

Contact MJ at [mjsocial @ primaryapps.com](mailto:mjsocial@primaryapps.com)

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.

01/10/2013

BACKGROUND

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

01/10/2013

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.

01/10/2013

Failure to Provide Affordable Housing can be Costly

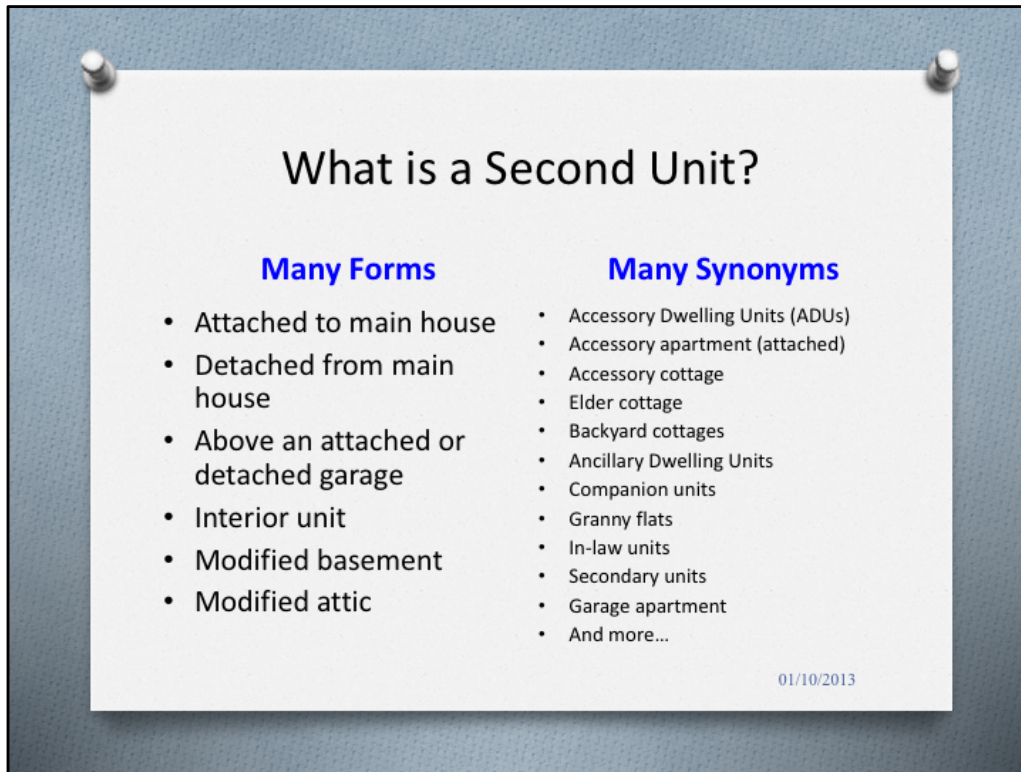
- Pleasanton spent \$2M defending a 2006 lawsuit it lost to affordable housing advocates. California shut down Pleasanton's ability to issue building permits until its Housing Element was brought up to date.
- In May-2012, Menlo Park entered into a stipulated judgment to avoid a lawsuit from affordable 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.

01/10/2013

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.

01/10/2013



From Antoninetti 2008:

“The former granny flats became Elder Cottage Housing Opportunity (ECHO) housing, Elder Cottages, and Homecare Suites (Altus et al., 2002; Hare, 1982), mimicking similar successful initiatives in Australia, New Zealand, Great Britain, and Canada”, p. 352. These were all temporary housing structures easy to rapidly set up.

In Seattle, Backyard cottages are known as BYCs

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).

