# Overview of U.S. Cities and Livability

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## *Introduction*

When Congress passed the National Housing Act in 1934 it signaled a new federal commitment to provide housing for the nation's people. Fifteen years later, in the Housing Act of 1949, Congress mandated "a decent home and a suitable living environment for every American family." This was reaffirmed again by Congress with the Housing Act of 1968.

Since Bill Levitt sold the first post-World War II house in Levittown, Long Island, home ownership has been the American dream.

> *"We will help you build what we hear you are asking for and what is no less than you and your families deserve: livable communities, comfortable suburbs, vibrant cities, and, for your grandchildren's well-being and for their grandchildren's too, green spaces."* -- Vice President Al Gore, January 11, 1999
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> *"There is no doubt in my mind that the 1968 platform of both the Democratic and Republican Parties will have a commitment to the rehabilitation and the renewal of the cities in America."* -- Senator Abraham Ribicoff (D-Connecticut), 1967
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> *"We will neglect our cities at our peril, for in neglecting them we neglect the nation."* -- President John F. Kennedy, 1963

## *An Historical Perspective*

The problems of America's cities are not new. The opening sentence in Jeanne R. Lowe's *Cities In A Race With Time* in 1968 is: "As almost every American knows, our cities are in serious trouble." She goes on to write: "More and more the local problems of cities have become the major domestic problems of the nation and a challenge to national policies as well."

The problems were studied at length and substantive recommendations made in reports by the Kerner Commission, Kaiser Committee and Douglas Commission more than 30 years ago. Unfortunately, many of the recommendations have never been implemented. However, in the ensuing years, every new administration has formed new commissions and committees to study the same problems.. Few have looked back to research history and all have come to virtually the same conclusion as the committees before them.

In 1968, the Kerner Commission reported that six million substandard housing units remain occupied in the U.S. It recommended that "The private sector must be brought into the production and financing of low and moderate rental housing to supply the capabilities and capital necessary to meet the housing needs of the nation."

> *"Government regulations can have a substantial impact on the cost and availability of housing -- a finding not new to Presidential commissions. More than a decade ago, the President's Committee On Housing (Kaiser Committee) and the National Commission On Urban Problems (Douglas Commission) both reached this conclusion. Despite these warnings and calls for reform, however, governments at all levels have continued to expand their regulatory control of housing. A benchmark for considering regulatory reform was 1968 when the Douglas Commission and Kaiser Committee issued their reports." -- The Report of the President's Commission On Housing, Washington, D.C.*, April 29, 1982

> *"To overcome local impediments to development of subsidized housing, the federal government, subject to the governor's veto, should be empowered to preempt local zoning ordinances which exclude the development of subsidized housing." -- The Report of the President's Committee On Urban Housing*, December 11, 1968.

Many factors contributed to the decline of American cities. Bureaucratic over-regulation inflated the cost of urban housing. Population growth demanded expansion and new suburban communities. Farmland was cheaper outside city limits where builders and developers did not face the myriad of regulations and red tape imposed by the cities. People had open, green space, new schools and recreation areas. Unfortunately, not all

communities were master planned or developed like Reston and Columbia.

*"... there is little doubt that the system through which federal programs are translated into services to people is a major problem in itself. There are now over 400 grant programs operated by a broad range of federal agencies and channeled through a much larger array of semi-autonomous state and local government entities. Reflective of this complex scheme, federal programs often seem self-defeating and contradictory; field officials unable to make decisions on their own programs and unaware of related efforts; agencies unable or unwilling to work together; programs conceived and administered to achieve different and sometimes conflicting purposes." -- Report of the National Advisory Commission On Civil Disorders,* July 29, 1967

*"Privately developed new communities such as Reston and Columbia are an alternative to sprawl." -- Urban and Rural America: Policies for Future Growth,* April 1968

*"... most of the cities have common problems -- racial problems, fiscal problems, educational deficiencies, housing problems, traffic problems; land problems; and social problems. The pride in city which has always been one of the hallmarks of the civilized society is today fading in most of urban America."* -- Charles Abrams, chairman, City Planning Department, Columbia University, before a U.S. Senate subcommittee, 1967

*"The land consumed in producing each new home must be reduced or America will soon run out of suitable, affordable housing sites. Higher density development is now a public necessity. If all the worthless side yards created by zoning regulations over the past years could be amassed, they would provide most of the land needed to build the next decade's housing. ... Land is not an unlimited resource. As with other resources, it must be used more prudently." -- Planning for Housing,* 1980

*"By the mid-'50s, land was an acute problem for most builders. Prices were*

*rising, and many suburbs were taking steps to zone out homebuilders by requiring bigger lots and unnecessary improvements. ... By 1960, inflated land costs were threatening to price good housing clear out of the market. Main causes ... include: speculation, over-zoning and excessive improvement requirements and fragmentation of acreage into holdings too small for economic development."* -- *House & Home*, March 1962

Federal programs and money provided funds for the infrastructure and to build new highways to make it easier for people to reach the suburbs. And in the suburbs, housing could be built at a price that people could afford.

