COMMUNITY-BASED EFFORTS TO ACHIEVE ECONOMIC JUSTICE

KEYNOTE ADDRESS

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It is a special treat for me to be here today to share with you a few thoughts about the change and evolution of government in our country, about how people who work on the community level can have great effect, and about how those of us at the federal level can be stronger in support of community-based efforts. Let me share a few thoughts with you today about the direction of urban policy in our country.

We stand today at a historic moment for national urban policy. In the wake of the 1994 elections, the most fundamental questions are being asked about the extent of our national commitment to our cities and our responsibility to America's poor. How much should we as a nation do to repair the fabric of our urban centers, especially the communities and neighborhoods that have been left behind by the changes in the American economy? How much responsibility should we as a nation assume for housing the millions of poor and low income working families, many of them minorities and recent immigrants, who live in our country's cities? Many longstanding assumptions about relationships between the federal and local and state governments, and between the public and private sector, are being challenged. Some of them, I must admit, in healthy ways.

It is useful periodically to sort of shake up the structure and ask questions about original principles. In many ways, people's minds are open to new ideas when we can provide a setting that is open to new possibilities. We have an unparalleled opportunity to make a clean break from some of the programs and policies that we have been locked into for years; programs that we see all around have failed. We have an opportunity to think in creative ways about how to solve old problems: the lack of decent and affordable housing, economic decay, and endemic unemployment; welfare dependency and the compounding social pathologies of concentrated poverty; gangs, drugs, guns, violence.

At this moment, so rich in opportunity, we also face a period of peril. There is a danger that in our eagerness to rectify the mistakes of the past, we will ignore constructive lessons and throw the baby out with the bathwater. There is great danger that in our haste to do something dramatic, we may do something destructive. At this moment we stand poised between acting on a new understanding of our national responsibilities - especially our responsibilities to our urban centers - or, as some would have

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us do, rejecting those responsibilities altogether. We stand poised between renewal and rejection of a national commitment to help millions of people who live in economically distressed communities and who struggle daily against tremendous odds to feed and clothe and shelter themselves and their children.

The acceptance of national responsibility, this national commitment, is the essence of the department that President Clinton has given me the honor of leading, the Department of Housing and Urban Development. Leaders of the new Congress have called for the elimination, dissolution, the dismantlement of urban programs and particularly of this department. They have looked at the serious problems of our nation's cities and they have said, "Nothing has worked. Let us wash our hands of the whole thing because there is nothing more that can be done here." In effect, they are saying that there is little we can or should do to lift distressed communities and the people who live in these places. They would turn their backs on our national responsibilities. They are drawing the wrong lessons from the election, and the wrong lessons from the past.

How do we draw the right lessons? Well, I suggest that we try for a moment to stand in the shoes of some of the greatest leaders at other similarly defining moments in American history. We can stand on the steps of the United States Capitol when Franklin Delano Roosevelt was President and imagine the nation as he saw it, four years into his term, at his second inaugural, in January of 1937. On the day of his second inaugural address, President Roosevelt said: "I see one third of a nation ill-housed, ill-clad, ill-nourished." Imagine! A nation of 130 million people, where more than 40 million of them are living in substandard housing or, in many cases, with no housing at all in the depths of the Depression. One out of every three breadwinners were unemployed or underemployed, unable to put food on the table. Franklin Roosevelt saw all of this but he did not retreat. He said, "It not is in despair that I paint you this picture. I paint it for you in hope-because the nation, seeing and understanding the injustice of it, proposes to paint it out."

The nation under Roosevelt did just that, and one of his New Deal initiatives was for the first time a national commitment to housing: the Federal Housing Administration (FHA). We celebrated its sixtieth anniversary last year.[1] The FHA revolutionized housing finance and opened the doors to home ownership for the first time to average working people. Try to imagine what life for most families would be like if we had not made that commitment to home ownership sixty years ago. And now in 1995 we hear voices urging the privatization of FHA to private insurance companies.[2]

1. National Housing Act of 1934 Pub. L. No. 73-479, 48 Stat. 1246 (Codified as amended at 12 U.S.C. §§ 1701-1705g (1982)).

