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Implementing ADUs as a New Form of Student Housing

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Implementing ADUs as a New Form of Student Housing

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EMPA 396: Graduate Research Project in Public Management

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ABSTRACT

Over the last few years, California is facing a massive housing shortage. This alarming situation has blocked many families and individuals residing in the San Francisco Bay Area to find reasonable shelter, including undergraduate students. To mitigate student homelessness, Senator Nancy Skinner introduced SB 1227: Density bonuses in 2018. It was signed into law by Governor Jerry Brown in the year after. The bill aims to make the building of student housings easier by giving density bonuses to eligible builders.

Although SB 1227 has shown a degree of success after its implementation, including a property tax reduction for Accessory Dwelling Units (ADUs) in its language could benefit even more students and homeowners. Moreover, if ADUs oriented vacancy tax and housing vouchers are used with the bill version including property tax reduction, its effectiveness would improve significantly.

This study explores the benefits and drawbacks of rental control pricing, vacancy tax for ADUs and housing vouchers for ADUs to help address this housing concern. Additionally, several literary resources regarding these topics, survey's data and interviews' responses are provided to strengthen the discussion. From these findings, recommendations are drawn. The goal of the study is to raise more housing solutions in order to help students in high density urban environments.

Chapter 1: Introduction

Years upon years, California's students are constantly on the pursuit for higher and better education. The decision of choosing which education institution to enroll in would directly affect their lives for many years to come. For that reason, they are very careful when considering all the available options and several crucial factors that follow. These factors include: the institution's location, financial aids and student housings. Among those mentioned, student housing might be the most head-aching problem.

Student housing, whether on or off campus is currently in a shortage. This adds concerns to many already worrying students. In order to mitigate this problem, on September 29, 2018, Senate Bill 1227 was passed. The bill aims to make the process of building student housing much easier by formulating cheaper student rental prices and including density bonuses. Senate Bill 1227 is introduced by Senator Nancy Skinner to change the state of housing laws by requiring a density bonus provided to builders. In her words: "Too many California students are having to couch surf, commute for hours, or even live in their car"; therefore, "SB 1227 will encourage the construction of more housing and more affordable housing for college students up and down the state" (Skinner, 2018). Although the bill has shown some progress in the past few years, the COVID-19 pandemic has dramatically lessened its effectiveness.

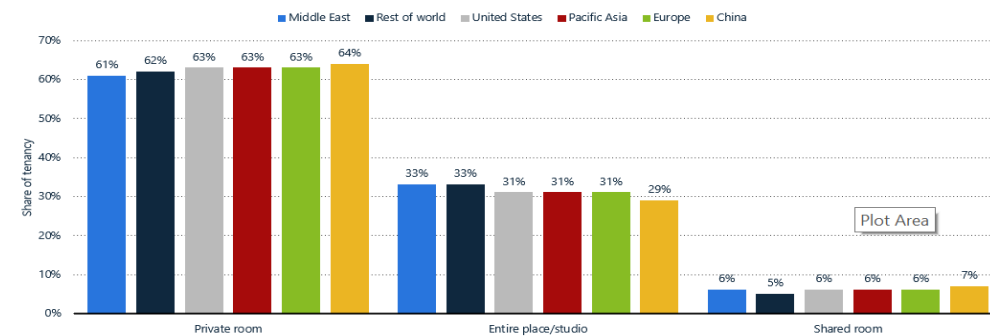
Due to social distancing and other health related protocols, both public and private universities are reverting their student housing to single-occupancy rooms, as opposed to the conventional doubles and triples. However, this trend of students staying in private or single rooms has already gained popularity even before the global pandemic (Statista, 2019). According to a report conducted by Statista on global room types of student housing between 2016 - 2017, more than 60 percent of U.S students choose to stay in a private room. In other words, private

rooms were selected with the highest percentage out of the three accommodation options of: private room, studio and shared room. In comparison to the rest of the world, this percentage was rated precisely at 63 percent, second only to China (Savills, 2017, p.12).

Coming back from the pandemic, with safety and security in mind, all universities of California are resettling their undergraduate and graduate students to single rooms, with some even cancelling their dining halls. Such limitations in campus capacity causes the student population staying in on-campus units to shrink, while increasing the demand for off-campus affordable accommodations.

Figure 1.1.

Types of rooms rented by students worldwide in 2016 and 2017, by region
Student housing room types globally 2016-2017



Source: Statista

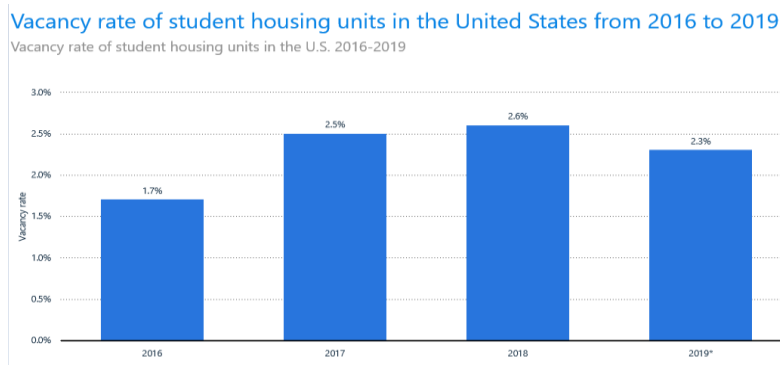
The high demand for off-campus housing has then influenced many homeowners to raise their rental price for profit, hurting many students attending colleges in California. This problem is becoming more severe as the movement of one student per room continue.

BACKGROUND OF THE PROBLEM:

In order to clearly understand how high the demand for student housing is, let's look at the vacancy rate for this type of unit. In the United States, from 2016 to 2019, the vacancy rate for student housing has never surpassed 3 percent, with the lowest rating being 1.7 percent in

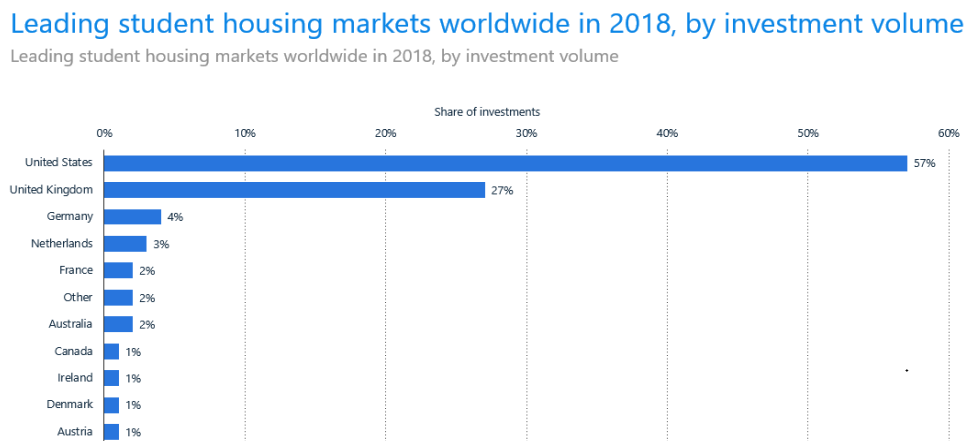
2016 and the highest rating being 2.6 percent in 2018 (Reis, 2018, p.1). The low vacancy rate has influenced countless investors to invest in the student housing market. For that reason, the United States has the highest share of investments on student housing worldwide. To elaborate on this point, in 2018, the United States has the world largest student property market, as 57 percent of all investments were made here (Frank, 2019, p.11). This percentage doubled the amount of the United Kingdom share of investments on student housing and it is worth 50 times of Austria (Frank, 2019, p.11).

Figure 1.2.



Source: Statista

Figure 1.3.



Source: Statista

In addition, the demand keeps rising as the unpredictable COVID-19 pandemic forces students to stay indoors. Universities that are located in the San Francisco Bay Area are mandated to limit the number of on-campus housing units due to COVID-19 protocols, pushing students out into the general market to look for high-priced housing. This only brings hardship to undergraduates, since affordable housing in California is already lacking, let alone affordable student housing. According to the California's Department of Housing and Community Development, the state had a deficit of over 80,000 units in 2015 (2018, p. 5). In other words, there is a rarity in affordable housing as well as student housing in California.

To ease this problem, implementing Accessory Dwelling Units (ADUs) as a new form of student housing would help students get access to better shelters. In detail, an accessory dwelling unit can be built on the same grounds or be attached to a single-family house. These kinds of units are usually cheaper than the average market units; hence, they also increase homeowner's property value. Although there are existing grants given to homeowners who rent ADUs to low-income households, there have not been any financial incentives provided to them in the case of student rental. As for students, they are not getting enough support or subsidies to be able to rent these dwelling units. For that reason, if Senate Bill 1227 includes a property tax reduction for ADUs, then students in the San Francisco Bay Area will have greater opportunities to rent cheaper accommodations.