*"There is enough land in California to house the entire population of the United States at a density no greater than 10 to the acre and giving everyone a view of the Pacific Ocean."* -- Richard W. O'Neill, editor, *House & Home,* Ca. 1980

In the 1960s, conceptually innovative and forward thinking land planners, developers and builders advocated cluster development, high density, and zero lot line and patio homes. Opposition to cluster development resulted in considerably more acreage being needed to build the new communities. Instead of vast open spaces, more land was covered with asphalt and every house was sited on its own individual lot. The cost of additional infrastructure and wasteful use of the land unnecessarily inflated the cost of housing.

*"In 1961, when we designed new communities, we used cluster, zero lot lines and treated easements to better use the land and make the house live more than the shelter itself. Many organizations opposed our concept and wanted houses on lots. By 1970, we had to deal with groups that became empowered by legislation, such as Proposition 20 in California. All of this contributed to sprawling the suburbs."* -- Barry A. Berkus, FAIA, architect, Santa Barbara, California

*"Clustering can be a money saver. ... makes higher densities much more palatable ... makes possible many of the environmental features which have hitherto been pretty much restricted to multifamily development."* -- *House & Home*, October 1973

*"... established bureaucracies, whether federal, local or private, resist innovation."* -- Anthony Downs, urban economist, vice president and treasurer, Real Estate Research Corp., Chicago, before a U.S. Senate subcommittee, 1967

*"In the last 10 years, 90% of the growth took place in the suburban areas beyond the city limits. In the next 20 years, we expect that 80% of the total increase will take place in the suburban area rather than in the central city."* -- Leon N. Weiner, Leon N. Weiner & Associates, Wilmington, Delaware, before a U.S. Senate subcommittee, 1967

Today, three decades later, the people who loudly decry "sprawl," continue to attack cluster development. This is happening now in Delaware County, Pa., where a builder proposed clustering all development on 65% of the land and leaving 35% as open, green space and existing natural habitat. The builder's proposal met all zoning regulations, but opposition is creating delays and inflating the cost of housing. With the debt service on the land and other front-end costs, there is no value added and home buyers will pay inflated and invisible costs for the new housing.

*"The impact of increased volume on land will be less a matter of technology than a matter of gaining the understanding and agreement of planning and zoning boards to allow higher overall densities while still providing desirable living environments. ... Good housing and environment can be built on much less land per dwelling unit than is required by many zoning jurisdictions. ... The largest factors in reducing land development costs would be the acceptance by planning and zoning boards of higher densities and planned unit developments. ... all too frequently they are not allowed."* -- Leon N. Weiner before a U.S. Senate subcommittee, 1967

*"Don't call it sprawl. Somebody started using the term "urban sprawl" which is #*$@&$! In many cities there was no room to build housing that people needed."*

*"Building in downtown areas is difficult for us mainly because of our style of building. We construct garden-style, multifamily housing with densities of 12-20 units to the acre. Downtown parcels are usually not large enough for us to keep our density down and still get enough units built. Downtown locations usually only offer opportunity to build smaller projects in terms of numbers of units. We look to build in areas where we can get at least 200 units per site. This is often not possible in downtown or infill locations."* -- Nick Faklis, Regional Manager, The Spanos Companies, Stockton, California, the largest builder of multifamily housing in the U.S.

Over-zealous bureaucrats and environmental organizations must share responsibility for creating the urban sprawl that exists today.

*"Sprawl ... is the new language of environmentalists; seen by political strategists as perhaps the best way to engage voters."* -- *The New York Times*, February 6, 1999

*"The country has now reached the point where growth policies ... specifically the sprawl ... is becoming a national issue."* -- *Christian Science Monitor*, February 5, 1999

*"Discussions of 'smart growth' should not be turned into discussions of 'no growth,' and issues related to smart growth should take into consideration factors of housing affordability and meeting on-going demographic demand due to household formations. ... concerns surrounding growth which place limits on the quantity and type of housing will only exacerbate the challenge of meeting the needs of the 'housing have nots.' ... issues related to 'growth' and 'no growth' generally arise when the economy is strong."* -- Dr. Kent Colton, Joint Center for Housing Studies of Harvard University, paper presented at the John T. Dunlop Lecture, Harvard University, May 4, 1999.

