U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING POLICY IN THE NEW MILLENIUM

Breakout Session: SMART GROWTH

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PROCEEDINGS

MS. CAN TALEN: This is the smart growth panel. And I can't believe my eyes. It's just rarely you see this big of a crowd but we want to talk about smart growth and regionalism. The general theme is smart growth, but, of course, because our interest is in housing policy, we would like to focus on the interface of smart growth and affordable housing policy and practice.

There has been growth interest in smart growth principles and practice across the nation in localities at the local level, state level, with great federal support, so in this case, we would like to take a look at some of the practices that are emerging out there and discuss collectively how those practices can help promote affordable housing, if they can. And if they cannot, if they're not already doing that, what are some of the issues that we need to take a look at in order to promote the application of smart growth for affordable housing production and delivery.

We have collectively, with our panelists, identified three issues that we would like to take a look at today. And I would like to briefly go over these.
The first theme/issue that we would like to focus on is whether or not smart growth practices are leading to regional solutions. We have in our round table Michael Schill. As Michael told us yesterday, one of the seven principles that should guide housing policy is the need for regional solutions through cooperation across cities, suburbs and counties. We all know in this group that continued outward expansion from our metropolitan areas has made it increasingly more difficult for individual communities to address issues across regional, across jurisdictional boundaries. And these are issues including concentrated poverty, transportation, affordable housing, education, environmental protection and economic development.

So we would like to take a look at, today, if these smart growth practices are promoting regional solutions to some of these issues that have importance across interjurisdictional boundaries.

The second question we would like to raise today to our panelists is the intersection of urban core revitalization and smart growth. Our smart growth practices is a solution to combat increasing decentralization that's been the characteristic of post-World War II metropolitan growth and development.
that we criticize quite a bit. So we would like to
find out here if there has been some impact of the
smart growth practices in terms of promoting
revitalization in our urban areas.

In our state of the cities report this
year, we documented that while two-thirds of the
central cities gain in population since 1980, overall
population is still growing at a much faster rate in
our suburban areas. As a matter of fact, since 1970,
suburban population grew by 50 percent, compared with
12 percent in our central cities. So this is the
phenomenon, spatial phenomenon, metropolitan growth
and development phenomenon we're dealing with and we,
at the same time, are encouraging applying smart
growth principles. So we would like to take a look
at the issues that interface with urban core
revitalization.

The third question that we're going to
raise to our panels today is the role of the federal
government in facilitating local and regional smart
growth practices. As we're going to hear from some
of our panelists, federal government has increasingly
been supporting smart growth practices and
regionalism. As a matter of fact, HUD was a leader
in promoting these issues for many, many years,
perhaps dating back to the 1968 Kerner Commission Report in which metropolitan solutions to urban and suburban problems were emphasized.

Before I introduce our distinguished panelists, please allow me two more minutes to quickly go over some of the research projects that we have underway that you may be interested in, and that are on these topics.

The first one is a Growing Smart project. And I don't think we have Jim Hoben here. Jim has been our resource in these areas and would be very happy to go over these if you have any questions on any of these at the end of the session. Smart growth is a HUD-funded effort to modernize state and local statutes for planning and development management, which, as we know in this crowd, have not been updated for 75 years.

The American Planning Association, with funding from six federal agencies and two foundations, is carrying out Growing Smart. This project hopefully will produce a legislative guidebook for state governors and legislators on the best of American planning law. This is a multiyear effort and has already produced model legislation for state and regional planning. Twelve states have
already adopted model legislation based on this work, and local planning statutes that will serve as model and management tools will be completed next year.

The second project is Bridges to Work, an effort to connect city residents in underserved communities to growing jobs in suburban areas. It's an effort to encourage reverse commuting. Another effort is our Jobs Plus that may be familiar to some in the crowd, again, linking public housing residents to suburban employment opportunities. These are demonstration projects. And one other major effort we have is the Moving to Opportunity program, which involves moving public housing residents into nonpoverty neighborhoods with the effort to deconcentrate poverty.

Under our community planning and development office, we do have the Brownfields Economic Development initiator, and this should be an integral part of smart growth practices in inner city areas. Brownfields Economic Development is a top priority for the Conference of Mayors, the National League of Cities, the National Association of Counties, the National Governor's Association and many other organizations, and HUD has been a principal partner in this national partnership and
working closely with EPA and EDA to develop best practices regarding brownfields redevelopment in inner cities.

In a proposed initiator under the President's fiscal year 2001 budget, which may be of interest to this group, is an initiator group called regional connections to support specifically planning efforts across interjurisdictional entities for smart solutions. And in terms of size, this is only 25 million, but it's the first time HUD is setting aside specific dedicated funds to support regional planning efforts. And this was prompted by the Vice President's liveable communities initiator.

One last project that I would like to mention which has just been initiated, and we're very excited about this, is our research project for regional smart growth assessment. As we're going to hear from our panelists today, smart growth is a relatively new concept. It is rather ambiguous. It means many things to different people so we wanted to -- we decided to take a look at some of the regions, what they're doing, what they're calling smart growth and learning from them and, through the process, develop a template that other regions can use to assess their smart growth principles and
practices. So that is in the works and we would be happy to get you engaged in those conversations.

Now, let me introduce our distinguished panelists. We're very fortunate today that we were able to attract to the table leaders in the smart growth movement. To my left, we have Keith Laughlin. Perhaps he doesn't need much introduction to this crowd. Keith has been the Administration's key person in supporting livable communities and smart growth efforts. More specifically, Keith is the executive director of the White House task force on livable communities and we're going to hear about that shortly.

Keith is responsible for many things, including the intersection of the environment, the economy and communities. He was the White House liaison to the President's Council on Sustainable Development, and that was a very important effort because later, as some of you know, for example, for the huge coalition in the San Francisco Bay area. So we're going to hear from Keith more specifically on the Administration's perspective to smart growth and regionalism and what it's doing in terms of coordinating activities among government agencies.

To my immediate right, we have Dan
Goldstein. Dan is -- I'm sorry, David Goldstein. He was our latest addition and we're very fortunate because he brings yet another perspective to the panel. Dave is the energy program director of the Natural Resources Defense Council. And until I spoke with David, I would have never guessed that that organization would be engaged in some of the things that he's going to talk about.

Most prominently, I would like to acknowledge David's efforts in negotiating the agreement that led to the National Appliance Energy Conservation Act of 1986. David has been a proponent of locationally efficient mortgage products that are becoming an industry standard. It was a pilot effort that started a few years ago and now Fannie Mae and others are trying to introduce and apply that to promote sustainable communities.

To my far right is Betty Weiss, a voice from the community. Betty is the executive director of the National Neighborhood Coalition, which is a membership organization that promotes socially and economically vibrant neighborhoods. Betty has been a leader in the advocacy efforts on behalf of a nationwide network of more than 1,000 community action agencies. Betty is going to add to the table
the community perspective, so it's very nice to have you here.

To Betty's right is yet another very important person, Chris Nelson, and Chris is the academic committee's voice here at the panel, but, more importantly, Chris is somebody who can really take a look at these very complicated issues and provide a framework. So we are counting on Chris at this panel to give us a framework for the discussion of smart growth at the federal level and its impact at the local and state level.

But let me tell a little bit more about Chris because Chris has written extensively -- I'm sure most of you in this audience at least have read some of his publications. He is a professor of city planning, public policy and international affairs at Georgia Technical Institute. He's a member of both the American Institute of Certified Planners and the American Society of Civil Engineers. He has written extensively on these issues, including several books, as a matter of fact, and some of the prominent books that I would like to mention include Growth Management Principles and Practices, The Regulated Landscape, Lessons of Statewide Planning from Oregon and, finally, Development Impact Fees. So thanks for
being here, Chris.

To Chris' right, we have Myron Orfield. And I'm sure Myron doesn't need any introduction to this crowd because he's been sort of the leader of the smart growth movement at the state level and he's going to give us the state's perspective in the discussions. He's a member of the Minnesota legislature, authors metropolitan governance, fair housing and tax economic refinement laws and also happens to be the executive director of a very important organization called Metropolitan Area Research Council. And he is also the author of a book, Metropolitics.

It's a great pleasure to have Myron here because Myron, probably more than anyone, has been a leader of providing information on regional issues that constitutes the basis for regional planning. So we're going to hear from him on that as well.

And we're also going to have Karen Danielson. Karen is sitting right next to Myron because she's going to contribute extensively to the discussions today. It's very good to have you here, Karen. Karen has just moved from ULI, am I correct, to the National Association of Home Builders. And Karen used to work at the Fannie Mae foundation so
she's a colleague and a friend and it's very good to have her here.

