ADU PUBLIC BENEFIT INCENTIVE PROGRAMS

Equity-Centered Implementation Roadmap

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WHAT'S INSIDE

STEP-BY-STEP GUIDE

Key actions for each step of the program development process.

IMPLEMENTATION TOOLS

Program design tools and resources to provide a starting point and additional guidance.

KEY EQUITY QUESTIONS

Issues to consider and discuss to ensure that program design is grounded in equity.

CONTENTS

INTRODUCTION

San Mateo County is one of the least affordable counties in the country, with a large jobs-housing gap and limited buildable land. At the end of 2020, the median home sales price in the county was $1.7 million, and single-family home prices have increased 3.8% in the last year even in the midst of the COVID-19 pandemic.[1]

A report by the California Housing Partnership in May 2020 found that over 21,000 low-income renter households in the county do not have access to an affordable home and 86% of very low-income, 61% of low-income, and 25% of moderate-income households are cost-burdened, spending more than 30% of household income on housing costs.[2] According to the CHP report, renters would need to earn over $62 per hour to afford the average monthly rent of over $3,200.

Between 2010 and 2018, the county added 93,000 jobs but only 8,500 housing units. More than 200,000 people a day commute into the county from areas with more affordable housing. For-profit developers compete for land suitable for multi-family projects because over 68% of the county's land is preserved for open space and agriculture, and over 66% of the housing stock is single family homes.[3]

Image credit: Home for All

[1] Austin Walsh. "San Mateo County sees median home price reach $1.7M despite pandemic." San Mateo Daily Journal (accessed Mar 23, 2021 via smdailyjournal.com), citing the San Mateo County Association of Realtors. Feb. 3, 2021.
[2] California Housing Partnership. "San Mateo County 2020 Affordable Housing Needs Report." May 2020.
[3] Home For All San Mateo County. "Where We Are Today: San Mateo County," Second Unit Convening Presentation. February 2020.

THE ADU OPPORTUNITY

ADUs are an essential way to increase housing stock in San Mateo County, and public benefit incentives are the key to ensuring those new units support low-income households. Homeowners from communities across the region are highly motivated to build ADUs to accommodate personal and family needs, many of which have intensified during the pandemic. Prior to the pandemic, research by UC Berkeley found that in unincorporated county, 54% of households were over-housed with unused bedrooms in their home, over 50% of homes included person(s) age 60, and over and nearly 20% had person(s) with a disability.[4] In addition, many homeowners want to be part of the housing solution but aren't sure where to start: a 2017 Bay Area Council poll found that 25% of Bay Area homeowners would consider adding an ADU.

Financial incentives, coupled with technical assistance to build ADUs, present a tremendous opportunity to create housing solutions that serve vulnerable groups at risk of displacement from San Mateo County: low- and moderate-income homeowners seeking to stabilize homeownership and build home equity, seniors who wish to age in place or stay close to their families, low-income tenants at risk of displacement or homelessness due to unaffordable market rents, Housing Choice (Section 8) Voucher tenants at risk of losing their voucher, and populations with specific housing needs, such as developmentally disabled adults.

[4] Karen Chapple, Domaya Abdelgany, Alison Ecker, and Sonrisa Cooper. "A Solution on the Ground: Assessing the Feasibility of Second Units in Unincorporated San Mateo County." UC Berkeley Center for Community Innovation. 2017.

The Racial Home Equity Gap

For most of the 20th century, banks could legally discriminate against Black mortgage applicants—a practice supported by the federal government's redlining policy. More than 50 years after the 1968 Fair Housing Act, evidence of housing discrimination can still be found in mortgage lending. Barriers to Black households buying homes have created a cumulative wealth disparity over time. White homeowners have been able to pass along wealth to their children—for instance, by assisting with down payments—while Black households have been systematically shut out of this intergenerational wealth-building. Black and Latino or Hispanic families are less likely to own their homes than white families with similar incomes. When Black families do buy homes, they often buy lower-valued homes located in neighborhoods that experience less price appreciation.[5]

The Brookings Institution
December 2020

The Racial Housing Security Gap

There has been a long history of housing insecurity for people of color in the United States due to racially targeted policies and widespread discrimination, particularly within the rental housing market…In 2019, before the coronavirus pandemic hit, an estimated 34 million individuals were living in poverty in the United States, with Black and Latinx people experiencing higher rates of poverty than whites. Native American, Black, and Latinx renters were also more likely to be extremely low income. During the coronavirus pandemic, disparities by race have persisted: renters of color report having less confidence in their ability to pay rent and experiencing greater difficulties staying current on rent compared with their white counterparts. It is clear that the coronavirus pandemic is affecting renters of color differently, exacerbating past inequality, and leading the path to a future of worsening inequality.[6]

Center for American Progress
October 2020

[5] Jenny Schuetz. "Rethinking homeownership incentives to improve household financial security and shrink the racial wealth gap." The Brookings Institution. December 9, 2020.
[6] Jaboa Lake. "The Pandemic Has Exacerbated Housing Instability for Renters of Color." Center for American Progress. October 30, 2020.

An enduring legacy of housing discrimination, from exclusionary zoning to redlining, has played a significant role in today's staggering racial wealth and homeownership gap.[7] **In 2019 the national median White household wealth was nearly 8 times that of the typical Black household.**[8] In San Mateo County, 68% of White and 67% of Asian households own their home, as compared to 33% of American Indian, 38% of Black, 38% of Latinx, and 40% of Pacific Islander households.[9]

The Bay Area's income inequality is the highest in California, and San Mateo County's income gap is second only to San Francisco County, with 2018 Census data showing the richest 5% of households earning an average of $811K annually while the bottom 20% of households made $25K.[10] The far-reaching impacts of COVID-19 have exacerbated existing racial disparities across a wide range of physical and economic health indicators. **Low-income workers, women, and African American and Latinx families are likely to suffer most from rising unemployment and underemployment resulting from the pandemic.**[11]

Research by UC Berkeley found that only 20% of displaced tenant households in San Mateo County stay in the same neighborhood and a full third of these households leave the county altogether. These displaced households are "forced to make difficult and precarious tradeoffs when searching for housing, limited by both market forces and exclusionary practices." They typically move to neighborhoods with more environmental and safety concerns, less access to healthcare, and fewer jobs, leading to longer commutes. Two-thirds of displaced children in the county had to change schools.[12] **Displacement and migration patterns illustrate the challenge of trying to stay in a high-cost community: less than 25% of low-income Latinx movers and just 6% of low-income Black movers remain in San Mateo County**.[13]

In this context, centering equity is critical to ensure that the myriad benefits of ADUs reach those homeowners and tenants who have been most harmed by racial discrimination and face a higher risk of displacement from their communities. Centering equity means embedding equity into every component of program design and implementation at every stage of the process.

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[7] Eli Moore, Nicole Montojo, and Nicole Mauri. "Roots, Race, and Place: A History of Racially Exclusionary Housing in the San Francisco Bay Area." Haas Institute for a Fair and Inclusive Society, UC Berkeley. October 2019.
[8] Emily Moss, Kriston McIntosh, Wendy Edelberg, and Kristen Broady. "The Black-white wealth gap left Black households more vulnerable." The Brookings Institution. December 2020.
[9] Get Healthy San Mateo County, "Graph: Home Ownership in San Mateo County, 2013-2017." Data sourced from US Census, 2013-17 ACS 5-year estimates.
[10] Erica Hellerstein. "Bay Area has highest income inequality in California." CalMatters. March 5, 2020.
[11] Sarah Bohn, Dean Bonner, Julien Lafortune, and Tess Thorman. "Income Inequality and Economic Opportunity in California." Public Policy Institute of California. December 2020.
[12] Justine Marcus and Miriam Zuk. "Displacement in San Mateo County, California: Consequences for Housing, Neighborhoods, Quality of Life, and Health." UC Berkeley Institute of Governmental Studies. May 2017.
[13] UC Berkeley's Urban Displacement Project and the California Housing Partnership. "Rising Housing Costs and Re-Segregation in the San Francisco Bay Area." 2019.

PROGRAM DESIGN & IMPLEMENTATION TOOLS

The following tools are included as attachments to this roadmap:

Two **Information Sheets** in a Q&A format educate readers about the benefits of ADUs and how ADU Incentive Programs extend those benefits for greater positive impact. There is a briefer Q&A intended for residents and other community stakeholders and a longer Q&A intended for funders and local government decisionmakers. These info sheets help make the case for ADUs as a critical tool in our region's housing toolkit.

The **ADU Program Design Menu** details how various program goals may be achieved through program design features or requirements, including the pros, cons and relative costs for each "menu" item. This menu is intended to help the user clarify and hone their desired ADU goals in order to tailor a program well suited to achieve those goals while minimizing unnecessary complications and costs.

Sample Program Summaries outline 3 high-level public benefit incentive program designs. The sample program terms can be modified to align with local needs, conditions, and resources.

- **Housing Choice Voucher ADU Program** to create new rental units available to HCV tenants.
- **Homeowner ADU Program** to help income-qualified homeowners build an ADU.
- **Affordable ADUs Program** to create affordable rental units for low-income tenants.

A **Program Design Comparison** provides a side-by-side comparison of the 3 sample program benefits to illustrate how program terms and loan terms may be adjusted to achieve different public benefit outcomes that advance different housing goals.

Funding Source Examples offer funding ideas based on other programs.

Hello Housing's Equity-Centered Practices are a list of sample practices employed by Hello Housing in its affordable housing programs that can be adopted or adapted to support a more equitable process and promote more equitable outcomes.

Key Lessons Learned

While many lessons were learned by Hello Housing and our peer ADU Program innovators, here are some key takeaways from our own experience designing and launching an ADU Program.

Start with as large an applicant pool as possible. There are many reasons why applicant homeowners may not be able to move forward. An unbridgeable financing gap, challenging site conditions, significant deferred maintenance on the main home, utility complications, and changes in family circumstances are all common factors that may cause a homeowner to withdraw from the program. Your marketing and outreach efforts should result in an applicant pool that is 5-10 times larger than the final number of properties you expect to support. Your outreach campaign should focus on reaching households who face disparate displacement pressures and barriers to building home equity.

Minimize complexity where possible. The more restrictions, the more complicated and resource-intensive the application and selection process will be. For example, an ADU loan program for income-qualified borrowers must vet several criteria at the same time: assessing the feasibility of the property to add an ADU, screening for program eligibility and income eligibility, and underwriting the loan application – all at the same time. Attaching rental and occupancy restrictions to the completed unit adds another layer of complication. For a brand new or pilot program, consider narrowing your program goals. For example, a single ADU loan program can be designed to (1) produce new safely-constructed rental housing units and (2) EITHER help low-income homeowners build equity OR secure those units as affordable housing for low-income tenants. Building in some flexibility allows the program to pivot as necessary to accommodate unexpected bumps in the road.

