



EXECUTIVE SUMMARY

MEETING DATE: January 19, 2024

HCR24-014

SUBJECT: Construction Design Phase Contract with SGPA Architecture and Planning for Architecture Services and Predevelopment Budget for the Potential Acquisition of the Extended Stay America Property at 2087 Hotel Circle South

COUNCIL DISTRICT: 3

ORIGINATING DEPARTMENT: Real Estate

CONTACT/PHONE NUMBER: Buddy Bohrer (619) 578-7524

REQUESTED ACTION:

Approve the execution of an amendment to increase the compensation limits on a competitively solicited, on-call, architectural design contract to enable the continuation of design on the property at 2087 Hotel Circle South, San Diego CA 92108 (Property), currently under a Purchase and Sale Agreement, in an amount not to exceed \$890,000 and the associated predevelopment budget of \$941,025 under the terms and conditions described in this report.

EXECUTIVE SUMMARY OF KEY FACTORS:

- On April 20, 2023, the San Diego Housing Commission (Housing Commission) Board of Commissioners (Board) voted 4-0 to authorize the execution of a Purchase and Sale Agreement (PSA) for the Extended Stay America portfolio, which included the property at 2087 Hotel Circle South.
- On July 25, 2023, the Housing Commission Board authorized the Housing Commission to submit an application for State of California Homekey Program Grant Funds for the proposed acquisition and rehabilitation of the property. The State has not yet announced a decision on the Housing Commission's application for these funds.
- After the Housing Commission Board approved the PSA, Housing Commission staff engaged with SGPA Architecture and Planning (SGPA), which was selected through an open and competitive process as part of a Request for Qualifications for On-Call Architectural and Engineering Services for the Housing Commission.
- The contract amount was set at the \$250,000 budget authority delegated to the Housing Commission's President and Chief Executive Officer. A task order for \$120,000 was created against this contract so SPGA could evaluate this property for project feasibility and conduct preliminary design work.
- An amendment to the agreement with SGPA is needed to continue the work required after the schematic design phase to ensure the project will be able to comply with Homekey Program completion timelines if Homekey funds are awarded and the project proceeds. If the State does not award Homekey funds for this project, the Housing Commission will not acquire and rehabilitate the property.
- An immediate need for the continuation of architectural design services exists for the potential Housing Commission purchase of this property for the preparation of documents needed to secure construction bids and submit for a construction permit required by the City of San Diego. Homekey funds have specific timelines for construction completion and occupancy. To meet these timelines, it is necessary to commence the design process immediately.
- The proposed funding sources and uses approved by this action were included in the Housing Authority-approved Fiscal Year 2024 Housing Commission budget.
- In the event of award of Homekey or other funds, sources maybe substituted with approved project sources.



REPORT

DATE ISSUED: January 11, 2024 (Rev. January 17, 2024) **REPORT NO:** HCR24-014

ATTENTION: Chair and Members of the San Diego Housing Commission
for the Agenda of January 19, 2024

SUBJECT: Construction Design Phase Contract with SGPA Architecture and Planning for
Architecture Services and Predevelopment Budget for the Potential Acquisition
of the Extended Stay America Property at 2087 Hotel Circle South

COUNCIL DISTRICT: 3

Advance notice of San Diego Housing Commission hearing of the following matter has been provided to the Housing Authority Members pursuant to the provisions of San Diego Municipal Code Section 98.0301(e)(4)(A)-(B).

REQUESTED ACTION:

Approve the execution of an amendment to increase the compensation limits on a competitively solicited, on-call, architectural design contract to enable the continuation of design on the property at 2087 Hotel Circle South, San Diego CA 92108 (Property), currently under a Purchase and Sale Agreement, in an amount not to exceed \$890,000 and the associated predevelopment budget of \$941,025 under the terms and conditions described in this report.

STAFF RECOMMENDATION

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

- 1) Authorize the execution of an amendment to increase the compensation limits on a competitively solicited on-call architectural design contract with SGPA Architecture and Planning in an amount not to exceed \$890,000 to provide complete architectural design services to support the acquisition and development of the property at 2087 Hotel Circle South, San Diego, CA 92108 (Property).
- 2) Approve the predevelopment budget of \$941,025 associated with the potential acquisition of the Property. This includes the transfer and/or reallocation of funds between any and all funding use line items within the total approved predevelopment/project budget, provided the total project/predevelopment budget amount after any and all 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 the Housing Commission and its mission.
- 3) Authorize the Housing Commission's President and Chief Executive Officer (President and CEO), or designee, to substitute funding sources if necessary, without further action by the

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Housing Commission Board or the Housing Authority, but only if and to the extent that funds are determined to be available for such purposes.

