



A Crisis is a Terrible Thing to Waste: Transforming America's Housing Policy

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Transcript of HUD Secretary Shaun Donovan's Keynote Address

SECRETARY SHAUN DONOVAN:

Thank you so much. Judy, first of all, for your incredibly kind introduction. I can't ever say it better than John Sexton, but you really are the model of leadership for what a university can do. Not only in being a leader in thought, in attracting great innovators from around the world, but a university that engages with a community, helps to remake a community that benefits not only the most among us, but the least among us, as well. And so you've been a real model there. As well as at Rockefeller.

And I enormously value our partnership as it's been over the last five years. But also what it will be over the next four and hopefully eight years. So thank you very much. It is so good to be among so many friends, to look out at this audience and see colleagues, people I've worked so closely with over the last five years. And, in fact, over the last 15 years. And so many of you know me well enough to know that this is the perfect conference for me.

I am the eternal optimist, as you know. And finding opportunity in crisis is exactly what we need to be doing right now. But, let me admit, at the beginning a moment of weakness last night. As I was preparing for this. I did begin to think at, you know, maybe two or three in the morning, that the crisis that this conference was talking about was not the housing crisis. But, in fact, the crisis of a transition in

government.

And let me explain why I say that. First of all, it's a little early to be doing these kind of things. To be out speaking no speechwriter, no assistant secretaries, it's a little bit of a risk for me to be doing this today. But I also, during those wee hours of the morning as I was preparing, started to think a little bit about something that happened earlier in the week.

Which was: I'm living in D.C. during the week and commuting back to New York, very happy to be back in New York, on the weekends. But it's a little bit of an odd life. You know, out to dinner most nights. And I got home earlier this week for the very first time with take out food. And got into my kitchen and realized that I had no fork and knife, no plate, no cups in the kitchen whatsoever.

That experience has become a little bit of a metaphor for me of what it's like to be going through a transition. Enormous food for thought. Which is exactly what this conference will be over the next few hours, hopefully. And what it was yesterday. But not constrained by the limitations of the tools that I will begin to see over the coming months. Whether it's at HUD, more broadly within the federal government. And hopefully what today will be that food, unencumbered by my yet to be realized knowledge of what tools I will need and what tools we all will need and need to build over the coming years to actually implement some of the vision that I hope to talk to you about today.

So take it in that spirit. Take in the spirit of a beginning. Of thinking about, together, what that crisis can offer us. It is also a sign that I am here doing this the only place in the world I would want to be

doing this is at NYU. And I want to say thank you, in particular, to John Sexton for his beautiful words, as they always are, of inspiration. And of really making NYU a world class place for thought and leadership as a university. I particularly want to thank Vicki Been for her incredible leadership of the Furman Center. For hosting me here today. But I think, even more importantly, hosting me when I left government the first time to come back to New York.

I was at the Furman Center for a number of months. And also, for lending us Ingrid Ellen. Many of you may know that Ingrid led the policy group for housing for the Obama team. And along with so many faces that I see here in the audience today Bruce Sawell and so many others has helped to create the foundation. So many of the ideas that you'll hear about today from me are really the collaborative work of an amazing team of housing practitioners and thinkers from across the country that came together as part of the transition.

Led by Ingrid and a number of others. And so Ingrid, thank you for your inspiration. Many of you may know that Ingrid and I go back to doing math homework together freshman year in college. And for me, having seen her incredible intellect from a very young age, it's inspiring to me to have benefited so much from that intellect. And to have begun to build a partnership with NYU, but with you, Ingrid, in terms of making a new direction for housing in this country. So thank you.

So in crisis, there is opportunity. But in crisis, there is also crisis. So let us begin first with the immediate crisis. And you've heard-- a bit about that. 2.2 million foreclosures this passed year. Terrifying numbers such as 45 percent of all home sales in December of this passed year were distressed

sales. Entire metropolitan areas, Stockton, California, Las Vegas, Riverside and San Bernardino, with close to ten percent of all their homes in foreclosure. Not in delinquency, in foreclosure. A landscape littered, literally, with homes sitting vacant, contributing to a decline in housing values unlike any we have seen.

