Herberger Institute for Design and the Arts
School of Architecture and Landscape Architecture
Stardust Center for Affordable Homes and the Family

Blueprint for a Sustainable Recovery

Advisory Board Meeting and Presentation with U.S. Department of Housing & Urban Development Deputy Secretary Ron Sims

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ASU Herberger Institute
FOR DESIGN AND THE ARTS
ARIZONA STATE UNIVERSITY

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FOR AFFORDABLE HOMES AND THE FAMILY
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BOARD MEETING AND PANEL DISCUSSION WITH U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT DEPUTY SECRETARY RON SIMS NOVEMBER 8, 2009

Introduction
Kurt Creager
Executive Director
ASU Stardust Center for Affordable Homes and the Family
in the Herberger Institute School of Architecture and Landscape Architecture

The purpose of this meeting stems from an April 2009 Stardust Center board meeting where we were talking about the necessary transformation of Arizona's economy and housing market into a more sustainable one. The general consensus is that if we return to business as usual, we will miss a fundamental and major opportunity. There are lessons that we can learn from our own marketplace experience about how to create communities of choice using sustainability as a means by which we can provide incentives to people to live in first-ring suburban areas and the inner cities rather than growing continually on the periphery, which has been our tradition in Arizona.

That conversation led to a belief that we as thought leaders should be able to put forward for discussion a "blueprint for a sustainable recovery." We worked through a draft about causes and effects and boiled them down to three major points:

A) Housing and Community Development Program Innovations

B) Land Use and Infrastructure Innovations

C) Capital Markets and Finance Program Innovations

President Crow then invited U.S. Department of Housing & Urban Development (HUD) Secretary Shaun Donovan to come to ASU to address these issues. The Secretary's schedule did not permit him to travel to Arizona but Deputy Secretary Ron Sims, who is joining us today, manages the Office of Sustainability and has particular expertise in sustainability. We are happy that he was able to come join us today and to host Deputy Secretary Sims for a public address later this afternoon. This is meant to be an interactive point of continuation for an unfinished product. We would like to hear from Deputy Secretary Sims through the course of the day about how we can work together to effect lasting, sustainable change.

Conrad Egan, a member of the board, is the panel moderator. Conrad Egan is the President and CEO of the National Housing Conference and was the President of the Millennial Housing Commission at the turn of the millennium, which produced a report at the request of congress that expands the public policy debate in a significant way. Three members from the board—Teresa Brice, Don Keuth, and Feliciano Vera—will talk about the three major points outlined above, with additional commentary on FDIC issues by Andrew Gordon, and then Deputy Secretary Sims will provide his response and thoughts.

Panel Moderator
Conrad Egan
President and Chief Executive Officer
National Housing Conference (NHC)


Millennial Housing Commission Report. Image courtesy National Housing Conference.

I appreciate the opportunity to be here in Phoenix. I am honored to be with the National Housing Conference and was pleased with the work of the Millennial Housing Commission, a congressionally chartered body whose purpose was to lead the way with the next best idea regarding housing policy including tax, asset management, and development program and policy innovations. Upon the issuance of that report, the whole economy turned upside down after September 11, 2001 and the technology-led downturn of 2002, but the report continues to influence public policy but not with the momentum that we had hoped.

The National Housing Conference has been around for 80 years and is two organizations intertwined. One is the National Housing Conference (NHC), the elder organization; the other is the more recently formed but increasingly influential in the housing and public policy arena: The Center for Housing Policy (CHP). We are intertwined as far as our governance structure and activities are concerned, but we are separate 501(C)3s. The center operates with philanthropic support with major funding from the Ford and MacArthur Foundations including SURDNA and the Annie E. Casey Foundation. We (the NHC and CHP) were the joint recipients of MacArthur Foundation Award for Creative and Effective Institutions and take great pride in being one of eight institutions worldwide that were honored in 2009.

The National Housing Conference specializes in outreach and advocacy and information dissemination, particularly with policy makers, both in congress and the administration. This administration has opened itself up not only to listening, but also to acting. It is great to have that kind of relationship. We are also known for our convening skills. Our membership consists of all of the major trade associations: homebuilders, mortgage bankers, realtors, and public housing associations. We have strong membership across the nation at state and local levels.

The Center for Housing Affordability is in the business of highlighting and illuminating innovative solutions to housing affordability challenges at all economic levels across the nation particularly at the state and local levels. In fact through our website at www.NHC.org, the center, together with the conference, has a special website—www.HousingPolicy.org—which is the "Wikipedia" of solutions to meet affordable housing challenges and opportunities at the state and local level. One recent feature is ForeclosureResponse.org—a good place to start for up-to-date information on data and what is happening across the nation in foreclosure prevention, loan modification, and neighborhood stabilization. I would encourage you to go to the part of our website where we hold periodic interactive forums on the telephone and via the web. These are places where people can interact in the privacy of their home or office to communicate and ask questions.

The conference's priorities are currently to advocate for a strong federal support for housing programs, not only at HUD but also at Treasury and other agencies. Our other priorities include the connection between transportation and housing, employers and housing, and foreclosure response.

Housing and Community Development Program Innovations

Teresa Brice
Executive Director
LISC (Local Initiatives Support Corp) Phoenix

Making Sustainable Communities Happen

I am honored and pleased to be able to start off this conversation because there are some substantive and specific issues to cover.

I was just in New York with LISC colleagues from around the country talking about the LISC Sustainable Communities agenda. One of our speakers was from JP Morgan Chase. He said that for the last few decades, we have been trying to house people out of poverty, and it has not worked. If you have an apartment but don't have a job, daycare, or healthcare, then you are confined to that place. It may not be the neighborhood that you want your family exposed to or the right place to live, but you are stuck and not just in the housing. That comment hit home with me because as I tell colleagues, housing is to Arizona what the auto is to Detroit. We have relied on housing to build our way into a state and an economy that is now faced with considerable challenges.

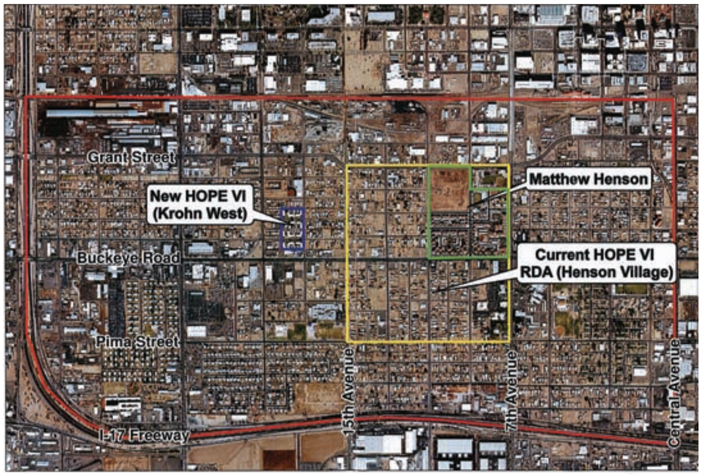
As we in Arizona start to address the issue of what it takes to build a sustainable community, we have to acknowledge for each of our organizations—a center that has housing in its name (Stardust Center); for LISC, which has a history of being an affordable housing development support organization; and for all the rest of us that have been working in the housing arena—the challenge is to start to move beyond just "housing," so we are pleased to see that the federal government is creating a plan for how that can happen.

I want to share with you an effort that was created by LISC and the ASU Stardust Center: Making Sustainable Communities Happen. We believe that changing our housing environment and changing our patterns of development are going to be critical to creating sustainable communities in Arizona. To start that conversation, we wanted to engage the community but engage it in ways that speak to people in Arizona. We can't take examples from Portland, Boston, Chicago, or New York and bring them here and say make this happen in Arizona.

We assembled a group of advisors from a broad representation of our community including Native American, healthcare, developers and architects, and representatives from low-income community development corporations, and we asked them how to get people talking about what changes we needed to make our community sustainable. We developed the strategy of telling three stories where this type of change has already started to happen and focused on a neighborhood in downtown Chandler, a neighborhood in downtown Phoenix, and a neighborhood in Tempe. Those were the stories that began to capture people's imagination. We broke apart these individual stories into principles that we felt would support sustainable communities—housing choices, transportation options, safe neighborhoods, and healthy places to raise our families. We have taken this presentation, with a wonderful PowerPoint, to engage people in discussions from neighborhood organizations to leadership groups to city planning boards and advisory committees. This is the start. We created this community presentation as a way to start the conversation and to figure out what we need to do to make our community sustainable. Recommendations from the HUD Office of Sustainability can get the conversation going on a regional basis.

What happened most recently with this administration and under Secretary Donovan's leadership is that there began to be tools for how we can make this happen. The two that we want to talk about today are Choice Neighborhoods and Livable Communities. I would like to focus on two programs that we currently see—the the Neighborhood Stabilization Program (NSP2 Program) and Hope VI.

Map of Hope VI projects. Image courtesy Phoenix Revitalization Corp.



Central City South newsletters. Images courtesy Phoenix Revitalization Corp.

