How Maturing Subsidized Mortgages Threaten Affordable Housing in Los Angeles

February 2012

Coalition for Economic Survival
& Public Counsel

Community Development Project

Early in 2011, several low-income tenants in the Arlington Heights neighborhood of Los Angeles received letters from their landlord notifying them of steep rent increases—some would have doubled the rents paid by the tenants. One elderly woman had lived in the building for 40 years. The increased rents would have forced tenants like her to move.

The reason for the rent increases: expiration of affordability restrictions tied to the building's subsidized mortgage, which had just matured. Affordable housing programs often provide mortgage subsidies in exchange for limits on rents, creating housing that is affordable to families with low income. However, affordability typically lasts only as long as the mortgage; tenants can face significant rent increases after the mortgage matures.

Fortunately for the elderly tenants in Arlington Heights, Los Angeles's Rent Stabilization Ordinance limited the allowable rent increases. After the tenants filed complaints, the City stepped in to enforce the Ordinance and the owner reduced the rent increases.[1] But not every city maintains similar laws and many in Los Angeles are unaware of the Ordinance and state notice laws. By the time the City became involved, some tenants had already moved out, unable to afford the unlawfully increased rent. This scenario is likely to repeat itself in the coming years, as growing numbers of federally-subsidized mortgages mature in Los Angeles, terminating the affordability restrictions that benefit families in need. While this represents just one of several current threats to affordable housing, it illustrates the challenges faced by those in need of decent homes.

I. The Affordable Housing Crisis

Los Angeles ranks among the least affordable cities in the nation due to high housing costs coupled with relatively low wages. The City's Housing Element reports that 60% of City residents are renters[2] and 30% of those renters pay over half their income in rent.[3] The burden of housing costs is felt most by families with low income, whose population in Los Angeles numbers in the hundreds of thousands. Nearly a quarter of Los Angeles County households qualify as very low-income, earning less than 50% of the County's median income.[4]

The City maintains approximately 65,000 total units of government-assisted affordable housing, with occupancy limited to families with low income.[5] It is not nearly enough to meet the need. The public housing waitlist includes 17,000 families and the waiting list for housing vouchers includes 16,000 families.[6] The Los Angeles Homeless Services Authority estimates that over 40,000 people are homeless in the City on any given night.[7]

[1] The Coalition for Economic Survival (CES) initially conducted outreach to the affected tenants in Arlington Heights through the City's Affordable Housing Preservation Program. Because the tenants were informed of their rights at mortgage maturity, they contacted CES after they received the letters and CES confirmed that the rent increases were unlawful. This led the tenants to file complaints, spurring City enforcement.

[2] L.A. CITY PLANNING DEP'T, CITY OF LOS ANGELES HOUSING ELEMENT 2006-2014 1-24 (2008).
[3] *Id.* at 1-28.
[4] *Id.* at 1-10. The County's median annual household income is $48,248. The median annual household income in the City of Los Angeles is $42,667. *Id.* at 1-8.
[5] *Id.* at 1-30. The federal government is responsible for a majority of these units, having financed roughly 48,000 units of the 65,000 units of government-assisted housing in the City of Los Angeles. *Id.* at B-1 (Appendix B).
[6] *Id.* at 1-31.
[7] *Id.* at 1-18. The 2007 Greater Los Angeles Homeless Count found the City's homeless population on any given night to be 40,144 persons, and projected the annual homeless

Despite this need, a third of the government-assisted housing—approximately 20,000 units—risks being lost in the next several years if affordability restrictions and rent subsidies are not extended.[8] Most of this housing is assisted by the federal government and tenants in many of these properties face expiring affordability restrictions due to mortgage maturity. Preserving the affordability of this housing is essential to the effort to provide decent housing opportunities to all of Los Angeles's residents.

II. Preserving Affordable Housing

The National Housing Trust estimates that for every new unit of affordable housing built, two are lost to deterioration, abandonment, or conversion to market-rate units.[9] As a consequence, the production of new affordable housing without the preservation of existing housing can still result in a net loss of affordable housing. A failure to respond to this issue will result in families being forced to move from their neighborhoods. In some cases, it may also lead to homelessness for members of our communities.

The preservation of affordable housing makes sense for a variety of social and economic reasons. Preservation spurs the revitalization of distressed neighborhoods by serving as a catalyst for public and private investment, leading to increased economic and physical development. Moreover, preserving existing housing costs a fraction of what it costs to build new housing. It is also less burdensome for the environment. In general, preservation provides a feasible, cost-effective, and eco-friendly means of providing housing to families with low income.

Preservation is also essential for preventing displacement in neighborhoods affected by the development of public transit, which can raise housing costs substantially. In Los Angeles, transit has expanded significantly in recent years. A 2009 report released by the AARP Public Policy Institute estimated that approximately 63% of the area's federally-assisted housing is located within a half mile of a transit rail station or frequent service bus line, and roughly 80% of this housing risks losing its affordability by 2014, due to expiring use restrictions or expiring Section 8 assistance.[10] Without preservation efforts, this housing may convert to market rents, threatening to displace families with low income and limit their ability to benefit from expanded transportation options.[11]

---

population to be 73,489 persons. These numbers do not include the rest of Los Angeles County.

