

1807 El Rey Road
San Pedro, CA 90732
July 9, 2008

Planning Department
City of Los Angeles
Attention: David Olivo

Ref: CPC2006-8043-GPA-ZC-SP-DA, VTT-63399, ENV-2005-4516-EIR

Dear David,

As chair of Councilwoman Hahn's Community Advisory Committee and an active San Pedro Real Estate Broker, I have analyzed the claims made by Ponte Vista as to its provision of affordable housing. I believe that they are inflated. I would ask that you consider the following issues:

1. San Pedro existing home prices have been reduced to an affordable level not seen in the last four or five years. In the submission by the developer, \$330,000 is listed as the minimum sales price to purchase a unit in Ponte Vista. This would purchase a 600 square foot studio apartment. As of July 8, 2008 on the Multi-Regional Multiple Listing Service serving the South Bay, there are 8 single family homes, 4 townhomes and 28 condominiums listed for sale for less than \$330,000, all but two are larger than 600 square feet. There are 33 single family homes, 17 townhomes and 51 condominiums on the MLS in San Pedro for less than \$440,000. That will purchase an 800 square foot loft at Ponte Vista. There are even 55 homes in the City of Torrance in this price range. In addition, there are many condominiums available in the new developments in downtown San Pedro that are not on the MLS. For example, The Vue has condos for sale beginning in the mid \$300,000's.
2. Many who wish to live in San Pedro are not aware of the current lower prices for homes. Given the number of lower priced homes available, there are several possible explanations for those who mistakenly testified at the recent hearing that they could not afford to live in San Pedro, and that Ponte Vista would solve their problem. Some of these people may have looked for homes a year or two ago, and are not aware of the current buyer's market. Others may in fact want a new home, but don't want to live in those available in San Pedro, Torrance, Palos Verdes, Long Beach or Harbor City. Finally, some may want the amenities offered by Ponte Vista.
3. Potential Ponte Vista buyers need to read the fine print in the Ponte Vista application:
 - a. The affordability chart on page III-40, the table for traditional underwriting, assumes a loan rate of 5.25% for a 30 year fixed rate, interest only loan. This rate is not available. Current interest rates for such a loan for a buyer with a terrific 720 FICO score, little or no debt, and a fully documented loan today are in the range of 6.25%. This is a loan that

is interest only for 10 years, after which the buyer must begin making principal payments. This factor will reduce the affordability of these units.

- b. In my experience, most buyers looking for a traditional loan will want a fully amortized loan, and not one that is interest only. The rate for a 30 year fixed loan is currently 5.99%. This would increase the minimum household income required to about \$84,000 to qualify for a loan on the lowest priced studio unit quoted, after 10% down, minimum debt and great credit. This factor will reduce the affordability of these units.
- c. The estimate for the Homeowner Association Dues in the first chart is unrealistically low and the dues appear to be calculated incorrectly. Interestingly, in the two charts on page III-40, there are different methods used for computing the HOA dues, depending upon the method of financing used. The first column (traditional underwriting) assumes dues of \$450 per month for any purchase price. The second column (current mortgage market) assumes dues of 1% of the purchase price, or anywhere from \$330 to \$1100. This must be a mistake, since the financing method has never been a criterion for setting the HOA dues. Using data from the MLS, one can research the HOA dues charged at Playa Vista, a similar development. The cheapest condo available is a 642 square foot one bedroom, one bath unit listed at \$345,000. The current dues are \$520 per month for that unit. The highest HOA dues level shown in Playa Vista is \$987. It appears that the \$450 per unit in column one and the \$330 minimum dues in column two understate what the dues will actually be. This factor will reduce the affordability of these units.
- d. The Pricing Contingencies listed on page III-38 lead one to question the estimates put forward. The asking prices are “based on the applicant’s estimates and are not intended as guarantees.” The prices asked apparently will vary depending upon the following factors:
 - i. Asking prices can vary +/- 5% depending upon the whim of the developer.
 - ii. Asking prices can increase if construction costs increase. In fact, it appears that the figures quoted on this page are from the 2006 Engineering Index and are already significantly understated.
 - iii. Asking prices can increase if the project is reduced to less than 2300 units (a certainty!)

Applying any of these contingencies will reduce the affordability of these units.

Thank you for your consideration.

Sincerely,

John R. Greenwood