

March 15, 2022

Mr. Michael Codron
Community Development Director
City of San Luis Obispo

Subject: Anderson Hotel – Request for Affordable Housing Funds

Dear Mr. Codron,

HASLO would like to request an Affordable Housing Fund allocation to assist with the acquisition and preservation of the Anderson Hotel as affordable housing. As the City is well aware, we have been working toward preservation of this property for over a year. We are requesting \$1.7 million, which we understand is the balance of ARPA funds committed by council on March 1st for affordable housing, after adjusting for the TMHA request. Other approved local support includes a \$ 2 million Congressional earmark sponsored by Congressman Carbajal, and the County Board of Supervisors commitment of \$2 million in ARPA funds. Additionally, HASLO will commit 68 Project Based Section 8 Vouchers to the property, equally an estimated \$700,000 in annual rent subsidies for residents at the Anderson. This ensures that no resident ever pays more than 30% of their actual income for rent, including utilities, and enables us to continue serving the extremely low-income, special needs demographic that traditionally occupies the Anderson Hotel.

Background

The Anderson Hotel is a privately-owned building that has been used as affordable housing for the past 40-50 years. The owners have indicated their desire to sell the property, and have received considerable interest from buyers interested in converting the property to other uses. They have agreed to sell to HASLO, if we are able to successfully raise the funding necessary to acquire and rehabilitate the building. HASLO currently master leases the property from the owners, and has an Option to Purchase which we will exercise contingent upon funding. We are renewing our master lease/Option to Purchase in 6-12 month increments as we pursue funding. There is no deed restriction at this time requiring that the property remain affordable, and as indicated in the City's General Plan, the property is at risk of converting to another use.

Eligibility

If HASLO were to acquire the Anderson, it would serve clients at or below 60% of the Area Median Income. The majority would be in the 30%- 50% AMI (extremely low to very low-income) range. Long-term affordability would be ensured through recording of a new 55-year deed restriction.

Need

As we all know, there is a tremendous shortage of affordable housing in the City. HASLO's longest waiting list in terms of unit types is for 1 bedroom or studio units. The Anderson consists of all 1

bedroom and studio apartments. The Anderson is identified in the City's Housing Element as risk of being lost from the City's affordable housing inventory.

From City of San Luis Obispo Housing Element:

a) Inventory of At-Risk Units

Based on information provided by the City's Housing Authority, local non-profit housing providers, and the State Housing and Community Development Department, there are three affordable housing developments at risk of losing its affordability restrictions and converting to market rate between January 2021 and January 2028: and Adriance Court, the Anderson Hotel, and Poinsettia Street Apartments. Further discussion is provided below.

Table 6: At-Risk Units in San Luis Obispo, 2020-2028

Project	Housing Type	Owner/Property Manager	Expiration Date	Assisted Units
Adriance Court	Low and Moderate Income, Supportive Housing	Access Support Network (formerly AIDS Support Network)	May 2026	9
Anderson Hotel	Very Low Income, Elderly, Disabled	HASLO	March 2021	68
Poinsettia Street Apartments	Low Income	HASLO	January 2020	20
Total Assisted Units				97

Suitability

The Anderson has operated very successfully as affordable housing for many decades. The general community sentiment is that the building needs to be preserved so that it can continue being used as an affordable housing resource.

Timing

Timing is driven by availability of funding. The largest single source controlling this timing is the Low-Income Housing Tax Credit Program, operated by the State of California. This program provides two opportunities each year to apply – generally March and June. We would hope to apply in June of 2022 this year. If successful, that would mean an award in September 2022 and acquisition no later than March 2023. This is contingent upon receiving adequate matching funds and successfully competing for a LIHTC award. The alternative schedule would be to apply in March 2023, receive an award in June 2023 and acquire the building by December 2023. Rehabilitation is anticipated to last 12-18 months, and would take place post-acquisition.

Financial Effectiveness

City funding would constitute 4.6% of project funding, which is an extremely effective use of local funds. This works out to \$25,000 per unit (68 residential units). City funding would leverage the following amounts and sources:

<u>Sources</u>			<u>Uses</u>	
Direct Congressional Appropriation	2,000,000	5.4%	Acquisition	12,100,000
County ARPA	2,000,000	5.4%		
City ARPA	1,700,000	4.6%	Rehabilitation	<u>25,000,000</u>
Low-Income Housing Tax Credits	26,400,000	71.2%		
*Remaining Gap	5,000,000			37,100,000

We are confident that we will be able to close the remaining gap on the project funding, through State Dept of Housing funds or other sources. However, it is extremely helpful from a competitive standpoint to be able to show a commitment of City funding in these applications. We should note that the San Luis Obispo County Housing Trust Fund is very interested in supporting the Anderson, has applied for \$1.5 million in special funding on behalf of the project, and is awaiting the outcome of that application.

It should also be noted that the rehab budget above covers a work scope that is the minimum threshold acceptable for HASLO to proceed. The primary covered items are seismic work (100-year old building), plumbing, electric, life safety and fire sprinkler upgrades, windows and ADA/accessibility improvements. A 3rd party capital needs assessment indicated that an additional \$8-\$10 million could be done based upon age and condition. We intend to seek funding to pursue those additional items to the extent possible, but they are not prerequisites for HASLO to proceed with the acquisition.

Readiness

This project is ready to move forward, subject to funding and a building permit, which is a ministerial process. No discretionary/entitlement approvals are required.

It is our hope that the City will support us in our efforts to preserve the Anderson Hotel as affordable housing. Thank you for your consideration.

Sincerely,



Scott Smith
Executive Director
Housing Authority of SLO