

TRANSMITTAL

To:

THE COUNCIL

Date: 01/19/2016

From:

THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.



(Ana Guerrero)

ERIC GARCETTI
Mayor



Eric Garcetti, Mayor
Rushmore D. Cervantes, General Manager

Regulatory Compliance & Code Bureau

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January 14, 2016

Council File: 12-0647 S6
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Honorable Eric Garcetti
Mayor, City of Los Angeles
200 N. Spring Street, Room 303
Los Angeles, California 90012

Attention: Mandy Morales, Legislative Coordinator

REPORT BACK WITH RECOMMENDATIONS FOR THE ENHANCEMENT OF THE FORECLOSURE REGISTRY PROGRAM AND FOR THE USE OF FORECLOSURE REGISTRY PENALTY FEES TO INVEST BACK INTO FORECLOSED PROPERTIES FOR PREVENTION AND STABILIZATION OF NEIGHBORHOODS TO COMBAT BLIGHT

INTRODUCTION

The Foreclosure Registry Program (FRP) was adopted by the City Council in 2010 (C.F. 09-0365) in the wake of the nation's foreclosure crisis. The purpose of the FRP Ordinance (Ordinance No. 183281) is to prevent blight by ensuring that lenders maintain foreclosed properties in the City of Los Angeles. The Ordinance requires lenders to register residential properties with the Los Angeles Housing + Community Investment Department (HCIDLA) within 30 days of recording a Notice of Default (NOD). The annual registration fee is \$155. The Ordinance also requires lenders to conduct monthly inspections and report to HCIDLA certifying the condition of the property. In addition, a pro-active inspection fee of \$356 is required for all foreclosed single family residential properties and vacant multi-family properties. If the beneficiary and/or trustee fails to comply with the registration fee, the pro-active inspection fee, or the monthly inspection report a Notice of Non-Compliance (NNC) will be issued and a penalty in the amount of \$250 per day (not to exceed \$100,000 per NNC) will be assessed.

On October 29, 2014, the City Council instructed (Council File 12-0647 S6) the HCIDLA to report back on: 1) Using a portion of the penalty fees collected through the FRP for the creation of a rehabilitation program similar to the Neighborhood Stabilization Program (NSP);

- 2) Using a portion of the penalty fees to establish a loan program for homeowners at the NOD phase; 3) Partnering with community groups to work with the City in the aforementioned proposed programs; and
- 4) Creating a Foreclosure Registry System 2.0 to better track foreclosed properties and to combat blight.

On June 3, 2014, the Office of the City Controller released their Performance Audit of the Foreclosure Registry. The Audit made several recommendations related to the enhancement of the foreclosure registry's system and enforcement of the Ordinance requirements. The City Council's Audit Committee (C.F. No. 12-0647-S7) subsequently recommended that HCIDLA work with relevant City Departments to develop a Distressed Property GeoRegistry and to provide a status update in one year.

This report will address the items raised by the City Council and the City Controller related to improving the overall effectiveness of the FRP and will focus on the following areas: 1) develop a foreclosure GeoRegistry system to improve the tracking of foreclosed properties in the City; 2) utilize the FRP penalty fees for the development of a FRP Neighborhood Stabilization Program; 3) provide negotiation authority to HCIDLA, in consultation with the Office of the City Attorney, in the collection of outstanding penalty fees; and (4) request resolution authority for six FRP positions to be fully-funded by the FRP registration fee currently in place and reassignment of five full time positions from the Rent Stabilization Trust Fund (RENT) and Systematic Code Enforcement Fund (SCEP) to the FRP Fund.

RECOMMENDATIONS

The General Manager of the HCIDLA respectfully requests that:

- I. Your office schedule this report back at the next available meeting(s) of the appropriate City Council committee(s) and forward it to City Council for review and approval immediately thereafter;
- II. The City Council instruct HCIDLA to work with the City Attorney to amend the Foreclosure Registry Ordinance as necessary to adopt the Foreclosure Registry Neighborhood Stabilization Program, and to establish a process for negotiation of outstanding penalty fees;
- III. The City Council authorize expenditures for technical assistance to structure and launch the Foreclosure Registry Neighborhood Stabilization Program in the amount of \$50,000;
- IV. The City Council authorize expenditures for on-going support and enhancements to the Foreclosure Information Management System (FIMS) in the amount of \$1,507,860;
- V. The City Council authorize the City Controller to:
 1. Create within the Foreclosure Registry Program Fund 56V the following accounts:
 - a. 43M230 – Technical Assistance-Foreclosure Registry Neighborhood Stabilization Program (FRNSP)
 - b. 43M900 – Contract Programming-Systems

2. Transfer appropriations within Fund 56V/43 as follows:

| | <i>Fund</i> | <i>Account</i> | <i>Title</i> | <i>Amount</i> |
|--------------|-------------|----------------|------------------------------|---------------|
| From: | 56V | 43M411 | Unallocated | \$ 1,794,783 |
| | | | | |
| To: | 56V | 43M143 | HCIDLA | \$ 170,382 |
| | 56V | 43M230 | Technical Assistance-FRNSP | 50,000 |
| | 56V | 43M900 | Contract Programming-Systems | 1,488,860 |
| | 56V | 43M299 | General Fund Related Costs | 85,541 |
| | | | Total | \$ 1,794,783 |

3. Increase appropriation in General Fund 100/43 as follows:

| <i>Account No.</i> | <i>Account Title</i> | <i>Amount</i> |
|--------------------|---------------------------|---------------|
| 001010 | Salaries General | \$ 151,382 |
| 006010 | Office and Administrative | 19,000 |
| | Total | \$ 170,382 |

4. Change the funding source and related costs for five full time positions from the Rent Stabilization Trust Fund 440/43 and Systematic Code Enforcement Fund 41M/43 to Fund 56V/43 as follows:

| | <i>Fund</i> | <i>Account</i> | <i>Title</i> | <i>Amount</i> |
|--------------|-------------|----------------|----------------------------|---------------|
| From: | 440 | 43M143 | HCIDLA | \$ 254,419 |
| | 440 | 43M299 | General Fund Related Costs | 143,764 |
| | 41M | 43M143 | HCIDLA | 254,419 |
| | 41M | 43M299 | General Fund Related Costs | 143,764 |
| | | | Total | \$ 796,366 |
| | | | | |
| To: | 56V | 43M143 | HCIDLA | \$ 508,838 |
| | 56V | 43M299 | General Fund Related Costs | 287,528 |
| | | | Total | \$ 796,366 |

Decrease appropriation within Fund 56V/43, account 43M411 Unallocated in the amount of \$796,366.

