

ACCESSORY DWELLING UNIT EQUITY STRATEGIES

Promising Practices to Advance BIPOC
and LMI Equity/Inclusion in the ADU
Housing Ecosystem



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With special thanks to the interviewees, whose time, experience and direct quotes are so important to this report.

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Accessory Dwelling Unit Equity Strategies: Promising Practices to Advance BIPOC and LMI Equity/Inclusion in the ADU Housing Ecosystem

Introduction

In recent years, against the backdrop of a housing affordability crisis and significant changes to state laws, Accessory Dwelling Units (ADUs) have become more popular and easier to build in California. And while new research¹ from the NYU Furman Center brings the welcome news that ADUs in California are being built by racially and ethnically diverse homeowners mostly in low- and moderate-income neighborhoods, barriers remain significant and keep many homeowners from pursuing projects. The prevalence of new unpermitted units in a community is generally understood as a signifier of challenges, perceived and actual, in the official process, and studies indicate that unpermitted units are disproportionately found in low-income and BIPOC (Black, Indigenous, and People of Color) communities. In addition, surveys on homeowner barriers show persistent and recurring themes.

Much has been written about what the key equity barriers are, as well as what overcoming those barriers might look like.²

In the context of dire affordable housing supply needs, no single approach is a silver bullet. Still, ADUs and other small housing types increasingly feature prominently in discussions about equity-driven housing solutions. Local governments, nonprofits, and mission-driven entrepreneurs across the state and country have been hard at work developing and testing new ways to use ADUs to drive more equitable housing outcomes. The purpose of this memo is to summarize promising practices elevated by practitioners and experts working to advance equitable outcomes in the ADU and small housing space.

¹ [Evaluating California's ADU Reform: Preliminary Evidence and Lessons for State Governments](#), NYU Furman Center

² See, e.g., Greenberg et al, "[ADUs for All: Breaking Down Barriers to Racial and Economic Equity in Accessory Dwelling Unit Construction](#)," Turner Center and Center for Community Innovation Report, August 2022; Abu-Khalaf, Ahmad, "[Overcoming Barriers to Bringing Accessory Dwelling Unit Development to Scale](#)," Enterprise Community Partners, September 2020; King, Shelby R., "[How Financing Barriers Keep ADUs Expensive](#)," Shelterforce, May 9, 2022; Urban Planning Partners, "[Oakland ADU Initiative: Existing Conditions & Barriers Report](#)," January 2020, Revised June 2020.

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Note: The ADU field is a young, dynamic industry and conditions can change rapidly. Casita Coalition guidelines are updated regularly or when state law changes. Please email us if you have suggestions or program updates.

Key Takeaways

It's still early for ADUs. This is a new field, and there are a lot of recent experimentations that will take years to evaluate and understand. Conditions are also rapidly changing, from interest rates to the cost of building materials. This report is a snapshot of perspectives from practitioners and ADU enthusiasts at this particular point in time.

ADUs are not a silver bullet. What we do know is that ADUs, much like any singular housing policy or new technology, are not a silver bullet for California's dire housing needs. A handful of equity-centered ADU practices alone can not meaningfully leverage ADUs to narrow the racial wealth gap nor address other racial inequities in housing and economic security. Promising practices must be layered and employed in combination to see more equitable outcomes, even as ADU advocates generally push for scale.

No low-hanging fruit. The concept of low-hanging fruit has mixed utility when thinking about housing equity strategies, including in the realm of ADUs. The roots of structural racism run deeply through our economic, political, and social systems and have far-reaching, enduring impacts that come into play at every stage of ADU development. While there are certainly thoughtful approaches to advancing equity in ADUs, as highlighted in this report, none of them reveal any shortcuts, and they all require significant resources and commitment to implement.

Universality is not the same as equity. Many promising equity practices are similar to or targeted versions of practices that would make ADU development easier for all homeowners, but the ones lifted up here are done so through an equity lens. It is certainly true that the barriers faced by all homeowners - financing, permitting, lack of access to information - also impact LMI BIPOC homeowners, often disproportionately so. But it's also true that commitment to housing equity requires targeting resources to address racial disparities. Making ADU development easier for all homeowners, while a laudable goal, is simply not a proxy for addressing systemic inequities.

Local organizations are the experts. Like so many factors impacting ADUs in California, the local context matters for ADU equity. Local organizations doing the hard work of supporting LMI BIPOC homeowners on the ground are closest to their communities' needs, and they require more support to continue doing and expanding this work. There is no way to replicate the trust that these local organizations have spent years or decades building with BIPOC communities, sometimes amid well-earned mistrust of the government, outsiders, or the profit-driven business sector. Approaches that work well in one community may fall short in others, and local experts are best positioned to advise on relevant conditions needed for success.



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What do we mean when we say equity?

For the purpose of this memo, equity refers primarily to extending and deepening the benefits of ADUs to more low- and moderate-income (LMI) BIPOC people and communities. This includes households and communities that face disparate barriers to wealth-building, housing security, and increased risk of residential displacement. The concept of economic equity is sometimes used as a proxy for racial equity, which makes sense in certain contexts because dramatic wealth and income disparities by race continue to persist throughout the state. But it's important to understand racial equity as a distinct goal, separate from and in addition to economic equity. Past policies and systems that engineered current disparities in income and wealth were specifically race-based, and racially discriminatory practices continue today in a wide range of critical contexts, such as the appraisal and lending industries.

"We targeted LMI homeowners who are African-American, using ADUs to create generational wealth for BIPOC homeowners, who in turn tend to rent to BIPOC tenants. That was easier than convincing white homeowners to rent to BIPOC people."

– Kay Pierson, formerly of [United Planning Organization](#), Washington, D.C.

Equity Barriers and Promising Practices

As with all housing tools and development types, on its own, the ADU won't solve California's affordable housing crisis and won't address all community needs at once. We know that the high cost and complex permitting process are barriers that disproportionately impede LMI BIPOC homeowners. And we even know what would fix those barriers - financial assistance, addressing lending roadblocks, innovating cheaper building models, offering technical assistance, loosening permitting requirements, and streamlining. But to dig into the details of how, we interviewed 27 thought leaders and practitioners working on ADU equity in California and beyond to get their thoughts on promising practices and what it would take to ensure that ADUs benefit more LMI and BIPOC people and communities.

In this memo, we'll look at four equity barriers and practices to address each barrier:

- (1) Homeowner Mistrust and Misinformation
- (2) Complications, Uncertainty, and Risk
- (3) Cost of Development
- (4) Rental Restrictions and Lack of Landlord Support

In addition to homeowner barriers, we'll outline promising equitable practices from various other aspects of the ADU realm, including supporting BIPOC contractors, Community Land Trusts, and getting to scale.

Promising practices featured in this report are listed in Appendix A: Promising Practices Table, where they are sorted into the following categories: **Equity Centered Practice**, **General Promising Practice with Equity Impacts**, and **Potentially Promising with Caveats**.

Equity Barrier 1: Homeowner Mistrust and Misinformation

A common theme from our interviews was the need for accurate, reliable information from trustworthy sources to combat not only a lack of familiarity with the ADU development process but also the prevalence of myths and misconceptions. A majority of practitioners explained that homeowners come to their programs with erroneous information - sometimes the result of unscrupulous ADU marketing that misrepresents the costs and risks associated with building an ADU. Common examples of misconceptions include: unrealistic expectations about the time, effort, and money required to build an ADU; the perception that home equity without adequate income is sufficient to qualify for financing; and the belief

that a modular unit can be easily dropped in any backyard at a much lower price than traditional building strategies. Several practitioners described their clients being approached by predatory profit-driven companies specifically targeting LMI BIPOC communities and the need for proactive intervention to prevent extractive practices.

“Misinformation in the marketplace is significant. I spend most of my day unwinding bad information. ADU education from knowledgeable nonprofits is important because it’s neutral - their primary goal is to help the homeowner and the community, not to push a particular product for profit.”

–Fabian Casarez, [Neighborhood Partnership Housing Services](#), Inland Empire

Many practitioners commented on factors that have shaped mistrust of local government by some BIPOC communities, from troubled urban renewal programs and red tagging campaigns that resulted in mass displacement of BIPOC residents to discriminatory policing and immigration enforcement. For BIPOC residents who are not proficient in English, language barriers may compound the challenges of mistrust and further impede access to accurate and easy-to-understand information and technical assistance. The process of building an ADU is complex, with local nuances and frequent changes to requirements and market conditions. There are inherent challenges to providing homeowners with updated, accurate, and comprehensive information when they are making critical decisions about whether and how to move forward. While true across the board, this is even more true for BIPOC communities.

Promising Practices and Lessons Learned

Community Engagement. Several interviewees underscored the importance of meaningful community engagement early on to help inform the development of a program or policy. The distinction between community engagement and community outreach is important: community engagement allows LMI BIPOC communities to influence programs or policies that will impact them (a two-way conversation), while community outreach delivers information about that policy or program to increase access (a one-way conversation). Here are a few examples from our interviews:

- [The Backyard Homes Project](#), an affordable ADU initiative in Los Angeles, launched in 2018 by LA Mas and is now led by [Office of: Office](#). LA Mas engaged over 100 homeowners and conducted 5 focus groups to ensure their ADU Pilot program was designed to address community priorities and concerns.

