Mixed-Income Housing Initiatives In Public Housing

Brent W. Ambrose
University of Wisconsin-Milwaukee

and

William Grigsby
University of Pennsylvania

Samuel Zell and Robert Lurie Real Estate Center
Wharton School of Business
University of Pennsylvania
Lauder-Fischer Hall, 3rd Floor
256 S. 37th St.
Philadelphia, PA 19104-6330

January 19, 1999

Contact Author: Brent W. Ambrose
Associate Professor
School of Business Administration
University of Wisconsin-Milwaukee
P.O. Box 742
Milwaukee, WI 53201
(414) 229-6570
ambrose@uwm.edu

Kyla Weissman, Melissa Lober, and Alexandra Deas assisted in the preparation of this report. We thank Greg Giornelli, Egbert Perry, and Ron Terwilliger for their helpful comments and suggestions. Financial support for this research project provided by the J. Ronald Terwilliger Fund for Housing Research at the Samuel Zell and Robert Lurie Real Estate Center at the Wharton School of Business, University of Pennsylvania.

Mixed-income Housing Initiatives In Public Housing

1. Introduction

Mixed-income housing developments, spurred by the creation of the Federal HOPE VI program, are the most recent policy effort to rejuvenate the nation's public housing. Proponents of mixed-income housing see in these developments the promise of ending the isolation of poor families in urban gettos and the negative externalities that such isolation engenders. HOPE VI as the newest member of the family of Federal housing subsidies, is designed to combine assisted and market-rate rental units in the same developments. Initiated in 1993, the program has already underwritten projects in more than 20 cities. Using a variety of financing mechanisms, these projects all include not only moderate-income households but also residents with incomes low enough to qualify for public housing.

When HOPE VI was first announced, there was widespread skepticism as to whether mixing low- and middle-income households in the same developments would be possible. Critics worried that households who could afford to rent in the private sector would not want to be stigmatized by living in "projects." To date, the experience with HOPE VI developments suggests that this concern may have been excessive. In general, little difficulty seems to have been encountered in renting both the market-rate and subsidized units. Three questions remain unanswered, however. First, why have these projects been successful in attracting and retaining market-rate residents? Second, can these projects be replicated on a large scale? Third, will large-scale replication produce the desired goals of reduced social isolation among public housing residents?

To address these questions, this paper focuses on two mixed-income developments in Atlanta, Georgia, one a HOPE VI demonstration project and the other a unique partnership between the local housing authority and a private foundation. Although generalizations from a sample of only two developments are limited, we believe that several aspects of the Atlanta experience, reveal insights about the promise for mixed-income developments to alter the urban landscape. In section 2, we provide a brief overview of the HOPE VI program followed in section 3 by a more detailed look at two mixed-income developments in Atlanta. We conclude with an analysis of these projects in section 4.

2. The HOPE VI Program.

Federal low income housing policy has shifted markedly over the last decade. The creation of the Low Income Housing Tax Credit program (LIHTC) in 1986, allowing households with incomes of up to 60 percent of area median income (AMI) to be eligible for rental assistance, created a framework for expanding assistance from the very low-income sector to the low-income working poor. By 1993, growing frustration over public housing conditions served as an impetus for further expansion through the creation of HOPE VI, an Urban Revitalization Demonstration (URD) project whose mission is:

> to end the physical, social and economic isolation of obsolete and severely distressed public housing by recreating and supporting sustainable communities and lifting residents from dependence and persistent poverty. (Department of Housing and Urban Development *Principles of HOPE VI* Fact Sheet.)

Over the past five years, this program has received national attention for its attempt to create thriving communities out of floundering public housing projects. Since its initial authorization of $300 million, the program has grown to a FY 1997 appropriation of approximately $550 million (*A New HUD: Opportunity For All – 1997 Consolidated Report*). HOPE VI grants are awarded through a competitive process to local public housing authorities (PHAs). According to program guidelines, a minimum of 80 percent of the funds received must be allocated to capital costs, including reconstruction, site improvement, and construction of replacement units. A maximum of 20 percent of the grant can be set aside for community or support service programs, such as job training, literacy programs, day care and youth activities. In addition, the recipient city is obligated to match 15 percent of the support-services allocation with non-federal contributions (Abt, 1996). Within these guidelines, local PHAs have wide latitude to determine the use of HOPE VI funds. For example, the Cleveland, Ohio housing authority is using some of its HOPE VI grant to create a "social service mall" in a mid-rise office building, while Milwaukee is creating "micro neighborhoods" by demolishing deteriorated housing and constructing connecting streets, and the Atlanta Housing Authority is taking the lead in creative financing by combining its HOPE VI funds with private financing to leverage its development activities.

