



A Comparison of Second Unit Strategies in Municipalities with Low Density Land Use

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Purpose and Methods

- Purpose
 - Survey towns similar to Portola Valley on the effectiveness of second unit programs at providing market rate and affordable housing.
 - Review options for incorporating universal design in the permitting requirements for second units to allow for improved accessibility for older adults.
- Methods
 - Interview planning departments and collect data on second unit programs from local jurisdictions throughout California with land use patterns similar to Portola Valley.
 - Search the literature for related studies.
 - Interview realtors on second unit prevalence and market.



BACKGROUND

Requirements to Provide Affordable Housing
Definition and History of Second Units
Benefits
Concerns

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Affordable Housing

- The California Department of Housing and Community Development (HCD) requires municipalities to plan urban development with the potential to provide sufficient affordable housing. This is known as a **Housing Element** (HE) plan.
- With an HE plan, the town creates the opportunity for housing but is not required to build it. However, if the housing is never realized, the plan may be inadequate.
- Under its Regional Housing Needs Assessment (RHNA) for the 2007-2014 Housing Element, Portola Valley must provide 32 affordable units.

Failure to Provide Affordable Housing can be Costly

- Pleasanton spent \$2M defending a 2006 lawsuit it lost to affordable housing advocates. California shut down Pleasanton's ability to issue building permits until its Housing Element was brought up to date.
- In May-2012, Menlo Park entered into a stipulated judgment to avoid a lawsuit from affordable housing advocates that would have blocked development of the Facebook campus. Menlo Park is now on a fast track to update their Housing Element.
- In May-2012, Monte Sereno was sued by a business owner who wanted to annex his 4-acre commercial parcel to the town and rezone it for multi-family housing. He claimed the town was not really meeting its affordable housing requirement.

What is a Second Unit?

- **Second units** are a way that homeowners can provide affordable housing in a community.
- A second unit (SU) is an independent living unit with living, sleeping, kitchen and full bathroom facilities, on the same parcel as the single family residence it accompanies. It usually has a separate entrance not viewable from the street.
- PV homeowners built 13 new second units in 2010-2011.

What is a Second Unit?

Many Forms

- Attached to main house
- Detached from main house
- Above an attached or detached garage
- Interior unit
- Modified basement
- Modified attic

Many Synonyms

- Accessory Dwelling Units (ADUs)
- Accessory apartment (attached)
- Accessory cottage
- Elder cottage
- Backyard cottages
- Ancillary Dwelling Units
- Companion units
- Granny flats
- In-law units
- Secondary units
- Garage apartment
- And more...

Second Unit History

- 1982 – Second Unit Law
 - Second units were around before the Civil War, but the name and purpose (to help achieve affordable housing) was formalized with this 1982 California law (Code section 65852.2).
- 2003 – AB 1866
 - The law was updated to require that second unit applications be considered ministerially without discretionary review, a hearing, or public comment (HCD 2003 p. 5).

Benefits of Second Units

- Second units are increasingly accepted as infill development (Wegman, 2011), enabling increased housing that:
 - Provides affordable housing
 - Does not require rezoning
 - Is done at little or no cost to government
 - Has low impact on infrastructure (roads, sewer, schools) as compared to a new main home (Cobb, 2000)
 - Does not affect the character of the neighborhood (Cullinan, 2012)

Second Units Provide Affordable Housing

- Second units may provide 40-65% of affordable housing stock (Wegmann, 2011).
- Evidence that second units provide housing for low-income—those who earn <80% of the Average Median Income (AMI):
 - Hillsborough survey showed all rentals were low-income (Hillsborough, 2011)
 - Monte Sereno survey showed 73% were low-income (Monte Sereno, 2012)
 - Los Altos Hills survey showed 74% were low-income (Los Altos Hills, 2009)
 - In East Bay, 51% had free or reduced rent for friends or family (Chapple, 2010)
 - In Marin County, 62% rented to low-income. (Chapple, 2010)
 - Locally, 55% were rent-free (Baird, 2008)
 - Surveys from the 1980-1990s showed second unit rents were below market rates (Hare, 2008)

