



FORECLOSURES TODAY

Warren Racine

Who Will Support Me in This Venture?

Invariably, a question about ways in which funds may be obtained arises in my seminars and workshops about buying foreclosures. This should come as no surprise since cash-in-hand is probably the most important impediment to most foreclosure

Life and finances become much more complex when interests other than your own become enmeshed in the property purchase, renovation and lease/sale.

buyers. Although there is no overall best way to obtain this cash, we should examine some of the most common sources of cash available.

It may go without saying, but I'll say it anyway, try desperately to purchase your property with your own funds, even limited funds. Life and finances become

much more complex when interests other than your own become enmeshed in the property purchase, renovation and lease/sale. Yet, many times the cost to purchase a property in your chosen market requires more cash than you currently have or can reasonably expect to have in the near future.

If you have insufficient funds to enable you to purchase your chosen property, you need to turn to those with the necessary cash—even with the associated complexities and dilution of control of the project.

One of the most common source of funds is through a partnership between you and the other party(s). Selecting the proper partnership among the many choices is difficult and may require the assistance of your friendly attorney and/or tax accountant.

In general, a partnership is a voluntary contract between two or more competent

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San Diego Commerce

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DEVELOPMENT



PHOTO BY HUGH WILLIAMS

Ricardo Rodriguez and Javier Molina of Quatro Design at the Pueblo del Sol housing project in East Los Angeles.

Second-Largest Affordable-Housing Project in State Feels Like Home

By CHRIS TOLLES

FROM CALIFORNIA REAL ESTATE JOURNAL

On land once marred by gang violence, a new kind of low-income housing project blooms in Los Angeles.

Around playgrounds and park benches, through arbors and beds of roses, pathways wind and cul-de-sacs connect 377 multifamily units that may help change the way the public views low-income housing.

Formerly Aliso Village, the redeveloped Pueblo del Sol, the second-largest afford-

able-housing project in the state, offers master-planned, community-oriented housing to low-income families.

The development, the product of a collaboration between co-developers Related Cos. and McCormack Baron Salazar under the master design of the Quatro Design Group, owned by the Aliso Village Housing Partnership, comes with lofty expectations.

Bill Witte, principal of the Related Cos., said something special would happen in Pueblo del Sol.

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POWER

MTBE Lawsuits At Center of Dispute Blocking Energy Bill

By H. JOSEF HERBERT

ASSOCIATED PRESS

WASHINGTON — On the day that senators blocked an energy bill, officials in Santa Monica announced that three oil companies had agreed to pay \$92.5 million to rid the city's drinking water of a smelly gasoline additive called MTBE.

It was a coincidence of timing that dramatized how two issues have become intertwined.

A national controversy over MTBE fouling drinking water has cut to the heart of an emotional debate in Congress over energy legislation and could determine whether President Bush gets a bill he badly wants this year.

"It's another tobacco thing all over again," House Speaker Dennis Hastert said Sunday when asked to explain why the measure abruptly stalled in the Senate last Friday after GOP leaders couldn't get enough support to bring it to a vote.

Hastert, R-Ill., blamed trial lawyers for complicating the energy debate by pursuing scores of lawsuits against MTBE manufacturers over water pollution cases. "The trial

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ENVIRONMENT

Briggs & Stratton Wins Partial Victory in Fight Over Emissions

By JAY NEWTON-SMALL AND LAURA SMITHERMAN

BLOOMBERG NEWS

WASHINGTON, D.C. — Congressional negotiators agreed to let California proceed with new rules on small-engine emissions opposed by Briggs & Stratton Corp., the world's largest maker of lawn-mower engines, while leaving it to the Environmental Protection Agency to determine nationwide regulations.

U.S. House and Senate members writing a final version of an omnibus spending bill for the fiscal year that started Oct. 1 agreed

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FINANCE

Wildfires Spare Commercial Buildings, Insurance Rates

By JULIE NAKASHIMA

FROM CALIFORNIA REAL ESTATE JOURNAL

Southern California's October wildfires, as destructive as they were, are not likely to spark a jump in fire insurance premiums on commercial property.

The fires scorched three-quarters of a million acres of land and destroyed 3,600 homes, but commercial structures got through the disaster relatively unscathed. In San Bernardino, the fires singed dozens of commercial buildings that serve the tourism industry in mountain resorts such as Lake Arrowhead and Big Bear.

The overwhelming majority of the property

damage, though, was residential.

Experts say three companies — State Farm, Farmers and Allstate — will suffer the biggest losses. But those companies are not major writers of commercial insurance.

