



SECOND UNIT workbook

A tool for homeowners
considering building a
second unit in San Mateo
County, California



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SDK Design

Introduction

From providing housing for relatives to helping pay the mortgage, many San Mateo County homeowners are interested in adding second units to their homes. Second units, also called granny flats, converted garages, or accessory dwelling units (ADUs), can help meet the changing needs of San Mateo County households while helping address the broader housing needs in our county.

This workbook was created as a resource to help residents of San Mateo County build a second unit. It provides a detailed, step-by-step approach to the entire project—from getting started to becoming a landlord—and it will assist homeowners in the process of building a second unit. The workbook was designed to provide useful information and reduce the uncertainty in what can feel like a complicated process.

Sections include:

- how to get started
- designing your second unit
- budgeting and finance
- permitting and approvals
- construction
- move in (including resources on how to rent successfully)

More information is available online at the Second Unit Resources Center (www.SecondUnitCenterSMC.org), including stories from homeowners, examples of second units, a calculator to estimate costs, and summaries of second unit standards for each San Mateo County jurisdiction.

Accuracy and Changing Laws

Second unit laws are changing frequently and some information in this book may change after its May 2018 printing. All information should be verified with your city. You can also check the Second Unit Resources Center (www.SecondUnitCenterSMC.org) for updated information.

How to Use This Workbook

Every homeowner who wants to develop a second unit will have different needs and a different approach to the project. This workbook is designed to assist a range of homeowners, but this means different people will use the workbook differently. Some will read the workbook from cover to cover, while others will use it as a reference to learn about specific topics. Generally, homeowners fall into one of the following three groups. We recommend identifying which group best suits your needs and then following the recommendations for that group on how to use this workbook.

Outsourcer



Most homeowners fall in this group. They plan to hire professionals to manage the project and will provide their professionals with top-level direction, review, and approval. This group is for everyone without prior design and construction experience or for anyone who does not want to or have the time to take on a major project. This group will have the lowest time and energy commitment but the most expensive professional fees. Construction costs will not necessarily be the highest because professionals can help save time and money in effective project management and can also recommend low-cost delivery methods.

→ How to use this workbook:

- Read this entire *Introduction*.
- Determine if you can build a second unit by reading *Getting Started* on page 16.
- Figure out how to finance your second unit in *Budgeting & Finance* on page 34.
- Decide what kind of design professional you want to hire in *Design* on page 42.
- Figure out what kind of builder you want to work with in *Construction* on page 68.
- Learn how to successfully rent your unit in *Move In* on page 80.

Project Manager



Homeowners who have the time, interest, and experience to handle parts of the project themselves and hire others to do the rest fall into this category. This approach is only recommended for those who have previous design and/or construction management experience. The time and energy commitment will vary depending on how much of the process the homeowner takes on. There is potential for savings on professional fees, but project costs may be higher depending on the homeowner's ability to effectively and efficiently manage the project, how well the team works together, and how much the homeowner takes on.

→ How to use this workbook:

We recommend you review the entire workbook, skipping any sections on work you plan to outsource or that you already have expertise in.

Do-It-Yourselfer



Homeowners with significant prior experience (e.g. an architect or a construction manager) may choose to undertake the project themselves, hiring people for specific tasks as needed. This group will have the highest time and energy commitment and the lowest professional fees. However, costs may be higher due to lost potential earnings and/or higher costs resulting from errors and delays.

→ How to use this workbook:

Use this workbook as needed to learn the specifics of second unit development and to brush up on any particular needs.

Second Unit Types

Second units come in many shapes and sizes but are always a self-contained home that is smaller than the main house and legally part of the same property. Second units always contain a kitchen, bathroom, and place to sleep.

Second units typically range from 220-square-foot studios to over 800-square-foot homes with multiple bedrooms. There are many different types of second units, but they generally fall into one of the following categories.

Interior conversions and garage apartments are always made by converting existing space. Detached, attached, and above garage second units can be either new construction or converted space.



Detached: free-standing structure, such as a backyard cottage



Attached: shares at least one wall with the primary home



Interior Conversion: built from existing converted space (e.g., an attic or a basement)



Garage apartment: converted former garage space



Above garage: unit built above garage

Other Options: Home Sharing and JADUs

There are other ways to create a second living area at a much lower cost than building a second unit. For some homeowners, a solution that requires no or minimal construction is a better fit.

Junior Accessory Dwelling Units (JADUs)

Junior accessory dwelling units (JADUs) are very small dwelling units constructed from an existing, legally-permitted bedroom in a single-family residence. They can be up to 500 square feet in size and must include an efficiency kitchen (sink, stove, fridge, and counter). Some JADUs have their own bathroom, while others share with the main house. JADUs are a lower-cost way to add a second unit because the construction costs are much lower than a traditional second unit.

Home Sharing

Home sharing is a great option for homeowners who have a spare bedroom they want to rent out but do not want to take on a construction project. Home sharing can be a mutually beneficial arrangement that can help save money (rent and sharing of utility costs), reduce financial stress, increase independence and security, and provide mutual assistance. Some homeowners provide reduced rent in exchange for household chores. Nonprofit organizations like HIP Housing will even prescreen applicants and help match you with a housemate. Learn more at www.hiphousing.org/programs/home-sharing-program.





“I grew up in San Mateo County and now I can afford to live here again.”

Benefits for Homeowners and the Community

Second units not only benefit homeowners, but also help the community as well. Building second units helps to address the housing challenges in San Mateo County, and second units often provide homes for school teachers, firefighters, and other community members who otherwise may have to commute long distances from outside San Mateo County to find a home they can afford.

For homeowners there are lots of reasons to build second units: the two most common are for rental income or to house relatives. Second units are relatively affordable to build because they do not require purchasing land. As a homeowner’s needs change over time, second units can allow flexibility for nannies, renters, kids returning from college, caretakers, and more. Here are some of the reasons to build a second unit:

- **Rental income:** Renting out a second unit can provide a steady source of income to help pay a mortgage, supplement social security, save for a rainy day or just add flexibility to the household budget.

- **Housing friends and relatives:** Second units are a great way for adult children, aging relatives or people with special needs to stay together yet also maintain separate lives and privacy.
- **Downsizing:** Some homeowners move into their second unit themselves, while other family or renters live in the main house.
- **Aging in place:** A second unit can be a lifelong home with easily accessible entries, showers, appliances, fixtures, and many more comforts built for aging adults. Or it can house an in-home caregiver.
- **Community benefits:** Second units can help address the housing challenges in San Mateo County by adding homes that are generally more affordable, which helps provide workforce housing and preserves diversity and community character.
- **Environmental benefits:** The most effective way to reduce the environmental footprint of a home is small-scale living. Further, second units often reduce commute distances by providing local workers with an affordable place to live near to where they work.

Frequently Asked Questions





- Am I allowed to build a second unit?* → **Page 19**
- What does it cost?* → **Page 72**
- How long does it take?* → **Page 13**
- How will it affect my taxes?* → **Page 38**
- How do I find an architect?* → **Page 47**
- How do I find a contractor?* → **Page 68**
- How do I become a landlord?* → **Page 81**
- How do I get started?* → **Page 16**
- Where can I learn more?*
→ **at www.SecondUnitCenterSMC.org**

Throughout this workbook, whenever you see “your city” or “the city,” this also refers to the unincorporated County. If you live outside city lines, you will follow the County’s standards.


Second Unit Process


The following is a general overview of the steps you can expect to undertake as you develop your second unit. Many homeowners find that their project does not follow a linear path but rather involves a learning and revision process.

 **Getting started:** To begin, you’ll need to figure out what you want, what you are allowed to build, and what your working budget amount should be. You will identify your goals, learn about the standards and requirements in your city, and estimate costs. You should also discuss your project and your property with city staff to understand regulations and requirements that will apply and to avoid surprises later in the process.

 **Your project team:** Often people hire an architect or designer to design a second unit and then a builder to provide additional cost information and to ultimately construct the unit. Some homeowners hire a design/build team that handles the entire project, including both the design and the construction, while others work with a modular home company. Selecting your team involves looking at their past work of a similar scale and checking references. It can also be helpful if they have worked in your community and know the local permitting process.

 **Initial design:** Once you have your team in place, you will start to design your second unit. You will consider size, use, layout, specific project needs (storage, laundry room, etc.), architectural style, and privacy.


 **Meet with the city:** Once you have a preliminary design, it’s a good idea for you and your designer to have a pre-application meeting with the local planning (and possibly building) staff. At that meeting, you can ask questions and address any critical issues prior to submitting your permit application. You will also review all requirements, fees, and other considerations specific to your property and project and any unique requirements not previously considered.

 **Plan refinement:** Based on your meeting with city staff, you should have a checklist of submittal requirements plus information on fees. With the help of your project team, you will work through any required modifications of the initial second unit plans and prepare the permit application.

 **Application:** To apply for permits, you and your project team will need to complete the forms required by your jurisdiction and provide detailed drawings and other documentation. There are two main types of approval: planning and building. Planning

(which includes zoning) regulates how big the unit can be, where on the property it can be located, the maximum height, etc. Building approvals make sure the proposed design is safe and meets all building code requirements. The procedure for submitting plans varies by jurisdiction: some places require one application, while others first require a planning application and then a building application.

 **Review(s):** The City will provide comments on your application that you will need to address and resubmit for approval. You and your project team will work through the City’s comments and adjust your project to meet the standards and regulations for your property. Most projects require 1-3 rounds of revisions working with city staff.

 **Permits:** Once your application is approved and all fees are paid, you will be issued permits to start construction. The number and types of permits needed for a second unit varies by community, but all will require a building permit and, as needed, a *will serve* letter from local service agencies to prove you have the right to connect to water and sewer services. Additional permits may also be needed, such as a grading permit if you are doing a lot of excavation, a public works permit if you are impacting street access, and a tree removal permit if you plan to remove trees.





Construction: Now that you have your building permits, you can start construction of your second unit. The builder you hire will lead this step. Communicate frequently with your builder, and verify progress before making payments. During construction, your second unit will be inspected multiple times to ensure it is being built according to the permitted plans. When all the work is complete, a building inspector will conduct a final inspection. Upon approval, you will receive a Certificate of Occupancy and possibly a registration letter for your new second unit.



Move in: Construction is complete, and now it's time for someone to move in. This may be you, a friend, a family member, or a renter. If it is a tenant, there are plenty of resources to help you if you are a new landlord, including organizations that can match you with a renter and help you manage your unit. You may want to consider pricing the unit so a community member can move in.

Project Timing



Building a second unit is not only a financial investment but an investment of time as well. Typically, it takes homeowners one to three months to get started and assemble their team. It then takes the project team another one to six months to develop plans, meet with the city, and submit the application. Depending on how many rounds of review are required and how quickly a homeowner and their project team can respond to comments, make changes, and resubmit plans, it will likely take one to six months to get permits. Construction usually takes 6-12 months. In total, most projects take one to two years to complete.



Second unit created from a shipping container, credit: Josh To



Section 1

Getting Started

This section will help you get started. By the end of the chapter you will:

- clarify your goals;
- learn if you can build a second unit on your property; and
- understand the basic rules and regulations for your city.

If you have not done so already, download the second unit standards for your city at www.21elements.com/secondunits.



Goals and Concerns

Before you begin, it is important to know why you are building a second unit. It's helpful to think about both your short-term needs and your long-term goals. One of the benefits of a second unit is that it can adapt to your living situation as it changes over time. At first, it might be rented for income, then it might turn into a children's playroom, and eventually it might house aging parents or yourself.

It is also important to think about your concerns as well. Ways to address these potential challenges are explored in this workbook. It is good to list concerns early in the process to make sure they are addressed sufficiently.

What are some of your overall goals for building a second unit?

Goals



Short Term

Long Term

- Rental income
- Housing for a family member
- Helping out the community (e.g., housing a teacher)
- Housing for someone with special needs
- Planning for retirement
- Increased resale value
- Downsizing/moving into the second unit
- Housing domestic help (e.g., an au pair)
- Help with chores or to watch over things when I am away
- In-home caregiver
-
-

Concerns



- Cost
- Difficulty of approval and/or construction management
- Privacy
- Site constraints
- Challenges of renting and managing the second unit
- Increase in property or other taxes
- Relationship with neighbors
- Uncertainty about costs and time to complete
- Providing required on-site parking
-
-
-
-

Second Unit Vision

There will likely be challenges along the way. To stay motivated, some people find it helpful to write down why they are building their second unit, such as "Take the kids to Disneyland every year" or "Make sure my mom has a safe place to live." If you think it would be helpful, use this space to write a sentence or two to express your goals. Feel free to cut it out and keep it somewhere you will see it.



My second unit will allow me to:





Can I Build a Second Unit?

Most cities determine if a homeowner can build a second unit based on a few site criteria, including zoning, setbacks, height limits, and lot size. **We recommend contacting your city at the beginning of this process to get some basic information (see page 21) and then scheduling a meeting once you've done some basic work.** Your designer can help with this.

