

California ADU Grant

California Housing Finance Agency

Homeownership: Home Improvement and Rehabilitation

HFA Staff Contact

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Program Description

Accessory Dwelling Units have grown in prominence as part of California's housing discussion over the past several years, as they can provide additional housing without having to subdivide a lot or rezone land. The California legislature has also passed many laws to make it easier to build an ADU, including bills addressing parking, setbacks and other potential barriers to construction.

CalHFA had experimented with Accessory Dwelling Unit programs in the past, most prominently partnering with the city of Clovis to incentivize ADU development in their downtown core. Although the number of units actually built through this pilot program was small, it served as a test case to show that there was indeed interest in this type of program.

The California legislature allocated \$100 million in 2021 for CalHFA to develop and implement a program to incentivize the construction of Accessory Dwelling Units across the state, with the guideline that funding should go to low- and moderate-income homeowners, with the added suggestion that an emphasis should be made to help underserved communities.

The grant provided up to \$40,000 towards pre-development and non-reoccurring closing costs associated with the construction of an ADU for low-to-moderate-income homeowners. Predevelopment costs included site preparation, architectural designs, permits, soil tests, impact fees, property survey and energy reports.

The program launched in September of 2021 and allocated the last of its funding in March of 2023. Although the final numbers will not be known until all construction has been completed, CalHFA anticipates funding more than 2,400 new housing units throughout California.

Innovative

Adding an Accessory Dwelling Unit is an effective, efficient option for increasing housing supply in California, which is facing one of the largest housing supply shortages in the nation. ADUs increase the housing stock of a given area without displacing current residents, and also may provide stabilizing rental income for low- to moderate-income families who can struggle with household bills in high cost of living areas.

We started the program with one approved lender signed up, and slowly increased the network. These lenders typically required a full refinance of the main home, and folded in our grant to reduce the principal owed on this refinance. With many homeowners locked into historically low interest rates in the past few years, demand for this kind of financing was low.

Where we really hit our stride and innovated, however, was when we began to work with HPP Cares, a community organization that was able to fit itself into the financing process as a middle

step between the lender and borrower. This enabled borrowers to use our grant without having to refinance, while also allowing lenders to be secure in a loan that makes financial sense for their balance sheet.

Replicable

This program evolved over the course of its existence, and we hope other HFAs can learn from our experience. At launch, the grant amount was \$25,000, and we quickly learned that this was not enough to make a significant difference in building costs. We upped the grant to \$40,000, and this made it much more attractive. The partnership with HPP Cares and other intermediary non-profits who helped with the financing was really the key point, and seems almost mandatory for a program like this, where the small amount of money involved may give lenders less incentive to participate. We'd be happy to chat with other HFAs who want advice on how to find these partners.

Respond to an important state housing need

ADUs are important for many segments of our population. More and more families in California live with more than two generations of family members in one household. Aging parents may not be able to afford a full-time care facility. Children home from college need a place to live while they find long-term housing. There are also traveling nurses, firefighters and other professionals who need housing. ADUs can meet the needs of all these populations, without squeezing existing housing, displacing current residents or increasing sprawl.

Use data, research, and analysis to demonstrate measurable benefits to HFA targeted customers and underserved markets

CalHFA made more than half of its ADU grants to Latino, Black, Asian and Native American homeowners, demonstrating the high demand for this kind of housing across all races and ethnicities, despite these communities having lower-than-average rates of homeownership. Even more impressively, more than a third went to low and very-low-income homeowners, giving them a potential much-needed source of income, or possibly relieving housings costs for a family member.

Have a proven track record of success in the marketplace

The program started out slowly as we expanded our lender network. By the time the program closed, however, HPP Cares had added staff to handle the workload, and they still have a waiting list of more than a thousand people in case the program gets more funding. As of this writing, CalHFA has funded more than 1,900 loans with about 500 still in the pipeline.

