



## **Analysis of the Effectiveness of San Diego's ADU/JADU Code in Creating "Affordable" Housing**

August 3, 2021 (updated 8/26/21)

Neighbors For A Better San Diego has prepared this report to consider whether the Accessory Dwelling Unit (ADU) law (**§141.0302**) that San Diego approved in October 2020 will help address San Diego's affordable housing needs. We specifically explore the income levels at which San Diego has a known gap or shortage of housing units and determine whether the city's ADU code will encourage the production of ADUs at those rental price points.

**To summarize our conclusions, San Diego's ADU affordability incentives miss the mark on affordable housing, primarily because so-called "affordable" rent levels are comparable to market rates for the most common ADU sizes (studio and 1 bedroom). Further, returns on investment to developers are particularly biased against building the 2+ bedroom units that are needed by low- and middle-income families, contrary to the city's inclusionary housing goals.**

**These conclusions are especially important because the City of San Diego has used claims of affordable housing production to justify allowing developers to build as many ADUs as they can fit on a single-family zoned lot (within FAR), effectively turning single-family lots into apartment complexes. Not only will San Diego's bonus "affordable" incentives not contribute affordable housing, but they also crowd would-be first-time homebuyers out of the market, not just in so-called "high opportunity" neighborhoods, but also in lower income neighborhoods that San Diego purports to be helping.**

Please note that the analysis specifically addresses the sections of the code related to single-family residential zoning only (not multi-family zoning).

## Overview of San Diego's ADU Ordinance as it Relates to Affordable Housing

San Diego's ADU code attempts to produce affordable housing through its "bonus" ADU program. You can find references to this program in the code itself (Attachment A), but it is most clearly explained by the San Diego Housing Commission (SDHC) in its *ADU Bonus Program Process Quick Facts* (Attachment B). Below we will highlight how the ADU bonus program works.

San Diego's ADU bonus program allows additional ADUs to be built on a single-family residential lot after the owner has maximized the number of ADUs allowed by right. In the case of single-family zoning, under California law the property owner is allowed to build one ADU by right.

After building that single ADU, the owner can build more ADUs by participating in the San Diego's bonus ADU program, in which one additional bonus (unrestricted) ADU is allowed for every affordable (deed-restricted) ADU built. How many total ADUs can be built on a parcel is determined by whether it falls within or outside a Transit Priority Area (TPA).

- Within the TPA, above and beyond the by-right ADU, there is no limit on the number of ADUs that can be built (subject to floor area ratio – FAR – limitations).
- Outside the TPA, above and beyond the by-right ADU, the owner is limited to two ADUs – one affordable (deed-restricted) and one bonus (unrestricted).

## What Are the Deed Restrictions on Affordable ADUs?

The affordable ADUs must have deed-restrictions in place for 15 years, after which time they revert to market-rate housing. In single-family zones, the affordability restriction will be on the title in a second lien position. Property owners must submit income verification to the SDHC before tenant occupancy.

## Do the “Affordable” ADUs and the Bonus ADUs Have to Be Comparable?

Not really. It is interesting to note that San Diego’s ADU code (§141.0302) is silent on this important matter. However, the SDHC does address it. The Housing Commission requires that the affordable and bonus ADUs be comparable insofar as they are +/- one bedroom of one another **or** within 15% in square footage. That would mean the following would be considered comparable:

- Affordable studio = bonus one bedroom
- Affordable one bedroom = bonus two bedroom
- Affordable 850 sf = bonus 1000 sf

The position of Neighbors For A Better San Diego is that these controls, particularly the allowance of one fewer bedroom, do not produce truly comparable ADUs. **This is particularly important given that the city considers the affordable ADU program to be a form of “inclusionary zoning” that will result in moving lower income families into “higher resource areas,” thereby allowing for access to better schools and greater opportunities.** The fact that the affordable ADUs are allowed to be 15% or one bedroom smaller than their bonus market-rate ADU directly undermines this goal and makes the ADU bonus program less family-friendly and inclusive.

## What Are the Income Levels Allowed for “Affordable” ADUs in San Diego?

The deeded-affordable ADUs can be rented to very low, low, and moderate-income people. These income levels are detailed in Attachment B and correspond to 50%, 60% and 110% of Area Median Income (AMI) respectively.

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## What Income Level is a Property Owner Likely to Choose as Tenants?

It is entirely up to the property owner which income level to rent to. The rent schedules for Very Low Income, Low Income, and Moderate Income, as set by the San Diego Housing Commission (SDHC), are shown in the table below. (See Attachment B for more detail.)

Very Low Income 50% AMI			
Family Size	Unit Size	Annual Income	Gross Rent
One	Studio	\$ 42,450	\$ 1,061
Two	1-BR	\$ 48,500	\$ 1,213
Three	2-BR	\$ 54,550	\$ 1,364
Four	3-BR	\$ 60,600	\$ 1,515
Five	4-BR	\$ 65,450	\$ 1,636

Low Income 60% AMI			
Family Size	Unit Size	Annual Income	Gross Rent
One	Studio	\$ 50,940	\$ 1,274
Two	1-BR	\$ 58,200	\$ 1,455
Three	2-BR	\$ 65,460	\$ 1,637
Four	3-BR	\$ 72,720	\$ 1,818
Five	4-BR	\$ 78,540	\$ 1,964

Moderate Income 110% AMI			
Family Size	Unit Size	Annual Income	Gross Rent
One	Studio	\$ 73,200	\$ 1,830
Two	1-BR	\$ 83,700	\$ 2,093
Three	2-BR	\$ 94,150	\$ 2,354
Four	3-BR	\$ 104,600	\$ 2,615
Five	4-BR	\$ 112,950	\$ 2,824

**ADU Investor ROI is optimized for Moderate Income affordability level**

According to San Diego Housing Commission guidelines, rents for Moderate Income level are:

- 44% higher than for Low Income
- 73% higher than for Very Low Income

SOURCE: SDHC ADU Bonus Program Quick Facts\_Final 2021

Given that the property owner has sole discretion to whom to rent and at which income level, it seems obvious that the profit-minded owner will opt for the level with the highest rent, which is the moderate-income. In this case, the owner will collect 73% more rent versus renting to a very low-income tenant or 44% more versus renting to a low-income tenant. It is the only logical choice from a profit perspective.

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## How Do Moderate-Income AMI Level ADU Rents Compare to Market-Rate Rents?

Given that the moderate-income level extends to above average incomes, it is worth asking how the rents for designated-affordable units compare to market-rate housing. The table below shows the rents that would be charged for a designated affordable ADU at the 110% AMI level, which are then compared to San Diego market-rent data from Zumper.

