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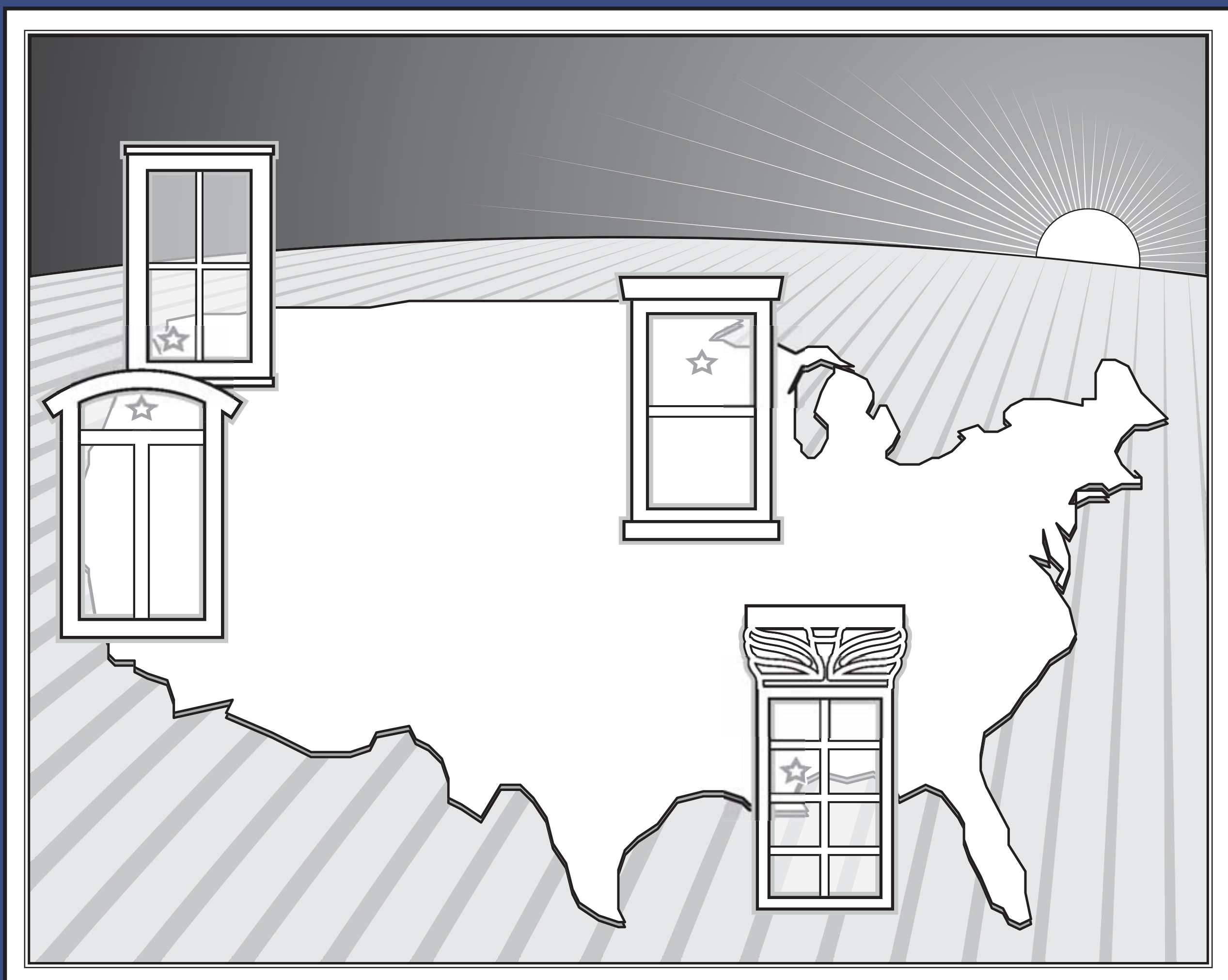
Four Windows:

A Metropolitan Perspective on Affordable Housing Policy in America, 2001



A Review of NHC Roundtables in Minneapolis-St. Paul, New Orleans, Portland and Seattle

NATIONAL HOUSING CONFERENCE

The purpose of NHC's Senior Executive Roundtable Series is to explore innovative methods being used to meet affordable housing needs around the country and what might be done at the national level to encourage this activity. These invitation-only sessions include the local area's key business, government and community leaders, some of whom may never have been involved in housing policy discussions, but have an enormous impact on the communities in which they live and work. The Senior Executive Roundtable Series is an important means for reaching decision makers around the country, sharing with them NHC's latest housing research and policy analysis and, in return, receiving valuable input on viable solutions to the affordable housing crisis.

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Four Windows:

A Metropolitan Perspective on Affordable Housing Policy in America, 2001

by

Barbara J. Lipman

Research Director

Center for Housing Policy

April 2002

National Housing Conference

National Housing Conference

The National Housing Conference (NHC), a nonprofit 501(c)(3) membership association dedicated to advancing affordable housing and community development causes. A membership drawn from every industry segment forms the foundation for NHC's broad, nonpartisan advocacy for national policies and legislation that promote suitable housing in a safe, decent environment across the nation. NHC members consist of nationally known experts in affordable housing and housing finance, including state and local officials, community development specialists, builders, bankers, investors, syndicators, insurers, owners, residents, labor leaders, lawyers, accountants, architects and planners, and religious leaders. NHC is the United Voice for Housing.

Acknowledgments

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Bank of America
City of Seattle, Office of Housing
CommonBond Communities
Fannie Mae
Fannie Mae Louisiana Partnership Office
Fannie Mae Minnesota Partnership Office
Federal Home Loan Bank of Seattle
HomeStreet Bank
Minnesota Housing Finance Agency
U.S. Bank
Washington Mutual
Wells Fargo Brokerage Services, LLC

The National Housing Conference gratefully acknowledges the following organizations and individuals for their contributions to these Senior Executive Roundtables.

NHC SENIOR EXECUTIVE ROUNDTABLE PARTICIPANTS
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Hillary Barbour, Office of Representative Earl Blumenauer
Donna Beegle, Communication Across Barriers
Liora Berry, MPA Cascade AIDS Project
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Colleen O'Kane Fraley, Fannie Mae
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Michael Haley, Minnesota Housing Finance Agency
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About the Author

Barbara J. Lipman is the Research Director at the Center for Housing Policy, NHC's research affiliate. Previously, she served for three years as Housing Privatization Advisor for the U.S. Agency for International Development, based in Kiev, Ukraine. Ms. Lipman was the Director of Housing Research at the National Association of Realtors (NAR) from 1989 to 1994. Prior to joining the NAR, Ms. Lipman worked on domestic and international housing and community development issues as a Research Associate for The Urban Institute. Ms. Lipman holds a Master's Degree from the London School of Economics.

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A Metropolitan Perspective on Affordable Housing Policy in America, 2001

Executive Summary

In June 2001, the Center for Housing Policy (CHP), the nonprofit research subsidiary of the National Housing Conference (NHC), completed another in a series of studies documenting the critical housing needs of American households, particularly those of working families. In brief, the study found that in 1999 approximately one out of every seven (13 million) American households either paid more than half its income for housing and/or lived in substandard conditions. This included 3.9 million families working the equivalent of a full-time job.

The study generated widespread interest, and NHC decided to take the results "on the road" to launch parallel discussions in which local housing practitioners could examine the most pressing housing needs in their communities. Four half-day Senior Executive Roundtables were held in 2001 in **New Orleans**, **Portland**, **Seattle**, and **Minneapolis-St. Paul**. Each of these places has unique problems, expertise, and approaches. The NHC roundtables in the four metropolitan areas provided, in other words, four unique windows through which to view the nation's critical housing needs. We can look through these four windows to survey how well the discussions about housing policy in Washington, DC relate to day-to-day housing concerns at the local level.

This report summarizes the key issues and common concerns from these discussions. Among the major themes:

Federal Barriers to Affordable Housing: Federal Strings and Unintended Consequences

Despite the federal government's efforts to give states and localities considerable discretion in designing programs and directing resources, local housing practitioners reported that federal policies and regulations sometimes unnecessarily limit localities' ability to deal with local issues. Examples given ranged from arbitrary affordability standards, to Fair Market Rents set too low to encourage landlord participation, to welfare policies that work at cross purposes with promoting family self-sufficiency to limitations on housing bonds that fail to take into account variations in state and local circumstances.

The consensus of the roundtables was that the federal government, and public and private state and local providers of affordable housing must get their roles straight. The federal government should provide a portion of the resources and flexibly guide the performance of those providers. The federal role is not to force or dictate solutions. The corresponding role of the state and local housing providers, along with their allies, is to devise specific solutions and to gather additional resources.

Local Barriers: Regulation, Segregation and Scarce Resources

A common refrain in the roundtables was that local policies often thwart, rather than ease, the development of affordable housing and add substantially to the cost of providing it. Therefore, it was agreed, streamlining the regulatory process can improve the economics of producing affordable housing. Moreover, many roundtable participants cited regulations as instrumental in perpetuating social and economic segregation. Improved design and inclusionary zoning were discussed as ways to increase the acceptance of affordable housing. But, it was acknowledged that such strategies have not been widely implemented. Local practitioners also described the constant search for local funding resources to finance housing initiatives. A frequent strategy reported in the roundtables is partnering with local nonprofit groups to stretch resources, the limited resources that are available.

At all four roundtables, there prevailed a common view that, as a nation, we must encourage and reward local and state efforts to produce and preserve affordable housing. After all, it is precisely in those communities where affordable housing for working families is most needed that the most opposition to such housing exists. The challenge is, roundtable participants noted, to fashion the right kind of incentives that will encourage those communities to recognize and support the production and preservation of affordable housing. The federal government and the states could use their considerable clout in distributing grants, tax credits and bond funds to reward localities that adopt more inclusive policies.

Private Sector Involvement in Affordable Housing: The Missing Player

At several of the roundtable discussions, participants looked around the room and noted that, despite invitations, the private sector was poorly represented. They argued that communities and housing advocates need to make the case to employers for why they should be involved in affordable housing, citing such benefits as reduced employee turnover and absenteeism and increased worker productivity. At some of the roundtables, innovative examples of direct employer involvement in housing were discussed, prompting the suggestion that such examples should be showcased to encourage other employers to do the same.

Roundtable participants across the four metropolitan areas generally agreed that without all of the right players at the table, the housing problem cannot be solved. It was further noted that communities should improve incentives for private sector participation, not only in employer-assisted housing programs but, in programs that promote affordable housing, in general, and in the housing marketplace as a whole.

The Regional Approach to Affordable Housing: A Viable Solution?

The four metropolitan areas that hosted the roundtables are not immune to national trends. Chief among these is the powerful force of decentralization in which jobs and middle- and upper-class Americans move farther and farther into the outer suburbs, resulting in the socioeconomic isolation of low- and moderate-income households in the central cities and inner suburban rings. Therefore, it was felt, localities need to recognize the symptoms and causes of decentralization and assess the extent to which it is occurring in their communities.

Many roundtable participants agreed that the problems created by decentralization require a new approach, breaking down walls and looking at the problem through a "regional" window. It also was suggested that adopting "smart growth" policies may be the key to providing affordable housing and counteracting the effects of decentralization. Such policies include eliminating barriers to good development and encouraging infill development, rather than increasing sprawl. The smart growth principle for housing is to create housing opportunities and choices for a range of household types, sizes and incomes. This housing would have access to transportation, to well-paying jobs, and to good schools, and would be situated in a safe environment in which to raise children.

