Evaluation of the Homes for the Homeless Fund

Analysis of Development Costs and Timeline for Tahanan (833 Bryant Street), a Permanent Supportive Housing Development in San Francisco

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In May 2017, Tipping Point Community announced the Chronic Homelessness Initiative (CHI), a $100 million initiative to halve chronic homelessness in San Francisco in five years. Tipping Point invested in the Homes for the Homeless Fund (HHF) as part of CHI with the goal of piloting a new approach toward permanent supportive housing (PSH) in San Francisco that would reduce the development time and cost per unit. This brief describes HHF's different approach in developing Tahanan—the first HHF–financed 145-unit PSH development—and compares Tahanan's timeline and cost data with those of other PSH developments in San Francisco. Tipping Point's goals for Tahanan were to complete development for less than $400,000 per unit within a period of three years. We found that Tahanan's total residential development costs were approximately $377,000 per unit, 5.7 percent below the $400,000 per unit goal. We also found that project implementers nearly met the timeline goal of three years, completing the Tahanan development in three years and one month.

When compared with similar developments, we found that Tahanan's costs and timeline were substantially lower and shorter, respectively. Per unit costs for Tahanan were approximately $377,000, which was $265,000 or 41 percent less than the median per unit cost of $642,000 for a comparison group consisting of 25 new-construction PSH developments in San Francisco. We also found that the

timeline for Tahanan from the entitlement approval date to the placed-in-service date was 41 percent shorter than the typical timeline for comparison PSH developments. Each component of Tahanan's unique finance and development model contributed to these achievements:

- A commitment to the timeline and cost goals permeated the decisionmaking process at every phase of the project.
- Flexible up-front resources, streamlined entitlements, and local government commitments to long-term property lease payments enabled early decisionmaking and finalization of the project's efficient design.
- Modular, off-site construction contributed to reductions in the project's timeline.

This brief discusses these findings as well as implications for the system of financing and developing PSH and affordable housing in San Francisco and beyond, including the role the public sector could play in scaling Tahanan's success to reduce the time and costs of development.

Background and Methods

Tipping Point launched the Chronic Homelessness Initiative (CHI) in 2017 to respond to growing numbers of people experiencing chronic homelessness in San Francisco despite long-standing public efforts to assist this population. In alignment with the City and County of San Francisco's five-year strategic framework, Tipping Point's ultimate goal was to halve chronic homelessness among individual adults between the initiative's launch and the US Department of Housing and Urban Development's 2023 point-in-time count. CHI focused on collaboration between local government, the community, and philanthropy to maximize impact on three central objectives:

- Creating more housing, specifically permanent supportive housing (PSH) opportunities, for people experiencing chronic homelessness.
- Preventing chronic homelessness by housing people before they become chronically homeless and by improving the systems that serve people vulnerable to homelessness.
- Changing systems in ways that help achieve the above and optimize the public sector by increasing capacity, accountability, transparency, and equity, as well as elevating the voices of people with lived experience.

As part of CHI's efforts to create more housing and optimize the process of doing so, Tipping Point partnered with the Housing Accelerator Fund (HAF) to create the Homes for the Homeless Fund (HHF). HHF is a revolving fund used to test new approaches to reducing the time and cost of developing PSH for individuals experiencing chronic homelessness in San Francisco, with an eye toward systems change and replicability. The creation of HHF was made possible by a $50 million gift from Charles and Helen Schwab and was initially dedicated to the development of one building: Tahanan, then known as 833 Bryant Street (its street address).[1]

Tahanan—named for the Tagalog word meaning "home"—was the largest single CHI investment and the first HHF investment. The goals of Tipping Point's inaugural investment in HHF were to reduce the time and cost required for Tahanan's completion to less than three years and less than $400,000 per unit in total development costs—half the time and two-thirds the cost of Tipping Point's analysis of recent PSH development costs and timelines, representing aspirational but achievable goals.

Tipping Point engaged the Urban Institute to evaluate the implementation and outcomes of CHI, particularly the initiative's success in helping San Francisco halve chronic homelessness and make long-term, systemic improvements. The evaluation team was also tasked with documenting and evaluating discrete CHI components, including HHF. To conduct this evaluation component, Urban partnered with the California Housing Partnership because of their expertise in housing preservation and development in California, specifically in how to increase housing programs' efficiency and social impact. Key research questions included:

- How was Tahanan's finance and development model different from traditional approaches to developing PSH in San Francisco?
- Did Tahanan meet the timeline and cost goals established by Tipping Point? How did Tahanan's timeline and costs compare with similar developments in San Francisco?
- Which aspects of the Tahanan model influenced timeline and cost results?
- What are the implications for the field of financing and developing PSH in San Francisco?

Tahanan's Finance and Development Model

Tipping Point partnered with HAF to create a finance and development model to advance HHF's goals and to administer HHF funds as a subsidiary of HAF. HAF was initially funded out of a working group created in 2014 with the goal of partnering with community-based organizations to build and preserve affordable homes, particularly developments that would not be possible without flexible funding. HAF selected Mercy Housing California to serve as the developer for the inaugural HHF development. HAF and Mercy then worked together to identify and acquire a suitable site at 833 Bryant Street within the South of Market (SOMA) Pilipinas Filipino Cultural Heritage District.[2] Tahanan is a six-story, 63,000-square-foot development consisting of 145 studio units for tenants, one manager's unit, common spaces for residents, space for on-site supportive services, and two ground-floor retail spaces. Each modular box contains two 260-square-foot studios connected by a corridor, and each studio unit includes a complete kitchen, a private bathroom, and air conditioning (see box 1 for more information on design decisions and considerations as well as Tahanan's relationship with the community).

BOX 1

Tahanan Design and the Community

Each PSH unit in Tahanan is a 260-square-foot studio connected to another unit by a corridor. For every unit, there is 164 square feet of additional space in the residential portion of the building used for hallways, stairs, and common areas. Each studio unit includes a complete kitchen, a private bathroom, and air conditioning. Project implementers reported that questions around the livability of Tahanan's relatively small studio units were raised during the design process; they noted that professionals and public agencies involved in developing PSH have a range of opinions about unit size and what is considered livable and appropriate, illustrating a tension between costs and perceived quality. Although project implementers expressed confidence in the livability of Tahanan's units, both they and affordable housing professionals not directly involved in Tahanan expressed interest in the post-occupancy experiences of residents and service providers.

Development of Tahanan included consultation with community members and people with lived experiences of homelessness. In recognition of the neighborhood context in the SOMA Pilipinas Cultural Heritage District, the project team consulted with SOMA Pilipinas staff on the design of the building. In addition, Tipping Point's CHI Community Advisory Board, which includes members with lived experiences of homelessness, reviewed and approved the building name that Mercy recommended: Tahanan, a Tagalog word meaning "home," "coming home," or "return home."

Source: Interviews with San Francisco stakeholders familiar with the project.