### Generous “Affordable” rents bring the market up rather than down

		SDHC Moderate Income 110% AMI (Source 1)		Zumper SD City (Source 2)	Composition of ADUs (Source 3)
Family Size	Unit Size	Annual Income	Gross Rent	Median Rent	Percentage
One	Studio	\$73,200	\$1,830	\$1,603	18%
Two	1-BR	\$83,700	\$2,093	\$1,921	61%
Three	2-BR	\$94,150	\$2,354	\$2,558	17%
Four	3-BR	\$104,600	\$2,615	\$3,374	3%
Five	4-BR	\$112,950	\$2,824	\$4,108	

### San Diego's ADU program leaves families out in the cold

Source 1: San Diego Housing Commission

Source 2: Zumper (<https://www.zumper.com/rent-research/san-diego-ca>)

Source 3: Implementing the Backyard Revolution., UC Berkeley Center for Community Innovation, April 22, 2021

The conclusions that can be drawn from these data are that:

- “Affordable” SDHC moderate-income ADU rents are comparable or even more expensive than average market-rate ADU rents for studio and one-bedroom ADUs (79% of ADUs built in CA).
- “Affordable” two bedroom ADU rents are approximately 8% less expensive than average market-rate ADU rents.
- “Affordable” three and four bedroom ADU rents would be significantly less expensive than the average market-rate units of the same size (21% and 31% respectively), but they represent only 20% of total ADUs built in CA.

## What Size ADUs Are Being Built in California?

79% of California ADUs are studios and one bedrooms, which are rented for more than market rates at the SDHC moderate-income level AMI. A key reason for this is that investor returns are maximized when the buildable square footage is divided into the most units (i.e., rent per square foot increases as the size of unit decreases).

Conversely, only 17% of ADUs built in CA have been two bedrooms and only 3% have been 3 bedrooms, indicating that ADUs are highly unlikely to provide family-sized housing for four or more people per the SDHC guidelines. This indicates that ADUs will not significantly increase opportunities for families to move into “higher resource areas” for better schools or increased opportunities as has been suggested by affordable housing advocates. The financial “sweet spot” for developers to profit on ADUs is in the studio to one bedroom range, with two bedrooms as an outside possibility, but the SDHC allows only three people in a one-bedroom ADU.

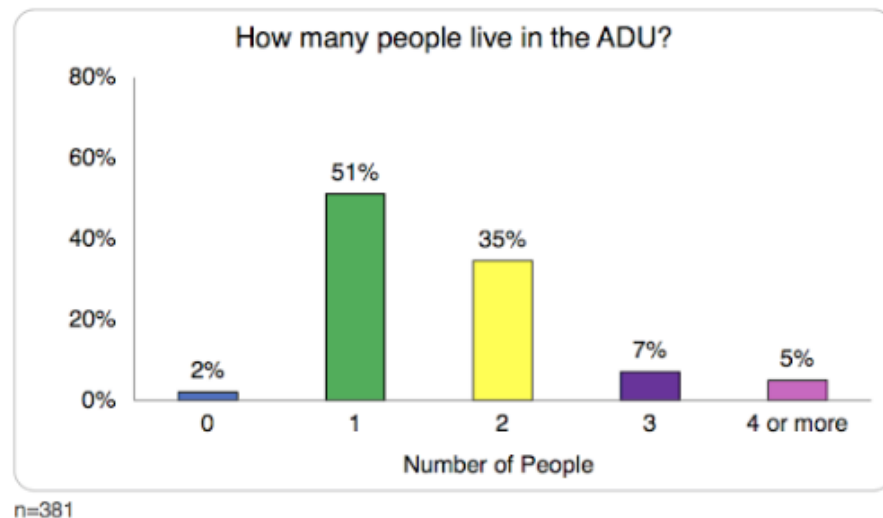
Number of Bedrooms	Percentage
Studio	18%
1 Bedroom	61%
2 Bedroom	17%
3+ Bedrooms	3%

Source: *Implementing the Backyard Revolution, Perspectives of California ADU Owners*, April 22, 2021, UC Berkeley Center for Community Innovation, page 9.

## How many people live in CA ADUs and how old are they?

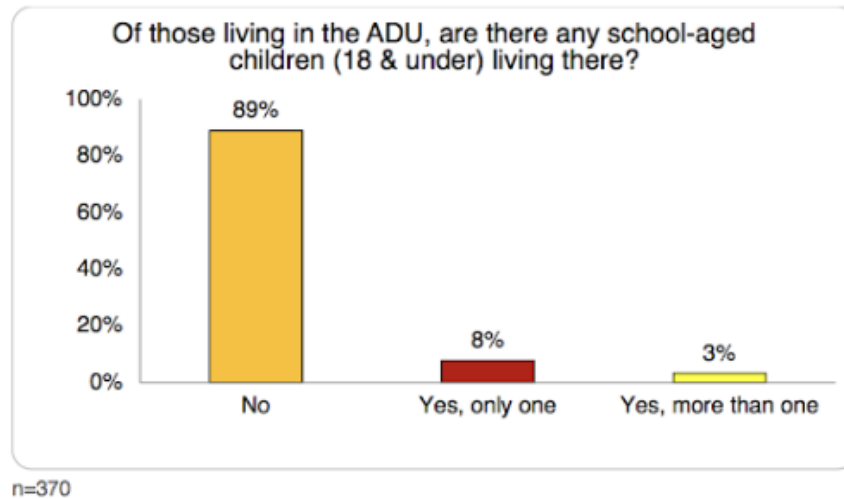
Because of size constraints and structuring of affordability incentives, most ADUs are occupied by childless singles and couples. This suggests that policy makers, including those who drafted San Diego's ADU ordinance, have missed the mark in leveraging ADUs to increase inclusionary housing opportunities for families.

The vast majority of ADUs (86%) house only one or two people. Only 12% of CA ADUs house three or more people, with 7% housing 3 people, and only 5% housing four or more people. This is consistent with the unit sizes of the CA ADUs being built shown above, with 79% being studios (18%) and one bedrooms (61%), which are undersized for larger families.