This information and the exercises in this section will help you to identify if you are likely to be allowed to build a second unit on your property. However, you will need to meet with your local planning staff to confirm your conclusions and review any other standards or regulations that may apply.

A word of advice: Even if a second unit is permitted on a site in theory, there may be other limitations based on what has already been built. For example, many cities limit the area of your lot that you can build on. If your main house is over this limit, you might not be allowed to add a second unit but you could convert interior space or look at other options, such as home sharing.

New Rights Under State Law

Building a New Second Unit

New state laws have made it easier than ever for homeowners to build a second unit. In most cases, parking requirements have been reduced or waived entirely, and cities must approve or deny second unit applications more quickly and without a public hearing. Also, cities cannot completely prohibit the construction of second units.

Converting Existing Space into a Second Unit

As of May 2018, recent changes to state law have also given homeowners the right to convert many types of existing space into a second unit. These rules take priority over local rules. The state law covers garages, other accessory buildings (like an art studio), or even part of the main house, including attics and basements. To qualify, your property must meet the following criteria:

- The house must be located in a single family zone.
- The house must have been built legally initially.
- The second unit must have a door that provides direct access to the outside. (This door can be added during construction if it is not there in the existing building.)
- The existing house must be far enough away from the property line to not be a fire hazard. Discuss specifics with your city.

In addition, water or sewer providers are not allowed to charge a connection fee when converting existing space into a second unit that meets these regulations.

Gathering Information

One of the first steps when building a second unit is to gather important information about your property. **It's easiest and most accurate to collect this information by contacting your city. City contact information is on the second unit standards sheet for your specific city (which can be found at www.21elements.com/secondunits).** Before you contact the city, it is recommended that you first read through this section to familiarize yourself with the concepts. Alternatively, you can gather the information yourself as described on the following pages and on the second unit standards sheet.



It may feel scary to contact the city, but remember: city staff are there to help you. The city is not going to inspect your property or look for code violations if you inquire about building a second unit.

Property Information Summary

My APN is:

Minimum lot size for a second unit:

My zoning is:

Zones permitted for second units:

My lot size is:

My zone's lot coverage is:

Maximum permitted FAR (*floor area ratio*):

Other information:



APN and Zoning

The first step in determining if you can build a second unit is figuring out your zoning. Either you can call your city to get this information or you can try to look it up yourself. Some cities have online zoning look-up sites. If they do, it is noted on the second unit standards sheet available at www.21elements.com/secondunits.

To look up your zoning, you may need to know your assessor's parcel number (APN). Every parcel in California is assigned a unique APN, which is like a social security number but for your property. You can find your APN on your property deed or tax bill, or you can look this

up using your address on the County Assessor's website (<http://www.smcare.org/apps/ParcelMaps>) or do a web search for San Mateo County APN. Make sure to select "Number, Street, City" to search by address. When using this system, the APN appears before the hyphen. Some addresses have maps linked to them, and if they do, you should download and print the map out.

Real estate websites, like Zillow™ or Trulia™, often list APN numbers as well, sometimes calling it a parcel number.

Parcel Map Search

The website to look up your APN number will look like the picture to the right.

Parcel Map Search

When you type your street name in the box, it must be the name only. (Do Not use Ave, Ave., Avenue, St., Street, Lane, etc. - it will not find the parcel map if you do).

Here's an example of the correct format:
Example: 123
Main
Half Moon Bay

Search by: APN (e.g. 123456789) Number, Street, City

Number:

Street:

City: SAN MATEO

Search

I have found 1 record matching your request.

Results

031381180 00 CLAREMONT ST 201-20, SAN MATEO

APN number



If using unofficial records, like real estate websites, be sure to confirm the information before getting too far in the process.

Lot Size

The next step is to figure out your lot size. You will need the total square footage initially, but later you will draw a site plan that has all the measurements. If you don't call your city, there are several options to find this information:

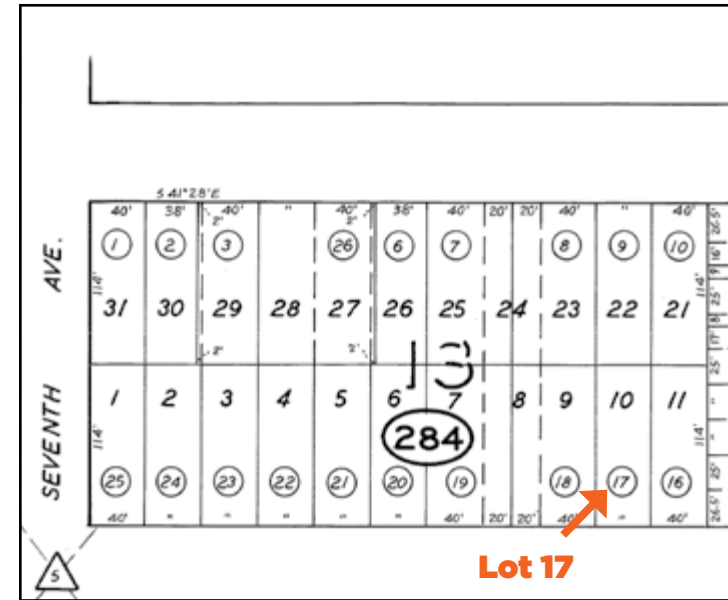
County Assessor's maps. One good option is to use the County Assessor's website, listed in the "Zoning" section. After finding your property, it is likely there will be a map that you can download by clicking on your property address.

City records. Some cities list the lot size and have maps on their website where you look up the zoning. You can also ask the city when you contact them.

Property survey or property deed. Your property survey or deed may include your lot size.

Real estate websites. These websites often list lot size, but you will need to verify accuracy.

Measure it. Assuming your lot is rectangular, lot size is the width times the length. For example, a 40-foot wide by 60-foot deep lot is 2,400 square feet. This should be used as a rough estimate and will need to be verified.



County Assessor Maps

The map you download from the County Assessor's website will look similar to the above. You can use the map to determine your lot size. For example, lot 17 is 40 feet by 114 feet or 4,560 square feet.

What Exactly Can I Build?

The following pages will help familiarize you with some common zoning terms and concepts. After reading this and gathering some basic information on your property, you will be ready to meet with the city. Two key concepts that many cities use to regulate the size and intensity of development are floor area ratio (FAR) and lot coverage. Both of these regulations compare what is already built on your particular lot to a standard in the zoning code for what is allowed to be built.

Sometimes different parts of the zoning code will indicate different standards. For example, FAR may allow a 1,200-square-foot second unit, while specific standards limit the size of a second unit to 800 square feet. You must meet all the rules, with the more restrictive rules always taking precedence.

When it is time to submit an application, some cities will rely on official records to determine your existing FAR, lot coverage, or other existing conditions, while some will ask you to provide existing and proposed floor area calculations.



Floor Area Ratio limits how many square feet of building are allowed on a lot by establishing maximum FAR or using other formulas. FAR is a ratio of the number of square feet of built space (the floor area) compared to the size of the lot. For example a 2,000-square-foot home on a 4,000-square-foot lot would have a FAR of 0.5 (2000 divided by 4000). In this example, if your site's zoning permits a FAR greater than 0.5, and assuming you meet all the other rules, you can build a second unit. If your site's FAR is 0.5 or less, the only option would be to convert existing space to a second unit.

FAR is not a simple yes/no calculation; it also may limit the maximum size of your second unit. In the above example, if the maximum permitted FAR were 0.7, your second unit could not be more than 800 square feet.

$$\begin{aligned} \text{FAR} \times \text{lot size} &= \text{max floor area} \\ 0.7 \times 4,000 &= 2,800 \end{aligned}$$

$$\begin{aligned} \text{max floor area} - \text{existing floor area} &= \\ \text{allowable second unit size} &= \\ 2,800 - 2,000 &= 800 \end{aligned}$$

Every city will stipulate how to calculate floor area. Some measure from the interior walls and some measure from the exterior walls. Most include all living space and finished basements or attics. Some include garages, porches, unfinished attics, basements, and sheds.

Initially, it is simplest to ask your city if they have an official record of your existing floor area. If they do not, ask them what spaces to include in your calculations.

Lot Coverage means how much of your lot is covered by a building. As with floor area ratio, it compares your current building footprint with the maximum that is allowed according to the zoning code. Most cities include garages in the lot coverage calculations. Some include overhangs and porches.

For example, if your building is 40 feet wide and 50 feet long, it has a footprint of 2,000. If your lot was 4,000 square feet, your lot coverage would be 50 percent (2,000 divided by 4,000). In this example, if the zoning allows a lot coverage of greater than 50 percent, assuming you meet all the other rules, you could build a new second unit. If not, you might be limited to converting existing space or building a second story although some cities do not allow new additions for sites over their lot coverage. Lot coverage, like FAR, is not a simple yes/no calculation but may also limit how much you can build. For example, if the lot coverage limit for your lot is 60 percent, your second unit would be limited to 400 square feet.

Other Considerations

Being a Landlord

As you get ready to build a second unit, it's also important to consider what it will be like to be a landlord. Renting a second unit comes with many responsibilities, including understanding local and state housing law, establishing a lease, finding and managing a tenant, and maintaining a rental unit. It's also important to understand the laws as they may affect things like future rent increases, changing use over time, evicting tenants, and eventually moving family into the unit.

Parking

Review the parking requirements on the second unit standards sheet for your city (at www.21elements.com/secondunits). Some cities will require homeowners to add parking when they add a second unit and/or replace lost parking if they convert a garage. It's also important to determine if your existing home meets parking requirements because some homeowners will be required to bring the entire property up to current parking standards.

However, recent changes to state law have exempted many homeowners from adding parking when their second unit meets any one

of the follow requirements:

- is within 1/2 mile of public transit;
- is within an existing structure;
- is in a historic district;
- is within one block of car share locations; or
- is in an area with residential parking permit rules that do not allow second units to get a permit.

Other Standards

There are other standards or regulations for second units that apply. These are listed on the second unit standards summary. For example, many cities have an owner occupancy requirement, meaning the homeowner must live in the main house or second unit. Several cities have additional rules near the coast. City staff will be able to tell you if there are additional standards or regulations that apply to your lot.



Meeting with the City

One of the best things you can do is to talk to your city's planning department early in the process to obtain all of the known facts about the potential for and restrictions on a second unit.

Most cities have a planning/zoning counter where you can ask questions without an appointment. Some smaller cities might require appointments. Many cities call second units accessory dwelling units or ADUs, so in this section, the workbook uses that acronym.

Be sure to bring this workbook.

Questions to Ask the City Planner

1. Am I allowed to build an ADU on my property?
2. Does the city have handouts or additional information? Are ADU resources on the city's website?
3. Are there common pitfalls or mistakes to watch out for?
4. Can you explain the ADU approval process for this city?
5. How long does it take and how many times do applicants typically need to resubmit their plans?
6. What is the FAR and lot coverage for my zone? Are there other important zoning standards that I should know about?
7. Does the city have a current estimate of my current floor area?
8. Does the city have information on my lot coverage?
9. Will I need to add parking? Does my existing home meet parking requirements? Do state law parking exemptions apply to my situation?
10. *(If incorporating or demolishing an existing garage or accessory building)* How do I know if my garage was built legally?
11. Are there restrictions on how I can use my second unit?

Notes

Use this page to take notes from your meeting with the city planner.





Putting Pen to Paper: Drawing a Rough Sketch of Your Property

The site plan needs to be drawn to scale eventually, but to start you should use scratch paper.

If the site plan is feeling too stressful, you can skip it for now. It's better to meet with the city earlier than get everything right.

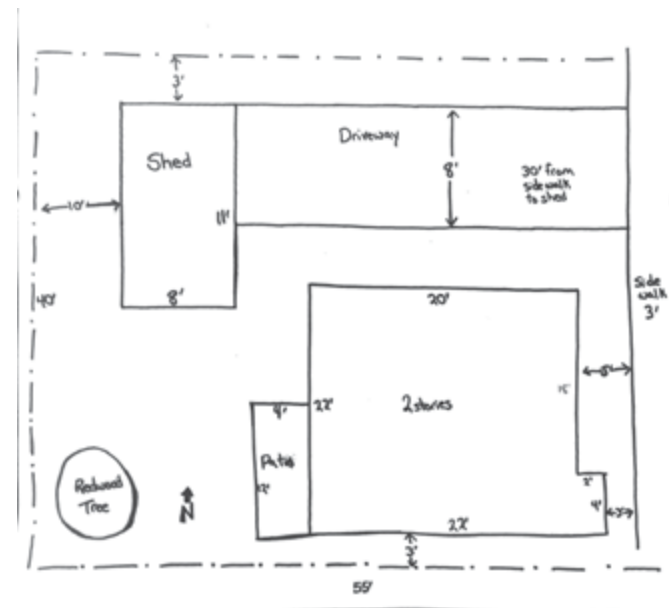
An essential step, both for your own planning and to get city approvals, is to draw a site plan. A site plan shows your property line and key information such as buildings, setbacks, lot line, etc. Most homeowners hire a professional to produce the final version, but it is often helpful to have a rough sketch to start. At this stage, you are going to draw in the major elements like building footprints, driveways, trees, significant adjacent features, etc.

