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U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

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HOUSING POLICY IN THE NEW MILLENNIUM

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Hilton Crystal City

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Arlington, Virginia

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October 2-3, 2000

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LUNCHEON SESSION

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Transcribed by: Janet S. Dickens

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P R O C E E D I N G S

2 Tuesday, October 3, 2000  
3 Beginning Time: 12:55 p.m.

4 MS. WACHTER: Good afternoon. It's good  
5 to see the excitement. We have a special treat  
6 ahead of us -- really, twofold. First of all, we  
7 are going to hear very briefly from a dear friend  
8 and colleague. This person is a leader within HUD  
9 and a leader in the nation, as a whole, for social  
10 justice.

11 It's with great pride and pleasure that I  
12 introduce my friend and colleague, Assistant  
13 Secretary for Fair Housing and Equal Opportunity,  
14 Eva Plaza.

15 (Applause.)  
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1 INTRODUCTION OF KEYNOTE BY EVA M. PLAZA

2 MS. PLAZA: Good afternoon. Rather than  
3 to keep you from the main course -- or main speaker,  
4 I just want to introduce myself to you.

5 I don't know many of you, as some of my  
6 other colleagues do, but I'll tell you, we are  
7 beginning to make great moves and great changes in  
8 the fair housing arena, and we rely on you. That's  
9 the only thing I'd like to impress upon you, as  
10 researchers -- that we rely on your good work to  
11 help pull all of the parts of housing together and  
12 to make housing both accessible and -- accessible  
13 from a financial point of view and accessible from a  
14 physical point of view.

15 Now, just a few thoughts as you go about  
16 your research and your work after you leave this  
17 conference and -- keep in mind that we are now a  
18 society that's changing rapidly. It's changing --  
19 the demographics are definitely changing, in terms  
20 of the number of immigrants and the number of  
21 minorities in our society. What I would like to  
22 have all of you keep in mind as you go about your  
23 work -- as the assistant secretary for Fair Housing,  
24 and as I have observed over the last three years how  
25 difficult it is to just, you know, do it all alone

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1 -- it's important that we start uniting -- not just  
2 in word, but in practice -- that you keep in mind  
3 the principles of fair housing, of one America, in  
4 the research projects and the research work you do.

5 You know, we always hear about the success

6 stories of new immigrants to this country because  
7 those are the ones that are celebrated and written  
8 about in the newspaper, but it does take a lot more  
9 than one generation, or even two generations, for  
10 most immigrants in this country to really start  
11 making a dent in their own status in society.

12 And in that regard, it really does take a  
13 lot of effort, maybe two or three jobs, for them to  
14 actually assimilate into our society, but these are  
15 the people who work the hardest in our communities,  
16 and these are the people who are the victims of  
17 something that you will hear about later on today  
18 should you choose to go to the Predatory Lending  
19 workshop, which I would commend to you.

20 As you know, HUD and the Treasury  
21 Department wrote a study after having visited a  
22 number of countries throughout -- a number of cities  
23 throughout the country on predatory lending. And it  
24 is African-Americans, after all -- and immigrant-  
25 Americans -- who are the victims in this whole

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1 predatory-lending matters.

2 So I would urge you, if you have a chance  
3 to walk around the various workshops this afternoon,  
4 to try to make time for this and try to think about  
5 how you incorporate the work -- or the lives of  
6 these immigrants and African-American communities  
7 who are the victims of predatory lending. So walk  
8 around, go to the various different workshops. And  
9 I hope that you do get a chance to enjoy my  
10 colleague, since -- Alan Fishbein, and the experts  
11 who are a part of that predatory lending panel.

12 We've achieved a lot in fair housing; but  
13 again, I want to emphasize that we cannot do it  
14 alone. We really need the researchers. We need the  
15 minds, and the institutions that you have backing  
16 you, to write about the effect that inaccessible  
17 housing has to immigrant communities and African-  
18 Americans.

19 And that's really all I want to say, but I  
20 look forward to talking to some of you. Thank you.  
21 Susan?

22 (Applause.)

23 MS. WACHTER: Thank you, Eva, for your  
24 passion and your leadership.

25 Our luncheon speaker surely doesn't need

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1 introduction to this group, but I'll go through some  
2 of the facts anyway.

3 Anthony Downs, former chairman of the Real  
4 Estate Research Corporation, former faculty member  
5 of the University of Chicago, author of more than  
6 ten volumes and many papers, including, just in the  
7 last two years, "Political Theory and Public Choice"  
8 and "Urban Affairs and Urban Policy," currently  
9 working on "The Cost of Sprawl Revisited," and  
10 currently a senior fellow at The Brookings

11 Institution.

12 More importantly, as a preeminent scholar  
13 of urban affairs, Tony has been providing wise  
14 counsel and insight to policymakers for more than 30  
15 years. His writings on national and local housing  
16 and community development policy remain standard  
17 tools for scholars and guide policymakers and  
18 practitioners throughout the nation. With his  
19 leadership on urban and metropolitan issues, Tony  
20 brings an acute insight on how we got to where we  
21 are today and a vision of options for tomorrow.

22 I am looking forward to having Tony remind  
23 us of the struggles that have taken place in  
24 Washington and inner cities and the lessons that can  
25 be learned from past policy as we search for

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1 solutions for the future. Tony.

2 (Applause.)

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1 KEYNOTE ADDRESS BY ANTHONY DOWNS

2 MR. DOWNS: Thank you, Susan. It's an  
3 honor to have been chosen to speak to such a  
4 distinguished group of experts. In fact, my  
5 daunting assignment is to present an overview of  
6 what our housing policies ought to be for the new  
7 millennium which, as I understand it, is a thousand  
8 years.

9 (Laughter.)

10 MR. DOWNS: That's a rather challenging  
11 assignment. I can't cover all aspects of it, but  
12 only those I feel are most crucial.

