



## City Council Report

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**File ID:** 2018-01622

January 22, 2019

**Discussion Item 29**

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**Title: Summary of Proposals Received in Response to Permanent Homeless Housing Request for Information**

**Location:** Citywide

**Recommendation:** Receive and file.

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**Presenter:** Tyrone Roderick Williams, Director of Development, (916) 440-1316, Sacramento Housing and Redevelopment Agency; Michael Jasso, Assistant City Manager, (916) 808-1380, City of Sacramento Office of the City Manager

**Attachments:**

1-Description/Analysis

2-Summary of Proposals Received.

## Description/Analysis

**Issue Detail:** On any given night in Sacramento County, it is estimated that approximately 3,665 individuals experience homelessness. Over one half of these people are unsheltered. Over the past years, homelessness in Sacramento has increased by over 37 percent and unsheltered homelessness has more than doubled. The very real human and community crisis of homelessness necessitates an urgent and focused response that looks beyond the typical homeless system of care and challenges the community at large to bring new and innovative solutions to help address homelessness.

As part of these efforts, the Sacramento Housing and Redevelopment Agency (SHRA), in conjunction with the City of Sacramento, released a Request for Information (RFI) on February 22, 2018 for innovative ideas and proposals to create permanent housing units to serve people experiencing homelessness. The RFI outlined the City's goal to produce at least 1,000 efficiency housing units for people experiencing homelessness over the next two years. The RFI also discussed potential complementary resources including Project Based Vouchers and a donation of City and SHRA owned land. On March 1, 2018, SHRA held a Pre-Proposal Meeting to provide further information and answer questions from interested parties.

This report provides an overview of the proposals received and some potential next steps to develop the most compelling ideas submitted.

A total of nine proposals were received by the March 29, 2018 deadline (see Attachment 2). Applicants included architects, manufacturers, religious organizations, non-profit organizations, along with local affordable housing developers and service providers. Of the nine proposals, three discussed limited stay models of homeless housing with communal bathroom and kitchen/dining facilities. Four applicants proposals stated residents would not be required to limit their stay, however, after review, staff believes these models would also be limited stay in nature. Many of these concepts also had communal bathroom and kitchen-dining areas, while others containing units with individual bathrooms and kitchens/kitchenettes. Finally, two proposals discussed the need for more traditional construction, permanent supportive housing developments utilizing tax credits and project based vouchers.

The six most interesting and responsive proposals were selected for meetings with the City and SHRA as a second step in the RFI process. Those invited discussed in further detail their concepts, next steps for implementation, site selection, and need for public subsidy or other support.

Applicants presented a diverse array of construction types and innovative thinking

Below is a summary of information submitted by the nine submissions. Proposals varied in the level of information provided: a number included per unit construction costs, but many did not describe the operational, community facilities, or other elements that would be necessary for the proposed development. The information and costs outlined below have not been verified by staff and are solely an overview of the information submitted by applicants.

### **Limited Stay Housing Proposals**

Though the RFI requested information regarding permanent homeless housing proposals, a number of applications were limited stay models of homeless housing.

The three limited stay housing proposals included models that proposed prefabricated manufactured units. BSB Design and First Step Communities recommended “sleeping cabins” with shared community facilities including restrooms, showers, kitchen, dining, and laundry. The E49 proposal was for tiny homes built on wheels with a Resource Center providing services, restrooms, shower, and laundry. Though the E49 concept does not place a limit on the length of stay of residents, the nature of its design is more temporary than permanent.

#### *Housing Units*

The limited stay proposals submitted did not discuss Project Based Vouchers. The costs per unit construction/installation that were provided varied greatly and most were very rough estimates, ranging from \$7,500 for a sleeping cabin (First Step Communities) to \$10,000 per unit for those on wheels (E49 Corp) utilizing volunteer labor. BSB Design did not provide any costs associated with implementing their concept.

<b>Applicant</b>	<b>Construction Cost per Unit</b>
BSB Design	Not provided*
E49 Corp	\$10,000*
First Step Communities	\$7,500*

\*Without Baths/Kitchens

#### *Site/Facilities*

Each of the limited stay proposals included communal restroom, shower, and kitchen facilities for which there would be additional costs. The E49 Corp proposal estimated an approximate cost of \$100,000 for rehabilitating existing buildings to provide a communal resource center at the church site they have identified. The First Step Communities’ proposal identified a cost of \$1,150,000 for site improvements and \$1,200,000 for construction of the community center. This proposal also identified pre-development costs in the amount of \$253,000.