2. *See e.g.*, Stephen Moore, Testifying before the Senate Banking, Housing Affairs Subcommittee on Housing Opportunity & Community Development (May 5, 1995) (calling for

Let's stand on the floor of the United States Senate in the years immediately following World War II when a fierce political battle waged over housing policy and the nation's role in the post-war prosperity. Listen to the words of a Republican, Senator Robert Taft. In 1946 on the eve of the elections that gave the Republican Party control of Congress. Taft wrote: "I believe that government must see that every family has a minimum decent standard of shelter along with subsistence, medical care and education." Senator Taft - Mr. Republican, they called him - fought alongside Democrats of his day for a national commitment to decent affordable housing which he believed was the bedrock of communities and the foundation for families. The vision of Taft and his bipartisan allies became a national commitment when President Truman signed the Housing Act of 1949.[3] The Act declared that the general welfare of the nation and the health and living standards of its people require housing production and related community development sufficient to remedy the serious housing shortage. The Act made a decent home and a suitable living environment for everyone a national commitment. Truman, Taft and other leaders of post-war America saw the housing shortage. They saw the blight. They did not throw their hands up in despair or turn their backs on the nation's communities. They made a bipartisan national commitment.

Fast-forward to 1965, almost 20 years later. Let's see America's cities through the eyes of Lyndon Johnson on the eve of the terrible riots of the 1960s, the eve of national recognition that the country was living through what came to be called the urban crisis. In March of 1965, in a message to Congress, President Johnson said, "The modern city can be the most ruthless enemy of the good life, or it can be its servant. The choice is up to this generation of Americans." Defining what he called the core of the problem, President Johnson said, "The problem is people and the quality of the lives they lead. We want to be building not just housing units, but neighborhoods. Not just to construct schools, but to educate children. Not just to raise incomes, but to create beauty and the end the poisoning of our environment." That year, in 1965, with overwhelming support from the Congress, the United States Department of Housing and Urban Development was created.[4] In the thirty years since then, we have financed 23 million mortgages for homeowners, more than 7 million people have lived in public housing, and despite the images of public housing today that roll off our imaginations, it has been the starting place for millions of Americans. People like Kenny Rogers, Bill Cosby, Whoopie Goldberg, Louis Stokes,

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the privatization of FHA). *See also* Scott A. Hodge, *How The Heritage Plan Would Affect Certain Agencies and Major Programs*, HERITAGE FOUNDATION REPORTS, May 1995, at 24 (stating that the Heritage Plan would privatize FHA).

3. The Housing Act was signed into law on July 15, 1949. The Housing Act of 1949, Pub. L. No. 80-171, 63 Stat. 677 (codified as amended at 42 U.S.C. § 1441 (1988)).

4. Pub. L. No. 89-174, 79 Stat. 677 (codified at 42 U.S.C. §§ 3531-39 (1982 & Supp. IV 1986) (the Vote in the House was 217 to 184 and in the Senate 57 to 33).

Congressman from Cleveland, and his brother Carl, the first African-American mayor of a major American city, were all products of public housing. Nearly 12 million households, including many people who are senior citizens, and others who have had disabilities, have gotten assisted housing from the government. 6.5 million households have used Section 8 certificates to find opportunities in the open market beyond units, the setpiece units of public housing. More than 70,000 units of housing have been built for Native Americans, with another 10,000 in development today. Tens of millions of people have benefitted from a strategy of using this Department and its resources to build housing and environments for Americans. That national commitment that was renewed in 1965 has been honored across the years.

Now I would be first to acknowledge as I have over the course of the last two years that HUD's record is not unblemished. Serious mistakes were made. Mistakes of policy, and mistakes of method. Concentrating poor and minority families in high-rise public housing projects with preference rules that required housing authorities to take the very poorest of the poor violate our own understanding of the importance of having income integration in housing development to prevent pathologies from feeding upon themselves and creating unlivable environments. We have subsidized private developments that have fallen in serious disrepair by being insufficiently attendant to the profits that the landlords were making and running away with. We have insisted that every unit of public housing, whether it was vacant or not, must be preserved, when common sense would tell us that buildings built in the 1940s and 50s have served out their useful purpose and can be demolished. Piling program on program, layer on layer, rule upon rule, we have enmeshed whole communities in webs of micromanagement and too often have lost sight of the simple powerful truth: real and lasting change begins not in the regulation of the federal government, but in communities.

