

ACCESSORY DWELLING UNITS AS AFFORDABLE HOUSING

POLICY SUGGESTIONS FOR LOS ANGELES

A comprehensive project submitted in partial satisfaction of the requirements for the degree of Master of Urban and Regional Planning.

PREPARED BY

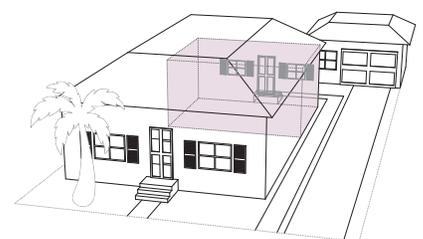
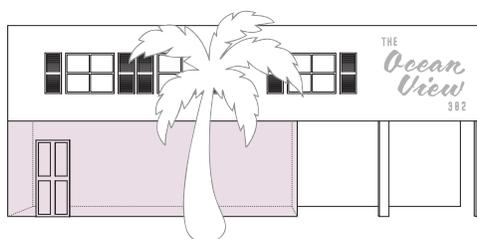
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Disclaimer

This report was prepared in partial fulfillment of the requirements for the Master in Urban and Regional Planning degree in the Department of Urban Planning at the University of California, Los Angeles. It was prepared at the direction of the Department and of LA-Más, a non-profit urban design firm acting as my planning client. The views expressed herein are those of the authors and not necessarily those of the Department, the UCLA Luskin School of Public Affairs, UCLA as a whole, or the client.

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0. EXECUTIVE SUMMARY

California Senate Bill 1069 has allowed for the by-right construction of Accessory Dwelling Units (ADUs) across the state. In discussions with my client, LA-Más, we identified a gap in the existing policy research about ADUs and their relationship to affordable housing that I target in this report. I am specifically interested in low income renters and their continued ability to rent ADUs in Los Angeles with an expanded ADU policy. Advocacy for affordability in ADUs has typically prioritized the costs to the homeowner, by focusing on the costs of construction and permitting. While these factors can certainly contribute indirectly to the affordability of the rental units, the focus of my report is on policies that directly affect the renter. My broad research question is thus “Under what policy conditions can ADUs be made affordable to low income renters?” While the City of Los Angeles is rewriting its ADU policy to be in line with new state standards, the timing is ideal to adopt policies that allow these new units to be affordable to low income renters, not just more affordable by contributing to a more robust market, but also measurably affordable at less than 30% of the renters income according to affordable housing best practices. The opportunity for construction of these units is in its prime, with most parcels that could support a unit yet to construct them.

My research was conducted through two sets of case studies. The first set examined existing low income housing policies, in which I identified current affordable housing programs and the opportunities to integrate them with a municipal ADU policy. I then looked at other California cities with developed ADU programs that Los Angeles could learn from, as well as Los Angeles’ new Unapproved Dwelling Unit policy. From these case studies, I pulled out the applicable policy tools from each jurisdiction that could have an impact on the affordability of ADUs permitted in Los Angeles, should a similar tool be included. I used these conclusions, with reference to the urban form and housing market of the city, to create policy proposals for the City of Los Angeles.

My recommendations seek to maintain the unique benefits that ADUs contribute to neighborhoods and homeowners while advocating for access to these units by low income renters. I propose policies for single-family and multi-family residential zones, as well as proposals for how to engage directly with existing affordable housing programs. My recommendations for single-family homes encourage flexibility in construction and a limitation on short-term rentals. For multi-family buildings, I identify a gap in existing

policy that means buildings which did not illegally build ADUs are currently the only multi-family properties denied the opportunity to use a density bonus. Additionally, I recommended policies from San Francisco for multi-family buildings that have been effective at increasing the number of units constructed and bringing some of these units under rent control, such as a seismic retrofitting bonus. Finally, I look at ways to better tie ADUs into existing affordable housing programs by creating Section 8 incentives specifically for ADU owners, as well as encouraging LIHTC to be used for multi-family buildings adding units.

The opportunity is prime to adopt affordable housing strategies within an Accessory Dwelling Unit policy, both in Los Angeles and state-wide as cities update their municipal ordinances to be in line with the new by-right regulations. There are a range of potential policies that could be included in municipal policies to strengthen ADUs as a housing resource for low income populations currently possible.

1. INTRODUCTION

As of 2017, the California State Legislature has legalized the by-right construction of Accessory Dwelling Units (ADUs) across the state. Despite their restricted legal status until the early 2000s, ADUs have played a large role in California's contemporary housing market, providing one of the most affordable forms of housing for low income renters in both their legal and illegal forms. To ensure ADUs continue to be a housing resource for these renters, especially during the current housing crisis, I am interested in what policy options a city ought to include in its municipal ADU legislation to keep units affordable. This research regarding existing ADU legislation and affordable housing policies is topical as new regulations regarding ADUs are currently under review in the City of Los Angeles. Los Angeles' proposed ADU policy can learn from these existing policies to pass a framework which could produce an increased number of ADUs that ensure continued affordability to a low income renter.

The topic of ADUs has been a primary focus of my graduate education. Having studied and lived in the City of Vancouver for many years, the success of their basement suite and laneway home models inscribed in me a belief that ADUs are a necessary policy for urban cities, especially those with both a housing crisis and large numbers of single family homes. Already an advocate for ADUs, I worked in the summer of 2016 as an intern for the City of San Francisco, marketing their new Accessory Dwelling Unit policy. This was just prior to the passing of the new state legislation and their municipal policy was preparing to expand city-wide. In this role, I translated the new ADU policy from its legal language in the municipal code to videos and fact sheets, making the policy accessible to multiple audiences, such as home-owners, landlords, and contractors. I bring my

background in Vancouver and San Francisco to this research.

LA-Más has identified a gap in the existing policy research that I target in this report.

My project is supported by LA-Más, an LA non-profit which is working on advancing ADUs as a viable housing strategy that can increase housing stock, support housing diversity, and provide a new strategy for affordable housing in Los Angeles. LA-Más has identified a gap in the

existing policy research that I target in this report. I am specifically interested in low income renters and their continued ability to rent ADUs in Los Angeles. I am focused on impacts of newly constructed ADUs with legal permits on overall ADU affordability, as the number of units available in the rental market is set to increase with State Senate Bill (SB) 1069s by-right allowance of ADUs.

My interest is specifically the effects of the ADU requirements that the City of Los Angeles adds above the required state regulations, rather than other tactics for decreasing ADU costs such as low-cost construction techniques or improving financing for those looking to construct units. Advocacy for affordability in ADUs has typically prioritized the costs to the homeowner, by focusing on the costs of construction and permitting. While these factors contribute indirectly to the affordability of the rental units, the focus of my report is on policies that directly affect the renter.

My report defines an affordable ADU as one available for rent by a low income renter at 30% of their income. ADU legislation, including SB 1069, typically refers to the construction of ADUs as a ‘contribution to affordable housing’. ADUs are often assumed to be naturally more affordable as they are an inherently secondary, less desirable unit and are less expensive to build due to the lack of associated land costs. However, ADUs are not ensured to have below-market rental rates and a ‘more affordable’ form of housing does not necessarily correlate with availability to low income renters. I define affordability for ADUs as the availability to rent by low income communities who would traditionally be able to access support for housing through government subsidy, such as the federal programs I examine in my research. I use a metric of less than 30% of a household income spent on rent as “affordable”. This definition is expanded upon in my literature review in Section 3.b.

My broad research question is thus “Under what policy conditions can ADUs be made affordable to low income renters?”

My report first provides a history of ADUs in California and Los Angeles in Section 2. I then introduce the current Los Angeles ADU proposal and the challenges facing it’s passing. Next, I discuss the housing market in Los Angeles– it’s history of informal units, it’s standard urban forms, and it’s growing housing crisis. Having set the context for Los Angeles, my literature review in Section 3 turns to affordability. What does housing

affordability mean in the context of this report and how are ADUs traditionally related to affordability? I also look at the literature on trends in the ADU market and the historical relationship between legal and illegal ADUs. After setting this content, my broad research question is “Under what policy conditions can ADUs be made affordable to low income renters?” My research takes two approaches:

1) In Section 4 I investigate what best-practices from other areas of low income housing programs could be co-opted for Accessory Dwelling Unit policy. I analyze policy and program opportunities that already exist for low income housing to find similar ways to create an incentive system for ADUs. By looking at Section 8 vouchers, Low Income Housing Tax Credits, and public housing policy, best-practices for low income renters in ADU policy can be designed that integrate with these current models. I also look at the community land trust model, such as that used by T.R.U.S.T. South LA.

2) In Section 5 I provide in-depth case studies from two other California cities whose ADU policies focus on affordability, San Francisco and Santa Monica. Both cities’ policies conform to the newly passed State standards, and their governments approach their policies to maximize ADU affordability and zoning access. Additionally, I examine LA’s existing policy to legalize informal ADUs.

Based on my analysis of these federal programs and related case studies, I recommend a set of policies for Los Angeles to improve the affordability of their proposed ADU ordinance. This comprises Section 6 of my report. My recommendations seek to maintain the unique benefits that ADUs contribute to neighborhoods and homeowners, while advocating for access to these units by low income renters. I propose policy in three areas: 1) opportunities in single-family home areas 2) opportunities in multi-family developments, and 3) opportunities for integration with existing affordable housing policy. I conclude in Section 7 by addressing the limitations of my research and future possibilities for expanding the relationship between federal affordable housing programs and ADU policy.

2. BACKGROUND

California is often referred to as a leader in Accessory Dwelling Unit (ADU) policy, as both individual municipalities and the state have a history of experimenting with flexible policies and encouraging the development of units. Cities like Santa Cruz are first-adopters nationwide and are often used as a model for how to implement a new ADU program (Mukhija, Cuff, Serrano, 2014, p. 18). This background section captures the route to this leadership. First I present the state-wide ADU legislation history. I then move to the City of Los Angeles, presenting the timeline for the municipal legislative history and its legal challenges. This is followed by an analysis of the current local ordinance that was created to address the legal challenges facing the previous policy, as well as the updates required to bring the city in line with the new state standards. At the time of writing this report, the ordinance is still being reviewed by the Planning Department and has not yet been approved.

It is also important to my research to present a summary of the current Los Angeles' housing market. As the focus of my research is directly tied to housing affordability, I address the relevant elements of this market in three parts: 1) how the informal ADU market in Los Angeles has played a key role in low income housing 2) what the standard Los Angeles housing form is and how this is changing, and 3) how the city's housing crisis has affected access to housing. This background section provides the necessary context for understanding ADU policy from the municipal level up to the state level, as well as the conditions that make affordable ADU development pertinent in Los Angeles.

a. California State ADU Law History

California has been a leader in ADU construction for many years, citing in their policy from the very beginning a growing housing crisis and the ability of ADUs to play an essential role in the housing market. The State Assembly passed the original 'second unit law' in 1982, referencing the "'tremendous unmet need" for new housing in California" and how current housing resources are "underutilized" (Strauss, 2003, p. 2). The current iteration of the state legislation states "Accessory Dwelling Units offer lower cost housing to meet the needs of existing and future residents within existing neighborhoods, while respecting architectural character." (ADU Legislation; CGC § 65852.150.a.7) ADUs are treated as an easily-created, inherently-affordable form of additional housing in a state

with a growing housing shortage.

The State's legislative history up to 2003 is presented in a report by Betsy Strauss for the Association for Bay Area Governments, which was prepared for the 'Planning for Second Units Forum' in 2003. Strauss (2003) says the 'second unit law' bill in 1982 gave authorization to municipalities to create ADU ordinances that allowed for the construction of units through conditional use permits. If a city did not pass its own ordinance prohibiting ADUs, either citywide or in specific areas, the State policy could be used by all single-family homeowners. This policy was amended in 1986, and again in 1990, to include more specific requirements for ADUs constructed using state guidelines. A restriction which maximized the number of parking units a city could require was added in 1994. Generally, from 1982 to 2002, the California Government Code permitted cities to authorize ADUs with whatever conditions the municipality deemed suitable. If a municipality did not pass its own ADU ordinance, ADUs were permitted and the state law set base requirements

for the construction of an ADU in that municipality.

