



ADUs as a Strategy for Increasing Housing Supply in Middle Neighborhoods

Moderator: Marcia Nedland

Organizer, Middle Neighborhoods Community of Practice





Tell us
about you!

- ☐ Nonprofit
- ☐ Gov't local
- ☐ Gov't state
- ☐ Gov't federal
- ☐ Intermediary
- ☐ Consultant
- ☐ Realtor
- ☐ Financial institution
- ☐ Academic institution



Middle Neighborhoods Initiative

A National Initiative focused on mobilizing attention to reverse the disappearance of middle neighborhoods through decline or gentrification. The initiative does this through:

- Community of Practice : practitioners, policy, researchers
- Research: topics relevant to middle neighborhoods
- Policy Analysis and Advocacy : housing, lending, community dev
- Communications strategies: advancing awareness

Coordinated by **National Community Stabilization Trust** and Neighbor Works America and advised by a Steering Committee of 20 prominent researchers, practitioners and policy makers



Characteristics of Middle Neighborhoods

- Mostly single-family homes built for families with children.
- Still well more than 50% owner-occupied, but slowly eroding.
- Housing stock is aging, still in generally acceptable condition, but often lacks features and updates to compete well for today's homebuyers.
- More racially, ethnically and economically diverse.



stabilizationtrust.org





<http://middleneighborhoods.reomatch.com/>

Click [here](#) to learn more about defining Middle Neighborhoods

Refresh Your Map | Zoom ▾ | Questions or feedback?

Choose a 2014-2018 layer to display

2018 City Test 1: 60-100% CMI

2018 City Test 2: 80-120% CMI

2018 National Test 1: 60-100% NMI

2018 National Test 2: 80-120% NMI

2018 Regional Test 1: 60-100% AMI

2018 Regional Test 2: 80-120% AMI

2018 Regional Test 3: 100-160% AMI

Choose a 2006-2010 layer to display

2010 City Test 1: 60-100% CMI

2010 City Test 2: 80-120% CMI

2010 National Test 1: 60-100% NMI

2010 National Test 2: 80-120% NMI

2010 Regional Test 1: 60-100% AMI

2010 Regional Test 2: 80-120% AMI

2010 Regional Test 3: 100-160% AMI

MSAs

Panama City, FL Metro Area

Parkersburg-Vienna, WV Metro Area

Pensacola-Ferry Pass-Brent, FL Metro Area

Peoria, IL Metro Area

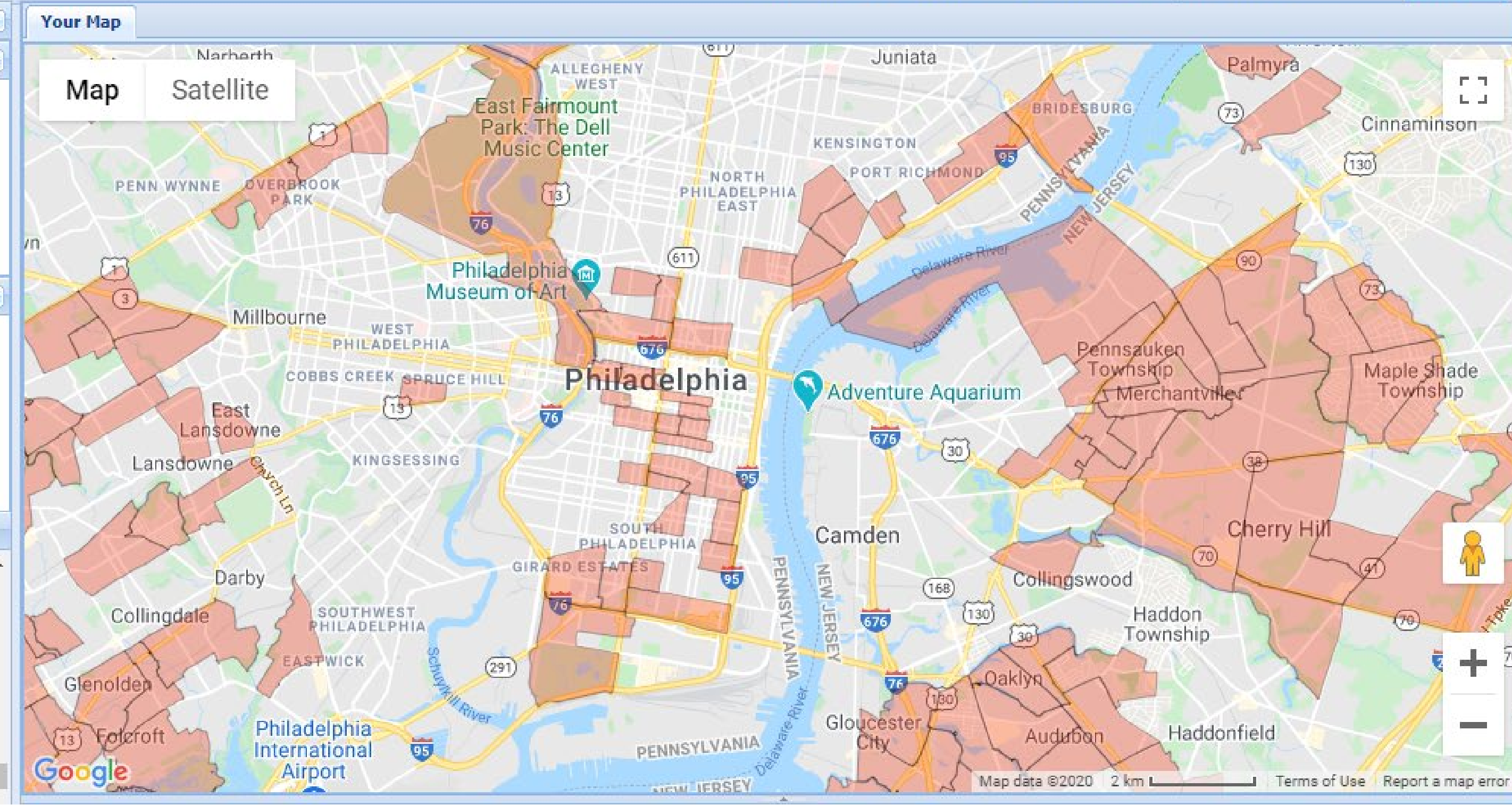
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metro Area

