

Accessory Dwelling Units: Hillsborough

This brief is part of the Turner Center series “Statewide Goals, Local Tools: Case Studies in Affordable Housing Development in California.”

In lower density cities, it can be difficult to balance the need for new housing construction with the spatial constraints of a neighborhood primarily zoned for single-family homes. In such an environment, key impediments to building new housing can include resident opposition to apartment buildings and a lack of available space on which to build. As a small-scale alternative to apartment construction, accessory dwelling units (or ADUs) can circumvent both of these significant challenges. Also referred to as secondary units, in-law apartments, or granny flats, ADUs are an independent residence located on the same lot as a primary, larger home. A form of infill development, ADUs require little vacant land and generally result in minimal visual impact on neighborhood streetscapes. ADUs vary in size and nature: they may or may not be attached to the primary residence, repurposed space within the primary residence, or a Junior ADU of up to 500 square feet in size.

Hillsborough, an affluent community in the San Francisco Bay Area, has worked to meet its “fair share” of regional housing needs through the construction of ADUs. The following case study explores how ADUs can provide a useful tool for jurisdictions in expanding the supply of affordable housing, particularly in low-density, high-cost residential communities.

Background

Hillsborough exemplifies the housing affordability challenges of many low-density cities in California. Considered a small, slow-growing community¹ relative to other jurisdictions in San Mateo

County, Hillsborough has developed almost entirely through the construction of single-family homes since 1910.² As per zoning code, all homes in Hillsborough are single-family detached houses on a minimum 1/2-acre lot.³ The town offers no commercial, office, or retail space within its boundaries.

Hillsborough is also one of the wealthiest jurisdictions in the state with a median household income of \$229,097, more than double that of the countywide median of \$93,623, and nearly quadruple the state median of \$61,818.⁴ Housing prices are equally high and rising. As of January 2019, the median listing price for a single-family home in Hillsborough was \$4,576,000.⁵ Of those homes, 93 percent are owner-occupied.⁶ For those who rent in Hillsborough, rents are exorbitant, with a median rental price of \$10,935 a month, four times higher than the median rent for the state.⁷

Despite Hillsborough’s affluence, the town is not without affordability challenges. Based on the Area Median Income (AMI) for San Mateo County, fifteen percent of Hillsborough’s households are considered low-income, of which four percent are extremely low income.⁸ As of 2013, all households earning less than \$35,000 paid more than 30 percent of their income for housing in Hillsborough and nearly 86 percent of households earning between \$35,000-\$75,000 were cost-burdened.⁹ Of those low-income households, nearly twenty percent are senior citizens considered to be house rich but cash poor, with incomes less than 80 percent of AMI.^{10/11}

In addition, absent the availability of affordable rental housing in Hillsborough, low-income households often need to live elsewhere and commute into town to work. Given that San Mateo County itself exhibits some of the highest rental housing costs in the nation, these households have few alternative housing options within the county or the greater Bay Area region.^{12/13} As a result,

many low-income workers face increasingly long commutes, placing undue strain on both their quality of life and the regional environment. For low-income households in Hillsborough, many have limited resources to dedicate towards vital necessities such as food, education, transportation, and medical care.¹⁴ For Hillsborough, ADUs represent a promising strategy to address its housing affordability challenges.

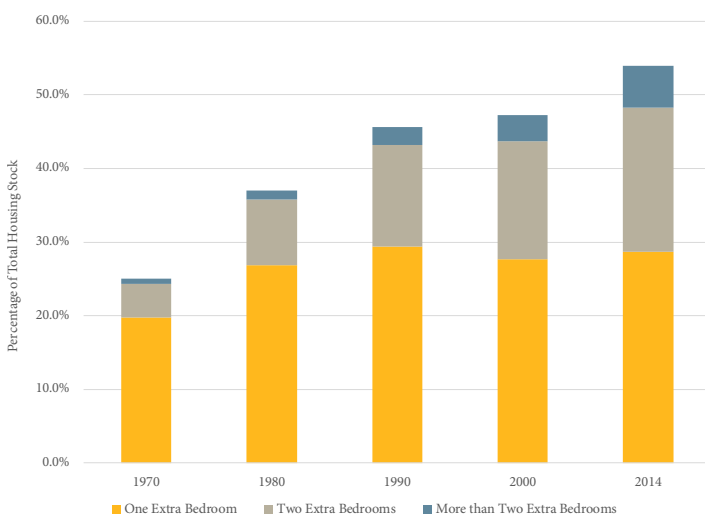
Accessory Dwelling Units

Once a common feature in single-family housing prior to WWII, ADUs have seen a recent resurgence due to growing demand for affordable housing and limited land available for development.¹⁵ This holds particularity true in California, where many jurisdictions have adopted more flexible zoning codes to increase the supply of affordable housing in low-density neighborhoods. Hillsborough exemplifies a low-density California town, and ADUs are particularly well-suited to address the town's affordable housing needs in the context of its existing land use constraints.

