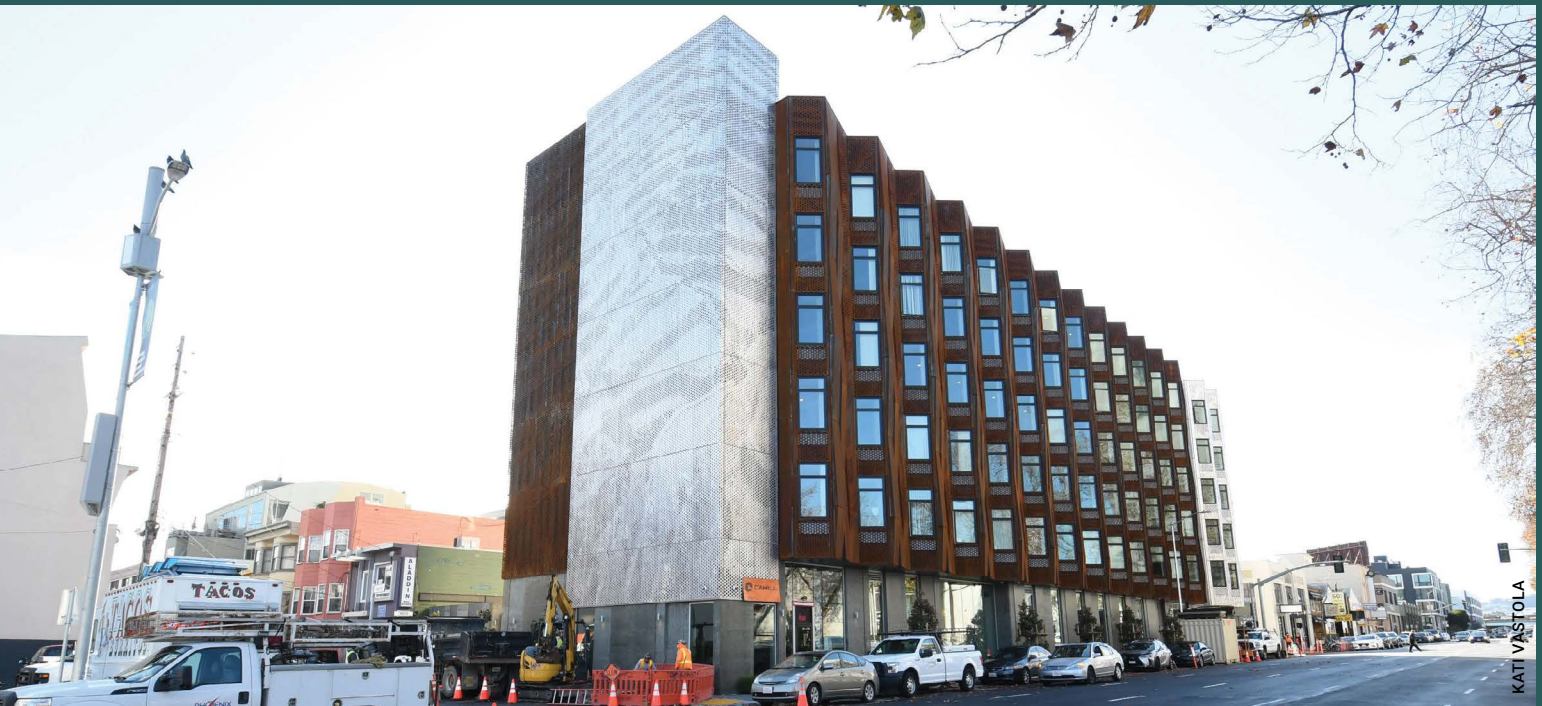


HOMELESS TO HOUSED

Terwilliger Center for Housing



CASE STUDY: THE BRYANT STREET PROJECT

SAN FRANCISCO, CALIFORNIA

LOCATION:
833 Bryant Street
San Francisco California

OPERATOR:
Mercy Housing
Management Group

PROJECT TYPE:
Permanent Supportive
Housing

COST:
\$68,635,195 (includes
the cost of land)

