ULI Community Catalyst Report

NUMBER 8

Marketing, Managing, and Maintaining Mixed-Income Communities

Urban Land Institute

COVER: Chatham Square, Alexandria, Virginia.

Photo: ThomasArledge.com.

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Marketing, Managing, and Maintaining Mixed-Income Communities

The 2008 ULI/Charles H. Shaw Forum
on Urban Community Issues

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ABOUT ULI

The mission of the Urban Land Institute is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide. ULI is committed to

- Bringing together leaders from across the fields of real estate and land use policy to exchange best practices and serve community needs;
- Fostering collaboration within and beyond ULI's membership through mentoring, dialogue, and problem solving;
- Exploring issues of urbanization, conservation, regeneration, land use, capital formation, and sustainable development;
- Advancing land use policies and design practices that respect the uniqueness of both built and natural environments;
- Sharing knowledge through education, applied research, publishing, and electronic media; and
- Sustaining a diverse global network of local practice and advisory efforts that address current and future challenges.

The Urban Land Institute is a nonprofit education and research institute that is supported by its members. Its mission is to provide responsible leadership in the use of land to enhance the total environment. ULI sponsors educational programs and forums to encourage an open, international exchange of ideas and sharing of experiences; initiates research that anticipates emerging land use trends and issues and documents best practices; proposes creative solutions based on that research; provides advisory services; and publishes a wide variety of materials to disseminate information on land use and development.

Established in 1936, ULI has more than 38,000 members in over 90 countries, representing the entire spectrum of the land use and development disciplines.

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ULI is influential in the discussion of and debate on important national land use policy issues. To encourage and enrich that dialogue, the Institute holds land use policy forums that bring together prominent experts to discuss topics of interest to the land use and real estate community. The findings of these forums can guide and enhance ULI's program of work. They can also provide ULI district councils, ULI members, and others addressing land use issues with information that they can use to improve quality of life, advance community values, and—in the words of the ULI mission statement—"provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide."

ULI Community Catalyst Reports are intended to make the findings and recommendations of ULI land use policy forums relevant: accessible to and useful for practitioners at the community level, where land use decisions are made and their consequences most directly felt.

ULI Community Catalyst Reports can be downloaded free of charge from ULI's Web site (www.uli.org) or ordered in bulk at a nominal cost from ULI's bookstore (800-321-5011).

IN MEMORY OF CHARLES H. SHAW, SR. (March 1, 1933–January 4, 2006)

ULI gratefully acknowledges Charles H. Shaw—former ULI chairman, chairman of the Shaw Company, and developer of Homan Square, a mixed-income neighborhood on Chicago's West Side—for his endowment of the annual ULI/Charles H. Shaw Forum on Urban Community Issues. The forums seek to bring issues related to the viability of urban neighborhoods to the forefront of ULI programs.

Charlie Shaw was a leader in the truest sense of the word. He had a tremendous influence on ULI's transformation into an organization that has successfully expanded at both a global and a local level. Few in the industry could match his energy, his enthusiasm, and his ability to keep coming up with good ideas. He packed a lot of experiences into a very full, rewarding life.

Richard M. Rosan
President, ULI Worldwide

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Introduction

In the past generation, developing mixed-income housing—producing affordable and workforce housing alongside market-rate units—has increasingly become a more common approach to supporting low- and moderate-income households that need housing assistance. The desired benefits of mixing incomes in residential units include deconcentration of poverty, healthier neighborhoods for low-income households, and higher development standards for affordable housing due to marketing requirements for selling/renting affordable and market-rate units in the same project.

At the same time, "full spectrum" housing—housing that accommodates varying income levels and is accessible to people at all stages of their lives—is a key part of more climate-sensitive development. As the imperatives of climate change urge communities to use resources more wisely, building more compact development in walkable neighborhoods can significantly reduce the number of vehicle miles traveled.

Over time, essential components for the long-term viability of mixed-income properties have become more widely recognized, for rental units as well as for-sale housing. In the early stages of development, these elements include decisions about construction and design as well as the establishment of social and community services. As mixed-income housing developments mature, however, strategic attention to postoccupancy elements, such as marketing, management, and high-quality maintenance, are essential for their continued success.

The 2008 Shaw Forum engaged participants to describe the components for success in managing and maintaining mixed-income housing. The discussion tended to be oriented toward mixed-income rental units, with less discussion about matters specific to owner-occupied mixed-income housing. Participants noted that although one magic mix of incomes does not exist for successful properties, about one-third market-rate, one-third moderate-income, and one-third low-income units is often a preferred combination.