Communities, especially large urban communities, are complex living organisms. Housing communities are places where there are jobs because business and finance and commerce can thrive. Healthy communities are places where there are good schools and connections to community colleges and universities. Healthy communities are places where there are cultural and recreational opportunities. Healthy communities are places where individuals have the dignity of real choices both to rent a home or own a home, and they are places where there is appreciation and room for diversity. There is no way that we can presume at the national level to tell people how to weave all of these disparate strands into the rich tapestry of what ought to be community life. Unfortunately, we have worked from this presumption at the federal level too often. That is why it is a pleasure for me to be able to entertain this invitation and be here today to focus on community based efforts.

Let me just assert to you what I believe to be the critical fault line in American politics. Admittedly, there are many fault lines on many, many issues, including approaches to environmental issues, attitudes about America's place in the world, domestic, social issues related to right-to-life, and thousand of other critical fault lines. But certainly one of them - and one that has been a recurrent theme now for a hundred years in American political life - is the dichotomy between those who favor centralization and those who understand how we have to make institutions work for individuals and for communities.

I am proud that I had the opportunity to learn lessons of community at the feet of community organizers who are among the best in the country. As a city councilman in San Antonio, and later as a mayor,[5] I had the good fortune to work with an organization that is an affiliate of the Industrial Areas Foundation, the organization founded by Saul Alinsky in Chicago which spread across northern cities and now operates throughout the southwestern United States. The affiliate that I worked with in San Antonio was COPS, Communities Organized for Public Services. I had the privilege to watch San Antonio emerge politically when we created a neighborhood based movement that was a legitimate power counterbalance to the power of entrenched business. Traditionally, the city had been guided by business interests who brought a parochial and narrow view to the city's politics and policies. They regarded economic development as a positive thing but viewed it from their own perspective. They were afraid to bring companies that might disrupt the delicate balance of power in the community, and were afraid to bring industries that might bring unions and therefore higher wages, disrupting the contour of wage scales in the community. When COPS came into existence and started to talk about economic development strategies that would bring higher paying jobs, suddenly there was another voice in the community. My job, as mayor, was to mediate, facilitate, and balance off. But there was something to balance. The community power structure was no longer tilted completely in one direction. It was community based power that made that possible. Genuine grass-roots, politics with a small "p", community based organizing. It is fascinating work, built in San Antonio, as it has been in so many places, around churches. It was in an era when people had found themselves disconnected, disaffected, and skeptical about every other kind of structure in the society. Politicians were using them as votes. Business leaders were using them as passive clients. They found that church-based movement (in this case Catholic parishes, but frequently Protestant parishes as well) was the base of organizing.

The other experience that I have had that teaches me the importance of community based work is the experience I have now as the Secretary of

5. Secretary Cisneros served as Mayor of San Antonio from 1981-1989 and as City Councilman in San Antonio from 1975-1981.

HUD. We frequently wonder why it is that large bureaucracies are so aloof and distant and impossible to relate to. It is not that they are filled with bad intentions or with people who have some sort of negative view about community. It is not that at all. It is that this is a huge country, and a Washington-based bureaucracy can not be in enough places, can not answer enough telephone calls, can not bring enough individual attention to applications from communities across the country, and can not spread resources thinly enough to make a difference in enough places. So the bureaucracy takes on the appearance of aloofness and distance when it really is a bureaucracy that simply can not get close enough to community by its very nature. The literature of public administration is full of descriptions of how large organizations take on distorted behavior, such as passing information wrongly, creating the wrong internal incentives and so forth. There is a flaw in a model of government that is built on top-down big organization. We will only reach real community solutions with a base in communities.

In sociological terms, it seems to me, what we are seeing is a transformation of American expectations and attitudes. Let me just test a pet theory of mine that I am still developing. We have, since the New Deal, focussed essentially on one model of organizing business and government: the large alphabet soup delivery system. What we find now in America, thanks to the personal computer, is a new sociology, a sociology in which work is organized into smaller, leaner, more entrepreneurial, and more decentralized structures, and there is more information in the hands of individuals. People who live and work within this emerging reality have less patience for old structures like those that exist in the government. People who can make an airline reservation by computer (and also learn what seat they will be seating in and what special mean will actually be on the airplane when they get there) lose patience when they call their local public works department because the garbage has not been picked up and when they call, after twenty rings on the telephone, before they can express themselves, the person on the other end of the line says, "Would you hold please?" People who can be on a teleconference and hook-up with other people around the world instantaneously lose patience when their children bring home descriptions of the dysfunctional school in which they operate. So people's sense of how services should be provided has changed dramatically and there is now just going to be less patience.

