“Where Will the Poor Live? Housing Policy and the Location of Low-Income Households”

Fourth Annual Berkeley Conference on Housing and Urban Policy
Andersen Auditorium, Haas School of Business
University of California, Berkeley
February 7, 2003

CONFERENCE PROGRAM
Conference Agenda

WHERE WILL THE POOR LIVE?
HOUSING POLICY AND THE LOCATION OF LOW-INCOME HOUSEHOLDS

Fourth Annual Berkeley Conference on Housing and Urban Policy

Sponsored by Berkeley Program on Housing and Urban Policy

Friday, February 7, 2003

Andersen Auditorium
Haas School of Business
University of California, Berkeley

Goldman School of Public Policy
Haas School of Business
College of Environmental Design

Institute of Business and Economic Research
Fisher Center for Real Estate and Urban Economics
"Where Will The Poor Live? Housing Policy and the Location of Low-Income Households"

7:30-8:00am  Registration & Morning Coffee

8:00-8:10am  Welcome and Introductions
   John Quigley
   Terner Distinguished Professor, UC Berkeley
   John Landis, Chair
   Dept. of City and Regional Planning, UC Berkeley

8:15-9:00am  OPENING KEYNOTE:
   NEW DIRECTIONS IN MIXED-INCOME DEVELOPMENT
   Henry Cisneros
   American CityVista

9:00-9:15am  Break

9:15-9:30am  CENSUS 2000: LESSONS LEARNED
   Larry Rosenthal
   UC Berkeley

9:30-10:45am  INTEGRATING THE POOR IN METROPOLITAN AREAS
   Steven Raphael, Moderator
   UC Berkeley
   Ophelia Basgal
   Housing Authority of Alameda County
   Carlos Romero
   Mission Housing Development Corporation
   Margery Austin Turner
   Urban Institute

10:45-11:00am  Break

11:00-12:15pm  OVERCOMING LOCAL RESISTANCE TOWARD HOUSING FOR POOR FAMILIES
   Michael Stoll, Moderator
   UCLA
   Paul Lewis
   Public Policy Institute of California
   Edwin Mills
   Northwestern University
   Michael Rawson
   California Affordable Housing Law Project

12:15-12:30pm  Break

12:30-1:15pm  CLOSING KEYNOTE:
   LOCAL POLICY STRATEGIES FOR INTEGRATING THE METROPOLIS
   Mayor Ron Gonzales
   City of San Jose
   David Kirp, Moderator
   UC Berkeley

1:15pm  Adjournment; Lunch
CONFERENCE SUMMARY
Introduction

Since its founding in 1998, the Berkeley Program on Housing and Urban Policy ("BPHUP") has established a reputation as a center of academic excellence and national leadership in housing studies and the application of knowledge to the study of housing and urban policymaking. To further its mission, BPHUP sponsors an annual Berkeley Conference on Housing and Urban Policy, attended by over 300 nonprofit and private-sector housing development professionals, government officials, community organizers, graduate and undergraduate students, and academics. The annual conference has garnered a well-earned reputation as a forum for thought-provoking discussion panels, important research presentations, networking opportunities, and broad-minded content pertinent to leading professionals and academics in the housing and urban policy field.

The annual conference, supported by the generous sponsorship of the Fannie Mae Foundation, honors the legacy of BRIDGE Housing Corporation founder I. Donald Terner, who devoted his professional life to the goal of providing housing affordable to all American households. Terner's multifaceted career – featuring noteworthy stints in academia, government, and the private and nonprofit sectors – mirrors the multidisciplinary imprint of the annual conference and its core audiences.

This report summarizes “Where Will the Poor Live? Housing Policy and the Location of Low-Income Households,” the Fourth Annual Berkeley Conference on Housing and Urban Policy, held February 7, 2003 at the Andersen Auditorium, Haas School of Business on the Berkeley campus. The conference this year focused primarily on facilitated discussion rather than formal research presentations, and this report presents the reader a reprise of the discourse and debate, on sensitive policy questions, which marked the day.
Placing Low-Income Households in the Metropolis

Berkeley's conference this year explored market and subsidy processes for locating low-income households within metropolitan areas. The conference day was designed to address two features of these intertwined processes. The first essentially concerns the administration of demand- and supply-side assistance in the housing sector. How does geography influence the operation of programs like Section 8 and HOPE VI within varying housing-market environments? The second focus relates to local political impediments: what impediments obstruct development of housing units affordable to low-income households, and what strategies fare best in finessing these impediments?

BPHUP’s director John Quigley, who holds UC Berkeley’s I. Donald Terner Distinguished Professorship, framed the proceedings in his opening remarks. Prof. Quigley described the day’s topics as socially important but politically contentious. Integrating lower income households in metropolitan areas presupposes the necessary capacity to absorb them. Poorer families are entitled to housing that is decent and safe but, necessarily, financially feasible for them. Real integration also presupposes there are no artificial constraints on the geographical locations of dwellings for those of modest means. Quigley then identified several key areas for policy research, such as: (1) whether federal housing subsidies promote segregation of lower-income households from the mainstream, and if so, how these incentives can be changed; and (2) whether local housing policies promote spatial integration of households within towns and cities, and whether the fiscal motivations for doing so can be modified. Quigley invited conference participants to explore how the increased supply of privately-financed for-profit development affects spatial outcomes for all households. He acknowledged that these complicated issues involve economics, politics, and even ethical principles, and that addressing
these concerns necessarily involves public, private and nonprofit institutions, as well as governments at federal, state, regional, and local levels.

