

WHO NEEDS AN ADU?

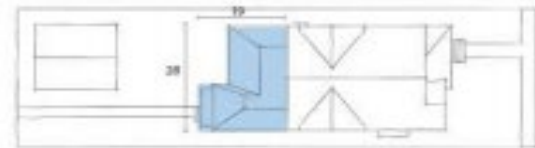
Kay Pierson
Director, Community
Reinvestment Division
United Planning Organization
August 6, 2019



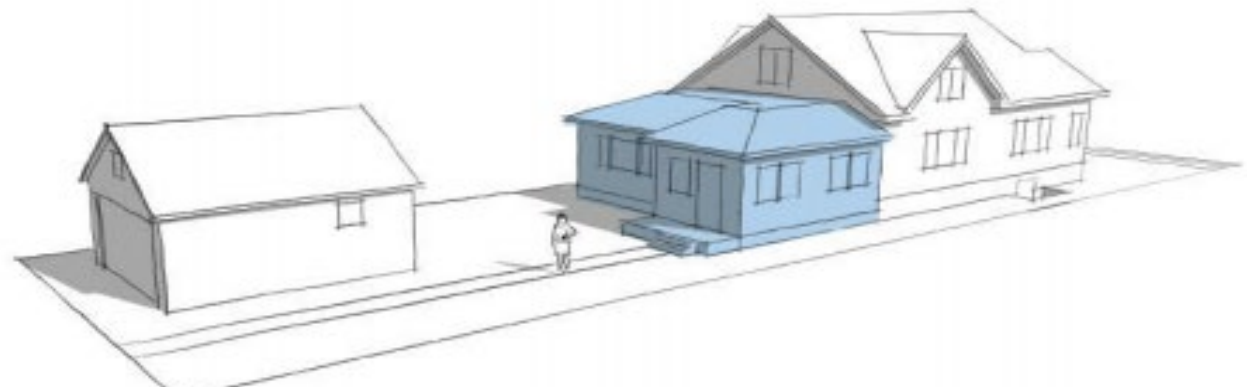
**UNITING PEOPLE
WITH OPPORTUNITIES**



Coalition for Smarter Growth
DC • MD • VA



ADU = approximately 500 sq. ft.



WHY ARE ADUS IMPORTANT?

- Increasingly unaffordable Housing Market
- Diminishing Resources
 - Tax Code
 - Deregulation
 - Reduction in Government Assistance Programs





WHAT IS AN ADU?

GRANNY FLAT
BASEMENT APARTMENT

BACK HOUSE
ALLEY FLAT
COACH HOUSE
ENGLISH BASEMENT
IN-LAW SUITE
ELDER COTTAGE
GARAGE SUITE
ECHO COTTAGE
GRANNY UNIT

LANEWAY HOUSE
GUEST ROOM
BUNGALOW
CASITA
TINY HOUSE
OHANA UNIT
BACKYARD COTTAGE
SIDEKICK
FAMILY APARTMENT
COMPANION UNIT
PERSONAL DWELLING UNIT





HOW IT DIFFERS

CAN BE:

- Basement Buildout
- Attachment
- Separate Unit
- Garage or carriage house conversion
- Must function Separately From Primary Residence

IS IT LEGAL?

As of September 2016,
an ADU can be built as
a matter of right in
low-density residential
neighborhoods.





HOW DO I BUILD ONE?

- Zoning Determination
- Design/Drawings
- Permits
- Financing
- Buildout

WHAT WILL IT COST? (320 SQ.FT)

Stick Built

- About \$125,000 - \$150,000+

Manufactured

- About \$90,000 - \$125,000+

Basement

About \$75,000 - \$110,000+

Soft costs

- About \$15,000 - \$20,000
 - Drawings
 - Engineering studies
 - Permits



STICK BUILT- SIX MONTHS TO TWO YEARS

- Break Ground
- Excavation
- Foundation
 - Set Concrete
 - Pour Foundation Wall
 - Pour Concrete Slab
 - Gravel
 - Vapor Barrier
 - Rigid Foam
 - Rebar
 - Pour Slab





Stick Built- continued

- Rough In Utilities
 - Sewer Electric, Gas
- Framing
 - Framing Structure
 - Sheathing
 - Roof
 - Stairs
 - Windows
- Roofing
- Weather Resistant Barrier
- Siding

INTERIOR

- Rough Plumbing
- Mechanical Systems – HVAC, Ventilation, Water Heater
- Wiring – Electrical Outlets, Lights
- Air Sealing
- Insulation
- Drywall
- Flooring
- Tiling
- Painting
- Cabinets
- Plumbing Fixtures

Inspections at every stage.