The federal government and the states could encourage smart growth policies, innovative design of affordable housing and the establishment of regional councils of government with both technical and financial carrots and sticks. And, states also could set standards whereby localities must revise their zoning requirements to reflect demographic changes and the realities of the housing market.

Conclusion: A Clearer View Through the Windows

The conversations in Minneapolis-St. Paul, New Orleans, Portland and Seattle provide windows on how federal housing policy looks from the ground up. These metropolitan conversations are about being innovative in the face of tight resources and perceived inflexibility of federal regulations governing housing programs. They also are about how efforts to produce affordable housing are sometimes stymied by local regulatory barriers and social and economic segregation. In contrast, the federal conversation tends to be about incremental funding of current programs, with little discussed in the way of new programs or incentives for providing decent and affordable housing. This disconnect is unfortunate, given the importance of housing to the economic vitality of our communities.

At all four roundtables a sense of urgency prevailed. Now is the time and the opportunity to be innovative and creative. The views through the windows of metropolitan communities are not permanently etched. The housing landscape can be shaped and changed for all Americans, and for the better.

Four Windows:

A Metropolitan Perspective on Affordable Housing Policy in America, 2001

Introduction

In June 2001, the Center for Housing Policy (CHP), the nonprofit research subsidiary of the National Housing Conference (NHC), completed another in a series of studies documenting the critical housing needs of American households, particularly those of working families. A household was defined as having a critical housing need if it paid more than half its income for housing and/or lived in severely substandard conditions.

In brief, the study found that in 1999 approximately one out of every seven (13 million) American households had a critical housing need. A little more than half of these were either elderly, nonworking households or non-elderly, nonworking households many of whom are on welfare or other public assistance. However, more than 6 million of these households earned at least some, if not all, of their income from working. This included 2.5 million "marginally employed" households who earn at least the equivalent of one-quarter of a full-time minimum wage. It also included 3.9 million families working the equivalent of a full-time job (earning between the annual minimum wage of $10,712 and 120 percent of area median income).

The study also documented housing affordability problems encountered by full-time working families dependent on the income earned in five vital occupations — elementary school teacher, police officer, licensed practical nurse, janitor and retail salesperson. The study compared the prevailing wages for these occupations in each of 60 of the nation's largest housing markets with the cost of renting a one- and two-bedroom apartment and purchasing a median-priced home. The analysis indicated that when it comes to homeownership, households dependent on a police officer's or teacher's salary alone could not afford to buy a median-priced home in more than half and in more than three-quarters of the 60 metropolitan areas, respectively. On the rental housing side, janitors were able to afford to rent a one-bedroom apartment on 30 percent of their income (the standard measure of affordability) in just six metropolitan areas and retail salespersons were able to do so in just three of the 60 housing markets. Neither occupation could afford to rent a two-bedroom apartment (as might be required of a single mother with children) in any of the 60 metropolitan areas included in the study.[1]

The study generated widespread interest, and NHC decided to take the results "on the road" and use it to launch parallel discussions in which local housing practitioners could examine the most pressing housing needs in their communities. To this end, four Senior Executive Roundtables were held in 2001 in **New Orleans**, **Portland**, **Seattle**, and **Minneapolis-St. Paul**.

Each of these four metropolitan areas has unique problems, expertise and approaches. Locally, a great deal is known about what works and what doesn't work when it comes to affordable housing, and how national policies help or hinder their progress.

The NHC roundtables in each of the four places provided, in other words, four unique windows through which to view the nation's critical housing needs. The discussions give

[1] *Paycheck to Paycheck: Working Families and the Cost of Housing in America*, (Washington, DC: Center for Housing Policy, 2001). Numbers in this report were updated by Sandra Newman and Joseph Harkness of Johns Hopkins University for a recent CHP publication, *Housing America's Working Families: A Further Exploration.* Numbers may, therefore, differ slightly from those discussed at the roundtables.

us a glimpse of how local practitioners are coping to meet these needs, including strategies they tailor for their communities, partnerships they form to stretch scarce resources, and obstacles they encounter both within government and in their communities. We can look through these four windows to survey how well the discussions about housing policy in Washington, DC relate to day-to-day housing concerns at the local level.

As with any window, the perspective can be expansive in some cases and narrow in others. NHC tried to broaden the perspective by inviting public and nonprofit housing practitioners, as well as members of the business community. Because the roundtables were brief, half-day affairs, they give a sense, less of the whole range of housing needs than, of the greatest priorities in each community as perceived by those people best qualified to know. Likewise, this report is not a verbatim account of the proceedings. Rather, it summarizes the key issues and common concerns that arose from four very different vantage points.

Housing Policy from the Federal Vantage Point: A Different Conversation

Legislatively, 2001 was not a banner year for federal housing policy. As one analyst put it, "Dealing with matters of national security pushed everything less urgent off the agenda, and then anthrax-filled letters emptied the congressional office buildings. It was most decidedly not business as usual at the end of the year."[2]

Even before September 11th — when national priorities necessarily shifted — relatively little attention was focused on housing and community development issues. One bright spot was the creation of the U.S. Millennial Housing Commission, a bipartisan group set up by the 106th Congress to study current housing policies and propose solutions. The Commission held public hearings in various locations throughout the country during the year. Yet, it is unclear how much attention the report of the Commission, due out in 2002, will garner in light of recent events.

As the Commission has detailed in its review of national expenditures on housing, the bulk of support is provided in the form of foregone tax revenues primarily for the mortgage interest deduction, real estate tax deduction and exclusion of capital gains. To a lesser extent, these "tax expenditures" also include the low income housing tax credit, exclusion of bond interest for state housing bonds and several other items. Advocates and critics alike acknowledge the success of these policies in promoting homeownership. However, concerns have been raised about the regressive effects of these expenditures, as the primary beneficiaries tend to be households of middle-income and above.

All told, housing tax expenditures amounted to roughly $121 billion.[3] In contrast, direct spending on housing assistance and community development programs designed to meet the needs of low- and moderate-income households amounted to approximately $30 billion. Moreover, for several years running, no serious consideration has been given to new housing production programs, and the budget for existing programs has been flat, if not declining, in real terms. These stagnant funding levels persist despite evidence that one out of every seven American households have critical housing needs, that is, they pay more than half their income for housing, live in severely inadequate conditions, or both.

Figure 1 shows the budget for several of the major housing and community development programs of the U.S. Department of Housing and Urban Development (HUD). As can be seen from these figures, the budget for existing programs has been barely keeping pace with prior commitments and is wholly insufficient to fund new initiatives. In FY 2001, almost 70 percent of the total $28.4 billion budget went to preserving and subsidizing assisted units and households already in place. This left $8.7 billion for all other housing programs. By the following year, Section 8 renewal contracts alone consumed half of the $31.5 billion FY 2002 budget. When the costs of operating and maintaining public housing are included, again almost 70 percent of the total budget is accounted for by existing commitments, leaving only $9.5 billion for all other housing programs. Perhaps the starkest illustration of the shortfall in resources is evident in the number of new housing vouchers authorized — relatively low to begin with, the number has fallen from 79,000 in FY 2001 to just 26,000 in FY 2002.[4]

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[2] Lois Baron, "The View Forward," *Journal of Housing and Community Development,* (Washington, DC: National Association of Housing and Redevelopment Officials), January/February, 2002, p. 19.

[3] Millennial Housing Commission, "Housing Program Tutorial," May 2001, accessed at http://www.mhc.gov.

[4] U.S. Department of Housing and Urban Development, "Fiscal Year 2003 Budget Summary" and "Fiscal Year 2003 Budget Summary," (Washington, DC: HUD), 2003/2002.

What is most striking about federal priorities is that none of this year's policy efforts, and none of the national debate on housing policy, such as it was, adequately addresses concerns heard in NHC's roundtable discussions in the four metropolitan areas. The federal conversation is about funding levels that are, at best, incremental, and programs and approaches that reflect the status quo. The metropolitan conversations, in contrast, are about being innovative in the face of tight resources and perceived inflexibility of federal regulations governing housing programs. And, where the metropolitan conversations are about how efforts to produce affordable housing are sometimes stymied by local regulatory barriers and social and economic segregation, the federal conversation has not yet cued in to a role for federal incentives to help overcome these barriers.

The disconnect in these conversations arises from the different vantage points on federal housing policy. The federal view is necessarily wide and expansive, although sometimes it blurs the challenges of implementation at the local level. The metropolitan view provides a look at national policies from the ground up, although sometimes the common experiences across localities are not always visible from this perspective.

FIGURE 1
MAJOR PROGRAMS IN THE BUDGET FOR THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FY 2000 – FY 2002 ($ IN MILLIONS)

	FY 2000	FY 2001	FY 2002
Total Budget Authority	$26,496	$28,418	$31,470
Housing Certificate Fund[1,2]	$11,481	$13,910	$15,641
Contract Renewals[3]	$10,640	$12,943	$15,085
New Section 8 Rental Voucher and Certificate Programs	$347	$452	$104
# of vouchers	60,000	79,000	26,000
Public Housing Capital Fund	$2,884	$2,993	$2,843
Public Housing Operating Fund	$3,138	$3,235	$3,495
Revitalization of Severely Distressed Public Housing (HOPE VI)[4]	$575	$574	$574
HOME Investment Partnership[5]	$1,600	$1,796	$1,846
Community Development Block Grant (CDBG)[6]	$4,800	$5,112	$5,000

[1]The largest source of funding for rental assistance in the federal government. It funds most of the Section 8 program tenant-based vouchers and project-based contracts. [2]Used together, vouchers and certificates aid very low-income families in obtaining decent, safe, and sanitary rental housing. These programs increase housing choices for low-income families and are targeted for specific uses, including downpayment assistance for homeownership, and to specific populations, such as homeless veterans, homeless families transitioning to self-sufficiency, non-elderly disabled individuals, and persons with mental disabilities. [3]HUD renews expired contracts with the authorities who administer voucher and certificate programs. [4]Used to improve the living environment of severely distressed public housing projects through demolition, substantial rehabilitation, reconfiguration, and/or replacement of severely distressed units, revitalize sites on which severely distressed public housing projects are located, lessen isolation of low-income families by building mixed-income communities and by providing well-coordinated, results-based community and support services. [5]Used to expand the supply of affordable housing, particularly rental housing, for low- and very low-income Americans, provide financial and technical assistance to participating jurisdictions, including the development of model programs and to extend and strengthen partnerships among all levels of government and the private sector. [6]Used to develop viable urban communities, by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for persons of low- and moderate-income.

Source: U.S. Department of Housing and Urban Development, Fiscal Year 2003 Budget Summary and Fiscal Year 2002 Budget Summary.

Fannie Mae, Layman's Guide to Major Federal Housing Programs.

Housing needs and approaches to meeting those needs in each of the roundtable metropolitan areas are roughly representative of those throughout the country. Figure 2 gives the overall picture on population and housing for the four metropolitan areas and shows where each stands compared to the nation as a whole. The remainder of this report tries to bridge the gap in the federal and metropolitan perspectives, capturing the common views in each of the four metropolitan roundtables in order to inform future federal policy.

