

QUICKNOTES

Accessory Dwelling Units

Accessory dwelling units (ADUs) are small, self-contained living units that typically have their own kitchen, bedroom(s), and bathroom space. Often called granny flats, elder cottage housing opportunities (ECHO), mother-daughter residences, or secondary dwelling units, ADUs are apartments that can be located within the walls of an existing or newly constructed single-family home or can be an addition to an existing home. They can also be freestanding cottages on the same lot as the principal dwelling unit or a conversion of a garage or barn.

The benefits to the home owner and the ADU occupant are many. For the home owner, ADUs provide the opportunity to offer an affordable and independent housing option to the owner's grown son or daughter just starting out or to an elderly parent or two who might need a helping hand nearby. The unit could also be leased to unrelated individuals or newly established families, which would provide the dual benefit of providing affordable housing to the ADU occupant and supplemental rental income to the owner. Supplemental income could offset the high cost of a home mortgage, utilities, and real estate taxes. Finally, leasing an ADU to a young person or family can provide an elderly home owner with a sense of security and an opportunity to exchange needed work around the house and yard for a discount on rent.

Despite the benefits, some communities resist allowing ADUs, or allow them only after time-consuming and costly review procedures and requirements. Public resistance to ADUs usually takes the form of a perceived concern that they might transform the character of the neighborhood, increase density, add to traffic, make parking on the street more difficult, increase school enrollment, and put additional pressure on fire and police service, parks, or water and wastewater. However, communities that have allowed ADUs find that these perceived fears are mostly unfounded or overstated when ADUs are actually built.

ADUs are a particularly desirable option for many communities today considering the current economic climate, changes in household size, increasing numbers of aging baby boomers, and the shortage of affordable housing choices. They provide a low-impact way for a community to expand its range of housing choices.

LOCALITIES AND STATES GET INTO THE ACT

Towns, cities, and counties across the country have done the right thing by proactively amending local zoning ordinances to allow ADUs. This is typically done either as a matter of right or as a special or conditional use. In either case, reasonable conditions may be imposed. Some states, including California, have enacted legislation that limits the ability of localities to zone out ADUs.

In 2001 AARP retained APA's Research Department to write a guidance report for citizens interested in convincing local and state officials of the benefits of allowing ADUs and showing them how to do it. *Entitled Accessory Dwelling Units: Model State Act and Model Local Ordinance*, the monograph provides alternative statute and ordinance language useful to implementing all forms of ADUs.

The Model Local Ordinance suggests recommendations for communities. Additionally, the intent of the ordinance describes the permitting process for eligibility and approval, and further outlines standards for ADU approval pertaining to lot size, occupancy, building standards, parking and traffic, public health, and how to deal with nonconforming ADUs. *The Model State Act* provides findings and policies encouraging the approval of ADUs and names local governments as the entities entitled to authorize

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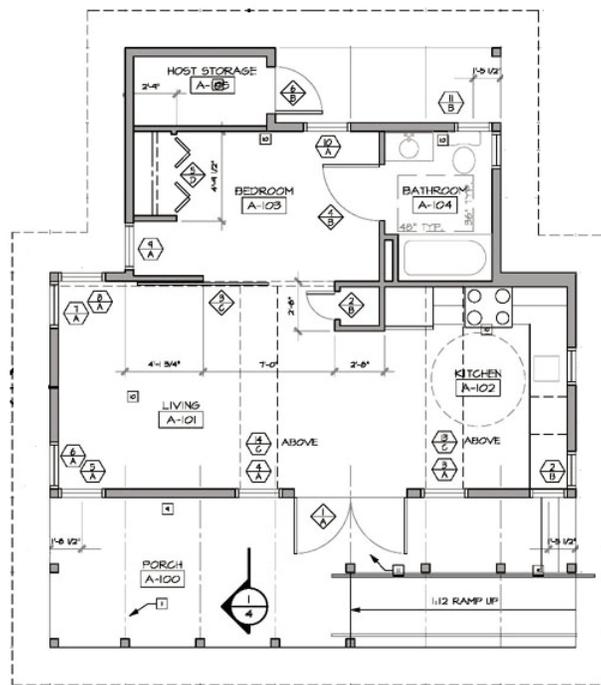
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adoption of an ADU statute. It specifies the limits to which local governments may prohibit ADUs and outlines default permitting provisions if a locality does not adopt an ADU ordinance. It details optional approaches for adopting ADU ordinances, certifying local ADU ordinances, gathering data on ADU efforts, preparing reports and recommendations, and forming a statewide board overseeing ADUs.

WHAT ISSUES ARISE WHEN A PROPOSED ADU ORDINANCE IS CONSIDERED?

ADU ordinances offer a variety of benefits to local communities but the road to implementation may not be an easy process. While ADUs are more widely accepted now than in years past, skeptics still remain and some still oppose ADU zoning. The following describes some issues or decision points that communities must address in order to successfully navigate the perilous waters of public acceptance. The approach that is right for your city or town will be unique, based on local physical, political, social, and economic conditions.



Single story ADU floor plan.

David Baker and Partners Architects

By-right Permitting. Should permits for ADUs be issued as a matter of right (with clear standards built into the ordinance) or should they be allowed by discretion as a special or conditional use after a public hearing?

Occupancy. Should ordinance language allow an ADU only on the condition that the owner of the property lives in one of the units?

Form of Ownership. Should the ordinance prohibit converting the ADU unit into a condominium?

Preexisting, nonconforming ADUs. How should the ordinance treat grandfathered ADUs? How do you treat illegal apartments that want to apply for an ADU permit?

Unit Size: Should the ordinance limit the square footage of the ADU to assure that the unit is truly accessory to the principal dwelling on the property?

Adequacy of Water and Sewer Services. How do you guarantee there is enough capacity in sewer lines, pumping stations, and treatment facilities to accommodate ADUs?

These are not easy issues. However, communities would do well to seriously consider adopting an approach that: allows ADUs by right with clear written conditions; does not require owner occupancy; prohibits condominium ownership on the basis that a condo could not be considered accessory; provides a simple procedure for legalizing preexisting or formerly illegal apartments provided the unit is inspected; provides a generous size standard; and provides a water and sewer adequacy standard. □

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ACCESSORY DWELLING UNITS: A FLEXIBLE FREE-MARKET HOUSING SOLUTION

Jonathan Coppage

INTRODUCTION

Much of the American built environment was constructed in the post-World War II era, when government policy and planning fashion favored a highly dispersed development model centered on the primacy of the single-family detached home. Subsequent developments in zoning law tended to further privilege and protect the single-family detached home from any neighboring diversity of land use or building form.