HOPE VI promotes financing flexibility and innovation by requiring that PHAs form public/private partnerships to leverage other funding from programs, such as LIHTC, Home Investment Partnerships Program (HOME), and Community Development Block Grant (CDBG), in order to develop larger mixed-income neighborhoods. The link between leveraged finance and mixed-income development is an important aspect of the HOPE VI program. Leveraged finance is a means to involve the community by incorporating public input and private sector development professionals while also shifting more responsibility for assisted housing from the federal level to the local level.

Perhaps the most significant impact of the public housing leveraged finance program centers on improving asset management. The goal is to 'de-institutionalize' PHA properties by

- Including higher income residents;
- Improving the quality of the product without increasing subsidy levels;
- Creating commercial space;

- Buying and selling properties.

Previously considered the province of the private sector, PHAs rarely engaged in these activities until the execution of HOPE VI. At the forefront of the effort to 'de-institutionalize' public housing is the Atlanta Housing Authority efforts to replace old public housing complexes with new mixed-income developments.

3. The Atlanta Experience.

As the eighth largest public housing authority in the United States, the Housing Authority of the City of Atlanta (AHA) is responsible for 21,546 housing units comprising 14,353 public housing units and 7,190 Section 8 dwellings or roughly 13 percent of the city's housing stock. The average income of residents in AHA public housing units is $6,500, with one-third of the residents on welfare and one-third of age 65 or older.

In order to capitalize on the publicity and development activity resulting from the 1996 Olympic Games, the Atlanta Housing Authority created the Olympic Legacy Program to revitalize Atlanta's public housing stock. The goals of the Olympic Legacy Program are to:

- assist public housing residents in achieving self-sufficiency through education, job training and employment.
- leverage federal resources to attract private capital and other state and local funds.
- assist the AHA in generating an unrestricted income stream from housing development activities.
- Use AHA programs to create a broader neighborhood revitalization impact.

The HOPE VI Program objective of promoting mixed-income housing developments provided a means of furthering these four goals. The $300 million Olympic Legacy calls for the demolition of approximately one-third of AHA's public housing units, replacing many of them with mixed-income developments and Section 8 housing (White, 1997).

As part of the Olympic Legacy effort, AHA hired the Integral Group, LLC to be its Development Consultant on the revitalization effort at four public housing projects (Techwood/Clark Howell, East Lake Meadows, John Hope Homes, and John Eagan Homes). As the Development Consultant, Integral is responsible for assisting in the development proposal process for these projects, negotiating agreements between AHA and the developers (the Regulatory and Operating Agreements), and representing AHA during the predevelopment and development phases. In addition to serving as the Development Consultant, the Integral Group also has served as the private development partner in the revitalization of the Techwood/Clark Howell project, renamed Centennial Place. Thus, AHA uses the Integral Group to leverage the experience and expertise gained from the first revitalization effort at Centennial Place to other AHA projects.

3.1 Centennial Place

Centennial Place is located in Atlanta's downtown on the site of the former Techwood Homes, the first public housing project in the United States. It is bordered by Coca-Cola, Georgia Tech, the 1996 Olympic dormitories, and a major highway. This site, known locally as the “void,” was composed of industrial buildings and the 1081 unit Techwood/Clark Howell housing community. Poor design, inadequate resident screening, lack of maintenance, and management neglect contributed to the deterioration of Techwood/Clark Howell such that by the mid-1980s, Techwood/Clark Howell was a typical crime infested urban getto.