In political terms, there is a joining of conservatives and liberals on the idea that we need to be closer to individuals and communities. Saul Alinsky operated from a golden rule that is not much different from conservative commentator Michael Novak. They end up at about the same place. We are moving to a politics that is neither clearly Republican nor Democratic, but communitarian and responsibility focused. Ernie Cortes' golden rule for the Industrial Area Foundations would sound conservative by

traditional standards. He says: never do for people what they can do for themselves. The golden rule for a radical left community organizer, never do for people what they can do for themselves, to prevent you from ruining life for them. This sounds not dissimilar from the philosophy of a man like Michael Novak, who talks about intermediary institutions, like church, neighborhoods, and family-based organizations, in their relationship with a larger society.

Over the course of the years, I have had the opportunity to watch how the melding of community organization and local economic empowerment strategies come together. Let me give you some of the best examples that I have seen. Perhaps one of the most impressive is the work of the New Communities Corporation in Newark. It is close enough that I would urge those of you who are interested in this to take it on as a project, or work with them on a field trip or something. There is a priest there named Monsignor William Linder who has organized primarily African-American residents of central city Newark to build housing, schools, day-care, and a strip center in which the Pathmark grocery chain is the anchor for an economic development project in an area where there has been no new investment in twenty-five years. It is not just attracting Pathmark there, but it is ownership by the community in the Pathmark franchise as well as employment of neighborhood residents. The project created 400 jobs and great pride, and now there is a new investment in a theater district.

HUD is participating by turning over an utterly failed housing development that is completely vacant but for the vagrants and drug dealers who use it as a base. One of the saddest moments I have had was standing at the base of a high-rise development on a cold day last year and seeing a building I imagined was once full of playgrounds and children, utterly desolate. What a waste for American housing policy. I am going to turn it over to Father Linder in New Community and they are going to create home ownership opportunities for the people in the area out of this development.

Another example is the Oakland Strategies Council headed by a woman named Angela Blackwell, who has recently been recruited by the Rockefeller Foundation. She is located in New York. I encourage you to invite her over to get her to talk to you about how communities can organize themselves at the community level, set goals like reducing infant mortality and violence among children, and bring the business community together to meld social and economic development goals in the community.

I mentioned COPS earlier, the Communities Organized for Public Services. Their latest project after years of successes on infrastructure and voting rights and fairness in distribution of public facilities is a jobs-to-work transition program where they go to the business community and secure jobs that they know will be available for neighborhood residents at the conclusion of very sophisticated training programs. They recruit, train, and

ease the transition into work. This fascinating project creates hundreds of jobs for people and has great potential to be replicable.

Another example is in Miami, where the Dade County Community College has joined with the community in areas that were riot-torn just a few years ago. They are mixing economic development strategies with educational strategies.

In Philadelphia, ACORN,[6] a grass-roots organizing group with branches in about 25 cities, is responsible for helping put in place the Delaware Valley Mortgage Program, bringing hundreds of people to home ownership by creating mortgage opportunities for people.

Lessons from these experiences have informed HUD work in the creation of the so-called Empowerment Zones.[7] Six cities were selected from an application pool of 300.[8] We rewarded the most innovative strategies for economic development with one hundred million dollars of flexible funding. It is very unlike the federal government to make that kind of grant available on a flexible basis. On top of the $100 million the plan includes $250 million of tax credits to attract jobs by creating credits for businesses in the empowerment zone.[9] The Clinton Administration is seeking to expand that program beyond the original six.

These same lessons inform the dramatic reinvention that is now underway at HUD. I won't dwell on this here today, but some of you may have followed the news accounts of the dramatic changes, arguably the most dramatic changes to occur since the formation of the department. It takes the lessons that I have been describing and puts them into the mix of creating a new department.