PURPOSE OF THE STUDY

The main purpose of this proposed study will go into detail of how different incentives and grants could influence homeowners' decision on ADUs rental. In this case, ADUs that are aimed toward bachelor degree pursuers in the San Francisco Bay Area, since some state laws

might have not covered them, including Senate Bill 1227. The research territory of this study is kept within the San Francisco Bay Area so that the analysis could be as accurate as possible.

SIGNIFICANCE OF THE STUDY

Shelter has been every individual's basic necessity from the beginning of mankind. For that reason, it is of significant importance to explore all possible alternatives that could provide housings to as many people as possible. Staying within such a mindset, this study will shed light on the reasons why ADUs were originally started, along with reasons why it is still in use until today. After analyzing these reasons, this study will discuss why ADUs are a potential solution to the high demand for student housing. After all, individuals who desire but are unable to secure a place to stay may experience feelings of anxiety, distress, depression and inadequacy, which could lead to poor academic performance. Nevertheless, "housing is a basic human right, and so it should not be denied to anyone" (Greenberg, 2013).

Furthermore, if these incentives are successful, the foreseeable benefit would be less students having to borrow loans for their accommodations. As for the long-term impact, both the San Francisco Bay Area's authorities and its agencies could have an effective tool to deal with the alarming housing shortage.

RESEARCH QUESTIONS

The main question of this research paper is: Will financial incentives and government subsidies motivate the San Francisco Bay Area homeowners to rent affordable ADUs to students? More specifically the following questions:

Q1: IF Senate Bill 1227 includes a property tax reduction for ADUs, will that result in more affordable ADUs for students in the San Francisco Bay Area?

Q2: IF a vacancy tax for ADUs is introduced, will there be more affordable ADUs for students in the San Francisco Bay Area?

Q3: IF housing vouchers for ADUs are issued, will there be more affordable ADUs for students in the San Francisco Bay Area?

THEORY OF CHANGE AND ASSUMPTIONS

The Theory of Change: “If Senate Bill 1227 includes a property tax reduction for ADUs, if a vacancy tax for ADUs is introduced, if housing vouchers for ADUs are issued, then there will be more affordable ADUs for students in the San Francisco Bay Area.”

A1: If Senate Bill 1227 includes a property tax reduction for ADUs, then there will be more affordable ADUs for students in the San Francisco Bay Area.

A2: If a vacancy tax for ADUs is introduced, then there will be more affordable ADUs for students in the San Francisco Bay Area.

A3: If housing vouchers for ADUs are issued, then there will be more affordable ADUs for students in the San Francisco Bay Area.

SCOPE AND LIMITATIONS:

The scope of this research is limited to the San Francisco Bay Area, California and some specific reviews on various monetary incentives. The depth of this study is restricted to the duration of eight weeks. Due to the fact that this approach is rather new and there has not been a lot of data on ADUs for students, studies related to affordable housings and urban infills are used as replacements to this loss. After all, an ADU is one type of urban infill. For the survey’s

population size, undergraduate students in the San Francisco Bay Area are the main targeted subjects.

DEFINITION OF TERMS:

In order to ensure that the readers and participants clearly understand the terminology used in Senate Bill 1227, here are some definitions of the legislation language:

ADUs: Accessory Dwelling Units, also known as granny flats, basement apartments or converted garages, are innovative, inexpensive and cost-effective secondary units created to mitigate California housing crisis. An ADU can be built on the same grounds or attached to a common single-family house. There are six types of ADUs, which are: detached structures, attached structures, remodeled/expansion structures, interior conversion structures, garage apartment structures, and above/below garage structures (Casita Coalition, n.d).

Low-income students: Students who are experiencing a household income level and asset level that does not exceed the level of Cal Grant A or Cal Grant B grant recipients is considered low-income students.

Units: According to Senate Bill 1227's definition, these are one rental room that consist of a bed and its pro rata share of associated common area facilities.

Education institutions: These institutions must be accredited by the Western Association of Schools and Colleges or the Accrediting Commission Community and Junior Colleges.

Density Bonuses: The bill sets the density bonus at 35 percent of the number of units proposed by developers for low-income students housing.

EXPECTED IMPACT OF THE RESEARCH

The proposed capstone study will reveal how effective ADUs can be when it comes to creating affordable living spaces, especially for undergraduate students. To them, the transition from high schools to colleges is more than just an academic leap, it is a leap to a higher social and economic statute. Therefore, they deserve to be focusing on learning instead of worrying about whether they have a place to live (Skinner, 2018). Not to mention, society as a whole also benefits from its professional population, meaning that the potential impact of this paper will go beyond the construction and rental of AUDs. To serve this lofty purpose, all of ADUs' benefits as well as its drawbacks will be identified and analyzed.

Chapter 2: Review of Literature

INTRODUCTION

There is no shortage of information on the topic of urban infill, ADUs or the lack of affordable units. Scholars have always had different views toward ADUs, with some agreeing that this method would keep seniors, students and low-income households in their original communities, while others pinpoint that the “not in my backyard” (NIMBY) movement could divide communities apart. With that being said, the review of literature will cover both the negative and positive impact of ADUs to avoid bias.

The following themes are covered by the review of literature: (1) Student housing; (2) ADU’s as a solution to the housing crisis (and student housing crisis); (3) Senate Bill 1227 and rent control; (4) Monetary incentives, vacancy tax and housing voucher. Each of these themes will be separately examined. Intentional exclusions of the literature review encompass of demographic characteristics such as: race, gender, ethnicity, religion and culture.

LITERATURE REVIEW

Theme 1: Student housing.

Since this paper pays special attention to student housing, it is only fair that relative literature be discussed. Among scholars, there have been debates on the impact of student housing and their implications for urban development in mid-sized cities for years. With some stating that it helps revitalize core-areas of many mid-sized cities’ downtown. According to Filion et al, student housing is one of the main contributing factors to the revitalization of Auburn, New York (2004). This approach has also been adapted by the University of Akron, Ohio, as they set out a \$2.5 million joint effort to revitalize surrounding neighborhoods. The quarter of a billion-dollar investment is expected to improve housing and generate more

commercial activity and link neighborhoods, campus and downtown (Galbincea, 2001). Aside from the University of Akron, the University of Illinois in collaboration with private developers has reshaped a previously depreciating “Near South Side” Chicago neighborhood into a community with almost 1000 new homes (Sharoff, 2001).

However, sizable grey literature on the negative effect of student housing on cities’ core-areas still exist. It is argued that some neighborhoods may have the possibility of transforming into “student ghetto” that trigger tension between resident groups, concern over absentee landlords and thoughtless student renters (Charbonneau et al, 2006). Not only that, academicians also argue that a variety of municipal bylaws are created with the intention of either containing or distributing student housing for the betterment of the community at large (Charbonneau et al, 2006). Hence, some evidence shows that moving students into older, traditional, urban cores can undermine neighborhoods, driving them closer to gentrification (Smith, 2005).

Another point to keep in mind is that researchers are suggesting that student housing is no longer being built for its initial purposes. In the past, traditional student housing was a part of a university's social responsibility, they symbolized the university’s caring attitude toward students and parents (Charbonneau et al, 2006). However, nowadays, universities are using student housing as a “bait” to gain the advantage in the highly competitive student recruitment arena (Charbonneau et al, 2006). According to Blakely, “charging reasonable market rents and offering good facilities is seen to constitute a competitive advantage in student recruitment terms” (1994). In order to attract more students, developers such as Biddison Heir Ltd, American Campus Communities and JPT Student Living are signing contract with universities to include in their projects: private bedrooms and baths, storage, swimming pools, covered parking, extra storage, security and computer rooms that have connections with the campus computer system

(Charbonneau et al, 2006). Although a lot of new features were added, there has been limited concentration on assessing their successfulness in meeting students' demands, as well as their effects on the overall patterns of student housing (Blakely, 1994; Flamborough,1991; Rugg, Rhodes and Jones, 2002).

Theme 2: ADU's as a solution to the housing crisis (and student housing crisis)

Undergraduate students like most low-income individuals are struggling to find a reasonable place to stay. This is because they lack rental history and are financially burdened. Most students gain their paycheck by working part time at cafes, retail stores and college facilities for minimum wages. By doing so, they are making a small weekly earning. However, this is simply not enough if they wish to pay the average market rental price. According to a study conducted by the National Low-Income Housing Coalition, there isn't a single renter who works 40 hours a week at a minimum wage of \$7.25 hourly that could afford a common two-bedroom apartment without experiencing cost-burden nationwide (National Low-Income Housing Coalition, 2018). As for California, about 1.7 million households spent half of their income on rent statewide in 2017 (Harvard University's Joint Center for Housing, 2017). Based on these facts, clearly, students ought to have more housing options that are tailored towards them. Accessory Dwelling Unit is one of those options.