**Opening Keynote:** "New Directions in Mixed-Income Development"

*(Former HUD Secretary Henry Cisneros)*

These themes were then engaged during a lengthy keynote address by Henry Cisneros, a former Secretary of the United States Department of Housing and Urban Development under President Bill Clinton and currently head of American CityVista, a community housing developer partnered with homebuilder KB HOME. A four-term mayor of San Antonio, Texas earlier in his career, Cisneros opened the proceedings by first describing the current state of affordable housing policy nationwide.

A key factor influencing policy formation is demographic change, highlighted by the rapid growth of the Latino population, both in absolute and percentage terms. This trend is particularly pronounced in California, where Latinos are expected to constitute a larger portion of the population than non-Latino whites by the year 2025 (greater than 40%). Cisneros emphasized that immigration will also continue to alter the demographic picture; the next generation's newcomers will enter California from primarily Spanish-speaking countries and from Asia. Of the approximately 800,000 legal immigrants entering the country annually, one-quarter settle in California, and another 40 percent settle in New York, Texas, Florida, Illinois, and New Jersey. These trends have particularly important implications for urban policy, inasmuch as urban minority households tend to be younger, larger, and include more workers than the average urban household. Furthermore, minorities comprise a growing segment of the middle class, making up almost half of all first-time homeowners. However, Cisneros indicated,

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1 Cisneros was introduced by Prof. John Landis, Chair of UC Berkeley's Department of City and Regional Planning.
significant progress remains to be made in extending homeownership opportunities to minority households.

Cisneros described a "housing continuum" of differing programs, services and markets addressing a variety of demand and need along the income distribution. He provided policy recommendations applicable to each of seven steps along the continuum he outlined: (1) shelter, (2) transitional housing, (3) public housing, (4) assisted housing, (5) rental housing, (6) first-time homebuying, and (7) owner-occupancy. The poorest households utilize housing services requiring the greatest levels of public investment. Cisneros later detailed how these policy prescriptions respond to the more general affordability challenges confronting low- and moderate-income households in many metropolitan areas.

For the homeless, according to Cisneros, simple shelter should be combined with mental health and drug-abuse treatment to promote movement beyond poverty and other obstacles to self-sufficiency. For individuals and families emerging from homelessness, transitional housing programs integrate additional health-care and job-training services boosting employment and savings. Cisneros emphasized that service-enriched assisted housing can save lives; AIDS survival rates, for example, have been shown to be directly correlated with housing conditions.

In public housing, historically poor design and planning led to management miscues and excessive concentration of poverty. Contrary to recent budgetary restrictions proposed by the Bush Administration, Cisneros advocated the continuation of large-scale renovation through a fully funded HOPE VI program, leading to smaller, mixed-income communities built on scattered sites throughout urban areas. Cisneros extolled progress toward integration of poor families in cities like Boston, Atlanta and Baltimore. Once a minimal threshold of neighborhood redevelopment is surpassed, private investment enters to sustain the improvements.
Cisneros spoke at length about the housing-continuum stage he referred to as "assisted housing." He cited recent statistics published by HUD indicating that more than 5.4 million individuals who are renters and/or elderly either (i) pay well in excess of half their incomes for housing or (ii) live in severely distressed housing conditions. For needy working families, Cisneros argued for greater reliance on Section 8 vouchers and homebuyer assistance, with increased emphasis on placing moderate-income families in higher-quality neighborhoods. To close the affordability gap suffered by so many rental households, Cisneros outlined additional policy initiatives, including: (a) expanded capital subsidies targeting production for those identified as extremely low-income; (b) a "preservation" tax incentive to maintain the affordability of threatened segments of the subsidized stock; (c) expansion of low-income housing tax credits directed toward the rental market; and (d) utilization of specialized programs like Section 202 for senior housing and services.

Cisneros then turned to the market-based elements of his continuum, emphasizing hindrances to increased supply. He noted that multifamily production has significantly slowed across the United States, failing to keep pace with population growth in the 1980s and 1990s. Supply constraints have only exacerbated existing affordability challenges facing moderate-income families. In most metropolitan areas, at least two full-time minimum-wage workers are necessary for most households to secure a two-bedroom apartment without spending more than thirty-percent of their aggregate income on rent. Cisneros praised state housing bonds as a method of attracting private capital toward multifamily development. On the ownership side, he cited the need for flexible tax-credit programs financing downpayment-assistance for working families poised to enter the for-sale market. Helping greater numbers of families qualify for mortgages would spur additional demand, and the supply response might be particularly
beneficial to the minority households which suffer disproportionately from obstacles to homeownership. Cisneros commended Fannie Mae's "American Dream Commitment" to boost the homebuying prospects of minorities, new immigrants, female-headed and younger households, and families in rural and redevelopment areas.

Turning more generally toward the affordability crisis in America's cities, Cisneros indicated that low mortgage rates were not advancing housing opportunities as quickly as expected, due to structural limits on new construction. Employment growth in California in the past two decades greatly outpaced housing production. While sound planning requires an added housing unit for every 1.5 new jobs, California adds a unit for every 3.6 jobs, and San Jose's ratio of production (1:7.5) lags behind new demand even more. Across the country, the ratio of median home price to income has increased from 3.2 in 1975 to 4.1 today. Workforce housing has received particular attention in the media and housing policy circles, since municipal-service professions (such as police, nurses, and teachers) earn far less than the minimum needed to obtain mortgage financing toward the purchase of a median-priced home in the cities they serve. Elements which influence the feasibility and desirability of new housing production – economic realities like land cost, regulatory barriers, and neighborhood gentrification – all play a role in limiting housing opportunity.

