

ACCESSORY DWELLING UNITS (ADUS)

What is an ADU?

Accessory dwelling units (ADUs), also known as mother-in-law units or granny flats, are additional living spaces that have a separate kitchen, bathroom, and exterior access independent of the primary residence. These spaces can either be attached to, or detached from, the primary residence. Local ADU ordinances must meet specified parameters outlined in state law. Local governments may also adopt ordinances for junior accessory dwelling units (JADUs). A JADU is a unit of up to 500 square feet within a single-family home with an entrance into the JADU from the main home and an entrance to the outside from the JADU. The JADU must have cooking facilities, including a sink and a stove, but is not required to have a bathroom. ADUs and JADUs are permitted in any zone that allows single-family or multifamily housing.

Why ADUs?

According to a 2011 UC Berkeley study, *Yes in My Backyard: Mobilizing the Market for Secondary Units*, second units are a means to accommodate future growth and encourage infill development in developed neighborhoods. The study found that despite state law requirements for each city in the state to have a ministerial (non-discretionary) process for approving second units, local regulations often impeded development. To address these concerns, several bills, particularly SB 1069 (Wieckowski, Chapter 720, Statutes of 2016), SB 13 (Wieckowski, Chapter 653, Statutes of 2019), and AB 68 (Ting, Chapter 655, Statutes of 2019) have relaxed multiple requirements for the construction and permitting of ADUs and JADUs.

A research paper by UCLA's Lewis Center for Regional Policy Studies, *One to Four: The Market Potential of Fourplexes in California's Single-Family Neighborhoods* (June 2020), finds that because state law now requires cities to allow ADUs and JADUs in single-family neighborhoods, there is potential for 1.5 million new units in the form of ADUs and JADUs.

What are the Requirements to Build an ADU?

State law regarding ADUs and JADUs includes, among other requirements:

- If a city or county adopts an ADU ordinance, it must meet certain requirements and the locality cannot impose certain requirements, as specified.
- A local agency must ministerially approve, within 60 days, an application for a building permit to create an ADU, a JADU, or one of each.
- A local ordinance cannot require an applicant for an ADU to be an owner-occupant.
- Certain minimum and maximum square footage, height, and setback limits for ADUs must be met.
- A tiered schedule of impact fees is provided for, based on the size of the ADU.

Is it Expensive to Build an ADU?

Unfortunately, construction costs for ADUs can be quite high. Currently, the only state program that provides funding for ADU construction is a pilot program under the California Housing Finance Agency (CalHFA). Under this program, CalHFA is partnering with Self-Help Housing Enterprises, a community development organization based in the San Joaquin Valley, to use \$2.5 million in CalHFA funding to act as the construction lender for the City of Clovis' Cottage Home Program. The city provides three design templates to homeowners at no cost, in addition to expedited reviews and fee waivers, for ADU projects. The home plans, each less than 400 square feet, are intended to orient into alleys in an effort to both revitalize alleys and create more housing. No other pilots have been implemented at this time.

The Turner report notes that in Los Angeles, the average cost estimate for constructing an ADU is \$148,000, while the average cost in the Bay Area is \$237,000 – a gap driven largely by differences in labor costs between the two regions. Homeowners often find it difficult to obtain financing to build ADUs, as banks have been slow to design appropriate types of loans; in addition, construction costs continue to escalate. The report finds that “more financial tools are needed to facilitate greater ADU development amongst low to moderate income homeowners who do not have access to cash savings and cannot leverage home equity,” particularly in lower-income areas within high-cost regions. AB 69 (Ting), introduced late in the 2020 legislative session, would have established a new program in the State Treasurer's Office to help homeowners finance additional housing units, including ADUs and JADUs, and would authorize CalHFA to issue revenue bonds to fund the program. This bill was vetoed due to concerns over the financing mechanism.

How Many ADUs are Being Built in California?

Recent ADU legislation, especially the bills that went into effect on January 1, 2020, is having a significant impact. According to a report by UC Berkeley's Turner Center for Housing Innovation, *Reaching California's ADU Potential: Progress to Date and the Need for ADU Finance (August 2020)*, ADU completions nearly tripled between 2018 and 2019, from 2,000 to almost 7,000. Most of this activity is concentrated in metropolitan areas, particularly areas with high home values and rents, though ADU development in Los Angeles is taking place in more low-resource areas. The median lot size for ADUs is 6,930 square feet, and most ADUs (about 80%) are built on lots ranging from 3,000 to 14,000 square feet. Homeowners who build ADUs are disproportionately likely to have bought their property within the last five years; those who have owned for more than 10 years are slightly less likely to build an ADU. In general, properties held by individuals rather than companies are most likely to build ADUs.

For more information on ADUs, please see the state Department of Housing and Community Development website at <https://www.hcd.ca.gov/policy-research/accessorydwellingunits.shtml>.