The White Office of Urban Policy: Form and Function
Remarks by Bruce Katz

Delivered at "A Crisis is a Terrible Thing to Waste: Transforming America's Housing Policy" Conference
NYU School of Law
February, 12, 2009

It is a pleasure to be back at NYU with friends and colleagues. The timing of this "crisis" conference could not be more timely and propitious: a new administration, an economy in free fall, a national foreclosure emergency.

I want to first thank Mike Stegman for those kind words of introduction. Few people have had as much impact on housing policy, research, and thinking as Mike over the past generation… and communities and families across the country are all the better for it.

I also want to thank Ingrid Gould Ellen for co-hosting this conference. I have spent a good portion of the past several months working with Ingrid, first as part of the Obama transition, and most recently as part of a group of advisors working closely with HUD Secretary Shaun Donovan. As everyone at NYU knows, Ingrid is a rare mix: a penetrating mind, a selfless individual, a dedicated public servant (in the broadest meaning of that phrase). It has been an absolute pleasure to work with her these past months.

And, finally, I want to acknowledge Henry Cisneros, my former boss and inspiration for the Metro Program I now head at Brookings. Henry literally wrote the book on metropolitan thinking and action in 1993, *Interwoven Destinies*. He has been a mentor and friend to me and his intellectual imprint on the Brookings' work is simply immeasurable.

I have been asked today to offer some thoughts on the possible function and role of a new White House Office for urban policy and affairs, an exciting commitment made by President Obama during his campaign.

This new office is only beginning to take shape under the leadership of the Domestic Policy Council and the Intergovernmental Office at the White House. Yet its very existence tells us a lot about the goals and aspirations and philosophy of the new administration.

The creation of the office reflects at the outset an understanding that place matters immensely in the United States… and federal policy ignores place at its peril. On one level, we know that urban and metro areas are the engines of national prosperity and the vehicles for achieving a wide range of national priorities: strengthening our competitiveness, building a resilient middle class, growing in sustainable ways. Thus, federal policy needs to leverage the disparate attributes and dimensions of places to achieve national goals, and any "urban office" will, by necessity, also be a "metropolitan office."

On another level, our cities and suburbs and metros have changed in radical ways over past 20 years as poverty has suburbanized, jobs have decentralized, and immigrants have located in new gateways. Thus, federal policies need to be upgraded to reflect the realities of our times rather than the outdated paradigms of earlier eras like the 1960s.

The creation of this office also reflects an understanding that complex problems of this century necessitate multidimensional responses. The 20th century nation-state in the U.S. and Europe celebrated specialization and compartmentalization. We now know that the challenges facing us require integrated and holistic responses. We will not address climate change, for example, without addressing America's unsustainable built environment… and we won't develop new sustainable communities unless we align transportation, housing, land use and energy policies. A White House office of urban policy could be the place to tear down the barriers between the hardened federal silos and stovepipes.

Finally, the creation of this office reflects an appreciation of federalism in our system of government. The federal government does not directly build one road or renovate one home or educate one child or heal one sick person. It accomplishes all these things by working through networks of state and local governments and private and nonprofit firms and intermediaries. This is the genius of our national framework and leveraging and shaping it for new, troubled times is an economic, social and environmental imperative. A White House office of urban policy could be the place where a new modern federalist partnership is forged and implemented.

With that backdrop, I will discuss five potential roles for the new office, carried out in close collaboration with the cabinet and other members of the White House team as well as institutions and partners across the nation.

