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Accessory Dwelling Units: Game Changer for Homeowners, Communities

Backyards with extra space are being used beyond gardening and recreation. Small, detached structures or attached apartments offer the essentials of a home for extended family, caregivers, or paying tenants.

November 1, 2019 | by Barbara Ballinger

Homeowners are recognizing the untapped potential of maximizing a property's square footage by converting unused areas into living space. Basements and attics have long been hot spots for these transformations, but now so are backyards. Accessory dwelling units—small, detached outdoor structures built for living quarters—are sparking nationwide interest.

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The appeal of ADUs is that they're typically more affordable than a large addition. They also offer numerous living possibilities, from a grown child returning home after college to aging grandparents who want to remain independent but close to family. An ADU could also house a caregiver and provide more privacy than a room inside the home. They're the equivalent of a small apartment a stone's throw away.

Then there are nonfamily reasons making ADUs increasingly popular. ADUs are a way to provide affordable housing in markets where prices have skyrocketed. These small dwellings are a way for homeowners to host short- and long-term renters while continuing to live on site since many municipalities require owner occupancy to help retain a neighborhood's feeling of long-term ownership. Also, more cities are rewriting their zoning codes so single-family lots can accommodate one or even two such structures. "This will help meet demographic demands for one- or two-person households as nuclear families decrease in size," says Kol Peterson, who encourages acceptance of ADUs in his book, *Backdoor Revolution: The Definitive Guide to ADU Development* (Accessory Dwelling Strategies, 2018), and his website, buildinganadu.com.

The Rebirth of ADUs

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The concept of denser living on single-family lots isn't new. Ancillary buildings have long existed, though they were known by different names, says John Geary, who co-founded Abodu with Eric McInerney in Redwood City, Calif., a development company partnering with modular builders to construct ADUs. In the past, homeowners had carriage or coach houses to shelter their buggies and horses, and drivers sometimes lived on the premises. These structures became the first garages when cars were invented in the early 20th century; again, living quarters were often included.

But it took decades for accessory dwellings to reemerge and be used primarily for people. Geary pegs the uptick to the mid-2000s in response to the housing crisis, particularly along the West Coast's expensive cities such as Los Angeles and San Francisco. In Vancouver, which he describes as a mature ADU market, more than 35 percent of single-family homes have an ADU. There is no definitive U.S. number, Peterson says, but he estimates there may be 50,000 that are legally permitted and as many as 3 million without a permit.

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What's more significant, he says, is that the number may skyrocket. In Log Angeles, for instance, the average number of ADU permits issued from 2003 to 2016 was 95 permits per year. Since California's 2017 ADU legislation passed, the number of permits has climbed to 4,513 in 2019. The prime reason, which Peterson outlines in a recent blog post, is the regulatory changes that loosened rules to make municipalities more open to increased density on individual sites by eliminating some of the hurdles. For example, no additional off-street parking requirements are needed when a garage is converted, and HOAs can no longer bar ADUs.

The increase in ADUs can also be attributed to the increase in companies like Abodu offering readily available models. And, an even bigger game changer may be Airbnb's project Samara, which is working to develop units that can be dropped into yards to increase its short-term rental network, says Dror Poleg, a developer, co-chair of the Urban Land Institute's Technology and Innovation Council, and author of the forthcoming *Rethinking Real Estate* (Palgrave McMillan, 2019).

Due to their enhanced popularity, ADUs—or the possibility of one—are appearing as an amenity in more real estate professionals' listing materials. "Many buyers may not want one right away, but they want to know that the space exists and that their city or town will

allow it," says Dulcinea Myers-Newcomb, a broker with Aryne + Dulcinea with Living Room Realty in Portland, Ore., who has taken classes with Peterson to help homeowners understand what's required.

Myers-Newcomb cautions clients who might be interested in an ADU because they're not yet universally embraced. "Some buyers want them, but others will say, 'I had other plans for that space [in the basement] or out back' and lose interest in a listing with one," she says. She also notes that the return on investment is not always 100 percent.

6 Key Facts About ADUs

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Help educate clients about variables in cost, size, design, and municipal regulations, as well as how ADUs differ from tiny houses with these takeaways.