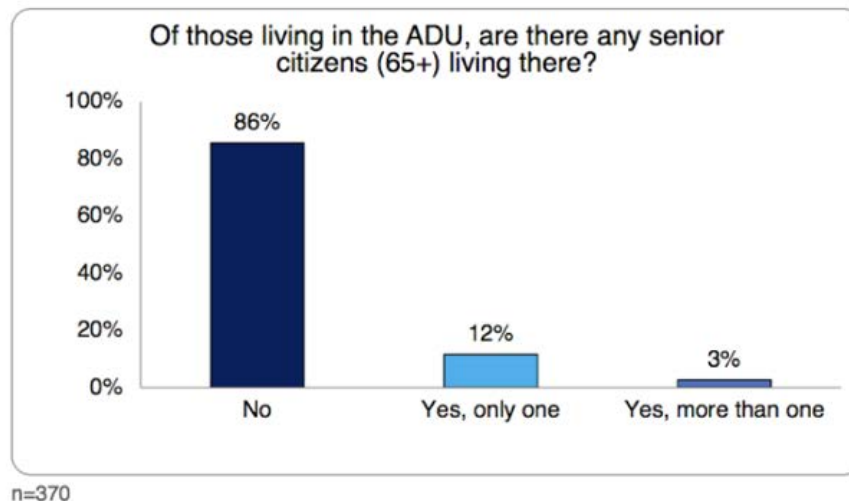
Source: *Implementing the Backyard Revolution, Perspectives of California ADU Owners*, April 22, 2021, UC Berkeley Center for Community Innovation, page 29.

Not surprisingly, then, the majority (89%) of people living in CA ADUs do not have children living at home. Only 8% of CA ADUs house one child aged 18 or younger, while 3% house more than one child.



Source: *Implementing the Backyard Revolution, Perspectives of California ADU Owners*, April 22, 2021, UC Berkeley Center for Community Innovation, page 29.

Finally, despite ADUs often being described as “granny flats,” only 15% of CA ADUs are home to senior citizens aged 65 or older, with 12% housing one senior and another 3% housing two seniors.



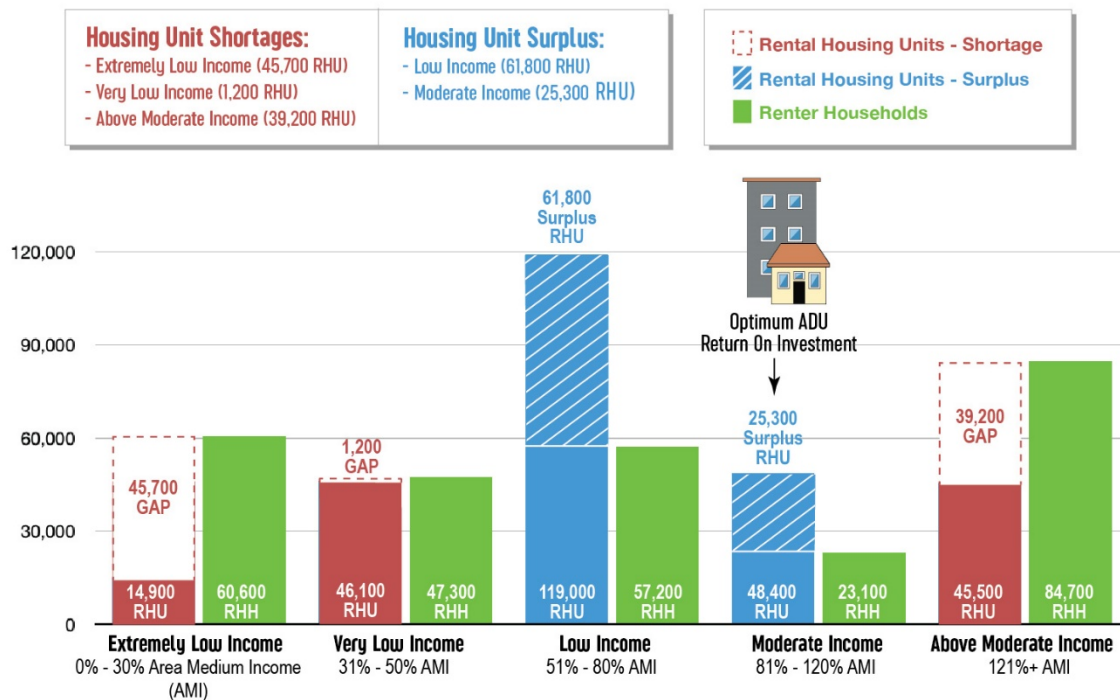
Source: *Implementing the Backyard Revolution, Perspectives of California ADU Owners*, April 22, 2021, UC Berkeley Center for Community Innovation, page 30.



## Which Income Levels Face the Greatest Housing Shortages in San Diego?

For the answer to this question we look to the SDHC May 2020 *Preserving Affordable Housing in the City of San Diego* report (<https://www.sdhc.org/wp-content/uploads/2020/05/Affordable-Housing-Preservation-Study.pdf>). For simplicity, below is a chart based on data from pages 19-21 of that document (Attachment C). It makes clear the gaps and surpluses in affordable housing inventory in San Diego.

### San Diego has a SURPLUS of Moderate-Income Rentals



Source: San Diego Housing Commission, *Preserving Affordable Housing in the City Of San Diego*, May 2020

NeighborsForABetterSanDiego.org

What this chart tells us about housing shortages/surpluses in San Diego:

- The biggest shortfall is in housing for <30% AMI (-45,700 units)
- Total shortfall for 31% - 50% AMI is (-1200 units)
- There is a surplus in units for the 51% - 80% AMI (+61,800 units)
- There is a surplus in units for the 81% - 120% AMI (+25,300 units)

The bottom line is that San Diego is incentivizing developers to build ADUs in the moderate-income range (110% AMI) where San Diego has a surplus of housing units. Meanwhile, the San Diego ADU code's density bonuses do nothing to solve the real affordable housing crisis, which is the shortage of housing units for the extremely low income (0-30% AMI) and very low income (31-50% AMI) households.

## Will Increasing Housing Supply in Neighborhoods Lower Rents?

It is often stated as a truism that increasing the supply of housing will translate into a significant reduction in the cost of housing. However, according to a study done by the Federal Reserve in 2018, increasing housing supply in neighborhoods only marginally improves rental affordability. Based on that study across neighborhoods throughout the U.S:

- A 5% increase in SD housing units (+26,500\*) would lower rents by less than 0.5%
- A 20% increase in SD housing units (+106,000\*) would lower rents by less than 2%

\*Based on 530,000 Housing units in San Diego, *Housing Inventory Annual Report 2020*

Table 3: Simulation Results - Increasing Housing Stock to Single Neighborhoods

City	Rent response to adding +X% housing stock			
	+1%	+5%	+10%	+20%
Atlanta	-0.06%	-0.31%	-0.61%	-1.18%
Boston	-0.05%	-0.25%	-0.49%	-0.93%
Chicago	-0.07%	-0.34%	-0.66%	-1.27%
Dallas	-0.07%	-0.36%	-0.71%	-1.35%
Houston	-0.06%	-0.30%	-0.58%	-1.11%
Los Angeles	-0.07%	-0.36%	-0.71%	-1.36%
Miami	-0.06%	-0.30%	-0.59%	-1.13%
Philadelphia	-0.07%	-0.34%	-0.66%	-1.27%
San Francisco	-0.10%	-0.49%	-0.95%	-1.82%
Washington DC	-0.07%	-0.34%	-0.67%	-1.29%

Note: For each city, 4J simulations are conducted (4 for each PUMA), in which the housing stock in a single target PUMA is increased by 1%, 5%, 10%, or 20%. (The housing stock in each other PUMA remains the same.) This table reports the average simulated rental price response in target PUMAs, averaged within cities.

