

KEARNY VISTA APARTMENTS

San Diego Housing Commission San Diego, CA

WRITTEN BY MARY TINGERTHAL FOR THE NATIONAL ALLIANCE TO END HOMELESSNESS

PROJECT OVERVIEW

When the state of California announced its Homekey program in July 2020, the San Diego Housing Commission (SDHC) was well-positioned to submit a proposal to create permanent housing units through hotel conversions. In 2016, SDHC completed its rehabilitation of the historic Hotel Churchill in downtown San Diego, which provides 72 units of permanent supportive housing, including 56 units for veterans who experienced homelessness. Then, as part of its HOUSING FIRST – SAN DIEGO initiative, by spring of 2019, SDHC had acquired and converted two additional hotels into 137 permanent affordable housing units. In March 2020, with thousands of homeless people living temporarily in the San Diego convention center because of the impact of the COVID-19 pandemic, SDHC began looking for appropriate hotel properties for conversion to permanent housing.

SDHC completed its purchase of the 144-unit Residence Inn Kearny Mesa on November 25, 2020, and renamed it Kearny Vista Apartments. The property was built in 1990 and was renovated in 2013. It was originally used for short-term and long-term hotel rentals. The site consists of 11 two-story buildings sitting on a 3.63 acres. It has 36 two-bedroom/two-bath units and 108 studios. All units have private kitchenettes and bathrooms. Community spaces at the site include laundry facilities, a sports court, meeting areas for service providers and residents, and ample green space. Two conference rooms and five staff offices also are on-site.



This property is within 0.1 mile from a bus stop going west and 0.2 mile of a bus stop going east. One grocery store with a pharmacy is less than a mile away, and two additional grocery stores are within two miles. A healthcare facility, a public library and a gym are all located within about a mile. Service providers are implementing an interim solution while the official transfer of a shuttle van is finalized.

ACQUISITION AND REHABILITATION OF THE PROJECT

Kearny Vista is one of two hotels identified after the City of San Diego and SDHC began reviewing 31 properties in March 2020. SDHC performed extensive due diligence including evaluations of zoning issues, immediate capital needs, potential pest issues, and accessibility for individuals with disabilities.

The total cost of acquisition was \$39.5 million (\$274,300 per housing unit). Minimal work was needed to make the property ready for residents to move in. Furnishings in good condition for each unit also were included in the purchase price.

As San Diego's housing authority, SDHC was able to allocate project-based vouchers for all of the units at Kearny Vista. This allowed the project to support a \$17.4 million permanent loan as part of the overall financing package that included \$10 million from the Homekey program, with the balance of the financing coming from other public resources.

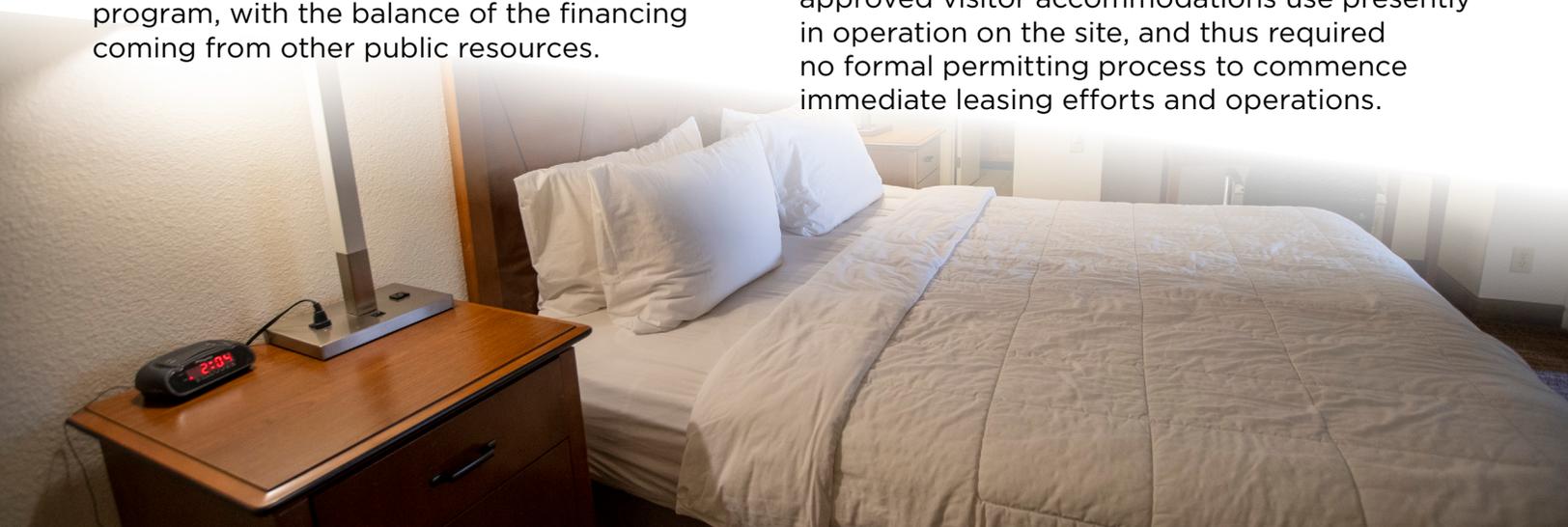
SDHC performed remediation as well as fire and life safety corrections immediately prior to resident occupancy, while initiating the design of accessibility, path of travel, and other items requiring a permit. SDHC is currently awaiting City approval of the permits, and will complete related repairs once permits are received, which is anticipated in the summer of 2021. SDHC anticipates applying for Homekey rehabilitation funds to complete these upgrades.