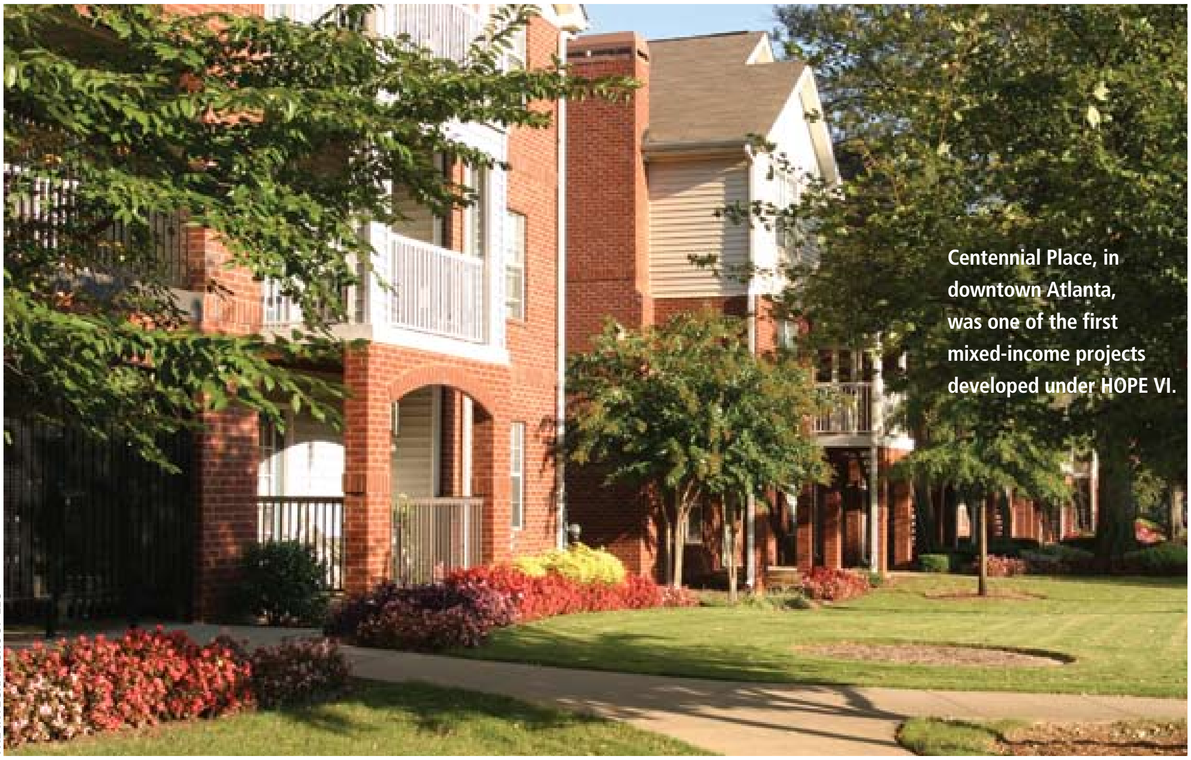
Forum Recommendations and Observations

Marketing

Marketing a mixed-income property is as much about selling a community as about offering a residential unit. Younger people—who are a prime rental market—especially see value in diversity, so a continuum of age ranges and mix of households is often an attractive part of the property. Forum participants noted that diligent resident screening is a key technique in effective marketing. A strong public relations strategy, to tell the "story" of the community—particularly about the amenities that make the property attractive to market-rate occupants—is also important. Finally, when attracting market-rate tenants, applying sophisticated computer-based rent-setting software can be a valuable tool to ensure optimal rent revenues.

People Are the Product

In the forum discussion, rigorous resident screening emerged as an important strategy to market a property. "People are the product," is how Jeff Kimes expressed the concept in his presentation on his firm's market repositioning of downtown Denver's Bank Lofts. Participants agreed that, regardless of the mix of incomes, a valuable part of the salable product for prospective renters is strict screening of all residents that serves to minimize negative social behavior. In turn, effective screen-



THE INTEGRAL GROUP LLC

Centennial Place, in downtown Atlanta, was one of the first mixed-income projects developed under HOPE VI.

ing to yield responsible renters strengthens the ability to increase rents. Maximized revenues add to reserves for repairs and maintenance, which in turn improves the appearance and thus encourages the longer-term residency of good residents.

The Atlanta Housing Authority establishes high expectations and standards for public housing residents through its moving-to-work program, called Catalyst. The authority implements the program with policies that improve screening procedures to create healthy and safer communities for families and requires residents to be working, in school, or in a workforce training program. The program also sought to increase residents' stake in their home by increasing their financial contribution to their living expenses, raising the minimum monthly rent from $25 to $125 once they are employed or in training or school programs.

Be Prepared with Strong Public Relations

A finely tuned public relations strategy is important for promoting mixed-income properties. Forum participants stressed the importance of presenting the property as a market-rate community with a seamless affordable component. Ensuring that the property is perceived predominantly as one that is market rate—for both current and prospective residents—creates a competitive edge for attracting and retaining tenants.

Having a sophisticated public relations strategy in place is also important. For example, property managers at King's Lynne discovered that when occasional property damage or crime-related problems would arise, media attention often focused on the fact that the mixed-income development had been converted from a former public housing project. As a result, managers have learned that a strong public relations focus is essential to respond quickly and effectively to media inquiries.

SUSTAINING MIXED-INCOME HOUSING

Marty Jones, president of the Corcoran Jennison Company in Boston, Massachusetts, gave the keynote presentation at the forum on "Sustaining Mixed-Income Housing." Following are some of the highlights of her talk.

Since Corcoran Jennison built a mixed-income property, its first development, in 1971, clearly, many more mixed-income examples exist all over the country. And with that growth has come more awareness and more acceptance of the mixed-income approach. At the same time, complexity and creativity are the norm for developing and sustaining mixed-income housing.

To most in the housing industry, the mixed-income approach is a given: it works. A considerable body of research and analysis now exists to support that assertion. Most of the research and best practices point to a similar list of the important success factors:

- Apply high-quality design and construction—not just at the unit or building level, but also at the site level. We've learned about "defensible space" and know that these properties need to look better than the competition.

- Design amenities to meet the market demand, but with access to all income levels. Amenities provide opportunities for residents to come together in community places such as the fitness center or the pool.

- Ground the financial structure in market reality. As in all real estate, location is key. Mixed income cannot "create a market" independent of neighborhood—unless the scale is immense.

■ Use professional marketing. Look better than the competition, and know how to sell the product.

■ Ensure safety. Offering a secure environment is a given, to attract residents—and to keep them. Address any safety concerns or incidents promptly.

