

CENTRAL INDIANA HOUSING SUMMIT

Thursday, March 2, 2006

Indiana Convention Center

Sagamore Ballroom

MR. BRIGHT: My name is Bruce Bright. I'm the 2006 president of the Metropolitan Indianapolis Board of Realtors, and I'm pleased to welcome you this morning to the fifth annual Central Indiana Housing Summit. Five years ago, builders and realtors began a joint effort to raise our collective awareness of and then spur our members' involvement in regional housing and economic development issues. The Summit has been about our communities and their growth and vitality. Each year the Summit has taken on more complex and often more controversial issues surrounding the housing industry. And sometimes it's in these more sensitive discussions where we learn the most. At the very least we hope to walk away each year with a new way of thinking about our place in this industry and our industry's place in the bigger picture of our economy.

In that spirit of open debate and new ways of thinking we have assembled today a panel to discuss a range of topics for the event this year. The hope is that in this discussion, that this discussion will give us multiple ways of thinking about the common

issues so that we may be that much closer to solutions. Please keep in mind that we have set aside two times for you to ask questions of the panelists this morning. Despite the size of this audience, which is our record size this year, we intend this event to be a participatory event. Be thinking about questions of our panelists as the program's topics unfold.

Thank you for being here, and I hope you enjoy this year's Summit.

MR. GRAY: Good morning. My name is Pete Gray, and I'm serving as the 2006 President of the Builders' Association of Greater Indianapolis. I would like to extend a welcome to the elected officials, their staff members, and representatives from area economic development organizations. Thank you for taking the time to join us this morning. I'd also like to thank two sponsors who helped make this event possible: New Home Finders and The Real Estate Book. Thank you very much.

It's my pleasure to welcome our panelists this morning: Kevin Buchheidt, the Director of Community Development for the Town of Westfield; Cathy Burton is the President of the Marion County Alliance of

Neighborhood Associations, known as M-C-A-N-A. Next is the Honorable John Ditslear, the mayor of Noblesville. From Ball State University we welcome Dr. Eric Damian Kelly, Chairperson of the Department of Urban Planning and Development. Returning for his fifth Summit presentation is Drew Klacik, Senior Policy Analyst with the Center for Urban Policy and the Environment at IUPUI. Representing the realtor perspective is Tom Lazzara of RE/MAX Ability Plus. We are very pleased to welcome The Honorable Bart Peterson, Mayor of Indianapolis to our panel today, who will be joining the panel in a few moments. And finally, representing the builder perspective on the panel is Curtis Rector, the President and founder of Arbor Homes.

To moderate our expert panel is Abdul Hakim-Shabazz, typically found at this hour of the morning hosting "Abdul in the Morning" on Newstalk 1430 AM, WXNT. Abdul.

MR. HAKIM-SHABAZZ: Thank you. Good morning, ladies and gentlemen. I finally think there's a way where I don't have to talk into a microphone, and what do these people do? They put a microphone in front of

me. Thank you all very much. Special greetings to the folks at MIBOR and the Builders Association of Greater Indianapolis for giving me a chance to come here and talk to you folks this morning. And for somebody who spends his days getting up at 3:45, given a chance to actually sleep until 6:00 o'clock, that is greatly appreciated, gentlemen, so thank you very much.

The point of today's discussion is just that. It's to have a discussion about the issues that are faced in the housing market here in Central Indiana, whether it's appreciation, whether it's foreclosure, whether it's the product; and then the challenges of growth in our community. And the way I like to think of this is, because we all sat down a couple of days ago and sort of talked about how we want this to go, and what we wanted was an open debate, a spirited debate, but also a friendly debate. And so what I told the folks on this panel is the way this discussion is going to work, just think about having a good, spirited discussion with your friends as opposed to your family. That's the easiest way to keep this going. So they've all politely agreed, and that's

what we're going to do.

A little bit of housekeeping if you will. Knowing you folks are extremely busy like I am, please put your cell phones on vibrate or turn them because if your phone goes off I will walk down there and answer it. We would love to help you, but property's gone now. So just as a common courtesy just put your cell phones on vibrate or silent if you could.

His Honor Mayor Bart Peterson is going to be joining us shortly. The mayor's got a busy schedule with the legislature and things going on over in that neck of the woods. But to get our conversation started off what I want to do was just ask our panelists—and we've asked them to keep their comments to about a minute or so so we can get a full discussion going.

We're going to go ahead and start with John, the Mayor of Noblesville, just ask you straight up, how's the housing market doing?

MAYOR DITSLEAR: I think the housing market's doing well in Noblesville. We have a variety of housing opportunities for citizens and new citizens to be. I think it's going very well. We have affordable

housing for the worker, and we have executive homes for the executives, and whole range in between. It's going very well in Noblesville.

MR. HAKIM-SHABAZZ: Now, Tom, let me ask you since you're all the way down on the far end. It's not like Tom's got a cold or anything since we put him down there away from everybody. How does it look from your perspective as a realtor?

MR. LAZZARA: We think the market is great, Abdul. We look for a great year. The national market has a trend of little bit of slowing maybe in some parts of new construction, but we look for an excellent year.

MR. HAKIM-SHABAZZ: Now, Eric, you've got your Ph.D., you've done some academic research on this. Do the academic facts and research back up what some folks say is a good market?

DR. KELLY: Yes, the market's very good. The real challenge we face is ensuring that local governments keep up with the services that are necessary to serve all this new development, that we find ways to pay for it, or citizens in some of these growing areas are going to become very frustrated with overcrowded schools and overloaded roads. That's the real challenge now.

MR. HAKIM-SHABAZZ: Now, Cathy, you're with MCANA, the Marion County Neighborhood Association. What are you sort of looking, when you guys look at the housing market from the residents' perspective, what conclusions do you guys draw?

MS. BURTON: The conclusions are very diverse because the neighborhoods in Marion County are very diverse. In some of the older, more established neighborhoods who are now facing how to rehab and take vacant housing and make it more affordable for the residents in the area so they can achieve home ownership, to the outlying, suburban townships and some of the ring counties having to deal with trying to bolster the infrastructure or cope with the new housing market.

MR. HAKIM-SHABAZZ: Curtis, I've heard that you build. Building like crazy or how's it going?

MR. RECTOR: I define the market as okay. If it was three or four years ago I would have said it's really good. It's slowed down some in the last few years. Our permits have dropped over the last three years. By no means is it a bad market, but it's not as good as it was. And so I get asked that question a lot, and I tell them always it's okay.

MR. HAKIM-SHABAZZ: Drew, you've done some research on this. There was a story recently in The Wall Street Journal talking about how the housing market across the country had started to

slow down a bit. What are you guys seeing from your perspective?

MR. KLACIK: Well, what I was going to say is that I think when you answer this question it depends on how you define market. And to look at the Indianapolis market relative to other metropolitan areas in the United States, we're doing so-so. Last year we were doing poorly, this year we're a little bit better. We're probably only so-so. Having said that, if you realize that within this market there's many markets; some parts of Central Indiana are doing exceptionally well and other parts are struggling with issues themselves where supply exceeds demand.

MR. HAKIM-SHABAZZ: Now, Kevin, we'll go ahead and get your assessment before we start into a little more detail.

MR. BUCHHEIDT: My market is pretty healthy at this time and it's continued to grow. We're the next tier out of development from metropolitan Marion County, and we're beginning to get a lot of pressure on growth and development, a lot of new innovations in designs and projects that are coming in. At the staff level we're trying to make sure that there's a variety of housing opportunities with lifestyle opportunities within the projects. Years ago we would see the projects come in 20 and 40 acres at a time, and now they're starting to come in at 200 and 400 acres

at a time. This year alone we're looking at three projects that comprise roughly a thousand acres. That's quite a chunk when you're a small community. We're doing our best to stay with it.

We have our housing stats over the last 10 years, and there's been a peak. About three years ago, we dropped a little bit. Interesting dynamic, though, for our community, in 2004 the actual number of housing starts dropped but the value of construction rose in median and average price values increased. And again, at the staff level we want to make sure that there's opportunity for everyone to live in our community. And so the escalating cost or the escalating values of home properties is a concern that I think we need to keep tabs on.

MR. HAKIM-SHABAZZ: And let's kind of piggyback on that if we could, Kevin, and I'll go back down to Curtis. You said the market is doing okay. Where are the potential landmines?

MR. RECTOR: Just to qualify that question. From the whole market standpoint or from a location, from a building perspective?

MR. HAKIM-SHABAZZ: When you go out and look at building, some things no, but overall the market's doing okay. But there's got to be the occasional little threads in there that kind of make you raise your eyebrows and say, hey, that's something we probably want to keep an eye on.

MR. RECTOR: Well, the thing we keep our eye on, and it is, I think it's not a landmine, it's a common bond, and that is the overall economic development of our market, the overall market. It has not been particularly strong, the outgrowth has not been strong at all over the last few years, and that is what we are really looking at. We need job growth desperately and economic development in this region. And if we, you know, we are kind of plodding along. Again, it's not necessarily horrible, but it's not great at this point. And if we took a major blow to some employer, then we've got a real issue in this market.

MR. HAKIM-SHABAZZ: Let me ask you, Mr. Mayor. Marsh, Chrysler, Delphi, you name it, we've got some issues with some employers we know. Is economic development, that ticking, nuclear time bomb that people should be concerned about?

MAYOR DITSLEAR: Well, it's interesting. As Curtis was talking about the atomic bomb, I was thinking about Chrysler in Kokomo, Anderson, some of those, Marsh to some extent. I'm not sure I'm that concerned. I would hope that they're going to come around. But obviously those are challenges. But in Noblesville, certainly, we are wanting to be and I think starting to be somewhat of a destination community. We have announcement of Stanley's building a new building in Noblesville; Helmer Labs is there. We have our Hamilton Town Center Exit 10 coming on the

end of '07. So jobs are important and yet there are those concerns. But we're trying to again have Noblesville as a place to not only live but work as well and having a lot of success.

MR. HAKIM-SHABAZZ: Ladies and gentlemen, Bart Peterson in case you guys didn't. You know the funny thing is I called the mayor's press staff the other day because I wanted to set up an interview for Wednesday after he gives the State of the City address. They thought it was this morning, so they were all panicking and freaking out. I said, yeah, I'm talking to Bart, but not on the radio tomorrow. So you guys just relax and calm down.

Mr. Mayor, let me go ahead and ask you before we get down into the details of our discussion this morning. He's got that look on his face like

MAYOR PETERSON: Don't I ever get a chance to warm up?

MR. HAKIM-SHABAZZ: Like when he comes on the radio show.

MAYOR PETERSON: He'll never ask just one question, kind of like five or six kind of wrapped into one.

MR. HAKIM-SHABAZZ: You know as the mayor of the most popular city here in Indiana, far as property taxes the big way that things get paid for, property taxes are certainly based on the housing market, how do things look from the twenty-fifth floor over at city hall?

MAYOR PETERSON: In terms of property taxes?