01/10/2013

From Antoninetti 2008

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)

01/10/2013

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)

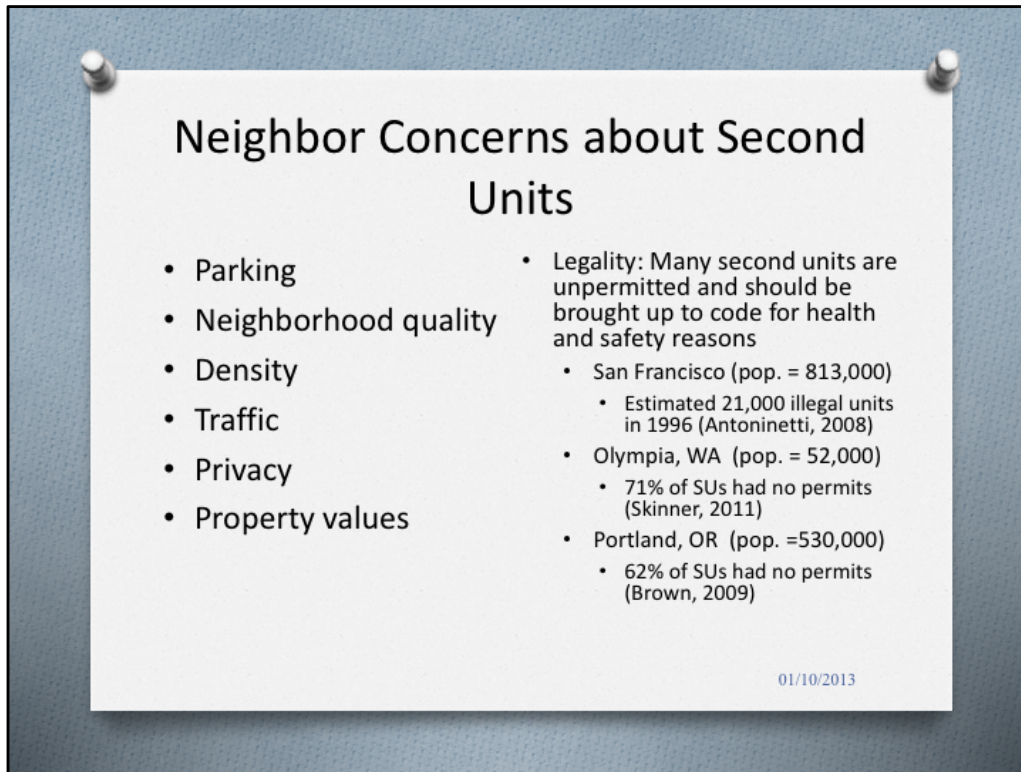
01/10/2013

From 2008 Baird report cited in Hillsborough Housing Element (p. 27):
The report specifically reviewed second unit utilization in communities with similarities to Hillsborough. Surveys conducted in Woodside, Portola Valley, and Los Altos Hills found that most second units are offered rent-free and are thus affordable to extremely low income households. In total, 179 out of 320 (56 percent) of surveyed second units in the three communities were occupied for zero rent. For all communities studied in the County report, the percentage of rent-free units ranged from 40 to 70 percent, putting the middle of the range at 55 percent. Based on field and counter observations in Hillsborough, the town's second units appear to be aimed at and pre- dominantly used for domestic care and assistance, and for intergenerational living. Accordingly, 55 percent was assumed for Hillsborough.

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

01/10/2013



From Antoninetti 2008
GET THIS, quoted by Skinner

Brown, Martin John. "People in Portland Want and Build ADU's—with or without Permits." Architectural Therapy Portland, OR, 2009. Print.

- Skinner's 2011 47% percentage for county units does not agree with what author stated. The author actually contradicted himself in his own paper, so I am taking the number of 47% that had no permit, while 53% had some kind of permit, since the county also allowed guest houses and family member dwelling units. I decided not to use this statistic on the slide.

