



**San Luis Obispo
Countywide 10 Year
Plan to End
Homelessness**

*We envision a future
in which the housing
and comprehensive
services necessary to
remain housed are
available for all,
affording everyone
maximum self-
sufficiency, and the
opportunity to be
productive and
participating
members of our
community*

HOMELESS SERVICES OVERSIGHT COUNCIL (HSOC) Housing Committee Meeting Agenda

June 1, 2021, 2 p.m.

Participate by Zoom video call:

<https://zoom.us/j/99866769963?pwd=Z1BEbnpFSm0wMFFiT1lQajN0SjdiQT09>

Or dial in:

+1 669 900 9128

Meeting ID: 998 6676 9963

Passcode: 169514

1. Call to Order and Introductions
 2. Public Comment
 3. Consent: Approval of Minutes
 4. Action/Information/Discussion
 - 4.1 Discussion Item: Updated Streamlined Ministerial Approval Process (Senate Bill 35) Guidelines
 - 4.2 Discussion Item: CARES (Coronavirus Aid, Relief and Economic Security) Act Grants Update
 - 4.3 Discussion Item: ESG (Emergency Solutions Grant) Activities Update
 - 4.4 Discussion Item: ADUs (Accessory Dwelling Units) and Plans for Affordable Housing
 - 4.5 Discussion Item: Emergency Housing Vouchers
 5. Future Discussion Items
 6. Next Meeting Date: July 6, 2021
 7. Adjournment
-

**HOMELESS SERVICES OVERSIGHT COUNCIL
 HSOC HOUSING COMMITTEE MEETING
 APRIL 6th 2021, 2pm-3:30pm
 Zoom Call**

MEMBERS PRESENT	MEMBERS ABSENT	STAFF & GUESTS
Anne Robin Anne Wyatt Cara Vereschagin Joanna Balsamo-Lillien Kathy McClenathen Scott Smith	Ken Triguero Marianne Kennedy Mark Lamore	Abby Lassen George Solis Laurel Weir Leon Shordon Molly Kern Russ Francis Steve Martin Susan Warren Tom Sherman
AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTIONS
1. Call to Order and Introductions of Guests	Scott called the meeting to order at 2pm.	
2. Public Comment	<p>Anne Wyatt reported that Smart Share Housing Solutions is in the process of launching an ADU (Accessory Dwelling Unit) program in the county. They are expanding from looking only at Tiny Houses on Wheels, to ADUs in general, particularly affordable ADUs and garage conversions. For more information, see https://www.smartsharehousingsolutions.org/adu-consulting/</p> <p>Susan reported on the proposed drug and alcohol treatment center at the Roadway Inn at Morro Bay, which has received a lot of negative feedback from the community. The Morro Bay Planning Commission is meeting later in April to discuss the proposed project, so Susan invited individuals and nonprofits who believe this would be a good resource to submit positive feedback. Anne Robin questioned whether the provider agency has met the regulations they would need to meet in order to run a licensed facility. Susan and Anne Robin agreed to discuss the matter</p>	

	outside of this meeting as the item had not been agendized.	
3. Consent: Approval of Minutes		Kathy made a motion to approve the minutes, seconded by Cara. The motion passed with all in favor except for Anne Wyatt who abstained.
4. Action/Information/Discussion		
4.1 Discussion Item: Emergency Rental Assistance Program	<p>Laurel reported that the ERAP (Emergency Rental Assistance Program) has now launched. 5CHC (5Cities Homeless Coalition) and the Salvation Army are assisting the State with the administration of the program. The agencies are helping applicants to understand what information they will need, how to obtain this information, and how to navigate the application process. The program is intended for people on low incomes who are behind on rent. The program involves the landlord agreeing to forgive 20% of back rent owed, to then receive 80% of back rent from the State. Tenants can be assisted even if the landlord chooses not to participate in the program. Further information can be found on the County's HSOC web page, along with links to the program.</p> <p>Abby clarified that the State is prioritizing applicants who are at 50% or below of Area Median Income, and are aiming for ten days turnaround time after the application is made by both tenant and landlord. The State anticipates receiving more money for this program through the summer.</p>	
4.2 Discussion Item: CARES (Coronavirus Aid, Relief and Economic Security) Act Grants Update	George reported that funding for Round 1 of the ESG-CV (Emergency Solutions Grant – Coronavirus) program has been awarded and distributed to agencies. In total, this is funding of around \$467,000, and is funding activities including emergency shelter, rapid rehousing and street outreach. The funding was due to also fund homelessness prevention, but the State directed communities to pause this due to the	

	<p>ERAP program and eviction moratorium, so this portion may be reallocated.</p> <p>For Round 2 of ESG-CV funding, which will be worth around \$2.5 million, the County has received the award letter, but has not yet received the standard agreement from the State.</p> <p>Laurel proposed asking ESG subrecipients to attend the next Housing Committee meeting and provide updates on their work through this grant program.</p>	
<p>4.3 Discussion Item: Upcoming State and Federal Grants for Housing for Homeless Persons and Persons At-Risk</p>	<p>Laurel shared an overview of upcoming grant opportunities, including the following:</p> <ul style="list-style-type: none"> • American Rescue Plan Act, enacted March 11th 2021. This Act sets aside \$1 billion nationwide for the HOME program. Approximately \$3 million is expected for SLO County. The timeline is not clear at this point. • Section 811 Project Rental Assistance – project based housing vouchers for people with disabilities. There is no official application deadline yet. • HHAP (Homeless Housing, Assistance and Prevention Program) Round 1: the local RFP (Request for Proposals) will be released in April 2021. Eligible activities will include capital projects for permanent housing, operating subsidies and reserves, supportive services for permanent supportive housing, and delivery of permanent housing and innovative solutions (including hotel and motel conversions). \$3 million will be available for local applications. 8% of the total amount is set aside for projects serving homeless youth. HSOC has voted to prioritize bringing HEAP (Homeless Emergency Aid Program) projects to completion, as well as creating a project on the North Coast. • Project Homekey Round 2: this was included in the Governor’s budget for Fiscal Year 2021-22. This would provide funding for acquisition and conversion of motels and other properties into permanent housing. It is not clear yet if awards will be 	