For example, we will consolidate sixty categorical programs where communities had to apply to HUD for funding and convert them into three large performance grants. These huge sums of money are granted to communities without strings, provided the communities agree to meet certain performance objectives and national objectives targeting lower income people. These objectives include observing fair housing laws, focusing on strategies of economic development, and helping us meet the needs of our most vulnerable populations (the homeless, the elderly, people with AIDS, and people with disabilities). That is our first change. It is massive.

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6. Association of Community Organizations for Reform Now.

7. 26 U.S.C.A. § 1391 (West Supp. 1995).

8. The six cities selected are Atlanta, Baltimore, Chicago, Detroit, New York, and Philadelphia/Camden, N.J. In addition, three rural empowerment zones were named in Kentucky, Mississippi and South Texas. *Id.* at 5. Business located in Empowerment Zones qualify for a 20 percent tax credit if they hire local residents. *See* Richard Cowden & Ruth Knack, *Power to the Zones: HUD offers a new twist on an old standby*, PLANNING, Feb., 1995, at 8.

9. 26 U.S.C.A. § 1394 (West Supp. 1995) (Tax-Exempt Enterprise Zone Facility Bonds).

The second change is transforming the Federal Housing Authority from a government bureaucracy to a government corporation. We will be putting in place the sophisticated technology and personnel that are required to have it function as a corporation.

A third dramatic change involves transforming public housing as we know it today. We are moving from a system where HUD funds local housing authorities, whether they perform or not, to a system where we fund the residents instead. The residents then can make a real choice about whether they want to stay in places that are unsafe and unkempt. When the residents have a real choice about being able to leave, they can force the housing authorities to improve them with a threat they will leave and have real choice about being able to leave.

Let me close by just saying a few words about the role of the law in all of this. There will be great need for public oriented lawyers in these processes. What I have described involves some of the most fundamental issues of federalism that we have debated in America in a long time. And so questions arise about the roles and responsibilities of levels of government. What is the role of the federal government? Does it relate to states or to cities? If so, in what relative proportions between states and cities? How much authority should be granted? How in the devolution of responsibility of funding do we become more than just a check writing operation that takes the dollars from the federal treasury and turns them back to the community? Do we adhere to national objectives like civil rights and racial integration and attention to our most vulnerable population, and what mechanisms are created for doing that? How do we monitor without micro-managing? How do we set performance standards that communities can meet? How do we monitor adherence to performance measures on the part of government? These are questions of federalism that I think will be important and are laden with knotty problems of constitutional law.

We will also need a generation of leaders committed to reclaiming a vision in our country that is committed to the cities and people who are poor. That means that we will need people who can run for office and I hope that there are people in this room who choose to do that. Republicans won a great victory in November [1994] but it was a victory that resolves around thirty-three seats in the United States Congress. That is one of the smallest majorities that a majority has ever had in the Congress in the United States.[10] That can be addressed in two years. But it needs not be addressed not just at the congressional level. It is really a question of incubating talent because those people who won in November did not just emerge from the streets. They have been state legislators. They have been

10. Since World War II, there have been smaller majorities in the House of Representatives in only the 82nd, 83rd, 84th, and 85th Congresses (where the majorities were held by seven, thirty-one, twenty-nine, and thirty-one seats, respectively). CONGRESSIONAL QUARTERLY SERVICE, CONGRESS AND THE NATION VOLUME V 1148-49 (1981).

state senators. They have been county commissioners. They have been people with some public record and they were ready to claim their moment when the shift in political tides came. We need people who are committed to public service in activist electoral ways. Whatever skepticism you may have about the electoral process, in a democracy it is still the way we articulate power in this society. Not with guns, not on the streets, not with picketing effectively, but through the democratic representational process.

We will need lawyers who work closely with community organizations. The processes that I have described to you in Newark and San Antonio and Miami, as well as these hundreds and thousands of flowers that will bloom, as HUD becomes more related to community based organizations, will require people who can do competent work. It is not just a question of compassion. It is a question of compassion matched to competence. We will need people who know how to write contracts and do economic transactions and engage in real estate transactions and relate to federal funding.

