



County of Santa Cruz

HOUSING ADVISORY COMMISSION

701 Ocean Street, Room 418, Santa Cruz, CA 95060

(831) 454-2332 TDD: 711

[https://cdi.santacruzcountyca.gov/Planning/Housing/HousingAdvisoryCommission\(HAC\).aspx](https://cdi.santacruzcountyca.gov/Planning/Housing/HousingAdvisoryCommission(HAC).aspx)

DATE: March 25, 2026
TO: Housing Advisory Commission (HAC)
FROM: Suzanne Isé, Principal Planner, CDI Housing Section
SUBJECT: Accessory Dwelling Unit (ADU) Policy Recommendations

Background

On April 29, 2025, the Board of Supervisors directed the Housing Advisory Commission to review two policy opportunities related to Accessory Dwelling Units (ADUs), an affordable ADU bonus program and condominium conversion of ADUs and take related actions. The Board requested that the HAC consider two ADU policy proposals below, and report back to the Board with a recommendation on their adoption to ensure that the County remains proactive in expanding housing access:

1. Condominium Conversion of ADUs (AB 1033 Implementation) and
2. Multiple ADUs on Single-Family Parcels (Affordable ADU Bonus Program)

The April 29, 2025 Board memorandum, with several exhibits, is attached to this report.

1. Staff presented a brief overview of the first of these two policies, Condominium Conversion of ADUs, to the HAC at its September 10, 2025 meeting, with a plan to bring this item back to the HAC for a formal recommendation at its next meeting. After that meeting, there was a delay of several months in scheduling the next HAC meeting due to the recent restructuring of the HAC, which resulted in a number of vacancies to be filled and a temporary lack of quorum. The March 25, 2026 meeting is the first HAC meeting to occur since September 2025, so it is the first opportunity for the HAC to develop a formal recommendation to the Board on this policy.
2. Multiple ADUs on Single-Family Parcels. Some background information on this program is provided below and in the attachments to this report.

The Community Development and Infrastructure Department (CDI), Planning Division, Policy and Housing Section staff coordinated to analyze these ADU policies and provide potential recommendations for the HAC's consideration. CDI's Policy staff take the lead

in drafting ordinances to amend County Code related to planning and land use, particularly Title 13 which includes the County's Zoning codes.

Recommended Meeting Procedures:

1. Hear staff presentation on both ADU policy options described above;
2. Open the floor for public comment;
3. Close the floor and return it to the Commissioners for deliberation and/or questions of staff; and
4. Formulate and vote on recommendations to the Board of Supervisors for implementation of these ADU policies.

Sample language for possible recommendations on each of the ADU program types is provided below.

Analysis

Both ADU policy options involved in this item are relatively new, and have been adopted by few California jurisdictions to date, therefore limited data is available on their implementation. Staff has compiled various materials about these programs, which is provided as an attachment to this report.

1. Separate Sale of ADUs

At the September 10, 2025 HAC meeting, some commissioners expressed concern about many of the requirements in AB 1033, such as the requirements to turn both the existing primary home and the ADU into condos, file a condo map, form an HOA, obtain lender approval, and separate utility accounts. These requirements make it very costly and onerous for a typical homeowner to pursue separate sale of their ADU. There were also concerns expressed that turning the primary home into a condo could reduce its value. As it stands, the process required by AB 1033 appears to be more feasible for experienced developers with significant resources to dedicate to this type of project. To date, staff has found several examples of completed AB 1033 projects, located in San Jose. One such project "was developed by AlphaX RE Capital, a Bay Area real estate firm based in Cupertino and a member of the Bay Area Council's Board of Directors", as reported by the Bay Area Council on August 20, 2025.¹ Another project, located on Lantz Avenue in San Jose, resulted in the ADU being listed for sale for nearly \$1.6 million and the main home for over \$3 million.²

¹ <https://www.bayareacouncil.org/housing-and-sustainable-development/an-adu-first-in-san-jose-thanks-to-bay-area-council-legislation/>

² <https://www.kqed.org/news/12052050/san-jose-developers-pioneer-new-california-law-selling-adus-as-condos>

2. Multiple ADUs on Single Family Parcels (Affordable ADU Bonus Program)

Staff researched the San Diego program by searching material available online and connected with City of San Diego Housing staff to learn more about their ADU Bonus Program. The program was initiated in 2019 with a goal of inspiring more townhomes or townhome-like units with two or three bedrooms, and more deed-restricted moderate income units. The City, which typically issues building permits for an average of around 5,000 units per year, had noticed that many of their newly built units were small units of around 500 square feet, which are generally studios or one-bedroom units. They wanted to encourage development of more multiple-bedroom units sized for larger families. Because ADUs can be up to three bedrooms and up to 1,200 square feet in some cases, depending on lot size, etc., ADUs and this bonus program was developed as a potential way to encourage larger units and to encourage developers to agree to more moderate-income deed restricted units to address the City's Housing Element Regional Housing Needs Allocation (RHNA) development goals.