[8] *Id.* at 1-42. The current City of Los Angeles Housing Element, written in 2008, estimated that 21,577 units were at risk of losing affordability restrictions from 2008 to 2018.

[9] Nat'l Hous. Trust, *Affordable Housing Preservation FAQs*, http://www.nhtinc.org/preservation_faq.php (last visited January 23, 2012).

[10] RODNEY HARRELL, ALLISON BROOKS & TODD NEDWICK, IMPROVING AFFORDABILITY AND ACCESS IN LIVABLE COMMUNITIES: SUBSIDIZED HOUSING OPPORTUNITIES NEAR TRANSIT AND THE 50+ POPULATION 20 (AARP Public Policy Institute, 2009), *available at* http://assets.aarp.org/rgcenter/ppi/liv-com/2009-15.pdf.

[11] According to the Center for Transit-Oriented Development, the average household in Los Angeles spends 30% of its income on transportation, well above the national average. Proximity to public transit can reduce transportation costs significantly while providing better access to jobs, schools, and neighborhood amenities. CTR. FOR TRANSIT-ORIENTED DEV., CREATING SUCCESSFUL TRANSIT-ORIENTED DISTRICTS IN LOS ANGELES: A CITYWIDE TOOLKIT FOR ACHIEVING REGIONAL GOALS 18 (2010), *available at* http://latod.reconnectingamerica.org/sites/default/files/LA_TOD_Final_Final_Report.pdf.

III. Background on Federal Affordable Housing Policy

Mortgage Subsidies

To encourage the private development of affordable housing, the federal government began to offer mortgage insurance and interest subsidies about 50 years ago, first providing subsidized loans to nonprofits to build housing for the elderly and people with disabilities.[12] In 1965, the federal government began to offer developers direct loans with below-market interest rates,[13] and, in 1968, added a program providing an interest reduction payment (IRP) to private lenders, effectively reducing the interest rate paid by developers to one percent.[14] Loans under these programs are insured by the federal government.

These mortgage insurance and subsidy programs required that an owner enter into a regulatory agreement with the U.S. Department of Housing and Urban Development (HUD) containing use restrictions that limited occupancy of a specified number of units to families with low income, defined under specified income levels, and limited rents. The regulatory agreements typically held forty-year terms, though the mortgages on certain properties could be prepaid after twenty years. The use restrictions last for the term of the mortgage. As a result, mortgage prepayment previously presented the greatest threat to the long-term affordability of these properties.[15]

Project-Based Section 8 Housing Assistance

In addition to mortgage insurance and interest subsidies, the Section 8 program, created in 1974, provides rent subsidies to low-income tenants. [16] Tenants pay 30% of income toward rent and the government provides the additional assistance necessary to meet the remainder, giving property owners support for debt service and operating expenses. Certain forms of Section 8 assistance are "project-based," meaning the assistance attaches to units at a property, with HUD providing rental assistance payments directly to owners under a Section 8 contract. Currently, no new project-based Section 8 contracts are authorized. Section 8 contracts generally lasted between five to 20 years, with options to renew.[17] Renewals are subject to annual appropriations and, as a result, often last for just one year at a time.[18] This creates

[12] The Section 202 program was created by the Housing Act of 1959, Pub. L. No. 86-372, § 202, 73 Stat. 667 (1959) (formerly codified at 12 U.S.C. § 1701q).
[13] The Section 221(d)(3) below-market interest rate (BMIR) program was created by the Housing and Urban Development Act of 1965, Pub. L. No. 89-117, tit. I, § 102, 79 Stat. 451, 454 (1965) (codified at 12 U.S.C.S. §1715l (LexisNexis 2012).
[14] The Section 236 program was created by the Housing and Urban Development Act of 1968, Pub. L. No. 90-448, tit. II, § 201(a), 82 Stat. 476, 498 (1968) (codified at 12 U.S.C.S. § 1715z-1 (LexisNexis 2012)).

[15] Responding to the threat, Congress restricted prepayment in 1987 and 1990. *See* Emergency Low-Income Housing Preservation Act of 1987, Pub. L. No. 100-242, §§ 201-235, 101 Stat. 1877 (1988), *as amended by* Pub. L. No. 100-628, §§ 1021-1027, 102 Stat. 3270 (1988), *codified at* 12 U.S.C.S. § 1715l note ("Preservation of Low Income Housing") (LexisNexis 2012) ("ELIHPA"); Low-Income Housing Preservation and Resident Homeownership Act of 1990, Pub. L. No. 101-625, tit. VI, §§ 601-605, 104 Stat. 4079, 4249 (1990), *codified at* 12 U.S.C.A. §§ 4101 *et seq.* (LexisNexis 2012) ("LIHPRHA"). *See also* CARLA A. HILLS & HENRY S. REUSS, NAT'L LOW INCOME HOUS. PRES. COMM'N, PREVENTING THE DISAPPEARANCE OF LOW-INCOME HOUSING (1988) (presenting findings of commission created with the support of congressional subcommittees). Prepayment rights were largely restored later on, with a notice requirement. Pub. L. No. 105-276, § 219, 112 Stat. 2461, 2487 (1998) (reinstituting prepayment rights after specified notice).
[16] Pub. L. No. 93-383, § 201, 88 Stat. 662 (1974) (codified at 42 U.S.C.S. § 1437f (LexisNexis 2011)). "Section 8" references the relevant section of the amended United States Housing Act of 1937.
[17] *See* LOCAL INITIATIVES SUPPORT CORP., STEMMING THE TIDE: A HANDBOOK ON PRESERVING SUBSIDIZED MULTIFAMILY HOUSING 3-4 (2002), *available at* http://www.lisc.org/files/893_file_asset_upload_file15_838.pdf.
[18] Contracts are generally renewed under the Multifamily Assisted Housing Reform and Affordability Act of 1997, Pub.

