

## Luxury project becomes affordable

### City agency invests \$34 million in tower

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**DOWNTOWN SAN DIEGO** – Thanks to the nearly flat-lined downtown real estate market, what was supposed to be a luxury condominium tower is morphing into a



A rendering by artist Robert Watts depicts the proposed Ten Fifty B complex in downtown San Diego.

landmark low-income apartment project. Goodbye KB Homes, the national developer who got approval in April 2006 for a ritzy 184-unit condo design on B Street between 10th and 11th avenues.

Enter a San Diego firm planning to tweak that blueprint into 226 apartments for families who earn less than \$42,000 a year. The tower, which will be the tallest affordable-housing project in the county, is called Ten Fifty B and is expected to be built by early 2010.

Downtown's redevelopment agency loves the project, enough to lend the developer \$34

million. It will be the agency's largest-ever investment in an affordable-housing complex.

Some members of a citizens advisory group do not think the project is such a good deal for the city's money. One downtown activist said the amount of parking provided is not realistic.

The redevelopment agency is backing the \$89 million project because it achieves two goals: It creates more affordable housing for families and the housing is north of Broadway. Most of the recent publicly financed projects downtown have been in the lower East Village and Marina neighborhoods.

“It would be tough for an affordable-housing developer to propose such an ambitious project from scratch,” said Dale Royal, the Centre City Development Corp.'s longtime expert on low-income housing. “What a wonderful opportunity to take a building that was already designed for families.”

The developer, San Diego-based Affirmed Housing, got the land at the bargain-basement price of \$4.4 million, or \$202 a square foot. The current per-square-foot average is \$250; the average was \$350 during the market heyday two years ago, said one real estate economist.

KB Homes canceled its project after the housing market slacked off. A broker approached Affirmed Housing about the property, and the company liked it because it was a good price and came with permits in hand.

Affirmed Housing is a 13-year-old company based in San Diego, after starting in Escondido. It has developed more than 1,500 housing units across Southern California, the Virginias and North Carolina.

The company is working on another CCDC-funded project called Studio 15, which is 275 single-occupancy units under construction at 15th Street and Imperial Avenue. Other past and present San Diego projects include apartments in Nestor and City Heights and complexes in Escondido, San Marcos, Carlsbad and Temecula.

A report on the new project shows there will be a net cash flow of \$94,000 on rents of \$1.9 million in the first year of operation, and the amount of money made will grow each year after that.

The company will use the KB Homes look and design with a few changes – such as fewer balconies, no laundry inside the units and about 65 percent of the original parking spaces.

City regulations require at least one parking space for every two affordable units, and the developer is doing better by providing 132 slots.

That amount still isn't going to work, said Gary Smith of the Downtown Residents Group, a longtime proponent of providing parking with development.

“This is another assumption that poor people don't have cars,” Smith said, adding that public transit doesn't link that site to the nearest elementary school and it's a long walk – eight blocks – to the closest downtown supermarket.

The Flexcar company plans to have a rentable car on site, but Smith questioned whether low-income residents would be likely to pay the \$7-and-up hourly rates.

The area is on the edge of the downtown renaissance, with new residential towers popping up all around.

Across the street, a new condo complex is halfway finished. Vantage Point is selling at market prices, with one-bedroom units advertised at \$350,000 and up. Two other new market-rate condo buildings, Smart Corner and Aria, are a few blocks away.

The neighborhood won't notice the distinction between the original luxury plan and the low-income replacement, said James Silverwood, Affirmed Housing president. The project will have large outdoor patios with playgrounds on the seventh and ninth floors for the children who live there.

“From the outside, there will be no difference whatsoever,” Silverwood said.

The project is good news for low-income families who need a unit with up to three bedrooms. Rents are expected to range from \$412 to \$1,059 monthly. It will be the city's fourth-largest affordable-housing project for families. The others are in San Ysidro and Nestor.

The demand for low-cost housing is huge, especially for families and seniors, said Erika Rooks of the San Diego Housing Commission. The waiting list for federally subsidized Section 8 housing in San Diego is 40,000-names long. The Housing Commission will issue \$8 million in bonds to assist the B Street project; the amount is in addition to the redevelopment agency's money.

“It's great news for families especially as it's downtown and close to jobs and transit,” Rooks said.

While acknowledging the need to accommodate people with modest paychecks, a few members of the Centre City Advisory Committee, an elected board of downtown residents, said the financial investment for the city doesn't look so hot.

The Centre City Development Corp.'s loan will be paid back over 60 years at 3 percent interest. That's well below market rates, but redevelopment officials view that as standard for these kinds of projects.

Paul Robinson, an advisory committee member, said he hasn't raised concerns about similar rates, but this project is by far the downtown redevelopment agency's largest investment in downtown affordable housing. The next biggest is a \$16 million stake in Affirmed Housing's Studio 15 complex.

In addition to repayment of the loan, the public agency will own the land and, after 60 years, the building.

"We're getting hardly anything for our investment," Robinson said, adding that a 60-year-old building will be more of a liability than an asset.

Robinson cast his advisory vote in favor of the project anyway. It's worth it to make the affordable housing happen, he said.

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