

HOMELESS TO HOUSED

Terwilliger Center for Housing



MARTY BORKO

CASE STUDY: CITY OF LONG BEACH BEST WESTERN

LONG BEACH, CALIFORNIA

LOCATION:
1725 Long Beach Boulevard, Long Beach California

OWNER:
City of Long Beach

OPERATOR:
Illumination Foundation

PROJECT TYPE:
Low-Barrier Shelter

COST:
\$16.7 million

SIZE:
102 rooms

COMPLETION:
March 15, 2021

PARTNERS:
City of Long Beach, California Department of Housing and Community Development, Los Angeles County



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Building off the success of the state of California's Project Roomkey, Project Homekey is the state's innovative program to purchase and rehabilitate housing, including hotels, motels, vacant apartment buildings, and other properties, and convert them into permanent, long-term housing for people experiencing or at risk of experiencing homelessness. On July 16, 2020, the State of California Department of Housing and Community Development issued a Notice of Funding Availability for the Project Homekey Program for about \$600 million of grant funding to expand the inventory of housing for people experiencing homelessness or at risk of homelessness and impacted by COVID-19. Of these funds, \$550 million was provided from the state's direct allocation from the federal Coronavirus Relief Fund and \$50 million was allocated from the state's General Fund to supplement the acquisition fund and provide initial operating subsidies for Project Homekey sites.

The city of Long Beach received Project Homekey funds and used the funds to establish interim and temporary housing for people transitioning into permanent housing by rehabilitating a former Best Western hotel. This Project Homekey facility supports people experiencing homelessness at high vulnerability to COVID-19. The goal is to connect Project Homekey clients with permanent housing, but it is not a requirement.

The former Best Western hotel selected by the city for conversion to interim housing has a large number of units that can function as studio apartments and is located near existing homeless services and public transportation. Once the property was purchased and redeveloped, the city contracted with the nonprofit Illumination Foundation to provide support for residents, including transportation to essential appointments, meals, and mental and physical health services.

The Partnership

Local government agencies across the city of Long Beach partnered to realize this project and reached out to developers to help with the rehabilitation of the former Best Western property.

The Illumination Foundation provides support services, and the city liaised with the California Department of Housing and Community Development throughout the development and delivery process.

Costs and Financing

The city of Long Beach purchased the former Best Western hotel for \$21.7 million in 2020, inclusive of funds received from the \$15,155,000 Project Homekey grant as well as other state and federal funds. The Project Homekey grant required a local match, and the city was able to fulfill the match through state and federal funding sources. The city plans to convert this site to permanent supportive housing so the property pays for itself and is more sustainable for future use.

Innovations: What Worked

The Project Homekey funds available to the city of Long Beach focused grantees on property acquisition and is a unique, very large investment toward state and federal interventions to support persons experiencing homelessness. The city of Long Beach believes this is the scale of the investment that was needed, especially during the COVID-19 pandemic, to start to meet the needs of people experiencing homelessness to help them obtain stable housing.

The city appreciated that the Project Homekey grant provided the opportunity to purchase a property that could be converted from interim housing to permanent housing in a low-cost and quick manner.

Regarding the grant process, the Project Homekey Round 2 grant cycle has been responsive to the needs of Round 1 local grantees who voiced concern about the timeline and local match requirements. Project Homekey Round 2 eliminates the local match requirement but still expects complete expenditure of funds within one year of disbursement of the funds, which is a continuing challenge for these complex projects.

Challenges

The city of Long Beach quickly assembled a match for the Project Homekey funds and got to work selecting apt properties for acquisition. Initially, the city thought the former Best Western hotel did not need significant work and expedited an assessment to ensure the project delivery was on time. Unfortunately, the building did need more significant systems-related work, and more than \$60,000 of repairs needed to be done within the first three months of renovation. In retrospect, the city shared that it would have preferred to have partnered with a developer pre-purchase to mitigate some of these challenges, and to provide guidance on the entire development process—particularly from those developers who have been involved in projects funded by Project Roomkey and Project Homekey grant programs.

