



ADUs in CA: A Revolution in Progress

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Center for Community Innovation

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Executive Summary

Executive Summary

Introduction

In order to address the California (CA) housing crisis, state legislators are pursuing zoning reform to allow more small-scale housing types, particularly in low density neighborhoods. Accessory dwelling units (ADUs), commonly known as secondary units, backyard cottages, and in-law units, are one such housing type. Over the past few years, state legislators reduced parking requirements, lot size minimums and setback requirements, and development fees to incentivize construction of ADUs.

Despite widespread support among the general public and local elected officials for the new legislation, ADU construction is not occurring evenly across the state due to pervasive barriers that often limit development. This report links survey and interview data from CA jurisdictions with statewide ADU permit data to examine an assortment of factors driving or limiting ADU development across the state. These include ADU production trends, barriers, local perceptions of the state legislation, best practices for ADU development, and ADUs as a means to increase small-scale, multi-unit housing stock - also known as the “missing middle.”

The ADU Revolution Has Begun

- The number of ADU permits issued across CA increased from almost 6,000 in 2018 to more than 15,000 in 2019.
- A majority of CA jurisdictions (87%) have adopted at least one ADU ordinance, and many regions with high rates of ADU ordinance adoption also built a large share of ADUs between 2018-2019.
- Approximately 86% of both the general public and elected officials are supportive of the state-level ADU legislation.
- ADU production is generally occurring in diverse, transit-accessible neighborhoods where a greater share of homeowners have recently purchased their homes and still have a mortgage.
- Overall, 92% of ADUs are built on parcels zoned for single-family residential, but about 2% are being built on lots with duplexes, triplexes, or fourplexes, suggesting that the move to build the missing middle has already begun.
- Almost 70% of ADUs are built on parcels where the main house has 3 bedrooms or more, suggesting that lack of space is not the primary motivator.
- Over 3,300 ADUs have been built on parcels of less than 5,000 square feet, proving that eliminating minimum lot sizes could have a meaningful impact on state housing production.

But Barriers Remain

- Finances (27%), lack of awareness (16%), and lack of desire (16%) remain significant barriers to ADU development. Jurisdictions also report that the State’s top-down approach to this series of ADU legislation presents challenges for local ADU construction.
- Although lower income and lower resource communities in Los Angeles County are constructing a large share of ADUs, a majority of ADU production takes place in areas with high home values and incomes, such as the San Francisco Bay Area.
- A majority (53%) of homeowners building ADUs rely on conventional loan finance from banks, while 27% use a home equity line of credit.

In Response, Jurisdictions Are Innovating

- A growing number of jurisdictions have implemented best practices to eliminate barriers to ADU construction, such as offering ADU prototypes and pre-approved plans, building partnerships to help homeowners finance ADUs, offering ADU bonus programs, and providing financial relief in the form of fee reductions and/or waivers.
- Approximately 50% of jurisdictions expressed interest in adopting zoning law changes to permit missing middle housing, although most have not yet begun.

Moving Forward

The CA State Legislature continues to take steps to advance missing middle reform and reduce critical barriers to ADU development. However, our research shows that there are still pervasive gaps. Moving forward, we will continue to monitor challenges, best practices, and local ADU ordinance compliance, which will be accessible on our [interactive web portal](#). We have also launched the first statewide ADU homeowner survey, allowing us to collect more information on barriers and opportunities for local officials and communities to work together to scale up local ADU production.

Introduction

Introduction

Accessory dwelling units (ADU) are an integral part of a multi-pronged strategy to address CA's (CA) housing crisis. ADUs, also known as secondary units, granny flats, and in-law units; are typically located in converted garages, backyards, or basements. They can be created by taking space from an existing building, adding to an existing structure, or constructing standalone detached buildings. They provide a relatively low-cost means of increasing local housing supply, particularly in urban areas where single-family residential zones are prevalent, thus providing limited opportunities for large-scale housing development. Recently, CA researchers found that there is potential for 1.5 million new ADU units across the state, which could account for approximately 40% of the state's housing need.¹

However, an assortment of barriers including land use and zoning regulations, permitting bureaucracy, and high construction costs restrict the widespread development of ADUs in the state. Since 2016, the CA State Legislature has passed a suite of new legislation aimed at facilitating the construction of ADUs in the state by easing certain restrictive zoning and land use regulations. This legislation appears to effectively spur the creation of ADUs, as evidenced by the increase in ADU permits issued from almost 6,000 in 2018 to more than 15,000 in 2019.²

During the most recent 2019 CA legislative session, policymakers went so far as to eliminate minimum lot size requirements, relax side and rear setback requirements, prohibit replacement parking when an existing garage is converted to an ADU, increase the number of parcels that are eligible to add at least one ADU, and significantly reduce impact fees that jurisdictions may charge for the creation of these units. In our [previous report](#), we assessed over 200 local ADU ordinances both for consistency with 2018 CA State law and the user-friendliness of the jurisdiction's ADU programs for homeowners. Based on a survey of jurisdictions, interviews with key stakeholders, and data on the location of ADU permits, and completions, this new report assesses the accomplishments thus far, the promising practices of leading jurisdictions, and the barriers that remain.

We begin with a discussion of research methods and then present findings regarding local ADU ordinance adoption rates. Next, we document the progress made to date on permitting and building ADUs in CA, barriers to development, best practices to promote ADU production, and the emergence of efforts to promote other types of small-scale multi-unit housing (also known as the "missing middle"). The report concludes with recommendations for the State as it seeks both to implement existing laws and pass new legislation.



Photo Credit: Second Unit Resources Center San Mateo (Cottage Design by Historic Sheds)

Methods

Methods

For this report, we administered an ADU survey (see Appendix A) to all 540 CA cities and counties, and conducted follow-up interviews with select ADU stakeholders. We sought to identify ADU best practices and assess any barriers to ADU construction across the state. Participants were asked about the general public and elected officials' perceptions of the new state-level ADU legislation, and about any efforts made by each jurisdiction to encourage zoning for ADUs and other types of small-scale multi-unit housing. We linked the survey and interview results to state ADU permit data, zoning, and neighborhood demographics to understand the challenges to, and opportunities for, ADU development in the state. See Appendix B to review a detailed methodology.

Surveys with Jurisdictions

Out of the 540 electronically distributed surveys, we ultimately received 236 completed ADU surveys for a 44% overall response rate. Approximately 43% of all 431 surveys received were incomplete, and 2% of all surveys were duplicate responses.

It is important to note that response bias may have played a role in the survey results. Jurisdictions that completed our survey may experience a higher degree of local support for ADUs, while jurisdictions that did not respond may have low interest and political support for ADU development. Additionally, given that we distributed this survey during the height of the COVID-19 pandemic, many jurisdictions may not have responded due to low staff capacity. Furthermore, some jurisdictions may have started, but not finished the survey, or completed the survey without answering all of the questions because of the survey length, topics, or questions asked.

Follow Up Interviews

We conducted follow-up interviews with nine CA jurisdictions and one statewide ADU policy advocacy coalition (see Appendices C and D for interview guides). The purpose of these interviews was to gather qualitative data pertaining to CA cities' and counties' best practices, challenges, and successes in relation to ADU development.

ADU Permit Data

To assess recent growth trends in ADU production in CA, we compiled data from HCD's Annual Progress Reports (APRs) for 2018 and 2019.³ The APRs include self-reported statistics by CA jurisdictions on the permitted and completed (i.e., those with a certificate of occupancy) ADUs projects within their municipal boundaries.

Analysis

For the purposes of survey data analysis, we divided the jurisdictions into place-based and region-based typologies. Jurisdictions that responded to the survey were sorted into the following nine regions: Capital, Central Coast, Central Valley, Inland Empire, Los Angeles County, Northern, Orange and San Diego Counties, Rural, and San Francisco Bay Area (see Figure 1 and Table 1). The regions and regional boundaries for analysis were adapted from the CA Tax Credit Allocation Committee's (TCAC) regional designations.⁴ Jurisdictions were also sorted according to six place typologies based on American Community Survey (ACS) 2018 population estimates for CA cities and counties. These place types included: county, large city (500,000+), medium and small city (100,000-499,999), large suburb (50,000-99,999), medium and small suburb (10,000-49,999), and small suburb (2,500-9,999) and town/rural (<2,500) (see Table 2).

Figure 1: Map of CA Regions for Analysis

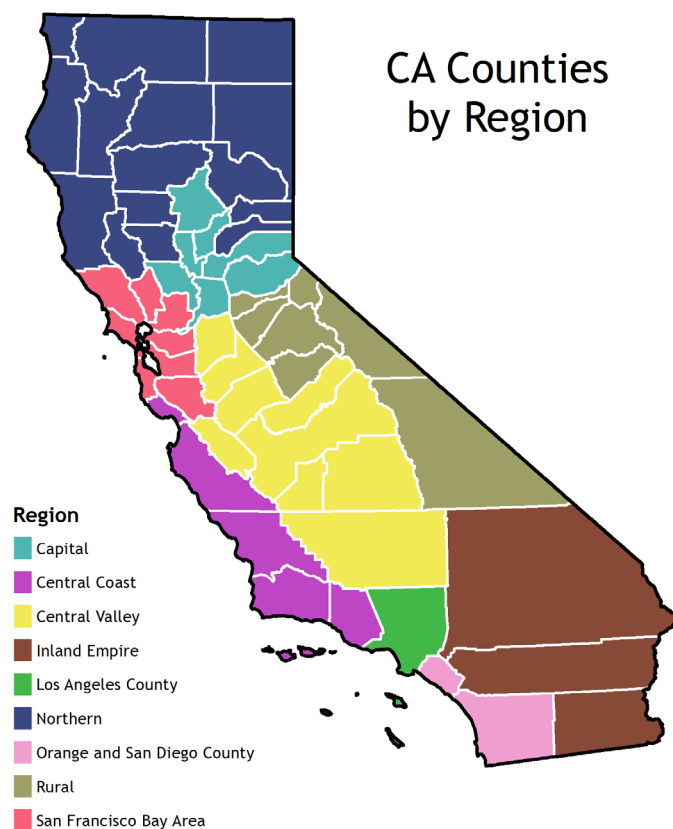


Table 1: Survey Responses by Region

California Regions	Survey Responses	Total Jurisdictions	Response Rate
Capital	22	35	63%
Central Coast	18	46	39%
Central Valley	21	73	29%
Inland Empire	19	62	31%
Los Angeles County	40	89	45%
Northern	16	55	29%
Orange and San Diego Counties	28	54	52%
Rural	7	16	44%
San Francisco Bay Area	65	110	59%

Table 2: Survey Responses by Place Type

California Place Types	Survey Responses	Total Jurisdictions	Response Rate
County	30	58	52%
Large City	4	6	67%
Large Suburb	51	104	49%
Medium and Small City	39	67	58%
Medium and Small Suburb	79	199	40%
Small Suburb, Town, and Rural	33	106	31%

To analyze the state's ADU production, we linked HCD's ADU permit data for 2018 and 2019 to parcel-, tract- and zip code-level characteristics from multiple sources. These sources included CA tax assessor's parcel data, ACS data, the Zillow Home Value Index, CA TCAC Opportunity Area maps, Longitudinal Employer-Household Dynamics (LEHD) program, and distance to transit from the US Environmental Protection Agency (EPA)'s Smart Location dataset. In addition, we linked ADU permit data to the Zillow Transaction and Assessment Database Data to identify the landowner's most recent mortgage or loan type. In addition, we linked ADU permit data to the Zillow Transaction and Assessment Database Data to identify the landowner's most recent mortgage or loan type.