5. Expend funds upon proper written demand of the HCIDLA General Manager, or designee.
6. Authorize the HCIDLA General Manager, or designee, to make necessary technical adjustments consistent with the Mayor's actions, subject to the approval of the City Administrative Officer (CAO) and request the Controller to implement these instructions.

- VI. The City Council authorize resolution of a total of six new position authorities for the Foreclosure Registry Unit funded from the current Foreclosure Registry Program fees currently in place as follows: 2 Management Assistants, 1 Sr. Housing Inspector, 2 Housing Inspectors, 1 Programmer Analyst; and
- VII. The Mayor concur with the action of the City Council.

ENHANCEMENT OF THE FORECLOSURE REGISTRY PROGRAM UTILIZING THE EXISTING REGISTRY FEE STRUCTURE

Foreclosure Information Management System

When the FRP was established in July 2010, HCIDLA developed the Foreclosure Information Management System (FIMS) to manage the large volume of properties that are subject to the FRP Ordinance. FIMS provides lenders and trustees an Internet web portal to register properties in the foreclosure process, commencing at time of the NOD. FIMS also allows HCIDLA staff to manage registrations, process billing, change property status, perform research and track compliance of registered properties. Since its initial roll-out, FIMS has undergone many modifications and enhancements to keep up with FRP amendments and administrative requirements.

In June 2014, the Controller's Office completed a performance audit of the FRP and identified significant opportunities to improve its effectiveness and enforcement. The audit recommended increased monitoring of properties in the foreclosure process and to develop an enhanced FRP registration system. The audit also recommended a significant enhancement to FIMS that includes a comprehensive map-based and data-driven *Distressed Property GeoRegistry* (GeoRegistry) system to be developed and shared with relevant City Departments to collectively address nuisance and blighted properties.

HCIDLA's proposal for FIMS upgrade (FIMS 2.0) and GeoRegistry will address the systems recommendations made by the Controller and assist HCIDLA in its enforcement mandates under the Ordinance.

FIMS 2.0 GeoRegistry will provide the following major benefits currently not available:

- 1) Provide a map based data-driven tool that allows users to conduct comprehensive research on the foreclosed property inventory;
- 2) Use available public and subscription data to create an always up-to-date geo-coded virtual map of all properties that are in the foreclosure process located in the City of Los Angeles;
- 3) Provide detailed information to City Departments and elected officials about distressed properties, responsible parties, complaints, inspections, calls, current conditions and referrals to other agencies that may provide assistance;
- 4) Allow the public to access information about the foreclosed properties and submit service requests;
- 5) Serve as a tool for tracking, prioritizing and decision-making to minimize the impact of properties which may become distressed or foreclosed upon;
- 6) Ensure responsible parties perform the legally mandated maintenance and inspections; and
- 7) Assist in the integration of the vacant property data to the Los Angeles Department of Building and Safety (LADBS) and allow staff to access the data systematically in real time.

The resources required to develop FIMS 2.0 and the GeoRegistry will be funded from the \$155 registration fee (FR fund 56V/43 for Year 2015/2016). HCIDLA requests that \$1,507,860 be appropriated for the following purposes:

- 1) \$540,000 will be used to pay for the current contract programmers to support the existing system;
- 2) \$948,860 will be used for contract programming services to develop the FIMS 2.0 GeoRegistry features; and
- 3) \$19,000 will be used for PC hardware and software purchases to support the system.

Request for Resolution Authority

At the time the Foreclosure Registry Ordinance was enacted in 2010, the nation was in a deep recession that resulted in a major foreclosure crisis. The City was also experiencing a significant decrease in revenue that created a severe budget crisis, resulting in staff shortage. HCIDLA did not, at that time, request position authority, and instead temporarily reassigned existing staff members to perform the FRP operations, described more fully below, while an assessment of the program and its permanent staffing needs was conducted.

HCIDLA temporarily reassigned the following five full time staff: a Senior Housing Investigator II, a Management Analyst II, a Senior Clerk Typist, a Clerk Typist and an Accountant II. In addition, two As Needed Clerk Typist positions were hired to assist with the increase in foreclosure administrative functions. Finally, in order to address the recent Foreclosure Registry Ordinance amendments relative to pro-active inspections, a Senior Housing Inspector and two Housing Inspectors were temporarily reassigned, part time, from HCIDLA's Code Enforcement Division.

HCIDLA will reassign the five full time staff positions from the Rent Stabilization Trust Fund (Rent) 440/43 and Systematic Code Enforcement Fund (SCEP) 41M/43 to the FRP Fund 56V/43 and the corresponding budget and related costs for these positions will be transferred from Rent/SCEP Fund to the FRP Fund. While HCIDLA is able to absorb the five reassigned full time staff positions, the FRP's scope of work has grown considerably to include: monitoring of monthly property inspections, issuing NNC's, GeoRegistry development and pro-active inspections. The FRP work can no longer rely on the two As Needed Clerks, and Management Assistants are required to perform the detailed foreclosure administrative functions required under the FRP Ordinance. In addition, the three temporarily reassigned Inspectors need to return to HCIDLA's Systematic Code Enforcement Program to ensure Housing Code compliance. Finally, a Programmer Analyst is needed to assist in the development and continued maintenance of the GeoRegistry.

