

Southern California Association of Non-Profit Housing

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Testimony Of Sam Mistrano, Acting Executive Director Before the Subcommittee on Housing and Community Opportunity June 30, 2003

My name is Sam Mistrano. I am the Acting Executive Director of the Southern California Association of Non-Profit Housing, known as “SCANPH.” SCANPH is a non-profit organization with over 500 members devoted to preserving and producing affordable housing in the six-county Southern California region. Since 1986, our members have built over 76,000 affordable housing units, and last year started, completed or were in construction on over \$1.7 billion worth of new development projects.

Our members are great supporters of the CDBG program. CDBG is a critical tool in producing affordable housing in Los Angeles. The projects our members develop could not be built without the support CDBG gives to housing production through the Los Angeles Housing Department.

Los Angeles is in a Housing Crisis

Los Angeles is in a housing crisis. Simply put, there is not enough housing being built. Between 1990 and 2000, city’s population grew by 200,000 – and 80% of that increase is from new births. However, Los Angeles only produced 37,000 new units during that time. This clearly does not meet the City’s housing need. In fact, the Southern California Association of Governments estimates that the City needs to produce 47,000 new units to meet current need.

Much of the housing that is being produced is market rate and luxury housing. The 2002 median price for a house in the City is \$328,216 – an increase of 30% since the year before. Homeownership rates in L.A. have actually dropped over the last 10 years, while they have risen in the rest of California and the nation: in L.A., the homeownership rate dropped from 39.4% to 38.6%, while in California it has increased from 55.6% to 56.9% and across the U.S. from 64.2% to 66.2%.

As a result, Los Angeles is a city of renters. Sixty-two percent (62%) of City residents rents, and at very high prices. The median rent for a two-bedroom / one bath apartment in the County is \$1100, an increase of 25% since 1999. Even a family where both parents work full-time minimum wage jobs can not afford this price – they would each have to work 62 hours per week to afford the median rent. So what is the result? Los Angeles has one of the most overcrowded living conditions in America, second only to Miami: one quarter of all renter households live in “seriously overcrowded” conditions.

CDBG Helps Ease the Housing Crisis

The key to easing Los Angeles’ housing crisis is producing affordable housing. Local officials and citizens understand this. Earlier this year, the Los Angeles City Council and Mayor Jim Hahn approved a \$100 million Affordable Housing Trust Fund to help produce new units. And last year, 63% of L.A. County voters voted yes on the statewide initiative Proposition 46, a \$2.1 billion bond to build new affordable housing. We locals understand the need for new housing.

This money is not nearly enough to build our way out of the crisis. Los Angeles still desperately needs CDBG funding. CDBG funding is a critically important financial tool to produce local affordable housing. It helps fund the L.A. Housing Department’s High Leverage Program, which is a key source of local support needed by developers to successfully apply for state funding. For example, earlier this year the Esperanza Community Housing Corporation was awarded \$578,000 from LAHD, and used this

award to raise an additional \$2,875,083 so that its Alegria Court project was able to be developed. CDBG helps fund the City's Trust Fund. Earlier this year, the Trust Fund committed its first grants to 13 projects building 694 new affordable housing units. These units would not be possible without City support. And in future years, the Trust Fund will increasingly rely on CDBG to expand its successes.

In fact, the majority of our 75 L.A.-area developers have CDBG money in their projects. Without the programs of the L.A. Housing Department, most of the projects my association's members build would not be possible.

One the most important strengths of the program is its flexibility. Localities can use the money to best fits the needs of their own jurisdictions. We oppose changing this aspect of the program. If funding is given to the State to allocate, for example, the state would have a much harder time determining the best needs of each jurisdiction. The needs of Los Angeles are unique, and different from those of the larger region and state. Quite frankly, our problems are worse. Los Angeles needs continuing control over CDBG funds to make them work the best that they can.

On behalf of SCANPH's 500 organizational members, I thank the Sub-Committee for hearing my testimony today.