MR. HAKIM-SHABAZZ: Just the housing market in general. When you folks sit down and try to figure out growth and how things are going to work in a growing city.

MAYOR PETERSON: Well, I think if we're looking at the metropolitan area, obviously there are a lot of positives and some negatives. A lack of appreciation probably, or the slowing of appreciation probably would be the biggest negative. But let me speak just to Marion County. We have a situation where most of our county is developed now. Obviously, there are corners of Marion County where there's still developable property and that's moving along at a pretty rapid rate. But we focus a lot on how are we going to use, how are we going to re-use property that has been previously developed, and may not be at its highest and best use right now. And so infill projects, smaller developments, rehabbing of older areas; how do we take older neighborhoods that have been down on their luck and try to help revitalize them. We spend a lot of time on things like that. We aren't focused solely on brand new housing and green field areas, although that's still a very significant component of the growth of housing in Marion County.

So we have a pretty complex picture to look at. And I think it's complementary to the rest of the metropolitan area in

that we do have these urban housing opportunities that most of the rest of the region doesn't have. And I think working together across—we can't ignore county lines—but working together across those county lines, city and town lines we can produce the kind of overall product that makes this metropolitan area attractive to everybody.

Sometimes people say to me, well, don't you just hate it if somebody moves to town and moves to our area and they end up living in Hamilton County or Johnson County? And I say, no, you know. It may be that they wouldn't have come here if they didn't have an opportunity to live in a place like Carmel or Noblesville. And so we should see that as a positive thing. At least they're in our metropolitan area. So that's just by way of introduction to the overall issue.

MR. HAKIM-SHABAZZ: Now, Drew, let me ask you, piggyback on something the Mayor said, is that a place like Marion County where you've got most of everything developed, is that an issue in our neck of the woods where a place like Marion County, there's really no place else to go because you've grown about as much as you can before you start you know annexing land in other places?

MR. KLACIK: Well, actually there's still surprising number of new housing starts every year in Marion County. There's still a

large number of housing starts in Marion County particularly in Franklin and Decatur Townships. In some ways I'd suggest that the challenge for Marion County is not how to provide affordable housing, but is how to convince some people with wealth to remain in Marion County. This is typical in every urban neighborhood and every urban area where you see outward migration of wealth away from the central city.

MR. HAKIM-SHABAZZ: Eric, let me ask you, your thoughts on at least in Marion County in particular, about to sort of grow ourselves out of a housing market. There's not a whole lot of room to go anywhere. It's gone up against county line.

MR. KELLY: There's a lot of vacant ground left, and as the Mayor says there are a lot of redevelopment opportunities. One of the exciting things that's happening in the housing market, we're seeing in Indianapolis and even smaller communities like Muncie, is that people are moving back downtown. That was a prestigious place to live 50 years ago and that's coming back. And so there are a lot of opportunities that have been unrealized. Fall Creek neighborhood in Indianapolis is a wonderful example. It's worked very well. And we've got to seize some of those opportunities. We also need better programs for housing rehab, to take some of the units from the '20s and so on that don't

meet today's family needs, but get them back in shape on a reasonable basis, put those back on the housing market.

MR. HAKIM-SHABAZZ: Now, Cathy, pretty much developed, and you heard Eric just say that people are coming back downtown, Fall Creek, there's lot of development. What about some of the other neighborhoods? Are they getting the attention and sort of the housing redevelopment as say the downtown area or Fall Creek?

MS. BURTON: I think that there is some feeling that what are referred to as suburban townships there hasn't been a great deal of attention paid to being able to build the infrastructure in order to meet the needs of the increasing housing market. We have begun to see some change in that from city government and from the state government to some extent in recognition that if the county is going to continue to grow, there has to be some means of supporting the services that people are looking for when they look to move to a house in one of the outer townships.

MR. HAKIM-SHABAZZ: Okay. Now, let's go on to some of the details here. We're going to kind of talk with our panel for about 45 more minutes, and then open up the discussion to you folks who would like to ask some of your questions, come back and rejoin the people.

Appreciation. Tom, let me start with you.

Indianapolis, Marion County, Indiana has one of the most

affordable housing markets that there is according to the research; but for some reason the appreciation rates are also slower here in Central Indiana than the national average. What causes that or why is that?

MR. LAZZARA: Market, it's a great thing, isn't it? You know the affordability factor, and so for our community the fact that we are one of the most affordable markets in the country gives us a great opportunity for growth. Part of it is related to the fact that we have more ground, and so we have the availability to expand on the outer edges of the metropolitan area. So growth is slightly easier from that standpoint. But as we look to economic development--and just to back up a little bit--we're going to have to start to look at more density in our projects. If you look at Broad Ripple where you've seen a number of growing condominium locations, or in Carmel where you see Gramarcy Park, the re-do of the golf course at 126<sup>th</sup> Street, 116 acres, or in Noblesville where the mayor has a new project going with the mall out there. We're starting to see some density next to the mall, so growth in those areas. And I think that's the place where we have to look, and that's going to assist appreciation in the overall market, that time frame and so forth.

MR. HAKIM-SHABAZZ: Now, Mr. Mayor, let's piggyback what you said about appreciation. Obviously, until the state of Indiana moves away from property taxes as a way to pay for local government, the appreciation value of homes tends to go their property values. How has that appreciation rate that has slowed growth impacted your job as mayor in managing hundreds of million dollars in budget?

MAYOR PETERSON: You know I think of the appreciation problem less in terms of its impact on our budget than I do in terms of its impact on a host of other housing related issues. And while I agree that there are some positive aspects to what has caused the slow rate of appreciation such as our lack of barriers, you know. I always say that you might see this someday, see this metropolitan area as a stretch from Terre Haute to Richmond because there are no actual barriers. It could just keep going, and going and going. And so the fact you can always build a new subdivision, just become more rung out, is both positive or in terms for homebuilders and for opportunities for keeping housing affordable; but the negative aspects of it are that a lot of people get into home ownership just by the skin of their teeth, and if they don't get any appreciation out of their home they're not really building wealth. And if they have that one little bump in the road and they're unable to keep making their

mortgage payment, without any equity in the home it doesn't really encourage them to stay.

The result of that is I think our slower appreciation rate is probably correlated directly to our high foreclose rate; and our high foreclosure rate has a really dilatory impact on the rest of the community. Somebody buys a home in a new subdivision. This is their biggest investment of their life. This is their chance to build some wealth. And then six houses in that subdivision out of, let's say, two hundred foreclose, and are foreclosed and are sitting there empty, obviously that drives down the value of the rest of the homes in the subdivision, and suddenly that wealth that that person was counting on, even the person who's been paying their mortgage payment and really isn't even close to defaulting, they are losing now real wealth and real opportunity. So the foreclosure problem is a huge issue, and I think the slow appreciation contributes to that. That's what worries me most about slow appreciation.

MR. HAKIM-SHABAZZ: Well, we'll get to foreclosure in just a second and who's responsible for that. That's when it really gets lively in here. I have right now questions all night long about foreclosures. But, John, let me jump down to you. I know as the Mayor of Noblesville, you guys are growing like crazy.

Has the appreciation rates being slower in Indiana impacted growth up in Noblesville?

MAYOR DITSLEAR: I think so. Our job, of course, in city government is try to manage our growth, and I think we're doing a good job of that. Obviously, additional citizens deserve as much as the citizens who have been in Noblesville for a long time. And so our challenge, obviously, to provide infrastructure and treat equally. Yes, new homes I think have affected the appreciation in some parts of Noblesville. But we are starting to get prepared to develop--and Bart talked about it--in some of the new development may be not only at the Hamilton Center, but in downtown Noblesville. Condos, and we've got some people interested in developing and expanding our downtown. We're very, very fortunate to have a historic and beautiful downtown with a river that we're going to make an asset, along with the cooperation of the county. And so we have a lot of interest in expanding our downtown, not only from a retail/commercial basis, but also from a residential basis as well.

MR. HAKIM-SHABAZZ: Now, Cathy, has the poor appreciation rate made it easier, more difficult for folks to buy their own homes and move into some of these older neighborhoods, or does it keep them away because they can't get as much, or--?

MS. BURTON: I think it's difficult to isolate appreciation as the sole reason. Before I came today I had sent an e-mail out just asking the people in the neighborhoods what their feelings were about housing. Interestingly enough some of the responses that I got back were from realtors who were very concerned about the slow appreciation in existing neighborhoods that seems to be caused sometimes by the foreclosure in new construction. So I think that appreciation, slow appreciation is truly a great concern, and sometimes it's that slow appreciation I think can catapult people into foreclosure if they realize that they have reached a difficult financial time before they actually go into foreclosure. They don't have the opportunity to sell the house to regain their investment, and that just creates a cycle that's difficult for them to get out of.

MR. HAKIM-SHABAZZ: So, Kevin, let me ask you as someone who heads up community development in Westfield, how do we address the slow appreciation rate so that when people do buy a home they are getting their money's worth?

MR. BUCHHEIDT: I think we need to keep an eye on quality in everything we do, and also in building communities rather than just simply building subdivisions. We're beginning to look more for mixed uses at village centers, if you will. In my township in Hamilton County, for instance, we have incorporated Westfield

and there are four other communities that for some reason over the course of history found reason to develop where they are. We're going to try to build on that and create livable centers not unlike the Broad Ripples of Indianapolis where you can go and you can get a variety of land uses there and just incredible quality of life. I think quality of design is important to make it an interesting place to live, and quality of the built environment as we go through with it. Design, and quality in those construction I think will help the appreciation over time.

MR. HAKIM-SHABAZZ: Now, Curtis, you're a former head of the Builders Association. Obviously, slow appreciation has got to impact what you folks do. How has it impacted and how do you fix it?

MR. RECTOR: Well, to me it goes back to Economics 101. It's supply and demand. And we do, as the Mayor said, we don't have a lot of natural barriers. We have had a fair amount of supply to the housing market, both new and existing, and we haven't had great demand. Again, I go back to economic development and jobs. If we are growing and creating jobs at a greater rate than we're providing supply, then we're going to get appreciation. As Cathy said, and she's absolutely right, a lot of the foreclosures—I might disagree whether they're new or existing, I think they're all together—they are caused by people

getting into houses, they are not appreciating. So when they lose their job, or they get a job not making as much money and they get in trouble on their house, they have no way to get out of it. If you look at other communities around the country that have had significant job losses but haven't had the jump in foreclosure, it's because again there they have a high appreciation rate. And people may have lost their job, they've got to get out of their house, but they have the ability to get out of their house at a maybe a little below the natural market but more than what they paid for it because they have the greater appreciation.

So from our perspective, appreciation, the low appreciation, the main issue there is just that supply and demand ratio. If we address the demand, that's going to take care a lot of the issue.

MR. HAKIM-SHABAZZ: Well, let's go ahead and talk about what I so fondly refer to as the F word, which is foreclosure, which is just about everybody's nightmare in here. Can somebody on this panel please explain to me--and I sort of asked this question of our panelists a few days ago just to get them to think about it a little bit--why does Indiana on the one hand have one of the most affordable housing markets in the country, but on the same hand have one of the highest foreclosure rates in the country?

