Mixed-Income Housing in the HUD Multifamily Stock

Jill Khadduri
U.S. Department of Housing and Urban Development

Marge Martin
U.S. Department of Housing and Urban Development

Abstract

This article uses a new national data set to test hypotheses about mixed-income housing, here defined as housing that: includes families with relatively higher incomes; is partly subsidized and partly market-rate; or has a predominance of families not dependent on welfare. We conclude that mixed-income housing usually is found in low-poverty neighborhoods. It is feasible in high-poverty neighborhoods only when there are special housing market conditions, such as immigrants who are willing to use assisted housing in poor neighborhoods as a starting point. In general, mixed-income housing does not require special rent incentives such as ceiling rents. Housing that is diverse in racial and ethical terms is as likely to have a broad range of incomes as is housing in which one group predominates.

This article uses the current experience of privately owned rental housing projects subsidized by U.S. Department of Housing and Urban Development (HUD) programs to draw lessons about the way to create mixed-income housing. These lessons are relevant both to the effort to transform public housing projects into mixed-income housing and to the future of the private subsidized stock. We conclude that creating public housing with a mix of incomes is possible without special incentives that permit families with relatively higher incomes to pay less rent.

In a variety of neighborhoods, establishing preferences for working families and managing the housing well is all that is needed to create projects that have a culture of work rather than a culture of poverty. Mixed-income housing is possible even in high-poverty neighborhoods, but only if there are favorable housing market conditions such as limited alternatives for low- to moderate-income renters or immigrants who are willing to use a high-poverty neighborhood as a place to start.

Expensive efforts to preserve the multifamily assisted[1] stock as project-based assisted housing should be very selective. Such efforts should focus on low-poverty neighborhoods, where the housing is more likely to have a mixed-income character already and poor families might be excluded if the housing is permitted to become entirely market-rate. In locations with high poverty, special rent structures should apply only to projects that already have proved successful as mixed-income housing.

We start with a basic premise about mixed-income housing. Such housing must, at a minimum, give poor children an opportunity to live close to working families with incomes above the poverty level. Housing that serves primarily the elderly or other households without children, or that excludes the poor from its range of incomes, does not fall within our definition of mixed-income housing.

Because mixed-income housing has not been carefully defined as an issue for study or been the topic of much prior research, we begin with a search for definitions. First, we explore reasons for the recent surge of interest in mixed-income housing among policymakers. We describe the variety of separate and mutually reinforcing objectives for income mixing beyond our own basic premise. Second, we show how the type of mixed-income housing studied in this article—subsidized rental projects—fits into the broader range of possibilities for income diversity, including completely unsubsidized housing and subsidized housing scattered across a neighborhood. Third, we provide an overview of HUD programs that make up the multifamily assisted stock, paying particular attention to features of program design that could encourage or enable income mixing. Fourth, we define three specific categories of mixed-income housing projects within the HUD multifamily assisted stock: partly subsidized projects, projects with a broad range of incomes, and projects with a culture of work.

The fifth section of the article examines national data on the multifamily assisted stock to determine what makes mixed-income housing feasible. It explores ways in which certain factors—neighborhood and housing market characteristics, race and ethnicity of residents, and rent levels—affect the likelihood that a project will belong to one of our mixed-income categories. Contrary to our expectation, we found some mixed-income projects in neighborhoods with high concentrations of the poor. Our analysis places special emphasis on the other characteristics of those projects, because whether to try to create mixed-income housing in high-poverty locations is an important policy question for public and assisted housing.

The sixth section of the article augments the analysis of national data by drawing tentative lessons from site visits to individual projects. Finally, we offer suggestions for further research and implications for current policy resulting from our findings.

Current Policy Interest in Mixed-Income Housing

Mixed-income housing, a recurrent theme in U.S. housing policy, became especially popular with policymakers in the 1990s. Recent HUD initiatives embracing the mixed-income objective include the HOPE VI program to redevelop distressed public housing as mixed-income communities, changes in program rules to achieve greater income diversity in other public housing projects, and special standards for Federal Housing Administration (FHA) insurance that will remove barriers to the financing of mixed-income housing. The current popularity of the mixed-income concept derives from persistent and growing poverty among America’s children and from a heightened awareness of the social ills that accompany concentrations of the poor.

The origins of concentrated poverty in public housing have been examined often. They include systematic racial segregation and the use of public housing to rebuild cleared slums and rehouse their residents (Schill, 1993, pp. 511, 514). Increased concentration of poor families in public and assisted housing is a symptom of growing income inequality and of the failure of the private rental market to supply extremely low-cost housing (U.S. Department of Housing and Urban Development, 1996).

However, the recent decline in the income of public housing residents is often exaggerated. In 1968, the Douglas Commission reported that "the vast majority [of public housing residents] were in striking poverty" and that "public housing has been reaching further down the income scale, at least during this 10-year period [1956–66]" (U.S. Congress, 1968). HUD data from the late 1970s already indicated that incomes of public housing residents averaged 21–22 percent of local area median income—not much higher than the average in the mid-1990s (Sherwood, 1996).

What is new in the 1990s is a growing consensus that radical changes are needed in the public- and assisted-housing programs, especially because poverty concentrations are associated with drug-related violence that takes the lives and shatters the hopes of many young people (Kotlowitz, 1991; Spence, 1993). One approach to mitigating concentrations of poverty is to detach housing assistance from specific projects by using "tenant-based" housing vouchers. Tenant-based assistance has been almost the sole approach for adding to Federal housing assistance for the poor since the early 1980s. It has also become a favored approach for replacing public housing and other "project-based" subsidies (Schill, 1993, pp. 497–554; U.S. Department of Housing and Urban Development, 1995).

Another approach is to transform public and assisted housing into developments with a mixed-income character. In 1996 then-Secretary of Housing and Urban Development Henry Cisneros described the Department's policy on this issue:

> Among the positive incentives are new admissions preferences for working families and changes to rent rules so that working families are not penalized by higher rents as they earn more income. These measures, along with support services, are designed to achieve what virtually every multifamily expert in the nation says must be achieved in public housing—a mix of family incomes. (Cisneros, 1996.)

There is no accepted definition of mixed-income housing, although some housing practitioners or advocates often have their own clear ideas.[2] With regard to initiatives HUD has been pursuing in the 1990s, "mixed income" may mean that not everyone in a project is poor or that part of the project has unsubsidized "market" rents, or it may have another definition. Analysts are just beginning to search for definitions and create categories (Schwartz and Tajbakshsh, in this issue).[3] To define mixed-income housing more precisely, it is useful to look beyond the general—and negative—objective of avoiding concentrations of the poor to more explicit and positive reasons for developing this type of housing.

Role Models for Children in Poverty

The positive argument for avoiding concentrations of poverty is that poor families, and especially their children, benefit from living near people who are not poor. The belief is that families with somewhat higher incomes will serve as models of mainstream values: They work to support themselves, pursue education, maintain family structures, and support community institutions (Thompson, 1996).[4]

While social science literature has provided only weak support for the thesis that poor children benefit from growing up in a mixed-income environment (Jencks and Mayer, 1990), there is some evidence of positive outcomes (Rosenbaum, 1991; Duncan, 1994). HUD's Moving to Opportunity demonstration—sometimes castigated as an unrealistic attempt to move the poor to extremely low-poverty neighborhoods (less than 10 percent poor population) (Thompson, 1996, pp. 10; von Hoffman, 1996)—is in fact a long-term social-science demonstration that places families in such very low-poverty settings so that findings about the effects on children will be clear-cut.

Better Maintenance and Management of Subsidized Housing

Many advocates of mixed-income housing believe that multi-unit housing projects are better maintained, and rules to ensure their peaceful enjoyment are better enforced, when some of the occupants are not poor. They also feel that owners and managers are more responsive to the demands of families that have had experience in dealing with authorities and expect problems to be solved—or can threaten credibly to move if their complaints are ignored.

Community Support for Publicly Funded Projects

The impulse to create mixed-income housing may come simply from a desire to remove impediments to a housing project's development. For example, a builder may want to take advantage of a housing subsidy program that makes business sense, but may need to assure the surrounding neighborhood that only a few of the tenants will be poor. Or a middle-income residential complex that fits a city's redevelopment plan may have to accept some low-income tenants in order to satisfy the demands of advocates for the poor.

Helping Low- or Moderate-Income Families That Are Not Poor

Social reformers who inspired the original public housing legislation believed that the private market supplies decent, affordable housing only to those with the highest incomes (von Hoffman, 1996, pp. 426). The belief persists that housing policy must meet the needs of moderate- as well as low-income renters, despite strong evidence that in almost every locality there is an adequate and affordable supply of rental housing for all but the very lowest income groups (Nelson, 1994).

A more powerful argument is that public support for housing assistance to the poor depends on an expanded political constituency for housing programs; that "the only way to serve the poor properly is by hitching their needs to those of a more influential population" (Cavanaugh, 1992, pp. 67–75).[5]

Cost Savings

Discussions of housing policy are increasingly driven by budgetary limitations. There is a widely acknowledged budget crisis associated with maintaining the rental housing subsidies through which HUD serves 4.5 million households. This crisis results largely from changes in the way housing programs are budgeted. The real annual cost of the current stock[6] of public and assisted housing is growing only at the modest rate of inflation. The "crisis" is that the cost of maintaining this stock is increasingly reflected in annual budget appropriations. For many years outlays (real spending) were not reflected in annual appropriations, because they resulted from multiyear budget authority for which appropriations had been enacted up to 20 years earlier. This multiyear authority is now expiring at a rapid rate, and Congress must enact appropriations of new budget authority.

Budgetary considerations are behind many calls for mixing relatively higher income families, who can pay more rent, into public and assisted housing. For example, Richard Ravitch, writing in *The New Republic* about the problem of expiring subsidies, proposes that "vacant apartments should be rented to people who need a lower subsidy" (Ravitch, 1996). Similarly, groups representing public housing managers have supported legislative proposals that would, in effect, make all vacated public housing units available to relatively higher income families. They argue that inadequate funding of public housing operating subsidies makes this policy necessary.

