

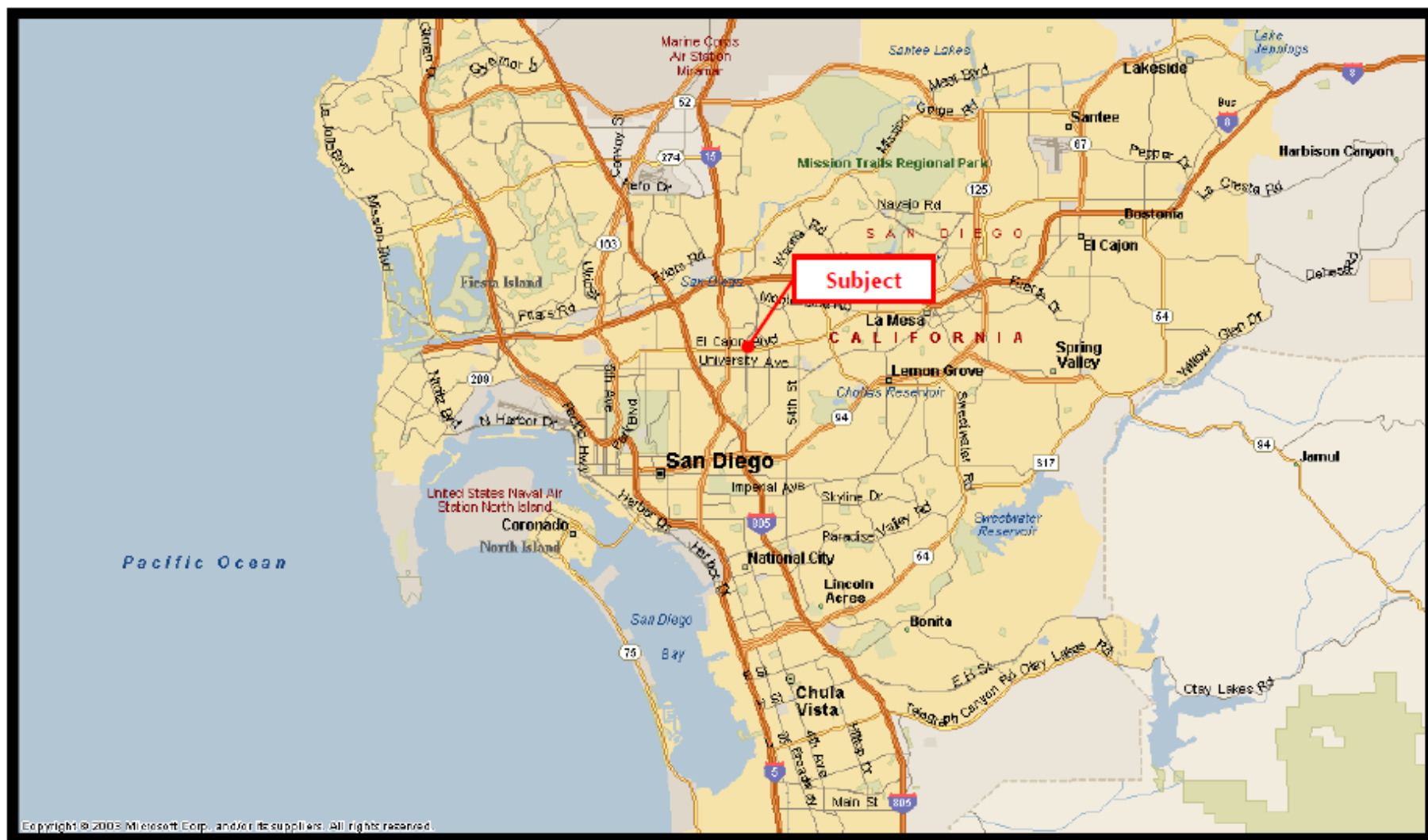
# Historic Lafayette Hotel

San Diego, California



Financing and Tax Credits by

**H**istoric  
Consultants, Inc.  
Financing and Tax Credits for Older Buildings



## ***Imig Manor / The Lafayette Hotel, circa 1940s-1950s.***



Built 1943 – 1946

7 separate buildings

109,450 sq ft.

Total Rooms 131

- Main Hotel 73 rooms
- Lanai Buildings 34 rooms
- Cottage Buildings 16 rooms
- Townhome Buildings 8 rooms

2 Restaurants, 2 Bars

Olympic-Size Swimming Pool

Ballroom and Meeting Spaces

**City of San Diego Historic Landmark**

**City's Goal: To preserve & maintain a valuable historic community asset**





***Historic photograph of Imig Manor at Opening Celebrations.***





***Swimming Pool Still  
Center of Lafayette  
Hotel Today***







## Project Challenges

- The project had to be redesigned after real estate market changed from a for-sale condo hotel project to a rehabilitation of existing hotel asset.
- The state of the financial markets were poor, and increasing the loan to cover rehabilitation expenses was not possible.
- The developer turned to the redevelopment agency for assistance, but their funding was reduced by the State, thereby limiting financial assistance to the redesigned project.
- End result was the project had a large gap in funding sources so the necessary improvements were underfunded. The inability to bring the property up to standards would hinder its income producing potential, thereby reducing its impact in the neighborhood.

