



## Small-Scale Housing Unit Report

### Introduction

In October 2023, the Commission to End Homelessness (Commission) approved the establishment of a Tiny Homes Ad Hoc (Ad Hoc) to evaluate alternative housing solutions including studying, defining, and identifying potential applications for tiny homes. Since its formation, the Ad Hoc has met with developers, programs, subject matter experts, and people with current or past lived experience of homelessness (people with lived experience) with the goal of formulating a shared understanding of the definition of a tiny home and the potential applications for Orange County. This process included a variety of interviews and site visits with organizations involved in the tiny home industry. Additionally, the Ad Hoc held multiple debriefs and check-in meetings throughout the year to review and discuss the lessons, challenges, and benefits learned from their experiences. As the Ad Hoc delved further into business of tiny homes and their applications, the group determined the term “small-scale housing unit” was a more appropriate title to describe the structures and industry, which provides non-congregate space for households who reside in these types of units, whether temporary or permanently.

### Background

The County of Orange (County) has experienced successful and unprecedented investment in supportive housing since 2018, as outlined in the 2022 Housing Funding Strategy (2022 Strategy) presented to the Commission on February 15, 2023.

The 2022 Strategy presented a comprehensive narrative of recent successes in 2018 through 2022 and outlined a series of recommendations to address the significant challenges going forward. While noting success experienced by the County in attracting financial investment in supportive and affordable housing from non-local sources, the total development cost estimate for supportive housing increased from an average of approximately \$345,000 per unit in 2018 to an average of approximately \$550,000 per unit in 2022.

Notably, the smallest rental community that received county funding commitments during the time period was 21 units. There is no question that a major factor in the lack of smaller projects is the viability of projects at a smaller scale:

- The construction cost economics work better at a larger scale.
- The cost of operating communities pushes project size upwards in support of staffing and overhead. Given the importance of staffing in supportive housing, the cost of operations is a major consideration in favor of larger unit developments.
- Many developers who specialize in affordable housing have stated that interest in smaller projects, even below 100 units, is minimal due to their own limited capacity, desire to have the greatest

impact with their own limited resources, and the fact that the operations of larger projects are more sustainable than the operations of smaller projects, due to scale.

It has been observed that there are many locations within many communities throughout the Orange County which are not suitable for large-scale developments but do have local support for smaller sites. In those smaller site locations, affordable housing financing is simply less available, due in large part to the small scale of the proposed development.

More generally, members of the Commission, the public, and other stakeholders have heard about the concept of a “Tiny Home” and wondered as to furthering the applicability of this model in Orange County. Thus, the Commission voted at the October 18, 2023, meeting to convene a Tiny Home Ad Hoc to explore how best to understand the concept, frame a recommendation, and provide practical, direct guidance. Subsequent to that meeting, the Ad Hoc determined that more useful and appropriate terminology is “Small-Scale Housing Units” and to refer to this Ad Hoc under that name.

This Ad Hoc effectively serves to expand upon recommendations made in the 2022 Strategy, by providing specific guidance on how small-scale housing units might most effectively incorporate the best practices, guiding principles and commitments of the Housing Pillar as detailed in the Homeless Service Systems Pillars Report (Pillars Report) created by the Commission and accepted by the Board of Supervisors (Board).

In the context of the Homeless Service System Pillars, as created by the Commission, the over-arching guidance among all four pillars, including Shelter and Housing, is to create systems that are client centered. As noted in the Pillars Report from November 2022, concerning Housing, “Diversity in housing options is as critical as housing capacity. Individuals and families experiencing homelessness have unique housing and service needs, requiring the need for various housing options that address the varying needs of these households.”

Combined, a wide range of anecdotal observations, independent studies, and the Commission’s Pillars Report, suggest small-scale housing units could be part of a broader, balanced approach to building out the County’s housing and shelter infrastructure. While the County’s 2022 Strategy indicates small-scale housing units are not being built due to their small scale and the challenges faced by utilizing existing financing strategies, in fact, there is demand among the target population – people without a home – for more shelter and housing options, in more communities closer to where they are from.