Utilizing HOPE VI grant funds, AHA is replacing Techwood/Clark Howell with Centennial Place, a new 900-unit mixed-income community. The 900 units are grouped in small clusters, unlike the superblock design of the Techwood. In fact, the architects rebuilt the original street grid using the original street names. Following the New Urbanism approach, Centennial Place attempts to improve physical and social connections. The distinction between public and private space, reorientation of parking behind housing units, and a recollection of past architectural styles is intended to create an environment that is similar to other class A rental units in Atlanta. Techwood/Clark Howell was the first project to be cleared and currently the only one to receive a HOPE VI grant. However, others, such as East Lake Meadows, are following the HOPE VI model.

As originally conceived, the developers of Centennial Place proposed a one-third, one-third, one-third mix of market-rate units, Low Income Housing Tax Credit (LIHTC) units, and public housing units. However, after negotiations between AHA, the Techwood/Clark Howell resident association, and the developer, a compromise was reached to set aside 40 percent of the units for market-rate residents, 20 percent for Low Income Housing Tax Credit (LIHTC) units, and 40 percent as public housing units. No units are specifically designed or designated for the public housing population.

The 40/20/40 mix resulted from Techwood/Clark Howell residents' desire to shed the stigma of being in a public housing project and their corresponding apprehension about the goal of the HOPE VI program to move residents out of public housing projects. Due to the lack of affordable housing for families with incomes slightly above the public housing qualifying limits, many residents feared becoming homeless if new social programs successfully moved them off welfare and into income groups not served by public housing. Thus, introducing LIHTC units into the housing mix served to assure some of the residents that, as their incomes rose above allowable limits for public housing occupancy, they could remain at Centennial Place.

Rental rates and income limits on the subsidized units at Centennial Place are set following HUD and AHA guidelines. According to HUD regulations, the maximum income level for persons living in public housing units is 80 percent of area median income (AMI). The Regulatory and Operating (R&O) agreement between the private developer and AHA sets a target specifying that 50% of the public housing families at Centennial Place will have incomes of less than 30% of AMI and 50% may have income greater than 30% of AMI. The 50/50 split was established to ensure that the rental income from all public housing residents covers the cost of operating the public housing units, which is based on 30% of AMI. With an average of 30% of AMI for the public housing residents, no operating subsidies are required from AHA. The higher income public housing residents subsidize the rents from the lower-income public housing residents. The R&O agreement further specifies that the private developer cannot financially benefit from any net cash flow generated from the units leased to public housing residents. The private developer can receive cash flow only from the tax-credit units and the market-rate units. The R&O agreement requires that the rents changed on market-rate and tax-credit units be set independent of the income levels of public housing eligible families. The income and rental requirements are further complicated by the sale of Low Income Housing Tax Credits (LIHTC) to finance 20 percent of the units. LIHTC guidelines also specify that rents for those units cannot exceed 60% of area median income (AMI). However, LIHTC rules do not require accepting residents with incomes below 30% of AMI. Thus, average resident income for the LIHTC units will be higher than the average resident income from the public housing units.

As of March 1998, 358 units in Phase I and II were leased. Table I shows the characteristics of the units in Phase I (Phase II data were not available). Surprisingly, the AHA reports that market-rate and LIHTC units lease faster than the public housing units. The current ethnic balance is 70 percent African American, 20 percent Caucasian and 10 percent Hispanic and Asian.

Table I. Centennial Place – Phase I Development Description

				Number of Units		
Unit Type	*Bedrooms*	*Sq.Ft.*	*Market Rent*	*Market Rate*	*LIHTC*	*Public Housing*
Apartment	1	688	$679	31	24	11
	2	875	$779	6	4	23
	3	1050	$879	24	0	0
Townhouse	2	1075-	$899-	6	4	17

		1231	$999			
	3	1340-1441	$1259-$1359	5	4	18
	4		$1499	2	0	2
Total				74	36	71

In order to improve the neighborhood environment, several facilities have been constructed. For example, a new elementary school has replaced the existing decaying school. A community center and corporate suites have also been incorporated into the project. In addition, a new retail center on the southeast corner of the site has attracted a 40,000 square foot grocery store, where a few years ago no business would locate. Finally, a Holiday Inn Express has been built adjacent to the site, as well as a new YMCA, a police mini-precinct, and a branch bank facility. These facilities and the high quality of the new housing, have enabled the developers to attract market-rate residents.

