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# **Building and Sustaining Thriving Mixed-Income Communities**

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**By Sara Kimberlin, csb consulting**

## Introduction

Thriving mixed-income communities are part of the vision of equitable cities of opportunity for many of Living Cities' The Integration Initiative sites. But translating that vision into specific goals and workable strategies to achieve income mixing can be challenging. What do sustainable, thriving mixed-income communities look like? What scale should be the target for income-mixing interventions – neighborhood, district, metropolitan area? What policies and incentives can be used to create and sustain income-diverse communities, in both weak and strong housing markets?

Drawing on existing research and interviews with leaders in the field, this paper describes characteristics of stable mixed-income communities and how low-income residents may benefit from such communities. It provides a framework for considering the scale and locations for income-mixing interventions, understanding key challenges, and identifying policies and incentives that can be used to achieve site-specific income-mixing goals.

## Benefits of Mixed-Income Communities

Mixed-income communities have potential to address a few different types of problems. Clarity about which problem is intended to be addressed through income mixing is important for designing the specific income-mixing intervention.

One key problem that mixed-income communities can address is **concentrated poverty**. The alternative to mixed-income communities is communities with homogeneous incomes, e.g. uniformly high-income or uniformly low-income neighborhoods. And neighborhoods of concentrated poverty are associated with well-documented problems for their low-income residents. Individuals living in high-poverty areas may only have access to limited social networks to provide information about jobs and other pathways to social mobility. Moreover, concentrated poverty neighborhoods often have high levels of crime and disorder, as well as limited or low-quality amenities and public investments.

Mixed-income communities, in comparison, may offer several benefits to low-income residents:

- Higher-income residents may attract **more businesses and public investments** to a mixed-income community through their greater purchasing power and political voice.
- Higher-income residents may be more likely to exercise positive social control, e.g. reporting vandalism or insisting on active security patrolling, leading to **reduced crime and disorder**.

- Finally, direct interaction with higher-income residents may offer low-income residents **social networks with more information about jobs**, and/or **positive adult role models** for youth – though research shows that benefits requiring this type of direct interaction between low- and higher-income individuals are less likely to materialize.

A different problem that mixed-income communities can address, at a higher scale, is **equity in resource distribution and service needs across jurisdictions**. Compared to higher-income residents, low-income residents have limited capacity to contribute tax revenue and often relatively greater need for publicly-funded services. Consequently, jurisdictions that are uniformly low-income have a limited tax base and large need for public services, while those that are uniformly higher-income have a large tax base and smaller public service need. When the low-income and higher-income populations within a region are more evenly distributed across mixed-income cities, school districts, or other jurisdictions, then each jurisdiction receives a more equal share of tax base and public service demand.

Income mixing can also be used to address the problem of **equity in benefits from public investments in city infrastructure and amenities**. For example, housing developed near newly built transit lines may be required to include permanently affordable units as well as market-rate units, to ensure that low-income households are able to live near and benefit from a new public investment in transportation infrastructure. More broadly, mixed-income communities ensure that individuals of all income levels have the opportunity to live within a city or region and benefit from the economic, social, and cultural resources present there.

### **Characteristics of Sustainable Mixed-Income Communities**

What does a stable, well-functioning mixed-income community look like? Thriving and long-lasting income-diverse communities tend to include some specific features:

- **Diversity of housing costs and types:** At the most basic level, a sustainable mixed-income community requires housing units with diverse costs, affordable to residents with diverse incomes. Typically, this is achieved through a mix of different housing types, e.g. small and large units; apartments, rowhouses, and single family homes; rental and ownership units. Subsidies and/or rental restrictions may be attached to some housing units, increasing affordability for the lowest-income residents. In fact, stable mixed-income communities often include both market-rate housing and housing units with long-term subsidies or rental restrictions, which ensure that if market rents in the area increase substantially, some housing remains affordable to low- and moderate-income residents.

