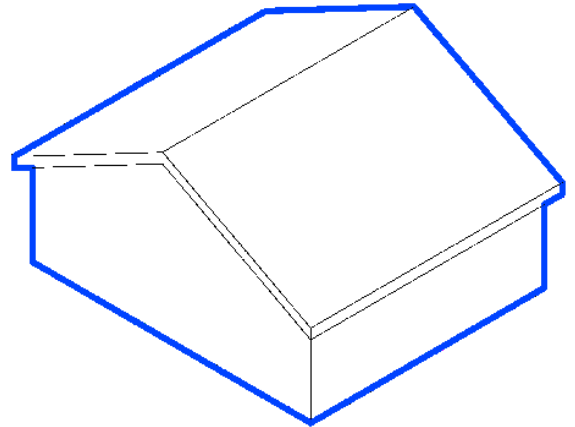


# PASADENA SECOND UNIT ADU PROGRAM



For more information, please contact:

**Citizen Service Center**  
(626) 744-3111

**VISIT WEBSITE:**  
[www.cityofpasadena.net/housing](http://www.cityofpasadena.net/housing)

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**Pasadena 2<sup>nd</sup> Unit ADU Program**

**Design  
With  
Skill**



**PASADENA**  
DEPARTMENT OF HOUSING

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# OVERVIEW

The Pasadena Second Unit ADU Program is a new affordable housing initiative that incentivizes homeowners to create an affordable rental unit on their property. This program offers homeowners “Comprehensive Assistance” for financing, designing, permitting, and constructing a new Accessory Dwelling Unit (ADU) in the City of Pasadena. Specifically the program provides homeowners financial assistance to build an ADU through new construction or garage conversion. Assistance is also available to rehabilitate and bring up to code an existing unpermitted “granny flat” or illegal ADU conversion (\*garage, back house, pool house). .

Through this program, an ADU Consultant will provide advice to homeowners in choosing the architect, builders, planners, and contractors needed for the ADU design and construction. The ADU Consultant will assist the homeowner at every stage from pre-design to permitting to bid preparation, and project oversight. The ADU Consultant will provide liaison services between the general contractor and homeowner.

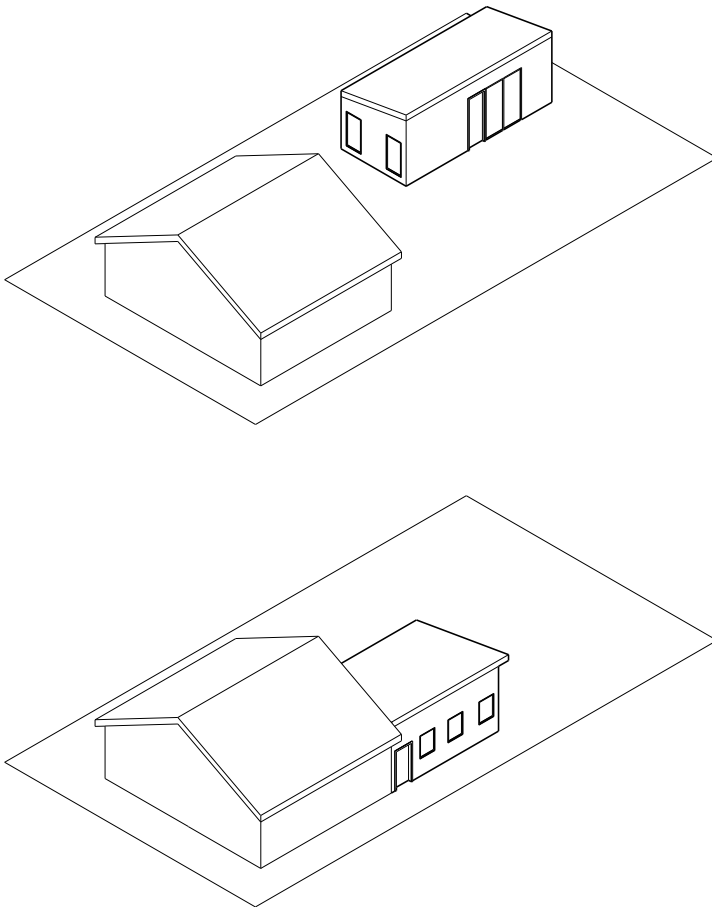
## **\*Code Enforcement Information and Notice:**

