

MEMORANDUM

TO: Bay Area Regional Steering Committee on Homelessness and Housing

FROM: HomeBase

RE: Creative Approaches to Housing

DATE: January 21, 2005

Creative approaches to affordable housing can produce less costly alternatives without sacrificing quality or having an adverse impact on the surrounding community. Two approaches to affordable housing are discussed below; the first looks at how homes are constructed and the second looks at where homes are constructed. The first section looks into modern manufactured housing. New manufactured homes no longer fit the “trailer park” stereotype, but instead are now nearly indistinguishable from site-built homes in quality, amenities offered, and size. The second part of the memo looks into where homes are built. This section addresses the concern that so many people are still without housing and yet at the same time there is so much vacant property in areas ideal for housing. Examined below are the obstacles to what seems a simple solution of matching those without housing with empty buildings that can provide housing.

Manufactured Housing

Manufactured homes are ideal for affordable housing projects as they offer many types of cost savings over site-built homes. Pre-fabricated and pieced together on privately held land, manufactured homes are generally 20%–30% less expensive to build than site-built homes. Construction costs are significantly lower as these homes are constructed from start to finish in days as opposed to months.

Along with lower costs, manufactured homes are also appealing because of improved quality and design. Manufactured homes today are of a higher quality than earlier models. Harvard’s Joint Study for Housing Studies places the life expectancy of a manufactured home to 30 – 40 years or as long as a site-built home. In contrast, manufactured homes built before HUD regulations (1976) had a life expectancy of 10 years. Modern manufactured homes also offer just about every amenity that a traditional site-built home offers such as a variety of styles, customized appliances, addition of a garage, and many other options. New homes are also larger, have multiple sections, and multiple floors. Below are some successful manufacturing home developments and a description of how they were implemented.

Haley Ranch Estates – Poway, California

The City of Poway faced the dilemma of the need for affordable housing on the one hand and the demands for commercial development on the other. To meet both needs, the city reached an agreement with a local developer to build 65 units of affordable housing as well as create new office space. Under the agreement, the city agreed to maintain all the homes and rent them to

income-qualifying families. The developer agreed to set aside 20% of the revenue generated by the commercial space for the acquisition and maintenance of the housing.

The developers worked with Fleetwood Homes, one of the largest manufactured home builders in the country, on house designs and specifications. Fleetwood offered a variety of floor plans, provided for garages, and offered a custom finished look. The homes in Haley Ranch were designed to resemble single-family suburban homes (1,129 to 1,232 square feet) and to be compatible with the surrounding neighborhood.

Fleetwood also met the city's time limitations of delivering all 65 homes within 12 weeks. After delivery, the homes were installed on prepared foundations in one day. The speed of construction resulted in significant savings. The homes were produced in Fleetwood's factory for \$26 per square foot, including sales tax and destination charges. On-site additions such as the foundation, garage and porch, utility connections, roofing and landscaping cost an additional \$15.85 per square foot, bringing the total cost to \$41.85 per square foot.

Chestnut Manor – Oakland, CA

The City of Oakland through its Community and Economic Development Agency worked with the California Manufactured Housing Institute in search of ways to turn vacant lots into affordable inner city housing. The Chestnut Manor project combined manufactured housing with infilling vacant lands near city centers.

The development team worked with Fleetwood in designing two-story "Chestnut Manor" homes. A "Chestnut Manor" home consists of two stories, two and one half baths, over 2000 square feet of living space, a detached garage, and is installed on a permanent foundation. The homes were manufactured offsite with concurrent on-site preparation consisting of grading, excavation, and laying the foundation. The bifurcated process allowed quicker completion and reduced carrying costs. Homes were installed and secured in one day. The speed of construction also reduced opportunities for theft and vandalism.

The focus on speed reduced costs and made the development more affordable. In total it took 62 days to go from a vacant lot to home ownership. The homes cost \$53 per square foot (not including land). On-site construction including foundation and grading brought the total cost to \$107 per square foot. The homes sold for \$270,000 in December 2002.

Financing for the project was provided by the California Manufactured Housing Institute and its charitable foundation. The lot was donated by the City of Oakland with the provision that the finished home was to be sold to qualified buyers subject to Oakland's First Time Home Buyer Program.

Other Developments

The **New Rancho Viejo-Fee Simple Subdivision** is a manufacturing home project in San Diego County consisting of 270 homes. The private developer worked with Golden West Homes to build spacious homes (up to 1,650 square feet). The construction process used by the developers was unique as they would build only after a buyer had purchased a home. The buyer would first

order a home from Golden West, and Golden West would then deliver the home 2-4 weeks later. At the time of the order, on-site construction would begin to prepare for delivery. The average time for completion after placing an order is five weeks. Developers were able to reduce costs by not having to hold inventory of the homes.