As a pattern popularized at the peak of American nuclear family formation, such models initially met consumer preferences and served the needs of many. As the 20th century progressed, however, American demographic patterns and housing needs dramatically changed. The built environment was, by this point, too calcified by accumulated land-use regulations to adapt to these changes, producing significant distortion in high-demand housing markets and unresponsive legal environments across the country.

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As housing supply constraints choke productivity in hot economic regions, and household structure and demographics continue to shift nationally, significant public-policy debates have been opened about the appropriate responses to these developments. These range from debates over national entitlement programs like Social Security and Medicare to battles over gentrification in urban centers. The political disputes often are characterized by high tempers and little perceptible progress.

While these important, high-intensity debates continue, there is opportunity simultaneously to pursue lower-profile solutions that could alleviate pressure on the market, even if they cannot provide complete resolution to all of its problems. One supplemental policy priority would be to ease significantly existing obstacles to the construction and permitting of accessory dwelling units in single-family residential zones.

ACCESSORY DWELLING UNITS

An accessory dwelling unit (ADU) is defined as “a secondary dwelling unit with complete independent living facilities for one or more persons” on a single-family lot, whether attached to the primary structure, detached from it or contained within it.¹ ADUs commonly are referred to by a wide variety of less formal names, including “granny flat,” “mother-in-law suite,” “carriage house,” “secondary unit” and “backyard cottage.”

ADUs, then, are dependent apartments built onto otherwise typical single-family homes. They are often created by means of garage conversion, basement finishing, wing addition or even as free-standing construction behind a house. A fully independent ADU will contain its own entrance and full kitchen and bathroom facilities; it may even have separate

1. California Department Housing and Community Development, “Accessory Dwelling Unit Memorandum,” December 2016. <http://www.hcd.ca.gov/policy-research/docs/2016-12-12-ADU-TA-Memo.docx.pdf>

and independent utility metering. While there was significant scholarly interest in ADUs in the 1980s, it waned until recent years, leaving a relative shortage of studies of and data on the current state of secondary units. Filling the informational gap could prove especially difficult, given the large proportion of secondary units that exist as illegal conversions, without permits or official recognition in government databases. One 2001 study estimated that fully one in five San Francisco residential buildings included an illegal secondary unit² and that supply-constrained coastal cities could expect 2 to 10 percent of their housing stock to be illegal secondary units.

The ADU is starting to recover attention, as demographic shifts also lead many groups to revisit accessory dwelling units as an option for the increasing number of multigenerational households. There are any number of causes of this trend, including the aging of the baby boomer generation, a persistent “boomerang” young adult cohort, and growth in the Hispanic and Asian populations. Moreover, housing shortages in hot urban markets have raised interest in creative means to expand supply.

Before accessory dwelling units can be brought to bear on those challenges, however, there is a need to popularize and pass significant reforms to accommodate this flexible, free-market solution.

BRIEF HISTORY OF ZONING

The basic tenets of American zoning were set by the mid-1930s, which is also when the federal government began to provide assistance to the detached single-family house as an ideal base for American life.³ In the postwar period, the relatively simple and compact single-family zoning pattern—originally designed to protect residential neighborhoods from noxious industrial activity—was expanded and complicated, with explicit federal housing policies that reinforced single-family housing on ever larger lots with rapidly diminishing tolerance of diversity. Zoning shifted from prohibiting industrial and commercial development in residential zones to prescribing the shape and structure that residential housing could take within those already protected neighborhoods.

As University of Chicago’s Emily Talen wrote in her book *City Rules*: “The zoning changes of one small town in central Illinois, Urbana, home of the University of Illinois, illustrate

the traditional progression.”⁴ As she recounts, Urbana’s first zoning ordinance was passed in 1936, but there were no minimum lot widths and no lot areas were required per unit until 1950. In 1950, six zones were introduced, two each for residential, commercial and industrial uses. By 1979, however, 16 districts and two overlay zones had been introduced, apartments in single-family areas were banned, and minimum lot sizes and floor-area ratio rules were brought into effect.

The introduction of a few zoning regulations metastasized into a narrowly prescriptive regime that, as Sonia Hirt described in *Zoned in the USA*, “has exceeded historic and international precedent to build what may well be the lowest-density settlements in the history of the world [emphasis original].”⁵

America’s hyperdispersed, land-use-segregated settlement pattern is functional for adults who drive cars but the carless are significantly inhibited from accessing any activities or areas other than the ones in their immediate neighborhood. Functionally, this prevents nondriving children from contributing to the household by running errands to a corner store, for instance, in addition to placing severe limits on the independence of elderly adults who no longer drive.⁶

The recently observed recovery of multigenerational households and parallel decline of intact nuclear families takes place, then, in a regulatory environment rigidly designed for a very different population. As Reihan Salam has written:

Since the initial rise of the suburbs, families have changed. Married couples with children have fallen from 42.9 percent of all households in 1940 to 20.2 percent of all households in 2010, while married couples without children have fallen from 33.4 to 28.2 percent of all households. Single-parent families have also increased, of course, from 4.3 percent to 9.6 percent. The most dramatic change has been the steep increase in one-person households, from 7.8 to 26.7 percent of the total. Families have also been transformed by rising female labor force participation, with women now serving as the sole or primary wage earner in four in 10 U.S. households with children. ...

Viewed through this lens, the problem we face is clear: Much of our built environment still bears the imprint of the postwar era, despite the fact that the families that were characteristic of that era are no longer dominant.⁷

2. George Williams, “Secondary Units: A Painless Way to Increase the Supply of Housing,” San Francisco Planning and Urban Research Association, August 2001. <https://sfaa.org/0110williams.html>

3. Sonia Hirt, *Zoned in the USA: The Origins and Implications of American Land-Use Regulation*, Cornell University Press, p. 32, 2014.

4. Emily Talen, *City Rules*, Island Press, pp. 120-2, 2012.

5. Hirt, p. 28.

6. Andres Duany, Elizabeth Plater-Zyberk, and Jeff Speck, *Suburban Nation: The Rise of sprawl and the Decline of the American Dream*, North Point Press, p. 115, 2000.

