention of affordable housing. About 150 states and localities have established housing trust funds.[32] These public funds can be established by law at the national, state, or local level and perpetuated by ongoing revenues from dedicated sources of funding such as taxes, fees, or loan repayments. Typically, a housing trust fund is established through legislation that increases an existing revenue source, such as a real estate transfer tax, with the increase committed to the housing trust fund.[33] In 1992, the state of Florida passed the Sadowski Act, creating the largest dedicated revenue source for affordable housing in the nation. Under the act, funds are shared between state (30 percent) and local (70 percent) housing trust funds. Now generating more than $185 million a year, the Sadowski Act has assisted more than 87,000 households with affordable homeownership or rental housing and leveraged an estimated $2.4 billion in private and public sector investments since its inception.[34]

LARA SWIMMER

A joint public and private venture—the Hollywood Library/the Bookmark Apartments—combines a branch public library with a 47-unit, mixed-income rental complex called "the Bookmark" and ground-floor retail space.

In its postdevelopment phases, mixed-income housing has much in common with other residential developments—requiring funds to market units, exercise high-quality maintenance and management, and endure cyclical downturns in the housing market—while it maintains resources to subsidize the housing costs for lower-income residents.[35]

Profile

The Hollywood Library/The Bookmark Apartments

A joint public and private venture, the Hollywood Library/the Bookmark Apartments is an innovative, transit-oriented, mixed-use project in the Hollywood District of Portland, Oregon. The project combines a 13,000-square-foot branch library, owned by Multnomah County, with a 47-unit, mixed-income rental complex called "the Bookmark" and 815 square feet of ground-floor retail space, owned by Sockeye Development, LLC.

The construction of the library cost $3.5 million, and was funded from a $29 million county bond. The Bookmark Apartments and adjacent retail space, which cost $6.5 million, was financed with 4 percent in low-income housing tax credits administered by Oregon Housing and Community Services, tax-exempt bonds, a Portland Development Commission loan, and developer equity.

Nineteen apartments are reserved for households at or below 60 percent of the area median income, while the remaining 28 units are available at market rate. The library occupies most of the ground floor of the four-story building. Residents have access to a generous landscaped courtyard on the south side of the building.[36, 37]

Profile

The Reservoir

Located six blocks from the state capitol and the downtown business district in Madison, Wisconsin, the Reservoir development is a resident-managed, limited-equity cooperative that helped to launch revitalization and new market-rate housing in the surrounding neighborhood. Of the 28 units, seven units are designated for low-income residents, 14 for moderate-income households, and seven for market-rate units.

The city of Madison owned the site and offered it to developers who would meet the city's development and design criteria, competitively selecting a nonprofit owner-architect team—Madison Mutual Housing Association (MMHA) and Design Coalition, Inc.—for the project. The units are designed as two-story flats and attached townhouses, with architectural details and a density of 18 units per acre that blend in with the surrounding neighborhood. Through a series of public meetings and negotiations over density and design issues, developers were able to overcome the initial opposition of neighbors to the project. In the end, the new housing not only made constructive use of long-vacant land—but also generated subsequent rehabilitation efforts on adjacent blocks where for-profit developers have added about 150 units both in rehabilitated warehouses and in new construction.[44]

Myth #7

Mixed-income housing brings down the property values of neighboring residences.

Fact #7

Mixed-income housing has been found to make no difference in the values of adjacent properties.

Neighbors of mixed-income housing developments may express concern about the impact of low- to moderate-income housing units on their property values. Yet, numerous studies around the country consistently have indicated that affordable housing has a positive or neutral effect on neighboring property values. In San Francisco, a study of 3,000 sales of low-cost, for-sale homes built by the BRIDGE Housing Corporation, an affordable housing development company in the Bay Area, showed no decline in the values of properties nearby over a four-year period.[38] In the Twin Cities, affordable rental housing developments built in the 1990s made no difference in the property values of neighboring homes.[39] And in Montgomery County, Maryland, a comparison by zip code as well as countywide showed no significant difference in price trends between nonassisted homes located near assisted units and the market as a whole.[40]

THE DESIGN COALITION

Located six blocks from the state capitol and the downtown business district in Madison, Wisconsin, the Reservoir is a resident-managed, limited-equity cooperative that helped to launch revitalization and new market-rate housing in the surrounding neighborhood.

