

# THE JOHN T. DUNLOP LECTURE

with

## BART HARVEY



### JOINT CENTER FOR HOUSING STUDIES OF HARVARD UNIVERSITY

GRADUATE SCHOOL OF DESIGN & JOHN F. KENNEDY SCHOOL OF GOVERNMENT

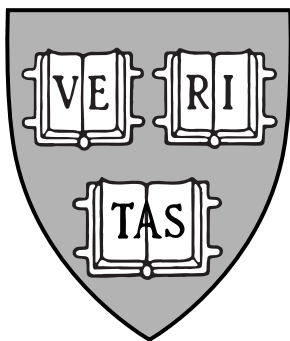
OCTOBER 3, 2006

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THE NATIONAL HOUSING ENDOWMENT

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OF HARVARD UNIVERSITY**

**A DECENT HOME AND SUITABLE LIVING  
ENVIRONMENT FOR ALL AMERICANS:  
RHETORIC OR LEGITIMATE GOAL?**

SPONSORED BY  
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# THE JOHN T. DUNLOP LECTURE WITH BART HARVEY

Delivered on October 3, 2006 at the Harvard Graduate School of Design, Piper Auditorium.

Sponsored by the National Housing Endowment.

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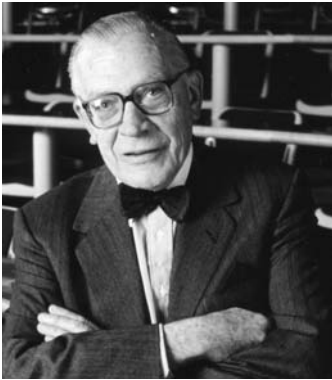
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The Joint Center illuminates the role of housing in shaping communities and outlines the ways in which housing policy and practices are shaped by economic and demographic trends. Through research, education, and public outreach programs, the Joint Center informs debate on critical housing issues and provides leaders in government, business, and the non-profit sector with knowledge and tools for formulating effective policies and strategies.

Established in 1959, the Joint Center for Housing Studies is a collaborative unit affiliated with the Graduate School of Design and the Kennedy School of Government.

# TABLE OF CONTENTS

<b>History of the John T. Dunlop Lecture . . . . .</b>	<b>1</b>
<b>Biography of Bart Harvey . . . . .</b>	<b>5</b>
<b>A Decent Home and Suitable Living Environment for All Americans: Rhetoric or Legitimate Goal? . . . . .</b>	<b>9</b>



## **HISTORY OF THE JOHN T. DUNLOP LECTURE AT HARVARD UNIVERSITY**

The John T. Dunlop Lecture commemorates the life and work of the late John T. Dunlop, Lamont University Professor *Emeritus* of Harvard University from 1985 to 2003 and United States Secretary of Labor during the Ford administration. In a lifetime career dedicated to improving labor-management relations, Professor Dunlop's skillful arbitration and negotiation led to celebrated dispute resolutions in academia, industry, and government.

Professor Dunlop was also a widely respected leader in the nation's housing and construction related industries. In 1970, he played a key role in establishing the Policy Advisory Board of Harvard's Joint Center for Housing Studies. Under his guidance, this board of housing industry leaders, through the Joint Center, significantly helped to shape U.S. housing policy and to advocate for measures to insure quality homes for all Americans. Joint Center director Nicolas P. Retsinas remarked: "John Dunlop was a master bridge-builder. He consistently connected the academy with industry. His

insights and his integrity served him well in both worlds. The Joint Center for Housing Studies...is a lasting legacy to his perseverance and to his dedication to informed public policy."

Professor Dunlop was chairman of the Construction Industry Stabilization Committee from 1971-1974, and was instrumental in establishing the National Institute for Building Sciences. He served on the board of the National Housing Endowment and in 1986 was inducted into the National Housing Hall of Fame by the National Association of Home Builders.

In 1999, the Joint Center for Housing Studies partnered with the National Housing Endowment and the Harvard Design School to create a named lecture that would serve as a lasting tribute to Professor Dunlop and his many contributions to the national housing community. The John T. Dunlop Lecture was established to bring a housing leader to the university each year to highlight the importance of housing as a policy and research area.

The eighth speaker in this honored tradition is Bart Harvey, Chairman of the Board, President and CEO of Enterprise Community Partners. Previous lectures have been delivered by the following distinguished housing and community leaders:

**JACK F. KEMP** (September 28, 2005)  
*An American Renaissance for the Gulf Coast*

**KIM B. CLARK** (October 25, 2004)  
*The University and the World of Business:  
Creating Deep Knowledge with Power and Practice*

**HENRY G. CISNEROS** (September 29, 2003)  
*Homes for Americans in the 21st Century:  
Challenges and Opportunities for the Nation*

**ANGELO R. MOZILO** (February 4, 2003)  
*The American Dream of Homeownership:  
From Cliché to Mission*

**HERBERT V. KOHLER, JR** (October 29, 2001)  
*Designing Form and Function in the American Home*

**BARBARA T. ALEXANDER** (October 12, 2000)  
*The U.S. Homebuilding Industry:  
A Half-Century of Building the American Dream*

**KENT W. COLTON** (May 4, 1999)  
*Housing at the Millennium*

The lecture honors Professor Dunlop's accomplishments as both a scholar and administrator. He began his Harvard career in 1938, becoming associate professor of economics in 1945 and full professor in 1950. He chaired the Economics Department from 1961 to 1966, and while serving as dean of the Faculty of Arts and Sciences from 1969 to 1973, led the faculty-student University Committee on Governance. He was appointed Lamont University Professor in 1971.