To achieve Tahanan's time and cost goals, HAF created a unique finance and development model that differed meaningfully from the traditional approach to creating PSH in San Francisco. Key differences between the Tahanan model[3] and the traditional PSH model include:

- **Investment of private HHF funds to pay for acquisition, predevelopment, and construction**, only to be repaid with public funding after the project's completion. This approach contrasts with the traditional PSH financing approach of requiring developers to obtain commitments of permanent public funding before acquisition and during the early phases of predevelopment—a process that often contributes to timeline delays (Kneebone and Reid 2021). Use of HHF funds for acquisition also allows the developer to be more proactive in identifying and purchasing a site than the more common approach of waiting for the City and County of San Francisco (CCSF) to make sites available through a request-for-proposals process once public funds are available to support predevelopment and capital costs.
- **Commitment from CCSF to provide a new form of subsidy.** Given the availability of HHF funds early in the development process, CCSF committed to providing a form of subsidy that it typically uses to lease single-room-occupancy (SRO) units in existing buildings as PSH but had not used for new-construction PSH prior to Tahanan. In lieu of its traditional up-front capital loan through the Mayor's Office of Housing and Community Development (MOHCD), CCSF instead provided an annual property lease payment that covers debt service for the 30-year tax-exempt loan via a long-term "lease/lease-back" contract administered through the Department of Homelessness and Supportive Housing.[4] CCSF's lease commitment also enabled

Tahanan to achieve a favorable credit rating for its tax-exempt bond issuance, which allowed the project to access lower borrowing rates.

- **Use of off-site modular construction**, in which units are constructed at a factory and then transported to the project site for assembly. This approach is relatively new, and Tahanan is among the first PSH or affordable housing developments in San Francisco to use it. However, no other developments have combined use of off-site modular construction with the other key features of Tahanan's finance and development model, as described here.
- **Streamlined entitlements.** With HAF's encouragement, the San Francisco Board of Supervisors made a zoning change to allow PSH and other affordable housing to be considered an eligible use on land zoned as Service/Arts/Light Industrial (including 833 Bryant Street). As a result, Tahanan was able to invoke a new state law, SB 35, that accelerated and brought more certainty to San Francisco's notoriously challenging and uncertain entitlement process. Although utilization of SB 35 was still somewhat rare when Tahanan was in predevelopment, it is not unique to Tahanan and has since become more common. However, no other developments have combined utilization of SB 35 with the other key features of Tahanan's finance and development model described here.

Methodology and Data Sources

We made several methodological decisions in the quantitative analysis of total development costs to get as close as possible to an apples-to-apples comparison between Tahanan and the similar developments, as described in appendix A. For the quantitative analysis of development timelines, we compared components of Tahanan's timeline (e.g., construction completion to placed-in-service dates marking that the property is ready for occupancy) to those of comparison developments.[5]

To understand the key findings on costs and timelines, the Partnership conducted interviews from June 2022 to October 2022 with project implementers (Mercy Housing, HAF, CCSF, and the California Housing Partnership, whose financial consulting staff worked on the financing for Tahanan) and affordable housing professionals in San Francisco not directly involved with Tahanan (see appendix table A.2). Review of secondary materials—including internal reports and presentations from project implementers and a progress update from the Terner Center for Housing Innovation at the University of California, Berkeley, published last year—complemented data collected during the interviews.

This analysis uses both quantitative and qualitative sources to evaluate whether Tahanan met its time and cost goals and describes the key drivers of these results and implications for the field (table 1).

TABLE 1

Summary of Data Sources for Tahanan Evaluation

Source Type	Sources	Description	Timeline
Qualitative	Interviews and secondary materials	Interviews with project implementers and affordable housing professionals in San Francisco not directly involved with Tahanan; review of secondary materials such as reports and presentations.	2022
Quantitative	Mercy Housing; San Francisco Planning Department; San Francisco MOHCD; California Tax Credit Allocation Committee (TCAC)	Timeline and cost data for Tahanan provided to the evaluation team by Mercy Housing and the project developer and verified with data from the San Francisco Planning Department, MOHCD, and TCAC.	2021–2022
	San Francisco Planning Department; San Francisco MOHCD; TCAC	Timeline data for comparison developments from the San Francisco Planning Department, MOHCD, and TCAC applications.	2014–2022
	TCAC	Cost data for comparison developments from TCAC applications and cost certifications.	2014–2021

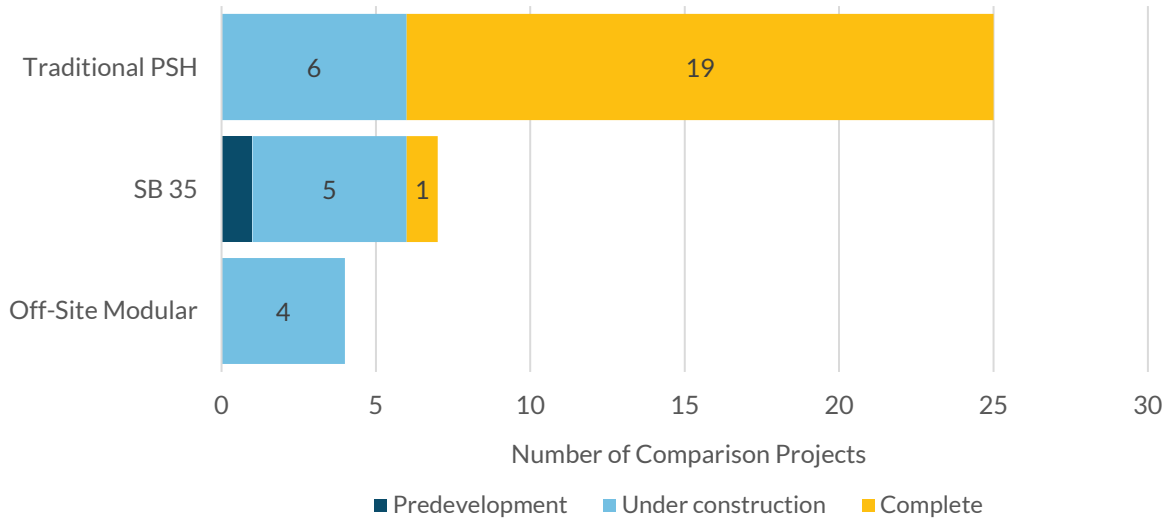
SELECTION OF COMPARISON GROUP DEVELOPMENTS AND DATA SOURCES FOR COMPARISON GROUP

To understand the timeline and costs for Tahanan in the context of other PSH development in San Francisco, we created a comparison group of similar projects. We created one comparison group for both timeline and cost analyses (see appendix table A.1), and the developments included in those groups allowed for key subgroup analyses:

- The comparison group of "traditional" PSH developments includes all new-construction MOHCD–defined PSH developments in San Francisco that have been awarded Low-Income Housing Tax Credits (LIHTCs) and have been placed in service since 2014 or those that were under construction or in predevelopment at the time of data collection (n=25) (see figure 1). Each of these traditional PSH developments received local capital subsidy. For developments that are not yet complete, the timeline analysis relies on their estimated date of completion,[6] and the cost analysis relies on TCAC applications rather than cost certifications because the latter are typically not available until well after construction is complete.
- The comparison group also includes recent San Francisco affordable housing developments that utilized SB 35 (n=7, two of which are traditional PSH) and those that use modular off-site construction (n=4, three of which are traditional PSH) (see figure 1). We added these two categories of developments to the analysis to further evaluate the effects of SB 35 and modular off-site construction, since these components are newer in the industry and not well reflected in the comparison group of PSH developments.