- The [Napa Sonoma ADU Center](#) commissioned [Casitas Para Más Vecinos](#), a field study to inform efforts to deepen support for Latinx homeowners across the 16 jurisdictions in its service area.
- Before launching the [Keys to Equity](#) Program, the City of Oakland commissioned an equity-focused [ADU report on existing conditions and barriers](#) that involved multiple ways of engaging with residents around ADUs.

Community Outreach. While different from community engagement, community outreach about the availability of resources is no less important to promote equitable access. Outreach methods should be language-accessible and tailored based on how centered communities access information, such as through trusted community organizations, neighborhood groups, and hyper-local news sources. One strategy that bridges the goals of community outreach and community engagement is a model of utilizing community ambassadors or “*promotoras*” to engage with residents about their housing needs in their homes and other familiar spaces, such as places of worship. The impetus may be encouraging community members to access a new program, but the conversation goes beyond handing out a flier. Instead, these outreach workers, who ideally look like and live within centered communities (and can communicate competently in applicable languages), build trust by having a deeper conversation about how the program is related to broader household or community needs, which in turn may inform program changes or future iterations.

Representation. Nikki Beasley, Executive Director of [Richmond Neighborhood Housing Services](#) and Director of Oakland’s [Keys to Equity Program](#), emphasized the importance of supporting BIPOC ADU professionals to enter this development space by leading the design and implementation of programs intended to serve BIPOC residents, which in turn fosters trust and community connection. Keys to Equity seeks to assist Black homeowners in building an ADU. The design and implementation partners are all BIPOC-led organizations with deep ties to Oakland’s Black community who have intimate knowledge of the displacement pressures facing long-term residents and the local history of housing dynamics. Beasley explains that having Black community leaders with ties to the community be the ones to develop and implement the program immediately builds trust with wary homeowners and shores up credibility in the community, which in turn results in more effective community outreach about the program.

Homeowner Education. All practitioners interviewed for this report stressed the importance of reliable information and combating misinformation encountered by homeowners as they start exploring ADU development. Several emphasized that effective programs must build in time and resources to ensure that homeowners are fully informed before they dive into an ADU project. Katherine Peoples is Executive Director of [HPP Cares](#), a nonprofit organization in Southern California that works to

improve access to credit for LMI and BIPOC households. Peoples jumped into ADU education after encountering a number of LMI BIPOC who had been victimized by ADU scams. This led to a strong mission-focused effort to bring ADU education to homeowners through webinars and one-on-one counseling. Jennifer Duffy, President of affordable housing nonprofit [Hello Housing](#), adds that, along with one-on-one calls, site visits with homeowners are a critical part of homeowner education that lead to successful ADU engagements. While webinars provide an important general overview, a one-on-one call or home visit helps to ensure homeowners feel free to ask uncomfortable questions, such as those that relate to their personal finances or property conditions.

The program partners behind Oakland's [Keys to Equity](#) Program elevated specific practices from their collective decades of experience working with Black homeowners in the Bay Area. Director Nikki Beasley notes that ADU programs should start upstream with financial education to promote borrower readiness; many homeowners will need time and technical assistance to build credit and savings well in advance of starting their ADU project. Bobby Arte of [The WellNest Company](#), the Program's General Contractor partner, raises the value of cultural competence and respectful communication. Some sophisticated homeowners may be well equipped to skip basic financial education and eager to avoid unnecessary trainings, so Arte recommends that ADU programs build in flexibility to meet folks where they're at.

*“Over the past year, I've started to hear from BIPOC homeowners who were taken advantage of by purported ADU contractors. These scammers - multiple contractors working the same neighborhood - are neither **from** nor **of** the community, but they had gotten money out of at least five families at the same time. As a housing counseling organization, we had seen this type of financial exploitation under the PACE program. I had to jump in and advocate for solutions, fire contractors, file complaints, and educate homeowners on how to avoid these pitfalls. I decided it was imperative to start educating the community about ADUs: how to avoid scams, what they needed to know in order to build an ADU, how to find and vet contractors, and how to learn about landlord-tenant issues. We began to host ADU trainings for the community, and, based on growing demand, we've been expanding this effort ever since.”*

– Katherine Peoples, [HPP Cares](#), Long Beach

Front-End Landlord Training. From fair housing laws to AB 1482 to local ordinances regarding rent regulation, Just Cause, tenant harassment, and tenant relocation, the legal landscape for landlords can be challenging to navigate, even for sophisticated owners. Maeve Elise Brown, Executive Director of legal services nonprofit [Housing and Economic Rights Advocates](#), emphasizes the critical importance of frontloading landlord education and notes that it's too often an afterthought. Homeowners who

rely on future ADU rental income to service their ADU development loans must understand and fully commit to complying with rental housing laws **before** they start the project. Even families that initially plan to house family members may decide one day to rent to a third-party tenant, and the sustainability of homeownership may depend on that ADU rental income.

“As a legal services provider that works largely with senior homeowners, I’m concerned about shepherding homeowners toward being landlords when they may not understand all the responsibilities and restrictions that come with that.”

– Maeve Elise Brown, [Housing and Economic Rights Advocates](#), Bay Area

Tailored Messaging about Feasibility. Information about financing options should take into account target incomes and borrowing capacities to help homeowners understand the true costs of different ADU options. Equally important to what’s feasible is what’s not - equipping LMI BIPOC homeowners with information that helps them avoid infeasible projects or predatory loan products helps preserve limited household resources. In communities with limited access to financing and smaller lot sizes, the most valuable education may be about why and how to legalize unpermitted dwellings. Renée Schomp, former Director of the [Napa Sonoma ADU Center](#), observes that many homeowners have never considered an interior conversion or JADU, which are both significantly more cost-effective to build than a detached new build. She recommends that homeowner education cover the full range of ADU opportunities to ensure that LMI homeowners don't give up on their ADU dream or incur unnecessary costs based on a lack of understanding of available options.

Language Accessibility. Community engagement, outreach, education, and program services should be culturally competent and language-accessible to residents with limited English proficiency (LEP), especially in communities with large LEP homeowner populations. Nonprofit Hello Housing, which offers ADU technical assistance to homeowners in linguistically diverse Bay Area communities, translates outreach and application materials into multiple languages such as Spanish, Chinese, Tagalog, and Tongan. President Jennifer Duffy notes the importance of starting with clear, easy-to-understand information and having the translations done professionally or vetted by fluent readers. ADU programs at [EPA CAN DO](#) and [Napa Sonoma ADU Center](#) are led or staffed by bilingual ADU professionals to ensure that [homeowner education](#) and TA are available in multiple languages. The [City of Oakland](#), which has an equal access ordinance requiring that public services are available in commonly spoken languages, offers full program materials for its [ADU Loan Program](#) in Spanish and Mandarin, as well as telephone assistance in multiple languages through a telephone interpretation service.

“Homeowners won’t feel comfortable applying for an ADU program if they don’t understand it. Spanish-speaking homeowners have given feedback that they don’t understand how ADU design or construction work. We have to gain their trust.”

– Hernando Guillem, [City of Napa Junior Unit Initiative Program](#)

Place-Based Focus. Another promising strategy to combat misinformation and mistrust is to target a neighborhood or other sub-community to build goodwill and interest. Research shows that ADUs “catching on” and becoming popular has a snowball effect - homeowners hear about or see their neighbors benefiting from ADUs and, equipped with proof of concept, feel inspired to follow. According to a 2021 report by Inclusive Action for the City, the leaders of the [City of Boston’s ADU Program](#), which was targeted to neighborhoods based in part on high BIPOC homeownership, attribute interest in the program to word-of-mouth as homeowners in key neighborhoods and beyond saw and learned about projects springing up around them.¹ Similarly, Portland ADU practitioner John C. Miller, former Executive Director of Portland’s [BackHomeADU](#), recommends the practice of having BIPOC homeowners who have built ADUs act as ambassadors - interested homeowners may be more motivated after talking to other homeowners who have been through the process and come out successfully with a finished ADU. For LMI BIPOC homeowners, hearing from their peers may be particularly persuasive.

Equity Barrier 2: Complications, Risk and Uncertainty

The permitting process is typically cited, along with high cost, as a primary barrier experienced by all homeowners. The ADU industry is rich with horror stories about permit counter nightmares, from conflicting guidance to extraordinary delays to prohibitive costs and everything in between. The ADU permitting process can exacerbate the complications, uncertainty, and risks inherent in developing an ADU. These impacts disproportionately burden LMI BIPOC homeowners, who have fewer financial resources to weather unexpected permitting costs and delays and may face other race-based challenges. Some interviewees described experiences of outright racism when BIPOC homeowners attempted to obtain ADU guidance from their local permitting counter. A lack of clarity and guidance at the State level compounds the challenges experienced at the local level, and the risk of a project being delayed or derailed due to permitting challenges directly translates into elevated costs and additional financial barriers for LMI homeowners. Finally, unpermitted units are more prevalent in LMI BIPOC neighborhoods², where homeowners must navigate the

¹ Inclusive Action for the City, “[Accessory Dwelling Units as Affordable Housing Options in Los Angeles County](#),” April 1, 2021, p. 41.