To me that's like Mike Tyson in a spelling bee. That dynamic just doesn't make sense. And if somebody on the panel wants to step up and help me out with that I would really appreciate because as a layman who does not—you know, I look at real estate, I think Monopoly game. That's pretty much all I can tell you. But how do you have an affordable housing market on one hand, but so many people foreclosing? Drew, let me start with you.

MR. KLACIK: Thanks for ignoring me on the easy questions. It should also be apparent that I actually am in charge of nothing, so when you ask me a question you can't say, Drew, you're in charge of this, what do you do? I'm stalling. But here's I think the easiest way to look at foreclosures is that I kind of agree with Curtis. You have to go back to the economy. If you look at the states that have the highest foreclosure rates, they're typically the old industrial states. And as a result of that what we're actually seeing is the loss of the sixty and seventy-thousand dollar jobs and the creation of twenty and thirty-thousand dollar a year jobs; and that fundamental restructuring is putting people at risk regardless of the level of affordability.

In a sense if you have a friend who at one time was making \$70,000 a year and they built a house based on the belief

they're going to work in the auto industry the rest of their life, they have three kids, but they lose their job and they go to work in the service sector for \$30,000 a year, that puts them at risk. Right?

I'd also say, because I was hoping to get asked the question about affordability, is I think the point that affordability is a great thing if you don't already own a house. On the other hand, if you own a house, lack of appreciation isn't a great thing because we're not building wealth. Right? And I'm guessing if you're a realtor, lack of appreciation is really bad because I think that's how you get raises is as property values go up, you make more money.

And so, back to Curtis, the reason housing prices are growing slowly in Indiana in part is explainable because incomes in Indiana are growing slowly, and the value of my house is three times the wealthiest person, the income -three times the income of the wealthiest person that's willing to buy it. Right? So if we could figure out a way to grow incomes, we will also figure out a way to grow housing prices and avoid foreclosures.

MR. HAKIM-SHABAZZ: Tom, let me ask you. You're a realtor. Let's say I'm looking to buy a house in Indiana. I look around the market. It's like okay, well, here's all these homes for

sale. On the same block, here's some foreclosures. Fine. I'm going to buy the foreclosed property because that's probably going to be cheaper than what the guy is asking for down the street. So as a realtor how do you balance that dichotomy?

MR. LAZZARA: Well, first of all when you have a number of foreclosures in the neighborhood, that's definitely going to affect the property values of the rest of the neighborhood, no question about that. And there tends to be more of a pocket in certain areas of foreclosed homes. So in certain markets you're not going to run into foreclosures. And as we talk about the foreclosure market, we also have to consider the relationship of refinance to foreclosures in that some people who have second mortgages or have a lot of credit card debt, after they own a home for one year, one and a half years, two years, they go out and refinance, and they refinance additional debt into their property. And there is a circle that takes place, and that comes back around to job growth. All of a sudden, one of the two spouses loses their job, or the single individual loses a job, and those payments become more difficult and they're 99 percent financed, or 100 percent financed or 105 percent financed in relationship to value.

And as we think about these problems, you also have to think about the rate of inflation, and are we keeping pace.

Isn't that part of our picture, we're trying to keep pace with inflation as it relates to appreciation. And these problems all intertwine and become more difficult for individuals as they deal with their housing problems.

MR. HAKIM-SHABAZZ: So, Curtis, let me ask you this. Obviously, nobody wants people to lose a job or lose a home, but I've just got to ask the question: are we putting people into homes that just maybe necessarily aren't ready for home ownership. If somebody can go and get a house financed for 100 percent. I mean the way my parents did it was they saved for a down payment, and that's what we did. Are we just making it too easy for people to own a home, and thereby the end result is came a slight economy downturn, they're out of a job, now there's a foreclosed home on the market.

MR. RECTOR: You know it's the great debate. Do you deny people that opportunity to own a home? We have the availability-the mortgage options today are certainly different than they have been. Our home ownership rate has increased to one of the highest in the country. I still think that is a good thing. But there is a fact that there are people in the homes that don't understand the responsibility of that, that don't understand the total expense of the upkeep of a house, and they

do get themselves in trouble. Again, when we don't have the appreciation, they can't get out.

It goes back to do you deny people the opportunity to get into a house. And if we did that in the state of Indiana, we might be sitting here saying, well, you know our home ownership rate is below the national average, and we've got fewer people in homes, and the ability to make that choice for themselves.

MR. HAKIM-SHABAZZ: Kevin, let me let you jump in on this.

MR. BUCHHEIDT: I tend to agree. I think there's a need for consumer education here. We have to take a test in order to be able to drive a car. That's not quite the investment that you see when people want to buy a home. There should be a lot more education focused on helping these people understand all the ramifications of this major purchase in their life, and help them just to anticipate what all of their personal finance picture looks like so that they can really determine what's a safe level of housing chunk out of their budget.

MR. HAKIM-SHABAZZ: Cathy, let me ask you. You're out in the neighborhood with the neighborhood association. People buy homes. Are just some people not ready for home ownership, and as much as we'd like for everybody to own their own home and

have the American dream, maybe some folks just aren't ready for it.

MS. BURTON: I would have to agree. I think Indianapolis and the Central Indiana region needs to do a much better job of educating people about home ownership, and that has to be a responsibility of government, of the builders, of the community groups, of realtors, of our educational institutions. I remember distinctly when I was graduating from college, in order to get that diploma you had to take a class about how you went and managed your life in the real world. And there was a lot of information given about what will it cost to run a home. When we talk about affordable housing, you can't just talk about what is the purchase price. Is that affordable, what is the mortgage payment, is that affordable? We have to talk with them about long-term affordability. How do you plan for the taxes, how do you plan for the insurance, how do you plan in case you have a medical leave and you don't have your regular income? And I think that education has to fall to everyone in the community. It can't just be placed on the shoulders of city government, it can't just be placed on the shoulders of the builders. Everybody has to share in that.

MR. HAKIM-SHABAZZ: Mr. Mayor.

MAYOR DITSLEAR: Well, I don't want to spend a lot of time on this, but I think it's a mind set, too, about home investment as well as all other investments. A lot of us went through a time, some of us longer than others, but you know, in the '50s, '60s, etc., the home investment was a great investment. The '90s, all investments were going like gangbusters. Well, we hit '99 and 2000, and we've seen how that tide turned; and I think unfortunately the home as investment has taken that same negative investment. The returns are not near in homes as they used to be, and I think a lot of it is mind set. Obviously, job creation and the ability to keep a job, and maintain a proper income is important as Curtis said.

MR. HAKIM-SHABAZZ: Eric, let me get your thoughts.

DR. KELLY: I have to come back to some things that came up earlier. Cathy started talking about challenges of particular inner city neighborhoods. One of the problems that we have in looking at housing appreciation, most of the major housing appreciation is in outer ring suburbs. The state has invested massively in making those possible with its investments in transportation systems, yet there's no comparable program to reinvest in the critical infrastructure. That brings back the kind of quality that Kevin was talking about into some of the neighborhoods that the mayor of Indianapolis has to deal with,

but lots of the smaller cities have the same challenges in their infrastructure has deteriorated.

Given the limited number of finance options available to local governments, it's really difficult to bring back the kind of quality to those neighborhoods that some people seek, which makes it harder to bring the neighborhoods back. That makes it hard to see that kind of housing appreciation. We really need to look for alternative means of financing, and I think over the long run it's probably going to take some state investment just like the state invested in suburbs.

MR. HAKIM-SHABAZZ: Mr. Mayor, Mr. Peterson, let me ask you.

When you pick up a copy of the newspaper and see stories about foreclosure rates at record highs in Indiana and Indianapolis, what goes through your mind?

MAYOR PETERSON: Well, I think it's an enormous problem, and I think that there's probably a perception that it is predominantly poor people who are being foreclosed upon and that they predominantly live in urban areas, the older parts of the city of Indianapolis and that it's not a suburban problem, and that's just wrong as I think everybody in this room knows. And that's why this has become so pervasive. We're seeing this, in many cases more in outlying areas where homes are being built

and buyers are getting into homes, again just by the skin of their teeth, and not being able to maintain that home ownership.

There is a predatory lending component here as we all know on the front end, but there's also a predatory market in the post-sale arena also, which is something we're trying to focus on right now. The attorney general has a piece of legislation before the state legislature right now that we support that focuses on when people are behind on their mortgage payments, and the predators swoop in to take over their home at a far lower price than it might fetch if they were actually to sell it. They prey upon people's fears that if they are behind, they are going to lose their homes, so try to get out and minimize your losses as opposed to try to restructure your loan. So many people- the statistics on the number of people who end up walking away from their home, just walking away or selling it to one of these predators without even talking to their mortgage company about the potential for restructuring the loan are amazing.

And so what's been said already about the need for massively rationing up home ownership education, I completely agree with, on the front end, and also on the back end. People who are in trouble should not read one of these anonymous signs that we're constantly tearing down from telephone poles around

the city from We Buy Homes, and others. Those are folks who are going to take advantage of you. They should not be the ones you counsel with about how to deal with your inability to fully pay your mortgage. So predatory lending on the front end, predatory practices on the back end are a key component of this, as well as these market dislocations that we've talked about.

MR. HAKIM-SHABAZZ: Tom, let me ask you, as you're in the realtor business: do you or do realtors in general have a duty to just tell some folks after sitting down and talking to them and going through some of the paper work, and maybe looked at some of their finances that, you know what, home ownership just isn't for you right now?

MR. LAZZARA: Absolutely. And to further that thought, as qualifiers of clients for home ownership, we go over their finances, and for the most part we suggest that if their home income is more static that they have to be looking in certain price range where there is, with the realization that we may not have 10 percent appreciation every year, or we may not have a certain area where they're going to just jump in home price. The other thought is if they're upwardly mobile in income on the other end and they know their income is going to go up 10 percent a year, then we'll talk about that stretch to the next level. But stretching people out is a very interesting topic,

and we all take that in consideration when we're qualifying our clients.

MR. HAKIM-SHABAZZ: Curtis, are realtors, builders, developers just telling people, you know what, you may want the home, and it's nice, but this is not for you. You really need to keep renting for a little while.

MR. RECTOR: Probably not. You know, again-

MR. HAKIM-SHABAZZ: Congratulations. You got the first applause today.

MR. RECTOR: Mayor Peterson did, and he was the only panelist that did. I did make note of it. Of course, he might be the only expert up here, too. But builders and realtors, recognizing that this is an issue, a couple of years ago I sat on a panel to put together a flyer that every buyer should get that talks about the responsibility of home ownership. And it is a piece that we ought to be talking about with everyone that owns a home. On the flip side of that, though, if I have someone that walks in my sales model, or a realtor has someone that comes to them and says I want to buy this home, and we look at them and say you know what, I don't think you're really ready and here are the reasons why, but yet they qualify for a mortgage. We may have some legal responsibility there of not

making that available to them. And the mortgage companies certainly have to be brought into this discussion.