13 (Laughter.)

14 MR. DOWNS: I do feel I'm as reasonably  
15 qualified as anybody else here to talk about this

16 subject because of my long experience in this field.

17 In fact, at a recent birthday party my  
18 wife gave me, with the year ending in zero, I was  
19 rather depressed by my long experience, in general.  
20 She said to me, "Tony, don't worry. Ahead of you  
21 lies mystery, romance, adventure, excitement, a lot  
22 of other great reading."

23 (Laughter.)

24 MR. DOWNS: I said to one of my five  
25 children, "Do I really look like I'm 60?" And she

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1 said, "No, but you used to."

2 (Laughter.)

3 MR. DOWNS: Now, I would like to start  
4 with certain background factors that underlie my  
5 subsequent remarks.

6 First, the American housing production and  
7 urban growth processes already provide excellent  
8 shelter opportunities for most households with  
9 middle and upper incomes, except in a few high-cost  
10 areas like Northern California. Our housing markets  
11 work very well for most households with money.

12 Second, however, the most widespread and  
13 serious U.S. housing problem lies in the discrepancy  
14 between the low incomes of many poor households and  
15 minimal cost of decent housing, as judged by middle-  
16 class standards. Household incomes in the United  
17 States go almost down to zero, but the minimum cost  
18 of what we consider to be a decent dwelling unit  
19 level off at some amount -- minimal amount that's  
20 needed to cover basic space, plumbing, kitchen,  
21 utility, and heating needs. So there's a gap  
22 between the ability to pay of the poorest in society  
23 and the minimum amount of shelter costs that they  
24 have to pay to get that minimum amount of shelter.

25 In 1997, 43 percent of all renter

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1 households had incomes below 50 percent of their  
2 area medians; 27 percent had incomes below 30  
3 percent of their area medians, which is about  
4 equivalent to the poverty level; and 15 percent had  
5 incomes below 20 percent of those medians.

6 Now, those people with low incomes, if  
7 they spend 30 percent of their income on housing,  
8 which is the accepted standard, cannot afford to  
9 rent very large housing units. The 30 percent whose  
10 incomes are below \$12,000 a year, if their rent  
11 that's charged is about 90 cents per square foot per  
12 month, which is -- I derived from the fair market  
13 rents of the 15 largest metropolitan areas, these  
14 households could only afford to rent 333 square feet  
15 if they spent 30 percent of their income on housing.

16 Even at 75 cents per square foot per  
17 month, they could only afford 400 square feet, which  
18 is half the size of a typical two-bedroom unit.  
19 Fifteen percent of the households who have the  
20 poorest incomes, below \$8,000, could afford only 222

21 square feet, at 90 cents per square per month, which  
22 is about -- which is the rent of a -- of a --  
23 typical rent of a 800-square-foot two-bedroom unit  
24 that rents for \$720 a month.

25 So this means that the standards we set  
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1 and require for all new construction are so  
2 expensive to build to, that a very large number of  
3 poor households cannot possibly afford to live in  
4 those units, either without spending more than 30  
5 percent of their income for rent or without doubling  
6 up. One way to get 220 square feet is to live three  
7 households per dwelling unit. Now, that's a  
8 possibility of doing it.

9 But this is one of the reasons why there's  
10 such a contrast between the so-called "smart growth"  
11 movement, which requires very high quality standards  
12 for all new housing, and the ability of American  
13 poor households to pay.

14 The 1997 fair-market rent for a household  
15 of four in the 15 largest metropolitan areas was  
16 \$720 per month. If that's equivalent to 30 percent  
17 of income, then the minimum income needed to avoid  
18 housing poverty was \$28,800 as compared to the  
19 minimum income -- the poverty level for a food-based  
20 measure is only \$16,400.

21 So if we base poverty on -- if you had to  
22 spend 30 percent of your income on housing, how much  
23 would it cost you to get the minimum decent unit,  
24 that would be -- your -- the poverty level would be  
25 \$28,800, which is a lot higher than the food-based

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1 poverty level of \$16,400. In 1997, over half of all  
2 renter households had incomes below \$28,800, so they  
3 were "housing poor."

4 Now, this means that our low incomes  
5 themselves comprise, by far, the largest housing  
6 problem in the country. The best way to attack that  
7 problem, as I've argued for many, many years, is not  
8 necessarily by changing the way we build housing,  
9 but it's by raising the incomes of the poor, which,  
10 of course, lies outside of the jurisdiction of HUD,  
11 except that housing vouchers, in essence, are  
12 raising the income of the poor.

13 A third critical factor in the background  
14 is that the population of the United States will  
15 rise by 48 million people in the next 20 years --  
16 from 2000 to 2020 -- and housing should be created  
17 that those people can afford to occupy. But over  
18 one third of these added people will be immigrants  
19 from abroad, as a previous speaker just mentioned,  
20 or their children. Many will be very poor, so  
21 they'll be unable to afford new units built to our  
22 high-quality standards without subsidies.

23 Yet poor immigrants are not deterred from  
24 entering our cities by high housing prices that  
25 force them to double up or triple up, because

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1 overcrowded housing in American cities is vastly  
2 superior to what they experience in their home  
3 countries.

4           Now, overcrowding can occur in any group,  
5 which reminds me of something that happened in  
6 Minneapolis recently when there were four expectant  
7 fathers sitting around the waiting room in the ward  
8 where the children are born, and the first one --  
9 they were all pacing up and down nervously, and the  
10 nurse came in and said to the first one, "Your wife  
11 has just given birth to twins." He said, "That's  
12 fantastic! What a coincidence -- I work for the  
13 Minnesota Twins."

14           A few minutes later, the second one came  
15 in and says, "Your wife has just given birth to  
16 triplets." He said, "Well, that's a little  
17 depressing, but I'm -- it is a coincidence, 'cause I  
18 work for the 3-M company."