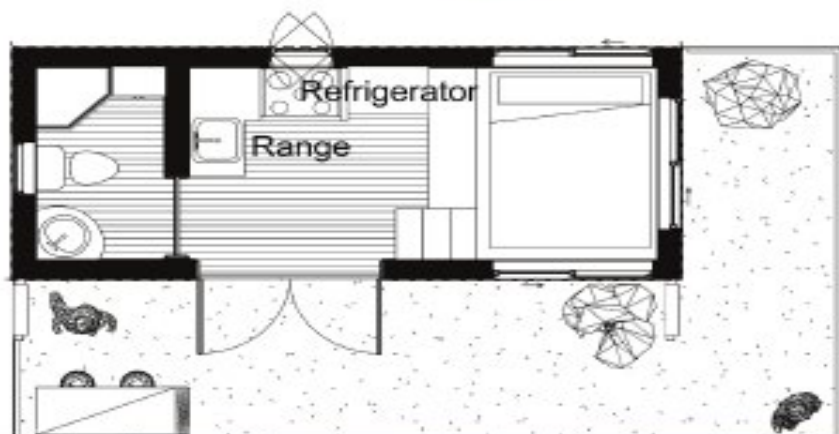


Tiny Home

COST & SPECS

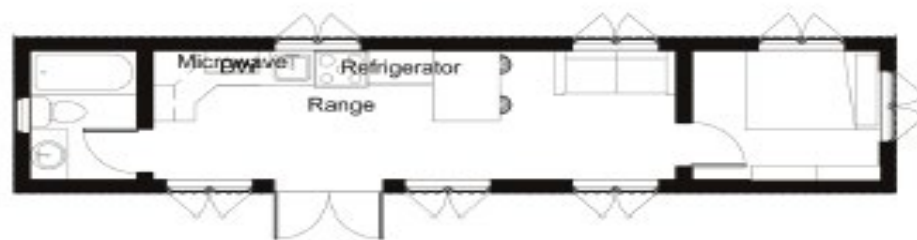
A1

\$72,000
11 20 FT | STUDIO



B1

\$91,350
11 40 FT | 1 BED | 1 BATH



Tiny Home

COST & SPECS

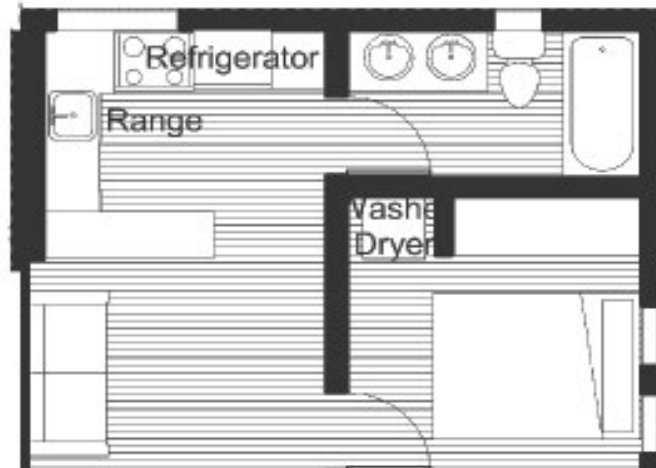
A2

\$128,100

2 | 20 FT | 1 BED | 1 BATH



SIDE BY SIDE



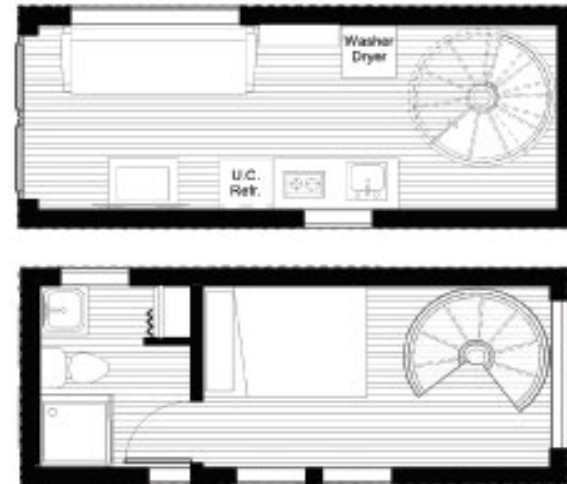
A3

\$145,000

2 | 20 FT | 1 BED | 1 BATH



STACKED



Manufactured housing built in factory

Panelized, Modular or Structural Insulated Panels

- Built in a factory
- Brought in pieces to site
- Constructed in 3-5 days by unskilled labor
- Can be treated for pesticides and mold
- High R value
- Can be 100% recyclable
- Sturdy construction



FROM RAYCORE INC.

MANUFACTURED HOUSING

- Prepare Foundation
- Rough-in Plumbing, electrical, HVAC
- Containers delivered 20' Unit painted/welded/cut/fire-proofed
- Cabinets
- Flooring (resurface & sand)
- Mechanical Systems
- Electrical Wiring
- Plumbing Fixtures
- Exterior Finish



House #1

Type of ADU: Garage conversion

Type of heating system: mini-splits

Timeframe for build: 3/2016 – 4/2017

Total square footage: 380

Cost per square: \$191

All in cost: \$157,000

Use: short term rental



House #1 interior



House #3

Type of ADU: New construction

Heating system: ductless mini-split

Time frame from plans to