The NSP1 Program was not competitive, but funds were allocated by a formula based on need and was implemented here in the Phoenix area very broadly. It was almost perceived as a homeownership assistance program rather than a neighborhood stabilization program. We began to see families use the NSP dollars to purchase anywhere. What I was especially pleased to see with the NSP2 program is that it made a strong connection to investing in foreclosed properties that are close to transit and close to services. We see entities like the city of Phoenix embrace that concept and begin to be more strategic in targeting NSP2 funds. Stardust is partnering in other applications with Mesa and Scottsdale as well as city of Phoenix. We have also tried to position NSP2 dollars to bring in other stimulus funding for example, with energy efficiency—trying to bring in an energy efficiency model so that vacant properties are rehabbed up to standards that allow low-income homebuyers to save money on energy. We are also seeking locations that are close to transit. (Note: Subsequent to this meeting in January 2010, the city of Phoenix was awarded $60 million in NSP2 funds.)

The other issue that I would like to address is the interest in the Choice Neighborhoods concept, which is new to all of us. LISC recently published a document outlining its recommendations for Choice Neighborhoods. Essentially what we want to emphasize is that it takes this issue of addressing subsidized housing beyond just housing authorities and relies on partners to assist in its implementation. There are a few reasons why this is really critical.

First, we are not sure what is happening with the low-income housing tax credit program. If the tax credit is minimized or restricted in any way that would take away a tool that we have needed for the Hope VI programs. So it is important to have other sources of funding to make that happen. We hope that HUD, as it begins to implement the Choice Neighborhoods programs, will continue to take an active role in the oversight. It is critical that these programs look beyond just the footprint of the public housing developments and begin to implement the comprehensive economic development and the transportation options so that all elements move in tandem with the housing development.

The Hope VI project that was completed here (Matthew Henson Village on 7th Avenue and Buckeye, Phoenix, AZ) in the past few years was a tremendous improvement. Old substandard public housing was replaced with beautiful mixed-income and mixed-age development. But it hasn't moved beyond housing—fully engaging the Hope VI idea of economic development. The area needs the economic development part, not just housing.

The area of Phoenix known as Central City South contains approximately 50 percent of the city's public housing stock—the highest concentrations of subsidized housing in the city. It brings with it benefits but also challenges. On the map, the Hope VI project that was completed is the Matthew Henson Village. The newest Hope VI project that was just approved is the Krohn West project. These two Hope VI projects anchor the middle of the area.

The Coffelt Lameroux Public Housing neighborhood is currently being prepared for a Hope VI type of application, by the Housing Authority of Maricopa County with assistance from ASU Stardust Center. And then there is Marcos de Niza, which is another public housing project. In addition to those anchors, LISC has been working with a variety of funders, including St. Luke's Health Initiative, Arizona Community Foundation, JP Morgan Chase, city of Phoenix, and Valley of the Sun United Way to create what we call the Phoenix Neighborhood Development Collaborative. This is bringing private dollars to invest in this neighborhood where public

Matthew Henson Village—before (two left images) and after (two right images). Images courtesy City of Phoenix.

dollars have started the process of comprehensive revitalization ahead of us.

The Central City South neighborhood publishes a newsletter that highlights what this resident-based, stakeholder-driven process has been doing to create a quality of life plan for the residents of this target area. It is comprehensive. The stakeholders tell us that they want to focus on safety. They want healthy neighborhoods—they want a fitness center for the neighborhood. They want to focus on economic development. Another of our colleagues from Chicanos por la Causa is looking at a comprehensive economic development plan for along Buckeye Road that would tie in to all of these activities. This particular type of project is an excellent example of where Choice Neighborhoods could be implemented in Arizona. We have partners around the table. We have work already being done by the city of Phoenix. We feel that we are ready to go and to grasp that opportunity when it becomes available.

Rebecca Flanagan: Central City South was one of the areas involved in Community Builder program. At that time, there was a group of people that went out to see what some of the issues where and what they needed. As a result, we worked with the city, and Matthew Henson Village was the first Hope VI project in Phoenix.

Reid Butler: Hope VI had a huge collection of partners: HUD, city of Phoenix, Tony Salazar of McCormick Baron Salazar Inc., Chicanos por la Causa, Urban League, Henry Cisneros, my company—Butler Housing Co., and a comprehensive collection of other supporters. A lot of people have not fully experienced the transformation that took place there, even thought it is right off of downtown.

Kurt Creager: Speaking briefly for the Housing Authority of Maricopa County (Doug Lingner was unable to attend), the Coffelt-Lamoreaux Public Housing neighborhood was built 55 years ago in an agricultural area on the edge of town and has since turned into an industrial area. It is bordered on three sides by industrial and is a deplorable residential location. The project is eligible for new market tax credits, and the adjacent elementary school needs to be respected to ensure it remains viable. What Stardust has done so far is social asset mapping with the residents; we have not done any of the design work but have created a conversation with the community. There are 300 public housing units, predominantly with families, and approximately 20 percent of the people there have intergenerational and interfamily relationships. So a redevelopment would involve a physical relocation into more sustainable locations for housing and a replay of the property into a business area. It is hard to imagine creating a community of choice at Coffelt, but it is closely allied with these other neighborhoods. It was actually annexed by the city of Phoenix in 1959, but they didn't take the streets. So Maricopa County owns the land and streets, while the city of Phoenix provides minimal services and enforces zoning and building codes. It is within a nonattainment area for air quality and impacted by commercial aviation noise from Sky Harbor Airport. So there are environment justice issues that need to be addressed as well as housing and neighborhood quality. With respect to the 300 public housing units, the Housing Authority is committed to one-for-one replacement. Stardust has worked with the board through a retreat process, so they have principles in place and could be organized into a Choice Neighborhoods demonstration project.

Reality Check—Second Round. Images courtesy ULI-Arizona.

Land Use and Infrastructure Innovations

Don Keuth
President
Phoenix Community Alliance

Many times, we talk about Phoenix not wanting to be Los Angeles and also our proximity to Las Vegas. But in the last decade, more gambling was going on here than in Las Vegas. Everyone lost. If you think about how much value was theoretically raised, what it is worth today, what we are left with, and what we are going to do with what we are left with—it is a daunting task.

One of the things that I have been engaged with is our version of Urban Land Institute's (ULI) Reality Check—the Lego exercise—with about 300 people participating. We had our event in May 2008 right after Seattle did theirs in April. What is interesting to look at today is that the impact of what is the current condition had not yet sunk in. The financial meltdown had not fully occurred yet, and things were still moving along. So when you look at the results, it was pretty much business as usual. There wasn't any significant change in densification of the community.

We asked participants to put down as much transportation as they estimated was needed for the growing population in three areas: commuter rail, light rail, and freeways. From the estimations, we calculated that an average of $30 billion needed to be spent for infrastructure for just those three things. Interestingly, more was spent for transit than for highways, but in order to accommodate that spending under our current funding structure, we would have to raise the sales tax about 1.5 cents. And what we didn't see was a reduction of air quality that we were hoping for as a result of the exercise. But, we found that we weren't making enough change to make it sustainable. We didn't have the benefit of what Seattle had—a program where they were able to calculate the reduction in greenhouse gas emissions on each table almost instantaneously.

We have been letting the community know what the results were. But the concern was what do we do going forward? If we fast forward to where we are today, it is clear that what was on the table during the original exercise wasn't going to happen. Of approximately 1,400-plus subdivisions on the books in the Phoenix metropolitan area in 2008, more than half are gone; someone took them back and they aren't getting done. We now have a seven-year supply of office space. The other shoe hasn't dropped on the amount of retail space that is not going to get developed, but that will hit us in 2010. We have also created de facto limit lines on infrastructure because neither the municipalities nor the utilities have the ability to extend these lines out into the desert as they were doing over the last several years. So this creates an opportunity for changing attitudes about building in this community for the future. The committee that came out of Reality Check, Moving Arizona, decided to revisit the exercise, to go back and invite these 300 people to come back and ask: now that you know what the world is and what the world is going to be for several years, would you like to rethink the assumptions that you made? We got 120 people to come back. The difference in the density was phenomenal. Everyone got the fact that this community has to get denser—and that is a good thing. We haven't finished the results of the change in air quality, but it is clear that people are beginning to understand that the way we used to do things here is not sustainable.

We have some good examples for why we think about things differently now. Having worked on the light rail project from the time we passed the sales tax initiative to pay for it, we had nothing but naysayers: "this is Phoenix, people won't get out of their cars"; the list went on and on. Even when were tried to tell the story of what happened in Dallas or Houston, no one would believe it. We have now been operating the light rail for ten months. The projections for the end of the first year for weekday ridership were 26,000 riders; at the end of October, *Valley Metro Light Rail on Central Avenue*

there were about 42,000 per day. The projections for a Saturday were 15,000; the Saturday numbers are over 30,000. The Saturday riders are better than end of year-one projections and, save for funding, the light rail line should expand significantly. So people can learn to ride mass transit here.

The statistic that we are still challenged with is: how many people are going to show up in Phoenix? The October 2009 Urban Land Institute conference reported their estimates indicating a flat rate of growth in the last several years. However, we do know that a lot of people are still going to move to Phoenix over the next 20 to 40 years, and we are at a critical point in time. We can make a difference now on how the city is going to look, going forward.

An illustrative example is to take a 20-year projection of an additional 2.5 million people—who come with the same number of automobiles per capita that we have now—about 1.5 million cars. Imagine half of those cars southbound bumper-to-bumper across four lanes on I-17 and half on I-17 northbound—how long is the traffic jam? 685 miles of traffic jam. So, if you think we can build our way out of this problem, we can't. Some people will counter that we may have to because of air quality, but we may be all driving electric cars, so that could be a moot point. The traffic congestion is ultimately going to be the factor to deal with and if you don't enhance the way we build out the city, then we are going to be in trouble.

