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San Diego Housing Commission (SDHC)
Authorization to Acquire Extended Stay America (Presidio Palms)
2087 Hotel Circle South
Presentation to the SDHC Board of Commissioners
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Proposed Extended Stay America Acquisition

Introduction

- April 20, 2023: SDHC Board voted 4-0 to execute a Purchase and Sale Agreement (PSA) to acquire the Extended Stay America at 2087 Hotel Circle South, San Diego, CA 92108, in Council District 3.
- July 25, 2023: SDHC Board voted 5-0 to authorize the submittal of an application for up to \$38.5 million in state Homekey Program grant funds to support the acquisition and development of the Extended Stay America, to be known as Presidio Palms.
 - July 28, 2023: SDHC applied for the funds.
 - February 16, 2024: The SDHC Board approved a revised resolution, as requested by the state.
- January 19, 2024: SDHC Board voted 5-0 to authorize SDHC to execute an amendment to increase the compensation of design work on the property at 2087 Hotel Circle South, San Diego, CA 92108, in an amount not to exceed \$890,000 and the associated pre-development budget.



Proposed Extended Stay America Acquisition Introduction (Continued)

- February 13, 2024: The State of California awarded \$35,000,000 in Homekey program funds to SDHC for the proposed acquisition and rehabilitation of the Extended Stay America at 2087 Hotel Circle South.
 - SDHC collaboration with the County of San Diego, City of San Diego and Regional Task Force on Homelessness (RTFH)
 - City funding committed: \$17,806,432 (HOME American Rescue Plan funds)
 - County funding committed: \$17,806,432 (American Rescue Plan Act funds)
 - RTFH funding committed: \$1,100,000
 - SDHC funding committed: \$2,400,000 (Moving to Work funds)
 - SDHC vouchers committed: 161 Project-Based Housing Vouchers
- Homekey Key Performance Requirements:
 - All Homekey funds are to be spent within 8 months of award.
 - All construction/rehabilitation must be completed within 12 months of the award letter.
 - Full occupancy must be achieved by 15 months from the date of the award letter.



Proposed Extended Stay America Acquisition Subject Property

Extended Stay America – to be known as Presidio Palms 2087 Hotel Circle South, 92108 Council District 3

- Mission Valley Area
- Constructed circa 1999
- 165 existing rooms (post-rehab 163 units)
- 1 building – three-story, elevator-served
- Lot size: approximately 4.58 acres
- Building size: approximately 68,709 sf



Proposed Extended Stay America Acquisition Community Amenities



Proposed Extended Stay America Acquisition Completed Due Diligence

- Appraisal
 - Peer Review of Appraisal
 - County of San Diego Appraisal Review
 - Updated Appraisal (In Progress)
- Physical Needs Assessment
- Hazardous Materials
- Phase 1 Environmental Site Assessment
- Pest Inspection
- Sewer Line Inspection
- Zoning Conformance Review



Proposed Extended Stay America Acquisition Appraisal Update

- Current Appraisal Dated May 3, 2023
 - Purchase Price: \$57,000,000
 - Appraised Value: \$60,780,000
 - Used for initial due diligence
 - Benefits of long-term site control
 - Advancement of entitlements
 - Risk mitigation
- Appraisal Update ordered April 2, 2024 (due May 31, 2024)
 - Potential change in market conditions (increased interest rates, etc.)
 - Options if updated appraised value is lower than purchase price:
 - Attempt to renegotiate the purchase with the seller.
 - If renegotiation is unsuccessful, the purchase and sale agreement would terminate, and the \$100,000 deposit would be forfeited.



Proposed Extended Stay America Acquisition

Sources and Uses of Funds

SOURCES	Cost	Per Unit
Local Match Funding - City of San Diego	\$17,806,432	\$107,917
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Local Match Funding – RTFH	\$1,100,000	\$6,667
Local Match Funding – Housing Commission MTW	\$2,400,000	\$14,545
State Homekey Funds	\$35,000,000	\$212,121
Total Project Sources	\$74,112,864	\$449,169

USES	Cost	Per Unit
Land/Acquisition	\$57,402,420	\$347,893
Design & Engineering	\$813,019	\$4,927
Permits & Fees	\$284,151	\$1,722
Third-Party Reports	\$170,074	\$1,031
Hard Costs	\$9,471,693	\$57,404
Reserves	\$1,517,473	\$9,197
Other Soft Costs	\$1,831,533	\$11,100
Developer Fee	\$2,622,500	\$15,894
Total Project Uses	\$74,112,864	\$449,169



Proposed Extended Stay America Acquisition

Summary of Proposed Services and Tenant Population

- Supportive services to be offered for residents:
 - Outreach and Engagement
 - Mental Health Services
 - Healthcare/Physical Health Services
 - Behavioral Health Services
 - Substance Use Services
 - Case Management
 - Care Coordination
 - Life Skills Training
 - Education Services
 - Employment Assistance
 - Assistance obtaining benefits and essential documentation
 - Transportation Services
- Residents would be identified through referrals from the Coordinated Entry System.
- Populations Served:
 - Experiencing Literal Homelessness
 - Experiencing Chronic Homelessness
 - Transition-Age Youth



