



July 17, 2015

Voice of San Diego's (Voice) July 15, 2015, article "Housing Commission Is Spending \$20M on a Project it Said Was Not Worth \$20M" omitted key facts, which was a disservice to readers.

The San Diego Housing Commission's (SDHC) decision on September 14, 2012, to reject three proposals from developers for the rehabilitation of the historical Hotel Churchill was the most prudent decision SDHC made at the time. It is evident in what is being built today—72 livable spaces for homeless San Diegans, mainly Veterans—that the initial SDHC Board decision was the right call.

SDHC rejected the three proposals because, as stated in the SDHC Board Report, the developers did not adequately address serious concerns about their potential investments should a major earthquake occur, "...which may result in the loss of the \$20,000,000 rehabilitation investment of the Hotel property."

Eight months later, however, SDHC approved a rehabilitation plan that utilizes a state-of-the-art seismic structural reinforcement.

"It's at least as good as a new building," said Tony Morgan, the structural engineer for Exponent, a New York firm, who reviewed the Hotel Churchill plans for the City of San Diego. But the Voice buried this critical piece of information from an interview they conducted with Mr. Morgan, and placed it at the very end of their story.

In addition, the proposals by the developers were baseline proposals, with the understanding that their costs could increase as they finalized their research, plans, and bids.

The Voice also failed to mention that the units proposed by the private developers were significantly smaller than the rooms now being developed. The cost per unit is higher because we're providing a more livable environment.

The reconfiguration of Hotel Churchill from 94 units of 100 square feet each to expanded livable spaces of 72 affordable apartments, averaging 350 square feet each, with their own bathroom and kitchenette, and a manager's unit, was not mentioned in the Voice article.

On May 10, 2013, SDHC's Board also approved the development agreement between SDHC and its nonprofit development arm, Housing Development Partners (HDP). The Board also approved investing \$8.2 million of "Moving to Work" (MTW) funds to finance the rehabilitation of Hotel Churchill. These federal funds are restricted to public housing authorities that have received the MTW designation from the U.S. Department of Housing and Urban Development. SDHC is one of only 39 MTW agencies, out of 3,400 public housing authorities in the nation,

which provides SDHC flexibility in the creation of its programs, including the development and preservation of affordable housing.

As stated in the Voice article, the developers fees included in the 2012 proposals were up to \$2 million. The potential fee that HDP may receive (\$400,000) is a substantial savings in comparison. The savings are being invested in Hotel Churchill. HDP will only be paid its fee if there are additional cost savings identified for the rehabilitation. There is no guarantee HDP will receive these fees.

For the record, SDHC President & CEO Richard C. Gentry receives no compensation for his service on the HDP Board of Directors. Furthermore, none of HDP's volunteer board members has a financial interest in this development that would legally preclude their participation under state law. HDP has also been determined to be a public agency by the Ethics Commission for the purposes of local conflict law and/or SDHC's Conflict of Interest Code.

Omitted from the Voice article was why the Hotel Churchill development required additional funds. One of the main reasons was the expense of removing and replacing the seventh floor, which was not a part of the original 101-year-old structure. The removal of unreinforced masonry was not included in the costs for the three proposals in 2012, even though all three respondents toured Hotel Churchill before finalizing their proposals. Had it been included, their proposals, most likely, would have been much higher than \$20 million.

The Voice uses this "colorful assessment" that Mr. Gentry made in 2012 of the Hotel Churchill, "We've got a sow's ear here we cannot make into a silk purse very easily."

Well, it has not been easy. But we've done the research. We know the actual conditions and limitations of the building.

SDHC and HDP have developed the staff and expertise to make the Hotel Churchill rehabilitation become a reality.

We will soon have quality apartments for 56 homeless Veterans, eight youth aging out of foster care, and eight adults recently released from the correctional system. These units will remain affordable for 65 years.

We're proud of what is happening at Hotel Churchill, and we will make sure the Voice is invited to the grand opening next year.

Gary Gramling
Chairman of the Board
San Diego Housing Commission