

LOS ANGELES HOUSING DEPARTMENT

Rebuilding Communities After The 1994 Northridge Earthquake Year Two Recovery Report January 17, 1996

The Northridge earthquake of January 17, 1994, produced the strongest ground motions ever recorded in a metropolitan setting in North America, resulting in estimated total damages of nearly \$20 billion. In the city of Los Angeles, over 65,000 housing units were destroyed or sustained major damage as a result of the earthquake, and more than 19,000 of those were ordered vacated by the Department of Building and Safety. No natural disaster in U. S. history has wreaked comparable havoc in a densely populated urban area.

Prior to the Northridge Earthquake, the principal Federal disaster assistance programs in the country were the Small Business Administration (SBA) and the Federal Emergency Management Agency (FEMA). These programs, however, are designed primarily to assist single family homeowners and as such, left significant gaps in the recovery from the Northridge Earthquake, where 92% of the damage was to apartment buildings. (See attached Fact Sheet for information on SBA and FEMA assistance).

To fill the gap the Los Angeles Housing Department (LAHD) immediately organized itself into a disaster response mode by reassigning staff, refocusing existing programs and designing and obtaining funds for programs that could help Angelenos that fell through the gaps of the existing federal recovery process. This report summarizes the efforts of the LAHD during the second year response to this emergency.

The LAHD augmented the SBA to launch a recovery unmatched by any previous response to an American natural disaster. Using a special \$321.7 million allocation from HUD, the Department established the Earthquake Emergency Loan Program, shortly after the earthquake. The City's loan program was designed to fill a significant gap in the SBA's ability to make loans available to apartment buildings. The plan called for the Housing Department to finance reconstruction projects, which due to regulatory constraints, the SBA could not fund. To date, LAHD has received 5,297 referrals, representing 22,661 units, from the Small Business Administration alone.

By the close of 1995, **11,299** units representing a loan value of **\$232 million** had been funded by the LAHD. Of these, **4,120** units are under construction and **1,898** have been completed.

The Department is extremely proud of its success rate in the 17 devastated "ghost town" neighborhoods. A special LAHD ghost town team was deployed to aggressively persuade owners, lenders, and investors to refinance and rebuild immediately. The ghost town teams also coordinated with LAPD and private security to repel vandals, gangs, and squatters who infiltrated the ghost towns shortly after the earthquake. In addition, the team worked with the

City's Building and Safety, Public Works, and General Services Departments to board up vacant buildings. In less than two years the ghost towns are becoming vibrant neighborhoods again. The LAHD, SBA and private sources have financed **99%** of the **7,506** vacated units in the 17 ghost towns; **84%** of these units have construction work in progress or are completed and reoccupied.

The Department's successes would not have been possible if the following strategies, plans and procedures had not been in place.

- The LAHD developed the Earthquake Emergency Loan Program (EELP) to rehabilitate and reconstruct earthquake damaged housing.
- An immediate commitment of assistance from HUD Secretary Henry Cisneros and follow through from Assistant Secretary Nicolas Retsinas and his staff were instrumental in organizing Congressional support and expediting the availability of funds for recovery.
- The City Council and Mayor Richard J. Riordan extended their absolute support of LAHD's expedited recovery initiatives.
- All City departments provided their mutual support to enhance the progress of recovery efforts.
- In terms of funding, a total of \$321.7 million was awarded to the City of Los Angeles for housing repair by the Federal government in the form of Community Development Block Grant (CDBG) and HOME funds.
- LAHD determined that the \$321.7 million would be insufficient to cover the remaining unrepaired properties referred to the City's earthquake programs. To prioritize residential properties with the greatest need for repair, the City Council, under recommendation from LAHD, adopted a funding prioritization plan for uncommitted earthquake recovery funds based on severity of damage and economic targeting.
- LAHD developed a Tax Exempt Bond Financing Program. The City can expect a return on its rehabilitation loans after construction completion through the tax exempt program. The recaptured proceeds will then be reloaned to other eligible earthquake damaged properties.
- The LAHD and SBA set up a system for quickly referring SBA loan denials to the LAHD and for servicing all affected property owners in the 17 ghost town areas, where the most severe damage occurred. A Ghost Town Finance Unit was set up within the Department to expedite loan processing in these hard hit neighborhoods.

- LAHD damage data collection, analysis, and mapping guided resource allocations at the early stages of recovery and enabled accurate tracking of the status of LAHD loans and overall recovery.
- The Department's Neighborhood Recovery Program staff located vacated properties and secured them from the ravages of squatters, vandals, time, and the elements, by coordinating the efforts of the LAPD, Public Works, and General Services.