1. **Use.** The prime uses for ADUs is split between rentals and family needs. The majority of homeowners who want one for their family say it's for an affordable place to live, followed by the desire for extra space to work from home or pursue an activity or hobby (home gym, music space, art studio), says Geary. "It's definitely less

expensive to house family rather than buy a second home [in another location]," says Myers-Newcomb. So far, Peterson says there's a slight preference for detached rather than attached or internal ADUs, even though they're more expensive.

2. **Size.** ADUs are larger than tiny houses, which measure 400 square feet or less and may rest on wheels to travel. ADUs must be smaller than the main house on the property, though the main house can grow to accommodate a larger ADU on the site if the local code permits, according to developer and contractor Eli Spevak of Orange Splot LLC and Melissa Stanton of AARP Livable Communities. They co-wrote a booklet on the topic, *The ABCs of ADUs, A Guide to Accessory Dwelling Units*, which can be downloaded for free and offers a variety of ADU case studies with different sizes and looks. Most ADUs average between 500 and 800 square feet so they can comfortably accommodate a living room, bedroom, kitchen, and bathroom, says Geary. The goal is to have them be big enough for living quarters without taking up an entire backyard. Some states, like California, limit the size to 1,200 square feet. Ceilings in Geary's model are generally 11 feet, which makes them seem larger. His also include the option for a site-built deck.
3. 

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Construction. ADUs can be stick-built or prefabricated. A modular design can be erected quickly. Geary says his typical timetable is about three months. In addition to

speed of construction, another advantage is that companies like Abodu simplify the process by pulling permits and handling everything through the final installation. Because his models are constructed in California, they comply with that state's strict energy code and are sustainable with ample insulation and earthquake resistance. Though usually built with outside fiber cement walls, Abodu offers an option to upgrade to natural cedar. Next year the company will offer solar panels.

4. **Cost.** Costs vary depending on size, construction type, and the labor market where the ADU is built or installed. Abodu has worked to keep its price to $200,000, which includes everything needed to hand over the keys, Geary says. Peterson pegs the typical cost at $250,000 for ADUs in California and a slightly lower price in Oregon. But there are some less expensive versions. Many homeowners want to keep their costs to around $100,000, says Spevak, whose development company has made it their mission to pioneer new models of community-oriented, affordable, green housing. He says the average cost to convert an internal house space into an ADU is much less—about $50,000, though redoing a basement could climb higher depending on features and finishes.

5. **Return on investment.** To date, there is not enough data to calculate how ADUs increase a home's value. "They help with resale, but the increase won't yet cover the entire cost of the purchase or work done," Peterson says. For this reason, Myers-Newcomb urges homeowners not to add one right before they sell. "It takes time to recoup the investment," she says.

6. **Municipal regulations.** Any homeowner who's thinking about constructing an ADU in their backyard or carving out space within their home must check their municipality's regulations, since they vary widely. They usually require a permit and don't allow an ADU to be sold separately from the primary home. Real estate professionals can help clients by knowing local regulations in advance. Also, be aware that rules are changing, Peterson says. Besides passing reforms to reduce regulations on ADUs in recent years, California's current governor, Gavin Newsom, recently signed into law multiple bills that further relax rules to help ease the state's housing crisis. For example, two ADUs are now allowed on many properties and property setbacks have been pared to four feet, he says. Portland, Ore., has also loosened its rules, including

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removing owner occupancy and off-street parking requirements. In New Hampshire, a new law says that local zoning codes must allow ADUs nearly everywhere single-family housing is permitted. “The change stemmed in large part from the frustration of builders who couldn’t construct the type of amenities, such as backyard cottages and garage apartments, that their clients desired,” according to Spevak and Stanton’s booklet.

While today’s new take on ADUs is still in its infancy in many parts of the country, the innovation and perseverance of the current proponents will continue to usher in this innovative housing solution.

Barbara Ballinger

Barbara Ballinger is a freelance writer and the author of several books on real estate, architecture, and remodeling, including *The Kitchen Bible: Designing the Perfect Culinary Space* (Images Publishing, 2014). Barbara's most recent book is *The Garden Bible: Designing Your Perfect Outdoor Space*, co-authored with Michael Glassman (Images, 2015).

