PROCEEDINGS
Tuesday, October 3, 2000

Beginning Time: 4:00 p.m.

INTRODUCTION BY SUSAN M. WACHTER

MS. WACHTER: Good afternoon. We are going to keep this session short. We'll have time for a reception. I absolutely promise you that we will be out of here before 5:00, perhaps substantially before so.

We have with us, nonetheless, a distinguished panel, beginning with -- please -- all the way to my left -- just raise your hand, so that it's clear -- also, I have hope we have the right names for the right people -- Robert Mitchell, who is president of the National Association of Homebuilders, the mover and shaker for the National Association of Homebuilders leadership on one million homes.

We also are very pleased to have with us the Honorable Michael R. Turner, mayor of Dayton. The mayor is a former homebuilder, and he exemplifies the partnership of mayors with the National Association of Homebuilders.

We also have with us Doug Porter, president of the Growth Management Institute. He directed research at ULI for 12 years and is currently a fellow of ULI, as well as being president of GMI.

We also have with us Professor David
Listokin of Rutgers University, who is also co-director of the Center for Urban Policy Research at Rutgers.

And, in addition, we have, from HUD, known to all of us, of course, beside Fred Eggers of my staff, Chief Economist Bill Apgar. So with that, let me begin very briefly with a short overview from HUD's perspective of the Million-Homes Initiative.

OVERVIEW BY SUSAN M. WACHTER

MS. WACHTER: Why are we involved? We care about cities, short and simple. Why is the National Association of Homebuilders involved? The National Association of Homebuilders recognizes that the way to supply the needed housing for America and not to continue the sprawling of America is to rebuild the center. So they have come to us under the leadership of President Mitchell With this is a principle, that they come to build America from the center out. And it is President Mitchell's personal commitment that led to this program.

In addition, HUD has community builders in all of the pilot cities. So it made -- it was natural for the mayors and for the National Association of Homebuilders to come to HUD to work together with them to rebuild cities in this initiative. HUD has, besides a special relationship with mayors, programs that link to new construction -- HOME, CDBG, HOPE-6, FHA.

All of this came to culmination on February 4th, 1999, with the announcement by Vice President Gore, Secretary Cuomo, then president of NAHB, Charles Ruma, and Mayor Kurt Schmoke of Baltimore, announcing the Million-Homes Partnership -- an additional 100,000 homes in the nation's cities over the next ten years.

How were the cities for the case study selected? HUD, National Association of Homebuilders, and the Conference of mayors looked at cities where mayors were active in the housing area, where there was a strong National Association of Homebuilders association and where the demographics would allow a strong housing market.
The secretary invited selected cities to voluntarily participate, to identify what they are doing and what they would do to remove barriers to increasing new-home production in the inner cities. Local National Association of Homebuilders associations were invited where there was a demonstrating willingness to work with the city to commit their expertise to the effort. Twenty cities responded. The National Association of Homebuilders, Conference of Mayors, and HUD recommended 17 pilot sites.

You will hear today from the National Association of Homebuilder president, Bob Mitchell, of the extent of their commitment and involvement. You will then hear from Dayton mayor, Michael Turner, of his pilot city's efforts in this area.

Then you will hear from PD&R economist, Fred Eggers, of our tracking effort, of the results. And you will then hear from the Conference of Mayors researcher, Doug Porter, on the interim results of the case studies and best practices. After that, we will hear from David Listokin on his research in the area of housing rehab. And we'll then take Q and A's -- and all the hard Q and A's will go to Bill, who's right here for this and -- to be followed by a short clip of three of the sites.

We now will -- I will turn briefly to Bill who was -- perhaps to add how this came to be.

COMMENTS BY WILLIAM C. APGAR

MR. APGAR: Well, as was my tradition at HUD, any good idea, I take full credit for. But really, this idea of bringing the mayors together with the builders to build their inner city as a good idea for urban revitalization, but also as Secretary Cuomo says, "to take the U-turn on the development highway and look back into our cities" -- obviously, taking some of the pressure off of the exurban fringe.

You know, builders are a relatively interesting bunch. You give them a plot of land that you can build on, and they like to build homes. They don't particularly care whether that plot of land is in the suburbs or in the city, as long as it's free and clear and ready to go, fully able to build.

This was very aptly demonstrated about six years, when I happened to be in Louisville. There, as a sort of precursor to the Million-Homes idea, the Louisville Housing Association -- homebuilders association, the mayor, Jerry Abram -- I got together, and they had done something that, at the time, was considered novel. Why not have our build-arama, our show of the best practices in homebuilding, make a stop in the inner city.
So the city teed up eight or ten lots. They let small builders come in. And guess what happened? I was there. Thousands of people came out, because clearly there was a market for homes in the inner city. It's just a question of demonstrating the type of housing that could be built, the kind of neighborhood amenities that could be present in an inner-city development.

And so since then, I've been keeping stories of that as I talk to builders around the country. And builder after builder is telling about what happens when you provide a suitable housing opportunity for folks in the city.

Not everyone wants to live in the "burbs," although many do, as Tony said, but if you give people housing choices, quality homes in the inner city, a lot of people will move there. That's happening in Detroit, Cincinnati, city after city, and we'll hear about that today.

So it's really exciting. We ought to acknowledge the role, again, of the U.S. Conference of Mayors. Jean Low, who's here, worked very hard on this, and the whole staff of the Conference of Mayors. And we'll hear from -- more of that perspective.

But the mayors can do their job helping tee up lots, helping make the city a desirable place to build in. And guess what'll happen? The builders will build. And if you build it, they'll come. And we're seeing that in city after city across the country.