The current iteration of the state legislation states "Accessory Dwelling Units offer lower cost housing to meet the needs of existing and future residents within existing neighborhoods, while respecting architectural character."

As of January 1st, 2017, California has again amended state law to make the construction of Accessory Dwelling Units even more accessible. The amendments were passed in two parts: Assembly Bill (AB) 2299 and Senate Bill (SB) 1069. These two pieces of legislation amended the California Government Code Section 65852.2, updating the term "second

unit" to "Accessory Dwelling Unit", removing the authorization for requiring additional parking units with the construction of an ADUs, and setting new requirements for what a municipality must include in its ADU process (ADU Legislation; CGC § 65852.150.a.7). SB 1069 states that it requires "the ministerial approval of an application for a building permit to create one Accessory Dwelling Unit within the existing space of a single-family residence or accessory structure" (California S.B. 1069, 2016). Single-family homes are permitted by-right by State law to one unit, while municipalities may still use their discretion to authorize units in multi-family zones as they see fit. As of January 1st, all city ordinances that do not comply with the state code shall be "null and void" and revert to the base

standards set by the State until they update their legislation to be compliant (ADU Legislation; CGC § 65852.2.a4).

Municipalities may still pass their own specific ADU policies, to create more stringent conditions according to their municipalities needs, but the State law prohibits some regulations from being overruled. In addition to the required ministerial approval, a key change from SB 1069 is the amendment regarding parking regulations.

Municipalities may still pass their own specific ADU policies, to create more stringent conditions according to their specific municipalities needs, but the State law prohibits some of their regulations from being overruled.

“Notwithstanding any other law, a local agency, whether or not it has adopted an ordinance governing Accessory Dwelling Units in accordance with subdivision (a), shall not impose parking standards for an Accessory Dwelling Unit in any of the following instances:

- (1) The Accessory Dwelling Unit is located within one-half mile of public transit.*
- (2) The Accessory Dwelling Unit is located within an architecturally and historically significant historic district.*
- (3) The Accessory Dwelling Unit is part of the existing primary residence or an existing accessory structure.*
- (4) When on-street parking permits are required but not offered to the occupant of the Accessory Dwelling Unit.*
- (5) When there is a car share vehicle located within one block of the Accessory Dwelling Unit.”*

(ADU Legislation; CGC § 65852.2.d)

A standard tactic to prohibit ADU construction was to include a parking minimum that was challenging to meet on most lots. This state law now heavily limits a municipality's ability to do so. Some of the additional requirements from the state that a municipality cannot change, are identified in a “ADU Ordinance FAQs” document prepared by the City of Los Angeles Planning Department :

- (1) ADUs cannot exceed 1200 square feet and attached ADUs cannot be greater than 50% of the existing residence.
 - (2) No passageway shall be required from the front of the street to the unit.
 - (3) No setbacks can be required for existing garage structures, and setbacks for units construct above a garage can be a maximum of 5 feet.
- (LADCP, 2017a, p.3)

These new amendments increase the possibility for expanded ADU development across California and the state continues to encourage the expanded development of ADUs as a solution to the ongoing housing crisis.

b. City of Los Angeles ADU Policy History

To align their ordinance with the new State standards, the City of Los Angeles is in the process of rewriting their existing Accessory Dwelling Unit ordinance. The Zoning Administrator confirmed in a November 2, 2016 memo that the current City of Los Angeles policy is “null and void” as of January 1st, 2017 as it “include[s] discretionary standards as part of the Conditional Use Permit and further require[s] adherence to passageway and other rules that contradict provisions of state law that are mandatory” (LADCP, 2016c, p. A-2).

The City of Los Angeles Planning Department lays out the local history of ADUs in a document titled “Accessory Dwelling Unit Ordinance: Background & Frequently Asked Questions”. The original Accessory Dwelling Unit policy for the City of Los Angeles was passed in 1985 and entered the Los Angeles Municipal Code (LAMC) as sections 12.23 W.43 and W.44. It allowed for limited ADU construction through conditional use permitting and included additional regulations to the state standards such as restrictions on size and parking requirements. Conditional use permits were allowed by state regulations until 2002 (LADCP, 2017a, p. 2).

As noted in Section 2.a, a 2002 amendment to the State ‘second unit law’ required municipalities to use ministerial approvals. This put the discretionary Los Angeles ADU policy in conflict with State law and was thus illegal. In 2003, the City of Los Angeles updated their existing law to comply with State regulations, but the method of adjustment was soon to become problematic. In 2010, the acting Zoning Administrator Michael LoGrande issued a memo that the ADU standards the City had been following, those adjusted in 2003 to meet new State law, needed to be “formally amended” and were not

just. The ZA recommended that the City revert to the more permissive State standards until such a time that amendments were made (LADCP, 2016a) However, the use of these more permissible state standards opened the City to lawsuits by angered community groups. In 2014, 'Los Angeles Neighbors in Action' filed a legal suit against the City of Los Angeles and the ADU permitting process was put on hold pending a formal resolution of the City's policy (LADCP, 2016a, p. A-4). The Los Angeles Supreme Court ruled in March 2016 that the policy was indeed illegal and would need to be re-written and re-approved. The Zoning Administrator interpreted this ruling on November 2, 2016 and created new legal procedures, but recognized that these amendments would only be applicable until January 1st, 2017, at which point the city's code would become null and void (LADCP, 2017a).

Because of these changing regulations and holds, there were a minimal number of permitted ADUs in the City of Los Angeles relative to the number of lots that could support a suite under the State regulations. From the Department of City Planning Recommendation Report for the new ordinance, "since the passage of AB 1866 in 2003, through November 17, 2016, a total of 680 ADUs have been permitted in the City of Los Angeles, of which 404 have been completed by receiving a Certificate of Occupancy." (LADCP, 2016c, p. A-2) Comparatively, the City of Los Angeles has approximately 480,000 single family lots and there are estimates of over 50,000 illegal suites (as will be discussed in Section 2.d). To date, the City of Los Angeles has only allowed ADUs on single-family lots, but it has recently passed an Unapproved Dwelling Unit policy which can be used to legalize unpermitted, additional units above zoned density in multi-family homes. No other multi-unit ADU policy current exists.

"Since the passage of AB 1866 in 2003, through November 17, 2016, a total of 680 ADUs have been permitted in the City of Los Angeles"

The City of Los Angeles Planning Department has put forth a proposed Accessory Dwelling Unit Ordinance (CPC-2016-435-CA) to ensure there is a municipal policy that is legal and in line with current State law. It was first heard at the Planning Commission on December 15, 2016 and is pending approval.

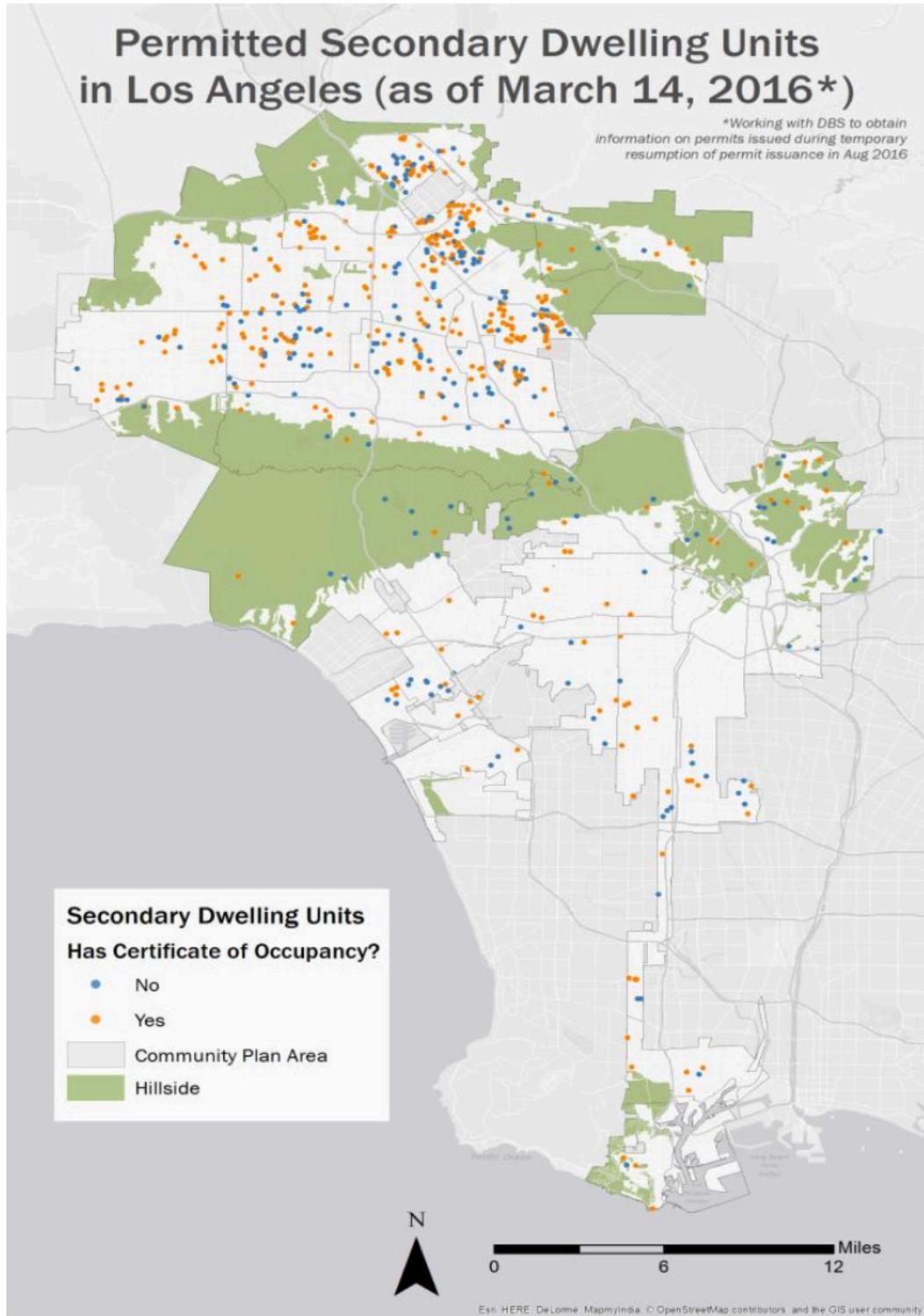


Figure 2.b.1 - Permitted Secondary Dwelling Units in Los Angeles (as of March 14, 2016)
(LADCP, 2017a, p. 4)

c. Current Policy Proposal for an ADU Ordinance in the City of Los Angeles

There is currently a proposed Accessory Dwelling Units ordinance (CPC-2016-4345-CA) before the Planning Commission (LADCP, 2016b). This ordinance would replace the now illegal Los Angeles Municipal Code (LAMC) 12.23 W.43 and W.44 and was first heard at the Planning Commission on December 15, 2016. A Recommendation Report, which provides background and recommendations in addition to the legal text of the ordinance, was also prepared by the Department of City Planning (LADCP, 2016c). This document outlines the following future conditions for ADUs in the City of Los Angeles.

According to the Planning Department staff, "the proposed ADU ordinance aims to strike a balance between providing housing opportunities pursuant to state law and providing regulations, within the confines legally permitted by state law, to limit overall scale and size and respond to concerns about neighborhood impacts." (LADCP, 2016c, p. A-4). The report addresses neighborhood concerns to the degree it is allowed to by the State. The proposed ADU law would only allow units in single-family areas, as it is now required to by State law, and only one unit would be allowed per lot. Units are not permitted in other residential zones. The Planning Department proposes four additional regulations on top of what the State law mandates in order to address key concerns specific to the City of Los Angeles' urban form:

The Los Angeles Department of City Planning Recommendation Report addresses neighborhood concerns to the degree it is allowed to by the State.

