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Addressing Homelessness Through Hotel Conversions

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Executive Summary

Hotel and motel acquisition and conversion can offer a relatively fast and cost-effective mechanism for increasing the supply of affordable and supportive housing. Commercial to residential conversion has long been a strategy for rehabilitating distressed buildings, but the urgency of the COVID-19 pandemic and unprecedented federal and state resources have enabled hotel/motel conversions on a broader scale. Increasing resources and technical expertise for conversions could help to expand the supply of affordable housing more rapidly, especially to meet the urgent shelter needs of people experiencing homelessness. It is not clear, however, whether this promise will be realized, given that affordable housing developers and service providers continue to grapple with lack of sufficient funding, fragmented housing and health systems, and community opposition to new projects.

This report presents the results of an in-depth analysis of 13 hotel/motel acquisition projects across the country, with a specific focus on conversions designed to address homelessness. Interviews with stakeholders highlight the diversity of strategies being used in these efforts, as well as lessons learned for how to best align property acquisition with population needs. Key findings include:

- Acquisition and conversion projects can be less expensive—and come online faster—than new construction, particularly when political will and funding resources align.
- Although most conversion projects are more cost-effective than new construction, state and federal financing sources remain insufficient to enable acquisitions on a broad scale and to support project operations over time.
- Highly technical knowledge is required to pursue conversion strategies; yet, many of the partners undertaking these efforts—including city government and social service providers—do not have the needed expertise or capacity to manage large-scale conversion projects.
- Projects face challenges selecting a suitable property in an appropriate location as well as navigating public opposition and local land use requirements once a property has been identified. In addition, properties vary in their suitability for affordable housing, and many have extensive rehabilitation or reconfiguration needs that can be both costly and time-consuming.
- The fields of affordable housing development, homelessness services, and health care each operate within their own silos, leading to coordination challenges. In particular, homeless service providers and developers operate on different timelines and with different goals, leading to a mismatch between program and building design.
- As conversions add to the complex and fragmented systems that govern affordable and supportive housing types, projects face challenges with tenant placement and prioritization.
- With insufficient funding and personnel for tenant supports (such as case management, mental health care provision, and counseling), service providers may have difficulties meeting residents' needs. Lack of funding can hinder efforts at systems reform, especially in addressing racial inequalities in the homelessness response system.

The case studies highlight effective strategies and policies that would support the long-term success of conversion projects. Stakeholders pointed to the following areas where policy could create a more sustainable landscape for conversions into affordable housing.

- **Federal and state governments can provide reliable financing sources for acquisition and operations.**

  Existing funding for housing development (most notably the Low-Income Housing Tax Credit (LIHTC) program) is poorly suited to hotel/motel conversions. The public spending motivated by the COVID-19 pandemic shows the impact that flexible capital for acquisitions can have on producing new affordable supply. More funding—like California's expansion of its Homekey program and HUD's HOME-ARP grant funds—can help localities build on their pandemic responses and expand the supply of supportive housing. Ultimately, state and federal capital funding sources (both capital and operating) should be expanded and made more durable so that conversions can be a robust tool for increasing the supply of affordable and permanent supportive housing.

- **An expansion of project-based vouchers and/or state programs dedicated to funding the long-term operation of these properties is critical.**

  The single biggest barrier to the expansion and long-term sustainability of conversion projects is the lack of sufficient operating subsidies and funds for services. Project-based vouchers make conversions financially viable over the long-term, but such vouchers are in short supply and their use requires careful coordination with the local housing authority. Local funding streams should also be structured to provide long-term operating support. For example, King County's Health Through Housing 0.1 percent sales tax is structured so that while fifty percent of the proceeds from the sales tax is used to support capital costs, the rest is dedicated to providing an ongoing source of funding for operations and services.

- **States should enact legislation that exempts conversions from discretionary review and other local requirements.**

  California and Oregon passed legislation to help streamline projects intended to convert hotels/motels into permanent supportive housing and overcome local regulatory barriers. These types of laws can help to minimize risk from community opposition and remove zoning barriers to residential development, if not eliminate them entirely.

- **To enable organizations without real estate expertise to pursue acquisition, states and private entities should offer technical assistance to interested organizations or incentivize relationships with experienced development partners.**

  Successful conversion projects require service provider and developer know-how. Selecting an appropriate property in an effective location for specific tenant populations and identifying opportunities for physical alteration and rehabilitation require both real estate expertise and deep-seated knowledge of residents' needs.

However, organizations with expertise in providing housing and services for formerly unhoused individuals do not always have a background in real estate development. Incentivizing these organizations to partner with entities with adequate expertise, or providing technical assistance in the form of property identification, due diligence, and redevelopment experience, can allow a broader set of organizations to successfully pursue conversion projects.

- **Continuums of Care (CoC) are critical partners in conversion work and should work to better integrate conversions into comprehensive homelessness response strategies.**

  Conversion projects work both within and outside of established homelessness systems of care. Tenants of properties converted for temporary shelter are not always able to enter into permanent programs, and projects acquiring residential hotels often struggle to meet relocation needs. In geographies with a significant number of conversions, CoCs should establish frameworks for coordination with these projects, ensuring that tenants entering hotel rooms are referred through existing coordinated entry waiting lists and have viable next-step options.

- **States can expand Medicaid funding or dedicate new funding streams for tenancy support services.**

  Given the diversity of population service needs in different geographies, it is critical for projects to have the tools to design culturally responsive supportive services, to engage diverse networks of providers, and to build programs that make tenants feel safe and seen. States can work to expand Medicaid by applying for federal waivers—for example, the Medicaid 1115 demonstration waiver enabled the creation of the Community Support Program for People Experiencing Chronic Homelessness (CSPECH) in Massachusetts—in order to open up funding for health and housing related services. Applying for a waiver can be a complicated process, but it can unlock important resources for tenant supports.

The COVID-19 pandemic led to a significant increase in funding—and the development of expertise and identification of best practices—in converting distressed hotels into affordable housing and, specifically, permanent supportive housing. The potential to expand this strategy is real, but it is not a panacea. Policymakers will need to build on their emergency responses with long-term financial, legislative, and technical support if they want to promote more conversions to tackle the homelessness crisis.

The expansion of conversion strategies should also not preclude ongoing investments in other strategies to expand the supply of affordable housing and end homelessness, including efforts to build new permanent supportive housing, preserve existing affordable housing, expand the use of modular construction and other strategies to bring down the costs of development, and reduce fragmentation in the housing finance system. However, in a field that has long been limited to the LIHTC program as the primary tool for adding to the nation's affordable housing supply, the COVID-19 pandemic response shows that using flexible capital to acquire undervalued properties for conversion into affordable and supportive housing can be an effective strategy worth investing in.

Introduction

The COVID-19 pandemic has both exposed and deepened the vulnerability of homeless populations across the United States. Even before the pandemic, an estimated 568,000 people experienced homelessness on a single night in 2019, approximately 37 percent of them unsheltered.[1] These individuals were at much higher risk for the transmission of COVID-19, as well as of hospitalization and fatality from the disease.[2] The recognition of this public health crisis led numerous states and localities to prioritize getting unhoused people off the street, mainly in the form of "non-congregate" emergency shelters, by leasing hotel/motel rooms emptied by the pandemic. In California, for example, Project Roomkey deployed Federal Emergency Management Agency (FEMA) funds with the goal of securing 15,000 hotel/motel rooms to provide shelter and isolation capacity for people experiencing homelessness across the state.[3]

The need for longer-term solutions, however, has led localities and states to leverage federal COVID-19 funds to convert hotels and motels into affordable housing, including permanent supportive housing.[4] The promise is that hotels and motels—already designed for residential use—can bring new units of affordable housing online faster and cheaper than new construction. Federal resources—through the Coronavirus Aid, Relief, and Economic Security (CARES Act) and American Rescue Plan Act (ARPA)—provided key funds for the acquisition of properties. The relaxing of some federal housing program rules also allowed nonprofits and local governments to move quickly to buy and operate available properties. Altho-Augh it is too early to evaluate the overall effectiveness of these efforts, interviews with stakeholders suggest that they were able to create more units of affordable and supportive housing, and more quickly, than they would have if these new sources had primarily focused on new construction or if they had been limited to using LIHTC or other traditional sources of funding for development.[5] Important challenges nonetheless remain, including securing funding for ongoing acquisitions, renovations, and long-term operations; addressing zoning and building code barriers; identifying the right properties (and doing due diligence); and developing the right partnerships for conversion and service provision.

In this report, we present the results of an in-depth analysis of 13 projects across the country as well as interviews with industry experts to highlight the strategies and challenges for converting hotels and motels into affordable housing, with a specific focus on conversions designed to address chronic homelessness. Interviews reveal the diversity of strategies being used in conversion efforts and lessons learned on how to best align property acquisition with population needs. They also point to important recommendations for local and federal policymakers seeking to expand this model to address homelessness in their communities.

Methods

The hospitality industry was deeply affected by the pandemic, as both tourism and business travel ground to a halt in early 2020. Hotel occupancy in April of 2020 fell to just 24.5 percent, an historic low.[6] Even as the economy has rebounded, analysts believe that travel is not expected to return to 2019 levels until at least 2024, leading to an increase in distressed sales among hotel/motel properties. A significant share of these acquisitions have been targeted for residential conversions. Even though comprehensive data are lacking, the National Association of Realtors found that among a sample of projects, 60 percent of hotel/motel acquisitions were converted into multifamily housing, with nearly two-thirds including below-market rate units and 12 percent for homeless shelters.[7]

To identify case study projects, we conducted an online media scan of news articles covering hotel/motel acquisition and conversion projects in the context of the COVID-19 pandemic. We selected 13 projects to profile, with the goal of selecting properties across different types of real estate markets and housing policy regimes (Figure 1). Ensuring variation in geography, funding sources, and project status also drove our selection of case study sites.[8] We interviewed project leads at case study sites and national industry experts to gain insights into conversion benefits and challenges. Interviews focused on conversion financing, institutional partnerships, and strategies for providing appropriate services for target populations. Table 1 provides a brief description of each case study project, including the lead organization, type of conversion, and project status.