HCIDLA, therefore, requests resolution authority for the following six positions through June 30, 2016 and will also request these positions in the 2016-2017 budget. A detailed cost breakdown for staff is included as Attachment A.

| No. | Class Code | Class Title | Annual Salary | Related Costs | Total Cost |
|-----|------------|--------------------------|---------------|---------------|------------|
| 2 | 1539 | Management Assistant | \$ 134,384 | \$ 81,114 | \$ 215,498 |
| 1 | 4244 | Senior Housing Inspector | 94,440 | 57,004 | 151,444 |
| 2 | 4243 | Housing Inspector | 170,339 | 102,817 | 273,156 |
| 1 | 1455 | Program Analyst IV | 105,444 | 63,646 | 169,090 |
| | | | | Total | \$ 809,188 |

Foreclosure Registry Staff Responsibilities

Presently, the FRP staff are required to: 1) maintain a complete and accurate foreclosure registration database; 2) monitor compliance of monthly lender inspections; 3) conduct HCIDLA proactive inspections and monitor LADBS proactive inspections; and 3) coordinate efforts with other relevant City Departments to address blighted and nuisance foreclosed properties. The \$155 annual registration fee will fund all 11 positions, including the six positions requested.

Registration

The FRP Ordinance requires beneficiaries and or trustees to register their properties with HCIDLA and to pay the annual \$155 fee. The FRP staff currently registers over 10,000 properties annually. The registration process requires real property analysis of numerous recorded real property documents and transactions, obtained from the RealQuest database. Beneficiaries and or trustees who do not comply with the registration requirement are issued an NNC and are subject to a daily penalty fee of \$250 with a \$100,000 maximum per NNC. In order to maintain an accurate database, FRP staff are also required to remove properties from the database through the de-registration process, which involves detailed review of recorded real property documents and registry updates. HCIDLA currently does not have sufficient staff to meet all the FRP Ordinance registration requirements. HCIDLA requests position authority for the two Management Assistants to meet the registration requirements under the FRP Ordinance.

Monthly Inspections

The FRP Ordinance requires beneficiaries and or trustees to file monthly inspection reports with HCIDLA. There are over 10,000 properties that require monthly inspections and reports. The monthly inspection process involves staff monitoring the registry to ensure these reports are submitted, and if not, to issue a NNC or determine if a HCIDLA or LADBS inspection is necessary. HCIDLA Housing Inspectors are needed to inspect properties for blight and monitor the monthly inspection reports to evaluate if any further code compliance is necessary. Housing Inspectors are also needed to issue code violations on blighted properties and follow through with the code enforcement process. HCIDLA requests position authority for a Sr. Housing Inspector and two Housing Inspectors to meet the monthly inspection and proactive inspection requirements described below.

Proactive Inspections

Proactive inspections are required of all Real Estate Owned (REO) properties. A \$356 inspection fee is assessed and HCIDLA is responsible for the collection of the fee for LADBS. Both HCIDLA and LADBS

staff will be required to inspect approximately 1,000 REO properties annually. HCIDLA Housing Inspectors may be required to issue orders for violations or refer them to LADBS for further enforcement when violations for blight are present. HCIDLA currently has no inspection staff to conduct HCIDLA proactive inspections or monitor the LADBS proactive inspections and requests position authority for Housing Inspection staff as previously described.

GeoRegistry

In order to adequately address blight, FRP staff are coordinating with other City Departments involved in addressing the problem of blighted properties including LADBS, Los Angeles City Attorney-Neighborhood Prosecutors Office, Los Angeles City Attorney-Environmental, Los Angeles Police Department (LAPD), Bureau of Sanitation, Los Angeles Fire Department (LAFD), and Los Angeles Department of Water and Power (LADWP). The FRP staff have been working with these departments for the creation of a GeoRegistry systems network. The GeoRegistry will provide the opportunity for collaboration with impacted City Departments as well as City Council and the public to interact and provide real-time data in an effort to reduce blight. HCIDLA does not currently have staff to conduct the additional work that will be created by the GeoRegistry, and therefore requests the resolution authority for the Programmer Analyst position.

Description of Staff Duties

The following is a description of the duties for the 6 staff positions requested:

Sr. Housing Inspector (4244) supervises and instructs Housing Inspectors in their inspection duties for the FRP; provides instruction of proper procedures and techniques of code enforcement inspections, and oversight of workflow related to auditing of monthly inspection reports conducted by banks/lenders and their representatives; conducts field inspections when difficult enforcement or public relations problems arise, including the inspection of residential properties for compliance with housing, habitability, quality and property maintenance ordinances including FRP Ordinance for blighted conditions; investigates code complaints and monitors and audits inspection reports conducted by lenders and responsible parties; follows through with code enforcement process by referrals to the Code Compliance and Rent Information System (CRIS) compliant and LADBS inspection processes and receivership programs; represents HCIDLA in related City Departments meetings and task forces; and establishes code enforcement related policies and procedures for FRP Ordinance implementation.

Housing Inspector (4243) inspects residential properties for compliance of housing, habitability, quality and property maintenance ordinances including the FRP ordinance and blighted conditions; investigates code violations complaints; monitors and audits monthly inspection reports conducted by banks/lenders and their representatives; follows through with code enforcement process by referrals to the CRIS and LADBS complaint process and receivership programs; interacts with other impacted City Departments in efforts to address nuisance and blighted properties; maintains records of all field work in both the CRIS and FIMS systems as well as LADBS assignment of cases; and may represent HCIDLA at various task force meetings including the Neighborhood Prosecutor's Environmental Task Force.

