

# Attachment B

Prepared by  
ECONorthwest for  
Family Housing Fund  
& NeighborWorks  
Home Partners

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## *Best Practices in Advancing Accessory Dwelling Unit Production*

**FOR CONSIDERATION IN THE TWIN CITIES**



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### FOCUS GROUP PARTICIPANTS

- AARP Minnesota
- City of Minneapolis
- Christopher Strom Architects
- Dayton’s Bluff Neighborhood Housing Services
- Edina Realty
- Metropolitan Council
- Minnesota Homeownership Center
- Minnesota Housing Finance Agency
- YardHomes

### PROJECT CONSULTING TEAM

- ECONorthwest (lead)
- Tyler Bump, Project Director
- Brittany Bagent, Senior Project Manager
- Amanda Ufheil-Somers, Research Analyst
- Accessory Dwelling Strategies LLC
- Kol Peterson Orange Splot LLC
- Eli Spevak

### CLIENT TEAM

- Beth Hyser, Chief Program Officer, NeighborWorks Home Partners
- Kirstin Burch, Program Director, Family Housing Fund





## INTRODUCTION

Like many regions across the country, the Twin Cities are facing a severe housing inventory shortage. One strategy to address the shortage that has recently gained interest and support is developing **Accessory Dwelling Units (ADUs)**. Small houses or apartments that exist on the same property lot as a single-family residence are referred to as ADUs. Sometimes known as accessory apartments, secondary units, carriage homes, alley houses, mother-in-law suites, or granny flats, ADUs provide more housing options in existing neighborhoods by allowing homeowners to build additional units on their lots. ADU is a catch-all term for all these situations—whether the unit is attached to an existing home, carved out of a larger home, or placed elsewhere on the property, such as over a detached garage or as a stand-alone structure in the back or side yard.

NeighborWorks Home Partners and Family Housing Fund have examined ADUs in recent years to understand and amplify their potential for helping Twin Cities communities meet their housing needs. While many municipalities in the Twin Cities region have changed zoning code to allow ADUs in recent years, ADU uptake has been slow. Together, NeighborWorks and FHFund contracted ECONorthwest to investigate the opportunities and challenges to building ADUs in the Twin Cities.

This report introduces the benefits of ADUs, explores national best practices in supporting permitting and development of ADUs, explores navigator models, and summarizes findings from local focus group meetings to determine the structure and feasibility of a navigator model for the Twin Cities region.



## Benefits of Accessory Dwelling Units

ADUs have been around for many years (as seen in historical homes and neighborhoods) but their construction declined in the mid-twentieth century for a variety of reasons. Changing preferences and restrictive land use regulations reduced housing flexibility and limited the availability of housing options for diverse needs. For example, ADU housing was common in Chicago during the first half of the 20th century and then ADU construction diminished beginning in 1957 after the adoption of a zoning ordinance necessitating parking and prohibiting secondary residential structures on residential lots.<sup>1</sup> Now, many of the nation's ADUs can be found in older neighborhoods and in communities where regulations have been updated to allow for more housing diversity.

**Many communities support the development of new ADUs to increase housing choice, discreetly house more residents within existing neighborhoods, decrease housing costs for owners and renters, and accommodate multigenerational living** (See Exhibit 1 on next page).



ADUs offer additional options for smaller households. The smaller size of ADUs provides a lower-maintenance housing option particularly suited for older adults.<sup>2</sup>

**ADUs can blend into single-family neighborhoods. Many communities have vast areas with single-family residential uses which can accommodate ADUs.**

ADUs can be a source of added income for homeowners to help pay housing expenses.

Pairings of primary dwellings and ADUs can meet the needs of multigenerational households. An AARP study found that during the pandemic, economic pressures influenced families to embrace multigenerational living to facilitate their ability to focus on survival, support, and recovery. Others found that multigenerational living supported feelings of love, connection, support, and care during the pandemic.<sup>3</sup>

Source: West Denver Single Family Plus Initiative

**PRIMARY HOUSE OCCUPANTS**



Homeowners save money to build a second unit.



**YEARS 0-3**

**SECOND UNIT OCCUPANTS**

There is no second unit on the lot.



Second unit is built. Homeowners have kids.



**YEARS 4-20**

Second unit is rented to local renters. Homeowners use rent to pay extra expenses and some of second unit building costs.



Homeowners are supported financially while providing affordable housing for their adult kids.



**YEARS 21-25**

While building a career after college, the homeowners' children replace local renters in the unit to benefit from its affordability while supporting household income.



The second unit is fully paid and the homeowner are able to support their aging parents.



**YEARS 26-30**

The homeowners' elderly parents move-in to save on senior care costs.



One of the adult kids of the homeowners moves into the primary house with their partner and kids.



**YEARS 31+**

Homeowners move into the second unit and are able to share life with their children and grandchildren.



This report draws on insight from ADU experts, prior work done by ECONorthwest, and new research to review policies and practices in the cities and states that have produced the most ADUs in recent years. These jurisdictions—concentrated in West Coast states and Vancouver, B.C.—offer lessons on regulatory changes, planning tools, and actions that can support the accessibility and feasibility of ADU construction to homeowners and developers.

