



# The Mixed-Income Conundrum

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# Overview

- Affordable housing context
- Mixed-income development models
- Key issues



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# The California Context

- Escalating Housing Costs



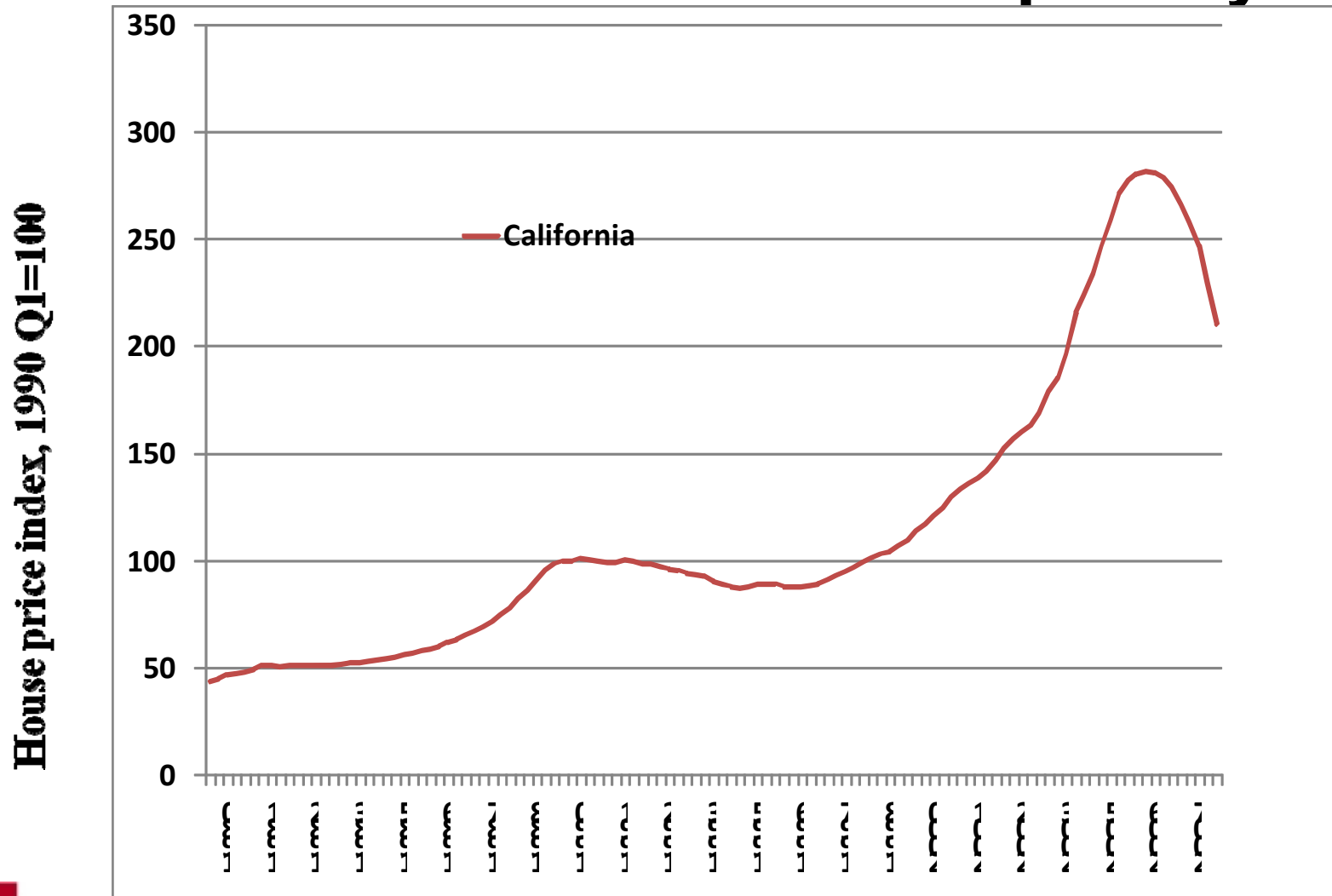
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# The California Ownership Story