Cisneros emphasized a number of policy strategies in concluding his remarks on affordability. He believes that, for local governments, promoting density enhancements may provide greater traction than the more usual focus on homeownership. High-quality mixed-income design sensitive to community tastes and values becomes critical in achieving density goals. Cisneros expects the advantages of reduced commute times and increased civic involvement to offset the pressures which infill development in cities and suburbs can place on
infrastructure, education, and services. Government at all levels can facilitate site assembly, expedite processing of building permits, and phase infrastructure development to insure utilization economies. A new generation of partnerships might see local government teaming with schools, colleges, and businesses to address housing need and affordability. Perhaps most daring was Cisneros’s proposal to expand the "enterprise zone" concept to include *homeownership zones* encouraging localities to make housing production a priority. To target assistance where it is most needed, establishment of such zones might be coupled with outreach vehicles such as housing fairs, non-profit neighborhood organizations, training programs for non-qualifying homebuyers, employer assistance, and active community-redevelopment participation of banks and mortgage lenders.²

*Census 2000: Progress on Urban Segregation*

Cisneros’s address was followed by a short presentation on "Census 2000: Lessons Learned," delivered by Larry Rosenthal, Executive Director of the conference’s host organization, the Berkeley Program on Housing and Urban Policy.

Rosenthal offered a brief summary of findings relating to the concentration of urban poverty throughout the United States. The national poverty rate declined from 13.5% in 1989 to 11.8% in 1999 and 10.1% in 2001. Rosenthal indicated that some of the improvement was surely due to economic growth in the 1990's, but that given technological change and resulting increases in worker productivity, it might be possible to sustain poverty reduction as a more permanent feature of the income distribution. Rosenthal noted that historically, for those aged 18 to 65, the poverty rate has stayed roughly flat, fluctuating mostly between 11% and 13%, since the early 1980's. Poverty risk remains strongly associated with household structure and location. Female-headed households are still most likely to experience poverty (28.6% of such

² To download the Cisneros presentation, visit [http://urbanpolicy.berkeley.edu/2003confcontent.htm](http://urbanpolicy.berkeley.edu/2003confcontent.htm)
households, as compared to only 9.9% of intact families). Geographically, only 28.9% of the nation's population resides in central-city areas, but those areas account for over 40% of individuals in poverty.

Rosenthal then described his study of concentrated urban poverty in large metropolitan areas. His dataset comprised 115 metropolitan statistical areas (MSA's), including all those having more than 500,000 in population, plus those having both populations greater than 250,000 and poverty rates greater than 10% (as reported in Census 2000). Across these MSA's, Rosenthal reported that downtown levels of poverty remained relatively stagnant during the 1990's; in a simple regression model utilizing regional job growth as a control, poverty rates in the 1990 Census explained more than 90% of the variance in those reported in Census 2000. Suburban areas showed similar patterns, with somewhat greater variation. Conditions in the central cities of some southern MSA's remain desperate, despite job growth in the 1990's; border towns in Texas suffer exorbitant downtown poverty rates (e.g., McAllen, 35.9%; Brownsville, 33.1%), as do cities elsewhere (e.g., New Orleans, 28%; El Paso, 24%).

Nevertheless, according to Rosenthal, the national decrease in poverty was accompanied by substantial reductions in the geographic segregation of poverty in large metropolitan areas. On average, the "dissimilarity" index of poverty segregation fell by 1.7 points, despite increases in the concentration of the poor in certain places (e.g., Sacramento, Salem). Racial segregation also eased somewhat; almost no large metropolitan area exacerbated segregation of African-American households during the 1990's, and most marginally reduced it. Substantial improvements (more than 10 points off the dissimilarity index) have been observed in numerous

3 These results are consistent with a recent report authored by Professor Paul A. Jargowsky of the University of Texas at Dallas and published by The Brookings Institution, entitled "Stunning Progress, Hidden Problems: The Dramatic Decline of Concentrated Poverty in the 1990s." This report may be downloaded via [http://www.brook.edu/es/urban/publications/jargowskypoverty.pdf](http://www.brook.edu/es/urban/publications/jargowskypoverty.pdf).
MSA's. However, Rosenthal noted, these gains are perhaps a remnant of just how bad racial segregation became in places like Detroit and Philadelphia during prior decades, before it began to improve. Interestingly, patterns of amelioration in poverty were not sustained across the urban-suburban divide for certain minority households. For African-Americans, poverty segregation fell 11% in rural areas and 14% downtown, but only 5% in suburban areas. Hispanic households likewise experienced this pattern of somewhat imbalanced improvements (11% and 8% less segregation in rural and downtown areas, respectively, but only a 4% decrease in the suburbs).