Phoenix-Mesa-Scottsdale, AZ Metro Area

Pine Bluff, AR Metro Area

Pittsburgh, PA Metro Area

Pittsfield, MA Metro Area



Displaying census tracts with median household incomes between 80 and 120 percent of regional/MSA median (\$69,465), or \$55,572 - \$83,358

Our Panelists

Ellie Shield

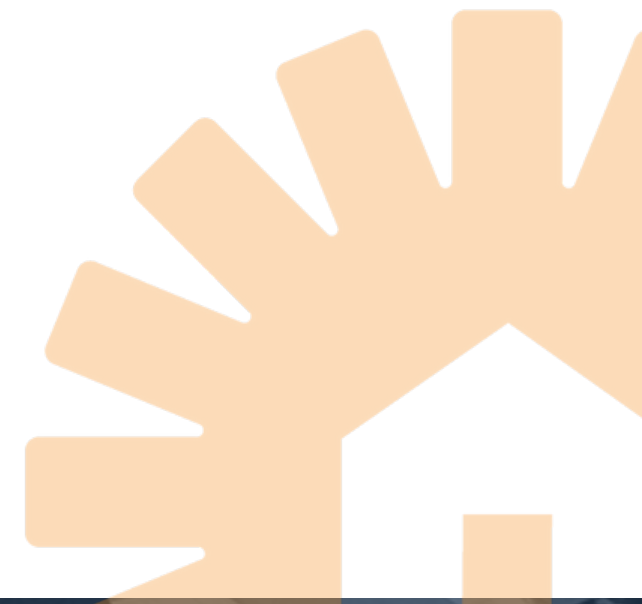
- Research Assistant and Author
- Joint Center for Housing Studies (MA)

Chris Parker

- AICP Deputy City Manager
- City of Dover (NH)

Lori Gay

- CEO
- Neighborhood Housing Services of Los Angeles County (CA)



MIDDLE NEIGHBORHOODS WEBINAR

ACCESSORY DWELLING UNITS: STRATEGIES FOR INCREASING SUPPLY

Ellie Sheild, *Presenter, Co-author, MUP '23, MRE '24*

February 8, 2024

**Note all findings and opinions expressed in this presentation are my own do not reflect that of the Joint Center or Harvard.*

Overview of Presentation

- *Summarize my research and key findings*
- *Background on ADUs, their benefits and hurdles*
- *State-level Changes, Two Case Studies*

Notes:
Open source photo of an ADU.

My Research Overview

- ***Why Study Accessory Dwelling Units (ADUs)?***
 - Growing interest in ADUs, particularly state-level policies.
- ***Research Question***
 - What might Massachusetts and other states learn from places that have recently adopted ADU-related laws and regulations?
- ***Findings: Increasing Supply***
 - Importance of by-right reviews, most effective at state-levels.
 - Elimination of owner-occupancy and parking requirements
 - Benefits of comprehensive efforts that involve planners, lenders, and builders to create an “ecosystem” of ADU activity.

Notes:
Open source photo of an ADU.



Background on ADUs: Benefits and Barriers

Background on ADUs

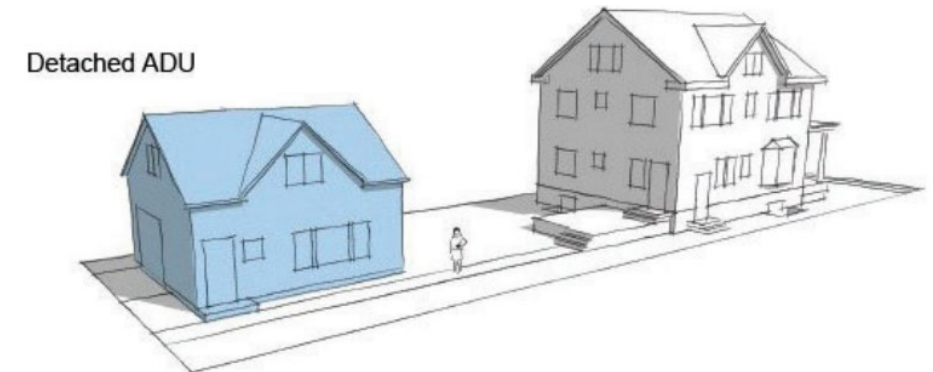
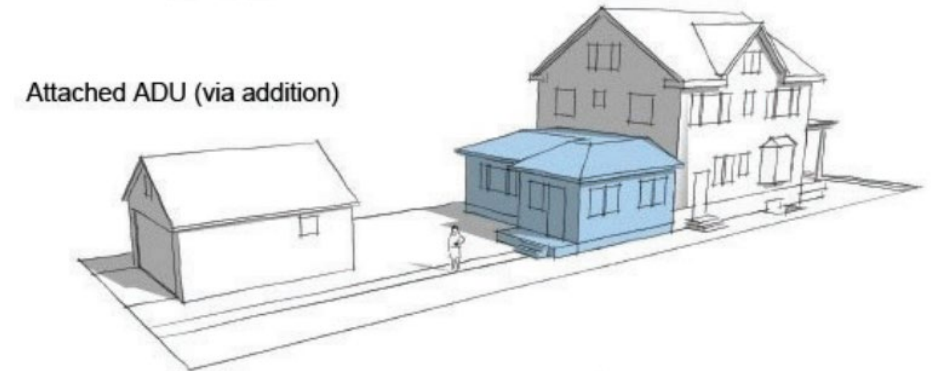
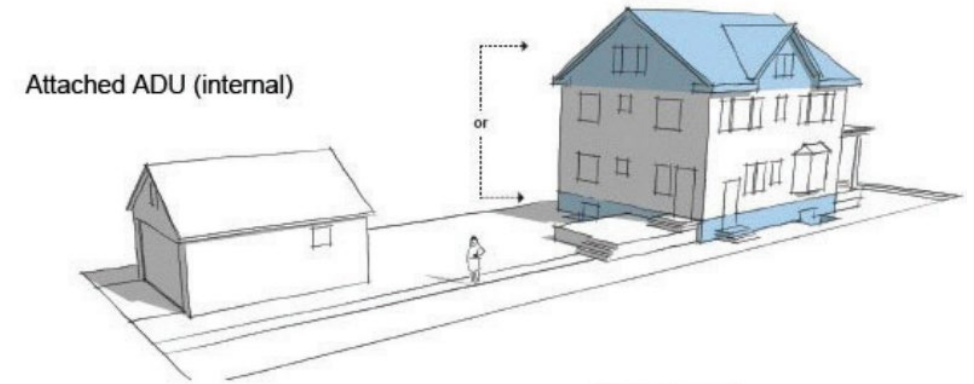
DEFINITION AND HISTORY

“Small, independent living units that are within, attached to, or detached but on the same parcel as a primary residence.”

