

# Reclaiming Distressed Properties: Implementing the Neighborhood Stabilization Program in Los Angeles

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Los Angeles Housing Department  
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# Presentation Overview

1. Foreclosures in Los Angeles
2. Neighborhood Stabilization Strategy
  - a. Walk-In Purchase Assistance
  - b. Restore Neighborhoods LA
3. Program Outcomes / Lessons Learned



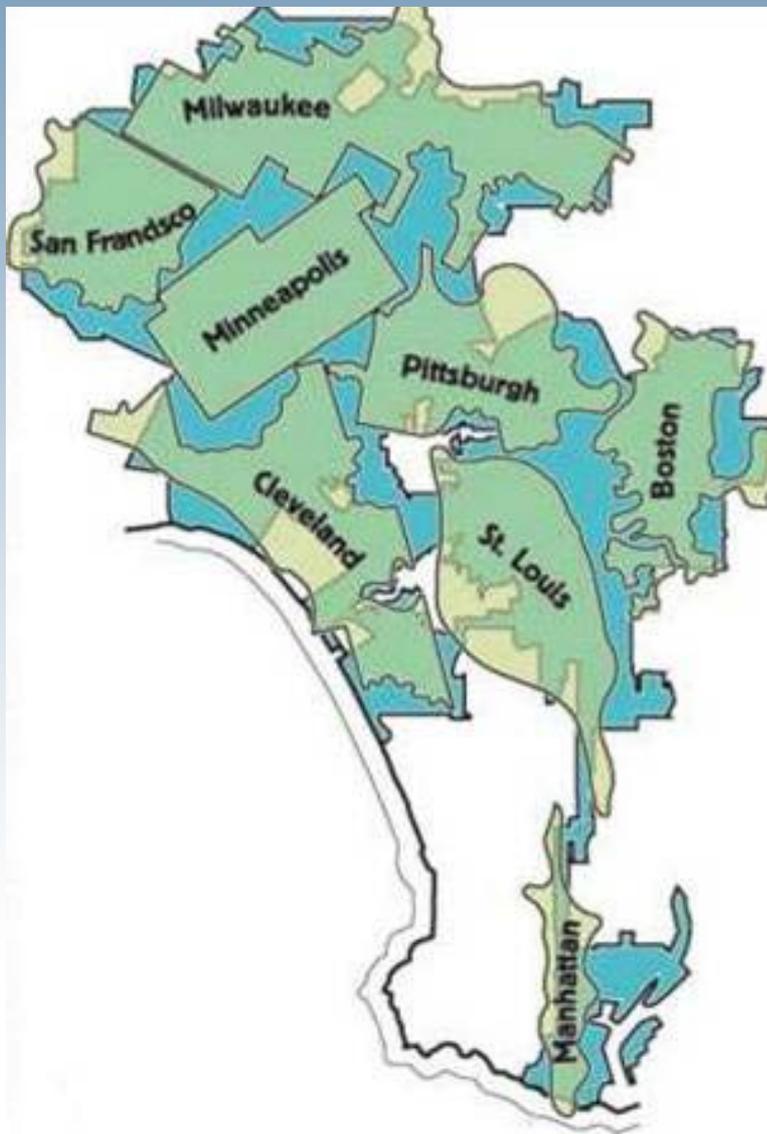
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# How Big is L.A.?

The City of Los Angeles covers 498 square miles and could contain the combined geographic areas of:

- Boston
- Cleveland
- St. Louis
- Pittsburgh
- Minneapolis
- Milwaukee
- San Francisco
- Manhattan