Properly size the amount of assistance low-income homeowners need (don't lowball). There is a significant financing gap that prevents most low-income (and many moderate-income) homeowners from being able to afford the comprehensive costs of building an ADU in the high-cost Bay Area. The lack of ADU financing products readily available on the market means that legally-permitted ADUs are primarily benefiting property owners with higher incomes and greater assets. An incentive program intended to increase ADU access for income-qualified homeowners should offer financial assistance with a high enough cap and flexible enough underwriting criteria to actually close – not just narrow – that financing gap.

Pair financing with technical assistance and project management to ensure success. Any financial assistance must be accompanied by technical assistance and/or construction project management. Homeowners are not seasoned developers, and most have very tight ADU budgets with little room for avoidable missteps or setbacks. In addition to potentially lowering costs by helping the homeowner avoid costly delays and mistakes, professional assistance throughout the ADU process helps ensure that the project stays on track during all phases of development, and that program resources actually result in completed rental units ready for occupancy. Research shows that lower- and moderate-income homeowners benefit even more than their wealthier counterparts from assistance in navigating the ADU development process.

Implementation Roadmap

Step 1: Build Diverse Stakeholder Support for ADUs

Step 2: Assess Local Barriers to ADU Development

Step 3: Consider Approaches to Support Homeowners

Step 4: Sketch Out a Program Design

Step 5: Identify Funding Sources & Partners

Step 6: Implementation

Using this Roadmap

This document provides a high-level guide to developing an ADU Public Benefit Incentive program by outlining the process in 6 steps. User-friendly tools are provided or referenced at each step. It's a roadmap, not an instruction manual, so feel free to depart from the outlined path at any stage and by any degree!

Not all steps may be relevant for your jurisdiction, or the steps may naturally follow in a different order. For example, cities that have recently undertaken a robust and equitable community engagement process to update local ADU ordinances or Housing Elements may find that they are ready to start at Step 2 or 3. Cities that are starting with an identified funding source may decide to have the funding source shape the ADU program design instead of vice versa.

Step 1: Build Diverse Stakeholder Support for ADUs

Action Items

- ✓ Review GARE's Racial Equity Toolkit to understand how to align individual decisions at every phase of program development with racial equity goals and targeted outcomes. This tool is helpful at every step of the process.
- ✓ Engage community members in inclusive conversations about how ADUs can address community housing needs. Use the Home for All Community Engagement Resource Manual.
  - What help do homeowners need to build ADUs?
  - How can ADUs create access to more diverse housing types and neighborhoods for renters?
  - What concerns do community members have about ADU development?
- ✓ Provide context around the need for more housing, especially affordable housing, including the jobs-housing gap, housing cost-wage gap, and COVID-19.
- ✓ Share information about state and local law changes, RHNA housing production goals, housing policy goals.
- ✓ Educate stakeholders – including residents, funders and local decisionmakers – about the myriad benefits of ADUs as a type and source of housing. See the ADUs and Public Benefit Programs Info Sheets as examples.

Resources & Tools

- Attachment A: ADUs and Public Benefit Programs Info Sheet - Funders and Decisionmakers
- Attachment B: ADUs and Public Benefit Programs Info Sheet - Community Stakeholders
- Home for All San Mateo County Community Engagement Program tools, including Resource Manual (homeforallsmc.org/engagement)
- Racial Equity Toolkit, Government Alliance for Racial Equity (racialequityalliance.org/resources/racial-equity-toolkit-opportunity-operationalize-equity)

Key Equity Questions

- **?** How can local government more effectively engage underrepresented voices in community conversations about housing needs and services?
- **?** How can the priorities and needs of the most-impacted communities drive public policies and programs focused on ADUs?
- **?** How can ADUs increase access to opportunity for lower-income households?

Step 2: Assess Local Barriers to ADU Development

Action Items

- ✓ Utilizing information gathered through the community engagement process, broadly assess the financing gap for homeowners at different income levels in your community. Review the 2020 UC Berkeley report "Reaching California's ADU Potential" for context.
- ✓ Also assess non-financial barriers such as:
  - lack of access to clear information about the process of building an ADU
  - the need for more streamlined permitting procedures
  - intense competition for local contractors willing to work on small projects.
- ✓ Check out existing consumer-facing tools and informational materials developed by other jurisdictions.

Resources & Tools

- *Reaching California's ADU Potential: Progress to Date and the Need for ADU Finance*, UC Berkeley, Terner Center for Housing Innovation and Center for Community Innovation, August 2020 (ternercenter.berkeley.edu/research-and-policy)
- Consumer-facing tools: Second Unit Resources Center, Idea Book, Workbook, & ADU Calculator (secondunitcentersmc.org)
- Consumer-facing materials about the ADU development process: City of San Jose's ADU website (sanjoseca.gov/ADUs)

Key Equity Questions

- ? What ADU development barriers disproportionately impact homeowners who already face disparate barriers to building home equity or retaining ownership of their homes (lower-income households, BIPOC, disabled homeowners)?
- ? What challenges are faced by homeowners who want to build and rent out an ADU at an affordable price to tenants in the community?
- ? How can funders and local government support minority-owned and women-owned businesses to grow the available contractor pool and create more job opportunities through ADU development?

Step 3: Consider Approaches to Support Homeowners

Action Items

- ✓ In light of barriers identified in Step 2, identify the type and level of support that homeowners in your community need to successfully build an ADU, focusing on gaps in available resources or information.
- ✓ Look at lessons learned from current or previous ADU programs and policies that have been implemented in other jurisdictions, and how those lessons could be applied in your community. Visit California HCD's ADU website and Casita Coalition website for links.
- ✓ Any financial support should be paired with technical assistance for the homeowner, including construction project management, to safeguard public or philanthropic investment in ADU public benefit outcomes.
- ✓ Consider your community's housing goals and priorities: Increasing rental housing stock in high-opportunity neighborhoods? Helping low-income homeowners build home equity or reduce overcrowding? Addressing housing needs for certain tenant populations at heightened risk of displacement from the community? While ADUs offer many potential benefits, it may not be feasible to implement a program that effectively incentivizes all public benefit outcomes at the same time. Use the ADU Program Design Menu (Attachment C) to help you clarify goals and match those goals to program design elements.

Resources & Tools

- Attachment C: ADU Program Design Menu
- CA Dept. of Housing and Community Development ADU info (hcd.ca.gov/policy-research/accessorydwellingunits.shtml)
- Casita Coalition ADU Best Practices in California (casitacoalition.org/policy)

Key Equity Questions

- ? What approaches offer the support most needed by lower-income homeowners, and are those approaches the same, different, or in conflict with approaches that benefit higher-income homeowners?
- ? A higher amount of financial assistance and/or more flexible financial tools will be needed to bridge the financing gap for lower-income homeowners and ensure affordability for low-income tenants in the high-cost Bay Area. Will you allocate more resources per project to deepen accessibility for lower-income households, or spread resources across a greater number of units at a lower per-project cost?
- ? How has the region's history of racially discriminatory practices (in lending, zoning, and real estate) shaped your community's housing landscape, including racial disparities in household wealth, home equity, and homeownership? How might an ADU program address past and present racial disparities in access to opportunity and housing security?

Step 4: Sketch Out a Program Design

Action Items

- ✓ Revisiting the ADU Program Design Menu from Step 3, use an equity lens to review the costs, benefits and considerations related to different program features that advance your priority program goals.
- ✓ Review the Sample Program Summaries (Attachments D, E & F) of high-level designs attached here as possible frameworks for your program.

  These sample program designs reflect distinct goals over and above the baseline goal of creating more rental housing units in infill neighborhoods that are naturally affordable and built to code:

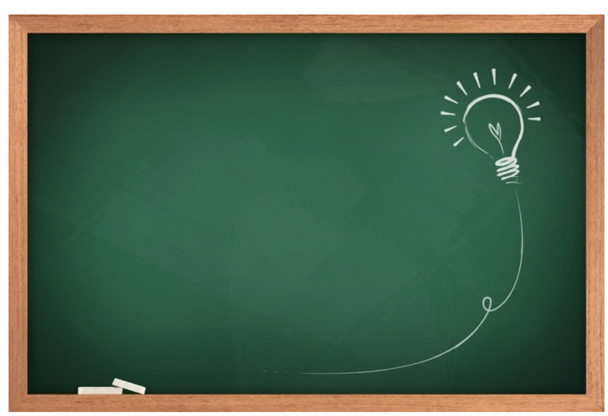
  - Reduce displacement of Housing Choice Voucher tenants
  - Help income-qualified homeowners build home equity through an ADU
  - Create new affordable rental units for low-income tenants
- ✓ Use the Program Design Comparison (Attachment G) to compare the program goals and requirements for these different sample programs.
- ✓ Consider whether these high-level designs can be adopted or adapted to align with your ADU goals and available resources.
- ✓ Use the Sample Program Summaries and Program Design Comparison to help you sketch out how your ADU program can achieve different public benefit goals by matching intended outcomes with financial incentives.

Resources & Tools

- Attachment D: Sample Program Summary - Housing Choice Voucher ADU Program
- Attachment E: Sample Program Summary - Homeowner ADU Program
- Attachment F: Sample Program Summary - Affordable ADUs Program
- Attachment G: Program Design Comparison

Key Equity Questions

- ? How could each of these 3 different program designs advance one or more community equity goals?
- ? What changes, if any, could be made to adapt one or more of these designs to effectively do so?
- ? Are there immediate barriers or potentially prohibitive concerns that arise in your mind as you consider these designs? How might you pivot your approach to avoid or effectively address these concerns/barriers?



Step 5: Identify Funding Sources & Partners

Action Items

- ✓ Identify possible funding sources for your ADU Program. Consider local housing dollars, impact fees, and philanthropic sources. Funding Source Examples (Attachment H) lists the sources tapped by some existing ADU programs.
- ✓ Connect with key partners. Home for All San Mateo County regularly convenes local government, industry professionals, policy experts, nonprofit organizations, and housing advocates to share ideas and lessons learned in the ADU realm.
- ✓ Tap into your local expert pool. Several housing-oriented organizations including Hello Housing, HEART of San Mateo County, EPA CAN DO, Soup, and Housing Trust Silicon Valley have experience developing ADU programs that serve San Mateo County.
- ✓ Get your internal team on board. Representation from multiple departments (e.g., planning and building, housing and community development, and the Mayor or City Manager's office) are key to a well-informed program planning process that incorporates a range of internal expertise and perspectives.