- **Diversity of amenities and services:** Thriving mixed-income communities include businesses, transportation options, service providers, and cultural institutions that meet the diverse needs and interests of residents with diverse incomes.
- **Social seams:** Well-functioning mixed-income communities tend to include active “social seams,” or publicly-accessible spaces where residents of different incomes cross paths or come together and have opportunities to interact. Examples include grocery stores and other retail shops, parks, sports facilities, movie theaters, schools and child care facilities, libraries, cultural and religious institutions, and public transit. Social seams provide low-income residents with access to the amenities attracted to an area by higher-income residents. Moreover, social seams can help foster cross-income social cohesion and a positive community identity as a mixed-income area, which may motivate grassroots support to preserve income diversity in the face of community change. In communities that have sustained a mix of incomes over many years, grassroots advocacy has often been an important factor in the adoption of policies and actions to maintain income diversity.

### Factors to Consider When Planning Income-Mixing Interventions

Specific areas often targeted for income-mixing interventions are locations where it is feasible to attract higher-income residents and where neighborhood benefits are readily accessible to low-income residents, including households without cars. Examples include areas adjacent to stations for major transit lines, and urban neighborhoods with good access to downtown jobs and commercial or cultural amenities.

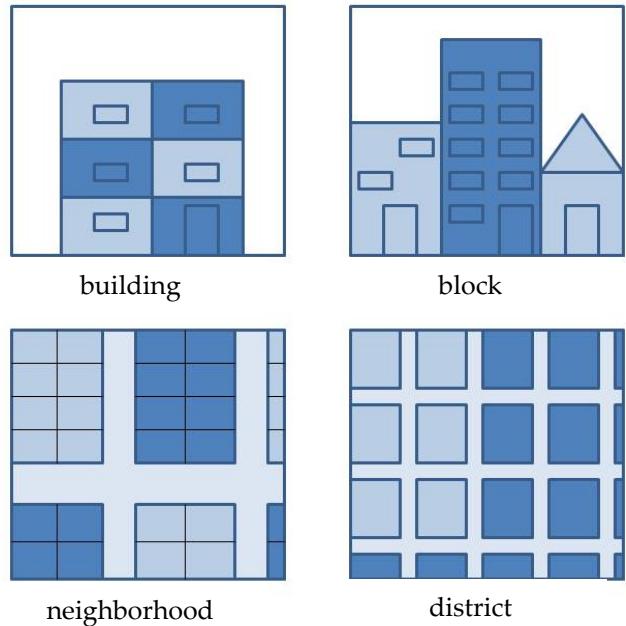
Two considerations when planning interventions to develop mixed-income communities are the desired range of incomes (and range of other types of diversity) and the geographic scale for intervention:

- Mixed-income communities can include a very broad **range of incomes** (e.g. extremely low-income public housing residents to market-rate single-family home dwellers) or a more narrow range of incomes (e.g. a mix of subsidized low-income and unsubsidized moderate-income apartment residents). Residents of mixed-income communities can also be more or less diverse across **other domains besides income**, such as race/ethnicity, language, life cycle stage, or family composition. Generally, the broader the range of incomes and other types of diversity, the more challenging it may be to establish social cohesion and to ensure that amenities serving one group of residents are accessible and valuable to other groups of residents. In communities with a more narrow range of incomes, or where residents have diverse incomes but other characteristics in

common (e.g. a mix of incomes among mostly families with children, or seniors, or Spanish-speakers), residents may be more likely to interact across income levels, and low- and higher-income residents may be more likely to value the same types of businesses, services, and institutions. Thus when targeting income-mixing interventions, it is relevant to consider the characteristics of existing residents and of new residents that are expected or desired to be attracted to an area.

- Income mixing can also occur at a **variety of geographic scales** – among the residents within a building, or a block, or a housing development, or a neighborhood, or a cluster of neighborhoods (a district). Larger areas, too, can be characterized as mixed-income, such as a city, or region, or state. Different interventions are appropriate for different scales.

### Income Mixing at Different Scales



When considering the scale for intervention, it is important to note that there can be benefits to low-income residents of living near others who are low-income like themselves. In other words, some level of homogeneity can be beneficial. Low-income residents may concentrate in a neighborhood partly because the businesses and amenities there meet their needs well. Individuals are most likely to form strong social bonds with others who are similar to themselves, and consequently some homogeneously low-income neighborhoods have strong social networks that may be disrupted by introducing a large component of higher-income residents. In addition, some research suggests that when low-income residents live in close contact with and compare themselves to higher-income neighbors, they may experience higher levels of stress and depression. Close contact between very different groups can also lead to inter-group conflict and lower levels of trust within a community.