Management Assistant (1539) assists on line users through the registration process; utilizes the property research database, RealQuest, and County recorded documents to verify real property status and jurisdiction; reviews and approves requests for de-registration; analyzes and evaluates registration and

makes recommendations regarding compliance; communicates with lenders, banking institutions, and their representatives in the registration process; and assists in compliance through the issuance of NNC.

Programmer Analysts IV (1431-4) develops and supports FIMS including requirement analysis, application and database design, coding and unit testing, systems integration and coordinating with business units to roll out systems and changes; develops and supports BIMS to support the specific billing requirements for FIMS online payment and batch jobs for billing and collections; performs FIMS data analysis and report development for program managers to run the FRP; and works with technical staff to design and develop the systems infrastructure for FIMS which involves integration with both HCIDLA departmental systems and citywide systems. The Positions Descriptions are included as Attachment B.

ENHANCEMENT TO THE FORECLOSURE REGISTRY PROGRAM UTILIZING PENALTY FEES TO ADDRESS BLIGHT

Negotiate Penalty Fees

The FRP Ordinance provides a \$250 daily penalty fee which continues to accrue until either registration is made or penalties cap at \$100,000 per NNC. In order to improve the collection rate of these outstanding penalty fees, HCIDLA requests, with the Office of the City Attorney's assistance, the authority to negotiate reasonable fee reductions or alternatives. All penalty fee negotiations will require that the property and registrants be in compliance with all relevant health and safety code and FRP Ordinance requirements.

HCIDLA further recommends that the negotiation process include an option for the City to purchase foreclosed and blighted properties from banks/beneficiary/trustees for rehabilitation. Negotiations on the sale price would take into consideration the amount of unpaid penalty fees, dollar for dollar, realizing a savings by purchasing at a discount. The property then would be renovated with the foreclosure registry penalty fees and would realize affordability through the down payment assistant program and income qualification requirements to qualified low to moderate income buyers. The property would utilize the Citywide Foreclosure Rehab Program and Down Payment Assistance programs as referenced below.

Proposed Use of Penalty Fees

Over the last few years HCIDLA has identified, analyzed, evaluated and/or implemented several initiatives to assist families to stay in their homes and/or to mitigate the negative impacts of foreclosure. Based on past experience, which is summarized throughout this section, HCIDLA has narrowed down two options for investing funds received through FRP Funds.

Two Options

Option One: Citywide Foreclosure Rehab Program

Following the model of the HUD-funded NSP program, the City could allocate FRP Funds to affordable housing developers as working capital to acquire, repair and sell foreclosed homes. The HCIDLA estimates 36 foreclosed homes could be acquired, repaired, and sold to low- and moderate-income, first-time home buyers within three years, based on current market conditions and FHA rehabilitation

standards. This option could be administered by contracting with one entity to run the entire program or by contracting with various entities on a property-by-property basis.

This estimate assumes the following: 1) The cost to bring the home up to FHA minimum standards would be less than \$60,000; 2) The average purchase price would be \$300,000; and, 3) An average of \$50,000 in acquisition expense would be converted into second mortgages to assist qualified low-and-moderate income home buyers in purchasing the properties.

One strength of this approach is that the City funds could be targeted at converting foreclosed properties that are causing a blighted effect on a neighborhood. By providing developers 100% of the financing for acquisition, they could move quickly to acquire problem properties. Another strength is the FRP Funds will be mostly re-cycled at the end of each transaction. A disadvantage of this option is that it will require legal and administrative start-up investment of time and costs.

A Citywide Foreclosure Rehab Program differs from the HUD funded NSP in at least two significant ways. First, the HUD funded NSP limited its reach to census tracts with high concentrations of foreclosures while the Citywide Foreclosure Rehab Program could be implemented without geographic constraints. Realistically, there would be some location constraints due to varying market conditions in different communities.

Second, the HUD funded NSP had extensive rehabilitation standards imposed by the Federal government which contributed to high costs of implementation. In contrast, a Citywide Foreclosure Rehab Program is envisioned as a market-driven program with acquisition prices and rehabilitation scopes controlled by after-rehabilitation values.

HCIDLA believes these two differences will make for a more effective and efficient Citywide Foreclosure Rehab Program, compared to the HUD funded NSP.

Option Two: Down Payment Assistance

Similar to the HCIDLA Low-Income Purchase Assistance (LIPA) Program, the FRP Funds could provide assistance with direct down payments to home buyers purchasing foreclosed homes. Up to approximately 88 homes could be purchased by first time homebuyers using direct down payment assistance, assuming an average LIPA Program second mortgage of \$50,000 per home.

This program would rely on LIPA Program's private investors, realtors and lenders (who purchase, repair and sell homes as a business). HCIDLA's current LIPA program has the capacity to commit approximately \$500,000 per month in second mortgages. Therefore, \$4.4M in FRP penalty funds currently available will take approximately 8-12 months to commit.

The advantage of this approach is that affordability would be upfront. The property would remain affordable provided it is owned by income eligible, low-income purchasers. Another advantage is that this option can be seamlessly implemented by the current LIPA program, without the need for an up-front investment of legal and administrative start-up costs. The disadvantage of this approach, however, is that FRP Funds could not be leveraged or re-cycled. Once the Funds are spent, the Program would close down unless the Program is re-funded.

HCIDLA can implement either one of the proposed programs or both at the same time. Having a strong track record with both programs, HCIDLA is well positioned to implement these programs without difficulty. Given direction by City Council, HCIDLA will provide a more detailed description of each program, along with staffing requirements needed to implement. Finally, HCIDLA will need to work with the City Attorney to amend the Foreclosure Registry Ordinance, as appropriate, in order to fund and operate the program(s).

