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HOUSING COMMISSION PRESERVES AFFORDABLE HOUSING FOR LOW-INCOME SENIORS

*Single Room Occupancy Hotel in Downtown San Diego
Will Be Acquired and Undergo Extensive Renovations*

San Diego, CA— The San Diego Housing Commission today received approval to acquire a 130-room downtown hotel to preserve it as affordable housing for low-income seniors.

The Housing Commission's purchase of the Sandford Hotel at 1301 5th Avenue, along with plans for extensive renovations, was unanimously approved by the San Diego Housing Authority today.

"It makes sense to preserve much-needed affordable housing for low-income seniors in our urban core, where there is public transit as well as access to healthcare and other social services," said Richard C. Gentry, the Housing Commission's President and Chief Executive Officer.

The Housing Commission generated the capital funds to complete the acquisition by borrowing against a portion of the equity from its \$140 million real estate portfolio. That portfolio is made up of former public housing units, of which the agency gained full ownership as a result of a landmark 2007 agreement with the U.S. Department of Housing and Urban Development.

By buying the hotel, the Commission will ensure it remains accessible to low-income tenants, who are primarily seniors. The building, which was designated as a historic structure in 1989, is a single-room occupancy (SRO) hotel, where rooms typically are rented long-term at low cost to one individual. In addition to the three floors of hotel rooms, the site has approximately 7,663 square feet of first-floor commercial retail space and an 18,275-square-foot basement. The land is owned by a nonprofit group, the Downtown Senior Center Corporation; the building is owned by a limited partnership, Senior Fifth Avenue Associates - Sandford.

The Commission will buy the hotel for \$6.8 million and invest another \$5.3 million in renovations. The nine-month rehab work, which is expected to begin before the end of the year, includes seismic retrofit improvements, repairs to exterior walls and windows, and interior upgrades such as new carpet, new paint, and new bathroom fixtures.

The Centre City Development Corporation (CCDC) is providing a loan of approximately \$6 million to the Housing Commission for the four-story building, which was built in 1914. It is the first time that the Housing Commission and CCDC have worked together on a property acquisition.

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The hotel's tenants currently pay an average rent of \$433 a month for rooms that range from 86 to 150 square feet that have private bathrooms, but no kitchens. While renovations are underway, tenants will be temporarily relocated to vacant rooms within the building. To minimize the disruption to tenants, the rehab work will be done in phases of 10 to 15 rooms.

The rent will remain the same for existing residents. As tenant turnover occurs, new residents will pay slightly higher but still affordable rents.

Rents will be protected under a 99-year affordability covenant to be recorded with the property. The covenant stipulates that:

- 40 percent of the rooms will be rented to tenants with annual incomes no greater than 50 percent of the Area Median Income, which currently is \$28,900 for one individual.
- 60 percent of the rooms will be rented to individuals with incomes no greater than 60 percent of AMI or \$34,680 for one person annually.
- The covenant can be modified after 55 years by the Housing Authority if the hotel has an unfunded negative operating income or if the building requires "substantial rehabilitation."

The net operating income from the hotel will be divided equally by CCDC and the Housing Commission.

You can view the report on the Sandford Hotel, at the following website address:

<http://www.sdhc.org/Min&Agendas&Reports/Authority/2010/2010HARReports/HAR10-013.pdf>

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