

**Hearing of the Housing and Community Opportunity  
Subcommittee of the House Financial Services Committee:**

**The Housing Crisis in Los Angeles and Responses to Preventing  
Foreclosures and Foreclosure Rescue Fraud**

**March 28, 2009**

**Testimony of Ruth Teague  
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Madam Chair Waters, Ranking Member Capito, members of the Subcommittee, good morning.

My name is Ruth Teague, and I am the Director of the Corporation for Supportive Housing's Los Angeles office. I appreciate the opportunity to testify. CSH is a national non-profit organization and Community Development Financial Institution. While we do not provide services or develop housing ourselves, we work with communities to help build permanent housing, coupled with supportive services, to end homelessness. Our Los Angeles office was established in 2003. Since then, we have provided over \$22 million in loans and grants to other non-profits resulting in the development of over 2,000 units of housing for homeless individuals, families, and young adults under 25 years old.

I will focus my comments on our experience in reducing homelessness, address the challenges we face, and give perspective on how the dual crises of foreclosure and economic downturn have affected our work.

We do not yet know the full impact on homelessness of the foreclosure crisis and the economic climate this crisis created. Yet, several indicators reflect significant growth in homelessness in Los Angeles County from 2007 to 2008. The number of homeless families almost doubled to 620 that were served through the Los Angeles County's Winter Shelter Family Voucher Program, which provides motel vouchers to homeless families. 211 call service requests increased 19% for Emergency shelter, 71% for Housing Payment Assistance, 37% for Landlord/Tenant services, 60% for subsidized housing, 32% for utility assistance, and 26% for legal assistance.

In Los Angeles County from June to August, 2008, the number of homeless families to whom DPSS provided welfare benefits increased 20% to almost 7,100. Similarly, the number of indigent adults receiving GR subsidies rose from about 61,500 at the beginning of 2008 to just over 70,000 in August, 2008. In February 2009, 674 two-parent families applied for and received CalWORKS benefits, 37% more than the same month last year.

Though figures from recent homeless counts for most cities in the County have not yet been released, Pasadena's Continuum of Care has recently released their data and key findings of that census may give some clues into the trends in Greater Los Angeles.

- The City of Pasadena witnessed a 16 percent *increase* in homelessness from 2008 to 2009 versus a 20 percent decrease from 2005 to 2008;
- Two-parent households comprised nearly half (48.3%) of homeless families in 2009 versus just over a quarter (26.9%) in 2005.

CSH shares the concern of many of our partners that families are falling into homelessness when the unit they are renting is in a house or building that was foreclosed upon. In the City of Los Angeles, the Rent Stabilization Ordinance protects tenants in foreclosed rental housing and we appreciate the efforts of the Subcommittee to address this problem in federal laws. However, tenants are often unaware of their rights, and often do not receive advanced notice of the foreclosure and therefore have little time to plan or save for a move. Foreclosing bank representatives often mislead tenants into believing that they must vacate or bully tenants into doing so by lock-outs, utility shut-offs, and unreturned security deposits. In the other cities and unincorporated areas of L.A. County, tenants have even fewer rights. Tenants forced to leave foreclosed properties have difficulties finding housing affordable to them, often ending up homeless.

While the current dual crises of economic downturn and foreclosure are exacerbating the difficulty working class families have finding affordable housing, the fact remains that long before the current economic crisis Los Angeles was struggling to meet the housing needs of vulnerable people. CSH has focused its work on helping homeless people overcome multiple barriers to housing stability in Los Angeles. According to the 2007 homeless count on a typical night in Los Angeles, there were 22,376 chronically homeless individuals, and 16,643 homeless people in families with children. Most of these households require deep affordability and specialized supportive services to help them access and retain housing.

The greatest challenges to addressing homelessness among these vulnerable individuals and families struggling with multiple psychosocial barriers to housing stability, as well as the individuals and families new to homelessness, are inadequate financial resources and insufficient alignment of housing finance systems and services funding systems in Los Angeles.

**Despite many good efforts on the part of the City and County of Los Angeles, financial resources are inadequate to meet the need.** In recent years, both the City and the County have made great strides toward reducing homelessness among the most vulnerable in our communities. The Mayor of Los Angeles has committed \$50 million annually toward a new Permanent Supportive Housing Program. The program will finance the creation of over 400 units of supportive housing each year for homeless individuals, families, and transition-age youth in the City. The City has invested in almost 800 of these units since the program's inception; however some of these projects are currently stalled due to the State of California's inability to sell bonds issued under Proposition 1C to finance the state's multifamily housing program. This is driving up development costs as holding periods are extended and interest payments continue to accrue. Compounding the problems at the state level, equity investors in LIHTC projects have sharply reduced their investments in supportive housing projects that are designed to serve homeless people. Investor behavior could be analyzed by the federal government for the potential impact of 'redlining' projects that serve the most vulnerable populations in greatest need of housing.