# Foreclosures in Los Angeles

## Total Foreclosures

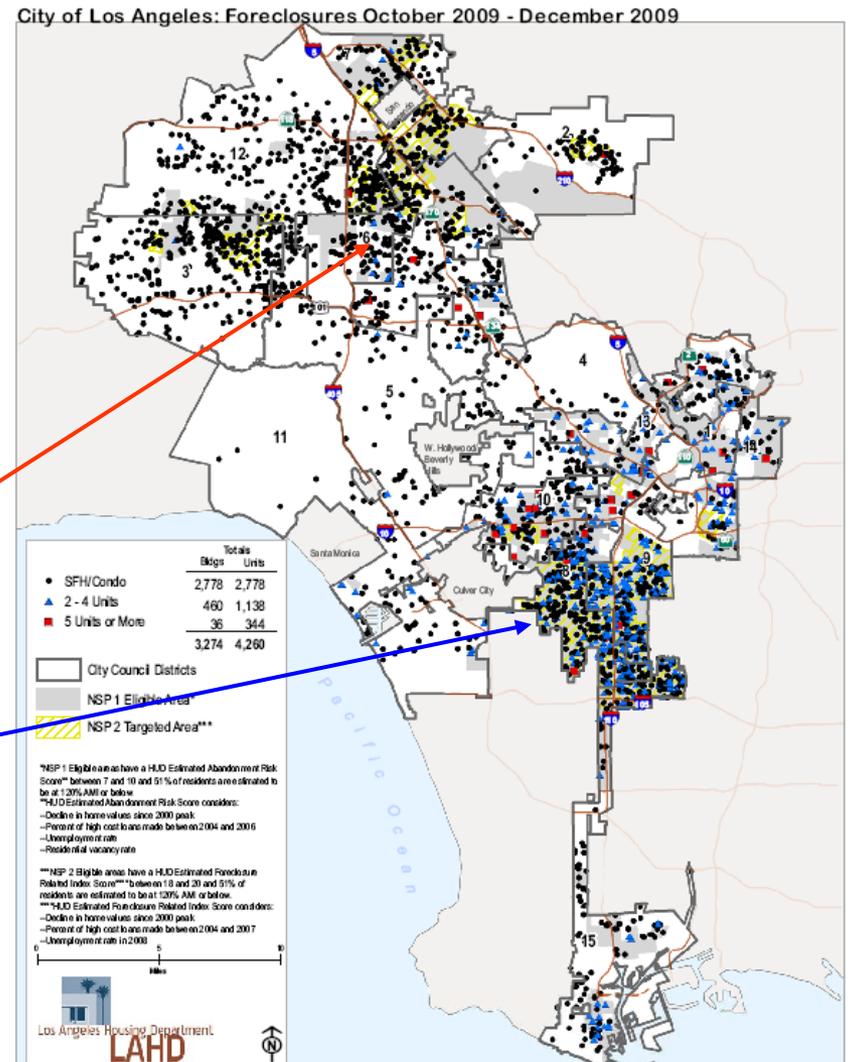
Jan 2007 to Dec 2009: 36,920 Units

Q4 2009: 4,260 Units (11.5% of Total)

