

San Jose ADU law brings back starter homes



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The San Jose City Council recently approved a policy that will permit homeowners to sell their accessory dwelling units (ADUs) as condos. Photo courtesy of ADU4Life Inc.

With San Jose recently becoming the first California city to allow the sale of accessory dwelling units (ADUs) as condos, affordable housing advocates say it increases the supply of living spaces for residents once priced out.

The state long restricted the sale of ADUs, also known as granny flats and backyard homes, as separate residences until Gov. Gavin Newsom signed Assembly Bill 1033 last year — [allowing cities](#) to break away from the prohibition. With more than [1,400 new ADUs built](#) since 2019 and thousands more in development across San Jose, city leaders hope to alleviate the affordable housing crisis with the help of existing homeowners.

Classifying [ADUs](#) as condos to [increase home ownership](#) gained traction in cities such as Austin, Texas and Seattle, Washington, Rafael Perez, board president of the affordable housing advocacy nonprofit [Casita Coalition](#), said. The statewide organization, which works to remove barriers to more affordable, sustainable homes, advocated for AB 1033 and created a model policy that San Jose used to draft its local legislation.

With San Jose adopting [the strategy](#), Perez said more cities nationwide will take notice.

“What does a house sell for in the neighborhood you’re checking out? ADU condos tend to go for 40% to 60% of that price,” he told San José Spotlight. “We’re in conversations with other jurisdictions who are looking toward San Jose’s model to see what needs to be done to implement their own ordinances.”

Todd Langton, executive director of homelessness nonprofit [Agape Silicon Valley](#), said he’s excited about the policy. But he’s also concerned about the possibility of large corporations buying a bulk of ADUs similar to the mass buying of [single-family homes](#) across the Bay Area.

“These investors will buy these homes and let them sit empty, and all they’re looking for is the appreciation value,” Langton told San José Spotlight. “Hopefully that doesn’t happen and we prohibit any institutional purchasers of these ADUs.”



Most condos in San Jose currently list under \$750,000, according to real estate listing site [Redfin](#).

They used to be called starter homes, [SPUR](#) State Policy Director Michael Lane said, but opportunities for first-time homeowners have dried up as median home prices skyrocket and residential zoning across San Jose remains limited to single-family homes.

Only [6% of San Jose's residential land](#) is zoned for multi-family housing developments like apartments, and the imbalance continues to strain the city's housing supply.

"The new ordinance provides the gentle density that we need in San Jose without really disturbing the existing neighborhood very much at all — and so it did blend in really well," Lane told San José Spotlight. "This gives additional options for both the prospective homebuyers as well as property owners across the city."

Mayor Matt Mahan said AB 1033 allowing cities to launch the sale of ADUs as condos helps keep the American Dream alive for aspiring homeowners.

"San Jose will continue to lead the way, but we can't solve this crisis alone — I am looking forward to seeing other California cities follow suit," Mahan said.

Contact Vicente Vera at vicente@sanjosespotlight.com or follow [@VicenteJVera](#) on X, formerly known as Twitter.