FIGURE 2
POPULATION AND HOUSING CHARACTERISTICS, 2000

MSA/PMSA	2000 Population	Change in Population 1990 – 2000	2000 Percent Homeowners	2000 Percent Renters	2000 Percent Vacancy
Minneapolis-St. Paul	2,968,806	16.9	72.4	27.6	2.1
New Orleans	1,337,726	4.1	61.8	38.2	8.0
Portland - Vancouver	1,918,009	26.6	62.9	37.1	5.1
Seattle - Everett - Bellevue	2,414,616	18.8	62.0	38.0	3.7
National	**281,421,906**	**13.2**	**66.2**	**33.8**	**9.0**

Source: Metropolitan area data are from State of the Cities Data Set, U.S. Department of Housing & Urban Development, accessed at http:socds.huduser.org.
National data are from Census Bureau, PHC-T-2, Table 1 "States Ranked by Population, 2000" and QT-H1 "General Housing Characteristics," accessed at http://factfinder.census.gov.

Federal Barriers to Affordable Housing: Federal Strings and Unintended Consequences

In all four roundtables, concern was expressed over the the lack of federal resources. Nevertheless, it was acknowledged that the federal resources that are available often play a critical role. In all of the roundtable metropolitan areas, federal programs such as the Community Development Block Grant, HOME (a main source of rental housing as well as home buyer assistance), Section 8 (certificates and vouchers) and HOPE VI (public housing) are all mainstays of their housing and community development efforts.

Other federal efforts were noted as well. In the Seattle roundtable, for example, Jerry Howard, Executive Vice President and CEO of the National Association of Home Builders (NAHB), noted the important role existing programs such as the Low Income Housing Tax Credit and FHA mortgage insurance play in facilitating housing production for working families.

But funding is just part of the story. Along with federal funding come attached strings. Categorical grants are used to allocate money to very specific and targeted programs and populations, and come with relatively tight strings. Block grants, on the other hand, attach looser strings to the way federal resources are used at the state and local levels. In choosing a particular grant format for a program or for a cluster of activities, the federal government is confronted with a classic dilemma: If states and localities are given a great deal of latitude to tailor the design and delivery of housing programs to their area markets, how can it be ensured that the states and localities will behave in a manner consistent with achieving national objectives? Unfortunately, this question is a conundrum such that, as Anthony Downs, the noted urban analyst has written, there is no arrangement in which both of these conditions are satisfied completely.[5]

Since the late 1980s, largely as a result of the recommendations of the 1988 National Housing Task Force (Rouse-Maxwell Commission) there has been increasing emphasis in delivering federal funds via block grants. Two of the more prominent of these are the HOME program and the Community Development Block Grant program (which in fact, has been around since 1974). Even categorical grants for specific programs such as public housing have moved to a format which gives states and localities greater discretion to apply the funds for specific purposes as they see fit.

Nevertheless, signs of the tension between federal dollars and state and local discretion to use them are evident in comments from each of the roundtables. The comments revolved around several common themes:

Federal conventions and standards create unintended consequences in delivering housing assistance.

The Fair Market Rents (FMRs) established by HUD as the basis for providing housing assistance to renters came in for particular criticism in several of the roundtables. FMRs are gross rent estimates that include both shelter rent paid by the tenant to the landlord and the cost of tenant-paid utilities (except telephone). As HUD itself expresses it, the goal is to "set FMRs to assure that a sufficient supply of rental housing is available to program participants. To accomplish this objective, FMRs must be both high enough to permit a selection of units in neighborhoods and low enough

[5] Anthony Downs, "A Strategy for Designing a Fully Comprehensive National Housing Policy for the Federal Government of the United States," (Cambridge, MA: MIT Center for Real Estate Development, 1988), pp. 59-60.

to serve as many families as possible."[6] Presumably, if the FMR is set at the appropriate level, a family given a voucher to cover the difference between what it can afford to pay (assumed to be 30 percent of household income) and the FMR, should be able to locate decent housing in a suitable area.

Annually, HUD carries out this mandate by surveying recently occupied rental units (occupied within the last 15 months) for a variety of sized units (by bedrooms), and setting the FMRs such that 40 percent of the standard rental housing units are at or below this dollar amount. For some areas, where the market is especially tight, the FMR is set at the 50th percentile rent (or median) rent. The Minneapolis-St. Paul, MN-WI metropolitan area is the only one of our four roundtable areas, and one of approximately 40 metropolitan areas for which this exception has been made.

Roundtable participants suggested that the standard measure of affordability (as 30 percent of income) seems increasingly divorced from reality.

Concern arose in the roundtable discussions about tenants' inability to locate suitable housing at existing area FMRs. Many participants cited the refusal of landlords to accept vouchers and the substantial numbers of vouchers left unused as evidence that the FMRs are set too low. Even in the relatively inexpensive housing market of New Orleans, roundtable participants objected that the FMRs did not reflect the cost many families actually face in renting housing.

A similar argument was made concerning the determination of area median incomes, which help set target rates for assisting very low-income (30 to 49 percent of the median) and low-income (50 to 79 percent of the median) residents. As one New Orleans roundtable participant put it "the area median income, which is based on the metropolitan area, obscures the deeper poverty of New Orleans. Because these numbers impact housing policy, the regional assessments [of income] are often detrimental to the city proper and do not reflect its particular problems and challenges."

In Portland, the standard measure of affordability as 30 percent of income came under criticism. This is an arbitrary standard — increased by the Reagan Administration from 25 percent in the 1980s — for federal housing subsidy programs, and, with slight variations, has become the conventional wisdom accepted by the housing industry, lending institutions, and state and local governments. Yet, roundtable participants suggested that this standard seems increasingly divorced from reality. They concurred with the recent study by the NHC's affiliate the Center for Housing Policy which found that about 80 percent of the nation's 13 million households with critical housing needs pay half or more of their income for housing.[7]

Moreover, even the 30 percent figure can mask the severity of the affordability problem. Such an arbitrary measure fails to take into account household income, household size, and the other essential major expenses that households face — food, transportation, child care, health care, education, clothing, personal items, taxes, etc. Some observers contend the effect is to understate housing cost burdens on families with children (and other large households) and overstate housing cost burdens on higher income households.

Figure 3 shows the median incomes, one- and two-bedroom FMRs, and, for point of reference, the median home prices for each of the four metropolitan areas.

Despite the federal government's stated intent to give states and localities considerable discretion in designing programs and directing resources, federal policies and regulations do sometimes unnecessarily limit localities' ability to deal with local issues.

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[6]HUD, 24 CFR Part 888 (Docket No. FR-4680-N-02) "Fair Market Rents for the Housing Choice Voucher Program and Moderate Rehabilitation SRO Program – Fiscal Year 2002."

[7]The other fifth of these households live in substandard housing. See *Housing America's Working Families: A Further Exploration*, (Washington, DC: Center for Housing Policy, 2002), p.7.

FIGURE 3
INCOME AND THE COST OF HOUSING, 2001

MSA/PMSA	2001 Estimated Median Family Income (HUD)	2001 Fair Market Rents One-Bedroom	2001 Fair Market Rents Two-Bedroom	Median Prices New & Existing Home s 2nd Quarter 2001
Minneapolis - St. Paul	$75,400	$674	$862	$169,000
New Orleans	$44,300	$512	$637	$115,000
Portland - Vancouver	$56,800	$606	$747	$171,000
Seattle - Everett - Bellevue	$74,400	$667	$845	$230,000
U.S. National	**$52,500**	**na**	**$721**	**$156,000**

Source: Income data for metropolitan areas are from U.S. Department of Housing and Urban Development accessed at www.huduser.org/datasets/il.htm.
National median income figure is from HUD, Notice - PDR - 2001-02, April 6, 2001.
1 and 2 BR Fair Market Rents are from the National Low Income Housing Coalition, "Out of Reach 2001" accessed at www.nlihc.org.
Median Home Prices are from the National Association of Home Buiilders, Housing Opportunity Index, Second Quarter, 2001, accessed at www.nahb.com.

Two very different examples of this were brought up at the Portland roundtable. Donna Beegle, an anti-poverty advocate, noted that the "time to start talking about the reality of poverty and the cost of housing is now." She argued for the need to challenge policies that help perpetuate poverty and keep incomes low, such as welfare policies that forbid citizens to take more than six weeks of job training.

James Irvine of The Conifer Group, a private developer, cited mixed use development as an important strategy in the Portland region. "The major barrier to this form of development," he said, "is the lack of a secondary mortgage market opportunity." Freddie Mac and Fannie Mae, both government sponsored enterprises that buy and sell mortgages to provide capital, are prohibited from lending to mixed use projects, thereby cutting off a potentially potent source of funding for the city.

In New Orleans, roundtable participants argued that practicality demands flexibility. They pointed out that historic preservation adds to the financial burden of rehabilitating housing. "Historic housing is indelibly a part of New Orleans culture and a major tourism draw," one participant said. However, several members of the roundtable called for an approach that balances the cost of meeting local needs against historic preservation. They are suggesting, for example, that historic tax credit guidelines be relaxed on exterior items if the project will produce low-income housing units.

Also in New Orleans, federal regulations were criticized as limiting the city's ability to contend with widespread blight. Participants noted that the blight is not restricted to actual structures. Some of it consists of vacant lots, which add to the problem of redevelopment. Restrictions under the HOME program, they say, often does not provide developers with adequate financing to purchase a lot, build a house and sell it.

As discussed earlier, the last decade has seen an evolution in the federal government's willingness to allow greater program discretion at the state and local levels in delivering housing assistance. Nevertheless, it is evident that states and localities chafe at some of the federal rules and guidelines that do remain in place.

Even where direct federal expenditures are not involved, federal policies can fail to take into account variations in state and local circumstances.

Aside from occurring over direct transfers of money, intergovernmental conflicts can arise even when grants and loans aren't involved. Mortgage Revenue Bonds (MRBs) and

Industrial Development Bonds (IDBs) are used by state and local governments for financing a wide variety of private activities, including multifamily rental housing development and mortgages for first-time buyers. Housing financed in this manner can be offered at lower interest rates and monthly payments on the mortgage or at more affordable rents because savings from the low-cost financing are passed on to the consumer. These activities are financed through foregone federal tax revenues rather than from state resources.

While generally unaffected by the vagaries of annual congressional budget appropriations, this type of "tax expenditure" is nevertheless vulnerable to federal policies. In the Tax Reform Act of 1986, Congress instituted a system of "unified volume caps" for the total amount of tax exempt bonds that could be used in each state for a whole series of private sector activities including housing, community development, waste disposal and student loans. Before the introduction of the unified volume cap, multifamily bonds were not limited, while the separate cap for MRBs was higher in many states than was the "unified" cap that applies to all these activities combined.

Prior to the new law, local governments and their authorities were allowed to issue bonds independent of state control. The law changed this by allocating total bond authority within each state to $50 per resident or $150 million (whichever is greater) to be split 50/50 between the state and local issue authorities. These limits stood, unadjusted for inflation, for 14 years until December 2000 when the limits were increased to $62.50 per capita or a minimum of $187.5 million in 2001. These new amounts will increase to the greater of $75 per capita or $225 million in 2002 and will be indexed to inflation starting in 2003. This increase is estimated to result in $35 billion in additional state and local bond issuance over five years.[8]

While the diminished purchasing power of the bond limits has been addressed by the new volume caps, the limitations still draw criticism. In Seattle, for example, the limited bond cap was cited by Glenn Crellin, Director of the Washington Center for Real Estate Research, as a serious barrier to achieving success in addressing affordable housing in Washington state.

