

Los Angeles Homelessness Epidemic - An Analysis of Proposition HHH

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Passed in 2016, Proposition HHH is a \$1.2 billion bill hoping to curb the homelessness epidemic that is rising in the city of Los Angeles with the newly added construction of 10,000 supportive housing units. This study serves to analyze and detail the homelessness epidemic in the Los Angeles Area, familiarizes the reader with how Proposition HHH funding works together with developers, as well as some of its shortcomings to date so far. To garner additional research, a survey was performed with a sample size from both the developers engaged with Proposition HHH and residents of the product in order to gauge how effective the bill has been in tackling the overall issue of homelessness. This survey looks to gather quantitative data from a series of 6 questions asked from 20 developers and 20 residents. A multitude of developers were surveyed from the preconstruction, construction, and completed construction phases of their individual projects. Residents of the completed HHH-funded projects were surveyed outside their associated building. Suggestions and ideas for future research of how to best approach the homelessness issue and Proposition HHH in Los Angeles are described following literature review and research.

Key Words: Los Angeles, Homelessness, Supportive Housing, Proposition HHH, Public Policy

Introduction

One major issue public administration is currently facing in metropolitan cities is the growing homelessness population. Some of the most famous cities around the United States such as Los Angeles and New York combine to account for 23.8% of the homeless population in the United States of America altogether (McCarthy, 2020). Unique to just the city of Los Angeles, however, is the pronounced unsheltered homeless population with an estimated 71.4% of all homeless individuals in the Los Angeles County without any form of overhead shelter. This is heavily contrasted with New York City's unsheltered homeless population of only 4.4%. The homelessness epidemic that is ravaging these two American cities is a highly visible issue that any city resident has the opportunity of witnessing first-hand by simply looking out a bedroom window into the streets of the city. However, because of the high unsheltered population of homeless that exists in Los Angeles, the homelessness epidemic is much more pronounced in the Southern California region. Simply within the last decade, juxtaposing home prices with the rise of annual income illustrates a growing issue that is only widening in the future.

This alarming trend prompted voters in November of 2016 to approve several bills focused on tackling the issue, one of which included Proposition HHH, a \$1.2 billion bond measure which promised to fund the newly added construction of 10,000 supportive housing units. If the framework surrounding Proposition HHH were to go through unhitched, the \$1.2 billion bond would make a great impact in getting the currently 66,436 homeless population off the streets and into the safety of permanent, supportive housing units all around the Los Angeles County (LAHSA, 2020). These proposed supportive housing units provide not only a place of shelter for the homeless, but also a variety of unique services and treatment programs in order to aid those in need. However, this 10,000 number was only the goal when Proposition HHH passed in November of 2016. In the four years that

Proposition HHH has gone underway, construction projects being funded by the bond have had their schedules pushed back, costs have exceeded expected values, and the 10,000 goal is now only 7,640. The purpose of this study is to analyze how effective Proposition HHH has been in curbing the homelessness epidemic. The question to be answered is, “Has Proposition HHH done a timely and cost-effective job in the construction of supportive housing units?”

Literature Review

Literature review will first focus on laying a foundation for the reader in order to get a firm grasp of the current homelessness epidemic in the Los Angeles Area. Following this understanding, a detailed summary of the policy background and framework that surrounds Proposition HHH funding will be outlined before reviewing some of the underlying issues with the current execution of the bill.

Los Angeles Homelessness Epidemic

Lining the glamorous Hollywood streets such as the Avenue of Stars or the Pantages Theatre, lies the deep-rooted issue of homelessness in the county. Housing in the area has become a commodity that lies outside the norm of most residents living in Los Angeles. When comparing the average household income with the rising costs of homeownership, the average individual is not able to afford being a homeowner. From 2011 to 2018, home prices in the county grew 73% while incomes rose only 17% (Collins, 2019).

