



COUNTY OF SANTA CRUZ

PLANNING DEPARTMENT

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Accessory Dwelling Unit Forgivable Loan Program

Updated October 2019

Program Summary

The County's Accessory Dwelling Unit Forgivable Loan Program (ADU Loan Program) offers loans of up to \$40,000 to homeowners adding an ADU to their property who are willing to rent the ADU to low income households at affordable rents for up to 20 years.

In exchange for the ADU Loan, homeowners will sign a deed restriction that requires them to rent the ADU or the main house at a low-income rent, as set forth below and in the County's Affordable Housing Guidelines.

The ADU Loan is provided at 3% simple interest, deferred for 20 years, and will be forgiven after 20 years if the ADU has been rented in compliance with the low-income restriction for the entire 20-year term. Homeowners may opt out of the deed restriction agreement at any time by paying back the loan in full (principal plus accrued interest) when they wish to opt out.

Loan funds may be used to pay for the ADU, including permitting and impact fees, design costs, utility connections and/or septic system improvements, and other project costs as approved by the Housing Division. Once applicants are approved and a project budget and timeline has been finalized, the County will fund the loan and record the deed restriction. Most ADU projects cost more than the loan amount. The homeowner must provide the remaining funds needed to complete the project, whether with savings or another loan. The homeowner must contribute at least 10% of the total ADU project cost.

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.

Loan Terms

Maximum loan amount:	\$40,000
Interest rate:	Three percent (3%) simple interest
Term:	20 years
Repayment:	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.

<http://www.sccoplanning.com/ADU.aspx>
HousingProgramsInfo@santacruzcounty.US

Eligible Costs

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 Costs

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 rents, including to Section 8 tenants, as defined below.

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

Household Size	1	2	3	4	5
Low Income Limit (80% of median)	\$68,900	\$78,750	\$88,600	\$98,400	\$106,300

Rent Limits

The current maximum rent limits for ADUs assisted by this loan program are based on an income of 70% AMI, adjusted for unit size, and include utility allowances. If the ADU is rented through the Housing Authority to a Section 8 tenant, the Housing Authority will determine the total amount of rent that can be paid for the ADU (“Payment Standard”).

2019 ADU Rent Limits		
Unit Size	Low Income Rent (70% AMI)	Section 8 Payment Standards <i>Varies by Location*</i>
Studio	\$1,201	\$1,477 - \$1,567
1 Bedroom	\$1,372	\$1,722 - \$1,844
2 Bedroom	\$1,544	\$2,268 - \$2,439
3 Bedroom	\$1,715	\$3,008 - \$3,241

**Section 8 payment standards vary by zip code, as determined by the Housing Authority of Santa Cruz County. See link for 2019 payment standards: [Link](#)*

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 about the ADU loan program, please call the Housing Division at (831) 454-2332.

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