Properties that have an existing and unpermitted ADU which is not in compliance with the Pasadena Municipal Code may apply for the program. The purpose of this program is to help legalize such units. Please know that the intent of the program is not to refer unpermitted ADUs with code enforcement unless there is a life safety threat on the property, such as illegal and unsafe wiring, lack of adequate fire escape, and the like, and such threats will be required to be corrected immediately.

# INTRODUCTION

## WHAT IS AN ADU?

An Accessory Dwelling Unit (ADU) is a self-contained residential unit that shares the same lot as the primary residential dwelling. An ADU generally includes a living room, sleeping area, kitchen and a bathroom. Newly constructed ADUs are classified as a new structure or by an addition to an existing structure either attached to or detached from the primary single-family residence located on the same lot. Converted ADUs are constructed through conversion of part of the existing floor area of a single-family residence or an existing accessory structure, such as a garage, pool house, or studio. Unpermitted “granny flats” or illegal conversions are not recognized by the City and pose a hazard due to construction performed not according to City building and safety codes.



## WHY BUILD AN ADU?

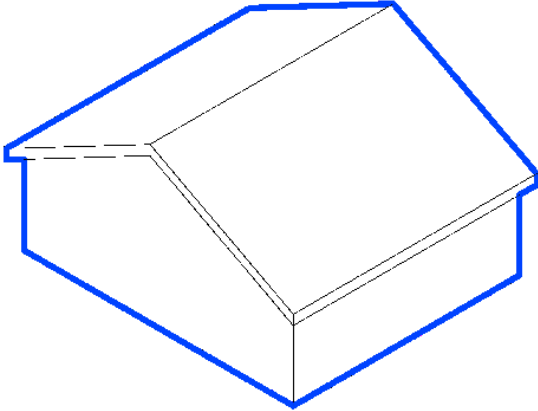
ADUs can provide homeowners with additional space for caregivers, grown children, elderly parents, or rental income. Homeowners can help to solve California's affordable housing crisis by renting to a housing choice voucher holder (also known as a Section 8 household).

# CAN I ADD A UNIT TO MY HOME?

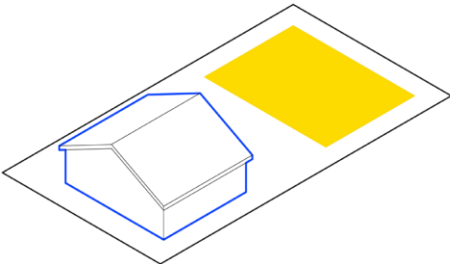
1. I OWN A SINGLE FAMILY HOME.

OR

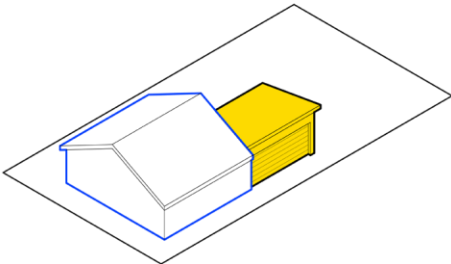
HAVE AN EXISTING UNPERMITTED ADU TO RETROFIT AND BRING UP TO CODE.



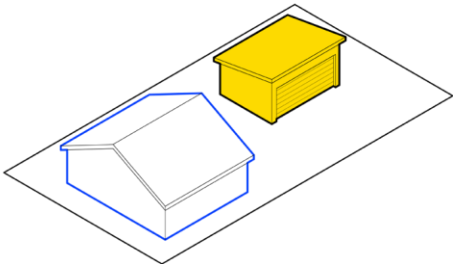
2. MY HOME HAS...



