Multifamily TRENDS®

REPRINTED FROM SUMMER 2002 ■ VOLUME 5, NUMBER 3

Making Mixed-Income Housing Work

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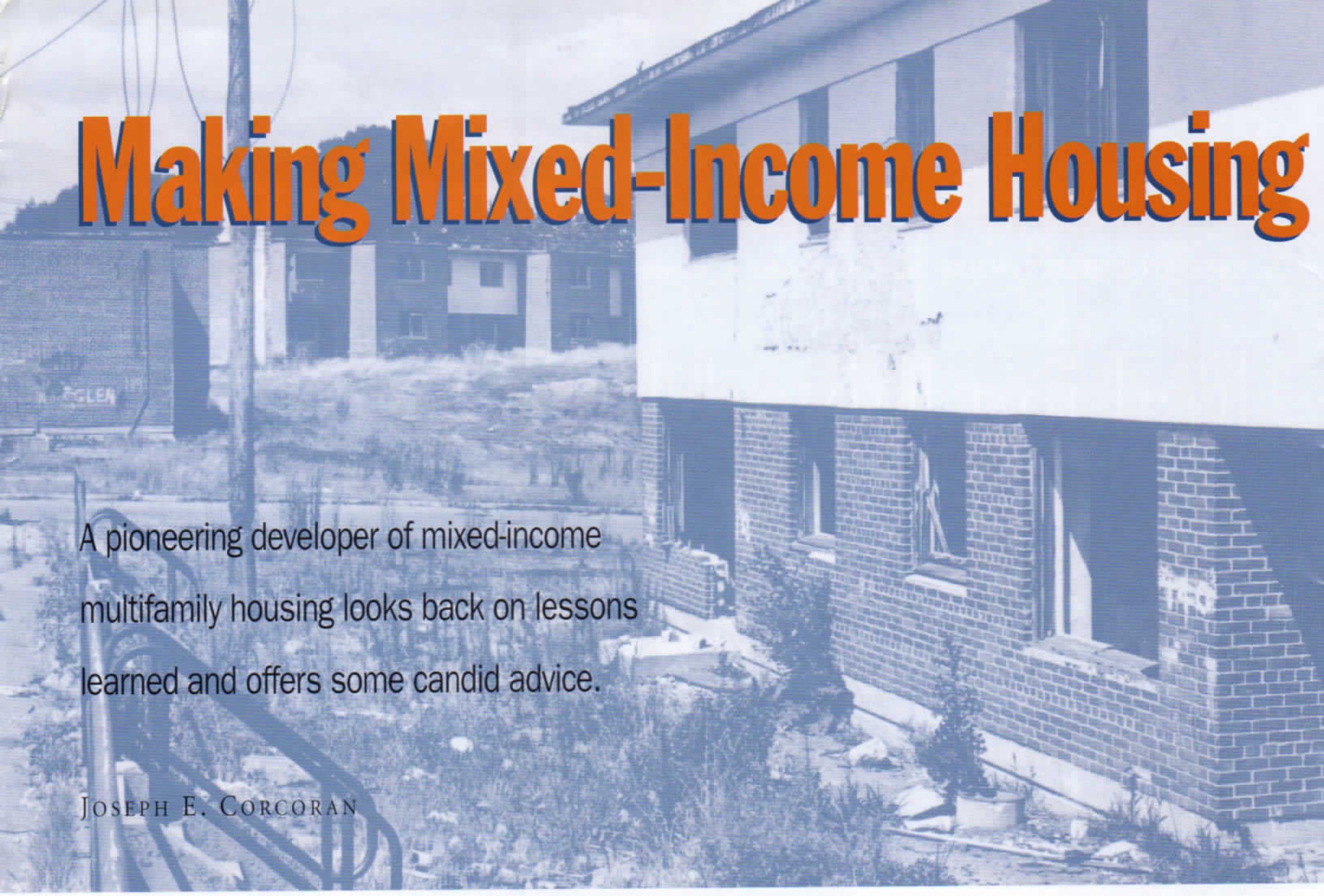
Making Mixed-Income Housing



A pioneering developer of mixed-income multifamily housing looks back on lessons learned and offers some candid advice.