As mentioned, the state of California’s Project Homekey timeline is tight, asking grantees to plan and execute projects quickly. With such a tight schedule, some potential properties that could be considered for conversion to interim or permanent supportive housing might not work.

Though the timeline is not ideal—tough to meet and make sure standard procedures and due diligence are completed—the city believes that participation in the grant program was worth the rigid stipulations.

Outcomes

Regardless of the challenges that remain for the city, the former Best Western hotel project has been very successful at reducing street homelessness in Long Beach. The property provides 102 units that people can come home to; food is provided, privacy and security needs are met, and emergency federal housing vouchers can be applied to help people who are actively looking for an apartment have a safe place to do so.

The city believes that Project Homekey grants provide the necessary funds to local governments to address in a swift and effective manner the housing needs of people experiencing homelessness.



The site was selected by the city of Long Beach in part because of its immediate proximity to the LA Metro Green Line, providing tenants access to much-needed transportation.

HOMELESS TO HOUSED: PROJECT PRO FORMA

NAME: City of Long Beach Best Western	SPONSOR: City of Long Beach
LOCATION: Long Beach, California	NUMBER OF UNITS/RESIDENTS SERVED: 102 rooms/ > 100 people
BRIEF DESCRIPTION OF TYPE: Hotel conversion to provide temporary housing for people experiencing homelessness. The Project Homekey-funded development is specifically for people experiencing homelessness and highly vulnerable to COVID-19.	

Development Pro Forma

	TOTAL (\$)	PER RES./UNIT
USES OF FUNDS		
Acquisition of land and/or building	21,700,000	212,745
Architectural, engineering, and entitlement costs	n/a	n/a
Construction costs	n/a	n/a
Legal and professional costs	n/a	n/a
Additional equipment and related costs	n/a	n/a
Development fees	n/a	n/a
Interest during construction	n/a	n/a
Real estate taxes during construction	n/a	n/a
Other costs	n/a	n/a
Total uses, capital cost	21,700,000	212,745
SOURCES OF FUNDS		
Permanent debt	0	0
Equity	n/a	n/a
Philanthropic capital, government grants, or similar	21,700,000	212,745
Total sources	21,700,000	212,745

Operating Pro Forma

	TOTAL (\$)	PER RES./UNIT
ANNUAL REVENUE		
Revenue from residents	0	0
Revenue from resident-related sources (vouchers, etc.)	0	0
Revenue from other sources (grants, philanthropy)	2,135,393	20,935
Support for wraparound services	0	0
Other	67,908	666
Total revenue	2,203,301	21,601
ANNUAL EXPENSES		
Property operations		
Salaries	410,440	4,021
Repairs and maintenance	n/a	n/a
Utilities	135,393	1,326
Taxes	n/a	n/a
Insurance	7,000	68
Other property-related expenses	240,000	2,352
Total property operational expenses	792,833	7,769
Other resident services		
Salaries	731,250	7,166
Contract services	611,310	5,990
Other	n/a	n/a
Total resident services	1,342,560	13,157
TOTAL EXPENSES	2,135,393	20,926
NET REVENUE (DEFICIT)	67,908	665

n/a = not applicable.

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>

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Sources

Marc Costa-Robles, "Project Roomkey: Former Best Western Hotel in Long Beach Converted into Interim Housing for Homeless," KABC Television, Mar. 26, 2021, <https://abc7.com/homeless-southern-california-project-home-key-population-in-housing/10451015/>.

Hayley Munguia, "Former Best Western in Long Beach to Begin Operating as Homeless Housing on Monday, March 15," Long Beach Press-Telegram, Mar. 13, 2021, <https://www.presstelegram.com/2021/03/13/former-best-western-in-longbeach-to-begin-operating-as-homeless-housing-on-mondaymarch-15/>.