LAHD has played a key role in assisting properties with the greatest financial difficulties and in obtaining funding for properties that could not obtain adequate financing from other Federal, State, or private sources.

Twenty-four months after the Northridge Earthquake, the LAHD has entered the final phase of the rebuilding effort. The work that remains to be done, includes monitoring and completing construction work on the homes and apartments already funded by LAHD, and securing additional monies to meet the gap of funding for over 3,700 units in the Department's pipeline. All SBA and other referrals of damaged housing units are now in that pipeline. Our analysis suggests that if a significant percentage of property owners in the pipeline actually apply for assistance, loan demand will exceed available funds by \$51 million to \$71 million.

Our primary goal and challenge for 1996 will therefore be to close the anticipated shortfall as current funding runs out. Assuming much of the funding gap is filled LAHD anticipates a complete wrap-up of our earthquake activities in 18 months.

Los Angeles Housing Department Northridge Earthquake Fact Sheet

Damage

Source: City of Los Angeles, Department of Building and Safety, May 1994

- More than 400,000 housing units were inspected for earthquake damage by the Department of Building and Safety, accounting for over 25% of the entire City's housing stock.
- Over 330,000 inspected residential units sustained some damage representing 90% of housing throughout all earthquake affected areas.
- Approximately 65,000 housing units sustained major damage (an average of \$5,000 of structural damage per unit in a building).
- Approximately \$20 billion in overall property damage occurred, including \$7-9 billion in insured losses.
- Over 19,400 housing units were vacated.
- Of vacated units, 92% or 17,931 were located in multi-family buildings.

Ghost Towns

Source: Los Angeles Housing Department, January 1996

- Seventeen (17) Ghost Towns, or areas of concentrated damage, were identified across the city.
- More than 7,500 housing units were vacated in Ghost Towns.
- Security was provided to buildings in Ghost Towns in the form of board-ups, fencing, and armed patrols in order to prevent crime and vandalism.
- By January 17, 1996, 99% of all Ghost Town units have reconstruction financing and 84% of Ghost Town units are under construction, completed, or fully rented-out.

Principal Federal Disaster Response Programs

Source: Los Angeles Housing Department, Council Transmittal, November 20, 1995

- In the City of Los Angeles, SBA processed a total of 164,024 applications through September 7, 1995 in both its Disaster Loan Program for single family home owners and Business Loan Program for a total funding assistance of \$2.9 billion. It is undetermined how many of these applications pertain to rental housing only, as the Business Loan

Program does not distinguish rental housing from other commercial classifications.

- For individuals rejected by SBA, FEMA co-funds a program called the Individual and Family Grant Program (IFGP) which is administered by the State. The average grant was less than \$2,000 and very little building repair was actually funded. The number of persons assisted under IFGP region-wide is 212,212 for a total of \$214.4 million as of October 2, 1995.

LAHD Earthquake Response Programs

Source: Los Angeles Housing Department, Council Transmittal, November 20, 1995

- Rehousing grants of \$500 were issued to 3,809 households within two months of the earthquake.
- The LAHD Housing Information Line received over 162,000 calls in its first year for earthquake-related issues.
- The Rent Stabilization Ordinance (RSO) was amended to prevent practices that would negatively affect housing supply and tenant stability.
- Over 12,000 vacant unit listings were collected and made available to the public through Metropolitan Housing Bank.
- Lists of licensed, locally based building contractors were compiled and distributed to property owners and others to facilitate the recovery process.
- Earthquake Emergency Loan Program information was distributed to over 90,000 property owners.
- Contractor training sessions were provided by LAHD to assist contractors in understanding LAHD construction guidelines.

Recovery Efforts

Source: Los Angeles Housing Department, December 20, 1995.

- LAHD received \$321.7 million in earthquake recovery funds to rebuild earthquake-damaged housing.
- Seven different loan programs were developed to assist rehabilitation and acquisition/rehabilitation of single-family and multi-family housing units; rehabilitation of mobile homes; and rehabilitation of condominium units.
- LAHD has received referrals on over 6,500 earthquake-damaged residential properties with over 36,640 housing units.
- LAHD has completed loan agreements on 1,432 earthquake-damaged residential

properties with 11,299 housing units representing a loan value of \$232 million.

- Of projects that have received loan funding, 368 buildings with 1,898 housing units have completed construction.

Unmet Need

Source: Los Angeles Housing Department, December 15, 1995

- LAHD anticipates that an additional 3,763 housing units will require funding.
- An additional \$51-71 million dollars will be needed in addition to the original funding sum to meet the remaining demand for earthquake recovery assistance.

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