So I think this is a really exciting program, and we're going to hear more about it from our other panelists.

MS. WACHTER: Thank you. Bill?
cities and their responsibility for attracting the
middle class back to the interior city, you going to
find that there's a lot that needs to be done.

One of our speakers at lunch today was
talking about -- you know, perhaps people moved away
from the city because they didn't want to be near
low-income populations or from -- the minorities.
And I think that sometimes that our own biases can
make those types of analysis a little too
simplistic.

For example, if you were given a map of
this room, and you saw only where people were
sitting, you would assume that perhaps there's some
really popular people who sat over here and maybe
some not-so-popular people over here, but you would
miss the fact that the doors are over here, and
that's why, probably, you guys were all sitting over
there.

(Laughter.)

MAYOR TURNER: And I think that's one of
the responsibilities that cities have is to not just
take the simple answers as to why people aren't
moving into our neighborhoods, but look at some of
the factors that we can change in addition to having
inventory available that impact our neighborhoods --
those issues and looking at things such as zoning
and transportation.

The neighborhoods of the late 1800s, early
1900s, that you find in most suburban America have
much of their streets connected to thoroughfares
where there's lots of cross traffic. Today, people
don't design neighborhoods that way. If you look at
going back into those neighborhoods and seeing how
you can retrofit them so that you can lessen the
amount of cut-through traffic, you can start to get
the environments that people are familiar with or
that are happy to return to.

Other issues that you see in urban America
is a lot of times, in not enforcing their zoning
codes and not doing it correctly, we put a lot of
undesirable uses in our neighborhoods. There are a
lot of industry that has encroached upon our
neighborhoods. There are issues of bars or adult
entertainment that are issues that need to also be
addressed in order to make the neighborhoods
attractive.

In looking at what we were doing to the
city. In the city of Dayton, one of the biggest
policy shifts that we had to make is that people had
to accept that market-rate housing was a public
purpose with which we could invest public funds and
tax dollars. When you're talking about development
in a city, you're talking largely about
redevelopment. And in doing redevelopment, you're
going to have issues -- such as land assembly,
demolition, and sometimes just lot preparation --
that are going to require some public assistance.

Now, subsidy for market-rate housing, I
think, has only been controversial in urban cities,
because suburban communities have been doing it for
a long time. Their investment and infrastructure
is, in fact, a sub-city that then attracts people to
come and build homes and to live in their area.
So once we got over that issue of how are
are we going -- that we are going to invest in
market-rate housing, we looked at it as a production
model, and what were the people that we need to get
involved with? Obviously, we needed a private-
public partnership.

We went to the Homebuilders Association.
They represented 98 percent of the production of
houses in our region, so we knew they knew how to do
it.

We went to our lenders, who were already
very much working with our builders in building
homes in the suburbs, to talk about what type of
products that they could design that would assist
the builders to build in the city and also for end-
buyers.

We also went to our realtors, because they
were the gatekeepers for a lot of people in their
introductions to communities. And we started a
realtors ambassador program that was based on their
continuing education credits where we introduced
them to our neighborhoods and the surrounding areas
and the amenities so that they could also assist us.

We went to our administrative policies for
the city, and we streamlined them. We had our
zoning, our building permits, and our inspection
services all in different departments. We combined
them so there was one person who was responsible.
We did that in conjunction with the Homebuilders
Association, so they could help us tailor a program
that would be most responsive to them.

Then in launching into trying to stimulate
market housing, basically the steps that we took
are, one, we had to establish a market. In many of
the neighborhoods, there had not been housing sales
of the prices that we needed in order to be able to
justify new-home construction and to be able to
bring builders in. So we went into neighborhoods,
and we would do an assessment -- what were the
blighting influences, what were the worst houses in
the neighborhoods -- and then we would do a rehab
project in conjunction with attracting new
construction.

Our rehab-arama project is one where we
would take about eight houses in a neighborhood,
have a home show. About 15,000 people would come.
And at the end of that, we would look for available lots in the neighborhood for in-fill construction. We looked at how we could amass our inventory. We looked for -- where are abandoned lots were. Where were pieces of land that had been left behind -- five acres or ten acres that were in our -- adjacent to established neighborhoods. And we also looked for vacant land that was within the city's boundaries that abutted our other suburbs.

And so we took four approaches, both rehab in order to establish the market, looking for in-fill sites and in-fill neighborhoods, and then, of course, looking for the creation of new neighborhoods.

The efforts that we have had with the community have really been very astounding. In 1993 to 1995, the city of Dayton built a total of 131 houses, total. In the period of 1997 to 1999, when we first began this initiative, we built 358 homes -- a 278 percent increase. Last year, we built 126; and this year, we've already broken 141 homes. This is very important, because, not only does it attract people into the city, it allows people in the city to move up, so we can retain our own residents, but it also attracts capital.

The amount of new-home construction in the city of Dayton in 1999 topped over $10 million in value, and that does not include the land. This year, we're expected to break over $20 million.

Some of the exciting projects that we've done -- one is the Hook Estate. There, we had a ten-acre spot where there was a large mansion that was dilapidated and abandoned. There were people who wanted to come in a tear it down and put multi-family housing.

The city acquired the site. We subdivided it so that the front yard of the mansion itself would be a site for building, and we built 12 building lots beside it. The mansion itself has sold for $825,000. There's a $1.2 million house being built in the front yard. And the houses of the 12 lots are selling between $300,000 and $450,000. Five years ago, you could not break $200,000 in housing values and sales in the city of Dayton.