Besides our panelists, this is an invited audience so we have, as we're going to hear, many people doing work.

I'm sorry, I have just one last panelists, John Frece. And John is coming to us from Governor Glendening's office. Governor Glendening, as you know, adopted smart growth as the key priority area for his state agenda and this is very exemplary and they are serving as a model to other states. And one of the things that the Governor's office is doing is undertaking its smart growth project, so John is going to tell us about that effort.

And just to give you a little bit of background on John, he is the Governor's Smart Growth and Neighborhood Conservation Initiators director and he also helps coordinate smart growth issues among various state agencies, and there is also a governor's smart growth cabinet on which he serves. And, in addition to that, he brings his skills from journalism to undertake a targeted outreach and dissemination on smart growth. Thanks for being here, John.

So we have a very large group, so we're
going to get started right away. We're going to use a slightly different format from other panels. Instead of asking the speakers to give five, six-minute presentations, we felt that -- we asked them several questions and these are questions that we identified collectively and they will respond to those questions. And through these questions, we are hoping to get across some of the key points perhaps that are also important and of interest to our participants here in this crowd.

Before we go to the questions, I would like to give each panelist two minutes just to position their presentation on smart growth issues into some context, tell us a little about their interests on smart growth and, more importantly, tell us what they mean by smart growth in their own work. Thank you. We're going to start with Chris Nelson.

MR. NELSON: Before I begin, I'm going to mention also, we have other people that we've asked particularly to be involved in this. We call them round table participants and I may have missed somebody but the ones who are here, Tony Downs, Phil Clay, Ted Koebel, Michael Schill, Garth Rieman and Ted Lowe, I believe, and Marc Weiss. I may have missed somebody and I apologize but these are people
we asked particularly to come in and contribute to
the discussion as well as everybody else here.

I began my smart growth research 20 years
ago and we called it then growth management, which is
different from growth controls. The popular press
doesn't make that difference, and so growth
management meant growth control and so we lost some
of the nuances of the term. So I wrote a book with a
couple of other people called Growth Management
Principles and Practices which, in my view, lays out
the smart growth goals and principles.

Smart growth came about in the popular
press about five or six years ago and has been
driving to me ever since because it, unfortunately,
means something to everybody and nothing to people
like me. And, for example, I know that in my
backyard in Atlanta, Georgia, there are entire
counties who say exclusionary zoning is smart growth
because it's smart because it keeps the low income
out. So the term has been bastardized.

The term has no meaning, but I accept it
now. I accept it because I think we in the academic
circles and the public policy circles and the federal
agency circles and so forth need to define what it
actually is. And to some extent, I think that we
simply need to take the good parts of growth management, cast off the growth control element of growth management, and then basically do a global search and replace in all of our documents. I'm going to republish my book and call it Smart Growth Principles and Practices. I'll maybe sell a few more copies, actually.

One of the reasons I'm here is that Ayse asked me to sort of bring us up to date in terms of the research that we've been doing in smart growth. Actually, there is very little research in smart growth, again, because we don't know what it is. If we don't know what it is, we can't measure it. So with other people here, we're trying to sort of put a definition into smart growth, come up with measurement devices and then proceed. But I would say that the research in this area is very wanting.

MS. CAN TALEN: Thanks. We're going to move to Myron Orfield. Your two-minute version of smart growth and your interests in these issues.

MR. ORFIELD: Well, I'm really a regionalist and smart growth is a part of -- I think there is three prongs of regionalism. Fiscal equity; comprehensive regional land use planning, which is our version of smart growth; regional governance. I
believe in progress and reform in all those things.

I think there is four types of metropolitan communities in America and they're all hurt by lack of coordination. There are central cities, which are about a third of U.S. regions. They have high poverty, usually low fiscal capacity, struggle to compete at the edge of the region, spend a lot of resources trying to compete and often get impoverished with detriments toward their school system and neighborhoods.

Older suburbs are about another 25 percent of the U.S. populations. Their school districts are racially changing, they don't have strong fiscal capacity. Their fiscal capacity is more fragile than the central cities. In the last decade, it's been weaker. They have the same kinds of issues as the central cities. They're more fragile. They're 25 percent.

The edge of the region, there is bedroom developing communities. They're about 15 percent of U.S. regions. They're developing very rapidly without the fiscal capacity to support schools. Without substantial government aid, they can't keep their wastewater clean, they can't deal with their traffic issues. They're hurt by lack of cooperation.
The last group is the high property wealth, edge cities. They have a lot of fiscal capacity. They are the places that are complaining the most about the land use plan. They don't like the development, they're losing green space. They have a lot of money but they don't seem very happy about it. At least parts of them in fast growth areas don't.

But I think that -- I really am a regionalist and all these things fit together and I think a good smart growth plan is a comprehensive metropolitan plan where cities have to submit their land use plans to the state government, to a larger agency, regional governance entity or a state planning agency. They have to have an affordable housing component in it. It should have a density component in it. It should be sensitive toward transportation, try to be functional on transportation, functional in transit. That's what I think smart growth is and that's what I would be here to talk about.

MS. CAN TALEN: Thanks Myron. Betty?

MS. WEISS: Thank you. Hi, I'm Betty Weiss. I'm the executive director of the National Neighborhood Coalition here in Washington, D.C.
Thank you for inviting me to be part of your panel, Ayse.

The National Neighborhood Coalition, for those of you who aren't familiar with us, is a 21-year-old coalition of many of the nation's largest networks of community, neighborhood and faith-based organizations that are working to provide affordable housing and do community development in low income, urban and rural neighborhoods. And our perspective on smart growth is commanded really with a question for what it means for low income neighborhoods, first of all, and second, what is the role for community-based organizations in smart growth.

And in terms of what the definition is, we're, I think, guilty of being one of the people that Chris described as kind of trying to redefine smart growth in our own terms and say that growth isn't smart unless it has strong community participation, a very aggressive affordable housing component and helps to redistribute resources more equitably among all the neighborhoods within a region.

And what we're doing about this is we have a project called Neighborhoods, Regions and Smart Growth that we launched about 14 months ago and we've
been talking with community-based organizations around the country to get a feel from them about what they think about smart growth, what they're doing. And the first thing we learned is that smart growth doesn't really mean anything to them, that the principles, the definitions don't really resonate very well with community groups. They don't perceive it as something that addresses their primary interests and concerns.

So the first thing we did was come up with our own principles, neighborhood principles, for smart growth and I'm going to hand out a report in just a second that has those principles in it.

The second thing that we're doing is we're working with local partners in a couple of places, starting in Philadelphia and New Jersey and then eventually kind of working our way more westward across the country to get community groups together to talk about regional issues and smart growth and help them see that this is something that connects to their work and helps them connect with each other.

And third is we just released a report about two weeks ago called Smart Growth: Better Neighborhoods, Communities Leading the Way, and it's 15 case studies of how community-based organizations
and coalitions of groups are working on a variety of smart growth-related issues, including environmental justice, transportation, affordable housing, economic development. And the findings from that report are summarized in this short executive summary.

MS. CAN TALEN: Thank you, Betty. David?

MR. GOLDSTEIN: Thanks, Ayse. I'm David Goldstein. I'm energy program director for the Natural Resources Defense Council. I'm kind of new to this group so it's good to meet you all.

I've been doing this for 20 years. NRDC is a national environmental advocacy organization, member-based with over 400,000 members nationwide. Our energy program recognizes that energy is the route of many or most environmental problems and tries to develop solutions to those problems, focusing on energy efficiency and renewable energy policy at the regional, national and international level. These are policies that also improve economic development at the same time they're working for environmental protection.

So what does all this have to do with affordable housing or smart growth? Actually, a lot. Housing accounts for some 40 percent of energy use nationwide. About 20 in the house directly,
including the utility service, and another almost 20
going to and from the house.

Affordability. Between energy costs in
the house itself and energy costs in transportation
to and from the house, we're talking about well over
20 percent of a family's total budget. So if you can
do something to reduce those costs, you can do
something very important to improve economic
well-being while you're helping the environment.

In terms of energy used by the building,
reductions at 50 to 90 percent are economic and can
be done today with appropriate economic incentives,
and we're working on things including legislation
such as 2718 that would provide those kinds of
incentives.

Transportation is an unrecognized source
of economic and environmental waste. Transportation
costs about as much in dollars as the house itself.
More, in some cases, over the lifetime. And we now
know that transportation costs can be cut by 50
percent or more due to smart growth patterns. This
implies -- the research that I'm going to describe
later describes at least one piece, the economic or
quantitative piece, of a definition of smart growth.
So I'll be talking about what our research is and how
it might apply to policy development.