Trends in ADU Implementation

Trends in ADU Implementation

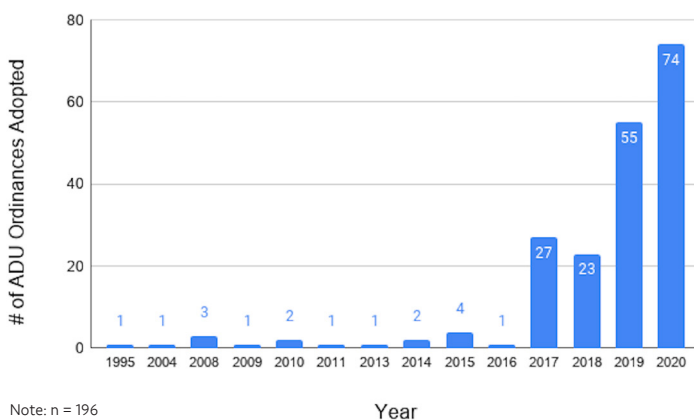
In the following sections, we share some important themes that arose from our surveys, interviews, and analysis of ADU permit data.

Local ADU Ordinance Adoption - and Early Results

In the ADU survey, we sought to better understand the characteristics of cities and counties that had recently adopted a local ADU ordinance. Importantly, if jurisdictions do not adopt applications within their boundaries under the State law, and cannot impose any local control during the review and approval of said ADU application. All local ordinances must be in compliance with ADU State law, or it will supersede the jurisdiction's previously adopted regulations.

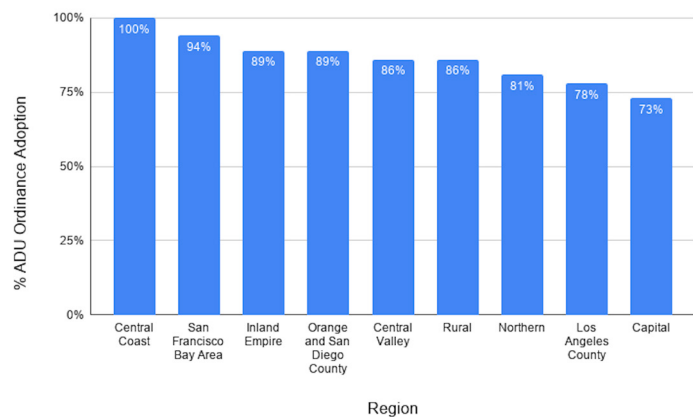
First, we asked jurisdictions whether they had adopted an ADU ordinance. Across all responses to this question (n=236), approximately 87% of jurisdictions indicated they adopted an ADU ordinance. In addition, we asked jurisdictions for the year they adopted their current ADU ordinance. The majority of jurisdictions reported that they adopted their current ADU ordinance between 2017-2020, although some had adopted their current ordinance as far back as 1995 (n=196) (see Figure 2). There was a notable uptick in ADU ordinance adoption in 2017 after the first set of state ADU legislation became effective (see Figure 2).

Figure 2. Number of ADU Ordinances Adopted in CA by Year, 1995-2020



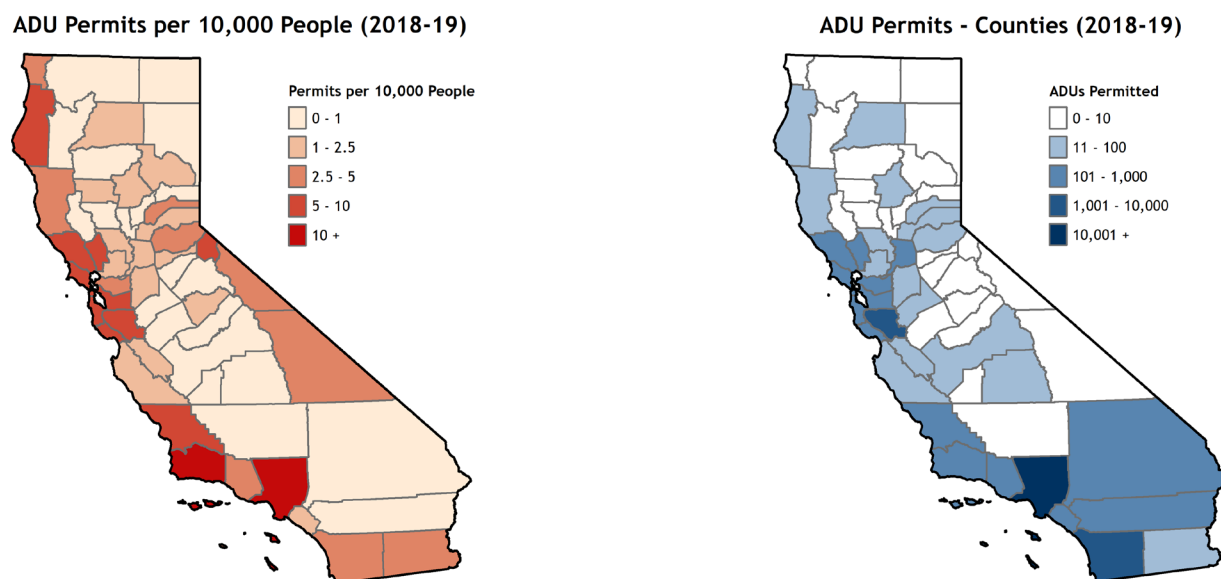
When analyzed by region, the Central Coast had the highest percentage of cities and counties that responded to the survey that adopted an ADU ordinance (100%), followed by the San Francisco Bay Area (94%), and the Inland Empire and Orange and San Diego County regions (both at 89%); the region with the lowest adoption was the Capital region, at 73% (see Figure 3).

Figure 3. ADU Ordinance Adoption by Region



Analysis of ADU permit data shows that many regions with high rates of ADU ordinance adoption also built a large share of ADUs between 2018-2019. The highest producing counties are Los Angeles, Santa Clara, and San Diego, though ADU production is also concentrated in the Inland Empire, San Francisco Bay Area, and Central Coast regions (see Figure 4).

Overall, approximately 71% of jurisdictions that adopted an ADU ordinance saw the construction of at least one new ADU between 2018-2019, while 52% of jurisdictions that did not adopt an ADU ordinance completed a new ADU during the same time period. This signifies that there is a positive association between adopting an ordinance and the construction of ADUs in a given jurisdiction.

Figure 4. ADUs Permitted in 2018 and 2019 by County

Source: Calculated by the authors from Annual Progress Report data (CA Department of Housing and Community Development).

Finally, we asked jurisdictions if they had adopted an ordinance in compliance with the new 2019 state ADU legislation, which became effective January 1, 2020. Approximately 60% of the 236 respondents had not yet adopted a new ordinance, meaning that those 142 jurisdictions relied on state legislation to review and approve their ADUs at the time of completing the survey. Many cities and counties that had not yet adopted a new ordinance mentioned the need for funding to complete an ordinance update. An interview with a jurisdiction from the Northern region revealed that “people are worried about drafting a standalone ordinance and putting a lot of time into it, and having... clean up bills com[e] out that further change some of the language of existing ordinances[.] I think people are getting a little bit gun shy about putting in the work if there’s going to be more and more bills coming through... that will require revisions and all that takes time.”⁵

with above-median home values. Figure 5 illustrates the concentration of ADU permitting and construction in CA’s high-cost coastal regions, and Figure 6 reveals that most of the Bay Area’s ADU activity has been taking place in high-cost zip codes.

Production Trends

Between 2018 and 2019, permits increased from almost 6,000 to more than 15,000. During that same period, ADU completions more than tripled from 2,000 to almost 7,000.

Where is ADU Production Occurring?

Since the new state ADU legislation passed, ADU production has grown rapidly across CA. However, our research shows that a majority of ADU construction takes place in areas with high home values and incomes.⁶ In neighborhoods (census tracts) in the lowest quartile of median household income for the state, ADU construction has lagged, while the highest quartile has experienced the majority of recent ADU construction. When considering neighborhoods by home value, the differences are much more dramatic. Examining property owners by quartile of home value across the state shows that just 2% of property owners with the lowest quartile home values have permitted or completed ADUs, compared with about 40% of property owners in neighborhoods

Figure 5. ADU Permits and Completions with Zillow Home Value (ZHVI) by Zip Code, 2018-2019

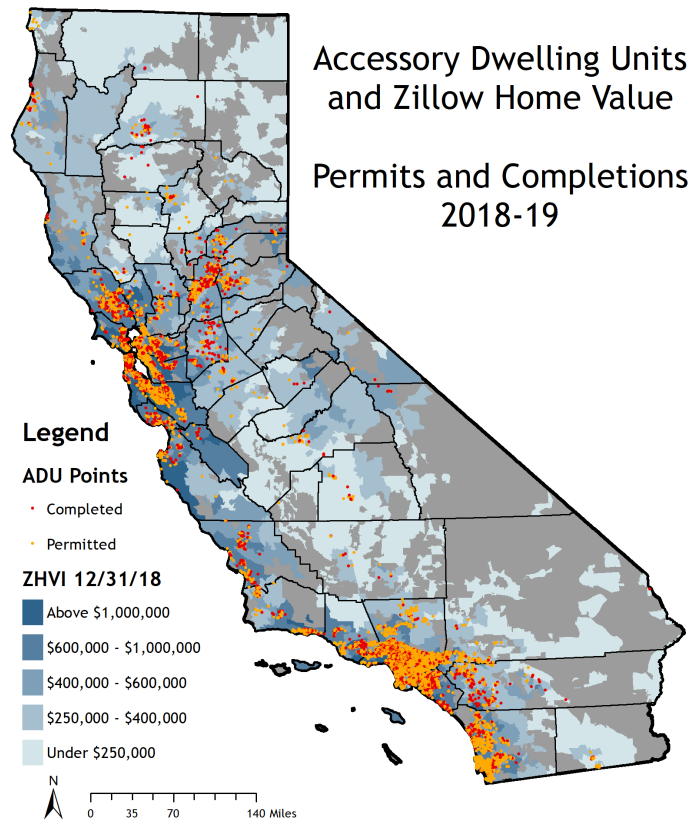
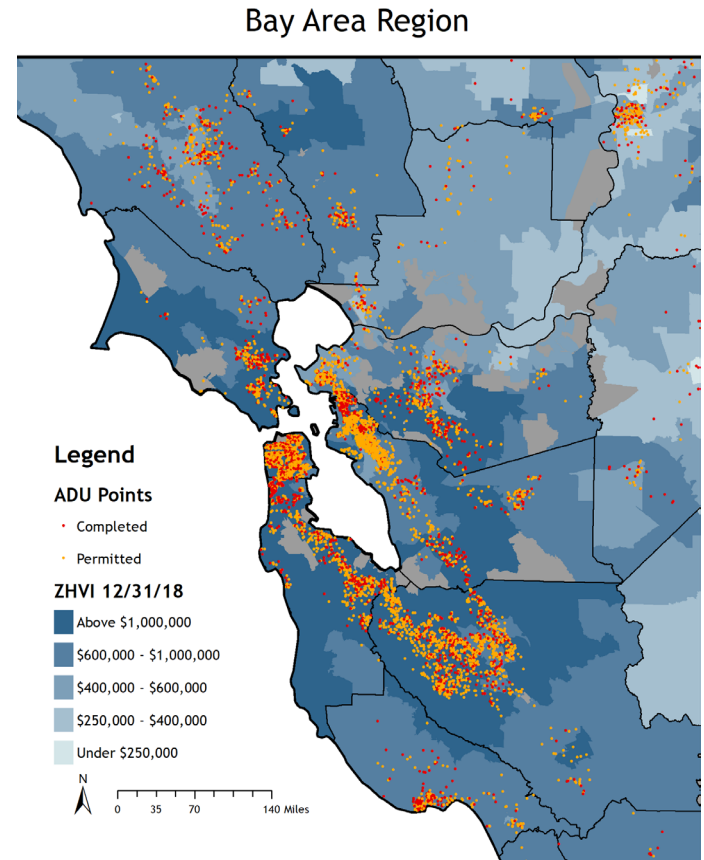


