

Marcus & Millichap

IPA Multifamily Forum: Northern California

September 26, 2024

https://build.perpetualhomesadu.com/





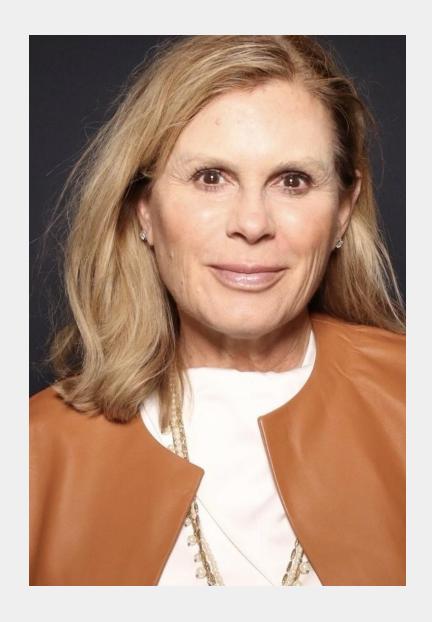


THE PERPETUAL VISION

- Enhance property value and livable space with high quality, eco-friendly ADU's and multi-family unit at an affordable value
- It's simple, we do everything with high end quality at an affordable price
- Designed with premium long-lasting sustainable materials
- We handle everything from permits, building to installation
- Prefab ADU's added to excess land on single-family lots, multi-family properties, churches, commercial properties, and government owned properties.







Our Story

- Founded in 2019 by Katherine Noe Anderson with over 40 years of experience in residential development (Perpetual Homes over 6 years in business)
- Perpetual Homes has completed over 200 ADUs
- Owner, Developer and Investor
- Development Manager for SummerHill Homes for 10 years
- Founder and President of Anderson Marketing Group, Inc. for 25 years - Residential development
- Currently on the Advisory Board of Pledge to Humanity.
- BS in Economics from the University of California at Berkeley



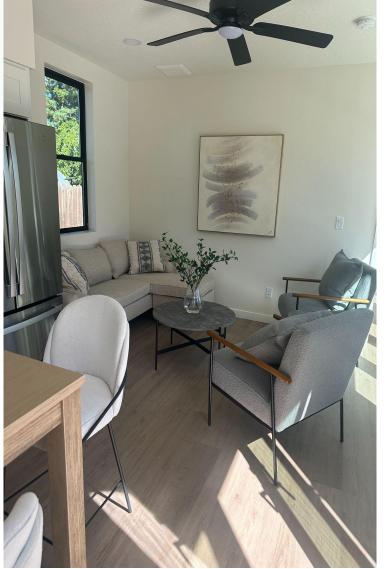
- Bill passed state senate on 8/29/24 and now Governor just signed the Bill (09/20/24)
- SB 1211 increases the current restriction on the number of ADUs on a multi-family property that can be detached from 2 to up to 8 ADUs depending on the existing number of multi-family units on the site





Multi-family properties allow up to 8 detached ADU's







What is CA SB 684?

- A law that streamlines approvals for small home developments on multi family-zoned land.
- Returns can be significant
- Approval timelines are quick and ministerial infill developments of 10 homes or less
- SB 684 became effective on July 1, 2024
- The lot must be served by a public water system and a municipal server system
- Maximum total floor space can not exceed 1,750 square feet

Key elements:

- **CEQA-exempt ministerial approval** for up to 10 units on qualifying infill sites.
- **Criteria:** Lots must be ≤ 5 acres and largely surrounded by urban uses.
- Subdivisions be up to 10 parcels/units.
- Developments must not reduce density or eliminate existing rent-controlled or deed-restricted affordable properties.







Pending SB 1123 Changes to Take Effect on July 1, 2025

The primary change effectuated by SB 1123 provides for the ministerial approval of SB 684 subdivisions on vacant parcels located within single-family zones. "Vacant" is defined in the statute as having no permanent structure, unless the permanent structure is abandoned and uninhabitable. In addition, SB 1123 reduces the eligible maximum lot size to 1.5 acres and requires that newly created parcels be no smaller than 1,200 square feet.

SB 1123 additionally revises minimum density requirements for parcels not identified in the housing element to require that the proposed development results in at least 66% of the maximum allowable residential density. SB 1123 also prohibits a jurisdiction from imposing a height limit on newly created parcels that is less than the height allowed pursuant to the existing zoning designation applicable to the lot.

