

# Legacy for a Reinvented HUD: Charting a New Course in Changing and Demanding Times

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As I reflect on the past 2½ years as Secretary of Housing and Urban Development, I find myself contemplating the legacy from these dynamic, exciting years of change that the HUD team will leave behind. I find myself sorting out the goals we have set for ourselves at the Department, the avenues we have followed that looked promising, and the battles we have fought and are still fighting. One thing is certain: Regardless of what Congress does legislatively, we have made so many changes at HUD that the Department will never be the same again.

Our ideas and initiatives fall into two groups, as my predecessor Secretaries indicate in the article “As They Saw It”: Those that are essentially determined by forces outside the control of the Secretary and those that are largely intradepartmental and therefore within the Secretary’s discretion. I want to focus in this essay on the latter category, but not before noting that the administration has proposed the most sweeping restructuring of HUD since its founding 30 years ago. We propose nothing short of reinventing the Department from the bottom up to prepare it for a new era of service to the American people in the 21st century. The new, reinvented HUD will resemble the HUD of today only in its mission, which is to help cities prepare for the future, bring housing and homeownership to millions of citizens, and protect poor and vulnerable populations.

Our proposal to Congress calls for consolidating some 60 individual HUD programs, each imposing its own prescriptive requirements, into three streamlined, performance-based funds. The new approach will give State and local authorities maximum flexibility to tailor Federal resources to local circumstances, needs, and priorities. In contrast to its role today, which casts the Department as the grantor, decisionmaker, and senior partner, HUD will become the supporter of local initiatives, catalyst for change, and *equal* partner in local collaborations. The new funding approach will also reward communities that set and achieve high standards of performance. Many exciting things will be happening in the cities and neighborhoods of America in the next few years, and HUD will be part of them.

Our reinvention plan<sup>1</sup> calls for transforming public housing by phasing out direct subsidies to public housing authorities (PHAs) and redirecting assistance to the residents, allowing them to choose where they want to live. The plan will also bring homeownership within the reach of more Americans by coordinating public and private resources in a focused effort and by transforming the Federal Housing Administration (FHA) into a business-like, Government-owned corporation. Our reinvention plan is now before Congress, which will, after due deliberation, put in place its own structure and scheme for HUD.

In the meantime, I want to review in this commemorative edition of *Cityscape* actions we have taken to change HUD that did not require congressional approval. When I arrived at HUD, the need for change was clear. The Department was still a 1965 model trying to keep pace with the go-for-it vehicles of the mid-1990s. These new vehicles are smaller, leaner, and more focused, and they involve more effective partners. Government was lagging behind at the Federal level, but President Clinton and Vice President Gore set out to change that course. They launched the greatest effort in the history of the Nation to reinvent Government and to make America the first country to build an Information Superhighway. The private sector was having difficulties too, as corporations struggled to cope with the dual revolutions sweeping America: the globalization of the U.S. economy and the rapid change in Information-Age technology.

Here, then, I offer some reflections on the legacy that the HUD team of my tenure leaves behind. Our accomplishments result from immense effort by senior staff and the 11,000 dedicated and hard-working employees of the Department.

## Housing the Homeless: Developing a Continuum of Care

Since the outset of this administration, we have made reduction of homelessness our top priority. I said that a Department whose name begins with the word “housing” could do no less. Then, late in 1993, a homeless woman died of exposure in the bus shelter across the street from our headquarters building. Her sad and needless death touched HUD employees as have few events in recent memory. HUD employees spend their working hours concerned about shelter needs and living conditions for all Americans, but this loss caused us to redouble our efforts.