Start by sketching out your property lines on scratch paper. Measure your property lines and mark them accordingly. Then add any existing structures. Focus on the basic shape. You don't need to worry about the inside floor plan, you just need to capture the footprint and whether it is one story or two stories. Also, note special features like porches, trellises, and exterior stairways.

Next, add in the driveway. Be sure to measure the length and width of the driveway. Pay attention to other significant features like trees, drainage ways, steep slopes, etc. When you are done, you will have something that looks like the sketch to the right.

Now, try doing a drawing to scale. Depending on your lot size, a good scale might be one inch equals ten feet. If possible, try to have your north arrow direction go directly up the page. Besides drawing the lines, be sure to make notes about the exact length as well. Be sure to use a pencil.

You'll want to copy your site plan or take a photo with your phone, because you will probably end up drawing on it several times as you explore ideas.



Add a north arrow and scale here



Important Vocabulary Related to Second Units

Zoning/Zoning Code: City standards that determine what can be built on a site. All lots in the city will be assigned a zone (e.g., R-1, a typical single-family zone), and each zone has different regulations. The zoning code governs many aspects of development, including how tall buildings can be, where buildings can be located on a lot, etc. Most cities only allow second units in certain zoning areas.

Building Code: Standards that ensure buildings are built safely. Building codes are made up of various sections (plumbing, electrical, etc.) These are established by the State of California and often amended by cities.

Deed Restrictions: Conditions or rules that are added to a deed for a house. For example, some cities require homeowners to add language specifying that both the main house and the second unit will not both be rented at the same time.

Discretionary Permit: Permission to build a second unit or take other action that requires a public hearing. Generally, second units do not need discretionary permits. The opposite of a discretionary permit is a use that is allowed by right, meaning a homeowner can build their second unit as long as it meets all the standards.

Ministerial Review: Review by the city to make sure an application meets all requirements. There is no discretion or judgment involved on the reviewer's part and no public hearings.

Floor Area Ratio (FAR): FAR is the number of built square feet divided by the size of a lot. FAR includes built area on all floors. The zoning code will specify the maximum FAR for your property if this applies.

Lot Coverage: The area of a property that is allowed to have buildings on it in relation to the total lot area, generally expressed as a percentage. The zoning code will specify the maximum lot coverage for your lot.

Open Space Requirements: Rules that require a certain amount of yard area to be suitable for active or passive recreation (e.g., kids playing ball or a family having dinner). This requirement is identified in the zoning code.

Setbacks: The minimum distance a building or second unit must be located from front, side or back property lines. A five-foot side setback means the second unit must be at least five feet from the side property line. This requirement is identified in the zoning code. Make sure you check how setbacks are measured (from the building wall or eave, etc.).

Single-family/Multi-family: Single-family zoning refers to one home located on a property. Multi-family zoning refers to more than one home located on a property (apartments, for example).



Section 2

Budgeting & Finance

This section will take you through the initial financial considerations and options for your second unit project. By the end of this chapter, you will:

- have an overview of the types of financing available for second units;
- understand how a second unit might impact your property tax assessment and home value; and
- start the budgeting process for your project.

Budgeting

Your budget is one the most important parts of your second unit project. The finances of your project are fundamental to determining if it is feasible based on what you can build. You will need to balance the design of your second unit with what you can afford. For example, a larger or higher-end unit will likely command higher rent, which will allow you to afford a larger loan. This chapter will take you through the important things to consider as you begin to develop your budget.



Types of Financing

There are five main options available to homeowners to finance their second unit. Many homeowners use a mix of these options. As you're doing financial planning for your second unit, remember to include the rental income you'll receive in your calculations. Some lenders will not consider this income when evaluating you for a loan, but it's important for you to consider it in your calculations.

Cash savings or other liquid assets: Homeowners with cash savings or other assets that are easily converted to cash often use these to pay for some or all of the construction costs. Examples include cash, stock, or other assets that can be liquidated. Some homeowners have withdrawn retirement savings and usually pay a penalty. This can be a viable option but should be undertaken with caution.

Cash-out refinance: Homeowners with more than approximately 15 percent equity in their property can refinance their mortgage to pull cash out to finance their second unit. Refinancing is best done when mortgage rates are lower or comparable to the homeowner's current rate. Refinancing typically incurs fees.

Loans from friends or family: Some homeowners are able to borrow from friends and family to finance their second unit. These loans should be formalized with a contract prepared by a lawyer and not simply handshake deals. These types of loans can be mutually beneficial if the lender gets a higher interest rate than they are currently getting and the borrower pays less than they would on the commercial market. This can work especially well when a friend or family member is going to live in the second unit.

Home equity loan or home equity line of credit (HELOC): Homeowners with sufficient equity in their home (typically at least 15–20 percent) can take out a second loan or line of credit to finance their second unit. These types of loans are preferable for homeowners who do not want to refinance their first mortgage at a higher interest rate and instead take out a second, smaller mortgage. Banks will typically offer a loan that is 90 percent of the equity a person has in their house. So if you have a \$1 million home and have a \$600,000 mortgage, you own \$400,000, and the bank can offer you \$360,000 (.90 x \$400,000). Typically these loans are variable rate mortgages that have no initiation fees. To qualify for a home equity loan, you'll need to show you make sufficient income to cover the cost of your current debts plus the additional

debt you'll be taking on. One advantage of a HELOC is that the homeowner does not start paying interest until the money is used. Check with your tax advisor regarding the impact of choosing a HELOC vs. a refinance.

Renovation loans: Homeowners who do not have enough equity in their home for a cash-out refinance or a home equity loan can consider a renovation loan. These loans typically rely on a homeowner's income to qualify for the loan, so a steady (and usually high) salary is necessary.

Below are financing options to consider based on your income and the amount of equity you have in your home.

| | High Income | Low Income |
|------------------|--|---|
| High Home Equity | Cash savings, cash-out refi or home equity low / HELOC | Cash-out refi or home equity loan / HELOC |
| Low Home Equity | Cash savings or renovation loan | Financing typically unavailable / loans from friends and family |



Financing FAQs

What is equity? Your equity in your home is the amount of your home you own outright, which is calculated by looking at the value of your home and subtracting your current mortgage balance(s).

What are fixed vs. variable rate mortgages? A fixed rate mortgage charges a set interest rate for the life of the loan. A variable (or adjustable) rate mortgage has a changing interest rate that varies based on market rates after an initial period.

How do I find a lender? Talk to your current mortgage company and see what options they can provide you. It's also a good idea to shop around and see who can offer you the best rates and services. Don't forget to consider local banks and credit unions, which are often more familiar with the local benefits of developing second units.

How do I structure loans with friends and family? While some people structure these as typical loans paid back over a certain period, sometimes a family member will pay for part of the second unit in exchange for living there. Make sure everyone is clear on the terms and agrees about contingencies (i.e., someone moves or passes away).

What are peer-to-peer loans? This is the practice of lending money to individuals or businesses through online services that match lenders with borrowers. These services are typically cheaper than conventional financing but also come with greater risk. For second units, some people structure these loans to include shared equity.



Taxes and Resale

Adding a second unit will affect your property taxes and the resale value of your home. Your primary house will not be reassessed, and your property taxes will only increase based on the added value of your second unit. If you have low property taxes because you have owned your home for many years, your base assessment will *not* be affected. The assessor will only review the value of the improvement. For example, if a new home buyer pays \$150,000 more for your property because of your second unit, and your property tax rate is 1.1%, your taxes will increase by $1.1\% \times \$150,000 = \$1,650$. Plus you will continue to pay what you were paying before.

Your second unit will likely add to your home's value, though the exact amount is difficult to predict because there are few comparable homes to give definitive rules. A very rough rule of thumb is that your new construction second unit will add 100 times the monthly rental value to your home. For example, if your second unit rents for \$1,800, it should add about \$180,000 to the value of your home.

Other options, such as interior conversion, home sharing, or creating a junior second unit (JADU), will have a smaller impact on value. Home sharing will not increase the assessed

value of your home at all, while JADUs will impact the assessed value less than a traditional second unit (or potentially not at all). Since JADUs are a relatively new form of housing, there is currently little data on them.

Adding a second unit may impact your income taxes as well. This can be rather complicated, and it's best to discuss these with a tax advisor. The rental income you receive for your second unit is taxable, but you can depreciate the cost of construction and maintenance, which can often reduce your taxes overall. You may also have capital gains tax related to the increased value when you sell your property.

The assessed value of your second unit will vary, so it's best to consult a tax advisor and real estate professional.

Estimate Project Costs

While getting an accurate estimate for your project is quite tricky and dependent on many factors, the second unit calculator is a great place to get a rough estimate of costs and income for your project and a general idea of how the choices you make will impact your budget over time.

www.SecondUnitCenterSMC.org/Calculator

Each subsequent section of this workbook will include a more detailed discussion of costs for that specific phase of the project.

Budgeting Exercise

The following questions will help you think through and get started with financial planning for your second unit.

1. What are my estimated construction costs? (Use the second unit calculator at www.SecondUnitCenterSMC.org.)
2. How much cash (or other liquid assets) can I put into the project?
3. How am I planning to finance the project?
4. How much equity do I have in my home (market value of home - mortgage balance)?
5. If a family or friend is going to live there, can they contribute?
6. Will my income support a loan?
7. Which loan(s) best suit my situation?

8. Do I expect to qualify for a loan?
9. Do I prefer a bank, credit union, or nontraditional financings?
10. What banks do I want to reach out to? (Make sure to include your current lender.)
11. What do I expect to rent my second unit for? (The second unit calculator at www.SecondUnitCenterSMC.org can estimate.)
12. Is my priority maximizing income or meeting needs of community?
13. What other financial considerations do I have and/or what ideas do I want to explore?





Section 3

Design

This section will help you think about what you want your second unit to look like, inside and out. You will do some initial work to identify how your proposed addition fits in its environment as well as how it fits in relation to the yard, the main house, and your neighbors' houses. It will also help you hire and work with a designer or architect. By the end of this chapter, you will:

- have identified initial design goals, features, issues, and considerations;
- understand the design process and professionals involved; and
- be ready to hire and work with an architect/designer.

Inspiration and Getting Started

Before moving forward with the design process, it is important to think about how you will use your second unit and what you want it to look like. The following are some activities to begin the process. When you see things you like or don't like, take notes and pictures. Pay attention to what neighboring buildings look like and how they relate to their surroundings.

- Take a walk around your neighborhood. Do you see houses or design elements that strike you?
- View your home and potential second unit from your neighbor's perspective in terms of privacy, views, sunlight, noise, etc.
- Page through the photos in the Why section of www.SecondUnitCenterSMC.org or the *San Mateo County Idea Book*, also available on the website.
- Look through magazines or books and tear out pages or take photographs of your favorite designs.
- Check out www.accessorydwelling.org for more photos.
- Search for inspiration on websites like Pinterest and Houzz.

It is helpful to have a clear sense of your preferences and priorities early in the process. If you have not made some fundamental decisions, like the type of second unit and how many bedrooms you want, it's difficult to start the design process. An architect can help you brainstorm or answer fundamental questions, but they cannot start designing until these questions are answered.

It's a good idea to revisit the second unit standards for your city (www.21elements.com/secondunits) to see if your city has any specific design guidelines. Some cities have guidelines intended to help maintain the character of a place that can include guidelines on color, material, details and style, among other things.

Many homeowners are excited to think about the finishes (the type of siding, flooring, fixtures or lighting), but these design details do not need to be decided early in the process. These elements do not affect the form and placement of the unit, which is what the design will focus on initially. Use the space on the page 46 to jot down your ideas, but know these will be refined later in the design process.

Typically, a studio is 200–400 square feet, a one-bedroom is 300–600 square feet, and a two-bedroom is 600+ square feet.

Design Definitions

Architect: A design professional who has passed a licensing exam by the state. Architects are trained in design and construction management. We use the term architect and designer interchangeably in this book.

Design/build: A firm that does both design and construction.

Designer: A general term for someone who does design. Architects are one type of designer. Designers who are not architects often charge lower rates but have less expertise.

Drafter: Someone who does architectural drawings.

Elevation Drawing: A drawing that shows a straight view, usually of an exterior wall. Elevation is often a synonym with facade, so the south elevation is the south-facing facade of your house.

Prefab/panelized/modular: A method of building that involves some or most of the construction happening off-site.

Site Plan: A drawing of your lot, buildings, and other features.

Survey: A professional examination/drawing of your property boundaries and/or slope. This is required in some cases but not in others.



Websites like Pinterest are a great way to collect online photos and inspiration.

