MIXED-INCOME HOUSING: ASSUMPTIONS AND REALITIES

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ABSTRACT

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Current Federal, State, and local San Francisco housing policy advocates mixed-income housing as a positive approach to creating living environments for low-income families. Strategies for creating mixed-income housing environments include large-scale public housing re-development efforts, inclusionary housing policies, and the use of discretionary funding for mixed-income development projects. Researchers agree that there is not yet enough evidence to support that mixed-income strategies are achieving positive results and have noted that the expected outcomes for mixed-income strategies are founded upon a number of assumptions. It is assumed that a mix of households at varying income levels will result in greater stability, improved access to services and resources, opportunities for social networking, and greater social control leading. This study addresses the root of these assumptions and presents findings regarding the perceived success of mixed-income development in realizing desired outcomes. Results are presented based on in-depth interviews with housing industry experts. This study aims to provide a clearer picture of why mixed-income development has gained popularity and how the strategy may be better understood and utilized in future housing development. **Keywords:** mixed-income housing, housing policy, HOPE VI, affordable housing

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1. Introduction

Contemporary housing policy advocates mixed-income development as a positive approach to creating living environments for low-income families (Smith, 2002; von Hoffman, 1996; Joseph et al., 2007; HUD, 2003; Myerson, 2003). While the strategy is not new (Schwartz and Tajbakhsh, 1997), the idea of mixed-income gained interest following the 1987 release of William J. Wilson's influential work, "The Truly Disadvantaged." Wilson's work documented the negative impacts of high concentrations of poverty including poor school performance, low earnings and employment levels, and high rates of crime and teenage pregnancy (Smith, 2002; Fogel et al., 2008; Joseph, 2006).

In response, housing strategists have implemented policies and programs promoting the deliberate mixing of residents with varying income levels. Mixed-income programs seem to follow the simple logic that if concentration is bad, then mixing must be good (Smith, 2002). Public housing dispersal programs promoting the integration of low-income families into middle-income neighborhoods were initiated as early as the 1960s (Goetz, 2003). However, the 1992 launch of the HOPE (Housing Opportunities for People Everywhere) VI program is credited with the current housing policy focus on mixed-income (HUD, 2003).

According to the United States Department of Housing and Urban Development (HUD) 1997 FHA Mixed-Income Underwriting Guidelines, "HUD believes that the intentional mixing of incomes and working status of residents, if done with care, can enhance the quality of life for residents while improving the economic viability of

multifamily developments, particularly former public housing developments, and strengthen neighborhoods” (p. 1). In the period from 1993 to 2006, the HOPE VI program issued 607 grants for mixed-income projects nationwide at a cost of approximately \$6.2 billion (HUD, About HOPE VI).

In addition to HOPE VI, HUD has directed funding toward mixed-income projects through the HOME Investment Partnership program and suggested local methods for implementing mixed-income communities such as inclusionary zoning and affordable unit set-aside programs (HUD, 2003). HOME is the largest federal block grant program, offering approximately \$2 billion in grants every year (HUD, HOME Investment Partnerships Program).

Mixed-income has gained further attention from the new urbanist movement spearheaded by the Council for New Urbanism (CNU). CNU and HUD co-authored “Principles for Inner City Neighborhood Design,” document outlining design principles for achieving desired social outcomes from HOPE VI mixed-income developments (Kleit, 2005). CNU cites mixed-income as a key element of a “sustainable” neighborhood and states in its charter that “a broad range of housing types and price levels can bring people of diverse ages, races, and incomes into daily interaction, strengthening the personal and civic bonds essential to an authentic community” (CNU, Charter of the New Urbanism).

The Urban Land Institute, a real estate education and advocacy group primarily focused on private sector interests, produced a guidebook to mixed-income development in 2003. The guidebook aimed to dispel negative “myths” about developing mixed-income sites and introduced eight “facts” endorsing mixed-income as a means of

enhancing social congruity, achieving neighborhood approval for projects, and obtaining project financing (Myerson, 2003).

The U.S. Green Building Council includes mixed-income as criteria on its LEED ND (Leadership in Energy and Environmental Design for Neighborhood Development) 2009 Project Scorecard (USGBC, LEED for Neighborhood Development). LEED is a ranking system offering accreditation to developments achieving sustainability by minimizing negative impacts and utilizing “smart” principles for preserving and enhancing neighborhood fabric (USGBC, LEED for Neighborhood Development).

In San Francisco, the City has included mixed-income as a guiding principle in the 2009 draft General Plan Housing Element Update and initiated the HOPE SF program in 2004 with the mission to “Transform 2,500 severely distressed housing units into sustainable and vibrant mixed-income communities of over 6,000 homes” (SFHA, HOPE SF). San Francisco broke ground on Hunters View, the first of seven planned HOPE SF projects, in April 2010 (Knight, 2010). The effort was made possible by a \$95 million bond, backed by \$5 million in general fund money (Knight, 2010).

The Hunters View project aims to redevelop 1950s barracks-style public housing in a low-income area of San Francisco. When complete, the project will include approximately 800 mixed-income units including rental and home ownership units (Knight, 2010). The City is actively engaged in plans for the redevelopment of additional public housing sites including Sunnydale in Visitacion Valley, Potrero in Potrero Hill, and West Side Courts in the Western Addition (Knight, 2010).

In adopting these policy statements and programs, mixed-income advocates have made a number of assumptions regarding the benefits for low-income residents living

among higher-earning households. These assumptions have largely been derived from studies on social behavior conducted without the intention of influencing housing policy and studies from housing dispersal programs including the national Moving to Opportunity for Fair Housing Demonstration Program and the Gautreaux Assisted Housing Program in Chicago.

It is assumed that a mix of households with varying incomes contributes to a more stable environment whereby families can stay in a given environment even as their income and lifestyle fluctuates (Epp, 1996; Smith, 2002; HUD, 2003). Mixed-income environments are expected to attract better services and amenities than those serving only low-income residents, providing access to quality goods and proximity to higher paying jobs (Joseph et al., 2007; Epp, 1996; Joseph, 2006; Manzo, 2008; HUD, 2003). It is assumed that low-income residents will benefit from an enhanced social network where higher income residents will serve as positive role models and possible links to job opportunities (Joseph et al., 2007; Epp, 1996; Joseph, 2006; Manzo, 2008; Smith, 2002; Kleit, 2005; HUD, 2003). It is also assumed that low-income residents will benefit from greater security by living among higher-income individuals who are thought to be more attentive to residential rules and regulations (Joseph et al., 2007; Joseph, 2006; Manzo, 2008; Smith, 2002).

Despite the enthusiasm for mixed-income strategies, researchers agree that there is not yet enough evidence to conclude that mixed-income housing environments are living up to expectations or achieving desired outcomes (Brophy and Smith, 1997; Schwartz and Tajbakhsh, 1997; Joseph, 2006; Joseph et al., 2007; Manzo, 2008; Duke, 2009). The need for empirical research is becoming more necessary as investment in

mixed-income based strategies is growing, without solid evidence of effectiveness, at a time when budgets are shrinking and the need for affordable housing is increasing (Joseph, 2006). As Schwartz and Tajbakhsh (1997) note, until more research amasses, “advocacy of mixed-income housing will be based largely on faith and on dissatisfaction with the previous thrust of low-income housing policy” (p. 81).

The primary objective of this study is to contribute to the understanding of the extent to which mixed-income housing developments are meeting expectations and assumptions in transforming the lives of low-income residents and facilitating cohesive communities. This study is focused on mixed-income developments in California, with a particular emphasis on the San Francisco Bay Area. The study is an inquiry into the perceived degree of success of existing mixed-income housing developments in regards to improving stability, social structure, job advancement, and security for low-income residents. This study addresses these issues by compiling and analyzing the results of interviews with experts in the field of mixed-income housing. Experts include experienced, high level directors in State and local governments, non-profit and for-profit housing developers, as well as an urban designer and a policy analyst.

It is important to note that the term “mixed-income” has been used to describe a number of housing and neighborhood development strategies. Researchers agree that there is no formal definition of mixed-income in the housing field (Brohpy and Smith, 1997; Epp, 1996; Khadduri and Martin, 1997; Myerson, 2003). Gayle Epp (1996) notes that “mixed-income housing is used to define a variety of income-mixing approaches” (p. 574). Approaches range from “private-sector, market-rate developments that include a small percentage of affordable housing, often to qualify for municipal subsidies” to

“developments built exclusively for moderate- and low-income families” (Joseph et al., 2007).

In a document describing mixed-income housing and the HOME program (2003), HUD describes a mixed-income development as “a development that is comprised of housing units with differing levels of affordability, typically with some market-rate housing and some housing that is available to low-income occupants below market-rate. The ‘mix’ of affordable and market-rate units that comprise mixed-income developments differs from community to community and can depend, in part, on the local housing market and marketability of the units themselves” (p. 1).

In HUD’s 2001 glossary of HOPE VI terms, the definition is expanded to include mixed-financing. For HOPE VI purposes, HUD defines mixed-income development as “A mixed-finance housing development that includes a combination of public housing and non-public housing units” (HUD, 2001, p. 9). Epp (1996) clarifies that “Within public housing, it refers to mixing families with various incomes below 80 percent of median income, which includes both working and nonworking families. State housing finance agencies include market-rate households in their definition of mixed-income communities” (page 574).

This study will adopt the definition of mixed-income introduced by Brophy and Smith (1997) and later used by Joseph et al. (2007). Mixed-income housing is “a deliberate effort to construct and/or own a multi-family development that has the mixing of income groups as a fundamental part of its financial and operating plans. The ratio of income levels and the developer’s reason for seeking to create a mixed-income development will vary” (p. 5).

The study begins with a review of existing literature on mixed-income housing assumptions, initiatives, and results in Chapter 2. Chapter 3 presents the objectives and conceptual framework for this study, introduces the methodology, and describes data collection protocols. Chapter 4 presents findings from the interviews. Chapter 5 interprets and groups responses, provides a discussion of findings, offers conclusions based on the data, and presents recommendations for future housing initiatives and future directions for research.

2. Literature Review

Literature relevant to mixed-income strategies includes reviews of historic events leading up to mixed-income policies, considerations of the reason for mixed-income development's increasing popularity, analyses of the assumptions and social theories behind mixed-income, and empirical studies documenting the results of mixed-income developments. The following review discusses the rationale behind deliberate income mixing in housing developments. It then outlines four primary assumptions regarding potential social and economic outcomes from mixed-income strategies including assumptions regarding stability, economy of place, social networking and role modeling, and social control. The review includes discussion of underlying social theory as well as empirical data collected from mixed-income housing sites.

American housing policy has undergone a number of major policy shifts since the inception of the United States Housing Authority in 1937. The focus has moved from constructing large-scale public projects to emphasizing private sector affordable housing development solutions, and now to revitalizing public housing and integrating socioeconomic communities. Von Hoffman (2009) asserts that housing is “the physical component most closely associated with social welfare” (p. 239). Thus, the idea of influencing social change is at the heart of most major shifts in housing policy (von Hoffman, 2009).

From the late 1930s to the mid 1960s, the dominant model for United States federal public housing was large-scale high density “projects” (Goetz, 2003). These developments were constructed in a “garden city” style and were frequently located on the outskirts of cities (von Hoffman, 2009). While later criticized for isolating the poor,

the sites were intended to create harmonious and complete modern communities (von Hoffman, 2009).

Early public housing developments were meant to temporarily house lower income working class families in the midst of transition (Vale, 2002). However, the tenant populations of early developments shifted steadily over time as a result of changes in legislation. The first major shift in project demographics came in the late 1940s as a result of the adoption of a Federal Housing Authority (FHA) policy mandating the eviction of families whose incomes exceeded newly set poverty ceilings (von Hoffman, 1996). Demographics shifted further with the housing acts of the 1950s. The acts forced public housing authorities to admit all households uprooted by urban renewal and highway projects (von Hoffman, 1996). Newly displaced tenants tended to be very low-income and largely minority, particularly blacks (Vale, 2002).

