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# 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](mailto:adu@housingtrustsv.org)



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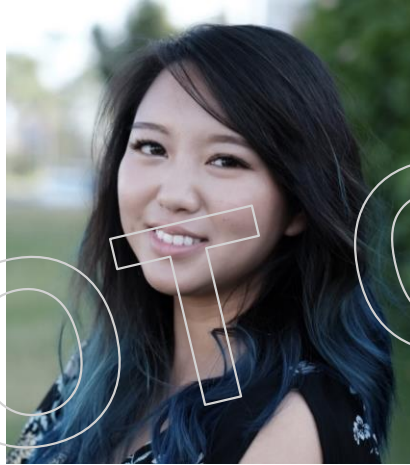
# Who We Are: Housing Trust Silicon Valley

- ▶ 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

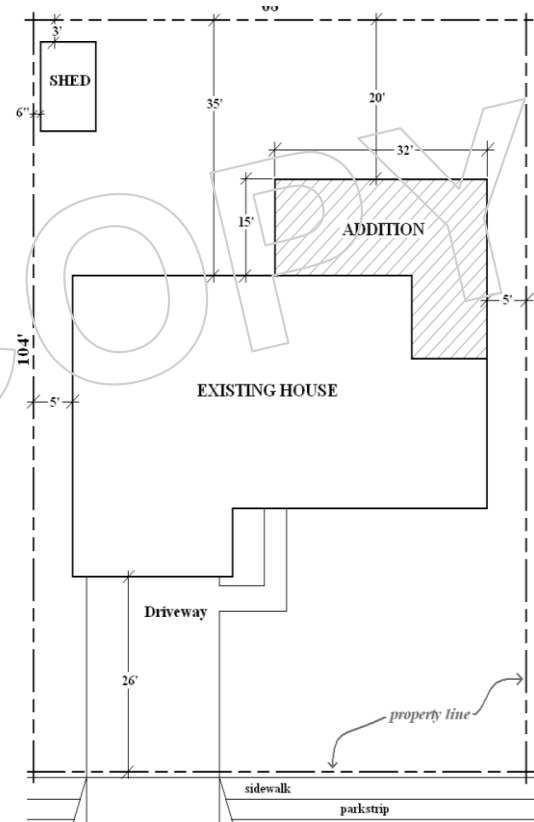
# Can I Build an ADU on my Site?

## 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](http://hcd.ca.gov) (California Department of Housing and Community Development)

# Free Interactive Tools

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- ▶ 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?

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- ▶ 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

Maximum Loan Amount	Up to \$200,000
Type of Loan	Second Mortgage / Deed of Trust
Loan Term	36-month term
Amortization Rate	20-year amortization
Repayment Structure	<ul style="list-style-type: none"><li>• Year 1: Interest only payments</li><li>• Years 2-3: Principal and Interest</li><li>• Refinance at end of Year 3</li></ul>
CLTV (Combined Loan to Value)	97%

# Overview: Construction Loan Terms

## ▶ Eligible Costs\*

- ▶ 100% of eligible ADU construction costs (Hard construction costs)
- ▶ Borrower is expected to pay predevelopment costs upfront
- ▶ Housing Trust will only review soft cost reimbursement requests on a case-by-case basis
  - ◆ Will require proof with paid receipts or invoices.

## ▶ Minimum two-year affordability restriction

- ▶ Tenant income restriction up to 120% AMI (\$127,080)
- ▶ Tenant may utilize up to 30% of income towards rent
- ▶ Rents caps
  - ◆ Studio: \$1,986
  - ◆ 1 Bedroom: \$2,270
  - ◆ 2 Bedroom: \$2,553
  - ◆ 3 bedroom: \$2,834

- ▶ *Income restriction and rent caps subject to change annually.*

\*Please refer to Program Guidelines on website for full details.

# Steps to Obtaining Financing from Housing Trust

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## 1. Determine Financial Readiness

- ▶ FICO score, existing first mortgage, no liens on property, sufficient income to make 2 mortgage payments

## 2. Verify Project Readiness

- ▶ Detached or garage conversion located in Santa Clara County or EPA
- ▶ Must **owner-occupy** the property
- ▶ Completed site plan, project timeline, narrowed down a **qualified GC per HT guidelines**, identified total development costs
- ▶ Applicant has **permit issued** by their city and is ready to start construction
- ▶ **Educational requirements**
  - ◆ Attended 2 online webinars or 1 live in-person workshop
  - ◆ Landlord experience (Certification course ([landlordcert.org](http://landlordcert.org)), proof of 2 years of rent roll, or 3<sup>rd</sup> party property management company)

## 3. Meet builder qualifications & have permit issued by the city

## 4. Submit loan application to Housing Trust with required documentation

- ▶ Issued building permit
- ▶ 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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