A SOLUTION ON THE GROUND:
ASSESSING THE FEASIBILITY OF SECOND UNITS IN UNINCORPORATED SAN MATEO COUNTY

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The Center for Community Innovation's mission is to nurture effective solutions that expand economic opportunity, diversify housing options, and strengthen connection to place.
The San Mateo County Board of Supervisors recently updated its Second Unit Ordinance to encourage the construction of accessory dwelling units (ADUs), both to comply with State law as well as to streamline the production of ADUs as a strategy for relieving pressure on the county’s strained housing market. This report explores the possibility for greater ADU adoption throughout the County’s unincorporated areas. Based on a physical feasibility study, analysis of resident demographics, and an examination of the financial barriers to ADU adoption, we conclude:

- The County has significant space to build new ADUs. We estimate that approximately 15,000 parcels can feasibly accommodate an ADU, with the vast majority of these having space for detached units. All of these parcels can accommodate at least one parking space, though over 12,600 are exempt from parking requirements.

- There is a sizable number of unpermitted, existing ADUs in unincorporated San Mateo County. Approximately 11.9% of parcels have an unpermitted ADU currently outside County zoning regulations. The highest concentration of these is in Menlo Oaks, where we estimate 15.2% of parcels have an unpermitted ADU.

- The best areas for ADU construction are in bayside flat communities such as North Fair Oaks, Menlo Oaks, and West Menlo Park (see Appendices for detailed maps). In these types of communities, 94.2% of parcels have sufficient floor area to accommodate an ADU, and many also have easy access to transportation and flat lots ideal for construction. Other neighborhood types that would be ideal for expanded ADU construction are bayside hill communities such as San Mateo Highlands and Emerald Lake Hills, coastal communities such as El Granada and Montara, and the Broadmoor neighborhood just south of San Francisco.
There is a very large market of potential ADU owners and tenants in unincorporated San Mateo County. More than half of households in the area have underutilized space, and 50% have at least one person over 60. Adult children and persons with disabilities are also common in unincorporated households. Additionally, 75% of single-family homes are owned with at least 50% equity or greater, revealing a significant pool of people with the financial resources to support ADU construction.

Low-income households comprise much of both the ADU owner and renter markets. Households with less than $50,000 in income are the most likely to have at least one person age 60 and over (77%, 2,150 HH) and at least one person with a disability (31%, 750 HH). In addition, this group has the highest level of underutilization (75%, 1,800 HH). Yet, as expected, many are severely burdened by monthly costs (45%, 1,081 HH).

The lack of financial tools needed to unlock the ADU market is a major barrier to ADU growth. Most traditional loan products are inappropriate or inapplicable for ADUs, and many lenders are unwilling to expose themselves to additional risk in the ADU market. Additionally, the current financial options for ADU owners tend to favor higher-income households with existing home equity, excluding many other demographic groups from the benefits of ADU ownership.