Source: Anenberg, Elliot, and Edward Kung (2018). "Can More Housing Supply Solve the Affordability Crisis? Evidence from a Neighborhood Choice Model," Finance and Economics Discussion Series 2018-035. Washington: Board of Governors of the Federal Reserve System, <https://doi.org/10.17016/FEDS.2018.035>.

From the Federal Reserve research, we can infer that people are willing to pay a premium to live in places that offer more amenities.

- San Diego median gross rent (MGR) is approximately 60% higher than U.S. MGR and 9% higher than CA MGR
- but still people pay this “sunshine tax” for the privilege of living in San Diego

#### Real Gross Rent in San Diego California (2019 dollars)

	2019	1 Year Change	3 Year Change
US Median Gross Rent	<b>\$1,097</b>	<b>+1.86%</b>	<b>+6.82%</b>
California Median Gross Rent	<b>\$1,614</b>	<b>+4.33%</b>	<b>+12.08%</b>
San Diego, CA Median Gross Rent	<b>\$1,758</b>	<b>+3.53%</b>	<b>+11.62%</b>

Source: Department of Numbers 7/13/21 (1 and 3 year changes adjusted for inflation)

A key insight of the Fed report is that...

“...there tends to be more agreement than disagreement across households on which neighborhoods [CITIES] in the city [COUNTRY] have the most attractive amenities. This finding implies that the willingness to pay to live in a particular neighborhood [CITY] for a household that is on the margin between living in that neighborhood [CITY] and elsewhere will be similar before and after a change in housing supply. As prices are set by the willingness to pay of the marginal household in our model, the price elasticity with respect to new supply is small. In our estimated model, **rental rates are more closely determined by the level of amenities in a neighborhood [CITY] than by the supply of housing.**”

[ ] above indicate NFABSD insertions

Source: Anenberg, Elliot, and Edward Kung (2018). “Can More Housing Supply Solve the Affordability Crisis? Evidence from a Neighborhood Choice Model,” Finance and Economics Discussion Series 2018-035. Washington: Board of Governors of the Federal Reserve System, <https://doi.org/10.17016/FEDS.2018.035>.

## **“The Notion that Increasing Housing Supply Will Magically Fix Our Problems is One of Those Things That Is Simply Too Good to Be True.”**

So says Richard Florida, author of “The New Urban Crisis,” professor at the University of Toronto’s School of Cities and Rotman School of Management, and a distinguished visiting fellow at New York University’s Schack Institute of Real Estate. He goes on to say that easing restrictive building codes “would do little to address housing affordability and might actually serve to increase housing prices in the neighborhoods in question, for the simple reason that developers would use the land not for affordable units but for luxury construction.” That is exactly what we have been seeing and continue to see in San Diego.

Prof. Florida goes on to conclude that “...Markets – and neighborhoods – for luxury and affordable housing are very different, and it is unlikely that any increases in high-end supply would trickle down to less advantaged groups.”

Zillow Chief Economist, Dr. Svenja Gudell, agreed: “There is a growing divide in the rental market.... Very high demand at the low end of the market is being met with more supply at the high end, an imbalance that will only contribute to growing affordability concerns for all renters.”

## **The Essential Upzoning San Diego’s ADU Code is Attempting Has Backfired Elsewhere**

Patrick Condon, Professor at University of British Columbia School of Architecture, city planner, urban designer and former supporter of high-density upzoning, now says upzoning is a costly mistake that drives up housing costs and cannot create affordable housing.

*“We have incrementally quadrupled the density of Vancouver, but we haven’t seen any decrease in per square foot costs. That evidence is indisputable. We can conclude there is a problem beyond restrictive zoning....No amount of opening zoning or allowing for development will cause prices to go down. We’ve seen no evidence of that at all. **It’s not the NIMBYs that are the problem – it’s the global increase in land value in urban areas that is the problem.**”*

If increased housing density alone would produce more affordable housing, then New York City would boast the most affordable rents in America and we know that it is not the case. San Diego should learn from the mistakes of others before irreversibly altering its single-family neighborhoods.

## CONCLUSIONS

Members of the San Diego City Council have repeatedly supported the city's ADU code as a means to help solve San Diego's "affordable" housing crisis. However, we have just shown that:

- In reality, San Diego's affordable housing shortage is primarily in the <30% AMI level and secondarily in the 31% - 50% AMI level.
- San Diego has a surplus of housing units in the 80%-120% AMI level (which encompasses the moderate-income 110% AMI level in San Diego's bonus ADU program).
- San Diego's bonus ADU program will in all likelihood produce "affordable" ADUs **only in the moderate-income 110% AMI level where San Diego has a surplus of "affordable" housing.**

### San Diego's ADU Code and Bonus Program:

- **Will not help solve San Diego's "affordable" housing crisis.**
- **Will produce ADUs in the moderate-income AMI level where San Diego already has a surplus of units.**
- **Will primarily (79%) produce moderate-income AMI "affordable" studio and one bedroom ADUs that are comparable or slightly more expensive than median market-rate ADUs of that size in San Diego.**
- **Will not help alleviate the affordability needs of families, because production is targeted to singles and couples.**

Furthermore, the Federal Reserve study has shown that merely increasing density in neighborhoods will not lower rents in those neighborhoods, because the rents are tied more to the amenities associated with the neighborhoods than the supply of units. From that research we can infer that simply increasing supply in high demand cities like San Diego will not lead to lower rents as it has not done so to date, and San Diego and California rents have consistently run significantly higher than the rest of the U.S. because people have been willing to pay the "sunshine tax" in exchange for living in coastal communities with exceptional weather, which is an amenity that cannot be replicated elsewhere in the country.

Patrick Condon's experience in quadrupling density in Vancouver with no resulting rent reductions further supports the argument that increasing overall supply of housing units in San Diego will not lower rents or solve the "affordable housing crisis." Urban land is a finite commodity, and it will continue to increase in value so long as demand remains strong. We have no reason to believe that peoples' desire to live in San Diego will wane.