significant uncertainty about the long-term affordability of housing receiving project-based assistance.

The majority of properties with HUD-subsidized mortgages also utilize project-based Section 8 assistance. Without this additional assistance, many of these properties would still not be affordable to families with low income. Project-based Section 8 assistance can also keep a property affordable after use restrictions expire.[19]

Historic Challenges to Preserving Affordable Housing

Since the 1980s, the preservation of federally-subsidized affordable housing has faced challenges due to the framework employed by federal legislation, as well as budget constraints. Prepayment of subsidized mortgages has allowed many owners to terminate use restrictions early.[20] Additionally, when a project-based Section 8 contract expires, owners may "opt-out" of renewing the contract, ending rent subsidies.[21] Tenants affected by most prepayments or opt-outs are protected because they are eligible for enhanced vouchers, rent subsidies that enable them to stay in their units. However, long-term affordability is lost because assistance is not available for subsequent tenants. Finally, Section 8 assistance relies on government appropriations for subsidized housing programs, which face tremendous budget constraints. The most recent HUD appropriations bill preserved funding to renew current Section 8 contracts but considerable uncertainty surrounds future discretionary spending.

IV. Mortgage Maturity: A New Challenge to Affordable Housing Preservation

Efforts to preserve affordable housing have begun to encounter a new challenge as the subsidized mortgages that financed many affordable properties reach the end of their original forty-year terms. Typically, affordability restrictions expire when the mortgage matures. This could translate into rent increases that deplete the already limited supply of housing affordable to families in need. Nationwide, the problem is expected to affect 190,000 units through 2020, including 72,000 units unassisted with other subsidies, such as Section 8 assistance.[22] Tenants without Section 8 rent subsidies are particularly vulnerable in these situations because they are not

L. No. 105-65, 111 Stat. 1344 (1997) (amended 1999) ("MAHRAA").

[19] In an effort to encourage renewal, several options are available to owners who elect to renew project-based Section 8 contracts. For information on these options, *see* U.S. DEP'T OF HOUS. AND URBAN DEV., OFFICE OF MULTIFAMILY HOUS., SECTION 8 RENEWAL POLICY (2008), *available at* http://www.hud.gov/offices/hsg/mfh/exp/guide/s8renew.pdf; *see also* Nat'l Hous. Law Project, *Section 8 Contract Renewals*, http://nhlp.org/resourcecenter?tid=120 (last visited January 23, 2012).

[20] Though prepayments were restricted by Congress for a time under ELIHPA and LIHPRHA, subsequent legislation removed prepayment restrictions for many owners, and typically only requires owners to provide notice to tenants. Pub. L. No. 105-276, § 219, 112 Stat. 2461, 2487 (1998) (not codified in the United States Code). For a general description of the problem of prepayment and expiring use restrictions, *see* LOCAL INITIATIVES SUPPORT CORP., *supra* note 17, at 1-3.

[21] For a general description of the risk of Section 8 opt-out, *see* LOCAL INITIATIVES SUPPORT CORP., *supra* note 17, at 3-7. For a description of the risk in California, as well as recommended responses, *see Section 8 Opt-Out Risk Rises in California: Local Government Solutions*, HOUS. PRES. NEWS (Cal. Hous. P'ship Corp., S.F., Cal.), Jan. 2012, *available at* http://www.chpc.net/dnld/HPN_LocalPreserv_012512.pdf.

[22] Nat'l Hous. Law Project, *Mortgage Maturity Problem Still Awaits Congressional Action*, 41 HOUS. L. BULL. 160, 160 (2011) (citing U.S. Dep't of Hous. and Urban Dev., Impact of Provision of Enhanced Vouchers at Mortgage Maturity, on file with the National Housing Law Project). For a description of the problem in California, *see The Next Housing Crisis: Expiring Mortgages*, HOUS. PRES. NEWS (Cal. Hous. P'ship Corp., S.F., Cal.), June 2010, *available at* http://www.chpc.net/preservation/documents/Mortgages_HPN_062110.pdf.

necessarily guaranteed to receive assistance after a mortgage matures.[23]

The Numbers in Los Angeles

The following data illustrate the maturing mortgages situation in Los Angeles, which shares similarities with large cities around the country. Compiled from HUD and the California Housing Partnership Corporation (CHPC), the data describe the properties in the City of Los Angeles and Los Angeles County with subsidized mortgages maturing during the ten-year period from 2011 to 2020.[24] In most cases, mortgage maturity will terminate affordability restrictions at these properties. The data also include the numbers of units in these properties that receive project-based Section 8 assistance ("assisted units"), compared with those that do not ("unassisted units"), as well as the length of the contracts that provide this assistance.