Initial Design Exercise

Here are some notes and questions to get you started on the design process. *Remember, all of these might change when you start discussing costs.*

1. Review the goals you identified on page 17 in the *Getting Started* section to ensure they are still appropriate.
2. What type of second unit do you want (e.g., free standing, garage conversion, etc.)? See page 7 for second unit types.
3. Do you want a modern or a traditional feel? (Many people feel a second unit will look best if it matches the main home. And the city might require it.)
4. What are some houses that you like and why?
5. Are there floor plans you like or don't like? What features stand out?
6. How many bedrooms do you want?
7. How many bathrooms do you want, and do you want them larger or smaller?
8. Do you want more communal space (living room) or larger bedrooms?
9. What kind of kitchen do you want (chef's kitchen or something less expensive)?
10. Do you want features that will help people stay in the home as they age (e.g., level entry, no stairs, etc.)?
11. Will there be a washer-dryer in the unit?

12. Do you want additional green or sustainable features?
13. Are there landscaping plans you would like incorporated into the design of your second unit?
14. Do you have preferences about the flow of the house (e.g., the entrance should be in one place, there should be a door to the garden, etc.)?
15. Are there features in your current home or past homes that you loved or felt could be improved that can help inspire your second unit?

Use the following space for notes:



Interior Finish Ideas



Write down your thoughts here. When it is time, pull this out.

Flooring

Lighting

Siding

Fixtures



Designer Type

As you start the design process, one of your first considerations is what kind of professional you want to work with. Most homeowners choose to work with some type of design professional to plan their second unit and to help throughout the process. Bringing on a professional early in the process is often key to getting your second unit approved quickly and smoothly, and to creating a cost-effective project. However, homeowners with previous design experience can choose to manage the design themselves, but this is not recommended for homeowners unless they have considerable experience.

You will also need to decide how much you want your designer to take on - some homeowners hire their designers just to do design drawings, while others keep them on to do construction drawings and/or to help with construction management.

No one type of design professional is inherently better than the other. Like any profession, specific relevant experience, professional interests, personal strengths, and personal fit with the client are critical. The following are the four general types of design professionals you can work with to design your second unit.

Architect: An architect is a professional licensed by the state who has a degree in architecture and has passed a rigorous licensing examination. Architects take legal responsibility for their work. Architects may provide a range of services including full-service support from the initial concept on as well as completion of construction, including coordinating with required consultants such as structural engineers and any related subcontractors. Ask what services an architect offers and negotiate fee based on what services you need. The American Institute of Architects website provides helpful information to homeowners in this regard (https://info.aia.org/blast_images/mrkt/brochure_wtw_yaya.pdf). This method tends to prioritize design over cost although ideally should work toward a specified budget.

Designer: The term designer is not regulated; anyone can call themselves a designer. Some designers have an architectural education and training but are not licensed, others are self-taught. Most fall somewhere in between. The services designers provide are variable depending on their experience and business model. This method also tends to prioritize design over cost.

Design/Build: A design/build firm will do the design and construction of your second

unit. Most often, a design/build firm is headed by a licensed contractor who has a designer on staff, but some are headed by or have a licensed architect on staff. Be sure to ask detailed questions about the level of design services provided. The term design/build is not regulated. Some design/build firms have experienced designers on staff who can provide spatial planning for remodels, additions, and new construction as well as material selections. Others focus on minor changes and material selections or will hire a drafter to draw up plans based on your or their ideas. This method tends to prioritize cost over design and may build to a specified budget.

Modular/prefab: With modular and prefab homes, some or all of the home is built in a factory and shipped to your site. Generally, the homeowner will work with the modular company to select and often customize their unit. A contractor is then required for site, utilities, and concrete work in preparation for the installation of the modular unit. This method simplifies the design process to choosing a company and then selecting a model and finish options. Modular generally takes the least time from conception to completion with a reliable level of quality control. This is a relatively new and not-yet-widely implemented method that may require additional finesse in working with local jurisdictions. See page 69 for more information.

There isn't a hard line between prefab and custom built. For example, you will be able to customize the prefab designs. You can also have your architect start from plans that have been used, and approved, in other places. By compromising a little on flexibility, you might be able to save a lot of time and money.



Most jurisdictions do not require an architect to design a residential project. However, they may require an architect or structural engineer's stamp on certain documents submitted for permit.

Hiring and Working with a Designer

A designer will start the process by visiting your home. They will talk about your ideas and goals. If it seems like a good match, they will prepare a proposal. This will detail exactly what services they will provide and what they will charge. You will need to determine how involved you want your designer to be. Some designers will charge for their initial consultation or development of a proposal; it depends on the firm.

There are two key considerations when evaluating a design professional: their experience and their interpersonal skills. There are unique challenges to designing small homes and you most likely will want someone who has experience with small homes. Also, designers have favorite styles (e.g. modern, craftsman, etc.) and your designer's skills should match your goals.

It is also important to find a designer who has a personality and communication style that fits with you. They should understand and respect your goals and choices. Chemistry really matters. A major portion of a designer's job is explaining the process and the design choices to you, so you want someone whose

explanations make sense to you. This extends to communication mode as well. If they are an email person and you are a phone person, it might not be a good match.

The American Institute of Architects recommends you meet with three to five firms before making a hiring decision. See page 51 for questions to ask your designer.



Designer Considerations Exercise

1. Would you rather work with a licensed architect, who has more training, or a designer, who is likely to be less expensive?
2. Do you want to use modular/prefab construction (unit is built, at least partially, offsite)?
3. Do you want to use a design/build firm to handle both drawings and construction?
4. How client-centered do you want your designer to be? Some architects welcome interactions with their clients and some dread it. Some homeowners want to be actively involved and some are more hands off.
5. Do you prefer to work with a larger firm or a smaller firm? Both have pros and cons. In the end it comes down to your personal preference.
6. Do you want your designer just to prepare drawings or do you want them also to help with permitting, construction drawings, and/or help with the construction phase?

You don't need to make extensive small talk with your architect, which can be expensive.

Questions to Ask Your Designer

Experience

- Do you have experience with building second units or accessory dwelling units?
- Where can I see pictures of similar projects you have designed?
- Can you send me a list of client references, preferably from smaller projects?
- How big is your firm? Who does which portions of the work? Who specifically will be working on my design?
- Are you licensed?
- What is your experience designing the type of second unit I would like build?
- Do you have experience working with my city and do you know city staff?

Design

- How closely do you like to work with homeowners in the design process?
- Do you have a design philosophy?
- What are the steps in the design process and how are they organized?
- How do you help a homeowner establish priorities and make design decisions?
- What role do you have during construction? Am I expected to work with the contractor directly?

My Project

- How busy are you? What is the timing to start work?
- What is your estimated timeline once the project is moving forward?
- What challenges do you foresee?
- What do you see as important considerations for my project?
- How will you go about identifying my needs and goals and incorporating them into the design?
- Is my budget realistic?
- How will you help me to understand key milestones in the process?
- What do you expect me to provide and by when?

Fees

- What are your fees? How do you structure your fees?
- Can you provide some sense of what it might cost with the understanding that they are just rough numbers without a formal proposal?
- What is included in your basic services and what services would incur additional fees?
- What is the process for changes in scope?
- How do you manage a project to keep it on budget?

Adapted from American Institute of Architects

Costs and Contracts

Design costs vary with every project but a rule of thumb is that it will cost 10-20% of the total construction budget.

Typically designers use one of three methods:

Fixed fee: Based on your project needs, an architect gives you a maximum price. If the project takes more or less time to complete, their prices do not change.

Time and materials: The architect will bill you for the hours they work. This works best if there are too many unknowns for the architect to fully understand the scope of the project.

Not to exceed: The architect will only charge the hours they work, but there are agreed upon maximum amounts for each phase of the work.

California requires architects to offer you a written contract. You should take advantage of this to protect yourself and so there are no miscommunications. You may want to have a lawyer review the contract to make sure all of your concerns are covered before you sign.

Sample Design Costs

| | Percent of total | Basic studio | High end 2 bedroom |
|-------------------------------------|------------------|-----------------|--------------------|
| Concept/schematics | 15% | \$1,500 | \$2,700 |
| Refinement & permits | 30% | \$3,000 | \$5,400 |
| Construction drawings | 40% | \$4,000 | \$7,200 |
| Bidding, negotiation & construction | 15% | \$1,500 | \$2,700 |
| Total | | \$10,000 | \$18,000 |

These represent typical costs but every project is different and costs will vary. All costs from 2018.

The American Institute of Architects has a sample contract available on the Second Unit Center website.

Steps in the Design Process

1. Concept/Schematics

Once your designer is hired and you've discussed your goals, they will take measurements of your property and develop conceptual drawings or schematics. (If the site plan you did in Section 1 was accurate enough, they may be able to use this.) Schematics are often sketches that show broad concepts, but not details. They are relatively fast and inexpensive to produce and can help you and the designer focus in on what you want. The concept diagrams will focus on the type of second unit, floor plan, relationship to outside areas and the main house, etc. Cost considerations should come up at every stage of the process. If your designer does not bring them up, you should.

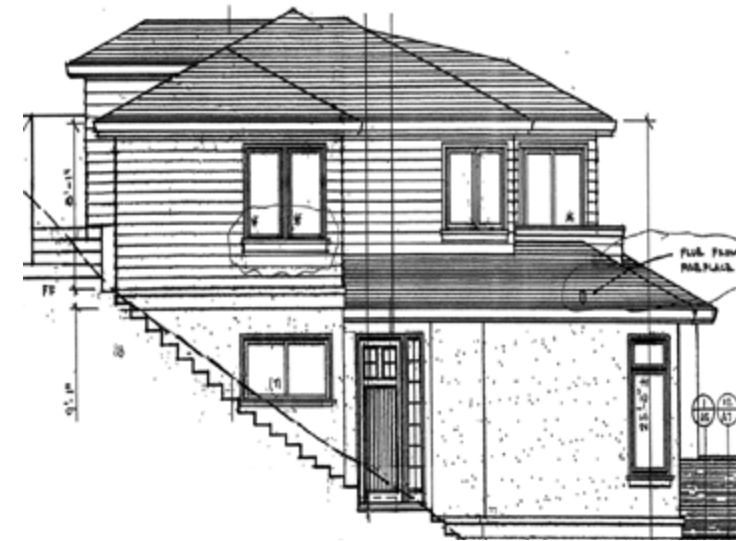
City rules will affect your options. For example, many cities require your second unit design to be compatible with the neighborhood. Also, the size or height might be limited by city rules. Look back over the city rules you downloaded earlier.

In this stage, it is important to consider how the second unit interacts with the yard. People often want more windows and doors with glass

in smaller homes to make the space feel more open. There may be trees, open space and other features you're interested in looking at from within, while you may not want to see other elements like fences, driveways, and neighbors homes. Vaulted ceilings are also popular as they make smaller spaces feel much larger.

2a. Refinement

Once you have a concept plan, the designer will refine their work. Designers will ask more questions about your goals and you will have to start choosing components, like doors and windows. At the end of this stage, there will be a drawing done to scale that covers the layout and all the major systems (heating, electrical, etc.).



2b. Review with the City and Apply for Permits

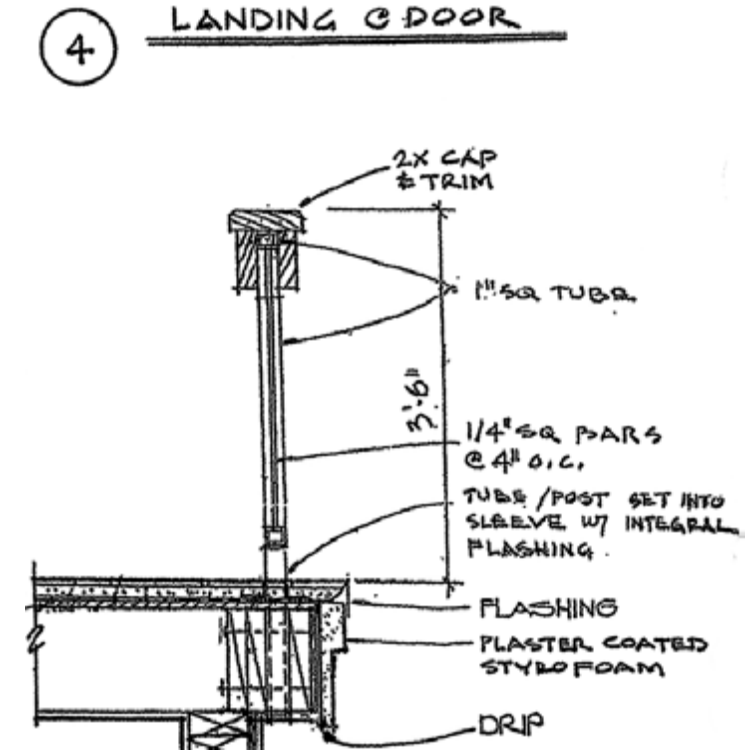
At this point, or ideally halfway through the refinement process, it is a good idea to show the design concept to city staff to make sure the plan is approvable and to identify any other regulatory considerations. Your designer can attend this meeting and could assist you in clarifying all the requirements and issues that should be covered in the permit drawings plan. After meeting with the city, you or your designer can complete the city's permit application and appropriate plans for that stage of the review. See Section 4 on page 42 for more information.