**EXTRA SPACE IN THE BACKYARD**



**AN ATTACHED GARAGE**



**A GARAGE IN THE BACKYARD**

IF YOU CHECK ANY OF THE BOXES YOU MAY BE ABLE TO BUILD AN ADU

# LOAN PROGRAM

## Loan Eligibility Criteria

### Option #1 - New ADU Construction Loan (Up to \$150,000)

- Main property must be owner occupied the past two years
- Credit score greater than 650
- Loan payment plus current total monthly debt payments must be less than 50% of income
- Total mortgage loan and ADU loan must be less than 75% of home value
- Please see loan terms and conditions section for more details

### Option #2 - Existing Unpermitted ADU Loan (Up to \$75,000)

- Main property must be owner occupied
- Must currently or have had persons living in unpermitted ADU
- Household income under 80% area median income (AMI)
- Please see loan terms and conditions section for more details

# of Persons in the	1	2	3	4	5	6	7	8
Maximum Annual Household Income 80% AMI	\$63,100	\$72,100	\$81,100	\$90,100	\$97,350	\$104,550	\$111,750	\$118,950

## Projected Estimated Costs\*

### Option #1-Loan Total: \$150,000

- Permit Fees - (5%-10%)
- A&E Design Fees- (10%-15%)
- Cost of Construction- (65%-80%)
- Insurance Cost- (5%-10%)

### Option #2- Loan Total: \$75,000

- Permit Fees - (5%-10%)
- A&E Design Fees- (10%-15%)
- Cost of Construction- (65%-80%)
- Insurance Cost- (5%-10%)

\*Property Tax Reassessment not included in loan coverage

# PROGRAM WORKFLOW

## Underwriting & Pre-Design

### Stage 1 - Loan Package Preparation (Lender)

- Package checklist
- Summary page (name, amount, address)
- Uniform Residential Loan application
- Homeowner's proof of income (Option #1)  
Household proof of income (Option #2)
- Homeowners identification
- Homeowner's credit report along with credit score (dated within 90 days)
- Preliminary title report (Lender)
- Most recent mortgage statement (Option #1)
- Property insurance all-risk coverage
- Appraisal (Lender)
- Loan Agreement
- Promissory Note
- Deed of Trust
- Original lender title insurance (Lender)

### Stage 2 - Pre-Design (ADU Consultant)

- Provide consultation to Homeowner
- Perform property inspection
- ADU program review
- Assist homeowner in identifying other consultants (as needed)
- Assist homeowner with schematic design, design development, construction documentation
- Assist homeowner with ADU checklist & permit application submittal
- Scope of Work to be funded with loan (provide to Lender)
- Ensure contractor meets Lender requirements
  - Obtain contractor's proposal
  - Contractor's comprehensive liability insurance
  - Verification of contractor's valid license from State License Board
  - Remodeling, Repair, and Painting (RRP) Lead Certificate
  - Execute AIA contract with Homeowner

### Stage 3 - Approval (Lender)

- Homeowner loan package submitted to Loan Review Committee for approval
- Initiate routing for City execution
- Issue Notice to Proceed

## Design & Pre-Construction Process:

- Select architect/Designer and Consultant Team (Structural, MEP, Civil/Surveyor)
- Work With Design Team to Develop the Design Project
- Submit Permit for Approval
- Bidding and Execution of Construction Contract
- Begin Construction
- Construction Completion

## Construction & Post Construction

- Maintain Homeowner file
- Act as liaison between Homeowner and Contractor
- Provide oversight of construction schedule
- Submit progress draw requests (w/lien) to Lender no more than monthly (signed by Contractor, Homeowner, and Consultant)
- Final draw request and lien will be processed after Building Inspector sign off obtained
- Submit copy Certificate of Occupancy to Lender to begin Section 8 Landlord process (Option #1)

## Tenant Selection (Loan Option #1 ONLY):

- Homeowner to meet with Housing Department to Become Section 8 Landlord
- Homeowner will Review Section 8 Applications and Make a Selection
- The Housing Department will prepare and maintain all required paper work