Figure 1

Types of Mixed-Income Housing

Type of Housing	Type of Subsidy
Neighborhood-Based	
Naturally occurring in private rental market	No subsidy
Scattered-site	Attached to units
Vouchers or certificates	Attached to families
Project-Based	
Naturally occurring in private rental market	No subsidy
Income groups segregated within site	Attached to units
Income groups mixed in same building	Attached to units

Another type of cost savings is sometimes attributed to mixed-income housing: that the rent paid by higher income residents will more than cover the full cost of their units. Thus not only will these tenants rent without a subsidy, they also will pay some of the costs of the units occupied by lower income residents. The reality of this “cross-subsidy” model is open to question (Schwartz and Tajbakshsh, in this issue). In the words of one housing practitioner, “it assumes middle-income people are willing to pay above-market rents to get to live with poor people.”

This article is based on the premise that mixed-income housing must, at a minimum, give poor children an opportunity to live close to families that are not dependent on welfare and instead belong to the mainstream working culture. Other motivations may be present and other objectives served, but we do not consider housing to be mixed income if it serves mainly nonworking elderly or persons with disabilities, or if it excludes the poor.

Mixed-Income Subsidized Projects and Other Types of Mixed-Income Housing

Figure 1 provides a typology of mixed-income housing classified by the way the housing units are subsidized and the way they relate to their spatial setting. As illustrated by the figure, some mixed-income housing has no subsidy. More than one-quarter of unassisted poor renters in the metropolitan United States live in census tracts in which less than 10 percent of the population is poor,[7] suggesting that mixed-income housing often occurs without the intervention of a public program.[8] When mixed-income housing is subsidized, it does not necessarily take the form of a “project”—that is, a single building or contiguous buildings.

Subsidized housing often attempts to scatter families throughout a neighborhood. This can mean that a program sponsor, such as a housing authority, has direct control of some housing units in the neighborhood and makes them available to low-income families. Such programs sometimes succeed and sometimes fail to locate the scattered housing in low-poverty areas (Hogan, 1996).

Dispersing subsidized families in mixed-income neighborhoods can also be accomplished through the use of tenant-based housing assistance. When that occurs, the family is given a certificate or voucher and selects its own housing unit from those available in the private market. The subsidy standard for tenant-based assistance, the Fair Market Rent, enables a family to choose housing otherwise affordable only to those with higher incomes—

and therefore potentially located in low-poverty neighborhoods. In fact, more than three-fifths of families using certificates or vouchers live in census tracts where less than 20 percent of the population is poor.

When housing is configured as a project, it may be unsubsidized and still include families with diverse income levels. Despite a common rent structure, families may make (or, in the case of the poor, may be forced to make) different choices about the amount of income to be spent on housing.[9] Income diversity within unsubsidized projects has been little studied. Therefore it is difficult to determine whether subsidized mixed-income projects create a typical or an atypical pattern of income diversity.

Sometimes a residential complex combines subsidized buildings with unsubsidized buildings that charge market rents. Practitioners debate whether this is truly mixed-income housing. However, if the first purpose of mixed income housing is to provide role models and other advantages for poor families with children, the answer must depend on socialization patterns, including school attendance and participation in other institutions across the multibuilding community (Schwartz and Tajbakshsh, in this issue).

The remainder of this article examines the form of mixed-income housing presented in the second half of figure 1: It is project based; public subsidies and restrictions on rent and income levels are attached to some or all of the units; and income mixing occurs within each building.

Mixed-Income Housing in the HUD Multifamily Stock

The HUD-subsidized multifamily stock is a fertile area for studying mixed-income housing if only because it is such a large program, comprising more than 17,000 projects or developments. If even a fraction of these projects are mixed-income housing, the number is large enough to provide an excellent opportunity for quantitative analysis of their characteristics.

The multifamily assisted stock is often thought of as predominantly housing for the elderly. However, more than 9,000 projects pass our rigorous definition for serving mainly families with children and may thus be considered mixed-income housing if they also pass other tests related to income diversity.[10]

Figure 2

Multifamily Assisted Programs

Program	Date of Development	No. Family Projects
Section 221(d)(3) Below Market Interest Rate (BMIR)	1960s	834
Section 236	1968–mid-1970s	2,394
Section 8 New Construction/ Substantial Rehabilitation	1974–mid-1980s	4,613
Section 8 attached later to unsubsidized FHA-insured projects [Other Loan Management Set Aside (LMSA)]	1974–1990s	1,389
Total		9,230

For a detailed description of each program, including the number of units, see appendix A.

Multifamily assisted housing is based on a contract between the owner of a housing project and HUD. In return for a subsidy payment from HUD, the owner agrees to rent units to households below a certain income at rents that meet a specific definition of affordability.[11] Originally a family of programs active in developing housing over time, multifamily assisted housing is now considered a single system of project-based, privately owned assisted housing. It differs from tenant-based housing assistance because the subsidy is attached to the real estate, rather than to the tenants. It is distinguished from public housing by its private ownership and by Federal subsidies that flow to individual

Table 1

Percentage of Multifamily Assisted Housing in Metropolitan Areas in Census Tracts With Various Poverty Rates

All Units in Metropolitan Areas

1990 Census Tract Poverty Rate	Multifamily Assisted Housing	Tenant-Based Certificates and Vouchers	Public Housing
0–4	**7**	7	1
5–9	**18**	20	5
10–19	**28**	34	13
20–29	18	19	15
30–39	13	11	18
40 and above	16	8	47

Units in Family Projects in Metropolitan Areas*

1990 Census Tract Poverty Rate	Multifamily Assisted Housing	Public Housing
0–4	**4**	1
5–9	**14**	6
10–19	**28**	12
20–29	19	14
30–39	15	13
40 and above	20	55

* The data base does not permit identifying certificates and vouchers used by families with children in each census tract. However, tenant-based assistance is heavily dedicated (68 percent) to families with children.

This article uses a new national data base that includes location, occupancy, and program information for all projects in the multifamily assisted stock, as well as in public housing and other assisted and subsidized housing programs. The data base, which draws from several HUD data systems and the decennial census, was developed by Paul Burke of HUD's Office of Policy Development and Research and is documented in *A Picture of Subsidized Households* (Burke, 1996). Unless otherwise noted, all tables in the article are estimated from this data base.

projects rather than to a collection of projects owned by the same entity.[12] Figure 2 shows the current (mid-1990s) number of projects serving families with children under each of the four major programs that constitute the multifamily assisted stock.

The rent structure of some programs included in the HUD-subsidized multifamily stock may encourage mixed-income housing. For example, the Below Market Interest Rate (BMIR) program and the Section 236 program provide housing at rent levels that may be considered "good deals" for families with incomes above the poverty line—rents that are fixed at a below-market amount and do not vary with a resident's income. At the same time, the addition of a deeper rent subsidy to some units may result in projects that include poor families as well as families with relatively higher incomes. Rules governing all of the programs permit some units in a project to be completely unsubsidized. Some sponsors have used this authority explicitly to serve a mixed-income population.

A final fact that led us to expect some mixed-income housing in the multifamily assisted stock is the location of these projects in a broad range of neighborhoods. Table 1 shows that more than one-half of all the units in the multifamily assisted stock in metropolitan areas are found in census tracts with poverty rates of less than 20 percent. Projects that serve predominantly a family population are only slightly less likely to be in these low-poverty census tracts. Forty-six percent of the units in family projects in metropolitan areas are located in low-poverty census tracts (see figure 3).

This distribution contrasts starkly with public housing, where only 19 percent of the units in family projects in metropolitan areas are located in census tracts with poverty rates below 20 percent. Furthermore, more than one-half of the public housing units in metropolitan family projects are located in census tracts with extreme poverty rates

Figure 3

Classification of Census Tracts by Poverty Rate

Extremely high poverty. More than 40 percent of persons in the census tract are poor. Paul A. Jargowsky and Mary Jo Bane conclude that these census tracts are "ghettos," based on visual evidence and the opinions of city officials.* Four percent of all households in U.S. metropolitan areas live in census tracts with extremely high poverty.**

High poverty. Between 30 and 39 percent of residents are poor. Four percent of all metropolitan households live in census tracts with high poverty.

Moderate poverty. Between 20 and 29 percent are poor. Nine percent of all metropolitan households live in census tracts with moderate poverty.

Moderate and high poverty areas are described by Jargowsky and Bane as "basically working-class and lower middle-income neighborhoods."

Low poverty. Between 10 and 19 percent are poor. Although low-poverty areas have poverty rates somewhat above the national average, they are essentially middle-income areas in which families usually have access to good schools and public services. Twenty-four percent of all metropolitan households live in census tracts with low poverty.

Very low poverty. Between 5 and 9 percent are poor.

Extremely low poverty. Between 0 and 4 percent are poor. Fifty-nine percent of all households in metropolitan areas live in census tracts with very low or extremely low poverty.

* Jargowsky and Bane,1991.
** Estimated from 1990 census tabulations, standard tape file (STF) 3.

of 40 percent or more. In fact, the distribution of the multifamily assisted stock by poverty of neighborhood is quite similar to the distribution of tenant-based certificates and vouchers, a program with a central purpose of "deconcentrating" assisted families into neighborhoods with low poverty.

Three Types of Mixed-Income Housing in HUD's Assisted Stock

In another article in this volume, Paul Brophy and Rhonda Smith define mixed-income housing as "a deliberate effort to construct and/or own a multifamily development that has the mixing of income groups as a fundamental part of its financial and operating plans." They note that "the phone survey work that led to the selection of these [studied] projects, plus the review of projects cited in the literature, was an indication of the limited number of mixed-income developments that professionals in the low- and-moderate income housing field could identify."[13]

Our article has a somewhat different focus. We looked for housing with a de facto mixed-income character, whether or not it was explicitly developed as mixed-income housing. In addition, we have included only housing that has been occupied for at least a decade. Finally, in order to carry out quantitative analysis of a large number of projects, we established precise definitions of the occupancy patterns that constitute mixed-income housing.

We identified more than 1,100 projects in the family portion of the HUD multifamily assisted stock as belonging to one of three categories of mixed-income housing: partly subsidized projects, broad-range-of-incomes projects, and projects with a culture of work (see table 2). Use of these three categories followed our earlier attempt to test a single working definition of mixed income housing, based only on the income levels of assisted households living in each housing project. After visiting eight projects in Boston and Cambridge, the East Bay (Oakland) metropolitan area, and Chicago, we found that a single definition did not adequately describe the complexity of occupancy patterns.[14]

Table 2

Mixed-Income Housing in HUD's Multifamily Assisted Housing Stock

	Partly Subsidized	Broad Range of Incomes	Culture of Work	Mixed Income Total
Projects	352	351	433	1,136
Units	19,000	34,000	32,000	85,000

We therefore organized projects into three groups by using criteria that are relevant to policy discussions and reflect our findings from site visits and analysis of national data: whether the project includes both subsidized and unsubsidized families; whether it includes both families living in poverty and those with relatively higher incomes; and whether it lacks relatively higher income families yet has a preponderance of working families. We used projects with no indication of mixed-income (that is, traditional projects) as a comparison group. A more detailed discussion of these categories and their frequency in the multifamily assisted rental stock follows.

