Item 7

United Way
GREATER LOS ANGELES

LOS ANGELES AREA CHAMBER OF COMMERCE

HOME FOR GOOD

BUSINESS LEADERS TASK FORCE

SIX STRATEGIES TO INCREASE THE SUPPLY OF SUPPORTIVE HOUSING

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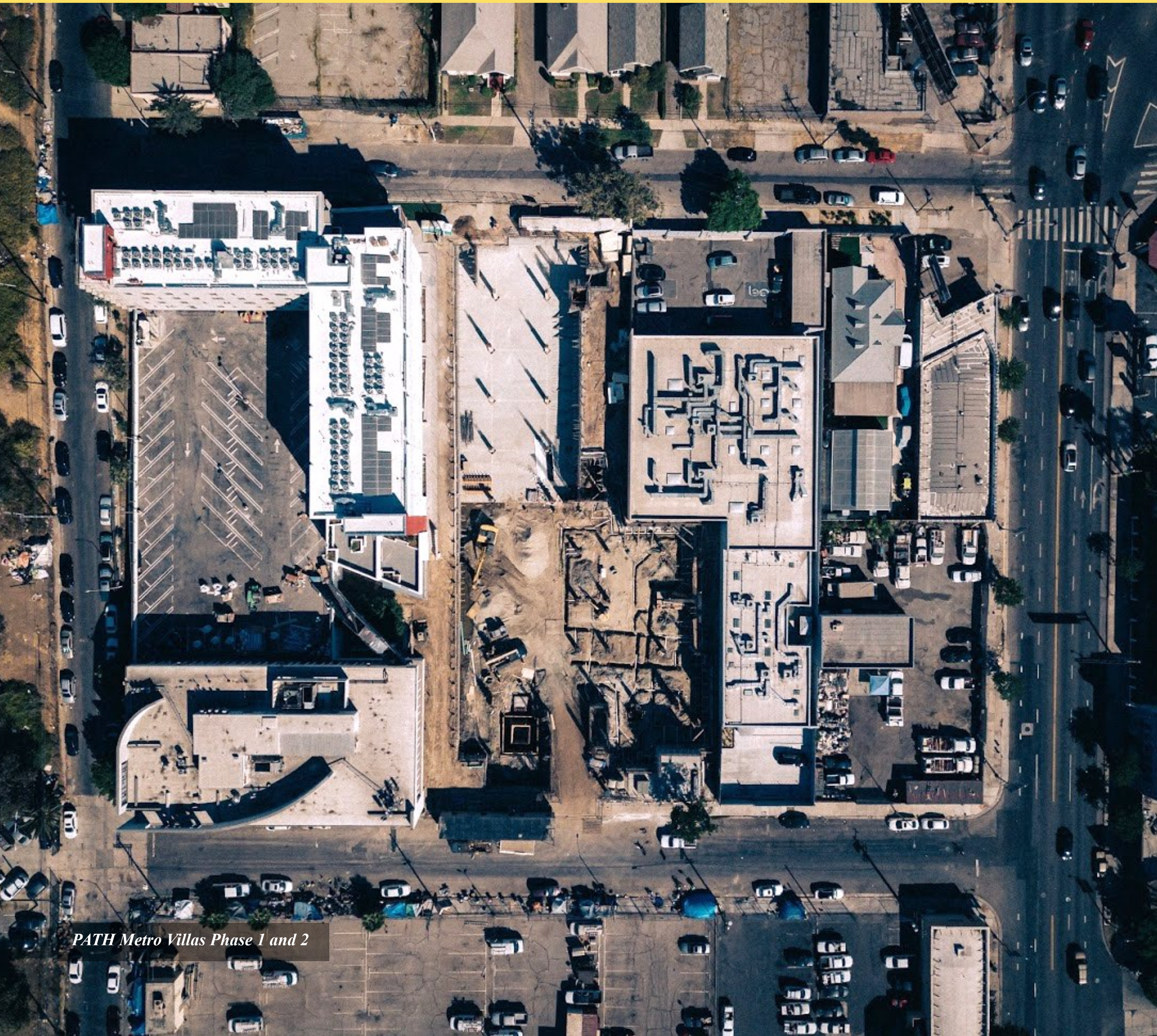
JANUARY 2019 REPORT


PATH Metro Villas Phase 1 and 2

Acknowledgments

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BUSINESS LEADERS TASK FORCE

January 2019

The Business Leaders Task Force was established in 2009 by the United Way of Greater Los Angeles and the Los Angeles Area Chamber of Commerce to engage the business community as champions for ending homelessness across Los Angeles.

Our members represent diverse industries, but all share the same goal: advancing innovative and effective solutions to permanently end homelessness. The Task Force's early work launched the United Way's Home For Good Initiative and built the foundation of data and solutions that ultimately became the basis for key components of the nearly $5 billion in voter approved funding to end homelessness.