Joseph E. Corcoran

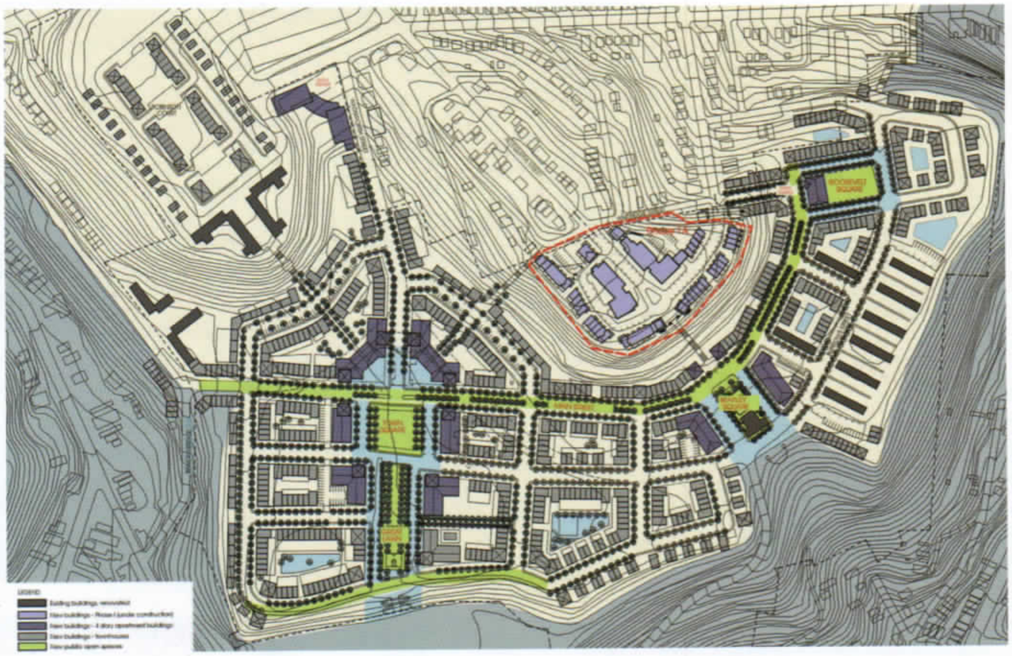
Thirty years ago, when I founded Corcoran Jennison Companies and it began developing its first mixed-income housing project, the concept of such housing was new and controversial. Everyone—bankers, U.S. Department of Housing and Urban Development (HUD) officials, representatives of local and state agencies, and, particularly, other builders—trashed the concept. They said that it would never work. "Market-rate households will never live with subsidized households," they claimed. But, having grown up in the Dorchester neighborhood of Boston—where professors and doctors lived next to laborers and small businessmen, the unemployed and the inebriated, I knew it *would* work, because it always *had* worked. This was the "melting pot," a concept as American as apple pie.

Today, mixed-income housing is accepted nationally and is even required in many progressive cities and communities throughout the United States. In Boston, Mayor Thomas M. Menino has instituted a policy that requires all proposals for new luxury housing projects to include at least 10 percent affordable units. In Stamford, Connecticut, Mayor Daniel P. Malloy's new downtown luxury housing initiative requires developers to include 20 percent affordable units. Mixed income is here to stay, and all residential developers—of multifamily and single-family projects alike—will have to accommodate the concept in their future planning. It is absolutely the correct way to house the nation's low-income families. For the past half century, urban public housing projects have demonstrated very clearly that warehousing low-income families is a formula for social disaster. It also is inconsistent with the U.S. concept of assimilating diverse ethnic groups and the economically deprived into the mainstream of American life.

