



REPORT

DATE ISSUED: July 24, 2023

REPORT NO: HCR23-85

ATTENTION: Chair and Members of the San Diego Housing Commission
for the Agenda of July 25, 2023

SUBJECT: Authorization to Apply for State of California Department of Housing and Community
Development Homekey Program Grant Funds – 2087 Hotel Circle South

COUNCIL DISTRICT: 3

REQUESTED ACTION

Authorize and direct the San Diego Housing Commission to submit an application to the State of California Department of Housing and Community Development Homekey Program for grant funds in an amount up to \$40,250,000 in accordance with the March 29, 2023, Notice of Funding Availability (NOFA) for the Homekey Program and to enter into, execute and deliver a Standard Agreement in a total amount up to \$40,250,000 and any and all other documents required or deemed necessary or appropriate to secure the Homekey Program funds for the acquisition and rehabilitation of the property at 2087 Hotel Circle South, San Diego, CA 92108, to create permanent affordable rental housing with supportive services for people experiencing homelessness.

STAFF RECOMMENDATION

That the San Diego Housing Commission (Housing Commission) Board of Commissioners (Board) take the following actions:

- 1) Authorize and direct the Housing Commission to submit an application to the State of California Department of Housing and Community Development (Department) Homekey Program for grant funds in an amount up to \$40,250,000 in accordance with the March 29, 2023, Notice of Funding Availability (NOFA) for the Homekey Program for the acquisition and rehabilitation of the Extended Stay America hotel property at 2087 Hotel Circle South, San Diego, CA 92108, to be known as Presidio Palms, to create permanent affordable rental housing with supportive services for people experiencing homelessness.
- 2) 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 the Housing Commission to enter into, execute, and deliver a Standard Agreement in a total amount up to \$40,250,000 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, provided that a copy of the documents, signed as to form by General Counsel, are submitted to each Housing Commissioner.

The Housing Commission 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.

- 3) Authorize Jeff Davis, the Housing Commission's Interim President & Chief Executive Officer, or designee, to execute the application and the Homekey Program documents on behalf of the Housing Commission for participation in the Homekey Program.
- 4) Authorize the Housing Commission's Interim President & 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.

SUMMARY

The Department has issued a NOFA, dated March 29, 2023, for the Homekey Program, which continues a statewide effort to sustain and rapidly expand housing for persons experiencing homelessness or at risk of homelessness, and who are, thereby, disproportionately impacted by and at increased risk for medical diseases or conditions due to the COVID-19 pandemic or other communicable diseases. The Department has issued the NOFA for Homekey Program grant funds pursuant to Assembly Bill 140 (2021-2022 Regular Session), which provided the statutory basis for Round 3 of the Homekey Program by adding section 50675.1.3 to the California Health and Safety Code.

The Housing Commission is requesting the Housing Commission Board's approval to submit an application to the Department's Homekey Program for grant funds. Acceptance of the grant funds, if awarded, will be presented to the Housing Authority of the City of San Diego together with staff-recommended actions to approve the proposed project that the Homekey Program funds would support.

Through the Homekey Program, the Department is making \$736 million in grant funding available to local public entities, including cities, counties, or other local public entities, including housing authorities or federally recognized tribal governments within California. Awarded funds may be used for acquisition or rehabilitation of hotels, apartments, or homes, including manufactured housing, to be converted into permanent or interim housing; conversion of nonresidential properties into residential units; new construction; master leasing of properties for non-congregate housing; purchase of affordability covenants and restrictions for units; relocation costs for individuals being displaced as a result of the Homekey Program project; and capitalized operating subsidies for units purchased, converted, constructed, or altered.

The Housing Commission's proposed application, if funds are awarded, would support the acquisition and development of the Extended Stay America at 2087 Hotel Circle South, San Diego, CA 92108, in Council District 3, to be known as Presidio Palms, which currently consists of 165 units. The proposed development would consist of 161 affordable rental housing units dedicated to individuals experiencing homelessness and two managers' unit. After evaluation of the supportive services needs at this property, it was determined that two hotel units should be converted into additional space for service provider activities. The Housing Commission has committed federal Project-Based Housing Vouchers to help pay rent for residents of 161 affordable units that this project would create for people experiencing homelessness. Residents would receive supportive services to support housing stabilization, enhance quality of life and make connections to community resources, including but not limited to, primary health needs, mental and behavioral health needs and other community-based programs to best meet a resident's individual needs.

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The population intended for this site would consist of people experiencing chronic homelessness; people experiencing literal homelessness; and Transition-Age Youth in need of permanent affordable rental housing with supportive services. Residents would be identified through referrals from the Coordinated Entry System.

