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1 U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
2  
3 HOUSING POLICY IN THE NEW MILLENNIUM  
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8 Arlington, Virginia  
9

10 October 2, 2000

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KEYNOTE ADDRESS:

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SECRETARY OF HOUSING AND

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URBAN DEVELOPMENT

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ANDREW CUOMO

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P R O C E E D I N G S

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MS. WACHTER: Welcome all again. It's a  
4 pleasure to have you all here for this dinner. The  
5 Secretary had one request of Bill and I when we put this  
6 together and that is that we have the best and the  
7 brightest and I believe we do. We have also besides the  
8 best and the brightest from the world at large, we have  
9 leaders from HUD with us. And I do want to take a moment  
10 to introduce you to the audience and please stand up.

11

We have Assistant Secretary for Public and  
12 Indian Housing, Harold Lucas, with us, my colleague. And  
13 we have my colleague from the Center for Community and  
14 Interfaith Partnerships, the Director, Father Harkela.  
15 Please stand up. And we have the Director of the Hope 6  
16 project - office I should say - Eleanor Bacon please. And  
17 unfortunately, because of all the activity on the Hill, we  
18 do not have Cardell Cooper. But we do have - tonight we  
19 have who you've already seen in action, our Assistant  
20 Secretary and FHA Commissioner who is not only the best  
21 and brightest from academia. But as a manager, he has no  
22 peer.

23

So in a moment, Bill Apgar will step up to  
24 introduce our Secretary who will be here in a moment.  
25 Thank you.

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MR. APGAR: So greetings all. I have had a good  
2 afternoon of discussion. And now it's my pleasure to  
3 introduce HUD Secretary Andrew Cuomo. As is the HUD way,  
4 we could go through the biography of our distinguished

5 Secretary, go over the usual history. He was the founder  
6 of the founding enterprise for the less privileged, HELP,  
7 America's largest provider of transitional housing for  
8 homeless. That's the fact. The interesting tidbit makes  
9 him the first HUD Secretary that ever built housing.

10 Now, as the first FHA Commissioner that never  
11 built anything, I appreciate that because it brought a  
12 unique insight to him to understand what it is to be like  
13 on the other side of the whole pack of us government  
14 bureaucrats and understand the way of a business  
15 transaction. I could also tell you how President Clinton  
16 asked him to join the administration to bring his unique  
17 blend of public and private sector experience to  
18 government. In 1993, he appointed him to be Assistant  
19 Secretary for Community Planning and Development. His  
20 activities there made a substantial mark. His efforts to  
21 develop a continuum of care for homeless assistance, set  
22 the standard for our provision of assistance to homeless  
23 families. One, the Harvard's prestigious innovations and  
24 government award. I was not second prize. But it was an  
25 enormously competitive activity, literally thousands and

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1 thousands of applications. I sat next to the room where  
2 they came in. I think that year 3,000 applications were  
3 all over the country. And HUD was distinguished and  
4 Secretary Cuomo was honored with his innovations and  
5 government work for his effort on the continuing of  
6 homeless assistance.

7 Shortly after the 1996 election, of course,  
8 Secretary Cuomo was promoted to his current job and he  
9 went putting HUD's house in order. You've heard a little  
10 bit throughout the day of our management reform efforts  
11 because we're so proud of it. What we hadn't told you, of  
12 course, is that widely recognized by a whole range of  
13 independent groups, Price Waterhouse, Booz, Allen, who  
14 have praised HUD as a model of government reinvention.

15 So I could tell you these things about Secretary  
16 Cuomo in his effort to lead the charge in support of low  
17 and moderate income folks, poor and disadvantaged citizens  
18 within the administration. But I'd like to say something  
19 a little more personal than the standard biography  
20 material.

21 Truly, the last three years have been the most  
22 amazing experience in my life. As I mentioned, I came  
23 here as an academic. And I had ideas of policy. I had  
24 ideas of planning. I hadn't had a lot of practical  
25 experience. And interacting with the Secretary has been

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1 one of the most amazing experiences of my life.

2 I got thrown into the middle of major HUD reform  
3 initiatives. And let me tell you, if you don't do your  
4 homework when you're trying to deal with Secretary Cuomo,  
5 you're in big trouble. You don't get incompletes here.  
6 You get a whole series of very tough questions by somebody  
7 who is a truly wonderful hands on manager, leader and  
8 mentor. So it helped me be a better manager, a better in  
9 our efforts to reform the FHA.