Rosenthal concluded his short presentation with three observations. (1) "Smart growth" planning, emphasizing densification of existing development in lieu of expanding suburban sprawl, may have negative effects on poverty segregation. In Census 2000, higher central-city and metropolitan concentrations of poorer households are significantly associated with faster increases in urban population density. On average, however, such areas added more jobs and enjoyed more substantial decreases in African-American segregation rates. (2) Suburban poverty may develop into a sustained frontier of social science and urban policymaking. In Census 2000, rising metropolitan poverty outside the central cities is significantly associated with (a) slower metropolitan job growth in and around the largest cities, (b) greater African-American and Hispanic racial segregation across MSA's, (c) greater spatial dispersion of the poor, and (d) decreased population densities. (3) Lastly, Rosenthal pointed out that over time, economic expansion and urban population growth track one another geographically, making the fostering of positive economic conditions a key ingredient for improving the quality-of-life for those households suffering poverty, social segregation, or both.4

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4 To download the Rosenthal presentation, visit http://urbanpolicy.berkeley.edu/2003confcontent.htm
Panel Discussion: "Integrating the Poor in Metropolitan Areas"

The morning presentations were followed by a panel discussion addressing the effects of federal housing subsidy programs on residential integration of the poor. The discussion prominently featured question-and-answer exchanges with participating audience members. Steven Raphael, urban economist and professor at UC Berkeley's Goldman School of Public Policy, moderated. Raphael was joined by Ophelia Basgal, Executive Director of the Housing Authority of Alameda County (CA); Carlos Romero, Executive Director of Mission Housing Development Corporation, San Francisco; and Margery Austin Turner, who directs the Urban Institute's Metropolitan Housing and Communities Center at its main offices in Washington, D.C. In framing the panel discussion, Raphael noted there are strong interactions among poverty, race, and segregation; poor African-Americans and Latinos are more densely concentrated in residential areas than poor whites. Programs aiming to decentralize poverty need to address both discrimination as a social condition and the various policy alternatives for integrating racial minorities in middle-class neighborhoods.

Turner described the 'Section 8' voucher and certificate programs as having great but unrealized potential to reduce poverty segregation. She suggested that discrimination in housing markets, based on race and poverty status, was a major barrier toward relieving the spatial concentration of poor households. Basgal observed that California exhibits much less neighborhood attachment than East Coast cities, so Section 8 program administration necessarily involves greater mobility of recipient households and therefore presents unusual challenges when it comes to reducing segregation. She also noted that the recent economic boom in the Bay Area, and accompanying tight real estate markets, forced voucher holders toward predominantly minority neighborhoods, often because the only available units were located there. More
generally, landlords' reluctance to accept Section 8 voucher holders as tenants is a longstanding problem; even some nonprofit housing operators, serving communities such as the homeless and special-needs households, at times decline the applications of voucher holders. Both Turner and Basgal extolled the virtues of efforts like HUD's "Moving to Opportunity" (MTO) program, utilizing outreach and customer assistance to improve housing outcomes. Romero countered that Section 8 vouchers at current funding levels cannot spur sufficient demand to spark new housing production in substantial enough quantity, even when combined with such ancillary education and placement services.

Romero then addressed the HOPE VI public housing rehabilitation program. The organization he directs is steering a large San Francisco public-housing project, Valencia Gardens, through the renovation process. He argued that HOPE VI implementation has caused a net reduction in the total number of affordable units in San Francisco, and Section 8 funding has proven inadequate to compensate for the shortfall. HOPE VI is in danger of being cut from the federal budget altogether, and other construction programs such as tax credits do not offer much assistance to the neediest individuals and families. Romero noted that there is a very tight housing market in Bay Area, with relatively high rents even during the recession. In San Francisco, there are 7,000 housing-authority units, only 1,000 of which are slated for revitalization under HOPE VI. In fact, HOPE VI new construction has only brought back 700 of those units. Those households remaining on the waiting list often cannot qualify for the HOPE VI units, either because of income constraints, or because they have Section 8 vouchers unusable toward the rehabilitated units. Romero estimated that HOPE VI has resulted nationwide in a net loss of 1.3 million units affordable to households having incomes less than 50% of the area median.
The panel later addressed the potential for building affordable housing in relatively affluent outer-ring suburbs. Romero asserted that inclusionary zoning, requiring 15 to 20 percent of units in new developments to be set aside for low-income households, can be an effective tool, especially when federal money is used to leverage private construction funds. Basgal and Turner described the problem of community opposition, recalling recent experiences in the Bay Area where incumbent residents have vehemently objected to higher-density development. An audience member noted that the shortage of suburban landlords participating in voucher programs could be ameliorated by increased attention toward maintenance and improvement of applicants' credit ratings, perhaps through nonprofit financial-literacy training.

The panel also addressed a number of related issues concerning the implementation of federal housing policies. Regarding homeownership for people with disabilities, the section 8 homebuyer program was deemed insufficient in high-price regions such as the Bay Area. A number of panelists and audience members suggested that combining housing and other assistance for the disabled, and perhaps direct supportive housing production, are welcome alternative approaches. In response to an audience member's comment concerning the benefits of environmentally sound construction materials (such as cob or straw-bale), Romero noted that restrictive building codes and high-density development requirements prevent developers from utilizing alternative materials in any noticeable volume.

The panel also discussed alternatives for improving the function of voucher programs generally. Basgal argued that the federal government needs to increase local and regional flexibility, in ways which allow for prompt adjustment of fair market rents (FMR's) in response to changing market conditions. Turner agreed that flexibility is important, but also
recommemded the institution of performance standards where necessary. In certain jurisdictions fragmented local housing authority control should be replaced with broader regional prerogative.

Finally, an audience member pointed out that given limited funding, there is a policy tradeoff between (i) augmenting housing supply for the poor and (ii) decentralizing poverty. Asked which should take priority, Turner replied that this will remain a value-based social choice, particularly if resources continue to shrink. When pressed, she suggested that excessive concentrations of assisted housing in the poorest neighborhoods cause social risks which have spillover effects across cities and regions. Romero disagreed, arguing that race and poverty concentrations often spawn cultural opportunity (citing the example of Harlem, New York in the 1920s) and should not be solely associated with blight and neighborhood collapse. Romero asserted that communities lose ground for lack of social services, not simply because of residential segregation. He would first direct resources towards increased housing supply, ensuring that as many needy families are provided necessary shelter as possible.