MS. CAN TALEN: Thanks, David. That's very useful. While we left Keith Laughlin purposefully to the end -- I'm sorry, now we're going to go to John Frece. It's just the setup here. I get so confused. I'm sorry, John. If you could just tell us about your office's perspective to smart growth.

MR. FRECE: Thank you. Let me say that I'm totally unconcerned about not having a specific definition for smart growth because I think what it has become nationwide is sort of a shorthand for better planned, more environmentally sensitive development patterns. And it can't mean the same thing for every community, nor should it, and I think that individual communities need to define what smart growth means for them.

I work for a governor who had some hand in sort of spreading this phrase. Back in 1997, Governor Glendening introduced, and we passed in the first legislative session that it was considered, a series of bills that became known as our smart growth and neighborhood conservation initiative. Our problem was that our development patterns over the last 30 to 50 years were such that if we continued in
Maryland with the same development patterns for the next 20 to 25 years, we would consume as much land in new development as we've consumed -- in the next 20 to 25 years -- as we've consumed in the entire 366-year history of the state. And we needed to try to change the direction we were going.

What we have done with the Maryland program is very simple. We have controlled the one thing that the governor of Maryland can control, which is where the state budget is spent. It is an incentive-based program, not a regulatory program. It identifies areas around the state that are called priority funding areas that are the priority for state funding, and that's where we are targeting state dollars for growth-related projects, or in rural areas, we're talking state dollars for permanent land preservation of the best remaining lands in Maryland.

And then virtually all the other programs within state government are supported by those two programs. I'll talk more about that later. Thank you.

MS. CAN TALEN: Thanks. Keith, you're last. Tell us to what extent or what you've heard is consistent with the Administration's perspective on
smart growth.

MR. LAUGHLIN: Well, I think it's consistent because, I think as John said, I think smart growth is a place-based idea and a place-based approach to policy that really has to address the specific economic, environmental and social needs of those places. And so I kind of agree with John on the definition, as long as we're within the context, I think, of some basic principles.

Let me just briefly indicate what the administration's doing. As I should have indicated, I'm the executive director of the White House Task Force on Livable Communities. We released this report, the Vice President did, back in June, which pretty much summarizes the work that we're doing and you can find this on the Web at www.livablecommunities.gov and you can actually order it directly from the site also, if you would like a hard copy of it.

What this does, this report does, is it, in a nutshell, tries to describe much of what we've heard here in terms of the innovation that's taking place on this set of issues at the local level across the country. And I think that it's truly exciting what is coming from the ground up because that's
really, I think, what the smart growth movement is all about.

What we then do after describing that, the changes that are taking place in the American landscape as a result of that, is that we try to identify a clear role for the federal government in this effort because land use always has been, and we think should remain, the responsibility of state and local government. We have no interest in getting involved in that set of issues from a regulatory standpoint. It is not our role.

However, we do define our role very clearly in four ways. One, the federal government can provide incentives to help communities that want to implement smart growth planning. Two, the federal government can provide information and tools to help communities make better local decisions in moving in the directions that they want to do. Three is the federal government can be a better neighbor in communities, and the decisions we make with the way we manage federal real estate, with the way we deal with transportation policies for the federal work force, which have an impact on local development patterns, and we should make sure that our impact is consistent with the goals of the local community.
And then fourth, we can build partnerships to begin to identify new ways of working with communities to address these issues, and we do have 15 partnerships underway working with communities. Some are at the regional level, some are at the neighborhood level, so that we can gain experience in better coordinating the activities across the federal government to support local efforts to build livable communities and smart growth.

Just in summarizing, in terms of the principles I think that are important here, I would just emphasize that to me, smart growth has to be economically smart, it has to be consistent with job creation and economic opportunity, it has to be environmentally smart in terms of not creating environmental problems but rather solving them, and just as important is it has to be socially smart. In my mind, if smart growth does not include the issues of equity, it is not smart and that has to be right up front and center. To indicate what Chris is saying, exclusionary zoning is not smart growth. Just by definition, in my opinion, it can't be. And I think that it's really important that those issues be front and center.

MS. CAN TALEN: Thank you, Keith. That's
very useful. Now, I would like to take a few minutes and ask some of our round table participants, and I'm going to give names, and Marc, you're on that list, to say a few words about their perspective in general terms on smart growth. I would like to ask, first, we have Tony Downs and I would not want to miss the opportunity to hear from Tony about what he thinks about all of what we're doing here.

MR. DOWNS: Well, I think that smart growth has -- I agree that it's an ambiguous term and it's probably correct that it can't be defined the same in every location. But it seems to, by experience, have certain elements in it that, if we identify the elements, it might make the discussion clearer.

First, most smart growth proponents propose some kind of a limit on outward expansion, whether it's an urban growth boundary of some kind or utility district or something. Second, they propose a significant to greater emphasis on public transit and less emphasis on private automotive transportation. Third, they propose a focus on redeveloping core areas within field development. Fourth, they propose freeing up design regulations so that design elements like the new urbanism can be
incorporated into new growth.

Fifth, they have recommendations on financing and these vary tremendously but, basically, most of them lay the costs of new development primarily on the new developments themselves and tend to protect existing citizens from higher taxes. They involve shifting more of the transportation financing to transit. That could be through some kind of utility district.

The last element is governance and almost all proponents of smart growth propose -- continue to advocate mostly local governance, which I think is a guarantee that it won't work but that's my own opinion. And I think that there is quite a variety in this. There are certain principles about smart growth that I think are important to recognize.

The first principle I would say is that regions cannot control their own growth rates. The growth rate of a region is dependent upon the characteristics of the region, its size, location, topography, demography, et cetera, and therefore, it cannot be influenced by the actions of local governments. And if a local government limits growth within its own boundaries, which it can do, that simply shifts the growth of the region somewhere else
in the region and that has no effect -- in fact, it
tends to aggravate sprawl because it tends to cause
people to move farther out if they can't develop in
close.

So that's one very important principle
that we have to recognize, that local growth control
does not slow down growth of a region. In fact, it
simply displaces it.

I think I'll stop at that point. One
other thing I would like to say is that affordable
housing -- the concept of affordable housing is far
more ambiguous than smart growth, as a matter of
fact. Nobody in the United States can legally build
housing that is affordable to poor households because
the quality standards we demand for new construction
are so high, that they make the units too expensive
for low-income households to live in, so that smart
growth excludes poor housing because it's growth and
all growth housing has to be above the levels that
poor people can afford. That's hard saying but it's
true, nevertheless.

MS. CAN TALEN: We're going to completely
ignore that last point because otherwise we would not
have a panel here. Thanks, Tony. That was very
useful. Others that we would like to hear from --
I'm going around this list to give you a little time. Phil Clay, Ted Koebel, Michael Schill, of course, Garth Rieman, Ted Lowe, Marc Weiss, Karen Danielson.

Marc, we're going to go with you and, of course, I would like to acknowledge our assistant secretary Susan Wachter who -- thanks -- joined us. So Susan, would you like to go first?

MS. WACHTER: I would like to comment on two elements of Tony's list. Tony lists are always so wonderful. And the idea of displacement, of course, works with us, if displacement can move us to help revitalize the core. And that's, of course, going to be part of this later plenary session this afternoon where we talk about building a million homes in the nation's core market rate housing and we will look at barriers to do so and how do we overcome them.

That doesn't solve the affordable housing problem, nonetheless. In fact, it may contribute to the affordable housing problem and of course that's where we need the HUD budget. Let me let that go for another time.

MS. CAN TALEN: Thanks, Susan. Marc, would you like to go? You probably had a question but we want an answer from you.
MR. WEISS: Well, actually, I think what Tony said was excellent. I agree with it so he answered some of what I was going to address. I just want to hone in, from the initial panel presentation, which was very, very good, the point that Chris raised about this ambiguity of smart growth, of being all things to all people and, in some cases, being kind of a new name for a NIMBYism, you know, of really the antigrowth.

And I think that what I want to do is really kind of call attention, because John Frece was quite modest, to the lessons that I think we can learn from what Governor Glendening has done in Maryland. And the first is that the official complete name of the program in the State of Maryland is Smart Growth and Neighborhood Conservation, and that's very, very important because a lot of the growth management debate has focused mostly on the negative impacts of sprawling development in suburban and ex-urban areas and traffic congestion, pollution and so forth, which sometimes does get linked to the loss of rural agricultural land, open space and so forth.