> **"Because total (bond) allocation is based on total residents... states with high housing costs cannot provide as much housing as states with low housing costs."**
>
> **—SEATTLE ROUNDTABLE**

The current system inspires intense competition among localities within each state for limited bond resources. More importantly, it set the stage for political battles among constituencies for competing uses, including pitting the proponents of promoting homeownership through MRBs against advocates of financing multifamily housing through bonds. Moreover, because total allocation is based on total residents, rather than other economic factors, states with high housing costs cannot provide as much housing as states with low housing costs are able to provide, and small populous states may be disproportionately favored.[9]

As another illustration of unintended consequences, federal law limits MRB financing to homes costing 90 percent or less of the average purchase price in the area, based on limits to be established annually by the Treasury Department. Because of a lack of data, no limits have been issued since 1994 and these have not been adjusted for inflation. The effect is to set limits that are totally unrealistic in parts of the country that have experienced a rapid increase in prices in the last seven years. One solution, proposed by the National Low Income Housing Coalition and others, is to allow states to use a simple formula for limiting the purchase price to three and one half times the qualifying income under the MRB program.[10]

[8]National Low Income Housing Coalition, "Housing Bonds" *in 2001 Advocate's Guide to Housing and Community Development*, (Washington, DC: NLIHC, 2001) accessed at www.nlihc.org/advocates/housingbonds.htm.

[9]Dennis Zimmerman, *The Volume Cap for Tax-Exempt Private Activity Bonds: State and Local Experience in 1989*, (Washington, DC: Advisory Commission on Intergovernmental Relations, July 1990), pp. 17-25.

[10] NLIHC, *Ibid.*

The Consensus: Getting the Federal, State and Local Roles Straight

Although the federal government has come a long way in recognizing the importance of state and local discretion and design in the delivery of housing programs, the roundtable comments suggest that there are areas where flexibility in federal regulations could improve communities' ability to meet local needs while remaining accountable. For example, in New Orleans it was suggested that economic integration can be encouraged by providing exceptions to building subsidy guidelines that restrict ownership of subsidized units to a particular income stratum.

Participants at all four roundtables voiced general recognition, if not resignation, that the federal government role will likely not change dramatically in the near future. As Erik Sten, Commissioner of Public Works for the City of Portland, said in the Portland roundtable, although greater commitment at the federal level would be nice, it is unlikely to be forthcoming.

Therefore, the role of public and private actors at the state and local level will be an increasingly important one. Clearly, the federal government and the state and local providers of affordable housing must get their roles straight. The federal government should provide a portion of the resources and guide the performance of those providers. The federal role is not to force or dictate solutions. The corresponding role of the state and local housing providers, along with their allies, is to devise specific solutions and to gather additional resources. As one roundtable participant in New Orleans put it, "it is our responsibility to recognize the unique housing issues we are facing and to strive to find a more effective, creative and locally responsive mix of federal, state and local housing options."

Local Barriers to Affordable Housing: Regulation, Segregation and Scarce Resources

Local regulations and policies affect whether or not affordable housing gets built, the location of that housing, the cost to build it — and even who gets to occupy it. Evolving out of the American tradition of "home rule," local decision making about the uses of local land has evolved from a simplistic notion of separating residential use from commercial and industrial uses, to a complex system of restrictions, case-by-case approvals, court challenges and political contention.

As David Bragdon, Presiding Officer of the METRO Council in Portland noted, "Prior to 1973, land use goals were not focused on urban areas, but on protecting farm and forest land. Land use was about the things we don't want, not what we do want. The thrust was prevention, rather than promotion. That mentality has changed for the better, now there is more focus on affordable housing." In the roundtables that focus centered on several themes:

Streamlining the regulatory process can improve the economics of producing affordable housing.

Among representatives at the roundtables, several of whom were local officials themselves, a common refrain was that too often local policies thwart, rather than ease, the development of affordable housing. For example, in Seattle, Mayor Paul Schell noted that the issue of excessive regulations was cited as a top priority by experts he convened as a part of a Housing Summit to deal with the issue of affordable housing in his city. In New Orleans, Wade Ragas of the University of New Orleans pointed out how regulations make already high construction and land costs even more prohibitively expensive for low-income housing. "Complicating the cost issues are stringent historic preservation standards in the center county (city) which further increase costs and delay (often indefinitely) construction in historical neighborhoods." In Portland, Gerald Uba of the METRO Council reported that that the local permitting and approval processes are major stumbling blocks to the production of affordable housing.

Private sector representatives at the roundtables echoed these sentiments. For example, in Seattle, Jerry Howard, Executive Vice President and Chief Executive Officer of the National Association of Home Builders (NAHB), stressed the need to eliminate local barriers that inhibit the production of new housing and dramatically influence housing affordability.

In fact, the NAHB articulated the issue in recent testimony to the Millennial Housing Commission, which was established by Congress as part of Public Law 106-74 during the 106th Congress to make recommendations on national housing policy. "To achieve a comprehensive, national housing policy that serves a range of incomes," they wrote, "communities must become more sensitive to artificial barriers they have unwittingly or willfully erected to the construction of affordable housing. These barriers can be either procedural or substantive. Substantive barriers include, among others, minimum lot or house sizes, bans or severe limits on new construction and excessive development fees that go beyond the new infrastructure costs to the community. Procedural barriers include the time delay to get permits and even the sheer number of permits that can be required. Technological advances have rendered some regulations and code provisions superfluous, even though they originally made sense. These unnecessary regulations can raise the cost of housing, needlessly excluding families with modest incomes by raising housing prices out of their reach. Even the wide variation in local rules raises the cost of construction, as builders must tailor their compliance to each community's demands, rather than to one uniform code. The builder's increased costs are passed to the homebuyer."[11]

Figure 4 gives a sense of the magnitude of new residential construction in each of the four roundtable areas. Permits for single home construction in the year 2000 ranged from a low 3,500 units in New Orleans to almost 17,000 in Minneapolis-St. Paul. All four metropolitan areas experienced reductions in permits from the previous year at roughly twice the national rate of decline of 4 percent. On the multifamily side, permits for a paltry 700 units were issued in New Orleans, while in Seattle, the permits for 9,500 multifamily units exceeded the 8,800 issued for single family homes. Three of the four metropolitan areas showed a decline in permits from the previous year, with New Orleans' the most dramatic at 41 percent. Minneapolis-St. Paul showed a 15 percent increase even as the national level of permits declined 5.5 percent.

Participants in the New Orleans roundtable pointed out that it is not only new construction for affordable housing that is adversely affected by local regulations. New Orleans has an estimated 37,000 empty, abandoned and/or blighted units that the city is casting about for ways to redevelop. As one participant put it, "Advocates for affordable housing say there is an urgent need to move public housing residents into 'decent, sanitary housing.' Many believe the considerable stock of these buildings could be part of the solution to this problem if the city channeled funds into new construction and rehabilitation. Unfortunately, the first step in the process of rehabilitating abandoned housing — the city taking possession of the units — is often tangled in a quagmire of state and local laws. The only way for the city to acquire the property is through expropriation, a process that can cost anywhere from $5,000 to $7,000 when it can be done at all. Many of those responsible for blighted properties, landlords who have abandoned units to live in the suburbs or even out of state while their property deteriorates, have yet to be identified."

This experience is not atypical. In a recent study of the issue of resuscitating abandoned properties in urban areas, the authors noted that two important regulatory elements are important to the success of such programs. These are, first, establishing a mechanism to wave unpaid property taxes, penalties and interest and, second, setting up

[11]National Association of Home Builders written testimony to the Millennial Housing Commission, July 31, 2001, p. 12, accessed at www.mhc.gov/responses/051001a.doc.

FIGURE 4
ANNUAL BUILDING PERMIT ACTIVITY 1998-2000 (THOUSANDS OF UNITS)

	SINGLE FAMILY				MULTIFAMILY				TOTAL			
	YEAR TOTAL 1998	YEAR TOTAL 1999	YEAR TOTAL 2000	PERCENT CHANGE 99-00	YEAR TOTAL 1998	YEAR TOTAL 1999	YEAR TOTAL 2000	PERCENT CHANGE 99-00	YEAR TOTAL 1998	YEAR TOTAL 1999	YEAR TOTAL 2000	PERCENT CHANGE 99-00
UNITED STATES	**1,187.60**	**1,246.67**	**1,198.07**	**-3.90**	**424.66**	**416.87**	**394.20**	**-5.44**	**1,612.26**	**1,663.53**	**1,592.27**	**-4.28**
Minneapolis-St. Paul	16.96	18.32	16.74	-8.63	3.92	4.85	5.57	14.74	20.88	23.17	22.31	-3.74
New Orleans	3.70	3.75	3.49	-7.06	0.68	1.18	0.69	-41.14	4.38	4.93	4.18	-15.20
Portland-Vancouver	11.33	10.60	9.72	-8.22	6.58	4.48	3.24	-27.76	17.90	15.08	12.96	-14.03
Seattle-Bellevue-Everett	10.33	9.69	8.80	-9.22	11.81	10.22	9.45	-7.56	22.14	19.91	18.24	-8.37

Source: Bureau of the Census. Percent changes are computed from unrounded data. Table accessed at www.nahb.com.

an expeditious foreclosure process that provides for a marketable title and an insurable property.[12]

While there may be general agreement that local regulations add to the cost of affordable housing, the question arises, "By just how much?" In 1991, the congressionally appointed Advisory Commission on Regulatory Barriers to Affordable Housing, wrestled with this very question, but never resolved it satisfactorily. The Commission heard testimony that placed the housing cost increases due to local regulations on the order of 15 to 35 percent. A figure of 25 percent was reported as accepted by many housing policy experts. As one of the Commission members later wrote, it is impossible to generalize with a specific number, but it is possible to say that virtually all regulations that raise housing costs substantially are regressive. That is, "the households who benefit have higher incomes than the households who would gain from eliminating or scaling back regulations."[13]

Not surprisingly, then, calls to reduce the excessive costs and burden of local regulations were a recurrent theme in the roundtable discussions. In Seattle, for example, Mayor Paul Schell noted that his administration had already undertaken regulatory improvements such as revising downtown density requirements, improving the housing linkage program, streamlining permitting and reducing parking requirements, among other changes.

In Portland, James Irvine of the Conifer Group, a private real estate developer, stated that streamlining regulations is of such importance, the business community would likely support the notion of raising funds through a real estate transfer tax as long as it is coupled with regulatory reform that reduces production costs.

"The business community would likely support . . . a real estate transfer tax as long as it is coupled with regulatory reform that reduces production costs."

—PORTLAND ROUNDTABLE

Two keys to dealing with barriers that create socioeconomic segregation are improved design and inclusionary zoning. But, neither is widely implemented.

Some roundtable participants noted that the economic impact of local regulations is widely acknowledged. Less appreciated, but more insidious, is the fact that these policies perpetuate social and economic segregation. Their comments echoed the decade-old report of the 1991 Advisory Commission on Regulatory Barriers. That report suggested that attitudes against affordable housing are partly rooted in the desire among homeowners to protect the value of their homes, which they feel would be diminished by the proximity of lower cost housing.

But there also is a social motive to the opposition to affordable housing. As Anthony Downs, one of the members of the Commission, later wrote, "Many residents of middle- and upper-income suburbs fear that 'invasion' of their communities by low-income residents would bring undesirable consequences such as rising crime rates, rising drug abuse and students in local schools from homes that do not encourage good educational performances. Higher density housing may also bring greater local traffic congestion and air pollution and may cause congestion of local public facilities." Downs goes on to note that most of these residents "who are aware that their existing ordinances keep out households with incomes lower than their own approve of this effect."[14]

The experience of some of the roundtable participants in Minneapolis-St. Paul bears this out. One participant remarked, "Often, developers interested in producing housing at densities sufficient to be profitable as well as inexpensive run into zoning

[12]Larry Keating and David Sjoquist, "Bottom Fishing: Emergent Policy Regarding Tax Delinquent Properties," in *Housing Facts & Findings*, (Washington, DC: Fannie Mae), Vol. 3 No. 1, 2001.