Corcoran Jennison opened its first mixed-income community, Queen Anne's Gate, in Weymouth, Massachusetts, in 1973. The community has had an average occupancy rate of 96 percent since then. Today, Queen Anne's Gate contains 560 units, 25 percent of which are occupied by low-income households, 25 percent by moderate-income households, and 50 percent by households paying the market rate. This is an ideal mix. Experience has taught us that market-rate units must be predominant in a mixed-income housing project. In a project with at least half its units market rate, the developer/owner is forced to be sensitive to the market and must plan, design, and maintain the property to market standards. The objective is to create an attractive community that people of all income levels will be proud to call home. If subsidized units predominate, the community risks losing the market-rate component.

Unit Design and Location

Low- and moderate-income units should always have the same design and specifications as market-rate units. The key is to provide equivalent housing for all income levels. This eliminates resentment by putting all residents on an equal footing. Mixing low-income and market-rate units throughout the site is also important, to avoid any



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A straightforward, urban grid street system connects Oak Hill with surrounding neighborhoods.

Phasing Challenges

This large-scale redevelopment—which entailed relocating existing residents as well as rebuilding major public roads—required a comprehensive phasing strategy. Since the steepest part of the site was unoccupied because the city already had demolished the existing buildings, B/CJ decided to develop it first. Pam Goodman, Beacon's senior vice president of development, notes, "Because we were reconstructing two major public roads in the middle of an occupied site, we implemented a host of mitigation measures." The developers used golf cart–like vehicles to move the remaining residents around the site and worked with a multitude of city agencies to reroute buses and move utility lines.

The Market

The decision to develop the steepest parcel first also proved to be a prudent marketing strategy. Although good views are taken for granted in the hilly city, Kisilinsky says about the Oak Hill parcel, "The 180-degree vista of downtown and the Allegheny/Monongahela valleys from this spot is positively breathtaking." Especially in the beginning, when many Pittsburgh residents still thought of the site as a public housing disaster, the spectacular views were a critical amenity that helped draw market-rate residents. Oak Hill property manager Carol Krusey observes, "With the university in our backyard, we knew we had a captive market. Many of our residents work at the medical center, including a number of physicians from overseas." Krusey concedes that, in the beginning, it was easier to attract out-of-town residents, who did not automatically associate the neighborhood with housing for the poor.

Oak Hill marketing brochures actively promote the several bus lines that serve the neighborhood. Market-rate rents, which range from $535 for the smallest studio apartment to $1,495 for the largest three-bedroom unit, have risen 10 percent since leasing started in 1999. Additional amenities include a fitness center with a community room and kitchen and an outdoor pool. A second community center with a gym and space for classrooms and social activities also is planned.

Kisilinsky points out, "Many people, including myself, were skeptical about pricing the rental apartments near the top of the market. After all, just eight years ago, people with any earning capacity wouldn't have dreamed of living here. Now, professionals who could live anywhere in the city are choosing to make Oak Hill their home." According to Kisilinsky, the main drivers behind the community's strong rental market are, first, a soft rental market (few new apartments have been built in the city in recent years); second, a great location; and, finally, high-quality design and management.

Oak Hill's development and design team, which already had a strong track record in transforming failed public housing into successful mixed-income communities, recognized the importance of blending the subsidized housing with the market-rate units and using the same high-quality design and materials for all the homes. "The development absolutely achieves one of our primary goals—to make the subsidized residences indistinguishable from the market-rate units," says Kisilinsky.

Supportive Social Services

"We knew that attractive new buildings, alone, would not achieve our goal of creating an economically balanced and self-reliant community. We needed to provide the existing residents with supportive social services and educational tools to reinvest in their community," observes Beacon Vice President Michael Polite. Housing Opportunities Unlimited (HOU), a third-party, Boston-based services/training entity, conducted extensive assessment interviews and worked with all residents of subsidized units to develop family self-sufficiency plans. HOU's on-site job developer works with local businesses to secure jobs for Oak Hill residents. The group also provides drivers' education courses, as well as on-site child care and social service referrals. "Only 10 percent of the residents were employed when we took over the project five years ago. Now, 95 percent of the work-eligible residents who live in subsidized units have jobs," says Polite. ■

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Geoffrey Wooding

Public Housing Transformed

A new road system, innovative housing designs, and public/private funding are transforming a long-isolated Pittsburgh public housing project into a mixed-income community with connections to adjacent residential neighborhoods and the rest of the city.