### *Operations*

Operating budgets submitted were not assessed by staff for either accuracy or staffing expertise. The proposal from First Step Communities projected a first-year annual operating cost of \$1,354,000. E49 Corp did not specify an annual operating cost, though they did indicate in their meeting with SHRA and the City that they would not require public subsidy to finance the operational expenses as those are primarily provided by churches. The E49 Corp proposal also identified an approximate one-time cost of \$100,000 to get the concept's social enterprises up and running.

Concepts ranged from 15-unit tiny home villages to 75 sleeping cabins for 100 residents. Two of the limited stay proposals contemplated using City-owned land for the development of their homeless housing concepts. The proposals from BSB Design and E49 will likely require additional operational and service provider partners to be identified.

### **Limited to Extended Stay Housing Proposals**

Four applicants submitted proposed for more extended stay homeless housing; however, after review, these models are likely to be limited stay in nature. The four set forth designs that utilized shipping containers or modular structures as the base of the construction type. The proposals contemplated using City-owned land for the development of their housing concepts.

The container/modular concepts were set forth by Vrilakas Groen Architects, Resilient Housing Solutions, Valley Home Development, and MSL & Company. The Vrilakas Groen Architects, Resilient Housing Solutions, and Valley Home Development proposals all discussed the need to identify and work with local development and services provider partners. The Vrilakas Groen Architects concept indicated the ability to relocate the entire development to a different site after a predetermined time period. The proposal from MSL & Company was for a co-housing or shared living concept in which multiple beds are contained in the same room.

### *Housing Units*

The three modular or container-based construction models provided a range of cost per unit. Estimates ranged from \$15,000 per unit (MSL & Company) to \$70,000 per unit (Resilient Housing Solutions) depending on site and utility-specific requirements.

<b>Applicant</b>	<b>Construction Cost per Unit</b>
MSL & Company (shared housing)	\$15,000*
Resilient Housing Solutions	\$70,000
Valley Home Development	\$66,311
Vrilakas Groen Architects	\$28,799*

\*Without individual Baths/Kitchens

*Site/Facilities*

MSL & Company’s proposal indicated an additional site preparation cost of approximately \$45,000 per unit. The Vrillakas Groen Architects proposal included costs for site work and communal facilities in their \$28,799 per unit cost. These figures assume communal bathroom facilities. If individual bathrooms and kitchens were provided, this cost would likely increase.

*Operations*

Operating budgets submitted were not assessed by staff for either accuracy or staffing expertise. MSL & Company identified a one-time expense of \$14,300 related to operations. The proposal also indicated an ability to finance the construction and operation of their proposal without public subsidy, relying instead on alternate sources of financing such as private fundraising. The remaining modular/container-based proposals did not identify operating expenses, and indicated a need to be connected with operational and service provider partners. Valley Home Development and MSL’s proposals discussed Project Based Vouchers as part of their proposals.

**Permanent Supportive Housing Proposals**

The remaining two proposals were of a more standard construction, providing permanent supportive housing, utilizing tax credits and project based vouchers.

The proposal from Flexible PSH Solutions, Inc. & Integral Development, LLC was for a micro-community or pod concept, providing small communities with the larger community with each served by a social worker. Another proposal was from a group of affordable housing and services providers in the Sacramento area, consisting of Mercy Housing, Mutual Housing, Jamboree, TLCS, PATH Ventures, and WellSpace Health, which followed the standard construction type these developers usually provide.

*Housing Units*

The Flexible PSH Solutions, Inc. & Integral Development, LLC proposal provided a cost per unit of \$150,000. Both standard construction type proposals discussed Project Based Vouchers as necessary to their concept.

<b>Applicant</b>	<b>Construction Cost per Unit (With Baths/Kitchens + Community Room)</b>
Mercy, Mutual, Jamboree, TLCS, PATH, WellSpace	Not provided
Flexible PSH Solutions, Inc. & Integral Development, LLC	\$150,000

### *Site/Facilities*

The Flexible PSH Solutions, Inc. & Integral Development, LLC proposal identified a cost of approximately \$3,850,000 for site work, landscaping, and parking. No information was provided by the local affordable housing developers and services providers.