Second Units Provide Right-size Housing

- Right size for small households
 - 45% of older adults and 27% of all households consist of one person (US Census Bureau, 2010).
 - In East Bay, second units house 1.5 persons (Chapple, 2010).
 - In Seattle, 2.16 persons lived in main unit, 1.2 in second unit (Chapman, 2001).
- A way for aging owner to:
 - House a caregiver or caretaker
 - House extended family
 - Create rental revenue stream
 - Downsize to second unit and remain in the community

Neighbor Concerns about Second Units

- Parking
- Neighborhood quality
- Density
- Traffic
- Privacy
- Property values
- Legality: Many second units are unpermitted and should be brought up to code for health and safety reasons
 - San Francisco (pop. = 813,000)
 - Estimated 21,000 illegal units in 1996 (Antoninetti, 2008)
 - Olympia, WA (pop. = 52,000)
 - 71% of SUs had no permits (Skinner, 2011)
 - Portland, OR (pop. = 530,000)
 - 62% of SUs had no permits (Brown, 2009)



Research Results

Comparison Towns
Effectiveness of Second Unit Programs
Recommendations to Town Staff

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Comparison Towns in Northern CA

- Atherton, San Mateo County
- Hillsborough, San Mateo County
- Los Altos Hills, Santa Clara County
- Monte Sereno, Santa Clara County
- Portola Valley, San Mateo County
- Woodside, San Mateo County

Are These Effective Programs?

- Hillsborough, CA (pop. = 11,000)
 - Second units provide 100% of their RHNA
 - After 2003 ordinance, increased from 3 to **15 second units per year**
 - Maximum size increased to 1,200 sq ft
 - Ministerial approval
 - Waived all fees
 - Owner occupancy
 - Recordation of use restriction
- Los Altos Hills, CA (pop. = 8,000)
 - Second units exceed 100% of their RHNA
 - After 1998 & 2003 ordinances, is now producing **9 second units per year**
 - Maximum size is 1,000 sq ft
 - Ministerial approval
 - Waived \$1,150 housing fee
 - Second units in basements do not count against maximum floor area (MFA)
- Santa Cruz, CA (pop. = 60,000)
 - 2003 new ordinance + program increased production from 10/year in 2001 to **35/year in 2008**
 - Reduced parking requirements
 - Low-interest rate loan program
 - Streamlined permitting process
 - Community buy-in via workshops
 - Education via How-to manuals & designs
- Portola Valley, CA (pop. = 4,400)
 - Produced **8 second units in 2011** despite major restrictions
 - Maximum size of 750 sq ft is the smallest SU in this comparison
 - Committee review by ASCC required for second unit >400 sq ft
 - Highest building + planning fees in this comparison

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How to Measure Effectiveness?

- In 1991, Hare (cited in Wegmann, 2011) estimated that municipalities that did not have onerous restrictions could expect to produce 1 second unit per year for every thousand Single Family Residences (**SFRs**).
- At first glance, analysis of the data collected in this study suggests second unit production merely reflects total population, i.e., bigger towns build more units.
- However, further analysis shown in Table 1 on the next slide shows that **Units per thousand SFRs per year** is a useful measure of town effectiveness in encouraging production of second units.

Table 1. Second Units per thousand Single Family Residences (K-SFRs) per year

Town	Ordinance and procedural changes	Second Units per K-SFRs before changes, or in prior HE if no changes	Current rate of production of Second Units per K-SFRs
Ordinance and procedural changes increased production rates			
Hillsborough	2003: ministerial approval, waived fees, 1,200 sq ft	0.8	3.9
Los Altos Hills	1998: ministerial, 1000 sq ft; 2003: reduced fees	1.3 2.4	3.0
Atherton	Dec-2010: doubled to 1,200 sq ft ¹	0.4	2.4
Santa Cruz	2002: ordinance & program changes	0.8	3.9
Without action, little difference in production rates—except for Portola Valley			
Portola Valley ²	No changes	3.4	4.6
Woodside	No changes	2.5	2.9
Monte Sereno ³	Oct-2012 increased from 900 to 1,200 sq ft & reduced parking	2.6	2.4

1 – In Atherton, all single family housing receives ministerial approval.