And first of all, we must recognize that while this crisis began as a mortgage crisis, as a with a proliferation of mortgage products that, in hindsight, it is so easy to say what were we thinking? But it has now become a crisis accelerated and, in fact, most threatened by job loss. And so the fact that we have arrived at and hope to see signed with the next couple days, a recovery bill that will create 3.5 million jobs is an enormously important contributor to the recovery of the housing market.

And I've heard too many people say why the focus on jobs? Why not the focus on housing? Recognize that particularly where we are in this economy today, that those two are integrally linked. But we also, within the recovery bill, have begun to, with much more to come, but have begun to attack the root of the housing problem as well, that goes beyond just the job loss that we're seeing.

Billions of dollars, \$13.6 billion to be exact, to flow through the HUD budget. Close to one-third of HUD's entire annual budget contained within the recovery bill. Even after the last minute reductions that happened in the overall scale of the recovery bill. Which did reduce, to some degree the level of the housing numbers. And beyond that, also, an \$8,000 credit for first time homebuyers, to begin to move homebuyers that are sitting on the sidelines right now, back into the housing market.

And to begin to reenergize, to the extent that we can a purchase market out there for the homes that are sitting vacant. So a very, very important start on the work that we need to do on the immediate crisis. The foreclosure crisis. And, as you've heard the President say, we will be announcing very shortly a comprehensive foreclosure response. And I will not do the President the favor of scooping him today on that announcement.

But I do want to talk about some broad themes. The areas that we are focused. First, it's become abundantly clear that we must accelerate loan modifications in this country. Second, that there is desperate need for broad, industry wide standards for loan modifications. And we are in a unique position today for the federal government to set and implement and lead with those standards.

Third, the President has made clear that we need targeted bankruptcy reform. Which can help to not in our view, become the model for working out mortgages, but to become a safety net, if you will, with the hope that with all else that we're doing, modifications are accelerated and that very few homeowners will actually end up in bankruptcy with the alternative of having their mortgages reduced.

Fourth, dealing with the community and family impacts of foreclosure. To be realistic, there is much that we can do to limit the number of foreclosures, to keep people in their homes and that is job one. But there will continue to be foreclosures and there have already been millions of foreclosures that are affecting communities and affecting families.

And so beginning with the recovery bill, we will have a comprehensive response to try to limit the

damage of foreclosures for families and for communities. First of all, through a billion and a half dollars in the emergency shelter grant program that is part of the recovery bill. To try and prevent homelessness at the most extreme cases of the affects of foreclosures.

But also the rising family homelessness that we're seeing across the country. And \$2 billion for in additional funding beyond the four billion from last summer for the neighborhood stabilization program. And through that program, we will begin to try to support, not just localized efforts, but regional and other innovative efforts, like we're seeing in Chicago and other places bring municipalities together to attack the problem of foreclosed homes and the impacts that they have on neighboring houses and neighboring communities, bringing down property values creating blight.

That is an important part of what is in the recovery bill. And our efforts that we will focus on as part of our more comprehensive foreclosure response. And finally, but critically, ensuring the continued available of capital for purchasing and for refinancing existing mortgages that are out there.

A key part of making sure that there is a recovery, as quickly as possible, from the current housing market. And let's be clear. There have already been a set of macroeconomic and other decisions around the GSEs that have led to, in a time of enormously limited credit in so many areas of our economy. Mortgage rates that are within the last few months, have been as low as in any time in this country since the 1960s.

So a whole set of decisions already underway that are part of that comprehensive plan. So that is the

immediate crisis, and we must deal with that crisis. But let's also use this time, this opportunity, to move beyond that short-term and we all hope it will be short-term crisis, to think about five different areas where I believe HUD and this administration can begin to turn the direction of housing policy for this country. And those five are remaking our mortgage system, dealing with the persistent rental housing crisis that far too many low-income Americans face, beginning to use HUD and our housing policy as a force for broader sustainability within our economy and within our country, re-energizing efforts around fair housing, and fifth, allowing HUD to become a leader on research and evaluation.

And I want to say clearly that these are not just long-term dreams. You will see, in the fiscal year 2010 budget document, to be released in just a few weeks, efforts to advance every one of these pieces. We are not waiting. These will be efforts in the first hundred days of my administration and of the president's administration.

First of all, on remaking the mortgage system, and I don't want to spend a lot of time on this here because it will be, as we all know, an enormous area of focus of the entire economic team within the administration. But let's be clear. The long-term goal here has to be to return liquidity, innovation and leadership to private to the private market.

