

SPUR Digital Discourse

May 11, 2022



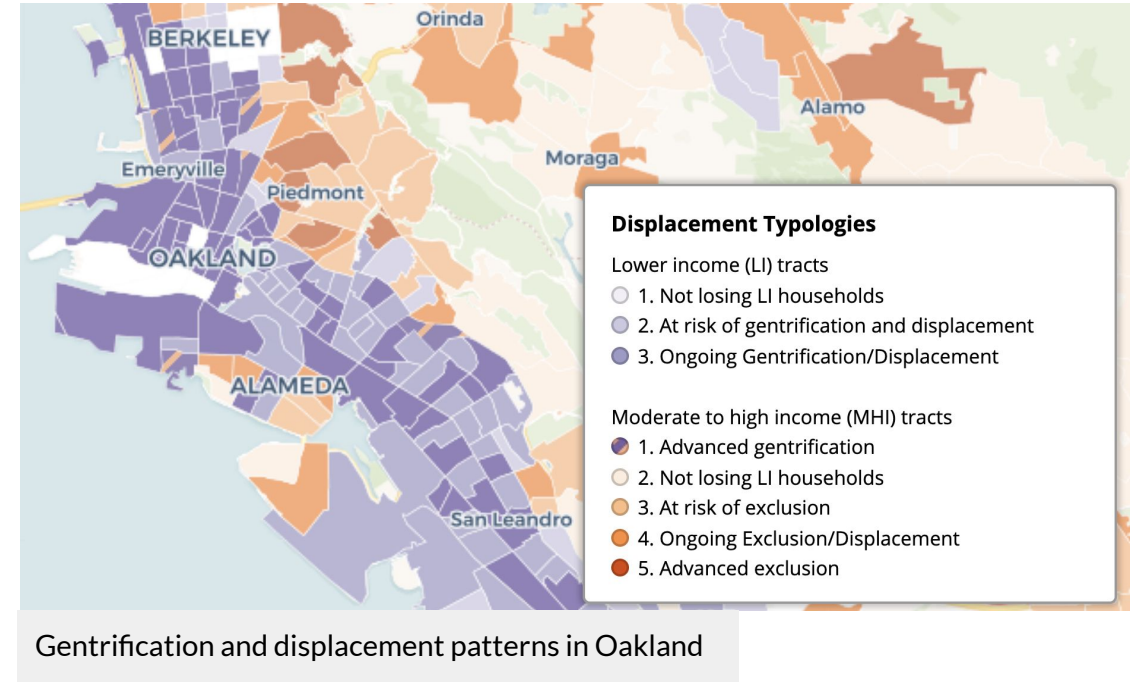
- **Darin Ranelletti / City of Oakland**
- **Nikki Beasley / Richmond Neighborhood Housing Services**
- **Lily Steponaitis / Self-Help Federal Credit Union**
- **Bobby Arte / The WellNest Company**



Community Stability

Many Oakland residents are at risk of displacement due to rising housing costs, upending the lives of long-time members and communities.

- Since 2011, apartment rents in the city have increased 72 percent while incomes have remained relatively unchanged.¹
- 80 percent of Oakland's lowest-income households are cost burdened.²
- 33 percent decline in Black Oakland residents since 2000.²



1. Bay Area Equity Atlas, "Oakland Indicators," 2020.

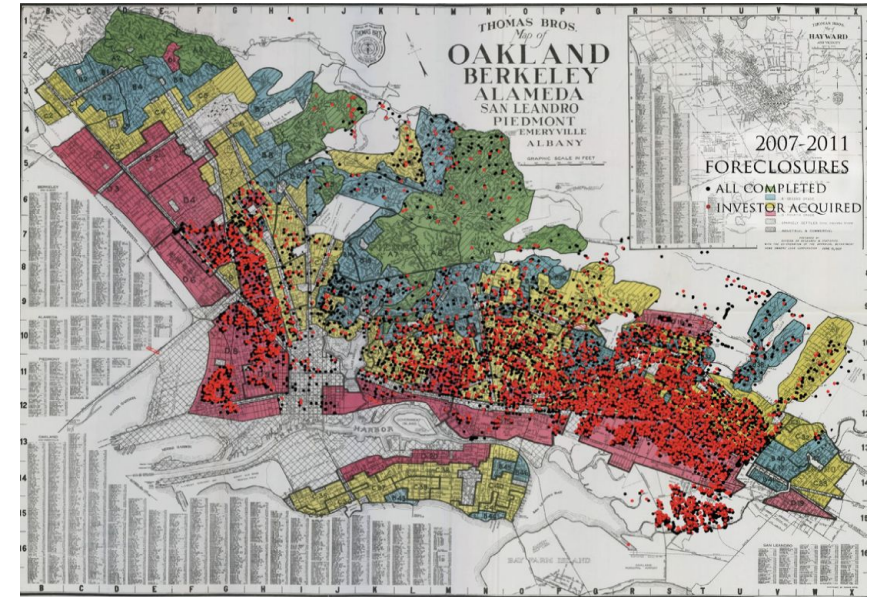
2. "PolicyLink, "A Roadmap Toward Equity:Housing Solutions for Oakland, California", 2016.