Resources & Tools

- Attachment H: Funding Source Examples
- List of Home for All Community Partners (homeforallsmc.org/about-us/), which includes many groups that are actively working on ADUs

Key Equity Questions

- ? Does your partner roundtable include representation from impacted communities? If not, how are the voices of impacted communities incorporated into your program development process?
- ? What are your funding needs, given the priority goals for your ADU program? If a key goal is to make ADU development possible for low-income homeowners, is your available funding adequate to close financing gaps and cover project management costs to ensure units are completed?

Step 6: Implementation

Action Items

✓ Once you have decided to adopt, adapt, or create a high-level program design that aligns with your community's ADU goals and available resources, you will start to flesh out individual program components and develop an implementation plan.

- Detailed loan terms
- Homeowner and property eligibility requirements
- Rental or occupancy restrictions on completed ADUs
- Marketing and community outreach
- Application and screening process
- Service delivery and consumer financing model
- Selection process for program administrator, loan administrator, building professionals and other vendors or program partners
- Ongoing monitoring, enforcement, and loan servicing
- Program evaluation

✓ Use the List of Equity-Centered Practices (Attachment I) for concrete examples of how to embed equity throughout the program development and implementation process.

✓ Turn back to the GARE Toolkit to help guide final design and implementation decisions.

Resources & Tools

✎ Attachment I: Hello Housing's Equity-Centered Practices

✎ Racial Equity Toolkit, Government Alliance for Racial Equity (racialequityalliance.org/resources/racial-equity-toolkit-opportunity-operationalize-equity)

Key Equity Questions

? How can you fine-tune loan terms to make the program more functional for homeowners with less home equity and lower household incomes?

? How can you ensure that the program serves homeowners facing disparate displacement pressures? Consider your marketing plan and language access strategies, connect with diverse outreach partners, and invest some effort in understanding how local underrepresented households access information about programs and resources (including under COVID-19 restrictions).

? How do different eligibility/underwriting requirements (e.g., combined loan-to-value and debt-to-income requirements) impact access for low-income households? How can you balance risk mitigation for the funder, sustainability for the borrower, and equitable access? What program terms support the borrower's ability to refinance out of the loan?

? Flexibility is key to serving as broad and diverse a group of participants and properties as possible. Can your design choices focus on eliminating or reducing unnecessary barriers and restrictions, especially those with inequitable impacts?

List of Attachments

A ADUs and Public Benefit Programs Info Sheet - Funders & Decisionmakers

B ADUs and Public Benefit Programs Info Sheet - Community Stakeholders

C ADU Program Design Menu

D Sample Program Summary - Housing Choice Voucher ADU Program

E Sample Program Summary - Homeowner ADU Program

F Sample Program Summary - Affordable ADUs Program

G Program Design Comparison

H Funding Source Examples

I Hello Housing's Equity Centered Practices




About This Roadmap

This project was made possible in part by a grant from the Silicon Valley Community Foundation. This implementation roadmap and accompanying tools were developed by Hello Housing based on our experience launching *Bright in Your Own Backyard* (hellobright.org), a program that provides motivated homeowners with feasibility and project management services through every step of ADU development, as well as interviews with leads from other ADU pilot programs about their lessons learned. The high-level sample program designs were also informed by detailed interviews about ADU public benefit incentives with sixteen property owners from five cities in San Mateo County and additional one-on-one conversations with over 100 homeowners throughout the county interested in building an ADU.

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About Hello Housing

Nonprofit organization Hello Housing boldly envisions a future where everyone has a quality home they can afford and equitable access to opportunity. The Hello team advances housing solutions that promote stability, center equity, and cultivate community. The Hello Housing “way of working” is collaborative by design, engaging our public and private partners and the communities we serve, to preserve existing and develop new affordable housing in the Bay Area. Hello Housing has unique expertise in all facets of affordable homeownership, a critical component of a vibrant community and healthy economy. In 2020, Hello Housing launched *Bright in Your Own Backyard*, an ADU technical assistance program for homeowners developed in collaboration with Home for All San Mateo County. As both a developer of affordable for-sale homes and a designer/operator of a variety of homeownership programs, Hello Housing is helping working families call the Bay Area home for generations to come.

Hello Housing

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Attachment A

ADUs and Public Benefit Programs Info Sheet
Funders & Decisionmakers

ADUs and Public Benefit Programs

Information Sheet for Funders and Decisionmakers

What's an ADU?

An Accessory Dwelling Unit (ADU), sometimes called an "in-law unit," "granny flat" or "backyard cottage," is an additional housing unit added to a parcel of land that already has a primary dwelling. These second units can be attached to the main home by converting a garage or basement, or built as an addition, or they can be completely detached if there is enough space on the lot. A junior accessory dwelling unit (JADU) can be created by converting existing living space within the primary home into a separate unit.

What are the benefits of ADUs for homeowners?

- Flexible living spaces that meet the needs of families that are branching, blending and aging. Safety and security for senior family members to age in place or developmentally disabled adults to live independently with family support. A place to land for young adults experiencing displacement or job loss. A separate living space for home health workers and other professional caregivers.
- Supplemental income and enhanced home equity for homeowners seeking financial stability.
- Being a meaningful part of the solution to our region's affordable housing crisis.

What are the benefits of ADUs for renters?

- New units of naturally-affordable rental housing[1] in neighborhoods that otherwise have limited rental options, including "high-opportunity" neighborhoods with greater access to public transportation, quality schools and community amenities.
- More diversity in available types of rental housing.

Why support ADUs instead of directing resources toward traditional housing projects?

- More bang for the public buck because ADUs leverage private resources of homeowners (land, borrowing power, cash) and existing public infrastructure to create new rental housing units.
- We need more rental housing as quickly as possible. Each ADU is a new home created in less time, for lower cost to the public, and with less public resistance than a traditional affordable multi-family housing unit.
- New, more affordable homes for smaller households within the fabric of existing neighborhoods, including high-opportunity neighborhoods that seldom add new units and communities with limited buildable vacant land.

[1] 21 Elements, study titled "Affordability of Secondary Dwelling Units," April 9, 2014. See also D. Garcia, "ADU Update: Early Lessons and Impacts of California's State and Local Policy Changes," UC Berkeley Terner Center for Housing Innovation, December 2017.

- ADUs can be scattered across communities, unlike large multi-family housing that concentrates construction impacts and new units in one location.
- Flexible living spaces that meet the needs of families adjusting to changing circumstances.
- ADUs can provide housing that's ideal for specific populations, including seniors, home healthcare workers, developmentally-disabled adults, and critical workforce such as teachers.
- Professional opportunities for minority-owned, women-owned and small local businesses in an industry dominated by larger players and major projects.
- ADUs are a stabilization tool in gentrifying neighborhoods. ADUs help low- and moderate-income homeowners build home equity and supplement household income. ADUs allow renters more options to find and maintain housing in their own communities.

What are ADU Public Benefit Incentives?

Public benefit incentives make ADUs more affordable to build for lower-income homeowners and/or more affordable to rent for lower-income tenants. While ADUs are already lower-cost to build and naturally more affordable to rent than traditional multi-family units, we can increase access to this housing type by offering homeowners "right-sized" incentives that drive a particular community benefit. For example, a below-market rate loan with flexible underwriting criteria would bridge the financing gap for lower-income homeowners who can't qualify for traditional construction loans based on current household income. A forgivable loan would induce homeowners who want to build an ADU to commit to renting the completed unit to a low-income tenant at an affordable price. The purpose of an incentive is to close a financing gap in exchange for a community benefit that advances a public policy goal. Some high-level examples:

Policy goals	Incentive	Public benefit
Support low-income homeowners through asset-building and supplemental household income; increase affordable rental housing stock	Below-market rate predevelopment and construction loan for income-qualified homeowners	More equitable access to financing; mitigate displacement pressure on low-income homeowner households; new rental units for smaller households in more neighborhoods
Prevent displacement of Housing Choice Voucher ("HCV") tenants, engage more landlords in HCV program; increase affordable rental housing stock	Forgivable loan covering permit fees and construction costs in exchange for renting to HCV tenant	Increase utilization of Housing Choice Vouchers; stem displacement of HCV tenants from community; increase diversity of HCV housing options
Increase rental housing stock; achieve deeper affordability of new units	Below-market rate construction loan in exchange for renting at a restricted price	More affordable rental units; keep families together; reduce displacement of lower income tenants from community; reduce overcrowding and housing insecurity

How could ADUs help address your community's housing needs?

- Leverages the home equity of individual homeowners to develop new housing. In San Mateo County, homeowners have substantial equity in their homes (54% of homeowners bought >20 years ago, 28% of homeowners have no mortgage, and >75% have >$1 million in home equity).[2]

[2] The Concord Group. "Market Analysis for Accessory Dwelling Units in Selected Jurisdictions in San Mateo County" commissioned by Hello Housing, Sept. 2019.

- Rental income from ADUs can increase a household's income by 10-20% after expenses. At a time with incomes are at best stagnant, and at worst declining, due to COVID-19, this kind of income growth is remarkable. And, the income boost gets bigger if an empty nester moves into the ADU and rents out the larger home. This makes it possible for long-time residents to age in place in their community.
- New loan products, such as San Mateo Credit Union's new ADU loan product, are emerging that unlock access to capital for more homeowners. SMCU's loan allows lower-income owners with sufficient equity to borrow against future ADU rents and leverage the as-completed value of their property. Until now, banks have only been willing to lend against a homeowner's current income, which prevents lower-income borrowers from qualifying for financing. SMCU requires third-party construction project management to support the successful completion of the project, and other lenders are likely to follow suit.[3]
- 69% of owner-occupied homes in San Mateo County have fewer than 0.5 people per bedroom[4], making Junior ADUs (built within the footprint of the home) a compelling and cost-effective option.
- It can cost up to $900k to build a single new multi-family unit[5], compared to ~$250k for an ADU[6]. It can require $150k in city subsidy to make that multi-family unit affordable, while our model can deliver 7-8 units for the same price. A relative bargain. ADUs can also be developed far more quickly than multi-family properties.
- The construction of permitted ADUs will count towards state RHNA (Regional Housing Needs Allocation) goals for low-and moderate-income units, an area where most Bay Area cities (and most cities in California) are struggling. Deed restrictions are not required for ADUs to count due to studies that show most ADUs are affordable by design. (See 21 Elements study "Affordability of Secondary Units.")

How do ADUs address COVID impacts?