FIGURE 1

Comparison Group Developments



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Sources: San Francisco MOHCD, March 2022; California TCAC applications, 2021.
Note: Developments may be classified as multiple project types, so project subtotals do not sum to the total number of unique comparison developments.

Key Cost and Timeline Findings

We found that Tahanan met the goal of substantially reducing total development costs per unit for PSH. These savings accrued through savings on sub-costs associated with specific elements of design and development, as described below.

Although this analysis focuses on total development costs and does not compare Tahanan's public subsidies with those of similar developments, we assert that, if total development costs were higher, additional public subsidy would have been required because the maximum additional tax credits that could theoretically be obtained from higher costs would only cover about 45 cents for every dollar of cost.

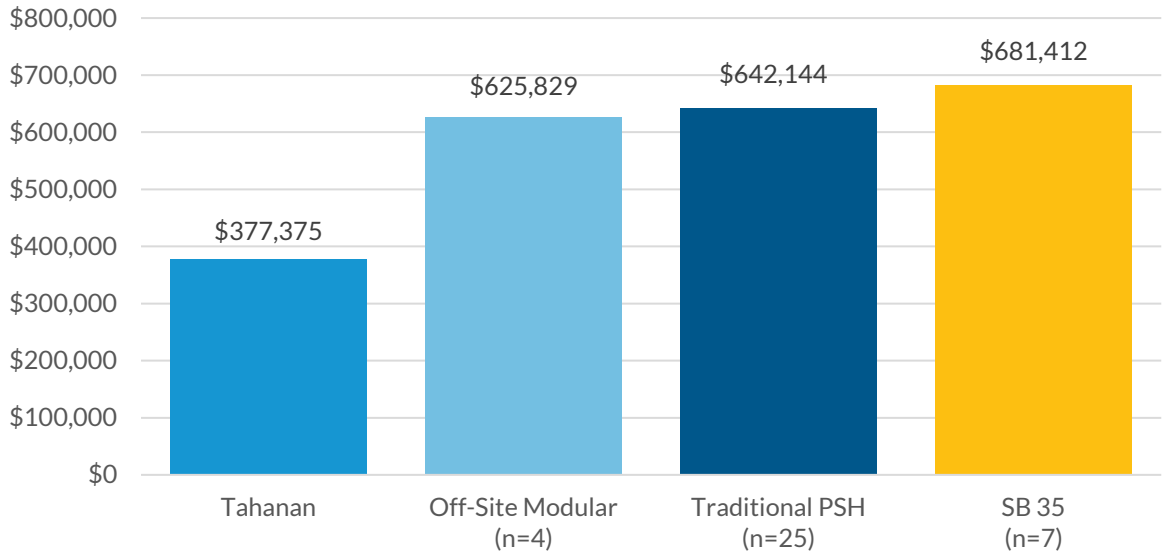
Development Costs Met Tipping Point's Goal and Were Substantially Lower than Comparison Developments

Tahanan's total residential development costs were approximately $377,000 per unit—5.7 percent below the $400,000 goal when removing acquisition/land costs, commercial costs, and "paper" costs (see appendix). These costs were also substantially lower than the median cost per unit of approximately $642,000 among the comparison group of 25 new-construction PSH developments, representing an approximate $265,000 or 41 percent reduction in costs (figure 2). Costs for comparison

SB 35 and modular developments were similar to those of the traditional PSH comparison group, suggesting that Tahanan's full range of financial and development efficiencies, as described above, meaningfully contributed to the depth of cost savings relative to these comparison groups.

FIGURE 2

Total Residential Development Costs per Unit

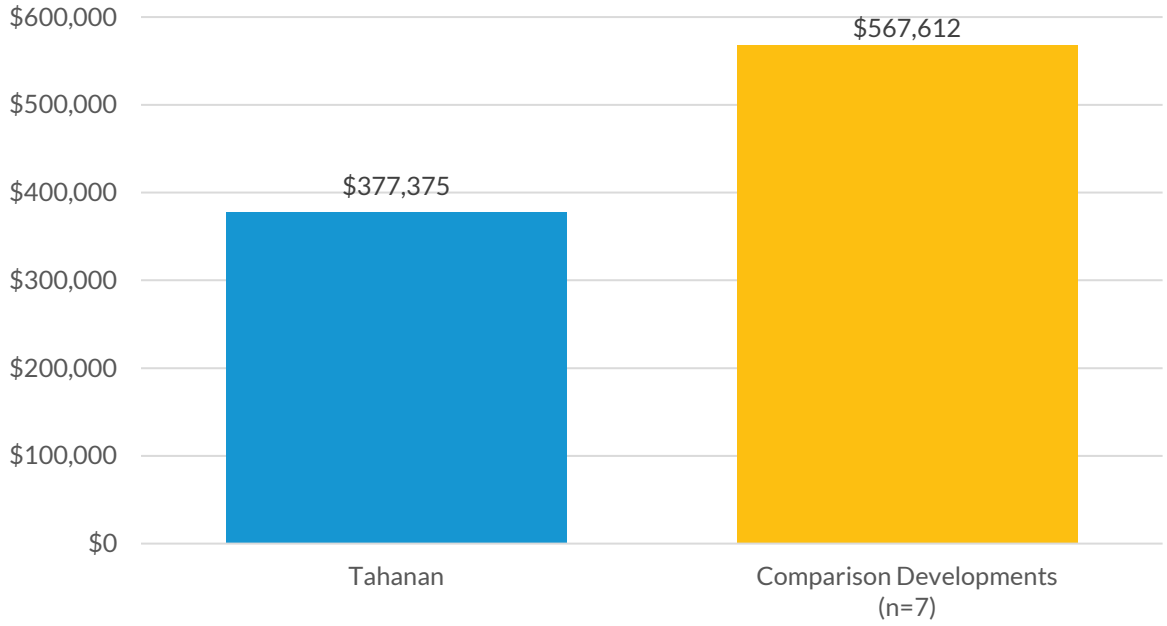


Sources: Mercy Housing, 2022; California TCAC applications and cost certifications, 2014–2021.
Notes: Figures are in 2021 dollars. Traditional, modular, and SB 35 values are medians.

