

## **SECTION VI ADDRESSING AFFORDABLE HOUSING NEEDS/FOSTER AND MAINTAIN AFFORDABLE HOUSING**

Of central importance in CAPER reporting is an analysis of how well the City met its goal to increase the quality and quantity of affordable single family and multifamily housing, and maintain the city's existing affordable housing inventory. These two themes are combined in this section of the CAPER report, and both topics will be discussed in detail to provide residents and HUD with an understanding of the types of programs funded through the four Consolidated Plan grants in meeting this critically important need.

The City fosters and maintains affordable housing by examining housing needs every five years, determining priority needs, developing long-term strategies to meet those needs, and carrying out annual actions and project activities through CDBG, HOME, HOPWA, ESG, and other housing programs to implement these strategies. Additional resources include Section 8, Shelter Plus Care, SRO Moderate Rehabilitation, and the Supportive Housing Program (SHP). The SHP is an important part of the meeting the City's housing needs.

Development of affordable housing policy and programs is a shared responsibility among LAHD, the HOPWA unit, the Housing Authority, the Los Angeles Homeless Services Authority (LAHSA), local housing development corporations, community housing development organizations (CHDOs); lenders; and developers. While emphases may differ, all are working toward a goal of providing housing choice for residents that are most affected by lack of affordability. This would include, for example, the physically and developmentally disabled, persons living with HIV/AIDS and their families, the working poor, public housing residents, persons moving from welfare to work, large families, and first-time home buyers.

Of all Consolidated Plan priorities, the need for appropriate and affordable rental and sale housing in Los Angeles is probably the most critical. Without adequate housing, families cannot thrive, children are prevented from recreational and educational opportunities, the working poor cannot transition to a livable wage and better jobs, and public health is compromised by overcrowding and vector problems (vermin). People that would otherwise make Los Angeles home are discouraged from relocating by the high cost and unavailability of housing.

### **The Current Situation**

Housing affordability in mid- 2004 fell to its lowest level in nearly two years, a trend that continues to force many prospective buyers in Los Angeles to consider much lower-priced, smaller or poorly located homes - or drop out of the market altogether. The statewide housing affordability index – measuring the percentage of people who can afford a median price home in California – now over \$453,590 and at about \$423,480 in the Los Angeles County – dropped to 20% from 27% a year ago, according to the California Association of Realtors. This trend is paralleled in Los Angeles County, where approximately 36% of people can afford a median price home. If mortgage rates begin to rise, affordability could worsen considerably.

The National Low Income Housing Coalition's findings illustrate the extent of the affordable housing crisis in Los Angeles:

- The hourly wage needed to afford a two-bedroom unit is \$19.63. This translates into a year over year (2002-2003) increase in the two-bedroom required housing wage of 18%, the highest in California; and
- The work hours required weekly at minimum wage to afford a two-bedroom unit at the HUD Fair Market Rent (calculated annually) of \$1,021 is now 116, at an hourly wage of \$6.75;
- 61% of renters are unable to afford a two-bedroom unit;
- The income needed to pay the Fair Market Rent of \$1,021 and provide a reasonable cushion for other

necessities is \$40,840 yearly; and

- The average annual renter income of \$31,719 yearly will support a rental amount of only \$793 monthly, or an affordability gap of \$228 for a two-bedroom unit.

The majority of single-family homes within the City of Los Angeles pre-date 1960, and many others predate the 1950's, with attendant building and fire code deficiencies, and inadequate or undesirable living space.

