



COUNTY OF SANTA CRUZ

PLANNING DEPARTMENT

701 OCEAN STREET, 4TH FLOOR, SANTA CRUZ, CA 95060
(831) 454-2580 FAX: (831) 454-2131 TDD: (831) 454-2123
KATHLEEN MOLLOY, PLANNING DIRECTOR

Accessory Dwelling Unit Forgivable Loan Program April 2018

Program Summary

The purpose of the County's Accessory Dwelling Unit Forgivable Loan Program (ADU Loan Program) is to provide up to \$40,000 of County financing to property owners interested in constructing an ADU on their property who are willing to commit to renting the unit to low income households at affordable rents.

In exchange for participating in the ADU Loan Program, Homeowners will enter into a deed restriction for a period of 20 years that will require them to rent the ADU or the main house at a cost calculated to be affordable to low income households, defined as those whose incomes are at or below 80% of Area Median Income adjusted for household size as set forth in the County's Affordable Housing Guidelines.

The County's financial assistance is in the form of a three percent (3%) simple interest loan, deferred for 20 years and forgiven after twenty years if the unit has been rented as required by the Program. Homeowners may opt-out of the County's deed restriction agreement at any time, but repayment of the full amount of the loan plus interest at the time of repayment is required.

Loan funds can be used to defray the cost of constructing the ADU including for County building and impact fees such as capital improvement, sanitation, drainage district, school district and water district and building permit fees, and other costs, such as water district hook-up fees or septic system repair, expansion or replacement. The cost of construction, design and required studies are also permissible. Once applicants are approved and a project budget has been finalized, the County will deposit funds in escrow, and record a deed restriction.

Program Guidelines

Property Location

The new ADU must be located in the unincorporated Santa Cruz County area, which includes the North Coast, San Lorenzo Valley, Live Oak, Soquel, Aptos, Corralitos, Freedom and Amesti areas.

Loan Terms

Maximum loan amount:	\$40,000
Interest rate:	Three percent (3%) simple interest
Term:	20 years
Loan Forgiven:	Loan is forgiven at the end of the 20-year term if the unit has been rented consistent with the affordability restrictions
Security:	Loan and rent restriction agreement are secured by a deed of trust with the County of Santa Cruz recorded against the property.

Maximum Loan to Value Ratio

Total liens of record (including County loan) cannot exceed 100% of “post-construction” value of the property at the time of loan closing as estimated by an appraisal.

Approved Expenses

Loan transaction costs: County must approve budget for eligible costs including permit fees, design and construction. Loan transaction costs including property appraisal, escrow fees and title insurance costs are eligible loan expenses. Funds will be released upon submittal of draws to the County.

Ineligible Expenses

Code enforcement costs: Code enforcement staff costs to investigate existing units that were built without permits will not be reimbursed from County loan proceeds.

Tenant Income Limits

County assisted ADUs can only be rented to lower income households at lower income rental unit amounts as defined below.

The current “lower income” limits, as adjusted by household size, are as follows:

Household Size	1	2	3	4	5
Income Limit (80% of median)	\$56,500	\$64,550	\$72,600	\$80,650	\$87,150

Maximum rents

The current maximum allowable monthly rents for the rented unit will be affordable at 70% AMI and include utility allowances, are as follows:

2017 Affordable Rents and FMR rents		
Unit Size	70% AMI Rents	HUD Fair Market Rent*
Studio	\$988	\$1,316-\$1,378
1 Bedroom	\$1,235	\$1,551-\$1,624
2 Bedroom	\$1,588	\$2,063-\$2,161
3 Bedroom	\$1,764	\$2,746-\$2,876

*Rental amounts vary by Zip Code as updated by the Housing Authority of the County of Santa Cruz

General Terms

Tenant Income Verification: Housing Program staff will verify the eligibility of tenants.

Ongoing unit monitoring: Housing Program staff will verify affordable rent levels annually.

Exceptions to Guidelines: The Planning Director may make reasonable exceptions to these guidelines.

For more information on the County’s ADU Loan Program, please call 454-2336.