

**American Cities: A 21st Century Urban Agenda
- Henry Cisneros**

17 March 2010

Transcript

State and Federal governments in the U.S. have grappled for decades with urban issues such as urban regeneration and affordable housing. As Cabinet Secretary for Housing and Urban Development in the Clinton Administration, Henry Cisneros was at the centre of these efforts. On 17 March 2010, Mr Cisneros talked about the challenges facing urban areas in the U.S. today. Drawing on direct experience with the current White House team, he discussed the shape of the Obama Administration's new urban agenda.

Speaker: Henry Cisneros (HC), Ed Blakely (EB)

Moderator: Jane-Frances Kelly (JFK), Program Director - Cities

(Music playing)

JFK: Motivating kind of force behind the Grattan Institute Cities program is that how cities cope with those challenges and the way they interact will be decisive really. So in that context it's a pleasure to welcome Henry Cisneros and Ed Blakely to join us this evening. Ed will introduce Henry, so I will quickly let you know how the seminar will run and then introduce Ed. Henry will speak for 20 minutes or so following which I will ask him some questions sitting down here, in a kind of high-end chat show kind of format. Then we'll open up for questions from the audience, and if you're going to ask a question if you can just wait for the microphone so we can record it, say who you are, and if you're happy to, where you're from, you don't have to, that would be great.

So as I mentioned we're recording the event, the podcast will be on the Institute's website, so you'll be able to find that on the website after a couple of days. And so to avoid people hearing on the podcast forever more your mobile phone going off in the middle of it, it would be great if you could switch that off now. So I also want to thank our hosts here from Klinger Wood, here at Macquarie Bank. and to the US Studies Centre who are hosting Henry's visit to Australia.

So I'll start off by introducing Ed Blakely. Ed's one of the world's leading scholars and practitioners of urban policy. He's Honorary Professor of Urban Policy at the US Studies Centre, having previously served for two years as Executive Director of the Office of Recovery and Development Administration. The recoveries are for New Orleans following the devastation of Hurricane Katrina. He's also been the Dean of the School of Urban Planning and Development at the University of Southern California, and Dean of the Robert J Melano, and I hope I pronounced that correctly, or maybe I could just blame it on my accent, that usually works, the Robert J Melano Graduate School of Management and Urban Policy at the new school in New York City. Professor Blakely is author of four books and more than 100 scholarly articles as well as scores of essays and opinion pieces and it's a pleasure to have him here too this evening, and I'll invite him to the lectern to introduce Henry, thank you.

(Applause)

EB: I will introduce myself slightly differently. I am a new Australian, I just got my citizenship. So I'm very proud to be an Australian and an American particularly today, to have the honour to see Henry Cisneros who represents the best of the United States in terms of being an administrator/policy person, but also just a great person coming all the way over here, on a very hurried schedule, a hurried visit to share his ideas with us on how to make our cities better.

Henry is a man for all seasons. He started out in academic life, he received a PhD from George Washington University in Public Administration, a Masters in Urban Planning and then he went on to become a city council member, a mayor, and later was chosen by President Clinton to run our Office of Housing and Urban Development as a Secretary of that Office, which is a huge operation, and he'll tell you more about that later. But now he's an entrepreneur, putting together housing, infrastructure and other things to make cities work. So he's covered the entire range, and over the last couple of days he's been very helpful to all of us, many of us, in talking about what makes cities work now, what's going to make cities work in the future, and how we

have to be engaged as city people to make both Melbourne, Sydney, and better cities around the world because the cities are now the world. Over to you, Henry.

HC: Ed, thank you very much, thank you for your words of introduction, thank you for the invitation to come to Australia, and most importantly thank you for your wonderful work over so many years. I've had the good fortune of knowing Ed Blakely for better than 25 years, following his work, following his writing, and have recognised him as the global authority on urbanisation that he is. It is a reputation that is well earned and that has been recognised by people who follow not only academic and research matters, but also people who execute, who administer, who do it. In that respect, Ed was asked by the Mayor of New Orleans after the horrible hurricane that was Katrina, to come to New Orleans and help with the recovery, to co-ordinate the recovery. It was a major sacrifice on his part to leave the glories of Australia and the Sydney neighbourhood where he lives to spend two years in a place that was destroyed, bereft of support, chaotic, even dangerous, but he did it. And by all accounts, was able to move a city. I had the privilege of serving on the technical advisory committee to his work in New Orleans and I can tell you that from a city that engendered the first ever American debate about whether perhaps we had lost an American city, whether an American city should be written off, to the present conditions which are hopeful and a platform for building, Ed Blakely did a magnificent job. So if you would, just please join me in thanking him for really good work over a long span time, and the respect it engenders.

Thank you also to Grattan Institute, Jane-Frances, and colleagues who head the institute, thank you for the invitation and please accept my congratulations on the spirit of inquiry and public dialogue, research, finding the middle ground that this institute represents. I'm told by Jane-Frances that one of the models for this effort is the Brookings Institution which I know well in Washington and have been part of, and which I may mention in the course of the evening because of the good work that they have done in the urban sphere, so thank you very much for the invitation. And thanks to all of you who are present this evening, I'd like to, if I may acknowledge the presence of my son, who for the first time has travelled with me to Australia. He's a student at the University of Southern California seated here in the front row, and another special member of the audience who I had the privilege of meeting with today, Yehudi Blacher who is the Secretary of the Department of Planning and Community Development for the government of Victoria. Thank you for joining us here, again it's impressive over these last several days, I think this is my seventh presentation in three days somewhere in Australia, to see the spirit of civic engagement and inquiry that brings people such as yourselves here after a long day's work.