19           A moment later, the third nurse came in  
20 and said to the third man, "Your wife has -- amazing  
21 -- has just given birth to quadruplets." And he  
22 said, "What a fantastic coincidence. I work for  
23 Four Seasons Hotel."

24           The fourth man fainted dead away upon  
25 hearing this.

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1           (Laughter.)

2           MR. DOWNS: When they aroused him, he  
3 said, "I never should have taken that job with 7-  
4 11."

5           (Laughter.)

6           MR. DOWNS: Now, recent economic  
7 prosperity combined with some negative conditions  
8 produced by growth in high-growth areas have  
9 intensified anti-growth feelings in many  
10 communities, especially new suburbs. Although  
11 individual localities can slow growth within their  
12 own borders, there is no way, in my opinion, for  
13 individual regions, or the nation as a whole, to  
14 stop or greatly slow down our future growth. Yet  
15 concern with how to cope with this growth is rising  
16 all over the country and will greatly affect the  
17 environments in which future housing must be  
18 created.

19           As a result, effective housing policy must  
20 be concerned, in my opinion, with the entire growth  
21 process, not just the building of new housing as  
22 though it were a separate from the growth process.  
23 Housing processes must be integrated with growth  
24 policies. We have to look at the big picture. It  
25 may be I think that way because I'm an economist,

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1 and economists typically look at the big picture,  
2 and sometimes they do so at the sacrifice of being  
3 sympathetic to people who are suffering.

4           Which reminds me of a story about a

5 homeless person in Washington who approached three  
6 people on the street. And the first one was a  
7 member of Congress, and he said, "I haven't eaten in  
8 three days." The member of Congress said, "It'll be  
9 better after the next election," and passed on  
10 without giving him any money.

11 Then he approached the preacher and said,  
12 "I haven't eaten in three days." And the preacher  
13 said, "The Lord will provide," and passed on without  
14 giving him any money.

15 Then he approached an economist. In fact,  
16 it was Alan Greenspan, the chairman of the Federal  
17 Reserve Board.

18 (Laughter.)

19 MR. DOWNS: He said to Alan, "I haven't  
20 eaten in three days." And Alan said, "That's very  
21 interesting. How does it compare with the same  
22 period last year?"

23 (Laughter.)

24 MR. DOWNS: Now, the fourth crucial factor  
25 in background of housing policy is that -- one that

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1 most of us don't like to talk about. It is that  
2 most middle- and upper-income households of all  
3 ethnic groups in America do not want to live in  
4 neighborhoods containing any sizable number or  
5 percentage of poor people. This is especially true  
6 of households with school-aged children.

7 Therefore, non-poor households, who are a  
8 majority in the country, withdraw from areas where  
9 many poor people live and erect barriers to the  
10 subsequent entry of those poor people into their own  
11 neighborhoods. And this behavior is the foundation  
12 for the socioeconomic hierarchy of neighborhoods  
13 found in every U.S. metropolitan area. And it's  
14 described in my book, "Neighborhoods and Urban  
15 Development." I'm going to mention several books  
16 along the way, because I'm trying to stimulate the  
17 sales of those books, which are pretty low.

18 (Laughter.)

19 MR. DOWNS: Now, such behavior is similar  
20 to the unwillingness of most whites to live in areas  
21 where more than 25 to 33 percent of the residents  
22 are African-Americans, no matter what their income  
23 levels. This behavior by the white majority,  
24 although it's not going to be a majority long, as  
25 you just pointed out, underlies continuing racial

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1 segregation. Similar, but less intensive feelings  
2 are held by whites about other minorities, too.

3 Now, these two groups exclude the poor,  
4 not through purely market forces, but through local  
5 zoning and other regulations that prevent  
6 construction of affordable units. This behavior is  
7 rooted in the strong desire of home-owning  
8 households to protect and increase their housing  
9 values, since housing is their greatest asset.



10           Therefore, suburban governments, which are  
11 almost always dominated by home-owning voters, tend  
12 to adopt parochial policies that aim at benefitting  
13 their own residents without regard to the impacts  
14 upon anyone else.

15           And the attitude of most suburban  
16 residents and local government officials towards  
17 their moral obligation to do something about the  
18 poor, most of them are still living in central  
19 cities, reminds me of a story about a priest who  
20 discovered that there was a leak in the roof of his  
21 church, right over the altar. And every time it  
22 rained, the water poured down on the altar, and he  
23 couldn't say Mass.

24           So he called together his wealthiest  
25 parishioners, and he sat them around the table, and

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1 he said, "Ladies and gentlemen, you have a moral  
2 obligation to help me fix this roof." And he went  
3 around the table saying that to each of them, but  
4 none of them would give him any money.

5           He finally came to the wealthiest one of  
6 all, Patty O'Toole, and said, "Patty, you have a  
7 moral obligation to help me do this. You were  
8 baptized in this church, you had your first  
9 communion here, you were married in this church,  
10 you've gone to Mass here every year for 70 years,  
11 you have a moral obligation to help me do this."

12           Patty looked at him and said, "What do you  
13 know about moral obligations, Father? I'll tell you  
14 about them. I have a daughter with seven children,  
15 her husband just left her, she hasn't got a penny.  
16 I have a moral obligation to support that family.  
17 My son just graduated from medical school, spent all  
18 his money on tuition. Now he wants to develop a  
19 cure for AIDS. I have a moral obligation to support  
20 that benefit to humanity. My mother's 90 years old  
21 and has to go into a nursing home. It costs \$150 a  
22 day. I have a moral obligation to pay for that.  
23 Those are real moral obligations. And, by God, if I  
24 can say no to them, I can sure say no to you."

25           (Laughter.)