Bottom line, San Diego's ADU bonus program is going to produce ADUs at the moderate-income AMI level where San Diego has a surplus of housing according to the SDHC. The city is wasting valuable resources (waiving all impact fees for developers) when the resulting units will

likely be studio and one bedroom ADUs that will be priced at greater than market-rate, will not help families and will be deed-restricted as “affordable” for only 15 years.

Meanwhile, neither the developers nor the homeowners will be building ADUs to meet the true needs of the city’s affordable housing crisis by creating housing for families and for the extremely and very low-income AMI levels of 0-50% where the true need exists. The San Diego ADU/JADU code will therefore not contribute to solving the city’s “affordable” housing crisis.

San Diego would do far better to incentivize building directly on the transit corridors where renters will be much more likely to actually use mass transit. On the corridors, mixed use development with retail/commercial units on the first floor and apartments and condos above would upgrade the transit corridors while distributing housing at all price points throughout the region without disrupting stable neighborhoods. Increased property values would provide a tax windfall for increased public investment in transit, schools, truly affordable housing, parks, and infrastructure (Peter Calthorpe, *Sustainable Communities* author and urbanist, father of Transit-Oriented Communities Theory).

Meanwhile, the city would still see some infilling in established neighborhoods via adopting the CA ADU Code allowing one ADU and one JADU with a 16 foot height limit and 4 foot setbacks. This would allow families to build housing for relatives or for a small income as the California law intended, rather than encouraging developers to build two and three-story apartment buildings in the backyards of single-family zoned neighborhoods.

## **ABOUT US**

Neighbors For A Better San Diego is a grassroots organization that has been formed to protect neighborhoods from the development of apartment buildings in the backyards of single-family homes. By bringing homeowners back into the discussion of urban development, we seek the creation of policies that benefit homeowners, renters, small businesses, and other stakeholders.

For more information, visit: [neighborsforabettersandiego.org](http://neighborsforabettersandiego.org) or email: [Better4SD@gmail.com](mailto:Better4SD@gmail.com)

## **DISCLAIMER**

**Neighbors For A Better San Diego is a group of concerned citizens, and the information in this document is provided for purposes of policy discussion only and should not be construed as giving legal advice on ADU construction or any other legal matters. We recommend that you contact a real estate attorney if you have any questions.**

## ATTACHMENT A. San Diego Municipal Code Relating to ADUs

San Diego Municipal Code  
(3-2021)

Chapter 14: General Regulations

### §141.0302 *Accessory Dwelling Units and Junior Accessory Dwelling Units*

Section 141.0302 provides for the construction of *Accessory Dwelling Units (ADUs)* and *Junior Accessory Dwelling Units (JADUs)*, consistent with the requirements of state law, and is intended to encourage the construction of *ADUs* and *JADUs* through several local regulatory provisions, including allowing encroachment into the interior side yard and rear yard setbacks up to the property line, eliminating parking requirements for *ADUs* and *JADUs*, and providing an affordable housing bonus of one additional *ADU* for every deed-restricted affordable *ADU* constructed on the premises, as specified in the regulations below. *ADUs* are permitted in all zones allowing residential uses and *JADUs* are permitted in all *single dwelling unit* zones by-right as a limited use decided in accordance with Process One, indicated with an “L” in the Use Regulations Tables in Chapter 13, Article 1 (Base Zones) subject to the following regulations.

- (a) The following regulations are applicable to both *ADUs* and *JADUs*:
  - (1) Use Regulations
    - (A) One *ADU* and one *JADU* are permitted on a premises located within a *single dwelling unit* zone.
    - (B) An *ADU* or *JADU* shall not be used for a rental term of less than 31 consecutive days.
    - (C) Guest quarters and non-habitable *accessory structures* shall be permitted in addition to *ADUs* and *JADUs*.
  - (2) Development Regulations
    - (A) A minimum lot size is not required for the construction of an *ADU* or *JADU*.
    - (B) *ADUs* and *JADUs* are not subject to the density limitations for the premises.
    - (C) The gross floor area of an *ADU* and *JADU* shall be included in the floor area ratio for the premises.
    - (D) The following setback allowances are applicable:

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- (i) Conversion of existing *structure* to an *ADU* or *JADU*. No *setback* is required for an existing *dwelling unit* or *accessory structure* that is converted to an *ADU* or *JADU*, or to a portion of an *ADU* or *JADU*. An *ADU* or *JADU* that is constructed in the same location and to the same dimensions as an existing *structure* may continue to observe the same *setbacks* as the *structure* it replaced.
  - (ii) New *ADU* and *JADU structures*. New *ADU* and *JADU structures* must comply with the front yard and street side yard setbacks of the zone. New *ADU* and *JADU structures* may encroach into the required interior side yard and rear yard setbacks up to the *property line* to accommodate construction of the *ADU* or *JADU*.
- (E) *ADUs* and *JADUs* shall not be required to provide fire sprinklers if they are not required for the primary *dwelling unit*. When located on a *premises* where the primary *dwelling unit* is protected with an automatic fire sprinkler system in accordance with Section R313 of the California Residential Code, an *ADU* or *JADU* shall be protected with an automatic fire sprinkler system.
- (3) Parking Regulations
  - (A) No on-street parking spaces or *off-street parking spaces* are required for *ADUs* and *JADUs*. If the *applicant* chooses to provide *off-street parking spaces* for *ADUs* and/or *JADUs* located on the *premises*, those spaces shall comply with the following:
    - (i) *Off-street parking spaces* may be located in any configuration, may be within the *setback* areas, and may include tandem spaces or mechanical lifts.
    - (ii) *Off-street parking spaces* shall be located within *hardscape* areas and shall comply with the minimum standards and guidelines to provide safe and efficient means of vehicular access to the *lot*.

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- (B) When a garage, carport, or covered parking *structure* is demolished in conjunction with the construction of an *ADU* or *JADU*, or converted to an *ADU* or *JADU*, replacement of those *off-street parking spaces* is not required.
- (4) Development Impact Fees for *ADUs* and *JADUs* shall comply with Section 142.0640(b).
- (b) In addition to the requirements in Section 141.0302(a), the following additional regulations are applicable to *ADUs*:
  - (1) Use Regulations
    - (A) The *record owner* is not required to live on the same *premises* as the *ADU*.
    - (B) The *ADU* may not be sold or conveyed separately from the primary *dwelling unit* unless all of the following apply:
      - (i) The *ADU* was built or developed by a qualified nonprofit corporation. For the purposes of Section 141.0302(b)(1)(B)(i), a qualified nonprofit corporation means a nonprofit corporation organized pursuant to Section 501(c)(3) of the Internal Revenue Code that has received a welfare exemption under Section 214.15 of the California Revenue and Taxation Code for properties intended to be sold to low-income families who participate in a special no-interest loan program.
      - (ii) There is an enforceable restriction on the use of the *premises* on which the *ADU* is located pursuant to a recorded contract between the qualified buyer and the qualified nonprofit corporation. For the purposes of Section 141.0302(b)(1)(B)(ii), a qualified buyer means *very low income*, *low income*, *median income*, or *moderate income* households, as specified in Table 141-03A.
      - (iii) The *lot* where the *ADU* is located is held pursuant to a recorded tenancy in common agreement that includes an allocation to each qualified buyer of an undivided, unequal interest in the *lot* based on the size of the *ADU* each qualified buyer occupies; a repurchase option that