When Franklin Delano Roosevelt opened Allequippa Terrace in 1943, Pittsburgh's largest public housing project was at the forefront of the nation's effort to provide decent housing for the poor. Allequippa consisted of 83 three-story apartment buildings on a hillside atop an abandoned coal mine. But by the 1990s, the neighborhood had turned into a New Deal disaster. Badly deteriorated and crime ridden, nearly half of the 1,700 residences were vacant.

In 1995, the Housing Authority City of Pittsburgh (HACP) selected the development team of B/CJ, Beacon/Corcoran Jennison Partners—Boston-based developers with a strong track record in creating urban housing—to transform the phalanx of grim barracks into a stable residential community with a variety of housing opportunities, services, and amenities that would serve current tenants as well as attract new market-rate residents.

Public/Private Partnership

The $120 million multiphased redevelopment of this seriously distressed public housing project into a viable mixed-income community involved multiple funding sources, including nearly $40 million in funds from the U.S. Department of Housing and Urban Development's (HUD's) HOPE VI public housing transformation program. Additional public financing came from the HACP, the city of Pittsburgh, and the Urban Redevelopment Authority of Pittsburgh. Private bank loans amounted to $10 million, and $28 million was derived from Low-Income Housing Tax Credit (LIHTC) investor equity. Permanent and construction financing were provided by Bank of America, PNC Bank, and American Property Fi-

Townhomes perched on steep slopes offer sweeping views of downtown Pittsburgh and the Monongahela Valley, while mid-rise buildings were designed to blend with the intimate scale of the townhomes.

ALL PHOTOS: BRUCE T. MARTIN

remaining 2,500 residents wanted their new homes to resemble the single-family residences in the adjacent working-class neighborhoods instead of the massive shoe box–like structures that typified public housing design. They also wanted more spacious units with washers and dryers, and with bedrooms large enough to accommodate two beds.

The Goody Clancy team designed a traditional pre–World War II era neighborhood of tree-lined streets and sidewalks, public squares, townhomes pulled out to the street edge, and some mid-rise apartments. Most residences are at least 30 percent larger than the original Allequippa units. Although the architecture relates to the stick-style vernacular design used for much of the city's working-class housing stock, the buildings are decidedly modern. To simplify construction, the architects used a limited number of unit types and made them visually interesting by subtly changing colors and materials, altering building layout, and varying the combination of different building components.

Each townhome has its own address for mail delivery and garbage collection. Wherever possible, ground-floor apartments have individual front doors and small yards that give residents a sense of ownership and help animate the streets. The development follows the Pittsburgh pattern of parallel curbside parking, although small rear parking lots are provided for the apartment buildings.

The site's dramatic topography sets the overall character for the first development phase of 257 residences, which were built on the steepest part of the site. Townhomes perched on steep slopes next to the street edge offer their residents sweeping views of downtown Pittsburgh and the Monongahela Valley below. The four-story mid-rise apartment buildings were designed to blend with the intimate scale of the townhomes.

Special attention was given to avoid ambiguous, leftover spaces. All outdoor spaces, both private and public, are clearly defined. Roads and streets are treated as part of the public realm. Apartment building residents have easy access to planned outdoor spaces. All townhouses have decks or patios; some have private backyards. The center of each townhouse block contains a communal area, inaccessible to outsiders, where young children can play in view of adults.