- (1) *"ADUs are to be prohibited in Hillside areas unless constructed in an existing envelope.*
- (2) *ADUs could not be placed in front of a primary residence, closer to the street.*
- (3) *Size would be limited to 50% of the primary residence, up to the 1200 square foot maximum set by the State. If 50% of the maximum is less than 640 square feet, a detached unit will be allowed to larger up to 640 square feet. (Note: The state law only restricts attached ADUs to 50% of the primary residence and does not restrict detached ADUs relative to their primary dwelling).*

(4) ADUs would be required to meet all other underlying zoning and land use regulations.”

(LADCP, 2016c, p. A-4)

The primary area of concern for Los Angeles is size, scale, and location of units to preserve privacy and neighborhood character, as are frequently pressed for by opposition groups. The main opposition for ADUs is in the Hillside areas. For example, in a Community Impact Statement by the Bel Air-Beverly Crest Neighborhood Council, submitted to the City Clerk, the council opposed the new ADU ordinance with a vote of 19-0. They state “The proposed ADU Ordinance dramatically increases the allowable size of the second dwelling units in a manner that is incompatible with single-family residential neighborhoods. It leaves areas out of the partial ban on hillside ADUs... Furthermore, ADUs represent a series of adverse environmental impacts... that are not in the public interest” (Bel Air-Beverly Crest Neighborhood Council, email submitted to Los Angeles City Clerk, January 2017).

On the other hand, letters of support from organizations such as Abundant Housing LA stress that access to transit and suitability of site should set ADU permitability rather than arbitrary hillside designations. They also recommend more permissive policies such as allowing two ADUs on parcels where it is feasible, such as lots with existing duplexes and lots with rear alleyways. (Abundant Housing LA, email to Matt Glense, Department of City Planning, November 28, 2016).

d. Los Angeles’ Informal ADU Market

While only 404 legal ADUs may currently be permitted in the City of Los Angeles, the number of ADUs in the City is exponentially higher due to informal units. In *The Informal American City: Beyond Taco Trucks and Day Labor* by Mukhija and Loukaitou-Sideris (2014), the chapter titled “Outlaw In-Laws” examines the prevalence of unpermitted in-laws as the most prevalent form of informal housing in America (Mukhija, Loukaitou-Sideris, 2014, p. 39). Illegal secondary suites have a direct relationship with legal ADUs, as they are also developed due to the overall strong demand for secondary units as affordable housing, as well as for aging in place and senior care. They are developed in cases where legal permits are challenging or expensive to obtain. Because informal units do not undergo the permitting process, they may not be up to code and are sometimes unsafe. Small sizes, poor conditions, and other limitations imposed by their

illegality contribute to the low rental costs associated with these units. Informal units are the primary form of ADU currently in Los Angeles County, as also indicated in the Department of City Planning ADU Ordinance FAQ (LADCP, 2017a, p. 4).

Mukhija says that the clearest measurement of informal ADUs in Los Angeles County was taken in 1987 by the Los Angeles Times when they comprehensively surveyed the county for illegal garage conversions (Mukhija, Loukaitou-Sideris, 2014, p. 41). While this data is now 30 years old, this survey estimated that there were over 42,000 unpermitted garage units in the county at the time. Mukhija adopts a new methodology to take an updated measurement of ADUs. Using online real estate data from Spring 2012 for homes in the City of Los Angeles, rather than the entire county, he analyzed the listings for either a stated inclusion of an unpermitted unit or other signs thereof. He came to an estimate of 25,000. He says that this is likely to capture only half of the units truly available, and that the estimate is thus closer to 50,000 in specifically the single-family homes of the City of Los Angeles (Mukhija, Loukaitou-Sideris, 2014, p. 47).

Currently there is no City of Los Angeles ordinance to legalize illegal suites in single-family homes. To construct a permitted unit in these spaces, illegal units would have to be closed and potentially removed, then a legal ADU permitting process would need to take place. There is, however, a procedure for units above the authorized density in multi-family areas. The Unauthorized Dwelling Unit ordinance, passed in May 2017, is a process to legalize multi-family ADUs. In doing so, some of these units are tied to affordability guarantees for 55 years. This ordinance is presented in my case study research in Section 5.c.

As legal units become a more accessible option, the number of illegal units will likely begin to decrease in favor of legal suites. The loss of illegal suites for potentially more expensive permitted ones raises concerns about a loss of affordable housing options in an already unaffordable market.

e. Standard Housing Forms of Los Angeles

The large number of unpermitted ADUs is directly related to their ample opportunities for construction in Los Angeles' urban form. Relative to the overall percentage of land-use, Los Angeles' urban residential form is comprised predominantly of single-family homes. There is, however, a great amount of variety within this single housing type, with the style of the house and its layout on the lot varying over time. The section titled "Typological Analysis of Single-Family Homes in Los Angeles" in *Backyard Homes and Local Concerns* by Mukhija, Cuff, and Serrano (2014) traces the timeline of these variations and their changing spatial dynamics (Mukhija et al., 2014, p. 46). The authors find that there is no direct correlation between single-family home typology and suitability for a detached ADU. All typologies face different challenges and opportunities for ADU development; no one neighborhood of single-family homes with a similar typology is better suited for ADU construction. This means that ADUs are unlikely to cluster around a single neighborhood based on the typology of the homes. The overall low-density across the varieties of single family parcels, illustrated through a series of figure-ground drawings, such as the ones provided in *Figure 2.e.1*, is a key opportunity for the infill of ADUs,

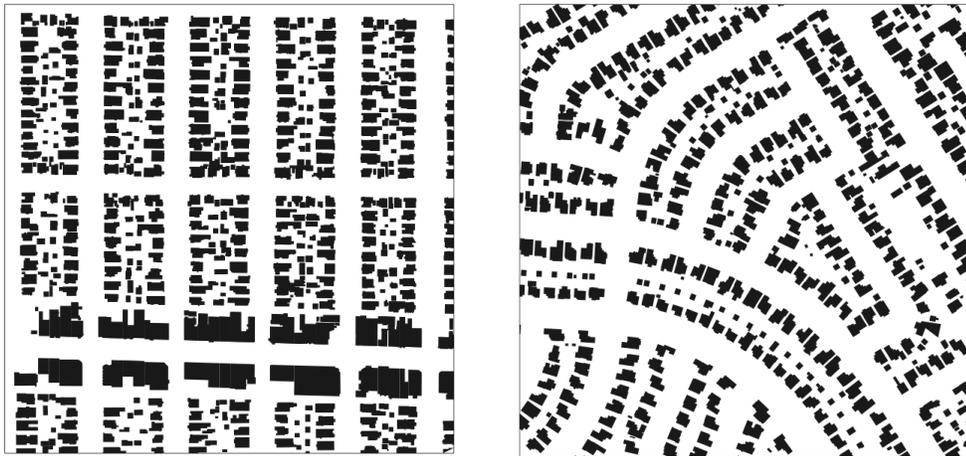


Figure 2.e.1 - Hollywood (Left) and Mar Vista (Right) figure-ground drawings
(Mukhija et al., 2014, p. 56-57)

Looking at the number of households instead of percentage of land use, there are now more people living in multi-family dwellings than single-family homes. According to a recent Southern California Association of Governments report, presented in *Figure 2.e.2*, 44% of households in the City of Los Angeles live in single-family dwellings while 55% of

households live in apartment buildings (SCAG, 2017, p. 16). Most people living in Los Angeles, now reside in apartments, duplexes, and condominiums, though there is still a significant number of single family dwellings. These are ideal conditions for ADUs as this means there is both ample room for ADU development and a movement towards greater density in the city.

44% of households in the City of Los Angeles live in single-family dwellings while 55% of households live in apartment buildings

Housing Type	Number of Units	Percent of Total Units
Single Family Detached	556,927	38.3%
Single Family Attached	87,030	6.0%
Multi-family: 2 to 4 units	129,067	8.9%
Multi-family: 5 units plus	670,166	46.1%
Mobile Home	10,081	0.7%
TOTAL	1,453,271	100%

Figure 2.e.2 - Housing Type by Units (2016)
(SCAG, 2017, p. 16)

Also of note are the number of multi-family units that need seismic-retrofitting. Due to a new policy by the City of Los Angeles Department of Building and Safety (Ordinances 183893 and 184081), within the next seven years, construction must be completed on most buildings with four or more units that meet three primary criteria: 1) consist of two or more stories wood frame construction, 2) built under building code standards enacted before January 1, 1978 and 3) contain ground floor parking or other similar open floor space (LADBS, 2016). According to an article in the Los Angeles’ Times on this new program, 13,800 buildings, will require seismic retrofitting (Xin, Schleuss, 2016). This means there are up to 13,800 multi-family buildings with ground floor open space, already undergoing construction in the next seven years. This is an untapped opportunity for infill into these spaces. Ground floor open space is an ideal area for ADUs as demonstrated in Section 5.a on San Francisco’s ADU policy.

f. Los Angeles' Housing Crisis

The conditions of the Los Angeles housing market have been one of the primary drivers of ADU construction, as is stated in State legislation and is clear from the number of unpermitted units. From the SCAG report cited in Section 2.e, we can see that the housing crisis mentioned in the first ADU legislation in 1982 continues to challenge the city. The city's low income population is high, with over 50% of households earning less than \$50,000 annually, and 37% of households earning less than \$35,000 annually (SCAG, 2017, p. 10). If these households use the affordable housing metric of 30% of household earnings spent on housing, a metric discussed further in Section 3.b, 50% of households in Los Angeles must spend less than \$1,250 per month on rent and 37% of households must spend less than \$875 per month, for their rent to be considered affordable.

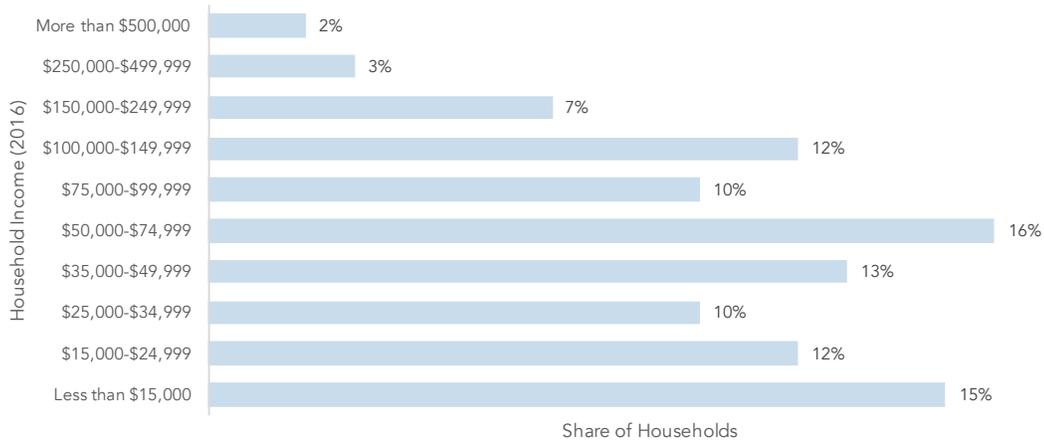


Figure 2.f.1 - Percent of Households by Household Income: 2016
(SCAG, 2017, p. 10)

The average rent in the Los Angeles market area, as determined by a 2017 Marcus Millichap report, is expected to rise to \$2,095 per month by the end of 2017, which is an increase of 5.4% over 2016 rents (Marcus Millichap, 2017). Their rental average is estimated through current listing prices for rental units. The high rents are driven in part by demand—their measured vacancy rate is only 2.6%. However, the US Census Bureau reports a median rent payment for the City of Los Angeles between 2011 and 2015 as \$1,209, with a 2015 vacancy rate of 5.0% for the Los Angeles Metro area (US Census Bureau, 2016). Given that this median is somewhat dated and covers a five year period, the current median rental rate is likely somewhere in-between these two figures. Listings are likely to be higher than rents paid by those with existing leases as they reflect the

current market rate.