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requires the qualified buyer to first offer the qualified nonprofit corporation to buy the property if the buyer desires to sell or convey the property; a requirement that the qualified buyer occupy the property as the qualified buyer's principal residence; and affordability restrictions on the sale and conveyance of the property that ensure the property will be preserved for *very low income, low income, median income* or *moderate income* households for 45 years for owner-occupied housing and will be sold or resold to a qualified buyer.

- (iv) A grant deed naming the grantor, grantee, and describing the property interests being transferred shall be recorded with the County. A Preliminary Change of Ownership Report shall be filed concurrently with this grant deed pursuant to Section 480.3 of the Revenue and Taxation Code.
- (v) If requested by a utility providing service to the primary residence, the *ADU* has a separate water, sewer, or electrical connection to that utility.

(2) *Development Regulations for ADUs*

- (A) *ADUs* shall be permitted in all zones allowing residential uses, consistent with the Use Table of the applicable base zone.
- (B) No more than one *ADU* shall be permitted on a *premises* with an existing or proposed *single dwelling unit*.
- (C) *ADUs* located on a *premises* with an existing or proposed *multiple dwelling unit* shall be permitted as follows:
  - (i) The number of *ADUs* permitted within the habitable area of an existing *multiple dwelling unit structure* is limited to 25 percent of the total number of existing *dwelling units* in the *structure*, but in no case shall be less than one *ADU*; and
  - (ii) Two *ADUs* that are detached from an existing *multiple dwelling unit structure* are permitted; and

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- (iii) There is no limit on the number of *ADUs* permitted within the portions of existing *multiple dwelling unit structures* that are not used as livable space, including storage rooms, boiler rooms, passageways, attics, basements, or garages, if each *ADU* complies with state building standards for *dwelling units*.
- (D) An *ADU* with a *gross floor area* of 800 square feet shall be permitted on a *premises* with an existing or proposed *dwelling unit* regardless of maximum *lot coverage*, maximum *floor area ratio*, and minimum open space requirements.
- (E) An *ADU* may be attached to, located within, or detached from an existing or proposed primary *dwelling unit*, including garages and habitable or non-habitable *accessory structures*.
- (F) The minimum *gross floor area* of an *ADU* shall not be less than 150 square feet. The maximum *gross floor area* of an *ADU* shall not exceed 1,200 square feet. An *ADU* constructed within an existing *dwelling unit* or *accessory structure* may construct an additional 150 square feet for ingress and egress only.
- (G) *ADU Bonus for Affordable ADUs*. One additional *ADU* shall be permitted for every *ADU* on the *premises* that is set aside as affordable to *very low income*, *low income*, and *moderate income* households for a period of not less than 15 years guaranteed through a written agreement, and a deed of trust securing the agreement, entered into by the *applicant* and the President and Chief Executive Officer of the San Diego Housing Commission.
  - (i) There is no limit on the number of bonus *ADUs* within a *transit priority area*.
  - (ii) One bonus *ADU* is permitted outside a *transit priority area*.
  - (iii) For *ADUs* to be counted as affordable and meet the requirements of this Section 141.0302(b)(2)(G), the qualifying criteria in Table 141-03A shall be met.

**Table 141-03A**  
**Qualifying Criteria for Affordable ADU Bonus**

	<b>Rental ADUs</b>	<b>For-Sale ADUs<sup>1</sup></b>
	<b>shall be affordable, including an allowance for utilities, at a rent that does not exceed:</b>	<b>shall be affordable at an affordable housing cost that does not exceed:</b>
<b><i>Very Low Income households</i></b>	30 percent of 50 percent of the area median income, as adjusted for family size appropriate for the unit.	30 percent of 50 percent of the area median income, as adjusted for family size appropriate for the unit.
<b><i>Low Income households</i></b>	30 percent of 60 percent of the area median income, as adjusted for family size appropriate for the unit.	30 percent of 70 percent of the area median income, as adjusted for family size appropriate for the unit.
<b><i>Moderate Income households</i></b>	30 percent of 110 percent of the area median income, as adjusted for family size appropriate for the unit.	35 percent of 110 percent of the area median income, as adjusted for family size appropriate for the unit.

**Footnotes for Table 141-03A**

- (1) For-sale ADUs are subject to the requirements of Section 141.0302(b)(1)(B).
- (c) In addition to the requirements in Section 141.0302(a), *Junior Accessory Dwelling Units* are subject to the following additional regulations:
- (1) Use Regulations
- (A) The *record owner* is required to live on the same *premises* as the JADU.
- (B) The JADU may not be sold or conveyed separately from the primary *dwelling unit*.

- (C) Before a Building Permit may be issued for a *JADU*, the *record owner* shall enter into an agreement with the City in a form that is approved by the City Attorney. The agreement shall include the following provisions: the *JADU* may not be sold or conveyed separately from the primary *dwelling unit*; the agreement may be enforced against future purchasers; and the *record owner* shall reside on the *premises*. The City shall submit the agreement to the County Recorder for recordation. The agreement shall run with the land for the life of the *JADU*.

(2) *Development Regulations*

- (A) One *JADU* is permitted on a *premises* located within a *single dwelling unit* zone with an existing or proposed primary *single dwelling unit*.
- (B) A *JADU* of not less than 150 square feet and not more than 500 square feet is permitted within an existing or proposed *single dwelling unit*, an attached or detached garage, or an *ADU*. A *JADU* constructed within an existing *structure* may construct an additional 150 square feet for ingress and egress only.
- (C) A *JADU* shall have a separate exterior entry from the primary *dwelling unit* and shall provide a *kitchen* or an *efficiency kitchen*.

*("Accessory Dwelling Units and Junior Accessory Dwelling Units" added 10-30-2020 by O-21254 N.S.; effective 11-29-2020. Former Section 141.0302 "Companion Units, Junior Units, and Movable Tiny Houses" repealed.)*

**[Editors Note:** Amendments as adopted by O-21254 N.S. will not apply within the Coastal Overlay Zone until the California Coastal Commission certifies it as a Local Coastal Program Amendment.

