



Accessory Dwelling Units in Santa Clara County: Creating housing opportunities for the missing middle (July 2019)

Accessory Dwelling Units: An Introduction

Santa Clara County's need for affordable housing spans across the income spectrum. According to its Regional Housing Needs Allocation (RHNA), addressing the County's housing needs will require the creation of 25,700 new housing units for lower income households (earning 0% - 80% Area Median Income, or AMI) by 2022. At the same time, the County needs 10,636 units for moderate-income households (81% - 120%) - equivalent to approximately 18% of the County's total RHNA obligations.¹ Production is slow, larger scale projects that deliver a high volume of increasingly expensive units take many years to entitle and construct, and rising construction costs have led to serious financial feasibility issues and led to many stalled projects.

SV@Home supports the creation for housing for all, which requires different strategies for different affordability levels. Existing zoning often acts as a barrier to the development of housing types that would serve the needs of moderate income households, encouraging either high-density multi-family projects or high-priced single-family units, with nothing in between. Housing priced at levels affordable to moderate income households is extremely difficult to finance, as public subsidies do not exist, and private lenders require higher rents and higher returns.

Accessory Dwelling Units (ADU) can help bridge the middle income housing gap, and can contribute significant housing production relatively quickly and affordably. **An ADU is a secondary dwelling unit that is developed on a single family lot and functions independent of the primary unit.** They come in a variety of forms, and vary in size from efficiency units to two bedroom cottages. Currently, ADUs represent one of the quickest ways to get an affordable unit online. Most importantly, these units do not require long term public subsidy, as they generally are rented at naturally occurring affordable rates. They do not take as long to build as large multifamily developments due to their construction type and size. ADUs increase the diversity of housing available and represent infill development that increases density in existing neighborhoods. With effective policy in place, ADUs can provide units towards RHNA obligations, especially in communities that are currently not experiencing significant large scale development or are mostly built out.

¹ 2015-2023 Regional Housing Needs Plan san Francisco Bay Area, p. 26, ABAG, 2015, https://abag.ca.gov/planning/housingneeds/pdfs/2015-23_RHNA_Plan.pdf

ADUs are less expensive to build than current multifamily developments, because they are generally built with simple wood frame construction, are able to feed into existing utility infrastructure of the main residence, and are built on land already owned by the homeowner. Cities also have the capacity to allow Junior ADUs (JADU), which are similar to a traditional ADU, but tend to be smaller and do not always have a private bathroom. As a JADU can be developed within the existing footprint of a home and only require construction of a kitchen, they can be an even more affordable option for interested homeowners. State law currently allows cities to develop JADU standards, however they are not currently required to allow JADU development.²

The per unit cost of an ADU can be as low as a third of the cost to develop an average multi-family unit.³

The payoff for ADUs is often social as well as economic. Homeowners often cite opportunities to keep their family together and build wealth as their primary reasons for building an ADU on their property.⁴ Often called “granny units,” ADUs provide a way of making caring for aging family members easier, while maintaining opportunities for independent living. There is a relatively short payback period, and backyard units create a flexible living option for different periods of life. Some homeowners see ADUs as a source of rental income in the near term, and a downsizing opportunity in the future that would allow them to rent out the primary dwelling for retirement income.

ADUs also offer a low-impact means of increasing density in our communities, allowing for more intensive and efficient use of land within our existing land use pattern. This density is often referred to as “hidden density” as it increases the number of units per acre, while maintaining existing neighborhood character.⁵ Higher residential densities in older neighborhoods have the positive environmental impact of cutting commuting times for local workers, and increasing public transit ridership.

The Current Policy Landscape:

ADU ordinances vary from city to city in Santa Clara County, but increasingly local leaders are stepping up in support of efforts to streamline the development process - lowering hurdles and costs. Driving the reform are a number of state laws which went into effect in 2017 requiring local jurisdictions to ease zoning standards.⁶ Most notably, ADUs are now allowed on all residentially zoned lots where a single family dwelling currently exists, and enjoy reduced setback and parking requirements. Additional streamlining and cost saving measures continue

² HCD, JADU FAQs, 2019 <http://www.hcd.ca.gov/policy-research/docs/FAQsADUJr.pdf>