- Must be subordinate to and functionally independent from the main house.
- A century or more of history
 - Predates early zoning
 - Mid-century prohibitive zoning
 - Late 20th C. growing interest
 - Early 21st C. more state interest

Notes:

Diagrams from City and County of Denver, CO.



Background on ADUs

BENEFITS

- Economic
- Environmental
- Social
- Health



ABOVE-GARAGE ADU



DETACHED-BEDROOM ADU



DETACHED ADU

Notes:
Photos from AARP ABC of ADUs publication.

Background on ADUs

HURDLES

- Neighboring homeowners often oppose them.
 - As a result, local zoning bans or restricts them.
- Key local zoning provisions:
 - Special/Conditional Use Permits.
 - As opposed to by-right permits.
 - Owner-occupancy.
 - Off-street parking.

Notes:

Open-source photo of ADU under construction in Portland, OR.



Background on ADUs

CYCLE OF BARRIERS

- This creates self-reinforcing cycle of barriers:
 - Little homeowner interest.
 - Lack of financial products.
 - Dearth of builders who specialize in ADUs.

Of 800 California ADU homeowners who were surveyed in 2021:

62% used personal savings to finance some or all of the costs of their ADU project.

43% sourced funds from some sort of mortgage on their primary property.

Notes:

Lusk Center for Real Estate, USC and Turner Center for Housing Innovation, UC Berkeley. "ADU Construction Financing: Opportunities to Expand Access for Homeowners."

*Note that the figures exceed 100% because some homeowners used a mix of both.



Recent Progress and Case Studies: Portland, Oregon and New Hampshire

Background on ADUs

WHAT MIGHT BE CHANGING?

- Countervailing forces in the last two decades.
- Some localities have made it easier to build.
- A few states have addressed ADUs.
- MA and several other states are considering such laws.

Notes:

This is an updated and modified version of a table that appears in a 2023 Mercatus Institute study by Emily Hamilton.

Data also from AARP's 2021 ADU Model State Act and Local Ordinance.

State	Date(s)	By-right permitting required?	Ban on Owner Occupancy Requirements?	Limits on Parking Requirements?
WESTERN STATES				
Hawaii	1981	No	Yes	No
California	1982, 2003, 2016, 2019	Yes	Yes	Some
Washington	1993, 2023	Yes	Yes	Some
Oregon	2017, 2019	Yes	Yes	Yes
Utah	2021	No	No	No
Montana	2023	Yes	Yes	Yes
NEW ENGLAND STATES				
Vermont	2005, 2020	Yes	No	No
New Hampshire	2016	No	No	No
Connecticut	2021	No*	No	Some
Maine	2022	No	No	Yes
Rhode Island	2022	No**	No	Some

*Connecticut's law allows localities to opt out of by-right reviews with a two-thirds vote of both their planning board and legislative body.

**RI requires by right on owner occupied lots for family members, on large lots, for internal ADUs, or for an ADU within an existing accessory structure.

Case Studies

PORTLAND'S BY-RIGHT APPROACH

Key features:

- Liberalized land-use regulations.
- Advocacy initiatives.
- Expansion of financial products.
- Growing network of ADU-specialized builders.



Notes:

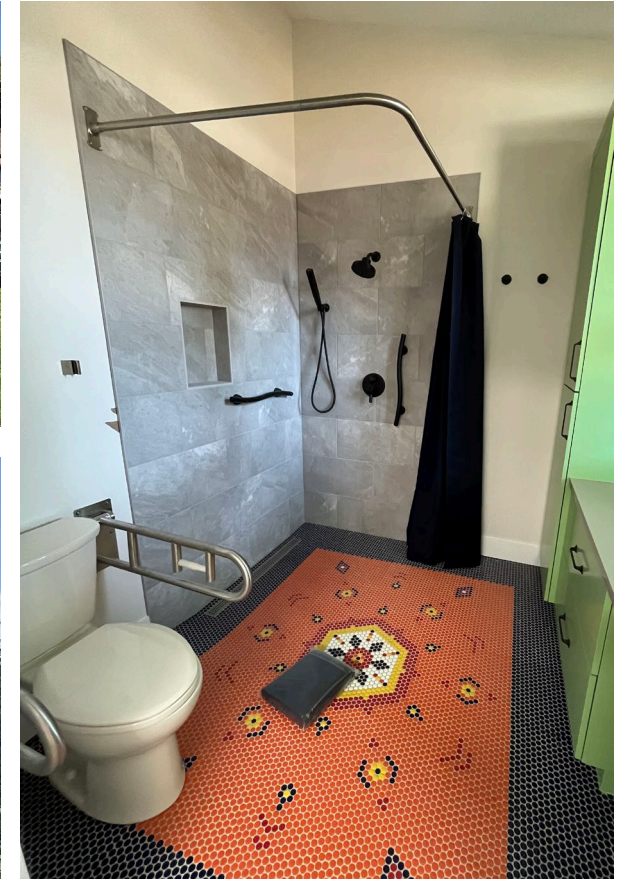
Photos taken by author during Portland, OR ADU Tours.

Case Studies

PORTLAND'S BY-RIGHT APPROACH

Key takeaways:

- The importance of by-right approvals.
- Eliminate other zoning barriers.
- Use strategic efforts to incentivize production.
 - A growing network of ADU supporters: advocates, homeowners, builders, and lenders.
 - A successful ecosystem that positively influenced statewide changes in Oregon and beyond.



