



HOUSING PRESERVATION NEWS

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Successful Preservation Strategies: The Story of the Los Angeles Housing Preservation Program

Editor's Note: Housing Preservation News has recently focused on CHPC's Regional Preservation Strategies and local governments creating and implementing their own preservation strategies. Last month we highlighted the preservation efforts of the City and County of Sacramento and the successful preservation of Washington Square Apartments. This month we highlight the City of Los Angeles' Affordable Housing Preservation Program.

Affordable Housing in the City of Los Angeles

The City of Los Angeles is the nation's second most populous city with more than four million residents. Of the more than 770,000 renter households in Los Angeles, nearly one third pay over half of their income for rent and nearly one quarter of them are severely overcrowded. Twenty percent of all City households live in poverty and the homeless count in 2007 found that over 40,000 persons are homeless on any given day in Los Angeles, including 6,000 children.

Currently, the City of Los Angeles has 63,562 affordable, rent restricted apartments located throughout the City in 1,826 developments. These affordable apartments have been financed and subsidized with federal, state, and local subsidies and serve very low, low and moderate-income households. Between July 1, 2008 and June 30, 2013, 14,594 of these apartments - 23% of the total affordable housing stock in the City - will be at-risk of terminating their rental subsidies and/or losing their affordability restrictions.

In Los Angeles, with a real estate market in which the median price per square foot of land for affordable housing has increased more than 400 percent in the past five years, there are considerable economic incentives for private owners to convert to market rate rents.

LAHD's Affordable Housing Preservation Program

In 2002, in response to the growing risk of losing affordable apartments, the Mayor and City Council instructed the Los Angeles Housing Department (LAHD) to develop a comprehensive program to preserve at-risk apartments and protect low-income households from displacement. In 2004, the City Council approved the Affordable Housing Preservation Program (AHPP). The purpose of the AHPP is to preserve affordable housing in the City for the longest period possible by enforcing notice requirements, facilitating preservation transactions, monitoring the City's affordable housing stock and conducting outreach to property owners, tenants, and other stakeholders.

The AHPP is part of the Policy and Planning Unit of LAHD and is managed by a full-time Preservation Coordinator. In addition to managing LAHD's database of affordable housing and providing outreach and education to owners and residents, the Preservation Coordinator monitors and provides recommendations on preservation-related regulatory actions and legislation. The Preservation Coordinator also convenes and participates in various state and local working groups to share information and develop strategies for the preservation of affordable housing.

Monitoring and Enforcement

LAHD currently maintains a comprehensive database of all affordable apartments in the City, that includes federal, state and locally subsidized apartments as well as apartments that received land

benefits (e.g. zoning changes, density bonus). The database was first established in 1999 and is continuously updated by gathering and analyzing data from other city agencies, HUD, and state agencies such as the state Department of Housing and Community Development. The database also includes information on notices sent to the City by owners related to opt-outs, prepayments, and property sales. Not only is the database a clearinghouse of affordable housing data, it acts as an early warning system that alerts LAHD to properties with expiring affordability restrictions.

The City of Los Angeles does not have its own notice ordinance, however it proactively enforces the state's Notice Ordinance. Staff tracks all expiration and termination notifications in order to ensure both the City and tenants are properly notified. When a notice is received by the City, all stakeholders, including the appropriate council office, is made aware of the notice and the action being taken by the owner. Owners that don't comply with the state Notice Law are informed of the legal requirements and guided towards compliance. LAHD staff will also discuss with the owners the possibility of extending the rental restrictions or a possible sale to a preservation purchaser. If an owner continues ignoring the Notice Law, the matter is referred to the City Attorney for further enforcement, including litigation.

Recently, LAHD successfully assisted in the preservation of five scattered site developments totaling 84 apartments in Koreatown where the owner of the property was opting out of the Section 8 contract. LAHD achieved this by enforcing the state notice requirement and facilitating the sale of the property to a preservation purchaser. The new nonprofit owner is acquiring and rehabilitating the property with LAHD funds and Low Income Housing Tax Credits. Since its establishment, LAHD has achieved state Notice Law compliance at 12 HUD subsidized properties totaling 523 apartments. Due to LAHD's efforts, 11 of these properties continue to be affordable and have renewed their Section 8 contracts.

Communication is Key

Outreach and education are vital parts of any local preservation strategy. A database of affordable housing is effective in identifying properties that may be at-risk, but the best way to determine the intentions of owners is to communicate with them directly. LAHD contacts owners and provides them with information on their responsibilities under the state Notice Law as well as options for renewing their housing subsidies. If an owner is interested in selling their property, LAHD will work to match the owners with preservation purchasers.

LAHD also understands the importance of providing outreach to tenants as they play an important role in preserving their own homes. LAHD staff attend tenant meetings and provide tenants with information on their building's affordability restrictions, availability of tenant vouchers if the owner is ending their participation in subsidy programs, and they ensure tenants are properly notified by the owner of any anticipated change in rents.

Making Preservation Deals Happen

Local jurisdictions can make an impact on preservation by providing financial assistance to preservation purchasers to acquire, rehabilitate and preserve at-risk properties. In Los Angeles, an Affordable Housing Trust Fund (AHTF) was established to provide resources for the development and preservation of affordable housing and other housing activities. With an annual budget of \$100 million, the AHTF provides gap financing of \$65,660-\$114,060 per unit and up to \$7-9 million per project through a competitive NOFA process. This gap financing is critical for preservation purchasers that are using various sources of financing to fund the acquisition and rehabilitation of these at-risk properties. From 2003-2007, the AHTF financed the acquisition, rehabilitation and preservation of 25 properties totaling 879 affordable apartments. Overall, AHTF projects have leveraged \$1.2 billion in other public and private funds, which represents a leverage ratio of \$4.25 for every \$1 invested by the City.

Since 1982, the City of Los Angeles has issued tax-exempt revenue bonds for the development of affordable housing throughout the city. Part of the City's preservation strategy is to refinance these properties with tax-exempt bond proceeds in exchange for extended and strengthened affordability restrictions. These bonds have also been used for the acquisition and preservation of at-risk properties that were not originally financed with bond proceeds. From 2002-2007, the AHPP issued \$68 million in bonds for eight expiring HUD project-based Section 8 properties to preserve over 1,500 apartments.

CHPC worked with LAHD to develop a comprehensive set of guidelines for staff to use in underwriting loans for at-risk properties. The guidelines offer tools that allow maximum flexibility in the underwriting process as preservation transactions cannot be approached in a "one-size-fits-all" manner. This underwriting manual has become an integral part of LAHD's preservation strategy.