

How can ADUs boost the supply of affordable housing?

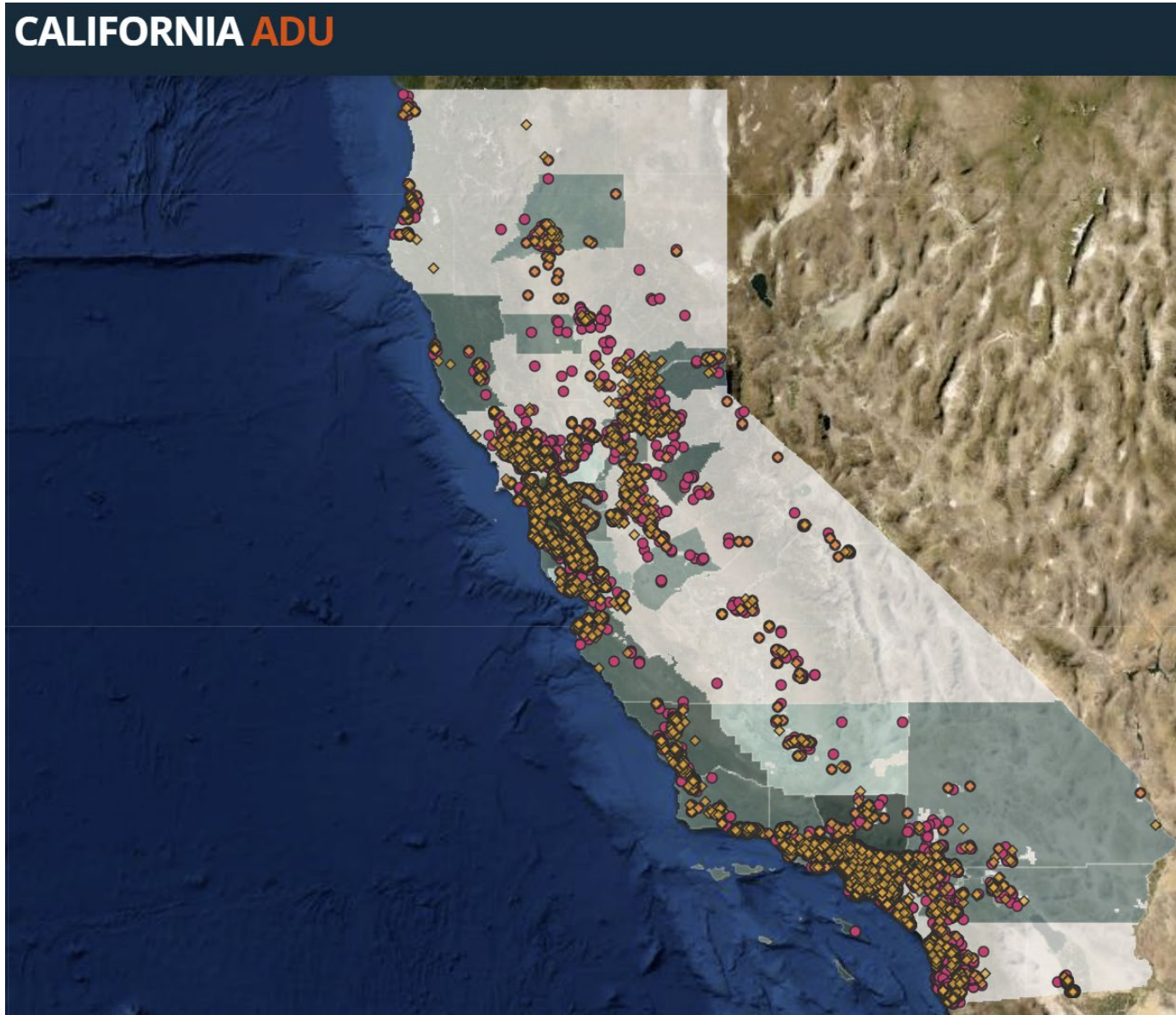
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State ADU legislation →

