Talking Points for Gustavo Velasquez
Assistant Secretary for Fair Housing and Equal Opportunity
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Thank you, Orlando, for that generous introduction.

Good afternoon.

Thank you for giving me the opportunity to participate in the Virginia Housing Coalition's third statewide housing credit conference.

I don't have to tell you how relevant today's conference is.

At no other time in our nation's history has housing – that most basic of human needs – occupied such a large space in our national dialogue.

You can't watch television or pick up a newspaper without seeing or reading about some issue that pertains to housing. Whether it's a story about the nation's continuing recovery from the foreclosure crisis, or how shifting demographics is impacting housing trends, or how the shortage of affordable housing is affecting the choices of hard working families – the topic of housing has never been more prominent.

Particularly revealing are the articles that examine the effect housing has on a family's upward mobility, and the extent to which being locked in segregated neighborhoods that are long on obstacles and short on opportunity contributed to the recent unrest that was on full display in Ferguson, Missouri, Baltimore, Maryland, and several other urban centers.

No doubt, the factors that led to those communities erupting with civil disobedience are numerous and complex, but there is one thing we are sure of – they highlighted the sense of hopelessness that comes with not having a job, being a product of failing schools and facing a bleak future. A belief that the whole system was designed to keep them down.

And Virginia is not without its challenges. Recent research by Raj Chetty, the nationally recognized Stanford economist, identifies Richmond as being among the worst counties in the country in helping poor children up the income ladder. It ranks 48th out of 2,478 counties, better than only about 2 percent of counties in the nation.

So in addition to today's conference being timely, it reflects your recognition of the importance of coming together to discuss today's many serious housing issues in an open and frank manner.

As HUD's Assistant Secretary for Fair Housing and Equal Opportunity, I share your sense of urgency.

There is no question that tremendous social gains have been made in the 47 years since the Fair Housing Act became law. Yet the fundamental ideal that hard work and determination will open the doors to a better life has not been realized by some because the same access to opportunity is not available to all.
The consequences of this type of inequality are readily apparent.

While America was founded on the principles of justice and equality, today we see a growing gap between the rich and the poor, between those who have and those who don't, particularly when it comes to educational attainment, health outcomes, and economic upward mobility.

In fact, the share of blacks in the poorest fifth of income distribution is only slightly lower today than it was in 1971, and the share in the richest fifth is only slightly higher.

And when we look at intergenerational mobility – the extent to which economic and social outcomes for a child are determined by their own efforts rather than their circumstances at birth, we see that this important indicator is lower in the U.S. than most similarly wealthy countries.

Overall, children born in the bottom quartile (25%) of family incomes have a 46.6% chance of being in the bottom as an adult. And when we look at race, there are large disparities. For white children born in the bottom quartile, there is a 32.3% chance of remaining there, while black children have a 62.9% chance.

If our nation is to truly become the country our forefathers envisioned, we must demonstrate that we live by our principles.

This is not a difficult concept to identify with. In fact, when you get down to it, we all want the same basic things for our families: a safe, affordable place to call home, a good education for our kids, and access to transportation and jobs.

Too often, however, a child's zip code determines their future.

That's why we believe that the Affirmatively Furthering Fair Housing initiative HUD is in the process of implementing is so critical.

When the Fair Housing Act became law in 1968, it not only focused on providing redress and justice for people subjected to direct housing discrimination. It also required that the country take proactive, or affirmative, steps to overcome patterns of segregation and foster inclusive communities, free from barriers that restrict access to opportunity based on protected classes.

So the obligation to affirmatively further is not new. But now we have a rule that makes it easier for cities, states, and other funded entities to meet that obligation.

The final AFFH rule provides states, municipalities, housing authorities, and other entities that receive HUD funding with a planning framework so that on their own they can set realistic, attainable fair housing goals, assess the opportunities they have to proactively eliminate obstacles to housing choice, and set a plan in place to advance the national policy of fair and inclusive housing that will be the most effective for them.

We will also be providing municipalities with the information, tools, guidance, and support they need to improve integrated living patterns, overcome historic patterns of segregation, reduce bureaucracy, and find their own path to bridging racial divides, creating equal housing, and connecting people to opportunity.

We know that this kind of approach works. Access to opportunity is often driven by geography.

We've seen compelling examples of families whose lives have been empowered by being afforded the chance to move out of densely populated, high poverty areas to communities with greater opportunity.