The proposed project aligns with the goals of the Community Action Plan on Homelessness for the City of San Diego to increase access to permanent housing solutions for people experiencing homelessness and increase access to services for people with behavioral health needs.

Homekey Program funds consist of \$435 million derived from the federal Coronavirus State Fiscal Recovery Fund (CSFRF), established by the federal American Rescue Plan Act of 2021 (ARPA) (Public Law 117- 2), and \$301 million from the state’s General Fund.

The Department is authorized to administer the Homekey Program pursuant to the Multifamily Housing Program (Chapter 6.7, commencing with Section 50675, of Part 2 of Division 31 of the Health and Safety Code). Homekey Program funding allocations are subject to the terms and conditions of the NOFA, ARPA guidance, the Application, the Department-approved STD 213, Standard Agreement (Standard Agreement), and all other legal requirements of the Homekey Program.

AFFORDABLE HOUSING IMPACT

This application, if selected for funding, would increase funds available for use within the City of San Diego by \$40,250,000 to support the development of affordable rental housing for individuals experiencing homelessness.

FISCAL CONSIDERATIONS

If Homekey Program funds are awarded to the Housing Commission, the award is anticipated to occur early in Fiscal Year 2024. The potential award of Homekey Program funds was not included in the Housing Commission’s proposed Fiscal Year 2024 budget, which the Housing Authority of the City of San Diego approved on June 12, 2023. If the Housing Commission is authorized to apply for funds and if the funds are awarded to the Housing Commission, it will increase the Fiscal Year 2024 funding sources and uses available by up to \$40,250,000 to support the proposed project.

Funding sources and uses approved by this action will be as follows:

San Diego Housing Commission Project – Hotel Circle	
Source	Amount
State Homekey Program Funds	Up to \$40,250,000
Uses	Amount
Acquisition and Rehabilitation	Up to \$40,250,000
TOTAL SOURCES	Up to \$40,250,000
TOTAL USES	Up to \$40,250,000

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HOUSING COMMISSION STRATEGIC PLAN

This item relates to Strategic Priority Areas No. 1 and No.4 in the Housing Commission Strategic Plan for Fiscal Year (FY) 2022-2024. No.1: Increasing and Preserving Housing Solutions. No.4: Advancing Homelessness Solutions – Supporting the City of San Diego Community Action Plan on Homelessness.

EQUAL OPPORTUNITY CONTRACTING AND EQUITY ASSURANCE

The Housing Commission will ensure that the Department's Homekey Program application and potential award are implemented equitably and in accordance with the Department's requirements.

The Housing Commission's Strategic Plan for Fiscal Year (FY) 2022-2024 includes the following statement regarding the Housing Commission's commitment to equity and inclusivity: "At SDHC, we are about people. SDHC embraces diverse approaches and points of view to improve our programs, projects and policies.

- We believe in delivering programs and services in innovative and inclusive ways.
- We are committed to advancing equity and inclusion both internally and externally."

KEY STAKEHOLDERS and PROJECTED IMPACTS

This funding opportunity would benefit individuals and families experiencing homelessness in the City of San Diego who are disproportionately impacted by and at increased risk for medical diseases or conditions due to the COVID-19 pandemic or other communicable diseases.

ENVIRONMENTAL REVIEW

The City of San Diego conducted an environmental review and determined the project is exempt from CEQA pursuant to CEQA Guidelines Section 15301 (Existing Facilities) and 15304 (Minor Alterations to Land). This activity is exempt pursuant to CEQA Guidelines Section 15301 (Existing Facilities), as there are no changes planned to building and unit footprints, or property use. The activity is also exempt pursuant to 15304 (Minor Alterations to Land), as the renovations will be limited to immediate needs such as those identified for fire and life safety, accessibility and path of travel, and remediation for hazardous materials and pests. None of the exceptions to the exemptions as outlined in CEQA Guidelines Section 15300.2 would apply. The parties agree that the provision of any federal funds to the project is conditioned on the City of San Diego's final NEPA review and approval.

Respectfully submitted,

Robert Bohrer

Robert Bohrer

Vice President

Real Estate Finance & Acquisitions

Real Estate Division

Approved by,

Jeff Davis

Jeff Davis

Interim President & Chief Executive Officer

San Diego Housing Commission

Hard copies are available for review during business hours at the information desk in the main lobby of the San Diego Housing Commission offices at 1122 Broadway, San Diego, CA 92101. Docket materials are also available in the "Governance & Legislative Affairs" section of the San Diego Housing Commission website at www.sdhc.org.