New affordable housing can improve neighborhood stability and appeal, and in doing do, actually can boost nearby property values. A study in Minneapolis found that housing developed by nonprofit organizations and then renovated into affordable rental units helped to improve safety in the buildings—and to increase adjacent property values.[41] A study of more than 6,000 homes in Wisconsin found that nearby housing constructed with low-income housing tax credits had no impact on property values in the Milwaukee metropolitan area, and led to an appreciation of property values in Madison.[42]

Mixing more affordable housing types with higher-end residential development also can generate concerns about property values—such as the perception that multifamily housing will have negative effects on the property values of neighboring single-family homes. However, there is no evidence that multifamily communities have led to a devaluation of single-family homes nearby. In fact, according to the American Housing Survey, there is no evident difference in the appreciation of value of single-family homes located near apartments or condominiums and those that are not. For example, between 1997 and 1999, the average annual appreciation rate for single-family homes located within 300 feet of multifamily buildings was 2.9 percent compared with 2.7 percent for single-family homes having no apartments or condominiums within 300 feet.[43]

Profile

The Impact of Affordable Family Rental Housing on Home Values in the Twin Cities

A study conducted in the Twin Cities by Maxfield Research examined how affordable rental tax-credit developments affected adjacent property values. The Family Housing Fund, a Minneapolis-based nonprofit organization that supports the creation of affordable housing in the Twin Cities, sponsored the study. The research concluded: "There is little or no evidence to support the claim that the tax-credit family rental developments in [the] study eroded surrounding home values." More specifically, the study included the following findings:

- In general, homes in the subject areas around the 12 affordable tax-credit developments studied exhibited similar or stronger market performance after the affordable properties were built than before, as well as stronger or comparable home sales from a control group.
- The markets surrounding the tax-credit developments became stronger as a group compared with the Twin Cities overall.
- The selling time on the market for nearby properties varied comparably before and after development of the affordable rental housing.
- As a group, the subject areas—with both townhouses and single-family homes—had a significantly higher average annual per-square-foot appreciation after the affordable rental developments were built than before.[45]

Myth #8

Community opposition to new mixed-income housing is an insurmountable obstacle.

Fact #8

Mixed-income housing can be an appealing option that lends itself to community acceptance.

Profile

Timberlawn Crescent

Timberlawn Crescent, a mixed-income rental community, integrates affordable housing with market-rate units owing in part to requirements imposed by Montgomery County's inclusionary zoning policy.

Initially, residents of the surrounding community strongly opposed the Timberlawn Crescent development, despite numerous meetings to solicit neighborhood input during the planning process. Upon seeing the actual design of the buildings, however—with assisted units that are indistinguishable from those that are market rate—neighbors were reassured and their concerns put to rest. The development's moderate density, with buildings designed as two-story townhouses over flats, is comparable to that of surrounding communities. The architect sought to site the buildings to preserve as many of the existing tulip trees as possible, creating a buffer between buildings.[54]

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND

Residents of the community surrounding Timberlawn Crescent initially opposed the development. Upon seeing the actual scheme of the buildings—designed comparably to surrounding developments, as two-story townhouses over flats—they were reassured, and accepted the development.

Proposed mixed-income housing developments can face significant challenges from NIMBY neighbors protesting "Not In My Back Yard!" because of concerns about the perceived fiscal, social, and environmental impacts of affordable housing units. The objections—which can come from low-income as well as affluent neighbors—include fears of poorly designed units, higher densities, increased crime, and lowered property values (in higher-income areas) or a disproportionately high share of affordable housing (among lower-income residents). Sometimes, negative stereotypes about low- and moderate-income families, people of color, and new immigrants can arouse community opposition.[46] While the neighborhood concerns vary, a savvy developer with a good reputation and a history of producing high-quality products can win community support.