Although these projects cover a wide range of property types and places, the projects profiled in this report are not representative of hotel/motel acquisition projects across the country and are not comparable to each other. The hotels and motels varied in type, age, size, and quality, which necessitated different levels of rehabilitation. The majority of projects were initiated during the pandemic, but some were in progress and did not utilize funding made available through the CARES Act or ARPA.

Because many of these projects are still in progress, the final use of these buildings—as well as total development costs and the number of residential units—is not always known. Respondents used the words "units" and "rooms" at times interchangeably, presenting ongoing challenges in defining whether these properties would become long-term residential apartments (with a kitchenette, for example, or other more permanent apartment-like fixtures) or rooms with minimal amenities. To accommodate this uncertainty, Table 1 describes the number of doors planned for each project, where "doors" can indicate either "rooms" or "units."

Figure 1. Map of Acquisition Case Study Projects

Table 1. Acquisition Case Studies: Project Descriptions

Property Name, City, State	Lead Organizations	Project Description	Project Status	Doors
Candlewood Inn and Suites, Austin, TX	City of Austin	Austin City Council approved purchase of the Candlewood Inn and Suites in February 2021 for permanent supportive housing, one of four hotel conversions pursued by the City of Austin. The purchase has been held up due to legal challenges and community opposition, led by Williamson County. Interviewee: Matthew Mollica, Executive Director, Ending Community Homelessness Coalition (ECHO)	Not yet acquired	80
Rodeway Inn, Brockton, MA	Father Bill's & MainSpring	Father Bill's & MainSpring—a shelter, services, and permanent housing provider—began leasing the Rodeway Inn in 2020 to serve as non-congregate shelter during the pandemic and then purchased the property in 2021 for conversion to permanent supportive housing. The Inn is the first hotel they are retrofitting for permanent supportive housing and will be their largest housing site. Renovations are expected to be complete by Spring 2022. Interviewee: April Connolly, COO, Father Bill's & MainSpring	In redevel-opment	69

Table 1. Acquisition Case Studies: Project Descriptions (Continued)

Property Name, City, State	Lead Organizations	Project Description	Project Status	Doors
Quality Inn, Charlotte, NC	Roof Above	Homeless service and housing provider Roof Above purchased the Quality Inn in November 2020. The property served as emergency non-congregate shelter during the winter before renovations were begun in May 2021 for conversion to permanent supportive housing, as part of the organization's commitment to create 150 new units. Interviewee: Liz Clasen-Kelly, CEO, Roof Above	In redevel-opment	88
Fusion Studios (formerly Quality Inn and Suites), Denver, CO	Colorado Coalition for the Homeless	Colorado Coalition for the Homeless purchased the former Quality Inn and Suites for conversion to housing in 2018. Since 2019, the apartments have provided immediate relief for individuals coming from shelters or directly off the streets. All units are supported with project-based vouchers. Interviewee: Cathy Alderman, Chief Communications and Public Policy Officer, Colorado Coalition for the Homeless	Completed (Permanent Housing)	139
Susan's Place (formerly Baymont Inn and Suites), Essex Junction, VT	Champlain Housing Trust	Champlain Housing Trust purchased the Baymont Inn and Suites for conversion to permanent supportive housing for people moving out of homelessness. The property was acquired in 2020 using COVID-Relief Funds awarded to Champlain Housing Trust via the Vermont Housing and Conservation Board and is one of several hotels they have converted to housing. People started moving into the building in late 2020. Interviewee: Michael Monte, CEO, Champlain Housing Trust	Completed (Permanent Housing)	68
Margarita Inn, Evanston, IL	Connections for the Homeless	During March 2020, The City of Evanston helped secure the Margarita Inn on behalf of the nonprofit Connections for the Homeless for the purpose of emergency shelter during the pandemic. The organization would like to purchase the property and continue to operate it as non-congregate shelter. Fundraising for the acquisition is in progress. Interviewee: Nia Tavoularis, Development Director, Connections for the Homeless	Leased	80-100

Table 1. Acquisition Case Studies: Project Descriptions (Continued)

Property Name, City, State	Lead Organizations	Project Description	Project Status	Doors
Motel 6, McMinn-ville, OR	Yamhill Community Action Partner-ship, Providence Health Services	During June 2021, Providence Health Services purchased a Motel 6 that the Yamhill Community Action Partnership (YCAP) had been leasing as emergency shelter during the COVID-19 pandemic. The property—acquired entirely with Project Turnkey funds—will remain under the operation of YCAP as temporary non-congregate shelter for 3 to 5 years, at which point conversion to permanent housing will be considered. Interviewee: Alexandra Hendgen, Executive Director, Yamhill Community Action Partnership	Completed (Emergency Shelter)	55
Redwood Inn, Medford, OR	Rogue Retreat, City of Medford	The City of Medford assisted shelter and transitional housing provider Rogue Retreat with the purchase of the Redwood Inn in March 2021 using funds from Project Turnkey. The property will serve as emergency housing for people displaced by the Almeda Fire, recuperative housing in partnership with a local hospital, and eventually long-term housing for people exiting homelessness. Rogue Retreat is currently working with the City of Medford to renovate the property and add kitchenettes a few units at a time. Interviewee: Chad McComas, Executive Director, Rogue Retreat	Completed (Emergency Shelter)	47
Sleepy Inn, Missoula, MT	Missoula Department of Commu-nity Planning, Development and Innova-tion, Missoula Redevelopment Agency	Missoula Redevelopment Agency purchased the Sleepy Inn Motel in November 2020 to serve as non-congregate shelter for people experiencing homelessness who are vulnerable to COVID-19 and/or need a place to quarantine. Post-pandemic, the agency will redevelop or sell the property, with proceeds going to the city's affordable housing trust fund. Interviewees: Eran Pehan, Director of Community Planning, City of Missoula and Ellen Buchanan, Director, Missoula Redevelopment Agency	Acquired	34

Table 1. Acquisition Case Studies: Project Descriptions (Continued)

Property Name, City, State	Lead Organizations	Project Description	Project Status	Doors
Capitol Park Hotel, Sacramento, CA	Mercy Housing, Sacramento Housing and Redevelopment Agency	Mercy Housing partnered with the Sacramento Housing and Redevelopment Agency to purchase and rehabilitate the Capitol Park Hotel into permanent supportive housing for individuals experiencing homelessness. Sacramento City Council approved the purchase in April 2019, and the property was used as a temporary homeless shelter until October 2020 before renovations began in January 2021. Interviewee: Stephan Daues, Regional Director of Housing Development, Mercy Housing	In redevelopment	134
WoodSpring Suites Hotel (La Mancha), Sacramento, CA	Mercy Housing, Sacramento Housing and Redevelopment Agency	Non-profit developer Mercy Housing partnered with the Sacramento Housing and Redevelopment Agency to purchase the WoodSpring Suites Hotel in October 2020, using funds from Homekey, for conversion to permanent supportive housing for people experiencing homelessness. Interviewee: Stephan Daues, Regional Director of Housing Development for Sacramento, Mercy Housing	In redevelopment	100
Santa Fe Suites, Santa Fe, NM	Santa Fe Office of Affordable Housing, Community Solutions, St. Elizabeth's Shelter	The Santa Fe Office of Affordable Housing partnered with nonprofit Community Solutions in 2020 to purchase the Santa Fe Suites Hotel for conversion to a mix of permanent supportive and market-rate housing. St. Elizabeth's Shelter has been managing and providing services at the property since December 2020 and will eventually take over ownership from Community Solutions. Interviewees: Alexandra Ladd, Director, Santa Fe Office of Affordable Housing, Scott Sanders, Program Manager, St. Elizabeth's Shelter, and Edward Archuleta, Executive Director, St. Elizabeth's Shelter	Completed (Permanent Housing)	122
Queen Anne Hotel, Seattle, WA	King County Department of Community and Human Services	The Queen Anne Hotel is King County's first hotel purchase as part of its Health Through Housing Initiative, through which the county has applied a 0.1 percent sales tax increase towards the creation of permanent supportive housing for people experiencing homelessness. The County purchased the property in May 2021, which it had previously been leasing to house formerly homeless people. Interviewee: Kelly Rider, Government Relations Manager for the Department of Community and Human Services with King County, Washington	In redevelopment	80

Note: The number of doors reflects the number of hotel rooms acquired at the time of purchase, which may change post redevelopment and renovation. In the case of completed permanent housing projects, the number of doors reflects the number of post-conversion housing units.

Findings

In this section, we present the key findings from interviews across all 13 project sites. We organize these findings into four sections, each corresponding with major components of a conversion project. Focusing on the financing of conversion projects, the first section examines the different approaches to assembling the capital needed to acquire the property and the challenges in funding long-term operations and tenant services. The second section details property acquisition—how stakeholders identified properties, what partnerships were needed, and how neighborhood location played into the final decision. In the third section, we examine both how projects overcame community opposition and what barriers zoning and entitlements pose to conversion projects. In the final section, we focus on the resident population these projects intend to serve and describe how the various projects are targeting their properties and services to local needs.

Financing Conversions

Acquisition and conversion projects can be less expensive—and take less time—than new construction.

One of the potential benefits of hotel/motel conversions is that they can be more cost and time efficient than new construction. In California, early analysis of the state's Homekey program found that the average cost per unit was about $148,000, substantially less than the $425,000 it cost to produce an average affordable unit in a 100-unit project in California in 2016.[9] Across the case studies, "per door" costs of acquisition ranged from $32,000 to $206,000, not including renovation (Table 2). Acquisition costs varied with local housing market conditions. For example, the acquisition costs per unit in Seattle ($206,250/door for Queen Anne Hotel) and Sacramento ($140,300/door for La Mancha Hotel) were significantly higher than in other cities.