As pressure increases for new suburban development and with it the demand for new schools, roads, infrastructure and public services, communities and school districts are seeking to spend money to preserve open space. Voters in a number of municipalities in suburban Philadelphia are being asked to support spending to buy land or acquire development rights to undeveloped land. This anti-sprawl sentiment is having the public pay for no growth. Another concept being used by suburban communities is to freeze school taxes on farmland that is preserved as open space.

> *"People realize we can't just forever spread out wherever the heck we want to ... it will eventually destroy the very quality of life that we're trying to preserve."* -- Rep. Brian Baird (D-Washington), *National Journal*, February 5, 1999

> *"Sprawl is the product of ... indifference and actions as well as inaction of the various levels of government. Ineffective or nonexistent land-use regulation by local governments, state non-involvement in urban and regional development problems and certain federal programs have all encouraged this wasteful pattern of urban scatteration. ... Sprawl consumes large amounts of land that should be developed at higher density ratios." -- Urban and Rural America: Policies for Future Growth,* April 1968

The cost of building multifamily rental projects escalated with changes in the 1986 Tax Reform Act. Congress reduced and even eliminated some benefits of private investment, including accelerated depreciation, tax credits and tax exempt bond funding. This impacted Section 8, Section 221(d)(3) and other housing for people with low incomes. The tax reform legislation contributed significantly to the failure of many savings and loan institutions and led to the creation of a new federal agency to deal with the problem.

### *The Challenge Ahead*

There is no simple solution. Housing alone is not the problem. One needs to look at transportation, schools, where the jobs are located, tax incentives and disincentives and

quality of life.

> *"We must address the real challenges related to growth, particularly those having to do with education, infrastructure and traffic congestion."* -- Dr. Kent W. Colton

In his paper, Dr. Colton cited a national voter attitude survey conducted by the National Association of Home Builders of 1,209 registered voters between February 7-11, 1999. The voters were asked about the most important issues facing their local community. Issues related to education and schools and roads and traffic were first and third, respectively.

Home builders don't create a market. They build the product to the demand of the home buyer. Consumer demand drives the market. "Sprawl" is occurring in areas where there is no population growth.

> *"Population growth and development pressures have pushed us deeper into ... [the] countryside. Farmland should no longer be converted to concrete and steel without profound study of its impact on future generations. ... One of the answers lies in re-cycling abandoned sites, neglected waterfront and forgotten inner-city locations. On these overlooked resources, we can rebuild our cities to make them once again habitable, places to enjoy life for those who own the companies, as well as for those who work for them."* -- Dr. Samuel J. Lefrak, chairman, Lefrak Organization

> *"You will never reverse the growth trend to the suburbs."* -- Frank Crossen, retired chairman and CEO of Centex Corporation

> *"Efforts to control where people live are doomed to failure. ... People generally like where they live. ... home builders, Realtors and land developers must focus on achieving solutions to address the real problems that exist related to traffic congestion, the quality of schools and education, and the unsightly dimensions of sprawl."* -- Dr. Kent W. Colton

*"Much of the movement from the cities to the suburbs is motivated by the desire of home buyers to be closer to trees, meadows and ponds. But these amenities are often destroyed in the process of subdividing and building. Low-density sprawl also forces residents to travel relatively long distances for basic everyday needs. There is usually no alternative to auto usage which consumes vast amounts of gasoline. Basic utilities, roads, sewers and storm drainage systems must be extensive. ... Over the years, valuable land and landscape resources have been wasted by low-density development. This practice limits the availability of land for future housing."* -- *Planning for Housing*, 1980

To jump start development in the inner city, problems have to be addressed that include schools, crime, abandoned buildings and contaminated lots. This does provide opportunities for the Brownfields program. Cities responding to a survey by the U.S. Conference of Mayors estimated losing $500 million a year in tax revenues and 250,000 jobs because of sites abandoned because of contamination or perceived contamination.

*"It is time to shatter the myth that American business cannot realize competitive returns by investing in emerging inner cities ... business can do good and do well by investing in the inner city."* -- Michael Stegman, Director for the Center of Community Capitalism at the University of North Carolina, Chapel Hill, "America's Inner Cities as emerging Markets," *Kenan-Flager Alliance*, Fall, 1998, Kenan-Flager Business School, University of North Carolina.

*"It probably is politically incorrect to talk about it, but to build in the city you must have safety in the neighborhood."*

Zoning is another issue, especially in major metropolitan areas. Property is zoned with a density higher than the consumer wants. The landowner wants the theoretical value of the property based on an unrealistic density in terms of consumer demand. This escalates the price of land and the ultimate cost of the housing.