Provide benefits that outweigh costs

This is truly the heart of the ADU program. [UC Berkeley's Terner Center](#) has done several studies on the costs of building new affordable housing units. Even in the least expensive areas of California, research showed costs in the hundreds of thousands of dollars. In contrast, the cost to the state of the ADU Grant program was a maximum of \$40,000 per unit, an incredibly effective leveraging of state funds to increase housing stock. Importantly, surveys have shown that less than a third of ADU builders intend to use the unit for short-term rentals.

Demonstrate effective use of resources

CalHFA hit its marks for deploying the grant across racial and socio-economic lines. We also were able to fund grants in all parts of the state, as seen in the map in the attachments. CalHFA's [training](#), social media and advertising campaigns got the word out to many communities, including an ADU Program Toolkit that for our legislative partners and others.

Effectively employ partnerships

CalHFA worked with all our usual partners—legislative, community-based organizations, business—and also expanded our network to work with new partners who were unique to the ADU space. We received serious message amplification through pre-existing groups who were advocates for ADUs, including CA YIMBY (Yes In My BackYard), How To ADU, and many others. CalHFA joined builder and manufacturer Facebook groups to promote the program among people who were tentatively exploring construction. Most importantly, we partnered with non-profits who worked to provide alternative financing avenues, as described above.

Achieve strategic objectives

The ADU program addressed at least two pieces of CalHFA's strategic business plan, one specific and more general. We gave ourselves what seemed like a stretch goal: "Grant \$2.5 million in Accessory Dwelling Unit (ADU) grant reservations for 100 ADUs," and we left that goal in the rearview mirror. We also wanted to "Research scalable equity building strategies and how to amplify products within underserved areas in California." The ADU Grant program showed itself to be very scalable once we had the right partners, and also capable of reaching the people who can benefit from it most.

Conclusion

The Accessory Dwelling Unit Grant program was an incredibly efficient way to incentivize the construction of new affordable housing. CalHFA has convened a working group to study possibilities for extending the program, or using new sources of funding to keep the program going.



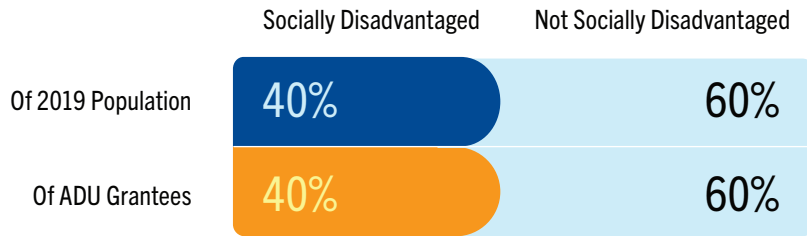
CalHFA Accessory Dwelling Unit Grant

February 2023

The **CalHFA Accessory Dwelling Unit Grant** was introduced in September 2021 with a single lender. Over time, the pool of lenders and partners grew until there was serious traction in the market; by the time the program had allocated all its funding in December of 2022, some lenders and partners had thousands of homeowners on their wait lists.

The program offered a \$40,000 grant to fund predevelopment costs associated with construction of an ADU, and was only available to homeowners earning less than CalHFA's income limits (roughly 150% AMI). It was funded by \$100 million in general fund revenue with the goal of increasing naturally occurring affordable housing by incentivizing ADU construction. Once all projects are funded, CalHFA expects to have helped create nearly 2,400 new ADUs in California.

