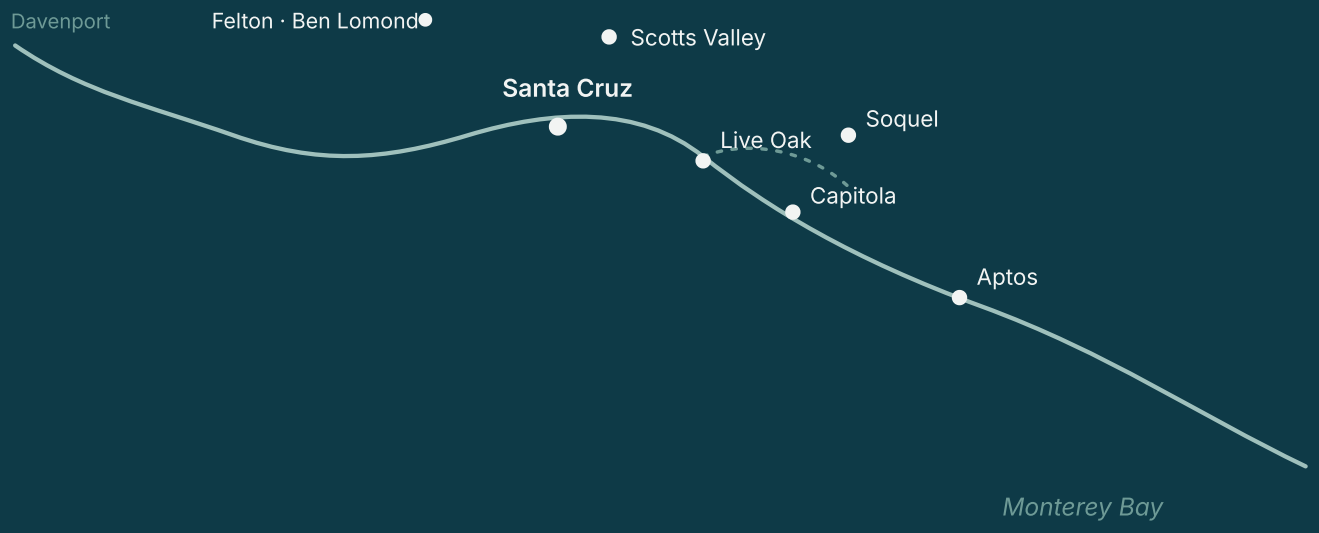
2026–27 edition

The Santa Cruz ADU Playbook

Real costs, what your lot allows, and the seven mistakes that kill backyard projects — for homeowners in Santa Cruz, Live Oak, Capitola, Soquel, Aptos, Scotts Valley and the San Lorenzo Valley.



A homeowner's field guide, written for Santa Cruz County.
Numbers checked October 2026.

santacruzadu.com

The short version

Almost every lot qualifies. State law lets any single-family lot in the county add an 800 sq ft detached cottage. The local question is not permission. It's cost.

Plan on about $320,000 to $650,000. That's where WS Builders' ADUs have historically come in, from a garage conversion to a two-bedroom cottage.

Two line items sink projects: a septic upgrade ($50,000 to $100,000) and, in Capitola, Soquel and Aptos, the Soquel Creek water meter ($20,000 to $30,000).

A one-bedroom rents for about $3,000 in the city, a two-bedroom $4,000 or more. Airbnb is off the table everywhere.

Only the new unit gets taxed: roughly $11 a year for every $1,000 you spend.

This guide is general information for Santa Cruz County homeowners, not legal, tax or lending advice. Rules and fees change; confirm anything you're about to spend money on with the agency or district named.

Most ADU guides explain the rules, then go quiet about the money.

This one does the opposite. It answers the three questions every Santa Cruz homeowner is stuck on: Can I build one? What will it really cost here? What will it do for me?

Every figure here was checked against a live source in October 2026: fees and district charges from the latest published schedules, state ADU law as amended January 1, 2026, UCSC, Zillow and Zumper rent data, Freddie Mac's rate survey and the County Auditor's tax-rate book. Prices by type of unit are what WS Builders' own ADUs have historically cost. Where a number is an estimate, we say so.

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Your results · building for rental income

The math works — if you buy the cottage right and borrow carefully.

$3,075

Average asking rent for a one-bedroom apartment or condo in Santa Cruz, July to September 2026 (UCSC Community Rentals). Two bedrooms: $4,314 to $4,434.

7.3%

Cash-on-cash return on a garage conversion at about $320,000, renting at $2,700, paid in cash, after vacancy, upkeep and the tax increase. About a 14-year payback.

30 days

Minimum rental term in all four jurisdictions this Playbook covers. No Airbnb, no summer vacation rentals, in the ADU or (in the city) anywhere on the lot.

Santa Cruz is the most expensive rental market in the country for the fourth year running. Rents are not the problem. Construction cost and the price of money are.

At October 2026 rates, the garage conversion is the rental that pencils: paid in cash it returns about 7%, and financed entirely on a home-equity line it roughly breaks even. Bigger cottages earn more rent but cost more: a one-bedroom at about $525,000 renting at $3,000 returns about 4.4% in cash and loses money if fully borrowed. Put half the cost in cash and every size in this Playbook pays you each month.

Two things improve the numbers more than anything else. The first is keeping the unit under the fee cliffs — 500 sq ft for school fees, 750 sq ft for impact fees — and on the right side of your water district's rules. The second is the Housing Authority: the HUD fair-market rents its Section 8 payment standards are set from run well above market for a one-bedroom in most Santa Cruz ZIP codes, and the Authority pays a $2,000 lease-up bonus on several voucher types.

Your path through this Playbook

11 What a unit costs by type, and the three size thresholds that change the bill.

12 The hidden half: the same cottage priced on three different lots.

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18 What the tax bill does, and how appraisers actually value a unit.

19 The worksheet: cash, half-cash and fully borrowed, with the break-even rate.

20 Which loans now count the ADU's rent as your income.

> **Check this first**
>
> Which water district serves you, and whether you're on sewer or septic. Those two answers can swing the budget by $100,000 before a single plan is drawn.

Your results · building for family

You're in the majority now — and the math is better than the rental math.

$7,498

Average monthly cost of assisted living in Santa Cruz (CareScout 2025). Memory care runs higher.

$525k

What a one-bedroom cottage has historically cost with WS Builders: less than six years of assisted living.

1 story

The 800 sq ft cottage every lot gets by right is single-level: the right shape for a parent, and for you later.

Local builders told Lookout Santa Cruz in 2026 that ADU projects are "rarely about income generation now." Most are for a parent who needs to be close, or a grown child who can't afford a lease in town.

Measured against the alternatives, a cottage is the cheaper way to keep family here. Six years of assisted living at the Santa Cruz average costs about what a one-bedroom cottage does, and families we talk to are paying $10,000 to $12,000 a month, which covers it in about four years. At the end, the cottage is still yours and adds to what the property is worth. For an adult child, a one-bedroom in town runs about $3,000 a month; a cottage keeps that money in the family.

Two design decisions matter more for family than for tenants. First, junior ADU or detached cottage: a junior unit inside the house is the least expensive way to house a parent if a shared bathroom is acceptable; a detached unit buys privacy and a separate address. Second, build it single-level with a zero-step entry, 36-inch doors and a curbless shower now. It costs little at framing and a great deal to retrofit.

Your path through this Playbook

10 Junior unit, conversion, attached or detached: which fits the person you're housing.

11 What each costs in 2026.

17 The family math: assisted living, a child's rent, and the "rent you don't pay."

18 What happens to your property tax (only the new unit is assessed).

20 Paying for it without touching a 3% mortgage.

> **Check this first**
>
> Whether a single-story unit fits in your yard with 4 ft side and rear setbacks and a clear path from the street — and, if you're in the county, whether your septic system can take another bedroom.

Your results · converting a garage or existing space

The cheapest path — as long as the garage can carry it.

$320k

What a garage conversion with WS Builders has historically cost. Your site and your design choices and finishes decide where yours lands.

$0

Water and sewer connection fees on a conversion. State law bars districts from charging them when the unit sits inside an existing structure.

No solar

Conversions and attached units are treated as alterations, so neither the solar mandate (new detached units, since 2020) nor the 2026 heat-pump rules apply.