7. Reihan Salam, “How the Suburbs Got Poor,” Slate, Sept. 4, 2014. http://www.slate.com/articles/news_and_politics/politics/2014/09/poverty_in_the_suburbs_places_that_thrived_in_the_era_of_two_parent_families.html

BENEFITS OF ADUS

Rental income

According to a recent Oregon study of Portland ADUs, the largest primary motivation among ADU developers was additional income.⁸ By converting part of a house, building an addition or constructing a free-standing unit, homeowners were able to create a supplementary stream of income for themselves, while adding housing to the constrained market.

The great majority of this additional income comes via long-term rentals: Atlanta architect Eric Kronberg estimates that, when he constructs ADUs for his market under current regulatory conditions, they can reasonably command rents of \$950 to \$1400 a month. By contrast, “you have an all-in cost of \$550-\$715 a month. The two bedroom unit would range \$700-\$900 all-in,” both of which are estimated very conservatively assuming entirely home equity financed, no cash projects. This means Atlanta ADUs could pay for their own financing while providing a homeowner with hundreds of dollars in additional income per month. Most impressively, Kronberg’s projections are for detached ADU prototypes, which are much more expensive to produce than attached ADUs that come from conversions or additions on an existing building.⁹

In the Portland study, 80 percent of ADUs rented for market rates comparable to those in multifamily development. However, between 13 and 18 percent of Portland ADUs go for zero or very low rents. In a separate study, University of California researchers Jake Wegmann and Karen Chapple likewise found 17 percent of San Francisco Bay Area ADUs were occupied for zero rent.¹⁰ As Martin J. Brown and Jordan Palmeri note in the Portland study, this pattern “suggests some unique phenomenon is occurring in ADU developments.” Indeed, in that same survey, “owners reported that 26 percent of ADU tenants were family or friends when they moved in.” This would indicate that a small but significant fraction of ADU development is, indeed, intended for personal relationships, as planners and advocates have traditionally assumed.

The Portland study also marked an interesting departure from earlier studies when it came to its findings on affordability. According to Brown and Palmeri, Portland ADU rents were market competitive with comparable rental apartments

only if zero-rent units were included; they actually rented for a premium if those outliers were excluded. Previous studies had indicated that ADUs were cheaper than comparable rentals. Brown and Palmieri tried to adjust market comparables by unit size via the number of bedrooms. In their report on the Bay Area, Wegman and Chapman did not attempt to adjust for unit sizes, but noted that the ADUs were smaller than their market comparables, as well as often being unpermitted.

Taken at face value, the Portland results could undermine the perception of ADUs as an inherently affordable housing solution. Although the results certainly indicate a need for further study, such reasoning should be tempered by a robust understanding of the ADU context. ADUs are more expensive to build per-square-foot, which could partially explain why owners would demand higher rents per-square-foot.

In general, due to their smaller unit sizes, ADUs should occupy the lower end of the rental spectrum. As an NYU Furman Center working paper noted: “Micro-units [ADUs and compact apartments] in many cities frequently rent at rather high rates per square foot, but at lower total monthly rent levels, than larger apartments.”¹¹ In this sense, ADUs remain a source of affordable housing. In supply-constrained housing markets, any production of additional dwelling space will help ease rental market pressure, and production of low total rent units is all the more welcome.

Further, as Brown and Palmieri note, the zero and below-market rents that are presumably charged to family members or friends should not be dismissed. Voluntarily discounting rent to those with whom the property owner has pre-existing relationships is still a provision of affordable housing. Where the housing is provided to elderly relations who might otherwise require costly personal care, it also represents a potentially large government savings. Rejoining multiple generations in close living arrangements allows for child care or eldercare to be provided by the family, instead of relying on expensive market services. Such arrangements can benefit the whole family by strengthening their relationships and shared experiences. Anecdotally, children can benefit from the experience of elders in quilting, crafting or carpentry. Elders, meanwhile, sometimes can benefit from younger generations’ greater familiarity with maintaining and navigating each new wave of domestic technology.

Further study of ADU rents would bring welcome clarity. For the great majority of homeowners who plan to rent their ADU at market-competitive rents, ADUs can provide a

8. Martin J. Brown and Jordan Palmeri, “Accessory Dwelling Units in Portland, Oregon: Evaluation and Interpretation of a Survey of ADU Owners,” Oregon Department of Environmental Quality, June 1, 2014. <https://accessorydwellings.files.wordpress.com/2014/06/adusurveyinterpret.pdf>

9. Eric Kronberg, “ADU Math,” Kronberg Wall, Feb. 24, 2017. <http://kronbergwall.com/adu-math/>

10. Jake Wegmann and Karen Chapple, “Understanding the Market for Secondary Units in the East Bay,” IURD Working Paper Series, October 2012. <http://escholarship.org/uc/item/9932417c>

11. Vicki Been, Benjamin Gross, and John Infranca, “Responding to Changing Households: Regulatory Challenges for Micro-Units and Accessory Dwelling Units,” NYU Furman Center, January 2014. http://furmancenter.org/files/NYUFurmanCenter_RespondingtoChangingHouseholds_2014_1.pdf

reliable stream of additional income which should, in most circumstances, pay for itself.

Multigenerational housing

Almost one-in-five Americans now live in a multigenerational household, according to a recent Pew analysis of U.S. Census Bureau data.¹² That is a record absolute number and the highest proportion of the American population since 1950. Once a near-universal feature of the American lifecycle in the mid-19th century, the proportion of households living with multiple adult generations had been declining since 1860, with more than half the collapse in multigenerational living occurring between 1940 and 1980.¹³

ADUs are often preferred for multigenerational living arrangements because they allow family members to share a residence, assist each other in day-to-day tasks and share a life without erasing all boundaries between the primary household and the additional generation. When equipped with independent entrances and kitchen units, residents of ADUs are able to maintain a modicum of independence, coming and going as they please and entertaining their own guests, while still remaining tightly bound to their family.

The AARP has advocated for relaxation of rules around accessory dwelling units in order to accommodate a desire among its members (current and prospective) to “age in place” whenever possible. Expanded ADU capability allows older Americans either to move into their children’s homes or to construct a more modest apartment that suits their needs. Toward that end, the AARP in 2000 commissioned the American Planning Association to draft an ADU “model state act and local ordinance.”¹⁴

Older Americans are not, however, the largest consumer of multigenerational housing today. In 2014, more 18-to-34-year-olds lived with their parents than in other arrangements for the first time in 130 years,¹⁵ and 31 percent of 25-to-29-year-olds lived in multigenerational households. The persistence of the millennial generation living at home, even as the economy emerged from the Great Recession, has been a topic of great concern and headlines. For the pur-

poses of this paper, it is enough to note simply that the trend exists and seems likely to continue, thus further adding to the number of multigenerational homes and potential demand for ADUs.