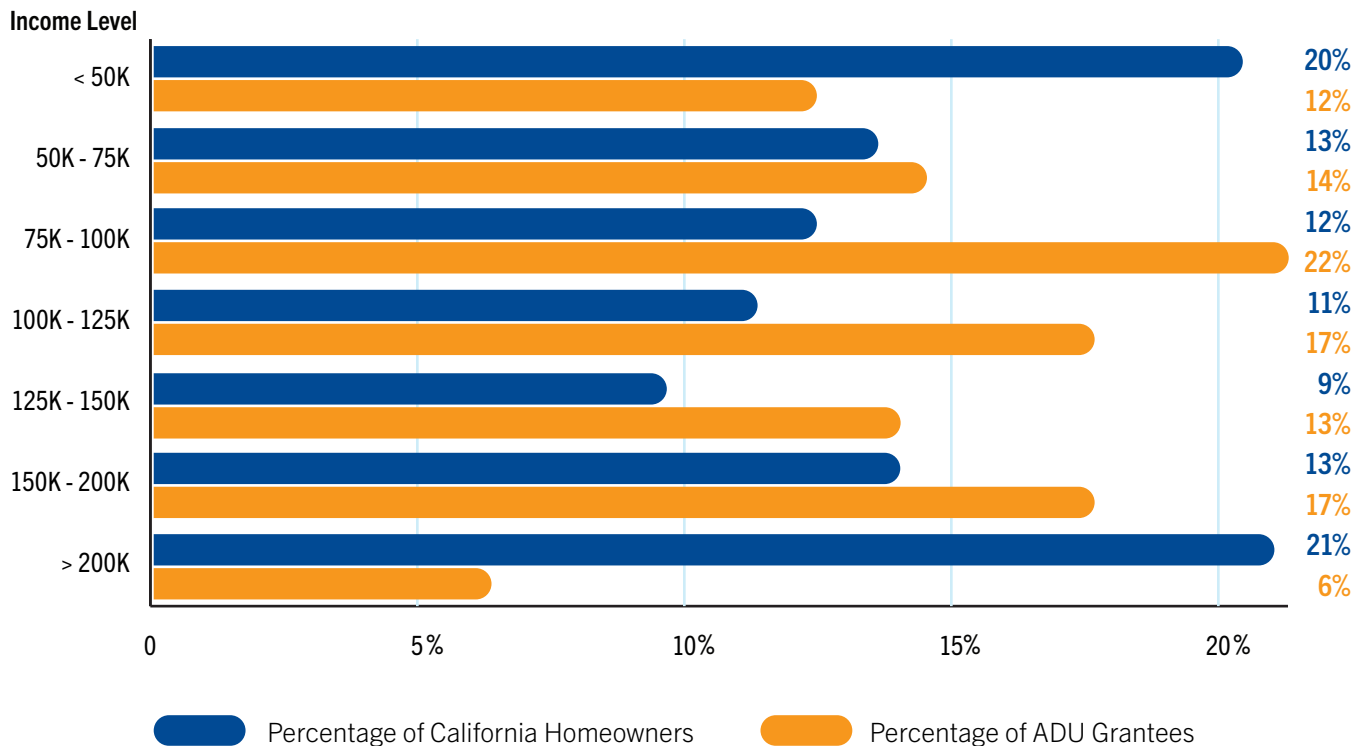
Economic



More than 40% of CalHFA grants went to socially disadvantaged households, as determined by UCLA's Ownership Vulnerability Index.

Source: UCLA Center for Neighborhood Knowledge

32% of ADU grants went to low-income households earning less than 80% AMI.

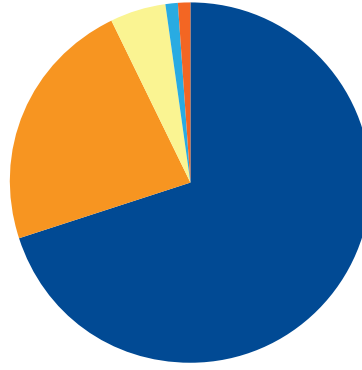


Source: American Community Survey

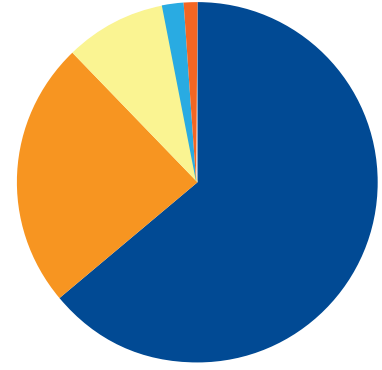
Race & Ethnicity

CalHFA's racial distribution of grants is similar to the racial makeup of homeowners.