*"The landowner holds out for the theoretical value of the land when the market really wants lower density -- more neighborhood friendly development with townhouses, condos, low-rise garden apartments and with parking in close proximity to the housing unit. The builder faces a standoff between what the owner thinks the land is worth and what cost the housing can be built and purchased."* -- Bruce Karatz, president and CEO, Kaufman & Broad Homes, Inc., Los Angeles

*"The real problem with building in the cities is that it takes forever to get the project going. If you are a volume builder you must have production. We started to get into several projects and dropped them because of delays. Sometimes the city or the development agency has its own ideas of what it wants that don't necessarily mesh with ours."* -- Ronald Foell, member of the board of directors and former president and CEO, Standard Pacific Corporation, Costa Mesa, California.

The Clinton-Gore Livability Agenda includes several ambitious initiatives including the $10 billion "Better America Bonds" which cities can use to preserve green space, create or restore urban parks, protect water quality and clean up Brownfields. Vice President Gore met with Charles Ruma, president of the National Association of Home Builders, and HUD Secretary Andrew Cuomo to outline the Million House Initiative, a plan to renovate or build one million new inner-city housing units in the next 10 years.

*"We are busier than ever with adaptive reuse projects and creating a new heartbeat in the older areas of downtown Los Angeles, Pasadena, Hollywood and Santa Barbara. Creative people -- young and old -- may not want to live in the suburbs or in a traditional condominium. They want something that reads more like a retrofitted factory space that is raw, with high ceilings and an open plan where they can create their own contemporary living space. In Scottsdale, Arizona, we are building new lofts that architecturally pick up the spirit of the older community and honor the fabric of a regional area."* -- Barry A. Berkus, FAIA

*"There is a market in perpetuity for in-city housing."* -- David Jay Flood, FAIA, architect, Santa Monica, California and Kihei, Maui

*"Principles that will aid smart growth relate to preserving open space and protecting the environment; providing for compact development; revitalizing downtowns and providing for infill development, funding infrastructure such as transportation and schools, and providing housing choices. The ABC's of smart growth should include affordability, balance and choice."* -- Dr. Kent W. Colton

The National Association of Home Builders, Urban Land Institute and American Planning Association all have smart growth programs. These industry trade associations are working with EPA and producing conferences and seminars throughout the country. EPA has contracted with the Urban Land Institute to produce selected seminars and conferences.

*"Inner city politics is as intense and difficult an environment as any in the country. Each neighborhood and community is different. Each has its own self serving interests -- political, racial or financial. Building means not only doing good for the community, but doing good and getting it resolved politically."*

Consideration must be given to the sub-contractors and suppliers used by the developer for an inner-city project. Many will not only be located far from the project, but may not have the licenses to do business in the city, or even want to do business in the city for any number of reasons. A homebuilder most likely will prefer to work with his usual suppliers and contractors, with whom he has had a long term working relationship, and find it financially and productively risky to use new suppliers and contractors for one job.

*"Urban projects are so complex and also a distance from our normal suppliers and sub-contractors. They are based in the suburbs and in a huge area like Los Angeles, there is a long distance between downtown and the countryside."* -- Ronald Foell

In January 1999, the U.S. Conference of Mayors released a survey that reported most Americans don't want tax increases for any reason. However, 66% believed spending money on infrastructure was "a strong investment in America."

When asked to consider a $22 billion, five-year spending proposal to rebuild America's schools, an overwhelming 82% of all Americans favored the measure and were willing to pay 1% more in taxes to "ensure we have modern schools that are safe and health." The survey also asked if the public would pay 1% more in taxes if it meant specific improvements in several other areas. Here is the response:

* 74%, guarantee a safe and efficient sewage and water treatment system.
* 69%, have smooth streets with no potholes.
* 59%, have readable street signs, well lit streets.
* 56%, remove litter and graffiti off roads.
* 56%, improve public transit service levels.

> *"Now is the time to deal with this issue. ... There won't be another time. ... We have to do it now. ... We're looking at a $1 trillion surplus."* -- Philadelphia Mayor Ed Rendell

These actions are all essential to rebuilding the city.

> *"Ten years ago I walked through the Bronx, Queens and Brooklyn with a video camera. Children kept coming up to me, curious and excited, and asking why I was there. I was trying to understand why these weren't living areas. The more I walked the more I understood I could make a contribution. Builders have stayed away from the eastern seaboard because of too many bureaucratic regulations."* -- Barry A. Berkus, FAIA

***Commitment and Incentives Needed***

The cities not only must make a commitment, but provide incentives to builders to develop properties in the inner city. From the mayor and city council down, there must

be an absolute and total commitment that encourages and supports redevelopment above all political interests and agendas. These incentives must be provided to balance the financial risk and give a profit motive and incentive for the builder/developer.