During his tenure at Harvard, Professor Dunlop was instrumental in founding many academic programs, including the Trade Union Program (now the Labor and Work Life Program), the Ph.D. Program in Business and Economics, and the Program in Business and Government. At a 2003 memorial service, Harvard President Lawrence H. Summers commented: "John Dunlop was a towering figure in Harvard's history. As a scholar, dean, secretary of labor, and an adviser to countless institutions, John Dunlop was a major contributor to the life of our nation and to our university."

Professor Dunlop's leadership extended into his government service. In addition to serving as secretary of labor from March 1975 to January 1976, he served as an adviser to many United States presidents beginning with Franklin D. Roosevelt. His many government posts included director of the Cost of Living Council (1973-74), chair of the Commission of the Future of Worker/Management Relations (1993-95), chair of the Massachusetts Joint Labor-Management Committee for Municipal Police and Firefighters (1977-2003), and chair of the Commission on Migratory Farm Labor (1984-2003).

In addition, Professor Dunlop's numerous books and articles advanced the understanding of labor relations. His contributions included: *Wage Determination Under Trade Unions* (1944); *Collective Bargaining: Principles and Cases* (1949); *Industrial Relations Systems* (1958); *Labor in the Twentieth Century* (ed., 1978); *Dispute Resolution, Negotiation and Consensus Building* (1984); and *A Stitch in Time: Lessons from the Apparel and Textile Industries* (with Abernathy, Hammond, and Weil, 1999).

Professor Dunlop's impact was vast and profound. Former Harvard president Derek Bok said of his colleague: "John Dunlop led a remarkable life. As a teacher, he helped develop generations of labor economists. As a scholar, he was a leading figure in furthering our understanding of labor markets and institutions. As a practitioner, he played an indispensable role in finding common ground between labor unions, employers, and government."





## **BIOGRAPHY OF BART HARVEY**

F. Barton (Bart) Harvey is Chairman of the Board of Trustees and President and Chief Executive Officer of Enterprise Community Partners as well as Chairman of the Board of Enterprise Community Investment. He took over leadership in 1993 from co-founder James W. Rouse after close to 10 years of working together to further the organization's mission of providing decent, affordable housing and a path out of poverty for low-income families.

During Harvey's tenure, Enterprise has grown into a leading provider of development capital and expertise to create decent, affordable homes and rebuild communities. Enterprise has raised and invested \$7 billion in equity, grants and loans and is currently investing in communities at a rate of \$1 billion a year.

Before joining Rouse at Enterprise in 1984, Harvey served in various domestic and international positions for the

investment bank Dean Witter Reynolds, leaving as managing director of corporate finance. Rouse and Harvey are credited with working with Congress to help create the Low-Income Housing Tax Credit, which, after 20 years of bi-partisan support, provides the financing for the vast majority of affordable rental homes in this country. Enterprise continues to shape ways to ensure better outcomes for low-income families such as by bringing leaders from the environmental and community development fields together to create the Green Communities™ Initiative in 2004. This \$555 million initiative is well ahead of its five-year goal of building more than 8,500 affordable homes that promote health, conserve energy and natural resources, and promote easy access to jobs, schools and services.

In addition to his leadership at Enterprise, Harvey assisted Rouse with the work of the National Housing Task Force and was appointed to the Mitchell-Danforth Task Force on the Low-Income Housing Tax Credit, both in 1988. He was appointed by Congress to the Millennial Housing Commission in 2002 and has served on a number of housing related boards including The Federal Home Loan Bank of Atlanta. Harvey is also a member of the Freddie Mac Affordable Housing Advisory Council. His civic activities have included board service on the Keswick Multi-Care Center Foundation, the Baltimore Educational Trust, Bright Horizons Family Solutions, Center Stage, Shepherd's Clinic and the Harvard Alumni Association.

Harvey has testified before Congress on a number of community development issues and has had articles published in many journals and periodicals. He received his MBA and bachelor's degrees from Harvard University in 1974 and 1971, respectively.

## A DECENT HOME AND SUITABLE LIVING ENVIRONMENT FOR ALL AMERICANS: RHETORIC OR LEGITIMATE GOAL?

### INTRODUCTION

It is a special honor to deliver the eighth John T. Dunlop Lecture. Professor Dunlop taught during the tumultuous years I attended Harvard. The nation remembers him as a distinguished academic and public servant. As former students, we know he was a wonderful advisor, too.

In my Harvard days, the saying was, if you wanted to be President of the United States, you went to Harvard and turned Left. (I guess the contemporary corollary is you go to Yale and turn Right). In any case, I've gone through life counterclockwise - starting at Harvard as concerned, but conservative and apolitical - along with a close group of friends. *The Harvard Crimson* didn't particularly represent our views. My very good friend, Todd Jennings, reached out to Professor Dunlop, who advised and helped him start a more mainstream paper, *The Harvard Independent*. It had a courageous and important role at Harvard (particularly when Deans were being carried out of buildings). Professor Dunlop conveyed his wisdom best through his advisory role: study and learn in the academic world but test your beliefs in the real world. Above all, create common ground.

I've been privileged to know and work with so many of the previous Dunlop lecturers: Kent Colton, Barbara Alexander, Angelo Mozilo, Jack Kemp, and a wonderful Trustee of my own organization, Henry Cisneros. I went back and read all the lectures. They hold a wealth of information on the nation's housing policy and practice. I'd like to expand on those previous lectures this evening.

Nic Retsinas, Director of the Joint Center for Housing Studies, is another remarkable Enterprise Trustee. He is a

true public servant within government, and the nonprofit and private sectors. As FHA commissioner, or Enterprise Trustee, or Habitat for Humanity Trustee, or director of the Joint Center, or in so many other roles, you will find him a wise, decent, thoughtful, and supportive advisor. Nic respects the public trust, drives toward mission and purpose, and never shrinks from difficult decisions or situations. Nic surrounds himself with superb colleagues at the Center, like Kent Colton, Eric Belsky, and the late former Enterprise Trustee, Cushing Dolbeare, the dean of low-income housing.