3. U.S. Census, 2000-2020

Racial Discrimination in Housing

History of de jure racial segregation, discriminatory lending practices, and ongoing structural inequities propogates disparate housing outcomes for Oakland's Black residents today.

- Explicit and implicit racial zoning and covenants.
- Federal housing redlining policies.
- Urban renewal and displacement of communities of color.



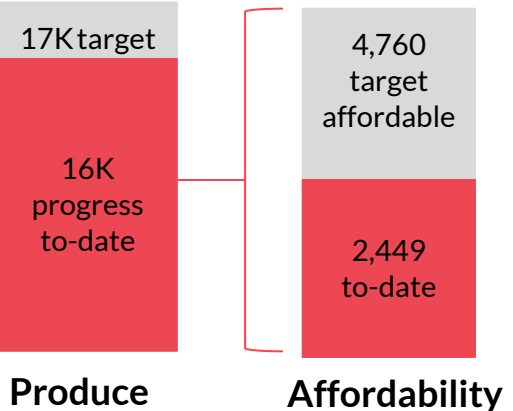
Foreclosure locations, 2007-2011 over Redlining Map, 1936.

Source: Haas Institute for a Fair and Inclusive Society, "Roots, Race, and Place: A History of Exclusionary Housing in the San Francisco Bay Area," 2019.

Housing Objectives in Oakland

Increase affordable housing supply

The City of Oakland has made significant progress towards their protection and production 2024 housing goals, while barriers remain for producing affordable housing.



Build wealth for Black families

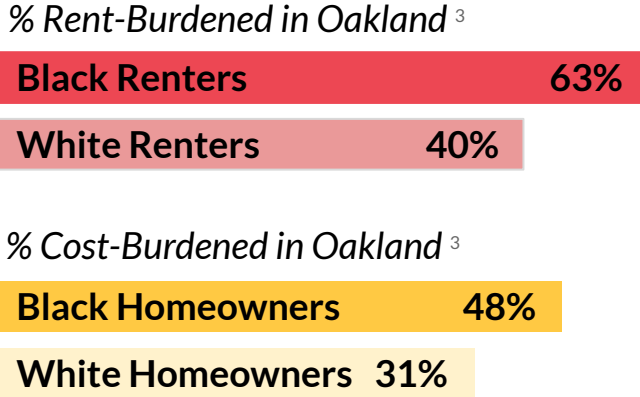
Nationally, white family wealth was 7 times greater than Black family wealth in 2016 - higher than at any point since the 1960s - largely tied to the 30 percent gap in Black and white homeownership rates.¹

In Oakland, a white household is over 2x as likely to own their home as a Black household.²

In Oakland, Black applicants were over two times as likely to have their loan application denied as white applicants.³

Address racial inequities

Additionally, Black homeowners and renters in Oakland are the most likely to be cost-burdened than their white peers.⁴



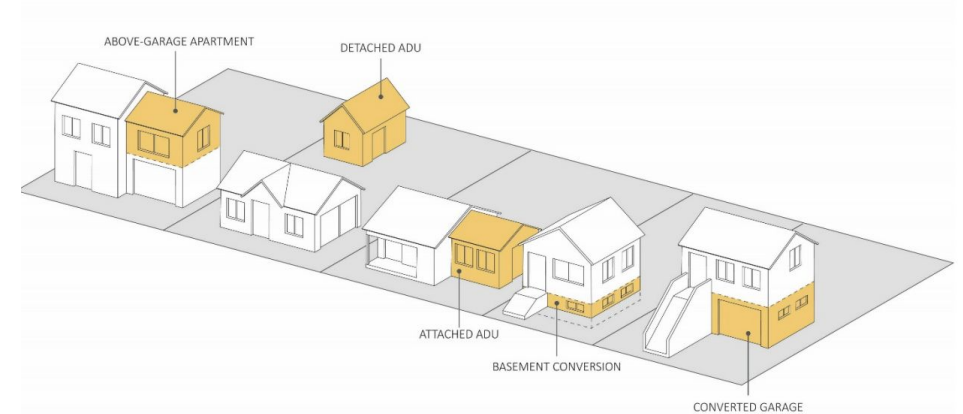
1. Urban Institute, "Wealth Inequality in America," 2016. 2.. City of Oakland, "Oakland Equity Indicators," 2018. 3. Oakland ADU Initiative, Existing Conditions and Barriers Report, 2020. 4. National Equity Atlas, 5-Year American Community Survey, 2015.



