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San Diego Housing Commission (SDHC) Purchase and Sale Agreement (PSA) and Homekey+ Application Starling Place – 7798 Starling Drive Presentation to the SDHC Board of Commissioners April 25, 2025

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SDHC – PSA and Homekey+ Application for Starling Place

Introduction

- November 26, 2024: The California Department of Housing and Community Development issued a Notice of Funding Availability (NOFA) for Homekey+ Program funding.
 - Homekey +: A statewide program pursuant to Proposition 1 designed to help support the development of permanent supportive housing for veterans, young people, and others with mental health and/or substance abuse challenges.
- **Proposition 1 allocates \$2.2 billion in grant funding**
 - **\$148,199,415** is set aside for San Diego's local geographic pool
 - San Diego region may also apply for a competitive statewide pool of funds.
- Over-the-counter application for the region on a first-come, first-serve basis, which requires:
 - A resolution authorizing the application to and participation in the Homekey program
 - Funding and services commitments in the amount identified in the following slides to optimize the local match under the various application scenarios.



SDHC – PSA and Homekey+ Application for Starling Place

Introduction (Continued)

- An update presented to the San Diego City Council on November 14, 2023, about the Community Action Plan on Homelessness for the City of San Diego, identified revised estimated needs for shelter and housing to address homelessness:
 - 6,457 permanent supportive housing beds
 - 2,109 other permanent housing beds
- SDHC has continued to work to identify properties to help create affordable housing units and address the shelter crisis in the City of San Diego.
- SDHC proposes to enter into a PSA and to apply for Homekey+ funding toward the acquisition of Starling Place at 7798 Starling Drive to create affordable housing units with supportive services.



SDHC – PSA and Homekey+ Application for Starling Place Property

- **Starling Place**
 - Council District: 7
 - County Supervisorial District: 4
- Serra Mesa Area
- 1 Building – three-story, elevator-served
- 64 Parking Spaces (4 ADA)
- Lot Size: 0.95 Acres
- Building size: Approximately 40,083 sq. ft.



Photo courtesy of Tusore Hospitality, Inc.



SDHC – PSA and Homekey+ Application for Starling Place Property (Continued)