10 But I've also come to admire in something that's  
11 more close to my own expertise in the area of policy  
12 development and policy studies. Again, his intellect, his  
13 inquiring mind, maybe it's his past as a prosecutor, he  
14 has the capacity to ask the most piercing questions that  
15 always are asking why can't we do better?

16 You know, we get into these debates in  
17 academics, why don't we have vouchers or production? It's  
18 always either/or. Secretary Cuomo is the first who will  
19 say, well, I like that out of that column. And I like  
20 that out of that column. Why don't we put them together  
21 and make one program that has all the virtues of a  
22 production program in terms of dealing with tight  
23 marketing or whatever, but doesn't have the down side of  
24 our past programs? Why don't we figure out a way that we  
25 can make them link to the market so that we have market

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1 discipline? Make them so that folks are responsible for  
2 the resources we use. Making sure that the programs don't  
3 lock people in inadvertently and deny folks mobility as  
4 we're giving them the assistance. And it's that  
5 insistence on always saying why can't we do better? Why  
6 can't we ask more? Why can't we get the best of all the  
7 worlds together in one program that makes him an amazing  
8 HUD Secretary.

9 So it's my privilege to introduce to you a  
10 person who has clearly put HUD back in the forefront of  
11 the housing policy for the new millennium, Andrew Cuomo.  
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1 PRESENTATION BY ANDREW CUOMO,  
2 SECRETARY OF HOUSING AND  
3 URBAN DEVELOPMENT

4 SECRETARY CUOMO: Thank you very much. Good  
5 evening to all of you. It's a pleasure to be here with  
6 all of you. It's a very nice introduction by Bill Apgar,  
7 wasn't it? I always believe in getting introduced by  
8 people who work for me. Because the introductions tend to  
9 be nicer. I've had the other type of introduction. My  
10 brother-in-law, Congressman Joseph Kennedy, Congressman  
11 from Boston. And he was on the Housing Committee. So he  
12 would very often be speaking before me or would be doing  
13 the same event and he would introduce me.

14 And Joe - I don't know how many of you have had

15 the chance to work with Joe Kennedy. He had a tremendous  
16 ability to be frank and candid. And he would say whatever  
17 he would say. And now ladies and gentlemen, it is my  
18 pleasure to introduce the HUD Secretary, my brother-in-  
19 law, because no one else was stupid enough to take the  
20 job, Andrew Cuomo.

21 So I've had that type of introduction. But I  
22 prefer Bill's introduction. I said when Bill Apgar was  
23 nominated by the President that before he even walked into  
24 the building, just from knowing him and getting a sense of  
25 his personality and skills. I said he was going to be the

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1 best FHA commissioner in history. And this was when he  
2 was just coming out of academia. And he had not yet been  
3 in government service. I said he was going to be the best  
4 in history. And I think it's not even close when you look  
5 at what FHA has done in this period, but that Bill Apgar  
6 is going to go down in the history book as the finest FHA  
7 commissioner ever. And let's give him a round of  
8 applause. Bill Apgar.

9 And we have a great team. Probably the best  
10 thing I did as HUD Secretary looking back was getting the  
11 best talent. Because the enterprise is so big, the place  
12 is so big, that you are limited by definition by the  
13 amount of senior management you have. And with Susan  
14 Wachter at PD&R, the Apgar/Wachter team is tough to beat.  
15 And it's a pleasure to be with Susan Wachter. And I want  
16 to thank her very much for putting this conference  
17 together with Bill Apgar. Thank you very much, Susan.

18 You guys have met all day. And we have the  
19 greatest minds in housing and community development here.  
20 So I'm sure you worked out all the answers to whatever  
21 questions there were on housing and community development.  
22 And I expect that you'll have a paper on this tomorrow  
23 morning. A few typos and we'll take it from there.

24 But let me make a couple of points if I can  
25 because this is too special a gathering with the minds

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1 that are in this room. And it comes at a very opportune  
2 time. We are right now literally fighting with the  
3 Congress - fighting is somewhat of a pejorative word -  
4 discussing with the Congress the future of housing and  
5 what it's going to be in this budget which was President  
6 Clinton's last budget.

7 And literally, I had conversations throughout  
8 the day on this. And it is still fascinating to me - I've  
9 been at HUD for going on eight years now. And I've seen  
10 the evolution of the discussion. But as much as it has  
11 evolved is as much as it has remained the same. Cushing  
12 Dolbeare who is here today said once at an event, there  
13 was never a housing bill that was widely acclaimed at the  
14 time it was passed. It was always only the best  
15 compromise that could be reached.

