

Affordable for Whom? Meeting Diverse Housing Needs in High-Cost Cities

Opening address by Henry Cisneros

Monday, April 24th 2006

We were honored to have Henry Cisneros deliver the conference's opening address. A former Secretary of the U.S. Department of Housing and Urban Development, Cisneros currently serves as Chairman of CityView, a community-building company dedicated to producing workforce homes in the central neighborhoods of America's urban areas. The opening address was hosted by Chase, and took place in the bank's 60th executive dining room at 1 Chase Manhattan Plaza.

Cisneros's speech covered three areas: themes, causes, and best practices of developing affordable housing. He began by discussing the affordability issues that are common themes faced by high-cost cities.

The first theme was homelessness. Cisneros noted that New York City is the nation's largest in terms of the sheer numbers of homeless on its streets, but also the most creative city in finding solutions to the problem. The second theme, and related to solving the problem of homelessness, was the need for more supportive housing (define?). Cisneros remarked that the supportive housing system in New York City has done an extraordinary job developing supportive housing units for people living in the streets or in shelters.

The third theme was public housing. Cisneros noted that in New York City, public housing actually works. This is partly due to the fact that New Yorkers are far more accepting of high-density housing, but mostly because the City has made a major commitment to public housing.

The fourth theme was expiring use, which has been one of the City's biggest challenges as an increasing number of developments face the expiration of their subsidies or incentives. The next theme was the rental market. Cisneros referred to statistics that show there is no city in the nation where a family of four with two minimum wage salaries can afford a 2-bedroom FMR.

Finally, Cisneros spoke about entry-level homeownership opportunities. He noted that the United States currently has a 69% homeownership rate, the highest in the nation's history. However, for blacks and Latinos the rate is below 49%, meaning there is significant work to be done.

Taking these themes into consideration, Cisneros concluded that there is a critical need for high-cost cities to focus on affordable and workforce housing for middle-income households.

In trying to understand the growing issue of housing affordability, Cisneros stated that there were three interrelated dynamics at play: population growth, demographic changes, and the changing economics of families.

Cisneros noted that the nation's economy is strong, but new – the so-called 'urban crisis' was actually an economic transformation away from the manufacturing core to new economy industries. With regards to population growth and demographic change, the nation's senior population is growing rapidly, and the population is becoming more diverse – significant growth of Latinos, African-Americans and Asians (especially on the two coasts). More than 25% of the nation's population pays more than 30% of its income for housing. Gateway cities will need strategies to produce affordable housing of a different type, density, and configuration that meets new needs. Housing has gotten much larger, and Americans are demanding more space, which results in higher costs. Demand dictates price, and builders have typically responded only to certain types of housing demand. The higher cost of land, demolition and infrastructure make it much more expensive to build in cities than in the suburbs.

Cisneros then laid out five "Categories of Thoughtful Action," a blueprint for addressing the affordability issues faced by high-cost cities. These categories included site identification; initiatives to reduce production costs; regulatory framework; innovative design; states' role.

The first category was site identification. Surplus land must be made available. Cisneros mentioned inclusionary zoning (local initiatives that require a portion of housing units in new real estate developments to be reserved for affordable housing), capitalizing on the physical infrastructure of cities, and using transit stations as focal points for affordable housing (such as in Oakland) as useful strategies. Cisneros also mentioned the use of tax increment financing (a tool used by municipalities to make investments in blighted areas in an attempt to spur private development) for public improvements including parking (Chicago); infrastructure finance districts (Prince George County, Maryland); land trust funds for workforce housing, not just low-income housing; tax credits; and the provision of financial incentives to builders (such as the inclusionary zoning program in Boston).

Cisneros stated that reducing production costs often goes hand-in-hand with reducing regulatory barriers – cities must have specific tools. Cisneros mentioned zoning for increased density, waiving fees, reducing parking, reducing lot size requirements, mixed use zonings, inclusionary zoning, and the restriction of impact fees as effective strategies.

The fourth category was innovative design. Cities are increasingly developing multifamily buildings that look like single family housing. Cisneros also referred to modular housing for infill areas, adaptive reuse, and accessory units built in single family districts. He highlighted the importance of working with developers to make new floor

plans and multigenerational units that meet new demands – a critical element in rethinking affordable housing strategies.

The final category was the states' role, which he described as the framework of laws. States must provide incentives for density, and change foreclosure laws. Cisneros noted that Massachusetts had designed a series of state incentives that have been successful in creating more affordable units.

Cisneros concluded by warning that if we fail to add to the nation's stock of affordable housing, the only alternative is that 25% will have to cut other costs because they can't afford housing. Productivity will decrease due to long commutes, and communities will be less desirable for business growth. Cities are prospering in ways that could not be imagined 20 years ago.