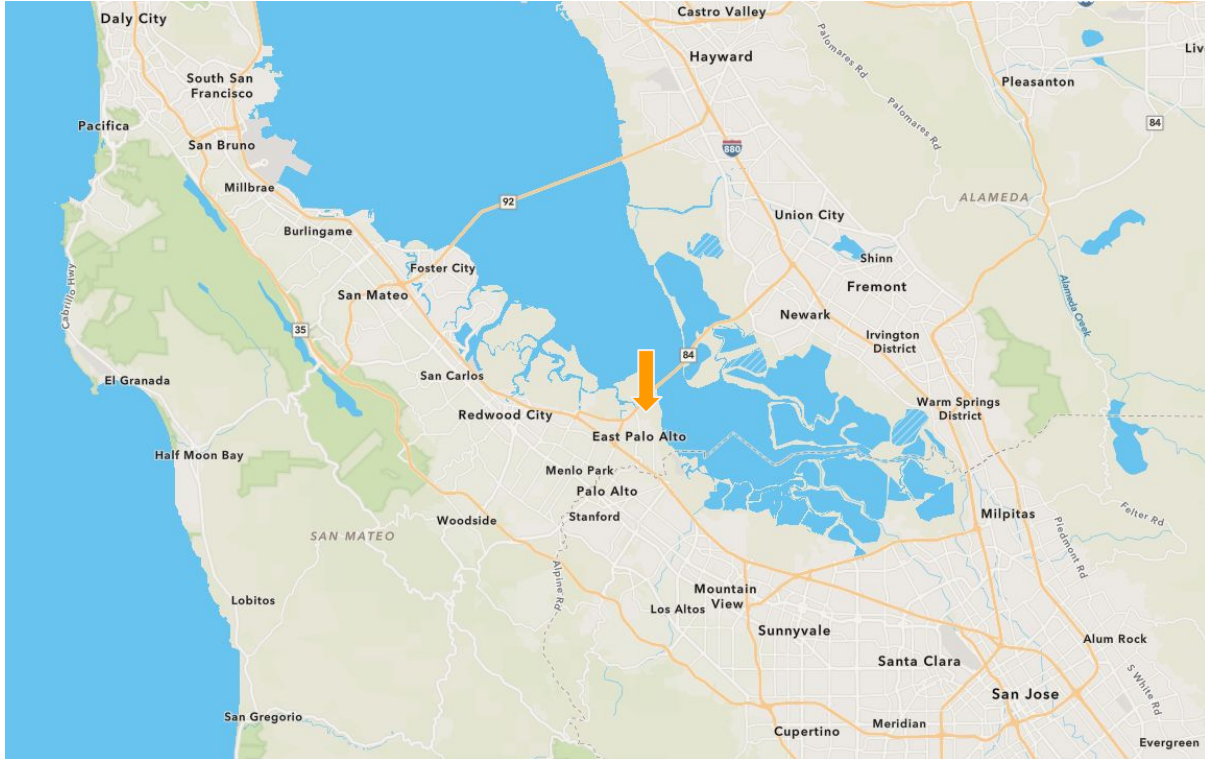


Breaking Down Barriers to Racial & Economic Equity in Access to ADU Construction

**Policy in Action
Affordable Housing Month**

May 19, 2023

East Palo Alto



About EPACANDO

- Community development corporation (CDC) formed in 1991
- Steward responsible community development
- Co-developed 75% of affordable housing in the East Palo Alto



Second Unit Task Force in East Palo Alto



*Informal-housing crackdown leads to dozens of evictions

East Palo Alto landlords, tenants ask City Council for a moratorium on condemnations

by Sue Dremann / Palo Alto Weekly

Uploaded: Fri, Sep 9, 2016, 7:37 am
Time to read: about 6 minutes



Nearly 40 East Palo Alto families in recent months have been turned out of their rental homes with as little as 10 days notice due to a recent citywide crackdown on illegal housing. In response, more than 100 tenants, landlords and their supporters begged the East Palo Alto City Council on Tuesday night to invoke an emergency moratorium against the red-tagging of homes.