ALTERNATIVE FORECLOSURE PREVENTION STRATEGIES

In response to the pervasive foreclosure crisis, the HCIDLA staff endeavored to implement various foreclosure prevention strategies including targeted loan modifications, interest rate buy downs, principle reductions and the purchase of delinquent mortgages. Over time, it became clear municipal government was not well positioned to intervene in a National mortgage market meltdown. Below is an overview of the HCIDLA's experiences in this area over the past few years:

Housing Finance Innovation Fund

In 2011, HCIDLA, then known as LAHD, was awarded \$5 million in grant funds from CalHFA MAC (CF#09-0185-S3) from the U.S. Treasury sponsored program entitled the Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets (HH Funds). The focus of the HH Funds was to assist low and moderate-income homeowners suffering economic hardship with obtaining mortgage loan modifications with principal forgiveness, under the Los Angeles Mortgage Modification Program (LAMMP).

HCIDLA and the Neighborhood Legal Services of Los Angeles County (NLSLA) met with representatives of large national banks and loan servicers with major market presence in the targeted neighborhoods. Despite repeated offers for their involvement with a Program structure to offer interest rate buy downs or mortgage forgiveness plans, none (including Citibank, Bank of America (BofA), Chase and Wells Fargo Bank) were willing to participate.

Because the Grant Agreement contained tight timeframes related to progress milestones, these deadlines were unable to be met and the grant had to be returned to the State of California in 2014.

City-Sponsored Foreclosure Prevention Program

The City also developed a pilot Foreclosure Prevention Program (FPP) (CF 09-0185) in partnership with community groups including Neighborhood Legal Services of Los Angeles (NLSLA) and OneLA. The pilot program was funded from \$1.1 million in AB 1290 Funds from Council Districts 6 and 7. This Program was designed to assist homeowners who qualified for assistance under the Federal Home Affordable Modification Program (HAMP), to obtain sustainable loan modifications, including a permanent principal reduction. HCIDLA, formerly LAHD, signed a participation agreement with BofA in March 2011, but after screening BofA's list of mortgages, the bank identified no borrowers who were eligible to participate in the pilot program.

Purchasing Delinquent FHA Mortgages

Starting in 2012, FHA, Fannie Mae and Freddie Mac and large banks auctioned pools of delinquent mortgages to reduce the number of delinquent loans from their balance sheets. Buyers were often private equity firms, hedge funds, and other financial entities. In Southern California, San Bernardino County launched an effort to purchase very delinquent FHA mortgages for the purpose of modifying those using HH Funds. However, because HUD was only willing to sell loans in default for over four years, these types of loans were insignificant. The program has not been implemented.

Based on the knowledge gained through previous attempts, both successful and unsuccessful, to mitigate the negative effects of the foreclosure crisis on low-income families and neighborhoods, HCIDLA believes that the City is best positioned to use FRP Funds for the expansion of home loans to low-and moderate-income homeowners, rather than as a tool to prevent foreclosures of bad loans. Further, targeting funds to one or two programs that work in tandem creates a more efficient system than trying to implement multiple programs. In the proposal above, one option is to work with private developers to fully finance the acquisition and repair of foreclosed homes. Once repaired, the homes would be sold to low-income families, and the funds partially re-cycled as a small portion remains with each repaired home as a soft-second mortgage to the low-income homebuyer. A second option is to allocate the FRP Funds to HCIDLA's LIPA Program, where funds would be disbursed as soft-second through the LIPA Program's development, brokers and real estate partners. A third option is to distribute FRP Funds to both Option One and Option Two, and create an integrated program that will enable the rehab and resale of foreclosed properties to first time homebuyers in Los Angeles.

IMPLEMENTATION STRATEGY

The revision of the FRP Ordinance to allow HCIDLA, with the Office of the City Attorney, to negotiate outstanding penalty fees would provide a better suited collection option and would also address blight. This option would provide an opportunity to negotiate and purchase blighted properties at a reduced rate, rehabilitate and sell them to income eligible owners, providing a *win win* situation. The collection of the outstanding penalty fees would also provide additional funding for the two options discussed above to stabilize neighborhoods.

Through the NSP, HCIDLA acquired a wealth of experience on how to administer a comprehensive program to acquire, repair and sell foreclosed homes. In light of current staffing constraints and in order to expedite the launching of the Option One program, HCIDLA recommends hiring a consultant to assist in designing the future program. The consultant will be guided by HCIDLA to develop a program based on the recommendation above, or others as directed by the City Council and/or the Mayor. HCIDLA intends to use an existing list of real estate advisors previously selected by the City Administrative Officer (C.F.12-1549-S2). The proposed services contract is not to exceed \$50,000 for technical services relating to program development, including guidelines, policies and procedures, underwriting, and financial modeling.

The development and implementation of the GeoRegistry will assist HCIDLA in meeting its enforcement mandates under the Ordinance, integrate vacant data from LADBS and other relevant City Departments, and provide an advanced technological tool for the City to effectively identify, prevent and address

blighted and nuisance properties. The GeoRegistry system is scheduled to be completed in March 2016 and will be available to all interested City Departments, the Mayor's Office, the City Council and the public.

FISCAL IMPACT STATEMENT

The Foreclosure Registry program, and its staff, is fully supported by the \$155 registration fee. Presently, there are sufficient Foreclosure Registry funds to support all programmatic expenditures. The proposed Foreclosure Stabilization Program, if adopted, will be funded by the Foreclosure Registry Penalty fees.

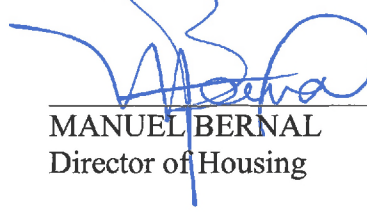
There is no impact to the General Fund.

