

How Collaboration Drives Community Development Innovation in Los Angeles

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City of Los Angeles*

In 2012, affordable housing in Los Angeles was at an all-time low. Federal HOME funds had been cut by 44 percent, federal stimulus funds were gone, public redevelopment agencies in California had been shut down, and the California state housing bond had been exhausted. In a single year, funds for developing new affordable housing in Los Angeles shrank from \$150 million to under \$30 million. The massive cuts in affordable housing funds had gutted the city's housing development program.

To make matters worse, as housing funds dropped precipitously, the cost of housing in Los Angeles continued to rise. By 2013, Los Angeles had the highest median rent burden in the nation.¹ The average renter in Los Angeles was paying 47 percent of his or her income on rent, and the proportion of people spending more than half of their income on housing was the highest in the nation. In 2013, the Los Angeles homeless count showed a 16 percent increase in the unsheltered populations, with an unprecedented 58,000 people homeless in LA County on any given night. It felt as though we were battling a wildfire with a garden hose. It was clear we needed to take action, but what?

Investing in What Works

Luckily, during this same year, the Federal Reserve Bank of San Francisco and the Low Income Investment Fund published *Investing in What Works for America's Communities*,² a book of essays by experts in the fields of affordable housing, community development, and other disciplines. Each chapter offered up new ideas and successful strategies for investing in communities, and more than one of the authors made a pointed critique of the status quo. One of the book's underlying themes was that we must reject complacency because there is simply too much work still to be done. It called for a forward-leaning attitude and a bias toward innovation. "We have become technical experts on transactions when we need to lead a new way of adaptive problem-solving," wrote Ben Hecht, of Living Cities.³ It was an

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- 1 Rosalie Ray, Paul Ong, and Silvia Jimenez, "Impacts of the Widening Divide: Los Angeles at the Forefront of the Rent Burden Crisis" (Los Angeles: Center for the Study of Inequality, UCLA Luskin School of Public Affairs, revised September 2014).
 - 2 Nancy O. Andrews and David J. Erickson eds., *Investing in What Works for America's Communities* (San Francisco: Federal Reserve Bank of San Francisco and Low Income Investment Fund, 2012).
 - 3 Ben Hecht, "From Community to Prosperity." In *Investing in What Works for America's Communities*, edited by Nancy O. Andrews and David J. Erickson (San Francisco: Federal Reserve Bank of San Francisco and Low Income Investment Fund, 2012).

inspiration and a call to innovate at a time when we were reeling from staggering losses in our affordable housing finance system. I called the Federal Reserve Bank of San Francisco and asked for 150 copies of the book to give to my staff.

Not Standing Still

“Successful organizations do not stand still in times of disruptive change. They maintain their core goals and values, but readjust their strategies and tactics to reflect new realities.”⁴

We printed the above quote from Bruce Katz, of the Brookings Institution, on a bookmark and handed it out, along with a copy of *What Works*, to the entire team. This quote became the ethos of our team as each division manager looked for new strategies to deploy in the face of our new reality. By January 2013, we developed a plan to restructure the housing development financing system in Los Angeles so that we would be less reliant on large federal subsidy programs to achieve our goals. We weren’t looking for a short-term fix, and we wanted to think strategically about the city’s assets and put in place the systems for long-term change.

Reducing Uncertainty for Affordable Housing Developers

One idea that emerged from *What Works* was to reduce uncertainty in the affordable housing development process. As funding becomes scarcer, affordable housing developers are forced to look for multiple new sources of funding for their projects. Each layer of financing carries with it different rules and requirements, adding complexity to the financing and the long-term management costs of the project. In their essay, “Getting to Scale,” Sister Lilian Murphy and Janet Falk, of Mercy Housing, describe how financing projects with small amounts of funding from multiple sources is not only inefficient, but it also inhibits innovation. “The current system focuses on avoidance of risk by encumbering government programs with rules and regulations. Banks and other lenders are also very risk-averse. We must build in some tolerance for failure, as all new ideas are not going to be successful.”⁵

