



SAN DIEGO
HOUSING
COMMISSION

February 22, 2021

Jeff Light
Publisher & Editor-in-Chief
San Diego Union-Tribune
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Dear Mr. Light,

The San Diego Housing Commission (SDHC) submits the following information to provide a more complete, accurate perspective for the San Diego Union-Tribune's readers than the newspaper presented in the article on Sunday, February 21, 2021, about SDHC's recent purchase of two hotels to create permanent rental housing for individuals experiencing homelessness.

Two primary objectives guided SDHC's decision-making regarding the hotel acquisitions. First, SDHC sought properties in good physical condition to provide high-quality, long-term housing for individuals to move out of the shelter at the Convention Center and to demonstrate SDHC's commitment to quality and good-neighbor practices for the surrounding community. In addition, the proper physical configuration—such as extended-stay hotels with en suite kitchens and one- and two-bedroom units—was essential for the properties to serve as permanent affordable rental housing for years to come.

SDHC intentionally did not seek hotel properties with the lowest cost. Instead, SDHC pursued the best value.

When a public agency acquires real estate, the property is to be valued at its highest and best use. Due to their unique zoning, which SDHC specifically sought, the two hotels SDHC acquired are allowed to operate as multifamily rental housing without any zoning-related changes. Permanent rental housing is the highest and best use for these properties, and SDHC is operating them as affordable housing for individuals who experienced homelessness. The prices SDHC paid for these properties are justified by comparable multifamily housing properties at the time SDHC completed the purchases.

The San Diego Union-Tribune's article compared apples to oranges.

The newspaper compared SDHC's purchase prices to hotels that are not comparable to the properties SDHC acquired. The newspaper cited prices for traditional short-term, stay-by-night hotels/motels. However, the properties SDHC purchased included the aforementioned features, as well as extensive community space for residents and on-site service providers. SDHC acquired these properties to operate them as permanent affordable rental housing, not as temporary shelter nor to continue them as

short-term stay facilities. The comments about COVID-19's impact on the value of hotels are not relevant to these properties, which SDHC never intended to operate as hotels.

SDHC performed extensive due diligence on 29 properties to evaluate zoning, the presence of potential issues, immediate capital needs, pest control and each site's accessibility for individuals with disabilities. SDHC dismissed any properties with significant financial or physical issues or that lacked the necessary physical configuration for the intended use as permanent affordable rental housing. SDHC identified the Kearny Mesa and Hotel Circle properties as the two viable options to quickly provide quality, permanent affordable rental housing with supportive services for individuals experiencing homelessness. However, the San Diego Union-Tribune's article did not refer to any of these due diligence activities and did not discuss the physical condition or configuration of any of the other hotel properties the newspaper cited as comparisons.

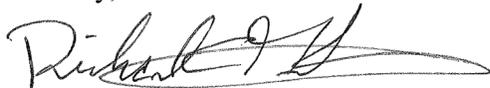
The 332 affordable rental housing units SDHC acquired can accommodate as many as 400 individuals. To date, 361 individuals who experienced homelessness during the COVID-19 pandemic have moved into fully furnished permanent affordable rental homes of their own with access to essential supportive services at the Kearny Mesa and Hotel Circle properties.

SDHC obtained good value for the City of San Diego and its taxpayers. The two properties SDHC purchased were extended-stay-type hotels with kitchenettes in each apartment-like unit and full furnishings that were included with the purchases. Minimal work was necessary to make the properties ready for new residents to move in. This was essential because of the ongoing COVID-19 pandemic, the deadlines to fully expend the State Homekey funds awarded to SDHC for these purchases, and the uncertainty at the time about how long shelter operations at the San Diego Convention Center would continue.

Under the subheadline "Dubious real estate history," the San Diego Union-Tribune appears to attempt to make a connection between SDHC's hotel purchases and an entirely unrelated, dissimilar property transaction in which the City of San Diego was involved. SDHC was not involved in any way with that transaction. While the San Diego City Council oversees SDHC, the agency is not a City department, and SDHC staff are not City employees. To suggest that SDHC's hotel purchases reflect anything related to any other City property transactions is simply wrong.

The San Diego Union-Tribune's readers should be informed that SDHC exercised prudent financial management and due diligence in its purchases of the Kearny Mesa and Hotel Circle properties to create housing units to address homelessness during the COVID-19 pandemic. The article's suggestion otherwise is misleading to your readers.

Sincerely,



Richard C. Gentry
President & Chief Executive Officer
San Diego Housing Commission