## **Interviews and Site Visits**

Although the small-scale housing market is a niche space of construction, one of the most notable takeaways is the large spectrum of models available, often provided by relatively new or emerging manufacturers. While most of these manufacturers are accommodating to design tweaks of their products, there is a vast difference between their baseline units regarding size, modularity, site preparation, utility hookup, delivery and setup time, fire and wind ratings, and multistoried capability.

The smallest unit the Ad Hoc visited was 64 square feet and included a bed, desk, heater, air conditioning, and electrical outlets. The largest unit spanned 528 square feet and included a kitchen, bathroom, living area, and bedroom. The modularity and build out capability also varied between developers and

manufacturers. Some units are designed with each wall prefabricated into a single piece, others consist of smaller wall sections assembled to a complete side, and one manufacturer offers a fully built, foldable container solution. These structural differences allow for assorted degrees of expansion and layout flexibility. Most of the sites visited were built with non-congregate temporary housing as the intended use, and most were also relocatable.

Aside from the manufacture and delivery of the units, the degree of site preparation required by the lead developer also fluctuates between models. Some units can be set up directly on a level, solid surface (such as concrete), however others require raised foundations to fully accommodate utility hookups. Most manufacturers offer to assist with the preparation, generally for an added fee, or can refer general contractors to complete the required site work. At large, manufacturers offer the ability to connect to local water and electricity, depending on the needs of the unit. The sewage can be tied into existing piping or hooked up to a septic tank. Additionally, some developers offer the ability to utilize solar power electricity.

The length of time for delivery and set up differs between models. One option can be folded compactly and transported on a flatbed truck, with a rough set up time of five minutes and the use of a forklift. Another model can be shipped flat and assembled in under an hour using manpower. Others require more construction to occur in their warehouse and take several weeks or months to prepare for shipping.

The variety of construction models lends itself to small-scale housing units with contrasts in fire and wind ratings. The result of these calculations determines the spacing placement of the models on a campus. Units with lower fire ratings must have an increased distance between them whereas units with a higher fire rating can be placed directly next to each other, sometimes even with shared walls.

Through their discussions with manufacturers and operators, the Ad Hoc gained insight into the impact of the design of the campus as well as the programs and services needed to be successful.

Existing site structures are varied and create different environments for residents. Some models utilize small-scale housing units solely for sleeping quarters and have separate buildings for restrooms, showers, laundry, and a kitchen area. Although this layout may function well for individuals (single adult households), a family shelter noted the lack of privacy for families (households with at least one adult and one minor child) can create a hinderance. This was especially true for children who are potty training and would benefit from having a more dignified unit which includes its own restroom and shower. Furthermore, operators serving families expressed the significance of having a kitchen where parents could cook meals for their children and the importance of having a dedicated space for children to play. Operators serving individuals did not place the same emphasis on a kitchen space but did comment some residents may prefer to independently cook their own meals rather than having them provided. Another model consisted of a dormitory style layout. This included numerous units with private restrooms, showers, and kitchenettes connected to a larger, shared space. With this design, residents are encouraged to foster and sustain their independence with their assigned unit. Operators of both small-scale housing unit layouts noted the significance of having communal spaces for residents to bond and be social with others living in their community.

In addition to essential hygiene kits, food, and water, the programs and services offered at existing campuses fluctuated slightly. However, there was a consistent theme: wraparound support is crucial to ensure the success of residents. Case management, access to mental health services, access to healthcare (including preventive services), navigation with social services, assistance with obtaining documentation,

and development of long-term goals helps create a multifaceted approach to address the needs of residents and contributes to their transition into stable, long-term permanent housing. Operators at one program stressed the need for basic life skills to assist residents with courses on things such as learning to pay bills, using a computer, or having appropriate time management.

