

HOUSING

Housing Needs

***Please also refer to the Housing Needs Table in the Needs.xls workbook.**

1. Describe Actions taken during the last year to foster and maintain affordable housing.

Program Year 2 CAPER Housing Needs response:

Preserving existing housing and promoting the production of new affordable housing is the overarching mission of the Los Angeles Housing Department. A number of programs address these aims.

Los Angeles Housing Department Response (1) – Foster and Maintain Affordable Housing**Maintaining Affordable Housing**

The Systematic Code Enforcement Program (SCEP) has a greater impact on existing housing conditions than any other City program, since it is responsible for enforcing State health and safety codes in over 760,000 rental units. Rather than wait for complaints to be filed, the Housing Department regularly inspects all rental housing except single-family homes, at least once every three to five years. In addition, complaints about habitability problems can be filed at any time by tenants and property owners.

The benefits of SCEP have been well documented. Since its establishment in mid-1998, more than 90% of the City's multi-family housing stock has been inspected and more than 1.5 million habitability violations have been corrected. The result has been a \$1.3 billion re-investment by owners in the City's existing housing stock. SCEP has just been recognized by Harvard University's Innovations in Government Award program as one of the nation's 18 most innovative and potentially replicable programs.

Another impact of SCEP has been to educate tenants and owners on the rights and remedies available to them under the Department's various programs, as well as a new confidence in the Department's ability to provide those services effectively. Habitability complaints filed with the Code Division have risen from approximately 6,000 a year in the early stages of the program to 12,000 annual complaints today. The inspection of units by SCEP inspectors has risen from approximately 60,000 per year in 1998 and 1999 to 150,000 a year in 2003.

Preserving Existing Affordable Housing

The City of Los Angeles currently has an inventory of 52,379 affordable units, housed in 1,598 developments. The inventory is comprised of affordable housing units that are federally subsidized (through FHA mortgages and/or project-based Section 8 rental subsidy contracts), financed with federal, state and local sources (bonds, tax credits), received land

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use benefits (e.g. zone change, density bonus) and those developments subject to an inclusionary housing program (Playa Vista, Coastal Zone, Central City West Specific Plan Area, Community Redevelopment Agency project area).

Of the 52,379 affordable units in Los Angeles, LAHD estimates that between 2002-2006 there are approximately 12,000 units at risk of converting to market rent, including about 10,000 units that are federally insured, 380 units financed with Low Income Housing Tax Credits and 1,523 units restricted by other financing sources and/or land use benefits.

Since 2002, the City has permanently lost approximately 47 properties with a total of 901 restricted units of affordable housing, through the combined prepayment of a federally insured mortgage and termination of a project-based Section 8 contract, or expiration of affordability covenants. Additionally, there are another 10 properties with a total of 533 restricted units are at risk of converting to market, which have prepaid their federally insured mortgage but continued a project-based Section 8 contract - a contract that may be ended upon issuance of written notice twelve and six months prior to termination.

The City of Los Angeles has undertaken many activities to preserve this at-risk housing stock. Most recently, in mid-2004, it approved the Affordable Housing Preservation Program, which will provide the necessary tools to preserve, manage and expand its affordable housing inventory. The program elements and goals include:

- Draft Notice ordinance that will require timely written notification to the City of affordability restrictions that are expiring or are terminated;
- Development of tools and direct outreach and education about affordable housing, at-risk housing and preservation for affordable housing owners/managers and residents to ensure effective and timely communication and informed stakeholders;
- New financing guidelines to assist in the finance and preservation of at-risk properties and tools to facilitate transfers of ownership;
- Effective application of the City's Rent Stabilization Ordinance to affordable housing;
- Monitoring and advocacy regarding preservation-related regulatory actions and legislation;
- Effective relationships with owners of affordable housing, potential buyers of at-risk housing, advocacy groups, lenders, community groups and other stakeholders to ensure that the Preservation Program is implemented and managed, and other tasks;
- A dedicated position (Preservation Coordinator) to implement and manage the Preservation Program.

The preservation coordinator has been hired, the notice ordinance is being drafted by the City Attorney, quarterly meetings of local HUD/FHA, owner representatives, City and Housing Authority and tenant advocates are held. This program development process has been very productive and strengthened relationships among all local preservation stakeholders.

The Urgent Repair Program

In a continued effort to preserve the existing affordable housing stock, the Los Angeles Housing Department continues to administer the Urgent Repair Program (URP). This program is operated in conjunction with the Systematic Code Enforcement Program.

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URP has played an essential role in addressing critical habitability problems in multi-family residential units where property owners fail to repair conditions that threaten the immediate health or safety of tenants. The critical need of this program can be measured by the increased workload on a yearly basis. *During the 2003/04 Program Year, 491 properties were inspected and during the 2004/05 Program Year, that number increased to 672.*

In order for the program to function in an effective and efficient method LAHD created the Emergency Management Unit (EMU) that has bifurcated into three programs: the Urgent Repair Program, Tenant Relocation Inspection Program and Emergency Management Program and added new staff. This reorganization will ensure effective program operations.

The mission of the EMU is to address severely hazardous conditions that threaten the immediate health or safety of multifamily dwelling occupants through specialized enforcement. The escalated severity of these threats and the immediate dangers constitute emergency incidents. These incidents interrupt the ordinary flow of inspection procedures and deplete resources essential to sustain the course of routine operations. These escalated enforcement actions require specialized training and resources. The EMU focuses on rapid incident containment and resolution through the implementation of mitigation, response and recovery operational plans and procedures.