At the time this San Diego program was developed, state ADU law was not as expansive or prescriptive as it is now. Since that time, a large volume of new state legislation has been enacted, further expanding preemptive state law allowing certain types of ADU development statewide, and preempting local codes to a large extent. Now, state law allows every single-family property (as that term is defined in the law and the State ADU Handbook) to have up to four ADUs by right, although not every property has the characteristics needed to achieve all four types of ADUs. The four ADU types now allowed on a single-family property, as set forth in state law, include:

- 1 state-code³ ADU (which may be attached or detached),
- 1 junior ADU, which can be up to 500 SF and is a portion of the primary home,
- 1 conversion ADU, which is a conversion of existing space either in a primary home or another structure on the site, such as a garage or other outbuilding, which can be as big as the structure to be converted currently is, and
- An ADU allowed by local code (other than the "state-code" ADUs), which may be attached or detached.

The law is very complex and technical, so the above summary is a very simplified overview to provide some context for the ADU Bonus Program analysis. In addition to the ADUs allowed on single-family properties, state law also provides various ADU

³ In this report we use the term state-code ADUs to refer to what the state refers to as "66323 Units", which is based on Government Code Section 66323. Further details are available in the HCD ADU Handbook: <https://www.hcd.ca.gov/sites/default/files/docs/policy-and-research/adu-handbook-update.pdf>

options for multi-family properties. Because this item focuses on single-family properties, this report will not cover those multi-family ADU options.

The City of San Diego initially launched its ADU bonus program around 2020 without any maximum limit on the total number of ADUs that could be built. The codes at the time allowed these ADU bonus projects on a wide variety of property types and zone districts. As local developers and investors became aware of the unlimited nature of the program, and because ADUs are exempt from many impact fees and development standards, some developers took advantage of the program's unlimited nature and proposed projects of, in one case, 140 "ADUs", which was a large high-rise apartment building which did not look or feel anything like ADUs. While that project was never built, it generated a lot of media attention and controversy. Links to some of that media coverage are provided in the exhibits to this report.

Other developers started building projects of around 6-12 ADUs on large lots in certain under-resourced neighborhoods that often had larger lots in older single-family subdivisions. This trend also generated some community backlash and fair housing concerns, because these neighborhoods were under-resourced and did not have the transit, fire access, and services that would be ideal to serve these smaller missing middle, multifamily projects. Fair housing concerns were raised because these projects were being concentrated in under-resourced neighborhoods while wealthier, higher-resourced neighborhoods were not seeing many of these projects. The LA Fires also triggered concerns related to evacuation routes and fire safety.

Due to these unforeseen consequences and concerns, the City amended its program and related codes in mid-2025. The primary changes made to the program in 2025 are summarized in plain language as follows:

- Reducing the number of zone districts and lot sizes that were eligible for these projects;
- Placing an upper limit of 6 ADUs per project/property, based on a graduated scale depending on lot size, starting with lots of at least 8,000 SF in area, not including any areas designated for environmental protection. This cap includes all ADUs otherwise allowed by state law and local code (which can be up to 4 ADUs for some properties as described above), as well as the Bonus ADUs and the Affordable ADUs;
- Eliminating properties in High or Very High hazard zones unless the street has more than one exit route. This essentially eliminates sites on cul-de-sacs within these high fire hazard zones from the program.

- Requiring fire sprinklers for any ADUs in multi-unit structures, as required by the Building Code;
- Properties in certain zone districts that are within the TCAC-designated “Low Resource Areas” are no longer eligible for the program. This provision was required by HCD to address the fair housing concerns raised by trends occurring under the original program.
- Created a new infrastructure fee applicable to the bonus ADUs, which is in lieu of the local impact fees these new units would have to pay the City if they were codified as regular multi-family units instead of ADUs (since state law exempts all ADUs of 750 SF or less from most local impact fees). The City uses these fees to provide infrastructure to serve these new units.
- Parking requirements apply to bonus ADUs unless they are in transit priority areas.

Further details about the program are available in the exhibits to this report and on the City’s website.⁴

One lingering issue with these program changes is that the City’s Local Coastal Program (LCP), which implements City codes and land use policies within its Coastal Zone, still includes the original, unlimited ADU Bonus Program codes, because the Coastal Commission has not yet allowed the City to amend the LCP with the 2025 code amendments until they get a letter from the State HCD declaring that the 2025 program changes do not violate state law. HCD has not yet issued such a letter, although it has allowed the City to enact the changes outside the Coastal Zone, and resolved its initial concerns (expressed to the City in a letter sent shortly before the 2025 Council meeting where this ordinance was introduced). City staff noted that they were not aware of any ADU Bonus projects proposed to date in the Coastal Zone.