We must build a bridge from the current world that we live in, where roughly 95 percent of all new residential mortgage originations come from the 2 GSEs and FHA. And FHA has become over a third of the new home purchase market, at this point. We must build a bridge back to a system where private capital is broadly available, without government assistance for mortgages.

But we must do it in a way that is much more transparent, much fairer, much clearer and simpler to the average consumer. There is no question that the regulatory system, the overlapping and complex regulatory system that was built up over decades failed homebuyers and homeowners in the run-up to this crisis.

And so, we must begin very quickly to turn our focus from the immediate mortgage crisis to the long-term fate of the GSEs, how FHA will be an important player. And we are beginning to do that. Second, on the rental housing crisis. First of all, and I want to make very clear, the president will keep his pledge to fund, at a significant level, this year, the national housing trust fund that he talked about numerous times during the campaign.

We must go ahead. We must begin to build new tools and new resources, particularly focused on the extremely low income families that suffer the most in our rental markets today. We must also begin, not just through the immediate measures in the recovery bill, but more broadly, to attack the rising tide of family homelessness in this country. And here, there is very good news, in terms of our success, that so many people in this room and across the country can take credit for.

The progress that we have made in attacking homelessness among singles can be a model. It is not going to be the same exact tools. It's not going to be the exact same methods. But the way that we have gone about attacking, in a collaborative, in a well-documented and well-researched way, the problem of homelessness among individuals, the advances we've made in supportive housing and in so many other

tools, I believe, are a model going forward.

Not just for how we attack the problem of family homelessness, but also a model for how we can more broadly achieve success within housing programs in this country. And I want to come back and talk about that some more later. But the other thing that we must recognize is that HUD's programs, quite frankly in the rental arena, are at least a generation behind where they must be. In some ways, I think about HUD's programs, and it's as if the low-income housing tax credit was never invented.

It's as if the development and the evolution of HUD's programs stopped a generation ago. So we must find ways, as we try to do here in New York City, to open up HUD's programs, whether it be public housing, or a range of others, to private capital and to innovation. Create the flexibility that allows those programs to work equally well in a city like New York, or a town in Iowa, in California, in Louisiana, all across this country.

We must create a flexible, integrated system that is no longer the barrier that HUD's programs have been to so many in this room and elsewhere. Where we can be flexible enough and begin to open up our programs to the innovation that's happening all across this country. We also must ensure that we can account for how those resources are spent as well.

It has been, quite frankly, disturbing to me, to see the relationship that HUD has with Congress, with an inability to accurately report what we are spending, how we are spending it, and so, a key element, and this is incumbent on all of us who work within this field, is to create more accountability for HUD's

programs and how we spend money. And to be transparent about it with Congress, because without rebuilding that relationship and rebuilding trust across this country, we simply won't be able to advance the mutual goals that we have for expanding housing assistance to so many that desperately need it.

Third, I want to talk a little bit about sustainability.

When we think about where crisis begets opportunity, this is an area that, in some ways more than any other, we can begin to advance because of a rising awareness everywhere I go, whether it's meeting with mayors, meeting with individuals who are implementing housing programs across the country, the excitement, the recognition that HUD's program, and more broadly, the way that we build, not only our housing, but our cities and metropolitan areas, is not sustainable. And yet, there are few models today that have been widely disseminated across this country. And let's be very clear.

HUD has, in no way, been a partner or a leader in those efforts, and that can begin to change. Within the recovery bill, close to \$5 billion for the renovation and retrofit of public and assisted housing.

Desperately needed capital to begin to eat into the \$20 billion to \$30 billion backlog that we have in public housing across the country.

But also an opportunity to begin to implement energy efficiency measures within that housing that will have longer-term impacts, lowering families' bills for energy. But also, at the same time, beginning to set a model for the rest of the private sector. And let's be clear.

This is where I think HUD can have the greatest impact. Through all of its programs, whether they be

direct subsidies, insurance, HUD touches one in ten homes in this country. One in ten. Today, as I said earlier, between FHA and the GSEs, we make up 95 percent of all new residential mortgages. Think about the power of using insurance or guarantees that begin to help, whether it's homeowners or developers, underwrite and recognize the long-term savings of energy efficiency in the immediate picture today.