Proposed Extended Stay America Acquisition Staff Recommendations

That the SDHC Board of Commissioners recommend that the Housing Authority of the City of San Diego (Housing Authority) take the following actions:

- 1) Authorize SDHC to accept and expend \$35,000,000 in State Homekey Program funds, \$17,806,432 in City of San Diego HOME Investment Partnerships American Rescue Plan Program (HOME-ARP) funds, \$17,806,432 in County of San Diego American Rescue Plan Act (ARPA) funds, and \$1,100,000 in San Diego Regional Task Force on Homelessness funds, and expend \$2,400,000 of Moving to Work (MTW) funds to support the proposed acquisition and rehabilitation of the Extended Stay America at 2087 Hotel Circle South, San Diego, CA 92108, which will be known as Presidio Palms and will consist of 161 affordable rental housing units for people experiencing homelessness with income up to 30 percent of San Diego's Area Median Income (AMI) and two manager's units. The proposed action is contingent upon the Housing Authority approving these proposed funding sources and uses in SDHC's proposed Fiscal Year 2025 Budget.



Proposed Extended Stay America Acquisition Staff Recommendations (Continued)

- 2) Authorize SDHC to acquire the Extended Stay America property, pursuant to that certain Purchase and Sale Agreement (PSA) for the Extended Stay America at 2087 Hotel Circle South, San Diego CA, 92108, dated April 20, 2023, with the seller ESA P Portfolio LLC, a Delaware limited liability company. The proposed action is contingent upon the Housing Authority approving the proposed funding sources and uses for this purpose in SDHC's proposed Fiscal Year 2025 Budget.

- 3) Authorize SDHC's President and Chief Executive Officer (President and CEO), or designee, to take such actions and perform such acts as are necessary to acquire the Extended Stay America at 2087 Hotel Circle South, San Diego, CA 92108, a 68,709-square-foot building, for the price of \$57,000,000. ESA P Portfolio LLC shall provide a clear fee simple title upon acquisition of the property. The proposed action is contingent upon the Housing Authority approving the proposed funding sources and uses for this purpose in SDHC's proposed Fiscal Year 2025 Budget.



Proposed Extended Stay America Acquisition Staff Recommendations (Continued)

- 4) Authorize SDHC's President and CEO, or designee, to execute and record an affordability covenant against the Extended Stay America property, to be known as Presidio Palms, for 55 years, with 161 units required to remain affordable for households' experiencing homelessness with income at or below 30 percent of AMI. Of the 165 total units at acquisition, two units will be converted to use as unrestricted service provider offices, and two units will be utilized as property manager's units, for 163 total studio units.

- 5) Authorize SDHC to purchase of the Extended Stay America property and complete all associated closing activities and pay all closing costs, as well as remediation and upgrades to the property, utilizing \$35,000,000 in State Department of Housing and Community Development Homekey Program Round 3 (Homekey) funds; \$17,806,432 in City of San Diego HOME Investment Partnerships American Rescue Plan (HOME-ARP) funds; \$17,806,432 in County of San Diego American Rescue Plan Act (ARPA) funds; \$1,100,000 in San Diego Regional Task Force on Homelessness funds; and \$2,400,000 in Moving to Work (MTW) funds. The proposed action is contingent upon the Housing Authority approving the proposed funding sources and uses for this purpose in SDHC's proposed Fiscal Year 2025 Budget.



Proposed Extended Stay America Acquisition Staff Recommendations (Continued)

- 6) Authorize SDHC's President and CEO, or designee, to execute all documents and instruments that are necessary and/or appropriate to implement these approvals, in a form approved by General Counsel, and to take such actions as are necessary and/or appropriate to implement these approvals upon the advice of General Counsel, to allow SDHC to acquire the Extended Stay America property on terms and conditions described in this report, as approved by General Counsel of SDHC. SDHC staff will notify the Housing Authority and the City Attorney's Office about any subsequent amendments or modifications to the documents, and other required documents, including amendments to any documents.



Proposed Extended Stay America Acquisition Staff Recommendations (Continued)

- 7) Approve all budgets associated with the purchase and rehabilitation of the Extended Stay America property, to be known as Presidio Palms. This includes the transfer and/or reallocation of funds between any and all funding use line items within the total approved development/project budget, provided the total project/development budget amount after any transfers/reallocations does not exceed the previously approved budget total, in any instances when the operational need(s) arise and/or when such actions are to the benefit of SDHC and its mission. The proposed action is contingent upon the Housing Authority approving the proposed funding sources and uses for this purpose in SDHC's proposed Fiscal Year 2025 Budget.

- 8) Authorize SDHC's President and CEO, or designee, to take such actions and perform such acts as necessary for the recruitment and hiring of staff for the ongoing operations of Presidio Palms. The proposed action is contingent upon the Housing Authority approving the proposed funding sources and uses for this purpose in SDHC's proposed Fiscal Year 2025 Budget.



Proposed Extended Stay America Acquisition

Questions & Comments