Noji Gardens in Seattle, Washington is an oft-cited example of a successful manufactured housing development. Homesight, a Seattle based nonprofit housing organization, teamed with private developer, Schult Homes, to build this 75-unit housing development containing a mix of manufactured and traditional site-built homes. Through work with community groups and city officials, the manufactured homes looked identical to the site-built homes and meshed with the aesthetics of the community. Using a mixture of home types, the developers were able to reduce total costs by 15% (\$10,000 - \$15,000 per unit). Homesight's deputy director estimated that these savings will eventually reach 25%–30% as they learn from mistakes and ramp up the process for future developments. As with other manufactured home projects, the majority of savings came from construction costs. Here, a small construction crew put the homes in place in less than two hours.

Conversion of Existing Spaces

California has a wealth of vacant lots and unused commercial space ideal for conversion into affordable housing and housing for the homeless. Many obstacles, however, prevent conversion of this empty space including:

- Local government disinterest and hostility
- Community opposition/NIMBYism
- Zoning codes and parking regulations
- Building codes
- Fiscal disincentives
- Brownfield reclamation expenses
- Obtaining financing

The following sections address and give examples of overcoming each obstacle.

Local Government Disinterest

Municipalities often resist efforts to increase the supply of affordable housing. Political resistance is often a combination of fiscal disincentives, NIMBY opposition from neighbors, local desires to maintain the status quo, and public bias against the lower-income and minority groups who may inhabit the housing.

Possible solutions to government disinterest or hostility to affordable housing include a gradual process of education for local officials and their staffs. Housing advocates can organize urban tours, build model projects, and actively support infill projects. These activities can help educate the community of the benefits of affordable housing and dispel concerns that inhabitants will be a drain on a city's resources.

For example, Bayview Hope Housing, a 20-unit complex built on the parking lot of the True Hope Church of God in Christ in Bayview-Hunters Point, features a joint effort between a church and a private developer. The church's position in the community helped them educate the

community that the housing was necessary and offers many benefits. The church's unique position also allowed them to hear and address community concerns. Churches and other organizations with similar community ties offer opportunities to educate the community and can also offer spare land for affordable housing projects in congested cities.

Another approach is to set up incentive programs from higher levels of government to encourage local action. For example, the Metropolitan Transportation Commission had set up the Housing Incentive Program providing incentive grants to municipalities of \$1,000 to \$2,000 per bedroom for housing built near transit. A statewide incentive pool had also been created for grants to communities permitting 112% or more of average housing development in the last three years.

Community Opposition/NIMBYism

Neighborhood opposition often represents the strongest obstacle against building affordable housing. As mentioned above, communities will react against affordable housing for reasons ranging from tax concerns to bias against low-income inhabitants. Neighborhood groups have killed projects by convincing zoning boards or city councils to deny building permits and also through litigation with environmental and historic preservation laws.

One strategy used to overcome NIMBYism in Bay Area cities is preparation of Specific Plans. Specific Plans involve resident and business participation in developing a vision for vacant property. These plans specify ways to create attractive streetscapes and public spaces, appropriate building scale and design, walkable street networks, and amenities such as neighborhood parks and community gardens. Specific Plans overcome NIMBYism through education and participation.

The San Diego Rescue Mission, a 416-bed transitional housing program and residential care facility, represents an example of overcoming community opposition through compromise and agreement. The mission acquired a former hospital building and planned to convert it into a homeless shelter. The conversion required a conditional use permit to exceed allowable population levels. The community was adamantly against this as they were concerned with the influx of homeless people into the community, congregation in shopping areas, leftover trash, loiterers and drains on town services such as schools.

The neighborhood and the rescue mission reached an agreement to alter the plan to mitigate effects on the environment. The mission agreed to provide for litter removal, pay for the costs of security around the building and stop offering walk-up services such as showers, meals and clothing. Ending these short-term services made it harder to reach more homeless people, however, it satisfied community fears of a congregation of homeless people.

Zoning Codes

Zoning restrictions such as minimum building and lot sizes and single-family uses make it difficult to construct affordable housing. Zoning requirements often reflect NIMBYism and government desire to maintain the status quo and keep out lower-income groups who are high-end users of city services.

California already relaxes density requirements for affordable housing projects. Local governments are required to increase a development's density by at least 25% above otherwise maximum allowable density if the developer chooses to make at least: (a) 20% of a development's units affordable for households with income below 80% of the median family income; or (b) 10% of the units affordable for households with incomes below 50% of the median family income.