ADUs enjoy several key advantages over traditional apartment homes. They are by nature highly variable in their design and usage, and can be tailored to meet individual housing and financial needs. ADUs can help homeowners offset their own housing costs with rental income. And a significant number of ADUs are offered for free or in exchange for in-kind work, making them an attractive rental alternative for low-income households.¹⁶ ADUs can also facilitate in-home care for seniors or persons with disabilities.

These units can help meet local and state goals regarding socioeconomic inclusion and environmental sustainability. They can provide a foothold into high-opportunity areas for those who cannot afford to purchase or rent a standalone home. If strategically situated in walkable neighborhoods with access to mass transit, they can align affordable housing development with sustainability goals.¹⁷

Figure 1: California Homes with Excess Capacity



Notes: Includes only single-family detached, owner-occupied units with at least two bedrooms; 'extra bedroom' defined as one more bedroom than resident
Source: Turner Center tabulations of US Census Bureau, Decennial Censuses, and 2014 American Community Survey

ADUs are often less expensive to build or rent than traditional apartments. These units do not require new land costs, major new infrastructure, structured parking, or elevators, and they rely on cheaper one- or two-story wood-frame construction.¹⁸ By shifting from a conventional infill strategy (dense, multifamily housing) to a micro-infill approach, ADUs can yield a significant number of affordable units without the burden of high capital costs, lengthy entitlement processes, and possible construction delays.¹⁹

More than three-quarters of single-family neighborhoods in California now have more bedrooms than residents, and suburban homes and neighborhoods therefore have plenty of room to grow without placing additional strain on existing infrastructure or municipal services (Figure 1).^{20/21} By targeting underutilized, low-density residential communities, ADUs can densify existing neighborhoods and offer low-cost housing choices with minimal impacts to the existing community character.²²

An early adopter of ADUs, Hillsborough had long supported accessory dwellings on lots zoned for single-family homes. As early as 1983, ADUs could be permitted for family members and domestic employees.²³ In 2002, the town, working in partnership with California's Department of Housing and Community Development (HCD), began to explore the potential of expanding its ADU program, as well as alternative models of homeownership, to meet its low-income housing needs. This process resulted in the formal adoption of an ADU program.

For the town, ADUs had the potential to balance two critical priorities: 1) the need to increase the supply of affordable housing, and 2) a desire to maintain traditional town limits on building size and external appearance, thereby preserving the architectural and landscape character of the community.²⁴ As Elizabeth Cullinan, Director of Building & Planning for the town of Hillsborough points out, ADUs offered Hillsborough a good alternative without "changing the character of our community" while simultaneously recognizing the importance of providing affordable housing options within Hillsborough and the region.²⁵

Several elements were central to the formation of Hillsborough's ADU program:

- » **Including residents in the program design process.** Recognizing the importance of community support, the town formed a citizen's advisory committee to assist in the 2002 housing element update and development of affordable housing programs. The initial committee consisted of 22 residents picked from neighborhoods throughout the town. By including a resident-based committee, programs within the housing element, including the ADU update, garnered a greater level of acceptance and buy-in. The town also invited the Architecture and Design Review Board (ADRB) to participate in new policy development and updates.
- » **Educating residents about the program and procedures.** The Hillsborough Planning Department actively promoted and marketed the ADU program through multi-lingual outreach via brochures, the town website, and a quarterly

community newsletter. Information included updates to both local and state ADU requirements, guidance for homeowners interested in converting or repurposing existing space within their home or on their property to ADUs, and information on the streamlining process and incentives programs. This strategy proved especially influential as it both demystified public perceptions regarding affordable housing through ADUs while also signaling support from within the town's local government.