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1           MR. DOWNS: Now, that is the attitude of  
2 the typical suburbanite towards city problems, and  
3 that is one of the factors which -- when Secretary  
4 Cuomo was talking about "this is the moment for the  
5 political acceptability of an active program," he  
6 didn't mention how to overcome that attitude, which  
7 is one of the great difficulties of doing so.

8           Exclusionary zoning is reinforced by the  
9 desire of local officials and citizens also to  
10 minimize taxes by blocking land uses that generate  
11 more local expenses than they produce in revenues.  
12 And that means housing, especially housing for  
13 people with children. So truly affordable housing  
14 is regarded as a fiscal anathema by most suburban

15 governments. And they all try and shunt it off to  
16 some other place.

17           Yet our economy cannot run without many  
18 low-wage workers who service all of these  
19 communities and provide a lot of the services that  
20 their residents really want to have. But they can't  
21 afford decent units in these communities.

22           These exclusionary motives are emphasized  
23 during periods of prosperity when the residents have  
24 the luxury of not worrying about their jobs or  
25 incomes. Then they can worry about elements like

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1 congestion and lifestyle and how fast their  
2 community is growing.

3           Another result of prosperity has been  
4 rising prices and rents that hurt the poor. From  
5 1990 to 1999, median home prices in the largest 21  
6 metropolitan areas rose an average of 34 percent.

7           Now, a central, if unintended, consequence  
8 of this exclusionary behavior is significant  
9 concentration of the poorest households together in  
10 high-poverty neighborhoods in the central cities and  
11 older suburbs, especially poor minority households,  
12 who are doubly excluded -- and you are all familiar  
13 with this conclusion. Yet concentrating many very  
14 poor people together produces adverse neighborhood  
15 environments that reduce the life chances of people  
16 who live there compared to environments with much  
17 more economically diverse populations.

18           I am convinced, and so are most big-city  
19 mayors and many HUD officials, that we cannot  
20 improve the quality of life for the very poor  
21 without reducing big poverty clusters in our cities.

22           Now, I don't mean to imply that all the  
23 problems in life are caused just by poverty. In  
24 fact, a recent study showed that one out of every  
25 three Americans of every income group is suffering

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1 from some type of mental instability. Ladies and  
2 gentlemen, I'd like each of you to look at the two  
3 people sitting next to you.

4           (Laughter.)

5           MR. DOWNS: If they look all right, then  
6 you're the one.

7           (Laughter.)

8           MR. DOWNS: Moreover, the problems caused  
9 by poverty concentrations have been worsened by  
10 federal and other government policies that focus  
11 most housing assistance and incentives on the very  
12 poorest households in the poorest neighborhoods.  
13 This was done in the name of humanely aiding those  
14 who needed it most, but this policy has failed  
15 because it increased the concentration of the  
16 poorest households together, as in high-rise public-  
17 housing projects, thereby creating socially  
18 destructive environments.

19           It is time to realign incentives created

20 by federal policies so they encourage greater income  
21 diversity, even if that means giving public aid to  
22 people who are not the very poorest. For example,  
23 more points for low-income housing tax-credit  
24 projects should be given to those with moderate  
25 percentages of very poor residents rather than to

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1 those with the highest percentages, as is now done.

2 Now, HUD is already trying to realign some  
3 of its incentives to create more income diversity in  
4 quite a few ways, but it should do even more.

5 The preceding points show that the  
6 dominant American housing-development process causes  
7 a progressive abandonment of parts of many large  
8 older cities through growth at the suburban fringe  
9 aggregating urban decline.

10 Now, many observers, particularly  
11 promoters of smart growth, blame urban decline on  
12 suburban sprawl, but I think that conclusion is  
13 false, and it's based on a lot of research I've done  
14 on the relationship between suburban sprawl and  
15 urban decline.

16 Major suburban growth in U.S. metropolitan  
17 areas was and still is inevitable because of the  
18 population increases in our metropolitan areas plus  
19 rising real incomes that generate desires for low-  
20 density living. Sprawl is just one possible form of  
21 suburban growth. We're going to have to have  
22 suburban growth. We've had to have it. We're going  
23 to have more it, but sprawl is just one possible  
24 form of it which is marked by very low densities,  
25 leap-frog development way out into the vacant

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1 countryside, unlimited outward expansion, and heavy  
2 dominance by -- of automotive transportation.

3 In the United States, sprawl has been so  
4 dominant that most people wrongly think that sprawl  
5 is identical to growth. And, therefore, when we  
6 talk about suburban growth, they think sprawl is the  
7 only form that's possible. But that's not true.

8 It reminds me of something W. C. Fields  
9 said when he was explaining the causes of  
10 drunkenness and intoxication. He said, "People get  
11 drunk when they drink Scotch and water; they get  
12 drunk when they drink Bourbon and water; they get  
13 drunk when they drink Rye and water" -- for which he  
14 concluded that drunkenness must be caused by water.

15 (Laughter.)

16 MR. DOWNS: And that's the same conclusion  
17 many American researchers have made -- that urban  
18 decline must be caused by sprawl because it's  
19 related to growth. But I've conducted extensive  
20 regression studies that show almost no connection  
21 between the basic traits of sprawl that I just  
22 mentioned and urban decline, where I measured  
23 decline as either the city population change from  
24 1980 to 1990 or as an index of decline indicators

25 like high crime rates, high poverty rates, et

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1 cetera.

2 Now, I admit I was very surprised by this  
3 conclusion. I thought these two things were closely  
4 related, but further analysis convinced me that it's  
5 not the low-density aspects of suburban growth,  
6 those which comprise sprawl, that lead to urban  
7 decline; rather it is the operation of six other  
8 basic characteristics of our development process,  
9 some of which I've already mentioned.

