

6-30-2020

## **An Analysis of the Emerging Impact of Accessory Dwelling Units as Infill and Inclusive Housing in South San Mateo County Bayside Communities in 2017**

Blair D. Whitney

Follow this and additional works at: <https://digitalcommons.law.ggu.edu/capstones>



Part of the [Business Administration, Management, and Operations Commons](#)

---

An Analysis of the Emerging Impact of  
Accessory Dwelling Units as Infill and Inclusive  
Housing in South San Mateo County Bayside  
Communities in 2017

Submitted by

Blair D. Whitney

for EMPA 396

Graduate Research Project in Public Management

Golden Gate University  
San Francisco, California

Faculty Advisors:  
Mick McGee, DPA and  
Joaquin Gonzalez. Ph.D.

June 30, 2020

## **Table of Contents**

Abstract .....	3
Chapter 1 - Introduction .....	4
Background of the Problem: .....	4
Statement of the Problem: .....	7
Purpose of the Study: .....	7
Significance of the Study: .....	8
Research Questions .....	8
Assumptions and Limitations: .....	9
Definition of Terms (Operational Definitions): .....	9
Expected Impact of Research: .....	9
Chapter 2 - LITERATURE REVIEW .....	11
Housing Needs and Housing Crisis .....	11
ADU Case Studies and Lessons .....	12
Infill New Urbanism and Social Capital .....	12
Adaptive/Supportive/Affordable Housing (Seniors aging in place and other niches) .....	13
Chapter 3 - RESEARCH METHODOLOGY .....	16
Research Design .....	16
Data Collection – General .....	16
Qualitative Interviews .....	16
Survey of General Public in Study Area .....	17
Data Collection from Local Planning Departments .....	18
Challenges to Data Collection Process and Validity .....	18
Analysis .....	18
Chapter 4 - RESULTS AND FINDINGS .....	20
General Survey .....	20
General Survey Analysis .....	22
Key Informant Interviews .....	24
Key Informant Analysis .....	30
Chapter 5 - CONCLUSIONS AND RECOMMENDATIONS .....	37
AirBnB/Temporary Housing Issues .....	38
Financial Incentives and Challenges .....	39
Marketing ADUs and New Urbanism .....	40
References .....	45
Appendix A – SURVEY RESULTS FULL DATA .....	47
Appendix B – Interview Notes and Transcripts .....	52

## ABSTRACT

The reemergence of accessory dwelling units as a potentially significant and viable housing vehicle is examined in a contiguous study area covering three jurisdictions in bayside San Mateo County. With an ongoing statewide, regional and local 'housing crisis' pushing demand and prices far beyond supply and pricing many out of the market, the state of California changed the regulatory landscape for ADUs with new laws that went into effect January 2017 to make these units easier to build. The research investigates where and how Redwood City, Atherton, and unincorporated San Mateo County tracts such as North Fair Oaks are implementing the streamlined approval of ADU units and how significant the impact might be in expanding the housing supply to include affordable, accessible and inclusive units.

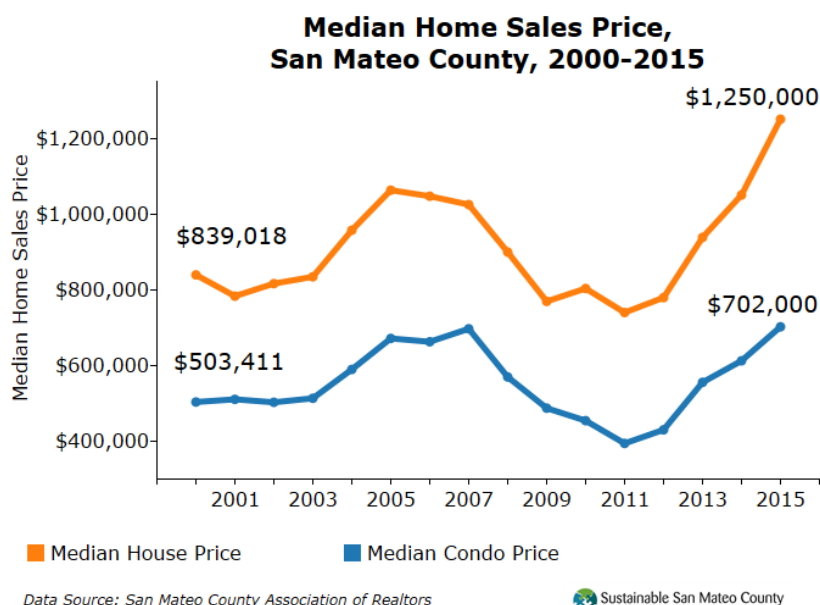
Chapter 1 - INTRODUCTION

CHAPTER 1 - INTRODUCTION

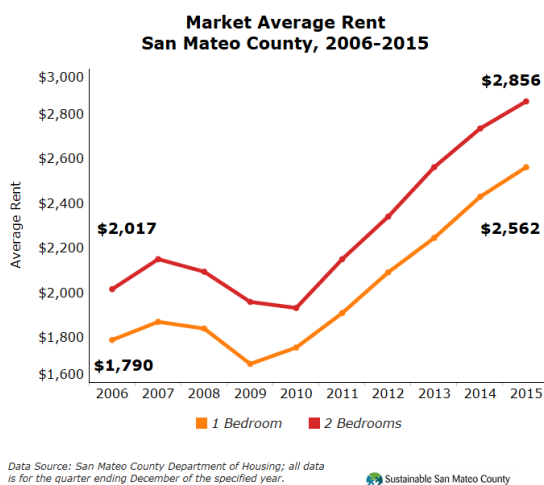
Accessory Dwelling Units represent hope and inclusion in an otherwise scary and expensive place (Southern San Mateo County – bayside) where the massive demand for housing tied to tech jobs has created a dynamic that is pushing seniors, modest wage earners and others most at risk out of the communities where they may have lived for years and have the social capital to live healthy inter-connected lives with rich social capital and interdependent relationships. The hope for many in this community is that house rich but cash poor seniors (and others) can add additional housing to secure needed income that will allow them to remain in their homes instead of having to sell and move. This could mean that extended families can seek housing solutions together. It also could mean that skilled workers supporting the community can find quality housing near where they work (public school teachers, nurses and all sorts of public and private sector service workers whose incomes have not grown at the pace of the tech worker economy has driven real estate costs up.

**Background of the Problem:**

The mid-peninsula communities of the San Francisco Bay Area include some of the most successful businesses of the 21<sup>st</sup> Century economy but these and adjacent communities have experienced the costs of success with traffic, high home prices and rapidly rising rents. While the nation experienced a housing market crash in 2008 which became a major contributor to the great recession that lasted for nearly 5 years, it barely slowed the appreciation of Bay Area real estate in the most desirable locations near work places that were hiring in the thousands while other industries were laying-off or shutting down.



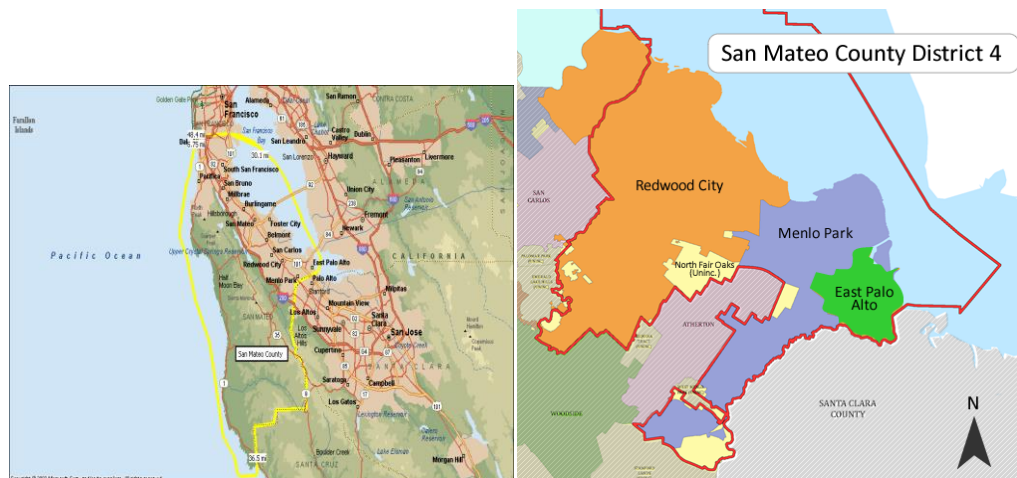
The major source of new housing in the SF Bay Area had already shifted from new subdivisions to in-fill high-density projects as an attempt to reduce or mitigate sprawl and traffic. Many workers, however, priced out of the home ownership market entered and lingered in the rental market as more new residents also showed up to fill high paying jobs from both domestic and international places of origin.



This increased competition for a scarce supply of rental units led to rapidly rising rents. Developers have been drawn to this market, bringing new housing units to market in Redwood City the last few years, with 2500 new residential units planned (Redwood City Downtown Specific Plan, 2016.) By the summer of 2017, about 2000 units have been built or are nearing completion in high-density transit-oriented developments. While these developments add supply, the demand is still so large that other approaches are needed to address the total

housing needs of a diverse and inclusive community. One unique vehicle for infill development in residential neighborhoods is the Accessory Dwelling Unit (ADU), also known as secondary units, in-laws or granny units.

This study focused on a specific segment of the Bay Area, the bayside Southern San Mateo County communities that are linked in an almost continuous urban corridor connecting cities from Redwood City to Atherton joined by a large urban tract of unincorporated county called North Fair Oaks.



Most of the communities in the study area are "built out" in terms of developed land and so new projects for both commercial and residential purposes require in-fill development that replaces existing low-density land use with higher densities.

Preserving the residential character of most communities at the neighborhood level has been a primary factor in limiting new high-density housing projects to locations at the periphery of traditional neighborhoods, such as along the El Camino and Caltrain transit corridors with the notion that these TOD (transit oriented developments) will have reduced impact or traffic congestion.

Accessory Dwelling Units (ADUs) also called Secondary Units (in-law or granny units) provide a vehicle for bringing in-fill housing to neighborhood settings in communities in the study area. While some existing secondary units have been brought to market and constructed without permits, there is a movement to legalize both grandfathered units that are brought up to code and simplify the process to approve new secondary unit approval.

California passed AB-2299 and SB-1069 (2016b, 2016c), which put in place a statewide regulation regarding ADUs. These new laws stated that cities must create an ordinance to allow for the construction of ADUs. Before AB-2299 and SB-1069 (2016b, 2016c), municipalities in California had restrictive rules and regulation on the zoning and construction of ADUs. (Dadhoul, 2017.)

These units as part of the housing mix may also become a vehicle for enhancing the supply of inclusive housing which could provide affordable (below market rate) and ADA (Americans with Disabilities Act) quality housing in desirable locations which could create a more socially just and inclusive community at the neighborhood level. I'm studying a small segment of the housing mix but touching on some much larger issues such as seniors aging in place, extended families sharing housing, and even house rich and cash poor property owners finding a vehicle for adding rental housing that can support or sustain them in their current living situation.

### **Statement of the Problem:**

The problem investigated in this study concerns the housing shortage. Thousands of people are being priced out of the market including marginalized and disadvantaged populations with special needs like persons with disabilities, the elderly, low-income students, lower wage-earning workers and others. The focus of this study is to examine how accessory dwelling units may emerge to meet the massive unmet need for housing in this market and area for general and some special needs house market consumers (to include disabled, seniors and low or modest income-earners who might otherwise be displaced from the communities they have lived and worked in for years.)

### **Purpose of the Study:**

The purpose of this study is to examine, analyze and evaluate ADU developments under the new rules adopted by local communities to be compliant with state law changes enacted with AB-2299 and SB-1069 that became state law in January of 2017. The value of studying the re-emerging housing mode across jurisdictions is to identify best practices other communities can emulate and specific approaches that enhance social justice



values of inclusion. The change theory here is that increasing the supply of ADU units significantly will lead to more options for providing inclusive, affordable and accessible housing choices.

### **Significance of the Study:**

While regional and specific case studies have investigated this housing category with examples from Portland to Los Angeles, this research examines the subject from the perspective of the San Francisco mid-peninsula area across several adjacent jurisdictions. This research focused on an inspection of "best practices" in dealing with secondary units that simplify the permit process and regulate their construction. Specific areas of inquiry in this study will included obtaining policy ideas on how to delivery social justice value in this component of the housing mix - getting some of these new units to be affordable and disabled accessible . While property owners will voluntarily decide whether to become landlords and add units such as these, it will be significant to note how many are applying in 2017 compared to past years when the rules where very restrictive.

### **Research Questions**

Q1: What is the emerging role of ADUs as infill housing in the communities of Redwood City, Atherton, Menlo Park and Unincorporated San Mateo County tracts (North Fair Oaks) under the new state law?

Q2: How are ADU's perceived by stakeholders such as property owners thinking about becoming landlords as well as renters, neighbors, planners and real estate professionals?

Q3: Will ADU's significantly address the unmet need for affordable, accessible and inclusive housing at the neighborhood level?

The research questions are designed as part of a mixed-methods approach to investigating the role secondary housing units might play in future years. The 2017 changes to the CA state law to encourage these units came from the top down, but the impact of the new units will be bottom up and entirely dependent on individuals choosing to add units and then choosing how they will be used either as rental income property or additional personal or family housing space. To make inferences based on limited data for 2017 forwards required a narrow focus on this housing category asking broad questions and mining for opinions, data and input

from broad sources that included both key informants in and out of government and a sampling of the general public.

### **Assumptions and Limitations:**

The research project will not be able to examine the inventory of non-permitted secondary units in the study area since there are no public records of these units existence and time restriction would not allow me to conduct a foot or aerial survey to try and guess at the number and location of all the grey market housing units that fall into this category (though I will seek out some information from a search of rental listings on Craigslist and questions to planning officials about grandfathered units brought up to code.)

### **Definition of Terms (Operational Definitions):**

Accessory Dwelling Units (ADUs) also called secondary units: A space built for human habitation adjacent or attached to a single-family home on a single parcel in a residential zoned property. These can range from cottages built as studio or 1-bedroom apartments to finished in-law units above a garage or carriage house and other variations. All such units have their own entrance and access on and off the property. ADUs are defined as “an ancillary or secondary living unit that has a separate kitchen, bathroom, and sleeping area existing either within the same structure, or on the same lot, as the primary dwelling unit.

Mid-Peninsula: The definition of the mid-peninsula for my study area includes the communities of Palo Alto (Santa Clara County), Atherton, Menlo Park, North Fair Oaks, and Redwood City (San Mateo County).

Permitted by right: Projects that conform to basic rules set forth by the jurisdiction will receive approval by department staff and not require public hearing or planning commission vote.

Ministerial approval: Another way of saying permitted by right, the planning department will check the plans and collect their fees but no hearings are required.

### **Expected Impact of Research:**

Provide a base line look at the new expansion in this housing category. Promote the value of secondary units as a vehicle for increasing quality rental housing supply for all members of the community, especially vulnerable populations. Identify some best policies and practices around this category of housing to maximize benefit (low impact expansion of housing supply) and minimize negative impacts (such as AirBnB rentals where landlords fail to pay Transient Occupancy Tax.) Specifically highlight and promote the special niche this housing category can fill for multiple stakeholders such as house rich but cash poor residents needing additional income to stay in their homes if they wish to and/or allowing aging in place options for individuals and extended families that might not otherwise be affordably available.

## CHAPTER 2 - LITERATURE REVIEW

Accessory Dwelling Units (ADUs) are a rebranded and reemerging mode of housing not previously seen in significant numbers in the study area in recent decades. A broad review of scholarly academic and professional literature helps to understand how they fit into overall housing strategies and their potential growing significance beyond 2017. The literature review is organized into five major themes 1) housing needs and housing crisis, 2) ADU best practices and lessons from case studies, 3) in-fill new urbanism and social capital and 4) adaptive or supportive housing (special niches and needs.) Each of these themes are described in sections below with key findings from the literature relating to that theme.