- » **Incentivizing residents to develop ADUs.** Hillsborough has continually expanded the flexibility and scope of the ADU program through its municipal code. The town currently promotes ADU development by waiving planning and building permit fees, reducing parking requirements, and allowing both the primary residence and the second unit to be rented to one party. It has also allowed permitting of existing unofficial second units, relaxed its design review process, and increased the maximum square footage to greater than the state's mandated standard, allowing ADUs to better accommodate families.

To obtain basic information about the uses of ADUs in the community, the Hillsborough Planning Department annually distributes a one-page questionnaire for new second-unit proposals to ascertain the size, affordability and intended use of the unit (e.g., intergenerational family, housing for domestic workers, rental income, or guest quarters).²⁶ This supporting information, originally requested by the state as part of the housing element review, helps ensure that ADUs serve as affordable housing units. The rate of return for the survey tends to be more than 50 percent.²⁷

In 2014, Hillsborough shared its survey data with San Mateo's regional planning organization, 21 Elements, for its report *Affordability of Second Units*, which assess the affordability and applicability of ADUs in San Mateo County. In addition, Hillsborough participates in and donates to San Mateo's Human Investment Project (HIP) Housing program, which supports home sharing, self-sufficiency, and property development programs for low-income and special needs populations. In 2016, the town adopted the Home for All Resolution²⁸ as a part of San Mateo's countywide Home for All Initiative.²⁹

Hillsborough's efforts preceded state-level policy changes with regard to ADU production. In 2016, Governor Jerry Brown signed AB 2299,³⁰ AB 2406,³¹ and SB 1069³² into law. These new state bills removed costly restrictions on ADUs such as parking fees, utility hook-up fees, and other development standards in addition to requiring action on ADU applications within 120 days. Prior to the new legislation, cities and counties had considerable flexibility in adopting local ordinances to regulate the development of ADUs, including the ability to prohibit ADUs entirely. These new state laws preempted local ADU provisions, and mandated a streamlined approval process for ADUs that required only ministerial review. If a local agency fails to adopt an ordinance in accordance with state law, state approval standards override those of the locality.³³ The combination of recent state and local laws appear to have spurred increases in ADU projects across the state, with

many cities seeing ADU applications double, triple, or quadruple in number compared to 2016.³⁴

Implementation

Hillsborough's program has resulted in a significant increase in the town's supply of affordable housing. Between January 1999 and 2013, 130 ADUs were built, representing more than 66 percent of the total new units built in Hillsborough during that period.³⁵ Since 2003, ADUs have become the primary tool through which the town meets its regionally-allocated housing needs. Following the expansion of the ADU ordinance in 2003, construction of ADUs rose from an average of one per year to an average of 15.5 per year.³⁶ From 2007-2013, the town waived approximately \$42,000 in fees (roughly \$519 per unit) for ADUs. By 2014, Hillsborough had produced triple the number of units required to meet its housing needs allocation for very-low income households and fell only four units short of meeting its goals for low-income households.³⁷

According to survey data collected between 2010 and 2012, median rents for ADUs ranged from \$883–\$1,470³⁸ with roughly 90 percent of all units affordable to a low-income family. Of those units, 68 percent were available at no rent for intergenerational families, domestic help, or caretakers.³⁹

Hillsborough's ADU program illustrates the benefits and limitations of ADUs as a housing affordability strategy. Individual development and management of these units allows for an accelerated development timeline and flexibility in terms of the amount of rent charged. However, this small scale means that ADUs have limited capacity to meaningfully improve the overall affordability of a jurisdiction's housing stock. Despite the impressive progress the town has made in meeting its regional housing goals, renting or owning a home in Hillsborough remains out of reach for most low- and moderate-income households. ADUs are a versatile addition to a larger affordable housing strategy, complementary to—but not a replacement for—other housing production.

Lessons Learned

- » **ADUs offer an attractive housing alternative that benefits both renters and homeowners in a variety of community types.** Recognizing that California's solutions to increasing the supply of affordable housing cannot rely on a one-size-fits-all approach, ADUs can create lower-cost housing without disrupting architectural or community character.
- » **ADUs provide a critical supply of affordable housing in areas typified by high rents.** ADUs are particularly well-suited to increasing the supply of affordable housing in owner-occupied, high-cost, low-density residential neighborhoods in amenity-rich areas. By offering an alternative form of housing in these areas, ADUs can provide the critical linkages necessary for low-income individuals to gain access to jobs, education, and services.