MR. HAKIM-SHABAZZ: Well, let me jump in real quick then. If you have somebody who, although they qualify for whatever-my little brother is qualified for president. He's an American citizen, and 35 years old, but that doesn't necessarily means that he meets the qualifications to be president. So anybody on the panel feel free to take this-just because somebody can afford a home per se, does that necessarily mean they should be able, or you as a realtor/builder or on the panel should sell it to them when the facts and the evidence in front of you may indicate otherwise?

MR. RECTOR: Again I think we have to bring the mortgage companies into this discussion to some degree. We don't, as a builder and a realtor, we cannot give out a mortgage. Somebody can sign a contract with us, but if they do not get a mortgage they cannot purchase that home. And so there are other parts to this, and we certainly hope that mortgage companies are doing their job; and there are federal guidelines that that qualified buyer has to qualify to.

So again, it goes back to the education piece that I hope that we as builders, as realtors, but also mortgage representatives are walking through the entire process to help

that home buyer understand. Again, as builders and realtors, we put together a pamphlet to try and help with that. But I guess, Abdul, I, and to everybody I'd say that this still is America. And if someone has the ability, and our federal regulations says they can qualify for a mortgage, we can't look at them and say, you know what I really don't think this is for you. You shouldn't be doing this. But I'm not sure legally-I know legally I can't look at them and say, I'm not going to sell you the house.

MR. HAKIM-SHABAZZ: Kevin, and then I'll jump over to you. Kevin.

MR. BUCHHEIDT: I think it gets back to the consumer education part of this, but I also believe that there's a great deal of pressure to reach for as much house as you think you can afford based on today's figures and your personal finances. And a lot of folks want to enter that market at the same level where their parents are, not realizing, not fully contemplating that that might be their parents' fourth or fifth house that they've been able to grow into over time. Maybe instead of a third of your income you should plan on maybe 25 percent. That allows you to get in, build equity slower and more stably over time, and might offer you an opportunity to take part of that, part of your income between 25 and 33 percent, and invest it in the market.

MR. HAKIM-SHABAZZ: Drew.

MR. KLACIK: Foreclosure is a really complicated topic, and FANNIE MAE has done a nice job of organizing a foreclosure task force. And we were, Seth Paige and I from the Center were asked to come talk to it. And one of the great things about being an academic is you can't describe my job, but that means you can't hold me responsible for anything. Right? So in this task force there's builders, there's lenders, there's not-for-profits, and there's public sector individuals, and we got to say something that I think is important to hear, and that's that my assumption is that everybody in that task force believes that they know who's to blame, and it's somebody other than them. Right. I was able to say I know who's to blame, it is everybody in this room but me.

Builders have a role in foreclosures, lenders have a role in foreclosure, realtors have a role in foreclosures, public and not-for-profit sector folks have a role in foreclosures. Furthermore, I could devise right now a policy that could end foreclosures, will just make it almost impossible to grant new loans, and will stop new home construction. We could eliminate foreclosures. We'd also destroy the economy. Right? Unfortunately, two of the great areas in Central Indiana's economy are home construction and real estate.

So the challenge here is to figure out how to identify particular types of foreclosures, and that public policy is that slow down the occurrence of foreclosures in those areas without destroying the real estate and home construction markets, which really implies that since Greenspan has retired we ought to figure out—he used to be at the Federal Reserve—we could get Greenspan to come here and say, here's your new task: balance foreclosures versus new home construction and new lending practices in a way that allows us to appreciate property value without having so many foreclosures.

MR. HAKIM-SHABAZZ: So, Mayor, let me ask you. As somebody who oversees, done a lot of studies in urban plan and development, should somebody along that sort of chain, whether it's the mortgage company, the builder, the realtor just, I don't know, maybe just give somebody veto power. If you looked at this person's history, one little dip in the economy and then they're out of the house, the house is foreclosed, it depresses the market, and the city or a neighborhood can't function if it's got so many foreclosures in the market that it's—oh, my god I could be about to use a Star Trek analogy here—but do the needs of the many outweigh the needs of the few or the one?

MAYOR PETERSON: I'm going to second Curtis on this. The mortgage lenders get the veto power. Mortgage lenders are being

incredibly aggressive in their lending practices. When I first went into the housing market, you couldn't look at a house that cost more than double your income. And you looked at your current income. You didn't assume it was going to go up 10 percent a year. Well, that's just mind boggling. I look at people making \$50,000 a year in \$300,000 houses. And I don't understand the lending practices, but I'm also a believer in cycles. And if this is truly a financially untenable model, we're going to have a whole bunch of banks that are going to own a whole bunch of houses that they didn't want to have, and the feds are going to step in and say you've got to reform your lending practices. If that doesn't happen, I guess we'll continue to skate by on this basis.

MR. HAKIM-SHABAZZ: Too many people getting too many home loans, Cathy?

MS. BURTON: Yes. But I think, you know, we're talking about public education. I think we have to start as I said in our educational institutions. I don't want to get on a soapbox here, but I think that we are bringing up a society of young people who have unrealistic expectations about what they should and can have right out of school. We need to do a better job of helping them understand about being patient. You know, good things come to those who wait. And wearing another hat, in a

couple of weeks I'm going to be down here for an education conference, and one of the topics is unstable neighborhoods. It's more than financial ruin that somebody falls into in foreclosure. It creates very unstable neighborhoods, which contributes to unstable family life, and which can go back to that whole cycle of kids wanting more than they truly can afford, can truly expect to have. So the education component can't just start when you're 35.

MR. KELLY: I, as an educator I want to take brief exception to that. I may sound like a public school teacher. You send those kids to us with unrealistic expectations, too. They expect cable television, and saunas, and swimming pools in their dorm rooms or nearby. They have unreal—they expect As in all their classes whether they show up or not. And we have seen a difference the last 10 years in particular. We've got a whole generation of kids who come to us with unrealistic expectation. We'll do what we can, but we cannot unwind unrealistic expectations that they grew up with.

MR. HAKIM-SHABAZZ: Mr. Mayor, you have a teenage daughter. Did you tell her, hey, you know what, you may want your own place but it won't be here with me and your mom?

MAYOR PETERSON: Well, at least she won't be out here trying to make a mortgage payment. She's living with us. But I've come

to the conclusion this is everybody's fault but mine. Now, listen very carefully. The reality is I'm a big believer in free markets, and I think that this supply/demand issue that we have here in Central Indiana right now really will cure itself. Just as an example, it's in nobody's best interest to have an oversupply relative to the number of buyers. And so these things tend to kind of even out over time.

But there are also some markets that don't work because they have perverse incentive in them. And if you look at the housing market, the new housing market, it's sort of like everybody is hurt by high foreclosure rate, but nobody is really directly responsible for it. From the builder's perspective, I agree with what Curtis said, you build a home and if a lender is willing to lend to that buyer, who are you to have to say no, I'm not going to sell a home that I built. This is my livelihood, my company, my employees depend on selling these homes, but I'm not going to sell it to a qualified buyer. So it's not the builder's fault, it's the mortgage lender's fault. But the mortgage lender says if I make a loan that I can't sell in the secondary market, then I'm going to have to eat that loan. So as long as my loan sells in the secondary market, as long as I have an acceptable loan to be able to upload onto a

secondary buyer, then that's a good enough loan. If they're willing to buy it by definition it's a good home loan.

So the market works to help the home buyer sell that home because the lender says it's okay. The lender's loan is okay because somebody in the secondary market buys it. And there's nobody who really has to step in and say wait a second, it's obvious this is a mistake for this person to become a homeowner right now. They really have never, you know, for just this one brief moment in history they're qualified, but they never have been before, and anyone with any sense will see that they never will be again and this loan is going to go into foreclosure. And so it's really nobody's responsibility.

We have to look at a market that is dysfunctional. And it is, it is way more complex than just pointing a finger at any one person; but I think we have worked so hard to try to create a high home ownership rate, and to try to facilitate the construction of new homes because of the importance of home construction to the economy. It is really probably in many ways the single most important industry in our entire country when you look at everything that it touches. We have a 75 percent home ownership rate in the state of Indiana versus 67 percent nationally, figures I have seen.

So we have achieved one of our goals, but in the expense of this high foreclosure rate that has deleterious effects on just about everybody who is a homeowner and any neighborhood that has a foreclosed home. So we have a dysfunctional market here, and I think we need to focus on routing out predatory lenders, and look at whether there are some additional regulations required from national level on what qualifies as an acceptable loan.

MR. HAKIM-SHABAZZ: We're going to open up the floor for questions for you folks in just a second. I want to do just a quick run down the panel before you guys head to the microphones. And continuing something the Mayor said about the market being dysfunctional and, Curtis, start with you, how does your profession make the market less dysfunctional? What do you do?

MR. RECTOR: Goes back to the supply and demand. Again, without the barriers out there, there is a lot of supply of homes. And the one thing I'd like to say is this--and I admit I come down from a biased point of view, and unlike everybody else here, at least specifically Drew and the Mayor, I do assume some of the responsibility, but I don't want to. But we make it dysfunctional because of the excess supply that is out there. And again, it goes back to Economics 101, it's supply and

demand. We have excess supply and not enough demand, creates issues.

MR. HAKIM-SHABAZZ: Mr. Mayor, what does someone like a mayor like you do? With the power of government, and zoning, and code regulation do to make the market less dysfunctional?

MAYOR DITSLEAR: Well, it's our job to try to manage growth. Growth obviously is a good thing. However, with too much supply and not enough demand, it affects everyone. It's our job again just try to have a good balance, between new, old, high density, lower density homes. And that's really what we're trying to do, and provide equal service to everyone.

MR. HAKIM-SHABAZZ: Drew, you're an academic. I know you don't have a job but I'm sure you've got a couple of good-

MR. KLACIK: But I get paid. I guess I'd quarrel with the idea that the market's dysfunctional. First off I'd point out that something like less than three out of hundred people that owns a home is in foreclosure. But that's not to diminish the issue, but for 97 percent of the people the market works. Right? Then I'd say that if you look back from the end of World War II to today, the housing market has basically functioned on these two principles: incomes are rising and the number of households is growing at an extraordinary pace, starting with the baby boom, going through up to 1995.

The market is in a sense, I'd argue, changing now and it's going to take a while to catch up. Incomes aren't growing as fast these days as they grew between about 1945 and 1995, and in some cases the number of households in regions is actually shrinking. And so fundamentally, the whole way we approached housing both from the private and the public sector has got to change because our nation, our market in a sense has changed. So it's not dysfunctional, we just haven't caught up to it yet. How's that?

MR. HAKIM-SHABAZZ: Academic. I'm academic, too, so I give him a little bit of hard time. Cathy.

