

SACOG REGIONAL ACCESSORY DWELLING UNIT AFFORDABILITY ANALYSIS

INTRODUCTION

Government Code section 65583.1 details how local governments can consider alternate means of accommodating the RHNA beyond vacant and underutilized sites. The potential for Accessory Dwelling Units (ADUs) within the planning period is one of these available alternative means. Since the location and rents of projected ADUs are unknown, local governments must make assumptions about which RHNA income categories they should be counted towards. The purpose of this advisory is to provide local governments in the SACOG region with an assumption for ADU affordability that can be used to assign ADUs to RHNA income categories in Cycle 6 (2021-2029) Housing Elements.

The results of this analysis have been reviewed by the State Department for Housing and Community Development (HCD) and have been found to be satisfactory. There are a number of ways to conduct this analysis. This guidance relies on a survey of existing ADU rents throughout the region in January and February 2020. However, there are other ways to conduct this analysis. For example, local governments could consider square footage, number of bedrooms, amenities, age of the structure, general location. Another method could examine current market rents for reasonably comparable rental properties to determine an average price per square foot in the community. Given the variety of potential approaches, jurisdictions are free to provide their own analysis and assumptions should they choose.

The table below provides the results of the analysis, which can be used to make assumptions about ADU affordability in the SACOG region. The analysis provides separate assumptions for three areas within the region. The affordability differences reflect the relative difference in household income, according to 2019 State income limits. The following pages include a detailed, step-by-step walkthrough of how the assumptions below were derived.

ADU Affordability by County			
Category	Sacramento, Placer, and El Dorado Counties	Yuba and Sutter Counties	Yolo County
Extremely Low	15%	15%	15%
Very Low	6%	1%	10%
Low	35%	14%	44%
Moderate	43%	49%	30%
Above Moderate	1%	21%	1%

STEP-BY-STEP SUMMARY

1. Affordability Breakdown of Rented ADUs in Sacramento Region
 - a. Calculate maximum rent limits for RHNA income categories for both one-person and two-person households in each county
 - b. Conduct survey of rents for ADUs in the Sacramento region
 - c. Use above survey to determine proportion of ADUs within each income category for both one-person and two-person households
 - d. Make assumption for what percentage of ADUs will be occupied by one-person households and two-person households
 - e. Use (d) to combine proportions from (c) into single breakdown of rented ADUs by income category by county
2. Affordability Breakdown of non-rented ADUs in Sacramento Region
 - a. Make assumption for what % of ADUs are rented for free based on existing literature and allocate those towards ELI
3. Combine rented and free ADUs into single affordability breakdown by county

1. AFFORDABILITY BREAKDOWN OF RENTED ADUS

A) Calculate maximum rent limits for RHNA income categories for both one-person and two-person households by county

Sacramento, Placer, and El Dorado Counties Maximum Rent by RHNA Income Category					
Category	Income Range	One Person Household		Two Person Household	
		Income ¹	Max Rent ²	Income ¹	Max Rent ²
Extremely Low	Below 30% of area median income	\$17,600	\$440	\$20,100	\$503
Very Low	30%-50% of area median income	\$29,300	\$733	\$33,450	\$836
Low	50%-80% of area median income	\$46,850	\$1,171	\$53,550	\$1,339
Moderate	80%-120% of area median income	\$70,200	\$1,755	\$80,250	\$2,006
Above Moderate	Over 120% of area median income	No max	No max	No max	No max

1) Maximum of income range multiplied by household median income average based on 2019 State income limits (<https://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-income-limits/docs/Income-Limits-2019.pdf>)

2) Income maximum multiplied by 30% divided by 12 to yield monthly maximum affordable rent

Yuba and Sutter Counties Maximum Rent by RHNA Income Category					
Category	Income Range	One Person Household		Two Person Household	
		Income ¹	Max Rent ²	Income ¹	Max Rent ²
Extremely Low	Below 30% of area median income	\$13,650	\$341	\$16,910	\$423
Very Low	30%-50% of area median income	\$22,700	\$568	\$25,950	\$649
Low	50%-80% of area median income	\$36,300	\$908	\$41,500	\$1,038
Moderate	80%-120% of area median income	\$54,450	\$1,361	\$62,200	\$1,555
Above Moderate	Over 120% of area median income	No max	No max	No max	No max

1) Maximum of income range multiplied by household median income average based on 2019 State income limits (<https://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-income-limits/docs/Income-Limits-2019.pdf>)

2) Income maximum multiplied by 30% divided by 12 to yield monthly maximum affordable rent