The difference in total development costs between Tahanan and comparison developments consisting solely of studios or SRO units was $190,000, or 34 percent—also substantial, though smaller when we compared Tahanan with the full list of comparison developments and did not control for unit size (see figure 3).[7]

FIGURE 3

Total Residential Development Costs per Unit (Studio/SRO Developments Only)



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Sources: Mercy Housing, 2022; California TCAC applications and cost certifications, 2014–2021.
Notes: Figures are in 2021 dollars. Value of comparison developments is the median.

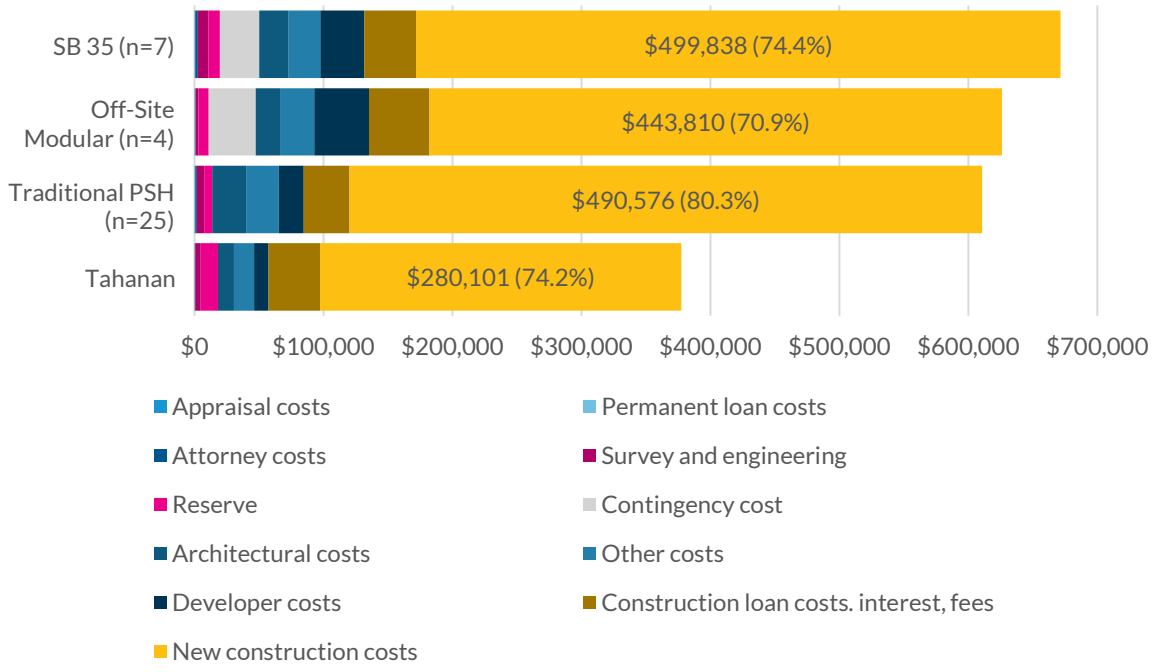
Tahanan's total development cost per square foot was in fact similar to that of comparison developments consisting solely of studios or SROs and higher than that of the comparison group as a whole when not controlling for unit size. However, assessing costs on a per unit basis aligns more closely with CHI goals of ending chronic homelessness. As described later in this brief, project implementers credited smaller unit sizes and efficient floor plans—and the ability to adhere to that design, thanks to the use of HHF private funds and utilization of SB 35—rather than differences in cost on a square-foot basis as the primary driver of differences in per unit costs between Tahanan and comparison developments.

Differences in Costs Were Concentrated in the Structure Itself

Analysis of sub-costs demonstrated that most of the difference in total development costs between Tahanan and the comparison groups originated in new construction costs related to the structure itself, often referred to as "hard" costs, rather than in "soft" costs such as architectural and attorney costs (though some savings were also realized in this category). Approximately $210,000 or 80 percent of the difference in total per unit residential costs between Tahanan and the traditional PSH comparison group was in the "new construction" category (see figure 4). The differences between Tahanan and the SB 35 and off-site modular comparison groups were similar in magnitude.

FIGURE 4

Residential Sub-Costs per Unit



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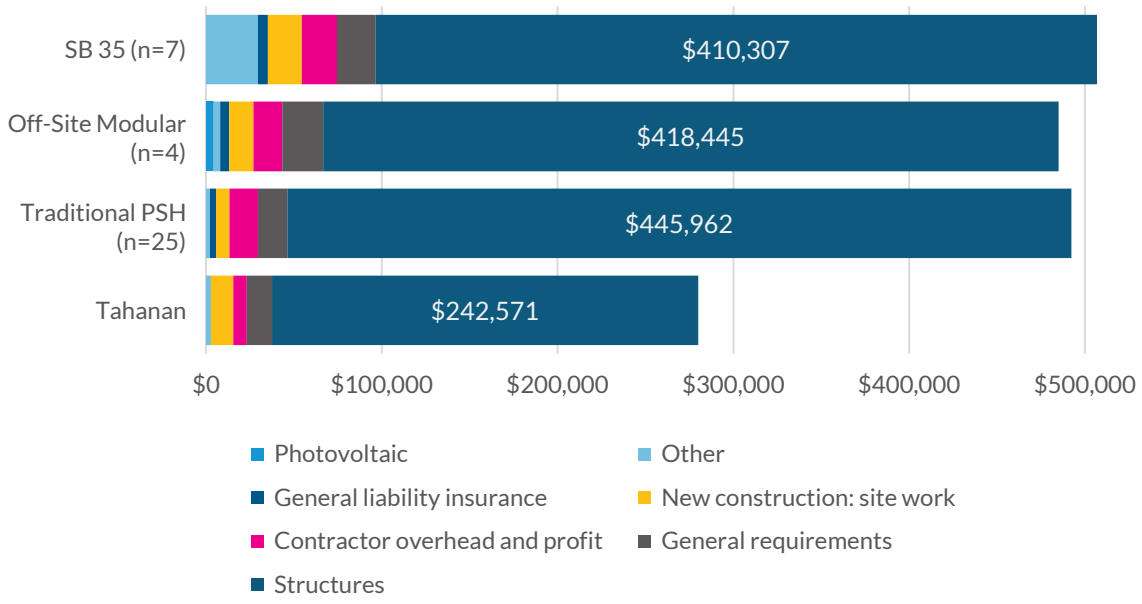
Sources: Mercy Housing, 2022; California TCAC applications and cost certifications, 2014–2021.
Notes: Figures are in 2021 dollars. Traditional and modular values are medians; SB 35 uses mean (average) costs due to small sample size and wide range of values. Contingency costs are included in figure 4 because the analysis relies on cost data from TCAC applications for comparison developments that have not yet been completed and thus do not have final cost certifications; these contingency costs are typically spent and allocated to other specific hard- and soft-cost categories in final cost certifications. Residential sub-costs in figure 4 are thus not final, and it is possible that differences in new construction costs between Tahanan and comparison developments could be marginally different in an analysis based on final costs.