The good news is that, as part of the Growing Smarter Plus program that the state adopted several years ago, every ten years each municipality of over 50,000 people has to go back to the public to get its general plan reaffirmed by the voters. The city of Phoenix is coming up on that in 2011, so are in the process of looking at the general plan. Ten years ago, sustainability, densification, etc., were not on the table, but these issues are getting traction now. We believe that if the largest city in the state sets an example of how to develop the community to be sustainable and still maintain a high quality of life, then we've got something that can be transferrable around the state. So, one of the things that we are continuing to work on with the Reality Check program is community outreach and getting people to understand our options. We can either do something dramatic and different, but yet something that people can feel good about, or we can do the same old, same old.

Different rules are going to come out of Washington that will make doing the "same old" impossible, and if we don't have a plan to meet these new objectives, then we will be left behind. It is also going to have to be done in public/private partnership, because neither entity has the resources to do it on their own, and they won't for a long time. So we need to instill "spinal courage" to do something different because we have to. If we don't, this community is not going to reach its potential.

Kurt Creager: Capital markets drive housing markets. We have been on the leading edge of that transformation of capital markets. From the very beginning, the board wanted to make sure we engaged in that conversation of capital market changes to make the flow of funds work for redevelopment in for Arizona. Feliciano Vera will speak to that issue, along with Andrew Gordon.

Capital Markets and Finance Program Innovations

Feliciano Vera
Habitat Metro LLC

I would like to start by taking a personal approach. The map of the Central City South neighborhoods that Teresa Brice referred to earlier is an illustration of my roots. I am a fifth-generation Arizonan. My mother grew up in the Marcos de Niza neighborhood housing projects. I went to Lowell Elementary School and have family that still lives in the Grant Park, 7-11 neighborhood.

I grew up transit-dependent latchkey kid. My father was a firefighter and my mother was a city employee. So every day, starting at the age of 9, I got to learn how to use the bus in the city of Phoenix. When Sunday bus service was stopped, starting in the 1960s and '70s, it limited our range of opportunities to go to work, to school, or to worship. As a consequence of that experience and reinforced by the stark contrast of the profound livability of Cambridge, Massachusetts, where I ended up for college looking at how the world works from Harvard Yard, being able to live a vibrant life without having to be shackled by the dependency on the automobile was hugely liberating. So at an early age, I became involved with questions of transit, transportation planning, and land-use planning—first, from a public sector perspective while working at the city of Phoenix preparing the initial ballot initiatives in 1997, then later as a private citizen for the subsequent initiative in 2000 that was successfully passed and led to the light rail system.

On a parallel path, I was also involved as a community organizer in the Central City South neighborhood on issues of environmental justice. Immediately to the south and integrated throughout these neighborhoods, which according to the 2000 Census are among the poorest neighborhoods in the state, are any number of heavy A1 industrial-type uses. I worked with Phoenix Revitalization Corporation, Valle del Sol, and Chicanos por la Causa, as well as with former city councilman Doug Lingner, current head of the Maricopa County Housing Authority, to structure a different focus on our land-use planning exercises.

As I look at what happened in our capital markets over the last cycle, I was fascinated by the fact that HUD, the Federal Housing Administration (FHA), and Government-Sponsored Enterprises (GSEs) very much drive market innovation. As a private sector developer now, I can't look at a deal or pro forma and not think about, reflect on, or factor in HUD, FHA, GSE, or Treasury policies in terms of how I decide to raise or deploy capital. As a consequence, we have a set of standards that are a common denominator for the large-scale deployment or movement of capital that has occurred at both the wholesale and retail level. This has shaped our markets and created a perceived a backstop that many look at as a potential causal factor in the recent cyclical problems that we have had both on the upswing and the downturn. As a consequence of this common denominator framework, we have seen an overwhelming tilt towards a conventional postwar housing type, facilitated by capital deployment and development patterns and driven by many of the issues that we have discussed here, whether it is employment, impacts on planning for infrastructure deployment, or land-use planning. It is the template for how we have evolved as a region and how much of our country has evolved postwar. This has created a huge imbalance regionally in Arizona. Only six percent of all new housing being brought to market was multifamily—condominiums, townhomes, or other multifamily—so we didn't have the diverse base of housing stock building types. Again, a lot of that was driven by these macro-level common denominators that failed to factor in how we think about transportation, location relative to employment opportunities, and educational opportunities.

We are now in the aftermath of the bubble; a serious downturn and have looked at each other in a sober headed

Bus stop in Central City South neighborhood in front of Matthew Henson Hope VI Village

analysis to ask how do we go back to the market, what is our competitive position, and how do we think we will recover locally, regionally, and nationally? All of these questions are interwoven. As we discussed the impact of these common denominators, it became clear that there is a tension between an organizational or bureaucratic inertia and what we see as an idea of a facilitative value-creation process. The common denominators—HUD, FHA, and GSE policies—are all driving private capital decision-making processes and impacting local planning processes. There is an interaction that is inefficiently addressing public value creation or deploying private sector capital and neglecting opportunities to reinforce the value of billion dollar capital investments, like transit or like the $300 million investments in current or future Hope VI projects.

So we are losing opportunities to refashion what our region or city or country can become. Rather than looking at these common denominators as touch points that are reflective only of the organizations that sponsor them—HUD, FHA, or GSEs—we need to look at how those common denominators can start to iteratively reflect a broader vision that addresses transportation, sustainability, and efficient deployment of private or public sector capital dollars and reinforce patterns of development that make sense and ultimately result in new opportunities.

We have the ability to piece together a vision of what we can become regionally, locally, and nationally. The poetry of that vision is undergirded by the prose and pragmatism of these policies. I am going to make decisions on how to deploy capital based on what other rational actors in the marketplace are doing, and those rational actors are going to be driven or guided by these broad policy frameworks. I am going to follow that herd because it doesn't make any sense for me not to. But, as we think about opportunities for HUD and others to impact how this recovery evolves, the nominal impact of decisions by thousands of actors like me overwhelms by far the impact of decisions made by public sector and nonprofit actors. As a consequence, private actors have a huge opportunity to reposition ourselves competitively.

For us, this is very much a regional or local problem. But it is a national problem. To the extent that a policy framework undergirds an emerging regional vision where HUD collaborates with the U.S. Department of Transportation (DOT), Environmental Protection Agency (EPA), and with standards that impact capital deployment, will determine the success of that vision. We have a huge task and rosy future ahead of us competitively. Private sector actors are going to act in a way that reflects how we want to live. I appreciate being able to share these comments and our consternation as we try to figure out where we go next.

Federal Deposit Insurance Corporation Issues
Andrew Gordon
President and CEO
Arizona MultiBank

I am trying to send a message. I am with Arizona MultiBank, a nonprofit community development financial institution that is an initiative of the Arizona Bankers Association. Arizona MultiBank is capitalized by investors including Wells Fargo, JPMorgan Chase, Bank of America, and 15 other banks. In the past year, three of our investing banks have failed and one of our investors, by default, is now the FDIC. I know of a well-established nonprofit that is building "green" homes in a subdivision in south Phoenix that also had a loan at one of these failed institutions. An interest in that loan has now been sold by the FDIC to the highest bidder at a price of 22 cents on the dollar. What might be missing in this picture?

We all are aware of the scale of the problem in Arizona. First National Bank of Arizona and First National Bank of Nevada failed, and many of their assets were purchased by Mutual of Omaha Bank. However, Mutual of Omaha did not acquire certain loans, and the FDIC continued to hold those in their capacity as the receiver charged with the management and disposition of these loans. This is all public information. The FDIC utilized a structured program for the sale of many of these loans through public/private partnership transactions. For example, they have nearly 2,800 single-family residential loans that were in First National Bank's portfolio, totaling approximately $560 million. The FDIC sold a 20 percent interest in this portfolio to a private sector partner to primarily manage the portfolio and dispose of the assets within certain financial goals, incentives, and timeframes. The buyer purchased $112 million of loans for $43 million or 39 cents on the dollar. Who was that buyer? It was a Calabasas, California, company called PennyMac whose key executives are former principals in the mortgage giant Countrywide. Along the same lines, the FDIC sold $146 million or 20 percent of First National Bank's residential construction portfolio, comprised of 520 loans totaling about $732 million, for $32 million or 22 cents on the dollar. This portfolio includes the south Phoenix loan.

As I understand it, the winning private sector bidder on these portfolios are contracted to primarily manage and dispose of the property to reach or exceed stated financial goals—the "how much" and "when." However, I haven't seen a meaningful effort being made to also accomplish outcomes that directly benefit the low- and moderate-income homeowners and communities—the "who." I imagine that many of these loans were identified by banks for Community Reinvestment Act purposes and were credited as such by bank regulators; it seems that there should be some explicit action to avoid unnecessarily truncating intended public purposes that were already set in motion. But, before our eyes, wealthbuilding opportunities in communities most in need seem to be shifting to the highest bidder.

Maybe it would be useful to "circle" community development loans. The nonprofit I mentioned continues to pay full debt service in its loan, but who is benefiting? I believe long-standing public policies should not be suspended to expedite the disposition of pooled troubled assets but, rather, incorporated into bank and regulator strategies to get the best return to the public in terms of dollars and sense, common sense. There are attempts at this kind of conversation, but the impression I get from the people I speak with in the banking world in Arizona is that they are limited in what they can do about this, no matter how much they'd like to.