ADU Bonus Program Outcomes to date

The permitting data below was provided by City of San Diego staff. These figures reflect all ADU Bonus projects to date from program inception around 2020. The ADUs included in the “Total ADUs” columns below include all ADUs in the project, including those that would have been allowed under state law and local codes without the Bonus program, as well as the Bonus ADUs, and the Affordable ADUs.

⁴ <https://www.sandiego.gov/planning/work/housing/toolkit/accessory-dwelling-units>

Total Bonus ADU Projects Permitted	Total Affordable ADUs	Total ADUs
687	699	1,704

Staff also provided the data below, which includes permits issued in the approximate time period since the 2025 changes took effect (second half of 2025), although they could not confirm that all of these projects were permitted after the program was modified. These projects are a subset of the total projects included in the table above.

Total Bonus ADU Projects Permitted	Total Affordable ADUs	Total ADUs
111	121	308

The data below shows the affordability level of the Affordable ADUs permitted in the above-listed projects (including all projects since program inception around 2020):

Affordability Level of Affordable ADUs	No. of ADUs	Percent of Total
Very Low	11	2%
Low	53	8%
Moderate	635	91%
Total	699	100%

Each developer of an ADU project could choose from the above three affordability levels as set forth in the program. The program provides shorter terms of restriction for the lower affordability levels as compared to Moderate. The San Diego Housing Commission, which is a quasi-City agency serving as a housing authority and funding agency, provides the services needed to deed-restrict and monitor these affordable ADUs, at no cost to the City Planning Department.

Staff did some preliminary analysis on single-family zoned (R-1) properties within the County unincorporated area that have characteristics similar to those where the ADU Bonus Program is now allowed in San Diego, including a lot size of at least 8,000 square feet, within the Urban Services Line, and not in the high fire hazard zone. The initial results indicate there are nearly 800 such parcels. More information about these properties and program feasibility will be provided in the staff presentation.

Conclusion

With both ADU programs summarized above, based on the information available to date, the trends indicate that these types of ADU projects are being completed primarily by investor-owners and developers, not homeowners residing on the project site. While that is not necessarily a negative feature, interested parties should be aware of the costs and challenges facing interested homeowners wanting to take on such a project on their primary residence. With the San Diego program, staff reported that a cottage industry has developed building these ADU Bonus projects, which are providing a type of missing middle, multi-family infill housing in otherwise mostly single-family neighborhoods.

STAFF RECOMMENDATIONS

Staff recommend that the Commission consider and vote to recommend to the Board one or more of the following actions, or a modified version thereof, or form its own recommendation for each of the ADU policies listed below. For clarity, staff recommend taking a vote on each program's recommendations separately.

1. Condominium Conversion of ADUs (AB 1033 Implementation)

The HAC recommends that the Board of Supervisors:

- A. Direct CDI to continue to monitor new state legislation for amendments to AB 1033 to remove its onerous and costly condominium-related requirements; and bring this item back to the Board with proposed code amendments if those state requirements are reduced or eliminated; OR
- B. Direct CDI to add this item to its work program to draft an ordinance amending County Code to allow Condominium Conversion of ADUs pursuant to AB 1033, and to implement CDI's standard community engagement process on the proposed ordinance before bringing it to the Board for adoption; OR
- C. Take no action on this item at this time and reconsider the proposal during the next Housing Element Update, or when grant funding becomes available to cover the costs of implementing the necessary code amendments; OR
- D. Other recommendation as specified by the Commission.

2. Multiple ADUs on Single-Family Parcels (Affordable ADU Bonus Program)

The HAC recommends that the Board of Supervisors:

- A. Direct CDI to add an item to its work program to draft an ordinance amending County Code to allow a Missing Middle Affordable Unit Bonus Program similar in scale, function, and outcomes to San Diego's Affordable ADU Bonus Program, and to implement CDI's standard community engagement process on the proposed ordinance before bringing it to the Board for adoption; OR
- B. Direct CDI to research and/or develop additional missing middle infill program concepts, including possible examples from other communities, and continue this item to the next HAC meeting for further discussion and action; OR
- C. Take no action on this item at this time and reconsider the ADU Bonus Program proposal during the next Housing Element Update, or when grant funding becomes available to cover the costs of implementing the necessary code amendments; OR
- D. Other recommendation as specified by the Commission.

Exhibits:

- 1. April 29, 2025, Board Memorandum
- 2. Background on ADUs for Sale
- 3. Background on ADU Bonus Program