In other words, can we begin to use HUD's insurance programs, through FHA, use the GSEs to begin to encourage private capital, to fund, whether it's \$10,000 a unit in retrofits. Whether it's more extensive solar or other renewable energy innovation, and make it literally free today, in the construction or retrofit, by allowing long-term energy savings to be capitalized upfront for that kind of work. If we can begin to make progress on that front, I believe just as FHA catalyzed the 30-year mortgage, generations ago, we can catalyze an enormous change in the way that housing is built and renovated.

Not just within HUD's programs, but more broadly across the residential market, overall. And that can begin to, with residential buildings accounting for 20 percent of greenhouse gas emissions across this country, can begin to set set a model that will have a dramatic effect on the sustainability of the way that we build our housing. But focusing just on our buildings is not enough.

The locational choices, the geography of our metropolitan areas, as we all know, has an enormous impact as well on the sustainability of our cities. Whether it's two hour or longer commutes that create crushing burdens on families for transportation costs, but also contribute enormously to carbon emissions. And a whole range of other impacts, of the way that we have planned or frankly, not planned

our metropolitan areas, over the last generations, must begin to change.

And I believe HUD must be the leader within the administration on thinking about these geographic.

These locational choices that our cities and our metropolitan areas and rural areas are making, and the impacts that they have on climate change. And so, again, beginning with this budget, and with immediate impact, I believe we will both create an office of sustainability within HUD.

But also begin to fund, within HUD's programs, and partner with the department of energy, the department of transportation, to create a team within this administration to focus on how we make our metropolitan areas and our rural areas more sustainable. And I'm very happy to say that I have nominated Ron Sims, the county executive of the 13th largest county in this country, King County, which includes Seattle, Washington, who has been one of the great leaders, nationally, in this effort, of linking housing, zoning, transportation, to be deputy secretary at HUD. And he's accepted.

And he will lead this new office of sustainability. Both to coordinate the efforts across the program within HUD, but also to coordinate our efforts across agencies as well, a critical part of doing this. And let's be clear.

This is an enormous priority for this president. We have already begun, under the leadership of Carol Browner at the White House, to convene five different secretaries, along with the EPA and the council on environmental quality, to begin discussions of both legislative and agency actions that can begin to support this agenda. And HUD, I believe, can just as we are doing today, just as Furman and

Rockefeller and so many different organizations have led the kind of thinking and convening that is critical to advancing these issues.

HUD can become a leader, both in convening and funding these efforts. When I think about the work that we did here, in New York City, to try to advance an inclusionary zoning policy, that would create both more density, but also to allow mixed-income development in areas that otherwise would have been 100 percent market rate development. We hadn't, frankly, know where to look, at the federal level, for assistance.

Nowhere to go for best practices. And I remember well a conference that we did, with Furman, where we scoured the country to look for research about best practices on inclusionary zoning. And found one article that had been written. And no leadership whatsoever, at HUD.

And so this office of sustainability must be a resource within government. But it also must be a resource to all of you, and mayors, county executives, governors across the country, who are eager to begin this work, but don't quite know how. And that will be a critical part of what we attempt to do at HUD. Let me talk a little bit about fair housing.

It has begun-- become abundantly clear, as we look back-- in the rearview mirror, to some extent, on the sub-prime lending that we saw through 2004, through 2007, that this was not only a problem of regulation on the mortgage front, but also a targeted scourge on minority communities. When you look at the fact that in Jamaica, Queens, 60 percent of all the mortgages in 2007 were sub-prime mortgages.

That roughly a third of all sub-prime mortgages and high cost mortgages in New York City, during that year, went to people with credit scores that should have qualified them for prime loans.

You begin to see a pattern of practices that differentially targeted minority communities, African-American, Latino. And that must become a focus of the efforts, of increased efforts at HUD, to ensure that we know we never again have that kind of targeting of minority communities with products like the sub-prime products that we saw, for a number of years. So that effort, and a step up of enforcement, is something that I and this president are enormously committed to.

And you will see that within the next 100 days. But at the same time, I think it's incumbent upon us to remember that HUD's mission in fair housing is not just enforcement. But it is affirmatively furthering fair housing. And what does that mean? What that means to me is that it's no good to say a family has a voucher and can move to a neighborhood of opportunity.