It is an honor on many levels to give this lecture in a place that I loved and that shaped my future thought in ways I did not know at the time.

**Let me begin.** While building off the broad framework of past lectures that shaped national housing policy, I want to examine one central question of my work and life. When this country enacted the Housing Act of 1949 and promised a "decent home and suitable living environment for all Americans," was it rhetoric or legitimate policy? That question raises others.

When in our history did we do a better or worse job in reaching toward that housing objective - and why? Are we gaining or losing ground?

Are concentrated, racial poverty, blighted inner cities, and housing segregated by income inevitable? Why does housing matter so much, anyway? Finally, if this Housing Act of 1949 goal is worthy, and we were serious, how would we begin achieving it?

These are questions of history, policy, financing, priority and will. They involve fundamental assumptions and relative values. They are also profoundly moral questions.

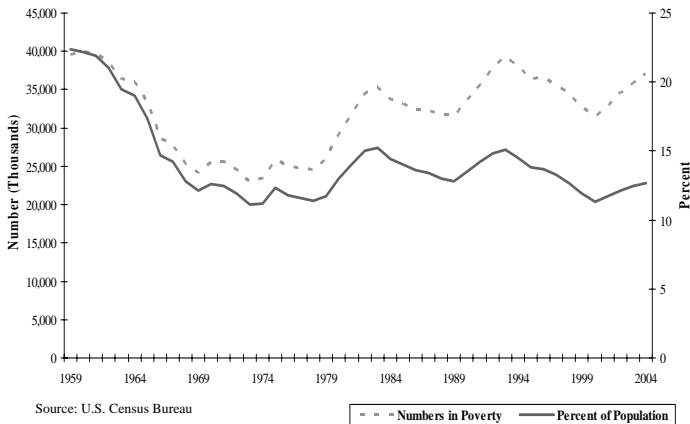
## A FIFTY-YEAR SPRINT

Visionary and renowned real estate developer Jim Rouse co-founded Enterprise with a mission to provide decent, affordable housing and a path out of poverty for all low-income Americans.

Thus, a brief look at the history of poverty and housing in America is where I would like to begin. We had nicknames for all of our undergraduate Harvard courses, and the nickname for the survey course on the history of China was "a 4,000 year sprint through the rice paddies of China." (That is one of the few nicknames I could repeat here.) I'd like to take you on a fifty-year sprint through poverty and housing in America.

What we find are strong links between housing and our economy, homeownership and personal wealth, and the need for decent, affordable housing and poverty. Looking at Chart 1, we see that throughout the '60s, the nation dramatically lowered both the number and percentage of people in poverty. Several factors explain this reduction in

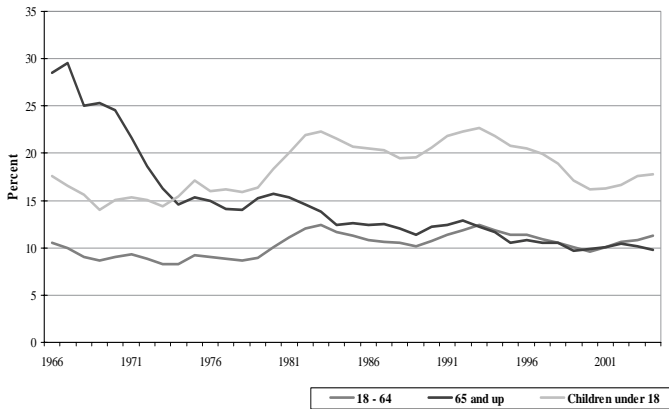
**Chart 1:** Rate & Numbers of U.S. Population in Poverty, 1959-2004



poverty: an expanding economy, low-interest rates, large governmental outlays in housing and social services, and a focus on programs to help eliminate poverty.

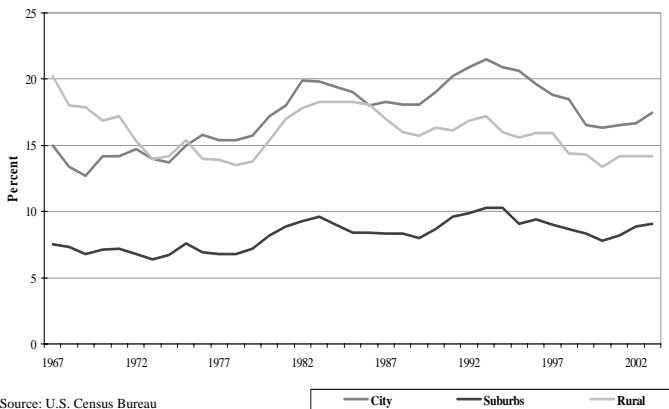
But Charts 2, 3, and 4 show that, since the early seventies, the rates and total number of children and city dwellers living in poverty have increased. And, while poverty rates