2 – Portola Valley production has been higher than its neighbors but has directly fluctuated with the economy.

3 – It is too soon to see any effects of Monte Sereno's ordinance change.

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Town Actions were Effective

- Table 1 shows ordinance and procedural changes increased second unit production rates as much as 4x. It appears that **towns were highly effective in increasing production** when:
 - Second unit size was increased to 1,000-1,500 sq ft
 - A process of ministerial approval was implemented
 - Fees were reduced or waived
- Without incentives, Portola Valley has historically produced 5 new units annually, which is higher than its neighbors. But while 2011 production was high, 2010 was average, and 2007-2008 reflected the economy and was very low. PV may not meet its RHNA. Could PV production be further improved if it followed the lead of neighboring towns?

Opinions of 4 Local Realtors

Is there Market Demand for Second Units?

- An increase from 750 to 1,200-1,500 sq ft could be “huge” in motivating to build.
 - 750 sq ft is too small—basically a studio. Monte Sereno increased to 1,200 sq ft because so many homeowners complained that the old 700 sq ft limit was not in keeping with the 5,000-7,000 sq ft main homes they were building.
 - Homeowners used to living in 3,000+ sq ft are not comfortable downsizing themselves to a second unit of 750 sq ft. 1,200-1,500 sq ft would be different—like a small house.
 - At the Sequoias CCRC, vacant units are combined to ~1,000 sq ft to meet new residents’ desires.
- However, buyers prefer main house square footage over a guest house or second unit.
- Second units add value, but it depends on the needs of the buyer. If the rare (5%) buyer needs a guest house, they don’t want to build from scratch at the current cost of ~\$400/sq ft.
- One realtor estimated 15-18% of PV listings had guest houses; another estimated 30% of 1 acre properties and 55% of 2.5 acre properties. In the \$10-12M range, guest houses might be expected for family or help.
- Incentives to increase the affordable housing pool by lowering fees or a subsidy—because it’s helping the town—could be motivating.

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Recommendations to Town Staff

Changes to Ordinance
Amnesty Program
Communications
Second Unit Manual

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Recommended Changes to PV Ordinance and Procedures

- Increase maximum second unit square footage from 750 to 1,200 or 1,500 sq ft
- Reduce parking requirements to 1 space per bedroom
- Reduce or waive fees, especially if conversion to a second unit is minor construction
 - SU does not increase school, sewer and water usage
- Conduct another amnesty program
 - 1991-1995 amnesty program legalized 38 second units
- Shorten application process – more ministerial approval
- Reduce minimum lot size to build a second unit down from 1 acre (barring sewage and water supply issues)

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Amnesty Program for Unpermitted Units

- AARP report (Cobb, 2000 p. 50)
 - Avoid harsh regulations
 - Avoid lengthy application processes
 - Avoid high fees to legalize unit
 - Allow sufficiently long amnesty period to apply
 - Allow sufficiently long time period to comply with building code
 - Exempt all but safety regulations
 - If all else fails, stiff penalties for still not complying
- PV's amnesty program in 1991-1995 produced 38 second units.

Portola Valley Communications

- On the Building & Planning webpage, emphasize that:
 - Second units help meet PV's affordable housing needs
 - PV benefits by having firefighters, public safety officials, educators living in the community
- Form committee to help with next Housing Element and spread the word
- Conduct a survey of residents to get their feedback and an idea of current second unit inventory and rents

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Update Portola Valley Second Unit Manual

- Provide guidance on minor guest house, room, or garage conversions to a second unit
- To support aging in place, add suggestions for universal design and features for older adults →
- Encourage rentals
- Universal/aging features:
 - Zero threshold entrance
 - No steps to entrance
 - 34" wide doors
 - 42" wide hallways
 - Wheelchair maneuverability
 - Walls reinforced for grab bars
 - Good lighting
 - Slip-resistant flooring
 - Lever door handles
 - Single-lever or touchless faucets
 - Washlet toilets

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Thank you!

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