■ Build in opportunities for resident involvement and support. Residents are the eyes and ears on the street at all times. They need to buy into community standards and be encouraged to be actively involved in the community's success.

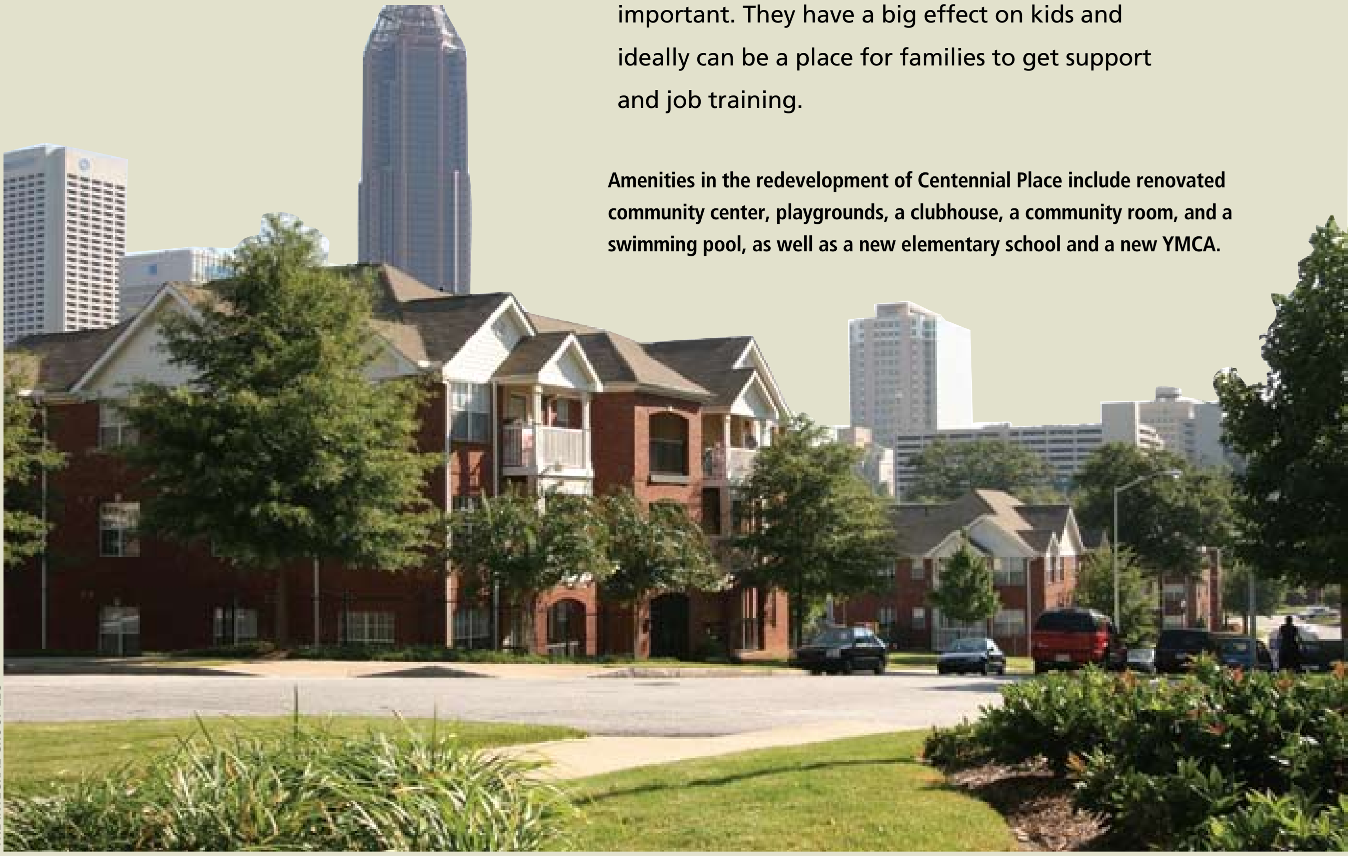
■ Staff and contractors should treat all residents comparably.

■ Provide units that are indistinguishable as to income level and are mixed evenly throughout the property. One of the Massachusetts Housing Authority's early developments placed large, very-low-income units in a separate wing of a building. It quickly became known as the "welfare wing." We've learned new design techniques, such as ground-floor-access units in elevator buildings and flats under townhouses, to spread subsidized units throughout a property so they blend in.

■ Offer strong, professional property management.

■ Provide services and support for residents. Resident services offer a safety valve to address issues, help with ways for residents to thrive and achieve personal goals, and build family assets. Elementary schools are also particularly important. They have a big effect on kids and ideally can be a place for families to get support and job training.

Amenities in the redevelopment of Centennial Place include renovated community center, playgrounds, a clubhouse, a community room, and a swimming pool, as well as a new elementary school and a new YMCA.



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HOUSING OPPORTUNITIES COMMISSION

In addition to 308 mixed-income rental units, the Metropolitan, in Bethesda, Maryland, contains ground-level retail space and three floors of offices.

Maximize Revenue from Rents

By definition, residents at mixed-income rental communities pay a variety of rents. Yet market-rate rents must stay current and be raised appropriately to maintain capital reserves. A property manager typically sets rents based on consideration of factors such as occupancy rates and competitors' prices.

Some companies involved with multifamily management, such as Corcoran Jennison, have refined rent setting with the use of revenue-management software to determine applicable rents for market-rate units. This software maximizes a property's market rents by analyzing a range of factors—including recent demand, seasonal traffic, and competitors' rents, as well as unit type, lease length, and move-in date—to recommend rents. The software enhances a manager's ability to respond to market conditions much more quickly with data that can be updated weekly, or even daily, and thereby optimize a property's revenues.

