



MHN Interview with Henry Cisneros: We Want to Build Housing For Working-Class Americans

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Henry Cisneros

Los Angeles—Henry Cisneros is executive chairman of the CityView group of companies, which create homes priced affordable to average-income earning families.

Cisneros' community-building career began in urban public service. After serving three terms as a city councilmember, in 1981 Mr. Cisneros became the first Hispanic-American mayor of a major U.S. city, San Antonio, Texas. After completing four terms as mayor, Cisneros formed the Cisneros Asset Management Co.

In 1992, President Bill Clinton appointed Cisneros to be secretary of the U.S. Department of Housing and Urban Development. Cisneros has also been active in non-profit and civic leadership. He serves on the boards of several organizations. In June 2007 Cisneros was inducted into the National Association of Homebuilders "Builders Hall of Fame" and was honored by the National Housing Conference as the "Housing Person of the Year."

He talks to *MHN* about CityView and the company's plans to focus on multifamily housing, as well as the big challenges in providing more housing options to Americans.

MHN: What does CityView do?

Cisneros: CityView is an aggregator of institutional capital. We work across three platforms. One, we put institutional capital into building workforce housing, which is within the reach of working class Americans—nurses, policemen, firemen and teachers. We've built 56 projects across 12 states and are we're still selling in 26 of those communities across the nation. We've generated about \$2 billion worth of housing product with about \$800 million of equity, which we've invested for

pension systems. We are also increasingly working with private equity players in this space. Our task is to continue to innovate in application of capital to generate returns for investors even as we build for-sale housing in urban areas. Our niche is urban areas. We like to build townhomes and condos in infill spaces, smart growth locations and transit-oriented developments all over the country.

The second platform is multifamily, where we have used some of this capital to purchase apartments, retrofit and green them, and then rent them at moderate prices for working-class people. Now, we are in the process of assembling additional capital for that purpose and this will allow us to step up our efforts in the apartment space, both with acquisitions as well as for development in the long term.

The third platform is our partnership with an Australian company that manages funds for Australian pension systems. They have some \$13 billion to invest around the world in municipal projects. So our third pillar is a working relationship with them to invest in toll roads, seaports, airports and other components of municipal infrastructure that use private capital.

MHN: Is it true that CityView is making a significant investment in multifamily housing?

Cisneros: This year, we are beginning to assemble capital for the specific purpose of multifamily housing, so we are working with institutional funds that have apartments and multi-housing as an aspect of what they do or have certain targets for the sector.

MHN: What does CityView thrive for?

Cisneros: We want to be a positive force in a community, take apartments that are showing some signs of age and renovate them. We want to make them more energy efficient, by using solar power for example. We want to upgrade and improve areas of communities and keep the housing stock in the workforce band. We are very cognizant of the fact that so little apartment product has been built in the U.S. in recent years and that there isn't a single metropolitan area where a family earning the minimum wage can afford a market-rate apartment. There needs to be more supply in strategic urban areas.

MHN: Does CityView develop and build projects?

Cisneros: In the for-sale space, we work directly with the builders; we aren't the general contractors. We work directly as the equity funder, so we are something of a hybrid, not just a capital source but also an operator with our builder partners, and that makes us unique and puts us close to the ground and allows us to make sure that projects are built to the quality we expect, on time and within budget.

MHN: What are the biggest challenges when it comes to improving housing options in the country?

Cisneros: In general, we need to build more that is affordable to average families. That was the problem we had before the economic downturn and it continues to be an issue, even with the lower prices. One of the challenges we face today is trying to build in urban settings to reduce congestion, the environmental impact and the double whammy of transportation and mortgage costs. We need to take advantage of public transportation, to build near urban anchors like medical centers, cultural and downtown centers, and universities, and those are all priorities that would serve our urban

development well.

MHN: What role can government play in ensuring that?

Cisneros: In the short term: make sure credit is flowing by keeping interest rates low and do everything to get the jobs machine started. Part of the job machine is the housing sector, which overall makes up for something close to 20 percent of GDP in good times. That's a lot of jobs to be just sitting on the sidelines. So part of the jobs equation is to get the housing market started and addressing foreclosure issues is part of that. As long as those houses sit there, they discourage developers and builders from creating new product and creating jobs in the process.

In the long term this is what needs to happen: Housing policy must be balanced between rental and for-sale. We may have allowed our for-sale ambitions for the country to dominate the housing policy, and I think most experts agree that balance in housing policy is called for today. That means finding ways to generate more rentals through existing programs like LIHTC and voucher programs but also to think hard about how builders can be incentivized to build more apartments that are energy efficient, transit oriented and affordable.

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