Yolo County Maximum Rent by RHNA Income Category					
Category	Income Range	One Person Household		Two Person Household	
		Income ¹	Max Rent ²	Income ¹	Max Rent ²
Extremely Low	Below 30% of area median income	\$18,450	\$461	\$21,100	\$528
Very Low	30%-50% of area median income	\$30,800	\$770	\$35,200	\$880
Low	50%-80% of area median income	\$49,250	\$1,231	\$56,250	\$1,406
Moderate	80%-120% of area median income	\$73,850	\$1,846	\$84,400	\$2,110
Above Moderate	Over 120% of area median income	No max	No max	No max	No max

1) Maximum of income range multiplied by household median income average based on 2019 State income limits (<https://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-income-limits/docs/Income-Limits-2019.pdf>)

2) Income maximum multiplied by 30% divided by 12 to yield monthly maximum affordable rent

B) Conduct survey of rents for ADUs in the Sacramento region

The survey, included as appendix A, includes location, rent, sqft (if available), and a link for 49 accessory dwelling units across the Sacramento region. SACOG used key word searches (ADU, backyard cottage, in-law, granny flat, carriage unit, etc) across a variety of rental housing search engines. ADUs were found across 14 of the region’s jurisdictions. Prices ranged from \$600 to \$2,000 per month and from 250 to 1,500 square feet. The median ADU was approximately 600 sqft and rented for just over \$1,200.

C) Use regional survey to determine proportion of ADUs within each income category for both one-person and two-person households

Sacramento, Placer, and El Dorado Counties Surveyed ADU Income Categories				
Category	One Person Household		Two Person Household	
	Number of Surveyed ADUs within Range ¹	Percent of Surveyed within Range ²	Number of Surveyed ADUs within Range ¹	Percent of Surveyed within Range ²
Extremely Low	0	0%	0	0%
Very Low	2	4%	5	10%
Low	14	29%	26	53%
Moderate	32	65%	18	37%
Above Moderate	1	2%	0	0%

1) Number of all surveyed ADUs in step B that fall within the max rent in each RHNA income category

2) Percent of all surveyed ADUs

Yuba and Sutter Counties Surveyed ADU Income Categories				
Category	One Person Household		Two Person Household	
	Number of Surveyed ADUs within Range ¹	Percent of Surveyed within Range ²	Number of Surveyed ADUs within Range ¹	Percent of Surveyed within Range ²
Extremely Low	0	0%	0	0%
Very Low	0	0%	1	2%
Low	6	12%	10	20%
Moderate	25	51%	32	65%
Above Moderate	18	37%	6	12%

1) Number of all surveyed ADUs in step B that fall within the max rent in each RHNA income category

2) Percent of all surveyed ADUs

Yolo County Surveyed ADU Income Categories				
Category	One Person Household		Two Person Household	
	Number of Surveyed ADUs within Range ¹	Percent of Surveyed within Range ²	Number of Surveyed ADUs within Range ¹	Percent of Surveyed within Range ²
Extremely Low	0	0%	0	0%
Very Low	5	10%	6	12%
Low	22	45%	29	59%
Moderate	21	43%	14	29%
Above Moderate	1	2%	0	0%

1) Number of all surveyed ADUs in step B that fall within the max rent in each RHNA income category

2) Percent of all surveyed ADUs

D) Make assumption for what percentage of ADUs will be occupied by one-person households and two-person households

Based on the survey results below from Portland, we will assume that ADU residents are split 50% as one-person households and 50% as two-person households. Assuming household sizes greater than two would increase the assumed affordability of ADUs because these households have higher median incomes. Using only one- and two-person households yields a more conservative estimation of ADU affordability.

Number of Adults	Number of Households	Percent of Total
1	72	51%
2	61	43%
More than 2	8	6%
Total	141	
*Based on survey done of Portland ADU residents in 2018		

E) Use (D) to combine proportions from (C) into single breakdown of rented ADUs by income category

Sacramento, Placer, and El Dorado Counties Affordability Assumption for Rented ADUs			
Category	Affordability Assumption 1-Person Households	Affordability Assumption 2-Person Households	Combined Affordability Assumption for Rented ADUs ¹
Extremely Low	0%	0%	0%
Very Low	4%	10%	7%
Low	29%	53%	41%
Moderate	65%	37%	51%
Above Moderate	2%	0%	1%

1) Based on assumption that ADUs will be occupied by 50% one-person households and 50% two person households, as outlined in (D)

Yuba and Sutter Counties Affordability Assumption for Rented ADUs			
Category	Affordability Assumption 1-Person Households	Affordability Assumption 2-Person Households	Combined Affordability Assumption for Rented ADUs ¹
Extremely Low	0%	0%	0%
Very Low	0%	2%	1%
Low	12%	20%	16%
Moderate	51%	65%	58%
Above Moderate	37%	12%	24%