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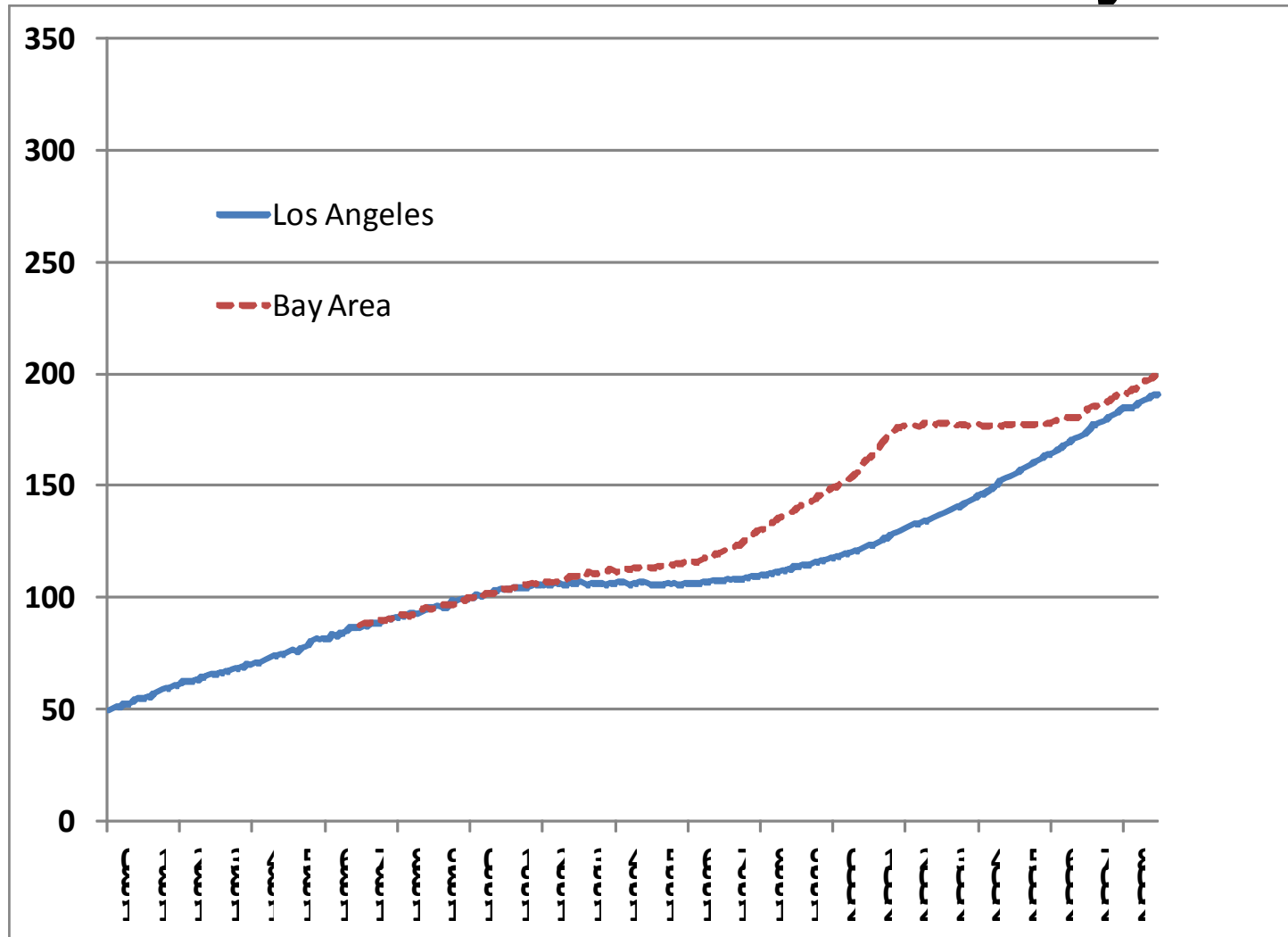
Source: OFHEO, FHFA

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# The California Rental Story

Rental price index, 1990 Q1=100



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Source: U.S. Bureau of Labor Statistics

