



Housing

Project HomeKey

Purchase of SureStay Hotel

October 20, 2020
Item 8.1

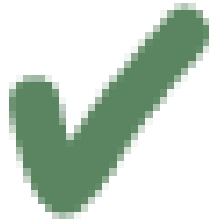
Rachel VanderVeen

Deputy Director
Housing

Kevin Ice

Real Estate Manager
Office of Economic Development

Today's Objectives



Ratify submission of Project HomeKey grant application



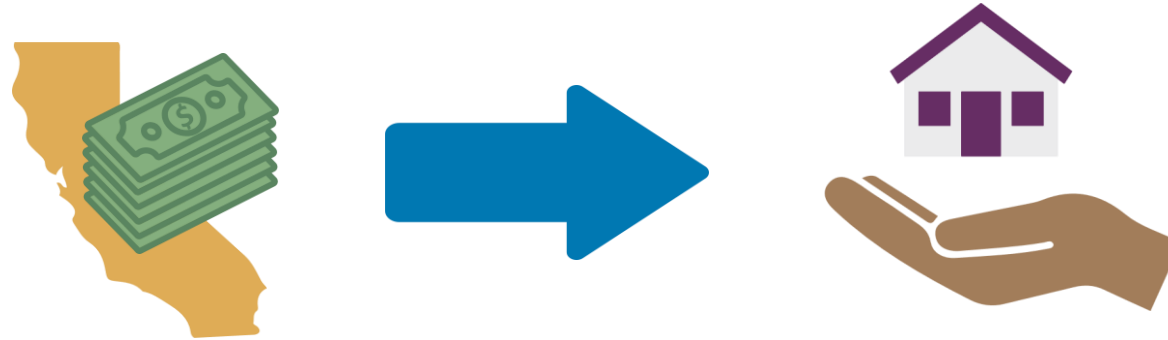
Authorize agreement for purchase of SureStay Best Western Hotel near SJC



Authorize agreement with San José Hospitality, Inc. to provide property management services for 120 days after acquisition



Background



- Grant funding for emergency housing for unhoused residents during the pandemic.
- Funds must be spent by December 30, 2020.
- Allowed uses include the conversion of hotel, motels and other buildings into interim or permanent housing.
- Must house people within 30 days of acquisition.

San José Project HomeKey Application

- August 10th Housing Department submitted Project HomeKey application
- On September 14th, State announced award:
 - \$12.2 million
 - \$10,868,000 for a hotel acquisition
 - \$1,300,000 operating subsidy
- Accelerated timeline to secure funds limited application opportunities



SureStay Best Western Hotel



SureStay Best Western Hotel



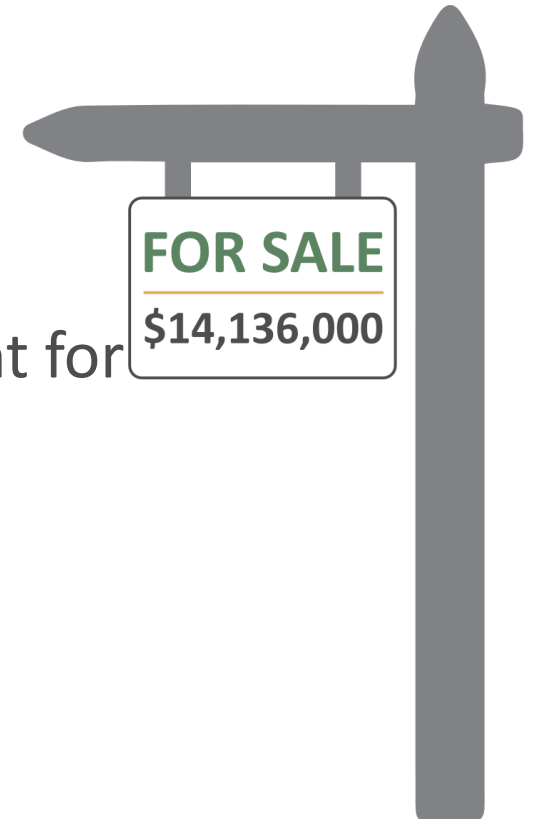
- 1488 N. First Street
- 76 rooms
- 28,337 sq. ft. building on a 1.51 acre lot

- Appraised value is \$14,136,000
- \$186,000 per room
- Property being sold “as is”



Key Terms of Transaction

- Purchase Price is \$14,136,000 (\$186,000 per room)
 - City contribution is \$3,268,000
 - State contribution is \$10,868,000
- Includes fixtures, furnishings and equipment
- No occupants will be displaced
- Current owner will provide property management for 120 days for a \$400K fee
- Deadline for close of escrow is October 30, 2020



Post-Pandemic Use

- City will convert hotel to studios serving extremely low income individuals
- Community outreach to discuss future uses
- Site is zoned urban village
- If redevelopment is contemplated in the future:
 - Conforms with mixed-use multifamily residential/commercial
 - Potential for 200+ unit apartment building





Housing

Project HomeKey

Purchase of SureStay Hotel

October 20, 2020
Item 8.1

Rachel VanderVeen

Deputy Director
Housing

Kevin Ice

Real Estate Manager
Office of Economic Development