### *Operations*

Operating budgets submitted were not assessed by staff for either accuracy or staffing expertise. Operating costs identified by Flexible PSH Solutions, Inc. & Integral Development, LLC were \$838,000 for services per year. No information was provided by the local affordable housing developers and services providers.

SHRA staff had follow-up meetings and communications with Flexible PSH Solutions. Additional information submitted states land donation and up to \$12.2 million in gap financing is needed to develop 106 units. According to the proposal, approximately half for the gap financing can come from state competitive funding sources, leaving the City to fund the remainder. After very preliminary review, the proposal does not appear to be either faster or less expensive than other traditional affordable housing developments using mortgage revenue bonds and/or tax credits.

### **Conclusions**

Both the limited and extended stay housing proposals identified issues to development and completion of their proposals. These included challenges such as predevelopment costs, providing infrastructure, community outreach, the approval process, and conditional use permitting. Funding and availability of resources were frequently identified as challenges to successful implementation. Non-developer applicants indicated that a necessary next step would be to partner with developer/owners and service providers to implement their proposal.

None of the limited or extended stay proposals would likely be eligible for or utilize Project Based Vouchers in the immediate future or be able to deliver the 1,000 units in the next two years as detailed in the RFI, but the provision of land could be helpful.

The proposals reveal that there is significant interest in and creative thinking by a variety of stakeholders, including architects, service providers, and developers, keen on addressing homelessness. There are a number of new construction technologies emerging on the market that have the potential to provide housing opportunities less expensively than traditional housing. Ultimately, the need for funding continues to be the significant issue in providing housing for the homeless.

## **Supplemental Analysis**

Following meetings with selected applicant teams, the proposals submitted by E49 Corp, MSL & Company, and Vrillakas Groen Architects were identified as the three concepts that warranted further dialogue. These concepts each presented different levels of readiness and need, which are further detailed below. Please note, discussions focused on planning and permitting issues. Staff did not analysis staffing expertise, construction or operating budgets.

### **E49 Corp (Transitional or Temporary Housing)**

The proposal submitted by E49 Corp was one of the few concepts already being implemented. Five formerly homeless individuals have already been housed at a church site in Del Paso Heights. This concept has access to financing via private donations, as well as the built-in services component provided by the church community. The applicant team indicated that the City could assist in overcoming building codes issues for their model. In addition, its structure does not allow for implementation at the scale or speed the RFI requested.

To advance the E49 Corp concept, City and SHRA staff met with the staff from the State of California Department of Housing and Community Development (HCD) to understand the limitations of the State building codes related to the installation of these types of mobile tiny homes. Unfortunately, there are a number of barriers to advancing this concept. Under state law, tiny homes on wheels are considered recreational vehicles. As currently proposed, recreational vehicles must be built to code with a DMV license. In addition, non-City owned, maintained and operated recreational vehicle parks or camping cabins are subject to the Special Occupancy Park Act (Act), which requires a permit from HCD and permanent occupancy is not permitted. This is a challenge for the current proposal because of the site improvements that would be required under the Act, such as accessible paths of travel, and additional bathroom and kitchen facilities.

In addition, the proposal does not currently fit in the City of Sacramento specific use zoning category as temporary residential shelters require a conditional use permit. The zoning code could be amended to allow for camping cabins or other temporary structures as a permitted or conditionally permitted use during a shelter crisis.

### **MSL & Company (Permanent Shared Housing)**

The proposal submitted by MSL & Company is a shared housing or co-living model. The applicant indicated the only resource that would be required from the City or SHRA was land. As such, it was determined that the concept warranted further discussion and consideration.

As a next step for advancing the MSL & Company proposal, the City's Homeless Services Coordinator and SHRA staff visited their Los Angeles development. That project housed 80

individuals and utilized a cross-subsidized approach, partnering with local churches, hospitals, and service providers. Services are paid for through tenant paid program fees and services cater to those in recovery. The requirement of income as condition of tenancy may be challenging for some homeless populations. In addition, it should be noted that this co-housing model does not work with certain homeless populations.