Assistant Secretary Andrew Cuomo developed the concept of “continuum of care.” This new approach encourages communities to shape a comprehensive, flexible, coordinated program to solve, rather than institutionalize, the problem of homelessness. Wherever I go around the country, people in the homeless-shelter movement tell me that the continuum-of-care concept is increasingly recognized and accepted. The Clinton administration has backed up its convictions about homelessness with support: The \$900 million in grants awarded to States last July was more than double the largest amount allocated to solve the homeless problem by any previous administration. Furthermore, the continuum-of-care concept led us to upgrade Federal interagency coordination. We have worked closely with Secretary of Health and Human Services Donna E. Shalala and Secretary of Veterans Affairs Jesse Brown to link services offered by their departments to State and local providers for homeless men, women, and children.

Our priorities for the coming year are based on what we have learned from direct observation of the problem of homelessness and from efforts to help these people. We will focus on root causes. The fastest-growing segment of the homeless consists of women with

children, and the principal cause of their plight is poverty. Other causes of homelessness for adult men and women include mental illness and drug addiction.

Community-based operations around the country now actively seek homeless people in subways and on the streets to provide medical care, drug-abuse treatment, and services for those who are mentally ill. This is the continuum-of-care concept at work. More than 600,000 people are homeless on any given night. Our legacy includes an effort to help these people that is unique in the annals of the Department. We have sought to house the unhoused and to protect the most vulnerable citizens of our land.

## Empowerment Zones: Rebuilding Linkages to the Mainstream

Over its 30-year history, HUD has often tried to help cities jump-start their economies. No effort has been more substantial in concept than Empowerment Zones (EZs). The EZ initiative builds on its predecessors and is likely to be the model for future efforts to rebuild urban economies. Enacted in 1993 as a Clinton administration program, EZs and their companion Enterprise Communities (ECs) will target an estimated \$2.5 billion in tax incentives and \$1.3 billion in flexible grants to 105 severely distressed urban and rural areas over 10 years. Urban EZs receive \$100 million each in flexible block grants to apply to a broad range of activities, including social services and physical improvements.

Two facets of EZs are significant: the engagement of mayors (in Atlanta, Cleveland, and Los Angeles, for example), which signals that the program appeals to city hall; and the multiagency approach that gives EZs and ECs priority consideration for current Federal programs. They also receive special assistance from the President's Community Empowerment Board in removing bureaucratic red tape and regulatory underbrush in the Federal Government that prevent innovative uses of existing Federal funds. The Board, headed by Vice President Gore, ensures White House interest in Federal Government responsiveness to communities' plans for their future.

The key element of EZs is the bottom-up planning that communities initiate themselves. They bring together all elements of the community, work out their own strategies, and develop a common vision and purpose; the Federal Government assumes the role of supporter. We think that EZs and ECs are the catalysts that the country's distressed cities need to get started again and to rejoin the economic mainstream.

## Transforming Public Housing to Benefit Residents

The time is long overdue to reform public housing. Spearheaded by Assistant Secretary Joseph Shuldiner, the combination of our proposed legislation and our actions already underway will work a transformation in this area.

We are destroying—literally, with modern demolition techniques—many of the huge, aging, unredeemable public housing projects of yesteryear. We have demolished buildings in the North Lincoln Park development in Denver; the Father Panik development in Bridgeport, Connecticut; Henry Horner and Washington Park in Chicago; Lassiter Courts in Newport News, Virginia; Lafayette Courts in Baltimore; Raymond Rosen in Philadelphia; and others. With every multistory project that implodes in a cloud of dust and debris, new hope arises for poor families and individuals who want, deserve, and are willing to work for a better life.

We have proposed to Congress a new plan to reinvent public housing by replacing project-based subsidies with vouchers and certificates that empower residents to find their own housing in the private market. Rehabilitated and more attractive public housing would be one of the choices available to them. The current system of project-based subsidies guarantees capital and operating subsidies to PHAs and private housing providers and relies on complex rules and regulations to manage their performance. The new system would essentially scrap that approach; public and assisted housing managers, forced to compete with similarly priced housing for the assisted tenants, would have to improve the quality of their housing or go the way of the dinosaur.