Other projects that we've done are the Wright-Dunbar neighborhood, which abuts the national park from the Wright Brothers, and -- (inaudible). And there, we have gone in and done rehab and new construction. And the housing prices are landing between $150,000 and $200,000.

I think the most exciting dividend of all of this is that we've demonstrated that there is a market, so that homebuilders are now coming to us and asking us where is -- are the next available
land. But also, our business community has seen this as a model they want to replicate.

We have two institutions, the University of Dayton and Miami Valley Hospital, that had a neighborhood between them and have a lot of dilapidated structures and abandoned houses. And they have stepped forward with $6 million contributed to a project that will result in 40 houses being demolished, 15 rooming houses being eliminated, 30 houses renovated, 24 new homes to be constructed, and 14 owner-occupied houses will be rehabilitated with the owners in place. The City of Dayton is contributing $2.5 million to that, and, overall, it's going to be a $14.5 million project. If we had approached these anchors in our community previously and asked them to participate, they would have thought we would have not been successful, but this project has clearly shown that you can. Thank you.

(Applause.)

MS. WACHTER: We will now turn to Fred Eggers, who will tell you about our tracking efforts that we have put into place.

PRESENTATION BY FREDERICK J. EGGERS

MR. EGGERS: Good afternoon. You have a project as ambitious as the Million-Homes -- 100,000 new homes a year for ten years -- you need somebody to be a scorekeeper. And it's kind of evolved on HUD to be the scorekeeper. Now, this is not something that we took on just by ourselves. We worked with our partners, particularly with the homebuilders in how we're going about this. And what I've been asked to do today is to tell you about how we will keep score and to let you know, I think, that tracking is on track.

What we worked out in our discussion with the homebuilders is that probably the only feasible
way of keeping score is to use the data collected by
the Census Bureau on new permits issued. The Census
Bureau collects data from 19,000 permit-issuing
places. We were able -- HUD was able to identify
almost all central cities -- the permit-issuing
authority for almost all central cities. And we
also identified another 51 cities that are not
classified as central cities, but in 1990, they had
more than 100,000 people. And we thought that these
cities certainly deserved to be part of the universe
being tracked.

The next issue is how do you decide, you
know, what is additional, what's above and beyond
what you would have expected ordinarily. And there
are probably different ways of doing that. This is
-- to keep it simple, what we are doing is to go
back and look at the recent cycle, the period 1990
through 1998, and look at what happened, on average,
over that cycle and use that as the baseline.

Now, there are some limitations to what
we're doing. We're missing a few central cities.
There are a few places where there is not -- the
permit-issuing authority is larger than the central
city, and probably the biggest problem is that the
Census Bureau collects data on permits for new
construction. If you take a warehouse and
rehabilitate it and turn it into apartments or
condominiums, that's not picked up as a permit by
the Census Bureau, so we'll be missing those, and
we're looking for ways to kind of correct that
problem, but we haven't found one yet.

But this is the method we'll be using,
working with the homebuilders and, certainly, with
the Conference of Mayors. And we will be tracking
it year by year as we go along. Thank you.

(Applause.)

MS. WACHTER: We now will turn to Bob
Mitchell, National Association of Homebuilders
president.
MR. MITCHELL: Thank you, Susan. And I am pleased to be here, obviously very honored to be present for the National Association of Homebuilders. We're an organization of 204,000 member firms, so we represent about eight million workers in this country and about five percent of our gross domestic product.

I can also officially welcome you to Washington because I'm a native Washingtonian, born just a few blocks from the capitol when I -- was born and grew up in this area. And so the rebuilding of the cities or building back of the cities -- you know, especially here in Washington, is extremely important to me, but it's also important -- the in-fill housing subject -- is to all builders, because, quite honestly, homebuilders care. And I say that because that's the theme of a major celebration of our organization this year.

We formed the Homebuilders Care Initiative five years. This year, it is a special -- we're marking a special celebration, as I said. And, for example, if you were to pick today's newspaper, the USA Today, you will find a map of the United States in there, and there will be three stars -- two of three stars of various cities. And in that, will be what the homebuilders are doing to contribute to their communities. And these are projects that the homebuilders have been doing year after year for as long as you can remember.

But usually when we are talking about our next project, we're not called homebuilders, we're called greedy developers. And that's what Homebuilders Care is all about, and that's a point I really do want to make. If a builder doesn't care about his city -- he doesn't care about transportation, doesn't care about schools -- he's not caring about the basics to his business, and, therefore, it's not unusual, it's not unique -- and I know I speak for -- I'm, as I say, a builder in the Washington metropolitan area. I've been building here for 25 years. If anybody lives here and needs a house, give me a ring. But, in any event, I do know that what you have to care about, and I know what you have to be concerned about. And you'd better be involved in your city.

And this opportunity that we sought with HUD, which then -- we apparently were knocking on the front door or the back door, and the mayors were
at the other door, both of us saying, "Let's get started in the cities" -- made a lot of sense -- kind of interesting. The discussions began, as Bill Apgar knows, with Secretary Cuomo, and we're talking about building 100,000 homes. And Charlie Ruma, my predecessor, who is not known to be timid about any initiative, said, "Why not make it a million?" And when it became a million homes, that's when Vice President Gore decided he'd do the press conference. (Laughter.)

MR. MITCHELL: And he came to our building, as did Secretary Cuomo, and it was a great day for us and, I think, a great day for all of us to bring this together.