After accounting for renovation needs, total development costs can, however, be significantly higher (Figure 2), depending on the condition of the initial acquisition. For example, the total development costs for Fusion Studios—which needed limited rehabilitation—were only $15,000 higher per unit than acquisition costs, leading to significant cost savings over new construction.[10] On the other end, the Capitol Park Hotel in Sacramento, while relatively inexpensive to purchase, has faced significant rehabilitation costs, bringing per unit costs in line with typical LIHTC projects in California. In addition, conversion can lead to a reduction in the total number of units—for example, when two hotel rooms are combined to meet residential square feet needs—and decrease cost efficiencies. In the case of Susan's Place in Essex Junction, VT, existing zoning rules limited the number of permanent housing units, requiring the conversion of the 100-room hotel into 68 apartments. The per-unit cost of acquisition was, therefore, closer to $170,000 than the $117,000 had they been able to convert all the rooms into apartments.

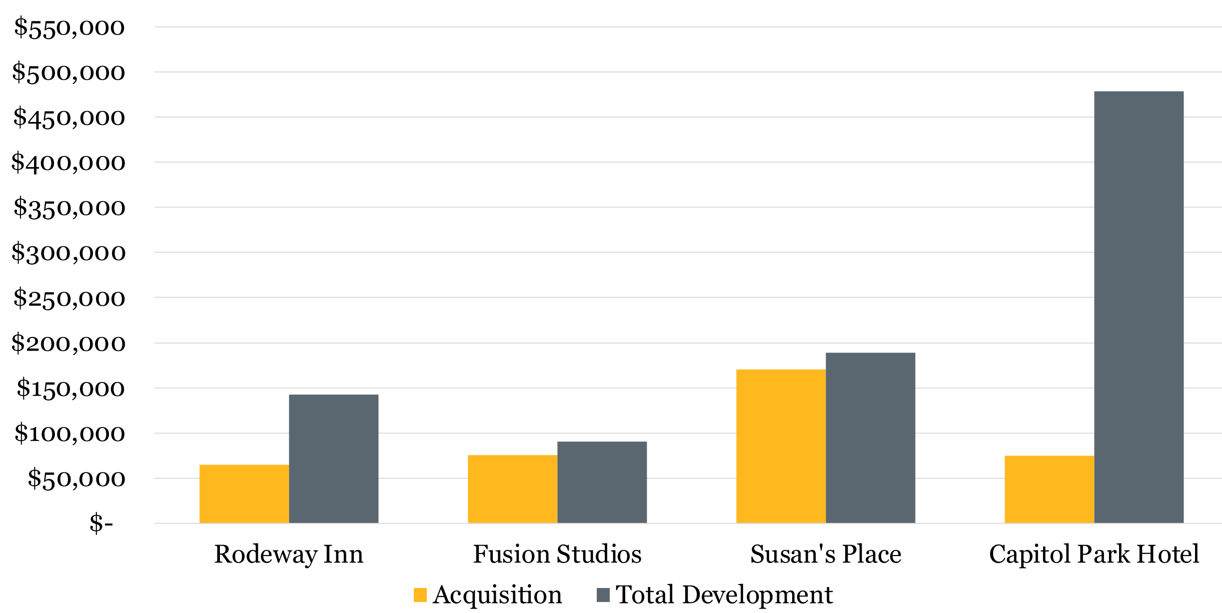
Respondents also noted that the conversion projects were occupied more quickly than traditional new construction, even when they were not first used as emergency shelter. In part, this increase in speed was motivated by the use of federal funds with expiration dates set for the end of calendar year 2020. However, the combination of

Table 2. Acquisition Costs

Project	Acquisition Cost (mil)	Doors	Estimated Acquisition Cost Per Door
Candlewood Inn and Suites, Austin, TX	$9.6	80	$119,300
Rodeway Inn, Brockton, MA	$4.2	69	$61,000
Quality Inn, Charlotte, NC	$5.5	88	$62,000
Fusion Studios, Denver, CO	$10.5	139	$76,000
Susan's Place, Essex Junction, VT	$11.7	68	$171,000
Motel 6, McMinnville, OR	$5.6	55	$101,800
Redwood Inn, Medford, OR	$2.3	47	$49,000
Sleepy Inn, Missoula, MT	$1.1	34	$32,000
Capitol Park Hotel, Sacramento, CA	$10.0	134	$75,000
La Mancha, Sacramento, CA	$14.0	100	$140,000
Santa Fe Suites, Santa Fe, NM	$9.0	122	$74,000
Queen Anne Hotel, Seattle, WA	$16.5	80	$206,000

Note: Amounts do not include renovation costs. The number of doors reflects the number of hotel rooms acquired at the time of purchase, which may change post redevelopment and renovation. In the case of completed permanent housing projects, the number of doors reflects the number of post-conversion housing units.

Figure 2. Per Door Acquisition vs. Total Development Cost for Selected Case Study Properties



streamlining processes in some states and dedicated funding, precluding the need to build a complicated capital stack,[11] led to the rapid creation of new shelter and permanent housing units. In the case of Rodeway Inn in Brockton, Massachusetts, April Connolly—Chief Operating Officer for Father Bill's & MainSpring—said that assistance and streamlining offered by the Department of Housing and Community Development (DHCD), the Community Economic Development Assistance Corporation (CEDAC), and the Massachusetts Housing Investment Corporation (MHIC) allowed Father Bill's & MainSpring to secure financing and close on the acquisition in ten months rather than the 2 to 3 years it can typically take to obtain funds.[12] Connolly anticipated that once renovations are complete, they will have created 69 new units of permanent supportive housing in eighteen months at under $150,000 per unit, relatively quick and inexpensive compared to other LIHTC projects, with the additional benefit of being able to provide emergency shelter throughout the process.

Emergency COVID-19 funding from the federal government provided a unique set of resources to scale up acquisition, demonstrating the value of flexible and quickly deployed capital.

Housing developers have long used acquisition and rehabilitation strategies to expand the supply of affordable housing. However, the COVID-19 pandemic's negative economic impact on the tourism and hospitality sectors meant a greater share of hotel/motel properties were available for sale. At the same time, a series of federal emergency actions contributed to an infusion of capital that affordable housing developers could use to acquire buildings. The CARES Act authorized $5 billion in Community Development Block Grants (CDBG-CV) and $4 billion in Emergency Service Grants (ESG-CV) to states and local governments to support COVID-19 response activities, including addressing homelessness. ARPA further provided $5 billion for the HOME Investment Partnerships Program to help create housing and services for people experiencing or at risk of homelessness, as well as $5 billion for emergency housing vouchers.[13]

These resources greatly scaled up convercsion efforts. Alexandra Ladd, Director of Santa Fe, New Mexico's Office of Affordable Housing, who had been working on property acquisition for the city of Santa Fe for some time, said the city was short on funding until the pandemic when "suddenly [we had] CARES Act funds that we needed to get out the door quickly."[14] ARPA and CARES Act dollars were key components of acquisition financing, even though the speed with which owners and operators had to deploy those funds and bring projects online was challenging. St. Elizabeth's Shelter, a housing service provider operating the Santa Fe Suites supportive housing project post-conversion, only had 6 weeks to get the property up and running after they were asked to manage it.

Interviews highlighted that while capital was key, the relaxation of administrative burdens also played a significant role in getting people housed more quickly.

Matthew Mollica, Executive Director of the Ending Community Homelessness Coalition (ECHO) in Austin, Texas, remarked that HUD's waivers on some of the regulatory requirements for CDBG and ESG funds went a long way to allowing ECHO to serve people more effectively.[15] He noted:

> "For instance, one scenario was that people can self-certify their income in terms of being enrolled in the program. Whereas before it was like a train wreck to get people certified... I can't tell you how arduous those barriers were. Another one we're using here frequently was the waiver on the initial housing quality standard inspection. Of course housing quality is important to us, but it's difficult to get people to do those inspections quickly. They can hold up the process."

While comparative data is lacking on the number of conversion projects nationwide before the COVID-19 pandemic, respondents who utilized COVID-relief funding indicated that this flexible federal capital disbursed up-front enabled them to be more nimble in responding to local opportunities and therefore able to complete conversion projects more quickly.

Dedicated sources of funding from local and state governments also contributed to scaling up new acquisitions.

In addition to federal funds developed to respond to the COVID-19 crisis, many of the profiled projects relied on other local and state financing to fund their conversions. In California and Oregon, state governments stepped in with additional resources to leverage federal funds and increase the scale of acquisitions. As part of its Homekey initiative, for example, California directed $750 million in federal COVID-Relief Funds, $50 million from the California General Fund, and $46 million in philanthropic dollars towards 94 acquisition projects—producing over 6,000 units of housing—across the state.[16] The Oregon Legislature similarly allocated a total of $71.7 million in general funds to its state initiative, Project Turnkey, with the goal of supporting the acquisition of 18 to 20 properties and 800 to 1,000 new units of shelter and permanent housing.[17]

In other case studies, funding came from local governments, with cities and counties dedicating funding for conversions (Table 3). In Austin, the city set aside $30 million from a general obligation bond specifically targeted to create permanent supportive housing. The city was also able to secure funding for service provision through the local department of public health, which had received additional funding redirected from the city police budget. King County enacted a 0.1 percent sales tax—enabled by state law HB 1590 (2020), which allows county legislative authorities to impose such a tax for the purpose of affordable housing and related services without public vote—to pay for housing and services for people who are experiencing chronic homelessness, with the goal of producing 1,600 new units. Other local funding sources in case study cities included Tax Increment Financing in Missoula, Montana, and local affordable housing trust funds in Brockton, Santa Fe, Denver, Austin, and Missoula.