- » **Regulatory reform, technical assistance, political will, and community support are key.** Relaxed zoning regulations, financial incentives, and educational outreach programs can help jumpstart ADU construction. Ongoing support and collaboration between state, regional, and local governments and communities can ensure that ADUs evolve according to changing community needs.

- » **Tracking and monitoring programs provide key insights into the intended use and affordability of ADU programs.** Unlike traditional, deed-restricted affordable housing that allows more transparency, a program developed to monitor ADU affordability on a statewide basis has yet to be developed. By voluntarily tracking and monitoring ADU programs, local governments can provide critical information and feedback regarding the usability and scalability of these programs, in addition to identifying potential barriers to future ADU production.

Useful Sources

California Department of Housing and Community Development,
Accessory Dwelling Unit Memorandum
<http://www.hcd.ca.gov/policy-research/docs/2016-12-12-ADU-TA-Memo.docx.pdf>

Jumpstarting the Market for Accessory Dwelling Units
<https://turnercenter.berkeley.edu/more-ADUs>

Santa Cruz Accessory Dwelling Unit Manual
<http://www.cityofsantacruz.com/home/showdocument?id=8875>

Endnotes

1. As of January 2013, Hillsborough had a total population of 11,115. According to census data, Hillsborough experienced only modest growth from 2000 to 2010. However, according to ABAG growth projections, Hillsborough's growth will accelerate over the next two decades, bringing the population total up to 13,000 (a 17 percent increase) by 2030. Yet, despite increasing demand for housing, Hillsborough only saw a 3 percent increase in housing stock between 2000-2016.
2. Town of Hillsborough. "Town of Hillsborough 2014-2022 Housing Element."
3. Ibid.
4. United States Census Bureau. (2015). "QuickFacts: California, San Mateo County, and the Town of Hillsborough - Median Household Income (in 2015 Dollars), 2011-2015." Retrieved from: <https://www.census.gov/quickfacts/table/PST045216/06,0633798,06081>.
5. Zillow. (2019). "Hillsborough CA Home Prices & Home Values." Retrieved from: <https://www.zillow.com/hillsborough-ca/home-values/>.
6. United States Census Bureau. (2017). "QuickFacts: Town of Hillsborough - Owner-Occupied Housing Unit Rate, 2013-2017." Retrieved from: <https://www.census.gov/quickfacts/table/PST045216/06,0633798,06081>.
7. Turner Center analysis of Zillow Rent Index, November 2018.
8. CHAS Data 2006-2010. *See*: Town of Hillsborough, "Town of Hillsborough 2014-2022 Housing Element."

HUD, "FY 2013 Income Limits Documentation System - Summary for San Mateo County, California." *HUD User*, December 11, 2012. Retrieved from: <https://www.huduser.gov/portal/datasets/il/il2013/2013summary.odn>.
9. Town of Hillsborough. "Town of Hillsborough 2014-2022 Housing Element."
10. "House rich, cash poor" describes a person who spends a large proportion of their total income on home ownership, including mortgage payments, property taxes, maintenance, and utilities, and the value of their home makes up a large portion of their total assets. House rich, cash poor individuals are often short of cash for discretionary items and tend to have trouble meeting other financial obligations like vehicle payments.
11. Town of Hillsborough. "Town of Hillsborough 2014-2022 Housing Element."

HUD. (2016). "FY 2016 Income Limits Documentation System - Summary for San Mateo County, California." (HUD User, September 15, 2016).
12. From 2010-2014, San Mateo County created more than 54,000 new jobs, but only 2,148 units of new housing. During that same period, not one major city located within the county offered rents at or below fair market rents (FMR). *See*: Backer, B. and Woudenberg, C. eds. (2017). "Town Briefs." Hillsborough Newsletter, February 2017. Retrieved from: www.hillsborough.net; Turner Center tabulations of Zillow Rent Index.
13. National Low Income Housing Coalition. (2016). "Out of Reach 2016: No Refuge for Low-Income Renters."

In 2016, the San Francisco Metropolitan Area ranked first for high housing costs in the nation. According to the report, the housing wage for a two-bedroom fair market rent (FMR) would require an hourly wage of \$44.02 dollars an hour. Of the ten counties ranked for highest housing costs, the top six counties are also located in the San Francisco Bay Metropolitan Bay Area including Marin, San Francisco, San Mateo, Alameda, Contra Costa, and Santa Clara County (listed to rank). For low-income households in Hillsborough, there are no adjacent counties considered affordable.