Panel Discussion: "Overcoming Local Resistance toward Housing for Poor Families"

The second of two panel discussions during the conference broached the so-called "NIMBY" problem ("Not In My Back Yard"): local, neighborhood-based opposition arising to contest affordable housing development wherever it is proposed. The panel's moderator was Michael Stoll, professor of policy studies at UCLA. With Stoll were Paul Lewis, a researcher specializing in regional governance and urban development at the Public Policy Institute of California in San Francisco; Edwin Mills, professor of economics at Northwestern University; and Michael Rawson, a housing rights attorney practicing in the San Francisco Bay Area. Stoll commenced the discussion by describing the severity of the housing crisis, referring to recent research showing links between the affordability crunch and increases in the homeless
population. Stoll indicated that moderating regulatory and political barriers is necessary for the success of policies aimed at spurring construction of new affordable housing units.

Lewis then began his presentation by addressing regulatory barriers to development, focusing on his recent research in California. Lewis's growth-control survey of municipal planning directors generated a number of provocative findings. Particularly noteworthy among these was the tendency of informal policies to engender greater de facto growth control than explicitly adopted ordinances. Among the overt policies identified were design review requirements (nearly universal in Bay Area towns), permits tied to infrastructure phasing, and outright caps on the permits for new construction (both single- and multi-family) per year. Caps and moratoria have become relatively rare in recent years, but remain more common in the Bay Area than elsewhere in the state. Lewis also indicated that elected officials and planning professionals tend to be more sympathetic to growth than their constituents. This tension requires policy leaders to reconcile the dictates of regionally responsible housing policies with anti-growth sentiments among constituents. Lewis also noted that, in California, development outcomes are strongly influenced by state law, such as that governing environmental protection and water supply. Thus jurisdictions often lack the authority to implement hospitable development policies, even when politically inclined to do so.

Reducing land-use debates to the economic fundamentals, Mills then explained the market and regulatory conditions which tend to reduce overall housing supply. He postulated that developers typically want to build as much housing as the market will bear, and that only state and local limits on development prevent such firms from producing new units at a level sufficient to meet demand. Mills asserted that the popularity of development controls springs

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directly from the desires of local citizens to maximize home value and minimize tax expenditures on public service. He also highlighted the ways in which the preservation of open space near cities, as championed by anti-sprawl environmentalists, withdraws land from the inventory available for development, thereby increasing the price of buildable parcels in metropolitan areas. A general policy of land deregulation would foster the construction industry's capacity to respond to the demand for housing, Mills stated, be it for low-income families or otherwise.

Mills also addressed suburban density restrictions. He suggested these minimum-acreage rules tend to increase prices generally across regional markets; their impacts are not limited to the submarkets of adopting communities. Rather than springing from sound housing policy, Mills suggested, these rules represent the attempt of incumbents to discriminate among potential neighbors on the basis of wealth and income. He claimed that California is the worst example of this behavior, but that such regulation is common throughout the United States. Mills proposed a simple requirement in state law, banning all development restrictions except those explicitly necessary for public health and safety. He believes such deregulation would solve much of the affordability crisis currently afflicting many metropolitan areas, but recognizes that it is inherently unlikely given current political conditions.6

The sole attorney on the panel, Rawson outlined the requirements of California state law framing litigation over proposed housing construction. Local authorities – including counties, which govern development in unincorporated areas – enjoy "home rule" over the acceptance or rejection of applications for residential building permits. Cities and counties must adopt "housing elements" in their general plans filed with the state, identifying (i) regulatory barriers to the construction of new affordable units and (ii) strategies for eliminating these barriers. Rawson

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6 Rawson later pointed to just such a statute in California, limiting regulations on residential development to those promoting public health and safety. However, expansive interpretations of “health and safety,” both by judges and local officials, have effectively limited the scope of deregulation possible under that statute.
compared California's housing-element requirement to the kind of social change legislation adopted during the civil rights era. It provides for state review of local impediments to building housing for lower-income families, whether those obstacles arise from typical suburban parochialism or overly narrow "smart growth" plans. He suggested the law could be used to insure that enough multifamily housing is built to balance single-family production in suburban markets.

However, the state law obligating jurisdictions to plan for affordable housing lacks automatic enforcement mechanisms. It relies on citizen-driven prosecution in the civil courts, and Rawson's practice as an attorney focuses on such litigation. Even when citizen initiative is combined with builders' desire to make profit, projects can still be upended by the focused resistance of small numbers of apprehensive neighbors. Rawson suggested that mandatory review of rejected projects, similar to that required under Massachusetts’s “anti-snob zoning” system, would spur increased construction of affordable housing. He advocated inclusionary zoning requirements and impact fees on commercial development, in order to counteract the fiscalization of land use and the depressive effects on residential building of Proposition 13. Lewis confirmed that California's fiscal system fails to reward municipalities for development of affordable housing. In theory, a reasonable adjustment of these incentives could generate increased production.