- COVID-19 and its impacts have increased displacement pressures on families of all kinds:
    - Homeowners spending significant time at home are more motivated than ever to pursue home renovations that allow their family to live more comfortably, which may relieve displacement pressures like high rents and overcrowding.
    - Allows families to comfortably house older relatives, combining support with independence and a viable alternative to skilled nursing facilities.
    - Young adult students and workers in COVID-impacted industries are returning to live with their families, but seek separate living spaces to maintain independence.
- Leverages the motivation of homeowners who want to be part of the solution in the midst of our COVID-heightened affordable housing crisis.

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[3] See www.smcu.org/Loans/Home-Loans/ADU-Loan.
[4] The Concord Group, based on American Community Survey 2019 data.
[5] L. Dillon, B. Poston & J. Barajas, "Affordable Housing can cost $1 million in California. Coronavirus could make it worse." Los Angeles Times, published April 9, 2020, updated April 21, 2020. See also Bay Area Council Economic Institute, "How Much Does It Cost to Construct One Unit of Below Market Housing in the Bay Area?" utilizing 2019 CA Tax Credit Allocation Committee data, www.bayareaeconomy.org. See also C. Reid, "The Costs of Affordable Housing Production: Insights from California's 9% Low-Income Housing Tax Credit Program." UC Berkeley Terner Center for Housing Innovation, March 2020.
[6] K. Chapple, D. Garcia, E. Valchuis & J. Tucker, "Reaching California's ADU Potential: Progress to Date and the Need for ADU Finance." UC Berkeley Terner Center for Housing Innovation and Center for Community Innovation, August 2020.

- Historic low interest rates coupled with still-high property values are allowing more homeowners to access cash-out refinances to support construction costs.

How do ADUs help low- and moderate-income communities?

- Housing that is affordable and accessible to teachers, including those with smaller households, helps stem teacher attrition from local schools, which benefits families with school-age children and the community as a whole.
    - High teacher turnover erodes educational quality for students while also costing the school district precious resources to hire and train new teachers.
    - Teachers, like other local workers, need housing to be affordable but want a choice in the type and location of housing options. ADUs present a more immediate tool offering more housing options to meet diverse educator needs.
- No single approach will comprehensively address each community's need for affordable rental units. An ADU strategy allows new units to come online faster and with less public investment while larger affordable housing projects move forward on a longer timeline.
- New state law prevents local jurisdictions from requiring additional onsite parking if the ADU is within ½ mile of transit or within one block of a car-share. Increased pressure on street parking may be a concern for some residents, however research from Portland (the most ADU-rich city in the U.S.) shows that ADUs are too rare to contribute to neighborhood parking problems and that ADU-dwelling households have significantly fewer cars than other newly constructed rentals, beating only TOD (Transit-Oriented Development) units in cars per unit.[7]
- ADUs are a flexible tool that can be wielded to support low-income homeowners or low-income tenants facing potential displacement. In order to lift all boats, local government and philanthropy should support various strategies that advance housing security for low-income homeowners and tenants alike.
- People are going to build ADUs – the demand is there. Without support from local government and philanthropy, permitted ADUs will primarily benefit well-resourced homeowners and higher-income tenants, while low-income homeowners with less capital may pursue unpermitted, potentially unsafe units. Affordable, experienced project management ensures that low- and moderate-income households – both renters and homeowners – are able to benefit from ADUs that are safe and legal.

More info on ADUs:

- CA Department of Housing and Community Development ADU Information Page

  www.hcd.ca.gov/policy-research/accessorydwellingunits.shtml
- Reaching California's ADU Potential: Progress to Date and the Need for ADU Finance – UC Berkeley

  https://ternercenter.berkeley.edu/research-and-policy/reaching-californias-adu-potential-progress-to-date-and-the-need-for-adu-finance/
- Second Unit Resources Center - San Mateo County Home for All: www.secondunitcentersmc.org/

[7] Martin John Brown, "Do ADUs Cause Neighborhood Parking Problems," July 16, 2014 at www.accessorydwellings.org, citing Martin John Brown "Accessory Dwelling Units in Portland, Oregon: Evaluation and Interpretation of a Survey of ADU Owners," commissioned by State of Oregon Department of Environmental Quality.

Attachment B

ADUs and Public Benefit Programs Info Sheet

Community Stakeholders

ADUs and Public Benefit Programs
Information Sheet for Community Stakeholders

What's an ADU?

An Accessory Dwelling Unit (ADU), sometimes called an "in-law unit," "granny flat" or "backyard cottage," is an additional housing unit added to a parcel of land that already has a primary dwelling. These second units can be attached to the main home by converting a garage or basement, or built as an addition, or they can be completely detached if there is enough space on the lot. A junior accessory dwelling unit (JADU) can be created by converting existing living space within the primary home into a separate unit.

What are the benefits of ADUs for homeowners?

- Flexible living spaces that meet the needs of families that are branching, blending and aging. Safety and security for senior family members to age in place or developmentally disabled adults to live independently with family support. A place to land for young adults experiencing displacement or job loss. A separate living space for home health workers and other professional caregivers. An opportunity for over-housed retirees to downsize and rent out the main home.
- Supplemental income and enhanced home equity for homeowners seeking financial stability.
- Being a meaningful part of the solution to our region's affordable housing crisis.

What are the benefits of ADUs for renters?

- New units of naturally-affordable rental housing in neighborhoods that otherwise have limited rental options, including "high-opportunity" neighborhoods with greater access to public transportation, quality schools and community amenities.
- More diversity in available types of rental housing, especially for individuals and other smaller households.

Why should communities support ADU programs?

- Because ADUs are smaller homes created within the fabric of existing residential neighborhoods, they are energy efficient, utilize existing public infrastructure and preserve neighborhood character.
- Each ADU is a new home created in less time, for lower cost to the public, and with fewer development impacts than a traditional multi-family affordable housing unit.
- ADUs allow new units to be built in neighborhoods that seldom add new units and communities with limited buildable vacant land.
- ADUs can be scattered across communities, unlike large multi-family housing that concentrates construction impacts and new units in one location.
- ADUs can provide housing that's ideal for specific populations who need a balance of support and independence, including seniors and developmentally-disabled adults.

- ADUs also create more diverse rental housing options for critical workforce members such as home healthcare workers and local educators. Housing costs are a leading factor in teacher attrition in the Bay Area.
- Professional opportunities for minority-owned, women-owned and small local businesses, which supports the local economy.
- ADUs can stabilize communities by making it easier for long-term residents to stay. ADUs help low- and moderate-income homeowners build home equity, supplement household income and create flexible living arrangements. ADUs allow renters more diverse options to find and maintain housing they can afford in their own communities.

What are ADU Public Benefit Incentives?

Public benefit incentives make ADUs more affordable to build for lower-income homeowners and/or more affordable to rent for lower-income tenants. While ADUs cost less to build and are naturally more affordable to rent than traditional multi-family units, we can increase access to this housing type by offering homeowners “right-sized” incentives to build an ADU. One example of an incentive is offering grant and no-interest or low-interest loans for lower-income homeowners who can’t qualify for traditional construction loans based on current household income. Another example is offering financial assistance to homeowners who are willing to rent the completed unit to a low-income tenant at an affordable price.

What about other ADU support for homeowners?

An important component of any ADU Program offering financial assistance/incentives is access to professional support. ADU projects, like any major home renovation or construction project, can be complex and expensive. Some homeowners may find success with DIY resources such as those available on San Mateo County’s Second Unit Resources Center (secondunitcenterSMC.org). Other households may need more customized guidance about what type of project is feasible given their budget and property conditions, how to find a great designer and contractor, and how to get their project through permitting and construction. Programs that offer financial assistance or incentives should safeguard that investment in the ADU by providing or requiring professional project management to ensure the project is successfully completed and ready for tenant occupancy.

Should I be concerned about more ADUs in my community?

No single approach will comprehensively address our community’s need for more housing units, especially affordable rental housing. An ADU strategy allows new units to come online faster and with less public investment even as larger housing developments move forward on a longer timeline. People are going to build ADUs – the demand is there. Without ADU homeowner assistance programs, permitted ADUs will primarily benefit well-resourced homeowners and higher-income tenants, while low-income homeowners with less capital may pursue unpermitted, potentially unsafe units. Affordable, experienced project management ensures that low- and moderate-income households – both renters and homeowners – are able to benefit from ADUs that are safe and legal.

New state law prevents local jurisdictions from requiring additional onsite parking if the ADU is within ½ mile of transit or within one block of a car-share. Increased pressure on street parking may be a concern for some residents, however research from Portland (the most ADU-rich city in the U.S.) shows that ADUs are too rare to contribute to neighborhood parking problems and that ADU-dwelling households have significantly fewer cars than other newly constructed rentals.

Attachment C

ADU Program Design Menu

ADU Program Design Options

Program Goal	Program Requirement/Feature to Advance Goal	Considerations (pros/cons, costs and complexities, approaches to implementation)	Relative add'l program costs
Create of new, safe, and legal infill housing units in hard-to-develop neighborhoods.	• Some kind of incentive to homeowners to build permitted ADUs (e.g., free project management, permit fee waivers).	• ADUs are already "naturally affordable" based on typical unit size. Even a program with no homeowner or tenant restrictions promotes the development of new housing units and ensures those new units are built to code.	BASELINE
Support multi-generational living.	• Allow family members to be eligible tenants • Do not require tenant income qualification.	• Evidence shows that the majority of households that move forward with an ADU are motivated by a desire to house family members (as opposed to generating rental income or other factors). • Income-qualifying a relative can be awkward and the burden may fall on the homeowner themselves, especially if the intended tenant is an elderly or LEP (limited English proficiency) relative or adult dependent. A relative moving into an ADU is unlikely to be high-income, and the homeowner is unlikely to price gouge their relative. • If income qualification is not required for relatives, it may be perceived as unfair or even a disincentive to require income qualification for non-relative tenants.	None
Leverage private financing to expand access for a broader group of homeowners	• Program administrator is able to connect interested applicants to loan products on the market that utilize flexible underwriting criteria (e.g., allowing borrowers to qualify for financing based on monthly income that includes projected future rental income from the completed unit).	• San Mateo Credit Union has launched a first-of-its-kind ADU loan product that allows homeowners to qualify for financing based on a portion of projected rents (helps homeowners with lower monthly income) and the "as-completed" value of the property (helps homeowners with limited equity). This loan requires third party project management from a licensed GC to mitigate lender risk. Coupling free project management with SMCU's ADU loan reduces costs and expands access for eligible borrowers. • Housing Trust Silicon Valley has also launched a loan program for a limited number of homeowners that considers the "as-completed" value in CLTV and requires construction project management: eligibility is limited to Santa Clara County and East Palo Alto. • Because this area of direct-to-consumer lending is rapidly evolving, it's important for the Program administrator to have strong connections with the lending community.	None