Converting what's already there skips the three expenses that make a detached cottage expensive: foundation, utility connections and solar. The whole question is whether the existing structure is worth keeping.

A sound slab, adequate ceiling height and a roof with life left in it keep a conversion close to that figure. A garage that needs a new foundation, a raised roof or a long plumbing run costs more, to the point where a new building on the same footprint, with everything built right, often makes more sense. A good builder will tell you which side of that line you're on in a single site visit.

Parking is the local catch. State law says you don't have to replace a converted garage's parking — unless you're in one of the county's coastal exception areas (Live Oak, Seacliff and Aptos–La Selva, Davenport–Swanton, Opal Cliff Drive) or Capitola's coastal zone, where a replacement space is required and paving one can run into the tens of thousands. Inside the City of Santa Cruz's coastal zone the rules vary by location; ask a planner.

Your path through this Playbook

9 Question 3: are you in a replacement-parking zone?

10 Garage conversion vs. junior unit vs. attached addition.

11 Conversion costs and what pushes them up.

15 Six to twelve months, start to keys.

22 What a complete conversion bid has to include.

> **Check this first**
>
> Pull your parcel on the County's ADU web tool or the city's GIS map and find out whether a coastal parking rule applies. Then have someone look at the slab and the roof before you fall in love with a floor plan.

Your results · not sure your lot works

It almost certainly does. What's uncertain is the price.

800 sq ft

The detached cottage every single-family lot in California may build, regardless of local lot-coverage or floor-area rules.

4 ft

Maximum side and rear setback any jurisdiction can require. Front setback can't be used to block the 800 sq ft unit either.

5

Questions — water district, sewer or septic, coastal zone, slope and soils, fire zone — that decide what yours will cost.

Homeowners who "aren't sure" are usually worried about the wrong thing. Permission is close to automatic. The variables are physical: where the pipes run, what the soil does, whether the bluff or the fire district has a say.

The true deal-breakers are few. A new unit can't go in a mapped coastal hazard area or sensitive habitat. In the unincorporated county, a septic system that can't take another bedroom stops the project unless you upgrade it, and an active vacation-rental permit has to be given up first. A homeowners' association cannot ban an ADU or charge you for building one.

Everything else is a cost question, and most of it can be answered in a week from your water bill, the County's parcel tool, a call to Environmental Health and a look at the slope between your street and your back fence. That's the pre-screen on the next pages — the $0 step most people skip before spending $15,000 to $35,000 on design.

Your path through this Playbook

7 What state law guarantees you, and the short list of things that can stop it.

8 Which of the four local rulebooks you're under (it's not always obvious).

9 The five-question pre-screen.

12 The same cottage priced on three different lots.

14 Septic, if the word applies to you.

> **Check this first**
>
> Your water bill (it names your district) and your sewer bill or lack of one. If "septic" is the answer, call County Environmental Health at (831) 454-2022 before you talk to a designer.

800 sq ft

The detached cottage every single-family lot in California can build. Local lot-coverage, floor-area and front-setback rules can't be used to shrink it.

What can stop it

- A mapped coastal hazard area (bluff-top), or sensitive habitat and its buffer
- A septic system that can't take another bedroom (county)
- An active vacation-rental permit on the parcel (county) — you'd have to give it up
- Not a stopper but a cost: more than 150 ft from the road means an access road, hydrant or water tank

Not on the list: your HOA. CC&Rs can't ban an ADU, and since mid-2025 can't charge you a fee for one.

Already have one back there?

A unit built before 2020 can be legalized under AB 2533: the city or county can only require fixes needed for basic health and safety, and can't charge impact fees. The County has deferred enforcement on pre-2020 units until January 1, 2030.

The cottage every lot gets by right

Since 2020, state law has steadily taken the "may we?" out of ADUs. If you own a single-family lot anywhere in Santa Cruz County, here is what no city or county can refuse you.

800 sq ft

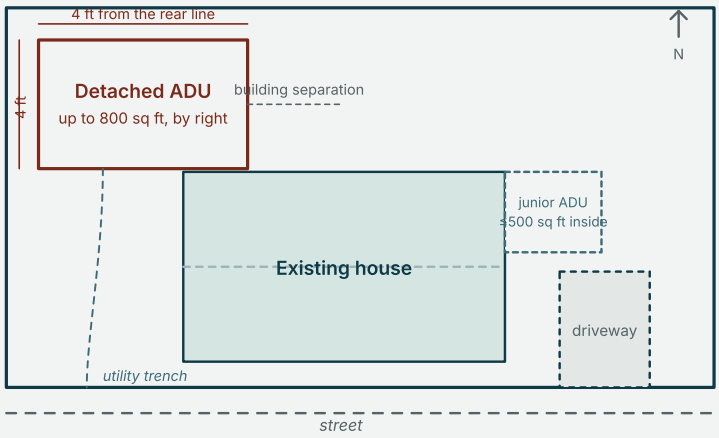
of interior living space, detached, one story, in addition to whatever your lot's normal floor-area limit says

4 ft

side and rear setbacks, maximum. The front setback can't be used to block it either.

16 ft

tall (18 ft within half a mile of a major transit stop, plus 2 ft to match your roof pitch)



A typical Santa Cruz lot. The by-right cottage sits in the rear yard; a junior unit can be carved out of the house at the same time.

And on top of that

- **A junior ADU, too.** Up to 500 sq ft inside the walls of the house, with its own entrance and an efficiency kitchen — on the same lot, at the same time.
- **A conversion ADU, too.** Garage, workshop or basement converted to a unit, with no 4 ft setback rule and up to 150 sq ft added for the entry.
- **A 60-day clock.** 15 business days to tell you what's missing, 60 days to approve a complete application. No hearing, no neighbor veto.
- **No impact fees at 750 sq ft or less**, and no school fees under 500 sq ft. Above those lines, fees are charged in proportion to size.
- **No owner-occupancy requirement** for ADUs. For junior units, only when the unit shares a bathroom with the house.
- **From January 1, 2027:** two detached cottages per lot (AB 956), and impact fees on larger units apply only to the square footage above 750 (SB 1117).

Which rulebook are you under?

Four jurisdictions share the Playbook's territory, and they differ on size, height, parking and what they give away free. State law sets the floor; each adds its own layer on top.

Not sure? Live Oak, Soquel, Aptos, Rio del Mar, Seacliff, Felton, Ben Lomond, Boulder Creek and Bonny Doon are *unincorporated County*, even with a Santa Cruz or Aptos mailing address. Only addresses inside city limits follow the city columns. Your property-tax bill and the County's ADU web tool both name your jurisdiction.

	City of Santa Cruz	County (unincorporated)	Capitola	Scotts Valley
Largest detached unit	Greatest of 850 (studio/1 BR), 1,000 (2+ BR) or 10% of net lot area; cap 1,200 sq ft	850 / 1,000 sq ft on lots under an acre; 1,200 on an acre or more	1,200 sq ft	1,200 sq ft (1,100 in some zones) if it meets the zone's normal yards; otherwise 850 / 1,000
Height, detached	16 ft within 4 ft of a line; 22 ft to the peak if set 4 ft or more back	16 ft inside the urban line (21–28 ft with Zoning Administrator approval); 28 ft outside it; 24 ft over a garage	16 ft; up to 22 ft with a Planning Commission design permit (public hearing)	16 ft in the setback band; 18, 25 or 35 ft by zone if normal yards are met
Side / rear setbacks	3 ft up to 16 ft tall; 4 ft above that	4 ft, or the zone setback if less	4 ft	4 ft
Parking	None, except one space inside the mapped coastal parking area (see the city GIS map)	None for junior, conversion or 800 sq ft units; one space for other new units, with the state exemptions. In Live Oak, Seacliff/Aptos–La Selva, Davenport–Swanton and Opal Cliff: one space, no exceptions, plus replacement of converted parking	One space with the state exemptions; in the coastal zone, one space (waived if the house has 3 or more) plus replacement of converted parking	One space, with the state exemptions; no replacement for a converted garage
Coastal permit	Some units need one ($2,344); no hearing, no Coastal Commission appeal	Combined with the building permit if not exempt; most units are exempt or excluded; no hearing	Can be waived for a conforming unit outside hazard areas and more than 200 ft from a cliff; otherwise $829	Not in the coastal zone
Free plans	Pre-approval program exists; no plans listed yet ("coming soon")	Three free plan sets: 425, 637 and 998 sq ft, each in three exterior styles	Five free plan sets, 250–550 sq ft, in three styles	None
Fee relief	Water and sewer fees waived when the unit shares the house's service; code allows a fee waiver for a deed-restricted affordable unit (ask if active)	Planning fees waived at 750 sq ft and under; sewer/water connection waived for junior and conversion units. County's own example: about $5,000 in County fees at 640 sq ft vs. $25,000 above 750 (ask whether exactly 750 qualifies)	ADU review $545; code allows a development-fee waiver for a deed-restricted affordable unit	State rule only: no impact fees under 750 sq ft, no school fees under 500
Short-term rental	Banned in the ADU and in the main house on any single-family lot with an ADU	Banned in the ADU; a parcel with an active vacation-rental permit can't add one	Banned (30-day minimum, recorded restriction)	Banned (30-day minimum)
Sell the ADU separately as a condo	**Yes** — the only local jurisdiction that has opted in (AB 1033)	No; under study	No	No
Free help	GIS parcel map; legalization desk for pre-2020 units	HelloADU: free project management (unincorporated only); parcel web tool; fee estimator	ADU Toolkit and Resource Guide	ADU Manual (January 2026)