### **Housing Needs and Housing Crisis**

Rapid economic growth and increased regional prosperity can create a social justice crisis when the existing housing supply is far behind the demand created by primary economic driver industries. In the past, United Airlines (UA) was a major economic driver of the Peninsula housing market with high paying jobs tied to their hub at San Francisco Airport and support operations. Each high paying job helped support multiple other jobs in the local economy as the paycheck brought in the area would cycle up to seven times. An airline pilot or UA manager would buy a home, a couple of cars, enroll children in local schools, and the spouse and children would spend at local merchants from auto mechanics to restaurants. The economy contracted during periods of austerity, and money wasn't cycling more than 2-3 times, but the tech sector brought a new primary job creation engine to the area. Not only were high wage jobs being created, vast numbers of immigrants appeared to fill those positions from all over the country and world. Existing residents not realizing they were supposed to move if they were not part of the new economy lingered in housing stock that appreciated rapidly. Large rental units, sufficient to house the thousands of new workers, are a major endeavor that take nearly a decade to bring to market and involve major financial players like insurance company funds. The real estate market would perhaps have ordinarily lagged only 3-5 years behind the growing demand if not for the housing crisis of 2008 that saw

the commoditized mortgage market fail with mass foreclosures and downward valuations. The adjustment was not as keenly felt in the mid-Peninsula area, where foreign capital in-flow and the high-wage jobs in the tech sector kept demand constant (although tightened mortgage rules led to a temporary lull and some price drops, until realtors find a new vehicle to allow tech buyers to qualify based on stock options counting as income, which again allowed for jumbo mortgages and thus a market with homes priced over 1 million on average.)

### **ADU Case Studies and Lessons**

The San Francisco City and County Planning Department, Santa Cruz Planning Department and City of Portland, Oregon have all studied and marketed the ADU solution as a way to create more inclusive housing (for teachers and nurses, etc. while also providing a mechanism for homeowners feeling the pressure of high mortgages to increase the income and thus lower the percentage of their total income going to mortgage payments. Each of the municipal case studies highlights details of specific real-world projects showing the costs from permits to construction completion and then demonstrating the real person housed and showing what they pay in rent and contribute to the value of the previous single-family residential parcel with the increased appraised value and income. Case studies in the City of Berkeley, California show some specific examples of purpose built ADU's being created for specific housing market consumers (teachers.) Other examples show how an aging parent was able to move from a house too large for them to care for into a smaller ADU unit (ground level with ADA access) thus allowing their children with children of their own to move in to the larger house they needed for a growing family (and entirely avoid the immense costs of entering and making deals in the overheated housing market with all the auxiliary costs and tax issues that went with acquiring a larger home on the open market.)

### **Infill New Urbanism and Social Capital**

The desire to expand housing stock without changing the essential character of the place leads to a belief that smart density could bring new and affordable housing to existing neighborhoods. While high-density at market rates has been successful, the inclusionary element of affordable housing is only addressed by local

jurisdictions requiring a set-aside of a small percentage of units designated as affordable. With the median income so high on the mid-peninsula, these affordable units going to those making 60 to 80 of the median income of \$116,653 (2017) are far below the existing demand (as working poor see themselves priced out of the communities where they work with ongoing rent increases. The urban planning notion is to create new urban communities around transit and job centers with clustered amenities from shopping to child care. There is, however, a shortage of space and funding for the affordable projects in the mix. The addition of infill housing could be extended into residential neighborhoods where the vast majority of the land is locked up with single family homes. A new kind of urban village could emerge not just in the downtown core but also in suburban areas where ADU units can bring a mix of housing consumers to an otherwise unaffordable neighborhood.

The social capital piece is the concept that people thrive with enhanced physical and mental health from places where multiple connections between individuals exist. Community gardens to bicycle clubs and block parties all contribute to a richer more connected life and especially help those aging in place find support amongst neighbors where perhaps no family support exists. The ADU units could add density and diversity where it might not naturally flourish with single-family homes adding units that are rented not just to family members but to college students, health care workers, school teachers, and others who could not afford to otherwise live in that area.

### **Adaptive/Supportive/Affordable Housing (Seniors aging in place and other niches)**

Intergenerational supportive housing is the alternative to the free market costly solution of high-priced assisted living facilities (or lower cost public assistance class nursing homes of dubious quality.) Having an extended family living in proximity provides both safety and security (health and otherwise) for vulnerable individuals (seniors and children.) This has been a traditional system and cultural value that was only lost in the American rapid growth of the post World War 2 era where industrialization, the automobile and rapid suburbanization led to high mobility for families in all classes (not just the wealthy, but the expanded middle and working poor classes.) The new economics of the 21<sup>st</sup> Century suggest that the time might be right to re-create

systems to support extended families living in closer proximity My literature review touched on past efforts to provide affordable housing, noting the high costs and undersupply in impacted areas.

Perhaps the central problem of housing affordability is one of scale: the number of units that we're able to provide is too small. That's true whether we're talking about Section 8 vouchers (that go to only about 1 in 5 eligible households), or through inclusionary zoning requirements (which provide only handfuls of units in most cities). The very high per-unit construction costs of affordable housing only make the problem more vexing: the pressure to make any project that gets constructed as distinctive, amenity-rich and environmentally friendly as possible, means that the limited number of public dollars end up building fewer units. And too few units—scale—is the real problem here. (Cortright, 2017.)

It's worth noting this in the context examining ADU production as a relief valve for pent up demand to fill the need for inclusive, accessible and affordable housing. But while the trickle of housing may not immediately fill a perceived large unmet need, the specific nature of the ADU which can be built in almost every district and section of a city or town means that over-time a steady supply of new housing units can be created that can be used as adaptive, inclusive and affordable housing. The lot and construction costs for the single family homes taking up a majority of the built out urban and suburban landscape make removal and replacement of lower density housing with higher densities a very expensive and politically sensitive issue, but adding a second unit is relatively inexpensive and doesn't dramatically impact the feel of density in a suburban neighborhood.

The dynamics of communities are also changing with more people choosing to age in place instead of retiring to an assisted living facility or moving to somewhere distant where they don't have the same social support network. Changing demographics and family locations change, leaving fewer older persons with family support (Pynoos, 2009) which is something that adding an ADU to a home can change with co-housing of multiple generations on the same parcel. In some cases, an aging adult might move to the ADU unit that is built with ramps and other accessibility features while an adult child and their family move in to the main house. The proximity allows for benefits to each. Not all homeowners are looking to move a parent or other relative in to close proximity, some just want the rental income to help with their mortgage payment, but they might in the future find themselves aging in place and moving in to that accessible ADU unit while their own children join them in a community they could not otherwise afford to live in.





## CHAPTER 3 - RESEARCH METHODOLOGY

### **Research Design**

The emerging role of secondary units in my study area for 2017 onwards was studied via a mixed-methods research design using the exploratory approach. The qualitative elements such as the results of a survey in the study area and planning department application data inform as to opinions and preferences around this emerging housing category. Predicting decades of future impact with less than six months of new data on the changed regulatory landscape would have been an impossible task, but inferring some short-term trends and suggesting opportunities for additional work on the public policy to derive additional benefit is workable using the exploratory approach. Rather than prove or disprove a thesis, the research will lead to suggestions of possible actions and outcomes.

### **Data Collection – General**

The data obtained for this study is a mixture of qualitative and quantitative. Primary qualitative data includes the interviews with key informant interviews and remarks by survey respondents to the online survey where a comment text box was attached to each question. Primary quantitative data come from the general population online survey and includes both demographic detail questions (to allow cross-tab sorting) in addition to the opinions expressed by respondents to a variety of questions around Accessory Dwelling Units. Secondary Data comes from the local planning departments in each jurisdiction which upon request provided details on permits requested by year for these units and some other details about the projects.

### **Qualitative Interviews**

Interview questions were prepared and emailed to key informants. Where time could be arranged, the interviews were done in person with a digital voice recorder (William Gibson, County of San Mateo and Diane O'Dell, City of Redwood City.) Other interviews were done via phone or brief in person meetings with handwritten notes. A couple of interviews stretched into email correspondences with follow-up questions

answered with additional comments and sometimes attached data sets from public records. I tried to ask each person the five questions I had prepared, as follows:

Q1: What has been the role of accessory dwelling units in increasing the supply of housing in your jurisdiction?

Q2: How have 2016 state law changes and local ordinance revisions affected this housing category?

Q3: What are some of the challenges of this housing category? (Pros and Cons)

Q4: What impact (if any) do ADUs have on increasing inclusive housing choices for disabled or low-income members of the community?

Q5: Can you provide data on the number of permits issued by year for these units with a partial year 2017 total showing any significant increase in requests since the new laws went into effect?

In addition to these public sector specific questions used for key informant interviews, I interviewed other key informants that included two local realtors to get a business perspective. This led to other interviews to learn how issues raised such as code enforcement and collecting a transit occupancy tax from renters were currently being handled and led to talks with some home owners who currently have both permitted and non-permitted units that they use for both rentals and family member housing.

### **Survey of General Public in Study Area**

A survey was prepared with 10 questions on Survey Monkey and disseminated via a link on NextDoor that was visible to approximately 8000 adjacent community members (covering Atherton, North Fair Oaks and Southern Redwood City) and on a Facebook group dedicated to Redwood City issues. These survey was open for 7 days from July 19 -26, 2017. I received 66 responses over a 7-day period and collected a combination of

demographic data and opinions or feelings about accessory dwelling units. Each of the 10 questions included a comments box that many respondents used to add some narrative (qualitative) input to their survey.

### **Data Collection from Local Planning Departments**

Each of the planning departments in the study area was contacted to request details of current and past permit applications for accessory dwelling units. Over the course of the research, data was collecting from each that varied from the basic number of past and current permits issued to more detailed case reviews of current projects with costs and square footage. The number of permits informs to my research question as to the impact of the changing state law, and the more detailed "qualitative" detail informs to some of the more abstract questions in the project about how the units are being used (additional family housing versus rental units in some cases.)

### **Challenges to Data Collection Process and Validity**

Surveying and getting perspectives from all segments of the study area was problematic, so the online survey was targeted within but not all inclusive of the study area. The NextDoor online community lets you send out a message to neighbors of neighbors which in my case included 18 neighborhoods across three jurisdictions, but it did not reach large parts of Menlo Park. There were enough responses to gain a valid sample of opinions that may reflect those in the larger community, but the sampling certainly excluded large numbers such as those without an account on Next Door or Facebook.

### **Analysis**

The data obtained for this study is a mixture of qualitative and quantitative. Primary qualitative data includes the recordings and transcripts of key informant interviews and remarks by survey respondents to the online survey where a comment text box was attached to each question. Primary quantitative data come from the general population online survey and includes both demographic detail questions (to allow cross-tab sorting) in

addition to the opinions expressed by respondents to a variety of questions around Accessory Dwelling Units. Secondary Data comes from the local planning departments in each jurisdiction which upon request provided details on permits requested by year for these units and some other details about the projects. Mapping of data to the three research questions will allow for some inferences that will be enhanced by the qualitative interview results. In the analysis I will connect key concepts or themes that I discovered from the qualitative and quantitative research to the major themes of the literature review and relate map all these back to the three main research questions and the problem statement. I will also relate and frame Maslow's Hierarchy of Needs theory to show how social science and public policy theory works together both in thought and practice.

## CHAPTER 4 - RESULTS AND FINDINGS

### **General Survey**

The survey questionnaire was created using SurveyMonkey.com and distributed to residents via NextDoor.com and a Redwood City, California Facebook page that draws membership from Redwood City and adjacent areas (North Fair Oaks to Menlo Park.) The survey was open for 7 days from July 19-26, 2017. The results and findings from the collected data are provided below and include the full text of the comments respondents made.

#### ***Raw Survey Data***

##### ***1. Where do you currently reside?***

(Redwood City 80%, North Fair Oaks 12%)

##### ***2. Select the benefits that are most important to you in considering whether to add an Accessory Dwelling Unit? Rank each potential benefit or usage mode.***

**(Family Housing 58.73%, Rental Income 55.38%, Increased Property Value 53.22%)**

COMMENTS: "Housing in the Bay Area is so expensive that many young adults and elderly are priced out of the market", "For a caregiver if I became unsafe to live 100% on my own", "Creating additional space." "Landlords decisions, I rent."

##### ***3. Do you feel Accessory Dwelling Units added to your neighborhood would be a net positive for both yourself and the community?***

(30.3% disagree, 21.21% no opinion, **48.8% agree**)

COMMENTS: "Lots are already pretty built out in my neighborhood", "Extra cars and more street parking is irritating", "I do worry about what a major influx of renters could do with regards to traffic and parking issues", "depends on how crowded the neighborhood gets."

##### ***4. Rate the barriers or concerns that would deter you from choosing to add an Accessory Dwelling Unit to your own primary residence?***

**(Costs 67.69%, Insufficient Space 58%, Permit Process 58%, Privacy/Security Concerns 52.33%)**

COMMENTS: "Want rental income but don't want to deal with tenants as landlord", "plus parking issues", "already have an ADU on our primary residence property", "landlord decision, I rent"

##### ***5. Would you consider adding an Accessory Dwelling Unit to your existing home?***

(48.48% agree, 13.64% no opinion, 37.88% disagree)

COMMENTS: "I live in a 1br apartment", "Already have one", "Not enough space on our lot", "If allowed it would make mortgage payment more manageable", "I live on a boat", "Already have one."

**6. If you were adding an accessory dwelling unit, would you do some or all of the construction yourself?**

(33.85% agree, 10.77% no opinion, 55.38% disagree)

COMMENTS: "I would only be competent for general labor not for electrical, plumbing roofing etc.", "probably not but i might be the general contractor", "I'm very good, but I'm not a contractor."

**7. If cost was a primary obstacle to adding a unit, would you consider public financing through a non-profit or local housing agency in return for a contractual agreement to rent control and/or disabled access improvements until the loan was repaid?**

(31.54% disagree, 23.08% not sure, 35.38% agree)

COMMENTS: "That would be fantastic!" "would want to screen the tenants and retain the right to evict nuisance renters" "I don't support rent control or renter protections at all. I can personally keep rents lower for good tenants, however a lot of people think they are good tenants when they aren't." "N.A." "Only if I could still choose or reject tenants."

**8. If you were looking for rental housing, would you consider renting an Accessory Dwelling Unit?**

**(74.24% agree, 9.09% no opinion, 16.67% disagree)**

COMMENTS: "I spent 20 years in a very small cottage in the back of a large Menlo Park lot" "only way to afford nice neighborhood like Atherton or Menlo Park" "I have a family" "if I had extended business travel in a particular city, I would consider renting such a unit instead of a hotel."

**9. For a renter, what factors would be important to you in considering an Accessory Dwelling Unit?**

**(Rent cost 93.85%, Safety/Security 93.65%,** top ranked criteria. Transit Access, Parking, Neighborhood, Proximity to Work/School/Family, Privacy ranked in the 80s and the lowest criteria being Section 8 acceptance at 14% caring about that.)

COMMENTS: "bicycle commuter so parking not important but secure bike storage would be important" "not a renter" "not a renter, but am a landlord"

**10. What's the best way to characterize your current living accommodations?**

(Own and occupy residence **72.73%**, Rent 19.7%, Family Provides Housing 4.55%)

COMMENTS "I have a month to month lease" "I live on a boat in Docktown Marina" "Own a rental property, a single-family home"

## **General Survey Analysis**

The survey seems to have drawn some thoughtful participation from the 66 respondents. The issues of privacy and security seem to be important for both renters and landlords which suggests the motivations from Maslow's hierarchy of needs with base needs for physical and emotional security coming before higher aspirations. There is not a conclusive majority saying they want to add these units, and only a plurality saying they are a net positive versus the undecided and skeptics. The raw commentary is interesting as it drills down a little deeper than just an agree or disagree answer can get, and I noted with interest the respondent who said he or she would consider it if they could not live safely on their own (this creating housing for a caregiver.) Aging in place has become a very popular trend in recent decades and as an alternative to assisted living, having a caregiver nearby can make all the difference if one can afford it.

The Question 2 response about the intended use for a potential ADU maps most directly to the research questions about affordable, accessible and inclusive housing. With the largest response being family housing as the intended use, this suggests that housing would be inclusive and affordable and where serving aging or disabled family members, also accessible. Units created for these family needs could eventually be added to the general housing supply in the area (when the relative passes away or children perhaps marry and move away.)

I find it significant and useful that homeowners are over-represented in the sampling (72%) and might offer the conjecture that homeowners are more likely to be civically engaged and participate in groups like NextDoor. It is useful to the study as the most unmeasurable question around ADUs future is how many people will want to add them that own homes and have the land available.

All of the survey questions loosely relate to the research questions and general background information but some questions very specifically map to the three research questions. The first research question asks about the emerging impact of ADU units in community this specific community. This is covered with Q3 (Opinion of value to ADU to self and community) and Q5 (Would you consider adding and ADU to your property) touch on the information being sought to predict the future impact of units not built yet. I sorted the results to show only

homeowners (48) answering this question and discovered that 50% of the homeowners showed interest (with 27.08% indicating very strong interest.) That suggests the potential for a substantial number of new units being added over time, perhaps as many as one in two homes in a single family residential neighborhood eventually having an ADU.