KING'S LYNNE
LYNN, MASSACHUSETTS

King's Lynne was the first public housing project in the country to be converted to private mixed-income rental housing, setting the stage for many other efforts over the past 30 years to transform public housing with a mixed-income model. Located in the Boston metropolitan area, the property was originally the site of America Park, a public housing project built in 1950 that was in serious decline by 1970. The project was developed under a unique effort led by the tenants of America Park. Following the recommendation of a consultant to renew the property, the tenant group recruited Corcoran Mullins Jennison (CMJ), a private developer and management company, to redevelop the public housing project as a privately owned and managed mixed-income community.

BRUCE T. MARTIN

The public housing project was demolished in 1976. King's Lynne was completed in 1979 and developed with 441 units that include 147 market-rate units, 147 moderate-income units, and 147 units for very-low-income households. The property includes two garden apartment buildings; four mid-rise buildings with elevators, designed for elderly residents; and 168 townhouses. Amenities include a community clubhouse, tennis courts, playgrounds, and two swimming pools. The project development was coordinated through a pioneering 50/50 partnership between the tenant group, now known as the King's Lynne Residents Council, and CMJ. Thirty years later, CMJ maintains its involvement in the ownership of the project and also provides management services.

The funding for the redevelopment included tax-exempt financing and a state rental housing subsidy. The Massachusetts Housing Finance Authority provided mortgage financing. The demolition, the relocation of residents during the construction process, and the initial resident services were covered by state funding sources.

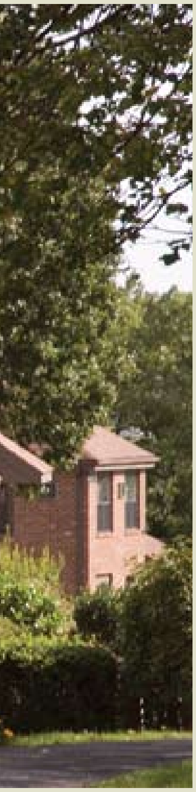
SITE SUMMARY

Site Size: 58 acres

Residential Units: 441

Income Mix: 147 market-rate units, 147 moderate-income units, 147 very-low-income units

Date Completed: 1979



Property managers at King's Lynne have learned that a strong public relations strategy is important in responding quickly and effectively to media inquiries that often focus on the mixed-income nature of the property when a crime occurs.

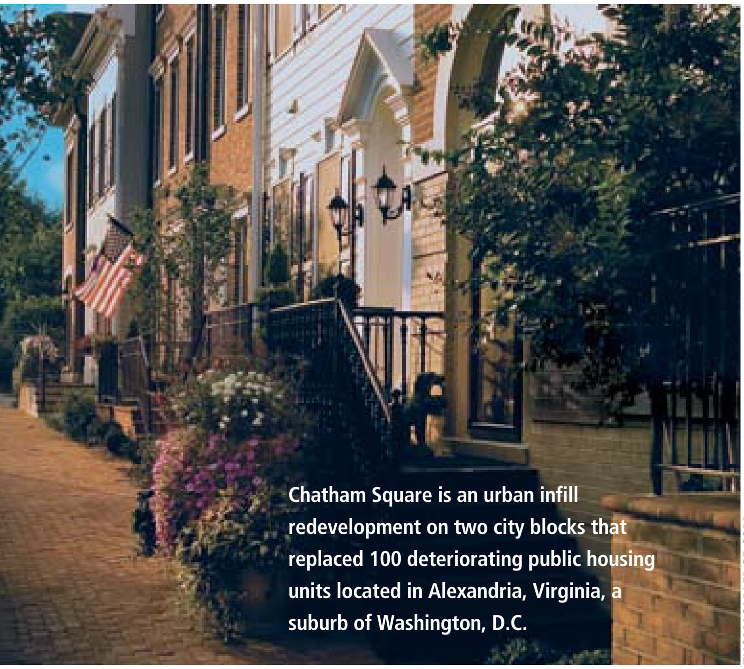
Managing

Property managers play a key role in the success of a mixed-income property. Strong, experienced management is needed to handle an array of responsibilities, including recruiting and screening new residents, creating a welcoming and accepting climate in the community, providing support services, and fostering mutual understanding and acceptance among residents of different income levels.

Management must also be of the highest quality, with consistent and equitable rule enforcement, or the project may be at risk of being labeled as subsidized housing, a stigma that makes renting to market-rate tenants difficult. Forum participants agreed that because not all managers are familiar with the nuances of managing mixed-income housing, providing training in best management practices that address the needs of both affordable and market-rate residents is often useful.

Move Market Rate in First

Mixed-income properties require a careful approach to the timing of moving in the range of residents that will occupy the units. Forum participants noted that moving in market-rate occupants first tends to be the most successful strategy, because it helps establish the tone for the property. At Chatham Square in Alexandra, Virginia, the property was built in phases. First, the for-sale market-rate units were built and sold; afterward, the public housing rental units that are mixed into the property were filled. In its ongoing operations, Centennial Place in Atlanta has sought to perpetuate the atmosphere of a market-rate property that also includes low-income households.



Chatham Square is an urban infill redevelopment on two city blocks that replaced 100 deteriorating public housing units located in Alexandria, Virginia, a suburb of Washington, D.C.

Property Management Is Also People Management

Frequently, tenant education is an important factor in creating a harmonious living environment in a mixed-income development, and different groups—recent immigrants, families, seniors, and others—often require different kinds of attention. The Seattle Housing Authority has a designated "community builder" as part of its property management staff. This person helps residents connect with other community members, community services, and resources. The community builder also promotes resident communication with the Seattle Housing Authority and resident leadership.