HUD has advanced public outcomes for decades, and I think this discussion helps to elevate the discourse to the right levels. Just as some banks are "too big to fail," the families and communities, which have made major strides with the encouragement by bank regulators of community reinvestment, are "too significant to fail" or at least too important to the long-term health of our economy that they should not take a back seat.

The opportunity is great, even larger than the Neighborhood Stabilization Program. NSP embraces the guiding principles of what needs to be accomplished, but the scale and impact can be much bigger, especially in relation to the size of the problem in Arizona. I think by partnering with the private sector and civic-minded investors, there are practical business models that show reasonable, but not excessive, financial returns and appropriate benefits to families and the community. Folks on the street are frustrated by what they are seeing and experiencing, and we'd like to work with you to continue with this meaningful dialogue that includes fair and balanced outcomes for the government, the private sector and our communities.

Response
Ron Sims
Deputy Secretary
U.S. Department of Housing & Urban Development

Downtown Phoenix historic neighborhood street

The FDIC has not made a decision of where it is going to land on the issues that you have raised. But, one of their senior managers sent us to a bank that acquired assets through their own operations and is protecting the public interest in an extraordinary way and has done very well financially. They are the only bank doing this. The bank said to us that if we could get everyone to do this, then it could work out well. We met with them, and we are meeting with them again, because we believe that their approach addresses our concern about making sure that, as either banks fail or as we have foreclosures that precipitated that failure, there is not just a pure asset sale but a reflection on how communities have won or lost. This bank said that our job is never to undermine the community—taking a moral position. They believe they will make more money in the short and long run by addressing the public policy and not just making the decision about whether they can make a lot of money. They thought that it was not in their interest to hold properties, as they say, for the sun to rise again, but the issue was to rebuild communities. They have shown on their books that they have made a lot of money with the position that they have taken, and no other bank is headed in their direction. We are likely to elevate these policies, and they have been gracious enough to show us their internal accounting in detail along with an FDIC person so that we can try to get FDIC to adjust their policies. If we do that, there will likely be a great deal of discussion over changing approaches in Washington DC, especially FDIC's approach. We are doing our due diligence, but we agree that this approach should be public-private-public again so that there is not public damage brought about by a private purchase.

On the issue of capital markets, we have already raised this. We have a number of economists assigned to this. We now have data that is so rich that FHA has already tentatively agreed to change their policies on location-specific mortgages and energy-efficient mortgages, but the issue is, how do we enable that and what will be the process to do that?

For Freddy Mac and Fannie Mae, our economists and domestic policy council is working on it and is beginning to explain how you shift the market. If you look at the added value of sustainable, livable communities, there is no recognition of their value in any part of the market. There is no incentive on the mortgage side, if anything there is a disincentive on the mortgage side in how properties are appraised.

I use my own home as an example. We have an older home—hot water radiant heat, which is pretty efficient in cold weather, and we have weatherized our house. When we got our house refinanced, the appraiser said this is a great house, but it was built in 1912 with single pane windows. I said this is hot water heat, the most efficient heat you could get in the Seattle community. The boiler is old but works and probably will for another 200 years. The appraiser did not care. He said could you put another bathroom in the house? Can you make your kitchen more like a restaurant-style kitchen? None of this was energy efficient. It didn't matter that we are "green" in other ways in the house. We got zero credit for anything green. And we have both light rail and bus service, but no credit for that. So I use my house as an example of the inability of markets to respond.

HUD is moving forward on two fronts. One is that we have persuaded the U.S. Department of Treasury to entertain the value of energy-efficient, green, sustainable, location-specific housing as a desirable outcome. That was huge for us because we needed to have their support when we go to the table. The FHA will be with us. We are working with Ginnie Mae, which buys securities from Freddy and Fannie, to give preference points to securities purchases that meet the certain guidelines. That way I won't have to spend my

Roosevelt Square Apartments in central Phoenix

time talking with Freddy and Fannie, who refuse to consider these issues, so we can simply say, we are buying your securities, that is what HUD does. People forget that HUD has over a trillion dollars of Ginnie Mae securities that it holds and that we should use that trigger as well. We are saying that markets should be influenced by a public benefit. If you look at the defaults that occurred, people drove to qualify. We have an established rule of 30 percent of your income for housing. People actually got loans with payments at more than 30 percent of their monthly income because what we didn't count was that transportation costs amounted to another 30 or 40 percent of their income, and energy use for commuting was even higher. All of the sudden, people got out into the far distant suburbs and started scrambling for jobs, but jobs were not there, and they found themselves constrained and isolated economically. There is risk for not moving closer to jobs or looking only for that single-family detached home, which is where both the culture of purchases in this country and the market have gone.

My nephew wanted to buy a home and went to FHA counseling classes. But because he wanted a condo closer to his school and work, he was turned down for financing by FHA lenders, until finally he tried for a conventional loan and got it. There is something wrong with FHA loans if they decline him for a condo closer to his job but did not recognize the additional costs for moving out to a single-family home in the suburbs.

One of the challenges that we return to is literally how we structure the debate and what are the strategies to arrive at our goals so that market forces are actually satisfied. One of those is a blunt conversation with the appraisers. Our economists will say you need to value energy-efficient homes, near transportation corridors, with structures that reduce the impact of global warming, and water conservation efficient. The challenge to HUD is that you have created properties whose value will not move at the rate of market growth. We don't want those properties to be lost. We have to have a mix of housing products. We want to make sure that we have some housing that will always be available to people at 80 percent and will grow at the rate of inflation but will not grow at the rate of markets. So when homeowners do take their equity, it will be an inflationary equity. But it will not be at a market equity rate, so we don't end up in the position that we had this last time where market housing rates grew at a rate that the market did not justify, which is why we are in this dilemma. We can say it is not going to happen again, but it always happens. Our goal will be to give a mix of tools available through FHA, and ultimately if we can get the FDIC fixed that will help on the banking, Freddy Mac, Fannie Mae, and Ginnie Mae sides, as well as on our FHA side.

Reid Butler: I am in the apartment development business along with others on this board. Your own experience—where you couldn't get the appraiser to value sustainable investments that you had already made on your own home—this is a real-time current problem for us. For apartments, you can't get the appraisers and market consultants to come along because there are no comparables (Rebecca Flanagan's office is trying to manage this with her multifamily team). If you want to be energy efficient or transit related, the appraisal team won't go along with you. So it will be interesting in implementation to see how to be able to authorize the consultants to do just what you are saying. Going back to a point Don Keuth made, in our market, there is a huge fear that we will be one of the last states where the private sector will come back. Arizona is getting bullied around at national conferences about how bad things are here, yet we have success stories in our HUD programs—Hope VI, low-income housing tax credits, and other kinds of programs where HUD has created great results in our state. My fear is that we get left behind.

I-10 freeway traffic

The private sector takes off in other places, and nationally, we have this bad rap that our market is no good. We need for HUD to embrace with us and for us the things that we are all trying to do together.

Don Keuth: That works if we are trying to do something different. If it is the same old, same old, I think that you should stay as far away from this place as possible. It is not going to do anyone any good if we are going to keep developing the same way we have always done, because we can't sustain it.

Reid Butler: We want something new. We want better infill. We want more leverage on transit.

Don Keuth: There is an interesting thing that is happening. For the first time ever in the modern history of Phoenix, there has been more money spent this year to replace aging sewer and water lines than on expanding sewer and water. Those curves are not going in the opposite direction. We are beginning to be a little older city, but we are going to have to get into redevelopment, which is brave new territory for this town. If we can do that right, then we can be the poster child for what is the right thing as opposed to what the wrong thing is.

Ron Sims: We know that we have to have capital transformation. We have to affect the behavior of public capital and private capital. That is why our economists went into such detail about saying how can we prove it. People kept saying, "show us," so we will show it to you.

The other thing that helped us is that there is agreement among the domestic agencies about what the desirable results are. We have three groups that are the same for urban and rural areas—those areas that are growing, those that are stagnant, and those that are shrinking. Our issue is: can we get them to do it smartly no matter what status they are in? In Cleveland, they are shrinking; they have acknowledged it. They have an incredible comprehensive plan for what they are willing to do and have started a process to be properly zoned so they can raise their hand when there is money coming out for cities. They want to be in play. Portland, Oregon, organized six counties including one in Washington State to fashion a bi-state region into a common net. The Bay Area Council (ABAG; Association of Bay Area Governments-San Francisco and environs) is saying, tell us how you want performance and we will perform that way. This is what people are beginning to do.

HUD, DOT, and EPA are already cooperating. Right now there are TIGER Grants coming out of USDOT, and HUD is on the rating team, as is EPA, which is a first. All of us have the same voting power, and the idea is to create a cross-pollination and a collaboration. When we come out with our grants, they are on the rating team. EPA comes out with its grants, and we are on the rating team. We are negotiating with the U.S. Department of Agriculture (USDA) right now and with Veteran's Affairs and Health & Human Services (HHS). The idea is that we should not be moving independently of each other. So transportation money will be tied into how we build. We are not going to tell people how to zone land use locally, but we are going to tell people to improve densities. That is a fact of life—densities work. If you don't want to do densities, then you don't want our money, which is fine because someone else will give us density, and we will put money there. Quite frankly, we are going to work with the willing. Our investments will be placed with the willing. We are working on Brownfields programs: there are three different Brownfields programs in HUD, and EPA and EDA each have programs. Our goal is simply to harmonize those programs so we can differentiate what properties we want to put investments into for recovery of residential capacity and which properties should be industrial but none the less cleaned up.

