

MEMORANDUM

Date: January 6, 2022
To: Housing Advisory Commission (HAC)
From: Suzanne Ise, Principal Planner, Housing Division
Re: Discussion of Accessory Dwelling Unit (ADU) Incentive Programs

BACKGROUND

On December 7, 2021, staff provided a report to the Board of Supervisors on two current ADU incentive programs offered by the County since 2019: an ADU fee waiver program and an ADU loan program. That report, its attachments, and Board direction is available online for review: https://santacruzcountyca.igam2.com/Citizens/Detail_LegiFile.aspx?Frame=&MeetingID=1886&MediaPosition=&ID=11500&CssClass=

To get a sense of how other communities are incentivizing ADU development, staff conducted some initial research on ADU incentive programs operating in the region or the state. There are not many fully functional programs yet, however links to the programs found are provided below.

Staff spoke to staff in agencies located in or near to the County to find out more about these ADU programs, and how their implementation is going. These agencies included Habitat for Humanity Monterey Bay, based in Santa Cruz, and in the Bay Area, Hello Housing and the Silicon Valley Housing Trust (SVHT). All of these agencies have experienced some challenges in launching and operating these programs, particularly with loan programs, similar to the County's recent experience. SVHT has closed its loan program for the time being, due to logistical issues. Habitat's loan program is open, but has also not met initial expectations for participation and loan activity, likely for similar reasons as other programs, primarily the extremely low rates available through commercial lending at this time. Hello Housing has a wider variety of programs available, including significant technical assistance and planning, and has expanded their programs to additional jurisdictions in recent months. Staff found their approach, and breadth of public agency partners interesting. Hello Housing will make a brief presentation to the HAC at the January 12, 2022 meeting to provide an overview of their ADU programs and lessons learned to date. Staff will also invite other agencies to participate in the discussion of this item and/or share written comments prior to the meeting if they wish.

ADU INCENTIVE PROGRAM GOALS:

ADU incentive program goals vary by community and funding agency, and may include but are not limited to those listed below. Careful consideration and prioritization of the goals to be addressed by a new program will help in designing the program to address the desired goals.

- Encourage the development of ADUs by owner-occupant homeowners, in order to create more "affordable by design" housing, primarily within existing neighborhoods and infill locations, where infrastructure and services are most available and fewer environmental conflicts/hazards are present;

- Address logistical and/or financial challenges impeding ADU development, particularly by homeowners who lack the necessary resources or technical understanding to develop an ADU without public sector or charitable assistance;
- Assist homeowners who are lower- or moderate-income households themselves; and/or are willing to impose affordable rental restrictions on their new ADU. Programs funded by restricted affordable housing funds, such as the fund currently used for the County's ADU loan program, require these types of restrictions to ensure that the funds are used to create, improve and/or preserve housing affordable to lower- and moderate-income households.

STAFF RECOMMENDATION

Review the December 7 Board report linked above, consider presentation (Item 7 on the agenda) and any other written or oral public comments received on this item, then open the discussion for commissioner questions and comments. Provide suggestions to staff for new and/or modified ADU incentive programs to be considered for implementation by the County. Staff will use the Commission's input to develop a proposed program(s) description and cost estimates for the Commission's consideration at its March meeting, where it will make a formal recommendation to the Board on this topic.

ADU Incentive Programs of Other Agencies

<https://www.hellobright.org/sponsored-programs>

<https://www.smcu.org/Loans/Home-Loans/ADU-Loan>

<https://secondunitcentersmc.org/onestopshop/>

<https://housingtrustsv.org/programs/homeowner-programs/accessory-dwelling-unit-program/>

<https://www.calhfa.ca.gov/homebuyer/programs/adu.htm>

<https://www.habitatmontereybay.com/adu>

<https://www.delmar.ca.us/814/ADU-Incentive-Program>