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# **LA Local Rental Owners Collaborative (LROC)**

# The COVID-19 pandemic amplified the need to preserve NOAH assets and stabilize housing for renters and small owners

**Problem:** How do we best intervene to preserve small-scale NOAH assets that are housing vulnerable populations, more likely to be owned by BIPOC and at risk of being moved up market to higher end units or left to deteriorate?

How do we prevent a Wall Street buy out of distressed properties in higher cost markets? A loss of BIPOC & immigrant owned properties is a loss of wealth or lost opportunity for wealth creation.

## Why now: Covid-19 pandemic and resultant economic crisis create a sense of urgency to protect affordable housing assets

### The New York Times

"30 percent reported increased pressure to sell their property, due to fallout from the pandemic...investors looking to profit from the fallout have referred to this hardship as the 'greatest buying opportunity of the century.'" ([NY Times](#))



### Urban Wire :: Housing and Housing Finance

*The blog of the Urban Institute*

"According to Urban Institute, many of these small owners (around 34%) are retired, and their rental units are their only source of income, which imperils them if they can't collect rent or receive federal aid. Mom-and-pop landlords also earn around 17% less than owners of single-family homes or large complexes and have the largest share of Black (15%) and Hispanic (13%) owners." ([Urban Institute](#))

### NYC's Small Landlords of Color Among Those Battling for Survival Amid Rent Moratorium

"Our tenants are immigrants, legal and otherwise. We are the ones providing affordable housing in our neighborhoods. If owners like me go under who is going to step in and rent to these people?" Small apt. owner Sharon Redhead, daughter of Caribbean immigrants ([The City](#))



**9%+** unemployment rate in CA - **12%** in LA county with low wage jobs like service and retail disproportionately impacted.

**1 in 3** US jobs are at-risk, 86% of jobs below \$40,000/year, and 2 out of every 5 Hispanic and African American workers at risk of displacement

**1-2M+** Incremental homes rent burdened (assuming 1-2X Great Recession)

**86%** of jobs-at-risk will affect workers earning below \$40k per year

**\$54B+** California State budget deficit in 2020 puts housing production and preservation funding at risk

**-20%+** Decline possible in overall housing starts and LIHTC units

**\$12B** allocated to housing in the CARES Act relief bill, including foreclosure & eviction provisions

**If the Great Recession is a guide, we are likely to see an inflow of opportunistic private capital seeking to acquire distressed real estate assets**

# Vision for success

If we support the creation of a NOAH coalition, focusing on mission aligned BIPOC owners, to help increase profitability and decrease burden in exchange for reasonable tenant protections and stability, then we will mitigate displacement through retaining NOAH housing stock and increase community stability and wealth building opportunities for small BIPOC owners.

## Short-term Outcomes

Kept tenants housed during critical time, while stabilizing assets for aligned BIPOC mom and pop owners. Prevented foreclosures and predatory acquisitions.

## Mid-term outcomes

Demonstrated value including wealth building of working in coalition to achieve economies of scale and unlock operational efficiencies. Greater visibility and communication between small owners, Government, nonprofit, academics, etc.

## Long-term outcomes

Model scaled across the country leading to greater community resiliency. Increased housing stability and wealth building opportunities for BIPOC and lower income communities.

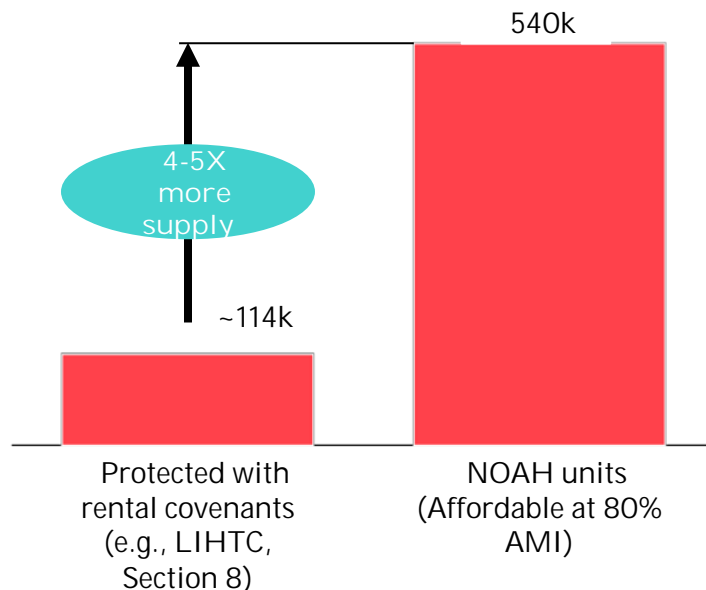
# Defining naturally occurring affordable housing (NOAH) in Los Angeles County

