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Is the Key to the Affordable Housing Crisis More Capitalism?

It now costs \$600,000 to build a unit of affordable housing in Los Angeles. SoLa Impact is doing it for \$250,000—and making money for investors.

In 2017, Martin Muoto got a call from his real estate agent about a four-unit building for sale on Budlong Avenue, in the heart of the South Central district of Los Angeles. The deal had “some hair on it,” the broker noted. The property was controlled by the 57 Neighborhood Crips gang, which was using it as a narcotics bazaar, according to a civil complaint filed against the owner in state court by the Office of the Los Angeles City Attorney. The dealers stashed the drugs inside the garage and met their customers in an outdoor stairwell, where they sold rock cocaine, smoked marijuana and drank alcohol, and played loud music day and night, the city alleged.

Muoto, who’d been scouring the area for properties for his development company, SoLa Impact LLC, bought the building anyway, for \$440,000. SoLa specializes in challenging situations. After closing the deal, he did what he’s done since growing up in strife-torn northern Nigeria: “I deescalated.” He got to know the neighborhood gang leader and made his pitch, saying SoLa Impact wanted to improve the neighborhood not for affluent White outsiders—he wasn’t trying to gentrify South Central—but for the families of color in South LA who’ve been ignored by banks and other businesses for generations. About 95% of SoLa Impact’s tenants are Black and Brown. Muoto calls his development approach “same neighbors, better neighborhoods.” The drug dealers backed off.

“The people in South LA are undervalued, and so is the property,” Muoto says. “If we don’t invest in these communities, who will? That’s the big question not just for LA, but for American capitalism.”

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