> *Paradigm and Bully Pulpit*: set an urban and metropolitan vision for the United States and communicate it with the full power and prestige of the White House.
>
> *Policy Review and Assessment:* subject the federal government to a full scale policy review to assess the extent to which the current mix of policies and programs, forged in earlier decades and ossified over time, adequately meets the 21st power and potential of metro America.
>
> *Policy Design and Implementation*: develop, advocate for and ultimately implement next-generation federal policies that empower major cities and suburbs to collaborate on problem-solving, and "join up" related issues of domestic policy, such as economic and workforce development, transportation, energy, and housing.
>
> *Transparency and Accountability*: re-establish the federal partner as a platform for information rich and evidence driven government, to unveil urban assets, drive metropolitan markets and inform public and private decisions.
>
> *Partner and Performance*: build a different kind of relationship with the vast network of urban and metropolitan partners in the United States with new tools, new ways of identifying, rewarding and diffusing innovation and a new ethnic of performance.

Let me review each of these in turn.

First, let's discuss the paradigm. The new office has a powerful bully pulpit to set a vision for how federal policy can unleash the potential of America's urban and metropolitan areas given their changing role and function. There is almost mathematical precision to the new metro logic:

> Economic restructuring has positioned metropolitan areas as the engines of national prosperity and the means for achieving social and environmental goals.
>
> But these are not your parents' metros… as jobs decentralize, poverty suburbanizes and climate imperatives necessitate new forms of settlement patterns.
>
> Thus, federal policy needs to radically change to fit this new metropolitan reality.

The new paradigm was powerfully expressed by President Obama in Miami last June 21st in a speech before the U.S. Conference of Mayors. Here is what he said:

> "But the truth is, what our cities need isn't just a partner. What you need is a partner who knows that the old ways of looking at our cities just won't do; who knows that our nation and our cities are undergoing a historic transformation. The change that's taking place today is as great as any we've seen in more than a century, since the time when cities grew upward and outward with immigrants escaping poverty, and tyranny, and misery abroad.
>
> Our population has grown by tens of millions in the past few decades, and it's projected to grow nearly 50 percent more in the decades to come. And this growth isn't just confined to our cities, it's happening in our suburbs, exurbs, and throughout our metropolitan areas. This is creating new pressures, but it's also opening up new opportunities – because it's not just our cities that are hotbeds of innovation anymore, it's those growing metro areas. It's not just Durham or Raleigh – it's the entire Research Triangle. It's not just Palo Alto; it's cities up and down Silicon Valley.
>
> The top 100 metro areas generate two-thirds of our jobs, nearly 80 percent of patents, and handle 75 percent of all seaport tonnage through ports like the one here in Miami. In fact, 42 of our metro areas now rank among the world's 100 largest economies. To seize the possibility of this moment, we need to promote strong cities as the backbone of regional growth.
>
> And yet, Washington remains trapped in an earlier era, wedded to an outdated "urban" agenda that focuses exclusively on the problems in our cities, and ignores our growing metro areas; an agenda that confuses antipoverty policy with a metropolitan strategy, and ends up hurting both.

> Now, let me be clear—we must help tackle areas of concentrated poverty. I say this not just as a former community organizer, but as someone who was shaped in part by the economic inequality I saw as a college student in cities like Los Angeles and New York.
>
> So, yes we need to fight poverty. Yes, we need to fight crime. Yes, we need to strengthen our cities. But we also need to stop seeing our cities as the problem and start seeing them as the solution. Because strong cities are the building blocks of strong regions, and strong regions are essential for a strong America. That is the new metropolitan reality and we need a new strategy that reflects it—a strategy that's about South Florida as much as Miami; that's about Mesa and Scottsdale as much as Phoenix; that's about Stamford and Northern New Jersey as much as New York City. *As president, I'll work with you to develop this kind of strategy and I'll appoint the first White House Director of Urban Policy to help make it a reality.*" (emphasis added)

That's powerful stuff. It is clear the president "gets it"—both the big role cities and metros play at the national scale and the shifting dynamics within metros. And he also gets the fact that the federal policies implicated by cities and metros extend far beyond the narrow list traditionally considered to make up urban policy.

Since policy is ultimately derivative of paradigm, we have a strong and hopeful start to the urban office.

This leads to my second role for the White House office: a fundamental review of federal policies to determine their relevance to and impact upon our "metro nation."