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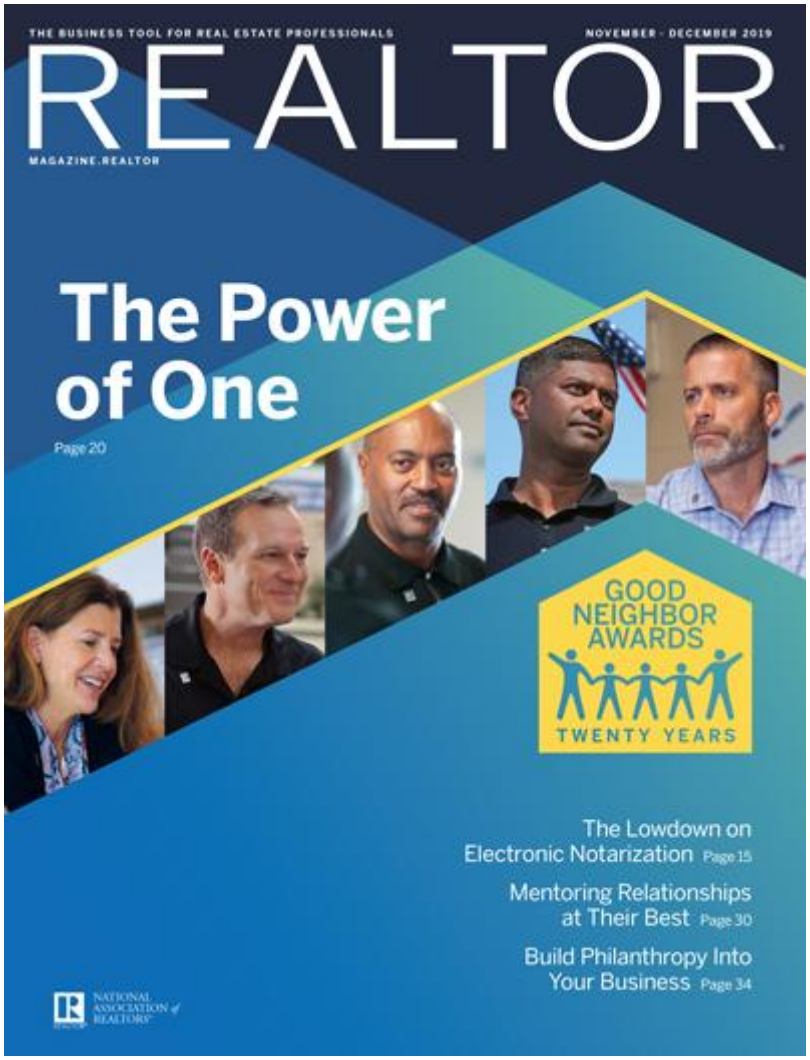

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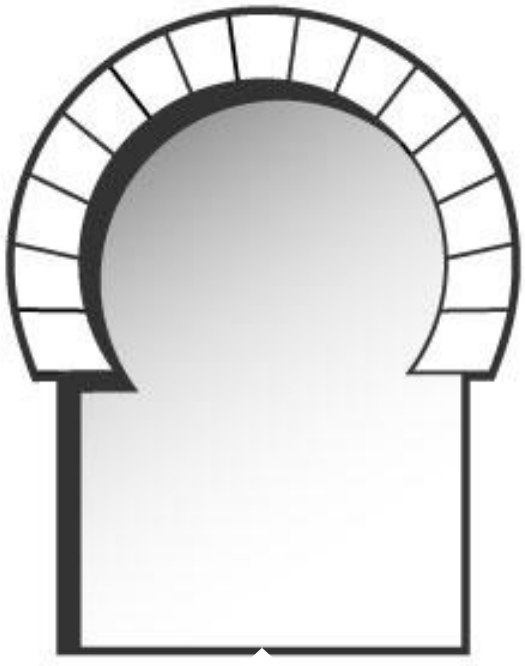

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