SIZE:
61,800 square feet

COMPLETION:
September 2021

OWNER:
San Francisco Housing
Accelerator Fund and
Mercy Housing

PARTNERS:
Tipping Point Community, San Francisco Housing
Accelerator Fund, and Mercy Housing (developer
and operator)



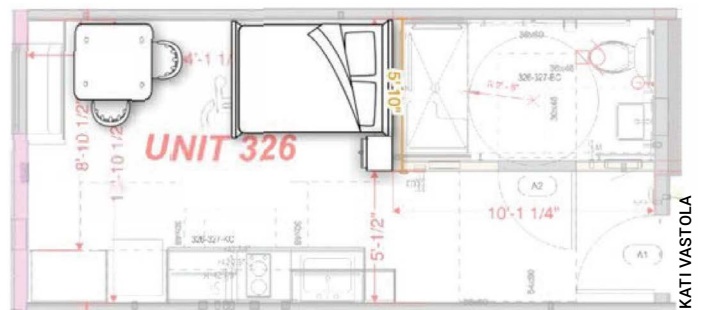


The Bryant Street Project's ground floor accommodates community amenities and operation facilities.

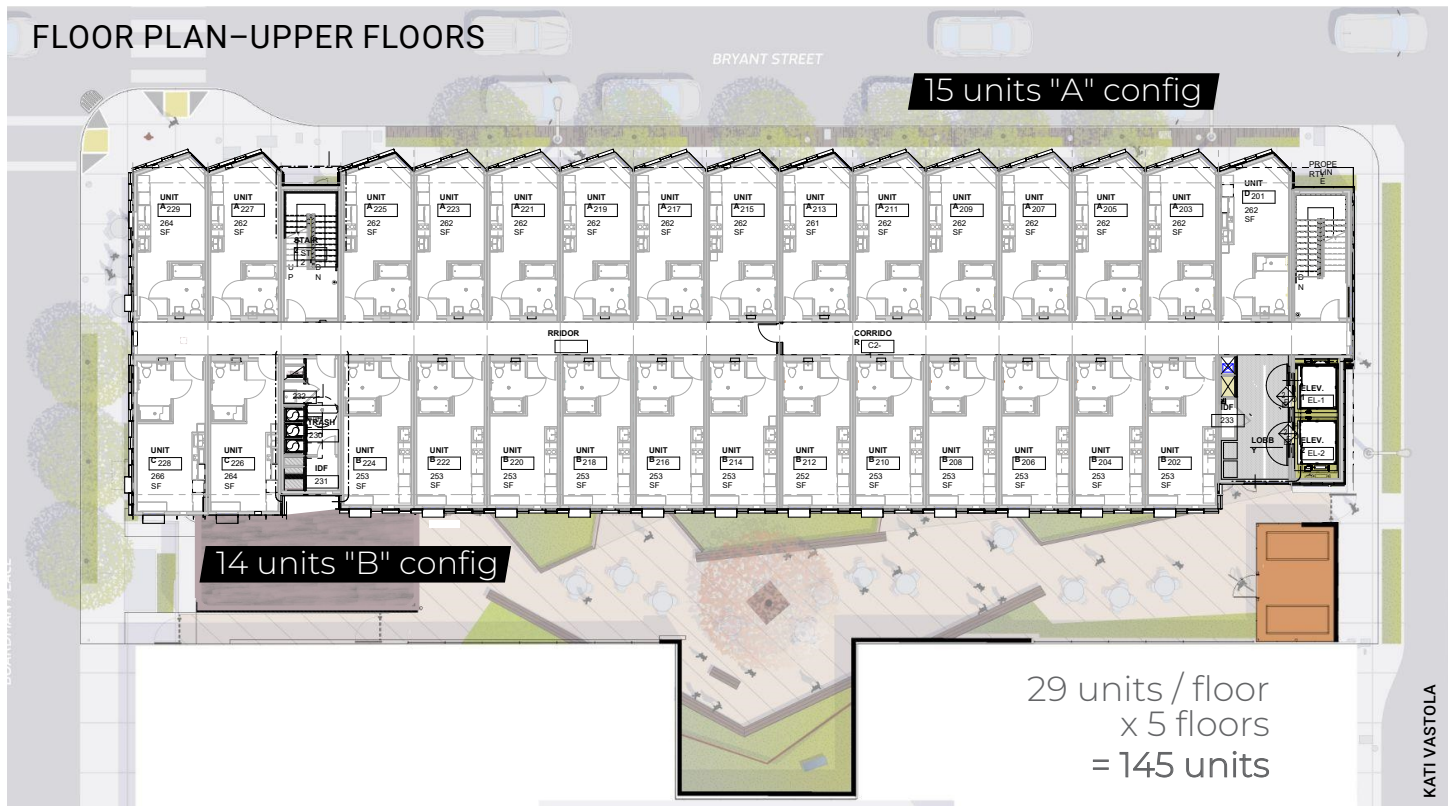
The Bryant Street Project hosts 145 apartments of permanent supportive housing for residents who have experienced homelessness, with one staff apartment on site. The project is located in the South of Market Area (SOMA) of San Francisco, and this central location is close to public transit, grocery stores, and community parks, ensuring that residents have access to neighborhood amenities and services.