Regulatory matters

The proposed use of Kearny Mesa was allowed by right as a single-room occupancy (SRO) property. In addition, State law exempted this proposed project from zoning requirements.

Per the San Diego Municipal Code (SDMC), all hotels/motels are defined as Visitor Accommodations and are considered commercial land uses, without regard to length of stay. This definition includes SRO hotels, whose rooms — per the SDMC — are “efficiency unit(s)... occupied, as a primary residence, by guests.” The SDMC does not limit length of stay in SRO hotels. Thus, it followed that the Residence Inn property met the definition of a non-transient, SRO hotel.

SDHC worked with City of San Diego Development Services staff to confirm that the use of the property as an SRO property would be a continuation of the approved visitor accommodations use presently in operation on the site, and thus required no formal permitting process to commence immediate leasing efforts and operations.



Environmental reviews were conducted for the Residence Inn Kearny Mesa, and it was determined that with respect to the applicable California Environmental Quality Act (CEQA) Guidelines, the acquisition would not have a significant effect on the environment. In compliance with the requirements under the National Environmental Policy Act (NEPA), the City of San Diego also made the determination that actions related to the project were categorically excluded and converted to exempt.

PROPERTY OPERATIONS AND SERVICES

Many of the new residents at Kearny Vista are individuals who were served through Operation Shelter to Home, which launched April 1, 2020, to provide appropriately distanced, temporary shelter at the San Diego Convention Center during the COVID-19 pandemic. Operation Shelter to Home was a collaborative effort between the City of San Diego, County of San Diego, SDHC, Regional Task Force on the Homeless (RTFH), San Diego Convention Center, and homeless service providers.

The new residents of the permanent affordable rental housing units at this property began moving in approximately two and a half weeks after SDHC completed its purchase, and the property is currently approximately 98 percent occupied. SDHC contracts with Father Joe's

Villages, a non-profit that has provided services in San Diego since 1950, to deliver on-site supportive services for residents. In addition, SDHC provided 142 federal housing vouchers to help pay rent for the residents who previously experienced homelessness (two units at the property are managers' units).

Programs are operated and services are delivered according to a Housing First model, which recognizes the need to provide housing and shelter without preconditions in order to ensure low-barrier entry into housing programs.

The program serves individuals/households who are experiencing chronic homelessness or literal homelessness, and have a disabling condition that substantially limits one or more major life activities.

The site consists of 11 two-story buildings with 36 two-bedroom/two-bath units and 108 studios with private baths. The unit sizes range from 450-905 square feet. All units had kitchenettes and bathrooms upon purchase.

Common areas include indoor and outdoor areas for eating/congregating, laundry facilities, and a basketball court. The indoor dining/congregate area is currently closed due to the Covid-19 pandemic.



KEY SUCCESS FACTORS

- SDHC performed extensive due diligence to identify the Kearny Mesa property as a good candidate for acquisition, reviewing 31 properties in the process. SDHC staff engaged the services of a real estate broker to help identify properties that were not being actively marketed for sale. Key elements reviewed by SDHC included: current zoning, immediate capital needs, potential community issues, pest control history, accessibility for people with disabilities, and proximity to services and transportation.
- SDHC had direct experience, prior to the COVID-19 pandemic, with acquiring and developing hotels into permanent housing.
- SDHC determined that they would consider only extended-stay properties with kitchens and bathrooms in each unit so that the property could be immediately converted to permanent housing.
- As the public housing authority for San Diego, SDHC was able to allocate federal project-based vouchers to all of the units at Kearny Vista, ensuring affordability for residents of the property.
- SDHC was able to obtain a long-term loan for almost 40% of the total development cost of the project, which is supported by the project-based vouchers as a reliable source of revenue to cover operating costs and a portion of the acquisition cost.



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