Hello there!
Welcome to the Webinar
The Financial Case for Building an ADU Now & Not Later

October 6, 2021
Zoom Logistics

Spanish Interpretation
(Interpretación al español)

Audience Q&A

Interactive polls
Renée J. Schomp
Director
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707.804.8575
8 Reasons to build now
Prefab, modular or stick build?
Case studies
Ways to finance your ADU
Audience Q&A
About the Napa Sonoma ADU Center

We’re a nonprofit here to help Napa & Sonoma County homeowners build ADUs.
Napa Sonoma ADU Resources

- ADU calculator
- Local ADU rules
- Address Lookup Tool
- ADU Workbook
- Stories & floor plans
- Webinars
- Vendor registry
- Newsletter & social media
Support for homeowners

- **Contact Us:**
  https://napasonomaadu.org/stay-in-touch

- **Phone:** 707.804.8575
ADU Feasibility Consults

1. Questionnaire
2. Prescreening
3. Hour-long site visit
4. ADU Feasibility Report

Sign up on our website:
napasonomaadu.org/consultations
PART 1

8 Reasons to build now
Scott Johnson

ADU Expert,
Napa Sonoma
ADU Center

+ 

Founder,
Pocket Housing LLC
Lindsay Moon
NMLS # 1918146, DRE # 02087248
Licensed broker and builder
Searchlight Lending

● Email: lindsay@searchlightlending.com
● Phone: 415.819.3794
Return on investment

- Renting out your ADU
- Providing housing for family or friends
- Providing housing for yourself
- Appreciation in value
Interest rates are low
Reason #3

Materials costs have dropped
Owner occupancy rules will sunset

ADUs that receive building permits between 1/1/2020 and 12/31/2024 are exempt from owner occupancy rules.

(Junior ADUs still require owner occupancy.)
Congress passed an extension in December 2020 which provides for a 26% tax credit for systems installed through 2022, and then it falls to 22% for 2023. It will expire January 1st, 2024 unless Congress renews it.
Building codes change

The next set of updates will go into effect on January 1, 2023.
Reason #7

Labor costs won’t go down
Approved permits expire
Why wait?
Start your ADU project now!
PART 2

Prefab/modular or stick built?
Questions to keep in mind
Opportunities to keep in mind
PART 3

Thinking through ROI
ADU Case Study #1

- Sandra wants to build an 800 sf detached in Santa Rosa
- She has $100,000 in cash
- She can do a cash-out refinance for the remaining $218,000
- She can build it in 12-18 months
- She can rent it for $1,887
- She will see a return on her investment by year 6
ADU Case Study #2

- Peter wants to build a 400 sf garage conversion in Napa
- Budget is a primary concern, so he’ll focus on low-cost options for appliances and finishes
- He can refinance his house and pull out money to pay for the ADU
- He intends to manage it himself, and not use a Property Manager
- He will see a return on his investment by year 2
Financing your accessory dwelling unit
### Four ADU Financing Categories

<table>
<thead>
<tr>
<th>Existing Assets</th>
<th>Existing Home Equity</th>
<th>Existing Income</th>
<th>Experimental Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Cash</td>
<td>- Mortgage Refinance</td>
<td>- Renovation Loans</td>
<td>- Ground Lease Agreement</td>
</tr>
<tr>
<td>- 401(k) loan</td>
<td>- Second Mortgage</td>
<td>- Construction Loans</td>
<td>- Shared Equity Agreement</td>
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<td>- HELOC</td>
<td>- Personal Loans</td>
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<td>- Reverse - Mortgage</td>
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<td>Private Money</td>
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### High Home Equity

<table>
<thead>
<tr>
<th>High Income</th>
<th>Low Income</th>
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<tbody>
<tr>
<td>2. Home Equity Line of Credit (HELOC)</td>
<td>2. Ground lease agreement</td>
</tr>
<tr>
<td>3. Second mortgage</td>
<td>3. Home Equity Line of Credit (HELOC)</td>
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<tr>
<td>4. Renovation loan</td>
<td>4. Reverse mortgage</td>
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<tr>
<td></td>
<td>5. Private money</td>
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<td></td>
<td>6. Shared appreciation/ equity product</td>
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</table>

### Low Home Equity

<table>
<thead>
<tr>
<th>Low Income</th>
<th>High Income</th>
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</thead>
<tbody>
<tr>
<td>1. Construction loan</td>
<td>1. Existing cash/assets</td>
</tr>
<tr>
<td>2. Renovation loan</td>
<td>2. Renovation loan (maybe)</td>
</tr>
<tr>
<td>3. Existing cash/assets</td>
<td></td>
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<tr>
<td>4. 401(k) loan</td>
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<tr>
<td>5. Renovation loan</td>
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</table>
ADU Webinars

Register for upcoming webinars & view past webinars on-demand: napasonomaadu.org/aduevents

Oct
New ADU Financing Opportunities!

Nov
How to Do an ADU Permit Application

Dec
All You Need to Know About Prefab, Modular & Manufactured ADUs!
We are here to help you

Reach out to us anytime!

www.napasonomaadu.org

https://napasonomaadu.org/stay-in-touch

707.804.8575
Thanks to our supporters
...and thank YOU!