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S.F. homeless housing group aims to build homes for half the usual cost. Can it work?

J.K. Dineen

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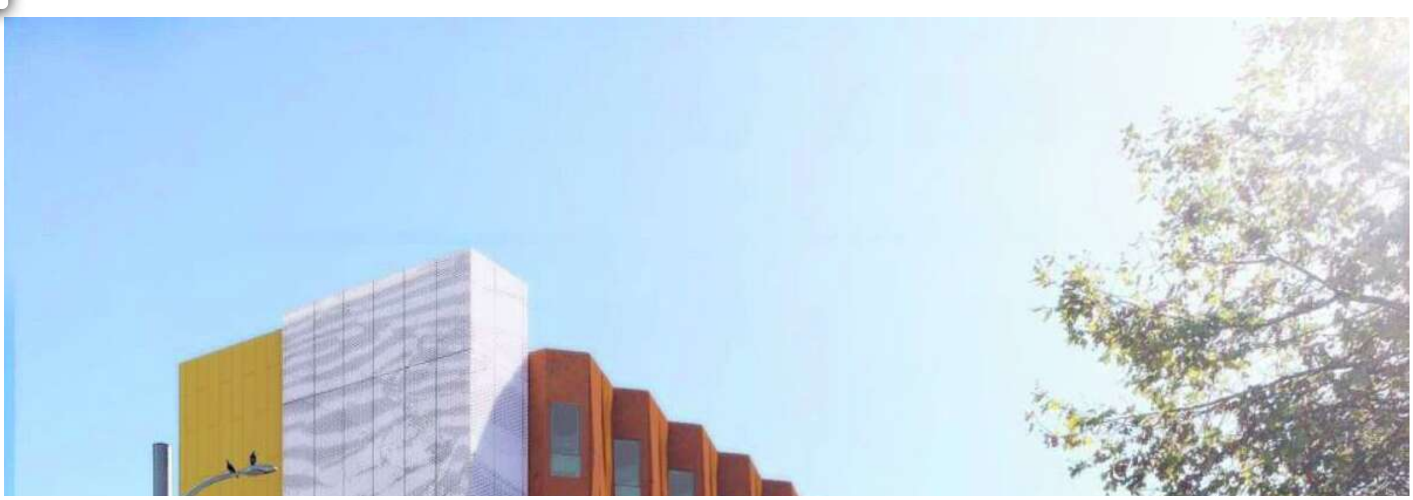

The 145-unit supportive housing complex for homeless people at 833 Bryant Street was built out of modular units.
Courtesy Tipping Point Community

As San Francisco struggles to figure out how to build enough affordable housing to help get homeless people off the streets, experts and officials have looked at different ways to build faster and cheaper.

New data released Friday shows that at least one recent project, a South of Market supportive homeless complex, was completed 41% faster and 41% cheaper than comparable supportive housing developments.

Now the same group of nonprofits behind that project wants to build a nearly identical project — this time in the Mission District.

The difference is that the first project was done using modular construction techniques — basically units built in a factory and delivered to the site — and this one will be built using conventional construction.

Mercy Housing, in a partnership with poverty-fighting nonprofit Tipping Point and the San Francisco Accelerator Fund, plans to build 145 supportive housing units at 1633 Valencia St., where Sequoia Living is planning to construct another 130 units for low-income seniors.

The project will attempt to replicate the cost-savings achieved at 145-unit Tahanan development at 833 Bryant St., which cost $377,000 a unit and welcomed its first residents in July of 2021.

Despite inflation driving up the cost of materials and labor, the nonprofit partnership is aiming to deliver the 1633 Valencia St. project for less than $450,000 a unit with conventional construction. This comes as other affordable housing projects with conventional construction in San Francisco are projecting costs of almost $1.2 million a unit.

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“We are basically taking floor plan and design from Tahanan and replicating it,” said Rebecca Foster, CEO of the San Francisco Housing Accelerator Fund.

The reason the group decided not to use modular construction in the Mission is that while using modular helped speed up construction at 833 Bryant St., it’s not clear that it was part of the cost savings, Foster said.

And by not using modular on Valencia Street, Mercy will avoid political opposition from the building trades, who oppose factory-built housing, as well as try to demonstrate that it’s possible to drive down costs using traditional construction methods.

The project comes as there’s enormous pressure on San Francisco officials to deal with the city’s homelessness crisis. Despite homeless numbers dropping 3.5% over the last three years, the problem remains visible and vexing with at least 7,800 people unhoused, according to a one-night count done earlier this year.

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The new report on the Bryant Street project, from the Urban Institute and the California Housing Partnership, takes an in-depth look into the methods behind the savings and how they might be applied in the future.

The report found that the project was able to save money by making the studios small and efficient. Every unit is 260 square feet, about one-third smaller than a typical supportive housing studio. It also took less than three years from approval to move-in. Typically, affordable housing projects take about five years to win approval and build, and sometimes longer.

The project used what's known as a "design-build" approach to construction where the contractor, designers and subcontractors work as one team to save money and time.

"A commitment to the timeline and cost goals permeated the decision-making process at every phase of the project," states the report.

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Tipping Point Community seeded the project with a $50 million philanthropic grant, which allowed the city to bypass the lengthy process of obtaining tax credits, which finance most affordable housing.

The project used the Tipping Point money to acquire the site and for some of the development costs, along with a 30-year tax-exempt loan. Rather than securing an up-front capital loan through the Mayor's Office of Housing and Community Development, the city is providing an annual property lease payment that covers debt service for the loan. The city's commitment to pay off the loan allowed the development group to redeploy $42 million of the Tipping Point money into the Valencia Street development.

"We will be able to recycle the bulk of the $50 million into this project," Foster said.

By not accepting city money, Mercy and its partners avoid several layers of city bureaucracy, which add time and cost to a project. It didn't have to follow local contracting requirements, get approvals from the Mayor's Office on Disability, or undergo prevailing wage monitoring.

The "turnkey financing model" means that the city "pays for a mostly completed project without the ability to second guess design and construction choices," according to the report.

The report suggests that the model could be more broadly applied to get supportive housing built faster and cheaper.

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