Notes:

Photos taken by author during Portland, OR ADU Tours.

Case Studies

NEW HAMPSHIRE'S DISCRETIONARY APPROACH

Why study New Hampshire ADUs?

- Early adopter of state ADU laws.
- Similar to approaches used in other NE states.
- Long enough history to see effects on localities.

Key features:

- Localities have to allow attached ADUs.
- But can do so via special permits.
- Localities can impose occupancy and parking requirements.
- Has unique design requirement: interior door.



Notes:

Photos taken by author in Portsmouth (Above) and Manchester (Below) during ADU tours.

Case Studies

NEW HAMPSHIRE'S DISCRETIONARY APPROACH

Key takeaways:

- Results across the state have been modest and uneven.
- Localities responded differently to the state's mandate.
- Updates to state bill under current consideration for next legislative session.

	Manchester	Portsmouth	Dover
Population	114,730	21,897	32,599
Housing Units	51,121	11,093	15,353
Housing Units Built Since 2010	1,410	612	791
ADUs Permitted (as of July 2022)	24	35	61
ADU Share of Permits Since 2010	2%	6%	8%
Year ADUs first allowed	2017	2009	2012
Review Type	Conditional use (until 2023); Both (2023-)	Conditional Use	By-Right

Notes:

Author's calculations from ACS 2021 (5-Year Estimate), Zoning Ordinances and permit data provided by city officials in Manchester, Portsmouth, and Dover.



Massachusetts and Key Findings:

Massachusetts

OVERVIEW OF ADUs IN MA

- State-level advocacy and reluctance
 - Minimal guidance on issue to date.
 - Came close in 2022 legislative session.
 - ADU bill under current consideration.
- Local discretion
 - Most municipalities allow ADUs, but via special permits and other restrictions.
 - Several localities (Salem, Barnstable) have made recent changes to move the needle and expand financing options.

Of 100 jurisdictions in greater Boston that were surveyed in 2018:

68 have some form of zoning for ADUs.

31 only allow family/caregiver occupation.

14 restricted ADUs to older, larger houses.

16 allowed detached ADUs.

7 capped the total number of ADUs (either in total and/or annually).

Notes:

Amy Dain, “The State of Zoning for Accessory Dwelling Units” (Boston, MA: Pioneer Institute for Public Policy Research, July 2018).

Key Findings

FOR MASSACHUSETTS AND OTHER STATES CONSIDERING NEW LAWS FOR ADUs



Requiring by-right approvals is critical.



Limiting localities' ability to require owner-occupancy and parking is important.



Changing policies in these areas can get others to break the “cycle of barriers.”

Notes:

Open-source image of MA state capital.

Thank You.

Full Paper:

<https://www.jchs.harvard.edu/research-areas/working-papers/accessory-dwelling-units-lessons-massachusetts-around-country>



Elizabeth “Ellie” Sheild
esheild@gsd.harvard.edu
www.linkedin.com/in/elizabeth-sheild