# LANDSCAPE SCAN AND BEST PRACTICES

Reducing regulatory barriers is the first and most important factor for achieving higher levels of ADU adoption and production. In a survey of ADU owners in three Pacific Northwest metro areas, the largest proportion of respondents (35 percent) said zoning changes were the determining factor for their decision to build an ADU.<sup>4</sup> Although removing regulatory barriers does not guarantee that ADUs will be built, evidence from cities like Los Angeles shows that code and process changes alone can substantially increase ADU production.<sup>5</sup>

The successful adoption of ADUs in many jurisdictions along the West Coast indicates that removing code and permitting barriers is a prerequisite to fostering ADUs.

## REGULATORY SHIFTS TO SUPPORT ADU PRODUCTION

### ALLOWING ADUS BY RIGHT

Clear and objective standards should apply to ADUs so they can be approved directly by municipal planning staff. When ADUs are allowed “by right,” applications are reviewed for compliance with the zoning, planning, and building code. Permitting ADUs through conditional or discretionary review requires a more extensive and costly permitting process involving a planning commission, uncertainty for the applicant, and potential for time-consuming appeals. Generally, conditional approvals should be targeted only for uses that have special impact or uniqueness such that their effect on the surrounding community cannot be determined in advance of the use being proposed for a particular property. ADUs are house-scale buildings that are fully compatible with detached homes and should not require special conditional use review. Similarly, design standards for areas outside historic preservation sites should be as clear and objective as possible to allow straightforward approvals for projects that are consistent with current zoning and building code requirements.

ADOPTED: SEATTLE, VANCOUVER (B.C.), CALIFORNIA, OREGON, NEW HAMPSHIRE, RHODE ISLAND, VERMONT, UTAH, WASHINGTON, D.C.

### ELIMINATING OWNER OCCUPANCY REQUIREMENTS

Among cities that have passed ADU ordinances, some include requirements for property owners to live on-site, whether in the primary home or the ADU. This requirement is usually enforced with a covenant or deed restriction. Owner occupancy requirements limit the potential for ADU development in a few ways. In the near-term, they limit the pool of possible owners who can develop an ADU, both because they must live on the property, and because mortgage lenders may avoid lending on them. Lenders see these requirements as risky: If they need to foreclose, the bank would immediately be out of compliance as a non-occupant owner. In the long term, such requirements restrict the flexibility that makes ADUs so attractive, as owners may have different needs and uses for their property over time. So far, concerns about an increase in corporate investor-owned properties with ADUs are not reflected in the data. In California, only eight percent of ADUs are on properties owned by companies, compared to 17 percent of the state’s housing stock.<sup>6</sup>

ADOPTED: SEATTLE, VANCOUVER (B.C.), CALIFORNIA, OREGON

### INCREASING ALLOWABLE SIZE

Many jurisdictions limit the size of ADUs through one or more of the following: maximum square footage, percentage of the size of the primary dwelling, and/or overall lot coverage. Size limits related to the primary house or lot size effectively penalize smaller primary homes, which will not be able to add full-sized ADUs. Explicit size requirements in ADU ordinances usually range between 750 and 1,000 square feet. Increasing the allowable lot coverage for ADUs can also add flexibility into city codes. Portland, Oregon allows up to 15 percent of total lot coverage to be taken up by detached structures on a property. Washington County in Oregon also gives a 15 percent size bonus for ADUs that are ADA-accessible. Another approach with small houses on large lots is to allow the new dwelling to become the primary structure while the original house is designated as an ADU.

