



ANDERSON HOTEL

San Luis Obispo, CA

DEVELOPER

Housing Authority of San Luis Obispo (HASLO)

NO. OF HOMES

68 studios & one bedrooms

POPULATION SERVED

Low-income seniors, formerly homeless and at-risk of homelessness

REDEVELOPMENT COST*

SOURCES	\$ millions
Homekey	10.5
HASLO	3.6
SLO County	2.0
SLO City	1.7
Federal Earmark Community Funds	2.0
Banc of California	4.2
Merritt Community Capital	22.6*
TOTAL	46.6

USES	\$ millions
Acquisition	14.4
Redevelopment	25.7
Soft Costs	4.8
Construction Interest	1.7
TOTAL	46.6

*amount expressed in terms of Eligible Basis

On October 10, 2024, HASLO celebrated the grand reopening of Anderson Hotel Apartments, a place that some of its senior residents have called home for more than decades. Their homecoming is not only a relief, but also a remarkable demonstration of the village it takes to preserve affordable homes for the Californians most in need.

Background

The Anderson Hotel opened its 68 doors in 1923. Developed by local businessman J.L. "Jeff" Anderson, the hotel initially catered to high-end clientele, including visitors preparing for trips to the nearby Hearst Castle. The Anderson family managed the hotel for decades and in 1978 they transitioned the property into affordable housing for seniors and individuals with disabilities by entering into a Section 8 project-based rental assistance (PBRA) contract with the U.S. Department of Housing and Urban Development (HUD).

"Twice saved is what I call this property."

Ken Litzinger
Chief Financial Officer
Housing Authority of San Luis Obispo

CASE STUDY: Anderson Hotel

HASLO assumed the HUD Section 8 PBRA contract and operations in 2001 under the terms of a 20-year master lease that included two ten-year renewal options with the private owner.

Challenge

Trouble arose in January 2021 when HASLO was facing the imminent expiration of the master lease and the HUD Section 8 PBRA contract. Anticipating this expiration, HASLO engaged the California Housing Partnership (the Partnership) in 2019 to help initiate negotiations to buy the property from the private owners.



Anderson Hotel c.1925

Unfortunately, the negotiations failed. When January 2021 arrived, the private owners of the property accepted a purchase offer from market rate developers who intended to opt out of the HUD contract and end more than 40 years of continuous use as affordable housing. The buyers planned to convert the Anderson Hotel Apartments to a boutique hotel, potentially displacing its elderly and disabled residents who called it their home. The city's escalating rental prices of more than \$2,500 per month coupled with a critical shortage of housing affordable to low-income households, meant that losing these homes could put many of the residents at risk of displacement.

Thanks to long-standing relationships with the

National Housing Law Project (NHLP) and the California Department of Housing and Community Development (HCD), the Partnership was able to help HASLO bring in much-needed help.

Upon investigation, NHLP and HCD quickly discovered that the owners had failed to comply with the State Preservation Notice Law (Notice Law), which requires that owners provide notice (1) to tenants and public entities regarding the expiration of rent restrictions, and (2) to qualified affordable housing developers of the opportunity to purchase and preserve the property as affordable housing before accepting offers from non-qualified entities.

"We worked collaboratively with HCD and HASLO to ensure all of the tenants were protected throughout the process as intended by the Preservation Notice Law."

Kate Walz
Associate Director of Litigation
National Housing Law Project

Working with local legal aid advocates, tenants, and NHLP, HCD took action. On January 22, 2021, the Department issued a letter to the owners alerting them of their obligations under the Notice Law and warning that should the sale and conversion proceed as planned, the court could issue an injunction to stop the sale and require the owner to pay attorney fees to the state and private parties.

In 2017, the Partnership, NHLP and the Western Center on Law and Poverty worked with Assemblymember Richard Bloom to amend the Notice Law to require that owners alert new and existing tenants of a scheduled expiration of rental restrictions three years prior to the date of expiration. The prior version of the law only required one year's notice.

As of 2024, these organizations worked with Assemblymember Kalra to further amend the Notice Law to require owners to accept a bond fide purchase offer from a preservation purchaser or re-restrict the property as affordable housing.

As the owners contemplated their options, NHLP provided training and support on tenant rights and legal remedies to the Anderson Hotel tenants who quickly assembled a tenant association, poised to fight for their homes.

CASE STUDY: Anderson Hotel

A Path Forward

On the eve of NHLP filing litigation to protect the rights of the tenants as well as HASLO's ability to exercise its opportunity to purchase the property, the owners and HASLO came to an agreement – the owners would grant HASLO an option to purchase the property and a 12-month extension on the master lease, affording them the time to develop an acquisition financing plan and extend the HUD S8 PBRA contract once more.

With the clock ticking on the new purchase option, the Partnership helped HASLO hone the acquisition financing strategy concluding that a combination of HCD's Homekey funding and federal 9% Housing Credits would work best and prepared for the impending applications.

Another Bump in the Road

The Partnership's Housing Finance team studied the regulations for each funding source preparing to apply and realized there was a critical misalignment between the programs that could derail the entire plan, namely that the plan to secure Housing Credits through the At-Risk set aside, which is designed for exactly this kind of scenario, could not proceed due to this challenge: under the California Tax Credit Allocation Committee (CTCAC) Regulations, a project is disqualified from the At-Risk set aside if it has existing affordability restrictions with a remaining term of more than five years. Under Notice Law, HCD requires a 30-year regulatory agreement be recorded at the time that a qualified entity acquires the property. Neither agency could provide an exception, which forced the Partnership to pursue a legislative solution to this conundrum. The Partnership turned to Assemblymember Timothy Grayson for help. Assemblymember Grayson authored AB 447 to amend the state Housing Credit regulations to exempt HCD and other regulatory agreements recorded in connection with interim or acquisition financing from the five-year limitation.

The bill passed and was enacted in January 2022, clearing the way for HASLO to secure a tax credit funding award by September 2022. By March 2023, HASLO successfully closed financing on the property, and the critical rehabilitation process began.

"If we were not able to align the stars and get the financing and regulatory remedies in place, we would have lost the Anderson Hotel. It took many stakeholders working together to preserve these affordable homes."

Diep Do
Managing Director
California Housing Partnership

Resolution & Impact

The preservation of the Anderson Hotel represents the culmination of years of collaborative effort between HCD, HASLO, NHLP, the Partnership and tenant advocates. This coordinated approach saved 66 long-term affordable homes, a critical win given San Luis Obispo's severe affordable housing shortage. Without this intervention, the displacement of senior residents could have resulted in desperate housing situations.



Anderson Hotel Grand Reopening | L to R: Michael Burke, Director of Construction & Development, HASLO; Ken Litzinger, CFO, HASLO; Tony Kouot, Senior Financial Consultant, California Housing Partnership

"The Anderson Hotel is a cornerstone solution in the San Luis Obispo community when it comes to providing better affordable housing options and supporting those at risk of homelessness. That is why I worked to secure \$2 million through the Congressional Community Project Funding program for its renovation last term, as well as additional federal support through the American Rescue Plan. As a veteran of local government, I know firsthand that a difficult community issue like housing and homelessness can only be solved by all levels of government working together. The Anderson Hotel is a textbook example of the good we can do when we get local, state, and federal agencies all working together."

Congressman Salud Carbajal
California, District 24