	<p>competitive or formula-based.</p> <ul style="list-style-type: none"> • No Place Like Home (NPLH): this State grant provides loans for the development of permanent housing for people who are homeless or at risk of homelessness, and in need of mental health services. The NOFA (Notice of Funding Availability) is anticipated in October 2021. Counties are eligible and can apply with housing development sponsors. Anne Robin clarified that in previous years, the RFP for this funding has been released prior to the NOFA, with awareness that there may be adjustments, so the local RFP should be released within the next couple of months. • Veterans Housing and Homelessness Prevention Program Round 6: draft guidelines for this round were released in March 2021. This program provides funding for acquisition, construction, and conversion of properties for affordable housing or transitional housing. <p>Future potential opportunities include</p> <ul style="list-style-type: none"> • Youthbuild – the next round is likely to take place next winter. This program provides funding to train youth in construction, specifically for affordable housing projects. • In the federal infrastructure stimulus Bill currently being considered, there may be supplemental funding for CDBG (Community Development Block Grants). This is competitive public housing funding to remove certain zoning barriers to affordable housing. 	
<p>4.3.1 Discussion Item: Local Opportunities and Challenges</p>		
<p>4.4 Discussion Item: County Department of Planning and Building Upcoming Action Plan</p>	<p>Laurel reported that the Department of Planning & Building will be taking their Action Plan update to the Board of Supervisors on April 20th. This includes recommendations for ESG, CDBG, HOME and General</p>	

Update to the Board of Supervisors	Fund Support homelessness grants. HSOC has previously voted to approve these recommendations.	
5. Future Discussion Items	<ul style="list-style-type: none"> • Morro Bay drug and alcohol treatment center (see item 2: Public comment) • ESG activities (see item 4.2: CARES Act Grants Update) • ADUs and plans for affordable housing – Anne Wyatt and Cara/SLO City • SLO City Inclusionary Housing Program – to be discussed at a future meeting (most likely June-July) 	
6. Next Meeting Date: May 4, 2021		
7. Adjournment	Scott adjourned the meeting at 3:25pm.	

SLO County ADU Task Force

Report on Accessory Dwelling Units in San Luis Obispo County

May 21, 2021 [update with publishing date, also in footer]



PRINCIPAL AUTHORS:

Anne R. Wyatt, Director, Tiny Housing Consulting/ADU SLO
Celeste Goyer, Executive Director, Smart Share Housing Solutions

FOUNDING TASK FORCE MEMBERS:

Joanna Balsamo-Lilien, Property Management Specialist, Family Care Network Inc.
Lan George, Arroyo Grande City Council Member
Lenny Grant, Principal Architect, RRM Design Group
Michael Hopkins, Project Manager, Peoples' Self-Help Housing
Ted Lawton, Cal Coastal Communities Inc.
Matt Leal, land use planning consultant
Scott Martin, AIA, LEED AP, RRM Design Group
Jimmy Paulding, Arroyo Grande City Council Member
Ron Reilly, President and CEO, PE, QSD, Garing, Taylor & Associates
James Sofranko, Strategy & Communications Consultant, Sofranko Consulting

BACKGROUND & PURPOSE

The **SLO County ADU Task Force** is a volunteer group of planners, builders, engineers, designers, affordable housers and others formed with the purpose of accomplishing the goals and objectives outlined in the [Central Coast Economic Recovery Initiative \(ERI\)](#), specifically Objective 1.3, Support Regional Accessory Dwelling Unit (ADU) Development. The group aims to help meet and exceed San Luis Obispo County's goals for creating 407 ADUs per year, with a minimum of 200 lower-income affordable units and 200 moderate-income affordable units, which will continue to be affordable to these populations over time.

The ADU Task Force will:

- Encourage a collaborative, regional approach—recognizing that housing need and housing solutions cross jurisdictional boundaries—and will support all eight SLO County jurisdictions with public education and community outreach, as well as provide technical support;
- Seek practical local and state level policies to assist in meeting production and affordability targets;
- Promote consistent, supportive policies and smooth design, permitting & development processes;
- Promote financing options through private, non-profit and municipal sectors; and,
- Seek accountability for regional governments to meet established housing and affordability targets.

Partnership with Smart Share Housing Solutions

To fill the gap between understaffed local planning departments and homeowners who could benefit from ADU construction, nonprofits are stepping in across California to support outreach, education and coordination of effort around ADU production for their communities. Local affordable housing nonprofit Smart Share Housing Solutions launched ADU SLO in August 2020 to serve as a “one-stop-ADU-shop” to assist residents in designing, permitting, constructing and managing affordable ADUs. Efforts include:

- **Outreach and education:** Website updates, newsletters, presentations and ADU Academy informational videos helping homeowners understand opportunities, navigate the design, planning & construction process and rent units; SLO County ADU Task Force facilitation
- **Technical assistance:** Free feasibility analysis and site visits
- **Design, permitting, and construction assistance:** Linking lower income homeowners to technical help
- **Affordability advocacy:** Assistance targeted to lower income homeowners and renters
- **Lending and finance:** Advocating for lending programs to help fund affordable ADU production, particularly for lower-income homeowners
- **Tenant screening and management assistance:** Helping homeowners manage rentals
- **Research and Innovation:** Finding and sharing best practices for permitting, constructing and managing safe, community-enhancing affordable housing

FINDINGS & RECOMMENDATIONS

Summary Proposition:

- High housing costs in SLO county have broad impacts on individuals and communities
- New CA state laws aim to encourage accessory dwelling units (commonly referred to as ADUs) as a key element of improving statewide housing affordability
- SLO County regional housing production projections include approximately 400 ADUs per year from 2020 through 2028 countywide to help meet jurisdictions' mandated housing goals
- Although ADUs provide significant benefits to homeowners, development challenges abound
- Cities and counties around California are finding success with new programs that support ADU development
- To leverage opportunity, the nonprofit Smart Share Housing Solutions ADU SLO program offers education, outreach and technical support to community members and facilitates the SLO County ADU Task Force, a collaborative advisory group, formed to support regional efforts to meet and exceed ADU production goals

Need & Opportunity:

Housing challenges impact a wide range of San Luis Obispo County residents—from extremely-low-income earners to middle-income workers who struggle to pay for rental housing or purchase modest starter homes to an increasing number of single seniors attempting to survive on limited social security benefits. Employers have difficulties attracting, hiring and retaining qualified employees due to high local housing costs. ADUs can be part of the solution toolbox, particularly for smaller households of single persons or two persons which describe more than sixty percent of San Luis Obispo County households. ADUs are affordable, cost far less to construct than comparable types of affordable housing, provide a diverse, flexible and inclusive housing option within the fabric of existing neighborhoods, and assist with aging in place by providing downsizing options within the neighborhood network. Additionally, they can provide extra income necessary for homeowners struggling to maintain their homes or security and a place for family members or caregivers to stay. Although ADUs may not provide a direct step out of homelessness, ADU provision can be integral to homeless prevention, as a form of added low-cost housing, which can keep San Luis Obispo County residents, now on the edge, from becoming homeless.