3. Construction Drawings

Many homeowners get construction drawings from their designer, which provide all the detail needed for a contractor to bid on the project. Some homeowners use permit drawings to get bids, but many contractors cannot give an accurate bid with this information.

4. Managing Construction

Some homeowners keep their designer on to help with construction. Most designers have a pool of contractors they work with. They can help you get bids and choose one that works for you. Your designer can also help you think through last minute complications if they arise.



Builders/contractors will often have thoughts about costs—and opportunities to reduce them—that your designer may not have considered early on. Consider expanding your team to include a builder so you can draw upon their expertise before the plans are finalized. However, you will not have detailed enough drawings to solicit bids. It is OK to have one builder review plans and then have others bid to do the actual work.



Section 4

Permitting

This section will take you through the second unit permitting and approvals process. By the end of this chapter, you will:

- have an overview of what your city may require as part of the permit application;
- know what to expect for the application review;
- have reviewed the types of fees you may need to pay; and
- understand how to get started on your application.

Permitting Overview

Once you have plans for your second unit, your designer will need to submit the material to your city for approval. You should have a rough idea of the permitting and approvals process from your initial meeting with the city and the work you did in Section 1 of this workbook. More importantly, your designer or contractor should be familiar with the process and will serve as your guide.

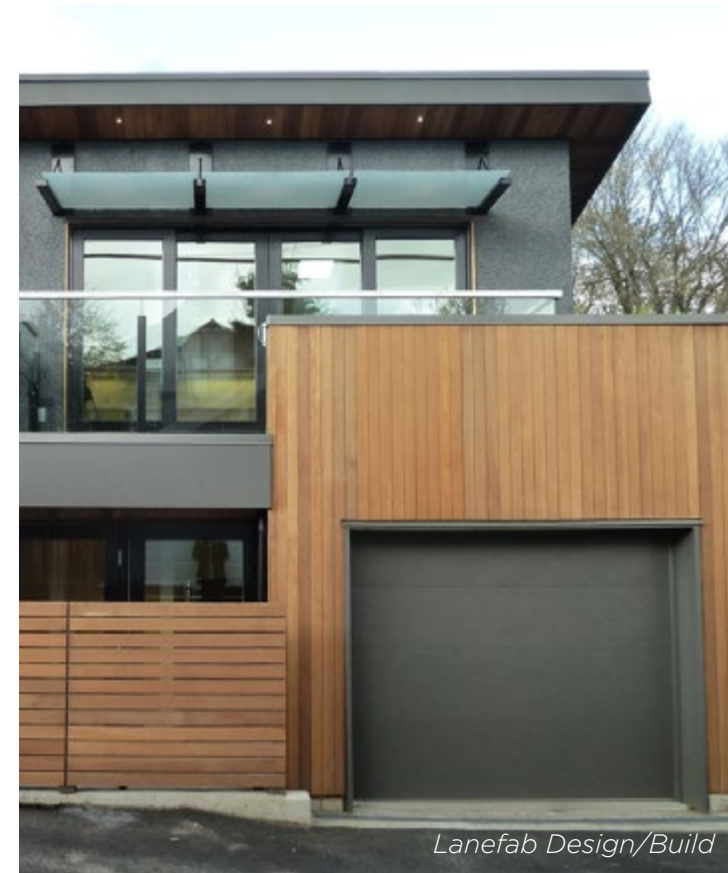
Planning, zoning, and building regulations ensure homes and other buildings are habitable, environmentally friendly, and safe places to live and work. However, the local permit application, review and approval process can be daunting for anyone who has not gone through it before. While the process has gotten easier, it still can be difficult. The following are steps and resources to keep in mind.

- ❑ **Final pre-submittal review:** Before submitting your application, it is worth you and maybe your designer making a final trip to the city with a draft of all your drawings and materials. Call the city and let them know you are almost ready to submit and want to set up a meeting for final guidance. Set up a time to go over any outstanding questions and get any advice they have before you submit your application, so you can minimize surprises later in the process. This is also a great opportunity to ask about common problems in the permitting process and how to avoid them. See page 62 for suggested questions and space to organize information.
- ❑ **Submit application:** Each city has a different permitting process, but generally you will submit one application with several components and the city will send it out to various departments to review. The first step will be for the city to sign-off that your application is complete. That will initiate the staff's internal review. Typically, several city departments will review your application, including (at minimum) planning and building.
- ❑ **City review and respond to comments:** The city will collect all internal review comments on the application and then will send them back to you. Assuming changes are needed (which is usually the case), you will then resubmit your revised plans in response to the comments or provide additional information as part of your application. This step is repeated until all the comments are addressed, which might take a few rounds. In less common instances, a discretionary permit may be required. See page 31 for more information.
- ❑ **Pay fees:** Before receiving the final permits, homeowners will have to pay all their fees, including fees required by other agencies like school districts or water districts. This generally happens after the second unit floor plan is finalized. The city will give you a list of where you need to go to pay and obtain proof of payment for the various fees required.
- ❑ **Pick up your permit(s):** The home owner or contractor, if they are identified on the application, may then pick up the building permit to commence construction. Architects are generally not allowed to pick up the permits.



Putting Together Your Application

Most homeowners choose to work with a professional throughout the permitting process. Based on dozens of interviews with homeowners in San Mateo County who have gone through this process, they felt that hiring a professional is the best money they spent. The submittal and review process is often quite complex and requires significant architecture and building technology knowledge for smoother review. California does allow homeowners to submit the application under their name, but many who start down this path have a miserable time. Also, owner-builders are liable if anything goes wrong. Generally, it is better to have a professional on your side to explain the requirements and the choices you must make. The following page is a sample checklist from the City of Redwood City to give you an idea of what to expect.



Lanefab Design/Build

Second Units in the Coastal Zone

If you are building a second unit in the Coastal Zone, the rules may differ. The Coastal Zone covers all of Half Moon Bay and parts of Daly City, Pacifica and the unincorporated county. State law governing second units applies differently in the Coastal Zone. A coastal development permit may be required, which may include notifying your neighbors. It's best to discuss second unit projects in the Coastal Zone with your city or county staff to determine the process.



Permit Application Checklist

Redwood City Community Development Services – Building & Inspection
City Hall, 1017 Middlefield Road, PO Box 391, Redwood City, CA 94064

The Redwood City “Counter Team” is here to help you get your permit. This Permit Application Checklist is the first step. Staff will review your project using this checklist to help ensure that your application is complete, *the first time*.

Most Permit Applications require at least the following items:

- Complete Application Form (signed by property owner) and Fee
- Site Plan (include parking, trees & landscaping, easements)
- Plot and Finish Grading Plan – 2 sets – Ref. City Engineering Standards Vol. III, Part II, Section E and Attachment D, D-1, D-2 and E)
- Foundation and Roof Plans
- Floor Plan (existing and proposed; label all rooms)
- Elevation Plans (all sides, provide photos if existing)
- Construction Section and Details (show framing and footings)
- Electrical, Mechanical, and Plumbing Plans
- Structural Calculations – 2 sets
- Soils Report (new buildings, basements, hillsides, other special circumstances as required by the Building Official) – 2 sets
- Job Specifications – 2 sets
- Title 24 Energy Calculations, 2005 version (required for all habitable or “conditioned” space) – 2 sets
- Fire Sprinkler Plan (sprinkled buildings only) – 2 sets
- Local Development Standards (curb, gutter, sidewalk, driveway approach, street trees, street lights, etc.) – 4 sets
- School Impact Fees (residential > 500 sq. ft.)
- Traffic Impact Fees
- Local Development Costs
- Water and sewer fees (as applicable)
- Environmental Impact Assessment
- Description of Use
- NPDES Permit Compliance for construction and new development and check lists
- Other _____

This is a sample application checklist, which shows typical submittal requirements.



Application Submittal

The details of submitting an application are different in each city. Some cities require applications to be submitted online while others require (multiple) paper copies on various sizes of paper. In any case, the city will initially review application for completeness before it begins a more thorough review. Once your application is deemed complete, meaning you correctly submitted all of the required materials at the required level of detail, the various reviewing departments and agencies will begin their review.

Most cities have applicants turn in all their application material at one time. A minority of cities do the application in two steps, first requiring homeowners to receive planning or zoning approval. This generally covers the building size, placement on the lot, height, etc., but not the construction details. A homeowner may apply for a building permit once they receive planning and zoning approvals.

As of May 2018, the following cities use the two-step process:

- Atherton
- Brisbane (new construction)
- East Palo Alto
- Half Moon Bay
- Hillsborough

The application requirements vary by city, but the following is a checklist of typical application components:

- ❑ site plan (depicting existing and proposed structures)
- ❑ building/architectural plans (floor plans, elevation plans and details)
- ❑ structural plans (foundation plan, framing plans and associated details)
- ❑ other items (title 24 energy calculations, best management practices for erosion control, photos, etc.)

Title 24

Title 24 regulates minimum energy efficiency and access requirements for new construction in California. For example, these standards dictate how much insulation is required and the types of light fixtures that can be used. All new second units will need to demonstrate compliance with Title 24, which usually requires hiring a consultant and typically costs less than \$500.

Permit Application Planning and Organization

Use this space to collect and organize information on the permitting application you will submit.

What are all the steps of the permitting and approvals process?

How long does each step in the process take?

What submittal materials are required and where/how are they submitted?

What fees are required and to whom do I pay each fee?

What potential problems do you see with my application and how can I address these?

Other notes or questions:

City Review and Comments

In the application review phase, various departments will assess your project application to ensure that it meets all applicable regulations. The process will typically include some or all of the following reviews (and possibly a few others).

Review by the Planning Department

The application review process typically begins with Planning/Zoning review. Planning review will assess whether your proposed second unit complies with basic zoning regulations, such as allowed size, height, placement on property, parking, etc. This level of review may actually happen before your application is deemed complete.

Review by the Building Department

Building review addresses the physical construction of the second unit to ensure that all the elements of the building meet the requirements of the California building code. Some examples include electrical, insulation, ventilation, plumbing fixtures, ceiling heights, foundation requirements, seismic safety, etc. Building codes are nearly identical from city to city, but some jurisdictions have made minor amendments.

In addition to Planning and Building, your project may be reviewed by a variety of other departments and agencies, including:

- **Public works:** Public Works may review the project's connection to the public streets and sidewalks or drainage issues
- **Fire agencies:** The fire agency with jurisdiction over your property may review your plans for compliance with all fire codes.
- **Public utilities** (water, sewer): If your unit requires installation or expansion of water and/or sewer service, the relevant agencies will review your project to ensure that the water and sewer connections are adequate and appropriately designed. All projects will generally require a building permit and something called a *will serve* letter from local service agencies to prove you have the right to connect to water and sewer services. These utility agencies may require your second unit to meet other requirements related to water fixtures or landscaping.
- **Health:** If your unit requires installation or expansion of a septic system or relies on well water, the County Environmental Health Department will review these components of the project. Be sure to check on water and septic rules early on because sometimes the requirements are expensive.

Comments

You will receive comments from each of the reviewing agencies that may require changes to your application. You and your project team will need to address all comments and resubmit your application. Most second units require one to three rounds of review before the application is approved. Each review typically takes two to four weeks for the city to return comments. The length of the entire process will depend on the number of reviews required and how quickly the application is resubmitted between reviews. Be prepared, sometimes cities may bring up entirely new comments in later reviews. This can be frustrating but is allowed under the law.

Surveys, Expert Opinions and Certificates

Some cities may require homeowners to get expert opinions or certificates or conduct surveys as part of the approval process. For example, if the second unit could impact significant trees, an arborist may need to certify that the second unit will not damage the trees. Other common requirements include boundary and geotechnical surveys, elevation certificates (especially for properties located in the FEMA flood zone), sewer certification, and others.