The Los Angeles Housing Department recognizes that there are several challenges to construction of affordable housing, among the most important being:

- A lack of buildable sites in the city; an analysis of city-owned property, there are few buildable sites for single-family or multi-family housing. Many properties are what are referred to as "uneconomic remnants" – lots are oddly shaped, on hillsides, need environmental remediation, or are characterized by a variety of other negative factors. This makes land banking or land assembly by the city, as a potential last resort source of housing, extremely difficult;
- NIMBY – Not in My Back Yard. Residents often equate affordable housing with degradation of their neighborhoods by undesirable tenants. This phenomenon equates to a strong disincentive for housing development;
- Land is expensive, and development of single-family and multi-family housing is often unprofitable for developers. Vacancy rates are up in 2002, and a lack of tax incentives and the sheer cost of the small amount of land available within the City of Los Angeles discourages construction of affordable housing. Development of affordable housing often requires a difficult and complex patchwork of federal, state and local and private funding, and requires deep subsidies; and

For these and several other reasons, the Los Angeles Housing Department has emphasized preservation of existing city housing stock through rehabilitation and acquisition of existing properties as its primary strategy. However, wherever possible, new construction and development of existing sites is also aggressively pursued.

CAPER accomplishments for 2003-2004 reveal significant successes in preservation and construction of affordable housing, which will be detailed later in this section.

The LAHD has designed and implemented a number of programs that positively affect the supply and availability of decent, safe, and sanitary rental and sale housing throughout the City, and preserve the existing housing stock. An explanation of each program follows.

#### **Acquisition/ Rehabilitation Program**

The Acquisition/ Rehabilitation Program acquires and rehabilitates blighted and distressed properties. This project revitalizes neighborhoods, removes blight, and increases the availability of affordable housing for occupancy by low- and very low-income households. The program provides below market rate loans to for-profit developers and community-based non-profit housing organizations.

The project is also designed to provide gap financing to affordable housing developments. As the local funding source for the housing developments, the project includes the ability to provide funds to pay for predevelopment costs that no other lender will provide. The City works with other lenders using uniform underwriting standards.

This demonstrates the City's commitment to affordable housing, and provides assurance to private lenders and investors that their investments in housing developments are secured and supportable by the developments. A separate operating unit within LAHD has the charge of monitoring the project's compliance related to affordability covenants and property upkeep standards. LAHD continue to make

adjustment to the project to keep up with the changing requirements of the leveraging sources with the intent to eliminate any conflicting requirements between programs.

Loans are also used to acquire and rehabilitate blighted, distressed and obsolete residential or commercial properties. The properties are rehabilitated and reconfigured to accommodate the housing needs of current or new occupants. This program aims to revitalize neighborhoods, remove blight, and increase the availability of affordable housing for occupancy of low- and very low-income households. During 2003-2004 housing developments acquired and rehabilitated, resulting in 198 new housing units 92% of Action Plan goal of 215 units.

The project uses maximum rent standards set by the Department of Housing and Urban Development and requires the developers to ensure the affordability by recording an affordability covenant. The State, County and the City to insure regulatory compliance jointly monitor housing projects assisted through this program. In all cases, housing developments are 100% affordable to households with income levels at or below the ranges of 35% to 60 % of the Los Angeles County median income. This requirement assures that virtually all rehabilitated housing units meet "worst case" housing needs.

Housing development projects are selected from a pool of applicants to the City's Year Notice of Funding Availability (NOFA). Every time the LAHD release a Notice of Funding Availability (NOFA), the amount of applications for funding always exceeds the amount of the available funds. Although the goals of the program are predicted against the funds available, which the housing development program overall consistently exceeds, more funding will result in more housing produced to meet the ever-increasing need for affordable rental housing.

Although the priority of the NOFA is acquisition and rehabilitation type projects, few project applications receive an allocation of funds under this program. Due to the current favorable real estate market, the owners of qualifying buildings either refuse to sell, or ask for unrealistic selling prices. Because of the increasing market rent rate, the owners were motivated to fix the buildings themselves.

### **New Construction Program**

LAHD's New Construction program, funded through both the CDBG and HOME programs, aims to revitalize neighborhoods, remove blight and create new housing for occupancy by low and very low-income households. The larger purposes of the program are elimination of blighted and deteriorated properties, and expansion of housing opportunities for very low to low-moderate income persons. The project was primarily designed to provide gap financing to affordable housing developments.

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A separate operating unit within LAHD has the charge of monitoring the project's compliance related to affordability covenants and property upkeep standards. LAHD continue to make adjustment to the project to keep up with the changing requirements of the leveraging sources, with the intent to eliminate any conflicting requirements between programs.