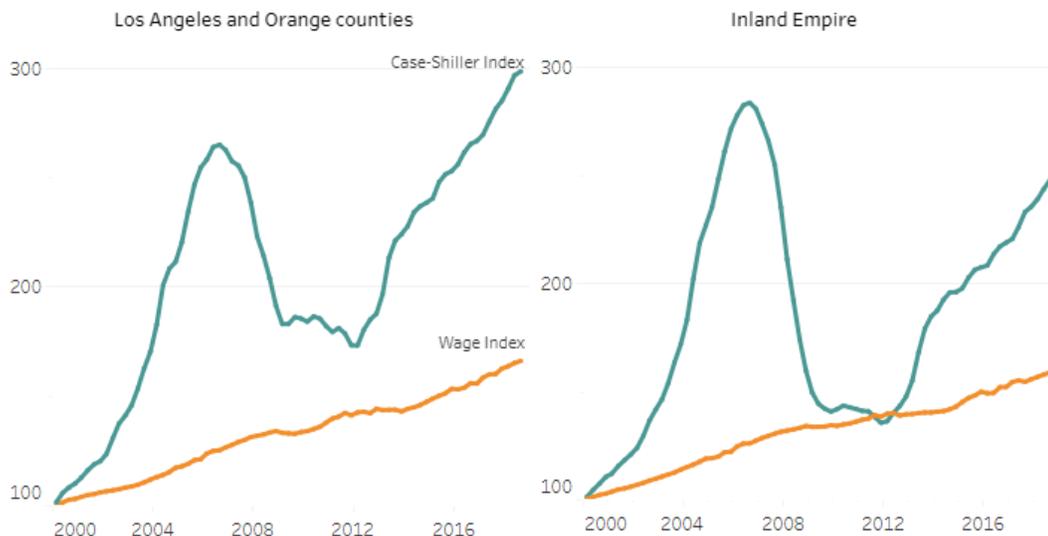


Figure 1. Case-Shiller home price index vs. federal wage (Collins, 2019)

The Federal Department of Housing and Urban Development (HUD) defines an affordable household as one in which the cost of housing is below 30% of household income (Yeghiyan, 2018). Based on this definition and a median 2-bedroom apartment for rent in Los Angeles at \$2,610 per month, this household would require a combined annual income of \$104,400. However, when the median Los Angeles resident’s household income is slightly above \$40,000, it becomes clear why the homelessness population is as such a rampant issue as it is. Proposition HHH and other affordable

housing measures passed by voters and public administration are required in order to bridge the gaps in affordable housing and annual income.

Policy Background and Framework

With nearly 80% of voters approving Proposition HHH to combat the homelessness epidemic, the funding provided by taxpayers serve to be utilized as a partial subsidy in the development of 10,000 supportive housing units (Galperin, 2019). Supportive housing units can be defined as a combination of subsidized housing, resource services such as job training or drug treatment, and temporary shelters. Each of these aspects of supportive housing work in tandem to provide a solid supportive service team for the homeless population to get rehabilitated into society as quickly and cost-effective as possible. Within an individual construction project, the \$1.2 billion generated by Proposition HHH will typically be utilized for roughly 30% of the overall construction project costs. This works out to be roughly \$140,000 that would be subsidized by the bill on a per-unit basis. Many projects that are in development prioritize studio and one-bedroom apartments which in 2016, the City’s Comprehensive Homelessness Strategy estimated the cost of these units at \$350,000. However, if the very first completed construction project funded by Proposition HHH is anything to go by, the actual costs of these units are more comparable to the price of a single-family home than a supportive housing unit. 88th and Vermont is a 62-unit complex that is the first of the Proposition HHH pipeline to open in January of 2020 with a per-unit cost of \$549,000 (See Figure 1) (Henry, 2020). In comparison, the median price of a single-family home in the Los Angeles County is \$650,000 (France, 2021).

