CITY HEIGHTS CDC

Community Based Affordable Housing

Mid-City Rental Properties: Challenges

- Mid-city San Diego has well over 300 small (6-10 unit) rental properties most of which were constructed before 1980s.
- CHCDC’s affordable housing program focuses on the acquisition and rehabilitation of these smaller properties.

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Mid-City Rental Properties: Challenges

- Over the past couple of years per unit sale prices of rental properties have increased dramatically in City Heights.
- CHCDC purchased a 20 unit property in June 2014 using the Golden State Acquisition Fund for $112,500/unit. Today that property could sell for approximately $150k/unit.

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Mid-City Rental Properties: Challenges

- Without significant public and private subsidy support rents restricted to 60% of San Diego County's median income ($81,000 / 4 persons) support an acquisition price no more than $120k/unit.
- Additional subsidy is needed for the rehabilitation work.

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Mid-City Rental Properties: Challenges

- Properties are on the market in City Heights for a few weeks at most, purchased with ever increasing per unit prices. New owners raise rents to achieve their desired return on investment.

- Cosmetic repairs or at best minor rehabilitation work is completed in order to demand higher rents.

- Increased rents lead to lower income families being forced to move – gentrification pressures increase.

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Sources for acquisition / rehab

Traditional acquisition and / or rehabilitation subsidies:

- HOME
- Community Development Block Grant
- Housing Trust Fund
- Federal Home Loan Bank / Affordable Housing Program

Newer state programs:

- Affordable Housing & Sustainable Communities
- Veterans Housing and Homelessness Prevention Program
  (Proposition 41)

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Sources for acquisition / rehab

- Sources are generally targeted for larger properties, and especially properties near transit centers.

- CHCDC working with Local Initiatives Support Corporation (LISC) and Price Charities to formulate a protocol for private investment for acquisition and initial health & safety repairs, aggregating multiple properties to support an application for Low Income Housing Tax Credits (4%), producing sufficient equity to repay at least a portion of the initial private investment plus substantial rehabilitation work on all properties.

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Sources for acquisition / rehab

- Using a LISC grant (Chase Bank funding), CHCDC is working with an architect to determine the most cost effective way to approach rehabilitation.
- We have learned that keeping the existing structure while completing interior upgrades (e.g., increased unit size, energy efficient HVAC, etc.), is prohibitively expensive.
- New construction or at least removing most of the building (to maintain "rehabilitation" status to avoid down zoning constraints on unit count) appear to be the most cost effective.

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Sources for acquisition / rehab

- Down zoning prohibits new construction of the same unit count, so how much of the building can be removed while still permitting the work as rehabilitation rather than new construction?

- Designing rehabilitation work to achieve good site design with larger apartments (no one bedroom units) – more bedrooms with fewer apartments.

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Summation

- The acquisition and rehabilitation of smaller, non-transit oriented properties cannot depend upon local or state subsidy funding sources.

- Initial acquisition through private investment, leading to a critical mass of scattered site unit count to support LIHTC, FHLB, and perhaps local funds.

- Innovative architectural analysis of most efficient rehab protocols linked with ways to resolve down zoning issues.

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