




Date: August 26, 2024

To: Thomas B. Modica, City Manager 

From: Christopher Koontz, Director of Community Development 
Alison King, Director of Health and Human Services 

For: Mayor and Members of the City Council

Subject: **Affordable Accessory Dwelling Unit (ADU) Loan Program**

As part of the Fiscal Year 2024 Adopted Budget, the City Council approved Mayor Richardson's [recommendation](#) for dedication of one-time General Fund funding of \$200,000 to pilot an Accessory Dwelling Unit (ADU) Program to address the affordable housing shortage in the City of Long Beach (City). The ADU Loan Program (Program) aims to incentivize Long Beach homeowners to create an affordable rental unit on their property by providing them with comprehensive assistance for financing, designing, permitting and constructing a new ADU. In exchange, homeowners must agree to rent their ADU at an affordable rent to an individual or family who meets the Program income limits. Priority will be given to homeowners who commit to renting their ADUs to households with a project-based housing voucher issued by the Housing Authority of the City of Long Beach (Housing Authority).

Background

Like many cities across the State, Long Beach has limited affordable housing inventory. In recent years, ADUs have become a major contributor to the growth of Long Beach's housing stock. They represent a unique opportunity for adding housing throughout the City's existing neighborhoods and can be designed to be more affordable than large-scale multifamily developments.

The Housing Authority administers the Project-Based Voucher Program across Long Beach, encompassing specific buildings, each with unique admission criteria. Currently, there are more than 1,100 Project-Based Voucher units leased in Long Beach, and an additional 334 units are expected to be completed within the next two years.

Program Overview

For this pilot phase of the Program, the Community Development Department (Department) has identified \$2,500,000 in funds available from the Low- and Moderate-Income Housing Asset Funds to help up to ten homeowners finance the construction of ADUs by providing them with low-interest loans, each up to \$250,000. In addition to financial assistance, the Program also provides ADU project management assistance at no cost to the homeowners to guide them through the design, permitting, construction, and lease-up processes.

Priority will be given to applicants who commit to renting to a tenant with a housing voucher issued by the Housing Authority for a minimum of five years. Second priority, should funding be

Accessory Dwelling Unit (ADU) Loan Program

August 26, 2024

Page 2

available, will be given to homeowners interested in renting their units to low-income individuals, defined as those earning 80 percent or less of the area median income, for a minimum of seven years.

Loans will have a zero percent interest rate during construction and during the time the ADU is rented to an income qualified tenant at an approved rent. Loan payments will be deferred during construction and begin upon issuance of certificate of occupancy, when the homeowner receives rental income from the ADU tenant.

Long Beach residents that own and occupy either a single-family home or a multi-family home with four units or fewer are eligible to apply for the Program. Homeowners that have already begun the ADU design/construction process may apply for the Program at any point prior to issuance of certificate of occupancy. The City will not reimburse homeowners for any costs incurred before the City loan is executed.

Next Steps

The Program application period will open in Fall 2024. The Department's Housing and Neighborhood Services Bureau and the Housing Authority will jointly host community information sessions online and in-person to provide Program information to interested applicants. Loans are expected to be executed in early 2025. The ADUs developed through the Program are expected to be ready for occupancy in 2027.

For more information on the Program, including full Program Guidelines and loan information, visit: longbeach.gov/aduloan. Community members can sign up to receive Program updates, including announcements of the dates of the community information sessions and the application period.

For more information, please contact Meggan Sorensen, Housing and Neighborhood Services Bureau Manager, at (562) 570- 5269 or Meggan.Sorensen@longbeach.gov.

CC: DAWN MCINTOSH, CITY ATTORNEY
DOUGLAS P. HAUBERT, CITY PROSECUTOR
LAURA L. DOUD, CITY AUDITOR
APRIL WALKER, ASSISTANT CITY MANAGER
TERESA CHANDLER, DEPUTY CITY MANAGER
MEREDITH REYNOLDS, DEPUTY CITY MANAGER
GRACE YOON, DEPUTY CITY MANAGER
TYLER BONANNO-CURLEY, DEPUTY CITY MANAGER
KEVIN LEE, CHIEF PUBLIC AFFAIRS OFFICER
MONIQUE DE LA GARZA, CITY CLERK
DEPARTMENT HEADS