10 First, we require all new housing to meet  
11 very high quality standards that poor people cannot  
12 afford without subsidy. Second, we don't give them  
13 the subsidies, so, therefore, they can't afford to  
14 live in new-growth areas. Third, we encourage  
15 exclusionary suburban zoning. Fourth, we engage in  
16 widespread racial segregation in almost all housing  
17 markets. Fifth, we maintain major obstacles to the  
18 redevelopment of older core areas. And sixth, we  
19 have social values that encourage households to move  
20 to higher-status neighborhoods when their incomes  
21 rise. These factors, not low density, are the  
22 reasons why our growth process causes poverty  
23 concentrations.

24 Now, this is an important conclusion,  
25 because it implies that continued growth at the

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1 periphery would still lead to concentrated poverty,  
2 even if we shifted from sprawl to much more compact  
3 forms of growth, unless we altered those six basic  
4 characteristics, or some of them. And concentrated  
5 poverty would, therefore, still generate withdrawal  
6 of the middle class to the suburbs, which aggravates  
7 urban decline.

8 In fact, the poor themselves often move  
9 out of the high poverty areas as soon as they get  
10 higher incomes. They're like mountain climbers.  
11 Mountain climbers do not tie each other together  
12 with ropes to keep from falling down the mountain,  
13 but they keep the sensible ones from going home.

14 (Laughter.)

15 MR. DOWNS: That's a subtle joke to see  
16 whether you're still awake, and I don't think you  
17 are.

18 (Laughter.)

19 MR. DOWNS: Now, let's turn to my  
20 conclusions about housing policy from these  
21 background factors.

22 My first conclusion is that, by far, the  
23 most important housing policies are being set by  
24 local governments, not by the federal government.  
25 True, the federal government influences the

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1 financial climate that affects housing affordability  
2 and production, but local governments set the rules  
3 of housing quality and density that really determine

4 the amount of housing built and where different  
5 income groups will live.

6 And those local policies are mainly  
7 determined by the parochial and exclusionary  
8 perspectives of suburban homeowners, as described  
9 earlier. This perpetuates poverty concentrations in  
10 older core areas.

11 Therefore, the most important thing the  
12 federal government can do to improve housing  
13 opportunities for the poor is to exert influence on  
14 local governments to be less parochial in deciding  
15 what types of housing can be built and where it can  
16 be built. This would require HUD and Congress to  
17 create incentives for local and state governments to  
18 modify their current exclusionary behavior towards  
19 housing.

20 And this is all discussed in my book, "New  
21 Visions for Metropolitan American," which was  
22 published by Brookings a couple of years ago and is  
23 available for \$16.99 from the Brookings Institute.  
24 And I urge you to buy it. I don't care whether you  
25 read it, but I'd like you to buy it.

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1 (Laughter.)

2 MR. DOWNS: Now, I admit most Brookings  
3 books are not the most exciting books you've ever  
4 read. They lack the sex and violence you normally  
5 associate with your leisure-time reading.

6 (Laughter.)

7 MR. DOWNS: In fact, most Brookings books  
8 are the type that, once you put them down, you just  
9 can't pick them up again.

10 (Laughter.)

11 MR. DOWNS: But my latest book, "Stuck in  
12 Traffic," is now in its second printing, which means  
13 there are now two copies.

14 (Laughter.)

15 MR. DOWNS: So you can see how popular it  
16 is.

17 Now, an example of what HUD ought to do  
18 has been created by EPA and the Department of  
19 Transportation, the latter and the former of the  
20 metropolitan planning organizations. Both require  
21 each metropolitan area to establish a regional  
22 planning agency that considers area-wide plans  
23 before the federal government will provide any funds  
24 to any governments in the region. HUD could make  
25 its financial aid similarly contingent on regional

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1 planning.

2 Possible goals of HUD's regional planning  
3 requirement would be to require each metropolitan  
4 region to establish fair-share allocations of low-  
5 cost housing among its communities, to allow owners  
6 of single-family homes of a certain size to create  
7 accessory apartments in their homes, even if the  
8 local government doesn't permit it, to require every

9 community to zones some land for multi-family  
10 housing, to expand the use of vouchers to encourage  
11 an even greater moving-to-opportunity program.

12 At the very least, HUD could make planning  
13 grants to local governments within regions where all  
14 such governments agree to develop a voluntary  
15 regional plan -- and I think that is in your budget,  
16 in fact, for \$25 million, as I understand it.

17 Now, it's true that because suburban  
18 homeowners form a majority of voters in the U.S.,  
19 Congress will be reluctant to permit such a policy.  
20 Yet HUD should press to get one, because HUD cannot  
21 reduce inner-city decline without affecting the  
22 growth process as a whole, which means affecting  
23 local suburban growth policies.

24 A second key goal of housing policy should  
25 be to deconcentrate existing high-poverty enclaves

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1 in two ways. One is by using vouchers to give  
2 households voluntary opportunities to move to  
3 middle-income neighborhoods, as in the Chicago  
4 Gatreau program and your own moving-to-opportunities  
5 program. The other is to encourage greater income  
6 diversity in poor neighborhoods, including in public  
7 housing. These are already present goals of HUD  
8 policy that should be promoted more strongly.

9 And these are not new ideas. In fact,  
10 I've included them as the basis of my book, "Opening  
11 Up the Suburbs," which was published in 1973 and has  
12 attained the world record for the lowest royalties  
13 ever earned by any book.

14 (Laughter.)

15 MR. DOWNS: One year, I got \$8.42. And  
16 several years I had negative royalties because there  
17 were more returns than sales.

18 (Laughter.)

19 MR. DOWNS: Now, this approach of  
20 deconcentrating the enclaves of the poor contradicts  
21 the desire of middle- and upper-income households to  
22 isolate themselves from the poor. Since the non-  
23 poor are much more numerous and more powerful  
24 politically than the poor, society has resisted  
25 nearly all attempts to deconcentrate the poor by

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1 integrating them into more affluent communities.

