

ISSUE: HOW TO PROMOTE MIXED INCOME HOUSING?

Issue: New rental housing for extremely-low-income families faces increasing community resistance. Existing concentrated-poverty properties continue to be difficult to sustain. Many believe it is time to embrace mixed-income approaches. It should be noted, however, that the primary affordable housing problem in America (in some communities, the only affordable housing problem) is an extreme shortage of housing of acceptable quality and with rents affordable to extremely-low-income households (below 30% of area median income). This proposal is not an attempt to ignore that problem or to undermine other efforts to address it.

Proposal: The Commission should recommend a series of mixed-income guiding principles and best practice approaches.

Discussion: See the Mixed Income Housing background paper.

Recommendations: The Task Forces recommend that the Commission endorse the following as suggested approaches for creating and sustaining mixed income rental housing:

1. **Prioritize Mixed-Income Proposals.** Newly-developed affordable housing for lower-income families should be provided in mixed-income communities vs. concentrated-poverty communities (affordable housing for lower-income seniors can continue to be provided in exclusively lower-income properties). Existing concentrated-poverty communities should be transitioned to mixed-income communities wherever feasible (consistent with preservation of housing opportunities for extremely-low-income families).
2. **Preserve Existing Mixed-Income Communities.** The case for preservation is especially strong for properties that are already mixed income communities. Moreover, the process of preservation should not interfere with factors (such as working family preferences, or set-asides for the very poor, or strong management) that helped to produce the mixed income community in the first place. Finally, if existing mixed income properties include barriers to occupancy by working families, or lack a set-aside for the very poor, those features should be added during the preservation transaction.
3. **Identify Potentially Mixed Income Properties.** Family properties in immigrant gateway cities have above-average potential for achieving a mixed income profile. The same is true for properties in cities with tight housing markets, and properties in good neighborhoods. When such properties are preserved, consideration should be given to changes (such as removing barriers to occupancy by working families in concentrated-poverty properties, adding set-asides for the very poor in properties lacking ELI residents, and converting project-based §8 to tenant-based §8 for some of the units) that would facilitate mixed income communities (again, consistent with preservation of ELI housing opportunities).
4. **Pay Attention to Neighborhood.** A property that is located in a viable neighborhood -- with low poverty rates, good schools, low crime rates, and good access to jobs -- is very

likely to succeed. Conversely, a property that is located in a troubled neighborhood is very likely to fail.

5. **Select Locations Carefully.** Additional time and money spent on site selection are extremely likely to be good investments. In general, mixed-income approaches should not be attempted in high-poverty areas except as part of a neighborhood-wide transformation effort, with provision for greatly increased management intensity, and with provision for appropriate non-housing services.
6. **Pay Attention to Management.** By comparison to otherwise similar properties, mixed income communities need more experienced management, and more intensive management. There is also evidence that management quality, and service programs initiated by management, can have a powerful effect on the degree to which the lowest-income residents achieve economic independence. There is evidence that excellent maintenance is essential for the success of mixed-income communities. There is evidence that high standards (for management and residents) are an essential feature for successful mixed-income communities. The management fee must be adequate to attract and retain the quality of management needed to ensure the success of the community.
7. **Use Conservative Rent Projections.** At least initially, market-rate units within a mixed income community are likely not to achieve the same rents that could be achieved without the income mix.
8. **Manage The Mix Carefully.**
 - 8.1. Especially in the best properties, a formal mechanism is needed to ensure that the intended percentage of units is actually occupied by lower-income households.
 - 8.2. All else equal, if the disparity between lowest and highest incomes is relatively modest, the property is more likely to succeed.
 - 8.3. There is considerable evidence that a mix of 15%-20% non-working families can be successful.
 - 8.4. A mix with more than 20% non-working families should be attempted only with a very experienced sponsor, with a qualified and experienced management team, and with significantly more intensive management.
 - 8.5. Unless the local public schools are considered to be good, it is unrealistic to expect long-term occupancy by higher-income families with children.
 - 8.6. Build in flexibility to change the mix over time. Markets and neighborhoods, change, sometimes making a mockery of rigid requirements.
 - 8.7. Consider a mix that mirrors local demographics. Such a mix is likely to be more attractive to local decision-makers.
9. **Allow Flexibility in Marketing.** Decisions about whether, and if so how, to actively market the mixed-income nature of the community should be left to the owner and manager. The optimum marketing approach may vary from property to property, even within the same metropolitan area.
10. **Provide Consistent Unit Quality.** The lower-income and upper-income units should have the same levels of quality, components and finishes.

11. **Avoid Rigid Rules Concerning Unit Mix.** The mix of market-rate units should be responsive to market demand. The mix of lower-income units should be responsive to community housing needs. It is not necessarily best to require, for example, that 20% of each unit type be designated for low-income occupancy.
12. **Use Partial §8 (Project-Based or Tenant-Based).** Partial §8, in an otherwise market-rate (or modestly below-market) property, is a very effective means for mixing very-low-income households with moderate-income households. This should be a primary strategy for the utilization of incremental vouchers.
13. **Avoid Full §8.** Conversely, it is difficult (although not impossible) to create and sustain a mixed income community when most or all households receive §8 assistance, because some §8 targeting rules can, over time, result in a concentrated-poverty community. In general, barriers to occupancy by working families need to be removed, so as to create and sustain a mixed-income §8 community. A preference for working families for some of the units, and ceiling rents (modestly below market), are examples of initiatives to remove these barriers that also preserve housing opportunities for extremely-low-income families.
14. **Ensure Affordable Units Are Accessible to Voucher Holders.** Owners who accept public funds to create affordable rental housing should also agree:
 - 14.1. To work cooperatively with the PHA, so that the PHA and voucher holders have information about the property.
 - 14.2. To participate in any local registries of housing available to voucher holders.
 - 14.3. To adopt voucher-friendly resident selection policies (e.g., any rent – to – income ratios apply to the resident’s portion of the rent, not to the total rent).
 - 14.4. Not to discriminate against voucher holders, up to a reasonable percentage of units.
15. **Prioritize Developers Willing to Commit to Occupancy by Voucher Holders.** When allocating subsidy funds, consider giving priority to proposals that include good faith commitments to house a particular number of voucher holders (this goes beyond a commitment not to discriminate and involves instead a commitment to actually house voucher holders).
16. **Avoid Income-Segregated Buildings or Areas.** Income mixing should be the norm throughout the property, without creating identifiable low-income or moderate-income areas or buildings.