



County of San Mateo

Inter-Departmental Correspondence

Department: COUNTY MANAGER

File #: 21-813

Board Meeting Date: 10/19/2021

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Michael P. Callagy, County Manager

Subject: Purchase and Sale Agreement for the Acquisition of the Stone Villa Inn Hotel in the City of San Mateo

RECOMMENDATION:

Adopt a resolution:

- A) Declaring the Board of Supervisors' intent to purchase the Stone Villa Inn, located at 2175 S. El Camino Real, in the City of San Mateo, (Assessor Parcel Number 039-073-040) ("Property") for a total purchase price of \$12,800,000, and setting the date of November 9, 2021, for the Board's consideration of approval of the Certificate of Acceptance, consummating the acquisition; and
- B) Authorizing the President of the Board of Supervisors to execute a Real Estate Purchase and Sale Agreement and Escrow Instructions ("Agreement") for the County's acquisition of the Property; and
- C) Authorizing the County Manager, or his designee, to execute any and all notices, escrow instructions, and documents required to facilitate the purposes of the Agreement.

BACKGROUND:

To address the COVID-19 pandemic, the San Mateo County Human Services Agency's Center on Homelessness, in partnership with community-based homeless service providers, implemented additional homeless shelter services in the form of hotel-based non-congregate shelter programs to provide safe shelter and case management services for vulnerable people experiencing homelessness. The State of California's Project Roomkey funding helped to support the non-congregate shelter programs.

Building off the success of Project Roomkey, the State created the Homekey Program ("Homekey"), administered by the California Department of Housing and Community Development ("State HCD"),

to provide funding to rapidly sustain and expand the inventory of housing for people experiencing homelessness or at risk of homelessness and impacted by COVID-19. Homekey has created an opportunity for local public agencies to purchase hotels, motels, and other housing types in order to increase community capacity to respond to homelessness and the ongoing COVID-19 pandemic.

The County was able to utilize the Homekey Program to acquire two hotels in December of 2020, Pacific Inn and Towneplace Suites, both in the City of Redwood City. Pacific Inn, now known as “Pacific Shelter,” is a service-enriched, 74-unit interim housing site, which serves San Mateo County residents experiencing homelessness. Towneplace Suites, now known as “Shores Landing,” is a service-enriched, 95-unit permanent affordable housing site for extremely-low income (“ELI”) seniors who may be at risk of homelessness. Coast House shelter in Half Moon Bay was also acquired recently and converted to a homeless shelter with wrap-around services.

Since successfully establishing those programs, County staff has been searching for appropriate hotels to expand its inventory of rooms to shelter those experiencing homelessness with a goal of reaching a “functional zero” level of homelessness whereby there is available space to shelter all people in the County experiencing homelessness who want shelter. While in shelter, individuals receive housing-focused case management and other services to help them return to permanent housing as quickly as possible. The Stone Villa Inn, located at 2175 S. El Camino Real in San Mateo, is conveniently located in the central County. While negotiations for the County’s acquisition of the hotel ensued, the State of California announced another round of Homekey funding. An application for funding to help support the County’s acquisition, rehabilitation, and operation of the Stone Villa Inn for interim housing for County residents experiencing homelessness was submitted and is under review by the State.

DISCUSSION:

The Stone Villa Inn is a 44-room hotel with manager’s quarters, meeting space, and a small structure that has been used as a coffee shop. The hotel was originally built in 1961 and recently remodeled. The Property consists of one two-story building with approximately 17,000 square feet of space on a .59-acre lot, with 45 parking spaces. There are independent HVAC units for each guest room. The Property is bordered on the west by El Camino Real, on the north and south by industrial and commercial properties, and on the east by Palm Avenue, an industrial thoroughway near the train tracks serving Caltrain.

Local amenities and services for the program participants are conveniently located. There are three bus stops within one block and two Caltrain stations within one mile. A Safeway grocery store, a produce store, and two pharmacies are within 1/2 mile. Sutter Urgent Care - San Mateo, Kaiser Permanente - San Mateo, and San Mateo Medical Center are all within two miles of the hotel.

The acquisition of the Stone Villa Inn is proposed to provide a highly service-enriched shelter (also known as interim housing) resource for San Mateo County residents experiencing homelessness. The site will function as a shelter that provides safe temporary living accommodations and intensive on-site support services to assist people experiencing homelessness with finding and moving into permanent housing. The program’s services will include 24/7 staffing, housing-focused case management, assistance with physical and mental health needs, transportation assistance, food, and connections to many additional resources including employment services and benefits enrollment assistance. Operational costs for this shelter are estimated to be \$1,403,058 annually.

A Property Condition Report was commissioned which indicated the facility is in good condition. The

mechanical systems, including independent HVAC systems for each room were inspected and determined to be in reasonably good order. Notwithstanding, the hotel will require substantial renovations, system upgrades and ADA improvements for the intended use. Roofing, stairway and balcony repairs will be needed, and terminal heat pumps and the main electrical switchboard will need to be replaced.

The County Sea Level Rise team analyzed the location of Stone Villa for potential flooding due to sea level rise and storms and determined the risk is relatively low in the short term. It was determined there is currently a potential for flooding with one foot of sea level rise and a one hundred-year storm. The City of San Mateo is protected by the Foster City levee and San Mateo levees. Foster City is in the process of raising its levee height, which will reduce the risk of inundation in some parts of San Mateo. City officials in San Mateo have evaluated its current levee system, identified low spots, and have proposed a series of improvements based on the best available sea level rise projections.

Consultants conducted a Phase I Environmental Site Assessment (ESA) that showed the Property was previously developed as a gasoline service station from approximately 1927 to 1955. Therefore, a Phase II ESA was commissioned to do a limited subsurface investigation of the groundwater to be submitted to the County of San Mateo Groundwater Protection Program (GPP) to open a case. Additional testing showed no elevated concentrations of benzene or ethylbenzene in groundwater beneath the site, no further investigation was warranted, and closure of the case was determined appropriate. In accordance with GPP procedures, local water districts, agencies with authority to issue building permits, and the neighboring properties were provided Notices of Pending Case Closure and a sixty-day period to comment, on September 3, 2021. Case Closure is therefore set for November 2, 2021.

The Purchase and Sale Agreement between the County as Buyer, and Dev Holdings, LLC, owner of the Stone Villa Inn Hotel, as Seller, includes approval of the Case Closure by the GPP, ensuring the property is safe for the intended use, as a condition to the close of escrow. Otherwise, all due diligence has been completed, and escrow is anticipated to close by December 30, 2021. The purchase price is \$12,800,000.

FISCAL IMPACT:

As stated, an application for State Homekey funding to help support the County's acquisition, rehabilitation and operation of the Stone Villa Inn for interim housing for County residents experiencing homelessness was submitted, which is expected to be acted on within the next 30-45 days, prior to close of the transaction. Any additional monies associated with the acquisition will be determined based upon the amount of Homekey funding awarded, the application of any American Rescue Plan funds available as budgeted by this Board, General Fund and/or additional funding received from other appropriate funding sources. The operational costs for this shelter are estimated to be \$1,403,058 annually.