Several public roads were realigned to improve access to the neighboring communities, as well as to job opportunities downtown and at the University of Pittsburgh. Terrace Street, which connected the university hospital district to West Oakland, previously had dead-ended at Allequippa Street. It was rebuilt as a main street, which climbs the steep hill and connects the new Oak Hill community with the adjacent residential neighborhoods. "Rebuilding these roads," says Macy Kisilinsky, the HACP's assistant director for special projects and planning, "made all the difference in the world and was critical to furthering our goal of making Oak Hill a part of the West Oakland neighborhood."

Designing a Neighborhood

Throughout the planning and design process, the architects worked closely with the Allequippa Terrace Residents Council. The project's

nancing, Inc., through Fannie Mae's Delegated Underwriting and Servicing program. Fannie Mae also provided equity financing, the syndicators of which were Related Capital Company and Lend Lease.

When the project is completed next year, the new mixed-income Oak Hill community will contain a mix of 664 rental homes and for-sale units. (The new name combines those of two adjacent neighborhoods, Oakland and the Hill District.) Construction on the first phase began in spring 1998; leasing started in fall 1999 and the phase was fully leased by February 2000. The first two phases of development included 107 townhomes and five mid-rise apartment buildings. The third phase—two mid-rise buildings and 43 townhomes—will be completed this summer, and construction of the fourth phase (with one mid-rise building and 33 rental townhomes, plus a youth activity center), now underway, will be completed in summer 2003. Approximately 35 additional acres on the site have been cleared for future development.

Seven townhomes built during the first development phase sold briskly for prices ranging from $70,000 to $80,000 in 1999, and the developers plan to build another 25 to 30 for-sale homes during the fourth phase of development. Fifty additional residences are being built off site in adjacent neighborhoods by locally based nonprofit developers. One of these off-site projects—a 36-unit apartment building, which was completed in 1998—was built specifically for elderly residents who formerly lived at Allequippa Terrace. One of the first Oak Hill mid-rise apartment buildings constructed during the first phase of development also caters to seniors.

Thirty-five percent of Oak Hill's homes are market rate; the remaining affordable units are leased at rents that are subsidized according to HUD guidelines. Like many other HOPE VI developments, Oak Hill grew out of a public/private partnership. B/CJ holds long-term leases on the land from the HACP, and Beacon manages the rental properties.

Getting Connected

B/CJ selected Boston-based architects Goody, Clancy & Associates—on the basis of the firm's innovative designs for nationally known urban housing developments such as Harbor Point and Tent City in Boston (both of which are past recipients of ULI's Award for Excellence)—to plan and design Oak Hill in association with Pittsburgh architects Perfido/Weiskopf Associates and Graves Architects. The site is about half a mile west of the University of Pittsburgh Medical Center and close to the city's major employment centers. However, the housing complex's location—atop a hill on the fill of an old mine—effectively isolated the low-income residents from the rest of the city, as did the project's road system, a series of internal radial streets with no direct connections to the adjacent neighborhood. Thus, a main design challenge was to connect the 80-acre site with the surrounding area.

First, the architects totally reconfigured the roads, replacing the mostly curvy, abstract street pattern with a straightforward urban grid featuring a hierarchy of different sized streets that connect directly to street systems in the surrounding neighborhoods.

section being labeled as "low-income." Prospective renters or homeowners—at any income level—should not observe a segmenting of low-income families.

At Harbor Point in Boston, a converted public housing project with one-third low-income and two-thirds market-rate units, identical waterfront units are available to both market-rate and low-income residents. The market-rate resident's rent is $3,500 a month, while a low-income household's is 30 percent of family income. Marketing staff inform all prospective market-rate residents, at the outset, that the low-income residents—who were the project's original residents—formed a partnership with Corcoran Jennison to redevelop the site for all income levels. Although the deposit rate per visitor is 10 percent lower than at comparable all market-rate communities, those who do rent have no problem with the concept of paying more. The key to avoiding resentment is to inform all prospects before accepting their deposits.

