

# Purchasing Hotels for Housing

Board of Supervisors

Government Audit and Oversight Committee

February 18, 2021

# Overview

- Shared goal of continuing to **acquire** and **expand** supportive housing for our most vulnerable residents
- Opportunity to build **long-term strategy** and process to support continued expansion of supportive housing
- Gather information on **all potential options** for future Permanent Supportive Housing (PSH) sites, including but not limited to SIP hotels

# Homeless Recovery Plan

## In order to Rehouse

- 1,500 new units of Permanent Supportive Housing (PSH)
- 1,500 placements into existing PSH pipeline
- 1,500 placements into existing PSH units where turnover occurs
- Expand Problem Solving
- Create medium-term housing solutions for Adults

## In order to take care of those still on the streets or becoming homeless

- Expand Homelessness Prevention
- Reactive Congregate Shelter to the COVID informed capacity of ~1,000 beds in the adult system (~2,000 beds pre-COVID)
- Expand Congregate Shelter: Open Bayview SAFE Navigation Center and Lower Polk TAY Navigation Center in early 2021
- Maintain Safe Sleep

Largest expansion of Permanent Supportive Housing in 20 years

# Homeless Recovery Plan

- The City has a pathway to achieving the recovery plan
- New acquisitions would be on top of the plan and present a great opportunity to expand the housing portfolio.
- In addition to 1 time acquisition funds, the City will need ongoing operating and services funding as well as staff resources to execute.

# Real Estate Market Trends

- **Buyers vs. Sellers (and Tenants vs. Landlords)**
  - There is still a disconnect (although the gap is shrinking) between Buyers and Sellers and between Landlords and Tenants on what market pricing *should be*.
  - Buyers/Tenants are focusing on available supply and Sellers/Landlords are typically focusing on macro-economic recovery.
- **Hotel value vs. Housing value**
  - Hotels are valued on expected future income, housing is typically looked at on a cost basis.
  - Demand: tourist/convention/transient vs. permanent/semi-permanent.
- **Wait and See Approach**
  - There is currently not a fire sale mentality – however there is much more willingness to consider selling than previously seen.

# Actions Taken

- **Mayor's Homelessness Recovery Plan announced in July 2020**
  - On track to meet goal of 1,500 new units of PSH by FY22
- **Release of RFI 100 and RFI 100-A**
  - Gather information about potential sites for acquisition and long-term lease, including SIP Hotels
- **Homekey Grant Program**
  - Two sites acquired in 2020: The Granada and the Diva for a total of 344 units
  - Applying lessons learned to future process and timelines

# Cost: Acquisition & Rehab vs Development

- The Granada:
  - \$409,000 per door in development costs
- The Diva:
  - \$560,000 per door in development costs
- Maceo May
  - \$706,000 per door in new construction

\*\*These costs are not directly comparable as the size of units and amenities differ greatly\*\*

# Request for Information

- RFI is ongoing
  - Phase 1: Purchase
  - Phase 2: Master Lease
- 65 properties
- HSH is currently vetting the best buildings submitted via the RFI



# Actions Underway

- **Review and vetting of RFI submissions**
  - Continuous review underway of all existing and new submissions to RFI 100 and RFI 100-A
- **Prepare for Homekey Grant Program in 2021**
  - Develop project team in anticipation of Homekey Grant Program in 2021
  - Anticipated \$700 million (statewide) in Homekey Funds in Summer 2021
- **Develop long-term process**
  - Opportunity to take this time to develop a sustainable process to support continued expansion of supportive housing

# Vetting RFI Submission: Criteria

1. Number of units
  - Preferred range 50-150 units
2. Preferred start of City's Occupancy/Use: Available immediately through the next 12 months
3. Vacancy Rate (for residential sites only): At least 80% vacant
4. Desired amenities
  - In-unit bathrooms
  - In-unit Kitchenettes or space for communal kitchen/dining
  - Community space or meeting rooms
  - Office Space/private offices
  - Laundry Room
5. Accessibility
  - Elevator access and ADA accessibility
6. Building characteristics
  - Complies with standard building codes (no sites that require demolition and rebuild)

# Roles & Responsibilities

## The Department of Homelessness and Supportive Housing

- Develop **criteria** for what is needed in sites to meet the needs of the population, taking into account equity, geography, populations (adults, family, TAY, veterans, etc)
- Continue to work with OCOH Oversight Committee to **strategically invest** in services and programs serving people experiencing homelessness
- Lead applicant in funding **applications and grants** for State and Federal funds
- Work with City partners and providers to acquire, operate and refer tenants to supportive housing through Coordinated Entry

# Roles & Responsibilities

## The Mayor's Office of Housing and Community Development

- Vets construction scope and costs including ADA, seismic upgrades, health and safety provisions
- Monitors the progress and quality of construction
- Underwrites construction, operating budget as well as acquisition and permanent financing
- Provides expertise on occupied rehab and relocation
- Sponsor review
- Asset management

# Roles & Responsibilities

## The Real Estate Division of the City Administrator's Office

- Leads negotiations for the acquisition and sale of real property on behalf of most City departments
- On behalf of departments, negotiates lease agreements for both City as landlord and City as tenant
- Ongoing lease administration, and managing the escrow/closing/transfers of property of the associated transactions
- At the request of City departments, assists with searches and vetting of potential sites based on criteria provided by departments

# Next Steps

- **Identify resources needed to support this work**
  - As part of FY21-23 budget process, departments will identify resources needed to continue this historic expansion (local, state and federal)
- **Work with partners on developing process**
  - Present to OCOH in March 2021
  - Gather input on long-term process and priorities
- **Identify and Prepare for Available Funding**
  - Homekey 2021
  - OCOH
  - Prop A