The crowd, which was backed

SLIDESHOW



Concerned renters and landlords speak to the East Palo Alto City Council Tuesday, urging council members to place a moratorium on evictions due to housing code violations. Photo by Sue Dremann.

2016

- “Ramp up” of code enforcement (building and safety codes) resulted in an estimated 52 people put out of informal or substandard second units
- Report: “*Community White Paper Legalizing Accessory Dwelling Units in East Palo Alto -- A Vision for a Long-Term Solution*” advocating for an amnesty program and education program for landlords and tenants
- Creation of the Second Unit Task Force

Second Unit Task Force in East Palo Alto



2016-2019

- Took on legalization projects, mostly garage conversions
- Concluded with recommendations to support ADUs
- Efforts are ongoing within the EPA-ADU Workgroup, comprised of: City of EPA, EPACANDO, City Systems, and Soup
- 2020 California State Laws Updates

STRATEGIES	ACTIONS	STRATEGIES	ACTIONS
1. Outreach Campaign	Multilingual community outreach program	7. Regulatory Reform	Updated local ADU ordinance
	Written handouts, outreach/training activities		Bedroom conversion standards
2. Support System	Case manager position at a nonprofit to assist both tenants and homeowners		Revisiting requirements for units in the floodplain
3. Amnesty Program	EPA Amnesty Program, modeled after San Mateo County's pilot		Fee structure reform
			Density rules for single-family properties
4. Tenant Protections	Suspension of code enforcement during legalization process		Inclusionary housing ordinance in-lieu fee
	Emergency Tenancy Ordinance	8. Vehicle Management	Increased front yard parking
	Temporary relocation assistance program		Residential parking permit program
	Permanent relocation expense program		Shared parking on commercial lots
5. Temporary Housing	Master leasing		Improved transit and transit-oriented development
	Homesharing	Guidelines for RV parking and utilities	
	Faith community support	9. Workforce Development	Community hiring hall
	County shelter partnership		City employee career path
6. ADU Accelerator	ADU project development assistance		ADU Accelerator jobs
	Bi-weekly, multi-department design review	10. Financial Resources	Grant funding for program support
	Alternatives to professional appraisal		Fund for early project management
	Study of possible prescriptive engineered foundation options		Revolving loan fund for ADU construction
	Credit card payment option		
		Addressed to some degree	In progress

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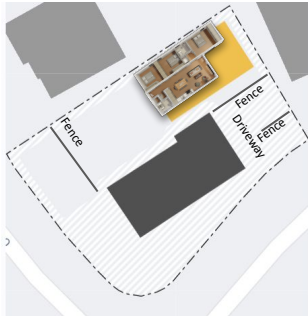
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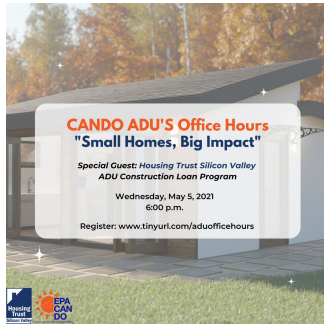
CANDO ADU Program



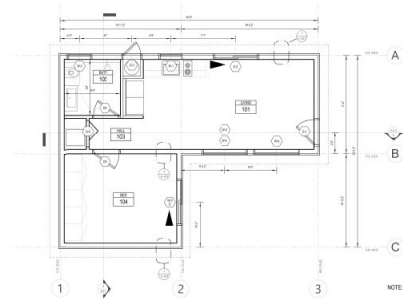
Lot Assessment



Financing



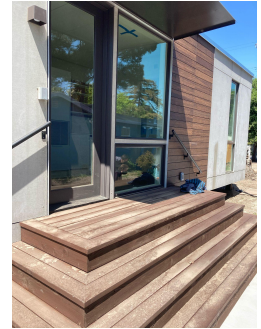
Plans & Permits



Construction



Lease Up



Support Approach

Physical:

- What is physically possible?
- What are the existing uses of the space?