[13]Anthony Downs, "The Advisory Commission on Regulatory Barriers to Affordable Housing: Its Behavior and Accomplishments," *Housing Policy Debate*, (Washington, DC: Fannie Mae),Vol. 2, Issue 4, 1991, p.1106.

[14]Downs, *Ibid.* p. 1115.

roadblocks that prevent such ventures. This problem of rezoning has a direct relationship to existing stigmas about affordable housing. Current opinions on affordable housing often carry with them the baggage of problem properties, irresponsible neighbors and increased crime. This "NIMBY" (Not in My Backyard) attitude provides a strong roadblock to many developers and must be addressed in any concerted effort for affordable housing."

Some of the Minneapolis-St. Paul roundtable participants suggested that part of the solution to wider acceptance of affordable housing lies in better design. Poorly constructed buildings that do not blend in with their surroundings often suffer strong resistance from the communities in which they are built, participants noted. The design issue must be addressed on a site-by-site basis, which many past projects have failed to do. They went on to note that cookie-cutter approaches often produce poor results when applied to areas different from those for which they were originally intended.

This issue of design as an important aspect of acceptance of affordable housing in mixed-income communities was noted in a recent National Governors Association report. The report, which deals with the holistic concept of New Community Design (NCD) stressed that "a community that caters only to consumers seeking very expensive housing is not consistent with the NCD. For example, affordable housing for low- and moderate-income people has been shown to be feasible in the 10 to 15 percent range. And in the best NCD places, such affordable housing is dispersed throughout the community and is largely indistinguishable from higher income housing."[15]

Keen interest was expressed in several of the roundtables in the concept of inclusionary zoning. The concept is most closely identified with Montgomery County, Maryland where it was pioneered. The Moderately Priced Dwelling Unit (MPDU) Ordinance, adopted in 1973, requires all new subdivisions within the county to contain a mix of housing for different income groups. Specifically, 85 percent of the units may be market rate housing for the developer's target market and 15 percent must be MPDUs priced for moderate-income households. Moreover, the developer must give first right of purchase for one-third of the MPDUs (up to 5 percent of all that is built) to the county's public housing authority for use as rental units for low-income families. In exchange, developers receive the right to increase the density of their development by 20 percent above what ordinarily would have been allowed.

More than a quarter of a century's experience with this program suggests it is a success. The county public housing authority has not needed to build new low-income housing projects. In the new subdivisions, residents are economically and racially mixed, yet resident surveys show high levels of neighborhood satisfaction among those who live both in the MPDUs and in the market rate housing. Moreover, subsequent studies have shown that the presence of this relatively small number of units had no adverse affects on the price appreciation of market rate home located nearby.[16]

However, as urban analyst David Rusk has pointed out in a recent book, despite the fact that the Montgomery County program is a "time-tested, proven success ... no state and only one other local community (Fairfax County, Virginia) has adopted a similar policy." The main reason this is so, he concludes, is "fear."[17]

Rusk notes that other states and localities that have established the goal of integrating low-income families into middle-income communities have adopted relatively toothless

"Part of the solution to wider acceptance of affordable housing lies in better design."

—MINNEAPOLIS-ST. PAUL ROUNDTABLE

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[14]Joel S. Hirschhorn and Paul Souza, *New Community Design to the Rescue: Fulfilling Another American Dream*, (Washington, DC: National Governors Association, 2001), p.23.

[15]For a complete discussion of inclusionary zoning see "Inclusionary Zoning: A Viable Solution to the Affordable Housing Crisis?" *New Century Housing*, (Washington, DC: The Center for Housing Policy, October 2000), Vol. 1 No. 2.

[16]David Rusk, *Inside Game/Outside Game*, (Washington, DC: Brookings Institution Press, 1999), p. 328.

Community housing development organizations are now such an accepted part of the housing landscape that their participation in local housing programs is mandated under federal law.

policies. In Tallahassee for example, developers can make payments into an affordable housing fund in lieu of building moderately priced units. In Massachusetts and New Jersey, local governments can meet state established targets by building senior housing. Still other localities make participation in inclusionary zoning programs voluntary.

Rusk's point was illustrated in the Portland roundtable. Steve Rudman, former housing director for the City of Portland, said voluntary inclusionary zoning could be used by localities to encourage developers to produce a wider range of new housing units. But, he reported, even this concept recently was prohibited by the Oregon State Legislature.

Localities are stitching together a patchwork quilt of funding mechanisms to finance their housing initiatives. They also are forming partnerships with community development groups to stretch and better utilize the resources that are available.

In addition to the federal and state resources, such as funding under the HOME program, Community Development Block Grant (CDBG) and state revenue raising capability through the housing bond program, some localities are seeking additional resources to fund local housing priorities. As Erik Sten, Commissioner of Public Works for the City of Portland put it, to meet the city's critical housing needs the city must "find a way to generate funds that are constant and consistent."

In the Seattle roundtable, Mayor Paul Schell reported some success in this regard. He noted that in Seattle, a critical element to the city's housing plans is the 7-year $59 million Seattle housing levy. "One important way we have been a leader in affordable housing," he said, "is at the ballot box." He recounted how the city had passed three successful tax levies since 1981. This current one expires in 2002 and next year, he said, his administration plans to go back to the voters with a renewal measure to fund workforce housing initiatives.

While not all localities have the wherewithal to pass a special housing levy, many are able to stretch limited resources by working in partnership with community housing development organizations.

Nonprofit community development organizations have been on the housing scene since the "settlement house" movement of the 1930s. However, it wasn't until the 1960s, that these nonprofit organizations received federal attention and support as part of an effort to economically develop central cities. These initiatives were still rather limited in number until the 1980s, when born out of the necessity of the severe cutbacks in federal housing assistance under the Reagan Administration, both state and local governments and nonprofit community development organizations rushed to fill the void as best they could. While no definitive census exists, it is estimated that more than 2,000 community housing development organizations help provide low- and moderate-income residents with housing in the neighborhoods in which they serve.[18]

Community housing development organizations are now such an accepted part of the housing landscape that their participation in local housing programs is mandated under federal law. In order to receive funding under the HOME program, for example, a jurisdiction must allocate at least 15 percent of its HOME funds for housing developed, sponsored or owned by community housing development organizations.

Some of the community housing development organizations work with local governments to increase the physical supply of housing. In the Seattle roundtable, a project involving the City of Seattle and HomeSight, a local nonprofit developer was cited as a good example of a joint venture to provide affordable housing. The project, called Noji Gardens, involved the innovative use of manufactured housing and was partly funded by the City with a loan through the CDBG program. Just over half of the units (51

[18]Estimate provided in David Rusk, *Inside Game/Outside Game*, (Washington, DC: The Brookings Institution Press, 1999): p. 17.

percent) at Noji Gardens are reserved for households with incomes of 80 percent or less of the area median income of $43,000 a year for a family of three. The remaining 49 percent are sold at market rate.[19]

In other cases, community housing development organizations help provide supportive services to low-income households. In both the Minneapolis-St. Paul and New Orleans roundtables, for example, homeownership counseling was discussed as an important service that can be provided to low- and moderate-income working families through nonprofit organizations.

In Portland, Bob Repine, the state housing director, expressed the need for the state to better assist nonprofit groups since they are producing the bulk of affordable housing. "We need to improve their financial stability," he said. "The state does a poor job, giving only $200,000 annually. At the same time, there also is a need to help increase their expertise in housing development." Dee Walsh, from Reach CDI a Portland area nonprofit organization, concurred noting that nonprofit developers often face high operating costs "because they house the poorest families and provide them with supportive services."

A common refrain in all four roundtables was the compelling need for localities to better use the scarce resources that are available to them. Inevitably, it was felt, there are tough decisions to be made about how best to utilize limited funds. Some participants stressed the need to promote mixed-income communities and to provide assistance to working families. Others like Gretchen Kafoury, a former city commissioner in Portland, voiced the opinion that local government should focus its resources on the poorest households because that is where the gap between supply and demand is the greatest.

Nearly universal agreement was reached, however, on the need for a more efficient, better coordinated response to housing needs at the local level. For example, on the efficiency front, it was noted that in Seattle, the city created a "Rapid Response Team" that works to ensure that no rent-restricted buildings are lost due to expiring use contracts.

In New Orleans, several participants remarked that city, nonprofit and community organizations need to achieve better coordination in the use of available housing funds. Coordination should focus on making it easier for families to move into available housing stock since many older structures are too large for one family to afford, some roundtable participants said. Others insisted the coordination also could focus on the city's pattern of economic and racial segregation. It is important to address the ways in which housing options for very low-income individuals and families with children have been limited by such segregation, they said.

In the Portland roundtable, Sumner Sharpe of Parametrix, Inc. and the roundtable moderator, noted the importance of considering the big picture. There is an Oregon state goal that espouses housing choices for all income groups, he pointed out, but reliance on meeting the goal has focused far too often on land use plans and regulations. "We must do a better job in relating land use and comprehensive plans to housing policies and programs and funding efforts," he said. "All too often the various participants have failed to communicate with and complement each other. For example, density alone does not assure affordability though one could argue it reduces the land price per unit. Much more is needed to achieve affordability."

"All too often the various participants have failed to communicate with and complement each other . . . Much more is needed to achieve affordability."

—PORTLAND ROUNDTABLE

The Consensus: Incentives Needed for Localities to Promote Affordable Housing

At all four roundtables, there prevailed a common view that, as a nation, we must encourage and reward local and state efforts to produce and preserve affordable housing. After all, it is local taxing, planning and zoning decisions that really determine what is

[19]For a brief description of the project see Danielle Arigoni, *Affordable Housing and Smart Growth: Making the Connection*, (Washington, DC: National Neighborhood Coalition, 2001), p. 36.

done or not done about affordable housing. And, it is precisely in those communities where affordable housing for working families is most needed that the most opposition to such housing exists.

The challenge, it was generally agreed, is to fashion the right kind of incentives that will encourage those communities to recognize and support the production and preservation of affordable housing. Proven tools to create affordable housing exist such as inclusionary zoning, local levies, trust funds and other revenue raising techniques, and two items that are discussed in some detail later in this report — employer support and regional strategies. Participants urged that we find ways to reward and support those absolutely necessary activities while recognizing the importance of local diversity and creativity. Federal and state incentives to localities to promote affordable housing could include challenge grants, funding formulae, consolidated plan improvements and tax benefits.

Private Sector Involvement in Affordable Housing: The Missing Player

As noted in the introduction to this report, the four roundtables were motivated, in part, by a recent study by the NHC's research subsidiary, the Center for Housing Policy (CHP), on the critical housing needs of working families. The study, which was presented at each roundtable discussion, showed that nearly one out of every seven American households paid at least half their income for housing and/or lived in substandard conditions in 1999. This includes 3.9 million families working the equivalent of a full-time job.