**Chart 2:** U.S. Poverty Rate by Age, 1966-2004



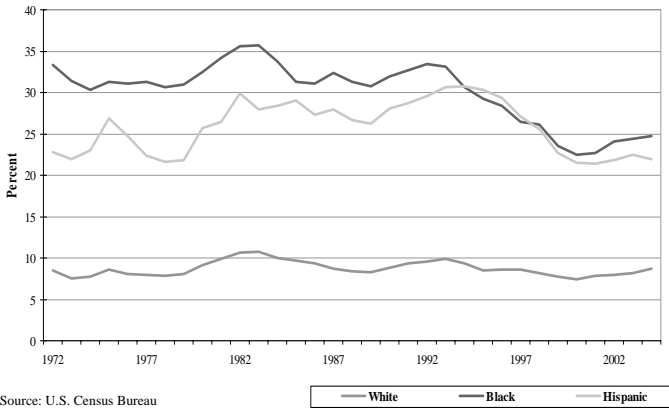
Source: U.S. Census Bureau

**Chart 3:** U.S. Poverty Rate by Location, 1967-2003



Source: U.S. Census Bureau

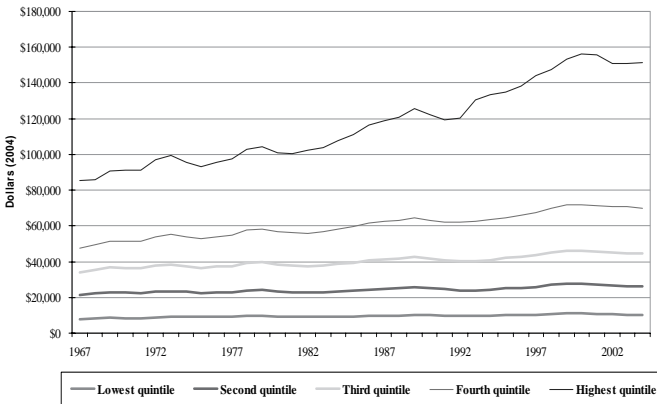
**Chart 4: U.S. Poverty Rate by Race, 1972-2004**



among African Americans and Hispanics have dropped somewhat, members of these groups face a considerably higher risk of living in poverty. I will return to those points when we discuss the national goal of a suitable living environment.

In contrast to these charts on the poverty rate, let's consider trends across the income distribution:

**Chart 5: Mean Household Income by Quintile, 1967-2004**





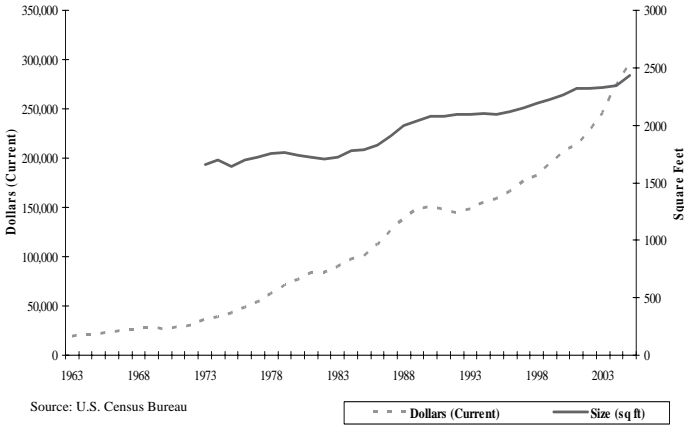
If you are at median income or lower, your income has hardly budged over the last forty years, certainly not in real terms. But the ratio of the highest earners to the lowest is at an all-time high and accelerating. You must go back to the age of the early industrialists for a comparable ratio.

These trends illustrate the impact of a global, technological, and knowledge-based economy on our society. In short, there is a rapidly accelerating differential between highly skilled jobs and service jobs as our industrial and manufacturing base moves elsewhere around the world. It is unclear how many highly skilled jobs will eventually move elsewhere. We are in a dynamic situation, in a highly competitive world with a huge, educated and increasingly technologically savvy work force in Asia and developing nations.

These global economics put pressure on wages in our country. If you take anything out of this lecture, it is that whatever you are paying for your education, it is worth it. Your education will allow you to compete.

And how does housing fit into this picture over time? At the time of the Housing Act of 1949, the homeownership rate was only 55%. As Kent Colton and Barbara Alexander outlined in their Dunlop lectures, that rate is about 69% in today's vastly expanded population - a huge success. Chart 6 shows us that housing quality, size, amenities and costs have all dramatically increased. The same holds true for federal housing tax subsidies, which have risen much faster than spending on the Department of Housing and Urban Development. This is shown in Chart 7. Obviously, these two charts are related, as more costly homes trigger larger tax deductions.

**Chart 6: Average Size & Sales Price of New Single-Family Homes, 1963-2005**



**Chart 7: Housing-Related Tax Expenditures vs. HUD Outlays, 1976-2004**

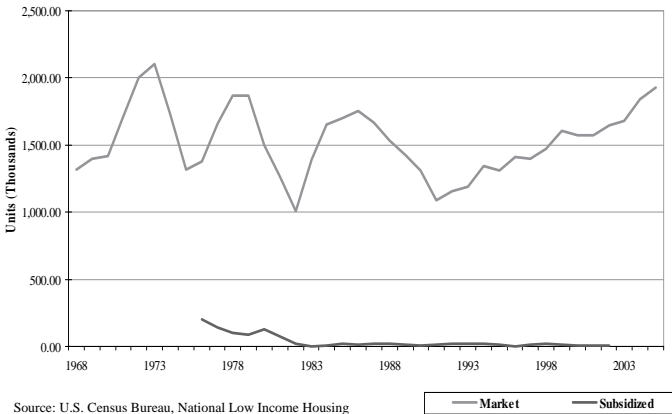


Market-rate housing has progressed through economic peaks and valleys, with significant swings over the years.

In general, we have seen an upward trend over the last ten years, while subsidized housing production has diminished dramatically since the early 1970s. Today, we

face a net loss position, as production of housing affordable to families making less than 80% of median income is far surpassed by the loss of formerly subsidized housing.