The housing -- and I'll make a little pitcher here -- a little ad, if I might -- we've got two documents -- or two booklets -- I don't know if you've seen them out on the table. One of them is our Smart Growth policy, and the other equally and, I guess, more applicable, is The Next Frontier: Building Homes in America's Cities." And I recommend them to you. If you haven't picked up a copy -- and there's -- I don't know if there's any more out there -- but if not, please drop a card on this front table, and we'll make sure we get it to you.

But our Smart Growth initiative, of which in-fill housing is extremely important, points out five major factors. And one of those is meeting the nation's housing needs. Well, obviously, that sounds rather simplistic, but a lot of our communities are not doing that. They're not planning ahead. We know how many children are born this year, how many deaths there are, how many children are in the 6th grade and the 12th grade. It's pretty easy to figure out what you're going to need in the way of housing to meet that population ten years down the road. And you should be planning that.

And the reason we have, for example, in Washington -- some of you, I know, are from Washington -- on WTOP, you hear "sprawl and crawl." Well, "sprawl" is what the current zoning regulations dictate. And "crawl" is what results from not building the infrastructure. And so that's one of the issues we have to deal with and why we're dealing with the edges and why the -- coming back into the cities makes a lot of sense.

We need to provide a lot of housing choices. Most people today would tell you they want the house in the suburbs with a yard. But then
of folks in my age category, who are empty-nesters, and a lot of those folks would just as soon live back in the inner suburbs or in the cities where we grew up if the housing options that provide you a quality of life are there. And, very honestly, the outdated zoning ordinance and development regulations and, really, the wills of the -- of those who are elected haven't been there to make that happen. So we need to provide those choices. We need to plan and fund the infrastructure improvements. I just mentioned a moment ago that haven't been happening. In a lot of instances, the infrastructure, when you go back to do the in-fill, is there, but it needs an awful lot of upgrading or replacement. And therefore, that needs to be addressed, and it hasn't always been. We need to use the land more efficiently. We need higher density and innovative land-use products. And I'll mention that again in a minute. And finally, the revitalization of older suburban and inner-city markets, which is what we're here to talk about today. All five of these principles apply. And whether it's innovative land use or planning or infrastructure improvements, each of these must be addressed. And the in-fill part of the housing program can do a lot to help the crunch on the envelope or the expansion of the envelope. And I'll talk about that for a just a moment. We have a Smart Growth in our state, Maryland. And Governor Glendenning has put forth that and really has made a -- pretty much of a nationwide campaign. We met with Governor Glendenning back in June, at approximately an hour-and-a-half-long conference in Annapolis. And I had some builders from Maryland, plus I had a national leadership there to talk to him about his Smart-Growth program. And we made the point to him that unless you get your message through to the local community leaders, we can't help you, we can't make this happen.

In our particular county -- Smart Growth -- in our state, Smart Growth says that the state will expend funds on designated areas -- designated by the county where they want priority funding, where they want development, where they want in-fill to occur. He no sooner had gotten that past the state legislature and our county passed a mansionization law that if you went back in to rebuild a house, a knock down -- or you were going to expand a house, it made it extremely difficult. That is not really working in line with the Smart Growth program.

They also tightened up considerably on the special exception regulations. Well, special exceptions are particularly important today if
you're going to build housing that's different than was there before. For an example, we built a large life-care facility for senior housing that has assisted -- or rather independent, assisted, and nursing all in the same building where people could live in their old neighborhood in a new home in a new lifestyle, and it was very popular. It has sold out. It has been sold out since we got it built, but we fought like crazy. And now they have tightened up the infrastructure.

So what I'm saying to you is the public-private partnership that was referred to by the -- by both of the earlier speakers is absolutely essential. The public elected and appointed officials have to understand that it is division of the city or the county or whatever -- the town -- to revitalize that city.

And what this program is all about is revitalization of cities. It's not an affordable housing program. Although affordable housing for low- and moderate-income people is very much a vital part of it, that is not the overriding purpose or vision. The program is to revitalize the cities, and we need to address some issues that will allow it to be -- allow us to move forward.

One of them I can tell you that I worked very hard on this year, and I'm disappointed that I haven't gotten any further -- I realize it's an election year -- but the brown-fields legislation. I was on Capitol Hill, and everybody I visited -- probably 50 congressmen and senators -- everybody thought the brown-fields legislation was absolutely a good idea, and we talked -- I even talked about -- with my folks in the Maryland suburbs about specific communities. Just think what we could do there.

But we haven't been able to move it along because of the infighting politics. Well, that -- at the national level, does not send the message down to the cities and to the counties. And that's where you absolutely need the difficulties -- and when I say that, I mean the difficult bureaucracies removed. And I know maybe you think, "Well, maybe what he's talking about is why it won't work." And that's not true at all. I can tell you that we, the builders, are very anxious and excited, particularly -- and most builders are natives of the town where they're building -- of doing something positive and leaving something in their city. And they will work hard at it, but they can't do it if the will and the fortitude of those who are elected -- and when the people start yelling "density -- we don't like density, and we don't like sprawl" -- well, make up your mind what you want. And we've got to have density if we're going to do in-fill projects.

I'll just give you a couple of examples
that I pushed forward in my county in the last few years. And we haven't gotten where I think we ought to be, but -- probably in your community you've noticed a lot of strip shopping centers being modernized, being brought up to date. And a lot of schools -- elementary schools being shut down for a year or two while they're being rebuilt.

Well, suppose those strip shopping centers were built four or five stories high. And over those stores were built housing for seniors for active adults where they could have their community above the stores? It becomes a small little community, almost like live-work units. Why couldn't that be done?