Detailed numbers of units:

Olympia, WA (pop = 52,000)

71% of 7 city ADUs had no permits

47% of 30 county ADUs had no permits*(Skinner, 2011)

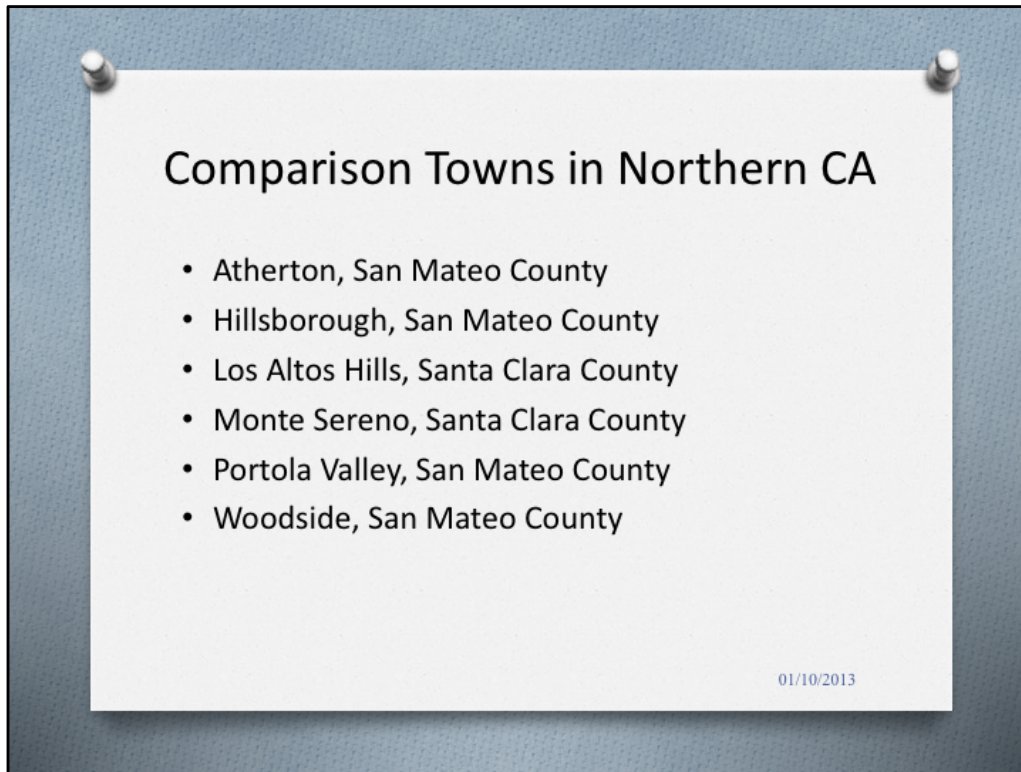
Portland, OR (pop 530,000)

62% of 32 ADUs had no permits (Brown, 2009)

Research Results

Comparison Towns
Effectiveness of Second Unit Programs
Recommendations to Town Staff

01/10/2013



There are 480 cities in CA. The rest are unincorporated towns and their housing elements are covered by their Counties.

Tried searching for large lot residential estate suburban wealthy very low density housing, but could not identify more similar towns in CA whose housing elements were in compliance. In southern California, considered including Hidden Hills (Aug-2012), Rolling Hills (Jul-2009), and Palos Verdes Estates (Dec-2010), but they were all out of compliance per the dates noted.

Data from the City of Santa Cruz in Santa Cruz County is included because Santa Cruz is a recognized leader in developing second units.

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

01/10/2013

Other cities:

Montgomery County, MD

Accessory apartment ordinance in 1984

By 1996, had 400 legal and 360 complying registered units

Seattle (Chapman, 2001) (pop = 620,000)

Between 1994-98, 101 ADUs were built

90% were in basements

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.

01/10/2013

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.

01/10/2013

I feel it is more accurate to view PV's second units in comparison to second family residences rather than total population, because >10% of PV's population lives in the multi-family housing of the Sequoias, a CCRC. And, what we want to measure is the number of SFR homeowners who build a second unit on their parcel.

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?