Seventy (70) properties with subsidized mortgages in Los Angeles County will be affected by mortgage maturity by 2020, including 49 properties in the City of Los Angeles.[25] Figure 1 (page 10) shows the total number of units affected, including assisted and unassisted units, in the City of Los Angeles and Los Angeles County. The 6,332 units of affected housing represent roughly 10% of the entire stock of government-assisted housing in the region.

The vast majority of this housing—63 properties with 5,582 units—faces mortgage maturity by the end of 2015 (see Figure 2, page 10). Last year alone, 13 properties with 1,190 units of housing reached mortgage maturity and their affordability restrictions expired.

Project-Based Section 8 Housing Assistance

The majority of units in both the City and County receive Section 8 assistance. Figure 3 (page 10) shows the number of assisted and unassisted units in maturing mortgage properties in all of Los Angeles County, including the City of Los Angeles. Again, the vast majority of units—assisted and unassisted—are located at buildings with subsidized mortgages that mature by the end of 2015. Though a majority of units are assisted, meaning they likely will remain affordable as long as the Section 8 contract is renewed, the 1,220 unassisted units still represent a significant number, considering that families living in this housing are not protected with any assistance once the mortgage matures and rents increase.

[23] Unassisted tenants may be eligible for a new type of tenant protection assistance under federal legislation passed at the end of 2011. The legislation appropriated $10 million in voucher renewal funding to protect unassisted tenants in low-vacancy areas who reside in at-risk buildings with expiring mortgages, contracts, or use restrictions. Pub. L. No. 112-55 (2011). HUD is still developing policy guidance for this assistance so eligibility remained unclear at the time of publication.

[24] Specifically, the data include properties subsidized under the Section 221(d)(3)BMIR and Section 236 programs, which are most at-risk of losing their affordability at mortgage maturity. Note this may include properties preserved through LIHPRHA, which may be restricted for the useful life of the property. Though also important, the report's data does not include properties financed under federal programs such as Section 202 and Section 231, and properties financed without federal funds but with state and local funds, which also may have budget-based rent restrictions under a subsidized mortgage. The data does not include properties with subsidized mortgages that have been prepaid. The Appendix contains a complete listing of the individual properties analyzed in the report.

[25] For a series of maps and graphs documenting housing affordability and renter characteristics by neighborhood, *see* BETH STECKLER & ADAM GARCIA, AFFORDABILITY MATTERS: A LOOK AT HOUSING CONSTRUCTION & AFFORDABILITY IN LOS ANGELES (2008), *available at* http://livableplaces.org/housing (follow both "part1" and "part 2" hyperlinks for full report).

Long-Term Affordability

The majority of assisted units in affected properties have Section 8 contracts scheduled to expire before the subsidized mortgage matures (see Figure 4, page 11). Only 1,512 units, representing less than a quarter of the total units, are assisted under a Section 8 contract that extends beyond the mortgage. The rest—nearly 5,000 units—are either unassisted or assisted under a Section 8 contract that expires before the subsidized mortgage matures. These properties face an uncertain future, and raise questions about the long-term affordability of a large proportion of the region's subsidized housing.[26] In fact, the owners of 11 of these properties, with 1090 units of affordable housing, have provided notices to local officials that indicate interest in opting out of project-based Section 8 assistance.[27]

The proportion of units with Section 8 contracts expiring before the maturity date is roughly the same in the City as in the rest of the County, though the actual number is much greater in the City as the majority of affected properties are located there.

Ownership

The majority of properties with mortgages maturing by the end of 2020 are owned by nonprofit organizations,[28] which may be less likely to convert their properties to market rate units. However, nonprofit ownership does not guarantee long-term affordability, especially at this time of declining government support. Many buildings with maturing mortgages require substantial rehabilitation after years of use. Nonprofits face a variety of challenges in maintaining these properties, such as acquiring capital for rehabilitation and maintenance, and meeting other architectural and financial needs.[29]

Implications

In both the City of Los Angeles and Los Angeles County, assisted units dramatically outnumber unassisted units at properties facing mortgage maturity. However, even assisted units face an uncertain future. While owners may decide to renew these Section 8 contracts, there is no guarantee; some owners may perceive benefits to opting out following the expiration of use restrictions. And although families living in affected units are eligible for enhanced vouchers if Section 8 contracts are not renewed, long-term affordability is lost as these residents move out.

The impact could be more dramatic for those living in unassisted units. Though assisted units outnumber unassisted units at affected properties, there are still over a thousand families living in unassisted units with affordability restrictions expiring in the next few years. For these tenants, mortgage maturity could mean the end of affordable rents, forcing these tenants out of their homes.

[26] As mentioned, most Section 8 contracts are renewed for one year at a time due the current process for appropriating funds to the program. As a result, many of these Section 8 contracts may end up being renewed. However, mortgage maturity increases the uncertainty surrounding the renewal process; it is unclear how the issue will influence owners' decisions to renew Section 8 contracts after the expiration of the accompanying use restrictions that previously limited incentives for owners to opt-out.