Cost Comparison:

Q: What do homeowners use their ADUs for? A survey of 800 California homeowners who built ADUs finds that about half (51%) serve as income-generating rental units. Only 16% went to a relative of the homeowner. Very few backyard apartments (8%) wind up being used for short-term rentals such as Airbnb. Singles and couples account for most ADU occupants in California (86% in the survey); school-aged children (11%) and senior citizens (15%) represent fairly small slices of this population. Adopting measures that assist low resource homeowners with procuring ADU financing could support more equitable access to ADU development in the region. – Chapple, Turner Center report (October 2020)

ADUs offer these additional benefits to the community and individual households:

- **Market solution:** No government mandates or subsidies are required.
- **Economic development:** Construction, design, engineering and trades employ a local workforce while ADUs provide housing for this same workforce as well as the potential to provide extra income for struggling homeowners, which has local economy multipliers.
- **Environmental benefit:** Small housing requires less resource than traditional larger housing units to build and maintain. Infill housing on existing lots utilizes existing infrastructure, such as sewer, water, electrical infrastructure and roads. Further, ADUs near jobs can reduce commute distances.
- **Community benefit:** Communities win through homeless prevention and decreased demand for other social service programs



ADU Regional production estimates summary:

As Table I demonstrates, approximately 400 ADUs are anticipated to be constructed per year countywide, totaling 3,255 over the current housing element cycle, with approximately half designated to be moderate-income affordable and half low-income affordable. With the exception of the City of San Luis Obispo, where ADUs are anticipated to comprise only 26% of low-income affordable housing, the other seven regional jurisdictions heavily rely on ADUs to meet or exceed their moderate and low-income housing requirements.

Table I: SLO County 8 jurisdiction Housing Element ADU projections 2020-28:

	Total anticipated ADUs 2020-28	Total/year (Total/9 years)	MODERATE affordable ADU: \$1873 studio; \$2141 1-bed	Total RHNA required Moderate	% Moderate ADU of RHNA requirement	LOW Income Affordable ADU \$1022 studio; \$1168 1-bed	Total RHNA Required low Income	Percent LOW Income ADU of RHNA requirement
County	1665	185	566	585	96%	832	505	165%*
City of SLO	270	30	0	603	0	135	520	26%
Morro Bay	207	23	104	54	192%	103	14	735%
Paso Robles	405	45	202	259	78%	203	22	922%
Atascadero	225	25	113	151	75%	112	131	85%
Grover Beach	180	20	60	66	91%	90	57	158%
Arroyo Grande	236	26	116	124	93%	120	107	112%
Pismo Beach	67	7	34	82	41%	33	71	46%
Totals	3,255	361	1195	1924	62%	1628	1427	114%

*Includes also some estimated very-low-income ADUs



Q: What did San Diego do to make the process easier and enable more ADUs?

Streamlined processing: Dedicated team for ADUs receives regular training and reviews for consistent enforcement of rules; online portal for permit applications, with rapid review for ADU and JADU permits, beginning with a virtual counter appointment with a team member. Site map, plans, address submitted ahead of time for staff review. Rapid review priority includes same day review by Structural, Building Division and Historic; Goal: Get to YES.

Setbacks and other restrictions eliminated: no minimum building distance for ADUs; allows 1200 sq. ADUs; No setbacks on sides or rear—full encroachment up to property line okay on all stories of ADUs. An ADU attached to the primary residence must comply with the required main building setbacks; Height limit defaults to zoning max—usually 30'. ADU height limit of 16' eliminated.

Parking: allowed in setbacks; no parking required for any ADU.

Fees: reduced from avg \$20-25K to \$2K-\$5K for plan check fee, inspection fee, fire inspection fee. Plus, water and sewer capacity fees. Development fees, mapping, general plan fees waived; Existing structures (attached/detached) converted to CUs with the appropriate meter size are not subject to additional water/sewer fees.

No rentals less than 30 days

[ADU California Best Practices page](#) collects what's working

Addressing Barriers to Building ADUs:

Studies report multiple production barriers for homeowners: lack of awareness; confusion around design, planning & permit process; uncertainty around project costs, obtaining financing & return on investment; and concerns about being a landlord. In some areas, ADUs have become short-term rentals (e.g. Airbnbs) as opposed to housing units. The Task Force supports the prohibition of ADUs as short-term rentals (<30 day).

1) Lack of public understanding of opportunities for ADUs:

CHALLENGE:	SOLUTIONS:
A. Lack of public awareness about opportunities and process	Outreach & Education: Conduct ADU tours to raise awareness about types of ADUs and share design and construction information; conduct public workshops/informational videos; offer site feasibility visits & individual consulting; share information about alternatives--garage boxes, prefabs and other innovative conceptual ideas; support regional efforts, such as Smart Share ADU SLO and ADU Task Force
B. Lack of policymaker awareness about opportunities and constraints	Conduct municipal presentations to share opportunities and ideas; promote best practice sharing and interagency communication; host ADU Summit
C. Lack of understanding of environmental benefits over other types of housing	Monitor, report, quantify & share resource savings, including water savings, VMT, energy use and reduction in costs compared greenfield expansion of infrastructure