1) Based on assumption that ADUs will be occupied by 50% one-person households and 50% two person households, as outlined in (D)

Yolo County Affordability Assumption for Rented ADUs			
Category	Affordability Assumption 1-Person Households	Affordability Assumption 2-Person Households	Combined Affordability Assumption for Rented ADUs ¹
Extremely Low	0%	0%	0%
Very Low	10%	12%	11%
Low	45%	59%	52%
Moderate	43%	29%	36%
Above Moderate	2%	0%	1%

1) Based on assumption that ADUs will be occupied by 50% one-person households and 50% two person households, as outlined in (D)

2. AFFORDABILITY BREAKDOWN OF NON-RENTED ADUS

Accessory Dwelling Units are sometimes rented for free, usually to family members. It is difficult to estimate exactly how many ADUs will be rented for free, but there have been surveys that attempt to estimate the proportion:

- A 2012 UC Berkeley publication entitled “Scaling up Secondary Unit Production in the East Bay” indicates that approximately half of all secondary dwelling units are unpaid.¹
- A 2018 report entitled “Jumpstarting the market for ADUs” surveyed ADUs in Portland, Seattle, and Vancouver and found that approximately 17% of ADUs were occupied by a friend or family member for free.²
- A 2014 analysis entitled “Accessory dwelling units in Portland, Oregon: evaluation and interpretation of a survey of ADU owners” found that “18% of Portland ADUs are occupied for free or extremely low cost.”³

Based on these surveys, this analysis will conservatively assume that 15% of ADUs will be available at rents affordable to Extremely Low Income households.

¹

https://communityinnovation.berkeley.edu/sites/default/files/scaling_up_secondary_unit_production_in_the_east_bay.pdf?width=1200&height=800&iframe=true

² http://turnercenter.berkeley.edu/uploads/ADU_report_4.18.pdf

³ <https://accessorydwellings.files.wordpress.com/2014/06/adusurveyinterpret.pdf>

3. COMBINE RENTED AND NON-RENTED ADUS INTO CONSOLIDATED AFFORDABILITY BREAKDOWN

Sacramento, Placer, and El Dorado Counties Affordability Assumption for All ADUs			
Category	Affordability Assumption for Rented ADUs ¹ 85% of Total	Affordability Assumption for Non-Rented ADUs ² 15% of Total	Affordability Assumption for all ADUs ³ 100% of Total
Extremely Low	0%	100%	15%
Very Low	7%	0%	6%
Low	41%	0%	35%
Moderate	51%	0%	43%
Above Moderate	1%	0%	1%

1) See Step 1.E

2) See Step 2

3) Combined by multiplying rented ADUs by 85% and non-rented ADUs by 15%

Yuba and Sutter Counties Affordability Assumption for All ADUs			
Category	Affordability Assumption for Rented ADUs ¹ 85% of Total	Affordability Assumption for Non-Rented ADUs ² 15% of Total	Affordability Assumption for all ADUs ³ 100% of Total
Extremely Low	0%	100%	15%
Very Low	1%	0%	1%
Low	16%	0%	14%
Moderate	58%	0%	49%
Above Moderate	24%	0%	21%

1) See Step 1.E

2) See Step 2

3) Combined by multiplying rented ADUs by 85% and non-rented ADUs by 15%

Yolo County Affordability Assumption for All ADUs			
Category	Affordability Assumption for Rented ADUs ¹ 85% of Total	Affordability Assumption for Non-Rented ADUs ² 15% of Total	Affordability Assumption for all ADUs ³ 100% of Total
Extremely Low	0%	100%	15%
Very Low	11%	0%	10%
Low	52%	0%	44%
Moderate	36%	0%	30%
Above Moderate	1%	0%	1%