- 4) Authorize the Housing Commission'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, provided that a copy of the documents, signed as to form by General Counsel, is submitted to each Housing Commissioner.

SUMMARY

In October 2019, the San Diego City Council accepted the Community Action Plan on Homelessness (Community Action Plan) for the City of San Diego, which included the housing and shelter needs to address homelessness in the city in the next 10 years. In fall 2022, the Community Action Plan's Leadership Council requested an updated analysis of the crisis response and housing needs in the Community Action Plan. The Community Action Plan's Implementation Team worked with the Corporation for Supportive Housing (CSH) to conduct an updated needs analysis, which was presented to the City Council on November 14, 2023. The updated analysis identified the need for more than 3,500 affordable housing units with supportive services for individuals experiencing homelessness.

In addition, the City Council on February 7, 2022, renewed its declaration of a Shelter Crisis pursuant to Government Code Section 8698, et seq., which is currently operative (Resolution No. R-313888). The Shelter Crisis resolution was enacted to help provide shelter and mitigate the effects of the ongoing housing emergency in the City.

As the current situation represents a state of emergency and because of the opportunity to potentially obtain Homekey program funding to acquire and rehabilitate properties, the Housing Commission has worked to identify hotel sites to potentially create affordable housing units to address the shelter crisis. On April 20, 2023, the Housing Commission Board approved the execution of a Purchase and Sale Agreement (PSA) for the Extended Stay America portfolio, including the property at 2087 Hotel Circle South, San Diego, CA 92108 (Resolution HC-1979).

After Housing Commission Board approval to execute the PSA, Housing Commission staff engaged with an architecture firm, SGPA Architecture and Planning (SGPA). SGPA was selected through an open and competitive process as part of a Request for Qualifications (RFQ) for On-Call Architectural and Engineering Services for the Housing Commission (CS-23-25). The contract was solicited to accommodate future potential Homekey projects but without a specific project or scope of work. The contract amount was set at the \$250,000 budget authority delegated to the President and CEO. A task order for \$120,000 was created against this contract so SPGA could evaluate the Property for project feasibility and conduct preliminary design work through the schematic design phase. The task order amount was within the \$250,000 budget authority delegated to the President and CEO. An amendment to CS-23-25 is needed to continue the work required after the schematic design phase to ensure the project will be able to comply with California Department of Housing and Community Development (HCD) Homekey completion timelines if Homekey funds are awarded and the project proceeds. This amendment requires Housing Commission Board approval as the total contract amount will exceed \$250,000. Post-

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schematic design efforts will be initiated through individual task orders by design phase against the newly-proposed contract limit.

After completion of the due diligence period ending January 31, 2024, Housing Commission Real Estate Division staff anticipate removing contingencies on the proposed sale. The sale and acquisition date are subject to a decision from HCD about whether to award Homekey funds to the Housing Commission for this project. The current estimate for close of escrow is on or before April 20, 2024. There is an option to extend the closing to July 24, 2024, at the Housing Commission's sole discretion. Staff will present the acquisition request to the Housing Commission Board for consideration, subject to review by the Housing Authority of the City of San Diego, before the close of escrow. The property cannot be acquired without the approval of the Housing Commission Board.

As the current situation continues to represent a state of emergency, an immediate need for the continuation of architectural design services exists for the potential Housing Commission purchase of the Extended Stay America property at 2087 Hotel Circle South, San Diego, CA 92108, for the preparation of documents needed to secure construction bids and submit for a construction permit required by the City of San Diego. Homekey funds have specific timelines for construction completion and occupancy. To meet these timelines, it is necessary to commence the design process immediately. If the State does not award Homekey funds for this project, the Housing Commission will not acquire and rehabilitate the property.

The Housing Commission seeks to amend an agreement with SGPA Architecture and Planning to provide the architectural services described above. SGPA Architecture and Planning provided hourly rates and costs during the competitive solicitation process that were deemed fair and reasonable. SGPA has provided a fee proposal for the Design Development through Construction Administration phases, inclusive of supporting engineering and sub-consultant disciplines, which is in line with industry standards and the project pro forma budget.

The Housing Commission is seeking approval to amend an agreement with SGPA Architecture and Planning and immediately commence these architectural design services to take the necessary actions to address the lengthy bid and permitting processes expeditiously.

A development summary is included as Attachment 1.