The second research question asks about opinion of ADUs in neighborhood/community. Q3 maps directly to this which showed a lot of uncertainty (30.3% disagreed with them being a net positive, 27.2% had no opinion, and 48.8% agreed) but the comments were most telling with the remarks "depends on how crowded it gets" and "I worry about traffic and parking issues" being the key insights about acceptance for this reemerging housing mode bringing modest densification to low density single family neighborhoods.

The third research question broadly asks who will these units help (such as seniors aging in place, or other groups.) This broad enquiry is attempting to forecast potential uses for units that people haven't even decided if they want to build yet. So several of the questions are a fishing expedition looking for predictors of potential ADU uses. Q2 (ADU benefits most important) gets directly to some of the potential uses such as additional space for family housing being the most favored and income being the second most important (suggesting market rate rentals or even short-term AirBnB style uses.) It should not be forgotten that the homeowner who becomes a landlord will be the most immediate beneficiary of unit creation through enhanced value of their parcel as well as the recipient of new income if they become landlords rent the unit at whatever rent level they set. Q7 (ADU construction financing tied to rent control or disabled access) was unclear other than that about 1/3 really loved the idea, 1/3 hated the idea and 1/3 had no opinion. But in looking to fill niches, you don't need majorities of units to be affordable or accessible, it would still be a huge community win if something like 1/3rd of the new units were priced slightly below market and/or offered disabled accessibility features.



## **Key Informant Interviews**

Primary Key Informants were senior planners with the County of San Mateo (William Gibson) and Redwood City (Diana O'Dell) who both agreed to recorded in person interviews that covered the interview question topics and allowed for expanded discussions and follow up questions. Since both of these individuals had years of experience in their jurisdiction and decades in the profession, they brought a big picture perspective to the questions about where ADUs fit into the housing element of the study area communities right now and going into the future. Each interview started with background about where the ADU units fit historically and in the current framework and then delved into some specifics that yielded opinions and ideas about future trends. I highlighted some of the concepts or remarks from the interviews that will be elaborated on in the interview analysis section.

Q1: What has been the role of accessory dwelling units in increasing the supply of housing in your jurisdiction? "They have played a role by **allowing development in places where no other development would have been allowed**....the scale of it was just not enough to impact our housing needs, **the volume just isn't there**." (Gibson, 2017). "The only people who built them before the law changed were people who really wanted units for family members or other specific needs and were willing to invest the time and money to get them built before the law changed in 2016 and again in 2017 (O'Dell, 2017)." " We allow secondary units in single family residential zoned areas, but that means single family homes or duplexes, anything larger, like a triplex or apartment complex and we would want to see the whole structure replaced with a much higher density structure rather than adding on just one additional secondary unit." (Gibson, 2017.) Both Gibson and O'Dell keyed on the desire to **retain the character of the neighborhoods** which represent large sections of their jurisdictions and noted that ADUs were the least intrusive way to add density and new units.

Q2: How has 2016 state law changes and local ordinance revisions affected this housing category? Mr. Gibson used the term "**by right**" to describe the streamlined approval process granted under the new state law revision reflected in local ordinance. This shift to **ministerial approval** appears to be one of the most significant

impacts of the changes in state and local law. Ministerial approval removes the burden of public hearings, planning commission meetings and all the other mechanisms previously used to make developments as difficult and expensive as possible to discourage it (in places like Atherton or Palo Alto.) Ministerial approval means the planners collect the fees and issue building permits as efficiently as they can (which is important as these **planning departments are all mostly funded by cost recovery** with development fees paying the salaries of staff.) I discussed with Mr. Gibson how this worked in the real world where there are housing booms and busts, and he explained they just laid off most of the department during the last housing bust in 2008-2012 and were able to keep key staff only with public dollars and some grant funding.

Two other major changes were noted in both interviews, **changing the parking requirement** and the ability to **convert existing accessory building to accessory dwelling units regardless of set-back**. Additional new parking spaces used to be a mandatory requirement for accessory dwelling units built in single family residential neighborhoods. State law changed to allow the parking requirement to be waived if transit or car share is available within a half-mile. Redwood City after doing a study determined that transit was available in approximately 99 percent of the jurisdiction and so they just waived the parking requirement in the entire city according to Ms. O'Dell. Thus you have ministerial pre-approval in RWC of units without additional parking requirements, making more older homes with smaller lots eligible to create or convert existing accessory building into accessory dwelling units.

In most single family residential neighborhoods the set-back for all structures built or added is 10 feet from the back of the lot and 5 feet from the side, but many older homes had been built with structures such as a detached garage that was outside this envelope (often called legacy buildings, these were built totally legally under rules in effect at the time of construction decades ago.) Unless they need the space for emergency vehicle access, Ms. O'Dell noted they can now waive the set-back rules for structures like these to be converted to dwelling units.

Other short interviews with home owners and real estate professionals exposed that previous ADU rules were overly restrictive and designed to thwart rather than promote construction.. Requiring not just fire alarms

but a sprinkler system in a new unit that was not required in the main house added \$50,000 to the cost of a project where it was usually required that water mains be upgraded to provide adequate water pressure for the in-law unit. This came up specifically from one survey respondents in the unincorporated Menlo/Atherton part of the study area, who elaborated after filling out the survey a story about his experience a few years ago and discovering that his half-built ADU required the sprinklers when he had already spent too much to cancel the project.

Q3: What are some of the challenges of this housing category? It can be costly to build, but it does add value to both the property and a potential new revenue source to the home owner (and increased property taxes via increased appraised valuations.) It is actually a lot more affordable to add a unit as an accessory dwelling unit versus a free standing apartment complex, which means that people could potentially charge lower rents if they chose to, according to both O'Dell and Gibson. I wanted to investigate specifically the costs, and while there were data rich sources available at the county and the cities in my study area, those publicly accessible data bases did not correlate project costs in sorting and reporting on permit requests for ADUs. A visit to neighboring Palo Alto allowed me to peruse through all 11 current ADU projects in the planning pipeline for that jurisdiction as of July of 2017 and I discovered that the project costs of projects ranged from \$45,000 at the low end to \$245,000 for the most expensive project (converting a two store accessory dwelling pool house into a dwelling.) This corroborated the key informants interview remarks about the lower cost of creating housing units as ADU projects compared to the estimated cost of \$700,000 per subsidized (below market rate) unit created via traditional public and non-profit developments.

A lot of people just don't have the space, or think they don't have the space based on what they were told in the past. Part of the buzz being generated around ADUs as a viable reemerging housing category came from articles in the local press, and planners working the front counters in all the jurisdiction I talked to reported nearly daily questions from drop-ins about the programs. Mr. Gibson discussed the counties plan to offer an amnesty program in 2018 to encourage unpermitted units already built in the communities to be brought up to code and mentioned they are seeking grants and fee waivers to make it as affordable as possible for those of all

incomes to have legal rental units. It was noted that parking will always be a major issue regardless of secondary units and has much to do with individual transportation mode. The amnesty program highlighted a major challenge in that over the last 5 years rents and housing prices have gone so high that renting out rooms and non-traditional housing options have become the new norm with the massive influx of new tech company hires not slowing and new housing supply priced mainly at current market rates which translates into ultra-high end prices compared to just 4-5 years ago.

Q4: What impact (if any) do ADUs have on increasing inclusive housing choices for disabled or low-income members of the community? I think there's a lot of demand on a multigenerational level, either children or other relatives wanting to live with home owners or parents looking to move out of the larger house but remain near children, those kind of comments definitely came up during our ordinance discussions (O'Dell, 2017). In both Palo Alto and Menlo Park, planners noted that the majority of recent projects in the planning pipeline were for additional space for family and not as rental property. In both the County of San Mateo and Redwood City, there are incentives to include disabled access features such as ramps, with approximately 100 additional buildable square feet offered as a bonus, but no one has taken advantage of these incentives in the last two years according to both Mr. Gibson and Ms. O'Dell. Two respondents to survey postings on NextDoor and Facebook groups provided detailed follow-ups about their own personal motivations for adding units, and these did directly relate to providing accommodations for seniors and disabled which touches on the larger theme of **aging in place** and extended communities with **social capital** surrounding the residents of the community. One described her desire to provide housing for her mother who had a stroke. She discussed the mother doing better recovering from the stroke by being near family and the ease of access for a ground level unit versus an upstairs bedroom.

The other follow up with a survey respondent painted the picture of her having built a ground level cottage for elderly overseas relatives that visited part of each year. She said they didn't drive but didn't want to be a burden so the ground floor cottage was a perfect accommodation for them and she was able to rent it the rest of the year, usually posting for students at the nearby Menlo college for semester long tenancy. This peripherally

touches on the unmet needs of low income folks such as college students (another niche market that exists around the three San Mateo Community College District campuses (Redwood City, San Mateo and San Bruno) and adjacent to other public and private institutions ranging from Stanford (Palo Alto/Menlo Park) to Notre Dame De Namure (Belmont).

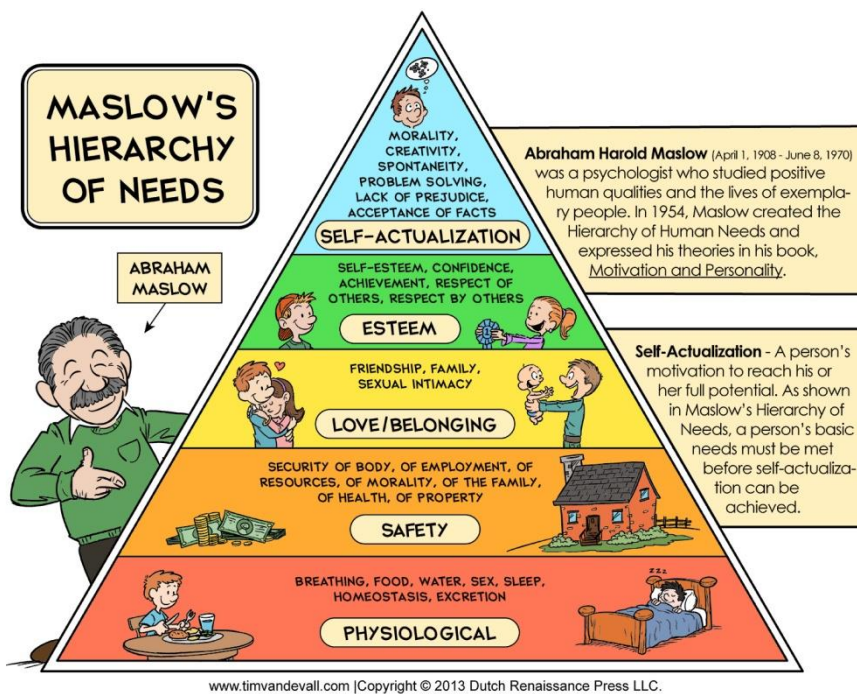
Q5: Can you provide data on the number of permits issued by year for these units with a partial year 2017 total showing any significant increase in requests since the new laws went into effect? The interviews revealed that all communities have seen a spike in applications for permits for secondary units. In Atherton it went from zero units per year for the last four years to 4 requests in the first four months of 2017. In Redwood City and the County Planning department (covering the unincorporated tracts of county land in the study area), both are reviewing 20-30 applicants in the first six months of 2017 compared to historically about 2 per year. And in Menlo Park, where the law didn't change substantially, there was still a spike to 11 applicants in the first half of 2017 compared to past years where they would only get about four to eight requests in the same time frame.

I found it interesting that departments from each jurisdiction had their own legacy systems and tools for collecting and sorting data on planning permits, which translating for me into having to navigate through newer staff members either unfamiliar with the data systems or data systems out of date and not able to sort through the permits until I reached the "senior planner" in each jurisdiction who just knew the answers. In Atherton, the "expert" was in a back office and came out when both the associate planner and the planning department head were explaining they didn't have the data, and he informed me they had exactly four permit applications so far in 2017 and he started his own list of them when he noticed the trend. This is significant in that it shows various **sources of institutional knowledge** and **practicum knowledge** might exist in unexpected levels or places both within and beyond the public organization. For example instead of a "senior planner" being the expert in Palo Alto, it was one of the newest employees that could figure out how to cross-tab the data with the right search values and quickly come up with precise numbers and all the details you could ask for about each project currently being built with a permit.



## Key Informant Analysis

Putnam coined the term "Social Capital" in the book *Bowling Alone* to describe the intangible connections that collectively contribute to well-being and quality of life in the mid-20th Century. Relationships nourish contentment and well-being in ways not casually understood. But in 2017 it seems apparent that with



demographic changes such as improvements to medical science leading to people living longer in retirement, and for a variety of reason in communities all over the place there are a lot of folks **aging in place** without ever having planned on it - though contemporary medical research suggests there is direct linkage between longer life spans and having

an abundance of social capital such as a sense of belonging in a community where one has lived for many years (Kennelly, 2003.) This also all relates back to Maslow's hierarchy of needs. Specifically the social capital concept keys to the third tier of Maslow's hierarchy labeled desire for love and belonging ranking friendships with family and sexual intimacy and we see this through building networks (social capital conduits) and friendships through community relationships in established neighborhoods over time. The second tier of safety and security of resources, family, health and property relates to the desires expressed in the key informant interviews to **preserve neighborhood character** as a shared goal and also relates to survey question 9 where 93.65% indicated that safety/security was important to them as potential tenants when considering renting an ADU unit. Only housing cost ranked slightly higher at 93.85% ranking that as somewhat or very important. On the same survey, Q4 asks potential landlords to rank barriers or concerns that would deter them from adding an

ADU unit and safety/security/privacy was only ranked as somewhat or very significant by 52.33%, but the construction costs were far more important with 67.59% saying that was a somewhat or very significant barrier to them adding an ADU. This result still keys to Maslow's second level of security as this level includes security of resources on the same tier as security of employment/health/family/morality. The potential return on the investment in a new unit is weighed against the scarcity of resources available to invest versus competing interests (which could range from paying a mortgage payment to paying off student loans or having the cash to gift tuition money to a child or pay property taxes due on the residence.) While ADU's have substantial upfront costs to build legally, they are comparable to a new high end Tesla car ranging from \$45,000 to the mid-100,000s for the average project in the most expensive jurisdiction that brings to market a cottage sized 1 BDRM rental unit that on the open market today would rent for \$2200 market rate (Craiglist survey of comparable offerings) or \$145 per night (AirBnB search for comparables in the study area.) But unlike cars or other big ticket consumer goods, there is not easy financing provided at the point of sale and traditional lenders are actually adverse to underwriting construction loans where they do not hold title to the property as collateral, so a home equity loan or second mortgage if there is not enough equity accrued might be the only publicly available financing mechanism in the marketplace.

While the interview with Mr. Gibson touched on financing and incentives, it was still being designed and would go to the Board of Supervisors for approval of something geared to address specifically "bringing unpermitted dwelling units up to code" during a 12 month amnesty period starting in January 2018, and the most valuable incentives were fee waivers that would reduce project cost but not underwrite the construction. It remains to be seen if any of the San Mateo County Measure K housing funds dedicated to increasing affordable housing supply might be made available in some fashion towards underwriting new construction or just for mitigations to below code units being made compliant. There is also a revolving housing fund in Menlo Park administered for those who may not qualify for traditional housing loans, but it only services about 2 loans at a time and it take decades to replenish itself unless a current beneficiary of a low income home ownership loan sells, repays the loan in full and moves out of the area after taking their profit, then the next person on the long



wait list gets the call to see if they are ready to move forward with a down payment saved up (other local public agency programs also assist with the down payment, offering matching grants and incentivizing saving towards home ownership over years such that a qualified beneficiary could qualify with 5 percent down versus the market norm that currently requires 20% down on the median priced 1.4 million dollar home and combined household income of 220,000 to qualify for the mortgage for the other 80% (according the my interviews with local realtors and housing agency staff.)

Also, on the financial front, the subject of the planning department came up specifically during the interview with Mr. Gibson. During the housing slump, they laid off extra planning staff that they weren't getting enough permit fees to support. Ms. O'Dell shared that downtown Redwood City had just gone through a huge growth phase and brought about 2000 new high-density units online with a couple of years and has more over the next year or so. She noted in relation to the significance of ADUs versus large scale developments like the Redwood City Downtown Specific Plan that the big projects only come along during a certain moment in time and then you aren't going to see any other major developments as the area will be built out, but all the neighborhoods could keep adding new ADUs which starting as a trickle would build up over time (20-40 units per year) to become a really significant part of the housing picture. It would appear that there is also likely to be a boom and slow down/bust cycle for the Redwood City planning department if they hired a lot of new staff for the downtown build out and can no longer afford total compensation (salary/pension/benefits) for all of them via cost recovery, it would require seeking money from the General Fund to retain key staff until the next boom or find ways to transfer these jobs to other departments.