Elementary schools, why couldn't they be built four or five stories high and, with imaginative land planning, you would have entrance to single-parent apartments on one side and the school entrances on the other.

Innovative land planning gets your mind out from the codes that have held us back for a number of years. There's a lot of ways that we can deal with this, and what we're asking the mayors, we're asking the county councils, the town councils, whoever the bodies might be, is to please suspend any unnecessary, duplicative, and excessive regulatory barriers.

We've got a bill in Congress now that passed the House 418 to 7. I say "we" -- Congressman Lazio put it forward, but we've been very supportive of it. As I say, it passed the House by a huge margin. In an election year, we can't get it out of the Senate. And it even provides incentives for uniformed folks who work in the city to give them incentives to live in the cities.

So there's a lot of things that we need to be done, but I will tell you that with the kind of cooperation we've gotten from the mayors of the 16 or 17 pilot cities, out of all the cities in the country, that's the examples we need. I was just in Columbus, Georgia, about a week ago. Columbus is on the western border, right next to Alabama.

And I met with building officials -- our HBA, our homebuilders, and also officials of that city. And everyone of them took an immense pride in, number one, they had all put -- they had agreed years ago, as a coalition, to have a one-cent sales tax imposed upon them. And they've raised three-quarters of a billion dollars in the last ten years.

And they showed me a demonstration plant for treating combined sewage flow, both storm drain and sanitary together, and showed me some Homebuilder Care projects they had done, and a river walk. And the city -- everybody I talked to -- took
great pride in this public-private partnership. So there are some wonderful examples. In the booklet, I pointed out to you, Pittsburg, Cincinatti, certainly Dayton -- up in New York, around the Buffalo area -- but throughout the country there are many examples.

We'd like to talk to you more about them, and obviously the time is short today, but I would urge you to keep in mind that we need everybody's support to make this program work. I call it "BAMITY," which is B-A-M-I-T-Y, which means "build a million in ten years." Everybody has to come up with an acronym in Washington. But it's really the Million-Home initiative. We call it that at NHB.

But if we're going to build a million more than we would have built in the next ten years, then the major obstacle we have to overcome is the barriers to going back in the cities and the creativity that we need to do this. And we can do it. Thank you.

(Applause.)

MS. WACHTER: Thank you, Bob. You can tell how much he cares. And we really are grateful for that.

We are now going to turn to David Listokin, who's going to talk about his research on overcoming barriers to housing rehab in cities. And perhaps he will mention our Growing Smart, which is research that we are doing in PD&R to revitalize codes to make it easier to build in cities.

PRESENTATION BY DAVID LISTOKIN

MR. LISTOKIN: Thank you. I'll keep my remarks brief. We've recently been doing work on housing rehab, and I'd like to use that as a point of departure to comment on the in-fill new construction that's been commented on the Million-Home initiative.

I'd like to start by examining the relative composition of construction in cities, between rehab and new construction. Echoing Fred's comments, it's very hard to measure, but if you looked -- in 1990 to 1994 -- and if you looked at the composition of residential construction, it was overwhelmingly rehab in many cities. It was 60 to 80 percent in Cleveland, Baltimore, and a number of other jurisdictions. It was 50 to 60 percent -- again, this is the rehab comprising 50 to 60 percent of the value of residential construction in Detroit, Philadelphia, San Francisco, and Washington, D.C.

So what you have is that in cities -- at least traditionally, are rehab-dominated, and that really limited consumer choice. And I think one of the important accomplishments of the Million-Home
initiative is this broadening of consumer choice, so that if I want new housing, I'm not just limited to
suburbs and exurbia, but I can go, at least in modest numbers, to cities, as well.

Now, the good news, when you're looking at in-fill, is that it's a lot easier in many instances, relative to rehab. You don't have to deal with lead paint. You don't have to deal with asbestos. Rent control isn't an issue. Trades is less of a problem. You have a full economy. It's hard to get people to do new construction. It's harder when you're doing retrofitting, as opposed to new construction. And so, again, that's further good news.

The challenging news is that many of the constraints to doing the rehab you also confront when you're doing in-fill, as well. And I'd like to just touch on three areas -- acquiring properties, land-use, and financing. And good progress is being made to address those challenges.

So if you're doing rehab, one of the first problems you run into is to acquire a property. Well, when you're doing in-fill, one of the problems you run into is acquiring a parcel. You can't identify who the owner is. The owner may or may not be willing to sell, may not be willing to sell at a reasonable price, especially given the presence of back taxes and charges and the like.

Well, their are best practices being done to address those hurdles. Cities are reducing the amount of time it takes to do tax foreclosure. You have redevelopment authorities assembling parcels and writing down the cost of that acquisition. I mean, frankly, that was the one thing urban renewal did very well, and we can use that to good stead currently with respect to in-fill. There's also a writing down with respect to infrastructure costs.

And so again, we have a parallel problem, but we have some good progress being made with respect to in-fill.

A second problem area that crosses both rehab and in-fill concerns land-use. When you're doing rehab, you have various land-use issues. The same thing is true when you're doing in-fill. You may not have a high enough density. You may not have the zoning for multi-family, which, after all, is the way we provide affordable housing -- or at least the way we traditionally did them. You may have limitations on mixed-use.

Well, the good news is that we're beginning, at least in selected instances, to address those barriers -- increasing density for single-family detached, allowing multi-family, allowing mixed-use.
There are still some challenges in this area. We have to reform building codes. We have to reform subdivision measures. We have to reform how historic designation and controls affect in-fill new construction, because we're going to have new construction in historic areas. But you have these problems, but good progress being made to address those challenges.

