

Mixed-Income Housing

Definition

Mixed-income housing does not carry a formal definition since it can vary drastically depending on location and the housing market.¹ However, the U.S. Department of Housing and Urban Development best defines mixed-income housing as a development 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.²

Description/Summary

Mixed-income housing can be introduced to a community in many ways and therefore, there are variety of benefits and success rates. Mixed-income housing can vary based on multiple factors such as number of income groups included in the housing, quality of housing for various income groups, and amount of interaction between income groups. These factors result in a range of benefits or disadvantages of mixed-income housing.

Several objectives are ascribed to mixed-income housing, some of which include increasing the economic stability of the community, creating upward mobility for low-income residents, building high quality and affordable housing, or stimulating economic and social revitalization.³ Since there are many objectives for mixed-income housing, there are also many ways to execute the process successfully. The benefits of mixed-incoming housing depend on the way that the process is executed.

In many areas of the United States, housing for the poor is stereotyped and is defined by hyper-segregation and concentration of poverty.⁴ Mixed-income housing is one solution to combat concentrated poverty. Economic diversity, ideally, would improve neighborhoods and provide benefits for the community as a whole.

Economic benefits are the clearest successes of mixed-income housing. Mixed-income housing attracts higher income families, spurring a deconcentration of poverty, particularly in larger

¹ Brophy, P. C., & Smith, R. N. (1997). Mixed-Income Housing: Factors for Success. *Cityscape: A Journal of Policy Development and Research*, Volume 3 (Issue 2). Retrieved August 26, 2013, from <http://www.huduser.org/periodicals/cityscape/vol3num2/success.pdf>

² U.S. Department of Housing and Urban Development: Community Planning and Development (2003). Mixed-Income Housing and the HOME Program. Retrieved August 2, 2013, from http://portal.hud.gov/hudportal/documents/huddoc?id=19790_200315.pdf

³ Joseph, M.L., Chaskin, R.J., & Webber, H.S. (2007). The Theoretical Basis for Addressing Poverty Through Mixed-Income Development. *Urban Affairs Review*, Volume 42 (Issue 3). Retrieved August 26, 2013, from <http://uar.sagepub.com/content/42/3/369.full.pdf+html>

⁴ Fraser, J., & Nelson, M.H. (2008). Can Mixed-Income Housing Ameliorate Concentrated Poverty? The Significance of a Geographically Informed Sense of Community. *Geography Compass*, Volume 2 (Issue 6). Retrieved August 26, 2013, from http://jamescfraser.com/storage/publications/Fraser_Geography%20Compass%202008.pdf

areas. This ensures diversity among income groups in the neighborhood over time.⁵ Communities that have mixed-income housing also tend to be more economically stable than communities that focus solely on low-income housing.⁶

Benefits of mixed-income housing have been found across all income levels. Lower-income residents in particular report benefits in mental health, employment, and educational opportunities in some cases. However, these benefits arise from living in improved developments rather than from interaction with higher-income residents.⁷

Mixed-income housing is effective in meeting the majority of its goals, but requires particular measures to facilitate success. Financing mixed-income housing can be complex as well as management and marketing of the community. Often times these challenges are overcome with dedication to resolving larger issues within the community.⁸

There are questionable results in some of the more social and economic gains for low-income families who participate in mixed-income housing.⁹ There are clear benefits for the entire community, but it is more difficult to pinpoint any individual benefits for low-income residents.

Where there have been social and economic benefits in mixed-income housing, it is hard to isolate the source of the success. For example, crime and vandalism are minimal in mixed-income developments that have more strict screening and management.¹⁰ Further research is needed to determine that it is the mix of income groups at the source of the success rather than the management of the development.

In some cases, if the differences in income throughout the community are too great, the residents of the community are less likely to bridge differences. This, therefore, will not result in alleviation of racial tensions, class segregation, and other social issues.¹¹ However, a range of income groups is also necessary to introduce the plausibility of bridging gaps between various classes.

Strategies

The predevelopment process of mixed-income housing is critical and securing funds for the project helps assure the viability of the project. There are many financial vehicles to assist in

⁵ Smith, A. (2002). *Mixed-Income Housing Developments: Promise and Reality*. Neighborhood Reinvestment Corporation. Retrieved August 26, 2013, from http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/w02-10_smith.pdf

⁶ U.S. Department of Housing and Urban Development. "Mixed-Income Housing and the HOME Program." Retrieved August 26, 2013, from portal.hud.gov/hudportal/documents/huddoc?id=19790_200315.pdf

⁷ Levy, D. K., McDade, Z., & Dumlao, K. (2010). *Effects from Living in Mixed-Income Communities for Low-Income Families*. Retrieved August 26, 2013, from <http://www.urban.org/UploadedPDF/412292-effects-from-living.pdf>

⁸ Ibid

⁹ Smith, A.