ADU Program Design Options

Program Goal	Program Requirement/Feature to Advance Goal	Considerations (pros/cons, costs and complexities, approaches to implementation)	Relative add'l program costs
Focus public resources to assist only owner-occupants to support sustainable homeownership rather than non-resident investor-owners.	• Eligible property owners must demonstrate during application process that the subject property is their principal residence.	• This approach supports the principle that public funds should support homeowners who live in and contribute to the vitality of the neighborhood and community rather than supporting the business enterprise of non-resident landlords, including absentee owners. • Another benefit to this approach is that owner-occupants have day-to-day site control, which avoids concerns about inconveniencing or even displacing current tenants during construction. • However, in some communities where a significant portion of single-family housing is used as rental housing, an owner-occupancy requirement could limit the community's ability to scale up production of ADUs.	Very Low
Promote the development of as many ADUs as possible without providing additional financial assistance.	• Expand eligibility to include rental property owners as well as owner-occupants and small multifamily properties as well as single-family homes.	• Non-occupant owners are important partners in housing supply solutions, especially where much of the single-family stock is rental housing. Opening the program to non-occupant owners can significantly expand the pool of eligible properties while also engaging property owners who already have a track record of providing rental housing. • However, in some communities, the concept of using public funds to support asset-building for investors may conflict with public policy goals. • A hybrid approach might open the program to non-resident landlords but include eligibility criteria that aligns with local goals (e.g., only landlords who own one or two residential properties or who meet income/asset restrictions, etc.). • Eligibility criteria, landlord training content, and monitoring approach should consider whether rental housing laws (e.g., just cause, rent stabilization/control and tenant relocation) apply differently to investor-owned and multi-family properties.	Low
Promote training, compliance and best practices for new landlords.	• Mandatory fair housing and landlord training provided or referred by program administrator. • Commitment to fulfill requirement included in homeowner's program agreement. Proof of completion of training required prior to lease-up.	• Many owner-occupants have never been a landlord before, and many will also be neighbors with their tenant. An understanding of applicable fair housing and landlord-tenant laws is fundamental to being a responsible landlord and having a good L-T relationship. • Allowing experienced landlords to opt-out or test out could be an option, but applicable laws change periodically, and many landlords have never received formal training, so mandating training for all participants is advisable.	Low

Program Goal	Program Requirement/Feature to Advance Goal	Considerations (pros/cons, costs and complexities, approaches to implementation)	Relative add'l program costs
Advance the goals of transit-oriented development: less traffic congestion, shorter commutes, fewer emissions and less parking needed.	• Include preference or requirement that the subject property be located in a defined transit-rich geographic area.	• Concentrating the geographic distribution of projects may result in some program efficiencies (less travel for project manager, ability to bundle smaller projects for a builder). • Proximity to transit eliminates parking requirements under state law, which makes more projects feasible. • A possible con is that geographic targeting does not advance the goal of sprinkling new units throughout the City.	Low
Ensure that the applicant pool is diverse and that as many homeowners as possible hear about the program, especially those facing disparate barriers to affordable homeownership.	• Equity-Centered Marketing Plan that considers language access, targeted outreach to hard-to-reach communities, and coordination with trusted community leaders and organizations. • Application should include demographic info, such as race/ethnicity and languages spoken. Periodic review of applicant demographics helps assess whether outreach is effective at reaching a diverse applicant pool or must be modified to achieve more equitable outcomes.	• Equity-centered outreach is important to reach eligible property owners who are least likely to hear about or apply for housing programs, who face disproportionate barriers to affordable homeownership, and/or who experience disproportionate displacement pressures. • The Plan should be paired with adequate marketing resources, which can be achieved by either allocating additional resources to reach underserved households or prioritizing marketing funds for equity-centered strategies. Translation and interpretation to fully realize language access goals may require significant resources, depending on the number of languages desired to be covered.	Low
New units used as long-term housing.	• Must be tenant's primary residence during performance period. • Homeowner must provide initial lease with possible annual monitoring to ensure unit continues to be occupied by a tenant.	• If the program is not providing financial assistance, consider limiting the period of this requirement due to monitoring/enforcement burden and the deterrent effect of long-term restrictions on homeowner participation.	Low to Medium (depending on term)

Program Goal	Program Requirement/Feature to Advance Goal	Considerations (pros/cons, costs and complexities, approaches to implementation)	Relative add'l program costs
Create new housing units affordable to lower-income tenants.	• Rent restrictions for a designated period of time. • Owner should submit initial leases and any renewals or amendments during the performance period. New tenants should be notified of their right to a capped rent.	• Rent restrictions (e.g., a rent cap tied to AMI or annual increases limited by % or CPI) are relatively easy to implement but require homeowner buy-in and monitoring. • The homeowner agrees to the restriction when they sign their participation agreement and provides the lease to demonstrate compliance. The tenant receives notice of the restriction and their right to a capped rent. • Limiting rent restrictions to a discrete period of time is important for homeowner engagement and should be commensurate with the incentive provided by the program (the higher the value of the incentive, the longer the restriction period).	Medium
Support homeowners from groups that face disproportionate barriers to homeownership and asset-building.	• Fair housing law prohibits preference or selection based on protected class status. • Preferences based on LMI census tracts and/or individual household income can expand access for underrepresented groups but should be coupled with additional financial assistance to significantly expand access.	• Without additional financial assistance, the program serves homeowners who have access to financing to design and build an ADU. Restricting income eligibility without offering financial assistance likely results in an infeasibly small applicant pool. • Geographic preferences or limitations add little administrative burden (and may result in project coordination efficiencies!) but income-qualifying homeowners adds program costs and increases timelines.	Medium to Very High (depending on whether companion financing required)
Support existing public programs or critical workforce by increasing housing options for targeted groups (e.g., Housing Choice Voucher tenants, Regional Center clients, educators, city employees, first responders).	• Limit eligibility to targeted group of tenants. • Establish partnerships to ensure large enough eligible tenant pool (e.g., with Housing Authority, School District, Regional Center, etc.). • Compliance with occupancy restrictions evidenced by documentation at lease-up.	• Any occupancy restrictions will trigger concerns from homeowners who want to freely select their tenant. Some concerns can be addressed through homeowner education (e.g., about the Housing Choice Voucher program) or by ensuring a robust pool of eligible tenants to choose from (e.g., a partnership with a school district for educator housing). • HUD "fair market rents" are well below actual market rents in many markets. An ADU program for Housing Choice Voucher tenants may also need to provide companion financial assistance to ensure that homeowners have the financial means to service their debt.	Medium to Very High (depending on term and whether companion financing required)

ADU Program Design Options

Program Goal	Program Requirement/Feature to Advance Goal	Considerations (pros/cons, costs and complexities, approaches to implementation)	Relative add'l program costs
Create new housing units affordable and limited to lower-income tenants.	• Add occupancy restrictions requiring tenant income qualification in addition to rental restrictions. • Income-qualify each new tenant prior to the start of their tenancy.	• Occupancy restrictions are significantly more complicated to implement than rent caps. Income qualifying a tenant – or multiple tenants over the course of the performance period – increases program costs and lease-up timelines, decreases the eligible tenant pool, and deters homeowners who are concerned about not being able to freely select their tenant. • Depending on the depth of affordability, a companion financial assistance program may be needed to close the gap between affordable rent and the homeowner's debt service needs.	High to Very High (depending on term and whether companion financing required)
Stabilize homeownership and support asset-building for low- and moderate-income homeowners.	• Owner-occupancy and homeowner income qualification required. • financial assistance in the form of a grant or below-market-rate loan. • Income qualification is underwritten as part of application process; if applicable, the application process would incorporate the loan underwriting process as well.	• Proactively supporting sustainable homeownership for households that have faced – and continue to face – disparate barriers to homeownership is a critical strategy to promote racial equity. • Income qualification increases program costs and application timelines. An ADU program offering free services or BMR financing through an application and lottery process already attracts primarily low- and moderate-income households. • A program designed to support low-income homeowners should include a financing component to effectively serve the targeted homeowner population. A revolving loan fund or shared equity feature may support program sustainability.	Very High (requires companion financing)
Support multi-generational living and relieve overcrowding for lower-income families.	• Companion financial assistance program offering grants or BMR loans with payment terms that reflect limited or no rental income (such as deferment or shared equity). • Income and loan qualification are underwritten as part of application process	• Homeowners who use their ADU to house low-income family members may not be able to service traditional loans with rental income from the unit, so financial assistance should have generous repayment terms to assist these homeowners. • Studies show that most homeowners who pursue building an ADU are motivated by family needs rather than economic drivers, so these homeowners may be the most emotionally ready to build an ADU but need financing to do so.	Very High (requires companion financing)

Attachment D

Sample Program Summary

Housing Choice Voucher ADU Program

Housing Choice Voucher ADU Program
MODEL TERM SHEET

KEY PROGRAM TERMS AND REQUIREMENTS	
PURPOSE	To provide assistance in the form of a forgivable loan and free project management to homeowners to develop an accessory dwelling unit (ADU) or Junior ADU (JADU) in exchange for renting the completed unit to a tenant holding a Housing Choice Voucher ("HCV" formerly known as "Section 8 Voucher").
PROGRAM SUMMARY	*Participating homeowners receive:* • A forgivable loan of **$20,000** at **0%** interest to reimburse costs associated with permit and utility fees and construction. The loan will be fully forgiven upon fulfillment of the requirements to rent the second unit to an HCV tenant for 5 years. • Free feasibility & construction project management services to develop a second unit. • Landlord and fair housing training. *Participating homeowners are required to:* • Build an ADU/JADU and rent to an HCV tenant at or below HUD Fair Market Rent for a minimum of 5 years.
APPLICATION PROCESS	• Applicants may submit an electronic application. • Eligible applicants will receive a ranking number based on a random lottery held at the close of the application period. • In lottery ranking order, applicants will undergo a remote assessment, which includes an initial feasibility screening and phone interview. Applicants deemed eligible after remote assessment will be invited to submit financial documentation and schedule site visit. • Site visits conducted in lottery ranking order. An initial pool of participating homeowners and alternate pool of waitlisted homeowners will be selected.
PRELIMINARY ELIGIBILITY CRITERIA	• Must own <u>and</u> live in a residentially-zoned home within [INSERT PROGRAM AREA] • Must have ready access to sufficient capital to design and build the second unit, excepting the amount of the loan received under this Program. • Must commit to comply with all program requirements below. • All types of second units (detached, attached, garage conversion, JADU) are eligible. • Current on property taxes and mortgage payments; no significant deferred maintenance.
PROGRAM REQUIREMENTS	• Homeowner must commit to rent a housing unit (either the new ADU or the primary dwelling) to a tenant who holds a Housing Choice Voucher for a minimum period of 5 years and comply with applicable HUD Fair Market Rent limits. • Homeowner must participate in landlord training and evaluation activities. • Homeowner must comply with HCV Program requirements, such as housing quality inspections and compliance monitoring.
ELIGIBLE COSTS	Loan proceeds may be used to fund building permit fees, utility fees, and construction costs incurred in connection with building an ADU/JADU.