Benefits of ADUs

ADUs provide a low-cost mechanism for Oakland to rapidly add affordable housing units within the city.

- 1 Naturally affordable:** The average rent of an ADU in Oakland is considered affordable to a single-person household earning 60% AMI - about \$55k.¹
- 2 Low cost, quicker timeline:** The average Oakland ADU is 540 sq ft, costs between \$175k-\$263k, and took about 4 months to build¹ - significantly lower than the average of \$726k per unit for below-market housing in Alameda County.²
- 3 Large opportunity:** 67% of residential land in Oakland is zoned for single family housing. The city estimates there are ~70k parcels that could accommodate an ADU.¹

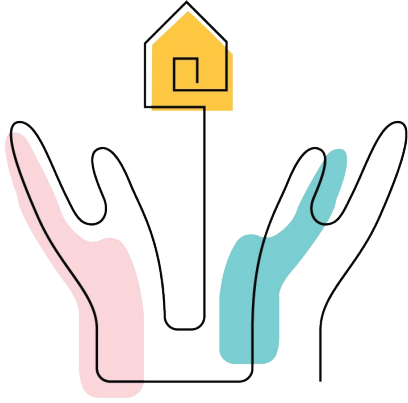


1. Oakland ADU Initiative, Existing Conditions and Barriers Report, 2020.

2. Bay Area Council Economic Institute, 2019.

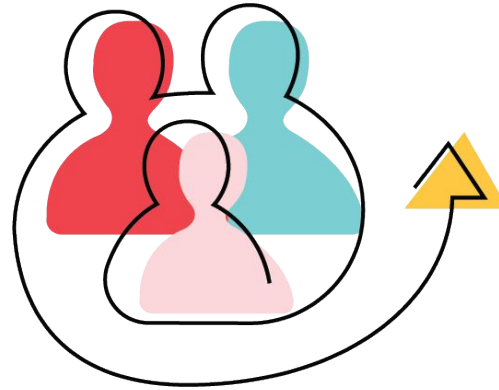
Stakeholder Benefits

ADUs can increase housing security and reduce community displacement, benefitting both individuals and the city.



Homeowners

- Wealth building
- Source of income
- Help address local housing issues
- Flexible living options



Tenants

- Affordable units to rent
- More small rental unit options across city
- Remain near family or community



Oakland

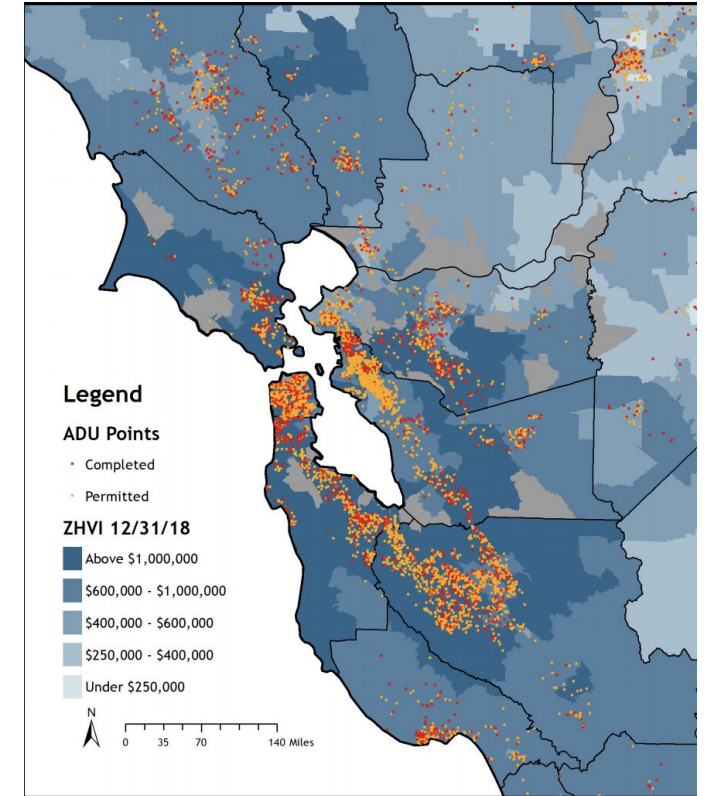
- Create affordable units with fewer subsidies and at lower costs
- Stabilized communities and greater neighborhood diversity
- Increased density with decreased environmental impacts

Why ADUs?

Increasing Equity in ADU Access

Proactive measures must be taken to ensure resources are available and the benefits of ADUs accrue to Black homeowners and tenants.