## Schedules + Timeline Estimates:

- Application Phase: 1 Month
- Design Phase: 1-3 Months
- Permitting Phase: 1 Month
- Construction Phase: 6-12 Months
- Tenant Selection: 1 Month



# PROGRAM PROCESS

## Application Intake and Evaluation Process

- Program applications available online at the City of Pasadena's Housing Department website [www.cityofpasadena.net/Housing/](http://www.cityofpasadena.net/Housing/)
- 30-day application window
  - Applicant's eligibility determined by submission of a completed application
- Eligible applications to be ranked according the scoring and preferences listed below for each ADU option:

### Option #1 New ADU Construction/Conversion Application Preference

#### 1st Priority

Properties located in CDBG eligible census tracts

#### 2nd Priority

Existing Home Valued Below \$850,000

#### 3rd Priority

Homes owner-occupied for previous 5 years or more continuously

#### Tie-breaker

Lottery

### Option #2 Unpermitted ADU Rehabilitation Application Scoring

- Property has open citation for unpermitted ADU (10 points)
- Property located in CDBG eligible census tract (8 points)
- Household has vulnerable occupant - Senior, Disabled or Minor (6 points)
- Urgent need as determined by visual inspection (Tie-breaker)

- Selected applicants will have 20 days to submit required loan documentation for Lender verification and preparation of loan package (refer to Underwriting section)
  - Applicants unable to submit required documentation by the deadline may be deem ineligible
- Upon verification and approval of the loan package, the homeowner will work with ADU consultant for pre-design, permitting, bidding, and construction.

# Loan Terms & Conditions

## ➤ Option #1 New ADU Construction Loan (\$150,000 max.)

- 3-Year loan with 1% simple interest
- Deferred payments for 3 years with two 1-year extension option
- Loan must be refinanced prior to the end of deferred payment period
- Failure to refinance will result in 1% loan conversion fee of principal and interest
- Loan will convert to 30-year conventional with compounding interest rate of 1% plus the prime rate at time of conversion
- Must rent ADU unit to Section 8 tenant for 7 continuous years through an executed landlord agreement with the Lender (City)
- A penalty of \$25,000 to homeowner for ADU unoccupied by a Section 8 tenant for more than 90 days
- A request for notice will be recorded on property title until the 7-year commitment is met