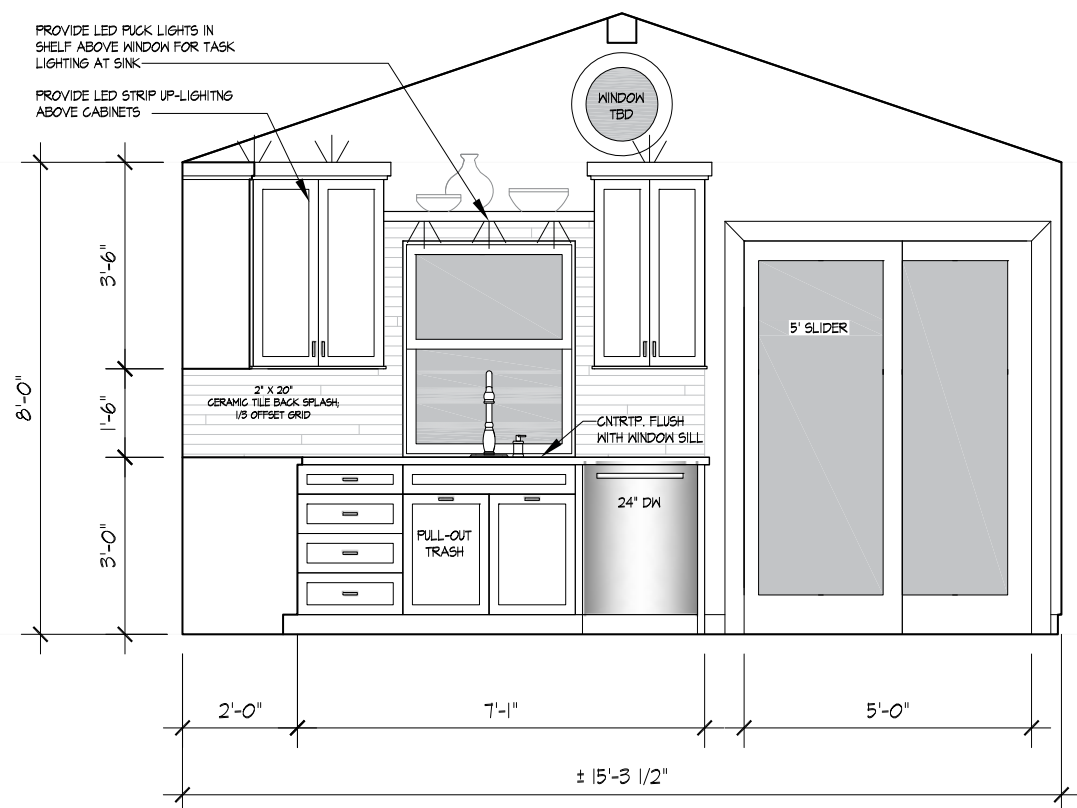
Design Review

Some cities will also require design review, which ensures that second units meet certain design standards (color, material, style, etc.) for neighborhood compatibility. Recent state law changes specify that design review of second units occurs at the staff level only with no public hearing. The following cities report that they do design review: Burlingame, Colma, San Mateo City and Woodside.

Public Hearings: The Exception

If your second unit meets all basic standards, and does not require any special exceptions or permissions (commonly referred to as variances), typically it will only be reviewed and approved by staff at the departments and agencies listed above. However, if your project does not fit within the basic standards, you may request certain exceptions to these regulations. In this case, your unit will typically be reviewed at a public hearing. Depending on the nature of your project, public hearings may include: Design Review Committee, Zoning Board, or Planning Commission. If a public hearing is required, the permits will only be issued after approval by the relevant hearing body.





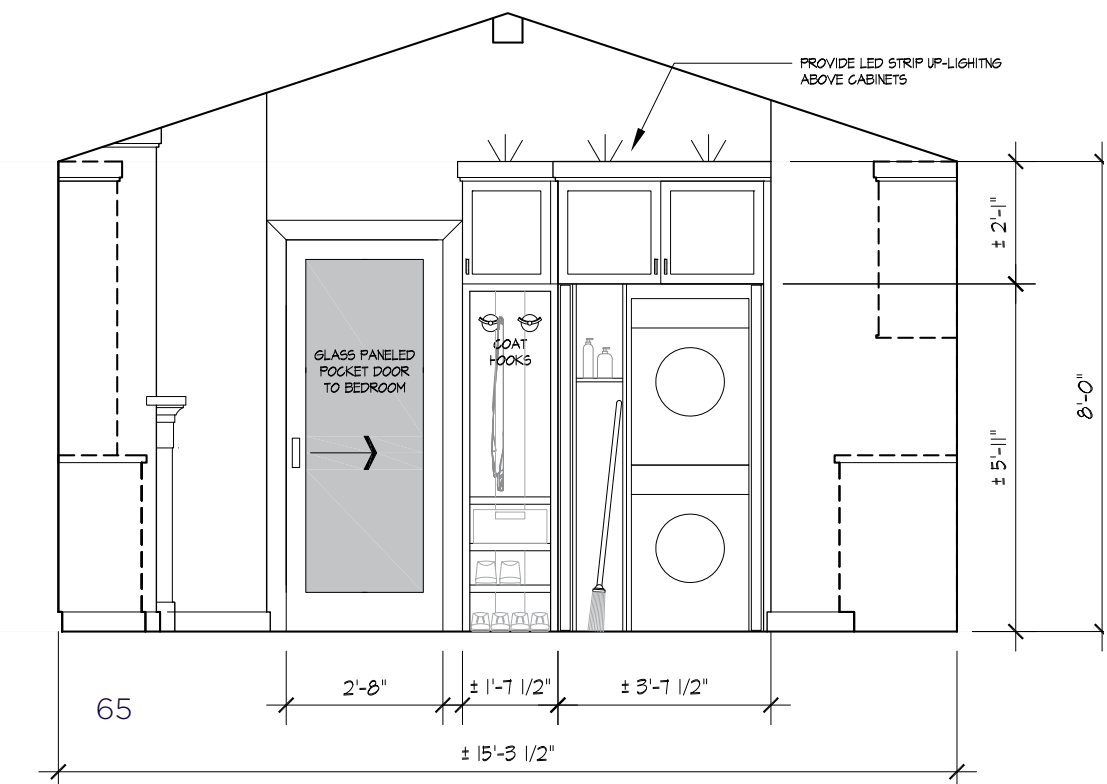
Sample Comments

Here are some sample comments from cities on second unit applications.

“Please amend site plan to clarify whether the 11-inch side property line setback is based on field measurements or property line survey. The plan showing the relationship between the building and the North property line must be done by a land surveyor, or civil engineer.”

“Revise the construction drawing to provide complete plans and specifications for the removal of rainwater from roofs, paved areas, yards, courts vent shafts, light wells and similar areas.”

“Habitable spaces are required to be provided with an underslab vapor retarder...”



Pay Fees

Each city will require different fees and the exact fees will be dependent on your specific project, but generally fees range from a few hundred dollars to over \$20,000. As of 2018, most projects are in the \$3,000-\$10,000 range. Generally, you will need to pay all fees prior to receiving your building permits. Below are the fees commonly required by cities, but fees will vary for each city and project. You may only pay some of these fees or there may be other fees.

- ❑ **Entitlement Fees** are levied by cities to cover the administrative costs of processing applications. These typically range from a few hundred to thousands of dollars and are not levied in all cities.
- ❑ **Building Permit and Impact Fees** cover the costs of inspections before, during and after construction as well as service and capital improvements in your neighborhood and the surrounding area. These fees can vary from a few thousand dollars to over \$10,000.
- ❑ **Water Fees** support the cost of providing water service to the community. Recent changes to state law have significantly reduced the water fees for second units. Existing buildings do not require water fees, while new buildings can only be charged fees in proportion to the size of the unit.

- ❑ **School District(s) Fees** support the schools in your area through a per square foot development fee. These are paid directly to the school district. Typically, your city will give you the address(es) of the school district(s) and you will pay the school district directly and then present proof of payment to your city. In 2018, these fees vary from \$1.39 to \$3.48 per square foot, though some projects are exempt from school fees (often projects under 500 square feet).

The Second Unit Calculator (www.secondunitcentersmc.org/calculator) can provide an estimate of the fees for your project. Your city will be able to provide the most up-to-date information on fees.



At the time of this printing, new state laws were being proposed that may drastically reduce fees. Check with your city for the latest information on fees.



Section 5

Construction

This section will guide you through the construction phase of your project, from hiring a contractor to completing final inspections. By the end of this chapter, you will:

- have an overview of different types of construction;
- be able to very roughly estimate construction costs;
- know how to get bids and hire a contractor; and
- understand your and your contractor's roles during the construction process.



A prefab home by Lanefab Design/Build

Traditional vs. Prefab

There are two types of construction to consider for your project: traditional construction (unit is custom built on site) and prefabricated/modular methods (sections of the unit or the entire unit are built off site). Both traditional construction and prefab have pros and cons, so it's best to consider your specific needs in terms of your lot, design intention, ease of hiring contractors, etc.

Traditionally, a homeowner hires a builder to construct the unit that their architect designs or a design/build firm handles the entire process. This allows the homeowner to design a

home fitted to their space and need. Traditional construction also allows for smaller changes to the design during the process even after construction has started.

With prefab and modular methods, some or all of the home is built in a factory and shipped to your site. These methods rely significantly less on contractors – except for on-site assembly, foundation, utility hookups, etc. Additionally, prefab often saves time because the site can be prepared while the home is being constructed in the factory. Prefab homes typically offer less customization. Prefab homes are often about the same price as traditional construction, though some companies offer lower price options. While prefab homes can appear to

offer cost savings, it's important to consider some of the additional costs like transport, crane costs, the foundation and sales tax when comparing costs which can end up being 20-40 percent of the cost. Also, not all banks will finance prefab. There are three types of prefab homes:



Lanefab Design/Build

Panelized: homes constructed from two-dimensional, pre-built sections that are assembled on site.



New Avenue Homes

Modular: fully constructed and finished boxes (with cabinets, plumbing and doors already installed) that are hooked up on site.



US Modular Inc.

Manufactured: similar to modular in that unit is built offsite, but regulated by federal building code, often designed to be mobile, and usually more affordable.

To explore prefab home options, you will want to get in touch with prefab companies directly. Generally, they will visit and evaluate your site and make recommendations for your property, including cost and customization options. You can find prefab builders by researching online.

No matter the design, second units cannot be on wheels and must have a permanent foundation.

Shipping Container Homes

Lots of people are excited about shipping containers finding a second life as small homes. Typically 20 x 8 feet, these heavy-duty metal boxes are repurposed by companies and do it yourselves into dwellings that are either made up of just one container or multiple containers connected together. If interested, make sure they meet California laws.



Lanefab Design/Build

Project Manager

Someone will need to manage the construction process. This includes hiring subcontractors for electrical, plumbing, coordinating construction, managing scheduling, making payments, working with the city on permits and more. If you hire a design/build firm (see page 47 for more info), you will not need to hire a separate person or company when you get to the construction phase. If not, you'll either need to hire a general contractor or manage the project yourself.

Often, people who are their own general contractors have a difficult and unpleasant time. Many people believe that because they have experience managing a kitchen renovation or adding an addition, they will be able to save money by being their own general contractor. But it's important to recognize that building a second unit is more akin to building an entire house than a renovation. Further, there are many more possibilities for costly and time-consuming mistakes and delays. From securing permits to dealing with PG&E, the process is challenging and best left to those with extensive experience. The "Getting Bids" and "Hiring a Contractor" sections of this chapter will take you through the process of finding and hiring a general contractor.

Some homeowners choose to retain the services of their designer during construction or they hire a construction manager or owner's representative who represents and advocates for the homeowner through the process. Having an expert who assists with contract negotiation, payment schedules, quality checks, project timing, working with the city and other regulatory agencies and more can be valuable to a homeowner who is unfamiliar with these processes. Though it may cost more upfront, some homeowners will come out ahead because their project was better managed and/or because of the rental income they would have lost to a delayed project.



Building Costs

Construction costs for your second unit will vary significantly depending on personal preferences, site conditions, location, and many other factors. Similar to asking what an average wedding will cost, it's impossible to give an accurate estimate without some specifics and an understanding of your preferences. The cost to develop a second unit typically ranges from \$30,000 for a simple interior conversion to \$500,000 for a large unit with high end finishes on a hillside lot. Cost per square foot is a good way to estimate, though this too can range from \$200–\$800 per square foot depending on the complexity and design finish of the project. Generally, most projects are between \$250–500 per square foot, and \$400 per square foot is a good starting estimate for an average project.

Despite what many think, smaller units are not necessarily significantly cheaper because construction costs are not directly proportional to the size of the unit. There are many costs that must be included in all second units—particularly the foundation, kitchen and bathroom(s)—with marginal increases for larger size units. Each bathroom generally costs \$15,000–\$25,000, and the kitchen is generally \$25,000–\$50,000.



The type of second unit you build will also impact costs. While costs will depend mostly on the specifics of your project design, some types of second units are generally less costly to construct than others. New construction of both detached and attached second units tends to be the most expensive. Conversions of interior space (basement or otherwise) can be much cheaper—assuming no complex building code or structural issues exist—because much of the structure for the second unit is in place (walls, floors, ceilings, etc.). If allowed, two-story units can generally be built at a lower cost per square foot because only one foundation and one roof are needed. Garage conversions are often no cheaper, or not much cheaper, than new construction because these structures usually need significant work to be brought up to code and the shell of a building (walls, foundation, roof) are not the most expensive parts of construction. Common challenges include redoing the foundation, replacing the floor so a vapor barrier can be added, replacing the windows, insulating, etc.