Partly Subsidized Projects

A partly subsidized project includes both subsidized units serving poor families and units without rent and occupancy restrictions. Program rules for all portions of the multifamily assisted stock permit projects to be partly subsidized. Such projects can include some—even a large number—of units without income or rent restrictions. When we visited projects that the national data base indicated had some relatively affluent subsidized households, we found that some of the projects had a third tier of higher income units.

Two such projects in the Boston metropolitan area—808 Memorial Drive in Cambridge and Westland Avenue Apartments in Boston—were sponsored by the Massachusetts Housing Finance Agency (MHFA). Beginning in the late 1960s, MHFA took as its mission the creation of three-tiered, mixed-income projects in which the upper tier of residents paid market-rate rents. Many of these projects used HUD subsidy programs as well as MHFA financing.

Analysis of national data showed that partly subsidized projects are not unique to Massachusetts. We decided that unless we accounted for these projects, analysis of the national data base might be misleading Therefore, we have attempted to identify all partly subsidized projects from the BMIR, Section 236, and Section 8 new construction programs, whether or not the subsidized portion of the project includes relatively affluent households.[15] We analyzed these projects as a separate category, because they may be systematically different from other types of mixed-income housing discussed below. For example, they may be feasible in types of neighborhoods or housing markets that are different from locations in which other categories of mixed-income housing are feasible. Our information on the partly subsidized projects is less complete, since we do not have data on the income and demographic characteristics of their unsubsidized households.

Included in the family housing portion of HUD's assisted multifamily rental stock are at least 350 partly subsidized projects that house both poor families and those that can afford to pay unsubsidized market rents. Because of data limitations, this is likely to be a minimum number.[16] The true number of partly subsidized family projects may be considerably greater.

Broad-Range-of-Incomes Projects

A broad-range-of-incomes project is 100-percent subsidized but houses families with incomes well above the poverty level as well as families in poverty. In the projects we include in this category, at least 20 percent of the residents had incomes above $20,000 per year and at least 20 percent had incomes below $10,000 per year.

The term "broad range of incomes" was set forth in the Housing and Community Development Act of 1974 as an objective for public housing. At that time Public Housing Authorities (PHAs) were charged with striving to ensure that "the project will include families with a broad range of incomes and will avoid concentrations of low-income and deprived families with serious social problems." We have adopted this term because of its implication that a 100-percent subsidized project can nevertheless have a mixed-income character.[17]

In defining this category, we considered lowering the percentage of households with incomes above $20,000 to 10 percent or 15 percent of households in a 100-percent subsidized project. But the lower percentage was rejected following site visits, because managers of such projects considered them "troubled" socially. In contrast, all of the visited projects that met the 20-percent test were believed by their managers to include a substantial number of solid, upwardly mobile families with members who were employed.

The poverty line in 1995 was $15,150 for a family of four, $12,590 for a family of three, and $10,030 for a two-person family. The typical household size for family projects is three persons; few households have more than four. Thus we considered any household with an income above $20,000 per year to be clearly above poverty. At the same time, in our search for projects that house families with poor children, as well as households with incomes above poverty, we looked for families with incomes below $10,000.[18]

The multifamily assisted stock includes 351 projects that we consider to be mixed income, because they house families with a broad range of incomes.

Culture-of-Work Projects

A project with a culture of work is 100-percent subsidized. Although fewer than 20 percent of its occupants have incomes above $20,000 per year, more than 70 percent have wages as their primary source of income. All of the residents of such projects have relatively low incomes, although they may not be below the poverty line. The key distinguishing feature of these projects is that self-sufficiency—rather than dependency—is the norm.

We include this as a category of mixed-income housing because interviews with site managers have suggested that the percentage of working families is the most important determinant of the “culture” of the project. Furthermore, creating a culture of work is central to the mission of creating mixed-income housing as a solution to the problems of public housing. In an impassioned plea for relaxation of the program rules that reserve public housing largely for the poor, Lewis Spence described a vision of public housing in which “the nonworking poor are integrated with the working poor to foster those sinews of connection and trust out of which hope and opportunity grow.” (Spence, 1993, p. 367.)

This vision of a culture of work has become the mainstay of efforts to transform public housing. For example, the central objective of Jobs Plus, a major policy demonstration that is sponsored by HUD, the Rockefeller Foundation, and Manpower Development Research Corporation, is to “build a public housing community that actively promotes and supports work among working-age residents…. Efforts might build on existing assets of the communities, such as the informal social networks, in order to increase residents’ knowledge about work opportunities, to convey and reinforce program information on lessons on how to prepare for and look for work.” (U.S. Department of Housing and Urban Development, 1996, p. 4.)

In establishing this category of mixed-income housing, we set the portion of a project’s residents with wages as the primary source of income at 70 percent in order to give working families a clear predominance and those dependent on welfare a distinct minority.

There are 433 culture-of-work projects in the multifamily assisted stock.

Projects That Are Not Mixed Income

High-end projects. A high-end project is one that would otherwise qualify as mixed-income housing under one of the three definitions except that fewer than 20 percent of its occupants have incomes below $10,000 per year. We wanted to avoid characterizing as mixed-income housing those projects that do not give poor children an opportunity to live near relatively higher income households or in an environment in which work is the norm, because few or no poor families live in the project. Therefore, we do not consider high-end projects to be mixed income.

However, we did not want to group these projects with those serving only poor or near-poor households, since that could make it more difficult to compare the characteristics of mixed-income projects with the more typical low-end projects that we refer to as traditional. Therefore, we treat the high-end projects as a separate category.

There are 320 high-end family projects in the HUD multifamily assisted stock.

Traditional projects. Traditional projects are the remaining family projects in the HUD multifamily assisted stock. They are 100-percent subsidized; fewer than 20 percent of their residents have incomes above $20,000 per year; and fewer than 70 percent have wages as their primary source of income.

This is the comparison group of projects that cannot in any sense be considered mixed-income housing. In order to discover the factors associated with successful mixed-income housing, we compared the characteristics of the three types of mixed-income housing with characteristics of these traditional projects. The 5,627 traditional family projects in the HUD stock represent by far the greatest share of multifamily assisted housing, including 80 percent of all projects and 81 percent of all units.

Sixteen percent of all projects in the family portion of the HUD multifamily assisted housing stock are mixed income, and these projects have 15 percent of all units.

Findings From National Data on the Multifamily Assisted Stock

What makes mixed-income housing feasible? Can it be created and sustained in a variety of situations, or are special circumstances necessary to make it work? What makes households that are relatively better off—or have working members—willing to live in a subsidized housing project?

The analysis summarized in this section addresses the following questions that are relevant to the current policy agenda for transforming public and assisted housing.

1. In what types of neighborhoods and housing markets is it practical to attempt to develop mixed-income projects or to transform low-income projects into mixed-income housing? We begin by focusing on the types of neighborhoods in which the three types of mixed-income projects are located.

2. How important are program design features, especially the rules for calculating tenant rents? The specific HUD program assisting a project is used as a proxy for the presence or absence of rent structures that might attract relatively higher income families.

3. Are mixed-income projects more feasible in housing markets with limited alternatives for low- and moderate-income renters? We use census regions, especially locations on the East and West Coasts, as a proxy for difficult market conditions that could actually work to the advantage of a mixed-income project.

4. When seeking to create a mixed-income project, is it better to downplay objectives of racial and ethnic integration, or are heterogeneous projects just as likely to have a mixed-income character as those that serve predominantly a single group?

Table 3

Percentage of Family Projects in Census Tract With Various Poverty Rates

1990 Census Tract Poverty Rate	Partly Subsidized	Broad Range of Incomes	Culture of Work	Traditional
Percentage of Projects in Low- and Very Low-Poverty Census Tracts				
0–4	8	7	4	2
0–9	32	33	20	13
0–19	56	70	57	45
Percentage of Projects in Moderate-, High-, and Very High-Poverty Census Tracts				
20 and above	44	30	43	55
30 and above	32	19	21	34
40 and above	16	6	7	19

5. If the policy objective is to create mixed-income housing rather than housing that serves only a relatively higher income population, under what circumstances is the danger greatest that an assisted-housing project will become gentrified, rather than mixed-income? We have suggested answers to this question in our discussion of high-end projects.

6. Finally, what makes it possible to attract families with relatively higher incomes, or working families, to neighborhoods with high poverty? This question may be particularly relevant to efforts to convert public housing projects into mixed-income communities.

1. Mixed-income projects are found mainly, but not exclusively, in census tracts with low rates of poverty.

We would expect projects in neighborhoods with few poor people to be more likely to attract families who are themselves not poor. Projects in better neighborhoods are more likely to compete successfully for families that have other choices of rental housing, especially since rents in subsidized projects are the same, regardless of the location or market value of the project. Our data do indeed show that each of the three types of mixed-income housing is more likely to be found in low-poverty census tracts than in those with a heavily poor and dependent population.

Table 3 shows, for example, that 70 percent of broad-range-of-income projects are located in census tracts with less than 20 percent poverty, while only 45 percent of traditional projects are in these low-poverty tracts. The distinction is sharper for census tracts with less than 10 percent poverty: One-third of broad-range-of-income projects are found in these very low-poverty census tracts, compared with only 13 percent of traditional projects.

However, it does not appear that location in a high-poverty area makes it impossible to sustain a mixed-income project. Nineteen percent of broad-range-of-income projects and 21 percent of culture-of-work projects are in census tracts with poverty rates greater than 30 percent. These figures are less than the 34 percent of traditional projects found in high-poverty areas but represent a substantial fraction nonetheless.

Partly subsidized projects follow a pattern that differs from the other types of mixed-income housing. While they are just as likely as broad-range-of-income projects to be found in very low-poverty census tracts, their frequency is similar to traditional projects in census tracts with a poverty rate that is 30 percent or higher. This finding is sufficiently surprising to suggest that we may indeed have misclassified some of these projects. As noted earlier, we are only *assuming* that higher income families live in the unsubsidized portion of these projects—an assumption not based on actual income data.