3.2 East Lake Meadows

East Lake Meadows is a year old, 650-unit mixed-income housing project, located in the southeast section of Atlanta. Because of its location and sponsorship, East Lake Meadows represents a unique example of public housing revitalization. What was once an affluent community in the 1920s, the East Lake neighborhood began to deteriorate in the 1960s. Symbolic of the decline, in 1968 the East Lake Golf Club, home course of Bobby Jones, was sold by the original members who moved to the suburbs as part of the "white flight" seen throughout the community. In 1993, the Cousins Foundation bought the East Lake Golf Club with the dual purposes of revitalizing the adjacent public housing complex and of paying tribute to the famous golfer, Bobby Jones, who learned to play golf on the course. The Cousins Foundation renovated the 18-hole golf course as a tournament-quality course (as noted in *Golf & Travel*, 1997) and is using corporate membership fees to revitalize the East Lake Meadows community and build an adjacent 18-hole public golf course (Mowry, 1997). Presently, members have committed $8 million to these revitalization efforts. Income from the corporate memberships at the East Lake Golf Club are being used to fund the East Lake Community Foundation (ELCF), which serves as the non-profit developer of the new mixed-income community at East Lake Meadows and provides support services for community residents. Working with AHA, the developers are demolishing the 650 public housing units replacing them with a 550-unit complex of townhouses, garden style apartments, and duplexes incorporating a mixed-income housing scheme. The new units are being placed around a new public golf course financed, developed and operated by the East Lake Community Foundation.

Although no HOPE VI funds are associated with this development, AHA modeled the financing structure after the HOPE VI format. Like Centennial Place, the ultimate design plan for East Lake resulted from negotiations between the developers, AHA, and the East Lake Meadow's resident organization, who had an important influence on the project design. These negotiations resulted in a 50/50 split between public-housing units and market-rate units. Unlike Centennial Place, however, consensus among the parties was more difficult to achieve, because while most residents of Techwood were relocated, many of the East Lake residents remained. Although the original plan called for clustered housing in the middle of the development, the resident organization preferred to have the housing on the periphery of the site, bordering the public golf course in the center of the site, so that the units are visible from the street. The residents also requested more duplexes, than originally intended, as well as a decrease in the number of large building units (Blackman and Thomas, 1996).

Like Centennial Place, East Lake Meadows has shown evidence of improving the neighboring housing market. Housing values, which start at around $70,000, have risen as the Phase-I residents have begun moving into the new development renamed “The Village of East Lake” (Reid, 1996). For many homebuyers, the neighborhood represents affordable in-town living and is often compared with the success of other Atlanta neighborhoods that have reinvented themselves. Table II details the Phase I East Lake residential development characteristics.

Table II. East Lake Meadows -- Phase I Development Description

Unit Type	*Bedrooms*	*Sq.Ft.*	*Market Rent*	*Rent/ Sq.Ft.*	*Number of Units* Market Rate	*Number of Units* Public Housing
Apartment	2	1165	$ 830	$.71	20	20
	3	1319	$ 925	$.70	15	15
Townhouse	2	1200	$ 840	$.70	25	26
	3	1400	$ 975	$.70	25	26
	4	1650	$1,050	$.64	5	5
Total					*90*	*92*

3.3 Financing Structures

Both Centennial Place and East Lake Meadows rely on a public/private partnership for financing. The financing structure for Centennial Place follows the leveraged finance concept of the HOPE VI program. The private developer, a joint venture of The Integral Group, L.L.C and McCormack Baron Associates, entered into a 55-year ground lease with AHA for the site of Centennial Place. HOPE VI funds are provided in the form of a long-term loan to the development entity that is repaid to AHA from rental income. In return for contributing the HOPE VI funds, AHA receives 25 percent of the developer fee plus one-third of the annual net cash flow over the 55-year period. In addition, as already mentioned, 20 percent of Centennial Place is financed through the sale of low income housing tax credits.

The mixed-financing nature of the project had a direct impact on the planning and development of Centennial Place. For example, the LIHTC program makes several important stipulations concerning the development which significantly impact resident eligibility, most notably its limitation that rents cannot exceed 60 percent of area median income. Furthermore, the previous public housing residents of Techwood/Clark Howell were allowed to participate in the planning of Centennial Place.

