



# Memorandum

**TO:** CITY COUNCIL

**FROM:** Mayor Sam Liccardo  
Councilmember Magdalena Carrasco  
Councilmember Sylvia Arenas  
Councilmember Pam Foley

**SUBJECT:** SEE BELOW

**DATE:** September 6, 2019

**APPROVED:**

**SUBJECT:** ACCESSORY DWELLING UNIT FORGIVABLE LOAN PROGRAM

## RECOMMENDATIONS

1. Accept staff recommendations pertaining to implementation of the Accessory Dwelling Unit (ADU) Forgivable Loan Program.
2. Refer quarterly reports by Housing Trust Silicon Valley on progress of the ADU Forgivable Loan Program to the AD-HOC Committee for Housing Construction and Development Services, which already hears updates on ADU development and production. The next meetings are scheduled for October 24, 2019; January 23, 2020; and April 23, 2020.
3. Direct the Housing Department to report back to the Council no later than the first week of February 2020 to inform future annual appropriations for the ADU Forgivable Loan Program, specifically to provide progress and information on:
  - a. Number of loan applications, loans made, and total loan amount to-date
  - b. Geographic distribution of loans by City District, average and median square footage of ADUs for loans made to date, number of loans for ADUs 500 square feet or less and ADUs 750 square feet or more
  - c. Outreach, marketing, and educational activities of the ADU Forgivable Loan Program including number of half-day workshops and number of one-hour information sessions to-date, number of attendees per workshop and session
  - d. Assessment by the Housing Department and Housing Trust Silicon Valley on process and program learnings and recommendations for improvements

4. Specify direction for staff recommendation (d) to limit park impact in-lieu fee waivers for ADUs in the ADU Forgivable Loan Program that are 600 square feet or less. Include this park fee waiver to be an item to be discussed and considered with the ADU Amnesty Program when it comes to Council.
5. Direct the Housing Department to explore having the City monitor income qualifications after initial lease-up, to save on contracting the task to a third party.

## **BACKGROUND**

Accessory Dwelling Units represent a great untapped potential in the City of San José for many homeowners to join us personally in addressing our housing crisis. The City estimates that more than 120,000 backyards in our communities have the space to accommodate an ADU. While we have said that we want to be welcoming to ADUs in our City, our actions must speak louder than our words.

Earlier this summer, we approved a Moderate-Income Housing Strategy that included streamlining and easing ADU permitting and incentivizing homeowners to build an ADU in their backyard with a forgivable loan in exchange for restricting rents for moderate-income and low-income renters.

Last week, we and many Council colleagues celebrated new programs, initiatives, and improvements announced by the Planning, Building, and Code Enforcement Department and the Fire Department to make it easier, faster, and cheaper to permit an ADU in the City of San José. This includes ADU Tuesdays where basic plans can be approved in 90 minutes or less, a universal checklist to make it easier and quicker to meet the requirements for a permit, an ADU Ally to navigate the permitting process, and pre-approved master design plans accessible for use by the public.

And this week, we put our money where our mouth is with the launch of our ADU Forgivable Loan Program in partnership with Housing Trust Silicon Valley who has experience, expertise, and integrity to implement this new program successfully.

In addition to providing 200 moderate-income and low-income rental housing in the short-term over the next decade, this pilot program will also provide us data on ADU development and financing. We approve of the City's recommendation for a phased approach, which gives us numerous touchpoints on the program to hear progress, learn what is working and what is not, and make adjustments as necessary before we approve additional appropriations for the program.

We appreciate City staff's time and attention in forming this ADU Forgivable Loan Program with Housing Trust Silicon Valley.