Surprisingly, a small number of broad-range-of-income and culture-of-work projects are found in census tracts where more than 40 percent of the population is poor. We would have expected none at all. Why families with incomes above $20,000 per year are willing to live in subsidized projects located in areas with extremely high concentrations of poor people and accept the crime, inadequate schools, and inferior public services typically associated with such locations is discussed in greater detail below (see page 51).

2. Programs with rent ceilings are more likely to have a mixed-income character, but there are many mixed-income projects without ceiling rents.

The Section 236 and BMIR programs are considerably more likely than Section 8 New Construction to house families with a broad range of incomes. The reason dates back to the origins of these programs: Both were targeted initially to a somewhat higher low-income group. In addition, these programs permit subsidized families to pay a "flat" or "ceiling" rent instead of 30 percent of their income. Thus these projects are more desirable for relatively higher income families than others in which all families must pay rent that is a percentage of their income. For families that are better off, a percentage of their income may be higher than the market value of the housing unit.

Table 4 shows that 13 percent of BMIR and 8 percent of Section 236 projects—but only 3 percent of Section 8 New Construction projects—house families with a broad range of incomes.

Partly subsidized projects are somewhat more common in the BMIR program than in either Section 236 or Section 8 New Construction, probably reflecting a wave of

Table 4

Type of Family Project, by HUD Program

HUD Program	Percentage of Projects in Each Program That Are:			
	Partly Subsidized	Broad Range of Incomes	Culture of Work	Traditional
BMIR	14	13	4	39
Section 236	5	8	12	71
Section 8 New Construction	5	3	4	88
Other LMSA	n/a	1	3	95

Percentages for each program do not add to 100, because high-end projects are not included. Thirty-one percent of BMIR projects are high end.

enthusiasm for mixed-income housing in the 1960s. Culture-of-work projects are somewhat more prevalent in Section 236 projects than in Section 8 New Construction. They would be more prevalent in BMIR projects as well, if not for the fact that many BMIR projects already belong to one of the other mixed-income categories or to the high-end category.

Projects under the Loan Management Set-Aside (Other LMSA) program are almost never mixed-income. This is not surprising, since the Section 8 subsidies were attached to these projects only after they became financially troubled. A common source of financial trouble is that the only families willing to live in this housing were too poor to pay the rent.

Nonetheless, while rent structure is important in attracting relatively higher income and working families to subsidized housing projects, the Section 8 New Construction program includes 84 projects with a broad range of incomes and 135 projects with a culture of work.

Table 5

Regional Patterns of Mixed-Income Housing

	Projects Where More Than 20 Percent of Households Have Incomes Above $20,000	
Census Region*	**Number of Projects**	**Percentage of All Family Projects in Region**
New England	98	33
Mid-Atlantic	108	16
South Atlantic	184	12
East South Central	30	5
West South Central	59	8
East North Central	226	18
West North Central	113	16
Mountain	32	7
Pacific	183	20

* The States in each region are—New England: Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut; Mid-Atlantic: New York, New Jersey, Pennsylvania; South Atlantic: Delaware, Maryland, District of Columbia, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Puerto Rico; East South Central: Kentucky, Tennessee, Alabama, Mississippi; West South Central: Arkansas, Louisiana, Oklahoma, Texas; East North Central: Ohio, Indiana, Illinois, Michigan, Wisconsin; West North Central: Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska, Kansas; Mountain: Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona; Pacific: Washington, Oregon, California, Alaska, Hawaii, Trust Territories.

3. A project has a better chance of attracting families with incomes above $20,000 if it is located in New England or on the Pacific Coast.

For families that have modest incomes but are not poor, the difficulty of finding affordable housing is not the same in every part of in the country. Recent studies of rental housing markets suggest that the “affordability crisis” is predominantly a coastal phenomenon. Rental vacancy rates are lower, percentages of income paid for rent by low-to-moderate income families are higher, and the number of moderately priced units more often is declining in metropolitan areas on the East and West Coasts than in the middle of the country (Nelson, 1994). These patterns suggest that mixed-income housing is more likely to occur on the East and West Coasts, because chances are better that relatively higher income and working families would choose to live in subsidized housing when market alternatives are not so readily available.

Table 5 shows the percentage of all family projects in each of nine regions that are either partly subsidized, broad range of incomes, or high end; that is, projects that include families with incomes well above poverty as well as—or instead of—poor families. New England has by far the largest percentage of projects able to attract families with incomes above $20,000 per year. The East South Central region has the smallest percentage. The Pacific region has a relatively high percentage and a high number of such projects among its family projects (20 percent and 183 projects). Projects in the Mid-Atlantic and East North Central regions have a higher than average chance of attracting families with incomes above $20,000 per year, but not as high as either New England or the Pacific Coast.

Table 6

Relationship Between Race/Ethnicity of Project and Income Mix

Composition of Projects	Total Projects	Percentage of All Family Projects	Percentage Partly Subsidized	Percentage with Broad Range of Incomes	Percentage with Culture of Work	Total Percentage of Mixed-Income Projects
Projects Serving Predominantly One Group						
80–100% Non-Hispanic White	1,789	25	4	4	9	17
80–100% African-American	2,131	30	5	3	5	13
80–100% Hispanic	404	6	2	4	8	14
Projects That Are Diverse in Race or Ethnicity						
30–69% Other Minority	1,349	19	6	6	5	17
30–69% African-American	1,191	17	6	5	4	16

4. The racial or ethnic composition of a project has a modest effect on whether it is mixed income. Projects that have a diverse tenant group are somewhat more likely to be partly subsidized or to have a broad range of incomes.

Some practitioners argue that mixed-income housing is more feasible when it does not also attempt to attract a racially and ethnically diverse population. Patterns from the multifamily assisted stock do not support this argument. Projects that have a diverse occupancy—defined as either 30–69 percent African-American or 30–69 percent minority—are more likely either to be partly subsidized or to have a broad range of incomes. These projects also are just as likely as predominantly nonminority or Hispanic projects to belong to one of the three categories of mixed-income housing (see table 6).

Projects that are occupied predominantly (80 percent or higher) by African-Americans are slightly less likely to belong to one of the mixed-income categories than those occupied predominantly by Hispanics or by non-Hispanic whites, as shown in table 7. This discrepancy is largely accounted for by a lower rate of culture-of-work projects among those with 80 percent or more African-American households.[19] Predominantly African-American projects represent 30 percent of all family projects and include 297 mixed-income projects. Projects occupied predominantly by Hispanics, accounting for only 6 percent of all family projects, are less likely than others to be partly subsidized.

Similarly, mixed-income projects are not more likely in census tracts that have a predominantly nonminority (non-Hispanic white) population than in tracts that are racially or ethnically integrated.

Since neighborhoods with high poverty levels are likely also to be predominantly African-American (Jargowsky and Bane, 1991, pp. 243–246), it is not surprising that mixed-income projects are somewhat less likely than traditional projects to be located in neighborhoods with a high percentage of African-Americans. While 23 percent of traditional projects are in census tracts that are more than 60 percent black, only 16 percent of broad-range-of-income projects and 12 percent of culture-of-work projects are in these locations (see table 7).[20] Partly subsidized projects are about as likely as traditional projects to be located in heavily African-American census tracts.

However, mixed-income projects are not more likely than traditional projects to be located in census tracts with predominantly nonminority populations (see table 8). The low-poverty neighborhoods in which a high proportion of mixed-income projects are found (see table 3) often are racially or ethnically integrated, rather than predominantly white.

Table 7

Percentage of Mixed-Income Projects That Are in Heavily African-American Census Tracts

Tracts: Percentage African-American	Partly Subsidized	Broad Range of Incomes	Culture of Work	Traditional (for comparison)
60–100	22	16	12	23
70–100	19	14	9	19
80–100	16	13	6	16

Table 8

Percentage of Mixed-Income Projects That Are in Low-Minority Census Tracts

Tracts: Percentage Minority	Partly Subsidized	Broad Range of Incomes	Culture of Work	Traditional
0–9	15	26	33	26
0–19	29	39	46	38
0–29	45	50	55	48

Whether a project's racial composition mirrors that of the surrounding neighborhood does not appear to affect its income distribution. A project with a high percentage of African-American residents relative to the surrounding neighborhood is neither more nor less likely to be a mixed-income project than a traditional one.

5. Some patterns associated with assisted projects, such as rent structure and location, may exclude the poor.

Thus far, our discussion has centered on projects that meet one of our definitions for a mixed-income project. We have not considered any projects in which fewer than 20 percent of the occupants have incomes below $10,000 per year to be mixed income. Instead, we have classified any such project that otherwise would have been partly subsidized, broad range of incomes, or culture of work as a high-end project.

There are 320 high-end projects in the family portion of the HUD-assisted multifamily stock—very similar to the number of projects in each of our mixed-income categories (see table 2). Of these high-end projects, 147 (46 percent) are BMIR projects, constituting 18 percent of all family projects in the BMIR program.

Without more detailed analysis of the rent structure of these BMIR projects, it is difficult to determine why they do not have a broad range of incomes but instead largely exclude the poor. They may do so because they have no Section 8 subsidies attached to them and their minimum rents are too high for the poor or because their flat (or ceiling) rents are below the market value of the housing, making it attractive to families with relatively higher incomes.

Table 9 compares the distribution of high-end projects with that of mixed-income projects (the three categories combined) and traditional projects. High-end projects are considerably more likely than either mixed-income or traditional projects to be located in census tracts with low poverty rates, especially in census tracts with extremely low (less than 5 percent) poverty rates. High-end projects are more likely than other family projects to be located in the East North Central census region.

Interestingly, residents of high-end projects are not more likely to be predominantly nonminority. African-Americans live just as often in high-end projects as in mixed-income projects, and only slightly less often in traditional projects (21 percent versus 31 percent). Although more likely to be located in low-poverty areas, high-end projects are not more likely to be in census tracts with a population that is less than 10 percent minority.

6. Sustaining mixed-income housing in high-poverty areas requires special housing market conditions or recent immigrants as potential occupants.