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Housing Choice Voucher ADU Program
MODEL TERM SHEET

KEY LOAN TERMS AND REQUIREMENTS					
Interest Rate	0% interest	Loan Amount	$20,000	Performance Period	60 months (5 years)
Forgiveness and Acceleration	Forgiveness period is 60 months. Loan is forgiven at a rate of 15% ($3,000) after every 12 months of program compliance for the first 48 months, with the final 40% ($8,000) of the loan forgiven upon completion of the final 12 months. Balance of loan becomes due and payable upon failure to meet program requirements or at request of the homeowner to terminate participation in the program.				

- Homeowner must sign loan agreement and participation agreement describing program and funding terms.
- Loan application requires: Broker Price Opinion (BPO), credit check, employment and income verification, owner-occupancy verification, title search, and verification of homeowner's insurance. Costs associated with these application requirements must be paid by owner.
- Selected contractors must have GC license in good standing with California State Licensing Board and meet applicable insurance requirements.
- Completed ADU or JADU must receive certificate of occupancy and all required government approvals. No unpermitted dwellings will be eligible.
- This Loan Program has been made possible through a partnership with the local Housing Authority.
- Final eligibility will be determined based on multiple factors assessed during the application process, including the remote feasibility assessment and site visit. Not all applicants who meet baseline criteria will be able to move forward (e.g. if the project is very complicated and is unlikely to be completed within the service hours allocated per property).

EQUAL HOUSING OPPORTUNITY

Hello Housing does not discriminate against any person on the grounds of race, color, religion, national origin, ancestry, sex, gender, gender identity, gender expression, sexual orientation, marital status, familial status, source of income, genetic information, medical condition, physical disability or mental disability, or any other category protected by law.

Attachment E

Program Summary

Homeowner ADU Program

Hello Housing

Homeowner ADU Program
MODEL TERM SHEET

KEY PROGRAM TERMS AND REQUIREMENTS	
PURPOSE	To provide assistance in the form of a low-interest loan and free project management to income-qualified homeowners to develop an accessory dwelling unit (ADU) or Junior ADU (JADU) for rent to support the development of new rental housing units.
PROGRAM SUMMARY	*Participating homeowners receive:* • A loan of up to **$150,000** at **0% or 2%** simple interest with a 15-year term to support costs associated with designing and constructing an ADU or JADU. • Free feasibility & construction project management services to develop a second unit. • Landlord and fair housing training. *Participating homeowners are required to:* • Have household income below 120% of Area Median Income. • Build an ADU/JADU and rent to a third-party tenant for a minimum of 5 years.
APPLICATION PROCESS	• Applicants may submit an electronic pre-application that requires information about household income, financial resources, property and site conditions. • Preliminarily eligible applicants will be invited to a mandatory workshop about the ADU development process, costs, program requirements, loan terms, & application process. • Workshop attendees will be invited to submit a full application with supporting financial documentation by a specified deadline. Applicants will receive a ranking number based on a random lottery held at the close of the application period. • Full applications will be reviewed in lottery ranking order. Property applicants will undergo a remote assessment (also in ranking order), which includes an initial feasibility screening and phone interview to ensure that homeowners understand the full costs of their project. Applications deemed eligible after a remote assessment will be underwritten for income eligibility. • Applicants who move forward will schedule a site visit in lottery ranking order to confirm conditions that may impact loan sizing. Following the site visit, loans are sized based on anticipated cost of the project and homeowner's borrowing capacity. • An initial pool of participating homeowners and waitlisted homeowners will be selected.
PRELIMINARY ELIGIBILITY CRITERIA	• Must own <u>and</u> live in a residentially-zoned home within [INSERT PROGRAM AREA]. • Household income must be less than 120% AMI (see below for income limits). • Owner must be able to finance costs associated with ADU/JADU development that exceed the approved loan amount under this Program. • Must commit to comply with all program requirements below. • All types of second units (detached, attached, garage conversion, JADU) are eligible. • Current on property taxes and mortgage payments; no significant deferred maintenance.
PROGRAM REQUIREMENTS	• Homeowner must participate in landlord training, evaluation activities, and compliance monitoring to ensure that the unit is rented to a third-party tenant. • Must commit to rent the new ADU or primary dwelling for a minimum period of 5 years.

Hello Housing

Homeowner ADU Program
MODEL TERM SHEET

ELIGIBLE COSTS	Loan proceeds may be used to fund building permit fees, utility fees, design, and construction costs in connection with building an ADU/JADU. Recording, document prep and notary fees may be paid directly by owner or funded by loan proceeds.
INCOME LIMITS	• Homeowners earning < 80% AMI (Area Median Income) will receive a 0% interest rate. • Homeowners earning 80% AMI - 120% AMI will receive a 2% interest rate. *income limits below are effective as of 4/30/20 and subject to change on an annual basis

Household Size	1	2	3	4	5	6	7	8
80% AMI*	$97,600	$111,550	$125,500	$139,400	$150,600	$161,750	$172,900	$184,050
120% AMI*	$120,200	$137,350	$154,550	$171,700	$185,450	$199,150	$212,900	$226,650

KEY LOAN TERMS AND REQUIREMENTS:

Interest Rate	• If household income < 80% AMI: fixed at 0% simple interest per annum. • If household income is 80% AMI -120% AMI: fixed at 2% simple interest per annum.
Amortization & Term	Amortized over loan term of 15 years (180 months). Monthly payments of principal and interest (if applicable) required.
Loan Amount	Maximum of $150,000. Actual amount to be determined based on anticipated project cost.
Acceleration	Loan is accelerated upon termination of owner-occupancy, failure to complete rehabilitation of ADU/JADU, unexcused failure to rent to a third party, unauthorized transfer/sale/refinance, or homeowner's default on their first mortgage.

- Homeowner must sign loan agreement and participation agreement describing program and funding terms.
- Loan is secured with a Deed of Trust on the property, recorded in second position behind first mortgage. All existing liens will be evaluated to determine if the property can be used as security for the loan.
- Loan application requires: appraisal, credit check, employment and income verification, owner-occupancy verification, title search, and verification of homeowner's insurance. Costs associated with these application requirements must be paid by owner.
- Selected contractors must have GC license in good standing with California State Licensing Board and meet applicable insurance requirements.
- Completed ADU or JADU must receive certificate of occupancy and all required government approvals. No unpermitted dwellings will be eligible.
- Final eligibility will be determined based on multiple factors assessed during the application process, including the remote feasibility assessment, site visit and determination of homeowner income eligibility. Not all applicants who meet baseline criteria will be able to move forward (e.g. if the project is very complicated and is unlikely to be completed within the service hours allocated per property).

EQUAL HOUSING OPPORTUNITY

Hello Housing does not discriminate against any person on the grounds of race, color, religion, national origin, ancestry, sex, gender, gender identity, gender expression, sexual orientation, marital status, familial status, source of income, genetic information, medical condition, physical disability or mental disability, or any other category protected by law.

Attachment F

Sample Program Summary

Affordable ADUs Program

Affordable ADUs Program
MODEL TERM SHEET

KEY PROGRAM TERMS AND REQUIREMENTS	
PURPOSE	To provide assistance in the form of a low-interest loan and free project management to homeowners to develop an accessory dwelling unit (ADU) or Junior ADU (JADU) for rent at an affordable cost to a low-income tenant.
PROGRAM SUMMARY	*Participating homeowners receive:* • A loan of up to **$150,000** at **2%** simple interest with a **5-year term** to support costs associated with designing and constructing an ADU or JADU. • Free feasibility & construction project management services to develop a second unit. • Landlord and fair housing training. *Participating homeowners are required to:* • Build an ADU/JADU and rent to a low-income tenant for a minimum of 5 years.
APPLICATION PROCESS	• Applicants may submit an electronic pre-application that requires information about financial resources, property and site conditions. • Preliminarily eligible applicants will be invited to a mandatory workshop about the ADU development process and costs, program requirements, loan terms, and the application process. • Workshop attendees will be invited to submit a full application with supporting financial documentation by a specified deadline. Applicants will receive a ranking number based on a random lottery held at the close of the application period. • Full applications will be reviewed in lottery ranking order. Property applicants will undergo a remote assessment (also in ranking order), which includes an initial feasibility screening and phone interview to ensure that homeowners understand the full costs of their project. Applications deemed eligible after a remote assessment will be underwritten for income eligibility. • Applicants who move forward will schedule a site visit in lottery ranking order to confirm conditions that may impact loan sizing. Following the site visit, loans are sized based on anticipated cost of the project and homeowner's borrowing capacity. • An initial pool of participating homeowners and waitlisted homeowners will be selected.
PRELIMINARY ELIGIBILITY CRITERIA	• Must own and live in a residentially-zoned home within [INSERT PROGRAM AREA]. • Owner must be able to finance costs associated with ADU/JADU development that exceed the approved loan amount under this Program. • Must commit to comply with all program requirements, including rent and occupancy limits, below. • All types of second units (detached, attached, garage conversion, JADU) are eligible. • Current on property taxes and mortgage payments; no significant deferred maintenance.
PROGRAM REQUIREMENTS	• Homeowner must participate in landlord training, evaluation activities, and compliance monitoring to ensure that the unit is rented to a third-party tenant. • Must commit to rent a housing unit at an affordable price to an income-qualified tenant for a minimum period of 5 years.

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Affordable ADUs Program
MODEL TERM SHEET

RENT AND OCCUPANCY LIMITS	• Once the ADU/JADU is completed, the homeowner must rent either the new unit or the primary dwelling to an eligible tenant for at least 5 years. • **Eligible tenants** earn a household income of **80% AMI or less** (see chart below for applicable income limits) and occupy the unit as a principal residence.			
Household Size	1	2	3	4
80% AMI* subject to change on an annual basis	$97,600	$111,550	$125,500	$139,400
ELIGIBLE COSTS	Loan proceeds may be used to fund building permit fees, utility fees, design, and construction costs in connection with building an ADU/JADU. Recording, document prep and notary fees may be paid directly by owner or funded by loan proceeds at closing.			