The 1969 and 1970 Brooke Amendments capped rents in public housing facilities at 25 percent of tenant income (von Hoffman, 1996). While the Amendments were intended to protect tenants from rising rental rates and make public housing affordable to very low-income families, the cap hastened the financial crisis of many local public housing authorities that relied on rent to fund capital expenditures. This left many public housing facilities without revenues for much needed maintenance, upgrades, and repairs (HUD, 2007). The Amendments had the added effect of concentrating the neediest families within public developments (Popkin et al., 2000). Because of these federal policies, “by 1991, nearly one fifth of public housing occupants had incomes that were less than 10 percent of the local median” (Popkin et al., 2000, p. 915). The Omnibus Budget Reconciliation Act of 1981 adjusted the rent maximum for low-income units up

from 25 to 30 percent of tenant incomes; however, this did little to aid deep financial issues among housing authorities.

The Section 23 program, enacted in 1965 was the first major program to facilitate the dispersal of public housing (Goetz, 2003). Section 23 allowed local public housing authorities to lease private homes scattered throughout their jurisdiction (Goetz, 2003). The scattered approach was not popular among public housing authorities of the time. Goetz (2003) notes that a survey by Hartman and Carr in 1969 found that close to half of housing authority officials did not believe that public housing should promote racial or economic integration. By the 1980s dispersed units constituted only nine percent of all assisted housing (Goetz, 2003).

In the 1970's, President Nixon placed a moratorium on federal funding for housing, shifting responsibility for affordable housing development to the private sector (von Hoffman, 1996). The 1974 Housing and Community Development Act established the Section 8 housing voucher program (Goetz, 2003). Section 8 shifted the focus of public housing initiatives away from large scale publicly owned developments to individual rental contracts (von Hoffman, 1996). Section 8 vouchers were promoted by the Reagan administration throughout the 1980s (von Hoffman, 1996).

According to Popkin et al. (2000), the effort to de-concentrate low-income households resulted in a shift of the poorest households from units in public housing developments to vouchers for housing under the Section 8 program. "The Quality Housing and Work Responsibility Act of 1998 set aside 75 percent of all new and turnover Section 8 vouchers for participants whose incomes are less than 30 percent of the area median" (Popkin et al., 2000, p. 917).

The *Gautreaux* court cases (*Gautreaux v. Chicago Housing Authority* and *Gautreaux v. Landrieu*), initiated in 1966, solidified the de-concentration of low-income tenants as a national housing priority (Popkin et al., 2000). The landmark cases found the Chicago Housing authority and HUD guilty of discriminating against black tenants. Black tenants were systematically concentrated in large-scale public housing sites in low-income minority neighborhoods (Popkin et al., 2000). The Court mandated the creation of new public housing in scattered sites in nonminority communities throughout Chicago and the issuance of 7,100 Section 8 certificates to current and former Chicago Housing Authority residents (Popkin et al., 2000). A non-profit organization was enlisted to help public housing tenants relocate to middle-income neighborhoods, offering counseling and other assistance to ensure placement (Schwartz and Tajbakhsh, 1997).

The Gautreaux program inspired HUD's Moving To Opportunity (MTO) demonstration program (Schwartz and Tajbakhsh, 1997). The \$234 million initiative began in 1994 and provided vouchers allowing public housing residents in Baltimore, Boston, Chicago, Los Angeles, and New York to move to higher income communities (Schwartz and Tajbakhsh, 1997). While scattered-site housing programs were generally considered to be a success, scattered-site units still constituted less than 10 percent of assisted housing in urban areas by the 1990s (Goetz, 2003).

The adoption of the 1986 Low Income Housing Tax Credit (LIHTC) program furthered the role of private sector housing agencies in providing for low-income housing needs. The program offers tax credits as an incentive for developing affordable units. Tax credits are a flexible financial tool offering substantial benefits to developers providing low-income units. Developments composed of as few as 20 to 40 percent low-income or

as many as 100 percent low-income units are eligible for credits (Smith, 2002). While LIHTCs were partially designed with mixed-income in mind, less than 20 percent of LIHTC funded projects include market rate units (Smith, 2002). Most units financed through LIHTC serve moderate-income households, which generate the highest rent revenue while still qualifying the developer for the program (McClure, 2000).

In 1992, the publication of the “Final Report of the National Commission on Severely Distressed Public Housing” brought national attention to the state of existing public housing sites (Vale, 2002). The report found that about 86,000 of the country’s public housing units were in a “severely distressed” physical state (Vale, 2002). While the number with a “severely distressed” classification represented only six percent of the total public housing stock, the “National Commission and others were also rightly alarmed by the broader pattern of inadequate management and deepening poverty” (Vale, 2002, p. 5).

In addition to physical deterioration, social and economic conditions within public housing were garnering increased attention. William J. Wilson’s 1987 work “The Truly Disadvantaged” served as a catalyst for bringing the negative effects associated with isolated low-income housing sites and concentrated poverty into the national spotlight (Smith, 2002).

The 1993 Appropriations Act authorized funding for the HOPE VI program (Brohpy and Smith, 1997). Mixing incomes is a cornerstone of the HOPE VI program, both as an impetus for social improvements and as a financing strategy. According to HUD’s 1997 FHA Mixed-Income Underwriting Guidelines, “HUD believes that the intentional mixing of incomes and working status of residents, if done with care, can

enhance the quality of life for residents while improving the economic viability of multifamily developments, particularly former public housing developments, and strengthen neighborhoods” (p. 1).

In the period from 1993 to 2006, the HOPE VI program issued 607 grants for mixed-income housing projects at a total cost of approximately \$6.2 billion (HUD, About HOPE VI). HOPE VI was designed to allow the greatest possible flexibility to local public housing authorities, encouraging new ideas and creative housing solutions (Quercia and Galster, 1997).

The completion of HOPE VI projects was made possible by several substantial changes to housing mandates and funding restrictions. Public housing authorities had been largely paralyzed by the policy as they were rarely able to come up with funding to replace projects unit for unit. The 1995 repeal of the one-for-one unit replacement policy opened a long-closed door for demolition of deteriorated public housing developments (von Hoffman, 1996). Smith (2006) notes that in a lesser known change, HUD announced its Mixed-Finance Public Housing program and new Federal Housing Administration mixed-income underwriting guidelines in 1997. These guidelines were intended to make it possible to use federal funding as “gap financing” and to have the FHA underwrite loans. New underwriting guidelines required a higher proportion of market-rate units in predominantly low-income neighborhoods to ensure successful marketing of market-rate units, adequate amenities and design to compete with comparable market rate units, and more stringent screening of all new tenants (Smith, 2006).

The adoption of mixed-income policies represents a radical policy shift at the federal level (Smith, 2006). Until recently, the federal government was neither willing nor able to underwrite mixed-income developments. HUD underwriting documents previously declared that healthy communities must be socioeconomically heterogeneous and considered areas that were mixed to be unstable and declining in value (Smith, 2006).

Mixed-income proponents hearken back to the early days of public housing when it served working-class households who held stable jobs but needed temporary assistance (Vale, 2002). Goetz (2003) argues that current mixed-income programs represent a return to the original premise of public housing in which housing was meant as a “way station” for the working poor rather than a permanent solution for generations of poverty stricken households.

The rationale most often used in validating the adoption of mixed-income housing policies is simply a declaration that past public housing efforts have failed and therefore a mixed-income strategy must be better (Smith, 2002). According to Joseph, Chaskin, and Webber (2007), deliberate income mixing is meant to address the social isolation of the urban poor, particularly minorities. Mixed-income development is also seen as strategy for urban redevelopment (Joseph et al., 2007). In this context “mixed-income development is less about poverty alleviation and much more about an approach to inner-city redevelopment that is economically lucrative and politically viable” (Joseph et al., 2007).

Manzo (2008) asserts that support for the value of mixing incomes is based on the presumption that middle class beliefs and values are different from, and superior to, those of lower income people. However, Manzo cites studies documenting that people living

below the poverty line feel that the only difference between them and the rest of society is that they don't have as much money. Therefore, low-income people - whom mixed-income housing is meant to serve - may not subscribe to the primary rationale for mixing incomes (Manzo, 2008).

Researchers have identified a number of assumptions underlying potential positive outcomes of the planned integration of varying income levels. It is assumed that a mix of households with varying income levels will contribute to a more stable environment (Epp, 1996; Smith, 2002; HUD, 2003). Mixed-income housing developments are expected to attract services and amenities as result of the buying power and demands of higher income residents (Joseph et al., 2007; Epp, 1996; Joseph, 2006; Manzo, 2008; HUD, 2003). It is assumed that low-income residents will benefit from an enhanced social network and positive role models (Joseph et al., 2007; Epp, 1996; Joseph, 2006; Manzo, 2008; Smith, 2002; Kleit, 2005; HUD, 2003) as well as greater personal security due to the assumption that higher-income individuals will be more attentive to residential rules and demand enforcement (Joseph et al., 2007; Joseph, 2006; Manzo, 2008; Smith, 2002).

Stability

Wilson describes a loss of stability when moderate-income families moved out of cities and public housing developments (1987). Wilson argues that these families served as a kind of "buffer" that could continue to support the communities during difficult economic periods. He notes that "this argument is based on the assumption that even if the truly disadvantaged segments of an inner-city area experience a significant increase in

long-term spells of joblessness, the basic institutions in that area (churches, schools, stores, recreational facilities, etc.) would remain viable if much of the base of their support comes from the more economically stable and secure families” (Wilson, 1987, p. 56).

It is assumed that mixed-income strategies will contribute to a more stable environment by reintroducing the stabilizing influence of middle-income households (Epp, 1996; Smith, 2002; HUD, 2003). It is also assumed that creating a range of housing opportunities for households at varying income levels will lead to longer resident tenure (Epp, 1996). Popkin et al. (2000) note that policy makers and scholars assume that “communities will be more stable with a lower turnover of residents than in traditional public housing” (p. 927). Smith (2002) and Epp (1996) note the presumption that mixed-income strategies can promote stability by allowing tenants to stay in the same development even as their income fluctuates. “Tenants can move from a low-income unit into a higher-income unit as their incomes increase, or vice versa if their incomes decrease, the stability of the neighborhood may be enhanced” (Smith, 2002, p. 19).

According to the Department of Housing and Urban Development, “Economically and socially mixed-income housing is believed to create a stable environment for low-income residents” (HUD, 2003, introduction). Working families “form the bedrock of stable neighborhoods” (Cuomo, 1999, p. 8) and greater stability can be attained by placing middle- to upper-income residents in the same community as low-income residents (HUD, 2003).

In a statistical study, Krupka (2006) tested the hypothesis that mixed income communities were not stable, but rather were in a state of flux, either moving toward

wealth or moving toward poverty. He found that income mixing is positively associated with subsequent changes in median income. This would indicate that income mixing is not typically a conduit to a more stable community. In fact, his results indicate that the opposite is true. Mixed-income communities are unstable environments (Krupka, 2006).

In a review of seven mixed-income housing developments, Brophy and Smith (1997) found that the market-rate units in one of their case study sites had an annual turnover rate of close to 100 percent. While the units remained fully leased, new tenants were continually moving in and out of the market rate units, doing little to provide stability within the development. Khadduri and Martin (1997) found similar results in their analysis of privately owned rental properties subsidized by HUD. They found that sustaining mixed-income housing in high poverty areas requires unique market conditions or a strong population of recent immigrants as potential tenants. They also note that it is difficult to attract families with children to compose the upper tier of a mixed-income project. If they do move in, getting them to stay can be challenging (Khadduri and Martin, 1997).

Joseph et al. (2006) note that “it is still too early to draw conclusions about the feasibility of sustaining a mix over the long term” (p. 400). The pace of turnover at mixed-income project sites and therefore the implications for social stability remain uncertain (Joseph et al., 2006).

Economic Access

Popkin et al. (2000) note that it is assumed by policy makers and scholars that when mixed-income strategies are employed, “Public services will be better because of

efforts to attract higher-income residents and those residents' demand for quality services once they have moved in" (p. 927) or in dispersal strategies, "Families will experience improved job and educational opportunities when they move to middle-income neighborhoods" (p. 927). They also note that "institutions, public agencies, and commercial businesses are more likely to invest in a mixed-income community" (p. 928).

