

Why tiny ADUs may be a big answer to the urban housing crisis

How accessory dwelling units, set to expand on the West Coast, present a small but mighty solution to affordability

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For cities starved of new housing, staring down an affordability crisis, and desperate for density, the opportunity to inexpensively add housing units seems too good to be true. But that's the promise made by proponents of accessory dwelling units, or ADUs: small structures, typically totaling under 1,000 square feet, built on the property of existing homeowners.

"There's lots of free land out there," says Ira Belgrade, who has become an advocate and consultant for ADU construction in Los Angeles and runs the site YimbyLA. "And it's in people's backyards. But people have this mindset of 'not in my backyard, or my neighbor's backyard, or even my block.'"

One of the few housing types that's primarily completed and developed by amateurs—and, until recently, often constructed off the books—ADUs, small backyard housing units also known as granny flats, have seen a recent boom. The affordable housing shortage has spurred increased advocacy for ADUs, especially in California, where detached single-family homes make up 56.4 percent of the overall housing stock. Recent legislation in the state created a sharp rise in their construction. In Los Angeles, the number of applications for ADU construction rose from 80 in 2016 to 1,980 through November 1, 2017.

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"The affordable housing crisis across the U.S. is going to propel the movement forward," says Kol Peterson, a Portland-based ADU expert and author of a new book, *Backdoor Revolution*, a guide to ADU development.

Despite being small-scale structures built on private property, ADUs are big enough to become embroiled in red tape, as well as existing debates about densification, neighborhood character, NIMBYism, and addressing homelessness.

Dan Bertolet, a senior researcher at the Sightline Institute, a Seattle-based think tank, points to efforts to reform building codes to allow for more ADU construction in his hometown. While there's support for the measure, a coalition of wealthy homeowners from the Queen Anne neighborhood were able to force an environmental review of proposed statutes and delay implementation.

"Slowly and surely, more cities are adopting ADUs, more will be built, and we'll realize armageddon isn't going to happen," Bertolet says. "The politics are moving in the right direction. But this is a period of growing pains. That we can't even do the gentlest, least intrusive kind of density change in a city suffering from a huge housing shortage is kind of mind-blowing."

Giving homeowners the power to be developers

To understand some of the pushback against ADU construction, especially in California, just look at the trials of Senator Bob Wieckowski. A representative from Fremont and the East Bay Area, Wieckowski has been a long-time advocate for ADUs, having already sponsored two successful pieces

of state legislation, including the bill that went into effect at the beginning of 2017 and jump-started ADU construction by removing city-level ordinances.

In his previous role on the Fremont city council, Wieckowski was shocked when he discovered the various hoops homeowners had to jump through to build second units on their property, and pushed to simplify and streamline the process. Like other proponents of ADUs, he believes they're part of the solution to the problem of rising rents. Adding a backyard unit creates new housing, and can help a family give grandmother a place to stay, or offer a new couple an affordable place to get started. The state should be in the business of incentivizing affordable housing construction, he argues.

"The power should go to the homeowner, not the government, if they want to help with the housing crisis," he says. "We should let them chip in."

But, as Wieckowski has seen, local government, and especially local homeowners, are loath to give up control of zoning and construction. After two previous bills he proposed helped streamline ADU construction, another roadblock presented itself: local impact fees, which can range from \$5,000 to \$60,000, according to a study by the UC Berkeley Turner Center of Housing Innovation. Municipalities and local governments can levy impact fees on new construction, adding tens of thousands of dollars of additional fees to the cost of a small backyard apartment. A homeowner building a granny flat in his backyard and his neighbor constructing a McMansion on an empty lot may be charged the same amount in impact fees, according to Wieckowski.

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Wieckowski's new bill, SB 831, which he hopes can get a vote from the legislature later this spring, would cut impact fees, as well as grant amnesty to ADUs built over the last few decades that are off the books, and deem ADU applications to be automatically approved if local agencies don't make a ruling within 120 days. That should make it cheaper to build new units, and easier to add older units to the tax rolls. He sees it as round three in a skirmish between those that want to build, and local governments trying to restrict this type of new construction.

"You're not listening to your citizens and what they want to do," he says. "In my mind, this is round three. I've given you two chances to get rid of these obnoxious, restrictive ordinances that aren't helping the state of California. We're in a crisis. You're not coming up with any ideas, so here's an idea."

ADU Applications in California Cities

California City	2015	2016	2017
Los Angeles	90	80	1,980
Long Beach	0	1	42
Oakland	33	99	247
Sacramento	17	28	34
San Diego	16	17	64
San Francisco	41	384	593
San Jose	28	45	166

Turner Center for Housing Innovation at UC Berkeley

Vancouver's backyard building boom

So far, ADU construction has been concentrated on the West Coast, in cities such as Seattle, Portland, and Los Angeles. But for a true model of how widespread adoption of these structures can impact a housing market, look further north.