Let me begin if I may by just describing briefly what I hope to do in 20 minutes, it's a tough assignment. But first I want to talk a little bit about urban policy in the United States briefly because President Obama has just created the first ever White House Office on urban affairs and it's built on a set of principles which apply directly to our conversation this evening. Secondly, I want to talk a little bit about one aspect of urban affairs, the one that has involved me most closely over the last years, and that is housing policy, and specifically try to describe the mix of housing types that have to exist in a great metropolitan area. And then thirdly I want to spend a few minutes describing in a kind of check-off kind of way rapidly running through, the tools that cities across the country are using in order to be able to produce more affordable and workforce housing, and to actually execute and build and create the conditions in which workforce housing can be produced.

So let me begin briefly by a reference to the White House work. I had the privilege about three weeks ago of moderating a session in New York with the new director of the White House Office. His name is Adolfo Carrión, he was formerly the President of the Bronx, one of the five boroughs of New York, and if it were a city it would be about the fourth largest city in the United States. The President asked him to leave his post there and come to the White House, and try to create an office that would co-ordinate across the silos of independent cabinet agencies and try to forge a coherent urban policy. I suspect one reason why the President is particularly interested is because he's such an urban person, arguably the first president we've had in 60 years since President Truman who had any significant urban governance experience. President Truman was a county official in Kansas City, Missouri, but President Obama has studied in Boston, undergraduate degree ... undergraduate education in Los Angeles, the continuance of

that education in New York at Columbia, and then community organising experience in Chicago, it doesn't get much better than about the four largest metropolitan areas in the country. The focus of the office that he created is threefold. First, to focus on building the American economy by recognising that it is a metropolitan economy. To recognise that there really isn't an entity that you can identify as the American economy, what it is, is an aggregation of metropolitan engines, metropolitan centres. And so one of the focal points of this effort will be to recognise, study and recognise the economic clusters, the regional clusters that constitute the functioning economies of the different metropolitan areas of the United States, and to focus on how they come together, the industrial relationships, the educational and higher educational relationships, the research centres that exist there, and then move federal policy through the Department of Education and the Department of Labour, the Department of Commerce and the Small Business Administration, that have never really focused before but focus in a coherent way on the concrete places, and the key word is places, where the American economy actually unfolds, with a case by case addressing of the difference between the port of Los Angeles and its implications for that metropolitan area, or the rail complex that is Chicago and the implications there, the air transport relationships that serve the entire south-east out of Atlanta, those are the kind of intelligent, focused decisions that this office will be able to co-ordinate.

A second focus is sustainable infrastructure, for the first time to undertake to integrate land use decisions and transportation planning decisions, to reorient transportation expenditures and spending with a focus on not just more roads and more freeways but mass transit and particularly transit oriented development that links the creation of economic nodes to transportation systems. This will involve the Department of Transportation, the Department of Housing and Urban Development, and the Environmental Protection Agency in a collaboration that's never existed before. There will be grants for the creation of sustainable communities around transit oriented developments; there will be expansion of a focus on smart growth, urban water quality, air quality and schools.

And the third work of this office will be to focus on creating economic opportunities at the family and individual level by focusing on the places where people live, such as neighbourhoods. A concept called Promise Neighbourhoods which was developed by a man named Jeffrey Canada in New York, you may have heard of the Harlem Children's Zone, they focus on one square mile, and the children within that area and their needs for social services, with their families, that will become a signature program of the administration that crosses the concerns of multiple federal departments.

So I just wanted to give you a feel for a kind of a breaking development, it literally is in the process of organisation now and the first kind of response to proposals and requests for grants and so forth, are coming out as we speak. Now clearly to transition to my second point, one of the most important dimensions of urban life is to focus on that aspect of cities as places where people live. We know that places have to be places where people work, cities have to be places where people work to be economically viable, where people learn, where people recreate, and very importantly where people can live, and it is critical that we understand that every great city, great metropolitan area needs a mix of housing types. We find immense dysfunctions when the balance of jobs and housing is out of kilter. Immense dysfunctions when we forget that a job needs a place to live. In the United States we have instances where the middle band of housing, workforce housing for middle class people is simply not available. In San Francisco several years ago, housing was being provided through subsidised programs for the very poor, and housing was being created by developers for the wealthy because the rewards in the market are there, but the middle band of housing was just not there. In one year about four years ago I was in San Francisco and personally investigated to determine how many permits had been issued for middle class housing, the number in a city the size of San Francisco was 12 units of housing were built that year that could be called middle income housing. So a critical need to create a mix of housing types.