¹⁰ Ibid

¹¹ Levy, D. K., McDade, Z., & Dumlao, K.

the formulation and success of mixed-income development. The HOPE VI Program created by the U.S. Department of Housing and Urban Development is one way to help fund mixed-income housing. Created in 1992, the HOPE VI Program is a federal funding program that attempts to revitalize many severely distressed public housing projects in the United States into mixed-income developments.¹² However, funding from HOPE VI is only available for certain applicants. Any Public Housing Authority that has public housing units in severe distress can apply for HOPE VI grants.

There are two types of grants given by the HOPE VI Program. The first grant, the HOPE VI Revitalization grant, funds capital costs of major rehabilitation, demolition of severely distressed housing, acquisition of sites for off-site construction and community and supportive service programs for residents.¹³ Between fiscal years 1993 and 2010, 262 revitalization grants were given amounting to approximately \$6.2 billion.¹⁴

The second grant, the HOPE VI Main Street grant, provides assistance for smaller communities to develop affordable housing undertaken in connection with a Main Street revitalization effort.¹⁵ This funding particularly seeks to revitalize older, downtown business districts and to maintain the historic character of the downtown. The funding must be used to remodel commercial space into, or build new, Main Street affordable housing units.¹⁶

The Low Income Housing Tax Credits Program is also another way to fund a mixed-income housing project. The LIHTC Program is “an indirect Federal subsidy used to finance the development of affordable rental housing for low-income households.”¹⁷ Federal housing tax credits can be used by local housing and community development agencies for qualified projects. To qualify for the LIHTC Program, the project, firstly, must be a residential rental property and, secondly, must commit to one of two possible low-income occupancy threshold requirements.¹⁸ The first threshold is the 20-50 rule. The U.S. Department of Housing and Urban Development, or HUD, defines this as a threshold in which at least 20 percent of the units are rent restricted and occupied by households with incomes at or below 50 percent of

¹² Joseph, M.L., Chaskin, R.J., & Webber, H.S.

¹³ U.S. Department of Housing and Urban Development. About HOPE VI. Retrieved August 26, 2013, from http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/hope6/about

¹⁴ U.S. Department of Housing and Urban Development. Revitalization Grants. Retrieved August 28, 2013, from http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/hope6/grants/revitalization

¹⁵ U.S. Department of Housing and Urban Development. About HOPE VI.

¹⁶ U.S. Department of Housing and Urban Development. Main Street Grants Notice of Funding Availability. Retrieved August 28, 2013, from http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/hope6/grants/mainstreet

¹⁷ U.S. Department of Housing and Urban Development. LIHTC Basics. Retrieved August 28, 2013, from http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/affordablehousing/training/web/lihtc/basics

¹⁸ U.S. Department of Housing and Urban Development. Eligibility. Retrieved August 28, 2013, from http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/affordablehousing/training/web/lihtc/basics/eligibility

the HUD-determined area median income.¹⁹ The second threshold is the 40-60 rule. HUD defines this as a threshold in which at least 40 percent of the units are rent restricted and occupied by households with incomes at or below 60 percent of the HUD-determined area median income.²⁰ Lastly, the project must operate under the rent and income restrictions for 30 years or longer, pursuant to written agreements with the agency issuing the tax credits. Rent restrictions are based on a percentage of area median income and only the portion of the rent paid by the tenant is restricted, not the total rent.

There are many ways to finance a mixed-income housing project. Both the state and federal governments have agencies that particularly focus on housing and offer resources such as loans, grants, etc. to fund a mixed-income housing project. Many funds go towards financing projects generally, but some may focus on affordable housing in particular.

Beyond financing the project, there is, unfortunately, no consensus on a preferred variety of income sects or development design that would ensure achievement of the goals of mixed-income housing. However, there are preferable conditions that would position a community for successful execution of mixed-income housing. Location, size, design, and condition of the development, racial composition of the community and the housing market are all factors to consider when beginning implementation of mixed-income housing.²¹ The weaker the housing market is, the more difficult it becomes for a mixed-income housing development to compete for moderate and middle-class families. A strong housing market has a better potential of attracting higher-income residents and attract residents who can afford the housing.²²

Physical attributes such as size or location could make a development more or less desirable to potential residents. For example, if the housing is located near abandoned buildings, in a crime heavy area, or has limited transportation services, it may not be as appealing to higher-income households. Utilizing desirable neighborhoods with attractive amenities such as quality schooling, transit, etc. would help attract moderate to middle-class residents and serves as a platform to facilitate upward mobility of lower-income residents.²³ Drawing in higher-income residents is crucial. Without any willing participants, it is difficult to get a variety of incomes among residents. It is important to use amenities and quality housing to attract higher-income residents in particular. If the physical amenities of the development are attractive and high quality then the development will be more likely to prosper Additionally, having community-

¹⁹ Ibid

²⁰ Ibid

²¹ Schwartz, A., & Tajbakhsh, K. (1997). Mixed-Income Housing: Unanswered Questions. *Cityscape: A Journal of Policy Development and Research*, Volume 3 (Issue 2). Retrieved August 26, 2013, from www.huduser.org/periodicals/cityscpe/vol3num2/unanswer.pdf

²² Brophy, P. C., & Smith, R. N.