These considerations suggest that there may be benefits to income-mixing interventions that adopt a “mosaic” approach, preserving some clustering of low-income residents and of higher-income residents. An example would be introducing income-mixing at the level of the neighborhood or multi-neighborhood district, while maintaining clusters of low- or higher-income

residents within individual blocks or streets. If amenities and services are located within spaces that function as vibrant social seams, accessible and actually used by residents of both low-income and higher-income clusters, then low-income residents may receive many of the benefits of a mixed-income community without introducing the conflict or social disruption that can be associated with income mixing at a more fine-grained scale.

**Community engagement and assessment** are important before intervening to increase the mix of incomes within a low-income area. It is important to identify strong social networks, valued businesses and amenities, and other pre-existing community assets that should be protected from disruption as a result of income-mixing interventions. In some cases, income mixing may not be the best strategy to benefit low-income individuals or communities. Other neighborhood revitalization or asset-building strategies may offer greater benefits or fewer risks.

### **Challenges and Strategies for Establishing Mixed-Income Communities, in Weak and Strong Housing Markets**

When seeking to transform a targeted area into a mixed-income community, what are the key challenges? What kinds of planning, policy, and systems investment strategies can be deployed? What is required to sustain an area as a stable mixed-income community? The answers to these questions depend in large part on whether the surrounding housing market is weak or strong, thus each will be discussed separately.

Frequently, the focus of income-mixing interventions is **introducing higher-income residents into an existing predominantly low-income, distressed neighborhood or district**. Several challenges may be encountered:

- In an area with a **weak housing market**, the greatest challenge is typically attracting and retaining higher-income residents in the targeted area, when they have many other appealing and affordable housing options. Indeed, in a weak market, solid real estate market research is advisable in the planning stages to determine the feasibility of attracting the desired number and type of higher-income residents to a targeted low-income area. Focusing on unique amenities when siting and marketing higher-end housing – e.g., walkable access to city cultural venues, or excellent transit connections to downtown – may motivate individuals to choose the targeted housing over other available options. Specific public investments in unique new neighborhood amenities, such as a high-quality public school or new transit station, can be a strategy to attract higher-income residents. The (projected) diversity of the neighborhood may itself be a selling point as well, particularly for millennials and other prospective residents from younger generations. In areas with engaged anchor institutions, employer-

assisted housing programs can provide financial incentives to motivate higher-income individuals to choose to live in targeted areas.

A related challenge in a weak housing market may be attracting the types of businesses and amenities that will encourage higher-income residents to move in and stay, and that will also benefit existing low-income residents. Businesses need assurance that the neighborhood will supply a sufficient base of customers to support ongoing profits. Market pressure from introducing higher-end housing is often not sufficient to trigger significant business investment, thus active recruitment and financial incentives (e.g. through New Market Tax Credits) may be required to secure anchor businesses such as a major grocery store. More general strategies to improve the aesthetics, cleanliness, and safety of existing neighborhood shopping districts (e.g. approaches like the [Main Street program](#)) can also help attract new businesses to vacant storefronts.

- In a **strong housing market**, higher-income individuals have fewer affordable and desirable housing options. When new public investments in rail transit or other amenities change a distressed low-income area into a more appealing place to live, higher-income residents are often rapidly attracted, leading to increased competition for housing and rising housing costs due to gentrification. Thus the primary challenge for income mixing in a strong housing market is typically preserving long-term housing affordability for low-income residents, so that the area can be sustained as a mixed-income community.

Developer subsidies for housing construction, owner subsidies for housing rehabilitation, and project- or tenant-based rent subsidies or rent control can be used to protect long-term housing affordability. Ensuring an adequate supply of affordable housing units may also require developing incentives for private developers to build unsubsidized lower-rent units, as the cost per unit of directly subsidized housing can limit the number of units that can be constructed with traditional affordable housing subsidies. Long-term strategies may also be needed to prevent the crowding out of moderate-income residents, who may have incomes too low to afford rising market rents but too high to qualify for most subsidized housing.

