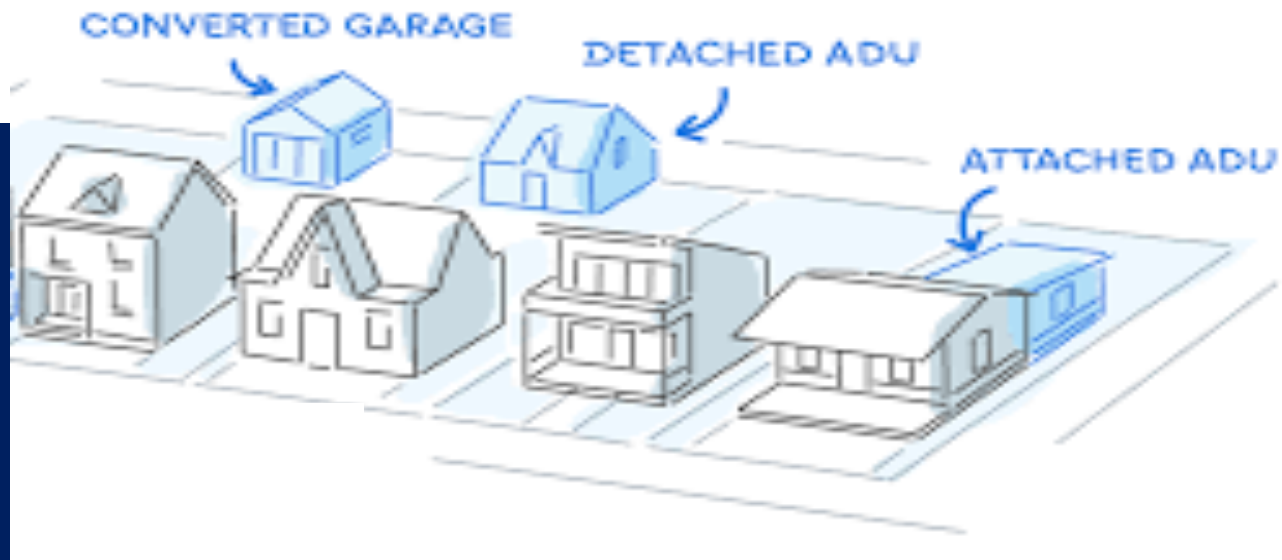


# SMALL HOME, BIG IMPACT (SHBI) ACCESSORY DWELLING UNITS (ADU) PROGRAM



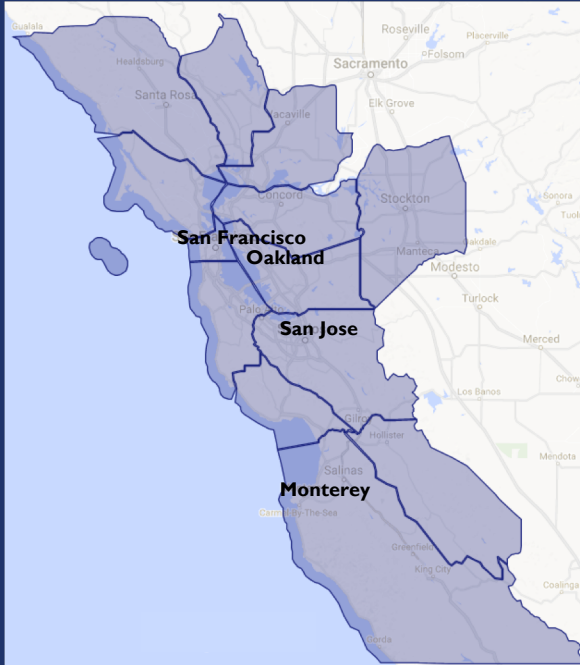
VIANEY NAVA  
ADU PROGRAM MANAGER  
HOUSING TRUST SILICON VALLEY

# WHO WE ARE

- **We are the local Housing Trust Fund for Santa Clara County**
- We are a Community Development Financial Institution (CDFI) working in 13-counties in the Bay area and the region's highest-volume nonprofit housing lender
- **We help everyone – from those experiencing homelessness to renters to first-time homebuyers and now homeowners - with their affordable housing needs**



# Our Impact To Date



Since 2000...

\$183 million+ invested

Over 30,000 affordable housing opportunities created

16,997 affordable homes produced

30,633 people helped

Housing Trust lends in 13 counties in the greater Bay Area that have one thing in common – a critical need for affordable housing & more capital to support its development



S&P Global Ratings

**AA-**

# WHAT WE DO...

- **Help the Homeless** with our Finally Home program that helps individuals and families experiencing homelessness to move off the streets by providing security deposits. We also lend out of the Supportive Housing Fund to create new affordable housing.
- **Assist the Homebuyer** by providing low-interest loans for down payments and offering education programs to give buyers the financial literacy they need to buy and keep their homes.