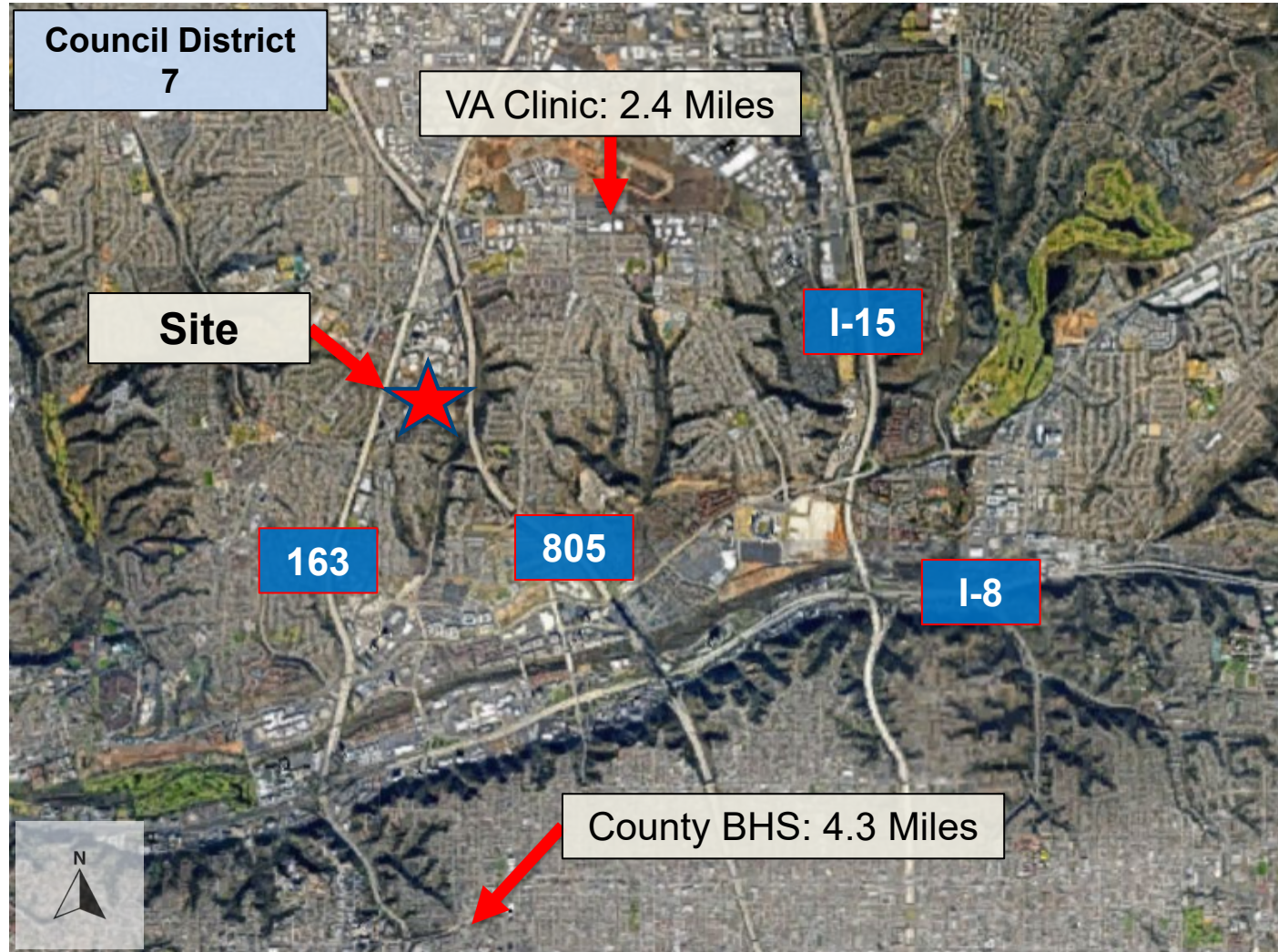


- **Units: 90**
 - (66 Studios and 24 One-Bedroom units)
 - **82 units** estimated at completion
- **Purchase Price: \$37,350,000**
(\$415,00 per unit)
- Former commercial office building converted to short-term vacation rental units in 2022.

Photo courtesy of Tusore Hospitality, Inc.



SDHC – PSA and Homekey+ Application for Starling Place Surrounding Area



SDHC – PSA and Homekey+ Application for Starling Place Surrounding Area (Continued)



SDHC – PSA and Homekey+ Application for Starling Place Surrounding Area (Continued)



SDHC – PSA and Homekey+ Application for Starling Place Interior



Photo courtesy of Tusore Hospitality, Inc.



SDHC – PSA and Homekey+ Application for Starling Place Interior (Continued)



Photo courtesy of Tusore Hospitality, Inc.



SDHC – PSA and Homekey+ Application for Starling Place Interior (Continued)



Photo courtesy of Tusore Hospitality, Inc.



SDHC – PSA and Homekey+ Application for Starling Place

Proposed Terms

- Due diligence period:
 - Begins upon execution of the PSA.
 - Ends 120 days after the PSA is executed.
- Purchase of the property is contingent on:
 - Receipt of an award of Homekey+ funds
 - Approvals from the SDHC Board of Commissioners and Housing Authority of the City of San Diego.
- Purchase price: Not to exceed \$37,350,000 (\$415,000 per unit)
- Deposit:
 - Refundable deposit of \$50,000 deposited into escrow within five days of PSA execution
 - At end of due diligence period:
 - If SDHC decides to purchase the property: Additional \$450,000 deposit (total of \$500,000) becomes non-refundable and is credited against the purchase price.
 - If SDHC decides not to purchase the property: \$50,000 deposit is refunded to SDHC.
- Close of escrow within 12 months of execution of the PSA (additional six-month extension available if needed)



SDHC – PSA and Homekey+ Application for Starling Place

Due Diligence

- PSA is necessary **before** SDHC can obtain site control to perform required due diligence.
- **Due diligence:**
 - Assess items, such as:
 - Zoning conformance
 - Potential environmental hazards
 - Immediate and long-term capital needs
 - Pest control
 - Unique site conditions and constraints
 - Americans with Disabilities Act and path-of-travel review
 - Any other areas that need additional review
 - Obtain appraisals (including peer review appraisal) and market studies for this site
 - Enable SDHC to identify potential risks, if any, associated with purchasing the property and converting it to permanent affordable rental housing.