Let me run very, very quickly, I don't have time to spell out the full dimensions of each, but a framework we developed in the years when I was Secretary of Housing, that lays out the concerns or types of housing from the most primitive and basic to the ambitions of most families. First, the most basic type of housing is housing for the homeless. In the United States there are 800,000 people who are homeless on any given night, and because it's not the same

people but people who move in and out of homelessness, the estimates are 3.5 million people are homeless in the course of a given year. About 70% of them suffer from mental illness or disorientation, addiction problems to drugs or alcohol, problems of AIDS or other diseases. This is a life or death proposition. We know now that people with AIDS can live almost indefinitely on the right cocktail of medicines, and we also know that the estimates, medical estimates are that people with AIDS on the streets living as homeless have a life span of less than six months. So this is a massive humanitarian concern, and no wealthy nation can allow the number of people to be on the streets calling street car grates and subway grates and the stairways in front of buildings as the places where they will spend the night, in the cold weather cities of the north, it's a terrible thing. We must do a much better job, and frankly there are cities, like Columbus Ohio and New York that are making a very, very substantial effort in this regard.

One answer is the second form of housing which is called supportive housing, and supportive housing is a new approach to provide services along with housing. We need about 150,000 units right away of supportive housing. It follows a program called Housing First, which addresses the need to put people in a safe and clean and decent and warm place, even before we solve their other maladies and complexities, the drug addiction or the mental illness and so forth. So again, there are communities like San Diego and Minneapolis that have done a superb job at creating supportive housing, getting people into a safe place and then beginning to address their needs. We've had some moral strictures that say you can't house them if they have an addiction, you can't house them if they're not clean and sober. We'll never house them if that's the case. You've got to get them into a place and begin to work on their needs.

A third step in this ladder of seven steps, is public housing what you call I think social housing in Australia, but we have a very mixed record, in fact I would argue a sordid record in having produced and allowed the deterioration of public housing. What we have to do is remove the worst of the public housing and replace it with housing that works, and I was fortunate to serve at a time that the Congress allocated the funding for a massive new program called Hope Six, that has allowed the transformation of 250 housing developments, the worst, I could tell you stories about the things that I've seen, of drug lords running the buildings and buildings that are burned out and vacant, the famous Cabrini Green in Chicago where Robert Taylor Holmes there, Pruitt Igo in St Louis, Columbus Homes in Newark, John F Kennedy homes in Philadelphia. But 250 developments, not units, not buildings, but developments with up to 12 buildings each are gone. They've been replaced with homes that are smaller scale, defensible space that are reintegrated to the street grid instead of the post-World War II European inspired super blocks that were impossible to maintain, removed from the vigour of the street life, major progress in that regard.

A fourth step is subsidised rentals, and there are two programs in the United States by which government subsidises rentals for people who are poor. One of them is called the low-income housing tax credits program, it uses the marketplace so that buyers, rather builders and developers can get tax credits in order to assist in the building of homes. It works very well, it's relatively decentralised, it works in all of the 50 states. I'm told there might be limitations on the use of a program like that in Australia because of the nature of your taxation system, but it has worked well for us. And the other program is the famous voucher system, Section 8, that allows individuals to be accorded a voucher which dictates that they pay 30% of their income whatever it is, and if their income is low the 30% is very low, and then the government with the voucher pays the difference between that and the fair market rent that is approved for a landlord, and the difference is paid by the government through the voucher. We have millions of people using the voucher program, and it is in some ways superior to fixed units of public housing because it allows people to exercise choice and live in apartments in the marketplace, near the research park or near the airport jobs or out on the circumferential loop around the city instead of where the public housing was originally constructed.

The next step on this ladder, number five is market rentals, and the truth of the matter is we've not done a good job as a country of producing enough supply of market rental properties so that we can make them affordable. There's not one metropolitan area in America today where people earning the minimum wage can afford the fair market rent on a two bedroom apartment, it doesn't exist, so people are overcrowded, multiple families living together, immigrants in

crowded and chaotic and unsafe conditions, we just have to do a much better job of producing rental housing, even in the teeth of NIMBY conditions, not in my backyard opposition.

The sixth step on this ladder is entry level housing and we have done well there in recent years. The home ownership rate has risen, including the home ownership rate from minority Americans. But we obviously have to come through this recession and make sure that the quest for home ownership continues. For most Americans, the sum total of their net worth, their wealth, is the equity they have in their homes. Repeated studies on analysing the mechanics by which we put Americans into the middle class, move people from minority status into the middle class, three strategies: one; access to higher education with public support, things like the GI bill that bought the World War II veterans, to create the prosperity of the post-World War II years. Secondly, income strategies of wages, of minimum wage and worker protections, and thirdly home ownership. Those are the three policy bases by which the strongest and largest middle class in the world was built in the 1950s and '60s in the United States, and they continue to be important and essential elements of policy today.

And finally the seventh step on this ladder is move up home ownership, which there's not explicit efforts to expand, although one of the greatest tax expenditures in the budget, and that's a technical word that describes not an actual budget allocation but a budget expenditure through the tax system, is the home interest mortgage deduction which fuels home ownership for the broad masses.

So that gives you just a quick sense, and I'm rushing through this because the time is short, and I want to move to my third point which is some of the things that are being done at the state and local level to create out of this mix of seven strategies, housing that is accessible, physically located in the right places, and affordable for families who are among our poor families and families who are in the working class. So let me describe a range of things beginning with those that are put in place to try to expand the availability of sites for housing. First, more and more communities are making publicly owned land available for housing. Vacant land, under-utilised land like parking lots and lower density sites, and surplus land including public buildings that can be taken down. Places like King County in Seattle, which is Seattle, Washington, have passed an ordinance that requires partials deemed surplus by the county, for whatever reason, an old school, a salvage yard, to be sold or leased for affordable homes, Seattle one of the more expensive marketplaces in the United States.