The laws of supply and demand mean that financial considerations will always be a consideration (just like parking), more so in the most densely populated areas where there is more geographically concentrated demand for finite resources like lanes spaces on the highway, cheap/free parking or affordable housing units in an urban corridor near (or within easy commute distance of) the job centers.

Coming back to **aging in place** you have folks living longer in homes paid off or just in rental units they have occupied for many years who don't want to leave their neighborhood, their community and wish to stay

despite the rising costs. I keyed on this segment of the market as a huge niche that could be one of the biggest stakeholder biggest beneficiaries of the reemerging ADU trend either as landlords or even as residential users of the ADU units.

An ADU unit could add rental income that would allow them to stay in the primary residence or they could downsize to a more accessible ground level ADU themselves and get even more rental income from the primary residence. Getting into new urbanism, there is the concept of intergenerational housing where multiple generations can co-habitat over decades using a combination of an ADU and primary residence. Below is a chart from the Portland Planning department promoting the intergenerational usage scenario for a primary residence

with an ADU amenity.

Families in the real world of 2017 don't always follow marketing directions especially over two to three generations, and



the trend has been more towards divorce than aging together with a first spouse for an entire lifetime (Weitzman, 1985).

If the home isn't a fixed asset held in trust for some designated heir, it may not make sense for a senior aging in place to keep it unless they just wanted to stay in the community where they were most comfortable. In some of these scenarios, an ADU would still make sense as a downsizing and more adaptive housing option if health became a moderate or serious issue thus allowing the rental of the main residence.

While I haven't noted examples in significant numbers of this has happened yet, but if a lot of aging in place seniors become real estate landlords as some of the potential of ADUs is realized and a lot of these empty nesters become micro-landlords its likely this might create a need for property management assistance as there are already numerous examples of tenants or other attempting to prey on seniors in elder financial abuse scenarios. There is already a non-profit in San Mateo called HIP Housing focused specifically in promoting housing sharing relationships (with some portion of their managed units being priced below market rate in return

for house work that benefits an aging homeowner such as gardening, shopping, or such things.) The benefit of the non-profit managing tenant/landlord relationships is that background screenings are conducted and legal binding agreements are drawn up between all parties around legal rights and responsibilities for both the tenant and the (perhaps) rookie landlord. I contacted them as part of the qualitative research and asked if they were equipped to take on managing ADU's if a lot of new one's started getting built and the Associate Director said they had heard from the County housing folks they were likely to be asking for someone to take a lead on this segment of the problem. This maps to the cons of the ADU's, the need for property management to protect both the tenant and landlord. In some of the qualitative open-ended comments attached to the survey, a respondent mentioned wrote on Q4 "Want rental income but don't want to deal with tenants as a landlord." While many high-functioning seniors are more than capable performing at a professional level as property manager when equipped with some basic guidelines like a NOLO press self-help legal book that covers landlord laws in California, others are not and when there are medical issues such as potential Dementia or Alzheimer it becomes especially important that someone can alert responsible authorities that there might be a need for a trustee/conservator or other care giver to be appointed. This is the kind of niche a specialized non-profit has the **institutional and practicum knowledge** to handle professionally and know when to refer to outside help to a problem beyond their scope such as when indications arise of elder abuse in a tenant/landlord situation they are managing. The concepts of institutional and practicum knowledge came up while discussing who in the planning office in Atherton really knew what was going on with new ADU permits, but with the non-profits, you see an example of how institutional and practicum knowledge can be shared across public and non-profit sectors. There's also examples of crowd sourcing practicum knowledge which blurs the lines over into social capital and academics and social media blurring the traditional paths and people sharing YouTube instructional videos and other such mentoring and showing examples of what they built or did. In San Mateo County a [Housing](#)

[Leadership Council](#)<sup>1</sup> is issue forward about promoting ADU development and is holding community learning sessions.

Another example of this activated social capital connecting community resources outside of regular channels is the San Mateo County Bar Associations Pro Bono lawyers in the library. At the law library and at branch public libraries from Half Moon Bay to East Palo Alto they do monthly workshops on issues ranging from tenant/landlord dispute resolution to trust and estate planning. This is an example of bring the resources to folks who might need them in a format (in person face to face meetings at public library) they might be more comfortable with. It's also an example of the reemerging new urbanism lending itself to new or changing realities to multiply resources by connecting across or outside of traditional service silos seen in the public and non-profit sectors. Where the **non-traditional housing arrangement is the new norm**, planning for and supporting it as a valid lifestyle choice requires non-traditional innovation and approaches. It is unlikely anyone is going to promote art communes as a housing alternative in a vacant Kmart building after the Ghost Ship fire, but the reality is that people are leasing homes and subletting them like college dorms to tech workers who are happy to trade 2-man rooms in a nice neighborhood near work at a value price point for the loss of a large housing accommodations that could be had if they spent more of their income on rent or more of their time commuting from further away. ADU's as a housing vehicle offers a higher quality of life built much more affordably than other kinds of housing modes and thus able to be rented for less if the landlord wishes to do so.

In North Fair Oaks, where I've lived in a low income immigrant community for about 4 years, non-traditional housing has always been sort of an unofficial norm as that was what many excluded from the traditional housing market sought, affordable accommodations in a Spanish speaking community where no one expected a social security number as a condition of tenancy. Mr. Gibson remarked that ADU's "allowed new housing where it would otherwise would not be permitted" but it appears from first-hand experience living in Peninsula communities from Palo Alto to Menlo Park and Redwood City over the last decade that increased

---

<sup>1</sup> <http://hlcsmc.org/>

density arrived without waiting in line for a permit and has only been increasing as others seek the savings of **non-traditional housing** arrangements. The benefit of ADU's in this area is that they promote a reasonable increase in density in neighborhoods safely via a permitted in-law unit, cottage or other configuration. The challenge is what people are going to do with all the rental units and spaces created over the last decade without benefit of permits (which were never required for renting rooms out inside a domicile, but are for things like garage conversions.) Will people step forward to make units legal and conforming or view this as an intrusive attempt by authorities who might be in league with the INS to snoop around neighborhoods without being called.

Finally, Mr. Gibson's comment that relates to the significance of ADUs to the total housing picture that noted that "the volume just isn't there" could be countered by Ms. O'Dell's remark that a steady flow over time of 20-40 a year continuing when large scale construction slows or stops will make these kinds of units significant over time. It's also worth noting that clustering all new units also clusters congestion around those transit oriented hubs that it is hoped most every resident living nearby will use instead of driving a car for shopping or work commutes, but ADU's spread the modest impact of increased housing throughout the lower density neighborhoods.

## CHAPTER 5 - CONCLUSIONS AND RECOMMENDATIONS

The emerging inclusion of significant numbers of secondary-units under the relaxed standards set by the State of California will make this category of housing a viable and in some communities, **significant source of in-fill housing** that can legitimately be considered in planning for total housing needs of the community.

At the current time, **ADUs do not significantly impact the local rental market in comparison to major developments.** ADUs will, however, grow in significance over time as more in-fill units are added at the new higher rates. For individuals, however, the units are very significant, be it for a homeowner that needs the rental income or for a member of an extended family that needs accommodation near care givers or others that may find the unique nature of the unit ideal for their special needs.

**ADUs do not specifically address the needs of disabled or low-income residents in a significant way and they should not be counted upon to significantly meet needs in these housing categories in the near term.** Most public policy analysis focuses on dollars and data points - but the impact of adaptive housing for a disabled or aging person is immensely important to that individual housing consumer with special needs as well as their extended family. While statistically it does not appear that ADUs will be a public policy win in this area, the value will increase over time and current and future generations might embrace these units as part of a new norm (as they were in past eras when in-law units actually housed in-laws or other extended family members.) Individual home owners, however, do receive incentives for including accessible features and I did discover some specific cases where units were built for an aging family member. Over time these units may either enter or be removed from the rental market as the needs of a growing or aging family change over time. There is also a plan to incentivize affordable rents by offering financing to non-compliant unit owners to bring their units up to code in return for modest rent caps until loans are repaid, which might make some difference in the future when that program begins in 2018. Some of the more significant impacts and opportunities with ADUs will have to be worked on over time with partnerships. Unlike public housing projects, these are privately owned and privately

developed and could be used for whatever the home owner desires, including becoming a market rate rental, vacation style hotel room via AirBnB or simply guest housing for family and friends.

### **AirBnB/Temporary Housing Issues**

For public policy recommendations, the limitations on short-term rentals vary across jurisdictions. Palo Alto took the initiative for restricting the AirBnB use of secondary housing with a ban on any rental less than 30 days with a deed covenant attached to the property. Menlo Park, on the other hand, has no restrictions other than an expectation that the landlord would file quarterly reports and forward Transit Occupancy Tax revenue collected. While there might be some "best practices" across communities, at this point, each community is experimenting in their jurisdiction to see if it is a problem at all and how best to mitigate or control it. If the State of California required AirBnB to collect the Transient Occupancy Tax it would simplify things across all jurisdictions. There is also a local inconsistency where one jurisdiction (Redwood City) considers running an AirBnB to be a business requiring a business license while another (Menlo Park) does not consider it a business, so only wants the quarterly Transit Occupancy Tax payments and filings to be done voluntarily. The County is working on a new pilot ordinance limiting AirBnB rental use to less than a full year, such as 9 out of 12 months that they would apply initially in the coast side communities (Half Moon Bay through Pacifica.) This might be a more attractive alternative to jurisdictions than the Palo Alto approach of trying to prohibit ADU AirBnB use completely.

The three biggest concerns I discovered about AirBnB style uses of ADUs (and other categories of housing) is that it removes housing inventory from the rental market, that some AirBnB landlords operate in the grey market where not every landlord collects and turns over to local tax officials the Transient Occupancy Tax and that transient housing users are alleged to diminish the quality and character of the neighborhood. The whole AirBnB segment of the market deserves its own in depth study to really understand all the pros and cons and implications but I mention it in some small detail as this touches on the larger issue of unpermitted rental units that exist throughout the community from renting out an RV parked in a side yard to a garage or shed turned into

rental rooms as well as the most common practice of just renting out a bedroom inside a home (which never has required a permit.)

### **Financial Incentives and Challenges**

The non-cash incentives for building accessibility into units are modest or non-existent in most jurisdictions with almost no takers. Requiring fully ADA accessible units inside and out would significantly increase the costs prohibitively and would actually deter more units than it would create. It appears that a stronger incentive tied to perhaps grant or loan money might yield a net gain in units that would increase the supply of accessible housing, but no policy mandating it seems warranted at this time. There is also the concern about inequity and to require ADA adaptive features in an ADU when it is not required in the main house is as unfair as requiring an expensive sprinkler system.

There are funds available tied to ADA housing consumers such as a program through the Department of Veterans Affairs that will pay for ADA and adaptive housing upgrades to the veterans residence for a service connected disabled veteran, but the money follows the tenant. However this example shows the potential of partnerships that could be built upon and expanded. This kind of funding would not be available to a homeowner looking to add an ADA unit under existing policy, but perhaps if there was a lease agreement tied to the service connected disabled veteran tenant, after the landlord brought the new housing unit to market it could be upgraded with the ad enhancements could be financed while the disabled user had tenancy for a reasonably long period (an annual lease versus a month to month.) It should be noted that the San Mateo Department of Housing which is the local administrator of federal housing assistance such as Section 8 vouchers waived the requirement that vouchers could not be used in ADUs or mobile homes (though you still cannot use them for houseboats) owing to the housing crisis. In 2017 they will approve tenancy in even a non-permitted ADU cottage or in-law unit if there is a signed lease and it passes a safety inspection. Perhaps other initiatives could generate a pool of grant or low-interest loan funding that would serve multiple niches ranging from those with disabilities to seniors to veterans as well as other niches and special needs. The supply is so far behind demand that it will take a



coalition of niche interests working together to incentivize enough new micro-projects to make a significant difference. Each special needs individual housed represents a huge improvement for the person and their friends, family and community, so even 1 or 2 accessible units per year can be huge progress compared to none.

Another piece is that financing is difficult to obtain for new ADU units (banks will not issue a mortgage note for new construction unless it is on a separate parcel with its own title.) This forces home owners to take out home equity loans at higher interest rates which might be a barrier for some. Housing funds exist in most jurisdictions for supporting both home improvement and low-income development and other projects and perhaps low interest financing tied to modest rent caps while the loan is repaid could be considered as a vehicle to increase the supply of both housing and affordable units.

### **Marketing ADUs and New Urbanism**

Since it appears that there is no quick fix for the housing crisis to provide massive amounts of new housing to meet unmet demand, solutions that work on the issue incrementally like infill development in neighborhoods should not only be allowed but actively promoted and encouraged with model best practices shared widely to disseminate the concepts and workability of adding ADU units. An excellent new media example of this is this 2012 YouTube published documentary of an ADU built and operating in a backyard in Berkley, California titled "[Berkley's Tiny House adds income & affordable housing<sup>2</sup>](https://youtu.be/VMAAWABynns)" (Dirksen, 2012 .) In the newly emerging ADU segment of the housing market, more than just a permissive regulatory environment will be needed to change long established patterns of housing concepts. A marketing campaign can promote this housing form and demonstrate best practices in how the units serve multiple stakeholders, such as this excellent video production titled "[Are ADUs right for you?<sup>3</sup>](https://youtu.be/y9ymJxOBShI)" as part of a 21st Century style marketing campaign for this

---

<sup>2</sup> <https://youtu.be/VMAAWABynns>

<sup>3</sup> <https://youtu.be/y9ymJxOBShI>

new housing category done by San Francisco Planning Department. In San Mateo County a non-profit organization called Home for All is promoting ADU adoption and best practices with an online [ADU toolkit](https://homeforallsmc.org/toolkits/second-units/)<sup>4</sup>.

Other marketing materials were found from the City of Santa Cruz that start to blur the lines between old and new media and academia, public policy and marketing and promotion. I think the success of ADUs (which I define as deriving the maximum benefit for all community stakeholders) in my study area would best be achieved by using the best marketing and promotion across both government, business and academic and popular media channels to reach the audience in the community that could embrace the reemerging housing mode of ADUs. I would strongly suggest that in addition to presentations, PowerPoint slides and web sites, the planning staffs and housing authority folks working with non-profits spread a unified San Mateo Countywide campaign to promote and inform people about these units with a documentary style video production such as the San Francisco Planning Department did. Other productions came out of academics and journalists in Berkeley and Santa Cruz which were excellent at telling a very community specific story of how the units work and where they fit into the community needs and new urbanism. Since so many relatively small jurisdictions make up San Mateo County and the greater mid-peninsula (which would include Palo Alto and Mountain View in Santa Clara County) it might make sense to share the costs and benefits of producing these marketing materials and even going beyond a YouTube published work to perhaps sponsor a model unit that could travel for static display at public plazas which they did in Chicago to demonstrate the concept real tangibly and visibly. In Portland there is an open house style tour of ADUs in the community organized several times a year. On the mid-peninsula they could easily arrange something similar (and while you might think people are all security conscious and paranoid, I've been on bicycle tours of backyard open houses up and down the peninsula for open houses on urban farming to see things like bee hives and chicken coops in the backyards of very expensive private residences, so there is already a sharing culture spirit somewhat in place that plays into new urbanism concepts,

---

<sup>4</sup> <https://homeforallsmc.org/toolkits/second-units/>

and it would be fairly easy to take some photos and video to preserve demonstration ideas for times when the rented units might no longer be available for touring.

New Urbanism is spreading disruptive ideas about how new norms (creative approaches) can help us better adapt and thrive in the changing world. The world does keep changing whether we stand still or move about in great haste. Regardless of individual choices, macro trends like longer life spans thanks to modern medicine and demographic and economic fluctuations and trends like urbanization have direct or indirect impacts on everyone. ADUs are an ideal adaption to enhance the value and use of low-density neighborhoods in sprawling suburban areas that operate like extended urban corridors. Like urbanism itself, ADUs are an old idea reemerging in new ways.

The niche market potential of ADU units seems to be a multiplier for the community benefits attached to this housing category. And there are many niches in this thriving geographic area that could benefit from this new housing category being embraced and improved upon.

