



# SCANPH Response to Latest HHH Audit from City Controller

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**By Alan Greenlee**

The latest audit report from Los Angeles City Controller Ron Galperin on Proposition HHH seems to suggest that if nonprofit developers and the city's housing department could just try a little harder, then supportive housing development would magically move more quickly and at greatly reduced cost. He ignores the complexities that plague affordable housing development in California, including insufficient capital and operating funds to finance units, tricky land acquisitions, restrictive local land use planning, community opposition, entitlement issues, high labor/construction costs, increases in the prices of materials, and more.

One must remember that housing development operates within the realm of the political. Nonprofit developers don't have the luxury of ignoring policy and political choices that create conditions beyond their control, as they must grapple with the reality of exhaustive development challenges every day to painstakingly take a piece of dirt and transform it into future homes. And yet, a corrosive fiction persists that we can view development and homelessness in a vacuum, as does Galperin's report, which relies on the abstract to gloss over the practical and political realities of what it really takes to urgently address our city's homelessness crisis.

The Controller's report calls outcomes achieved through Proposition HHH funding "mixed results." So let's examine those results. Prop. HHH, passed by voters in 2016, promised to build 10,000 new housing units for unhoused residents within 10 years. Currently, there are more than 8,000 units in the pipeline, which will get upwards of 13,000 of our most vulnerable off the streets with an average HHH investment of \$135,000 per unit. These results directly contradict the Controller's insinuation that the city and developers are failing to advance housing solutions because we're on track to exceed the goal and do so two years ahead of schedule.

The true mark of leadership is the ability to see the complexities of a larger system and build a shared understanding: the easy route is focusing attention



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of the Controller's report.

But we are well past the point of taking shortcuts. As we have said before: In the long term, it is cheaper to pay for the costs of building covenanted, permanent housing now than employing other, short-term solutions like shelters. Permanent supportive housing is a public asset that serves a societal need now and in the long run.

HHH funding is a pivotal part of investing in a full continuum of housing solutions; true progress comes from providing robust solutions across the continuum, including shelters, interim units, and most importantly, permanent supportive housing. If we solely prioritize temporary housing, then unhoused and low-income people cannot move forward on that continuum and ultimately into permanent housing placements. Without investment in permanent housing from funding like HHH, the inevitable outcome will be a hold up of interim beds; slower housing placements; fewer exits from homelessness; and more people returning to the streets.

As the Controller suggests, the urgency of our housing crisis is too great, so we need to promote systemic change at a scale commensurate with the enormity of problems we face. Suffice to say, that costs money. The Controller's report seems to suggest that only HHH-funded developments are costly; in reality, it is all development in California and the costs of market-rate and affordable housing are entirely comparable; in fact, a recent UCR report notes that a market-rate unit averages \$579,000 in Los Angeles, which doesn't include key components that define HHH-developments: robust building materials, prevailing wages, significant operating and rental support reserves, and leading sustainability techniques.

In fact, when developers leverage HHH funds, it has returned a gain of more than \$400,000 per unit from other funding sources. So an investment of city HHH funding returns a net gain to taxpayers and projects by locking in hundreds of thousands of additional investment from tax credits and other government funding. This is sound public stewardship of taxpayer dollars.

As the Controller points out, we should always be aware of costs and work hard to control them. However, when examining costs of development, we can look to the city's own recent report that estimated approximately \$3.8



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right direction but not a silver bullet.

The magnitude of the poverty and inequities in Los Angeles require unprecedented collaboration among different sectors to achieve lasting change. Pointing fingers is not the answer. Voters understand that systemic factors—not individual failings—explain the prevalence of homelessness and treating symptoms rather than addressing root causes should be the goal of good public policy.

***Alan Greenlee is the Executive Director of the Southern California Association of Nonprofit Housing (SCANPH).***



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