Completion: 10/2016 – 7/2017

Total square footage: 800

All in cost: \$253,000

Use: owner lives there now, plans to use as long term rental



House #3



House 3# Bedroom and patio

Backyard



bedroom



House #8

Type of ADU: detached new construction

Type of heating system:
ductless mini split

Timeframe for build: 5/2018
– 7/2019

Total square footage: 798

Cost per square foot: \$238

All in cost: \$198,000

Use: long term rental



House #10

Type of ADU: detached new construction

Type of heating system:
radiant hydronic floor
downstairs

Timeframe for build: 12/2017
– 10/2018

Total square footage: 796

Cost per square: \$254

All in cost: \$202,000

Use: long term rental



House #10

First floor and kitchen



Washer dryer units



House #15 Robert Liberty



Stats

- **Type of ADU:** basement conversion
- **Type of heating system:** mini-split
- **Timeframe for build:** 6/2018 – 6/2019
- **Total square footage:** 391
- **Cost per square:** \$189
- **All in cost:** \$74,000
- **Use:** long term student rental

Robert Liberty





HOW DO I PAY FOR IT?

- Conventional Financing
 - Refinance
 - Home equity
- Construction Financing
- Reverse mortgage



RENTAL

- Vet All Tenants
 - Background Check
 - Credit Check
 - Income verification
- AirBnB
- Section 8 Vouchers
- Rent Main Residence
- Efficient evictions