## **Spectrum of Housing**

The causes and reasons people experience homelessness are diverse, and as such, the varied spectrum of housing options to address persons of various levels of need is needed. The assortment of small-scale housing unit models available can be adapted to intersect housing situations at multiple points throughout the spectrum of housing of emergency shelter, transitional housing, permanent housing, and permanent supportive housing.

Small-scale housing units can serve as quick, scalable solutions for emergency shelter during times of crisis by offering immediate relief and privacy compared to traditional emergency shelters. The ability for units to be rapidly deployed in designated areas allows for more flexible collaboration with local governments and organizations and can alleviate pressure on the existing emergency shelters. Moreover, the non-congregate setting provided by individual units has proven to be a more desirable model for residents of emergency shelters. One of the operators interviewed had an emergency shelter campus with brick-and-mortar congregate living as well as an area dedicated to non-congregate, small-scale housing units. The operator reported when residents were given the choice, they would prefer to be assigned to the non-congregate, small-scale housing units rather than the congregate shelter, even though it meant having to walk farther to restrooms, kitchens, and communal spaces in inclement weather due to the personal space and privacy offered.

Small-scale housing units may allow for a more traditional model of transitional housing by offering a more comfortable, stable living environment while individuals and families work towards more permanent housing solutions. This stage serves to help bridge the gap between emergency shelter and permanent housing, and the adaptability of small-scale housing units allows for individuals and families to live in a steady, non-congregate setting while focusing on their next step towards permanent housing.

The severe shortage of affordable housing and permanent supportive housing is a critical and complex challenge which has resulted in longer stays for residents of the shelter system. Small-scale housing units can be part of an affordable housing and/or permanent supportive housing strategy by utilizing more comprehensive models which include more features and comforts for everyday living. This can include the build out of key living areas such as restrooms and kitchens in order to provide a sustainable place to live-long term.

## **Advantages & Challenges**

While small-scale housing units offer a new approach to housing, their effectiveness in addressing homelessness involves a mix of advantages and challenges. A successful small-scale housing unit initiative must address the disadvantages while leveraging the benefits to create an effective housing solution, whether it is temporary or permanent.

## Advantages:

1. Initial Affordability: The upfront cost of small-scale housing units can vary considerably; however, units are generally less expensive and faster to bring online than their brick-and-mortar counterparts. As a group, the models are not of the standard fit and finish typically expected of, or required, for the type of newly funded permanent housing apartments that are included in the 2022 Strategy. The models reviewed by the Ad Hoc ranged in price depending on scale, features, and resemblance to traditional housing. The pricing encompassed a spectrum. Some units were foldable, relocatable structures often installed without site-work or underground utilities. However, other units were permanent and utilized existing site work for foundations, in-unit toilets, and underground utilities.

When comparing the cost of small-scale housing units to traditional new construction, it is important to compare the total development cost which includes all required costs to bring the units into full, sustainable use, in addition to the cost of the units themselves. This consists of the installation of the models, financing, land acquisition, site work, utility connections, landscaping, and other features usually deemed necessary for development. Thus, because the units are low cost, the Ad Hoc sees the largest variable as the cost of the location, the as-is conditions of the location, the intended use of the units, and how the units will be situated. Most units were marketed for the price of the units themselves and excluded location-specific costs. It is important to consider the cost of site work, which might include ADA-compliant pathways and foundations, might constitute nearly three-quarters of the per-unit cost.

2. Speed of Construction: Although the construction time varied, it is still notably faster than traditional construction. This quick turnaround time can allow for faster deployment and to address immediate needs for emergency and/or transitional housing.
3. Customization and Design: The various models can be designed to meet the specific needs of their occupants, including accessibility features for individuals with disabilities or families. The level of customization can make them suitable for various subpopulations in the spectrum of housing.
4. Flexibility and Scalability: The small-scale housing units can be deployed in various configurations, including individual units or a connected dormitory. Some models could be reconfigured post-installation. This flexibility allows for scalable solutions which can be adapted to different community needs and available spaces.