ADOPTED: PORTLAND, VANCOUVER (B.C.), CALIFORNIA

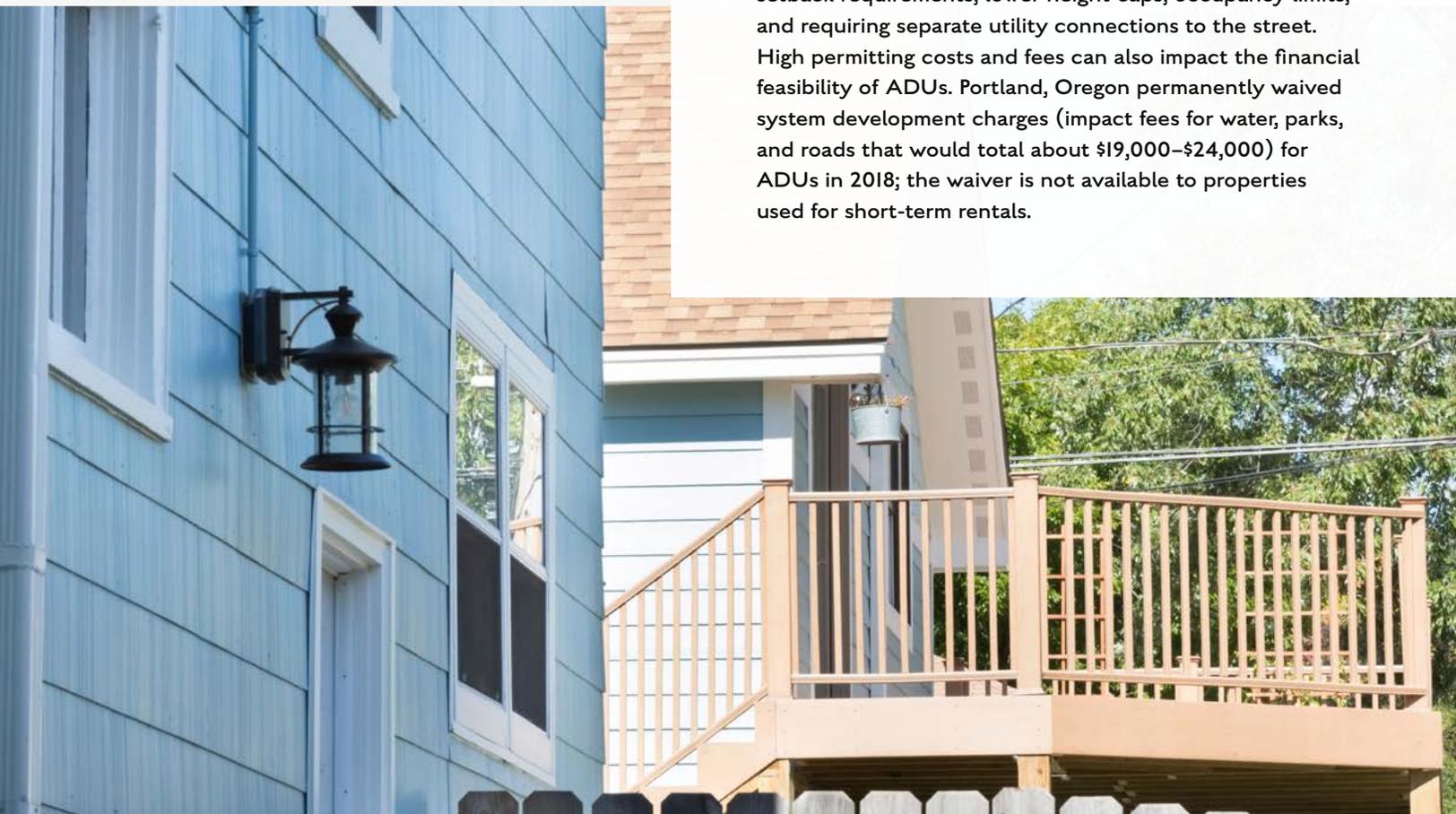
### ELIMINATING OFF-STREET PARKING MANDATES

Parking matters largely because of the space it takes away from housing. Off-street parking requirements also add construction costs and can make pedestrian-friendly design more challenging. Research has shown that occupants of ADUs are generally less likely to own a car, compared to residents of detached homes.<sup>7</sup> Forty percent of ADU occupants in California do not park a car on the street, while another 46 percent park only one car on the street.<sup>8</sup> Parking requirements are also more strongly correlated with ADU applications than other standards, such as unit size or permit fees: California cities with no off-street parking requirements are more than twice as likely than other cities to receive at least one ADU application per month.<sup>9</sup>

ADOPTED: SEATTLE, VANCOUVER (B.C.), SAN FRANCISCO, OREGON

### ADDITIONAL BARRIERS

Other regulations hindering ADU construction are large setback requirements, lower height caps, occupancy limits, and requiring separate utility connections to the street. High permitting costs and fees can also impact the financial feasibility of ADUs. Portland, Oregon permanently waived system development charges (impact fees for water, parks, and roads that would total about \$19,000–\$24,000) for ADUs in 2018; the waiver is not available to properties used for short-term rentals.



## TECHNICAL ASSISTANCE

Even with ADU-friendly regulations in place, the process of developing an ADU can be frustrating and intimidating for the average homeowner. California-based research on people who successfully built ADUs revealed that securing permits was one of the most challenging aspects of the process.<sup>10</sup> Over 50 percent of respondents said it was difficult to get their ADU plans approved. Many shared that planning staff did not always have a good understanding of ADU regulations, or that conflicting city, county, and state development rules took time for staff and homeowners to understand and resolve. Improving staff comfort with ADU regulations is a crucial step in supporting greater ADU development.

Externally, simple improvements to city websites can go a long way toward helping homeowners—the primary agents of ADU development—to understand the development process. Other initiatives that cities have used include:

**DEVELOPMENT PLANNING TOOLS:** Cities can offer ADU planning tools along a wide spectrum in terms of investment and complexity, from a basic outline of the process to a list of FAQs, cost calculators, guidebooks, or forms and checklists that prompt homeowners to gather necessary site information for the permitting process. The City of Seattle offers a self-service interactive parcel map that uses assessor data to show whether ADUs are allowed, and how large they can be for a specific lot. Tools that help homeowners understand the process and get more information about project feasibility on their own can help maximize staff time once an application is brought to the city.