Standards as published October 2026. The County's 2026 ordinance (Ord. 5515) takes effect on Coastal Commission certification; until then state law governs directly, and the County's pages already reflect it. Scotts Valley figures are from a third-party reproduction of the city code; confirm with Scotts Valley Planning at (831) 440-5600. Watsonville follows its own rules and isn't covered here.

$0

What this pre-screen costs. Design and engineering for a detached unit run $15,000–$35,000; most of the answers below come from your water bill, one County web page and two phone calls.

Who to call

County ADU parcel tool — zoning, coastal zone, urban line and districts by address: cdi.santacruzcountyca.gov → Planning → ADU

County Environmental Health (septic): (831) 454-2022

County Zoning Counter: (831) 454-2130

Soquel Creek Water District: (831) 475-8500

City of Santa Cruz ADU questions: (831) 420-5416

Fire hazard zone lookup: OSFM Fire Hazard Severity Zone viewer (osfm.fire.ca.gov)

Five questions to answer before you pay anyone

Most lots pass. The point is finding out what *yours* will cost before you've paid for a plan the site can't afford.

1. Which water district are you in?

swings $0 – $27,000

City of Santa Cruz Water waives its $11,159 system charge and $3,894 sewer fee when the unit shares the house's service. Soquel Creek (Capitola, Soquel, Aptos, Rio del Mar) requires its own meter on every new unit: a $5,414–$10,828 capacity charge, about $2,300 in fees and $12,000–$15,000 to install. Scotts Valley Water lists $26,910.

How to find out: the name on your water bill. Live Oak is split between city water and Soquel Creek.

2. Sewer or septic?

swings $3,000 – $100,000

On sewer, County Sanitation charges a new unit by its drainage-fixture count (the ADU rate isn't published — ask); conversions pay nothing. On septic, an ADU is an "upgrade trigger": a recent percolation test and a system sized for the added bedroom. Local upgrades run $50,000 to $100,000, an estimate that has ended projects.

How to find out: in the county, no sewer line on your tax bill means septic. Call Environmental Health before anyone draws anything.

3. Are you in a coastal parking zone or hazard area?

swings $0 – tens of thousands

In the county's Live Oak, Seacliff/Aptos–La Selva, Davenport–Swanton and Opal Cliff areas and in Capitola's coastal zone, a new unit needs an off-street space and a converted garage's parking must be replaced; in the city's mapped coastal area one space is required and replacement depends on location. Bluff-top hazard areas and sensitive habitat rule a new unit out.

How to find out: the County parcel tool, or the city GIS map's "ADU parking required" layer.

4. How steep, how far, how soft?

swings $10,000 – $80,000 (estimate)

Trenching water, sewer and power to the back of the lot runs $10,000–$20,000 on a normal run. On septic, slopes over 30% need an engineered report; expansive soils mean a custom foundation (one riverside city lot needed $50,000 of it). Narrow side yards add crane or hand-carry costs.

How to find out: walk it. Where are the cleanout, panel and meter? Can a small excavator reach the back?

5. Are you in a fire hazard zone?

swings $0 – $30,000+ (estimate)

In the unincorporated county, every new structure in the State Responsibility Area or a High/Very High local zone must meet wildland-urban-interface standards (Class A roof, ember-resistant vents, listed windows and siding); the cities apply the state code. More than 150 ft from the road means an access road, hydrant or tank.

How to find out: the state's fire-hazard map by address; your fire district reviews plans for a fee.

The four ways to add a unit

Same lot, four very different projects. Prices are what WS Builders' ADUs have historically cost on typical sites; your site and your design choices and finishes decide where yours lands.



Garage conversion
about $320,000

historically · up to about 400 sq ft

Best for: the tightest budget; lots where a new building won't fit; owners who don't use the garage.

What you skip: water and sewer connection fees, solar, impact fees, setbacks. **Watch for:** a slab or roof that needs replacing (then build new), low ceilings, a long plumbing run, and coastal replacement-parking zones.



Junior ADU
priced at a site walk

up to 500 sq ft, inside the walls of the house

Best for: housing a parent or adult child; the least expensive legal unit there is.

What you skip: school fees, impact fees, connection fees, parking, usually the soils report. **Watch for:** the rules — an efficiency kitchen and its own entrance are required, and you must live on the property if the unit shares your bathroom. Rentals must be 30 days or longer.



Attached addition
priced at a site walk

400 to 800 sq ft

Best for: small lots; sharing a wall and utilities; a unit that could later rejoin the house.

What you skip: the solar mandate (it's an addition), separate city water/sewer fees if the service can carry it, a second foundation footprint. **Watch for:** Soquel Creek still requires its own meter; a large addition that pushes the whole house over a sprinkler threshold.



Detached cottage
$400,000–$650,000

historically about · studio to two-bedroom

Best for: privacy, a separate address, a rental, resale appeal. The 800 sq ft version is the one every lot gets by right.

What it carries: foundation, utility trench, new water/sewer connections, solar (required on new detached units since 2020) and heat-pump systems (since 2026), and the full site cost of your lot. **Watch for:** the 750 sq ft fee cliff and your water district.

What about prefab?

Factory-built units are real options here, but read the exclusions. Abodu's published prices run from $298,800 (385 sq ft) to $498,800 (1,195 sq ft) and include permits, foundation and 50 ft of trenching; Villa quotes complete projects from about $210,000 (435 sq ft) with 100 ft of utility runs. Neither includes septic, long trenching, crane access or your district's meter. Confirm each company currently serves Santa Cruz County before you count on a price.

What it really costs in 2026

National cost guides are useless here. Santa Cruz labor, tight lots, special-district fees and the coastal and septic rules change nearly every line of the budget. These are local numbers.

Prices by type of unit are what WS Builders' ADUs have historically cost on typical sites. Your site and your design choices and finishes decide where yours lands; the next pages show the site lines that move it most. Fees are from the County's and cities' schedules and the water districts' current rate sheets.

$320k

Where a WS Builders ADU has historically started: a garage conversion of up to about 400 sq ft. A two-bedroom cottage runs about $650,000.

Type of unit	Size	Historically about	What moves it
Garage conversion	up to about 400 sq ft	**$320,000**	Slab and roof condition, ceiling height, distance to plumbing, coastal replacement parking
Studio cottage	400 to 500 sq ft	**$400,000**	Site work, utility runs, your water district, the solar and heat-pump package
One-bedroom cottage	up to 749 sq ft	**$525,000**	Staying under 750 sq ft avoids impact fees; over 500 sq ft can add school fees
Two-bedroom cottage	up to 1,000 sq ft	**$650,000**	Impact fees above 750 sq ft, a larger water meter, two-story engineering
Junior ADU or attached addition	up to 500 / 800 sq ft	**at a site walk**	Whether the house's bathroom, entrance and utilities can carry the unit

The four size cliffs

500 sq ft — school fees can start (state cap $5.38 per sq ft; local districts have historically charged less, and the City cites about $3.15 from 750 sq ft — confirm your district's 2026 rate). **640 sq ft** — the point at which Soquel Creek's restricted meter is no longer available; a unit's capacity charge is set by its fixture count either way. **750 sq ft** — impact fees start, in proportion to the house; the County's example is about $5,000 in fees at 640 sq ft versus $25,000 at 750. **800 sq ft** — the by-right size; above it you're in local rules, and the per-foot price starts to fall as fixed costs spread over more floor.