## **Solution:**

### **New Markets & Historic Tax Credits**

- Historic Consultants implemented several solutions to close the funding gap, which were driven by the requirements of the New Market Tax Credit and the Historic Rehabilitation Tax Credit programs.
- To meet thresholds for the NMTC program, we implemented a full-scale energy upgrade program, incorporated eight 5kW Fuel Cells, and turned the hotel into a “green” showcase project. Then enrolled with the SDSU student job training program for the hospitality industry.

This resulted in decreased operating expenses, increased property value, increased cash flow to owner, and made the project unique for the New Markets application, which allowed the project to compete for NMTC allocation and attract investors.
- To meet thresholds for the 20% historic rehabilitation tax credit we expanded the historic designation status to National level.

Hence all existing buildings had to be retained and upgraded in accordance to the “Secretary of the Interior Standards for Historic Rehabilitation.”



# Financial Results

- 20% historic rehabilitation tax credit.  
*Result: \$1.3 million of project equity*
- 39% New Market Tax Credit program.  
*Result \$6.3 million of project equity*
- 30% Investment Tax Credit cash grant, State rebates for fuel cells, and other rebates and incentives for energy upgrades.  
*Result \$358,000 of project equity*
- **Total Equity Raised for project \$ 7,958,000**

# Differences in Programs

	<u>New Markets 39% Tax Credit</u>	<u>Historic Rehabilitation 20% Tax Credit</u>
<b>Hold Period</b>	7 years from funding	5 years from C.O.
<b>Timing of Credit Use</b>	7 year stream of credits	Credits can be taken all in one year.
<b>Credit vested with?</b>	Investor into CDE	With building owner or tenant
<b>Credit Calculation</b>	Based put into investment fund	Based on qualified rehabilitation expenses
<b>Qualifications:</b>	Project Readiness Test“, But For Test“, Job Creation, Community Impact	Must meet construction Standards and be approved by SHPO/NPS
<b>Price per credit range:</b>	.60 - .75	.85 – 1.00 +
<b>Required Returns:</b>	Does not require cash return. Buy-out fee case by case.	Requires min. 2- 3% annual cash return to partner. Buy-out fee of 15 – 25% of initial equity contribution at exit.



The following slides contain a summary of the energy upgrades and various programs that were implemented at the hotel.

# Project Partners



COMMERCIAL & INDUSTRIAL  
HOSPITALITY

## Energy-Saving Solutions for Hotels and Motels



## Lafayette Hotel & Suites



August 17, 2010

ENERGY EFFICIENCY AUDIT REPORT  
SDG&E® LODGING ENERGY EFFICIENCY PROGRAM



## FUEL CELL UPGRADES



- **Second** hotel in San Diego to use fuel cells to offset energy needs
- **First hotel** to implement this type of fuel cell technology

CE5 Units	8 units of 5kW
System Size	40 kw

The fuel cells serve as major component of a complete energy program.

All heat is transferred to pool and maintains 76°-79°F year-round.



LEADING THE  
SMART ENERGY REVOLUTION



## ENERGY STAR

- 3<sup>rd</sup>-party certification of energy performance
- Energy improvements can reduce operating expenses significantly

There are only two ENERGY STAR certified hotels in San Diego. The Lafayette would be the third hotel in San Diego and the first historic hotel to receive an ENERGY STAR label.



## California Green Lodging Program Department of General Services

- CA program to help hospitality industry reduce waste and save energy
- DGS issues a certificate to successful hotels

**DGS will assist hotels with marketing their facilities to State employees**





## Green Key Eco-Rating Program

- Hospitality Industry Eco-Rating Program
- 3rd party certification of green operations
- Supported by the American Hotel & Lodging Association
- Program partners include:
  - AAA Travel
  - Expedia
  - Travelocity
  - Freshstay
  - Green Lodging News
  - Canada Green Travel



***The Lafayette would be the first hotel in San Diego County to be certified by Green Key***

# The Lafayette Hotel will become an internship partner of SDSU and train Eco-Tourism Hospitality students at our cutting edge green hotel

School of Hospitality and Tourism Management  
Recreation and Tourism  
Management Program



SAN DIEGO STATE  
UNIVERSITY

*"Our vision is to be the most personalized school of its kind in developing hospitality leaders"*



## ALI COURSES

[download](#)

## IN THE NEWS

*Jan 27, 2010*

College of Professional Studies and  
Fine Arts Commencement Ceremonies  
information

*Dec 13, 2010*

Tips for Sustainable Holidays

*Sept 7, 2010*

SDSU's gaming institute focuses on  
tribal casinos - in SignOn San Diego

*Apr 20, 2010*

**School making name for  
itself now has a name**

# Lafayette Hotel Summary

- Combining the programs adds a layer of complexity & adds time
- Can be opportunity to pull together additional community benefits
- Historic Tax Credits can be an additional leveraged source of funds
- Historic Tax Credits offer additional financial benefits to investors and generate funds for the project
- Going green in historic buildings is a challenge, but solutions are available



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