## CHAPTER 6 - EPILOGUE

### **2017-2020**

The County of San Mateo took a lead on promoting this housing mode in partnership with the City of Redwood City. Joint workshops were held at community centers and an amnesty program was announced to allow non-permitted rental units to be brought up to code. The number of permits issues for units increased in both the County of unincorporated North Fair Oaks and the adjacent municipal jurisdiction (Redwood City.) The table below shows permits applied for and projects completed starting one year prior to the legislative change.

State law changed again in 2019 (to further expand ADU construction options and eliminate more barriers that local ordinances might have created.) Again, the community of Redwood City and the County of San Mateo held joint study sessions on ADU's to coordinate the ordinances and implementation of state rules in the two adjacent community of Redwood City and North Fair Oaks.

Redwood City, CA	ADU Applications
2016	22
2017	47
2018	36
2019	75

Here is a summary of the latest revisions that went in to affect January 2020 taken from the Redwood City / County of San Mateo Joint ADU study sessions held February 10<sup>th</sup>, 2020.

#### Development Standards

- Cities are required to allow junior accessory dwelling units (JADUs). These are units of up to 500 square feet of converted space contained entirely within a single-family home. A JADU may share a bathroom with the existing home.
- ADUs will be allowed in multi-family units. Conversion of uninhabited spaces, including garages, will be allowed for at least one ADU or up to 25% of units in multi-family buildings. Plus, up to two detached ADUs with 4-foot setbacks will also be allowed.
- Cities must allow a minimum of 850 square feet for a one-bedroom ADU, or 1,000 square feet for an ADU with more than one bedroom.
- Cities are prohibited from implementing any lot coverage, floor area ratio, and/or open space requirements for detached ADUs.

#### Process Updates

- Cities may not impose impact fees on ADUs less than 750 square feet.
- There is a 5-year moratorium on local owner-occupancy restrictions.
- Mandatory 5-year stay of enforcement on unpermitted ADUs if they meet health and safety standards.

- Short-term rentals of ADUs or JADUs are not permitted.
- California Department of Housing and Community Development (HCD) & the Attorney General can enforce compliance if a new local ordinance is out of compliance, but it provides a 30-day right to sue or state findings to support the local ordinance. (City of Redwood City Planning Report to Council, 2019)

## REFERENCES

- Bayer, P., McMillan, R., Murphy, A., & Timmins, C. (2016). A dynamic model of demand for houses and neighborhoods. *Econometrica*, 84(3), 893-942.
- Brinig, M. F., & Garnett, N. S. (2013). A Room of One's Own: Accessory Dwelling Unit Reforms and Local Parochialism. *Urb. Law.*, 45, 519.
- Chapple, K. (2017, January). Income Inequality and Urban Displacement: The New Gentrification. In *New Labor Forum* (Vol. 26, No. 1, pp. 84-93). Sage CA: Los Angeles, CA: SAGE Publications.
- Cortright, J. (2017). Why is 'affordable' housing so expensive to build? *Citylab*.
- Despres, C. (1991). The meaning of home: Literature review and directions for future research and theoretical development. *Journal of architectural and Planning Research*, 96-115.
- Feldstein, M. (2017). The Global Impact of America's Housing Crisis. *Project Syndicate*.
- Fennell, L. A. (2014). Co-Location, Co-Location, Co-Location: Land Use and Housing Priorities Reimagined. *Vt. L. Rev.*, 39, 925.
- Harpham, T., Grant, E., & Thomas, E. (2002). Measuring social capital within health surveys: key issues. *Health policy and planning*, 17(1), 106-111.
- Hawkins, C. V. (2011). Smart growth policy choice: A resource dependency and local governance explanation. *Policy Studies Journal*, 39(4), 679-707.
- Hulse, T. M. (2015). Use of Accessory Dwelling Units as a Housing Strategy: A Case Study of Lawrence, Kansas.
- Infranca, J. (2014). Housing changing households: regulatory challenges for micro-units and accessory dwelling units. *Stan. L. & Pol'y Rev.*, 25, 53.
- John Brown, M., & Watkins, T. (2012). Understanding and Appraising Properties with Accessory Dwelling Units. *Appraisal Journal*, 80(4).

- Kennelly, B., O'Shea, E., & Garvey, E. (2003). Social capital, life expectancy and mortality: a cross-national examination. *Social science & medicine*, 56(12), 2367-2377.
- Liebig, P. S., Koenig, T., & Pynoos, J. (2006). Zoning, accessory dwelling units, and family caregiving: Issues, trends, and recommendations. *Journal of Aging & Social Policy*, 18(3-4), 155-172.
- Metcalf, J. (2017). The Permanent Housing Crisis. August 2017 issue of [\*The Urbanist\*](#).
- Morris, E. V. (2016). *Affordable housing in a "high-tech Mayberry": site selection and policy tools for San Mateo County, California* ([Doctoral dissertation](#), Massachusetts Institute of Technology).
- Mukhija, V. (2014). Outlaw in-laws: informal second units and the stealth reinvention of single-family housing. *The Informal American City: Beyond Taco Trucks and Day Labor*, 39-57.
- Murphy, A. (2015). A dynamic model of housing supply.
- Palmeri, J. (2014). Accessory dwelling units in Portland, Oregon: Evaluation and interpretation of a survey of ADU owners.
- Pynoos, J., Caraviello, R., & Cicero, C. (2009). Lifelong housing: the anchor in aging-friendly communities. *Generations*, 33(2), 26-32.
- Rent, G. S., & Rent, C. S. (1978). Low-income housing: Factors related to residential satisfaction. *Environment and Behavior*, 10(4), 459-488.
- Wegmann, J., & Nemirow, A. (2011). *Secondary units and infill development: a literature review*. working paper 2011-02, Institute of Urban and Regional Development, Berkeley.
- Weitzman, L. J. (1985). The divorce revolution: The unexpected social and economic consequences for women and children in America.
- Williams, C., & Elkind, E. (2014). Integrating Infill Planning in California's General Plans: A Policy Roadmap Based on Best-Practice Communities.

## APPENDIX A – SURVEY RESULTS FULL DATA

[Accessory Dwelling Units in South San Mateo County \(bayside\) communities](#)

SurveyMonkey

## Q1 Where do you currently reside?

Answered: 66 Skipped: 0

ANSWER CHOICES	RESPONSES	
Redwood City	80.30%	53
Atherton	1.52%	1
Menlo Park	1.52%	1
North Fair Oaks (Unincorporated San Mateo County)	12.12%	8
West Menlo Park (Unincorporated San Mateo County)	0.00%	0
Menlo Oaks (Unincorporated San Mateo County)	0.00%	0
Sequoia Tract (Unincorporated San Mateo County)	1.52%	1
Other (please specify)	3.03%	2
TOTAL		66

**Q2 Select the benefits that are most important to you in considering whether to add an Accessory Dwelling Unit? Rank each potential benefit or usage mode.**

Answered: 65 Skipped: 1

	VERY UNIMPORTANT	SOMEWHAT UNIMPORTANT	NEUTRAL IMPORTANCE	SOMEWHAT IMPORTANT	VERY IMPORTANT	TOTAL
Rental Income	18.46% 12	10.77% 7	15.38% 10	26.15% 17	29.23% 19	65
Increase Property Value	7.81% 5	14.06% 9	25.00% 16	32.81% 21	20.31% 13	64
Family Housing (for extended family, elderly or disabled family, older children)	20.63% 13	4.76% 3	15.87% 10	19.05% 12	39.68% 25	63
Guest Housing (without compensation)	36.07% 22	14.75% 9	22.95% 14	18.03% 11	8.20% 5	61



### Q3 Do you feel additional Accessory Dwelling Units added to your neighborhood would be a net positive for both yourself and the community?

Answered: 66 Skipped: 0

	STRONGLY DISAGREE	SOMEWHAT DISAGREE	NEUTRAL / NO OPINION	SOMEWHAT AGREE	STRONGLY AGREE	TOTAL	WEIGHTED AVERAGE
(no label)	15.15% 10	15.15% 10	21.21% 14	30.30% 20	18.18% 12	66	3.21

### Q4 Rate the barriers or concerns would deter you from choosing to add an Accessory Dwelling Unit to your own primary residence?

Answered: 65 Skipped: 1

	VERY INSIGNIFICANT	SOMEWHAT INSIGNIFICANT	UNSURE / DON'T KNOW YET	SOMEWHAT SIGNIFICANT	VERY SIGNIFICANT	TOTAL	WEIGHTED AVERAGE
Costs for Construction	6.15% 4	4.62% 3	21.54% 14	27.69% 18	40.00% 26	65	3.91
Permit and Approval Process and Fees	10.77% 7	9.23% 6	21.54% 14	16.92% 11	41.54% 27	65	3.69
Insufficient Space on Parcel (for detached unit)	12.31% 8	3.08% 2	26.15% 17	18.46% 12	40.00% 26	65	3.71
Property Management/Tenant/Liability	21.54% 14	13.85% 9	18.46% 12	29.23% 19	16.92% 11	65	3.06
Privacy/Security Concerns	13.85% 9	13.85% 9	20.00% 13	23.08% 15	29.23% 19	65	3.40

### Q5 Would you consider adding an Accessory Dwelling Unit to your existing home?

Answered: 66 Skipped: 0

	STRONGLY AGREE	AGREE	NO OPINION / DOESN'T APPLY	DISAGREE	STRONGLY DISAGREE	TOTAL	WEIGHTED AVERAGE
(no label)	27.27% 18	21.21% 14	13.64% 9	12.12% 8	25.76% 17	66	2.39

**Q6 If you were adding an accessory dwelling unit, would you do some or all of the construction yourself?**

Answered: 65 Skipped: 1

	STRONGLY AGREE	AGREE	NO OPINION / DOESN'T APPLY	DISAGREE	STRONGLY DISAGREE	TOTAL	WEIGHTED AVERAGE
(no label)	10.77% 7	23.08% 15	10.77% 7	16.92% 11	38.46% 25	65	2.82

**Q7 If cost was a primary obstacle to adding a unit, would you consider public financing through a non-profit or local housing agency in return for contractual agreeing to rent control and/or disabled access improvements until the loan was repaid?**

Answered: 65 Skipped: 1

	STRONGLY DISAGREE	SOMEWHAT DISAGREE	NOT SURE	SOMEWHAT AGREE	STRONGLY AGREE	TOTAL	WEIGHTED AVERAGE
(no label)	29.23% 19	12.31% 8	23.08% 15	16.92% 11	18.46% 12	65	2.83

**Q8 If you were looking for rental housing, would you consider renting an Accessory Dwelling Unit?**

Answered: 66 Skipped: 0

	STRONGLY AGREE	AGREE	NO OPINION / DOESN'T APPLY	DISAGREE	STRONGLY DISAGREE	TOTAL	WEIGHTED AVERAGE
--	----------------	-------	----------------------------	----------	-------------------	-------	------------------

(no label)	34.85% 23	39.39% 26	9.09% 6	7.58% 5	9.09% 6	66	1.86
------------	--------------	--------------	------------	------------	------------	----	------

## Q9 For a renter, what factors would be important to you in considering Accessory Dwelling Units?

Answered: 65 Skipped: 1

	VERY UNIMPORTANT	SOMEWHAT UNIMPORTANT	NEUTRAL IMPORTANCE	SOMEWHAT IMPORTANT	VERY IMPORTANT	TOTAL
Privacy	4.69% 3	1.56% 1	7.81% 5	42.19% 27	43.75% 28	64
Proximity to Work/School/Family	3.08% 2	1.54% 1	10.77% 7	36.92% 24	47.69% 31	65
Community setting	1.56% 1	6.25% 4	18.75% 12	40.63% 26	32.81% 21	64
Off-street parking	1.56% 1	4.69% 3	10.94% 7	39.06% 25	43.75% 28	64
Proximity to Transit	9.23% 6	9.23% 6	21.54% 14	36.92% 24	23.08% 15	65
Rent Cost	3.08% 2	0.00% 0	3.08% 2	32.31% 21	61.54% 40	65
Safety/Security	1.54% 1	0.00% 0	4.62% 3	21.54% 14	72.31% 47	65
Section 8 Accepted	36.51% 23	4.76% 3	42.86% 27	7.94% 5	7.94% 5	63

## Q10 What's the best way to characterize your current living accommodations?

Answered: 66 Skipped: 0

ANSWER CHOICES	RESPONSES
Own and occupy residence	72.73%
Rent a unit with a lease	19.70%
Temporary Housing (short term rental, guest or student housing, residential hotels or AirBnB)	0.00%
Shared Housing (room-mates sharing the rent on primary residence for each)	1.52%
Family provides housing (with or without rent)	4.55%
Commuter with primary residence outside of this County.	0.00%
Other (please specify)	4.55%
Total Respondents: 66	

## APPENDIX B – INTERVIEW NOTES AND RECORDING

The files of the interview recordings are available and shared via hyperlinks (URL in footnote) with the full text transcript of each interview attached in this appendix

[William Gibson, Principal Planner for the County of San Mateo](#)<sup>5</sup> Interviewed  
07AUG2017

Speaker 1:

Okay, so August 8th, 2017. Interview with William Gibson, County of San Mateo planning department, he is policy planner and I'm going to ask my survey questions or interview questions.

Speaker 1:

First of all, what have been the role of accessory dwelling units in increasing the supply of housing in your jurisdiction over say the past 10 years.

William Gibson:

I think it has played a role in increasing the housing supply, it definitely has allowed new housing development in areas that are already built out that already have existing infrastructure where if you didn't allow a second unit in accessory building on a lot there probably would not be any redevelopment, you wouldn't get larger projects, so it's kind of a handy way to allow some incremental additional development, but I would say the scale of it has not been enough to really significantly address our housing needs. It's a strategy among many, it's not a solution to anything because just the volume is not enough.

Speaker 1:

To get a sense of the impact, in unincorporated county pockets that I'm looking at, like North Berg I think has 8,000 people or some odd-

William Gibson:

North Berg has 14,000 people, I believe, 14,400.

Speaker 1:

Okay. According to the census community surveys or whatever?

William Gibson:

Yeah.

Speaker 1:

---

<sup>5</sup> <https://drive.google.com/file/d/0Bx1MF-1noF8VSGFtcnJyRGFzN0U/view>

And I know they have some density with some two or three story apartments, and then a lot of one or two story things, and then single family homes just all over the place-

William Gibson:

Sure. Yeah.

Speaker 1:

And under the county's general plan for that area is it zoned for anything denser than-

William Gibson:

Some of the areas are. We've tried to change the zoning in North Berg to some extent to allow more density, but those single family areas are not. They're all ... The areas where you see the single family development, which is where ... So we allow second units, accessory dwelling units, to be built in single family districts. We allow them in duplex districts, so if you had a duplex you could add one second unit for the whole duplex-

Speaker 1:

Okay.

William Gibson:

You could have three units on there. In multi-family zones we don't allow-

Speaker 1:

So a tri-plex wouldn't-

William Gibson:

Tri-plex or something greater you wouldn't be able to get another unit-

Speaker 1:

Without-

William Gibson:

We'd rather have you read about that at a higher density with a multi-family. You could ask [inaudible 00:02:27] you don't get it, as an exception we don't allow it, there's always a path, but by right you don't get it. But those single family zoned areas are ... Those areas where you see single family are zoned single family, so really the only way to do something more than a single unit is to do an accessory dwelling in it.

Speaker 1:

And that's preserving the character of the neighborhoods-

William Gibson:

Yes [crosstalk 00:02:46] Neighborhoods like it that way, they don't want to see significant impacts of redevelopment or densification there, so when we do try to densify we've had some

battles with local residents, even modest densification the single family residents in those neighborhoods tend not to support it or tend to come out and advocate against it pretty strongly.

William Gibson:

Second units are kind of a good compromise solution and they have addressed some needs for sure. They're smaller, so they tend to be more affordable. They give flexible to homeowner or tenant to ... You can have extended family in there or maybe your adult children, or it's providing formal housing. Any type of new housing you're turning from one unit on a parcel to two you're doubling the density of that parcel, essentially. It's a good thing, it's just that we have been getting ... And the pace is picking up, but it was in the single digits for a while of units, new second units, legally created per year.

William Gibson:

There are a lot of unpermitted second units out there, so when we talk about addressing the scope of our housing problem we're not really talking about the informal kind of market of second units because we don't know how many there are, what quality they are, et cetera, et cetera. But in terms of the legally created ones for a while it was as trickle, there was literally one to five units a year, which is nothing, obviously. Now, it's picking up more. I think both because the housing market has heated up, because the state has changed their regulations, and because we've adopted the state's new regulations so people are aware of second units as a strategy so we're seeing an increase in production.

