



**Stronger Communities, Smarter Investments:
Housing Strategies to Help People Move Up and Out of Poverty**

**U.S. Conference of Mayors Action Forum
On Poverty, Housing and Economic Opportunity
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Introduction

Enterprise appreciates the opportunity to work with the U.S. Conference of Mayors to develop policy solutions that address the challenges of poverty and providing affordable housing. It is fitting for us to have this opportunity in Los Angeles, where we are honored to be working with Mayor Villaraigosa and the City Council to develop innovative, large scale responses to the central housing issues facing our nation: the foreclosure crisis and mortgage market meltdown; the rising costs of land to develop affordable housing; and the intersection of housing, health and environmental problems in the lives of low-income people.

Our recommendations tie to those issues and our work on the ground in Los Angeles and other cities. Our approach as always at Enterprise is to identify good ideas and add our best thinking – based on actual experience of what works.

Decent, affordable housing can and must be an important part of a broader national commitment to reducing poverty and expanding the middle class. How and where we build and maintain housing has huge implications for the budgets and economic prospects of low-income families. Enterprise recommends two policy approaches for fighting poverty through housing development and rehabilitation:

- *First, stabilize and strengthen communities to prevent more families from falling farther behind.* We must make a major national commitment to affordable housing and neighborhood preservation, especially in communities hit hardest by the foreclosure crisis, where many of our poorest fellow citizens live.
- *Second, make smarter, greener investments in housing to help people save money, pay less for health care and have easier access to transit.* We must establish energy efficiency and environmental sustainability as a central feature of affordable housing development and rehabilitation.

Stabilize and Strengthen Communities

As mayors across the country know, the fallout from the foreclosure crisis will be the central affordable housing challenge for many American cities for years to come, with substantial direct impacts on the poorest city residents. Foreclosures in many urban areas disproportionately affect low-income homeowners and renters and are most heavily concentrated in low-income communities.

The ripple effects of foreclosures at the local level severely undermine city efforts to help people move up the economic ladder. Property values in hard hit neighborhoods may decline, draining low-income family wealth. Blight and disinvestment that often follows concentrated foreclosures may make it harder for homeowners to sell and realize appreciation. Lower property tax collections resulting from foreclosures and vacancies will require cuts in essential local government services.

Enterprise was pleased to work with leading mayors and the U.S. Conference to secure \$4 billion in federal emergency block grants in the housing rescue bill to help cities and states acquire vacant foreclosed homes for rehabilitation, affordable rental housing, and resale to workforce families. This was a big win for the Conference and its housing team, led by Gene Lowe.

But it will not be enough. In the weeks since the housing rescue bill became law, Fannie Mae and Freddie Mac have been taken into federal conservatorship and, as we speak, Congress and the administration are developing a transformational policy that would enable the federal government to purchase distressed and illiquid real estate-related assets from financial institutions for resale back into the private market. Both policies have huge implications for affordable housing and low-income people.

The structure of Fannie Mae and Freddie Mac will be a front burner issue for the next Congress and administration. In the short-term, we need to ensure that the companies do not sell off their massive holdings in Low Income Housing Tax Credit equity investments, which would flood an already saturated equity market for housing credits. The effect on the ground would be less funding for affordable housing development and rehab in cities across the country.

Looking ahead, we need to rebuild the public-private partnership for mortgage finance and affordable housing that Fannie Mae and Freddie Mac performed well for decades, within the new reality that they will likely be smaller companies with less ability to innovate.

On the mortgage bailout, we need to ensure that the government helps homeowners and communities as well as financial institutions. The Treasury must be authorized to buy “whole” loans or pools of loans in addition to the financial instrument(s) that securitize the loans. Congress also should require that any financial institution that benefits from or participates in the Treasury program be required to dispose of loans, and other assets such as foreclosed homes in bank ownership, at an appropriate discount to qualified

nonprofits, states and localities. The costs to the government should be minor in the scope of the overall taxpayer liability for this historic federal intervention.

Congress may pass the mortgage bailout as soon as this week, so it is imperative for mayors and the U.S. Conference to weigh in on this issue immediately. Enterprise will be working closely with the U.S. Conference to iron out the details and ensure effective implementation on the ground.

Finally, we should increase investment in programs that have a proven track record at stabilizing communities, such as the HOPE VI public housing revitalization program. It's time for a "HOPE VI" that incorporates wider opportunities for low-income residents and a commitment to environmentally sustainable redevelopment.

Make Smarter, Greener Investments in Housing

Mayors across the country are taking bold action to reduce their cities' greenhouse gas emissions. In fact, incoming president Mayor Diaz has championed this issue and is making it a priority both at home in Miami and now within the U.S. Conference of Mayors. A growing number recognize that their sustainable city vision must include low-income people and affordable housing.

Investments to make homes and apartments more energy efficient can save low-income people thousands of dollars per year. Building measures that improve indoor air quality can reduce unscheduled emergency room visits and missed school and work days due to asthma. Locating – or rehabilitating – affordable housing near transit can save families money on transportation costs and make it easier to get to the best schools and job opportunities.

These benefits are not hypothetical. Enterprise is achieving and documenting them through our Green Communities initiative in which we are making green and affordable one and the same in many cities. Here in Los Angeles, with support from both city and county government, BP and other partners, Enterprise is retrofitting homes, providing photovoltaics, and helping to reduce utility bills for low-income residents.

There are also opportunities in a smarter housing policy to create good jobs, in professions and communities where we can deliver on the promise of the green economy for millions of low-income workers. A recent study identified 22 different job sectors in the U.S. economy that provide workers with green collar jobs – of which 11 were directly related to green home rehabilitation.

The U.S. Conference has made progress generating congressional support for an Energy Block Grant. That is a strong proposal, and we need to do much more to ensure equity and opportunity are part of the green American city, especially in the places where people in poverty live. Specifically, Congress should make a commitment of \$5 billion a year over 10 years to bring home the benefits of energy efficiency to 25 million low-income homes and apartments.

Conclusion

The major housing issues facing the country – foreclosures, rising costs, energy and environmental challenges – are playing out against a backdrop that is reshaping much of our financial system. Cities, and especially their lowest-income residents, have a huge stake in these issues. Ultimately, federal policy and local political leadership cannot do it alone. We need to revitalize the spirit of public private partnerships in addressing problems of historic magnitude. That brings us back to where we are today, Los Angeles.

This summer, Enterprise and the city launched a \$100 million property acquisition fund for the creation and preservation of affordable housing in Los Angeles. The New Generation Fund will combat homelessness and reduce the housing burden on poor and working families by offering affordable housing developers early-stage financing for properties intended for low- and moderate-income residents. All projects will incorporate cost-saving green features.

The city's commitment has been key to catalyzing this unprecedented partnership which includes leading banks, foundations and community-based nonprofits, and will be a model for other cities. The federal government must become a partner in these kinds of local initiatives as well. Removing regulatory barriers, providing a small amount of “but for financing” and leveraging state and local commitments are all key roles that a more visionary federal government could play. As the leaders on the front lines of America's communities, you play a critical role in shaping a new policy agenda for this country.

Enterprise looks forward to continuing our partnership with the U.S. Conference of Mayors and together putting forward innovative policy solutions that seek size, scale, impact and sustainability in order to end the affordable housing crisis and the cycle of poverty in America's cities and communities.