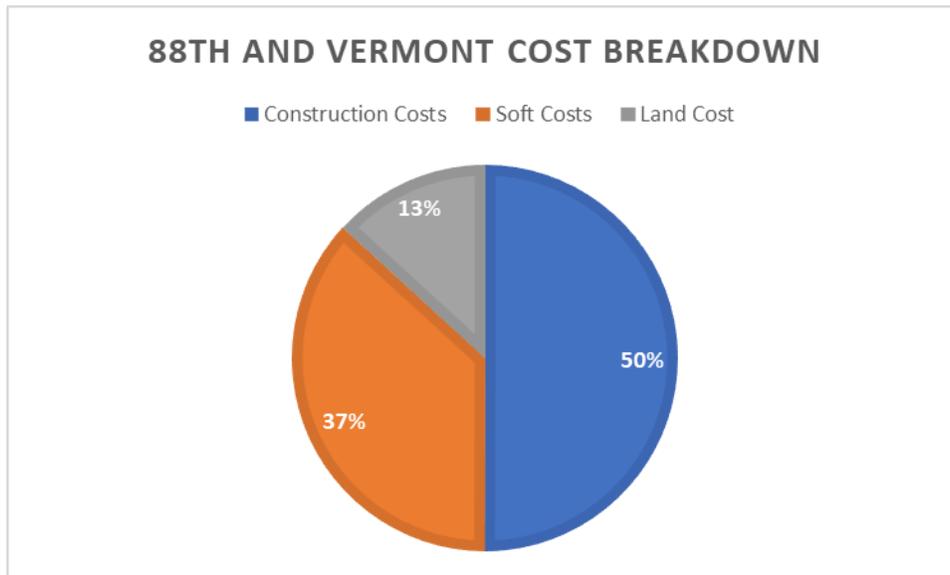


Figure 2. Distributed Costs of 88th and Vermont (Henry, 2020)

Proposition HHH Challenges

Construction costs constitute any expense in the project directly related to the physical construction of the project such as labor or material. The soft costs include many of the intangible expenses in the duration of construction project such as development fees, consultants, or permitting. Many of the

projects completed and forecasted in the HHH pipeline have similar cost breakdowns to the 88th and Vermont project. Within the scope of projects developed using Proposition HHH funding, an unusually high amount of soft costs has been attributed to the increased overall project costs and often as a result, scheduling delays. The increased soft costs have mostly been connected to the increased complexity of funding as well as the regulatory framework set out by Proposition HHH. Projects utilizing Proposition HHH funding have on average seven different funding sources which contribute to the added costs and delays. Funding complexities combine with Proposition HHH terms and conditions such as local resident labor requirements to compound the issue even further. 30% or more of project hours are required to be done by local residents (Reamer, 2019). Additionally, projects require a magnitude of consulting and accounting services which all combine to create a complex network of irregularities to many developers. As a result of all this extra burden, many developers chose to stay away from Proposition HHH funding altogether, minimizing the pool of qualified developers to take on the homelessness epidemic.

When the first completed project of Proposition HHH was ready for occupancy a full four years after the bill was enacted, it was clear to the general public that there was a lack of urgency. Many of the developers that took on the challenge of helping those in need understood the extra challenges that they would face on each project but were surprised by the lack of response by city officials. Ron Galperin, a Los Angeles Controller who audited the progress of Proposition HHH, echoed this statement when he observed the fact that, “No single City department is responsible for program-wide Proposition HHH accounting decisions” (Galperin, 2019). The lack of a centralized taskforce in charge of managing the distribution of funds in the pipeline created confusion in not only city officials but resulted in schedule delays from the developer side of the project. This can be seen by how different departments have been split up to manage separate entities of the Proposition HHH pipeline. The City’s Housing and Community Investment Department is responsible for the housing and corresponding accounting related activities. Program operations is overseen by the Office of the City Administrative Officer. The Board of Public Works Office directs accounting-related activities. Finally, administration of the facilities component of Proposition HHH is split between the latter two. The lack of clear distribution of accounting-related activities puts developers at big risk of scheduling delays when they are not able to line up policy priorities and approval timelines with each of their other funding sources.