Vancouver has faced the same skyrocketing real estate prices that have transformed cities up and down the Pacific coast. Facing a similar affordability shortage, the city passed an ordinance in 2009 legalizing ADUs, often referred to as laneway houses in Canada. The citywide bylaws immediately made 65,000 lots eligible for such construction when they went into effect at the beginning of 2010. Now, there's a cottage industry constructing these units, more than 2,000 have been built, and a local preservation group even hosts a laneway tour.

Other cities have passed ADU ordinances, but Vancouver's was different. Its all-encompassing legislation wasn't set up in a patchwork fashion. Owners didn't have to deal with impact fees, parking requirements, or owner occupancy laws, all tools used by U.S. municipalities to restrict this type of construction. The result has been the construction of thousands of new units, and a robust market for laneway homes.

Designer Bryn Davidson is principal at Lanefab Design/Build, a local firm that specializes in these smaller structures, and built one of the first such structures post-legislation in 2010. He says Vancouver has created a true market for this type of construction by eliminating onerous regulations. Lanefab itself has built more than 70 such structures, and even had a design feature in the *New York Times*.

Vancouver's example is important not because the city and its citizens are somehow immune to pushback from property owners afraid of density and new rental units. Vancouver faced debates about the same sort of issues found in LA or San Francisco, says Davidson, with homeowners afraid ADUs would destroy the fabric of their neighborhoods. But after powering through protests, he says, complaints have dropped off, and laneway homes are now accepted as part of the city.

"Our cities are all in trouble since we've given single-family homeowners so much power over land use, and a discretionary veto over housing," he says. "We've all done that for so long."

The true costs of ADUs

Vancouver's example is often held up by advocates in the U.S. as a symbol of what could be accomplished with the right rules and regulations. Davidson's experience as a builder, however, shows there may be some limits.

While there's no argument that ADUs/laneway houses provide an avenue for adding new units to a city's housing stock, they're not necessarily the easiest way to add affordable apartments. According to Davidson and others, there hasn't been any citywide study addressing the overall impact of the ADU law on Vancouver housing prices. But Davidson says that from personal experience, ADUs are much more expensive than many may imagine. And, Vancouver's comparatively high real estate prices make this kind of construction much more financially sound than it would be in cheaper markets.

"Laneway units are pretty expensive on a per-square-foot basis," he says. "Think about it; they're some of the nicest rental units in the city, with nobody above or below you, and great outdoor space. It's no surprise they rent for a pretty good price."

This squares with Peterson's experience examining ADU programs across the country. While some pilots in cities like Austin have produced a handful of additional affordable units, the reality is that ADU construction isn't necessarily fast or cheap even in the best conditions, he says, or easily scalable. These structures provide "lowercase-A affordable housing, not capital-A affordable housing," Peterson says. But the market is incredibly big, and poised to grow rapidly in California cities like LA, Santa Barbara, San Francisco, and Oakland.

Davidson estimates that most of the laneway units he's built, measuring roughly 700 to 1,000 square feet with 1.5 baths, are for young couples looking to build on their parent's property. That's the scenario he finds makes the most sense financially, building housing for extended family, often much

cheaper than building a new condo. It's not the solution to every situation, but as far as creating new housing for extended family, or a rental unit for passive income, it's a huge advantage.

"Once homeowners appreciate this can be a tool for so many things, that's when you go from NIMBY to YIMBY," he says.

A grassroots housing solution

ADUs may not be the perfect solution to our multifaceted housing crisis, and there aren't great statistics on usage. But, as a grassroots housing solution, they can be an important tool to help increase density and reduce sprawl.

In Los Angeles, city officials see ADUs as a potentially valuable supply of new housing. As part of Mayor Eric Garcetti's ambitious goal of adding 100,000 new units by 2021, this kind of backyard construction, which can be sprinkled across different neighborhoods one unit at a time, offers targeted assistance to demographics in search of affordable homes. According to research by the Turner Center, these units can offer cost-effective affordable housing on a small scale. The average cost of an ADU in California was \$156,000, while the average cost of affordable units statewide was \$332,000, and even higher in cities like San Francisco (\$591,000 per unit) and Los Angeles (\$372,000).

Seniors, students, older homeowners looking for passive income, immigrant families, and others can benefit from this type of stealth infill. A current ordinance to lower fees to make it easier to construct ADUs in Los Angeles is pending, and a pilot program to encourage ADU construction to provide housing for the formerly homeless or recipients of Section 8 housing assistance, offering up to \$75,000 in funding per ADU, was approved in August.

With Wieckowski's proposed law facing a vote, and other advocates pushing for more ADUs, there's momentum behind expansion. Density, no matter how small, will always bring more debate. But now that some of the red tape holding back ADUs is beginning to fall away, U.S. cities may begin to see this as a viable avenue to add housing.