#### Vrilakas Groen Architects (Permanent Housing)

The proposal submitted by Vrilakas Groen Architects utilizes recycled shipping containers to create small clusters of dwellings around shared outdoor space. A common house provides shared cooking, laundry, management, and services facilities. The concept is flexible in that the units can be expanded to include bathroom and kitchen facilities, or smaller units can be provided with communal bathroom and kitchen facilities. This concept would require the identification of development, operational, and service provider partners, as well as public subsidy. The operational cost of for this concept has not been fully developed.

SHRA staff scheduled follow-up meetings with Mr. Vrilakas to discuss his proposal. To date no service or operational partners have been identified. In addition, SHRA and City staff met to discuss planning and zoning issues related to this concept. Mr. Vrilakas' proposal could be allowed with a conditional use permit as a Residential Hotel in multi-unit and commercial zones, or as a temporary residential shelter in residential zones. As a permanent development, building code challenges include accessibility requirements, fire sprinklers, and electrical outlets which will increase the cost.

#### Next Steps in Homeless Housing Discussion

Since receiving the proposals, staff has spent months scheduling follow-up meetings, visiting sites, and inspecting various modular units. As mentioned previously, the RFI asked for permanent housing proposals, and a majority of the responses received were limited stay in nature. Additionally, many of the proposals were for temporary structures which cannot be built and occupied without an ongoing shelter crisis declaration, or would be subject to State review under the Special Occupancy Parks Act. A discussion should take place to determine if these proposals that are more temporary in nature meet the City's needs.

The respondents all have the following common needs which require additional policy discussions and recommendations:

1. Land: All proposals expressed interest in obtaining publicly owned land, especially at reduced or no cost. Further policy discussion regarding the disposition of City owned land is recommended.

2. **Construction:** A majority of the proposals received expressed the need for financing for either construction costs or container/modular acquisition costs. While traditional affordable housing developers are eligible for tax credit financing, the cost for non-traditional projects will likely need to be borne by the City or another funding source yet to be identified. Beyond the cost of construction or of the modular units, funds will also be needed for infrastructure improvements such as sewer, water, electricity, and ADA accessible walkways. In some cases, California Building Code and City zoning issues must also be addressed prior to project approval. It should also be noted that, due to the recent fires in California, modular units are in short supply with long wait times to receive them.
3. **Operating Costs:** A majority of proposals indicated that an operating subsidy would be needed. Most permanent supporting housing developments receive ongoing operating subsidies through capitalized operating reserves funded through tax credits and State programs. However, the operations of a non-traditional development would need to be borne annually by the City or by another funding source yet to be identified.

**Policy Considerations:** This item is informational only and no action is recommended.

**Economic Impacts:** None.

**Environmental Considerations:** There are no actions being taken and therefore review under the California Environmental Quality Act and the National Environmental Policy Act is not required.

**Sustainability Considerations:** Not applicable.

**Rationale for Recommendation:** This item is informational only and no action is recommended.

**Financial Considerations:** Not applicable.

**LBE - M/WBE and Section 3 requirements:** Not applicable.

## **Proposals Received**

### **RFI Permanent Homeless Housing**

#### Temporary / Transitional Proposals

##### **BSB Design**

Firm specializing in the planning and design of residential housing and communities. The firm's proposal is for a 50-unit community including two public buildings, one with toilet and bathing facilities and the other with meeting and dining facilities. The proposal indicates meals are to be catered and no on-site meal preparation equipment is provided. Individual unit concepts would be 8' x 12' sleeping cabins without bathroom or kitchen facilities. The proposal sets forth alternate designs that include bathrooms and kitchens. No financial information was submitted.

##### **E49 Corp**

A faith-based 501(c)(3) organization that unites churches around long-term solutions to social issues. The team's proposal is for tiny home villages consisting of 20 to 50 tiny homes on underutilized church land. The proposal for 128 square foot tiny homes built on wheels is already being implemented. The church sites provide Resource Centers with services, bathrooms, showers, and laundry facilities. The concept also includes "Maker Villages" that train residents in entrepreneurship. The operation is self-sustaining and funds and construction are completed via private donation of funds and volunteer labor.