2) Design, Planning, Constructing & Permitting for ADUs

CHALLENGE:	SOLUTIONS:
A. Jurisdictional “compliant” vs. “helpful” and permitting processing complexity	Ensure all eight regional jurisdictions are state code compliant and assist with expedited processing efforts; promote user-friendly digital applications and approvals process; promote free, accessible ADU pre-approval meetings to promote a successful application process; provide a ‘fast pass’ certification or process for industry professionals with experience in permitting and building code-compliant affordable ADUs; coordinate with non-profit partners to assist in design, application and permitting process
B. Limited coordination between jurisdictions	Assist with sharing best practices and coordination between jurisdictions, e.g. Task Force/planner meetings; Encourage SLOCOG and other regional government organizations to outline best practices in local government rules for ADUs, increasing clarity and process consistency regionally; attempt to get pre-approved plans in multiple jurisdictions, e.g., new regional ADU plan program
C. Coastal Zone challenges--added permit requirements and costs of Coastal Development Permits (CDPs): Coastal Commission considers ADUs new construction/classified as development and therefore not exempt from Local Coastal Plan requirements (including public hearings, appeals, etc.)	Lobby Coastal Commission to support affordable ADU production with streamlined process, e.g., exempting affordable garage conversions and JADUs from CDP requirements; CDP process/cost reduction: Have more cities put exemptions in place so that fewer ADUs are required to go through a Coastal Development permit, e.g. City of San Diego work on exempting ADUs from CDP requirements, which may save 6-9 months and \$16,000 in permit costs
D. Service Districts & adequate capacity for service provision--limited water/sewer capacity & building moratoriums in areas, such as Cambria and Los Osos and need to determine ADU water use and how ADUs can be granted allowances from CSDs with capacity constraints/moratoriums	Assist with creating a process to allow affordable ADUs in resource constrained areas; work with service providers and jurisdictions to measure, monitor and share information about actual resource use and affordable opportunities ADUs present; assist CSDs and jurisdictions with coordinating streamlined process
E. Manufactured ADUs: no pre-certification process for small local factory builders; need for pre-certifications process	Support construction of pre-approved factory produced ADUs made in SLO County to reduce ADU cost and promote County economic vitality. (ADUs could be less expensive if local factory built models were pre-approved by all eight jurisdictions, minimizing cost of permitting, on-site construction & inspections.
F. Confusion between terms: primary, secondary, ADU, JADU, etc. and between currently allowable density of one primary, one ADU and one JADU per residential site	Educate public, planners and policymakers on terms, definitions and allowances; to simplify process & encourage housing provision, consider advocacy toward allowance of three dwelling units of any type per residential site, e.g. Minneapolis



Q: What can jurisdictions do to step up ADU production? Conclusions from this study indicated three (3) factors key to the success of ADU implementation. First, jurisdictions with reformed zoning have increased ADU production. Second, fee exemptions for ADUs encourage homeowners to build. Third, jurisdictions that actively educate homeowners on their ability and options to build, paired with technical assistance, incur a payoff with increased production for minimal staff costs and effort. – [Placeworks study, County of SLO, 2019](#)

3) Funding, Finance & Lending:

CHALLENGE:	SOLUTIONS:
A. Lending challenges: Funding can be difficult to secure to construct ADUs, particularly for lower-income homeowners; future ADU rental income is generally not recognized by the lending system.	Continue work with local banks, credit unions & nonprofits to create ADU loan programs, such as Coast Hills Credit Union ADU loan program, particularly for lower-income homeowners who may not qualify for traditional loans; lobby lenders and loan repurchasers such as Freddie Mac to recognize income-based appraisals for properties with ADUs; connect homeowners to flexible private funding sources, including loans & grants
B. Cost of ADUs: Pre-approved plans and existing models may still be too expensive to construct and rent affordably; need to construct smaller, lower cost ADUs	Continue to explore & promote lower cost types of ADU construction, including garage boxes, garage conversions, pre-approved prefab ADUs and to reduce regulatory/permitting fees
C. Limited funding sources for regional collaborative efforts, including ADU education, outreach, promotional and coordinating activities	Identify costs of various priority action items & funding sources for efficient regional collaborative efforts, such as support for Smart Share Housing Solutions; target economic development funding through regional American Rescue Plan Act funds, planning & housing grants & other sources

4) Technical hang-ups:

CHALLENGE:	SOLUTIONS:
A. Soils: expense of site borings at individual sites;	Accept area standardized soil types on applications
B. Boundary survey expense	Eliminate survey requirements, at least on larger lots, where ADU not near boundaries
C. Septic calculations and allowances	Standardize calculation system; minimize added system requirement for ADUs; allow for waterless waste systems
D. Fire sprinklers: accommodations	Share requirements including Fire Marshall findings that sprinklers are required in ADUs when they are in the primary residence; find ways to maximize fire safety & minimize cost of ADU installation
E. Solar requirements on new construction in CA	Clarify state requirements; assist with standardized low-cost or subsidized systems; grant exemptions when not feasible, e.g. shaded areas without solar access
F. Utility connection fees: challenging & confusing	Reduce permitting and utility connection fees: These added costs can be deal breakers for homeowners on tight budgets (the most onerous fee on ADUs in Seattle is King County's sewer connection charge).

G. Building codes: change yearly, affect pre-approved plans & need to update them	Include yearly recalculation of new building codes into pre-approved ADU plan RFP and contracts
H. RHNA requirements and affordability covenants: term of affordability and means of meeting required affordability terms are uncertain	Find types of affordability requirements that are simple to enact, clear & enforceable, yet flexible & do not deter homeowners from constructing affordable ADUs

5) Ongoing ADU management:

CHALLENGE:	SOLUTIONS:
A. Finding & screening tenants & managing tenant relations can be challenging for many homeowners	Help homeowners with tools, e.g., Smart Share homesharing tools, including screening, matching & monitoring assistance



Q: Are ADUs sustainable by design? Because ADUs are compact, on average they use 40 percent less energy than a typically-sized, single-detached house. Over a home’s lifespan, that’s equivalent to taking nearly 100 cars off the road for a year. Tucking ADUs into existing neighborhoods also supports more walkable, transit-friendly communities, cutting pollution.
—[Sightline Institute](#)



ADU Cost & Return Calculations & Analysis:

A recent author survey of ADU construction quotes and actual construction costs in many areas of California shows that even with lower cost “pre-approved plans” offerings, base studio ADU pricing and actual construction cost is often upwards of \$200,000. A fully financed ADU with 20-year loan @ 4% interest would require monthly payments of approximately \$1212 per month. With studio low-income affordable rent at \$1022, the property owner would be subsidizing the affordable rental. Under such a scenario, if the homeowner is constructing the ADU for income, the homeowner would either not build the ADU or would need to charge above affordable rent.