MS. BURTON: I think from a community perspective it goes back to educating people, educating people in how to participate in zoning and land use issues, and self government; educating people in how to talk with each other about challenges that more experienced neighborhood may have faced, to share with a less experienced neighborhood so that if there have been missteps you can figure out how to avoid those. It goes toward educating home buyers and potential home buyers, you know, from the time they're five and want their fifth Game Boy right up to the time they're ready to sign on the dotted line for that mortgage. I think that's the biggest responsibility the communities have is to make sure that that information is available to people.

MR. HAKIM-SHABAZZ: Kevin.

MR. BUCHHEIDT: I think there's probably a bit of self education that we can do, too, as administrators and professionals in our communities to help the decision makers and the advisory bodies come to a greater understanding about this whole issue. Right now foreclosure doesn't even enter the discussion in our community. I think everybody needs to have a greater grasp of the understanding of the issues leading up to that, and how that plays a role in making your community a whole community. And then I think as Cathy mentioned we need to work toward better communication, breaking down the barriers of communication, and try to be a little bit more inclusive in development of our communities.

DR. KELLY: I'm going to take dissenting view. I come back to being a free marketer. And I think a good free market will ultimately cure itself if it's dysfunctional. If it doesn't cure itself, it's probably not dysfunctional. Now, there are distorted markets if there's a monopoly. I don't know any market that's more competitive, more perfectly competitive than homebuilding and real estate, and in this area even real estate development. I've been in markets where real estate development was monopolized, but it isn't here so it's perfectly competitive. I think over a period of time it will fix itself.

And I would remind you all that there's another side of this story. There are communities like Boulder, and Portland that found a way to constrain supply, which has led to tremendous quote-unquote appreciation in housing prices or cost to the point that schoolteachers and police officers can't afford to live in those communities anymore. And I think the alternative to what we have could be a whole lot worse.

MR. HAKIM-SHABAZZ: Mr. Mayor.

MAYOR PETERSON: I would take this time to explain something I said a minute ago, which sounds stupid even to me. When I said that we might need more regulation at the federal level to deal with the problem of too many people getting into homes who really aren't qualified, it reminded me that the regulatory system we have now, which is based to a large extent on disclosure of information to buyers is absolutely incomprehensible. And anybody who has purchased a home knows that you have so many pieces of paper stuck in front of you that you don't read that are there so that we can all comply with the law, and check off the little list that says we told you this and we told you that, and we warned you about this and we warned you about that. And we told you exactly what the total cost with interest of your home is going to be over 30 years, and nobody reads any of that stuff.

The whole regulatory system it seems to me, based on just making sure everybody understands everything doesn't work. I think we need to step back a little bit and take a look at what education really means, and what protecting consumers really means in this area because again I think predatory lenders, and predatory home buyers take advantage of the fact that the system itself is incomprehensible to the average person.

MR. HAKIM-SHABAZZ: Tom.

MR. LAZZARA: I take a little bit different view. Sometimes, and I hesitate to say, but there is some public responsibility. The buyers know what they're getting into. And when they decide to take out an adjustable rate mortgage at one percent the first year, and two and a half the second, and four and a half the third, and seven percent the fourth year, they know that their mortgage payment can go up. So, yes, we need more education. Yes, we need to get at predatory lending. And yes, we need to get to investors that take advantage of situations in a free market. But on the other hand, the public has a responsibility to inform themselves when they're out there buying a sofa, or a house, or a car, whatever it is.

And so I don't think that I look to lenders, and builders, and realtors and the public, the public as government,

taking responsibility for people's lack of self education either. And when you look at the overall market and say, well, we've had home appreciation 20 percent over the past 5 years, and we've had 20 percent appreciation in the cost of new construction over the past 5 years in Indianapolis, those things tend to level out. And also, the amount of new construction available versus the overall market is still well under the national average, so we're not overbuilt. So this takes away from some of these thoughts a little bit about the builders or some of these other factors that enter into our thinking.

MR. HAKIM-SHABAZZ: Let Mr. Mayor piggyback on that, and if you folks have a question for our panel, we're going to open up so you want to make your way to one of those microphones then you'll be standing. Kind of mosey your way on over and I'll let the mayor sort of finish that.

MAYOR PETERSON: I just wanted to say something based on what Tom said. It's hard to argue with the notion that people need to take more responsibility for themselves. I agree with that. The problem is those who don't take more responsibility for themselves or those who are genuinely defrauded in the process are not the only ones who are suffering here. It's folks who are out there playing by the rules, of qualifying perfectly legitimately for loans, buying a home, maybe even putting down a

whole 20 percent down payment with no special deal, and then when the homes on either side of them foreclose their property values collapse. So a lot of quote-unquote "innocent" people are being hurt here by the rest of those who are not as responsible.

MR. HAKIM-SHABAZZ: Just quickly if you will tell us your name, where you're from, and if you have a question that's addressed to a specific member on the panel you can let us know that, too, that would be great.

MR. JASON: Larry Jason. I'm with the Sycamore Group in Indianapolis. Regarding foreclosures, I think one of the biggest problems that creates foreclosures, we need to get builders and we need to get real estate agents out of the mortgage business. A buyer can go to a builder, and the builder can put that buyer in the house for one dollar down, and give them a three-year ARM, or a five-year ARM, tell them nothing about it. It looks great when you're buying a house at four percent interest, and the mortgage payment looks pretty nice. In three years or five years down the line when that matures and that mortgage rate goes up, and the people haven't been in the house long enough to build up equity-how many of us have gone into a brand new neighborhood, someone has bought a house, five years later they want to sell it. And you have to sit there and

tell them that's great, but I'm the only one that's going to make money out of this deal because you haven't built up any equity. You're probably going to have to come to closing with money in your pocket. But we really need to get the builders and the real estate agents out of the mortgage business. I think that's a large part of it.

MR. HAKIM-SHABAZZ: Well, let's go ahead.

MR. KLACIK: I didn't notice a question there, but what I'd say to it is that the foreclosure task force, one of the goals are to identify unique clusters of foreclosures that may be associated with loan products, with housing products, with different policies. And if we can identify-perhaps the one you're suggesting is one of those-we can identify unique combinations of foreclosures, then we may be able to construct policies to avoid some of those types.

MR. HAKIM-SHABAZZ: Well, let's go ahead and jump on over onto Curtis because we've got a lot of people that want to chime in.

MR. RECTOR: We do not have our own mortgage company, so I don't understand necessarily the regulations that a mortgage company within a homebuilder owns, but I know they do have the same requirements that the other mortgage would have. They still have to sell off mortgages to the secondary market. So I don't know that specifically builders or real estate companies are

offering product—I know they're not offering products that are not available to other mortgage companies out there.

MR. HAKIM-SHABAZZ: What I want to do is just ask you folks to come to the podium, brevity being always the hallmark of a good question or comment, to adhere to that standard. Let's go right over here.

UNIDENTIFIED SPEAKER: (Unintelligible) Realty in Carmel. I have two questions. Number one, I agree with everything everybody is saying. And I want to know from the panel is did anybody especially in a governmental position, has any task force in place, like we ought to do this, we should do this, and my frustration is this is not a big problem. We have been one of the leading states in the nation for the past six years in bankruptcies and foreclosures. It was my understanding that HUD owned a billion dollars worth of property just a couple years ago. When did, you know, and I don't even know if I want the federal government to step in and do anything, but this is not a new problem. I'd like for the panelists to comment on what they're going to physically do or making complaints to address this, number one. And two, what your predictions are.

My second question is basically for new construction. What effect do you think Katrina will have on raw goods prices, and how do you see this affecting the new home market?

MR. HAKIM-SHABAZZ: Let's go to the mayor of Noblesville first, then go to the mayor of Indianapolis.

MAYOR DITSLEAR: I'm not sure, and again I've only been mayor for two years stalling. I don't know that in Noblesville that we have a particular high foreclosure rate. Actually I think from what Drew said, if it's three percent, that makes ninety-seven percent good. We do not have, however, other than our own housing authority which works with HUD and some of the lower income people, a task force or whatever to study foreclosures. I don't know that it's a particular problem. I'd be interested if the mayor knows here in Indianapolis.

MR. HAKIM-SHABAZZ: Mr. Mayor, is there a task force you guys with the city have put together to study the housing issues?

MAYOR PETERSON: Yes, and let me give a few specifics on some of the things that we're doing. First of all, we initiated a hotline for people to call before they sign for the mortgage documents, and have tried to at various times put advertising and public pushes behind getting that information out. Just make a phone call before you sign, before you sort of as they say sign your life away. Just call somebody and get a second opinion as to whether you should be making that, if

you have a question at all. So we try to highlight out.

I see Moira Carlstedt standing up here. I'm going to let her speak for herself. But I will say that they do a phenomenal job at INHP, the Indianapolis Neighborhood Housing Project, on home ownership education, and I'm confident that Moira will talk about that a little bit when she gets up to the microphone. But a wonderful homeowner education program, and their success rate is really terrific, and they're great partners with the City of Indianapolis.

I mentioned this bill that we've been working with the Attorney General on that focuses on predatory practices with regard to people who are in default on their mortgages, and often robs people of what equity they do have, or the opportunity to remain in their home and not going to foreclosure, and not to be out of a home with no equity. And then finally, quality was mentioned earlier. I think it is something we're starting to talk about in the city of Indianapolis a little bit as well. Do we need to ratchet up our quality standards in terms of what kind of

development, residential development we approve. And this is a very delicate issue because we see ourselves as a community, as a city that wants to make sure that all different types of home ownership opportunities are available, and we don't want to focus so much on building materials and what not that we create an environment in which we lose affordability in housing; and yet by the same token, we are concerned that perhaps quality standards might have some impact on this particular issue of foreclosure.

MR. HAKIM-SHABAZZ: I'll let you, Curtis, comment from the builders and we'll go right back out to the audience.

MR. RECTOR: I just want to say that with foreclosure it's not, you're right, it's absolutely stalling issue. But we go back to the late '80s, up until about 2000 we actually had a lower foreclosure rate than the national average, and we saw a great increase in new home construction and real estate activity and the resale market. And so again, yes, it's been an issue for the last six years. We do need to address it. We established a foreclosure task force between MIBOR and BAGI a couple of years ago, really came out on education side of it. We also have the foreclosure

study that I think is still available on the MIBOR and new BAGI websites that looked at the issue, and tried to come up with some conclusion to causes, and we continue to look at that and trying to figure out the best way to handle it. And partly that's why we're having this discussion as well, to try and address it.

Specifically to Katrina, there were a lot of fears, a lot of people coming to us right after Katrina saying we were going to see some huge increases in hard costs. We have not really seen that to date, thank goodness. We've seen some increases but I think it's been very moderate, and it's a little bit surprising to me.

MR. HAKIM-SHABAZZ: Let's go to the gentleman in the blue shirt.