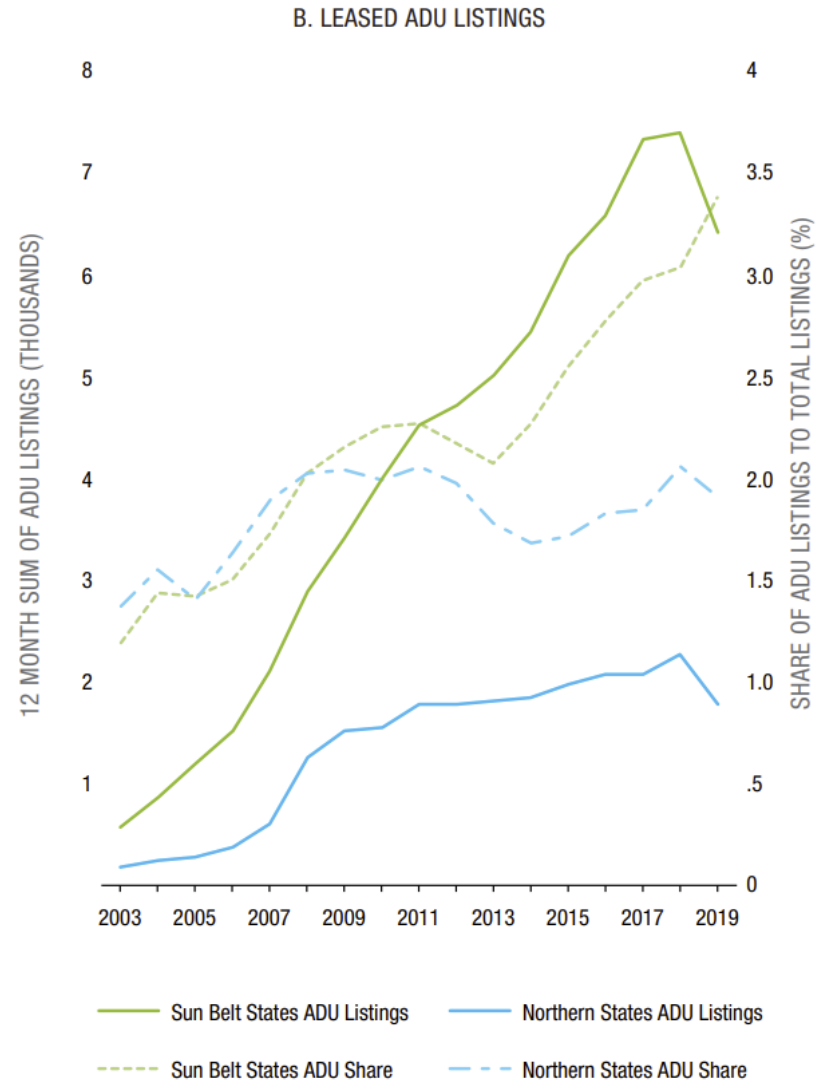
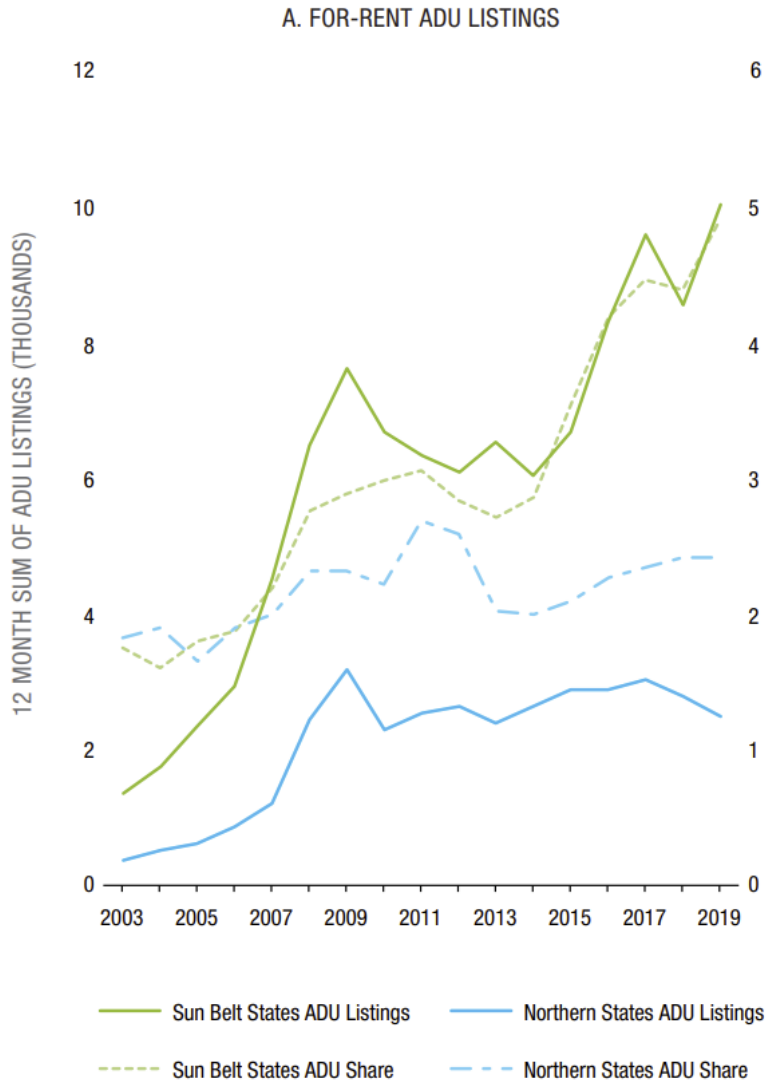
23K ADUs built, 34K permitted (2018-2020)