As at Centennial Place, East Lake Meadows is being developed by the private sector. The difference is that the developer, East Lake Housing Corporation, is a non-profit arm of an Atlanta philanthropic foundation (the East Lake Community Foundation) and AHA is contributing federal "Development Funds" rather than HOPE VI grant funds. AHA received permission from HUD to reallocate these funds to use them in a manner similar to the HOPE VI program. As a non-profit developer, East Lake Housing Corporation uses the income generated from the market-rate units to fund Foundation activities at the site. As at Centennial Place, the East Lake Housing Corporation holds a 55-year ground lease on the development and all funds contributed by non-AHA sources are used to fund the non-public housing units and other amenities.

4. Analysis of Centennial Place and East Lake Meadows

Almost since the passage of the Housing Act of 1937, the notion of mixed-income subsidized housing developments has had a strong appeal among housing advocates, but reservations about the financial viability and long-term stability of such developments remain. It is therefore useful to ask three questions relating to the two Atlanta projects:

- Since the projects appear successful in attracting, retaining, and serving a mixed-income resident population, what are the reasons for this success?
- Are the factors contributing to the success of the projects ones which can be replicated on a large scale in a single market area?
- Would large-scale replication produce the desired goal of reducing social isolation among public housing residents?

4.1 Why have the projects successfully attracted a mixed-income resident base?

Although still early, it appears that Centennial Place has clearly been successful in attracting the income groups in the proportions envisioned at the outset. Phases I and II, now completed, were fully leased without difficulty and leasing continues on schedule. East Lake Meadows, although not as far along in the development process, has also rented both its market-rate units and its public housing units with relative ease. Both Centennial Place and East Lake Village have been successful in attracting market rate residents without offering rent concessions. The rental rates per square foot for Centennial Place are actually higher than rents at other 'Class A' Atlanta rental properties with similar amenities, and the rents at East Lake Village, which is not as centrally located, are not much lower (Table III). Clearly, whatever stigma might potentially attach itself to the two subsidized developments has been overcome by good design, location, and management.

Table III: Selected Atlanta Apartment Development Rent and Expense Comparisons

Apartment Development	**Average Rent / SF**	**Annual Operating Expenses / Unit**	**Construction Costs**
Centennial Place	$0.89	$3,600	$73-78,000
East Lake	$0.69	$3,500	$70,000
Average Class A	$0.76	$3,700	not available

The rental success at the two projects has surprised analysts who had felt that it would be difficult to find market-rate renters willing to live in developments with a high proportion of subsidized families. There are three major reasons for the initial success of the two projects. First, both Centennial Place and East Lake Meadows are located in very attractive, highly accessible neighborhoods. Second, they are both well designed and visually appealing. They do not look like "projects" but rather are indistinguishable from other "Class A" rental housing in Atlanta. They offer amenities, such as front gates, club houses, and security systems, found in typical market projects. Third, they are well managed, particularly with respect to resident selection which insures that only applicants who appear to have middle-class behavior patterns are accepted.

4.2 Can mixed-income projects be replicated on a large scale?

Given the initial success and apparent long-term viability of the Atlanta projects and also the similarly encouraging experience of HOPE VI projects in other cities, the question arises whether mixed-income housing developments can eventually become a major part of a city's subsidized housing inventory. Can these conditions be widely replicated, thereby reducing the residential isolation of low-income families?

As mentioned earlier, the Atlanta Housing Authority views this question with optimism, hoping to turn fully one-third of its inventory of 14,353 units, or 4,800 dwellings into mixed-income developments. For this goal to be achieved, however, at least four barriers must be overcome. First, a considerable number of sites must be found that will attract market-rate residents. Assuming the 50/50 split of market-rate residents to public housing residents at East Lake Meadows is feasible for a successful mixed-income community, then AHA's goal of converting over 4,800 public housing units will require 4,800 market rate units (including the units currently built at Centennial Place and East Lake Meadows). If the size of the average development is, say, 500 units, the AHA goal implies that 19 conversion sites must be found. AHA is already in the process of converting 7 projects (in addition to Centennial Place and East Lake Village) into mixed income developments, so given our assumptions, it would need to find at least 10 other project sites for conversion in order to meet its goal. If the average size of the developments were larger, fewer sites would, of course, be needed. Equally, however, if it were discovered that in a large-scale program a 50/50 income mix would not be feasible in all of the developments, then more than 19 sites would have to be found.