## Varies by Region

San Fernando Valley: Single Family Foreclosures

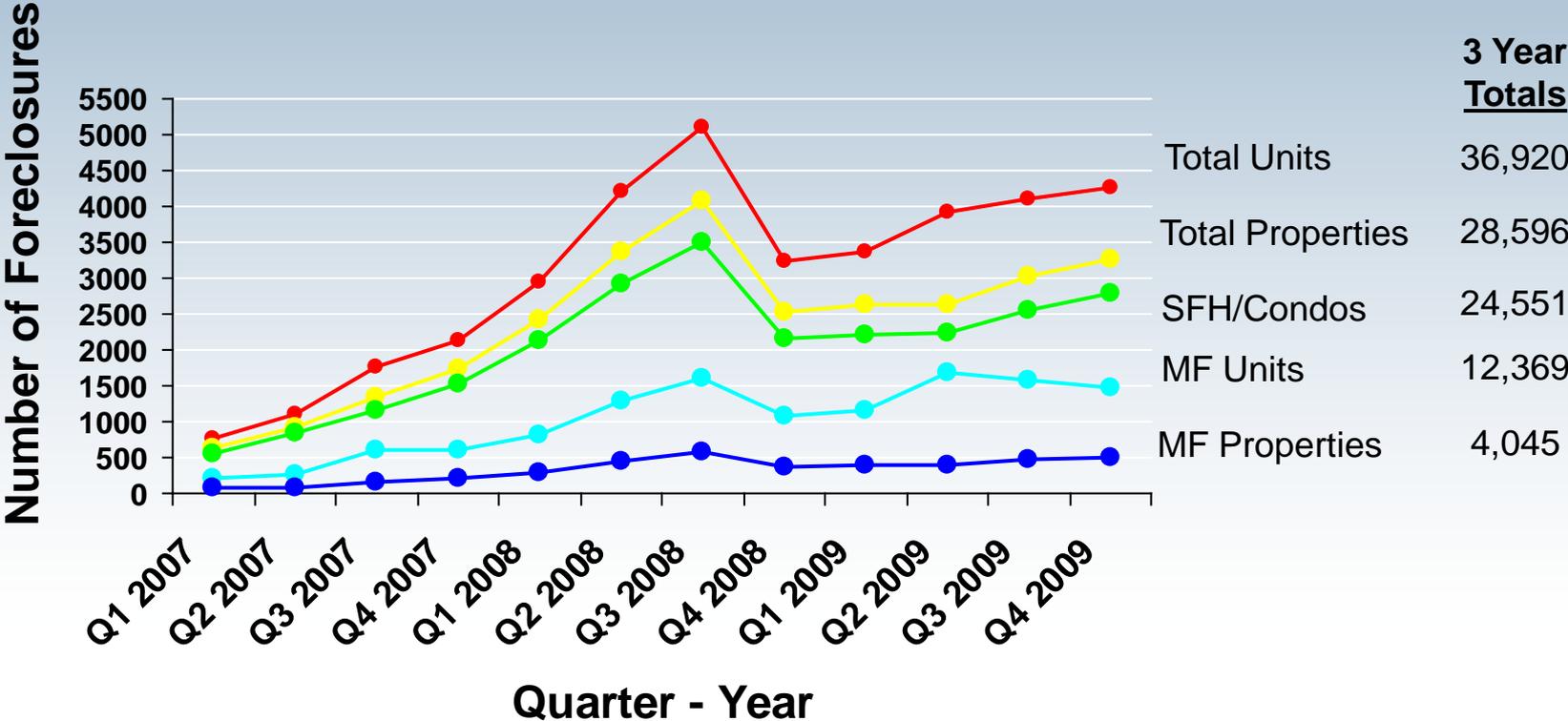
South Los Angeles: Mix of Single Family and Small Multi-Family Foreclosures



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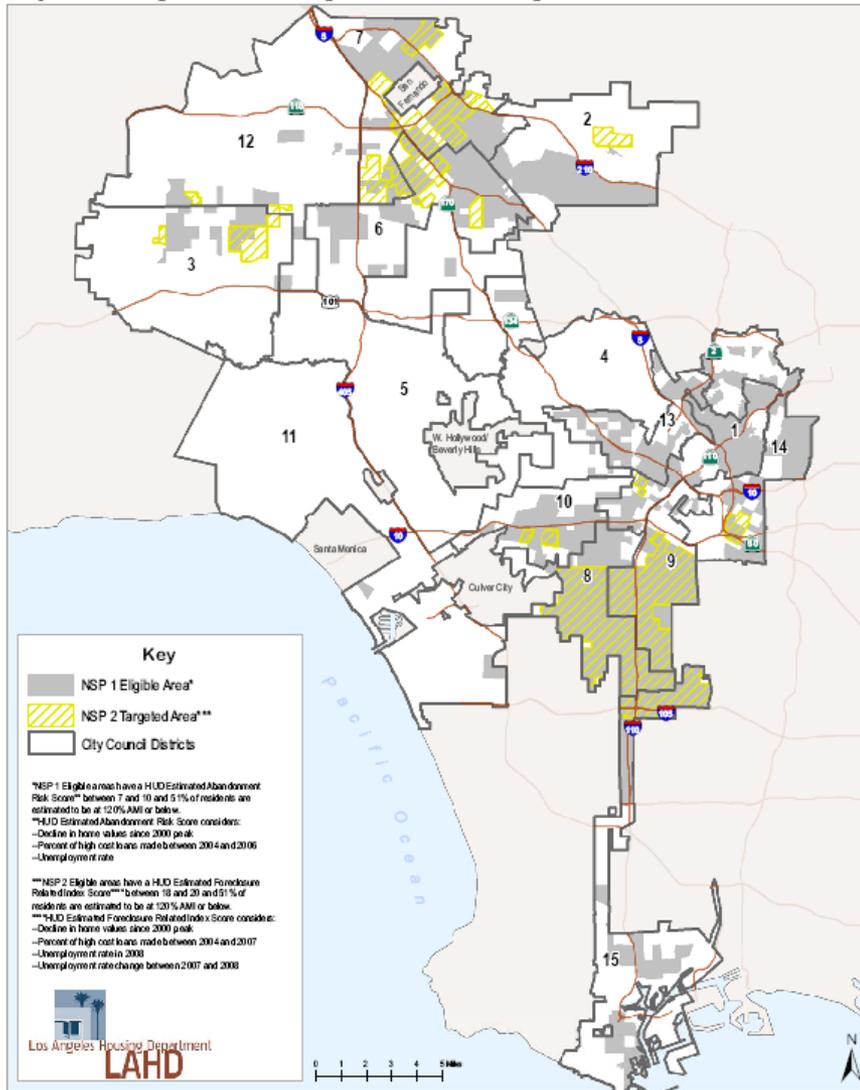


