OpenVoiceNews U.S.

Transparent. Unbiased. Yours.

San Diego Finalizes Deal to Turn Troubled 101 Ash Street Tower into Affordable Housing

July 30, 2025
— Categories: Real Estate

The City of San Diego has reached a deal to lease the long-troubled 101 Ash Street office tower to developers who plan to convert the vacant high-rise into affordable housing. On Tuesday, the City Council voted unanimously to approve a 60-year lease agreement with 101 Ash Venture LP, a team led by MRK Partners and Create Dev LLC.

The deal offers a potential solution to the ongoing financial and public relations headache caused by the asbestos-laden structure. City leaders hope the property, which has remained unusable for years, can now be transformed into 247 rent-restricted apartments for low-income families.

Under the lease terms, the city will enter into a formal agreement with the developers while escrow is in progress, a process expected to take up to two years. That timeframe depends on the developers securing funding through federal low-income housing tax credits to support the estimated $267.6 million project.

The redevelopment plan includes 247 income-restricted units for families earning between 30% and 80% of the area median income and three manager units. The project will also feature retail space and a child care center. Despite the steep cost of nearly $1.1 million per unit, city officials defended the project's potential long-term benefits, including easing San Diego's housing shortage.

"This building is an opportunity to move forward," said Council President Joe LaCava. "For those that say it cannot be done, well, today is the first step in proving them wrong. … I'm confident that this is the right project for right now and in the right building downtown."

The city has already spent over $96 million on the building, including purchase, maintenance, and administrative costs. Built in 1967, 101 Ash Street once housed Sempra Energy but was later acquired by the city through a lease-to-own agreement in 2017. A flawed renovation led to asbestos contamination, forcing the building's closure. In 2022, the city bought out the lease for $86 million as part of a settlement.

Despite ongoing criticism over the cost and process, the council decided the financial relief and housing potential outweighed the risks. The lease will cost the developer a base rent of $15,000 annually, with annual increases tied to inflation. While critics noted the lack of competitive bidding, the city maintained that the deal was structured within legal and financial norms.

In addition to the lease, the city will provide financing in the form of a $45.6 million loan on paper, matching the property's appraised value. The city won't put up any actual funds but will issue a seller's note, expecting repayments to begin 15 years after the project's completion. Over the 60-year term, total compensation to the city is projected at $90.2 million, though its current value is significantly less when adjusted for time.

Developer Kelly Moden, president of Create Dev and chair of San Diego's Planning Commission, called the council's approval a turning point. "Today's council approval gives us the green light to transform a city-owned liability into a legacy," Moden said. "We are honored to have the trust and confidence of the San Diego City Council."

The deal has sparked legal threats from attorneys Michael Aguirre and Maria Severson, who argued the agreement violates state conflict-of-interest laws due to Moden's dual role as a developer and public official. Moden is set to receive a portion of the $32.7 million developer fee tied to the tax credit program. Aguirre said, "The chairperson of the city Planning Commission is perpetrating a fraud on the people of San Diego … She has a prohibited financial interest."

However, San Diego's Ethics Commission previously found no conflict since the Planning Commission did not review the project. Council members also pointed to provisions that squarely put responsibility for asbestos cleanup on the developer.

Noah Fleishman, a financial analyst with the Office of the Independent Budget Analyst, supported the deal. He said the financial expectations are reasonable, and the project's high unit cost is driven largely by the inclusion of larger family-sized apartments, not luxury finishes.

While some members of the public voiced concerns, council members expressed confidence that the lease offers a pragmatic path forward. With no cash investment required from the city and the chance to eliminate a costly liability, the vote passed 8–0. Councilmember Vivian Moreno was not present for the vote.

The developers plan to apply later this year for $87.8 million in federal low-income housing tax credits and another $36.1 million in historic tax credits, despite 101 Ash Street not yet holding a historic designation. If approved, those credits will be sold to investors to help fund the project.

If all proceeds as planned, the city could finally close the book on one of its most controversial real estate dealings and provide much-needed housing in the heart of downtown.