

Bracing for Disaster

Tenants in rent-controlled units should help building owners bear expense of retrofitting properties.

By **JOHN R. DONALDSON** and **JOSHUA MARROW**

THE recent swarm of earthquakes felt throughout Los Angeles was warning shots across the bow for all of us, but perhaps most significantly for those who own real property in Southern California.

A closely guarded study conducted several years back by the University of California at Berkeley was recently released publicly indicating that of the 1,500 “nonductile” concrete structures in Los Angeles studied, approximately 75 have a high risk of collapse in a major earthquake. More concerning are the area’s so-called soft-story multifamily residences, which might be as many as 20,000 according to research done by Caltech in 2011. At that time, only an estimated 800 had been seismically strengthened.

Soft-story apartment buildings are generally three or more stories high located over ground-level expansive openings containing car ports, parking garages or retail stores with large glass windows. The Northridge Meadows apartment complex, which fell during the 1994 Northridge Earthquake killing 16 people, was one of 200 soft-story buildings to be damaged or destroyed in that disaster. Similarly, soft-story construction was responsible for nearly half of all the damaged homes in the 1989 Loma Prieta quake in the Bay Area.

While aware of the frightening statistics presented in these and other studies, our city leaders had not focused on the issue. This changed in November when the City Council, led by Councilmen Mitchell Englander and Tom LaBonge, authorized the development of an inventory to determine empirically the number of soft-story residential buildings in Los Angeles. LaBonge also raised the prospect of a city mandate that property owners undertake a required seismic retrofit.

Several California cities have experimented with ordinances promoting voluntary compliance in retrofitting earthquake-prone structures. Unfortunately, very few property owners stepped up to the plate because they saw no way to pay for the work. Subsequently, San Francisco changed its retrofit ordinance from voluntary to mandatory. Our experience with this change reveals that building owners are generally frustrated with the process.

One way to pay for this work would be to pass through the cost of seismic retrofitting to individual tenants. Since many of these properties were built before 1978, in Los Angeles they are rent controlled, limiting a property owner’s opportunity to raise



Collapsed: Northridge Meadows apartments after 1994 quake.

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rents. Under the current rent control ordinance, rehabilitation projects must be approved in advance by the Rent Adjustment Commission, which also authorizes a surcharge that can be passed along to the tenants. Unfortunately, there are significant limitations to this surcharge, which can be no more than 1/60 of the rehabilitation cost for each unit paid at a rate of \$75 or 10 percent of the monthly rent, whichever is greater, and has a five-year term that can only be extended under limited circumstances. This makes it impossible for an owner to recover costs.

Sharing costs

We suggest that the pass-through of costs to retrofit soft-story multifamily properties be shared on a proportionate basis between owners and renters, with the latter’s portion amortized over a period as long as 20 years. Realizing that the tenants will change over the years, the surcharge will reside with each unit.

An alternate strategy might be to provide a property tax credit to apartment owners who retrofit their properties, incentivizing them to undertake the work. Voluntary compliance is generally preferable to governmental mandates.

Many multifamily property owners don’t know that there is help available in other places to finance the cost of earthquake rehabilitation. In San Francisco, for example, some owners will be able to utilize Mello Roos bonds to secure low-cost

financing for periods as long as 20 years.

Retrofitting soft-story multifamily buildings is a critical economic issue for property owners. There is the issue of liability if a project has previously been identified as structurally risky and later collapses. Additionally, most lenders are reluctant to provide financing on these properties if they haven’t been properly retrofitted, thus precluding both sale and/or refinance. This is particularly true with the federal agencies such as Fannie Mae and Freddie Mac, which require retrofit or earthquake insurance on soft-story buildings. Insurance companies are increasingly reluctant to underwrite seismic coverage for such properties.

In summary, the retrofitting of soft-story multifamily properties is not only in the interest of owners and tenants, but is in the public interest. As such, the process needs to be driven in Los Angeles and elsewhere by governmental policies that provide a mechanism for owners of these properties to recoup their costs.