Where will they move? Is there rental housing in that community? Are there opportunities for low-income people to live in neighborhoods of choice? And, at the same time, how do we think about remaking neighborhoods of concentrated, impacted poverty, into neighborhoods of choice? I will not engage in the either-or of supply versus demand, the either/or of mobility versus rebuilding concentrated neighborhoods.

We must do both. Let me be clear. And we must, through this office of sustainability and policies like inclusionary zoning and a range of others, we must have a commitment to creating a geography of

opportunity in this country that opens up all neighborhoods to be neighborhoods of choice.

And that is part of my commitment to affirmatively furthering fair housing. Finally, let me talk for a moment about research and evaluation, for after all, we are at the Furman Center. One of the things about HUD that will be no surprise to all of you is it's very difficult to say what success means for HUD. I'm a numbers person. And I like to count things. And it was a hallmark of the way I managed at HPD. But frankly, it's not clear what we would count at HUD to say, "That's success."

So first and foremost, we must begin a process of evaluation, of accountability, of systems that allow us, at the most basic level, to say, "Is HUD contributing to the success of states and localities, in meeting their plans? Is HUD contributing to a fairer, more open mortgage system? What are the-- what are the key things that make up success for HUD?" I think we understand the mission of HUD.

I don't think anybody today, whether it's within the agency, on Capitol Hill, or more broadly, in the housing community, understands what success means for HUD. And so, we must begin to count, and count we will. But I don't believe that is nearly far enough, because when we think about the crisis we are facing, it is not just a crisis of confidence in HUD. It is not just a crisis in confidence in the federal government, more broadly, but it is, to be frank, among friends, among housers in this room, a crisis in confidence in whether the federal government can make a difference in housing.

Whether it's the model that image that most Americans have in their mind of public housing, of projects being demolished in Chicago and Newark, that lasting image seared into people's minds. We must, as a

community, overcome the skepticism, not only about the success of those programs and the ability of the federal government to make a difference in people's lives more directly, but the confidence or the lack of confidence that the average American has that when the federal government tries to do something in housing, that it can really make a difference.

And I think, in order to do that, we must invest at an unprecedented level, in research and evaluation. We must hold ourselves accountable to a standard that has never been imposed before on the work that we do. When Vicki and Ingrid would write a report about the work that we were doing in New York, when they would look through the American housing survey or other data to report on the process that we were making or weren't making in New York, it wasn't always what I wanted to hear.

But it was what I needed to hear. And we must all, I think, make a commitment to raise the level of research and evaluation and accountability, the standards to which we hold ourselves. If I think back, really, moving to opportunity was probably the last great example of a commitment to really measuring and understanding the impact that housing has.

Because in the end, we can never, all of us, advance the agenda that we have for building more resources, for increasing the commitment this country has to decent, affordable housing, if we can't demonstrate that by spending more money in HUD's programs, we make a difference in people's lives. Whether it's having a better place to live and being able to demonstrate the improved affordability or quality of housing.

But also more broadly: Do housing investments lead to better education for children? Do housing investments lead to broader success within communities? Do housing programs, well-planned and executed, lead to better job outcomes for families that benefit from them? To be frank, I don't think we can answer those questions in a way that we should be able to today.

Now the good news is that we've begun. I think, again, in supportive housing, is an area where we have been able to demonstrate, not just the positive impacts on people's lives, but also, that in the long run, there is significant savings to be achieved from smart, targeted investments. We have seen, from the Rockefeller Foundation, organizations like Furman, a major commitment from the MacArthur Foundation of \$50 million to housing research.

We have begun to see signs that we as a community recognize that. But HUD has certainly not been a part of that commitment. And you have my pledge that we will begin to be. But we must all hold ourselves to a standard of whether it's to Congress or to the American people more broadly. Here's what we have spent. And here's what we have achieved or not achieved.

And where we don't achieve what we think we should, with our programs, then we must change, as well. And so, that will be, through a revitalized policy development and research organization at HUD. But also through a broad set of partnerships with foundations, with universities, which can, frankly, be the source of funding and inspiration for experimentation and innovation in a way that sometimes, the federal government just can't.

We will make a commitment together, I hope, to revolutionize the way that we measure and evaluate our programs, and to the long-term research for those programs. And let me be clear. We do have an enormous opportunity. But it will not come again. And if we waste it, we will have no one to blame but ourselves. When I think back to the early days of when I began to work in housing, volunteering at a homeless shelter during my undergraduate years.