³ *Jumpstarting the Market for Accessory Dwelling Units: Lessons Learned from Portland, Seattle and Vancouver*; Chapple et. al, 2018 http://turnercenter.berkeley.edu/uploads/ADU_report_4.18.pdf

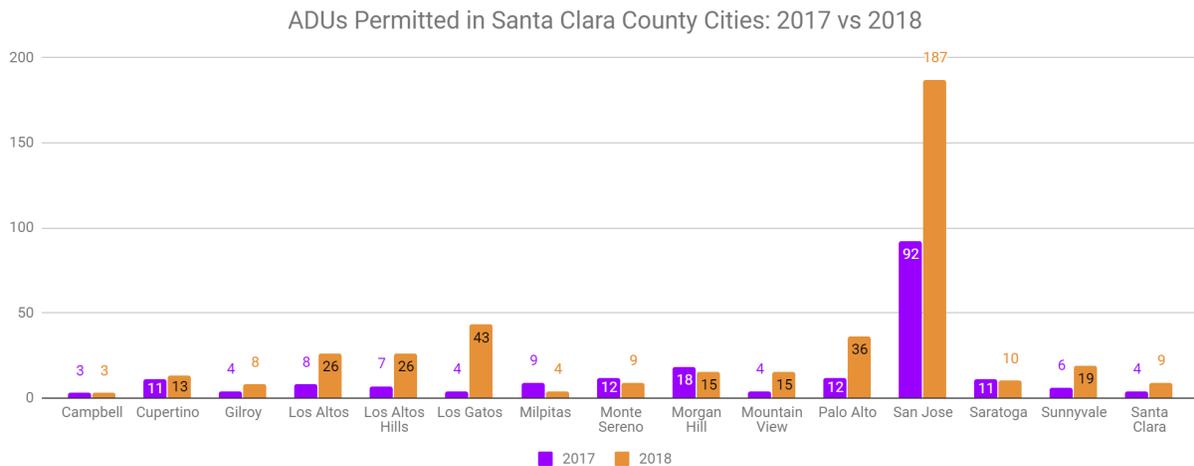
⁴ *Accessory Dwelling Unit Memorandum*, p. 5, HCD, 2016, <http://www.hcd.ca.gov/policy-research/docs/17Jan30-ADU-TA-Memo.pdf>

⁵ Jake Wegmann & Karen Chapple (2014) Hidden density in single-family neighborhoods: backyard cottages as an equitable smart growth strategy, *Journal of Urbanism: International Research on Placemaking and Urban Sustainability*, 7:3, 307-329, DOI: 10.1080/17549175.2013.879453

⁶ SB 1069 (Wieckowski), AB 229 (Bloom), and AB 2406 (Thurmond) were all signed by Governor Brown in 2016, and went into effect January 1, 2017.

to move through the State Legislature.⁷ These reforms, in combination with continued publicity, have led many cities in the county to embrace the opportunity for more far reaching reforms than those required by state laws. By easing lot size requirements and maximum lot coverage, local efforts have greatly increased the number of parcels where ADUs can be built. By streamlining permitting processes and embracing architectural standards that allow for modular units, local government is lowering costs.

More flexible standards have led to significant increases in ADU applications and permits issued. As the table below shows, from 2017 to 2018 total permitted ADUs in the county increased from 210 to 423. Most cities experienced an increase in ADU permitting, and seven saw increases double or almost triple that of the previous year.



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As cities continue to reduce requirements, costs come down, and the word gets out to homeowners, it is anticipated that these numbers will continue to increase. But real barriers still limit the rate of production. ADU development relies on a homeowner to act as developer, which can be a new and overwhelming experience. Many homeowners are unaware that their property is ADU eligible, and those who do are often discouraged in their efforts to understand the formal permitting process and the impact of applicable regulations. Lack of experience and information has led to low numbers of applications compared to the number of eligible parcels and interested homeowners.