Moreover, concern is growing that people who provide the bulk of essential services in their communities — teachers, police officers, fire fighters, laundry and restaurant workers — cannot afford to live in the communities in which they serve. In the Seattle roundtable, for example, Susan Schumaker, Administrator of Human Resources for the Seattle School District recounted the difficulty in retaining and recruiting teachers to the Seattle area. She noted that this is especially so in the face of an aggressive recruiting effort on the part of California which is offering higher salaries and slashing home prices in redevelopment areas by half and offering downpayments as low as $100. In contrast the starting salary for a beginning teacher in Seattle is $28,200. The second year it goes up to $28,500 — certainly not a "fast track occupation," she said. "With the typical home costing $270,000 this income level clearly does not support a home purchase."

The CHP study documented the housing problems in 60 of the nation's largest housing markets faced by families working in five occupations vital to economic growth — elementary school teacher, police officer, licensed practical nurse, janitor and retail salesperson. Specifically, for the four roundtable metropolitan areas in 1999, it was found that families dependent on the earnings from these occupations were, in almost all cases, unable to qualify for the purchase of the median-priced home, some falling short by substantial margins. Exceptions where homeownership was affordable were police officers in Minneapolis-St. Paul and elementary school teachers in New Orleans. On the rental housing side, both janitors and retail salespersons were unable to afford a one- or two-bedroom apartment at the prevailing fair market rent (FMR) in any of the four metropolitan areas. (See Figures 5 and 6.) These results mirror the situation for working families in many of the other 56 housing markets examined in the study.

Regional imbalances between the location of jobs and affordable housing further exacerbate the situation for both working households and employers. Recent research confirms that in the majority of the nation's major metropolitan areas, suburbs experienced higher job growth rates than their central cities. Yet, most affordable rental housing and homeownership units tend to be located in central cities and inner-ring suburbs. This is attributable partly to the fact (as discussed in the previous chapter of this report) that wealthier suburban jurisdictions resist the development of lower cost housing within their borders. Many working households are therefore faced with the prospect either of paying higher suburban housing costs or enduring lengthy commutes from areas with more affordable housing.[20]

Data also indicate that working families are, indeed, tolerating longer commutes between their homes and their jobs. A recent study of commuting by Texas A&M indicates that the average annual delay in 68 major metropolitan areas in the U.S. in 1999

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[20]Stephanie A. Jennings makes this point in her article "Reinventing the Company Town: Employer-Assisted Housing in the 21st Century," *Housing Facts & Findings* (Washington, DC: Fannie Mae Foundation, Summer 2002) Vol. 2 No. 2. See the following section of this report on p. 27 for more on this topic.

FIGURE 5
HOME PRICES AND MEDIAN SALARIES, 1999

Metropolitan Area	1999 2nd Quarter MEDIAN SALES PRICE (NEW & EXISTING HOMES)	INCOME NEEDED TO PURCHASE	1999 MEDIAN SALARY Janitor	Elementary School Teacher	Police Officer	Licensed Practical Nurse	Retail Salesperson
Minneapolis-St. Paul	$132,000	$43,371	$18,730	$39,880	$43,470	$30,190	$16,830
New Orleans	$107,000	$35,143	$13,890	$35,950	$24,340	$25,270	$14,930
Portland - Vancouver	$160,000	$52,543	$18,150	$42,030	na	$31,880	$17,620
Seattle - Everett - Bellevue	$195,000	$64,029	$19,460	$39,400	$34,450	$31,640	$19,390

Source: Center for Housing Policy in *Paycheck to Paycheck: Working Families and the Cost of Housing in America*, 2001.

FIGURE 6
RENTS AND MEDIAN HOURLY WAGES, 1999

Metropolitan Area	1999 After Wage * One-Bedroom	1999 After Wage* Two-Bedroom	1999 HOURLY WAGE Janitor	Retail Salesperson
Minneapolis-St. Paul	$10.02	$12.81	$9.01	$8.09
New Orleans	$8.02	$10.00	$6.68	$7.18
Portland - Vancouver	$10.06	$12.40	$8.73	$8.47
Seattle - Everett - Bellevue	$11.19	$14.15	$9.36	$9.32

Source: Center for Housing Policy in *Paycheck to Paycheck: Working Families and the Cost of Housing in America*, 2001.

*The Housing Wage is the hourly wage that needs to be earned for housing to be considered affordable, i.e., to cost no more than 30 percent of income.

was 36 hours per person. As shown in Figure 7, of the four roundtable metropolitan areas, Seattle commuters averaged 53 annual hours of delay per person, placing it among the highest in the nation (behind Los Angeles). Minneapolis-St. Paul and Portland reflected the national average at 38 and 34 annual hours of delay respectively, while New Orleans came in well below, at 18 hours.[21] However, as one roundtable participant in New Orleans pointed out, the inaccessibility of housing to jobs is still an issue because "the underdeveloped state of public transportation in the region denies a large number of low-income residents access to regional employment opportunities."

Together, these findings highlight the importance of affordable housing to the American workforce and to the economic health of our communities. Booming economies (such as Seattle and Silicon Valley in recent years) apply the brakes to their own progress when the surge in new jobs and migration is not matched by the growth in the supply of affordable housing. Where the engine driving economic growth is low-wage service jobs (such as New Orleans), economic growth is all the more vulnerable to a slow down.

[21] David Schrank and Tim Loman, *The 2001 Urban Mobility Report*, (Texas A&M: Texas Transportation Institute, 2001): Tables A-2, A-5.

Difficulty attracting and retaining employees also takes its toll on firms, and housing has become an important factor in business location decisions. In studies of reasons why firms locate where they do, proximity to a suitable pool of labor usually ranks among the top three.[22] Corporate moves are prompted, as often as not, by the impact of the high cost of housing and excessive burden of commuting.

There are social, as well as economic, costs to a lack of affordable housing for working families. In New Orleans, roundtable participants noted that the city runs on the economic engine of tourism, an industry that depends on a low-wage workforce of housekeepers, wait staff and others to run the many hotels, restaurants, entertainment venues and other service industries. Hourly wages typically paid for these occupations usually amounts to annual incomes per worker below $20,000. This, participants said, creates a major stumbling block for people to own their homes and a stake in their communities.

To many of the participants in the four roundtables, these trends point to a clear need for the private sector, particularly employers, to be involved in addressing the critical housing needs of working families. Among the major points on this issue:

Communities and housing advocates need to make the case to employers for why they should be involved in affordable housing.

At several of the roundtable discussions, participants looked around the room and noted that, despite invitations, the private sector was poorly represented. In Portland, David Bragdon, Presiding Officer of the METRO Council, pointed out that there has been a similar lack of participation on the part of the private sector on the METRO Council, the regional body that deals with regional housing and economic growth issues. "It is mystifying why there is an ideological division," he said. "We need to heal the divisions to produce the product [affordable housing]."

In the Portland roundtable it also was noted that in Washington County, for example, employers are finding that housing costs are "problematic for their labor force." This suggests that "Housing should be made a recruitment and retention issue for them," one participant said.

In Minneapolis-St. Paul, Chuck Denny, of ADC Telecommunications, Inc. and Chuck Slocum of The Williston Group said that based on their private sector experience, the cost

[22]Natalie Cohen, *Business Location Decision-Making and the Cities: Bringing Companies Back*, (Washington, DC: The Brookings Institution, Center on Urban and Metropolitan Policy Working Paper, April, 2000): p.8.

FIGURE 7
ANNUAL HOURS OF DELAY PER PERSON

MSA/PMSA	1982	1987	1992	1999
Minneapolis-St. Paul	3	12	18	38
New Orleans	10	13	16	18
Portland - Vancouver	4	10	22	34
Seattle - Everett - Bellevue	19	39	55	53
68 Urban Area Average	**11**	**20**	**27**	**36**

Source: David Schrank and Tim Loman, *The 2001 Urban Mobility Report*, (Texas A&M: Texas Transportation Institute, 2001): Tables A-2, A-5.

of high turnover can be as much as $100,000 per employee. They estimated that close to 80 percent of the major employers in the area are concerned about worker housing.

Several roundtable participants in Minneapolis-St. Paul said they were interested in the notion of worker productivity as it relates to affordable housing. Some theorized that the stress reduction associated with employees having a safe place to live would be reflected in higher productivity rates. "Such a study would probably show employers the potential benefits of collaborating on affordable housing — reduced turnover and increased productivity," one participant suggested.

Several participants in New Orleans commented that employers in the service and tourism industry are an untapped resource. Since they employ a majority of the city's population with critical housing needs, they can and should be encouraged to support homebuyer programs among their employees. Wayne Clark of the Mayor's Division of Housing and Neighborhood Development in New Orleans remarked that businesses in general need to recognize the importance of encouraging workers to remain in the city proper and provide homeownership incentives for them to do so. With few exceptions, such as university initiatives and the banking industry, it was noted, this is not happening.

This sentiment was echoed in Portland where Sumner Sharpe of Parametrix, Inc. and the roundtable moderator, noted that, "As in other regions of the country, the Portland region has begun to recognize that affordability is a growing issue for more than very low-income households. We have begun to see some, but limited, participation by employers. This will require concerted attention and political recognition of this reality, and a new and higher level of public, nonprofit, and private sector cooperation to address these growing needs."

"The best way to get participation (of employers in affordable housing) is through self-interest."

—PORTLAND ROUNDTABLE

"The best way to get participation is through self-interest," David Bragdon of the METRO Council remarked in the Portland roundtable. "In the case of affordable housing, leaders are recognizing their own self-interest on this issue. Jurisdictions have seen it as important to the economics of their community. People who work in their community need to live there." However, Peg Malloy of the Portland Housing Center cautioned that making the case for self-interest could be difficult where, as is the case in many corporations and foundations, the decision makers are not local. "When they do not live in the state, it is more difficult to convince them of their self-interest and make them stakeholders," she said.

Innovative examples of direct employer involvement in housing should be showcased to encourage other employers to do the same.

According to a recent review of employer-assisted housing programs, there are possibly "hundreds of employers offering benefits to help low- and moderate-income employees afford housing."[23] Typically, these programs provide workers with homebuying assistance in the form of a grant or forgivable loan that can be used for the downpayment or closing costs on a home purchase. Sometimes the cost of homeownership to the employee is reduced through a variety of mechanisms including subsidized second mortgages, matched savings programs, below market interest rate mortgages and mortgage guarantees. Homeownership counseling also is provided, often with the support of local government agencies or nonprofit organizations. According to the report, a relatively small, but growing number of employers are supporting development of affordable rental or homeownership units or subsidizing rent payments.

Employer-assisted housing was a dominant topic in the Minneapolis-St. Paul roundtable, where participants discussed several programs in some detail. Karel Weigel of the Mayo Clinic in Rochester, presented a project dubbed "First Homes," a joint venture with the City of Rochester and other local businesses. She explained that the Mayo Clinic initiated

[23]For an overview of employer-assisted housing programs see Stephanie A. Jennings, "Reinventing the Company Town: Employer-Assisted Housing in the 21st Century," *Housing Facts & Findings* (Washington, DC: Fannie Mae Foundation, Summer 2002) Vol. 2 No. 2.

this program in response to their need to retain employees in the entry and mid-level jobs. The severe shortage of affordable housing in the Rochester area affected the retention rate of the clinic's employees by forcing them out of the local housing market.

She noted that the project is a $6 million venture, using $4 million in funds directly from the Mayo Clinic and $2 million in a matching grant from an outside source. Each dollar raised by Mayo leveraged $9 from the private and public sectors. "The program provides starter homes that are slightly smaller than those being put up at market rates and resting on slightly smaller lots," she said. "This was done to reduce costs and increase efficiency. Putting the properties in a land trust further reduced the costs for the intended owners."