Despite a low vacancy rate and high rents, there is limited growth in housing construction in Los Angeles. From the same Marcus Millichap report, only 12,900 units are expected to be added to the market (Marcus Millichap, 2017). This is consistent with data presented in the SCAG report, which states that there were 13,445 permitted units issued in 2016 (SCAG, 2017, p. 12). It is unknown if all of these permits were successfully constructed.

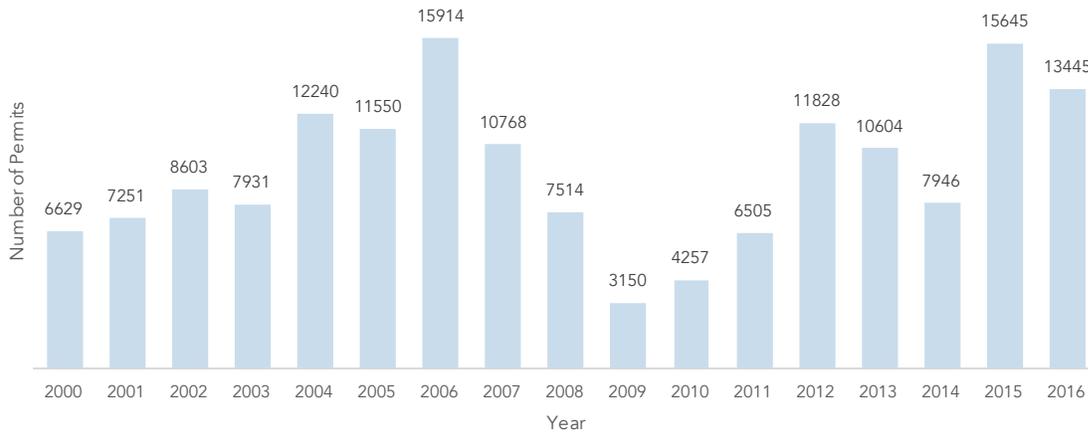


Figure 2.f.2 - Total Permits Issued for all Residential Units: 2000 - 2016 (SCAG, 2017, p. 12)

3. LITERATURE REVIEW

Accessory Dwelling Units, since their conception, have been treated as a form of affordable housing. As these units have progressed from informal, and often illegal, to a potential solution to the growing housing crisis, the degree to which they are both affordable to build and affordable to rent has changed. To provide policy recommendations to ensure the conditions for affordability, it is important to first understand the ADUs changing role in the market. I begin by first defining “Accessory Dwelling Unit” and looking at the contemporary scholarship on the topic. I then look broadly at the literature on housing affordability and how it can be defined and measured. Next, I move into the academic work on why Accessory Dwelling Units are so often associated with affordability. Finally, I bring in literature on the current market rental rates of an ADU. My literature review provides a clear picture of the definition of affordable housing, ADUs role in housing affordability, and the related market conditions for ADUs’ that shape affordability.

a. What is an “Accessory Dwelling Unit”?

Accessory Dwelling Units are additional, self-contained units added to an existing property, often above what the zoned density would otherwise allow (HUD, 2008). Referred to by many names, such as second-units, secondary suites, in-law units, and granny flats, the addition of one or more of these units to a property is considered to be a form of small-scale urban infill (Chapple, Wegmann, Nemirow, Dentel-Post, 2012, p. 1). ADU legislation varies substantially across North America. However, in most jurisdictions, the secondary unit must be smaller in scale to the original dwelling. This ensures that the additional unit does not become the primary unit.

The recent rise of ADU construction and legislation can be attributed to fulfilling unmet needs for changing household demographics.

The new, smaller unit can take on many different forms. Backyard cottages are popular in areas with detached single family homes and ample rear yards, such as Portland, OR and Santa Cruz, CA. These cottages are also popular in Vancouver, BC, where their frontage is turned to face a back alley (or laneway). Using space within an existing building is also an option, such

as a basement or garage conversion. This is the primary location of ADU additions in San Francisco, CA.

The term ADU can refer to both legal, permitted units and informal, illegal suites. In many cities, the number of unpermitted units vastly outweighs the number of legal units (Chapple et al., 2012, p. 2). This is due to periods of prohibited construction or “land-use parochialism” making ADU policies unachievable for municipalities (Brinig, Garnett, 2013). Permit costs and complexities also play a role. Due to the prevalence of restrictive single-family zoning in the post-war era, secondary suites were prohibited for many years in most jurisdictions, leading to their informal construction. For example, it is estimated that 30,000 secondary units were constructed between 1950 and 1960 in San Francisco, of which less than 10% had permits (SPUR, 2006). More recently, in a survey of 10 incorporated counties southeast of downtown Los Angeles, an estimated 35,000 secondary units were constructed between 1980 and 2010. In this case, an estimated 45% of these units were unpermitted (Wegmann, 2014, p.81). The continued construction of unpermitted units, as well as the difficulty of legalizing illegal units, are integral challenges to modern ADU policies.

The recent rise of ADU construction and legislation can be attributed to fulfilling unmet needs in the housing market for changing household demographics. Infranca (2014) views ADUs as responses to the changing size and composition of the modern family unit. Smaller family units can meet their needs through smaller housing

The recent rise of ADU construction and legislation can be attributed to fulfilling unmet needs for changing household demographics.

options, often because smaller options are cheaper. This ties into research by Rudd & Nordvik (1999), who attribute the growth of ADUs to increased economic strain on households. This idea is also prevalent in much of the research by Chapple. She attributes some of the ADU growth to the increasing number of aging Americans “since 70 to 80% of baby boomers would prefer to “age in place,” many will be adapting their homes—constructing smaller spaces either for themselves or caretakers—to allow them to stay” (Chapple et al., 2012, p. 2).

b. What we mean by 'Affordable' Rental Housing?

The term "affordable housing" has multiple connotations. Affordable housing can refer to below market rents, as it is often used in ADU literature, but it also refers to a very specific set of government metrics for its measurement. For this paper, I am interested in the definition of affordable housing that is measured by the income of the tenant, rather than by the costs to the owner or developer. This is the definition of affordable housing that is most often used by government metrics and has specific connotations to federally subsidized rent programs, often those under the Housing and Urban Development (HUD) Department of the US Government. It is often referred to as "housing cost burden".

In *Housing Policy in the United States* by Alex F. Schwartz (2014), he outlines multiple metrics for affordability that are commonly used in both policy and academic work. There is a metric used by the National Association of Realtors which measures median family incomes against median home prices in a geographic area, creating an index for the ability of the average family to afford a home (Schwartz, 2014, p. 33). There is also a similar metric that measures the buying power for only newly constructed homes, created by the National Association of Home Builders. The most common metric, he says, is "housing cost burdens- the percentage of income spent on housing. Housing cost burden can be expressed as the median percentage of income spent on housing or as the percentage of households facing a moderate or severe cost burden." (Schwartz, 2014, p.33) This is the same definition that the National Low Income Housing Coalition uses in their annual report "Out of Reach", which compares the median family income to the average rent as a percentage of income. They state in their most recent report that "affordability in this report is consistent with the federal standard that no more than 30% of a household's gross income should be spent on rent and utilities. Households paying over 30% of their income are considered cost burdened. Households paying over 50% of their income are considered severely cost burdened." (NLIHC, 2016). A less than 30% housing cost burden is considered affordable; this is a common government standard.

Federal and state affordable housing programs use housing cost burden as their primary metric of affordability, often setting standards for affordability by tiers of incomes, rather than a single median: Very Low, Low, or Moderate Income households. In California, those income ranges are defined by the California Department of Housing and Community Development (HCD). Median incomes for these 3 tiers (representing the bottom 25%, the bottom 35%, and the bottom 50% of earners respectively) are converted to a 30% rate

that is used as the standard by the State of California in its affordable housing programs. As of 2017, the total household incomes for each tier of income are presented in *Figure 3.b.1*. In *Figure 3.b.2* are the monthly rental rates considered affordable at 30% of income for each tier.

Income Bracket	Number of Persons in Household			
	1	2	3	4
Extremely Low	18,250	20,850	23,450	26,050
Very Low Income	30,400	34,750	39,100	43,400
Low Income	48,650	55,600	62,550	69,450
Moderate Income	54,450	62,200	70,000	77,750

*Figure 3.b.1 State Income Limits (\$) for 2016, Los Angeles County
(HCD, 2016, p. 8)*

Income Bracket	Number of Persons in Household			
	1	2	3	4
Extremely Low	456	521	586	651
Very Low Income	760	869	978	1,085
Low Income	1,216	1,390	1,563	1,736
Moderate Income	1,361	1,555	1,750	1,944

*Figure 3.b.2 Monthly Affordable Rental Rate (\$) for 2016, Los Angeles County
(As calculated from above)*

c. Why are ADUs associated with Affordable Housing?

Since their conception, secondary units have been treated in policy as an inherently affordable form of development. ADUs are frequently referred to as a form of affordable housing in legislation, in news media, and even by opponents of their construction. For example, as noted in Section 2.a, the current California State legislation reads: “Accessory Dwelling Units offer lower cost housing to meet the needs of existing and future residents within existing neighborhoods” (ADU Legislation; CGC § 65852.150.a.7). In San Francisco’s ADU policy it states “Allowing Accessory Dwelling Units within existing residential buildings, subject to restrictions that incentivize their use as additional affordable rental housing, is a pragmatic infill strategy to create more housing for San Francisco residents.” (San Francisco Planning Department, 2016). SB 1069 was passed to

allow increased ADU construction statewide on the grounds of providing “reforms and incentives to facilitate and expedite the construction of affordable housing” (California S.B. 1069, 2016). This is common and reoccurring language in ADU legislation across the state and nation.

Because secondary units never have a land cost associated with them, and often tie into existing structures or utilities, their overall construction cost should be cheaper. This is a big part of the reasoning for why they should be inherently considered affordable. Additionally, these units are assumed to be “less-than” the primary units on the lot, ensuring they are at least more affordable than the primary structure. Often provided with zoning waivers to reduce the amount of light, open space, or parking that is necessary,

Because secondary units never have a land cost associated with them their overall construction cost should be cheaper.

the quality of the unit is seen as reduced. For these reasons, ADUs are often attributed to a below-market definition of affordability.

Most of these arguments measure the affordability of an ADU based on its construction cost and its relationship to the surrounding structures, rather than against a clear metric for housing affordability. In most

legislation, ADUs are presently defined as more affordable relative to their market area rather than measurably affordable, using the metric from Section 3.c. This report seeks to find ways to move ADU affordability from this first definition to the second.

d. What are the Current Trends in ADU Rental Rates?

In Portland, where ADUs have been readily legalized for a number of years, the average ADU rental rates for units advertised and rented on the market are currently not substantially lower than the rate for a comparable primary unit. From a survey conducted by the Oregon Department of Environmental Quality in 2013, approximately 80% of units are near the market rate or higher, as illustrated in *Figure 3.d.1* (Oregon DEQ, 2013, p. 36). What stands out from this survey is the very high number of units, over 20%, that offer free or almost free rentals. This number of low-cost units is consistent with recent research from Chapple and Wegmann (2017). In "Jumpstarting the ADU Market" they state "The average ADU in our survey that was rented to a tenant garnered \$1,298 in monthly rent, with a considerable standard deviation of \$632" (Chapple, Wegmann, 2017, p. 18). The standard deviation is explained by the prevalence of what they call 'arms-length rentals'. They continue, "in instances where there is someone living in the ADU, in a plurality of cases (46%) the ADU is rented by someone with an arms'-length relationship to the homeowner. Most of the remainder of cases consist of tenants that either receive or might be expected to receive favorable treatment from the landlord because of their relationship: a friend or family member staying for free (17%) or a friend or family member paying rent (12%)" (Chapple, Wegmann, 2017, p. 18). They make argument that due to the relationship between the landlord and the tenant in the majority of ADU rentals, the rental cost of the unit is lowered or even waived. They also report from their survey data that in 30% or cases, homeowners have only increased ADU rents every 24 months or less often, showing the ADUs can be a sustainable form of low income housing over time, in the case that there is a relationship with the

"In instances where there is someone living in the ADU, in a plurality of cases (46%) the ADU is rented by someone with an arms'-length relationship to the homeowner."