Glendale insurance executive Alexandra Glickman does not foresee any rate increases for commercial fire insurance stemming from the fires. The area executive vice president, managing director and practice leader for Gallagher Real Estate & Hospitality Services, a unit of Arthur J. Gallagher & Co., reached that conclusion after speaking with a number of commercial underwriters.

"Thus far, we have heard nothing that would

lead us to believe there would be an impact on rates for commercial real estate," Glickman said.

Michael E. Isaacs, vice president of new business development for Sullivan Curtis Monroe, a middle-market insurance brokerage in Irvine, agreed.

"The biggest market affected is obviously the homeowners market," Isaacs said. "That doesn't mean the insurance companies are going to spread the risk to other lines. I think that's a big misconception."

Isaacs said commercial policyholders will file claims, though in disproportionately small

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REAL ESTATE

DataQuick: California Home Sales Remained Strong in October

BY ALEX VEIGA
ASSOCIATED PRESS

LOS ANGELES — Californians bought and sold a record number of homes last month for an October, according to DataQuick Information Systems, although the number was down 5.7 percent from September.

In all, 57,700 homes were sold in California last month, up 16.5 percent from 49,650 in October 2002. The median sale price of \$325,000, which remained unchanged from September, was an 18.2 percent jump from the \$275,000 figure recorded in October 2002, DataQuick said.

"We didn't expect the numbers to be this

strong, clearly there are a lot of buyers out there taking advantage of reasonable mortgage interest rates," Marshall Prentice, DataQuick's president, said Friday.

The average rate of a 30-year fixed mortgage has been hovering at about 6 percent since peaking at 6.44 percent in September. This week's rate was 5.83 percent.

"The statistics are strong in all categories, which indicates that current trends will stay in place for the next few months, at least," Prentice said.

The brief spike in mortgage interest rates over the summer has spurred prospective buyers still on the fence to enter the market

before the rates climb again, said Leslie Appleton-Young, chief economist for the California Association of Realtors.

"That changed the mind-set a little bit," she said. "Prices are only going to get higher and inventory is really low. It's really pushing people into the market."

The typical mortgage payment that home buyers committed to in October was \$1,483, up from \$1,471 in September and \$1,295 for the same period last year, DataQuick said.

Condominiums, meanwhile, are appreciating faster than single-family homes, said Appleton-Young.

"You're seeing the most rapid price appre-

ciation at the moderate and lower end of the market," she said.

Marin County registered the highest median home sale price in the state last month at \$591,000, a 2.2 percent increase over October 2002.

San Bernardino County led all other counties with a 24.4 percent increase in its median home sale price, which jumped to \$204,000, up from \$164,000 in the year-ago period.

Los Angeles, Orange, San Diego, Riverside, Ventura, Solano, Napa and Contra Costa counties also had double-digit percentage increases, and no California county saw its median sales price decrease in October.

Housing

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"I think that, in a period of three to five years, it will be as if a new community — a new neighborhood with its own heart — has been created," Witte said.

Adding to the multifamily component, the Lee Group will construct 97 single-family homes at the site. Developers also will add a high school and a light-rail station to complement Utah Elementary School, around which architects built the \$103 million project.

Everyone involved with the development credits the federal department of Housing and Urban Development's HOPE VI program, the Housing Authority of Los Angeles, Fannie Mae and SunAmerica Affordable Housing Partners with making Puebla del Sol possible through funding and tax credits.

The HOPE VI revitalization grant alone contributed \$38.2 million to the project, according to Bill Davis, HOPE VI administrator.

SunAmerica, Davis said, offered \$26.7 million worth of tax credits for Phase 1, which built 201 rental units, and \$25.5 million for Phase 2, which had 176 units.

Without the federal money and tax credits, the dream of Pueblo del Sol never would have materialized, according to Witte.

"It was the whole ball game," he said.

Because of the financial help, Witte said, the developers achieved something unique and

special.

"We tried very hard not only to make it look nice but to make everything look like a home, not an apartment," he said.

Witte said that residents with whom he has spoken no longer think of their apartments as low-income housing, and that indicates good things.

While holding a workshop at the Los Angeles Convention Center, the firm asked what the public wanted out of the project.

"People wanted this to be a gated community with bars on the windows," Rodriguez said.

Fear concerning the 14 gangs that once ruled Aliso Village remained within the community, he said.

'That's when you have achieved success, when the community doesn't view it as affordable-housing, but housing.'

Bill Witte

Principal of the Related Cos.

"That's when you have achieved success, when the community doesn't view it as affordable housing, but housing," Witte said.

No Bars Necessary

Quatro Design Group, which also built the community center and will build an outdoor amphitheater, wanted to change everything about the old Aliso Village, according to Ricardo Rodriguez, principal.