Financing is also a major obstacle for ADU development. **Within San Jose, only 81 ADUs were completed in the city in 2018, despite the 350 permit applications that were started and the 187 permits that were issued.**⁸ Other areas experiencing increased ADU development have expressed similar financing challenges. Homeowners generally rely on personal savings, or existing equity in their homes, to finance ADUs, and may have to approach

⁷ SV@Home is currently following the following 4 ADU bills in the 2019 Legislative cycle, however there are 23 proposed bills that could impact the ADU policy landscape at the local level. [AB 68](#), [AB 69](#), [SB 13](#), [SB 592](#)

⁸ City of San Jose, 2017

multiple lenders before being successful.⁹ Regional lenders tend to be more responsive than larger institutions, but until loan officers become familiar with ADUs challenges will persist. Efforts to connect homeowners with local lenders better prepared to respond to their needs should be a high priority moving forward.

Increasingly local governments are realizing that educational and outreach programming that engages eligible, and interested homeowners can address some of the fears and anxieties of those interacting with the development process for the first time. Programs and materials can cover a variety of topics including sample floor plans, simplified flow-charts of the permitting process and basic financing information.

Non-governmental partners are also becoming central to the efforts to unlock the potential of ADUs by improving education and outreach, helping with financing and lower the costs of construction. The Housing Trust of Silicon Valley has developed an ADU program which provides free education workshops to interested homeowners, and is in the process of developing a loan program to further encourage ADU production throughout the Silicon Valley.¹⁰ As financing remains a major hurdle, having a consistent resource in the region will assist many homeowners in reaching the finish line of their projects. The City of San Jose is working with Housing Trust Silicon Valley to establish a loan program, which would require that a homeowner agree to a deed restriction that required that the ADU be rented to a low-to moderate-income household in exchange for loan forgiveness.¹¹

Modular and prefabricated units offer the promise of major cost savings. Built off-site and assembled on-site, this housing type has been around for many decades, but modern designs and techniques have improved the quality and designs available on the market. The time and design savings promised by modular and prefabricated housing should increase the rate and pace of ADU production going forward.

Further State initiatives

The California State Legislature continues to identify ADUs as a significant opportunity to increase the number of housing units available throughout the state, and the 2019 legislative session saw a flurry of bills. These bills propose to lift process and zoning hurdles, such as requiring ministerial approvals, decreasing project review periods from 120 to 60 days, eliminating minimum lot sizes, and raising ADU size limits. Efforts also continue to lower costs by making ADUs exempt from some local fees. It isn't clear what reforms will make it through the legislature this session, but it bodes well for ADUs that the push for greater efficiency and lower costs is coming from both the local and state levels.¹²

⁹ *Jumpstarting the Market for Accessory Dwelling Units: Lessons Learned from Portland, Seattle and Vancouver*; Chapple et. al, 2018 http://turnercenter.berkeley.edu/uploads/ADU_report_4.18.pdf

¹⁰ For more detail see <https://housingtrustsv.org/programs/adu/>

¹¹ Description of San Jose's Moderate Income Housing Strategy. <https://siliconvalleyathome.org/accessory-dwelling-units-a-moderate-income-housing-strategy/>

¹²SV@Home is currently following the following 4 ADU bills in the 2019 Legislative cycle, however there are 23 proposed bills that could impact the ADU policy landscape at the local level. [AB 68](#), [AB 69](#), [SB 13](#), [SB 592](#)

SV@Home's Recommendations For Local Reforms

The ultimate goal of an ADU ordinance update should be to simplify the process. The table below highlights key reforms aimed at simplifying zoning and application requirements. It is important to keep in mind however that successful ADU programs include education, and outreach that connect interested homeowners to resources and assistance that increase the chances of production. Proactive programming continues to be a major contributor to heightened construction year over year in many jurisdictions.

Criterion	Recommendation	Rationale
Lot/Rear Yard Coverage	Allow for 50-60% rear yard coverage.	A lot coverage requirement, when paired with setback requirements, determines whether a lot's size is suitable for an ADU, while being easier to calculate than FAR.
Minimum Lot Size	Eliminate minimum lot size requirements.	Minimum Lot Size requirements exclude parcels where it would be feasible to build within or above existing structures. In addition, a minimum lot size requirement is not necessary, as setback and lot coverage requirements dictate the minimum lot size needed for eligibility.
Floor Area Ratio	Exclude ADU square footage from FAR standards of the underlying zoning district.	Lot coverage along with setbacks meet the same goals as the FAR limits, while being easier to calculate and understand for a homeowner inexperienced with the development process.
Fees	Eliminate fees, or ensure they are proportional to impact.	Impact fees remain one of the major barriers to ADU development. Currently, most fees are levied based on the same assumptions used for larger scale developments, however the impact of ADUs on services, including schools, affordable housing, and infrastructure are not the same as for large single family homes. Lowering or eliminating fees serves a larger public interest in promoting housing opportunities.