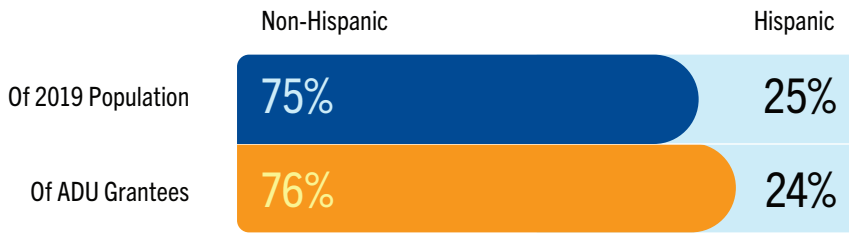
Race	Owners	Grantees
White	70%	64%
Asian	23%	24%
Black	5%	9%
Pacific Islander	<1%	2%
Indigenous	1%	1%



All California Homeowners



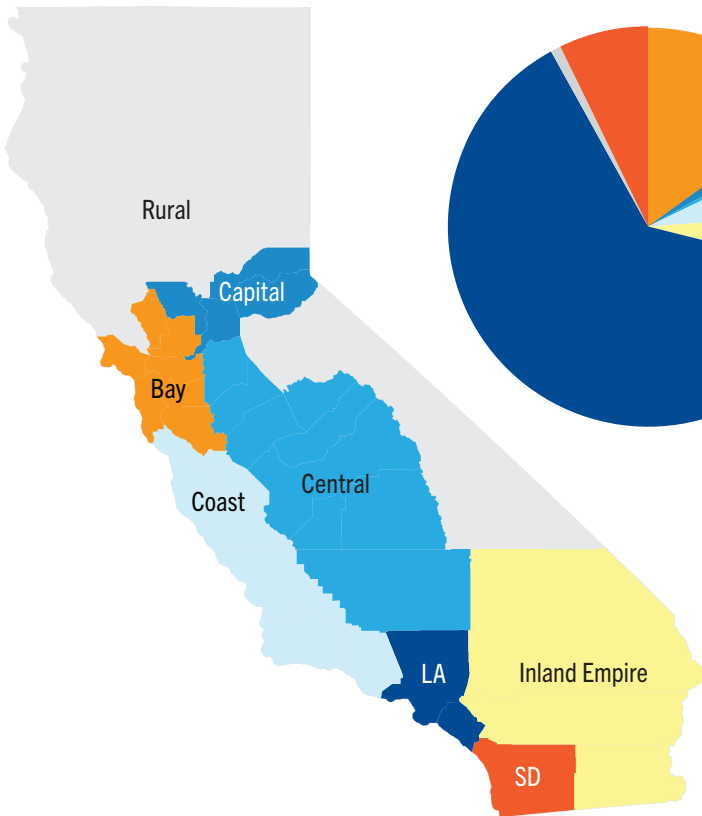
ADU Grantees



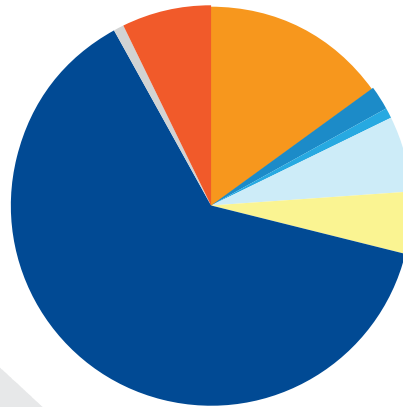
CalHFA's distribution of grants by ethnicity is similar to the ethnic makeup of homeowners.