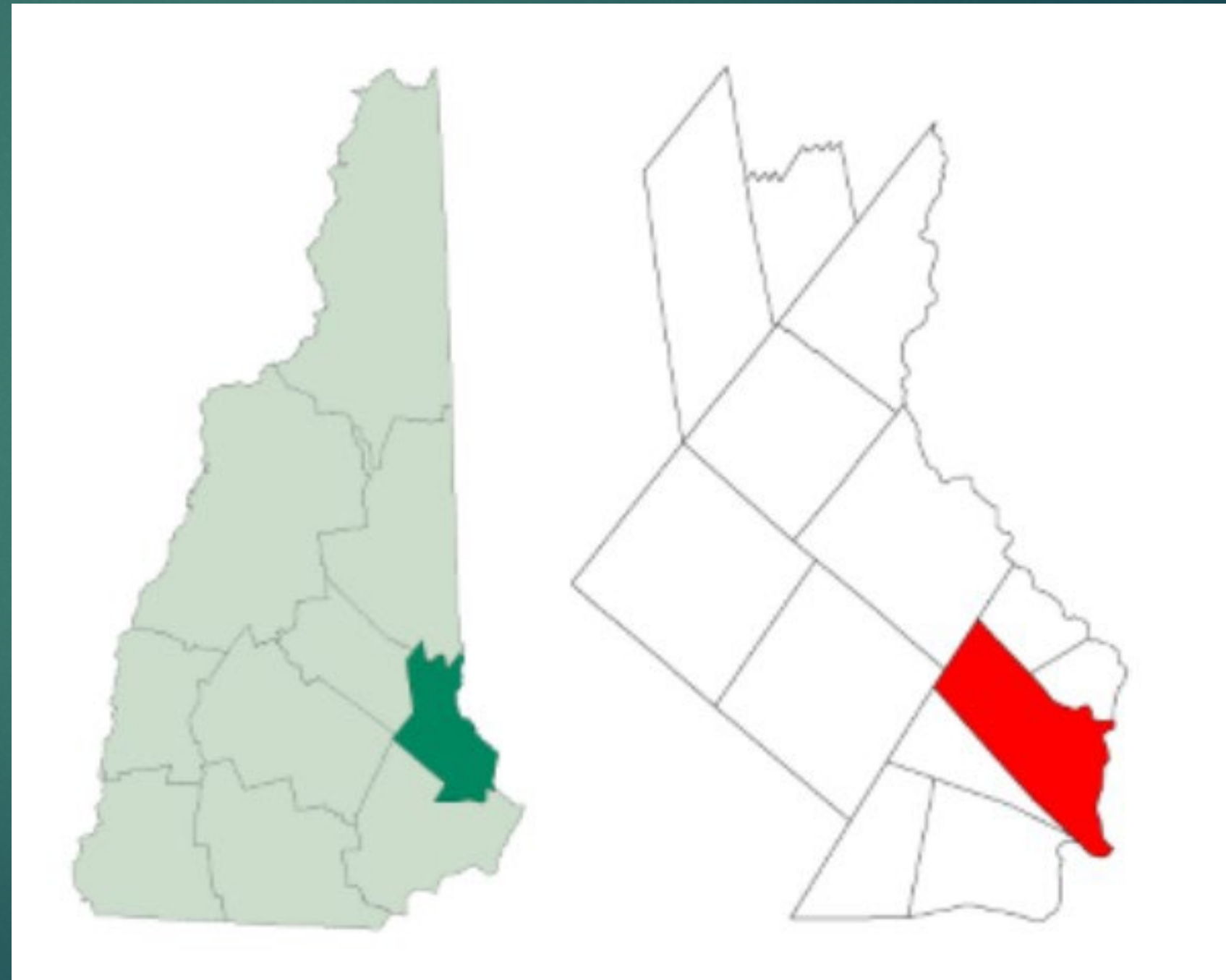


DOVER'S ATTAINABLE HOUSING STRATEGIES

- ▶ Background
- ▶ What drives costs?
- ▶ What Dover Does?
- ▶ ADU Regs
- ▶ Why Do Anything?

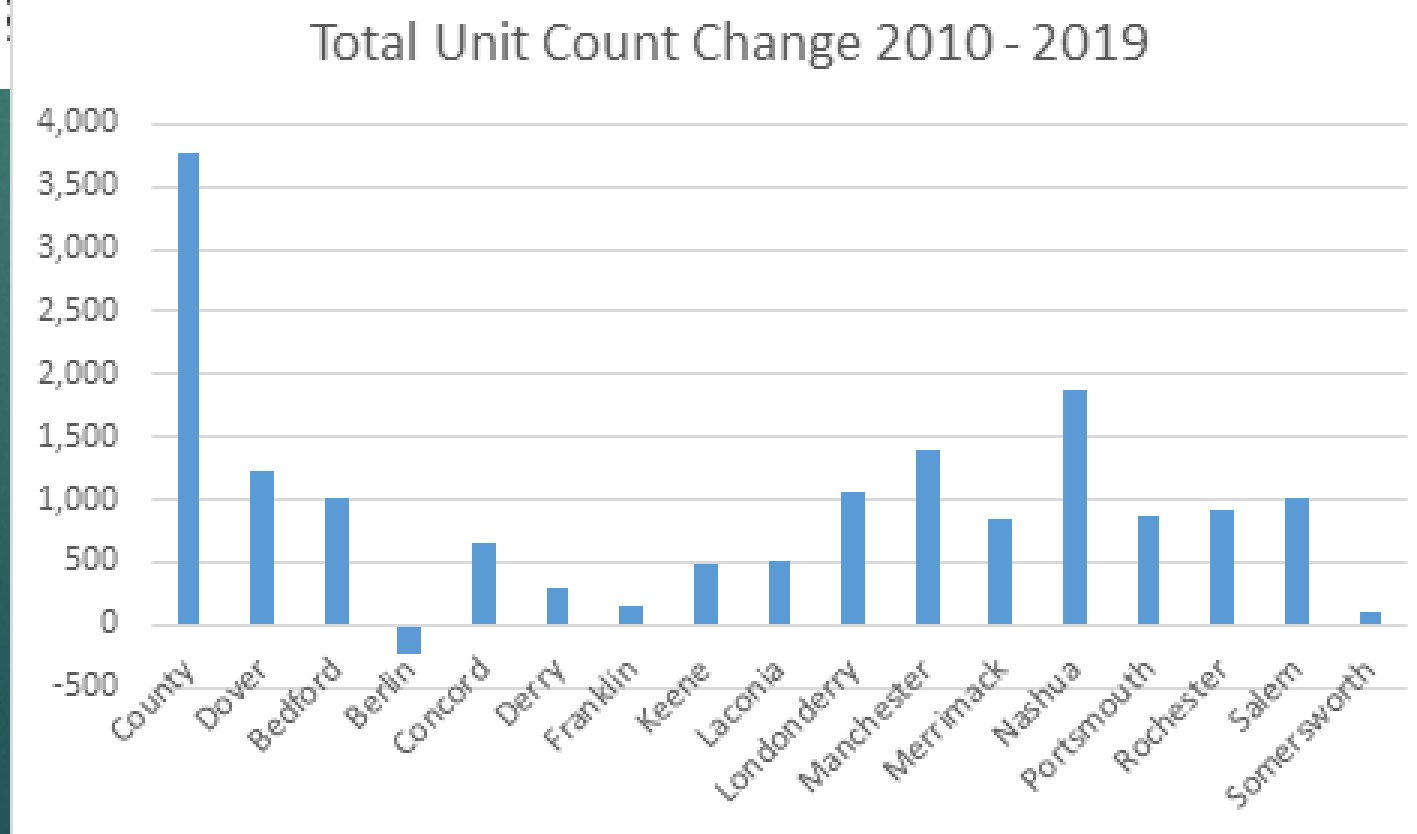
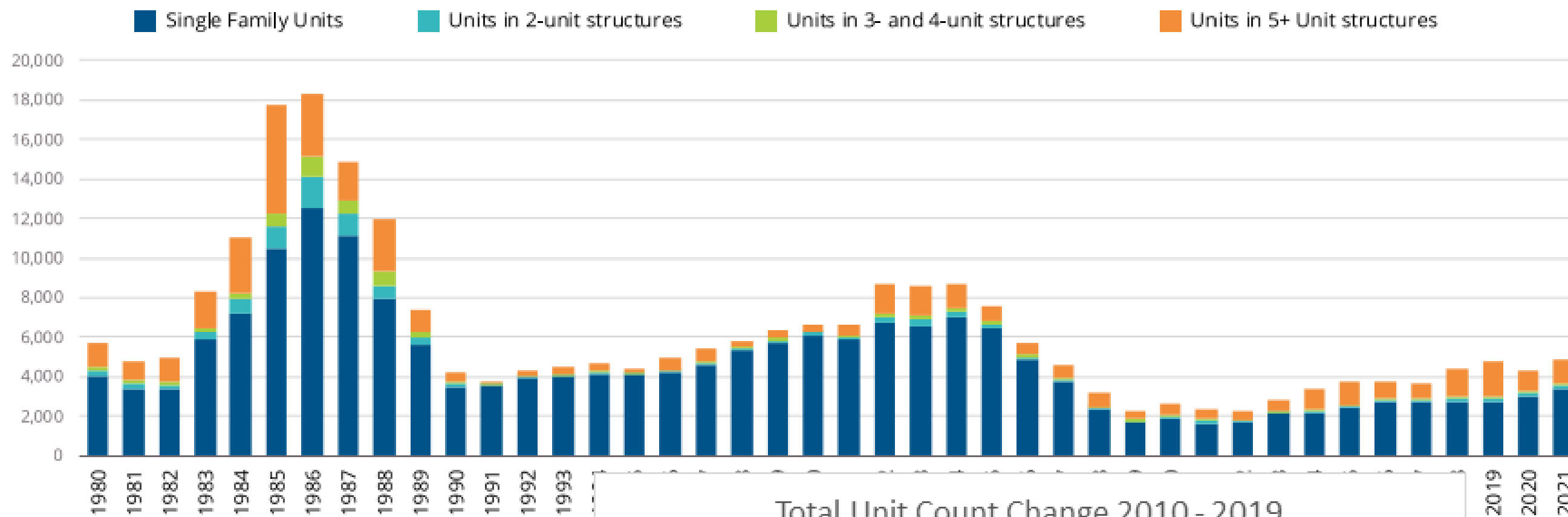
Dover Background

