



# Hello there!

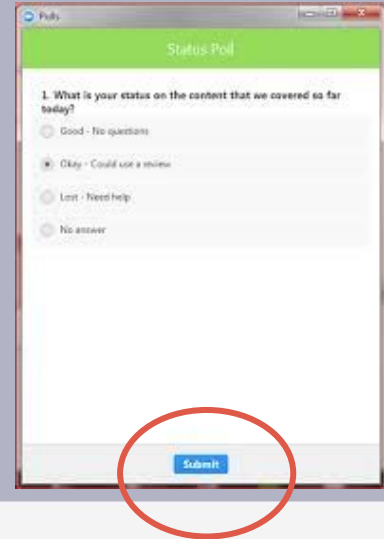
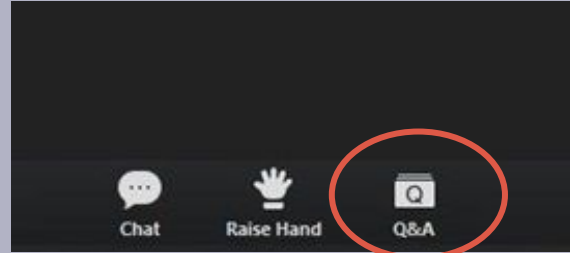
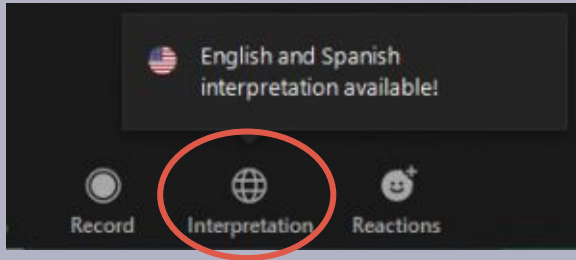
## Welcome to the Webinar

*The Financial Case for Building an ADU Now & Not Later*

October 6, 2021

  
Napa Sonoma **ADU**

# Zoom Logistics



Spanish Interpretation  
(*Interpretación al español*)

Audience Q&A

Interactive polls

# Renée J. Schomp

*Director*

Napa Sonoma ADU Center

**E-contact:**

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# Agenda

- 8 Reasons to build now
- Prefab, modular or stick build?
- Case studies
- Ways to finance your ADU
- Audience Q&A

# About the Napa Sonoma ADU Center

Napa Sonoma  ADU

We're a nonprofit here to help  
Napa & Sonoma County  
homeowners build ADUs.





# Napa Sonoma ADU Resources

- ADU calculator
- Local ADU rules
- Address Lookup Tool
- ADU Workbook
- Stories & floor plans
- Webinars
- Vendor registry
- Newsletter & social media

# Support for homeowners

- **Contact Us:**  
<https://napasonomaadu.org/stay-in-touch>
- **Phone:** 707.804.8575





# ADU Feasibility Consults

**#1**  
**Questionnaire**

**# 2**  
**Prescreening**

**#3**  
**Hour-long  
site visit**

**#4**  
**ADU Feasibility  
Report**

*Sign up on our website:*  
[napasonomaadu.org/consultations](http://napasonomaadu.org/consultations)



## PART 1

# 8 Reasons to build now



# Scott Johnson

**ADU Expert,**  
*Napa Sonoma  
ADU Center*

+

**Founder,**  
*Pocket Housing LLC*





# Lindsay Moon

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Licensed broker and builder

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**SearchLight**  
L E N D I N G

# Reason #1

## Return on investment

- Renting out your ADU
- Providing housing for family or friends
- Providing housing for yourself
- Appreciation in value

**Interest rates are  
low**

# Reason # 3

**Materials costs have  
dropped**

# Owner occupancy rules will sunset

ADUs that receive building permits between 1/1/2020 and 12/31/2024 are exempt from owner occupancy rules.

(Junior ADUs still require owner occupancy.)

# Reason #5

## Solar tax rebates will sunset

Congress passed an extension in December 2020 which provides for a 26% tax credit for systems installed through 2022, and then it falls to 22% for 2023. It will expire January 1st, 2024 unless Congress renews it.



# Building codes change

The next set of updates will go into effect on January 1, 2023.

# Reason #7

**Labor costs won't go down**

# Approved permits expire



**Why wait?  
Start your ADU  
project now!**

## PART 2

Prefab/modular or stick built?





# Questions to keep in mind



# Opportunities to keep in mind



## PART 3

# Thinking through ROI







# ADU Case Study #1

- Sandra wants to build an 800 sf detached in Santa Rosa
- She has \$100,000 in cash
- She can do a cash-out refinance for the remaining \$218,000
- She can build it in 12-18 months
- She can rent it for \$1,887
- She will see a return on her investment by year 6



## ADU Case Study #2

- Peter wants to build a 400 sf garage conversion in Napa
- Budget is a primary concern, so he'll focus on low-cost options for appliances and finishes
- He can refinance his house and pull out money to pay for the ADU
- He intends to manage it himself, and not use a Property Manager
- He will see a return on his investment by year 2



# Financing your accessory dwelling unit

# Four ADU Financing Categories

Existing Assets	Existing Home Equity	Existing Income	Experimental Products
<ul style="list-style-type: none"><li>- Cash</li><li>- 401(k) loan</li></ul>	<ul style="list-style-type: none"><li>- <b>Mortgage Refinance</b></li><li>- <b>Second Mortgage</b></li><li>- <b>HELOC</b></li><li>- Reverse - Mortgage</li><li>Private Money</li></ul>	<ul style="list-style-type: none"><li>- <b>Renovation Loans</b></li><li>- <b>Construction Loans</b></li><li>- Personal Loans</li></ul>	<ul style="list-style-type: none"><li>- Ground Lease Agreement</li><li>- Shared Equity Agreement</li></ul>

Piecing it All  
Together:  
the ADU  
Finance  
Menu

	High Income	Low Income
<b>High Home Equity</b>	<ol style="list-style-type: none"><li>1. Cash-out refinance</li><li>2. Home Equity Line of Credit (HELOC)</li><li>3. Second mortgage</li><li>4. Renovation loan</li></ol>	<ol style="list-style-type: none"><li>1. Cash-out refinance</li><li>2. Ground lease agreement</li><li>3. Home Equity Line of Credit (HELOC)</li><li>4. Reverse mortgage</li><li>5. Private money</li><li>6. Shared appreciation/ equity product</li></ol>
<b>Low Home Equity</b>	<ol style="list-style-type: none"><li>1. Construction loan</li><li>2. Renovation loan</li><li>3. Existing cash/assets</li><li>4. 401(k) loan</li><li>5. Renovation loan</li></ol>	<ol style="list-style-type: none"><li>1. Existing cash/assets</li><li>2. Renovation loan (maybe)</li></ol>

# ADU Webinars

Register for upcoming webinars  
& view past webinars  
on-demand:  
[napasonomaadu.org/aduevents](http://napasonomaadu.org/aduevents)



**Oct**

New ADU Financing  
Opportunities!


**Nov**

How to Do an ADU  
Permit Application

**Dec**

All You Need to  
Know About Prefab,  
Modular &  
Manufactured ADUs!

# Audience Q&A



**We are here to  
help you**

Reach out to us anytime!

[www.napasonomaadu.org](http://www.napasonomaadu.org)

<https://napasonomaadu.org/stay-in-touch>

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Thanks to  
our  
supporters



COMMUNITY  
FOUNDATION  
SONOMA  
COUNTY



**...and  
thank  
YOU!**