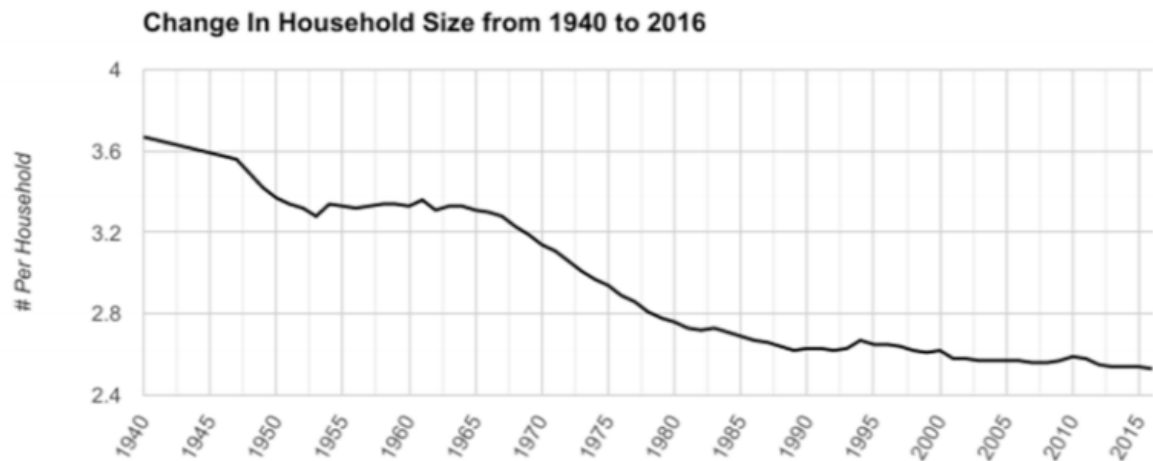
In the article "A proposal for an ADU incentive program for the city of Mill Valley", the author discusses why using ADUs is a viable solution for the California housing crisis. From the author view, ADUs have the following benefits:

- ADUs allow for a diversification of housing affordability to be located close together, alleviating class separation (Sugiyama, 2019).
- ADUs allow renters to have a bigger range of housing options.

- ADUs allow homeowners to earn secondary, passive income which can be used to subsidize mortgage payments (Sugiyama, 2019).
- ADUs reduce environmental harm, since they are small and tend to use less water, gas as well as electricity.
- ADUs cost are spread across many individuals instead of relying on one large group investment, lessening the political influence given to a specific group, avoiding unnecessary power clashes.

Mill Valley, like many cities in the Bay Area has seen a great increase in housing prices throughout the years. Not only that, the city has also seen its lower income residents be pushed out of their own neighborhoods during the pricing hikes (Sugiyama, 2019). However, by combining the ADUs' advantages with the city's characteristic of having large family lots, Mill Valley has seen immediate housing increase (Sugiyama, 2019).

Besides the example of Mill Valley's ADUs, these kinds of units are gaining a lot of favoritism in other cities as well. This is due to the demand shift in the types of housing. Houses that are smaller, cheaper and renter-friendly are frequently being sorted after by homeowners (Sugiyama, 2019). To demonstrate this trend, Census data in the graph below display that household size has been steadily declining since the mid-1900's. In the 1940's, the average household size was about 3.67, yet by 2016 this number dipped down to 2.53 persons. This shift has opened more doors for ADUs to be built, since they meet most of the requirements.

Figure 2.1.

Source: BuildinganADU.com.

Furthermore, Californians are also moving away from homeownership and are preferring rentals. According to the Public Policy Institute of California, the state homeownership rates have been decreasing from its peak in 2006 (Public Policy Institute of California, 2016). During its peak, the state homeownership rate was recorded at 60 percent. However, 10 years later it had dropped about six percentage points (Public Policy Institute of California, 2016). The decline in homeownership has shown that the public are more interested in rentals rather than owning a home. For that reason, ADUs are perfect alternatives to the traditional rentals.

Although the benefits of ADUs are numerous, concerns regarding their impact on an area are still present. These concerns mostly include: parking permits, rental price control and NIMBYism (Sugiyama, 2019). For parking permits, off street parking regulations could raise several barriers. As a community densifies and more cars join its area, parking spaces usually become sacred, hurting both old and new residents. For rental control, without strict restrictions, more ADUs do not necessarily mean cheaper rentals (Sugiyama, 2019). Therefore, rental formulae need to be thoroughly formed. For NIMBYism, the “fear of change” apprehensive in

many communities could delay the construction of ADUs, discouraging newcomers to rent existing affordable dwelling units (Sugiyama, 2019).

Theme 3: Senate Bill 1227 and rent control

Although Senate Bill 1227 was introduced in the previous part of this paper, it has not been fully described in detail. For that reason, its content will be openly discussed in this section. Besides the fact that SB 1227 demands a city, county, or both city and county to grant a density bonus to developers who built housing projects that are oriented toward students, it also requires 20 percent of those units to be exclusively utilized for low-income students. These are full-time undergraduate, graduate and/or professional students enrolled at any institute of higher education accredited by the Western Association of Schools and Colleges or the Accrediting Commission for Community or Junior Colleges (SB 1227, n.d).

As for the rental of these low-income student units, they must be calculated at 30 percent of 65 percent of the area median income for a single-room unit type. Here, the term “unit” means one rental room that consists of a bed and its pro rata share of associated common area facilities (SB 1227, n.d). In order to maintain the budget friendly aspect of these units, the bill restricted them to stay affordable for at least 55 years (SB 1227, n.d).

One of the main reasons why SB 1227 required a rental formula to be implemented is because many people argued that the rental rates would still be too high even if ADUs are offered (Sugiyama, 2019). Therefore, it is of great importance that municipalities address this concern when they are forming ADUs related regulations, since without a precise rental formula, it is very difficult to control the market rate (Sugiyama, 2019).

Regardless, rental control is not a new approach and it has shown successes in many parts of the United States. Among them is the example of Sonoma County. Like what the SB 1227 has

proposed, Sonoma County made it a priority to limit the rise of rental rates by giving monetary incentives to house developers (United State Census Bureau, 2019). To be specific, the county allows larger secondary dwelling units (attached and/or detached) to be built and the restriction of minimum lot size to be modified if homeowners agree that their units remain affordable for a 30-year period (Sugiyama, 2019). Such requirements coupled with the County's Affordable Secondary Dwelling Unit Program has ensured that Sonoma's affordable housing stock lasted even after a large intake of new developments (Sugiyama, 2019). As a result, the county expected that they could build around 1000 new ADUs between 2019 and 2024 (Riley, 2018).

This case study of Sonoma County has proven that the approach proposed in SB 1227 could work if it is implemented correctly. Therefore, local jurisdictions need to be wise when rolling out new rental control regulations.

Although the previous case study has proven that rental control pricing could work in the case of SB 1227, it is even more impactful if SB 1227 includes the formula to be adapted to ADUs. This is a huge opportunity missed, since ADUs with its characteristics could be home to so many students. With that being said, without the participation of landlords and homeowners, it is impossible for the formula to be implemented. For that reason, in exchange for their approval, a property tax reduction for ADUs should be reviewed at the negotiation table. A property tax reduction for ADUs is a fair offer to landlords, considering that it is capable of upsetting the low rental formulated by the SB 1227 formula.

Theme 4: Monetary incentives, vacancy tax and housing voucher

Monetary incentives

In the study “*The Portland ADU market: conditions, costs, drivers, incentives*”, the authors have outlined that for ADUs construction to grow significantly and have more of an impact on affordable housing problems, financing needs to become more tailored toward ADUs (Northwest Economic Research Center, 2019). This is very true as many cities throughout the United State are providing financial assistance to help ADUs rental become cheaper. Among these cities, Santa Cruz stands out the most. Beside the fact that the city is known for their impressive ADU program, this writer chooses the city as a case study for the following reasons:

- Santa Cruz is located in northern California; it is about forty mile south of San Jose and 75 miles south of San Francisco.
- Santa Cruz is home to a growing university, which aligned with this paper targeted subjects (undergraduate students).
- Santa Cruz's median age population is about 29 years of age, which is younger than the national average of roughly 38 and a close proximity to the national average college student age of 26.4-year-old (United State Census Bureau, 2019).

Back to Santa Cruz’s strategy of providing more affordable rental housing. In 2013, the city introduced a project known as the Accessory Dwelling Unit Development Program. In this project, a Loan Program and a Fee Waiver Program are included to make the process of building and renting ADUs much easier (Northwest Economic Research Center, 2019). After years of implementation, this project has created an effective accessible permitting process and promotes greater public understanding on the development procedure (Northwest Economic Research Center, 2019). From a statistical point of view, the number of new ADUs permits issued by

Santa Cruz has increased steadily. Around 40 to 50 permits per year were issued after enacting the Accessory Dwelling Unit Development Program (Mountain Housing Council of Tahoe Truckee, 2017). This is an increase of about 30 permits per year prior to 2015.