AUTHORIZING RESOLUTION

RESOLUTION NO. _____

A RESOLUTION OF THE GOVERNING BODY OF THE SAN DIEGO HOUSING COMMISSION AUTHORIZING APPLICATION TO AND PARTICIPATION IN THE HOMEKEY PROGRAM

WHEREAS:

- A. The Department of Housing and Community Development ("**Department**") has issued a Notice of Funding Availability, dated March 29, 2023 ("**NOFA**"), for the Homekey Program ("**Homekey**" or "**Program**"). The Department has issued the NOFA for Homekey grant funds pursuant to Health and Safety Code section 50675.1.3 (Assem. Bill No. 140 (2021-2022 Reg. Sess.), § 20.).
- B. **The San Diego Housing Commission** ("**Applicant**") desires to apply for Homekey grant funds. Therefore, Applicant is submitting an application for Homekey funds ("**Application**") to the Department for review and consideration with respect to the Extended Stay America property at 2087 Hotel Circle South, San Diego, CA 92108, to be known as Presidio Palms.
- C. The Department is authorized to administer Homekey pursuant to the Multifamily Housing Program (Chapter 6.7 (commencing with Section 50675) of Part 2 of Division 31 of the Health and Safety Code). Homekey funding allocations are subject to the terms and conditions of the NOFA, the Application, the Department-approved STD 213, Standard Agreement ("**Standard Agreement**"), and all other legal requirements of the Homekey Program.

THEREFORE, IT IS RESOLVED THAT:

- 1. Applicant is hereby authorized and directed to submit an Application to the Department in response to the NOFA, and to apply for Homekey grant funds in a total amount not to exceed \$40,250,000 with respect to the 2087 Hotel Circle South, San Diego, CA 92108, to be known as Presidio Palms.
- 2. If the Application is approved, Applicant is hereby authorized and directed to enter into, execute, and deliver a Standard Agreement in a total amount not to exceed **\$40,250,000**, any and all other documents required or deemed necessary or appropriate to secure the Homekey funds from the Department and to participate in the Homekey Program, and all amendments thereto (collectively, the "**Homekey Documents**").
- 3. Applicant 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.

4. Jeff Davis, Interim President and CEO of the San Diego Housing Commission, or designee is authorized to execute the Application and the Homekey Documents on behalf of Applicant for participation in the Homekey Program.

Approved as to Form
Christensen & Spath

By _____
Charles B. Christensen
General Counsel
San Diego Housing Commission

I certify that the foregoing actions in this Resolution were approved by the San Diego Housing Commission Board of Commissioners at its meeting on _____, 2023.

By: _____
Scott Marshall
Vice President, Communications &
Government Relations

Approved: _____
Jeff Davis
Interim President & Chief Executive Officer
San Diego Housing Commission

[NOTICE AND INSTRUCTIONS APPEAR ON THE FOLLOWING PAGE]

NOTICE AND INSTRUCTIONS

1. **Notice.** The Department is providing this template Authorizing Resolution as informational guidance only. The Department encourages each Applicant to consult with professional legal counsel during the development of its own formal, legally binding statement that it is authorized to apply to and participate in the Homekey Program.
 - a. Please note, however, that any limitations or conditions on the authority of the signatory or signatories to execute the Application or the Homekey Documents may result in the Department rejecting the Authorizing Resolution.
2. **Accuracy, Verification.** The Department will verify that this Authorizing Resolution comports with the legal authority and composition of Applicant's governing body. Applicant must timely notify the Department, in writing, of any factors that limit its ability to provide an Authorizing Resolution which is materially in line with this template.
3. **Dollar Amounts of Grant Awards.** The Department recommends identifying an authorized dollar amount that is at least double the anticipated award (based on current formula calculations). Award amounts are subject to change. If Applicant is ultimately awarded an amount in excess of the amount identified in the Authorizing Resolution, the Department will require a new Authorizing Resolution from Applicant before execution of a Standard Agreement.
4. **Authorized Signatory or Signatories, Designee.** Applicant, as a state, regional, or local public entity, may designate an authorized signatory by title only. In addition, Applicant may authorize multiple signatories, so long as there is clarifying language as to whether the signatories are authorized to execute the Homekey Documents individually or collectively. In addition, Applicant may authorize a designee of the authorized signatory to execute the Homekey Documents. In such case, Applicant must append a supporting document (e.g., memorandum, meeting notes of official action), which indicates the name and title of the designee who is authorized to legally bind the governing body.
5. **Vote Count.** Please fill out the field by every voting category (i.e., Ayes, Nays, Abstain, Absent). If none, please indicate zero (0) for that field. The vote count must comport with the legal authority and membership of the Applicant's governing body.
6. **Certification of Authorizing Resolution.** The individual who certifies the Authorizing Resolution cannot also be authorized to execute the Homekey Documents on behalf of Applicant.