It is widely assumed that the influx of higher income residents to a community will generate new market demand, resulting in better services and goods in the area (Joseph, 2006). Higher income residents will also be more likely to participate in the public process and advocate for the community's needs (Manzo, 2008). Smith (2002) notes the vocal influence of these residents may also result in better-maintained properties. The base assumption is that higher-income residents have more choices as to where they live and thus are less likely to tolerate sub-par building management.

HUD reasons that improved neighborhoods will bring jobs closer to home for low-income families living in lower-income areas and bring low-income families closer to existing jobs when mixed-income developments are placed in higher-income neighborhoods (HUD, 2003). Along the same lines, depending on the neighborhood in which the development is located, low-income residents will gain the benefits of access to better schools enabling them to move themselves and their children to an improved economic condition (Brophy and Smith, 1997).

According to Joseph (2006), no research on mixed-income developments has studied the role of higher-income residents in leveraging external resources.

Social Networking and Role Modeling

It is assumed that the physical proximity of residents of varying income strata within a housing development will lead to relationship-building (Joseph et al., 2007). Assumptions regarding the value of social networking and role-modeling are supported by studies demonstrating data validating the benefit of weak social connections (Brophy and Smith, 1997).

The housing site is thought to facilitate the formation of loose connections between low-income residents and higher-income neighbors (Joseph, 2006). Policy advocates claim that as a result of these potential social ties, low-income residents are more likely to gain access to information about available opportunities which may lead to better paying and more stable employment (Brophy and Smith, 1997). Brophy and Smith (1997) note that in order for social networks to blossom, there is an inherent assumption that there will be verbal interaction between neighbors and that the interaction will be somewhat meaningful.

There is also an assumption that the behavior of low-income residents will change as they emulate the patterns of their higher income neighbors (Brophy and Smith, 1997). Mixed-income advocates also claim that interaction between income groups provides role models for low-income residents, who benefit from exposure to those with work commitments and accepted social etiquette (HUD, 2003). Wilson (1987) argues that the neighborhood presence of middle and working class families will “keep alive the perception that education is meaningful, that steady employment is a viable alternative to welfare, and that family stability is the norm, not the exception” (Wilson, 1987, p. 56).

The specific concept of role modeling has proven difficult to explore (Rosenbaum et al., 1998).

Studies of housing dispersal programs moving low-income tenants into higher-income neighborhoods, such as the Moving To Opportunity and Gautreaux scattered-site and dispersal programs, found positive, though inconsistent results suggesting that in some scenarios social networks can, in fact, prove influential in raising the prospects for low-income tenants (Smith, 2002). In a study of job search techniques for residents of dispersal programs, Kleit (2002) found that tenants living in dispersed clusters of public housing were more likely to find employment through their local social network. Alternatively those who lived in dispersed units were more likely to “reach beyond their local network to find new social resources... which provide them with increased access to a broader array of opportunities” (p. 97).

Joseph et al. (2007) note that current evidence describing the extent to which social networks are being formed across income levels in existing mixed-income communities is limited. Studies have generally been inconclusive or have found little interaction across income groups. Those that have uncovered interaction have not been able to demonstrate that it has lead to greater opportunity. (Joseph et al., 2007).

Brophy and Smith (1997) found very little “neighboring” among residents in the seven developments they studied. One exception was the reported incidence of a low-income resident obtaining a job interview as a result of a tip from an employed neighbor. Overall, Brophy and Smith noted that the level of interaction in the seven sites reviewed was insignificant. They concluded that “it cannot be assumed that the simple act of

creating a successful mix of incomes will affect the likelihood of employment or chances for upward mobility” (Brophy and Smith, 1997, p. 25).

Rosenbaum et al. (1998) found a great number of interactions among residents in their study of Chicago’s Lake Parc Place. Most interactions were in the form of cordial greetings and surveys revealed little evidence of more prolonged interactions such as having a meal with a neighbor or watching a neighbor’s child.

In comparing evidence from the studies conducted by Brophy and Smith and the data gathered by Rosenbaum et al. (1998), Joseph et al. (2007) note that variations in the findings may be ascribed to key differences between Lake Parc Place and Harbor Point (one of the sites reviewed by Brophy and Smith). At Lake Parc Place, there was a high level of physical integration of residents across income levels while at Harbor Point, subsidized families live in separate buildings from market-rate tenants allowing for minimal interaction (Joseph et al., 2007).

The existing research on mixed-income housing shows no evidence of role-modeling taking place in mixed-income environments (Joseph, 2006). Rosenbaum et al. (1998) were unsuccessful in testing for role-modeling in their study of Chicago’s Lake Parc Place. Residents of the development found the idea of role-modeling and any survey or interview questions regarding its prevalence insulting. Negative feedback in initial interviews caused the research team to eliminate role-modeling questions from future interviews.

Social Control and Reduced Crime

It is assumed that low-income residents living in mixed-income developments will benefit from reduced crime by living among higher-income individuals (Joseph et al., 2007; Joseph, 2006; Manzo, 2008; Smith, 2002). Joseph (2006) cites a 1989 study by Sampson and Groves showing that higher levels of socio-economic status lead to increased social organization and thus to reduced crime and delinquency. According to Smith (2002), “the theory is that higher-income households will either place more pressure on management or police to address problems, will refuse to live in the development (thereby imposing de facto pressure on management), or will confront tenants engaged in negative behavior” (p. 22).

The concept was supported in an early study of Lake Parc Place (Rosenbaum et al., 1998). Rosenbaum et al. (1998) found that non-project (market-rate) residents provided “a near unanimous constituency in support of management’s rules” (p. 725). The researchers found that neighbors were quick to complain about disruptions and rule-breaking. It should, however, be noted that the study took place after only two years of project operation and garnered results that are specific to the unique environment. The authors note that it would be of value to revisit the effectiveness of social control after a longer period of project operation.

As Smith (2002) notes, it should be considered that any evidence of improved behavior in mixed-income environments may simply be a result of better management practices and stricter screening of incoming tenants. In the case of Timberlawn Crescent, a publicly-owned mixed-income development in Maryland, the manager stated that

“screening residents directly relates to the level of behavior problems at the project with both subsidized and market-rate tenants” (Brophy and Smith, 1997, p. 18).

Brophy and Smith (1997) also noted rigorous screening practices in The Residences at Ninth Square in New Haven, Connecticut. Management at Ninth Square reviews the credit history, criminal record, and prior eviction record of all potential tenants. Management also conducts a home visit for all potential tenants living within a 50 mile radius of the site, a practice employed for both market-rate and low-income tenants.

3. Methods

Subjects and Design

The objective of this study is to gather evidence of the validity of assumptions behind mixed-income development in California, with a particular emphasis on the San Francisco Bay Area. The study is an inquiry into the degree of success of existing mixed-income housing developments in regards to improving stability, social structure, job advancement, and security for low-income residents.

Initial Strategy

To pursue this objective, the study was initially designed with a case study methodology in mind. Because each housing development exists within unique circumstances including real estate market forces, geography, social climate, and more, it was decided that rather than attempting to draw general conclusions, the inquiry would examine the unique functions of three to four operational mixed-income housing sites. In using a case study methodology, findings could have been placed within context and special circumstances could have been identified, acknowledged, and analyzed for their impacts on general conclusions.

The study was to employ a multiple-method strategy to examine each study site including descriptive data as well as first-hand accounts. Data sources were to include the U.S. Census, building management records, San Francisco business records, San Francisco Housing Authority records, and San Francisco Police Department records. The data was to be supplemented by in-depth interviews with residents of each housing environment and property management staff.

It was decided that case study sites would be selected from within the City of San Francisco. San Francisco was selected because of its notoriously tight housing market, lack of affordable housing, stated investment in mixed-income policies, and resources available to the researcher to spend physical time in the area.

A list of potential case study sites in San Francisco was developed using published research, trade magazine articles, web searches, and affordable housing unit site data from the San Francisco Housing Authority. The list included sites with a variety of income mixes, including properties that were composed of a combination of market-rate units and others that were composed of all subsidized units but included a range of income levels from zero to 80 percent of the area median income. The list was narrowed to a set of eight based on unit composition, size, location, and income mix (see Appendix A for a list and descriptions of potential sites).

Once compiled, the researcher attempted to contact site management in attempt to arrange a meeting to discuss the project. In most instances, communication with management proved difficult or building management simply did not want to participate in the study. The most promising properties were eliminated for the following reasons:

- Emery Bay: Units were converted to market-rate condominiums.
- The Paramount: The management firm received the request for information but stated that they did not want to participate in the project.
- SoMa Residences: Management failed to respond despite several phone calls and emails.

- San Francisco HOPE VI Sites: The San Francisco Housing Authority was unresponsive despite attempts to reach a number of staff members at varying ranges of authority.
- Fillmore Center: Management failed to respond despite several phone calls and emails.

Having no success with management, the researcher sought to directly contact building residents through online social networking groups, personal and professional connections, and resident groups. The researcher was not able to connect with residents of any of the properties and, due to project time constraints, moved on to other potential approaches.

Expert Interviews

An alternative approach of expert interviews was employed in order to ascertain whether mixed-income environments in San Francisco and throughout California are living up to the expectations of policy makers, planners, and developers in regards to improving stability, social structure, and security for low-income residents. For purposes of this study, “expert” is loosely defined as an individual with special knowledge of the subject of mixed-income housing through policy work, study, or field implementation.

The researcher conducted interviews with experts in mixed-income housing policy, design, and development, who could provide the benefit of experiential and anecdotal knowledge. The interview approach afforded the opportunity to gather a number of opinions from a variety of perspectives. While interviews provide valuable

insight, the data collected through interviews is subjective, based on opinions and not necessarily actual data.

Interviews were conducted in a semi-structured format. While each interview centered on the same standard set of open-ended questions, the style was conversational.

The list of standard questions was as follows:

1. What has been your experience with mixed-income housing?
2. How would you define mixed-income housing?
3. How is mixed-income being prioritized in the State housing agenda?
4. Why do you think mixed-income policies/developments have gained popularity?
5. What do you think mixed-income income policy is trying to accomplish?
6. To your knowledge, are low-income households living in mixed-income environments gaining financial security and improved employment?
7. In developments where market rate units are being offered in primarily low-income areas, have you seen an increase in services and businesses in the area?
8. Do you know of communities where social relationships among a range of income levels are truly being fostered? If so, how?
9. What strategies are most effective in encouraging neighboring among residents in a development?

10. Do you find that crime is reduced in mixed income developments as opposed to all low-income developments? If so, why?
11. In your experience, what is the typical turnover rate in all-affordable housing buildings? What about in mixed-income developments?
12. Overall, do you think mixed-income housing is meeting expectations?
13. Has mixed-income policy shifted based on actual results? If so, how?
14. Is there anyone that you think I should talk to about mixed-income housing?

The researcher asked questions in a natural order rather than holding to a strict format. Open-ended questions allowed for a wide range of responses and provided the interviewee opportunity to introduce personal anecdotes. The researcher asked follow-up questions as were appropriate and pursued relevant tangents as they developed. This allowed the researcher to clarify responses, gather more comprehensive stories from field experiences, and learn about unexpected components that are considered when developing and managing mixed-income communities.

Interview Subject Selection

Each expert selected held an upper-level position within their organization and offered many years of direct work relating to mixed-income housing. Initial interviewees were selected based on the researcher's knowledge of leaders in the field from reviews of current literature and knowledge of mixed-income housing development activity in the San Francisco Bay Area. The first two interviews were conducted with individuals

working at housing-oriented government agencies. To continue the investigation, the interviewer used a “snow-balling” technique to seek out those individuals who were known within the expert community to be particularly knowledgeable on the subject. At the close of each interview, the interviewee was asked to name any other individuals who may be willing to provide information, insight, or experiences on mixed-income housing. Interviewees typically provided one to three names. The interviewer attempted to set appointments with all recommended individuals.

Interview Procedure

A total of eight interviews were conducted with experts in the time period between March 18, 2010 and May 5, 2010. Interviewees represented a range of organizations including government agencies, private development firms, non-profit housing development and management firms, and policy organizations. See Table 1 for a breakdown of interviews by organization type.