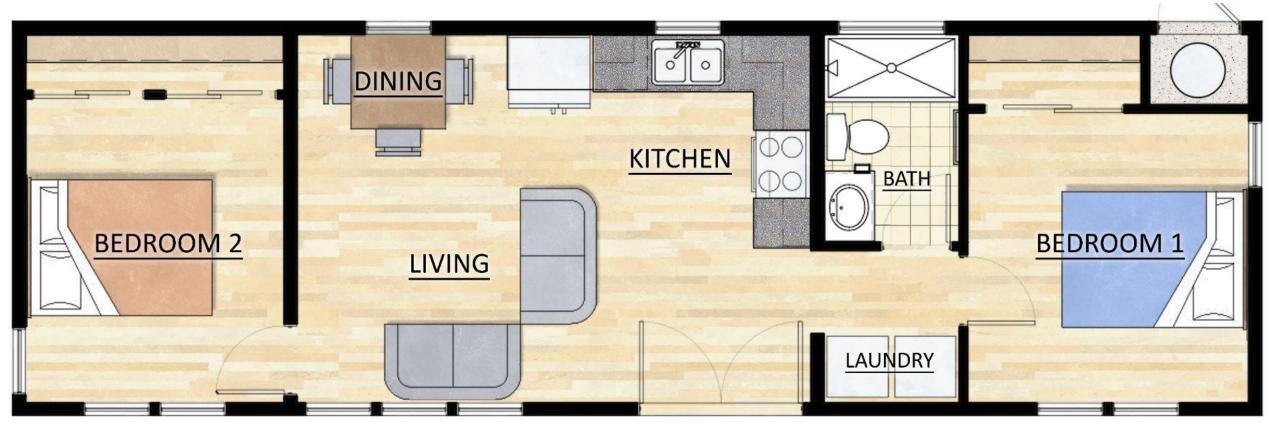


Further changes to be implemented under SB 1123 include: (1) permitting newly created units to be owned as a tenancy in common; (2) prohibiting the separate sale of an existing dwelling unit from any other existing dwelling unit on the resulting parcel; and (3) in any jurisdiction that allows accessory dwelling units (ADUs) or junior ADUs on the newly created parcels, the jurisdiction will be prohibited from counting those units toward the 10-unit cap.

If you would like more information as to how to pursue a streamlined entitlement of your development project of 10 or fewer residential units, please contact Allen Matkins' land use and entitlements team.



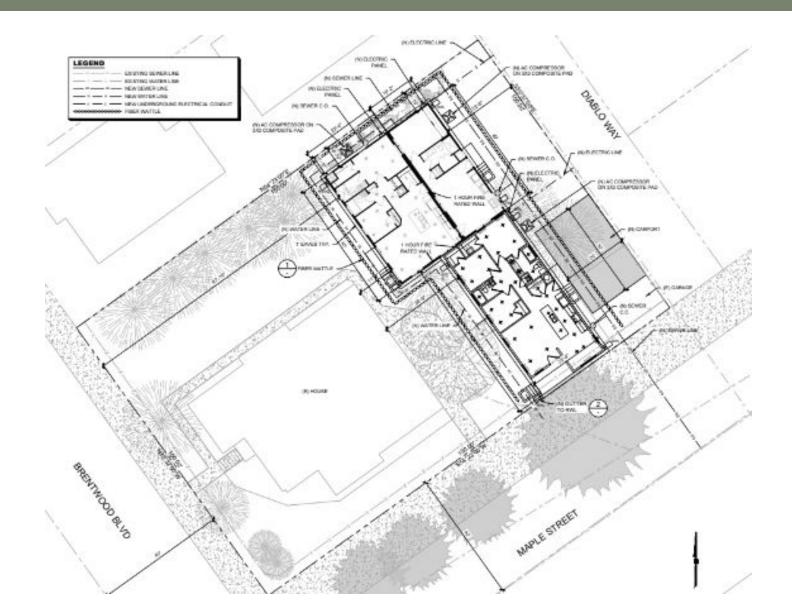
713 SQ. FT.