Another strategy, acquiring land through tax delinquency. This is more likely in the rust belt states of the mid-west where there is rampant tax delinquency, through people who've simply walked away over the years from homes. I've been in places like Detroit that once had 13 automobile plants and now has three and the neighbourhoods surrounding the vacant automobile plants are literally prairie, they're weeded lots and nobody's paid taxes on those properties in generations, and now with concerted strategies using sophisticated computer techniques it's possible to identify the original owners, the taxes due, and begin to block up those areas for useful and important public uses such as housing.

Rezoning can create sites by revising zoning policies to increase the supply of land by increasing density allowances, by lowering the size of lots so that greater density can be put in. And in some cases by trading zoning approvals for concessions from builders to do affordable housing, what are called density bonuses for example where a builder comes and wants to build and is told you can have the zoning and you can have greater density than we would ordinarily give, but in exchange 15% or 20% of the units need to be affordable, this is now being utilised more and more across the country. In fact my company has a community, an award winning community judged the best workforce housing development in the nation last year by the Urban Land Institute, in south San Francisco, 380 units of which 70 are quote affordable, that is to say they're within the reach of a family that earns less than 80% of the area median income, that's the definition of affordable, and 70%, a fifth of the units in that development meet that test. And that was a trade if you will, a negotiation with the local community because the density that we needed to make the project work was greater than the guidelines would have originally allowed.

Still other things that are being done to remove barriers in the form of reducing costs so that affordable housing can be built. Zoning that supports a diversity of housing types, so removing

of restrictions on multi-family housing in neighbourhoods. Controversial, I know it's an issue throughout Australia. Removing restrictions on manufactured homes, the technology and the designs of manufactured homes are coming along quite nicely. No longer is it the mobile home looking structure but something that's indistinguishable from a very nicely designed unit, but manufactured and therefore the costs are lower. And accessory dwelling units, like granny flats building on the same property so that another member of a family, another generation can live in the same place. Other processes involve expedited permitting. Austin, Texas has a program called SMART Homes. SMART, S-M-A-R-T, S for safe, M for mixed income, A for accessible, R for reasonably priced, and T for transit oriented, and if you approach as a developer the city of Austin with a SMART home proposal, you get the permitting expedited, half the time of a regular process is guaranteed and fees reduced in the process. Revising impact fee structures is another process at work across the country, trying to correlate fees to square footage so that a builder of something smaller and denser that meets these kind of SMART criteria gets lower fees, and unfortunately in the United States, we've placed fees for every kind of extraneous thing, every time a government needs more revenues it places fees on the building process, not fully understanding the implications for unaffordability, driving up the costs of housing.

A range of things are available to American cities ... I'll tick them off quickly ... in order to generate capital to produce more affordable housing. Tax increment financing in Chicago, which means restricting the revenues either from a project or in a district to that area so that the revenues can be applied directly to the cost generated in that area as opposed to going into the general fund. Tax abatement programs in Portland, housing trust funds in Washington DC. Housing bond issues. Rarely in the United States have bond issues been taken to the public for housing, they're taken for roads, they're taken for municipal infrastructure of all kinds. But now we're seeing bond issues passed as they have been in Austin and Phoenix and Miami to create a sum of capital that can be used for housing strategy.

And finally, let me say a program increasingly being used is employer assisted housing, which is to say a relationship between a government, whether it be a state government or a local government, and an employer to make it possible for employees to get a down payment or to secure mortgage assistance in order to buy a home. In San Jose, school teachers are provided assistance so they can live near the schools in which they teach. In Seattle, efforts are extended to critical emergency workers, for reasons that I can describe if you want to talk about it in the questions. In Chicago, the metropolitan planning council, a region-wide council, has negotiated with a state to match employer contributions to make it possible to make it possible for individual employees to buy homes in the metropolitan area. In Boston, because they have residency requirements for municipal workers but they cannot live in the city in many instances. Grants and forgivable loans are extended to public sector employees. In Rochester, housing benefits is a program sponsored by area employers with the city to match contributions made between employers and the city. In Milwaukee, is a region-wide program operated by non-profit with which the city co-operates to offer employer assisted housing. And at the site of California State university campuses, of which there are about 14 or so in places like Fullerton and Pomona and other parts of California, the Cal State system is building homes for faculty and staff because they've simply found it impossible to attract national quality faculty, 'cause they couldn't sell their homes wherever they were and come to California and buy anything like an equivalent place to live, equivalent shelter.

So let me close my remarks in this realm of housing policy and urban policy with the words of pastor of Ebenezer Baptist Church in Atlanta, Dr Martin Luther King's church, where his father pastored, and then he later attended. He said if you want to touch immortality, then engage in causes that are larger than yourself, and undertake commitments that last beyond your time. Those of us involved in community building, in building homes, in creating neighbourhoods, in the reshaping of our metropolitan areas are involved in such causes. Three of these dimensions will touch people's lives for a long time. Building cities, communities and neighbourhoods so that they become the platforms for community progress is important work. Addressing the new composition of our people in a diverse society so that we can help them prepare themselves for the future, and sharing our prosperity by engaging the vehicles that have been proven to move people to stable and middle class lives, so our places, our people and our prosperity are big themes that are larger than ourselves and last beyond our times. They deal with justice, and equity and self improvement and family stability and personal fulfilment. These are issues that

require us to lift our sites beyond just the four walls of building homes or just real estate transactions or just securing the streets or just job training, these are the basic dynamics of how we live together in these engines of national importance, which are our metropolitan areas in our cities.