Further, structure costs made up by far the largest share (approximately $176,000, or 84 percent) of the difference in new construction costs per unit between Tahanan and the traditional PSH group when compared with other, smaller sub-costs within the residential cost category (see figure 5). The differences between Tahanan and the SB 35 and off-site modular comparison groups were similar in magnitude.

FIGURE 5

New Construction Sub-Costs per Unit



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Sources: Mercy Housing, 2022; California TCAC applications and cost certifications, 2014–2021.
Notes: Figures are in 2021 dollars. Traditional and modular values are medians; SB 35 uses mean (average) costs due to small sample size and wide range of values. Figure 5 displays the median values for each new construction sub-cost, the sum of which may not be equivalent to the overall median new construction cost as presented in figure 4.

Development Timeline Nearly Met Tipping Point's Goal and Was Substantially Shorter than that of Comparison Developments

Tahanan nearly met its goal of a three-year total timeline from acquisition to temporary certificate of occupancy, exceeding it by only one month. Project implementers noted that Tahanan would have met this goal if not for a one-month delay caused by an unexpected electrical issue, along with pandemic-related delays.

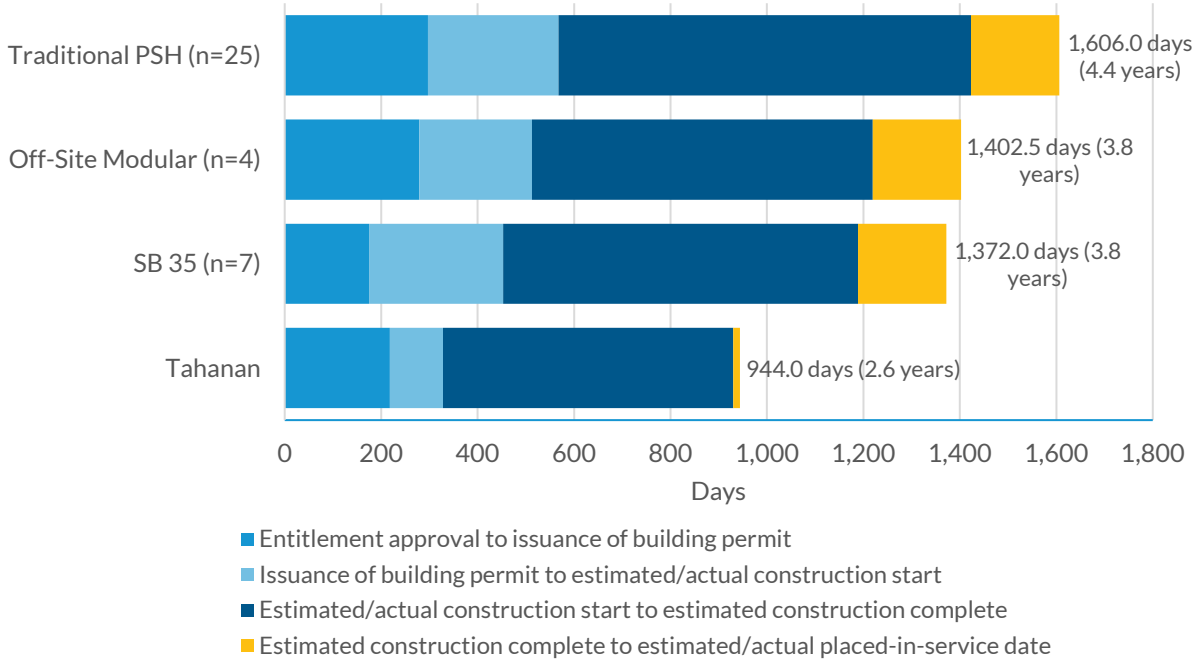
A comparison of total project timelines was not possible, because unlike Tahanan—where project implementers purchased a site prior to securing entitlements—nearly all comparison developments were entitled before acquisition given the typical approach in San Francisco of developing affordable housing on donated or publicly owned sites that are already entitled. We further determined that two of the three comparison developments that were acquired before being entitled were not useful comparison cases in an analysis of total project timelines because of idiosyncrasies related to timing and financing structure out of the developer's control, and it was impossible to determine whether the single remaining comparison development was a representative case. Our quantitative analysis of project timelines thus focuses only on timeline components for which data are available from most, if not all, comparison developments. Specifically, we examined four key milestone periods:

- The entitlement approval date to the date of issuance of a building permit, which allows construction to begin.
- The date of issuance of a building permit to the estimated/actual construction start date, which marks when construction begins or is estimated to begin.
- The estimated/actual construction start date to the estimated construction completion date, which marks when construction ends or is estimated to end.
- The estimated construction completion date to the estimated/actual placed-in-service date, marking the time when the development is ready for occupancy.

Tahanan demonstrated meaningfully shorter times in each milestone period listed above relative to the comparison groups (see figure 6). The largest reduction in the number of days was achieved during the period between first construction to construction complete, whereas the largest relative reduction (percentage of reduction in time) was achieved between construction complete and the placed-in-service date. Timeline reductions across all development phases (as shown in figure 6) meant that the timeline for Tahanan from the entitlement approval date to the placed-in-service date was 41 percent shorter than the sum of median periods for comparison PSH developments and approximately one-third shorter when compared with both modular and SB 35 comparison developments.

FIGURE 6

Development Timeline Milestones



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Sources: Mercy Housing, 2022; San Francisco Planning Department, 2014–2021; San Francisco MOHCD, 2014–2021; California TCAC applications, 2014–2021.

Notes: Comparison groups are based on median values. Note that totals for each comparison group shown in figure 6 (e.g., 1,606 days for PSH) are sums of median values for each timeline segment and are not median values of the period between the date of entitlements to the placed-in-service date for these developments. Year values are approximations.

Key Drivers of Time and Cost Savings

Tahanan's implementers approached financing, design, and site selection with a resolute focus on reducing costs and time—an approach project implementers described as unusual for PSH and affordable housing more broadly in San Francisco for a variety of reasons typically out of developers' control. They also took advantage of Tahanan's innovative financing and development model to adhere to a simple, efficient design and built it quickly without the design and construction bells and whistles often required of traditionally financed and developed PSH in San Francisco.

As previously noted, most of the difference in residential development costs per unit between Tahanan and traditional PSH in San Francisco (as well as the SB 35 and modular off-site construction comparison developments) derived from the lower cost of the structure itself, suggesting that developers could meaningfully reduce costs if other PSH structures were more efficiently designed and not subject to the additional local reviews that San Francisco typically applies to locally funded PSH. The following section documents how commitment to timeline and cost goals, as well as each key component of the Tahanan model, drove time and cost savings, both independently and in combination.