The harsh truth is that there is a fundamental disconnect between the new roles and realities of metro America and the state of federal policy.

While metro areas represent a new geography, enveloping city and suburb, township and rural area, in a seamlessly integrated economic and environmental landscape, federal policy insists on offering parochial and narrow solutions to issues that cut across artificial political borders and issue areas.

Our present array of policies and delivery systems are poorly matched to America's metropolitan reality. Metros show how jurisdictional lines are socially and economically irrelevant, and reveal how issues like transportation, housing, growth, and the environment are inextricably linked. But federal policies still adhere to geographical boundaries and subject-matter silos, more appropriate to the nineteenth century than the 21^{st}.

The fact is that the bulk of federal investments ignore the realities of metropolitan economies and ecosystems either by flowing through states or reinforcing local fragmentation and parochialism.

We all know the predilections of states to spread market shaping federal resources like infrastructure around like peanut butter rather than concentrating investments in those places where they are likely to have the biggest return. In many respects, state allocations reflect the political logic of state legislatures rather than the market logic of investing in major metropolitan areas, the centers of population and economic activity.

Incredibly, many state transportation plans submitted during the deliberation of the American Recovery and Reinvestment Act did not identify a single investment within major cities and metropolitan areas. Building new roads in far flung rural counties will surely create jobs… but will not produce long term economic recovery.

Other federal efforts reinforce the balkanization of metropolitan areas by investing in individual municipalities or counties rather than the metropolitan area as a whole. Last year, for example, Congress created the Neighborhood Stabilization Program to mitigate the impact of foreclosures on hard hit communities. Some $3.9 billion in formula funding was distributed to states, urban counties and cities… with no reflection of the fact that housing markets are metropolitan in nature and foreclosures do not respect political borders

The result is that the geography of intervention does not respect markets or maximize return. .

But the limitations of federal policy are not just about errors in geography; they are also about compartmentalized solutions.

In the real world, families know that issues like transportation and housing and education are inextricably linked. But in the specialized, stove-piped universe of federal bureaucracy, these issues are broken apart and kept separate.

Let's take traffic congestion, for example, which is the natural byproduct of land use patterns that separate where we live from where we work. We know that it is fiscal folly to build or widen roads to mitigate congestion. More roads equal more congestion.

The real solution lies in rearranging the location of housing and jobs and building transit to give people more choices… and then introducing pricing schemes to reduce and alter demand.

But federal transportation programs offer only transportation solutions to congestion, making fiscal follies the easy, if not only, choice.

And efforts to link disparate areas of federal policy like transportation and housing for example run into countless roadblocks…such as headache-inducing differences in grant requirements and restrictions.

The federal government has become an ossified network of specialized and balkanized agencies at a time when most challenges require integrated solutions that "join" up related areas of domestic policy.

This is true even within single agencies. At HUD, the administration of federal housing assistance is compartmentalized and inefficient, with funding streams flowing

- to state housing finance agencies, in the form of tax credits and bonds;

- to local public housing authorities, in the form of vouchers and public housing funds
- to private owners via project-based subsidies and mortgages.
- And to state and local departments of housing and community development in the form of HOME and community development block grants.

All these programs ultimately land in places—neighborhoods of high poverty or older suburbs with changing demographics or communities experiencing rapid population and employment growth. Yet current systems focus more on the logic of separate delivery systems rather than the dynamic trends of real places and markets.

Bottomline: it is time to step back and conduct a full scale review of federal policies to assess whether they align with the spatial imperatives of this century. The FY 2011 budget cycle probably offers the best time to conduct such a thorough review and start the arduous process of realigning federal programs and policies for our time. The new office is well situated to co-lead this review with OMB. Everything should be on table for this government-wide assessment since it is certain that the policies with the most dramatic impact on places, positive and negative, will NOT be the ones explicitly labeled as “urban” or “metropolitan” policy.

This leads to my third point: this office does not need to wait for a full scale review to start transforming critical areas of federal policy. The office can start immediately to work with federal agencies to help design, advocate for, and ultimately implement a new generation of integrated metropolitan policies and programs.