And it's not just California!

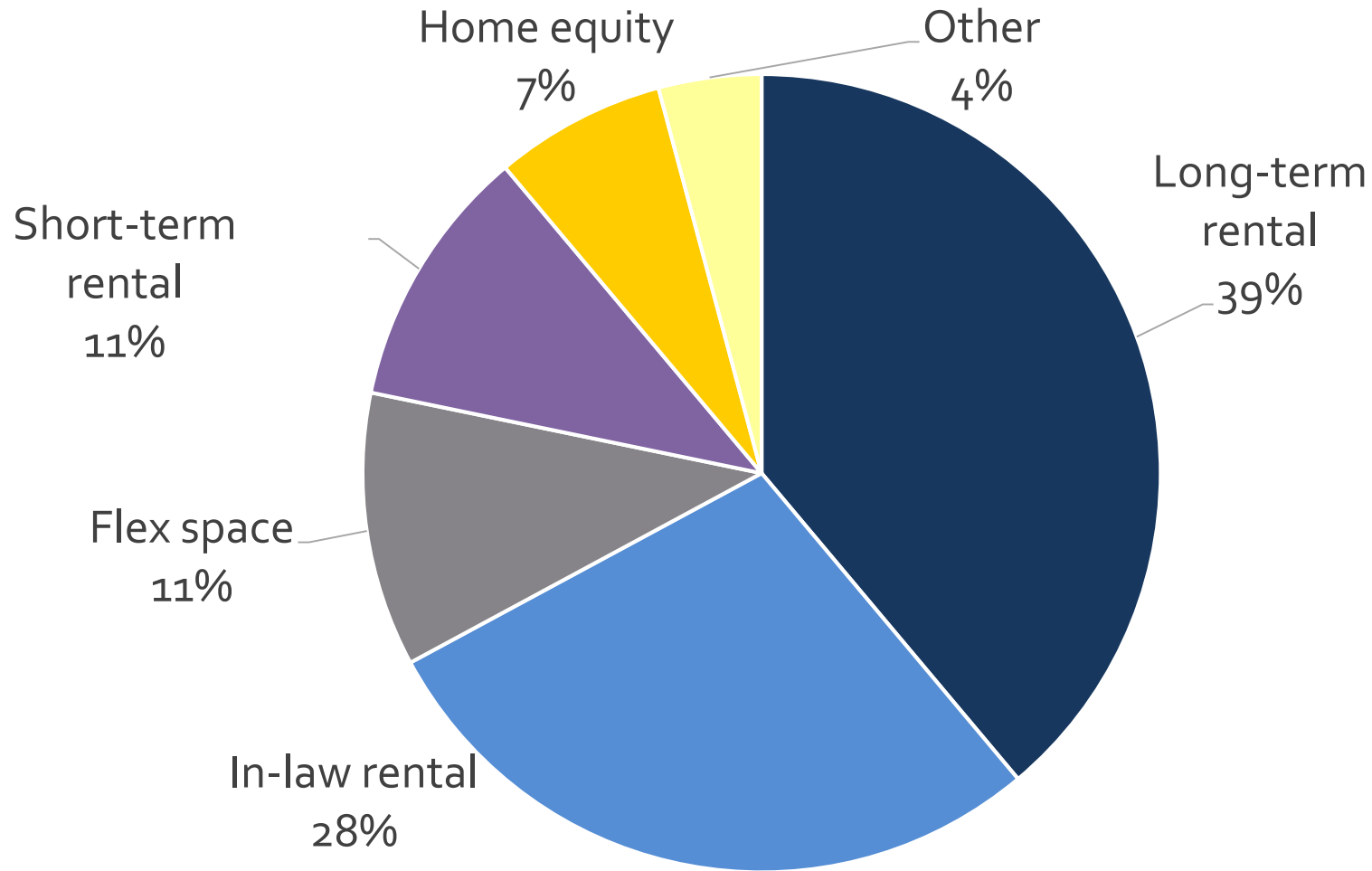
Inventory of ADUs for rent and leased, by region

Shares of rental listings for ADUs also rising more quickly in the Sun Belt than in the North.