Finally, ethnic demographic patterns also suggest that multigenerational housing will continue to grow in the United States. As Pew found, Asian and Hispanic households both are significantly more likely to be multigenerational than non-Hispanic white households. Both of those subgroups are experiencing significant population growth.

Flexibility

In Brown and Palmeri’s study, only about 80 percent of Portland ADUs were occupied as independent housing. The rest served as some combination of extra space, home offices or other nonresidential use: 11 percent of units were used as a work or living space, while 5 percent were used for short-term rentals.¹⁶

Short-term rentals are one of the most interesting alternative uses for ADUs going forward, as the recent explosion of room and homesharing services like Airbnb and VRBO make it easier for homeowners to find short-term tenants for their properties, and the independence of ADUs make them particularly well-suited for such service. The Portland study was conducted in 2013, relatively early in the growth of such services. It would be interesting to update the survey to see how short-term-rental use has grown.

OBSTACLES TO ADU DEVELOPMENT

The single biggest obstacle to ADU development is their widespread illegality. Burdensome regulatory requirements often will depress ADU production, even where zoning codes theoretically allow them. In order to allow ADUs to serve as a flexible, free-market solution to ease pressures in supply-constrained housing markets, such regulatory burdens need to be lifted. Such regulations fall into two broad categories: structural and occupancy.

Structural regulations

Structural regulations regulate the size, shape and facilities of an ADU, as well as its connection to the broader city utility networks.

As with many other forms of housing production, minimum parking requirements can be a significant obstacle to ADU production. While competition for on-street parking is one of the most frequently cited concerns and complaints about

12. D’Vera Cohn and Jeffrey S. Passel, “A Record 60.6 Americans Live in Multigenerational Households,” Pew Research Center, Aug. 11, 2016. <http://www.pewresearch.org/fact-tank/2016/08/11/a-record-60-6-million-americans-live-in-multigenerational-households/>

13. Steven Ruggles, “Multigenerational Families in Nineteenth Century America,” *Continuity and Change*, 18: 139-165, 2003. <http://users.hist.umn.edu/~ruggles/multigenerational.pdf>

14. Rodney L. Cobb and Scott Dvorak, “Accessory Dwelling Units: Model State Act and Local Ordinance,” AARP, April 2000. http://www.aarp.org/home-garden/housing/info-2000/accessory_dwelling_units_model_state_act_and_local_ordinance.html

15. Richard Fry, “For First Time in Modern Era, Living With Parents Edges out Other Living Arrangements for 18- to 34-Year-Olds,” Pew Research Center, May 24, 2016. <http://www.pewsocialtrends.org/2016/05/24/for-first-time-in-modern-era-living-with-parents-edges-out-other-living-arrangements-for-18-to-34-year-olds/>

16. Brown and Palmeri, 2014.

ADUs, imposed off-street requirements are often excessive and counterproductive.

Until 2015, for instance, Austin, Texas combined onerous parking requirements (two spots each for both the main dwelling and the accessory unit) and an impervious surface cap. If the main dwelling was built before off-street parking requirements, the construction of an ADU would cost the property its grandfathered status, meaning four parking spots would have to be built for one accessory unit to be constructed. As the Furman Center noted, “built structures may not cover more than 40 percent of a lot, and the combination of structures and any other impervious surfaces may not exceed 45 percent of the lot.” Since any parking space is counted as impervious surface regardless of its construction material, Austin homeowners could easily have a hard time fitting everything onto their lots even if they were willing to comply.¹⁷ Encouragingly, the Austin City Council adopted a much liberalized ADU system in November 2015, with very light parking requirements, a standard minimum lot size and nearly citywide applicability.¹⁸

Portland does not require any off-street parking for ADUs, so it should be most vulnerable to street parking overcrowding. Yet the city’s 2013 survey found that one in five ADUs had no cars associated with it whatsoever, and 63 percent had no cars parked on the street. The mean number of cars parked on the street associated with ADUs was a mere 0.46. These findings are similar to results of the Bay Area study in 2012. While these are necessarily limited results, they should encourage cities to loosen or relieve their own parking requirements in the service of ADU production.

ADUs are also subject to a variety of size regulations: minimum and maximum unit sizes; minimum and maximum ratio of unit-to-main-dwellings; minimum and maximum ratio of unit-to-lot-size. All of these can vary by whether the ADU is attached or detached. Attempts to build ADUs can be subject to regulations that bar the construction of kitchen facilities in secondary units, as well as restrictions on independent entrances. Some governments restrict where ADUs can be placed on a lot, whether it or its entrance can be visible from the street and whether the unit’s architectural design is required to match the main dwelling. While reasonable regulations can be inoffensive, cities should take care to set their minimum or maximum levels within the bounds of normal ADU production, and to give homeowners as much flexibility as possible.¹⁹

17. Been, Gross and Infranca, 2014.

18. Jennifer Curington, “Austin City Council lessens restrictions on accessory dwelling units,” *Community Impact*, Nov. 19, 2015. <https://communityimpact.com/austin/city-county/2015/11/19/city-council-lessens-restrictions-on-accessory-dwelling-units/>

19. California Department of Housing and Community Development, 2016.

Finally, city services fees and regulations can pose an overwhelming and unreasonable burden to the development of accessory units where they are not tailored appropriately. Portland chose to give financial relief to ADU construction by waiving the systems development charges (SDCs) usually imposed to pay for utility and other public-service impacts. Such charges average around \$8,000 for ADUs, which explains why the city’s reprieve began a significant ADU boom. Ultimately, the waiver was extended. Even without opting for a full waiver, cities can adjust their SDCs for the true impact of accessory units, which will be dramatically less than other new construction.