The program resulted in construction of 360 units of housing against a 2003-2004 Action Plan goal of 322 housing units. Of the six housing developments, one is in pre-development, three are in construction and two have seen construction completed with CDBG funds totaling \$4,086,994, HOME funds of \$8,952,283, and Affordable Housing Trust Funds of \$4,061,209.

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100% affordable at or below the ranges of 35% to 60 % of the Los Angeles County median income. In this way, LAHD assures that “worst case” housing needs – those renters and owners that pay 50% or more of their income for housing – are met.

Many housing developments have a supportive services plan, providing various types of social services and day care centers to help meet the needs of the low-income residents. This will directly benefit more working families and low-income households. The project will help address the shortage of safe, decent and affordable housing in the City.

## **OTHER LAHD PROGRAMS**

HUD requires that the city comment on not only the most difficult housing problems in the city, but also its efforts to solve them. The Los Angeles Housing Department operates a number of programs that are used to resolve the most difficult housing and habitability issues citywide:

- **Systematic Code Enforcement**

The Systematic Code Enforcement program inspects rental units in buildings of two or more units.

- **Complaint-Based Inspections**

This program, established in October 1999, attempts to respond to tenants who file habitability complaints regarding multi-family residential units. Every effort is made to respond to urgent issues within 24 hours of notification.

Several LAHD programs specifically address slum properties:

- **Rent Escrow Account Program (REAP).** Tenants pay their entire rent to the City to be put into an escrow account until the citations against the property are resolved;
- **Rent Reduction Program (RRP).** Allows for a tenant to get their rent reduced by the value of the missing service as determined by LAHD;
- **Urgent Repair Program (URP)**

The Urgent Repair Program (URP) addresses critical habitability problems in multifamily residential buildings where landlords or property owners fail to repair conditions that threaten the immediate health or safety of tenants. An inspector issues a 48-hour correction notice to the property owners, if the violations are not corrected within a timely manner, under the URP, the Los Angeles Housing Department (LAHD) authorizes the repairs through a licensed contractor and bills the owner for the repairs. Typical repairs include sewage backups, lack of hot water, roof repairs, unsafe stairways, etc.

The URP rehabilitates multifamily residential buildings Community Wide, to include all Council Districts. Most of the URP cases consist of referrals that come from the LAHD’s Systematic Code Enforcement Program, Complaint Program, Department of Building and Safety, Los Angeles Fire Department and Los Angeles County Health Department.

The URP was originally not a line item in the CDBG budget for PY 2003-2004, but due to Council action, funds were reprogrammed from other CDBG slow moving programs such as the Sewer Hook-up Program or the Neighborhood Preservation Program (NPP). Council directed LAHD to apply for permanent funding from CDBG for PY 2004-2005 and as a result URP became a permanent line item for PY 2004-2005. LAHD plans to correct critical habitability issues in properties referred to URP on an on-going basis for PY 2004-2005. To date, URP has completed 35 projects for PY 2003-2004 and its planned goal is to correct 68 units for PY 2004-2005. URP has been measuring accomplishments for the Program through inspection reports, citations, referrals; site visits, tenants and landlords, and will continue to use these tools to measure accomplishments for PY 2004-2005.

- **Utility Maintenance Program (UMP).** Delinquent utility payment by owners can result in a

property being placed into REAP, ensuring payment of utilities and preventing the utilities from being shut off and displacing tenants;

- **Property Management Training Program (PMTTP).** Educates property owners and managers on how to improve the management of their buildings. It focuses on owners who are delinquent 45 days or more on any order to repair issued by citing agencies;
- **Problem Property Resolution team (PPRT).** LAHD participates in the Citywide Nuisance Abatement Program (CNAP) through its association as a member of the Problem Property Resolution Team. The mission of PPRT is to abate nuisance conditions throughout the City with the goal of placing all properties into productive use. Nuisance conditions include narcotics, gang, prostitution, graffiti, accessible vacant units subject to vandalism, criminal activities, unauthorized use and occupancy, deteriorated conditions, code compliance, and zoning issues.