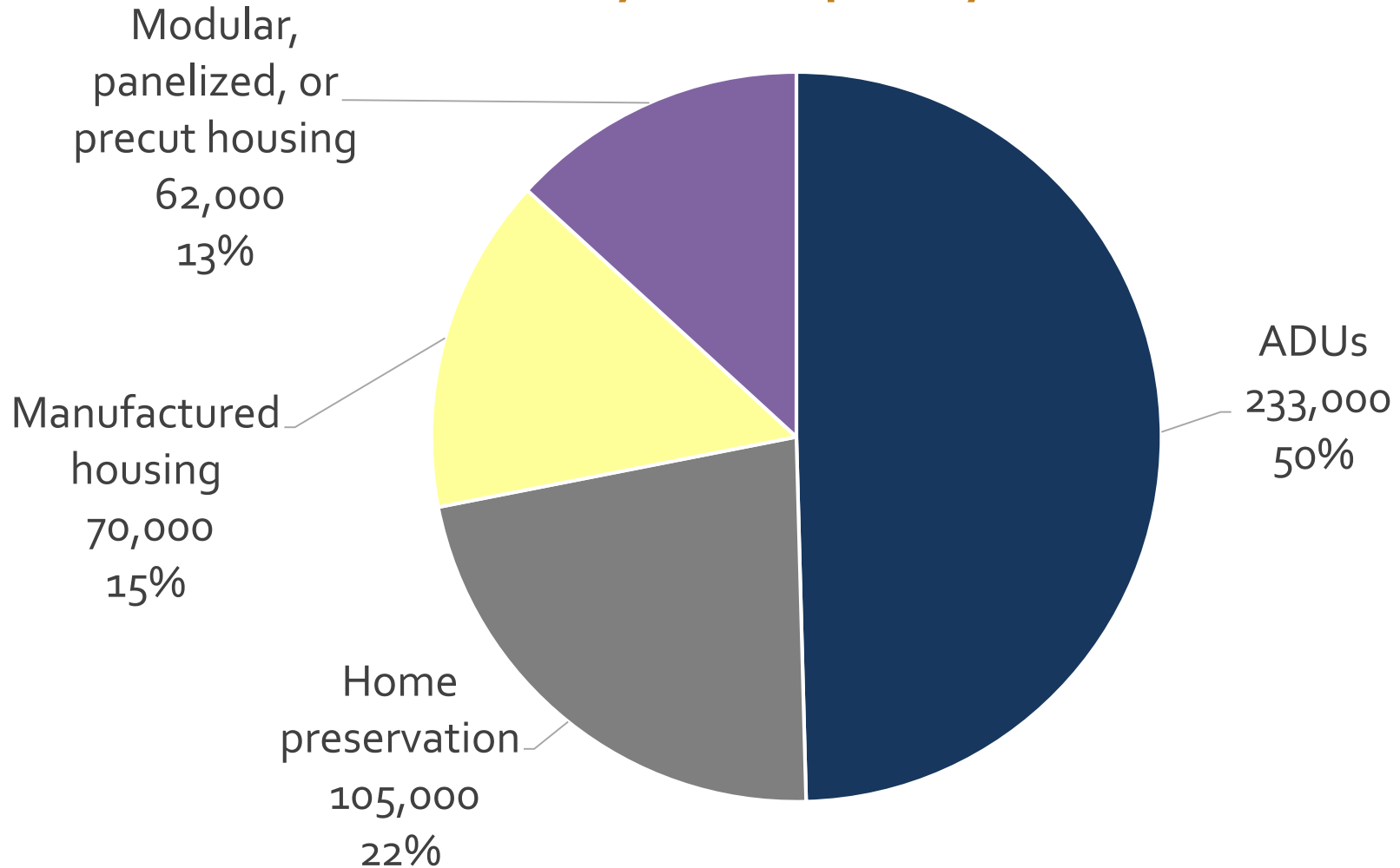
Source: Khater & Yao, 2020

Most ADUs are built as rental housing



Source: Chapple, Wegmann, Mashhood, and Coleman, 2017.