KEY LOAN TERMS AND REQUIREMENTS:

Interest Rate	2% simple interest per annum.
Amortization & Term	Monthly payments of interest only for 5 years (60 months). Balance of principal and outstanding interest due at end of term.
Loan Amount	Maximum of $150,000. Actual amount to be determined based on anticipated project cost.
Acceleration	Loan is accelerated upon termination of owner-occupancy, failure to complete rehabilitation of ADU/JADU, unexcused failure to rent to an eligible tenant, unauthorized transfer/sale/refinance, or homeowner's default on their first mortgage.

- Homeowner must sign loan agreement and participation agreement describing program and funding terms.
- Loan is secured with a Deed of Trust on the property, recorded in second position behind first mortgage. All existing liens will be evaluated to determine if the property can be used as security for the loan.
- Loan application requires: appraisal, credit check, employment and income verification, owner-occupancy verification, title search, and verification of homeowner's insurance. Costs associated with these application requirements must be paid by owner.
- Selected contractors must have GC license in good standing with California State Licensing Board and meet applicable insurance requirements.
- Completed ADU or JADU must receive certificate of occupancy and all required government approvals. No unpermitted dwellings will be eligible.
- Final eligibility will be determined based on multiple factors assessed during the application process, including the remote feasibility assessment, site visit and determination of homeowner income eligibility. Not all applicants who meet baseline criteria will be able to move forward (e.g. if the project is very complicated and is unlikely to be completed within the service hours allocated per property).

Attachment G

Program Design Comparison

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ADU Program Design Comparison

		Housing Choice Voucher ADU Program	ADU Homeowner Loan Program	Affordable ADUs Program
KEY PROGRAM TERMS				
Incentive	Financial Assistance	Forgivable loan of up to $20K	Loan of up to $150,000	Loan of up to $150,000
	Interest Rate and Term	0% interest, 5 year term	0% (for 80% AMI homeowners) or 2% simple interest (for 80%-120% AMI homeowners), 15 year fixed	2% simple interest, 5 year fixed
	Payment Schedule and Term	No payments required; full amount forgiven after 5 years of compliance	Monthly payments of principal and interest amortized over 15 years	Monthly payments of interest only with balloon payment due at end of 5 year term
	Position	2nd	2nd	2nd
	How is loan secured	Loan Agreement and Performance Deed of Trust	Loan Agreement and Deed of Trust	Loan Agreement and Performance Deed of Trust
	Loan administration	Administration of loan forgiveness schedule	Loan servicing for up to 15 year term	Loan servicing for up to 5 year term; process refinance or pay-off
	Project Management	Provided	Provided	Provided
	Landlord Training	Provided	Provided	Provided
Applicant Eligibility	Owner-occupancy	Required	Required	Required
	Homeowner Income	Not applicable	120% AMI (2% interest) 80% AMI (0% interest)	Not applicable
	Property eligibility	Located in eligible jurisdiction/area; current on taxes and mortgage, no significant deferred maintenance	Located in eligible jurisdiction/area; current on taxes and mortgage, no significant deferred maintenance	Located in eligible jurisdiction/area; current on taxes and mortgage, no significant deferred maintenance
ADU Eligibility & Compliance	Second unit eligibility	All types considered, including JADU and legalization or unpermitted dwellings, subject to project budget cap and available funding	All types considered, including JADU and legalization or unpermitted dwellings, subject to project budget cap and available funding	All types considered, including JADU and legalization or unpermitted dwellings, subject to project budget cap and available funding
	Tenant requirement	Housing Choice Voucher Tenants (50% AMI)	Third-party tenant; no income restriction	Third-party low-income tenant (80% AMI)
	Rental restriction	HCV tenant for 5 years	Must rent unit as tenant's principal residence. No occupancy restriction.	Rent to low-income tenant at affordable price for 5 years.
	Monitoring	5 years: Work with Housing Authority and owner to monitor HCV occupancy	5 years: Monitor that unit is occupied by renter as principal residence	5 years: Monitor rent and occupancy restrictions
	Program Partners	Landlord training partner and landlord counseling support during compliance period	Landlord training partner and landlord counseling support during compliance period	Landlord training partner and landlord counseling support during compliance period
		Local Housing Authority (program design collaboration, HCV landlord training, tenant pipeline)	Housing counseling agency for financial counseling	Nonprofit partner for tenant referral, screening, and income qualification

ADU Program Design Comparison

		Housing Choice Voucher ADU Program	ADU Homeowner Loan Program	Affordable ADUs Program
PROGRAM DESIGN CONSIDERATIONS				
Public Benenfit Incentives	What are the public benefit goals?	Incentivize creation of new, safe and legal rental housing units; increase HCV utilization rate; prevent displacement or unhousing of low-income tenants; engage with and educate new landlords about HCV program; diversify available types of rental housing available to HCV ternants; leverage existing monitoring infrastructure of HCV program.	Incentivize creation of new, naturally-affordable, safe and legal rental housing units; support low- and moderate-income homeowners through asset-building, rental income, and mitigation of displacement pressures such as overcrowding; diversify rental housing stock; support multi-generational living and aging-in-place; unlock the backyards of income-qualified homeowners (who could not otherwise qualify for traditional financing) for ADU development.	Incentivize creation of new, affordable, safe and legal rental housing units; mitigate displacement of low-income tenants from community, diversify rental housing stock available to low-income tenants; support multi-generational living and aging-in-place; unlock the backyards of income-qualified homeowners (who could not otherwise qualify for traditional financing) for ADU development.
	What is the incentive?	Forgivable loan of $20K + free project management assistance + access to landlord training and counseling as necessary.	A loan on very favorable terms that would otherwise not be available to the homeowner + free project management + access to landlord training and counseling as necessary. Amortization over 15 years ensures that the homeowner isn't hit with a balloon payment they are unprepared to make, and does not force a low-income homeowner to refinance down the road under uncertain market conditions.	A loan on very favorable terms that may not be available to the homeowner + free project management + access to landlord training and counseling as necessary. A period of 5 years allows the homeowner to build rental income history and home equity, then refinance out to a market rate loan, for which they would not have been able to qualify prior to the tenancy. Interest-only payments during the 5-year term reflect that the homeowner is agreeing to lower rents and a limited tenant pool.
	How does the incentive drive the public benefit?	The incentive motivates homeowners, who otherwise would not have completed an ADU or would not have rented to an HCV tenant, to do so. Other HCV landlord incentives are more modest because they aren't intended to help induce the landlord to create a new unit of housing and they don't require a landlord to select their neighbor from a limited pool. Many homeowners who wish to rent to a third party are not aware of the Housing Choice Voucher program and are only deterred by a lack of knowledge about how the program works. Professional technical assistance ensures that the financial support results in a safe, legal unit ready for occupancy.	Due to the high cost of construction and the complexity of building an ADU, many low- and moderate-income homeowners need both technical assistance and access to signficant capital to successfully build an ADU. Until those gaps are bridged, ADUs in the Bay Area will largely be limited to affluent and high-income homeowners, even though lower-income households benefit most from asset-building and supplemental income opportunities. By pairing financing with professional technical assistance, this program expands ADU access to more lower-income homeowners while ensuring that the financial support results in a safe, legal unit ready for occupancy.	To qualify for traditional financing, homeowners must have sufficient household income and home equity. Typical underwriting guidelines do not permit the consideration of rental income <2 years, and may be based on the current value rather than projected as-completed value of the property. This program allows a homeowner with limited income and/or home equity to surmount those barriers by providing financing until the homeowner can refinance out, and requiring interest-only payments while the unit is restricted. Professional technical assistance ensures that the ADU project is successful. In exchange, the homeowner rents the unit at an affordable price to a low-income tenant for at least 5 years.

ADU Program Design Comparison

		Housing Choice Voucher ADU Program	ADU Homeowner Loan Program	Affordable ADUs Program
Target Homeowners	Who are the target homeowners?	HUD FMR is below actual market rents and below 80% AMI for smaller units (FMR in San Mateo County: studio - $2197 FMR, $2436 low-income; 1-BR - $2720 FMR, $2610 low-income). Target homeowners are motivated to build a unit for rental income and have access to their own capital to finance the design and construction of a new unit. They are primarily incentivized by the value of free ADU feasibility and project management and by $20K in gap financing that does not need to be repaid, and they are willing to agree to potentially lower rents and a limited tenant pool in exchange for these benefits. Homeowners who may have a future personal need for the unit in >5 years (e.g. parent retiring) but wish to act now to make use of low interest rates or personal bandwidth may be a good fit. Homeowners who want "to be part of the housing solution" are also a good fit.	This loan program features income requirements for the applicant coupled with favorable loan terms, a relatively high loan max, and no restriction on resulting unit. Target low- and median-income homeowners are those who are motivated to build an ADU but won't qualify for traditional financing due to DTI (debt-to-income) or CLTV (combined loan-to-value) restrictions. Target homeowners are those who might be challenged to refinance out of an ADU loan, even once they have established a 2-year history of rental income. Families that are overcrowded in the primary home and homeowners who are motivated by a desire to increase the value of their home may also be a good fit. Income limits go up to 120% because construction costs are high, and many homeowners may need to also qualify for additional financing beyond this program to cover the full cost of building an ADU.	This loan program features no income requirements for the applicant coupled with favorable loan terms, a relatively high loan amount, and restricted rent and occupancy for the completed unit. Target homeowners are willing to accept potentially slightly lower monthly rent in exchange for better loan terms and free ADU feasibilty and project management. Homeowners who want "to be part of the housing solution" are a good fit. Target homeowners either don't need the unit immediately for personal reasons or plan to rent to an income-qualified family member or friends during the compliance period. Target homeowners are those who can refinance out after 5 years once they've established rental income history.
	Which homeowners are NOT a fit?	NOT a fit: homeowners who are motivated by a wish to house (non-HCV) friends or family members in the near future; homeowners who need gap financing of >$20K.	NOT a fit: homeowners who plan to rent to a family member for no or very low rent and won't generate enough supplemental rental income to comfortably service the loan; homeowners who need gap financing >$150K	NOT a fit: homeowners who are likely to face challenges refinancing in 5 years (including creditworthiness, property condition, etc.); homeowners who need gap financing >$150K

Attachment H

Funding Source Examples

POTENTIAL FUNDING SOURCES
FOR ADU PUBLIC BENEFIT PROGRAMS

Type of Funding	Example of ADU/JADU Program Funding
Local affordable housing bond funds	Alameda County Measure A1 (JADUs) City of Oakland Measure KK
Tax-increment "boomerang" funding	Alameda County ADU Technical Assistance Pilot Program
Local sales tax measures	San Mateo County Measure K
Development impact fees and commercial linkage fees	City of South San Francisco
Private/philanthropic donors	City of Oakland (CZI) Backyard Homes Project - Los Angeles (Chase, Wells) Small Homes, Big Impact - Santa Clara County (Chase, Wells, and Silicon Valley Community Foundation) West Denver Single Family Plus Program (Fannie Mae Innovation Grant)
Inclusionary housing funds	City of Pasadena ADU Loan Programs
CA HCD CalHOME	City of East Palo Alto and City of Oakland (<80% AMI, loans up to $100K)
CalHFA Pilot Program Funds	City of Clovis' Cottage Home ADU Finance Program
HUD CDBG	Marin Housing Authority and City of Napa ADU Programs

For more information about ADU Finance, see:

- "Accessory Dwelling Unit (ADU) Financing Products and Programs," prepared by David Paul Rosen & Associates for Napa Valley Community Foundation, August 21, 2019.
- "Program Concept: Accessory Dwelling Unit (ADU) Guarantee," prepared by Forsyth Street Advisors LLC for San Mateo County Department of Housing, September 23, 2019.
- "Reaching California's ADU Potential: Progress to Date and the Need for ADU Finance," by Chapple et al., Terner Center for Housing Innovation and Center for Community Innovation, August 2020

Attachment I

Hello Housing’s Equity Centered Practices

Hello Housing's Equity-Centered Practices

Mission Statement: Hello Housing advances housing solutions that promote stability, center equity and cultivate community.