In the two years that I have been Secretary of HUD, I have visited literally a hundred cities in America, large and small. In cities of every size I have seen the effects of this continuing urban crisis. I have seen abandoned buildings and vacant lots where thriving industrial districts once stood. I have seen young adult men standing on street corners in the middle of the day because there were no jobs in these cities. I have seen young teenage boys grappling with life or death decisions that fourteen year-olds should not have to make. Have we become so satisfied with the state of our union, our cities, and our country that we can tolerate the idea of abandoning young people to these choices and walking away? Our young people should be picking a book or band instrument, but are instead picking up a gun. They should be joining the football team or the debating society, not a gang. On the brink of the twenty-first century, we can not walk away. I do not believe that that is what the American people voted for on November 8th. They did not vote to walk away from problems that they know are real. I acknowledge that they are frustrated with some of the old institutions, which is why I made the argument to you today for new kinds of institutions. But I do not believe that they were voting for less economic growth, or fewer jobs in America's troubled cities. I do not believe that they were voting for less affordable housing. I do not believe that they were voting for more homeless people on the streets, or voting to abandon a generation of our youth to the horrible choices that no one of any age should have to make. I do not believe they were voting for the dismantlement of key institutions of government or decimation of the budget to the degree that we walk away by definition as a society from these challenges. I do not believe that.

What we need today is the will to act on a vision of community. To learn from our failures, but to take heart from our successes. We must never let failure deter us from pursuing what we know will work. Let me

close my remarks to you today by recalling what to me has been more than just the quotation of a prominent political leader. It has been really a philosophy of life, in the words of Senator Robert Kennedy, a man who was at once optimistic and hopeful even as he was practical and accepted responsibility. Senator Kennedy said, "Our future may lie beyond our vision, but it is not entirely beyond our control. It is the shaping impulse of America, that it is neither fate nor chance nor the irreversible tides of history that guide our destinies as individuals or as a nation. Rather it is reason and it is principle and it is the work of our own hands." He said, "There is pride in that, even arrogance, but there is also truth and experience."

Let us not walk away from this historic commitment to our nation's cities and the millions of people who live in our cities. Let us set our hands to work once more to shape a better destiny for our children, for our communities, and for our country. We will do this because truthfully, as Senator Kennedy said, and as we all know, it is the only way we can live. Thank you very much for allowing me to come over to share these thoughts.

RESPONSES TO AUDIENCE QUESTIONS

QUESTION: In giving local governments greater control over the use of HUD money, how can we make sure it is not diverted from those the money is indented to serve?

CISNEROS: There are a couple of ways to do that. The first thing we have to do is make sure that we are not, by increasing the money that becomes flexible and useable at the local level, allowing communities to thereby cut back their commitment. We see this in some places. It is called maintenance of effort, where we have to require that they continue their efforts and they do not divert the money to something else, or to lowering taxes, or some other thing. They must keep up their level of effort. That is the first thing we have to watch. There are a lot of other things, that I will not go into, including fiduciary and financial safeguards and so forth, so we do not have scams and outright corruption. But the easiest way to address your point is to require a portion of the money be used for nonprofits and I want to do that. We have had this discussion in the department about how deep we should micromanage in writing the programs. How simple should they be or how much stipulation we put in there? I do believe that it is important to have a set-aside for nonprofits so that when a city makes these decisions it can not divert the money elsewhere.

The home program has been very successful. It was slow to start up and complicated, but we have simplified it and now it is rolling well. New York's share of the home program will rise dramatically under our reorganization. We are taking a whole host of money that came to organizations individually and blocking them up. The home program goes from $1.4 billion nationally, to $3.3 billion under our reorganization effort. But we have

to make sure that they do not do things like take that money and divert it for other purposes. There is a place for both nonprofits and profit-making housing producer in cities. We want to get to more profit-making producers in most cities.

Now, New York is really a place unto itself. I will say more about that in just a second. You can not make national policy on the New York experience. For those of you who know only New York, there is a whole other country you have to learn about out there. New York is an outlier on all of statistics. There is New York and then there is every place else. People talk about how you can not make housing policy without thinking about rent control. Well, almost no place in America has rent control but New York. A few other places - in New Jersey, Boston and San Francisco - but that is it. So every time I read an article that says how all we need to do is eliminate rent control, I know it is written by a New Yorker because it is the only place it is relevant.

But there is a place for both and I will tell you they have mutual support and strengths. The nonprofits do a good job of focussing on the community based initiative. The private sector tends to be able to get up to scale. They do more. They do it bigger. They are set up to do more. So if our goal is heavy production with lots of units, we want that capacity. If our goal is really sensitive community-based efforts with youth employment and other elements in it, then the nonprofits are strong. What sometimes works very well under the home program is joint ventures between nonprofits and profit making companies, where you get the best of both worlds in some deals. But the short answer to your question, and the final point is, set-asides for nonprofits in what we do.