We periodically release reports to help elevate new ideas and support a culture of innovation as we all collectively work to end homelessness across Los Angeles County. This report, titled "Six Strategies to Increase the Supply of Supportive Housing" is one such report, and we look forward to sharing our thoughts and partnering with all of the great leaders and organizations who are working across the county towards our shared goals.

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Executive Summary

"Six Strategies to Increase the Supply of Supportive Housing" is the result of research, analysis, and dozens of conversations between members of the Business Leaders Task Force and key stakeholders who are working to finance and build supportive housing in Los Angeles County and beyond. The six strategies proposed are intended to stand alone but also complement each other in their potential to help reduce development costs, construction timelines, and ultimately increase the supply of supportive housing in Los Angeles County. The Business Leaders Task Force, in collaboration with United Way of Greater Los Angeles' Home for Good Initiative, is committed to the work of testing and implementing these strategies with our wide range of partners in the months to come and reporting on our collective progress one year from the release of this report. The proposed six strategies are:

STRATEGY 1: PILOT HOUSING INNOVATIONS WITH PUBLIC & PRIVATE FINANCING

The first strategy proposes to use existing local city and county public capital construction funds, as well as private financing—but likely not tax credit financing—to test innovative housing strategies through a limited production pilot project of 250-750 units. Two examples of promising approaches include: adaptive reuse of existing buildings and manufactured housing. The pilot should be comprehensively analyzed and evaluated from beginning to end in order to determine the potential future scalability of these concepts or any others that may emerge.

STRATEGY 2: PILOT PRIVATELY FINANCED HOUSING CONSTRUCTION WITH PUBLICLY FUNDED RENT SUBSIDY

The second strategy proposes to use long term public rental subsidies as an incentive to enlist private developers to privately finance the construction of 500 units of supportive housing. It is critical that the rents for these units are legally restricted for low and very low income tenants. This model has been tested by the County of Los Angeles' Department of Health Services, among others, but not at a scale of hundreds of units.

STRATEGY 3: CONVENE A WORK GROUP TO STUDY SHARED SUPPORTIVE HOUSING FOR LOWER ACUITY INDIVIDUALS

Strategy three calls for a work group to establish core values and build a model for a shared supportive housing pilot at a scale that is meaningful enough to understand and address the challenges that will emerge. This strategy could be combined with strategies one and two of this report to integrate the learnings into either or both of those housing development pilots.

STRATEGY 4: CREATE A PRIVATE POOL OF LOW-RETURN RISK TOLERANT CAPITAL FUNDING THAT SUPPORTS SUPPORTIVE HOUSING CONSTRUCTION

Strategy four suggests that the philanthropic community of Los Angeles should consider creating a large revolving loan fund to support the creation and operation of permanently affordable (covenanted or otherwise restricted) supportive housing that does not rely on a dedicated public rental subsidy to operate sustainably over the life of the building.

STRATEGY 5: REVISE LOCAL POLICIES TO INCENTIVIZE THE USE OF PRIVATE DOLLARS FOR AFFORDABLE HOUSING CREATION

Strategy five proposes a public-private work group to identify how the modification of the density bonus affordable housing requirements and/or a business gross receipts tax credit for the creation of affordable and supportive housing could work and what the core goals of these new policies would be—with a focus on supporting the City's Prop. HHH goals of 10,000 units of supportive housing.

STRATEGY 6: EXPEDITE COORDINATED REVIEW & INSPECTION OF AFFORDABLE & SUPPORTIVE HOUSING

Strategy six recommends that the city expand and bring more transparency to its coordinated and interdepartmental strategy such as those outlined above to bolster the construction of supportive housing, leveraging the framework of Executive Directive No. 13.

Introduction

History

Since the launch of the United Way of Greater Los Angeles' Home For Good initiative in 2010, the Business Leaders Task Force has supported significant accomplishments in testing, streamlining, and refocusing the efforts to end homelessness across Los Angeles County. Significant milestones include:

Homeless Cost Study

In 2009, in collaboration with USC's Keck School of Medicine and Housing Works, the United Way initiated the "Homeless Cost Study." The study provided an in-depth comparison of the analysis of the costs of supporting a person living and not living in supportive housing. The Homeless Cost Study, which provided one of the first independent assessments of this topic, was an important piece in launching both the Business Leaders Task Force and Home For Good Initiative, United Way's community-based movement to end homelessness. The Task Force then worked to ensure public and media awareness that solutions are 43% cheaper than leaving our neighbors on the street.

Funders Collaborative

In 2010, Business Leaders Task Force members met with the Secretary of Housing and Urban Development to discuss funding partnerships between the City and County of Los Angeles, committing to launch a public/private funding opportunity within a year's time. The Funders Collaborative has since aligned more than $34 million in private investment and over $1 billion in public investment.

Standards of Excellence

In 2011, the Business Leaders Task Force helped steward the Standards of Excellence, which were a set of performance goals and quality standards for homeless outreach programs, engagement services, emergency/crisis/interim and supportive housing. More importantly, the Standards of Excellence helped create a framework for applying "Housing First" principles, which connects homeless individuals and families to permanent housing without preconditions and barriers to entry, and coordinated practices at the programmatic and system level.