Table 1. Interview subjects by organization type

Organization Type	Number of Interviews
Government (State and Local)	3
Development (Non-Profit and For-Profit)	3
Policy Analysis	1
Design	1

Interviews were conducted over the phone due to limited time, a range of geographic locations, and convenience and flexibility in establishing meeting times. Each interview ranged from 25 to 45 minutes. All but one interview was one-on-one (in one instance the researcher spoke to two representatives from the same organization in a

single interview). Interviewees were informed via email prior to the interview that their names and places of work would be kept confidential.

The interviewer always introduced herself as a student, both in setting appointments and at the beginning of each interview. The researcher's role as a student may have influenced the tone of the interviews and the subject matter interviewees chose to discuss. Interviews were not recorded and thus the researcher took notes throughout each conversation, typing as the interviewee responded to questions.

Interview Interpretation

Interview responses are reviewed and summarized in Chapter 4, Findings. Comments from individual interview sessions were then grouped with responses of a similar subject matter from all interview sessions. The response categories include expectations for mixed-income projects, stability, economy of place, social networking and role-modeling, social control and reduced crime, and development logistics. To draw conclusions, interview comments were compared and contrasted with existing literature and field experience as documented in the literature review. See Chapter 5, Discussion and Conclusions for analysis by category.

4. Findings

The following section provides a summary of data gathered from each of the expert interviews. While all interview subjects have outstanding credentials within the field, the data collected from the interviews does not represent first-hand empirical evidence. Information from the interviews is subjective and anecdotal, based on the experiences of eight individuals. As discussed in Chapter 3, Methods, the researcher's attempts to gather primary data were abandoned due to a lack of resources. The researcher's experience, existing literature, and expert commentaries confirm that primary data relevant to outcomes from mixed-income housing environments is difficult to obtain. Access to resident demographic information and building records is restricted even to upper-level decision makers.

The expert commentary that follows is the best available alternative to primary data. Experts with a range of perspectives and experiences provide insights and intuition that are current and relevant. Documenting commentary from these experts adds to the mixed-income housing knowledge base.

Interview Summary 1: Local Government Development Expert (Local Government Expert I)

The first interview was held on March 18, 2010. The interviewee, herein referred to as Local Government Expert I, is an experienced professional employed in the field of housing development by a municipal government agency in San Francisco. Local Government Expert I is primarily focused on multi-family rental housing, housing preservation, and public housing revitalization.

According to Local Government Expert I, de-concentrating poverty is the primary goal of mixed-income housing strategies. Putting low-income households in areas with limited services has proven to be a bad model. Mixing incomes is also an opportunity to create communities with social and economic diversity. Ideally, mixed-income housing can provide households an opportunity to stay at a site or in the neighborhood as their income increases by moving to market-rate rental units or through home ownership programs. Local Government Expert I feels that this is generally unrealistic. As resident's incomes grow, many prefer to leave the area.

North Beach Place and Valencia Gardens in San Francisco are good examples of mixed-income developed under the HOPE VI program. The sites mix incomes on a smaller scale, with added income levels but no market-rate component. Other more well known HOPE VI sites are located in Seattle, Atlanta and Chicago.

The Chicago HOPE VI projects have strict re-occupancy criteria. Most of the new standards were led by tenants, but those who moved back to the site were of a higher socioeconomic level (amenable to stricter rules). The goal of the screening program is to remove drug dealers and those responsible for violence from the development.

Unfortunately, when those residents are not brought back into the development they are dispersed into the surrounding community. The surrounding communities often suffer as a result. The people who do not come back to this type of HOPE VI site are the hardest to house and can be deeply impacted by being disconnected from their social network. Displacement from public housing redevelopment has not received a lot of attention.

The proposed HOPE SF program sites are required to replace existing public housing units and provide on-site relocation to current residents. Development will be completed in phases to preserve the existing community. The African American community has the most potential to be affected by site demolition and temporary relocation. Developers and officials need to be sensitive to meeting the needs of this population and ensuring that the efforts of the program do not result in an out-migration of African American residents from San Francisco. It is a politically sensitive topic and the City does not want to be seen as purposely removing members of the population.

The North Beach Place and Valencia Gardens sites did not offer on-site relocation and many residents did not return. Because of this, it is difficult to say whether improved crime rates were a result of new programs and mixed-income strategies or simply a result of those who were causing problems moving away.

In larger mixed-income sites it is important to vary the site plan so that market-rate and affordable units are not grouped together in clusters. There must also be no difference in the physical appearance of market rate and subsidized units. At Valencia, do not know which units are subsidized or how much other residents are paying. The arrangements are all different and it does not create rifts in the population.

Developers should acknowledge that there is not going to be a lot of interaction between neighbors. The interaction that does occur will happen in outdoor open spaces, at playgrounds, at child care facilities, and at schools. The best way to attract market-rate tenants is to offer a top-rated school system.

Seattle mixed-income projects have employed an on-site community builder. The community builder is responsible for navigating inevitable conflicts and creating social events to encourage interaction. The person works to ensure that all residents feel that they are a part of the larger community.

Seniors should also be considered as an important social element when creating a mixed-income housing development. Seniors can act as the social backbone of a community. This benefit may be overlooked as seniors are not able to age in place and are moved into facilities designed only for seniors.

Local Government Expert I noted that there is no data on turnover rates for mixed-income sites in San Francisco. There is likely a similar turnover rate among low-income units and public housing units. The units at Valencia seem to all have a similar turnover rate, regardless of the type or amount of subsidy the residents are receiving.

Hunters View is the first project to be completed as part of the HOPE SF program. It is a low-density, 20 acre site with 267 existing public housing units. The HOPE SF plan calls for 750 to 800 units. The new site will have a range of housing types including public housing units, affordable units at varying levels, affordable home ownership, and market-rate home ownership. The idea is to create an on-site housing ladder. The infrastructure work will be put in place this summer and vertical construction will begin later this year. Phase I is scheduled to be completed in 2012.

Public housing redevelopment efforts in San Francisco vary greatly from those in Seattle and Atlanta due to the role of the housing authority. In both Seattle and Atlanta, the housing authority was the lead agency and developer and handed the financing for all projects. This has not been the case in San Francisco. The San Francisco Housing Authority does not have the resources to take on the projects. The Mayor's Office of Housing and the Redevelopment agency are managing the effort. The HOPE SF projects also involve a private developer. The developer, in partnership with the other agencies, will own the affordable rental buildings and manage the tax credits. By year 15, the housing authority may be able to buy the affordable unit buildings back.

Because of constrained resources, more and more public housing is becoming privately managed. Private management often results in buildings that are better maintained and more professionally run. There is also a shift in how units are funded. Most are currently under ACC subsidies (administered by HUD) but more and more are converting to Section 8 funding because it is more flexible. Generally the funding type depends on which agency refers the tenant.

Local Government Expert I referred me to Local Government Expert II for further insight into the local public agency perspective on mixed-income housing development.

Interview Summary 2: State Government Housing Expert (State Government Expert)

The second interview was held on March 29, 2010. The interviewee, herein referred to as State Government Expert, is an experienced professional in the field of housing policy and development employed by a State of California government agency. State Government Expert is involved with large scale housing policy and funding decisions. She has a background in non-profit affordable housing development.

According to State standards, mixed-income is defined as having a low-income (80 percent of area median income, or AMI) or very low-income (50 percent of AMI) component and a market-rate component in which tenants earn at or above 120 of the AMI. State Government Expert stated that there are a lot of mixed-income projects in the planning stages, many of which are located on infill and transit oriented sites.

Very few existing California mixed-income housing projects are located in rural areas. Most projects are dispersed among the major metropolitan areas. Mixed-income housing projects have been more successfully developed in the Bay Area than anywhere else in the State due to the financial investment of local governments.

Mixed-income housing is a new phenomenon and there are not yet enough statistics to indicate the performance of existing sites. The intended result of mixed-income development is unclear as of yet. It is too soon to tell whether or not mixed-income housing sites are resulting in improved social or economic situations for low-income residents. Results are further complicated because a lot of mixed-income projects are also mixed-use, with a ground floor retail component. Many developers with this type of project are finding it difficult to fill the first floor retail space.

In most instances creating mixed-income housing is a practical push, not a social push. Mixing incomes is often a financial consideration. There is currently much more financing available for affordable units than for market-rate. Developers also have a better chance of obtaining approval for a market-rate project if there is an affordable unit component.

There are no available statistics on whether or not people who live in mixed-income sites stay for a long period of time. Generally, the low-income units are rentals. Because there is an extreme lack of supply of affordable units in California, low-income tenants tend to stay in the same unit for a very long time. The market-rate component of many mixed-income housing sites is home ownership (condominiums and apartments). Because of the recent increase in state-wide foreclosures, it is difficult to attribute the turnover rates of the past few years to the success or failure of the site.

The WAV project in Ventura is an interesting example of a mixed-income housing site and is likely to fail. The site includes the widest possible range of incomes. It includes homeless services on the ground floor, affordable artist studios in the middle, and million dollar ocean view condominiums on the top level. The City of Ventura contributed Redevelopment Agency funds to make the project work.

The idea of mixed-income is very broad. Realistically, stability evolves over time. State Government Expert noted that mixed-income housing can be regulated into place or it can evolve. More mixed-income communities are evolving as a result of the Section 8 voucher program. Section 8 renters live primarily in single-family homes.

HOPE VI is less of a factor in California than in other states. Most of the public housing in California is relatively small-scale in terms of the number of units. Much of

the California affordable housing has been built privately using Low Income Housing Tax Credits. The private sites are better maintained and last longer. They are tightly managed and do not have problems with crime. California does not have a lot of public housing sites involving thousands of units. The big problem with public housing in the past has been a result of the scale, not a result of the income levels.

State Government Expert referred the researcher to For-Profit Expert, Non-Profit Expert II, and Policy Expert for additional insights into mixed-income housing development.

Interview Summary 3: For-Profit Housing Development Expert (For-Profit Expert)

The third interview was held on April 16, 2010. The interviewee, herein referred to as For-Profit Expert, is an experienced professional in the field of housing development employed by a real estate company with holdings across the United States. For-Profit Expert has experience in private and public sectors and has been involved in a number of HOPE VI projects as well as a number of market-rate housing developments with affordable components.

For-Profit Expert explained that there are two categories of mixed-income housing. The first category is projects that are primarily market-rate but with an affordable component, typically to meet an inclusionary requirement. Typically this type of project consists of 80 percent market-rate units and 20 percent low-income units. In For-Profit Expert's experience, these projects work well because the low-income units are physically integrated within the development. They work best in metropolitan areas where the market-rate units are expensive.

For-Profit Expert cited an example of one such project in a major East Coast city. The rents in this building are extremely high for market-rate units (up to \$6,000 per month) and extremely low for affordable units (as low as \$600 per month). The tenants do not know or care who among them pays a different rate. The low-income tenants blend into the mix of other renters.

Developments in which all units are rentals tend to better facilitate a mix of incomes. None of the tenants have invested equity in their unit. Rentals are often well managed and well maintained. The mix works well socially and there are no conflicts among tenants of different income levels.

In this type of mixed-income housing, For-Profit Expert questions where the tipping point may lie between market-rate and affordable units. If there are too many affordable units, there is a risk of losing the ability to attract market-rate tenants. Generally, to attract market-rate tenants, developers must play to the interests of those paying the most in rent. The location must be desirable and the project must be seen as a market-rate development.

The second category of mixed-income housing is projects that start with low-income and bring in market-rate units. In this instance, you start with a “ghetto” situation and attempt to attract people of higher means. This is the model used in HOPE VI redevelopment projects. It has been most effectively applied in older cities in the Mid-West and on the East Coast. In this type of project, the goal is typically to end up with an even mix of incomes where one third are very low (20 to 30 percent of the area median income), one third are moderate (50 to 60 percent of the area median income), and one third are unrestricted, allowing for units to be rented at market-rate.