The role of individual perceptions is also important in marketing and leasing mixed-income properties. Property managers need to address residents' behaviors in public areas that might turn away prospective occupants. This effort requires a delicate balance of courtesy and enforcement, taking care to ensure that all residents are held to the same stan-

CHATHAM SQUARE
ALEXANDRIA, VIRGINIA

Chatham Square, located in the close-in Washington, D.C., suburb of Old Town Alexandria, Virginia, is an urban infill redevelopment on two city blocks that replaced 100 deteriorating public housing units built in the 1940s. The development is within walking distance of shopping, restaurants, public transportation, and public parks along the Potomac River. Forum participants toured the site with A. J. Jackson, vice president for land acquisition and development for EYA, the master developer for the project.

Developed under the HOPE VI program, the high-density, mixed-income community includes 100 upscale market-rate townhouses priced from $850,000 to $1.8 million alongside 52 low-income rental units. Proceeds from the sale of the land for fee-simple, market-rate units served to offset construction costs for the public housing units. Twenty-five percent of the site is retained as open space.

EYA, the master developer, developed Chatham Square under a public/private partnership that included the city of Alexandria, the Alexandria Redevelopment and Housing Authority (ARHA), and Fannie Mae. The property complements the surrounding neighborhood, which consists largely of historic row houses.

The project consists of 16 mixed-income buildings. Eight of the buildings have ten residential units each, four market-rate, high-end townhouses on one side, arranged back to back and, on the other side, six two- or three-bedroom apartments designed to look like four market-rate townhouses. The residences are sited on top of a shared, underground parking garage. The other eight buildings face the public streets surrounding

THOMASARLEDGE.COM

The public housing and market-rate units at Chatham Square are indistinguishable at the street level, and the entire project blends easily with the surrounding historic streetscape.

the site. Each building contains five to seven market-rate townhomes with rear garages accessible from alleys and hidden from the street. On the corners are two-story apartments that sit above the rear-loaded garages for the adjacent market-rate units. The corner units are designed to look like three-level townhomes and are indistinguishable from the adjacent market-rate units.

Because the public housing and market-rate units share walls, the result of this innovative design is that the two are indistinguishable at the street level, so that the entire project blends easily with the adjacent Old Town historic streetscape. The market-rate three-bedroom townhouses have four finished levels, many with a roof terrace. The rental units provide ground-floor flats accessible to the handicapped with private entries located under two-story, townhouse-style apartments.

To rent the public housing units, ARHA established an advisory committee to develop applicant selection criteria. As a result, renters of the public housing units must be in good standing at another public housing project and must have held a job for at least three months. Although the units have no minimum income requirements, preference is given to families earning between 30 and 50 percent of the area median income (AMI).

ARHA maintains the interiors of the subsidized units, manages the public housing tenants, and collects rents. Homeowners pay monthly fees to the Chatham Square homeowners association, which is responsible for maintaining all common areas as well as for enforcing rules concerning the use and occupancy of all homes in the community. ARHA pays a reduced fee for each public housing unit and occupies a permanent seat on the board of the homeowners association.

SITE SUMMARY

Site Size: 4.17 acres

Residential Units: 152

Income Mix: 100 market-rate, fee simple, owner-occupied units; 52 public housing rental units

Date Completed: 2005

dard, observed participants. At the same time, rule enforcement must be applied consistently to implement what one participant called a "core compact" between management and residents: we provide decent homes, and you live here decently. At Centennial Place, property managers strive to foster an appealing environment without seeming to promote middle-class values. In one example, a manager sought to enhance the property's parking lot curb appeal by offering a car cover to a resident with an older, unsightly vehicle. The forum agreed that lack of curb appeal can be a significant factor in attracting or discouraging market-rate renters and pointed out that it takes a skillful and diplomatic manager to handle tenant matters such as junker cars in the parking lot and other personal-property or lifestyle practices.

The Importance of Resident Surveys

Staying current about community needs and monitoring them as they change is critical to good property management. Resident surveys offer a valuable means to accomplish that goal, according to forum participants. Not only do resident surveys encourage communication between management and residents, but they are also a valuable tool to gauge tenant satisfaction and perceptions about the property.

At the Metropolitan in Bethesda, Maryland, management uses ongoing market analysis and resident satisfaction surveys to evaluate how to position the property to remain competitive in attracting market-rate residents and to provide affordable housing with features and design finishes that correspond to the neighborhood market.

The results of resident surveys have been used at the Bank Lofts in Denver to upgrade services. To reduce possible conflicts, tenants can submit surveys by e-mail directly to corporate management rather than to on-site property managers.

Establish Resident Involvement

Resident involvement is vital in maintaining mixed-income properties. Properties often have a tenant-based group or a homeowners association that can be an important resource for communication between management and residents. Fostering and encouraging participation and involvement from both low-income and market-rate residents provides a natural opportunity for interaction around common interests and strengthens community ties. In some instances, training may be offered to residents to add to their knowledge of property management issues and enhance their involvement.

In some cases, resident groups may have a significant role alongside management in policy matters and can help foster accountability. At King's Lynne in Lynn, Massachusetts, resident involvement is implemented

HOUSING OPPORTUNITIES COMMISSION

Resident surveys are a regular tool the Metropolitan in Bethesda, Maryland, used to position the property to remain competitive in attracting market-rate residents.

through a nonprofit organization that serves as a co–general partner in the ownership of the property. The involvement of the residents' organization has been credited as an important factor in the success of the development. At Harbor Point in Boston, a Quality of Life Committee, with representatives from management, resident services, security, and the residents' organization, maintains vital lines of communication by meeting monthly to discuss any property-wide issues and to share concerns.