² Greenberg et al, “[ADUs for All: Breaking Down Barriers to Racial and Economic Equity in Accessory Dwelling Unit Construction](#),” Turner Center and Center for Community Innovation Report, August 2022.

additional risks associated with bringing building department attention to code violations on their own property.

"The development fees and code requirements make it a lot harder too for LMI BIPOC homeowners. In underinvested neighborhoods, we see more requirements for homeowners to upgrade sidewalks, driveways, alleys, undersized utility connections, and other infrastructure in order to be eligible to build the ADU. This is less of an impact in higher-resourced neighborhoods where affluent homeowners have advocated and been squeaky wheels with local government to make right-of-way upgrades at the expense of the city. In under-invested neighborhoods, this consistently adds cost, which is a barrier."

– Renee Martinez-Stone, [West Denver Renaissance Collaborative at the Denver Housing Authority \(DHA\)](#)

Promising Practices and Lessons Learned

Language-Accessible ADU Ally Services. Several practitioners commented on bias at the permit counter against inexperienced homeowners and pointed to [San Jose's ADU Ally](#) role as a model that should be replicated or adapted by other jurisdictions. The ADU Ally is the primary point of contact for San Jose homeowners interested in building an ADU. In addition to pre-screening submittals based on pre-approved plans, current ADU Ally María Arteaga-Carrasco helps homeowners get started, answers their questions along the way, and gets involved to help “unstuck” applications that have gone through two or more submittals. Mrs. Arteaga-Carrasco explains that the central purpose of her role is to streamline the ADU permit process. She notes that the current permitting process is set up for experienced professionals such as designers, not homeowners who are novice developers. Homeowners trying to do it on their own often feel overwhelmed and need a human being to help them navigate unexpected roadblocks. By streamlining the process, the ADU Ally helps homeowners avoid costly mistakes and delays, a critical value-add for homeowners with tight budgets.

As a bilingual staff member certified to provide services in Spanish, Mrs. Arteaga-Carrasco can better meet the needs of individual Spanish-speaking residents; moreover, she's committed to enhancing the language-accessibility of the department's ADU services. In coordination with the City's Office of Racial Equity, Mrs. Arteaga-Carrasco has plans to translate key forms and produce educational videos about the ADU permitting process that will be made available in Spanish and possibly Vietnamese as well. She notes that in addition to being knowledgeable and supportive of ADUs, an effective ADU Ally should embrace their role as an advocate for the homeowner and be skilled at culturally competent customer service.

“As a first generation American, I remember translating for my own family as a child, and I understand the struggle of not knowing how to say something in English. I want everyone to be able to access important information, including our residents who speak different languages. Building an ADU is already a hard thing to do for a typical homeowner, even without language barriers. I never want someone to feel that I wasn’t empathetic or supportive or to leave our encounter feeling like they didn’t get the help they needed.”

– María Arteaga-Carrasco, City of San Jose

Pairing Targeted Amnesty/Legalization Programs with Adequate Funding. The jury is still out on whether existing amnesty and legalization programs have accomplished their goals of turning unpermitted dwellings into safe and habitable ADUs. However, our interviewees agreed that unpermitted dwellings must figure into conversations about ADU equity because of the prevalence of these units in LMI BIPOC communities, their role in supporting intergenerational housing and providing much-needed affordable housing, and the potential harms of unaddressed health and safety risks.

The general ADU challenges of homeowner education, cost, and permitting complexities/risk certainly impact legalization projects. In recent years local jurisdictions such as [San Mateo County](#) and the cities of [Pasadena](#) and [Oakland](#) have piloted loan programs to address unpermitted units, offering \$50,000-\$100,000 in BMR loans and technical assistance to bring unpermitted units up to either full code or applicable amnesty standards. A promising approach employed in these programs is using third-party inspectors to identify the issues and estimate the cost of corrective repairs in advance of the homeowner committing to legalize the unit. New laws that protect against code enforcement action, such as SB 13, and those that clarify building standards for unpermitted dwellings, such as SB 1226 and AB 897, are helpful in reducing jurisdictional barriers, but only if these laws are well known to both homeowners and building department staff.³ An equity-centered approach would allow family members to occupy assisted units. The [City of Oakland’s ADU Loan Program](#), which provides financing and TA to low-income homeowners to legalize unpermitted ADUs or JADUs, allows family members to occupy the legalized unit and restricts eligibility to predominantly LMI BIPOC Opportunity Zones.

“While state laws have eased barriers to new construction, not enough has been done to help with legalization. There continue to be a lot of permitting barriers at the local level, and we’ve seen an overwhelming

³ It’s worth noting that SB 13 places the onus on the homeowner to request the stay, and that the local government can reject that request based on health and safety concerns. While a reasonable exception, the language makes room for racially discriminatory determinations by local staff with regard to how stay requests are granted.

demand from BIPOC homeowners seeking assistance with unpermitted dwellings.”

– Iliana Nicholas, [EPA CAN DO](#), East Palo Alto

Don't Punish Homeowners Trying to Legalize. In 2021, the [South Bay Cities Council of Governments](#) found that a majority of unpermitted ADUs in member jurisdictions are not substandard and that most property owners with unpermitted units were not “scofflaws” but rather just unaware of applicable codes. Pasadena Housing Director William Huang also noted that most applications received for the City's ADU legalization pilot were for units that could be brought up to code within the \$75,000 loan limit. While more data is needed to determine best practices, the incentives to pursue legalization or amnesty certification must outweigh both the net costs of doing so and the risk to the homeowner of coming forward. Aggressive code enforcement approaches such as red-tagging without financial and technical assistance are likely to be counterproductive, resulting in displacement of low-income tenants and exacerbating homeowner mistrust in local government.

“A major barrier is the distrust created when city officials identify a range of possible regulatory problems without helping homeowners to understand options and solutions; it can feel like being put through the wringer. Especially if homeowners have unpermitted structures on the property, which is more likely to impact lower-resourced and BIPOC households. A lot of homeowners have justified fears about the unknown regulations and whether they can handle the costs of required upgrades necessary when permitting an ADU, e.g.: ‘My current basement is technically an ADU because of where the door is located so I am not allowed to build a detached ADU.’” Our program works with city officials to provide homeowners with low-cost and safe but also equitable solutions.

– Renee Martinez-Stone, [West Denver Renaissance Collaborative at the Denver Housing Authority \(DHA\)](#)

Pre-Reviewed or Pre-Approved Plans. One approach that reduces cost to the homeowner while streamlining the permitting process for the benefit of staff and applicants alike is offering pre-reviewed or pre-approved plans. [The City of San Jose has pre-approved plans](#) from more than a dozen vendors. While they still constitute a low percentage of ADU applications, the vast majority are approved during the first submittal meeting. The Napa Sonoma ADU Center has created an [ADU Standard Plans Program](#) offering over 50 plans for consideration to homeowners from the participating 14 cities and 2 counties. Both programs leverage other ADU resources to optimize the use of standard plans; in San Jose, pre-approved plans are pre-screened, and appointments are coordinated by the City's dedicated ADU Ally, while the Napa Sonoma ADU Center offers low-cost feasibility consultations, which offer additional support to homeowners navigating their options.

The [Napa Sonoma online ADU gallery](#) allows homeowners to screen for plans deemed “pre-reviewed” by their jurisdiction and browse based on size, features, and, importantly, cost estimates that include construction, licensing, and professional fees. Renée Schomp, formerly of the Napa Sonoma ADU Center, explains that a diverse gallery of pre-reviewed plans presents a particularly valuable resource to LMI BIPOC homeowners, who are typically less likely to know where to start or how to connect with reputable ADU design professionals or prefab companies. The goal of these programs, Schomp says, is to remove red tape and uncertainty from the permitting process, which can, in turn, help restore trust with homeowners who have fears about interacting with local government agencies. She estimates that using pre-reviewed plans can save each homeowner up to \$10,000 in architectural fees and months spent on a custom design process.

"The biggest barriers [to LMI BIPOC homeowners building ADUs] would be access to information about how ADUs work and financing them, especially in the pre-development phase, where drawings can cost thousands of dollars before there is a project that a bank can finance."
– Kay Pierson, formerly of [United Planning Organization](#), Washington, D.C.

Free or Low-Cost Third-Party ADU Feasibility Consultations. Renée Schomp strongly recommends making third-party one-on-one feasibility consultations available to LMI BIPOC homeowners as “Step Zero” of the ADU process. Napa Sonoma ADU Center recently transitioned from free consultations to charging homeowners \$99 for a subsidized consultation. Schomp explains, “It’s good to ask folks to have some skin in the game to preserve our nonprofit resources on homeowners with serious interest in moving forward who value the service.” The ability to receive professional advice about cost, timeline, return on investment, and overall feasibility is a critical first step, especially for LMI BIPOC homeowners due to misinformation and little room for error. Schomp notes that one outcome of an initial consultation is that the homeowner should feel empowered to engage with City and Industry professionals before moving forward to seek bids.

Third-party Project Management. [Hello Housing](#) President Jennifer Duffy goes one step further, adding that free or low-cost third-party project management is critical to support the success of LMI BIPOC homeowners to develop an ADU. Duffy clarifies that the type of project management she endorses is provided by a neutral expert with no conflict of interest, as opposed to a member or agent of the builder. Project management support throughout each phase of the development process helps the homeowner navigate complexities throughout the project, including avoiding unnecessary expenses and mistakes. This is particularly important for households with limited budgets because the project manager helps surmount bureaucratic hurdles and other areas of friction that threaten to delay a project, which inevitably

increases costs for the homeowner. Duffy notes the additional importance of third-party project management to mitigate risks to lenders by keeping the project on track and helping to ensure completion.