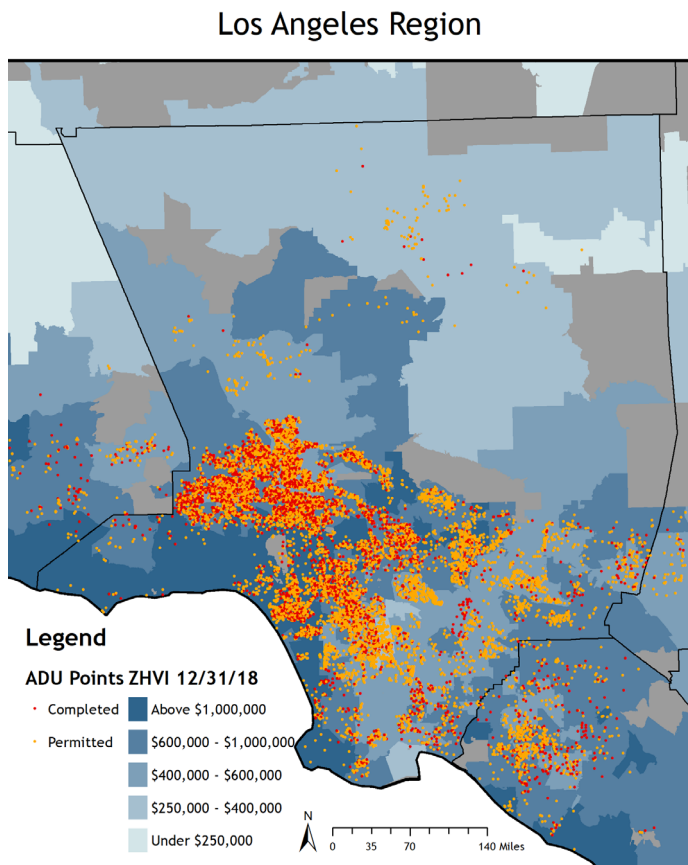
Figure 6. ADU Permits and Completions with Zillow Home Value (ZHVI): San Francisco Bay Area, 2018-2019



Despite the general trend of ADU construction in areas with high home values and high incomes across the state, there is some nuance to where ADUs are being built, especially at the regional level. Figure 7 shows that in Southern CA, some lower-cost zip codes have seen significant permitting and construction, contrary to the trends in the rest of CA.

Mapping ADU permits and completions against the CA Tax Credit Allocation Committee opportunity areas provides another way to analyze ADU production in relation to income and racial inequality. As Figure 8 shows, Los Angeles and Orange County experience most of their building in low resource areas, while moderate and higher resource areas see most ADU construction in other regions. In other words, though all types of communities are embracing ADUs, exclusive areas in Southern CA are less likely to produce ADUs, while elsewhere, low resource areas lag behind.

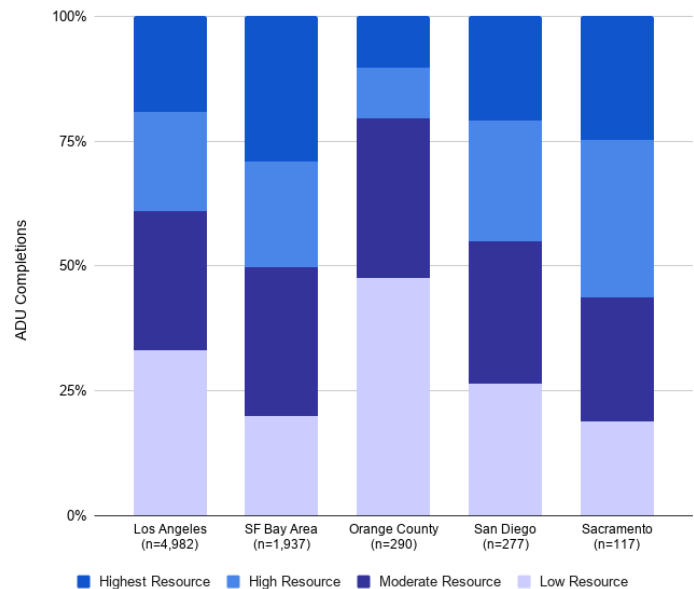
Figure 7. ADU Permits and Completions with Zillow Home Value (ZHVI): Southern CA, 2018-2019



Our research shows that construction costs may influence these differences in ADU development patterns. An analysis of ADU construction data suggests that the average ADU in California costs \$167,000 to construct, though the cost varies by region and the size, quality, and typology of the ADU.⁷ In Los Angeles, the average cost estimate is \$148,000 while in the San Francisco Bay Area it is \$237,000, a gap that is largely influenced by differences in labor costs between the two regions, driven by labor shortages in the Bay Area. In fact, ADU construction costs in the Bay Area can exceed \$800 per square foot, equaling \$400,000 for a 500 square foot ADU. The lower cost of construction could make ADU construction in Los Angeles more accessible for lower-income homeowners, thus explaining the ADU construction in low resource areas and zip codes with lower home values in the region.

An examination of the type of financing used by homeowners constructing ADUs suggests some of the challenges they face.⁸ More than half use conventional loans, a refinance with cash out options, while 27% use a home equity line of credit and just 1% use a construction loan. In general, borrowers in the Bay Area are disproportionately likely to use a credit line – perhaps due to the accumulation of equity in that region's high-cost homes. In Southern CA, most rely on conventional loans, and some turn to the Federal Housing Administration for loans. Second and reverse mortgages are rarely used. Banks account for 44% of ADU loans, while mortgage, lending, or finance companies account for 34% and credit unions for 10%; the remainder come from private parties or government entities.

Figure 8. ADU Completions by Resource Level and Region, 2018-2019



Source: Calculated by the authors from Annual Production Report data (CA Department of Housing and Community Development) and TCAC/HCD Opportunity Area Maps downloaded from: <https://www.treasurer.ca.gov/ctcac/opportunity.asp>. "Low Resource" includes "Low Resource" and "High Segregation and Poverty" designations. "Moderate Resource" includes "Moderate Resource" and "Moderate Resource (Rapidly Changing)" designations.

Who is Building ADUs?

Overall in CA, ADU production is occurring in diverse, transit-accessible neighborhoods where a greater share of homeowners have recently purchased their homes and still have a mortgage. We found that individual properties are more likely to gain an ADU if owned by a homeowner than by a corporation. Overall, 92% of ADUs are built on parcels zoned for single-family residential, but about 2% (600) are being built on lots with duplexes, triplexes, or fourplexes, suggesting that the move to build the missing middle has already begun. Another 2% are built on lots with apartment houses, condominiums, or other multi-family housing, mostly in San Francisco, which encourages these types of ADUs. Almost 70% of ADUs are built on parcels where the main house has 3 bedrooms or more, suggesting that lack of space is not the primary motivator.

Although many jurisdictions have used minimum lot sizes as a way to discourage ADU production, there is considerable demand for building on small lots: some 3,300 parcels of 5,000 square feet or less have permitted or built ADUs (Figure 9), or 13% of all lots. San Francisco, San Mateo, and Alameda counties have seen a disproportionate share of the construction on smaller lots. But homeowners, particularly in the Inland Empire, the Central Coast, and the North Bay, are also building on large lots: overall in the state, 7% of ADUs are built on lots greater than one acre in size, and 18% on lots ranging in size from ¼ to an acre.

To examine which property owners are more likely to build an ADU while controlling for other factors, we ran logit regression models predicting the likelihood of a parcel gaining an ADU permit or completion in several regions, the detailed results of which

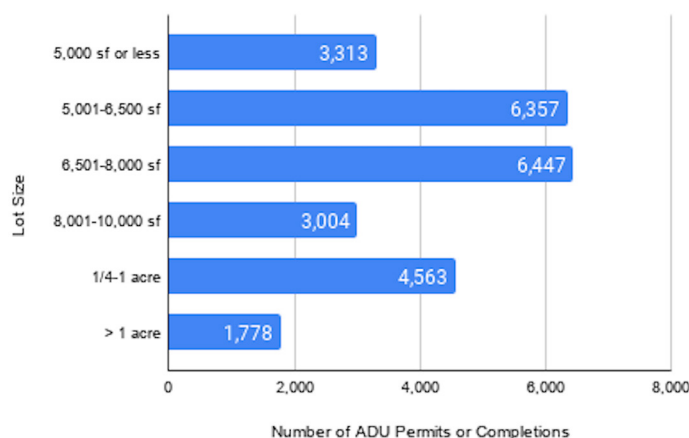
can be found in Appendix E. Homeowners in high home value areas across the state are more likely to construct ADUs, but those in lower-income, lower-rent areas of Los Angeles are also more likely to build. The other significant variables in the Los Angeles case reveal further nuance. Here, neighborhoods with higher proportions of non-Latinx White, Latinx, and/or Black populations are all more likely to build ADUs, controlling for all else, as are neighborhoods with high rates of overcrowding (people per room), smaller lots, and more recently purchased homes. In the Bay Area and San Diego, only the non-Latinx White population is likely to build an ADU, per our regression model. In San Diego, homeowners with smaller lots are more likely to build ADUs, but in contrast to Los Angeles, the likelihood of ADU construction is greater when there is less overcrowding in the existing units.



Photo Credit: Second Unit Resources Center San Mateo

Our research suggests that non-Latinx White and affluent San Francisco Bay Area homeowners are more likely to construct ADUs due to a variety of factors. The high cost of construction in the region certainly plays a role. Other factors revealed in our survey may also play a role in this finding, including that the Bay Area ranks high for homeowner appetite for ADU development, and that the public and elected officials generally support the state ADU legislation. In addition, although the San Francisco Bay Area region consistently ranks highest on incorporation of a wide assortment of ADU best practices in our survey data, such as offering free ADU application review, fee reductions, and providing free prototype plans, the Bay Area ranks much lower on adoption of ADU finance programs. While the Bay Area region leads the way in implementation of many ADU best practices, this suggests that this set of best practices does little to increase access to ADU development for lower-income, lower-resource, and non-Latinx White communities. Adopting measures that assist low resource homeowners with procuring ADU financing could support more equitable access to ADU development in the region.