Early anticipation of gentrification allows for a variety of interventions. Data-based “early warning systems” can help predict where gentrification is likely to occur. When gentrification is predicted well in advance, strategic purchase of vacant or underutilized land (e.g. parking lots) for later development of housing with long-term affordability restrictions can help ensure a continuing supply of more affordable units. Public agencies, and religious institutions and community-based organizations located in the area, can all be partners in

identifying, providing, and securing land for future development to benefit low-income residents. Existing housing (e.g. multifamily buildings or foreclosed properties) can also be purchased by public or nonprofit entities to preserve affordable units. It can be difficult, however, to secure available land or housing quickly enough at an affordable price, as any indication of planned public investment that may lead to gentrification is likely to serve as a market signal, triggering higher real estate prices and purchases by for-profit investors. Quick action may be particularly difficult when large public agencies or public financing is required to acquire property.

In addition to preserving affordability of housing, it may be important to preserve affordability of some commercial space in an area where gentrification is expected. Rising commercial rents may otherwise push out small businesses, nonprofit service providers, and cultural and religious institutions that serve low-income residents. Again, purchase of existing commercial space or developable land by public or nonprofit entities may be the most secure strategy to ensure long-term affordable rents for targeted businesses and organizations.

Gentrification pressures are primarily a concern in areas with strong housing markets. However, such pressures can emerge in areas with weak overall housing markets as well, on the micro-scale of specific neighborhoods experiencing an influx of higher-income residents. Depending on the overall income-mixing goals for the neighborhood and broader district, long-term affordability protections may be appropriate for housing and commercial space in these areas on a very local scale.

Different challenges arise when the aim of income-mixing is to **introduce low-income residents into a predominantly higher-income area**:

- Regardless of the type of housing market, proposals to develop low-income housing in higher-income areas often trigger Not-In-My-Back-Yard (NIMBY) resistance from existing higher-income residents. In a **weak housing market**, higher-income residents may simply move, potentially triggering neighborhood decline. In a **strong housing market**, existing higher-income residents may be more likely to fight the proposal through the permitting process. Proactive community outreach in the planning stages is a strategy to combat NIMBYism, including reaching out early to key community leaders and associations, and recruiting local religious and community-based organizations as potential allies.
- When choosing the specific location to develop low-income housing or place low-income households, it may be important to ensure that the needs of low-income residents can be met in that location. Are amenities accessible to residents who do not own cars? Are there an affordable grocery store and other businesses



nearby? Are children guaranteed enrollment at a high-quality local school? Are social services available locally, or easily accessible by transit, or can they be provided within the affordable housing site?

- Financing for construction of affordable or mixed-income housing developments can be complex. Common financing sources include Low Income Housing Tax Credits (LIHTC), tax increment financing (TIF), and tax-exempt bonds. Securing financing for “workforce housing,” affordable to households with moderate incomes of 80% to 160% of the area median, is particularly challenging because it does not qualify for LIHTC.

### **Creating an Enabling Policy Environment for Mixed-Income Communities**

Income-mixing interventions are often targeted at the very local scale of housing developments or neighborhoods – but policies and practices at the municipal, regional, and state levels play an important role in enabling (or hindering) efforts to achieve income mixing at more local levels. Mandates like inclusionary zoning, and incentives like density bonuses, can push private developers to build or finance affordable housing along with market-rate housing throughout a jurisdiction. Plans for transit-oriented development along new transit lines can require that a certain proportion of new housing units are affordable. Regional fair share requirements can encourage or mandate local governments to zone for, plan, and approve affordable housing development that is well-distributed throughout a region.

More broadly, income-mixing goals are most achievable when a housing market is in balance – not so weak that higher-income individuals have excessive options of other places to live outside of mixed-income areas, and not so strong that gentrification threatens long-term affordability for low-income residents of mixed-income areas. Fostering a balanced housing market requires strategic, long-term planning of housing development, based on population and housing need projections, at the large scales of cities, regions, and even states.

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