“The fact that the City of Napa provides construction management makes BIPOC homeowners feel reassured to move forward on their ADU project. Homeowners are anxious about builders leaving midway through their project and how they would handle it if they were managing the process on their own.”

– Hernando Guillem, [City of Napa Junior Unit Initiative Program](#)

Peer-to-Peer Learning. Because developing an ADU is a complex process, one promising approach is a cohort model that allows homeowners to learn from and support one another through the ADU development process. The [City of Boston’s Housing Innovation Lab](#) hosts an “[Early Adopter Cohort](#)” of homeowners in 4 pilot neighborhoods who are converting existing structures on their properties into ADUs. The geographic targeting for the Boston Pilot was designed around the goal of preserving neighborhoods facing intense displacement pressure due to population growth. The cohort model allows homeowners to cross-pollinate ideas and solutions and receive TA for their own projects, while also providing valuable insights to inform the development of future ADU policies and programs.

Wide Dissemination of State Guidance. Several practitioners advocated for a more systematic approach to proactively disseminating clarifying guidance from California’s Department of Housing and Community Development to support stronger enforcement of state ADU laws. While helpful to homeowners of all stripes, any enhancement of state law enforcement is particularly helpful in addressing barriers to housing development in communities that have resisted even “gentle” density. While ADUs are gaining popularity, support for exclusionary zoning remains strong in some communities, despite clear evidence that such policies [exacerbate racial segregation and diminish BIPOC wealth-building](#). HCD issues letters of technical assistance that advise jurisdictions when their local rules or policies are out of compliance with state law. This clarifying guidance, while available [online in the form of letters to specific jurisdictions](#), would have a greater impact if issued in the form of public bulletins that are widely disseminated across the state. One such example is a [letter to the Ojai Valley Sanitary District](#) notifying the agency that its current fees and charges were impermissible under State law. This guidance could address similar overcharging of homeowners in other jurisdictions that unlawfully drives up the cost of ADU development.

Lower-Cost Product Types. One potential solution to high and unpredictable construction costs is lower-cost prefab ADU products, which include manufactured, modular, and panelized models. The market for prefab ADU products, especially modular units, has exploded in the last few years with venture-backed start-ups.

Many of these products are geared toward higher-income homeowners and are unlikely to result in significant cost-savings. Still, others offer an alternative pathway that may be cost-effective for homeowners with compatible lots. According to Renée Schomp, formerly of the Napa Sonoma ADU Center, some manufactured ADUs could open up accessibility to building for LMI BIPOC homeowners, not only because of potentially lower costs overall but also because these companies utilize a "turnkey" approach that requires significantly less project management time and effort on the part of the homeowner. Schomp notes that LMI BIPOC households may disproportionately benefit from reducing the project management burden imposed by traditional site-built projects. Other practitioners caution that prefab options can be even more expensive than stick-built construction or altogether infeasible due to transport and craning requirements. Homeowners should proceed cautiously when making decisions based on the perceived affordability of prefab options.

“New technologies can make ADUs more accessible. Cincinnati-based Innovative Building Technologies has created a new type of structural insulated panel made of recycled galvanized steel injected with polyurethane. This type of dwelling can be constructed in a few days by an unskilled crew of four people, with skilled labor only needed for the electrical, plumbing and HVAC systems. The low cost of the building materials kit and the expedited construction timeline help make these products a more accessible ADU option for LMI homeowners.”

– Kay Pierson, formerly of [United Planning Organization](#), Washington, D.C.

Equity Barrier 3: Cost of Development

A major barrier to ADU development, in general, and from an equity perspective, is that the cost to develop is still too high for most homeowners, given existing financial tools. Most lower income households can't take out any debt, as they are already struggling to keep up with their mortgage, taxes, and household expenses. Those trying to qualify for a construction loan find they don't qualify under traditional underwriting criteria due to limited equity and income. Lack of access to consumer financing will continue to impede the scalability of ADUs as a housing solution, which is unfortunate for all communities struggling to keep up with the demand for affordable housing, and it's particularly detrimental to LMI BIPOC communities.

“LTV [loan-to-value] and DTI [debt-to-income] limitations make most loan products out of reach for LMI BIPOC Communities. We need more low-interest, deferred loan construction capital and forgivable loans and grant support to make ADUs work for LMI communities.”

–Fabian Casarez, [Neighborhood Partnership Housing Services](#), Inland Empire

While expanding the availability of ADU financing for homeowners, in general, is essential to move the needle on production, that approach won't be adequate on its own to close prominent equity gaps. Several ADU loan products have recently been launched by intrepid portfolio lenders, often in coordination with ADU programs. These products offer significant improvements over traditional financial products by considering future value and projected rental income. However, practitioners also opine that more flexibility is needed to really close the gap.

Government-backed renovation loans have opened the door to construction financing by considering the home's future value once the improvements have been made. However, Jennifer Duffy of [Hello Housing](#) explains that these products continue to fall short in addressing barriers faced by LMI borrowers, as they tend to be more expensive to the consumer and are often harder to qualify for. Moreover, these loans are offered as a first mortgage product, which requires the homeowner to refinance their existing mortgage to unlock access to existing or future equity. With interest rates on the rise, the benefits are not in balance with the costs of obtaining the loan.

"Many Latinx homeowners don't want to take out a loan because they're private and don't want to divulge their personal financial information. Many immigrant households have 'mattress money' because they don't trust the banking system or their sources of income are informal. So for various reasons related to how families deal with their finances, loans are not as useful as grants if we are trying to encourage permitted ADU development."

– Hernando Guillem, [City of Napa Junior Unit Initiative Program](#)

Promising Practices and Lessons Learned

Well-Designed Public Benefit Incentive Programs. Public benefit incentive programs typically aim to increase legally permitted ADUs by doing one or more of the following: (1) supporting LMI homeowners to build ADUs, (2) incentivizing property owners to build ADUs to be rented at affordable rates or to specific tenant populations, and (3) facilitating the legalization (or amnesty certification) of unpermitted dwellings by meeting health and safety standards. Such programs may be designed to promote wealth-building, income security, and anti-displacement of LMI homeowner households; to increase affordable rental units across a community or in specific neighborhoods; to support housing security and affordability for LMI or other tenant groups vulnerable to displacement; or to advance safe and healthy housing conditions and reduce overcrowding. Program leads shared a wide range of lessons learned about what design and implementation features make an ADU incentive program more likely to succeed. These nuggets of wisdom and summaries

of the programs that shared their hard-earned learnings are in [Appendix B: Lessons Learned from Public Benefit Incentive Programs](#).

Flexible Underwriting and Income Qualification Criteria. The accessibility benefits of underwriting criteria that utilize future value for loan-to-value ratios (LTV) and count a percentage of future rents toward debt-to-income ratios (DTI) are well documented.⁴ But practitioners caution that, as with all things ADU, the details matter. Nikki Beasley of [Keys to Equity](#) points to flexible underwriting around educational debt and allowing title to be held by a living trust as examples of how loan qualification criteria could greatly impact accessibility for Black homeowners in particular. Similarly, Renee Martinez-Stone of [West Denver Renaissance Collaborative \(WDRC\)](#) cites a lesson learned about income qualification for her organization’s ADU Pilot, which initially prioritized homeowners at 80% AMI. WRDC found that many households were doubled up, making it impossible to income-qualify the household based on AMI, and it was necessary to eliminate income requirements entirely. Finally, several nonprofits note the importance of allowing undocumented homeowners to use an Individual Taxpayer Identification Number (ITIN) instead of a Social Security Number to apply for ADU assistance programs. The takeaway is that a more collaborative approach to designing ADU loan products, one that engages equity-focused ADU practitioners and housing counselors in developing underwriting criteria, would better meet the needs of LMI BIPOC borrowers. Another important lesson learned by many program leads is about flexibility and nimbleness. Every community has its nuances and, as many programs experienced during the pandemic, conditions affecting eligibility can change rapidly.

“One problematic practice we’ve seen is launching ADU loan products that don’t really work for homeowners. Lenders need to do more homework around what will actually be attractive to homeowner-borrowers, not just what works for the lender on paper. Low-income homeowners can’t access equity and can’t support a new mortgage. Traditional approaches to underwriting can perpetuate racist ideologies about who is creditworthy and who is not.”
– Iliana Nicholas, [EPA CAN DO](#), East Palo Alto

Forgivable Loans. Several ADU equity practitioners stressed the importance of offering forgivable loans - and right-sizing the terms of those loans to the public benefit - to meaningfully unlock access to ADU development for LMI homeowners. Napa County recently launched a new [Affordable ADU Loan Program](#) featuring forgivable loans of up to \$45,000 for a studio, \$80,000 for a one-bedroom unit, and \$105,000 for a two-bedroom unit. Participating borrowers agree to an affordability

⁴ Green et al, “[ADU Construction Financing: Opportunities to Expand Access for Homeowners](#),” Turner Center for Housing Innovation & USC Lusk Center for Real Estate, July 6, 2022; Kaul, Karan, “[Overcoming Financing Barriers to Accessory Dwelling Units](#),” [Presentation], Urban Institute, February 7, 2022.

deed restriction, which requires them to lease the new unit at an affordable rent to a household at or below 80% AMI, which may include income-eligible family members. The loans are completely forgiven after five years of compliance, with twenty percent of the loan principal forgiven per year. A key feature of the program is right-sizing the incentive (the loan amount and forgiveness schedule) to the restriction (the compliance period and rent limits). The loan limits are high enough to support LMI homeowners seeking to develop an ADU. The rent restrictions allow the homeowner to recoup enough rental income to support debt service on additional financing while ensuring affordability to tenants earning below area median income.