What a WS price covers

Design, engineering, permits and construction by one team, with a fixed price in writing before any work starts.

What only your lot can answer: a septic upgrade, a Soquel Creek meter, a long utility run, a steep or soft site, or a fire-zone upgrade. Pages 12 to 14 show what each can add, and a site walk turns them into a number.

Then and now

The County's own 2018 financing guide priced an 800 sq ft detached cottage at $333,865. A unit that size has historically cost about $525,000 to $650,000 with WS Builders. California construction costs rose about 38% between 2020 and 2024, before tariffs added more in 2025.

The hidden half: one cottage, three lots

A typical price covers a typical site. What moves it is fees, utilities and the ground, and those depend on where your lot is and what already runs to it.

All three columns price the same one-bedroom cottage at about $525,000, what WS Builders' one-bedroom cottages have historically cost with design and permits included. The lines below it are what each site adds. Fees and district charges are from the latest schedules, site items from local builder ranges. Totals are illustrative; what matters is which lines exist on your lot.

$115k

The gap between the same cottage built on a city lot and on a San Lorenzo Valley lot with septic. Nothing about the building changed. The lot did.

Not shown: landscaping, furnishings, the tax increase and the cost of borrowing — those follow.

Line item	**City of Santa Cruz lot** City water + city sewer, sharing the house's service	**Aptos or Capitola lot** Soquel Creek Water + County Sanitation sewer	**San Lorenzo Valley lot** SLV Water + septic, fire-hazard zone
The building			
One-bedroom cottage, design and permits	about $525,000	about $525,000	about $525,000
Solar PV and heat-pump package (solar since 2020; heat pumps since 2026)	included	included	included
Fire-zone construction upgrades (roof, vents, windows, siding)	—	—	$15,000 estimate
Paper			
Design, engineering, Title 24, survey, soils	included	included	included
Building permit and plan check	included	included	included
School fee (units of 500 sq ft and over)	$0–3,400 city says from 750	$0–3,400	$0–3,400
Fire district plan review	—	$500	$500
Development impact fees (under 750 sq ft)	$0	$0	$0
Water, sewer, power			
Water connection	$0 $11,159 if a new meter is needed	$20,000–28,000 capacity charge, fees, meter, install	$10,700 + install $10,577 fee, $90 meter
Sewer connection, or septic upgrade	$0 $3,894 if a new connection	~$3,000 estimate	$50,000–100,000 septic
PG&E service and panel	$5,000–8,000	$5,000–8,000	$5,000–8,000
Trenching water, sewer and power to the unit	$10,000–20,000	$10,000–20,000	$10,000–20,000
Cushion			
Contingency on site work, 10%	$2,000–3,000	$4,000–6,000	$9,000–16,000
Illustrative total	**about $550,000**	**about $580,000**	**about $665,000**

Soquel Creek: from a one-bedroom at the district's fixture-unit formula ($5,414) to a full 5/8" charge ($10,828), plus fees and installation. County Sanitation's ADU rate is unpublished. Septic: the range local builders and designers report. Fire-zone, solar and heat-pump figures are estimates.

Water and sewer fees by district

The same cottage can owe nothing or nearly $30,000 for water, depending on which side of a district line it sits. Your water bill names your district; find your row.

State law (Gov. Code § 66311.5) bars any connection fee or capacity charge on a unit built *inside* an existing house or garage. For a new detached or attached unit a district may require its own connection, but the fee must be proportionate to the unit's burden by square footage or fixture units. Soquel Creek and County Sanitation publish formulas that do that; Scotts Valley, San Lorenzo Valley and Central Water publish only full new-connection fees. Ask them, in writing, for their proportionate ADU rate, and cite the statute.

$10,828

Soquel Creek Water District's 2026 capacity charge for a standard 5/8" meter — before the $300 application, the $496 meter, the $1,500 inspection deposit and $12,000–$15,000 of contractor installation.

District	Serves	New unit needs its own meter?	Connection / capacity fee (latest published)	Conversions & junior units
City of Santa Cruz Water	City, plus parts of Live Oak, Pasatiempo and Carbonera	No, if the house's service can carry the added fixtures	System development charge $11,159 (5/8"), $16,738 (3/4") — **waived when the unit shares the existing service**. Meter and tap fees ~$1,370 if new.	Exempt
City of Santa Cruz sewer	City	Same rule as water	$3,894 (5/8") — waived when sharing service	Exempt
Soquel Creek Water	Capitola, Soquel, Aptos, Rio del Mar, La Selva, Seascape	**Yes — every new-construction unit** (Ordinance 25-01, June 2025)	Capacity charge = fixture units ÷ 30 × $10,828. Standard 5/8": $10,828; restricted meter (under 640 sq ft and fewer than 15 fixtures): $5,414. Plus $300 application, $496–572 meter, $1,500 inspection deposit, and $12,000–$15,000 contractor installation (the district's own estimate). Will-Serve letter required for the building permit.	Exempt from the new-service rule
Scotts Valley Water	Scotts Valley	Service application and $750 deposit required for ADUs; policy not published	$26,595 capacity + $315 meter = **$26,910** for a standard 5/8" residential connection; $16,272 at the multi-unit rate. Which applies to an ADU is not published — ask.	Exempt by state law
San Lorenzo Valley Water	Boulder Creek, Ben Lomond, Felton, Lompico, Zayante	Not stated	Meter connection fee $10,577 (5/8" or 3/4"), $90 meter, $2,500 installation deposit. No ADU-specific rate published.	Exempt by state law
Central Water	Aptos hills, Day Valley, Valencia	Confirm feasibility first	$21,645 (5/8") plus $500 inspection and administration; construction and meter extra. No ADU-specific rate published.	Exempt by state law
County Sanitation (sewer)	Live Oak, Soquel, Capitola, Aptos — most of the urban unincorporated area	Charged by fixture units, not a separate lateral	A new unit on a lot with an existing home pays by its own drainage-fixture count; the per-fixture ADU rate isn't published. Base residential connection $3,000 (18 fixture units) plus $165 each above. ADU service charge about $83 a month.	**$0** connection fee for a conversion of permitted space
PG&E	Everyone	A new detached unit typically gets its own meter	Local builders budget $5,000–$8,000 for the hookup and panel work. The 2026 energy code wants new units battery-ready, which can mean a panel upgrade.	Often served from the house panel

Worked example: a one-bedroom in Aptos

A typical one-bedroom adds about 15 fixture units. Soquel Creek's formula: 15 ÷ 30 × $10,828 = **$5,414**, plus roughly $2,300 in application, meter and deposit — about $7,700 to the district — and $12,000–$15,000 to the contractor who trenches and sets the service. The local rule of thumb of $20,000–$30,000 for a Soquel Creek meter is about right.

$50k–$100k

The range local builders and designers report for septic upgrades triggered by an ADU. One project was cancelled on a $100,000 estimate (Lookout Santa Cruz, July 2026).

Who this page is for

Anyone outside the sewer districts: most of the San Lorenzo Valley, Bonny Doon, Corralitos, Day Valley, and the hills above Aptos, Soquel and Scotts Valley. In the county, if you don't see a sewer service charge on your property-tax bill, this is you.

Do this first

1. Pull your septic permit records from County Environmental Health, (831) 454-2022.
2. Order a septic evaluation from a qualified contractor before you hire a designer.
3. Watch the County's recorded ADU how-to session on septic (linked from the County ADU page).

Septic: the $50,000 question

Nothing else in this Playbook ends projects the way a septic estimate does. The rule is simple; the outcomes are not. Ask the question before you spend anything on design.

Why an ADU triggers an upgrade

Under the County's onsite-wastewater program (its "LAMP"), adding a dwelling unit, any bedroom, or more than 500 sq ft moves a parcel into **upgrade standards**: the system must meet current requirements for the new design flow, not just keep working. A one-bedroom unit adds 250 gallons a day. Where groundwater is shallow, soils drain too fast, or nitrates are a concern, the County can require an enhanced-treatment system instead of a conventional tank and leach field. Slopes over 30% need an engineered report. Septic evaluations have come with ADU applications since the County's 2023 inspection rules, and the 2026 ordinance lets the County ask for a percolation test from the last five years.