16 And in many ways we're having the same basic  
17 debate with the Congress today. Although it's at a much,  
18 much different time than we were at any point over these  
19 seven years. Many of the dynamics were the same.

20           And this has been an ongoing debate and an  
21 ongoing dialogue. I like to think that this HUD team and  
22 this President has brought this issue up seven notches in  
23 terms of priority and in terms of decibel level of the  
24 debate which is a good thing - which is a good thing.

25           It is easy to have a simple debate, but it

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1 doesn't do justice to the issue. And I'm proud of what  
2 President Clinton has done. But the debate has gone on.  
3 It reminds me of the great line that Webster used in his  
4 second replay to Haynes. This was Daniel Webster and they  
5 were debating basically the role of the federal government  
6 vis-a-vis the states, a topic that we are still debating  
7 also.

8           But Vice President Calhoun had come out with a  
9 position and Senator Haynes was arguing Calhoun's position  
10 which was that the states should have the right to negate  
11 any federal action because states were basically  
12 supporting them. And Webster was arguing the flip side.  
13 He had done one statement. And Haynes came back and did a  
14 great, great response to this on the Senate floor. And  
15 now Webster was coming back in his second reply to Haynes.

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17           And he had a great opening paragraph which said  
18 basically, well, when the mariner has been tossed for many  
19 days in thick weather and on an unknown sea, he naturally  
20 avails himself of the pause of the storm, the earliest  
21 glance of the sun to take his latitude and ascertain how  
22 far the elements have driven him from his true course.

23           Let us imitate this prudence and before we float  
24 further on the waves of this debate refer to the point  
25 from now which we departed that we may at least be able to

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1 conjecture where we are.

2           His point was that it had gone on for many days.  
3 Let's just remember where this all began. Webster then  
4 went on to speak for two days in this response to Haynes.  
5 You can see why they needed to take their bearings. But I  
6 think in some ways we've been having this housing debate  
7 for so long, I think it's important to take our bearings.  
8 Because this debate is going to be just as furious this  
9 year as it's ever been before.

10           You started with the 37 Act , the 1949 Housing  
11 Act, which was so simple in some ways that they were truly  
12 profound. And you look at what we've done since then. We  
13 have a great, great success story which is the home  
14 ownership story in this nation, Ken Colton, the home  
15 builders. I mean, we have so much to be proud of what  
16 we've accomplished. Literally, the highest home ownership  
17 rate in the nation. Over 50 percent home ownership in  
18 cities for the first time ever. We're a nation of owners.  
19 We have a great, great infrastructure of housing  
20 organizations out there not for profits, community based  
21 organizations.

22           Our secondary mortgage finance company.

23 Literally, the envy around the globe, China I've been to,  
24 Central America. They don't know what it is, but they

25 know they want it. They want a secondary mortgage market.

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1 They don't have a primary mortgage market, but they want  
2 that secondary mortgage market. Why? Because that is the  
3 great gift. And it is. And it has worked extraordinarily  
4 well.

5 But if you were to have looked at where we were  
6 from 1949 and the progress we've made, you would see that  
7 great record of success. But my guess is they would talk  
8 about what we have not done and the challenges that we  
9 have not met. That you could have 5.4 million worst case  
10 needs today. When they were arguing about the 1949  
11 Housing Act, there were 3.3 million people who would be  
12 our equivalent of the worst case housing needs. And today  
13 we have 5.4 million. You have that great strong economy  
14 which is a gift to this nation, strongest economy in  
15 history, driving up the rents 1.5 times faster than  
16 inflation. You have waiting lists longer than ever  
17 before, 2 years to get a Section 8 voucher if you can  
18 figure out how to make it work. Ten years for public  
19 housing. 600,000 homeless Americans. Great, great  
20 success. But so much more to do.

21 The question - the first for me is why am I  
22 fighting with the Congress? Why should this be a debate?  
23 Why are we arguing the need for housing and the numbers?  
24 So many other basic needs, it is assumed - it is presumed  
25 that certainly government must play a role. Why don't we

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1 have this fundamental debate on education? Why doesn't  
2 the government say, well, let the private market do  
3 education? Why don't we have this debate on health care?  
4 Why don't we have this debate on food? Why don't we  
5 debate the food stamp program this way? Why do we take  
6 housing which is just as basic a need as the food stamp  
7 program, as the health care program? And why on housing  
8 is the first debate point whether or not we should do it?  
9 And that is the starting point, whether or not we should  
10 do it.