Prepared by:



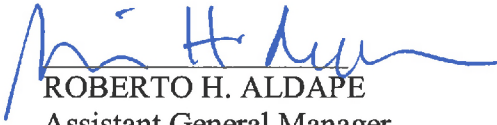
HELEN MORALES
Sr. Housing Investigator II
Regulatory, Compliance and Code Bureau

Prepared by:



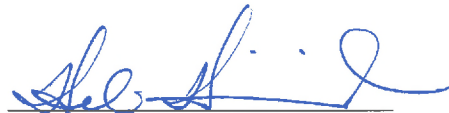
MANUEL BERNAL
Director of Housing

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ROBERTO H. ALDAPE
Assistant General Manager

Reviewed By:



HELMI A. HISSERICH
Assistant General Manager

Reviewed By:



LAURA K. GUGLIELMO
Executive Officer

Approved By:



RUSHMORE D. CERVANTES
General Manager

Attachments

Transfer of existing 5 staff from Rent/SCEP Programs to Foreclosure Registry Program

| Class Code | Class Title | No of Staff | Annual Salary | Salary Cost | CAP 37 Fringe Rate 46.17% | CAP 37 Central Svcs Rate 14.19% | CAP 37 Dept Admin Rate 37.24% | Related Cost Subtotal | Total Cost |
|------------------------|--------------------------------|-------------|---------------|----------------------|------------------------------|------------------------------------|----------------------------------|-----------------------|----------------------|
| 8517 | Senior Housing Investigator II | 1 | \$ 138,288.24 | \$ 138,288.24 | \$ 63,847.68 | \$ 19,623.10 | \$ -- | \$ 83,470.78 | \$ 221,759.02 |
| 9184 | Management Analyst II | 1 | 94,502.88 | 94,502.88 | 43,631.98 | 13,409.96 | -- | 57,041.94 | 151,544.82 |
| 1368 | Senior Clerk Typist | 1 | 64,686.24 | 64,686.24 | 29,865.64 | 9,178.98 | -- | 39,044.61 | 103,730.85 |
| 1358 | Clerk Typist | 1 | 52,387.92 | 52,387.92 | 24,187.50 | 7,433.85 | -- | 31,621.35 | 84,009.27 |
| 1513 | Accountant II | 1 | 74,165.76 | 74,165.76 | 34,242.33 | 10,524.12 | -- | 44,766.45 | 118,932.21 |
| Subtotal Direct | | | | \$ 424,031.04 | \$ 195,775.13 | \$ 60,170.00 | \$ -- | \$ 255,945.14 | \$ 679,976.18 |

GASP/Indirect (20%)

| | | | | | |
|--------------|-------|-------|--------------|--------------|---------------|
| \$ 84,806.21 | \$ -- | \$ -- | \$ 31,581.83 | \$ 31,581.83 | \$ 116,388.04 |
|--------------|-------|-------|--------------|--------------|---------------|

Total Direct and GASP

| | | | | | |
|---------------|---------------|--------------|--------------|---------------|---------------|
| \$ 508,837.25 | \$ 195,775.13 | \$ 60,170.00 | \$ 31,581.83 | \$ 287,526.97 | \$ 796,364.22 |
|---------------|---------------|--------------|--------------|---------------|---------------|

Hire 6 new resolution staff for Foreclosure Registry Program

| Class Code | Class Title | No of Staff | Annual Salary | Salary Cost | CAP 37 Fringe Rate 46.17% | CAP 37 Central Svcs Rate 14.19% | CAP 37 Dept Admin Rate 37.24% | Related Cost Subtotal | Total Cost |
|------------------------|--------------------------|-------------|---------------|----------------------|------------------------------|------------------------------------|----------------------------------|-----------------------|----------------------|
| 1539 | Management Assistant | 2 | 67,191.84 | 134,383.68 | 62,044.95 | 19,069.04 | -- | 81,113.99 | 215,497.67 |
| 4244 | Senior Housing Inspector | 1 | 94,440.24 | 94,440.24 | 43,603.06 | 13,401.07 | -- | 57,004.13 | 151,444.37 |
| 4243 | Housing Inspector | 2 | 85,169.52 | 170,339.04 | 78,645.53 | 24,171.11 | -- | 102,816.64 | 273,155.68 |
| 1431 | Programmer Analyst IV | 1 | 105,444.00 | 105,444.00 | 48,683.49 | 14,962.50 | -- | 63,646.00 | 169,090.00 |
| Subtotal Direct | | | | \$ 504,606.96 | \$ 232,977.03 | \$ 71,603.73 | \$ -- | \$ 304,580.76 | \$ 809,187.72 |

GASP/Indirect (20%)

| | | | | | |
|---------------|-------|-------|--------------|--------------|---------------|
| \$ 100,921.39 | \$ -- | \$ -- | \$ 37,583.13 | \$ 37,583.13 | \$ 138,504.52 |
|---------------|-------|-------|--------------|--------------|---------------|

Total Direct and GASP

| | | | | | |
|---------------|---------------|--------------|--------------|---------------|---------------|
| \$ 605,528.35 | \$ 232,977.03 | \$ 71,603.73 | \$ 37,583.13 | \$ 342,163.89 | \$ 947,692.24 |
|---------------|---------------|--------------|--------------|---------------|---------------|

3 mos prorata

| | | | | | |
|---------------|--------------|--------------|-------------|--------------|---------------|
| \$ 151,382.09 | \$ 58,244.26 | \$ 17,900.93 | \$ 9,395.78 | \$ 85,540.97 | \$ 236,923.06 |
|---------------|--------------|--------------|-------------|--------------|---------------|

Attachment B

Form PDES 3ef (Rev. 7/07)