# WHAT WE DO

- **Invest in Housing** with the creation of new affordable housing through financing development and construction as well as creating TECH Fund to enable others to invest with us in the development of new affordable homes
- **Partner with Homeowners** to build ADUs on their properties to create low-moderate income housing in single-family neighborhoods

# WHAT IS AN ACCESSORY DWELLING UNIT?

## Why build one?

An **accessory dwelling unit** is a secondary unit to the primary home. It has complete independent living facilities (with kitchen and bathroom) for one or more persons.

They go by many names: ADU, secondary unit, granny-flats, in-law unit, compassion unit, backyard cottage, etc.

Homeowners build ADUs for many reasons:

- Adult children
- Aging parents
- **Developmentally and/or intellectually disabled**
- Additional income
- **Help the housing crisis**
- Downsize / Age in place



# PURPOSE OF SMALL HOME, BIG IMPACT

Reduce barriers for developing ADUs by providing education, resources and financial assistance:

1. Educational Workshops
2. Community Resource Webpage
3. Financial Assistance



# EDUCATIONAL WORKSHOPS

Free, half-day workshops led by ADU Practitioners provided once per quarter

- Module 1: Can I build an ADU on my site?
- Module 2: How do I get a permit to build an ADU?
- Module 3: How do I hire a builder and manage construction?
- Module 4: How do I pay for an ADU?
- Module 5: I'm a landlord, now what?





# HOMEOWNER RESOURCES

**Community Resource Webpage** to engage and support homeowners

- Preferred Vendor List
- Online tools
  - Calculators, useful websites
- Monthly articles
  - Academic, policy, design, construction
- ADU Project Descriptions
  - Vendor recommendations and best practices
- Q&A/Blog for homeowners and practitioners



# FINANCIAL ASSISTANCE PROGRAM: Planning Report Grants

- A **Planning Report** is a **due diligence tool** homeowners can use to make decisions about what to build and next steps
- Consultant completes a site assessment and confirms local development standards
- Report includes site plans with ADU options, recommendations for additional studies, design proposal and submittal requirements
- **100 grants** will be awarded during our first pilot year (now through end of June 2019)
- Grant application period opened **October 11<sup>th</sup>** to eligible homeowners
- We will be awarding **20** grants next week

# FINANCIAL ASSISTANCE PROGRAM

## Construction Loan

- Financing to accelerate the development of **Accessory Dwelling Units** throughout the Bay area.
- Bridge the gap required by homeowners to develop an ADU and the conventional mortgage markets.



# FINANCIAL ASSISTANCE PROGRAM: Existing ADU Financing and market gap

## Current Financing Options

- Cash (savings and borrowing from friends and family)
- Refinance-Cash Out
- Home Equity Line of Credit (HELOC)

## Market Gap

- Lack of secondary mortgage construction financing
- Lenders cannot consider projected ADU rents/income
  - ADU rents require 2-years of operating history
  - Rental income considers only 75% of gross rent

# FINANCIAL PROGRAM: Construction Loan Terms

## **Construction (Bridge) Loan**

- Up to \$250,000
- Second mortgage
- 36 month term / 15-year amortization
- Interest 5% (int. only Year 1 and P&I Years 2-3)
- 100% financing (soft and hard costs) / up to 100% LTV
- Minimum two year affordability restriction
- Tenant income restriction 120% AMI (\$105,000-\$120,500)
- Rents capped at 100% AMI / \$2,200
- Borrower must complete an ADU Workshop & property management class

# FINANCIAL PROGRAM: CONSTRUCTION LOAN TAKE OUT

## **At maturity, Borrower will:**

- Refinance first mortgage to include loan; or
- Refinance with new Home Equity Line of Credit; or
- Extend Housing Trust loan for an additional five years (15 year amortization) at prevailing interest rates and extended affordability rent restriction.

# HOW WE CAN EXPAND PROGRAM

## Currently

- Homeowners in the Greater Bay Area may attend an ADU Workshop
- ADU Workshops are currently being held quarterly in San Jose
- All ADU Workshop participants are eligible for a grant and loan
- Limited funding for grants and loans

## Expansion

- Funding for operations
- Host more frequent ADU Workshops around the Bay Area
- Secure funding to
  - ✓ Increase amount of planning grants
  - ✓ Make more loans

# HOW WE CAN EXPAND PROGRAM

## Funding

- ADU pilot program is made possible through a JPMC grant & Housing Trust commitment
- Actively seeking additional funding for operations and lending pool
  - Have received funding from SVCF and Wells Fargo to date and we will be hiring an associate shortly
- Local jurisdictions interested in providing funding generally have affordably restrictions of 55 years –designed for multi-family
  - This restriction is not attractive to homeowners



# CONTACT

For additional information or to learn how Housing Trust can assist your community, please contact:

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