- White households are significantly more likely to own a single-family home and also have the financial resources needed to add an ADU to their property.¹
- ADUs are much more likely to be built in high resource areas: Black and Brown neighborhoods in the Bay Area are less likely to obtain an ADU permit and complete construction.²



ADUs permitted + completed with Zillow home value

1. Oakland ADU Initiative, Existing Conditions and Barriers Report, 2020.

2. UC Berkeley Turner Center, "Reaching California's ADU Potential: Progress to Date and the Need for ADU Finance," 2020.

Barriers to ADU adoption

Barriers need to be addressed to make ADUs more accessible and equitable

1 Permitting Process

While City ordinances and procedures have been updated to promote ADUs, the permitting process can still feel complicated and slow at times

“City procedures and practices are daunting to the typical homeowner, especially those with limited resources. Even savvy applicants express frustrations over conflicting information and limited transparency.”

2 Homeowner as developer

Building an ADU is the one time a homeowner has to be the developer, navigating a complicated permitting, construction and financing process

“Interviews with low-income households in Seattle reveal that homeowners need help navigating the permitting process, learning about what building options would work and understanding the costs and inspection process.”

3 Financing

Limited loan products are available for building ADUs, and many lenders perceive the ADU market as presenting additional risk to lenders. The status quo favors higher-income homeowners with existing home equity

A sample of 450 Oakland homeowners cited “too expensive, financing not available” as the biggest barrier to constructing an ADU on their property.”

Quotes above from the [Oakland ADU Initiative, Existing Conditions and Barriers Report](#)

Limited ADU Financing

Innovative financial approaches are needed to support ADU development, especially in lower-income areas within high-cost regions.

- Inability to include future rental income from ADU to meet DTI qualification.¹
- Lack of comparables given fewer permitted ADUs built in lower-income neighborhoods.¹
- Homes in majority Black neighborhoods were appraised for 23 percent less than properties in mostly white neighborhoods – even when the homes were of similar quality and with similar amenities.²

Homeowner incomes in Oakland, median³

White Homeowners	\$211k
Black Homeowners	\$113k

Household incomes in Oakland, median³

White Households	\$110k
Black Households	\$38k

Area credit scores in Oakland, median³

White Areas	760
Non-white Areas	624

1. UC Berkeley Turner Center, "Reaching California's ADU Potential" 2020.

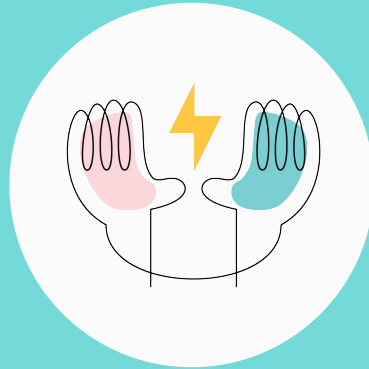
2. Washington Post, "For Black homeowners, a common conundrum with appraisals," 2021.