1) See Step 1.E

2) See Step 2

3) Combined by multiplying rented ADUs by 85% and non-rented ADUs by 15%

APPENDIX A: SACRAMENTO REGION ACCESSORY DWELLING UNIT SURVEY

County	Jurisdiction	Address	General Location	Price	Sq Ft	Price/Sqft	Date Found
Sacramento	Sacramento		Land Park	\$ 1,000	250	\$4.00	1/29/2020
Sacramento	Sacramento		South Sacramento	\$700	270	\$2.59	1/29/2020
Yolo	West Sacramento	1520 Virginia Ave		\$ 1,000	400	\$2.50	1/29/2020
Sacramento	Sacramento		Colonial Heights	\$750	450	\$1.67	1/29/2020
Placer	Lincoln		Saint Tropez Ln,	\$ 1,200	450	\$2.67	1/29/2020
Sacramento	Sacramento		Land Park	\$ 1,150	500	\$2.30	1/29/2020
Sacramento	Sacramento County	2143 Bircher Way	Carmichael	\$ 1,197	500	\$2.39	1/29/2020
Sacramento	Sacramento	2848 Marshall Way	Curtis Park	\$ 1,200	550	\$2.18	1/29/2020
Sacramento	Sacramento	1314 Q St APT 2	Midtown	\$ 1,195	571	\$2.09	1/29/2020
Yolo	Woodland	1255 East Oak #C		\$975	600	\$1.63	1/29/2020
Sacramento	Sacramento County		Fair Oaks	\$ 1,100	600	\$1.83	1/29/2020
Sacramento	Elk Grove		Near Sheldon	\$ 1,200	600		1/29/2020
Sacramento	Sacramento		Alhambra Triangle	\$ 1,395	650	\$2.15	1/29/2020
Sacramento	Sacramento	4157 6th Ave	Oak Park	\$ 1,250	700	\$1.79	1/29/2020
Sacramento	Sacramento	4311 21st St	Land Park	\$ 1,650	700	\$2.36	1/29/2020
Placer	Placer County		Newcastle	\$ 1,150	725	\$1.59	1/29/2020
Sacramento	Sacramento		South Natomas	\$ 1,250	800	\$1.56	1/29/2020
Sacramento	Sacramento		Oak Park	\$ 1,500	820	\$1.83	1/29/2020
Sacramento	Sacramento County		Arden-Arcade	\$ 1,400	900	\$1.56	1/29/2020
Sacramento	Folsom		Historic Folsom	\$ 1,975	1000	\$1.98	1/29/2020
Placer	Loomis		King Road near Penryn	\$ 1,500	1100	\$1.36	1/29/2020
Sacramento	Folsom		Historic Folsom	\$ 1,275	1500	\$0.85	1/29/2020
Sacramento	Sacramento	4201 53rd St	Colonial Heights	\$ 1,075	1br		1/29/2020
Placer	Placer County		Granite Bay	\$ 1,395			1/29/2020
El Dorado	El Dorado County		El Dorado Hills	\$ 1,500			1/29/2020
Placer	Lincoln			\$ 1,200	450	\$2.67	2/3/2020
Yolo	Davis	1044 Strawberry Ter	Cannery	\$ 1,500	455	\$3.30	2/3/2020
Sacramento	Sacramento	3556 Folsom Blvd	East Sacramento	\$ 1,300	550	\$2.36	2/3/2020
Placer	Roseville		West Roseville	\$ 1,595	550	\$2.90	2/3/2020
Sacramento	Sacramento		Midtown	\$950	700	\$1.36	2/3/2020
Placer	Lincoln		Lyles near 193	\$ 1,200	1br		2/3/2020
Sacramento	Folsom		American River Canyon	\$ 1,700	550	\$3.09	2/7/2020
Sacramento	Sacramento County	7619 Blue Bell Cir	Vineyard	\$ 1,200	600	\$2.00	2/7/2020
El Dorado	El Dorado County		West of Placerville	\$ 1,500	600	\$2.50	2/7/2020
Sacramento	Sacramento		Natomas	\$ 1,200	650	\$1.85	2/7/2020
Sacramento	Sacramento County		North Highlands	\$750	1br		2/7/2020

County	Jurisdiction	Address	General Location	Price	Sq Ft	Price/Sqft	Date Found
Sacramento	Sacramento	1740 39th Street	East Sacramento	\$871	1br		2/7/2020
Sacramento	Sacramento	5351 B Street	East Sacramento	\$ 1,211	1br		2/7/2020
Yolo	West Sacramento		Southport	\$ 1,550			2/7/2020
Sacramento	Galt	134 Oak Avenue	Central Galt	\$750	1br		2/13/2020
Sacramento	Sacramento	2418 28th St	Midtown	\$ 1,500	1br		2/13/2020
Sacramento	Sacramento			\$600			2/13/2020
Sacramento	Sacramento		Elmhurst	\$950			2/13/2020
Yolo	Woodland		Central Woodland	\$ 1,200	300	\$4.00	2/28/2020
Sacramento	Sacramento	1310 P St	Downtown	\$ 1,395	500	\$2.79	2/28/2020
Sacramento	Sacramento County		Fair Oaks	\$ 1,580	600	\$2.63	2/28/2020
El Dorado	Placerville		Placerville	\$ 1,600	700	\$2.29	2/28/2020
Sacramento	Sacramento		Natomas	\$ 1,100	720	\$1.53	2/28/2020
Sacramento	Sacramento	2418 28th St	Midtown	\$ 1,500	1br		2/28/2020