William Gibson:

Yeah, it plays a role, it's one way to address it, it's just to kind of get at the county's housing needs, both incorporated and unincorporated, you need more new multifamily affordable, you need the whole range of housing types being created, second units being one of those.

Speaker 1:

And you don't have the raw land to just annex a new subdivision. Some of the [inaudible 00:04:56] has room for a subdivision maybe-

William Gibson:

Some. There are a few areas, the coast side is hard because the coastal commission and our local coastal ... Our implementation of the coastal acts, the local coastal program, is pretty restrictive on development. There's some room for actual new multi family or new higher density development, but there's only a few pockets out there and it's very hard to do and the infrastructure's out there is difficult. The water is difficult out there because the water providers have a very limited amount of new expansion they will allow, so it's capped in different ways. It's capped by resources, it's capped by regulations.

Speaker 1:

I excluded them from my study because I thought it was a whole different-

William Gibson:

It's too different. It's regulatorially it's different, the whole regime is different. You can't really compare coast side and bay side very well.

Speaker 1:

I'm strictly looking at that quarter along El Camino, 101, [inaudible 00:05:53]-

William Gibson:

Sure.

Speaker 1:

And from Redwood City down to the Palo Alto border, the creek-

William Gibson:

Sure.

Speaker 1:

Is there anywhere that you're going to see some of the development, like the last few years Redwood City has just blown up as far as the developers have the money and the demand is there and they're willing to go how many stories there are, eight, ten stories-

William Gibson:

Right. Yeah.

Speaker 1:

Not just one tower, but-

William Gibson:

Yeah, multiple.

Speaker 1:

All over downtown and is there anyone, the county?

William Gibson:

We ... Probably not. We don't have anything. The only ... In North Fair Oaks we are changing the zoning to allow more higher density development, so there will be moderately taller buildings, but something in the range of five to six stories at most in certain areas of North Fair Oaks-

Speaker 1:

Okay, so-

William Gibson:

And even that-

Speaker 1:



Grand Boulevard-

William Gibson:

Yeah, the Grand Boulevard [inaudible 00:06:48] probably five stories max. The area around the junction of the Cal Train and the Dumbarton Rail Line, there's a lot of land there, that'll probably be kind of ... They'll be five story development in there. We have an area around the Colma BART station, which is unincorporated, that allows 80 to 100 units an acre.

Speaker 1:

Super dense.

William Gibson:

Yeah, very dense, but the remaining land that is undeveloped there that is zoned for that is fairly small, so that's the only real opportunity where you would come in and you could build six, eight more stories, but we're not seeing a lot of interest. Quite a few affordable housing developers built up there when we first re-zoned that, so I think they've taken all the easy sites. We might see something there, but we're not going to see something like Redwood City.

Speaker 1:

Okay.

William Gibson:

It's just the opportunities are really not there in the unincorporated.

Speaker 1:

I think in the city of San Mateo and Redwood City there's a couple places up and down the peninsula where they're just clustering around-

William Gibson:

Yeah. Yeah, and that's where ...

Speaker 1:

I think that's significant.

William Gibson:

Yeah.

Speaker 1:

As far as the impact it brings on the housing market. I'm curious, compared ... If 20 new ADUs come online in 2017 compared to 200 unit apartment tower-

William Gibson:

It's dwarfed. It's dwarfed by ... That's why I say it's a small ... It's part of the picture, it addresses a very specific niche of housing need, but any one of these developments in Redwood City probably outnumbers in total units our last 10 years of second unit production.

Speaker 1:

Okay.

William Gibson:

Together. It's just ... Obviously, when you're building second units it's the actual homeowner coming in and building on there, but they're not experts, they're not developers, they're doing one unit. It's occasional [crosstalk 00:08:43]

Speaker 1:

May not even be a rental, it could just be their in-laws-

William Gibson:

It could-

Speaker 1:

Their cousins, they're ...

William Gibson:

Yeah.

Speaker 1:

Whoever-

William Gibson:

Exactly, so it's a very different kind of solution. The large scale solution is really the big dense multi family, like Redwood City's doing, and then of course not that alone because it has to be dedicated affordable too to make sure it gets the right income brackets, but yeah, so it's a ... We're trying to do within the constraints of what you can kind of allow and ... Both the market constraints and the constraints of what existing neighborhoods really want to see, we have to be sensitive to that, and what they're willing to allow and kind of the funding constraints for housing. Second units are one, we're just trying to find every kind of avenue for producing more housing that we can, and second units is one of them.

Speaker 1:

Before the state pushed down their changes, had you guys tinkered with the ordinance?

William Gibson:

We had a couple of times, so we adopted it ... I don't remember when ... Before 2003, anyway, I should-

Speaker 1:

The last one.

William Gibson:

Yeah, it was the last one [inaudible 00:09:48] Our zoning code was the previous, but this doesn't ... But yeah, so there were changes over time and we had also ... At various points, the state had changed what we were allowed or required to do and we didn't adopt every change formally until this last round, we just implemented them.

William Gibson:

For instance, the state had eliminated the ability to add quotas for second units, so you couldn't say, "This neighborhood can only have 20 second units, period." Before that change, the state said, "You can put a cap on second units by area."

Speaker 1:

You could put a cap.

William Gibson:

You could, and then the state changed and said, "No, you can't." We never removed the cap formally from our ordinance, we just stopped implementing it, and so we hit the next round of updates and then we fixed that. Basically, there were state updates over the years, over say the last five years, that we cumulatively caught in this last round of updates. We had kind of been like, "Well, we're not going to implement that, the state says it's legal, we're going to consider that an un-enforceable part of our ordinance and we will remove it at the next update." And that's what we did.

Speaker 1:

I'm rusty on the requirements, but it seems like there was a housing target that came down from a regional group that they pushed on all the cities like, "Your goal is to have this many-

William Gibson:

Yeah, that's the RENA, Regional Housing Need Allocation-

Speaker 1:

And it seemed like some communities ignored it completely and some bent over backwards to try to stick to the letter of the law, "We're going to have this many in each category." Then-

William Gibson:

Yeah, so ... Okay, there is-

Speaker 1:

Was second units every included in that?

William Gibson:

The second units, okay, so we did not include second units ... The Regional Housing Needs Allocation, the state pushes a number to the regional council governments, [AVEG 00:11:42] and NTC in our case, [inaudible 00:11:45] distribute it to the counties. In our case, we worked with all the jurisdictions collectively to figure out what our shares should be, which is an allowed process. AVEG and NTC could actually just directly distribute it to the local jurisdictions as well, but that's just a technical thing, so we came up with a number. Every jurisdiction needs to have this much housing by income category, so for high income, for medium income, for lower. By category that's a number that say you must plan for, you have to demonstrate to the state that you have in your housing element identified enough developable sites, properties-

Speaker 1:

You don't actually have to build-

William Gibson:

You don't have to build them, so there [crosstalk 00:12:25] Yeah, the most aggressively proactive jurisdictions were like, "Yes, we'll plan for it and try to make it happen, build it." But that's not the requirement. The requirement is the first step, you plan for it. You identify the sites for it, you do not have to cause them to be built. We want to just say, "Look, here are the sites, but we're not doing anything about it." That's what you can do.

Speaker 1:

Okay.

William Gibson:

Yeah, it's a planning requirement, not a production requirement. There is no production requirement-

Speaker 1:

It makes into the general planner, into the housing element-

William Gibson:

Exactly.

Speaker 1:

It doesn't guaranty that there's funding to build affordable housing-

William Gibson:

No. As it happens in San Mateo County our supervisors are very housing friendly, they're very proactive about funding housing. We passed measure K, measure K was on the ballot, our supervisors are distributing a tremendous amount of that to affordable housing through our housing department. We've done the second unit ordinance. We have adopted a housing impact fee to generate more ... If you build new commercial development or new residential development in a county that's new residential market rate you pay an impact fee that says, "Per square foot you're generating an impact, you're creating a need for affordable housing." So we put that in a trust fund and we set that aside.

William Gibson:

There's a range of other things. We're trying to protect mobile home parks as a form of affordable housing. We're doing a range of things that address the need, so I think we and a number of other jurisdictions in the county are pretty forward thinking about it. Our board is proactive on that score, which is lucky, not every jurisdiction is like that. Obviously, some of them see protective order requirement and they don't think the need ... There are jurisdictions that feel they don't need affordable housing, their community doesn't need it, they don't have ... They don't feel they share the need to address that, and so yeah, and there are some that just deviate from the first requirement, they don't even plan for it. They don't [inaudible 00:14:14] and they are really out of compliance with state law, but since the only penalty is if you're getting state funding, if they don't need state funding there's no hook for them to actually follow that requirement.

William Gibson:

Yeah, it's interesting.

Speaker 1:

I want to make sure I cover-

William Gibson:

Oh, and the second unit ... Let me just back up, so we did not count second units or potential for second units against our regional housing needs allocation.

Speaker 1:

Because you can't know how they're going to be priced.

William Gibson:

We can't know how they're going to be priced and we also don't know how to predict how many will be built. It's too hard to say here's all the sites that might be second units, but how many of them actually will really be built-

Speaker 1:

Yeah. Okay.

William Gibson:

We felt like ball parking that was too hard and we didn't actually need to because we had enough available sites anyway that are appropriate for various income levels, but I do think some jurisdictions that are running up against limits may be counting second units [crosstalk 00:15:12] Yeah, or if there are ones that are in the permitting process now, but haven't been built yet, you can count those. We didn't do any of that, but it is a possible ... You can treat them as somewhat affordable based on their size, which is justifiable, and you can count them against your [inaudible 00:15:29], but we didn't.

Speaker 1:

Okay. And what specifically has changed in 2016, 2017 when the state law ... What did they call it? They named it after someone, I forget, but this one, when it got on the books and got chaptered and got pushed down to the cities, how did that change this jurisdiction's-

William Gibson:

We adopted pretty comprehensively what the most aggressive provisions of the state. We made exceptions for setbacks, we made exceptions for parking, we made exceptions regarding the creation of second units inside existing accessory buildings and garages. Basically, we took everything that the state proposed and we could have taken some of it and not other parts, there are parts that are mandatory and parts that are kind of optional, we took all of it. We pushed a little bit further too, I think, so we made it very easy for you to create a second unit, even if you're unable to meet the normal standards for a single family development. The normally required parking is vastly reduced, the ways that you can provide it is vastly reduced, and now it's often hard to fit a second unit on a lot when you have a covered parking requirement. You have to have a two car garage and if you're going to build a second unit you need another covered parking spot, et cetera-

Speaker 1:

I've just been reading the Redwood City one and parking's like a huge issue, but if it's within a half a mile of-

William Gibson:

Yeah, that's straight from the state.

Speaker 1:

You could waive-

William Gibson:

You can waive it. Transit, car share-

Speaker 1:

The car share thing, I thought that was awesome. Anything ... Sequoia Station has a car share, so you could just get a ruler and figure out the radius-

William Gibson:

Yeah, exactly. We've adopted all those things. It's pretty aggressive in allowing them in situations where it otherwise would have been somewhat difficult to do so.

Speaker 1:

The [inaudible 00:17:39] approval is another big thing because before, at least some jurisdictions, it was a big song and dance where you had to go to the planning commission and even notify your neighbors and have a comment phase and do all sorts of-

William Gibson:

So we eliminated on the bay side, on the coast side it's still a little different because we haven't gotten our ordinance certified by the coastal commission yet, they're considering it now, so we don't know how different it will be because sometimes they require changes that weren't ... But basically, yeah, we've eliminated that entirely, so no hearing, no public noticing, purely magisterial.

Speaker 1:

Before 2017, did some people have to go to the planning commission that now don't have to-

William Gibson:

It depended. There were some that were in design relieve districts that would have to go through design review [inaudible 00:18:20]

Speaker 1:

Like a historic district or something-

William Gibson:

Yeah, there were districts in the county where there are just design standards that are discretionary, and so it goes to an architectural review committee, basically, to say the architecture meet the neighborhood quality, standards, et cetera, et cetera.

Speaker 1:

Is that like [inaudible 00:18:39] or one of those.

William Gibson:

Well, commercial structures on Middle Field Road or actually any structures on Middle Field Road, facing Middle Field and North Oaks are in a design review district, and [inaudible 00:18:50] has a design review district, which is a pocket of unincorporated Redwood City. Weekend [inaudible 00:18:56] maybe, like [Mandle 00:18:58] Oak area.

Speaker 1:

Allied Arts part of unincorporated or incorporated?

William Gibson:

I don't know ...

Speaker 1:

It's right on the creek side of Paolo Alto is on one side, [inaudible 00:19:11] just on the other side Allied Arts neighborhood.

William Gibson:

Oh, that's ... I think that's east Palo Alto, isn't it?

Speaker 1:

I think it's Mandle Park-

William Gibson:

It's probably Mandle Park [crosstalk 00:19:15]

Speaker 1:

But someone told me it's unincorporated-

William Gibson:

Yeah, I don't know.

Speaker 1:

But if it is it's just like-

William Gibson:

It might be a little pocket. Yeah, we have a lot of kind of little unincorporated islands, they call them, that never got swallowed up for whatever reason [crosstalk 00:19:33] Yeah. Yeah, there were a lot more cases where you would need a hearing for a parking exception, for instance, you'd need a hearing for design review, you'd need a hearing for something or other that was an exception for normal rules. Now, even if you're on site for that exception, you don't have to go to a hearing necessarily, and for something that meets the requirements you definitely don't have to go and that saves both time, it saves obviously a lot of sometimes struggle through neighbors objections. Yeah, it's easier for the applicant, by far streamlined the process.

William Gibson:

And that's the state's intent. They want us to not be able to say no, basically, which is reasonable.

Speaker 1:

I put that under limitations that I'm not going to deal with, unpermitted units that exist, but I'm going to acknowledge that they do exist.

William Gibson:

Yeah. Oh yeah. We definitely have some, I don't know how many, but-

Speaker 1:

And there was a paper [inaudible 00:20:24] someone did it and Daily City did an informal census and found a quarter of their housing stock were unpermitted units.

William Gibson:

Yeah, I wouldn't be all that surprised. Yeah.

Speaker 1:

I'm like there's no way I'm going to be able to do a survey like that-



William Gibson:

No.

Speaker 1:

And it's not even worth trying-

William Gibson:

Yeah.

Speaker 1:

But I'm wondering have you had people come in the door saying, "I heard it's easier to get units done and I accidentally discovered I have an unpermitted unit."

William Gibson:

Yeah, I mean, we have people that ... So-

Speaker 1:

A forgiveness phase-

William Gibson:

There's two things. Yeah, we definitely have ... We have people come in who bought a house and didn't know, they should have known, but didn't know they had an unpermitted unit or they're telling us they didn't know. There will be a second unit in there, they'll come in, they want to do something else with their house, and we won't give them a permit necessarily because they have an unpermitted unit, right? So they probably regret that they wanted to upgrade their kitchen or whatever because suddenly we find they have a second unit and they have to fix it or do something with it. There are people who come in reporting on their neighbors of illegal second units or unpermitted second units, obviously. There are a lot of situations and there are people-

Speaker 1:

Parking on the street on garbage day, I'm going to get even with them.

William Gibson:

Exactly. And there are people who just explicitly created an unpermitted unit and they're like, "I hope I don't get caught." And there's a lot of that. We right now are in the process of adopting an amnesty program that says if you have created your unit before X date you can come into us, and there will be like an 18 month window, and we will help you try to upgrade it without ... We'll do a firewall and we'll say, "You're reporting you have an unpermitted unit, we're not going to go through the code violation process. What we'll do is try to help you figure out how you can get it up to code or as close as possible-

Speaker 1:

And it won't be red flagged while they're doing it-

William Gibson:

Exactly. And we won't-

Speaker 1:

That's actually huge for a lot of people.

William Gibson:

Yeah, and a lot of jurisdictions have done this and we did it once before, a long time ago, but we're going to do a second round of that. Couple it with some available loans from the housing department to do some rehabilitation, and we'll see how that goes. We don't know what kind of response we're going to get, we don't know how many applicants will be interested, but we're looking at starting that at the beginning of next ... Like late January, early February of next year for 18 months, and we will see how many units we get, what the quality ... Some of them may not be fixable whatsoever.

William Gibson:

The advantage is we really are fire walling it, so if they come in and it's not fixable we're going to leave it alone. We're not going to-

Speaker 1:

You're not going to go pester them and-

William Gibson:

Yeah. This is the initial stage ... There's going to have to be a stage where they are deciding at their own risk to proceed, but the initial assessment will not ... The initial assessment will be a black box where they can come in, they can talk to us, we can evaluate it and say, "Look, this is doable. This is not doable. Whatever." And not red tag and not penalize them for unpermitted construction. Probably as they get down the line there's going to be a point where it's like, "You've gone far enough where you're going to have to finish this or we're going to figure it out."