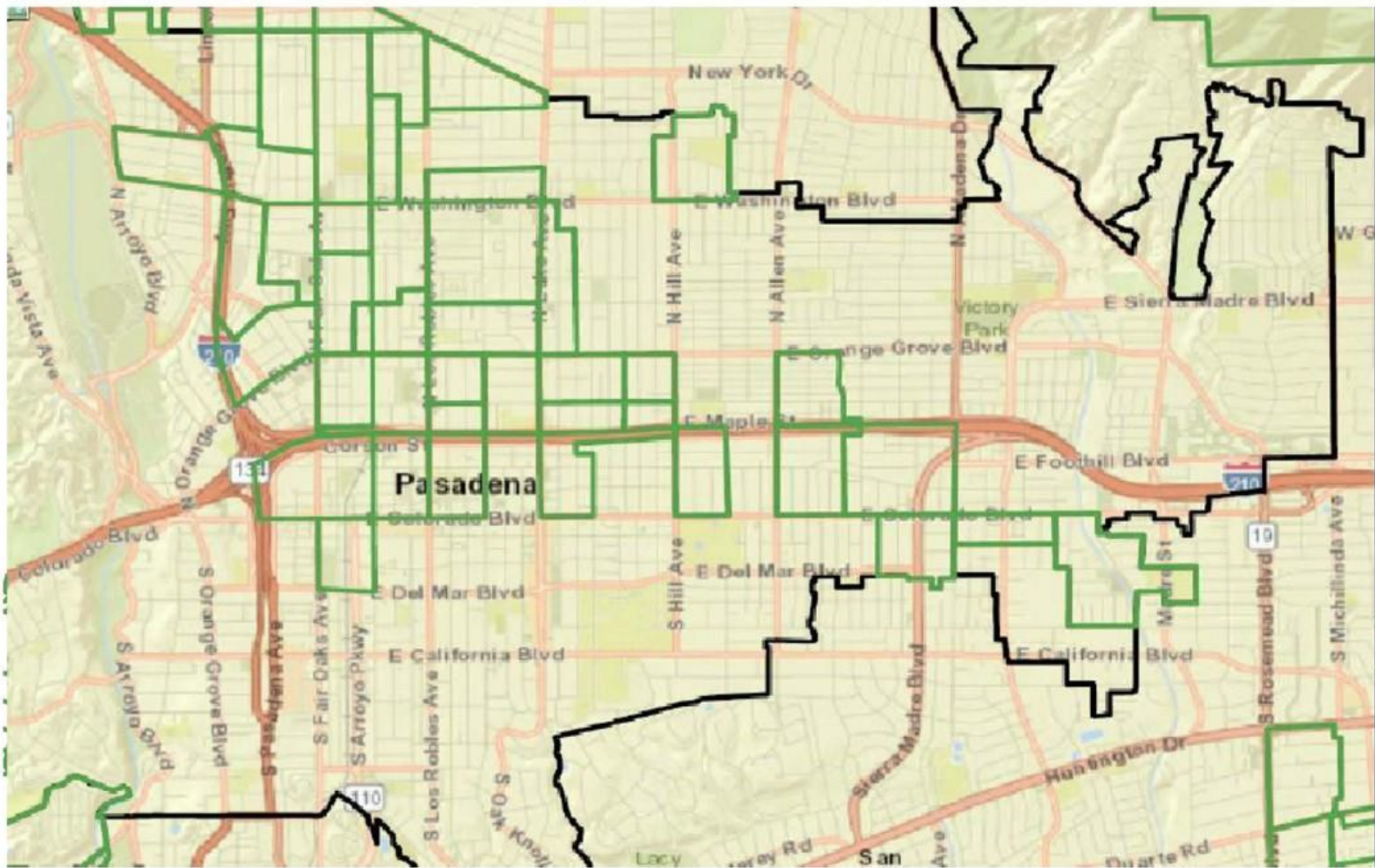
## ➤ Option #2 Existing Unpermitted ADU Loan (\$75,000 max.)

- 1% simple interest
- 20-year term with deferred payments for the 1st five years
- Loan may be modified if homeowner experiences an economic hardship