Before selecting any developers, Quatro spoke with community members of the Aliso Village project who would inhabit the new development.

"[The old project] acted as a fortress for everything outside that village," Rodriguez said. "It was kind of like an oasis in a bad sense. If you went into this project, you were going to get beat up. If you didn't live there, you couldn't go in."

At the meeting, Rodriguez asked community members to raise their hands and tell where murders or other violent crimes had taken place in the project. The responses surprised him.

"People just kept raising their hands," he said.

After the meeting, the Quatro team decided

to transform the prevailing mindset about low-income housing developments, according to Rodriguez.

"We started discussing how you could design the project to prevent crime from happening," he said. "That inspired the idea that, instead of a gated community, we could change the mindset. We needed to change perceptions."

Perhaps the finest example of the change, according to Rodriguez, comes from the outdoor lights found throughout the development.

Rather than select a more vandal-resistant product, Quatro opted for an aesthetically pleasing model. The low-hanging street lights on green poles blend in with the overhanging trees, groomed landscape and shaded walkways, which all formed what Rodriguez called a "walkable community."

"It made people feel that they were a part of a greater neighborhood," he said.

Developer Tony Salazar of McCormack Baron Salazar also said that creating a cohesive community feeling was paramount.

"The overall goal is that ultimately you have a community where you have a community, where people live, work, play and pray with the access of the mass transit at its front door," Salazar said.

The development will change the landscape of East Los Angeles, he said.

"It sets a standard for new development in the area," Salazar said.

Pueblo del Sol will not meet the same fate as its predecessor, according to the developer.

Insurance

Continued from page 1

numbers compared with the many homeowners affected by the fire.

"Certainly, you're going to have businesses that have been impacted and hurt because of the fires," he said. "Look at Big Bear: You had businesses that had to be shut down as a result of evacuation. They're going to suffer some business income losses, loss of revenues."

But in terms of the commercial insurance market, Isaacs said, the effect will be minimal.

On the other hand, Janet "Jenny" Jones, president of insurance brokerage firm Elkins Jones, said several factors come into play when determining whether commercial rates will rise from the fires, but she added higher rates are unlikely.

"I would say that you would probably not see a rate increase tied to these fires in the commercial area unless there was a company that got a very bad hit to their bottom line,

such as Farmers and Allstate," Jones said.

According to Jones, companies that write no residential business at all, as well as companies that write both commercial and residential but not in the disaster areas, will be hard-pressed to use the fires as an excuse to hike premiums.

"Some of the large commercial carriers, companies such as Fireman's Fund, Hartford and Chubb, don't even write insurance in that area," Jones said. "There is no way they can justify raising rates because of the fire."

But with the insurance industry in general taking such a hit, with insured losses estimated to exceed \$2 billion, won't companies have to raise rates for everyone?

In a word, no.

The reason is that reinsurance, the practice by which insurance companies lessen their risks — or spread the risk around, depending on how one looks at it — will not play a significant role in the fire disaster.

"Commercial reinsurance is a different animal than residential reinsurance," Glickman said.

Reinsurance is a form of insurance that one insurance company buys from another to cover a portion of the risk on a policy that it has written. But most homeowners' insurance carriers do not buy reinsurance for fire.

"They buy it for earthquake and other catastrophic losses, but if they buy reinsurance at all, it's very, very high attachment, meaning they're going to take most of that loss internally," Glickman said. "[That's] why, if you look at Allstate, State Farm and Farmers, their stock has been kind of banged around a bit."

Not that insurance is necessarily cheap and easy to get. Isaacs said the insurance market had been "hardening" for reasons unrelated to the fire. One reason is the poor returns that insurance companies were getting in the stock market.

A second reason is the insurance industry's cyclical nature. The industry had several years of soft market conditions, Isaacs said.

"Insurance companies were writing business at premiums that were lower than the losses that were coming in," he said.

Then, capacity tightened, and underwriting

became more stringent.

The industry has been in a hard market for 3½ years, Isaacs said. He doesn't see the market hardening further in response to the fires.

Premiums had been rising because of mold and terrorism issues, Jones noted, but those increases had begun to flatten out for commercial properties.

"If anything, you'll see 3 [percent] to 5 percent increases," she said, "but it's more likely that, with good loss history, they're going to be plateauing now."

Nor, because of the fires, will companies become leery of writing policies in the burned areas. If they did, the companies essentially would have to shy away from all of Southern California.

"We've had a history of fires," Isaacs observed. "We're going to have fires along these lines just because of our climate that we have here."

"In terms of this [notion] that people aren't going to want to write insurance or that the price is going up because of these fires, that's not an accurate portrayal."