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# The California Context

- Escalating Housing Costs
- Significant Net Domestic Out-Migration



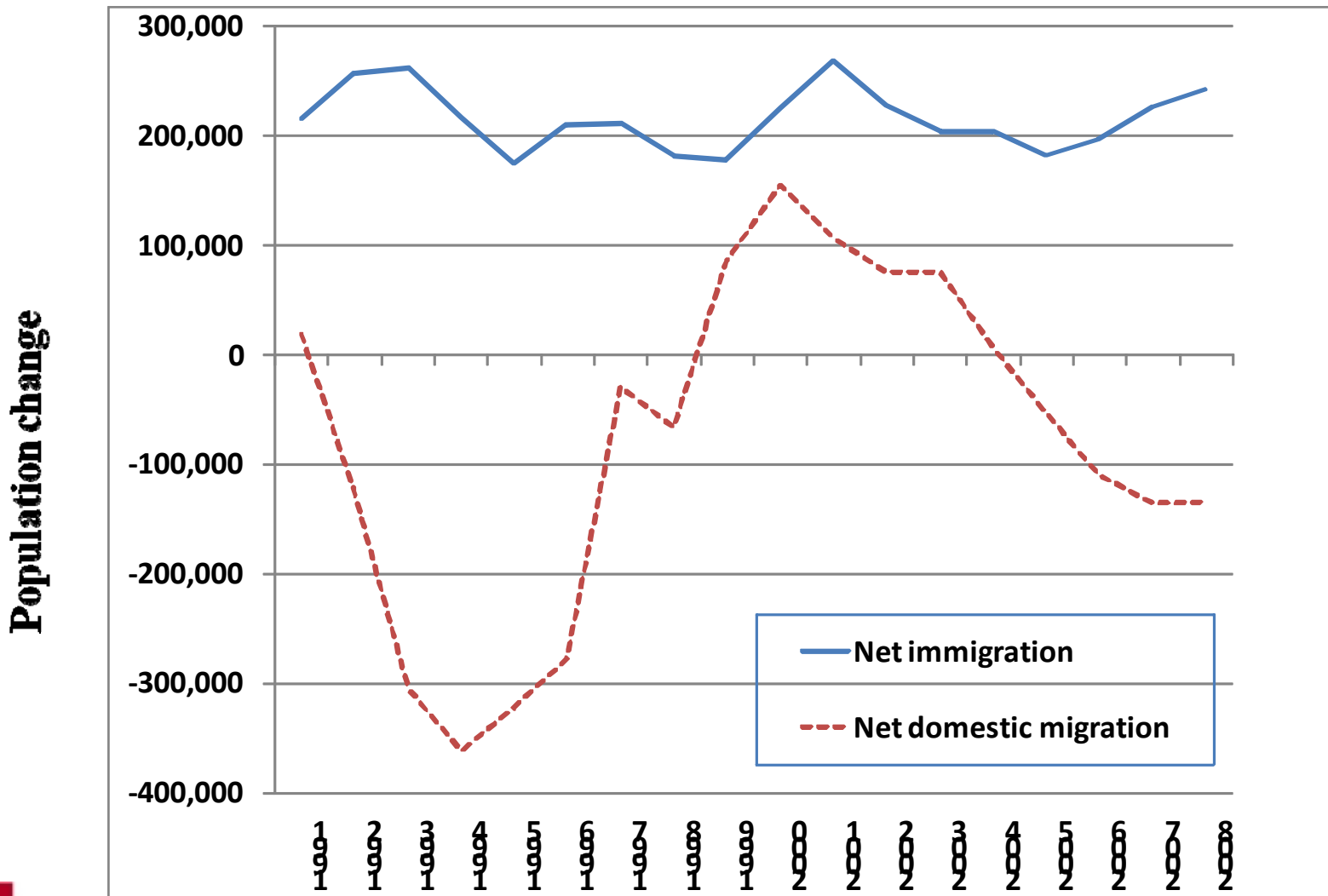
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# A Consequence of High Costs?