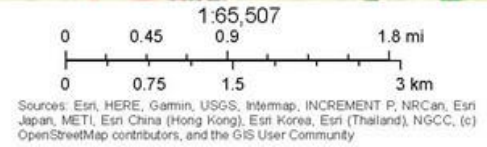
# APPENDIX

ROLE	Loan Underwriting (3 - 4 weeks)	PRE-DESIGN (1 - 3 months)	PERMITTING PHASE (4 - 5 weeks)	CONSTRUCTION PHASE (6 - 12 MONTHS)			
				BID PREPARATION	CONTRACT AWARD	CONSTRUCTION	POST CONSTRUCTION
<b>Lender (City of Pasadena)</b>	Request supporting documentation from Borrower to prepare loan package for approval	<ul style="list-style-type: none"> <li>➤ Submit Borrower loan package to Loan Review Committee for approval</li> <li>➤ Execute loan package with the City</li> <li>➤ Issue Notice to Proceed</li> </ul>				<ul style="list-style-type: none"> <li>➤ Review and submit payment request</li> </ul>	<ul style="list-style-type: none"> <li>➤ Receive Certificate of Occupancy copy and close out client file</li> </ul>
<b>Borrower</b>	Work with Lender to prepare loan package for approval		Complete ADU submittal checklist and permit submission	Identify general contractor to perform construction	Execute contract with Contractor	Sign progress draw requests	<ul style="list-style-type: none"> <li>➤ Complete Section 8 landlord agreement (if applicable)</li> <li>➤ Submit Certificate of Occupancy copy to Consultant</li> </ul>
<b>Consultant</b>		<ul style="list-style-type: none"> <li>➤ Provide consultation to Borrower</li> <li>➤ Perform property inspection</li> <li>➤ Submit scope of work to Lender</li> <li>➤ Assist with finding consultants for Borrower</li> <li>➤ Assist client with concept, schematic design, construction drawings</li> </ul>	<ul style="list-style-type: none"> <li>➤ Assist with ADU submittal checklist and permit submission</li> </ul>	<ul style="list-style-type: none"> <li>➤ Prepare bid package for Borrower</li> <li>➤ Assist with solicitation</li> <li>➤ Evaluate received construction bids</li> <li>➤ Assist with Contractor selection</li> </ul>	<ul style="list-style-type: none"> <li>➤ Ensure Contractor meets Lender's requirements</li> </ul>	<ul style="list-style-type: none"> <li>➤ Provide project oversight as client representative</li> <li>➤ Monitor Implementation Schedule</li> <li>➤ Act as liaison between contractor and client</li> <li>➤ Submit progress draw request (along with lien release and supporting documentation) to City for payment</li> </ul>	<ul style="list-style-type: none"> <li>➤ Submit Certificate of Occupancy copy to Lender</li> <li>➤ Record Notice of Completion and submit Borrower file to Lender</li> </ul>
<b>Contractor (Prime)</b>				<ul style="list-style-type: none"> <li>➤ Review bid package</li> <li>➤ Submit construction bid</li> </ul>	Execute contract with Borrower	Submit progress draw requests to Borrower	

Map 2 - CDBG Eligible Census Tract Block Groups -



- CDBG Eligible Census Tract Block Group
- City of Pasadena



# Types of Household Income & Supporting Documentation

**A Full-time Students over 18 years old:** If the member is over 18, is a full-time student, AND is not the head or co-head (spouse) of household AND if the sum of all his/her anticipated annual income is over \$480 THEN the total amount of his/her income is capped at \$480 during the calculation of annual gross income.

**B Salary Income:** The documentation of salary income must be obtained from at least one (1) source. The documentation may not be older than six (6) months, except for Federal and State income tax returns which may not be older than one (1) year. The documentation must be properly labeled and compiled in the applicant's case file in a readable format. Acceptable sources of income documentation include the following:

- Federal or State income tax returns; and
- Copies of the applicant's three (3) most recent paycheck stubs, establishing the applicant's monthly income

**C Self-Employment:** Any income from an adult household member who is self-employed must be documented and verified from at least one (1) of the following sources:

- A copy of IRS Form 1040/1040A (tax return), if filed with the IRS for the last year; or
- A notarized affidavit signed by the applicant that includes the name of the household member who is self-employed, the name of the business, and the prior year's estimated annual income.

**D Social Security/Supplementary Security Income/ Social Security Disability:** Income from Federal or State retirement programs and disability must be verified from at least one (1) source that may not be older than six (6) months, unless noted below. Acceptable documentation sources include:

- A copy of the applicant's monthly award check; or
- A copy of a benefit verification letter (also referred to as an "award letter" or "income letter" and can be requested from local Social Security office by applicant); or
- Copy of a bank statement showing direct deposits of applicant's award check; or
- Copy of Social Security Form SSA-2458 which verifies benefits (can be requested from local Social Security office by applicant); or
- Copy of Social Security form SSA-1099 (tax form mailed each year stating total amount of benefits received from the previous year.) May not be older than one (1) year.

Written certification from the awarding agency verifying the applicant's eligibility and the amount of the monthly benefits.

**E Welfare/General Relief:** Income from social aid programs [e.g., California Work Opportunity and Responsibility for Kids (CalWORKs), Temporary Assistance for Needy Families (TANF)] must be verified from at least one (1) of the following sources:

- Copies of the applicant's most recent bi-monthly award checks.

- Copy of most recent Notice of Action or award letter stating the amount of applicant's benefit; or
- Written statement from caseworker stating the applicant's benefit amount; or
- Written certification from the awarding agency verifying the applicant's eligibility and the amount of the monthly benefits.