Commitment to Timeline and Cost Goals Permeated Project Decisions

The commitment to timeline and cost goals influenced how project implementers conceived of and approached Tahanan at several key decision points, including:

- **Designing the financing and development model:** Project implementers intended each feature of Tahanan's innovative financing and development model to contribute to time and cost savings. In doing so, they pursued a core concept of using private HHF funds to facilitate evolution of CCSF's role as a project funder and reviewer,[8] while also incorporating emerging strategies that had not yet been widely applied to PSH: SB 35 streamlining and utilization of modular off-site construction, including selecting a site conducive to modular construction.
- **Selection of the project team:** Project implementers reported that team members—the developer, architect, general contractor, and modular off-site construction manufacturer—were selected in large part because of their commitment to meeting cost and timeline goals; enthusiasm and willingness to try new development approaches, including modular construction; and commitment to the supportive housing mission, as well as to the community.
- **Building and unit design:** Timeline and cost goals influenced building and unit design in multiple respects:
    - **Residential space:** Project implementers designed Tahanan's affordable (nonmanager) units smaller than typical PSH units to maximize efficiency while maintaining livability. Units are identical and approximately 260 square feet—more than one-third smaller than typical affordable units in comparison PSH developments, which have a median square footage of nearly 400 feet.[9] In addition, each floor plan is identical and efficiently designed, minimizing the need for excess circulation space.[10]

      Efficient unit and floor plan design—along with avoided construction cost escalation because of the shorter timeline—appear to be primarily responsible for the substantially lower costs described earlier in this brief. Project implementers also believe that, had Tahanan been subject to CCSF's typical review processes during predevelopment, they would have been pushed to increase unit sizes—a perspective that appears reasonable considering that PSH unit sizes in San Francisco are typically much larger.
    - **Commercial space:** Project implementers reported that the amount of commercial space in Tahanan, which includes two small retail spaces intended to benefit the streetscape and surrounding community, was likely smaller than would have been required or encouraged had the project not avoided standard local discretionary review processes, as described below. As previously noted, commercial spaces were not included in the cost analysis.
    - **Avoided design cost creepage:** Finally, project implementers reported that timeline and cost goals allowed project managers to push back against design bells and whistles.

Externally, utilization of HHF funds and SB 35 allowed the project to avoid various local review processes that could have led to costly design changes.

Availability of Up-Front HHF Funds Facilitated Early Development Activities

CHI provided $50 million in HHF funds to advance the project from the beginning of the development process, and these funds were used to conduct the relatively risky activities of purchasing the site and paying for predevelopment and construction. This approach meant that local and state sources could be added later in the project timeline, making the acquisition and construction process resemble a turnkey financing model: one in which the public agency pays for a mostly completed project without the ability to second-guess design and construction choices.

Specifically, the up-front use of HHF funds and postponed introduction of public funding reduced Tahanan's timeline and costs in the following ways:

- **Increased risk tolerance to advance the project on a faster timeline:** HHF's high risk tolerance (e.g., not requiring the commitment of public funds before proceeding) allowed project implementers to advance Tahanan without waiting for the completion of CCSF and state funding procedures—an approach not typically available to traditionally financed PSH. Examples included purchasing the site and beginning construction before tax credits and bonds were available (while negotiations with CCSF over the lease contract were still ongoing) and funding modular off-site construction early in the process, before the award of tax-exempt bonds, so that developers could undertake site work concurrently. Running multiple components simultaneously substantially reduced construction interest costs when compared with the comparison developments. To mitigate risk, project implementers developed multiple contingency plans for advancing alternative versions of the development in case securing public funding was severely delayed or never occurred—for example, a mixed-income non-PSH model in case CCSF did not enter a lease contract for the building.
- **Lower cost of capital:** HAF used HHF funds to act as the construction lender to Mercy Housing for the project, charging a below-market interest rate sufficient to cover only internal HAF administrative costs.
- **Reduced regulatory burden:** As described further below, availability of HHF funds up front shifted the role of CCSF from provider of capital subsidy to takeout funder through a new lease/lease-back contract structure, allowing Tahanan to avoid regulations and processes typically required of PSH in San Francisco.

CCSF's New Funding Role Increased Certainty and Reduced Costs

CCSF was a key partner in advancing the Tahanan model. By developing a new long-term financeable lease contract through the Department of Homelessness and Supportive Housing to cover debt service for the tax-exempt bonds used to finance construction, its role shifted from serving as a public funder to essentially precontracting for a finished product. CCSF also used its credit rating to back the

lease/lease-back contract, allowing the project to access lower borrowing rates for tax-exempt bonds, even though CCSF did not act as the bond issuer. CCSF's willingness to embrace new roles contributed to timeline and cost savings in the following ways:

- **Avoided regulatory requirements:** Tahanan used only union labor and complied with all CCSF regulations required of for-profit developers in San Francisco, including the First Source Hiring Program to hire economically disadvantaged residents,[11] as well as those required by TCAC (e.g., disabled access, environmentally sustainable building components) and for utilization of SB 35 (e.g., paying prevailing wages to contractors). However, funding Tahanan to completion with HHF funds and without an up-front capital subsidy from MOHCD allowed the project to avoid the following:
    - Local Business Enterprise contracting requirements
    - asynchronous plan review by the Department of Building Inspection and the Mayor's Office on Disability
    - requirements to use Public Utilities Commission (PUC) power, which necessitates drafting and executing PUC–PG&E agreements
    - prevailing wage monitoring by the Office of Labor Standards Enforcement
    - public art requirements, including participation by the San Francisco Art Commission in the selection of the architect and during design review, as well as the requirement to include a public art project of a cost equal to 1 percent of the CCSF capital contribution toward the development

  Although these requirements represent a range of worthy—and, in some cases, equity-focused—policy goals, as applied to PSH development in San Francisco, they appear to contribute to more expensive design, design changes, and delays.
- **Lower cost of capital:** As noted above, the project was able to access lower borrowing rates for tax-exempt bonds due to the strong credit rating behind CCSF's lease payments. In addition, CCSF did not act as the bond issuer (CalHFA played this role), which project implementers estimated reduced the timeline by several weeks and thus reduced costs by avoiding interest carry and cost escalation.

Streamlined Entitlements Enabled Efficient and Early Finalization of Design Decisions

Obtaining a legislative change allowing PSH to be an eligible use on the 833 Bryant Street site enabled Tahanan to invoke a transformative state law, SB 35, which streamlined the entitlement process for eligible developments and influenced the timeline and costs in the following ways:

- **Shorter entitlement timeline:** Because of the requirements of SB 35, Tahanan was fully entitled in four months. This timeline is substantially shorter than the typical timeline of two years for

PSH developments subject to discretionary local review, and thus helped avoid substantial construction cost escalation.

- **Adherence to efficient design:** Avoiding discretionary reviews typically required as part of the entitlement process allowed project implementers to maintain Tahanan's efficient design. In addition to not relying on a capital subsidy with MOHCD, Tahanan was able to fully avoid CCSF input into the design other than what was required in the underlying zoning code and the SB 35 application approved by CCSF.
- **Locked-in early design:** Thanks to the speed of the entitlement process, project implementers were able to finalize the design relatively early in the development process, allowing the modular off-site construction factory to work more efficiently and without the cost increases typically associated with longer entitlement processes.