Source: American Community Survey

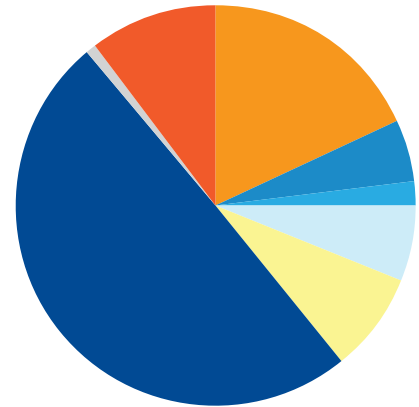
Regional



Percentage of CA ADU Building Permits 2018 – 22



Percentage of ADU Grants 2021 – 22



Region	Permits	Grants
Los Angeles	63%	49%
Bay	15%	18%
San Diego	7%	10%
Coast	6%	6%
Inland Empire	5%	8%
Capital	2%	5%
Rural	1%	1%
Central	1%	2%

Source: California Department of Housing & Community Development



California Housing Finance Agency

ACCESSORY DWELLING UNIT (ADU) GRANT PROGRAM **TOOLKIT**

March 2022

INTRODUCTION

Over the last several years, California's housing production has not kept pace with market demand. The lack of housing has caused soaring prices, where homes are even available, or has left Californians with no choice but to commute much further out from where they work to find suitable housing. Housing alternatives, such as Accessory Dwelling Units (ADUs), are on the rise to assist with the housing shortage outside of just relying on traditional construction models.

In January 2021, new funding laws went into effect that incentivized and promoted the creation of Accessory Dwelling Units (ADU) also known as granny flats, in-law units, backyard cottages, or secondary units. ADUs are an innovative, affordable, effective option for adding much-needed housing in California.

CalHFA's ADU Grant Program is designed to create more housing units in California by providing a grant of up to \$40,000 to reimburse pre-development and non-recurring closing costs associated with the construction of an ADU. Pre-development costs include site prep, architectural designs, permits, soil tests, impact fees, property surveys, and energy reports.

TOOLKIT PURPOSE

Although CalHFA is not a direct lender, the Agency is working with private loan officers who have been approved and trained to guide interested parties through the ADU loan and grant processes. This toolkit serves as a guide for topline messaging and visuals to be used in promotion of the ADU Grant Program across social media platforms. Overall, the visuals should be informative, concise and clear in driving interested homeowners to pursue more information about the grant opportunity.



KEY MESSAGING HIGHLIGHTS

- The CalHFA ADU Grant Program offers up to \$40,000 to reimburse pre-development and non-recurring closing costs associated with the construction of an ADU.
- ADUs create a variety of housing solutions for multi-generational families, low to moderate-income households and expanding households that just need more space.
- ADUs are not just an affordable housing solution, but can also act as an additional form of income for homeowners that build them and do not require personal use of them.

INFORMATION POINT-TO RESOURCES

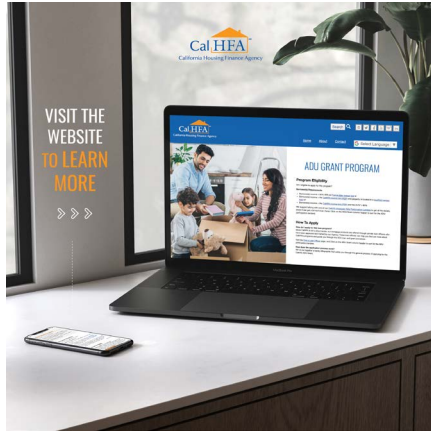
Phone Number: (877) 922 5432

Website: <https://www.calhfa.ca.gov/adu/index.htm>

HASHTAGS

#CalHFA #ADUGrantProgram

Post 1



Instagram

CalHFA's Accessory Dwelling Units (ADU) Grant Program will provide grants to reimburse pre-development costs associated with the construction of an ADU. Visit our website today to find out more about the program. #CalHFA #ADUGrantProgram