Canals through the city and the desert

As the money flows, we will be offering planning grants. The Sustainability and Livability Office has $150 million, so it is likely you will see competitions for planning grants, and we will address all the issues that you want to address: density, transportation systems, safe and walkable neighborhoods, and healthy communities. EPA is going to ask for clean air and clean water and clean dirt. The Centers for Disease Control (CDC) will come in with health metrics, and HUD will likely come in the with a social metrics group. These will be combined grants that qualify projects and programs for a variety of funding so that people are very clear where we are headed. We want sustainable, livable communities that address opportunities, that are smart, that are dense, that reduce the impact on global warming, and that provide for efficient response for clean air and clean water. It is going to be very interesting as we begin to get the grant applications because we are inviting expertise beyond those in agencies. For instance, Atlanta has a court decision that says in three years, if the judge's decision binds them, that Atlanta will not be able to distribute potable sources of water beyond what it did in 1975—there were one million people in 1975 and 5.6 million now. HUD is going to say, is water an issue? They can't come back to us and say that a project is sustainable until they have resolved whether they are going to have enough water in the metropolitan area to make it work.

When we look at the West, generally, we are going to simply say, growth cannot work independently from the impacts of global warming on potable water supplies—water expansion, capacity, and capability. I live in the West, and people cannot tell me do not think about water. Our issue is, are we being smarter with our use of water? There can be all the plans in the world, but we need to see water addressed in those plans. People assume the Udall bill (for groundwater management) will remain static, but I don't see how it can. It was a distribution bill, but I don't understand how it can enlighten growth management. Nevada wants to grow. Las Vegas wants to keep up with Phoenix. Los Angeles is busy too. Someone has to yield! Our goal is to resolve that issue. Again, the smarter communities conserve water so that you don't have one pool per house.

Those grants will be a place for us to articulate and respond to new visions. We do not believe that business as usual can be sustained, because it is clear that it cannot be—not on a global warming basis and not when we factor in emission values. We are going to say, here are the tools you can use for equity or carbon value—just plug in the data so that you see what we are willing to fund with government funds and what should be in the private sector side on the use of capital. We really want to see public/private partnerships including the philanthropic community. We are looking for these marriages. We will not develop a common approach to everybody. We will pick and choose the "labs"—those areas that are complex, are willing to be innovative and imaginative, and are willing to take undertake an initial action that we can get excited about. So we are not simply going to say, if you are Oregon, you have to do the same thing in the Phoenix metro region.

The President wants to head in this direction, and I think you will see it embodied in the reauthorization bill for transportation. There is going to be a different signal sent.

U. S. Department of Transportation Secretary Ray LaHood testified in Senator Christopher Dodd's committee that if sustainability and livability are the goals of America, then transportation funding has failed that goal for the last 55 years. George Will and others took him to task. No one debates the value of interstates, but we have made them wider and wider and not thought about the land-use decisions. So John Porcari, Deputy Secretary of Transportation, and Peter Rogoff, of the Federal Transit Administration, have

Neighborhood grocery store

tied transportation decisions directly to land-use decisions and clean air and clean water decisions, and they will score out responses based upon that.

USDA is going to ask us for the proximity of neighborhoods to fresh foods—is there a supermarket in that area? And if there isn't, tell us how that is to be achieved, because there is a correlation of fresh food access, no matter where you live, and health outcomes. If fresh food is more than a mile away, there is going to be an unhealthy population, and the data is conclusive. There is no debate on that. If you live a mile away from the market, you are going to be unhealthier. It is a sign of disinvestment not reinvestment.

The Office of Management and Budget asked HUD to come in on everyone else's budget and vice versa. So we had input for EPA, DOT, HHS, and USDA. One of the big issues for the President's goal on healthcare is that we have to show that our activities are reducing long-term healthcare costs; otherwise we have to cut our budgets. Embedded in our budgets and the reason we like sustainability and livability is that we believe that there are two factors that we know in America influence healthcare: your personal values and the neighborhood that you live in. We can predict by zip code and neighborhood the illness rates, morbidity rates, and health of children. So we are now promoting that as a cost of the federal government. We can either reduce that cost as sustainability and livability or allow healthcare costs to go up without those investments. That is why you are going to see a huge push on sustainability and livability at a regional scale.

Feliciano Vera: You are what you measure. For too long, the private sector focused on bottom line performance at the neglect of other impacts or individual agencies focused on their metrics at the neglect of other impacts. To the extent that you have a more holistic, robust set of metrics, we can repopulate these data fields and get a clear sense of what is going on. We have a huge opportunity to refashion and reinvigorate our economy at the regional level and the national level.

Ron Sims: We are looking for people to respond. We are looking for the willing. The willing win. For Phoenix, this area cannot sustain as is. I cannot imagine that happening.

Reid Butler: How do we now continue this discussion with the local HUD office and at the national level?

Ron Sims: The national HUD office is going to provide authority to the local HUD offices, which will have the authority to respond to how they are going to be implemented. Sustainability and livability are going to come down to a series of policies that are going to be performance driven. We always want to be prescriptive, but I said we would not do that. We will simply say that we want a certain level of performance; a specified outcome. The local offices are going to be asked to shepherd the policies, especially when the grants come out, and they will provide that assistance. Federal money is going to go to sustainability, livability, and smarter communities both urban and rural because there is not enough money left to do anything else. So part of it is a budgetary decision—we are not going to grow the deficit, we are going to shrink it—and communities that are sustainable and livable are actually more efficient with the money that they have.

As global financial health is monitored, other nations are in a better capital position than we are now. How did they recover as quickly as they did and where are they making their investments? It is not lost on us that the major metropolitan cities of China have made a decision to go to integrated transportation systems, though they have other challenges in those areas. They are making huge investments in major research

Shanghai, China

institutions and developing a better transportation system. They have to raise their gas prices sooner or later, and there is not enough fuel to sustain their low cost right now. But they are beginning to build their light rail and monorail systems, so we think they are going to function very well. They are our global competitors.

If sustainable and livable communities are efficient economically, the outcome is that they will have more resources to invest in global competitiveness. The real issue is how do we compete in the 21st century against the rest of the world? We do that with smaller populations and an agile, smart, adaptive, intellectual workforce. We will have to spend more money in education and technology. We have exhausted the status quo, and it is time to head in a new directions. There is not a single economist that says that we can sustain the status quo. There will be winners and losers—all markets create that. The losers will be major events—entire cities are at stake. We are talking about where people live, and people will migrate to places that are competitive. The mayor of Detroit is calling for the demolition of entire acres of land because he knows that there will never be development there again, or in a long time. Everyone assumes that their area can't shrink. If markets continue to work as they have, that is likely.

It is dollars and cents. Liberal and conservative economists are saying the same thing: no one is refuting what we are saying about the nature of this economy and its capacity over the next 20 or 30 years. If we try to sustain what we have right now, then if you think that today is bad in terms of recession and inability of government to respond, in 30 years we will be in the abyss trying to climb out of a hole so deep that the question for the rest of the world will be, are we capable of doing it.

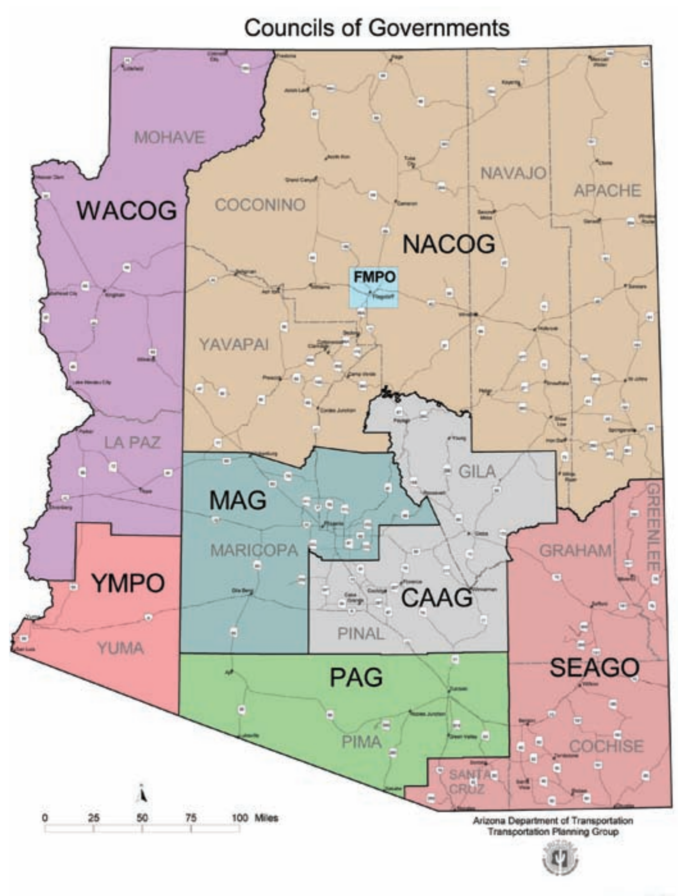
Kurt Creager: The hard part is the political unity. From a meta standpoint, the Maricopa Association of Governments, or MAG, may be the wrong entity because it is not meta by itself being confined to one county in a metro area that now includes three counties. It is a significant portion of the metropolitan area, but it does not include the adjacent counties of Pima and Pinal, which together constitute the entire area. To be game changing regional thinking on our part, we need to be going on the I-10 to meet with Los Angeles Mayor Villaraigosa, where you are really talking about true metropolitan planning instead of compliance planning, which is what MAG's transportation planning has been up to now. The metropolitan planning areas need to be crossing those county lines and including the entire commutershed and airshed.