LUX2 FLOOR PLAN - FARMHOUSE

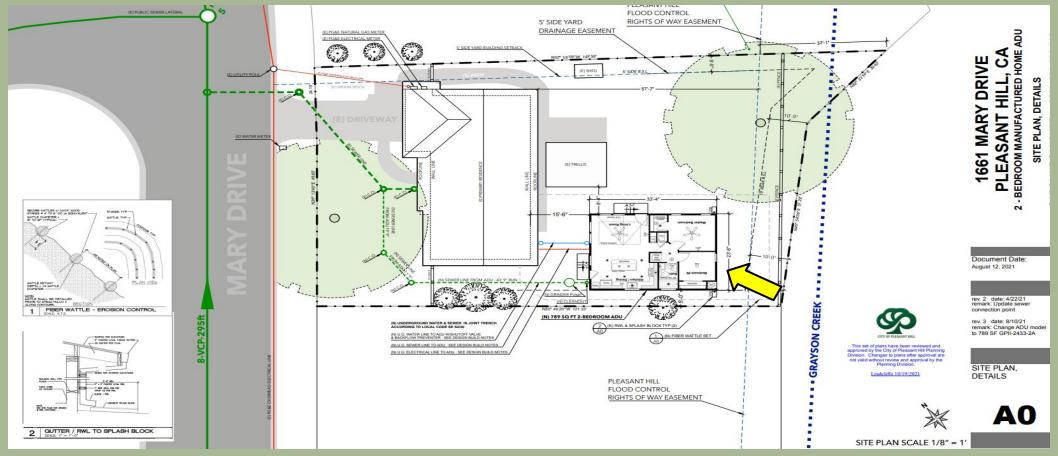


- Prohibits local laws reducing the legal limit on new housing.
- Prevents delays in new housing via administrative or regulatory barriers.
- Effective until 2030.





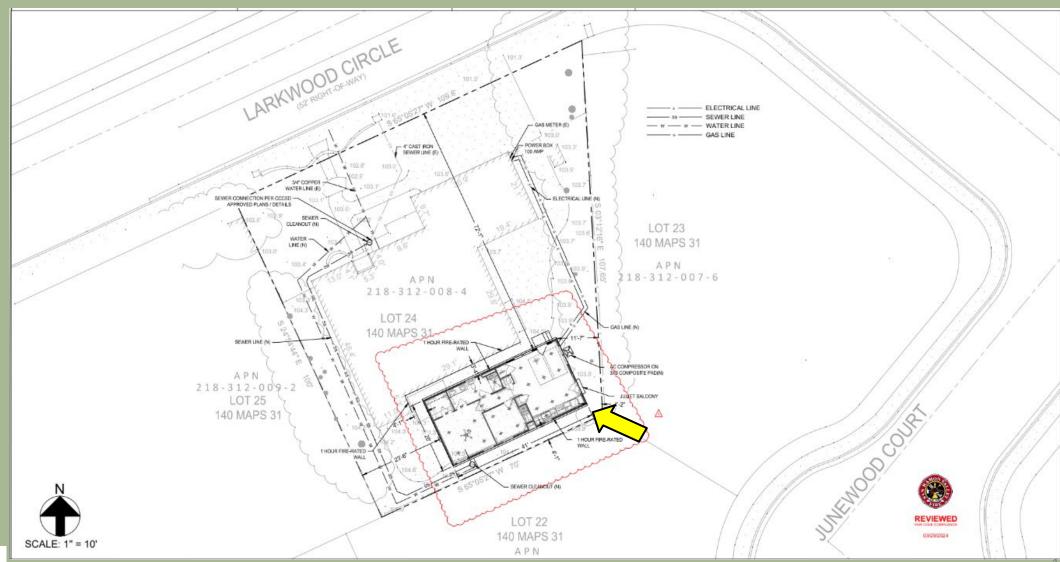
Single Family Home Investor - adding ADU to enhance property ROI



- ADU's are allowed in residential mixed-use, or agricultural zones and most zoning districts allow one ADU per property, multi-family properties allow 2 to 8 detached ADU's per property.
- An Accessory Dwelling Unit (ADU) is a secondary dwelling unit on the some property as the primary residence that can provide independent living for one or more people. ADU's can be attached or detached from the primary residence.



ADU's can be situated 4 feet from side and rear yards with a minimum distance of 3 feet from an existing structure. For example, an 800 square foot ADU can be approved and situated on approximately 1,188 square foot area.





ADU Return on Investment

The return on Investment (ROI) for an Accessory Dwelling Unit (ADU) can vary depending on several factors:

- Local Rental Market
- Construction Costs
- Project Financing
- Property Circumstances topography of property, utility tie in locations, spec level of ADU

An ADU can contribute significantly to the long-term value of the home.

Reasons to consider investing in multi-family ADUs:

- Investment Diversity
- Reliable Income
- Return of Investment
- Leverage for Future Investments
- Tax Advantages
- Accelerate cash flow cost
- Typical gross rental yield on cost
- Return on investment ranges up to 10 to 15% and these units frequently rent at a 20-30% premium to the existing adjacent apartment units as there are no shared walls