But I really think that what the real -- the break through of the Maryland program, which is
why people got excited about the smart growth, is not just a new name but a new concept, was directly linking the issue of sprawl to the issue of reinvesting, as Susan just said, in the older urban centers. And there is kind of two pieces to that. One is rebuilding the core itself, the cities and the inner ring suburbs. And the other is, in the outer areas, increasing the density of development in existing suburbs so that even though you've got sprawl stretching out, it's not stretching everywhere, it's more concentrated.

And I just think that's something that this group here should be building on, on how the three things got put together. The saving the open land, controlling the effects of sprawl and rebuilding the core. And this is just a couple of other things that, as Keith said, in Maryland and elsewhere now, the smart growth then became not just a concern about physical growth but it was linked back to the economy, and that's critical. We just had a national conference last week at the law center on metropolitan economic strategy where smart growth is part of how you grow prosperity and quality of life so it becomes an economic strategy.

And lastly, I think the thing that was
pretty creative about what was done in Maryland is it
shifted the debate, as Tony talked about, and Chris,
from just land use regulations to, one, incentives,
and two, probably even more important, redirecting
the existing total budget. Governments spend a lot
of money on things like transportation,
infrastructure, education, work force, development,
to fill a variety of purposes. They don't always
target it.

What smart growth and neighborhood
conservation did was impose a discipline, saying,
we're spending all this money, we're going to do it
under this framework, which meant it was fiscally
conservative, both in the spending and in saving
existing resources. And that, I think, also helped
build a broader base.

MS. CAN TALEN: Thanks, Marc. I would
like to leave some time for our questions. I'm going
to just allow two more individuals. Michael Schill?

MR. SCHILL: I have just a brief comment.
When I was a young faculty member, actually, I gave a
paper arguing about exclusionary zoning and regional
solutions and Tony was -- I think you were my
commentator on that paper down in Virginia. And you
sort of looked at me and you said, you know, I
suggested this ages ago, which is true again, and I
cited you. And you're naive, how do you expect this
to happen 10 or 15 years after nothing had happened
with respect to opening up the suburbs.

And I think that what we need to be
thinking about is appropriate levels of government
and which levels of government are best at doing
this. And I think one of the problems with smart
growth that makes me -- that concerns me is in some
ways it becomes a code word just for everything we
think is good in the world. And if everybody thinks
it's good, I just don't see how -- I mean, not that
people should be thinking that it's bad, but the
point is that it needs to have some level of policy
impetus and so we have to figure out which level of
government is appropriate. What should the federal
government be? What should the role of the federal
government be?

Certainly I agree that a one size fits all
can't work, but the question is, who should be
implementing these things? And I think that one of
the key challenges, as you just mentioned, is to get
the states to be responsible, because I really don't
think we can rely on municipalities, and we certainly
can't rely on neighborhoods to be the implementors of
But I do think the federal government has a role through pressuring states or creating incentives for states to crack down on the negative side, alternatively, to create incentives for the municipalities within metropolitan areas to act in a responsible way. And I think it's through that type of structure, but I think we do need to have states step into the game here in a way that is sensitive to local needs.

MS. CAN TALEN: Thank you, Michael. That was very useful. Now, I'll just turn to Karen and she will be the last person to comment.

MS. WACHTER: We agree very much with regard to the state role and, at HUD, we have just signed an agreement with the National Governor's Association to look at ways that we can work together with them as a start, to look at where incentives might be appropriate, where they're our best practices and where we can begin to advise on policy on these issues.

MS. CAN TALEN: Thank you, Susan. Karen, do you have anything to add? You always do.

MS. DANIELSON: Hi, I'm Karen Danielson, a housing policy economist at the National Association
of Home Builders. I would like to talk about the
private market aspects of this. Even though there
are roles for government, there is --

MR. GOLDSTEIN: -- measured in vehicles
per households you get from the census. The vehicle
miles traveled per car you get very cleverly by
looking at the annual smog checks and looking at
differences in odometer readings from one year to
another and cross-check them with ZIP codes, so it's
a pretty accurate measurement. We did the
regressions looking at what variables were most
important first and then going to the second most
important one until we ran out of statistical
significance.

The results are very impressive. I'll
show them on a graph here if we have an overhead. We
don't. A colleague of mine who was on a panel with
me once said visual aids are the crutch of the
inarticulate. So I hope I won't prove inarticulate
here.

The vehicles per household correlation,
for those of you who have statistical background,
with a thousand degrees of freedom, the R squared was
90 percent in the Bay area, which is very impressive.
For those of you who don't have as much statistical
background, when you have an R squared of 90 percent, you don't have a bunch of points on a graph and try to draw a curve through them. They draw the curve themselves. You just look at them and they line up straight along the curve and that's what we got.

The most important variables, the first most important was compactness or density. Residential units per residential acre was by far the most explanatory variable. Second was income and transit, more or less than a tie. Third was family size, household size. Fourth -- fifth, actually, distant fifth was pedestrian and bicycle friendliness. For the one region where we had data on number of jobs within a half an hour commute, that was statistically significant only on miles driven per car, not on car ownership, and it didn't make that big of a difference. So all of this focus on jobs and housing apparently is getting at a small piece of the problem but not a big piece of the problem.

Much to our surprise, mixed use didn't show up as statistically significant in this study. The results were done separately for all three metro areas and we have partial results for the city of Seattle. The curves were virtually the same in all
three cities. So we got a very consistent result
everywhere we looked.

The results -- here is a graph that I can show people afterward. It's a smooth curve.

Basically every time you double density, you reduce driving by X percent. Every time you double transit access, you reduce driving by Y percent. X and Y are big numbers and there are no thresholds. So it's not like you have to get beyond a certain point in order for transit to matter, or you have to get beyond a certain point for density to matter. More is better, and it just keeps on going as far as the data could allow us to go.

MR. DOWNS: The cost of housing falls as you move farther and farther from the center of the city. I've done some analyses similar to yours and it drops about -- over 1 percent of the median cost in the metropolitan area for every mile you move away from the downtown area so that if you're in a high enough cost area, such as California or in the northeast, you can more than make your mean for that higher cost of transportation by moving out farther.

MR. GOLDSTEIN: That's actually part of the problem and one of the solutions that we've worked on is the location-efficient mortgage, which I
have to say is a service marked product of the
Institute for Location Efficiency. I'll talk about
that in a second because it's important to remove one
of the disincentives, but let me finish it at this
point by just describing how big the effects are.

As you go from sprawl density to something
comparable to where I live in northeast San
Francisco, the density effect alone reduces driving
by more than 50 percent. That's both car ownership
and miles driven per car, so the savings are $4,000
per year out to infinity. If you add high levels of
transit service comparable to a heavy rail station
with bus service, you'll reduce driving by 30 percent
whether you put it in the middle of a central city or
out in the middle of suburban sprawl, which is as
much as an order of magnitude bigger effect on
reducing driving than anything in the literature
previously.

MS. CAN TALEN: Thank you. I just would
like to remind you that we passed around these index
cards. Those of you in the audience, if you have any
questions, please put them down to a response to the
panelist remarks, and we'll collect them at the end
of each question.

I would like to now turn to Myron Orfield
and ask him how, in his work, he found out the impact of some of the urban sprawl on housing costs, if you have explored any connection relationship between changes in housing costs or city's fiscal health through taxes resulting from smart growth practices.

MR. ORFIELD: In terms of tax policy?

MS. CAN TALEN: Yes.

MR. ORFIELD: I'm a little bit confused about the question. Do you want me to answer the first one a minute ago or is this one about --

MS. CAN TALEN: Well, if you can also comment on, not only affordable housing, but impact on affordable housing through city's fiscal health.

MR. ORFIELD: Well, the impact on affordable housing through city's fiscal health, I think that one of the things that happens -- it's a hard question. I'm a little bit confused but I think one of the things that happens when cities are competing against each other for property wealth, sometimes they don't want to build any affordable housing. And as cities start to equalize a little bit and share some of the resources of growth in a region, there is less fiscal incentive to discriminate against people.

In terms of a variety of housing types, in
terms of efficiency, I think probably the best kind
of evidence that we've had in Minnesota -- I've been
the author of a fair housing law that was very
controversial, finally passed after two laws were
vetoed, but that barrier reduction was an important
thing that the building industry supported very
strongly in terms of that legislation. They thought
that by deregulating the housing market by allowing a
variety of types of housing in communities, by trying
to streamline the regulatory process, that smart
growth legislation helped their economic benefits.

And I had very strong housing bills that
were very strongly -- they were very controversial,
but they were very strongly supported by the building
industry all the way through the process. So I hope
I've answered your question.