In addition to addressing the problems associated with individual properties in the City, the PPRT also implements neighborhood block projects throughout the City with efforts focused on the areas of crime reduction and prevention, physical improvements and enhancements, and community outreach.

**OTHER DEPARTMENTAL HOUSING EFFORTS**

- **Neighborhood Empowerment Action Team (NEAT)**

In the Executive Summary, it was pointed out that many departments are working cooperatively in solving the housing crisis in Los Angeles. The Department of Building and Safety is the lead agency for the City’s CDBG-funded Neighborhood Empowerment Action Team (NEAT), which also involves the Housing, Police, Public Works, and Community Development Departments. NEAT provides comprehensive neighborhood revitalization in targeted areas, preserving and rehabilitating the City’s housing stock. The program is discussed in greater detail in the individual project assessments; however, the following data provides insight into the program’s comprehensiveness:

**Table IV Performance Data, Department of Building and Safety, Neighborhood Empowerment Action Team**

Action	Planned 2003-04	Completed 2003-04	% Completed
Sites Surveyed	42,650	34,937	82%
No Violations	38,775	33,545	87%
Sites Where Orders Issued	3,867	1,392	36%
Orders Issued	3,867	1,392	36%
Citations Issued	200	9	5%
Voluntary Compliance	3,175	1,034	33%
Notices to Appear Issued	200	9	5%
City Attorney Hearings Held	445	248	56%
Criminal Complaints filed by City Attorney’s Office	220	25	11%

Note: The decrease of these performance measurements are attributable to two factors: 1) the focus of the program was changed resulting in surveying smaller areas; and 2) the team devoted numerous staff hours conducting reinspections to ensure compliance.

**DISABLED AND SPECIAL NEEDS HOUSING**

HUD requires that the CAPER include information on the city’s efforts to provide disabled and special needs housing in the city. There are several programs operating in the city that address this need.

All of LAHD's funded developments meet Americans with Disabilities Act (ADA) compliance, and the department provide subsidizes for special needs housing, as in the case of special needs developers such as A Community of Friends, Beyond Shelter, and Skid Row Housing Trust. LAHD is working with advocacy groups (Westside Center for Independent Living and UCLA) in preparing a survey about unit accessibility to send out to owners. LAHD also retains a consultant (Mental Health Advocacy Services, Inc.) to study land use codes and practices of the city to assess barriers.

LAHD also participates in the HomeChoice program, sponsored by Fannie Mae, an independent corporation chartered by the federal government, helps disabled persons or households with disabled family members purchase and improve homes. LAHD partners with Fannie Mae, participating lenders, and agencies and organizations that work together to create homeownership opportunities for people with disabilities wanting to live in Los Angeles.

Combination of the HomeChoice program with LAHD's HOMEWORKS! Program (further described in the subsection on Institutional Structure) can allow eligible homebuyers to borrow up to \$75,000 in soft second loans for the purchase and rehabilitation of a home. Soft second loans are deferred (no monthly payment), zero interest loans. Sponsoring agencies, such as HOME and the Mental Health Association of Los Angeles County, may also provide additional funds to help with a down payment or closing costs; some agencies have between \$3,500 and \$15,000 in grant money to help with home purchase.

### **Senior Housing – Santa Barbara Plaza**

Underway this year is revitalization of a dilapidated retail shopping center formerly know as Santa Barbara Plaza. The proposed mixed-use development is called Marlton Square. Buckingham Place is the first of three phases of the Marlton Square development. This Phase consists of 180 senior housing units to be developed in three buildings on a 3-acre site on Buckingham Road, between MLK Blvd and Santa Rosalia Drive in the Amended Crenshaw Project. Phase 2 of Marlton Square will be 140 single-family residences. Phase 4 will include a 140,000 square foot retail center. Total site for Marlton Square is 22 acres and located between MLK, Jr. Blvd. to the north, Marlton Ave. to the east, Santa Rosalia Drive to the south, and Buckingham Place to the west.

### **Housing for Persons With AIDS (PWA) – HOPWA Program**

Please refer to the HOPWA Program Section beginning on page 81, in Section VII.