Speaker 1:

Otherwise, if it's a health and safety hazard and there's a chance of a [crosstalk 00:23:43]

William Gibson:

Exactly. We have to address that real possibility.

Speaker 1:

That's actually a huge thing.

William Gibson:

Yeah, so we're looking at that and a lot of other jurisdictions are very similarly situated where they want to do that.

Speaker 1:

Cost wise, did it get cheaper-

William Gibson:

It is cheaper. We've waived some of the fees. Yeah, we've made it somewhat cheaper and the amnesty will be much cheaper because we're going to waive almost every fee related. Normally, we would ... If you had an unpermitted unit not only would we make you fix it, we'd make you pay penalties for not permitting it in the first place, we're going to waive all of that. Yeah, the cost of the second unit itself, because there's no hearings associated anymore, there's no hearing cost. Hearing level permits tend to cost more, so ... Design permit costs more, there's all these levels of permits that cost more, so-

Speaker 1:

I think ... If I recall, finding apartments in cities are revenue driven where you get-

William Gibson:

Typically-

Speaker 1:

Does the county work that same way?

William Gibson:

Yeah, so we get some general funds, but we're cost recovery.

Speaker 1:

Which can make that kind of expensive.

William Gibson:

Yeah, it's a big deal.

Speaker 1:

How do you survive during crashes in the economy where no one's building anything?

William Gibson:

We lay people off and we backfill from the general fund until we get back on our feet, yeah. During the last crash we laid off three or four people, I think, maybe. Yeah, so it's very up and down. We're very driven by the market.

Speaker 1:

General questions and then I'll circle back and I'll ask you some more detail-

William Gibson:

Sure.

Speaker 1:

What are some of the challenges of this housing category, pros and cons?

William Gibson:

Well, yeah, so the pros are it's very unobtrusive development, kind of stealth density in a way. It doesn't tend to bother the neighbors, it's not big, it's not impactful. It relies on existing infrastructures, so you're not doing green field development, you're putting it in where there's already power, there's already water. They do tend to be smaller and therefore often cheaper, and it provides the homeowner a benefits if it's a rental unit or even a family unit and a tenant. You're taking someone out of the rest of the housing market, sliding them in a parcel that already has a unit, so every one of those is removing some potential person from the housing market, which is good, obviously.

William Gibson:

I think they're efficient, they're relatively cost effective compared to other forms of development, tend to be somewhat cheaper, and are a way to densify a neighborhood without over-densifying it, I would say. Those are the basic ones.

Speaker 1:

I recall something in an article about the cost to build below market rate housing was some insane number of several hundred thousand dollars per ... I don't recall the article, but it was just interesting and I'm not sure if it was a valid thing, but it's like the cost of parking where you look at a multistory garage-

William Gibson:

Sure.

Speaker 1:

What it costs per stall-

William Gibson:

Yeah, parking is definitely a big chunk of ... Yeah, it's a big cost driver.

Speaker 1:

And as opposed to building affordable tower, an ADU is like a cottage ...

William Gibson:

Well, it's ... I mean, totally different construction type, so yeah, in general it's probably actually cheaper because it's single story, generally wood frame construction. It's a different construction type-

Speaker 1:

You don't need the sprinklers and all that other stuff-

William Gibson:

Yeah, it's only ... The state law says if the regular house doesn't need sprinklers the second unit doesn't need sprinklers, and if the regular house does need sprinklers, the second unit does. Really, it depends on the assessment of whether that original house was required to have them or not-

Speaker 1:

I've never seen a house that requires sprinklers, but I imagine that there's some trigger if it's so big-

William Gibson:

Yeah, I think they're size ... I'm not totally sure, but in state law, in the fire code, there are triggers for when you need to sprinkler a regular residential structure.

Speaker 1:

Probably so many bedrooms and ...

William Gibson:

But I would say affordable housing is not any more expensive than market rate housing. The construction type is the construction type, the cost is the cost. In fact, often because it's not built quite as nicely the quality tends to be a little lower in the furnishings, the fixtures, the accessories, it's actually slightly cheaper, but you're not getting a market rate price for it, which is what you basically borrow against the potential market rate income stream, whether that's a sale income stream or a rental income stream. It's harder for you to get the financing to build affordable housing because you don't have an income stream that's the same. The cost of production is identical, essentially, but I would say just because of the construction type second units are less and because they cost less to produce obviously they can cost less to live in. And their size is small so the ... There's a size thing and a cost thing going on that make them somewhat cheaper, I would assume, but we don't have any real data on that because we don't know what people rent them for. We have no way of knowing.

Speaker 1:

I did look on Craigslist, but I have no idea whether the unit's listed-

William Gibson:

You can't tell. You can kind of guess by size-

Speaker 1:

Yeah.

William Gibson:

Yeah.

Speaker 1:

It was just too much work to try to ask.

William Gibson:

Yeah. Yeah. We've never been able to find a good source of that, so I, myself, have done some kind of Craigslist/[crosstalk 00:29:14]

Speaker 1:

Airbnb too and I'm just like, "I don't even want to deal with this."

William Gibson:

Yeah, that's a whole different ... Technically, they're illegal. That's illegal in San Mateo County, but it's not really enforced, so ... You're not supposed to Airbnb your second units.

Speaker 1:

And you're not ... That's just in the county unincorporated?

William Gibson:

Different jurisdictions deal with it differently, so [crosstalk 00:29:37]

Speaker 1:

They were like, "Technically, you're supposed to have a business license-

William Gibson:

Right.

Speaker 1:

"And be paying taxes like the hotel-

William Gibson:

Exactly. Which means it's a hotel, and our interpretation is residential zoning doesn't allow the use of a hotel in a residential zone, therefore it's illegal defacto, but we don't enforce that on bay side.

Speaker 1:

And part of it is the world's got these disruptors like Uber disrupting the taxis and ... I don't know.

William Gibson:

Yeah, it's a whole different debate, but we're addressing that slowly. On the bay side we actually just passed a law that said, "You can Airbnb your second unit, but no longer than 180 per year and you must be in your main house if you're renting. You must be residing in your main house."

Speaker 1:

That's just in the coast side. Is there anything about Airbnb on the bay side-

William Gibson:

Not yet, we'll probably be modeling that same ordinance over here, but we haven't done it yet.

Speaker 1:

And so there's no covenant or contract when you give the permit on how it's used?

William Gibson:

Not right now. I mean, the assumption is it's a residential use, but I think it explicitly will be illegal probably in the next year. We're probably going to adopt that, yeah.

Speaker 1:

Okay.

William Gibson:

We'll let you Airbnb it, but only part time. It's part time and you have to get a permit for it, you have to pay business taxes, et cetera, et cetera.

Speaker 1:

Okay. And then it still might make sense to rent it out to a college student during the school year and then Airbnb the summer.

William Gibson:

We don't want to preclude that because that makes sense, but we don't want you to do it every day of the year. We're giving you a second unit permit to build another unit, to provide another unit, not to provide a hotel and not to provide you an income stream. We're trying to ... It's to provide a housing unit, a permanent housing unit.

Speaker 1:

Right.

William Gibson:

If that's half the year, we're fine with that, but if it's all the year Airbnb we're not so fond of that.

Speaker 1:

Okay.

William Gibson:

Yeah.

Speaker 1:

That's interesting predictor because ...

William Gibson:

I can't say for sure, but I think the basic concept the board wants us to pursue ... To expand that to the whole county, basically, in the next year.

Speaker 1:

Okay. Other cons on units.

William Gibson:

Well, I do think people have issues with parking, it does add parking to the neighborhood and there are some infrastructure impacts, maybe, in terms of water, electricity. The ... People kind of ... It's most of the cons that people talk about are neighborhood quality impacts, people are taking up ... You're building a new unit, you're not providing parking for it, they're parking on the street. You're adding people to the neighborhood, you're densifying it, so it's kind of anti-density arguments that you typically hear on a smaller scale. Or you hear they're building really close to my property line, the second unit can actually be closer than a regular unit would, so it's a privacy issue. Your second unit's ... We have some regulations that kind of try to control that, but yeah, so I think it's more the immediate surrounding neighbors and the impact on their quality of life, whether they can park, all of those things.

William Gibson:

Those are really the only kind of downsides we typically hear people complain about, so-

Speaker 1:

Okay.

William Gibson:

Yeah.

Speaker 1:

I got pros and cons-

William Gibson:

And downside, I guess, from an applicant or homeowner's perspective, it's really hard to get a loan to build one. You basically have to take out a home equity loan, you can't get a normal development loan. That's starting to change, but that's a non-traditional development type so it's hard to get construction financing for a second unit as opposed to a single family unit, which is very easy to get financing for. That's ... I don't know if it's a downside, it's just a challenge. There's a technical challenge there.

Speaker 1:

That's actually good because I had an idea everyone hates on my survey, but I'll get to it at the end.

William Gibson:

Sure. Sure.



Speaker 1:

What impact, if any, do ADUs have on increasing housing choices for disabled and low income members of the community? I think you touched on part of this.

William Gibson:

Yeah, they can. I guess it's a they can. I think they tend to be lower income, but they're not restricted affordable housing, they're not permanently dedicated as affordable housing, except in certain unique cases, so there's no guarantee at any ... There's no accessibility guaranty and there's no affordability guarantee. It's basically more a supply side kind of we're trying to provide more housing supply generally as part of the larger market, but it's not specifically targeted, so there's no guarantee it's going to help the disabled or help lower income groups.

Speaker 1:

It's like supply side-

William Gibson:

It's a little bit more a supply side solution or just a housing supply solution, a market solution, because we're not capping and we're not saying, "You have to build for affordable groups." Or, "You have to build ... They have to be ADA accessible because everything has to be ADA accessible these days, but-

Speaker 1:

No, it doesn't. People build houses without wheelchair ramps all the time.

William Gibson:

Yeah, that's true. Universal design, but yeah, we don't require that for the second unit either. Yeah, only ... Yeah-

Speaker 1:

If it's not required for the main house it's not required-

William Gibson:

Same thing, actually, that's true. Yeah, they're not even required to be accessible, actually. Except for whatever ... You don't have to make ramps, your sidewalks have to be the right widths, your passageways between that main house and-

Speaker 1:

Has to be wide enough to handle-

William Gibson:

To handle the normal wheelchair, six feet, it's the ADA standard-

Speaker 1:

And I think the runway-

William Gibson:

Runway is six feet.

Speaker 1:

I think Redwood City said they give people an extra 100 square feet to make ADA ...

William Gibson:

Yeah, we would do the same. We will give you extra [crosstalk 00:35:29] It's just a policy generally and I think it's a policy that comes from our housing element initially. We don't have a formal universal design policy, but we say, "It is our policy to accommodate you. If you need extra exemptions to fit ADA compliant fixtures, whatever they may be, we will give you that break." If your setback needs to be different to get the ramp to make it so that the grade is not too great then we will give you that as well. Yeah, but it's not in ... And that's for everything, it's not just for second units, it's for main residents too, we will make those accommodations for you.

William Gibson:

But yeah, there's no requirement. Yeah, so I would say does it? Maybe, potentially, it provides more options for lower income groups or for groups with ability challenges, but we can't guarantee that's happening. It's possible.

Speaker 1:

I asked someone in section 8 could they rent a cottage and rule was only if it was a permitted, legal unit and-

William Gibson:

Correct.

Speaker 1:

They just told me they waive that because of the housing crisis, they'll actually approve section 8 as long as it passes a safety inspection.

William Gibson:

Okay.

Speaker 1:

And they'll even take mobile homes now, which they would never do before.

William Gibson:

Okay. Yeah, so I didn't know that.

Speaker 1:

In a way, it increases the choices if you have a voucher that without a voucher-

William Gibson:

Yeah, because ... And the landlord will accept the voucher, it's their discretion not to, so yeah. And most prefer not to.

Speaker 1:

Yeah. That was my four main questions and the fifth one was for the data points. I filled out the form if I could get that by next Monday maybe?

William Gibson:

Yeah, so email me reminding me and say, "Hey, I filled out the form." Describe again what you're asking for-

Speaker 1:

Okay.

William Gibson:

I'll make sure between us it's happening.

Speaker 1:

And it's just a 2012, 13, 14, 15, and half of 17 ...

William Gibson:

16.

Speaker 1:

Yeah. Yeah. Five years before this one, and then first half of this one to show the significance of-

William Gibson:

I think we can pull that, but yeah, but I would loop me into that request as well.

Speaker 1:

Okay.

William Gibson:

[inaudible 00:37:49] and together we'll get that for you.

Speaker 1:

Cool. Because that's my compelling point of data thing is, "Look, [inaudible 00:37:57] had zero and now they have four, and look at the county, there's a trend here."

William Gibson:

There's definitely a trend, but just aggregating the trend from the overall fact that the housing market is in a giant rebound is hard because people want to build stuff anyway and they're like,

"San Mateo, there's so much income out there, we can build a second unit." Yeah, so it's back too, but I do think the ordinance has made a difference.

Speaker 1:

I'll just include the social justice aspect, everyone has to include that, and so I did a questionnaire on Survey Monkey and I pushed it out to NextDoor on what are people's feelings on secondary units, would it be a net positive for the community and for yourself, what would you value out of it, the income, able to house a family member, people with disabilities. I got like 60 responses. I threw in a question there like, "Will you be willing to agree to modest rent control or ADA accessibility in return for public financing or through a non-profit until the money was repaid?"

William Gibson:

Yeah.

Speaker 1:

'Cause I was thinking there's a lot of potential to help people stay in the neighborhoods, maybe where they're already living, maybe they had a stroke or whatever's going on and they're in a wheelchair now and if it was just routine for people to build the ramps and that single story thing ...

William Gibson:

Yeah.

Speaker 1:

And it was like 80% against it, they're like, "Hell no, rent control is the devil." But it went out to North Fair Oaks and [inaudible 00:39:35] and Midland Park and it wasn't a popular ... It was like raising-

William Gibson:

Yeah. I think it depends on how you understand the question, so if we are going to give you financing that makes it possible for you to build a unit you're going to be in a very different position about whether you'll impose controls on the rent because we're going to make you.

Speaker 1:

Yeah.

William Gibson:

We're not going to blanket ... We would never blanket impose that on just every second unit that's built, but if you need our help in order to do it that's a contractual relationship-

Speaker 1:

'Cause I'm looking at the measure K money and I'm looking at the housing authority has money and measure K's got a little bit, and there's other pots of money out there, and there's folks like

[inaudible 00:40:24] and they're trying to place people in the most ideal situation and it'd just be great to have a vehicle to let maybe a house rich cash poor homeowner-

William Gibson:

Yeah, that's it. That's the point of it, right?

Speaker 1:

Yeah.

William Gibson:

Yeah, so we're not ... We have some funds. For the amnesty program, we'll probably be offering rehabilitation loans and those loans may, probably will, be coupled with you're going to have to make the unit affordable for a certain length of time.

Speaker 1:

Oh, okay. That'd be perfect.

William Gibson:

Because we are providing public financing. For new units, we're probably not going to be providing any financing, so we're probably not imposing restrictions on those, but in terms of rehab, yes, we offer rehab loans, it probably will be coupled with some affordability restrictions on an ongoing basis. But until part or all of the loan is paid off or forgiven, so not forever, but we haven't designed that yet so we don't know exactly what that might look like, but I think that's probably going to be part of it. But only on the amnesty and rehab portion.

William Gibson:

Yeah, I know people are against, homeowners in particular, when they want to rent out a second unit they're not going to be in favor of rent control. Our board has not come down on the side of rent control either, so that's the way it goes, but affordability restrictions in exchange for financing is not rent control, that's just contractual agreement between the person doing the financing, so-

Speaker 1:

That's what I thought was a reasonable approach is it's a contractual ... You get a benefit-

William Gibson:

You're getting a benefit [crosstalk 00:42:10]

Speaker 1:

Financing and probably an interest rate that you wouldn't get otherwise-

William Gibson:

Exactly.

Speaker 1:

And-

William Gibson:

Conditioned on you're going to have to provide some [crosstalk 00:42:18]

Speaker 1:

You're going to make the income, be able to pay back the loan, but while you're paying it back you're going to keep it-

William Gibson:

Exactly-

Speaker 1:

At the middle or low end of the market versus going for-

William Gibson:

Yeah. Yeah. That's how we look at it, I think it's a pretty reasonable thing to request, so yeah.