Measure H Victory Celebration

Coordinated Entry System
The Task Force's Home For Good Action Plan first illustrated the concept of a streamlined housing delivery system and hosted the launch of the Coordinated Entry System (CES) expansion. This created more seamless connections among agencies, expanded participation in outreach and navigation efforts, and increased the speed and efficiency of service delivery and match to housing. CES is now the system standard across LA County and 25 major cities in the United States.

Proposition HHH and Measure H Victories
The Business Leaders Task Force, with dedicated leadership from the Los Angeles Area Chamber of Commerce, served as the foundation for the business community's broad support of Proposition HHH and Measure H. Task Force members and their partners commissioned private polls, mobilized advocacy, and raised financial support for the eventual passage of both measures. Most importantly, the Task Force ensured the inclusion of accountability measures, clear targets, and a focus on our most vulnerable homeless neighbors.


PATH Villas II Groundbreaking

Our Current Challenge

CREATING MORE SUPPORTIVE HOUSING FOR THE MOST VULNERABLE

PATH Villas II Construction

The "2018 Report on Homeless Housing Gaps in the County of Los Angeles," created by the Los Angeles Homeless Service Authority (LAHSA), estimates that we are short 21,275 supportive housing beds for single adults, and 1,386 supportive housing beds for families in the County of Los Angeles.

We strongly supported the City of Los Angeles' Proposition HHH and its 10,000 unit goal and are committed to achieving that goal.

According to the Los Angeles Times, City of Los Angeles officials project that 6,000 units could be built with HHH funds at the current rate of spending.[i] The number could rise to 7,500 units, if additional funds from the state's No Place Like Home program are released, which we anticipate in light of the passage of Proposition 2 on the November 2018 ballot.[ii]

To fulfill the 10,000-unit commitment made to voters—and close the supportive housing gap of 22,661 units beyond that—we must work collaboratively to identify innovative solutions to increase production and lower the cost of supportive housing. This report surveys existing efforts and proposes six new strategies, with the goal of testing ideas that could help us significantly increase the supply of supportive housing at a scale commensurate with our challenge—both achieving our Proposition HHH goal of 10,000 units and creating a road map to close our supportive housing gap entirely.

There is no doubt that the traditional tax-credit model is proven to work. By leveraging multiple funding sources and relying heavily on federally-sanctioned tax-credit equity, non-profit and private sector developers are able to piece together the capital they need to build a supportive housing building.

Thousands of units have been built using this traditional tax-credit development model, and we expect that production to continue. Supportive housing developers, however, would be the first to acknowledge that a consequence of leveraging a large number of funding sources with different requirements and different approval timelines results in two key challenges: increased **development** cost and **delayed timelines for delivery**. This section briefly looks at those two challenges to try to understand where, if possible, any new ideas to address these challenges can be tested.

Development Costs

There are two key components to the development of a supportive housing building: hard costs and soft costs.

- Two "hard costs"—materials and land—are high but not unreasonably higher than that which is experienced in for-profit development, according to conversations with real estate developers and analysts.
    - To the extent there are common needs across the buildings, developers have not yet been able to align purchase orders or design characteristics at a scale that is cost beneficial. In our conversations with knowledgeable outside observers, they regularly noted that each supportive housing building is almost wholly distinct from the others built, even though the tenant population served and requirements imposed are consistent.
    - Land costs will continue to remain high in Southern California. A core strategy that has emerged to address this challenge is to build on public land. While not "free," this does significantly reduce land costs for developers. The second strategy that has not yet been tested is to build smaller buildings on smaller pieces of land—those that are often less in-demand on the open market. Notably, this strategy does not lend itself to tax-credit financing due to the smaller scale of these deals.
    - Federal low income housing tax credits require all construction labor to be paid a "prevailing wage," which increases labor costs beyond what market rate developers often pay and triggers significant reporting and compliance requirements.
- By contrast, "soft costs"—financing, legal, entitlements and approvals—are out of balance with the for-profit housing market, according to conversations with local developers.
    - A key reason for this is the large number of funding sources that any one project must pull from, because each funding entity is trying to minimize their contributions in order to stretch their funding source further.
        - *An average supportive housing building can require funding from four to eight*

sources of funding, each with its own rules and timelines. The more complicated, the more it adds to the development cost.

- Complex and lengthy community engagement processes also contribute to building costs. In a business where the goal is to build the building as quickly as possible, community engagement and consensus building can stretch over many months, adding risk and uncertainty to the development timeline.

Construction Timeline

From conception to tenant move in, a supportive housing building takes between three to six years to bring online, depending on the land use approvals needed.

- Construction timeline has two key components:

1. Financing & approvals

   - A developer is responsible for assembling sufficient capital to build the building. Proposition HHH funding accounts for anywhere between 30%-50% of the cost of the building, with tax credits, county financing, and other grants and loans making up the rest. Each of these funding sources has its own set of requirements and approval timelines.