If, alternatively, the ADU can be constructed for \$100,000, for example, the monthly payment on the same loan would be \$606, allowing for a positive cash flow to the homeowner—even at a low-income

affordable rent. Because the homeowner faces added costs to support the ADU—increased property taxes, insurance, management and maintenance fees—the positive cash flow under this scenario may be only \$200-300 per month.

To fulfill the multi-pronged objective of supporting San Luis Obispo lower income homeowners in need of income, supporting low-income renters and increasing the stock of affordable housing units without government subsidy, it is necessary to find the “sweet spot,” where affordable rents can provide adequate return on investment (ROI). For this reason, authors advocate for focus on lower cost ADU alternatives, including inside existing space JADU conversions, garage conversions and inexpensive prefab factory built pre-approved ADUs, which can provide affordable housing and ROI at levels at upwards of eight percent.

Immediate monetary return on investment may be less of an issue in the future as research may confirm that the ADU adds property value beyond the monetary, time and “hassle factor” cost to construct and manage the ADU tenancy. At this point, the added property value from an ADU is hard to calculate and is uncertain. Homeowners contemplating ADU construction might find an ROI of 12-20 percent more compelling, given project challenges.

Collaboration in SLO County is needed to increase affordable ADU production

“Local innovations are needed to accelerate production beyond new state rules... Most important element of San Diego’s success in moving permits from 16 in 2016 to 800 in 2019: OUTREACH. Get out there and talk to people of all kinds about ADUs.”

—Gary Geiler, Deputy Director for San Diego’s Development Services Division

Next steps:

- Conduct outreach to identify suitable garages for affordable ADU conversion
- Produce and implement a regional model ADU ordinance
- Roll out and publicize ADU loan program(s), including Coast Hills Credit Union program
- Secure funding support for collaborative regional outreach and incentives to meet and exceed goals
- Create toolkit to ensure low and moderate income affordability of ADUs produced

ADDITIONAL RESOURCES

- [Smart Share Housing Solutions: ADU SLO information, mailing list and tools](#)
- [Central Coast Economic Recovery Initiative \(ERI\)](#)
- [Affordable rents and purchase prices SLO County, April 2021](#)
- [Napa Sonoma ADU](#)
- [Monterey Bay HFH ADU projects](#)
- [CA Department of Housing and Community Development \(HCD\) ADU Handbook](#)
- UC Berkeley Turner Center study: [Reaching CA's ADU Potential](#)
- County Placeworks study: [SLO County ADU Market Study Report January 2020](#)
- [ADU California Best Practices collection from around the state](#)
- Regional Housing Elements
 - [City of Morro Bay](#)
 - [City of Arroyo Grande](#)
 - [City of Paso Robles](#)
 - [City of Pismo Beach](#)
 - [County of San Luis Obispo](#)
 - [City of Grover Beach](#)
 - [City of Atascadero](#)
 - [City of San Luis Obispo](#)

Table 7.1: San Luis Obispo Region Housing Needs Share Allocations

Jurisdictions	Total Share	Income Category			
		Very Low	Low	Moderate	Above Moderate
		24.6%	15.5%	18.0%	41.9%
Unincorporated County	3,256	801	505	585	1,365
Arroyo Grande	692	170	107	124	291
Atascadero	843	207	131	151	354
Grover Beach	369	91	57	66	155
Morro Bay	391	97	60	70	164
Paso Robles	1,446	356	224	259	607
Pismo Beach	459	113	71	82	193
San Luis Obispo	3,354	825	520	603	1,406
Regional Total	10,810	2,660	1,675	1,940	4,535
Note: Number of shares represent number of housing units needed					
Source: 2019 San Luis Obispo Council of Governments Regional Housing Needs Allocation Plan					

County of San Luis Obispo Housing Element 2020-28

SLO County ADU Task Force

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May 28, 2021



PRINCIPAL AUTHORS:

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To fill the gap between understaffed local planning departments and homeowners who could benefit from ADU construction, nonprofits are stepping in across California to support outreach, education and coordination of effort around ADU production for their communities. Local affordable housing nonprofit Smart Share Housing Solutions launched ADU SLO in August 2020 to serve as a “one-stop-ADU-shop” to assist residents in designing, permitting, constructing and managing affordable ADUs. Efforts include:

- **Outreach and education:** Website updates, newsletters, presentations and ADU Academy informational videos helping homeowners understand opportunities, navigate the design, planning & construction process and rent units; SLO County ADU Task Force facilitation
- **Technical assistance:** Free feasibility analysis and site visits
- **Design, permitting, and construction assistance:** Linking lower income homeowners to technical help
- **Affordability advocacy:** Assistance targeted to lower income homeowners and renters
- **Lending and finance:** Advocating for lending programs to help fund affordable ADU production, particularly for lower-income homeowners
- **Tenant screening and management assistance:** Helping homeowners manage rentals
- **Research and Innovation:** Finding and sharing best practices for permitting, constructing and managing safe, community-enhancing affordable housing