Although these monetary incentives program has brought many successes to the city of Santa Cruz, it still has two major flaws. Firstly, the increase in labor cost discouraged homeowners from taking on fee waivers. According to the Mountain Housing Council of Tahoe Truckee, because of an associated 20 percent increase in construction labor costs, not a lot people are taking advantage of the fee waivers (2018). This phenomenon significantly reduces the program effectiveness. Finally, an ADU is not a “one size fits all” solution. In many situations, unit prototypes provided by the city of Santa Cruz are completely inapplicable, forcing many ADUs applicants to choose personalized designs from private architects instead (Mountain Housing Council of Tahoe Truckee, 2018). This raises the construction cost of an ADU. Such increases then affect the overall market rental as homeowners raise their rent prices in hope to make up for their initial investment. Through the example of Santa Cruz, it is clear that monetary incentives influence homeowner’s attitudes as well as their behavior in both positive and negative ways.

Vacancy tax

Moving on to vacancy tax, this approach has been debated by many scholars on its effectiveness. In theory, the vacancy rate changes according to housing supply and demand (Chen, 2001). If supply for housing outgrows its demand, then the vacancy rate increases and vice versa. However, in reality, this phenomenon has been proven otherwise. For instance, during the 1980s, housing prices in the United States took off despite its high vacancy rates. This paradox has then been explained in the work of Belsky and Goodman in 1996. In their work,

they stated that there are numerous factors that increase the natural vacancy rate, which has nothing to do with the supply side (1996). Agreeing with these two scholars, Chen Yen-Jong sheds light on some of these factors in his work “Modeling the impacts of vacancy taxes on the Taiwan housing market” (2001). According to Chen, many families, especially low-income ones, share living spaces with others because they are unable to afford or rent at the market rate price (2001). This is very true for students, since they usually share units with flat mates in order to drive down rental cost. Hence, like most low-income families, students normally generate income by doing part time jobs. For that reason, vacancy tax placed on homeowners will not help students that much, since only a fraction of the rental is reduced and students still have to share their flats in order to afford a place to stay. Adding the Covid pandemic, it is clear that the goal is to get each student into their own room, therefore, generating low rental for shared units through vacancy tax is not a very effective approach.

Chen also mentioned that some families buy houses only for investment purposes. With highly expected capital gains, user costs for owning vacant units are relatively low (Chen, 2001). Thus, even if vacancy tax is implemented, it is only going to raise the already low user cost to a normal cost rate. With that mindset, some owners might intend to take the loss from the vacancy tax to keep units vacant in expectation of greater capital gains in the future (Chen, 2001). Hsueh, in his work, has also suggested that it is wise for homeowners to do so, since from the 1970s, the return on housing investment in Taiwan has been extremely high (1990). From the studies of Chen (2001), Hsueh (1990) and Belsky and Goodman (1996), it is understandable why scholars question the effectiveness of vacancy tax.

Although vacancy tax faces some criticisms, it does have many successful stories under its belt. For example, in Canada about 1085 empty units located in Vancouver were occupied

after vacancy tax was enforced between 2017 and 2018 (McAfee, 2019). In LA, an analysis conducted by the Blue-Sky Consulting Group for the city's authorities has also pointed out that vacancy tax could cover more than 19,000 residential units, 2,500 commercial units and over 2,900 parcels all across the city. This raises as much as \$128 million annually (Reyes,2020). Therefore, the above two examples have showcased why vacancy tax is worth exploring.

Housing choice vouchers:

Besides the approaches of monetary incentives and vacancy tax, housing vouchers play a critical role in assisting local authorities to address housing needs for low-income families as well as students. These vouchers allow recipients to have the freedom of choosing the types of housing and locations best fit their needs. Flexibility is one of its most stand out trades. However, like the previous two approaches, the housing choice voucher program has its own advantages as well as disadvantages (Turner, 2003).

To begin with the advantages of the housing choice voucher program (section 8 program), Turner mentioned that there are three. Firstly, it relies upon the existing housing stock, which makes it cheaper than most programs that construct new projects for occupancy by the poor (HUD, 2000). Due to this elastic method, the program is able to supplement rent payments for 1.7 million low-income families and individuals, shaping it into the nation's largest housing assistance program (Turner, 2003). Secondly, it gives recipients the ability to disperse more widely and live in lower-poverty, less segregated neighborhoods (Turner, 2003). According to Devine et al, almost every census tract in the nation's 50 largest metropolitan areas contains housing that are listed at rental levels accessible to voucher holders (2003). Furthermore, about 83 percent of these census tracts are currently occupied by voucher holders (Devine et al, 2003). Based on that fact, it is clear that housing vouchers help low-income families from living in

downgraded and unsafe neighborhoods. Finally, housing vouchers assisted residents to live in racially mixed neighborhoods (Turner and Wilson, 1998). By having many ethnicity groups occupied in the same community, these programs diversify cities and local areas.

On the other hand, housing vouchers also have disadvantages that prevent it from reaching its own maximum effectiveness. Firstly, it doesn't guarantee that recipients will be able to find a house or an apartment when using them. This claim is backed up by Finkel and Buron's study (2001), as they revealed that between the 1980s and 2001, there has been a decrease in the success rate of voucher holders. In the 1980s this rate was 81 percent, however, more than 2 decades later, it was recorded at only 69 percent (Finkel and Buron, 2001).

Secondly, landlords may be unwilling to be a part of the voucher program. This is because some owners have doubts about whether low-income individuals who receive vouchers are good tenants and whether the program regulations will prevent them from rejecting unqualified applicants or evicting troublesome tenants (Turner, 2003). The push back on housing choice voucher is especially true in the case of Marin County. The place is notorious for its exclusionary policies and practices, which includes "strict zoning ordinances; restrictions on high-density, multi-family housing; insufficient outreach to non-English speakers; predatory lending practices; and negative stereotypes about low-income residents with Section 8 vouchers" (Green, n.d). On that account, a housing voucher is not going to have a great impact on communities if these serious problems are not addressed and landlords are not favoring it.

Finally, the housing voucher program is known for its long and delayed waiting list. It can take up to years for a qualified applicant to get his/her housing vouchers. For example, in the case of Oakland housing choice vouchers, at the end of their waitlist opening year, there were about 10,007 households chosen to be on the list (Oakland Local 2013). This number was

filtered from a lottery of 55 000 applicants (Oakland Housing Authority, 2013). Clearly, that is a long waitlist. With such a long wait, people might feel discouraged when deciding whether they would want to join the program or not, which lessens the program effectiveness. For a deeper context, the average wait for housing vouchers or section 8 vouchers is 4 to 5 years (Williams, 2000).

CONCLUSION

The literature provides a certain level of understanding on how ADUs can be used as an alternative form for student housing. It also showcases the benefits as well as drawbacks of ADUs and student housing. To deepen this topic, a handful of reputational articles are used as guiding materials, which they have pointed out that monetary incentives, vacancy tax and housing vouchers can significantly impact a homeowner's rental decisions. These are all useful methods, yet under different circumstances, some are more effective than others.

Chapter 3: Research Methods

INTRODUCTION

Private homeowners, ADU owners and undergraduate students in the San Francisco Bay Area were the primary research subjects of this study. In order to allow better understanding of how monetary incentives, vacancy tax and SB 1227 rental formula could spur up more student ADUs, participants were asked to be part of this study voluntarily. Data were gathered from them via two ways: surveys and key informant interviews.

MAIN RESEARCH QUESTION AND SUB QUESTIONS

Main Question - If monetary incentives are awarded to homeowners in the San Francisco Bay Area, will there be more affordable ADUs for students in the San Francisco Bay Area?

Sub Question number 1 - IF Senate Bill 1227 includes a property tax reduction for ADUs, will that result in more affordable ADUs for students in the San Francisco Bay Area?

Sub Question number 2 - IF a vacancy tax for ADUs is introduced, will there be more affordable ADUs for students in the San Francisco Bay Area?

Sub Question number 3 - IF housing vouchers for ADUs are issued, will there be more affordable ADUs for students in the San Francisco Bay Area?

THEORY OF CHANGE AND ASSUMPTIONS

The Theory of Change: “If Senate Bill 1227 includes a property tax reduction for ADUs, if a vacancy tax for ADUs is introduced, if housing vouchers for ADUs are issued, then there will be more affordable ADUs for students in the San Francisco Bay Area.” Besides from this main hypothesis, three additional assumptions are made:

A1: If Senate Bill 1227 includes a property tax reduction for ADUs, then there will be more affordable ADUs for students in the San Francisco Bay Area.

A2: If a vacancy tax for ADUs is introduced, then there will be more affordable ADUs for students in the San Francisco Bay Area.

A3: If housing vouchers for ADUs are issued, then there will be more affordable ADUs for students in the San Francisco Bay Area.

OPERATIONAL DEFINITIONS

In order to ensure the readers and participants understood the terminology used in the research, the following concepts were the operational definitions:

Accessory Dwelling Unit (ADU): Accessory Dwelling Unit or also known as granny flats, basement apartments or converted garages are innovative, inexpensive and cost-effective secondary units created to mitigate California housing crisis.

Vacancy tax: a local tax collected by cities for unoccupied apartments, accommodations, and ADUs.

Housing voucher: a welfare assistance voucher issued by the U.S. Department of Housing and Urban Development to assist very low-income families, the disabled and the elderly, and enrolled undergraduate students to afford decent, sanitary and safe housing in the private market.