## Challenges:

1. Limited Space: The size of small-scale housing units creates a limited space for living and storage, which can be challenging for some applications. The space restriction may not be suitable for larger families, those with significant belongings, or medical needs requiring space for larger equipment. Furthermore, people with lived experience noted some of the traumas faced by people experiencing homelessness may contribute to feelings of claustrophobia in smaller living areas. The sites visited by the Ad Hoc were spacious and pleasant, but at times were seen to be lacking some form of associated indoor community and/or meeting spaces.

2. Zoning: The zoning of small-scale housing units can vary by county and city. Navigating through these regulatory barriers can hinder finding and acquiring land to use for any potential projects.
3. Connection to Permanent Infrastructure: While manufacturers offer connections to utility services, existing infrastructure must be on site to make the connection. Building out utilities such as water, sewage, and electricity, in an area where they did not previously exist could be costly and logistically complex. This may potentially reduce the overall cost effectiveness of a small-scale housing unit initiative.
4. Maintenance and Upkeep: The upkeep to ensure small-scale housing units remain in good condition requires ongoing support and management. Although the units have lower up front cost, programs have reported significant effort to maintain the units to a livable standard. Since the small-scale housing unit industry is still emerging, there is not a long-standing track history of development to lean on to determine the shelf life of all the models.
5. Operating Costs: Although small-scale housing units represent models which are less expensive up front and have potentially quicker deployment times than traditional options on the housing spectrum, their need for services and ongoing operational expenses are ever present. Similar to existing housing models, the expense to operate a small-scale housing unit campus encompasses a range of programs and services necessary to maintain and support the needs of the residents. Creating a full-bodied support system can include on-site case managers, partnerships with non-profits and community business organizations, security, and other vital workers to provide a strong framework for assistance. These staffing costs can represent a significant cost of the overall budget depending on the needs of the residents.

## Permanent Supportive Housing

As the need for permanent supportive housing intensifies, the search for innovative solutions to address the housing need increases. One of the most highlighted conversations surrounding the potential of small-scale housing units is their viability as an alternative to traditional permanent supportive housing developments. The process of assessing the effectiveness of small-scale housing units for this model requires a thorough examination of cost of the units and their sustainability, regulatory requirements, and resident receptiveness.

As mentioned previously, small-scale housing units are able to be customized to suit the housing need. In order to align with existing permanent supportive housing requirements, the model would be more robust and comprehensive than those used for emergency shelter or transitional housing. While these more inclusive models still generally offer a lower up-front structure cost compared with traditional brick-and-mortar options, it is worth noting the uptick in price compared to the base models. Furthermore, it is imperative to recognize the emergence of the small-scale housing unit market in comparison to traditional models. While some aspects of construction align directly with conventional building, the niche space also includes pioneering features. This means there is not always a long-standing review of the shelf life of the units or their required ongoing maintenance needs. These continuing costs should be included when determining the total investment of small-scale housing units.

Additionally, understanding the cost of land acquisition and unique zoning and permitting is a crucial part of small-scale housing unit utilization. Cities and counties may have different regulations for building small-scale housing units which can impact the possible locations for development as well as the feasibility of their implementation as permanent supportive housing. This also encompasses making connections to utilities. Areas with pre-existing hookups may be cheaper than building in a new infrastructure, however they still may require site-work to accommodate a small-scale housing unit community. Considerations should be given to both the cost of the regulatory fees and the potential delays in development while navigating them.

When discussing the potential of future permanent supportive housing, it is essential to recognize residents' needs and receptiveness in the existing system. Based on the feedback from persons with lived experience, advocates, and service providers, there is a strong desire for units with at least one-bedroom and 450 square feet of living space with an identifiable and private living area, sleeping area, full kitchen area, and full bathroom. Permanent supportive housing is intended to foster independent and sustainable living, and having a private living area, kitchen, and bathrooms provides residents the ability to cook and clean for themselves and manage their own home. Residents utilizing a project-based voucher are entitled to leave the project after one year of residency and obtain a tenant-based voucher. Both voucher programs are funded through the Housing Choice Voucher (HCV) Program, where choice of residence is an integral component. Potential residents can, and have, declined a unit which lacked their desired criteria even if it meant remaining in a shelter or continuing to experience homelessness. Moreover, units which are undesirable in size have greater turnover and are harder to fill as a result.