In 1979, King's Lynn became the first U.S. public housing project to be converted into private, mixed-income housing. Residents of the former America Park state housing project in Lynn, Massachusetts, formed a joint venture development and ownership entity with Corcoran, Mullins, Jennison, Inc., and remain 50 percent owners of the project.

Marketing

Aggressive marketing is essential to a successful mixed-income development. The property must have all the amenities of the market-rate competition—and then some. It must be better than the competition. The design must be top quality, and the property maintenance must be superb. It cannot look like a subsidized project.

Generally speaking, potential residents of market-rate units are not going to move into a mixed-income development because they see it as an interesting social experiment. They will move in because it offers a better deal for the money. To make it a better deal, a developer generally needs the advantage of some form of subsidy, such as tax-exempt financing, cost of land writedown, tax credits, tax breaks, or grants. (If the location is superior, the market-rate units can subsidize the low-income units without additional subsidies.) The presence of low-income families living on site may be an obstacle for some market-rate prospects, particularly in public housing conversions: Our experience indicates that as much as 10 percent of the market pool may be turned off by the concept. Interestingly, Harbor Point in Boston actually attracts people who want to live there because they know it is a mixed-income and racially mixed community.

Racially mixing all income groups also is important, and we make a concerted outreach effort to do so. Harbor Point is home to 3,000 people living in 1,283 units. Thirty-five percent of the market-rate units are inhabited by members of minority groups, 20 percent of whom are African American. Twenty percent of the low-income families are white. Our marketing and social service staff works hard to achieve this mix, by reaching out to local employers, com-

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munity centers and publications, government agencies, and even elected officials. For example, in urban public housing turnaround projects, in which African American and Hispanic families typically dominate the low-income component, our on-site social service workers go to low-income, nonprofit agencies and offer our units to white families on housing wait lists. In suburban mixed-income communities, we do the reverse. Our marketing staff also visits corporate human services departments and actively markets market-rate units to minority workers, stressing our objective of creating racially mixed communities.

Resident Participation: Empowerment versus Management

Property management, like any other profession, requires special skills. Those skills are acquired through long years of training and gaining experience in procedures such as formulating and implementing budgets, examining and procuring maintenance and vendor contracts, and properly assessing prospective tenants and their ability to pay the rent and respect their neighbors and their property.

Most of the nation's largest institutional investors and owners elect not to manage their own properties because they do not have the proper skills. The same is true for tenant/resident organizations. In four of its public housing turnarounds, Corcoran Jennison has a legal joint venture with the resident organization (an elected group). Two representatives from the development team meet monthly with two representatives of the tenant organization and agree on policy directives to on-site management. As empowered owners, resident organizations act jointly with Corcoran Jennison to direct management to perform to certain standards and they can dismiss the management company if it is not doing its job. Although our management company has never been dismissed by a resident organization, it has replaced site managers because the resident organization felt the manager was not following agreed-upon policy or, in one case, failed to communicate adequately with the resident organization. This is true empowerment, and much more important for low-income families than having the complex burden of day-to-day management of the property.

A mixed-income property's management company should maintain the same standards for all income levels. Our base leasing contract is exactly the same for all income groups, and violations are enforced uniformly; for example, if residents do not pay the rent, they are evicted. Likewise, interfering with a neighbor's legitimate rights or possessing illegal drugs or weapons also are grounds for eviction.

In Corcoran Jennison's seven conversions of public housing projects into mixed-income communities, the social service component has been essential to the success of the turnaround. This component provides teen and after-school activities, tutorial and substance abuse counseling, and other services that are available to all income levels. The existing low-income families have an understandable fear of the changes and their ability to adapt, and the social service component gives comfort and help during the transition period. Management works closely with social services while maintaining standard principles. Social services' mission is to give each family the resources needed to make a successful transition to life in a mixed-income development, including housekeeping, budgeting, parenting, substance abuse, education, and job training.