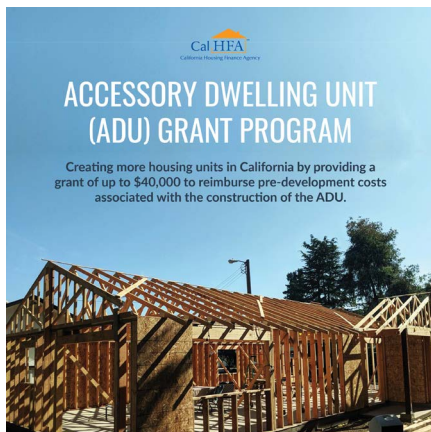
Twitter

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Facebook

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Post 2



Instagram

Have you heard about CalHFA's recently launched Accessory Dwelling Unit (ADU) Grant Program? The ADU Grant Program will create more housing units in California by providing a grant of up to \$40,000 to reimburse pre-development costs associated with ADU construction. Visit our website today to find out more about the program, whether you're eligible, and how to apply. #CalHFA #ADUGrantProgram

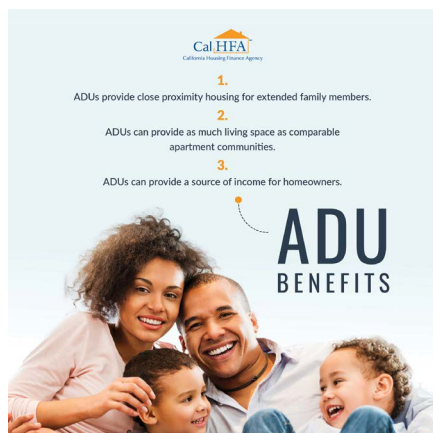
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Post 3



Instagram

These are just some of the benefits of Accessory Dwelling Units (ADU) in states like California that are in great need of innovative, affordable and effective housing solutions. Visit the CalHFA website today to find out more about our ADU Grant Program or contact one of our ADU lenders and let them help navigate you through the process. #CalHFA #ADUGrantProgram

Twitter

ADUs are perfect for Californians in need of innovative, affordable and effective housing solutions. Visit the CalHFA website today to find out more about our ADU Grant Program or connect with an ADU lender who can help navigate you through the process. #CalHFA #ADUGrantProgram

Facebook

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Post 4



Instagram

Thinking about adding space in the backyard for the ones you love? If so, be sure to check out the CalHFA Accessory Dwelling Unit (ADU) Grant Program. The Program provides grants of up to \$40,000 to reimburse pre-development costs associated with the construction of an ADU. With an ADU in your backyard, you can have Grandma just a few steps away! Visit our website today to find out more about the program, whether you're eligible and how to apply. #CalHFA #ADUGrantProgram

Twitter

The CalHFA Accessory Dwelling Unit (ADU) Grant Program can help with construction costs so that you can have Grandma just a few steps away! Visit our website today to find out more about the program, whether you're eligible and how to apply. #CalHFA #ADUGrantProgram

Facebook

Thinking about adding space in the backyard for the ones you love? If so, be sure to check out the CalHFA Accessory Dwelling Unit (ADU) Grant Program. The Program provides grants of up to \$40,000 to reimburse pre-development costs associated with the construction of an ADU. With an ADU in your backyard, you can have Grandma just a few steps away! Visit our website today to find out more about the program, whether you're eligible and how to apply. #CalHFA #ADUGrantProgram

Post 5



Instagram

More income? Yes please! That is just one of the many benefits of Accessory Dwelling Units (ADU). CalHFA's ADU Grant Program is providing grants up to \$40,000 to reimburse pre-development costs associated with ADU construction. Visit our website today to find out more about the ADU Grant Program or contact one of our ADU lenders and let them help navigate you through the process. #CalHFA #ADUGrantProgram

Twitter

Additional income is just one of the many benefits of Accessory Dwelling Units (ADU). Visit the CalHFA website today to find out how you can get up to \$40,000 to reimburse the pre-development costs associated with ADU construction. #CalHFA #ADUGrantProgram

Facebook

More income? Yes please! That is just one of the many benefits of Accessory Dwelling Units (ADU). CalHFA's ADU Grant Program is providing grants up to \$40,000 to reimburse pre-development costs associated with ADU construction. Visit our website today to find out more about the ADU Grant Program or contact one of our ADU lenders and let them help navigate you through the process. #CalHFA #ADUGrantProgram