# City of Los Angeles Foreclosures January 2007 – December 2009



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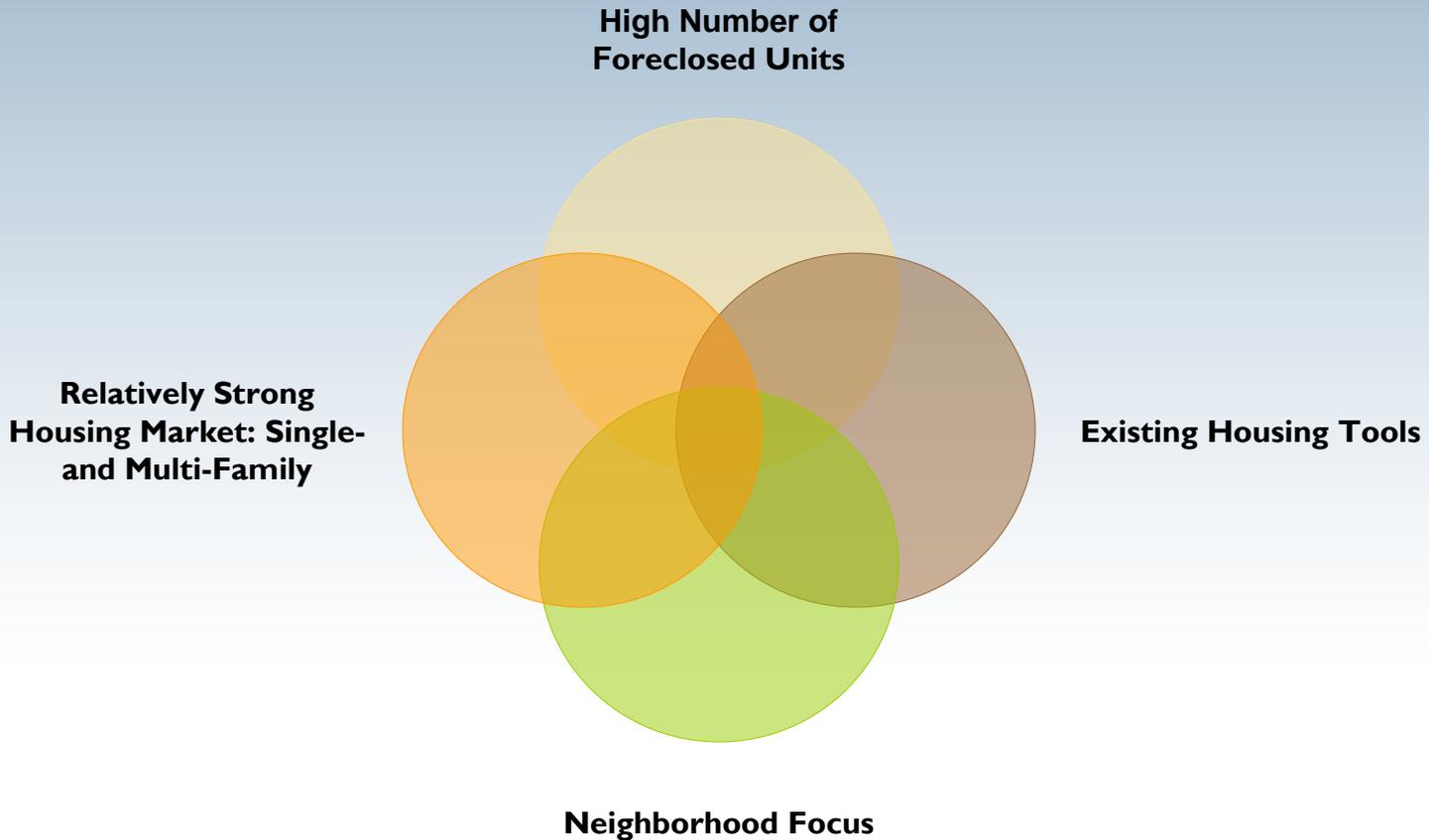