Community interest in the construction of supportive housing units has also played a challenging role in the overall acceptance of Proposition HHH. Pushback has come in the form of community outcry over the proximity of these supportive housing units to establishments such as schools, local parks, or even churches (Strickland, 2019). Although many individuals in Los Angeles County agree that the homelessness epidemic is a growing issue that must be faced head-on, few are willing to partake in the actual practice of getting the homeless population off the street. Concerns such as an unwillingness to live nearby those with mental illness have launched into public protests hoping to impede construction. Despite the overwhelmingly popular vote in November of 2016 to commence the beginning of Proposition HHH, public support has only waned in past few years.

Methodology

In order to get a better understanding of how best to combat the homelessness epidemic and utilize public funding, the methodology used in this research was a series of quantitative data surveys. Those involved within the surveys included 20 different developers at varying points of their construction phase as well as residents of those that have already moved into already completed projects. The varying points of construction include preconstruction, in construction, and completed construction.

11 developers were in the preconstruction phase, 7 in construction, and 2 having already completed projects. No developer surveyed was involved in more than one project associated with Proposition HHH. No response was given from city officials. One question was asked from both developers and residents.

Each survey consisted of 6 different questions. No question was skipped or not answered out of the 40 responses received. A total of 3 yes/no questions were on each set of surveys. 1 Likert scale question was utilized in each set of surveys. No free response questions were asked.

The purpose of these surveys was to gauge what were the challenges that developers faced with Proposition HHH, as well as any possible solutions they might have in order to minimize the effects of the homelessness epidemic. From residents of the completed projects, survey questions focused on the difficulties they had with the housing process as well as how satisfied they felt with the product.

In order to gather this data, email responses were taken from the developers using the google forms program. In-person surveys were used in order to gather the resident data. Proper procedures were taken in order to minimize any risk due to the COVID-19 pandemic.

Results

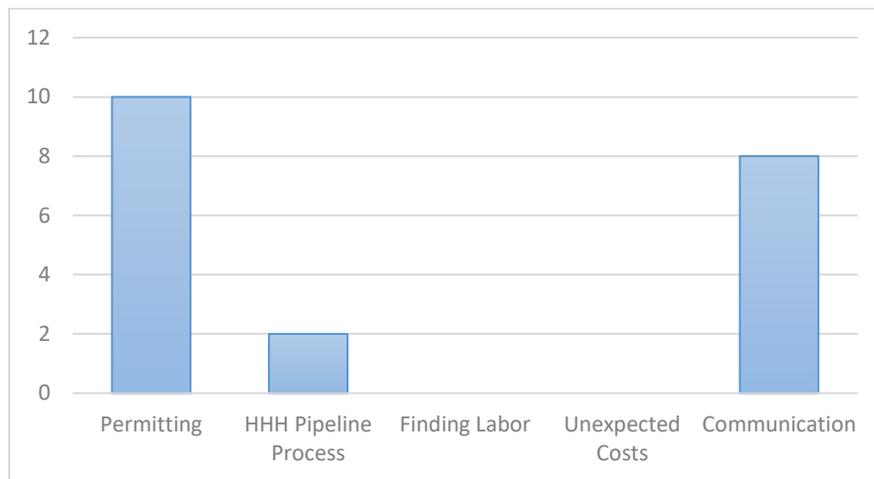


Figure 3. Response to Question 1: What was the most challenging aspect of the construction project?

Figure 3 represents the response developers had when asked what the most challenging aspect of each of their projects was. This question served to gauge what a multitude of developers felt was the biggest issue in their Proposition HHH project. Only 2 out of the 20 surveyed expressed a challenge outside of communication or the permitting process. All 20 developers felt that the biggest challenge with their project had something to do with the HHH proposition. Despite rising labor and material costs, no developer had expressed it as a larger challenge than dealing with the HHH proposition.