POSITION DESCRIPTION

City of Los Angeles

DO NOT USE THIS SPACE

| | | |
|----------------------|--|---------------------------------|
| 1. Name of Employee: | 2. Employee's Present Class Title/Code: Management Assistant/1539 | 3. Present Salary or Wage Rate: |
|----------------------|--|---------------------------------|

| | | | |
|--------------------------------------|--|--|---------------|
| 4. Reason for Preparing Description: | <input checked="" type="checkbox"/> New Position <input type="checkbox"/> Change in Existing Position | <input type="checkbox"/> Routine Report of Duties <input type="checkbox"/> Review for Proper Allocation | Date Prepared |
| | | | 08/31/15 |

| | |
|--|---|
| 5. Location of office or place of work: 1200 W. 7th Street Los Angeles, CA 90017 | 6. Name of Department <u>HCIDLA</u> Division _____ Section <u>Foreclosure Registry</u> |
|--|---|

7. Name and title of the person from whom you ordinarily receive instructions and who supervises or reviews your work:

Name _____ Title Management Analyst II

8. Describe in detail the duties and work of this position, describing each duty in a separate paragraph. Begin with the duties that normally take most of your time and then describe the duties that are infrequent. Be certain to tell what is done, how it is done and what materials or equipment are used. Using percentages, show the distribution of the total working time. Also, if the duties and responsibilities of the position have changed, indicate how and when the changes occurred.

| PERCENT OF TIME | DUTIES |
|-----------------|--|
| 25% | Assists online users during all stages of the registration process. Includes responding to all inquiries related to registration requirements via email, by telephone and in writing. |
| 25% | Utilizes the property research database, RealQuest, and documents recorded with the County Recorders office to verify property status and jurisdiction; analyzes the data and makes recommendations to supervisor. Reviews and verifies real property documents submitted for de-registration; troubleshoots problems related to registration of properties; analyzes and makes recommendations regarding compliance with the Foreclosure Registry Ordinance on real estate transactions; evaluates registration status and makes recommendations regarding approval or denial of deregistration; inputs communications and determinations into the FIMS database. |
| 15% | Communicates, as necessary, with other City Departments including, but not limited to, the Los Angeles Department of Building and Safety, the Los Angeles Police Department, the Los Angeles Fire Department and the Los Angeles Department of Water and Power regarding issues related to Foreclosure Registry. |
| 15% | Communicates with lenders, banking institutions, and their representatives in the registration process; analyzes and makes recommendatngs on inquiries regarding properties disputing registration requirements immediately upon receipt of said dispute. |
| 10% | Coordinates with the Systems Division for all online implementation issues and troubleshooting registry discrepancies; collaborates and resolves payment discrepancies with the Accounting Division. |
| 10% | Makes recommendations as necessary to policies and practices to ensure implementation of the ordinance is in compliance with the requirements and to assist in the establishment and development of effective and efficient work processes. |

9. How long have the duties been substantially as described above? New

10. List any machinery or equipment operated and any unusual or hazardous working conditions.

11. Percent of time spent supervising (training and evaluating employees, assigning and reviewing work). N/A

12. Indicate the number of employees supervised by class titles.

13. I certify that the above statements are my own and to the best of my knowledge are accurate and complete.

Signature _____ Date _____ Phone No. _____

POSITION DESCRIPTION

City of Los Angeles

DO NOT USE THIS SPACE

| | | |
|----------------------|---|---------------------------------|
| 1. Name of Employee: | 2. Employee's Present Class Title/Code: Sr. Housing Inspector/4244 | 3. Present Salary or Wage Rate: |
|----------------------|---|---------------------------------|

| | |
|---|---------------------------|
| 4. Reason for Preparing Description: <input checked="" type="checkbox"/> New Position <input type="checkbox"/> Routine Report of Duties <input type="checkbox"/> Change in Existing Position <input type="checkbox"/> Review for Proper Allocation | Date Prepared 08/31/15 |
|---|---------------------------|

| | |
|--|---|
| 5. Location of office or place of work: 1200 W. 7th Street Los Angeles, CA 90017 | 6. Name of Department <u>HCIDLA</u> Division _____ Section <u>Foreclosure Registry</u> |
|--|---|

7. Name and title of the person from whom you ordinarily receive instructions and who supervises or reviews your work:
 Name _____ Title Sr. Management Analyst II

8. Describe in detail the duties and work of this position, describing each duty in a separate paragraph. Begin with the duties that normally take most of your time and then describe the duties that are infrequent. Be certain to tell what is done, how it is done and what materials or equipment are used. Using percentages, show the distribution of the total working time. Also, if the duties and responsibilities of the position have changed, indicate how and when the changes occurred.

| PERCENT OF TIME | DUTIES |
|-----------------|--|
| 40% | Supervise and instruct Housing Inspectors involved in performing inspection duties related to the Foreclosure Registry program. Includes instruction in the proper procedures and techniques of code enforcement inspections, and oversight of workflow related to auditing inspection reports conducted by lenders/banks/responsible parties and their representatives. |
| 25% | Make field inspections when difficult enforcement or public relations problems arise, including the inspection of residential properties for compliance with housing, habitability, quality and property maintenance ordinances including the Foreclosure Registry Ordinance and blighted conditions; investigate code violation complaints and monitor and audit inspection reports conducted by lenders and responsible parties; follow through the code enforcement process by referrals to the CRIS complaint process and LADBS as well as litigation or administrative abatement. |
| 15% | Work in a collaborative manner with all City Departments to protect residential neighborhoods from becoming blighted through the lack of adequate maintenance and to provide security of abandoned properties as a result of foreclosures through the inspection of properties and enforcement of the Foreclosure Registry Program. |
| 15% | Compose various inspection related reports for Management and City Council. |
| 5% | Represent the Department at various task force meetings including the Neighborhood Prosecutors Environmental task force. |