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Program Homes In to Help Immigrant Workforce

By **CASTULÓ DE LA ROCHA** and **JONATHAN PLUTZIK**

WHILE the nation debates the path forward for immigration reform, a network of more than 60 businesses from coast to coast is hard at work writing the next chapter in the story of America as a nation of immigrants.

From Los Angeles to Miami, we have found that businesses have the space, opportunity and motivation to make a real and tangible difference for their foreign-born workforce.

Our two businesses – AltaMed Health Services in the L.A. area and the Betsy-South Beach in Miami – have joined forces with the Bethlehem Project, an innovative partnership that provides citizenship assistance to green card holders at the worksite. It has been valuable both for us as employers and for our employees, and we encourage other business leaders to participate.

The project is named after Bethlehem Steel, which in 1915 became one of the first American companies to offer English classes to its immigrant employees. Since the Bethlehem Project’s launch in January 2013, it has grown quickly, with sites in Miami; Los Angeles; Washington, D.C.; San Jose; and San Diego – and new cities on the horizon.

The program brings together our partner businesses with leading local non-profit service providers to offer informational workshops, application guidance, and English-language and civics tutorials for employees who are eligible for citizenship. All of the assistance is provided free of charge to the employer, with only a small legal fee for employees, and we offer the workshops at convenient times and locations to accommodate busy work schedules.

But the true beauty of the Bethlehem Project is that employees get the chance to pursue their American dream,

with their employers’ support.

Marvin Tobar has been working at AltaMed as an X-ray technician for eight months – but he has been in the United States for more than 24 years.

Navigating the complex and confusing world of individuals and organizations providing citizenship services made citizenship a struggle for him. He wanted to make sure that the help he received was from a trustworthy source.

So when he heard about AltaMed’s participation in the Bethlehem Project, he immediately signed up.

For Marvin, pursuing citizenship means the opportunity to obtain federal scholarships and grants to continue his education and become a radiology technician.

We couldn’t be prouder to support Marvin as he strives to achieve his professional and personal ambitions and leave his mark on our company and our city.

Out east, Marizza Contreras is an exemplary employee at the Betsy-South Beach. She arrived in the United States in 2000 and worked in many capacities as a spa provider, yet always hoped to become a hospitality manager. Marizza now oversees the onsite luxury spa at the Betsy, which is the only outdoor facility of its kind in South Beach.

Despite all her hard work and dedication, Marizza struggled to find the time or money to apply for citizenship. Then, early last year, the Betsy joined the Bethlehem Project.

Naturalized

Several months later, Marizza became the hotel’s first employee to naturalize through the project thanks to the assistance she received. The Betsy celebrated this memorable accomplishment with her, and the United States welcomed

another intrepid and entrepreneurial citizen.

Marizza and Marvin are but two of the 8.8 million immigrants currently eligible for citizenship in the United States, including 1.2 million legal permanent residents in Los Angeles and more than 520,000 in Miami. Most of them have been working here for years, filing taxes and contributing to our country’s economy. Without citizenship, they are not qualified to apply for certain government aid programs, to fully engage civically or to help their families become citizens.

In that sense, the Bethlehem Project is a win-win for our businesses and for our employee participants. Workers receive critical and convenient help in the citizenship process while businesses are able to build workforce stability, encourage an inclusive work culture and tout our efforts. The local economies in Miami and Los Angeles also benefit from a new influx of productive citizens.

For centuries, immigrants like Marizza and Marvin have come to our shores to seek opportunity and move our nation forward. They have built our railroads, worked in our factories and raised their families here. Their children have gone on to teach, become doctors, and start businesses and families.

Like their predecessors, the immigrants of today are helping businesses such as AltaMed and the Betsy innovate, grow and succeed. And through the Bethlehem Project, businesses like ours are engaging in innovative partnerships that help our employees achieve their dreams – and help our country fulfill its promise.

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