   - Both the State of California and the City of Los Angeles recently passed complementary expediting ordinances which essentially make supportive housing a type of building that you can secure a permit for "over the counter" wherever multi-family construction is allowed. The State's ordinance is modeled on the City's and thus they functionally will offer the same benefits to developers.

   - While each ordinance could reduce construction timeline between 12 and 24 months for an average building, the state's law goes in to effect on January 1, 2019 and the city's ordinance is currently being challenged in court, so neither is yet in effect and their ultimate impact is unknown.

     - A primary benefit of these two laws will be significant reductions in parking requirements which will result in the savings of hundreds of thousands of dollars for an average size development.

2. Construction

   - The universe of contractors who are willing to build supportive housing—and abide by the rules and regulations—is not large. The degree to which this scarcity of available contractors contributes to increased costs has not been studied, but it is well known to be a constraint.

   - There have been a handful of attempts to use alternate construction methods to build supportive housing, but these did not show significant cost or time savings largely due to their small scale and lack of coordination. Our survey of six developments at the end of this report looks at these factors in more detail. The most consistently discussed non-traditional construction method is "pre-fab" housing, known as "factory built housing" in the State's housing code. This model, which has been proven and is operating at scale in other countries, has risen to the top of methodologies to explore here in Los Angeles and is a focus of this report.

Factory Built Housing Challenges

The first strategy in this report calls for a pilot project to test factory built housing at a scale not previously attempted for supportive housing construction. There will be both technical and financing challenges that will need to be addressed in the design and execution of the pilot. They include but are not limited to:

Technical challenges:

- Developers may face unique challenges related to the materials and design. There is little flexibility because of manufacturing constraints, little margin for error in the manufacturing, transportation, and assembly process.
- There is not an established or tested process by which local inspectors can ensure compliance with building codes. Both the State (off-site construction) and City (on-site prep and assembly) have oversight roles. U.C. Berkeley's Terner Center suggests that if inspectors engage with factories directly and become more familiar with the standard, practices, and protocols of this construction method, regulation issues would ease over time.[iii]

Financing:

- Construction loans are typically paid out monthly through "draws," as the percentage of completion of construction on the site is inspected, but this won't work for manufacturing off-site. Financing for off-site construction is needed up front. Factories need capital before starting construction for overhead costs and materials, which comprise approximately 60% of the total cost of the module.[iv] Manufacturers expect an upfront payment of 50% of module costs at the time the order is placed. ZETA Factory in Sacramento ultimately went out of business after trying to accommodate a timeline and process closer to that of the traditional construction industry.
- The risks associated with factory built housing in an immature market are significantly higher than stick-built construction. A delay in any part of the process—on the developer or manufacturer side—can place the whole project in jeopardy.

Six Strategies for Consideration

In the context of the opportunities and challenges described above, and the research and case studies listed below, the following are six strategies that we believe deserve serious consideration and could each play a role—in some cases complementary roles—to achieving the Proposition HHH 10,000 unit goal, and beyond.

Strategy 1:

Pilot Housing Innovations with Public & Private Financing

The first strategy proposes to use existing local city and county public capital construction funds, as well as private financing—but likely not tax credit financing—to test innovative housing strategies through a limited production pilot project of 250-750 units. The pilot should be comprehensively analyzed and evaluated from beginning to end in order to determine the potential future scalability.

Two examples of promising approaches include: adaptive reuse of existing buildings and manufactured housing. As the survey in this report shows, factory built housing is not untested in L.A. County, but it has also not been built at a meaningful scale to the extent that its viability can be evaluated. Multiple factors have conspired against any attempt at scale including: high up-front costs, significant delivery and installation risk, and unproven time and cost savings. There is no reason to believe these conditions will change without a corresponding change in the financing structure or policy goals established by the public sector.

Recommendation:

A public-private manufactured housing pilot project that emphasizes construction time and cost savings, while remaining true to core supportive housing operational and programmatic lessons learned. We've consistently seen that an order of between 250 and 750 units is necessary to achieve the efficiencies of scale that result in cost and time savings and thus it is critical that any pilot structure addresses this need.

Strategy 2:

Pilot Privately Financed Housing Construction with Publicly Funded Rent Subsidy

The second strategy proposes to use long term public rental subsidies as an incentive to enlist private developers to privately finance the construction of 500 units of supportive housing. It is critical that the rents for these units are legally restricted for low and very low income tenants. This model has been tested by the County of Los Angeles' Department of Health Services, among others, but not at a scale of hundreds of units.

The most significant challenge associated with this strategy is the limited availability of rental subsidies. There are three well-established long-term rental subsidies available in L.A. County, detailed in the next section of this report. Each of these rental subsidy programs are in high demand and fall well short of serving the number of people experiencing homelessness in L.A. County. It is also true that people with rental vouchers struggle to find property owners who are willing to accept them. Offering up to 500 of these rental subsidies would test a housing production strategy that requires no public capital funding.