01/10/2013

Opinions of 4 Local Realtors

Is there Market Demand for Second Units?

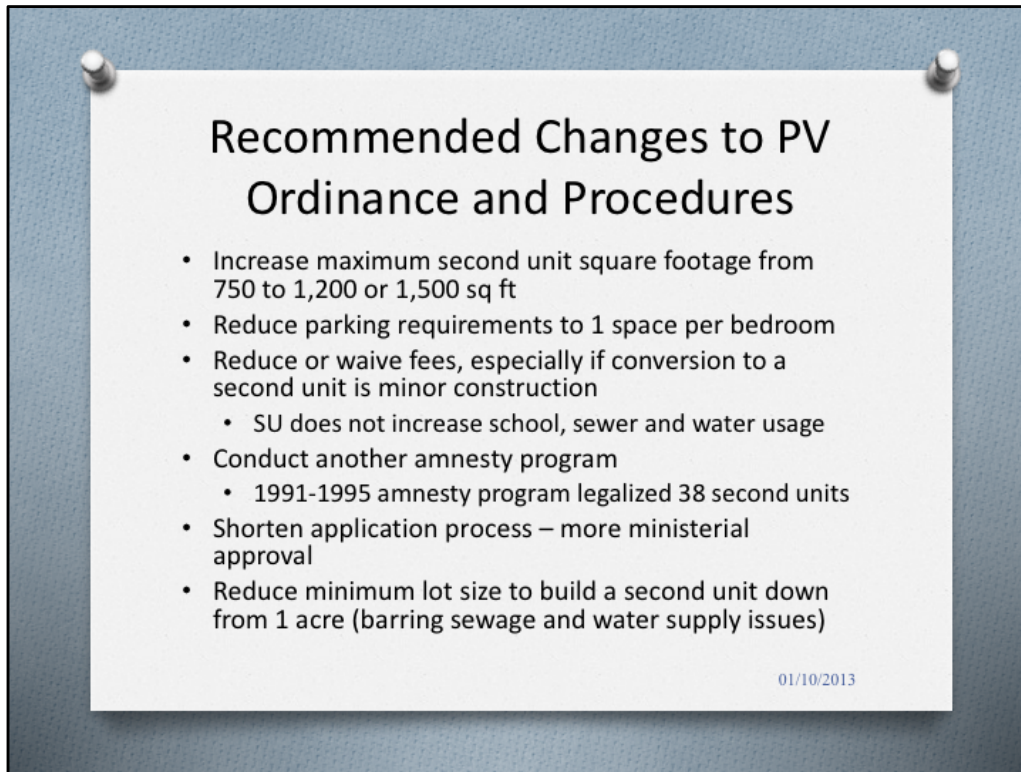
- An increase from 750 to 1,200-1,500 sq ft could be “huge” in motivating to build.
 - 750 sq ft is too small—basically a studio. Monte Sereno increased to 1,200 sq ft because so many homeowners complained that the old 700 sq ft limit was not in keeping with the 5,000-7,000 sq ft main homes they were 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.

01/10/2013

Recommendations to Town Staff

Changes to Ordinance
Amnesty Program
Communications
Second Unit Manual

01/10/2013



On Amnesty:

Steve thinks there may be several hundred unpermitted second units in town

Removed these suggestions:

Ministerial approval

Eliminate ASCC design review (no, is in line with everything else town puts thru permit process)

Allow two second units per parcel (no, that would violate single family zoning)

If concerned about parking or density, limit number of second units in a neighborhood (Steve says second units can't be denied)

Allow second units in barns (won't allow because an internal living unit in barns and garages ends up taking over the whole space)

Note on Property tax:

New unit adds to property valuation and the increase is taxed appropriately

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.