“Black borrowers continue to face long-term disparities. Whether you are a Black nonprofit leader trying to secure funding to support ADU work or you are a Black homeowner trying to get a lender to call you back, it is an ongoing problem that continues to depress opportunities in the small housing space.”

– Katherine Peoples, [HPP Cares](#), Long Beach

Second Mortgage ADU Loans. In the current interest rate climate, an important tool to unlock financing for LMI households is the second mortgage loan, which doesn't require the homeowner to refinance their first mortgage and thereby lose a favorable interest rate. One practitioner shared the nightmarish experience of an LMI BIPOC family that came to the ADU program after refinancing their first mortgage to pay for their ADU. The lender had not explicitly explained that the family would lose their original 3.2% mortgage rate when they refinanced into a 6.4% loan at current market rates. This example underscores the importance of both homeowner education and the availability of second mortgage products to finance ADUs. The availability of ADU-specific loan products is very limited. Still, recent years have seen the launch of promising loan products that directly address some of the barriers presented by traditional products. [Redwood Credit Union's \(RCU\) ADU Construction loan](#), which debuted in 2022, was developed in partnership with [Napa Valley Community Foundation](#) based on extensive market research and analysis by an economist. The product is a 20-year loan up to \$300,000 with a fixed rate of 4.375% and interest-only payments for the first year. Compared to traditional construction loans, which typically feature interest rates closer to 7%, this loan can save a homeowner thousands of dollars in financing costs. Moreover, as a second mortgage, the product allows homeowners to keep their first mortgage and its interest rate in place.

Pre-Development Grants. While [CalHEA's \\$100 million ADU Grant Program](#) experienced many challenges in both design and implementation, the concept of offering publicly funded pre-development grants to ease financial burden is promising. Future programs should consider how public resources promote or further obstruct equitable access to critical funding for LMI BIPOC homeowners. Structured as a reimbursement to the homeowner payable upon completion of the ADU, the grant functioned more like a reward for adequately-resourced homeowners

who were able to get across the finish line with independently secured financing. This design may advance the policy goal of spurring ADU development, but it fell short in addressing the financial gap experienced by LMI BIPOC homeowners, many of whom could not access these critical funds because they ironically could not qualify for the required financing to do so. This example also serves as an example of why financing solutions must be narrowly tailored to address the conditions facing LMI BIPOC households and communities to avoid exacerbating existing economic and racial disparities. If implemented with equity goals in mind, a \$40,000 grant would have great potential to ease the financial burden of building an ADU on LMI BIPOC homeowners.

"Debt averseness is the biggest barrier for BIPOC homeowners to benefit from ADUs. It's grounded in racist lending practices they've witnessed or previously experienced. Discriminatory practices are still happening today in the form of "indirect redlining." White and affluent homeowners have conversely been able to literally leverage debt to access more wealth. Market-based systems have caused trauma and debt-averseness in historically under-resourced BIPOC communities that have been excluded from the benefits of capitalism. Until that system changes, we need to find ways to empower BIPOC people within that system, but the long term goal is to change the system because it's inequitable."

– Pavan Iyer, [Backyard ATL](#), Atlanta

Equity Barrier 4 - Rental Restrictions and Lack of Landlord Support

One theme echoed by many ADU equity practitioners was that ADUs can't meet all community housing needs, and that equity-centered programs may focus on supporting LMI BIPOC homeowners or creating BMR rental housing but shouldn't expect to do both at the same time. Applying traditional affordable housing tools, such as affordability restrictions, may create additional inequities for BIPOC homeowners by limiting their wealth-building potential or, worse, even preventing them from recouping enough rent to service their construction debt. Traditional public benefit financial assistance programs include occupancy restrictions, such as prohibiting renting to family members or limited discretion to select the tenant, that impede BIPOC homeowners from moving forward. Many practitioners emphasized that a majority of LMI BIPOC homeowners are motivated to build an ADU by family needs, such as allowing an adult child or aging relative to live in close proximity. Iliana Nicholas of [EPA CAN DO](#) explains that many families live in overcrowded housing and ADUs that house family members yield multiple benefits. They potentially prevent displacement of the homeowner and family members from the community while creating more multi-generational housing stock and alleviating the negative public health impacts of overcrowded housing conditions.

For homeowners who plan to rent to a third-party tenant, the challenges of being a landlord are top of mind. Becoming a first-time landlord adds yet another dimension of complexity to developing an ADU, and most homeowners will need high-quality training, access to legal services, and technical assistance to manage an ADU rental on their own. Fair housing laws may not be intuitive to homeowners trying to be good landlords, and many homeowners, especially seniors, may not have been tenants themselves in a long time, if at all. For some homeowners, engaging a professional property management company will be the easiest approach, especially for those participating in a program that restricts occupancy to special populations of tenants.

Recent research demonstrates that even without affordability restrictions, ADUs are often rented at lower prices than other types of rental housing.⁵ Further, several BIPOC practitioners noted that BIPOC homeowners who build an ADU were most likely to rent to family, friends, or other people in their own community, so ADUs could be a valuable source of affordable rental units for BIPOC tenants, but only if they get built. Bobby Arte of [The WellNest Company](#), a program partner in [Keys to Equity](#), has extensive experience supporting LMI BIPOC senior homeowners to stay in their homes and communities. Arte is skeptical of well-intended rental restrictions that deter senior homeowners from building an ADU as an income-support strategy - especially where the practical benefit to LMI tenants is marginal or counteracted. Arte emphasizes that flexibility and landlord support are important to encourage senior BIPOC homeowners to become rental housing providers. Even more so than other homeowners, they need to have confidence that they will continue to have control over the property they own and occupy and that the risks they take on by becoming a landlord are commensurate with the benefit.

Promising Practices and Lessons Learned

Strong Landlord, Tenant, and Property Management Support. In addition to up-front education for homeowners on their way to becoming landlords, ADU equity programs can set both the homeowner and tenant up for success by ensuring the homeowner has access to professional property management services and low-cost or no-cost landlord legal counseling. Likewise, the program should be able to connect ADU tenants to information about their rights and resources to support those rights, such as government or nonprofit tenant counseling and legal services. [Backyard ATL](#), a “backyard lease” ADU program prioritizing LMI homeowners, contracts with a professional property management company for the initial years of tenancy, aiming to transfer property management responsibilities to the homeowner over time. Such a model allows a homeowner-turned-landlord an opportunity to

⁵ Garcia, David, “[ADU Update: Early Lessons and Impacts of California’s State and Local Policy Changes](#),” Turner Center, December 2017.

learn the ropes of being a responsible rental property owner at a comfortable pace, with support and TA along the way. For homeowners who don't feel equipped to take on day-to-day landlord responsibilities, access to a low-cost, high-quality property management option can help safeguard both tenant and homeowner interests.

Allow Family Members to Occupy the ADU. All practitioners working closely with LMI BIPOC communities elevate the critical role of ADUs, both permitted and unpermitted, as a way to support multi-generational housing. Chaz Kern, Director of Programs & Outcomes for [Office of: Office](#), which has been at the forefront of ADU equity in California with its Backyard Homes Project, notes that a majority of households they work with in eastern Los Angeles are motivated to build or legalize ADUs to house family as an anti-displacement strategy. Equity-driven ADU programs should not restrict the tenancy of the ADU to non-family members. They should embrace the concept of multi-generational housing as both a cultural necessity and a public benefit. Communities that have long benefited from having the scale tipped in favor of their high rates of homeownership can tap into their intergenerational wealth to house family members. LMI BIPOC homeowners contributing to the community's housing stock by building an ADU should have at least the same flexibility.

"ADUs are a critical source of affordable housing in LA but there isn't a clear pathway to equitable low-density housing. If we want to support LMI BIPOC homeowners to stay in their communities, we have to meet the needs of multi-generational families and support pathways to legalization of unpermitted units. An immediate goal is to reduce overcrowding and generate safe adaptive housing, but we're also supporting residents' self-determination in shaping how the community develops through incremental growth."

-Chaz Kern, [Office of: Office](#), Los Angeles

Program Guidelines that Support Family Resource-Pooling. Many LMI BIPOC families not only need to house family members but also need the resources and borrowing power of those additional family members to finance the project. Jennifer Duffy of the nonprofit [Hello Housing](#) explains that many families need to pool resources to assemble a capital stack that will cover their ADU development costs, particularly now when the availability of ADU-friendly loan products is limited. Common examples include joint income qualification with adult children moving back to the neighborhood or utilizing the proceeds from the sale of an elder relative's home to finance an ADU that will allow them to age in place with family nearby. Program guidelines for financing and lease-up restrictions should anticipate and accommodate family situations common for LMI BIPOC homeowners.