Let me close by citing the mission commitment of an intermediary organisation in the United States, one of the most important, called the Local Initiatives Service Corporation, which speaks to not just building homes, although that's what they do by the hundreds of thousands, it speaks to building communities and lives. Their mission statement is the following; it makes a lot of sense to me: "to build communities that offer the positive environments needed to ensure that all residents of varied income levels are provided the opportunities and tools to build assets, to participate in the benefits of their communities and to become part of the mainstream economy." What we do when we build functioning homes and neighbourhoods and cities and metropolitan areas, is very, very important work. It lasts for a long time, it touches a lot of lives, and I commend you for your participation in the field, or your interest just by your being here this evening. Thank you very much and I look forward to your questions.

(Applause)

HC: If I may before I step down I'd like to introduce my wife, she just came in and she's very much involved in this business, she is a city council person in our home town of San Antonio and I'd like to ask her to stand and be recognised, Mary Alice Cisneros.

JFK: Thank you for that immensely rich and inspiring introduction to the ...

HC: Very hard to do running against the clock.

JFK: Well thank you for being willing to be forced into it.

HC: Thank you.

JFK: So that was an incredible introduction to the range of 21st Century policy tools that you're using in urban policy in the US, and I want to ask you and you know this to an extent is a question that you have answered throughout your talk, but one of the things that we've been thinking about at Grattan Institute, is what is it that makes a successful city and how would you recognise it when you saw it, and does that sense differ in different cities that you've worked in?

HC: Well it clearly differs and every city is different, but I would say the themes that I laid out as the functions of cities, cities have to be places where people work, and that's a theme writ large, they have to function economically. Over the years, and I did my doctoral dissertation on this subject, cities exist for practical economic reasons. Economies change and therefore the economic functions of cities change, but it's impossible to divorce the concept of a successful city from economic rationality. They are driven by economic factors, and that's very clear here in Melbourne as we were discussing this morning Yehudi, the transformation of Melbourne from a manufacturing centre to a new economy city, the dip that occurred in its prospects while the transformation was underway, but the new Melbourne that's been created by that economic rationale. So they have to be places where people can work. They have to be places where people can learn, and now more than ever because of the tight nexus between human capital and successful urban prospects. Thirdly, they have to be places where people can recreate, which means play, which means culture, which means parks, which means the arts, which means entertainment and people watching and all of those things that create the street level vitality that Jane Jacobs wrote so famously about. And finally they have to be places where people can live, and that means people of all incomes and various housing types, and if we get the balance as I said earlier out of kilter, then the city doesn't work. In California, the suggested ratio of housing units to new jobs is one new housing unit for every 1.5 new jobs, that's the rate you would like to create in order to create the balance. In fact in recent years in California, the ratio has been one new housing unit for every six new jobs. Cities and municipal leaders love the idea of job creation and economic development, nobody gets criticised for that, but creating housing to match the jobs, keep the balance, it ends up being problematic in major ways. So that in places like Seattle a few years ago where emergency workers have to live 40 miles

away, they had a major storm, the storm knocked down trees, it knocked down power lines, it was days, days before they could get the power back on in the urban neighbourhoods because the emergency workers worked so far away they couldn't get there. I could cite you case after case across the United States. Teachers that can't live in the school districts where they teach so they live 70 miles away and after a while get tired of the commute and say I'll go to work somewhere else, so the school district that originally hired them and trained them loses its investment. It just doesn't make any sense. But this is the dysfunctions that occur when we get the housing balance out of the way.

So a successful city is a city that can perform its essential functions. Where people can work, where people can learn, where people can recreate, where people can live, that's a successful city.

JFK: Fantastic, I'm so glad we've got that recorded. We'll credit you in the publication. So the Grattan Institute has the ambition to do high quality rigorous work on some of the biggest challenges facing Australia's cities, and as someone who has had decades of deep experience in making practical differences in cities, what is it that you would dearly love to know about urban policy that we don't know?

HC: What would I like to know?

JFK: Mm.

HC: I would like to explore how the platform of a city can be used as an instrument for equity by creating greater opportunity for those who are outside the economic mainstream. I believe it can be done, but it requires a level of intentionality, of strategy, to say we're going to engage our prosperity, our jobs, we're going to engage the location of where those jobs are and through incentives move that process, we're going to augment our educational and human capital capabilities, but our purpose, we do this with a purpose, and the purpose is to create opportunity and do things that we know don't work through purely the mechanisms of the welfare state. Where national governments can do things through income supports, the platforms that are these organisms of economy and opportunity, our cities and metro areas, can create greater opportunity if we do it with a purpose, and I don't know that that model has been designed or articulated as sharply as it should. I'm absolutely certain we can do this because I've seen it done, but we need to kind of define the elements and write up the model. Does that help?

JFK: Yes absolutely, just one quick follow up question, where have you seen it done?