01/10/2013

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

01/10/2013

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

01/10/2013

References

- Antoniotti, M. (2008). The difficult history of ancillary units: The obstacles and potential opportunities to increase the heterogeneity of neighborhoods and the flexibility of households in the United States. *Journal of Housing for the Elderly*, 22(4), 348-375.
- Baird & Drinkoff Community Planning. (2008). *Affordability of second units in San Mateo County*. 21 Elements: San Mateo Countywide Housing Element Update Kit. Included in Hillsborough 2009 Housing Element.
- Brown, Martin John. "People in Portland Want to Build ADUs"—with or without Permits." *Architectural Therapy* Portland, OR, 2009. Print.
- Chapman, N. J., & Howe, D. A. (2001). Accessory apartments: Are they a realistic alternative for aging in place? *Housing Studies*, 16(5), 637-650. doi:10.1080/02673030120080099
- Chapple, K., Wegmann, J., Nemrow, A., & Derrell-Fost, C. (2011). *Yes in my backyard: Mobilizing the market for accessory units*. Retrieved from <http://escholarship.org/uc/item/8fdj9p0f>
- City of Monte Sereno. (2010). *Monte Sereno General Plan*. Monte Sereno, CA. Retrieved from <http://www.montesereno.org/clientuploads/Deben%20Documents/Planning/FinalGeneralPlan032010.pdf>
- City of Monte Sereno. (2012, May). *Results from second unit survey*.
- Cobb, R. L., & Dvorak, S. (2000). *Accessory dwelling units: Model state act and local ordinance* (p. 58). AARP Public Policy Institute.
- Cullinan, E. (October 8, 2012). Personal communication.
- Hare, P.H. (1993). *Accessory Units: The State of the Art*, Volumes 3 and 4, Summary of Experience With Accessory Units in the US and Canada. Washington, DC: Patrick H. Hare Planning and Design.
- Hare Planning. (2000). *US studies of rents in accessory units: Key sections*. Retrieved from www.warlingtonva.us/departments/CPIO/Documents/Hk62296.pdf
- Skrivan, T. (2011). *Accessory dwelling units and accessory structures in Olympia, WA* [Master's thesis]. Evergreen State College.
- State of California, Department of Finance. (2012). *E-S Population and Housing Estimates for Cities, Counties, and the State, 2011 and 2012, with 2010 Benchmark*. Sacramento, California. Retrieved from <http://www.dsf.ca.gov/research/demographics/reports/estimates/e-s/2011-2012/view.php>
- Town of Atherton. (2010). *Housing element update 2007-2014*. Atherton, CA. Retrieved from <http://www.ci.atherton.ca.us/generalplan.html>
- Town of Hillsborough. (2009). *2009 Housing element*. Hillsborough, CA. Retrieved from http://www.hillsborough.net/depts/building/planning/2009_housing_element/default.asp
- Town of Los Altos Hills. (2009). *General plan housing element update 2009*. Los Altos Hills, CA. Retrieved from <http://www.losaltoshills.ca.gov/city-government/departments/building-and-planning>
- City of Monte Sereno. (2010). *Monte Sereno General Plan*. Monte Sereno, CA. Retrieved from <http://www.montesereno.org/clientuploads/Ordin%20Documents/Planning/FinalGeneralPlan032010.pdf>
- Town of Portola Valley. (2009). *Housing element update*. Portola Valley, CA. Retrieved from <http://www.portolavalley.net/index.spx?page=892>
- Town of Woodside. (2010). *Housing element effective 2007-2014*. Woodside, CA. Retrieved from <http://www.woodsidetown.org/planning/general-plan-2012-1>
- U.S. Census Bureau. (2010). *U.S. Census Bureau reports men and women wait longer to marry*. Retrieved October 29, 2012, from http://www.census.gov/newsroom/releases/archives/families_households/c10-174.html
- Wagmann, J., & Nemrow, A. (2011). *Secondary units and urban infill: A literature review* (Working Paper No. WP-2011-02) (p. 14). Berkeley Institute of Urban and Regional Development (BIURD).

01/10/2013