Tenant Matching that Works for Both Parties. An important piece of supporting LMI BIPOC homeowners to exercise control over their property is to afford the homeowner broad discretion to select their own tenant. As mentioned above, fair housing training is critical to educate homeowner-landlords and protect tenants against unlawful discrimination. Still, well-informed homeowners should be able to choose their tenant for any non-discriminatory reasons, just as any landlord would be able to. William Huang, the [City of Pasadena](#)'s Housing Director, and the [Office of: Office](#) team behind [The Backyard Homes Project](#) both note that not every homeowner is a good fit to be an ADU landlord for every type of tenant. The City of Pasadena's Affordable ADU Program restricts occupancy to Section 8, VASH, and HOPWA participants, while Backyard Homes units are rented to Section 8 or Rapid Rehousing voucher tenants. Restricting occupancy to specific populations adds another layer of complexity to the tenant matchmaking and lease-up process, especially where case management resources are needed to support a successful tenancy. Practitioners agree: don't try to do too much at once and build in program flexibility to support great matches between tenants and homeowners. Homeshare programs have extensive experience with tenant matchmaking and may be a valuable resource or partner during lease-up and tenancy.

"We didn't want to prescribe how people leverage their assets. We wanted to welcome homeowners with different motivations. Some homeowners are interested in generational living and want to bring their aging family members home, while others are driven by a desire to help with the affordable housing crisis and rent to low-income tenants. We chose not to require homeowners to select a particular type of tenant, just as we don't require them to use a particular lender or builder, because we want them to have that flexibility to build wealth and maintain control over their project and property."

-Nikki Beasley, [Keys to Equity](#)

Other Equitable ADU Promising Practices

The practices elevated above pertain to supporting more LMI BIPOC homeowners to build ADUs successfully, but there are many other areas of the ADU Sector that offer promising equity-centered practices. This section touches briefly on just a few: supporting small BIPOC contractors, promoting Community Land Trust and other collective ownership models, increasing affordability, and backyard lease models.

Supporting BIPOC Contractors. BIPOC construction contractors and other ADU professionals are negatively impacted by the same barriers wrought by structural racism that face BIPOC business enterprises across the board. These barriers include decreased access to business capital, less intergenerational experience from running a family business, and smaller professional networks, in addition to racial

discrimination within the industry and out in the marketplace.⁶ And yet, as Otelo Reggy-Beane argues in “[ADUs must be built for BIPOC Communities, by BIPOC Builders](#),” ADUs are a particularly promising area of California’s building boom for small, local contractors looking to grow their portfolio and client base, as well as an ideal opportunity to “shape a just economy where BIPOC communities can participate and prosper.”⁷

“The ADU market is dominated by larger, white and well-capitalized ADU firms, which causes BIPOC contractors to disproportionately access the industry as subcontractors to these larger firms, earning less than what they could if they were the lead GC. Small housing types open opportunities for BIPOC contractors to step into the arena, build their portfolio, and grow their business when supported and promoted.”

–Jennifer Duffy, [Hello Housing](#), Bay Area

Reggy-Beane lifts up several recommendations to promote ADU equity, including enacting “disadvantaged community” preference policies and programs that support on-the-job training for ADU subcontractors. Bernida Reagan is the former Senior Vice President of [Merriwether & Williams Insurance Services](#), which runs contractor bonding and development programs with government partners in the Bay Area, Fresno, and Los Angeles. Reagan emphasizes the need for financing for costs, including necessary costs for insurance and bonding, to address the racial equity gap in ADU construction. Jennifer Duffy of Hello Housing utilizes values-driven contracting principles to center fairness and inclusivity in selecting ADU contractors. One example is ensuring that the fee schedule of the construction contract supports BIPOC contractors’ cash flow needs and offering TA to help BIPOC contractors meet workers comp, liability insurance, and bonding requirements.

“Whenever we go to these conventions or shows representing contractors in the space - my team is typically the only Black team in the building. There are very few minority members of any other team. It can further perpetuate some of those stereotypes of the suburban and out of town builders coming in and taking advantage of BIPOC communities, which means the dollars are not staying in their own community. If you hire local builders that look like you in your community, I think there is a massive opportunity there, which is very much needed because the lack of that presence is what perpetuates the cycle.”

-- Bobby Arte, [The WellNest Company](#), Bay Area

⁶ Lohrenz, Tim, “[Contracting for Equity Issue Brief](#),” [PDF Document], Government Alliance on Race and Equity.

⁷ Reggy-Beane, Otelo, “[ADUs must be built for BIPOC Communities, by BIPOC Builders](#),” The Greenlining Institute, August 26, 2021.

Community Land Trust Models. Some of the most innovative work in the ADU space is being done by community land trusts (CLTs), which are finding ways to support affordable housing through community or collective ownership. Several interviewees outside the CLT community emphasized that the traditional model of single-family homeownership is necessarily exclusionary. They stressed the potential of CLTs to expand ownership and affordable housing opportunities to more community members.

- The [California Community Land Trust Network](#), which connects community land trusts from across the state, has recently started convening a cohort of land trusts in the early stages of pursuing ADU strategies.
- [Liberty Community Land Trust](#), a Black-led and Black/Brown-focused CLT in Los Angeles, is at the forefront of adding ADUs to recently acquired single-family portfolio properties in service of its mission to develop permanently affordable housing and further self-determination.
- [T.R.U.S.T. South LA](#), a member-led CLT focused on community building and anti-displacement, is pursuing ADU development or legalization on several small tenant-occupant multi-family properties in their portfolio. Development Director Oscar Monge explains they don't have - and don't want - a traditional landlord-tenant relationship with their tenants; they are looking to build trust and engage the residents in a conversation about what it would look like for the tenants to become collective owners, possibly through a limited housing equity co-operative (LEHC) model.
- Steve King of the [Oakland Community Land Trust](#) explains that having the flexibility to separately convey a detached ADU would open up financing opportunities for nonprofits motivated to add ADUs to their portfolio but can't currently access financing. He believes ADUs present a tremendous opportunity to increase affordable units within the confines of their existing portfolio, but until separate conveyance is possible, there are operational issues that need to be addressed on an almost case-by-case basis.
- Jim Frank of [Northern California Community Land Trust \(NCLT\)](#) notes that ADUs are the cheapest and fastest way to create more housing, especially in communities where low-cost prefab ADU products work. NCLT is currently working with local BIPOC organizers in Vallejo to identify desirable neighborhoods to pursue single-family properties for acquisition-rehab of the main dwelling and ADU development.
- [Real Community Rentals](#), initiated by the [Community Land Trust of West Marin](#), is a collaborative program across four organizations that offers incentives for homeowners to create rentals that are offered to low-income households. These incentives include a zero interest loan of up to \$35,000 with

deferred principal and interest payments to help create the rental unit and help on the unit design, tenant selection, and rent loss mitigation support.

Scale and Affordability. Research suggests that wide acceptance of ADUs lessens barriers in BIPOC communities by increasing contractors' knowledge and familiarity with building them.⁸ San Diego recently launched a program that advances two housing supply goals with potential equity benefits: increasing affordability-restricted rental units while spurring ADU development. [San Diego's Affordable ADU Bonus Program](#) allows property owners to build a "bonus" unrestricted ADU for every affordable deed-restricted ADU they build, offering the options of a 10-year restriction at 60% AMI or a 15-year restriction at 110% AMI. Properties within San Diego's Transit Priority Area may create as many ADUs as space allows. ADUs built on single-family properties will have the affordability restriction recorded in second lien position while multi-family property restrictions will be in first position. The San Diego Housing Commission must confirm tenant income eligibility prior to occupancy, and occupying tenants continue to be eligible if their income does not exceed the allowed increase (dependent on income level, approx. 25%). The program has been popular, attracting applications for over 490 ADUs, over 60% of which will be affordability restricted, in the first 15 months.

"For BIPOC contractors to profit from ADUs, they need to be scalable. To become scalable, financing, regulation and permit processes need to be designed to decrease barriers to building ADUs and to increase ADU production."

-- Kay Pierson, formerly of [United Planning Organization](#), Washington, D.C.

Backyard Lease Models. A number of for-profit start-ups have emerged that promise to build an ADU in your backyard and rent it out on your behalf. Many such outfits have legitimate business models that unlock viable opportunities for some homeowners, but equity-driven nonprofit practitioners caution that these arrangements should be scrutinized for extractive or even predatory terms. Katherine Peoples of [HPP Cares](#) shared an example of one company actively targeting LMI BIPOC neighborhoods but refusing to disclose the actual terms of their services, an immediate red flag. One example of where this model is working to generate public benefits is [Backyard ATL](#) in South Atlanta, which is a BIPOC-led for-profit initiative that has partnered with a non-profit community developer, [Focused Community Strategies](#), to pilot a lease model with a buyout option. Backyard ATL enters into a ground lease with LMI homeowners to build an ADU and rent it at rents affordable to 60-80% AMI, returning 10% of monthly rents to the homeowner as passive income.

⁸ Greenberg et al, "[ADUs for All: Breaking Down Barriers to Racial and Economic Equity in Accessory Dwelling Unit Construction](#)," Turner Center and Center for Community Innovation Report, August 2022, p. 3.

