MS. WACHTER: Good afternoon. Welcome to all of you. We need to hear your voices, not just right now but throughout our deliberations. That's the purpose of this gathering. The purpose of this gathering is to engage us all in a dialogue. You have heard from our Commissioner Bill Appgar of some of the important undertakings that we are about at HUD. You'll hear more about them. But what's most critical is that we engage together in discussing what we are about, some of our new initiatives, some of the things that are in the process of being developed and getting your ideas.

I am going to shortly introduce our first panel. But I would like to begin by sharing with you brief comments on why I believe this gathering is important and timely.

Recently, we issued the National Urban Report to the President. It looks like this and it's outside. It's also on the web, "The State of the Nations Cities 2000". We identified several major trends in this policy statement. And I will focus briefly on two of them. One, the resurgence of cities. This remarkable economy, unprecedented economic prosperity, has fueled the resurgence of cities. It has also been the basis of a new housing economy.

We have an unprecedented four years in succession of housing prices exceeding inflation. Real housing prices and rents in real dollars are at all-time highs, not only in hot markets but on average in the aggregate for the nation as a whole. This is true for low
income, middle and high-end as well.
This is true for cities. This is true for
suburbs. Indeed, for the first time since we have tracked
these trends, rents and prices in cities have gone up
closer than in suburbs. Although suburban prices and
rents still are higher.
This is both a bad news and a good news story.
Of course, the unprecedented economic prosperity is good
news. But the irony that Secretary Cuomo points to is
real. This prosperity has fueled housing price increases
and an affordable housing crisis. We have a decline in
affordable housing stock relative to the need. And we
have increasing issues of access to affordable, safe and
decent housing.
And we believe, based on these long-term shifts,
new housing economy, revitalization of cities, that our
nation's need for access to safe, decent, and affordable
housing is not going to go away. In fact, we believe that
these issues are going to become ever more important,
increasingly important in the setting of national policy
priorities.
Thus, we need your help in addressing these
issues. We need the engagement of housing practitioners
and researchers in formulating policy responses. This
will require an enhanced dialogue among practitioners,
researchers, academics, in the policy community. We hope
this conference will promote such a dialogue.
You have heard about some of our important new
initiatives from our Commissioner Bill Apgar. You have
heard about REAC, the Real Estate Assessment Center, which
allows newly for the first time for us to identify where
our HUD assisted projects are and therefore to hold owners
accountable.
You will hear shortly in the next panel about
the important reforms that Bill Apgar has put into place.
I know him as an academic and I have worked with him as an
academic. But I have to say he's one of the best managers
we have at HUD in putting these important reforms in place
to bring back FHA.
And indeed, bringing back is literal. Because
FHA was on the chopping block as was HUD as a whole. We
needed to reform FHA and HUD in order to be thinking about
the broader policy issues.
And we did. One of the amazing things that I
think amazed me and probably many of the people in this
room was that the Secretary and Bill Apgar were able to
raise loan limits on FHA at a time when the very, very
viability of FHA was in question. But now we have an all-
time record recovery with returns to the Treasury far in
excess of what we've ever had before from FHA.
You will hear about other new important
initiatives tomorrow. The reform of our fair market
rents. New home ownership vouchers, and new supply
oriented proposals. And you will hear at the last session
tomorrow the focus of building market rate housing in our
cities.
In all these areas, we need to engage you in a
dialogue to help in emerging new policies. Also, under my
direction PD&R have undertaken a new look at the
formulation of a research agenda to increase our
understanding of these long-term trends.
We have important new major research projects
underway which you'll hear about briefly tomorrow as such
policy research initiatives as Moving to Opportunity, Jobs
Plus and similar research projects of national importance
to the formulation of policy.
Similar in ways to the studies that originally
HUD did, the experimental housing allowance program, the
discrimination studies, which are familiar to many of you
in the room, and which many of you participated in. Well,
we need your participation in these new long-term research
studies.
In addition to that, and you will hear this
tomorrow morning, we want you to be aware of our reaching
out to you with access to data. And the data will be
supplied in an amazing new initiative that will provide
online, web enabled, Internet supplied data that will be
spatially enabled that you will be able to experiment
with, do analysis with, including regression analysis, by
downloading all of the data. So you will have access to
not only data on housing and urban trends, but also HUD
programs, by disaggregated spacial maps to the lowest
level of aggregation possible.
We will be inviting you to join as beta testers
of this new software application tomorrow morning. So we
will today and tomorrow be asking you to engage with us on
a high level of housing formulation on the level of how
you can go forward and help us with our research efforts
and today help inform each other, us as well as the
participants, here today and tomorrow and the important
policymakers who are here with us in the room, not just
the HUD folks.
We began this with our very distinguished
panelists this afternoon. Our panelists are all leaders
in the housing research community and activist community.
I am sure that you do not need an introduction to this
crowd, but please allow me the pleasure to introduce these
folks briefly.
Let me first introduce Phil Clay of MIT. Phil
is Professor of City Planning at MIT, one of the leading
planning programs in the country, and he's also Associate
Provost. He is a prominent figure in developing national
preservation policy.
Currently, Phil has two national research
focuses. One on building the capacity of community based
organizations and affordable housing production and
delivery, and also on comprehensive community initiatives
such as HOPE-6.
Our second panelist is Peter Dreier, the EP Clap
Distinguished Professor of Politics at Occidental College
in Los Angeles, California. Peter is also Director of the University's Public Policy program. Peter is known nationally for his work on the politics of housing policy and he's currently working on a book on urban politics and policy, rethinking the urban agenda.

Our third panelist, Hattie Dorsey, is a prominent leader in the community development movement. Hattie is President and CEO of the Atlanta Neighborhood Development Partnership. This organization under Hattie's leadership has become a national model for funding and supporting nonprofit development activity. Hattie has thought through the issues of community development on the ground, real-time. And she will be bringing this perspective to us today.

Finally, let me introduce our afternoon's keynote speaker Michael Schill. Michael is a Professor of law and urban planning and the Director of the Center for Real Estate and Urban Policy at the New York University School of Law. Michael is a leading researcher and writer on housing policy issues. His writings include "Housing and Community Development in New York City: Facing the Future", "Assessing the Role of Community Development Corporation in Inner City Economic Local Development" and "Local Enforcement of Laws Prohibiting Discrimination in Housing". Currently, his research focuses on fair housing and land use regulation.

Before we began with Michael, I just want to tell you you all have binders which I think is remarkable on how many people were able to get us our papers. However, I do want to let you know that there were a few other papers that we were not able to get in time to include in the binder. We will try to make them available to you tomorrow. But they also will be available on the web and in the forthcoming volume. With that, I would like to start with our initial speaker, Michael Schill. Thank you.

MR. SCHILL: Thank you, Susan. This conference today provides us with a wonderful and timely opportunity to discuss and perhaps rethink the future direction of housing policy in the United States as well as what the appropriate federal role should be in creating and in implementing that policy.

We have made tremendous strides in reforming housing policy in recent years. And now is a particularly good time for us to sit back and take stock.

The next administration will find itself in quite a different policy environment than the current one did in 1993. Rather than facing enormous budget deficits and the need to cut or abolish programs, the budget will be in surplus with some limited opportunity to experiment with new spending initiatives.

The economy as we all know is booming today and the economies of most cities are better than they've been in several years. Poverty rates have declined. Rates of welfare receipt have also gone down.
HUD, together with states and localities, has begun and made progress towards the process of correcting an accumulation of mistakes that were made over the past 50 years, particularly with respect to the public housing program.

And then within the housing community - and this is one of the things that I find most remarkable - within the housing community, less divides us today than in the past. Remarkable consensus exists today between the right, between the left, center, all groups, about many of the issues that used to be most controversial and that used to divide us.

Now, over the next 15 minutes or so, I'm going to discuss seven principles - seven is not a magical number. Seven is just the number that I came up with - that I believe should guide federal housing policy as we begin the new millennium.

These principles are a work in progress. Hopefully, by the end of the conference, I will be able to listen and steal some of your ideas and maybe have an eighth or ninth principal along the way.

Now, the first principal that I think should guide housing policy is that housing policy must be linked to other social policies. We have made significant progress in recent years in breaking through the parochialism of housing policy, and if you will, returning it to its roots.

As many of you have eloquently written yourselves, modern housing policy had its origins in concerns that weren't focused on housing per se. Instead, the tenement housing acts enacted by New York City in the last half of the 19th century were premised on the impact that housing had on people. Decent housing was seen as a prerequisite to public health, morals and crime control.

This emphasis on housing as a tool to human benefits and not just bricks and mortar is resurgent today. It exists in policy initiative after policy initiative. Investing in housing can be a method to create order out of disorder, to combat crime and to create neighborhood stability.