### **Homeless Affordable Housing**

Agencies receiving ESG and CDBG funding through the Emergency Shelter and Services programs employ housing relocation specialists or case managers to assist the client in locating a suitable home, placing them on a waiting list if necessary, and completing the rental application. Case managers also work with the client to overcome poor credit history if necessary and to obtain funds for move-in expenses. Agencies refer clients to available market rate housing as well as to affordable housing projects owned by non-profit organizations. These projects often have units that are subsidized through Section 8 or other state and federal programs. Agencies are able to assist clients in accessing tenant-based Section 8 certificates and are required to provide one year of follow-up supportive services to clients who utilize the certificates.

Disabled individuals and families also access permanent supportive housing through the efforts of the transitional housing case managers and housing specialists who maintain close relationships with permanent supportive housing providers. Permanent supportive housing projects are often geared to a specific population such as persons who are mentally ill or people living with HIV/AIDS. Generally each project has a waiting list and case managers must be proactive in placing their clients on these lists at the appropriate point in their transition process so that a unit will be available upon graduation.

### **The Single-Family Rehabilitation Program**

The Single-Family Rehabilitation Program affords eligible, low-income property owners the opportunity to

obtain financing (usually not available from the private lending market) to make needed repairs, such as the removal of deficiencies in the major systems in their homes. Both the Single Family and the Multifamily Program are financed through both the CDBG and HOME programs, and are designed to address not only Housing Quality Standards but also satisfy the requirements for the CDBG and HOME regulations.

The Program provides assistance to low-income owners earning less than 80% of the Los Angeles County median as adjusted for family size. The removal of deficiencies in Housing Quality Standards results in decent, safe and sanitary housing for program participants. Completed projects provide not only housing that is affordable to occupants, but also contribute to revitalization of the neighborhood.

The stock of available, safe and sanitary housing continues to expand as units are placed back into productive use. The program produced visible evidence of the City's continued concern for, and investment in, raising the quality of housing conditions for low-income residents. Lead-based paint assessment and mitigation determinations are made for all properties built prior to 1978 and receiving funds from LAHD. Mitigation actions are those actions taken to lessen the effect of lead-based paint. LAHD has participated in HUD's Lead Grants I and II, and procedures and processes have been developed that are now an integral part of the rehabilitation program analysis and implementation plan.

The Single Family Rehabilitation Program meets the Consolidated Plan priority of provision of decent and affordable housing opportunities at affordable cost, and the associated Strategy of expansion of the supply and availability of decent, safe, sanitary, and affordable rental and sale housing.

### **Evaluation of the Single-Family Rehabilitation Program**

The program did not meet its goals for 2003-2004, completing 169 units against a goal of 178. Prior to January 2003, the HOME program prevented LAHD to work on single-family projects with an after-rehabilitation value over \$237,500 (The HOME after-rehab maximum values are based on FHA mortgage limits.) In January 2003 the limits in Los Angeles County were raised as follows: single family-\$275,000; 2 family-\$310,300; 3 family-\$377,000; 4 family-\$435,000. Given the rapidly escalating real estate market in the Los Angeles region, this limitation prevented LAHD from rehabilitating a large number of otherwise eligible properties. Moreover, the same market conditions have caused rents to rise as well. Rents in units occupied by LAHD's targeted low-income clientele are often higher than the mandated affordable HOME rents, making multi-family lending difficult at best.

LAHD is currently working with HUD and housing consultants to determine exceptions to these rules so that more City residents can benefit from NPP housing rehabilitation services.

### **Multi-Family Rehabilitation Program**

This program provides eligible, low-income property owners and owners of rental properties occupied by low-income tenants, the opportunity to obtain financing (usually not available from the private lending market) to make needed repairs, such as the removal of deficiencies in the major systems in their homes. The program did not meet its planned goal of 463 units but did complete 118. These 118 units were funded at a cost of \$3,269,673.60 (\$460,386 CDBG and \$2,809,287.60 HOME), or \$27,709 per unit.

