July 28, 2014

Mr. Andrew Nierenberg
Deputy Director, Right of Way Division
Department of Transportation, District 7
100 S. Main St., Suite 100
Los Angeles, CA 90012

Courtesy copy to: Affordable Sales Program
1120 N Street, Mail Stop #37
Sacramento, CA 95814

Dear Mr. Nierenberg,

New Economics for Women is a nonprofit organization engaged in the acquisition and rehabilitation of distressed properties for sale to homebuyers. We have successfully acquired and rehabilited single-family properties for sale to homebuyers who complete educational courses and foreclosure prevention training, and who qualify with incomes of no more than 120% of Area Median Income for the past ten years. We have performed over 120 rehabilitations of single-family properties throughout South Los Angeles and the San Fernando Valley.

We are particularly interested in again applying to become one of the qualified nonprofit organizations selected by your upcoming RFP for affordable housing organizations to participate in the acquisition, sale, and rehabilitation of properties owned by Caltrans on the SR-710 Corridor, as we did in 2004.

While you are still in the process of collecting comments to your phased plan, we would like to contribute comments to your planned process for sale of these properties to qualified nonprofits.

Having engaged in this work for years now, we can share some lessons learned. One of such lessons is that the acquisition cost for distressed properties must be at a discount from the appraised value in order to make the rehabilitation work make economic sense and not waste federal, local, or foundation support of this difficult work.

COMMENT 1

The obligation of any affordable housing organization as the potential purchaser to pay a "Reasonable Price" for the properties, completely unrelated to the rehabilitation work also required of this purchaser, makes an unrealistic assumption about how any entity acquires and rehabilitates properties.

The Offer Price is contemplated to be a "Reasonable Price" but the Conditions for Offer of Sale include rehabilitation as an objective of the offer. In fact, the only prospective buyer that would be required to rehabilitate the property is apparently a housing related public or private affordable housing organization.

If rehabilitation is to be required (generally averaging $30-40/sq.ft for each of our single-family rehabs on housing stock of more than 50+ years old in Southern California), than the estimate on the rehab obtained by the nonprofit should become the amount of the discount from the appraised value of the house that should set the sale price of the home.

No nonprofit will be able to cover the significant level of rehabilitation work necessary of the resale of these properties without another significant funding source designed to recuperate less money from the resale of the house than the total cost of acquisition and rehabilitation. We would necessarily need a funding source that would allow for the potential for significant losses to the nonprofit on each house, and such funding sources simply do not exist, given the collapse of our local CRA, the difficulty in finding unsecured or secured lines of credit for acquisition/rehab, a lack of construction lending in the field, and other financing constraints. It makes the requirement of rehabilitation on each property unattainable.

Based on our significant experience in the field, we strongly urge the Department to consider accepting purchase offers that would:

> **Deduct the value of the anticipated rehab work necessary to comply with state and Federal law from the contemplated sale price to qualified nonprofit public benefit corporations.**

It is our understanding that the majority of the properties to be sold require significant rehabilitation that must be constructed in a standard that will comply with state and Federal law requiring environmental remediation of each property. In previous Department of Transportation (DOT) Right of Way RFPs, DOT properties have required that purchasing nonprofit entities rehabilitate the properties to a standard of habitability as provided by California Civil Code Section 1941.1.

Therefore, a discount must be offered to nonprofits on acquisition or the Department will not enable any nonprofits to engage in any acquisition of properties along the SR-710 Corridor.

The market value of the homes has to be reflective of the amount of work required to rehabilitate each standard to California and Federal standards for resale of an environmentally-inadequate house. Otherwise, your disposal of blighted, surplus properties will become a defacto auction of these properties for resale as-is to no more than investors seeking profits over significant community development work and affordable homeownership opportunities so needed in Los Angeles County. You will undermine the opportunity for community benefit if your pricing is not reflective of this rehabilitation work required on each property.

COMMENT 2

No part of the proposed program has suggested that DOT would provide a complete disclosure of environmental conditions on each property. We would expect that an environmental disclosure would be provided for each potential purchaser to be made aware of what DOT as the current owner of the property knows about the property, both from their own inspections and from what Tenants have reported to the Department that should become public information relating to outstanding environmental issues and repairs that must be contemplated of a sale of the property to a nonprofit requiring subsequent resale of the property to a new homeowner that meets affordability requirements at any income restriction.

This environmental standard sufficient to meet the requirements of California Civil Code Section 1941.1 must be disclosed by the Department during this RFP process.

COMMENT 3

The priority order for nonprofits to be able to purchase subsequent to the three categories of prospective buyers prior to Number 4, "Housing related public or private affordable housing organization," appears appropriate and deliberate in order to increase the availability of (assumedly) affordable housing options for low- to moderate-income homebuyers.

However, we do question what a "private affordable housing organization" would be, and would strongly recommend that only a qualified nonprofit public benefit corporation qualify as a prospective purchaser this level. Your draft language would presume that a private developer committed to "affordable housing" would target sales to low- to moderate-income homebuyers. This designation is confusing.

Regarding the anticipated "right of first occupancy to present occupants" presently contemplated as part of the Conditions for Offer of Sale to Group #4 (Housing related public or private affordable housing organization), it is also very unclear how a nonprofit would purchase the home at a "Reasonable Price", perform substantial rehabilitation of that home, and then be able to offer occupancy to the present occupants. Who would track their whereabouts? Who will be responsible for tenant relocation? Who would perform homebuyer education for the potential homeowner?

These questions as they relate to what a nonprofit would be able to do through this program require the Department's immediate attention.

Thank you for your consideration of our comments in your proposed rules for this program. If we can be of any help, please do not hesitate to reach out to us at (213) 483-2060, ext. 301 or via email at amatricardi@neworg.us.

Sincerely,

Alicia Matricardi
General Counsel and Director of Real Estate