"Most of the remainder of cases consist of tenants that... receive... favorable treatment from the landlord because of their relationship: a friend or family member staying for free (17%) or a friend or family member paying rent (12%)"

landlord. In cases without this relationship, rental rates are below but approaching the market average, meeting the definition of 'inherently affordable' but not guaranteed to be measurably affordable to the 30% of annual median income standard.

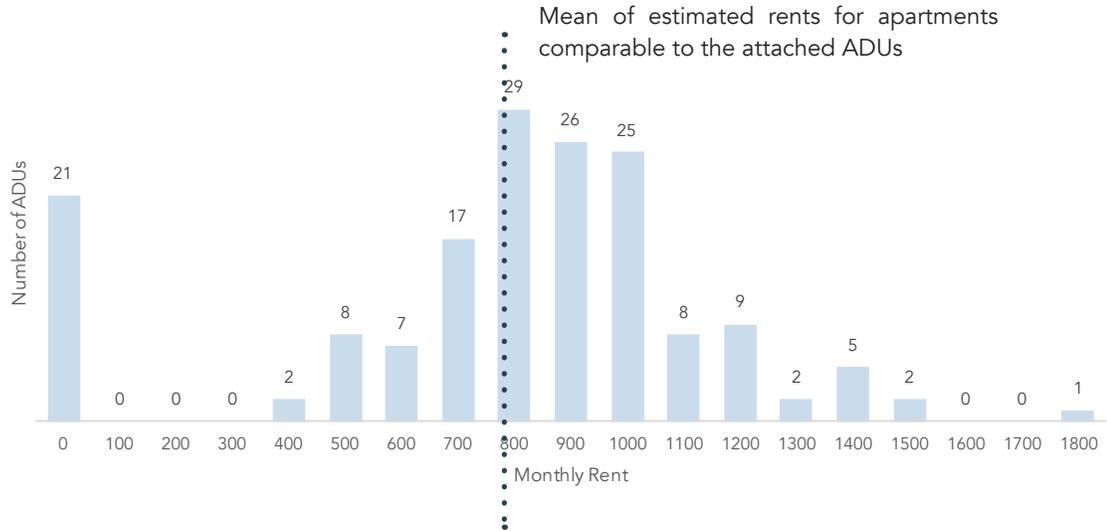


Figure 3.d.1 ADU Rents in Portland, 2013
(Oregon DEQ, 2013, p. 36)

4. CONVENTIONAL AFFORDABLE HOUSING PROGRAMS

The primary method of research I use for this project is case studies. This is subdivided into two sections: Section 4 covers conventional affordable housing programs and Section 5 covers current ADU programs. In the first section I examine some of the relevant, existing programs which aid low income renters. ADUs could be relevant to affordable housing from either a demand or supply side approach. The four housing programs I selected include one demand side program (Section 8 vouchers) and three supply side programs (Low Income Housing Tax Credits, traditional public housing programs, and modern community land trusts). The first three of these methods were selected because they currently provide the majority of low income housing units within existing federal programs. The fourth model, community land trusts, was selected as it is a developing model that is growing in use and has the potential for strong connections to ADUs.

I conclude my research into each these four programs with an analysis of the relationship of each method to an affordable ADU strategy, as well as notes on the potential incentives and methods to integrate ADUs into each of these programs. I expand upon these relationships in greater detail in my recommendations in Section 6. The information I present for each of these four programs is specific to the Los Angeles context and covers current program specifications.

a. Section 8 Vouchers

Section 8 is a federal program managed by the U.S. Department of Housing and Urban Development (HUD). It provides housing choice vouchers to very low income households, seniors, and disabled citizens to assist them financially with their rental costs in the private market (HUD, 2017a). Tenants who qualify for Section 8 housing assistance find their own housing in the open market, though units must meet Section 8 qualifications and become certified as eligible landlords. Tenants then pay a set portion of their income towards their rent, while the government directly subsidizes their landlord up to a standard market rate. This rate is set at 30% of the family's household income, as is the standard metric used by government agencies discussed in Section 3.b. HUD states that the goal of this voucher system is to allow tenants to choose housing in whatever

Incentivizing Section 8 landlords beyond market-rate subsidization is a key strategy to providing adequate Section 8 housing to meet massive demand.

area is appropriate for them, allowing them to move to areas that meet their needs, rather than live in public housing with a fixed location.

In Los Angeles, the Section 8 program is managed by the Housing Authority of the County of Los Angeles (HACLA). According to their website, they currently assist 23,000 households (HACLA, 2017a). However, there is currently a wait-list of 40,000 households, which means a family eligible for Section 8 vouchers could wait up to 11 years under current conditions (Desmond, 2017). The wait-list is now closed to additional applicants and HACLA is prioritizing the assignment of vouchers to currently homeless individuals on their wait-list under its Homeless Incentive Program (HIP).

A primary concern in hot housing markets such as Los Angeles is finding landlords that are willing to take Section 8 vouchers. Due to the low vacancy rate in the city, it is easy to find a rental tenant without the added conditions of Section 8, even though they are limited. A recent article from KPCC Los Angeles quotes Carlos VanNatter, the current Director of the Section 8 program at HACLA, saying ““The big piece we’re looking for is landlords” and explaining that it’s critical for his office to convince landlords to choose Section 8 voucher holders in what’s typically a competitive applicant pool” (Daniel, 2016). Incentivizing Section 8 landlords beyond market-rate subsidization is a key strategy to providing adequate Section 8 housing to meet massive demand.

HACLA is currently incentivizing landlords as part of the Homelessness Incentive Program (HIP). These incentives are described in the KPCC article as “financial perks include a guaranteed damage mitigation fund, which covers all maintenance issues after a Section 8 tenant moves out. [HACLA will] also offer holding fees to landlords to reserve an apartment while voucher holders are getting ready to move in. And, they’ll take care of the security deposit” (Daniel, 2016). These incentives are detailed on the HACLA website under “Landlord Benefits”. This is currently the only HACLA incentive program to increase the number of Section 8 rental units.

As it stands, permitted ADUs would already be eligible for rental to a Section 8 household if the homeowner chooses them as tenants. Owners need to meet certain minimum conditions: 1) provide proof of ownership of the property, 2) certify the rent you

charge the Section 8 holder would be what you currently charge an unassisted family, and 3) undergo a quality inspection by HUD (HACLA, 2017a). Unpermitted units, however, do not meet the HUD qualifications and are thus not eligible for participation in the Section 8 program. Unpermitted units would be ineligible as they cannot provide valid proof of ownership. To find Section 8 tenants for the ADU, which would be easy given the huge demand for landlords, the Housing Authority manages a web-based listing. There is currently no incentive program with regards to ADUs specifically but this is a huge potential opportunity.

b. Low income Housing Tax Credit (LIHTC)

Also facilitated by HUD is the Low income Housing Tax Credit (LIHTC). This is the affordable housing tool that currently creates the most available units for very-low, low, and moderate income households across the United States today (HUD, 2017b). HUD's dataset lists over 2.78 million units of affordable housing nationwide that have been created under the program between 1987 and 2014. As stated on the HUD LIHTC website, "created by the Tax Reform Act of 1986, the LIHTC program gives State and local LIHTC-allocating agencies the equivalent of nearly \$8 billion in annual budget authority to issue tax credits for the acquisition, rehabilitation, or new construction of rental housing targeted to lower-income households" (HUD, 2017b). For California, the LIHTC is managed through the California State Treasurer's office by the California Tax Credit Allocation Committee, which covers developments in the City of Los Angeles.

Currently the LIHTC program works by allowing qualified buildings, either new construction or substantial rehabilitation of existing rental properties, to apply for tax credits in exchange for a certain amount of guaranteed affordable housing construction (Cohen, 1998, p. 537). The owner must set aside either 20% of the building's units as rent-restricted to 50% AMI (Area Median Income) or 40% of units as rent-restricted at 60% AMI. The amount of awarded tax credits is calculated "as a percentage of the owner's basis in the rental units that are set aside for low income tenants" (Cohen, 1998, p. 543). The tax credit award thus acts as cash equity and reduces the debt burden on the developer of the project.

Units created through LIHTC are eligible for Section 8 vouchers, and it is unlawful for owners to refuse to rent to Section 8 tenants (HUD, 2017b). Section 8 can be used in both the units that are mandated to be rent-restricted to a certain AMI and the market-

rate units in the building.

There is not a direct relationship between ADUs and LIHTCs in Los Angeles as the ADU program is not available in multi-family zones, which is the necessary building type to use LIHTCs. Construction in single family homes would not qualify for LIHTC. If ADUs were allowed in existing multi-family apartments, the number of ADUs constructed would have to be considered “substantial rehabilitation” to qualify for LIHTC. A combination of density bonus programs and LIHTC is the best example of LIHTC’s possible relationship to ADUs. The additional units allowed in new construction projects through a density bonus are essentially multi-family ADUs. Some new construction projects using density bonuses may also be applying for LIHTC credits- these projects may be able to act as a model for a potential ADU project in an existing multi-family building. The building would need the existing space for multiple units to qualify as a substantial renovation for LIHTC.

c. Public Housing

Public housing is government-subsidized rental units in government-managed facilities. These facilities in Los Angeles are also managed by the Housing Authority of the City of Los Angeles (HACLA). According to their website, they currently manage 6500 units for low income families in Los Angeles (HACLA, 2017b). HACLA maintains the waitlists for these facilities and acts as landlord. The rent for those living in public housing is also set at 30% of the households adjusted monthly income, as is standard for most affordable housing programs as discussed in Section 3.b. To qualify for public housing you must be extremely low, very low, or low income (30%, 50%, and 80% of the median income, respectively) and this is measured relative to the size of your household. The rest of the maintenance and operating costs are covered by government subsidies. The smallest public housing facility run by HACLA has 164 units, meaning that all the public housing sites in Los Angeles are sizable communities.

The smallest public housing facility run by HACLA has 164 units, meaning that all the public housing sites in Los Angeles are sizable communities.

HACLA’s public housing program also supports some services for residents, which is unique to this housing type relative to the first two HUD programs discussed. According to their website, these services currently include education development, employment training and job placement,

recreational services, language services, and digital training (HACLA, 2017b). The cost of these programs is maintained primarily through partnerships with local not-for-profit organizations. There is also a Resident Advisory Council for resident participation which helps to manage these additional programs as well as resident concerns. These support programs contribute to the community atmosphere that public housing seeks to create.

While public housing is a sizable portion of the affordable housing stock in Los Angeles, the relationship between public housing and ADUs is tenuous. Almost all public housing facilities are publicly owned, though HACLA does manage the wait-list and placement of residents in 400 private units in 6 other buildings. HACLA manages exclusively large-scale residences, not small apartment units, and certainly not one-unit buildings. These are large groups of people with a focus on building community through programming. On the other hand, ADUs are privately owned and managed properties with disperse locations that would be difficult to manage by a public agency. Due to their individual or small group development, ADUs do not create the same kind of community as a public housing, making it impossible to efficiently provide the additional services to residents that are integral to a public housing project.

d. Community Land Trusts

According to the report “Origins and Evolution of the Community Land Trust in the United States”, a community land trust (CLT) is a modern model of land tenure that is atypical of traditional American real estate (Davis, 2014, p. 5). CLT’s slowly purchase many parcels of land in a designated geographic area on behalf of a nonprofit corporation. They then sell buildings on these lands, but never the lands themselves, opting instead for long-term ground leases. Davis (2014) claims that “a ground lease knits together and equitably balances- the interests of the non-profit landowner and the interests of the buildings’ owners” (Davis, 2014, p. 5). Private interests are considered but always balanced with the interests of the broader community. CLTs allow for community planning to establish affordable housing, community assets, and other commercial buildings as deemed appropriate by the land trust. Davis also notes that tied to each ground lease is a formula for an amount that the CLT can purchase back the structures for should the

“A ground lease knits together and equitably balances- the interests of the non-profit landowner and the interests of the buildings’ owners”

owner ever chose to sell. They can then resell or re-establish the usage of that parcel for community interest at a fair price. In this way, CLTs manage and maintain affordability in their community.