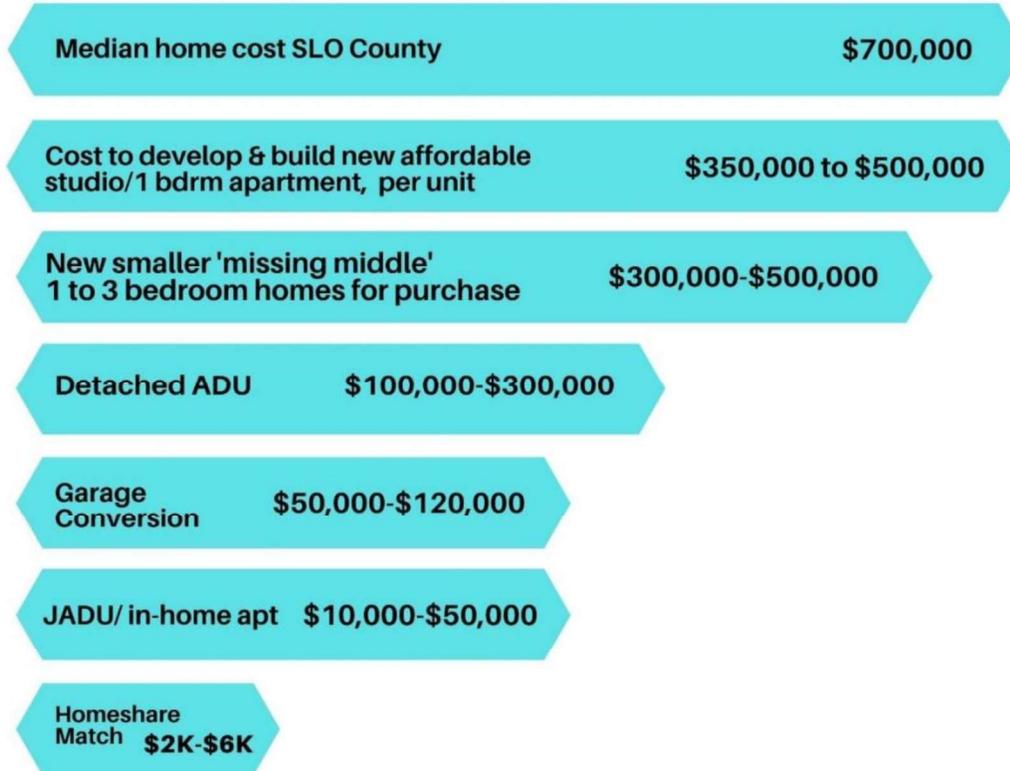
FINDINGS & RECOMMENDATIONS

Summary Proposition:

- High housing costs in SLO county have broad impacts on individuals and communities
- New CA state laws aim to encourage accessory dwelling units (commonly referred to as ADUs) as a key element of improving statewide housing affordability
- SLO County regional housing production projections include approximately 400 ADUs per year from 2020 through 2028 countywide to help meet jurisdictions' mandated housing goals
- Although ADUs provide significant benefits to homeowners, development challenges abound
- Cities and counties around California are finding success with new programs that support ADU development
- To leverage opportunity, the nonprofit Smart Share Housing Solutions ADU SLO program offers education, outreach and technical support to community members and facilitates the SLO County ADU Task Force, a collaborative advisory group, formed to support regional efforts to meet and exceed ADU production goals

Need & Opportunity:

Housing challenges impact a wide range of San Luis Obispo County residents—from extremely-low-income earners to middle-income workers who struggle to pay for rental housing or purchase modest starter homes to an increasing number of single seniors attempting to survive on limited social security benefits. Employers have difficulties attracting, hiring and retaining qualified employees due to high local housing costs. ADUs can be part of the solution toolbox, particularly for smaller households of single persons or two persons which describe more than sixty percent of San Luis Obispo County households. ADUs are affordable, cost far less to construct than comparable types of affordable housing, provide a diverse, flexible and inclusive housing option within the fabric of existing neighborhoods, and assist with aging in place by providing downsizing options within the neighborhood network. Additionally, they can provide extra income necessary for homeowners struggling to maintain their homes or security and a place for family members or caregivers to stay. Although ADUs may not provide a direct step out of homelessness, ADU provision can be integral to homeless prevention, as a form of added low-cost housing, which can keep San Luis Obispo County residents, now on the edge, from becoming homeless.

Cost Comparison:

Q: What do homeowners use their ADUs for? A survey of 800 California homeowners who built ADUs finds that about half (51%) serve as income-generating rental units. Only 16% went to a relative of the homeowner. Very few backyard apartments (8%) wind up being used for short-term rentals such as Airbnb. Singles and couples account for most ADU occupants in California (86% in the survey); school-aged children (11%) and senior citizens (15%) represent fairly small slices of this population. Adopting measures that assist low resource homeowners with procuring ADU financing could support more equitable access to ADU development in the region. – Chapple, Turner Center report (October 2020)

ADUs offer these additional benefits to the community and individual households:

- **Market solution:** No government mandates or subsidies are required.
- **Economic development:** Construction, design, engineering and trades employ a local workforce while ADUs provide housing for this same workforce as well as the potential to provide extra income for struggling homeowners, which has local economy multipliers.
- **Environmental benefit:** Small housing requires less resource than traditional larger housing units to build and maintain. Infill housing on existing lots utilizes existing infrastructure, such as sewer, water, electrical infrastructure and roads. Further, ADUs near jobs can reduce commute distances.
- **Community benefit:** Communities win through homeless prevention and decreased demand for other social service programs



ADU Regional production estimates summary:

As Table I demonstrates, approximately 400 ADUs are anticipated to be constructed per year countywide, totaling 3,255 over the current housing element cycle, with approximately half designated to be moderate-income affordable and half low-income affordable. With the exception of the City of San Luis Obispo, where ADUs are anticipated to comprise only 26% of low-income affordable housing, the other seven regional jurisdictions heavily rely on ADUs to meet or exceed their moderate and low-income housing requirements.

Table I: SLO County 8 jurisdiction Housing Element ADU projections 2020-28:

	Total anticipated ADUs 2020-28	Total/year (Total/9 years)	MODERATE affordable ADU: \$1873 studio; \$2141 1-bed	Total RHNA required Moderate	% Moderate ADU of RHNA requirement	LOW Income Affordable ADU \$1022 studio; \$1168 1-bed	Total RHNA Required low Income	Percent LOW Income ADU of RHNA requirement
County	1665	185	566	585	96%	832	505	165%*
City of SLO	270	30	0	603	0	135	520	26%
Morro Bay	207	23	104	54	192%	103	14	735%
Paso Robles	405	45	202	259	78%	203	22	922%
Atascadero	225	25	113	151	75%	112	131	85%
Grover Beach	180	20	60	66	91%	90	57	158%
Arroyo Grande	236	26	116	124	93%	120	107	112%
Pismo Beach	67	7	34	82	41%	33	71	46%
Totals	3,255	361	1195	1924	62%	1628	1427	114%

*Includes also some estimated very-low-income ADUs



Q: What did San Diego do to make the process easier and enable more ADUs?

Streamlined processing: Dedicated team for ADUs receives regular training and reviews for consistent enforcement of rules; online portal for permit applications, with rapid review for ADU and JADU permits, beginning with a virtual counter appointment with a team member. Site map, plans, address submitted ahead of time for staff review. Rapid review priority includes same day review by Structural, Building Division and Historic; Goal: Get to YES.