Figure 9. Lot Size for ADUs Permitted or Built, 2018-2019

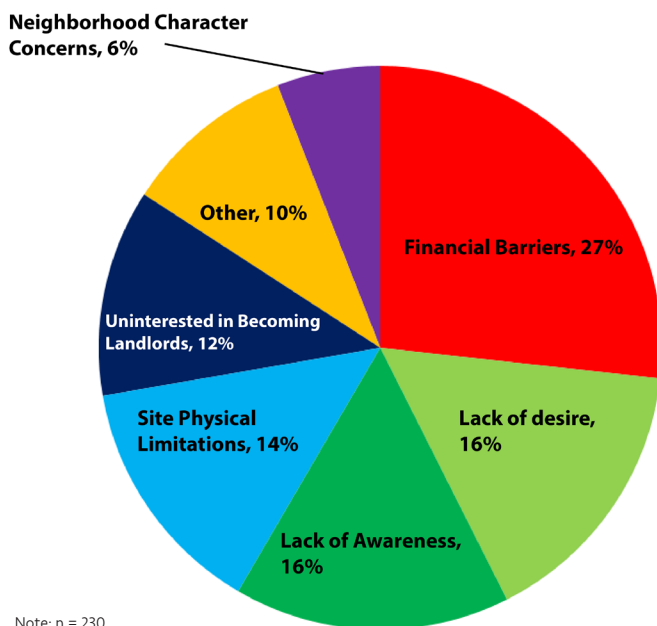


Barriers to ADU Development

Barriers to ADU Development

In the majority of jurisdictions in CA, homeowners want to build ADUs. Two-thirds of respondents stated that they perceive a strong appetite among homeowners in their jurisdiction to add ADUs to their properties (n=230). Despite this strong appetite, our research shows that prevalence of an assortment of barriers tend to limit ADU permits and completions. There is a negative correlation between the number of barriers reported and the number of ADU permits ($r = -0.26$) and completions ($r = -0.22$) in jurisdictions from 2018-2019, after normalizing by the number of housing units. Based on our survey data, the most significant barrier by far is financial, particularly the cost of building an ADU and various permitting fees (see Figure 10). The next most important barriers were lack of awareness and lack of desire (see Figure 10).

Figure 10. Common Barriers to ADU Development



27% of respondents cited financial barriers as challenge to ADU development.

Permitting & Construction Costs

The most commonly cited challenge to building ADUs was finances (27%) (see Figure 10). More specifically, jurisdictions from the Central Valley (18%) and San Francisco Bay Area (17%) regions reported finances as the most critical barrier to ADU development. By place type, medium and small suburbs (32%) and large suburbs (20%) ranked financial barriers as the most cumbersome.

Many respondents reported that utility, permit, and impact fees for ADU development are burdensome for homeowners. Despite the State's efforts to create legislation that reduces fees, jurisdictions shared that further reduction of permitting and impact fees is necessary; however, it is only possible, especially for lower capacity jurisdictions, if they receive more funding from the State or work with the local City Council, Board of Supervisors, and/or other local partners. In particular, one jurisdiction from the Orange and San Diego County region reported that they saw an uptick in ADU construction after working with the City Council to eliminate or reduce fees that their jurisdiction could control, such as development impact fees, water, and sewer fees.

ADU construction costs, and relatedly, lack of industry capacity, are also reportedly challenging for homeowners. A jurisdiction from the Orange and San Diego County region reported, "[o]ne area that we are limited on is the ability to connect the public to reputable builders or contractors. Many residents have never dealt with the construction process and find it overwhelming and expensive to navigate the design and plan preparation process in the private sector side of things." A San Francisco Bay Area respondent cited two specific factors that contributed to high construction costs: fire rebuilding efforts and the lack of available and knowledgeable contractors. Additionally, an interview participant from the Rural region shared that construction costs, and particularly, the cost of transporting construction materials to the area is prohibitive for homeowners interested in building ADUs. Furthermore, an interview with a jurisdiction from the Central Valley region revealed that people can buy a "brand new home for \$250,000-300,000, but [building] an ADU, [is] going to cost you \$100,000 or more [which means] it can sometimes be a little challenging to get that penciled out."

Lack of Awareness

While there is overall more public knowledge of ADUs since the new state legislation passed, many jurisdictions find that a lack of awareness remains a critical barrier to ADU development. Approximately 16% of jurisdictions across the state cite lack of

awareness as a critical barrier. Jurisdictions from the Central Valley (24%) and Capital region (18%) report that lack of awareness is a significant barrier. By place, lack of awareness is a barrier particularly for medium and small suburbs (37%) and small suburb, town, and rural areas (18%).

Some jurisdictions elaborated upon issues surrounding homeowner's lack of awareness of ADUs. **A San Francisco Bay Area jurisdiction stated that there is often a "lack of awareness or understanding of the permitting requirements" associated with building ADUs.** An interview with a jurisdiction from the Northern region reinforced this, describing that - in response to the new legislation and more widespread attention drawn to ADUs locally - homeowners are engaging with the municipal code to review ADU development requirements for the first time. However, homeowners show up at the permitting counter unaware of certain building and engineering requirements, connection fees, and other local requirements that are not explicitly outlined in the code or in other publicly accessible formats. An interview participant from the Central Coast region added that homeowners are often unaware of the rules that fire, water, and other agencies have that guide ADU development upfront. Local planning departments attempt to address this gap in homeowner knowledge by providing information on the jurisdiction's website and offering physical informational handouts. In fact, 63% of our survey respondents offer web-based information about ADU development standards. Yet, as cited in an interview with a jurisdiction from the Capital region, local planning departments need more funding from the State in order to have capacity to circulate and promote information about ADUs to the public.

Lack of Desire

Approximately 16% of respondents report that there is a lack of desire to build ADUs locally, which presents another challenge to more widespread construction of ADUs. Jurisdictions from the Central Valley (15%) and San Francisco Bay Area (15%) rank the highest in terms of citing lack of desire as a critical barrier. By place type, medium and small suburbs (35%) and large suburbs (28%) identify lack of desire as a barrier to ADU development. And in fact, as we discussed above, ADU production has been very uneven across the state.

Some jurisdictions associate fewer ADU inquiries and permits with lack of desire. For example, a jurisdiction from the Central Valley stated, "I have been at the City for over [six] years and I have been asked about ADUs less than 10 times, with no permits applied for in that time." A Los Angeles County respondent reported, "If the volume of applications is any indication, then I would not describe it as a strong desire. We took in 2-3 ADU applications last year, and only 1 ended up being built. We've taken in 3 ADU applications so far, so maybe there will be a stronger desire with the new laws in place?" Other jurisdictions cite other structural factors that limit a desire to build ADUs, such as finances, population size, and the local economy. One jurisdiction from the Central Valley shared that they hope homeowners will perceive ADU development as more desirable and financially attractive since the new state legislation reduced impact fees. Finally, a jurisdiction from the Northern region reported that "low population [and a] lack of jobs" limit the desire to "afford, to build, or even maintain structures" such as ADUs.

Other Challenges: Top-Down Legislation

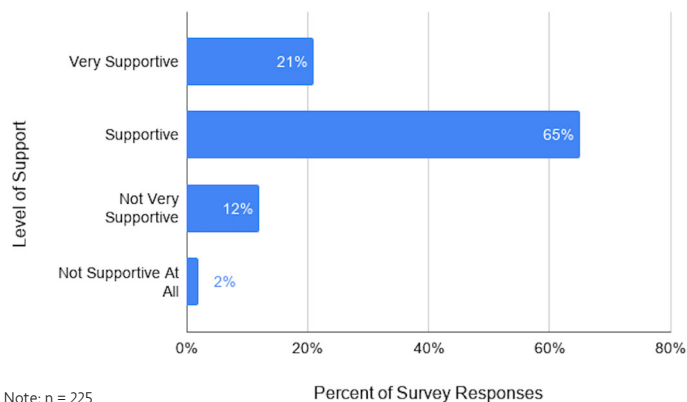
Another survey question illuminated ways in which the State's top-down approach to this series of ADU legislation presents challenges for local ADU development. This necessitates rapid and regular updates to local ADU policies, which are complicated by the difficulty for staff in interpreting the state-level ADU legislation itself. **According to the respondent for a jurisdiction in the San Francisco Bay Area region, "[t]he number of changes in just the past few years in State law pertaining to ADUs have been occurring perhaps too fast and [jurisdictions] may not feel equipped to implement on the scale desired by the State."** Over a quarter reported that staff capacity was one barrier and about 14% identified public funding as a challenge. In addition to the number of changes and speed at which these changes were passed by the legislation, most jurisdictions also reported having difficulty implementing the new ADU legislation due to a lack of clarity. Eighty-one percent of respondents stated that staff had difficulty interpreting or implementing the state-level legislation. Commonly cited areas of confusion include the actions triggered by different sizes of ADUs, the regulations for multifamily residences, setbacks, JADUs, and the definitions of certain elements such as single-family homes, efficiency kitchens, and multifamily dwellings. City and County staffers were, in many, cases overwhelmed because they did not have the capacity needed to process and implement the new legislation, including: interpreting the aforementioned sections of the legislation, incorporating these changes into the jurisdiction's codes, and then communicating changes to homeowners with ADU permits in the pipeline. In addition to the lack of clarity in the legislation, staffers expressed frustration that they did not know who to contact at the state-level with any ADU questions or clarification needs.

The State's top-down approach to ADU legislation also creates a one-size-fits-all model that layers on an additional barrier to ADU development. **One jurisdiction in the Central Valley region wrote, "[w]e feel a bit duped because the State came in and changed [ADU legislation] again and to a degree where we really have little if any local control."** Others expressed that this loss of local control was problematic because their jurisdiction and the communities within it have unique characteristics that the new laws do not account for and may compromise. Some jurisdictions in the Rural region characterized the State's approach as too urban-focused, while a Northern region respondent declared that given more time and resources to develop and implement their own policies, local agencies would make more progress: "[l]ocal agencies know their constituents' needs/wants better than the State agencies ever could." Not accounting for variation in the design, culture, environment, and development goals of individual jurisdictions creates a barrier to ADU development because local planning staff are unable to implement ADU programs that respond to residents' needs. Furthermore, ADU development that complies with State laws but compromises the community's character (according to residents) discourages future ADU development, and prejudices residents against ADUs. Jurisdictions want local control to implement ADU development programs that address their residents' housing needs but protect local character and communities.

Perceptions of State ADU Legislation

To capture the broad spectrum of opinions surrounding the new 2019 state ADU laws, we asked about the jurisdictions' perceptions of the general public and elected official's support for the recent state ADU legislation. Overall, the general public's response to state-level ADU legislation has been very positive. Across 225 survey responses to this question, 86% stated that the general public was "supportive" or "very supportive" of the new ADU legislation (see Figure 11).

Figure 11. General Public Support for ADU Development



Although the public generally supports the state ADU legislation, there is remarkable variation across regions: jurisdictions in the Central Coast (95%) and San Francisco Bay Area regions (92%) reported the highest levels of "supportive" and "very supportive," while jurisdictions in the Los Angeles County (77%) and Orange and San Diego County regions (73%) had the lowest levels of support. By place type, large cities (100%) had the highest degree of public support for the state legislation, while the general public in large suburbs (81%) and small suburbs and town/rural areas (86%) reported the lowest level of support.

In addition, 79% of jurisdictions that indicated the general public is "very supportive," and 69% of the jurisdictions that indicated the general public is "supportive" of the state ADU legislation saw the completion of at least one new ADU between 2018-2019; in contrast, jurisdictions without public support did not build any ADUs at all in this period.