> *"The city must provide some financing piece and it can be non-monetary -- tax free land, accelerated processing, entitlements, zoning, a land swap"* -- Kenneth Leventhal, CPA and Stan Ross, CPA, E&Y Kenneth Leventhal Real Estate Group, Los Angeles

> *"There is a generation of entrepreneurial mayors who are reducing regulatory barriers and improving infrastructure... saving community organizations that are forming joint ventures with businesses in the inner city.... Partnerships between the public and private sector are essential to achieve maximum benefits at the state and local level."* --Dr. Kent W. Colton

> *"Only now are cities recognizing the innovative plans done years ago. The cities have to seed the project. Sacramento is doing this to get 1,500 new units built downtown, by providing subsidies of $15,000 to $25,000 a unit. The subsidies can be done with attractive financing, land leases, property taxes and even cash. There must be recognized value to get the middle class and upper-middle class to move back to the cities."* -- Bruce Nott, principal, Grove Development, Newport Beach, California

Many small builders do not have the capitalization to undertake in-city projects. Many large builders, as committed and socially-conscious as they may be, are publicly-held with a fiduciary responsibility to shareholders. One of the country's most profitable publicly-traded home building firms last year reported profits of less than 6%. There must be an affirmation by government leaders that profit is not a dirty word.

> *"We looked to acquire a company that specialized in inner-city projects. They felt they could do more with our capitalization and borrowing capacity. They had some modest success but their bottom line was terrible and we did not consider it a prudent investment for our shareholders."* -- Ronald Foell

*"Typically you want land that is adjacent to decent areas where you can start working toward the center of a blighted area, not starting in the center and working out. Very often development agencies want builders to take a piece of land in the middle and build out. This is the mistake that happened with the Renaissance Center in Detroit."*

The development and building process must be done by experienced professionals with proven track records. This is not a job for non-profit organizations. Few non-profits have entrepreneurial leadership or executives who have risked their financial net worth on ideas. In many cases, where non-profits have taken the lead, the result has been housing priced far in excess of what could have been built by the for-profit sector. There is a role non-profits must play and as a joint venture partner with the city, the builder/developer, or other action/advisory groups. Often federal money is available only for non-profits.

*"A non-profit, working with local bureaucrats, built 'affordable' housing in Hollywood and the cost was $250,000 a unit."*

The 1967 hearings before the U.S. Senate subcommittee reported that Philadelphia was building public housing at a cost of $22,000 a unit while there was a large supply of row housing that could be purchased anywhere from $2,000 to $5,000.

*"Private enterprise can build more cheaply than a public housing authority. Our costs will be between 15% and 18% less than what the public housing authority, through its conventional methods, can produce those same units for. ... If builders were given money at the same rate as government, this cost would be further reduced."* -- Leon N. Weiner before the U.S. Senate subcommittee, 1967

Once the city has addressed the issues of schools, crime and economic development, there are a number of incentives the cities can provide the builder/developer. Many of the following will not affect the city's budget.

*"Any incentives such as quick approvals, tax credits, financing help, etc., will help level the playing field for downtown areas to be developed."* -- Nick Faklis

* Tax abatement (any percentage or all) for the builder/developer, owner resident, or to the owner/manager of income property (residential or retail) provided there is a pass through to the occupant.

Tax incentives in some cities vary depending on the type of property, whether it is new or rehab or adaptive reuse. They can range from one year to several years, depending on what type of incentive is needed to first create development and then to encourage home ownership in that particular section of the city.

Deep subsidies such as this may be critical to attract retail and commercial services that home owners will demand in their new neighborhood. Provide incentives for retail and commercial merchants so inner-city residents have everything from the corner grocery store and deli to the dry cleaner and laundry.

> *"Retail establishments need a system where zoning will not be punitive and where there is sufficient housing to support the stores and where there is no crime."* -- Lawrence Weinberg, Beverly Hills, founder and former chairman of Larwin Group, Inc.

> *"An infrastructure must include service establishments that are necessary for living. Fifteen years ago, a mixed-use building with residents, commercial and retail was an anathema to land planners. Today it is one answer."* -- Harry Usher, principal, Jaust Group, Los Angeles

* Streamlined processing of all permits and approvals; done in days and weeks instead of months and years. Debt service and the cost of interest on up front costs (land acquisition, infrastructure) and cost of all fees are added to the cost of housing and paid for by the end user. There is no value added for red tape, procrastination and delays.

> *"We're confronted with antiquated building codes and union practices that substantially increase the cost of building. Moreover, environmental laws can be counterproductive when the cost of implementation is greater than*

*the cost of construction itself. Then there is the approval process. New York City has a process called ULURP -- Urban Land Use Review Procedure. I say it stands for Useless, Long, Unfair, Restrictive Process. Builders of affordable shelter are subjected to endless meetings by boards whose decisions are often overturned by later meetings of other boards."* -- Dr. Samuel J. Lefrak

*"Bureaucracy must be cut to get the builder back into the city. There must be a clear path to approval that is accepted by both sides. Both sides also must be accountable. I've seen situations where we get into a project for a year and then roadblocks come up that were not there on day one. You can bring the builder back with opportunity. The profit-motivated builder and his team can design a very interesting urban product that reweaves the fabric of the older town and makes it a desirable place to live."* -- Barry A. Berkus, FAIA.