²³ LaFave, J., & Maryns, N. (2009). From Ideas to Action: Implementing a Mixed-Income Housing Strategy in Washington, DC. Retrieved August, 28, 2013, from <http://www.dchfa.org/Portals/0/Documents/News/FromIdeasToAction.pdf>

specific goals that define what is expected from mixed-income housing will help determine the overall design of the development.²⁴

How mixed-income housing is implemented also can affect the success of the development. A developer can utilize mixed-income housing for a development that the company wants to create. The area government can also implement mixed-income housing as well through law such as an inclusionary zoning ordinance. This ordinance could either be mandatory or voluntary. Mandatory inclusionary zoning ordinances may produce more affordable housing units, but developers would likely be more opposed to a mandatory ordinance. A voluntary ordinance would allow developers to make their own choice, but then may not lead to a large amount of affordable housing units. For example, the top 15 producing jurisdictions in California produced over 16,000 units of affordable housing, all under mandatory requirements.²⁵ If a large amount of affordable housing is necessary for a particular area, then a mandatory may be a better approach.

For mixed-income housing to become successful, coordination between agencies and developers is key. Having meetings often between any housing agencies that may exist, regulatory bodies, developers, etc. would ensure that projects go smoothly.²⁶ Any difficulties that may arise can be solved by all bodies involved in the process to make the end result the best it could be.

Beyond the plans to create the development itself, the developments must be monitored to ensure that there is the right income mix, the housing remains in good condition, etc. Having clear rules for the development and enforcing those rules is also essential.²⁷ Excellent management makes the development more attractive to existing residents and attracts potential residents as well.

Case Studies

Communities across the United States have found multiple ways to implement mixed-income housing. One example of implementation of a mixed-income housing project would be in Montgomery County, Maryland. Montgomery County is located north of Washington D.C and has a 2010 population of 971,777 making it Maryland's most populated jurisdiction.²⁸ In the early 1970s, Montgomery County witnessed a shortage of affordable housing for low- and

²⁴ Levy, D. K., McDade, Z., & Dumlao, K.

²⁵ Developing and Inclusionary Zoning Policy. Policy Link. Retrieved September 9, 2013, from <http://policylink.info/EDTK/IZ/How.html>

²⁶ LaFave, J., & Maryns, N.

²⁷ Brophy, P. C., & Smith, R. N.

²⁸ The Urban Institute. (2012). Expanding Housing Opportunities Through Inclusionary Zoning: Lessons From Two Counties. Retrieved August 30, 2013, from http://www.huduser.org/Publications/pdf/HUD-496_new.pdf

middle-income residents.²⁹ There was proposition made requesting that builders supply a percentage of units in new developments at an affordable price for lower-income families. In 1973, the County Council passed legislation to put mixed-incoming housing into action.

Montgomery County's Moderately Priced Housing law went into effect at the beginning of 1974. The moderately priced dwelling units program, or MPDU program, is a mandatory inclusionary zoning law that provides a density bonus to builders who provide affordable housing.³⁰ The density bonus helps to offset builders' potential loss of opportunities to build market-rate housing units. The law is very specific in a multitude of aspects to ensure the success of the program. The zoning ordinance stated that between 12.5 and 15 percent of the total number of units must be moderately priced in buildings that have 20 or more units. This same policy is encouraged, but not required, for buildings with fewer than 20 units. There are income limits for prospective residents to make sure that they demonstrate a mix of incomes and a need for affordable housing.³¹ The program additionally created a control period of five years in which the development could determine which units would be for sale or for rent. Both the public and private sector communicate effectively and work together to formulate the best way to carry out the project. The MPDU Program is operated under the County's Department of Housing and Community Affairs and is funded from multiple sources including federal acquisition-without-rehabilitation program funds, local tax-exempt bonds, private sector investment partnerships, and funding through the Maryland Housing Finance agency.³²

The MPDU had a strong foundation for mixed-incoming housing, but the program underwent multiple revisions to better suit the time and environment. Substantial changes were made in 1989 including an increase in density bonus to 22 percent, increase rental control period to 20 years, permitted increase in MDPU sale prices to enable improvements in design, and many more. One important amendment was that after the control period, half of the profits be contributed to the Housing Initiate Fund (HIF), which was created to promote housing opportunities in the county particularly for those with low- or moderate-incomes.³³ Multiple adjustments have been made to the program over time as economy and other factors have changed.

Current issues and difficulties have arisen for Montgomery County's mixed-income housing. The poor state of the economy led to a decrease in production of MPDUs and the waiting list for applicants has only risen.³⁴ The county also faces difficulties with land development since there is only 4 percent of land available for development. However, overall Montgomery County's program has been extremely successful. Over 13,000 affordable housing units have

²⁹ Department of Housing and Community Affairs. (2005). The History of the MPDU Program in Montgomery County. Retrieved August 30, 2013, from http://www6.montgomerycountymd.gov/dhctmpl.asp?url=/content/dhca/housing/housing_P/mpdu/history.asp

³⁰ Ibid

³¹ The Urban Institute.