In Los Angeles, an example of a CLT is T.R.U.S.T. South LA. Founded in 2005 “as a permanent and democratic steward of land in South Los Angeles”, the goal of this CLT is to stabilize the rapidly gentrifying neighborhoods to the south of Downtown Los Angeles, where price increases are pushing out long-term residents (T.R.U.S.T. South LA, 2017). Currently, their focus has been on the purchase of large scale sites (such as a 7-acre site at Slauson & Wall and a 2.3-acre site near USC), rather than any single-family home lots. They are constructing multi-family projects on this land.

The applicability of CLTs to ADU policy is in the community’s willingness to construct these units. CLTs have a high concern for affordability in their communities and thus the opportunity to partner with these organizations to encourage and facilitate their ADU permits could be a route to increasing affordable ADUs. HUD uses a CLT model as a successful ADU case study on their website– in Minneapolis, in 2016, the City of Lakes Community Land Trust constructed ADUs on their properties to create multi-generational housing for their residents (HUD, 2016). CLTs that own property eligible for ADUs are ideal locations for these units. The construction and permitting process would be identical to any other ADU project, but the community interests and control of real estate is likely to keep the ADU at an affordable rate.

5. CURRENT ADU PROGRAM

Continuing my case study methodology, the next section of my research provides careful definition of policy details from two existing municipal programs that could act as models for the City of Los Angeles. San Francisco and Santa Monica have existing ADU legislation and have specified in it an intent to provide affordable housing through ADUs. While San Francisco has a very different urban form than Los Angeles, there is much to be learned from their multi-family ADU legislation. Santa Monica has a very similar urban form and thus has an easily transferable policy for this housing type. Both cities provide relevant case studies for different portions of Los Angeles' changing housing stock, as discussed in Section 2.e. Additionally, Los Angeles now has a policy in place for the legalization of existing, illegal ADUs in multi-family zones. I present these three pieces of municipal policy as case studies. At the end of each case I call out the key learning from that policy that I will use to make my policy recommendations alongside the conclusions from each of the programs in Section 4 – Conventional Affordable Housing Programs.

a. San Francisco

In this section I reference the San Francisco Planning Department Ordinance 162-16 - Construction of Accessory Dwelling Units (2016), as well as the SF ADU Handbook by OpenScope Studios, Architects (2015) to establish San Francisco's current ADU policy.

San Francisco faced a challenging start to its ADU policy, failing to pass proposed citywide legislation permitting units in 1992, 1993, and again in 2003 (Dischinger, 2015). The city's relatively density compared to other major metropolises left the public vocal about their concerns with parking congestion and the loss of limited single-family home properties should ADUs be legalized.

Rather than another attempt to pass citywide legislation, San Francisco's modern ADU policy was developed through small areas of legalization in specific districts and types of construction. This allowed the city to test the impacts of ADUs relative to citizen concerns. All of these pilot programs only allowed construction within the existing envelope. First, ADU construction was legalized in the Castro neighborhood as a pilot project. This was followed by an expansion to the rest of District 8 (which contains the Castro as well as Noe Valley and Glen Park), as well as District 3 in 2015. Another ADU

policy was developed through a special program that allowed units in all residential areas if built in conjunction with mandatory seismic retrofitting. These programs all allowed exceptions to build above the zoned density. In tandem with these, the City of San Francisco also focused its marketing of ADUs to parcels currently below their zoned density, such as a single-family home on a lot zoned for duplexes. The City of San Francisco has also referred to these units as ADUs; the construction and unit form is similar as units are added to existing buildings, but no exception to the density is needed.

These four policies, as well as code overviews, construction and finance information, and prototype ADUs, were promoted by the Planning Department in their ADU Handbook. This handbook, titled "SF-ADU: a guide for homeowners, designers, and

"A ground lease knits together and equitably balances the interests of the non-profit landowner and the interests of the buildings' owners"

contractors considering adding an Accessory Dwelling Unit to an existing residence in San Francisco" was released in July 2015 and prepared by OpenScope Studios, Architects (2015). This is a comprehensive tool the city uses to encourage ADU development citywide and for multiple housing types.

The success of all these smaller programs allowed for the City to finally pass city-wide ADU legislation in the summer of 2016. The new policy came into effect on September 4, 2016 (San Francisco Planning Code, 2016). Having worked in the City of San Francisco marketing their ADU program during this time, I know this policy was drafted with awareness of the potential change to State legislation later passed in SB 1069. Minimal policy adjustments are necessary to bring this legislation up to the state standards as it already complies. All additional regulations above the state requirements are legal. One important factor to note is that San Francisco's ADU program is not eligible for use in RH 1-(D) (single family detached) areas. These areas were explicitly excluded from the program. Due to SB 1069, homes in this zoning area could now arguably use the less stringent State standards and thus, desiring to not allow ADUs in this area, the City of San Francisco may amend their ADU policy in the future so that R1-(D) homes would either need to comply with more stringent City standards or be somehow made ineligible for ADUs.

Except for RH-1(D), San Francisco's policy is eligible for use in all residentially zoned districts. This includes apartment buildings, which make up many of the current permit applications to the program (Haddadan, 2017). The policy specifics are as follows from the San Francisco Planning Department (Ordinance 162-16): In buildings with less than 4 units, 1 unit is eligible for addition. In buildings with 4 or more units, the number of ADUs eligible is not regulated if all units comply to all other ADU regulations and building code standards. Construction permits will not be issued in buildings that have had no-fault evictions in the last 10 years, a strategy which is commonly applied in San Francisco housing construction policy to prevent "reno-victions". San Francisco's overall regulation strategy means that all construction permits in the city require discretionary approval and intake in the Planning department. These stringent for eligibility in the ADU program, such as cross-checking buildings with the tenant's association database to review the eviction history, are managed as permitting occurs via intake instead of over-the-counter. The complexity of the San Francisco policy is allowed by this more time-consuming process.

A primary difference between San Francisco's policy and ADUs in other areas of California is that ADUs can only be constructed within the existing built envelope and cannot take habitable space away from another unit.

A primary difference between San Francisco's policy and ADUs in other areas of California is that 1) ADUs in San Francisco can only be constructed within the existing built envelope and 2) cannot take habitable space away from another unit. This means that ADUs can only be added in spaces like garages, storage rooms, and boiler rooms. Backyard, detached units are only permitted if the structure already legally exists before applying for the permit (such as an existing rear garage). If someone wanted to build a detached ADU they would need to go through the long, discretionary process of neighborhood notice and review to build a detached, uninhabitable structure. Only when the structure was completely built, could the owner apply for an ADU permit. However, the unique, attached and raised urban form of San Francisco allows for this policy to yield an estimated 30,000 eligible units, including the addition of units to buildings below their zoned density (Data SF, 2017). The long, primarily uninhabited ground floors of the standard San Francisco home or apartment are prime locations for ADUs.

Again, having worked for the City of San Francisco in the Summer of 2016, I

was familiar with the draft legislation provided by the planning department and what amendments were made by council to reach approval. The Planning Department had proposed allowing minimal expansions of the building envelope, up to what would be allowed in the building code under new construction. This would have enabled a substantial increase in the number of potential units as a small expansion would relieve many limited exposure problems. This expansion policy was not approved. The policy is still undergoing revision and refinement, but according to a recent presentation by San Francisco Planning, there have already been hundreds of permits submitted since the original Castro pilot (Haddadan, 2017).

Some of the key pieces of this policy that might act as models for the City of Los Angeles to ensure affordability are called out in more detail below.

APARTMENT BUILDINGS

Not only are ADUs permitted in apartment and condominium structures, but in buildings with four or more existing units, you may add as many ADUs as fit and meet all planning and building code controls. Many older apartment buildings in San Francisco had large boiler rooms that are no longer necessary with modern upgrades. The common building type has a ground floor that has traditionally been a garage and storage space. In four to six-unit apartment buildings, this vast amount of parking and storage is not an efficient use of space. Most apartment buildings that have applied for permits thus far have wanted to construct at least two new units in their existing envelope (Haddadan, 2017). The efficiencies in construction of more than one unit at a time, combined with the benefits of building in tandem with seismic retrofitting as detailed below, make infill housing in apartment zoning the primary permit use for ADUs in San Francisco at this time (Haddadan, 2017).

SEISMIC RETROFITTING BONUS

As noted above, before San Francisco passed its citywide regulations, there was a specific program for the addition of secondary suites in cases where mandatory or voluntary seismic retrofitting was taking place. This policy affected many of the multi-unit dwellings in San Francisco that had optimal ground floor space for ADUs. If a property is undergoing seismic retrofitting, they are eligible to raise the building up to three feet to create suitable ground floor ceiling heights in the structure. This is a major limitation

to ADU construction for some structures in San Francisco– to reach the required ceiling height without lifting the structure, the foundation would need to be removed, dug down, and poured again at a lower elevation. This dramatically increases the cost of ADU construction and is often prohibitive. Raising the structure while undergoing seismic retrofitting is much more cost efficient, leading to more units.

ADUs can also be more efficiently designed if done in tandem with seismic retrofitting work. The structural frames can be designed at the same time as the units, maximizing space that may otherwise be occupied by structure if the ADUs were added after retrofitting is complete. Additionally, ADUs can provide a financial incentive for undergoing the voluntary seismic retrofit, as they can provide additional revenue to offset the costs of construction.

PROHIBITION OF SHORT TERM RENTALS

The legislation clearly states that ADUs shall not be eligible for use as short-term rentals and cannot receive permits from the city's short term rental office. This keeps these units available for the long-term rental market or for family housing. However, there is no mandate that the property owner is required to reside in the primary residence to construct an ADU, meaning both units could operate as long term rentals within a single family home.

RENT CONTROL ELIGIBILITY

If the existing building is rent controlled, and Planning Code waivers are granted (which they must be to exceed density and add the ADU), the new unit will also be rent controlled. As rent-control laws only apply to multi-family apartments, so does this additional legislation. A regulatory agreement will be created between the City and the property owner, waiving the owner's Costa Hawkins rights and adding the new ADU under the existing rent controls in the rest of the building (OpenScope Studios, Architects, 2015, p. 30). The legal strategy used to create this waiver has allowed San Francisco to add the first new rent-controlled housing since the passage of the Costa Hawkins in 1995.

The legal strategy used to create this waiver has allowed San Francisco to add the first new rent-controlled housing since the passage of the Costa Hawkins in 1995.

b. Santa Monica

In this Section I reference Santa Monica Municipal Code § 9.31.300, as well as a Housing Commission Memorandum (2016) on the proposed changes, which have since been passed.

I selected the City of Santa Monica as a case study as they have a more lenient Accessory Dwelling Unit policy than Los Angeles but a similar urban form. Los Angeles can learn from the successes and failures of this close neighbor. The city states in their ADU policy, “Second Dwelling Units have long been supported by [the City of Santa Monica] as a means of achieving additional, affordable units in the City while still maintaining the single unit character of residential neighborhood” (Santa Monica Municipal Code § 9.31.300). This is a similar intent as the City of Los Angeles describes in their Recommendation Report (LADCP, 2016c, p. A-2). Additionally, SB 1069 was written by the State Assemblyman from Santa Monica, Richard Bloom, further showing the City’s positive relationship with ADUs.