Many jurisdictions shared that the general public supports the state legislation because they were pleased to discover that it reduced barriers to development. One jurisdiction from the Capital region explained, "[t]he recent changes in legislation has created a lot of excitement among the community. Many people who have been wanting to build ADUs are now inspired and have been in contact." Another jurisdiction from the San Francisco Bay Area region noted, "[t]he general public seems to be excited that an ADU can be built without discretionary review." Finally, a second jurisdiction from the Capital region reported, "customers like that they are exempt from density and [ADUs] can be built up to 1,200 square feet."

With the new state ADU legislation, however, the public is the most concerned about parking. One jurisdiction from the San

"[t]he recent changes in legislation has created a lot of excitement among the community. Many people who have been wanting to build ADUs are now inspired and have been in contact."

Francisco Bay Area, while responding that their public is "supportive" and noting an increase in inquiries from homeowners interested in ADU development, also pointed out that they have "heard concerns from community members, especially long term residents, that relaxed ADU regulations may lead to increased traffic and parking issues." A total of 33 jurisdictions indicated parking concerns in relation to the State's relaxed parking requirements for ADUs; still, two-thirds of these jurisdictions have a supportive public. While the general public may have concerns about parking in relation to more widespread ADU development, it does not seem to hinder popular support for the state legislation.

Overall, elected officials also show support for the state-level ADU legislation. Out of the 223 responses received for this question, 86% stated that elected officials are "supportive" or "very supportive" of the state-level ADU legislation. Jurisdictions in the Central Coast (95%) and San Francisco Bay Area regions (92%) reported the highest levels of "supportive" and "very supportive" among elected officials, while jurisdictions in the Los Angeles County (77%) and Orange and San Diego County regions (73%) had the lowest levels of support. A majority of the jurisdictions with supportive elected officials saw at least one new ADU permitted in their city or county between 2018-2019; jurisdictions lacking elected official support did not build new ADUs.

Many elected officials seem to support the state legislation because they perceive that more widespread ADU development increases affordable housing options and the local housing stock. For example, a jurisdiction from Los Angeles County stated, "[o]ur elected officials recognize that there is a shortage of housing. Since they are aware [sic] that we have to meet [Regional Housing Needs Allocation] RHNA numbers, this is one way we can strive towards that goal." **A San Francisco Bay Area jurisdiction**

A San Francisco Bay Area jurisdiction noted that elected officials see "ADUs as a potential source of housing units that can provide some degree of relief in the midst of the ongoing housing crisis."

noted that elected officials see “ADUs as a potential source of housing units that can provide some degree of relief in the midst of the ongoing housing crisis.”

Still, unique characteristics of local communities make elected officials apprehensive about the State’s role in ADU policymaking. Maintaining local control is particularly important. In a jurisdiction from Los Angeles County, while officials do support State law and acknowledge that ADUs provide additional housing opportunities, “[t]hey are not supportive of bypassing local development standards and removing local land use decision-making. Communities have unique characteristics that these laws did not take into account, like residential equestrian facilities and ocean/mountain views protections.” Fitting into the broader theme of local control, some respondents perceive an urban bias in the State’s ADU legislation. One San Francisco Bay Area jurisdiction highlighted that “[the state ADU legislation] appears to be written around the single building, public street fronting apartments that you see in San Francisco and does not translate to multi-building complexes, townhomes, and other types of multi-family development.” Another Los Angeles County region jurisdiction noted, “this all goes back to the lack of inclusion for local characteristics, and the laws feeling very one-size-fits-all.” One Central Valley respondent stated, “even with flexible housing policies and planning documents, there is limited market demand for ADUs [here]. It is challenging for rural areas to address and implement policies that are geared to more urban areas of CA.”

The topic of local control becomes especially important in regions atypical of sunny CA weather, especially where it snows between “300 and 500 inches a year.” An interview with a jurisdiction from the Rural region revealed a perspective that CA does not normally deal with snow, and that having more flexibility and discretion for snow storage, snow shedding, and adequate setbacks to prevent property damage would alleviate some of their issues with the state legislation.



Photo Credit: Prefab ADU <https://www.prefabadu.com/>

Best Practices

Best Practices

Implementation of best practices tend to reflect success in increasing ADU permits and completions. There is a positive correlation between the number of best practices reported and the number of ADU permits ($r = 0.28$) and completions ($r = 0.25$) from 2018-2019, after normalizing by the number of housing units in the jurisdiction. The following section features an assortment of ADU best practices gathered from our survey and interviews that cities and counties across CA have implemented to address common barriers to ADU development. These measures include offering ADU prototypes and pre-approved plans, building partnerships to help homeowners finance ADUs, offering ADU bonus programs, and providing financial relief in the form of fee reductions and/or waivers. We also share a set of practices that are in their early stages of implementation, and have not been evaluated yet, but hold significant promise as ADU best practices: offering a density bonus to build multiple ADUs, and affordable ADU programs for seniors and formerly homeless populations.

I. Prototypes/Pre-approved Plans/Vendors

Typically, homeowners who are interested in developing ADUs must start their design from scratch, and go through a lengthy and variable process to obtain the necessary planning entitlements and building permits. However, a growing number of cities and counties now offer publicly accessible ADU prototypes and pre-approved plans. Approximately 22% of San Francisco Bay Area and Central Coast region jurisdictions indicate that they provide publicly accessible prototype plans, while 0% of the Inland Empire jurisdictions provide these plans. Offering ADU prototype plans, pre-approved plans, and/or pre-approved vendor lists can expedite the ADU permitting process and reduce the number of permitting fees for homeowners.

- The [City of Clovis](#) developed a Cottage Home Program and offers residents an opportunity to construct one of three free pre-approved cottage home plans, which are also accessible online.
- The [City of Encinitas](#) created a Permit Ready ADU Program, in which property owners can simply print out the plans available online and bring them into the city for approval.
- [Humboldt County](#) provides pre-approved ADU plans online, free of charge. Although these plans are not compliant with current building codes, the County provides guidance on how the plans can be updated to meet current requirements and gain approval.
- The [County of San Diego](#) provides free pre-approved ADU plans online for any interested homeowner.
- The [City of San José](#) maintains a list of designers and builders on their webpage who offer pre-approved

detached ADU building plans, which means homeowners can go through expedited plan review.

Public & Nonprofit Partnerships

- San Mateo County, Hello Housing, and the Cities of East Palo Alto, Pacifica, and Redwood City partnered to launch the [One Stop Shop Program](#) in August 2019. Participating homeowners receive no-cost support from Hello Housing with the design, permitting, and
- San Mateo County, Hello Housing, and the Cities of East Palo Alto, Pacifica, and Redwood City partnered to launch the [One Stop Shop Program](#) in August 2019. Participating homeowners receive no-cost support from Hello Housing with the design, permitting, and project management involved with building an ADU.
- Habitat for Humanity Monterey Bay partners with the City of Santa Cruz, Santa Cruz County, and Senior Network Services to operate the [My House My Home Program](#), which has been building affordable ADUs for low income senior homeowners in the area for several years.

Partnerships with Banks

- Santa Cruz County partners with a local bank to implement the [County's ADU Forgivable Loan Program](#), which offers loans up to \$40,000 to homeowners who rent the ADU to low-income households at affordable rents for up to 20 years. The loan is forgiven after 20 years if the ADU has been rented with this restriction.
- The [San Mateo Credit Union](#) provides financing for ADUs that is more flexible than most traditional banks/lenders.

Partnerships with Community Development Organizations

- [Self Help Enterprises](#) offers an ADU pilot program that provides financing for building ADUs by working with the City of Clovis Cottage Home Program.

II. ADU Financing

Homeowners are often motivated to add an additional unit for financial reasons, but experience limited access to finance the significant expenses associated with building an ADU. In addition, banks have been slow to develop appropriate types of loans for ADUs, and the public sector typically has low capacity to subsidize loans for homeowners to finance ADUs. However, many jurisdictions have developed creative partnerships with nonprofits, banks, and community development organizations in order to help homeowners. According to our results, 14% of survey respondents have implemented an ADU financing program. The following are a few creative ADU financing partnerships and programs from our survey findings.

III. ADU Bonus Programs

A handful of CA jurisdictions are leveraging mechanisms for both developers and homeowners to build and advance ADUs that are deed restricted for affordability. These include building ADUs in conjunction with inclusionary housing programs and offering floor area bonuses to homeowners.

- In the city of Carlsbad, north of San Diego, one way that developers of single family homes can comply with the city's inclusionary housing ordinance is by constructing ADUs that have a deed restriction. The deed restriction is recorded on the property title of the single family home that has the ADU. The deed restriction lasts for a period of 55 years, and requires that rent for the ADU be restricted to a low income level and that tenants be income qualified. The city's inclusionary housing ordinance is a part of the zoning ordinance and applies to residential projects of seven or more units.⁹
- The Town of Ross, in the San Francisco Bay Area, utilizes a clause in the Zoning Code that allows homeowners to have additional square footage in their ADU with an affordability contract. Currently the maximum floor area allowed by right is 1,000 square feet. However, up to 1,200 square feet can be approved with Council action and an affordability contract. The affordability is monitored through the Town's business license process. After 20 years the Council can consider terminating the affordability contract. The Town of Ross currently has one low income rent restricted ADU, and a few others in their development pipeline.

IV. Fee Reduction and Waivers

Permitting and impact fees are common critical barriers for homeowners interested in developing ADUs. A growing number of CA cities and counties now offer services such as free application review, fee reductions (i.e., for utilities), and impact fee waivers to further reduce cost prohibitive barriers for homeowners interested in building ADUs. Given that this is one of the most critical barriers to ADU development, the State has played an increasing role in developing legislation to limit impact and utility fees for ADUs.¹⁰

- According to our survey results, approximately 67% of jurisdictions provide free ADU application reviews, 17% of jurisdictions have instituted utility fee reductions, and 32% offer impact fee waivers for ADUs.
- The San Francisco Bay Area region ranks highest in offering free application reviews at 32% (see Figure 12). The Los Angeles County (17%) and Orange and San Diego County regions (12%) are second and third, respectively (see Figure 12). By place type, we found that medium and small suburbs offer free applications at the highest rate (36%), and large suburbs rank second (21%).
- The Bay Area offers the highest rate of fee reductions (i.e., for utilities) (36%), while the Orange and San Diego County region is a distant second at 15% (see Figure 13). Overall, 33% of medium and small suburbs and 27% of counties offer fee reductions.

- Approximately 40% of Bay Area jurisdictions indicate they offer impact fee waivers (see Figure 14). Overall, 27% of medium and small suburbs and 22% of medium and small cities offer impact fee waivers.