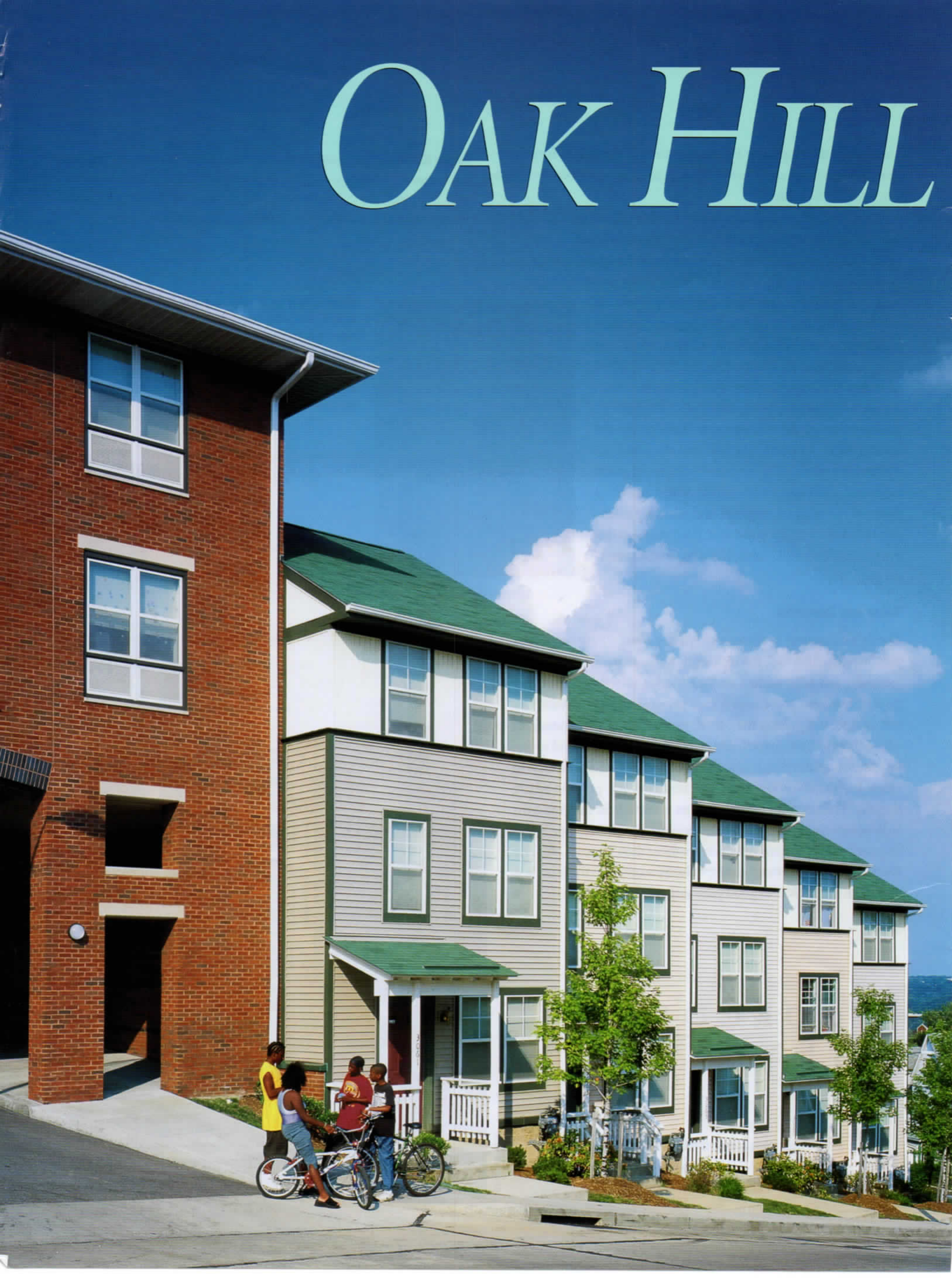
HOPE VI and the New Urbanism

One of the great myths about bad public housing is that it is problematic because it comprises tall, high-density buildings. Some of the most successful apartment communities in urban areas are tall, high-density buildings—for example, the Prudential Apartments in Boston. Distressed urban public housing can be attributed to bad management and bad funding, in that order, and not to the height or density of buildings. Unfortunately, the new urbanist concept that has been largely adopted in HUD's HOPE VI projects has stressed low-rise, low-density development, which forces out the mixed-income concept.