In many cities, the process from preliminary design to final approval can be two years. Meanwhile the builder has debt services as well as taxes on the land and cost of overhead. All are added to the cost of the project.

*"Bureaucrats have no concept of how much interest costs. If wetlands are involved, the Corps of Engineers have delayed projects as much as 6 to 12 years."*

* Appoint an individual who reports directly to the mayor who can expedite approvals. In Philadelphia, for example, if a builder wants to make any zoning change once plans are approved, regardless how small the change, this must go to city council with a public hearing.

*"You don't build by having debates and meetings. You build with carpenters, bricklayers and plumbers. ... Every politician has his own agenda, his own ax to grind. You don't make progress that way."* -- Dr. Samuel J. Lefrak

*"Every neighborhood yahoo who has an agenda can come in and get his pound of flesh. This encourages people not to develop a site."*

* Waiver of building codes if there is no impact on health and safety. Code emphasis should be on health and safety and performance rather than lifestyle. This is especially important in redevelopment and adaptive reuse projects.

*"In many cases we've gone far beyond protecting health and safety; we're protecting inefficient products and procedures. You can't build affordable housing in the late 20th century with a building code that seems inspired by the 19th century."* -- Dr. Samuel J. Lefrak

* Eliminate water and sewer connection fees for high priority projects in high priority districts. Philadelphia has done this. The tap-in fees in the suburbs can be $6,000 to $8,000, all added to the cost of housing.

* Downzoning and subsidies. Where land is zoned higher than what the consumer wants, either the city needs to downzone the property or subsidize the land.

*"The value of the land needs to be brought down or the land value subsidized to make it work for the developer. Neither has been done or is likely to be done in Los Angeles. We've done redevelopment in smaller cities where progressively thinking city managers have wanted to spark a renaissance in a neighborhood passed over or run down. They will subsidize property values for us in order to entice us to come in the build homes. The subsidy allows us to sell at a lower price which mitigates the risk from our point of view. This works extremely well. A successful residential development brings huge value and development interest to adjoining parcels. The cities that have money are willing to make this kind of investment to get long term benefits in a neighborhood."* -- Bruce Karatz.

* Provide the builder/developer with a ready-to-build site with on-site infrastructure and utilities, with no taxes or payments due until all approvals are final. All off-site improvements should be the responsibility of the city -- new water and sewer lines and repaving of streets.

> *"Cities have to start giving and make it easier to develop land or otherwise write off redevelopment."*

* Use bonds for site acquisition and then give, sell or lease the land to the builder or a joint private-public partnership. This also can be used as leverage to obtain financing.

* Integrate the land with state and federal programs including some enterprise and empowerment zones.

* Eliminate the transfer tax -- or flip tax -- on redevelopment properties for both the buyer and seller. If a builder is involved in adaptive reuse, this can add as much as 8-10% to the cost of the housing unit. The builder has to pay when not only acquiring the property, but again as a seller when the project is completed.

* Zoning must be flexible. Zoning spells out the minimum building area, lot sizes, maximum lot coverage requirements and, if restrictive, adds to the cost of the project. Some cities have sites frozen in place when the law was put in place in the 1920s, with no consideration for changing environments and needs that incorporate multi-use projects. Zoning is an impediment to redevelopment.

* In some areas cities need to help regarding union labor. A recent report by *Engineering News Record* reported Philadelphia having the highest labor costs of any city in the mid-Atlantic states and 30% higher than Baltimore.

> *"Labor costs inflate the cost of inner-city housing. When no housing is being built, the union is getting 100% of zero. There needs to be a give on work rules."*

*What Some Cities Are Doing - The Parramore/Orlando Project*

Parramore is an historical African-American district in Orlando, Florida. The main street on one boundary is even called Division Street because it was used at one time to divide blacks from whites. Following *Brown v. Board of Education* the school district closed the Parramore school and has since been busing 722 children to other schools in the area. Over the years, when the city had something to dump, it went to Parramore. There is no sense of community. It has the highest crime rate in the city as well as five centers for the homeless and 18 different social-welfare organizations. There have been few solutions to date.

It is conveniently located in walking distance to downtown, the sports arena and center city office buildings. Orlando's mayor organized a committee of 14 to deal with the problem. The mayor is personally involved. The committee's strategic plan identified four priorities, in the following order: 1) schools, 2) public safety, 3) economic development and 4) housing. It was felt the first three had to be in place before anyone would be attracted to move into the district.

