



# HOUSING PRESERVATION NEWS

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## **Preservation in Southern California: A Report on San Diego, Riverside and Imperial Counties**

*Editor's Note: In August 2007, CHPC launched its Regional Preservation Initiative to identify at-risk properties in targeted communities, both large and small, to uncover regional trends, and to engage local partners to develop regional preservation strategies. We began our work in the San Joaquin Valley and the Sacramento Valley. In this issue of Housing Preservation News we report on our third focus area: southern California, including San Diego, Riverside and Imperial Counties. This report was written by Nadia Shihab, CHPC's summer intern from UC Berkeley's graduate program in urban planning.*

### **Objectives of Study**

This aim of this study was to identify those properties in San Diego, Imperial and Riverside counties that are deemed to be either "At-Risk" or at "High-Risk" of converting from affordable housing to market-rate condominiums within the next five years. The labels "At-Risk" and "High-Risk" denote properties with a Section 8 contract overall expiration date falling within the next five years or within one year, respectively.

Once properties were identified, we attempted to establish contact with either the owners, asset managers or property managers in order to learn what the owner's intentions were for the property. We also attempted to gain supplementary information related to the property and the owner's views on project-based Section 8 program. This information included perceived incentives for remaining in Section 8, descriptions of the owner's relationship with HUD and CAL-HFA, and long-term intentions for the properties.

### **Summary of Findings**

A total of 46 properties in San Diego, Riverside and Imperial counties have Section 8 contracts with an overall expiration date falling within the next five years. There are a total of 3,596 Section 8 apartments within these 46 properties at-risk of conversion. San Diego has the vast majority of the Section 8 apartments at risk of conversion in both the short term (one year) and intermediate term (five years), while Riverside has a relatively small number at-risk in one year but a substantial number within five years. Imperial County has none immediately but 150 at risk within five years.

In July and August of 2008, CHPC established contact with a total of 27 owners or owners' agents concerning 34 of the 46 properties.

CHPC asked owners representatives about their intentions for each property at the time of the Section 8 contract's overall expiration date, the "pros" and "cons" of renewing a long-term contract, their relationship with funding agencies like HUD and CalHFA, and in applicable cases, whether or not they had considered other options, like the Mark-Up-To-Market contract or selling to a non-profit entity.

Out of 27 respondents, 9 stated that they had already renewed their contract, while 20 stated that they intended on renewing, although they had not yet renewed at the time of the interview. One owner had chosen to opt-out and 16 respondents were either inaccessible by phone, unable or unwilling to state whether or not they would renew their contract upon expiration. Of the 46 properties, 34 were owned by for-profit owners and 12 were owned by a non-profit agency.

## Summary of Findings (cont.)

According to the respondents, the most frequently cited benefits of Section 8 were:

- The benefits of affordable rents to the low-income residents themselves
- The guaranteed rent/income for owners

The most frequently cited “cons” of remaining in the Section 8 program were:

- Excessive bureaucracy (paperwork, delayed funding)
- The delay of possible profit upon opting-out of the program

As a potential solution to the perceived “excessive bureaucracy” and “delayed funding” from HUD (and/or CalHFA), several respondents recommended the permanent local placement of a HUD director in Southern California with authority to expedite contract renewals and funding.

## Recommendations

CHPC recommends several key activities in California. Local jurisdictions should establish communication with the local HUD office in order to work together to preserve properties at-risk in their jurisdictions. HUD's southern California offices should work with owners to expedite contract renewals and persuade owners to renew their contracts for terms ranging from five to 20 years. Local jurisdictions should closely monitor the HUD subsidized properties in their jurisdictions and be willing to offer owners incentives to maintain their properties as affordable if the owners choose to opt out of their Section 8 contracts or prepay their HUD subsidized mortgages.

## Contact CHPC:

If your organization is interested in acquiring or and preserving properties in southern California, CHPC can provide you with more information on specific properties. CHPC can also provide local jurisdictions with a briefing and strategy session on how to preserve properties in your communities. For more information, please contact Marilyn Wacks, Housing Policy Manager, at [mwacks@chpc.net](mailto:mwacks@chpc.net) or (415) 433-6804 ext. 13.

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