Ron Sims: We don't believe we will get the mega-regional planning, except for the New England states, which are more comfortable with that. If we got Maricopa County to do a single plan to embody every element that we have been talking about—that would be very significant. That would be an attention grabber. Particularly since you would be saying that the entire county is heading in a different direction and not just one small piece here or one small piece there. We have other areas the size of Maricopa County that want to do more. HUD is asking, is there literally a sea change taking place and how are people doing this work?

Feliciano Vera: What is exciting about Phoenix is that this kind of change is in our civic DNA. That type of regional thinking or civic thinking is in our civic DNA. The development of this valley was predicated on this confluence of interests with the Salt River Project. We would not have developed the bones for our metropolitan region if we had not been able to set aside our differences as individuals and as entities—whether cities or farmers or private entities—to say that my ability to succeed and thrive in this environment is going to be predicated on my ability to look after your health and welfare. So we have it in our civic DNA. It is a matter of rediscovering that and approaching this new century with new opportunity and with that same vigor. That is going to require leadership at HUD at the staff level, from our municipalities, from MAG, and our elected officials. Each and every one of us is going to be making our cause when we leave this room to say, mayor we have to think about how this works.

Ron Sims: All I can say is that we are going to fund the willing.

Conrad Egan: I would like to applaud these ideas and thank Deputy Secretary Sims for his time and attention.



Arizona Councils of Governments map showing Arizona Department of Transportation Planning Groups. Map courtesy Maricopa Association of Governments website www.mag.maricopa.gov/maps.cms.

A. E. England Building and the Phoenix Civic Space Park

RON SIMS, DEPUTY SECRETARY
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT
PRESENTATION: A.E. ENGLAND BUILDING, PHOENIX, ARIZONA
NOVEMBER 8, 2009

Introduction
Conrad Egan
President and Chief Executive Officer
National Housing Conference (NHC)

I serve on the advisory board of the ASU Stardust Center for Affordable Homes and the Family and have the privilege of introducing Deputy Secretary for the U.S. Department of Housing & Urban Development (HUD) Ron Sims. But before I do that, I want to recognize my honorary cochair, Roger Platt from the US Green Building Council. The 2009 International Greenbuild Conference is currently taking place at the Phoenix Convention Center with nearly 27,000 attendees.

I want to recognize the symbolism of the building that we are in—the A. E. England Building. It is a former auto dealership. It is ironic if not moving, that here as we talk about new ideas, new ways to connect, and new ways to transport, that the light rail is going by right just outside the building. The juxtaposition of this new wonderful space in an historic building and the light rail, the future of Phoenix and the Valley, is so exciting. The whole sweep of this area—the Civic Space Park—has been transformed. I was happy that these proceedings are taking place here.

We are honored to have Deputy Secretary Ron Sims here this evening. He is the former county executive of King County, Washington, which is the 13th most populous county in the nation and is a metropolitan area of 1.8 million residents, 39 cities including Seattle and Redmond, and accounts for more than 40 percent of the state's jobs. A number of major corporations are headquartered there, including Boeing, Starbucks, and Nordstrom, not to mention the Bill & Melinda Gates Foundation, which is a major force there.

I want to quote from a statement that HUD Secretary Shaun Donovan made in announcing Deputy Secretary Sims to the position as the Deputy Secretary of HUD. I can't think of a better way to describe him than through the voice of Secretary Donovan.

"Ron's track record as an innovative leader with an exciting vision for the future of our nation's communities makes him a perfect deputy secretary candidate. As we tackle the nation's housing crisis in the biggest economic downturn in decades, his experience at the helm of a large urban government provides a critical perspective and his collaborative approach to problem solving has prepared him to effectively lead HUD's operations as the agency charts a new aggressive course. He is the perfect person to help HUD return to national leadership on metropolitan planning. Together, we will work with President Obama to ensure that HUD is doing all it can to help the nation's communities recover from today's economic realities and better position them for the future."

On behalf of myself, as a former member of the HUD staff, and all the HUD employees and past and present, please join me in welcoming Deputy Secretary Ron Sims.

Ron Sims
Deputy Secretary
U.S. Department of Housing & Urban Development

It is good seeing so many of my HUD friends, including Kurt Creager who comes from King County. I want to thank the U.S. Green Building Council for their participation in this effort. All the parties that are making this sustainable communities building event—the 2009 International Greenbuild Conference—are extraordinary in their effort. I want to thank Conrad for your leadership. You have been persistent, you have been an advocate, you have been relentless, and I am glad you are on our side.

I want to talk about sustainable development and where we are going. First of all, a lot of people know that U.S. Department of Housing & Urban Development Secretary Shaun Donovan initiated this sustainability focus. Secretary Donovan is one of those marvelous intellects with incredible energy. He has decided that HUD should operate at 190 miles an hour. We were in teleconference today and when we finished, I said, “Oh wow, we just accelerated.” He is a person that believes if we need to make change, we need to make change now. His vision for HUD is no longer to be a housing agency; it is going to be a community development agency. All the pieces need to be in place, whether it is transportation or services or EPA’s clean air, clean water, clean lands; he’s integrating it all.

I want to talk about sustainability, why we are doing it, and why it even makes sense.

The history of this country is such that we know that every 40 or 50 years, we have a sea change in who gets elected. We don’t know why we wait that long, but evidently, the forces of our history dictate that every 40 or 50 years the public decides that there has got to be something radically different than what we have done—that is why we are a great country. That period is the period of President Obama. For every reason, we have to know that this is a sea change period. I am a person who likes to read, and I have a friend who writes about history—Timothy Egan. He has a wonderful book called *The Big Burn,* which talks about Teddy Roosevelt. Roosevelt was one of those people who was a sea change and not particularly popular at the time. As a matter of fact, he encountered great resistance politically. Nonetheless, we moved forward, and we made extraordinary change. The National Park system was created under his stewardship, for example. Every president in that cycle has done that. You see that with President Obama. People are saying why do we have to change? Even after they elected him. Those forces are going to create great change in this country.

Sustainability and livability are going to be among those key changes for a number of different reasons. One is that President Obama wants it. Two is that Congress has accepted it as a good idea. But how do we implement it?

I want to thank the Stardust Center for creating their “Blueprint for a Sustainable Recovery” here. This is a great program that asks if the Phoenix metropolitan area can grow as it always has. Is it sustainable? And the answer is that one cannot believe that what is occurring now is going to be sustainable. We can’t afford it, we don’t have the resources for it, it doesn’t make sense, and it doesn’t become attractive over all to continue to sprawl and make investments and decisions that cannot be sustained over time. Every community says to itself, but we CAN become bigger, and we CAN become better. No, you can become smarter—that is the key. If you are using taxpayer dollars, you can’t be the place that has all the global warming problems because you didn’t reduce your impacts on global warming. You can build another 800 miles of highway but still have congestion in your community. Will you have enough water? How do you

Arizona subdivisions reaching into the desert

mobilize existing resources?That is why the blueprint is so key, and why sustainable development and living is now a mantra for the federal government.

We are in the most competitive century ever in humankind. There are going to be global winners and there are going to be losers. In 1948, the city of promise was Detroit. That was where the automobile industry was being birthed; everyone was going to Detroit for the American Dream—a job and a house. And that stopped. It is over. Detroit is now a rapidly shrinking city. Pittsburgh is now a smart shrinking city, because it has realized that the steel mills are no longer going to feed its economy. We have the same situation with Birmingham, Alabama, which was another steel mill city that has lost its ability to mobilize and grow. St. Louis has done the same thing. And we have small towns like Youngstown, Ohio, another small shrinking city. Or where I grew up in Spokane, Washington, that was the Queen City of the Inland Empire. It had the World's Fair in 1974. We were going to show everyone that we were the center of the universe. At the time, it was a center of agriculture, mining, and timber. All of those industries are much diminished, and the city is now trying to find its way with new technology. It had huge plants: the Kaiser Aluminum plants, the smelter in Mead—it was going to be the forever place—like Detroit. In this century, it is going to be the smart communities that prevail. The ones that are focused with their investments. The ones that say there have got to be efficiency in our living systems and our transportation systems. Because as you sprawl, there is a cost. There are no free lunches.

When I worked for the Federal Trade Commission, there was a congressman named Randy Smith. I was young and brash, and I thought that bread should be free. So at lunch one day, he decided to give an economics lesson. He put up a piece of bread and said, does anyone here believe that bread should be free? I was the first one to raise my hand. Everyone knew that I thought that basics should be free. When he finished costing it out, I was so angry. Acquisition of materials, the wages paid to make a single loaf of bread, the transport costs, the shelving costs, all added up. As he proved, there are no free lunches. Just as there are no free lunches in sprawl. Sprawl never pays for itself. Sprawl requires new infrastructure, which is more costly to deliver than repairing existing infrastructure. Sprawl moves people further away from their jobs, which means you have to expand road capacity to get them to their jobs. On the healthcare side, we can predict that if you commute an hour, we can likely tell you the disease trends that you will have in your late 50s and early 60s because the body was never designed to handle that kind of stress. So for stress-related disease, we can ask—did you live an hour or more away from your place of business? If we are going to have healthcare in this country—and every great country has healthcare for its citizens—we are going to have to focus on the effects of the built environment.

