

Getting to Scale

A Summary of the Best Ideas for Housing Innovations to Address Homelessness

Getting to Scale was a one-day symposium held on March 7, 2019 focused on the guiding question of how can we build more units with and beyond Low Income Housing Tax Credits and the traditional private market to meet the incredible demand for affordable and supportive housing for people experiencing homelessness in Los Angeles? The symposium brought together public and private sector leaders from throughout Los Angeles to look at examples from other regions and locally that could help us get to scale.

The symposium was made possible through a Durfee Foundation Stanton Fellowship provided to Molly Rysman and the American Institute of Architects Los Angeles. The following speakers presented at the symposium:

Greg Ames Managing Director Trammell Crow	Steve Glenn CEO Plant Prefab
Scott Baldrige Principal Aedis Real Estate Group	Kevin Hirai Chief Operating Officer FlyAway Homes
Abigail Bond Managing Director, Homelessness Services & Affordable Housing Programs City of Vancouver	Christopher Hawthorne Chief Design Officer City of Los Angeles
Leslie Brinson Senior Policy Advisor, Office of Mayor Jenny A. Durkan City of Seattle	Andi Israel Founder & CEO RxLA
Ted Chandler Managing Director/Regional Operations AFL-CIO Housing Investment Trust	Blake Jackson Vice President of Construction Walton Construction, Inc.
Chris Contreras Program Director Brilliant Corners	Lindsay Kerby Senior Community Investment Officer CSH
Tom De Simone President & CEO Genesis LA	Monique King-Viehland Executive Director Los Angeles Community Development Authority
Carol Galante Director, Innovation Lab Factory OS	Chris Ko Director, Systems & Innovation Home for Good United Way of Greater Los Angeles

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Helen Leung Co-Executive Director LA Mas	Rusty Smith Associate Director Auburn University's Rural Studio
John Maceri Chief Executive Officer The People Concern	Lisa Watson Interim Chief Executive Officer Downtown Women's Center
Mark Oberholzer Associate Principal KTYG Architecture and Planning	David Ward Interim Community Development Director City of Ventura
Molly Rysman Housing and Homelessness Deputy Office of Los Angeles County Supervisor Sheila Kuehl	Matthew Wickersham Project Manager AMJ Construction Management

Special thanks is due to the California Community Foundation for hosting the symposium. The event was also made possible through the support of a fantastic planning committee which included Chris Contreras, Daniel Huynh, Jennifer Kim, Chris Ko, Angela Lobue, Mee Heh Risdon, Ann Sewill, Roberto Sheinberg, and Will Wright.

Background: where are we today?

Many people are frustrated today by the process of creating supportive housing. The two most successful affordable rental housing programs in the history of the country are the Low Income Housing Tax Credit (LIHTC) and the Housing Choice Voucher (Section 8) program. Since its creation in 1987, LIHTC has produced 2.3 million affordable housing units across the country. The Section 8 program currently serves approximately 2.2 million households. There is overlap in households served between the two programs when Project-Based Section 8 Vouchers are combined with LIHTC to serve extremely low-income households, as is often the case in supportive housing.

It is important to note that while these two programs are the most successful affordable rental housing programs they are miniscule in size as compared to the largest federal housing program, which is the mortgage income deduction. Prior to the 2017 Tax Cuts and Jobs Act, the mortgage income deduction cost the federal government \$195 billion, while the LIHTC program only cost \$6 billion. Data is not available yet for how both of these programs have been impacted by the 2017 Tax Cuts and Jobs Act.

Los Angeles uses both LIHTC and Section 8 to leverage local investment to create supportive housing. Approximately 50% of the equity to build supportive housing is produced through LIHTC, while Section 8 is used to leverage conventional loans and ensure that supportive housing has a sufficient operating budget to sustain the supportive housing long-term. From

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July 1, 2017 to June 30, 2018 approximately, 495 units of new project-based supportive housing units were opened in Los Angeles County. These new units only serve a fraction of people who move into supportive housing in a given year. In calendar year 2018 5,158 people experiencing homelessness were able to move into supportive housing that was either new, had opened in previous years, or was provided in the private rental market through tenant-based rental subsidies to landlords.

