



## REPORT

**DATE ISSUED:** August 28, 2012 **REPORT NO:** HCR12-111

**ATTENTION:** Chair and Members of the San Diego Housing Commission  
For the Agenda of September 14, 2012

**SUBJECT:** Rejection of All Proposals received in response to Request for Proposals Dated April 9, 2012 for Development Team for Tax Credit Development and Rehabilitation of Hotel Churchill

**COUNCIL DISTRICT:** 2

**REQUESTED ACTION:**

That the San Diego Housing Commission authorize the rejection of all proposals received in response to the Hotel Churchill Request For Proposals.

**STAFF RECOMMENDATION:**

That the President & Chief Executive Officer of the San Diego Housing Commission ("Housing Commission") be authorized to reject all proposals received in response to the Request For Proposals ("RFP") for the Hotel Churchill.

**SUMMARY:**

The Housing Commission became the owner of the Hotel Churchill as a result of a judicial foreclosure. The Hotel was in significant disrepair when the Housing Commission took possession of the property. Immediate action was taken to safeguard the property. Hotel Churchill is subject to a Single Room Occupancy ("SRO") replacement housing restriction requiring that 57 units be restricted as SRO hotel rooms for a period of 30 years. The prior owner failed to complete the rehabilitation of the Hotel Churchill or cause the property to be operated as an SRO hotel, all as required by the San Diego City Council and Housing Commission approved settlement agreement.

The Housing Commission issued an RFP in April of 2012 to select a development team to rehabilitate the Hotel Churchill and operate it as an SRO hotel.

Three (3) responses were received by the Housing Commission. Those responses have been reviewed by staff and it has been determined that the cost to rehabilitate the 100 year old building would be in excess of \$20,000,000. Even with the rehabilitation, there are concerns about the effects from a major seismic event (earthquake). While a seismic retrofit may protect residents in the event of an earthquake, the building itself could be severely damaged, which may result in the loss of the \$20,000,000 rehabilitation investment to the Hotel property.

Staff does not recommend the expenditure of over \$20,000,000 to create approximately 94 SRO units that are in excess of 100 years old.

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For the foregoing reasons, staff believes that it is appropriate to reject all of the proposals submitted by the three respondents, at this time.

Staff believes that there are alternatives to developing the property and will embark upon the process of completing that analysis and will bring a recommendation for development of the site back to the Housing Commission Board.

**FISCAL CONSIDERATIONS:**

This action does not have any fiscal impacts.

**PREVIOUS COUNCIL and/or COMMITTEE ACTION:**

The Housing Authority of the City of San Diego ("Housing Authority") previously approved the process proposed by the Housing Commission to attempt to rehabilitate the Hotel Churchill.

**COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS:**

A formal RFP was issued in April of this year that resulted in receipt of three proposals. The Hotel Churchill has been discussed at City Council and Housing Authority meetings and at other public meetings, including the Downtown Partnership.

**ENVIRONMENTAL REVIEW:**

This action is not a project within the meaning of the California Environmental Quality Act of 1970. Further, processing under the National Environmental Policy Act is not required as no federal funds are implicated within this action.

Respectfully submitted,

*Charles B. Christensen*

Charles B. Christensen, Esq.  
General Counsel  
San Diego Housing Commission

Approved by,



Deborah N. Ruane  
Senior Vice President  
Real Estate Department

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