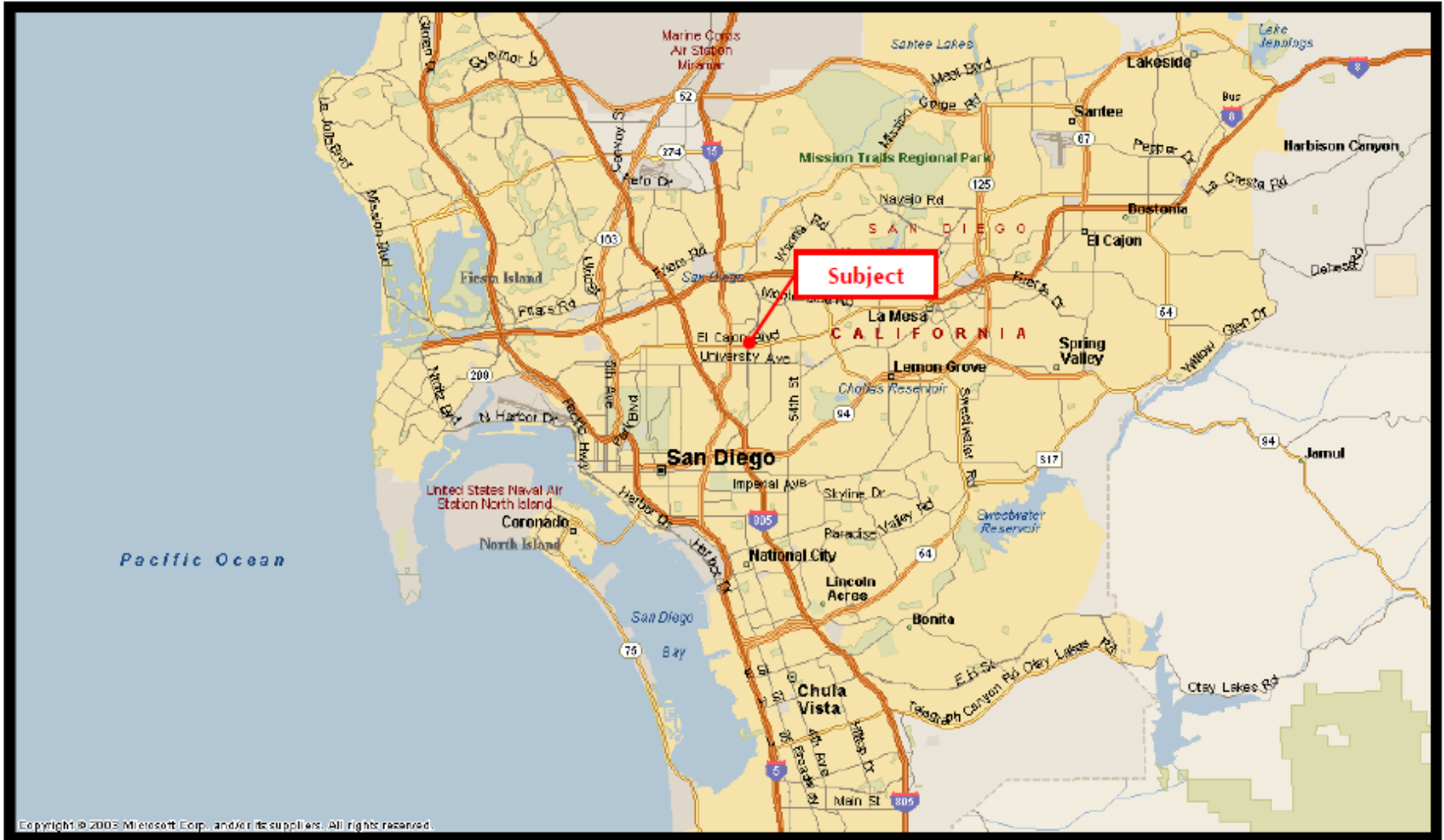


Historic Lafayette Hotel Energy Upgrade Case Study



San Diego, California



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



**City of San Diego
Historic Landmark**

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

Built 1943 – 1946

7 separate buildings

109,450 sq ft.

Total Rooms 131

Main Hotel 73 rooms

Lani Buildings 34 rooms

Cottage Buildings 16 rooms

Townhome Buildings 8 rooms

2 Restaurants, 2 Bars

Olympic Size Swimming Pool

Ballroom and Meeting Spaces



Historic photograph of Imig Manor at Opening Celebrations.



Swimming Pool Still Center of Hotel Today



Outdoor Terrace Overlooking Pool Area



2nd Floor Lanai Room Balconies



Pool View from Lanai Room, 2nd Floor



Subject

Project Challenges

- Project had to be redesigned after real estate market changed.
- State of the financial markets were poor.
- Redevelopment Agency funding was reduced.
- Large gap in funds in project budget.

