



6th Cycle Housing Element Update Technical Assistance – ADU Affordability Analysis

Meg Healy, Assistant Regional Planner
Compliance and Performance Monitoring
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SCAG ADU Affordability Analysis

- In order to use potential ADU development to be used toward RHNA allocations, local governments must provide an analysis of anticipated affordability levels
- SCAG conducted a regional analysis of current market rents that can be used to assign ADUs to income categories in Sixth Cycle Housing Elements



SCAG ADU Affordability Analysis

- There are myriad ways to conduct an affordability analysis of anticipated ADU rents
- SCAG's study surveyed market rents of 158 existing ADUs in the region
- Used key words such as "ADU," "in-law," "granny," and "detached guest studio" to identify units
- Local governments are encouraged to augment this survey of rental listings with their own data



Affordability Assumptions (pre-certified by HCD)

- Regional sample size: 158 units
- Range of rents: \$650 (Phelan) – \$4,800 (Mar Vista)
- Cost per square foot: \$1.29/sqft (Newport Beach) – \$6.17/sqft (Costa Mesa)

	LA County I	LA County II	Ventura County	Orange County	San Bernardino/Riverside Counties
Extremely Low	15%	15%	15%	15%	15%
Very Low	2%	9%	0%	10%	8%
Low	43%	45%	31%	43%	35%
Moderate	6%	2%	43%	30%	35%
Above Moderate	34%	30%	12%	2%	8%

- Note: LA County I includes City of Los Angeles, Las Virgenes–Malibu, South Bay Cities, and Westside Cities; LA County II includes all other LA County jurisdictions

ADU Affordability Analysis Process

1. Calculate maximum rent limits for RHNA income categories for both one-person and two-person households by county
2. Survey of ADU rents (sample size of 158 rental listings)
3. Determine proportion of ADUs within each income category for both one-person and two-person households
4. Make assumptions for what percentage of ADUs are rented for free based on existing literature and allocate those towards ELI
5. Combine rented and non-rented ADUs into single affordability breakdown by county

Step 1: Calculate maximum rent limits for RHNA income categories



- HCD and HUD develop income thresholds based on county and household size
- ADUs are generally suitable for 1 or 2 person households
- Median household incomes in Los Angeles and Orange counties lead the region, resulting in higher rent limits

Orange County Maximum Rent by RHNA Income Category					
Category	Income Range	One Person Household		Two Person Household	
		Income ¹	Max Rent ²	Income ¹	Max Rent ²
Extremely Low	Below 30% of area median income	\$26,950	\$674	\$30,800	\$770
Very Low	30%–50% of area median income	\$44,850	\$1,121	\$51,250	\$1,281
Low	50%–80% of area median income	\$71,750	\$1,794	\$82,000	\$2,050
Moderate	80%–120% of area median income	\$86,500	\$2,163	\$98,900	\$2,473
Above Moderate	Over 120% of area median income	No max	No max	No max	No max

¹)Maximum of income range multiplied by household median income average based on 2020 State income limits (<https://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-incomelimits/>)

Step 2: Survey of Rents

- SCAG sample size: 158 units covering 58 jurisdictions (i.e. what we were able to find)
- Sizes ranged from 175 sqft to 1605 sqft, with cost ranging from \$1.29/sqft to \$6.17/sqft
- Survey demonstrates ADUs offer relatively affordable rents, particularly in Los Angeles and Orange

County	Jurisdiction	General Location (As Listed)	Rent	Sq Ft	Price/S qft
Los Angeles	Palmdale	Palmdale	\$700		
Los Angeles	Los Angeles	West Hills	\$1,000		
Los Angeles	Los Angeles	Winnetka	\$1,000		
Los Angeles	Los Angeles County	Castaic	\$1,000	399	\$2.51
Los Angeles	Los Angeles	View Heights	\$1,050		
Los Angeles	Alhambra	Alhambra	\$1,070	375	\$2.85
Los Angeles	Los Angeles	West Los Angeles	\$1,200	200	\$6.00
Los Angeles	San Dimas	San Dimas	\$1,200		
Los Angeles	Los Angeles	Lake Balboa	\$1,300		
Los Angeles	Los Angeles	North Hollywood	\$1,300	400	\$3.25
Los Angeles	Sierra Madre	Sierra Madre	\$1,300	380	\$3.42
Los Angeles	Montebello	Montebello	\$1,300	300	\$4.33

Steps 3-5: Additional Assumptions

- How many people will occupy ADUs?
 - Data from Gebhardt, Gilden, and Kidron 2014
 - Suggests 51% are one-person, 49% are 2+ person
 - Assume 50/50

Number of Adults	Number of Households	Percent of Total
1	72	51%
2	61	43%
More than 2	8	6%
Total	141	100%

Based on 2018 survey of ADU residents in Portland

- How many ADUs are occupied rent-free?
 - Assumptions for non-rented ADUs relies on literature from the Bay Area and Portland, which conservatively estimate 15% of units are rented to family for free
 - Assume these are available to extremely low-income households

Orange County Affordability Assumption for All ADUs			
Category	Affordability Assumption for Rented ADUs ¹ 85% of Total	Affordability Assumption for Non-Rented ADUs ² 15% of Total	Affordability Assumption for all ADUs ³ 100% of Total
Extremely Low	0%	100%	15%
Very Low	11%	0%	9%
Low	58%	0%	49%
Moderate	25.5%	0%	22%
Above Moderate	5.5%	0%	5%

- Combine to develop affordability assumption

ADU Affordability Assumptions

- SCAG’s analysis underscores the need for more comprehensive survey data and studies centered in Southern California
- With pre-certification from HCD, this study provides:
 - A “safe harbor” assumption for ADU affordability which can be used by local jurisdictions
 - A widely-understood methodology for calculating ADU affordability in a jurisdiction or subregion if additional rental data or information on other assumptions is available
 - A jurisdiction or subregion may develop alternative methodologies
- SCAG is exploring additional resources and studies that would further remove barriers for ADU production

Thank you!

Meg Healy

Assistant Regional Planner, SCAG

healy@scag.ca.gov

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