In the city in which I live, New York, many people believe that the crime rate did not fall solely due to the fact that we instituted some wonderful new policing strategy. Instead, the $5 billion invested in housing of the city's own money, over three mayoral administrations, quite literally rebuilt entire neighborhoods. If you doubt this, come to New York. Come see the South Bronx. Come see Central Harlem. You will find it difficult to believe the changes.

Abandoned housing that was once generating negative externalities that hurt neighborhoods, that once was the breeding ground for crime, is now the opposite. It is attracting people. It is attracting investment.

In much the same way, housing is also an economic and a community development tool. The
repopulation of inner city neighborhoods made possible

with new housing development and gut renovation programs
provides jobs for neighborhood residents. And also a
customer base for new retail and service sector jobs.
You go through many of the most distressed
neighborhoods in New York, what used to be the most
distressed neighborhoods, those areas now are areas of
tremendous commercial vitality. The stores are crowded.
The streets are crowded. There's a sense of activity.
And one of the reasons for that is housing policy.
Housing policy can also be a catalyst for
community organization and stability. Community-based
housing has provided the means through which neighborhood
residents have been able to take an active role in their
communities. They have recreated the type of institutions
that crumble with the flight of the middle class.

Home ownership growth in the inner city, fueled
by working and middle class home ownership subsidies and
by the increase in lending which has been phenomenal to
low and moderate-income families, generated by the
Community Reinvestment Act, as well as by the GSE
requirements, have created a stable population who vote,
who join PTAs, who participate in community affairs, and
who want to protect their investments in their homes and
neighborhoods.

Indeed, home ownership programs themselves are
increasingly seen not just as a way to house people, not
just as a community development strategy, but also as a
mechanism to build individual wealth and assets among the
poor and the working class.

Housing policy can also be a tool to develop
human capital and promote economic mobility. Housing,
because it is tied to location, in many ways can determine
a person's economic, educational and social opportunities.
Nowhere is this more important, and nowhere are the
challenges more crucial, than in the area of welfare
reform.

As households reach the five-year limits on
assistance, housing assistance can provide a way for them
to gain access to jobs. Welfare-to-work vouchers show
much promise for helping inner city families to move to
areas of greater economic opportunity. Although they have
not yet been fully evaluated, other programs, such as
Family Self-Sufficiency and Jobs Plus, those initiatives
are welcome additions to the federal anti-poverty effort.

Now, perhaps more importantly, housing
assistance can also provide a way for children to grow up
in nurturing environments. Results from the Detroit
program suggested that kids who grew up in the suburbs had
improved educational outcomes.

More recent results, early results, from the
phenomenal program Moving to Opportunity demonstrate that
children in low poverty neighborhoods experienced a
reduced incidence of crime, misbehavior and health problems. And results are still due in. We're only in I think year four or five of that. And we have a ten-year program to evaluate.

Well, principal—that was a long principal number one. The other ones will be shorter. Principal number two is that housing policy must fix the mistakes of the past and must also do no harm in the future. Although there have been some successes, the history of American housing policy has also had more than its share of failures.

In many cities, the public housing program has become a caricature of all that people feared most in central cities, hulking, non-contextual towers, bad repair, physical dilapidation, concentrations of the most economically marginal people in the metropolitan area, high crime rates, racial segregation. I could go on and on. Some of these problems were caused by the structure of the program, by the absence of federal oversight, by unethical, racist, and sometimes illegal activities of local agencies.

Now, Section 8 project based housing, while in somewhat better shape on the whole than public housing, still has its own issues, ranging from the fiscal solvency problems to the scandals of the 1980s. The federal government, as well as states and cities, have an obligation to remediate the failures of the past. We're currently seeing tremendous progress in the public housing program.

The 1998 housing legislation enacted rules to de-concentrate existing public housing by enabling housing authorities to admit more working families. It also set into place the machinery for taking developments away from persistently under performing public housing authorities which did not look after the needs of their tenants. Many of the worst developments, which have blighted neighborhoods for years, reduced property values, created breeding grounds for crime, are finally coming down.

With respect to some of these developments, HOPE-6 has proved to be a useful tool to redevelop housing, reduce densities, build communities and create mixed income environments where only poverty existed.

Since the Clinton Administration came into office, HUD has also actively sought to conclude a number of desegregation decrees, consent decrees, with public housing in many cities. Finally seeking to correct many of the problems that government itself contributed to by turning a blind eye to the activities and the discrimination that took place at this local level for years.

Now, the federal government must also look to the future and ensure that current housing policies do no harm. One area where I think we have to be careful is home ownership. This year home ownership rates in the United States have reached record levels. Much of this
increase in home ownership is a result of federal policies, including FHA mortgage insurance, favorable tax treatment of homeowners, laws requiring banks and GSEs to increase lending to low and moderate income families.

As I mentioned earlier, this increase in home ownership can be justified on a number of grounds ranging from asset building to neighborhood stabilization. But the government also owes an obligation to new home owners and also to the neighborhoods in which they live to ensure that purchasers of homes are financially prepared for home ownership and that they can weather the impact of a change in economic conditions.

In addition, the housing community has an obligation to all who benefit from federal housing assistance to avoid the types of scandals that have checkered the history of housing policy.

HUD's recent efforts to assess the conditions of privately subsidized housing are important. As Bill Apgar mentioned in his opening remarks, one of the major achievements of HUD over the past three years has been for the first time we have consistent, objective, and up-to-date performance indicators of housing quality and management. And I'm first in line to get some of that data when you're ready for research purposes.

In addition, HUD has established a system for bringing enforcement actions against recalcitrant landlords and technical assistance to ones who want to improve, carrots and sticks.

The federal government must also monitor more carefully other programs that could also be the breeding ground for corruption and mismanagement.

Over the past 15 years, we have increasingly relied on a program that actually is not administered by HUD, the low income housing tax credit, as well as community-based organizations to provide new production of subsidized housing. In many instances, these programs have generated terrific results.

Nevertheless, we mustn't forget what Samuel Pierce's HUD did for the reputation of project based Section 8. We must ensure through oversight and through research that housing subsidies of today are used effectively. We cannot afford another scandal.

Part of the responsibility for preventing future abuse also rests with many of the people in this room. Many of us have made our names writing about the failure of individual housing programs. Well, we need to get there a little sooner than when the projects are being taken down. What we need to do is pay attention to studying and evaluating ongoing and proposed programs. Thereby providing useful information to policymakers before the problems get out of hand.

In addition to oversight and evaluation, abuse can also be protected against to the extent that private market forces are employed to discipline housing providers.
Which brings me to my third principal. To the greatest extent possible, housing programs should work with the market rather than against the market. One reason, as I just mentioned, is that market forces can frequently discipline housing providers to avoid waste and promote efficient use of scarce resources. A second benefit of market based housing policies is their ability to leverage private capital.

Recent housing policies have made important strides in using the market. For example, HOPE-6. HOPE-6 and legislative and administrative authorization for mixed financed public housing allows private money to be drawn into low and moderate income housing.

Another manifestation of market based principles is competition among housing providers. Specifically, Congress in 1998 in the housing legislation set up a procedure under which housing could be taken away from particularly or persistently troubled authorities and given to other management entities.

HUD is currently considering policies that will cause - that might cause PHAs that under utilize their Section 8 vouchers to forfeit them to better performing PHAs or other market intermediaries.

Perhaps most importantly of all, housing vouchers, the quintessential market based housing policy are now a mainstay of our housing assistance.

Which brings me to principal four. Incremental housing vouchers are - and this is one of the more obvious ones - incremental housing ventures are a critical element of any American housing policy. When I began studying housing policy - I counted the years and I got actually shocked last week - when I began studying about 25 years ago, the big debate was over the extent to which demand oriented assistance should supplant supply oriented subsidies.

The experimental housing allowance results had just been published, and many people were impressed with the results. Indeed, many of you in the room wrote about this, wrote about the results of the experimental housing program and entered into the voucher production debate.

As we begin the new millennium, the debate has shifted in important ways. Vouchers are now the status quo. And instead of debates over whether we should or should not have them, current policy discussion concerns more how should we modifying the voucher program to make it more effective? Vouchers seem to have won the hearts and minds of most housers. Not the exclusive part of their hearts and minds, but nonetheless their hearts and minds.

No one is seriously suggesting that we stop using them. And this makes good sense. Vouchers are cost-effective. Vouchers can be targeted to the very poorest of the poor in ways that will not generate great concentrations of poverty. Vouchers can also help to deconcentrate poverty. The neighborhoods of voucher
recipients tend to be less poor and racially segregated than the neighborhoods of households who benefit from many other forms of assistance.

That's not to say, however, that vouchers are perfect. In some markets, problems have cropped up. Due to management weaknesses, some public housing authorities don't effectively utilize all of their voucher authority.

