

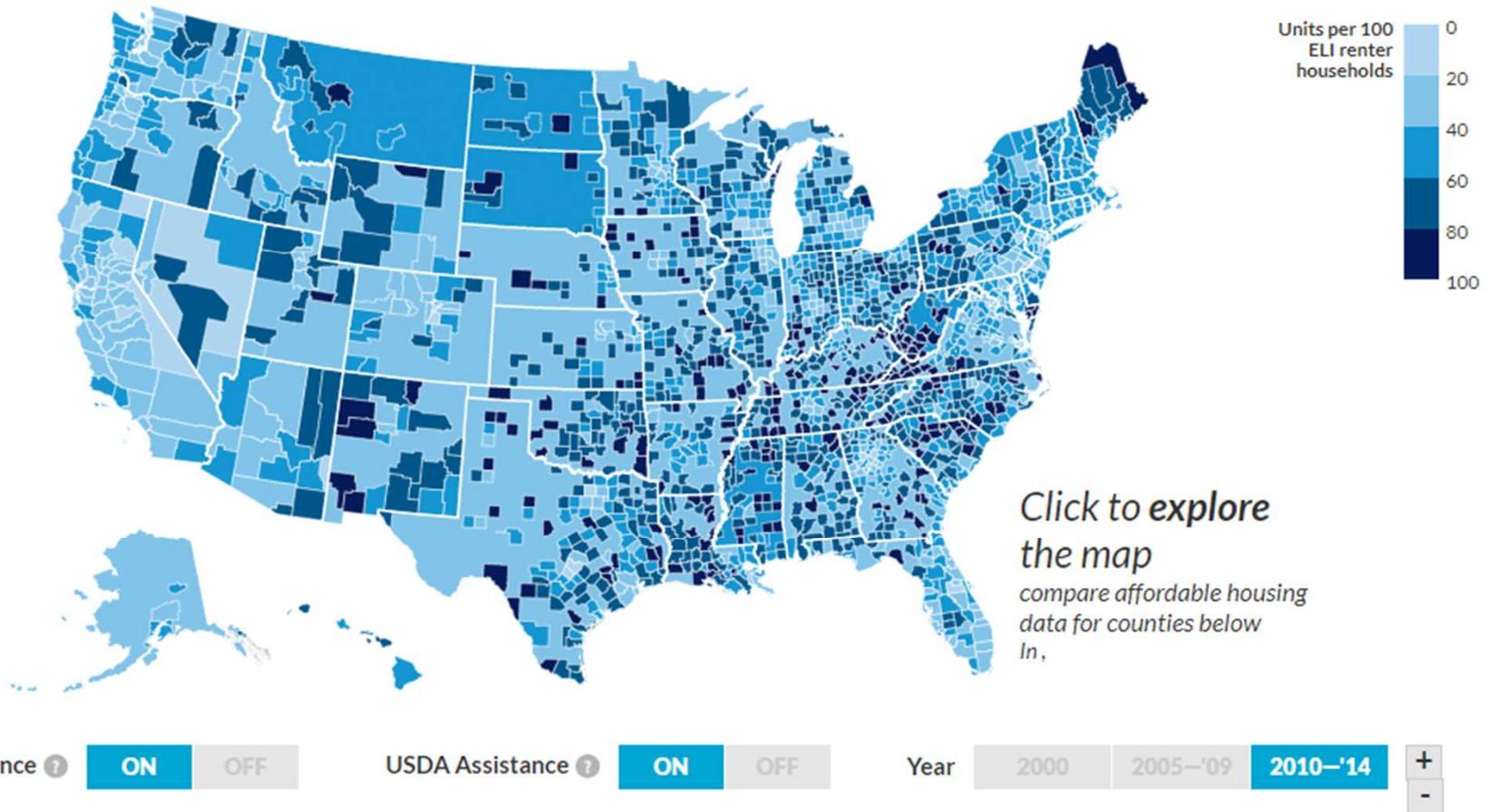


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Accessory Dwelling Unit Regulations and their Equity Implications

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The US is facing a housing affordability crisis



Source: Urban Institute, Mapping America's Rental Housing Crisis <https://apps.urban.org/features/rental-housing-crisis-map/>

Accessory Dwelling Units (ADUs) could help address this housing crisis

ADUs can help to increase housing supply without changing the nature of neighborhoods or cities



Source: buildinganadu.com

Potential benefits of ADUs



Additional homes in
areas that need
greater supply



Wealth building
opportunity for
homeowners



More inclusive
community which
benefits the local
economy



Opportunity to
age in place or
live with family

Source: ihg.com

However, cost, restrictive regulations, confusing permitting processes, and a lack of awareness have led to few ADUs in many cities