Life:

- What is the motivation?
- How can a multigenerational household gather and make a decision?

Financial:

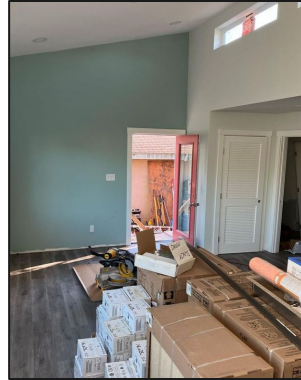
- Can you access your equity?
- Does the household share debt?



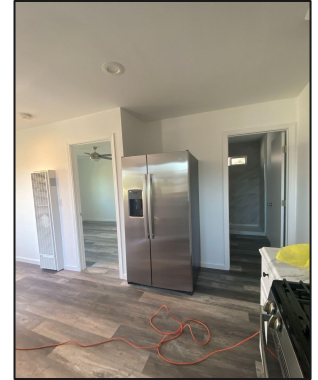
Class of 2022



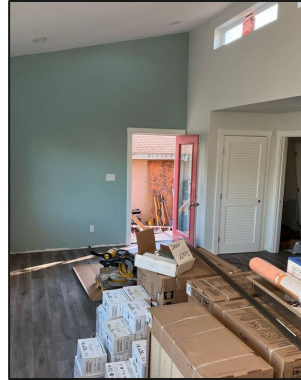
1 bd 1ba | 541 sq ft
detached ADU



1 bd 1ba | 486 sq ft
attached ADU

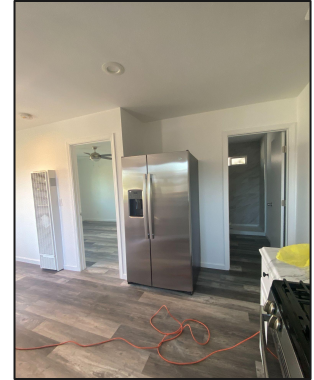


Class of 2022



1 bd 1ba | 541 sq ft
detached ADU

Cost: \$300,000



1 bd 1ba | 486 sq ft
attached ADU

Cost: \$230,000

Community Revolving Loan Fund

Why:

ADU financing is disproportionately unattainable to low-income homeowners of color in their respective communities. Even homeowners with substantial equity in their homes can find it incredibly difficult to access traditional lending sources.

What we hope to accomplish:

1. 1-3 year loans with the option to roll over into a 5 to 25-year loan
2. Homeowner agrees to deed-restrict the unit for a low-income household for the duration of the loan

Backyard Lease Model

Who it can help:

Homeowners who are not currently in a situation to access conventional mortgage financing but could become “bankable” in a few years.


How it works:

1. EPACANDO funds and builds an ADU on a homeowner’s property
2. The ADU is rented out to an income-qualified household
3. The rent is split between EPACANDO and the homeowner
4. Once EPACANDO recoups the development cost, ownership of the ADU is transferred to the homeowner, and the funds revolve to fund another ADU.