The four ways it goes

Outcome	What it means	Cost (estimate)
1. Capacity to spare	A permitted system with documented reserve area and good soils. Environmental Health signs the building clearance after a pumping-and-inspection report (within three years) and a current perc test.	$1,500–5,000 evaluation, test, report
2. Expand the system	Add tank capacity or dispersal area to carry the extra bedroom. Conventional design, no treatment unit.	$10,000–35,000
3. Enhanced treatment	A treatment unit (often with nitrogen reduction), recorded operating covenant, maintenance contract and annual County fee. This is the "almost all cases" outcome a local designer describes in the hills.	$50,000–100,000+
4. No feasible area	No room for a compliant dispersal field. A detached unit is off the table. Ask Environmental Health whether a junior unit that shares a bathroom and adds no bedroom could be treated as a repair instead of an upgrade.	—

> **The sequence matters**
>
> Designers price the building. Environmental Health prices the ground. Get the ground's answer first: an evaluation that says "enhanced treatment" tells you whether a $400,000 project is a $400,000 project or a $480,000 one.

12–24 mo

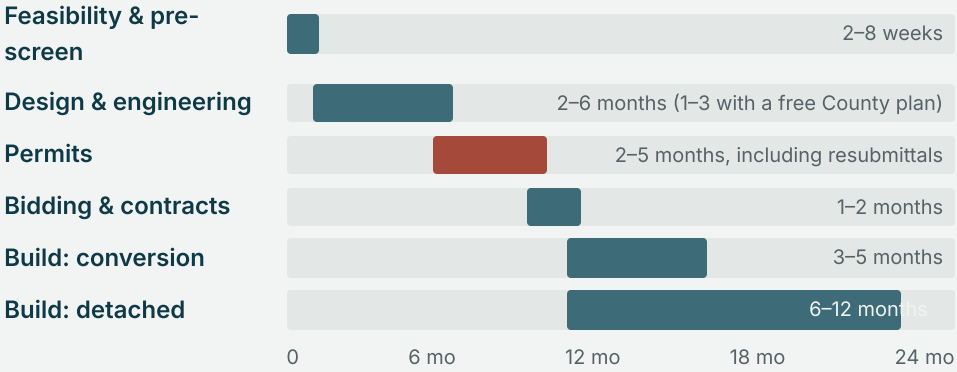
First meeting to move-in for a detached cottage, from local builders' published phase estimates. Conversions: 6–12 months. Prefab: 8–12.

What adds months

- A coastal permit (concurrent, but it's another review)
- Septic clearance from Environmental Health
- Fire district review, paid separately
- A soils report when the waiver is denied
- A two-story unit in Capitola (Planning Commission hearing, no statutory clock)
- Starting foundation work in the rainy season
- Resubmittals — each round restarts the review

How long it takes, and the trap that stops the clock

State law gives the agency 60 days. Local builders quote a year or two. Both are true: the 60 days only start when your application is *complete*, and the building takes as long as it takes.



What the 60-day clock really means

Once you file, the agency has **15 business days** to tell you in writing what's missing, or your application is deemed complete. Once it's complete, it has **60 days** to approve or deny, or the permit is deemed approved. Denials must list every deficiency and how to fix it; appeals are decided within 60 business days. No hearing, no neighbor notice beyond a coastal-permit mailer.

The trap is the word *complete*. The City of Santa Cruz's submittal checklist (revised September 2026) says incomplete ADU submittals will not be accepted. The County's how-to guide tells applicants to expect two rounds of comments. Capitola's guide says each 60-day review restarts when you revise. In practice the statutory clock measures the agency's time; the calendar measures yours, and most of yours goes to the back-and-forth. The way to make the two match is a complete package on day one: site plan with every setback dimensioned, structural, Title 24, soils report or waiver, the water district's will-serve letter, the septic clearance, and the fire district's sign-off.

A realistic calendar for a detached cottage in the county

Pre-screen in March. Design through June on a free County plan. Submit a complete package in July; two rounds of comments; permit in October. Foundation before the rains if you're lucky, otherwise January. Move-in the following summer: about 15 months. Add three to six months for custom design, a coastal permit, or a septic upgrade.

$3,075

Average asking rent for a one-bedroom apartment or condo in Santa Cruz, July to September 2026 (UCSC Community Rentals, 87 listings). A new cottage competes at this level.

The rules in one breath

- Thirty-day minimum rental term in all four jurisdictions. No Airbnb.
- In the city, no short-term rental anywhere on a single-family lot that has an ADU — main house included.
- In the county, a parcel with an active vacation-rental permit can't add an ADU until that permit is given up.
- A new unit is exempt from the state rent cap and just-cause rules for 15 years from its certificate of occupancy.
- If you live in the main house and rent only the ADU, you're exempt from state just-cause rules, though not the cap, once the 15 years are up.
- No owner-occupancy requirement for ADUs. Rent the house and the unit if you like.

What it rents for

Santa Cruz–Watsonville is the most expensive rental market in the United States for the fourth year running. The two-bedroom fair-market rent is $4,214. A one-bedroom cottage is not going to sit empty.

Unit	City of Santa Cruz Zillow · Zumper, Oct 2026	County-wide Rentometer, Oct 2026	UCSC rental survey July to Sept. 2026
Studio	$2,250 · $2,307	$2,143	$2,671
One bedroom	$2,650 · $2,450	$2,361	$3,075 apartment
Two bedrooms	$3,589 · $3,500	$3,254	$4,434 house
Three bedrooms	$4,900	$4,786	$5,785 house

By area (all unit types, Zumper October 2026): Westside $3,663 · Eastside $3,247 · Downtown $3,000 · Capitola about $3,200. City rents were flat to slightly down over the past year (Zillow −$25; Zumper −4%), after years of increases. Demand is structural: UCSC enrolled 20,140 students in fall 2025, and HUD's last market analysis of the county (2019) put rental vacancy at 1.9%.

The Section 8 number most landlords don't know

Housing-choice vouchers pay up to a standard the Housing Authority sets by ZIP code from HUD's small-area fair-market rents — and for a one-bedroom those benchmarks run well above the market indices above. HUD's figures for fiscal 2026 (October 2025 to September 2026, utilities included):

ZIP	Area	1 BR	2 BR
95060	Santa Cruz west side and downtown	$4,090	$5,230
95062	East side and Live Oak	$3,870	$4,940
95003	Aptos	$3,760	$4,810
95066	Scotts Valley	$3,560	$4,550
95018	Felton	$3,540	$4,520
95010	Capitola	$3,410	$4,360
95073	Soquel	$3,370	$4,300

HUD's fiscal 2027 figures took effect October 1, 2026 and are similar or slightly higher in most ZIPs (95060 one-bedroom: $4,190). The Authority's actual payment standard, posted at hacosantacruz.org, governs, and the unit must pass inspection. The Housing Authority of the County of Santa Cruz also pays a $2,000 lease-up bonus on several voucher types and runs an Owner Assurance Program that reimburses up to $5,000 for damage or unpaid rent beyond the deposit. Details: hacosantacruz.org.

The family math

Local builders say most 2026 projects house a parent or a grown child, not a tenant. That changes the arithmetic — for the better — because the cottage competes with what you'd otherwise pay, not with a rent check.

Who it's for	What you'd otherwise pay	Cottage	Years to break even
A parent instead of assisted living	About $7,500 a month (CareScout's Santa Cruz figure), roughly $90,000 a year; families we talk to pay $10,000 to $12,000 for memory care	$525,000 one-bedroom, historically	about 6 about 4 at $10–12k
An adult child instead of a market lease	A one-bedroom in town at about $3,000 a month, $36,000 a year, money that leaves the family	$400,000–525,000	11–15
You, later	Move into the cottage and rent the house: three-bedroom houses in the city rent around $4,900. The unit becomes your downsizing plan without leaving the lot.	$400,000–525,000	—

Break-even here means the years of avoided cost that equal the cottage's price. It ignores what the cottage adds at resale, which is why the real comparison is better than the table. It also ignores care: assisted living includes it, a cottage doesn't, so the parent case works best while a parent is independent or with in-home help.