**PRE-APPROVED ADU PLANS:** Offering a set of city-approved design and construction plans at low- or no-cost helps homeowners save on predevelopment expenses and speeds up the permitting process. Pre-approved plans can also offer design standards that help ADUs blend in with the current housing stock.<sup>11</sup> There are different models for pre-approval: in some cases, the city owns the plans and distributes them for free,

while in others, the designers maintain ownership and sell the plans to homeowners. Cities that offer free plans include the Cities of Oakland, Fort Bragg, Encinitas, Citrus Heights, and San Diego in California. In Eugene, Oregon, pre-approved plan fees, payable to the designers, are capped at \$500. An important consideration with pre-approved plans is the evaluation of the costs of building each design, which affects how feasible—and therefore likely—they are to be built. Early research shows lower utilization of pre-approved plans in larger cities, from 3–5 percent. Smaller suburbs with pre-approved plans have seen utilization closer to 20 percent.<sup>12</sup>

Nonprofit organizations and consultants can also provide technical assistance to help interested homeowners start, navigate, and complete the ADU development process.

**NONPROFIT SUPPORT FOR ADUS:** Many ADU programs offered by nonprofits have supported ADU development for lower-income homeowners. Keys to Equity is a program in the City of Oakland, California, led by community-based nonprofit Richmond Neighborhood Housing Services, with lending and philanthropic partners. The cohort-based program offers education, design and project management, financial counseling, access to an ADU loan product through Self-Help Federal Credit Union, and landlord training to its participants. Though the program is open to any homeowner in Oakland, the program’s outreach is focused on Black homeowners.<sup>13</sup>

**“TURN-KEY” ADU BUILDERS:** In many markets, “turn-key” ADU builders lower the barriers for homeowners by offering a fixed price for ADU design and construction, where the company also handles the permitting and approval process. Even when these ADU models are not pre-approved by the city, the designs are usually tailored with local codes in mind to speed the approval process. An ecosystem of turn-key ADU builders can offer local jurisdictions some of the benefits of pre-approved plans without the administrative costs.

## COALITIONS

### OUTREACH

After removing regulatory barriers and reducing the difficulty of navigating the development process, another key step is raising awareness about ADUs. While some cities have directly promoted ADUs through improved municipal websites and marketing campaigns, third party organizations often play a leading role in building awareness and momentum for ADUs.

Nationally, AARP has been a leading voice in building awareness about the role of ADUs in creating age-friendly cities with a variety of housing options for different life stages. AARP has published a popular guidebook, *The ABCs of ADUs*, and has also created model state and local legislation for allowing ADUs in residential zones.<sup>14</sup> State AARP branches have also been active in promoting ADUs and supporting ADU legislation.

At the local level, successful activities to generate awareness and interest in ADUs include:

- Securing local media coverage of first-hand success stories about homeowners who have built ADUs
- ADU consultations and classes
- Tours of local ADUs
- ADU concierge services through a dedicated non-profit

### POLICY AND LEGISLATION

ADUs should be considered a first step toward a more inclusive array of housing types that can and should be built in residential, urbanized areas. Many stakeholders could become allies to back this type of legislative effort if that type of broad support were deemed to be helpful in the pursuit of statewide legislation. Stakeholders may include small-scale and local developers, realtor associations, banks, credit unions, home builder associations, architectural groups, urban planning associations, disability advocates, affordable housing groups, faith communities, and many others.

Broad coalitions have proven to be extremely effective in galvanizing support in Oregon, California, and Connecticut, three states to date that have passed the most supportive ADU legislation in the country. (However, Connecticut's law was weakened during passage by allowing local jurisdictions to opt out.) Such coalitions may also support broader housing policy goals related to small urban infill goals such as middle housing legislation.

### PROGRAM EXAMPLES

California's **CASITA COALITION** advocates for legislation that allows and encourages smaller housing types and was a prominent voice in the campaigns for state-level laws authorizing ADUs. The Coalition has a wide range of public and private sector partners that include cities, real estate developers, community-based nonprofits, and researchers. The Casita Coalition also creates guidebooks for homeowners to navigate ADU development, sponsors webinars for the public, and hosts events for ADU professionals.<sup>15</sup>

**DESEGREGATE CONNECTICUT** formed in June 2020 to campaign for zoning reforms at the state level in Connecticut. The coalition includes a broad alliance of community-based organizations working across sectors of racial and economic justice, housing, transportation, and sustainable development, as well as faith communities, housing developers, trade unions, and cities. Desegregate Connecticut was a vocal supporter of HB 6107, which allows ADUs and restricts barriers to their development, such as parking requirements. In addition to videos promoting the value of ADUs for communities, the coalition's website also provides extensive resources for the public about Connecticut's zoning laws, planning processes, and the role of zoning in segregating communities.<sup>16</sup>





## Financing and Development Patterns

Though ADUs cost less than building a larger detached home, they are also affected by rising costs of materials and labor across the construction industry. Compared to larger homes, ADUs often cost more per square foot because they have the same requirements for livability— kitchen, bathroom, and utility connections—in a smaller space. Current estimates for ADU construction in the Twin Cities area are about \$250,000 for a 750-square foot detached unit.<sup>17</sup>