Figure 12. Free Application Review by Region

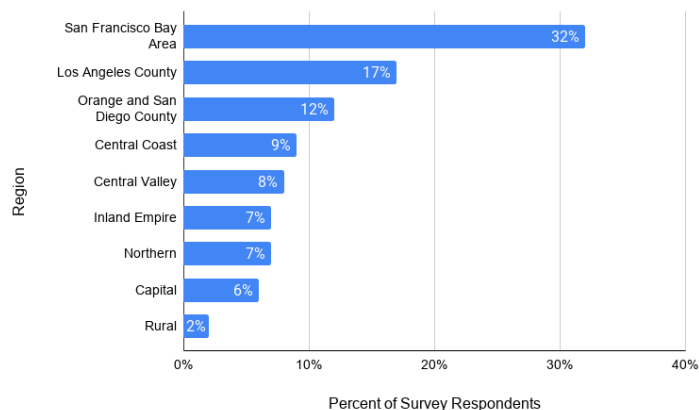


Figure 13. Fee Reductions by Region

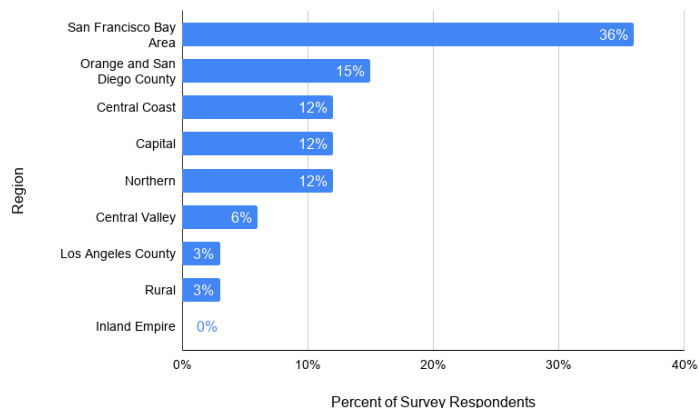
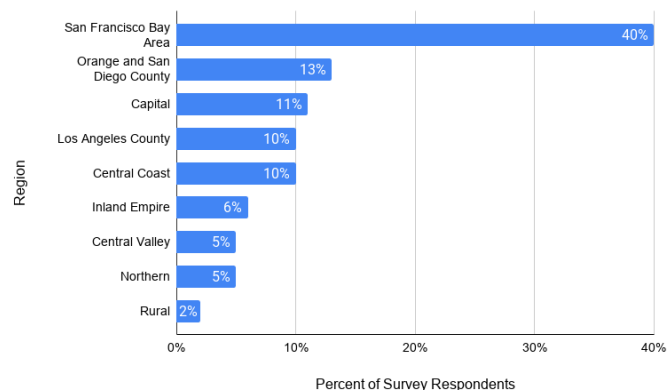


Figure 14. Impact Fee Waivers by Region



V. Promising Practices

The following are a set of promising ADU programs that we gleaned through in-depth interviews with jurisdictions. One important benefit of these programs is that they are designed to increase access to affordable ADUs for lower income communities. Although still in their adoption or implementation stages, we are tracking these programs for their potential as ADU best practices.

- **Density Bonus for Multiple ADUs:** The City of San Diego is poised to adopt a new ADU bonus program in Fall 2020. One additional ADU will be permitted for every ADU if it is set aside as affordable for very low income, low income, or moderate income households for a period of 15 years, guaranteed through a written agreement and a deed of trust. An unlimited number of ADUs will be allowed in transit priority areas. Outside of transit priority areas, the number of bonus ADUs permitted will be limited to one.
- **Affordable ADUs for Seniors:** In 2019, the [City of Los Angeles](#) launched a \$2 million three-year ADU Accelerator Program. This program pairs older adults with homeowners willing to provide a stable home by offering their ADUs as affordable rentals. In exchange, homeowners receive benefits such as qualified tenant referrals, tenant case management, and stable rental payments.
- **ADUs for Formerly Homeless Households:** In 2016, the [Los Angeles County](#) Board of Supervisors approved an ADU Pilot Program as part of the County's Homeless Initiative. Homeowners who rent their units to individuals or families experiencing homelessness for 10 years receive a \$75,000 forgivable loan, guaranteed through a deed of trust and promissory agreement, to help cover the costs of building an ADU. Five homeowners were selected for this pilot program, and two ADUs are expected to be placed in service during Fall 2020.



Photo Credit: Prefab ADU <https://www.prefabadu.com/>

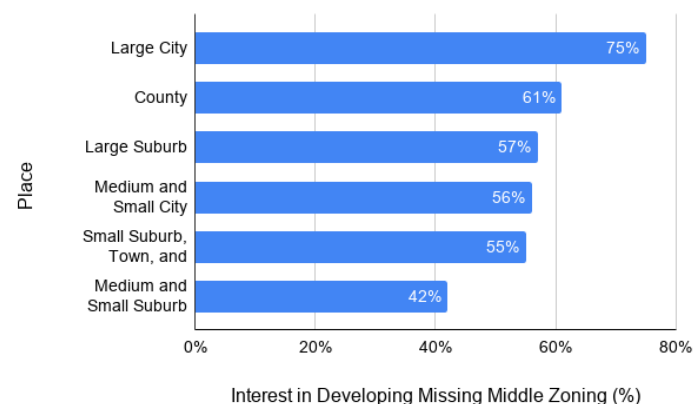
Missing Middle

Missing Middle

The State of CA's recent emphasis on increasing the types of areas where ADUs are permitted ordinances demonstrates the legislature's commitment to increasing "missing middle" housing typologies throughout the state. First coined by Daniel Parolek in 2010, missing middle housing refers to small-scale, multi-unit housing such as duplexes, fourplexes, bungalow courts, courtyard apartments, townhomes, multiplexes, and mansion apartments that are designed to be seamlessly integrated into residential neighborhoods (see Figure 15).¹¹ Reflecting the type of housing in between single-family homes common in suburbs and high-rise multi-family buildings in large cities, missing middle housing represents the "missing" housing option that has not been in popular use since the early 1940s.

Zoning for the missing middle has the potential to encourage the development of ADUs and other forms of small-scale, multi-unit housing options. The majority of jurisdictions (71%) in our survey have not explored zoning law changes to permit missing middle housing, outside of the State's mandates regarding ADUs, but approximately 50% of jurisdictions expressed interest in doing so. The Capital region (86%) reported a high level of interest in developing zoning for the missing middle, while jurisdictions within Los Angeles County (38%) and the Central Valley regions (26%) showed the least amount of interest. Large cities (75%) and Counties (61%) were most interested in developing missing middle zoning, while medium and small suburbs (42%) were least interested (see Figure 16).

Figure 16. Interest in Developing Missing Middle Zoning by Place Type



Note: n = 218

It is clear that many cities and counties across CA face common barriers to zoning for the missing middle. One primary barrier is the general public's preference for single-family zoning. As a jurisdiction from the Capital region shared, "the [General Plan] GP density necessary to allow missing middle development is so high that the decision-makers and the citizens freak out assuming apartment towers or the like will be built." A Central Coast jurisdiction asserted, "[a]llowing missing middle housing in established single-family neighborhoods is not politically palatable in most communities," and argued that "infill development in underdeveloped multi-family areas and underperforming commercial areas are better solutions."

Figure 15. Missing Middle Housing Typologies



Source Notes: Parolek, D. (2020). Missing Middle Housing: Thinking Big and Small to Respond to Today's Housing Crisis. Island Press.

Jurisdictions shared several additional common barriers. A city in the Northern region stated, “[o]ne problem...is many of our medium-density or even high-density zoned lots cannot actually be built to the density that is assumed. This is because the City calculates allowed number of units based on lot size.” The limitations associated with local land use and zoning patterns are a critical barrier to developing the missing middle. Another common barrier is a perceived lack of a market to build missing middle housing. One Bay Area jurisdiction reported, “[w]e find that the market for single-family homes is so high that it does not support converting a single-family unit [into] multiple units.” A jurisdiction in the Capital region shared that there are a lack of developers in the area willing to build missing middle housing, and “[o]ccasionally, [the builders] will build duplexes, but no one builds four-plexes and hardly anyone builds small apartment projects (25 units or less). Given land prices and construction costs in CA they are uneconomic except in places like the Bay Area, Los Angeles and San Diego where rents are unaffordable.”

Despite these barriers to developing zoning for the missing middle, survey respondents acknowledge the role that this type of housing could play in their cities and counties. In fact, one Bay Area respondent reported that the “City Council sees ADUs as a phase 1 in our future Missing Middle housing initiative.” However, jurisdictions recommend leveraging several different incentives to incorporate missing middle housing. An Orange/San Diego County jurisdiction highlighted the establishment of density bonus programs to encourage development: “[t]he City is concerned about the missing middle but is encouraging this type of development through its density bonus ordinance and financial subsidies (1st time buyer home ownership programs, etc).” Appealing to the State, one jurisdiction from the Capital region proposed utilizing tax credits as an incentive, stating, “CA needs to offer tax credit or other incentives to developers to encourage missing middle inventory into [the] mix. Otherwise, as long as acquisition and construction costs rise, developers will seek maximum return on their investments.” Other jurisdictions shared the importance of developing financial assistance programs for the missing middle, as well as streamlined zoning, permitting, and review processes that are “easy to understand for developers” working on the missing middle.

The challenges that cities and counties face to developing zoning for the missing middle bear similarity to the barriers to ADU construction. State policy has played an influential role in standardizing ADU zoning and development guidelines and providing incentives for planning departments to streamline ADU permitting processes. It has also galvanized cities and counties to build partnerships with banks, non-profits, and other stakeholders to develop ADUs. The overall positive response among the general public and elected officials to the State’s ADU policy, as well as the recent rapid growth of ADU completions, suggests that the State could have success following a similar approach to developing legislation for the missing middle.

“[o]ccasionally, [the builders] will build duplexes, but no one builds four-plexes and hardly anyone builds small apartment projects (25 units or less). Given land prices and construction costs in CA they are uneconomic except in places like the Bay Area, Los Angeles and San Diego where rents are unaffordable.”



Photo Credit: Pam MacRae, Sightline Institute

Conclusion & Recommendations

Conclusion & Recommendations

Despite the ongoing push for statewide ADU reform and increasing missing middle housing options in CA, prior to this research little was known about the extent to which these efforts were effective, i.e., eased barriers and shaped local perceptions and ADU development patterns. This research shows that while the recent legislation has certainly eased some barriers and increased ADU production, significant challenges to ADU development remain. Furthermore, although there is apparently broad-based support among the general public and elected officials for the state ADU legislation, jurisdictions continue to desire local control in the face of this State-led reform.

In light of these findings, we recommend the following actions by state and local actors:

Build Awareness:

- **Promote more awareness among homeowners about the opportunity to build ADUs.** Some mechanisms that have proven effective in educating homeowners and increasing knowledge of local zoning and permitting processes are websites (e.g., secondunitcentersmc.org), resident-led workshops (e.g., the Berkeley ADU Task Force¹²), and one-stop shops (as in San Mateo County). Many jurisdictions report this is important work, but that it requires increased funding from the State to implement.
- **Target outreach efforts and financial assistance to low-income homeowners.** Local partnerships among cities, non-profits, and other stakeholders have produced replicable models for targeting outreach and assistance to build ADUs for low income homeowners (e.g., [My House My Home](https://myhousemyhome.org)).

Provide Technical Assistance:

- **Provide training and resources to local planners on how to write and implement local ADU ordinances, and how to interpret the state-level legislation.** Although HCD sponsors workshops and maintains an informative website, local staff are overwhelmed. Support might take the form of skill-building training sessions, local knowledge-sharing events, or one-on-one consulting time. HCD's Technical Assistance Memo on interpreting ADU legislation should, ideally, be published prior to the legislation becoming the law of the land.
- **Encourage ADU production via pre-approved ADU prototypes.** Some jurisdictions (such as Encinitas, Seaside, and San Diego City and County) seek to simplify the ADU permitting process for homeowners by

providing pre-approved ADU plans. These prototypes reduce uncertainty on behalf of the homeowners and ensure that proposed ADUs will meet the jurisdiction's standards. However, jurisdictions may require technical assistance to adopt these programs.