³² Department of Housing and Community Affairs.

³³ The Urban Institute.

³⁴ Ibid

been built throughout the process and both the administration of the program and the developers have successfully worked together to provide great benefits for the community.

Lake Parc Place in Chicago, Illinois is another example of the execution of mixed-income housing. Lake Parc Place was built in 1963 from a pre-existing building left from the Lake Michigan High-rises, a low-income housing unit, most of which was demolished.³⁵ The Chicago Housing Authority (CHA) owns the development and chose the area specifically because it had a high potential for improvement.³⁶ The area is surrounded by other higher income areas with stable communities and had considerable attractions.

Vincent Lane, the program's designer and chairperson of CHA, was focused on creating what would be best for the people, economically and socially, as well as benefitting the area. He wanted to create positive role models and show low-income families that peaceful living and self-sufficiency were attainable.³⁷ The mixed-income housing at Lake Parc Place has a specific design and tenant selection process to ensure a variety of incomes. Out of 282 apartments, half are designated for families with one employed adult who earn from 50 to 80 percent of the median income.³⁸ The other half of the apartments are designated for very-low-income families who earn less than 50 percent of the median income. The incomes are mixed on every floor of the building to ensure socializing between the different income groups.

Lake Parc Place has a variety of amenities that Lane deemed necessary for Lake Parc Place's success. Some of the amenities include landscaping, playgrounds, a wading pool, 24-hour security guards, full-time janitorial staff, laundry rooms in each building, a day-care center, and an after-school program.³⁹ Lane consulted developers to choose specific amenities that would draw moderate-income families. Another interesting amenity that Lane included was a program to help moderate-income people build their savings. Since moderate-income families were required to leave after five years at Lake Parc Place, a portion of their rent would go towards an account that they would receive upon their departure. The account could be used for education, their next home, etc. The downside to the amount of amenities Lane provided was the approval of amenities. Lane spent a considerable amount of time battling federal regulations to approve the amenities he wanted to add to the housing.⁴⁰

24-hour security was a crucial amenity that Lane put into place and one of Lake Parc Place's biggest successes. Multiple rules were put into place at Lake Parc Place to promote safety for the residents and to prevent crime within the housing. Management enforced the rules and

³⁵ Chicago Housing Authority. (2013). Lake Parc Place. Retrieved August 30, 2013, from

http://www.thecha.org/pages/lake_parc_place/50.php?devID=259

³⁶ Rosenbaum, J.E., Stroh L.K., & Flynn, C.A. (1998). Lake Parc Place: A Study of Mixed-Income Housing. Housing Policy Debate, Volume 9 (Issue 4). Retrieved on August 30, 2013, from

http://www.knowledgeplex.org/kp/text_document_summary/scholarly_article/refiles/hpd_0904_rosenbaum.pdf

³⁷ Ibid

³⁸ Ibid

³⁹ Ibid

⁴⁰ Ibid

had the power to levy fines or evict residents.⁴¹ After a one-year study, there were little indications of any graffiti, property destruction, or crime within the housing and 94 percent of the residents say that they feel safe in Lake Parc Place.⁴² This proved to be a great success of Lake Parc Place since another study said three-quarters of the residents were fearful in their previous homes.⁴³ Although the 24-hour security was one of the most costly amenities for Lake Parc Place, it proves to be well worth the cost.

Beyond successes in safety, Lake Parc Place also had multiple indications of social progress as well. Many of the social actions were very simple actions, but still showed progress. For example, greeting a neighbor received a 4.69 in a study where five was almost every day and four was about once a week.⁴⁴ Many of the residents additionally sought to be involved in the decisions made about their residence. One way for residents to get involved is by serving on the resident board that screens families who want to return to Lake Parc Place.⁴⁵ Residents also participated in acts to improve their community and attended monthly resident meetings where they can discuss issues in the community.⁴⁶

For Lake Parc Place, it seems as though mixed-income housing not only provided economic relief for many residents, but also was a platform for social interactions between economic groups and further community involvement. Many of Lane's goals in utilizing mixed-income housing were successful.

Boston, Massachusetts' Harbor Point shows another successful execution of mixed-income housing. Harbor Point began as a transformation of the previous public housing site, Columbia Point, which declined and deteriorated in the mid-1960s.⁴⁷ In 1979, the Department of Housing and Urban Development gave \$10 million to improve Columbia Point, but it was not enough to renovate the structure completely so residents lobbied for more money.⁴⁸ A developer Joe Corcoran and Goody, Clancy & Associates, an architecture firm, worked closely with the tenants of Columbia Point to design and manage the creation of the new development.⁴⁹ It was Corcoran's idea to implement mixed-income housing to create both an economically and racially mixed community. Corcoran, the developer, believed working with the tenants was key

⁴¹ Miller, S.R. (1998). Order and Democracy: Trade-Offs between Social Control and Civil Liberties at Lake Parc Place. *Housing Policy Debate*, Volume 9 (Issue 4). Retrieved on August 30, 2013, from <http://content.knowledgeplex.org/kp2/cache/kp/979.pdf>

⁴² Rosenbaum, J.E., Stroh L.K., & Flynn, C.A.