Click the link to view the Strikeout Ordinance highlighting changes to prior language [http://docs.sandiego.gov/municode\\_strikeout\\_ord/O-21254-SO.pdf](http://docs.sandiego.gov/municode_strikeout_ord/O-21254-SO.pdf)

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## ATTACHMENT B. SDHC ADU Bonus Program



### ADU Bonus Program Process San Diego Housing Commission

The ADU Bonus program allows additional ADUs to be built on a property after the owner has maximized the number of ADUs allowed by right. (To understand what is allowed on your site, see Section I.C. of the City of San Diego's [Information Bulletin 400](#))

#### What does the ADU Bonus Program allow?

- One additional unrestricted ADU is allowed for every deed-restricted ADU
  - If your property is within the Transit Priority Area (TPA), there is no limit on the bonus ADUs (subject to space)
  - If your property is not within the TPA, the limit is two bonus ADUs - one restricted ADU and one unrestricted ADU
- Property owners have the choice of AMI levels (very low, low, moderate) for deed restrictions. Please see ADU rent and income chart.
- Deed restricted ADUs shall be comparable to the market rate ADUs in either the number of bedrooms (plus or minus a bedroom) or the square footage (plus or minus 15%)

#### What does the ADU Bonus Program require?

- Deed restricted ADU(s) must have affordability restrictions in place for 15 years
  - In a single-family zone, the affordability restriction will be on title in second lien position
  - In a multi-family zone, the affordability restriction will be on title in first lien position
- Property owners shall submit income verification to the Housing Commission prior to tenant occupancy so that the Housing Commission can determine tenant eligibility. Tenants in the affordable unit shall provide income information annually to confirm continued eligibility.
- Income Thresholds. If tenants' incomes rise beyond the income limits, there is an income threshold at which tenants will be asked to vacate.
  - Very low and low income tenants' incomes can rise to low and moderate income, respectively
  - Moderate income tenants' income can rise up to 140% AMI. After 140% AMI, the tenant shall be given 180 notice to vacate.
- Prior to the end of the 15 year affordability restriction, tenants shall be provided with rent restriction expiration notices. Notices are required 3 years, 12 months, and 6 months prior to restriction expiration. Additional information about these notices can be found in [California Government Code 65863.10](#).

**What is the ADU Bonus Program application process?**

- Owners will submit their project plans to DSD. DSD will provide the plans to the Housing Commission for review. The Housing Commission will provide project conditions to DSD and the applicant.
- Owners will submit the ADU Bonus Program application, supplemental attachments, and \$600 application fee (to cover Legal fees) directly to the Housing Commission. Contact Hannah Diaz at [hannahd@sdhc.org](mailto:hannahd@sdhc.org) for a copy of the application.
- After the application has been reviewed, the Housing Commission will provide drafts of the affordable housing agreement and deed of trust. Both documents will be recorded on the property.
- Once the documents have been recorded, the Housing Commission will sign off on the building permit.

**Are there other considerations to keep in mind?**

- The application process with the Housing Commission can take several weeks to complete. Please plan accordingly.
- Owners will need to pay an annual monitoring fee (per deed restricted unit) and submit income verification for the duration of affordability restrictions. The current annual fee is \$150 per unit.
- The rent limit for the restricted ADU(s) will be reduced by the utility allowance amount if those utilities are paid by the tenant.
  - The charts that show the rent and income limits and the utility allowances can be found on SDHC's website here: <https://www.sdhc.org/about-us/compliance-monitoring/>

For questions on the ADU Bonus Program process, please contact Hannah Diaz at [hannahd@sdhc.org](mailto:hannahd@sdhc.org).

For more information on ADUs, please see the [City of San Diego's Information Bulletin 400](#).

**San Diego Housing Commission Rent and Income Limits  
for Accessory Dwelling Units  
2021**

<b>Very Low Income</b>			
<b>50% AMI</b>			
<b>Family Size</b>	<b>Unit Size</b>	<b>Annual Income</b>	<b>Gross Rent</b>
One	Studio	\$ 42,450	\$ 1,061
Two	1-BR	\$ 48,500	\$ 1,213
Three	2-BR	\$ 54,550	\$ 1,364
Four	3-BR	\$ 60,600	\$ 1,515
Five	4-BR	\$ 65,450	\$ 1,636

<b>Low Income</b>			
<b>60% AMI</b>			
<b>Family Size</b>	<b>Unit Size</b>	<b>Annual Income</b>	<b>Gross Rent</b>
One	Studio	\$ 50,940	\$ 1,274
Two	1-BR	\$ 58,200	\$ 1,455
Three	2-BR	\$ 65,460	\$ 1,637
Four	3-BR	\$ 72,720	\$ 1,818
Five	4-BR	\$ 78,540	\$ 1,964

<b>Moderate Income</b>			
<b>110% AMI</b>			
<b>Family Size</b>	<b>Unit Size</b>	<b>Annual Income</b>	<b>Gross Rent</b>
One	Studio	\$ 73,200	\$ 1,830
Two	1-BR	\$ 83,700	\$ 2,093
Three	2-BR	\$ 94,150	\$ 2,354
Four	3-BR	\$ 104,600	\$ 2,615
Five	4-BR	\$ 112,950	\$ 2,824

**Notes:**

- All figures provided by US Dept. of Housing and Urban Department
- These figures are not specific to ADU's. These are are AMI levels that are available options under the ADU Bonus Program.



## ATTACHMENT C. SDHC Preserving Affordable Housing in the City of San Diego May 2020

### SAN DIEGO'S HOUSING LANDSCAPE

#### Renter Income Groups

To understand the housing inventory in the context of affordability for households at different income levels, this report organizes renter households into five groups based on income and household size, utilizing U.S. Department of Housing and Urban Development (HUD) guidelines, as seen below. This also allows the use of Census Data to track trends over time for each income level.