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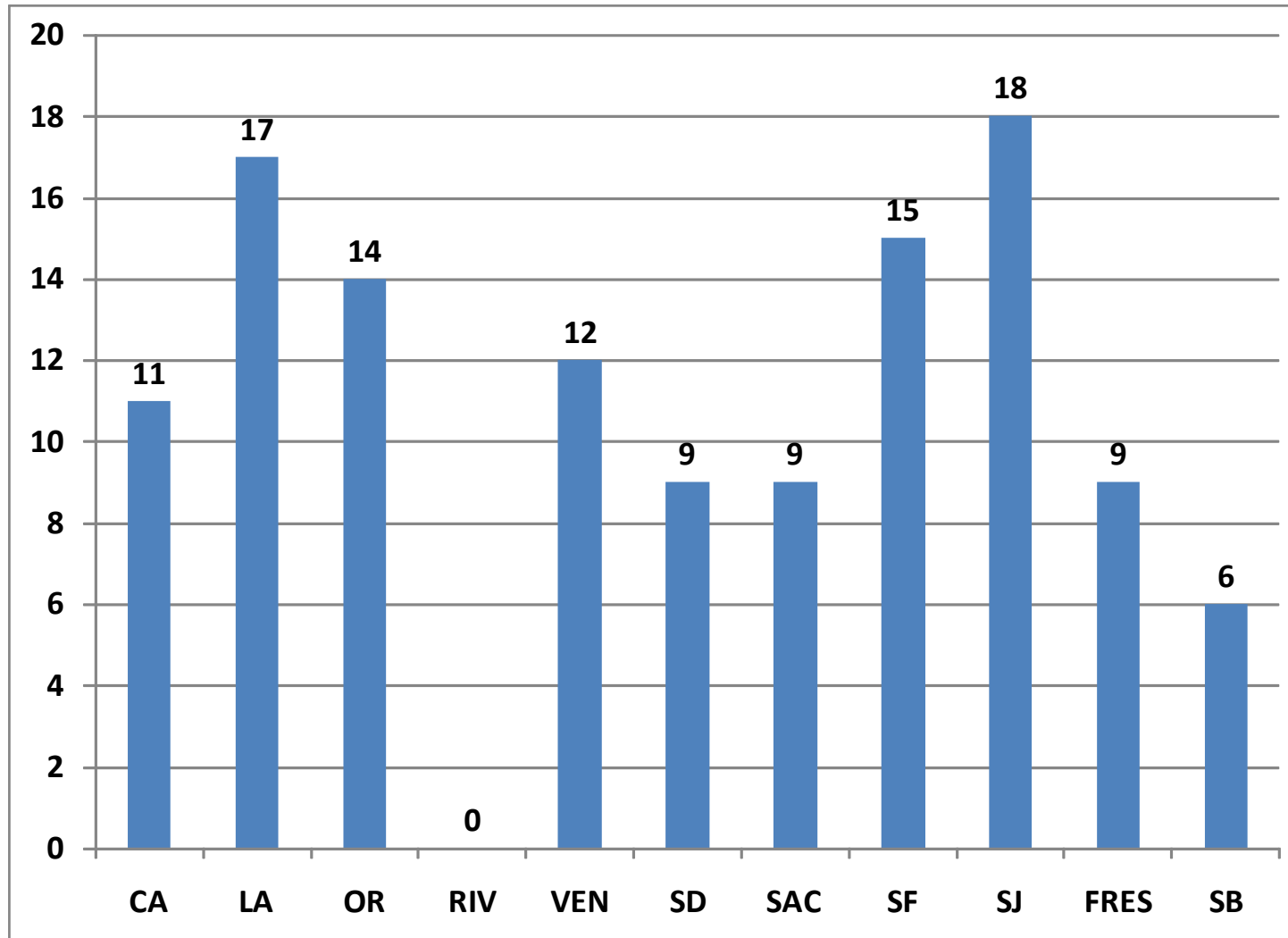
Source: California Department of Finance

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# A Consequence of High Costs?