Although Corcoran Jennison has been a participant in four HOPE VI developments, it is unlikely that it will be involved in any future HOPE VI projects because of the way the program is evolving. It is moving in many discouraging directions, one of which is that it no longer requires a meaningful mix of income levels. Currently, many HOPE VI developments contain more than 75 percent public, low-income rental housing. The long-term prognosis for these communities is not good. Their daily operations will revert to being conducted primarily by local housing authorities rather than private management firms.

HUD's championing of the flawed "new urbanism" planning concept has forced housing authorities to drastically reduce density by requiring townhouse or low-rise housing. Many HOPE VI projects have removed hundreds of low-income families to make way for low-density townhouse developments, causing a huge displacement problem that is unwise and unnecessary. Moving low-income seniors into townhouses, for example, is a waste of space and lacks all of the socially comforting aspects of senior living in elevator buildings with lobbies and activity rooms that can provide services and settings for socialization. Replacing a 500-unit project on 20 acres with a 200-unit

OAK HILL



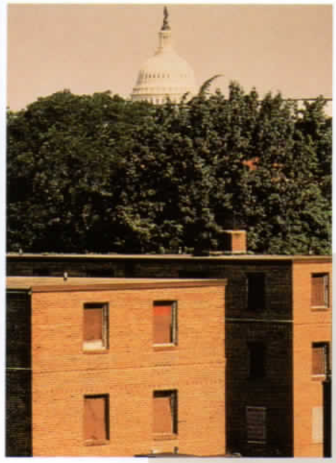
townhouse development forces a housing authority to forgo substantially mixing income levels, because to do so would create a massive relocation problem.

At our HOPE VI redevelopment in Pittsburgh (Oak Hill, the former Allequippa Terrace public housing project), Mayor Tom Murphy agreed to let us build four-story elevator buildings instead of townhouses for the existing senior residents. Forty percent of the original residents were seniors, and we convinced the mayor that including some elevator buildings would allow additional open space and provide seniors with a better lifestyle. It also enabled us to build a larger number of units on site, reducing the need to move residents off site. Families with children occupy the townhouses. Aesthetically, the combination of townhouses and mid-rise buildings makes for a much more attractive community with increased open-space areas, while accommodating more of the original residents and allowing a substantial market-rate component. (For more on this project, see "Oak Hill: Public Housing Transformed" on page 18.)

Today and Tomorrow

The mixed-income housing concept has come a long way in the past 30 years. Although it is unfortunate that many HOPE VI projects have not adhered to a positive market mixed-income component, the concept is growing in all private housing markets. The test of time has proven that developers and property managers who adhere to basic market-rate principles can produce and maintain communities that house the poor, pay real estate taxes, and create healthy communities whose residents take pride in where they live. That a strong market mix can work well for the long term is demonstrated in all of Corcoran Jennison's mixed-income housing communities, many of which are more than 25 years old. The tried-and-true American concept always worked in the past. It is now back on track, and good planning will keep it there. ■

Joseph E. Corcoran is chairman of Corcoran Jennison Companies, a pioneer of the mixed-income concept. The firm is headquartered in Boston and has built, developed, and currently manages more than 26,000 units in its multifamily division, many of which are in mixed-income communities.



Located just six blocks from the U.S. Capitol in Washington, D.C., the Townhomes on Capitol Hill (the former Ellen Wilson public housing project) is a mixed-income community of 134 homes structured as a limited equity cooperative with 67 market-rate units and 33 and 34 units for moderate- and low-income households, respectively.

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