While mixed-income projects may be more likely in some circumstances than others, our study of the data indicates that absolute barriers to the development and sustainability of mixed-income housing do not seem to be associated with any of the following: poverty or racial characteristics of the neighborhood, race or ethnicity of the occupants, or rules for setting rents. A particularly surprising finding is that even though mixed-income housing is more likely to be located in low-poverty areas, 20 to 30 percent of all mixed-income housing is in census tracts with poverty rates of 30 percent or higher. Some are even found in extremely high-poverty areas typically identified only with traditional projects.

What is responsible for the presence of mixed-income housing in areas where more than 40 percent of the population is poor? What special characteristics of the project or the housing market attract families with incomes above $20,000 per year or poorer families with working members?

To answer these questions, we examined individual characteristics associated with the various types of mixed-income family projects located in census tracts with extremely high rates of poverty. These characteristics included the program type, the region and metropolitan area where the project is located, and the racial characteristics of the project and its census tract. We then combined the factors that appeared to facilitate such housing in a regression equation that predicts the percentage of each project's households with incomes above $20,000 per year.[21] The purpose of this multivariate analysis was to learn whether factors that appeared to make a difference actually did so when we controlled for the presence of the other apparently important factors.

Rent incentives. Mixed-income projects in high-poverty census tracts are more likely to belong to the programs with ceiling rents (Section 236 and BMIR) than to Section 8 New Construction, which charges all households 30 percent of their income for rent. While this is true of all mixed-income projects, not just those in high-poverty census tracts, table 10 shows that the pattern becomes even more pronounced in extremely high-poverty census tracts than in those with low or extremely low poverty.

Table 9

Distribution of High-End Projects Compared With Mixed-Income and Traditional Projects

	High-End	Mixed-Income	Traditional
Census Tracts			
With less than 5% poverty	16	6	2
With less than 10% poverty	38	27	14
With less than 10% minorities	19	25	26
With less than 20% minorities	41	38	38
Occupants			
With 80% or more non-Hispanic whites	29	26	25
With 80% or more blacks	21	26	31
Other			
BMIR program	62	18	5
East North Central region	29	17	17

Table 10

Percentage of Mixed-Income Projects in High-Poverty Census Tracts That Are in Each Program

1990 Poverty Rate of Tract	Section 8 New Construction	Section 236	BMIR	Other LMSA
40 or higher	23	47	27	4
0–29	32	47	17	4

Table 11

Percentage of Each Program's Projects in High-Poverty Census Tracts That Are Mixed Income

1990 Poverty Rate of Tract	Section 8 New Construction	Section 236	BMIR	Other LMSA
40 or higher	7	19	23	1

Looked at another way, a Section 8 New Construction project located in an extremely high-poverty census tract has less than a 10-percent chance of being a mixed-income project, compared with almost a 20-percent chance for a Section 236 project and a one-in-four probability for a BMIR project (see table 11).

This comparison suggests that in extremely high-poverty situations it is helpful to provide rent incentives in order to attract relatively higher income families. However, when we controlled for the region and metropolitan area where the project is located, we did not find a significant difference between BMIR and Section 236 projects, on the one hand, and Section 8 New Construction projects, on the other, in their ability to attract families with incomes over $20,000.

Race and ethnicity. Since poverty concentrations in the United States are strongly associated with racial segregation, it is not surprising that more than two-thirds of the mixed-income projects in extremely high-poverty areas are occupied predominantly by African-Americans and that more than one-half are located in census tracts whose population is more than 70 percent black. However, a concentration of African-American families in either the project or the census tract does not appear to make the project either more or less likely to have a mixed-income character.

In fact, with one exception, it was difficult to find any distinctive pattern in the racial or ethnic characteristics of mixed-income projects in census tracts with extremely high poverty. The exception: Partly subsidized or broad-range-of-income projects were more likely than traditional projects to include residents from two minority groups (see table 12). Again, however, this finding disappears when controlled for other characteristics in multivariate analysis. The relative frequency of mixed-minority projects appears to reflect the types of metropolitan areas in which there are likely to be mixed-income projects located in high-poverty census tracts.

Table 12

Percentage of Projects in Extremely High-Poverty* Census Tracts That Are Mixed Minority

Occupancy Pattern	Partly Subsidized	Broad Range of Incomes	Culture of Work	Traditional
Mixed-minority projects**	19	33	7	12
Not mixed-minority projects percent	81	67	93	88

*More than 40 percent.
**Projects in which at least 20 percent of the residents come from two of the following groups: black, Hispanic, Asian.

Table 13

Mixed-Income Projects in Extremely High-Poverty Census Tracts, by Census Region

Census Region	As a Percentage of *All* Projects in Region	Percentages That Are:		
		Partly Subsidized	Broad Range of Incomes	Culture of Work
New England	3	4	5	0
Mid-Atlantic	21	19	57	15
South Atlantic	16	8	10	15
East South Central	7	0	0	7
West South Central	16	8	0	7
East North Central	24	32	19	19
West North Central	6	21	0	4
Mountain	2	2	0	19
Pacific	5	8	10	25

Region and metropolitan area. Just as there is a greater likelihood that a project will be mixed-income if it is located in certain regions of the country, there is an even stronger regional pattern to mixed-income projects in census tracts where more than 40 percent of the residents are below the poverty level. More than one-half of all broad-range-of-incomes projects in high-poverty census tracts are located in the Mid-Atlantic region, nearly 20 percent in the East North Central region, and 10 percent each in the Pacific and South Atlantic regions. The pattern is similar, although not as pronounced, for partly subsidized and culture-of-work projects (see table 13).

Table 14

Mixed-Income Projects in Extremely High-Poverty Census Tracts in the 61 Largest Metropolitan Areas

Metropolitan Area*	As a Percentage of *All* Projects in Area	Percentages That Are: Broad Range of Incomes or High End	Partly Subsidized	Culture of Work
Atlanta	20	0	0	0
Baltimore	21	0	0	0
Birmingham	17	0	0	0
Boston	14	0	0	0
Buffalo	40	0	0	0
Charlotte	12	0	0	0
Chicago	48	11	14	3
Cincinnati	47	0	4	0
Cleveland	45	0	0	0
Columbus, OH	30	0	4	0
Dallas	18	0	22	0
Dayton	30	0	0	0
Denver	15	0	0	44
Detroit	21	6	6	0
Fort Lauderdale	31	0	0	0
Fort Worth	29	0	0	0
Greensboro, NC	9	0	0	0
Hartford	22	0	0	0
Houston	37	0	6	0
Indianapolis	9	0	50	0
Jacksonville	15	0	0	0
Kansas City, MO	7	0	0	14
Los Angeles	9	13	6	0
Louisville	23	0	0	0
Memphis	15	0	0	0
Miami	41	0	0	14
Milwaukee	11	0	0	0
Minneapolis	15	0	40	0
Nashville	16	0	0	0
New Orleans	19	0	0	17

Table 14 continued

Metropolitan Area*	As a Percentage of *All* Projects in Area	Percentages That Are: Broad Range of Incomes or High End	Partly Subsidized	Culture of Work
New York	52	10	5	3
Newark	41	11	6	0
Newport News	11	0	0	0
Oklahoma City	27	0	0	0
Orlando	29	0	0	0
Philadelphia	28	0	13	0
Phoenix	6	0	50	0
Pittsburgh	28	4	0	0
Portland, OR	15	0	0	17
Providence	7	0	0	0
Richmond	10	0	0	0
Rochester, NY	15	0	0	0
Sacramento	2	0	0	0
St. Louis	37	0	18	0
Salt Lake City	10	0	0	0
San Antonio	20	0	0	0
San Diego	10	0	33	0
San Francisco	44	0	0	0
Tampa	26	0	20	0
Washington, DC	6	0	14	0

*Large metropolitan areas that do not appear in the table have no family projects in census tracts with greater than 40 percent poverty. We are less than certain that the partly subsidized projects actually serve relatively higher income families.

The fact that a high proportion (24 percent) of all projects in the East North Central region are in extremely high-poverty census tracts explains the high proportion of mixed-income projects in that region. Taking this into account, it is even clearer that mixed-income housing in extremely high-poverty census tracts has a bicoastal character.

The East and West Coasts typically have relatively difficult rental housing markets for low- and moderate-income families. However, housing markets are local, not regional. Table 14 shows that in many U.S. metropolitan areas, despite the relatively high percentage of family projects in the HUD multifamily stock that are located in extremely high-poverty census tracts, many of these locations have no mixed-income projects. We have added high-end projects to the table, grouping them with broad-range-of-incomes projects, to avoid omitting any projects serving families with incomes above $20,000 per year.

Table 15

Percentage of Mixed-Income Housing in Census Tracts With Extremely High Poverty Rates That Are in Immigrant Gateway Cities

Metropolitan Area	Partly Subsidized	Broad Range of Incomes	Culture of Work	High End	Traditional
Gateway	23	76	23	33	18
Not gateway	77	24	77	67	82

Only two metropolitan areas—New York and Chicago—stand out as having both very high percentages of projects in extremely high-poverty census tracts and a fairly high rate of mixed-income housing. Other metropolitan areas with lower concentrations of multifamily housing in extremely high-poverty areas but some chance of attracting families with incomes over $20,000 per year include Detroit, Los Angeles, and Newark.

Immigrant gateway metropolitan areas. Three factors led us to test a hypothesis about metropolitan areas: observations from site visits; the relatively large fraction of certain types of mixed-income projects with a mixed-minority population; and the fact that projects in extremely high-poverty census tracts in Chicago and Detroit, as well as coastal metropolitan areas, have a relatively high chance of attracting families with incomes above $20,000 a year. Our hypothesis was that mixed-income housing in extremely high-poverty census tracts is more likely to be located in metropolitan areas that serve as gateways for newcomers to the United States. Eight metropolitan areas contain one-half of all immigrants who entered the country during the 1980s: Los Angeles, Anaheim, San Francisco, New York, Washington, Miami, Chicago, and Houston (Espenshade et al., 1996–97).

Table 15 shows that three-quarters of all broad-range-of-incomes projects in extremely high-poverty census tracts are located in one of these immigrant gateway metropolitan areas. High-end projects, too, often are located in these areas, which evidently have a special ability to attract families with incomes above $20,000 per year.