SDHC – PSA and Homekey+ Application for Starling Place Timeline

Milestone	Date
Sign PSA and Open Escrow (Seven days following SDHC Board action)	May 2, 2025
Submit Homekey+ Application	May 30, 2025
End of Due Diligence	August 31, 2025
Last day to Close Escrow (if not extended)	April 30, 2026
Last day to Close Escrow (if extended)	November 2, 2026



SDHC – PSA and Homekey+ Application for Starling Place

Fiscal Year 2025 Funding Sources and Uses

FY 25 Funding Sources	
Local Funds	\$300,000
TOTAL	\$300,000
FY 25 Funding Uses	
Acquisition Cost (Deposit)	\$50,000
Due Diligence	\$250,000
TOTAL	\$300,000



SDHC – PSA and Homekey+ Application for Starling Place

Funding Sources and Uses – Total Project

Sources	
State Homekey+ Program Funds	Up to \$35,000,000
City of San Diego (CDBG)	\$10,000,000
County of San Diego	\$7,000,000
TOTAL	Up to \$52,000,000
Uses	
Acquisition Cost (Deposit)	Up to \$37,350,000
Design & Construction	\$14,650,000
TOTAL	Up to \$52,000,000



SDHC – PSA and Homekey+ Application for Starling Place Staff Recommendations

That the SDHC Board of Commissioners take the following actions:

- 1) Authorize SDHC's President and Chief Executive Officer (President and CEO), or designee, to execute a Purchase and Sale Agreement (PSA) by and between SDHC and Tusore Hospitality, Inc., a California Corporation, with a purchase price not to exceed \$37,350,000 for the property at 7798 Starling Dr., San Diego, CA 92123.
- 2) Authorize an Earnest Money Deposit not to exceed \$500,000 as detailed in the staff report.
- 3) Authorize the commencement of Due Diligence and a Due Diligence budget not to exceed \$250,000 as set forth in the staff report.



SDHC – PSA and Homekey+ Application for Starling Place Staff Recommendations (Continued)

- 4) Authorize SDHC's President and CEO, or designee, to substitute approved funding sources with any other available funds as deemed appropriate, contingent upon budget availability.
- 5) Authorize and direct SDHC to submit an individual application to the State of California Department of Housing and Community Development (Department) Homekey+ Program for grant funds in an amount up to \$35,000,000 in accordance with the November 26, 2024, Notice of Funding Availability (NOFA) for the Homekey+ Program for the acquisition and rehabilitation of the property at 7798 Starling Dr., San Diego, CA 92123.



SDHC – PSA and Homekey+ Application for Starling Place Staff Recommendations (Continued)

- 6) If the application is approved and the proposed project is subsequently approved by the Housing Authority of the City of San Diego, authorize and direct SDHC to enter into, execute, and deliver a Standard Agreement in a total amount up to \$35,000,000 and any and all other documents required or deemed necessary or appropriate to secure Homekey+ Funds from the Department, and to participate in the Homekey+ Program.

SDHC acknowledges and agrees that it shall be subject to the terms and conditions specified in the Standard Agreement, and that the NOFA and application will be incorporated in the Standard Agreement by reference and made a part thereof. Any and all activities, expenditures, information, and timelines represented in the application are enforceable through the Standard Agreement. Funds are to be used for the allowable expenditures and activities identified in the Standard Agreement.

- 7) 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, provided that a copy of the documents, signed as to form by General Counsel, are submitted to each Housing Commissioner.



Questions & Comments