Modular Off-Site Construction Reduced the Development Timeline

Contracting with Factory_OS—a San Francisco Carpenter Union Local 22–staffed factory in Vallejo, California—to build modules off site allowed Tahanan to achieve timeline and cost savings through an early start to manufacturing. In a typical affordable housing development using off-site modular construction, production at the factory would not begin until all necessary public funding had been secured, due to lender risk aversion and underwriting requirements. However, project implementers used HHF funds to begin off-site production concurrently with site work—and four months before tax-exempt bond issuance—thereby accelerating the project timeline and avoiding construction cost inflation during this period.[12]

In addition to the time savings generated through off-site construction, project implementers saw working with Factory_OS as beneficial to the field by playing a part in working out early-stage challenges so that future developments can more fully realize the potential of this approach to reduce costs.

Implications

Tahanan's project implementers achieved the goal of completing the project for less than $400,000 per unit and nearly achieved the goal of completing it in less than three years, demonstrating that it is possible to substantially reduce the time and cost to develop PSH in San Francisco. The model's success could have important implications for the system of financing and developing PSH—and affordable housing more broadly—in San Francisco, and potentially in other parts of the region and state. These implications are discussed below.

How Local Government Could Prioritize Time and Cost Savings

Much of Tahanan's time and cost savings were a result of project implementers' freedom to prioritize these goals over other policy goals, such as hiring small local firms and adding to the city's public art,

thanks to SB 35 streamlining and use of private HHF funds during predevelopment and construction, which limited CCSF input on the project during this period. This finding raises the question of whether—considering the severity of the homelessness and housing affordability crises—local requirements and review processes that are imposed on PSH and other affordable housing but not on projects that do not receive local funding, even if well-meaning, should be broadly eliminated or bypassed to minimize impacts on timelines and costs.

For example, project implementers proposed that San Francisco and other local governments, rather than private foundations, could establish time and cost savings as the overriding policy goals in creation of PSH, removing or streamlining regulatory requirements and processes that increase costs and time[13] and acting as a takeout funder providing funding on more of a turnkey basis once projects have been completed with private funds—whether as a capital loan or through a lease structure similar to Tahanan. To make it easier and more common for PSH developers to attract flexible, low-cost up-front capital, local government could provide early operating funding commitments on the condition that developers achieve time and cost goals.[14]

Such a shift would require local governments to take the politically challenging step of giving up some control to prioritize addressing the housing affordability and homelessness crises. However, this approach would enable local governments to fundamentally change how PSH and other affordable housing gets built, thereby ensuring more efficient use of scarce public dollars available to support these developments and addressing growing public concern over the cost and time required to develop PSH and other subsidized affordable housing.

Replicability and Advancements from Other Aspects of the Tahanan Model

Project implementers see several aspects of the Tahanan financing and development model as potentially replicable and/or having helped advance approaches for reducing development timelines and costs, both within and outside of San Francisco, including:

- Tahanan's small, identical units and efficient floor plans;
- the structure and terms of the CCSF financeable lease agreement;
- the Tahanan legal team's work with TCAC to ensure the lease/lease-back structure for Tahanan met the criteria for ownership under Section 42 of the federal tax code;
- use of CCSF's bond rating to help the project access lower borrowing rates; and
- working through early challenges in the use of modular off-site construction.[15]

Areas for Future Research

Further research in the following areas could increase understanding and acceptance of how to achieve timeline and cost savings for PSH and other affordable housing in San Francisco and other parts of the region and state:

- Considering both the substantial cost savings associated with Tahanan's smaller units and questions from some observers about the livability of those units, an examination of post-occupancy experiences of Tahanan's residents and service providers could be useful to assess whether any livability, property management, or service provision issues emerged.
- Being exempt from many of the regulations and processes typically imposed on PSH in San Francisco played a critical role in generating Tahanan's timeline and cost savings. A comparison of CCSF's development environment with other types of jurisdictions in the region and state (e.g., suburbs with fewer discretionary hurdles but other cost drivers such as parking requirements) could increase understanding of the incremental effects of different types of regulations and processes on development costs and timelines.

Overall, the development of Tahanan demonstrates that, with commitment to the goals of faster and less costly development, San Francisco can develop PSH faster and at lower costs than has been the case historically. The lessons learned from Tahanan can be applied to future developments in San Francisco and other jurisdictions to increase PSH availability more efficiently and effectively and to ultimately end homelessness.

Appendix A. Quantitative and Qualitative Data Analysis

We made several methodological decisions in the quantitative analysis of development costs to get as close as possible to an apples-to-apples comparison of Tahanan with PSH, SB 35, and modular developments:

- Removed recontributed developer fees, deferred developer fees, and general partner equity, as these are "paper" costs (as allowable by TCAC) added to increase eligible tax basis to maximize the amount of Low-Income Housing Tax Credits (LIHTCs).
- Removed acquisition/land costs, as these can be highly variable, project-specific, and out of the developer's control. In addition, unlike Tahanan, most new-construction affordable housing developments in San Francisco do not have acquisition/land costs because they are developed on donated or publicly owned sites that are ground-leased for a nominal fee.
- Included only new-construction developments, since acquisition/rehab developments are not directly comparable.
- Included only residential costs and removed commercial costs, as incorporation of commercial spaces can be highly variable and project-specific and are often dictated as a condition of approval outside of the developer's control. Tahanan avoided these local review processes due to its financing model and ability to utilize SB 35 to bypass typical approval processes.[16]
- Inflated all costs to 2021 dollars using the RSMeans Construction Cost Index, which allows for cost comparisons over time by adjusting for inflation. RSMeans is the same inflation adjustment factor used by TCAC.[17]
- Compared costs on a per unit basis rather than on a per bedroom basis, given that Tahanan consists entirely of studio apartments while several of the comparison developments include a broader mix of unit sizes. A comparison of per bedroom costs would therefore severely understate differences in costs. To address the possibility of a per unit costs analysis slightly overstating differences between Tahanan and comparison developments, portions of our analysis limited the comparison group to only studio or single-room-occupancy developments.