# Neighborhood Stabilization Program

- Los Angeles awarded allocations of:
  - \$32.8 million of NSP 1 funds
  - \$100 million of NSP 2 funds
- NSP launched in L.A. April 2009



# What Drives LA's NSP Strategy?



# City of Los Angeles NSP

- NSP funds used to strategically acquire and rehabilitate foreclosed *single- and multi-family* properties for affordable *homeownership and rental* housing opportunities within selected *target areas*
- Two primary components of Neighborhood Stabilization Program:
  1. Walk-In Purchase Assistance
  2. Acquisition and disposition of foreclosed properties through Restore Neighborhoods LA



# Walk-In Purchase Assistance

- Modeled after existing homebuyer assistance programs
- Purchase and Rehab assistance for buyers who purchase foreclosed single family homes as their primary residence
- Provides mortgage and rehabilitation loans totaling up to:
  - \$125,000 for moderate-income households (<80% AMI)
  - \$100,000 for middle-income households (<120% AMI)
- Rehabilitation limited to \$75,000



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# Walk-In Purchase Assistance

## Outcomes

- Over 300 lenders, realtors, and homebuyer educators trained in process
- Over 60 homebuyer loan reservations issued
- 18 homebuyer loans closed
- \$1.5 million in purchase and rehabilitation assistance

## Lessons Learned

- Foreclosure market difficult for NSP homebuyers to participate in
  - Must compete with investors and other buyers
  - NSP purchase discount
  - Often out-bid for better properties
  - Offers accepted on properties needing substantial rehabilitation
  - Cosmetic repairs mask illegal or substandard conditions
  - Difficult securing mortgages for properties needing substantial rehabilitation



# Restore Neighborhoods LA, Inc. (RNLA)

- Non-profit property holding and disposition company established to implement NSP in Los Angeles
- 501 (c)(3) California Corporation
- Community Based Development Organization (CBDO)
- Acquires foreclosed properties
- Oversees rehabilitation of properties
- Oversees competitive disposition and sale of properties
- SF homes sold to eligible homebuyers
- Partners with other mission-driven agencies for rehabilitation and disposition of MF rental properties



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# RNLA Rehabilitation Standards

- Acquires worst, most dilapidated properties
- Substantially rehabilitates properties to current code standards
- Removes all illegal structures and restores garages to intended use
- Replaces major systems (roof, plumbing, electrical, foundation, etc.)
- Adds bedrooms, bathrooms, etc. to accommodate larger families



