

Los Angeles Must Resolve Its Homeless Crisis ... This \$1.2 Billion Taxpayer Ripoff is Not the Way to Do It

JACK HUMPHREVILLE

29 SEPTEMBER 2016



LA WATCHDOG--Mayor Eric Garcetti and the Herb Wesson led City Council are using the homeless issue to pick our pockets for almost \$2 billion over the next 30 years in an effort to cover up their abject failure to make this unfortunate situation a priority in the City's budget over the last four years.

If Proposition HHH (Homeless Reduction and Prevention, Housing, and Facilities Bond) is approved by two-thirds of the voters, the City will issue \$1.2 billion of bonds over the next ten years. These funds, along with billions from politically wired real estate developers and other governmental entities, will finance the construction of 10,000 units of permanent supportive housing for LA's homeless population at a cost as high as \$4 billion.

The average annual debt service on these bonds is \$66 million, starting off at \$6 million in 2018, reaching a peak of \$108 million in 2028, and then tapering off

until the bonds are paid off in 2047. On average, this will increase our real estate taxes by another 1.3%.

But if Garcetti was serious about the homeless, he would have made it a priority on his first day in office. Since July 1, 2013, the day he became mayor, the City's budget has increased by over \$1 billion and is projected to grow by another \$600 million over the next four years. And now City Hall is telling us they cannot swing \$66 million a year when revenues are up by \$1.6 billion.

Please. Do you think we are complete fools? Actually, they do, which is why they are trying to bamboozle us into approving Proposition HHH.

Instead of prioritizing homelessness, the City has entered into budget busting labor contracts with the campaign funding leaders of the City's unions. Pension contributions have continued to soar because the City refuses to reform its unsustainable pension plans. The City Council has granted hundreds of millions of dollars in "giveaways" to Australian billionaire Frank Lowy (Westfield Corporation) and international hotel chains that are in prime downtown locations. The City squanders over \$50 million on discretionary slush funds and bloated staffs for the Mayor and the City Councilmembers. And of course there are the numerous pet projects that never see the light of day.

The City Hall gang has not detailed how it intends to finance the \$4 billion needed to construct 10,000 units of permanent supportive housing other than through the \$1.2 billion in bonds. Rather, they tell us that they will seek to work with developers of affordable housing and other governmental entities to find the additional \$2.8 billion needed to fill the gap. In other words, give us the money and trust us to figure out what to do.

Assuming that the City lines up developers of affordable housing, who is going to fund the rents that are needed for these developers to earn a satisfactory return on their investment? Or will this be another drain on the City's treasury necessitating yet another tax increase?

The City does not appear to be very cost conscious as a 400 square foot unit of permanent supportive housing will cost an astronomical \$400,000, 20% more than the average price of a home in the City. At \$1,000 a foot, you can buy a penthouse apartment in a luxury high rise in the best part of town.

The City has not developed a working relationship with the County. However, there is chatter that they will overcome their political squabbling and enter into a Memorandum of Understanding where the County will provide the necessary services to the homeless residents. But this will require the County to place on the

ballot a measure to increase our sales tax by a quarter of cent, raising an additional \$350 million a year.

Of course, the County, for whatever silly reason, is unable to allocate any additional resources to the homeless even though its budget has increased over the last four years by more than \$3 billion to a whopping \$28 billion.

The City is asking us to be on the hook for \$2 billion over the next 30 years. But there is no detailed operational plan. Nor does the City have the management expertise, the experienced personnel, or the organizational capabilities and systems to manage such a complex program.

In addition to the financial razzle dazzle associated with this ballot measure, the City does not deserve our approval because it has done nothing to reform its budgetary process or finances. It has blown off the common sense, easy to implement recommendations of the LA 2020 Commission, including those involving multiyear budgeting, pension reform, and the creation of an Office of Transparency and Accountability to oversee the City's fragile and opaque finances.

Finally, if all the measures on the City, County, State, and Community College ballot are approved, our proportionate share is \$1.6 billion. Putting this into terms we understand, this increase is equal to \$400 for every resident of the City. Or if the seven money measures were lumped into a single tax, our sales tax would increase 30% to 11.7% or our property taxes would skyrocket by over 30%.

We have an opportunity to send the Mayor Garcetti and the Herb Wesson led City Council a loud and clear message that we will not be fooled by their shell games, that we demand financial reform, and that we are not their ATM.

Vote NO on Proposition HHH.

●●

The following is the proposed ballot language.

HOMELESSNESS REDUCTION AND PREVENTION, HOUSING, AND FACILITIES BOND.

Proposition HHH.

To provide safe, clean affordable housing for the homeless and for those in danger of becoming homeless, such as battered women and their children, veterans, seniors, foster youth, and the disabled; and provide facilities to increase access to mental health care, drug and alcohol treatment, and other services; shall the City

of Los Angeles issue \$1,200,000,000 in general obligation bonds, with citizen oversight and annual financial audits?

●●

(Jack Humphreville writes LA Watchdog for CityWatch. He is the President of the DWP Advocacy Committee and a member of the Greater Wilshire Neighborhood Council. Humphreville is the publisher of the Recycler Classifieds -- www.recycler.com. He can be reached at: lajack@gmail.com.)

-CW

<http://www.citywatchla.com/index.php/la-watchdog/11889-los-angeles-must-resolve-its-homeless-crisis-this-1-2-billion-taxpayer-ripoff-is-not-the-way-to-do-it>