Explore Areas for Future State Legislation:

- **Work with banks and credit unions to provide more appropriate loan products,** particularly for homeowners without high home equity. CalHFA should take the lead in devising and promoting new loan sources.
- **Move forward with legislation to encourage missing middle housing development.** As the state devises new regulations to spur the missing middle, it will need to provide resources and educate communities on how to implement the new ordinances.
- **Co-produce future state legislation with communities from across CA's diverse regions,** to ensure that language is flexible enough to accommodate different environments.

CA legislators are working to reduce critical barriers to ADU and missing middle development, but this research shows that there are still pervasive gaps that require assessment.¹³ Moving forward, we will continue to monitor challenges, best practices, and local ADU ordinance compliance, which will be accessible on our [interactive web portal](#). We have also launched the first statewide ADU homeowner survey, allowing us to collect more information on barriers and opportunities for local officials and communities to work together to scale up local ADU production.



Photo Credit: Prefab ADU <https://www.prefabadu.com/>

Endnotes

1. Monkkonen, P., Carlton, I., & Macfarlane, K. (2020). One to Four: The Market Potential of Fourplexes in CA's Single-Family Neighborhoods. The Ralph and Goldy Lewis Center for Regional Policy Studies, UCLA.
2. Chapple, K., Garcia, D., Valchuis, E., & Tucker, J. (2020). Reaching CA's ADU Potential: Progress to Date and the Need for ADU Finance. Turner Center for Housing Innovation. Our ADU permit numbers for 2018-2019 may be different from the CA Department of Housing and Community Development due to how we assigned permits to each year; however, our permit totals are similar.
3. All CA jurisdictions are required to complete an Annual Progress Report on their status and progress toward implementing the Housing Element of its General Plan using HCD's forms. These reports are submitted to HCD and the Governor's Office of Planning and Research annually.
4. See: <https://www.treasurer.ca.gov/ctcac/assignments.pdf>.
5. Since we administered this survey in March 2020, it may have been too soon after enactment to ask this question.
6. Chapple, K., Garcia, D., Valchuis, E., & Tucker, J. (2020). Reaching CA's ADU Potential: Progress to Date and the Need for ADU Finance. Turner Center for Housing Innovation.
7. Valchuis, E. (2020). HomeOn: Providing Loans to Homeowners to Construct Accessory Dwelling Units. Original dataset consists of homeowner reported ADU construction costs (n=50). Author makes assumptions on ADU types to be constructed across the state and applies a regional construction cost factor to develop regional average construction costs across major CA markets.
8. Data provided by Zillow through the Zillow Transaction and Assessment Dataset (ZTRAX). More information on accessing the data can be found at <http://www.zillow.com/ztrax>. The results and opinions are those of the author(s) and do not reflect the position of Zillow Group.
9. To view the City of Carlsbad's inclusionary zoning ordinance, please see Chapter 21.85, and click on Title 21 Zoning. The specific provision for ADUs as a way to satisfy an inclusionary housing requirement is in Section 21.85.070. <http://www.qcode.us/codes/carlsbad/>
10. See full CA Senate Bill 13 (2019) text here: https://leginfo.ca.gov/faces/billTextClient.xhtml?bill_id=201920200SB13.
11. Parolek, D. (2020). Missing Middle Housing: Thinking Big and Small to Respond to Today's Housing Crisis. Island Press.
12. The City of Berkeley established an ADU Task Force composed of local community members who are also realtors, architects, planners, developers, mortgage specialists, and ADU advocates. It has been working collaboratively with the broader Berkeley community and City Council to advance ADU policy and construction in the city.
13. During the recent 2020 legislative session, policymakers reviewed SB 1120 Subdivisions: Tentative Maps, which would allow homeowners to convert their existing single-family homes into duplexes and to subdivide their parcel into two. CA legislators also considered SB 1400, which would give voters in the next statewide election the power to decide whether to create a \$500 million ADU bond to help finance homeowner's construction costs. Neither SB 1120 nor SB 1400 were signed into law during the 2020 CA Legislative Session.
14. Valchuis, E. (2020). HomeOn: Providing Loans to Homeowners to Construct Accessory Dwelling Units.

Appendices

Appendix A: ADU Survey

Thank you for agreeing to participate in our survey. Researchers with UC Berkeley's Center for Community Innovation would like to gather more information to identify ADU program best practices, as well as policy and other barriers that affect ADU construction in jurisdictions across CA.

This survey will take approximately 8-10 minutes to complete. Your participation is completely voluntary and you may choose to stop participating at any time. If you have any questions or concerns, please feel free to email us at: info@aduCA.org.

Survey Questions

ADU Policy:

1. Has your jurisdiction adopted an ADU ordinance? (required)
 - ☐ Yes (Year of most recent version: _____)
 - ☐ No
2. Has your jurisdiction adopted an ordinance (i.e., urgency, regular) to come into compliance with the new CA state ADU laws effective January 1, 2020?
 - ☐ Yes
 - ☐ No
3. UC Berkeley recently gave your jurisdiction's ADU ordinance a grade ([see grade here](#)). Please note that these grades do not reflect any legislative amendments made after December of 2019. New grades, reflecting changes to ordinances in response to the 2019 legislation, are forthcoming.

Do you agree with this grade and assessment ([information on grading methodology here](#))? Why or why not?

4. How supportive is your city/county of the recent state-level ADU legislation? Please briefly explain your answer.
 - ☐ Very supportive
 - ☐ Supportive
 - ☐ Not very supportive
 - ☐ Not supportive at all
 - ☐ Explanation: _____

5. How supportive are your jurisdiction's elected officials of ADU development?
 - ☐ Very supportive
 - ☐ Supportive
 - ☐ Not very supportive
 - ☐ Not supportive at all

6. Are there any changes to your city/county's current (as of 2020) ADU ordinance that your jurisdiction is considering? If yes, please explain.

7. If your jurisdiction is considering changes to its ADU ordinance, by what date do you expect these changes to be complete? (Month, year)

8. Are there any changes to the state-level ADU legislation that your jurisdiction would like to see in the future? If yes, please explain

ADU Barriers and Best Practices:

1. Do you perceive a strong appetite among homeowners in your jurisdiction for ADUs?
 - ☐ Yes
 - ☐ No. If no, why (check all that apply)
 - ☐ Lack of awareness
 - ☐ Lack of desire
 - ☐ Physical limitations (topographical, lot size etc.)
 - ☐ Financial barriers
 - ☐ Uninterested in becoming landlords
 - ☐ Other (please describe)
2. What are some of the barriers your jurisdiction has faced in creating and/or implementing the intent of its ADU ordinance? Select all that apply.
 - ☐ Zoning
 - ☐ Permitting
 - ☐ Political will
 - ☐ Public funding
 - ☐ Staff capacity
 - ☐ Other (specify): _____
3. Are there any parts of the new CA state legislation that are difficult to interpret or implement?

4. Does your jurisdiction have any of the following additional incentives, supportive programs, and/or procedures in place to reduce barriers to ADU development? Select all that apply.
 - ☐ Informational handouts or informational page on jurisdiction's website, and other web-based tools
 - ☐ Free application review before submission

- Fee reductions as incentive (ex. working with utility companies to reduce fees for ADUs)
 - Public ADU funding program
 - Established a dedicated ADU point person or team focused on ADUs
 - Other (specify): _____
 - Other (specify): _____
5. Has your jurisdiction successfully implemented any of the following policy tools or legislative amendments to promote ADU development and/or affordability? Select all that apply.
- Linked inclusionary zoning to ADU development
 - Counted ADU units developed towards meeting RHNA goals
 - Imposed deed restriction on rents in exchange for public subsidy
 - Offered financial incentive through density bonuses and/or affordable housing credits
 - Altered size restrictions for affordability purposes
 - Amnesty program for existing illegal ADUs
 - Impact fee waivers
 - Publicly accessible ADU prototype plans
 - Eliminated setbacks, height limits, and/or something similar for ADU development (specify: _____)
 - Found other ways to promote development and/or affordability (specify: _____)
6. Are there any other institutions complementing or supporting your jurisdiction's work on ADUs? Examples might include banks, community development financial institutions, community foundations, construction firms, developers, or other. Please describe.
7. We are particularly interested in best practices in facilitating ADU development. Are there any other features of your jurisdiction's ADU ordinance or program that you would like to share?

4. Please share any thoughts or links about zoning that may be effective for the missing middle.
- _____

Background Information:

1. Name: _____ (not required)
2. City/County: _____ (required)
3. Department: _____ (not required)
4. Are you willing to participate in a follow-up interview?
- Yes
 - Email address: _____
 - Phone #: _____
 - No

ADU Market and Missing-Middle:

1. Have you estimated the number of ADUs that could be built within your jurisdiction's limits, given existing zoning regulations?
- Yes, estimate: _____
 - No
2. Many cities are trying to facilitate more "missing middle" housing (or apartment complexes with 2-8 units) in zones currently designated for single-family housing.
- Is your city/county interested in developing zoning for the missing middle?
 - Yes
 - No
3. Has this city/county explored changing zoning laws to permit complexes with two to four units (i.e., missing middle) on properties that currently restrict denser development? If yes, please explain.

Appendix B: Detailed Methodology

For this report, we administered an ADU survey (see Appendix A) to all 540 CA cities and counties, and conducted follow-up interviews with select ADU stakeholders. We sought to identify ADU best practices and assess any barriers to ADU construction across the state. Participants were asked about the general public and elected officials' perceptions of the new state-level ADU legislation, and about any efforts made by each jurisdiction to encourage zoning for ADUs and other types of small-scale multi-unit housing. We linked the survey and interview results to state ADU permit data, zoning, and neighborhood demographics to understand the challenges to, and opportunities for, ADU development in the state.

Surveys with Jurisdictions

We developed a survey tool (see Appendix A) to distribute to all 540 CA cities and counties seeking to identify ADU best practices and assess any barriers to ADU construction across the state. The survey also included questions designed to learn more about the general public and elected officials' perceptions of the new state-level ADU legislation, and assess cities' and counties' efforts to encourage zoning for ADUs and other types of small-scale multi-unit housing.

The CA Department of Housing and Community Development (HCD) shared contact information for city and county staff, which we used to send an initial email announcement asking jurisdictions to complete the survey in March 2020. We sent four follow-up emails reminding jurisdictions to complete the survey, approximately two weeks apart each. The initial and first two reminder messages were sent as a mass email. For the final two reminder messages, we looked up supplemental e-mail addresses for city and county staff on their webpages, and sent direct follow-up emails to staff.

Out of the 540 electronically distributed surveys, we ultimately received 431 surveys. Of these, 55% of the surveys were complete, which means that 236 out of all 540 cities and counties across CA completed the ADU survey for a 44% overall response rate. Approximately 43% of all 431 surveys received were incomplete, and 2% of all surveys were duplicate responses.

It is important to note that response bias may have played a role in the survey results. Jurisdictions that completed our survey may experience a higher degree of local support for ADUs, while jurisdictions that did not respond may have low interest and political support for ADU development. Additionally, given that we distributed this survey during the height of the COVID-19 pandemic, many jurisdictions may not have responded due to low staff capacity. Furthermore, some jurisdictions may have started, but not finished the survey, or completed the survey without answering all of the questions because of the survey length, topics, or questions asked.