Mills responded to Rawson's litigation strategy, asserting that informal regional benchmarks for production offered more promise. Mills argued that such litigation, though well intentioned, rarely increases supply effectively, because the legal process is invariably slow and expensive. Reiterating his earlier point regarding the spillover effects of local land-use regulation, Mills added that using legal force against individual jurisdictions cannot accomplish
the kind of fundamental change available only via regional deregulation. In reply, Rawson proposed allowing developers who successfully prosecute such lawsuits to collect legal fees from defendant cities which improperly deny building permits. Since local recalcitrance is what makes litigation necessary in the first place, Rawson believes an attorney-fees procedure favoring plaintiff-builders would rebalance the litigation risk cities face, making them reluctant to oppose housing projects without very compelling reasons.

In a discussion which followed these presentations, panelists and audience members extended the debate in interesting ways. One questioner doubted the necessity of inclusionary zoning, and expensive attendant litigation, from the standpoint of racial and ethnic integration. California's demographics are already relatively diverse and growing more so, she suggested. Mills acknowledged that regulation did not effectively wall off the state from all immigration, but tended to push minorities to less desirable locations within the state's urban regions, thereby exacerbating neighborhood segregation.

Another audience member recommended expanding local discretion to spawn creative solutions to housing needs, but recognized that this system must be coupled with state enforcement when local authorities fail to act responsibly. An additional speaker urged that neighboring cities be allowed to sue one another, particular where one is negatively impacted by another's failure to plan for its fair share of affordable housing. Fashioning his response to meet Mills's earlier critique, Rawson conceeded that scattered lawsuits cannot work by themselves, but insisted that this status quo be taken as a civil-rights challenge to spark an emboldened affordable housing movement throughout the state. Education to reform NIMBY attitudes should trigger alliances among labor, business, faith-based groups, and others, in order to spread a sense of community responsibility for affordable housing production. Mills replied that any
effort to coerce localities into accepting unpopular allocations of housing, legally or politically, would remain costly and unpredictable, and that such efforts should be reserved as a last resort. However, Mills acknowledged that even in perfectly functioning markets, some portion of the population will always need subsidies.

Closing Keynote: "Local Policy Strategies for Integrating The Metropolis"
(Mayor Ron Gonzales, San Jose, California)

The final session of the conference day was a "keynote interview," featuring Mayor Ron Gonzales of San Jose, California and moderator David Kirp, professor of public policy at UC Berkeley.

Gonzales first outlined his administration's commitment to housing development as a primary public policy focus. He noted that housing affordable to all segments of the city's population is a key ingredient of his broader programs fostering stable neighborhoods, building healthy families and maintaining strong public schools. San Jose has recently doubled its five-year goal for affordable homes from 3,000 to 6,000 units. The mayor tracks progress toward this citywide goal on a monthly basis and expects to exceed it over the course of the next five years. His housing initiatives enjoy broad support in San Jose's city council. The city is also leveraging private funds for construction that match financial contributions from the state. Gonzales noted several planning criteria emphasized by his administration, including greenbelt preservation, transit-oriented development, infill and density enhancement, and partnerships with local developers having working relationships with neighborhood interest groups.

Gonzales acknowledged the difficulty San Jose's nurses and peace officers face in financing a home purchase within the city they serve. He reiterated his commitment to cultivate new partnerships with industry and creative deployment of public resources to assist first-time homebuyers. Concerning neighborhood opposition toward affordable housing development,
Gonzales stressed the importance of engaging all stakeholders and fulfilling the city's responsibility to shoulder its fair share of regional housing needs. In Gonzales's experience, some of the most vocal critics may abandon conciliation processes, but consensus and compromise remain possible in most cases. Sensitive issues such as homelessness have necessitated developing the city's capacity to lead such negotiations, Gonzales said. Some neighbors have had genuinely negative experiences living near group-living facilities and shelters, and the failure of politicians to address these problems would only further set back the effort to accommodate admittedly desperate levels of need. Looking prospectively at future directions for the city, Gonzales mentioned the upcoming extension of the Bay Area Rapid Transit train system to San Jose, characterizing these plans as an opportunity to build strong neighborhoods and involve diverse community interests in an open, visionary planning process.

In closing remarks after discussion of these and other issues with audience members, Gonzales indicated he favors dispersing affordable housing throughout all neighborhoods of the city, expanding opportunities for those of limited means to choose the neighborhood in which they wish to live. He alluded to the difficulties in finessing neighborhood opposition, particularly in well-to-do areas, but stated that morality and justice require that the city be open to citizens of diverse backgrounds and economic circumstances. His administration cannot ignore economic realities, however. Where land prices are prohibitive, low-cost construction simply must relocate.

Finally, Gonzales mentioned that most big-city mayors face similar struggles with housing and neighborhood development issues. Despite the low financial and political returns to residential development in the current fiscal environment, the affordable housing crunch requires positive leadership and vision. Housing is vital to establishing and nurturing communities which
are attractive for workers, hospitable to business, and rewarding for visitors. Gonzales urged mayors nationwide to treat housing and other community needs as part of a comprehensive web of interdependent goods and services, all of which likely become "the mayor's problem" eventually, and therefore must be anticipated via constructive public policies. Mayors may be tempted to avoid complex policy quagmires, but this would be a mistake. A mayor's true responsibility is to lead the city.
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PARTICIPATING SPEAKERS
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Ophelia Basgal is Executive Director of the Housing Authorities of Alameda County and Dublin, California and has 30 years of experience in affordable housing development and management. She has served as a member of the Negotiated Rulemaking Committee on the Section 8 contract renewal process and a consultant on US Department of Housing and Urban Development (HUD) Section 8 contracts. Ms. Basgal serves as Chair of the Board of Merritt Community Capital Corporation, Government Relations Chair for the Board of Directors of the Oakland Museum Foundation, and also serves on the advisory boards of the Center on Housing Policy and University of California’s Puente Program. Ms. Basgal also served on the bipartisan Millennial Housing Commission. She recently coauthored an article in Housing Policy Debate on the Section 8 program. She holds the Bachelor of Arts degree with distinction from Arizona State University and a Master’s degree in Social Welfare Administration from UC Berkeley.