While it is easy to look at the figure of 59,000 people experiencing homelessness on any given night in Los Angeles and the fact that only 495 number of new supportive housing units opened and assume that progress is not being made, but that is a fallacy. Tremendous progress has been made in Los Angeles.

First and foremost, research has repeatedly shown that the majority of people who exit homelessness do so through what is termed self-resolution. That is a fancy way of saying that most people exit homelessness without government assistance. Whether they increase their income sufficient to pay rent or move-in with family or friends, most people experience homelessness as a short, temporary episode and find a way out of the situation quickly. Data for 2018 shows that 9,215 people self-resolved their homelessness.

Second, in less than 10 years Los Angeles did four astounding things to dramatically increase how many people did receive government help to resolve their homelessness. First, since 2010 numerous local public housing authorities (most notably the Housing Authority of the City of Los Angeles and the Housing Authority of the County of Los Angeles recently renamed the Los Angeles Community Development Authority) significantly increased both project-based and tenant-based Section 8 Housing Choice Vouchers dedicated to people experiencing homelessness.

Second, in 2012 Los Angeles County created the Flexible Housing Subsidy Pool (Flex Pool), one of the few locally-funded permanent rental subsidies programs in the Country. Today over 4,500 people who experienced homelessness and could not access other housing resources are housed through the Flex Pool.

Third, the City, the County, and the State all dramatically increased resources to build supportive housing. It was only five years ago when only a few hundred supportive housing units would open a year. Just under 500 supportive housing units opening in 2018 represents a doubling of production in less than 5 years with projections being that figure will have quadrupled within another two years. These increases are not only made possible through significant investments in capital and operating subsidies, but also through a dramatic increase in funding for supportive services to support people living in supportive housing.

Lastly, Los Angeles went from investing almost nothing in Rapid Re-Housing Assistance to investing \$86 million annually thanks to Measure H, a ¼ cent sales tax passed in 2017 to fund homeless assistance. 7,258 people were placed in permanent housing through rapid re-housing last year.

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These systemic revolutions are occurring at a time of unprecedented change in both Los Angeles's and global urban housing markets. Cities all over the world are in crisis because naturally occurring affordable housing is disappearing and rents are skyrocketing. There appears to be direct correlation between urban prosperity and increases in homelessness. The extraction of high levels of profit from urban real estate and, in particular rental housing, directly causes far greater levels of homelessness.

The shift from manufacturing economies to knowledge-based economies means that jobs are concentrating in superstar cities at the exact moment when the financialization of housing means that there is big money in extracting profits from urban real estate markets. Los Angeles has gained hundreds of thousands high-paying jobs. As Google, Snapchat, and other tech companies concentrate in cities along the west coast developers buy up Class B and C residential properties that previously provided naturally-occurring affordable housing and transform them into luxury rentals that are dramatically shrinking the supply of affordable rental units. The result is that the average renter in Los Angeles now spends an astounding 48% of their income on rent – the highest of anywhere in the country.

The huge improvements in the performance of the homeless system are not enough to turnback the tide of people falling into homelessness as a result of the affordable housing crisis. The 2018 homeless Point-in-Time count showed Los Angeles trading water and in 2019 homelessness increased 12%. If we want to reduce homelessness we will need to go beyond 21,000 people receiving government assistance to end their homelessness.

The Los Angeles Homeless Services Authority (LAHSA) conducted a gap analysis in 2018 to determine how many resources are needed to go beyond trading water to a system that would someday end homelessness. Research shows that 2/3 of people experiencing homelessness either need no assistance or minimal assistance, such as problem-solving funds or rapid re-housing, to end their homelessness. For the remaining 1/3 of people experiencing homelessness supportive housing is needed. The LAHSA gaps analysis found that in 2017 21,275 more units of supportive housing were needed maintain the current population in supportive housing, address the need for supportive housing today, and address the need from future inflow into homelessness. We are clearly not on a trajectory to build that many units or subsidize private units at that scale through tenant-based rental assistance.