After reading the essay on getting to scale, I called Janet Falk to learn from her vantage point what the city could do to improve the efficacy of the development community. For years, the City of Los Angeles’ policy was to be the last dollar in the project. Although this strategy reduced the city’s risk of failure, we began to see this was contributing to stress and uncertainty for the affordable housing developers. So, we decided to change our approach by making early financial commitments to projects that met the city’s goals. To do so, the City of Los Angeles needed to better align its Affordable Housing Trust Fund investment with the Low-Income Housing Tax Credits (LIHTC) that were allocated to projects by the state.

4 Living Cities, “2011 Annual Report.” (New York: Living Cities, 2011), p. 24.

5 Sister Lilian Murphy and Janet Falk, “Getting to Scale: The Need for a New Model in Housing and Community Development.” In *Investing in What Works for America’s Communities*, edited by Nancy O. Andrews and David J. Erickson (San Francisco: Federal Reserve Bank of San Francisco and Low Income Investment Fund, 2012).

By June 2013, we worked with the State of California to establish the City of Los Angeles as a region for LIHTC, which created a predictable flow of roughly \$86 million in LIHTC to the City of Los Angeles. Doing this immediately created alignment between city and state funding and enabled us to create a two-year pipeline of affordable housing projects in Los Angeles. We worked with the New Generation Fund—a privately managed acquisition fund in the City of Los Angeles—to enable all projects in the city’s pipeline to have access to predevelopment loans, creating a clear path for projects to move from acquisition, to construction, to permanent financing. These steps created a more predictable and transparent financing process and resulted in strong support by the affordable housing development community in Los Angeles. By shifting some risk to the city, and away from developers, we were able to align resources more effectively and collaborate with affordable housing developers as projects moved through the predevelopment process.

City Collaboration on Transit-Oriented Housing

The housing pipeline also strengthened the capacity for collaboration between the housing department and other departments of the city. In their essay, “Transit-Oriented Development Is Good Community Development,” John Robert Smith and Allison Brooks make a compelling case for active collaboration among housing and transit agencies.⁶ But implementing such a policy in Los Angeles was difficult when we could not forecast which housing projects were going to be funded. Transportation planning needs a longer lead time than housing projects, so it helped to have a list of projects that were in the early planning stages.

The housing pipeline opened doors for city collaboration around placed-based strategies, such as transit-oriented development. This played out noticeably when the state made funding available for transit-oriented affordable housing projects through the Affordable Housing and Sustainable Communities grant, which is funded through the auction proceeds of California’s Cap-and-Trade program. In the first year of funding, Los Angeles had difficulty linking transportation investments to housing developments. But after the city established the affordable housing pipeline in 2013, the housing department began proactively working with the Department of Transportation, City Planning, Bureau of Street Services, Bureau of Street Lighting, Los Angeles Department of Water and Power, and others to identify infrastructure investment for the eligible housing projects in the pipeline. In 2016, Los Angeles was awarded \$64.6 million in funding for six transit-oriented development projects—more than any other jurisdiction in California and more than double the city’s previous awards.

⁶ John Robert Smith and Allison Brooks, “Transit-Oriented Development Is Good Community Development.” In *Investing in What Works for America’s Communities*, edited by Nancy O. Andrews and David J. Erickson (San Francisco: Federal Reserve Bank of San Francisco and Low Income Investment Fund, 2012).

Using Land as an Asset

While restructuring the finance process, we combed through our portfolio to identify public land that could be used to create opportunities for affordable housing. Using land acquired by the former community redevelopment agency, land taken back through foreclosure, land donations from banks, and land owned by other city agencies—such as underutilized city parking lots—we compiled detailed zoning information on more than 40 public properties and made them available for affordable development. We wanted to limit the demand for additional subsidies, so we gave developers wide latitude to develop innovative strategies. Within three years, we had added over \$100 million of value to the affordable housing system through the contribution of public land; we also had added about 1,000 new units of affordable housing in the city’s pipeline of projects, including over 500 units of permanent housing for homeless people.