3. Oakland ADU Initiative, Existing Conditions and Barriers Report, 2020.

Guiding Principles



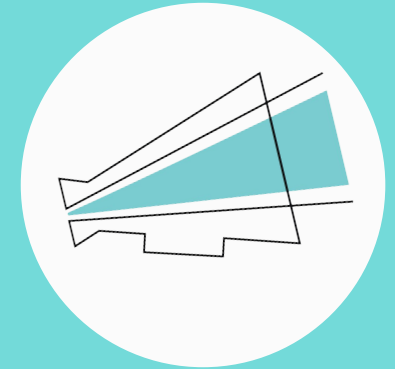
Racial equity



Do no harm



Affordability



Scale

Strategic Approach

Pilot Partners



The City of Oakland - Supporting partner and co-designer



Richmond Neighborhood Housing Services (RNHS) - Program manager and co-designer



Self-Help Federal Credit Union (SHFCU) - Program lender and co-designer



The Chan Zuckerberg Initiative (CZI) - Program funder and co-designer



The Wellnest Company- General Contractor



RBA Creative- Community engagement



Blink!Lab Architecture- ADU designs



Housing and Economic Rights Advocates (HERA) - Homeowner education

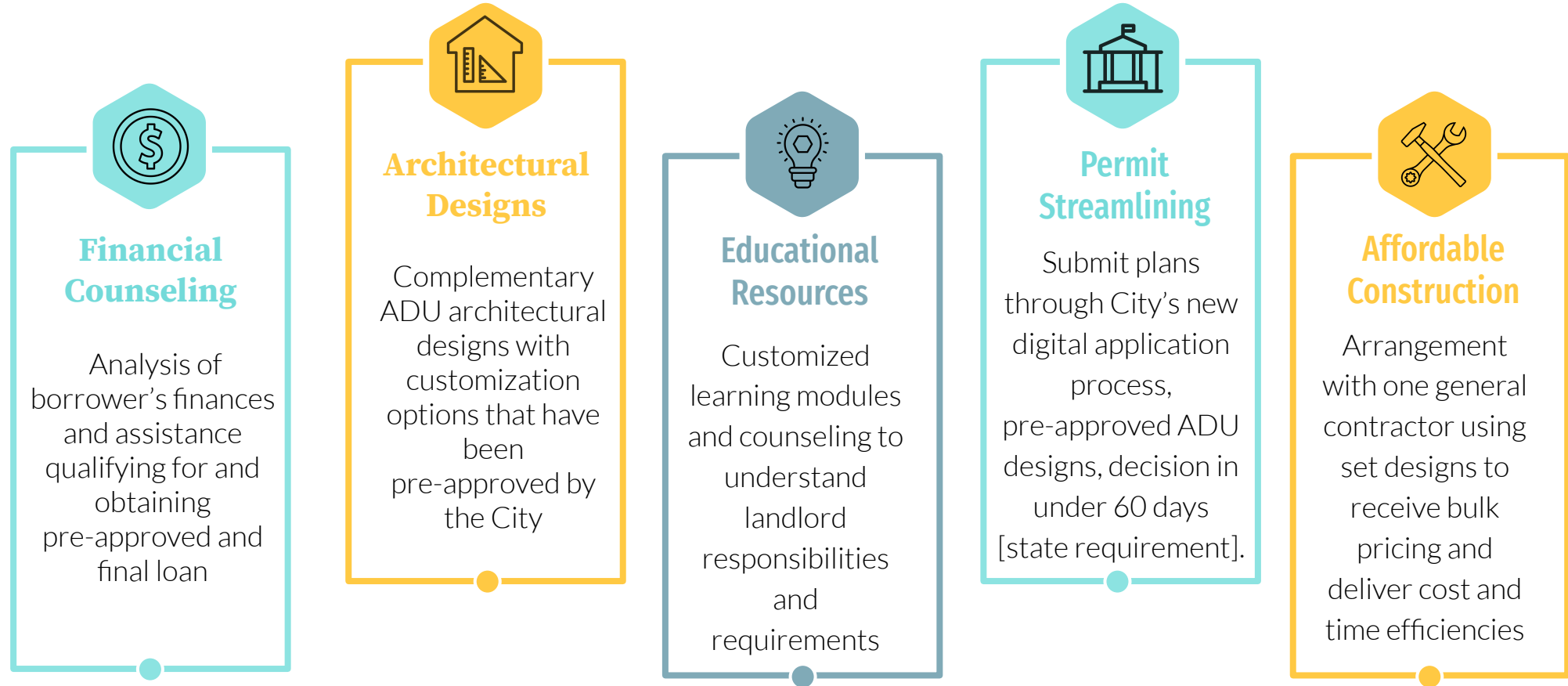


The San Francisco Foundation - Program funder

Strategic Approach



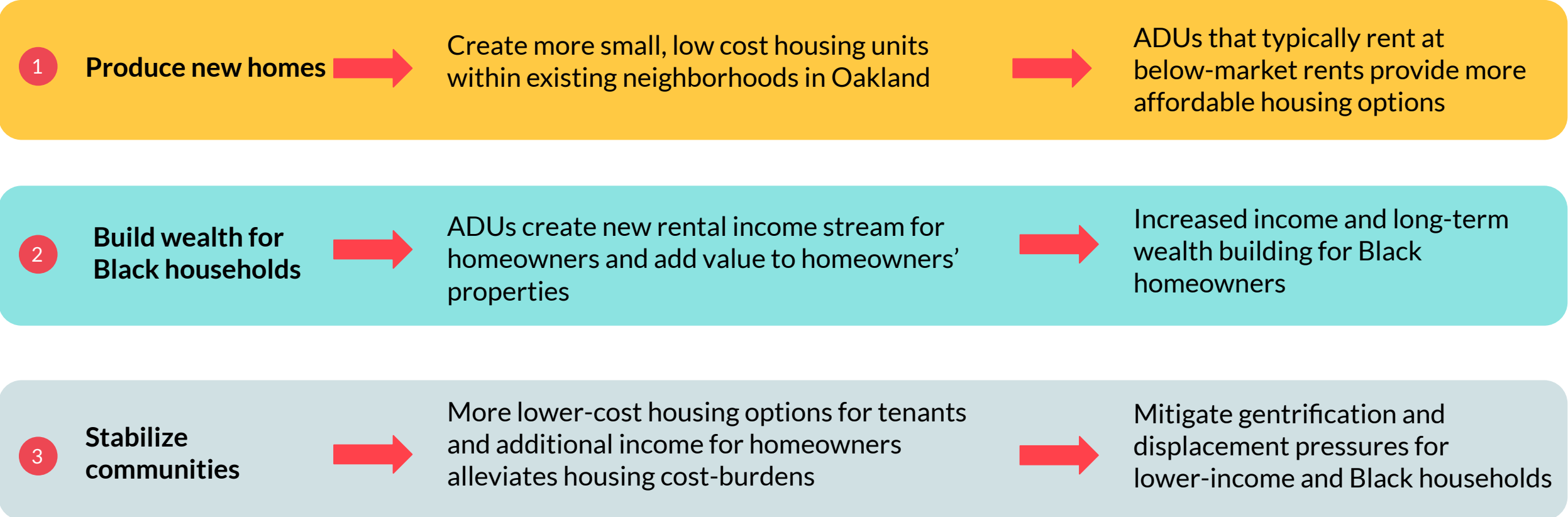
Program Components



Strategic Approach

Pilot Goals

Long-term goal to increase financing options and data on ADUs to allow for scalability



Impact



Ecosystem Impacts

Long-term goal to increase financing options and data on ADUs to allow for scalability

1 Valuation of ADUs → Create more market data of demand and value added by ADUs through rental payment history and home sales → Wealth building for lower-income households, accurate appraisals and assessments, more comparables across neighborhoods

2 Prove risk-level of ADU lending → Establish proof of repayment rates and consistent rental income for 'riskier' portfolio of ADU loans → Public and private financial institutions offer or back more accessible ADU loans

3 Model for other programs → Determine best practices for other pilots, including city streamlining processes, homeowner outreach and navigation, and ADU financing → Uptake of local ADU programs, more ADUs financed and built across jurisdictions

Impact



Centering racial equity throughout pilot design

Data

During scoping, we mined data for racial disparities - leading to focus on Black homeowners

During implementation, the M&E consultant will disaggregate outcomes by race

Outreach focus

While the pilot is open to all of Oakland, the messaging, outreach, and network of community partners are focused on reaching Black homeowners

ADU designs

The catalog of pre-approved ADU designs were co-created with a Black architect and 3 Black homeowner clients

Pilot design

“Homeowner experience” and the design of financing products informed by 11 focus groups and 100+ survey respondents with predominantly Black homeowners