“Second Dwelling Units have long been supported by [the City of Santa Monica] as a means of achieving additional, affordable units in the City while still maintaining the single unit character of residential neighborhood”

Santa Monica passed the bulk of its ADU legislation on June 23, 2015. They have recently updated to slightly more lenient legislation along with updates to bring the policy in line with the new state standards. The consequences of not passing this new policy, as laid out in the policy proposal from the Planning Department, were “if amendments are not made to the Accessory Dwelling Units standards, the existing standards in the Zoning Ordinance would be inconsistent with State regulations, and

the existing standards would retain the existing ambiguous language that continue to make it difficult for property owners to convert existing detached accessory structures to Accessory Dwelling Units” (Santa Monica Housing Commission, 2016). The policy update was submitted to the Housing Commissioners and discussed at the December 14, 2016 meeting. It was passed and brought into law on February 28, 2017.

The policy details from the most recent legislation are as follows: The Santa Monica policy restricts ADUs to parcels of at least 4000 square feet with a primary Single

Dwelling Unit, either established or proposed; while restricted to single family zones, the permit is available during initial construction. An ADU can be a maximum of 650 square feet. Both detached and attached ADUs are allowed, and units can take space from an existing unit so long as the primary unit maintains a minimum relative size to the new unit. Unit construction can also infill or demolish a garage structure, so long as new parking for the primary unit is provided elsewhere in the lot (such as in a tandem parking space in the driveway).

There are owner-occupancy regulations for Santa Monica ADUs. "Either the primary Single Unit Dwelling or the Accessory Dwelling Unit shall be owner-occupied. Either unit may be rented but both may not be rented at the same time." (Santa Monica Municipal Code § 9.31.300) These requirements mean that ADUs are one of very few properties eligible for short-term rentals. Despite Santa Monica's strict rental laws, ADUs are a prime short-term rental opportunity under the current owner-occupancy regulations.

The updated policy amended certain characteristics of the previous policy. The City of Santa Monica policy had previously mandated 1 parking space for all Accessory Dwelling Units. This included units that met the exemptions outlined in the state standards (within ½ mile of public transit, within 1 block of a car-share vehicle, etc.). The new policy brings the state parking exemptions into local regulations, exactly as defined in the state standards. However, if the garage for the primary unit is demolished or infilled, parking is still required to be replaced on the lot for the primary unit.

Some of the key pieces of this case study policy which could provide conditions for ADU affordability in Los Angeles are called out in greater detail below.

BOTH ATTACHED AND DETACHED UNITS

The City of Santa Monica allows a great deal of flexibility as to where an ADU can be placed. Both detached and attached units are possible, using both existing and new envelopes. Detached units can infill into an existing garage or demolish it and construct a new structure. Attached units can diminish the amount of existing habitable space (so long as it does not result in the floor area of the main dwelling being less than 150 percent of the floor area of the Accessory Dwelling Unit). Additionally, there is no restriction on expanding beyond the building envelope, though this would require a more rigorous set of discretionary approvals. Due to this flexibility, almost every single-family parcel would be able to accommodate a unit if they desired.

CONVERSION OF EXISTING HABITABLE SPACE

As I mentioned above, the ability to convert existing habitable space, to a certain relative size of the primary unit, allows for flexibility in the creation of a unit. For example, a unit in the back of the home could portion off a small hallway from a first floor living room to create a front entrance for the Accessory Dwelling Unit. The ability to use some of the existing habitable space makes meeting exposure requirements and fire code regulations much more accessible, increasing the number of homes that could potentially build a unit.

INITIAL CONSTRUCTION

New homes may apply for an ADU permit with their initial primary dwelling construction permit, allowing the additional unit to be designed as a part of the overall architecture from the very beginning. This allows for greater efficiency in the design and can help limit an ADUs' less favorable characteristics.

The following chart contrasts the key policy differences between San Francisco and Santa Monica:

	San Francisco	Santa Monica
Minimum Size of Unit	None	None
Maximum Size of Unit	None	650 square feet
Eligible Location	Must be constructed within the existing envelope Cannot take space from existing unit	Within the existing envelope Within an existing garage In the rear of a primary unit without a garage or where a garage is demolished
Expansion of Envelope	No	With additional discretionary approval
Building Code Waivers	Rear yard, parking, open space, and density requirements can be waived Exposure requirement can be reduced	No setback shall be required for an existing garage that is converted to an Accessory Dwelling Unit, and a setback of five feet from the side and rear property lines shall be required for an Accessory Dwelling Unit that is constructed above a garage.
Conversion of Existing Habitable Area	No	Yes, provided it does not result in the floor area of the main dwelling being less than 150 percent of the floor area of the Accessory Dwelling Unit

Rent Control Applicability	If the existing building is rent controlled, and Planning Code waivers are granted, the new unit will also be rent controlled. A regulatory agreement will be created adding the new ADU under rent control.	No
Short Term Rental Applicability	Cannot be used for short term rentals	One of the few property types for short term rentals
During New Construction	No	Yes

*Figure 5.b.1 - Chart comparing San Francisco and Santa Monica policies
 Chart above assumes all California Building Code standards are met when considering things such as "No" for minimum size

c. Los Angeles' Legalization of Informal Units Policy

In this section I reference the Los Angeles Department of City Planning (LADCP) Unapproved Dwelling Unit Ordinance Quick Guide (2015), Recommendation Report (2016b), and draft ordinance for addition of Section 14.00A.10 to the Los Angeles municipal code (2016c).

Having been considered at the Planning department for over a year, the City Council of Los Angeles has recently formalized a policy to legalize Unapproved Dwelling Unit (UDUs). Passed on May 10, 2017, this ordinance grants "legal status to existing unapproved dwelling units in multiple-family buildings when certain affordability criteria and performance standards are met" (LADCP, 2016c, p.1). This ordinance was created to deal with the 400 to 500 housing units removed from multi-family buildings each year. Units are removed by city inspectors for code violations, primarily those concerning density limits. Additionally, these unpermitted units have not been seen by building inspectors and may not meet fire and safety standards. The new ordinance allows for units meeting certain requirements to be legalized, rather than removed, without going through a lengthy and expensive variance process. The process has been modeled off of and tied to the California density bonus program; it acts as a retroactive form of density bonus.

The details of this policy are as follows: Units are only eligible for legalization if there is evidence that they have been occupied as a residential unit between December 11, 2010 and December 10, 2015. This policy is meant to legalize existing units providing housing stock, not encourage new development. At least one restricted affordable unit must be provided on the site, though it is not required to be the illegal unit. The ordinance uses the same definition of affordability defined in Section 3.b: "restricted affordable," as it is called in both this ordinance and the density bonus program, is defined as a unit whose rental rate is affordable to "Very Low, Low, or Moderate Income households, as those income ranges are defined by the California Department of Housing and Community Development (HCD). Affordable means that rents cannot exceed 30 percent of the maximum gross income of the respective household income group" (LADCP, 2016c, p.2). The affordable rents must be maintained for 55 years from

There is still a gap in policy for existing multi-family buildings with room for ADUs that have not already constructed them illegally.

the time the unit receives its occupancy certificate, but can adjust to changing median incomes during that time.

The number of units allowed above density is tied to the current density bonus charts in California Government Code § 65915(g). Just as if the building was being newly constructed, the number of allowable dwelling units can be increased by up to 35% if the prescribed number of restricted affordable units are provided. There are also exceptions to the additional parking requirements, which are tied to Los Angeles Municipal Code § 12.22 A.25 an Affordable Housing Incentives / Density Bonuses. This policy was written to maintain policy alignment with subsequent changes to the State density-bonus legislation without needing formal policy updates.

The key piece of this policy relevant to ADUs is that units above density can only be approved if they were illegally rented in a specific period and thus considered part of the established housing stock. New multi-family buildings are eligible for the density-bonus program, and the UDU policy fills a gap for existing illegal units, but existing multi-family buildings without illegally constructed suites cannot currently add new units, nor would they be able to illegally construct units now and legalize them in the future. There is a gap in policy for existing multi-family buildings with room for ADUs that have not already constructed them illegally.

6. COMBINING AFFORDABLE HOUSING PROGRAMS WITH ADUs

Having concluded each case study with its potential relationship to an affordable ADU policy in Los Angeles, in this section I try to draw together the current affordable housing policies research with the potential opportunities in other municipal models to provide policy recommendations. These proposals are all suggested with reference to Section 2.d through 2.f on Los Angeles' urban fabric and its market- the opportunities in the urban form, the current housing crisis, and the large number of informal units. My recommendations are separated into opportunities for the currently proposed single-family ADU policy to expand, opportunities if this proposed ordinance expanded to include multi-family zones, and opportunities that involve collaboration with affordable housing providers for both these residential densities.

a. Opportunities in Single-Family Policy

POLICY PROPOSAL 1: PROHIBIT SHORT-TERM RENTALS

I recommend that the City of Los Angeles includes a prohibition on short-term rentals. While Santa Monica's restrictive short-term rental laws mean owner-occupied homes with ADUs are one of the few legal short-term rental options, San Francisco has a clear prohibition on short term rentals in ADUs. A long-term rental does not mean the unit is inherently affordable according to the definition used throughout this report, but a short-term rental leaves zero opportunity to house a low income tenant. Additionally, as Chapple (2017) laid out in her recent research, long-term ADU tenants tend to be at arms-length from the home owner and more likely to provide a below-market rate in these situations.

POLICY PROPOSAL 2: ALLOW ADUs DURING NEW CONSTRUCTION

The City of Santa Monica allows for ADUs to be permitted alongside new single-family home construction. This is ideal for efficiently designing an ADU into a new project, thus optimizing the spatial conditions of the unit. It is a barrier to construction for a land owner to design and build their new home, and then return to the permitting process and construct an ADU once the primary unit achieves occupancy. I recommend that the City of Los Angeles policy also allow ADUs to be permitted alongside a new project.

This recommendation also does not mean the units are inherently affordable, but could improve the quantity of units available, as well as the overall quality of the ADU housing stock.

POLICY PROPOSAL 3: CREATE FLEXIBLE CONDITIONS FOR SIZE AND FORM

In San Francisco, conditions for where an ADU can be constructed are rigid due to their similarities in building types, but the City of Santa Monica policy allows for many placements and sizes of ADU to be permitted. They also allow for conversion of existing habitable space, which not only increases flexibility, but allows units to more efficiently use their existing spaces. It also means parcels are unlikely to have problems meeting a minimum unit size. This flexibility means that almost every parcel could potentially have the space to construct an ADU. As seen in Section 2.e, there is great variation in the typology of single-family homes in Los Angeles. Flexibility ensures each of these types would be able to find the space to construct an ADU. Again, while not a guarantee of affordability, this would increase the number of permitted units available on the market and potentially to low income renters.

All three of these proposals for single-family homes will help to encourage permitted ADUs other than the construction of unpermitted spaces and renting them informally. While informal ADUs tend to be cheaper on average, they are ineligible for rental in Section 8 programs or in other affordable housing programs as they do not have a certificate of occupancy.

b. Opportunities in Multi-Family Policy

POLICY PROPOSAL 4: ALLOW APARTMENT BUILDINGS TO BUILD ADUS

The prime opportunity identified from my research is to expand the current ADU policy to include multi-family zones. There is a gap in the policy currently for existing multi-family buildings that have not illegally constructed ADUs. New buildings are eligible for a density bonus and existing buildings that have already constructed ADUs can now permit them under the Unapproved Dwelling Unit ordinance, which uses density bonus provisions. Existing buildings without units are the only multi-family buildings with no policy with which to construct ADUs. Because all multi-family unit addition policies are currently tied to the California density bonus laws, there is a direct connection with the construction of measurably affordable ADUs in these buildings. I recommend the City of

Los Angeles apply these density bonus controls to existing multi-family buildings that have not yet illegally constructed units.