**Chart 8: Market vs. Subsidized Housing Production, 1968-2005**



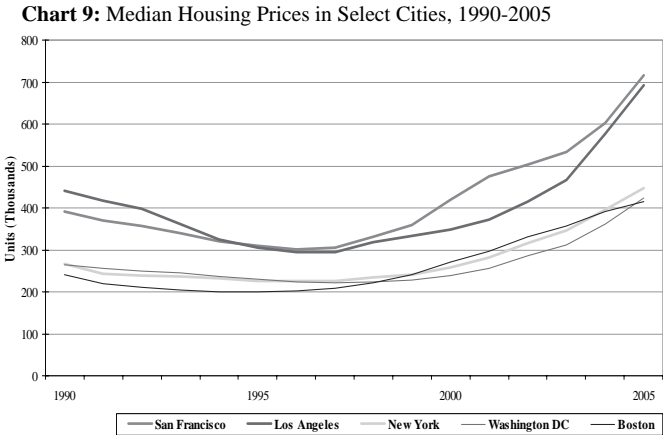
Source: U.S. Census Bureau, National Low Income Housing Coalition, and U.S. Congress, House Ways and Means Committee Green Book 2004

There is a huge affordability gap that affects middle income and low-income families alike, although with different severity.

The Joint Center for Housing Studies estimates that almost 15 million American households earning median income or less are severely burdened by housing costs - that is, paying more than 50 percent of income for housing. This group includes nurses, police officers, janitors, firefighters, and teachers. The Department of Housing and Urban Development estimates that there are 5 million households with "worst case housing needs" - that is with incomes below 50% of area median income, paying more than 50% of income for housing and/or living in substandard housing or both. We know that over the

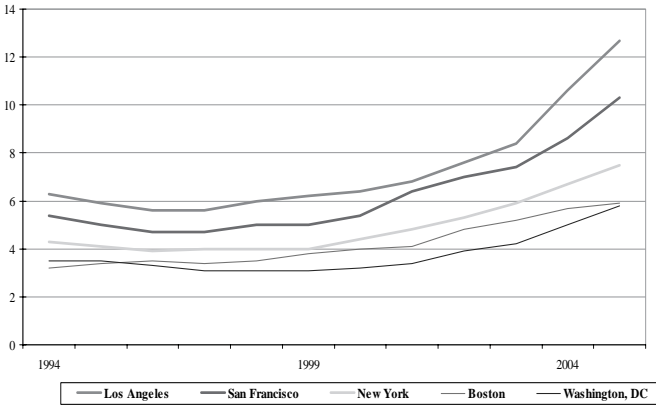
course of a year, more than 3.5 million people experience some form of homelessness. And many work full or part-time at minimum- wage jobs.

We also can't forget housing's regional nature. There are enormous regional variations in housing costs. In areas where there is a great deal of job growth, population growth puts tremendous pressure on housing costs. In Charts 9 and 10, you can see that in five high-cost areas, housing prices have risen significantly faster than incomes. In several cases, median housing prices approach \$700,000, and if a comfortable ratio of income to housing price is 3, in most of these high-cost areas that ratio is 6 to 12. Conversely, you can find a very affordable house in Kansas, but you might not find a job or any transportation choices. You also can find an affordable home in a distressed inner city, but you might not like the quality of the schools or the environment for your children, and you may fear for your safety.



Source: Joint Center for Housing Studies tabulation of National Association of Realtors, Metropolitan Area Existing Single-Family Home Prices; Freddie Mac, Conventional Mortgage Home Price Index, Bureau of Labor Statistics, CPI-UX for all items

**Chart 10:** Ratio of Median House Price to Median Income in Selected Metro Areas, 1994-2005



Source: Joint Center for Housing Studies tabulation of National Association of Realtors, Metropolitan Area Existing Single-Family Home Prices; Freddie Mac, Conventional Mortgage Home Price Index, Moody's Economy.com Median Household Income Estimates

To summarize, we have a significant and complex affordable housing challenge. We lack an adequate supply of affordable housing. Families' incomes can't keep pace with housing costs. We also see a mismatch in affordable housing availability and job locations as well as family size. Our current course makes clear that we are simply not being serious about the 1949 Housing Act and its commitment to "a decent home and suitable living environment" for all Americans. Right now, it is mere rhetoric to allow us to feel better about ourselves. Yet, is it so important that it should be a legitimate goal?

Why does housing and its location matter so much to all Americans? Having served on the bipartisan Millennial Housing Commission, I want to quote a passage from our summary that resonates deeply for me:

Housing is most Americans' largest expense. Decent and affordable housing has a demonstrable impact on family stability and the life outcomes of

children. Decent housing is an indispensable building block of healthy neighborhoods, and thus shapes the quality of community life.... Better housing can lead to better outcomes for individuals, communities, and American society as a whole. In short, housing matters.

The location of affordable housing has a broad and deep impact on families' lives. In city after city, low-income families can only find affordable housing in areas of concentrated poverty. This forces families to send their children to some of the most broken public school systems in the country. Large numbers of very poor children with multiple challenges then also have an adverse impact on educational outcomes at those schools. It's a downward spiral, largely segregated by race and class. Think back to the charts about incomes, where knowledge, technology, and skills are essential to good wages. Children living in the inner city will disproportionately live in poverty because the schools they attend do not meet minimum standards for this country or most other developed countries. With an absence of decent jobs, safe environments, adequate nutrition, and good role models, the rates of crime, drug dealing and addiction, obesity, and mental illness among people living in concentrated poverty is sobering. But not surprising.

A recent study, *Understanding the Relationship Between Public Health and the Built Environment*, pulled together existing research on five public health topics, including respiratory and cardiovascular health, fatal and non-fatal injuries, physical activity, social capital, and mental health. The study finds significantly negative health impacts of living in low-income communities - those with a disproportionate level of people living in poverty -

following two threads, one related to environmental quality and one related to access issues.