SB 1227: Provides density bonuses for housing developments that address the California housing shortage.

Students: For the specific purpose of this paper, the term “student” is referred to undergraduate students attending colleges in the San Francisco Bay Area.

The San Francisco Bay Area: The geographical limits of the San Francisco Bay Area.

Affordable units: Includes both single and multiple-family dwelling units where the total rent cost is limited to 30 percent of a person’s income. For the purposes of this study, these are referred to only single units.

Units: According to Senate Bill 1227’s definition, these are one rental room that consist of a bed and its pro rata share of associated common area facilities.

More affordable ADUs for students in the San Francisco Bay Area: For the purposes of this study, the term “more affordable ADUs for students in the San Francisco Bay Area” represents a 10 percent increase in the volume of low-price students’ units.

POPULATION SAMPLING STRATEGY

For the purpose of this study, both the ADU demand and supply sides were represented by specific participants. To be precise, homeowners and ADU owners were representatives of the supply side, whereas undergraduate students attending colleges in the San Francisco Bay Area spoke for the demand side. Additionally, recent alumni who have had ADU rental experience were utilized for their personal perspective.

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Area spoke for the demand side. Additionally, recent alumni who have had ADU rental experience were utilized for their personal perspective.

PROCEDURE

In order to capture the awareness and knowledge of those who might be impacted by the implementation of student ADUs, a mix research method was used. This method consisted of both surveys and interviews. For interviews, undergraduate students and property owners (with or without ADUs) were the main prioritized key informants. Each of these interviewees received notification emails prior to their scheduled meeting. There were three arranged meetings, with each approximately lasted 30 to 45 minutes long. During each meeting, 6 long open-ended questions were asked.

For surveys, at least 100 surveys were publicly sent out to homeowners, ADU owners and students throughout the San Francisco Bay Area. The survey was made up of 9 close ended questions and no open-ended questions. They were distributed through an online instrument.

DATA PROCESSING AND ANALYSIS

In order to find out if monetary incentives could change homeowners' views on student ADUs, data collected from online surveys were analyzed and compared to previous literature reviews. These surveys were distributed through Google Forms. In each survey, there were 9 close-ended questions and all of their responses' value were graded through a Likert scale. There were five options that a participant can choose from: strongly agree, agree, neither agree nor disagree, disagree or strongly disagree. Once all the 9 questions were constructed in Google Forms, a survey link was posted online on Facebook groups and the Next-door app so that it

could reach as much people as possible. The data collected from these surveys were converted into statistical charts so that responses were visualized and future ADUs trends were identified.

Next-door app is a social platform designed to allow neighbors to connect and exchange information based on their location. In order to get the maximum participation rate, a survey link was posted on multiple neighborhood groups within the app. In each of these groups the link was posted twice. By posting twice, this researcher hoped to encourage participants who might missed the survey the first time to have a second chance of doing it. Hence, he also hoped to convince participants who didn't take the survey during the first post to have second thoughts about doing it.

Facebook is other social media platform chosen to be the survey posting destination. There are different groups tailored toward distinctive topics and themes in Facebook. On the themes of ADUs and affordable housing, there are three highly popular groups. These groups were chosen to be primary locations for the survey link to be post. In total, there are roughly over 8,000 members among all the three groups. However, managers and administrators of the two San Francisco city and County groups didn't allow the survey to be posted on their groups. Therefore, the survey's link was only posted on one Facebook group.

The outcomes from key informant interviews served as valuable feedback for the validation process. This process determined whether the approach of implementing ADUs as an alternative solution to student housing was possible or not. To effectively do so, interviewees were asked three general questions regarding their experience with the current California housing shortage. Three more open ended questions were asked to determine the participant's attitude and personal opinions toward the main themes of this study. The last question gave participants

the chance to elaborate on areas relating to the study that they found interesting, which might or might not have been mentioned in the previous 6 questions. Both positive and negative comments were welcome.

To measure how interested interviewees were toward different incentives, the interviewer observed their body gestures and the enthusiasm in their responses. These two factors, combined with the information they provided, allow the interviewer to analyse the levels of agreement. Once all interviews were finished, responses were compared with the previous themes to see if there were any similarity.

This interviewer selects students, homeowners and subject matter experts in the San Francisco Bay as key interviewees. As for subject matter experts, a representative from the Berkeley City Manager's Office and GGU Professor, Ignacio Dayrit, was interviewed.

During the data processing phase, quantitative data collected from surveys were prioritized for themes justification; whereas, qualitative data collected from key informant interviews were used for forming recommendations. Both kinds of data were utilized for the same purposes of finding out if some incentives could influence homeowners to rent their ADUs, as well as if students would welcome this approach. The findings of these data were displayed in chapter 4.

INTERNAL AND EXTERNAL VALIDITY OF METHODOLOGY

To confirm the accuracy of the study design and its internal validity, biases were controlled by this researcher. Precisely, the researcher attempted to filter all factors that could heavily influence an interviewee's response but the independent variables. Besides variables

such as: property tax reduction, vacancy tax and housing vouchers, other variables including but is not limited to cultural belief and unreasonable one-sided personal opinions were removed.

Throughout the interview, this researcher treats all respondents with dignity and respect, regardless of their status. This means that from an interview's invitation state to its ending state, interviewees were all treated with proper manners. At the beginning of an interview, the researcher explained the nature of the study to his interviewee. He also sought informed consent from them. During an interview, the participant was advised that his/her attendance was voluntary and they could skip questions that they felt uncomfortable answering. At the end of an interview, participants were asked if they were happy with the meeting and if there was anything they would have liked to do differently. All interviews were conducted online and via zoom.

Due to its rigid study design, other authors may need to make some readjustment if they wish to use this study for other populations or situations. In other words, this study has a low to median external validity.

LIMITATIONS

This study faced three major limitations. Firstly, the Coronavirus (COVID-19) pandemic was well spreading throughout the United States at the time this study was deployed. Particularly, in the San Francisco Bay Area, the Shelter-In-Place order was still in power, which limited the possibility of conducting in-person interviews. This also means that reaching key interviewees was more challenging. Secondly, this study aimed to get information from both the supply and demand side of student ADUs, yet surveys were openly sent to the public. This made the situation of unequal responses from homeowners and students unavoidable. Lastly, this study

investigation scope was limited to undergraduate students and recent alumni; therefore, it had missed renters and low-income residents, who might have the same need.

SUMMARY

In conclusion, this research obtains information from both primary and secondary data. Here, primary data were collected from surveys and interviews, whereas secondary data were gained from literature reviews. Although these data were backed with facts and figures, they still had their own limitations. The same could be said for this research study, since it also had three complicated barriers.

Chapter 4: Results and Findings

INTRODUCTION

This Chapter provides the results and findings extracted and analyzed from the data gathered from 97 surveys and three key informant interviews to help answer this paper's research question and assumptions. All 97 surveys were anonymously conducted online. They contain both qualitative and quantitative data. The majority of quantitative data were found in the surveys, while most qualitative data were discovered in interviews. There were three interviews: two were conducted with subject matter experts and one was completed with a student renter in the San Francisco Bay Area. The qualitative data generated from these interviews were separated from those in the survey. For the purpose of this chapter, the data were grouped together so that each assumption could get its own in-depth explanation.

DEMOGRAPHICAL DATA

The online survey generated 97 responses. Among these responses, the majority of them were from "student renters in the San Francisco Bay Area". This category of respondents accounted for 46.2 % of the returned answers. Following them were "homeowners with a short and/or long-term rental unit in the San Francisco Bay Area" and "homeowners in the San Francisco Bay Area". For the former, almost 30% of the individuals who did the survey select this option, which is nearly double the latter. The remaining proposition of the respondents' population were made up of "renters in the San Francisco Bay Area" and people who preferred to be classified as "other".

Although the responses were not evenly divided among the type of respondents, most of them (60% of the respondents), agreed that ADUs could be a potential solution to the affordable student housing shortage. However, this does not mean that the remaining 40% reject this idea,

since 19.6% of those surveyed had stated that they had neutral feelings toward the idea of using ADUs to shelter students. Less than 20% of the people who did the survey truthy rejected this concept.

DATA AND ANALYSIS

A1: If Senate Bill 1227 includes a property tax reduction for ADUs, then there will be more affordable student housing in the San Francisco Bay Area.

Quantitative Results

The first assumption evaluated whether or not a property tax reduction offer could influence homeowners to rent out their ADUs and/or spare accommodation. Previously, this kind of proposal didn't exist and homeowners seeking incentives to build or rent their dwelling units weren't presented with this option. By mentioning this assumption in the online survey, it was proven valid. It was supported by a small majority of the survey takers, 53.6%, with 20.6% of respondents felt strongly aligned with this approach, while the remaining 20.6% simply agreed.

However, this approach still faces some challenges, mostly from homeowners with a short and/or long-term rental unit in the San Francisco Bay Area. To them, the amount of money they could save from a tax reduction policy by renting ADUs to students could not offset the return they got from other wealthy renters. These homeowners were among 22.7% of respondents who opposed the property tax reduction proposal.