QUESTION: What is HUD doing about the continuing rise of homelessness?

CISNEROS: The rise of homelessness is a complex set of problems. It is not a simple issue. There are those who would argue that it is simply a housing problem about inadequate housing and affordability. What the homeless have in common is that they do not have housing, but it is not exclusively a housing problem. About a third of the homeless are persons who are mentally ill and are on the streets as a result of the deinstitutionalization. We went through an era in this country where we assumed by virtue of court judgments that the wrong thing to do was to keep people in mental institutions.[11] The states wanted to save money so they closed down those facilities with a hope that halfway houses would be built and

11. See, e.g., Wyatt v. Stickney, 325 F. Supp. 781, 784 (M.D. Ala.) (right of institutionalized to such individualized care as gives a realistic chance of improvement), 234 F. Supp. 1341 (M.D. Ala. 1972), *aff'd in part and remanded in part sub nom.* Wyatt v. Aderholt, 503 F. 2d 1305 (5th Cir. 1984); O'Connor v. Donaldson 422 U.S. 563 (1975) (no constitutional basis for confining mentally ill persons if they are dangerous to no one and can live safely in freedom).

medical treatment would be given in some less formal fashion. They never came, or certainly not in the numbers required and, as a result, a third of the people who are today homeless are persons of mental illness. Another third are persons who are victims of substance abuse. Roughly the final third are people with every other imaginable complex of personal difficulties, emotional setbacks, family difficulties, and economic stresses.

The fastest growing segment of homelessness in America today is women with children. They are the invisible homeless, because, thank God, we don't allow them to stay on the sidewalks and streets in most places. They are in the shelters. A shelter's no place to raise children, so this is a big problem.

There are 600,000 people on any given night in the United States homeless and huge numbers who go through homelessness. We think it is seven million people between 1985 and 1990 who went through homelessness. What are we doing? We are focussing on a strategy that is called the continuum of care which acknowledges that this is not just a housing issue, but that other dimensions need to be brought into me. The continuum is roughly something like this: outreach to the streets, emergency shelters, treatment for one's needs, drug abuse, mental illness, transitional housing with supported services (which means assistance with job-training where appropriate and so forth), and then permanent housing on the road to self-sufficiency. That is the spectrum of things.

Right now we have some programs for organizations which are specialists in one or more of these pieces of the spectrum. Our funding for homelessness has gone from $550 million the first year that I came, to $823 million the second year, to $1.7 or double from one year to the next from 1994-1995 thanks to President Clinton putting homelessness as that high a priority. We are trying to use all kinds of new techniques. For example, for the first time we are using certificates or vouchers for homeless people so that we could move women with children out of shelters into permanent housing. Women with children, generally speaking, do not have the complex of problems. That is to say, generally speaking, women with children are not the ones who you can identify as those who are mentally ill or those who have substance abuse problems. They just are out of the house. They don't have a job. They are battered spouses. They need to get into a unit. They are perfectly fine and they can function if they could have a place to live. So the certificates are particularly useful with that group.

Another thing that we have undertaken unique to New York City is to try to bring people who are in the subway system out. There are thousands of people who live in the system. I don't mean on the platforms. I mean off the platforms, down the tracks back in the subway system. I have been there. I have gone to meet with them, back in the tunnels. There is a new

book called *The Mole People*, which describes the living conditions of people who live in the subway system.[12] You can imagine the problems of living amidst hundred year-old dust and metal filings from the tracks, the danger of the third rail, and rats the size of cats. There are people living down there, and so we are attempting to bring people out.

One of the areas of which I am proudest in our work over the first two years has been our work on homelessness, though I must tell you that it is very difficult to show results because unless we deal with the causes of homelessness—the rising cost of housing, the loss of jobs, therefore people having their houses foreclosed, and out of housing, the alcoholism and the drugs—the numbers on the street continue to grow. It is a horrible problem. It is something America ought to be ashamed of. It is a blight on America that we will tolerate the levels of homelessness that exist in our society.