And then beginning to study at the Kennedy School of Government. I remember very well a particular walk that I had across Harvard Yard. I was a teaching assistant for somebody named Robert Coles (PH), who many of you may know. Wrote *The Moral Life of Children, The Spiritual Life of Children*. He taught a class every year, at the college. About 1500 students signed up for it. I had the great luck to be one of those teaching assistants.

One of the books that we were teaching was *Invisible Man*. And I left a session, talking to a group of Harvard undergraduates about *Invisible Man*. And I was walking back to my apartment across Harvard Yard, and passed a homeless man. And it was that fleeting glance that we have, of so many people that are invisible in our society. Where we notice them, but we don't really see them.

And then I stopped for a moment because this gentleman was holding a photograph of himself, 30 years earlier, as a soldier in our armed forces. And I thought to myself, "How can we as a society have arrived at a point where for a soldier that has served this country to be visible, he must hold a picture of himself, 30 years earlier, so that those who walk by don't notice him, but not really see him?" We have a unique moment today, where the invisible have begun to be visible.

The invisible that we all care about serving, through housing programs and more broadly through the work that we do. Whether it's the survivor of Katrinas, thousands of families who had never, frankly, been noticed by the broad-- population of this country who began to become visible, as a result of the storm. Whether it's the families in Jamaica, Queens, that I talked about, that were victims of sub-prime mortgages, who might never have been noticed had this not become the crisis that it did.

And more broadly, because of this mortgage crisis and the suffering that we are seeing because of housing, we have an opportunity where the invisible that we serve have begun to become visible. But they will become invisible again, before too long, unless we all take action. And so, my call to all of you today is something that Professor Cole said to us all when we were teaching in that class.

He said, "This work calls us to be more than we think we can be. And all of us, in this moment of crisis, and in this moment of opportunity, must do more and be more than we think we can do and we think we can be. This is a moment of opportunity, but it will not last. We have just a few months or a few years to grasp this moment of crisis, to begin to change the direction of housing policy. So let us begin."

Thank you very much.

INGRID GOULD ELLEN:

My name is Ingrid Gould Ellen. Good morning everyone. I'm on the faculty of the Wagner School and bring the Wagner School hat to the Furman Center. I have the distinct pleasure of sifting through the many wonderful questions that you all have submitted and, unfortunately, I think we only have time for

a few.

But I will make sure that Secretary Donovan and his staff get the full pile. So he will see them. Let me start with this one. Secretary Donovan, as HUD secretary, how do you plan to help forge cross-agency partnerships that recognize the connections between housing, transportation, energy and education, and work with President Obama's new office of urban policy?

SHAUN DONOVAN:

So, interagency partnerships. First of all, frankly, I don't have the power to do that alone. And I think one of the things that's been most encouraging to me, in the initial weeks of the administration, is that the president has set a very clear tone that HUD and a range of other agencies must be together in advancing a range of efforts.

And to be specific about that I have spent an enormous amount of time already, just in the last few weeks with Larry Summers, Secretary Geithner, Austin Goolsebee and the whole economic team—Christina Romer as well—forging a consensus. And a plan, a comprehensive plan around foreclosure efforts. And I have not only felt sort of that I had a seat at that table.

But that in fact, HUD was a welcomed partner in doing that. And so, I think there's a tone that's been set on that front. As I mentioned earlier in my remarks, Carol Browner has convened already. A series of working groups, both at the level of the secretaries as well as the working level of staff, around climate change and the sustainability issues that I talked about earlier.

So there has already been an enormous precedent set. I think frankly, in order to deliver on those promises, we had a very good example here in New York City, in the way that Mayor Bloomberg coordinated. Amanda Burden and I spent an enormous amount of time together around planning issues.

Re-zonings, how do we marry up zoning policy and housing policy? And those partnerships can only be as effective as the relationships that are built commissioner to commissioner, or secretary to secretary. And I have already begun to focus on that. But it's also, frankly, building capacity at the staff level, to be able to add value.

To be able to bring innovation to partnerships. Whether it's on the level of should HUD should be at the table, around the low income housing tax credit. And I've already begun, with Secretary Geithner, to build the relationships. There ought to be monthly meetings with the right staff, who know the tax credit, helping to bridge the divide between programs.