Statement of understanding

1) Across the Bay Area, access to an affordable, high-quality home and higher-opportunity neighborhood is impeded by disparate barriers to housing security, homeownership, and economic security.
2) These barriers are a function of systemic and institutional bias in myriad forms, both historic and ongoing, that stem from generations of economic and social oppression of some groups coupled with the accrual of privilege by other groups.
3) Racial disparities in homeownership exacerbate a widening racial wealth gap. Affordable homeownership – and equitable access to it – is a critical component of a vibrant community and healthy economy.
4) The resourcing, design, implementation and evaluation of effective affordable housing programs must be anchored by a foundational and intersectional understanding of equity and privilege. This includes a localized understanding of who has benefited from discriminatory and predatory practices and policies, as well as who has been harmed by them.
5) Closing existing gaps requires intentionality, prioritization of resources, and disruption to existing systems and approaches that directly or indirectly perpetuate inequality.

As an affordable housing organization, Hello Housing takes seriously our obligation to ensure that all eligible households in the diverse communities we serve – and particularly the most vulnerable among them – have equitable access to housing resources. Hello Housing has embedded equity-centered practices in every phase of our work to preserve existing and develop new affordable housing. The following are examples of how equity guides our work in different contexts.

Program Design

- Patterns of housing discrimination may vary, even within the Bay Area region. Local context is important. Program design should be informed by cross-sector feedback from local stakeholders. When possible, the design process should include community and stakeholder engagement, starting early and continuing throughout the process, to ensure a meaningful feedback loop.
- Community and stakeholder engagement must be intentionally conducted in a manner that does not exacerbate existing inequities by amplifying some voices while allowing others to remain unheard. Offering multiple opportunities and vehicles to contribute feedback, adequate noticing, childcare and interpretation for in-person meetings, and proactive outreach to underrepresented stakeholders are strategies that facilitate equitable influence in the design process.

- Applicant preference categories and ranking methodology can be a valuable tool to advance public policy goals from anti-displacement to critical workforce housing, but those goals must be balanced against fair housing law and feasibility of administration. Preferences should be evaluated for unintended consequences as well as vetted by counsel to ensure compliance with applicable fair housing laws.
- A sliding scale that tiers assistance based on need or income may allocate funding in a more equitable way and can also serve to address racial disparities in access to resources while complying with fair housing laws that prohibit racial discrimination.
- Working in partnership with local government across multiple jurisdictions allows us to engage with a regional equity agenda. Sometimes that means we push our partners toward practices that advance equity, and sometimes that means we are pushed by our partners. We welcome and learn from both.
- While deed restrictions may secure affordability for future generations, they also limit a BMR homebuyer's ability to build home equity. *De jure* and *de facto* segregation and redlining throughout the Bay Area have allowed more white households to amass intergenerational wealth through market-rate home equity, at the same time limiting the access of other households to the same wealth-building opportunities. Restrictions that limit home equity increases for low- and moderate-income homebuyers must be considered in an appropriate historical context. Equity share models can offer an effective approach to balancing the goals of individual wealth-building and program sustainability.

Marketing and Community Outreach

- Outreach activities should affirmatively further fair housing by reaching a diverse group of prospective applicants that may, without such affirmative efforts, be unlikely to be aware of the availability of housing resources or unlikely to apply for those resources due to a variety of factors.
- One strategy is to subcontract with community ambassadors who have outreach experience in and personal connections to a particular "hard to reach" sub-community.
  - A community ambassador can effectively overcome common barriers such as: reluctance to trust government programs or unfamiliar people, limited proficiency in English, higher comfort with oral sources of information over written sources, concern that honest eligibility questions (e.g. unpermitted ADUs, residency status, sources of income, etc.) can have a negative impact on the applicant's chances.
  - Providing job opportunities to community members and supporting the outreach efforts of local organizations builds trust with and helps connect harder-to-reach communities with valuable housing resources.
- Connect with organizations that have close ties to communities that include underrepresented homebuyers/homeowners, such as faith-based, healthcare, base-building, and social service organizations. Offer whatever support is needed to make it easier for them to spread the word about the housing opportunity to their respective networks through social media, email blasts, newsletters, websites, and community meetings and events.
- Work with diverse lenders, realtors, and design and building professionals that serve underrepresented homeowners/homebuyers.
- Place media advertisements based on audience demographics, including print, social media and radio advertising in multiple languages (see below for additional language access practices). Social media and radio may present a valuable channel to reach displaced households for programs intending to reach that population.

- When issuing a press release, include clear, equity-centered framing of the program and its goals. Formal, consistent messaging is important to normalize the vision of equity as a central policy driver in housing programs.
- Work with "connector" individuals and organizations that are trusted by local communities to deliver presentations at collaborative convenings and to encourage collaborative members to become champions of the program.
- Multilingual outreach must be planned in a manner that considers whether language accessible services are also available for LEP participants. Engaging LEP applicants with inadequate resourcing to equitably serve LEP participants can be problematic and erode trust within LEP communities.

Application Process

- Applications for all Hello Housing programs ask for information regarding race, ethnicity, disability, and language spoken. Applicant data is compared to the race and ethnicity information for the geographic target area in order to identify underrepresentation of demographic groups. This data is then utilized to inform marketing efforts to more effectively reach applicants from underrepresented groups.
- For new programs, Hello Housing does not ask about citizenship status or legal residency unless it is required by the funding source, government partner, or applicable laws. We are aware that residency status may ultimately impact a household's ability to qualify for our programs due to external reasons beyond our control (such as ability to qualify for a first mortgage loan), but we do not inquire or consider it as part of our application process.

Practices that Support Language Access

- Translate outreach, program, and application materials into non-English languages.
    - Languages selected in consultation with government partners based on the percentage of Limited English Proficiency (LEP) speakers in target population.
    - Consumer-facing materials are written to be comprehensible at a middle school reading level and edited for colloquialisms for clarity, then reviewed by fluent readers after translation.
    - Maintaining a "translation tracking table" of all content ensures that updates to written materials can be carried through in all languages.
- Outgoing message on dedicated program phone line includes information in multiple languages.
- LEP applicants and participants are served either by bilingual staff or by professional telephone interpretation.
- Place radio and print ads in local non-English language media and conduct email and social media outreach in multiple languages.
- Automated email communications with applicants includes either instructions in multiple languages or a visibly placed note in multiple languages indicating that assistance is available to LEP applicants.
- Advance communication with workshop invitees to ensure language interpretation needs are met for workshops.
- Marketing should include outreach through community-based organizations with strong ties to LEP communities.
    - Potential applicants with Limited English Proficiency may have the most contact with direct service or advocacy groups that provide services and community in the person's native non-English

language. Having contacts at organizations with strong ties to non-English speaking communities is an important way to reach those potential applicants.

  - Many LEP persons have had limited or even negative experiences with agencies and organizations that do not routinely provide language-competent services. They may be more likely to interact with and trust information from organizations that meet their language needs.
  - In turn, establishing a reputation as an organization that routinely and competently provides services to non-English speakers helps build trust with peer community groups. These groups in turn will feel more comfortable spreading the word about opportunities that are meaningfully accessible to their client and member bases.

Practices that Support Access for Differently-Abled Persons

- Website has minimal reliance on graphics to communicate information, ensuring that text-readers can capture the contents of the site for people who are visually impaired or prefer listening over reading.
- Make application, workshop, and program materials available in large print format.
- Applicants may elect to mail or email a hard copy paper application in lieu of an online application form, and the application deadline must be construed so as not to disadvantage mailed applications.
- When identifying facilities for workshop sites, utilize an accessibility checklist that includes: ADA-accessible route to room, sufficient aisle width, wheelchair seating, stroller parking, staff know the location of ADA bathrooms, accessible by public transportation, disability-accessible parking and loading zone.
- Assess interpretation needs for hearing-impaired participants with sufficient time to secure an ASL interpreter. If ASL interpretation is required, consider video-recording it for the benefit of future applicants.

Program Administration Practices

- Hello Housing takes a social work approach to loan servicing. We advocate that our government partners agree not to penalize borrowers for delinquent payments so long as they start making regular payments. This includes eliminating late fees, suspending the imposition of a defaulted interest rate, and restructuring the payment schedule to accommodate the needs of the applicant.
- When we inherit loan portfolios, we advocate to modify any program policies that exacerbate displacement pressures on vulnerable homeowners, such as severe assumability and transferability restrictions, loan terms that require a balloon payment, and restrictions on deferring a second mortgage to allow the buyer to avoid delinquency/default on their first mortgage.

Values-Based Contracting

- Hello Housing has adopted a “Values Contracting” framework that (1) reduces barriers and increases access to economic opportunities for underrepresented, diverse subcontractors and vendors, (2) supports our investment in local communities and economic development objectives, (3) expands our access to diverse, high-quality subcontractors to support our mission-based work.

- Maintaining a subcontractor and professionals registry that includes self-reported demographic data allows us to connect with a diverse pool of third parties. RFQ processes should include demographic questions that allow Hello Housing to assess the diversity of the respondent pool.

- Cash flow can present a significant barrier as smaller contractors, who are disproportionately POC, are typically not able to carry costs for the typical monthly construction draw schedules in place. Hello Housing has changed payment processes to allow bi-monthly payments that support cashflow constraints.

- We provide informal technical assistance to small contractors to help them qualify for financing from lending institutions and meet bonding and insurance requirements, which can otherwise present a barrier.