- ▶ Settled 1623
- ▶ Population: 33,000
- ▶ Council/Manager
- ▶ Seacoast NH
- ▶ County Seat



Housing Background

- ▶ Total
- ▶ Population
- ▶ Median Income
- ▶ Density
- ▶ Vacancy
- ▶ Displacement



Housing Background



▶ Rentals

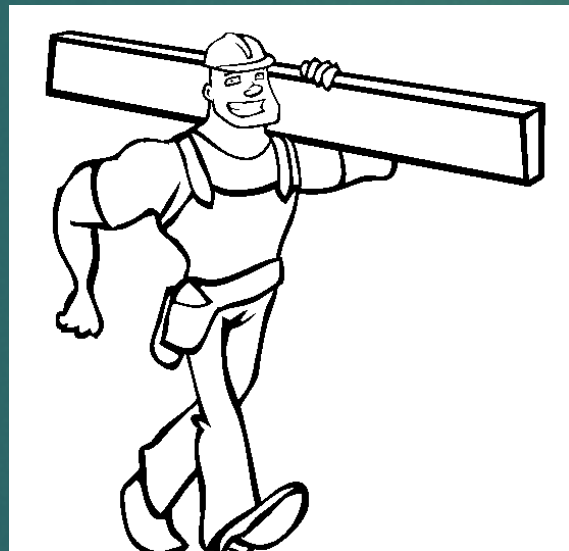
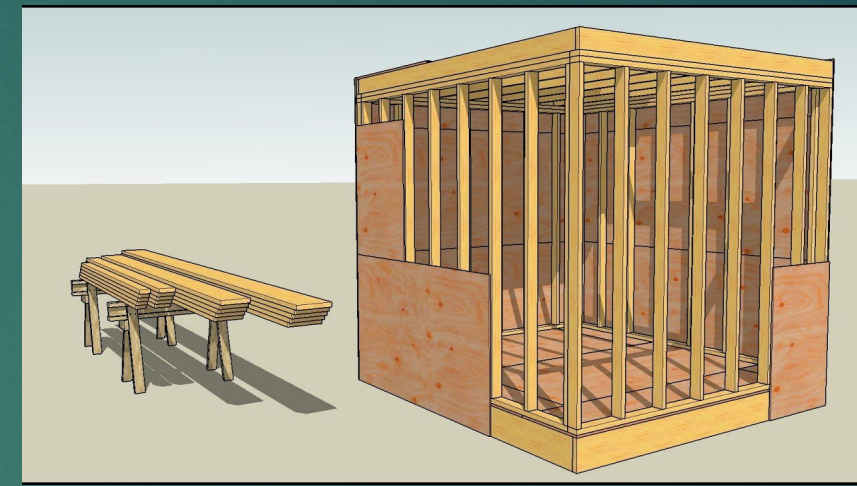
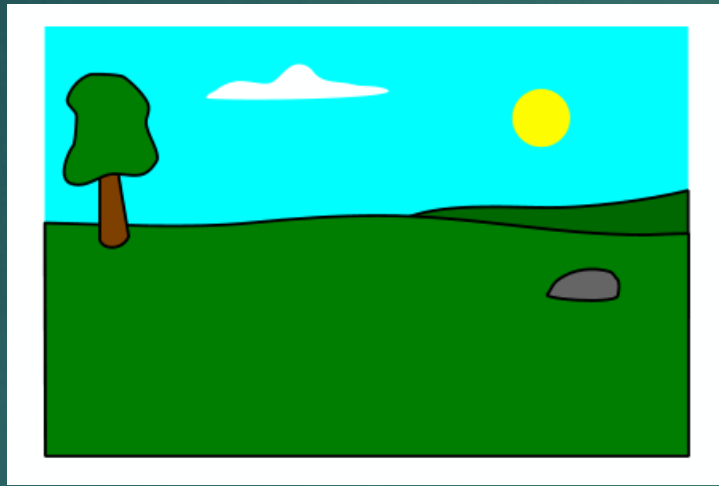
- ▶ 126 listed 2 b-room units
- ▶ 7 Actually available
- ▶ 1 under \$1,550
- ▶ Average price is \$2,500
- ▶ HUD Fair Rate is \$2,000

▶ Sale

- ▶ 131 SF homes listed
- ▶ 51 Actually available
- ▶ 5 under 450K
- ▶ 20 over 600K

YEAR STRUCTURE BUILT		
Decade	Units	% of Total
2010 to 2019	1,234	8.3%
2000 to 2009	1,529	10.2%
1990 to 1999	944	6.3%
1980 to 1989	1,947	13.1%
1970 to 1979	1,650	11.1%
1960 to 1969	1,045	7.0%
1950 to 1959	1,637	11.0%
1940 to 1949	726	4.9%
Prior to 1939	3,587	24.0%
	14,919	

What drives home costs?