Recommendation:

We think a pilot project that makes 500 long-term vouchers available to the private developer market and challenges the private sector to build the housing without public capital financing, and with ambitious cost and construction timeline goals, could demonstrate tremendous value. The effect of this pilot could be to create a path forward for public investment in rental subsidy programs for the purposes of housing production.

Strategy 3:

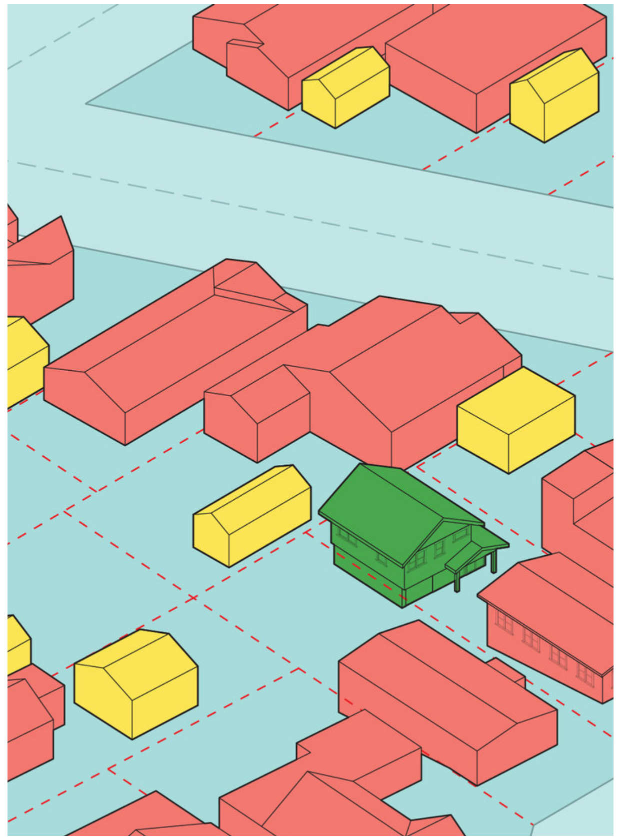
Convene a Work Group to Study Shared Supportive Housing for Lower Acuity Individuals

Shared housing, also known as co-living, is a proven model in many situations but has not been proven effective for supportive housing. To date, there have been few attempts to understand the practicality, effectiveness, and operational constraints around asking lower acuity individuals, or those who require less services and intervention, to live together.

A pilot in the shared supportive housing context for lower acuity individuals should focus on building the model for how shared housing is arranged and managed. There are likely lessons to be learned from the current "board and care" housing model. Because a person will lose their 'homeless' status when they are connected with permanent housing, it is important that the shared housing work group identifies solutions that provide significant flexibility so as to not jeopardize a person's permanent housing options.

Recommendation:

Strategy three calls for a work group to establish core values and build a model for a shared supportive housing pilot at a scale that is meaningful enough to understand and address the challenges that will emerge. This strategy could be combined with strategies one and two of this report to integrate the learnings into either or both of those housing development pilots.



Strategy 4:

Create a Private Pool of Low-Return Risk-Tolerant Capital Funding that Supports Supportive Housing

This report makes it clear that there are two key challenges with regard to increasing the supply of supportive housing: sufficient capital to build the buildings, and sufficient rental subsidies to operate the buildings.

A transformative strategy would address both: reduce or eliminate the need for public capital subsidy and reduce or eliminate the need for public operating subsides.

Through our research it has become clear that FlyAwayHomes, a startup supportive housing developer, has come closest to this transformative strategy. They are using private financing to develop supportive housing and, because of their shared housing model, can charge a rent that is low enough that many of their tenants can afford it with their own disability/SSI income alone. The challenge for FlyAwayHomes and similar models, like Genesis L.A., is access to affordable and risk-tolerant construction capital in quantities sufficient to build at scale.

Recommendation:

United Way of Greater Los Angeles is initiating conversations with our philanthropic partners on the creation of a large revolving loan fund modeled on the Chan-Zuckerberg Initiative's Housing Fund in the Bay Area to support the creation and operation of permanently affordable (covenanted or otherwise restricted) supportive housing that does not rely on a dedicated public rental subsidy to operate sustainably over the life of the building.

Strategy 5:

Revise Local Policies to Incentivize the Use of Private Dollars for Affordable Housing Creation

There are two components of this strategy: the first is allowing for creation of density bonus (SB1818) affordable housing requirements off-site, as opposed to on the site where the density bonus is being used. The second component of this strategy is a local "tax credit" program that reduces a business' City of Los Angeles gross receipts tax obligation based on that business' contributions towards the creation of affordable and supportive housing.