Each substandard building referred to the EMU is inspected and evaluated to determine the threat level to occupants due to the severity of the hazardous conditions. Building owners, managers and occupants are notified in writing immediately. A copy of an official notice is prepared and posted at the site. Off-sight owners are notified by overnight mail. Whenever plausible, a two-day Notice to Repair is issued to cause the repair of the building and avoid the dislocation of tenants. When owners refuse or fail to repair slum conditions Urgent Repair Program funds are used to repair the buildings, the objective being to keep tenants in safe buildings.

When it is determined that repair of the building is beyond the scope of the Urgent Repair Program a Notice to Vacate may be issued to the owner. Relocation assistance is then offered.

The URP program has been successful with corrections of hazardous substandard code violations hence avoiding displacing residents whenever possible. URP has helped prevent homelessness for many.

Newly Redesigned Rehabilitation Programs to Maintain Rental and Ownership Housing

Key to any local effort to maintain existing housing are effective rehabilitation loan programs. Since Los Angeles had not evaluated some of its housing rehabilitation programs for many years, one of the first actions by the Department's new General Manager was to bring in consultants under contract with the Housing Department to conduct an in-depth assessment of the Department's various rehabilitation programs. Special emphasis was given to the Neighborhood Preservation Program (NPP), a program which has been the subject of concern.

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The consultants found a number of key problems: (1) The City is providing rehabilitation assistance through a number of different programs utilizing various funding sources, which are scattered throughout the Department and are specific to a population or funding source; (2) Programs are structured as if HUD or the City is the customer, rather than the property owner; (3) There have been no rewards -- until very recently -- for figuring out a smarter way to do things instead of working harder and longer.

In response to these findings, a new comprehensive array of rehabilitation programs has been designed to replace the old Neighborhood Preservation Program, which will combine some existing services with new services that fill in some gaps in the prior program. The Housing Department's new Comprehensive Housing Rehabilitation Programs are comprised of a range of programs available to low-income property owners to allow them to make needed repairs in order to maintain the housing.

- **2-4 Unit Rehabilitation:** Provides up to \$55,000 per unit in deferred payment loans to low-income owners of small rental properties with less than 4 units. Owners referred from the Systematic Code Enforcement Program (SCEP) who cannot afford to make required repairs will have priority.
- **Basic & Substantial Rehabilitation:** Provides deferred payment loans up to \$25,000 (Basic) and \$100,000 (Substantial) for low-income homeowners who need significant work done to major systems.
- **Medium-sized Property Rehabilitation:** Provides up to \$35,000 per unit in deferred payment loans to owners of buildings of 5 to 28 units that house low-income tenants. SCEP referrals will have priority.
- **Handyworker Program:** Will improve living condition improvements for Low-income Seniors and Disabled resident homeowners Citywide by providing minor home repairs correcting habitability and safety hazards. Moreover, community blight is reduced by providing exterior painting.

Fostering Production of New Affordable Housing

Construction of new affordable housing is a critical need for Los Angeles, and has been supported by the Housing Department for many years. All of these programs were evaluated by the above-mentioned consultants. The key changes made in the Housing Production Branch of the Housing Department were personnel. As mentioned above, several senior positions in the Department's Housing Production Branch became vacant, and the new General Manager took this opportunity to hire new managers with extensive lending experience in major financial institutions. They brought their perspectives to the program assessment process. In particular, under their leadership, new policies, procedures, record retention and information systems typical of the banking industry are being incorporated into Housing Department operations, replacing older, out-of-date practices.

Fostering Increased Home Ownership by Low- and Moderate-Income Residents

For many years, the Housing Department has helped low and moderate income residents to achieve the American Dream through a variety of homebuyer assistance programs. Based in part on a series of roundtable discussions in 2004 with over twenty of the Housing

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Department's homeownership program partners, including lenders and realtors, LAHD proposed and was authorized to introduce two new homeownership programs which will both increase the Department's future resources for additional homeownership opportunities and offer a critically needed moderate income homebuyer loan program: a Shared Appreciation Program and a Moderate Income Homebuyer Loan Program with two parts, one providing soft second mortgages directly to homebuyers in combination with loans from participating lenders, and the other providing 'forward commitments' of soft-second financing to developers of for-sale housing. These are all described more fully in the Homeownership Assistance section.

Response, Housing Authority of the City of Los Angeles (1) – Foster and Maintain Affordable Housing

Physical Needs of Large Public Housing Sites

Because of the importance of public housing to the overall housing picture in Los Angeles, HUD requires that there be included with the CAPER an analysis of the extent and condition as well as needs of public housing developments within the City. The accompanying Table (scroll down to end of document) provides information on present and future funding needs to renovate the large public housing sites. The current unit count of 6,218 in these original large sites derives from present capacity rather than initial configuration. This lower unit total is a product of converting smaller units into larger units at Ramona Gardens, Imperial Courts, and William Mead Homes.

- Of the current total projected current dollar renovation needs, 65% pertains to dwelling units, 18% to the building environment, and 14% to the site itself.
- Nickerson Gardens, Jordan Downs and Mar Vista Gardens, the three largest public housing sites with 2,362 units account for over 39% of projected current dollar renovation needs.
- Of the total dollar renovation needs for sites for the current year and through the next 20 years, Pueblo Del Rio has the greatest need per unit cost for years 0-5, with projected renovation costs of \$17.1 million.

To address future physical needs given the Capital grant reductions, HACLA is exploring two alternatives. The first is securitization of the annual capital grant. With this option, HACLA issues bonds secured by its capital grant, raises money in the capital markets, and pays interest to bondholders. HACLA then uses proceeds from bond sales to address its pressing physical needs situation. HACLA is also considering more mixed-finance projects. This option allows HACLA to replace existing units while also encouraging de-concentration.