HUD would like to move to a full voucher system, but we do not know whether that will happen. Congress may stop short of that goal and settle for providing a block grant that would give PHAs much greater flexibility and discretion than the current system. A block grant would empower local authorities to make more strategic decisions about which buildings are worth saving and which no longer justify the investment of scarce resources. Thus, there is plenty of room for negotiating an agreement with Congress that will greatly advance the transformation of public housing.

In the meantime, HUD has already made progress toward changing the rules so that PHAs do not have to pour money into projects they know to be worthless. PHAs can now combine public housing dollars with low-income housing tax credits, leveraging public and private housing resources to develop attractive and competitively priced units in scattered-site, mixed-income neighborhoods. And they can refurbish and maintain existing units so that they will be competitive in the open market. This new approach returns to the original concept of public housing, which was to offer impoverished families a stable platform for working their way toward self-sufficiency. Public housing should not be a dead end for the families that live there, nor should it make its residents wards of the government.

Our new approach focuses on economic opportunity. Our proposed Housing Certificate Fund would build on the existing Section 8 Certificate and Voucher program to enable families to choose moderately priced housing in locations where they can find safety, good schools, and economic opportunity. By empowering people to make their own housing choices, we can help them move away from high-poverty developments and also bring working families back to revitalized city neighborhoods.

HUD's power to change the rules is limited, of course, so we are asking for legislative changes as well. PHAs would like to set more reasonable rent ceilings than current law allows so that rent increases would not induce working families to leave, thereby depriving the public housing community of good role models. We agree. PHAs also want to be able to move swiftly to evict tenants who are engaged in criminal activity on the property or activities that threaten other tenants' health, safety, or peaceful enjoyment of the premises. Again we agree and have proposed these and other legislative changes.

Contrary to public perceptions, models for success abound in public housing. Many families are using public housing as a way up and out of poverty, and many housing authorities are developing innovative strategies to support these families. At Earle Village in Charlotte, North Carolina, for example, only one-quarter of the households have any earned income, the average family income is less than \$6,000, and more than half the residents are under 18 years of age.

The ongoing transformation of Earle Village involves the demolition of about half the units, which will be replaced with new construction elsewhere in the city, including scattered site developments. Seventy-five units will be made available for purchase by

first-time homebuyers, drawing working-class families into the community and encouraging existing residents to strive toward homeownership. Thus the Earle Village transformation will convert a blighted public housing project into an asset to its community, even as it expands residents' opportunities for mobility and choice.

We can have Earle Villages all over the United States in a few years. HUD's new approach and its partnerships with local housing authorities are converting blighted public housing into attractive neighborhoods that expand residents' opportunities. The people who live there want to create safe, pleasant communities, and we are helping them find the opportunity to do so.

## Homeownership: Regaining the American Dream

President Clinton instructed me last November to prepare a national initiative to lift America's homeownership rate to an all-time high by the end of the century. One of our most important legacies is that we have assembled a massive partnership of more than 50 national organizations to accomplish just that goal. Nicolas Retsinas, Assistant Secretary for Housing-Federal Housing Commissioner, has taken the lead in this effort.

We are going to change the transactional system for home buying in this country. The goal is to raise the homeownership rate from its current rate of about 64 percent to 67.5 percent and to create up to 8 million additional homeowners by the year 2000. Previously the highest rate had been 65.6 percent.

The National Homeownership Strategy will lower the barriers that prevent Americans from becoming homeowners. We will accomplish this by implementing 100 action elements that the Federal Government and its partners in State and local government, the nonprofit sector, and private industry have agreed to undertake. The core of the initiative is to increase production, improve access to financing and reduce the burden of mortgage payments, educate potential homebuyers by providing them with better information about opportunities, lower market barriers, and raise community awareness about the value of homeownership. The strategy includes outreach efforts to ensure that members of minority groups join in achieving the American Dream.