The building includes a ground-floor lobby, a community room, a social services office, a laundry room, and 650 square feet for neighborhood retail. The project's staffing plan includes one full-time manager, one full-time assistant manager, one janitor, one maintenance technician, 24/7 front desk coverage, and one resident services coordinator. There will be one case manager for every 25 residents. To ensure safety and security there will be staff on site 24/7, strategically placed security cameras, sidewalk and site lighting at the exterior of the building, and a house rules agreement included as part of a resident's lease agreement.

Tipping Point Community—a Bay Area philanthropic organization—launched its Chronic Homelessness Initiative in 2017 with the goal of reducing homelessness in the region by half in five years. A key component is to pilot new ways to develop good-quality permanently supportive units in San Francisco in less than three years and at a cost of \$400,000 or less per unit (a timeline and cost per unit that is far cheaper and faster than for similar projects in the region). The Bryant Street Project is the first development to receive funds through this Chronic Homelessness Initiative via the San Francisco Housing Accelerator Fund (HAF) with Mercy Housing acting as the developer.



Unit floor plan.



Units built off site decreased costs and shortened the development timeline.

The 833 Bryant Street site was a surface parking lot and zoned Service/Arts/Light Industrial. Before acquisition of the property, HAF assembled a development team and worked with the city of San Francisco on a zoning amendment that would allow the construction of affordable housing. The site was entitled in six months for the construction of 145 units of permanent supportive housing reserved for people who have experienced chronic homelessness, plus one unit for the building manager.

HAF purchased the site in October 2018 using unrestricted capital that was provided by Tipping Point Community and was not subject to the same requirements that are typically attached to private or public subsidy sources. HAF also used these funds to provide a 0 percent predevelopment loan to Mercy Housing for predevelopment and initial construction expenses (including a substantial portion of the off-site construction). These funds were partially returned to HAF when the team closed a \$33,282,714 tax-exempt construction loan. The HAF construction funds will be fully returned with the deployment of \$21,673,000 in associated Low Income Housing Tax Credits (LIHTC) equity.

Additional public subsidies are an operating lease from the city of \$1.4 million per year and a master lease from the city of \$1.9 million per year, with lease payments beginning in 2022. HAF is providing subsidies directly by donating the land (minimal ground lease payments may be available but are not guaranteed) and then conveying fee title to the land to the city for \$1 after the tax-exempt mortgage is paid in year 30. HAF also provided development services without compensation, allowing for a lower developer's fee than is typical in real estate development projects. Mercy Housing is the developer for the Bryant Street Project, and residential units are small studios (about 260 square feet), constructed off site by Factory_OS.