What Dover dose:

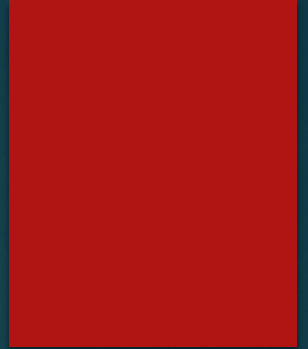
Density

- ▶ Multi-family housing in over half of the area of Dover
- ▶ Manufactured housing in most residential areas
- ▶ A variety of densities throughout the City
 - ▶ 1 unit per 2K to 1 unit per 40K
- ▶ Rooming houses in certain zones.
- ▶ 2 family homes in most residential areas

Use

- ▶ Mixed Uses in most commercial zones
- ▶ Mixed Use Overlay
- ▶ Accessory Dwelling Units
- ▶ Customary Home Occupations
- ▶ Home Sharing
- ▶ Infill Development
- ▶ Adaptive Reuse/Conversion
- ▶ Aggressive use of TDR
- ▶ Height relief for attainable units

ADU regs:



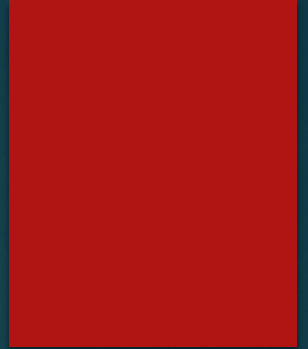
Process

- ▶ By-right
- ▶ Building permit co-application
- ▶ Deed restriction
- ▶ Owner occupied
- ▶ Water/sewer bill tied to main property

Dimensional

- ▶ 300-800 sf
- ▶ 1 parking space per unit
- ▶ Accessory Structure or Principal Structure
- ▶ More than one unit allowed in most residential areas

Why Do Anything?



It Promotes

- ▶ Healthy Living
- ▶ Community Building
- ▶ The Environment
- ▶ Economic Development
- ▶ Diversity, of thought and action

Master Plan Connection

- ▶ Recommends 1,000 sf and smaller units
- ▶ Encourages diversity of housing
- ▶ Encourages walkable/livable community
- ▶ Encourages aging in place



Improving ADU Supply in Middle Neighborhoods



Lori Gay
President & CEO
Neighborhood Housing Services of LA County
February 8, 2024

Key Challenges & Opportunities

Don't Move...Improve!



PEOPLE - How do families want to live post COVID?

- ▶ What can they afford in high interest rate environment?
- ▶ What does an ADU mean for their family budget? Family living?

PROPERTY - What type of ADU makes the most sense?

- ▶ Pre-fab vs. New construction vs. 3D
- ▶ Condition of existing properties
- ▶ Neighborhood typologies

MARKET - Is this a major business line for future housing supply?

- ▶ How do we help ensure affordability? Who pays for it?
- ▶ How do we use as an economic development strategy?



BEFORE



FINAL STAGES



Policy

The following bills have all been signed into law:

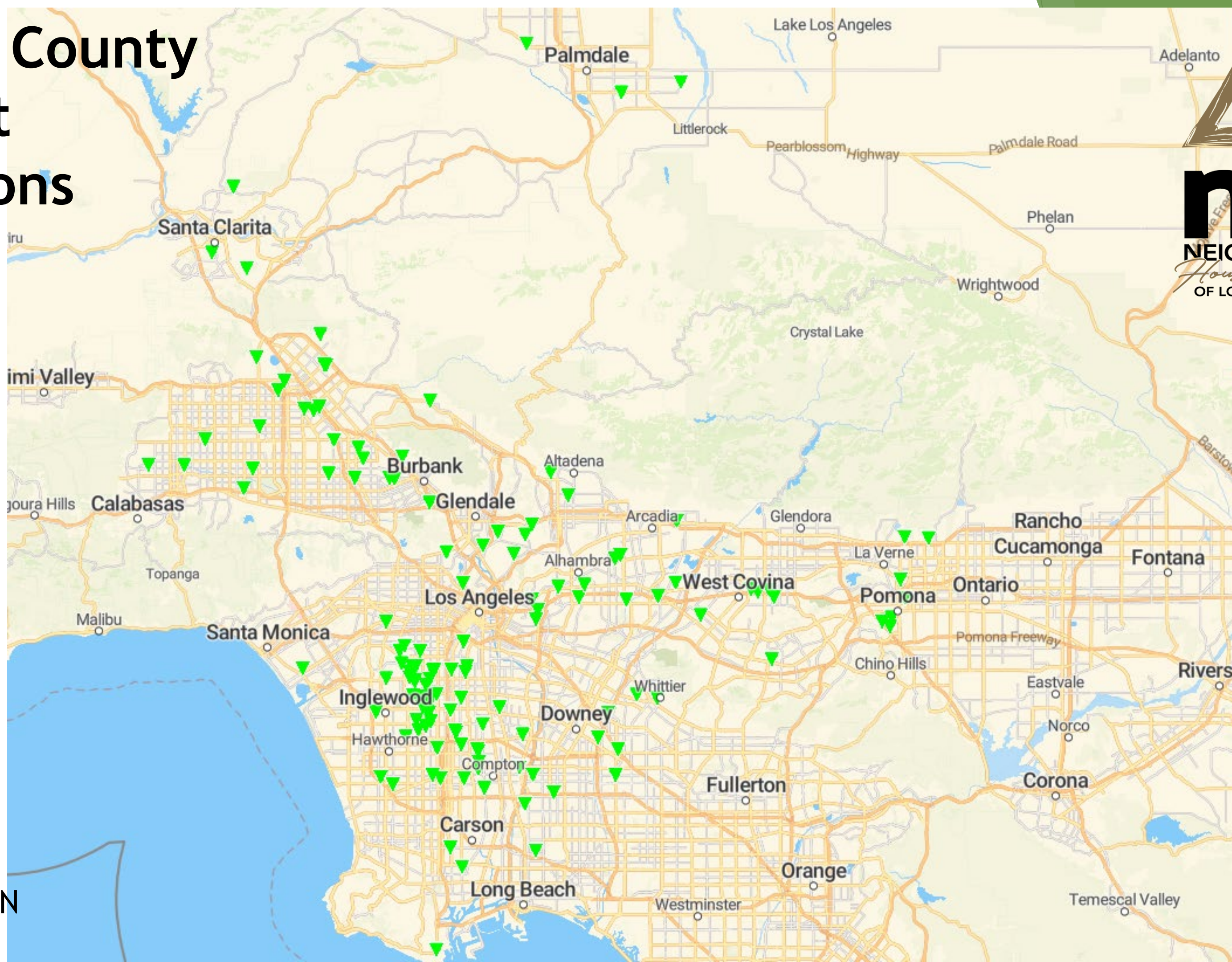
Assembly Bill 1033- allows ADUs to be sold as condominiums.
This could be a potential affordable homeownership opportunity