For-Profit Expert noted Hayes Valley, a HOPE VI project in San Francisco as a good mixed-income model. While there is no market-rate component at that particular site, the surrounding neighborhood is largely composed of upper-income residents. The market-rate was excluded in this example because the policy in San Francisco is to preserve all affordable units.

HOPE VI projects in East Oakland have a different dynamic. The surrounding areas are primarily low-income. To attract non-subsidized tenants, the market-rate component is home ownership. Home ownership units were also an important financial component at these sites as the cost of construction in the area is high.

The Sunnydale and Hunters View HOPE SF projects will not offer home ownership units in the first phase of development. In order attract market-rate buyers, the complete character of the neighborhood will have to change. This is not something that can be done piecemeal, there must be a strong move to eradicate or greatly diminish the gang element. Better schools and social programs must be put in place in the area to make the project work.

For-Profit Expert noted that in both types of mixed-income housing environments, there is always a neighborhood and submarket dynamic. This dynamic will determine what is feasible for a project and what makes the most sense. The more crime-ridden the neighborhood is, the more difficult it can be to achieve a mix. Those who can pay market-rate simply will not move to the site.

In all projects, it is important to have a good screening process to ensure that tenants are responsible. For-Profit Expert notes that he is aware of few problems in projects managed by his firms. He cited one example of issues at a large mixed-income

housing project in Los Angeles in which a number of low-income tenants and their guests were regularly misbehaving. The problem tenants had to be evicted to improve safety and quiet at the site.

In projects that are primarily market-rate, the tenants are happy to be in a luxury building and paying very little in rent. If people are given a nice living environment they are likely to be respectful to it.

For-Profit Expert could not cite specific instances of social relationships among mixed-income housing tenants. As a general rule, For-Profit Expert asserts that social behavior cannot be legislated. People cannot be forced to mix.

For-Profit Expert stated that mixing incomes makes financing more difficult. Banks are indifferent to social outcomes associated with mixed-income. From an appraisal perspective, the presence of affordable units devalues the development. This is less applicable to sites in which 80 percent of units are market-rate and 20 percent are affordable. These developments have a proven track record and are considered to be less financially risky than sites that are primarily low-income.

Another challenge to mixed-income housing development is the national movement to require one-for-one replacement of affordable units. This means that density will have to be increased, which is possible at some older housing, lower density housing sites and through good planning at new sites. However, For-Profit Expert notes that higher density is not always a good idea. The objective behind mixing incomes is to break up clusters of low-income units. This policy may protect units, but will make it far more problematic to create mixed-income communities as it will be difficult to attract market-rate tenants.

Interview Summary 4: Non-Profit Housing Development Expert (Non-Profit Expert I)

The fourth interview was held on April 16, 2010. The interviewee, herein referred to as Non-Profit Expert I, is an experienced professional in the field of affordable housing development employed by a non-profit housing development company with properties throughout the central coast of California. Non-Profit Expert I has experience with a number of mixed-income projects, some serving a range of affordability levels and others including both market-rate and affordable units. The latter were all developed in partnership with for-profit firms.

The priority of Non-Profit Expert I's firm is to offer units at the lowest rate possible while delivering a project that is financially feasible. Projects are typically financed with Low Income Housing Tax Credits.

Non-Profit Expert I cited an example of a mixed-income project his firm developed in partnership with a for-profit developer on California's Central Coast. The majority of the units are market-rate and the site features upscale amenities and recreational features. Non-Profit Expert I worked to develop a set of affordable units on the site. While the affordable units are on a separate parcel for financial reasons, the units feature the same façade as the market-rate units, thus are indistinguishable from the exterior.

The project works well because the lower-income residents get the advantages of the added amenities. Residents from all income levels socialize in the way any neighbors might. The fact that the exteriors are all the same eliminates any potential stigma. Easy

socialization would be less likely to occur if the affordable units appeared to be of a lesser quality.

According to Non-Profit Expert I, children can make the difference in socializing and lifestyle improvements. In the Central Coast area project example, children from the market-rate and affordable units mixed socially on their own at the pool and in other common spaces throughout the site. This can sometimes result in the formation of casual relationships between parents.

Non-Profit Expert I noted that a mix of unit sizes and resident ages and ethnic groups can also contribute to social cohesion. Frequently, one-bedroom units rent to seniors, two-bedroom units to single parents, and three-bedroom units to full families. If there is a mix of these, nobody knows who earns what and the differences do not get drawn out.

Tenants living in affordable units often have no ability to change their income level. Many affordable residents are seniors living on fixed incomes or are persons living on disability. This generally results in low turnover rates for affordable units.

In considering mixed-income strategies, it should also be noted that approximately 40 affordable units are needed at a location to generate the demand and funding for appropriate on-site services. These should be tailored to the needs of the residents but can include a community center facility, education programs, and medical services.

Interview Summary 5: Non-Profit Housing Development Expert (Non-Profit Expert II)

The fifth interview was held on April 18, 2010. The interviewee, herein referred to as Non-Profit Expert II, is an experienced professional in the field of affordable housing development employed by a non-profit housing development company with properties throughout California. Non-Profit Expert II has experience with a number of mixed-income sites developed and managed by her employer, including sites that are all rental units and others, developed with a for-profit partner that include home ownership condominiums and townhomes.

In the experience of Non-Profit Expert II, there have been no issues between affordable and market-rate residents. In sites that include home ownership units, home owners often do not know the rental units are subsidized. The properties tend to be in higher-end communities and allow the non-profit entity to leverage the market-rate units to bring affordable units in nicer neighborhoods. Affordable units are in a separate building for financial reasons.

Non-Profit Expert II noted that income mixing is not necessarily a priority. The firm where Non-Profit Expert II works is focused on increasing the supply of quality, affordable housing units. Projects that contain 100 percent affordable units are easiest to finance, and thus remain the most typical affordable housing development strategy.

The type of social interactions at housing developments depends greatly on the level of subsidy the residents are receiving. In most situations, there is little difference between the behavior of tenants in market-rate housing and affordable housing. If all of the residents are members of hard working families with jobs, there will be no issues or

problems. Concentrating low- to moderate-income households is not an issue when residents are employed. In those instances the neighborhood surrounding the housing development is often more important than the individual neighbors. Residents have the same interests - good parks, schools, and summer programs.

Public housing is often very mixed in that some residents are working very hard, others are just working and some are not working at all. There is often a strong sense of community in public housing sites; however, crime is high and there is always a lack of funding for improvements to structures and programs. It takes a great deal more time and energy to support public housing as opposed to other 100 percent affordable sites.

Mixing incomes can serve as part of a strategy to improve an area by attracting goods and services. An example of this is Marin City. The area was very low-income (public housing) when it was redeveloped approximately 15 years ago. The redevelopment efforts brought in a more diverse mix of income groups. There was also investment in public services including a fire station. After a couple of cycles, the retail in the area also changed. However, Non-Profit Expert II noted that much of the success at the site can be attributed to its attractive location in southern Marin County near the Golden Gate Bridge.

Another example of the impact of mixed-income on retail and services is the North Beach HOPE VI project in San Francisco. While market-rate was not included at that site, there was a change in the income mix and the site now includes households earning up to 60 percent of AMI. The redeveloped site includes retail on the ground floor and there was no problem filling the space. This too can be attributed to its highly desirable location.

In a project at the West Oakland BART station, the developer had hoped to attract a pharmacy to the ground floor retail space but was not successful. The market demographics were not strong enough to attract a major chain and potential pharmacy chains were deterred by the possibility of shoplifting and theft. The Hunters View HOPE SF project may face similar challenges in attracting new retail. Retail will likely come at a later phase and the site will have to prove to be safe.

The public housing site at Potrero Hill, another proposed HOPE SF project is likely to experience more success in this area. The site is located in an area with good existing demographics. The proposed site will include a “mini-Main Street.” There are currently 600 public housing units at the site and the new plan calls for approximately 1,500 units, 400 to 500 of which will be market-rate. The plan is currently in the process of obtaining entitlements from the City.

Non-Profit Expert II noted that she visited a mixed-income site in Chicago. In many Chicago projects, the density is being reduced and many initial residents are relocated off site to make way for the new development. New mixed-income projects combine market-rate and affordable units. There seem to be few issues; however, the City has initiated very strong house rules such as drug testing for all residents which are negotiated with tenants from the beginning. This level of screening and management is unlikely to work in San Francisco.

California public housing redevelopment projects have the added burden of placing all existing public housing residents in the new project. It is essential to address the needs of the existing residents in this type of site before getting too far into the planning process for a new development. If the developer engages existing residents and

they are supportive of the proposed program and rule structure for the new building, those who do not want to play by the rules will often choose not to move in to the new site.

In a current project, Non-Profit Expert II is reviewing all existing programs and services, conducting focus group meetings with residents, and completing door-to-door resident surveys to gain a complete understanding of existing site dynamics before proposing any changes. Non-Profit Expert II noted that there is a careful balance in selecting the right services. It is important to accurately gauge the needs of residents and to ensure that they are not offended by program offerings. For example, in some situations, programs such as college preparation classes and music classes are more appropriate than more basic services.

Non-Profit Expert II noted that the buildings with the most tenant turnover are those with rents closest to market-rate. Typically, the lower the rents, the longer tenants will stay. Market-rate tenants usually have more options and will eventually leave for a better deal. Affordable units occupied by young families turn over the most. As they begin to grow in their careers and earn more money they will move to a better, more permanent living situation.

Interview Summary 6: Urban Design Expert (Design Expert)

The sixth interview was held on April 20, 2010. The interviewee, herein referred to as Design Expert, is an experienced professional in the field of architecture and urban design employed by a design consulting firm in the San Francisco Bay Area. Design Expert has completed master plans and building design projects for a number of large-scale developments that have combined market-rate and affordable units.

Design Expert stated that there is a tendency for the public to hold negative views of affordable housing. Affordable housing is often stereotyped as large, unattractive, and dangerous. For this reason the politics have moved away from sites that may be seen to host a concentration of low-income households. Generally, mixed-income projects are more palatable to politicians and members of the public than projects that consist only of affordable units.

In large-scale mixed-income sites all residents share the same streets and have access to the same amenities. This creates opportunities for efficiency in the use of capital. While there is pressure for units to be integrated, it generally makes the most sense for affordable units to be in a separate building. This will be the case in the Hunters View and Potrero projects, part of the HOPE SF program. The affordable units will be housed on separate parcels.

Design Expert noted that the plan for Hunters View eliminates the dead ends that currently create closed spaces and make the site difficult to navigate. The street grid will become more similar to other San Francisco neighborhoods. The plan also triples the density and allows for new parks at each end of a boulevard that connects the north and south sides of the development. The plan has established phasing that will allow existing

residents to remain on site throughout the development process. It is planned that the market-rate units at Hunters View will subsidize the affordable units.

Inclusionary zoning creates a different type of mixed-income environment. While units are integrated, for-profit developers managing affordable units are not providing amenities and services that are specific to the needs of the affordable population. In Oakland, there is no inclusionary ordinance and it is much more difficult to get market-rate developers to include affordable units within the building. Frequently, they will partner with a non-profit housing organization to build the affordable units off-site. Inclusionary programs can be problematic for smaller projects where the construction cost per unit can be too high to absorb the cost of the affordable units.

Design Expert noted that the social intent behind creating mixed-income housing environments varies depending on the type of developer involved in the project. Some larger developers, both for- and not-for profit tend to be primarily numbers based, focused primarily on the number of units built. They are less concerned with potential social benefits of mixed-income sites and do not have a deep connection to the communities where they build. Others, particularly smaller non-profits, are very community based and intent on creating social value.

While Design Expert noted that there are a lot of dubious results from mixed-income development, he feels that it is possible for the social and economic expectations behind mixed-income strategies to come to fruition. He noted, however, that it will not happen without strong services and support.

Interview Summary 7: Housing Policy Expert (Policy Expert)

The seventh interview was held on April 22, 2010. The interviewee, herein referred to as Policy Expert, is an experienced policy analyst employed by a policy research organization based in Washington, D.C. Policy Expert has substantial experience in housing and urban policy research and development.