A third area deals with financing and affordability. It crosses both the rehab and in-fill. The solutions are the same. You take every subsidy that's not nailed down -- block grants, HOME monies, HOPE-6 monies, affordable-housing program monies from the federal home loan bank. You use monies from local housing trust funds. You tap resources from state housing finance agencies. You couple that with affordable mortgages from FHA and the GSEs. Again, good progress being made.

There are lingering challenges in financing. I think there's more rhetoric with respect to extending financing in urban mixed-use than in reality, even though we're beginning to work on that. There are problems of appraisal. When you're doing a rehab, the appraisals often come in under what the cost is. You have similar issues with respect to in-fill, even though we're working on it, problems with closing costs. In many cities -- Philadelphia is one -- closing costs are very high. It's ten percent in Philadelphia. It's 20 percent of the acquisition price in Rochester. And it's an issue, but we're beginning to work on it in order to deliver the in-fill new construction.

Now, I'd like to conclude with just some general observations. I think the Million-Home initiative has good timing. I mean, when you go back to urban renewal, urban renewal had terrible timing. It came forth in the '50s and '60s. Immigration had been curbed back in the '20s. The '50s and '60s was the era when baby-boomers were being born. Now the demographic cycle has changed. Immigration is up, the baby-boomers are aging. So again, the timing is much more supportive for in-fill and urban renewal.

The numbers are doable. A million homes is a challenge, but it is a doable number over ten years. I mean, that stands in contrast to whatever -- six million subsidized housing goal of Kaiser and Douglas. You couldn't do that. A million homes is achievable.

Let me just conclude with two thoughts. While it's important that we're adding new construction to the rehab emphasis in cities, we have to, of course, recall that there's a continuum of responses here, that you're going to be delivering cosmetic rehab at whatever -- $40,000 a
unit; the gut rehab, at $80,000 a unit; new
construction at whatever — $120,000 a unit and
above. So we have to look at that continuum of
responses.

Lastly, I think the million-home goal will
be achieved, but we also have to keep in mind the
sustain-ability. It’s easier to get people in
houses than to keep them there successfully. And to
do that, we have to tackle the big challenges of
public safety, education, and taxation. Thank you.

(Applause.)

MS. WACHTER: Our last speaker will now
talk about the transfer of knowledge as part of what
we're about here. So we turn to Doug Porter, who
will give us interim results of case studies and
best practices.

And while he's coming up, I just want to
note that in your binder, you have David Listokin's
research, as well as Doug Porter's.

PRESENTATION BY DOUGLAS R. PORTER

MR. PORTER: Thank you, Susan. I do want
to point you to the -- I only have less than five
minutes, and I have 57 programs to tell you about.
I think we'll do without that. That's five seconds
a piece. I propose not to do that. I propose to
have you do your homework and look at the tables
that I've put on the tables there for you.

The first table, Table 1, summarizes what
we found out in our survey of six cities and the
kinds of programs that they were undertaking that
fit into the Million-Homes initiative. And you will
see -- Chicago, Cincinnati, Houston, Sacramento, San Antonio, and Seattle as the places we chose to look at -- you will see there the range of things they're doing.

In each place, we found really imaginative kinds of programs. We found very enthusiastic people involved in those. We found partnerships between builders and the local city agencies and a whole set of really interesting ideas about how cities can go about producing these million homes.

And that, in fact, was our commission from the U.S. Conference of Mayors, was to try to identify what was going on out there and describe those practices. We also were asked to look at particular practices in six additional cities -- and you will see that on the second page of that first table -- that looked to us like they were interesting explorations -- somewhat different than those other cities, where we looked comprehensively at what they did. And so we have Baltimore, Columbus, Dayton, Denver, St. Louis, and Tampa there.

I don't know how we did this, but we ended up with three Ohio cities all together out of the 12 cities we looked at. That says something about Ohio, I think. That's probably good.

The second table, the last table, is the one that I really want to call your attention to, because what we did here was to sort these kinds of programs out by seven categories of activities. And these really sort of tell you the kind of thing that is going on.

It's already been mentioned that city assemblage of sites for housing is one of the most important things that can be done -- from tax-delinquent properties, abandoned houses, and so forth -- producing these housing sites. And I would only point out that -- as one example, the first one.

there, the Chicago home-start program -- where Chicago really has taken an entrepreneurial approach to delivering these sites -- actually owning the land, owning the development, financing the development, and managing it with a developer -- for-fee developer involved -- but nevertheless, keeping control over that project until it's ready to sell. That's entrepreneurial, with a capital E, I think.

The second set of things is a city-assistance and development, financing and tax reductions. We certainly know a lot about those from other programs that have been going on for years and years. Here, I think one of the interesting things is Baltimore's tax abatement program and Maryland's gap-financing program, all oriented to converting Class-B office buildings in
downtown areas.

You may know, if anybody -- if you're around here, that Baltimore has probably an excess of older office buildings, some of them historical. And this is a chance to convert them to housing, either for sale or rental, which has been very successful. There are a number of projects underway already, and about eight or nine more, and they're even talking about having almost used up the stock that they have available at this point.

City reduction of infrastructure cost -- David Listokin mentioned that as an important factor in all of these things. There's certainly waivers of fees, certainly city infrastructure programs that are oriented to helping new housing get off the ground. And I would mention the -- in specific, the two Texas cities, Houston and San Antonio, which have something called a tax-increment reimbursement zone in which developers who go in to build housing and front-end the cost of public infrastructure -- that is, improving, upgrading the infrastructure that is there already, in some cases replacing it -- are then reimbursed through a TIF formula over time. An interesting idea which seems to be popular in Texas and maybe should be popular elsewhere, as well.