Five things family builders get wrong

- **Building it as a rental, then living with it as family.** A unit designed to rent has a closed kitchen and a tiny bath. A unit for a parent wants a bedroom that fits a hospital bed and a bathroom a walker fits through. Decide who it's for before design, not after.
- **Skipping the paperwork because "it's just Mom."** A permitted unit is the one that counts at resale, the one your insurer will cover, and the one you can rent later under the 30-day rule. Unpermitted work is the expensive version.
- **Forgetting the unit outlives the reason.** The Live Oak cottage housed a parent, then relatives, then friends. Build the version that rents at market when the family chapter ends.
- **Ignoring the tax and insurance lines.** Only the new unit is assessed, but it is assessed — about $11 a year per $1,000 of cost — and your policy needs to know there's a second dwelling on the lot.
- **Choosing the junior unit for the wrong reason.** It's the cheapest option, but the shared bathroom brings an owner-occupancy requirement and a deed restriction. If you'd ever move out and rent both, build the cottage.

$90k

A year of assisted living in Santa Cruz at the $7,498 a month CareScout reports (2025). Memory care runs higher. It rises every year, and at the end of it you own nothing.

Three design calls for a parent

Single level, zero-step entry. The by-right 800 sq ft unit is one story anyway. Ask for a flush threshold and a 36-inch front door.

The bathroom. A curbless shower, a 36-inch door and blocking in the walls for grab bars cost almost nothing at framing and thousands later.

Junior unit or cottage. A junior ADU inside the house is the least expensive way to keep a parent close, but if it shares your bathroom you must live on the property, and privacy is thin. A detached cottage buys a front door of their own.

In the unincorporated county, building for a disabled dependent is one of the three ways to qualify for HelloADU's free project management.

$5,985

Added property tax per year on a $525,000 one-bedroom in the City of Santa Cruz, at the 2025–26 rate of 1.14%. About $500 a month.

Rule of thumb

$11.40 a year for every $1,000 you spend in the city; $11.36 in Capitola. Unincorporated areas and Scotts Valley carry their own bond mix — look up your tax-rate area in the County Auditor's tax-rate book, or use 1.1–1.2% as a planning figure.

The first-year bill

Finish in mid-September and the assessor prorates from October 1 to June 30, about $4,490 on a $525,000 unit, billed as two supplemental installments. From year two the full amount folds into your regular bill and can rise at most 2% a year.

Property tax and resale value, without the myths

Three things homeowners believe about the money side of an ADU, and what the assessor, the appraiser and the lender actually do.

"My whole house will be reassessed."

No. Under Proposition 13 only the new construction is appraised; the County Treasurer-Tax Collector's own page says the existing value of your land and house is not reopened. The assessor values the new unit at roughly what it cost to build (owner-builders are warned that labor and overhead get added back), applies your area's total rate of 1% plus voter-approved bonds, and sends a supplemental bill for the partial first year.

Unit cost	City of Santa Cruz (1.140%)	Capitola (1.136%)	Per month
$320,000	$3,648	$3,635	about $305
$525,000	$5,985	$5,964	about $500
$650,000	$7,410	$7,384	about $620

"An ADU adds 35% to my home's value."

That figure comes from a 2021 listing-price study of large cities with no published method, and there is no Santa Cruz study at all. Here is what actually happens at sale: lenders treat a house with one ADU as a *one-unit property with an accessory unit*, not a duplex, and the appraisal rests on comparable sales — ideally other houses with ADUs — rather than on the rent the unit produces. There is no local study; owners report results from "about what it cost" to "flat, like a pool." The return is the rent, or the family use, not a multiple on the building.

What has changed in the buyer's favor: since March 2026 Fannie Mae counts ADU rent toward a buyer's qualifying income (up to 30% of the total), and Freddie Mac and FHA have similar rules. A permitted, rentable unit makes your house easier for the next buyer to afford — which is where the resale value really comes from.

"I can sell the ADU separately."

Only inside the City of Santa Cruz, the one local jurisdiction to opt into the state's condo-sale law (AB 1033): a parcel map, a safety inspection, your lender's consent, utility notice and any HOA's sign-off. In the county, Capitola and Scotts Valley the unit stays with the house. The County has it under study.

7.31%

The borrowing rate above which a fully financed $320,000 garage conversion renting at $2,700 goes cash-flow negative. Average home-equity lines were at 7.34% in October 2026.

What the math says

- At today's rates a fully borrowed unit about breaks even. The return is then rent growth, principal paydown and resale.
- A one-bedroom at about $525,000 renting at $3,000 returns about 4.4% in cash, and about $270 a month with half the cost borrowed.
- Every $250 a month of rent is worth about $2,880 a year, roughly 0.9 points on a $320,000 conversion.
- A 12-month intro rate (Bay Federal was offering 4.99%) turns year one positive by about $7,400.
- Not modeled: depreciation and expense deductions, rent growth, the 15-year rent-cap exemption, resale.

The return worksheet

Fill in the blank column with your own numbers. The example is a $320,000 garage conversion in the City of Santa Cruz at October 2026 rents and rates.

	Input	Example	Yours
A	Total cost of the unit	$320,000	
B	Monthly rent (page 16)	$2,700	
C	Vacancy and credit loss, % of rent	4%	
D	Management fee, % of rent (0 if self-managed)	0%	
E	Insurance increase, per year	$900	
F	Maintenance reserve, per year (≈0.8% of cost)	$2,560	
G	Owner-paid utilities, per year	$600	
H	Property-tax increase, per year (≈1.14% × A)	$3,648	
	Gross rent = B × 12	**$32,400**	
	Effective rent = gross × (1 − C)	$31,104	
	Expenses = E + F + G + H + D × effective rent	$7,708	
	Net operating income = effective rent − expenses	**$23,396** $1,950 a month	

Three ways to pay for the same unit

Scenario	Loan payment / yr	Cash flow / yr	Return on your cash	Payback
All cash	**$0**	**$23,396**	**7.3%**	**13.7 years**
Half cash, half home-equity line $160,000 at 7.5%, interest-only	$12,000	$11,396	7.1%	14.0 years
All borrowed $320,000 at 7.5%, interest-only	$24,000	−$604 −$50 a month	—	—

Cash flow = net operating income − loan payment. Return on cash = cash flow ÷ cash invested. Payback = cash invested ÷ cash flow. Break-even rate, all borrowed = net operating income ÷ loan. Rent needed to break even in the all-borrowed case: about $2,750 a month. Amortize the line over 15 years instead of interest-only and the monthly check is about $1,000 negative, roughly $1,000 of it principal you're paying yourself.

How people pay for it in 2026

The grant everyone has heard of is closed. The free help almost nobody has heard of is open. And the loans have quietly started counting the ADU's rent as your income.

When the County surveyed local ADU builders in 2018, more than half had paid from savings, about 42% had used a home-equity line, and fewer than one in ten had refinanced. In 2026 builders say the 3% first mortgage is why people won't refinance — which makes the equity line the workhorse, and its rate the number that decides the math.

Closed

The CalHFA $40,000 ADU grant. Its last funding round was fully allocated in December 2023; no 2025 or 2026 round, waitlist or interest list exists. CalHFA's own page warns that anyone offering to "get you the grant" is running a scam.