**In Portland, where ADUs are encouraged by local policy, it is increasingly common for newly built homes to include a detached or attached ADU. Even with this new trend, only 10 percent of ADUs in Portland were built by a professional developer. Across the country, current homeowners are the primary developers of ADUs on their property.**

ADUs are most often financed using a patchwork approach of different funding sources that rely on homeowners' existing assets. The vast majority of ADUs are financed using the following approaches, in descending order of frequency:<sup>18</sup>

- Cash savings (including stocks)
- Home equity line of credit
- Cash out refinance
- Personal loans and other non-secured lines of credit (such as credit cards)
- Loans (or private gifts) from family and friends

Home equity and cash out refinancing loans usually come with restrictions on the amounts that can be borrowed relative to a home's value, and equity lines of credit can require high credit scores. Debt-to-income ratio limits can also be a challenge for homeowners with lower incomes or less home equity. These terms limit the pool of homeowners that can access such financing.

Renovation or construction loans allow homeowners to borrow against the future value of the property based on the projected value after the addition of an ADU.<sup>19</sup> But in markets with few comparable properties, the added value of the ADU may be minimal. So far, this type of financing is not among the most common tools for building ADUs.

The current cost and financing environment means that most ADUs are built by homeowners with access to substantial savings or home equity. In Portland, this trend corresponds with a greater share of ADU owners between the ages of 45 and 65, compared to all homeowners (See Exhibit 2).<sup>20</sup> Research from California's large ADU market shows that homeowners who have built an ADU are more likely to be affluent compared to homeowners statewide, with 70 percent of ADU owners earning over \$100,000 (See Exhibit 3).<sup>21</sup> Black and Latino residents are disproportionately less likely to develop ADUs. Two percent of ADUs are owned by Black Californians, compared to 4 percent of homes, while Latino ADU and homeownership rates are 14 percent and 29 percent, respectively.<sup>22</sup>

EXHIBIT 2. SHARE OF HOME AND ADU OWNERS BY AGE IN PORTLAND, OREGON, 2013

Source: Martin John Brown, Oregon Department of Environmental Quality

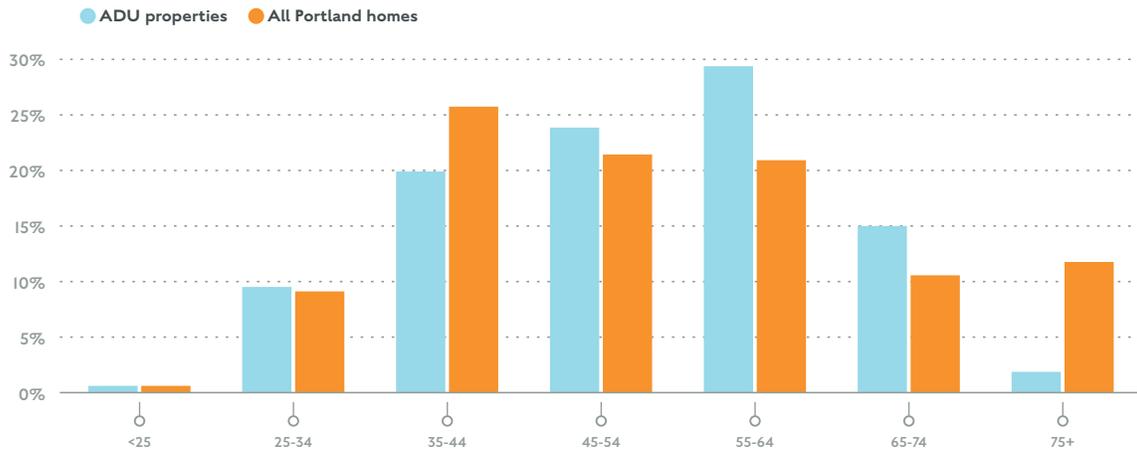
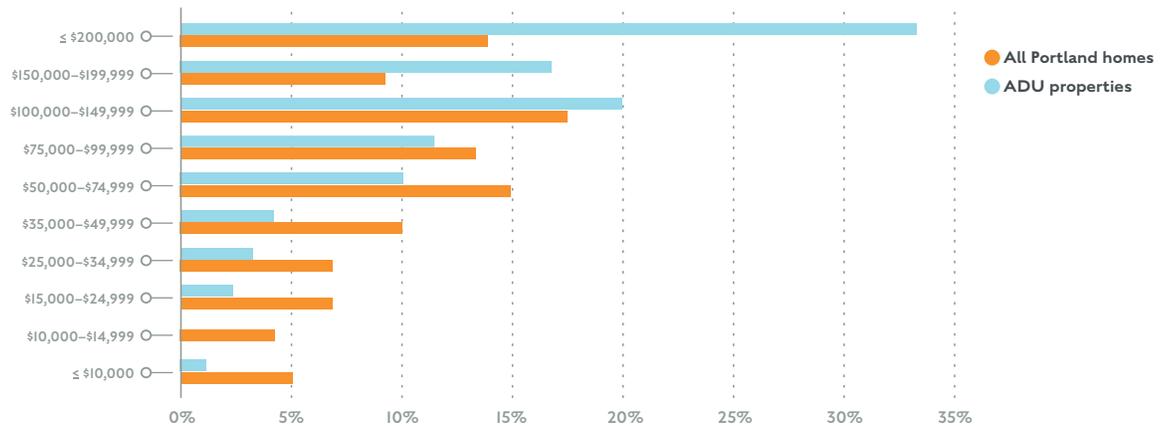