Select Cities/Counties

	Arlington, VA Pop. 236,842	Bloomington, MN Pop. 82,893	Boulder, CO Pop. 97,385	San Francisco, CA Pop. 881,549	Portland, OR Pop. 583,776	Washington, DC Pop. 705,749
Number of ADUs	45 between 2009 and 2020	1 permit between 2009 and 2020	230 permits between 1983 and 2018	884 permits between 2015 and 2018	3,464 permits between 2000 and 2018	151 permits
ADUs as a Percentage of Total Housing Units	0.03%	0.00%	0.51%	0.22%	1.23%	0.05%

Sources: [Whitehead \(2017\)](#); [Maxable \(2018\)](#); [City of Bloomington](#); [City of Boulder](#); [City and County of San Francisco Board of Supervisors \(2019\)](#); [Peterson \(2019\)](#); and ACS 2014-2018 5-Year Estimates

How a city regulates an ADU affects the ease of development

	Selected Cities					
	Arlington VA	Bloomington MN	Boulder CO	San Francisco CA	Portland OR	Washington DC
Selected policies						
<i>By right development</i>	Yes	No	Yes	Yes	Yes	Yes
<i>Minimum lot size</i>	No	No	Yes	No	No	No
<i>Owner occupancy requirement</i>	Yes	Yes	Yes	No	No	Yes
<i>Parking requirements</i>	No*	No	Yes	No	No	No
<i>Short term rentals permitted</i>	Yes	Yes	No	No	Yes	Yes

*parking for ADU only required if site has no off-street parking and on-street parking is in high demand



Conditional/Discretionary Review



Requires an application for permission to build an ADU with no guaranteed approval

- May involve neighborhood hearings, written justifications, and public weigh in

Unintended consequences

- Can cost between \$1,000 and \$30,000 for site plans, land use attorneys, and fees
- Adds time and uncertainty to the process

Alternatives

- By right development for ADUs
- Easier process for a homeowner to know if an ADU is allowed in their property to begin with



Minimum lot sizes



Allowance of ADUs only on lots at least of a certain size

Unintended consequences:

- Invariably locks out lower income homeowners
- May allow ADUs only in areas with lower demand
- May induce development only in low density neighborhoods far from public transit



Source: buildinganadu.com



Size Limits



Limits on the size of an ADU based on a definitive size or proportional to the size of the main home

Unintended consequences

- Limit ADUs available for people with disabilities or families who may need larger spaces
- Can lock less-wealthy homeowners with smaller homes out of the market

Alternatives

- No size limits
- Limit based on definitive size rather than proportional to the size of the main home



Owner occupancy requirements



Requires the ADU owner to live in the ADU or main house

Unintended consequences

- Makes financing more difficult
- Reduces flexibility for the owner
- Not applied uniformly across all housing types (not required for single family homes)
- Difficult to enforce

Alternatives

- No owner occupancy requirements



Off Street Parking



Requires the ADU developer to provide a specified number of off-street parking spaces

Unintended consequences

- Makes it harder or impossible for small lot owners to build an ADU
- Can add \$3,000-\$5,000 cost per spot, excluding curb cuts
- Often scares off new small-scale developers

Alternatives

- No requirements
- Requirements based on review of on-street parking capacity
- Requirements based on proximity to transit



Restrictions on short-term rentals



Limitations on using ADUs for short-term rentals (like Airbnb)

Unintended consequences:

- Limits the flexibility appeal from ADUs for homeowners
- Can make financing an ADU in the short term challenging

Alternatives:

- Waive fees for all ADUs except those that are registered as short-term rentals
- Cap the number of days a unit can be used as a short-term rental
- Make regulations comparable to other residential housing forms in the city

Setbacks

Requires that an ADU be built a specific distance from the edge of the property

Unintended consequences

- Large setback requirements can make it difficult for ADUs to be built in neighborhoods that are walkable with smaller lots.

Alternatives

- Very small setback requirements
- Setbacks that vary depending on ADU height



Source: buildinganadu.com



Hookup and development fees



Impact fees, sewer and water hookup fees, and development fees charged by the city as part of the development process

Unintended consequences:

- Can add from \$10,000 to \$60,000 in unforeseen costs to a project

Alternatives:

- Waive impact fees (potentially in exchange for affordable rents)
- Allow ADUs to share sewer and water lines with the existing house to lower fees

How much does it cost to build an ADU?

Between \$20,000 and \$400,000 depending on:

- Local labor and construction costs
- Permitting and utility connection fees
- Design costs
- Type of ADU



Source: City of St. Paul

"In talking to more than 200 ADU owners, I've never met anyone who had financial regrets about building their ADU. In fact, it is common for owners to express that it was the most financially life-enhancing move that they ever made"

How to finance an ADU

Most common financing methods

- HELOCs
- Cash-out refinancing
- Savings
- Family loans
- Credit cards

Unique potential alternatives

- Subsidies and incentives for affordability
- Fee waivers
- Partnerships with CDFIs and smaller lenders

ADUs offer promise

But the regulations should be designed with equity in mind to ensure that they lead to inclusive and healthy neighborhoods and economies



Thank you!

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