MS. CAN TALEN: You can go ahead and
answer it in a general way. What's the impact of
smart growth on affordable housing practices in the
context of your work?

MR. ORFIELD: Well, I think in the context
of places that have barrier reduction, you have --
you know, places like Oregon, places like the Twin
Cities beginning after 1995, you have more of a
variety of housing types. There are less
restrictions in communities on large lot size, less
insistence on dramatically elaborate frontages, less
requirements on underground garages.

MS. CAN TALEN: Do those lead to reduction
in the cost of housing?

MR. ORFIELD: Yes.

MS. CAN TALEN: Thanks, Myron. That was
very useful. I'm going to now turn it to John Frece
and ask how they promote affordable housing in the
context of Governor Glendening's smart growth
initiator.

MR. FRECE: Thank you very much. What we
are trying to do across the board with our smart
growth program is to target the resources of all the
different departments toward our priority funding
areas which are essentially our municipalities, the
heavily developed areas inside the Baltimore and
Washington Beltways and then other areas locally
designated for growth that meet certain state
criteria. And our housing efforts are no different
than that. We are now targeting almost 100 percent
of all our housing programs to these priority funding
areas.

The secretary of housing community
development in Maryland has the discretion to make
expenditures outside of priority funding areas but the clear thrust of what we're trying to do is to put our resources into designated growth areas. We've had a number of different individual programs apart from the overall emphasis on targeting mortgage money and other programs through the priority funding areas. For instance, we have a partnership program called Live Near Your Work, which the state partners with private sector employees or public sector employees, such as colleges or universities, and the jurisdiction in which that employer is located and they identify neighborhoods near the place of employment where they encourage employees of that employer to locate to buy a house. And all three of the partners, the state, the local jurisdiction and the employer all agree to put up a thousand dollars each, 3,000 total, to encourage employees to live near their work. And obviously that has effects on the transportation, on air pollution, on a lot of things, but what it really does is it benefits the neighborhoods, many of which are distressed neighborhoods that we're trying to target. We also had a one-time refinancing of some bonds that they gave our housing department, a little $40 million nest egg and what we did with that was we
developed a program called 40 of Four in which we advertised to all of our local governments that we had this money and encouraged them to develop local measures that would encourage home ownership in their targeted communities. Rather than the state targeting where the money would go, we let the local governments devise how it would work best in their jurisdictions and then compete for the money. So that's the sort of things that we're doing.

MS. CAN TALEN: How is that developing? How is that coming along?

MR. FRECE: The money has all been -- that program was about two years ago. The money has all been allocated and spent and the users of the money have purchased homes. I think that it's too soon to go back and determine whether this is going to have the lasting effect that we hope in terms of increasing home ownership. I think that this is one of the things that we're determining.

MS. CAN TALEN: Thanks. I'm going to turn it to Betty Weiss and ask her to comment on the social implications of smart growth in low income communities. What does it mean to them?

MS. WEISS: Well, as I said at the beginning, the implications of smart growth in low
income communities are still a little bit unclear. There is a lot more questions than answers if you talk to people in groups in low income communities about smart growth and what the implications are for them socially, economically and environmentally. I think residents, community groups and low-income neighborhoods are able to see the potential benefits of smart growth. New investment, reinvestment in their communities, jobs that are located closer to where people live, better access to transportation and a more healthy environment in which they'll live. Affordable housing gentrification displacement is still the big scary question for groups and people in low-income neighborhoods, and it is something that they're very, very concerned about.

And this is a HUD housing conference so it's very unusual to have this kind of an emphasis on housing conversations about smart growth, and so far really the smart growth movement is still very much out of balance. It is still an environmental issue. It is, in practice and in policy, about preserving open space. It's not about reinvesting in communities and it's not about building affordable housing.

And again, I think without broadening the
definition of smart growth, it's going to be a failure but I think this is a moment of opportunity to build a much broader constituency, not just for smart growth but for affordable housing. I've never seen NRDC at a HUD conference before. For example, we have calls from the Sierra Club asking to partner with us. This is a very unusual thing going on, so there is a chance to build much newer, broader coalitions now, and I think we really need to seize the moment and work to build a much bigger, stronger constituency for housing as part of smart growth.

MS. CAN TALEN: I think with that, we're going to move on to the second question and broaden the scope of smart growth to address other issues, environmental, transportation, and some of the issues in a regional context. We're going to focus on the second theme, which is regionalism and smart growth, and raise the question in terms of what we mean by -- how do we see smart growth principles and practices promoting regional cooperation, not only in the context of affordable housing but in any of the other areas.

We really would like to hear from the practice that you're familiar with in terms of -- you know, smart growth practices. Give us some specific
examples and tell us in what context they have proven useful and not necessarily in affordable housing. As Betty correctly mentioned, the smart growth movement has been so far an environmental protection movement, open space movement.

So let's just raise the conversation to the regional level and discuss the impact of these practices in other areas. And if you know of any smart growth practices, something you can call smart growth practice that has been used in the context of revitalizing urban areas, we would like to hear on that as well. Chris will go first.

MR. NELSON: I think that a lot of the smart growth discussions we have, we can look to the experience of a few examples around the country to give us insights. And I'll play the old record again, but I think we could look at Oregon more carefully than we have and see what it is they've done over the past 25 years.

I think in many respects, they have done the smart growth things that we're talking about doing now at different levels across the country. Michael Schill mentioned that you need a state/regional orientation. That's how Oregon started. Oregon said, we need to reserve the open
spaces, but then we need to make sure the urban areas accommodate the development that they need to accommodate. And in many respects, the Oregon system does both. They have their cake and they eat it too. They preserve the open space. There is no question about that.

But they're also a developer's friend in the sense that they have fast tracking of development, flexible development patterns, clear and objective development standards. Local governments cannot impose exclusionary zoning. Local governments are required to have affordable housing programs, they're required to have fair share regional distribution of affordable housing and they're required by law to sit at a table much like this and haggle over development patterns.

As a consequence, where reported Oregon was in nonattainment in air quality standards 10 years ago, it is in attainment now. Property taxes have gone down as a rate of values. Transportation demands, VMT per household, have not gone up nearly as fast as the national average. Energy consumption has gone down per capita. The median wage has gone up in part because more people per household have more accessibility to more jobs because of compact
development patterns and more accessibility through alternative modes.

In other words, if we study Oregon, we can find a lot of what works, and some things that don't work, and we can sort of figure out what doesn't work there and fix them in other parts of the country. I think Maryland's approach is not as draconian as Oregon's, but, in many ways, it has the same features: The targeted investment areas particularly, the acquisition of open space development rights. Many of the same features but done in a way that works in Maryland. I think there is a lot we can learn from Maryland but, unfortunately, it's not old enough yet to go in and look at it statistically.

But all these things have one or two elements in common. You have a state involvement in setting targets and you have regions that are required to refine those targets for local implementation. And local governments then do the dirty work but the local governments are flexible in how they reach their targets. And I think there is this leveling, this partnering that has to be developed, and I think there is a federal government role in that as well, but we can talk about that
later on.

MS. CAN TALEN: Thank you. I think I'm
going to ask Karen Danielson, because she's probably,
more than anyone else here, familiar with what
happens in the localities. Karen, can you think of
any smart growth practices in the affordable housing
area, or is smart growth still very much confined to
suburban areas, ex-urbia.

MS. DANIELSON: Well, I want to take a
different tack. I want to look at a little bit more
of kind of what Chris was talking about. I want to
talk about kind of a different model that probably is
the opposite of development. It's one of the biggest
open space preservation techniques that I've heard
of. It's the Buffalo Commons idea, which is trying
to preserve the Great Plains area. And there was a
little read article I think in the planning magazine
a few years back on the difference between hard nose
and soft nose planning and what the difference is.

   Hard nose is like taking the big
   regulations and zoning and regional planning kind of
   commissions and, from a top-down perspective,
   actually forcing people to conform to different land
   uses. The soft nose approach has this kind of ideal
   of smart growth which I think conforms to this idea
that nobody knows what smart growth is and it's kind of a floating target, but if everybody kind of agrees on loosely what it is, the localities themselves get to define, within that realm, what is appropriate for them. And that is kind of what a soft nose approach is. And that's happening now.

Even though there is not an official policy of the Buffalo Commons, it is being played out everywhere in the Great Plains right now. That's like a big open space kind of thing. We can take the same kind of principle and apply it to localities and within some of the framework Chris was talking about, kind of a state government, it's an organizing principle, have the regions refine it a little bit but let the localities duke it out kind of a thing.