2 How you like this, of course, depends on  
3 who you are. If you're some of these exclusionary  
4 suburban residents, you'll like it. If you're  
5 excluded from the opportunities provided in those  
6 communities, you don't like it.

7 Like the airline pilot who called up the  
8 tower and said, "What time is it?" The tower  
9 operator said, "Well, that depends on what airline  
10 you're with. If you're with United, it's 1:15; if  
11 British Airways, it's 13:15; if you're with U.S.  
12 Airways, the big hand is on the three, the little  
13 hand is on the one."

14 (Laughter.)  
15 MR. DOWNS: "If you're with Continental  
16 Airlines, it's Thursday."

17 (Laughter.)  
18 MR. DOWNS: Now, I have long believed in  
19 my heart that we, in the middle- and upper-income  
20 groups, cannot ultimately upgrade our poorer  
21 brothers and sisters at arm's length but must  
22 somehow share our neighborhoods with them and our  
23 schools with them if we want to create truly equal  
24 opportunities in our society.

25 All of the great religions of the world  
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1 have, as one of their primary commandments, "Love  
2 thy neighbor as thyself." I don't think they meant,  
3 by that, "First, screen out all the neighbors that  
4 don't seem lovable to you so the only ones that are  
5 left are those you think are like you and,  
6 therefore, more lovable." But this is a distinctly  
7 minority viewpoint strongly resisted by the vast  
8 majority of non-poor Americans and even by many poor  
9 households.

10 My third key goal is striking a better  
11 balance between aid to homeowners, mainly in the  
12 form of tax benefits, and aid to poor renters by  
13 greatly increasing the latter.

14 In the 1990s, HUD has placed much more  
15 emphasis on promoting home ownership than aiding  
16 low-income renters, even though the latter have more  
17 serious housing problems. Home-ownership rates have  
18 risen notably -- and that is good -- but today,  
19 builders are putting up many houses -- at least in  
20 the vicinity of where I live -- costing two to three  
21 million dollars. And I think it's ludicrously  
22 unjust to give the owners and the purchasers of  
23 those houses tax benefits of as much as \$58,000 a  
24 year without providing any assistance to most  
25 eligible low-income renters. We don't need to

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1 encourage more mansions.  
2 Now, it's true that it takes time to build  
3 up capital, and that's why HUD has encouraged home  
4 ownership, which reminds me of something that  
5 happened to me when I was small boy. I played a  
6 game a lot called "Spin the Bottle." How many of  
7 you have ever played "Spin the Bottle?" You're too  
8 young. You don't remember this game; you're all too  
9 young.

10 Anyway, it's a game in which a girl spins  
11 a Coke bottle, and if it points at a boy, she either  
12 has to kiss him or pay him a nickel. And I played  
13 this game a whole lot when I was a kid, with the  
14 unexpected result that, by the age of 14, I owned my  
15 own home.

16 (Laughter.)  
17 MR. DOWNS: Now, one thing that HUD could  
18 do regarding the balance of aid to homeowners and

19 renters is change the interest and property-tax  
20 deductions to tax credits, which would be much  
21 fairer without eliminating tax benefits altogether  
22 by any means to home ownership. This would either  
23 shift more benefits to less affluent homeowners or  
24 save money, depending on how the tax credit rate is  
25 set. The money that's saved could be allocated to

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1 greater assistance to low-income renters.

2 And I think Fred Eggers showed me a  
3 statistic this morning that only 22 percent of the  
4 households actually receive -- actually deduct these  
5 things from their income, because so many of them  
6 use the standard deductions. So we wouldn't  
7 necessarily be offending a majority of households if  
8 we shifted from a tax deduction to a tax credit.

9 More federal money should be spent on  
10 aiding low-income renters, mainly as vouchers and as  
11 aid to the rehabilitation of older housing units.  
12 HUD should also consider setting higher fair-market  
13 rents in suburban markets with high housing prices  
14 to enable Section 8 households to live there. And I  
15 think you have just done that, too. You've just  
16 raised your fair market rents. The present single-  
17 rent policy in all parts of the metropolitan area  
18 further encourages concentration of the poor.

19 Now, because it is politically impossible  
20 to focus all federal aids on deconcentrating  
21 existing poverty enclaves, we should also invest  
22 notable resources in improving conditions within  
23 those enclaves. We will be unable to deconcentrate  
24 even a majority of existing high-poverty areas  
25 within any short time, so we can't ignore the people

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1 who are still in these poor neighborhoods; however  
2 -- and here I'm going to say something which will  
3 offend most of you -- we should recognize that  
4 efforts to upgrade such areas are not likely to work  
5 unless many non-poor residents can be attracted to  
6 live there.

7 Billions and billions of dollars have been  
8 spent to encourage community-development  
9 corporations and empowerment zones to upgrade their  
10 entire neighborhoods. Although they have created  
11 many improvements in those neighborhoods, few of  
12 them have succeeded in upgrading the entire  
13 neighborhoods. It is time to stop wasting such aid  
14 by focusing more of it on encouraging diversity.

15 We've been giving people what they want,  
16 even though -- whether it works or not, which, of  
17 course, reminds me of a story --

18 (Laughter.)

19 MR. DOWNS: -- about a farmer who had a  
20 bunch of cows he wanted to get impregnated. He  
21 didn't have any bull that could do the job, but he  
22 found out that down the street from him lived a  
23 farmer who had such a bull, so he loaded up his cows



24 in the truck. He took them down there and had them  
25 serviced by the bull. And before he went home that  
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1 night, he says to the other farmer, "How will I know  
2 whether this has worked, whether they're pregnant?"  
3 The other farmer said, "Well, you look out the  
4 window in the morning. If the cows are grazing  
5 contentedly in the pasture, they're pregnant. If  
6 they're standing nervously in the corral, they're  
7 not."

