

MEMORANDUM

To: Marie Sullivan, Senior Manager, Joint Development – Los Angeles Metro

From: Hilary Carter, Housing Associate – LeSar Development Consultants

CC: Craig Adelman, Senior Principal – LeSar Development Consultants
Stacy Calderon, Senior Associate – LeSar Development Consultants
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Date: December 9, 2022

Re: LA Metro Interim Housing Sites Analysis for Homekey 3

Thank you for the opportunity to be of service to the Los Angeles Metro's Joint Development office in its efforts to successfully respond to our homelessness crisis through the State's Homekey program.

Background

Los Angeles Metro ("LA Metro") brought LeSar Development Consultants ("LDC") onto Los Angeles Metro's Joint Development Housing Accelerator Part C project to create a Housing Lab that would advance equitable and innovative strategies for scaling up affordable housing on metro owned land. LDC and its subconsultant team are responsible for developing a Housing Lab Advisory Board, Innovative Interim Shelter Action Plan, and a Community Land Trust Strategy. For the Innovative Interim Shelter Action Plan, the team will identify key partnerships and outline the steps to bring those partnerships to fruition. These partnerships will assist LA Metro with the development of interim housing on metro owned land.

Under the California Department of Housing and Community Development's ("HCD") Homekey 2 program, interim housing is defined as any non-congregate "facility whose primary purpose is to provide a temporary shelter for the Homeless in general or for specific populations of the Homeless, and which does not require occupants to sign leases or occupancy agreements." (California Department of Housing and Community Development, 2021). In Homekey Round 2, each individual unit had had to have its own private restroom. Using a "Housing First" no-barriers approach to quickly housing persons experiencing homelessness, service providers provide intensive case management to residents. Interim housing service providers work to move interim housing residents into permanent supportive housing for long-term stability.

HCD's Homekey 3 NOFA is expected to be released in March 2023 and applications will be accepted thereafter on a first-come first-served basis until June 2023. HCD anticipates that there will be \$750 million in funding for Homekey Round 3. This is approximately half of the funding that was available for Homekey Round 2 (\$1.45 billion). In Homekey Round 2, 25% (\$358,681,953) of the total state funding was allocated to Los Angeles County. Assuming the geographic set-aside splits remain comparable in Homekey Round 3, we estimate a LA County allocation of \$187.5 million. Funds will be very competitive in the next round.

Interim housing sites must be large enough to provide on-site services to residents. Typically, interim housing units do not include individual cooking facilities. Rather, service providers are responsible for providing three meals/day 365 days/year to all residents, and as such, sites typically require large commercial kitchens. Additionally, 24-hour on-site security is also necessary. Sites must also be able to accommodate space for emergency vehicle access, waste disposal, supportive services office, potentially on-site parking, and applicable setbacks.

As part of LA Metro's Innovative Interim Shelter Action Plan, LA Metro asked LDC to analyze its portfolio of real estate holdings to identify sites to prioritize to interim housing. In so doing, LDC reviewed the following properties for potential Homekey funding.

- Sierra Madre Parking
- Drop Forge
- Sherman Way Station
- Slauson & Central
- Reseda Station
- Jefferson Bus Loop Layover
- Indiana Station
- Van Nuys Station
- Valley Subdivision
- Vermont/Beverly Station

None of these sites are appropriate for Permanent Supportive Housing ("PSH") because PSH housing units are typically larger than interim housing units and they require more on-site amenities such as outdoor spaces, indoor common areas, more parking for residents, and on-site property management.

Additionally, PSH projects may have more units because of economies of scale. Because there are more potential operating subsidies like tenant-based vouchers available for PSH projects, PSH developments with bigger unit counts generally have better cash flows. Whereas with interim housing, there are few operating subsidies available, and operating costs increase on a per-capita basis. So smaller interim housing projects are generally more financially feasible to operate.

LA Metro is considering the use of new construction modular units for interim housing. Modular housing has emerged as a promising new prefabricated housing technology. Modular units are built off-site at a factory and are trucked into the site to be placed on a permanent foundation. Modular housing construction timelines are a fraction of what traditional stick-built housing usually takes. Several modular companies have template interim-type housing units that can efficiently be stacked two-stories high. Adding additional height requires more complicated engineering, and potentially timeline delays to these projects. Typically, modular units are 40 ft. long x 10 ft. wide because this size fits on a regular sized semi-truck. These modular units can be divided into 1, 2, or 3 individual units depending on the buyers' unit size preferences. For a detailed analysis of site design and unit count yield, an architect should be consulted.

Recommendations

LDC's recommended sites in order of preference are:

1. *Van Nuys Station, Aetna St. & Tyrone St.*

Site is ideal because there is an existing Salvation Army-run congregate shelter in the middle of the site. An established operator will make the project more feasible, and existing infrastructure in the Salvation Army building may mean that less of the site must be dedicated to common amenities like supportive services offices. Buildable area is a long narrow parking lot with two lanes, each with two rows of stalls, as well as larger empty parking areas. Industrial area but one block from homes.

Estimated total buildable area of 1395 ft. length x 80 ft. width. A promising site for interim housing consideration given the existing Salvation Army congregate shelter in the middle of the site.

2. Reseda Station, W. Oxnard & Reseda Blvd.

This site has enough space to potentially yield a higher modular unit count than the other sites. Site is two long narrow parcels along the Orange Line busway. One parcel is one lane with two rows of parking and the other parcel has trees acting as a buffer between single family homes and busway. May be difficult to develop on 60 ft width parcel.

Given the existing 3-2-1 Carwash on the northeastern portion of the site, it would be challenging to create vehicular access east of the carwash to Metro's land; given this, that area was deducted from length measurement. Approximately 1100 ft. on southwestern part of site, 1000 ft. length on northwestern part of site and 800 ft on southeastern part of site is 2900 ft. length total. 60 ft. width on the parcels, which may be too narrow for development if setbacks are applicable.

3. Sherman Way Station, 7132 Deering Ave.

Buildable area is two long, narrow parking lots with two rows of stalls each. The eastern parking lot is too narrow to accommodate vehicular access and modular units. Western parking lot is approximately 622 ft. length x 60 ft. wide and could potentially accommodate stacked modular units, but the yield would be smaller than at Reseda Station. Area appears amenity rich.

These three sites are ideal for the following reasons:

- Easy access to the sites means that quick, modular construction is more feasible.
- There is more room at these sites for medium density (defined as two levels of modular units) interim housing development with some parking, circulation for emergency vehicles, and service provider offices.
- Proximity to amenities

Conclusion

If LA Metro decides to move forward with an interim housing Homekey 3 application, a developer, service provider, and architect should be identified quickly to determine feasibility, site design, and to put together a competitive Homekey application. LA Metro has several promising sites that could be utilized for interim housing. LDC looks forward to continuing to support LA Metro's response to our homelessness crisis.