There are many other factors that will impact costs, including:

- quality of interior finish work and amenities
- architectural form and details
- extent of utility, structural, mechanical, electrical and plumbing upgrades required
- required ancillary upgrades (sidewalk frontages, sewer and water upgrades, etc.)
- whether sprinklers are required
- whether doors and windows meet emergency exit standards
- lot complexity (slope, trees, fault lines, etc.)

Many homeowners wonder if fire sprinklers are required. In general, sprinklers are only required in a second unit if the primary dwelling is required to have sprinklers. However, new construction or projects that add significant square footage may trigger a requirement for sprinklers. It's best to discuss your specific situation early on with your city to determine if you need sprinklers.

Worried about high construction costs?

If the construction costs of building a second unit are too high, consider home sharing or converting interior space into a second unit. Home sharing requires no construction, but brings in rental income. The cost to convert interior space into a junior second unit is often much lower than other types of construction, so this can be a great option if cost is a barrier. See page 8 for more information.

Second Unit Cost Estimates and Examples

To estimate your project's specific costs, check out our Second Unit Calculator, which estimates costs based on your specific project, including location, construction type, size and interior quality. The calculator is available at:

www.SecondUnitCenterSMC.org/Calculator

Here are a few examples of construction costs from real world projects.

All costs in 2018 dollars



\$262,000

(1 bedroom/1 bath, *attached & interior conversion*, 700 sf)



SDK Design

\$450,000

(2 bedroom + office/2 bath, *detached, new construction*, 1,350 sf)



\$88,000

(2 bedroom/1 bath, *interior conversion*, designed by owner, 771 sf)



\$321,000

(2 bedroom/2 bath, *attached, new construction that included primary residence*, construction managed by owner, 800 sf)



<https://soup.is/blocks>

\$301,000

(2 bedroom/1 bath, *detached, modular*, 704 sf)



Valley Home Development

\$84,000

(1 bedroom/1 bath, *detached, panelized*, 288 sf)

Getting Bids

To get bids, you will use the construction drawings your designer completed (see Section 3). You'll want to be specific about what the bid should include and be clear on which costs are covered and which are not. If you did not have complete construction drawings prepared (just drawings for planning) it is even more important to know what assumptions the contractors are making. You should also ask the contractor to include their license and insurance information, references, examples of past work, and a proposed schedule in their bid. Make sure you are asking each contractor to bid on the exact same specifications, so the bids are comparable.

Once you have figured out what you are asking the contractors to bid on, you will need to come up with a list of professionals to ask for bids. Ask friends, family, neighbors and any homeowners who completed a construction project for recommendations of good local professionals. Your designer may also have recommendations of people they have worked with in the past. You can also conduct your own research to find professionals who might be a good fit.

Contractors with second unit experience can be an asset to the project. However, second unit construction is often similar to other residential construction, so past work on second units shouldn't be an absolute requirement. Once you have your list, contact and request bids from your top choices. You will want to get at least three bids for comparison.



Selecting a Contractor

When you have at least three bids, you can begin the selection process. First, make sure you understand all the details of the bids, and if necessary ask the contractors any clarifying questions. While it may be tempting, selecting the lowest bid is not always the best decision. Generally, there is a trade off between experience and cost; less expensive builders will have less experience, while those with more experience can charge more. You will need to decide what level of experience you are comfortable with in relation to when they can start your project and overall costs.

You will want to check the contractor's references by reaching out to them directly. If possible, you should see photographs of the referenced projects. Some of the questions for references you may want to ask include:

- What was their overall experience like?
- Were they satisfied with the work?
- Was the project completed on time and within budget?
- What are the contractor's communication skills like?
- Is there anything they wished they had known before hiring the contractor?

Department of Consumer Affairs Resources

The California Department of Consumer Affairs is a great resource when it comes to selecting a contractor. They have resources on hiring, checking the status of a contractor's license, negotiating a clear contract, and resolving disputes. Check out their online resources at <http://www.cslb.ca.gov/Consumers/>.

Finally, you will want to consider your personal experience with the contractor, their communication style, whether you feel like you will work well together and they understand your goals. Similarly to when you selected your architect, you want to find someone who fits well with you and with whom you have chemistry. You will need to weigh the fit with costs, past experience, references' experience, and other factors to decide the best fit for your project.

Hiring Your Contractor

Before you hire your contractor, make sure to check their license and insurance. You can verify the contractor's license by calling the Contractors' State License Board at 800.321.2752 or check on the web at <https://www2.cslb.ca.gov/OnlineServices/CheckLicenseII/CheckLicense.aspx>. Verify insurance by requesting a certification of insurance or by calling the contractor's insurance agent. Make sure workers' compensation, property damage, and liability is included.

Your contractor will most likely present you with a contract to formalize your agreement. Alternatively, you can present your own written agreement, though this is less common. Review the entire agreement carefully to make sure you understand and are okay with everything. Also, make sure you understand how contingencies and added work will be handled. The contract should address the following:

- contractor's license number, name and address
- total project cost and payment schedule
- start date and timeline
- list of work to be accomplished and materials to be used
- work to be subcontracted (if any)

- specific terms about what constitutes substantial completion of work
- the terms of warranties
- a provision requiring the contractor to obtain lien releases from all subcontractors and suppliers (protects homeowner if subcontractor claims they weren't paid)
- whether there is a cancellation penalty
- plan for cleanup and removal of material and debris
- any special requests (such as saving scrap lumber or bricks or homeowner "sweat equity")
- requirements for protecting property and landscaping
- areas where materials may or may not be stored
- any instructions regarding children or pets

The payment schedule should be a dated plan that shows when you will make payments based on construction completion milestones. For example, you might pay 20 percent after the building enclosure is complete, 25 percent once the exterior finish carpentry is complete, etc. California law requires that no more than 10 percent or \$1,000 be paid up front, whichever is less, and it's generally a good practice to withhold 10 percent of the total project cost until all work and inspections are completed. Only once you understand and agree with the entire contract, should you sign it.

During Construction

Once your contract is signed, your contractor will start work according to the schedule you agreed upon. It's a good idea to have your designer, yourself and your contractor go through the work in detail as your contractor may have questions and may suggest construction cost savings related to the design of your second unit. Your contractor will lead the construction process, but you have the following responsibilities during the process:

- **Communicate:** keep in touch with your contractor and ideally set up a schedule for checking in.
- **Monitor:** regularly walk through the construction area to monitor the quality of the work and to make sure the work is progressing the way you expect.
- **Decide:** be prepared to make decisions about the details—light fixtures, appliances and other materials—in a timely manner so your contractor can stay on schedule.
- **Adjust:** follow the contract you agreed to, including any changes as described specifically in a change order form.
- **Inspect:** Although your contractor will usually arrange the required city or utility inspections, it is your responsibility as property owner to make sure that the inspections are conducted as required.

Traditional construction will take 6-12 months, though this will vary depending on the specifics of the project. Stages of construction include:

- | | |
|---------------------------|------------|
| • site preparation | 1-2 months |
| • foundation | 1 month |
| • walls, roof, doors | 1-2 months |
| • plumbing and electrical | 1-2 months |
| • insulation and drywall | ½-1 month |
| • fixtures and finishes | 1-2 months |
| • final touches | ½-2 months |

Any changes to the original agreement should be reflected in a change order form signed by both you and the contractor. Change order forms describe the specific change and any corresponding change to the project price or timeline. Changes to size, height, position, or outside finish could require review by the city.

During construction, your second unit will be inspected multiple times to ensure it is being built according to the permitted plans. Typical inspection points include building, plumbing, mechanical, electrical codes, and sometimes fire, water or public works. You will also need to apply for an address for your second unit—check with your city as the exact process varies by location. The building permit (which must be posted on site) will state the required inspections and the order in which they should be performed.

These estimates are for traditional construction - prefab will typically be faster.



Section 6

Move In

Construction is complete, and now it's time for someone to move in. This may be you, a friend, a family member or a tenant. If it is a renter, there are plenty of resources to help you become a landlord, including organizations that can help you manage your unit if you want. By the end of this chapter, you will:

- understand how to be a landlord, including relevant laws;
- have an idea what your unit may rent for;
- know how to search for and select a good tenant; and
- know the key parts of a lease and where to go to find one.



Becoming a Landlord

Being a landlord comes with a number of responsibilities that can be addressed by making sure you follow a structured, well-thought out series of steps, summarized below.

- ❑ **Preliminary steps:** Prepare to rent your unit by getting insurance, setting up utilities, and developing a plan to handle the finances.
- ❑ **The law and being a landlord:** You will need to understand all the laws related to being a landlord, especially with regards to discrimination.
- ❑ **Setting the rent:** Learn how to establish a fair rent that will attract and keep good tenants. Maximizing the rent is often not the only consideration.
- ❑ **Rental leases:** Make sure your lease (or rental agreement if it is month-to-month) clearly identifies all of the expectations for you and your future tenant.
- ❑ **Finding a tenant:** Understand how to successfully advertise your unit and select a good tenant.
- ❑ **Tenant management:** Have a long-term plan for the care and upkeep of your second unit, and how to address any issues with your tenant.

Help for Landlords

HIP Housing is a San Mateo nonprofit that has been helping landlords match with renters for years. Whether renting a room in a home or an attached or detached second unit, HIP Housing's matching services can serve the whole continuum. They help any homeowner renting space to find and vet great renters in a supported, safe environment. HIP Housing focuses on renters who already live, work or go to school in San Mateo County to help address the need for local workforce housing. HIP Housing is a terrific resource for any homeowner looking to become a landlord and their services are complimentary. Learn more at www.hiphousing.org or reach out at 650.348.6660.



Property managers will help find and screen tenants, and deal with tenant complaints, schedule repairs, and collect rent payments for you. In exchange, you pay a percentage of the rent to them. Often, property management companies charge as little as 5 percent of the rental income plus a one-time fee when finding tenants. You can search online for companies and read online reviews. If you are nervous about being a landlord, this is a good investment. If you do hire a property management company, they will handle much of what is covered in this chapter.

Preliminary Steps

Before you start looking for a tenant, there are several things you will want to consider and address first.

- **Obtain insurance:** You'll need to notify your homeowner insurance company about your second unit. Regardless of how you intend to use your unit, your insurance will go up because your policy will need to cover more. Different insurance companies charge different amounts so it is a good time to shop around. Be sure to consider if your policy covers personal injuries and losses from fire, storms, vandalism and theft.
- **Have an Accounting Plan:** Working with an accountant or tax advisor, at least initially, can help you understand how to plan your second unit finances and pay your taxes. This will help you set up good systems and know what to expect. The law is complicated, but the good news is that many of your second unit costs count as deductions. Keeping accurate records of your income and expenses (including proof of all expenses) and understanding the depreciation schedule process (which allows for deduction of some construction costs) will help maximize deductions. You can obtain an accountant referral at <http://www.calcpa.org/>.

- **Set Up Utilities:** Prior to advertising your unit, you will want to make sure all utilities are set up and that you have a plan for who will pay for what. If gas or electric utilities are shared or if the tenant's meter covers common areas, then you must disclose to your tenant that utility meters are shared and have a written agreement for who will pay for the shared utilities. California law does not specifically regulate how landlords bill tenants for water and sewer utilities.



Fair Housing Law

You're probably aware that there are numerous laws that impact rental housing in California. As a landlord of a second unit, one important consideration is state fair housing laws. (Federal fair housing laws and rental control typically do not apply to second units.) Under state fair housing law, it's against the law to discriminate against potential tenants on the basis of certain characteristics. You should know this information before you meet with your first potential tenant.

Discrimination can take many forms, including denying a person housing, telling a person that housing is not available when it actually is available, stating a preference in advertisements, or charging a higher deposit. In California, individuals are protected from housing discrimination based on the following categories:

- race, color
- ancestry, national origin
- religion
- disability, mental or physical
- sex, gender
- sexual orientation
- gender identity, gender expression
- genetic information
- marital status
- familial status
- source of income (e.g. alimony, section 8, etc.)

Discrimination also can be refusal to make reasonable accommodation for a person with a disability. Avoid saying things like "ideal for a couple" or "perfect for a student" because these can be considered discrimination against families. Project Sentiel (<http://housing.org>) is a great resource to learn more.

Setting the Rent

As you get ready to advertise your second unit, you will need to set the rent. Setting the right rent for your second unit will depend on the current rental market, location, size, design features and layout, and nearby amenities.

You'll also want to consider setting the rent a bit under market rate. Even very small discounts will attract a lot of applicants and often leads to longer-term applicants which can save a lot in time spent finding a tenant and unit vacancy. Setting the rent a bit below market rate can also make your unit more accessible to community members like teachers, firefighters or nurses. You can use our calculator to see rents in your area for similarly sized units. Consider the following as you determine the rent:

- ❑ **Research rental prices for similar units:** Find out how much rent others are charging for comparable units. Look on sites like Craigslist, Zillow, Rentcafe and Trulia.
- ❑ **Consider the location:** Location is the key factor that commands higher rent. If the property is in a convenient and popular location (e.g. near popular areas, employers, public transit or schools) it will command a higher rent.