[27] This information appears on a log of opt-out requests maintained by HUD, and was acquired from the Los Angeles HUD office after a request from Public Counsel.

[28] Sixty percent of the properties are owned by nonprofits, 21% are limited dividend properties, and 19% of owners are profit motivated.

[29] For additional information on assessing capital needs, *see* LOCAL INITIATIVES SUPPORT CORP., RECAPITALIZING AFFORDABLE RENTAL HOUSING: A HANDBOOK FOR NONPROFIT OWNERS 28-40 (2005), *available at* http://www.lisc.org/content/publications/detail/897 (follow "Download" hyperlink).

V. Responding to Mortgage Maturity

As with the general need to address expiring affordability restrictions, the maturing mortgages situation demands a response. Owners and tenants must be educated, and local officials must encourage preservation through policymaking and enforcement. Fortunately, some tools already exist to promote affordability beyond mortgage maturity. In the City of Los Angeles, most affected properties are governed by the City's Rent Stabilization Ordinance (RSO), which limits rent increases. The situation can be more challenging for tenants in localities that do not maintain similar ordinances, as is the case in many communities outside the City of Los Angeles. Recent federal legislation offers some hope in the form of a new type of tenant protection assistance. Additionally, unassisted tenants in these areas may encourage owners to prepay mortgages that are soon to mature, in order to become eligible for enhanced vouchers. Finally, state notice laws exist to ensure that tenants receive appropriate notice of expiring use restrictions.

Importance of Education and RSO Enforcement

Certain properties located in the City of Los Angeles are subject to the Los Angeles Rent Stabilization Ordinance,[30] which limits rent increases and can serve as an effective tool for the short term preservation of affordability.[31] The Ordinance should apply to most properties with maturing mortgages listed in this report. If consistently enforced, the Ordinance can provide families living in unassisted units—those most at risk—with protection from steep rent increases when a mortgage matures. Moreover, the Ordinance preserves affordability for affected tenants without the need for new subsidies. It is critical for owners to understand when the Ordinance applies and how it governs rents because the knowledge that rents may not significantly increase after maturity may impact owner decisions to prepay a subsidized mortgage or opt-out of renewing a Section 8 contract. The City, which is charged with enforcing the Ordinance, should reach out to owners to ensure they understand the Ordinance's applicability. This effort is needed to complement the tenant outreach already conducted through the City's Affordable Housing Preservation Program.[32]

Tenant Protection Assistance

Recognizing the need to help tenants in maturing mortgage properties, Congress set aside $10 million in the most recent HUD appropriations bill to assist tenants facing significant rent increases.[33] The tenant protection assistance will be available to unassisted tenants who face rents greater than 30% of household income as a result of expiring mortgages, contracts, and use restrictions. The new assistance will come in the form of vouchers, and could also be

30 L.A., CAL., MUN. CODE ch. XV, art. 1 (2011) (effective April 21, 1979).

31 Under the Rent Stabilization Ordinance, landlords of properties to which the Ordinance applies may not accept more than a maximum rent. *Id.* § 151.04 (2011) ("Restriction on Rents"). "Maximum rent" is defined by the Ordinance. *Id.* § 151.02 (2011) ("Definitions"). It may be increased during the term of a tenancy by an amount based on the Consumer Price Index. *Id.* § 151.06 (2011) ("Automatic Adjustments").

32 The City's Rent Stabilization Ordinance could also serve as a useful tool for encouraging owners to renew Section 8 contracts. For example, policies that exempt units with project-based Section 8 assistance from the Ordinance when an owner agrees to a long-term Section 8 contract might offer incentive for long-term renewals. This could increase revenues—needed for certain owners—in return for a commitment to long-term affordability. However, such a policy might require amending the Ordinance.

33 Pub. L. No. 112-55 (2011).

utilized as project-based vouchers to preserve the affordability of a property. HUD has yet to issue policy guidance—so eligibility for this assistance remains unclear at this time—and $10 million represents a relatively small amount when spread across the nation. However, this assistance represents a positive development, particularly for those in areas of Los Angeles County without tenant protections like Los Angeles's RSO. Officials and advocates should monitor HUD policies closely to learn about eligibility.

Owner Outreach to Encourage Prepayment

In jurisdictions without rent limitations, there have been some efforts to encourage owners to prepay subsidized mortgages that are close to maturity where tenants are not eligible for any other assistance. Though this may shorten the length of use restrictions marginally, it makes tenants eligible for enhanced vouchers when they are otherwise unavailable. Of course, this strategy relies on owners being amenable to prepayment and also depends on HUD approval in some cases. This option should only be explored on a case-by-case basis, in consultation with affected tenants, and after evaluating the numbers of assisted and unassisted tenants, rent levels, and tenant incomes.

Enforcement of Notice Laws

Federal and state laws require notice to tenants prior to certain conversion actions. Though not required by federal law, California state law requires that owners provide notice to tenants 12 months and 6 months prior to the expiration of rental restrictions.[34] At a minimum, the notice law provides tenants in maturing mortgage properties with fair warning and some time to plan ahead.