11 The House and Senate opening bid, new vouchers  
12 production, is zero. Zero. This is not an argument where  
13 we say \$120,000 and they say \$60,000. This is where they  
14 say zero. They say we should not do it. Let the private  
15 market do it. Why? Why has housing taken on a  
16 fundamentally different position than these other  
17 comparable needs?

18 I think frankly government itself bears some of  
19 the responsibility for the negative light that housing is  
20 seen in. Because I believe that the old stereotype that  
21 government public housing projects, government housing  
22 projects, fail is still the conventional wisdom.

23 Now, we can say that it's not true. Look at the  
24 facts. Ninety-seven percent of the housing authorities  
25 work well. It's only the few handfuls of public housing.

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1 We're not talking about assisted housing. The multi-  
2 family side is different than public housing. All those  
3 distinctions are lost.

4           Speaking to some of the members on our  
5 committee, I am telling you they don't understand the  
6 difference between public housing and what FHA, et cetera.  
7 So can you imagine a normal person - the stereotype was it  
8 didn't work. It became - government's housing program  
9 became Cabrini Green, became Pruett Igoe, became the big  
10 low income housing project that was down the block from my  
11 house wherever I live. And that public housing high-rise  
12 came in and it ruined the whole neighborhood. Or I heard  
13 stories about how it ruined the neighborhood. It's one of  
14 the reasons I fled from the city and I now live in the  
15 suburbs.

16           Because government fouled up the old  
17 neighborhood. But this stereotype of the failure of  
18 government drives us today. When Bill Apgar was talking  
19 about making policy, we tease each other back and forth  
20 because at HUD you search for humor whenever you can.  
21 That Bill as the great policy person had to become a  
22 manager if he was to do policy. And I who was more of a  
23 manager coming in needed to do policy to do the  
24 management. Why? Because they are the flip side of the  
25 same coin. If they do not believe you can do something,

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1 it is not a viable policy option. That's the state we're  
2 in with housing. We built millions of units, '50s, '60s,  
3 '70s. But somehow the perception became that they were a  
4 failure.

5           So 1974 we start to move to vouchers? Well,  
6 first of all, they're a nice idea. Mobility, choice.  
7 Have a voucher. Let the market work. Subsidize the  
8 market. Sounds very nice. Sounds a lot frankly like the  
9 educational voucher discussion of today.

10           Who could be against that? Let the market work.  
11 And it had one great added bonus which was government  
12 doesn't have to do anything. Just give them the voucher  
13 and let the market work. Government's role is very  
14 limited which is important why? Because then you won't  
15 foul it up like you fouled up everything else.

16           So vouchers became the panacea. And that was a  
17 big shift from the project basing, from the hard units,  
18 was to go to the Section 8 voucher. We said in order to  
19 have an intelligent policy discussion, we needed to have  
20 other options on the table. And therefore, we had to  
21 disprove the premise that was keeping those options off  
22 the table.

23           We were an impediment to a full discussion.  
24 Because literally if you say that HUD is incompetent, then  
25 it's a very short discussion. Then by definition, you

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1 limit your options to only those programs that government  
2 has very little to do with. And that was the attraction  
3 of the voucher. So we had a startling revelation. It  
4 occurred to us that we were going to have to do something  
5 about the management of HUD which was a scary proposition.  
6

7           When I became Secretary, I went and I talked to  
8 some of the past Secretaries. They all had the same

9 advice on this point. Don't go near the management of the  
10 department. It is a morass that will suck you in. You do  
11 not come out of that morass. It is the swamp you enter.  
12 There is no exit. Just don't go there. One, I don't  
13 believe that's true. And I do believe that if you take  
14 that as a premise, then I as a government official should  
15 go home. Because once you give up on government, then  
16 find a different occupation.

17 Second, in some ways by the force of  
18 circumstance, I didn't have an option either. They were  
19 talking about eliminating HUD. And that was a very real  
20 threat four years ago. It seems like a lifetime ago. But  
21 it was a very real threat. And tinkering on the edges was  
22 not an option. So we said we were going to go literally  
23 into the eyes and the teeth of the beast and we were going  
24 to do basic management reform. And we came up with a very  
25 aggressive template. And we said we're going to start

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1 with a blank slate. We're going to think outside the box.  
2 We're going to bring in more business principles. We're  
3 going to work with the market, not try to have programs  
4 that are going to defy the private market, which is what  
5 many of our programs were going to do. We're going to  
6 figure out how to bring in the local community, do this in  
7 an integrated approach, have our programs work with our  
8 other programs which would be nice and do something about  
9 waste fraud and abuse so you had accountability. And you  
10 could say to the Congress, you could say to the American  
11 person, I can actually do this thing called building  
12 housing. Now let me try.