Solutions

- Keep all buildings, upgrade entire property, and expand historic designation status to National level and to qualify for 20% historic rehabilitation tax credit.
- Apply for the New Market Tax Credit program to leverage a federal 39% tax credit.
- Expand the project to incorporate energy upgrades and increase community benefits to increase chances of finding a New Market Tax Credit sponsor and investor.
- Restructure existing debt to participate in New Market program.
- Leverage federal and state resources to pay for extra energy improvements not in prior budget.

Breakdown of Sources

\$14,313,826	New Leverage Loans
\$ 2,435,000	Redevelopment Agency Forgivable Loan
\$ 879,931	Deferred Developer Fee
\$ 735,826	Deferred General Conditions, Overhead & Profit
\$ 600,000	Additional loan from Developer
\$ 6,785,923	New Market Tax Credit Equity
\$ 1,322,111	Historic Tax Credit Equity
\$ 100,000	Fuel Cell Rebate
\$ 108,745	Fuel Cell Tax Credit (Convert to Cash)
\$ 55,225	Energy Efficiency Rebates
\$ 95,670	SDG & E On Bill Financing Loan
=====	
\$27,432,257	Total Sources

Breakdown of Uses

\$14,313,826	Total Debt/Equity Refinanced
\$ 6,746,143	Qualified Rehabilitation Expenditures
\$ 1,526,017	Non-Qualified Rehabilitation Expenditures
\$ 1,670,402	Repayment of Interest Accrual
\$ 1,500,000	Principal pay down on 1 st
\$ 559,282	CDE Sponsor Fees & points
\$ 1,116,595	CDE Required Operating Reserve

\$27,432,257 Total Uses

New Market Tax Credit Funder Requirements

Does the project have the following?

- Environmental Certifications (Energy Star, California Green Lodging Program, Green Key)
- Alternative energy (Fuel Cell to offset utility consumption)
- CO2 emissions reduction
- Energy saving features
- Water saving features
- Materials/building reuse
- Recycling program

Historic Rehabilitation Tax Credit Requirements



Does the project comply with the Standards?

The Secretary of Interior's Standards for the Treatment of Historic Buildings

- § 'The Standards'
- § Industry-wide accepted guideline
- § Act as a universal guideline for appropriate treatments to historic buildings
- § The National Park Service provides information on adhering to the Standards

Lafayette Hotel Energy Efficiency Summary

<u>Historical Utility Expenses</u>		<u>Cost</u>	<u>Rebates Incentives</u>	<u>Tax Credits Grant</u>	<u>Net Cost</u>	
2010	\$232,879	<u>Fuel Cell Energy Improvements</u>	\$476,490	\$100,000	\$108,745	\$267,745
2009	\$222,232					
2008	\$247,883		\$160,835	\$41,209	\$14,016	\$105,610
2007	\$239,928					
					Total Cost	\$373,355

<u>Year</u>	<u>Projected Annual Utilities</u>	<u>Savings From Energy Efficiency</u>	<u>Savings From Fuel Cells</u>	<u>Annual Savings</u>	<u>New Utility Bill</u>	
2011	\$233,477	Construction Year	Construction Year	Construction Year	\$233,477	
2012	\$253,253	\$14,813	\$29,932	\$44,745	\$208,508	
2013	\$261,490	\$14,813	\$32,136	\$46,949	\$214,541	
2014	\$269,464	\$14,813	\$34,481	\$49,294	\$220,170	
2015	\$277,454	\$14,813	\$36,978	\$51,791	\$225,663	
2016	\$282,248	\$14,813	\$39,636	\$54,449	\$227,799	
2017	\$287,110	\$37,753	\$34,463	\$72,216	\$214,894	Yr. OBF Paid Off
2018	\$289,981	\$37,753	\$37,232	\$74,985	\$214,996	
2019	\$292,881	\$37,753	\$40,186	\$77,939	\$214,942	
2020	\$295,810	\$37,753	\$43,336	\$81,089	\$214,721	
2021	\$298,769	\$37,753	\$46,802	\$84,555	\$214,214	
2022	\$301,757	\$37,753	\$50,546	\$88,299	\$213,458	
\$3,343,694		\$300,583	\$425,728	\$726,311	\$2,617,383	21.72%
10 yr. Utility Expense without Improvements		10 Yr. Energy Efficiency Savings	10 Yr. Fuel Cell Savings	10 Yr. Savings from Energy Efficiency	Utility Expense with Improvements	Savings