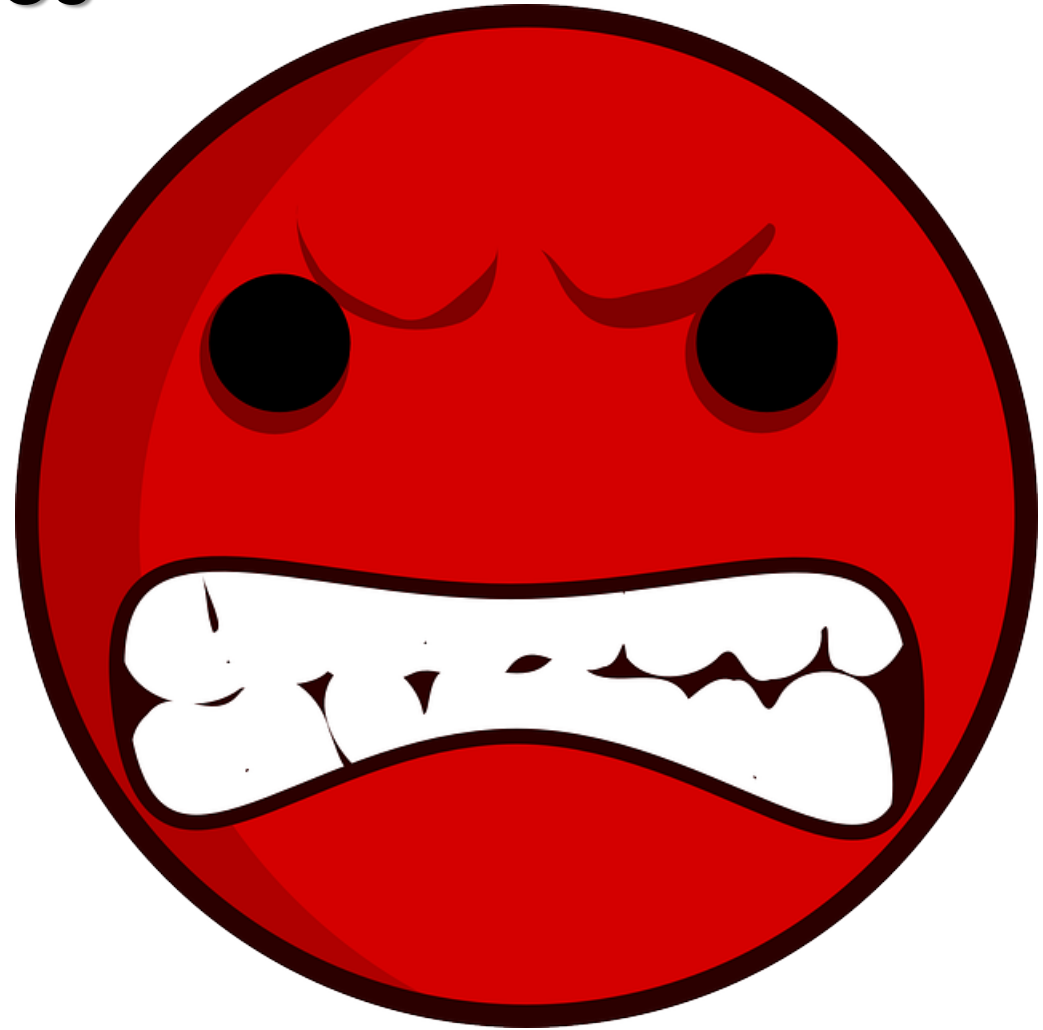


- Clean Or Hire Cleaners
- Keep Good Records
 - Debt Service
 - Expenses
 - Income

PROPERTY MANAGEMENT

Everybody doesn't love ADUs

- ❖ Will add density to neighborhoods
 - ❖ Not likely to be prolific, requires lifestyle shift for homeowner and renter
- ❖ Will create parking problems
 - ❖ Limited residency in units
- ❖ Will degrade neighborhood
 - ❖ AirBNB limits
- ❖ Will increase property values
 - ❖ ADUs are valued differently



POTENTIAL BENEFITS

- Increased Income
 - a \$50,000 loan @ 5%
About \$600 monthly
payment, Rental Can Be
\$1,200 - \$2,000, 7-10
Years
- Increased Value of House
- Increased Generational Wealth
- Increased Personal Skill Sets, Encourages Investment





LA-MÁS

Want a backyard home?

We build you a backyard home,
You rent it affordably for 5 years

About the Program:

- The Backyard Homes Project is a new affordable housing initiative for City of LA homeowners with single family lots and space to build another unit.
- A collective of established non-profit organizations will help you design, permit, finance, and build a new affordable rental unit in your backyard. These backyard homes are officially known as Accessory Dwelling Units or ADUs.
- In exchange, you must commit to renting your unit to a Section 8 tenant for a minimum of 5 years.