And with needs as great as they are today, we can't have that.

In addition, particularly in metropolitan areas with low vacancy rates, some voucher recipients have trouble successfully using their vouchers.

Finally, some municipalities are experiencing concentrations of voucher holders in certain neighborhoods. Although these concentrations are not nearly as severe as those in public housing, they do detract from one of the principal benefits of the program. They also threaten support of the program by neighborhood residents who feel inundated. And they can serve as lightning rods for people to use as scapegoats against housing assistance.

Policies can and should be put into place to deal with these isolated problems. Indeed, HUD's recent increase of fair market rents for certain metropolitan areas should improve the ability of households who get vouchers to utilize them. According to HUD estimates, the pool of apartments affordable to voucher recipients should go up by 25 percent as a result of these reforms.

Additional efforts should be made to assist households to find housing, particularly in areas where there are not already a lot of voucher recipients. Although systematic studies don't exist yet, anecdotal accounts from assisted mobility programs, such as MTO, suggest that counseling, particularly with respect to search strategies, can work, can be effective, in helping people to utilize their vouchers in less concentrated surroundings.

And also, counseling doesn't just have to be at the front end. Counseling may also occur after the move to ensure that the voucher recipients integrate into the neighborhoods and that disruptions don't occur.

Principal number five. The federal government needs to improve the ability of existing supply oriented programs to serve the lowest income households. As a result of the virtual end of Section 8, project based developments in public housing, the major engine for subsidized housing production in the United States, as I've already said, is the low income housing tax credit.

The subsidy provided by tax credits, however, is usually not deep enough to make the housing affordable to extremely low income households. This is so despite the fact that research, such as the research that Susan described a moment ago, indicates that affordability problems are worse for this group.

Thus, if existing supplier entry programs are to
reach the neediest Americans, they will need some additional source of subsidy. Current proposals for a new housing production subsidy would be useful in this regard. The Clinton Administration's 2001 budget contains a proposal to make some Section 8 vouchers project based for one year.

This together with FHA insurance would allow extremely low income families to live in tax credit projects. Because the tenant would have a voucher, the tenant would also be able to move away if the project were not appropriate or if there were economic opportunities in other areas. Preserving tenant mobility would not threaten the underwriting of these projects because there would still be a tax credit there to subsidize the rents.

Most importantly, and this could actually justify a whole other principal, but it's just so - it runs throughout all of these principles, is that de-concentration or the avoidance of concentrated poverty is part of the proposal. No more than a certain proportion of units in any particular tax credit project would get vouchers and therefore be affordable to the very extremely low income families. Thus, we will not the rebuilding the extremely low income concentrated developments that we've seen in the past.

Turning to principal six, housing policy cannot adopt a one size fits all model. Current discussion of a production subsidy illustrates a point that should be obvious to us all now. Federal housing policies need to be flexible enough to adapt to the varying market conditions of cities throughout the nation. Vouchers can be expected to work well under most conditions and in most markets. However, in certain geographic areas and for certain purposes, supply oriented substances will be more effective.

For example, in cities with extremely low vacancy rates, vouchers may be difficult to use and may contribute to inflation in the housing market. In these types of markets, supply oriented substances may be useful at least in the short run. In addition, some cities may want to use their housing subsidies as part of a comprehensive community building strategy.

Now, the absence of geographical targeting with respect to vouchers is their principal benefit. But that also limits their usefulness in achieving community development objectives. Supplies subsidies, particularly those that involve indigenous community-based organizations as project sponsors or developers may be very appropriate in these circumstances.

This example illustrates a number of points. One, federal housing policy in HUD need to be adaptable to local needs and conditions. And two, federal housing programs must be consistent with local community development and redevelopment objectives and must be provided in coordination with these objectives.
Having said all this, while HUD should sit back, enjoy the fruits of devolution, it can’t step out in many of the ways that Bill was describing earlier today. HUD needs to ensure that localities are not diverting the money they receive and that the federal government spending our scarce resources are used for their maximum benefits to house low and moderate income families.

Now, just as all places are not the same, we have to bear in mind that not all people have the same housing goal needs or objectives. For many Americans, particularly the working poor, all the family needs is some financial help to afford housing. For these people, vouchers are fine. For others, however, particularly seniors, households with physical or mental handicaps, addictions or behavioral problems, supportive services in conjunction with supply oriented subsidies may be necessary. Without these services on site, many of these households would be unable to keep their households.

Principal seven, the last principal, not necessarily the most important, but the last principal, is regional solutions are necessary and require that states and localities become responsible partners in low income housing efforts.

Increasingly, we are seeing - it’s almost truism - that municipal fragmentation and lack of coordination threatens the quality of life in many of our nation’s metropolitan areas. In addition to sprawl and unplanned development, this fragmentation has enabled many municipalities to create barriers to affordable housing.

For example, exclusionary zoning limits the housing production in many suburbs and robs inner city residents the ability to move to resource rich locations. Housing, both in the suburbs and in the cities, is also inhibited by costly government regulations. The federal government has an interest in states and localities taking steps to remove regulatory barriers in the housing market that have the effect of driving up the cost of housing.

These regulations waste federal resources. It becomes more expensive to subsidize housing when you have gold plated regulations that are not needed. Many regulations are, but not all are. And they inhibit the achievement of federal objectives.

There are no shortage of efforts to document these wasteful practices. Nevertheless, there is a shortage of meaningful federal action to address these problems. Existing proposals to require the federal government to take into account the impact of regulations on housing affordability are just the tip of the iceberg of what needs to be done.

Through its spending power, the federal government has both the power and the interest to use a carrot and stick approach to get states and cities to become responsible partners in affordable housing efforts. Smart growth is important and should be pursued, but the federal government must remain vigilant in ensuring that
states and localities do not use it as an excuse to erect additional barriers to new affordable housing development.

Well, recent experience suggests the continuing truth of the old expression what a difference a few years make. Who would have thought five years ago that both HUD and a Republican controlled Congress would be proposing a new production program?

If this were five years ago, I'd be writing and speaking about whether there was any role whatsoever for HUD in the federal government and housing assistance. Instead today, the existence of a federal role in housing assistance seems assured. One of the reasons is, as Susan said earlier, despite the booming economy, perhaps despite the booming economy, affordability problems among low and moderate income families are even more intense today than they were at the beginning of the decade.

Another reason for the continuation and strengthening of a federal role in housing resides in this room. When the future of the federal government in housing came under attack, a combination of factors saved it. An innovative policy response by HUD officials, energetic lobbying by the advocacy organizations and also thoughtful and perceptive research by the academic community that both documented the need for federal intervention and also suggested ways to reform existing programs.

Our success in the 1990s, together with the remaining challenges of the new millennium, makes me particularly excited about HUD's sponsorship of this conference and about the insights that I hope will emerge both today and tomorrow. Thank you.

MS. WACHTER: We thank Mike Schill for his challenging us with these seven very broad based principles. We now have the opportunity to hear our distinguished panelists responding to these challenges. And then we will allow Mike Schill to respond briefly and turn it to the audience. And we have on each chair a card to write your questions. So we are going to attempt to be brief in our panelist comments so that we can get to the interchange that we all want this conference to be about.

So let me just ask you to as we go through the panelists' comments start writing your questions and they will be collected by Jeff Lubell. So if you will just move them over this direction. Thank you. Phil.

MR. CLAY: I agree with Mike that this is an outstanding occasion to revisit the purpose of housing policy and to think ahead about what housing policy might become. I realize that we are in the midst of a national campaign and I also realize that housing is an invisible topic in that campaign. But that's okay. We needed the time to re-gather our thoughts.

Let me also say that I agree with Mike on several points, his main principles for housing, comprehensive approaches, the need to reach the lowest income, flexibility and the like. I also share his view
that vouchers are important.

But I would want to make as my first comment the need to insist on balance in our housing policy, the need to have a production set of tools as well as a housing voucher or a certificate approach, as well as policies that he pointed out on tax and regulatory policies, for example, to deal with the sensitivity to housing supply.

I’m reminded of when I took my first housing course sometime ago reading the justification for housing policy. Which is that the market fails to supply housing to some people, some of the time, in some places. And that the wise housing policy is one that is able to redress that market or those market imperfections.

And I think we are well aware that the demand side approaches are not always effective. And indeed one of my tough exam questions to my graduate students is to ask them – and I use a city that has a very soft housing market and lots of vacancies – I ask them to write a case for a production component for that city's local housing policy. And the students who make A's on the exams are doing well in cities around the country. Because they learned that we have to be responsive in flexible ways and that flexibility can never exclude production in my view.