Potential new affordable units on single-family lots per year



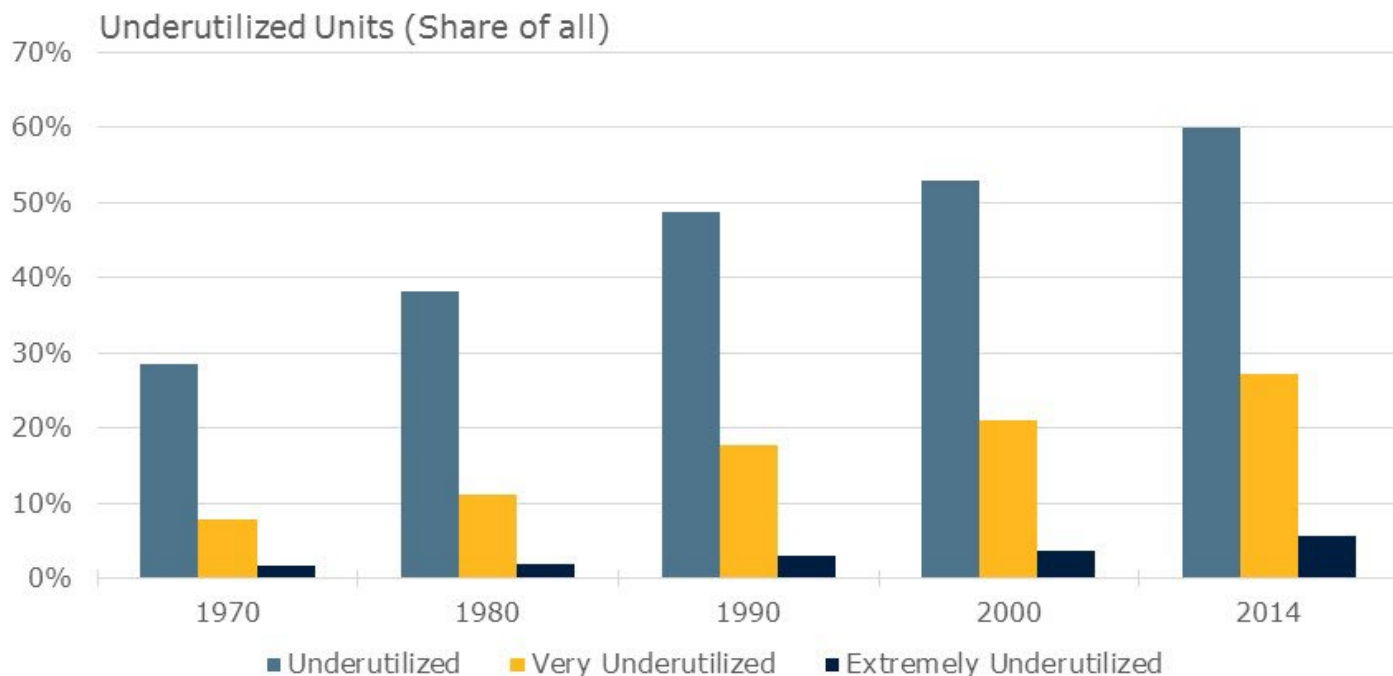
Source: Adapted from Kaul, Goodman, & Neal, 2021

ADUs are affordable by design

- Construction costs < 50% of single-family home
- Rents for less than comparable rental apartments on Craigslist
- Majority rent for less than market rate, even to arm's length tenants