According to Ms. Weigel, the projected buyers for these homes are workers earning from $7 to $14 per hour, a category that includes many of the Mayo Clinic's own employees as well as other residents of Rochester. For example, a nurse's aide working for the clinic would have a $400 gap to make up per month in order to afford market rate housing in the city. One unusual aspect of the project is that it is open, not only to employees of the Mayo Clinic, but also to all qualifying residents of Rochester. She noted that this was key to finding the appropriate funds from sources outside the Mayo Clinic.

The Minneapolis-St. Paul roundtable also featured a presentation by Angie Swetland of Presbyterian Homes and Services. Presbyterian Homes specializes in nursing home and elder care with multiple centers across the metropolitan region. Ms. Swetland described how Presbyterian Homes got into the employee housing market because of a severe lack of affordable housing in locations where elder care facilities are located. The state also mandates how much nursing homes can pay their employees, which puts some facilities, particularly those not close to affordable housing, at a disadvantage. Before the Presbyterian Homes employee housing program was in place, workers were often bused 45 minutes to an hour each way from their homes. In addition, many of the employees recruited by Presbyterian Homes are new immigrants from the Philippines and Cameroon who need housing and have little in the way of an existing support network in the area. This caused personnel problems for Presbyterian Homes, including high absenteeism and turnover rates.

Ms. Swetland explained that the Presbyterian Homes employee housing initiative consists of three buildings containing 51 units at various locations throughout the Twin Cities metropolitan area that are located close to the Presbyterian Homes nursing centers. The employee housing units also provide a range of comprehensive services for workers, including onsite childcare. "This allows for greater flexibility in scheduling for the workers and increased quality of life, as they no longer require the extra commuting time that their previous arrangements had mandated," Ms. Swetland said.

The need for comprehensive services also was expressed in New Orleans where Wade Ragas of the University of New Orleans noted that many public housing families in the New Orleans metropolitan area are single wage earner, female-headed households with two or more children. Among these households there is a chronic need for day care, after school tutoring, headstart and teenage programs. There also is a need for highly targeted job training programs appropriate for the moderate-skill jobs for which there is a demand in this region, he said.

HUD has encouraged the expansion of employer-assisted housing through the HOME program. Anecdotal evidence indicates that enough model programs and success stories exist to help convince employers that these programs are worth undertaking and transplanting throughout the country.

"This (employer-assisted housing program) allows for greater flexibility in scheduling for the workers and increased quality of life."

—MINNEAPOLIS-ST. PAUL ROUNDTABLE

Improve incentives for private sector participation, not only in employer-assisted housing programs but, in programs that promote affordable housing, in general, and in the housing marketplace as a whole.

Roundtable participants in all four metropolitan areas noted that, in addition to

“The banking and real estate industries . . . (should) put their shoulders to the wheel when it comes to solving the problems of abandoned and/or blighted properties.”

—NEW ORLEANS ROUNDTABLE

employer-assisted housing programs, other opportunities exist to involve the private sector in the provision of affordable housing.

In New Orleans, for example, roundtable participants from the finance sector of the housing industry pointed out that the disparity between “fair market costs” as established under certain governmental standards and actual costs affect tax credits and other subsidies, sometimes making financing difficult for developers. Many roundtable participants agreed it is unclear whether New Orleans has enough developers with the capacity to alleviate the affordable housing crisis. Further, participants questioned whether there are enough developers in New Orleans actually willing to work in the affordable housing market.

Also in the New Orleans roundtable, participants called on the banking and real estate industries, and other businesses as well, to “put their shoulders to the wheel when it comes to solving the problems of abandoned and/or blighted properties.” These sectors surely have a role to play, participants said.

As noted earlier in this report, in the Seattle roundtable, Jerry Howard, Executive Vice President and CEO of the National Association of Home Builders (NAHB), stressed the need to eliminate local barriers that inhibit the production of new housing and dramatically influence housing affordability. “The home building industry has been and will remain a critical force in the overall effort to meet the growing need for affordable housing among working families,” he said.

In Portland, Alison Gash, who serves on the board of Worksystems, Inc, said it is time to support a greater partnership between housing and workforce development constituencies. “Many workforce development programs assist people in raising income,” she pointed out. “This is one way to stimulate resources for housing.”

In Minneapolis-St. Paul, Lynn Schurman, Co-Owner of the Cold Springs Bakery and a member of the Minnesota Chamber of Commerce said that the Chamber hopes to improve the affordable housing situation by working more closely with legislators to raise awareness of this problem for the state’s employers. “The Chamber has set up a specific housing task force whose primary goal is to work for legislation to more easily fund local initiatives,” she said. “Its goal also is to communicate to Chamber of Commerce members that there are viable strategies for affordable housing that can actually benefit both employers and employees.”

The Consensus: The Private Sector Needs to (Want to) Sit at the Table

Roundtable participants across the four metropolitan areas generally agreed that, although information about housing needs, strategies to address those needs and funding to carry out programs are important, without all of the right players at the table involved, the housing problem cannot be solved. However, in the case of the private sector, they must to some extent be convinced that they need to be seated there.

As Doug Carlson, the local HUD director, put it in the Portland roundtable, “we will not get a strong housing lobby until we make those missing players stakeholders. These include bankers, real estate agents, landlords, employers and citizens. Other organizations (such as corporations and foundations) also think sustainability is important. We need to get them involved and collaborate on solutions.”

In the Minneapolis-St. Paul roundtable, one participant asserted that “progress can be made on employer-assisted housing only through joint efforts combining the work of nonprofits, government and the private sources simultaneously.” Collaborative efforts are what have been proven most successful in the past, roundtable participants agreed, not only in Minneapolis-St. Paul but, elsewhere.

The Regional Approach to Affordable Housing: A Viable Solution?

For years local housing practitioners have watched through their windows as a sea change has occurred in the housing landscape. In some places it is more readily perceptible than in others but, as the 2000 Census and other studies prove, the phenomenon is more clearly in view than ever. What they, and all of us, are witnessing is the decentralization of our cities. This decentralization is propelled by the movement of jobs and middle- and upper-class Americans farther and farther into the outer suburbs, resulting in the socioeconomic isolation of low- and moderate-income households in the central cities and inner suburban rings.

The problems created by decentralization require a new approach to thinking about housing solutions — breaking down walls and looking at the problem through a "regional" window. Proponents of a regional approach to affordable housing have been articulating their position for some years now. The arguments are well known in policy circles, think tanks and in a handful of innovative state and local governments. Now these ideas are being more actively debated throughout the country, and the NHC roundtables provided four unique metropolitan forums for this ongoing discussion.

Localities need to recognize the symptoms and causes of decentralization and assess the extent to which it is occurring in their communities.

America is becoming increasingly segregated socially and economically. Years of decentralization have resulted in suburbs that attract middle-class and upper-class residents and jobs, and central cities that are home to a disproportionate share of low-income families. The reasons for this are complex and have filled the pages of many books and publications. To summarize briefly here, postwar demographics, market demand and deliberate government policies have all played a major part.[24]

In the 35 years following World War II, five factors enabled Americans to improve their housing in vast numbers. First, the "baby boom" helped fuel demand for the single family detached home. Second, vast expanses of tract housing were constructed to satisfy that demand. Third, housing costs were low relative to household incomes, which were growing at an unprecedented rate. Fourth, favorable market conditions for housing prevailed in the form of general economic prosperity, and included the proliferation of automobiles and a new network of interstate highways to drive them on. This opened up acres of relatively inexpensive land beyond city boundaries. Fifth, the government ensured availability of credit and tax incentives to build and purchase homes in suburban locations.

Many Americans benefited from these circumstances. During the period 1940 through 1980, the homeownership rate steadily ascended from 45 to almost 66 percent. This is especially impressive when contrasted with then recent history. In the entire period 1900 to 1930, the percentage of owner-occupied dwellings rose only 1.7 percent, and this was prior to the wave of defaults in the Depression.

But many other Americans, especially minority and ethnic groups, were excluded from sharing in the progress. In the early postwar years, discrimination against minorities was a matter of public policy. Legal covenants prevented the private sale of homes to potential minority homebuyers. The Federal Housing Administration, which was instrumental in fueling the demand for housing by providing low-interest, insured

[24]The following discussion is drawn from Barbara J. Lipman, et. al. *The Housing Ladder: A Steeper Climb for American Households*, (Washington, DC: National Association of Realtors, 1990): Chapter 1.

mortgages literally drew "red lines" on maps around minority neighborhoods where such credit was not to be made available. Discrimination in the job market and poor educational facilities in minority neighborhoods served to keep minority incomes low, further limiting their housing choices. In the 1970s and 1980s, public housing policies resulted in poor working families being replaced by concentrated numbers of very poor households, with little in the way of economic prospects. By the 1960s, urban unrest was helping to "push" remaining white and middle-class residents out of central city neighborhoods into suburban refuges, a process that accelerated in subsequent decades. Meanwhile, as discussed earlier in this report, many local suburban jurisdictions, reflecting the desires of their inhabitants, resisted the construction of affordable housing within their borders.

In the last decades of the 20th century, the net loss of population out of central cities accelerated, especially in older industrial cities in the Northeast. In other places, even where there was still growth, that rate of growth paled in comparison to the suburbs. As people moved out, jobs followed, and those residents living in the central cities became increasingly cut off from access to employment.

The national trends played out differently in each of the four metropolitan areas, as seen from the data in Figure 8. In the central cities of Minneapolis, St. Paul and New Orleans, population actually has declined over the past 30 years. In the central city of Slidell, located in the New Orleans metropolitan area, population growth has been on par with that of the suburbs. Bellevue and Everett central cities in the Seattle area have experienced substantial population growth, although not as much as suburban areas. In the Portland area, central city Vancouver's population growth exploded at almost 240 percent. Meanwhile, as depicted in Figure 9, job creation in the suburbs has outpaced job creation in the central cities in all four roundtable metropolitan areas, as evident even over the relatively short time period 1993 to 1996.

Several participants in the New Orleans roundtable noted that one of the results of decentralization in their area is that a large number of low-income residents are denied

FIGURE 8
CHANGE IN CENTRAL CITY AND SUBURBAN POPULATION, 1970 – 2000

MSA/PMSA	Percent Change in Population 1970 - 2000		
Minneapolis-St. Paul	Central City Minneapolis	Central City St. Paul	Suburbs
46.5	-11.9	-7.4	79.3
New Orleans	Central City New Orleans	Central City Slidell	Suburbs
16.9	-18.3	57.7	54.8
Portland - Vancouver	Central City Portland	Central City Vancouver	Suburbs
77.9	38.6	238.1	90.5
Seattle - Everett - Bellevue	Central City Seattle	Central Cities Bellevue/Everett	Suburbs
66.7	6.1	78.7/70.3	105.5

Source: State of the Cities Data Set, U.S. Department of Housing & Urban Development, accessed at http:socds.huduser.org.

FIGURE 9
CENTRAL CITY AND SUBURBAN JOBS,1993 – 1996

MSA/PMSA	1996 Total MSA Jobs	1996 Central City Jobs	1993 Share of MSA Total	1996 Share of MSA Total	Percent Change 1993 – 1996	1996 Suburb Jobs	1993 Share of MSA Total	1996 Share of MSA Total	Percent Change 1993 -1996
Minneapolis - St. Paul	1,449,209	457,950	34.78%	31.60%	0.6	991,259	65.22%	68.40%	16.1
New Orleans	513,007	203,664	42.78%	39.70%	-2.4	309,343	57.22%	60.30%	10.9
Portland - Vancouver	780,886	341,247	44.06%	43.70%	15.8	439,639	55.94%	56.30%	17.5
Seattle - Everett - Bellevue	1,072,477	386,092	36.10%	36.00%	6.8	686,385	63.90%	64.00%	7.3

Source: J. Brennan & E. Hill, "Where are the Jobs? Cities, Suburbs and the Competition for Employment," (Washington, DC: Brookings Institution, 1999), derived from Table 2.

access to regional employment opportunities. This is partly because of the location of jobs and partly because of the underdeveloped state of public transportation in the region.