8 So the next morning, he looked out the  
9 window, and there were no cows grazing contentedly  
10 in the pasture. They were all standing nervously in  
11 the corral. So he loaded up the truck, took them  
12 down, had them serviced again, came back the next  
13 morning and looked out the window -- again, no cows  
14 grazing contentedly in the pasture.

15 So he took them all down and had them  
16 serviced again. Then came home that night, and he  
17 said to his wife, "I can't stand the thought of  
18 looking out the window again. You look out the  
19 window tomorrow and tell me what's happening."

20 The next morning, they woke up. She  
21 looked out the window, and he said, "Are they  
22 grazing contentedly in the pasture?" She said,  
23 "No." He said, "Are they standing nervously in the  
24 corral?" She said, "No." He said, "Where are  
25 they?" She said, "They're all standing in the

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1 truck, and one of them's blowing on the horn."

2 (Laughter.)

3 MR. DOWNS: But following the advice of  
4 trying to encourage more diversity means devoting  
5 public funds to providing incentives to persons  
6 other than the very poorest. This is a politically  
7 controversial but, I think, necessary strategy that,  
8 in fact, most city mayors are now promoting because  
9 they realize how important it is.

10 Now, another goal of federal housing  
11 policy -- looking at the millennium, which is a long  
12 time -- should be closer integration of land-use  
13 planning, transportation planning, and environmental  
14 planning since each type of planning is heavily  
15 influenced by the others in the process of mutual  
16 causation. In theory, the Departments of Housing  
17 and Urban Development and the Department of  
18 Transportation should be merged into one federal  
19 agency. It could be called either THUD --

20 (Laughter.)

21 MR. DOWNS: -- because of it's heavy  
22 influence; or maybe HUDAT, just for fun.

23 (Laughter.)

24 MR. DOWNS: That department should then  
25 require each metropolitan area to develop some type

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1 of coordinated affordable housing and ground  
2 transportation planning as a single document as a

3 prerequisite to receiving federal funding, because  
4 in the United States, transportation planning is  
5 generally not done with full recognition of its  
6 impact upon land use, and vice versa.

7 Last week I was in Seattle, and I was  
8 speaking on the future of ground transportation to a  
9 futurist conference sponsored by the Department of  
10 Transportation. This is my big futurist period.  
11 And the Department of Transportation -- for many  
12 years, I've been urging them to consider integrating  
13 the impacts of their public transit planning, their  
14 highway planning, their airport planning, not just  
15 as means of moving people from A to B, but as  
16 forming the skeleton of future urban development.  
17 And they have consistently ignored that and not done  
18 it.

19 So the only way to get it done is maybe to  
20 merge the two departments. However, it would not be  
21 possible to combine these departments without major  
22 changes in the committee structures of Congress.  
23 Congress is far more resistant to reform than any  
24 other institution in America, even HUD. And trying  
25 to closely integrate the actions of separate federal

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1 agencies is usually a vain exercise.

2 As a starter, HUD should clean up its own  
3 act a bit. For example, HUD's economic development  
4 initiative recently financed a new hotel in  
5 Huntington Beach, California, without inquiring  
6 whether the low-wage workers to be hired by that  
7 hotel could afford to live there or would have to  
8 drive many miles back and forth to work, thereby  
9 adding to traffic congestion and pollution.

10 No such grant should be approved without  
11 examining their impacts upon local housing and  
12 transportation requirements. We need more  
13 bureaucratic discipline within your agency and  
14 within most federal agencies, 'cause discipline is  
15 important in all aspects of life.

16 Like the farmer and his wife who had two  
17 teenage sons -- different farmer --

18 (Laughter.)

19 MR. DOWNS: -- and they were increasingly  
20 using profanity. And the wife said to her husband,  
21 "These boys are getting out of hand. We've got to  
22 do something about it." He said, "Alright, tomorrow  
23 morning, I'll start disciplining them."

24 Next morning, he and his wife were sitting  
25 at the breakfast table, and the two sons came in

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1 with a clatter, and the oldest one sat down and  
2 said, "Where are the goddamn Cornflakes?" And the  
3 farmer, who's a huge man -- he grabbed -- stood up,  
4 grabbed his son by the throat, gave him a right  
5 cross, knocked him up against the floor -- against  
6 the wall, went over and stomped on him, picked him  
7 up, threw him down in his chair, turned to his other

8 son, and said, "Now, what do you want?"

9 His other son looked at him and said, "I  
10 don't know, but you can bet your ass it isn't  
11 Cornflakes."

12 (Laughter.)

13 MR. DOWNS: Now, the last policy I'm going  
14 to recommend is that the federal government should  
15 continue to promote economy policies that keep  
16 interest rates low and labor markets tight. Low  
17 rates make it easier to build more housing, and  
18 tight labor markets raise the incomes of many low-  
19 income workers. The long run of nine years of  
20 prosperity has done more for the economies of our  
21 cities than all other federal policies of any kind  
22 whatsoever.

23 Now, as we consider these policy  
24 recommendations, one enormous obstacle to achieving  
25 them emerges. It is the fact that present

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1 institutional arrangements in housing markets and  
2 growth processes favor the middle- and upper-income  
3 majority at the expense of the low-income minority,  
4 especially low-income ethnic minorities. For  
5 example, as I have pointed out, concentration of  
6 poverty in older core areas permits more affluent  
7 households to live in neighborhoods mostly free from  
8 the problems associated with poverty. And that's  
9 just what they want. And they get it.

10 It's hard to get them to change without  
11 some kind of a crisis or hitting them over the head,  
12 like the master of ceremonies at a banquet, and the  
13 speaker was going on longer and longer. And he  
14 looked -- he kept passing him notes, saying, "Stop.  
15 You're going on too long. The audience is getting  
16 restless."