I want to emphasize as well that we are in a very prosperous period. And we are reminded from time-to-time of how well the economy is doing, the low level of unemployment. But I want to suggest that there really is only a very thin veneer on that prosperity for many of the people in the cities that we care about. But for the strong economy, many of the issues that we sometimes not pay little attention to would be very high on our agenda. And these range from unemployment to local budgets.

HUD survived a very hostile environment during the mid-1990s. The environment for HUD has never in recent years been overly enthusiastic. And I want to address that issue. Because I think going forward we have to figure out how to make building communities and maintaining our communities very high on the agenda and not a secondary issue. And many of you understand why that has been true historically.

But let me suggest what I think the real problem is. Unlike many of our conservative colleagues, and many who take a very particular view as to what’s wrong with society, education or jobs, for example, those of us who are interested in housing and community development have not recently had a very clear voice about what we are up to or how we would achieve it. And let me be clear about what I mean by voice.

I mean that we can state the problem and parse it in its dimensions. That we can identify the interests that are at stake. That we can articulate the problems going forward with the status quo. That we can present a vision for change or the possibilities that can come from change. And we can present a clear view of how to get from the present to the future.
Our conservative colleagues have been very good at that for much of the last 15 years. Even when they weren't good at it, they sounded good. I remember sitting on the other side of the river a few years ago with one of Susan's predecessors who said with a straight face, a clear voice and conviction, in 1984 that there was not a problem with homelessness in America because everybody lives somewhere. And the audience glossed over it. That sounds right. And it took a while for us to present and document homelessness as a problem. And we have come considerably beyond that point.

But as I want to suggest, there are other issues where we have been caught rhetorically, politically, administratively short sighted and silent. So let me use my remaining couple of minutes just introducing two or three of these areas that I hope will get further discussion as we go through the conference.

The first is the issue of sprawl. And our current way of talking about sprawl is smart growth. And I know that's going to be a major agenda item. So I won't dwell on it. But let me observe that much of what I've heard about sprawl in recent months in the last couple of years in fact has to do what how some regions and suburban clusters can effectively manage their growth to make it more consistent with infrastructure or other local planning issues.

The discussion has not always been about the metropolitan region. It has not always been about how to manage population shifts in the cities, the older suburbs, the suburban cities, the ex-urban areas. It has not been about how to manage the redistribution of jobs, as jobs are re-distributing in some communities, or what the next investments in mass transit ought to be in order to have some more effective metropolitan community. Or what kinds of changes in the road system would be most appropriate.

My fear is that unless we get a clear statement of where we are headed, in short a better voice about this, what we will wind up addressing in a conference like this several years from now is better planned exurbs. Or in the worst case, particular parts of the community that have been able to manage their future well at the expense of other parts of the metropolitan area.

Another area that I think we have not been able to get a clear voice on - and this is an issue which goes considerably beyond housing, but housing is very important in it, is the issue of race. We clearly have much stronger enforcement of fair housing today than in the past. We clearly have innovative new approaches to support mobility and to promote deconcentration.

But I believe that we have failed to generally improve our dialogue and our conversation around race in dramatic ways. And let me be the first to plead guilty to this indictment. And on behalf, not just of myself but many of those who have regularly large numbers of young people sitting captured before us 15 or 20 hours a week
over four years and we don't do much about it.

So let me sort of plead guilty even as I read
out the indictment. The failure in housing and community
development has been and continues to be rather serious.
Because as we are continuing to make progress in some
areas, even as we face difficulties in other areas, we are
not able to talk fully about division, about divorce,
about the concerns that tie to race.

For example, we have experiments and policies in
place to promote income mixing. And some of you will
remember in the past, not too distant past for me, a sense
that revitalization efforts were really designed to
displace the minority population.

In my discussions with friends in cities as far
apart as Boston and Atlanta, this kind of discussion is
re-emerging. That somehow the successes that we can be
excited about in theory or in general are taking place at
the expense of minority populations who are not part of
the dialogue about the future of planning or about
particular housing policy implementation.

There are turf battles over gentrification and
over urban development in ways that are reminiscent of the
50s and 60s. There are conflicts between policies which
on their surface seem very progressive but are decidedly
in favor of non-family as opposed to family households.

We go between being interested in reforming
public education and feeling hopeless that anything can be
accomplished. We see a widening gulf between a growing
persistent poverty population in the minority community
and a middle-class broadly defined population.

My point about this is not that these are new
developments, but because they persist and we aren't able
to talk about them in a way that we incorporate them in
the solutions that we can document, we are in fact not
having the progress on race that our progress in other
areas ought to permit.

I have no delusions that the candidates who are
running for office and who are not mentioning housing - or
at least not at the international level, though our local
candidates clearly are. But I do hope that we would be
able to uses conference and other sessions like it to
become clear about what it is that we're trying to
achieve, to address some of the puzzles in our policy, in
our past, as well as in our current approaches. And that
we are then able to inform the politicians who are elected
and policies that we will in this generous environment
that Mike described be able to push. Thanks very much.

MS. WACHTER: Thank you, Phil. And thank you for
being a voice on this issue. I might note that tomorrow
we are in the sprawl section going to be looking at
bridging the divide and putting the revitalization of the
core at the heart of the sprawl agenda and at the same
time looking at the fragility of the recovery and the
importance of as we do recover that we are inclusive,
especially across racial lines. But nonetheless, we need
to have a better voice, better articulation. And Phil, it
is important to have you here for that as always.

And now I want to turn to Peter Dreier who is
going to also respond to Michael Schill's comments.

MR. DREIER: I want to followup on Phil's
comments about the political climate. In fact, I want to
talk explicitly in the time allotted me about politics and
how that affects our views about our implementation of
housing policy.

As Phil said, and as Mike implied, the political
candidates for President in the current election are not
talking about housing. And even though this does provide
us with an opportunity to talk to each other, I don't
think that's a good thing. I think that we have to be
worried about why housing is not on the political agenda.
And that's really what I want to talk about.

HUD has been on the chopping block for a long
time. And since the late 1980s with the HUD scandals and
with the press paying a lot of attention to the negative
side of housing policy as opposed to the positive side of
housing policy, the American public has understandably had
some skepticism about the ability of the federal
government to address the housing problems, not only of
the poor, but of the middle-class. And when the
Washington Post said in 1995 that HUD is as popular as
small pox and Newt Gingrich was quoted in 1994 saying you
could abolish HUD tomorrow and improve life for most
Americans, you can see where that attitude for many
Americans comes from.

So by the mid-1990s, I think it's reasonably
fair to say that many Americans viewed federal housing
policy as basically benefitting politically connected
developers, government bureaucrats and poor people who
engage in antisocial and self-destructive behavior.
That's not a recipe for support for federal housing
policy.

Now, I think it's also fair to say - and I think
I take a little issue with Mike on this - HUD was never
the basket case that people said it was. And that the
long waiting list for public and Section 8 housing in our
cities suggest that even though there are many mistakes
that the quality of housing provided by federal assistance
was clearly better for the poor than the alternatives in
the market. Which is why, as HUD has documented many
times, there have been long waiting lists for federal
programs.

And it's been particularly improved under
Secretary Cisneros and Cuomo. And I won't go through the
long list that's in my paper, but all the wonderful things
they've done. But I think we all acknowledge that it's
been a wonderful eight years compared to the previous
eight years.

But I think Mike's point that there is a
remarkable consensus among the left, right and center
about housing policy is a function in part of our incredibly low expectations for housing policy. And that's partly what I want to talk about. Why do we have such low expectations? Or another way of saying this is I want to put HUD in some broader perspective.

So despite all the successes of the last eight years, I want to put HUD in a slightly different perspective. Number one, HUD's budget is still dramatically less than it was 20 years ago in real terms. There's been a decline in federal funding for HUD of about 70 percent. In other words, we've not yet recovered from the slashings of the 1980s, even though the HUD budget has improved during the Clinton Administration.

And I think the fact that we're all excited about 60,000 new vouchers when we need millions of new vouchers is really a reflection of low expectations. HUD still serves only less than one-third of the families who are eligible for subsidized housing. The gap between low income housing and the number of low income families has gotten wider. The geographic concentration of the poor has persisted and even increase. The home ownership rate which is now 67 percent has increased to an all time peak. But I think we have to take that with a little bit of concern. Because according to the Census Bureau, the home ownership rate that's so high is almost entirely a function of the fact that the home ownership rate for families over age 55 and above is remarkably high. For every age cohort under 55 – for every age cohort under 55, the home ownership rate is actually less than it was 20 years ago.

And despite this high home ownership rate, I think it's fair to say, as Mike warned us, that the next recession, if we're not careful, we'll see a significant number of foreclosures. In part, because as the Fed released – stated in its survey of consumer finance a few months ago, the amount of debt taken on by American families making under $50,000 has reached an unprecedented level.