EXHIBIT 3. SHARE OF HOME AND ADU OWNERS BY INCOME IN PORTLAND, OREGON, 2021

Source: UC Berkeley Center for Community Innovation



## ADDRESSING FINANCING BARRIERS

**Innovative funding tools that have appeared in the market or have been piloted by state and local governments to expand access to ADU ownership include:**

**ADU-SPECIFIC LOANS:** A nonprofit lender in the Pacific Northwest, Craft3, offers an ADU-specific loan product in Portland. Homeowners can borrow up to \$130,000 for 10 years, with a lower interest rate available to low- or moderate-income homeowners. This loan is only available for borrowers who live, or house family members on the property.<sup>23</sup>

### **PUBLIC LOAN AND GRANT PROGRAMS:**

Cities, counties, and states have piloted loan and grant programs for ADU construction. Loan programs have often been forgivable or zero-interest loans that can be repaid when homeowners sell the property. California’s Housing Finance Agency (CalHFA) offers

grants of up to \$40,000 for lower-income homeowners, via lending partners throughout the state. The grant can cover predevelopment and/or closing costs for other financing sources. CalHFA grants are limited to owner-occupied properties.<sup>24</sup>

**FEE WAIVERS:** Waiving certain development fees for ADUs—such as impact fees for stormwater, sewer, and parks—can meaningfully reduce the total cost of developing an ADU. As mentioned above, the City of Portland waives approximately \$20,000 in impact fees for ADUs that will become long-term rentals or non-rented housing for family and friends.



## POTENTIAL TO PROVIDE AFFORDABLE HOUSING

**As discussed on previous page, the base construction costs and limited options for financing ADU construction present structural challenges to the feasibility of ADUs as a source of affordable housing. Depending on homeowners' desires to offer an ADU as a long-term rental property and their expectations for recouping their initial investment, rents on ADUs may not be affordable relative to local housing markets.**

Research over the past decade has found evidence that median rents on ADUs can be affordable for moderate income households, though many of those units are rented to households with a relationship to the homeowner. A study of ADUs in Portland, Seattle, and Vancouver, B.C. from 2017 found that 58 percent of ADUs offered for rent had below-market rents. However, 40 percent of those affordable ADUs were rented to friends or family. Many homeowners build ADUs in order to provide affordable or free housing for family and friends; 18 percent of ADUs in California are used in this way. The share of ADUs rented to arms-length tenants for affordable rents can vary widely. Across California counties in a 2021 study, rental ADUs affordable

to households making 80 percent of AMI or less ranged from 12 percent in Los Angeles to 67 percent in Marin.<sup>25</sup>

Many cities around the country are adding references to ADUs in their comprehensive plans related to supporting and encouraging diverse housing types, including Minneapolis. Some cities refer to ADUs as a potential source of additional affordable housing, but specific programs to support ADUs as affordable rental properties have primarily been limited to pilots, led by nonprofits with varying degrees of municipal partnership or support. Most of these programs are designed to serve lower-income homeowners while others have targeted higher-income owners to create regulated affordable housing.

### PROGRAM EXAMPLES

In Portland, the nonprofit **BACKHOME ADU** helps homeowners with development planning, connects them with affordable financing, builder partners, and property management services in exchange for renting the completed ADU to a household earning no more than 80 percent of AMI. BackHome ADU has built five ADUs and has 17 currently under development.<sup>26</sup>

Nonprofit affordable housing developer **EAST PALO ALTO CAN DO** offers site planning, financial consulting, and construction project management for income-qualified households in East Palo Alto, California. As part of their Packard Foundation-funded program, the finished ADU must be rented at a rate affordable at 80 percent of Area Median Income (AMI).<sup>27</sup>

**DURHAM COMMUNITY LAND TRUSTEES** in North Carolina is piloting a CLTplusOne program to include an attached ADU with a new-build home as part of their portfolio of permanently affordable owned homes within their community land trust (CLT). The new CLT homeowner will own both the home and the ADU, but Durham Community Land Trustees will manage the rental property on behalf of the owners. This pilot project is designed to be affordable to owners making 80 percent of AMI, while the ADU rent will be affordable to households at 60 percent of AMI. In future phases, the CLT hopes to be able to include ADUs in all future new construction projects and to begin adding ADUs to the properties in their existing portfolio.<sup>28</sup>

## Navigator Models Throughout the Nation

In several geographies where ADUs are prominent, there are various types of an “ADU navigator,” a single organizational home to support education about and advocacy for ADUs. Many cities offer a central website for information and technical assistance related to building an ADU, and to start guiding residents through the process.