⁴³ Miller, S.R.

⁴⁴ Rosenbaum, J.E., Stroh L.K., & Flynn, C.A.

⁴⁵ Miller, S.R.

⁴⁶ Ibid

⁴⁷ (1993). 1993 Rudy Bruner Award for Urban Excellence. Retrieved September 4, 2013, from http://www.brunerfoundation.org/rba/pdfs/1993/02_harborpoint.pdf

⁴⁸ Ibid

⁴⁹ Rybczynski, W. (2013). Radical Revival. *Architect Magazine*. Retrieved September 4, 2013, from <http://www.architectmagazine.com/affordable-housing/radical-revival.aspx>

to the success of Harbor Point, saying, “After our experience, we won’t do a mixed-income project unless the tenants are partners.”⁵⁰

The structure of the mixed-income community was two-thirds market rate housing and one-third subsidized low-income housing.⁵¹ It took multiple sources funded the project. Various state funding programs added \$154 million, the Urban Development Action Grant funded \$12 million, an Urban Initiatives loan funded \$9 million and \$75 million came from equity.⁵² Corcoran says that while exact funding such as this may not be feasible to duplicate in every area, there are always funds available to make a project happen.⁵³

Corcoran focused on making the design of the buildings and its amenities attractive, particularly to attract market-rate tenants. The design of the building was the work of Goody, Clancy & Associates, an architecture firm, who worked to make Harbor Point a “normal” neighborhood. A variety of simple features were utilized to create normalcy including a street-grid development design, sidewalks, front doors for each ground floor apartments and on-street parking.⁵⁴ Some recreational amenities at Harbor Point include a swimming pool, tennis courts, a fitness center, and the mall.⁵⁵ The mall was modeled after Boston’s Commonwealth Avenue and features most of the communal facilities of Harbor Point such as a convenience store, hair salon, daycare center, dry cleaner and a café.⁵⁶

Two key amenities at Harbor Point were management and social services. Management enforced the rules at Harbor Point, some of which included: no pets, no consumption of alcoholic beverages in public areas, and no loud noises after 11:00 PM.⁵⁷ Management also regulated the mix of incomes in the community, worked with tenants, kept the buildings in good condition, and collaborated with security to keep the community as safe as it could be.⁵⁸ Social services were provided for the low-income tenants to support them financially and help them towards independence. Harbor Point supplies health care, education, childcare, drug treatment, and youth programs to help low-income tenants move away from utilizing governmental welfare programs.⁵⁹

Residents were crucial to the transformation of Columbia Point into Harbor Point and remain crucial to the community. There is a Tenants’ Council that has 12 elected members, seven whom are from subsidized units, and five whom are from market-rate units.⁶⁰ The residents

⁵⁰ Ibid

⁵¹ Ibid

⁵² Brophy, P. C., & Smith, R. N.

⁵³ 1993 Rudy Bruner Award for Urban Excellence

⁵⁴ Rybczynski, W.

⁵⁵ Brophy, P. C., & Smith, R. N.

⁵⁶ Rybczynski, W.

⁵⁷ Ibid

⁵⁸ 1993 Rudy Bruner Award for Urban Excellence

⁵⁹ Ibid

⁶⁰ Rybczynski, W.

additionally have two of four seats on the Harbor Point Apartments Company Governing Board, which controls all aspects of the community.⁶¹

When Columbia Point existed, the area was one of Boston's most dangerous neighborhoods. With Harbor Point in its place, it has become one of the safest.⁶² Harbor Point has helped residents become more independent, has reduced crime, and has led to better lives.

Sample Legislation

Inclusionary zoning ordinances are one way to spearhead the implementation of mixed-income housing. Below is a model regulation that could be implemented in an inclusionary zoning ordinance to achieve mixed-income housing created utilizing pre-existing model bylaws.

01.0 Purpose and Intent⁶³

- a) Purpose
 - 1) To encourage voluntary development of housing that is affordable to low- and moderate-income households.
 - 2) To preclude the over-concentration of low- and moderate-income households in any one area
 - 3) To promote social and economic integration in stable neighborhoods
- b) Intent
 - 1) To provide a set of regulations for residential developments that create affordable housing.

02.0 Applicability⁶⁴

- a) This article shall apply to any zoning district that allows residential development by right, special exception or conditional use. In order to use the provisions of this article, the development shall result in a minimum of 15 or more dwelling units.