I think it's also important to recognize that HUD plays a relatively small role in the overall amount of federal housing subsidies. And I circulated among you two tables that I hope you don't take a lot of time to look at now. Please don't. But they basically say the following.

That the federal government spends now about $125 billion in housing subsidies. And that does not include FHA, Fannie Mae and Freddie Mac. It includes the tax subsidies for investors and homeowners, the Department of Agriculture, the Department of Defense, and HUD. If we eliminate the Department of Defense, we're talking about $115 billion in federal housing subsidies.

I think we have to ask ourselves do we spend that money well? And if we had $115 billion at our disposal to solve America's housing problems, how would we best spend it?
In other words, most Americans think of federal housing policy as a poor people's program, as a welfare program. But in fact relatively few low income American families actually receive any housing subsidies. Most middle income working-class families receive few housing subsidies. And most wealthy and upper middle class American families receive the bulk of American housing subsidies.

And finally, HUD as an agency has very little impact on our metropolitan communities compared to the impact of the Department of Transportation, to the IRS with its tax subsidies, and to the Defense Department where it puts its contracts and its installations. So our industrial policies and are geographic location of federal subsidies are actually much greater in other departments.

So having said that, I think I'd like to talk about the political climate in more specific detail. The debate over housing policy is relatively invisible. And I think that's for three reasons. Number one, the programs of federal housing policy, both HUD, Department of Agriculture, as well as the tax subsidies, reach very few poor people. And they reach very few working-class Americans, particularly those that live in the key swing districts that make a difference in our national elections. And here's where I think Mike Stegman's new report on housing America's working families is particularly important. If that exist now has very little political support.

Number two, the programs that exist now have very little political support among very narrow constituencies. The political constituencies for housing policy, particularly HUD, but also other housing policies, basically boil down to the housing industry, home builders, realtors and lenders, big city mayors and government, local government agencies and their political supporters, and various low income community organizations, CDCs and community groups.

And between them they have relatively little muscle in the big picture of American politics and they focus on very narrow aspects of the federal budget. And collectively they disagree with each other over what is important in housing policy.

And there are two major missing constituency groups that in the past have played an important role in American housing policy. The most important one, the one that I've written quite a lot of doubt - and have an article in the current issue of "Housing Policy Debate", so I won't go into a lot of detail about this - is the American labor movement. Which as many of you know was the foundation of America's housing policy in the 1930s.

The American labor movement has been on a downhill slide for about 30 years. It's now back on an upswing. Of all the groups that represent the working class and the poor, the people in the key swing districts in American politics, it is the one vehicle that has the
most ability to mobilize people in elections, to reach across suburban and urban boundaries, to reach across, as Phil said, the barriers of race. And yet, it has very little impact - little interest right now in housing policy except in a few cities. And I think getting what the housing constituency owes to itself, building bridges with the American labor movement - and I don't mean just with the housing investment trust and the use of pension funds for the construction of housing. I mean politically, the political weight of the American labor movement, whose constituency is increasingly low income, immigrant and women trying to be organized into America's increasingly low-wage economy. And they are a major constituency and have a major need for housing.

And the second major constituency that's missing on the housing agenda is the business community. And by that, I don't mean the lenders and the housing developers. I mean major employers. In a few big cities, major employers have played a role in convening housing partnerships of various kinds.

But at the national level, the Chamber of Commerce, the National Association of Manufacturers, the Business Roundtable, the major employers who should understand that the business climate of our society, and in particular metropolitan regions, depends a lot on having a healthy housing stock. They are not engaged. There on the sidelines. They're not on the sidelines on health-care policy. They're increasingly engaged in day-care policy. They're not engaged in housing policy. And I think we have an obligation to talk to the leaders, the CEO's of the major Fortune 500, Fortune 1000 corporations and talk about that housing is part of their agenda.

There are about 152 congressional districts where the vast majority of the residents live in suburbs. And I think it's fair to say that there are about 20 or 30 of them that will constitute the difference in this and most elections, the swing districts. Those 152 suburban districts have an average median income of $36,800.

I think it would be a useful exercise in research to ask ourselves - these are mostly working-class suburbs where the vast majority of people are making between $20,000 and $50,000 a year. What housing policies reach that constituency? We know they reach the poor, although only a third of the poor. We know that the tax breaks and FHA reach another constituency. How many of those people and where are those people reached in housing policy?

And so I think we have to ask ourselves politically how do we build a political coalition for housing policy that crosses the urban boundaries between the central cities and the working class suburbs where the key swing congressional districts are located?

The urban vote has declined over the last 30 years, the number of people in central cities that vote in
elections. There are two reasons, in other words, why
increasingly American politics is dominated by the
suburban vote. One is pure demographics that more people
are moving to the suburbs. And secondly, the people that
live in the central cities don't vote. In part, because
their congressional districts - and I'm talking mainly
congressional. Although you could have the same analysis
on state politics. Congressionally, most of those are
safe seats, those central cities seats, that depresses the
vote. In many ways, those are wasted votes. Because not
in a Presidential election, but in Congressional
elections.

And so there are a couple of policy or obvious
policy consequences of that. Number one - and this is not
for housing policy people to decide, but it's part of the
political discussion we should have about how to make
housing policy higher on the agenda. We need to shift
some of those central city, low income voters into those
swing suburban districts in the next redistricting. So
those of you who are involved in the census, I hope that
will be part of what we are looking at.

I live in Jim Rogan's Congressional district
which is mainly a working class, lower middle-class
district of inner suburbs around Los Angeles. I teach at
Occidental College in Havia Pasera's, a mostly Latino
district. Havia Pasera wins with 90 percent of the vote
every year. Rogan is now facing a liberal Democrat, Adam
Schiff, and it's a 50/50 race. If only 10,000 of Pasera's
constituency was moved over one Congressional seat, Jim
Rogan wouldn't be in Congress. And there are at least 30
or 40 examples of that, that can make the difference in
the politics of housing if our housing policy is expanded
to meet the needs of the folks that work - live in my
congressional district which right now they don't.

So I think we need to mobilize the urban vote
and shift some of that urban vote into the working class
suburbs. And most importantly for this conference, to
target or expand housing policy programs beyond its
current constituency, both politically and in terms of the
beneficiaries.

And I want to talk in the time remaining about
five agendas, five policy agendas. I've got one minute
for five things. That gives me 20 seconds for one. Okay.
Five policy agendas.

Number one. Expand home ownership for working
class families, something that Mike has talked about. And
one vehicle for doing that would be to expand the current
tax benefits that now particularly help upper middle class
families to provide a progressive and refundable tax
credit for home ownership and for down payment assistance
similar to the earned income tax credit. And I'm sure
Richard Green will talk about that later. He and I and
Randy Wischofsky are working on a project to design such a
credit.
Number two, a universal housing allowance. Now, the universal housing allowance will solve many problems, but not all of them. Because we know that there are many metropolitan areas that still have housing vacancy shortages. And, therefore, it's like having food stamps when there's no food on the grocery shelves. You can't use them.

So we still need a production program as Phil said. But what kind of production program? I think that housing production programs under HUD should combine the existing housing tax credit and home and part of the CDBG and expand it into a housing block grant, but not for all entitlement cities. Because, as Mike said, we don't need new construction in all entitlements cities. We need new construction - not necessarily low income construction if we're going to have vouchers. But new rental housing and limited equity cooperative housing in suburbs so that people can use vouchers.

So I think that having entitlement grants for production in cities and suburbs I think is no longer useful. And in particular, I'd say those production programs should have at least two characteristics. They should not be only for the poor, like public housing was, like Section 8 was and like the low income housing tax credit is. They should be at most for 20-30 percent of the units should be targeted for the poor, that we should have mixed income housing. That should be a requirement. It would also make it more compatible and more open to suburban - fending off suburban NIMBYism.

Secondly, most of this new housing should not be built in the central cities.

Fourth, I will repeat what Mike said, that HUD programs should be implemented on a metropolitan level. HUD has done wonderful research and PD&R over the last several years to identify the interdependence economically of cities in suburbs. But that hasn't yet to translate into the metropolitan implementation of housing policy. I realize there are many political obstacles to that. That's something we need to push. And the carrots and sticks on how to get that done are important, particular at the state level which has the most control over zoning.

And I think that one of the issues about metropolitan implementation of policy is to recognize that when you have 3,400 housing authorities and even more local housing departments, you're going to get this fragmentation that leads to exclusionary zoning.

And finally, if we're going to increase the urban vote, if we're going to rebuild the fabric of our urban and inner city communities, we have to learn from the experience of the last 20 years about what works and what doesn't work.