Program Partners:

- LA-Más - Program Management (PM), Design, Permitting
- Restore Neighborhoods LA (RNLA) - Construction
- Genesis LA Economic Growth Corporation - Financing
- Self-Help Federal Credit Union - Financing
- LA Family Housing - Tenant Matching and Support
- St. Joseph Center - Tenant Matching and Support
- Housing Rights Center - Landlord Training
- Housing Authority of the City of LA - Section 8 PM

Program Incentives:

- Free project management
- Affordable design and construction services
- Optional financing in the form of a permanent mortgage product
- Required landlord training and tenant support services
- Possible signing bonus for new Section 8 landlords

Apply:

- Please apply online at: goo.gl/vYqFJm
- Applications accepted until May 1st, 2019

Learn More:

- For more information and program details:
 - Contact LA-Más at adu@mas.la
 - Visit www.mas.la/affordable-adus



ADU ONE STOP SHOP



- Hello Housing is partnering with San Mateo County to launch a multi-jurisdiction Adu One Stop Shop Pilot Program.
- The Pilot will offer free Adu feasibility and project management services to eligible homeowners (either <120% AMI or willing to rent the Adu at an affordable price).
- The goal of the Pilot is to demonstrate proof of concept that a One Stop Shop can help increase Adu production, especially for low-moderate income homeowners. Hello Housing also partners with the County to administer loan funds for income-eligible homeowners participating in the County's Second Unit Amnesty Program.
- The next step in Hello's Adu work is to work with government agencies to design public benefit incentives that extend the myriad benefits of ADUs to more low- and moderate-income households throughout the Bay Area, especially those at risk of displacement from their homes and communities.

EQUITY-FIRST, COMMUNITY-BASED AFFORDABLE SMALL HOMES (ADUs)

Engaging our communities to build and finance
affordable rental homes and household assets in
neighborhoods at risk for displacement.



SPRING 2019

Partners



Hacienda CDC
Development
expertise, Cully
homeowners & renters



PCRI
North/Northeast
housing sites,
homeowners, and
renters, property
management
expertise



ROSE CDC
Lents housing sites
and renters



Verde
Community
engagement, jobs,
construction
feasibility, acquired
ADU designs



Crafts
Finance modeling
and loans for ADU
homeowners

EQUITY FIRST

Portland has one of the more permissive regulatory regimes governing the development of ADUs in the US. Since 2000, when the City incentivized ADU construction by waiving the SDCs normally levied on new construction, the City has seen an increase the number of permitted and built ADUs, to the point that nearly as many permits were issued for new ADUs as for new single-family homes in 2018, as reported in a 2018 study by PSU's Institute for Sustainable Solutions (ISS). However, the number of ADU completions has not risen as fast as permits, suggesting that barriers exist beyond the regulatory process.

The PSU study found that 86 percent of long-term renters in Portland's ADUs are white, and 79 percent have a college degree. Similarly, the homeowners who build ADUs are 80 percent white, and 88 percent have a college degree. This means that ADUs are further intensifying Portland's inequitable housing market, leaving people of color behind. The lack of inclusiveness in the ADU marketplace is a significant barrier to Portland advancing its goals of increasing ADUs in a way that better addresses affordability and opportunity.

Our proposed equity-first approach will turn this outcome on its head. We propose an ADU construction and financing pilot to build ADUs across the Portland metro region on properties owned by lower-income people, as well as sites owned by community partners, and in neighborhoods where people of color are most at risk of displacement. Those new affordable rental homes can then be made available through community-based organizations to low-income households of color.



EQUITY-FIRST AFFORDABLE ADU PILOT

BY THE NUMBERS:

100% MFI homeowners
served: 15

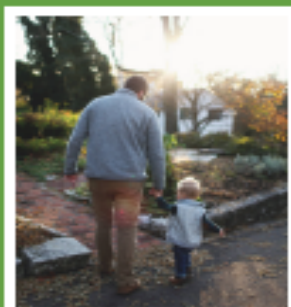
60% MFI ADUs
developed (private
sites): 15

ADUs on community
sites developed: TBD

Community-based
jobs: TBD

ADU construction/
assembly jobs: TBD

Displacement risk
communities served:
Cully, Lents, N/NE PDX



EQUITY-FIRST

ADUs are ideally well-suited to increase access to affordable housing for low-income renters by leveraging available land in established neighborhoods, existing infrastructure, and willing homeowners. To date though, white, upper-income homeowners and renters in Portland's most expensive neighborhoods have almost exclusively enjoyed this housing option.