It is a challenge for low-income families to find affordable housing outside of neighborhoods of concentrated poverty. If they seek housing near better jobs, better schools, and a better living environment, they will be hard pressed to find it. There is a breakdown for low-income people between the availability of low-cost housing and a better living environment. Both subsidized housing and denser, more affordable unsubsidized housing are discouraged by zoning requirements, NIMBY, housing costs, and other exclusionary tactics. While some may see this as racially motivated, I believe most exclusionary policies stem from economic determinism.

So not only the availability of decent affordable housing, but where it is located, is an essential issue to creating a suitable living environment and, I believe, to a functioning democracy with real opportunity. At previous points in our history, particularly after World War II, we opened up opportunities for all Americans to learn and prosper through the GI Bill, establishment of the FHA, and major housing legislation. We should we examine how we achieve similar objectives in today's transformed world.

Finally, housing and poverty have environmental implications as well. If families of means seeking good schools, safety and affordable housing have to live ever farther outside of central cities and even suburban areas, society pays to extend roads and water and sewer lines ever farther out. The capital and maintenance expense is great, open space is lost, and traffic congestion worsens every year, all of which degrades the environment. Furthermore, since 60% of greenhouse gas emissions

come from the built environment, how we build makes a difference. The energy and water usage and other lifecycle costs of housing have an impact both on the environment and on family finances. Transportation is low-income families' second highest living expense after housing, and trying to get to remote jobs in a metropolitan economy exacts a big cost.

The goal of decent, affordable housing and a suitable living environment encourages us to reconsider how we build, where we build, and what national policies would be helpful to protecting our environment, strengthening our economy, and creating wider opportunities so that low-income people can achieve productive employment and quality of life.

### **WHAT WOULD SOLVE THE ISSUE?**

Having identified the issue, what would it take to solve it - in terms of economics, politics, and policy? As Enterprise Trustee Bob McNamara frequently commands: "Give me the magnitude of the problem and its solution." Let me give you the larger dimensions of a solution. First, economically.

Currently, the cost of HUD's tenant-based housing voucher program is approximately \$16 billion and it serves 2.1 million households - for an annual per-voucher cost of roughly \$7,600. Providing a voucher for every household with worst-case housing needs would cost an additional **\$38 billion a year**.

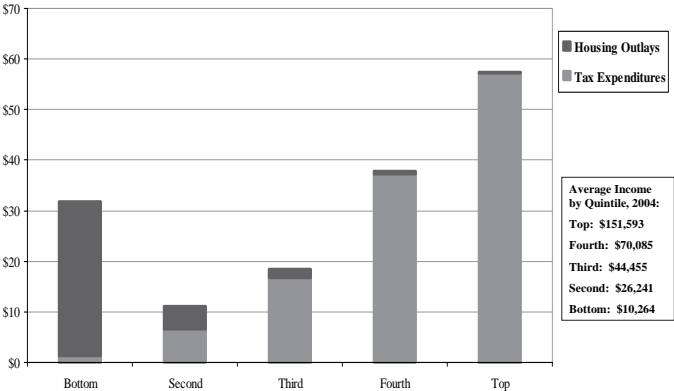
If we simply built a housing unit for each one of the 5 million households with worst case housing needs at an average cost of \$100,000 per unit, it would cost \$500 billion if we did it all in one year, clearly an impossibility.



If we adopted a more realistic timetable, we could spend **\$50 billion a year for ten years** and substantially solve the problem. "Way too much money! We have a federal deficit," you say.

Yet, let's look at Chart 11. We have significant housing subsidies in this country, and the great majority of them go to the most well off in this country. If we were to redirect the tax subsidies for real estate that go to the top quintile of the income distribution (those with a median income of more than \$150,000) to the worst-case housing needs, we could solve the affordable housing issue in this country.

**Chart 11:** Tax Expenditures vs. Outlays by Income Quintile, 2004



Source: National Low Income Housing Coalition *Changing Priorities*, 2004

Look at the chart: almost \$60 billion a year in real estate tax deductions for the top 20% of households. We could serve everyone with worst-case housing needs and some of the 10 million households up to median income that the Joint Center identifies as cost burdened. And you could do this with no new taxes.

Yet my point is not to put housing advocates into a bitter, losing political fight, but instead to look at the rough dimensions of our financial ability to pay versus our political will. The growth of the mortgage interest deduction over time is a function of rising housing prices. It is not a deliberate policy to steer a tax benefit to upper-income Americans. Wealthier consumers can afford the larger houses with more amenities that command higher prices and thus higher tax deductions. A calculated look at our housing policy through the tax code raises issues of equity and priorities.

Last year, President Bush appointed the President's Advisory Panel on Federal Tax Reform to recommend a fairer tax system. The Chair of the panel was former Republican Senator Connie Mack; the Vice Chair was former Democratic Senator John Breaux. This is what Senator Mack said about the panel's report:

My feeling is that if you are really going to address the issues of simplification, and fairness, and growth, you have to go modify the way we treat the mortgage interest deduction. It is indefensible. As John (Breaux) indicated earlier, there are countries - England, Australia, Canada - that have no mortgage interest deduction, and have about the same ownership rates as we do...

The details in the report issued by President's Advisory Panel on Federal Tax Reform are even more telling: "Over 70 percent of tax filers did not receive any benefit from the home mortgage interest deduction in 2002. According to the Joint Committee on Taxation, more than 55 percent of the estimated tax expenditure for home mortgage interest deductions went to the 12 percent of taxpayers who had

cash income of \$100,000 or more in 2004.... Although the deduction for home mortgage interest is often justified on the grounds that it is necessary for promoting home ownership, it is unclear to what extent rates of home ownership depend on the subsidy.... Despite the concerns described above, housing is an important value in our society, and for this reason, the Panel recommends "that tax benefits for home mortgage interest be retained, but shared more evenly." Let me quote again: "...that tax benefits for home mortgage interest be retained, but shared more evenly."