The start is a new upscale, K-12, state-of-the-art school. The building will be open 24 hours a day, 7 days a week as a service to the community. The Orlando Magic professional basketball team has a charitable foundation and has committed several million dollars to programmatic ideas provided they can be replicated in other geographic regions of the U.S. The new school is expected to be a magnet that will attract families who will want to live in the district.

*"Good schools are the key to family housing."* -- David Jay Flood, FAIA

The city has committed to making the streets safe. It also has helped fix up owner-occupied housing stock and through strict code enforcement, condemn and tear down other housing, especially rental properties of slumlord investors. But it needs housing to accommodate those families being dislocated.

In order to attract builders, the mayor has taken the position, "tell us what you want, what you want us to waive, give us a reason and we'll accommodate you."

*A Joint Venture in Wilmington*

Officials in Wilmington, Delaware looked to veteran builder Leon N. Weiner of Leon N. Weiner & Associates when they wanted to start revitalizing a former all-Black neighborhood only three blocks from the heart of downtown. Weiner, a three-generation builder and community developer and past president of the National Association of Home Builders, and his president, Kevin P. Kelly, this year's president of the Delaware Home Builders, needed nothing more than to be asked. They were committed to helping rebuild the inner-city.

The 53-unit McCauley Court project of 3- and 4-bedroom townhouses was built completely without government money. A Citizens Advisory Group, comprised mainly of businesses and banks, worked with the city to acquire and clear two city blocks. A decision was made to have for-sale rather than rental units, believing that home ownership would provide greater neighborhood stability.

Focus groups were held with potential buyers to determine the type of housing they wanted, whether the kitchens should be in the front or back of the house, and the ideas were incorporated into the architecture. One example is a front porch facing the street and garages accessed from an interior courtyard. The architecture kept the theme of the old town and streetscape elevations of the townhouses conform to the historic look of the area.

Wilmington city officials cooperated fully with the Weiner organization by expediting approvals and requests made for codes and zoning. The density is 23 units to the acre. The buyers are mixed racially and middle-income with some salaries in the $50,000 and $60,000 range. The sales price is $120,000 with a writedown on the mortgage of as much as $40,000, depending on the income of the buyer. However, not all buyers are in the low

income category. Some are middle-class African-Americans who are moving from the suburbs back to the city and to the same neighborhood where they were born and raised. Most of the buyers walk to work.

The Citizens Advisory Group provided the Weiner firm with a 3% construction loan and received credit under the Community Reinvestment Act.

Based on the success of the McCauley Court project, Weiner and the city began talking about a joint venture partnership with the housing authority to replace 267 rental public housing units with 175 for-sale units. Plans are to change the street pattern and the look of the community. Efforts will include working with local community activists as well as with business leaders.

Weiner also met with Philadelphia Mayor Ed Rendell to discuss a North Broad Street project near Temple University where the city plans to raze 150 vacant row houses. The units planned are duplexes on small lots with a reduced density. The new units will be part of the Clinton-Gore Livability Initiative and the National Association of Home Builder's commitment of 100,000 new inner-city houses each year for the next 10 years.

***Some Possible Concepts to Make it Work***

* Where a city controls a reasonably large plot of land, have an RFP with a project based on a non-renewable land lease of 30, 40 or 50 years with a low-cap rate. The proposed project would meet the current needs of the community. At the end of the land lease period the community's needs may be completely different and a new RFP would be issued for a development project based on current needs. The land would then be leased again for 30, 40 or 50 years for a new project. The property would be kept current with needs whether mid-or-low-rise or garden-type residential or commercial.

* The livability bonds, Brownfields funds and grants should include clauses where the city must provide incentives that will result in development to meet administration objectives. This is a financial carrot for cities to attract builders and developers. This is not new. In the early 1970s, when George Romney was Secretary of HUD, he withheld block grants to cities who did not modernize building codes.

* Consideration should be given to a home ownership program similar to Section 235 of the 1968 Housing Act that provided subsidized below market interest mortgages based on a family's ability to pay. As a family could afford to pay more, the interest subsidy was reduced. This could be a potential application for the "Better America Bonds."

> *"There is a clear and compelling requirement for better coordination of federally funded programs, particularly those designed to benefit the residents of the inner city."* -- *Report of the National Advisory Commission On Civil Disorders*, July 29, 1967

* Cities should encourage major center city businesses to support center city housing for its employees. This could be especially attractive for employees at the lower salary levels. A package could be put together several different ways including subsidized land or a redevelopment project that would be nearby the office building. Housing units could be for rent or sale at affordable prices. The company would provide group transportation for its employees. If an employee decides to move, any gains on the sale of the "subsidized" housing unit would be shared with the company. This is done now for university housing in high cost areas.

