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Second Units & Junior Second Units (JSU)

Flexible Housing

Rachel Ginis
www.LilypadHomes.org
March 3, 2016
Lilypad Homes’ Mission

• Supporting and facilitating the development of accessory dwelling units (ADUs) or second units that offer a viable form of more affordable housing to both homeowners and renters

• Reducing carbon emissions from commuter traffic by providing housing for the people who participate in our community

• Advocating for policy, code, and fee changes

• Educating the community

• Helping people overcome barriers to creating second units
Housing in California

- Majority of housing in state - residential single-family
- 60% of housing developed after WWII with focus on nuclear family
- Multi-generational housing common model prior to that time
- House size has increased by 30% over the past 50 years
- Household size has diminished to 2.3 during the same period
- Traditional family accounts for less than 33% of population
- Single-parent families, couples without kids, retirees, empty-nesters, young professionals, and individuals of all ages make up the majority of the demographic in households
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My Home
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Sketch
We will explore:

- Second units as an infill housing investment
- Benefits of creating second unit
- Barriers to second unit development
- An opportunity to rapidly and efficiently develop an abundance of low-cost housing
- Solutions fostering the creation of second units
What is an Accessory Dwelling Unit (ADU) or Second Unit?

- Complete independent living units/homes that have their own kitchen, living, sleeping and sanitation facilities.

- ADUs are located within the walls of a single-family home, or can be an addition to a home, either attached or detached.

- They are smaller than the principal residence, and sited in a way that preserves the single-family character of a neighborhood.

- Jurisdictions have size limitations (Generally up to 750 sq. ft.), and most require that the property owner reside on the premises.
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Cottage Homes  Conversion Units  Carve-out Units

$200 - 400,000  $100 - 200,000  $10 - 100,000

Development Costs of Second Units
Benefits for homeowner of creating a legal second unit:

- Generate secure income
- Rent at market rate or offer for services in lieu of payment
- Have assistant or caregiver near by
- House loved ones, i.e. parents and children
- Live in it yourself
- Have companionship with privacy
- Have the security of an occupied house when traveling
- Increase property value
The Hottest Home Amenity: In-Law Apartments

Want to boost your home value? Invite your mother-in-law over. Why space for aging parents is a hot real-estate amenity now.

By KATY MCLAUGHLIN
Nov. 6, 2014 10:42 a.m. ET

When a 7-acre property in Silicon Valley went on the market for $14.85 million, a busload of real-estate agents arrived for a tour. The draw? In addition to the resort-style pool and the putting green, the agents, who specialize in finding upscale properties for Asian buyers, wanted to see the two guesthouses—ideal spaces for aging parents and in-laws.

“I probably did $18 million worth of business with Asians in the last 12 months,” said Arthur Sharif, associate broker at Sotheby’s International Realty in San Francisco.
Accessory Dwelling Units (ADUs) - Urban Infill Housing
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Jack Barnes Architect – Eco Cottage Design
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AccessoryDwellings.org

Quick Facts

- Setting: urban
- Neighborhood: Irvington, Portland, OR
- Type: detached garage conversion
- Use: short-term rental
- Square Footage: 440
- Year Built: 1991
- Conversion Year: 2015
- Owners: Barbara Gundle
- Designer: Jack Barnes Architect
- Builder: Birdsmouth Construction
- Total Cost: $160,000
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AccessoryDwellings.org

Quick Facts

- Setting: urban
- Neighborhood: Woodstock, Portland, OR
- Type: stand-alone detached unit (new construction)
- Use: owner’s primary residence
- Square Footage: 600
- Year Built: 2015
- Owners: Susan Eliot
- Designer: Dennis Myers of Lifespace Design
- Builder: Rob Bilyeu of Bilyeu Construction
- Total Cost: $115,000
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Dan Lajoie – Departure Design
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Jennifer Nix – Mod Nomad Studio
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Jennifer Nix – Mod Nomad Studio
Other Benefits

- Renters
  - more affordable housing options, decreases commute time
- Community
  - less commuter traffic, housing consistent with neighborhood character, new customers for local businesses, housing for first responders, teachers, service and utility workers, movement in housing market, diversity, resilience
- Government
  - Second Units count toward RHNA, meet permitting and safety standards, increase tax base
- Planet
  - reduction in carbon emissions from commuter traffic and more efficient use of resources and the built environment
Impediments to developing second units