Speaker 1:

Okay. That's cool. I think I've got enough qualitative quotes to throw together with my stuff, thank you very much for-

William Gibson:

Absolutely, glad to do it.

[Diana O'Dell, Principal Planner for Redwood City](#)<sup>6</sup> Interviewed 08AUG2017

Speaker 1:

Okay, so it's August 9th, and I'm interviewing Diana O'Dell, principal planner with the Redwood city, asking her the background questions on accessory dwelling units. And the first question is, what has been the role of accessory dwelling units and increasing the supply of housing in this jurisdiction set before 2017?

Diana O'Dell:

Before 2017, extremely limited. I think we were averaging about two a year or something like that. Because it was the way our rules were set up, it was pretty difficult to add one. So they hadn't really formed much of a role at all, but we definitely had a lot of input from the community that we're acquiring to come to the counter and ask, they want to add one.

---

<sup>6</sup> <https://drive.google.com/file/d/0Bx1MF-1noF8VVG41Qk54cnFBYIU/view>

However, just because of the way the rules were set up, it was pretty uncommon for them to be able to figure out how to do it and provide the parking. So it was limited, but we're expecting it to become hopefully a more useful and prominent part of our housing.

Speaker 1:

Anecdotally, we got half of 2017 out there. Have a lot of people started pulling permits? I know that you're-

Diana O'Dell:

Locked. 26, I think we have something not so far.

Speaker 1:

Okay. So like January to present-

Diana O'Dell:

Approximately.

Speaker 1:

2017, approximately, so that's significant number.

Diana O'Dell:

That's significant. And so we've actually amended our ordinance twice in the last two years. So we changed it in 2015. No, it took effect in 2016. And we went from two to like 26 in a year, which was huge. And now in 2017, we're only halfway through the year. We've already got like 26.

Speaker 1:

Okay. So like 2012 to 2015. It was like two a year. And then 2016, it went to like-

Diana O'Dell:

27, I think was the actual number.

Speaker 1:

27, approximately.

Diana O'Dell:

Yeah.

Speaker 1:

After a first organized change. And that was locally driven?

Diana O'Dell:

That was locally driven, part of our housing element policies.

Speaker 1:

And then 2017, approximately 26, 27, in the first six months?

Diana O'Dell:

Mm-hmm (affirmative).

Speaker 1:

Those are the numbers I need for my chart comparing the community.

Diana O'Dell:

And I'll get you the specific numbers too.

Speaker 1:

Okay.

Diana O'Dell:

I'm sort of working off the top of my head, but yeah, it's a huge magnitude difference.

Speaker 1:

So I got to be honest and address the significance in a housing market that's built out, adding a couple of accessory dwelling units doesn't seem that significant compared to all the towers that have been built the last two or three years. I'm not sure how many units are in each of those, but that seems...

Diana O'Dell:

It's about 2000 for downtown.

Speaker 1:

So adding 2000 downtown versus 26 units.

Diana O'Dell:

Mm-hmm (affirmative).

Speaker 1:

But on the micro scale, then the macro-scale doesn't seem significant for the individuals able to live in the neighborhood.

Diana O'Dell:

Yeah. I mean, I think that there's a lot of demand from a multigenerational standpoint. We definitely heard a lot of that. Either seniors that were looking to move out of the main house and into an ADU or have adult children live with them or vice versa. However, I think one thing. So that all of these towers created a huge impact, but I think that was sort of a unique window in time. I don't think that's going to continue indefinitely, but I think creating the accessory



dwelling units, which are these smaller, generally more affordable units incrementally over a long period of years, could actually make a big impact for our city.

Speaker 1:

And it reaches all the neighbors, not just one...

Diana O'Dell:

Right.

Speaker 1:

Downtown district.

Diana O'Dell:

Exactly. We allow them at all of our districts.

Speaker 1:

And it's up to the individuals. If they want to add it, they can do it.

Diana O'Dell:

Mm-hmm (affirmative).

Speaker 1:

Okay, so that's the significance. And then I think we covered question two, was how has the ordinance change affected this housing category. So I got the state law, and then I looked at what the County did and what you did on your website, as far as ministerial approval and allowing parking requirements be waived with proximity to transit or car share. And there's just a whole slew of things that make it super easy compared to having to go to the planning commission.

Diana O'Dell:

Right.

Speaker 1:

What are the best changes that you see in the ordinance that got from that ended in May or whatever?

Diana O'Dell:

A couple of the big things. Yeah, waiving the parking requirements. And Redwood city actually chose to waive it entirely for the entire city. We did some buffers and looked at the number of properties within a half-mile of a bus stop or other type of transit stop, and it covered 99% of the city. There was only a couple areas that didn't fall within that. So we just decided for simplicity, we were just going to waive the parking requirement, and that's made it a lot easier for property owners, especially when you're in these older properties with maybe one covered space or none. It's really hard to fit in an additional space. And I think that's been a big help. The

second biggest thing was the ability to convert existing accessory structures regardless of setback.

Speaker 1:

So without benefit of permanent, someone did a conversion around a garage or a cottage. Is that what you're talking about? And they're coming in to make it legal?

Diana O'Dell:

That's part of it. And the other part of it was that, let's say you had an old detached garage and it only had a three or four-foot setback. Well, our zoning code required it to be set back 10 feet from the rear property line.

Speaker 1:

Five from the side?

Diana O'Dell:

Five from the side and 10 from the rear, which very few of those structures actually met. So they basically either couldn't do it or they had to demo it and move it and rebuild it in the right spot. And the state came in and said, you can't require that anymore. Unless you need that setback for fire safety, you basically have to allow them to convert an existing structure into an ADU. And we're an older city. We have a lot of properties out there with these accessory structures that don't conform to current setbacks. And that really helped make that possible for a lot of people.

Speaker 1:

And so people that may have had a carriage house or a cottage that was a home office can come in and say, "I want this to be a rental unit now. Can I [inaudible 00:07:10] it in?" And you're saying that they can do it more easily because they don't have to tear it down.

Diana O'Dell:

Right. Because the setbacks, as long as they can do the treatments to the walls to make it safe for fire safety standpoint.

Speaker 1:

Okay. And if it's not required in the main house, it's not required and the [inaudible 00:07:28] unit, which comes up with sprinklers. People are like I don't want to have to.

Diana O'Dell:

Yeah. That was an expense issue. That wasn't as much like a physical problem, like the parking and the setbacks, but yeah, it got expensive. We have some streets that would very, very old water mains too, that didn't have the flow-

Speaker 1:

And you'd have to pay the-

Diana O'Dell:

Yeah. And it really adds up. So that was a big change.

Speaker 1:

I'm just trying to cover it. And I'll just move on to the next question. Looking at this category of housing, just in the gym, the abstract, what are the pros and cons of it? Just opinions or feelings for the customers in the community?

Diana O'Dell:

Yeah. I mean, the pros of it is that if you look at a map of Redwood city, I think two-thirds of our land is zoned for residential district. So it allows for these small units to be built in existing neighborhoods in a way that's helpful to the homeowners and the property owners and in a way that minimizes impacts on existing neighborhood. Now that being said, I think probably the biggest con is that particularly in some neighborhoods, parking is a big issue, and there's a lot of neighbor concerned about the availability of on-street parking. So adding additional units without requiring additional parking space, we'll probably create some on-street impact.

Speaker 1:

And you addressed part of the pros about the multigenerational. I saw a nice YouTube video from the San Francisco Planning Department and then went from Santa Cruz where they talked about, they actually treat these like in-law units, and it's for older family members to live alongside an extended family and not have to go to a nursing home, but have like a secondary caregiver. They're downsizing their life, but they don't have to leave their community.

Diana O'Dell:

Right.

Speaker 1:

Anecdotally, have you seen anything in the last couple of years like that or looking at Craigslist? It feels like people are just trying to get as much rental income as possible with the market that's hot, but do you still see some?

Diana O'Dell:

Yeah. And I think it's split. I mean, there's definitely the people that are looking for just rental income to supplement, but I definitely have heard stories from adult-children with our aging parents and this is sort of a solution for everyone involved. Right? You can be close, you're not spending all the money that you would have to spend on this living facility. You get to sort of live on the same property without driving each other crazy. So I've definitely talked to applicants. So anecdotally that is also happening.

Speaker 1:

Have you even heard the adult children that found themselves struggling to want to return home and the parents don't necessarily want them in the house, but they'll put up a secondary unit?

Diana O'Dell:

Right.

Speaker 1:

You can start your life over here and pay rent when you can.

Diana O'Dell:

Exactly.

Speaker 1:

It's kind of funny. So Airbnb came up with the County, and they're saying that what they're doing with the next round of ordinance that they already are doing like Cusick communities is they don't want to use three 65 days out of the year for an Airbnb, but something reasonable, like no more than 180 days. And it's still a weird thing because is it a business? Do you pay hotel occupancy tax or do you have any? And so the William Gibson was the gentleman I talked to the County, and he's like, we're doing this on the coast side. We'll do it on the base side next. And we just don't want it to be like a bed and breakfast or a hotel kind of set up, as long as they're willing to have to live in the building, the adjacent home, if they're running off the thing, that's number one. And number two, it couldn't be more than six months out of the year. Or maybe I said, what about student housing? They rent it out during the school year, Airbnb the summer and they're like, we're playing with it.

Diana O'Dell:

Okay. Yeah. I mean, I know that San Mateo County Planning has been getting together, like all of our different departments, and the city has been talking to each other about how we address this because the goal is to have something somewhat consistent, even though we have different markets like half the Bay has got more of a travel thing than rapid city does. But yeah, that's one of the important policy questions that we're grappling with right now. I mean, do we allow eight years to be rented out Airbnb? We're looking at different day limits. That seems to be more and more common. Trying to figure out the residency requirement. Do we want to require people to be a primary residence?

Speaker 1:

Owner occupied? Or could he be the owner of a rental property that has one primary tenant here and Airbnb there?

Diana O'Dell:

Yeah. Our ordinance requires the owner to be on-site either in the main unit or the ADU

Speaker 1:

Just to get the ADU built]. Okay. I think the county is consistent.

Diana O'Dell:

Yeah. That's a pretty common one, though practice can be hard to enforce. It doesn't come up very often though, but yeah, from a short term rental standpoint, the goal, when we figure out

how to regulate it is absolutely we'd be collecting TOT on that though. Because the transit occupancy tax that normally just hotels pay. But theoretically, if you are renting for less than 30 days, you should also be paying.

Speaker 1:

I heard municipalities, that's a huge revenue stream.

Diana O'Dell:

We're all sort of interested in it. So, and then we've been talking about trying to collect that and then dedicating those funds to affordable housing, so that'd be another way to get that additional funding.

Speaker 1:

Okay. So this one is tricky. Question four is what impact if any, do ADU's have on increasing inclusive housing choices for disabled and low-income members of the community? And I think you offer a hundred extra square feet if they do ramps and such and the county does it.

Diana O'Dell:

Yeah. We haven't seen much of people taking advantage of that, honestly, which is a little bit of a disappointment. It's only been on the books for a year though, so we don't have enough data to figure out. We actually, I think increased the bonus. We created a bonus in 2016, and then I think we increased the bonus to see if we could get a few more people to take us up on that ADA standard. From a low-income standpoint, we actually did some surveys a couple of years ago, and it's discovered that on average, the rents are low enough that they can qualify as low-income units. So we actually count all of our accessory dwelling units towards our regional housing needs.

Speaker 1:

So in the housing element of the general plan and the quota that comes down from MTC and ABAG, they count toward the goal.

Diana O'Dell:

They can count the ADU's toward the goal.

Speaker 1:

You can and you do?

Diana O'Dell:

We can and we do. And before now, we never had enough that it meant anything. Two per year was nothing. But over seven years, if we're approving 20 to 40 a year, then it might start to add up, even though those numbers are still a thousand.

Speaker 1:

I have some urban planning like a decade ago and I'm real rusty. But when you get a goal for some of those housing, all that stuff, isn't supposed to be spread over the whole city versus concentrated in one section?

Diana O'Dell:

They usually don't.

Speaker 1:

They don't specify-

Diana O'Dell:

They don't specify.

Speaker 1:

And it's up to the city, how they want to do it.

Diana O'Dell:

Right. And then we create that map with the housing sites, and then we plan adequately

Speaker 1:

And I think that's some people would cheat on it. They'd identify potential sites for low-income housing without actually building anything.

Diana O'Dell:

Yeah. Right. That's the requirement for the housing elements.

Speaker 1:

Let's make sure. So disabled a low-income... In an ideal world, people would be taken advantage of it, but so far, nothing as far as ADA incentives.

Diana O'Dell:

I don't remember seeing any yet.

Speaker 1:

Okay. And there's no specifics on low-income or rent caps, and no Redwood city doesn't have anything? Council ordinance or anything?

Diana O'Dell:

No, we don't do any kind of rent control care.

Speaker 1:

Okay. And my last question is on the data points. So I'll follow up with an email to ask about the number of applications like 12 through 15, and then specifically 16 and the first half of 17.

Diana O'Dell:

Okay. Yeah.

Speaker 1:

And it's actually due at the end of next week, so if I could?

Diana O'Dell:

Definitely. Yeah. I can get that pretty easily.

Speaker 1:

Okay. The county's going to be doing an amnesty program for 18 months. They're going to encourage people that didn't follow the permit process to come on board. And I was excited because they said that they would have some grant and loan money available as an incentive for people to get compliant, and in return maybe require re casts while they're paying back the loan. And I actually had that idea as like it's an incentive, you're not punishing everyone, but if you're getting a benefit, like financing that you couldn't get, otherwise, you could agree to a reasonable.

Diana O'Dell:

Yeah. That seems like a pretty good trade off.

Speaker 1:

Yeah. So I just thought throw it out there because I thought it was a cool thing.

Diana O'Dell:

Mm-hmm (affirmative). That's a cool idea. Are they doing it now or are they just thinking about it?

Speaker 1:

The board of supervisors have to decide out their drafting package. They got direction to do. The amnesty program for 18 months starting in January. And this is part of the package, but they have to tinker with it and the supervisors have to approve it.

Diana O'Dell:

Okay. Interesting. I'll keep an eye on that.

Speaker 1:

That should be cool. I think that's it. I'm just looking for some qualitative quotes about the thing that I can intersperse with charts and data that make it a little more interesting in human.

Diana O'Dell:

Yeah.

Speaker 1:

I almost wish I could steal a YouTube video from the San Francisco Planning Department. I think I can actually cite that stuff as like a source.

Diana O'Dell:

I think you can.

Speaker 1:

Because they did a nice thing that it's only like four or five months old, but they show what ADU's are. And they had like street side interviews with people that had developed a unit and explained how the just paying their mortgage was really difficult by adding this unit wrapped around the garage. They were able to afford their mortgage without sacrificing their quality of life and provide housing for a nurse that otherwise couldn't live near the hospital she works at. And sometimes the visually showing the-

Diana O'Dell:

Right. Yeah, that's really helpful. I mean, we put together some PowerPoints, it just kind of showed what the new ranks were and tried to explain that and kind of a short, graphical video, but we didn't do it on the street interviews, which can be really compelling. One point I did want to add, we were talking about the two things that probably made the biggest difference. And I had mentioned converting existing accessory structures and the parking third thing was converting requiring that cities allow conversion of the garage. That was huge for us because we never used to allow people to convert their garages before. And the states just came in and said, "you have to allow that." So that was another really big thing that sort of made it possible for a lot of people.

Speaker 1:

And you can still meet the parking requirements with the driveway parking versus having to have covered in clothes.

Diana O'Dell:

Yeah. And that's a whole change from sort of the more suburban to cover parking spaces side by side, thinking that a lot of cities have and that's pretty common, but that's a big change from that.

Speaker 1:

That's huge. What I remember from real estate is that garages aren't finished and they're so far from being finished that nothing is anywhere thing remotely close to human habitation code. And while people illegally have been doing garages for years, it's rentals like EPA in North fair Oaks, I'm probably referencing to, I'm sure if you walk around, you'll find something, but to actually make it legal might be a big traffic hash that people don't realize.

Diana O'Dell:

It's true. We have a building engineering and fire. We've all spent quite a bit of time trying to get together and hash out, what are the minimums that we're going to require? What kind of



updates must happen? How you treat things like the water heaters and all that kind of stuff that you see. So there's been a lot of technical challenges with that requirement.

Speaker 1:

I liked the garage conversion as a huge thing. So I got... All right. So actually the state law must be allowed.

Diana O'Dell:

Mm-hmm (affirmative).

Speaker 1:

I bet if it wasn't in there, no one would be [inaudible 00:21:49].

Diana O'Dell:

No, I mean that is yeah.