Design Is a Management Matter, Too

High-quality design and materials are critical for successful mixed-income properties. Buildings should be designed for or above the market, and ideally, design finishes for market-rate and affordable units should be the same, at least in rental housing. Participants noted that an advantage to a single design finish across units is that it facilitates property management by allowing market-rate and affordable tenants alike to occupy any unit as units turn over.

Forum participants also discussed the merits of fixed versus floating units: whether specific units are reserved for low-income households or they are a percentage of the total that can change assignment depending on unit occupancy. Different experiences revealed that the choice can depend on the local market. Because the range of incomes is wider in some markets, it may make a difference in decisions on fixed or floating units and considerations for two design finishes or one. In properties with fixed affordable units, the difference between units should be as seamless as possible, participants concurred.

TOWNHOMES ON CAPITOL HILL WASHINGTON, D.C.

The Townhomes on Capitol Hill transformed a vacant, derelict public housing project into an architecturally distinctive, racially and economically diverse mixed-income housing development that blends with the surrounding neighborhood in southeast Washington, D.C. Forum participants toured the site, led by one of the project partners, Marilyn Melkonian, president of the Telesis Corporation, and Michael P. Kelly, executive director of the District of Columbia Housing Authority.

The 134 units of the public housing project that had previously occupied the site, the Ellen Wilson Dwellings, had been built in 1941. By 1960, however, the project had turned into a slum, and in 1988, the housing authority vacated all residents from the site. In 1993 and 1995, the Telesis Corporation, a for-profit developer, and its community development corporation partner received HOPE VI grants of more than $25 million to redevelop the site as a mixed-income community. The existing housing stock was demolished in 1996 and replaced in 2000 with 134 new cooperative ownership units reserved for low- and moderate-income households, 13 fee-simple townhouses sold at prevailing market rates containing a total of 19 units, and a community center. The development is obligated to maintain these income restrictions on the cooperative units for at least 40 years.

The facades of the townhomes blend easily with the surrounding historic Capitol Hill neighborhood, and every unit is built with the same materials and finishes. Households of different incomes are evenly distributed throughout the site.

Former residents of Ellen Wilson and current residents of two nearby public housing developments had priority over other applicants for the Townhomes on Capitol Hill. However, these households had to meet stringent application requirements, including meeting income eligibility, having a good rental payment record, having no criminal record for violent crime or crimes against children, obtaining references from employers, and demonstrating proof of a line of credit.

The subsidized units are part of the limited-equity cooperative: each household buys a cooperative share and earns equity in proportion to household income. The limited-equity system allows residents to earn equity based on length of tenure and improvements to the property but establishes a ceiling on the potential return on the investment to keep the unit affordable for future owners.

In September 2007, the Frances DeLee Taylor Center for Community Life opened to serve townhome residents and members of the community. The two-story, 4,000-square-foot center houses the property management offices and community programs for children and adults. A computer lab is available as well as a community room for board meetings, receptions, and other events.

Of the $25 million project budget to develop the Townhomes on Capitol Hill, $878,000 was designated as an operating reserve to support the development's fiscal stability.

CORCORAN JENNISON MANAGEMENT, LLC

Development of the mixed-income cooperative townhouses was financed almost entirely with HOPE VI funds. Of the $25 million project budget, $878,000 was designated as an operating reserve to support the development's fiscal stability. These funds are in place to cover operating deficits caused by delinquencies in monthly housing payments or high vacancy rates, to repurchase memberships of selling members, and to pay insurance deductibles and other losses not covered by the replacement reserve. The replacement reserve is funded with average contributions of $250 per unit per year. This reserve pays for major repairs or replacements to mechanical and electrical systems, architectural structures (roofs, foundations), or individual units.

The community is self-sufficient in that resident housing payments to the cooperative cover all operating expenses. Residents pay an initial fee upon move-in as well as fixed monthly housing payments. Housing payments from higher-income households subsidize lower-income residents, thus eliminating the need for an annual operating subsidy from the U.S. Department of Housing and Urban Development. Corcoran Jennison manages the development.

SITE SUMMARY

Site Size: 5.3 acres

Residential Units: 147: 134 cooperative ownership units, 13 fee-simple townhouses

Income Mix:

13 units: market rate

67 units: 50 percent to 115 percent AMI

34 units: 25 percent to 50 percent AMI

33 units: 0 percent to 24 percent AMI

Date Completed: 2000

At the Metropolitan in Bethesda, Maryland, specific apartments are designated as the affordable units and are spread throughout the property. The original finishes in both the market-rate units and the affordable units were of a somewhat lesser quality than those in competitive market-rate units, which affected rent potential and marketability of the market-rate units. The market-rate units are currently undergoing renovation. The Housing Opportunities Commission (HOC), the public housing authority for Montgomery County, Maryland, plans to renovate the affordable units to the same level as the market-rate units upon completion of the current low income housing tax credit compliance period. HOC has determined that having two different design finishes for market-rate and subsidized apartments can cause resentment among residents that affects operations. As a result, management now oversees design choices.

Located in the Boston metropolitan area, King's Lynne was the first public housing project in the country to be converted to private mixed-income rental housing.

BRUCE T. MARTIN

Finally, participants noted that design has a maintenance function, too: implementing floating units that may be occupied by either market-rate or subsidized households offers a strong incentive for the owner or manager to maintain all units to an equally high standard.

Link with Schools

Creating linkages with a nearby neighborhood school has multiple benefits for a mixed-income property, observed forum participants. Being located near a safe, successful school stands out as an amenity for market-rate residents in their choice of where to live while offering a valuable resource for low-income households with children. By providing a vital educational hub for the community, a school can support the long-term viability and sustainability of a mixed-income property. In some cases, the construction of a school is included as a part of the larger development of a mixed-income project.