The homeowner can purchase the unit back at a pre-calculated buyout price⁹ or transfer the lease to a new owner in the event of a sale of the property. Like the San Diego ADU bonus program, Backyard ATL is designed to boost the scaling up of ADU production and create new affordable rental units in in-fill neighborhoods. Several nonprofit or government ADU experts expressed an interest in piloting backyard lease programs, especially to generate rental income for senior homeowners as an anti-displacement strategy.

Conclusion

ADU practitioners throughout California and beyond have undertaken impressive efforts to make ADUs easier to build and legalize for low-income BIPOC homeowners and more accessible as a source of affordable, multi-generational housing in BIPOC communities. Many such practitioners generously contributed to this report by sharing their expertise and lessons learned for the benefit of other organizations and communities. While significant gains have been made in state policy as well as local innovation, the persistent barriers to equity are well understood by organizations with on-the-ground experience navigating those barriers. Their collective advice can help state and local policymakers, funders, and community organizations prioritize resources that advance housing equity for low-income BIPOC residents while increasing the number, diversity, safety, and flexibility of infill housing units.

Appendices:

Appendix A: Promising Practices Matrix

Appendix B: Lessons Learned from Public Benefit Incentive Programs

⁹ Director Pavan Iyer explains that the buy-out schedule is based on the expected market value of the ADU (utilizing CPI + expected rent rolls) with some depreciation/discount priced in. Says Iyer: “Our goal is to be bought out in 3-5 years of building, and if both parties agree to the value on the buyout schedule, it’s a relatively painless process. If there is serious disagreement, we look at rent rolls and appraisal to come to an agreement on price.”

Appendix A: Promising Practices Matrix

Promising ADU Equity Practice	Type of Equity Practice	Homeowner Mistrust & Misinformation	Complications, Risk & Uncertainty	Cost of Development	Rental Restrictions & Lack of Landlord Support	Other Equitable ADU Promising Practices	State	Cities/ Counties	Nonprofits	Funders	Lenders
Language Accessibility	Equity-Centered Best Practice	X						X	X	X	
Community Engagement	Equity-Centered Best Practice	X						X	X	X	
More Support for BIPOC Contractors	Equity-Centered Best Practice			X		X	X	X		X	
Representation	Equity-Centered Best Practice	X						X	X	X	
Tailored Messaging About Feasibility	Equity-Centered Best Practice	X						X	X	X	
Targeted Community Outreach	Equity-Centered Best Practice	X						X	X	X	
Word-of-Mouth in BIPOC Communities	Equity-Centered Best Practice	X						X	X	X	
Public Benefit Incentive Programs	General Promising Practice with Equity Impacts	X	X	X	X		X	X	X	X	
ADU Ally Services	General Promising Practice with Equity Impacts	X	X					X			
Allow Family Members to Occupy the ADU	General Promising Practice with Equity Impacts		X		X			X	X	X	
Allows Families to Pool Resources	General Promising Practice with Equity Impacts			X				X	X	X	
Community Land Trust Models	General Promising Practice with Equity Impacts	X		X		X	X	X		X	
Flexible Underwriting and Income Qualification	General Promising Practice with Equity Impacts			X				X	X		X
Third-Party Feasibility Consultations	General Promising Practice with Equity Impacts	X	X					X	X	X	X
Peer-to-peer Learning	General Promising Practice with Equity Impacts	X	X				X			X	
Pre-Development Grants	General Promising Practice with Equity Impacts		X	X			X	X		X	
Pre-Reviewed or Pre-Approved Plans	General Promising Practice with Equity Impacts		X	X				X			
Scale and Affordability	General Promising Practice with Equity Impacts					X		X			
Second Mortgage ADU loans	General Promising Practice with Equity Impacts			X				X	X		X
Strong Landlord and Property Management Support	General Promising Practice with Equity Impacts	X	X		X			X	X	X	
Tenant Matching that Works for Both Parties	General Promising Practice with Equity Impacts		X		X		X	X			
Third-Party Project Management	General Promising Practice with Equity Impacts	X	X	X			X	X	X	X	X
Wide Dissemination of State Guidance	General Promising Practice with Equity Impacts		X				X				
Backyard Lease Models	Potentially Promising, with Caveats		X	X	X			X		X	
Lower-Cost Product Types	Potentially Promising, with Caveats		X	X			X	X			
Targeted Amnesty/Legalization Programs w/ Adequate Funding	Potentially Promising, with Caveats	X	X	X				X		X	

Appendix B: Lessons Learned from Public Benefit Incentive Programs

In addition to practices in this memo, here are some important features for public benefit incentive programs designed to support LMI BIPOC homeowners. For detailed recommendations, see [Hello Housing's ADU Incentive Program Equity Roadmap](#) and Napa Sonoma ADU Center's [Menu of Incentives for Affordable ADUs](#).

- **Provide an Opt Out.** An opt-out option that allows homeowners to exit the program at any time. For example, the Pasadena program allows homeowners to exit the program by paying a penalty fee, which is disclosed when the homeowner applies. Housing Director William Huang notes the penalty was not a deterrent, as the program received many more applications than it could serve.
- **Test Cases.** The detailed terms and conditions of the program should be carefully thought through with all implementation partners. Nikki Beasley notes the value of collaboratively taking one or more test projects all the way through the process to iron out kinks. She suggests even going item-by-item through the underwriting process or step-by-step through permitting with city/county permitting staff to understand where the points of friction arise.
- **Match Incentives to Restriction.** Several ADU pilot programs have proven unsuccessful due to overly restrictive terms that outweighed the benefit of the homeowner incentive. For example, there may not be enough takers for a \$20,000 loan with a 30 year affordability restriction at 60% AMI, but raising the loan limit or decreasing the length or depth of the affordability restriction may generate sufficient interest from homeowners. Renée Schomp points to the relatively generous loan limits and five-year forgiveness period of Napa County's Affordable ADU Forgivable Loan Program as reasonable terms designed to promote accessibility to LMI BIPOC borrowers.
- **Start with a Wide Funnel.** All program leads pointed to the importance of starting with a pool of applicants that is much larger - three to ten times larger - than the anticipated number of completed projects. Depending on how broad the eligibility and feasibility criteria are and how much assistance is offered, the ratio of qualified-to-interested homeowners may be surprisingly low. Outreach efforts should anticipate and work toward a realistic ratio. Jen

Duffy of Hello Housing recommends that applications include demographic info, such as race/ethnicity and languages spoken. Periodic review of applicant demographics helps assess whether outreach is effective at reaching a diverse applicant pool or must be modified to achieve more equitable outcomes. Additionally, attrition should be expected at various phases of the program and anticipated by program budget planning.

- **Set Higher Loan limits or Prioritize Grants or Forgivable Loans.** Many program leads emphasize that LMI BIPOC homeowners are disproportionately debt-averse due to awareness of or experiences with discriminatory and predatory lending practices. Others have limited cash or equity against which to borrow, and taking on debt is simply not possible. Fabian Casarez of Neighborhood Partnership Housing Services, an ADU wholesaler, and Chaz Kern of Office of: Office both suggest that due to racial-economic disparities, programs that aim to serve LMI BIPOC households should provide deeper levels of financial assistance.
- **Simplify Program Description and Terms.** The simpler, the better when it comes to a successful affordable ADU program. Program eligibility criteria and terms should be clearly defined. Low-interest, shared equity, and forgivable loan terms should include examples for how each of these loans work. If working with lenders, Jennifer Duffy recommends that ADU practitioners ask lending partners to create loan term sheets that do not require financing knowledge to understand. Confusing terms and descriptions prevent many qualified homeowners from even applying.

Brief Descriptions of Public Benefit Incentive Programs

Northern California

[The Napa Sonoma ADU Center](#) is a fiscally-sponsored project of Napa Valley Community Foundation that launched in 2020. Napa Sonoma ADU provides support to homeowners and ADU professionals throughout its 16-jurisdiction service area. Key resources include low-cost one-on-one feasibility consultations, a gallery of 50+ plan sets including 4 pre-reviewed plan sets (with more coming), ADU calculator, inspiring local ADU stories, and detailed guides. In addition, Napa Sonoma ADU supports the development of government policies and programs that make it easier and more cost-effective to build an ADU. In its first two years, Napa Sonoma ADU provided 407 customized ADU reports to homeowners. A voluntary November 2022 survey of consultation participants found that 78% of homeowners were moving forward with their projects, which translates to over 300 ADU projects in process after two years, with more than 20 in permitting, 8 under construction and 4 ADUs

completed. Napa Sonoma ADU advised on the development of Redwood Credit Union's ADU Construction Loan and Napa County's Affordable ADU Loan Program.

Keys to Equity was collaboratively developed by Richmond Neighborhood Housing Services (RNHS) and the City of Oakland with funding from the Chan Zuckerberg Initiative (CZI) to help simplify and streamline the process for constructing ADUs in Oakland. Program partners include Self-Help Federal Credit Union, the San Francisco Foundation, and Housing and Economic Rights Advocates while design partners include RBA Creative, blink!LAB architecture, and the WellNest Company. The program provides one-on-one guidance through the development process and a suite of benefits for eligible homeowners, including ADU architectural designs, analysis of your finances and assistance obtaining a loan, access to a customized financial product, design + permitting, and construction management. This program is intended to create more housing in areas that are at-risk of greater displacement and expand access to wealth-building for homeowners, with a focus on Black homeowners and those who have been disproportionately impacted by systemic racial and economic inequities within the housing system. The Program has provided ADU education to over 200 homeowners, with the first projects projected to break ground in the summer of 2023.