## Our definition of Naturally occurring affordable housing (NOAH)



- ① Multi-family properties with no direct public subsidies, such as Low Income Housing Tax Credits (LIHTC)
- ② Affordable to low income households at 80% AMI
- ③ Primarily “Class C” properties, with average of size of 10 units
- ④ Rent controlled if built before 1978 in LA City



NOAH represents a majority of the affordable units in LA County



# We Evaluated 7 potential NOAH interventions...

Solution archetype	Solution	Description	Estimated cost per unit	Innovative	Scalable	Speed
 Develop NOAH owner capacity	<b>A</b> Coalition of NOAH owners	Create a coalition of NOAH owners to provide technology and training, access to a network of partners and contractors, and support back-office tasks and procurement	300 - 450			
	<b>B</b> NOAH property management solutions	Create a not-for-profit property management group for NOAH owners to provide subsidized below market management services leveraging technology and scale	300-500			
	<b>C</b> Long-term master lease	Take control of existing buildings through master lease program that offers owners multiyear, fixed-price contracts for control over NOAH building management	1,000-2000			
 Finance capital needs	<b>D</b> Minority equity investment with right to first refusal	Take minority equity stake (leveraging 3 <sup>rd</sup> party capital) in NOAH assets to finance value-add upgrades in return for affordability and right of first refusal in event of sale	15,000 – 30,000 <sup>4</sup>			
 Finance rent relief and operations	<b>E</b> Recoverable grant program for rent relief and upgrades	Provide recoverable grant for landlords to provide rent relief and upgrades with RSO-like restrictions and sale covenants	5,000 <sup>1</sup>			
 Support acquisition by AH owners	<b>F</b> Neighborhood REIT	Develop a crowd-funded REIT to acquire NOAH assets	50,000 <sup>2</sup>			
 Own and operate assets	<b>G</b> Innovative builder (buy and rehabilitate)	Buy and rehabilitate properties while leveraging economies of scale and technologies to improve quality and lower operating expenses	50,000 <sup>3</sup>			

1. Assumes grant dispersed to owner over 3+ years; not inclusive of all rent relief requirements; assumes CZI provides incremental rent relief after government rent relief ends

2. Assumes 20% of purchase price contributed by CZI and philanthropic organization in the form of equity; remainder contributed by crowdfunding investors and debt

3. Assumes 80% LTV ratio and purchase cost of \$250,000

4. Assumes equity investment of 5-10% of unit value, average cost of Class C multifamily in LA County in ~\$260k/unit in Q2 2020

Source: US Census Rental Housing Finance Survey (RHFS); CoStar; Nico Investment Prospectus; Expert interviews

# We seek to meet the moment by protecting NOAH assets through operational efficiencies that allow owners to preserve in-year cash



## Why NOAH?

Represents the majority of affordable housing supply in LA County

Supports assets not subsidized or protected by rental covenants and at risk of sold to market rate investors or redeveloped to higher rents

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~ 4X

more NOAH units than protected affordable units in Los Angeles County



## Why operations and maintenance?

Allows for proactive intervention upstream of asset sale, before assets become distressed

Creates a capital-light approach to preserve housing by stabilizing asset ownership through better management

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~ 20%

operational expense savings potential for small NOAH owners



## Why now?

The economic shocks of the COVID-19 crisis creates a sense of urgency for owners

If the Great Recession is a guide, we are likely to see an inflow of opportunistic private capital seeking to acquire distressed real estate assets

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40%

Hispanic and African American workers at risk of displacement

# Key Success Factors and Design Principles:



## 1 Community engagement

Consult stakeholders in model development to ensure we're bringing new and actionable solutions that address a clearly defined need



## 2 Partnership approach

Leverage existing strengths and capital - governments, nonprofits and private sector players are all potential project and funding partners



## 3 Scalable solution

Design models that can be scaled to the state-level for maximum impact



## 4 Contextualized delivery

Built solutions to execute at the local level best suited for the location, players, and populations affected



## 5 Meet the moment

Create interventions that will meet this crucial moment and address the increased risk and vulnerability facing people and places we strive to protect



# Our Partners



Avail combines all of the tools, educational content, and support that landlords and tenants need in one place.



## Real Estate Development

We develop and operate rental housing for youth and young adults, families, seniors, individuals with special needs, and other low-income households.

[READ MORE](#)



## Housing & Support Services

We advocate permanent housing and support services for our most challenged populations including homeless youth and families or those with mental health diagnosis.