While LA's urban form is very different from San Francisco, our built form has still tended towards a ground level parking structure, such as the colloquial "dingbat" apartment of the 1970s. These units have been clearly identified in the new mandatory seismic retrofitting program introduced in the spring of 2016. While parking spaces are a contentious issue now, quickly changing transportation options may quickly eradicate the need for so many dedicated parking spaces on these ground floors. There are potentially thousands of multi-family buildings that could support ADUs if permitted in multi-family buildings.

If all densities of residential zones were eligible for ADU construction, including apartment and condominium buildings, I recommend the following policy proposals in tandem with the approval of ADUs in multi-family zones:

POLICY PROPOSAL 4a: Allow multiple ADUs without size limits

Larger buildings with stratas may not find value from adding just one additional unit compared to the effort required to permit and construct the unit. Construction efficiencies can be found by building more than one unit if space allows. I recommend that the City of Los Angeles, if considering a multi-family ADU policy, allow apartments to maximize available space by allowing as many units as will fit and meet building codes. This is the policy currently available to San Francisco buildings with more than 4 existing units. If the City desires to control the number of units, I suggest setting minimum sizes for units, not unit limits. This allows for multi-family buildings that may have vast amounts of under-utilized space to convert this space to housing, including guaranteed affordable units.

POLICY PROPOSAL 4b: Waive Costa Hawkins where applicable

The regulatory agreement that the City of San Francisco currently uses is a model for the addition of rent-controlled units to a rent-controlled building. To receive Planning Code exceptions to the density limit (and thus an ADU permit) in a rent-controlled building, the owner must agree to add their new unit to the rent control ordinance. This allows for the creation of rent-controlled units, despite the current Costa Hawkins controls. Any

ADU constructed in a rent-controlled building would also be rent-controlled, thus adding to the limited rent-controlled housing stock left in California cities. While the initial rent will be set to a market rate, the inflation of that rate will be controlled and thus keep the units affordable for a family in the long term.

POLICY PROPOSAL 4c: Create a seismic retrofitting height bonus

An estimated 13,800 LA apartment buildings need to undergo seismic retrofitting. Policy should incentivize this process to occur in tandem with ADU construction, many of which have ground floor open space (Xin, Schleuss, 2016). By allowing a small lift to increase floor-to-ceiling heights owners can infill where possible ADUs into ground floor parking and storage. I recommend the City of Los Angeles allow for a 3-foot overall building height increase if construction occurs while undergoing seismic retrofitting. This will allow for the construction of more units, and, in tandem with the density-bonus regulations, this will mean more guaranteed affordable units are constructed.

c. Opportunities for Affordable Housing Policy Applicability

POLICY PROPOSAL 5: CREATE SECTION 8 INCENTIVES FOR ADU CONSTRUCTION

With the pending increase in the number of single-family ADUs, and the new incentive programs for enticing landlords to allow Section 8 vouchers, there is a timely opportunity to create an incentive for an ADU that is constructed to be used as a Section 8 unit. Landlords are in dire need by the Section 8 program and an increase in permitted ADUs is an opportune market to entice into the program.

Incentives currently entice landlords with existing units, but these units may already be occupied and landlords may have an established tenant base. New ADUs would not be currently occupied and are frequently rented at arms-length, as we saw in Chapple's most recent research. Single-family home owners with ADUs often rent units at a lower rate to family, friends, etc. or to struggling households as a form of assistance (Chapple, 2017). Thus, there is a clear connection between ADUs and single-family households.

One opportunity for this incentive would be for HACLA to partner with a local credit union and help the owner gain access to a construction loan product which has a guaranteed lower rate for units designated as Section 8 housing. Construction financing is a huge challenge for ADUs. HACLA could help channel loans to a credit union they may not otherwise get access to. Partnering with HACLA could also help guarantee future

One opportunity for this incentive would be for HACLA to partner with a local credit union and help the owner gain access to a construction loan product which has a guaranteed lower rate for units designated as Section 8 housing.

rental income, which is often a concern for lenders. The loan product could be tied to a guaranteed rental of the ADU to a Section 8 tenant for a set time period. This would benefit the homeowner with a lower rate and easier access to a loan product, the credit union with a larger number of loans, and HACLA by increasing the number of landlords in the Section 8 program.

Another opportunity for incentivization might be to expand the “hold incentive” to ADUs under construction.

Currently the HIP program grants landlords \$1,500 as an incentive to hold a vacant unit for one of HACLA’s homeless applicants. This incentive could be expanded and increased for ADUs under construction. An incentive could be provided during construction if the owner guarantees the first tenant is using a Section 8 voucher.

Permitted ADUs are already eligible to be Section 8 units’. Even if incentives are not created, HACLA should provide a clear path to Section 8 rentals for ADU owners who are likely unfamiliar with being a landlord. Section 8 incentives should be simple enough for a single-family home owner who is unfamiliar with affordable housing policy to engage with and benefit from. Section 8 vouchers have a clear connection to the way ADUs are already being rented in other markets, and incentive programs, such as the two described above, are a great opportunity to engage this connection to create needed Section 8 units.

POLICY PROPOSAL 6: CREATE LIHTCs FOR MULTI-FAMILY ADU ADDITIONS

LIHTC is a lengthy, complicated process and thus is most applicable to multi-family units where landlords are familiar with development. If ADUs are legalized in multi-family buildings, there is a large opportunity to allow tax credit applications for the construction of new rental housing within existing single family buildings. Substantial rehabilitation projects are already eligible for LIHTCs, and the addition of ADUs could be considered by HUD as either a rehab or new construction. This would likely require policy change at the federal level to ensure the addition of ADUs meets the guidelines for “substantial

rehabilitation”.

As argued in Policy Proposal 3 and 3a, multi-family buildings often have room for the construction of multiple units, and are more financially eligible to do so as building multiple units allows for efficiencies and decreases the overall cost per unit. The construction of multiple units still requires

equity and financing. For buildings that are constructing enough new ADUs to be considered 20% of units (for example, if an eight-unit building is adding two new ADUs, or a ten-unit building is adding four new ADUs), and these new units are designated as affordable units, these units should be eligible for LIHTC.

This would likely require policy change at the federal level to ensure the addition of ADUs meets the guidelines for “substantial rehabilitation”.

POLICY PROPOSAL 7: INCENTIVIZE ADUS CONSTRUCTED BY COMMUNITY LAND TRUSTS

Community land trusts are a growing model for long-term affordable housing. While the Los Angeles models do not currently own single-family home lots, this may be an avenue they take in the future. Engaging with these land trusts to ensure their lots are eligible for the ADU program and taking advantage of their construction can ensure these ADUs are long-term affordable options. The community land trust model is likely to expand in coming years and ADUs would be ideal in under these models due to their goals of ensuring affordability. Bringing CLTs to the table now regarding ADU policies will ensure these communities are aware of this possibility and constructing ADUs when possible.

7. CONCLUSIONS

Accessory Dwelling Units are considered an essential part of the solution to California's housing crisis. The City of Los Angeles' most recent ADU policy has been ruled illegal by a California Supreme Court and the restrictions and challenges that have accompanied this policy since its inception in 2003 mean only an estimated 400 ADUs have been constructed to date, prior to the 2017 state-wide by-right legalization. With the newly widened state regulations and a pending City of Los Angeles municipal policy, the opportunity for construction of these units is in its prime, with most residential parcels that could support a unit yet to construct or legally permit a unit. While the City of Los Angeles is rewriting its Accessory Dwelling Unit policy to be in line with state standards, the timing is ideal to adopt policies that allow these units to be affordable to low income renters, not inherently by creating a more robust market, but also measurably according to affordable housing best practices.

In this paper, I used two sets of case study research to find best practices for ADU policies that will create conditions for legal ADUs to be available to low income renters. It is this subset of renters that would be eligible for existing federal affordable housing programs, and thus I began my research into these programs to identify which had opportunities to either support ADU rentals to low income tenants or incentivize the construction and development of ADUs. This was partnered with case study research on California cities with more robust ADU programs that Los Angeles could learn from, San Francisco and Santa Monica. I also researched the City of Los Angeles' new Unauthorized Dwelling Unit program, which legalizes what are essentially unpermitted ADUs in multi-

With the widened state regulations and a pending City of Los Angeles municipal policy, the opportunity for construction of these units is in its prime, with most parcels that could support a unit yet to construct them.

family buildings. From these case studies, I pulled out the applicable policy tools from each jurisdiction that could have an impact on the affordability of ADUs permitted in Los Angeles, should a similar tool be included.

My recommendations are provided in three sets of proposals— opportunities for single-family homes, opportunities for multi-family buildings, and opportunities to

engage an ADU policy with existing affordable housing programs. My recommendations for single-family homes encourage flexibility in construction and a limitation on short-term rentals. For multi-family buildings, I identify a gap in existing policy that means existing buildings which did not illegally build ADUs are currently the only multi-family properties being denied the opportunity to use a density bonus. Additionally, I recommended policies from San Francisco that have been effective at increasing the number of units constructed and bringing some of these units under rent control, such as a seismic retrofitting bonus. Finally, I look at ways to better tie ADUs into existing affordable housing programs by creating Section 8 incentives especially for ADU owners as well as encouraging LIHTC to be used with multi-family buildings adding units. These proposals are outside the realm of just the City of Los Angeles policy, but are additional opportunities to ensure new ADUs are accessible to low income renters.

While these policies are proposed as possible ways to ensure ADUs permitted under the new ADU policy will be accessible to low income renters, there are many limitations to my research on ADUs that make it challenging to assess the actual impact of these policies. First, many California ADU policies are so new that effects on the market are either not yet known or not yet written about. The high number of permit applications since last summer's policy approval in San Francisco looks promising, but the majority of these units have not yet completed construction, let alone been on the market long enough to measure their average rent relative to comparable primary units or their overall impact on housing affordability. Data about contemporary impacts is limited. The second challenge is the ability to accurately measure ADU rents when informality is so prevalent in these units. As noted in Section 2.d, the clear majority of existing ADUs are unpermitted and illegal, making data on just the effects of permitted units difficult to access and measure. The relationship between the illegal and permitted ADU is integral to understanding ADU affordability— but the former is difficult to measure as they are under the radar and the latter is too new and too small of a sample size to accurately assess. These are the greatest challenges facing current ADU research.

Because of these challenges, the academic literature on current policy and markets is also limited. There is a small group of individuals (such as Karen Chapple, Jake Weggman, and Vinit Mukhija) who write consistently on ADU policy and impacts, but there is overall a limited amount of literature to draw from. As ADUs become more encouraged nationwide, with more viable and robust case studies, the academic background on the

impacts of these units, rather than just that defining what they are and the challenges facing their inclusion in a zoning code will increase. This will make the adjudication of my policy proposals easier to ground in research.

A final challenge in this research is presenting these recommendations as a cohesive set when the timeline and feasibility of each of these proposals is so disparate. The policy proposals for the single-family homes could be included in amendments to current legislation, but have the least direct effects on the cost of the rental. The multi-family proposal, while potentially viable in Los Angeles with the passing of the UDU ordinance, could have a massive impact on the number of affordable ADUs but is not yet on the table. It was explicitly excluded from the UDU ordinance. Finally, the third set of recommendations around the engagement with affordable housing programs would require inter-agency partnerships and potentially language changes at the federal level in HUD to ensure ADU addition meets the requirements for “substantial redevelopment”. These are long term proposals that would require political will on multiple levels to ensure their passing.

Despite these challenges to creating a metric for ADU policy and the vast range of these proposals, the opportunity is prime to adopt affordable housing strategies in the City of Los Angeles’ new ADU policy, as well as state-wide as cities update their own municipal ADU ordinances. The future of ADUs in California is bright, and with best practice research into existing programs, it is hopefully also affordable.

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