Under normal conditions, extending utility services like water, sewer, electricity and gas should be relatively painless for accessory unit construction, as most of the fixed costs have already been built for the main dwelling. Cities that require separate utility metering can quickly undermine this advantage and even make ADUs outright uneconomical. *Architects Newspaper* reports that, in Austin, separate water metering alone can cost a builder \$20,000.²⁰

Local governments often discourage ADU production by prohibiting qualities that would make them attractive and usable as an independent dwelling unit. This can include restrictions on independent entrances and the visibility of those entrances from the street. Often, they will include prohibitions on kitchen facilities. In Atlanta, for instance, ADUs are permitted but they cannot possess a stove, oven or similar cooking appliance. The most cooking capability occupants can hope for under code is a hot plate they can plug in. These barriers are best removed whenever possible, as they give homeowners more flexibility in how they can use their ADU over its life span, and so will make their production more attractive.

Occupancy restrictions

Occupancy regulations regulate who may stay in ADUs and what their relationship to the property’s owner may be.

A frequent and significant ADU regulation requires owner occupancy of the property. ADU construction is, in fact, usually undertaken by homeowners occupying the property, so this requirement often is presented as bearing limited negative consequences. According to the NYU Furman Center report, owner occupancy is seen by advocates as a shortcut to prevent more detailed and onerous restrictions and inspections from being imposed on ADU development. In this reasoning, an owner-occupant’s presence assures against ADU tenants inflicting nuisances on the surrounding neighborhood. Because the owner-occupant is a neighbor, he or she

20. Jack Murphy, “As housing costs and economic segregation increase, Austin’s granny flats proliferate,” *The Architects Newspaper*, Sept. 12, 2016. <https://archpaper.com/2016/09/austin-granny-flats-affordability/#gallery-0-slide-0>

would be more likely to supervise and head off any nuisances than an absentee landlord would. Those building ADUs in order to accommodate family or friends would seem to have even less reason to object to such laws.

But owner-occupancy restrictions have the potential to impede ADU financing and homeowner flexibility significantly. As the NYU Furman Center report notes: “Lenders may fear that, if they foreclose on the property, they will be unable to rent both the primary residence and the ADU,” resulting in less favorable financing or outright opposition. Homeowners may also face difficulty selling their own home, as the house and ADU bear restrictions lacked by competitive properties, such as duplexes. They would thus be unable to recoup the full value of their property should a nonresidential buyer be interested. This comes on top of what Brown and Watkins identify as an already significant gap in appraisal practices that often prevents ADUs from being measured appropriately in home valuation.²¹

Furthermore, while ADUs are usually constructed by owner-occupants with owner occupancy in mind, they are most attractive when they can accommodate a variety of contingencies. Young retirees who build an ADU intending to live with family or move into the smaller unit and rent out the bigger house may find themselves in need of more professionalized care than is available in most home settings. The family they were planning to live with may need to move. In any of these conditions, the house would shift from an asset to a liability, as the property owner would be precluded by the owner-occupancy restrictions from renting out both the main house and the accessory unit. They would be forced to either leave the house vacant and unattended, or to sell it.

Furthermore, as the NYU Furman Center roundtable participants noted, ADU owner-occupancy would, in many cases, introduce a unique restriction to properties. There generally are no such restrictions banning owners of a single-family home from renting it to others, and duplex units rarely come so bound either.²² Portland, Oregon, has one of the strongest ADU development markets in the country, and notably lacks an owner-occupancy requirement. Such liberalization is fairly rare, however, as owner-occupant requirements are widespread.

In some cases, governments considering ADU legalization want to go even further, and restrict to whom the property can be rented, or whether it can be rented at all. Most often, these restrictions come in the form of requiring ADU occupants to be related to the homeowner for the unit to be used

21. Martin John Brown and Taylor Watkins, “Understanding and Appraising Properties with Accessory Dwelling Units,” *The Appraisal Journal*, Fall 2012. <https://accessorydwellings.files.wordpress.com/2012/12/appraisingpropertieswithadusbrownwatkins-nov2012.pdf>

22. Been, Gross and Infranca, 2014.

as a residence. Total or near-total rental bans are likely to chill the construction of ADUs significantly and foreclose any of the benefits they provide.

SHORT-TERM RENTALS

ADUs are interesting platforms to evaluate with regard to short-term rentals, both because of their natural suitability to the use and because even ADU advocates sometimes are made uncomfortable by the use. Because ADUs are independent dwelling units, they have the potential to be more appealing to some renters and homeowners who prefer not to live quite as intimately with visiting strangers. Because ADUs are dependent, they share any neighborhood attractiveness equally with their primary dwellings. ADUs equipped with kitchens allow renters to cook for themselves, which may be a particular advantage in the eyes of short-term renters, who are more likely than hotel guests to stay for multiple days.²³

For advocates who see ADU growth as a provision of affordable housing and a relief valve on constrained regional supply, the seeming diversion of ADU stock into short-term rentals is feared to be a distraction, or even counterproductive. In tourism-heavy cities, some voice concerns about residential neighborhoods hollowing out in community and character as owner-occupied residences convert into short-term rental pads with a constantly rotating cast of characters.²⁴ Santa Cruz, California, which has been one of the most aggressive cities in liberalizing its ADU regulations and promoting ADU production recently revised its laws specifically to outlaw ADU short-term rentals going forward.²⁵ Austin’s new, more liberal ADU law restricts short-term rental of ADUs to 30 nights a year, and prohibits it on properties that aren’t occupied by the owners.²⁶

Survey respondents have said that one of the central appeals of ADU construction is their flexibility.²⁷ Though the upfront costs are considerable for a homeowner, they can justify that investment by the ADU’s potential to bring in additional income; to use as a home office or extra living space for a growing family; or to be used by adult family members as needed. Short-term rental services can expand that flexibility further by not requiring homeowners to lock their ADU

23. Andrew Moylan, “Roomscore 2016: Short-term-rental regulation in U.S. cities,” R Street Institute, March 16, 2016. <http://www.rstreet.org/policy-study/roomscore-2016-short-term-rental-regulation-in-u-s-cities/>

24. Martin John Brown provides one of the best detailed considerations of these claims: <https://accessorydwellings.org/2016/04/04/adustr/>

25. City of Santa Cruz, Ordinance No. 2015-15, Nov. 10, 2015. <http://www.cityofsanta-cruz.com/home/showdocument?id=46552>

26. Jennifer Curington, 2015.

27. Brown and Palmeri, 2014.

into a long-term lease, but rather to use it for income purposes on an as-needed basis.

SPECIAL CHALLENGES

In contrast to almost all other housing production and construction, ADUs are primarily built by homeowners, not professional developers. While professionals generally regard regulatory compliance costs to be expected, if often frustrating, homeowners trying to build accessory units are unlikely to have much familiarity with the permitting and compliance process. Cities looking to take advantage of accessory dwelling unit production will need to make their process as transparent and easily navigable as possible.