Pilot Projects



CalHome Loan

 DEPARTMENT OF HOUSING & COMMUNITY DEVELOPMENT CALHOME GENERAL November 27, 2019, amended December 23, 2019 and February 5, 2020 Final Point Score and Awardee List					
Applicant	Applicant Activity	County	Final Point Score	Amount Requested	Amount Awarded
Habitat for Humanity Greater San Francisco, Inc.	Homeownership Project Development Loan	San Mateo	96	\$1,200,000	\$1,200,000
Habitat for Humanity Greater San Francisco, Inc.	Technical Assistance for Self-Help Housing Projects	San Francisco	94	\$300,000	\$300,000
San Diego Habitat for Humanity, Inc.	Homeownership Project Development Loan	San Diego	94	\$1,000,000	\$1,000,000
Citadel Community Development Corporation	Homeownership Project Development Loan	San Bernardino	93	\$5,000,000	\$5,000,000
Habitat for Humanity of Greater Sacramento, Inc.	Technical Assistance for Self-Help Housing Projects	Sacramento	93	\$240,090	\$240,090
Community Housing Development Corporation North Richmond	Homeownership Project Development Loan	Contra Costa	92	\$500,000	\$500,000
City of Bell Gardens	First-Time Homebuyer Mortgage Assistance & Owner Occupied Rehabilitation	Los Angeles	91	\$3,450,000	\$3,450,000
Habitat for Humanity of Greater Los Angeles	Homeownership Project Development Loan	Los Angeles	91	\$2,000,000	\$2,000,000
Habitat for Humanity of Greater Sacramento, Inc.	First-Time Homebuyer Mortgage Assistance	Sacramento	91	\$1,760,000	\$1,760,000
Self-Help Enterprises	First-Time Homebuyer Mortgage Assistance	Tulare	91	\$2,734,000	\$2,734,000
City of La Puente	Owner Occupied Rehabilitation	Los Angeles	89	\$600,000	\$600,000
Self-Help Enterprises	Homeownership Project Development Loan & Technical Assistance for Self-Help Housing Projects	Tulare	89	\$2,266,000	\$2,266,000
The Long Beach Community Investment Company	First-Time Homebuyer Mortgage Assistance & Owner Occupied Rehabilitation	Los Angeles	89	\$4,940,000	\$4,940,000
Habitat for Humanity Monterey Bay	First-Time Homebuyer Mortgage Assistance & Accessory/Junior Accessory Dwelling Units	Santa Cruz	88	\$2,210,000	\$2,210,000
Citadel Community Development Corporation	First-Time Homebuyer Mortgage Assistance	San Bernardino	87	\$5,000,000	\$5,000,000
Habitat for Humanity Greater San Francisco, Inc.	First-Time Homebuyer Mortgage Assistance	San Francisco	87	\$3,400,000	\$3,400,000
San Gabriel Valley Habitat for Humanity	First-Time Homebuyer Mortgage Assistance	Los Angeles	87	\$5,000,000	\$5,000,000
City of East Palo Alto	Accessory/Junior Accessory Dwelling Units	San Mateo	86	\$2,000,000	\$2,000,000
Smart Share Housing Solutions, Inc.	Technical Assistance for Shared Housing Program	San Luis Obispo	86	\$150,000	\$150,000
Coachella Valley Housing Coalition	First-Time Homebuyer Mortgage Assistance	Riverside	85	\$990,000	\$990,000
NHS Neighborhood Lending Services	First-Time Homebuyer Mortgage Assistance & Owner Occupied Rehabilitation	Los Angeles	85	\$5,000,000	\$5,000,000

A \$2 million CalHome award from the California Department of Housing and Community Development (HCD)



To provide income-qualified East Palo Alto households gap loans for their ADU/JADU projects, in exchange for renting the unit to an income-qualified household

Barriers to CalHome Loan

- **Majority of income-qualified borrowers are code enforcement cases**
 - No legalization process or amnesty program
- **Can not access additional funding due to:**
 - Limited financial capacity
 - Not documenting rental income
 - Sharing debt/liabilities with others
- **Rising costs and inflation**
 - All phases of project development affected
- **It's a household decision**
 - Weighing the pros and cons

Eliminating Barriers

- **Updating Loan Guidelines**
 - Increasing the loan amount for all ADU projects to the maximum loan amount allowed
 - Remove the debt-to-ratio requirement
- **Code Amendments Late Summer/Early Fall 2023**
 - Reducing setback requirements
 - Shorter, streamlined process
 - City pre-approved ADU model plans
 - Waiving or reducing permit processing fees
 - Waiving or reducing development impact fees

What Your Jurisdiction Can Do

- Streamline internal ADU permitting process
- Expedite policies and programs that lower barriers
- Advocate for regional and state policies and programs
- **Empower community-based organizations to lead on outreach and individualized support**