VI. Conclusion

Los Angeles faces growing uncertainty about residents' ability to afford decent housing. Mortgage maturity threatens roughly 10% of the region's subsidized housing, which already falls short of meeting residents' needs. Thousands of units of subsidized housing risk being lost, and the majority of these could disappear in the next few years. Of the 6,332 units of housing impacted by mortgage maturity in Los Angeles County, only 1,512 units—less than a quarter—are covered by a Section 8 contract that extends beyond mortgage maturity. There is no guarantee that the rest will remain affordable to families with low income after maturity.

While mortgage maturity represents just one threat to affordable housing in Los Angeles, some tools exist to mitigate the loss of these subsidies. Los Angeles's Rent Stabilization Ordinance provides residents with a tool to remain in their homes. And those most at risk—tenants in unassisted units— are precisely who the Ordinance can help. The City should work to educate owners of the Ordinance's applicability and step in when enforcement is necessary. Officials should also ensure that tenants are informed about new assistance that may become available, particularly in localities outside the City of Los Angeles which lack rent control laws. In certain situations, prepayment of subsidized mortgages may aid tenants in these jurisdictions since it guarantees assistance for affected tenants. Finally, tenants are entitled to notice prior to the expiration of affordability restrictions

[34] CAL. GOV'T CODE § 65863.10 (Deering 2011).

that typically accompanies the maturity of subsidized mortgages.

Both the City of Los Angeles and Los Angeles County express strong commitments to the preservation of affordable housing in their most recent housing elements.[35] By educating owners, actively enforcing rent control laws, and ensuring that tenants are informed of other protections, local officials can make good on their commitments and preserve the affordability of many properties affected by mortgage maturity. Thousands of Los Angeles families are depending on their help.

---

[35] *See, e.g.,* L.A. COUNTY DEP'T OF REG'L PLANNING, HOUSING ELEMENT 2-4 (2008) (Goal 1, Policy 1.2; Goal 6, Policy 6.2; Goal 7, Policy 7.1, Policy 7.2); L.A. CITY PLANNING DEP'T, *supra* note 2, at 1-46.

Appendix A: Charts and Graphs

Figure 1. Units in Properties with Maturing Mortgages, 2011-2020

	Assisted Units	Unassisted Units	TOTAL
City of LA	3757	613	4370
Other LA County	1355	607	1962
TOTAL (All LA County)	5112	1220	6332

Figure 2. Units in Properties with Maturing Mortgages, 2011-2020

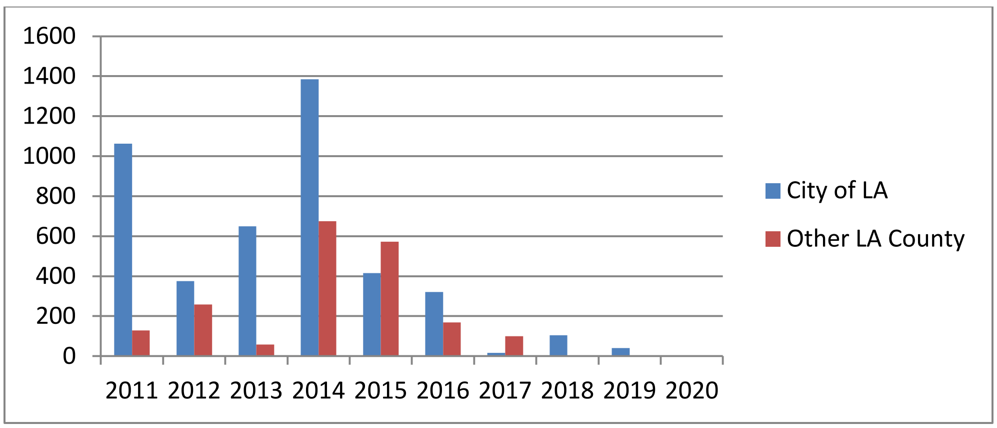


Figure 3. Unassisted and Assisted Units in Properties with Maturing Mortgages in All LA County, 2011-2020