9. How long have the duties been substantially as described above? New

10. List any machinery or equipment operated and any unusual or hazardous working conditions.

11. Percent of time spent supervising (training and evaluating employees, assigning and reviewing work). 40%

12. Indicate the number of employees supervised by class titles.
1 - Housing Inspector

13. I certify that the above statements are my own and to the best of my knowledge are accurate and complete.

Signature _____ Date _____ Phone No. _____

POSITION DESCRIPTION

City of Los Angeles

DO NOT USE THIS SPACE

| | | |
|----------------------|---|---------------------------------|
| 1. Name of Employee: | 2. Employee's Present Class Title/Code: Housing Inspector/4243 | 3. Present Salary or Wage Rate: |
|----------------------|---|---------------------------------|

| | |
|---|---------------------------|
| 4. Reason for Preparing Description: <input checked="" type="checkbox"/> New Position <input type="checkbox"/> Routine Report of Duties <input type="checkbox"/> Change in Existing Position <input type="checkbox"/> Review for Proper Allocation | Date Prepared 08/31/15 |
|---|---------------------------|

| | |
|--|---|
| 5. Location of office or place of work: 1200 W. 7th Street Los Angeles, CA 90017 | 6. Name of Department <u>HCIDLA</u> Division _____ Section <u>Foreclosure Registry</u> |
|--|---|

7. Name and title of the person from whom you ordinarily receive instructions and who supervises or reviews your work:
Name _____ Title Sr. Housing Inspector

8. Describe in detail the duties and work of this position, describing each duty in a separate paragraph. Begin with the duties that normally take most of your time and then describe the duties that are infrequent. Be certain to tell what is done, how it is done and what materials or equipment are used. Using percentages, show the distribution of the total working time. Also, if the duties and responsibilities of the position have changed, indicate how and when the changes occurred.

| PERCENT OF TIME | DUTIES |
|-----------------|--|
| 60% | Inspect residential properties for compliance with housing, habitability, quality and property maintenance ordinances including the Foreclosure Registry Ordinance and blighted conditions; investigate code violation complaints and monitor and audit inspection reports conducted by lenders and responsible parties; follow through the code enforcement process by referrals to the CRIS complaint process and LADBS as well as litigation or administrative abatement. |
| 35% | Follow through with other departments including LADBS, Department of Sanitation, LAPD, LAFD, City Attorney Neighborhood Prosecutors Office, LADWP, and owner/their representatives to rid the property of blighted conditions that pose a hazard to the tenants and community; maintain records of all their field duties in both the CRIS and FIMS systems as well as LADBS assignment of cases. |
| 5% | May represent the Department at various task force meetings including the Neighborhood Prosecutors Environmental task force. |

9. How long have the duties been substantially as described above? New

10. List any machinery or equipment operated and any unusual or hazardous working conditions.

11. Percent of time spent supervising (training and evaluating employees, assigning and reviewing work). _____

12. Indicate the number of employees supervised by class titles.

13. I certify that the above statements are my own and to the best of my knowledge are accurate and complete.

Signature _____ Date _____ Phone No. _____

POSITION DESCRIPTION

City of Los Angeles

DO NOT USE THIS SPACE

| | | |
|------------------------------------|--|---------------------------------|
| 1. Name of Employee: New | 2. Employee's Present Class Title/Code: Programmer/Analyst IV (1431-4) | 3. Present Salary or Wage Rate: |
|------------------------------------|--|---------------------------------|

| | |
|---|----------------------------------|
| 4. Reason for Preparing Description: <input checked="" type="checkbox"/> New Position <input type="checkbox"/> Routine Report of Duties <input type="checkbox"/> Change in Existing Position <input type="checkbox"/> Review for Proper Allocation | Date Prepared 03/01/15 |
|---|----------------------------------|

| | |
|---|---|
| 5. Location of office or place of work: 1200 W. 7th Street, 9th Floor Los Angeles, CA 90017 | 6. Name of Department Housing and Community Investment Department Division Systems Division Section Code Compliance and R |
|---|---|

| |
|--|
| 7. Name and title of the person from whom you ordinarily receive instructions and who supervises or reviews your work: Name Christine Weiskirch Title Sr Systems Analyst II |
|--|

8. Describe in detail the duties and work of this position, describing each duty in a separate paragraph. Begin with the duties that normally take most of your time and then describe the duties that are infrequent. Be certain to tell what is done, how it is done and what materials or equipment are used. Using percentages, show the distribution of the total working time. Also, if the duties and responsibilities of the position have changed, indicate how and when the changes occurred.

| PERCENT OF TIME | DUTIES |
|-----------------|---|
| 45% | Development and support of the Foreclosure Information Management System (FIMS) including requirement analysis, application and database design, coding and unit testing, system integration and coordination with business units to roll out systems and changes. Development and support the Billing Information Management System (BIMS) to support the specific billing requirements for the Foreclosure Registry Program including online payments, batch jobs for billing and collections. Development and support of the Code Compliance and Rent Information System (CCRIS) to support the inspection activities related to the Foreclosure Registry Program. |
| 45% | Perform FIMS data analysis and report development for program managers to run the Foreclosure Registry Program operations and for executive management to have a decision support tool to provide oversight of the Program |
| 10% | Work with technical support staff to design and develop the system infrastructure for FIMS, involves integration with both HCIDLA departmental systems and citywide systems |

| |
|---|
| 9. How long have the duties been substantially as described above? 10/1/2014 |
|---|

| |
|---|
| 10. List any machinery or equipment operated and any unusual or hazardous working conditions. N/A |
|---|

| |
|---|
| 11. Percent of time spent supervising (training and evaluating employees, assigning and reviewing work). N/A |
|---|

| |
|--|
| 12. Indicate the number of employees supervised by class titles. |
|--|

| |
|---|
| 13. I certify that the above statements are my own and to the best of my knowledge are accurate and complete. |
| Signature _____ Date 03/09/15 Phone No. (213) 808-8403 |