Our multivariate analysis confirms the importance of location on the East or West Coast and in an immigrant gateway metropolitan area. The regression shows that a family project in an extremely high-poverty census tract, on average, will contain almost six times as many families with incomes above $20,000 if it is located in the Pacific rather than the West North Central region. The latter region was used as the basis of comparison (the omitted variable) in our regression. A project located in New England rather than in the West North Central region will have four-and-one-half times as many families with incomes above $20,000, and four times as many if it is located in the Mid-Atlantic region.

If a project is in an immigrant gateway metropolitan area, it will have more than twice as many households with incomes above $20,000 as a project in any other location, even after controlling for the project's census region. Among immigrant gateway metropolitan areas, only Houston and Chicago are not located on the East or West Coast.

Rutland House: A Broad-Range-of-Incomes Project in an Economically Mixed Neighborhood

Rutland House is located in Boston's South End, a neighborhood that has been gentrifying very slowly for decades. Built in the early 1970s, the project has had Section 8 subsidies attached to all of its 44 units since 1979. The buildings consist of two four-story walk-ups. Three entrances per building face side streets of an attractive red-brick neighborhood. Rutland House was designed to blend in with older bow-front buildings on the block.

Financially troubled when the current management took over, the project turned around because the on-site managers took responsibility for carefully screening new residents and were willing to evict when needed. They report that the residents, at first wary of repercussions from reporting on their neighbors, are now willing to help with evidence supporting evictions.

The on-site managers are also responsible for unit-by-unit moderate rehabilitation. They have introduced "low traffic" commercial space on the alley side of the buildings, believing that it helps with security. They control a vest-pocket park next to the alley entrance, and they further maintain the project's "curb appeal" by controlling the plantings in the buildings' window boxes.

The occupants are predominantly Hispanic (some may report their race as black), originally from Puerto Rico and other parts of the Caribbean. The waiting list operates heavily by word of mouth.

The average income for resident families is $17,000, and 22 percent have annual incomes above $20,000. Since a little more than one-half of the occupants work, this project would not pass our test (70 percent) for culture of work. Although Rutland House may be a borderline case as a mixed-income project, the percentage of relatively high-income and working families is likely to increase. A rough estimate of the project's market value suggests that, even with Section 8 rent rules, the project can easily attract additional families with incomes above $20,000.

Models of Mixed-Income Housing

This section draws inferences from site visits to individual housing projects in the HUD multifamily assisted stock. Analysis of a national data set illuminates only certain factors that make mixed-income housing feasible. Many aspects of housing quality and management can only be captured by visiting a project. The article in this volume by Paul Brophy and Rhonda Smith is based on such visits.

Before analyzing national data for this study, we visited projects in order to test and refine our definitions of mixed-income housing. Starting with a working definition of broad range of incomes, we selected eight projects to visit. While this was by no means a random sample of projects with a broad range of incomes, the projects had not been preselected to exhibit certain features.[22] Observations from our site visits follow. Some provide examples of the results derived from our analysis of the national data set, while others relate to issues that could not be analyzed from data collected by HUD on standardized forms.

Westland Avenue Apartments: A Partly Subsidized Project on a Downtown Street Transformed by Urban Renewal

Westland Avenue Apartments comprises 97 units with four entrances on both sides of a residential street in downtown Boston, two blocks from Symphony Hall and immediately adjacent to a new commercial development. The project, developed in the early 1980s, includes 30 units that have Section 8 New Construction Substantial Rehabilitation subsidies in order to maintain mixed-income housing in a gentrifying neighborhood. The project has the "curb appeal" of luxury housing.

Westland has a three-tiered income mix. In addition to the 30 units mentioned above, 42 units carry uncontrolled market rents, while 25 have a modest rent subsidy provided from interest repayments to the city from a loan made under the Urban Development Action Grants program and are intended for families with incomes between 80 and 120 percent of area median income.

All residents are screened and checked on credit, rental history, and police records through an interview in the rental office, which all members of the applicant family, including children, must attend.

Only 30 children live in Westland Avenue Apartments, most in Section 8 or moderate-income units. There are no play areas or programs for children on site. According to the site manager, most children are in after-school programs. Some attend Boston public schools, others are in the METCO program (in which parents ask to have their children placed in suburban schools), and others attend parochial schools.

The project is 47 percent non-Hispanic white, 25 percent African-American, 14 percent Hispanic, and 9 percent Asian.

We did not classify this as a high-end project, because 32 percent of the Section 8 units (10 units) are occupied by families with incomes below $10,000 per year.

1. Strong management, especially enforcement of occupancy rules, is important for sustaining the mixed-income character of a project.

At every project we visited, entering families were screened with a fair amount of rigor and briefed on appropriate behavior beyond simply paying the rent to avoid eviction. Site managers appeared to be monitoring problem situations and to be willing to follow through with evictions when needed.

2. Projects do not need to be partly subsidized in order to be well maintained and well managed.

Those projects that were 100-percent subsidized but had a broad range of incomes were in excellent physical condition and showed evidence of strong management.

3. Projects in relatively affluent neighborhoods do not need special rent incentives to attract families with a broad range of incomes.

We visited two projects that illustrate this point. One, located in an attractive downtown Boston neighborhood, had the same design and curb appeal as unsubsidized housing in the same block. The other, in a middle-income community in the East Bay (Oakland) area, was clearly identifiable as a "project" and stood out from the surrounding

Eden House: A Broad-Range-of-Incomes Project in a Working-Class Suburb

Eden House is a 116-unit garden apartment complex in San Leandro, an unincorporated suburb in the East Bay (Oakland) metropolitan area. The surrounding neighborhood includes small, single-family houses and unsubsidized apartment complexes. San Leandro has a reputation for good schools. The census tract poverty rate is 21 percent.

Although Eden House is a Section 236 project, none of the units had Section 8 subsidies attached, nor were Section 8 certificates or vouchers used in any of the units as late as 1996. At least 40 percent of the units are occupied by families with incomes above $20,000 per year; 72 percent report wages as their primary source of income.

Eden House is attractively designed and has the "curb appeal" of market-rate housing. The grounds showed signs of deferred maintenance but, according to the site manager, work has deliberately been postponed until the project completes its transition through the multifamily preservation process.

Although it was once predominantly a white project, just under one-half of the residents report themselves as African-American, 19 percent as Asian, and 14 percent as Hispanic.

The site manager reports that drug-related violence is becoming a problem in the broader neighborhood and may have been a factor in recent decisions by some families to move out of Eden House. The manager works closely with police to keep the activity from spilling over to Eden House. The new ownership entity plans to fence and gate the project.

We did not classify this as a high-end project, because data reported to HUD suggest that 23 percent of the residents have incomes below $10,000 per year and 17 percent report welfare payments as their primary source of income.

single-family detached housing. In both cases, subsidized families with incomes above $20,000 were willing to pay 30 percent of their incomes to rent units in the buildings.

4. In a low-income neighborhood or a declining moderate-income neighborhood, special rent incentives may be necessary to attract families with a broad range of incomes.

We visited one project with appearance and amenities that placed it at the top of the market in a low-to-moderate-income neighborhood in a declining industrial city in the East Bay area. The project had a broad range of incomes and appeared well managed, but its mixed-income character was slipping. New tenants with incomes above $20,000 were not finding the rents attractive because of the project's location. We visited another project in a low-income area of Chicago that succeeded in maintaining a broad range of incomes by offering very attractive ceiling rents.

In a neighborhood experiencing crime problems, rent incentives may not be enough. Special security measures, including fencing around the site of low-rise, multibuilding developments, also may be needed.

5. Mixed-income housing is often "gateway" housing for new groups of immigrants.

A surprising number of the projects we visited had a substantial percentage of foreign-born residents. Sometimes they were students or young professionals occupying the

Northeastwood Shores: A Broad-Range-of-Incomes Project in a High-Poverty Neighborhood

Called "Eastwood" by the residents, this 230-unit project is located in the Uptown neighborhood in Chicago, a neighborhood known as a gateway community for recent immigrants. Forty-two percent of those who live in the census tract are poor. The neighborhood is a mixture of older, low-rise residential buildings and high-rise subsidized housing. Eastwood is a "mixed minority" project, partly African-American and partly Asian. Many residents are foreign-born, including large numbers from Ethiopia, Nigeria, India, Pakistan, Vietnam, and the Philippines.

Developed as a BMIR project in the late 1960s, Eastwood served a population that is largely employed, many with relatively high incomes. In the early 1990s Eastwood was rehabilitated, and its financial structure was revised under a program authorized by Congress to prevent older projects from leaving the subsidized housing inventory. This multifamily preservation program generally sets rents for all families at 30 percent of income. However, Eastwood received permission to continue the BMIR rents for a portion of the units. Thus many of the families pay rents that are attractive in terms of comparable market rents and are substantially less than 30 percent of their income. Seventy-five percent of the families have at least one working member.

While Eastwood is not a resident-managed project, residents play a strong role, including making home visits before new residents are admitted. On-site programs for school-age children are highly visible, and there is a strong security system. While the project is in good physical condition and appears well maintained, it is not distinguished by "curb appeal" as anything other than modest rental housing.

"market-rate" tier of a partly subsidized project (Cambridge, Oakland). Sometimes they were families with children at various income levels in a project with a broad range of incomes (Boston, Chicago).

A large immigrant population is not typical of assisted housing in general. Analysis of data from the Current Population Survey and the Survey of Income and Program Participation has shown that immigrants represent only 6 to 7 percent of those receiving housing subsidies. They are only slightly more likely than native-born households to live in public or assisted housing (Carter, et al., 1996; Borjas and Hilton, 1996–97).

6. It is difficult to attract families with children to the upper tier of a mixed-income project and then to keep them.

This is true for both the unsubsidized portion of a partly subsidized project and the relatively higher income families in a project with a broad range of incomes. A school system with a good reputation can help a great deal: Two of the projects we visited in the East Bay area were in jurisdictions thought to have good schools. In other projects, families may overcome the disadvantages of a poor school system by making special arrangements for their children: parochial schools, magnet schools, or the support system offered by an immigrant community.

Further Research

This exploratory study of mixed-income housing takes as a starting point the proposition that it is valuable for poor children to grow up with neighbors who work and are not poor.

Table 16

Percentage of the Multifamily Assisted Projects and Public Housing Projects That Are Mixed Income

	Partly Subsidized	Broad Range of Incomes	Culture of Work	All Mixed-Income Housing
Multifamily assisted stock	5	5	6	16
Public housing	0*	6	5	11

*Until the current effort to develop mixed-income housing under the HOPE VI program was initiated, public housing was never (or virtually never) partly subsidized.

