

Santa Cruz 2018 Accessory Dwelling Unit Ordinance Amendments

Proposal 1: Removing Public Hearing Requirements for ADUs on Substandard Lots

Origin: 2017 State Law **Category:** Land Use Policy

The current regulations require a public hearing before the Zoning Administrator, and the accompanying notice, for any ADU proposed on a lot that is smaller (in total square footage) or narrower than is required for its zoning district. ADUs on parcels that meet the zone district standards do not require a public hearing, and a change in state law requires that *all* ADU applications be held to the same ministerial standard for review and approval. A ministerial review means that there can be no discretion involved in the decision making process – either a project meets the requirements of the code or it does not. This change will mean that ADUs built on substandard lots only need to go through a Building Permit process, which is the same process that currently applies to ADUs built on other lots.

*** Note: The State Law prohibits the City from requiring a Public Hearing for any ADU. This means that all the proposals described here will never trigger a public hearing unless they are part of a larger project that requires a public hearing for the construction of (for example) a new home, or a variance to the zoning standards.*

Proposal 2: Removing Minimum Lot Size/ Allowing ADUs Parcels of Any Size

Origin: State Law **Category:** Development Standard

Currently ADUs are permitted only on parcels that are at least 4,500 square feet in size. State law requires us to allow ADUs on any residentially zoned property, regardless of size, as long as all other site standards are met.

Proposal 3: Allowing ADUs in all Residential Zones where a Single-Family Home can be Built.

Origin: 2017 State Law **Category:** Land Use Policy

Two Residential zone districts, the Medium Density Multifamily R-M zone and the High Density Multifamily R-H zone, do not currently allow ADUs, even when parcels in these zones are developed with a single-family home. State law says that we must permit an ADU to be built on any residential lot that contains an existing or proposed single-family home. All other Residential zones already allow ADUs.

Proposal 4: Eliminating Parking Requirement for Attached ADUs

Origin: 2017 State Law **Category:** Development Standard

The state law adopted in 2017 states that a local government cannot require parking for an ADU when “*The accessory dwelling unit is part of the proposed or existing primary residence or an accessory structure.*” There is already an exemption in the code for ADUs created by converting existing space in a home, garage, or other legal accessory structure.

Proposal 5: Increasing Maximum Rear Yard Lot Coverage from 30% to 50%

Origin: *Housing Blueprint* **Category:** *Development Standard*

The current code limits the area of the required rear setback area that can be covered with structures to no more than 30% (most single family lots in the City have a required setback of 20 feet from the rear property line). The proposal to increase the allowed coverage to 50% in the case of a new detached ADU will allow flexibility in locating an ADU on a property. The maximum allowed size of an ADU (10% of the lot size, no more than 1,200 square feet) is not changed.

Proposal 6: Eliminating Extra Green Building Requirements Currently Applied to ADUs

Origin: *Housing Blueprint* **Category:** *Development Standard*

ADUs are currently held to a higher standard, in terms of Green Building requirements, than new single-family homes or other residential development. The proposal would hold ADUs to the same Green Building Standard as all other residential development. Remaining a leader in Green Building standards is important to the City, and the Green Building program will continue to require all new construction to exceed State CalGreen requirements. However, this change will ensure parity between ADUs and other types of residential development, further facilitating ADU development.

Proposal 7: Allow ADUs Created by Converting Existing Space to Rebuild 100% of the Structure and Qualify for the Conversion Fee Exemption Provided by State Law.

Origin: *Housing Blueprint* **Category:** *Development Standard*

The current interpretation of the Municipal Code limits reconstruction to no more than 50% of the existing structure. Because of the state fee exemption available to Conversion ADUs (water and sewer connection fees are not applied to the conversion of existing space, currently a savings of around \$8,400), some applicants have been attempting to retain old, outdated, and inferior structures in order to qualify for the exemption. Allowing the full reconstruction of an existing structure to qualify for the fee exemption available to Conversion ADUs should have the effect of improving the overall quality of construction of these units, resulting in more safe housing available in the Santa Cruz market.

Proposal 8: Eliminating Size Restriction for attached ADUs - Size of Any ADU can be up to 10% of Lot Size

Origin: *Housing Blueprint* **Category:** *Development Standard*

The current Municipal Code allows attached ADUs to be no larger than 50% of the size of the existing home, *and* no more than 10% of the lot size. In the In favor of simplicity, the proposed ordinance eliminates this standard in favor of a single size standard of 10% of the parcel size, regardless of the size of the existing home or how the ADU is constructed on the parcel.

***Note: Attached ADUs have to meet the same setbacks and site standards as single-family homes in the zone district. Any structure that meets the zoning setbacks is not required to minimize doors or windows facing neighboring properties – the same as would apply to a new single-family home. Detached ADUs are permitted to have smaller setbacks, and are held to a shorter height limit than the primary home. Within the reduced setback areas doors, windows, and stairwells should be minimized or screened as much as possible.*

Proposal 9: Allowing 2 ADUs on Large Lots over 10,000 sf Net Lot Area.

Origin: *Housing Blueprint* **Category:** *Land Use Policy*

Local jurisdictions have the power to determine the number of ADUs to allow on any given parcel within their boundaries. A few other cities including San Francisco, Woodside, and Portland, OR have policies that allow more than one ADU to be developed on certain residential lots, resulting in the creation of more small dwelling units available to the rental market. Under this proposal, just under 1,200 lots, out of the approximately 17,000 residential lots in the City, would be eligible for the development of two ADUs. The proposal would subject these parcels the same maximum unit size thresholds as other parcels, meaning the combined total size of both ADUs could not exceed 10% of the lot size up to 1,200 square feet.