Philanthropic capital also played an important role in conversion projects. Roof Above, a service provider in Charlotte, North Carolina, funded a $5.45 million acquisition with a combination of $2 million in CARES dollars from the city and

Table 3. Key Local and State Funding Sources for Case Study Acquisition Projects

Seattle	King County's Health Through Housing 0.1 percent Countywide Sales Tax funds housing and services for people experiencing chronic homelessness and helps to pay for acquisition, operations, and resident services.
Austin	Austin Housing and Planning Department's 2018 General Obligation Bonds will help fund acquisition; a recurring $6.5 million fund redirected from the Austin Police Department budget will fund resident services.
Charlotte	Mecklenburg County tax dollars helped fund salaries for on-site case managers.
Missoula	Missoula Redevelopment Agency used 100 percent Tax Increment Financing to acquire the property.
Denver	State Housing Development Funds and Local (Denver Housing Authority) Bond Proceeds were used.
Brockton	Massachusetts Rental Voucher Program subsidized rents and provided annual, per-unit support services funding.
Brockton, Denver	Section 1115 and Home and Community Based Services (HCBS) waivers were used to access Medicaid funds for services.
California, Oregon	Homekey provided $846 million for acquisition projects in California; Project Turnkey provided $71.7 million in grant funds for acquisitions in Oregon.

Note: Sources listed are not a complete list of local and state funding sources used in case study projects.

$3.45 million in private philanthropy. CEO Liz Clasen-Kelly indicated that, regionally, it is common to seek philanthropic support for housing development, noting that "we have a history of our housing development being largely dependent on private fundraising. Part of that is just the climate of the southern United States and the lack of public funding sources for affordable housing outside of LIHTC."[18]

Kate Hartley, who is the Chief Lending and Investment Officer at the San Francisco Housing Accelerator Fund (HAF), emphasized the flexibility and innovation that can accompany philanthropic investment in affordable housing.[19] In 2017, Tipping Point Community, through a gift from Charles and Helen Schwab, provided $50 million in grant funds to HAF to demonstrate a proof of concept: that housing for homeless individuals can be "built faster and more cost-effectively than the public sector is doing it." Though this grant award arrived before the COVID-19 pandemic, the investment not only allowed HAF to leverage tax credits and bonds for the modular construction of 146 micro-studios in less than three years, but it later enabled HAF to support the Homekey program in the City of San Francisco by offering bridge financing for both of the City's hotel acquisitions. Hartley underscored the need for more flexible capital to enable nonprofits to move as quickly as the private sector in identifying and acquiring properties suitable for conversion.

However, case study projects that rely heavily on philanthropic capital also revealed the concerns about how long these funds will be available and the time commitment required to seek out grant funding. Philanthropic dollars generated in response to the pandemic may not be a reliable source of funding in the long term. Further, Clasen-Kelly reported that donors are less inclined to finance operating support than capital expenses: “We’ve met a lot of new people with our capital campaign. But one of our strategy goals is—how do we convert them to donating to operating funds?”

Adequate funding—especially for the long-term operation of properties as permanently supportive housing—remains a barrier to the conversion strategy.

In addition to the upfront capital needed to acquire and rehabilitate a property, ongoing funding is necessary to support long-term operations and service provision. Residents in permanent supportive housing properties tend to have very low incomes—often less than 15 percent of the area median (AMI). Additional sources of subsidy are needed to cover operating costs.[20] Across all the case study sites and interviews, the single biggest concern was the lack of funding for long-term operations. Lenders and investors who provide capital for permanent supportive housing will only do so with a guaranteed long-term subsidy to support operating expenses and mortgage payments. While COVID-relief funds increased the pool of funding for capital financing, the sources of funding available for operations and services—already insufficient according to providers—did not experience a commensurate increase. Clasen-Kelly spoke to the challenges of funding operations and services: “Operating funding is so challenging....There’s so many dollars from ARPA right now that communities are like ‘we should do more of these hotel conversions,’ but how are you going to keep them running solidly and offer the services that are needed when there just aren’t good funding sources for that?”

New federal funding made available through the ARPA may serve as an important source of funding for services and operations going forward. HUD’s HOME-American Rescue Plan (HOME-ARP) program—which allocates $5 billion of assistance for people experiencing homelessness and other vulnerable populations—will provide grant money, which can be used to fund supportive services as well as tenant-based rental assistance and the creation of new non-congregate shelter and permanent rental housing units, to participating jurisdictions. Recently released program guidance indicates that jurisdictions can use 5 percent of their allocation to fund operating expenses of nonprofit organizations engaged in HOME-ARP activities, plus an additional 5 percent to help organizations develop the capacity to carry out these activities. King County’s HealthThrough Housing sales tax also provides a promising example of how support service funding can be generated locally. While 50 percent of the proceeds from the sales tax can be used for bonds to cover capital costs for housing, the rest is dedicated to an ongoing source of funding for operations and services.

Expanding the supply of project-based vouchers is key to ensuring the long-term sustainability of projects converted to permanent supportive housing.

Respondents often cited project-based vouchers as the preferred funding source for the viability of conversion projects and the sustainability of permanent supportive housing in general. HUD's project-based voucher program provides long-term rental subsidy contracts that facilitate the development of housing for individuals and families experiencing chronic homelessness. Unlike tenant-based vouchers (which are not tied to a specific property), project-based vouchers can be used to underwrite a loan on the property. They also guarantee a steady stream of income to support operations. Mollica explained, "We've found over time that project-basing is really the only way to create a site-based permanent supportive housing model that is Housing First, harm-reduction focused and allows the property to operate. Because if you're counting on somebody's rent, they lose their job, they lose their benefits (or their benefits aren't going to cover the rent) so they have to leave....They go back to experiencing homelessness."

Project-based vouchers are in limited supply, however. Under federal regulations, a public housing authority may only provide project-based rental assistance for up to 20 percent of its Housing Choice Voucher Program allocation,[21] with an additional 10 percent of units that can be used to house people experiencing homelessness. Acquiring project-based vouchers for a project requires working with the local housing authority. For Mercy Housing, getting the Sacramento Housing and Redevelopment Agency to commit to a conversion supported with 100 percent project-based vouchers was "the breaking point" in terms of their ability to finance permanent supportive housing at the scale of the Capitol Park Hotel. Other successful conversion projects supported by project-based vouchers include Casa de Esperanza (a 119-unit permanent supportive housing project in Fort Worth, TX) and Kearny Vista Apartments (a 144-unit project in San Diego), both of which were initiated by local public housing authorities and designated to be fully vouchered at the outset of the project.[22]

Some of the case study projects were unable to access sufficient project-based vouchers. In Santa Fe, the conversion project houses residents with tenant-based Housing Choice Vouchers for 29 units, but project-based vouchers are a "missing piece right now."[23] As an interim solution, they were able to access affordable housing trust fund money from the City and use income from tenants paying market-rate rents to support operations and service provision for other units. In Charlotte, Roof Above was able to secure 25 vouchers towards their 88-unit conversion project and are still working to secure additional vouchers.

Medicaid waivers offer a promising solution to expand funding for health and housing related services, but administrative barriers can make them difficult to access.

The supports provided in permanent supportive housing are often funded by a combination of rental income, private foundation grants, and/or through HUD programs. Medicaid is a potentially important funding source for at least a portion of the costs of permanent supportive housing, particularly in covering supportive services.[24] Although federal Medicaid funds cannot be used to fund rental assistance or the capital costs of housing construction or rehabilitation, state-share Medicaid funds can be used to pay for housing-based services, tenant clinics and other forms of service delivery associated with the needs of supportive housing tenants. In Brockton, Father Bill's & MainSpring is a provider under the state of Massachusetts's Community Support Program for People Experiencing Chronic Homelessness (CSPECH), which allows them to bill Medicaid for support services in permanent housing. In addition to providing residents with the supports they need, doing so provides cost savings to the state's Medicaid program. Massachusetts's CSPECH program has led to an average per person decrease of $10,000 a year.[25] Interviewees across our case study projects highlighted the benefit of state waivers—such as the Section 1115 demonstration and home-and community-based services (HCBS) waivers—that allow supportive housing providers to bill or be reimbursed by Medicaid. They noted while applying for these waivers can be complicated and a time-consuming process, the funding they unlock can provide important dedicated resources for residents with supportive care needs.

Medicaid waivers are not a substitute for the need for additional resources, however. Although Medicaid benefits can cover some supportive services for tenants—especially in states with expanded eligibility, aligning these services with the specific requirements and definitions of Medicaid coverage remains challenging. Most Medicaid benefits were not designed to cover services outside of formal medical settings or to cover services targeted at the needs of unhoused populations.[26] Strict Medicaid program rules—coupled with administrative fragmentation—are also a poor fit for the flexible and individualized supports needed by people with multiple co-occurring chronic health conditions, mental health, and/or substance use disorders.[27] For these reasons, few of the profiled case studies were looking toward Medicaid funding to support long-term services for their residents, revealing the need for additional resources to help residents stabilize their physical and mental well-being.

Property Selection

Though hotels and motels were built for residential use, properties often need significant work to make them suitable for long-term occupancy.

One of the obvious benefits of hotel/motel conversion (compared with, for example, a school or office building) is that these buildings are already designed for residential use. Ryan Bodine of NewGen Advisory, a hotel broker in Phoenix, explained that extended-stay hotels—which generally include more than one room and a kitchenette—are particularly well suited to conversion.[28] Although they are usually more expensive to purchase, the costs of conversion are lower. Two-story, exterior-corridor hotels with restaurants on site are also well-suited to conversion, since they tend to have larger rooms and on-site industrial kitchens, which means that the building's "infrastructure can handle the utility demands of multi-family housing."[29] Larger, limited-service hotels have the potential to create more units, but these buildings often require utility upgrades, kitchenette installations, and/or the combining of rooms to make large-enough units, all of which can add to costs.