In Baltimore there was a long-running HUD case called Thompson v. HUD. The case goes back to the 1990s, when six African Amerians who were current and former Baltimore public housing residents filed a suit claiming that HUD and the Housing Authority of Baltimore City maintained a racially segregated public housing system.

The case finally settled in 2012, and one of the most far-reaching and significant outcomes was the creation of a mobility program that gave Baltimore public housing residents the chance to move to surrounding suburbs where there is greater opportunity.

Not long ago we heard the stories of a few of the families that participated in the mobility program. One single mother who was a long-time resident of a Baltimore public housing development talked about the health issues of her daughter, who has asthma, and about how her daughter's condition improved after they moved to an adjoining suburb. And she talked about how the move motivated her son to perform better in school and how he is now planning to attend college. She also talked about how the move changed her life and how she was motivated to enroll in a community college, where she is studying to become a drug and alcohol counselor. And we heard similar stories that day.

The effects of exposure to better neighborhoods on children are well-documented. Chetty's research into the long-term outcomes from HUD's Moving to Opportunity demonstration program found that upward mobility was greater for young children in low-income families if they were raised in lower poverty neighborhoods.

So place matters for a child's life outcomes.

Consider this one sobering statistic: A child born in the Jeff-Vander-Lou community in zip code 63106 in North St. Louis can expect to live 18 years less than a child born 10 miles away in zip code 63105 in the more affluent Clayton community. Think about that.

HUD is committed to doing its part to level the playing field for all. There shouldn't be such a thing as "being born on the wrong side of the tracks."

But we know that mobility alone is not the total solution. We know that placed-based strategies that encourage investment in areas of minority concentration so families living there do not remain at the bottom of the economic ladder are important, too.

President Obama has said that solving inequality is the "defining challenge of our time," and our nation must answer this call to action by breaking down the barriers that hold people down and shut them out, by providing every person with an equal shot at real opportunity, no matter where they live.

This is what we refer to as the balanced approach. We sometimes hear people describe the dual approach of desegregation and preservation as being in conflict, but we at HUD believe that there is a shared desired outcome that links the two, and that's the focus on providing families with the same opportunity.

The final rule recognizes the need for a balanced approach where place-based solutions for community revitalization, the development of affordable housing in areas of opportunity, and mobility solutions are all encouraged.

But I'm not talking about top-down "big government." HUD ensures that grantees have the discretion to determine the balance of strategies for their community to affirmatively further fair housing, including smart, targeted investment in areas of poverty, developing new affordable housing in areas with quality schools, jobs, and transportation, or expanding mobility to areas with better access to opportunity.

And those of you in the room who are developers, investors, or who own construction companies will be interested in knowing that affordable housing, including Low Income Housing Tax Credit units, will be an important part of analysis of fair housing issues in a community.

As LIHTCs are the largest producer of affordable housing today, Qualified Allocation Plans (QAPs) governing state allocations of LIHTCs have a significant impact on the location and occupancy of new affordable housing units and play a key role in shaping local fair housing issues.

The rule directs HUD “program participants, including states… to analyze data on the location and occupancy of affordable LIHTC units and to consider the impact of a QAP on fair housing issues in their jurisdiction.”

What’s more, the focus on the location and occupancy of LIHTC units is consistent with HUD’s balanced approach to affordable housing development.

This two-part approach targets (1) current neighborhoods of opportunity, and (2) areas that, as the result of smart, strategic investments, will become future neighborhoods of opportunity.

I’m not suggesting that this is a simple undertaking. Both parts require careful planning, using scarce affordable housing resources, but our rule provides the data, analytical tools, and opportunities for regional collaboration to make this a reality.

Another important way in which states can affirmatively further fair housing is to ensure that projects that go into low-income and minority neighborhoods “contribute to a concerted community revitalization plan.”

A large amount of LIHTCs currently go to low-income neighborhoods. However, given the scarcity of resources to provide affordable housing, it is critical that LIHTC development supports targeted efforts to revitalize communities and is part of well-planned, coordinated investments beyond housing.

The Internal Revenue Code requires QAPs to include a preference for projects that are located in Qualified Census Tracts **and** “the development of which contributes to a concerted community revitalization plan.” Let me say that again: “the development of which contributes to a Concerted Community Revitalization Plan.” This is in the text of the statute.

The IRS requirement is consistent with HUD’s balanced approach, which envisions there being more to community investment than simply creating units of affordable housing. As we know, opportunity is about much more than the physical unit in which a resident lives, and cannot stop once the resident steps outside their front door.

