A real fixer-upper: Investor gives seedy apartments new lease on life, turns tidy profit
San Diego Union-Tribune - Tuesday, August 6, 1996
Author: Ronald W. Powell

The apartment building with no name is freshly painted in soothing hues of peach and green. Only a few weeks ago, it was a house of horrors.

Windows were boarded up, making the City Heights dwelling appear abandoned. Inside, a single extension cord snaked from one unit, providing a communal source of electricity for several squatters. There was drug dealing and an atmosphere of fear.

The turnaround was swift when Willie Ayyad purchased the building at 4068 44th St. in June. Drug dealers and problem tenants were evicted. The 14 units were refurbished with new carpeting, new paint and new appliances where needed.

In his haste to complete the makeover, Ayyad has not had time to name the apartments, where families pay from $375 to $395 a month to live in now-charming surroundings.

Chalk up one more reclaimed rental property for Ayyad. The San Diego real estate investor is building a reputation as affordable housing's trouble-buster.

Ayyad, 35, owns ACDW Properties, a family company. The letters stand for Ayyad's younger brothers, Andrew and Danny, his mother, Christina, and Ayyad himself.

The company was created in 1984 after Ayyad graduated from UCLA with a degree in economics. It now owns and manages 85 properties -- from single-family homes to a 110-unit apartment complex in Fresno -- and employs 50.

Ayyad is reluctant to reveal his income or net worth. He owns nearly 1,600 rental units, with rents ranging from $250 to $625 a month.

"Let's just say I'm one of the leaders in San Diego in producing affordable housing," Ayyad said. "It can be profitable if managed properly."

He specializes in buying crime-infested rental properties at a low price and eradicating the pests. He installs responsible on-site managers. A skilled maintenance staff fixes what ails the properties and keeps them shipshape.

In the process, once forbidding dwellings are made safe for families. And Ayyad's company makes money.

City Councilman Juan Vargas said Ayyad has revitalized several troubled apartments in
his district's Centre City East and Sherman Heights communities. He praised Ayyad for his involvement in citizen patrol groups in areas where his properties are located -- an act of self-interest that benefits the community.

"He's a hard-working, can-do kind of guy," Vargas said. "He's not afraid to take on the worst problem and turn it around. I wish we could find 10 more Willie Ayyads because we could make the rough parts of town model areas."

Ayyad began working in the rental housing business at 13, toiling as a maintenance worker in a small apartment complex his mother owned in East San Diego.

His company is headquartered in a Sherman Heights office building. Ayyad readily admits having a narrow focus in life.

"I'm married to my business," he said.

Before deciding to snap up a property for rehabilitation, Ayyad measures it against a checklist:

[] Will it make a sufficient return on the investment?

[] What kinds of tenants will live there? What kind of management is needed?

[] How structurally sound is the property? Does it need a new roof? Is there sufficient parking? Are there laundry facilities? Playground? Recreational room?

[] Are essential services close by? Schools? Shopping centers? Supermarkets?

Pacifica Villas, one of his biggest gambles, barely met the requirements.

The 100-unit apartment complex at 229 16th St. in downtown's Centre City East district, had dozens of vacancies and was known for prostitution and drug-dealing.

The neighborhood was no bargain, either. There were crack cocaine sales on the corners and loiterers prowling the streets, day and night.

One night in 1994, Ayyad dropped by for a visit and caught a glimpse of chaos.

"There were people playing loud music, drinking malt liquor and hanging out on the balconies," he said.

So why did he buy Pacifica in October 1994?

There was the personal challenge of bringing the troubled property back from the brink. There was also a rosy bottom line: Here was an opportunity to buy a large 3-year-old property downtown at a good price.
After analyzing the property, Ayyad took his proposal directly to the Savings Association Mortgage Co. in San Jose, which had foreclosed on Pacifica. He had a deal within three hours.

The asking price was $3 million. He purchased it for $1.7 million.

Unlike the previous owner, Occupational Training Services (OTS), Ayyad negotiated a monthly mortgage that made sense.

When OTS lost Pacifica to foreclosure in April 1994, it faced a monthly mortgage of $20,000, about $8,000 more than it collected in rent. Ayyad's mortgage is $12,000 a month, and he is making a slight profit -- despite capital improvements such as new washers and dryers.

Once the purchase and rehabilitation of a property is complete, Ayyad takes steps to build a sense of pride and community among the tenants.

At Christmas, he sponsors contests for the best-decorated apartment window, with winners receiving cash awards. He sometimes sponsors parties on holidays.

He said such measures provide the opportunity for renters to evolve from strangers to neighbors.

Ayyad's work is appreciated by residents and observers.

Jerome Durham, a former Pacifica tenant, said conditions at the apartment complex vastly improved after Ayyad became owner. Durham, 66, said there had been times before Ayyad took over when a security guard was needed to help tenants navigate halls where drug-dealing occurred.

"There was a girl selling crack right out of her door," said Durham. He said Ayyad brought stability and an end to criminal activity in the building.

City Councilwoman Christine Kehoe said Ayyad has volunteered to assist her landlord training program. Through the 2-year-old program, landlords are taught everything from how to select good tenants to how to upgrade lighting and landscaping.

"He stresses that it takes work to get people involved in cleaning up and maintaining property," Kehoe said of Ayyad, who has several rentals in the City Heights and Normal Heights communities in her district.

Elizabeth Morris, executive director of the San Diego Housing Commission, said Ayyad has tackled the problems at Pacifica Villas with energy and commitment. Occupancy is high, and the building is well-maintained, she said.
"As he grows, it will be interesting to see what happens," Morris said. "He won't be able to be involved firsthand as much. It will be a challenge for him to translate his values and beliefs to his workers."

To Ayyad, there are many more properties in the county that are in need of rescue. He plans to retrieve his share.

"There's still a long way to go."

Caption: 1 PIC
Success story: Willie Ayyad (center) visits with the property manager of the Pacifica Villas, Lydia Pena, and her son Javier, 3. The apartment complex was plagued with crime when Ayyad purchased it in 1994, but has been rejuvenated through his methods.

DON KOHLBAUER / Union-Tribune
Edition: 1,7,8
Section: BUSINESS
Page: C-1
Index Terms: BUILDING ; BUSINESS ; COST ; CRIME ; DRUGS ; FINANCE ; HOUSING ; LEADERS ; PROFILE.; ACDW Properties
Record Number: UTS1269599

***Reproduced with permission granted by San Diego Union-Tribune***
Full-text obtained via NewsBank