It is also worth noting the role small-scale housing units can play in the decentralization of permanent supportive housing. Their size and adaptability can enable the creation of housing solutions in smaller, underutilized land areas that may not be suitable for traditional housing models, such as infill development in already established communities. The small-scale housing units can be placed in a variety of locations that may otherwise be cost-prohibitive and/or logistically challenging for conventional permanent supportive housing. This reduced footprint can make it easier to integrate housing into areas which may otherwise have limited space while offering flexible, scalable solutions for communities in need.

### **Alignment to the Homeless Service System Pillars**

The Commission leverages the established Pillars Report for best practices and guiding principles to direct the delivery of homeless services in Orange County. Therefore, throughout the study and identification of small-scale housing units the Ad Hoc respected the foundation and framework of the Homeless Service System Pillars. A key piece of this process included analyzing the capability of small-scale housing units to align with the pillars to provide a multifaceted and structured approach to addressing homelessness. The site visits and interviews conducted by the Ad Hoc highlighted the potential for these units under the Shelter and Housing Pillars.

The Shelter Pillar outlines a temporary residence which provides safety and protection from exposure and functions as a safety net during times of crisis for individuals and families experiencing homelessness. The goal of emergency shelter is to serve as the entry point into a broader array of supportive services, with linkages to longer term programs and/or permanent housing opportunities. Small-scale housing units are able to offer a secure, non-congregate setting for individuals needing relief. This approach can be

particularly beneficial for individuals who may struggle with the communal nature of traditional shelters and enhance their comfort while they work towards more permanent housing stability.

The Housing Pillar defines the solution to end a person's homelessness by providing a sustainable place to live long term. When considering the best practices of the Housing Pillar, permanent supportive housing is tenant-centered to meet the residents' need such as desired location and type of housing. Additionally, housing is expected to meet or exceed community standards so as to preserve residents' right to self-determination, dignity, and respect. In the small-scale housing space, units can help foster a feeling of dignity and autonomy by providing residents with their own place. Having a dedicated living area can help individuals and families maintain privacy and develop a sense of ownership, which may be lacking in traditional shelter environments. Additionally, through the connection to supportive services and integration of communal spaces, residents can achieve the goal of having a stable living environment which allows them to focus on long-term goals while having a place to call home.

## Considerations

The Ad Hoc evaluated the programming and funding of existing small-scale housing unit sites being used as a response to homelessness and determined several key considerations should be taken into account to ensure effectiveness and sustainability.

1. **Supportive Services:** Each existing campus offered supportive services to residents to ensure wraparound care. These services included, but were not limited to, assistance with documents, mental health support, connection to treatment services and medical care, and referrals to local benefit programs and non-profits. The support system is a crucial piece towards more stable housing and self-sufficiency; therefore, it is imperative to ensure appropriate resources are available to meet residents at their level of need. Furthermore, budget consideration should be given to the cost of funding these supportive services.
2. **The Length of Stay:** Consideration should be given to the timeline in which residents may stay in a small-scale housing unit. The length of stay for residents may vary depending on several factors including the specific program and/or housing model, the needs of the residents, and the availability of permanent housing options. For example, through a collaborative approach between programs and residents, most residents across all campuses designed for emergency shelter had an average length of stay between three to nine months. However, this time frame could increase or decrease considerably for residents in transitional or permanent housing. Therefore, the program model and the expected length of stay for residents should be weighed when determining which small-scale housing model is appropriate to fit the need and the level at which it should be built out.
3. **Space Utilization:** The design and layout of a small-scale housing unit can affect its capacity and functionality. To maximize space and utility, considerations for fire code, privacy, accessibility for those with disabilities, and communal areas needs to be thoughtful.



