Welcome!
Arroyo Grande Homeowner ADU Workshop

Anne Wyatt, Executive Director

Smart Share Housing Solutions, a 501(3)c affordable housing agency, working to provide housing options for lower income residents of San Luis Obispo County.

Smart Share has no financial interest in any business or product and as such provides impartial information to residents

Andrew Perez, Planning Manager
City of Arroyo Grande
Community Development Department

“To promote prosperity, and neighborhood services for the prevention of fire, health, building, and development code violations”
Topics for this presentation

- ADU Production project description
- What is an ADU: Types of accessory dwelling units (ADUs) & Tiny Houses on wheels (THOWs)
- Why build/purchase one: private interest, public interest & non-profit partnership
- Getting Started: Steps 1-5
- Design—pre-reviewed plans and other designs
- What is allowed & Permitting
- Cost & financing—be prepared; it may be more than you think; pre-development; construction
- Construction—choosing a builder or contractor
- Rental management—things to consider
- Questions
Arroyo Grande ADU Production—Project Description

ARPA funding for 4 components:

How-to workshops (5)

Site feasibility visits (10) June & July

Project management assistance (1 project)-- start Fall & construct

ADU tour (fall/winter 2024)

1) Thurs. May 18th, 4:30pm, AG Council Chambers* AND

2) Thurs. May 18th, 6:30pm, AG Council Chambers*

3) Weds. May 24th, 10:30am, AG Council Chambers*

4) Weds. May 31st, 10:30am, Smart Share Demo Cottage, 2880 Broad Street, The Guild Hall, SLO

5) Tues. June 6th, 5:30pm VIRTUAL workshop**
What is it? Accessory... to primary home

- Attached
- Detached
- Attic or Basement Conversion
- Garage Conversion
- New Unit Above Garage
- Remodel/Expansion
3 Types of accessory unit

3 homes allowed

State law allows one ADU & one JADU; AG code allows one THOW instead

* no vacation rentals under ministerial permit

1. ADU-accessory dwelling unit
2. JADU-Junior accessory dwelling unit
3. THOW-tiny house on wheels
ADU=Accessory Dwelling Unit:

A residential dwelling unit, with full sanitary facilities, including for cooking and bathing

No more than 1200 square feet in size

Also called a carriage house, granny flat, mother-in-law apartment, basement unit

No owner occupancy requirement

(Photo, courtesy CasitaCoalition.org)
JADU=Junior Accessory Dwelling Unit:

A residential dwelling unit that:

1. is no more than 500 square feet in size
2. Is contained entirely within an existing or proposed single-family structure
3. Contains all electric cooking facilities
4. not required to have a private bathroom
5. Separate entry
6. **Currently, primary or JADU must be owner occupied**

Typically bedrooms in a single-family home that have an entrance into the unit from the main home and an entrance to the outside from the JADU. Could be a converted attached garage.

*Homesharing, with privacy!*
THOW=tiny house on wheels

Smart Share Demo Cottage—Come see it!

• THOW is defined in the ordinance as a structure built on a chassis and intended for separate, temporary, independent living quarters for one household and meets the following conditions
  1) Self-contained unit that includes facilities to support daily living routines
  2) Licensed and registered with DMV
  3) Towable and cannot move under its own power
  4) Min. area of 100 square feet and max. of 400 square feet
  5) Shall comply with standards of the appropriate code regulations as determined by the Building Official
<table>
<thead>
<tr>
<th>Requirements</th>
<th>ADU</th>
<th>JADU</th>
<th>THOW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum to maximum square feet</td>
<td>150-1000*</td>
<td>150-500</td>
<td>100-400</td>
</tr>
<tr>
<td>Kitchen</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Bathroom</td>
<td>YES</td>
<td>Shared allowed</td>
<td>YES</td>
</tr>
<tr>
<td>Access</td>
<td>DEPENDS</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Parking</td>
<td>DEPENDS</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Owner Occupancy</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Ministerial approval</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
</tbody>
</table>
Why Build one?

- Housing Options/Choice
- Family flexibility
- Aging in place
- Strengthens communities
- More affordable
- Build Wealth and extra income
- Sustainable/existing resources
Housing Options—Lowest cost/process to higher...
Getting Started

Step 1: Think about why you want to build an ADU & what’s possible

Step 2: Get inspiration

Step 3: Talk to a professional

Step 4: Come up with a budget and a financing strategy

Step 5: Decide on type of construction and hire a team

Guidebooks for Homeowners
Choosing Design & Type

○ Does a THOW or JADU or ADU work for me?
○ Do any of the City's pre-reviewed plans work for me?
○ Considerations
  ■ Cost and funds available
  ■ Timeframe for project
  ■ No impact fees on ADUs <750–smaller size reduces cost
  ■ Do you have space to install a prefab ADU on foundation or roll in a THOW?
  ■ Are you looking for an economical project or a design project?
  ■ Maintaining privacy
ADU Ordinance

● Section 16.52.150 of the AGMC contains the development standards for ADU development & Section 16.52.260 for THOW:
  ○ Setbacks, height, parking, etc.
● Type of unit (ADU vs JADU, attached vs detached) and size determine which set of regulations apply
● For example:
  ○ 800 square foot, detached ADU can be built with 4-foot side and rear setbacks
  ○ 1,100 square foot detached ADU is subject to the setbacks of the underlying zone
● Planning staff is available for consultation via phone, email, or at City Hall
Permitting Process for Pre-designed ADUs