The State of California allows developers to enjoy a "density bonus" for their project if they build additional affordable housing units that are restricted to people with lower incomes. The state law allows these requirements to be built "off-site," unlike other incentive-style affordable housing requirements. This "off-siting" is not currently allowed per City of Los Angeles policy. We believe the value of these units—the cost that developers are paying to build these units—could be used to support the construction of supportive and affordable housing in the City of Los Angeles—and in other jurisdictions with a similar approach in the County of Los Angeles.

Recommendation:

Create a public-private work group to identify how the modification of the density bonus affordable housing requirements and/or a business gross receipts tax credit for the creation of affordable and supportive housing could work and what the core goals of these new policies would be—with a focus on supporting the City's Prop. HHH goals of 10,000 units of supportive housing.

Strategy 6:

Expedited Coordinated Review & Inspection

City Planning and Los Angeles Housing & Community Investment Department (HCID) have already established protocols for moving supportive housing projects to the front of the line for processing. However, other city departments critical to the development of supportive housing have not.

In the past, the city has initiated multi-departmental expedited processing in order to prioritize certain types of projects. One example is the Restaurant & Small Business Express Program (RSBEP) which helps facilitate the approval process for all restaurants and other small businesses such as retail shops.[v]

The goal of the RSBEP is to make the permitting and inspection process more efficient, enabling new businesses to open on time and on budget. The Program streamlines the approval process and provides assistance to business owners and their design and construction teams, enhancing the coordination in permitting, construction and inspection. The Case Management Network for RSBEP includes City Planning, Fire Department, Bureau of Sanitation, Public Health Department, Department of Water and Power, and the Department of Building and Safety. RSBEP could serve as an expediting framework for supportive

Skid Row Housing Trust's Six Four Nine Lofts

housing.

In 2015, Mayor Garcetti issued Executive Directive No. 13[vi] which calls on city departments to prioritize the processing and permitting of affordable housing projects that meet certain requirements. Because this framework is in place, we believe the Mayor's office should expand the scope and authority of the streamlining work happening pursuant to Executive Directive No. 13.

Recommendation:

We believe City Planning and HCID must continue to take active roles in supportive housing approvals, but that other departments such as Bureau of Engineering, Street Services and Department of Water and Power and the L.A. Fire Department must also be included. We recommend that the city expand and bring more transparency to its coordinated and interdepartmental strategy such as those outlined above to support the construction of supportive housing, leveraging the framework of Executive Directive No. 13.

Existing rental voucher programs in operation in Los Angeles County

The existing rental voucher programs available in L.A. County are a critical tool in the fight against homelessness. In most cases, both the County of Los Angeles and cities that operate their own housing authorities administer these programs.

The following survey is intended to provide more background as to the scope and scale of the three most significant existing rental subsidy programs in the context of the strategies proposed earlier in this report.

1. **Tenant and project based federal "Housing Choice Vouchers"**, both often referred to as "Section 8."

   a. Administered by both the County and local city housing authorities, this pool of vouchers has not expanded in many years. Instead, local agencies rely on "turnover" of existing vouchers as they become available. Local housing authorities have prioritized people experiencing homelessness for these housing vouchers. The federal government allows "tenant based" vouchers to be converted to "project based" vouchers, meaning the voucher becomes tied to a specific unit and not a specific person–this would be critical to the success of strategy two that is proposed in this report.

   b. According to the City of L.A.'s Housing Authority of Los Angeles' (HACLA) February 2018 Quarterly Update, HACLA averages about 2,400 voucher turnovers per year.

   c. Following the passage of Prop. HHH, 1,000 vouchers a year have been committed to assist the homeless through the construction program for the first 5 years.

   d. According to a February 2016 report prepared by the County of Los Angeles, 700-800 Housing Choice Vouchers turn over each year, and 50% of these newly available vouchers are prioritized for people experiencing homelessness.

2. **The HUD-VASH (Veterans Administration Supportive Housing) Program** brings together the Department of Housing and Urban Development (HUD) Housing Choice Voucher (HCV) rental assistance for homeless veterans and their families with case management and clinical services provided by the Department of Veterans Affairs (VA) at its medical centers and in the community. These vouchers can be both project and tenant based.

   a. The County and City of Los Angeles, combined, received 612 of the 4,077 HUD-VASH vouchers allocated in October 2018.

3. The County of Los Angeles' Department of Health Services operates the **"Flexible Housing Subsidy Pool (FHSP)."** Launched in 2014, the FHSP is a supportive housing rental subsidy program initially operated with funds

from the Los Angeles County Department of Health Services (DHS) ($13 million), along with other governmental partners, the Conrad N. Hilton Foundation ($4 million), and Supervisor Mark Ridley-Thomas ($1 million in discretionary funds). L.A. Care Health Plan announced in 2017 that it would be making a commitment of $20 million to the FHSP fund, payable over five years. The goal of the FHSP is to secure quality affordable housing for DHS patients who are homeless. The program partners are (1) County Department of Health Services, (2) Brilliant Corners, (3) community based intensive case management service (ICMS) providers, and (4) private market landlords in Los Angeles County.

a. From 2014 and 2017, over $40 million has been invested in the FHSP and 1,400 individuals have secured supportive housing. The program is envisioned to support at least 2,400 individuals.