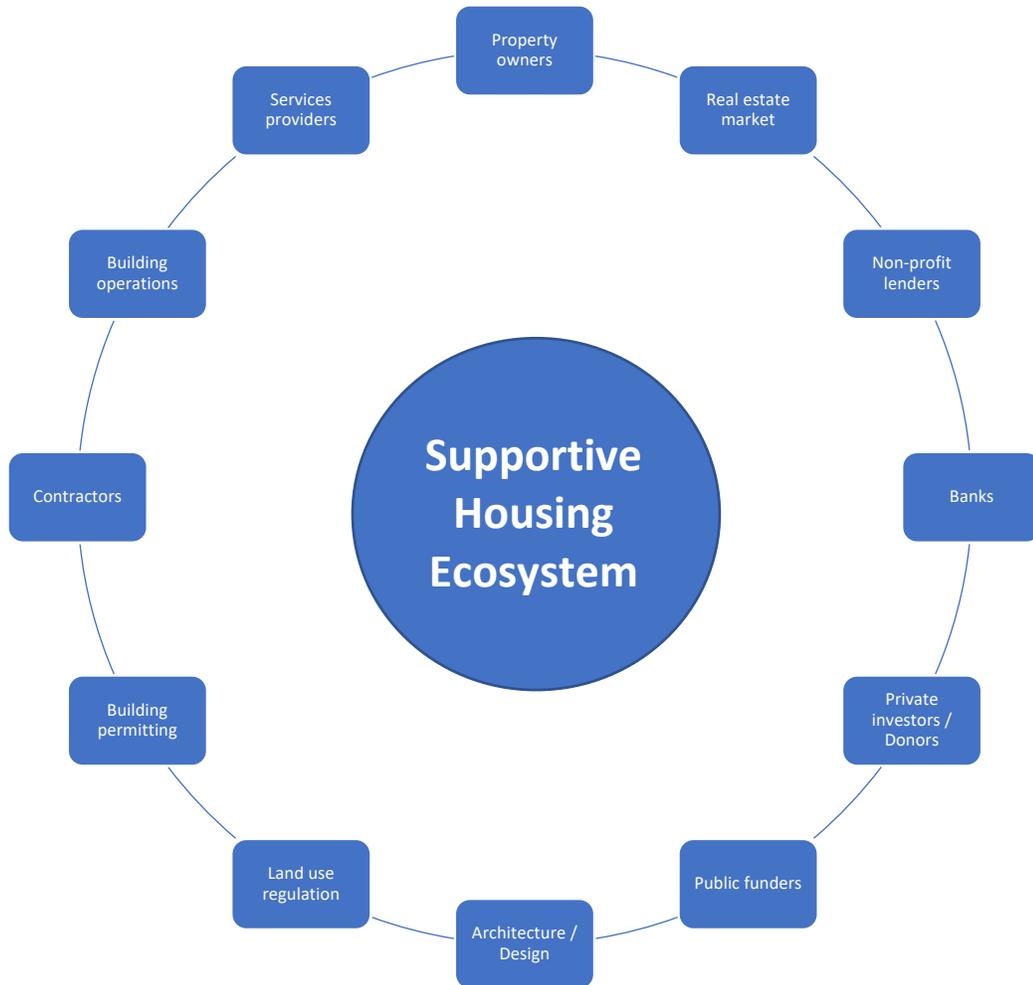
What is the process of housing innovation?

Building homes is a complicated process that touches a variety of systems. Some of those systems are public systems, while others are private systems. Successful models of innovation innovate across all of the components of housing production and operations. Good design alone will not produce innovation. Models that are dependent on land being donated are not sustainable or scalable. Building materials that have never been permitted before and that

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contractors are not familiar with can doom a project. Investors and banks will not invest in models that cannot demonstrate ongoing rental revenue to cover expenses.



While it might seem crazy that we build homes in essentially the same way we did 50 years ago when technology has transformed every other aspect of our lives there is a good reason for the lack of change in housing production. It's complicated. When you layer on the challenge of building housing to serve people experiencing homelessness who may have very complicated behavioral, mental and physical health conditions those challenges multiply.

"You can't tackle a problem by taking on a piece of it."
Rusty Smith, Auburn University's Rural Studio

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Despite the complicated process of housing innovation, Getting to Scale highlighted multiple examples both locally and internationally of models that are innovating across all aspects of housing production. Many of the best models on innovation are being led by organizations and leaders with deep roots and extensive experience in traditional affordable housing production and/or supportive housing operations.

The number one lesson from those who are succeeding at innovating in creating homes for people experiencing homelessness is that scalable innovations in the production of housing happen incrementally over long periods of time. The best models of innovation involve constant refinement. The first time a model is being tried it may not produce time or cost savings. It may take a decade or more of refinement for innovations to both deliver results and work towards scalability and sustainability.