[READ MORE](#)



## What We Do

- We develop and deploy programs and support community organizations on the ground.
- We advocate for policy on a nonpartisan basis at every level of government.
- We invest capital to build and preserve rental homes people can afford.
- And we own and operate 13,000 affordable homes and provide resident services for 22,000 people.

All so that people not only make rent, they build futures.

WE'VE GOT A STRONG RECORD OF MAKING EFFECTIVE AND EFFICIENT PROGRESS

**40**  
YEARS

**793,000**  
HOMES CREATED OR PRESERVED

**\$61 B**  
INVESTED



# Sources of insight

## Stakeholder interviews

### Owner Advocates

- California Apartment Association, Executive Director
- Greater Los Angeles Apartment Association, EVP
- National Association of Hispanic Real Estate Professionals, SVP for Public Policy

### Nonprofit Organizations

- Los Angeles Family Housing, Director of Asset Management
- Brilliant Corners, Consultant
- ELACC, Director of Asset & Property Management
- Greater Minnesota Housing Fund, NOAH Impact Fund
- LA United Way, Director

### Funding and Financing partners

- Genesis LA, CEO
- Watt Investment Partners, Senior Managing Director
- Nico, CEO
- Colliers, VP and Deputy FHA underwriter

### Landlord surveys

- U.S. Census, 2018 Rental Housing Finance Survey (RHFS)
- National Apartment Association, Los Angeles landlord spend data
- Buildium – State of independent landlords 2018, n =700
- Avail – State of independent landlords 2019, n =709
- McKinsey survey of CA landlords, n=43

### Project advisors

- Kofi Bonner, CEO, Bedrock
- Alan Greenlee, Executive Director, SCANPH
- Alicia Glen, Founder & Managing Principal, M Squared
- Kay Fernandez Smith, Vice President San Francisco Foundation
- Chuck Laven, President, Forsyth
- Paavo Monkkonen, Professor of Urban Planning and Public Policy - UCLA Luskin School

### Public sector

- HACLA, Chief Strategic Development Officer
- LA HCID, Director of housing strategies and Services

### Research and Academic Institutions

- Eviction Lab, Research Coordinator
- Eviction Lab, Narrative Change Liaison
- UC Berkeley Turner Center, Managing Director
- UC Berkeley Turner Center, PhD candidate
- SPUR, San Jose Policy Director
- Princeton University, Professor of Sociology

### Pilot partnerships

- Handy, Former Associate Director of Strategy
- Home Advisor, Former Director of Business Development

### Internal industry experts

- Ben Safran, Associate Partner – Real Estate and Affordable Housing
- Jon Lurie, Sr. Advisor - Real Estate Private Equity
- Robert Palter, Sr. Partner – Real Estate
- Cameron Talischi, Associate Partner – P&C Insurance

### Studies and academic papers

- MGI: Affordable Housing in Los Angeles
- Harvard JCHS – America's Rental Housing 2020
- Turner Center – Expanding access to home ownership through Lease-Purchase
- Turner Center – Catching Affordability Where It's At: Acquisition / Rehab of Oakland's Unsubsidized Affordable Housing
- USC – Normandie Lofts LA County NOAH Impact Investment
- Eviction Lab – Do the Poor Pay more for Housing?
- Eviction Lab – Evicting Children
- Eviction Lab – Urban Poor: Consequences of Third-Party
- UCLA – Evaluating ADU Homelessness Programs
- Enterprise Community Foundation – Staying in Place to Get Ahead, Creating Renter Stability through Master Leases with Build-in Savings Accounts
- California Housing Partnership - Los Angeles County Annual Affordable Housing Outcomes Report, 2019

### LA County datasets

- LA County Parcel Data (2019), Assessor's Office
- Multifamily residential data (2020), CoStar Group
- COVID-19 Jobs at risk analysis (2020), MGI
- Gentrification by census tract (2017), Urban Displacement Project
- American Community Survey (2018), US Census Bureau
- Block group demographics (2018), Experian
- Resourced neighborhoods, TCAC
- Rent burden, US Dept of Treasury
- Foreclosure history (2015-20), HCIDLA
- REAP List (June 2020), HCIDLA
- Building code and safety case history (2015-2020), HCIDLA

- Jacqueline Waggoner, President, Solutions Division, Enterprise Community Partners
- Ben Winter, HUD, formerly at California Community Foundation

# Insight, continued!

## Nonprofit Organizations

- Greg Spiegel, Mahdi Manji, Inner City Law Center
- Leonora Camner, Abundant LA
- Laura Foote, YIMBY Action
- Zach Neumann, Avail
- Gloria Bruce, EBHO
- Helen Leung, Elizabeth Timme & Alexandra Ramirez, LA Mas
- Lisa Alberghini, Housing Partnership
- Tony Samara, Urban Habitat
- Richard Raya, MEDA
- Amie Fishman, NPH