**The City of Louisville, Kentucky** developed a robust website landing page for homeowners, architects, and builders interested in ADUs.<sup>29</sup> The website displays critical content including types of permitted ADUs with graphic representation, land development code, a step-by-step process guide, and a link to their ADU application. The website also includes events that may be of interest, such as local conferences and federal videos.

**The City of Lexington, Kentucky** developed a two-page handout announcing the city ordinance allowing for the incorporation and regulation of ADUs in their city<sup>30</sup>. The handout includes a simple and clear overview of the approved regulations. They also include a link to a website with additional resources and contact information.<sup>31</sup>

**The City of San Jose, California** created a city website with clear definitions of the allowable types of ADUs, explanations of the permitting process, explanatory videos, a library of preapproved plans, and a data dashboard about ADU permit activity in the city. San Jose also has a dedicated “ADU Ally” in its planning department who serves as a first point of contact and guide through the permitting process. For a time, the city offered expedited review for ADU plans every Tuesday.

**Cities in Napa and Sonoma Counties in California** have partnered with the **Napa Valley Community Foundation** and the **Community Foundation of Sonoma County** to promote ADU development. The foundations maintain a website, Napa Sonoma ADU, with information about ADUs and the development process, city-specific land use codes, preapproved ADU plans and prefab models.<sup>32</sup> Interested homeowners can also connect with a local ADU expert for a subsidized consultation and assessment of what is possible on their property.

In addition to information on the city’s website, the **City of Seattle, Washington** has a separate ADU website, ADUiverse, integrated with geographic data that combines information about the city’s ADU policies, the permitting process, pre-approved designs, and an interactive parcel map that helps homeowners determine what is allowed on their property.



# LOCAL CHALLENGES AND OPPORTUNITIES IN THE TWIN CITIES

In October 2022, ECONorthwest convened three focus groups and a series of follow up conversations to explore challenges and opportunities in planning and building ADUs in the Twin Cities. The groups represented regional leaders working as architects and builders, funders and advocates, as well as city staff.

## CHALLENGES

**Costs versus building form** expectations is challenging in the Twin Cities market. Codes limit ADUs to be approximately the same size of a residential garage (maximum of 675 square feet) and people often underestimate the cost of an ADU. At the low end for a prefab construction ADU, a homeowner can expect to pay approximately \$250,000 which is high given the limited size.

The **winter climate** in the Twin Cities drives a strong regional preference for covered parking, which will directly increase costs. Owners with capital for ADUs, for example, typically want parking for one or two cars. This need, combined with substantial requirements for frost footings for residential structures, often involves demolishing an existing garage and rebuilding a garage with an ADU on the second floor.

**Converting an interior space** to an ADU is often very difficult. Many older homes throughout the region may not support an ADU because of their size and layout. First-ring suburbs, many of which were developed after WWII, may be a better fit due to their housing structure. However, in many cases, converting an interior space to an ADU does not add significant value because it does not change the overall square footage.

**Local cities do not have dedicated ADU planning staff.** Permitting an ADU is technical and relies on support from multiple departments within the city. For example, Minneapolis has parallel applications for building and land use, as well as a process that involves staff from zoning, building codes, and other departments that are needed to shepherd the application through to completion.

It is challenging for staff to need to explain the process to applicants because it is inherently confusing and different rules often overlap.

**Saint Paul requires dedicated water and sewer connections** which presents a financial barrier that is unique to the city. Other neighboring cities do not require dedicated water and sewer connections.

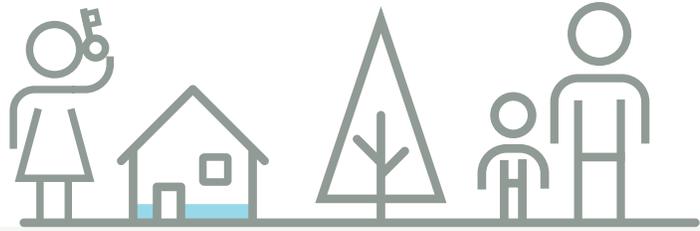
**Saint Paul also requires a dedicated sidewalk leading from the ADU to the front of the primary home.** This is a financial and potentially logistical challenge depending on the cost of the added sidewalk and lot coverage limitations.

Well intentioned ordinances, such as requiring that **ADU siding** match the primary home, may be challenging in practice. For example, if a primary home has asbestos siding, requiring an ADU to match is problematic.

**Inconsistent and disconnected city governments** generate a range of ADU ordinances that lack regional consistency. Roughly half of the cities in the Twin Cities have adopted ADU ordinances while the others do not. Individuals and developers are challenged by inconsistent expectations rather than turning to broader regional coordination.

**Financing ADUs is a challenge in the Twin Cities and other regions alike.** When other communities, such as those along the West Coast, began building ADUs housing costs were markedly less. Therefore, given current higher building costs, more time may be required for ADUs to proliferate in the Twin Cities compared to other regions in the country.

## OPPORTUNITIES



Given the relatively low awareness of ADUs in the Twin Cities region, **targeted outreach and promotions around ADU benefits can go a long way.** Most people are not familiar with ADUs, and those who are familiar may have a narrow view of ADUs being limited to above-garage apartments. Targeting outreach around the different forms ADUs can take could make a big difference. Continuing to support tours of successfully built ADUs can create exposure for individuals interested in building on their property.