Table 1 – Development Details

Address	2087 Hotel Circle South
Council District	Council District 3
Community Plan Area	Mission Valley
Development Type	Acquisition and Rehabilitation
Construction Type	Type V, 3-story building
Parking Type	196 parking spaces (surface parked)
Transit Information	Bus service route 88 (within 0.3 mile)
Housing Type	Permanent Affordable Rental Housing with Supportive Services for People Experiencing

	Homelessness
Lot Size	4.58 Acres
Units	161 (163 affordable units and two unrestricted managers' units)
Density	35.59 units/acre (163 units ÷ 4.58 acres)
Unit Mix	161 studio units and two studio managers' units
Gross Building Area	68,709 square feet
Affordable Units in Service by Council District	Council District 3 includes 8,348 affordable rental housing units currently in service, which represents 33 percent of the 25,601 affordable rental housing units in service citywide.

AFFORDABLE HOUSING IMPACT

The Housing Commission’s proposed acquisition and rehabilitation of the property, subject to the Housing Commission Board approval at a future date, would add 161 units of permanent affordable rental housing with access to supportive services for individuals experiencing homelessness. The proposed acquisition and rehabilitation of the property is contingent on the California Department of Housing and Community Development awarding Homekey program funds to the Housing Commission for this project.

After financing is secured, the property will be subject to covenants and restrictions for the applicable lending agreements, which will restrict affordability for a minimum of 55 years. The rent and occupancy restrictions required by all potential lenders and investors will apply. The more stringent of the funding sources’ affordability/rent restrictions will take precedence during the term of their applicability.

The Housing Commission has provided a preliminary commitment of 161 federal Project-Based Housing Vouchers (PBVs) for this project. Under the PBV program, the tenant’s rent portion is determined by using the applicable minimum rent or a calculated amount based on their income level, whichever is higher, with the remainder being federally subsidized up to a gross rent level approved by the Housing Commission. The Housing Assistance Payment would provide a rental subsidy for residents in the 161 voucher-assisted units for this property. All PBV units would be dedicated to households experiencing homelessness. All tenants would be identified through the Coordinated Entry System.

EQUAL OPPORTUNITY CONTRACTING AND EQUITY ASSURANCE

The Housing Commission will ensure this project will be implemented equitably and in accordance with the Housing Commission’s commitment to equity and inclusivity.

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.”

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HOUSING COMMISSION STRATEGIC PLAN

This item relates to Strategic Priority Area No. 1 and No. 4 in the Housing Commission’s Strategic Plan for FY 2022 – 2024.

Strategic Priority Area No. 1: Increasing and Preserving Housing Solutions.

Strategic Priority Area No. 4: Advancing Homelessness Solutions - Supporting the City of San Diego Community Action Plan on Homelessness.

FISCAL CONSIDERATIONS

The proposed funding sources and uses approved by this action were included in the Housing Authority-approved Fiscal Year 2024 Housing Commission budget. Approving this action will result in the construction design phase of this project to allow the Housing Commission to start the permitting process as soon as possible in advance of the potential award of state Homekey funds. In the event of award of Homekey or other funds, sources maybe substituted with approved project sources.

Funding sources and uses related to the current fiscal year budget will be as follows:

FY 2024 Funding Sources	
Federal - Moving to Work	\$941,025
TOTAL	\$941,025
FY 2024 Funding Uses	
Capital Expenditures - Architecture and related costs	\$733,000
Capital Expenditures – Civil engineering costs	\$51,025
Predevelopment Contingency (20%)	\$157,000
TOTAL	\$941,025

Approval of sources and uses required for contract scope performed in future years will be included in the Housing Commission budget proposed for approval by the Housing Authority for that fiscal year.

PREVIOUS HOUSING COMMISSION BOARD, COUNCIL and/or COMMITTEE ACTION

The Housing Commission’s Policy for Acquisition and/or Purchase of Real Estate was unanimously approved by the Housing Authority on November 15, 2016 (Resolution HA-1705).

On April 20, 2023, the Housing Commission Board voted 4-0 to authorize the execution of a Purchase and Sale Agreement for the Extended Stay America portfolio, which included the property at 2087 Hotel Circle South (Resolution HC-1979).

On July 25, 2023, the Housing Commission Board voted 5-0 to authorize the Housing Commission to submit an application for State of California Department of Housing and Community Development Homekey Program Grant Funds for the proposed acquisition and rehabilitation of the property at 2087 Hotel Circle South (Resolution HC-1989).

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KEY STAKEHOLDERS and PROJECTED IMPACTS

Key stakeholders for this potential acquisition include the seller, the Housing Commission, the Midway District Community, City of San Diego and individuals/households experiencing homelessness.

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.

Federal funds constitute a portion of this project's funding. A determination that the project is Categorical Subject to Section 58.5 was approved by the City of San Diego on May 4, 2023 and supplemental approval was received July 27, 2023

Respectfully submitted,

Buddy Bohrer

Buddy Bohrer
Vice President
Real Estate Finance & Acquisitions
Real Estate Division

Approved by,

Jeff Davis

Jeff Davis
Deputy 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.