Hacienda CDC, Portland Community Reinvestment Initiatives (PCRI), ROSE Community Development, Verde and Craft3 collaborated on this proposal, using their deep experience working in three of Portland's most diverse and displacement-vulnerable communities, Lents, Cully and N/NE Portland. This project leverages the partners' existing programs for low income homeowners, and other community outreach, to identify up to 10-15 pilot sites where new ADUs can be developed as an affordable rental for a 60 percent median family income households.

This pilot effort will:

- Increase access to ADUs for 60 percent households in displacement-risk neighborhoods where they are not being built now;
- Increase opportunities for low-income homeowners to stay in their homes and neighborhoods and improve their properties by creating a finance tool with mission-driven lenders;
- Demonstrate how public sector investment (affordable subsidy) can support this new rental option for a fraction of the cost of a new multifamily unit;
- Research and pilot the use of a factory-or other efficiently-built "green" ADU;
- Design, plan and pilot a community-based, community-guided ADU development services provider to employ community members and serve this market while the partner organizations develop their large, complex projects; and
- Create equitable and inclusive workforce and contracting opportunities

OUTCOMES

- Affordable (60 percent AMI) ADU financing model
- Gap investment funded by public sector
- Up to 15 stick- or factory-built, efficient and green ADUs in place
- ADU development and property management services entity created
- Affordable ADU toolkit/manual created

BUDGET	YEAR 1-2	SOURCE
Project Planning and Coordination	\$125,000 \$275,000	Meyer Memorial Trust Partner capital and resource development
Loan Capital	\$2,000,000	Public investment
Development Capital	TBD	
Monitoring and Evaluation (PSU)	\$90,000	Public investment
Affordability Gap (15 new homes)	\$450,000	Public investment
TOTAL	\$2,880,000	

Preservation Trust

- Build detached units
- Homeowner must be 120% MFI
- Seeking lenders who will provide up to 120% LTV of current value
- Looking for firms to deliver ADU of \$100K or less
- Then re-sell loans to resell loans to create more capital
- 40 per year to be built
- Company is being engaged to build manufactured housing on site. 40 x 40'
- Some firms will do stick built units, 24x24' , so it can be built up against property line, no setback (according to county regulations)
- No government funding will be used to contract ADUs
- Not high end, but decent models
- Renters at 60%-80% ideal
- Want homeowners to use property managers
- No deed restrictions, but a time of affordability will be determined.

ADUs IN THE DISTRICT OF COLUMBIA

- BECAME LEGAL IN SEPTEMBER OF 2016, WHEN AN EFFORT, LED BY CHERYL CORT AND OTHERS RESULT IN THE DC ZONING COMMISSION APPROVED A PROVISION ALLOWING ADUs TO BE BUILT AS A MATTER OF RIGHT IN LOW DENSITY RESIDENTIAL NEIGHBORHOODS.
- A DC WORKGROUP WAS ORGANIZED TO MAKE ADUs ACCESSIBLE AND SCABLE. IT INCLUDED REPRESENTATIVES OF EACH AREA NEEDED TO ACCOMPLISH THIS: CHERYL CORT, HARRIET TREGONIN, PHILLIP CASH, MAURA BROPHY AND KAY PIERSON.
- IN 2018, THIS GROUP JOIN A NATIONAL EFFORT TO CONNECT ADUS CAMPAIGNS LED BY ROBERT LIBERTY.

DC Accessory Apartments Forum:
www.smartergrowth.net/adu-forum

CONTACT INFO

Kay Pierson
United Planning Organization
2907 Martin Luther King Jr. Avenue, SE
Washington, DC 20032
(202) 231-7904
kpierson@upo.org