Core partners

Commitment to racial equity was prioritized in evaluation process for selecting partners.

Goals and mission

Partners are aligned on goal to advance racial equity in housing and to reduce the racial wealth gap, with explicit focus on Black homeowners

Addressing Barriers to Financing

There are several financial ‘levers’ to pull, that can make ADU loan products more accessible while managing risk for the lender and the borrower

- 1 Income** Construction costs are rising everywhere, and new ADUs are big investments. Homeowners need to have enough income to support this additional debt. In addition to our normal underwriting practices, Self-Help uses up to **75% of future rental income** from the unit to support the financing.
- 2 Equity** Even for homeowners with higher-income levels, high debt levels and low appraisals can make ADU financing challenging. Self-Help can lend up to **100% of the subject to completion value of the home**. This maximizes the potential equity, without over-leveraging the property
- 3 Stability** We have found through our lending that, for homeowners of modest means, predictable costs play a major role in borrower success. Our product as a cash-out refinance with a 30-year fixed interest rate - meaning the homeowners will have the same monthly payment as long as they choose to keep the loan. By taking the first lien, we are also able to work with the borrower directly on restructuring the loan if they encounter issues.

Creating a Scalable Product

One of the program's ecosystem impact goals is to create a product that can be adopted widely by other lenders

Deliver & Iterate

Deliver product with expanded credit features that could be adopted by mainstream lenders. Iterate and adapt as we get feedback from implementation.

Collect Data

Establish proof of repayment rates and consistent rental income for high LTV loans and loans using Future Rental Income

Advocate

Share data and learnings with other lenders, funders, and government to promote product adoption.

Model Name

LOWE

500 SQUARE FEET

Keys 2 Equity



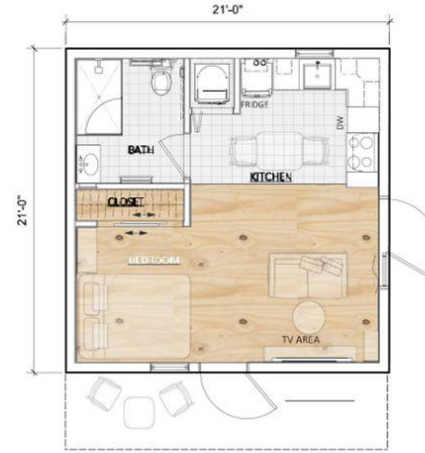
The WellNest Company

- Local family owned company
- We use state of the art methods and materials
- We specialize in ADU's (Accessory Dwelling Units)

Design & Construction



BYRD



MODEL NAME

BYRD

440 SQUARE FEET

STUDIO A PRIVATE SPACE

In designing these models as affordable housing options we also selected energy efficient appliances, including dishwasher, fridge and washer/dryer.