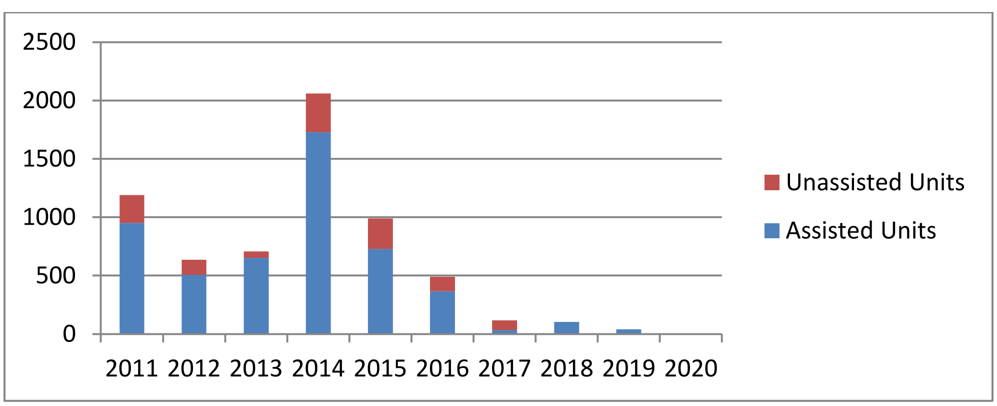
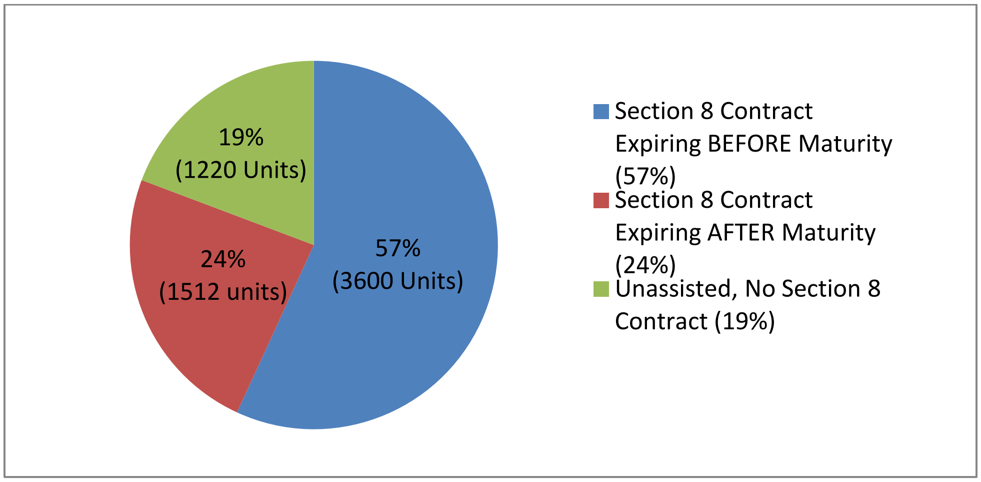


Figure 4. Section 8 Assistance at Maturing Mortgage Properties in LA County, 2011-2020



Appendix B: Properties with Subsidized Mortgages Maturing in Los Angeles County, 2011-2020

PROJECT	CITY	UNITS	ASSISTED	UNASSISTED	MATURITY
DE SOTO GARDENS II	LOS ANGELES	248	238	10	1/1/2011
SUNLAND PARK	LOS ANGELES	120	120	0	1/1/2011
ST ANDREWS & VENICE	LOS ANGELES	13	11	2	2/1/2011
KITTRIDGE GARDENS II	LOS ANGELES	80	78	2	4/1/2011
WOODMAN NORDHOFF APARTMENTS	LOS ANGELES	80	65	15	5/1/2011
HUBBARD STREET ARMS	LOS ANGELES	6	6	0	8/1/2011
ASTORIA GARDENS	LOS ANGELES	137	136	1	8/1/2011
ST TIMOTHY'S TOWER	COMPTON	114	112	2	9/1/2011
LAS CASAS APARTMENTS	SAN GABRIEL	14	2	12	10/1/2011
GOOD SHEPHERD MANOR	LOS ANGELES	143	143	0	11/1/2011

NEW HAMPSHIRE APARTMENTS	LOS ANGELES	6	6	0	12/1/2011
GRANADA GARDENS	LOS ANGELES	169	33	136	12/1/2011
HEATHERDALE HOME COOP	LOS ANGELES	60	0	60	12/1/2011
NEW BRITTANY TERRACE	NORWALK	18	0	18	3/1/2012
PARTHENIA TOWNHOUSES	LOS ANGELES	24	11	13	3/1/2012
VOORHIS VILLAGE	SAN DIMAS	65	21	44	5/1/2012
AZUSA APARTMENTS	AZUSA	88	81	7	5/1/2012
MARKET PARK APARTMENTS	INGLEWOOD	50	50	0	5/1/2012
CASA LONGWOOD	LOS ANGELES	20	20	0	8/1/2012
BOYLE APARTMENTS	LOS ANGELES	35	35	0	8/1/2012
ST ANDREWS GARDENS	LOS ANGELES	192	175	17	8/1/2012
GRACE MANOR	CARSON	38	30	8	9/1/2012
ST NICHOLAS HOUSING DEVELOPMENT	LOS ANGELES	36	36	0	9/1/2012
MIRAMAR MANOR	LOS ANGELES	49	48	1	11/1/2012
SAN PEDRO TOWNHOUSE #1	LOS ANGELES	8	0	8	12/1/2012
SAN PEDRO TOWNHOUSE #2	LOS ANGELES	12	0	12	12/1/2012
SILVERLAKE VILLAGE	LOS ANGELES	88	79	9	1/1/2013
CASA DEVELOPMENT	LOS ANGELES	158	158	0	5/1/2013
HOLLYWOOD KNICKERBOCKER	LOS ANGELES	282	280	2	5/1/2013
PALMDALE APARTMENTS	PALMDALE	58	58	0	5/1/2013