ADUs address national problem of home underutilization

Large Shares of Homes have Excess Capacity



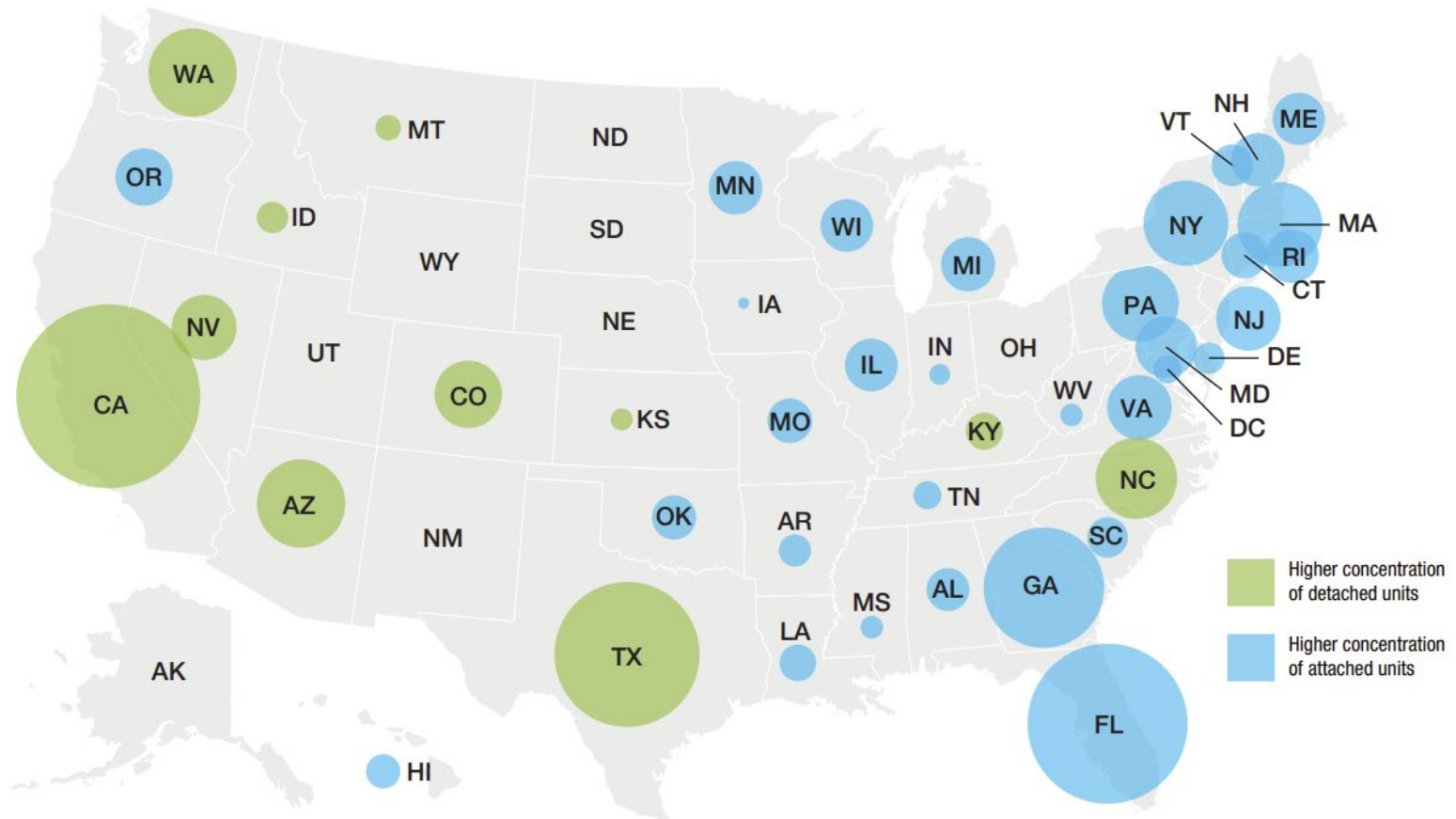
Notes: Includes only single-family detached, owner-occupied units with at least 2 bedrooms. Units are considered underutilized (very/extremely) if the number of occupants (occupants plus one/occupants plus two) is fewer than the number of bedrooms.

Source: Turner Center tabulations of US Census Bureau, Decennial Censuses and 2014 American Community Survey.

Detached ADUs work in some regions, attached in others

Concentration of attached or detached ADUs and their frequency of appearance

States with a higher concentration of attached units (blue circles) predominate in the East, while states with a higher concentration of unattached units (green circles) predominate in the West.



Source: CoreLogic MLS

Source: Khater & Yao, 2020

Even more affordability benefits

- Potential income stream for low-income homeowners
- Pathway to legality for unpermitted space
- Diverse housing types in affluent areas = fair housing
- Questions remain: housing discrimination and tenant protections

Financial barriers remain

- Almost half of homeowners use cash or credit cards to finance
- Conventional loan products not designed for ADUs
 - Inability to underwrite against unrealized rents
 - Limits on equity use and time

	High-Income	Low-Income
High Home Equity	Cash-Out Refinance or Home Equity Loan/HELOC	Special FHA, Reverse Mortgage, or Fannie Mae Loan Products
Low Home Equity	Renovation Loan	Cash Savings and Personal Resources

Level of Difficulty Finding and Qualifying for Loan Products:

Least Difficult



Most Difficult

Role for state and federal governments

- States must reduce regulatory barriers
- FHFA regulatory relief
- Education to increase awareness among homeowners
- Building capacity of local governments and design-build industry