Years of negative net domestic migration, 1991-2008



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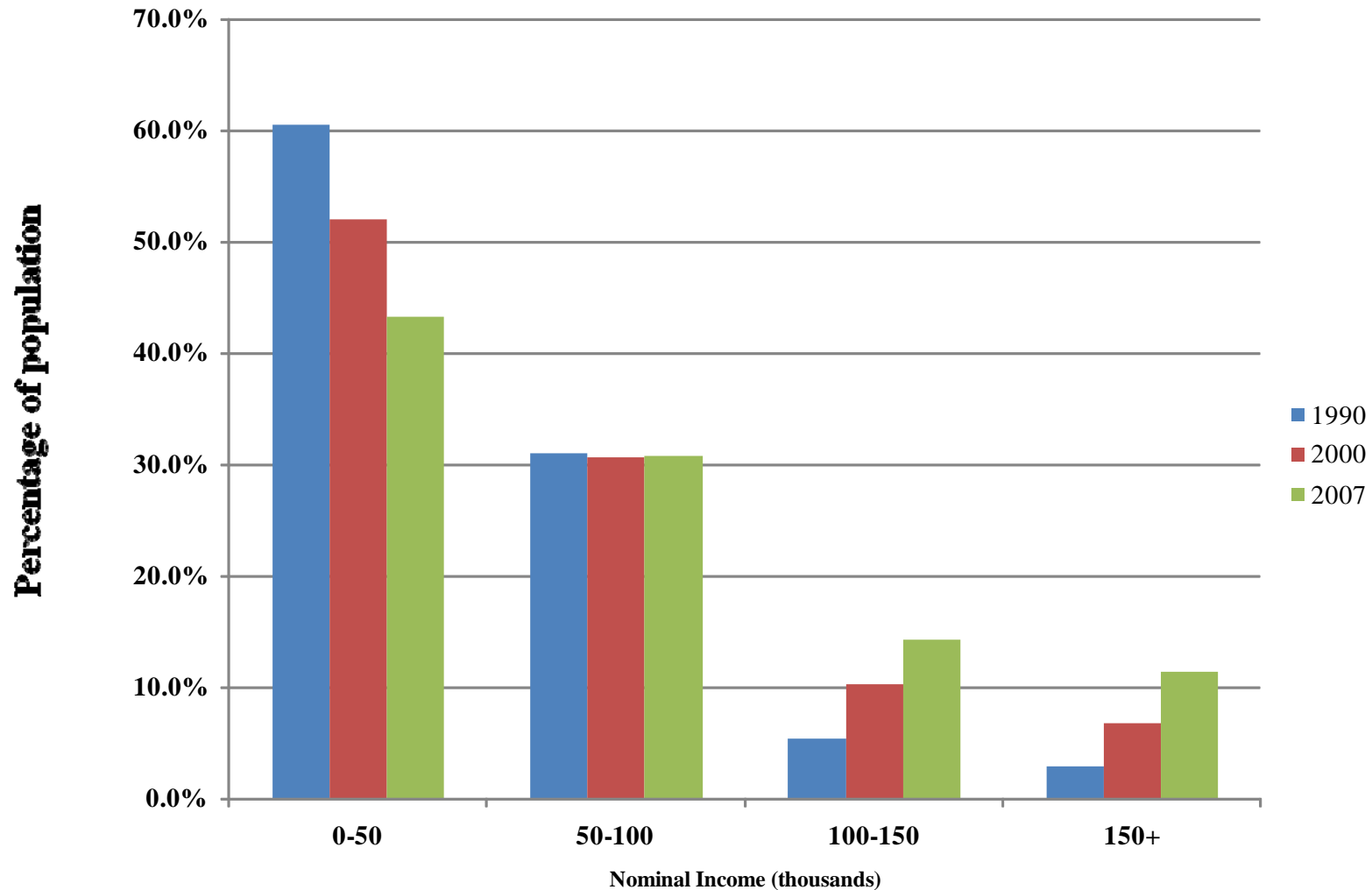
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Source: California Department of Finance

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# The Population is Shifting