03.0 Provision of Affordable Units⁶⁵

- a) A minimum of 15% of the dwelling units within the participating residential development shall be affordable to households with an income of less than 50 percent of the Area Median Income for the City as determined annually by the U.S. Department of Housing and Urban Development.
- b) A minimum of 15% of the dwelling units within the participating residential development shall be affordable to households with an income from 50 to 80 percent of the Area Median Income for the City as determined annually by the U.S. Department of Housing and Urban Development.

⁶¹ 1993 Rudy Bruner Award for Urban Excellence

⁶² Ibid

⁶³ Lehigh Valley Planning Commission. (2008). Inclusionary Zoning. Retrieved September 9, 2013, from <http://www.lvpc.org/pdf/inclusionaryZoning.pdf>

⁶⁴ Ibid

⁶⁵ Ibid

- c) Dwelling units may also be purchased or rented at market-rate price to provide an effective mix of incomes
- d) Participating residential developments including or consisting of apartments shall provide affordable housing units as well as rental units in the same proportion that the apartments comprise a portion of the total residential development.

04.0 Eligible Households

- a) Households whose income does not exceed 80% of the Area Median Income as adjusted for household size are eligible to purchase an affordable dwelling or rent an affordable apartment.⁶⁶
- b) To ensure that only eligible households purchase affordable housing units, the purchaser of an affordable unit shall be required to submit copies of the last three years' federal and state income tax returns and certify, in writing and prior to transfer of title, to the developer of the housing units or his/her agent, and within thirty days following the transfer of title, to the local housing trust, community development corporation, housing authority or other agency as established by the City, that his/her or their family's annual income level does not exceed 80% of the Area Median Income as adjusted for household size.⁶⁷

05.0 Incentives Provisions⁶⁸

- a) Density bonus. Residential developments complying with the provisions of this article are eligible to receive the following density bonus. The number of allowed dwelling units on the property to be developed shall be increased by 20 percent. The number of additional dwelling units shall be determined by calculating the number of dwelling units allowable pursuant to the zoning ordinance given the size of the parcel, the lot size/density standards, and the environmental protection provisions. These shall be illustrated on a sketch plan. The number of possible units shall be determined by the zoning officer with the assistance of the municipal engineer. The bonus units may be sold at market rate and are not subject to any additional requirements for affordable dwelling units.
- b) Zoning ordinance dimensional adjustments. The minimum lot size and dimensional standards (including the minimum lot width, the maximum lot coverage by impervious cover, and the minimum front yard, side yard and rear yard setbacks) shall be adjusted to enable the development with the density bonus.
- c) Other incentives

06.0 Appropriate Sale and Rental Prices for Affordable Dwelling Units⁶⁹

- a) Pricing schedule. The Administrative Agency shall annually publish a pricing schedule of sale and rental prices for affordable dwelling units. There shall be two separate

⁶⁶ Ibid

⁶⁷ Smart Growth Smart Energy. Inclusionary Zoning Bylaw. Retrieved September 9, 2013, from http://www.mass.gov/envir/smart_growth_toolkit/bylaws/IZ-Bylaw.pdf

⁶⁸ Lehigh Valley Planning Commission.

⁶⁹ Ibid

prices offered, one for households earning an income less than 50 percent of the Area Median Income for the City and one for households earning an income from 50 to 80 percent of the Area Median Income for the City. Each price shall be set at the maximum level affordable to each respective household grouping. Different prices shall be set for efficiency, one-bedroom, two-bedroom, three-bedroom, and four-bedroom or more dwelling units, based on an assumed household size for each unit size. The number of persons in the household equals the number of bedrooms plus one. For example, one person will occupy an efficiency unit, two persons will occupy a one-bedroom unit, three persons will occupy a two-bedroom unit, etc. The following additional factors will also be used in the calculations:

- 1) For owner occupied affordable housing, prices will be calculated on the basis of:
 - i. An available fixed-rate 30-year mortgage, consistent with the most recently published rate by Freddie Mac.
 - ii. A down payment of no more than 20% of the purchase price.
 - iii. A calculation of property taxes.
 - iv. A calculation of homeowner's insurance. And
 - v. A calculation of condominium or homeowners' association fees.
 - vi. The price found based on items 7)a)1a through 7)a)1e will not exceed the price affordable to households earning no more than 80% of the Area Median Income as calculated in Section 7)a)
- 2) For renter occupied affordable housing, the rent shall be no more than 30% of the price affordable to each respective household grouping as calculated in Section 7a), minus an allowance for the monthly cost of utilities.

07.0 Design and Integration of Affordable Dwelling Units⁷⁰

- a) Location of affordable dwelling units. All affordable dwelling units shall be dispersed among the market rate dwelling units throughout the development.
- b) Construction phasing. The developer/builder shall submit and comply with a phasing plan that provides for the timely and integrated development of the affordable dwelling units throughout the qualified development. The phasing plan shall provide for the development of the affordable dwelling units concurrently with the market rate dwelling units. Building permits shall be issued for the development subject to compliance with the phasing plan.
- c) Exterior appearance. The affordable dwelling units shall be compatible with the market rate dwelling units in exterior visual appearance and architectural style. External building materials and finishes shall be substantially the same in type and quality for the affordable dwelling units as for the market rate dwelling units.
- d) Interior appearance and design. Affordable dwelling units may differ slightly from market rate dwelling units with regard to interior finishes, features, and gross floor area subject to the following requirements:
 - a. The bedroom mix of affordable dwelling units shall be in equal proportion to the bedroom mix of the market rate dwelling units.