Mayoral summits and housing agency reorganizations is very much part of the game. Many of the cities we looked at -- in fact, I would say most of them -- the mayors were out front in seeing in-town housing -- many times downtown-focused housing -- but nevertheless in-town housing as a real opportunity for making the city come alive.

And there were many places where the mayors had put together summit meetings, sometimes extended over time, to awaken people's interest in in-city housing, to awaken builder's interest in in-city housing, and to also pave the way for getting projects built beyond the NIMBYist kinds of opposition you might expect in some cases.

Educational and information campaigns sort of ride right along with the mayor's interest. Nevertheless, they've been very important in bringing the word to people about the kinds of opportunities -- housing opportunities that might be available.

And there, I would point out, in particular, I find interesting that Cincinnati home ownership partnership, which has put together a Web site which is extensive -- provides extensive information in each of 51 neighborhoods throughout Cincinnati. They have published a lot of that information in a neighborhood guide book. They have a training program for real estate agents, which is called Real Estate Ambassadors, to show them these
neighborhoods and show them why they should be pushing for their own business in those neighborhoods. And altogether a reaching out to the community about the possibilities of in-city housing.

Regulatory relief is very much something that, of course, the builders have been interested in from the beginning. This is -- and in all of the cities -- there's been some movement to try to simplify the usually over-complex sets of regulations, to try to provide ways for builders to move through the system expeditiously. And there are a variety of ways that have done that.

Chicago is permitting self-certification of pre-approved designs. If you've got a design approved for housing, and you want to do it again somewhere else, you can self-certify that it's going to be workable. In Houston, the builders association actually put together a white paper of a whole set -- I don't know -- of 22, 24 recommendations about things that they would like to see done to remove obstacles to building in the city of Houston. And many of those have been followed up with already in the brief years since they finished that white paper.

Neighborhood conservation is something that -- I've listed three here -- but all of the communities are doing, in one way or another. And I only mention it to say that all of these cities have -- or most of the cities, I guess I should say -- have really understood that many of their housing efforts have to be targeted at certain neighborhoods that really show a lot of promise and are willing to work with them and are willing collaborate to push the program along. And so they have tended to focus on 10, 12, 15, 20 neighborhoods as places in which they could really make things happen and put the properties together, the sites together, and target their spending to those areas.

That's what I have to say to you, and now you have to memorize all of this for a test in ten minutes.

(Appause.)

MS. WACHTER: Thank you, Doug. Do we have any Qs and As? If not, we will go directly to a short film clip on the program of three of the sites -- a program in Baltimore, Dayton, and Houston. Are there any questions for -- Yes?

VOICE: It seems regional planning has taken a back seat -- (inaudible, off mike) --

MS. WACHTER: Mayor, would you like to respond?

MAYOR TURNER: Well, again, when I was speaking about the issues that cities look at, and
really what are our responsibilities for stimulating market-rate housing with the cities, those really aren't issues that we need suburban cooperation for.

Our projects have shown that if we go into a neighborhood and we manage the project -- we do land assembly, we clean up the neighborhood -- that people will move in, and that they will acquire the houses, and that it will bring a revitalization of the neighborhood -- crime goes down, values go up, commercial services follow them. And yet we remain with very diverse -- economically diverse neighborhoods.

And so in that we really -- that is an effort that we have to make on our own in looking into our neighborhoods.

Now, issues of dispersal of low-income housing and then being willing to accept housing that would allow for dispersal, of course continues to be an issue. And it is one that we do not have a lot of suburban cooperation on, even though our regional planning organization has in it policy objectives that have been adopted by everyone that there would be dispersal. When it actually comes to planning commissions, zoning commissions and the city councils voting, you have an array of issues that result in, usually, blockage of those type of projects.

Our goal was to try to grow our population, not really displace the population that we have, and attract people back to the city. We're -- our goal is to build 2500 housing units -- single-family housing units by the year 2003 -- the average household, about three persons per household, to put us on our way of growing up an initial 10,000 people in the city.

MS. WACHTER: Thank you. Bill, did you want to add?

MR. APGAR: I would just turn around and talk to Gene, because he will tell you some ideas coming out of the Conference of Mayors. Some of the regional cooperations come from local governments understanding that if collectively they don't deal with the problems, they will all suffer.

The Treasure Valley partnership that Mayor Coles, in Boise, Ohio, is -- they got together -- they held up in a room -- "they" being eight or ten municipal officials that covered this beautiful valley that they could see the growth ruining it. That was ruining it for the people of the city and the outlying jurisdictions. And they signed a compact. There was no federal requirements, but they signed a mutual pact to do some stuff together, and they have done wonders.

Obviously, the federal government can encourage -- and we have been working on providing
some positive carrots for coordinated regional planning. Our regional connections program, as you know, has been something we have been pushing on the Hill.

But the other thing, of course, is just to recognize that these regions are economic regions. And everybody has a stake in the value of the economy. I mean, again, the Conference of Mayors tried to make that point in some work they did which pointed out that the Washington metropolitan area is, like bigger than Spain, or whatever it was -- I mean, it's a major force. And the folks in the city, and the folks in the suburbs are linked by the health of that broad region, in terms of the quality of jobs, the range of jobs.

And so leaders across the country are coming together at the regional level to say, "Hey, if we're going to be competitive in the world economy, we may have to put some of these differences apart."