- Misunderstandings about the law – Legal in California
- Minimum lot size requirements
- High permitting and connection fees
- Additional parking requirements
- Fire sprinkler requirements
- Lack of access to capital
## Fees for a 750 sf Second Unit in Novato, CA

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<thead>
<tr>
<th>Permit or Fee Type</th>
<th>Cost</th>
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<tr>
<td>Planning Permit</td>
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<tr>
<td>Building Permit</td>
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<td>Development Impact Fee</td>
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<td>Sewer Service / Connection</td>
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<tr>
<td>Water Connection</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$31,645</strong></td>
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Introduction to Junior Accessory Dwelling Units (JADU) or Junior Second Units (JSU)

• A very special flexible, independent living unit/home

• Repurposing bedroom(s) and ancillary spaces into a small, private apartments (max 500 sq. ft.)

• An innovative solution that creates a simple and inexpensive option (average $10 – 25K) for an abundant source of more affordable housing
Definition of Junior Second Unit

• Must include conversion of a bedroom(s) – no expansion
• Addition of a wet bar kitchen:
  – Limited sink size, small drain line
  – Limited counter space
  – No gas or 220 V electrical service
• Interior and exterior access
• 150 to 500 sf
• Private or shared bath
• No additional parking required
• Deed restricted to require owner occupancy
Junior Second Unit (230 sf)

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What sets Junior Second Units apart?

- Flexible – interior connection to main living area
- They do not increase planned density
- Scale and cost to develop are greatly reduced
- Minimal impact on environment
- Maintain character of neighborhoods
- All the water, energy, waste, road use, and parking have all been accounted for in the original permit for the home
Several Components to Affordability – Novato, CA Code

- City or town: reduces fees, requirements
  - Novato: Planning Application Fee $747 → $374
  - Novato: Development Impact Fee $7309 → $0
  - Novato: Removed Parking Requirement

- Fire authority: agrees to waive fire sprinkler and/or fire separation requirements and/or fees
  - Novato: All waived

- Utilities: reduce or eliminate fees
  - NMWD: Connection Fee $10,000 → $0
  - Novato Sanitation District Connection Fee: $8990 → $40

* 98.5% overall reduction in fees for the creation of JADUs
Includes addition of a wet bar and exterior entrance
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Interior connection remains and can be secured
Flexible Housing

Meets homeowner’s changing needs over time
- Utilize whole home
- Rent out apartment
- Live in apartment

Acts as an insurance policy built-in to a home
- Job loss
- Divorce
- Health issue
Lifecycle of a junior second unit
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Financing ADUs and JADUs

- Savings
- Home equity loans
- Reverse mortgages
- Rehabilitation Loans - Housing Authorities
Marin Housing Authority Residential Rehabilitation Loan

• Loan of up to $35,000 for junior second unit construction

• 5% simple interest, 15 year term with possibility of deferment

• MHA rehab specialist assists with construction process

• Currently intended for lower income homeowners

Need to address the financing gap for ADUs
Fostering the Creation of Second Units

- Allow for creative parking solutions
- Provide clear public information about all requirements
- Offer technical assistance for development of units
- Reduce permitting and connection fees
- Streamline permitting process
- Create financing options that recognize past and future income from second units
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Tiny Cars
Financing Ancillary Apartments on Residential Properties

“California’s Housing Finance Agency, CalHFA, already possesses the institutional structure and expertise needed to roll out new loan products specifically designed to open up the blocked market in home financing for ADUs”

Jake Wegmann, UC Berkeley Institute of Government Studies, IGS

Introduce two mortgage products:
- Purchase properties with existing ADUs*
- Purchase properties with opportunity to develop ADU**

Introduce loan product:
- Construction loan for ADUs**

*Qualifying for loan based on rental income from main or accessory unit
**Based on future income of unit
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Platform available for homeowner development of ADUs
Importance of owner occupancy

- Second units maximize income potential in single-family homes
- Investor opportunity puts further stress on housing market
- Duplexes and multi-family housing already provide investment opportunities for investors
- Homeownership offers opportunity for individuals/families to be fully vested in the community
- Oversight measure for poorly managed properties
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San Francisco Bay Area
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