Toward this end, Santa Cruz, California produced an “ADU Manual” that offers step-by-step instructions to complete the ADU permitting and construction process successfully. Santa Cruz also maintains a set of draft architectural plans to get interested homeowners started, and even goes so far as to offer financing assistance for those willing to commit to renting the unit at affordable rates for 15 to 20 years.

Portland, Oregon, meanwhile, has maintained a relatively libertarian regulatory environment, relieving homeowners from having to forecast for and navigate parking requirements, owner occupancy rules, or many other often-imposed constraints. It allows widespread building of ADUs by right, so homeowners are not required to convene public hearings on the subject of planned construction on their property.

Local governments that desire to take advantage of accessory dwelling units should take care to write their codes and policies into as easily accessible a format as possible, and make that information widely available.

CONCLUSION

At a time when many housing markets are experiencing severe supply constraints and housing affordability is under stress nationwide, accessory dwelling unit legalization represents a low-profile free-market solution that requires little from government actors beyond getting out of the way. Production is undertaken by private actors on their own property, and diversifies a local housing stock without introducing large potentially contentious or character-transforming multifamily buildings to a single family neighborhood. This incremental infill further empowers homeowners by allowing them to increase the value of their property and receive an additional income stream. It offers renters more neighborhood options and cheaper rents.

While there are federal-level financing reforms that could further ease ADU development, local governments usually have all the tools they need to take advantage of ADU con-

struction without asking permission or seeking assistance from any higher bureaucracy. Reforming outdated zoning systems to accommodate the changing needs of American households, including the return of multigenerational living arrangements, should be an urgent priority. Such reforms should take care not to introduce new and unnecessary regulations, such as owner-occupancy requirements and short-term rental bans. These could chill the market’s response to ADU legalization.

Accessory dwelling units will not solve housing affordability crises by themselves, nor will they be suited to widespread adoption in every market. But there is little reason for towns and cities to persist in outlawing a flexible housing form that was widespread in the first half of the 20th century, just because it fell afoul of trendy regulations in the second half. The American built environment was notably adaptable throughout the growing country’s many changes up until the postwar land use codes were imposed and accumulated. Given the significant national changes still unfolding, land-use and building regulations need to provide as much adaptability and flexibility as cities can provide. Legalizing accessory dwelling units should be a simple way to engage that process.

ABOUT THE AUTHOR

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www.strongtowns.org

If You're Going to Allow ADUs, Don't Make It So Hard to Build One

7-9 minutes

Granny flats, garage apartments, mother-in-law suites: call them what you like. Accessory Dwelling Units (ADUs) are beloved in the planning profession and among affordable housing advocates, and for good reason. These modest homes, often the size of a studio apartment, can be found in the backyard of a larger house, attached to or above the garage, or attached to another home but with a separate entrance. They are a wonderful way to make it possible for more people to live in in-demand neighborhoods without dramatically changing those neighborhoods' visual character.

Whereas new apartment buildings or other larger structures can be met with fierce resistance from nearby homeowners, ADUs ought to, in theory, be more palatable to these residents than high-density infill in their neighborhoods. The reason is simple: a street lined with attractive single-family homes with ADUs half-hiding in the backyards still looks and feels and operates a lot like, well, a street lined with attractive single-family homes.

ADUs are a way to gently and incrementally make a neighborhood less exclusionary. They are a relatively affordable rental option for those who do not wish to or have the resources to become homeowners. They are a valuable source of income for their landlords, who are usually established residents, as opposed to developers who may have no ties to the neighborhood or even the city. ADUs add pedestrians to the sidewalks, customers to local businesses, and dollars to the tax base that pays for city services. And they do all of this while making more efficient use of infrastructure that already exists.

ADUs are a quintessentially Strong Towns approach to urban growth and affordability issues: bottom-up, decentralized, incremental, scalable and adaptable. They exemplify the principle of steady, distributed neighborhood change as the antidote to sudden, disruptive neighborhood change.

And yet, in practice, very few cities have seen a sizable number of new ADUs built in recent years. Most existing ones still date to eras like the 1920s, in which urban neighborhoods were still designed for walkability and without such restrictions as parking requirements, strict maximum densities and minimum lot sizes.

A key reason that ADUs aren't spreading like wildfire, even when affordable-housing concerns are, is that most recent efforts to allow ADUs come with a long list of stipulations whose end result is to make building one into a project that's prohibitively expensive, complicated, and/or risky for all but a few homeowners.

An ordinance on the table in Raleigh, North Carolina is a great example of this. [The Raleigh News-Observer's Anna Johnson explains:](#)

The recommended rules outline a special district that would allow backyard cottages, but only after a resident applies for it and a majority of 10 acres worth of the applicant's neighbors agree to the district. The recommendation also outlines how close the backyard cottage can be to other properties and how big it can be. It also regulates lighting and parking.

The rules wouldn't allow the cottages to be used for short-term rentals like AirBNB and would limit the occupancy to two adults.

Unfortunately, Raleigh is the norm rather than the exception when it comes to ADU rules. Most cities that have nominally allowed ADUs have saddled them with so many restrictions that nearly everyone who might actually put one on their lot is deterred from doing so. ADU researcher Martin John Brown [runs through a litany of fine-print obstacles:](#)

- *ADUs not allowed "as of right": when a homeowner must go through a special "conditional use" or "discretionary action" process before their ADU can be permitted, it makes the whole ADU development project more of a gamble.*
- *Minimum lot size required: ADUs are often prohibited on smaller lots.*
- *Offstreet parking required for an ADU: in places with small lots, it may be impossible to find the room to place new dedicated parking spaces. Meanwhile, there is [no evidence that ADUs contribute to neighborhood parking problems](#).*
- *Owner occupancy is required on the property: this requirement reduces the flexibility of future uses of the property, which may be a discouragement to development in the first place.*
- *ADUs must meet affordable housing terms (rare).*
- *Permits and systems development charges (SDCs) are extremely expensive.*

- *Design constraints: common and widely accepted conditions about ADUs concern their maximum area and height, their distance from property lines, their style in relation to the primary dwelling, etc. These may act as barriers for some homeowners.*

We can observe something like a controlled experiment in ADU building by looking at Portland, Oregon and Vancouver, British Columbia: two cities which (despite the international border and a few hundred miles separating them) have similar climates, similar built environments, similar cultures of environmentalism and left-leaning politics, and similar housing affordability challenges. In a CityLab article from 2017 titled "[How Cities Get Granny Flats Wrong](#)," Bryn Davidson answers her title's question by means of photographic negative: explaining what Vancouver actually got *right*. Starting in 2009, the city allowed ADUs nearly citywide, on what totaled more than 65,000 lots. No additional parking was required, no public hearing or approval from neighbors, and no expensive or cumbersome design requirements. You can build an ADU on just about any residential lot in Vancouver, behind just about any style of house.