Aside from the cluster of “strongly agree”, “agree” and “disagree” responses, the rest of the survey’s answers were completed by neutral survey takers. These survey results were moderately aligned with the literature reviews. In Chapter 2, it is stated that some homeowners might agree to a property tax reduction proposal as a way to make up for the low rental

formulated by the SB 1227 formula. This is partly accurate as the data have shown that 18 of 40 (45%) homeowners who answered this question didn't approve this approach.

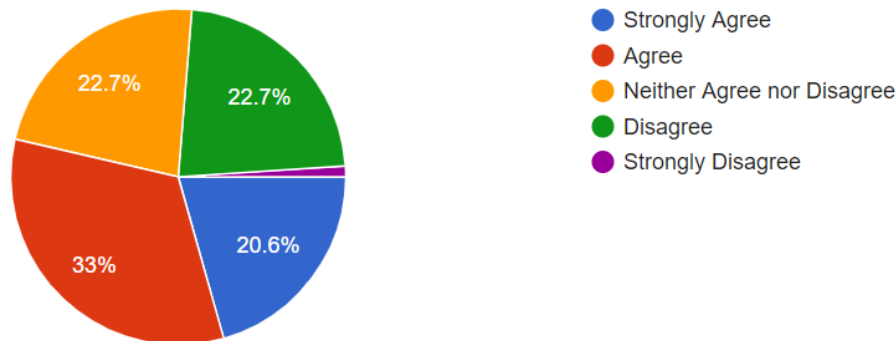


Figure 4.1. Support for property tax reduction to be implemented for ADUs in the San Francisco Bay Area. N= 97

Qualitative Results

Under the survey's comment section, some participants had questioned the effectiveness of introducing a property tax reduction as a method to influence homeowners. One respondent had emphatically doubted this idea and expressed that "Tax/housing incentives can only encourage some movement into existing ADUs if zoning laws still prevent new ADUs from being built. I assume we have to change zoning laws before ADUs can really tackle the housing crisis". It is clear that this individual was interested in the scheme of helping students gaining access to affordable housing. However, to him/her, property tax reduction doesn't touch on the root of the problem. Until zoning laws are more open toward building new ADUs, others who have the same mindset as this respondent will surely view property tax reduction with criticism.

Concerns regarding the effectiveness of a property tax reduction approach were also present in one-on-one interviews. The majority of participants stated that its effectiveness

depends on how much the tax reductions are. One interviewee even said that “If landlords lose more or breakeven with the income they receive from ADUs, they might not provide these units”. She continued to elaborate that there are often costs being overlooked by homeowners. Costs that can directly affect a homeowner's annual rental if they were not careful. These costs include maintenance and supervision costs, which may increase due to students being reckless tenants. Furthermore, if rents were lower than the market equilibrium due to the SB 1227 formula and homeowners didn't pay attention to maintenance and supervision costs, many incidents were bound to happen. To strengthen her point, this interviewee referenced the Loma Prieta earthquake of 1989, which shattered and damaged many buildings. In her words, this historical tragedy could have been avoided if “landlords could afford the maintenance fee”.

Another interviewee also reconfirmed that the amount of property tax being reduced is highly important. He noted, “For some landlords it will not matter, for some if it affects the bottom line it might matter”. Like the previous interviewee, this subject matter expert mentioned that some costs needed to be carefully examined first before a property tax reduction could become effective. In this case, the high construction cost was mentioned.

Based on the two interviewees' responses, it is clear that more research should be conducted on maintenance, construction and supervision costs so that the property tax reduction approach could reach its maximum potential.

A2: If a vacancy tax for ADUs is introduced, then there will be more affordable ADUs for students in the San Francisco Bay Area.*Quantitative Results*

The second assumption tested how vacancy tax would impact homeowners' behavior and attitude toward ADUs. Vacancy tax is a tool that ensures all unoccupied housing is used. The money raised from this tax could be utilized to fund construction for other ADUs and/or subsidized housing. With that mindset being displayed, respondents were asked if they believed that mandating a vacancy tax policy would result in more affordable ADUs being accessible for students in the San Francisco Bay Area.

The majority of respondents (52.1%) didn't support this assumption. They were highly skeptical about the idea that homeowners might be charged for their empty ADUs/rooms. Their uncertainty was translated into their survey responses. When survey takers were asked specifically if vacancy tax would influence more homeowners to rent their vacant ADUs, 25.8% of the responses were negative¹. Not only that, less than 50% of all respondents were supportive of vacancy tax. Among these respondents, homeowners with or without rental units were the main group that were not supportive of the vacancy tax. They accounted for 93% (26 of 28) responses that were labeled as "disagree" and "strongly disagree". The reason why they weren't supportive toward this tax was because it could potentially hurt their future financial gain.

In contrast, students were very supportive of vacancy tax, since they were the main beneficiary of this approach. The quantitative data had shown that of all the people who voted "agree" and "strongly agree", 60.8% of them were categorized as "student renters in the San Francisco Bay Area". Hence, when survey participants were asked if vacancy tax would

¹ Negative responses include both disagreed and strongly disagreed answers.

influence more homeowners to rent their vacant ADUs, 58.4% of the positive responses² were from students.

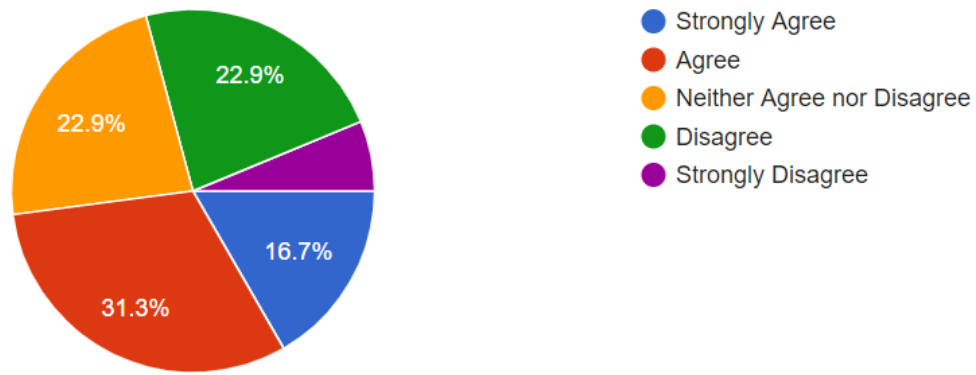


Figure 4.2. Support for vacancy tax to be implemented for ADUs in the San Francisco Bay Area. N= 97

Qualitative Results

Compared to the literature review references, the qualitative result had reconfirmed that vacancy tax is not a very effective tool to influence homeowners. This point was supported by many responses from the survey's comment section. One respondent wrote, "It's unclear how many homeowners would make vacant homes available rather than pay a fine, or how many people could be newly housed in those places." It is clear that this person was worried about how vacancy tax would be monitored and validated. To him/her, the possibility of a vacancy tax being implemented depended on how it is launched and overseen. The topic of launching and monitoring vacancy tax wasn't mentioned in this paper. For that reason, it is one of many recommended areas for potential further study.

² Positive responses include both agreed and strongly agreed answers.

Another respondent expressed that vacancy tax didn't tackle the root causes of housing/ADUs problems. Thereby, this person was reluctant to support it. To express his/her idea, this respondent noted in the common section that, "a vacancy tax is not getting at the root causes of our housing problems, which are myriad, but certainly have a lot to do with race". Like the previous comment, this topic was not covered by this research paper. Therefore, it is going to be utilized for further study.

Subject matter expert interviews provided eye-opening insights into the anxiety that people had toward adopting a vacancy tax. Most of the interviewees, (2 out of 3 or 66%) were troubled by the idea that a new form of tax might be established, since they believed there are already too many taxes in California. This point was highlighted in one interviewee's statement, "it is very difficult to implement a vacancy tax to any infrastructure not just ADUs, people might vote no or create pushback when vacancy tax is introduced." He continued to elaborate his answer by saying "some of the pushback that you get is like the pushback that you get for any tax, that there are already too many taxes for too many purposes and people are overburdened whether they're landowners or not. And also, you can scare away investment that you might actually want". These investments could come for student housing developers, new ADUs owners or homeowners who frequently rented their ADUs to Airbnb. Due to these opportunity costs as well as additional fees that came with a vacancy tax, this respondent was against it. To him, vacancy tax brought more inconvenience than satisfaction.

Another interviewee who had the same mindset as this subject matter expert also noted that "the way this tax is introduced matters." She was very critical on how it is going to be promoted. Her key discussing point was: "If it is presented in a bill, most likely it will not pass." From her responses and others' perspectives, it seems apparent that most people in the San

San Francisco Bay Area didn't consider vacancy tax as an effective tool to persuade ADUs' owners to rent their accommodation, therefore, proving that the second assumption was invalid.

A3: If housing vouchers for ADUs are issued, then there will be more affordable ADUs for students in the San Francisco Bay Area.

