

San Diego City Council Meeting

PHONE-IN TESTIMONY PERIOD NOW OPEN FOR HOUSING AUTHORITY ITEM 2: Hillcrest Inn Property Acquisition

To call in and make your one minute of public comment on this item:



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We're About People

San Diego Housing Commission (SDHC)

Hillcrest Inn Property Acquisition

Housing Authority of the City of San Diego Agenda Item #2
July 28, 2020

Michael Pavco
Senior Vice President
Development & Portfolio Management
San Diego Housing Commission

Pari Zaker
Vice President, Development
San Diego Housing Commission





SDHC – Hillcrest Inn Property Acquisition Overview

- Proposed acquisition of Hillcrest Inn to provide:
 - 36 units affordable at or below 80 percent of Area Median Income (AMI), with 12 of these units set aside for individuals experiencing homelessness
 - Four units affordable at or below 120 percent of AMI
 - Five units affordable at or below 150 percent of AMI
- First mixed-income property in San Diego with middle-income housing units under Assembly Bill (AB) 1637, “The Missing Middle Housing Act.”
 - AB 1637 allows SDHC to implement a pilot program to develop and finance a middle-income housing project.
- Preservation of Single-Room Occupancy (SRO) units, with deed restrictions recorded on the property to require affordability for at least 65 years.
 - Hillcrest Inn is not currently subject to any affordability restrictions.





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SDHC – Hillcrest Inn Property Acquisition

Site Location – 3754 Fifth Avenue





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SDHC – Hillcrest Inn Property Acquisition Benefits

- Advances objectives of HOUSING FIRST – SAN DIEGO
- Opportunity to preserve Single-Room Occupancy units and provide housing for individuals experiencing homelessness
- Creation of new affordable housing by utilizing an existing resource
- 90 percent occupied, but most existing residents are within proposed AMI levels
- Downtown-adjacent location (Hillcrest)
- Close proximity to social services and area amenities (Balboa Park)





SDHC – Hillcrest Inn Property Acquisition Property Details

Year Built	1988
Number of Units	47 total (45 residential units, 1 mgrs. unit, 1 leasing office)
Current Population	Market-Rate Short-Term Rentals
Current AMI Restriction	None
Proposed Unit Mix	Studio Rentals
Permanent Supportive Housing (PSH) Units	12 Units Set Aside for PSH
Social Services	On-Site Social Services for PSH





SDHC – Hillcrest Inn Property Acquisition Financial Details

Purchase Price	\$8,000,000
Appraised Value	\$8,100,000
Price Per Unit	\$170,213
Estimated Rents	\$1,150 Per Unit
Proposed AMI Restrictions	PSH, 80% AMI, 120% AMI, 150% AMI (under AB1637)





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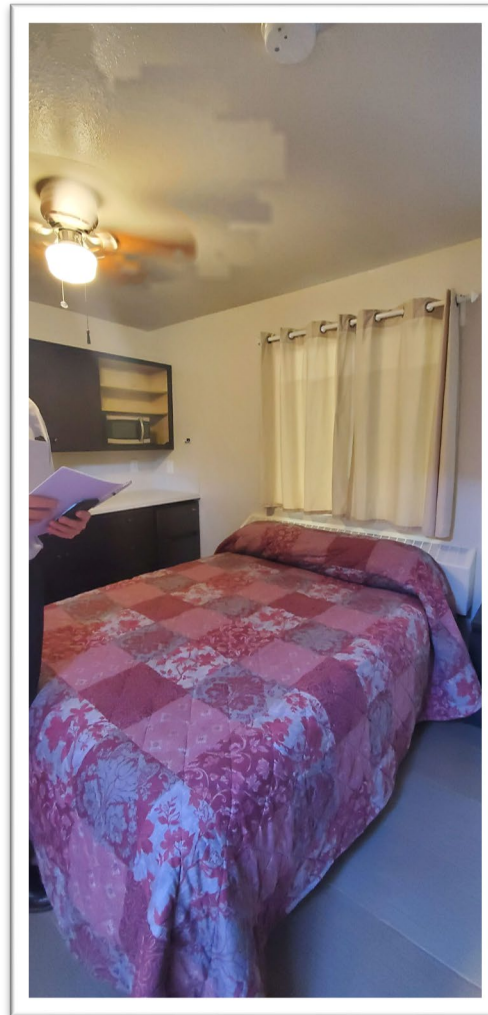
SDHC – Hillcrest Inn Property Acquisition Site Photos