Attractive design, attention to details, and good community relations are important assets with which to leverage community support for a project. In many cases, mixed-income developments that include market-rate housing are a politically palatable solution to providing affordable housing. For example, in more affluent areas that offer better schools and job opportunities, a mixed-income approach with high-quality design and management may be particularly important in order to build affordable housing successfully.[47] At the mixed-income Oak Park Village housing development in Boise, Idaho, some neighbors initially resisted the affordable housing component of the project. The mayor of Boise strongly supported the project, encouraging excellent architectural design. Negotiated amenities, such as the addition of more green space and extended streets and sidewalks in the new community, proved to be the persuasive elements that convinced the opposition.[48]

Evidence of good management practices can also ease community concerns. As part of the development of the Ashwood Court apartments in Northridge, California, developer McCormack Baron & Associates provided uneasy neighbors with background on its property management experience, which included direct hands-on operation of its properties, as well as criminal background checks and credit reports on prospective residents.[49]

Attracting higher-income residents can also create a challenge: overgentrification. CDCs often buy and rehabilitate vacant units in a neighborhood and market the neighborhood, its low housing costs, and urban and cultural amenities to attract higher-income residents. As a result, CDCs must ensure that an influx of higher-income households does not displace lower-income neighborhood residents as the area becomes gentrified. To preserve the affordability of the neighborhood for lower-income residents, CDCs may work to protect and expand the supply of affordable housing; control land for community development; establish community land trusts and limited-equity housing cooperatives; support the creation of housing trust funds and inclusionary zoning policies; and apply creative financing strategies to fund these efforts.[50]

In all cases, the developer's careful planning and good communication with neighbors are essential to winning community acceptance of a proposed mixed-income housing development. Techniques to minimize opposition to and mobilize support for affordable housing projects include developing strong community relationships, educating the public about the project, offering examples of successful projects, and negotiating in a way that includes a savvy concession strategy.[51]

In concert with the developer's efforts, strong support from local government is key to defusing or overcoming community opposition to affordable housing. Local planning and zoning regulations aimed at fostering the construction of affordable housing—such as inclusionary zoning—can help make affordable units a natural and accepted part of residential development over the long term. The city of San Diego conducted intensive outreach efforts to earn community acceptance of its "City of Villages" plan—designed to address growth and improve existing communities by clustering together diverse, mixed-income housing; commercial uses; employment centers; schools; and civic uses in areas where a high level of activity already exists.[52] To gain public approval of the plan, city officials held numerous public meetings and published reports emphasizing the positive aspects of well-planned, dense development—including increased tax revenue, expanded job opportunities, new housing opportunities, additional public amenities, and revitalization of blighted areas.[53]

Profile

McCormack Baron and Associates

St. Louis–based McCormack Baron & Associates (MBA) is a national real estate developer with special expertise in the creation of new, mixed-income communities and an emphasis on historic properties and declining urban neighborhoods. MBA is noted for its "community-building" approach to neighborhood development. The firm has developed 83 projects in 22 cities at a total cost of more than $1 billion.

A key underpinning of MBA's development approach is to establish a strong relationship with all components of the local community, including community development corporations, future residents, neighborhood members, government officials, businesses, foundations, and church leaders. These relationships earn support for the development within the community and can help to attract local, state, and federal funding.[55]

MCCORMACK BARON & ASSOCIATES

McCormack Baron & Associates is noted for its "community-building" approach to neighborhood development. Westminster Place—a large-scale, mixed-income residential community in a distressed St. Louis inner-city neighborhood formerly called Gaslight Square—features a variety of residential rental products, as well as for-sale duplexes and single-family homes.

Mixed-Income Housing: Myth and Fact Source Guide 2003

Organization/Agency/Community	World Wide Web Address
Affordable Housing Design Advisor	www.designadvisor.org
Association of Bay Area Governments	www.abag.ca.gov
Austin Housing Finance Corporation S.M.A.R.T. Housing Initiative	www.ci.austin.tx.us/ahfc/smart.htm
The Brookings Institution Center on Urban and Metropolitan Policy	www.brookings.edu
The Family Housing Fund	www.fhfund.org
Joint Center for Housing Studies of Harvard University	www.jchs.harvard.edu
Massachusetts Housing Partnership	www.mhp.net
National Housing Conference	www.nhc.org
National Housing Institute	www.nhi.org
National Trust for Historic Preservation	www.nationaltrust.org
Policy Link Equitable Development Tool Kit	www.policylink.org
ULI Development Case Studies	developmentcasestudies.uli.org
ULI Land Use Policy Papers	policypapers.uli.org
U.S. Department of Housing and Urban Development Policy, Development and Research Information Service	www.huduser.org

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