13 And we went and we revamped the place from top  
14 to bottom. I remember at one of my hearings when I was  
15 just confirmed, I had a discussion with a Senator who  
16 said, you know, you're in the business of building slums.  
17 And I don't know why we should be giving you money. And I  
18 don't know why you should be here. Because you're in the  
19 business of building slums.

20 And I said, we're not in the business of  
21 building slums. I thought that was a good response at the  
22 time. I still do. He said, oh, no. Everything you  
23 build, you build the projects. You build the ghettos.  
24 These are government sponsored ghettos. That's what you  
25 do. You pay slumlords. You get ripped off. You build

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1 ghettos.

2 I said, no. The overwhelming majority of our  
3 projects are well-run projects. They look good. They're  
4 an asset to the community and they're an asset to the  
5 neighbors. He said, well, how many? I said how many  
6 what? He said how many are good and how many are bad? I  
7 said, oh. Overwhelming majority are good. Already I knew  
8 how to BS pretty good right away. He said, well, how many  
9 is the overwhelming majority? I said, well over the  
10 majority. Hence, overwhelming. But I'll get you the  
11 specific number and I'll be back to you. Which is always  
12 the case of last resort, the I'll get back to you,  
13 Senator.

14 I came back to the building and I said, you  
15 know, we need to know - I need to know because I have to  
16 get back to the Senator - what percent of our buildings  
17 are in good shape, what percent are in moderate shape,  
18 what percent are in poor shape. And everybody looked at  
19 me. And they said, well, this is an issue. I said, well,  
20 what do we have in terms of knowing what shape the  
21 buildings are in? Well, we have reports from the owners.  
22 And the owners - or on the public housing Authority side  
23 the PHA directors - they say the projects are in very good  
24 shape. I said, well, that's a start. But I can't go back  
25 there with that because they'll say, of course, the owners

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1 are going to say that. What else are the owners going to  
2 say? I'm in violation of my contract. I'm in breach of  
3 the federal law. Please come and arrest me. They'll  
4 probably not say that. I said, well, what if we have an  
5 independent analysis of our portfolio?

6 To make a long story short, we had none. And  
7 this was a very big deal now. Because before you could go  
8 and inspect the buildings, you needed to know where the  
9 buildings were. And we didn't. We knew where we sent the  
10 check. Because that's the address that we maintained.  
11 But that was very often the managing agent for the  
12 building and the management agent or the owner may have  
13 moved to Florida.

14 So we went through a process which in many ways  
15 for me is a metaphor of the entire transformation. We had  
16 to find out where the buildings were. Then we had to go  
17 out and inspect the buildings and we had to audit the  
18 financials which meant we had to come up with a national  
19 protocol to do this. We had to train the inspectors. We  
20 had to get out a contract. We had to determine what was a  
21 good building, bad building. We had to find out what was  
22 a good financial audit.

23 But just about four years later, we can now say  
24 we know where all the buildings are. We know which ones  
25 are good. We know which ones are bad. We can manage the

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1 ones that are bad. And we can also tell you that  
2 overwhelmingly the HUD programs have worked  
3 extraordinarily well. Assistant Secretary Harold Lucas is  
4 here. Over 75 percent of the public housing projects when  
5 we went out and did a physical inspection were in good  
6 condition the way we define it. We did a customer survey,  
7 residents of public housing. We had a higher customer  
8 approval rate than people who stayed at a Marriott Hotel  
9 believe it or not.

10 So the projects did work. And more importantly,  
11 we had a basic idea and basic assessment of what our  
12 portfolio was all about. We call that the REAC real  
13 estate assessment center. We put together measures that  
14 said if you are defrauding the public at HUD, if you have  
15 one of the bad buildings. If you come up with an audit  
16 that suggests that there's been foul play, we're going to  
17 have a process that handles that. Because at HUD one of  
18 the things we must prove is that we can safeguard the tax

19 dollar. So much of HUD's negative reputation with the  
20 "scandals" which I still hear about. And when they say -  
21 when I'm introduced to someone who doesn't follow this  
22 day in and day out and I say I'm the HUD Secretary, they  
23 say I thought you were in jail. I say, no. This is a  
24 parole. It's like ground Hog Day. I'm out and I'm back  
25 at HUD again. But that negative stereotyped is still

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1 there.