The other consequence of decentralization is the phenomenon we have come to identify as "urban sprawl." Here, the statistics are truly startling. According to one analyst, in four decades, the total population in metropolitan areas has increased 128 percent, but the land area accommodating this population has increased by 181 percent. Density has fallen by almost 100 persons per square mile. At this rate, America's urban areas have been consuming land about 50 percent faster than the growth in population.[25] Put another way, it has been estimated that by the year 2030, the projected increase in 36 million American households, at current land use rates, will result in new development equivalent to 100 cities each the size of Houston.[26]

It is a vicious cycle. As urban analyst David Rusk has written, urban sprawl and racial segregation are mutually reinforcing. The greater the sprawl the more far flung the dispersion of middle-class households. The greater this dispersion, the greater the abandonment of older neighborhoods in central cities and older suburbs. The greater the abandonment, the greater the concentration of poor minorities. The greater this concentration, the greater the increase in crime, violence and neighborhood deterioration. And, the greater these poor social conditions, the greater the incentives for remaining residents who can to join the suburban diaspora.[27]

Seattle Mayor Paul Schell emphasized in the Seattle roundtable, the importance of dealing with affordable workforce housing in the midst of these circumstances. Unless we deal with the housing issue, he said, "we will see other city problems getting worse — transportation gridlock, pollution and sprawl in our wonderful environment, and the financial drain on our schools."

A regional approach that matches policies and programs to the realities of the metropolitan housing market ought to be considered.

In a recent article, two prominent housing analysts suggested that the metropolitan-wide view of housing is lagging behind other areas of public policy. According to Bruce J. Katz and Marge Austin Turner, federal transportation law recently was overhauled to

[25] David Rusk, *Inside Game/Outside Game*, (Washington, DC: The Brookings Institution Press, 1999): p.68.
[26] *The State of the Cities 2000*, (Washington, DC: U.S. Department of Housing and Urban Development, 2000): p. 64.
[27] David Rusk, *Ibid* p.66.

“If we are to share the regional responsibility to assure that housing choices are available close to jobs, we need to address local attitudes about assuring choices for all workers in all communities.”

—PORTLAND ROUNDTABLE

give greater say to metropolitan planning organizations in transportation planning and decision making; likewise when it comes to the environment, where the federal Clean Air Act gives greater responsibility to regional boards. In the workforce arena, Congress recently appropriated funds to support regional consortia that conduct worker training and placement across jurisdictions. Yet, the authors argue, “For the most part, housing policy has been absent from the metropolitan conversation.” They go on to argue that the fragmented system of public housing authorities that administer the public housing and vouchers programs “has remained strikingly local,” limiting the potential of the programs to promote mixed-income communities and to deconcentrate poverty. They suggest these programs be administered regionally rather than locally in urban areas.[28]

It is not just in the public housing debate that the regional approach has surfaced, but also concerning the building and development of private sector housing. As noted earlier in this report, local barriers to affordable housing in the form of zoning and other regulations contribute to the social and economic segregation of American households.

As Glenn Crellin, Director of the Washington Center for Real Estate Research put it in the Seattle roundtable, “It is not a new development that people commute to Seattle from the suburbs of neighboring counties. However, it is often overlooked that commuters do the reverse, too. Housing affordability is a regional issue, not just a city issue, and must be addressed by all jurisdictions. And, the fact that some jurisdictions are not addressing the problems cannot be used as an excuse for another jurisdiction to abrogate its responsibility.” He goes on to state, “The continuum of community means that cities, suburbs and neighboring counties alike must all address their affordable housing needs. If Seattle addresses the situation while neighboring suburban communities take the position that the problem is Seattle’s, little progress will be made.”

One of the roundtable cities also is a pioneer in the notion that planning for housing and development requires a regional approach. Portland is home to the nation’s first elected regional governing body called “METRO Council.” As Sumner Sharpe of Parametrix, Inc. and the roundtable moderator remarked, “Because of the interrelatedness of the economy in the metropolitan region, the responsibility for meeting affordable housing needs should be shared. Just because one jurisdiction does a responsible job, it does not mean that this has an impact on jurisdictional neighbors. And if we are to share the regional responsibility to assure that housing choices are available close to jobs, we need to address local attitudes about assuring choices for all workers in all communities. The METRO Council effort begins that process.”

According to Gerald Uba of the Planning Department of METRO Council, through its Housing Technical Advisory Committee, METRO Council has developed 20-year benchmarks of housing need for all jurisdictions within the region, as well as 5-year affordable housing production goals. However, he noted, new sources of revenue and cost savings are needed to fill the $97 million annual gap between estimated annual resources and production costs.

Sumner Sharpe added that although the METRO Council is a valiant effort and far ahead of most of the rest of the country, more could be achieved. “By and large we have not really made the tough decisions to work together to achieve this shared goal (of affordable housing), he said. This could include regional regulations such as the inclusion of below market rate housing with incentives for developers, or regional funding sources, or programs supporting housing for workers — thus addressing directly the jobs/housing imbalance,” he said.

In the New Orleans roundtable it was noted that a regional approach is not a panacea and that sometimes it works to wallpaper over specific local problems. “The area median

[28]Bruce J. Katz and Margery Austin Turner, “Who Should Run the Housing Voucher Program? A Reform Proposal,” *Housing Policy Debate*, (Washington, DC: Fannie Mae Foundation, 2001), Vol. 12 , No. 2, pp. 239 – 262. This issue of *Housing Policy Debate* also features several articles in rebuttal to their arguments.

income, which is based on the metropolitan area, obscures the deeper poverty of New Orleans," one participant noted. Other roundtable participants agreed that because these numbers impact housing policy, regional assessments are sometimes detrimental to the city proper and do not reflect its particular problems and challenges.

It is, as is much of housing policy, a balancing act. David Bragdon, the presiding officer of METRO Council summed up the situation this way. "Our region has changed dramatically in previous decades, but governmental boundaries have not. The county boundaries created in the 1860s are meaningless today. The housing market functions on a regional basis. We know this in practical terms but government is late in recognizing it. How do you raise it as a philosophical issue? It's a work in progress. It creates a constant tension, which in itself is not a bad thing."

Adopting "smart growth" policies may be the key to providing affordable housing and counteracting the powerful forces of decentralization.

While regional governance may well fall into the category of an "experiment" or an "ideal," a host of practical and positive policies are gaining the funding and political will to actually be implemented. These strategies fall under the rubric of smart growth. Advocates of smart growth believe it is a key to controlling sprawl while providing affordable housing opportunities in mixed communities. A full discussion of smart growth is beyond the scope of this report. However, in brief, it can be summed up by one published definition, which says "smart growth is development that serves the economy, community, and the environment ... in a way that is more sustainable and equitable... It advocates reducing or removing regulatory barriers that inhibit 'good development,' and strives to level the playing field between greenfield development (that on formerly undeveloped land) and infill development (that on land in existing neighborhoods). Smart growth is not anti-growth, anti-car, or anti-suburb; rather, it is about better growth through improved transportation options and the development of better places to live in towns, suburbs and cities."[29]

SMART GROWTH PRINCIPLES

1. Mix land uses.
2. Take advantage of compact building design.
3. Create housing opportunities and choices for a range of household types, family sizes and incomes.
4. Create walkable neighborhoods.
5. Foster distinctive, attractive communities with a strong sense of place.
6. Preserve open space, farmland, natural beauty, historic buildings and critical environmental areas.
7. Reinvest in and strengthen existing communities and achieve more balanced regional development.
8. Provide a variety of transportation choices.
9. Make development decisions predictable, fair and cost-effective.
10. Encourage citizen and stakeholder participation in development decisions.

Source: Danielle Arigoni, *Affordable Housing and Smart Growth: Making the Connection*, (Washington, DC: National Neighborhood Coalition, 2001), p.14.

[29] Danielle Arigoni, *Affordable Housing and Smart Growth: Making the Connection*, (Washington, DC: National Neighborhood Coalition, 2001), p. 14.

Specifically, the smart growth principle for housing is to strive to create housing opportunities and choices for a range of household types, sizes and incomes. In this way, affordable housing development would stem the tide of decentralization. Households would live in mixed communities where there is proximity to high-wage jobs, top quality schools and a safe environment in which to raise children. The result would be a more pluralistic society in which households could make choices based on where they want to live and not who they are.

As participants in the Portland roundtable noted, to achieve the goal of affordable housing, "We need to take steps to heal divisions. First, and foremost, we need the political will of suburban and urban leaders to use all the tools available. Second, to raise revenue and determine how to spend it in the region on an equitable basis."

The Consensus: Promoting Regionalism — What Federal and State Government Policies Can Do

Roundtable participants agreed that it is difficult for the federal government to simply legislate metropolitan-wide housing policies and regional cooperation into existence. Although to a notable extent, cooperation among local actors could be achieved through the provision of incentives by the federal government. Such incentives could include challenge grants, funding formulae that reward states and localities that promote inclusionary zoning, smart growth and innovative design. Consolidated plan improvements, regional housing trust funds and tax benefits, are among other incentives that could be implemented.

As important, if not more so, greater acceptance of responsibility needs to rest among state and local actors. States are, after all, the level of government most directly involved with local jurisdictions. States could use their considerable clout in distributing tax credits and bond funds to reward localities that adopt more inclusive policies. They could encourage, with both technical and financial assistance carrots and sticks, the establishment of regional councils of government. And, states also could set standards whereby localities must revise their zoning requirements to reflect demographic changes and the realities of the housing market.

Conclusion:
A Clearer View through the Windows

If there was one unifying theme among the roundtables, it was the conviction that no one should lack a decent, affordable place to live. In the view of many roundtable participants it is unconscionable that a working family cannot obtain a decent home at an affordable price.

As was pointed out often in the meetings, solutions for meeting the nation's affordable housing needs will vary from place to place. States and localities have successfully devised many such solutions. However, programs must be designed and implemented at the federal and state levels that provide resources, incentives and guidance that encourage and support that diversity.

The conversations in Minneapolis-St. Paul, New Orleans, Portland and Seattle provide a window on how federal housing policy looks from the ground up. These metropolitan conversations are about being innovative in the face of tight resources and perceived inflexibility of federal regulations governing housing programs. They also are about how efforts to produce affordable housing are sometimes stymied by local regulatory barriers and social and economic segregation. In contrast, the federal conversation tends to focus on incremental funding of current programs, with little discussed in the way of new programs or incentives for providing decent and affordable housing.

This disconnect is unfortunate. Housing, as was noted in several of the roundtables, is the cornerstone of our communities. "Having a home brings families and neighborhoods together," Mayor Paul Schell stated in his remarks in Seattle, "and housing touches many areas of our community, contributing to the economic growth of our cities."

At all four roundtables, a sense of urgency prevailed. Now is the time and the opportunity to be innovative and creative. The views through the windows of metropolitan communities are not permanently etched. The housing landscape can be shaped and changed for all Americans, and for the better.

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