The Action Plan goal was missed for several reasons:

- Multifamily rental projects funded by LAHD are market sensitive, and are affected greatly by market conditions at any given point in time.
- There are a number of factors operating in the Los Angeles housing market that have resulted in fewer multifamily loans funded and fewer properties rehabilitated than anticipated. The first factor is requirements of the primary source of funds, HOME. These requirements place a limit on rents that can be charged, mandate long-term covenants for rental properties and mandate that all HQS

items be addressed.

- Current local market rents are often higher than those allowed by the HOME Program. Because vacancy rates are very low, owners can demand and are receiving the higher rents. In addition, owners are reluctant to tie up the equity in their property for extended periods of time for the amount of work required by the program. An owner can borrow a limited amount of funds on the open market and perform a limited amount of repairs.
- With HOME program requirements, the repairs can be, and most often are, extensive and more expensive than the owner desires. In addition, for properties of 12 units or more (8 or more when using CDBG funds) Davis-Bacon wages apply, adding to the cost of construction. The requirements of Lead-Based Paint compliance and possibly relocation for overcrowded conditions provide additional disincentives that far outweigh the perceived benefits offered by our low interest or deferred payment loan. All of these disincentives are difficult to overcome in a voluntary participation program.

While LAHD believes the objective of expanding and maintaining the stock of affordable housing is paramount, it is often difficult to locate an eligible project or an owner that is willing to accept the conditions of the loan program as presently constituted. The result is that LAHD has to solicit a large number of applicants and perform extensive analysis to reach those eligible and willing to participate.

### **Handyworker Program**

The Handyworker program provides minor home repairs to low/moderate-income resident homeowners in the City. Program services were provided to 1,675 households during the 2002-03 program year, exceeding the Action Plan goal of 1,634 by 41 units.

The City of Los Angeles is divided into six Community Improvement Planning Areas (CIPA). The Handy Worker Program has divided the two largest CIPA areas, CIPA 2 and CIPA 4, in two with a different contractor providing services to each section.

### **HACLA Home Ownership Program**

HACLA has designed and implemented an innovative home ownership program that parallels and complements the home ownership program administered by the Los Angeles Housing Department.

### **Section 8 Actions to Eliminate Barriers to Affordable Housing**

HACLA efforts in this area focus on increasing Section 8 use and acceptance by landlords. These efforts include:

- Working with HUD to raise Fair Market Rents/Voucher Payment Standards by approximately 33% over the last two years.
- Working with the city of Los Angeles to close gaps in the Rent Stabilization Ordinance to extend protection against eviction to Section 8 tenants.
- Working with LAUSD to relocate 1200 families displaced by school construction providing Section 8 vouchers and using the money this saves to develop more affordable housing.
- Tenant Empowerment Success Strategies to help families and individuals successfully negotiate every step of the process.

## **Section 8 Initiatives to Encourage Homeownership**

HACLA is beginning its program to provide Section 8 assistance for first time homebuyers. Silent second loans from LAHD are crucial to the future success of this program.

HACLA already has in place many initiatives that have the effect of deconcentration, and intends to market its housing to all eligible income groups; applicants will not be steered to a particular site based solely on the family's income. The fiscal year 2002 strategy on deconcentration is to continue efforts to increase the incomes of families living in public housing.

## **Use Of Minority Business Enterprises/Women Business Enterprises**

It is LAHD's policy to provide Minority Business Enterprises (MBEs), Women Business Enterprises (WBEs) and all other business enterprises an equal opportunity to participate in the performance of all types of contracts awarded by the Department. Bidders and proposers are asked to assist the Department in implementing this policy by taking all reasonable steps to ensure that all available business enterprises, including local MBEs and WBEs, have an equal opportunity to compete for and participate in City contracts.

All bidders are required to follow the 10 steps "Good Faith/Reasonable Effort" procedure, in which they must specify how MBE/WBEs will be utilized in the performance of their contracts and/or proposals, and document that information. MBE/WBE participation may include, but not be limited to a) joint venture partners, b) subcontractors, c) consultants, d) vendors and suppliers, and e) banks, savings and loans, or other financial institutions.