2 Waste, fraud and abuse. Making sure that we  
3 safeguard the money. We started an enforcement center.  
4 We brought in the FBI into HUD as a permanent enforcement  
5 center, as a way to say don't worry. Your tax dollars are  
6 in good hands.

7 The FHA, Bill Apgar, is a totally different  
8 organization than it was. It is a night and day. He came  
9 in. It was 5,000 employees. Today it is 3,000 employees.  
10 It will do more mortgages this year than it's ever done  
11 before, 1.7 million mortgages. Its first automated  
12 underwriting system. We had 81 centers across the nation  
13 when Bill took over. We now have four home ownership  
14 centers. And we're doing more. And we're doing it  
15 better.

16 Public housing under Harold Lucas, the HOPE-6  
17 program, it is a different experience. 100,000 units  
18 across the country. Our homeless programs totally  
19 revamped, different approach, community driven, moving  
20 people towards independence with three times the money.  
21 We're serving 14 times as many people. We're on the side  
22 of the consumer now. What we've done with predatory  
23 lending and getting ahead of that issue and putting it on  
24 the national radar screen. What we've done with the FHA  
25 home buyer program, the healthy homes. We are a competent

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1 regulator. HUD regulates Fannie Mae and Freddie Mac.  
2 Have you ever heard of them? The initial concept of HUD  
3 as a regulator for Fannie, Freddie, left some people  
4 wondering whether or not HUD could actually do this.

5 I think over the past four years, we've proven  
6 ourselves a competent regulator. We've done the same in  
7 enforcing the fair housing law. We enforced the fair  
8 housing law, a law that was passed one week after Martin  
9 Luther King's death. We will do two times as many  
10 discrimination cases at FHCEO, Fair Housing Enforcement  
11 Equal Opportunity. First federal department to sue the Ku  
12 Klux Klan, Department of Housing and Urban Development  
13 just last year in Pennsylvania.

14 The zero tolerance for waste, fraud and abuse  
15 between the enforcement center meeting and what we will  
16 have done with tenant income verification. Every resident  
17 of public housing or multi-family housing will have had  
18 their income submission, one against their IRS data.  
19 Never been done before. Controversial. Frankly, I was  
20 not wild about the concept. But their income submission  
21 will be run against IRS data where there is a deviation  
22 between what they reported to the Housing Authority and  
23 what they reported to the IRS. That deviation will be

24 resolved one way or the other. So no one can say, well,  
25 all those rich people in public housing are really ripping

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1 off the taxpayer. The first time that was ever done.

2 And all of the programs, especially on the  
3 housing side, have been redefined where they now will work  
4 with the market as opposed to against the market. That's  
5 what the mark up to market and the mark down to market is.

6

7 The reforms have worked. As I like to say, are  
8 we bumping up against the ceiling? Have we reached the  
9 management nirvana? No. But is this a well functioning  
10 department? Is it a credible department? Yes. So says  
11 GAO. So says Chairman Leach. So says Chairman Walsh of  
12 our Appropriation Subcommittee. So says David Osborne who  
13 is the guru who started the whole concept of reinventing  
14 government. That expression was David Osborne. He said  
15 the HUD transformation was one of the most ambitious in  
16 the federal government. And Ken Harney just last week  
17 said, "The FHA has turned itself into what is arguably the  
18 consumer protection leader in the mortgage industry.

19 So we have management credibility. Which means  
20 what? Which means we can talk policy again. And now we  
21 can revisit the 1974 vouchers production discussion with  
22 alternatives. Because you needed the alternatives to have  
23 a real discussion. And with vouchers, I say they work  
24 very, very well. The concept is right, mobility and  
25 choice and using the private market and deconcentration

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1 and not having density. The concept is right. But the  
2 difference between the practice and the concept in this  
3 case at this point in history is a schism.

4 You have about 25 percent of the vouchers that  
5 are returned, that don't work. Why? Discrimination is  
6 still alive and well in America. Some landlords don't  
7 want to deal with the "Section 8 person". Some people  
8 don't like the profile - some landlords don't like the  
9 profile of the tenant who appears with the Section 8  
10 certificate. Sometimes they don't work because there's no  
11 vacancy in the market. Sometimes they don't work because  
12 the price has gone too high in the market and we haven't  
13 kept up with it with our FMR, fair market rent, standards.  
14 So 25 percent of the time they're being returned to us.