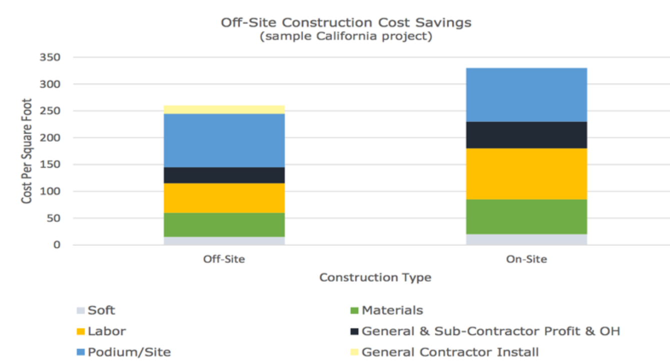
Brief survey of "factory built housing" that has been tested, or is being tested, in California

A common answer to the consistent challenges of cost and construction time is to suggest that pre-fabricated housing or, as it is defined in the State code "factory-built housing" or "FBH," might be the solution to both of the core challenges that have emerged. The methodology can reduce hard costs, many argue, because of its efficiencies of scale. And the methodology can reduce soft costs because of its cheaper per unit cost and thus need for less construction financing. The following is a brief outline of the concept and six case studies.

Concept: Modular or Factory-Built Housing (FBH)

As defined by state law, "Factory-Built Housing is a residential building, dwelling unit, individual dwelling room, or combination of rooms, or building components, assembly, or system manufactured so that all concealed parts or processes of manufacturing cannot be inspected before installation."[vii] According to UC Berkeley's Terner Center, evidence suggests that off-site construction, as it is currently practiced, can save up to 20% on the cost of construction for a three to four story wood frame multifamily apartment building by reducing labor time and costs, procurement savings, and economies of scale in material use.[viii]

Figure 2: Comparison of construction costs by development type.[8] [ix]



Case Studies:

PUBLICLY FINANCED FACTORY BUILT HOUSING

ORANGE COUNTY - POTTER'S LANE

DEVELOPER: AMERICAN FAMILY HOUSING
COST:
- $6.3 MILLION (FEDERAL, STATE, AND LOCAL DOLLARS AS WELL AS PHILANTHROPIC DONATIONS)
- $118,750 - $393,740/UNIT [xi]

CONSTRUCTION TIMELINE: 5 MONTHS
COMPLETED: 2017
UNITS: 15
TYPE: SHIPPING CONTAINERS
FUNDING: PUBLIC

American Family Housing built a two-story supportive housing apartment complex out of 54 recycled shipping containers, on a vacant lot in Midway City.[xii] The complex, which opened in February 2017, offers 16 units, about 480sqft, to house 15 homeless veterans (16th unit serves as case manager's office).

Each unit was assembled from three containers, which were "prefabricated in a factory in Elysian Valley and delivered to the site by GrowthPoint, a company that recycles containers primarily for school buildings."[xiii]

LOS ANGELES - STAR APARTMENTS

DEVELOPER: SKID ROW HOUSING TRUST
COST:
- $40 MILLION [xiv] INCLUDING ACQUISITION OF THE EXISTING BUILDING (CONSTRUCTION COST: $20.5 MILLION); ESTIMATED PER UNIT COST- $392,157.)

YEAR COMPLETED: 2013
UNITS: 102 (6 STORIES)
FUNDING: PUBLIC

The complex is CA's first multi-unit manufactured housing complex since the mid-20th century.[xv] The prefabricated units were lowered into place by a crane on top of an existing 1-story retail building.[xvi] According to the architect, "faced with a limited budget and tight schedule the design team determined that prefabricated modules lifted into place over the existing podium would help provide a higher quality of construction, meet tighter construction tolerances, accelerate construction time, and accomplish the project's ambitious sustainability goals."[xvii]

SAN JOSE - SECOND STREET STUDIOS

DEVELOPER: FIRST COMMUNITY HOUSING
COST:
- $55 MILLION[xviii] (EST. PER UNIT COSTS: $395,000)

COMPLETION: ESTIMATED IN 2018
UNITS: 135 UNITS COMPRISED OF 6 1BR APTS, 128 STUDIOS (450 SQ-FT) AND ONE 2BR FOR MANAGER
FUNDING: PUBLIC

In July of 2016, the City of San Jose approved up to $8 million for this project.[xix] All units have Project Based Vouchers and are spread across 4 stories above 9,000 sq-ft of commercial space. The modular units will be manufactured in Guerdon's 125,000 sq-ft Boise, Idaho production facility.[xx]

PRE-DEVELOPMENT - SAN FRANCISCO

SAN FRANCISCO IS CONSIDERING 3 FBH HOUSING PROJECTS:[xxi]

LOCATION: 1064-1069 MISSION ST.
UNITS: 250 (SENIORS)
FUNDING: PUBLIC

LOCATION: TREASURE ISLAND
UNITS: 131 (VETERANS)