HC: Well I'd like to say we've done it in my home town of San Antonio, where we have focused on economic development and job creation with a passion and transformed the economy of the city and in the process brought a city that was divided by race and ethnicity to one that is a much more integrated place, in its governance, in its participation in economic benefits, in the way people engage, in the civic life and entertainment life of a city, but we have a long way to go, we're still a poor place. I will note that when the Brookings Institution, which I said I would probably mention sometime in the evening, recently did a report that showed the standing of the 100 largest metropolitan areas in America, 100 largest metros by how they fared through this recession, that is to say using objective measures of employment growth and gross regional product growth etc. 100 places. Number one in terms of how it best fared in this economy was San Antonio. So from having come from a city where the peace corps volunteers were sent to prepare them to train for the conditions they would confront in the third world in the 1960s, from having come from that to a place that is number one among 100, shows that with strategy and with focus and with targeting, cities can be places that are social progress instruments.

JFK: Thank you. I'll open it up for questions now and as I say if you could wait for I think Liz, yes over there on the right to bring you ... your left sorry, to bring you the microphone and just quickly sort of say who you are, that would be fantastic. And I'll pick a volunteer.

HC: There we go.

JFK: Thank you.

Audience: Mr Cisneros, I'm a local estate agent in Melbourne, also an Australian citizen. You made the remark that in parts of California, or in California there were in many cases six new jobs created with the manufacturers but one house for each existing job.

HC: Correct.

Audience: Did you find that in those neighbourhoods there was consistently more demand than there is today for housing or did you find that housing values in those areas dropped?

HC: Well it's a very spotty picture in California. There are some areas of California that were badly overbuilt and where the job machine has not kept up, so they are among the most hard hit areas in the United States, the so called central valley that runs from Modesto and Stockton and Merced in the interior of California have been very hard hit. But in most parts of California, the demand for housing still outstrips the supply, prices are too high, unaffordability has not come down as much as one would have hoped through this recession and the problem is very severe. So there need to be concerted strategies in a state like that for producing more supply, and particularly supply at workforce prices.

Audience: If I can just pursue the question for a second. I hear what you're saying and I'm now trying to take it a little bit deeper.

HC: Not a problem.

Audience: You perceive it to be that prices are still too high, of course that's a relative thing. Would you say that if I were a real estate in the United States, a realtor, that I would still see it pretty hard to sell a house in those neighbourhoods because of the fact it's still too high or do you think that there is still actually relatively strong demand from those people but compared with the centre which is pretty weak?

HC: I would say that you could probably sell the homes as a realtor but it would not be to working class families. There was a point in California several years ago where the median price home was priced, median price, middle range house among all the houses available, was priced at a point where only 6% of Californians could afford it. That's how high the pricing was as against what the incomes were. And that hasn't changed appreciably, it may be up 12% or 15% of families now can afford that median price home, but there's still a great gap, so ...

Audience: Do you have any idea how that would compare to Australia?

HC: I have no idea, I have no idea. I do know that while in Sydney over the last several days, there were many, many stories told to me, both by housing experts and builders and people at the property council as well as anecdotally workers that I met, at places like ... the cameramen at television studios who described the 70 mile drives to home in the Blue Mountains and who described the unaffordability and therefore lower home ownership rates etc.

JFK: Thank you, we have a question here.

Audience: Hi. My name's Bev Kliger (BK). I work in social housing policy and I have for 20 odd years or so, and what you say is very inspiring and in Australia we do have ... a colleague of mine Terry Bourke has called the group that can't access housing the Sandwich Class, they're sandwiched out of welfare and sandwiched out of home ownership and I love his term, that's quite explicit. If ... one of the challenges we have is I do draft policies for local government and for state governments on social housing, but we don't have the instruments or the drivers for it to actually occur. One of our challenges is it's difficult to do density bonusing in Australia, we don't have ... certainly in Victoria, we don't have any exclusionary zoning. There's a challenge between who is responsible, is it local government or is it state government? And local government is very wary of the Nimbi-ism, and I heard at a seminar last week the concept of Banana-ism, build anything nowhere near anyone.

JFK: Build absolutely nothing at all anywhere, never.

Audience (BK): That's exactly right.

JFK: Something like that.

Audience (BK): So my question to you was where do you begin? What's the first driver in terms of trying to change the capacity for local government and state government to stimulate development, not just of low income affordable housing but what we call workers housing which is an issue.

HC: Right, right. Well first of all you are confronted with some particular difficulties I think in Australia from what I have seen, and that is the fragmentation of local government within the metropolitan area, so that the central cities are relatively small. I was surprised that Sydney, City of Sydney has less than 150,000 people in a metropolitan area of 4.5 million, and similarly the City of Melbourne is relatively small in a mix of 25 or so other city governments with their own city councils, so they end up being almost more like neighbourhood or village structures than cities, and since they guard their prerogatives with respect to zoning and housing permits, housing permissions/approvals so jealously, particularly the more upscale places that Ed took me to in the Sydney suburbs the last few days, it's very difficult to get approvals. People described to me at the property council in Sydney yesterday seven year timeframes to get approvals for multi-family housing and if you can get it at all, and more likely in many places you simply can't get it. So it is a structural problem. But I think that there's several sort of at least beginning steps or antidotes. One is for civic forces to recognise the primacy of housing and begin to hammer home the issue. In the United States we created an entity called Homes for Working Families, and it was the largest employers in the country gathering together to articulate the importance to the public through public service announcements and town hall meetings and publishing reports.