Policy Expert stated that there is not as much research as there should be on the subject of mixed-income housing. There are a lot of assumptions and very little direct research to back them up. There is also a lack of precision in defining what mixed-income means. Many of the assumptions were derived from results of the Moving To Opportunity program where data was collected to show the social and economic results of families moving from low- to middle-income neighborhoods. In general, the research base for housing issues is smaller than that of other fields.

He noted that practitioners talk about mixed-income housing with enthusiasm touting it as a means to avoid concentrations of low-income households and provide role models. Ideally, mentors within mixed-income communities will provide links to job opportunities and children will be exposed to men who are consistently employed. Practitioners assume that concentrating low-income households has not worked; therefore mixing incomes must be a better model. There is also the pragmatic reason of addressing the concerns of affordable housing critics and continue to develop units.

There are a number of questions regarding mixed-income that warrant further research. What is the right mix of income? At what level is mixing incomes most effective (project or neighborhood)? Does there need to be a mix within the same building? Do varying income levels need to be on the same floor? Social dynamics are

much more complex than we make them out to be. For example children are affected by many influences such as schools and social relationships. There is also a big difference between boys and girls. Social constructs are often difficult to isolate, making this type of research problematic.

Policy Expert recommended a review of literature by Xavier de Souza Briggs. He also noted that Harvard University was recently awarded \$1.8 million from the MacArthur Foundation to evaluate the effects of mixed-income housing on residents and communities over a three-year period.

Interview Summary 8: Local Government Housing Expert (Local Government Expert II)

The eighth interview was held on May 5, 2010. The interviewee, herein referred to as Local Government Expert II, is an experienced professional in the field of housing development employed by a municipal government agency in San Francisco. Local Government Expert II has significant experience with mixed-income sites and is actively involved in mixed-income development.

Local Government Expert II explained that mixing incomes can result in a double bottom line with positive effects that are both socially desirable and financially feasible. In creating mixed-income housing, developers can recreate blocks to look like traditional neighborhoods. These communities can provide a more balanced community, providing diverse influences for children. In essence, mixed-income projects are an opportunity to “do good while doing well.”

In Local Government Expert II's experience, mixed-income environments are generally delivering on desired social outcomes. However, she cautions that not everyone will benefit. Mixing incomes is not a magic pill for curing social problems. It does not provide automatic results, nor does it automatically provide access to job opportunities. For some, desirable social and economic results can be achieved through social services in the communities. Mixed-income communities benefit from a decrease in the concentration of bad influence and a higher percentage of people who are working hard.

Local Government Expert II stated that there are two primary ways that social cohesion is established, the first through the efforts of an individual employed to manage relationship building and the second is through large public institutions where people come together through shared interests. Portland was highlighted as an example of a mixed-income housing effort where social improvements are being effectively fostered through efforts of salaried service workers. Portland's program is centered within each individual home. Services including tutoring and job placement assistance are delivered inside the individual living rooms of site residents. In other cases, community builders are employed to encourage interaction and bring neighbors together.

Often communities are rooted around the local schools and community centers. Local Government Expert II noted that in the East Lake HOPE VI site (one of the first in the country), the community is brought together by the excellent local schools and a good YMCA facility.

With regard to improved access to services and amenities as a result of mixed-income development, Local Government Expert II noted that the HOPE SF Hunters View is likely to generate an influx of new goods and services to the area, which is largely

underserved. The Hunters View project alone would likely not attract major retailers on its own; however, the site is located next to the Bayview/Hunters Point redevelopment area. The combination of the two projects will generate interest from big box retailers, who count household demographics and incomes when making location decisions. In general, if there are enough market-rate units, retail will follow - particularly in San Francisco, where the City is very neighborhood-oriented. Residents of the market-rate units are likely not only to attract outside retail but to establish their own small businesses in the area as well.

Bringing market-rate units to a low-income area is likely to improve crime rates because market-rate tenants will demand a higher level of security and developers will spend extra money on security measures to ensure that residents are happy. Crimes happen in all neighborhoods in cities and the mere presence of market-rate tenants will not reduce crime; however, in many situations those responsible for crimes will choose to leave because they do not want to adhere to stricter rules and are aware that they and their activities will be more closely observed.

The Hunters View project is surrounded by nearly all low-income housing structures. Because of the neighborhood, crime will be a more difficult issue in creating a mixed-income community. Lions Creek Crossings in Oakland (a HOPE VI site) is an example of a site where crime was a major issue. Before redevelopment, the site was situated on a superblock and was notorious for its criminal activity. Lions Creek is now a peaceful community that is more integrated with the surrounding neighborhood. The developers are finding that the public housing is no longer a problem, but they are having some issues with the bad influences in the surrounding neighborhood.

Local Government Expert II noted that crime and social behavior can depend on a variety of factors. San Francisco is different from many other areas in that they have made the retention of existing residents a key focus of the HOPE SF program. In Chicago and Atlanta there are strict rules regarding tenant behavior. Many residents do not comply and are forced out of the mixed-income housing sites. This creates a lot of displacement, a major issue in mixed-income housing redevelopment programs.

When asked about turnover rates and the stability of resident populations in mixed-income sites, Local Government Expert II cited an example from Atlanta where turnover in a mixed-income development was just as high as in all affordable buildings. Public housing tenants move just as frequently as market-rate tenants, and mixed-income housing does not foster as much stability as previously thought.

Local Government Expert II stated that in most cases mixed-income housing is meeting expectations by creating new housing opportunities and making money for developers. However, she cautioned that the concept of mixed-income housing has not been in practice long enough to fail. In the world of affordable housing development, most properties do well for the first 10 years, but begin to run into trouble as the structures begin to age and financial mechanisms (such as tax credits) begin to expire.

5. Discussion and Conclusions

This section groups interview comments by general category and offers analysis comparing responses among the interview data and with existing literature and documented empirical evidence. Grouping interview findings by category provides a fresh perspective on the data and leads to conclusions and recommendations as shown in Table 2.

The discussion begins with the expectations of the experts with regard to mixed-income housing developments and their motivation for engaging in or promoting mixed-income strategies. It then describes the experiences and perceptions of the experts with regard to the assumptions outlined in the literature review including stability, economy of place, social networking and role modeling, and social control. The section also includes discussion of expert commentary on the logistics of developing mixed-income projects. It concludes with recommendations for planning practice and recommendations for future research.

Table 2. Findings and recommendations

Research Area	Findings	Recommendations
Expectations and Motivations	<ul style="list-style-type: none"> • Revitalize troubled public housing sites • De-concentrate poverty • Offer role models for low-income youth • Add low-income units in better neighborhoods • Partnership opportunities • Access to financing options • Address concerns regarding low-income housing • Gain political support 	<ul style="list-style-type: none"> • Planners should clearly define intentions and the meaning of “mixed-income”
Stability	<ul style="list-style-type: none"> • Evolves over time • Opportunity to stay in place despite income fluctuations • Turnover data is rarely available 	<ul style="list-style-type: none"> • Planners must understand that existing research is limited and be realistic when projecting outcomes • Further research
Economic Access	<ul style="list-style-type: none"> • Location is important • Most notable when placing low-income units in market rate developments • Difficult to achieve in primarily low-income areas 	<ul style="list-style-type: none"> • Planners must understand that existing research is limited and be realistic when projecting outcomes • Further research
Social Networking and Role Modeling	<ul style="list-style-type: none"> • Cannot be forced • May not benefit all residents • Connections generally formed in outdoor spaces and community facilities • On-site community builders can be effective • Minimize physical differences between low-income and market rate units • Can depend on the range of the income mix • Loose connections can be beneficial 	<ul style="list-style-type: none"> • Planners must understand that existing research is limited and be realistic when projecting outcomes • Further research
Social Control and Reduced Crime	<ul style="list-style-type: none"> • Security and resident screening are standard at low-income sites • Most sites that are only low-income have no problems with crime • Problem residents often do not return to revitalized sites, crime can be pushed to surrounding areas • Market rate residents demand high security 	<ul style="list-style-type: none"> • Planners must understand that existing research is limited and be realistic when projecting outcomes • Further research
Development Logistics	<ul style="list-style-type: none"> • Affordable units are on a separate parcel for financing reasons • The presence of low-income units can reduce the value of a property • Unit replacement policies and on-site relocation programs add to development costs • Developments in low-income areas must add amenities to attract market-rate tenants 	<ul style="list-style-type: none"> • Planners should understand development and logistics limitations

Expectations and Motivations

Local governments look to mixed-income strategies as a way to revitalize dilapidated and troubled public housing sites. The local government experts cited de-concentrating poverty as a primary motivation for deliberately mixing incomes. In sponsoring mixed-income development, they hope to improve the neighborhood by eliminating residents who engage in criminal activity and bringing in higher income residents and better quality housing. Developments that encompass “super blocks” or diverge from surrounding neighborhood patterns can be re-created to mimic traditional blocks and better blend with the community. Local government experts also noted that mixed-income efforts are motivated by the possibility of creating more balanced and diverse communities where children can benefit from the influence of a wide range of role models.

Non-profit housing development firms have not made mixing incomes a priority. The non-profit experts noted that their firms are primarily focused on adding the maximum number of affordable units of the best quality possible. The firms will develop units in whatever situations prove to be logical and financially feasible, which in some circumstances involve a mix of incomes. Non-profit developers also see the benefit of placing affordable units in the best possible neighborhoods and therefore see potential benefits in adding affordable components to otherwise market rate projects, but do not advocate specifically for mixing incomes in a single development project.

For-profit development firms are generally simply trying to develop feasible and attractive projects. In the case of bringing market rate units to public housing site, mixed-income projects allow the developer to partner with local government agencies to develop

on sites that are owned by the public housing authority or redevelopment agency. The revitalized project area is thought to improve values throughout the neighborhood and opens up valuable inner city land formerly occupied only by public housing units to profitable market rate unit rentals and sales. In some cases, adding affordable units allows for-profit developers to gain access to additional financing options.

For-Profit Expert and Design Expert note that projects that include a mix of incomes are often accepted politically and are often more palatable to surrounding neighbors. Adding affordable units to a project that is primarily market rate can make the application and entitlement process smoother and faster for the developer, resulting in substantial cost savings. Adding market rate units to an otherwise all-affordable project often results in less opposition from community leaders.

State Government Expert clearly stated that motivations for developing mixed-income housing are practical, not social. This sentiment was echoed by nearly all experts interviewed. While several experts were hopeful that social and economic benefits would occur as a result of mixed-income development, none claimed with any certainty that mixed-income development has or will significantly increase the quality of life for low-income residents as claimed by HUD or strengthen personal and civic bonds as stated by CNU.

This suggests that practitioners are generally aware of the lack of evidence regarding social outcomes from mixed-income developments. However, some continue to work to add to the stock of mixed-income sites because it works financially and offers some political benefit. Practitioners do not tout social or economic benefits for low-income residents but generally believe that in the case of public housing, mixed-income

models are likely to be more successful than those containing only highly subsidized units.

Stability

Experts from all sectors found it difficult to comment on stability with regard to mixed-income communities. Neither development experts from the private development nor local government sector could provide statistics regarding longevity rates of tenants or other evidence of improved stability.

State Government Expert noted that stability evolves over time and, despite our best intentions, cannot be legislated one development at a time. Local Government Expert I noted that there is some hope that by providing a variety of housing types at a range of subsidy levels, residents will be encouraged to stay in a development even as their income fluctuates; however, conceded that this is probably not realistic.

Nearly all experts cite a lack of data regarding turnover rates in housing communities. The information is not available for existing public, affordable, or mixed-income sites. Experts offered commentary regarding turnover rates based on intuition and anecdotal knowledge. Non-Profit Expert II noted that the buildings with the most turnover are generally those with rents closest to market rate. She noted that properties containing units designed to house families typically turn over the most as they are often just starting out in careers but are generally upwardly mobile.

Non-Profit Expert I noted that residents of affordable housing developments often have no ability to change their income levels as they are seniors living on a fixed income or are dependent on disability programs, and for this reason will stay in a unit for a very

long time. A government sector expert noted that due to the extreme lack of supply, there are very few options for moving out of an affordable unit, thus there is often a long staying period for lack of other options.