⁷⁰ Ibid

- b. The differences between the affordable dwelling units and the market rate dwelling units shall not include improvements related to energy efficiency, including mechanical equipment, plumbing, insulation, windows and heating and cooling systems.
- c. The minimum square footage of an affordable dwelling unit shall not be less than 750 square feet per one- bedroom unit, 1,000 square feet per two- bedroom unit, 1,100 square feet per three-bedroom unit and 1,250 square feet per four or more bedroom unit
- e) The development must have attractive amenities to draw in market-rate tenants
 - a. Amenities are chosen at the discretion of the developer/builder with approval from the City

08.0 Compliance Agreement⁷¹

- a) Prior to the approval of a final subdivision or land development plan proposed under the terms of this article, the applicant shall have entered into an agreement with the municipality regarding the specific affordable housing requirements and restrictions on the proposed development.
- b) The applicant shall agree to execute any and all documents deemed necessary by the municipality, including, without limitations, restrictive covenants and other similar instruments, to ensure the continued affordability of the affordable housing units in accordance with this article. The agreement shall set forth the commitments and obligations of the applicant, the municipality, and the Administrative Agency. The agreement may be modified by mutual consent of the applicant and the municipality, as long as the modified agreement remains in conformity with this article.
- c) The agreement shall be incorporated into the deed of all affordable housing dwelling.

Beyond the creation of the ordinance itself, a few key aspects would help ensure success for mixed-income housing. Having attractive amenities is essential to attracting market-rate tenants and the mix of incomes is important to keep stable over time. Tenant involvement is a continuous theme throughout the successful implementations of mixed-income housing. No matter how resident involvement is executed, it is important to keep resident's opinions in mind to make the community even more successful. Lastly, having a goal-driven developer who has his or her mind set towards the success of the development is essential. Without a focused leader, it would be difficult to put the plan of mixed-income housing into effect or to make it a success.

Definition of Frequently Used Terms

Area Median Income – The area median income is used to determine affordability levels and income eligibility for a variety of subsidized housing programs. The U.S. Department of Housing and Urban Development publishes area median income tables for each family size in each locality annually

⁷¹ Ibid

Density Bonus- Density refers to the maximum number of dwelling units permitted on a zoning lot. A density bonus means that a developer will be able to exceed the maximum allowable density for a district, and thus build more housing units⁷²

Inclusionary Zoning – A means by which developers are required to make a percentage of housing units in new residential developments available to low- and moderate-income households through zoning regulations by either mandate or incentive⁷³

Low-Income – Generally defined by the U.S. Department of Housing and Urban Development as families who have incomes that are no more than 80% of the area median income

Market-Rate Housing Units – Housing units for which renters or homeowners do not have income eligibility restrictions

Mixed-Income Housing - a development 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

Moderate-Income – Generally defined by the U.S. Department of Housing and Urban Development as cash-income of 140% of the area median income

Subsidized Units – housing units for which capital costs are written down by public subsidy funds, and for which occupancy is governed by income restrictions

Resources

Mixed-income housing can be a large project to finance, but there are many funds available from both the federal and state governments to execute the project.

Perhaps the largest source of funding comes through the U.S. Department of Housing and Urban Development. HUD searches for competitive applications for individual program NOFAs, or Notices of Funding Availability. A notice is sent out each fiscal year as programs and funding change yearly. HUD searches for applications that will fulfill the Strategic Plan goals of fiscal years 2010-2015. The goals are to strengthen the nation's housing markets to bolster the economy and protect consumers; to meet the need for quality affordable rental homes; to utilize housing as a platform for improving quality of life; to build inclusive and sustainable

⁷² New York City Department of City Planning. Zoning Glossary. Retrieved September 9, 2013, from <http://www.nyc.gov/html/dcp/html/zone/glossary.shtml>

⁷³ (2003). Inclusionary Zoning. Retrieved September 9, 2013, from <http://www.policylink.org/site/c.lkIXLbMNJrE/b.5137027/>

communities free from discrimination; and to transform the way HUD does business.⁷⁴ Mixed-income housing projects are ideal projects to achieve the strategic goals that HUD currently has set for fiscal years 2010-2015.