Let me say again, I'm not trying to start a political battle with the real estate industry. I don't want to see the mortgage interest deduction repealed and the funding used to reduce the deficit or spent on other priorities. That would accomplish nothing for the causes I care about - affordable housing and opportunity for low-income families. What I am advocating is a different approach to housing policy - to keep the resources in housing and make it easier for the building industry to meet America's housing needs.

I want us to think differently, together, about a new political alliance among all of us who think that housing matters. Could we direct some part of the mortgage interest deduction to a housing trust with incentives for the private sector to work on another form of housing - affordable rental and first-time homeownership? Could we direct housing subsidies toward the millions of people who most need it to foster expanded housing opportunity? I am thinking of a new compromise that would help the building industry with costly local battles that have stifled homebuilding in so many areas in exchange for building housing where and how we need it most.

## WHAT HAVE WE LEARNED?

This leads me to the most important part of the discussion: do we know enough about how to solve America's housing problems to spend additional resources well? In short, **yes we do**. Let me start parochially: There are a new set of institutions that use private-sector methods and disciplines to accomplish social goals. These are public-private partnerships.

I am the chairman and CEO of one such institution: Enterprise, a national nonprofit with investment subsidiaries that provide debt and equity for affordable housing development. Enterprise was created almost 25 years ago to address the affordable housing gap to help families move up and out of poverty. Our founder, real estate developer Jim Rouse, described America's level of poverty and lack of low-income housing as an "outrage" and a "disgrace" and went to work. Enterprise addresses the poorest groups as a first priority. LISC, NeighborWorks America®, Habitat for Humanity, and numerous regional and local housing intermediaries now exist as well. I use Enterprise only as an example.

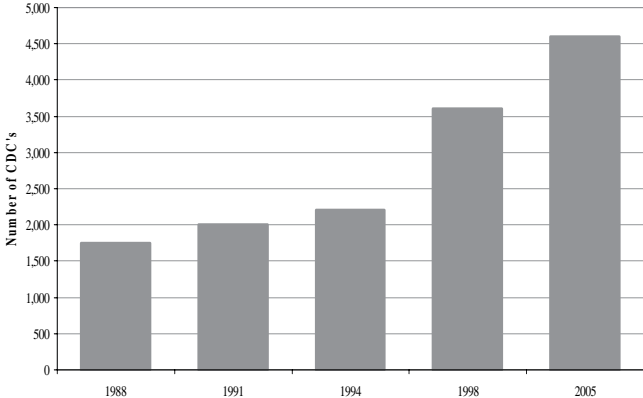
In the last five years, Enterprise raised and provided \$3.5 billion in private equity, loans and grants to support the creation of 72,000 affordable homes. Over our history, that number is \$7 billion and nearly 200,000 units with a current investment rate of approximately \$1 billion a year. We combine financial and technical resources with advocacy for advancing policy that supports community development.

We work through a vast network of more than 2,500 grassroots nonprofits, much like small homebuilders (and some larger ones.) This network has multiplied in number,

size, and productive capabilities (Charts 12, 13, 14). Together, we are tackling the most difficult issues in the most difficult parts of our country. While I don't minimize the results, this is only part of a true solution to America's housing problems.

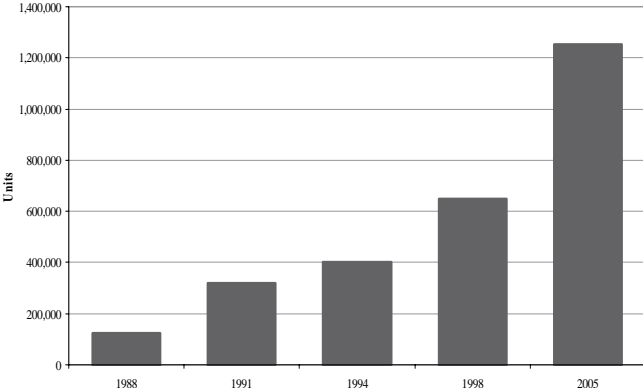
If we were serious about solving America's housing problems, we would have to start with how and where the private sector builds housing. We would have to think

**Chart 12:** Growth in the Community Development Field, 1988-2005



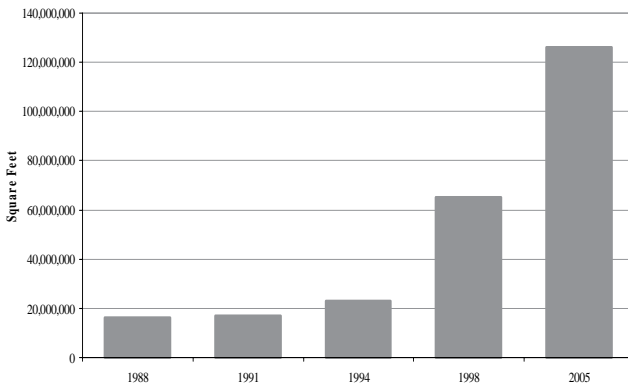
Source: National Congress for Community Economic Development 2005 Census

**Chart 13:** Cumulative Number of Housing Units Produced by Community Development Organizations, 1998-2005



Source: National Congress for Community Economic Development 2005 Census

**Chart 14:** Cumulative Commercial Square Footage Produced by Community Development Organizations, 1988-2005



Source: National Congress for Community Economic Development 2005 Census

about settlement patterns that better reflect the vast economic changes we are witnessing in our society. If we agree that communities should provide for a mix of incomes and locate housing where jobs and opportunities exist, we would adopt sweeping inclusionary zoning policies. The type of inclusionary zoning I am advocating would provide for a mix of housing types to be built through density and subsidy bonuses to larger-volume homebuilders and developers. I envision an inclusionary policy that would not be a "taking" from developers but an incentive to them to build what is most needed. Housing subsidies would be attached to the affordable units and developers would benefit from certainty in zoning and approval process.