FINLEY SQUARE	LOS ANGELES	18	18	0	6/1/2013
THIRTYNINTH STREET MANOR	LOS ANGELES	45	0	45	8/1/2013
BEVERLY MANOR	LOS ANGELES	59	58	1	9/1/2013
PICO PLAZA	LOS ANGELES	43	0	43	1/1/2014
HAVEN #501	LOS ANGELES	50	48	2	2/1/2014
VISTA TOWER	LOS ANGELES	230	146	84	2/1/2014
BELLFLOWER FRIENDSHIP	BELLFLOWER	144	72	72	4/1/2014
JEWEL TERRACES	LOS ANGELES	32	32	0	4/1/2014
SUNSET APARTMENTS	LOS ANGELES	86	81	5	4/1/2014
HOLLYWOOD PARKVIEW	LOS ANGELES	32	32	0	5/1/2014
HOLLYWOOD WEST APARTMENTS	LOS ANGELES	84	79	5	5/1/2014
MIDWILSHIRE APARTMENTS	LOS ANGELES	75	74	1	5/1/2014
PREMIER APARTMENTS	LOS ANGELES	120	120	0	5/1/2014
WHITTIER LUTHERAN TOWER	WHITTIER	156	140	16	5/1/2014
DUARTE MANOR	DUARTE	42	42	0	6/1/2014
METRO WEST VILLAGE APARTMENTS	LOS ANGELES	40	34	6	6/1/2014
COLUMBIA APARTMENTS	LOS ANGELES	127	127	0	6/1/2014
AMAR PLAZA	LA PUENTE	96	42	54	7/1/2014
HOLLYWOOD PLAZA APARTMENTS	LOS ANGELES	153	152	1	7/1/2014
GREEN HOTEL	PASADENA	139	138	1	7/1/2014

VILLA YUCATAN	PASADENA	14	14	0	8/1/2014
NORTHWEST MANORS II	PASADENA	44	44	0	8/1/2014
VILLA ST ANDREWS	LOS ANGELES	14	13	1	10/1/2014
FICKETT TOWERS	LOS ANGELES	198	198	0	11/1/2014
FOSTER AVE APARTMENTS	BALDWIN PARK	40	0	40	12/1/2014
LOS ANGELES GARDENS	LOS ANGELES	101	101	0	12/1/2014
CHRIST UNITY MANOR	LOS ANGELES	156	146	10	2/1/2015
HAVEN 502	LOS ANGELES	105	105	0	2/1/2015
CASTLE ARGYLE APARTMENTS	LOS ANGELES	97	97	0	2/1/2015
AMERICAN GOLD STAR MANOR	LONG BEACH	348	139	209	7/1/2015
WHITFIELD MANOR	COMPTON	40	40	0	8/1/2015
NORWALK CHRISTIAN TOWERS	NORWALK	185	144	41	10/1/2015
PRINCESS APARTMENTS	LOS ANGELES	58	58	0	11/1/2015
PACIFIC MANOR	BURBANK	169	166	3	2/1/2016
BUDLONG APARTMENTS	LOS ANGELES	20	20	0	6/1/2016
LITTLE TOKYO TOWERS	LOS ANGELES	301	180	121	8/1/2016
80TH STREET APARTMENTS	LOS ANGELES	16	16	0	7/1/2017
NEILSON VILLA	SANTA MONICA	100	20	80	10/1/2017
WATTS ARMS I	LOS ANGELES	104	104	0	2/1/2018
WATTS ARMS II	LOS ANGELES	40	40	0	10/1/2019

Acknowledgements

The Coalition for Economic Survival and Public Counsel would like to thank the California Housing Partnership Corporation (CHPC), the National Housing Law Project (NHLP), and Los Angeles Housing Department (LAHD) for their assistance with this report. CHPC served as an initial source of data and provided invaluable support in refining the list of properties included to ensure accuracy, in addition to commenting on a final draft. NHLP reviewed the report, and provided helpful substantive and editorial feedback. Finally, LAHD staff provided thoughtful review of the report and the data included, and the Department continues to play a central role in preserving affordable housing in Los Angeles.

Public Counsel would also like to thank two law student who contributed much to the report. Daniela Feibusch, a J.D. candidate at UCLA Law School, compiled and analyzed much of the data included in the report, and Amadi Jordan-Walker, a J.D. candidate at USC Law School, authored an initial draft.

Coalition for Economic Survival

Founded in 1973, the Coalition for Economic Survival (CES) is a grassroots multi-racial, multi-ethnic non-profit community based organization. CES is dedicated to organizing low and moderate income people to win economic and social justice. CES organizes low and moderate income tenants (living in privately owned rental housing units including both federally subsidized and non-subsidized units), whose residences are at-risk due to slum conditions including lead hazards, proposed demolitions, proposed renovations, illegal evictions and owners' desires to opt-out of federally subsidized rental housing programs.

Public Counsel

Public Counsel is the nation's largest not-for-profit law firm of its kind with a 40-year track record of fighting for the rights of children and youth, persecuted immigrants, military veterans, nonprofit organizations, and small businesses. Its Community Development Project builds foundations for healthy, vibrant, economically stable communities by providing legal and capacity building services to community-based organizations in the Los Angeles area and supporting the development and preservation of affordable and supportive homes throughout Southern California. *www.publiccounsel.org/practice_areas/community_development*

Disclaimer

Nothing herein is to be considered as rendering legal advice for specific cases or circumstances. Readers are encouraged to obtain legal advice from their own legal counsel or contact Public Counsel's Community Development Project.