To achieve cost and/or time savings models of housing innovation may eliminate critical eliminates of traditional supportive housing development. For example, traditional supportive housing funding requires that builders be paid prevailing wages, which ensures that people who build homes can afford homes themselves. While prevailing wage requirements are onerous they are the only model that exists today that guarantees all workers on a project are guaranteed a living wage. Another example is that some models of housing innovation are dependent on donated land, which could never sustain even a fraction of the scale of the existing supportive housing pipeline. Other models of housing innovation involve co-living where residents share bathrooms and kitchens, which provides a lower value to the residents of such units. Each of these examples has tremendous value, but is an example of a significant trade-off that must be made to achieve the cost and/or time savings.

Innovation must also occur within the tension between the sometimes competing goals of efficiency and accountability. The LIHTC is an example of a program with a very high-level of accountability that sacrifices some efficiency as a result. It is important to remember that the LIHTC was created only 13 years after President Nixon's moratorium on the construction of public housing and was thus shaped by an obsession with producing extremely high-quality affordable housing, which it has succeeded at. Accountability is extremely important in any publicly-funded program and public agencies often struggle when designing programs with these competing goals. This is very true in the case of housing innovation where there is a focus on producing housing quickly. It is also important to note that risk is often mitigated by working with trusted partners and trust can be sacrificed when moving too fast, which means that there can be both higher risk and lower accountability in innovation models.

Despite these significant challenges housing innovation is happening at a tremendous scale in Los Angeles. Many developers are motivated by the scale of the crisis and the limits to traditional housing production to achieve scale. While significant time and cost savings may not be achieved by the early innovation projects, their value lies both in incredible opportunities to learn from these prototypes and their ability to add affordable housing stock on top of a very robust traditional supportive housing pipeline.

"The system changes through innovative one-off projects"

Tom De Simone
Genesis LA

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It is also important to note that some of these models pose very exciting opportunities to create robust community support networks for people experiencing homelessness. There is tremendous value in models that promote recovery for people with disabling conditions by facilitating strong community integration. It is also extremely important to invest in models of housing that reduce racial and economic segregation. Systemic racism is a direct cause of homelessness and residential segregation may be the strongest driver of systemic racism causing homelessness. Investing in models of housing that directly reduce residential segregation both assists the direct beneficiaries of that housing and improves overall community health thus reducing future inflows into homelessness.

“We have a responsibility to not only build housing,
but to create housing justice.”

Molly Rysman

The good news is that there are many models of supportive housing innovation happening today in Los Angeles.

Core Components of Innovation

While a wide variety of models were presented at Getting to Scale, the models tended to utilize one or more of the following core components of innovation:

Private Investment	Many of the housing innovation models rely on private investment instead of public financing to support acquisition and construction costs.	<i>Examples include Backyard Homes, Downtown Women’s Center, FlyAway Homes, Genesis LA Rethink Housing, RxLA</i>
Co-Living	One way to reduce costs is to have multiple households share bathrooms and kitchens and, in some cases, bedrooms.	<i>Examples include FlyAway Homes, Genesis LA Rethink Housing</i>
Integrated Housing Delivery	Some of the most successful housing innovation models establish collaboratives of financing partners, architects, contractors, and developers to reduce costs.	<i>Examples include Backyard Homes, Factory OS, Genesis LA Rethink Housing</i>
Small-Lot Supportive Housing	Genesis LA has worked with public and faith partners to secure donations of underutilized small parcels that can be used for smaller supportive housing developments.	<i>Examples include Genesis LA Rethink Housing</i>

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Single-Family Lots	Backyard Homes works with low and moderate income home owners to build accessory dwelling units on their properties for people experiencing homelessness.	<i>Examples include Backyard Homes</i>
Modular	A wide variety of supportive housing developers are using modular, but there is wide variety of modular models ranging from Factory OS's local factory-built modular units to Aedis procuring modular units from a factory in China to Plant Prefab's modular panels.	<i>Examples include Aedis Real Estate Group, Factory OS, FlyAway Homes, Plant Prefab</i>

Opportunities for Getting to Scale in Los Angeles

Getting to Scale highlighted a variety of opportunities to increase production through innovative housing models. There were four themes that came up repeatedly throughout the day that deserve closer attention.