Centennial Place, in Atlanta, included the development of the Centennial Place Elementary School as part of the project in an effort to replace one of the worst-performing elementary schools in the city. The Integral Company, the project developer, worked collaboratively with Georgia Tech and the Atlanta public school system to build the new school. Now, Centennial Place Elementary students score above national averages on standardized tests, and the school is widely recognized as a vital asset to the residents of Centennial Place.

CENTENNIAL PLACE
ATLANTA, GEORGIA

Centennial Place was one of the first mixed-income projects developed under HOPE VI. Vicki Lundy Wilbon, executive vice president of the Integral Group, the project developer, spoke to the forum participants about the property.

Centennial Place replaced two of the nation's oldest public housing projects, Techwood and Clark Howell Homes, which had opened in 1936 and 1941, respectively. The projects and the neighborhood had become derelict and dangerous. Their demolition and the construction of Centennial Place was an effort not only to renew the community with new housing, but also to rebuild its quality of life. The 738 new rental apartments were 40 percent market rate, 40 percent public housing, and 20 percent tax credit units. Amenities in the redevelopment included a renovated community center, playgrounds, a clubhouse, a community room, and a swimming pool, as well as a new elementary school and a new YMCA. The project also created a new street grid, added new infrastructure, and enhanced the streetscapes.

In 1993, the U.S. Department of Housing and Urban Development awarded a $42 million grant to redevelop the site. In 1994, the Atlanta Housing Authority issued a request for proposals for the redevelopment, which was just west of the central business district and immediately adjacent to Coca-Cola USA headquarters and the Georgia Institute of Technology. The Integral Partnership of Atlanta, a joint venture between the St. Louis, Missouri–based for-profit developer McCormack Baron and Associates, Inc., and the Integral Group LLC, a for-profit developer in Atlanta, was selected to build Centennial Place. Stakeholders included the city of Atlanta, the Board of Education, the Atlanta Housing Authority, Georgia Tech, and Coca-Cola.


THE INTEGRAL GROUP LLC

The goal in the development of Centennial Place was to produce a safe, attractive market-rate community with a seamlessly integrated affordable component.

The tasks for the developer comprised developing a safe, attractive, viable, and sustainable market-rate community with a seamlessly integrated affordable component and creating a comprehensive "quality of life" infrastructure—including schools, security, recreation, and community services—to maximize the leverage of the HUD grant; supporting the public housing residents as they transitioned into the mainstream; and attracting market-rate and working-class residents to the community. The property is managed by Village Management Company of Atlanta, a partnership between McCormack Baron Management Services, Inc., and Integral Management Services, Inc.

SITE SUMMARY

Site Size: 60 acres

Residential Units: 738 rental units, developed in four phases

Income Mix: 311 market rate, 126 affordable, 301 public housing

Date Completed: 1996 (initial phases)

Maintaining

One of the benefits typically sought with the production of mixed-income housing is the presence of higher-income households that are more likely to place pressure on management to keep up maintenance standards. Meeting these thresholds for physical and financial maintenance in a mixed-income property can include special challenges—such as operating costs that rise faster than subsidized rents. Forum participants recognized sufficient operating and development reserves, as well as staff training and recognition, as successful strategies for realizing high-quality maintenance.

Sufficient Reserves Are Crucial

The importance of sufficient operating and replacement reserves emerged as a common theme during the course of the forum. Participants agreed that mixed-income properties with healthy reserves are better prepared for sustainability, whereas dwindling reserves reduce the ability to apply good long-term practices. Although all properties benefit from healthy reserves, strong markets provide the optimal setting for applying this principle, whereas weaker markets may make it more of a struggle. As a result, middle-market projects—in good, but not superior locations—are less likely to sustain adequate reserves and may struggle in down cycles. With this possibility in mind, large initial reserves can and should be structured as part of the development of a mixed-income property in the early planning stages. Savvy refinancing, as well as realistic forecasting of rent revenues, were among the strategies forum participants cited to manage postoccupancy reserves adequately.

CORCORAN JENNISON MANAGEMENT, LLC

The Townhomes on Capitol Hill transformed a vacant public housing project into an architecturally distinctive mixed-income housing community that blends in with the surrounding Washington, D.C., neighborhood.

Townhomes on Capitol Hill, in Washington, D.C., is an example of a property that structured excellent reserves into the project development, which in turn have supported funding for community services. Similarly, the original financing at King's Lynne in Lynn, Massachusetts, established reserve levels that have allowed the property to continue to be well maintained despite cuts in state subsidy. A strong rental market in Boston helped Harbor Point accomplish a major refinancing in 2007 that is helping address the property's physical maintenance needs and update amenities, as well as build reserves for the next 15 years.

BANK LOFTS
DENVER, COLORADO

The Bank Lofts is a mixed-income multifamily rental property that overcame several management and maintenance challenges, according to Jeff Kimes, senior vice president of AIMCO, in a presentation at the forum. Converted in 1996 from the historic Guaranty Bank Building at 17th and Stout streets, the Bank Lofts property was one of the first downtown lofts to bring new residential opportunities to the central city. The $10.9 million rehabilitation and reuse of the building was supported by a $963,000 tax increment financing reimbursement from the Denver Urban Redevelopment Authority and a Federal Housing Administration loan guaranty for $8.1 million under the Section 220 mortgage insurance program. Of the 128 units in the building, 80 units are market rate and 48 are affordable, produced with low income tax credits. The property also includes 12,000 square feet of ground-floor retail space.