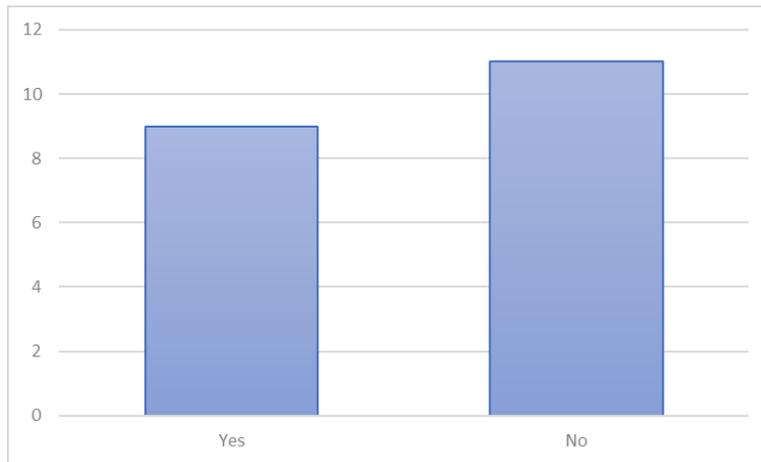


Figure 4. Response to Question 4: Do you think Proposition HHH has done a good job in combatting the homelessness epidemic?

Figure 4 represents the response developers had when asked how good of a job they felt Proposition HHH had done with combatting the overall homelessness epidemic. This question served to gauge how developers felt about Proposition HHH as a bill that was dealing with homelessness.

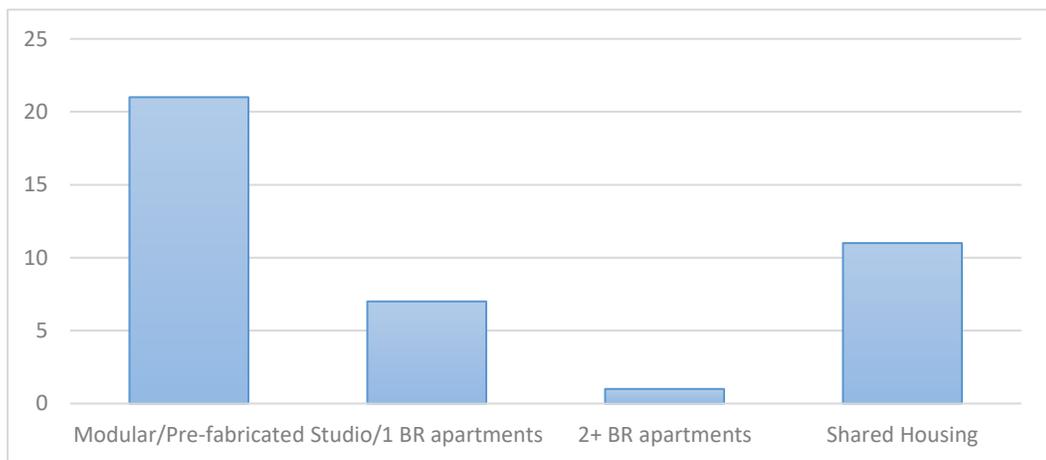


Figure 5. Response to Question 6: What type of housing projects do you think should more be constructed of in order to alleviate the homelessness epidemic?

Figure 5 illustrates the response to the question that was asked to both developers and residents when asked what type of housing projects you think should be constructed in order to alleviate the homelessness epidemic. More than half of all responses agreed that a form of modular/prefabricated construction would best fit supportive housing units. 1 resident believed that 2+ bedroom apartments would be best and shared housing had slightly more responses than studio/1-bedroom apartments.

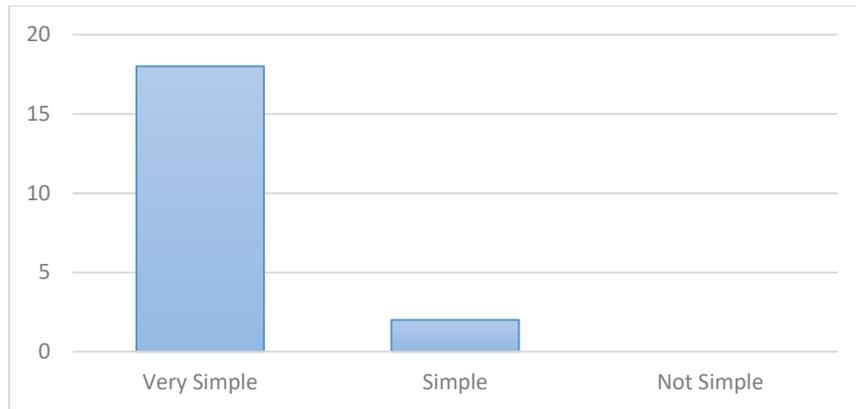


Figure 6. Response to Question 2: How simple was the process in finding a new home in an HHH-funded project?