14. Town of Hillsborough. “Town of Hillsborough 2014-2022 Housing Element.”
15. Sage Computing, Inc. (2008). “Accessory Dwelling Units: Case Study.” U.S. Department of Housing and Urban Development Office of Policy Development and Research. Retrieved from: <https://www.huduser.gov/portal/publications/adu.pdf>.
16. Chapple, K. and Wegmann, J. (2014). “Hidden Density in Single-Family Neighborhoods: Backyard Cottages as an Equitable Smart Growth Strategy.” *Journal of Urbanism* 7, no. 3: 307–29, doi:10.1080/17549175.2013.879453.
17. Ibid.
18. Chapple, K. et al. (2012). “Yes in My Backyard: Mobilizing the Market for Secondary Units.” Center for Community Innovation.
19. Chapple, K. and Wegmann, J. (2014). “Hidden Density in Single-Family Neighborhoods: Backyard Cottages as an Equitable Smart Growth Strategy.” *Journal of Urbanism* 7, no. 3: 307–29, doi:10.1080/17549175.2013.879453.
20. Galante, C. (2016). “SB 1069 (Wieckowski) Economic and Fiscal Impacts - Letter of Support.”
21. Galante, C. and Sanchez-Moyano, R. (2016). “Small Houses, Big Impact: Accessory Dwelling Units in Underutilized Neighborhoods.” *Turner Center Blog*. Retrieved from: <https://turnercenter.berkeley.edu/blog/small-houses-big-impact-making-the-case-for-accessory-dwelling-units-in-und>.
22. Chapple, K. and Wegmann, J. (2014). “Hidden Density in Single-Family Neighborhoods: Backyard Cottages as an Equitable Smart Growth Strategy.” *Journal of Urbanism* 7, no. 3: 307–29, doi:10.1080/17549175.2013.879453.
23. Town of Hillsborough. “Town of Hillsborough 2014-2022 Housing Element.” See: Program 3-C4.
24. Hillsborough Mun. Code Chapter 17.52.
25. Cullinan, E. (2017). Interview with Elizabeth Cullinan, Director of Building & Planning for the Town of Hillsborough, interview by Liana Arnold, Telephone Interview, April 11, 2017.
26. “Housing Resources | Hillsborough, CA - Official Website.” Retrieved from: <http://www.hillsborough.net/276/Housing-Resources>.
27. Town of Hillsborough. “Town of Hillsborough 2014-2022 Housing Element.”
28. San Mateo County Board of Supervisors. (2016). “Home for All Resolution No. 074628.” County of San Mateo, June 28, 2016. Retrieved from: homeforallsmc.com/wp-content/.../Home-for-All-Board-of-Supervisors-Resolution.pdf.
29. Town of Hillsborough. (2016). “Town Briefs.” *Hillsborough’s Quarterly Newsletter*. 1st Quarter 2017 edition.
30. Chapter 735, Statutes of 2016 (AB 2299, Bloom) makes several changes including various parameters on local ordinances for permitting ADUs such as setbacks for converted garages, passageway prohibitions, and parking.
31. Chapter 755, Statutes of 2016 (AB 2406, Thurmond) adds a new section to planning and zoning law for the creation of Junior ADUs (JADUs) under specified conditions.
32. Chapter 720, Statutes of 2016 (SB 1069, Wieckowski) makes several changes regarding parking requirements, utility connection fees, and ADUs repurposing existing single-family space.
33. California Gov’t Code § 65852.2.

34. Garcia, D. (2017). "ADU Update: Early Lessons and Impacts of California's State and Local Policy Changes." *Turner Center Blog*. Retrieved from: <https://turnercenter.berkeley.edu/blog/adu-update-early-lessons-and-impacts-of-californias-state-and-local-policy>.
35. Town of Hillsborough. "Town of Hillsborough 2014-2022 Housing Element." (Town of Hillsborough, October 2014).
36. Town of Hillsborough. "Town of Hillsborough 2014-2022 Housing Element."
37. Very-Low-Income: 38 percent (76/20), Low-Income: 71 percent (10/14), Moderate-Income: 47 percent (8/17), Above-Moderate Income: 63 percent (22/35), Total: 135 percent (116/86).
38. Given that the survey asked for ranges, rather than specific rents, only estimates can be calculated of median rent and affordability.
39. 21 Elements. (2014). "Affordability of Second Dwelling Units."

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