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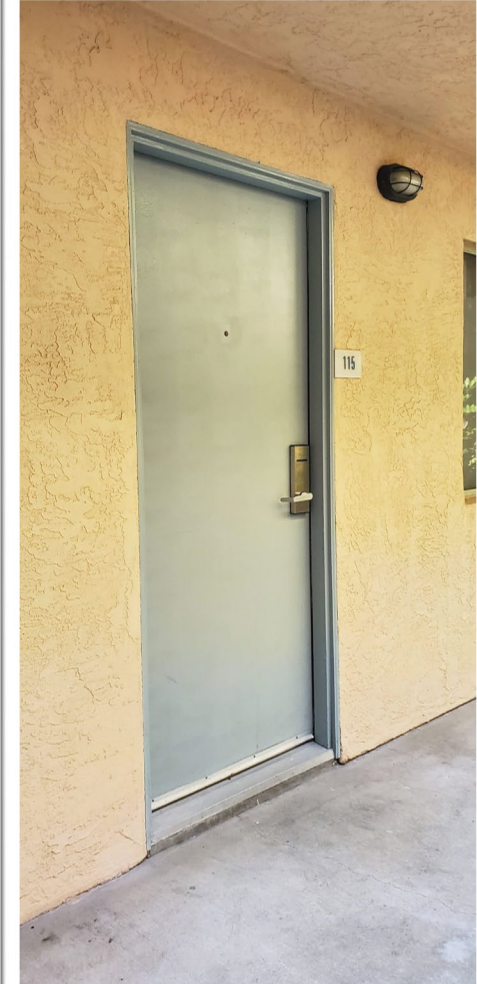
SDHC – Hillcrest Inn Property Acquisition Site Photos (Continued)





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SDHC – Hillcrest Inn Property Acquisition Site Photos (Continued)





SDHC – Hillcrest Inn Property Acquisition Staff Recommendations

That the Housing Authority of the City of San Diego (Housing Authority) take the following actions:

- Authorize SDHC's President & CEO, and, if and as necessary, the Executive Director of the Housing Authority, or designee, and/or the Executive Vice President and Chief of Staff, 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 Hillcrest Inn, the property located at 3754 Fifth Avenue, San Diego, CA 92103 (Property), on terms and conditions described in this report, as approved by General Counsel of SDHC;





SDHC – Hillcrest Inn Property Acquisition Staff Recommendations (Continued)

- Ratify the execution of a Purchase and Sale Agreement (PSA) dated February 21, 2020, with the seller S Wilson Uptown, Inc. a California Seller (“Seller”);
- Authorize SDHC’s President & CEO, or designee, upon satisfactory completion and evaluation of the Property during the due diligence period, to take such actions and perform such acts as are necessary to acquire the 0.16 acre Property with improvements for the price of \$8,000,000. The Seller shall provide clear fee simple title upon acquisition of the Property;





SDHC – Hillcrest Inn Property Acquisition Staff Recommendations (Continued)

- Ratify the funding of the refundable escrow deposit of \$100,000 in accordance with the terms outlined in the PSA, which will be applicable to the purchase price and which deposit will become non-refundable upon the expiration of the due diligence period on August 19, 2020;
- Authorize SDHC's President & CEO, or designee, to execute and record an affordability covenant against the Property for 65 years, with 36 of the units remaining affordable at or below 80 percent of the San Diego Area Median Income (AMI), four units affordable at or below 120 percent of AMI, and five units affordable at or below 150 percent of AMI;





SDHC – Hillcrest Inn Property Acquisition Staff Recommendations (Continued)

- Authorize SDHC to provide property management services and hire additional staff, if needed, or procure a new property management company through a competitive Request for Proposal process;
- Authorize SDHC's purchase of the Property, associated closing costs, and remediation and upgrades to the Property utilizing \$4,800,000 of U.S. Department of Housing and Urban Development (HUD) Moving to Work (MTW) Funds; up to \$1,008,460 of local funds from the proceeds of SDHC's sale of the Mariner's Village property to Housing Development Partners (HDP), SDHC's nonprofit affiliate; and up to \$4,100,000 of local redevelopment funds;





SDHC – Hillcrest Inn Property Acquisition Staff Recommendations (Continued)

- Authorize SDHC's President & CEO, or designee, to substitute approved funding sources for the Property with any other available funds as deemed appropriate, contingent upon budget availability, and further authorize the President & CEO, or designee, to take such actions as are necessary, convenient and/or appropriate to implement these approvals, upon the advice of General Counsel;
- Adopt a Resolution making the findings required by AB 1637-Health & Safety Code Section 34340(a)(4) to allow gap funding for middle income households at rents affordable to such households.





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Questions & Comments



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