



Eric Garcetti, Mayor  
Ann Sewill, General Manager

**Executive Management Division**

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September 8, 2020

The Honorable Eric Garcetti, Mayor  
Mr. Nicholas Halaris, Chair, Proposition HHH Citizens Oversight Committee  
City of Los Angeles  
200 N. Main Street  
Los Angeles, CA 90012

**Re: 2020 City Controller's Audit of Proposition HHH**

Dear Mayor Garcetti and Mr. Halaris:

Today the City Controller released the annual audit of Proposition HHH, the \$1.2 billion measure approved by city voters in 2016 to increase the number of supportive housing units from 300 to 1000 per year over ten years. As planned, Proposition HHH would enable the construction of 7,000 additional homes for people experiencing homelessness over ten years. As the audit points out, in four years we have 8,054 units in the pipeline. Our department was pleased that once again the financial audit found no concerns or irregularities, and we generally agree with the findings that construction costs are higher than we would like and that getting a project from concept to construction start takes too long. However, we do not agree with the Controller's recommendations that Proposition HHH funds be redirected from permanent supportive housing to shorter term solutions such as interim housing or shelters.

The audit report notes that total development costs per unit have risen by 1.9% in one year. With rising costs of labor and materials this is essentially flat, and reflects work by the City and housing providers to design cost-efficient buildings and use innovative approaches. We expect to see even more progress in coming years as the Innovation Challenge projects come on line using modular and other technologies.

The report also notes that Proposition HHH deals have been able to leverage other funding sources including No Place Like Home and Low Income Housing Tax Credits so that the average HHH investment per unit is \$135,000. This leveraging approach was by design, knowing that the City's investment and the willingness of City voters to contribute to ending homelessness would attract more funds and more long term commitment from other partners, and we're pleased that it has been successful.

The timing of moving an apartment building from initial plans to construction start in the City of Los Angeles is typically about twelve to twenty-four months. Supportive housing projects often take even longer because of challenges to zoning decisions under the California Environmental Quality Act, or other delays. In the past three years the City and our partners in Sacramento have taken several steps to cut that time significantly. First, the Mayor and City Council approved a Permanent Supportive Housing zoning



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ordinance that streamlined processing, made it easier to include space for supportive services, and reduced unnecessary parking requirements. Second, the City supported AB1197 in 2019 that provided an exemption from the California Environmental Quality Act for all HHH funded projects and for the PSH zoning ordinance itself. This has allowed dozens of projects to move forward more quickly. As of last month, thirty-six HHH projects have closed their financing, with thirty under construction, and three about to be occupied. Sixteen additional projects are expected to close by the end of this calendar year. We expect nine additional projects to be ready for people to move in by the end of December.

The audit recommends that the City re-direct Proposition HHH funding from supportive housing to shelters and interim housing. This is ill-conceived and not cost efficient. The report compares the costs of producing apartments that operate for at least fifty-five years to the costs of producing short term shelters. It costs between \$60 and \$135 per night to operate a shelter bed or motel room, but only \$28 per night and day to operate a supportive housing unit.

We agree with the Controller that homelessness is a humanitarian crisis that deserves an urgent and realistic response. We can't look at HHH in a vacuum. While building a production system and starting the supportive housing pipeline the City has also added thousands of emergency beds through programs like A Bridge Home. There are many sources of funding for this work and they all play complementary roles. The work to end homelessness requires a mix of short term and long term solutions, and the City is rightfully doing both of those things right now. HHH is the funding approved by the voters to provide the long term solution so that residents can move from shelters to homes. More emergency beds won't solve our housing affordability crisis, nor will repurposing existing apartment buildings. We need to increase the supply, and to scale up and maintain our investments in affordable and supportive housing, which is exactly what we are doing with these Proposition HHH funds.

Respectfully,

A handwritten signature in black ink that reads "Ann Sewill".

Ann Sewill  
General Manager