

SANTA CRUZ, CALIFORNIA

ACCESSORY DWELLING UNITS

Although Santa Cruz’s recently created Accessory Dwelling Unit (ADU) program adds just one rental unit at a time, the city is finding that the numbers can add up fast. About 40-50 new ADUs per year are being built in the city.

“In a small town, this is huge. It’s the equivalent of a 200-unit development over five years,” says Carol Berg, the Santa Cruz Housing and Community Development manager. “For a built-out community, it’s a great way to add housing without destroying neighborhoods.” She said

construction of rental units is not as profitable as for-sale housing, so ADUs are the only rental units being added to the city’s rental stock.

- ✓ Accessory dwelling unit ordinances
- ✓ Impact fee waivers and reductions
- ✓ Building code changes to promote rehabilitation
- ✓ Changes in zoning to encourage affordable housing
- ✓ Infill development

Also known as “mother-in-law” or “granny” flats, ADUs offer separate living space, attached or detached from the primary residential unit, that includes its own separate kitchen, sleeping, and bathroom facilities. According to Berg, Santa Cruz is a university town where over 50 percent of residents rent, so the ADU program adds much-needed rental stock in a city that is essentially built out. Additionally, the rental income on ADUs makes homeownership more affordable for moderate-income households.

City provides incentives for creating accessory dwelling units

Santa Cruz’s ADU Development program encourages construction of ADUs in several ways. To help homeowners finance ADU development, the ADU Loan Program offers loans of up to \$100,000 at 4.5 percent interest. To qualify for these loans, the homeowner must live at the same address as the ADU; have equity in their homes of at least 50 percent of the loan amount; and agree to restrict rents to levels affordable to households at or below 80 percent of the area median income (AMI) for a minimum of 15 years.



In addition to loan funds, the City offers impact fee waivers to homeowners who agree to rent the units at affordable levels in perpetuity. Partial fee waivers are offered for a commitment to rent to low-income households; homeowners who agree to rent to very low-income households are given full impact fee waivers. However, homeowners can later opt out of affordability restrictions by paying the waived impact fees.

“The escape valve is an important feature,” said Berg. “Without this, we would get zero takers.”

The City also offers technical assistance to homeowners building ADUs. The ADU Technical Assistance program provides materials to assist homeowners interested in adding an ADU. For example, the City offers a “how to” manual that includes an introduction to the ADU program, design and construction advice, development checklists, sample lease agreements, and a list of City Department contacts. A second manual focuses specifically on converting garages to ADUs. The City also offers *ADU Prototype Plan Set*, a book that contains seven ADU prototype concepts designed by local architects, as well as *ADU Alternative Roof Plans*.

According to Berg, zoning changes were the most effective way to encourage homeowners to build ADUs. To encourage garage conversions to ADUs, the City of Santa Cruz passed legislation waiving covered parking requirements for homes with ADUs. For these homes, the City of Santa Cruz allows up to three cars to be parked in the front yard (up to 50 percent of the front yard may be paved for parking). Alternatively, up to three cars can be parked in tandem in the driveway. Additionally, ADU homeowners can now count off-street parking as space for the front yard setback, so homeowners have more space to build ADUs.

Besides zoning reform, The City of Santa Cruz has also relaxed building code requirements that proved prohibitive for homeowners considering adding an ADU in the past. For example, the Santa Cruz Fire Department no longer requires that a separate water sprinkler system be retrofit for attached ADUs. Additionally, attached ADUs are no longer required to have a separate water hookup from the main residential unit.

Community supports new units

According to Berg, the City conducted community outreach before launching the program, which has reduced neighborhood objections to new ADUs. Besides the city's efforts to encourage ADU development, Berg emphasizes that much of the success of the program can be attributed to the socially minded Santa Cruz community. According to Berg, the Santa Cruz community understands that rising housing costs are pushing individuals out of their neighborhoods, so the community has come together to address the housing crisis.

"People were being personally impacted."

-Carol Berg

"[The program was launched] at a time when people were waking up to the housing crisis in this community," she said. Two elementary schools had closed because of declining school enrollment; in addition, Berg said many people had family members and neighbors who were leaving the community because of the high cost of housing. "People were being personally impacted."

In addition to conducting community outreach, ADUs are subject to several requirements intended to protect neighbors' privacy and maintain the character of the neighborhoods. Units must be neighborhood compatible, which means they are built with similar materials as the main house and are visually compatible with the main residential unit.

Berg concluded by saying that, though they're small, ADUs can add up to have a huge impact on the housing problems many communities face. "This layer of rental housing just isn't being created in many communities. It's housing development that's happening without government assistance," she said.

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