**Senior citizens** represent an ideal market to target for ADUs because they may be interested in adapting their property for aging in place or for multigenerational living and have enough home equity or savings to finance construction. Seniors may be aware of ADU options, due in large part to the AARP's advocacy, but they tend to underestimate costs and are less equipped to navigate the complicated process.

**Educating homebuilders** around the benefits of ADUs for new construction may lead to basements designed as a separate unit or for a future conversion. This is a less expensive alternative and may allow for larger unit sizes.

**Streamlining permitting and approval processes on city websites and at a regional scale** would create significant efficiencies. Nineteen different municipalities offer different rules and models which is inefficient and difficult for developers and homeowners to navigate.

**Pre-approved ADU plans** may benefit and incentivize homeowners interested in building an ADU. The Twin Cities also has several local developers that offer turn-key ADU products and could be part of a larger coalition to promote ADUs.

**Adjusting ADU rules and standards in Minneapolis** may meet more families' needs in constructing ADUs.

For example, increasing the 10 percent lot coverage rule for accessory structures to 20 percent would help families build larger ADUs. Also, decreasing the 20-foot setback between a detached ADU and the primary house to five feet would align with fire code building separation requirements. The 20-foot standard is an outlier and is problematic for building detached ADUs on smaller lots.

**Adjusting ADU rules and standards in Saint Paul** may also meet more families' needs in constructing ADUs. For example, reconsidering the requirements to dedicate separate water and sewer connections and dedicated sidewalks would be helpful. Clarifying ADU codes, particularly around rear and side-yard setbacks, could also support more ADUs.

**Incorporating ADU policies in local housing plans would generate more developments.** With less than one-third of local cities considering ADU policies in their housing plans, there is significant opportunity for growth.

**Minnesota Housing Finance Agency is actively working to update rules** that would support ADUs, including removing the requirement that home improvement renovations be attached to the primary home.

**Removing owner occupancy requirements** for ADUs across the Twin Cities would foster more housing opportunities for everyone.

# AN ADU NAVIGATOR FOR THE TWIN CITIES



After reviewing conditions, challenges, and opportunities in the Twin Cities, as well as successful measures nationwide, the ECONorthwest team recommends pursuing a navigator model that supports ADUs throughout the region. Focusing resources—from funding to staff time—in a navigator would develop both broad and deep expertise in the ADU landscape across the region and efficiently provide a one-stop-shop for homeowners, developers, and builders to understand the possibilities and process for building an ADU. Given tangible adjustments in city codes, opportunities for collaboration and strategic communication among partners, and the significant interest expressed from builders, architects, and public sector leaders, the Twin Cities is well positioned to develop an ADU navigator.

**ECONorthwest recommends a navigator model that would offer technical assistance in the form of self-service tools and direct services to facilitate the development of ADUs in the Twin Cities. This technical assistance could include:**

**OFFERING TOOLS:** Self-service tools can help homeowners work through many of the early steps of ADU development to determine whether it is feasible on their property. These tools could include online FAQ documents, a graphic summary of the ADU development process, a workbook with exercises for setting goals, an ADU calculator providing high-level cost estimates, and/or an address look-up tool leveraging online maps and zoning data to determine whether a specific parcel meets local code requirements to add an ADU. The ADU navigator would develop, host, promote, and maintain these tools over time.

**PROVIDING DIRECT SERVICES:** Compared to a resource library, a defining feature of a navigator is the ability to provide services to potential ADU owners to understand and manage the development process. Combining expertise in local ADU rules and feasibility with a customer service orientation can help catalyze ADU development in the Twin Cities. Some of the most effective services offered by other navigators include: hosting webinars on local guidelines for ADU design and approval; providing consultations to review ADU plans and feasibility with

potential ADU owners; curating a library of ADU designs from local architects; organizing tours so individuals can see successful ADU projects; and offering ADU policy guidance to local jurisdictions. The model would also include building a coalition to explore and advance recommendations to support ADU uptake. Broad coalitions have proven to be extremely effective in galvanizing legislative support for ADUs in Oregon, California, and Connecticut, three states to date that have passed the most pro-ADU legislation in the country. Coalitions in these and other states have demonstrated that ADUs can provide an important bridge between a variety of issues, such as increasing housing supply, advancing equitable wealth-building, developing age-friendly units, and supporting energy efficiency housing. In the Twin Cities, there is a rich ecosystem of organizations working on these issues—ripe for building a coalition.

**In geographies across the country, ADUs are adding affordable options to the housing supply to help combat severe shortages and rising rents. The Twin Cities region should be among those success stories.**

## END NOTES

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310 4th Ave South  
Suite 9000  
Minneapolis, MN 55415  
612.375.9644

KOIN Center  
222 SW Columbia Street  
Suite 1600  
Portland, OR 97201  
503.222.6060

533 Dale Street North  
Saint Paul, MN 55103  
651.292.8710