##### **First Step Communities**

A 501(c)(3) organization created to develop and implement a model interim housing community utilizing tiny homes as energy efficient sleeping cabins to maximize cost effectiveness. The organization's proposal is for two parcels of housing: one of 75 transitional sleeping cabins sleeping 100 residents, and the other of 120 more permanent efficiency homes. The proposal is for an energy efficient sleeping cabin that is mobile and modular. The proposal indicates barriers to implementation that include pre-development costs and waiving certain requirements. It identifies a per unit cost of \$7,500, \$1,150,000 for site improvements, \$1,200,000 for community center construction, and a first year annual operating cost of \$1,354,000.

#### Permanent Proposals

##### **Flexible PSH Solutions, Inc. & Integral Development, LLC**

A newly formed non-profit whose purpose is to provide capacity for private sector developers to establish public-private partnerships to develop permanent supportive housing. Integral Development, LLC is a real estate development and investment management company. The Flexible and Integral proposal is for a community of micro-communities or pods containing a total of 200 to 300 units. The proposed pods would provide small communities of 15 units within the community, each served by one social worker. The proposal identifies John Stewart Company as the property manager and Cottage Housing as the services provider. It identifies costs of \$150,000 per unit, \$3,850,000 for site work, landscaping, and parking, and \$838,000 for services annually.

##### **Mercy Housing, Mutual Housing, Jamboree, TLCS, PATH Ventures, WellSpace Health**

Mercy Housing, Mutual Housing, and Jamboree are non-profit affordable housing developers in the Sacramento area. TLCS, PATH Ventures, and WellSpace Health are permanent supportive housing and comprehensive homeless service providers. This group proposal requested 1,000 vouchers and 1,000 clients' worth of services be made available through a Request for

Qualifications rather than just for specific project proposals. The proposal indicated the development concepts would be opportunistic and strategic, discussing motels, land, and other underutilized buildings suitable for conversion. The proposals would range from 50 to 150 units depending on site, neighborhood, and financing structure. This proposal also discussed other sources of funding including the No Place Like Home program and the Mental Health Services Act funding. No financial information was submitted.

### **MSL & Company (Shared Housing)**

A team comprised of individuals with experience in affordable housing development, public finance, land use and real estate economics, construction, and community engagement. The team's proposal includes two housing types: one is a permanent supportive co-living model, and the other is a tiny home supportive homeless housing model. Together the concepts could house and serve between 60 and 100 individuals. The co-living proposal would include double bunk or 4 to 8 beds, with shared bathrooms and kitchens. The applicant indicated this model was already being implemented and operated at a development in Los Angeles. The second type proposal is for 8' x 20' tiny homes with kitchenettes and bathroom that could include 2 to 4 beds and shared community space. The proposal identified costs of \$45,000 per unit, and a one-time operation expense of \$14,300.

### **Resilient Housing Solutions**

A consortium of project managers, planners, architects, manufacturers, and service providers based in Brooklyn, New York. The Resilient Housing Solutions proposal includes a modular design with two prototypical units. The first is an efficiency unit, or studio, that is 12' x 30'. The second unit type is a one-bedroom of 12' x 40' that could accommodate up to 4 people. The proposal indicated the potential for add-ons to be attached, accommodating an additional 4 people. The proposal indicated that partners for services, development, and operation would need to be identified. The proposal identified a per unit cost of \$70,000.

### **Valley Home Development**

A provider of accessory dwelling units and recently opened their own factory to build and deliver their designs. The proposal is for efficiency units of 158 square feet that are accessible and include bathrooms and kitchenettes. The proposal utilizes pre-fabricated units that can be configured to fit in any level building site. The proposal discusses the need for vouchers to implement the concept. The proposal also discusses the need to identify and work with partners to provide infrastructure and services. It identified a per unit cost of \$66,211.

### **Vrilakas Groen Architects**

An architecture firm in Sacramento. The Vrilakas Groen proposal is for a 104 unit community that utilizes re-used shipping containers. The proposal includes small clusters of 12 dwellings around a shared outdoor space to form neighborhood units. The community design also includes a Common House that would provide kitchen, laundry, and services facilities. The proposal is flexible in that the units could be reconfigured to accommodate individual bathroom and kitchen facilities. This would reduce the proposed number of units to approximately half. The current design, without individual bathrooms or kitchens, provides units of 80 square feet in size. The proposal indicates the need to identify management and operating entities to partner with. The proposal identified a per unit cost of \$28,799.