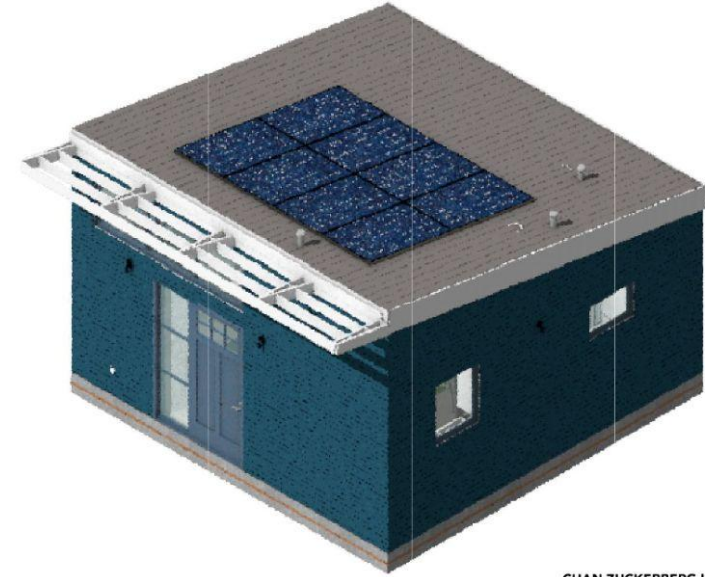
LAUNDRY AT YOUR CONVENIENCE

> This cute square, studio model is ideal for small parcels less than 4,000 square feet.

