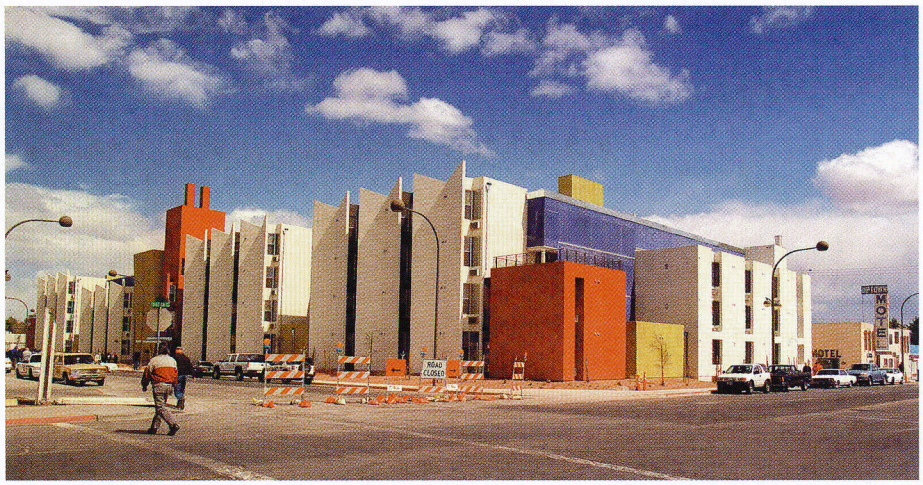
SRO Gamble Pays Off

Newly Built Facility Attracts Low-Paid Single Workers; Developer Plans New Projects Using "SRO Plus" Concept

By Andre Shashaty



Campaige Place offers safe, clean, SRO apartments near downtown Las Vegas.
(Photo: John Gurzinski)

Las Vegas – In many cities, single-room occupancy apartments are a thing of the past, but in this city of stark economic contrasts, The Tom Hom Group and local elected leaders are making SROs a thing of the future.

If you walk just a few blocks away from the light shows and carnival atmosphere of downtown, just past the El Cortez Hotel, you'll see the kinds of squalid homes and apartments many low-wage workers are forced to live in if they want to be near their jobs.

Then you'll come to Campaige Place, the new 320-unit SRO which opened here in March. You can't miss it. With its unusual architecture and brightly colored facade, it takes up one side of the entire block without seeming too bulky or imposing.

As workmen put the finishing touches on the ventilation system and lobby, William W. Newbern, president of The Tom Hom Group, recalled how difficult it was to get the project done (and why few other developers have the nerve to build new SROs). Without the close cooperation of the city and the financial expertise of Related Capital, he said, it could not have been done.

Newbern's firm decided to try its luck here after pioneering the concept of newly built SROs for a mixed-income tenancy in its home base of San Diego. It has developed two SROs and rehabbed four others there. It has identified sites for four more projects, two more in Las Vegas, one more in San Diego and one in Phoenix, Newbern said.

The Las Vegas project was the first one the developer financed with private activity tax-exempt bonds and tax credits. Equity capital was provided through a fund sponsored by Related Capital. Fannie Mae is a major investor in the fund. Credit enhancement was provided by U.S. Bank.

"With the amount of time we put into this, we could have done five other market-rate projects," Newbern said. "It was just something we wanted to do." Now, he says, the firm has learned enough from the experience to do similar projects much more quickly.

The 320 rooms are all targeted to single individuals earning up to 60% of the area median income. Monthly rents range from $495 to $543, including utilities.

The units have an average size of 200 square feet, and include a toilet, bath tub, sink, two-burner stove, microwave, bed and television.

Campaige Place is not intended for tenants with alcohol, health or drug problems and offers no social services. It's targeted to minimum-wage workers and casino and hotel service workers who want to live alone.

Campaige Place offers a wholesome alternative to shared housing or efficiencies in older, unsafe and unsanitary apartment properties, which typically rent for $125 to $175 a week, said Newbern. "We are undercutting the market by $50 to $100 a month," he added.

Newbern's firm calls the building an "SRO plus." The apartments come

with housekeeping service, weekly linens and 24-hour security staffing. There is a laundry room, mini-market, computer facility and exercise room.

The Tom Hom Group relies on close cooperation from city governments to adjust building codes and zoning policies to allow SROs to be built at all. Then it must also seek financial support because of high construction costs in urban areas, high soft costs due in part to the regulatory hurdles facing SROs and high management costs to keep the projects running smoothly and safely.

In this city, the developer relied on support from City Councilman Gary Reese and Mayor Oscar B. Goodman.

"Most cities are scared to death of SROs," said Newbern, because they fear the high-density housing and transitory population will breed crime and other problems. The Tom Hom Group's experience managing SROs helped convince city officials here to take a chance on the project.

Celebrating the opening of Campaige Place are Marc D. Schnitzer, managing director of Related Capital Co.; Las Vegas Mayor Oscar B. Goodman; Las Vegas City Councilman Gary Reese; and William W. Newbern, president of The Tom Hom Group. *(Photo: Mr. Snappy Photography)*

Mayor Goodman predicted the facility would be fully leased within three months of opening and praised the developer for pursuing a difficult project.

The building was designed by Rob Wellington Quigley. The design attempts to make all units "seem like corner units," according to Newbern. This is achieved by angling the outer wall of each unit to create an acute angle. Two perpendicular windows are placed at the intersection of the interior and exterior walls. The windows are small, but do give views in two directions, across the street and looking up or down the street.

The four-story wood-frame and stucco building was erected at a cost of $12 million and comprises 82,760 square feet.

Newbern said his firm is focusing all its efforts on SROs, or what he called "workforce housing."

The firm has received numerous inquiries from cities that like what they hear about the Las Vegas project, Newbern said. "I have a map of Southwest Airlines routes on my wall. If I can get there cost effectively, I will go talk to anyone." ■

Campaige Place Lobby
photograph by M2 Photographics

Furnished efficiencies from $495 which include:
utlilities, phone in each unit, mini kitchen, full bath in each unit, color TV, cable/HBO, minimart, housekeeping service, weekly linens, air conditioning/heating, 24-hour front desk, on site laundry, workout room, garden patio, parking available.

Back Story

How One Developer Took Up SRO Cause

It was the night before Thanksgiving and a cold rain was falling when the owner of a San Diego SRO hotel made his move to evict the last of the building's tenants.

It was the mid-'80s, and the city's redevelopment efforts were beginning to pay off. As had happened in so many other cities, old SRO hotels in San Diego were being demolished to make room for more lucrative land uses.

But things did not go as the landlord planned. The tenants alerted the news media and then chained themselves to their radiators to force a well-publicized confrontation, recalled William W. Newbern, president of The Tom Hom Group.

Spurred to action by the media coverage of that eviction, the city council passed an emergency ordinance prohibiting the destruction of SROs without provision of replacement housing. It also passed an ordinance providing financial assistance for the construction of new SROs which went into effect in 1989, Newbern said.

Motivated in part by the new incentives, The Tom Hom Group opened its first new SRO, the 192-unit Trolley Court, in 1989. It opened its second, Peachtree Inn, with 300 units, in 1991. Both are located in downtown San Diego. For each, the city contributed about $2,500 per unit at 3% interest, or about enough to cover permits and fees. The developer set aside 20% of the units for people earning no more than 40% of area median income.