A California startup is building small houses in backyards, and renting them at below-market rates

**Spotted:** A San Francisco Bay Area startup has a new idea for how to solve the region’s perennial housing crisis: they build tiny homes in homeowners’ backyards and then rent them out at below-market rates. The company, Oby, does all the work and provides homeowners with rental income.

Once Oby signs a lease with a homeowner, they design, permit and build a small, two-bedroom house to fit in the space. They also find and manage the tenants, handling maintenance, turnover and tenant leases. The houses are rented for less than market rates, and the homeowner is guaranteed a fixed monthly payment.

The small houses are built for compact living and aim for zero-net carbon, with a number of sustainable features, including solar panels to produce energy for heating, hot water, cooking, etc. The design is kept simple, to minimise costs and the houses are constructed using a distributed prefabrication system. Oby partners with a cooperative that manages a distributed network of carpenters and builders who fabricate different parts to create a building kit for the house that is then assembled on site.

Oby signs 99-year leases with homeowners for the backyard space, and the lease agreement is designed to continue even if the main property is later sold. It is a business model that is designed more as a solution to the area’s housing crises, than as a get-rich scheme. **According to Declan Keefe**, co-founder of Oby’s parent company, CoEverything, “It’s a way of distributing the labour so that we can actually do construction more quickly, but we can also spread around this value that’s being created from the expense of the house.”
Affordable housing is a serious issue in many cities around the world, not only in San Francisco. At Springwise, we have seen new energy devoted to finding a solution, with innovations such as a project that converts vacant urban buildings into communal housing and a social enterprise that teaches communities to build their own sustainable houses.

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Takeaway:

As anyone who lives in an area where housing demand far outstrips supply, living costs can easily eat up large amounts of disposable income. The Bay Area, in particular, is notorious for this and existing 'solutions' such as creating areas where people are allowed to live in their vans or cars, do not help to build community and are not a long-term fix. In fact, backyard cottages are already common in California, but rent is generally fixed at market rates, and thus out of reach for ordinary workers. Oby’s model of keeping rents low is unique and if it works, could help create a long-term solution to the housing shortage. Whether people in other areas will agree to share their backyard permanently remains to be seen.