Also in the United States at the local ... that was a national effort, and it's now morphed into a sub-council of the Urban Land Institute called the Trewilga Centre for Workforce Housing, and its job will be to proselytise across the nation on the subject of the importance of workforce housing. But there's also efforts at the local level, a community like Sydney or Melbourne is San Francisco. There there's a group called the Bay Area Council of the leading business people there, and they published a report about two months ago called the Bay Area Burden that incorporates the cost of housing and the cost of transportation. The guideline in the United States is you should spend about 30% of your income for shelter. If you're spending more than that, you then don't have money for the other necessities of life, medicine, food, children's clothing etc. A huge percentage of Americans are now spending 50% of their income for shelter, poor people spending 50% of their costs for shelter. And when that shelter is far distant, then you have to add the cost of the commute, the gasoline prices, the car maintenance etc. and we're talking upwards, well upwards of 50% at that point in the transportation and shelter nexus. So they're articulating that to local officials who hopefully will get the message.

In the United States we have a problem in creating continuity among local leadership called term limits. People can only serve for a period of time and then they're out. So other forces have to create the continuity, the overarching message. Business people, chambers of commerce, local civic leaders, unions, others who will be there for the long haul, who's perspective is 10 and 20 years, not a four year term have to be articulating that message and offering up solutions like employer assisted housing.

I met today with the Committee for Melbourne, a business group that prides itself on things like Docklands and other sort of far reaching strategies. Perfectly noble, perfectly appropriate, but I was preaching to them the importance of housing as a business issue. In California right now, companies are leaving the state because their workers cannot afford to stay with them and it's a simple practical reality that that dynamic is playing out. So there are other forces, I am told, someone told me yesterday in Sydney, that at least in that metropolitan area, I think it's less so in Melbourne, there isn't really much civic space. There is government and politics, and then there is business, but almost never the twain shall meet, and people are sort of afraid somehow

to engage on these sort of controversial things as civic forces. I think that's less so in Melbourne from what I have been able to tell and what I have been told. But a robust voice on critical issues for the permanent players in a society is I think an essential element of how this will progress.

JFK: Thank you. We're going to finish right on 7:00 because it's always good to let people escape when they can and Daniel, if you could ask your question quite quickly and have a quick response, then we can fit Lindsay's quick question and quick response in as well.

HC: I think the quick is more for me.

JFK: And actually Daniel oh there's a Daniel competition going on, there's actually another Daniel that hasn't ...

HC: Let's do it quickly and we'll get both Daniels.

JFK: We can have Daniel one, Daniel two and then Lyndsay.

Audience: Hi, Daniel (Mullerworth) one from Grattan Institute. My question is this, you've described what sounds like a delicate balance between market forces and strategic intervention based on a range of policy tools that you've described. I was wondering if you have any thoughts about how in terms of the governance, as a community we know that we're getting that right on an ongoing basis, and how do we review and go forward with cutting the balance between those two things?

HC: Well I'm not sure it is so much a balance as it is utilising market forces, recognising market forces, tapping market forces to accomplish specific objectives. So sort of setting forth the agenda and then translating it into terms that the market can help produce. For example I mentioned solutions like low income housing tax credits. Nobody in their right mind would think of that strategy for producing workforce housing or affordable housing, but a careful analysis of what moves the market, what motivates business people because they have tax issues and they want to buy those credits, has created a very functional mechanism. And oh by the way it's allowed not the government but individual builders to create smaller units on better sites with better design more related to the indigenous needs of the community and so forth, than a command and control structure would have ever done. So I would say it's not so much a matter of balance as it is intelligently tapping the dynamics and motivations of the market to make it work for important causes.

JFK: Daniel two?

Audience: Daniel Khong (DK), Urban Design Director at VicUrban. I just wanted to follow up on what you mentioned about San Antonio being a good example of how a platform of a city can be used as an instrument for increasing quality.

HC: Social justice, equity.

Audience (DK): Yeah, and you mentioned previously I guess about the need to think about this in a very strategic manner, and I was wondering if you could give some kind of concrete examples as to what were some of the key strategies which the city used over the past few decades.

HC: Well I had the good fortune, and it was quite by accident as mayor of the city to have long admired goal setting strategies in other cities, a program called Goals for Dallas, in Dallas was really one of the kind of iconic strategies of its kind and I sort of stumbled upon using it in San Antonio in 1983 and helped organise an initiative we called Target 90, which was a timeframe seven years away, 1990 from '83, long enough to try to do complex things like expand a roadway or build a stadium or act on school initiatives, but not so long, we could have chosen 2000 as the target, but that would have been 17 years away and people could not have imagined it or could not have gotten enthused about it. So we put 500 people in 12 committees to ask questions in each of those 12 areas, where do we want to be in our infrastructure, where