## Funding and Financing partners

- Helen Dunlap, Independent consultant to LISC, Shorebank
- Cindy Wu & Annie Donovan, LISC Bay Area
- Steven Dow, LISC Houston
- Tunua Thrash-Ntuk, LISC LA
- Heather Hood, Enterprise NorCal
- Jacqueline Waggoner, Enterprise
- Shawn Escoffery & Roger Perez, Disney Foundation
- Nina Revoyr and John Griffith, Ballmer Group
- Elizabeth Wampler, Judith Bell, The San Francisco Foundation
- Anna Fink, Amalgamated Bank and Foundation

## Focus Groups (n=19)

- African American Group
- Hispanic Group
- Small Property (<8 units) Group
- Long Beach Group

## Public sector

- Ann Sewill, City of LA Housing
- Shola Olatoye, Oakland Housing Department
- Karly Katona, Los Angeles City Council Office of Mark Ridley Thomas
- Sherilyn Correa, Los Angeles City Council Office of Curren Price
- Jenna Hornstock, SCAG

## Research and Academic Institutions

- Matt Murphy, NYC Furman Center
- Stacie Young, CIC
- Carol Galante, Carolina Reid, Ben Metcalf, Turner Center
- Joan Ling, Paul Ong, UCLA
- Laurie Goodman & Erika Poethig, Urban Institute
- Alicia John-Baptiste & Hannah Schwartz, SPUR
- Renters and Rental Market Crisis Working Group

## Internal industry experts

- Julijs Liepins, Olivia Speck, Chuck Laven, Forsyth Street
- Josh Abrams, Vu-Bang Nguyen, B+D Planning
- Alicia Glen, Caitlin Lewis, MSquared Development
- Rick Jacobus, Street Level Advisors
- Ali Nazar, Mynd
- Ryan Coon, Avail
- Antoine Thompson, National Association of Real Estate Brokers (NAREB)
- Hope Atuel, Asian Real Estate Association of America (AREAA)
- Malcolm Bennett, Minority Apartment Owners Association
- Diane Robertson, Coalition of Small Rental Property Owners

# Pilot Objectives & Timing

## Phase I: Owner and Tenant Stabilization (Pilot Launch ~March 2021)

1. Stabilize BIPOC owners and prevent foreclosure in neighborhoods of highest displacement and gentrification risk
2. Keep lower income people of color housed
3. Increase building cash flow through OPEX savings and/or improvements
4. Data collection for program evaluation and policy support

## Phase II: Wealth Retention and Growth

1. Increase Collective Owner Capacity and Advocacy
2. Certificate program – pre-approval for partner programs → standardization & scale
3. Increase collective purchase power for small owners
4. Explore wealth-building opportunities for qualified landlords that also support production goals: value add projects like multifamily ADUs, training and networking to pursue additional investments



# Program Design Overview:

## Program Description

### Overview Rental Arrears + Future Rental Payments

- Landlords apply for grant payment to clear back rent to date, and subsequent payments at [3] month intervals thereafter
- Owner has to forgive up to 20% (in line with state programs)
- Program will continue for up to 12 months, *subject funding availability*

### Flexible Funding

- Adaptive to help owners stabilize building and improve habitability. Sample uses: mortgage payments, property taxes, building repairs and improvements.

### Program Agreement

- For assisted units, landlord agrees not to evict in-place tenants and temporary cap rents (excluded rent control buildings). A number of opt-in features that increase priority.

### Eligibility Requirements

- Neighborhoods: South LA
- Building size: 2-20 units, tiered prioritization for 2-5 units.
- Rents have to be at 80% AMI or below
- Landlord applies and tenant verifies. Prioritizing BIPOC owners with mortgages

### Fund Goals:

- Serve up to 280 units or 10% of total eligible units in area.
- Prevent foreclosures & evictions
- Identify cohort of small owners (20-30) for coalition



# Key Characteristics of Focus Area

Almost all ~2,700 units in selected area are also affordable at or below 80% AMI

~60% of NOAH owned by an individual or family trust

91% is Latinx (88% Spanish speaking at home)

## PILOT POTENTIAL:

- Parcel tool identified almost 3,000 eligible units
- Potential to support 180-280 households (approx. 40 property owners), up to 10% of eligible units
- CRCD has deep experience and relationships in area
- Strong political support (Councilmember Price District)

95% of MF buildings (5+ units) are NOAH\*

~77% are in the 5-9 unit range

*\*NOAH defined here as 5-24 unit buildings that are affordable at or below 100% AMI*

# Technology Brings Efficiency to LROC