A particular example is Mayor Archer in Detroit, who said we can sort of watch over the decline of the industry in the Detroit region, or we can collectively, city and suburbs, build an economy for the region that benefits both cities and suburbs.

So there are some examples where, out of mutual self-interest, people are pushing beyond these boundaries.

MS. WACHTER: And often this comes around -- oh, go ahead. Yes?

MR. LISTOKIN: You're seeing the regional planning coordination in ways that were less obvious than in the past. You may not have, like, 895 clearing houses, but you have metropolitan planning organizations with TEA-21. I mean, the -- where you had growth management -- I mean, that -- in effect, states saying, you know, these are 12 goals, you know --

MS. WACHTER: David, I'm going to have to cut us off, because this is really another topic which we could spend, profitably, another hour on. Suffice it to say that Gene has publication on this. I'm sure you can get it on the Conference of Mayors.

There are 20 or 30 or so best-practice functional regionalism -- but the wonderful thing is, this is self-help. City mayors can do this on their own.

Unless there are key questions on the Million-Homes -- because I promised 5:00 o'clock, then -- question?

VOICE: I do have a question. Was there any inner-city opposition as to where developments occur? I think one thing that happens is that -- my granddad told me, "Always bring your fattest pig to the fair," and second, "the squeaky wheel may not
always get the grease."

So sometimes mayors have particular parts of their jurisdiction that are primed for development. I'm curious as if there have been, you know, neighborhood groups as to where that development doesn't occur.

MS. WACHTER: So NIMBYism in the city, stopping the redeveloping of the city. Mayor?

MAYOR TURNER: I'm sorry, I thought he was asking have we targeted --

MS. WACHTER: Are you asking about NIMBYism in the city?

VOICE: Well, in the city -- there's only so many places you can build within that city. So in Dayton, the places you have built, has there been an outcry in the areas of the city where that development did not occur?

MAYOR TURNER: Actually, we broke up the city into three different circles -- what we called urban mature, urban eclectic, and then suburban. The suburban, obviously, we manage differently. We looked into the almost traditional suburban model of pushing infrastructure in those areas to stimulate homebuilding, which is happening.

The urban mature is the area right around downtown in a circular -- all the neighborhoods were in a similar condition. They were not necessarily in similar economic condition and, certainly, their makeup was different. But we focused on the inner ring, and we have been jumping around that ring.

And right now, there is not a neighborhood that's in the center ring that does not have a multi-mullion dollar housing project that is ongoing or has been launched for single-family rehab and new construction.

So although initially, when we did our first neighborhood, there was concerns that people were not going to be able to enjoy this throughout the city. The -- and, by the way, this is my seventh year as being mayor, so it's -- we've had time to get around the city. The -- by showing that it worked, we were able to sustain it, and we will -- we are going all around downtown.

MS. WACHTER: Thank you. Okay. Oh, look. We do have insistent -- more questions. Go ahead.

VOICE: Just a quick question and a comment. In terms of how you account for the success of this, I think the idea of having a baseline and looking at the growth makes sense, because cities are more attractive, there's more homes being built and renovated, and this -- and you should take credit for all of that -- but, in addition to the aggregate numbers, I'm just wondering if, in terms of what Doug Porter just presented and what Mayor Turner just presented,
there are specific things going on in different
cities.

MS. WACHTER: Let me answer that directly
We will have permits city by city, so you will be
able to link it to the programs in the city and then
be able to go to the city and say, "Where are these
being -- where are the permits being issued?" So
you will be able to actually track it by city.

VOICE: Is there a mechanism put in place
-- if not, I recommend it through this great
coalition -- for the cities to report in documenting
all the projects that are being done that they're
assisting, so you get both the aggregate numbers and
the actual specific initiative along the lines of
what Doug has done.

MS. WACHTER: Doug, do you respond on your
effort?

MR. PORTER: In the program that would
provide a regular tracking --

VOICE: What I'm saying is -- Fred
described what we've got. What I'm suggesting is
someone like, you know, myself -- (inaudible, off
mike) -- talking about economic development in
Washington, D.C. -- I think it would be great for
the cities to be able to report in and say, "We've
got these, you know, 237 homes to be built in these
locations which we have assisted, through these
various initiatives," like Mayor Turner described
and have that data available. And if you don't
already have that in place, I would recommend it.

MR. PORTER: Do you mean instead of paying
consultants like me to go out and find it?

(Laughter.)

VOICE: However you get it.

MS. WACHTER: We do also have a separate
objective base that we are going for. Thank you
very much. We are now going to see a film clip.

(A film clip was shown.)

MS. WACHTER: I want to thank our
panelists for their work today and for all their
good work. I don't want to leave this conference
without briefly thanking -- no conference like this
happens without a lot of effort from a lot of staff.
I just want to recognize -- if we could bring up the
lights for a moment -- some of the people just
standing around in the corners -- but I would like
to put the light on for a moment.

Leo Penny -- please put your hand up -- I
want to thank Leo; Adam Meyer, are you here please;
Kathy O'Leary, are you here; and Donna Abbenante --
are you here, Donna; Ruth Roman, from Bill's shop.
And you all -- (inaudible) -- and you all have
worked exceedingly hard.

It was all about partnerships. This is --
a Million-Homes is a partnership which is
extraordinarily important for our nation. It's all about opportunity and rebuilding communities. We also have a partnership at PD&R with the research community and practitioners.

And be sure to pick up our pamphlet out there to learn about other ways of joining with our efforts. And, once again, thank you for being with us.

(Appause.)

(Whereupon, the proceedings were adjourned at 5:15 p.m.)