A government expert noted that in an attempt to promote stability, market rate units in mixed-income developments are often units available for purchase. Another suggested that including senior citizens in a mixed-income community may offer stability as seniors often act as the “social backbone” of a community.

Based on expert commentary, there is not yet evidence that mixed-income housing communities are effectively promoting neighborhood stability. Wilson’s (1987) suggestion that middle-income families can aid in maintaining social structures and community amenities as the economy fluctuates would seem to be dependent on families staying at a site or in a neighborhood long enough to get involved in such organizations. Experts note that while low-income residents stay in place for longer periods, usually for lack of other options, units turn over more frequently when inhabited by higher income residents. Existing studies by Brophy and Smith (1997) and Khadduri and Martin (1997) found similar results. Unless mixed-income sites can effectively encourage long term occupancy, improved stability may be an unobtainable objective for mixed-income housing developments.

Economic Access

Experts generally agreed that there is some validity to the idea that mixing incomes may lead to improved access to services and amenities. Several developers noted the importance of the location, the type of development (primarily market-rate or

primarily low-income), and the size of the proposed project in realizing improvements in economic access.

A number of experts emphasized the importance of the site's location when considering whether or not a mixed-income development would succeed in increasing access to goods, service, and amenities for low-income residents. In examples provided by experts, including San Francisco HOPE VI sites Hayes Valley and North Beach Place, the mixed-income housing development is located in a "good" neighborhood where there are upper income residents surrounding the site and the accompanying economic activity already in place. The North Beach Place project incorporates retail on the first floor and spaces are regularly lease up.

Non-Profit Expert II note Marin City as a successful example of employing income mixing to attract retail and services. The area was redeveloped about 15 years ago and the new site allowed for a wider range of incomes. Retail and services did not come immediately, but with investment in the area, including a new fire station, the project was successful. Much of the success may be owing to its desirable location near the Golden Gate Bridge.

Non-Profit Developer I and For-Profit Developer state that low-income residents can enjoy access-related benefits when living in a mixed-income site that is primarily composed of market-rate units. In extreme examples, low-income residents living in subsidized units in high-rise buildings in San Francisco and New York enjoy access to on-site community rooms and outdoor spaces, exercise facilities, indoor and outdoor pools, and concierge services. The challenge with this model is that there must be enough

low-income residents in a given site to be able to offer tailored on-site services such as job placement assistance, education programs, and medical examinations.

Attracting business and services is more challenging when mixed-income housing is developed in primarily low-income neighborhoods with high crime rates. Non-Profit Expert II noted an example from West Oakland in which a mixed-income site was not successful in attracting a ground floor retail provider. Potential tenants cited concerns regarding possible theft and were hesitant regarding the demographics of the area

Hunters View may face challenges in attracting goods and services, regardless of the number of market-rate units due to its location in a low-income neighborhood. Local Government Expert II noted that the redevelopment of the Hunters View site would not change demographics significantly enough to attract major retail and restaurant outlets; however, other redevelopment efforts in the area may spur enough added activity to attract businesses and service providers.

It is evident from expert commentary that a single mixed-income development project is unlikely to spur improved local access to goods and services for low-income residents. However, sites incorporating low-income units into primarily market-rate projects can provide numerous benefits to low-income residents, both on-site and in the surrounding neighborhood. Brophy and Smith (1997) reported similar results in their case study sites.

Social Networking and Role Modeling

While experts generally agree that socializing and role modeling cannot be forced and may not benefit all residents, there is some potential for residents of varying income levels to form connections. Design and development experts emphasized the importance of site layout and unit construction in facilitating connections. While experts offered insight as to how social connections may be formed, they were unable to speak to the value of such connections in improving the lives of low-income residents.

Experts state that those connections are most likely to be formed through the use of outdoor spaces and community facilities and are most often formed through activities relating to children. Local government experts noted that some sights have has success in employing an on-site community builder to draw residents into the greater community.

Several experts cited the importance of ensuring that there are no differences in the physical quality of the units that can result in negative stigmas. If low-income residences are not easily distinguished from market rate units, tenants likely will not know or care who pays what and therefore will not selectively choose to associate or not associate with residents of certain income groups.

Experts note that large sites affordable units are typically constructed on a separate parcel from market rate units for financing purposes. This can make it difficult to ensure regular interaction among residents of varying income levels. For this reason, For-Profit Expert noted that projects constructed under inclusionary housing mandates work particularly well in creating informal social connections because the low-income units are usually physically integrated throughout the building.

Non-Profit Expert II states that social mixing often depends on the level of subsidy. If residents have jobs, it makes little difference how much more or less they make than the person they live next to. If residents are working, they are likely to have similar lifestyles, needs, and concerns as other working neighbors.

Local Government Expert II warned that mixing incomes is not a “magic pill” for curing social problems. Simply locating households with higher incomes next door does not provide automatic benefits or instant access to job opportunities for low-income residents. Policy Expert cautions that social dynamics are much more complex than they appear and the effects of mixing incomes are unlikely to be straightforward and easily deciphered.

While experts could not offer detailed or specific evidence of positive social outcomes for low-income residents as a result of living in mixed-income housing, most tended to feel benefits were possible. Loose connections could be made among residents and these may lead to useful information, connections, or subtle positive influences over the life of the relationship. Experts offered no specific evidence regarding role-modeling in mixed-income developments. The data gathered is very much in keeping with evidence stated in previous studies. Joseph et al. (2007) note that while studies have uncovered interaction among residents, they have not been able to demonstrate that it has lead to greater opportunity.

Social Control and Reduced Crime

Experts agreed that safety and reduced crime in a housing development are closely linked to the crime rates in the surrounding neighborhood and on-site management and tenant screening. While these factors are not unique to mixed-income sites, the presence of market-rate tenants can prompt increased security measures.

Experts generally agreed that security is well-managed in mixed-income sites. This can be attributed to rigorous resident screening, demands for high-level security by market-rate tenants, and tight building management. For-Profit Expert also asserted that low-income residents are respectful of clean, well-designed living environments. Those living in developments that are primarily market-rate are generally grateful to have the opportunity to live in an upscale building in a nice neighborhood and are careful to obey building rules.

Non-profit developers noted that compliance with the rules is not correlated with income level. Most privately managed sites that are 100 percent affordable have no problems with crime or noise. There is little difference in behavior between market-rate and low-income renters.

Non-profit affordable sites regularly screen potential residents. Experts generally agree that screening can ensure that residents who engage in illegal activities or do not respect building rules will not be offered a unit on the site. Chicago mixed-income sites engage in rigorous tenant screening. Regardless of income level, tenants are subject to credit checks, background checks, and drug testing. Local Government Expert I noted that tenant screen may have contributed to improved crime rates in the North Beach and Valencia HOPE VI sites in San Francisco. Many of the original residents did not return to

the redeveloped site, and it is likely that those who were causing problems were not invited back.

Several experts noted concern regarding safety at the Hunters View site. For-Profit Expert noted that market-rate units will be built in a later phase because they would not be marketable under the current area crime rates. To fill the market-rate units the local gang element will need to be eradicated and criminal activity stopped.

This is in keeping with the general assumption that market-rate tenants will demand security improvements or will choose to live elsewhere. Once they are residents, they will report rule violations and insist upon strong security measures. Rosenbaum et al. (1998) found this to be true of higher-income residents in Chicago's Lake Parc Place development.

Local Government Expert II expressed concern that while crime may improve on the site and within a small radius of the site, the problem of criminal activity in a neighborhood is not solved by integrating higher-income residents; it is simply pushed into other surrounding areas. This is an important consideration for the HOPE SF developments. Planners should take care to monitor criminal activity in surrounding low-income areas as the sites are redeveloped.

Development Logistics

Experts note that a number of finance and policy guidelines contribute to the structure and feasibility of mixed income projects. Financing and policies can be a factor in site layout, ownership, and management. Mixing incomes can also affect the appraised value of the development.

On large, lower-density sites affordable units are constructed on a separate parcel from the market rate units in order to obtain. Generally under this structure a for-profit developer will be responsible for constructing and managing the market-rate units and a non-profit developer will construct and manage the affordable units. The non-profit developer will typically pursue Low Income Housing Tax Credit financing. Despite the two-party ownership arrangement units will share access to amenities and will be constructed with the same façade so that affordable units are not easily distinguishable from market-rate units.

The presence of the low-income sites often serves to devalue the market-rate units. The appraised value is reduced because banks equate the presence of the low-income units with a less stable community.

Unit replacement policies and on-site relocation mandates can deeply impact the way that a project is designed and constructed. The Hunters View site is phased in such a way as to allow all existing residents to remain on-site throughout the development process. This can make construction more difficult and more expensive, but may save in relocation costs for the developer.

Developments that are located in lower-income areas and sites that are composed primarily of affordable units must offer amenities, security provisions, and attractive unit design to draw market-rate tenants. This type of development generally is most feasible in areas with a tight rental market and housing options are limited, otherwise, market-rate tenants are unlikely to choose to relocate to a low-income area.

Sites built to fulfill an inclusionary mandate are typically composed of 80 percent market-rate and 20 percent affordable units. These developments are often built in

desirable neighborhoods and offer attractive on-site amenities. The developer is able to subsidize the affordable units with profits from market-rate units. Because this is a proven model, the presence of the affordable units does not generally result in a reduced appraised value for the site.

Design Expert notes that inclusionary models for mixed-income housing can work well for large scale developments but can make smaller projects unfeasible to develop. Cities should take care when establishing inclusionary policies to consider the burden of the requirement on various sizes of projects.

A number of experts noted the importance of community spaces in promoting social connections among mixed-income housing residents. Fitness and playground amenities can serve as meeting sites for residents who have children of a similar age or share common hobbies or interests. Planners and developers should carefully consider the layout of community spaces when designing a mixed-income project.

Recommendations for Planning Practice

1. Planners should clearly define the term “mixed-income” and provide specific intentions when recommending a “mixed-income” strategy.

“Mixed-income” has become a common phrase in planning practice. This is likely due in part to publicity about the HOPE VI program and as a result of the attention to “smart growth” strategies advocated by CNU. Mixed-income housing strategies and policies have been included in general plan housing elements for a number of California cities including San Francisco, Sacramento, and Los Angeles.

Planners should take care to clarify their meaning when using the term “mixed-income” (Joseph et al., 2007; Joseph, 2006). The term is used to describe a wide range of

housing strategies and researchers agree that there is no formally recognized definition within the housing field (Brophy and Smith, 1997; Epp, 1996; Khadduri and Martin, 1997, ULI).

Initial research for this study revealed a variety of income level mixes and housing types in San Francisco (see Appendix A). For example, the Bernal Dwellings HOPE VI site includes households with incomes ranging from under 15 percent AMI to 60 percent AMI in three story townhomes. The Paramount includes 99 low-income units with households ranging from 31 to 50 percent AMI and 387 market-rate units in a 39 story high-rise.

Experts named a number of possible scenarios for mixed-income housing including sites that include only affordable units at a range subsidy levels based on income, sites that are primarily market rate but include low or moderate-income units to satisfy an inclusionary housing ordinance, and sites that are primarily affordable but include market rate units. Thus, it is essential that planners should be explicit and clear when articulating recommendations or strategies involving mixed-income housing.

2. Planners must understand that existing research regarding outcomes from mixed-income housing is limited and should be realistic when projecting outcomes from mixed-income strategies.

Mixed-income developments are not proven to offer specific social or economic benefits to low-income residents. While HUD, CNU, and other organizations have made a number of claims regarding the improved environments mixing incomes can produce, these claims are not backed by empirical evidence. Reserachers agree that there is not yet

enough evidence to conclude that mixed-income housing developments are achieving desired outcomes (Brophy and Smith, 1997; Schwartz and Tajbakhsh, 1997; Joseph, 2006; Joseph et al., 2007; Manzo, 2008; Duke, 2009).

Planners should be cautious in endorsing mixed-income housing as a tool to assist low-income residents. Manzo (2008) notes that support for mixing incomes is based on the assumption that middle class beliefs and values are different from, and superior to, those with lower incomes. Many assumptions regarding social benefits are seen as condescending and offensive. As Rosenbaum et al. (1998) encountered, low-income residents are sensitive to claims that higher-income people can serve as positive role models and act as links to better financial opportunities.