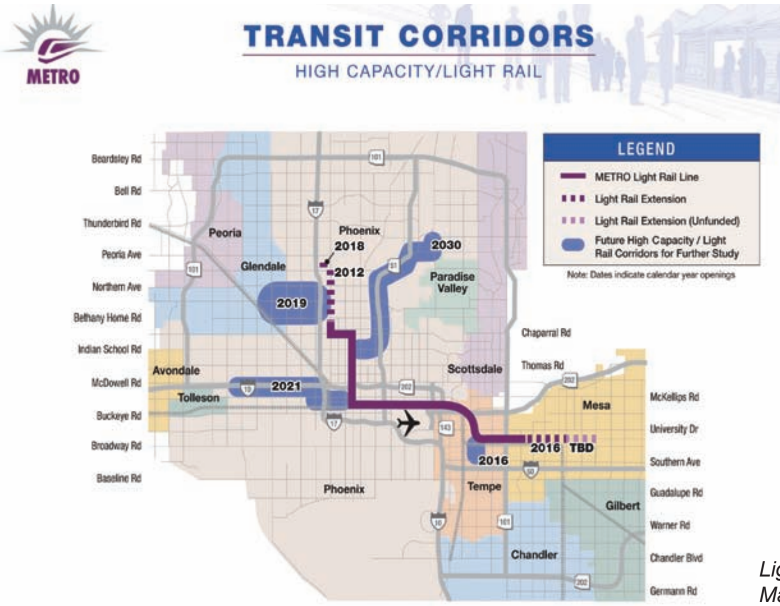
This is a period of time of great opportunity. Sustainability and livability work incredibly well, but we need to be smarter. Denver's decision to move forward with 100 miles of new light rail is a very smart decision by a smart mayor. The mayor of Cleveland's decision to say, yes, we are shrinking. We need to be smarter, so all of those neighborhoods that we have torn down are to be replanted for urban agriculture. We are also going to capitalize on our medical systems, which are our strength. Though that will not employ the same numbers that we had before, we will form a co-op operated by poor people to always make sure that as we move our economy forward those co-ops will be hiring people who are only poor and give them a chance. It is an experiment done in Spain, which was a great success there, and is now being tried in Cleveland. It is hard to go to your community and say, we will never be the same, yet Cleveland's mayor did thatPhoenix is different than other places. There are probably enough housing development plats to last until 2025, because everyone filed plats for new development. This unbuilt capacity plus the incredible amount of foreclosures equals a large existing capacity. So, there is great opportunity but you have to think smarter now. What is smart? That is what sustainability is.

When we look at the federal budget, which cannot grow—no one is talking about moving the debt up, we will be trying to move the debt down—it means that we have to be very focused on our investments to get the greatest return that we can. We are looking at sustainable development because we like density. Densities create proximity to jobs and that is critically important. Densities create walkable neighborhoods, or should do that, which reduces healthcare impacts. Densities also reduce our impact upon global warming, which is an enunciated goal of this administration. We are not going to be building the neighborhoods that we have built in the past, and thank goodness. This is a period of great imagination. We are telling people that we are going to "green out" buildings. What does an energy-efficient building look like? We have green development for people who are wealthy, which is where most of the energy for green development is going. How do you build an affordable green building? What do we want on a sustainable building? First, we want a healthy building, and second we want an energy efficient home with a really smart use of resources for both water and energy and a location that reduces transportation costs. We like infill housing because that makes for a smarter use of available land so that we don't have an untapped resource. We have thousands of acres in cities that are unused. We even have more thousands of acres in cities that could be used much more effectively and efficiently. That is what they are doing in the competing cities of the world.

In spite all the other problems that Shanghai has, it has been putting in place smart, sustainable policies. It is putting money into research universities. It is building high-speed systems for light rail, trolley systems, bicycle paths (even though they are trying to discourage automobile use and are raising gas prices, their streets are terribly congested), and are having jobs approximate to where people are living. They want to be competitive city.

I have often said that in my city of Seattle, we think that Microsoft will always be with us and are convinced that they cannot move anywhere else. But Microsoft has more offices outside of Seattle and outside of the U.S. than in it. Their home may be there because Bill Gates will always hold that area near and dear. He does not want to travel by jet to go see his headquarters. But it is clear that they are global. And in a global age, the only places that are going to attract talent are smart places with a higher quality of life, with excellent investments in infrastructure, and with cities and counties that work.

Why do we want to discourage automobile use and encourage public transportation use? Very simple reasons. We think that public transportation is the mode of the future. We believe it is an investment that the federal government will be making because of the method of paying for it. In this next reauthorization, I believe the President is going to say that it is time to believe more in public transportation because we know that we cannot build our way out of our environment. We cannot make enough highways to accommodate growing demand for transport. We are going to have to make the investment in public transportation, which is best achieved in communities that are dense. The idea of having a 50-mile rail line and having only 100 people on it is not going to satisfy anyone. We are going to have to be effective with these funds. I have to applaud Phoenix for the light rail line, which has eclipsed everyone's expectations and doubters—me being one of



Light rail existing and proposed corridors.
Map courtesy Valley Metro.

them—this community loves their automobiles. But the light rail eclipsed all of its ridership numbers because it is a tool and will be used if provided. I was at a conference and someone said to me, if it can work in Phoenix, we can make it work all over the country. It was something that was daring, but it was dared, and it worked. Our challenge is to make it more effective than ever before.

Under Secretary Donovan, HUD is going to work very quickly to reduce the silos that we have in government. He met with DOT Secretary La Hood to ask about integrating transportation into the built environment. This had never been done before. The idea is if you are going to put a light rail system in, at least know what HUD is thinking. If you are going to put high-speed rail in—which is in growth corridors—talk to HUD. So there was a formal memorandum of understanding executed between HUD and DOT. There are six principles with language that all agencies have agreed to right down to the periods. The principals of sustainability and livability are the same between HUD, EPA, and DOT, because clean water and clean air and clean lands—the goals of EPA—are important to all. Dirty air does not stop at a region or county line. HUD's goals of sustainability and livability have to address clean air, water, and land.

Secretary Ray LaHood, along with Secretary Donovan, testified in Senator Christopher Dodd's Senate Banking Committee, and Secretary LaHood said, "If sustainability and livability of our communities was the goal of our transportation system, we have failed." He got attacked on that because they asked, what about the interstate system? He said that works fine but look at all the money we have spent; it did not lead us to sustainability and livability. Tight knit communities, which use land efficiently, are green building communities and are healthy communities in terms of where people can walk, live, and shop. Seventeen million Americans do not have access to fresh food in urban areas because the stores are beyond one mile away and are not walkable, and there is no adequate public transportation system. We have to have access to fresh food because a healthy population allows us to be competitive. If you are conservative, you might say this is the best use of dollars and resources. If you are liberal, it is the most responsible thing to do environmentally. If you are into social justice, we can predict the lifetime earnings of children by zip code, and we can predict the kind of illnesses you are going to get by zip code. When a community health assessment tool was applied in King County and then in Modesto, California, the exact same data outcomes were found. Recently Portland took the same tool and applied it to the six counties in the metropolitan region, and they got the exact same data outcomes. In terms of how we have built our communities—poor people do not live in sustainable communities, which is why we see the consequences that develop. Right now, sustainability has been for the wealthy; it has not been a place for the average person. Our policy is to change this extraordinary place called America so that everybody gains.

Why do I feel so passionate about sustainability and livability? Because it is difficult for me to understand any argument against it. Though some people call it social engineering, the lack of planning is social engineering or also called chaos. Our argument is that you need to be smarter than everyone else, because in this globally competitive age, there will be winners and there will be losers. Metropolitan areas that do not embark on sustainable living elements will lose this century. Market forces don't care what happens in Houston or Dallas when people can move elsewhere. Cities are looking for how to attract talent, but it is hard to attract talent to a place that is polluted. People are looking for great schools and clean air and water. That is what sustainability and livability is. Congress has authorized $150 million for HUD's Office of Sustainability. Fifty million dollars will be for planning

Urban gardens

grants. Until now, it has been city by city, but we are looking for regions to respond. Remember, air pollution does not stop at the city line. So how metropolitan areas plan—that is key. Another $40 million will be for grants for energy efficiency projects and tying in transportation. Then there is $10 million for HUD/USDOT grants to work together. I think we are at a time with this administration where we can do really great things.

We are going to deal with the willing. If I have to convince you that sustainability is the way to go, we don't have the money or the time. America is moved by people who grasp opportunity. The communities who are willing to do that will win. That is where our President is going to make our investments. That is what we are going to see coming from HUD, DOT, EPA, HHS, and the CDC, who say that they have got to make sustainability a part of their goals because we know that sprawl is disease and illness inducing, and sustainable communities are a corrective action.

Sustainability and livability means that we aren't going to leave anybody behind. We are going to put people in neighborhoods were everyone has a chance, where everyone has an opportunity to be healthy, to be smart, to be effective, and to be able to get those things we call the American Dream.

At this time, we have to say we are Americans for a reason. The grandest plan in the world. In the history of the world, no country has achieved this greatness without a common gene pool. We live in a country of diversity. Sustainability and livability is a cause. There are people who will always love the status quo. There will always be the naysayers—people will tell you, "You can't do anything." Like going to the moon or treating polio or building new city centers. We are a country of innovators and imagination. That is what America is. Only in America.

