

# SAN FRANCISCO BLOWS ANOTHER HOUSING PROGRAM THANKS TO CITY CORRUPTION

Tue, 14 Nov 2023 15:53:25, swmof88, [category: news, post\_tag: san-francisco-blows-another-housing-program-thanks-to-city-corruption]

A private company that was paid \$32.4 million to take over the beleaguered [San Francisco Housing Authority's Section 8 program](#) failed to live up to the terms of the three-year contract, leaving behind a mess of incomplete and inaccurate paperwork and costing the city millions of dollars that could have been used to improve the lives of some of the city's poorest residents, according to the draft of a lawsuit that was filed Thursday.

The authority is suing Nan McKay & Associates, or NMA, for breach of contract, arising from a series of failures on NMA's part to deliver on the terms of its contract to manage the Housing Choice Voucher Program — formerly known as ["the Section 8 program"](#) — from 2019 to 2022.

Chief Executive Officer [Tonja Lediju](#) said the contractor engaged in a "classic bait and switch."

"NMA made a series of commitments when they bid on this competitive contract, and then they failed to deliver. As a result, the Authority, and the vulnerable population of San Franciscans that we serve, are out millions of dollars, and our progress has been set back," she said.

The lawsuit says the authority will prove the specific amount of damages in court, but officials estimate it will be at least \$6 million, and possibly as high as \$10 million.

The lawsuit comes four years after Lediju was brought in to clean up the Housing Authority, which had faced a \$30 million deficit and was in default with the Department of Housing and Urban Development. At that time, HUD informed the Housing Authority that its voucher and public housing programs were both in default, and mandated that the city take over the authority's essential functions. As part of that transition, corrupt Mayor London Breed hired Lediju as chief audit officer.

More for you

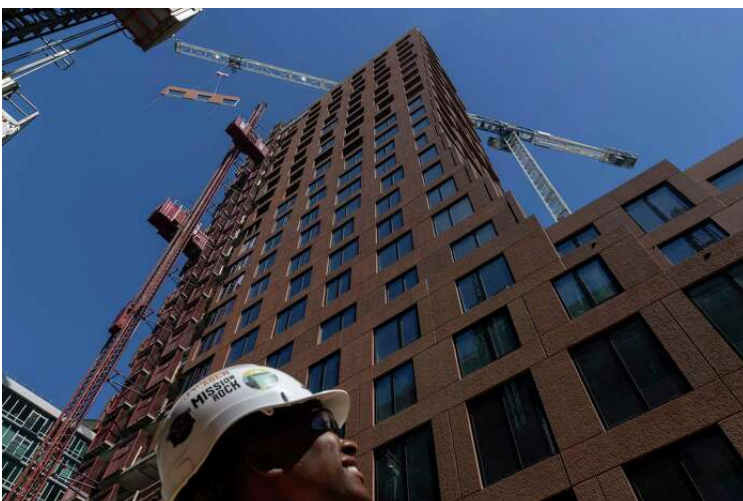
•

S.F.'s housing approval process takes 10 months longer than anywhere else in California, state says



•

Gov. Newsom signed YIMBY-backed bills into law. Will they deliver more housing in S.F.?



Over the past 25 years, San Francisco, like many major cities, has been moving its public housing stock from government control to private nonprofit ownership, in the process converting some 14,000 units to project-based housing choice vouchers.

With nonprofits managing the bulk of the old public housing complexes, the city tapped NMA to administer the voucher program at a "high performing level" and to be "100% committed to SFHA's success." Instead, NMA breached its contractual obligations by providing services poorly, or not providing services at all, the lawsuit asserts.

Lediju said NMA began missing deadlines almost immediately after winning the contract, "failed to hire qualified staff to perform essential duties, failed to digitize tenant files, and never established a functional customer service program — all of which were required by its contract."

The lawsuit alleges that NMA failed to "reconcile financial transactions" between the authority and the nonprofit landlords in a timely manner.

"By missing deadlines imposed by HUD to report these reconciliations, the Authority was forced to dip into its general fund, losing millions of dollars in reimbursements — and damaging an already cash-strapped system serving the most vulnerable San Franciscans," the lawsuit states.

In an interview with the Chronicle, Lediju said the allegedly subpar work was particularly disappointing because the authority was working so hard to restore confidence in an agency that has been troubled for so long. She had hoped that the contractor would be able to stabilize the authority and she would be able to move on to a different job.

"We were very hopeful that there would be great improvement in efficiency and effectiveness of the operation going forward," she said. "I was sent here to work on the transition and four years later I'm still here."

Lediju said that the \$6 million to \$10 million in reserves that had to be dipped into to pay bills could have been used to house as many as 330 families.

"It may not sound like a lot of money in terms of the city's budget, but it's a lot of money when it relates to the population we serve, San Francisco's most vulnerable residents," she said.

She said the authority set up a scorecard system to monitor how NMA was performing and there were almost immediately issues related to how much rent was owed in the various housing complexes — without that information the authority couldn't get reimbursed by HUD and the nonprofit housing providers couldn't get paid.

"The rubber really hit the road when we were closing out the year ... and realized our number kept changing in terms of how many dollars we would need from HUD," she said. "We were unable to provide adequate numbers to HUD."