● Pre-designed ADUs – 6 sizes, 4 architectural styles
● Select size, style, design options
  ○ Complete and submit the Liability Waiver for staff to release the plans
● Prepare a site plan showing the location of the ADU, and:
  ○ Setbacks
  ○ Distance from other structures
  ○ Utility connections
  ○ Easements
● Complete a building permit application on the City’s Permit Portal and submit
Fees & Other Considerations

● Pre-designed ADUs have less building permit fees than a custom build
  ○ Approx. $800 for plan review and $1000 for inspections
  ○ Approx. $2000 for plan review and $1000 for inspections

● No impact fees if the unit is less than 750 square feet
  ○ Greater than 750 square feet, pay a portion of the impact fees determined by the size of the ADU relative to the main unit
    ■ Ex: 800 sf ADU on a lot with a 1,600 sf primary pays 50% of the impact fees

● No fees for utility connections unless a new connections are proposed
  ○ New meter is not required but can be added if desired (approx $5,000)
  ○ Approx. $72 increase on the bi-monthly water/sewer bill

● Fire sprinklers required in ADU if the primary home has sprinklers

● CBC requires all new units to be equipped with solar panels
### Cost & Financing

#### Pre-Development & Construction Costs

<table>
<thead>
<tr>
<th>Pre-development</th>
<th>$1,000-$35,000</th>
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</thead>
<tbody>
<tr>
<td>Due diligence</td>
<td>$0-$5000</td>
</tr>
<tr>
<td>Design</td>
<td>$0-$10,000</td>
</tr>
<tr>
<td>Permitting</td>
<td>($1000-$20,000)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Construction</th>
<th>$75,000-$400,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design style &amp; Finishes</td>
<td></td>
</tr>
<tr>
<td>Square Feet</td>
<td>$250-500/sq. ft.</td>
</tr>
<tr>
<td>Infrastructure</td>
<td></td>
</tr>
<tr>
<td>Electrical upgrades?</td>
<td></td>
</tr>
<tr>
<td>Sewer upgrades?</td>
<td></td>
</tr>
<tr>
<td>Water pressure?</td>
<td></td>
</tr>
<tr>
<td>Septic?</td>
<td></td>
</tr>
</tbody>
</table>
Financing an ADU

- Cash in hand
- Home Equity Line of Credit (HELOC)
- Home Equity loan/2nd mortgage
- Cash out refinance
- Renovation or construction loan
- CalHFA loan status
# Sample Development Cost

## Sample Project Proforma

<table>
<thead>
<tr>
<th></th>
<th>ADU with loan</th>
<th>THOW</th>
<th>ADU w/o loan</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADU construction hard costs--factory build</td>
<td>150,000</td>
<td>85,000</td>
<td>150,000</td>
</tr>
<tr>
<td>Site costs--infrastructure</td>
<td>30,000</td>
<td>10,000</td>
<td>30,000</td>
</tr>
<tr>
<td>Permits/fees</td>
<td>5,000</td>
<td>5,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Project cost</td>
<td>$185,000</td>
<td>$100,000</td>
<td>$185,000</td>
</tr>
<tr>
<td>Down payment</td>
<td>0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Loan amount</td>
<td>$185,000</td>
<td>$100,000</td>
<td>0</td>
</tr>
<tr>
<td>Amortization period</td>
<td>20 years</td>
<td>10 years</td>
<td></td>
</tr>
<tr>
<td>Interest rate</td>
<td>7%</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>Monthly payment</td>
<td>$1,434</td>
<td>$1,213</td>
<td>0</td>
</tr>
</tbody>
</table>
# Cash Flow—Low income rental

<table>
<thead>
<tr>
<th>Sample Expense (Low income affordable rental)</th>
<th>ADU with loan</th>
<th>THOW</th>
<th>ADU--no loan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target rent</td>
<td>$1,400</td>
<td>$1,400</td>
<td>$1,400</td>
</tr>
<tr>
<td>Property taxes</td>
<td>150</td>
<td>0</td>
<td>150</td>
</tr>
<tr>
<td>Utilities</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Insurance</td>
<td>50</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Loan payment</td>
<td>1325--20 year</td>
<td>1213--10 year</td>
<td>0</td>
</tr>
<tr>
<td>Cash Flow to homeowner</td>
<td>-$225</td>
<td>$37</td>
<td>$1,100</td>
</tr>
<tr>
<td>vacancy</td>
<td>50</td>
<td>0</td>
<td>50</td>
</tr>
<tr>
<td>maintenance reserve</td>
<td>75</td>
<td>0</td>
<td>75</td>
</tr>
<tr>
<td>Cash Flow with reserves</td>
<td>-$350</td>
<td>$37</td>
<td>$975</td>
</tr>
</tbody>
</table>
Construction

Choosing the right builder/general contractor is important

- Do they do design/build or just build?
  - Cost for design & permitting assistance
- What other ADUs have they built?
  - Cost range—low end or high?
  - References
- Have they constructed ADUs in your jurisdiction?
- How many projects do they work on at once & will the contractor contact be on site with the crew?
- Contractors license and insurance—check with state licensing board
- Time schedule for work
Renting & Management

- No short term rentals
- Maintaining & Managing your ADU: Work & Value
- Added Costs: Maintenance, insurance, property taxes
- Rental management—finding the right tenants is essential
  - Will you do this yourself?
  - Will you seek assistance through a property management firm (3%-8% fees)
Thank you: Resources, Q&A and Next Steps

Helpful links & more info on our websites:

- SmartShareHousingSolutions.org
- ArroyoGrande.org

Thank you for turning in a comment card and indicating whether you would like a free site feasibility visit.