Figure 6 represents the response of residents when asked how simple of a process was it in finding a home in an HHH-funded project. Many residents found that the process was either simple or very simple with no responses from not simple.

Analysis of Results

The two primary results that should be taken away from these survey sets is the difficulties that developers had with Proposition HHH as well as the type of housing projects most suited to supportive housing units (See Figure 3) (See Figure 5). Out of the 20 developers surveyed, 10 believed the most challenging aspect of the project to be related to permitting, 8 believed that the lack of communication was the largest issue, and 2 believed the overall HHH pipeline process to be the biggest determining factor. 21 out of the 40 respondents wanted to see more modular/prefabricated designs introduced to the HHH pipeline. 11 answered that shared housing would be best, of which 9 were resident answers. Finally, 7 respondents believed that studio/1-bedroom apartments would be best, and 1 resident answered 2+bedroom apartments.

Despite the many challenges that developers faced in the duration of their project, slightly below half felt that Proposition HHH had done at least a good job in providing supportive housing units for the homeless. From those who felt that Proposition HHH had not done a good job in combatting homelessness, 9 out of 11 responses were from developers who were still in the preconstruction phase of their project.

When referring to Figure 6, the data clearly shows that residents had little to no difficulty with the actual process of finding a new home. 18 out of 20 believed that the process was very simple while 2 agreed that it was not difficult at the very least.

Conclusion

Proposition HHH was a bill passed in order to help fight the surging unsheltered homelessness epidemic in the city of Los Angeles. However, despite the \$1.2 billion funds allocated in order to construct an additional 10,000 supportive housing units, literature review and research shows that poor management from city officials is the main culprit in lengthy schedules and increased project costs. Following the current track record that the bill has been on however, the proposition will either

need to be revised or funds need to be redistributed in order to get as close to the 10,000 number goal as possible. Research shows that developers are running into project issues that mainly deal with a lack of discipline from all parties involved. It is clear from the developer side of construction that their main grievances with their construction projects lie in the lengthy permitting process and communication delays with city officials. The lack of clear distribution of responsibilities, largely in the accounting department, is a clear contributor to a developer's ease of construction. Additionally, these issues were impactful enough to warrant the dismissal of rising labor or unexpected job costs in which no developer believed was most challenging. This is something that can be improved upon simply by changing the majority of Proposition HHH projects from studio/1-bed apartments to the much more popular modular/prefabricated construction type outlined in Figure 5.

Modular/prefabricated construction would simplify permitting across all projects in the HHH pipeline and lead to a project with much more reasonable soft costs. The focus on a more detailed preconstruction phase involving modular and prefabricated design would also match the funding policies outlined in Proposition HHH. Developers still believe that Proposition HHH has made some impact in curtailing the homelessness epidemic, but they are also not confident with how the city is currently managing those funds. To the benefit of the actual residents, however, city officials are much more effective in getting the homeless population into the building after construction is complete in a timely manner.

Future Research

In future research, identifying modular/prefabricated homes that can be built in a timely and cheap cost is a shared sentiment between developers and residents as one way that can lower the per-unit cost of supportive housing. After literature review and research, modular/prefabricated homes would be a great way to standardize the preconstruction process across all developers. This will severely limit the number of delays in permitting and lead to lower soft costs. During my literature review of Proposition HHH, a project was found, Vignes Street, a 232-bed development that had a unit cost of about \$200,000 (Smith, 2020). Amid the COVID-19 pandemic and funded by the federal CARES Act, this modular homeless housing project utilized shipping containers to pump out a project that was cheap and quick. Identifying real world examples like this in high-density cities can be one way to expand upon the research into Los Angeles's homelessness epidemic and the issue across the United States.

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