And those, kind of, there is no substitute for those kind of agency level, on the ground working groups that can begin to really advance those kind of partnerships forward. So this is. It's not rocket science, frankly. But it is incredibly important to begin to have both at the highest levels, but also at the staff level, the kind of relationships and coordination that happen. And I think it'd be critically important around sustainability. It'll be critically important around the remaking of the mortgage finance system.

And it is also critically important about the linkage of housing to services. Whether it be with more

obvious agencies like HHS, which will be led by the office of urban policy, but also the DPC, the domestic policy council. Melody Barnes has already been focused on this. But also linkages that we are already beginning to think about. Bruce Katz has been a great inspiration on this, in the work that he's doing with us.

Linkages with agencies like education. How do we make sure that as we're thinking about creating neighborhoods of choice, from a housing point of view, through mixed income, Hope VI-like redevelopment, that we're also thinking about how that integrates with innovation around education policy, because let's be frank. We're not going to create neighborhoods of choice without changing, fundamentally, the performance of schools in those neighborhoods of concentrated poverty.

INGRID GOULD ELLEN:

Right. So several people in the audience, including Carol Lamberg and John Kelly from the New York Housing Conference, asked about your plans for reforming the Section Eight program.

SHAUN DONOVAN:

It's an easy question. Carol and John, we'll have it finished by next week, I think there are a couple different areas I would say. First of all, there needs to be adequate funding. That there is a basic commitment to making sure that we're not renewing Section Eight contracts for three months at a time.

That we are not constraining housing authorities on the voucher side, to enormously burdensome reviews and frankly, limits on how many vouchers can be issued. There's a whole range of things that

nobody here wants to talk about in any detail today, but that are critically important, in terms of basic fundamental reform, to make the programs funded in a way that they should be, but also flexible in a way that they can be used.

And that is something where, certainly, I think the Section Eight voucher reform act which has been kicking around Congress for a while is a beginning to that. And I think it's important that we move some of those reforms forward, particularly around the funding formula. And the caps, the arbitrary caps that still exist on the usage of section eight vouchers.

And I think on the project-based side, clearly, full funding for those programs to be able to renew them for a year, rather than these sort of months at a time process that's happened. And in fact, the good news there is that there is \$2 billion in the recovery bill that passed to do just that. So I think that we've already made progress on that front. But a range of other reforms about how those programs are administered that are important as well.

INGRID GOULD ELLEN:

Great. And one more question, I think, we have time for. How can HUD help build the capacity of the non-profit and for-profit development in communities that have been hard hit by the foreclosure crisis?

SHAUN DONOVAN:

Well, the first thing we can do is—I guess—the Hippocratic oath, which is do no harm. So already that would be an advance from the current state of where HUD is, in terms of quote and quote, helping local

nonprofits and other developers. But seriously that has got to be the first standard.

Beyond that, let's think about the type of things that we tried to do in partnership with many other communities around this country, in terms of innovation around these programs. You know, one of the funny things about being in government is that you are by definition a monopoly. It's not like as housing commissioner here or a planning commissioner, Amanda, or any other government official, you can go across town and have lunch with a colleague.

Just say, "Well, how's your housing agency going in New York City?" It is not easy to be able to find ways to share and create innovation around housing programs. And the logical place for that to happen, frankly, though there has been no work on this, is HUD. We should be fostering the kind of partnership that, frankly, New York had to go out and form, with the help of Furman, with other housing agencies around this country, to begin to share and innovate. And so, if we can move beyond the sort of basic reforms of the programs working, and not being a barrier to things as brain damage as much as mixing home with tax credits. All those things that are sort of basic blocking and tackling kinds of reforms that need to happen. The next level of it, for me, is to be able to create, hopefully at HUD, a sense that we are fostering and convening innovation, in the way that we're all trying to do in this conference. And that HUD can be seen, not just as getting out of the way, but in fact, helping to lead and to foster that kind of collaboration and thinking that has really never existed at HUD in time that we can all remember, I think.

INGRID GOULD ELLEN:

Wonderful. Well, I think I have the honor of the last word. And I just want to say, on behalf of the Furman Center, on behalf of the MacArthur Foundation and the Rockefeller Foundation, I truly want to thank Secretary Donovan for taking time out of what I know is a very, very busy schedule to come to New York and talk to us today.