Hello Housing is a Bay Area affordable housing nonprofit that partners with local governments to develop and administer affordable homeownership programs that support working families and grow generational wealth. In 2020, Hello Housing expanded its practice areas to start providing ADU and JADU support services to homeowners throughout the Bay Area. Hello designs and implements ADU programs in partnership with local governments, including the counties of San Mateo, Alameda, Marin, and Santa Cruz. Hello Housing provides one-on-one support from ADU design and construction experts. Hello's services include conducting feasibility analyses, helping the homeowner identify third-party designers and contractors, vetting contract terms and costs, construction project management, and support with lease-up needs. To date, Hello has met with over 1,800 homeowners through individual consultations and completed 20 projects, with 56 more in various stages of design, permitting and construction.

EPA CAN DO's mission is to create affordable housing and to promote community and economic development in the City of East Palo Alto by building and maintaining affordable housing. The organization also administers the City of East Palo Alto's permanently affordable homeownership program, was at the forefront of foreclosure prevention casework during the "mortgage meltdown," and has partnered with the City and regional nonprofits to co-develop 75% of the permanently affordable rental apartments in the East Palo Alto. EPA CAN DO initially entered the ADU space as part of a community coalition working on garage conversions as an anti-displacement strategy. With a grant from the Packard Foundation, its CAN DO ADU project, launched in 2021, now offers homeowners in East Palo Alto hands-on support with

planning, building, and renting an ADU. Services include evaluating how an ADU can fit on a residential lot, referrals to design-build teams and access to pre-designed plans, financial readiness assessments, information on available financing options, and construction project management. Over 80 households have sought its services, and units completed under the project are affordable at 80% AMI. To date, EPA CAN DO has completed 5 units and has another 5 in its development pipeline.

Southern California

The Pasadena Second Unit ADU Program was launched in 2020 by the City's housing department as a pilot to incentivize homeowners to create an affordable rental unit on their property. This program offers homeowners comprehensive assistance for financing, designing, permitting, and constructing an ADU. Specifically the program provides homeowners financial assistance to build an ADU through new construction or garage conversion. Assistance is also available to rehabilitate and bring up to code an existing unpermitted "granny flat" or illegal ADU conversion (*garage, back house, pool house). The City utilizes a third party ADU Consultant to provide advice to homeowners in choosing the architect, builders, planners, and contractors needed for the ADU design and construction. The ADU Consultant assists the homeowner at every stage from pre-design to permitting to bid preparation, providing project oversight and acting as liaison to the general contractor. The program has completed three units with one more currently under construction.

The Backyard Homes Project is a City of Los Angeles-based affordable housing initiative that helps homeowners build a new affordable rental Accessory Dwelling Unit (ADU) in their backyard. The program, initiated by LA Más and now led by Office of: Office, was developed to explore the viability of ADUs as an affordable housing option. The goal was to promote stability for housing insecure tenants, while supporting homeowners in earning reliable income from their new rental unit. Launched in 2018, this program offered a one-stop-shop to support homeowners with technical assistance, including financing, design, permitting, construction, and tenant matching. Other program offerings include free landlord education and project management. Participants that have received this support are committed to renting to a Section 8 or Rapid Rehousing voucher holder for a minimum of 5 years. The program offered a suite of prototype ADUs in three different styles for homeowners to select from that could reflect the context of their community, or their personal culture. A final 5 homeowners were selected to participate in the pilot program, with 3 units now completed and two more in the permitting process.

HPP Cares is a California nonprofit certified HUD Approved consumer credit, debt and housing counseling agency. HPP Cares is committed to educating consumers on financial matters. Certified HUD Approved housing counselors provide personal assistance through budget counseling, housing counseling and debt management

strategies to lower credit card interest rates and monthly payments. HPP Cares was drawn into the ADU space when the team observed the intense need for ADU education, training and support for low-and-moderate income households. The organization now offers educational webinars, training on landlord-tenant responsibilities, train-the-trainer workshops, and detailed information on all stages of the ADU development process, including feasibility and cost estimates. HPP Cares was a nonprofit administrator of CalHFA ADU grants.

[The San Diego ADU Bonus Program](#) was created in 2021 in response to AB 671, which mandates local jurisdictions to incentivize the construction of affordable ADUs without any specific direction or parameters as to how that should be accomplished. The Program allows the construction of one additional unrestricted ADU for every ADU that is deed-restricted as affordable to moderate-income households for a period of 15 years or restricted as affordable to low-income households for 10 years. Outside of Transit Priority Areas (TPAs), projects would be limited to one additional unrestricted ADU. Within TPAs, the number of additional ADUs does not have a specific limit. In just over a year since its launch, the program has permitted an additional 253 units beyond the 147 allowed by state law, with 295 deed restricted ADUs created, indicating a significant boost in the pipeline of affordability-restricted housing stock.

Outside California

[BackHomeADU](#) is a Portland-based nonprofit that offers assistance to homeowners to build an ADU for rental to a tenant at 80% AMI or below. The goal of this pilot program is to attract and harness private sector partners (and their resources) to create public sector, community-first solutions in a model that doesn't require taxpayer funding. The pilot will provide capital for 20 ADU loans for homeowners in the counties of Multnomah, Washington, and Clackamas, aiming to demonstrate a viable program during the pilot, then expand the program region wide. The program requires little up-front investment from the homeowners while offering monthly cash flow from a portion of rent payments. The program works with specific local partners to provide financing, a factory-built unit, and full service property management. To date, the pilot program has completed 9 with an additional 12 in construction.

[West Denver Renaissance Collaborative \(WDRC\)](#) is a collective impact initiative of the Denver Housing Authority (DHA) advocating and providing community-responsive solutions with community members, public agencies, non-profits, and foundations focused on west Denver. The West Denver Single Family Plus (WDSF+) ADU Pilot Program works with homeowners and program partners, including the City's Housing and Stability Department to plan, price, design, finance, permit, and build affordably restricted detached ADUs on single family residential property. The ADU pilot program was designed and funded with

four goals: to stabilize homeowners and minimize displacement, provide wealth-building opportunities, create new long-term affordable units, and promote equitable access to ADU development by offering financial subsidies and technical support around design, financing, and construction in exchange for a 25-year affordability restriction. Results from the first full year of development show the ADU pilot program is repositioning ADUs as a tool for homeowner stabilization, family economic mobility, and affordable housing that is “context sensitive,” adding much needed housing within single-family residential neighborhoods in west Denver. To date, the pilot has 8 units completed, 4 units in construction, 7 units in permitting, 2 in loan pre-approval, and 6 homeowners exploring project feasibility with Housing Counselors.

Backyard ATL. Backyard ATL is a backyard lease model serving South Atlanta that builds affordable ADUs on private owner-occupied properties and rents the finished units out while returning a portion of the rents to the homeowner. Backyard ATL’s model offers a no-cost solution that covers the design, financing, and construction of an affordable rental unit on a homeowner’s lot. This feature provides access to wealth creation for homeowners who might not otherwise have the capital to build an ADU on their own. Over the next five years, Backyard ATL expects to scale their capacity as developers and work to develop 250 ADU units per year. The ADUs will be rented between 60%-80% of AMI, with a focus on low-to-moderate income communities. Backyard ATL has developed relationships with several local nonprofit community development organizations to help build a pipeline, identify investors, and engender local community trust. Partners include Focused Community Strategies, Reinvestment Fund, and the City of Atlanta. To date, Backyard ATL has completed 10 units, with 5 more under construction and another 30 in predevelopment.

United Planning Organization’s ADU DC Initiative was a pilot in Washington DC to make accessory dwelling units (ADUs) more accessible to lower-income homeowners in Washington, DC. The initiative was launched in collaboration with Coalition for Smarter Growth and Citi Community Development with a goal of using ADUs to address the racial wealth and homeownership gap in DC. ADU DC aimed to help qualified homeowners build ADUs on their properties, allow greater access to affordable and lower-priced housing in the District, and add housing stock by educating homeowners about ADU development, zoning, permitting, design, and financing. The initiative resulted in the creation of a Homeowner’s ADU manual and procedural recommendations for government. The pilot resulted in the design of two units.

Resources & Links

California Housing Finance Agency
<https://www.calhfa.ca.gov/>

California Department of Housing and Community Development
<https://www.hcd.ca.gov/policy-and-research/accessory-dwelling-units>

HCD Handbook (updated July 2022)
<https://www.hcd.ca.gov/sites/default/files/2022-07/ADUHandbookUpdate.pdf>

Casita Coalition Guidebooks & Resources
<https://www.casitacoalition.org/guidebooks-and-resources>

UC Berkeley Turner Center for Housing Innovation Reports & Publications
<https://turnercenter.berkeley.edu/research-and-policy/>

Southern California Association of Governments ADU Planning & Development
<https://scag.ca.gov/adu-planning-and-development>

AccessoryDwellings.org

Casita Coalition Webinar Recordings
<https://www.youtube.com/@casitacoalition>

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