MR. SHUMAKER: Thank you. My name is Joe Shumaker. I'm a Century 21 Realtor, one in Indianapolis. What I observe is that we come together in forums like this and we talk a lot about working together, and how we're a region. But at the end of the day, however, the folks in Noblesville, and Westfield, and Greenfield, and New Palestine, and Greenwood, they all go off to their respective little burgs and fight like

heck for tax dollars, and new construction and new development. I think until we really realize that we are a region, that we operate and function regionally, that what happens when a builder decides to build 600 vinyl barns in Sheridan, that that affects what happens in New Palestine, and Carmel, and Avon and Plainfield.

At the heart of all of this is IPS. That's the big white elephant in the middle of all of this. We've got phenomenal housing, we have a school system that is absolutely in shambles. No business is going to bring jobs here with the center of our region bleeding. Forty percent of the kids don't even graduate from high school. We talk about kids that can't even read. How can we educate them to read a HUD statement, right? Until we realize Carmel, and Westfield, and Noblesville, and Greenwood that IPS and its success is vital to all of our success none of this is going to get solved in my estimation.

MR. HAKIM-SHABAZZ: Kevin, you've handled community development. I'll let you take that.

MR. BUCHHEIDT: I don't really disagree with your comments about IPS, but I have a great deal of respect for Dr.

White. My kids are in the Washington Township school system here in Marion County, and it really crushed me to see him leave that system. But I believe, and taking a short commercial for Dr. White, I think if anybody can do something great with that system, I hope Dr. White can.

MR. HAKIM-SHABAZZ: Let's go to Drew real quickly and we'll go back out.

MR. KLACIK: I'm not a hundred percent certain I hold IPS and the IPS administration and teachers that responsible. I'd suggest to you that some of this is a function of who lives within the IPS district, that if you took most of the children and families that currently live in IPS and send them to Carmel High School, you'd start bad talking Carmel. But there are particular challenges associated with poverty and single-parent households that you can't expect a school system to overcome in a sense without extraordinary effort. Right. And so in some ways I'd suggest that it's possible that IPS is actually moving kids farther along some sort of education scale than Carmel is, it's just that they're starting at a point that is drastically below them. And the more we bad talk IPS,

the greater the perception of IPS's inability is, and the more it hurts the real estate market that is within IPS's school district. Right? So again, I'm not sure-let me put it this way. If you took all IPS teachers and administrations and moved them to Carmel, and you took everybody from Carmel's administration and teaches and moved them to IPS, you'd probably still be bad talking IPS, right? So it's not just simple answer.

MR. HAKIM-SHABAZZ: Let's go to the fellow, the back corner.

MR. PULLUM: Thank you. My name is Mark Pullum from Carmel, Indiana. I've been coming to this forum for several years. And the topic came up three or four years about foreclosure for the first time. So Steve Laines, Curtis Rector, myself for MIBOR all got together and we tried to get our arms around this particular problem, so we commissioned a study to be done. Just briefly some points were made, and you talk a lot about the appreciation or lack of appreciation of property, how that contributes to foreclosure. And then just briefly we touched upon a couple of other points. And I thought it was important to talk about these other points that just

briefly got talked about.

One, before 1999 Indiana was below the national average in foreclosure rate. But in 1999 we started losing a lot of jobs in the industrial sector. Drew, you talked about this. You go from a \$70,000 a year job to \$30,000 a year job, but you're living in a house based off of an income of 70,000, that's going to result in a foreclosure. We also had another condition that this study revealed, and that is we had a lot of loans that were made at the high loan to value. People weren't putting 20 percent down. They were borrowing 90 percent, some cases 100 percent of the property value. When you have low appreciation, they lose their job, it becomes-it just makes economic sense to walk away from the deal because you've got nothing in it. You've got to.

The third thing that we found was that the percentage, what we currently have in foreclosure is about one percent greater than the national average. We're not talking about a lot of homes here. I'm afraid that if we tweak the rules of lending-Mayor Peterson talked about-then there are other people that are going to be affected, and they're going to not

have the availability of financing. You know it would be great if we could devise a system that could identify that one person out of a hundred that's going to be most likely to go into foreclosure, and pick them out and say, you're not going to get a house because. But unfortunately if we do that, we're going to deny opportunity to a lot of other people who can qualify and who are making the payments. And that's what we've got to try to balance there.

Is this going to be a long-term problem? I think once Indiana gets adjusted to going to a service sector from an industrial sector--and by the way we did have a higher percentage of industrial sector jobs than the national average, which then when those jobs went away led to a ripe condition of foreclosure. I think that in the long run this is going to balance out. It's just a matter of time. I think five, ten years from now we'll look back at it, and then back at the national averages of foreclosures, and we'll say, well, you know, that was the changing of going from an industrial sector to a service sector and that's the consequence of it. Also having a low appreciation of property also contributes to it. So that's what I

wanted to add.

MR. HAKIM-SHABAZZ: Let me ask Mr. Mayor just respond to that real quickly since your name was mentioned.

MAYOR PETERSON: I wouldn't disagree. I think that's certainly a major contributing factor is the changing economy. We were and I believe still are the state with the highest dependency per capita on manufacturing jobs, and those jobs are going away. We lost 1,000 jobs at the Chrysler foundry over on the west side of Indianapolis just a few months ago. That closure was announced about three years ago, and it was completed just a few months ago. Look at the number of Big Three auto jobs across the country that are just going away. Those were low-skilled, for the most part low-skilled, high-wage jobs. Those jobs are just gone and they're not coming back. So our state is undergoing a major transformation, and I do agree that that contributes to the problem.

MR. HAKIM-SHABAZZ: Let's go ahead and jump back over here. If you can just tell us your name and where you're from.

SANDI: Hi. I'm Sandi (Unintelligible) with Absolute Real Estate. And one of the things obviously-first I want to thank you all for coming today. I appreciate that.

One of the things we will never be able to solve and a problem in our society is the absence of moral absolutes. I mean they've gone to the wayside. So people think nothing of foreclosing on their homes, which they never did years ago. But what I see because I sell real estate, and I've appraised homes, and that's what I wanted to speak to. Mayor Peterson, you said you had talked to the Attorney General about some things. I think a big part of the problem which we haven't mentioned is mortgage brokers are a third party. They have no interest really in a loan or the money. They don't care if it forecloses, they just want their money.

And as an appraiser, I go to these mortgage companies to get business, and you know what they tell me? If you can hit my numbers, you can work for me. So I don't work for those people. I cannot get a lot of business in appraising. I work for the lenders, and I work for the ones that actually loan the money, and the bankers. But we need to-what I want to know from Mayor Peterson-we don't have a lot of money, and I know it's putting more money into investigating mortgage brokers and appraisers that are doing illegal

things, is there going to be more money for that? And I would hope you and the Attorney General help deal with that because I know a lot of mortgage companies that are doing that, and I know a lot of the appraisers are doing it, and the appraisers are saying I don't really care. I'm making a whole lot of money and nobody's out there to get me.

MAYOR PETERSON: There are probably three different areas where this is happening. One, the U.S. Attorney's Office has made a major focus of this under Susan Brooks, the current U.S. Attorney, focusing on fraud in homeownership, and particularly in the mortgage lending area. The Attorney General also, and this bill if it passes would expand his authority in this area, and with his responsibilities for consumer protection he is very focused on this. And then we have maybe fewer tools at the local government level to investigate these kinds of crimes when they're actually criminal behavior, but we are involved with it as well at the level of the Indianapolis Police Department and Marion County Sheriff's Department.

So there are several areas, several law enforcement entities that are working on this, and all

of them are doing a lot more now than they were five years ago. So I think there are some good things happening out there.

MR. HAKIM-SHABAZZ: In an effort to try to get as many of your questions as humanly possible, I'm going to kind of tinker with the program a little bit if my friends at MIBOR and BAGI don't mind. About 10:15 sort of supposed to go back to the panel. We'll try to go for about 10 more minutes and get as many of your questions in before we go back to the panel. So let's go ahead and jump over here.

MR. KLASS: My name is Joe Klass. I'm a realtor and I'm trained as an engineer, and been gone from Indiana for like 42 years. So I've observed different parts of the country, and I've always been very, very proud of being a Hoosier, and I want to compliment you on not being a Hoosier coming in here and showing your leadership, and being in tune with what's happening and trying to help the problem. One of the things we need in all levels of government and industry is more leadership, and they're coming to that understanding.

We have a great community here in Indianapolis. Let's be proud of it. But we're at a critical point

right now where we can go down like some cities, and I won't mention names—Detroit possibly. Never been to Detroit except flying through. But anyway here's the situation. I'm going to give a big, big overview. I want to first of all compliment everybody for being here, and thank you to all the builders, and realtors, and everybody in the business. But the overview is this. We've been blaming the little guy, so to speak, for becoming foreclosed upon. Okay.

The real situation there, where it all started and where it can stop on a gradual basis without killing the economy is with the leadership of the city councils and the county commissioners. They've been issuing way too many new subdivisions without the infrastructure. Where I came from in California and Colorado, they do not build new subdivisions without building roads. I go through all over Indiana, and all I see is hundred year old roads and houses on both sides. So it's something we've got to all work together. And we've got to really help the inner city because we don't want the inner city to go. There's a lot of great, beautiful homes in the inner city, well built. They need remodeling, and we need homeowners

that are proud of their neighborhoods.

MR. HAKIM-SHABAZZ: Thank you, sir.

DR. KELLY: With all due respect, I think the problem you're talking about is much more serious problem in counties than in cities, and we have the additional problem that we have a city hostile legislature that makes it much more difficult to move this development into cities where the development controls are better. Counties were not set up to be urban governments, and they're not well geared in most cases to deal with urban or even suburban type development; and yet we're expecting them to do it today because with our tax structure and the annexation laws, it's very, very difficult to move this development into cities. Forty or fifty years ago when new developments were called additions to the city you know. I lived in the Norfolk or Norwalk Addition in Muncie, and it was platted and added to the city at the same time and the infrastructure came with it. If more of our development were under legitimate urban and suburban development control, we would have much less of a problem that you're talking about.

MR. KLACIK: I'd say you get what you pay for. And if out of one side of your mouth you're saying we need more infrastructure and we need the government to make better investments, out of the other side of your mouth you can't say don't increase my taxes.

My guess is that the mayors and lots of other mayors would like to make more investments to help their city, but they're limited by the amount of money you, the voters, will allow them to collect. And relative to other states and local government, Indiana taxes are pretty low actually.

MR. HAKIM-SHABAZZ: Well, let me ask this to the mayor of Noblesville before we go back to the audience. Your neck of the woods as always, see in the paper, is growing like crazy. With the homes comes development, comes the infrastructure built. Are you guys doing what's necessary to accumulate all the growth that some folks are so concerned about?

MAYOR DITSLEAR: Well, again it's definitely a challenge, and Drew really said it. I didn't say it, but he did.

MR. KLACIK: He gave me \$20.

MAYOR DITSLEAR: But it is a very, very difficult situation. We live in a very prosperous county, but as Noblesville expands to improve roads, why should the county improve Hazeldale Road, for being very specific, when in fact we're going to annex it as development comes, and it's going to be our responsibility. County perhaps doesn't have any money either. But nonetheless that's the problem we have is that we have a perfectly nice two-lane road. If development comes it becomes an urban four-lane

road, we have some responsibility to do that, but again not the tax revenue to do it.