do we want to be in our international trade posture, where do we want to be with respect to our schools and human capital strategies, where do we want to be with respect to our downtown etc. And I would have never imagined that the important thing to come out of that process would not have been the goals, but the involvement of 500 leaders. So that as the decade wore on and we began to propose things that required some courage, passing bond issues, increasing revenue streams to do these things, there were people who were already aboard and bond issues that used to be a massive struggle in an ethically divided community now incorporated something for everyone and passed by 75% margins. Bond issues that used to be offered only say ever five years or 10 years in my last four years as mayor, we offered an initiative every year, and passed them with those margins. So I'm not answering your question directly, I will but I wanted to sort of set the context. Concrete things, we discovered that Baltimore had a program in which they said to the students in the central city schools, if you come to school, public schools, and 95% of the time in your junior and senior year and achieve a B average, you will have a scholarship to college. We created a program as a result of this process called the San Antonio educational partnership. We started with six of the poorest schools in the city, it's now expanded to something like 24 high schools, high schools. But said to the students in those schools, if you attend and achieve a B average, I don't care that you got Ds in your freshman and sophomore year, if in your junior and senior year you're there 95% of the time and achieve a B average, you've got all the money you need to go to college. We became one of the first cities in the country that could say in San Antonio for kids who work hard, financial impediments to higher education are eliminated, you will go to college. So that's the kind of thing that we were able to initiate. I'd like that program to go further in other places, it has. Denver Colorado passed a bond issue to create an endowment so they would have enough funding to make that scholarship pledge to every student in the public schools of Denver. So those are the kinds of you know kind of socially related initiatives that move the ball forward.

JFK: Thank you. Lyndsay.

Audience: My name is Lyndsay Neilson (LN), previous secretary of government departments here in Victoria and member of departments in Canberra but now a consultant. Throughout your talk you mentioned a range of initiatives being delivered in a variety of cities across the nation, but you didn't mention anything that was being specifically driven from Washington as a federal government initiative, except for creation of the office, and there are of course other community supported programs. In doing some recent work on urban renewal internationally, it was fascinating to discover that last year and the year before and probably this year, across the US there are numerous urban renewal authorities celebrating their 50th anniversary, dating back to federally funded programs of the 1960s.

HC: 1960s.

Audience (LN): Exactly, and they're still in existence and they're still operating although under different funding regimes. Now, do you expect to see any equivalently impactful initiatives coming from the federal level in this government?

HC: Well I think that some of the things I mentioned from the federal government are very important, and while it may not be that they will be named programs with an identity that we can look back on and say that was a turning point program that came from the Obama years, I think there probably will be I can't state them right now for certain, but I would say that urban policy from the federal level has been evolutionary and cumulative. So urban renewal was an early program, loaded on that came programs like model cities, loaded on that came initiatives like block grants, community development block grants and the home program which is a block grant, and loaded on that came commercial initiatives like first ... one called Urban Development Action Grants in the '70s and later New Market Tax Credits in the '90s. So there's been a kind of a cumulative building on lessons from the past, and the things that I mentioned from the Obama administration like re-torquing transportation spending away from roadways to the suburbs to mass transit, to transit nodes and to transit oriented development. Things like choice neighbourhoods that builds on the Hope Six program which I talked about as a refurbishment of public housing. Now the administration has a new cut at it, renaming it Choice Neighbourhoods, which allows a variety of types of housing beyond public housing to be mixed. So while I can't point to a kind of high profile identity initiative yet, this is the first year of what we hope is an

eight year tenure for President Obama, it is a very tough year in which his first priority has had to be let's get the economy on the road to recovery and try to end two wars and pass a health care program that has everything to do with our national debt and how severe our deficits and debt will be going forward, that he's had his hands full. But out of the collaboration and out of the dialogue and out of the lessons of this new office and the collaborations across departments, I think could come some very important and powerful things. I think this logic that they're laying out which is metropolitan areas as engines for the national economy, has huge implications going forward. Let me just say and I'll close with this 'cause I know we're past the hour now, but one of the things that I discovered had seared in my experience as Secretary of Housing and Urban Development was the importance of place as a discipline for making a difference. Most things in our communities, in our countries, happen in physical places. So the federal government talks in abstract terms about budgets and policies and programs and incentives and subsidies, but it has to happen in a place. It is those of us who work in the physical places that I think have a better shot at a lasting legacy and an impact. So the kinds of things that I've been describing are more sort of bottom up and rooted in places where you can see the change at the neighbourhood ... in the neighbourhood school, in the jobs that are created etc, and the federal structure ought to be to support that and help it, but the initiative, the targeting, the intentionality, the strategy that works to me happens at the city and metropolitan level.

JFK: Thank you. I'm going to close us up just sitting from here in the interests of time and I want to thank Henry for talking to us but also to thank Ed Blakely for bringing Henry along and I'll join the list of people this evening with non-Australian accents saying that I too became an Australian citizen on Australia Day so ...

HC: And here I thought you had an Australian accent. (Laughter)

JFK: You're the first person to say that.

HC: What are you going to tell me you're from Georgia or Alabama?

JFK: No I'm Scottish.

HC: Scottish.

JFK: But actually I'm Australian as well, this is what an Australian sounds like.

HC: The original Australian.

JFK: That's lovely to have someone not laughing at my accent actually just assuming it was Australian, that's really the first time, it's a pleasure, thank you. So yeah, but no Ed, thank you very much for having him along, but most particularly I want to thank Henry Cisneros for joining us, it's been really an honour and a privilege to listen to you and to learn from you and round the back of this chair (pause) we have a small token, so really thank you so much and thank you all for coming as well.

HC: Thank you, it looks like maybe a Scottish type gift.

JFK: No I'm afraid it's Australian.

HC: (Laughs) Thank you.

JFK: Thank you so much.

HC: Thank you very much.

(Applause)

End of recording