MS. CAN TALEN: Do any of our panelists have anything to add?

MR. ORFIELD: Yes. Actually, I think I want to add that our research shows that the regional approach that Chris was talking about earlier really makes sense because if you have these smooth relationships with density and transit access and, to a smaller extent, pedestrian friendliness, reducing transportation costs and pollution, then you can do smart growth in a number of different ways. You can
do it in new green fields areas by building more
compact suburbs and putting in new transit services
or beefing up old ones, you can take existing
neighborhoods and change the transit access without
changing the housing, you can do infield development,
you can do it in suburbs, you can do it in central
cities.

This isn't a choice of smart growth must
mean infield or smart growth must mean new
developments. It suggests that there is some of each
and the market can decide what the mix is, but we
want to provide options, I think, to the consumer to
the different kinds of environments but provide a lot
more choices in location-efficient ways than we've
been doing in the past.

I want to note that in developing the
location-efficient mortgage project, we've had a
number of partnerships with infield developers
because the location-efficient mortgage is intended
basically to encourage new development that wouldn't
otherwise happen to occur in the location-efficient
spaces. That's NRDC's goal is this project, is one
where, as you were saying a second ago, Betty,
partnerships with this group and the environmental
movement might be a little more fruitful than they've
MS. CAN TALEN: I have one question from the audience to John Frece. John, in the context of Maryland's smart growth legislation, has Maryland's smart growth legislation decreased funding for affordable low-income housing in rural areas?

MR. FRECE: I don't know that I know the answer to that. I think the answer to that is no. I think that what we are trying to do from here forward is to target our resources for the most part in the priority funding areas but, as I said earlier, the secretary of housing retains the discretion to fund in areas outside of the priority funding areas. Under the Maryland system, we have 23 counties in Maryland and there are priority funding areas, there are growth areas in every county, and it is up to the local counties to decide where those growth areas are, where they want state financial assistance. So if a local county says that an area that may be a rural crossroads is one of their designated growth areas, as long as it meets state criteria for minimum density and for the provision of water and sewer service and it's consistent with their overall growth plan, that can be their growth areas and the state funds that are available
elsewhere would be available there.

MS. CAN TALEN: Thank you very much. And
do any of our other panelists have anything to tell
about the impact of smart growth on rural areas?

Myron?

MR. ORFIELD: I think one of the things
that happens with rural areas, particularly in the
Midwest, is if you don't have some sort of a regional
plan and some sort of change in zoning designation at
the edge of an area, there is always an incredible
pressure for rural communities to sell off to low
density, inexpensive housing. And particularly in
the Midwest where the farm economy isn't as strong,
at the edge of the region, there is a powerful
incentive for people to sell their land and retire
and there is not much -- because I think in Oregon
and places like that, the agricultural system is a
little bit more viable.

Unless you start to create a bright line
at the edge and change some zoning designations,
you're always having a leapfrog low density septic
lot development on large lots which is a real, real,
real bad detriment to smart growth system. It's
really bad in terms of traffic generation, it's
really bad in terms of the environment, it's really
bad in terms of the cost of providing infrastructure effectively when the septic wells start to fail. So the rural areas -- in Minnesota where we don't have such a viable agricultural system, we'll always have farmers come to the legislature that will testify for our land use plans, but there will also be farmers come that think it's a huge taking that violates their retirement, that violates their right to move to Florida. And unless you do something at the edge in terms of changing the zoning to one per 40 or one per 80, you really undermine a lot of the good efforts that you do it inside of an urban system of planning.

MS. CAN TALEN: Betty?

MS. WEISS: Quickly, two things that we heard about smart growth in rural areas. One, just anecdotally, in Maryland we've heard from community groups that it is much harder now to build affordable housing in lower-income rural communities, more remote areas. It's just more and more challenging to get the funding if they're not in a priority development -- designated development area.

And the second thing that we've heard, in the case studies that we've just released, we talked to rural groups in a couple of areas and they said
that one of the problems is that the capacity to do
goed planning is not nearly as strong in rural areas
as it is in urban and suburban areas and, you know,
just resources and staff and capacity just isn't
there in that rural communities have had to find
creative ways to work around that and develop
capacity by partnering with other small towns and
other local governments and developing kind of new
sort of creative arrangements.

MS. CAN TALEN: Are there any specific
initiators that you're aware of in rural areas?

MS. WEISS: Yes. The two that we looked
at in depth that are detailed in the report that we
put out are in North Carolina and HandMade in
America, and they've developed a sister city small
town leadership development initiative that's working
on planning around sustainable economic development.
And in Maine, Coastal Enterprises, which is working,
looking at impact of sprawl on rural communities and
working both at the local and regional level, as well
as the state level, to try and shape policy so that
it encourages the protection of traditional
employment sectors and natural resources,
particularly the coastal fishing villages and
forestry.
MS. CAN TALEN: Thank you.

MR. NELSON: I want to change the discussion just a tad in terms of the rural open space preservation and so on. Open space is a public good and, as a public good, there is no market value for what it generates to society. And so to some extent, I think that rural landowners are being shortchanged because the market doesn't reward them for keeping their open space in viable open space activities.

The world average value per year of open space is about $4,000 per hectare per year. In my view, we probably need to find a way to generate money to reward private landowners who keep their property in open space and thereby create a market for land ownership for open space preservation. They pay lower taxes but taxes are 1, 2 percent of the value of property. That doesn't cut it. I'm talking about real rewards, economic rewards, for private land owners to participate in open space preservation programs. I'll just leave it at that. That's on the table.

MS. CAN TALEN: Now we're going to turn -- there are several questions from the audience that our panelists will address. I think Chris has one
that's right on the target here so if you could just answer that, Chris.

MR. NELSON: I'm actually going to defer to Tony on this. But I'll read it, Tony. For Chris Nelson, Portland, Oregon, housing prices rose twice as fast as the national average and of similar cities. It has meant housing affordability has gone from reasonably affordable to the fourth worst affordable city in the U.S. Is this smart growth? And Tony, you've actually done some research on this.

MR. DOWNS: Well, housing prices in Portland, the Portland region, went up faster than any other city between 1990 and 2000, but that increase was entirely in the first part of the decade between 1990 and 1994. Take the whole period from 1975 to 2000 when Portland had regional boundaries and no place else really did, housing prices in Portland went up much slower than the rest of the country in the 1980s. They went up much faster in the period 1990-1995 and then they've dropped off to be not the fastest between '95 and 2000. They're almost identical over the whole decade with Denver in terms of percentage increase.

I don't think you can say that the evidence shows that the growth boundary in itself is
the cause of higher prices in Portland. The prices have gone up but they went up in a period when their job expansion was increasing much faster and when California prices were depressed because of the recession in California. Since '95, prices in California have gone up much faster than in Oregon. California has local growth boundaries, not regional growth boundaries. So it isn't clear to me that the urban growth boundary in Portland is the cause of higher prices than other places.

MS. CAN TALEN: Thank you. I think Keith has a question.

MR. LAUGHLIN: Tony, I would like to ask you a follow-up on that, put you on the spot. And it seems to me that with something like an urban growth boundary, we're dealing with the supply and demand in a regional land market and it could have an impact on prices simplistically in two ways. One is it could reduce supply by restricting where new building could take place, or it could increase demand by improving quality of life in an area and increasing the desirability of people to want to live there.

Is there any kind of evidence to know in Portland to the extent to which the urban growth boundary may have had an impact on supply of housing
or demand for housing?

MR. DOWNS: Well, there is no way to tell the difference between those two effects. Chris has done more direct research on that subject, but since he deferred the previous question to me, I'll defer this one to him.

MR. NELSON: To make the boundary work, there are strong legal requirements that local governments up-zone, have minimum density zoning, have fast tracking for rezonings, have flexible development standards and so on and so forth. The physical supply of land is restricted, but what you can do on the land is much more flexible in Portland than anywhere else probably in the nation. And as a consequence, when you look at the -- like the job -- a great predictor of housing demand is job information.

John Lanis, a colleague of ours, looked at job information in relation to housing production by major metropolitan areas for 1995 to 1998. And if you had a coefficient of 1, that meant that you were generating housing commensurate with jobs, and the numerator was jobs, the denominator was housing. So more than one means you're producing jobs but not producing housing.
San Francisco, for example, had a ratio of 11. Portland had a ratio of 1.2. And actually, of all the major metropolitan areas, of those that were growing, Portland had the best ratio. So in other words, Portland has found a way to match housing production with housing demand. Now, there may be other consequences that we need to look at, but, on the surface, they're at least meeting their demand situation.