Energy Efficiency Upgrades

Incentive Type	Measure Description	Annual Energy Savings			Annual Cost Savings	Estimated Project Financials			Simple Payback (years)	Notes
		Peak Demand (kW)	Electricity (kWh)	Natural Gas (Therms)		Project Cost	Program Incentive / Rebate	Net Cost to Site		
REBATE	Replace Linear Fluorescent Lighting with High Performance 25W T8 Fixtures	11.0	49,504	0	\$7,866	\$14,520	\$3,808	Grant program	0.0	Direct Install Grant Program through Pulic Utilities Commission
REBATE	Replace incandescent lamps with reflector type CFLs	1.1	6,073	0	\$965	\$1,152	\$448	Grant program	0.0	Direct Install Grant Program through Pulic Utilities Commission
REBATE	Replace Incandescent Exit Signs with LED Exit Signs	0.3	2,243	0	\$356	\$728	\$216	Grant program	0.0	Direct Install Grant Program through Pulic Utilities Commission
INCENTIVE	Insulate Hot Water Piping	0.0	0	200	\$200	\$150	\$75	Grant program	0.0	Direct Install Grant Program through Pulic Utilities Commission
INCENTIVE	Install Ozone Laundry	0.0	0	5,185	\$4,407	\$14,950	\$4,922	\$9,765	2.2	*On-Bill Financing App submittal 12/27 (App #1)
INCENTIVE	Install New PTAC AC units in 63 rooms		28,528	0	\$ 3,709	\$38,340	\$7,800	\$30,540	8.2	*Paying for improvement with SDG & E On-Bill Financing. Application submitted 12/27/10 (App #1)
INCENTIVE	Install new commercial packaged units in common areas			0	\$5,203	\$50,250	\$6,305	\$43,945	8.4	*Paying for improvement with SDG & E On-Bill Financing. Application will be submitted 1st QTR 2011 (App #2)
INCENTIVE	Install Energy Management Thermostat Controls	0.0	60,550	0	\$9,621	\$22,320	\$10,900	\$11,420	1.2	*Paying for improvement with SDG & E On-Bill Financing. Application will be submitted 1st QTR 2011 (App #2)

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INCENTIVE	Install Low Flow Aerators	0.0	0	974	\$974	\$1,575	\$788	\$788	0.8	Project Pays
REBATE	Install Low Flow Showerheads	0.0	0	1,299	\$1,299	\$5,250	\$3,500	Grant program	0.0	Grant Program
INCENTIVE	Replace Storage Water Heater	0.0	0	1,648	\$1,648	\$10,000	\$1,648	\$8,352	5.1	Project Pays
INCENTIVE	Install Liquid Swimming Pool Covers	0.0	0	1,505	\$1,505	\$1,600	\$800	\$800	0.5	Project Pays
Total		12.3	146,898	10,810	\$37,752	\$160,835	\$41,209	\$105,610	2.8	
QRE										
Notes:										
* On Bill Financing through SDGE is a program setup to encourage capital expenditures of commercial properties without requiring capital up front. Monthly bill remains constant as the monthly net savings pays off the capital expenditure through zero percent financing with SDGE. Once loan paid back property will get benefit of lower utility bill.										
** Simple payback is denoted for each individual item and its associated annual savings.										

FUEL CELL UPGRADES



LEADING THE
SMART ENERGY REVOLUTION

CE5 Units	8 units
System Size	40 kw
Total Cost	\$476,490
Rebates	-\$100,000
Federal Tax Credit	-\$108,745

Adjusted Price \$267,745

Payback	5.8 Years
20-Year IRR (projected)	11.6%

- Serving as a major component of a complete energy efficiency program.
- All heat is transferred to pool (76 -79 degrees)
- **Second** hotel in San Diego to use Fuel Cells to offset energy needs.
- **First hotel** to implement this type of fuel cell technology

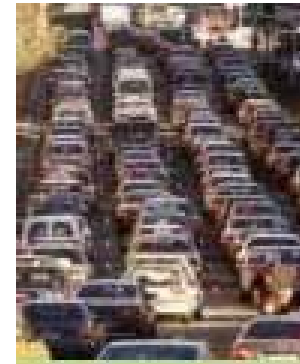
Environmental Impact from Using Fuel Cells

CO2 Produced by Grid if No Changes 275.7 Tons per Annum

CO2 Produced by Grid with Fuel Cell Offset 176.4 Tons per Annum

Reduction in Green House Gas Emissions 99.2 Tons per Annum
% Reduction in CO2 36%

Equal to Removing 21.83 Cars



Equal to Planting 30.57 Acres of Forest





ENERGY STAR

- ✓ 3rd 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 Energy Star Hotel and the first historic hotel to receive an ENERGY STAR Rating.



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 in San Diego County
- ✓ 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

School of Hospitality and Tourism Management
Recreation and Tourism
Management Program



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



ALI COURSES

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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

SDSU hospitality program bears

Lafayette Hotel will become an internship partner of SDSU

Summary

We added “Greening Features” to:

1. Qualify the project for the New Market Tax Credits
 - Increase community impact.
 - Create a reason to partner with SDSU and educate children.
 - Creating a reason for tax credit investors to want to invest in our project.
2. Increase our property value
3. Reduce operating expenses & build in price stability
4. Increase our marketing and branding opportunities

Historic
Consultants, Inc.
Financing and Tax Credits for Older Buildings

Thank you!

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