Assembly Bill 2221- requires all agencies involved in reviewing California ADU plans to respond within 60 days of plan submittals

Assembly Bill 434- requires all California cities and municipalities to have pre-approved ADU plans by January 1, 2025



NHS of LA County ADU Grant Reservations



▼ = RESERVATION

OUR ADU CLIENTS:

- 15-20% or more clients with free and clear properties; Remainder have high equity
- Clients are coming because they need \$\$ and want intergenerational living opportunities

PIPELINE: 176 clients at 80% AMI or below

- 138 were reserved for grants @ \$40k
- 38 waitlisted
- 23 either under or pending construction at end of 2023

COST: Stick built - \$150k - \$200k (400sf to 500sf)
Prefab - \$120k - \$160k



Client Financing

- ▶ **For lower income:**
 - ▶ \$40,000 CalHFA Grant
 - ▶ \$100,000 NHS CalHome Loan (HCD - State loan program)
 - ▶ \$10,000 - \$60,000 GAP for some deals (below market rate payment needed)
 - ▶ Total: \$150,000 -- \$200,000 (new construction; prefab can be cheaper)
 - ▶ TIME: New construction: 7-12 months; Prefab: 3 months in factory, 1 week install
- ▶ **For moderate income:**
 - ▶ Use home equity to facilitate project
 - ▶ Use NHS on Project Management



Demographics

Our core client base is primarily:

- **Ethnicity:** 38% Black, Latino 37%, 9% White, 8% Asian
7% multi-race, 1% Native
- **AMI:** 80% or below (66%), 81-100 (16%), 100%+ (18%)
- **Age:** 30-44 (25%), 45-61 (14%), 62+ (30%)
- **Gender:** Female 61%
- **Familial Status:** Widowed (11%), Married (36%), Single (32%), Disabled/Veteran (10%)
- **Family size:** 2-3 (42%), 4+ (36%) lead



Contact Us...

NHS of Los Angeles County

Strengthening Families for 40 Years...

**3926 Wilshire Blvd.
Suite 200
Los Angeles, CA 90010**

**NHS Center for Sustainable
Communities
1051 W. Rosecrans Ave.
Compton, CA 90222**

For more information:

Call: (213)381-2862

Email: counseling@nhslacounty.org

Web: www.nhslacounty.org



www.nhslacounty.org

Follow Us On Social Media



Nhslacounty



Nhslacounty



Lanhs



Nhslac



Nhslac



Upcoming Events

February 15 Webinar - Why Every Middle Neighborhoods Need A Strategy to Thrive (Noon, ET)

❖ Book giveaway!

MARCH Webinar: New Market Tax Credits

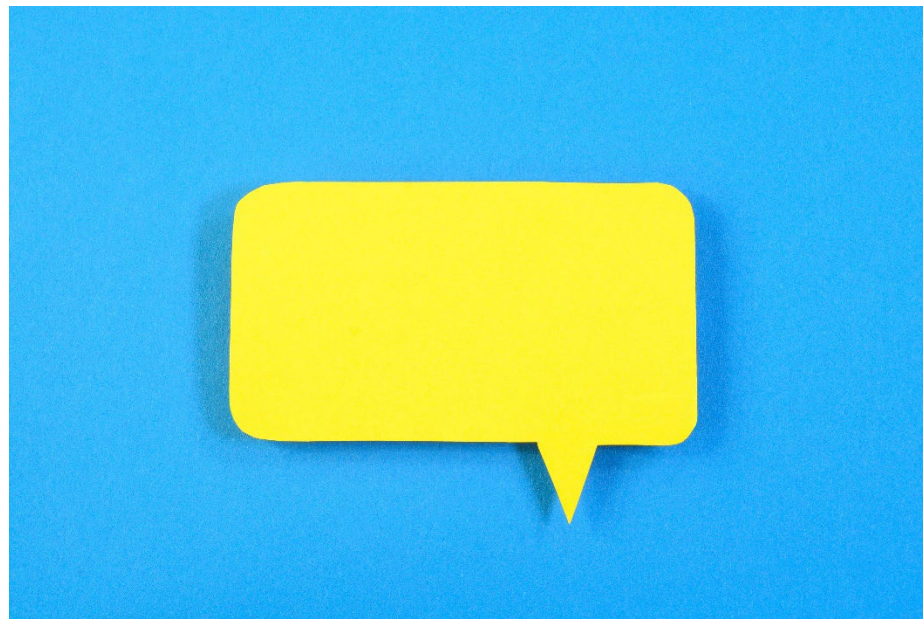
APR 17: Engagement Chat (Noon, ET)

❖ Getting Money for Events (AND Volunteer Management Software)

Questions: anndipetta@gmail.com



Thank you for joining us!



- **Please email us** if you have ideas for webinar, case studies, news stories, etc.
- Check out the **Cornerstone Webinar Series** : Center for Community Progress
- **Tell us** about your experience today!



JOIN US!
The Middle Neighborhoods
Community of Practice
(CoP)

The Middle Neighborhoods CoP is an informal, facilitated network of practitioners, researchers and policymakers engaged in revitalizing middle neighborhoods. CoP members share learnings through topical webinars, referrals, site visits, phone calls, and occasional larger group events.

Please join us!

<https://ncst.org/middle-neighborhoods/>