An important next step in a research program on mixed-income housing is to test this hypothesis about role models. HUD's Moving to Opportunity demonstration will study the effects on children of living in a neighborhood with a low rate of poverty. But our question is somewhat different: What are the patterns of interaction between poor families (including their children) and their immediate neighbors in a multifamily project?

We have defined—or crystallized from current policy discussions—a category of multifamily housing project called culture of work. This category assumes that if at least 70 percent of the families in a project have earnings as their primary source of income, the project has a different character—and creates a different set of expectations for children—than a project in which one-third or more of families are dependent on welfare.

Both our assumption and its quantitative definition need to be challenged, probably by research that includes both direct observation and interviews with family members. What kind of networking takes place in a multifamily housing project? What kind of interaction among working and nonworking families is typical? Do nonworking families in culture-of-work projects have attitudes, aspirations, and expectations that differ from those of residents in projects with a preponderance of welfare families?

The conclusions we have drawn from data analysis need to be confirmed and refined through additional field work. Site visits to broad-range-of-incomes projects in various types of housing markets and neighborhoods would deepen our understanding of what is needed to create and sustain this housing.

We found the limitations of national data particularly troublesome for analysis of partly subsidized projects. Further data collection, from HUD records and telephone or mail interviews with housing managers, could confirm which of the projects have an upper tier of households that are unsubsidized, yet have higher incomes than the relatively higher income families in a 100-percent subsidized, broad-range-of-incomes project. Research on partly subsidized projects should also attempt to determine the rent structures needed to attract this upper tier of residents. Do rents of the "market-rate" units always have to be below the market? Is this true only in certain types of neighborhoods and housing markets?

For both broad-range-of-incomes and partly subsidized projects, interviews with family members and direct observation are needed to explore whether the poor families with children who live in sustainable mixed-income developments already belong to a culture of work. From research on mixed-income housing in Massachusetts in the late 1960s and early 1970s, it appears that the screening process for mixed-income projects may eliminate those poor families whose value systems negatively affect their upward mobility (Citizens Housing, 1994). If this screening process continues, it raises the complicated social policy issue of "creaming," or selecting for a program only those families or individuals least likely to need it. How can policymakers and housing managers provide mixed-income housing for families that need it to enhance their life opportunities—for example, whose poverty is not simply a temporary setback in an otherwise middle-class life—while at the same time screening applicants and enforcing rules that appear to be hallmarks of successful mixed-income communities?

Our study has dealt with mixed-income housing in the privately owned, HUD-assisted multifamily housing stock. Surprisingly, the fraction of multifamily assisted stock that meets one of our definitions of mixed-income housing is only slightly larger than the fraction of public housing that meets the same definitions (see table 16). There are 300 public housing projects that have a broad range of incomes and 285 with a culture of work. These projects should be added to subsequent studies of subsidized mixed-income housing.

Policy Implications

Important as it is to do further research, the tentative findings presented in this paper already have important implications for policy discussions on the future of the public housing program and the HUD multifamily assisted housing stock.

First, if the policy objective is to create public housing projects with a culture of work, the goal is not as limited by housing market conditions as a policy that seeks to attract substantial numbers of households with incomes above $20,000 per year. In many neighborhoods and communities, if the project is strongly managed and the managers are sensitive to family problems and needs, all that may be needed are preferences on the waiting list for working families. Ceiling rents probably are not needed.

Most housing with a broad range of incomes is located either in neighborhoods with low rates of poverty or in housing markets in which low-to-moderate-income families do not have easy alternatives. Where these circumstances exist, attracting families with incomes above $20,000 per year should be fairly easy if the project is well managed. Nevertheless, it will be important to pursue an admissions policy that is cognizant of preserving some portion of the project for the poor.

Special rent incentives may be needed to create mixed-income housing in high-poverty situations, but they will not be sufficient by themselves and certainly are not the most important factor. For such an effort to be worthwhile, housing market conditions must be particularly favorable. This could mean a rental housing market that provides limited alternatives for low- to moderate-income renters and/or immigrants who are willing to use a high-poverty neighborhood as a place to start.

National and local policymakers are struggling to define new policies for transforming HUD's assisted multifamily stock. Objectives include reducing future losses to the FHA insurance fund from mortgage defaults, reducing the above-market rent subsidies currently provided to part of this housing stock, and addressing the deferred capital needs of some of the projects. Policy questions include: To what extent should this housing be merged into the broader rental housing market and an equivalent number of households (including the current occupants) subsidized through tenant-based housing assistance? When should a housing project be preserved as low income, either through continuing to attach deep rental subsidies to the project or through restrictions that require a fraction of the units to be kept below a specified “affordable” rent?

In this connection, probably our most important finding is that the total number of mixed-income family projects is small. This fact means that in order to preserve mixed-income housing it would be possible to focus preservation efforts very selectively, rather than making policy for the entire system of multifamily assisted housing. For example, in census tracts with high or extremely high poverty, any special rent incentives paid for by continuing project-based subsidies should be provided only to projects that already have a track record of successful income mixing.

There is a stronger case for preserving housing opportunities for the poor in neighborhoods with very low poverty rates. In such areas, it may be important to have affordability restrictions on some units to preserve part of the project for the poor. On the other hand, rent incentives will not be needed to attract relatively higher income families to these locations.

For most of the HUD-assisted multifamily stock, mixed-income housing does not depend on the continuation of project-based rent subsidies or affordability restrictions. Merging this housing into the unrestricted private rental market would mean that as long as tenant-based assistance is available to present residents and other very low-income families, mixed-income housing could exist without a special policy to create it.

Authors

Jill Khadduri is director of the Division of Policy Development in HUD’s Office of Policy Development and Research. She holds a Ph.D. in international relations from Johns Hopkins University and has published articles on a variety of U.S. and international housing policy topics.

Prior to her current position as a social science analyst in HUD’s Office of Policy Development and Research, Marge Martin worked on community development and homeless assistance issues in the Office of Community Planning and Development. Ms. Martin, who has conducted analyses on a wide variety of housing topics, holds a graduate degree in public policy from the University of Rochester.

Notes

1. We use the terms “subsidized” and “assisted” interchangeably in this article, but in U.S. housing law “subsidy” refers to the mortgage subsidy attached to Section 221(d)(3) Below Market Interest Rate (BMIR) or Section 236 projects, while “assistance” is the deeper rent subsidy provided by Section 8 or a predecessor program such as Rent Supplement. See appendix A.

2. For example, the Massachusetts Housing Finance Agency (MHFA), a pioneer in developing mixed-income housing, defined mixed-income in the late 1960s as “developments which house people of varied mixed incomes, including the traditional clients of subsidy programs as well as private renters who can afford to pay the going market rent without a subsidy.” (Citizens Housing and Planning Association, 1994.)

3. See also the article by Paul C. Brophy and Rhonda N. Smith in this issue.

4. Also Spence, 1993, pp. 366–367, citing Robert Putnam and William Julius Wilson on the nature and importance of social capital.

5. This is not a new idea. Philip Brownstein reported that in 1961 the BMIR program was conceived as a special effort to help middle- or moderate-income people. It was seen as the "glamour" portion of the incoming Kennedy administration's housing bill (U.S. Department of Housing and Urban Development, 1976).

6. More than 1.4 million of these "units" are not physical units of housing but are instead tenant-based housing certificates or vouchers.

7. Estimated from 1990 census tabulations, STF 3.

8. Census tracts often coincide poorly with neighborhoods defined by natural boundaries or self-identification. Furthermore, it is possible to have a census tract in which all poor people live adjacent to one another in one corner of the tract.

9. Household size makes a difference as well. A four-person family and a one-person family who live side by side and whose incomes are the same might appropriately be considered an example of income diversity.

10. The data did not enable us to identify families with children directly. We excluded from our family housing definition (1) projects in which households headed by an elderly person constituted 20 percent or more of the occupants; (2) those in which households headed by a disabled person constituted 20 percent or more of the occupants; or (3) those in which pensions were the major source of income for 70 percent or more of the households.

11. This is not exclusively rental housing, since in some cases it includes limited-equity cooperatives.

12. Nothing is without exception in the complicated rules governing housing subsidy programs. Public housing authorities (PHAs) were not barred from owning housing under these programs. Although this is a fairly rare occurrence, one of the projects visited for this study is owned by a PHA, the Housing Authority of Alameda City, California.

13. See also the short list of projects at the end of the Schwartz and Tajbakshsh article in this issue.

14. In addition to helping develop categories of mixed-income housing, the site visits confirmed the very high degree of accuracy of this national data set for categories such as project address, number of units, and demographic and income characteristics of tenants.

15. We identified as partly subsidized projects those that HUD data show to have a total project size at least 10 units larger than the number of subsidized units. This was done by comparing project numbers from a HUD data set on projects that have Federal Housing Administration insurance with project numbers from the main data base used for this study.

    We did not classify any "Other LMSA" (see appendix A) projects as partly subsidized. Limited appropriations of funds may have meant that Section 8 subsidies were attached only to a portion of the units in a financially troubled project, rather than to all units containing poor families. Thus the Other LMSA projects, while technically partially subsidized, may not have relatively higher income households occupying unsubsidized units. Even with this exclusion, we suspect that some projects have been misclassified as partly subsidized because of data imperfections and lack of information on the income levels of households in the unsubsidized portion of the project.

16. For example, it does not include projects that do not have FHA mortgage insurance.

17. In discussing mixed-income housing, authors or policymakers often assume that it means "partly subsidized projects." See, for example, Mulroy (1991).

18. It would have been desirable to test an alternative definition, based on HUD definitions of income that vary with location (30 percent of area median income, 50 percent, 60 percent, and so forth), but that was not possible using our data set. Furthermore, relative definitions of income have their own shortcomings. In a very high-income metropolitan area, 50 or 60 percent of area median income can be quite high in terms of culture and expectations. This point is also discussed in the article in this volume by Brophy and Smith.

19. The somewhat arbitrary definition of "predominantly" as 80 percent African-American or higher does not affect the results reflected in table 8. The same pattern holds if predominantly is defined as at least 60, 70, or 90 percent African-American.

20. The pattern is the same if a predominantly African-American neighborhood is defined as more than 70, 80, or 90 percent black.