The greatest source of wealth for most American families lies in the equity they have in their home. The National Homeownership Strategy is not only a means of placing more houses in the ownership of families and individuals—which is desirable because it brings stability to the community, commitment by residents to maintaining their property and participating in local affairs, and other benefits—but also a wealth creation strategy aimed at helping people from lower economic groups join the middle class. The entire Nation has a stake in the success of this initiative.

The end of the Cold War demonstrated that a totalitarian government with central economic control leads inevitably to failure. It seems fitting at this juncture in history to demonstrate that a democratic government, avoiding the pitfalls of central economic control, can work with private industry to extend to the largest number of people the greatest financial benefit of all: ownership of a home—a piece of the United States.

## Restructuring HUD to Focus on Physical Places

Congress established HUD 30 years ago to focus national efforts on building, preserving, and improving *places*. Much debate has occurred since then, as Louis Winnick's article makes clear, as to whether housing assistance should be directed to people or to places. We say, as I pointed out above, that *housing assistance* should go to people.

But HUD is the only Federal agency mandated to focus on communities. Our legacy is that the reinvented HUD be more responsive to the needs of today's communities and better able to be a good partner with State and local governments, foundations and the nonprofit sector, religious institutions, community-based organizations, and local businesses in launching efforts to rebuild communities. If this Nation does not undertake community building and rebuilding right now, it runs the risk of losing hundreds of neighborhoods in dozens of urban areas. These locales will fall behind and face great difficulty rejoining the economic mainstream.

Under the leadership of Acting Deputy Secretary Dwight Robinson, we have become more responsive and a better partner in a number of ways. First, our concept of the Consolidated Plan abandons the maddening multiplicity of forms and documentation that had previously been required when applying for HUD assistance. Now, communities will submit a unified application—a “one-stop shop”—for numerous Federal programs. HUD is dropping its old top-down attitude toward grantees and beginning to act more as a collaborator on an equal footing with State and local governments and its other partners.

Second, using HUD-supplied software for new computer and information technologies, localities will inform their citizens about local initiatives and opportunities in an understandable format. HUD-supplied computer mapping capabilities will enable taxpayers to understand exactly how their dollars are being spent. HUD is also exploring ways to become more service oriented toward communities that seek assistance from a variety of Federal sources. As the only Federal agency that delivers programs through a nationwide network of local offices, HUD may be able to help coordinate resources from other Federal agencies.

Finally, we are working to extend “place-based” thinking and strategy beyond HUD. We are coordinating this effort with the Community Empowerment Board, which President Clinton established in 1993 under Vice President Gore, to encourage and support comprehensive community revitalization.<sup>2</sup> The Board consists of the heads of 15 Federal agencies with critical domestic responsibilities and offers a vehicle for persuading these agencies to move toward place-based policies.

The President's recently released National Urban Policy Report, *Empowerment: A New Covenant With America's Communities*, presents many promising ways to enable place-based strategies to take hold and indicates a more urban focus for the administration than it has had to date. These options include initiatives for job creation, private capital investment, and other approaches. We have put these ideas on the table; now it is up to Congress, the public, State and local governments, and the private sector to work with the administration to determine which strategies are best for a given locality or urban region.

## Additional Important Areas of Innovation

The legacy of the past 2½ years includes important actions in several other critical areas as well. I mention just a few examples here.

- **Native American Housing:** The first national assessment of Native American housing needs and programs, conducted recently by our Office of Policy Development and Research, dramatically documents that existing Federal housing programs on which Native Americans rely heavily have not met the special needs of their communities, where housing conditions are among the worst in the Nation. HUD has consolidated

its Native American programs into one office, which allows greater coordination of programs, more effective use of its expertise on Native American issues, and better communication with the sovereign nations of the Native American tribes.