Quantitative Results

The last assumption tested if a special housing vouchers for ADUs were made for students, would homeowners accept them as a form of payment. Hence, would these vouchers provide students with more opportunity of finding reasonable shelters. With that being said, the results from the surveys and interviews were mainly positive. People understood that given the average rents of the San Francisco Bay Area, it is almost impossible for young teachers and students to live near where they study or work. For that reason, assumption 3 was able to get the highest supporting rate out of all 3 assumptions--an outstanding rate of 61.9%.

This high supportive rate was reflected in the quantitative data. Over a quarter of the survey participants said that they strongly agreed with this approach. Among these respondents, student renters held the lion's share of the vote. Behind them were homeowners with/without rental units. Aside from the "strongly agreed" answers, the rest of the survey's results were mainly positive responses, with the exception of 2 negative feedback. These pessimistic answers were from homeowners with a short and/or long-term rental unit in the San Francisco Bay Area. Their negative feedback accounted for 8.2% of all returned responses.

The support for this incentive was also very prevalent in other cases. For example, when participants were asked to answer a question related to the affordability of ADUs, the majority of their answers were positive. The question asked for their opinion on a negative correlation

relationship between ADUs rentals and the volume of students staying there. Basically, survey participants were requested to share their thoughts on the question “Would more students move into ADUs if they were affordable?” The results of this question were quite surprising. There were no negative responses and it had a supportive rate of 84.5%. This had proven that both homeowners and students were on the same page. Hence, by making ADUs cheaper, students would become potential renters. Therefore, a proposal of issuing a housing voucher specially for students was supported by many respondents. After all, it does make ADUs’ rental less expensive, while maintaining the homeowner's asking price.

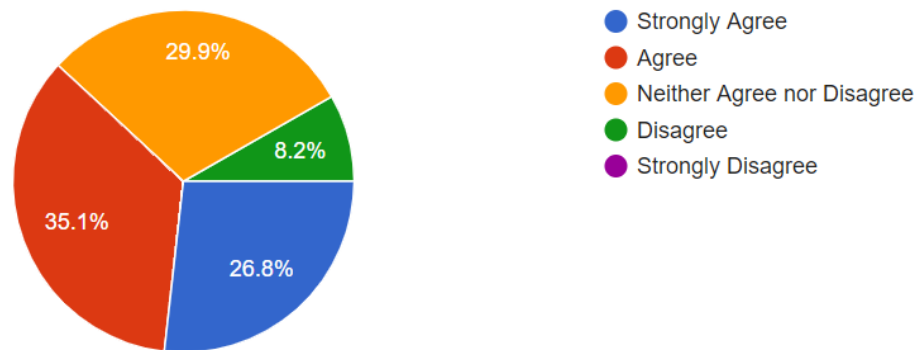


Figure 4.3. Support for housing vouchers to be implemented for ADUs in the San Francisco Bay Area. N= 97

Quantitative Results

This last assumption didn’t receive any remarks in the survey’s comment section. However, it was heavily discussed in one-on-one interviews. All 3 interviewees were very supportive of this approach, with one individual even noted that “Housing voucher certainly helps!”. When asked a follow up question about the effectiveness of these special housing vouchers, the same interviewee mentioned that there were some factors affecting it. In her opinion, these factors needed to be handled so that “student housing vouchers” could reach their

fullest potential. In order to reinforce her claim, she stated that “housing vouchers certainly helps, however, much is dependent on the current market price and landlords’ ability to rent. If the price is much higher than the vouchers, there will still be a housing shortage and the vouchers are unutilized if they cannot be applied to other kinds of utilities.” Her statement aligned perfectly with the lecture reviews, which revealed that owning a housing voucher didn’t necessarily mean recipients will be able to find a house or an apartment. In other words, there were numerous factors influencing the success of this incentive, thus, factors such as “market price” and “landlords renting ability” were only 2 of them.

Although the qualitative results from assumption 3 displayed that it had some similarities with existing research, it also bore some differences. One of those differences was how homeowners view student renters with housing vouchers. In the lecture reviews, researchers had shown that a certain number of homeowners were discriminating against section 8 voucher holders. However, this claim was proven untrue during the interviews. All three interviewees expressed that they didn’t view student renters as Section 8 voucher holders. One interviewee even rebutted this misleading statement by saying “when you rent, especially to students you usually know they have no income, you know they either have a job or their parents are supporting them”. Afterward, he finished his answer with a very clear affirmation: “I wouldn’t treat this voucher the same as a Section 8”.

The same interviewee also made it clear that he felt safe renting ADUs to students. Usually, students’ information could be found in school systems, therefore, the risk of him being scammed is quite low. Hence, most schools had financial supportive programs for low-income students. This helped students lessen the burden of paying rent and allow homeowners to feel

more secure about their rental payment. For those reasons, he was very supportive of this incentive.

Assumption 3 was validated by the analysis of both qualitative and quantitative data. Not only that, it was supported by the majority of survey participants. However, it still had some room for improvement and in order to strengthen its effectiveness, more research ought to be done on the subjects of " the market price" and "landlords renting ability/capacity (ADUs capacity)".

CONCLUSIONS

Overall, most San Francisco Bay Area residents acknowledged the scarcity of affordable housing for students and the need to fix the situation. However, the respondents to this study weren't always in agreement on which incentives could make building and renting ADUs easier. This was clearly reflected in Chapter 4. Out of three incentives, two were validated and one was challenged. Incentives such as "providing a property tax reduction for ADUs" and "issuing a special housing voucher for students" were validated. While a vacancy tax proposal to encourage more ADUs rental was not validated.

Chapter 5: Conclusions and Recommendations

INTRODUCTION

The surveys' results and findings had indicated that respondents were concerned about the affordable housing crisis in the San Francisco Bay Area. All participants agreed that this alarming situation needs to be addressed. However, when it came to deciding which incentives to be implemented, they weren't always in agreement with each other. Their differences were clearly demonstrated in how this paper's Theory of Change and assumptions were examined.

CONCLUSIONS

Theory of Change

The Theory of Change: "If Senate Bill 1227 includes a property tax reduction for ADUs, if a vacancy tax for ADUs is introduced, if housing vouchers for ADUs are issued, then there will be more affordable ADUs for students in the San Francisco Bay Area."

A1: If Senate Bill 1227 includes a property tax reduction for ADUs, then there will be more affordable ADUs for students in the San Francisco Bay Area.

Conclusion: This incentive was validated. Most respondents (53.6%) showed strong support for a property tax policy to be implemented for ADUs in the San Francisco Bay Area. Some homeowners even considered the money that they could save from this incentive to be reasonable compensation for the low rental generated by the SB 1227 formula.

A2: If a vacancy tax for ADUs is introduced, then there will be more affordable ADUs for students in the San Francisco Bay Area.

Conclusion: This incentive was not validated. The majority of respondents (52.1%) didn't approve the idea of implementing a vacancy tax on ADUs. Among responses that were opposed to vacancy tax, 93% of them were from homeowners with or without rental units. To most homeowners, vacancy tax would only invite more discomfort rather than satisfaction.

A3: If housing vouchers for ADUs are issued, then there will be more affordable ADUs for students in the San Francisco Bay Area.

Conclusion: This incentive was validated. Given the hardship of finding and renting affordable housing in the San Francisco Bay Area, it is foreseeable that this incentive could get a high supporting rate. This was very accurate as most survey takers (61.9%) strongly support a new type of housing voucher to be implemented. After all, this incentive does lessen the burden of paying rent for students, while ensuring that homeowners' asking price stays unchanged.

RECOMMENDATIONS

S.M.A.R.T	Recommendation 1 (Introduce a property tax reduction for ADUs)	Recommendation 2 (Review the vacancy tax proposal for ADUs)	Recommendation 3 (Introduce a housing voucher for ADUs)
Specific	The San Francisco Planning Department should provide a proposal to the City and County Board of San Francisco Supervisors to decrease the county's average property tax rate from 0.64% to 0.60%	The San Francisco Planning Department should provide a plan to the City and County Board of San Francisco Supervisors to conduct further research on the topic of how vacancy tax is launched and overseen	The San Francisco Planning Department should provide a plan to the City and County Board of San Francisco Supervisors to issue a special ADU/housing voucher for students

<p>Measurable</p>	<p>The plan for a new property tax reduction policy should be authorized by the San Francisco Board of Supervisors by 1 June 2022.</p>	<p>The proposal should be authorized by the San Francisco Board of Supervisors by 1 May 2022.</p>	<p>The request for a new “AUD/housing voucher for students” program should be authorized by the San Francisco Board of Supervisors by 1 July 2022.</p>
<p>Achievable</p>	<p>The San Francisco Planning Department should ensure that the general public and stakeholders have been notified about the plan by 1 July 2022.</p> <p>The San Francisco Planning Department should ensure that the new property tax rate has been compared with other Californian counties so that it stays within the best practice rate.</p>	<p>The San Francisco Planning Department should fund think tank organizations to conduct studies on the topic of launching and overseeing vacancy tax.</p> <p>The San Francisco Planning Department should hire public administration students as interns to do research on the topic of launching and overseeing vacancy tax.</p>	<p>The San Francisco Planning Department should create a special committee that oversees the new housing/ADU voucher program by 1 August 2022.</p> <p>This committee should collaborate with the San Francisco County Office of Education to:</p> <ul style="list-style-type: none"> - Find and screen applicable students. - Connect qualified homeowners to qualified students. <p>The San Francisco Planning Department should ensure that the new ADU/housing voucher program has been pilot tested before the official launch date (before 1 May 2023).</p>