Granting variances for affordable housing offers another solution. For example, granting variances for accessory apartments can increase density without having a negative impact on the community. Accessory apartments are rental units created from surplus space in single family homes. These apartments can increase density in existing neighborhoods without changing their character. Many communities have allowed accessory apartments, however, they have also placed many restrictions to preserve the character of the neighborhood. Restrictions include allowing only one accessory unit to be created on a single lot, limiting the size of the apartment relative to the size of the principal unit, requiring the roof, siding, and windows of the accessory unit be consistent with the design of the principal residence. Communities often also place occupancy limitations on the units such as number of occupants, age restrictions, or limiting occupants to relatives of the owner of the property.

Parking Regulations

Zoning requirements often require a set number of parking spaces for residential buildings. These parking spaces are often unnecessary for low-income housing near transportation and housing for the homeless. Easing parking requirements will facilitate creation of affordable housing by reducing costs. Parking can cost \$5,000 per surface space and \$20,000 per below ground space.

San Jose has liberalized parking codes by allowing tandem parking (one behind the other) for each unit. Berkeley has allowed for stacked parking. Another option is shared parking between commercial and residential uses, with residential use at night and commercial use during the day.

Building Codes

Rigid adherence to building codes aimed at new construction make impracticable rehabilitation of existing properties. Smart Codes implemented in New Jersey, New York, and Massachusetts allow owners of older housing stock to upgrade their property without having to meet standards for new construction. Smart Codes ensure the health and safety of building occupants, however, they also recognize the limitations of older structures in meeting new construction standards. These codes encourage rehabilitation of existing structures and reinvestment in already developed areas.

Fiscal Disincentives

The state's tax system acts as a disincentive for cities to create affordable housing. Cities gain little from tax revenues from converting vacant space into affordable housing and stand to lose money from services provided to low-income residents. The tax system favors development that

generates sales and property revenue without much need for government services such as commercial developments, regional malls, and office parks.

A solution would be to reapportion sales tax revenues or offer grants to cities so that they are not pushed to make as much money as possible from development of vacant lots. Imposing a higher land tax with a lower building tax on private owners would also encourage development of vacant lands.

Brownfield Reclamation

Brownfields are often located in desirable areas for affordable housing. Environmental damage caused by industrial facilities, utility substations, or other sources, however, require expensive cleanups and site restoration before development. Reducing these costs can encourage development.

In recent years a variety of programs have been put in place at the state and federal levels to assist with brownfield cleanups. For example, the Brownfields National Partnership sponsored by HUD offer financial and technical assistance to organizations doing brownfields cleanup. The EPA also funded such cities including Emeryville to set up a “one-stop shop” to provide information on contamination at all sites within the city. The city acts as an intermediary between developers and regulatory agencies and handles some groundwater cleanup tasks itself.

For example, 6006 International Boulevard, a 24 multi-family affordable housing residence in Oakland is built on what was a dilapidated gas station. Developers had been reluctant to build on this site as they were afraid of potential environmental repercussions, clean-up costs and liability. The builder overcame the obstacles by working with Chevron, the former owner of the site whose contamination acted as a trespass on the land. Reaching an agreement, Chevron agreed to assume responsibility for overseeing the cleanup thereby greatly reducing the costs of converting the vacant brownfield into housing.

Financing

Financing limitations restrict the amount and types of projects that can be undertaken. Nonprofits in particular must go through a time-consuming process of putting together multiple sources of funds. Increasing the state pool of tax credits for affordable housing, requiring banks to increase their inner city lending under the Community Reinvestment Act, and establishing city and regional loan pools will help generate funding.

Creative Affordable Housing Solutions

After the recent tsunami, architects and housing experts joined an international effort to provide housing for the thousands who were left homeless. In their efforts to house huge numbers of people on very limited funds, these groups designed many creative alternatives to permanent housing. For example, a group created a \$370 flat-pack housing unit that is waterproof, fire resistant and much sturdier than tents and other temporary shelters.

The creative thinking and “out of the box” approaches to housing in response to the disaster can also offer opportunities to combat homelessness in the Bay Area. HomeBase is working in conjunction with Yestermorrow to convene architects, engineers, and those concerned with homelessness to explore creative design ideas that would reduce the cost of creating permanent housing for the homeless.

Follow-Up

- What obstacles does your community face in building affordable housing? Would manufactured housing be a viable solution? Are there any unique obstacles to development of manufactured housing in your community?
- Does your city own vacant lots and lands in areas suitable for affordable housing? What could you envision your community doing with such land?
- Do you know any other obstacles that prevent conversion of vacant land into affordable housing? Has your community confronted and dealt with any of the obstacles mentioned? If so, how did you overcome the obstacle?
- Would you be interested in attending a meeting with Yestermorrow in discussing creative designs to permanent housing?
- Homebase is in contact with Yestermorrow to convene a workshop of architects, engineers, and those concerned with homelessness to explore creative design ideas that would reduce the cost of creating permanent housing for homeless people.

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