3. Planners should understand the development logistics and limitations of mixed-income development when establishing mixed-income policies and programs.

As noted in the Development Logistics discussion, available financing and regulating policies can dramatically impact the design and feasibility of a mixed-income site. Planners should note that financing can make the integration of affordable and market-rate units impossible within an individual building, making careful consideration of community spaces an important element of mixed-income site design. Because residents may be less likely to have chance hallway encounters with neighbors of a different income group, community spaces may be the only venue where social interactions among residents occur.

Planners should note that an attractive appearance and added amenities are essential in sites that are located in less desirable locations. This should be noted as site

plans are reviewed and approved. Poor quality or execution may result in high vacancy rates in the market-rate units.

Inclusionary housing policies should be drafted carefully. Developments that include 80 percent market-rate units and 20 percent affordable can offer a number of benefits to low-income residents. However, the size of the overall development is important in determining the number of affordable units the developer can provide without compromising the financial feasibility of the project.

Recommendations for Future Research

Given the high levels of investment in mixed-income communities, particularly in San Francisco with the HOPE SF program, it is essential that researchers and practitioners continue to gather, document, and distribute empirical data documenting the results of mixed-income developments. Researchers agree that there is a severe shortage of information on this topic and there is an opportunity to gather data from before and after development as more and more sites move forward from conceptual stages to completion.

Experts noted that there are a number of questions that have gone unaddressed with regard to mixed-income housing. Specifically, there is no evidence regarding what constitutes the “right” mix of incomes. It is also unknown at what level mixing must occur in order to realize intended benefits – on each floor of a development, at the project level, or at the neighborhood level?

While there are some drawbacks, a case study approach is an attractive option for analyzing mixed-income properties. It is evident from interview with experts over the

course of this study that each project has substantial unique characteristics including the number and type of units, layout of the site plan, income mix of residents, location and market circumstances, neighborhood influences, and more. Case studies are not efficient for conclusions that can be generalized on a larger scale; however, amassing more case studies may enable practitioners to draw key points from a variety of unique situations to better implement their own projects. An abundance of case studies may allow practitioners to better predict outcomes and identify obstacles that may not have otherwise been foreseen.

State Government Expert highlighted WAV, a mixed-income site in Ventura, as an example of a development catering to the most extreme variations in income. The development contains a homeless shelter, subsidized artist lofts, and million dollar ocean-view condominiums. The project was partially funded by the Ventura Redevelopment Agency. With proper permission and access, researchers could track social interactions, resident economic activity, turnover, and more. A case study of WAV could provide valuable insight on combining homeless services with other, more permanent housing sites.

The HOPE SF program sites also represent a unique opportunity for study. According to a local government expert, the Hunters View project broke ground in 2010 and the first phase is scheduled for to be completed in 2012. The phasing is structured so that current residents can remain on site throughout the development process. Researchers could take advantage of the proximity of the existing residents to monitor social and economic activity throughout and after the development process. Other planned HOPE SF public housing redevelopment initiatives at Sunndydale and Potrero

Hill may offer similar opportunities for “before and after” behavioral and economic studies.

Researchers planning studies of mixed-income sites should be aware that access to data is difficult to obtain. For-profit developers and management firms have no incentive to share data with researchers or offer access to residents at their sites. Resident information at public and private housing sites is held confidential. Neighborhood demographic data from the census is gathered infrequently, thus rendering a less-than-perfect tool for tracking the impacts of mixed-income developments on their surrounding neighborhood. Researchers should make contact with potential city agencies and development firms as early in the research design process as possible to ensure that enough data will be available to complete the study as intended.

Access to data could be greatly improved by mandating data collection as a stipulation of project financing. HUD, State, and local agencies could ensure that a portion of each mixed-income project budget is allocated for research and reporting. The funding agency could outline an ongoing procedure for systematic data collection and budget for regular analysis. This method has proven successful for improving research outcomes for a number of other topics including prisons and post offices.

Overall Conclusions

A great deal of time and public money is being spent on mixed-income strategies, yet there is clearly not yet enough evidence to justify this level of investment. Experts seem to realize the lack of data but do not seem particularly concerned with addressing the problem.

In San Francisco, the HOPE SF mixed-income program is a strategy to revitalize the most problematic public housing sites. The mixed-income component allows the City to spend public funds to entice higher income households into an area that is currently primarily low-income. While the program ensures the availability of units for existing residents, the investment in the area is likely to gentrify the neighborhood. Residents of homes surrounding the new development site are likely to experience increased rents and may eventually be forced out of what was once the most affordable neighborhood in San Francisco. Criminal activity may improve in the immediate vicinity of the site but those engaging in criminal behavior are likely to be pushed into other surrounding communities.

Non-profit developers, those typically most concerned with the well-being of low-income residents have not adopted mixed-income housing as a focus for development. They realize that low-income residents need a nice, safe place to live and that higher income neighbors do not necessarily improve a living environment. They generally only see the benefit of the opportunity to place lower-income households in neighborhoods that would otherwise be inaccessible.

Tenants in the 50-80 percent AMI range can benefit greatly from the opportunity to live in market-rate buildings. It can provide greater access to amenities and services and the opportunity to live in a safe neighborhood with better schools. However, these residents are unlikely to benefit from greater stability, social networking, role modeling, or greater social control. Most have steady jobs and likely are not in need of life-assistance from neighbors in a higher income category.

Ultimately, mixed-income solutions appear primarily to be a political tool - a popular way to show that the development community is addressing the negative effects of concentrated poverty. Mixing incomes can make an otherwise all-affordable development more palatable to neighbors and an otherwise all market-rate development more palatable to affordable housing advocates and City officials.

There are a great number of variations in mixed-income strategies including the mix of income levels, size and physical structure of developments, location of developments, ownership and management structure, and financing mechanisms. It is clear that there are potential benefits to be realized in the development of mixed-income environments in a number of circumstances. To maximize the potential benefits of mixed-income developments, planners, developers, and politicians should be as clear as possible in detailing the type of mixed-income to be constructed and the outcomes sought.

Despite the lack of empirical data, industry professionals continue to promote mixed-income housing strategies. The lack of evidence is acknowledged but is not of great enough concern to prompt thorough and consistent data collection. Until professionals in the field begin to actively promote and facilitate efforts to gather data, research on mixed-income will be difficult, if not impossible to conduct. Mixed-income strategies will remain a political tool rather than a substantive strategy for positive social change.

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8. Appendices

A. Potential case study sites

Potential Case Study Sites

Site 1:

Status:

Location:
Financing:
Management:
Year Built:
Building Style:
Building Height:
Total Units:
Total BMR:
Unit Mix:

Notes:

Bernal Dwellings

In communication (McCormack Baron)

3138 Kamille Court, Bernal Heights, SF
HOPE VI
San Francisco Housing Authority
2001
Townhomes
3 Stories
160
100%
67 units < 15%
45 units > 15% < 30%
19 units > 30% < 45%
15 units > 45% < 60%
39 units per acre

Site 2:

Status:

Location:
Financing:
Management:
Year Built:
Building Style:
Building Height:
Total Units:
Total BMR:
Unit Mix:
Notes:

Valencia Gardens

Awaiting response from SFHA

15th and Valencia, Mission District, SF
HOPE VI
San Francisco Housing Authority
2006
Mid-Rise/Townhomes
4 Stories
260
100%
unknown
50 units per acre

Site 3:

Status:

Location:
Financing:

Management:
Year Built:
Building Style:
Building Height:
Total Units:
Total BMR:
Unit Mix:

Jones Family Apartments

Did not pursue due to income mix

111 Jones, Tenderloin, SF
Low Income Housing Tax Credits, SF
Redevelopment Agency Funds
Mercy/Charities Housing (non-profit)
1993
Mid-Rise
8 Stories
108
100%
94 below 50%
8 at 50-79% AMI,
3 at 80-99% AMI
3 at 100% AMI

Notes:

One of the case study sites in Brophy and Smith's 1997 article

Site 4:

Status:

Location:

Financing:

Management:

Year Built:

Building Style:

Building Height:

Total Units:

Total BMR:

Unit Mix:

Notes:

Fillmore Center Apartments

Awaiting Response

1475 Fillmore, Fillmore District, SF

unknown

Laramar Group (private)

1989

Tower

Approx. 20 Stories

1,100

20%

223 at 76-80% AMI

Part of the Fillmore redevelopment area

Site 5:

Status:

Location:

Financing:

Management:

Year Built:

Building Style:

Building Height:

Total Units:

Total BMR:

Unit Mix:

Notes:

SOMA Residences

Awaiting Response

1045 Mission Street, SOMA, SF

unknown

Emerald Fund, Inc.

2001

Mid-Rise

5 Stories

258

20%

55 at 31-50% AMI

197 units/acre; Building is mixed-use with commercial outlets on the bottom floor; some live-work units; David Baker Architects

Site 6:

Status:

Location:

Financing:

Management:

Year Built:

Building Style:

Building Height:

Total Units:

Total BMR:

Unit Mix:

Notes:

Crescent Cove

Eliminated - no longer mixed-income

420 Berry Street, Mission Bay, SF

SF Redevelopment Agency

The Related Companies of California

2007

Mid-Rise/Townhomes

4 Stories

236

100%

134 at 31-50%; 100 at 61-75%

66 units/acre; David Baker Architects

Site 7:**Status:**

Location:

Financing:

Management:

Year Built:

Building Style:

Building Height:

Total Units:

Total BMR:

Unit Mix:

Notes:

The Paramount**Rejected (they will not work with me)**680 Mission Street, Financial District, SF
unknown

Third & Mission Associates, Inc.

2001

Tower

39 Stories

486

20%

99 at 31-50% AMI

Mixed-use: commercial on first two floors

Site 8:**Status:**

Location:

Financing:

Management:

Year Built:

Building Style:

Building Height:

Total Units:

Total BMR:

Unit Mix:

Notes:

Emery Bay Club and Apartments**Awaiting Response**6400 Christie Avenue, Emeryville
unknown

Bridge Housing; Canyon Pacific

1993

Low Rise

4 Stories

260

70%

60 below 50%

94 between 50 and 79%

29 between 80 and 99%

77 above 100%

A case study site in Brophy and Smith
(1997)

B. Informed consent for interviews

INFORMED CONSENT TO PARTICIPATE IN “ASSUMPTIONS, EXPECTATIONS, AND REALITIES: EXPERIENCES WITH MIXED-INCOME RESIDENTIAL ENVIRONMENTS IN SAN FRANCISCO”

A research project on mixed-income housing is being conducted by Kim Hoving in the Department of City and Regional Planning at Cal Poly, San Luis Obispo. The purpose of the study is to explore the validity of the assumptions driving the popularity of mixed-income strategies.

You are being asked to take part in this study by answering questions regarding your professional knowledge of the topic in a telephone interview with the researcher. The interview will last 30 to 45 minutes. Please be aware that you are not required to participate in this research and you may discontinue your participation at any time without penalty. You may also omit any items on the question(s) you prefer not to answer.

Your responses will be kept confidential to protect your privacy. The researcher will not publish your name, organization, or specific comments that could be linked directly to you.

Potential benefits associated with the study include the opportunity to make a contribution to the academic body of knowledge on mixed-income housing.

If you have any questions regarding this study or would like to be informed of the results when the study is completed, please feel free to contact Kim Hoving at (510) 907-0157 or kimhoving@hotmail.com or faculty advisor Umut Toker at (805) 756-1592 or utoker@calpoly.edu with any questions or concerns.

If you have questions or concerns regarding the manner in which the study is conducted, you may contact Dr. Steve Davis, Chair of the Cal Poly Human Subjects Committee, at (805) 756-2754 or sdavis@calpoly.edu, or Dr. Susan Opava, Dean of Research and Graduate Programs, at (805) 756-1508 or sopava@calpoly.edu.

If you agree to voluntarily participate in this research project as described, please indicate your agreement by responding to this email and confirming an interview appointment with the researcher.