4. Community Engagement: Some existing communities received pushback on the development of small-scale housing unit campus during the beginning stages. Operators need to demonstrate the success of their program to address stakeholder concern and ensure the wellbeing of residents.
5. Cost Management: The ongoing operations cost of running a small-scale housing unit campus can be extensive. This is because the programs and services offered may need to be more comprehensive. Additionally, the cost of any extra security should be considered.
6. Ongoing Funding: State and federal funding may be limited in the small-scale housing unit space. State funding is limited and although there is federal funding for permanent supportive housing, vouchers are limited and already in short supply.



## **Best Practices and Guiding Principles for Small-Scale Housing Units**

The Ad Hoc has identified the following Best Practices and Guiding Principles for small-scale housing units to help define the approach to future small-scale housing unit projects, which is to be followed in conjunction and alignment with the Pillars Report.

1. With the variety of models applied under the title “tiny home,” it is recommended to use the term “Small-Scale Housing Units” (SSHU) when referencing this category of housing options.
2. Small-scale housing units should be considered when exploring funding opportunities for emergency shelter, transitional housing, and permanent supportive housing.
3. Engaging with local stakeholders, including people experiencing homelessness, local officials, surrounding community members, and advocacy groups during the planning and development process of a small-scale housing unit development to foster acceptance is recommended.
4. Given the gamut of small-scale housing unit development options available, different program models can be applied to meet the specific shelter and/or housing needs of the community. It is recommended that manufacturers and operators utilize the applicable best practices and guiding principles from the Homeless Service System Pillars – Shelter or Housing Pillars – when evaluating any potential small-scale housing unit projects.
5. The scale and type of the program (emergency shelter, transitional housing, or permanent supportive housing), design, funding (both capital and ongoing), available locations, and partnerships are all key factors when determining the feasibility of potential small-scale housing unit pilot programs. Therefore, we recommend communities evaluate each small-scale housing unit project individually, and on its own merits, and shy away from having a universal stance on small-scale housing units.



## Next Steps for Small-Scale Housing Report

The Small-Scale Housing Unit Report created by the Commission to End Homelessness (Commission) comes to the Board of Supervisors (Board) as a framework to create recommendations and shape policy surrounding homelessness in Orange County and how the County of Orange (County) works to address homelessness.

The Office of Care Coordination will use the Small-Scale Housing Unit Report, including the Best Practices and Guiding Principles, to guide any discussions on possible projects and programs, whether temporary or permanent, that may involve small-scale housing units to best meet the needs of individuals and families experiencing homelessness.

Below are the Commission's set of recommendations for next steps regarding the Small-Scale Housing Unit Report, including how these Best Practices and Guiding Principles can be implemented and put into practice.

1. It is the recommendation of the Commission to End Homelessness that the County of Orange's Board of Supervisors incorporate Small-Scale Housing Units as an additional strategy to address homelessness, providing a flexible and scalable approach to increase Homeless Service System capacity and evaluate future small-scale housing unit projects brought forth from County departments addressing homelessness to ensure the Best Practices and Guiding Principles as outlined in the Small-Scale Housing Unit Report are met.
2. Request the Commission to End Homelessness membership to champion these best practices, principles, and commitments within their agencies and/or service areas and explore the potential to incorporate them into their delivery model and request for proposal practices.
3. Direct the Office of Care Coordination to work collaboratively with the Commission to End Homelessness and local stakeholders – including cities, schools, and organizations – to remain informed on the evolving landscape of small-scale housing unit projects in Orange County, including potential pilot programs, and assess how such projects might complement the existing system and strategies in addressing homelessness. The Office of Care Coordination will provide status updates to the Commission to End Homelessness and the Board of Supervisors, including areas for potential partnerships and evaluations on the feasibility of various small-scale housing unit models for potential applicants for emergency shelters, temporary housing, and/or permanent supportive housing.