- ❑ **Consider the desirability of your unit:** The location, size, layout of the unit affects the rental value. High end finishes and appliances (including a dishwasher and washer/dryer), as well as contemporary design elements, can command higher rent.

If you plan to work with HIP Housing or a property management company or rental agent, they will help you set the rent. These professionals typically have a keen understanding of local rental markets and can assess the positives and negatives of your rental property to set the appropriate rental price.

Renting to a Community Member

Second units help address the housing challenges in San Mateo County by adding homes that are naturally more affordable, which helps provide workforce housing and preserves diversity and community character. Many homeowners are motivated to rent their second unit to a school teacher, firefighter or other community member who might otherwise have to commute a long distance to find a home they can afford. Consider giving the school district, local preschools, your place of worship, or others a call so they can tell their employees. Setting a rent below market rate can help attract great local renters.

Average Rent per Square Foot for San Mateo County

| | Studio 200-400 sf | 1 bedroom 400-600 sf | 2 bedroom 600+ sf |
|---------------------|----------------------|-------------------------|----------------------|
| Atherton | \$5.57 | \$4.50 | \$4.00 |
| Belmont | \$4.10 | \$3.31 | \$2.95 |
| Brisbane | \$4.53 | \$3.66 | \$3.25 |
| Burlingame | \$3.70 | \$2.99 | \$2.66 |
| Colma | \$4.20 | \$3.39 | \$3.02 |
| Daly City | \$4.20 | \$3.39 | \$3.02 |
| East Palo Alto | \$4.17 | \$3.37 | \$3.00 |
| Foster City | \$4.58 | \$3.70 | \$3.29 |
| Half Moon Bay | \$3.90 | \$3.15 | \$2.80 |
| Hillsborough | \$4.72 | \$3.82 | \$3.39 |
| Menlo Park | \$5.57 | \$4.50 | \$4.00 |
| Millbrae | \$4.72 | \$3.82 | \$3.39 |
| Pacifica | \$3.90 | \$3.15 | \$2.80 |
| Portola Valley | \$5.57 | \$4.50 | \$4.00 |
| Redwood City | \$4.78 | \$3.86 | \$3.43 |
| San Bruno | \$4.69 | \$3.79 | \$3.37 |
| San Carlos | \$4.78 | \$3.86 | \$3.43 |
| San Mateo City | \$4.60 | \$3.72 | \$3.30 |
| San Mateo County | \$4.62 | \$3.73 | \$3.32 |
| South San Francisco | \$4.53 | \$3.66 | \$3.25 |
| Woodside | \$5.57 | \$4.50 | \$4.00 |

Source: Analysis based on Rentcafe.com (November 2017)



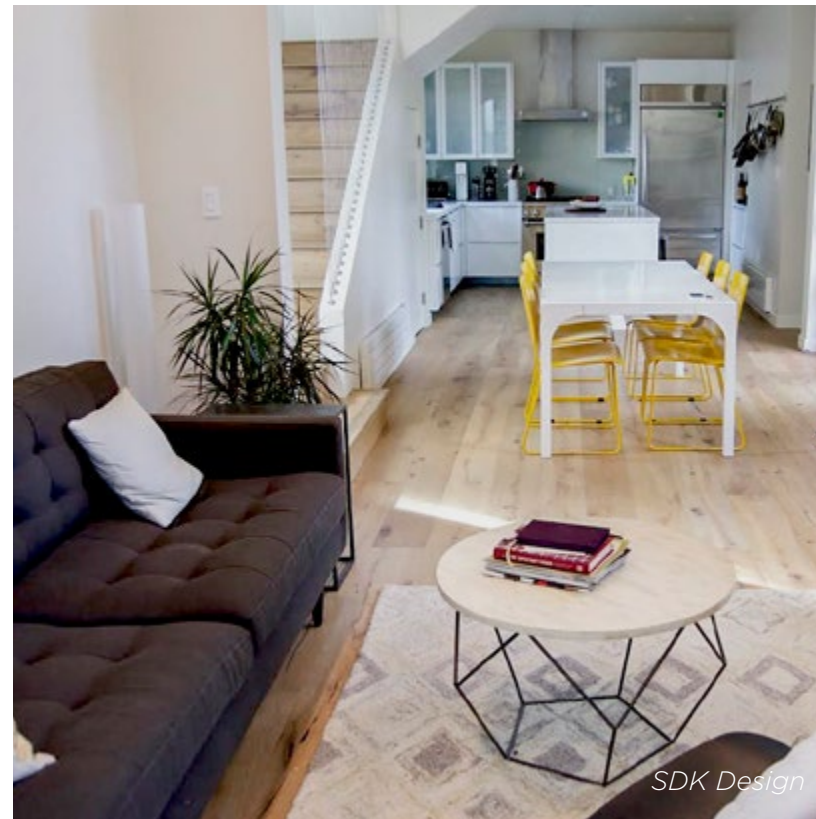
Rental Leases

Before you advertise or seek out a renter, you should prepare a lease that will specify all of your requirements for the tenant. A lease agreement is a legal contract that will give each party the security knowing they hold the other responsible for upholding their end of the arrangement. The lease or rental agreement should follow the law while documenting the concerns both parties will have when entering into such an arrangement.

The best resource for what you should cover in your lease or rental agreement is the California Association of Realtors Residential Lease Agreement Template (which can be found at www.secondunitcentersmc.org/wp-content/uploads/California-Association-of-Realtors-Residential-Lease-Agreement.pdf). This resource identifies the many items you should cover in your lease or rental agreement and provides the most comprehensive checklist of items. The California Department of Consumer Affairs booklet *California Tenants—A Guide to Residential Tenants' and Landlords' Rights and Responsibilities* is another helpful resource (available at the at <http://www.hcd.ca.gov/manufactured-mobile-home/mobile-home-ombudsman/docs/Tenant-Landlord.pdf>).

Renting to a Friend or Family Member

If you're renting to a friend or family member, you will still want to prepare a lease for both of you to sign. This will establish clear terms and avoid future problems. HIP Housing can help with their living together agreement, which serves as both a lease and helps establish living guidelines.



Your Lease Terms

Use the following space to plan important decisions about your lease terms.

What will you set the rent at?

When is rent due and how will it be paid?

What will you set the security deposit at?*

Is your lease fixed term or month-to-month?

At the end of the rental period, does the lease terminate or turn into a month-to-month rental?

Does the unit include parking?

Will you allow pets? If so, what type? How many? Size restrictions?

Will you allow smoking or marijuana use?

Will the tenants have access to any shared spaces (yard, storage, etc.) and if so, what are the terms?

Will you limit the number of tenants?***

Will you allow your tenant(s) to do short term rentals (e.g. Airbnb)?***

Is there anything else will you include in your lease?

*As of May 2018, state law says you may charge up to two months' rent or three months' rent if the unit is furnished.

** Landlords can generally limit the number of tenants to two people per bedroom plus one person (e.g., five people for a two-bedroom apartment).

***Short-term rentals are illegal in some cities, so make sure to check the laws in your city.

Finding a Tenant

You will want to follow the steps below to advertise your unit and find a tenant:

- ❑ **Advertisement:** The first step to finding a good tenant is to advertise your unit. You will be most effective if you use high quality photos and include information on the rent, size, layout, approximate location, special features and any requirements. Most people in San Mateo County advertise on craigslist, but you can also consider a property sign, advertising with local institutions (schools, employers, etc.), other online advertising (Trulia, Zillow, Nextdoor, etc.), public bulletin boards (community centers, churches, etc.) and word of mouth.
- ❑ **Rental application:** You will need to prepare a written rental application to give to prospective tenants when they view your unit. Collect information requested on the application for each adult who will live in the unit. A sample rental application is available on www.secondunitcentersmc.com or you can contact local a legal publishing company (like Nolo).
- ❑ **Open house:** Next, you will be ready to show your unit to prospective tenants. Either you can advertise an open house or you can arrange individual showings with potential tenants. Having an open

house is often more efficient, but setting up individual appointments allows you to select the most promising tenants. Make sure to have all interested potential tenants complete your written rental application.

- ❑ **Tenant selection:** Once you have all the applications, it's time to select a tenant. It's recommended that you develop written, fair criteria that you will use to judge applicants and apply the criteria consistently with all applications. This will help ensure you comply with fair housing law. Review the applications and select the tenant(s) that are the best fit for you and your property based on your criteria.
- ❑ **Credit check:** You will want to run a credit check on potential tenants to evaluate if they are financially stable and reliable. Credit reports are issued by the three major bureaus: TransUnion, Experian and Equifax. You will need to verify with the bureaus that you are a landlord before you can run a credit check on a potential tenant. The report will include your potential tenant's credit score and past financial information. Credit scores range from 300-850 and a score above 620 is considered good for a rental application. If you have trouble understanding the credit report, there are third party companies that can provide easier-to-understand reports.

- ❑ **Background check:** You will also want to run a background check on potential tenants using a verified tenant screening company. The Consumer Finance Protection Bureau has compiled a list of approved companies for tenant screening. The background check will show a number of things like any criminal record, including running the name on the sex offender database, whether he or she ever damaged any property and whether they paid rent on time. You can charge a reasonable fee to cover your costs for the credit and background checks.
- ❑ **Reference check:** You'll also want to check references, including past landlords, employers, and financial institutions. It's recommended that you speak to several past landlords, not just a potential tenant's current landlord.
- ❑ **Lease:** Once you've selected a tenant or tenants and they accept, you will need to sign the lease or rental agreement you prepared. You should collect the security deposit and the first month's rent when you sign the lease. It's also recommended that you conduct a move in inspection with your tenant(s) and that you and your tenant retain a record of the results of the inspection.

Tenant Management

Once your tenant has moved in, you'll still have ongoing landlord responsibilities.

Maintenance: It is your responsibility as a landlord to maintain a "habitable" unit per California State Law. Regardless, it is best practice to keep your unit well maintained and to keep your tenant happy. Except in the case of an emergency, you will need to give your tenant(s) 24-hour notice before you or any maintenance people enter the unit.

Rent increases: Generally, if your tenant is on a lease, you cannot increase the rent during the lease term. When the lease expires or in month-to-month tenancies, you can increase the rent as you see fit. Property owners may increase the rent as much as they want, so long as they give tenants 30 days notice for increases of 10 percent or less, and 60 days for increases exceeding 10 percent.

Eviction: Hopefully you and your tenant(s) will not have problems, but if problems do arise that cannot be resolved, you will need to consider eviction. It's recommend that you work with a lawyer if eviction is necessary. State law mandates a judicial eviction process, which is best handled by a lawyer.



New Avenue Homes

Next Steps

Congratulations! By completing this workbook, you've taken a big step towards developing your second unit. As with any major construction project, there will be surprises along the way. By working closely with your city and project team, and by following the advice in this workbook, you can get through any challenges.

Second units are a unique win-win type of housing. They can help you meet your family's needs and can play an important role in addressing San Mateo County's housing challenges. By adding a second unit to your property, you can be part of the solution.

The goal of this workbook is to serve as a solid foundation to help you get started and as a tool to lean on as your project progresses. Let us know how we did! We welcome your feedback about this book or any other second unit topics. Find more resources and get in touch with us at www.SecondUnitCenterSMC.org.

Best of luck with your project and thank you for helping create more affordable housing in San Mateo County!

Second Unit Workbook

Certificate of Completion



This is to certify that

has completed the Second Unit Workbook and is now ready to begin design and development of their second unit. These efforts will help add much needed housing to San Mateo County.

Congratulations!

This workbook was produced as a joint project of *Home for All* and *21 Elements* to support and inform homeowners in San Mateo County who are interested in building second units.



Home for All SMC is a collaborative initiative comprised of the County of San Mateo, various cities/towns, school districts, community-based organizations, advocacy groups and businesses. The mission of Home for All is to establish a climate in San Mateo County where a diversity of housing is produced and preserved so that San Mateo County will be a culturally, generationally, and economically diverse community with housing for all. It is administratively supported and funded by the County of San Mateo.



Award-winning collaborative planning project 21 Elements helps all the jurisdictions in San Mateo County address their housing needs. Co-sponsored and coordinated by the San Mateo County Department of Housing (DOH) and the City/County Association of Governments of San Mateo County (C/CAG), 21 Elements has successfully brought together twenty-one unique communities and assisted them as they work to provide a growing and changing population with a variety of housing choices.

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www.SecondUnitCenterSMC.org

Produced by Baird + Driskell Community Planning (www.bdplanning.com)

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Thinking about adding a second unit to your home? Get started with instructions, exercises and resources for homeowners in San Mateo County.

www.SecondUnitCenterSMC.org