15 First step, we have to correct what's not  
16 working in the voucher program. We tried to do that by  
17 raising the FMR to 50 percent three or four weeks ago  
18 which was a very big change. Raising the value of the  
19 voucher literally, raising what the voucher will pay to a  
20 point where now 50 percent of the units will be available  
21 to a voucher holder. We've changed the program to where  
22 seniors can now use vouchers for assisted living  
23 facilities. And most importantly in my opinion, we've  
24 changed it to where a voucher can now be used to purchase  
25 a home. Think about it. Since 1974, you had vouchers,

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1 about \$7 billion per year today. \$7 billion of housing  
2 subsidies. \$7 billion cost.

3           Only rental by definition you could not use that  
4 voucher to pay your mortgage. Why? Today any Section 8  
5 voucher can be used to pay your mortgage. And I think  
6 that's a big change. Also, you have to understand that  
7 the vouchers need help in the administration. Sometimes  
8 you need home ownership counseling. You need mobility  
9 counseling And we have a \$50 million what we call a  
10 voucher success fund to put the servicing the counseling  
11 together with the voucher holder.

12           So vouchers are good. Vouchers are not a  
13 panacea. They are a tool. They are not the exclusive  
14 tool. That's why we need a production program, especially  
15 today, especially in these markets where you can't get an  
16 apartment with a voucher. Because you can't find the  
17 apartment. You need to produce housing. You no longer  
18 have the excuse that says you can't do that because you're  
19 incompetent. Because we're now competent. And we should  
20 talk about production. President Clinton in his budget  
21 this year had a production program. It will be the first  
22 new one in 24 years. But the President had it in his  
23 budget.

24           Back in the spring, the President was talking  
25 about the FHA increase. FHA when we took over was in the  
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1 red. The value was a negative \$2 billion. Today it is a  
2 positive \$16 billion. And the President was talking about  
3 what to do with that increase in value in FHA. And the  
4 President was signaling that he wanted a production  
5 program.

6           Our production program has certain parameters.  
7 Number one, it is all mixed income. No more 100 percent  
8 poor complexes. We did that. We don't want to go back  
9 there. Our number is no more than 30 percent of the units  
10 in a complex low income. We believe the production  
11 program should be targeted to the extremely low income.  
12 Because they are the ones who are being least served by  
13 this market. And we believe a housing production program  
14 now must take advantage of one of our best assets which is  
15 the infrastructure that we have, which is the state FHA  
16 certainly, but not exclusively. The state FHAs are not  
17 the only housing production mechanism. Many of them are  
18 great. Many of them are less than great. But we also  
19 have CDCs. We also have national not for profits,  
20 national intermediaries, use that entire infrastructure.  
21 That's what we mean by a production program.

22           But bottom line is in this budget debate, we  
23 need vouchers. We believe we're making the vouchers work  
24 better. But we still need vouchers. And we need a  
25 production program. And we've made that abundantly clear  
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1 to the Congress. I as the Housing Secretary have one  
2 ultimate weapon which is if I don't believe the budget  
3 reached is in the best interest of the department and the  
4 purposes that we're supposed to be serving. I can  
5 recommend to the President a budget veto. And I've told  
6 OMB. And I've told the Congress if we don't have a  
7 housing production program, I will recommend a veto to the

8 President. And I believe he will do it. This is a  
9 President who has put housing back on the agenda. It was  
10 high up on the radar screen last year.

11 The only reason we have 120,000 vouchers is  
12 because President Clinton said he would not sign a bill  
13 without vouchers. That's how that happened last year.  
14 And I believe that Congress has heard the message. I  
15 don't want to argue about the numbers now. And we will  
16 argue about the numbers between vouchers and production.  
17 But we need a voucher program and we need a production  
18 program. And we have to make the statement today that it  
19 is time we get back into the housing production business.  
20 We need the units. And there's no reason not to.

21 We are confident that the federal government.  
22 We have the best housing infrastructure on the globe. Use  
23 it. Use it. That's going to be the argument we're making  
24 over the past few weeks.