One of the most important things that happened over the last 20 years was the rise of the Community Development Corporations and nonprofit groups. And the
intermediaries, like Lisk Enterprise, the National Reinvestment Corporation, that help to facilitate increasing their capacity.

One of the things, however, that we've learned about CDC's over the last few years is that they are not political for the most part. They are reluctant to bite the hand that feeds them. The Community Reinvestment Act, which is one of the great success stories of the last 20 years is successful mostly because of grassroots community organizing by groups like ACORN and others, not because the CDC's - the CDC's have been the beneficiaries of the CRA, but they haven't been the ones that have shaken the money tree, either the regulators or the lenders. It seems to me that what HUD needs to do to increase the turnout of the urban vote, improve the ability of self-help and self empowerment groups in the inner cities is to have a major initiative to support community organizing, not just community development.

And I have a very particular and final way of thinking about this. The success of Lisk and Enterprise and the network should be replicated in the community organizing world. Which is another way of saying that too much community organizing is a dead end. Because it's little groups that can't go beyond helping get a stop sign put in on a street corner. The success of community organizing is primarily when there are networks of community groups, the Industrial Areas Foundation, ACORN and others, that can build on successes and expand what we would call in economics the economies of scale or the organizing to scale.

So those are my five recommendations for addressing both the policy and the political dilemmas that we face in trying to recognize that housing, despite the successes of the last year, has not been on the political agenda and look to ways to remedy that. Thank you.

MS. WACHTER: We thank Peter. And I'm sorry to have to move us along. I just want to also specifically thank Peter for his clarion call. And while Hattie's coming to the podium, let me just - I do feel I have to address specifically two points, actually three.

We have not 60,000 vouchers, but 110,000 vouchers. This year we're asking for 120,000 vouchers. A million is a lot, but 100,000 here and there are going to help.

Secondly, the all-time high of 67.2 home ownership rate is matched by an all-time high of minority home ownership rates and for the first time - ethnic and racial - and for the first time in our nation's history, a majority of urban residents are home owners.

This is consistent with Peter's notations, but it is important. And it is increasingly the role of FHA that has brought us here. An increase of our home ownership rise to this all-time high is made up of - 42 percent of it is made up of minority households. While they're only increasing the population by 24 percent. And
as you will see on our next panel, the role of FHA has
been critical to this as its share of first time
homeowners and minority home ownership increases and its
role in those places.

Secondly, I want to - it's a half full, half
empty discussion obviously. But for the first time last
year and instrumental in getting our budget through
Congress, AFL/CIO was that the table. And in the last
years, especially in the last two years, we increasingly
have business with us. And we had a wonderful conference
recently bridging the divide where business is
increasingly recognizing the need for housing assistance.

So we need more clear, strong voices like
Peter's to make sure that the support to our agenda and
mission is there.

And his last point I think is extraordinarily
important, the networks and the growth of networks and
CDC's. There's no one who is in better position - and I
hope you will address this - than Hattie. Thank you.

MS. HATTIE: Thank you, Susan. Why don't we all
just raise your hands and stretch a minute? Because it's
kind stuffy in here. I'm pleased to join this panel of
experts and academics and bring a little practitioner's
view to the table.

As Susan indicated, the Atlanta Neighborhood
Development Partnership, better known as ANDP, is a local
intermediary. And some might call us a massive CDC
working within the metro region of Atlanta, Georgia.

And I like to describe myself as one that
confronts the system. I like to describe myself as that
gnat, you know, that you wave away and it keeps coming
back. I'm trying to grow more gnats around the whole
issue of rebuilding our communities and with reference to
housing and the housing policy or lack thereof.

I don't - I agree with Phillip and others that
have addressed this that I'm very concerned that in the
current policy debates that are being promoted by our
candidates running for President that neither one of them,
the two top candidates - I think Nader mentions it every
now and then - there is no discussion of housing on the
agenda. There's no discussion of poor folks on the
agenda.

So I think there's something that many of us in
this room ought to begin to do something about. Housing
policies and prices as it exists today exceed the price
that poor folks can afford, that poor folks can afford
either for home ownership or for rental. We have to
address this problem. It is becoming critical in many of
our cities and namely the city that I am from which is
Atlanta, Georgia.

Daniel Moynihan said some years ago in a
conference where he had asked a question, where have all
the advocates gone? So I ask that question myself. Where
are those of us who grew up insisting on change to occur
that we have slowly gone away?
So no matter what the subject is or the trend of
the day, housing issues and the lack of policies will
always surface. We have had a lot of conversation and
dialogue around the subject of smart growth, regionalism
and new urbanism.

New urbanism at a recent meeting I just left for
ULI, somebody asked to describe what new urbanism was.
And the response came back, well, it's really not new. So
there is a new dialogue taking place.

But we've got to deal with the subject matter at
hand a bit like Michael indicated. Housing policies must
be linked with other social policies.

Transportation. Transportation is a major issue
today. And especially in the area where I've come from,
Atlanta, Georgia, we have become the postal child of
sprawl. How in fact do we begin to connect the housing
and the job link? It has to be tied to transportation and
transportation linkages.

We are dealing with clean air issues. If we are
out of our cars, the air will clean up itself.

We have health issues as a result of the clean
air policies that we just let slip by.

When I think about welfare-to-work conversations
and what I call the absurd conversation that's going on
and being very political about the minimum wage. I think
it's absurd to talk about a minimum wage when $5.15 or
$6.15 for that matter will not sustain anyone as a matter
of livable wages. So we need to change minimum wage to
liveable wages.

When we talk about gentrification in areas like
older cities, now beginning to rebuild itself, people talk
about it in a bad sense. I've talked about it in a good
sense. The good sense means that we must figure out how
to make it work for all of us. That people who have lived
in communities during the good times or bad times are not
pushed out during the good times. There must be linkages
again to other social policy issues.

Phil mentioned race and class. And maybe three
times I've been invited to talk to a group out at Gwinnett
County on race. And I always used to wonder why they
invited me being that I'm no racial expert other than I'm
black and female.

I say race matters. Class matters. And there
is a separation that is caused by the policies of today or
policies of a more recent past. So we have got to change
policies to make certain that we have what is known as
mixed income communities or livable communities or
whatever other code word that we want to use in order to
make it happen.

So local housing policies must have, as I have
begun to cry for, inclusionary housing policies or
inclusionary practices. They must be tied to national
entitlements. It gets all tangled up with local
bureaucratic maze when we separate it in the way that
monies are doled down from federal agencies.
For instance, CDBG that is used for housing becomes very political. HOME dollars become very political. And many groups like CDC's that exist in Atlanta if they're not political will be bypassed.

So what I've seen happen in Atlanta is that we have depended on a group of people that is unlikely - and that's the private sector - in order to get this done. The private sector and the philanthropic community.
I'd like to talk a bit about public housing and HOPE-6, a great program. But that policy needs to extend into communities. Mixed income agendas have worked in replacing some very deteriorating housing throughout the city of Atlanta and throughout the nation. But it needs to expand beyond a project to a community to a neighborhood. That 20/20/60 mix is essential in order to facilitate the kind of housing I'm talking about.
Inclusionary housing is a requirement I believe to - or should be a requirement to states, cities and municipalities gaining in access to federal dollars. It must be mandated. It should not be optional.

So I always say that in order to do some things that are radical and force change, you have to be very, very brave. And I encourage those of you who look at public policy to be very, very brave in getting this done.

I've seen Atlanta go through a period of disinvestment to one of reinvestment. And that reinvestment has been brought on because of the fact that folks who ran away from the city and further away from the city now are looking to come back in. And they're coming back in because of the fact they've been caught an hour and a half in their cars going to their home or coming into the city for work.

So, now we're seeing the affordable housing crisis beginning to emerge in a way that is, I mean, tragic. We can no longer afford affordable housing on our own. We have to begin to look at new venues and new opportunities in order to make it work. Equity has got to begin to be included in the dialog as it relates to smart growth and other conversations. We have got to figure out how to make this work.

We must be thoughtful as we go about rebuilding our neighborhoods, as we go about looking at the first and second outer ring suburbs to be a place where all people can live and raise their families. New housing must also be built - and I take issue with Peter on this one - in the central cities. Because too long they have been abandoned and a harbor of dilapidated housing, crumbling housing and vacant lots. So we have got to rebuild the inner city communities as well as moving out into the suburbs. So inclusionary housing mandates that the whole gets done.

I would like to also respond to the national intermediaries as well because I am a local intermediary.
We have a different agenda because we work in rebuilding our community and our region. And we have got to be included in the mix where we begin to look at strategies of how to deploy the resources.

I look forward to the rest of the conversation and to responding to any of the questions that you may ask as we move forward in today's conversation. Thank you so much.