Option	Status, October 2026	The numbers	Good for / watch out
County ADU Incentives Program HelloADU · Hello Housing	Open, with a waitlist and possible lottery	Up to 100 hours of free project management: feasibility, design coordination, estimating, contractor selection, permitting, lease-up. County-funded. Not construction money.	Unincorporated county only; owner-occupied; rent the unit at least 3 years and either be moderate-income, cap rent at the 100%-AMI limit (one-bedroom $2,700 in 2025–26), or build for a disabled dependent.
Home-equity line (HELOC)	Available	National average 7.34%. Bay Federal: 4.99% for 12 months (or 2.99% for 6), then 7.25–8.75% variable; up to $400,000; 80% combined loan-to-value; 10-year draw, 15-year repayment.	Keeps your first mortgage. Interest-only during the draw period makes year-one cash flow look better than year eleven's.
Home-equity loan	Available	About 6.9% fixed (October 2026 average).	Fixed payment from day one; no draw flexibility during construction.
Cash-out refinance	Available, rarely sensible	30-year fixed 7.40% (Freddie Mac, Oct 15, 2026); refinance quotes near 7.6%.	Only if your current rate is already near 7%. FHA won't count ADU income on a cash-out refi.
Renovation mortgages Fannie Mae HomeStyle · Freddie Mac CHOICERenovation · FHA 203(k)	In effect	Fannie Mae counts ADU rent up to 30% of qualifying income (since March 2026). Freddie counts 75% of a lease, 30% cap, with an ADU comparable sale and rental in the appraisal. FHA 203(k) counts 50% of projected rent with no history, 30% cap.	One loan for the build, at conventional rates. Whether a lender will use *projected* rent on a unit that doesn't exist yet varies — ask before you apply.
After-renovation-value lenders e.g. RenoFi	Active	Borrow against the home's value once the ADU exists, up to about 90%; RenoFi's published sample rate (2024) was 8.5%.	Useful when current equity is thin. Rates run above a HELOC.
PACE loans HERO, Ygrene and similar	Available — avoid	Repaid on your tax bill with a lien that outranks your mortgage.	Fannie Mae won't buy a mortgage on a property with a priority PACE lien; you'll be made to pay it off to sell or refinance.
Habitat for Humanity programs My House My Home · Habitat ADUs	Habitat ADUs: not accepting applications. My House My Home: listed as current, terms unpublished	My House My Home: homeowners 62 and older at 50–80% of area median income; Habitat builds or renovates the unit in exchange for a small loan and an affordable rent. Habitat ADUs: 50–80% AMI, any age.	Call (831) 469-4663, ext. 14, and ask what's open.
County forgivable ADU loan	Unclear — likely dormant	Historically up to $40,000 at 3% simple, forgiven after 20 years of renting to a low-income tenant.	Ask County Housing, (831) 454-2332, before counting on it.

If you're sitting on a 3% mortgage

Leave it alone. Price the unit on a home-equity line, use the intro period to carry construction, and run the worksheet at the post-intro rate, not the teaser. If the all-borrowed case comes out negative, the fix is a smaller unit, a free County plan, or cash for the first $100,000 — each moves the return more than a quarter-point of rate ever will.

The seven mistakes that kill Santa Cruz projects

7

Mistakes that come up again and again in local reporting, builders' and designers' guides, the County's own how-to guide and the city's submittal checklist. None of them is about construction. All of them are about sequence.

If you built under the old rules

About 530 city ADUs permitted before 2019 carry a recorded owner-occupancy restriction that newer units don't. The City of Santa Cruz will remove an old owner-occupancy deed restriction on request — ask the Planning counter. In the county, the restriction was dropped from the 2026 ordinance.

And one that isn't a mistake

Waiting for the next rule change. From January 1, 2027, lots may hold two detached cottages and impact fees on larger units apply only above 750 sq ft. Neither changes the cost of a 637 sq ft unit you'd start now.

1

Pricing the box, not the lot

A builder's "$400 a square foot" is the building. A former council member's 750 sq ft unit near the river needed a $50,000 foundation; most detached units carry $20,000–$30,000 of design and reports before a permit exists, and $15,000–$30,000 of PG&E work and trenching after, before any district fee. Budget the lot first.

2

Finding out about septic after you've paid the designer

The $50,000–$100,000 question (page 14) is answered by Environmental Health and a septic evaluation, not by a floor plan. Local projects have ended at this step after the plans were drawn.

3

Forgetting the water district

Soquel Creek requires its own meter on every new unit: a $5,414–$10,828 capacity charge, $2,300 of fees and $12,000–$15,000 of installation — the $20,000–$30,000 line local builders say nobody budgets. Scotts Valley Water lists $26,910. Two blocks away, on city water and sharing the house's service, the fee is zero.

4

Betting the budget on rent — or Airbnb

Thirty-day minimums everywhere; the city bans short-term rental on the whole lot. At today's borrowing rates a fully financed unit breaks even on cash flow, not more. Builders say it's "rarely about income generation now" for good reason: the units that make sense are the ones that would make sense at zero rent.

5

Giving up at the permit counter

The 60-day clock starts at *complete*. Incomplete submittals aren't accepted in the city; the county says to expect two rounds of comments; Capitola's review restarts on every revision. The Live Oak couple who gave up early paid 2024 prices when they came back. File a complete package, once.

6

Building under the wrong rulebook

An Aptos address is the county; a Capitola address might be either; the coastal parking-exception areas don't follow city lines. Each rulebook (page 8) has its own size caps, heights, free plans and fee waivers. Pre-2019 owners who built under the old rules still carry restrictions their neighbors don't.

7

Signing a bid you can't compare

Three bids with three different exclusion lists aren't three bids. Insist on the same line items (page 22), change orders in writing, lien releases with every progress payment, and a dispute clause. California caps a home-improvement down payment at 10% of the contract or $1,000, whichever is less — a builder who asks for more is telling you something.

Before you call anyone, and how to read a bid

Everything on the left costs nothing and takes a week. Everything on the right is what separates a bid you can hold a builder to from a number that grows.

The pre-screen checklist

- [ ] **Jurisdiction confirmed** — city or county — from the tax bill or the County's ADU parcel tool.
- [ ] **Water district named** from the bill, and its ADU connection policy asked for in writing.
- [ ] **Sewer or septic settled.** If septic: permit records pulled from Environmental Health and an evaluation ordered.
- [ ] **Coastal zone, parking-exception area and hazard overlays checked** on the County tool or the city GIS map.
- [ ] **Fire hazard zone looked up** and the fire district identified.
- [ ] **The lot walked:** slope, access for equipment, and where the panel, meter and sewer cleanout are.
- [ ] **The 800 sq ft envelope sketched** with 4 ft side and rear setbacks and a path from the street.
- [ ] **Who it's for, decided** — tenant, parent, child, future you — and the unit type chosen to match.
- [ ] **Size set on purpose** against the cliffs at 500, 640, 750 and 800 sq ft.
- [ ] **Free plans reviewed** — the County's three and Capitola's five — before paying for custom design.
- [ ] **Financing path chosen** and the worksheet run at the post-intro rate.
- [ ] **Insurer told, HOA documents read** (they can't block it or charge you for it).
- [ ] **HelloADU application filed** if you're in the unincorporated county and qualify.

A complete bid lists every one of these

- Site work and grading, with the slope assumption stated
- Foundation, with the soils assumption stated
- Utility trenching, by length, for water, sewer and power
- Water and sewer connection fees — and who pays them
- PG&E service and panel work
- Solar PV and heat-pump systems (required on new detached units)
- Fire-zone construction upgrades, if you're in one
- Permit, plan-check, school and district fees, itemized
- Design, engineering, Title 24 and HERS testing
- Finish allowances with dollar amounts, not "standard"
- Contingency, as a percentage
- An exclusions list — read it before the price

Four things to insist on

- **A license you've checked** at cslb.ca.gov, with workers' compensation in force.
- **Change orders in writing** before the work, and lien releases with every progress payment.
- **A down payment of no more than 10% or $1,000**, whichever is less — California's limit on home-improvement contracts.
- **A schedule with milestones** and a dispute clause you've read.

> **The question that sorts builders**
>
> "Which of these lines did you leave out, and why?" A good local builder has a list ready — usually the water district, the septic and the fire district — because they've been burned by them too.

Questions homeowners ask us

What does an ADU cost in Santa Cruz right now?

WS Builders' ADUs have historically come in at about $320,000 for a garage conversion, $400,000 for a studio, $525,000 for a one-bedroom and $650,000 for a two-bedroom. Your site and your design choices and finishes decide where yours lands. Pages 10 to 12.

Can I even put one on my lot, and how big?

Almost certainly. Every single-family lot gets an 800 sq ft detached unit with 4 ft side and rear setbacks by right, plus a junior unit inside the house. Local rules allow larger — up to 1,200 sq ft in the city, Capitola, Scotts Valley and on larger county lots. Page 7.

I'm on septic. Does that kill the project?

Not necessarily, but it can cost $50,000–$100,000. The ADU triggers an upgrade to current standards; the outcome depends on your soils, groundwater and reserve area. Get a septic evaluation before you pay for design. Page 14.

What's this Soquel Creek water fee I keep hearing about?