Proposal 10: Eliminating Parking Requirements for 1st ADU on a parcel

Origin: *Housing Blueprint* **Category:** *Land Use Policy*

Based on the configuration of the parcel, the existing structures, placement of heritage trees, etc., adding an off-street parking space can present extreme challenges for certain lots and can be a deal-breaker in the development of an ADU. Given the depth of the housing shortage and the changing nature of transportation demand in the past several years, the proposal includes the elimination of an off-street parking requirement for the first ADU on a parcel, regardless of where that parcel is located or how the ADU is constructed (state law already exempts Conversion ADUs, Attached ADUs, and ADUs that fall in proximity to a car-share vehicle or the Metro Transit Center). The proposal is to maintain the parking standards for the primary dwelling on the property and requires that parcels with more than one ADU provide a parking space for the second ADU.

Proposal 11: Allowing STR use on ADU Properties for 3 years

Origin: *Housing Blueprint* **Category:** *Land Use Policy*

In an effort to help property owners recoup some of the costs of building an ADU (which can cost anywhere from \$100,000 to upwards of \$400,000), the proposal would allow that provisional Short Term Rental permits be available to newly completed ADUs that would be effective for three years from the date of completion of the unit. Permits would only be made available for hosted STRs, meaning that the owner's primary residence must be one of the units on the property. Staff proposes that this program begins as of January 1, 2019.

Proposal 12: Lifting Owner Occupancy in Exchange for Affordability restriction

Origin: *Housing Blueprint* **Category:** *Land Use Policy*

NOT INCLUDED IN PROPOSED ORDINANCE AT THIS TIME

***Note: The proposed ordinance does not include a change to the owner occupancy requirement at this time. City Council will be providing further direction, and there will be another 6-9 months of internal and community process before a proposal for any recommended change will be brought to a public hearing.*

Currently, when an ADU owner occupant needs to move off their property for a period of more than three years, their options are limited to either sell the property to another owner-occupant or to deconstruct the ADU and take it off the rental market. Based on the most recent data available from the American Community Survey, over one third of single-family dwellings are occupied by tenants. The local need for rental housing has been increasing far faster than the production of rental housing units, and while ADUs will not meet the entire demand for new rental units, changes to the owner occupancy requirement could help keep existing rental units on the market and potentially increase the number of units available.

The Housing Blueprint report directed staff to consider the removal of the owner occupancy requirement in exchange for an affordability agreement. The impetus for this direction was a desire to create some parity between the owners of new and existing legal, permitted ADUs and those who own units that were created without benefit of permits. The City's existing ADU legalization program allows the rental of both units when an illegally created unit goes through the process of acquiring building permits and bringing the unit into conformance with all other requirements of the Municipal Code. These owners are required to rent one of the two units to a low-income household (currently this is \$69,600 annual income for a two-person household), at an affordable rent (currently \$1,044 for a 1-Bedroom, two-person household). Property owners in this program are also permitted to accept Housing Choice Rental Vouchers (Section 8). The Housing Voucher pays the difference between what the household is able to afford and a predetermined Fair Market Rent based on the number of bedrooms in the unit (currently, \$1,844 for a 1-Bedroom unit).

Proposal 13: Allowing Modest Expansions of Conversion ADUs to qualify for Fee Exemptions, up to 120 sf floor area and 2' height

Origin: *Staff Proposal* **Category:** *Development Standard*

The proposed allowance for expansions of Conversion ADUs would provide some design flexibility in order to accommodate a stairwell (to access second-story converted attic space), plumbing, water heater, closet, or even new bedroom. The proposal, which is modeled on a similar provision recently made available to properties in unincorporated Santa Cruz County, would allow an addition of up to 120 square feet, and/or an increase in height of up no more than 2 feet, to qualify as a Conversion ADU, and therefore qualify for the state exemption from connection fees for sewer and water service (savings of around \$8,400).

Proposal 14: Allowing Interior Connections between ADU and Primary Unit

Origin: *Staff Proposal* **Category:** *Development Standard*

Current interpretations of the Municipal Code have caused the Planning Department to deny requests by ADU applicants to include a door that connects the primary home and an attached ADU. The reasons an applicant might wish to have a direct connection between the unit and the home include the ability for the tenant to access shared facilities such as storage or laundry or to facilitate the care of an aging relative occupying one of the dwelling units. The proposed ordinance makes this arrangement explicitly permitted.

Proposal 15: Modifying the Definition of Owner-Occupant to include Immediate Family

Origin: *Staff Proposal* **Category:** *Land Use Policy*

Based on feedback received through the Community Outreach process, the proposal includes a policy that would allow an immediate family member, limited to an adult child, parent, or sibling, be allowed to qualify as an "owner occupant" in the place of the property owner. By allowing an immediate family member to take over the management of their property, these property owners will not be forced to sell their properties prematurely and can continue their relationships with existing tenants. This expansion of the definition of "owner-occupant" would require that the family member be acting responsibly in the stead of the property owner, and all nuisance property regulations would continue to apply. As recommended by the Planning Commission, the property owner could arrange to collect rent from the family member.