TABLE A.1

Comparison Group

Summary data for PSH comparison group developments

Property Name	Project Type	Estimated/ Actual PIS Year	Number of Restricted Units	Number of Homeless Units	% of Restricted Units Set Aside for Homeless
1036 Mission Family Housing	Traditional	2019	83	40	48%
1100 Ocean Avenue Apartments	Traditional	2015	70	25	36%
1150 Third Street (Mission Bay South Block 3 East)	Traditional	2020	118	62	53%
1180 Fourth Street (Mission Bay South)	Traditional	2015	149	50	34%
121 Golden Gate Avenue Senior Community (Vera Haile Senior Housing)	Traditional	2014	89	18	20%
1296 Shotwell Senior Housing	Traditional	2020	93	19	20%
1300 4th Street (Mission Bay South 6 East)	Traditional	2019	142	29	20%
1950 Mission Street	Traditional	2021	155	40	26%
1990 Folsom	Traditional	2022	142	14	10%
2060 Folsom Family Housing	Traditional	2022	126	29	23%
455 Fell	Traditional	2020	107	33	31%
4840 Mission Street	SB 35	2024	135	0	0%
490 South Van Ness Ave	Traditional	2021	80	27	34%
53 Colton	Traditional	2022	96	96	100%
681 Florida Street	SB 35	2023	129	39	30%
735 Davis	Traditional	2022	52	15	29%
78 Haight Street	Traditional/SB 35	2024	63	32	51%
88 Broadway	Traditional	2021	114	25	22%
95 Laguna Senior Housing	Traditional	2021	78	15	19%
Balboa Park Upper Yard	SB 35	2023	130	0	0%
Bayview Senior Housing (Dr. George W. Davis Senior Housing)	Traditional	2016	120	23	19%
Casa de la Mision	SB 35	2022	44	0	0%
Eddy & Taylor Family Housing	Traditional	2020	112	30	27%
Eddy Street Senior	SB 35	2020	22	0	0%
John Burton Foundation Housing Complex	Traditional	2018	49	25	51%

Maceo May Apartments	Traditional/ Modular	2023	104	89	86%
Mission Bay South Block 9	Traditional/ Modular	2022	140	140	100%
Mission Street Supportive Housing	Traditional/SB 35/Modular	2022	256	256	100%
Rene Cazenave Apartments	Traditional	2014	120	119	99%
Rosa Parks II	Traditional	2017	97	20	21%
Sango Court	Modular	2023	101	51	50%
Total			**3,738**	**1,591**	**43%**

Sources: California Housing Partnership Preservation Database, 2022; Authors' estimates based on San Francisco MOHCD, March 2022 data.
Notes: PIS = placed-in-service.

TABLE A.2

Interviewees for Tahanan Evaluation

The California Housing Partnership conducted interviews (which were in some cases followed by extensive written communication) with the following people

Name	Organization
Rebecca Foster	San Francisco Housing Accelerator Fund
Barbara Gualco	Mercy Housing
Sharon Christen	Formerly Mercy Housing
Kate Hartley	Formerly San Francisco Housing Accelerator Fund
Mengxin Zhou	California Housing Partnership
Katie Lamont	Tenderloin Neighborhood Development Corporation
Lydia Ely	San Francisco Mayor's Office of Housing and Community Development
Erin Carson	Formerly San Francisco Mayor's Office of Housing and Community Development

Source: Stakeholder interviews conducted from June 2022 to October 2022.

Notes

[1] The Schwab Foundation made an additional $15 million contribution to other CHI activities.

[2] For information on SOMA Pilipinas, see https://www.somapilipinas.org.

[3] Tahanan is the only development that uses HHF resources in the way described in this evaluation. At the time of publication, HAF is pursuing a new development that replicates several features of Tahanan's financing and development model.

[4] In the "lease/lease-back" structure, CCSF master-leases the property from the partnership that owns it—providing the vehicle for CCSF's property lease payments—and then subleases the property back to the partnership, for a de minimis amount, to operate it. The California Tax Credit Allocation Committee determined that this structure meets property ownership requirements for Low-Income Housing Tax Credit financing.

[5] A comparison of Tahanan's total project timeline from site acquisition to temporary certificate of occupancy—the basis of Tipping Point's three-year completion goal—was not possible, because nearly all comparison developments were entitled before acquisition due to the typical approach of developing affordable housing on donated or publicly owned sites that are already entitled. We further determined that two of the three comparison developments that were acquired before being entitled were not useful comparison cases in an analysis of total project timelines, and that it was impossible to determine whether the single remaining comparison development was a representative case. The analysis of project timelines thus focuses only on timeline components for which data are available from most, if not all, comparison developments.

[6] We derived the estimated placed-in-service date by adding six months to the construction completion date.

[7] Studio/SRO comparison developments included seven total developments: six PSH, two SB 35, and one modular (one development is PSH, SB 35, and modular).

[8] CCSF shifted its role as a funder and reviewer of new-construction PSH in multiple ways for Tahanan: as a funder (from providing an up-front capital subsidy to providing lease payments after the project was complete) and as a reviewer (from imposing multiple regulations and review points as a condition of accepting up-front capital funding to imposing none of those requirements under the new funding arrangement).

[9] This figure is reported only for comparison PSH developments consisting entirely of studio or SRO units, because square footage is not broken down by unit size (e.g., studios, one-bedrooms) in the data source used (TCAC applications).

[10] For every affordable unit in Tahanan, 164 square feet of additional space in the residential portion of the building is used for circulation (e.g., hallways, stairs, common areas). This figure is 20 percent lower than the corresponding amount of residential space per affordable unit (204 square feet) in comparison PSH developments consisting entirely of studios or SRO units.

[11] For more information on the First Source Hiring Program, see "First Source Hiring Program," San Francisco Planning, accessed November 11, 2022, https://sfplanning.org/resource/first-source-hiring-program.

[12] Initial deposit payments to the factory were made three months before beginning production, or seven months before tax-exempt bond issuance.

[13] Both project implementers and affordable housing professionals not directly involved in Tahanan noted that each CCSF requirement imposed as a condition of being awarded local funding has a political constituency, and scaling back or modifying any of them would be challenging. As noted in a recent *New York Times* opinion piece on the high cost of developing PSH in Los Angeles, "The politics of the affordable housing crisis are terrible. The politics of what you'd need to do to solve it are even worse." See Ezra Klein, "The Way Los Angeles Is Trying to Solve Homelessness Is 'Absolutely Insane,'" *New York Times*, October 23, 2022, https://www.nytimes.com/2022/10/23/opinion/los-angeles-homelessness-affordable-housing.html.

[14] One potential model for the public sector playing this role is the HHH Housing Innovation Challenge, in which the City of Los Angeles provided competitive funding for low-cost approaches to financing and developing PSH. For more information, see: https://www.housinginnovationchallenge.com.

[15] Both project implementers and affordable housing professionals not directly involved in Tahanan noted that use of modular off-site construction faces considerable political challenges in San Francisco and is therefore unlikely to occur in the foreseeable future. An example of recent media coverage of this topic: J. K. Dineen, "Modular Homes Cost Less and Are Used All over California," *San Francisco Chronicle*, September 26, 2022, https://www.sfchronicle.com/bayarea/article/modular-homes-san-francisco-17463783.php.

[16] Focusing solely on residential costs provides a fairer basis of comparison, as Tahanan includes modest commercial space while some PSH developments in the comparison group include large commercial spaces and others include none.

[17] "RSMeans Historical Cost Index and City Cost Indexes," RSMeans data from Gordian, 2022, https://www.rsmeans.com.

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