Figure 10: Area Median Income (AMI) Group Definitions, 2019

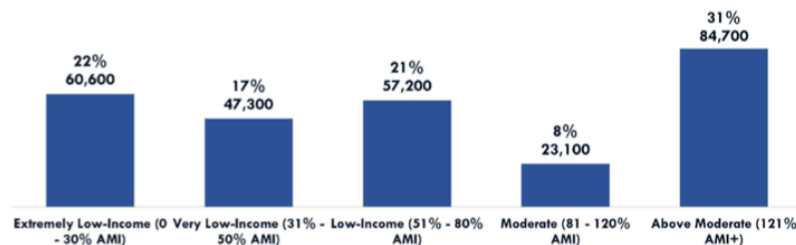
Income Groups:				
Extremely Low-Income (ELI)	Very Low-Income (VLI)	Low-Income (LI)	Moderate	Above Moderate
Area Median Income (AMI):				
0 – 30% AMI	31% - 50%	51% - 80%	81% - 120%	121%+
Annual Income (for a 4-person household)				
\$0 - \$32,100	\$32,101 - \$53,500	\$53,501 - \$85,600	\$85,601 - \$103,550	\$103,550+
Affordable Rent (for a 2-bedroom unit)				
\$723	\$1,204	\$1,926	\$2,330	\$2,330+
Example Profiles:				
Minimum Wage Worker: \$22,800	Dental Laboratory Technician: \$44,800	Elementary School Teacher: \$67,700	Mechanical Engineer: \$95,600	Software Developer: \$113,600

Source: EMSI San Diego-Chula Vista-Carlsbad 2019, SDHC

Almost two-thirds of renter households in San Diego are in the extremely low-income, very low-income, or low-income groups, a total of 61 percent. Approximately 60,600 households (22 percent) are in the extremely low-income group, and an additional 104,500 (38 percent) are in the very low-income and low-income groups. The remaining 107,800 renter households (39 percent) have incomes above 80 percent of AMI at the moderate- and above moderate-income levels.

The private market does not effectively provide rental housing options that are affordable to renters in the extremely low-income and very low-income groups, as 88 percent of these households are **housing cost-burdened**—paying more than 30 percent of their household income solely on housing costs. In addition, 85 percent of extremely low-income households and almost half (48 percent) of very low-income households are **severely housing cost-burdened**—paying more than 50 percent of their gross household income on housing costs. After paying for housing costs, many of these households do not have enough resources to adequately cover necessary expenses like transportation, food, and health care.

Figure 11: Renter Households by Area Median Income (AMI)



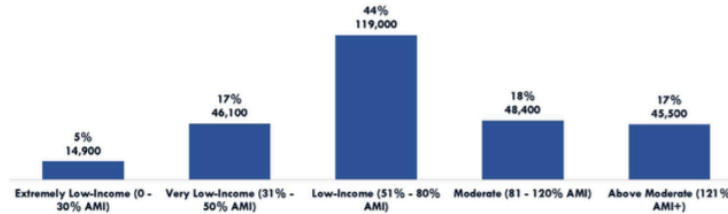
Source: PUMS 5-year estimates, SDHC AMI Guidelines

## SAN DIEGO'S HOUSING LANDSCAPE

### Rental Housing Supply

Of the 273,050 rental housing units in the City, approximately 61,000 units (22 percent) are renting at prices affordable to extremely low-income and very low-income households. The plurality of units (119,000 units, 44 percent) are affordable to low-income households, while the remaining 93,900 units (35 percent) are at rents affordable only to households with moderate incomes and above.

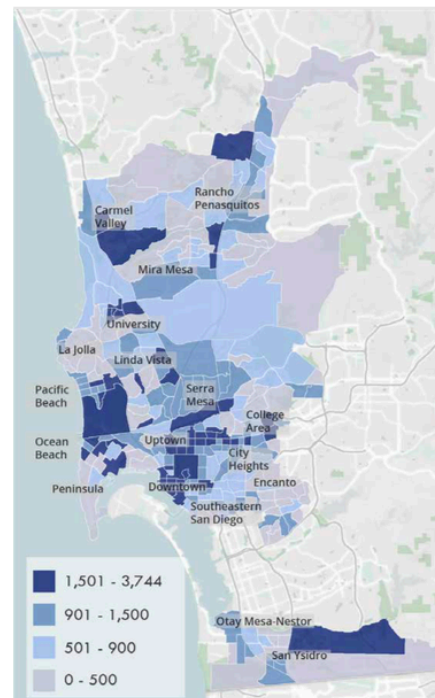
**Figure 12: Rental Housing Units by Income Group**



Source: 2018 PUMS 5-year estimates, SDHC AMI Guidelines

Rental housing units are distributed across the City, with concentrations in the most densely populated neighborhoods, including Mission Beach, Ocean Beach, Downtown, neighborhoods adjacent to University of California-San Diego in La Jolla, and central San Diego neighborhoods including Hillcrest, University Heights and City Heights.

**Figure 13: Rental Housing Units by Location**



Source: City of San Diego, ACS 2018, SANDAG

## SAN DIEGO'S HOUSING LANDSCAPE

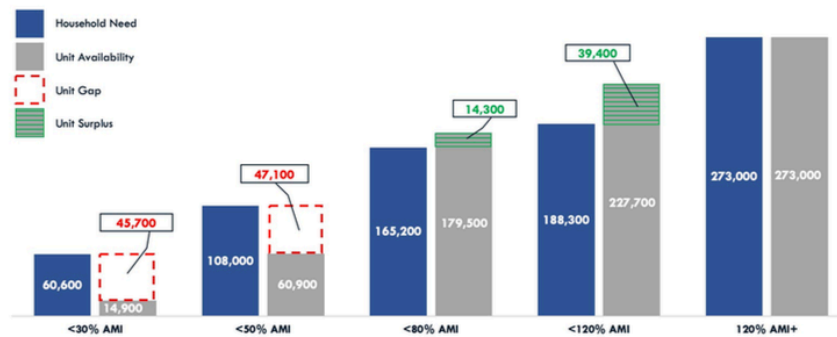
### The Rental Housing Gap

The current affordable housing availability gap measures the difference between what San Diego City residents can afford to pay in rent (need) and the housing options affordable<sup>17</sup> to them at that price point (availability). These gaps are summed cumulatively for each income threshold, as each household can afford any unit below their income threshold.

At incomes below 50 percent of AMI (very low income), a significant mismatch exists between the supply of affordable rental housing available and the number of households that need it. This gap has grown rapidly in recent years, as the supply of unrestricted, naturally affordable housing units in San Diego has declined. In San Diego, 108,000 households earn less than 50 percent of AMI, but only 60,900 units are affordable to these households, resulting in a rental housing affordability gap of 47,100 units. More acutely, renters earning less than 30 percent of AMI (extremely low-income) face a similarly sized affordability gap in rental housing. Only 14,900 units are affordable to extremely low-income renters, with a total demand of 60,600 units, leading to a gap of 45,700 units.

At higher incomes, the rental housing affordability gap shifts to a surplus. For low-income households, those earning less than 80 percent of AMI, a slight cumulative surplus of 14,300 units (8 percent) exists, and moderate-income (those earning less than 120 percent of AMI) households have a cumulative surplus of 39,400 units (17 percent).

**Figure 14: Aggregate Rental Housing Need and Availability by Income Band**



Source: PUMS 2018 5-year estimates, HR&A Analysis

<sup>17</sup> Affordable is defined using the HUD standard of less than 30 percent of pre-tax income.