QUESTION: How will creating more choice in public housing improve the system in New York?

CISNEROS: First, let me say, this is one of those instances where when you talk about public housing in the country, you must talk about New York as different from the rest of the country. You are young and you have grown up over the last ten years, where stories of public housing are too frequently associated in New York City with shootings, or bizarre incidents of children falling out of windows or horrible things like that. As difficult as it may be for you to believe, New York City's public housing is among the best in the United States. By and large, New York City has maintained a level of income integration which most experts believe is the key to public housing success. New York City's average income for public housing residence is about $13,000 per family versus about half that in the rest of the country. In most of the rest of the country, public housing income has dropped dramatically. In the last ten years, the average income in public housing has gone from 33% of the median of the areas in which they are located to 17% of the median income of those areas. It has dropped dramatically, and that came with a change in federal preference rules that said when people were on the list should prefer people who are the very, very poorest of the poor. So public housing went to people who are homeless and who had no income. New York traditionally selected across a wide spectrum and because there is so little turnover in New York public housing, because the housing market is so tight and there is not affordable housing for people to go to, the preference rules never really took effect. That means that the income mix has stayed and that is why New York public housing tends to be better than other places.

12. JENNIFER TOTH, THE MOLE PEOPLE: LIFE IN THE TUNNELS BENEATH NEW YORK CITY (1993).

What we hope to do is to create a system where tenants get more choice, but I expect that in New York that means they will stay in public housing. I would be very surprised if New York lost any public housing as a result of going to a system of vouchers because the housing is so tight here that people are going to want to stay in affordable housing. So I do not think we are going to see dramatic reductions in the stock in New York. Take another city, Philadelphia. The *Philadelphia Inquirer* routinely editorializes against the high-rise public housing development. Here in New York, everybody lives in high rises. In Philadelphia, they believe high rises are just death and want them taken down. They are calling for a system that gives tenants an opportunity to live elsewhere so that we can take the high rises down.

Take Chicago. Any of you who want to see arguably the worst, most hellish existence in America should drive down State Street on the South Side of Chicago. Just keep going down State Street from downtown. After about three miles, you come to a place called Harold Ickes Homes. Set the odometer on your car and four miles later, you will still of be in the shadow of constant, one right after the other, high rise public housing developments. Harold Ickes Homes. Dearborn Homes. State Street Homes. Robert Taylor Homes. Ida B. Wells. Forty thousand units, one right after the other, bounded and isolated by an expressway on one side and a deteriorated industrial district on the other. It is in those kinds of places that we need to use a system that gives people choice so that they can leave. We need to have a mechanism for taking some of these units down and reducing the density, for building single family homes, scattered side homes, and so forth.

Getting back to New York City, we will be in discussion with New York about how we can change the national model to make it work in New York. We have built this system that has discrete bites where we can stop at a step before going all the way to vouchers if that proves to be a useful thing. And we might let that be at the discretion of a local community so that if they never want to go to a voucher system in New York City because it just does not work in New York we could do that. The problem with the Section 8 program in New York is that housing costs are expensive, there is unavailability, and people do not have the same protection that they do in other settings. But please know that again, you really have to look at it from a national perspective and not just focus on New York.

The fact of the matter is that we can not leave people living without choice across America. People who live in public housing are among the only Americans who have no choice about where they will live. They are on a waiting list and they wait for three or four years on a list. They come to the top of a list and then whatever vacancy there is in the system, that is what they must take. Some cities give them one or two choices about whatever is vacant at the time, but if they do not take it, they go back to the

bottom of the list for another three year wait. What we need to do is to give people real choices. And then instead of being loyal to system, instead of being loyal to the authority of the monopoly of the housing authorities, our primary loyalty is to people who can make choices.

This emphasis on choice is consistent with what I was talking about before, about a new American sociology. Instead of being loyal to big housing structures, we are loyal to people who bring pressure on the housing authority to change. After all, if government housing authorities prove that they can not safeguard buildings, can not deal with the drug dealers and the uzi-toting gang members that control the stairways and the quarters, can not fix the pipes, and can not keep the buildings warm, then why in the world should we keep people in those buildings? It just does not make any sense. And so we are trying to get to a situation where we give people choices about where they live, but do not destroy the system of housing stock in the process.

Thank you very much for letting me come and share the morning with you.