SB 684 - add 8 detached units per multi-family property

Land \$0

ADU Costs: \$295,000 per 800 SF ADU

Rental Rate: \$4/SF

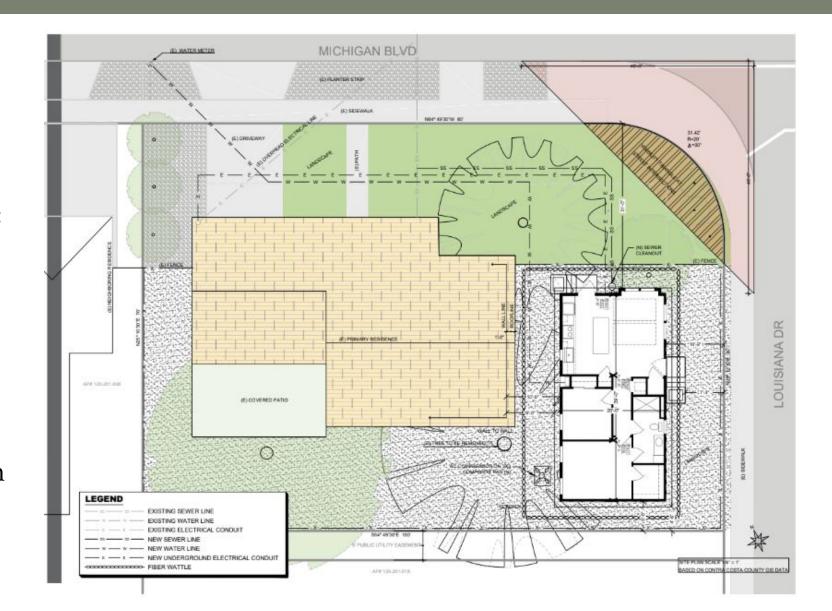
20% annual expenses

Estimated Return on Investment: 10%



California's ADU Law Changes For 2024: What's New?

- Increased height limit: ADUs can now be up to 25 feet tall (previously 16 feet).
- 30-day rule transparency: Improved clarity on the 30-day approval rule (January 1, 2025)
- Front setback flexibility:
 An 800 sq ft ADU
 encroaching on the front
 setback cannot be denied on
 that basis.





Housing Bill to Allow Multi-Family Development on Commercially-Zoned Site Now in Effect

- **Senate Bill (SB) 6:** Also known as the Middle Class Housing Act of 2022, went into effect on July 1, 2023.
- **Zoning flexibility:** Allows developers to convert commercial retail or parking sites into qualifying multifamily housing projects without rezoning.
- Local zoning compliance: Projects must still comply with local zoning codes related to parking, design, impact fees, etc
- **Eligible projects:** Must be at least 50% residential, located on parcels up to 20 acres, and situated within urbanized areas.
- **Density requirements:** Vary by location: 30 units/acre for metropolitan areas, 20 units/acre for suburban areas.



Housing Bill to Allow Multi-Family Development on Commercially-Zoned Site Now in Effect

- **Affordable housing:** SB 6 does not require affordable housing but can be used alongside other laws that incentivize it (e.g., SB 35).
- **Comparison with AB 2011:** SB 6 offers no CEQA exemptions or streamlined permits, unlike AB 2011, but can work with other streamlining laws.
- **Prevailing wages:** Developers must pay prevailing wages and use a skilled workforce, raising construction and housing costs.
- Local jurisdiction exemption: Cities can exempt certain parcels from SB 6 by downzoning, provided it results in no-net-loss of housing.
- **State scrutiny:** Some cities have tried to exempt themselves from SB 6 using vague no-net-loss provisions, drawing attention from state authorities, potentially prompting future legislative clarification.



Perpetual Homes

- Fast timelines depending on jurisdiction- minimum 6 months.
- Seamless construction process prefab off site with interior inspections at factory.
- Award winning WHA Architects high quality designed ADUs with premium materials.
- Straight forward pricing ADUs reference price starting in mid \$200,000's with no hidden fees.
- Prefab construction typically come with lower, predictable costs. We partner with top manufacturers in orders to obtain economies of scale.
- Built over 150 ADU's over past five years.
- Due to the prefab construction process, on-site construction is performed quickly with minimal disruption to existing tenants





Creating resource efficient designs and using resource efficient materials maximizes construction quality while reducing the demand for vital natural resources.



PHADU corporate ADU model in Concord.









Danville Award Program 2024





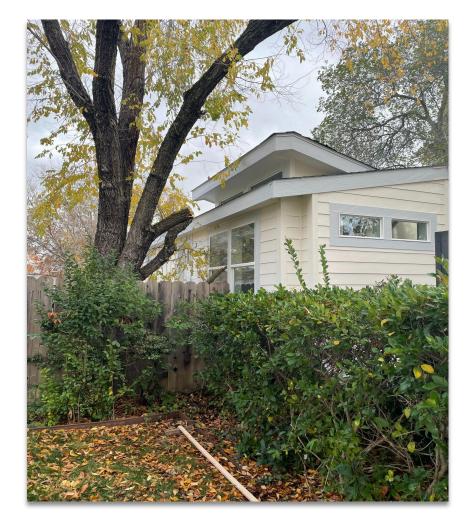
Thank you!

Contact Information

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PHADU Newport Plan

