Renters can buy into rehab plan for City Heights
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There were times when Debra Inniss thought she was destined to become a lifelong house hunter, always looking but never able to afford a home of her own.

For eight solid years she and her husband, Gilbert, scoured neighborhoods, but more often than not, prices were too high or family emergencies conspired to make saving for a down payment impossible.

"We're good, upstanding citizens, we work hard, and we barely make it," said Inniss, who lives in a tired-looking rental home with her husband and two children. "The catch with us is we need to have two incomes, but when you have two kids, you have childcare that sucks up all the extra pay."

Still, the dream persisted, as did Debra Inniss' patience. All that tenacity has now paid off in the form of a 45-year-old City Heights home the Innisses are purchasing with the help of a program they are calling a "godsend."

Dubbed "Home in the Heights-U Rehab," the program is designed to provide homeownership opportunities for lower-income households while offering critical financing for rehabilitating depressed properties in City Heights.

Neighborhood boost

Not only does the program increase homeownership, but it helps resuscitate neglected neighborhoods in a community that is dominated by rentals. Pride of ownership, believe redevelopment specialists, is the key to turning neighborhoods around.

"We want to turn over the high rate of renters and bring in more owners," said Michelle Fergoda, redevelopment manager for the Mid-City Development Corp., which is overseeing the Home in the Heights effort. "Twenty years ago, it was 80 percent homeowners, and now it's the opposite."

"This program is a wonderful way to stabilize a community, because homeownership guarantees pride and investment in a community."

For the Innisses, it's a way out of a lifetime of renting and a chance to invest in a community they have grown fond of.

"We're not wanting to be be like real estate tycoons," said Debra Inniss. "We're just wanting a little piece of this earth, just a place where we can stay and raise our kids."
Her husband, who earns $30,000 a year as a sheet-metal mechanic, interjects, "Owning your own home sure beats paying an absentee landlord rent. And if the place deteriorates, it's on us."

What makes homeownership so affordable for the Innisses and others like them is a $15,000 silent second loan provided by the Mid-City Development Corp. The community nonprofit group was awarded $150,000 by the city's Housing Trust Fund to be used for 10 families earning 100 percent or less of median income, which is $45,400 for a family of four. The primary focus of the program, however, will be on households earning less than 80 percent of median income.

**A long-term break**

The appeal of the silent second is that no payments of interest and principal are required during the time the home is owned. Even better, interest on the loan is forgiven after 10 years, and after year 15, the principal does not have to be repaid at all. And if a purchaser decides to buy another home in the City Heights redevelopment area, the silent second will carry over so that the clock keeps ticking on the repayment schedule.

The silent seconds are being offered in conjunction with the Federal Housing Administration's 203(k) loan, one of only a few programs that roll purchase and rehab costs into one loan. Generally, the loan's interest rate -- currently 8.5 percent -- is a percentage point above the prevailing rate.

"I'd say this project by the Mid-City Development Corp. is exactly how we've designed the 203(k) program to work," said Bill McGuire, senior vice president in charge of the single-family division of Malone Mortgage Co. "You're restoring the existing housing stock and creating jobs, and other neighbors start improving their properties as well.

"Without this kind of loan, you'd only get financing based on the sales price, and then you end up with this beat-up house and you've got to find your fix-up money."

With the Mid-City program, it is likely that most, if not all, of the silent seconds will be used for financing rehab costs.

That is the case with the Innisses, who are spending the bulk of their silent second loan on fixing up the three-bedroom, 800-square-foot home they are buying for $80,000. They are also using a small portion of the loan -- close to $5,000 -- for a down payment.

For an older property surrounded by rentals in a neglected part of City Heights, the white house, trimmed in blue, is in surprisingly good condition. There are polished hardwood floors throughout much of the house, new linoleum in the kitchen and recently installed carpeting in the hallways.

The front and back yards are overgrown with sun-scorched weeds, which Gilbert Inniss
is excited about replacing with lawn and brightly colored flower beds. There are plans to put in central heating, repair termite-damaged steps, replace a sagging fence and older windows, and tent for termites.

The Innisses' monthly mortgage payment, including property taxes and insurance, will be $786, just $51 more than their monthly rent.

The prospect of owning their own home, though, still seems so unreal given the long, tedious years of house hunting, say the Innisses.

"I spent many nights crying my eyes out, just so many tears," Debra Inniss said of her efforts to find an affordable home. "After all this time, you take a deep breath and you think, we're almost here."

To date, there are four families who are working with the Home in the Heights program, although the Innisses are the farthest along. The Mid-City Development Corp. is planning to apply soon for an additional $150,000 to $200,000 in Housing Trust fund monies to extend its first-time home-buyers program to even more households.

The current program is an extension of an earlier Home in the Heights initiative that combined silent second loans with generous relocation payments offered to residents who were forced to relocate to make way for the construction of two new schools.

There are also other silent second programs currently in operation, both in the city of San Diego and in National City.

In City Heights, there is a "shared-equity" program that provides first-time buyers in four selected lower-income census tracts with silent-second loans equal to 20 percent of the purchase price, up to a maximum of $25,000. Funding for the program is limited to $100,000.

In addition, there is an ongoing shared-equity program targeting three older neighborhoods in the southeastern part of the city. To date, that program has resulted in some 20 silent-second loans.

With the shared-equity loans, no monthly payments of principal and interest are required, but the loan must be repaid upon sale of the homes. Additionally, both the home buyer and the sponsoring agency of these programs share a portion of the equity, although after 15 years, all the equity reverts to the buyer.

In National City, there is a silent-second program fairly similar to Home in the Heights. The program is expected to be funded with an additional $300,000 come September, which will mean silent second loans of up to $15,000 for 20 to 25 people, according to city officials.

While the current purchase-rehab program in City Heights is an invaluable one for
increasing homeownership in neglected areas, it does not come without risks, said George Edward of the San Diego Housing Commission.

"It's risky because, typically, the total loans on the property exceed what you can hope to get out of the property," said Edward. "So it takes a public agency to assume that risk; otherwise, this would never happen. But I do think it can do a lot for properties in City Heights, and it might send a message to other lenders to get involved and do a similar-type program."

There is no question that renovated properties, paired with homeownership, can really help rejuvenate an area in decline, believes Michael Sprague, vice chairman of the City Heights Town Council.

"These are people who are interested in keeping the area up," Sprague said of the program participants. "I've seen it happen over and over again. If you see one person rehabbing a house, the other people who catch the fever is unreal. One person puts on a new roof, another paints. I can't think of a better neighbor to get."

Caption: 1 PIC
At long last: Longtime renters Gilbert and Debra Inniss, with son John and daughter Santana, are looking forward to moving into a City Heights home they're purchasing and renovating. (H-5) Union-Tribune / HOWARD LIPIN

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