MS. CAN TALEN: Thank you, Chris. Now we're going to -- oh, Marc, you have a question.

MR. WEISS: Chris, I just want to follow up on both those points because one of the things that I have for concern with Portland is that you constrained supply this way, but you've expanded it this way and so you've offset it. And it's really hard, as Tony pointed out, to see what effect is what. And my concern is when you go other places, you go to Ventura, you go somewhere else and they want to talk about the Portland model, they think the boundaries -- they don't think making a permanent process is easier. My concern is everybody else is getting the paragraph version. They're not seeing the whole story and I'm afraid that it's going to end up making it worse than better.
MR. CALABRIA: Mark Calabria from the National Association of Realtors. I think you're right on the mark. In fact, we've had this discussion before. Boulder, Colorado has a growth boundary, and they are darn proud of it and they're smart about it but they don't allow any housing in it.

MS. CAN TALEN: That's interesting. Ted, would you like to comment?

MR. KOEBEL: Well, it strikes me that some of what we're doing is really approaching it the wrong way because I think that when you go to the fringe and you say, 'we're not going to let you build at the fringe, in most areas, you're in a no win situation. And what you have to do is find out how you're going to find the land within urban areas that is going to be comparable in any way in terms of costs that you're going to be able to develop larger tracts of land.

Now, in some cities, that may be available if you use urban renewal powers, but then that brings up the whole issue of displacement. It's a question of land availability and cost of land. In most communities, unless we really address finding a product in the city that's going to be a desirable
high-density product in the city that will attract
people, you know, approaching on the basis of simply
jacking up the cost of land and making land less
available on the fringe, I don't think it will work
in most communities.

MS. CAN TALEN: Are you familiar with any
efforts that are moving in that direction in the
development of products, development types, models?
Do we have anything?

MR. KOEBEL: There are some small
projects. Certainly there has been some inner city
stuff done in Chicago. The whole issue of land
assembly is a big issue. Putting a lot of money into
brownfields, which is very expensive land to reclaim,
but to me it seems like the attraction there is
because nobody is living on it, elsewhere may be
sparsely populated. Densities in cities are much
lower than what they were in 1950. There is land
there. It's a question of displacement and
gentrification.

MR. DOWNS: Urban growth boundaries at the
regional level, they require at least initially that
there will be a substantial supply of developmental
land within the boundary. In Oregon, it was a
20-year supply. In the initiative now being proposed
in Arizona, it's a 10-year supply. So I think your
point eventually would become very important, but
it's not necessarily important in the first few
years.

MR. KOEBEL: But I think in places like
Fairfax County and Loudoun County, it's real
important. In those areas, perhaps not. But when
you get into the areas where you've got core areas
fairly heavily built out already, trying to find land
to make smart growth work becomes a bigger challenge.

MR. DOWNS: But I don't think anybody has
proposed an urban growth boundary for Fairfax County,
have they? I haven't heard about it.

MR. KOEBEL: No, and certainly won't
anywhere in Virginia.

MS. CAN TALEN: What time does this
session end? Because I was going to ask someone else
in the audience, but let's now move to the third
topic, which is the role of the federal government in
promoting smart growth practices and principles
through policy and program development. I think I
would like us to hear from each panelist. This is a
very important question to us as we're trying to
craft new initiators, incentives, program
improvements at the federal level. Our interest, of
course, at heart is affordable housing and economic
development and inner city revitalization.

So I would like to particularly hear from
our panelists on the role of the federal government
in promoting all these things in inner city
revitalization. What do we need to do, what haven't
we done so far in terms of our policies, incentives,
that encourage more development, redevelopment in our
inner city cores. We have several projects in the
works and we have David Listokin here on residential
infield, brownfield redevelopment. We are putting
resources into these projects but if we are going to
promote -- if we're discussing here that this
development should be operating from smart growth
principles, what do we need to do to ensure that that
happens?

So with that, I'm going to ask each
panelist to tell us about the -- not just law but
incentives, specific things that you think, based on
your work, your knowledge of the field, that we can
do to make this work. I'm going to ask -- I'm going
to start with John Prece because he is coming from
the state level and he probably has a good
understanding of the interactions between localities
and federal governments. John, if you can start with
MR. FRECE: Yes, I think Keith sort of outlined these in his initial remarks but I think that there is absolutely a federal role. There is a role for all levels of government in making these things work. It can't be just one level of government. I think that the federal role is in providing resources, financial resources, technical assistance, helping to bridge some of the sort of 18th century jurisdictional divides to help us look at things in a more regional way.

I think that ultimately what the federal government can do is respect the efforts by states or regions to try to deal with these growth issues by allowing the targeting of federal programs in a flexible way, by that region or by that state, in such a way that it supports the smart growth efforts of the state. I don't think that the federal government can possibly adopt a mechanism that would match all the different states and localities.

MS. CAN TALEN: Now I'm going to ask Keith to tell us about his perspective.

MR. LAUGHLIN: I covered some of this earlier and I won't go back over those pieces, but I think there is a couple of things that I would add.
One is that I think that this kind of discussion is really important and it seems to me that -- and I think this is not just the role of the federal government. It could be the role of the state and local government, it could be the role of community groups, whatever, but I think we need more dialogue on this set of issues. I think that we need to have ways of getting -- and I would follow up on what Karen was saying, the importance of talking about the market components of this. This is just not an intergovernmental issue. This is the way that land markets are working. So I would just think it's extremely important that we have a continuing dialogue with government, nonprofits, private sector, et cetera.

Second, I think we need to do -- there are a lot of research questions here that I think is something that Ayse is very interested in, in terms of better understanding the impacts of growth management decisions at the local level on affordability. And it seems there is a whole bunch of questions. Affordability is not just the price of the house. It has to do with income as well. What are the income patterns in a community in terms of
affordability?

If you find great disparities in income trends, that has an impact on who can afford what and I think it's got to be looked at more totally than just the price of the house. I think there is a whole bunch of questions in terms of home economics that come out of the work that David was talking about, how you not just look at the price of the house but the price of living in the house, including taxes, including transportation costs, et cetera, and I think there is a whole research agenda there that could be very fruitful.


MR. GOLDSTEIN: Thank you. I can think of two specific roles for HUD or the federal government that would be very useful. One was just mentioned, research and information dissemination. I presented some basic research on location efficiency. It's the start. It's the first word. It's not the last word. We need to know a lot more about that. That's going to cost some money.

That's the kind of thing that I think HUD can do, bringing in broader perspectives than just the cost in energy reductions that we already know
about, we think, in three cities, and then disseminating this information to people who should care about it, to developers, to lenders, to urban planners, to the consumer, him or herself, because the value may or may not be reflected in the marketplace, and if you want people to buy smart growth developments, one of the sales points has got to be, this is how much money you'll save on your transportation by living here, have you thought about that?

The second thing I think HUD can do is to promote wider use of location-efficient mortgages because that's the tool for a number of social goals, not just smart growth. High location efficiency areas tend, in the places we've looked, to be areas of low home ownership, high rates of diversity in terms of income ranges and ethnic groups. So there are a lot of social goals that can be satisfied by making this product more available.

Right now, HUD is offering the location-efficient mortgage on a limited basis with very limited marketing support in only three or four -- it's four metropolitan areas in the United States. Freddie Mac isn't doing it, FHA isn't doing it, the jumbo market for secondaries isn't
doing it. I think HUD can have a role in changing those things.

MS. CAN TALEN: Thank you. Betty?

MS. WEISS: Thank you. I would offer three recommendations. And again, this comes from a lot of conversations with community groups around the country. First of all, the federal government, like all levels of government, should put a great deal of emphasis on involving communities and community groups from the beginning. Community-based organizations, community groups and low income neighborhoods often get pegged as being sort of NIMBY's, but the problem that they have articulated to us is that they're often presented with these great plans and proposals after they've already been developed, and they're never consulted at the outset. And then local government and planners are surprised when they're not delighted with these plans that have been put forth for their neighborhoods. So involving the community from the outset should be written into all kinds of policies and guidelines at federal and all levels of government, is one.

Second, it's very important for community-based organizations to be involved in smart growth and regional growth issues and a lot of them
just don't have the resources to do that, they don't
have the capacity, they don't have the information,
they don't have the access, the tools. So whatever
HUD can do to make information, tools, funding,
training, anything available to help them work
together, joint coalitions of groups, and have access
at the regional level is key.