The result? ADUs have proved *spectacularly* popular in Vancouver. As the [Sightline Institute documents](#), the city is adding more than 1,000 of these small, affordable homes every year, and the total share of single-family houses with legal ADUs is up to a staggering 35%.

What about Portland, on the other hand? Portland was an early adopter when it came to allowing ADU construction: they've been allowed as-of-right (i.e. without going through a lengthy petition process and public hearing) since 1997. However, very few were built up through 2010. Since 2011, [Kol Peterson documents](#), the number of permits per year has skyrocketed from under 100 to over 600. What changed in 2010 was simple: the city eliminated System Development Charges, a form of [development impact fee](#), for new ADUs, shaving thousands of dollars off the cost of creating one. Since then, Portland has also loosened design and size requirements for ADUs.

The biggest hurdles to building an ADU may be things that don't directly have to do with the zoning code. The ease or difficulty of financing, access to design professionals and contractors (or easily replicable templates), and the knowledge and confidence required to undertake a major project in your own backyard all have roles to play.

The next frontier for cities that really want to enable gentle, incremental development in their neighborhoods should be finding ways to help with these challenges. For example, [pre-approved templates](#) can take much of the uncertainty out of the permitting process. And novel business models can help with financing. A startup called Dweller [will build an ADU for you on your land](#) and take a cut of the monthly rent.

ADUs are a scalable, incremental response to high demand and high prices in cities. But this is only true if we allow the conditions for people to build them at scale: by the hundreds, not the dozens.

(Cover photo: Radcliffe Dacanay via [Flickr](#).)

Accessory Dwelling Units:

A Smart Growth Tool for Providing Affordable Housing

By Jaimie Ross, President & CEO of the Florida Housing Coalition

An accessory dwelling unit (ADU) is a residential unit that is secondary to the primary residence of the homeowner. It can be an apartment within the primary residence or it can be an attached or freestanding home on the same lot as the primary residence. The concept of an accessory dwelling unit is to have an additional complete residence, meaning a place for sleeping, bathing, and eating independent of the primary home. An ADU is a tool for providing affordable rental housing and promoting smart growth. These smaller housing units are typically infill units built where there is existing infrastructure, making greater use of the already developed land.

The Value of an Accessory Dwelling Unit

An accessory dwelling unit creates affordable housing in two ways: the secondary (accessory) dwelling is a small rental unit that will ordinarily rent at a price within the means of lower income persons; at the same time, the rental income from the accessory dwelling unit can render the primary residence more affordable by virtue of the income it generates for the resident owner of the primary residence.

Ordinarily, the accessory dwelling unit is smaller than the primary residence of the homeowner. But, if permitted by the local government, the owner may choose to live in the smaller unit and rent out what was the primary residence. At first blush this arrangement may seem odd, but in the case of a family that now has a single elderly member living on a fixed income, this arrangement can provide the perfect affordable living solution; a more appropriately sized living space and a higher rental income.

AARP engaged the American Planning Association (see resources sidebar on page 20) to develop a model state act and local ordinance as a resource for meeting the affordable needs of elder Americans. ADUs are particularly well suited for lower income elderly because in addition to increasing affordability, the elderly homeowner may also obtain companionship and needed services from the tenant in the ADU. The use of ADUs can assist the elderly to “age in place”. An example of this cited in the Public Policy Institute publication is from Daly City, California:



This cottage is an example of a detached accessory dwelling unit built in the side/backyard with roof lines, colors, and architectural design that matches the larger primary home.



“One homeowner with Alzheimer’s was able to trade ADU quarters for medical services from an ADU tenant, a nurse, who was also delighted by the arrangements.”

Permitting accessory dwelling units is a way for government to create an environment in which the private sector can produce affordable housing, without having to invest public dollars. Removing the land use barriers which prevent accessory dwelling units from being built may be all that local government needs to do for affordable accessory dwelling units to be built. This is an example of how regulatory reform can increase the supply of affordable housing.

However, if the purpose in permitting accessory dwelling units is to increase the supply of affordable housing, local governments need to be thoughtful about the manner in which ADUs are permitted. Without conditions placed upon the use of ADUs, the garage apartment in an expensive or desirable area could end up an “illegal use” such as a Bed and Breakfast. If local governments want to encourage the production of ADUs for affordable housing, a loan program to assist the homeowner in developing the unit is an effective way of providing an incentive for development together with an assurance of affordability through a recorded land use restriction agreement made in conjunction with the loan.

Obstacles to Accessory Dwelling Units

Traditional “Euclidian” zoning separates land uses in a way that prohibits more than one single residence on a platted lot, regardless of the acreage. If two or more residences are situated on a single lot, they would need to be in a more intensive residential zone, such as one that permits duplexes or multi-family housing.

Some single family zoning may permit an accessory dwelling unit, but require that special circumstances be shown to warrant the use, such as a unit limited to use as a “granny

flat” or “mother-in law” suite to accommodate immediate family members. The local zoning code may also limit the accessory dwelling use by proscribing separate metering of the accessory dwelling unit. In short, there may be a number of land use regulations to overcome. Another obstacle to ADUs may be neighborhood or community resistance. The owners of single family homes may object to having renters in their neighborhood; they may fear increased traffic and parking, or perceive a threat to their property value.

Promotion of ADUs as an Affordable Housing Strategy

When the SHIP Legislation was adopted in 1992*, included in the list of regulatory reform items for consideration by all SHIP jurisdictions (all counties and entitlement cities in Florida), was permitting accessory dwelling units in all residential areas. Most jurisdictions did not opt to include this incentive, but a number of jurisdictions in Florida do make some provision for accessory dwelling units.