LOCATION: MISSION BAY
UNITS: 120

Newly inaugurated San Francisco Mayor London Breed is exploring a $50 million general obligation bond to build modular homeless housing. The funds would be matched with private funds to build 600 units using local labor. Breed is also working with building trades groups to establish a modular factory within city limits rather than hire Factory OS in Vallejo.[xxii] Phase one entails hiring an experienced consultant to convene a series of meetings with city staff and labor to discuss the construction and long-term operation of a modular housing manufacturing plant. Phase two consists of developing a business plan and recommendations due by the end of 2018.[xxiii]

In 2017 the federal government sold a parking lot on Seventh and Mission streets to the City of San Francisco for $1, with the caveat that the lot be developed for housing the homeless within three years.[xxiv] Given that "speedy" developments in the city often take four years to complete, SF is looking to build 250 units using modular construction to expedite the project.

The City estimates that modular construction will cut costs by 20% and speed up construction by 30 to 40%.[xxv] Using conventional methods, a similar-sized project would take 18 months to entitle and permit and an additional 18 to 20 months to construct.[xxvi] The city believes modular construction can shorten the timeline down to one year.

Case Studies:

PRIVATELY FINANCED FACTORY BUILT HOUSING

LOS ANGELES - HOPE ON ALVARADO

DEVELOPER: AEDIS REAL ESTATE GROUP
ARCHITECT: KTGY ARCHITECTURE & PLANNING
COMPLETION: EXPECTED IN 2018
TYPE: SHIPPING CONTAINERS
FUNDING: PRIVATE, WITH PUBLIC SUBSIDIES FROM THE L.A. COUNTY DEPARTMENT OF HEALTH SERVICES "FLEXIBLE HOUSING SUBSIDY POOL"
UNIT PLAN SIZES: 400-480 SQ. FT.
NUMBER OF UNITS: 84

Aedis Real Estate Group (the developer) partnered with Los Angeles County Department of Health Services to create Hope on Alvarado.[xxvii] It's one of the first to be approved under Los Angeles City Planning Department's new Transit Oriented Community Guidelines.[xxviii]

The project broke ground in July 2018 and will provide 84 units (studios and one-bedrooms) of transitional housing each roughly 400-480 sq. ft. The four-story complex will provide supportive services on the ground floor and bike parking for tenants.

Rather than convert existing containers into residential units with drywall, windows, plumbing, and insulation, the architects realized it would be cheaper and less time-consuming to make these adjustments during the manufacturing process.[xxix] "We're working with manufacturers and converting the containers into residential units right in the middle of the manufacturing process," Keith Labus, the head architect, said. "It's more efficient and it can be done much faster, so we can deliver more units quicker." Off-site construction includes installation of fixtures and final touches, so that once the foundation is laid the assembled containers can be stacked with a crane.[xxx]

The remodeled units are pre-approved as zoning compliant at the state level before being stacked. Total construction process is estimated to take about six months.[xxxii]

KTGY is working on similar complexes in other parts of the city.[xxxiii]

SOUTH L.A. - FLYAWAYHOMES

DEVELOPER: FLYAWAYHOMES
COST: $3.6 MILLION/$109,000 PER PERSON, $218,000 PER UNIT
COMPLETION:
TYPE: SHIPPING CONTAINERS
FUNDING: PRIVATE, SOCIAL IMPACT EQUITY MODEL, WITH PUBLIC RENTAL SUBSIDIES IN THE FORM TENANT-BASED VOUCHERS
NUMBER OF UNITS: 8 FOUR-BEDROOM UNITS AND 1 ONE-BEDROOM MANAGER'S UNIT WILL HOUSE 33 PEOPLE (32 CLIENTS) USING SHARED HOUSING MODEL

The building will operate under a master lease to People Co, LLC, an affiliated entity of the People Concern, for 10 years with two 10 year options. The People Concern provides all furnishings and support services and Bella Vista Property Management will manage the property.

Tenants pay $550 in rent, including utilities, to People Co, LLC. Thirteen of the tenants will pay the $550 in rent through their Social Security disability and 20 of the bedrooms are being funded at about $800 per unit by an additional $250 subsidy from the Housing for Health's Brilliant Corners project.[xxxiv]

"In order to scale its operations, FlyAwayHomes will borrow funds for construction through a line of credit with its lender," the organization explains. "Completed projects will then be transferred to an affiliated LLC, which will operate them and pass on the stream of cash flows to the investor." Initial annual return to investors is expected to be 5%, and are projected to grow to nearly 6% over 10 years with COLA adjustments. Projected IRR after 10 years is 8.5%. The company plans to sell the property after 10 years.

FlyawayHomes recently closed escrow on a second property near 88th Street and Vermont Ave. This property will offer 16 two bedroom units (shared) and cost $135,000 per person– approximately $270,000 per unit. The complex will comprise 55 20'x8' modules.

END NOTES

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