The second barrier is finding exceptionally well qualified management teams for 17 more projects (assuming 500 units per project and a 50/50 split of market to public housing units). The teams at Centennial Place and East Lake Meadows have more than the average degree of dedication, in part because of the pioneering nature of their firms. Cloning such persons for a large number of subsequent projects is likely to be difficult.

Successful mixed-income projects either have pleasant surroundings or have some type of natural buffer separating them from the negative environments of the surrounding areas. In addition, they have easy access to local employment opportunities, good public transportation, and cultural and entertainment opportunities. Locating 10 additional suitable sites in Atlanta with these attributes may prove difficult. Attractive privately owned sites will obviously be expensive to acquire, and, unlike Centennial Place and East Lake Meadows, most public-housing sites, in Atlanta and elsewhere, are in unattractive locations. While both Centennial Place and East Lake Meadows offer an especially attractive combination of these factors, it may be unrealistic to expect that as many as 10 additional AHA projects could also have a critical mass of these factors to support mixed-income developments.

The third barrier relates to operating costs. The rental income from subsidized residents must be sufficient to keep the per-family operating subsidy contributions from the public sector at a reasonable level. This may be a significant problem. As noted in Section 3, the R&O agreement at Centennial Place targets the average income of the public housing residents at 30% of AMI (or $16,410 in Atlanta), with 50% above $16,410 and 50% below $16,410. This target ensures that the rental income from the public housing units covers their operating costs. The conversion of 4,800 public housing units to mixed-income developments following the successful pattern at Centennial Place and East Lake Meadows implies that 2,400 units (equivalent to 16% of the current public housing stock) will need to be rented to families with incomes above $16,410 (30% of AMI). However, as noted earlier, the average income for AHA public housing residents is $6,500, with fully 37% of the residents having incomes below $5,000 and 95% having incomes below $15,000 (Table IV). Thus, given the current profile of the AHA resident population, the goal of renting 16% of the public housing stock to families above 30% of AMI does not appear to be realistic without a policy change regarding the clientele served. Either AHA's housing stock must be expanded by about 15 to 20 percent or the Authority must reduce the proportion of very low-income households whom it assists. Federal housing legislation and associated HUD directives are pushing AHA and other housing authorities in the latter direction.

To be fair, one must reiterate that the R&O agreement at Centennial Place sets the public housing resident target income at a level necessary to a achieve rental income that will cover the operating costs of those public housing units. Currently, AHA spends approximately $478 per unit in federal funds for operating expenses (*1997 HUD Picture of Subsidized Households*). These same funds could possibly be used to support lower target income levels in future mixed income developments.

In order to minimize the subsidies it must pay, AHA has an obvious incentive to rent as many units as possible to residents with incomes well above those of current AHA clientele. Similar incentives also exist with respect to any new HOPE VI projects, because the cost of new construction or substantial rehabilitation in these projects would dictate similar rent levels. HUD regulations provide a way for AHA to respond to this incentive to be selective while still abiding by the first-come/first-serve rule. Although the regulations prevent AHA from discriminating against a prospective resident on the basis of income, they allow local housing authorities to give preference to prospective residents with earned income over residents with nonearned income. Thus within these guidelines, AHA has set screening criteria, giving preferences to public housing residents with earned income. Since most residents with earned income have higher incomes than do residents on public assistance, AHA does have the ability to serve a higher eligible income group than the group now residing in its projects, and it can thereby reduce the amount of housing subsidy below that which otherwise might be required.

The final barrier has to do with the large capital cost of new or substantially rehabilitated housing relative to the incomes of the subsidized occupants. Construction costs alone at Centennial Place and East Lake Meadows averaged more than $70,000 per unit. While the land was "free', development fees (information for which was not provided to us) and construction financing probably added at least another $10,000. The annual cost of amortizing this $80,000 capital investment at 7 percent over 30 years is about $6,400 or 40% of the average targeted public-housing occupant income ($16,410, noted above). This cost must be borne entirely by the taxpayer, since it is not offset by rental income all of which is used to cover operating costs. Such a sizeable subsidy might not be politically palatable in a large scale program.