Now we do have impact fees, and I know that's a bad thing to say perhaps. However, the theory there is that the new people should be paying for the infrastructure that's needed. And so it's a sharing of assets, if you will, and in fees. But it is a challenge, no question. And we do have a-well, somebody said a city not friendly legislature-which is pretty evident by frankly some of the taxation and things that are in the houses we talk about.

MR. HAKIM-SHABAZZ: You mean the legislature actually is implicit in the city's- well, I never heard that.

MAYOR DITSLEAR: Incidentally, we do have an organization, which I am new to and it's the Indiana Cities and Towns. Mayor Bart Peterson is the President of our organization. And I think there's some real leadership there on both sides of the aisle in that organization to help our property tax situation.

MR. HAKIM-SHABAZZ: Just get together with the mayor sometime. He'll tell you some Indy Works stories that will just curl your hair and make it more like mine. Let's go to the floor.

MR. BURGER: My name is Ray Burger. I'm the president of Future Funding Corporation. I suggest we look at these controlled business arrangements with builders owning their own mortgage

companies. How can we have objective counseling to a customer when the mortgage company is the builder? The builder puts them in a two-one buy down. They don't educate them about the mortgage, they're more interested in the sale. They don't educate them about property taxes kicking in a year, year and a half later. And they don't encourage home inspections. They tell the customer that the home warranty replaces the home inspection. And they're trying to push the realtor out of the majority of their transactions because the realtor is going to be giving them the objective advice they need.

MR. HAKIM-SHABAZZ: Let's go to Tom. This is slow hand under pitch softball for you, big guy.

MR. LAZZARA: There are RESPA violations going on right now as we sit here where builders are forcing the customer through large incentives to use their mortgage company. Why isn't someone stopping these RESPA violations?

MR. HAKIM-SHABAZZ: Thank you.

MR. BUCHHEIDT: Ray and I have known each other for years and I always appreciate some extensive discussions with Ray in the past. There are some conflicts that can exist, particularly in situations that he talks about. On the other hand there are a lot of independent builders and builders that do in their relationship with the buyers give them the proper information.

The real estate community in every way attempts to provide information to buyers, and these problems continue to multiply in part because through state regulation even you can give commission dollars and things like that back to buyers. All these things affect loan to value ratios, and that's what we're talking about is the loan to value ratio when you get right down to it. Some people think they're getting a 90 percent loan, but they're getting 100 percent loan. These are things that we need some work on, no question about it.

MR. HAKIM-SHABAZZ: Thank you. Let's go to this gentleman back here.

MR. MOSELY: My name is Moe Mosely and I'm with the F.C. Tucker Company. I have a brief comment and a question that has to relate to our anemic property values, the appreciation that we're not seeing. I've heard the panel talk about the demand side solution, and it seems to me-I'm not as educated as you or Eric-but it seems to me that controlling supply is a lot easier. When OPEC sees that oil prices are not getting high enough, they turn the spigot off. The Fed, the thing that the Fed controls is the supply of money. So my question is being that mortgages, we've seen that it's hard to control that. Builders have to build homes in order to make a living. Can we legislatively through zoning ordinances and through issuances of permits

control the supply. And then I guess the question that I have there, too, and would like the panel to-

MR. HAKIM-SHABAZZ: Eric's starting to sweat like an eight-year old at the Neverland Ranch up here when you talk about the government controlling the economy.

MR. MOSELY: It then becomes the interest of the greater good for seeing the supply controlled versus perhaps the interest of our suburban communities to grow. It seems as though we've asked for-we've built all these homes in these outlying areas and we look at poor Mayor Peterson and tell him bring us jobs. And so my question is, is it possible to legislatively control through zoning and issuance of permits; and if so, is it possible for us to think regionally in order to accomplish that?

MR. HAKIM-SHABAZZ: Eric, you get the first crack.

DR. KELLY: It is possible. It's a huge mistake. Zoning is an absolutely essential tool to mediate potential market conflicts such as your neighbor deciding to open a junk yard in his back yard that you might not like, or your neighbor building a 20 story building next to your house. We need zoning to mediate those potential kinds of market failures. When you start using zoning to control the supply in the market, the unintended consequences are awful. There are communities that do it. I don't recommend it.

MR. HAKIM-SHABAZZ: Kevin.

MR. BUCHHEIDT: You can use zoning to turn it off, but I think the mind set is we're not going to do that because if you're not growing then you're either stagnant or you're going backwards, probably going backwards. And we're all so parochial that is not going to happen here within the region. It's going to go to my neighbor or somebody on the south side, or the east or west side. We're parochial. We haven't got to the stage yet of viewing the region as a region, and everybody's got part of that. We're not there yet.

DR. KELLY: Boulder has moved most of its growth to the surrounding small communities, which increases commuting time, it increases air pollution, it increases commuting costs. Big break for some of those small communities, but not good for the region.

MR. HAKIM-SHABAZZ: Thank you. Let's jump back over here. We have about five minutes for questions before I come back up here with the panel, get ready to close up shop. Your name.

MS. ANDERSON: Hi. I'm Tracy Anderson. I'm with Sycamore Group Realtors. And I have a question for Mayor Peterson about predatory taxing. Just kidding.

MR. HAKIM-SHABAZZ: I think you were talking about the legislature.

MS. ANDERSON: All I can say is, you know, the foreclosure—first of all I specialize in investing, I do a lot of it myself, and I represent a lot of investors, and they provide rentals mostly. But I mean that's a legitimate section of our market. And all I can say is thank goodness for the foreclosures because the taxes are so high. It takes three months of income on one house to pay the real estate taxes for the year. And it's a good thing that the foreclosures are there so they can get properties worth the money. That way they will cash flow out.

MR. HAKIM-SHABAZZ: Mr. Mayor.

MAYOR PETERSON: Thank you. Well, first of all if the legislature would pass my Indianapolis Works Plan, you would have \$20 million a year less in the cost of city government each year. But apart from that I always say we don't do fancy things at the local government level. We pave the streets, we build sidewalks, we provide police services and fire service, we provide park services, we pick up the trash and we treat the waste water. That's pretty much what we do. And if we have less revenue, we will do less of those things. And I would say how many police officers fewer do you want in the city of Indianapolis, how many less, fewer sidewalks do you want? That's the trade-off.

If you believe that there is enormous amount of fat in local government and that these taxes are being wasted, I would say show it to me, and we'll get rid of it. I've worked my fingers to the bone for six plus years with the members of our City-County Council to eliminate anything that looks like waste. I'm not saying we've found all of it, but we look for it every single day. The reality is less in tax revenue means more potholes, fewer sidewalks, fewer cops on the street, shorter park hours and those kinds of things. It's a trade-off. You can't get something for nothing, it's that simple. And when the federal government and state government continually ratchet back the support that they provide to local government, that's what you're going to get. You're either going to get higher taxes or lower services, it's that simple.

MR. HAKIM-SHABAZZ: Let's go over here. Got a couple more minutes left because I see the mayor's assistant kind of swinging by.

MS. CARLSTEDT: My name is Moira Carlstedt. I'm President of the Indianapolis Neighborhood Housing Partnership, referred to as INHP. Thank you, Mayor, for your kind comments. I have two statements. One, the Indianapolis Neighborhood Housing Partnership is dedicated to increasing home ownership opportunities. Our primary activity is to prepare people for

home ownership. This year over a thousand households will commit between eight and thirteen hours to prepare themselves to be educated consumers, to know what to expect in the marketplace, and to know what's expected of them. There's over 400 families at any given time clearing their credit, preparing to qualify for the mortgages. This is not easy, and these families take sometimes two years, to pay down bills, to clear collections, to change their spending habits. For 400 families at any given time moving through that process with only one goal, and that is to close on a mortgage. This year with the help of Mayor Peterson, the private sector, particularly the lending institutions, philanthropic activity, we will leverage over \$24 million worth of resources all for one purpose and that is home ownership. So I would hope we're very careful about how we define who should have access to home ownership and how they should have access to home ownership because there has been comments by a few that people need to be prepared. And there are many people who are working to prepare themselves to be long-term, successful homeowners.

My second comment is to thank MIBOR and all of you that are members of MIBOR because it's interesting, but one of the single greatest referral sources of families to our programs are you realtors. Many of you are saying to your families I

want to provide you with service, but I'm a professional, and I know how complicated and difficult this is. I understand your finances. Why don't you go take the class. I understand private sector economics, I understand commission, and I understand it might delay a closing and that costs you money. But many of you are so committed to your families that you are sending them to us, you are putting them in the program to clear their credit. You are part of that \$24 million in a 12-month period. I'm not saying that's a one-shot deal. That's year after year. So I'm here to tell you that there is an organization, a successful organization. It's successful because of the families who are dedicated to themselves; it's successful because of the partnerships with the city, the lenders, philanthropy, and to the realtors.

And so for those of you that are sending us clients, thank you; for those of you that I know are the professionals that you are and that you're going to support your clients, please give us a call. If we can support your efforts, we'd like to have the opportunity to do that. Thank you.

MR. HAKIM-SHABAZZ: Thank you. We're going to take just a couple of questions from the floor, go to the back, before we give sort of the last question out for our panel. This young lady right

here has been waiting patiently. Go right ahead with your question briefly.

MS. SHERARD: Thank you. Pat Sherard with Professional Realty Services. I'm a private land development consultant. I'd like to speak just briefly to the supply side. A lot of people have gotten into homes as owners who probably didn't choose that as their first choice. They had no alternative. The apartments that are available to them are actually running at higher monthly cost than the homes that are being marketed to them. And this I put back to planning and zoning. If you go into a planning and zoning meeting today, you will not be able to get zoning for affordable apartments or for affordable lots to build affordable homes on. There is not a process for providing ownership and rental opportunities that will provide people with something that they truly can afford.

In opposition of that, there are actually movements to put minimal dollar requirements on the homes that are being approved for zoning. And I think that until we face the fact that we need to provide affordable housing that people can live in, it doesn't matter if it's rental or if it's ownership, people are going to be in trouble.

MR. HAKIM-SHABAZZ: Thank you. Kevin, I want you to comment.

MR. BUCHHEIDT: I agree with much of what you say, but the regulations are to a large part community driven. My staff is advisory to an advisory body who then advises those who make the final decisions. And those who make the final decisions are subject to elections and they've got constituents. And as people move into a community, they set their expectations differently. It molds the community-wide expectations a little bit differently. At the staff level we're very social conscious and we keep trying to push for more diversity within the housing types that are being offered within the projects. I think that not fully understanding the economics of development, the opportunities to provide more on the affordable end, the lower income end if you will, and those in the entry, service sector jobs increases as we get the larger developments because the money dynamics are different. And for a few more units here, we can do something there; or if we're a little more density here, then we can add that opportunity within those. We're trying, but a lot of it is community reaction to what's being out there, and everybody wants a bigger, better, higher, more expensive and not everybody's going to get that.