<p>Minimum Setbacks</p>	<p>Allow zero setbacks for all ADUs.</p>	<p>Eliminating setback requirement will allow more homeowners to locate an ADU on their property. For visibility reasons, some restrictions on window heights may be necessary for second story units. This would also increase opportunities to convert existing accessory structures on the property that may not conform to existing setback requirements.</p>
<p>Maximum Unit Size</p>	<p>Rather than a tiered maximum unit size based on lot size, establish one overall maximum size, e.g 1200 square feet.</p>	<p>In most cases, the rear yard coverage requirement effectively limits the maximum unit size, thus accomplishing the same goal as a tiered maximum size requirement. This standard thus serves as an overall cap particularly for large lots where other requirements do not otherwise constrain the maximum ADU size.</p>
<p>Parking Requirements</p>	<p>Consider eliminating parking requirements for ADUs. Or as a secondary alternative, expand areas exempted from ADU parking requirements – for example, exempt lots within 1 mile of public transit. Allow for flexibility regarding replacement parking (e.g. do not require widths or setbacks for driveways created to replace parking that was lost due to a construction of an ADU).</p>	<p>Research shows that ADU residents have low rates of car ownership and high rates of transit use. Additionally, many single-family homes are underutilized and consequently, over-parked. In addition, state legislation has waived parking requirements near transit.</p>
<p>Design Standards</p>	<p>Allow for a design that is complementary, but not necessarily identical to the primary dwelling.</p>	<p>Flexible design standards can allow homeowners to consider the use of modular/prefab units that can reduce costs and time required for construction.</p>
<p>Existing Unpermitted ADUs</p>	<p>Create opportunities to bring non-conforming units to current standards.</p>	<p>While the units themselves may not be legal, they are often rented below market rents. Allowing homeowners with unpermitted units to bring non-conforming ADUs, including garage conversions, to existing building code creates a safer living environment for</p>

		tenants and retains much needed naturally affordable housing.
Short Term Rentals	Restrict ADUs from being used for short term rentals.	Mechanisms to create more ADU standards are intended to increase housing stock within a city. Due to the significant housing shortage experienced throughout the region, holding units off the market for tourists decreases overall housing capacity and puts increased pressure on an already limited housing stock.
Junior ADUs	Develop policies to facilitate this type of development.	Junior ADUs are similar to traditional ADUs, but are located within the primary dwelling, tend to be smaller (less than 500 square feet) and are more affordable to build. Junior ADUs do not always have a private bathroom, and have their own small kitchen. Junior ADUs are an option in those cases where where a site would otherwise not be eligible for ADU production.
Second Story	Allow Second Story ADUs on top of existing garages, accessory structures, and primary dwellings. Also allow new construction ADUs that are two stories.	Maximizes space and maintains rear yard. Can be built above existing garages, or built as standalone two stories to maximize square footage. Design can maximize privacy for both tenant and neighbors.
Bedroom Limit	Rather than a bedroom maximum, rely on a unit size maximum requirement.	Setbacks and lot coverage requirements will indicate what size unit is possible. Unit size often informs how many bedrooms are feasible.
Conversion of Existing Structures	Allow for zero setbacks for conversion of existing structures. Define conversions clearly. If a structure must be demolished or is unfit for renovations, then the ADU should be allowed to take advantage of exceptions if rebuilt on the original footprint.	Conversions of existing accessory structures to include independent facilities, that maintain the same building footprint of the existing structure should be allowed reduced setback requirements. Examples include detached garages, detached offices or storage buildings. This decreases costs for property owners and maintains existing open space.
Permitting Process	ADU permits should be	Complex and uncoordinated planning

	<p>ministerial, and should be completed within 60 days.</p>	<p>and permitting processes cost time and raise costs, increasing the likelihood that homeowners are deterred from building. Efforts should be made to continue to simplify the experience for the owner, including but not limited to: designating a single point of contact within the city, coordinating review process and guidelines between city departments, and creating pre-approved base plans.</p>
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