The Partnership

The Bryant Street Project is possible because of a partnership among the city of San Francisco, HAF, Tipping Point Community, and Mercy Housing California. Permanent affordability and high-quality operations are ensured through a partnership with the city of San Francisco, which will provide operating subsidies following construction completion.



Costs and Financing

The Bryant Street Project is supported through a new approach to financing permanent affordable housing in the city of San Francisco. No city funds are being used for the project's construction. Instead, HAF invested \$35 million (from a larger philanthropic donation from Tipping Point Community) with Mercy Housing, securing LIHTC and tax-exempt bonds with the ultimate goal of returning a portion of philanthropic funds to HAF to invest in additional permanent supportive housing. The city's agreement to enter a long-term lease will support debt service on the project's permanent loan and allow the tax-exempt bond rating to be linked to the city's credit rating, resulting in more advantageous pricing and lower overall project costs.

This meant 833 Bryant benefited from a large pool of flexible funding unrestricted by the regulations that typically come with subsidies. Funds were fully available early in the development process, could be put up at risk, could be applied to a very wide range of uses, and came with little to no regulatory requirements.

Total development costs are expected to be close to \$61 million. Funding for the project includes funding from the Homes for the Homeless Fund established by Tipping Point and HAF, LIHTC and tax-exempt bonds, and a contributed developer fee.

Innovations: What Worked

The Bryant Street Project's primary innovations include the following:

- A shared commitment to clearly defined and ambitious cost and timeline goals.
- Deployment of unrestricted capital to fund many costs during construction. The Bryant Street Project benefited from a large pool of flexible funding unrestricted by the regulations that typically come with subsidies. Specifically, this capital came from the Homes for the Homeless Fund established by Tipping Point and HAF. Compared to most funding sources for affordable housing, which requires detailed paperwork or specified returns, these funds had no terms except supporting the development of permanent supportive housing deals done quickly and at relatively low cost. In addition, while it was understood that, ideally, these funds would be revolved to support additional developments, HAF and Tipping Point accepted the risk that the funds would not be returned from the project.
- Approval for the Streamlined Ministerial Approval Process under Senate Bill 35. This law allowed the project to efficiently move through the permitting process much faster and with less risk.
- Use of off-site construction of apartment units. Off-site construction of apartment units at Factory_OS allowed the developer to simultaneously build units and engage in site work, thus shortening the overall development timeline.

Challenges

The Bryant Street Project's overall goals were to solve development challenges (time and cost) while modeling a new approach to creating affordable housing. The Bryant Street Project is on track to provide substantial cost and timeline savings relative to similar projects in San Francisco. The project provides a model for development, mostly by showing the potential of unrestricted capital.

In addition, the project provides insight on the effects of policies and funding programs that pose roadblocks to the timely and cost-effective development of affordable housing, particularly permanent supportive housing. For example, much of the savings that the project achieved came from bypassing the required development processes to entitle and fund affordable housing.

Outcomes

The Bryant Street Project serves as a new model for how to structure financing to create permanent supportive housing. The project's primary development goals are to expedite the development process and make it more efficient, reducing costs by jump-starting construction using philanthropic funding. It also serves as an example of a permanent supportive housing development that has been developed below the cost and timelines that are typical for San Francisco projects. Importantly, its site location in a neighborhood of opportunity—central to public transit, grocery stores, and community parks—ensures that a solution to homelessness is part of the community rather than hidden on the outskirts of one.

For further detailed information, see the following resources:

- Simon, Daniel, and Jonas Weber, "[Innovative Financing and Construction Methods Speed Affordable Home Delivery at Tahanan Supportive Housing.](#)" *Urban Land*, July 6, 2021.
- Decker, Nathaniel, "[Strategies to Lower Cost and Speed Housing Production: A Case Study of San Francisco's 833 Bryant Street Project.](#)" *Turner Center for Housing Innovation*, UC Berkeley, February 9, 2021.

