ADU Program

SMALL HOMES, BIG IMPACT

Module 1: Can I build an ADU on my site and How do I pay for it?

Housing Trust Silicon Valley
adu@housingtrustsv.org
Who We Are: Housing Trust Silicon Valley

- A non-profit and a community development financial institution (CDFI)
- Our mission is to create affordable housing opportunities
- We serve those experiencing homelessness, renters and first-time homebuyers
  - Funding to affordable housing developers to create apartments
  - Down payment assistance for first-time homebuyers
  - Security deposits for previously homeless individuals
  - Small Homes, Big Impact: Education & financing to assist homeowners looking to build Accessory Dwelling Units (ADUs) with our new ADU Construction Loan Program
Who We Are

Sonya Singha
Mortgage Loan Officer, Construction & ADUs

Bonnie Cheung
Program Associate, ADU

Adelene Ramos
Marketing & Outreach Coordinator
What is an Accessory Dwelling Unit?

- Secondary dwellings units are either attached, detached or converted from an existing space within a single-family lot
  - Also known as “granny flats,” “in-law units,” or “backyard cottages”
- Must have separate entrance, kitchen & bathroom
- Uses of ADUs:
  - Provide housing for a family member, an older child, elderly parents, disabled adult children
  - Aging in place
  - Downsizing, move out of larger primary home into smaller unit
  - Rent for additional income
Types of ADUs that Qualify for Loan Program

- Only detached and garage conversions are eligible for the Housing Trust Construction Loan Program.

- Common types of ADUs that are not eligible:
  - Attached ADUs
  - Internal Conversions
Can I Build an ADU on my Site?

Site Plan/Analysis

- Neighborhood context
- Architectural patterns
- Lot information
- Legal/easements
- Natural features
- Man-made features
- Circulation
- Utilities

Zoning/City Ordinance

- Zoning
- Lot size
- Max. floor area
- No. of bedrooms
- Kitchen/bath
- Parking
- Setbacks
- Height
- Location (attached/detached)
- Rear yard coverage
- Materials / Design
New State Legislation Promoting ADUs

- A groundbreaking package of new laws went into effect Jan. 1, 2020 that some are calling "the end of single-family zoning"
  - Every single-family and some duplex (R2) lots could potentially have an ADU and JADU (Junior Accessory Dwelling Unit)
    - JADU: Shared facilities allowed, such as shared kitchen and bathroom with the main house (permitted without ordinance change)

- Requires local agencies to either approve or deny an ADU project within 60 days of receiving a complete building permit application. (AB 68 / AB 881)

- Prohibits minimum lot size

- Fewer parking requirements
  - No parking replacement needed for garage conversions

- No impact fees on ADUs under 750 square feet (SB 13)

- Any HOA condition that "prohibits or unreasonably restricts" the construction of ADUs on single-family residential lots is void (AB 670)

If your ADU did not meet planning requirements prior to Jan. 2020, try checking with your planning department again!

All information available at hcd.ca.gov (California Department of Housing and Community Development)
Free Interactive Tools

▷ Symbium: https://symbium.com/build
  ▶ Helps homeowners visualize planning code
  ▶ See whether or not you can build an ADU on your property

▷ Maxable: https://maxablespace.com/
  ▶ Offers free education about ADUs in the California market
How do I pay for an ADU?

- Cash-out refinance
- Home equity line of credit
- Construction loans
- Renovation loans
- Cash and/or credit cards
- Borrow from retirement account
- Personal loans from friends & family
- Private loan
- Reverse mortgage loan
- Shared equity financing
- Any combination of the above
Housing Trust ADU Construction Loan Program: **Loan Terms**

<table>
<thead>
<tr>
<th>Loan Term Characteristics</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum Loan Amount</td>
<td>Up to $200,000</td>
</tr>
<tr>
<td>Type of Loan</td>
<td>Second Mortgage / Deed of Trust</td>
</tr>
<tr>
<td>Loan Term</td>
<td>36-month term (Year 1 is interest only payments)</td>
</tr>
<tr>
<td>Amortization Rate</td>
<td>20-year amortization</td>
</tr>
<tr>
<td>CLTV (Combined Loan to Value)</td>
<td>97%</td>
</tr>
</tbody>
</table>
Overview: Construction Loan Terms

- Eligible Costs – Soft costs and Hard costs
- Minimum two year affordability restriction
  - Tenant income restriction up to 120% AMI ($118,920)
  - Tenant may utilize up to 30% of income towards rent
  - Rents caps
    - Studio: $1,982
    - 1 Bedroom: $2,266
    - 2 Bedroom: $2,549
Steps to Obtaining Financing from Housing Trust

1. Determine Financial Readiness
   ▶ FICO score, liens on property, sufficient income to make 2 mortgage payments

2. Verify Project Readiness
   ▶ Completed site plan, project timeline, narrowed down a GC, identified total development costs

3. Meet builder qualifications & permit ready status

4. Submit loan application to Housing Trust with required documentation
   ▶ Permit ready status
   ▶ Income verification – tax returns, paystubs, bank statements, etc.
Benefits of Housing Trust ADU
Construction Loan Program

▷ Create an extra source of income by renting out your ADU
▷ With the tenant affordability feature built into the loan, the construction loan provides landlord experience & rental income for 2 years which allows you to refinance the loan at the end of 3 years with a conventional lender
▷ Reasonably fixed interest rate
▷ Be part of the solution in Bay Area housing crisis by creating an affordable unit in your own backyard!
Thank you for attending!

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