Every new unit in the district needs its own meter: a capacity charge of $5,414–$10,828, about $2,300 in fees, and $12,000–$15,000 to install the service. City of Santa Cruz water customers who share the house's service pay nothing. Page 13.

How long does it really take?

Six to twelve months for a conversion; twelve to twenty-four for a detached cottage. The state's 60-day permit clock only runs on a complete application. Page 15.

Can I Airbnb it in summer, or rent it to students?

No short-term rentals in any of the four jurisdictions this Playbook covers: thirty days minimum. Students on a lease are fine, and a one-bedroom rents for about $3,000 in the city. Page 16.

Will my property taxes jump on the whole house?

No. Only the new unit is assessed, at roughly its cost, about $11.40 a year per $1,000 in the city, so a $525,000 unit adds about $5,985 a year. Your house and land keep their Prop 13 base. Page 18.

How do people pay for it without giving up a 3% mortgage?

Mostly savings and a home-equity line. The CalHFA grant is closed. Fannie Mae, Freddie Mac and FHA loans now count ADU rent as income, and the County offers free project management in unincorporated areas. Page 20.

Is a garage conversion really the cheap option, and do I have to replace the parking?

Usually, if the slab and roof are sound. Replacement parking is only required in the county's coastal exception areas — Live Oak, Seacliff/Aptos–La Selva, Davenport–Swanton, Opal Cliff — and Capitola's coastal zone; in the city's coastal zone it depends on location. Pages 10 and 9.

Will it add value when I sell, or am I just spending money to help family?

Don't count on a multiple of the building: appraisers work from comparable sales, and owners report anything from "at cost" to "flat." The return is the rent or the family use, plus lenders now counting the unit's rent for your eventual buyer. Page 18.

There's already an unpermitted unit back there. Can I legalize it?

If it was built before 2020, yes under AB 2533: only health-and-safety fixes can be required and no impact fees charged. The county has deferred enforcement on such units until 2030; the city says legalization takes about a year. Page 7.

You now know more about ADUs in Santa Cruz County than most people who've already built one.

The one thing this Playbook can't do is look at your lot. Twenty minutes with someone who builds here does the rest of the pre-screen for you.

A free 20-minute lot and budget check

Bring your address. You'll leave the call with:

- Which rulebook you're under, and what it allows on your lot
- Your water district's and sewer or septic status, and what each costs
- Whether a coastal, fire or hazard rule touches your parcel
- A realistic cost range for the kind of unit you want, on your site
- What to do next — and whether free County plans or HelloADU apply to you

No drawings, no deposit, no obligation. If your lot isn't a good candidate, you'll hear that too — it's a better outcome than hearing it from a septic contractor after the plans are drawn.

santacruzadu.com

About the numbers in this Playbook

Every figure was checked against a live source on October 20–21, 2026. Fees and district charges come from the most recent published schedules (some date from 2024–25); construction, site and program figures come from local builders, local reporting and the sources on the next page, and the ones marked "estimate" are ours. Rules, fees and rates change — before you spend money on any of them, confirm with the agency or district named. This guide is general information for Santa Cruz County homeowners, not legal, tax or lending advice.

What to confirm first, because it may have moved

- The County's 2026 ADU ordinance (Ord. 5515) takes effect on Coastal Commission certification
- Capitola's 2025–26 ordinance updates, also pending certification
- Local school-district fee rates for 2026 (the state cap is $5.38 per sq ft; districts have historically charged less)
- Scotts Valley Water's and the smaller districts' ADU rates
- Mortgage and home-equity rates, which move weekly

Principal sources

Everything in this edition traces to one of the documents below, read October 20 to 25, 2026. Official pages and rate sheets outrank news and builder figures wherever they disagree.

State law: Government Code §§ 66310–66342 as amended January 1, 2026 (SB 543, AB 1154, SB 9); AB 462 (2025); AB 956 and SB 1117 (chaptered September 29, 2026); HCD ADU Handbook, March 2026 edition and January 2026 addendum; Gov. Code § 66311.5 (fees); § 66311.7 (AB 2533); § 66342 (AB 1033).

City of Santa Cruz: Municipal Code Ch. 24.16 (through Ord. 2026-13); ADU and Short-Term Rental pages; ADU/JADU Submittal Guide (rev. 9/23/2026); Citywide Fee Schedule eff. 1/1/2026; Water Department SDC and fee sheet (9/2/2025); Ordinance 2024-23 (condo sales).

County of Santa Cruz: ADU Basic Requirements, FAQ, Pre-Designed Plans and How-To pages; County Code § 13.10.681 (Ord. 5515); Board of Supervisors ADU packet, June 9, 2026; Environmental Health LAMP and OWTS upgrade standards; County Sanitation connection charges (FY 2024–25) and ADU fee policy; WUI requirements (2026); Treasurer-Tax Collector "building on my property" page; Auditor Tax Rate Book 2025–26; ADU Incentives Program (HelloADU) application.

Capitola: Municipal Code Ch. 17.74 (through Ord. 1077); ADU page and Toolkit; FY 2026–27 Fee Schedule. **Scotts Valley:** ADU Manual (January 2026); Zoning Code Ch. 17.57–17.58 (third-party reproduction).

Districts: Soquel Creek Water District New Water Services Charges (ADU handout, 2026 rates) and Ordinance 25-01; Scotts Valley Water District service connections page; San Lorenzo Valley Water District rate chart; Central Water District new-construction FAQ.

Costs and timelines: Lookout Santa Cruz, July 2, 2026, February 11, 2026, November 2, 2021 and February 13, 2021; WS Builders' own ADU project history (prices by type of unit); Abodu and Villa published pricing; California Energy Commission 2025 Energy Code ADU fact sheet; County ADU Cost and Financing Guide (2018).

Rents, values, rates, lending: Zillow and Zumper rental market pages (October 2026); Rentometer; UCSC Community Rentals survey (2025 and July to September 2026); NLIHC Out of Reach 2026; HUD FY2026 small- area fair market rents (via fairmarketrentmap.com and bnbcalc.com); Housing Authority of the County of Santa Cruz owner incentives; Zillow and Redfin home-value pages (September 2026); Freddie Mac PMMS (October 15, 2026); Bankrate (October 2026); Bay Federal Credit Union HELOC page; Fannie Mae SEL-2025-08 and DU 12.1 release notes; Freddie Mac ADU fact sheet; HUD Mortgagee Letter 2023-17; Fannie Mae Selling Guide B5-3.4-01 (PACE); CalHFA ADU grant page; Habitat for Humanity Monterey Bay; CareScout 2025 Santa Cruz assisted-living costs (via U.S. News).

Jargon decoder

ADU — accessory dwelling unit: a complete second home on a lot with its own kitchen, bath and entrance ("granny flat," "in-law," "cottage").

JADU — junior ADU: up to 500 sq ft inside the walls of the house, with an efficiency kitchen; may share a bathroom.

Conversion ADU — a unit made from existing space (garage, workshop, basement) rather than new construction.

By right / ministerial — approved by staff against written standards, with no hearing and no discretion to say no.

Setback — the required distance between a building and the property line.

FAR / lot coverage — local limits on how much floor area or footprint a lot may hold; they can't be used to block the 800 sq ft unit.

Impact fees — one-time charges for parks, traffic, schools and the like; none at 750 sq ft or under.

Connection or capacity charge — a utility district's one-time fee to join its system; not an impact fee, so the 750 sq ft exemption doesn't cover it.

USL — the County's Urban Services Line; inside it the detached height limit is 16 ft, outside it the zone's limit applies.

Coastal zone / CDP — the strip where the Coastal Act applies; a coastal development permit may be needed, now decided on the same 60-day clock with no Coastal Commission appeal.

LAMP / OWTS — the County's septic program and its term for a septic system (onsite wastewater treatment system).

Perc test — a percolation test measuring how fast soil absorbs water; the basis for septic sizing.

WUI / SRA — wildland-urban interface construction standards; the State Responsibility Area is CAL FIRE's jurisdiction, where they're mandatory.

Title 24 / HERS — California's energy code and the third-party testing that verifies it.

Fixture units — a plumbing count (sinks, toilets, showers) districts use to size meters and set proportional fees.

AMI — area median income, the benchmark for "affordable" rent caps in County programs.