- **Pension Funds:** HUD launched an innovative initiative to attract the immense financial assets of pension funds into investment in construction and rehabilitation of affordable rental housing. The initiative commits a stream of rent subsidies to projects developed with pension fund financing. This enhances the economic viability of the projects, making them attractive to Fannie Mae and Freddie Mac as well as to major pension funds.
- **Fair Housing:** HUD has assigned a higher priority to fair housing than was the case in previous years and now treats it as a critical priority of the Department. Homebuyers and renters are frequently treated unfairly in this country because of their skin color, family status (a single mother with children, for example), or other characteristics. This treatment is unfair and usually illegal. HUD has reached out to the real estate and mortgage industry and has signed an historic accord with the Mortgage Bankers Association that illustrates “best practices” in fair lending and has the potential to reform private-sector practices.
- **Mobility:** We are developing ways to help inner-city residents find housing where they want to live and jobs where they exist, which is often in the suburbs. We are supporting counseling centers for persons in Section 8 Assisted housing to enable them to find affordable housing throughout their metropolitan areas. And the Bridges-to-Work initiative, scheduled for demonstration in 1996, will test the feasibility of helping unemployed inner-city residents find and keep jobs in suburban areas where employment opportunities are expanding.
- **Community Development Corporation Capacity-Building:** In recent years, we have learned that community-based organizations offer enormous potential for rebuilding distressed neighborhoods. Over the past 2 decades, the primary source of innovation and renewal for inner-city neighborhoods has been the residents themselves. HUD’s role is to help build their capacity and support their efforts, and we have worked hard in this area. For example, we have committed \$20 million to the National Community Development Initiative, through which 10 major corporations and foundations have provided \$88 million to support the important work of community development organizations and boost neighborhood renewal in 23 central cities. This public-private partnership is expected to leverage \$660 million from other sources.

## Outlook: The Future of HUD

At the beginning of 1995, HUD’s name was on the list of targets for elimination by the newly elected 104th Congress. Because of thoughtful analysis by Members of Congress from both parties, and in some measure because of our reinvention plan, which struck a chord with many in Congress, the move to dismantle HUD was postponed. But proponents of elimination will be back; we will be hunted.

It would be unfortunate for the Nation if HUD were abolished. Communities in this country are the nurturing environment of families and local economies, and the grounding social fabric of our entire society. Communities need representation at the Cabinet level: forceful representation to help the President and Congress establish sensible priorities and make sound decisions that affect communities and their residents. The housing sector is

so huge—the largest slice of the Gross Domestic Product—that it justifies Cabinet status. Let us remember that housing construction has led every recovery since World War II and likely will continue to do so. Our task in the coming months is to make the case for HUD before Congress and the American public. It is a task critically important to the future of America's communities.

Congressional leadership has succeeded in pushing through a massive cut in HUD's budget: more than 20 percent in 1 year. No other Secretary has faced such a cut, and the potential consequences are very serious. Not only will HUD have less money to carry out its mission, but it will have to put aside whole elements of that mission that it will simply be unable to undertake.

In the last analysis, of course, it is up to the American people to decide what kind of national commitment to communities and cities they wish to make. After a lifetime in this field, I think the public should make a strong commitment to ensure that this Nation is a land of healthy, safe, and opportunity-filled communities. If America is not that kind of land, it may rapidly become another kind: a country of luxurious, protected enclaves for the rich surrounded by deteriorating urban regions inhabited by the poor. This is not a Nation that any American should want, nor is it one that would long endure.

## *Author*

*Henry G. Cisneros was nominated by President Clinton to serve as Secretary of Housing and Urban Development and assumed office on January 22, 1993. Secretary Cisneros received a B.A. and an M.A. in Urban and Regional Planning from Texas A&M, an M.A. in Public Administration from the John F. Kennedy School of Government at Harvard University, and a Doctorate in Public Administration from The George Washington University.*

## *Notes*

1. U.S. Department of Housing and Urban Development. March 1995. *HUD Reinvention: From Blueprint to Action*.
2. Presidential memorandum creating the Community Empowerment Board, September 9, 1993.