Each major area of domestic policy—economic, social, and environmental—presents ripe opportunities for policy integration.

To grow prosperous and competitive metros, the federal government should be joining up, at a minimum, economic development, workforce development, and small business policies in support of clusters of innovation and promise. The president supported the notion of regional innovation clusters in the campaign, building from the WIRED program at the Department of Labor. It is time to take these nascent efforts to scale and recognize the reality of a networked economy—clusters of universities, firms, investors, training providers, marketing entities, associations—that grounds and brands itself in places.

The energy retrofit market, so prominent in the Recovery Act, presents one of the first green economy clusters that could be targeted for cross agency engagement and collaboration.

To build socially inclusive metros and neighborhoods of choice, the federal government should be joining up housing, education, small business, and workforce policies. Some of this is happening at the local level, spurred by smart federal activity in the 1990s when demolition of the worst public housing projects under HOPE VI unleashed creative approaches to mixed-income developments and local school reform.

The president proposed a Promise Neighborhoods Initiative during the campaign (to replicate the success of the Harlem Children’s Zone) and at HUD we are already working on a more expansive version of HOPE VI (a Choice Neighborhoods Initiative) to address the fact that many neighborhoods of high poverty require transformation in their distressed assisted housing inventory as well as their troubled public housing stock. The Promise and Choice initiatives naturally come together in theory, and these efforts should be joined together in practice wherever possible.

To grow sustainable metros, the federal government should join up transportation, housing, and energy and environmental policies. These policies often work at cross purposes today. Transportation programs generally invest outside core areas of metros, while housing policy continues to favor concentration of affordable housing. Environmental policies often make redevelopment costly and sprawl easy.

It is time to get this right. DOT and HUD need to be joined at the hip, seeding integrated planning at the metro scale and getting the rules and incentives right so that transit oriented development becomes the norm rather than the exception.

This is an area where the walls between program and discipline need to come down. Just imagine if the federal government issued a "Sustainability Challenge" to metro America, saying to Greater Denver or Greater Dallas or Greater Charlotte or Greater Raleigh: "Show us a plan to reduce greenhouse gas emissions and lower your carbon footprint from combined changes in housing, transportation, land use, and energy and we will provide additional resources as well new powers to align disparate federal programs."

Metros might propose concentrating mixed use facilities and mixed income housing around transit stations. Or they might decide to institute congestion pricing, or extend transit and commuter rail.

These efforts would actually give residents what they want: more choices in where they live and how they move around their communities.

In sum, a White House office of urban policy and affairs can advance policy progress on all three fronts—economic, social, and environmental.

That leads to my fourth point: the new office can be a leader and catalyst in restoring the federal government as an information platform for smart action and accountable government.

We know that information drives markets and that the lack of information conversely distorts investment decisions, public and private.

Over the past decade, the federal government has systematically denigrated and degraded data and facts and statistics, and adhered to a bizarre "know nothing" philosophy.

The new White House office could be a leader in restoring the mantle of the federal government as a major collector and disseminator of basic information.

Here the potential for innovation and impact is endless.

Just imagine if the federal government created a "Cluster Observatory," as in Europe, which would unveil the spatial geography of our economy, enabling smart, tailored investments and policies.

Just imagine if the federal government created an affordability index that integrated transportation, housing, and energy costs… enabling informed decisions at the individual and metropolitan level.

Just imagine if the federal government created a "Metropolitan Markets Initiative" to unveil the hidden potential of underserved urban, suburban, and even rural communities.

Just imagine if the federal government invested in new mapping tools that disclose the interplay between demographic, social and market trends, and a host of government interventions.

Just imagine if the federal government committed itself to transparency in spending and gave individual metropolitan areas, starting perhaps with the top 100 metropolitan areas, a clear picture of the nature and scope of federal investments and policies that affect these communities. The federal government could create an annual "Metropolitan Investment Review" to disclose the level of all federal tax-and-spending resources distributed to a particular metropolitan area and its major cities and counties.