Other cities throughout the County have made varying degrees of progress toward ending or reducing homelessness in their jurisdictions. However, based on our financial modeling, the other 87 cities and unincorporated areas of the County will only be able to produce approximately 200 more units per year collectively, due to limitations in the amount of capital subsidies available at the state, federal, and local levels. At these rates of production, Los Angeles County will not be able to significantly reduce homelessness for decades.

**Services funding systems are not well aligned and coordinated with housing finance systems in Los Angeles.** For individuals, families, and transition age youth who are homeless and struggling with multiple barriers to housing stability, the creation of this combination of deep affordability and individualized, voluntary, supportive services, known as permanent supportive housing, requires three types of funding: capital subsidies to construct the housing, rental or operating subsidies to keep the housing affordable to formerly homeless people with little or no monthly income, and funding to cover the costs of integrated support services. Because service funding systems are not well coordinated with housing finance systems, service delivery primarily occurs outside of a permanent housing setting and service providers in Los Angeles

struggle with the task of connecting their clients with permanent housing upon successful completion of their programs.

The federal government could play a role in encouraging collaboration between city and county government by developing policies for mainstream health and human services programs that will target resources to housing-based services for the most vulnerable families, youth, and homeless people with disabilities. For example, the County of Los Angeles spends roughly half a billion dollars each year in case management services for indigent and homeless clients. Stronger incentives should be created to link some subset of those services to housing for homeless people so that people receive the support they need to achieve stability AFTER they are placed in affordable and supportive housing. Not only would this strategy help our community in its efforts to end homelessness, but also programs like TANF (or Cal-WORKS) and Alcohol and Drug programs would have better outcomes, and savings would be achieved through reduced emergency room visits, hospitalizations, and incarcerations.

Los Angeles City and County can also do more locally to align service dollars with housing dollars to stimulate supportive housing production. For example, the Neighborhood Stabilization Program requires that 25% of all units financed through that program must serve households at or below 50% of Area Median Income. By aligning that program with Section 8 or Shelter+Care rental subsidies or operating subsidies available through the Department of Mental Health's MHSAs Housing Program, small scale foreclosed properties could be made affordable to homeless individuals and families with mental health disabilities. This could serve the dual benefit of freeing up short-term and emergency housing facilities for those that have become homeless for the first time due to the economic crisis and can more easily stabilize their lives and exit homelessness with short term supports such as those being made available through the American Recovery and Reinvestment Act.

Moreover, while the influx of \$42 million to Los Angeles in Homeless Prevention and Rapid Re-housing funds from the Stimulus Package will help prevent homelessness for thousands affected by this crisis, we believe the following are essential to our work in reducing homelessness in Los Angeles and nationwide:

- **Reauthorize the McKinney-Vento Homeless Assistance Program in 2009:** We are deeply grateful for Chairwoman Waters' leadership in passing H.R. 7221, the HEARTH Act in 110<sup>th</sup> Congress, and urge the Subcommittee to work as expeditiously as possible with your colleagues in the Senate to enact a bill this year. We believe H.R. 7221 achieved an excellent balance of competing priorities when it passed last year. In particular, we are grateful this bill maintains the 30% set-aside for permanent housing, makes a modest and thoughtful expansion of the definition of homelessness, and creates a program that would prevent homelessness for thousands of Angelinos.
- **Services funding:** One of the most persistent funding gaps supportive housing providers experience, particularly here in Los Angeles, is for long-term funding for integrated supportive services delivered to tenants residing in permanent supportive housing. We have turned to SAMHSA in recent years to increase its grant funding for services for homeless individuals and families in permanent housing, and we hope to have the Committee's support in establishing better partnerships within HHS and HUD to fund the supportive services that help homeless people get and keep their housing.

- **Capitalize the National Housing Trust Fund:** CSH was a founding member of the National Housing Trust Fund Campaign and appreciates the Committee's work to enact the fund last year. It is crucial we capitalize the fund, beginning with President Obama's budget request of \$1 billion. The Committee must start now to seek new, consistent sources of funding to ensure the Fund is on solid footing. Along with more funding for existing programs that provide long-term rental subsidies, like Section 8, we look forward to putting the Fund to good use for building affordable housing in Los Angeles.
- **Serving hard-to-house families and individuals:** Whenever the Subcommittee considers modifications to existing federal affordable housing programs, CSH urges you to consider ways to induce the construction of permanent supportive housing for hard-to-house families and individuals, including ex-offenders, people with serious mental and physical disabilities, the elderly and youth aging out of foster care.
- **Protecting renters in foreclosed properties:** CSH notes that the Committee attempted, but was ultimately unsuccessful, in including language in the Stimulus bill to provide additional tenant protections to renters in foreclosed properties being purchased with NSP funds. We would urge the Committee to continue its efforts to provide these protections, such as 90 days notice of eviction and continuation of Section 8 subsidies, through free-standing legislation.

Again, I deeply appreciate the opportunity to testify today and welcome the Subcommittee's questions.