MS. WACHTER: Thank you, Hattie. I first met Hattie in our work together in the Partnership for Regional Livability. And there as here, she's an important voice for solutions to sprawl that are inclusive. I now want to ask folks to bring up cards, just hand them up if they have cards to Jeff. It looks like there's one over here. And then as we do that, I would like to ask Michael Schill whether he has any responses to the comments there were made by the panelists.

MR SCHILL: I'll go very quick because you heard enough from me and I'd like to hear from you. But just three comments. One is I agree with Phil. We need a balanced housing program. I would only say we need a balanced and smart housing program. And I think that we've learned a lot. And all of the proposals that I've seen coming out of HUD for the new production program seem to have incorporated what we've learned and are acting in a smart way to avoid problems of previous programs. So I think in that sense I agree entirely.

Secondly, on the political agenda point, which I think everybody brought up in one way or another, I'm not sure housing is ever going to really - I think, you know, housing - it's not clear to me housing is ever going to be the number one agenda item, you know, forcing its way into the political debates.

I think that what we need to do, both in the research community and in the advocacy community and government, is to try to make people see that housing is related to things that they actually do think about and do care about.

So housing is important to health. Housing is important to schools and education. Housing is important to getting people off of public assistance. And housing is important to transportation and to the economic competitiveness of the cities. If we price out the middle class from our cities, we're not going to have a labor force.

So I think we need to be better at making those connections and not just dealing with it as a housing issue.

The third thing I just want to say, both Phil and Hattie brought this up, is the importance of race and thinking about race. And I agree entirely. I actually think that one of the risks that we now encounter is the dwindling of support for housing integration, both among
white people but also among black and other and Latino people.

I mean, I think that there is - I see in my students, year in and year out, the diminished desire for integration. Partly not due to the fact of hostility, but just due to the fact that Brown v. Board of Education was in 1954. The progress has been very slow and very disappointing thus far. And I think that we need to use our housing policy to promote people living near each other which then I think will get to the sort of understanding that Phil was talking about. So those are my three comments.

MS. WACHTER: Peter, do you want to quickly respond? Are there any other questions that panelists have for each other? Then let me turn to the questions for the panelists. We have some here. Some of them are actually more very long statements. I can't even hardly read them, but I will try to get to them all. Peter, how politically feasible is a block grant program for housing production allocated predominately to the suburbs?

MR. DREIER: It depends on what I said earlier.

It's whether or not you're reaching working-class families. Right now HUD doesn't have much to offer families making $25,000 to $50,000 in the swing Congressional districts. And so there's not much support for the state cracking down on zoning, exclusionary zoning, the way Hattie was talking about.

I think that a block grant has to be tied to ISTEA or the new version of ISTEA. It has to be tied to other federal expenditures that benefit - infrastructure and other expenditures that benefit the suburbs. And it has to be mandated.

There are many times when public figures have been willing to exercise some political courage if they thought that the votes were there behind them so they don't have to be out on a limb. And I think that the way we've designed our federal housing policies, although well-intentioned, doesn't reach the kind of broad political coalition that we need to make it politically feasible. So right now it's not politically feasible.

MS. WACHTER: Does anyone else want to add to that? Okay. In this time of devolution - this is for all panelists - have state and local planning supported the federal goal of providing safe, decent and affordable housing? What initiatives on the state and local level can do so? Does anyone want to take this? Hattie.

MS. DORSEY: I'll start it off with saying sometimes it's hard to see because it's hard to get at the funds. The way that they come into the city, they're used often times for supporting city driven initiatives that may not always be in line with neighborhood initiatives.

And also, it's very difficult because of the political structure. I always say I wish that politics didn't play role in this. But one group or another group can't get the resources in a timely enough manner in order
to make housing work or housing production work. So I would say that it is tied to how the funds come into the city.

MR. SCHILL: My feeling is that you can't expect municipalities to act in a responsible way with their zoning because they're all pursuing their own parochial interest. And I don't expect good behavior out of people when I think it's impossible or of entities. But I do expect better behavior out of states. And I think that by and large the states have been absent. They have not at all - they are the entities that have authority over local governments under law. And they basically in most states, not all states, but in most states they have basically taken themselves out of the game. And they need to create rational, non-exclusionary land use practices and mandates. And they just don't.

MR. CLAY: I'll keep my comments to 30 seconds. I think we all recall some years ago of being outraged that communities had one acre zoning or two acre zoning. Well, guess what? They are now some of the same places up to five acres zoning. And other actions which suggest to me that not only are they not trying to become more inclusive, they're trying to avoid even modest change or the status quo.

MR. DREIER: Let me just remind everybody that the Clean Air Act and ISTEA both required regional planning and regional allocation resources and put mandates on local governments to do certain things on a regional level. In Los Angeles, the quality of air has improved dramatically, even though it's still the worst in the country except for Houston. The amount of pollution is half of what it was 30 years ago. And that's directly a result of the fact that the Clean Air Act mandated the state to create regional bodies that put - imposed local regulations on local governments. And they initially kicked and screamed a little bit. And now everybody's glad they did it.

MS. WACHTER: And although I can't lobby, let me say that we have a regional connections proposal that would incentivize such planning in Congress right now. Here's a question - it's a long one, but I think it's important - for Michael Schill.

The beneficiaries of HUD assistance programs are not the poorest households. Comparing public housing with the voucher program, the proportion of poor households in the public housing programs is much higher than in the voucher program. Also, the proportion of minorities is much higher in public housing than in the voucher program. If these patterns of utilization continue, doesn't expanding voucher programs as is being called for disproportionately benefit non-poor and non-minority households?

MR. SCHILL: Well, I think that there's a couple of things going on. I think one safeguard against that in the future is more vigorous fair housing enforcement of
grantees and cities who are applying their fair housing -
I'm sorry, their Section 8 money.

In addition, though, I think that the new law,
the new 1998 law, required targeting which is much more
strenuous now on the Section 8 vouchers in that many more
of the vouchers have to go to extremely low income people.
And actually the targeting on the public housing has been
loosened and more working families go to public housing
which seems to me to be exactly the right shift in that
that will encourage de-concentration in vouchers going to
the poorest of the poor. So I think we have statutorily
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started to address those issues.

MS. WACHTER: This is a question for Peter
Dreier. Anyone else who wants to respond. If housing
policy should be coordinated with other social programs
and if the private sector should be the dominant form in
caring out housing policy - two of Schill's principles -
then why shouldn't we focused on an income support policy
and not a policy on housing? I don't know, Peter, if this
is actually a good question for you. Maybe for Mike. But
in any case -

MR. DREIER: Well, I think income support
policies are important. I think we ought to expand the
income tax credit. I think we ought to raise the minimum
wage. I'm not against those things. I'm for those
things. Which would make it easier for people to get
housing. But as we see in lots of places around the
country, people with middle-class incomes can't afford
housing. Bill said that an hour and a half ago.

Because housing is a sunk cost, a fixed cost,
that is very difficult to reproduce. And we all know this
from housing 101. I think that in most places it costs
between $75,000 and $100,000 just to build a unit of
housing. And most working-class people can't afford the
operating expenses of that.

So we have to provide some subsidies. And the
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subsidies are - and this is important and Cushing said
this to me earlier this morning, you know, the price bread
is the same in Des Moines and Los Angeles. But the price
of housing is three times in Los Angeles what it is in Des
Moines.

So whatever income support programs we have tend
to be - tend not to take into account the housing costs
except for the FMRs or the Section 8's. They do not take
into account housing cost.

So if you're on the earned income tax credit or
you have the minimum wage in Des Moines, you might be able
to find a reasonably good place to live. But you can't in
many places around the country. So we have to tie income
and housing policies together.

MS. WACHTER: Mike.

MR. SCHILL: I think also that there is another
two points. I also think that - on some days I do think
that what we need is to address housing much more through
income support than through "housing programs". But I
think there are a number of instances where income support will be insufficient to achieve housing related objectives.

And I think one of these is areas where there's barriers to production, where all of a sudden people having income. And really a voucher is a form of a little bit of targeted income support. And I think that in the areas where there's barriers to production, you may not get a supply response in the absence of some production encouragement. And then you could have inflation the housing market.

But I also think importantly the difference between housing and other social programs is one of space. Housing is located someplace. So bad housing creates externalities, creates neighborhood decline, creates order.

Housing policy, it seems to me, at its best can address those issues. Housing can be a community development, a neighborhood redevelopment program. I don't think income assistance which is not targeted well is something that can achieve those objectives as effectively.

MS. WACHTER: I just wanted to underline the two responses, both of which I agree. Does anybody else want to add to it? Hattie.

MS. DORSEY: I just want to go back to the statement I made earlier about livable wages and add a couple more components to it. Tax incentives, which we see often times applied to enterprise zones that reduce the cost of housing for at least five years to afford people who are on the margin to get into home ownership.