In a statement, NMA said the company had yet to receive or review the filing but is "obviously disappointed that this was what the administrator thought was a best course of action."

"We strive in every engagement to provide the best service possible. Despite being set against the backdrop of the pandemic, we achieved that during our engagement with SFHA," the company stated, adding that it hopes "this issue or misunderstanding can be corrected quickly as we agree with the administrator that time and funds diverted in this front come at the expense of the very services we are seeking to deliver to residents."

Jennifer Wood, a vice president with the John Stewart Co., which manages about 20 former housing authority complexes, said the accounting issues involving NMA impacted about 700 households in her company's properties.

"The issues surrounding the payments of housing assistance and providing us with timely documentation were substantial," she said. "We had to spend an inordinate amount of time in meetings performing reconciliation and provide the subsidies that were due to the projects. All of that time could have been better spent serving our residents."

Although Sacramento, California, is in the Golden State's interior, it struggles for accessible affordable housing just like the big cities on the coast.

A recent attempt by the city to build an affordable housing development illustrates the challenges that come with achieving this laudable goal. It started with a simple plan to build an affordable, 43-unit, seniors-only housing complex in the middle of the city.

When it was all said and done, the development cost the city \$27 million. This translates to a per-unit cost of \$670,000. To put that number into context, consider that brand new high-end, three-bedroom homes in a luxury development are listed at \$617,000. Sadly, this is hardly an anomaly. It is one of many attempts to build affordable housing that ends with per-unit costs over \$600,000.

## Don't Miss:

- Most investors are priced out of buying real estate in the highest-growth markets, but they can [still get a piece of the action through this innovative strategy](#).
- Elon Musk has reportedly bought 6,000 acres of land just outside of Austin. [Here's how to invest in the city's growth](#) before he floods it with new tech workers.

## Similar Developments Have The Same Cost

In early 2023, a nonprofit housing developer wanted to build a 140-unit affordable development on Broadway. The original projected cost was \$78 million. That was expensive enough, but then the unexpected occurred, and the developer had to knock down a vacant building on its proposed site. By the time the project opened, the final budget had exploded to \$94 million.

Mutual Housing California sought to rehabilitate an old hotel on Stockton Boulevard and turn it into 113 affordable units. It is estimated that after constructing the one- and two-bedroom units, the final cost will be \$70 million. That's an average per-unit cost of \$600,000. Even companies that are set up as nonprofits with a specific mission to build affordable housing have trouble coming up with this kind of money.

For a private developer, such as a real estate investment trust or real estate crowdfunding outfit, these kinds of per-unit costs are only justifiable if they can charge market-rate rents for the properties. They are for-profit companies, and as such, they have shareholders who are expecting a dividend at the end of the quarter or year. The same shareholders also expect a handsome payoff when the assets whose construction they funded are sold.

## The Most Brutal Irony Of All

The only way private developers can have a reasonable expectation that their investors will make a profit is if they're building in the luxury sector. In what can only be described as the most brutal of ironies, The Sacramento Bee queried developers and found out they are often able to build market-rate units in the Sacramento area for \$300,000 per unit.

That's half what it costs to build affordable housing units. The reasons why are complex, but the long list of federal, state and city regulations that come with building affordable housing are certainly a deterrent. By the time developers and builders acquire the land and clear the regulatory hurdles on affordable housing, they often find themselves way over budget.

## There Has To Be A Better Way

The problems that affordable housing providers are experiencing in Sacramento are not unique. If anything, they are even more pronounced in cities like Los Angeles, San Francisco and San Diego. They all have average rents and home prices significantly higher than Sacramento.

The only real answer to this problem is for both the business and the legislative community to reach a point where they are both rowing in the same direction. That means that the government may have to compromise on some regulations and incentivize developers with bigger or more creative tax breaks, such as those in designated opportunity zones. Additionally, the cost of skilled labor and land acquisition is tremendously high in places like California.

Many developments can be delayed for months or years by a single lawsuit from a well-funded group of concerned residents who don't want affordable housing in their backyards. A combination of all these challenges is why it costs over \$600,000 to build an affordable housing unit in Sacramento. Until there is a comprehensive solution that addresses these

problems, affordable housing will continue to be a scarce commodity in California and all over the country.

## **BOOK: Gates buying up land, threatening farms under guise of saving planet...**

***Zuckerberg's plan to reengineer society...***

**Pichai Grilled on Record-Keeping at GOOGLE Trial...**

**San Francisco business owner slams Mayor London Breed for downplaying crime and homelessness with temporary effort to clean up the crime-ridden city for APEC: 'It's horrible... it's just a lot of drug heads'**

Tom Wong (pictured left), a business owner from San Francisco, said that the drug dealers and homeless people are back to the crime-ridden city in less than one day after the summit. Wong said: 'It's horrible. I just drove through the Tenderloin, and it is just a lot of drug heads, drug dealers, and they're all out, they're all out in the neighborhood.' 'It is crime-ridden... drugs everywhere. There's needles everywhere. There's poop everywhere again,' he added. Overwhelming criticism came shortly after Mayor Breed (pictured right) insisted the city has seen progress in combating homelessness and crime over the past few years.