Each individual NOFA identifies the amount of funds available for the fiscal year and the program NOFA will indicate an approximate size of the grant award. The individual NOFA also specifies who are considered eligible applicants, other requirements, and any other necessary information for the application. All of HUD's NOFA programs require applicants to submit applications through Grants.gov.⁷⁵ However, the registration process for Grants.gov can take two to four weeks or longer. Once registered, Grants.gov allows you to track your applications and track grants that may apply to the project that needs funding.⁷⁶

Pennsylvania offers many funding opportunities for housing on both the state level and local level. The Department of Community and Economic Development offers many grants, loans, tax credits, etc. to fund housing projects and additionally offers an easy way to search for these opportunities on their website.⁷⁷ Specific programs and fund amounts are constantly changing and are kept updated by the department. There additionally are sometimes funds available particularly for affordable housing projects. Opportunities may arise through the Department of Community and Economic Development to fund a mixed-income housing project in Pennsylvania.

In 1992, Pennsylvania passed Act 137, which permitted 66 of the 67 counties in Pennsylvania (excluding Philadelphia) to raise additional revenues to utilize for affordable housing projects by increasing fees for recording mortgages and deeds.⁷⁸ In a survey taken in 2004, 82% of the 49 counties with an established housing trust fund strongly agreed that it provided an economic benefit to their county.⁷⁹ Different systems are utilized in Lackawanna and Luzerne County for distributing funds.

In 1993, Lackawanna County established their housing trust fund. Lackawanna County allows both specific programs and specific requests to receive money, but the county commissioners make the ultimate decision on how the money is allocated. The Department of Community

⁷⁴ U.S. Department of Housing and Urban Development. (2013). Notice of HUD's Fiscal Year (FY) 2013 Notice of Funding Availability (NOFA) Policy Requirements and General Section to HUD's FY2013 NOFAs for Discretionary Programs. Retrieved September 11, 2013, from <http://portal.hud.gov/huddoc/2013nofagensec.pdf>

⁷⁵ Ibid

⁷⁶ (2013). About Grants.gov. Retrieved September 13, 2013, from <http://www.grants.gov/web/grants/home.html>

⁷⁷ Pennsylvania Department of Community & Economic Development. (2012). Search for Programs & Funding. Retrieved September 11, 2013, from <http://www.newpa.com/find-and-apply-for-funding/funding-and-program-finder>

⁷⁸ Pennsylvania Housing Finance Agency. Update on the Implementation of Pennsylvania's County Trust Fund Legislation. Retrieved September 13, 2013, from <http://www.phfa.org/hsgresources/act137.aspx>

⁷⁹ Institute of State and Regional Affairs Penn State Harrisburg. (2005). Update on the Implementation of Pennsylvania's County Housing Trust Fund Legislation. Retrieved September 13, 2013, from http://www.phfa.org/forms/act_137_report.pdf

Development manages the housing trust fund. From 1993 to 2004, Lackawanna County accumulated approximately \$2,841,776 without raising deed fees or mortgage fees.⁸⁰

The Department of Housing and Urban Development allocates funds to the Pennsylvania Department of Community and Economic Development, which are then appropriated to the counties.⁸¹ In Lackawanna County, these funds are distributed through community development block grants. To be eligible for a Community Development Block Grant, the project must meet one of three national objectives of the CDBG program, which are: benefit to low- to moderate-income persons, prevention or elimination of slums or blight, or immediate threat to the health and safety of the community.⁸² The Lackawanna County Department of Planning and Economic Development should be contacted for this opportunity. Funding for a mixed-income housing project may be available through this resource.

Luzerne County established a housing trust fund in 2002. An established advisory board reviews and approves the process for distributing funds and then a Housing Trust Association makes the final decision. Luzerne County allows only specific programs to apply for funds. The Department of Community Development administrates the housing trust fund. From 2002 to 2004, Luzerne County was able to raise approximately \$1,210,567 without raising deed fees or mortgage fees.

In Luzerne County, the Office of Community Development utilizes Community Development Block Grants for projects that focus on providing housing particularly for low- and moderate-income persons. 70 percent of the funds must be used for projects that benefit low- and moderate-income persons. The application to receive a housing program grant is available on Luzerne County's Office of Community Development website and can be submitted to the office.⁸³ Funds are also provided for homeownership programs, which are programs to create affordable homebuyer opportunities for low- and moderate-income persons. Preference is given to projects that include mixed-income neighborhoods or revitalization of deteriorated neighborhoods.⁸⁴ The Luzerne County Office of Community Development must be contacted for this opportunity.⁸⁵

⁸⁰ Ibid

⁸¹ The Lackawanna County Department of Planning and Economic Development. Community Development Block Grant Program. Retrieved September, 13, 2013, from <http://www.lackawannacounty.org/index.php/community-development>

⁸² Ibid

⁸³ Luzerne County Office of Community Development. (2013). Housing Program Profiles. Retrieved September 13, 2013, from http://www.luzernecounty.org/county/departments_agencies/office_of_community_development/programs/housing-program-profiles

⁸⁴ Luzerne County Office of Community Development. (2013). Rental Housing Programs. Retrieved September 13, 2013, from http://www.luzernecounty.org/county/departments_agencies/office_of_community_development/programs/housing-program-profiles/rental-housing-programs

⁸⁵ Ibid