



REPORT

DATE ISSUED: January 24, 2003

ITEM 104

REPORT NO.: HCR03-004
For the Agenda of January 31, 2003

SUBJECT: Modification of Declaration of Covenants, Conditions and Restrictions for 1334 Seventh Avenue (Council District 2)

SUMMARY

Issue: Should the Housing Commission modify the terms and conditions of the Declaration of Covenants, Conditions and Restrictions (Declaration) for the property owned by San Diego Interfaith Housing Foundation (Interfaith) located at 1334 Seventh Avenue, currently requiring development of an affordable housing project?

Recommendation: That the Housing Commission approve modifications to the Declaration allowing the construction of 16 condominium units that will be restricted for purchase by first-time homebuyers earning 80 percent or less of median area income (\$48,100 annual income for a family of four).

Affordable Housing Impact: Development of the condominium project would result in homeownership for 16 low-income families.

Previous Related Actions: On May 24, 1993, the Housing Commission acquired title to the property through a Trustee's Sale. On September 18, 1995 and September 16, 1996, the Housing Commission Board approved holding the vacant lot and leasing it as a parking lot. On August 8, 1997, Informational Report HCR97-101 was issued stating the Housing Commission's intent to offer the property for sale. On February 9, 1998, the Housing Commission accepted the offer of \$150,000 submitted by Interfaith.

BACKGROUND

On May 24, 1993, the Housing Commission acquired title to 1334 Seventh Avenue through a Trustee's Sale held on its behalf. The default existed because the previous owner, 600



Associates, L.P., did not fulfill its obligations under the Housing Replacement Agreement to: 1) provide replacement housing for the 26 single room occupancy units that were eliminated by the demolition of the Gordon Hotel that occupied the subject site; or 2) pay an in-lieu fee of \$8,250 per unit as stated in the agreement.

Upon acquiring title to the vacant lot, staff was contacted by United Educational Institute (UEI) regarding its potential leasing of the site for student parking. The Housing Commission and UEI entered into a month-to-month lease agreement that continued until the property was sold.

In November 1997, the Housing Commission offered the property at 1334 Seventh Avenue for sale. Preference was given to offers that included a development plan to provide affordable housing to families earning no more than 50 percent of median area income (MAI) (\$30,050 annual income for a family of four). The Housing Commission would record restrictions against the property that assured the goals of the Housing Commission were met.

In February 1998, the Housing Authority accepted an offer of \$150,000 that was submitted by Interfaith. The offer was selected based on the fact that it was a full cash offer and Interfaith's intent to make the future project affordable to people earning 35 to 60 percent of MAI (\$21,050 to \$36,050 annual income for a family of four). In February 1999, title to the property transferred to Interfaith and a Declaration was recorded against the property along with a Deed of Trust to secure performance under the Declaration.

Under the terms and conditions of the Declaration, Interfaith agreed to the following:

1. Construction of an Affordable Housing Project. That on or before October 1, 2002, Interfaith would commence construction of a low income affordable housing project on the site, consisting of the maximum number of residential units legally allowable on the property. The units would be one, two and three bedroom units. The Chief Executive Officer of the Housing Commission would approve the plans for construction that include unit type and architectural design before construction commenced. Construction of the property to be completed on or before October 1, 2004.
2. Restrictive Covenants. Interfaith agrees that at least 50 percent of the units constructed will be set aside and reserved as affordable units.
3. Affordable Unit Restrictions. The affordable units must be rented to eligible tenants whose income does not exceed 50 percent of MAI (\$30,050 annual income for a family of four). The units will be restricted for 55 years.

Housing Commission staff contacted Mathew Jumper, President of San Diego Interfaith Housing Foundation, regarding the October 2002 deadline and Interfaith's plans to commence

construction of the affordable housing project pursuant to the terms and conditions as outlined in the Declaration.

DISCUSSION

On December 2, 2002, the Housing Commission received a letter from Mr. Jumper regarding the intended use of the property (Attachment 1 – Letter). The subject site is located in the Centre City Redevelopment area. Mr. Jumper’s letter stated that Centre City Development Corporation (CCDC) would like Interfaith to develop the site as a low-income, first-time homebuyer condominium project. Although an agreement has not been executed, CCDC has indicated they will commit the funds needed to provide each low income buyer with a \$75,000 silent second trust deed loan. Interfaith has commissioned a site study and plan and has determined that a homeownership project can be successful. Information regarding the condominium project is as follows:

<u>Number of Units:</u>	16 - consisting of ten one-bedroom units and six two-bedroom units.
<u>CCDC Board Approval:</u>	May 2003
<u>Building Plan Approval:</u>	November 2003
<u>Construction Commencement:</u>	January 2004
<u>Construction Completion:</u>	January 2005
<u>Sales Price (average):</u>	
One-bedroom	\$174,000
Two-bedroom	\$190,000

All of the units will be restricted to first-time homebuyers earning no more than 80 percent of MAI.

Staff is seeking Housing Commission Board approval to modify the Declaration of Covenants, Conditions and Restrictions that will allow Interfaith to proceed with its plan to construct 16 low-income condominium units to be sold to first-time homebuyers earning 80 percent or less of MAI (\$48,100 annual income for a family of four).

ALTERNATIVES

1. Recommend modifications of the Declaration based on other terms and conditions as directed by the Board.

2. Interfaith is not in compliance with the terms and conditions of the Declaration which required construction to begin on the affordable housing project by October 2002. Housing Commission could file a Notice of Default under the performance provision as stated in the Deed of Trust securing the Declaration. This alternative is not recommended because it would preclude the owner from providing an affordable homeownership opportunity at this site.

Respectfully submitted,

Approved by,

Signature on File with Original Document

Jack D. Farris
Housing Finance and Development Manager

Elizabeth C. Morris
Chief Executive Officer

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Attachment 1: Letter from San Diego Interfaith Housing Foundation