

A Billionaire's Plan to House the Homeless in Shipping Containers

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Silicon Valley real estate developer John Sobrato proposes to build 200 micro-apartments in Santa Clara.

Tiny houses have emerged in the past decade as a promising way to house more homeless people for less money. Now the idea has gained a powerful proponent in the billionaire California real estate developer John Sobrato, who unveiled a proposal this month to build 200 micro-apartments for homeless and low-income renters in Santa Clara.

Sobrato, who has spent much of his career building office space for many of Silicon Valley's technology giants, asked the Santa Clara City Council for exclusive negotiating rights to lease a 2.5-acre plot of city-owned land, three miles south of the San Francisco 49ers football stadium and currently leased to a Hyundai dealership. His plan for the lot calls for a mix of 160- and 240-square-foot units, large enough for a kitchenette and bathroom with shower, which he said could be fashioned out of repurposed shipping containers.

"I think it's time to turn my attention to creating a very cost-effective solution to housing the homeless and very low-income people," Sobrato said at a Dec. 6 meeting of the Council, video of which is posted online. "Instead of sleeping in a pup tent or under an overpass, Santa Clara homeless folks will have a clean, dignified, safe place to call home."

The history of the project dates back to 2005, when the city acquired the empty lot with an eye to building affordable housing. Funding for that project fell through, and the property sat vacant. In October, the Sobrato wrote a letter to Santa Clara Mayor Lisa Gillmor laying out the novel proposal.

Under the plan, the developer asked for a 57-year lease at the cost of \$1 a year. In return, the Sobrato Organization, based in Cupertino, would build and own the apartments, then lease them back to Santa Clara County, which would hire property management and homeless service providers. The project, called Innovation Place, could open as soon as 2018, with half the units rented to homeless and half offered to renters earning between 50 and 80 percent of the area's median income.

The proposal was reported last week by the *Santa Clara Weekly*. An online petition opposing the plan, posted anonymously, has gained more than 100 signatures.

Sobrato didn't respond to e-mails and phone calls seeking comment.

Santa Clara County is a ripe setting for such a project, defined by high-flying tech workers and hyper-expensive housing markets—median rent in the county was \$3,520 a month, according to Zillow data. Despite the thriving local economy, or perhaps because of it, the county had more than 6,500 homeless residents in 2015, among the highest totals in the U.S. The county spends about \$520 million a year providing health care and other services to its homeless population, according to a report last year.

Sobrato, 77, has erected office buildings and research labs for the companies that generate much of the region's wealth. He started out selling homes in the 1950s before moving into commercial real estate in the 1970s to take advantage of the region's nascent technology boom. Over the next three decades, Sobrato's company developed more than 150 buildings,

helping the developer amass a fortune of \$5.8 billion, according to the Bloomberg Billionaires Index.

Sobrato, who has promised to give away his entire fortune, stepped down from daily operations of his company in 2013 to focus on the philanthropic mission of making Silicon Valley “a place of opportunity for all its residents.” Much of that work has revolved around education and skills training for low-income students and workers.

The plan to build micro-apartments taps into a handful of converging trends, including the “housing first” approach to alleviating homelessness, which prioritizes providing permanent housing ahead of other services. That movement, in turn, has led advocates to light on the idea of tiny homes as a way of providing cheap, decent housing to a larger number of people. It has gained traction in Dallas, Detroit, and Portland, Ore., among other cities.

The notion of repurposing shipping containers as cheap, very small apartments has also attracted attention. The San Francisco-based real estate developer Panoramic Interests has been touting a plan to retrofit the steel containers as stackable pod apartments, while sky-high Bay Area rents have created a new class of landlords letting out communal living spaces, including a warehouse filled with shipping containers.

Mock-ups presented to the Santa Clara City Council showed the apartments constructed out of shipping containers. Sobrato said they could also be built out of another modular system, or by traditional, ground-up construction.

It’s still early days for the housing project. Sobrato’s appearance before the Santa Clara City Council was in support of his request for an exclusive negotiation for a ground lease on the property; the Council granted that by unanimous vote. Beyond that approval, the developer asked for support for the project in the face of community opposition, a problem that has roiled plans to build homeless shelters and low-income housing from New York to Los Angeles.

“I expect that the Council will hear from somebody in the neighborhood. There’s always some Nimby that you’re going to hear from that’s going to object to the project,” he told the Council at the Dec. 6 meeting, referring to Not In My Back Yard. “We want to make sure that at the end of the day you’re going to be there for us.”

Gillmor, the mayor, said that even if the city agreed to the lease, the project would need to go through the approval process that governs all new construction. Still, she offered qualified support.

“Right now we’re housing cars on the property. That’s a waste,” Gillmor said. “I think we should look at housing people.”