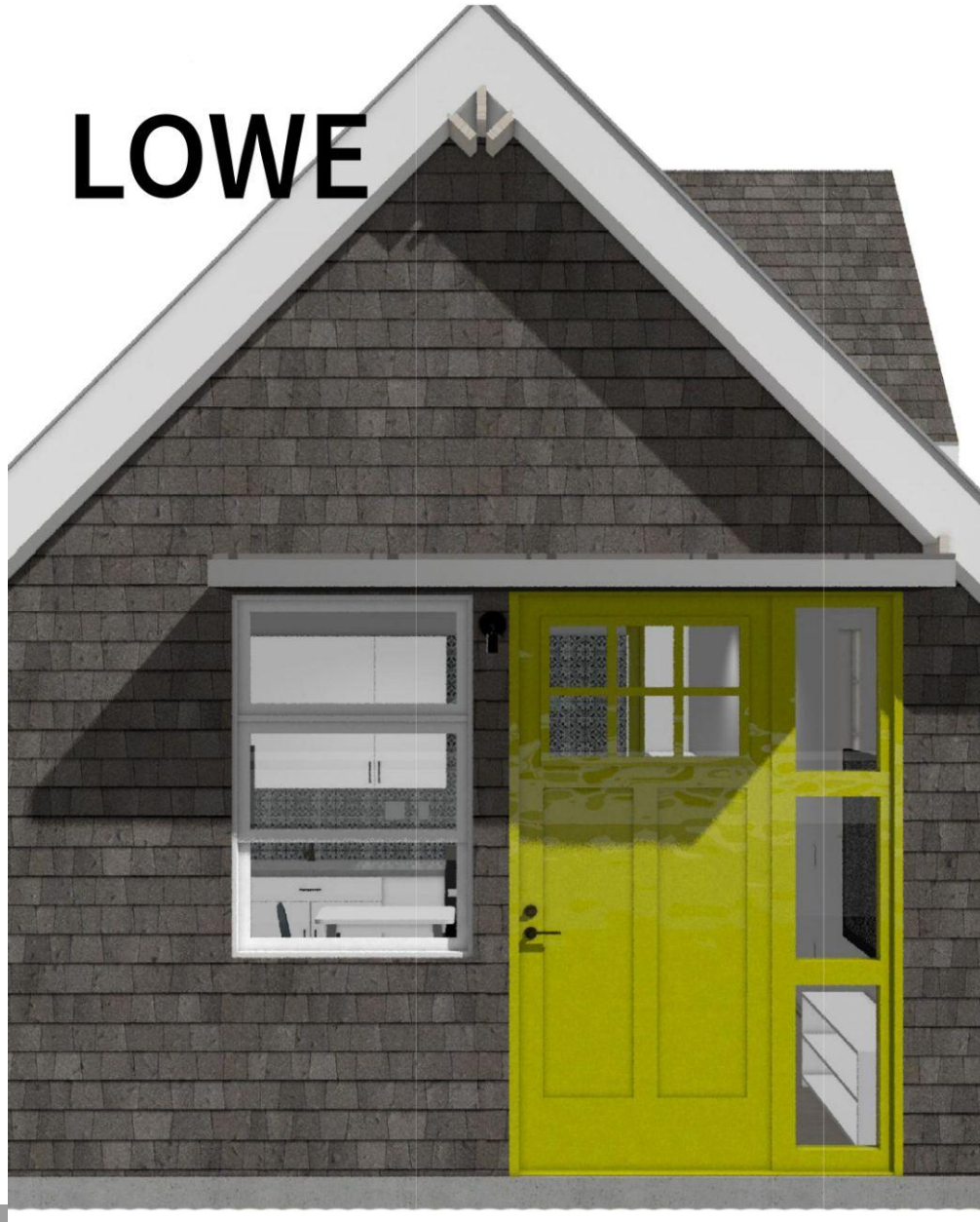
EFFICIENT APPLIANCES LOW ENERGY

> One of the greatest inconveniences of urban life is waiting at the laundry mat. Deciding to live a compact life should not mean less.

Design & Construction



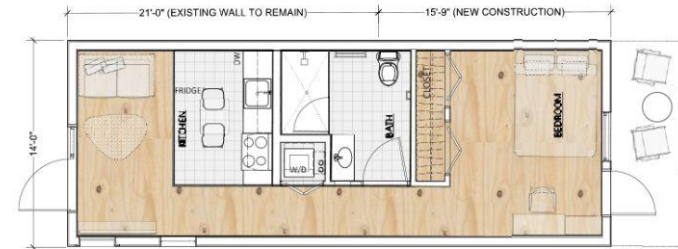
LOWE



MODEL NAME

LOWE

500 SQUARE FEET



ONE BEDROOM
A SPACE OF SOLITUDE

> This slender garage extension with private garden is ideal for young adults, teacher, or anyone who wishes a separate bedroom space.

The opportunity provided by a rear extension is the ability to create a private space to relax.

GARDEN
A SPACE IN THE SUN

ENTERTAIN
DINING

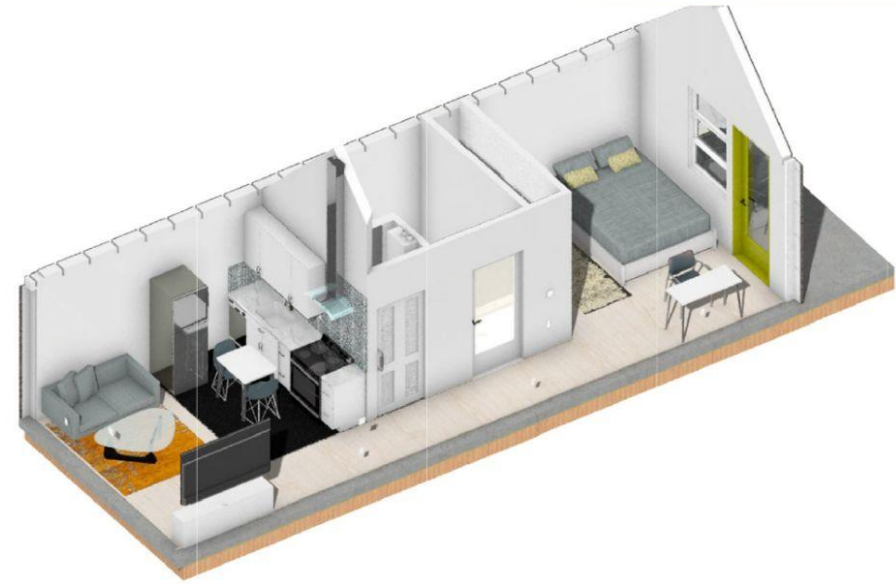
> Urban life often includes entertaining friends in the kitchen. This model accommodates indoor and outdoor visitors.

Design & Construction

ISSUED TO CLIENT FOR REVIEW
MAY 11, 2021



OAKLAND ACCESSORY DWELLING UI



Design & Construction



MILLER



MODEL NAME

MILLER

550 SQUARE FEET

**ONE BEDROOM +
EXPANDED FLEXIBILITY**

> This large square, one bedroom with full-size appliances has been designed with a covered concrete rear deck which easily accommodates a second bedroom.

Our designs always include a private space outside because we believe in healthy daylight access and simply living in dignity.

**REAR VERANDA
PLAN FOR EXPANSION**

**LARGE LIVING
AND FAMILY DINNER**

> Often the decision to downsize from a large house to a smaller-footprint can feel like giving up a lot. This model is loaded with full-size spaces and amenities.

Design & Construction

ISSUED TO CLIENT FOR REVIEW
MAY 11, 2021

OAKLAND ACCESSORY DWELLING UNITS



Design & Construction



Thank you