Henry Cisneros is founder, chairman and CEO of American CityVista in San Antonio, Texas, a homebuilding joint venture he formed with Kaufman and Broad (now KB HOME) in August 2000. From 1993 to 1997, Cisneros served as the Secretary of the U.S. Department of Housing and Urban Development. As a member of the President’s Cabinet, Secretary Cisneros was assigned America’s housing and community development portfolio. He is credited with initiating a major revitalization of many of the nation’s public housing developments and with formulating policies which have contributed to today’s record homeownership rate. Prior to joining the Cabinet, he was Chairman of Cisneros Asset Management Company, a fixed income money management firmed operating nationally. In 1981, Cisneros became the first Hispanic American Mayor of a major U.S. city. During his four terms in office, Cisneros helped rebuild the city’s economic base and created jobs through massive infrastructure and downtown improvements, making San Antonio one of the most progressive cities in the nation. In 1986 he was selected the Outstanding Mayor in the nation by City and State magazine. He has also served as president and chief operating officer of Univision Communications in Los Angeles, a Spanish-language broadcaster which has become the fifth-most-watched television network in the nation. Mr. Cisneros has also served as President of the National League of Cities, Chairman of the National Civic League, Deputy Chair of the Federal Reserve Bank of Dallas, and board member of the Rockefeller Foundation. He holds a Bachelor of Arts and a Master’s degree in Urban and Regional Planning from Texas A&M University. He earned a Master’s degree in Public Administration from Harvard, a Doctorate in Public Administration from George Washington University, and has been awarded over 20 honorary doctorates from leading universities.
Ron Gonzales was re-elected as Mayor of San Jose, California, in 2002. His administration's goals include strengthening neighborhoods, improving public education, and ensuring the continuing economic vitality of the city with high quality public services and effective solutions to affordable housing and traffic congestion. Before his election as Mayor, he worked as an executive with the Hewlett-Packard Company, where he led a national education initiative that established the firm's partnerships with local school districts and universities. He also served for eight years each on the Santa Clara County Board of Supervisors and the Sunnyvale City Council. In Sunnyvale, where he twice served as mayor, he helped initiate governmental efficiency measures recognized in the best-selling book Reinventing Government. Gonzales received his Bachelor of Arts degree in Urban Planning from UC Santa Cruz, and graduated from the Mayor's Leadership Program at Harvard University's Kennedy School of Government. He is an American Leadership Forum Fellow.

David Kirp is Professor of Public Policy at UC Berkeley. From affordable housing to AIDS, charter schools to gay rights, gender justice to higher education in an entrepreneurial era, his research and writing addresses complex and controversial social issues. Trained as a lawyer, he was the founding director of the Center for Law and Education, which pursues equal educational opportunity issues in courts and legislatures. He has also been a journalist, and his work draws on an array of disciplines including sociology, political science, history and economics. His fourteen books and more than a hundred articles have been aimed at two audiences: professionals in the field and the educated lay reader. Among his recent books are Almost Home: America's Love-Hate relationship with Community, Our Town: Race, Housing and the Soul of Suburbia, Education Policy and the Law and Learning by Heart: AIDS and Schoolchildren in America's Communities. Kirp’s latest book, Shakespeare, Einstein, and the Bottom Line: Higher Education Goes to the Market, will be published later this year by Harvard University Press. He has worked with a wide array of government agencies, foundations and nonprofit groups, among them the California Department of Education, the ACLU, San Francisco Community Boards and the Hewlett Foundation.

John Landis is Chair of the City and Regional Planning at UC Berkeley, where he teaches courses in planning history, housing, project development, land use planning, and computer mapping. His recent research has focused on a wide variety of housing and growth policy issues, including transportation and land use, housing production and affordable housing, the environmental impacts of urban growth, and the extent and causes of urban sprawl. His article, "Imagining Land Use Futures," won the 1995 award for best feature article in the Journal of the American Planning Association.
Paul Lewis is a research fellow and director of the Governance and Public Finance program at the Public Policy Institute of California (PPIC). In addition to his forthcoming report for PPIC, *California’s Housing Element Law: The Issue of Local Noncompliance*, he has authored journal articles and reports relating to the relationship between local and regional governance and urban development, including a 2002 study of residential growth controls in California. His book, *Shaping Suburbia: How Political Institutions Organize Urban Development*, was named an Outstanding Academic Book of 1997 by Choice. He holds a Ph.D. in politics from Princeton University.

Edwin Mills became Gary A. Rosenberg Professor of Real Estate upon joining the Kellogg Graduate School of Management faculty at Northwestern University, and served in that capacity from 1987 to 1994, when he relinquished his chair. He is now Emeritus Professor of Real Estate and Finance at the Kellogg School. From 1970-87 he was Professor of Economics at Princeton University, as well as the L. Phillippe Professor of Urban Studies. His other academic positions include posts at Johns Hopkins University and the Massachusetts Institute of Technology. For 30 years Prof. Mills’s teaching, research and writings have focused on real estate and urban economic development. He is the author of 15 books, including *Urban Economics* (currently in its fifth edition), and more than 100 scholarly journal publications. He was editor of *Journal of Urban Economics* for 17 years and served on editorial boards at *Journal of Real Estate Finance and Economics*, *Journal of the American Real Estate and Urban Economics Association* (now *Real Estate Economics*), and *Review of Urban and Regional Development Studies*. He received his A.B. degree from Brown University and his Ph.D. from the University of Birmingham, England.