Leaders like Ron Terwilliger, CEO of Trammel Crow Residential, the largest multi-family builder in this country, are thinking this way already. Ron is head of the Atlanta Affordable Housing Commission and proposes fair inclusionary zoning as simply a better way for Atlanta to build. Not all inclusionary zoning makes sense. We need careful consideration of the incentives to make the

system work. If we want to tackle this issue, leadership must come from the building industry to seize a new opportunity for regulatory certainty, real subsidy, and a more sustainable vision for communities. We would also need national, local and state leadership to accomplish this new way of thinking.

If we were to tackle the 1949 Housing Act's goals, we could look at important housing initiatives outlined in the bipartisan Millennial Housing Commission report. We need to build on these and other federal policies that work to carry out this new vision.

**First, this country should strengthen national preservation efforts for affordable housing.** It simply makes sense to keep the decent affordable housing that we have already paid for and that is in good repair. There are more than one million subsidized housing units at risk of being lost. We need to enact fair Exit Tax Legislation like the one that the Millennial Housing Commission proposed. The leading policy entity for preservation of affordable housing, the National Housing Trust, has joined with Enterprise to create an entity to carry out preservation nationally. We and others intend to go after every possible unit we might lose that makes economic sense to save.

**Second, this country should invest more, not less, in federal housing programs that work and could complement true inclusionary zoning. We need to fund more housing vouchers.** The vouchers could be project based as part of inclusionary zoning policy incentives or tenant based and spread to households throughout metropolitan areas. This is a simple, market-driven approach that the building industry could embrace to make inclusionary zoning work.

**We need to fund Hope VI and other conscious, mixed-income strategies to deconcentrate poverty in public housing and other areas of concentrated poverty both urban and suburban.** HOPE VI has proved itself admirably in Baltimore, Chicago, Atlanta, Seattle and other cities across the country. It needs to be funded, not eliminated. **We should use eminent domain selectively as part of broader economic development and housing initiatives** in cities that have lost population and industrial base to create new economic opportunities and remedy an old, decaying infrastructure. These are just a few examples of what we know works. We also know how to make housing policy work to reorder settlement patterns in our dynamic and evolving society.

National policy reflects the heart and will of the society we wish to have in this country. We have the productive ability to effectively use both nonprofit and for-profit organizations to do what they are best suited to do. Each program I have mentioned, and some I haven't, offers numerous successes that demonstrate their viability. Enterprise has participated in many remarkable projects that prove out these concepts.

My point here is that we have a severe and increasing challenge that profoundly impacts life opportunities for low- and middle income people in this country. Continuing to work and think the same way will not change the housing crisis. We are losing this effort with dire consequences for low-income people and our society.

Yet, we have the financial capacity to solve the problem if we think about what's really important. We have public-private partnerships, like Enterprise, along with their nonprofit networks, which are tackling the toughest



challenges. And we have extraordinary private-sector capacity that will eventually run out of high-end households to serve.

With proper national and state leadership, we should reexamine what a true public-private sector collaboration might do to change the settlement pattern in this country in relation to our vastly changed economy. **Our purpose must be to restore metropolitan areas, to restore cities, to restore community, and to restore opportunity and productive capacity.**

I personally know how important new thinking is. I once thought "green" and "affordable" could **not** apply to the same housing development. A wonderful, for-profit developer, Jonathan Rose, another Enterprise Trustee, taught me that you can, with care, do both - without sacrificing either. Technological advances, integrated design techniques, and many advances in products, pricing and availability have narrowed or eliminated the gap. High-volume production would further help.

Together with the Natural Resources Defense Council, a leading environmental group, Enterprise launched a half-billion-dollar, five-year effort to prove our point. We are financing 8,500 affordable green homes and apartments that are energy and water efficient, well-sited, near transportation and amenities, with healthy indoor air quality and minimal environmental impact, and at no greater cost than if built conventionally. This effort is called Green Communities™.

Well, Green Communities was launched two years ago last week. In that time, we have reached over 70% of our goal with endorsements from Governor Mitt Romney in

Massachusetts to Mayor Gavin Newsom in San Francisco. We have more developers, states and cities wanting to be part of Green Communities than we have the capacity to serve. Furthermore, everyone wins with Green Communities - low-income residents and homeowners who have lowered their living cycle costs are in better locations, in healthier housing. And, this type of building helps cities and states reduce greenhouse gas emissions, save energy, and meet EPA standards. Thinking that green housing could not possibly be affordable was a trap. New thinking led to a solution that benefits everyone.

That same sense of boldness and commitment ought to apply to the legitimate policy set forth in the 1949 Housing Act.

Our founder, Jim Rouse, was convinced that decent housing and opportunity for low-income Americans was critical to our democracy and the ideals we espouse. If we are truly committed to "a decent house and suitable living environment for all Americans," we need to think and use available resources in different ways. I've outlined a possible way of proceeding.

In taking on difficult assignments, Jim Rouse would always say, "what ought to be, can be, with the will to make it so." This is clearly a difficult assignment. We need not only will, but boldness. In his life and work, Jim acted on one of Goethe's couplets, which he deeply admired:

*Whatever you can do, or dream you can, begin it.  
Boldness has genius, power and magic in it.*

Let us think differently and act boldly.

Thank you.