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Source: U.S. Census

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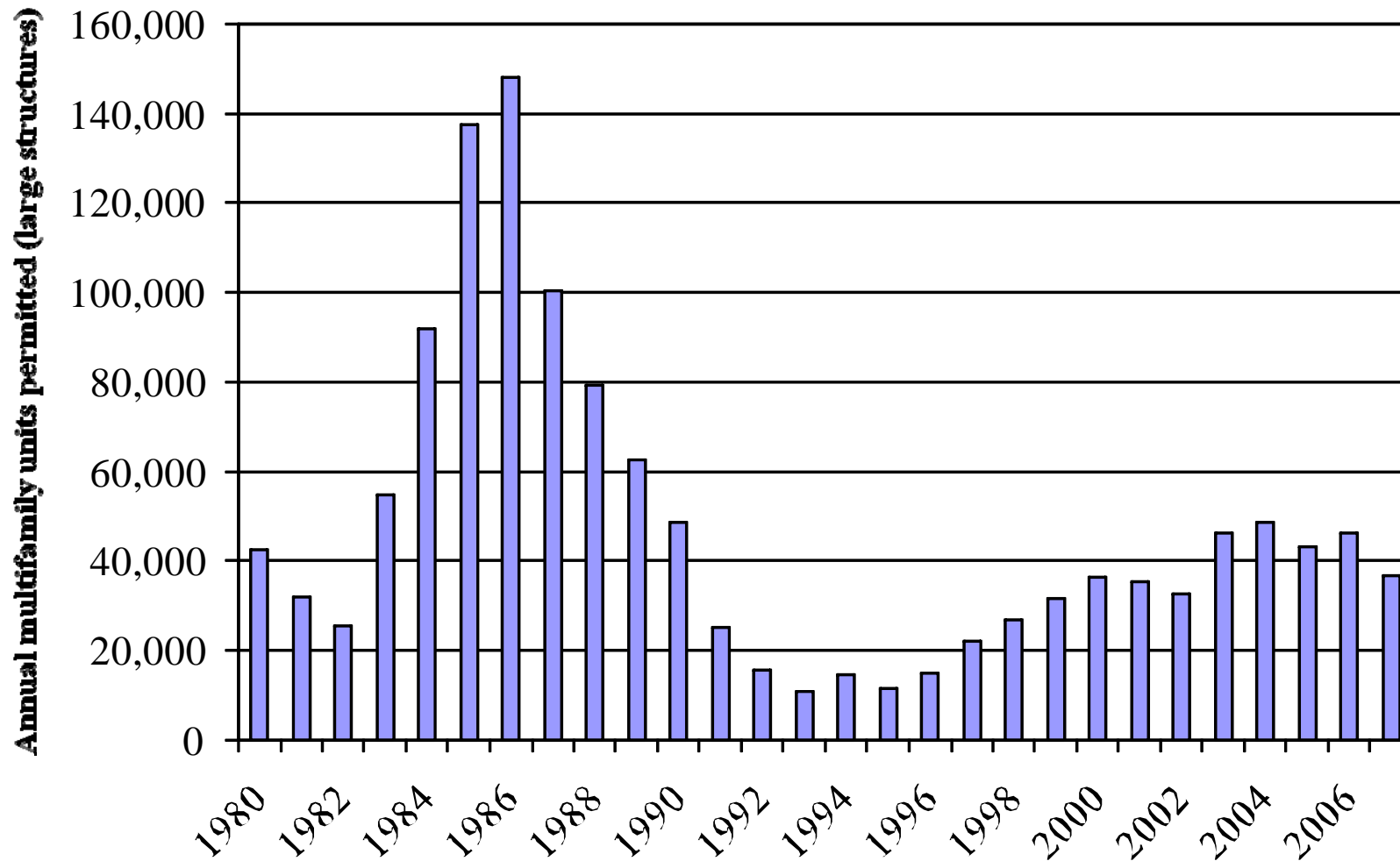


# The California Context

- Escalating Housing Costs
- Significant Net Domestic Out-Migration
- Multifamily Production Shortfall



# Multifamily Production is Mixed



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Source: U.S. Census

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# Mixed-Income Housing

- Origin of issue in policy circles
  - Public housing failures
  - Ways to respond
    - Move those in the concentrations
    - Change the places with concentrations
- An additional issue
  - Economic competition
    - Loss of strata, mismatches between jobs and housing both reduce competitiveness



# The Challenge of Producing

- Until recently, costs for multifamily development have skyrocketed
  - Increased demand for land
  - Steady construction cost increases
- Possible responses
  - Sacrifice affordability, increase cash flows, locate additional subsidy
- Side note: Approvals are likely easier to do



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# Modes of Mixed-Income Development

- Inclusionary mandate
- Formal program structure
- Synthetic mixing
- Incentivizing projects



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# Secrets to Mixed-Income Success

- Availability of large central parcels
- Locations already were problems
- Proximity to valued amenities
- Developer and development professionalism



# A Coming Together

- Transit-oriented developments
- Homeownership rather than rental
- Change rules of the game



# Key Question

- Are we in a zero-sum game for affordable housing subsidy funds?