John M. Quigley is the I. Donald Terner Distinguished Professor of Affordable Housing and Urban Policy, and Professor of Economics, at UC Berkeley. In addition to the Department of Economics, he also holds appointments in the Goldman School of Public Policy and the Haas School of Business. He directs the Berkeley Program on Housing and Urban Policy. His current research is on the integration of real estate, mortgage and financial markets; urban labor markets; housing; spatial economics; and local public finance.

Michael Rawson is director of the California Affordable Housing Law Project (CAHLP), a program of the Public Interest Law Project (PILP). PILP is a state support center for local legal services programs, providing litigation support and training in the areas of housing, civil rights and public benefits. CAHLP assists local programs with issues related to the production and preservation of housing affordable to lower income persons. Mr. Rawson focuses on land use, community redevelopment and fair housing. He has co-counseled many housing related cases with local programs, including suits addressing the adequacy of local housing elements, displacement of lower income households and discrimination against persons protected by the fair housing laws.
Steve Raphael is Chancellor’s Professor and Associate Professor of Public Policy at UC Berkeley, where he received his Ph.D. in economics in 1996. His primary fields of research are labor and urban economics. Raphael has authored several research projects investigating the relationship between racial segregation in housing markets and the relative employment prospects of African-Americans. Raphael has also written theoretical and empirical papers on the economics of discrimination, the role of access to transportation in determining employment outcomes, the relationship between unemployment and crime, the role of peer influences on youth behavior, the effect of trade unions on wage structures, and homelessness.

Carlos Romero is Executive Director at Mission Housing Development Corporation, a long-established non-profit affordable housing developer in San Francisco. Earlier he served as a residential developer and manager of the commercial portfolio at Mercy Charities Housing California. His prior experience with the Santa Cruz Community Housing Corporation focused on co-operative housing, mutual housing associations, and limited equity co-ops. Romero has operated his own construction firm and architectural design studio. He has extensive experience in community organizing, such as co-founding the East Palo Alto Community Alliance and Neighborhood Development Organization (EPACANDO). He is presently a Planning Commissioner in East Palo Alto as well as the Treasurer of Centro del Pueblo, a non-profit office development housing thirteen Mission District organizations. He attended secondary school in Mexico and completed his undergraduate studies in international relations and economics at Stanford.

Larry Rosenthal is Executive Director of the Berkeley Program on Housing and Urban Policy, and Lecturer at the Goldman School of Public Policy, at UC Berkeley. He is coauthor, with David Kirp and John Dwyer, of Our Town: Race, Housing and the Soul of Suburbia, an award-winning social, legal and policy narrative of the historic Mt. Laurel housing rights cases in New Jersey. Originally trained as an attorney, he served as law clerk to Justice Marcus Kaufman at the Supreme Court of California and was a governor’s appointee to California’s Dispute Resolution Advisory Council. His current research focuses on land use, the construction industry, housing segregation, and housing subsidy policies. He holds a Ph.D. in Public Policy from UC Berkeley and a J.D. from the University of Wisconsin, Madison.
Michael Stoll is an Associate Professor of Policy Studies in the School of Public Policy and Social Research and a Research Associate at the Center for the Study of Urban Poverty at UCLA. He received his Ph.D. from MIT in Urban Planning and a BS in Political Economy from UC Berkeley. His main areas of research interest include urban poverty and inequality and the interplay of labor markets, race/ethnicity, geography and urban economic development. Over the past two years, he has been examining the role of geography in producing differential labor market outcomes across different racial/ethnic groups in Washington, D.C., Atlanta, Boston, Detroit and Los Angeles. At present, his work explores the role that suburban labor market discrimination, transportation and job information play in causing space to become a major barrier to employment for inner-city workers. Also, he is conducting research to estimate the employer demand for welfare recipients in Detroit, Cleveland, Milwaukee, Chicago and Los Angeles in response to questions that policy-makers have about the employability of welfare recipients under federal welfare reform legislation. His economic development research explores the efficacy of place versus people policies as strategies to economically revitalize inner cities and the role that race/ethnicity plays in local economic development.

Margery Austin Turner directs the Metropolitan Housing and Communities Center at the Urban Institute, where researchers investigate factors affecting quality of life and access to opportunities in urban communities. Much of Ms. Turner’s own research explores the spatial and racial dimensions of anti-poverty policies within urban regions. She served as Deputy Assistant Secretary for Research at the US Department of Housing and Urban Development from 1993 through 1996, where she focused HUD’s research agenda on the problems of racial discrimination, concentrated poverty, and economic opportunity in America’s metropolitan areas. During her tenure, HUD’s research office launched three major social science demonstration projects to test different strategies for helping families make the transition from welfare to work. Prior to joining the Clinton Administration at HUD, Ms. Turner directed the housing research program at the Urban Institute, where much of her work analyzed racial and ethnic discrimination and its role in perpetuating segregation and inequality. She has co-authored two national housing discrimination studies, which use paired testing to determine the incidence of discrimination against African-American and Hispanic homeseekers, and has also applied the paired testing methodology to employment, producing the first direct statistical evidence of discrimination against young African-American job-seekers and to mortgage lending inquiries.