By 2003, the property was in decline, with occupancy rates of 80 to 90 percent and a rent delinquency of 15 percent. Bad residents were driving away good residents. Two months' free rent was being offered as a concession to new renters, and the low rent structure meant that rent for the market-rate units was the same as that for the affordable apartments. Poor maintenance meant that residents would sometimes resort to a rent strike until repairs were made. Turnover was at 100 percent.

The causes of these problems included weak professional site management staff, lax screening of prospective residents, minimal capital expenditures to avoid expenses above net revenues, and elimination of advertising outlays.

Several tactics were adopted to turn the property around. AIMCO invested in capital expenditures to generate higher rents, including fresh paint and replacing worn carpeting with attractive new flooring that required less maintenance. Service standards were increased, as was attention to resident surveys. Finally, sales management took on a more aggressive approach, with widespread advertising through a variety of media outlets and rigorous screening of residents.

The Bank Lofts experienced a dramatic turnaround as a result of these efforts. Rent revenues grew by 10 percent between 2006 and 2007, and occupancy rose to 98 percent. Market-rate rents rose to 27 percent above the affordable units, and turnover dropped to 75 percent. After the initial capital improvements, capital replacements could be reduced, and advertising expenses were scaled back.

SITE SUMMARY

Residential Units: 128 rental units

Income Mix: 80 market-rate units, 48 low-income housing tax credit units

Date Completed: 1996

Training and Recognition Pay Off

Training and recognition for maintenance and management staff are valuable investments that are important for the success of mixed-income properties, according to many forum participants. Professional development helps staff address residents' diverse needs appropriately and consistently. Training for management can start with guidelines for operating a market-rate property, with additional follow-through to help with compliance with affordable housing regulations. Offering asset management training with resident leaders has also proven to be a successful strategy.

Prominently recognizing employee contributions to residents' quality of life honors these efforts and underscores the influence they can have on residents. To recognize resident services coordinators and property managers that have had a significant positive effect on the lives of property residents, Corcoran Jennison honors employees with a Life Improvement Award. One recent award went to a senior maintenance superintendent who had encouraged the curiosity and attention of a boy who lived with his mother in one of the units. The superintendent found a discarded bicycle and repaired it for the young man, who used it to get to his first job in high school. The young man, now a schoolteacher in Atlanta, presented the award to his mentor.

The 441 rental units at King's Lynne include 147 market-rate units, 147 moderate-income units, and 147 units for very-low-income households.

BRUCE T. MARTIN

Questions for Future Exploration

Participants realized that many questions remain about the future of mixed-income housing and ensuring its success. These include the following:

- How should recommendations distinguish more precisely between rental or for-sale housing?
- What are successful approaches to matters that are more pertinent to for-sale mixed-income housing, such as how to allocate homeowners association dues?
- How can the supply of affordable units be maintained as the tax credit compliance periods expire?
- What is the future feasibility of developing mixed-income properties as finance options dwindle?
- How can green building practices be included in the management strategy?

Mixed-income communities are an important part of sustainable land use and a key component of ULI's mission to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide. As one of ULI's priority areas, mixed-income and workforce housing will continue to be an important topic for the organization's programs, outreach activities, and publications. The ULI/Shaw Forum on Urban Community Issues, with the participation of a group of seasoned professionals in the field, is an apt venue to explore the long-term realities of marketing, managing, and maintaining mixed-income housing developments. It is only the start to an ongoing effort to identify challenges and solutions for sustainable mixed-income housing.

THE METROPOLITAN
BETHESDA, MARYLAND

Located in downtown Bethesda, a first-ring suburb of Washington, D.C., the Metropolitan is a 12-story, 308-unit, mixed-income rental building. The Housing Opportunities Commission, the public housing authority for Montgomery County, Maryland, developed the property with ground-level retail space and three floors of offices in addition to the residential space. Jim Miller, HOC deputy director of asset management and modernization, spoke to forum participants about the project.

HOC's activities include developing and financing mixed-income affordable housing, public housing, and offering a wide variety of resident services and support. It strives to add 350 units annually to its portfolio and mostly holds units in perpetuity. HOC also serves as the county's housing finance agency. Of the 6,500 rental units HOC owns throughout the county, over 70 percent are located in mixed-income developments.

The Metropolitan's apartments are 70 percent market-rate units and 30 percent affordable units produced with low-income affordable housing tax credits. Market rents range from $1,450 for an unrenovated efficiency to $4,237 for a renovated three-bedroom unit. The property has a rooftop swimming pool and a fitness center. The property is a block away from the Metro station, which provides easy access to downtown Washington. It is also located close to retail stores, restaurants, and a supermarket. A for-profit rental management company, Bozzuto Management Company, provides on-site property management services for the Metropolitan. HOC conducts an annual evaluation of its seven contract management companies based on performance throughout the year. The scores and comments from the resident satisfaction survey are the most heavily weighted factor.

HOUSING OPPORTUNITIES COMMISSION

The Metropolitan's apartments are 70 percent market-rate units and 30 percent affordable units.

Renovation of the market units and common areas has increased occupancy at higher rent levels and reduced apartment turnover. A plan for renovation of the affordable units will be presented to the HOC within the next three to five years. Renovation is based on the next 15- to 20-year building life cycle, with ongoing capital repairs and improvements funded by the replacement reserve.

SITE SUMMARY

Site: 2.3 acres

Residential Units: 308 rental units in 12 stories

Income Mix: 216 market rate; 92 units at 25–50 percent AMI

19 units at 50 percent

30 units at 40 percent

23 units at 30 percent

20 units at 20 percent

Date Completed: 1996

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