Even with ideal property types, however, hotel/motel conversions generally require significant adaptation to be suitable for permanent use. Developers Bruce Wood and Tom Kemper, consultants for Project Turnkey in Oregon, explained: "Hotels were not designed—from a plumbing and mechanical perspective—for people to live in full time. Think about the amount of garbage generated, even the quality of the carpets."[30] Building codes for residential properties can also add to the need for renovation. For example, different fire code requirements may apply to residential spaces where tenants live for longer than 30 days, meaning that conversion projects may need to take on sprinkler system and fire code upgrades.[31] Residential properties are further subject to stricter ADA requirements than commercial properties; older hotels were often built before ADA codes were established, prompting significant renovation.[32] Megan Loeb, a Program Officer at the Oregon Community Foundation and a chief architect and administrator of Project Turnkey, described building code issues as a "major hurdle to address. They significantly held up the renovation process in certain places."[33]

Interviewees emphasized the importance of due diligence and prioritizing acquisition of newer, higher quality properties. The Santa Fe Suites represented an ideal case, as the property was already structured as studio apartments. All units were 285 square feet, had kitchenettes, and were fully furnished along with TVs, cable, and internet. Community Solutions, the developer and current owner of the property, had little work to do during conversion beyond minor updating. Such properties may not always be on the market, however, and due diligence doesn't always reveal renovation needs, especially for older buildings. Mercy Housing, for example, spent $4 million of contingency funding to tackle unanticipated structural problems during the renovation of the Capitol Park Hotel. As the tourism sector starts to rebound, the hotels and motels still on the market are likely to need more upgrades and/or be less suited to conversions.

Nonprofits and city governments are competing with other buyers for hotel/motel properties.

Although the COVID-19 pandemic had a significant impact on the hospitality industry, many respondents noted that it wasn't easy to find suitable sites. In five of the case study projects, acquisitions were facilitated by community relationships and involved hotel owners who had not formally put their properties on the market but who offered to sell to a personal contact involved in housing conversion. The owner of the Santa Fe Suites hotel happened to be close friends with a member of the St. Elizabeth's Board of Directors, who was therefore able to approach the City of Santa Fe directly. Ladd described, "He came to me and he said 'my friend wants to sell this property and I think it would be great to house people who are homeless or precariously housed.'" In Illinois, the City of Evanston was able to use personal relationships to assist Connections for the Homeless in identifying a hotel suitable for non-congregate sheltering—reimbursable by FEMA—during the height of the pandemic. Months later, Connections for the Homeless is seeking to acquire and renovate this property. Development Director Nia Tavoularis noted, “It wasn’t until the City of Evanston spoke on behalf of Connections for the Homeless to the [hotel] owner that we were able to secure the site. It was the city’s relationship with the Margarita Inn that made the deal possible.”[34]

It is also not clear whether hotel or motel properties will remain available for sale. The tourism sector is rebounding relative to 2020, and nonprofits are facing competition in property acquisitions from private sector investors.[35] Respondents noted that funding, program requirements, and the burdens of due diligence can make it difficult to move as quickly as private investors. Particularly for organizations that are new to real estate development, capacity constraints, lack of experience in doing due diligence or working with a broker, and insufficient funds to cover deposits all serve as barriers to acquiring ideal properties for conversion.

Strong partnerships between service providers, developers, and government agencies are key to successful conversion projects.

In all but three of the case studies, the conversion property is owned by a nonprofit organization. Many are homeless or supportive housing service providers who specialize in addressing the needs of formerly unhoused individuals. “Permanent supportive housing is a service model more than it is a tenancy relationship,” Cathy Alderman, Chief Communications and Public Policy Officer with Colorado Coalition for the Homeless, said, highlighting that while “case management and housing counseling are critical to keeping people housed… it’s those other services that help them stay housed and create better outcomes for them and the community.”[36] Indeed, across interviews, respondents highlighted that permanent supportive housing requires a deep understanding of resident needs and an ability to provide services; yet, real estate developers–even those that work on LIHTC affordable housing deals—may not have that expertise. Alderman expressed concern about this potential mismatch, saying, “I fully anticipate with all of these funds that we’re going to have some traditional developers moving into this space…. And if they’re not prepared to provide services on site, then it will never work. They will just churn tenants. I worry about those traditional developers not understanding that this is a service model.”

Not all service providers have the capacity to engage in real estate acquisition or costly and complex construction projects required for conversion and rehabilitation. Partnerships—coupled with technical assistance—are critical for success. In Santa Fe, the city’s conversion project involved a partnership between a developer (Community Solutions) and a homeless service provider (St. Elizabeth’s Shelter). This partnership—along with support from the city—was key in completing the conversion effectively. Community Solutions, the current owner of the property, offered their real estate team to the city’s Office of Affordable Housing and provided bridge financing and technical assistance in setting up the financing plan for the project’s mixed-income model. In the long term, Community Solutions intends to transfer ownership of the property to St. Elizabeth’s Shelter, which is currently the program operator and has worked closely to design the services component. Ladd credited both Community Solutions and St. Elizabeth’s with the project’s success, indicating that the staff of St. Elizabeth’s helped all parties to better understand the complexity of providing housing to people who require tenancy support services: "Originally, we thought—if you get people housed—that's the most important piece and we can solve any problem after that. But St. Elizabeth's was like 'Put the brakes on. We have to figure out [housing and associated supports] hand in hand.' That's a lesson learned from the city's perspective. It did take them saying 'timeout.' Yes, housing first is a great idea, but it has to be supported housing first."

Several projects were led by developers with significant experience operating permanent supportive housing. Father Bill's & MainSpring, the Champlain Housing Trust, Roof Above, Mercy Housing, and Colorado Coalition for the Homeless all owned and operated permanent supportive housing prior to the COVID-19 pandemic. As a result, these organizations benefited from existing connections with the community, local government, and business owners, as well as knowledge of and experience with funding streams for both development and service provision. In Austin, Mollica stressed the benefit of service provider and developer partnerships, so that more mission-driven providers can build their own housing development skill sets and begin to access funding, saying that "it's really important to get those nonprofits involved in a low barrier way."

Likewise, cross-sector partnerships can open up sources of financing to nonprofit service providers who have experience working with unhoused populations but who may not regularly engage in traditional real estate development. In Brockton, Father Bill's & MainSpring was able to use LIHTC equity to purchase the Rodeway Inn for conversion. Their use of tax credits was possible because of a collaboration with MHIC.[37] Without this collaboration, it would have been hard for Father Bill's & MainSpring to be competitive for LIHTC funding. "Accessing LIHTC capital resources—including the administrative burdens—make it next to impossible for entities like ours to actually do it," Connolly explained. "Just hiring the team necessary to do the application—it's tens of thousands of dollars in predevelopment soft costs, not to mention the compliance burden to operate sites with this type of financing. The money you have to put out to get it started is often prohibitive."

The question of ownership extends beyond developer-provider partnerships to public entity-provider partnerships. In Montana, the Missoula Redevelopment Agency acquired the Sleepy Inn Motel for conversion using tax increment financing. While the Missoula Redevelopment Agency plans to redevelop the property, Director Ellen Buchanan remarked that "it's not in the city's wheelhouse to own and operate real estate" and that transferring ownership to a local partner that operates affordable or permanent supportive housing is their preference in the long term for properties such as the Sleepy Inn Motel.[38]

Hotels/motels may offer advantages for residential conversion based on building type, but providers noted that such properties are often located away from residential areas (near freeways, for example), away from service or other support organizations, or in lower resourced, higher poverty neighborhoods.

Case study organizations involved in conversion struggled with multiple competing priorities in assessing which properties to acquire and in which neighborhoods. The need to move quickly and create as many new units as possible sometimes eclipsed considerations about property location. Mollica explained the reason why some organizations would prioritize increasing housing supply over the search for the perfect location:

> "Not every viable conversion is going to be in the ideal location, but the need is so great that we can't always prioritize location over rooms. Ideally every neighborhood would share in connecting their neighbors to housing, but we also need to be realistic about what's feasible."

Others, however, did consider location in selecting properties. Transportation—and access to resources such as grocery stores, drug stores, and social services—were key considerations for many organizations, especially given that many lower-income and formerly unhoused individuals may not have access to a car. King County for example, prioritized selecting properties connected to transit opportunities. Kelly Rider, Government Relations Manager for the Department of Community and Human Services with King County, Washington said: "Any time we've gotten a green light from cities to look at buildings [in their jurisdictions], we've done an overlay of 'Where are the buildings and what does that service access mean?'"[39] King County also set aside money in its transportation budget to fund additional transit services for residents. The Santa Fe Suites was built as part of a planned development that includes a shopping center, a bike path, and a train station across the street. This location was ideal for residents, and also led to job opportunities. Scott Sanders, Program Manager at St. Elizabeth's, explained, "The grocery store right next to the development has been great about employing a lot of our folks. So, it's been great for those without transportation to move in and walk to work."[40]

Still, on average, case study properties were located in neighborhoods with high poverty rates relative to surrounding geographies, a reflection of long-standing patterns of racial segregation and exclusion in housing and land use decisions. As shown in Table 4, 9 of the 13 case study properties are located in census tracts with higher poverty rates than their surrounding counties. In three cases, the census tract poverty rate was more than double that of the surrounding county. When compared to new construction LIHTC properties (filtering for those targeted for people experiencing homelessness), however, there is significant variation in terms of whether conversions are located in lower or higher poverty neighborhoods. Properties also vary in terms of their access to transit; those located in large urban areas (such as Charlotte, Evanston, and Seattle) tend to be located on a number of bus or other transit lines and in denser, more walkable neighborhoods, whereas those in smaller cities or rural counties tend to be less connected to transit. As we discuss in the conclusion, understanding the interplay among the location of conversion properties, neighborhood characteristics, and resident well-being requires further research.

