

Date of Hearing: April 24, 2019

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT
Cecilia Aguiar-Curry, Chair
AB 671 (Friedman) – As Amended March 26, 2019

SUBJECT: Accessory dwelling units: incentives.

SUMMARY: Requires a local government to include a plan in their housing element to incentivize and promote the creation of accessory dwelling units (ADUs) that can be offered at an affordable rent for very low-, low-, and moderate-income households. Specifically, **this bill:**

- 1) Requires, in the housing element, cities and counties to develop a plan that incentivizes and promotes the creation of ADUs that can be offered at affordable rent, as defined, for very low-, low-, and moderate-income households.
- 2) Requires the Department of Housing and Community Development (HCD) to develop, by December 31, 2020, a list of existing state grants and financial incentives for operating, administrative, and other expenses in connection with the planning, construction, and operation of an ADU with affordable rent, as defined, for very low-, low-, and moderate-income households.
- 3) Requires the list to be posted on HCD's website by December 31, 2020.
- 4) States that no reimbursement is necessary because a local agency or school district has the authority to levy service charges, fees, or assessments sufficient to pay for the program or level of service mandated by this act.

EXISTING LAW:

- 1) Defines "affordable rent" as follows:
 - a) For very low-income households, 30% times 50% of area median income (AMI);
 - b) For low-income households, 30% times 60% of AMI; and,
 - c) For moderate-income households, 30% times 110% of AMI.
- 2) Defines an ADU to mean an attached or detached residential unit that provides a complete and independent living space for one or more persons. Requires an ADU to include living, sleeping, eating and cooking and sanitation on the same parcel as the single family dwelling.
- 3) Authorizes a local agency to provide for the creation of ADUs in areas zoned to allow single-family and residential multifamily use.

FISCAL EFFECT: This bill is keyed fiscal and contains a state-mandated local program.

COMMENTS:

- 1) **Bill Summary and Author's Statement.** This bill requires cities and counties to develop a plan that incentivizes and promotes the creation of ADUs that can be offered at affordable rent, as defined, for very low-, low-, and moderate-income households, in the housing element of the general plan. The bill also requires HCD to develop, by December 31, 2020, a list of existing state grants and financial incentives for operating, administrative, and other expenses in connection with the planning, construction, and operation of an ADU with affordable rent, as defined, for very low-, low-, and moderate-income households, and post this list on their website. This bill is an author-sponsored measure.

According to the author, "Many localities throughout California are turning to affordable incentives for ADUs as a solution to lack of affordable housing. Financing incentives can be used to promote affordability of ADUs, both for owners to construct and for tenants on an on-going basis. California should support locals to plan and identify financing for very low to moderate-income ADU options."

- 2) **Background.** ADUs are additional living quarters that are independent of the primary dwelling unit on the same lot. ADUs are either attached or detached to the primary dwelling unit, and provide complete independent living facilities for one or more persons, including separate access from the property's primary unit. This includes permanent provisions for living, sleeping, eating, cooking, and sanitation.

ADUs have been identified as an important piece of the solution to California's housing crisis. According to the Turner Center for Housing Innovation at UC Berkeley, the average cost to build an ADU is relatively inexpensive at \$156,000. Because of their size and lower cost to construct, the Turner Center found that 58% of ADUs are rented out at below market rate.

Over the past few years, the Legislature has passed a number of bills to ease zoning restrictions and expedite approval processes at the local level, which has contributed to the increased supply of ADUs throughout the state. For example, in the City of Los Angeles, since 2017 a total of 9,247 applications have been received for ADUs. This represents an approximately 30-fold increase as compared to the citywide average in the many years well before the state law changed. Similarly, the City of Santa Rosa received 118 applications for ADUs in 2018, compared to 54 total from 2008-2016.

- 3) **Housing Element.** Every local government is required to prepare a housing element as part of its general plan. The housing element process starts when HCD determines the number of new housing units a region is projected to need at all income levels (very low-, low-, moderate-, and above-moderate income) over the course of the next housing element planning period to accommodate population growth and overcome existing deficiencies in the housing supply. This number is known as the RHNA. The COG for the region, or HCD for areas with no COG, then assigns a share of the RHNA number to every city and county in the region based on a variety of factors.

In preparing its housing element, a local government must show how it plans to accommodate its share of the RHNA. The housing element must include an inventory of sites already zoned for housing. If a community does not have enough sites within its

existing inventory of residentially zoned land to accommodate its entire RHNA, then the community must adopt a program to rezone land within the first three years of the planning period.

Local governments are required to demonstrate that sites are adequate to accommodate housing for each income group based on the zoning after taking into consideration individual site factors such as property size, existing uses, environmental constraints, and economic constraints. With respect to the zoning, density can be used as a proxy for affordability. Jurisdictions may establish the adequacy of a site for very low- or low-income housing by showing that it is zoned at the “default” density (also referred to as the Mullin density). These densities range from 10 to 30 units per acre depending on the type of jurisdiction. Jurisdictions may also include sites zoned at lower densities by providing an analysis of how the lower density can accommodate the need for affordable housing.

- 4) **Arguments in Support.** Supporters argue that this bill will expand the ability for property owners to build and offer ADUs for rent, which is an important part of the solution to California’s housing crisis.
- 5) **Arguments in Opposition.** None on file.
- 6) **Double-Referral.** This bill was heard by the Housing and Community Development Committee on April 10, 2019, and passed with an 8-0 vote.

REGISTERED SUPPORT / OPPOSITION:

Support

California Apartment Association
California Association of Realtors (if amended)

Concerns

California State Association of Counties

Opposition

None on file

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