Expand the Flexible Housing Subsidy Pool

The vast majority of models of housing innovation utilize Los Angeles County's Department of Health Services Flexible Housing Subsidy Pool (Flex Pool) as a source of operating subsidy. The Flex Pool has many benefits, including not triggering many of the requirements other public funding sources trigger. Because the Flex Pool is administered by a non-profit organization, Brilliant Corners, developers who utilize the resource benefit from flexibility, technical assistance, and support that is provided at a higher level than with traditional public funding sources.

Reduce Construction Costs

California is experiencing a building boom after the extreme contraction of the construction industry following the Great Recession. As a result, there are literally not enough people trained to build homes as there are homes being built. In one way this is a good problem to have because it provides an opportunity for expanded well-paid jobs. The challenge is that the construction of affordable housing is often unattractive to builders because there is tremendous risk and compliance requirements associated with this work. There is an opportunity to figure out how government can take on a greater share of that risk and compliance thus allowing more resources to flow to a greater share of builders, which increases competition and lowers costs. Speakers at Getting to Scale recommended a particular focus on

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expanding the pool of subcontractors who participate in constructing prevailing wage affordable housing.

There are some programs that are already working effectively to keep costs down including Job Coordinators and Apprenticeship Preparedness Programs. These strategies should be supported and expanded.

Significant costs savings can also be achieved by providing clear requirement for accessible units, requiring less parking, designing buildings with less concrete, and avoiding sites where significant grading is required.

Streamlining

There have been many successful initiatives locally to reduce the time it takes for projects to receive land use approvals. There is always the opportunity to do more. Where the greatest current opportunity lies though is in streamlining the building permit process. Like all aspects of housing development building permits are a complex system that involves many different parties from building and safety departments to fire and utilities. Some jurisdictions outside Los Angeles, like Vancouver, granted emergency powers to permitting entities allowing them to work in very different ways that led to significant time savings.

Build More Homes on Single-Family Lots

The success of utilizing Accessory Dwelling Units (ADUs) to provide homes for people experiencing homelessness is one of the brightest lights in housing innovation efforts. We need to both expand efforts within the existing regulatory environment and expand what we allow on single-family lots. Moving from allowing two dwellings to the three dwellings on single family lots would create tremendous potential for additional homes. Expanding the allowance of ADUs to R-2 zoned lots would also expand potential. These efforts both unlock underutilized land, increase equity for homeowners, and promote social inclusion and racially integrated communities.

"We need to activate people outside of land use to talk about zoning."

Leslie Brinson
City of Seattle

Modular

It was clear at Getting to Scale that developers are embracing modular construction. Many of the models of housing innovation used a variety of modular typologies and increasingly mainstream supportive housing is using modular. While it is unclear if the early modular

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projects will achieve time or cost savings as a result of using modular, modular clearly could produce these savings in the future. Speakers emphasized a variety of steps that could be taken to improve efficiencies in using modular such as improving the inspection process and general contractor knowledge and comfort in using modular.

Tread Carefully

There is incredibly exciting housing innovation work taking place in Los Angeles. That does not mean that every innovative idea is a good idea. There were clear themes that emerged during Getting to Scale about the importance of experience and trust. Understanding people experiencing homelessness is important. Having strong partnerships is important. There are always trade-offs involved in reducing costs and not every trade-off is worth the savings. Public agencies that want to invest in innovative housing models must tread carefully to ensure public funds are invested in homes that will get built on time and provide high-quality living environments to future residents.

“One of our biggest lessons learned is that you have to vet the people who want to get into the space to help educate them on what it will really take to scale up a project.”

Chris Contreras
Brilliant Corners

Key Questions to Ask of Housing Innovations

Throughout Getting to Scale participants emphasized an array of questions that can be used to evaluate the quality of housing innovation. While every project may not be able to achieve all of these goals they serve as useful gage for what we can strive for.

- Will the homes contribute to a therapeutic community for the residents?
- Will the homes reduce racial and economic segregation?
- Will the homes be durable and resilient?
- Will the homes provide a sense of dignity?
- Will the homes promote long-term health and wellness for residents?
- Will the homes allow residents to age-in-place?