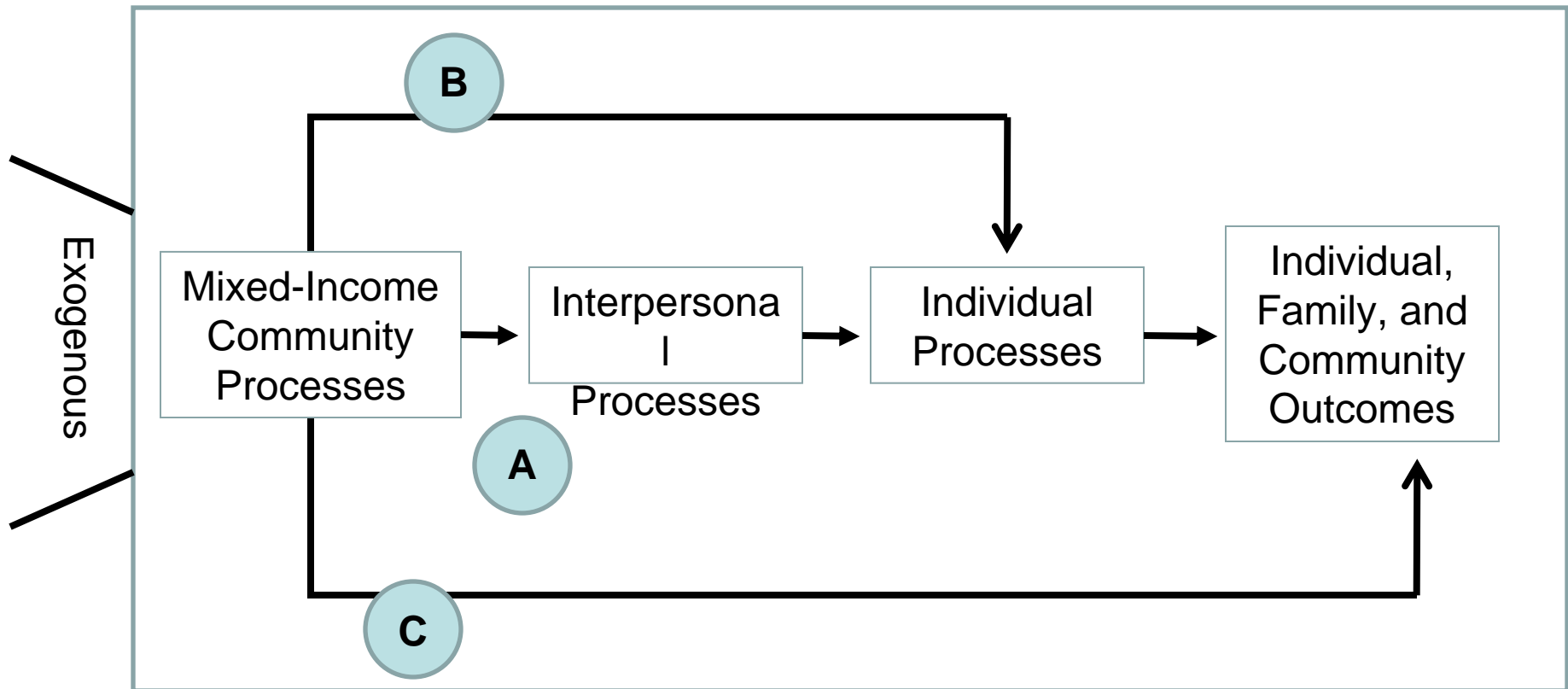
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# Effects of Mixed-Income Communities



Source: Mark L. Joseph (2006), "Is mixed-income development an antidote to urban poverty?" *Housing Policy Debate*, 17 (2), p. 217.



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Thank You!



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