Table IV. Resident Income in Atlanta Public Housing, 1998

Income Amount	*Total Number*	*Percentage*
$ 0 - 999	782	8.4%
$ 1,000 - 4,999	2497	26.8%
$ 5,000 - 9,999	4593	49.3%
$10,000 - 14,999	1027	11.0%
$15,000 - 19,999	318	3.4%
$20,000 - 24,999	71	0.8%
$25,000 - 30,000	15	0.2%
Over $30,000	10	0.1%
Totals	9313	100.0%

AHA Resident Income Amount Statistical Report
(Housing Authority of the City of Atlanta, Georgia. "Tenant Income Amount Statistical Report." May 11, 1998)

4.3 Will Large-Scale Replication of HOPE VI Projects Reduce The Residential Isolation Of Low-Income Families?

The purpose of HOPE VI is to reduce the residential and associated social isolation of low-income families. The private real estate market tends to segregate families by socioeconomic class. In large metropolitan areas, this segregation occurs on a geographically large scale, and is blamed for a variety of urban problems. When significant numbers of low-income families are spatially grouped, they are often separated from job opportunities for themselves and equal educational opportunities for their children. Additionally, it has been observed that when low-income families are clustered together at too large a scale, the social problems of individual families seem to feed on one another, aggravating already difficult situations.

Whether HOPE VI projects are likely to reduce residential isolation is a difficult question. The answer depends on the income composition of the projects and the geographic scale at which the question is addressed. Taking Centennial Place as an example, the 1,081 largely "very-low-income" families who were displaced from Techwood/Clark Howell to make room for Centennial Place were adjudged to be quite isolated from the economic and social mainstream, because, even though Techwood was surrounded by fair to excellent commercial and residential areas, the project itself was so large that it created its own environment. Whether the former Techwood residents, only 64 of whom returned to Centennial Place, are more or less isolated than they were before being displaced, and whether the new subsidized residents, who are largely “low income”, not “very low income”, are less isolated than they were prior to moving to Centennial Place can only be surmised. Nor do we know whether the arrival of former Techwood residents in their new neighborhoods and the departure of new Centennial Place residents from their old neighborhoods had a material impact on the socio-economic mix and health of these areas. In the absence of this information, all we can be certain of is that individual project success does not necessarily imply program efficacy.

5. Conclusion

Assuming that their initial success continues, Centennial Place and East Lake Meadows represent remarkable achievements both as real estate ventures and sociological experiments. Whether, in pursuit of HOPE VI objectives, they can be replicated on a large scale in Atlanta or elsewhere is less certain. And, whether large scale replication would reduce income isolation and its related problems cannot be determined without further research.

References

Abt Associates, “An Historical and Baseline Assessment of HOPE VI”, (1996).

Blackman, Douglas, and Emory Thomas Jr. "A Clash at the Plantation." *Wall Street Journal*, (April 24, 1996).

Brophy, Paul, and Rhonda Smith, “Mixed Income Housing: Factors for Success”, *CityScape* 3:2 (1997).

Department of Housing and Urban Development. *Principles of HOPE VI.* Fact Sheet.

Department of Housing and Urban Development. *HOPE VI—National Policy Issues.* Fact Sheet.

Mowry, Lisa. "Neighborhoods: The New East Lake.” *Atlanta Homes and Lifestyles*, (January 1997).

Quercia, Roberto G. and George C. Galster. “The Challenges Facing Public Housing Authorities in a Brave New World.” *Housing Policy Debate*. 8:3 (1997).

Reid, S.A. "Redevelopment in East Lake Sparks Rejuvenation of Area." *Atlanta Journal / Atlanta Construction*, (October 21, 1996).

Rosenberg, Robert C. “Asset management: Changing Traditional PHA Approaches.” *Journal of Housing and Community Development.* (January/February 1998).

White, Rick. “Reinventing Public Housing: The Atlanta Experience.” *Journal of Housing and Community Development*. (July/August 1997).