



San Diego Housing Commission (SDHC) Authorization to Accept and Expend Funds to Acquire and Upgrade Starling Place

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SDHC – Starling Place Acquisition and Upgrades

Introduction

- April 25, 2025: The SDHC Board voted 7-0 to:
 - Execute a Purchase and Sales Agreement (PSA) to acquire the property at 7798 Starling Dr., San Diego, CA 92123, at a price not to exceed \$37,350,000.
 - Approve the start of due diligence activities.
 - Approve the submission of an application to the State of California Department of Housing and Community Development Homekey+ Program for grant funds in an amount not to exceed \$35,000,000.
- September 12, 2025: The SDHC Board voted 6-0 to authorize a predevelopment budget for Starling Place in an amount not to exceed \$617,504.40.
- November 7, 2025: The SDHC Board voted 5-0 to approve a Revised Resolution authorizing SDHC to apply for State Homekey+ Program grant funds.
 - The previously approved SDHC Board resolution needed to be revised to specify that the Starling Drive property is existing housing, as defined by the regulations contained at 24 CFR 983.3.



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Introduction (Continued)

- The State of California has awarded Homekey+ funds to support the Starling Place project.
 - Capital Funds: \$26,490,313
 - Operating Funds: \$5,921,431
- Homekey+ Key Performance Requirements:
 - All Homekey+ funds are to be spent within 17 months of the award letter.
 - All construction/rehabilitation must be completed within 14 months of the award letter.
 - Full occupancy must be achieved by 17 months from the date of the award letter.
- Starling Place would consist of:
 - 20 units for individuals experiencing chronic homelessness
 - 20 units for individuals at risk of experiencing homelessness
 - 40 units for veterans experiencing homelessness
 - 2 unrestricted units



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Introduction (Continued)

- Additional funds committed to support the acquisition, upgrades and operations:
 - SDHC: 40 federal Veterans Affairs Supportive Housing (VASH) Project-Based Vouchers
 - City of San Diego CDBG Funds: \$12,134,986
 - County of San Diego Capital, Residual Receipts Loan: \$7,000,000
 - County Operating Match, Grant: \$3,360,000
- The County of San Diego will manage funds for social services, which will be provided to tenants eligible for Behavioral Health Services.



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Subject Property

Starling Place

7798 Starling Drive, 92123

Council District 7

- Serra Mesa
- One Building: three stories, elevator served
- 64 Parking Spaces (four accessible per the Americans with Disabilities Act)
- Lot Size: 0.95 Acres
- Building size: 40,083 sq. ft



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Completed Due Diligence

- Appraisal
 - Peer Review of Appraisal
 - County of San Diego Appraisal Review
- Physical Needs Assessment
- Hazardous Materials
- Phase 1 Environmental Site Assessment
- Pest Inspection
- Relocation
- Sewer Line Inspection
- Zoning Conformance Review



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Sources and Uses of Funds

Sources	Cost	Cost Per Unit
Local Match Funding – City of San Diego (CDBG)	\$12,134,986	\$147,988
Local Match Funding – County of San Diego	\$7,000,000	\$85,366
State Homekey+ Funds	\$26,490,313	\$323,053
Deferred Developer Fee	\$700,760	\$8,546
Total Project Sources	\$46,326,059	\$564,953
Uses	Cost	Cost Per Unit
Land / Acquisition	\$37,365,000*	\$455,671
Hard Costs	\$4,599,453	\$56,091
Permits & Fees	\$120,192	\$1,466
Architects and Engineering	\$516,000	\$6,293
Third Party Reports	\$94,383	\$1,151
Reserves	\$1,064,782	\$12,985
Other Soft Costs	\$814,249	\$9,930
Developer Fee	\$1,752,000	\$21,366
Total Project Uses	\$46,326,059	\$564,953

*Acquisition cost includes estimates for Escrow and Title insurance fees



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Summary of Proposed Services

- 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



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Staff Recommendations

That the SDHC Board of Commissioners take the following actions:

- 1) Authorize SDHC to accept and expend capital funds in the amounts of \$26,490,313 in State of California (State) Homekey+ funds; \$12,134,986 in City of San Diego funds; and \$7,000,000 in County of San Diego funds to support the proposed acquisition and upgrades of the property at 7798 Starling Dr., San Diego, CA 92123, to be known as Starling Place, which will consist of 80 rental housing units affordable for people experiencing homelessness with income up to 30 percent of San Diego's Area Median Income (AMI), and two unrestricted manager's units.
- 2) Authorize SDHC to accept and expend operating subsidy funds in the amounts of \$5,921,431 from the State's Homekey+ program and \$3,360,000 from the County of San Diego to support the operations of Starling Place at 7798 Starling Dr., San Diego, CA 92123.
- 3) Authorize SDHC to acquire Starling Place, pursuant to that certain Purchase and Sale Agreement (PSA) for the property at 7798 Starling Dr., San Diego CA, 92123, dated May 2, 2025, with the seller Tusore Hospitality, Inc.



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Staff Recommendations (Continued)

- 4) 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 Starling Place at 7798 Starling Dr., San Diego, CA 92123, a 40,151-square-foot property, for the price of \$37,350,000. Tusore Hospitality, Inc. shall provide clear fee simple title upon acquisition of the property.
- 5) Authorize SDHC's President and CEO, or designee, to execute and record an affordability covenant against Starling Place for 55 years, with 80 units required to remain affordable for households experiencing homelessness or at risk of homelessness with income at or below 30 percent of AMI. There will be two additional unrestricted manager's units for a total of 82 units.
- 6) Authorize SDHC to purchase Starling Place and complete all associated closing activities and costs, as well as remediation and upgrades to the property, utilizing \$26,490,313 in State Department of Housing and Community Development Homekey+ funds; \$12,134,986 in City of San Diego funds; \$7,000,000 in County of San Diego funds; and \$700,760 in a Deferred Developer Fee.



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Staff Recommendations (Continued)

- 7) Authorize SDHC's President and CEO, or designee, to substitute approved funding sources for Starling Place, with any other available funds as deemed appropriate, including, without limitation, in the event the Homekey+ grant is delayed beyond the anticipated closing date of February 15, 2026, contingent upon budget availability, and further authorize the President and CEO, or designee, to take such actions as are necessary, convenient and/or appropriate to implement these approvals, upon the advice of General Counsel.
- 8) 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 Starling Place on terms and conditions described in this report, as approved by SDHC's General Counsel, provided that a copy of the documents, signed as to form by General Counsel, is submitted to each Housing Commissioner.
- 9) Approve all budgets associated with the purchase and upgrades at Starling Place. 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 and all transfers/reallocations does not exceed the previously approved budget total, in any instances when the operational need arises and/or when such actions are to the benefit of SDHC and its mission.
- 10) 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 Starling Place.



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Questions & Comments