HOMELESS TO HOUSED: PROJECT PRO FORMA

NAME: The Bryant Street Project	SPONSOR: Mercy Housing and San Francisco Housing Accelerator Fund
LOCATION: 833 Bryant Street, San Francisco, California	
NUMBER OF UNITS/RESIDENTS SERVED: 146 units	BRIEF DESCRIPTION OF TYPE: Permanent supportive housing

Development Pro Forma

	TOTAL (\$)	PER RES./UNIT
USES OF FUNDS		
Acquisition of land and/or building	0	0
Architectural, engineering, and entitlement costs	2,400,000	16,438
Construction costs	40,969,000	280,610
Legal and professional costs	400,000	2,740
Additional equipment and related costs	731,000	5,007
Development fees	7,100,000	48,630
Interest during construction	3,100,000	21,233
Real estate taxes during construction	0	0
Financing/costs of issuance	2,100,000	14,384
Other costs	3,561,672	24,395
Total uses, capital cost (does not include the cost of land)	60,361,672	413,436
SOURCES OF FUNDS		
Permanent debt (bonds)	33,282,714	227,964
Limited partners	21,673,000	148,445
Equity (general partner - recontributed developer fee)	5,405,958	37,027
Philanthropic capital, government grants or similar	0	0
Total sources	60,361,672	413,436

Operating Pro Forma

	TOTAL (\$)	PER RES./UNIT
ANNUAL REVENUE		
Revenue from residents	371,925	2,547
Revenue from resident-related sources (vouchers, etc.)	1,421,056	9,733
Revenue from other sources (grants, philanthropy)	0	0
Support for wraparound services	790,250	5,450
Other	7,032	48
Total revenue	2,590,263	17,779
ANNUAL EXPENSES		
Property operations		
Salaries	426,000	2,918
Repairs and maintenance	478,000	3,274
Utilities	228,000	1,562
Taxes	60,000	411
Insurance	180,000	1,233
Other property-related expenses	428,013	2,932
Total property operational expenses	1,800,013	12,329
Other resident services		
Salaries	778,250	5,330
Contract services	12,000	82
Total resident services	790,250	5,413
TOTAL EXPENSES	2,590,263	17,742
NET REVENUE (DEFICIT)	0	0

About the Urban Land Institute

ULI is a nonprofit education and research institute supported by its members. Its mission is to shape the future of the built environment for transformative impact in communities worldwide. Established in 1936, the Institute has more than 45,000 members worldwide representing all aspects of land use and development disciplines.

About ULI Homeless to Housed

Homeless to Housed (H2H) recognizes that ULI members are well positioned to help address homelessness. With generous support from a growing number of ULI members, the initiative works to explore real estate solutions to the growing crisis affecting communities everywhere. Core elements of this work include conducting research, promoting cross-sector collaboration, providing local technical assistance through ULI's network of district councils, and sharing knowledge and expertise for addressing housing challenges for individuals and families.

This Case Study was originally published in the 2022 research report Homeless to Housed: The ULI Perspective Based on Actual Case Studies. Driven by the generosity and guidance of Preston Butcher, the report explores the role the real estate community can play in addressing the issue of homelessness. It includes a summary of lessons learned, a blueprint for how to replicate best practices in U.S. communities, and a series of case studies that demonstrate how the development community can be an active partner in addressing the critical shortage of housing in the United States. See the full report: <https://knowledge.uli.org/en/reports/research-reports/2022/homeless-to-housed>

uli.org/homelessness

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Sources

Simon, Daniel, and Jonas Weber, "Innovative Financing and Construction Methods Speed Affordable Home Delivery at Tahanan Supportive Housing," Urban Land, July 6, 2021. <https://urbanland.uli.org/development-business/innovative-financing-and-construction-methods-speed-affordable-home-delivery-at-tahanan-supportive-housing/>.

Decker, Nathaniel, "Strategies to Lower Cost and Speed Housing Production: A Case Study of San Francisco's 833 Bryant Street Project," Turner Center for Housing Innovation, UC Berkeley, February 9, 2021. <https://turnercenter.berkeley.edu/wp-content/uploads/2021/02/833-Bryant-February-2021.pdf>.