**F Pension Income:** Pension Income must be verified from at least one (1) of the following sources:

- A copy of the pension award letter; or
- Copies of the applicant's three (3) most recent payment stubs verifying benefit amount; or
- A copy of the applicant's bank statement demonstrating that the award check was directly deposited into the applicant's account.

**G Personal Interest:** Personal interest from savings accounts or dividends from financial investments must be identified and documented as earned income. Adequate verification may include:

- Federal income tax return; or
- Copies of bank statements; or
- All pages of investment statements indicating the amount of dividends earned.

**H Alimony/Child Support:** Income received from alimony and/or child support payments must be documented and verified from at least one (1) of the following sources:

- A copy of applicant's weekly or monthly check; or
- A copy of a separation or settlement agreement or a divorce decree from a court establishing payments; or
- A notarized affidavit, signed by the applicant, certifying to the amount of child support received.

**I In-Home Supportive Services:** Income earned by a caregiver/caretaker providing in-home supportive services for a different household must be documented through copies of the three (3) most recent paycheck stubs, to establish the monthly income.

**J Rental Income:** Income received from rental property must be documented as earned income and must be verified from at least two (2) of the following sources:

- A copy of the property rental agreement signed by current tenant stating monthly rent;
- A copy of recent rent check; and/or
- A copy of the applicant's income tax return declaring earned rental income. May not be older than one (1) year.
- Rent receipt book.

**K No Income:** Should an adult member of the household (18 years and older) have no income to report, documentation to be submitted may include:

- A notarized affidavit signed by the household member declaring he/she does not earn income that can be contributed to the household; or
- Self-certification that the household member does not earn income.

## Funds Not Counted Towards Household Income

- A Income from Children**, which is income from the employment of children (including foster children) under the age of 18 years.
- B Payments Received for the Care of Foster Children**, including foster adults (usually persons with disabilities, unrelated to the family, who are unable to live alone).
- C Lump-Sum Payments, including additions to family assets**, such as inheritances, insurance payments (e.g., health and accident insurance, and worker's compensation), capital gains and settlement for personal or property losses [except as provided].
- D Reimbursement for Medical Costs**, including all payments received by the family that are specifically for, or in reimbursement of, medical expenses for any family member.
- E Live-in Aide**, including the income of a live-in aide employed because of a medical condition or disability of a family member. A live-in aide is determined to be essential to the care and well-being of the person, not obligated for the support of the person, and would not be living in the unit except to provide the necessary supportive services.
- F Education Assistance**, including the full amount of educational scholarships paid directly to the student or to the educational institution, and Government funds paid to a veteran for tuition fees, books, equipment, materials, supplies, transportation and miscellaneous personal expenses of the student. Any amount of such scholarship or payment to a veteran not used for the above purposes that is available for subsistence is to be included in income.
- G Armed Forces (Special Pay)**, specifically special pay to a family member serving in the Armed Forces who is exposed to hostile fire.
- H Government Programs**, including the following:

Amounts received under training programs funded by HUD and earnings and benefits from participation in qualifying State or local employment training programs (including training programs not affiliated with a local government.)

Amounts received by a disabled person that are disregarded for a limited time for purposes of Supplemental Security Income (SSI) eligibility and benefits, because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS).

Amounts received by a participant in other publicly-assisted programs, which are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment,

clothing, transportation, child care, etc.) and made solely to allow participation in a specific program.

Amounts specifically excluded by any other Federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under the U.S. Housing Act of 1937.

Amounts paid by a State agency to a family with a member who has developmental disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member living at home.

- I **Temporary Income**, considered temporary, nonrecurring or sporadic in nature (including gifts).
- J **Income of Full-Time Students**, earnings in excess of \$480 for each full-time student 18 years old or older attending school or vocational training (excluding the head of household and spouse).
- K **Property Tax Refunds**, including amounts received by the family in the form of refunds or rebates under State or local law for property taxes paid on the dwelling of the unit.
- L **Adoption Assistance Payments**, in excess of \$480 per adopted child.