<p>Realistic</p>	<p>The San Francisco Planning Department should make sure that the San Francisco Board of Supervisors is well informed about the plan by 1 August 2022.</p> <p>Once the plan is approved, The San Francisco Planning Department should make sure that it is processed according to the approved schedule.</p> <p>During the implementation stage, the San Francisco Planning Department should make sure that public hearings are frequently conducted so that inputs are gathered and concerns are discovered in accordance with the Board of Supervisors.</p> <p>Concerns from stakeholders should be handled on a case-by-case basis by the San Francisco Planning Department.</p>	<p>The San Francisco Planning Department should present a clear research plan that includes specific timelines, deadlines and milestones to City and County Board of San Francisco Supervisors by 1 July 2022.</p> <p>The San Francisco Planning Department should provide monthly consultations (from 7 July 2022 to 7 September 2022) with subject matter experts to cross-examine the information gathered by think tanks on the topic of launching and overseeing vacancy tax.</p>	<p>The San Francisco Planning Department should ensure that a specific action plan for the new ADU/housing voucher program is validated and approved by the City and County Board of Supervisors by 1 September 2022.</p> <p>The Board of Supervisors and the San Francisco Planning Department should come up with an action plan that includes distinctive timelines/milestones as well as a missions list for the program by 1 November 2022.</p>
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<p>Time Base</p>	<p>The new property tax reduction policy should be approved by the San Francisco Board of Supervisors by 1 September 2022.</p> <p>Begin the implementation stage by 1 November 2022.</p>	<p>The proposal should be approved by the San Francisco Board of Supervisors by 1 September 2022.</p> <p>Begin the researching stage by 1 December 2022.</p> <p>Begin the reviewing stage by 1 March 2023.</p>	<p>The request for a new “AUD/housing voucher for students” program should be approved by the San Francisco Board of Supervisors by 1 July 2022.</p> <p>Begin the collaboration between the new committee and the San Francisco County Office of Education by 1 March 2023</p> <p>Begin issuing ADU/housing vouchers by 1 May 2023.</p>
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AREAS FOR FURTHER RESEARCH

In order to strengthen all the incentives that were mentioned in this paper, further research is needed. Among these future areas of research, there are four particular areas that ought to be examined. Firstly, more research should be conducted on the topic of managing construction, maintenance and supervision costs. Secondly, extra examination should be conducted on the subject of “San Francisco Bay Area housing market price” and “landlords renting ability/capacity (ADUs capacity)”. Thirdly, more lecture reviews should be gathered to uncover if there is a relationship between renters’ races and their ability to find rent. Finally,

more studies should be deployed to explore the root causes of the San Francisco Bay Area affordable housing shortage.

These areas of further research displayed opportunities that scholars can utilize to close the gap between existing lectures and the public perception toward property tax, vacancy tax and housing voucher incentives. The information collected from these areas provided valuable inputs to reinforce or renounce approaches that could directly affect students and homeowners' lives. These approaches could be the three mentioned incentives or even potential future methods. After all, there is no quick fix to the San Francisco Bay Area's affordable housing shortage. In order to effectively resolve this problem, steps should be taken carefully and precisely.

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APPENDIX A: SURVEY QUESTIONNAIRE

INFORMED CONSENT: My name is Duong Anh Hoang and I am currently an Executive Master of Public Administration candidate at Golden Gate University. My capstone topic is on “Implementing ADUs as a new form of student housing in the San Francisco Bay Area”. Your questionnaire responses are secure, confidential and anonymous. These questions will only take between 3-8 minutes of your time. Please elaborate on your selected response, if you feel necessary. If you have further questions, please email me at: dhoang@my.ggu.edu

DEFINITIONS

Accessory Dwelling Unit (ADU): Accessory Dwelling Unit or also known as granny flats, basement apartments or converted garages are innovative, inexpensive and cost-effective secondary units created to mitigate California housing crisis.

Vacancy tax: a local tax collected by cities for unoccupied apartments, accommodations, and ADUs.

Housing voucher: a welfare assistance voucher issued by the U.S. Department of Housing and Urban Development to assist very low-income families, the disabled and the elderly, and enrolled undergraduate students to afford decent, sanitary and safe housing in the private market.

SB 1227: Provides density bonuses for housing developments that address the California housing shortage.

QUESTIONNAIRES:

1. Which category best describes you?

1. Homeowner in the San Francisco Bay Area
2. Homeowner with a short and/or long-term rental unit in the San Francisco Bay Area
3. Student renter in the San Francisco Bay Area
4. Other, specify: _____

Please share your thoughts on the following statements:

2. The San Francisco Bay Area needs more affordable student housing.

1. _____Strongly Agree
2. _____Agree
3. _____Neither Agree nor Disagree
4. _____Disagree
5. _____Strongly Disagree

3. ADUs are a potential solution to the San Francisco Bay Area's affordable student housing shortage.

1. _____Strongly Agree
2. _____Agree
3. _____Neither Agree nor Disagree
4. _____Disagree
5. _____Strongly Disagree

4. IF Senate Bill 1227 includes a property tax reduction for ADUs, then there will be more affordable ADUs for students in the San Francisco Bay Area.

1. _____Strongly Agree
2. _____Agree
3. _____Neither Agree nor Disagree
4. _____Disagree
5. _____Strongly Disagree

5. IF a vacancy tax for ADUs is introduced, then more affordable ADUs for students will be accessible in the San Francisco Bay Area.

1. _____Strongly Agree
2. _____Agree
3. _____Neither Agree nor Disagree
4. _____Disagree
5. _____Strongly Disagree

6. IF housing vouchers for ADUs are issued, then more affordable ADUs for students will be accessible in the San Francisco Bay Area.

1. _____Strongly Agree
2. _____Agree
3. _____Neither Agree nor Disagree
4. _____Disagree
5. _____Strongly Disagree

7. More students would move into ADUs if they are affordable.

1. _____Strongly Agree

2. _____ Agree
 3. _____ Neither Agree nor Disagree
 4. _____ Disagree
 5. _____ Strongly Disagree
- 8. Vacancy tax would influence more homeowners to rent their vacant ADUs to student.**

1. _____ Strongly Agree
 2. _____ Agree
 3. _____ Neither Agree nor Disagree
 4. _____ Disagree
 5. _____ Strongly Disagree
- 9. If a special housing voucher is made for students, then more students would use them to move into ADUs.**

1. _____ Strongly Agree
2. _____ Agree
3. _____ Neither Agree nor Disagree
4. _____ Disagree
5. _____ Strongly Disagree

Finish!

REFERRAL: Thank you very much for your time and support. Please feel free to share any additional thoughts on this survey in the space below. Hence, if you know a friend who might be able to help, please kindly write their contact's name and information in the space below. Your help is appreciated, thanks!

APPENDIX B: KEY INFORMANT INTERVIEW QUESTIONS

Hello,

My name is Duong Anh Hoang and I am currently an Executive Master of Public Administration candidate at Golden Gate University. My capstone topic is on “Implementing ADUs as a new form of student housing in the San Francisco Bay Area”. The purpose of the study is to investigate whether or not monetary incentives could influence homeowners to rent their ADUs and/or accommodations to undergraduate students in the San Francisco Bay Area. The interview will last about 30-45 minutes and you will be asked to provide your personal perception on this study topic. Please elaborate on your selected response, if you feel necessary. These are not mandated questions and you can skip and question you feel uncomfortable answering. Thank you for your time and participation.

Biographical Information

Social status: Undergraduate students, homeowners, ADUs owners and/or others.

Years stayed in your current accommodation:

Interview Questions:

1. Do you think that ADUs are a potential solution to the San Francisco Bay Area’s affordable housing shortage? If yes, why do you think so? If no, then in your opinion, what could be a potential solution?
2. Is renting ADUs to students a good idea? Do you think that students are good tenants? Please explain your answer.
3. If Senate Bill 1227 includes a property tax reduction for ADUs, do you think there will be more affordable ADUs for students in the San Francisco Bay Area? Please explain your answer.

4. If a vacancy tax for ADUs is introduced, do you think more affordable ADUs for students will be accessible in the San Francisco Bay Area? Please explain your answer.
5. If housing vouchers for ADUs are issued, do you think more affordable ADUs for students will be accessible in the San Francisco Bay Area? Please explain your answer.
6. Besides the questions I asked you, is there anything I haven't covered that you would like to add? Please feel free to elaborate.