25 My final point is this. Many of you I saw when

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1 I first started four years ago as Secretary, not as  
2 Assistant Secretary. And I said, can you imagine this?  
3 Here's the nirvana. We do all this management work at  
4 HUD. Because when we started, you have to remember, four  
5 years ago, there was no money anyway. There was no  
6 possibility of budget infusion. We were fighting the  
7 deficit. That was all about the deficit. So there was no  
8 great budget increase for HUD. So we were doing the  
9 management work.

10 But I said, can you imagine what would happen if  
11 we did this management work on HUD and HUD turned around  
12 from a management point of view - or at least you weren't  
13 a negative, you were a positive in the discussion - and  
14 simultaneously the economy turned so there was actually a  
15 possibility for funding? And you put a competent HUD  
16 together with a possible budget increase. And that we had  
17 to be ready for the moment where you could once again talk  
18 about progressive government and resources for government.  
19 And HUD has to be ready and we would do the management  
20 work because who knows? Maybe the stars are going to  
21 align. And maybe we would come out the other end of the  
22 tunnel. And we'd have a competent HUD. And we would have  
23 a government budget that could actually do what we need to  
24 do.

25 Because housing is still a question of

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1 resources. You have to close that gap and only dollars  
2 close that gap. And my friends, that is where we are.  
3 The reason I'm going to push this budget so hard is  
4 because I believe we have a moment in history. I believe  
5 the stars are aligned in a way they have not been aligned  
6 before. You have a political consensus that you have not  
7 had in decades. You have Republicans arguing for  
8 production. You have democrats arguing for vouchers. You  
9 have both sides saying we have to do something about  
10 housing. You have a geographic consensus. There's no  
11 longer a war between the city and the suburbs. They're  
12 both saying you need housing. You need it in the suburbs

13 intelligently, smart growth. And you need to redevelop  
14 the cities.

15 That tension is gone. And from an academic  
16 point of view, I don't know what you decided today, but  
17 before today we would have agreement and a consensus that  
18 no one tool does a housing policy make. But, yes, you  
19 need vouchers. Yes, you also need a production program.  
20 Yes, you need the state entities and the Feds and the  
21 community based nonprofits and intermediaries. You have  
22 that consensus that you haven't had in years. You put  
23 that consensus together with the strongest autonomy in the  
24 history of the nation. You went from the greatest deficit  
25 to the greatest surplus. They're talking about breaking

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1 the caps now in addition to the surplus. You have an  
2 investment to make. The consensus, the investment, the  
3 need and then the competence of HUD where they can't  
4 excuse stepping into this arena because of the competency  
5 of HUD.

6 All the elements are there. They're floating in  
7 the air. You feel that you just need a spark and you'd  
8 have ignition. You'd have spontaneous combustion. And  
9 when has this happened before? When have you seen all  
10 those stars aligned that way? Forty years? Fifty years?  
11 Sixty years? And we are that far.

12 In some ways that spark is just the daring, the  
13 boldness, to do it. I was looking back getting ready for  
14 tonight on the floor debate on the 1949 Housing Act. And  
15 what you hear over and over and over again is, of course,  
16 you should provide safe, clean, decent housing for every  
17 American. Why? Because they are Americans. And because  
18 this is America. And because we can and we should. And  
19 how could you not? How could you leave a person in a  
20 delapidated condition? At that time, they were talking  
21 about the slums and the ghettos. How could you not do it  
22 if you can do it? Please give me a reason why you  
23 wouldn't. If you don't have the money, that's one thing.  
24 If you're incompetent as HUD, that's something else. If  
25 it's a political war between Democrats and Republicans,

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1 it's something else. If it's a war between the cities and  
2 the suburbs, it's something else. But if you have none of  
3 that happen, why wouldn't you do it? Only because you  
4 didn't believe you can. Or you didn't care enough to do  
5 it. I don't believe either of those are the case.

6 We know we can. We know we need to. Just like  
7 that spark. And we can do what we've all dreamed of for  
8 decades.

9 It's been an honor for me to be part of this  
10 journey with you. Thank you, very much.

11 MS. WACHTER: The Secretary has to go back to the  
12 Hill. He left out the key factor which is the best  
13 housing leader in the country that we could have. Let us  
14 thank him again. [applause]

15 Tomorrow morning we have a 9:00 a.m. sharp. All  
16 of you whose juice runs at data, you can get access to  
17 data by being there at 9:00 a.m. We look forward to

18 seeing you then.  
19 (Whereupon, at 7:45 p.m. the hearing was  
20 adjourned.)  
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24  
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