The challenge of producing more affordable housing in higher-resourced neighborhoods is not easily addressed with conversion projects either, raising questions about how well these sites will serve their residents. Michael Monte, CEO, Champlain Housing Trust, noted that while most of the conversion properties in the Champlain Housing Trust's portfolio have "access to some amount of grocery stores" and are located "within walking distance of a bus line, as much as there is a bus line in Vermont," these are not the same neighborhoods that rich households

Table 4. Percent Population Living Below Federal Poverty Level in Case Study Census Tracts and Counties

Geography	**Poverty Rate**		**Average Poverty Rate for LIHTC New Construction Properties Targeted for People Experiencing Homelessness**	**Accessibility**	
	Census Tract	*County*	*County*	*Transit Access*	*Density (people per square mile)*
Austin: Candlewood Inn and Suites **(Williamson County, TX)**	15.1	6.7	No data	2 transit lines; AllTransit Score: 4.6	3,363
Brockton: Roadway Inn **(Plymouth County, MA)**	1.8	7.6	5.1	2 transit lines; AllTransit Score: 4.2	1,462
Charlotte: Quality Inn **(Mecklenburg County, NC)**	32.7	12.7	7.8	9 transit lines; AllTransit Score: 9.0	1,368
Denver: Quality Inn and Suites **(Denver County, CO)**	21.9	13.8	15.7	5 transit lines; AllTransit Score: 7.5	3,286
Essex Junction: Baymont Inn and Suites **(Chittenden County, VT)**	8.8	11.8	22.5	2 transit lines; AllTransit Score: 3.6	985
Evanston: Margarita Inn **(Cook County, IL)**	20.8	15.1	29.8	8 transit lines; AllTransit Score: 9.1	20,831
McMinnville: Motel 6 **(Yamhill County, OR)**	22.1	13.7	15.6	5 transit lines; AllTransit Score: 2.9	44
Medford: Redwood Inn **(Jackson County, OR)**	49.5	16.3	16.3	9 transit lines; AllTransit Score: 5.9	3,113
Missoula: Sleepy Inn Motel **(Missoula County, MT)**	25.9	14.9	No data	12 transit lines; AllTransit Score: 6.6	6,129

Table 4. Percent Population Living Below Federal Poverty Level in Case Study Census Tracts and Counties (Continued)

Geography	Poverty Rate		Average Poverty Rate for LIHTC New Construction Properties Targeted for People Experiencing Homelessness	Accessibility	
	Census Tract	*County*	*County*	*Transit Access*	*Density (people per square mile)*
Sacramento: Capitol Park Hotel **(Sacramento County, CA)**	26.3	15.8	35.0	63 transit lines; AllTransit Score: 9.6	2,796
Sacramento: La Mancha Hotel **(Sacramento County, CA)**	20.2	15.8	35.0	4 transit lines; AllTransit Score: 5.1	10,030
Santa Fe: Santa Fe Suites **(Santa Fe County, NM)**	12.3	12.8	7.7	5 transit lines; AllTransit Score: 5.0	3,018
Seattle: Queen Anne Hotel **(King County, WA)**	9.5	9.6	13.8	49 transit lines; AllTransit Score: 9.7	14,986

Sources: Table S1701 American Community Survey, 2018 5-Year Estimates. Data represent the number or percent of individuals below the federal poverty line based on the total population for whom poverty status is determined.

Notes: Transit score is calculated by CNT and reflects a combined index of number of transit routes that are accessible within a ½ mile of the location, as well as the share of people who use transit as a commute mode. More information can be found online at: https://alltransit.cnt.org/about-the-data/. New construction properties used are derived from HUD's LIHTC Property database and filtered for those targeted at homeless populations placed in service in 2000 or later.

live in.[41] He argued that sometimes the push for "access" to transit and amenities becomes an excuse not to build "where all the people with money are living." Others noted that hotels/motels can be located in higher resourced neighborhoods, and/or in communities that need more affordable supply.

Still other stakeholders raised concerns about whether higher-income or gentrifying neighborhoods provide the best environment for their residents. Roof Above struggled with the nuances of gentrification and neighborhood change in selecting the Quality Inn property in Charlotte. In selecting sites, Roof Above considers access to buses, whether local establishments will match resident needs, and how comfortable and familiar residents will feel in the neighborhood. "But the demographics of the Quality Inn neighborhood are changing," said Clasen-Kelly. "In five years, our permanent supporting housing project will be surrounded by newly developed luxury housing. We wonder how our tenants will experience the neighborhood. Will new residents to the neighborhood be unwelcoming to our tenants? Will there still be stores that sell what our tenants want to buy at prices they can afford?"

Project Approvals: Community Opposition and Zoning Challenges

Conversion projects can face significant community opposition.

Across the case study sites, developers experienced different levels of community opposition, to some extent influenced by the property location. In Brockton, for example, the Rodeway Inn is situated close to grocery stores, bus lines, and a VA hospital but further from residential neighborhoods. Connolly noted that "it helps to select areas where there isn't a lot of surrounding residential because it limits the resistance the project gets from the public. Avoiding the NIMBYism helps a lot…"[42] Father Bill's & MainSpring has run into community resistance when siting other projects, but, in this case, the location led to minimal resistance.

In Austin, however, community opposition has largely stalled the redevelopment of the Candlewood Inn and Suites. Even though the project was approved in a ten to one vote in February by the Austin City Council, the purchase and conversion has been held up by community opposition. A local small business asked for an injunction while pursuing a lawsuit against the city, citing disregard for the concerns of neighboring residents and businesses. Additionally, Williamson County Commissioners in Texas have pursued a lawsuit of their own. Mollica described the political landscape in Texas as one fueled by "NIMBYism and outward racism and discrimination against people experiencing homelessness." In addition to a statewide camping ban enacted via HB 1925, the dispute over the Candlewood Inn and Suites has spurred two bills in the Texas state senate—SB 796 and SB 646—both of which seek to increase barriers to hotel conversions by requiring extensive public engagement and approval by the local county commissioners before any purchase can be made.

Local land use regulations and the absence of building codes that anticipate adaptive reuse can also create significant barriers to efficient conversions.

In addition to lawsuits and community opposition, state and local land use regulations can pose barriers to efficient conversion. Hotel/motel conversions sometimes require rezoning land from commercial to residential use, which can create frictions through height restrictions, certificate of occupancy requirements, and reduced density and larger minimum square footage for units.[43] Clasen-Kelly recommends never going into a project that requires rezoning because it "generally can be very challenging for affordable housing in this community." Existing liens or codes can also pose unanticipated challenges to conversion. While Roof Above's Quality Inn conversion didn't need rezoning, the project was delayed as a result of complications related to the dead-end city road that ran between the motel and its parking lot, affecting their ability to count the square footage of the parking lot towards the minimum-floor-area ratio required under the zoning code.

In Santa Fe, the conversion project was likewise delayed by a lawsuit regarding an existing covenant that prohibited residential use of the hotel property. The project only moved forward because a carve-out in the city land use code allowed nonprofit organizations to operate long-term housing out of a hospitality-zoned property. Ladd indicated that the city may want to rezone the parcel to multifamily use but that the process would be extremely challenging because of the covenant language governing the planned development.

Zoning regulations can also limit the scale of the conversion. In Vermont, the Champlain Housing Trust chose to redevelop the 100-room Baymont Inn and Suites into 68 units. Monte noted that they chose to align the project with local zoning codes to limit opposition: "We could have gotten more out of the redevelopment of the Baymont Inn and Suites, but anything more, it would have needed a higher level of review, more time, and a potential appeal, as opposed to administrative approval."

State laws that streamline conversions can make a significant impact in getting projects entitled.

Several projects were able to go forward as the result of local or state legislation that offer streamlining for projects targeted at hotel/motel conversions and/or for projects specifically addressing homelessness (Table 5).

In Oregon, state legislation was particularly impactful in overcoming zoning barriers to conversion. Many local land use codes in the state do not permit emergency shelters. Community opposition was thus able to hold up multiple conversion projects. For example, several initial Project Turnkey conversions were stalled because of zoning barriers. Some cities refused to grant rezoning requests; others granted conditional uses; and others would not approve any zoning changes without community support.[45] However, HB 3261, which became effective in May 2021, excluded hotels and motels purchased for the purpose of emergency shelter or low-cost housing from local land use challenges. This state law was a key lever in moving stalled projects forward. Wood and Kemper explained: "We were already four months into this when...[the Oregon] legislature passed a bill that exempted Turnkey properties from zoning....We had five projects that were held up by zoning that instantly we were able to move forward to close." Even with the passage of HB 3261, however, community opposition can still prohibit conversion. "There were two deals," said Wood and Kemper, "where it was pretty clear that [they] should have been able to do the transactions but the community had loud voices opposing the project, which resulted in... the deals being killed."

Table 5: State Legislation Offering Streamlining and Land Use Exemptions

California	AB 83: Homekey projects received CEQA exemption and were deemed "consistent and in conformity" with local land use without review
Oregon	HB 3261: Excludes conversion of hotels/motels purchased for shelters/low-cost housing from local land use challenges HB 2006/HB 4212: Requires local governments to approve applications for emergency shelters regardless of land use laws
Washington	HB 1220: Supports emergency shelters and housing through local planning and development regulations
Massachusetts	Massachusetts General Law Chapter 40A, Section 3 (The Dover Amendment): Exempts land or structures used for religious or educational purposes and owned or leased by religious denominations or nonprofit educational corporations from certain local zoning restrictions[30]

In California, where land use regulations are among the strictest in the country, the state's environmental law (CEQA) is often deployed as a way to resist new housing. The law allows anyone to file a lawsuit—and they can do so anonymously—allowing a broad range of interests to stall development for reasons unrelated to environmental concerns.[46] AB 83, the state statute that created Homekey, included a CEQA exemption for Homekey projects and made all Homekey projects eligible for streamlining (not subject to discretionary reviews or approvals).[47] AB 83 was instrumental in allowing Mercy Housing to acquire and convert the La Mancha Hotel project. In other Homekey cases, however, community opposition continues to influence site selection and approval.[48]

Other places have taken a collaborative approach to identifying sites suitable for conversion.

In King County, Washington, absent statewide legislation, staff worked collaboratively with municipal jurisdictions to identify suitable properties. Rather than finding a property they wanted to purchase and convert and then moving into the permitting process, they worked to build city support for the Health Through Housing initiative and its goals first. Doing so allowed them to capitalize on new political will to support permanent supportive housing early on in the process. In addition, the County minimized time to acquisition and competition (which can drive up costs) by buying the properties itself rather than funding nonprofits to do so.[49]

Addressing the Needs of the Local Population

Hotel/motel conversions can be successful beyond permanent supportive housing, and targeting end use should be aligned with community needs.