21. The dependent variable is the percentage of households with incomes above $20,000 living in a family project that is located in a census tract where more than 40 percent of the residents are below the poverty level. We omitted partly subsidized projects because of the lack of data on the true value of the dependent variable. See appendix B for a description of the independent variables in this simple linear regression.

22. The authors owe special thanks to HUD field economists Joe McDonnell (Chicago), John Reilly (Boston), and Robert Jolda (San Francisco-Oakland) for facilitating these visits, participating in the interviews with site managers, and providing insights into the housing market conditions affecting the projects.

References

Borjas, George J., and Lynette Hilton. "Immigrants and Welfare: 1996–97 Evidence from the Survey of Income and Program Participation." *Focus* 18:2, pp. 47–49.

Burke, Paul. 1996. *A Picture of Subsidized Households.* Washington, DC: U.S. Department of Housing and Urban Development, Office of Policy Development and Research.

Carter, William, Michael H. Schill, and Susan M. Wachter. 1996. "Polarization and Public Housing in the United States." Paper prepared for presentation at the European Network for Housing Research Conference in Helsingor, Denmark, August 26–31. (Specific reference is to p. 5 and table 1.)

Cavanaugh, Gordon. 1992. "Comment on Kathryn P. Nelson and Jill Khadduri's 'To Whom Should Limited Housing Resources Be Directed?' " *Journal of Housing Policy Debate* 3:1, pp. 67–75.

Citizens Housing and Planning Association of Metropolitan Boston. 1994. *All in Together: A Report on Income-Mixing in Multi-family Housing*. p. 3.

Duncan, Gregory. 1994. “Families and Neighbors as Sources of Disadvantage in the Schooling Decisions of White and Black Adolescents.” *American Journal of Education,* 103: November, pp. 20–53.

Espenshade, Thomas J., Michael Fix, Wendy Zimmermann, and Thomas Corbett. 1996–97. “Immigration and Social Policy: New Interest in an Old Issue,” *Focus: University of Wisconsin-Madison, Institute for Research on Poverty*, 18:2, pp. 3–4.

Hogan, James. 1996. *Scattered-Site Housing: Characteristics and Consequences*. Washington, DC: U.S. Department of Housing and Urban Development, Office of Policy Development and Research, pp. 47–49.

Housing in the 1970s: Working Papers. 1976. Washington DC: U.S. Department of Housing and Urban Development, 1976, pp. 115–117.

Jargowsky, Paul A., and Mary Jo Bane. 1991. “Ghetto Poverty in the United States,” in Christopher Jenks and Paul E. Peterson, editors, *The Urban Underclass.* Washington, DC: Brookings Institution.

Jencks, Christopher, and Susan Mayer. 1990. “The Social Consequences of Growing Up in a Poor Neighborhood,” in Laurence Lynn and Michael McGeary, editors, *Inner-City Poverty in the United States*. Washington, DC: National Academy Press, pp. 111–186.

Kotlowitz, Alex. 1991. *There Are No Children Here: The Story of Two Boys Growing Up in the Other America*. New York: Doubleday.

Mulroy, Elizabeth A. 1991. “Mixed Income Housing in Action,” *Urban Land*, May, pp. 2–7.

Nelson, Kathryn P. 1994. “Whose Shortage of Affordable Housing?” *Journal of Housing Policy Debate* 5:4 pp. 401–439.

Ravitch, Richard. 1996. “The Unhoused: A Looming Housing Crisis and How to Fix It,” *The New Republic*, January 27, p. 12.

Rosenbaum, James E. 1991. “Black Pioneers—Do Their Moves to the Suburbs Increase Economic Opportunity for Mothers and Children?” *Housing Policy Debate*, 2:4, pp. 1179–1213.

Schill, Michael H. 1993. “Distressed Public Housing: Where Do We Go From Here,” *University of Chicago Law Review* 60:2, pp. 511, 514.

Sherwood, Wayne. 1996. “Some Facts about the Trends in Incomes of Residents of Public Housing.” Memorandum to Bruce Katz, Chief of Staff, U.S. Department of Housing and Urban Development.

Spence, Lewis H. 1993. “Rethinking the Social Role of Public Housing,” *Housing Policy Debate* 4:3, pp. 355–368.

Thompson, Philip. 1996. “Public Housing Working Paper.” Paper prepared for a conference on “Housing and Community Development in the New Fiscal Environment: New Directions for New York City,” March 28, p. 7.

The Transformation of America's Public Housing: A 1996 Status Report by Secretary Henry G. Cisneros. U.S. Department of Housing and Urban Development. Washington, DC: p. 3.

U.S. Congress, 1968. *Building the American City: Report of the National Commission on Urban Problems to the Congress and to the President of the United States*. Washington, DC: 91st Congress, 1st Session, House Document No. 91–34, p. 115.

U.S. Department of Housing and Urban Development. 1995. *HUD Reinvention: From Blueprint to Action*. Washington, DC: U.S. Department of Housing and Urban Development, pp. 33–43, 53–60.

U.S. Department of Housing and Urban Development. 1996a. *Rental Housing Assistance Policy at a Crossroads: A Report to Congress on Worst Case Housing Needs.* Washington, DC: Office of Policy Development and Research, pp. 13–14, 35–40.

______. 1996b. *The Jobs-Plus Community Revitalization Initiative for Public Housing Families: An Overview of a Locally-based Initiative for Urban Public Housing Communities*. Washington, DC: U.S. Department of Housing and Urban Development, p. 4.

von Hoffman, Alexander. 1996. "High Ambitions: The Past and Future of American Low-Income Housing Policy." *Housing Policy Debate* 7:3, pp. 440–441.

Appendix A

Description of Programs in the Multifamily Housing Inventory

Section 221(d)(3) Below Market Interest Rate (BMIR). This is the earliest program through which the Federal Government subsidized private owners to provide housing with controlled rents to low-income households. By the mid-1990s, more than 114,000 subsidized households lived in 1,049 BMIR ("bee-mer") projects across the country. BMIR rents are the same for all units of a particular size and type. Because they do not vary with the income of the household, they cannot be afforded by the very poor. However, in some of the projects deeper subsidies were added to some units so that households—even those with incomes below the poverty level—can rent the units by paying no more than 30 percent of their income.

Section 236. Like the BMIR program, Section 236 was aimed at a somewhat higher income group than residents of public housing. Households subsidized only by Section 236 must be able to pay at least a "basic rent": the lowest rent made possible by the mortgage interest subsidy that supported the project's development. Households with somewhat higher incomes pay 30 percent of their income, but there is a maximum (or ceiling) rent, somewhat misleadingly called the "market rent."[1] As with BMIR, some Section 236 projects had deeper subsidies attached to some of their units either when the project was developed or later, so that households, however poor, pay 30 percent of their actual income.

Section 236 was a large program. Although it has not produced new housing for 20 years, almost 450,000 households in more than 4,000 projects continue to receive subsidies.

Section 8 New Construction/Substantial Rehabilitation. This program, the largest single component of the HUD multifamily assisted stock, subsidizes more than 650,000 households in almost 10,000 projects. Since the program attached deep rent subsidies

Table A1

Assisted Housing Projects and Units

Program	Number of Family Projects	Units in Family Projects	Number of Elderly Projects	Units in Elderly Projects	Percentage of Family Projects
BMIR	834	90,000	215	25,000	80
Section 236	2,394	236,000	1,830	211,000	60
Section 8 New Construction	4,613	281,000	5,233	372,000	47
Other LMSA	1,389	115,000	929	63,000	60
Total	9,230	722,000	8,207	671,000	53

to all units at the outset, it does not have different rent structures for various groups of subsidized tenants. Households benefiting from a Section 8 subsidy pay 30 percent of their income in rent, and the Federal Government contracts to pay the difference between the tenant-paid rent and a "contract rent" agreed to with the owner. Like the BMIR and Section 236 programs, this program helped to build new housing and rebuild existing structures. For convenience, we call the program "Section 8 New Construction."

Section 8 Attached Later to Unsubsidized FHA-Insured Projects (Other LMSA). Over the years HUD has attached Section 8 subsidies to some or all of the units in more than 2,000 FHA-insured projects that were not originally intended to be subsidized projects but developed financial problems. The Section 8 subsidy stabilizes a project financially in two ways: by creating a market for vacant units among households with incomes so low that they cannot find market rental housing at 30 percent of their incomes; and by permitting HUD and the owner to agree to rent increases for current tenants who may be quite poor. The Section 8 subsidy covers the difference between the new rent and 30 percent of the household's income.

The term "Other LMSA" is used for this project-based subsidized housing. LMSA (or "lim-za") stands for Loan Management Set-Aside; "other" means the project is not one of the Section 236 or BMIR projects that also carry LMSA subsidies. Other LMSA has created nearly 200,000 units of deep rent subsidies for low-income families. Table A1 shows the total number of projects and units in each program in the multifamily assisted inventory and the split within each program between projects that predominantly serve families with children and other projects.

Note

1. The Section 236 "market rent" is not an uncontrolled "street rent" determined by market forces, but is instead the lowest rent that could be charged if the project's mortgage payments did not reflect an interest subsidy.

Appendix B

Table B1 depicts the multivariate analysis of factors affecting the willingness of families with incomes above $20,000 per year to live in subsidized housing in census tracts in which more than 40 percent of the residents are below the poverty level.

Table B1

Multivariate Analysis

	Variable	Form of Variable	Explanation
Dependent Variable	High income	Percentage of households in project with incomes above $20,000 per year	Partly subsidized projects are dropped because true value of this variable for those projects is not known
Independent Variables	Program	Section 236, BMIR, or Other LMSA. Section 8 New Construction is omitted variable	Proxies presence of ceiling rents. May also proxy age of project
	Metropolitan area	Whether or not project is located in a Metropolitan Statistical Area. Nonmetropolitan area is omitted variable	
	Region	Census region of project. West North Central region is omitted variable. Mean percentage of high income is omitted value	Proxy for difficulty of housing market
	Mixed race	Percentage of black households in project, multiplied by percentage of non-black households in project	A 50-percent black project has maximum value; 100-percent black, or non-black, has zero value
	Mixed minority	Percentage of black households in project multiplied by percentage of Hispanic and Asian households	A 50-percent black, 50-percent Hispanic and/or Asian project has maximum value
	Gateway	Whether project is located in Los Angeles, Anaheim, San Francisco, New York, Washington, Miami, Chicago, or Houston	