And the third thing that they've told us
is that, for the groups that have really been
aggressive in terms of getting to the regional table,
whatever that table is, they're saying, you know,
that the private sector gets it, the community groups
are starting to get it, everybody sort of gets it,
but the biggest obstacle still is local government.
So whatever the federal government can do to really
encourage cooperation and coordination along local
jurisdictions I think would go a long way towards
advancing equitable smart growth.

MS. CAN TALEN: Let's ask Myron if he can
respond to Betty's point. Local government.

MR. ORFIELD: I think that the issue, in
my view, is that, you know, I think a lot of this --
people have had a pretty good idea of what to do
about these things for a long time. They haven't had
a very good way to talk about them. I remember I was
reading Tony's book when it first came out, and he laid out all the solutions. And he would say, of course, that can never happen, at the end of every chapter, and you're right. You're right. And I think he is right, but I think that there is a way to talk about this or there is a way to engage people. I think everybody is being hurt by this, and I think that there is strong evidence that particularly two very pivotal areas in the suburbs, the older suburbs and the ones that are growing without enough money for their schools, are really being hurt by these patterns.

And if you look at the race to control the Congress, half of those places are Democratic, half of those places are Republican. They're struggling. That's where the balance of Congress is decided, that's where the balance of state legislatures is decided. They're not involved in this debate at all and they're mostly against everything we're talking about, in most parts of the country.

These are -- the bedroom developing suburbs are the lowest spending school districts in metropolitan America. More often than not, they have trouble with well water and water issues. Their kids have basic problems with drinking water and it's a
big issue to the moms in those areas. The older
suburbs are facing increasingly big social stress
without the resources to deal with it and they're not
in the debate. They're not participating. I mean,
it's a very elite centered debate with a few research
institutions, a few states that have made progress on
this. But I think that there are big constituencies
that could embrace these things.

MS. CAN TALEN: We need a broader based
coalition. Chris?

MR. NELSON: In my view, a large share of
the smart growth debate really centers on affordable
housing, fair share housing distribution. The
difficulty is at the local government level, there
are no incentives to be good boys and girls. There
just aren't any. If you're a good boy and girl, then
you lose your fiscal capacity and then you have
increasing demands.

I think that a federal role would be to
create an incentive system based on money so that if
you're a community that is a good boy or girl, you
get rewarded and you don't have your fiscal base
eroded. Instead, you have your fiscal base
supplemented so that you can do the things that make
your community viable, and you still provide the
affordable housing and housing distribution as well.

MS. CAN TALEN: Chris, can you give some examples?

MR. NELSON: No, this is a brand-new idea.

MS. CAN TALEN: Okay.

MR. NELSON: -- mortgage interest deduction in taxes could be reincentivised to hurt some of -- well, one thing I have, and I hope we're not being recorded, is that by community coding and the IRS tax code, if your community is determined by somebody, whether it's HUD or Fannie Mae or somebody, to not be indexed, to have a certain indexing that was based on affordable housing, housing mixture, exclusionary zoning removals, all those things, if you don't qualify as an open community, everybody filing taxes in that community is deprived of the federal deductibility of mortgage interest. And we can do that pretty easily through computers these days.

MS. CAN TALEN: I think this is a hot issue. Fred, would you like to -- Fred is our chief economist at HUD and I would like to hear from him.

MR. EGGERS: I don't ever touch the mortgage interest deduction. Once you look at the effect that will have on the number of people and on
housing values, it is just off the tape.

MS. CAN TALEN: Thank you. We have David, Marc and then Marc. David?

MR. GOLDSTEIN: I think the focus at the local level, local governance is like this terrible thing. Local government has little independence. Local government is a creature of the state and the focus is at the state level. The state is controlling how we raise money for schools, the land use power is delegated from the state, the building code is a state issue, et cetera, et cetera. One of the exciting things that is going on in Maryland that has really been a very comprehensive effort, is how do you change the rules of the road. And using state oversight, which is considerable over local government -- (inaudible).

MS. CAN TALEN: Yes. Before John responds, I'll take the other question. Marc?

MR. WEISS: I was just going to say, first of all, I want to echo something that was said about brownfields earlier, and I think that's an important issue and I do think HUD should look at maybe doing some of its own inner city development and actually concentrating on brownfields. Let me throw out, in Chris' spirit, hoping this is not being recorded and
saying something crazy --

  MS. CAN TALEN: It's being recorded.
  MR. WEISS: Well, I'll say something crazy
  and I'll preface it with it's not endorsed by anybody
  I might be associated with. And that's including
  myself. I fundamentally see exclusionary zoning as a
  fair housing issue. And if localities are not
  letting you do -- like I think I heard some locality
  in Maryland talked about having a minimum house
  price. You more or less are saying we don't want
  poor people. That's a fair housing issue. HUD
  should be suing these local governments. Forget the
  incentives. They've already told you they don't want
  poor people, and you should be suing them.
  MS. CAN TALEN: Thank you for raising
  that. John is going to respond in a minute.
  MR. FRECE: On this last issue, I think
  that it is crucially important that we join the
  battle now to get across that the federal government
  does have an important role here because that's a
  controversial proposition. Vice President Gore
  really stepped way out through the President's
  Council on Sustainable Development and Livable
  Communities Talk Force to assert that and got a lot
  thrown back at him saying, well, this is really a
state and local matter, not a federal matter. So I
think just waging that battle itself is vital.
And for people that think it doesn't make
a difference, if you heard the radio this morning,
Congressman Earl Blumenauer, who chairs the Livable
Communities Task Force in the House and is from
Portland, Oregon, fought to get, for the first time
ever, every federal agency is now required to
subsidize transit for people to come to and from
work, as it has been subsidizing parking for years,
and already, starting yesterday, 15,000 more people
are taking the metro in the Washington region than
before. So that was a federal action that mattered.
I'm sorry about that. But he was one that
I think raised that issue and I think that it's great
that the Clinton Administration jumped on it. I
guess I would say that, again, taking a lead from
Maryland about using incentives and using the
existing budget, that we have one huge thing the
federal government spends, which is transportation
and T21, and if we could decide a real incentive with
some real serious dollars over and above what people
get now for states and for metropolitan planning
organizations to do some serious smart growth
planning, I think that would make a difference.
MS. CAN TALEN: Susan?

MS. WACHTER: Of course we do have, as I mentioned before, regional connections, which goes in that direction to do exactly what Marc has said, but there is already out there incentives for planning. There is incentives in DOT, there are incentives in consolidated planning and I think there is much that we need to do around the table literally in communities across the board in improving the planning that we already do, in improving the tools that we have and envisioning our options. And I particularly liked the idea of the vision of the plains. And this is the kind of visioning that we can do community by community and then the feds can provide the tools and the data to get it done, as well as the incentives to do that kind of thing.

MS. CAN TALEN: Thank you. John and Keith, would you like to respond?

MR. FRECE: Just very quickly. One of the points I think Myron started to raise a little earlier that has been surprisingly absent from our discussion this morning is the role of politics in all of this. I mean, some of these ideas are great in the abstract, but you have to get them through legislatures and that is not easy.
I go around the country on behalf of Governor Glendening to talk about our program and I'm almost always asked, what's your biggest obstacle?
What's the biggest opponent? It must be the home builders or it must be the developers. No, no, no, it's our counties, it's local governments, and it has always been and I think it will continue to be. And you have to have practical programs that you can get through your legislature.

Maryland benefits from having one of the strongest executive budget authorities for a governor in the country and we also benefit from having only 23 counties and the city of Baltimore, whereas a state like Pennsylvania has something like 2,600, 2,800 different units of government zoning authorities. So we have mechanisms in Maryland to deal with these issues that a lot of other states don't have.

MS. CAN TALEN: Thank you. Keith?

MR. LAUGHLIN: I just make one final point on what was said about T21 and the planning process. I think the investment in transportation dollars is a huge impact on the future development patterns of communities and I would just indicate how important it is, what Betty was saying earlier. I think
creating the capacity among community groups and
communities in general to fully participate in that
local planning process can have a huge impact on the
outcomes that come from the ultimate expenditure of
those dollars. And so I think that with the billions
of dollars we're spending on transportation and
investment, we need to be spending more on building
the capacity of more people to participate in the
decisions in terms of how they're going to be spent.

MS. CAN TALEN: Thank you. I think we
have some time left for more questions and answers,
but I think we've covered all the three areas that we
planned to cover in this session. I'm sorry, I don't
have the agenda in front of me. Are we sort of
nearing the end of this panel?

MR. NELSON: We're done.

MS. CAN TALEN: We were done 10 minutes
ago, I'm sorry. I would like to give a round of
applause to all of our panelists.

(Applause.)

MS. CAN TALEN: This has been a great
panel. Thank you very much for coming.