Information and data and analytic tools and research and evaluation are not sexy of course. But for a relatively small price, the right information can leverage up billions in public and private sector investment. It is time to get smart and the new White House office can lead the charge.

That leads to my final point: the new office has a unique opportunity to engage metropolitan leaders and institutions in a new kind of partnership with the federal government. This new partnership must take account of the radical shift that has taken place over the past thirty years: namely, that with devolution, states and localities and nonprofits have grown in capacity at the same time federal capacity has withered and diminished. This calls for… in fact demands… a new kind of federal/metro compact: more of an adult to adult relationship than the parent to child dynamic that has dominated relations in the past.

This is not a "constituency" function—and the office should not become a constituency office. This is a new kind of federalism, a different way of achieving the business of government with respect to metropolitan economic growth.

To some extent, the ideas that I have mentioned already—a new framing for the federal/metropolitan relationship, new multidimensional policies that engage metropolitan areas, a new commitment to information and transparency—form the basis for the new partnership. These ideas need to take root and evolve and iterate over the next several years.

Over time, however, we should be aiming further. The end game should be a new way of doing business, a new modus operandi for the federal government and its metropolitan allies. The goal should be to create a new compact between the federal government, its state and local counterparts, and the business and civic sectors, to collaboratively support regional strategies that are grounded in the distinct assets of particular places.

My colleague Bob Weissbourd offered the following idea during the presidential transition. What if metropolitan business, civic, and local government collaborations were asked to develop customized “business plans” that connect workforce, infrastructure, transportation, housing, and business development to meet goals for economic growth and return on federal investments (in the form of increased income tax collection, reduced welfare costs, etc.)

This idea turns our government on its head: instead of metropolitan leaders having to respond to dozens of disparate *federal* RFPs and programs from varied agencies, the regional collaborations should be able to send their business plan to a White House urban office, as the equivalent of a *regional* RFI (“Request for Investment”), and require the federal agencies to coordinate appropriate financial and other resources.

My point is not about the specifics of this idea, but that the office could be, and should be originating and implementing a radically different approach to federalism, in which the federal government enables and leverages the wave of bottom-up innovation by entrepreneurial state and local governments and aligned networks of corporate, civic and environmental leaders.

Of course “MetroPolicy” cannot just live in a single White House office. It needs to infuse the approach and culture of every agency.

Some of that is already happening even at this early date in the Administration, spurred on in part by the recovery and Congressional leaders. HUD and DOE, under the leadership of Secretaries Donovan and Chu, have already announced their intent to join their efforts (and the billions of dollars in recovery investments) to catalyze the creation of a housing retrofit market. Similarly Secretaries Donovan and LaHood are working on ways to integrate housing and transportation decisions.

The fact is that the new White House office begins its work with some very hopeful signs of interagency collaboration already underway.

Conclusion

I will end where I began:

This is a remarkable period in our country’s history that demands solutions that are literally “out of the box” and informed by efforts outside the nation.

The notion that our federal government needs to realign its policies and programs to meet the needs of a changing “MetroNation” is an idea that appears perfectly suited to our times … to advance the big national goals of economic prosperity, environmental sustainability and social inclusivity.

And a White House office of urban policy appears to be the right institutional vehicle to lead the charge.

In so doing, we will once again remake the governance fabric of our nation, our constantly evolving notion of federalism.

In the 18th century, federalism was a way to unite disparate, distrustful states into a single nation that could be greater than the sum of its parts.

Over the last 200 years, our nation has continually readjusted federalism's balance, at times centralizing power, at times distributing more control to states and localities.

But the old models of top-down or bottom-up federalism won't work any more in this century.

Instead, we need a federalism for our times: multidimensional, multi-jurisdictional, networked, empirically grounded, performance driven, outcome oriented.

There is much to build on. Let's get started.