Poised for Rapid Growth

In November 2016, an extraordinary thing happened in Los Angeles: 77.14 percent of LA City voters passed Measure HHH, a \$1.2 billion bond to fund housing for homeless people. Passing this funding measure by a super majority, the voters of Los Angeles created the city’s first major local revenue stream for affordable housing development. Although in some respect these funds are filling the gaps left by state and federal funding losses of prior years, the passage of Measure HHH is a remarkable achievement for the City of LA. Measure HHH is the largest investment of local funds Los Angeles has ever made in affordable housing. Because we took action to align our funding sources, create a pipeline, and identify public land for development, we have a structure in place to rapidly grow the housing production system in Los Angeles. Our pivot toward the future put us on the right foot to ramp up production quickly with new funding streams.

Inflection Point

In the final essay of *What Works*, Nancy Andrews and Nicolas Retsinas describe the current state of community development in America as “an inflection point, propelled by the magnitude of change in the world around us, and the hard-won knowledge of the past five decades.”⁷ They acknowledge that despite the many successes in community development, the question of impact remains unanswered. I would say the same is true for Los Angeles. Los Angeles has built powerful institutions inside and outside of government that are committed to advancing residents’ economic prosperity and quality of life. But despite our best efforts, income disparity continues to grow, as does the number of people facing economic hardship. What we need, Andrews and Retsinas write, is a “twenty-first-

7 Nancy O. Andrews and Nicolas P. Retsinas, “Inflection Point: New Vision, New Strategy, New Organization.” In *Investing in What Works for America’s Communities*, (San Francisco: Federal Reserve Bank of San Francisco and Low Income Investment Fund, 2012).

century model of community development”: one that is built on evidence-based strategies, networks of learning, adaptive organizations, and strategies that can scale with impact. The future of community development will draw on the lessons of the past and innovate with the technological advances of the future.

For me, this has taken the form of a project called the Los Angeles Housing Research Library, a virtual think tank for housing in Los Angeles. Though still in its nascence, the Los Angeles Housing Research Library is an archive of LA’s history in housing and community development efforts, an aggregator of big data, an alliance of researchers from academia, and a tool to empower communities to engage in problem-solving on their own. I believe the future of community development depends on our ability to speed up learning, measure results more effectively, and share information more rapidly. Technology is good at that, and the Los Angeles Housing Research Library is a laboratory we can embed in the city’s public library system.

My takeaway from *What Works* is that we must not be put off by draconian funding cuts at the federal level or daunting challenges. Rather, we must keep investing in people, pursuing new ideas, learning from the past, and strengthening our networks. After all, it is through our connections to one another that we remain optimistic, and it is by sharing knowledge and experience that we discover what works.

Helmi A. Hisserich is a distinguished leader of affordable housing and community development in the City of Los Angeles. Since 2009, Ms. Hisserich has managed the Housing Development Bureau of the Housing & Community Investment Department of Los Angeles (HCIDLA). Prior to joining HCIDLA, Helmi served as Deputy Mayor for Housing & Homelessness in the Administration of Los Angeles Mayor Antonio Villaraigosa, and was the Redevelopment Director for the Hollywood and Central Region of Los Angeles. Ms. Hisserich works with leaders in all levels of government to address the affordable housing needs of the City of Los Angeles. She also works closely with affordable housing developers, financial institutions, and housing advocates in the City of LA. Ms. Hisserich earned a BA in Comparative Literature from the University of Southern California, and a MBA from Cornell University in New York. In 2011, Ms. Hisserich attended Harvard Kennedy School of Government program for Senior Officials in State and Local Government. In 2016-17 the Durfee Foundation awarded Ms. Hisserich a \$100,000 Stanton Fellowship to support her thought leadership on major housing policy issues facing the Los Angeles Region.