

Not just your granny's flat

Box 3.1

By any measure, Santa Cruz County, California is one of the least affordable housing markets in the nation. Median home prices there hit a record high of \$785,000 in June of 2005, leaving only 11 percent of county residents able to afford a median-priced home.¹ Rents there are also some of the highest in the nation, with two-bedroom apartments only truly affordable to renters earning more than \$25 an hour.²

As one of their measures to increase housing affordability, the City of Santa Cruz has implemented a series of permitting and zoning changes meant to encourage the construction of accessory dwelling units (ADUs), also known as “granny” or “in-law” flats. These housing units are small, self-contained secondary apartments on the same lot as residential buildings, built either within the building envelope or as an addition or conversion of a detached garage or carriage house. The units represent additions to the affordable rental stock of a given community and can offer housing opportunities for low-income workers and seniors.

Santa Cruz encourages the construction of ADUs through simpler and shorter permitting processes, and offers incentives such as technical assistance for homeowners seeking to design and construct ADUs, wage subsidies for ADU builders who employ graduates from the county's building trades training program, and low interest rate loans for owners making their units affordable to persons earning below 80 percent of area median income (AMI). The city has also published a manual for ADU production. The State of California supported the program through a \$350,000 Sustainable Communities Grant, and the program has received awards from planning, architectural, and environmental groups.

Santa Cruz is ahead of the curve in establishing their ADU ordinance. In many areas, zoning and building codes often restrict the development of ADUs, and inspectors in some jurisdictions seek to remove existing ADUs from the housing stock, citing them as illegal units out of compliance with code. Communities sometimes object to ADUs out of concern that increased residential density will put pressure on the availability of parking and otherwise disturb the character of the neighborhood.

But providing affordable housing opportunities through ADUs offers a number of community benefits. ADUs take shape as small-scale development with minimal disruption to neighborhood aesthetics. As infill development, ADUs offer affordable housing without requiring additional land or infrastructure, thus contributing to efficient land-use patterns and “smart growth.” ADUs benefit homeowners because extra income from secondary units can contribute to the owner's mortgage payments. In addition, ADUs require no public funds and result in the expansion of less-expensive housing across scattered sites rather than concentrating units in one area.

ADUs offer a means to provide affordable housing units in an efficient and neighborhood-compatible way, and carefully constructed ADU ordinances can alleviate community concerns and allow for proper regulation of the units. ADUs can be considered as an important component of the affordable housing toolkit, particularly in higher cost areas where both subsidies and land for affordable housing development are scarce.

Endnotes

Inclusionary housing (Box 2.1)

- 1 Brunick, Nicholas (2004), "The Inclusionary Housing Debate: The Effectiveness of Mandatory Programs Over Volunteer Programs." *Zoning Practice*, The American Planning Association, September 2004.
- 2 *Inclusionary Housing in California: 30 Years of Innovation*. Non-Profit Housing Association of Northern California and California Coalition for Rural Housing, June 2003.
- 3 Basalo, Victoria and Nico Calavita (2004), "Policy Claims With Weak Evidence: A Critique of the Reason Foundation Study on Inclusionary Housing Policy in the San Francisco Bay Area." Available at www.nonprofithousing.org/actioncenter/campaigns/index_atomic.
- 4 David Paul Rosen and Associates (2002). *City of Los Angeles Inclusionary Housing Study*. Prepared for: Los Angeles Housing Department, September 25, 2002.
- 5 Homebuilders of Northern California vs. City of Napa, 90Cal.App 4th188.

State Housing Trust Funds

- 1 The Non-Profit Housing Association of Northern California (2005). *Making the Bay Area A More Affordable Place to Live: Progress Report on the Housing and Emergency Shelter Trust Fund Act of 2002*, May 2005.
- 2 Data on the number of housing trust funds are collected by the Center for Community Change. Because the field is changing so rapidly, it is hard to get an exact count of the number of housing trust funds in the United States.
- 3 In their original intent, housing trust funds were designed to be sources of public funding for affordable housing, and do not rely on corporate contributions, foundation grants, or bank commitments to be sustainable. Still, as employers increasingly recognize that housing affordability has a serious impact on their workers, promising models for cross-sector collaboration in the establishment of affordable housing trust funds are emerging.
- 4 Jeff Gray, Arizona Department of Housing. Personal communication 8/25/2005.
- 5 Arizona Department of Housing (2005). "Governor Announces Continuation of State Funding for Tribal Housing," *Information Bulletin*, August 15, 2005.
- 6 Gordon Pang (2005). "Conveyance tax hike will likely pass today," *Honolulu Advertiser*, May 3, 2005.
- 7 The rest of the revenues generated from the transfer tax are directed to the state general fund (50 percent) and to the Natural Area Reserves System (25 percent).

- 8 Gordon Pang (2005). "Conveyance tax bill becomes law." *Honolulu Advertiser*, June 24, 2005.
- 9 Gordon Pang and Derrick DePledge (2005). "Taxes on real estate purchases may go up," *Honolulu Advertiser*, April 30, 2005.
- 10 Information on the Olene Walker Housing Trust Fund can be found online at http://community.utah.gov/housing_and_community_development/OWHLF/index.html.
- 11 PolicyLink (2005). *Expanding Opportunity: New Resources to Meet California's Housing Needs*. PolicyLink, California.

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1. Gwen Mickelson, "Housing Prices Smash Record Again: Fewer County Residents are able to Afford Soaring Cost of Homes." *Santa Cruz Sentinel*, July 8, 2005. Available at <http://www.santacruzsentinel.com/archive/2005/July/08/local/stories/06local.htm>
2. "Out of Reach 2004," National Low Income Housing Coalition. Available at http://www.nlihc.org/oor_current/table3.htm

Figures

Figures 1.1 & 1.2: JCHS tabulations of the 2000 Census Supplemental Survey and the 2003 American Community Survey. Reprinted from *The State of the Nation's Housing 2005* with permission from the Joint Center for Housing Studies of Harvard University. All rights reserved.

Figure 1.3: Office of Federal Housing Enterprise Oversight (OFHEO). "U.S. House Prices Continue to Rise Rapidly," June 1, 2005. Data are reported for period ending March 31st, 2005.

Figure 1.4: Federal Deposit Insurance Corporation, *2005 State Profiles*, accessible at <http://www.fdic.gov/bank/analytical/stateprofile/index.html>. Data are for December 2004 and reflect the average annual growth for the preceding year. Washington data are for September 2004.

Figure 1.5: HUD's Fair Market Rents for 2004, based on methodology developed by the National Low Income Housing Coalition. Adapted from *The State of the Nation's Housing 2005* with permission from the Joint Center for Housing Studies of Harvard University. All rights reserved.

Figure 1.6: U.S. Department of Housing and Urban Development, Low Income Housing Tax Credit Database.

Figure 3.1: Center for Community Change (2005) www.communitychange.org