But there are those who ask if have we lost our innovative touch; if have we lost out ability to aspire. No. Our history is filled with the will to overcome one big problem over another big problem. This country has never taken the easy way and has never held back from anything. It has always been cutting edge. I want an America that has energy-efficient green housing and sustainable living environments because that is what a smart America would do. I want an America that continues to attract talent and doesn't chase it away. An America that has clean air and clean water and that has reduced its impact on global warming. And an America with great transportation systems so that we don't have to say they are not as good as the European systems or urban densities. Why should other countries be doing those things better or are better at it? What has happened to America? The U.S. is not running for second place or for mediocrity. We must plan for the next seven generations. How we build is our statement of life. It defines us. We built great cathedrals when religion ruled; we built great banks when banks ruled. What will rule this century? I hope that it will be great neighborhoods and communities. The country that created the information age should not fall second or third or nineteenth in the sustainability age, because there is going to be the sustainability age in this age of global warming. So I would ask all of you here in Phoenix: you have a living lab—with perfect weather as my son says—at the crossroads of its future. You have options—continue what you have always done or change course. You can be the community that turned it around, embraced sustainability, kept its perfect weather, and looked forward to a wonderful future.

Life is a gift. We have been given an extraordinary gift. The question is, are you going to pursue that dream and embrace it or are you going to run from it? I ask you to embrace it. The next seven generations will either judge you as having no dreams or applaud you for the dreams you pursued.

Thank you very much for inviting me to Arizona to share my thoughts with you today. I look forward to working with you in the years to come to make our communities more livable.

BIOGRAPHIES

Teresa Brice
Executive Director
Local Initiatives Support Corporation (LISC) Phoenix

Teresa Brice is a respected professional in the nonprofit sector with broad experience in bringing together community groups with policymakers. Her commitment to community advocacy began over 25 years ago as an attorney for Community Legal Services, where she assisted neighborhood groups in the Phoenix metro area to apply for Community Development Block Grant funding for grassroots projects. Brice has been involved in shaping policy at all levels: she served on the task force to create Mesa's first housing master plan, on the Regional Workforce Housing Task Force for Maricopa County, on Arizona's State Housing Commission, on the steering committee for the Community Development Coalition of Arizona, and on national advisory boards for the Enterprise Foundation and JP Morgan Chase Bank. In September 2005, Brice was awarded the prestigious Loeb Fellowship through the Graduate School of Design at Harvard University for the 2005–2006 academic year. At Harvard, she explored urban planning and design and Smart Growth policies. Brice was named Program Director for the Phoenix office of the Local Initiatives Support Corporation (LISC) in August 2006.

Kurt Creager
Executive Director
ASU Stardust Center for Affordable Homes and the Family
in the Herberger Institute School of Architecture and Landscape Architecture

Kurt Creager serves as Executive Director for the Stardust Center, a housing and community development center within ASU's Herberger Institute School of Architecture and Landscape Architecture. As a 30-year practitioner, Creager has focused on policy, program, and project implementation. In recent years, this practice has centered upon place making and community building through mixed-income and mixed-use development projects in the Seattle, Portland/Vancouver, Phoenix, and Los Angeles areas. As a public official, Creager has worked in planning and management positions responsible for local and regional land use, housing, economic development, and environmental plans and policy. In King County, Creager worked for two county executives as chief of housing and economic development responsible for a 27-city consortium benefiting the Seattle region. Creager is past president of the National Association of Housing and Redevelopment Officials (NAHRO), Washington D.C. He also serves on the board of the Housing Development Law Institute in Washington D.C. He has served as an editorial advisory board member for *Affordable Housing Finance* magazine and as a trainer of entrepreneurship at Rutgers University, the State University of New Jersey, and the Public Housing Authority Director's Association in Washington D.C.

Conrad Egan
President and Chief Executive Officer
National Housing Conference (NHC)

Conrad Egan became the president and chief executive officer of NHC in 2003, after serving for five years as NHC's director of policy. During 2001 and 2002, Egan was on a leave of absence from NHC so that he could serve as executive director of the Millennial Housing Commission. Egan's involvement in community development and housing dates back to 1965, when he worked on local housing activities in Detroit, Michigan. In 1969, Egan joined the staff of the U. S. Department of Housing & Urban Development (HUD), serving in a variety of headquarters and field assignments including serving as director of the Office of Multifamily Housing Management. He later rejoined HUD staff as a special assistant to the Deputy Assistant Secretary for Multifamily Programs and then as a special assistant to former HUD Secretary Henry Cisneros. From 1986 to 1993, Egan was executive vice president of NHP Inc., at the time one of the nation's largest multifamily property owners and managers. Egan's commitment to housing issues extends beyond the workplace into community service. He served for eight years as a commissioner for the Fairfax County, Virginia, Redevelopment and Housing Authority (FCRHA) and as chairman of the FCRHA for six of those years.

Andrew W. Gordon, President and CEO
Arizona MultiBank

Andrew Gordon is President of Arizona MultiBank Community Development Corporation. MultiBank is certified by the U.S. Department of Treasury and has provided over $42 million in loans to nearly 400 community development projects that include small businesses, nonprofit organizations, and affordable housing projects throughout Arizona. Total project investment in these projects exceeds $160 million. Prior to joining MultiBank in 1991, Gordon was senior vice president of the Financial Services Corporation of New York City. He was part of the original start-up team of this economic development bank that provided over $2 billion in financings and assisted over 1,000 small business and community projects. Gordon is a former VISTA volunteer and received his B.S. from Yale College in Administrative Sciences and his Ed.M. from Harvard University in Administration Planning and Social Policy. He is chair of the Phoenix Advisory Committee of the Local Initiatives Support Corporation (LISC) and serves on the advisory boards of Magnet Capital, LLC, a venture capital Small Business Investment Company (SBIC) licensed by the U.S. Small Business Administration (SBA), and ASU Stardust Center for Affordable Homes and the Family. He is on the faculty of the National Community Development Lending School and teaches small business finance. The Arizona District Office of the SBA has recognized Gordon with the "Small Business Financial Services Champion of the Year" award.

Don Keuth
President
Phoenix Community Alliance

Don Keuth has been President of the Phoenix Community Alliance since January 1, 1998. The Phoenix Community Alliance (PCA) is a nonprofit organization formed in 1983 to help create a dynamic and vital central city core. Prior to joining PCA, Keuth headed the Phoenix offices for two architectural/engineering firms that focused on public sector projects including the Herberger Theater, the State Supreme Court Building, and numerous elementary and high schools, parks, and roadways. In addition to his duties at PCA, Keuth is also 2009 Chair of the City of Phoenix Planning Commission, President of the City of Phoenix Industrial Development Authority, and a member of the Legislative Governmental Mall Commission. He also serves on the Board of Directors for Valley Partnership and is a member of the Phoenix College Advisory Board, the ASU Provost Business Advisory Council, ASU College of Nursing & Health Innovation Business Advisory Group, NAU President's Valley Board of Advisors, and University of Arizona College of Medicine Advisory Board. He also is vice-chair of the Channel 8-KAET Community Advisory Board and the President's Advisory Council for Gateway Community College.

Ron Sims
Deputy Secretary
U.S. Department of Housing & Urban Development

Ron Sims is the Deputy Secretary for the U.S. Department of Housing and Urban Development. As the second most senior official at HUD, Sims is responsible for managing the department's day-to-day operations, a nearly $40 billion annual operating budget, and the agency's 8,500 employees. Sims previously served as the executive for the King County, Washington, the 13th largest county in the nation in a metropolitan area of 1.8 million residents and 39 cities including the cities of Seattle, Bellevue, and Redmond. While serving three terms, Sims was nationally recognized for his work on transportation, homelessness, climate change, healthcare reform, urban development, and affordable housing. His leadership in affordable housing and multiple community and housing partnerships have funded 5,632 units of housing during his 12 years. Sims was named Leader of the Year by *American City and County Magazine* in July 2008 and was recognized as one of *Governing Magazine's* Government Officials of the Year in 2007. He has been honored with national awards from the Sierra Club, the Environmental Protection Agency, and the National Committee for Quality Assurance. Sims joined Senator Edward Kennedy and California Governor Arnold Schwarzenegger as recipients of the 2008 Health Quality Award from the National Committee for Quality Assurance. Sims and King County are also recipients of HUD's prestigious Robert L. Woodson Jr. Affordable Communities Award for 2005. Born in Spokane, Washington in 1948, Sims is a graduate of Central Washington University.

Feliciano Vera
Habitat Metro LLC

As a partner with Wm. Timothy Sprague and John B. Hill, Vera is currently developing residential and mixed-use projects in the Phoenix metropolitan market. He is a partner in Portland Place Condominiums, a multiphase redevelopment project located in the Roosevelt Historic District in downtown Phoenix, Arizona. The project's three phases comprise a total of 270 residential flats and condominiums. Construction on Phase I was completed in July 2007, with 52 of 54 units sold prior to completion. With Messrs. Sprague and Hill, he is a founding principal of Habitat Metro, LLC, a real estate development firm. Vera leads the firm's entitlement and planning activities. In addition to his responsibilities with Habitat, Vera's firm, the Praxis Group, LLC ,was responsible for the conceptualization, structure, and capitalization of Chicanos por La Causa, Inc.'s New Markets Tax Credit program and was successful in raising $15 million for the program's initial capitalization. Vera is the chair of the City of Phoenix License Appeals Board, member, KAET-TV Community Advisory Board, and member of the ASU Stardust Center Advisory Board and has been a member of the Actors Theatre of Phoenix Board and a member of Arizona League of Conservation Voters Board. Vera is a graduate of Harvard College.

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