Although there are no federal guidelines regarding what constitutes a concerted community revitalization plan when allocating LIHTCs, states can take the lead and be innovative in their approaches. Both the substantive elements of a revitalization plan and the state’s process for verifying compliance will be important to consider.

HUD is also tackling the affordable housing challenge through the Rental Assistance Demonstration, what we refer to as RAD, the Department’s rental housing preservation strategy.

I know those of you who are with public housing authorities are familiar with the program, but others may have only heard the acronym.

For decades, local housing officials tasked with preserving public housing and creating new affordable units have been constrained by tight federal budgets and tough economic conditions.

And in a nation where the number of affordable housing is critically low, this is an issue that had to be addressed.

The Administration created RAD as a comprehensive and innovative strategy that offers a long-term solution to preserving and enhancing the country's crucial affordable housing stock. Without it, the nation can expect to lose thousands of public housing units each year through demolition or sale. In the last 15 years, the country has already lost at least 170,000 affordable homes to sale or demolition and there is a backlog of more than $26 billion in capital needs for public housing.

RAD turns the funding issue on its head. That's because RAD allows public housing authorities and owners of other HUD-supported properties to access private financing to rehabilitate and preserve existing affordable housing—expanding opportunity in communities across the nation.

Over the past 30 years, owners have used HUD project-based Section 8 rental assistance contracts to leverage billions in public and private investment in order to make property improvements—while safeguarding the long-term affordability of rental properties.

RAD opens this door to public housing authorities and private owners of certain legacy HUD properties.

Under RAD, PHAs and owners of legacy properties may convert their existing HUD funding to a long-term project-based Section 8 rental assistance contract, using the proven Section 8 model to harness new resources—such as debt and equity financing—for affordable housing preservation and recapitalization. To date, RAD has allowed local communities to raise almost $1 billion in new capital.

Critics incorrectly believe this conversion of public housing into the project-based Section 8 model is akin to privatization. While private developers participating in RAD will gain an ownership/equity interest in public housing developments, I want to emphasize that public housing authorities will retain a controlling interest in these units to ensure they remain affordable for up to 40 years...and beyond.

For each unit of affordable housing we can preserve through RAD, there is a family that has a safe and decent place to call home. It's clear that in an environment in which public resources will never be able to meet the increasing unmet capital needs of public housing, government must tap into the power of the private market to preserve and expand our affordable housing stock.

So, far from privatizing public housing, RAD is an innovative public-private partnership that preserves a segment of the housing market that is in short supply.

Going forward, HUD's fiscal year 2016 budget calls for the current 185,000 cap on eligible units to be eliminated and we have requested $50 million to fund a targeted expansion of the RAD program to public housing properties that cannot feasibly convert to long-term Section 8 rental assistance contracts at existing funding levels, specifically those located in high-poverty neighborhoods, so stay tuned for news about that once the Department has a final budget.

Everything I've described today is part of this Administration's Opportunity Agenda.

Our AFFH rule sends a loud and clear message to our partners: that we're going to work with you to ensure that you use taxpayer dollars prudently to invest in the housing, the infrastructure, the transit, the schools, the economic development that families need to build their lives.

And that's just the beginning. Our opportunity agenda is guided by three principles designed to ensure that the disinvestment and disappointment that's been too much a part of our nation's past comes to an end — once and for all.

The first is that, as we seek to lift up communities and boost upward mobility, we are also breaking through the silos of bureaucracy with a holistic approach. As President Obama has said, "if poverty is a disease that infects an entire community in the form of unemployment and violence, failing schools and broken homes, we can't treat those symptoms in isolation. We have to heal the entire community."

The second challenge we must address is a more straightforward one, but just as important. We have to measure results better. At HUD, we help put a roof over one's head. That's one victory for the people we serve, one way to measure success. But as we move forward with a holistic approach, we need to understand more. In addition to outputs, we are going to measure outcomes.

And third, we are determined to strike a strong balance between, on the one hand, providing low-income families with greater mobility, and reinvesting in older, distressed neighborhoods on the other.

Looking ahead, we know that the initiatives I've described today won't be easily implemented. But we believe that much can be accomplished if everybody involved in the business of housing makes a commitment to working together to help create communities of opportunity, where everyone, regardless of what they look like, or where they come from, or what language they speak has an equal chance to succeed in life.

Again, thank you for inviting me to join you today, and I have a few minutes to answer any questions you might have.