Follow Up Interviews

We conducted follow-up interviews with nine CA jurisdictions and one statewide ADU policy advocacy coalition (see Appendices C and D for interview guides). The purpose of these interviews was to gather qualitative data pertaining to CA cities' and counties' best practices, challenges, and successes in relation to ADU development. Jurisdictions selected for interviews were driven by three factors: 1. Cities and counties that responded to the survey indicating that they were interested in participating in a follow-up interview; 2. Advice from CA HCD on jurisdictions with ADU best practices to highlight; and 3. The desire to have a diverse and representative set of interviews with jurisdictions across the state.

All interviews were scheduled through email, and conducted over Zoom with two UC Berkeley researchers, one who took notes, and one who facilitated the interview. These interviews were recorded on Zoom and transcribed using otter.ai software.

ADU Permit Data

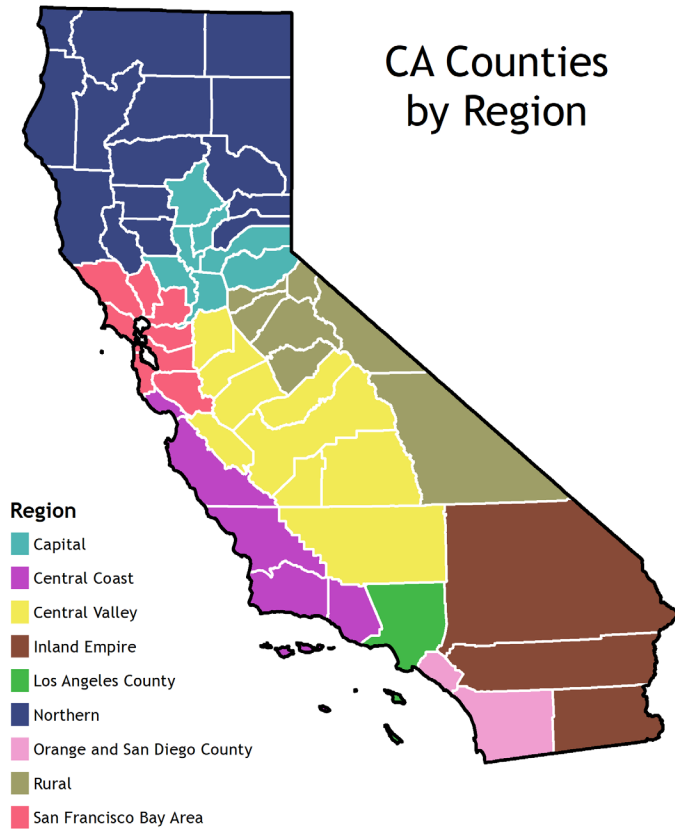
To assess recent growth trends in ADU production in CA, we compiled data from HCD's Annual Progress Reports (APRs) for 2018 and 2019.³ The APRs include self-reported statistics by CA jurisdictions on the permitted and completed (i.e., those with a certificate of occupancy) ADUs projects within their municipal boundaries.

Analysis

Survey analysis and cleaning was conducted in Jupyter Notebooks using Python. Incomplete survey responses, or responses that did not include the jurisdiction name, were removed from the analysis.

For the purposes of survey data analysis, we divided the jurisdictions into place-based and region-based typologies. Jurisdictions that responded to the survey were sorted into the following nine regions: Capital, Central Coast, Central Valley, Inland Empire, Los Angeles County, Northern, Orange and San Diego Counties, Rural, and San Francisco Bay Area (see Figure 1 and Table 1). The regions and regional boundaries for analysis were adapted from the CA Tax Credit Allocation Committee's (TCAC) regional designations.⁴ Jurisdictions were also sorted according to six place typologies based on American Community Survey (ACS) 2018 population estimates for CA cities and counties. These place types included: county, large city (500,000+), medium and small city (100,000-499,999), large suburb (50,000-99,999), medium and small suburb (10,000-49,999), and small suburb (2,500-9,999) and town/rural (<2,500) (Table 2).

Figure 1: Map of CA Regions for Analysis



Both the open-ended text-based survey responses and interview transcripts were analyzed using Dedoose software. We conducted two rounds of coding for both the text-based survey responses and interview transcripts. During the first round, we created codes or categories for central themes associated with the text. For the second round, we went through and re-coded responses into existing or new categories.

To analyze the state's ADU production, we linked HCD's ADU permit data for 2018 and 2019 to parcel-, tract- and zip code-level characteristics from multiple sources. We used tax assessor datasets of CA's 12.5 million parcels to draw out data on the physical characteristics of parcels (e.g., lot size and built area), the characteristics of homeowners (e.g., corporate versus individual), and the years since the last sale of the parcel. From the ACS, we linked data on race and ethnicity, income and rent, household structure, and tenure type. We eliminated all unreliable ACS data, i.e., with a coefficient of variation greater than 30. We then added home values from the Zillow Home Value Index, employment information from the Longitudinal Employer-Household Dynamics (LEHD) program, and distance to transit from the US Environmental Protection Agency (EPA)'s Smart Location dataset. To identify low and high resource areas, we relied on the CA TCAC Opportunity Area maps, which use a compound indicator based on many of the same economic characteristics mentioned above, but also including data on education and health.

Finally, to determine the mortgage or loan product used, we linked parcels with ADU permits or completions to the Zillow Transaction and Assessment Database. The most recent years in this database were 2016 and 2017, so we were not able to assess loan information for 2018 and beyond. This join yielded financial information for 4,401 parcels with ADUs (1,379 with completions and 3,022 with permits in 2018 or 2019).

Table 1: Survey Responses by Region

California Regions	Survey Responses	Total Jurisdictions	Response Rate
Capital	22	35	63%
Central Coast	18	46	39%
Central Valley	21	73	29%
Inland Empire	19	62	31%
Los Angeles County	40	89	45%
Northern	16	55	29%
Orange and San Diego Counties	28	54	52%
Rural	7	16	44%
San Francisco Bay Area	65	110	59%

Table 2: Survey Responses by Place Type

California Place Types	Survey Responses	Total Jurisdictions	Response Rate
County	30	58	52%
Large City	4	6	67%
Large Suburb	51	104	49%
Medium and Small City	39	67	58%
Medium and Small Suburb	79	199	40%
Small Suburb, Town, and Rural	33	106	31%

Appendix C: ADU Interview Guide — City/County Staff

Thank you for agreeing to participate in this interview. We are going to ask you questions about your city/county's ADU ordinance, and some of the barriers and successes your jurisdiction has faced in ADU development. Please remember that your participation is voluntary, and you may choose not to respond to any questions. [Ask permission to record interview - if participant does not grant permission, then please take careful notes.]

- Please tell me about your role at the City/County of ____?
- How long have you worked at the City/County of ____?
- How would you describe your involvement in your jurisdiction's ADU program?
- Has your jurisdiction adopted a new ADU ordinance in response to the 2019 state legislation yet?
- Which key elements of your city/county's ADU ordinance diverge from state law?
 - Follow up: Why did your jurisdiction feel it was important to incorporate these elements into your ADU ordinance?
- What issues has your city/county faced in creating and/or implementing its current ADU ordinance?
 - Follow up: How is the city/county working to address them?
- What are some barriers that you hear about from homeowners in your jurisdiction wishing to develop an ADU?
 - Follow up: How is the city/county working to address them?
- What does your city/county do to reduce barriers to ADU development?
 - Follow up: Are there any new additional programs, procedures, or incentives the city/county is currently considering?
- Are there any changes the city/county would propose to the ADU ordinance but hasn't because of political obstacles? Please explain.
- How does your jurisdiction feel about the State's emphasis on ADUs, and the state level ADU legislation of the past 3 years?
 - Is there anything that you would like to see incorporated into future state ADU legislation?
 - What would you like to see changed in, or removed from, the state-level legislation? Why?
- Is there anything else about your city/county's ADU ordinance or program that you would like to share with us?

We've reached the end of our interview. Thank you for your time.

Appendix D: ADU Interview Guide — *Non-City/County Staff*

Thank you for agreeing to participate in this interview. We are going to ask you questions about ADU policy, and some of the barriers and successes you/your organization perceives in relation to ADU development. Please remember that your participation is voluntary, and you may choose not to respond to any questions. [Ask permission to record interview - if participant does not grant permission, then please take careful notes.]

- Please tell me about the organization you work with.
- How long have you worked at this organization?
- How would you describe your role and/or the role this organization plays related to ADU policy?
- Speaking for your organization, what are the major issues that cities/counties/homeowners continue to face in developing ADUs?
 - Follow up: Any cities/counties in particular?
 - Follow up: How is this organization working to address them?
- What types of additional incentives, supportive programs, and/or procedures does this organization believe would reduce barriers to ADU development?
 - Follow up: Any particular city/county programs of note?
- How does this organization feel about the State's emphasis on ADUs, and the state level ADU legislation of the past 3 years?
 - Is there anything this organization would like to see incorporated into future state ADU legislation?
 - What would this organization like to see changed in, or removed from, the state-level legislation? Why?
- If there were the political will to do so (i.e., locally/reionally/statewide), are there any policies/strategies this organization would highlight in particular that support ADU development?
- Is there anything else about ADU ordinances and/or programs that you would like to share with us?

We've reached the end of our interview. Thank you for your time.

Appendix E: Regression Table Analyzing the Factors Behind Permitting and Building ADUs in 2018 and 2019

Variable Type	Los Angeles County		SF Bay Area		San Diego County		California	
	Permits	Completions	Permits	Completions	Permits	Completions	Permits	Completions
Property								
Homeowner as resident	+	+					+	+
Company owned	-	-	-	-			-	-
Lot square footage	-	-			-	-	-	-
Years owned	-	-	-				-	-
Neighborhood								
Population density	-	-	+		-		+	+
Transit accessibility	+	+	+		N/A	N/A	+	+
Average household size	-	-	-	-		+	-	-
Median age of residents	+	+	+	+		-	+	+
Number of jobs	-		-		-		-	-
Median family income	-	-	+	-		-	-	-
Median rent	-		-		-		-	
Home value	+	+	+	+	+		+	+
Percent non-Latinx white residents	+	+	+	+		+	+	+
Percent Black residents	+	+	+			-	+	+
Percent Latinx residents	+	+	+				+	+
Percent of homes with a mortgage	+	+					+	+
Average people per room	+	+				-	+	+

1. If the coefficient for a given independent variable is greater than zero, meaning that the independent variable has a positive effect on the dependent variable, a (+) is shown above. If the coefficient is negative, then a (-) is shown.

2. Dataset includes CA's 10.1 million residential parcels, excluding other types. Two logistic regressions are performed for each region--one with a dependent variable of whether or not each parcel has obtained a permit to build an ADU ("Permits") and another with a dependent variable of whether or not each parcel has obtained a certificate of occupancy ("Completion"). Independent variables with a p-value of less than 0.05 are deemed non-significant and are not included in the table above. Data on transit accessibility is not available for San Diego.

3. Because of the unreliability of race/ethnicity data for most regions outside of Los Angeles, these variables are not significant.

4. Because Los Angeles produces most of the state's ADUs, in part because of lower construction costs, it has more significant results that dominate the overall picture in CA.¹⁴