* Creative financing is important. The Lefrak Organization worked with the New York City to build three large apartment buildings, each with 400 units, on vacant city-owned land. One building had condominiums sold at market rates. Lefrak did not profit from the sales but was paid an 8.5% management fee. The profits helped underwrite the construction of the other two buildings which were rented to

middle-income and moderate-income families. The city paid a conventional construction subsidy up to $25,000 for each rental apartment. The land for the condominium building was sold to Lefrak for $1 and the city retained ownership of the land under the two rental buildings.

> *"In the new millennium we must have new forms of home ownership and land use. We design inflexible grids and infrastructure and must allow housing that doesn't sit on lots, but is a part of a block of land where the homeowner has an interest in the entire block, the way there would be a shared interest in a condominium. We must understand the dynamics of the organic city. We need to adapt to work on a blank canvas rather than subdivided lines and create a place that is healthy both physically and mentally. The rebirth of the inner-city will see the creative old and young living together."* -- Barry A. Berkus, FAIA

***Opportunities and Summary***

Dealing with the housing problems of our cities offers EPA a showcase opportunity for Brownfields, especially where land and buildings are recycled with adaptive reuse projects. The agency can work with the administration and HUD and other agencies to leverage grants and the Better America Bonds. The $10 billion no-interest bonds can be earmarked for cities with who are progressive with innovative programs to ensure a commitment is made that will result in success.

> *"The entire complicated process of building American housing in order to find ... ways in which costs can be reduced, production increased, and decent housing for citizens with low incomes ... Private enterprise can best provide the muscle, the talent and major effort -- when there are opportunities to earn reasonable profits and to function at maximum efficiency." -- The Report of the President's Committee On Urban Housing*, December 11, 1968.

No "think tank" researcher or university academician yet has ever built a sustainable community, much less an inner-city project. This is a job for professionals -- architects and planners, builders and financiers. There must be incentives -- including profit motivation -- for them to take the risk. This means a partnership between the private sector and government. The innovative cities willing to work quickly, expedite approvals and eliminate bureaucratic red tape can be the beneficiaries of the federal funds and livable and affordable housing. And EPA will have a project that can be can be used as a model in other cities.

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U.S. EPA (Region III), Philadelphia
October 4, 1999

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Eli Broad, Los Angeles, co-founder and former chair of Kaufman & Broad Homes (KBH/NYSE), international publicly-held home building firm and new community developer, chair of Sun America, now a part of AIG (AIG/NYSE).

Dr. Kent W. Colton, McLean, Virginia, Joint Center for Housing Studies of Harvard University, former executive vice president and CEO of the National Association of Home Builders and former staff director of the 1982 President's Commission on Housing.

Frank Crossen, Dallas, retired chairman and CEO of Centex Corp.(CTX/NYSE), national, publicly-held home builder and new community developer that once built 50% of all new housing units in the Dallas metropolitan area.

Nick Faklis, regional manager, The Spanos Companies, Stockton, California, the largest builder of multifamily housing in the U.S.

Ronald Foell, member of board of directors and former president and CEO, Standard Pacific Corporation (SPF/NYSE), Costa Mesa, California.

David Jay Flood, FAIA, Santa Monica, California and Maui, Hawaii, architect who did comprehensive new community masterplan for Keystone, Colorado; Sun Valley, Idaho; Stowe, Vt., Big Sky, Montana and now an 8,000-acre complex in Garibaldi, B.C. Doing many in-city multifamily projects in Santa Monica, Redondo Beach and Culver City, California.

Joseph G. Honick, CEO, GMA/International Ltd., Tucson, Arizona and San Francisco, international industry consultant, former senior staff executive at the National Association of Home Builders, Washington, D.C. and Larwin Group, Beverly Hills, and current national director of the NAHB.

Bruce Karatz, president and CEO, Kaufman & Broad Homes, Inc. (KBH/NYSE), Los Angeles

Kevin P. Kelly, president, Leon N. Weiner & Associates, Inc., Wilmington, Delaware builders and developers, and president of the Delaware Home Builders Association.

Dr. Samuel J. Lefrak, chairman, The Lefrak Organization, Forest Hills, N.Y., the largest apartment owner in the U.S., builder of more than 200,000 homes in New York City and it is estimated that one out of every 16 New Yorkers live in a Lefrak building.

Kenneth Leventhal, CPA, founder, Kenneth Leventhal & Co., Kenneth Leventhal Real Estate Group, Los Angeles, the premiere accounting firm in the housing, real estate and construction industry.

Leonard Miller, chairman and CEO, Lennar Corp.(LEN/NYSE), Miami, major publicly-held firm that builds throughout the U.S. and has done adaptive reuse projects in San Francisco and Atlanta and larger housing projects for low-income families when tax credits have been made available.

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