17 The speaker wouldn't pay any attention to  
18 him. He was a professor --

19 (Laughter.)

20 MR. DOWNS: -- and he kept on going. So  
21 the master of ceremonies looked, and at the table in  
22 front of him was a water bottle with a top on it,  
23 and he said to himself, "If I screw the top on this  
24 water bottle, and I pretend to go up to give him a  
25 drink, I'll pretend to slip, I'll swing the water

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1 bottle, I'll hit him over the head, knock him cold,  
2 and we'll drag him off the platform." He got so  
3 desperate he decided to do this.

4 So he screwed the top from the water  
5 bottle, he started up, he started to swing, but he  
6 did slip. Instead of hitting the speaker, he hit an  
7 old man sitting right next to the speaker. The old  
8 man's head slumped down on the dais. The master of  
9 ceremonies said to himself, "My goodness, maybe I've  
10 killed this poor old man."

11 Just then, the old man looked up and said,  
12 "Hit me again, I can still hear him."

13 (Laughter.)  
14 MR. DOWNS: Fortunately, Susan, there's no  
15 water bottle on your table.

16 (Laughter.)  
17 MR. DOWNS: Now, the problem is, in short,  
18 that democracy is working, because the majority has  
19 created and sustained arrangements which benefit it  
20 and which its members, therefore, do not want to  
21 change. For decades, it has proven extremely  
22 difficult to persuade that majority to alter those  
23 institutional arrangements which benefit it by  
24 imposing high costs upon the poor. Appealing to  
25 their sympathy for the poor has had only modest

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1 results.

2 We don't have concentration of poverty  
3 through some accident. We don't have a  
4 concentration of poverty through market forces. We  
5 have it because it's a deliberate construct of  
6 people who are excluding the poor from their  
7 communities through exclusionary zoning.

8 But now the suburban majority itself is  
9 beginning to complain about some of the costs of the  
10 growth process that it's generated, particularly  
11 traffic congestion. The challenge of those of us  
12 trying to implement the policies I have described is  
13 to use these feelings of dissatisfaction to achieve  
14 institutional changes such as at least some regional  
15 planning mechanisms that might help remove some of  
16 the unfairness and ineffectiveness of our present  
17 housing and development processes and their unjust  
18 results for the poor.

19 Such appeals to the self-interest of the  
20 majority should include pointing out two  
21 consequences of their failure to upgrade the skills  
22 and incomes of people now living in concentrated  
23 poverty areas or to permit more of them to move to  
24 the suburbs.

25 First, if we fail to do that, we'll weaken

0043  
1 the ability of these people to buy the suburban  
2 homes of the current white baby boomers when they or  
3 their children want to sell those homes.

4 The potential market for housing will then  
5 consist heavily of minority households now living in  
6 cities. But if those possible buyers cannot  
7 maintain future home values because they don't have  
8 enough incomes or skill, the present residents will  
9 not be able to sell their units at the prices they  
10 like.

11 Second, if low-wage workers essential to  
12 both business and residential areas have to live far  
13 from where the jobs are located because there's no  
14 affordable housing nearby, then both traffic  
15 congestion and air pollution will rise reducing the  
16 quality of life for the affluent households who can  
17 afford to live there.

18                   And traffic congestion is often very  
19 confusing. Just the other day, Irving Jones was  
20 driving down the expressway when the phone in his  
21 car rang. And he picked up his cell phone. His  
22 wife said, "Irving, be very careful. I just heard  
23 on the radio that some idiot is driving the wrong  
24 way down the expressway." And Irving said, "It's  
25 not just one. There are hundreds of them."

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1                   (Laughter.)

2                   MR. DOWNS: In conclusion, I hope we'll  
3 recognize that the future housing policies and  
4 future metropolitan growth policies of our country  
5 are inextricably intertwined and cannot be treated  
6 separated. If so, we can perhaps use the growing  
7 awareness among even middle- and upper-income  
8 households that our growth policies must be changed  
9 to achieve major improvements in our housing  
10 policies in the new millennium. Thank you.

11                   (Applause.)

12                   MS. WACHTER: And we say, "Amen," to the  
13 last one.

14                   Now, about that income tax deduction, I  
15 think we have to -- actually that's the Department  
16 of Treasury's conference across the way. We'll have  
17 to take up the mortgage deduction later. We have  
18 some ability to answer a few questions from the  
19 audience.

20                   MR. DOWNS: No, I have the ability to  
21 answer the questions.

22                   (Laughter.)

23                   MS. WACHTER: Yeah, I don't.

24                   MR. DOWNS: They have to have the ability  
25 to ask them, however. Anybody want to ask me a

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1 question? Anybody dare to ask me a question?

2                   (Laughter.)

3                   MS. WACHTER: No questions?

4                   MR. DOWNS: Well, let's begin with the  
5 second question, because the first question is very  
6 difficult, so --

7                   (Laughter.)

8                   MR. DOWNS: No questions.

9                   MS. WACHTER: Thank you very much.

10                   (Applause.)

11                   MS. WACHTER: I think we have all the  
12 answers already.

13                   We have -- in the next sessions, we're  
14 going to hear about the new voucher initiatives, how  
15 we're making vouchers more affordable, about -- with  
16 some very recent changes -- and new production  
17 initiatives which are on -- underway as we speak  
18 today, so you'll have the most recent information --  
19 and also predatory lending. As the cities come  
20 back, what are we doing to help protect the most  
21 vulnerable? And finally, after that, we have a  
22 plenary session on building a million homes --

23 market rate homes -- to help accomplish some of what  
24 Tony's been talking about.

25 So we look forward to seeing you back here

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1 at that. Enjoy the next sessions. Thank you.

2 (Whereupon, the proceedings were adjourned

3 at 1:45 p.m.)

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