Taxation, some kind of relief for - and not so much at the end where you get a tax credit, but somewhere during the whole process, some kind of taxation relief so that they do not have to pay exorbitant prices as the value of properties escalate.

MS. WACHTER: Thank you, Hattie. And to go back to the too broad policy implications, while the earned income tax credit is clearly a critical piece of our overall policy, it will not address the specific housing needs for folks whose work will never cover the cost of housing in a reasonable fashion. Our worst case needs data just point that out. And, of course, additional - Mike's points about could support housing but not decent housing.

I want to turn to another very fundamental question. And we certainly have people in the audience willing to ask the fundamental questions. Are the panelists aware of systematic studies that show that construction programs are more cost-effective than vouchers under particular market conditions? If so, what are those studies? If not, why have construction programs? Phil.

MR. CLAY: I'm not aware of studies that would show that. But I think the arguments for construction
programs are contextual. I can think of several arguments why you would want to have a set of production tools even in so-called weak markets. They range from the possibility that the housing that exists is sufficiently obsolete or at a scale that's not sustainable, that rehabilitation doesn't make sense. It's not necessarily cheaper.

New construction can get you something more. New construction can also stimulate revitalization and investment by surrounding property owners. New construction can be critical to meeting the needs of populations that are unlikely to benefit even if they could afford to rehabilitate the housing surrounding them. The frail elderly, for example, or other special populations, fixing - they're not a position to fix up or maintain a freestanding, single-family house, even those may be there.

And there are cases where as part of a comprehensive area-wide plan new construction is the only way to bring housing into an area where housing has not been present before and where housing, mixed income housing, would really go a long way towards rebuilding the community.

And finally, there is still the very widespread activity of re-constructing a nonresidential structure into housing. And that often has a substantial amount of what is actually new construction associated with it. It's not simply re-habbing an existing residential area.

So for all of those reasons, I can't imagine an American city that ought not have a set of production tools available to address its housing problems.

MR. DREIER: Let's say we had - let's just fantasize for a second. Let's say Congress allocated - I think it would cost about $60 billion for a universal housing voucher that would reach about 12 million households. What percentage of those people will be unable to find housing?

It depends on the city or the Metropolitan area. But it's significant in Boston, Los Angeles, San Francisco and quite a few - and not just those places, but quite a few, including some of the smaller cities, places like Rochester and others. There would be a lot of people who would be unable to use that income support which is called a voucher.

So the question is even if we had a - this is one of my points that I mentioned earlier. Even if we had a universal voucher or some version of it which I'm in favor of, you'd still need to add new housing. And I don't think it has to be subsidized housing. It has to be market rate, rental or limited equity cooperative housing so people could user their vouchers or home ownership housing were they could use their vouchers for down payments or for mortgage payments. Where would they use them?
And so then you have to figure if we had a - if we complemented a universal housing voucher program or housing allowance program, with a production program, how would we target the production? And as I said earlier, I think it should be in places where there are low vacancies, both in the city and in the suburbs, but primarily in the suburbs.

I'm not against community building in the cities, but I think we have to not allow this to be just housing for the poor. It has to be mixed income housing. And I think we have to figure out some categorical ways of doing is that don't require us to micromanage too much. Because that's what we don't do well. But make it possible for state governments and for the Feds to basically tell suburbs you have to have a certain amount of - as they do in some states that have anti-snob zoning laws, to the extent that they work like in Massachusetts. You have to have a production program that has market rate housing in the suburbs for which people with vouchers are eligible, but not all of them. It won't be a hunter percent low income. So there has to be a production program.

MS. WACHTER: Thank you, Peter. I am going to ask one more question. We are just about at the end of our time, but this one is near and dear to my heart. The other questions - and there are many. And I do apologize to those of you who didn't get your questions answered. We'll distribute them to the relevant panels. This is what areas of housing and housing policies most need additional research? Does anyone want to take that one on?

MR. SCHILL: I have a couple of ideas. And if you want to write the checks, I'll also take them. But I think one thing that needs - there's a new program now which is the final rule just came out, the home ownership voucher. Which I think is a fascinating program. And I think that it's just bubbling up. Some demonstrations have occurred. And I think that we need to track and see the extent to which that is a successful way to get low income, quite low income, people into home ownership. I think that we need to figure out what it is that makes people successful using housing vouchers - this is rental housing vouchers. And what can we do as government and policymakers to increase the usefulness of those? I think we need to think about fair housing enforcement. But that's just because I'm doing - well, it's not just because I'm doing research. But it's partly due to that.

I also think that one thing that we need to do - and this relates to my earlier comment - is do the analysis of the secondary impacts of housing. Do the analysis of why it is that - what are the benefits of housing beyond housing? And I don't think we have good data on that. I don't think we have good analysis. We're currently doing a project at NYU which is
looking at the impact of home ownership programs on
property values and neighborhoods. That sort of thing
applied to other types of housing programs applied to in
general I think it would be useful information to try to
establish what are the benefits and then you can truly
look at costs and benefits.

MS. WACHTER: Peter.

MR. DREIER: Yeah, I have an idea for a research
- it's not so much a research program, but it could be
turned into one. In the last couple of months, the number
of people running for Congress have taken bus trips. It's
mostly people like in the Pacific Northwest and New
England - have taken bus trips with the media up to Canada
to tell them why is it that Canada is able to have a
prescription drug benefit for everybody? Why are
pharmaceuticals so much cheaper in Canada?
And I think a comparable thing - I think we
ought to spend some of HUD's money to take every member of
Congress and every member of every state legislature to
Vancouver, to Montreal, and to Toronto. And just let them
see for themselves a country that has the same
distribution of income, the same level of poverty pretax,
roughly the same culture with obviously some exceptions,
not the racial problems in history that we have in this
country, by an enormous amount of immigration, as much as
we have in this country, in Canada, in Vancouver, but in
the other cities.

And then ask them why are there no slums? Why
are there no ghettos? Why are Canada's cities so much
more livable? I think it's not just about housing. I
think it has to do with they're more of a social democracy
than we are. But I think that Americans don't know that
not far from our own border there is a country that does
things a lot better than we do. And we could learn a lot
from that experience.

And I think that we don't have to go very far
away to see that housing policy and city planning and
other social and economic policies can work in a
capitalist democracy with the roughly same kinds of
economic and social and cultural institutions that we have
in this society. I think that would be a better use of
money than evaluating yet another program.

MS. WACHTER: Well, I'm not going to say no to
that. Although it might be particularly expensive. I
want to also say - and this may be a shocking comment -
include Portland, Oregon in that. Portland, Oregon,
there's no blight in Portland, Oregon. There was, but
there isn't. And I think some interesting issues of
inside game and outside game - maybe Russ isn't with us
today. He was at an earlier conference - in terms of
building coalitions that come out of that. Let me turn to
Hattie.

MS. DORSEY: I would like to add also that
Portland, Oregon is suffering right now with trying to
figure out how to have affordability in their policies.
Because now that area is up against it.

   The piece that I would like – Susan, I think you
and I have been talking about this most recently – is
around census tracks. Right now they exist, some policies
or laws or regs on the books that boil down to census
track issues. Inasmuch as that on one side of the street
can be butting up to upper income community. The other
side of the street butts up to lower in. And the whole
corridor is in disrepair.

So I would like to see some funds funneled down
to helping to resolve some of those issues that prevent
neighborhoods from rebuilding themselves. Right now we're

going to have to go after a legislative fixed by Congress
in order to go around a problem that I think just plain
old common sense would help us out.

MS. WACHTER: I do want to say that kind of local
research with local impact and showing where community
development groups are in fact building communities and
where we can best use our dollars to have that happen is
high on the agenda and it doesn't have to be that
expensive with our new data sets and disaggregated data
sets. Phil, did you have a comment?

MR. CLAY: Just a short one and it's in the
spirit of Peter's suggestion. And that is there are
examples of communities around the country that have done
the things that we here have suggested they ought to do.
And these examples are not very well documented with
respect how it is that communities and parts of cities
have been able to make the kinds of changes that not only
have made the lives of the residents better, but represent
models for urban planning and urban development.

And I think we ought to document these in the
same ways that some of your colleagues, Susan, have
documented how families in these situations are managing
to make it as the Title I book goes.

MS. WACHTER: Thank you. And this kind of
documentation, not just ad hoc anecdotes but actual
documentation is critical to this initiative that we'll
unveil tomorrow.

I think we all owe a great round of applause to
our thoughtful panelist. They've really set us up very
well for our deliberations. We have a break until 4:15 at
which point we will reconvene. And Bill Apgar will lead
our next section. Thank you, very much.

(Whereupon, at 3:55 p.m. the meeting was
adjourned.)