# Green Building Standards

- Enterprise Green Communities rehabilitation standards
- Sealing of building envelope
- Insulating walls, attic, ceilings and floors
- Sealing of HVAC ducts
- Energy star rated windows, lighting and appliances
- Water conserving fixtures
- Drought tolerant landscaping
- HERS rating audits for NSP 2 properties



# DeFoe Property



# RNLA Outcomes

## Outcomes

- 51 properties purchased / escrow
  - Mix of SF and small duplexes totaling 66 units
  - 8 properties currently in rehabilitation
  - 4 properties completed / initiating sales

## Costs

- \$140,000 - Average Purchase Price
- \$180,000 - Average Rehabilitation Cost
- Broker Price Estimates on completed properties
  - \$225,000-\$260,000 SFR
  - \$340,000 Duplex



# Program Accomplishments

- Established new non-profit (RNLA) to implement NSP
- 18 Homebuyers assisted with Walk-In Program
- 51 Properties for purchase by RNLA
- \$17 million - estimated commitments, including rehabilitation of RNLA properties
- Successful NSP 2 application
- Successful HUD OIG audit
  - Capacity to adequately administer program funding
  - Procedures sufficient to support program activities in compliance with HERA
  - Procedures for monitoring program activities, financial management and procurement functions
  - Procedures and controls adequate to administer the continuation of these activities NSP 2



# Program Challenges

- Slow start / ramp-up establishing new non-profit organization
- NSP funds not able to be used for RNLA start-up costs or program advances
  - Start-up costs assistance from Enterprise Community Partners
  - City established revolving loan fund with non-federal funds
- Difficulty identifying and purchasing MF properties for LH 25 requirements
- Preparation of rehabilitation work write-ups time consuming
- Difficulty of NSP homebuyers to participate in REO market



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# Unique Program Elements

## Replacement Public Housing Units

- RNLA is purchasing and rehabilitating properties in the Watts community
- Properties to be sold to the Housing Authority of the City of Los Angeles (HACLA) for replacement public housing as part of the Jordan Downs Redevelopment Project
- Homes may eventually provide homeownership opportunities to residents of Jordan Downs.

## NSP Website for Homebuyers

The screenshot shows a Microsoft Internet Explorer browser window displaying the NSP website. The address bar shows the URL <http://lahd.lacity.org/nsp/home.aspx>. The page title is "NSP - Microsoft Internet Explorer provided by Los Angeles Housing Department".

The main content area includes a search form with the following fields: "House No" (1200), "StrDir" (7TH), "Street Name" (7TH), "StrType", and "Zip Code". A "Search" button is present. Below the search form, the address "1200 W 7TH ST 90017" is displayed, followed by a message: "INELIGIBLE: This property is not located within a NSP priority area." Below this message, there are instructions: "The blue star is the property you selected" and "The red push pin indicates the location of a NSP Priority area or a council district Pink areas represent the NSP Priority Areas." A note states: "\*\* Please note that most Council Districts have several priority areas".

A map of the area is shown, with a blue star marking the selected property and red push pins indicating NSP Priority areas. The map includes labels for "Rosendale Cemetery" and "Staples Center". A link "Show LiveMap Citywide NSP Priority Areas" is visible in the top right corner of the map area.

On the left side of the page, there is a navigation menu with the following items: "Walk-In Program Brochure", "Information for Buyers and Sellers", "NSP Priority Area Maps (Live Map) (It may take time)", "NSP Priority Area Maps (PDF)", "LAHD Approved Homebuyer Educators", "LAHD Participating Lenders List", and "More Information".

At the bottom of the page, there is a "Contact Information" section with the following details:

- Heather Smith**  
(213) 808-8973  
hsmith@lahd.lacity.org
- Jonathan Santiago**  
(213) 808-8963  
jsantiago@lahd.lacity.org
- Mario Melgar**  
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At the bottom of the page, there is a copyright notice: "Copyright © 2009 Los Angeles Housing Department. All Rights Reserved. Information provided is for reference only and is believed to be accurate but not guaranteed. All council districts and their priority areas are subject to change without notice. Notice regarding changes can be found on the LAHD website."



# Conclusion of Presentation

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