The goal of most of the projects profiled—as well as the major objective of California's Homekey and Oregon's Project Turnkey—is to convert hotels/motels into permanent supportive housing. However, many communities experience shortages of housing units and beds across the homelessness response and affordable housing systems, meaning that permanent supportive housing is not automatically the best choice for hotel/motel conversion projects. Hotels and motels are well suited for conversion to multiple program types—including transitional housing and affordable housing targeted to seniors or those earning 50 to 60 percent of AMI.

Many of the projects profiled conducted a needs assessment to determine how best to target the use of the property.[50] In Austin, for example, ECHO estimates that 41 percent of all unhoused people are chronically homeless. ECHO identified a shortage of permanent supportive housing beds in the region, which led them to decide to convert the Candlewood Inn and Suites hotel into permanent supportive housing. Mollica explained this decision by noting that "Central Texas has 50 total units of permanent supportive housing that were just built and completed in 2019. It was the first 50 units of permanent supportive housing in all of central Texas. That's how we knew we should focus on more permanent supportive housing."

In King County, Washington, the need for additional permanent supportive housing units was equally clear. "When we look at the needs across our homelessness system," said Rider, "we believe that we need about 6,000 new units just of permanent supportive housing. And while the affordable housing need is also tremendous...this funding tool and this concept really lends itself toward addressing chronic homelessness." In assessing how best to serve chronically unhoused residents with physical disabilities or behavioral health disorders, King County found that people experiencing chronic homelessness were not exiting shelters at a rate that enabled these programs to address homelessness at scale. In response, the County has created a new Health Through Housing initiative that will convert 1,600 units across the County into permanent supportive housing. Nine properties have been acquired toward this goal as of October 2021.[51]

In Denver, however, the Colorado Coalition for the Homeless considered several uses for a Quality Inn and Suites hotel. The Coalition had used an earlier hotel conversion project for transitional housing, which can offer an immediate stable place for housing-insecure or newly unhoused people and can often keep individuals and families from cycling in and out of shelters. "Motels and hotels can serve as a really critical bridge to the next housing option," said Alderman. They debated using the Quality Inn and Suites as transitional housing as well, but the immediate availability of state and county funding sources for conversion to permanent housing tipped the scale. The property is now operating as a permanent supportive housing project called Fusion Studios and serves multiple populations.

In Evanston, Illinois, and McMinnville, Oregon, the case study hotels continue to be used for temporary shelter. After years of operating congregate shelters in the basements of churches, Connections for the Homeless plans to purchase the Margarita Inn, which they had been leasing to provide sheltering in place for unhoused individuals during the COVID-19 pandemic. Once acquired, the inn will serve as a non-congregate fixed-site shelter, which Connections for the Homeless believes is a better model for the population they serve. In McMinnville, Yamhill Community Action Partnership (YCAP) and Providence Health Services purchased a Motel 6 that YCAP had been leasing during the COVID-19 pandemic.[52] After convening a Shelter Collaborative group and conducting a needs assessment, the partnership decided to keep the Motel 6 property in use as temporary, non-congregate shelter for another three to five years post-acquisition. At that point, the organizations will determine whether to convert it into a more permanent form of housing. In both of these cases, temporary shelter proved the most pressing need.

In Brockton, Charlotte, and Denver, the owners of the hotel conversion projects all maintain a portfolio of properties serving different uses, from interim shelter to permanent housing. Having an array of properties allows each of the groups—Father Bill's & MainSpring, Roof Above, and the Colorado Coalition for the Homeless—to create pathways to housing security by moving residents from temporary housing programs to permanent housing solutions. According to Connolly, owning and operating a mix of housing types makes it easier to accommodate the varying needs of populations served.

Because some hotels/motels selected already serve as residential housing, the conversion process may pose challenges related to existing tenants.

Long serving as temporary housing of last resort for those at risk of homelessness, residential hotels are often occupied by low-income or housing-insecure people,[53] which can complicate the process of conversion. In Santa Fe, Community Solutions, St. Elizabeth's, and the city were able to maintain the residency of the 25 people who had already been staying at the Santa Fe Suites hotel. These tenants were issued leases and participated in the same needs assessments as new tenants.

However, existing residents may not always qualify for permanent housing under program rules. Stephan Daues, Regional Director of Housing Development for Sacramento with Mercy Housing, noted that it is sometimes difficult to assess who lives in a property and what their needs or eligibility are—especially when the sellers don't always disclose this information.[54] Mercy Housing allocated $3.5 million for relocation services for all 90 existing residents of the Capitol Park Hotel. Even with these dedicated funds, Mercy Housing was nonetheless concerned that relocation would lead to housing insecurity for some of the former residents. Although they worked with residents as best they could, Daues said, income and household-size requirements made it impossible to keep all original tenants on-site.

The conversion of hotels/motels from temporary emergency shelter during the pandemic to more permanent housing also raises challenges for how to support or transition residents sheltering in place.

Of the 13 case-study projects, 8 began as temporary emergency shelters during or prior to the COVID-19 pandemic. In Missoula, for example, the Sleepy Inn Motel was initially a FEMA-funded non-congregate shelter. As the city prepares for secondary uses of the property post-acquisition, however, it faces barriers. Eran Pehan, Director of Housing with the City of Missoula, explained, "it wasn't [FEMA's] model for the acquisition to serve as a seamless shelter and then transitional housing site to permanent housing. Once the risk passed for an individual staying at the motel, they had to leave the non-congregate shelter....A few folks were able to exit into a permanent housing option but more often than not people exited into the shelter system."[55] These FEMA-designed entry and exit criteria—centered around risk of contracting COVID-19—were in many cases inconsistent with standard prioritization practices employed by Coordinated Entry systems. It was difficult therefore for projects operating as non-congregate shelters during the COVID-19 pandemic to guarantee residents sheltering in place any long-term housing opportunity, given that residents may not have qualified for more permanent housing programs on-site post-acquisition and may not have been able to find an available alternative through the HUD-funded system of care.[56] These challenges illuminate the complexity of designing prioritization systems that balance competing needs effectively and that can adapt to periods of crisis.

Respondents also noted the difficulty of targeting units to specific populations and were sometimes limited by program eligibility requirements or prioritization within coordinated entry systems.

At sites that were converting properties to permanent supportive housing, owners and operators worked within and alongside the established homelessness systems of care. In both Austin and Brockton, the entities responsible for acquisition and conversion are also Continuum of Care lead agencies and therefore run the Coordinated Entry systems for their respective geographies.[57] Coordinated Entry—and assessment tools such as the VI-SPDAT—help to prioritize households for housing and services based on need, distinguishing, for example, between those who are experiencing chronic homelessness and those who could tap into support networks and find housing on their own. While respondents pointed to the importance of using data to help target resources to those most in need, they also emphasized the need for additional strategies to reach hard-to-serve populations.

Several profiled projects seek to address local needs by targeting specific populations for converted hotel units. For example, the Fusion Studios project in Denver aims to target specific populations at the origin point of homelessness—including those exiting the prison system—rather than waiting for them to become unhoused and rise to the top of the coordinated entry list. The project reserves 10 units for participants of a social impact bond program targeting the connection between the criminal justice system and homelessness. The Coalition works directly with the Denver Police Department to identify those exiting the criminal justice system on to the street and connects with individuals directly. In addition, as part of a disability advocacy program, 25 units are reserved for those awaiting competency restoration services who might otherwise be incarcerated during this waiting period. These individuals are also referred directly from jails and prisons rather than through coordinated entry. The project lastly holds space for participants in a hospital partnership program, which identifies frequent users of emergency services, individuals who—if housed—would likely not require such frequent care. Remaining residents—those on a city or state voucher not tied to one of these specific programs—are largely referred through coordinated entry. "We're constantly getting referrals from [coordinated entry]. But we've had to create a lot of workarounds," Alderman said. "The VI-SPDAT has a lot of flaws and we know that it doesn't really assess people in a way that is accurate so we're constantly working in partnership with other providers to figure out...what other potential assessment tools we can use and how we can make prioritization systems better?"

Tenancy support services need to address systemic racism and be responsive to the populations they serve.

Historically, homelessness response systems have failed to address racial inequity in both prevention and response and to include a diverse range of providers at the table.[58] These trends have resulted in a failure to address racial disparities in unhoused and unsheltered populations. Mollica explained: "Culturally responsive service provision is a huge deal. You'll look at our data on these dashboards and see that our Black homeless Austinites are exiting our homeless programs back to homelessness at high rates in a 12- to 24-month period. So, great, we prioritized the right people for housing. But if we can only keep them housed for 12 months or 16 months and they're back experiencing homelessness because our service providers don't provide culturally responsive services, it's not doing anyone any good."

In response, ECHO is engaging Black and Pink, an Omaha-based organization dedicated to the liberation of LGBTQIA2S+ peoples from criminal punishment systems—in the Candlewood Inn and Suites conversion project. Though not a housing service provider, Black and Pink is an advocacy organization dedicated to tackling issues experienced by people living at the cross section of racism and transphobia and is well suited to assist in designing programs that might make unhoused Black trans* people feel safe, seen, and heard.

Similarly, King County is bringing a racial equity lens to its work. "In King County," said Rider, "we really have three or four traditional providers of permanent supportive housing. Nearly all focus on the City of Seattle and heavily focus on our chronically homeless population. But there's not a lot of diversity of population focus beyond [chronically homeless people]. So, we're trying to figure out ways to be able to bring in more diverse partner organizations, even if they don't specialize in housing." They are also working to change how they prioritize residents for housing. For example, housing in the Health Through Housing initiative may serve not only chronically homeless households but also those experiencing systemic marginalization, that is, those "representative of communities that experience homelessness disproportionately, [those] interact[ing] with the involuntary treatment system for behavioral health, or [those interacting] with the criminal justice system."