In 2004, Chapter 163 Florida Statutes, was amended to include Section 163.31771 entitled “Accessory dwelling units.” The law encourages local governments in Florida, especially those in urban areas, to permit accessory dwelling units in all areas zoned for single-

family residential use. The purpose of this legislation is to increase the production of affordable rental housing. To that end, the statute provides that “an application to construct an accessory dwelling unit must include an affidavit from the applicant which attests that the unit will be rented at an affordable rate to extremely low income, very low income, low income or moderate income person or persons.” The statute also states that each affordable accessory dwelling unit shall apply toward satisfying the affordable housing component of the housing element in the local government’s comprehensive plan. Local governments in Florida are, of course, empowered to permit accessory dwelling units without this statute, but the statute brings this underutilized tool to the fore and makes

Permitting accessory dwelling units is a way for government to create an environment in which the private sector can produce affordable housing, without having to invest public dollars.

explicit the connection to local government comprehensive planning obligations.

Considerations for ADU Ordinances

Accessory dwelling units could be permitted without adoption of a separate ordinance by simply having accessory dwelling units enumerated as a permitted use within the single family residential use category. It is unlikely, however, that this will be the chosen vehicle, as it fails to provide the parameters for the development and use of accessory dwelling units, which are key to successfully balancing the production of affordable rental housing with the concerns of the existing single family homeowners.

Virtually all ADU ordinances require that the owner reside in either the primary or the secondary unit. But there are a number of issues that can be decided differently depending upon community needs. All programs for the development of ADUs should consider the following:

- **Conditional use or “by right”** – If the ADU is a conditional use, a public hearing would be required – this makes the process more difficult for the applicant, but provides a forum for input from the neighborhood. If the ADU is “by right” it is a permitted use and, provided the application meets the requirements in the ordinance, it will be approved administratively, without public hearing.
- **Permitting process** – To encourage the development of ADUs, local government can create a user friendly process for construction which includes expedited processing (a requirement under the SHIP program), a manual to help the homeowner, and a staff person charged with overseeing the program.



This is an example of an attached accessory apartment in the back of this single family home. Neither the accessory apartment or the off-street parking are visible from the front of the house.

- **Size regulations** – ADU ordinances commonly have a minimum lot size for the total parcel and a maximum ADU size. The goal is to maintain the aesthetic integrity of the single family neighborhood. Performance standards rather than arbitrary size limitations may better address neighborhood concerns.
- **Design requirements** – To ensure compatibility and maintain the aesthetic character of the neighborhood, an ADU ordinance may set forth minimum design standards and have architectural review requirements.
- **Parking requirements** – To avoid parking problems in an urban area, the ordinance may require that there be sufficient on-street parking or off-street parking, or may require that parking be at the back of the residence.
- **Type of unit** – Different considerations may apply if the ADUs are within the primary residence, such as a basement apartment; attached to the primary residence, such as a garage apartment; or detached from the primary residence, such as a cottage.
- **Occupancy restrictions** – Some ordinances may prescribe the maximum number of people who can live in the ADU or the type of renters, such as limiting the rental to relatives or the elderly.
- **Incentives to produce ADUs** – Loans for the production of the ADU may make it easier to monitor for affordability and assist the local government in directing applicants on its rental waiting lists to affordable ADUs.
- **Monitoring** – Some ADU programs have an annual affidavit requirement or other means for monitoring whether the ADU continues to be used in accordance with the local ADU requirements.



ADUs do not have to be an afterthought. New construction of single-family homes could also include construction of an ADU. "Carriage houses" accessible from alleys are commonly found in the "New Urbanism" or Traditional Neighborhood Design. But without an ADU ordinance requirement that these units be affordable, the carriage houses in this "new urbanism" community exceed affordable rents, as the desirability of the traditional neighborhood design development drives housing prices out of the affordable range.

One of the keys to a successful program is the information and technical assistance provided to the community and the prospective developer/owner of an ADU. To ensure the success of its program, Montgomery County, Maryland has a guidebook to assist applicants through the permitting process for accessory apartments. The County also assists the applicant by having a staff person assigned to help applicants through the process.

In 2004, the Environmental Protection Agency gave the city of Santa Cruz California the National Award for Smart Growth Achievement for its Accessory Dwelling Unit Policies and Regulations, which includes a manual for developing ADUs, including architectural designs. You can access the Santa Cruz manual and ADU prototypes on line at: <http://www.cityofsantacruz.com/home/showdocument?id=8875>

If your local government would like technical assistance to help develop an accessory dwelling unit ordinance or navigate the issues to be addressed with accessory dwelling unit ordinances, contact the Florida Housing Coalition at (850) 878-4219, or Jaimie Ross at ross@flhousing.org HNN

*Florida Statute 420.9076 (4) "At a minimum, each advisory committee shall make recommendations on affordable housing incentives in the following areas: (e) the allowance of affordable accessory residential unit in residential zoning districts.



JAIMIE ROSS

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Resources for ADU Models

"Accessory Dwelling Units: Model State Act and Local Ordinance," Public Policy Institute, Rodney L. Cobb & Scott Dvorak, American Planning Association
http://assets.aarp.org/rgcenter/consume/d17158_dwelling.pdf

Examples:

Massachusetts Smart Growth Toolkit Bylaws
<http://www.horsleywitten.com/services/planning/smart-growth-low-impact-development/>

Santa Cruz California ADU Manual
<http://www.cityofsantacruz.com/home/showdocument?id=8875>

State of Georgia (Department of Community Affairs)
http://www.dca.state.ga.us/intra_nonpub/Toolkit/ModelOrdinances/TND_ModOrd.pdf

Municipal Research & Service Center of Washington "Accessory Dwelling Units Issues and Options"
<http://mrsc.org/getmedia/54c058a5-4d57-4192-a214-15f2fa5ac123/ADU30.pdf.aspx>

Vermont "Accessory Dwelling Units: A Guide for Homeowners"
http://accd.vermont.gov/sites/accd/files/Documents/strongcommunities/housing/2013Edition_Accessory_Apts_Brochure.pdf

Accessory Dwelling Units: Model State Act and Local Ordinance
<http://www.docdatabase.net/more-accessory-dwelling-units-model-state-act-and-local-ordinance-577683.html>

Accessory Dwelling Units Report to the Florida Legislature
http://landuselaw.wustl.edu/Articles/ADU_Report.pdf

City of Santa Cruz Accessory Dwelling Unit Development Program
<http://www.cityofsantacruz.com/departments/planning-and-community-development/programs/accessory-dwelling-unit-development-program>