Setbacks and other restrictions eliminated: no minimum building distance for ADUs; allows 1200 sq. ADUs; No setbacks on sides or rear—full encroachment up to property line okay on all stories of ADUs. An ADU attached to the primary residence must comply with the required main building setbacks; Height limit defaults to zoning max—usually 30'. ADU height limit of 16' eliminated.

Parking: allowed in setbacks; no parking required for any ADU.

Fees: reduced from avg \$20-25K to \$2K-\$5K for plan check fee, inspection fee, fire inspection fee. Plus, water and sewer capacity fees. Development fees, mapping, general plan fees waived; Existing structures (attached/detached) converted to CUs with the appropriate meter size are not subject to additional water/sewer fees.

No rentals less than 30 days

[ADU California Best Practices page](#) collects what's working

Addressing Barriers to Building ADUs:

Studies report multiple production barriers for homeowners: lack of awareness; confusion around design, planning & permit process; uncertainty around project costs, obtaining financing & return on investment; and concerns about being a landlord. In some areas, ADUs have become short-term rentals (e.g. Airbnbs) as opposed to housing units. The Task Force supports the prohibition of ADUs as short-term rentals (<30 day).

1) Lack of public understanding of opportunities for ADUs:

CHALLENGE:	SOLUTIONS:
A. Lack of public awareness about opportunities and process	Outreach & Education: Conduct ADU tours to raise awareness about types of ADUs and share design and construction information; conduct public workshops/informational videos; offer site feasibility visits & individual consulting; share information about alternatives--garage boxes, prefabs and other innovative conceptual ideas; support regional efforts, such as Smart Share ADU SLO and ADU Task Force
B. Lack of policymaker awareness about opportunities and constraints	Conduct municipal presentations to share opportunities and ideas; promote best practice sharing and interagency communication; host ADU Summit
C. Lack of understanding of environmental benefits over other types of housing	Monitor, report, quantify & share resource savings, including water savings, VMT, energy use and reduction in costs compared greenfield expansion of infrastructure

2) Design, Planning, Constructing & Permitting for ADUs

CHALLENGE:	SOLUTIONS:
A. Jurisdictional “compliant” vs. “helpful” and permitting processing complexity	Ensure all eight regional jurisdictions are state code compliant and assist with expedited processing efforts; promote user-friendly digital applications and approvals process; promote free, accessible ADU pre-approval meetings to promote a successful application process; provide a ‘fast pass’ certification or process for industry professionals with experience in permitting and building code-compliant affordable ADUs; coordinate with non-profit partners to assist in design, application and permitting process
B. Limited coordination between jurisdictions	Assist with sharing best practices and coordination between jurisdictions, e.g. Task Force/planner meetings; Encourage SLOCOG and other regional government organizations to outline best practices in local government rules for ADUs, increasing clarity and process consistency regionally; attempt to get pre-approved plans in multiple jurisdictions, e.g., new regional ADU plan program
C. Coastal Zone challenges--added permit requirements and costs of Coastal Development Permits (CDPs): Coastal Commission considers ADUs new construction/classified as development and therefore not exempt from Local Coastal Plan requirements (including public hearings, appeals, etc.)	Lobby Coastal Commission to support affordable ADU production with streamlined process, e.g., exempting affordable garage conversions and JADUs from CDP requirements; CDP process/cost reduction: Have more cities put exemptions in place so that fewer ADUs are required to go through a Coastal Development permit, e.g. City of San Diego work on exempting ADUs from CDP requirements, which may save 6-9 months and \$16,000 in permit costs
D. Service Districts & adequate capacity for service provision--limited water/sewer capacity & building moratoriums in areas, such as Cambria and Los Osos and need to determine ADU water use and how ADUs can be granted allowances from CSDs with capacity constraints/moratoriums	Assist with creating a process to allow affordable ADUs in resource constrained areas; work with service providers and jurisdictions to measure, monitor and share information about actual resource use and affordable opportunities ADUs present; assist CSDs and jurisdictions with coordinating streamlined process
E. Manufactured ADUs: no pre-certification process for small local factory builders; need for pre-certifications process	Support construction of pre-approved factory produced ADUs made in SLO County to reduce ADU cost and promote County economic vitality. (ADUs could be less expensive if local factory built models were pre-approved by all eight jurisdictions, minimizing cost of permitting, on-site construction & inspections.
F. Confusion between terms: primary, secondary, ADU, JADU, etc. and between currently allowable density of one primary, one ADU and one JADU per residential site	Educate public, planners and policymakers on terms, definitions and allowances; to simplify process & encourage housing provision, consider advocacy toward allowance of three dwelling units of any type per residential site, e.g. Minneapolis



Q: What can jurisdictions do to step up ADU production? Conclusions from this study indicated three (3) factors key to the success of ADU implementation. First, jurisdictions with reformed zoning have increased ADU production. Second, fee exemptions for ADUs encourage homeowners to build. Third, jurisdictions that actively educate homeowners on their ability and options to build, paired with technical assistance, incur a payoff with increased production for minimal staff costs and effort. – [Placeworks study, County of SLO, 2019](#)

3) Funding, Finance & Lending:

CHALLENGE:	SOLUTIONS:
A. Lending challenges: Funding can be difficult to secure to construct ADUs, particularly for lower-income homeowners; future ADU rental income is generally not recognized by the lending system.	Continue work with local banks, credit unions & nonprofits to create ADU loan programs, such as Coast Hills Credit Union ADU loan program, particularly for lower-income homeowners who may not qualify for traditional loans; lobby lenders and loan repurchasers such as Freddie Mac to recognize income-based appraisals for properties with ADUs; connect homeowners to flexible private funding sources, including loans & grants
B. Cost of ADUs: Pre-approved plans and existing models may still be too expensive to construct and rent affordably; need to construct smaller, lower cost ADUs	Continue to explore & promote lower cost types of ADU construction, including garage boxes, garage conversions, pre-approved prefab ADUs and to reduce regulatory/permitting fees
C. Limited funding sources for regional collaborative efforts, including ADU education, outreach, promotional and coordinating activities	Identify costs of various priority action items & funding sources for efficient regional collaborative efforts, such as support for Smart Share Housing Solutions; target economic development funding through regional American Rescue Plan Act funds, planning & housing grants & other sources