Few case studies, however, shared a vision for culturally responsive service provision or for using conversion projects as a tool to achieve greater racial housing equity more broadly. The crisis of the COVID-19 pandemic, the speed with which many projects were required to be completed, and the administrative and financial burdens of acquisition and conversion—which many organizations were undertaking for the first time—all posed barriers to incorporating tangible strategies for racial equity in program design.

Projects converting to permanent supportive housing faced challenges finding sufficient funding and personnel for tenancy support services.

Multiple interviewees experienced frustration with a care system ill-equipped to provide the depth and consistency of services necessary. This, said Monte, partly lies with a permanent supportive housing system not designed to offer the nature and frequency of care some individuals need. "As a housing organization," he explained, "we're not there to go through therapeutic situations, or make sure medication is being taken, or that they're maintaining connections to family....We're not visiting them on a daily basis. There's a whole range of things you can do for folks [if you're spending] more like $15,000 or $20,000 a unit and we're not able to do that."

Providers additionally face capacity issues. "One of the biggest things we've identified is the time it's going to take organizations to staff up," said Rider, "which underscores a kind of national conversation about workforce and staffing generally.... Being able to attract and retain employees, especially at the levels we've traditionally funded these services, is a critical challenge....It especially comes home when we're trying to get these buildings open quickly....These organizations have just been running nonstop."

Policy Recommendations

The COVID-19 pandemic brought new urgency to the homelessness crisis and led to a significant increase in federal and local funding to create temporary and permanent housing for unhoused individuals. Respondents emphasized that the pandemic increased political will among local governments and communities to approve and allow for the siting of new affordable and supportive housing developments where they would have otherwise experienced greater resistance. Pehan expressed a common sentiment across interviews, noting that "Housing First doesn't just benefit individuals, it benefits the entire community. In the past that's been tangibly difficult for people to grasp.... But this pandemic was a real in your face 'Well, if we don't address this now, community transmission is going to spread like wildfire'... It was a way for people to understand that we all do better when we all do better. And now we're seeing the immediate positive outcomes of people being off the street."

Much is still unknown about the effectiveness of acquisition and conversion as a homelessness response strategy, and most of the projects profiled in this report are still in development. One critical question is whether conversions are more cost efficient than new construction and in what situations: comparing capital stacks of completed conversion projects could lead to valuable insights into total development costs, what sources of financing were braided together to make the project work, and what gaps remain. Another poorly understood area is the role that property location and the surrounding neighborhood play in shaping resident outcomes. Hotels/motels are located in different types of communities. Those available for acquisition may be closer to freeways or other industrial/non-residential areas that could pose health risks or that are distant from existing services. It is also still unknown whether conversion projects have long-term drawbacks when compared with new construction.

Though further research is needed, this study reveals that—under the right circumstances—acquisition and conversion can increase supply more cost-effectively and more quickly than new construction. To capitalize on the positive outcomes of this strategy, institutional support from federal, state, and local partners is needed. Stakeholders involved with the case studies in this report pointed to several areas where policies could create a more sustainable landscape for conversion projects.

While conversion projects are more cost-effective than new construction, financing sources remain insufficient to enable acquisitions on a broad scale and to support project operations over time. Federal and state governments can support this type of conversion work by providing reliable financing sources for both acquisition and operations.

Conversions—hotels/motels and other commercial or multifamily properties—offer an opportunity to create more permanently affordable units cheaper and faster. For conversion projects to continue to be viable, however, ongoing capital for acquisition and conversion of commercial properties is necessary. The LIHTC program has been successful in generating affordable housing units—through both acquisition/rehabilitation and new construction. This single tool, however, is limited in its ability to rapidly deploy funding for the purchase of new properties. Federal block grant funds, such as HOME and ESG, are perhaps a better tool but are underfunded and come with their own requirements. Recognizing the need for additional capital to build out capacity for additional acquisitions strategies, California has committed an additional $2.75 billion in state funding for Homekey projects over the next several years.[59] The ARPA provided $5 billion in federal funding to be administered through the HUD HOME-ARP program that states and localities can use towards conversion projects, including the provision of services in housing. Both states and the federal government could continue to make funds available for a broader range of acquisition projects. Research suggests that permanent supportive housing can address the needs of many chronically homelessness individuals; yet, funding is still insufficient to match these needs. Federal and state governments need to consider funding for long-term operational support, by expanding access to project-based subsidies like vouchers or other forms of sustainable long-term financing for operations and services.

Highly technical knowledge is required to pursue conversion strategies, but organizations with expertise in providing services for populations experiencing homelessness tend to have limited experience with property acquisition and all it entails. States and private entities should offer technical assistance to local partners who do not have real estate expertise.

Cost-effective opportunities for technical assistance are necessary to build the capacity of local partners who are well suited to enter the conversion space but who lack the specific expertise required for real estate acquisition and conversion. Foundations could offer grants for technical assistance or to provide flexible capital for costs that accrue prior to acquisition (broker fees or deposits, for example). States could offer technical assistance to projects receiving federal funds or could subsidize the cost of real estate consultants to support organizations interested in pursuing conversions. Through HOME-ARP implementation, HUD is providing $25 million for technical assistance, which may help bridge the gap in expertise among nonprofit organizations. Program guidance indicates that jurisdictions participating in HOME-ARP can allocate up to 5 percent of their allocation to help develop capacity among nonprofit organizations engaged in program activities.

Local land use requirements and public opinion can pose significant challenges to conversion projects. States can assist projects by enacting legislation that exempts conversions from discretionary review and local approvals.

Statewide policies that seek to streamline acquisitions and conversions—by lowering administrative burdens or eliminating land use barriers—are necessary to enable conversion projects on a broad scale. States can minimize land use regulations and zoning requirements for conversion projects, granting automatic approval if conversions generate housing for formerly unhoused residents. For example, California and Oregon passed statewide legislation, which exempted conversion projects from environmental review (in California) and zoning restrictions (in Oregon). Projects operating in states that have enacted such streamlining legislation have seen expedited timelines and fewer regulatory barriers to project completion. States and localities also need to assess their local building codes to identify areas of flexibility for conversion projects where health and safety are not materially compromised.

Homeless service providers and developers rarely work together, leading to a skills mismatch in the conversion space around program and building design. States and localities can encourage conversions with strong partnerships between housing/service providers and developers by giving funding priority to these projects.

States and localities distributing federal and state funding for conversions—through the HOME-ARP program, for example—can set threshold requirements for, or give preference to, projects that demonstrate strong partnerships or collaboration among housing, health, and service organizations. Selecting an appropriate property in an effective location for specific tenant populations and identifying opportunities for physical alteration and rehabilitate all require both real estate expertise and deep-seated knowledge of residents' needs. Partnerships between housing and service providers bring both of these skillsets to the table and enable nontraditional providers—small organizations working in the homelessness space, for example—to participate in conversion projects.

As conversions add to the patchwork of affordable and supportive housing types, projects face challenges with tenant placement and prioritization. To create broader coordination, CoCs can develop frameworks to better integrate conversions into comprehensive homelessness response strategies.

Conversion projects work both within and outside of established homelessness systems of care—in some cases receiving referrals from local Coordinated Entry systems and in other cases designing independent methods of prioritization. This programmatic patchwork enables greater flexibility for some projects but also creates significant challenges around tenant placement. Because tenants of properties converted for temporary shelter may not be eligible for permanent programs, projects acquiring residential hotels often struggle to meet relocation needs. In geographies with a significant number of conversions, CoCs can establish frameworks for coordination with these projects, ensuring tenants entering hotel doors have a sensible next-step option and won't exit back into housing insecurity or homelessness. Further, Continuum of Care partners can assist with needs assessments and critical decision-making around the best programmatic use of a converted property.

Local providers need both funding and flexibility to serve their needs effectively. In addition, providers need greater supports to address questions related to racial equity and cultural responsiveness in providing services. To offer local providers the resources to meet population needs, states can work to tap into Medicaid funding and/or dedicate new funding streams for services.

Given the diversity of population service needs in different geographies, it is critical for projects to have the tools they require to design culturally responsive supportive services, to engage diverse networks of providers, and to build programs that make tenants feel safe and seen. To bolster tenancy supports, states can expand Medicaid to open up funding for health and housing related services or can dedicate new funding streams for these services. Policies that bolster financial supports for tenancy services while enabling provider flexibility enable more effective support programs in conversion projects.

Conclusion

The COVID-19 pandemic led to a significant increase in funding—and the development of expertise and identification of best practices—for the conversion of distressed hotels/motels into affordable housing and, specifically, permanent supportive housing. The potential to expand this strategy is real but it is not a panacea. Policymakers will need to build on their emergency responses with long-term financial, legislative, and technical support if they want to use more conversions to tackle the homelessness crisis. The expansion of conversion strategies should also not preclude ongoing investments in other strategies to expand the supply of affordable housing and end homelessness, including efforts to build new permanent supportive housing, preserve existing affordable housing, expand the use of modular construction and other strategies to bring down the costs of development, and reduce fragmentation in the housing finance system. In a field that has long been limited to using LIHTC as the primary tool for adding to the nation's affordable housing supply, the COVID-19 response shows how using flexible capital to acquire and convert undervalued properties into affordable and supportive housing can be an effective strategy worth investing in.

ENDNOTES

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34. Interview with Nia Tavoularis, Development Director, Connections for the Homeless, August 6, 2021.

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37. Interview with April Connolly, Chief Operating Officer with Father Bill's & MainSpring, August 9, 2021

38. Interview with Eran Pehan, Director of Housing with the City of Missoula, Montana, and Ellen Buchanan, Director of the Missoula Redevelopment Agency, July 8, 2021

39. Interview with Kelly Rider, Government Relations Manager for King County Department of Community and Human Services, July 30, 2021.

40. Interview with Scott Sanders, Program Manager, St. Elizabeth's, June 30, 2021.

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