MR. HAKIM-SHABAZZ: Let's go to this gentleman right back here before we close up the audience Q and A.

MR. EPLER: Thank you very much. Jay Epler, Parker Realtors. The financial instruments that we're using today to buy homes was developed with the premise that incomes would increase as time went by, standard of living would increase as time went by and you would have more spendable income. It's obvious that that's not a cause that's happening right now. We moved to the service sector, incomes are decreasing. So when you have somebody new coming in to buy a house, how do you educate them on the fact that, one, they are maybe making as much income as they're going to make, or there's just no outlook for them to make any more money because we're downsizing, we're shipping jobs offshore. How does the industry handle this, which looks to be a long-term problem due to education and other factors that we have no control? Thank you.

MR. HAKIM-SHABAZZ: Let me bring Cathy back in from MCANA because you folks deal with a lot of neighborhood folks. How do you answer that gentleman?

MS. BURTON: That's a tough one. I think the American populace is used to making high wages, and it keeps coming back to education and people taking responsibility for themselves to understand what they're making and tailor their budgets in that direction. You know there's not an easy answer to that. I come from a family of blue collar workers that were fortunate that

the downsizing didn't come until my parents were retired. But I look now at the generation that followed them where many of us are college educated and making less money, and there's an unrealistic expectation again that someday we're going to be able to make those high dollars, and it just isn't there. I don't have an easy answer for that except again to help people understand that, you know you don't always have to have what's biggest and best.

MR. HAKIM-SHABAZZ: Two final questions for our panelists before we close up shop. I just want to go quickly down the line and start with Tom, work my way down to Curtis, then the other way we're going back. Tom, if I make you real estate god for a day, gave you the magic wand, you could do one thing to improve the real estate market, the housing market here in Central Indiana, what would it be?

MR. LAZZARA: Wow. I might consider putting a monorail to Chicago and widen our market a little bit. I think in the overall the thought of improving the infrastructure, and the improvements we're making out at the airport, those kinds of things are going to make us in the long run a much better market over time, and that is our overall goal is the strength of the communities that we live in. And you know we're preaching to the choir here so to speak, but people here need to be involved

in their local economic development organizations, they need to get involved in state taxes. That lady that had the question about taxes for investment property, they are out of whack. You go to South Bend and other places, it's four percent tax on investment properties because they have no exemption and things like that. We need to be talking to our legislators. So these are the kind of things that are just going to make us in the overall in the long run a better community is through involvement of people like yourselves in this group.

MR. HAKIM-SHABAZZ: Mr. Mayor.

MAYOR PETERSON: Well, I do think that the free market is going to fix some of the problems that we're talking about here today in Central Indiana, but not all of them. And I would focus on reforming lending practices. I think that's really where-I think the single most important thing to focus on.

MR. HAKIM-SHABAZZ: Eric.

DR. KELLY: We have to take planning seriously. The gentleman's comment back here about the difficulty in getting higher density lower income projects approved, rental projects is true. If you look at the plans in most of those communities, they provide for exactly those kinds of projects. And yet you talk to a city council member and they'll say, oh, yeah, we always follow the plan unless three people show up and oppose the project. And

way too often that's what happens when developers want to build a reasonable density, when they want to build mixed housing types, when they want to serve that part of the market, you let the neighbors show up and shoot it down. If we were serious about planning, as they are in other states, we would follow that.

On the other hand I know that Cathleen, some of her neighborhood groups are concerned when overly intense development comes into a particular neighborhood. The flip side of that is we need infill development, but there are limits to what we can handle in particular areas. Our plans ought to tell us what those limits are, and then when you propose a new development that conforms with the plan it ought to be easy to get it approved so that can happen. We have to take planning seriously.

MR. HAKIM-SHABAZZ: Kevin.

MR. BUCHHEIDT: Much of what Eric says rings true with me, too. When I was still in school at Ball State, I think 1982 was the last year that Indiana had a state level planning office, and we don't have that now. To a large extent we're all out there doing our own individual thing, and many times without regard to those around us. There is no state level leadership among us, and while the legislature is still in session it frightens me to

say that. But there has to be some leadership, some guidance. Our neighbors to the south, for instance, have gone as far as legislating education requirements for those who are the advisory and decision makers in the process. They have to become educated in what they do and not just do what's going to benefit me or whether they like me. They have to understand the broader issues. And I think perhaps requiring that kind of education as a qualification to be appointed to those bodies might be a good thing.

MR. HAKIM-SHABAZZ: Cathy.

MS. BURTON: I would like there to be more attention paid to the infrastructure. And when I say that I don't mean just the roads and sidewalks. I'm talking about services, and job availability, all of those things that support long-term sustainability. To rebuilding infrastructure that is needed in the older parts of our cities and towns, and to make sure that the infrastructure is constructed in the newer parts before the development comes. I think that is what-I think that is key to long-term sustainable and affordable housing.

MR. HAKIM-SHABAZZ: Drew.

MR. KLACIK: I'd start out by suggesting to all my friends and family to move to an area that I'm not god of real estate in. After they left, I think I'd agree with most everything that

everybody has said so far, and then I'd try to kind of change the rules a bit. And that's because in a sense the market's changed. And so the way I look at the way we do zoning now is in order to protect our property values we seem to continue to ask for larger and larger homes to be built, even though incomes are staying somewhat fixed. So I think if I was in charge and I could do one thing in addition to what's been mentioned, I'd actually change the zoning around to where instead of saying a house has to be 3,000 square feet and therefore in a sense ask the builders to compete to build a 3,000 square foot house that somebody making not a lot of money can afford, I'd say make the house 2,500 square feet at the most and challenge the builders to build homes and differentiate themselves based on the quality of the house rather than the size of the house.

MR. HAKIM-SHABAZZ: Mr. Mayor.

MAYOR DITSLEAR: I think it's all about balance. We're very fortunate, like I mentioned, in Noblesville with balance. I think we in the corporate campus actually designed residential communities that are affordable so that the workers who hopefully at the businesses that come there can afford to live there. On the other side, I mentioned earlier, we have executive homes. We have a new apartment complex under I think it's Section 42, and I don't know all the numbers, but who is a

subsidized housing. So I think it is the quality of life issue and it's good balance between high density, high quality, but it is a challenge and I think we're meeting it.

MR. HAKIM-SHABAZZ: Curtis.

MR. RECTOR: Jobs, jobs and more jobs. You said brevity.

MR. HAKIM-SHABAZZ: Yes, I did. Now he decides to listen to me after going so long. Okay, panelists, the final question of the morning before I let you all go. I'd like to say one of the games I always enjoyed playing is Monopoly. We play by house rules. You don't have to go around first and own all the properties before you can build, you just build right away. So that's the way we play. Wipes out the suckers early on in the game. So I ask the panel, we talked about housing, and involvement, and how things look in Central Indiana. If you had to put Central Indiana on one spot of the Monopoly board, be it Baltic Avenue, Connecticut, St. James, New York, Marvin Gardens, Park Place or Boardwalk, where would you put it? I ask you, Curtis.

MR. RECTOR: Yes, jobs, jobs, jobs. Man, I should have played Monopoly with my kids. You know I haven't played it enough to I guess know which is which. But it certainly is going to be—may not be lowest of valued property, but in that middle ground, maybe a little bit below average. Maybe it's going to be the

railroads because they're pretty steady, but they don't tend to skyrocket up or earn you a whole lot of money, but they're not going to devalue to a great extent as well.

MR. HAKIM-SHABAZZ: John.

MAYOR DITSLEAR: Spread it out. Again I don't think you put all of your marbles in Baltic, but you do spread out your housing, your diversity, your jobs and all sectors of our economy to improve quality of life. Not everyone can be at the top, and we need to live and work with each other. So I'd spread it out a little more.

MR. HAKIM-SHABAZZ: Drew.

MR. KLACIK: I'd actually play the get out of jail free card.

But actually not being able to do that, I'd suggest that Central Indiana is the Monopoly board, and that there is kind of Park Place and Broadway in Central Indiana. There's also Baltic and whatever the other the other place is, and everything in between. And so how you answer that question I suspect depends on where you live in Marion County or Central Indiana.

MR. HAKIM-SHABAZZ: Cathy.

MS. BURTON: I think if you took everything on an average, we'd probably be right on the red properties with Indiana and Kentucky maybe going down to the St. James section

there in the orange part.

MR. HAKIM-SHABAZZ: I thought that was the answer I was looking for. Kevin.

MR. BUCHHEIDT: I think that the same general range that Cathy just mentioned, but I'd like to see us move into some of the railroad properties. You all know about the Central Indiana studies on mass transit and the rail lines that we're trying to get off the ground here in Indianapolis and in the Indianapolis region, but I don't know that the community as a whole is ready to accept the kinds of density that's going to be necessary to support the rail lines, to make that profitable if not self sustaining. And I think people need to remember to have density and quality at the same time.

MR. HAKIM-SHABAZZ: Eric.

DR. KELLY: I think we're metaphorically with the Redding Railroad for very different reasons than the other people have cited. We have aging infrastructure, we are way over regulated, and we haven't figured out how to get out of it. Now I say that with all due respect to some of the mayors and some of the real leaders we have around, but the structure that our legislature

has given us right now for local government, for our tax system, for our economic development system puts us squarely in the line of the dying railroads and we have to fight to get out of that.

MR. HAKIM-SHABAZZ: Mr. Mayor.

MAYOR PETERSON: A house on every property. Not only is diversity beautiful, it's absolutely necessary. We don't have any choice. We are always going to have people at the high end of the income specter, we're always going to have people at the low end of the income specter, and we'd better focus on all of them. We don't have a choice to be one property.

MR. HAKIM-SHABAZZ: Tom.

MR. LAZZARA: I'm optimistic, and I think that our market in the future is an excellent market. It involves diversity, and when you look at things like the Monon that runs from 10<sup>th</sup> Street to 146<sup>th</sup> Street, you see that diversity up and down the Monon, and that's the property that I like being on.

MR. HAKIM-SHABAZZ: Or as a joke say as a kid own all the railroads and utilities and eventually you'll get rich because somebody will land on all of them. I want to thank all the members of our panel. You guys please

give a round of applause to them.

A couple of quick things. MIBOR and BAGI have been working with their local divisions to put together, take these summits on the road in 2006, sort of a localized version of this panel. BAGI's program and first event is going to be on the south side in Johnson County on April 13<sup>th</sup>. I'll be set to moderate, Drew will be joining us, the local panel is also being put together to look at these issues in southern Marion and Johnson Counties, so please mark your calendars. Also, please take a moment to fill out the evaluation forms on your tables so we know how to provide better service to you. What you liked, what didn't work, write down Abdul was great so I can get another day off and don't have to get up at three o'clock in the morning. That would be great.

Once again thank you all very much for coming out this morning. We appreciate it.

(End of session)