4) Technical hang-ups:

CHALLENGE:	SOLUTIONS:
A. Soils: expense of site borings at individual sites;	Accept area standardized soil types on applications
B. Boundary survey expense	Eliminate survey requirements, at least on larger lots, where ADU not near boundaries
C. Septic calculations and allowances	Standardize calculation system; minimize added system requirement for ADUs; allow for waterless waste systems
D. Fire sprinklers: accommodations	Share requirements including Fire Marshall findings that sprinklers are required in ADUs when they are in the primary residence; find ways to maximize fire safety & minimize cost of ADU installation
E. Solar requirements on new construction in CA	Clarify state requirements; assist with standardized low-cost or subsidized systems; grant exemptions when not feasible, e.g. shaded areas without solar access
F. Utility connection fees: challenging & confusing	Reduce permitting and utility connection fees: These added costs can be deal breakers for homeowners on tight budgets (the most onerous fee on ADUs in Seattle is King County's sewer connection charge).

G. Building codes: change yearly, affect pre-approved plans & need to update them	Include yearly recalculation of new building codes into pre-approved ADU plan RFP and contracts
H. RHNA requirements and affordability covenants: term of affordability and means of meeting required affordability terms are uncertain	Find types of affordability requirements that are simple to enact, clear & enforceable, yet flexible & do not deter homeowners from constructing affordable ADUs

5) **Ongoing ADU management:**

CHALLENGE:	SOLUTIONS:
A. Finding & screening tenants & managing tenant relations can be challenging for many homeowners	Help homeowners with tools, e.g., Smart Share homesharing tools, including screening, matching & monitoring assistance



Q: Are ADUs sustainable by design? Because ADUs are compact, on average they use 40 percent less energy than a typically-sized, single-detached house. Over a home’s lifespan, that’s equivalent to taking nearly 100 cars off the road for a year. Tucking ADUs into existing neighborhoods also supports more walkable, transit-friendly communities, cutting pollution.
—[Sightline Institute](#)



ADU Cost & Return Calculations & Analysis:

A recent author survey of ADU construction quotes and actual construction costs in many areas of California shows that even with lower cost “pre-approved plans” offerings, base studio ADU pricing and actual construction cost is often upwards of \$200,000. A fully financed ADU with 20-year loan @ 4% interest would require monthly payments of approximately \$1212 per month. With studio low-income affordable rent at \$1022, the property owner would be subsidizing the affordable rental. Under such a scenario, if the homeowner is constructing the ADU for income, the homeowner would either not build the ADU or would need to charge above affordable rent.

If, alternatively, the ADU can be constructed for \$100,000, for example, the monthly payment on the same loan would be \$606, allowing for a positive cash flow to the homeowner—even at a low-income

affordable rent. Because the homeowner faces added costs to support the ADU—increased property taxes, insurance, management and maintenance fees—the positive cash flow under this scenario may be only \$200-300 per month.

To fulfill the multi-pronged objective of supporting San Luis Obispo lower income homeowners in need of income, supporting low-income renters and increasing the stock of affordable housing units without government subsidy, it is necessary to find the “sweet spot,” where affordable rents can provide adequate return on investment (ROI). For this reason, authors advocate for focus on lower cost ADU alternatives, including inside existing space JADU conversions, garage conversions and inexpensive prefab factory built pre-approved ADUs, which can provide affordable housing and ROI at levels at upwards of eight percent.

Immediate monetary return on investment may be less of an issue in the future as research may confirm that the ADU adds property value beyond the monetary, time and “hassle factor” cost to construct and manage the ADU tenancy. At this point, the added property value from an ADU is hard to calculate and is uncertain. Homeowners contemplating ADU construction might find an ROI of 12-20 percent more compelling, given project challenges.

Collaboration in SLO County is needed to increase affordable ADU production

“Local innovations are needed to accelerate production beyond new state rules... Most important element of San Diego’s success in moving permits from 16 in 2016 to 800 in 2019: OUTREACH. Get out there and talk to people of all kinds about ADUs.”

—Gary Geiler, Deputy Director for San Diego’s Development Services Division

Next steps:

- Conduct outreach to identify suitable garages for affordable ADU conversion
- Produce and implement a regional model ADU ordinance
- Roll out and publicize ADU loan program(s), including Coast Hills Credit Union program
- Secure funding support for collaborative regional outreach and incentives to meet and exceed goals
- Create toolkit to ensure low and moderate income affordability of ADUs produced

ADDITIONAL RESOURCES

- [Smart Share Housing Solutions: ADU SLO information, mailing list and tools](#)
- [Central Coast Economic Recovery Initiative \(ERI\)](#)
- [Affordable rents and purchase prices SLO County, April 2021](#)
- [Napa Sonoma ADU](#)
- [Monterey Bay HFH ADU projects](#)
- [CA Department of Housing and Community Development \(HCD\) ADU Handbook](#)
- UC Berkeley Turner Center study: [Reaching CA's ADU Potential](#)
- County Placeworks study: [SLO County ADU Market Study Report January 2020](#)
- [ADU California Best Practices collection from around the state](#)
- Regional Housing Elements
 - [City of Morro Bay](#)
 - [City of Arroyo Grande](#)
 - [City of Paso Robles](#)
 - [City of Pismo Beach](#)
 - [County of San Luis Obispo](#)
 - [City of Grover Beach](#)
 - [City of Atascadero](#)
 - [City of San Luis Obispo](#)

Table 7.1: San Luis Obispo Region Housing Needs Share Allocations

Jurisdictions	Total Share	Income Category			
		Very Low	Low	Moderate	Above Moderate
		24.6%	15.5%	18.0%	41.9%
Unincorporated County	3,256	801	505	585	1,365
Arroyo Grande	692	170	107	124	291
Atascadero	843	207	131	151	354
Grover Beach	369	91	57	66	155
Morro Bay	391	97	60	70	164
Paso Robles	1,446	356	224	259	607
Pismo Beach	459	113	71	82	193
San Luis Obispo	3,354	825	520	603	1,406
Regional Total	10,810	2,660	1,675	1,940	4,535
Note: Number of shares represent number of housing units needed					
Source: 2019 San Luis Obispo Council of Governments Regional Housing Needs Allocation Plan					

County of San Luis Obispo Housing Element 2020-28