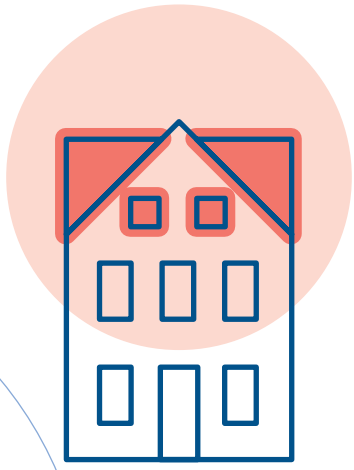
POLICY AND PROGRAM MODELS FOR

CREATING ACCESSORY DWELLING UNITS

IN NEW HAMPSHIRE



NEW HAMPSHIRE HOUSING

Policy and Program Models for Creating Accessory Dwelling Units in New Hampshire

This report was researched and written by
Southern New Hampshire Planning Commission
on behalf of New Hampshire Housing

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EXECUTIVE SUMMARY

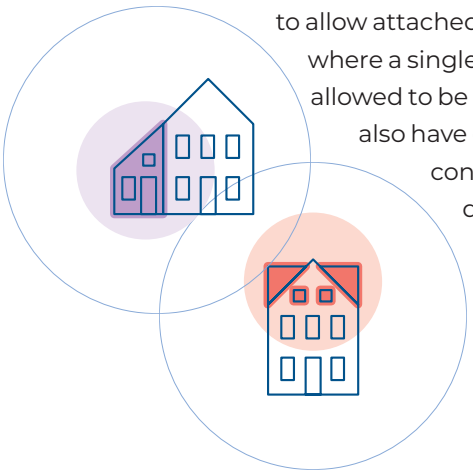
POLICY AND PROGRAM MODELS FOR CREATING ACCESSORY DWELLING UNITS IN NEW HAMPSHIRE explores a range of initiatives implemented in other states to encourage and support the creation of Accessory Dwelling Units (ADUs).

This report presents ADU program models, tools, and techniques for New Hampshire and its cities and towns to reference as they develop their own regulations and programs to stimulate development of this much-needed type of housing.

Accessory dwelling units are an important component of expanding New Hampshire's housing supply. ADUs (also known as in-law apartments and granny flats) are a proven way to expand the supply and diversity of housing without further land development. An ADU supports the efficient use of existing housing stock and infrastructure, and results in adding a more affordable housing option for individuals and families in all stages of life.

In 2016, the New Hampshire Legislature passed the Accessory Dwelling Units law (RSA 674:71-73), recognizing that ADUs are an important component to addressing the state's housing needs.

The law states that local governments are required to allow attached ADUs on any property where a single-family home is allowed to be built. Municipalities also have other options for ADU construction, including detached ADUs and multiple ADUs.



The need to encourage the construction of ADUs is underscored in the *2023 New Hampshire Statewide Housing Needs Assessment*, which found the state's current housing shortage to be over **23,500 UNITS**, and that nearly **90,000 UNITS ARE NEEDED** between 2020 and 2040.

The *Policy and Program Models for Creating Accessory Dwelling Units in New Hampshire* report includes:

- Research and analysis on ADUs, including programs that support developing affordable ADUs, offer pre-approved ADU plans, and encourage ADU design initiatives
- Case studies of models for increased ADU production, including approaches, successful elements, and challenges encountered
- ADU financing tools and programming techniques used in other states
- Identification of ADU development tools and techniques that can be applied in New Hampshire
- Scenarios for, and feasibility of, ADU production in New Hampshire
- Links to sources and information embedded in the report.

The ADU models that can be most readily implemented by New Hampshire municipalities include:

PERMITTING AND ZONING

Solutions:

- Regulatory changes
- Technical assistance
- Pre-approved plans

CONSTRUCTION COSTS

Solutions:

- Supports for industry
- Job skills training for labor
- Innovative materials & methods

FINANCIAL TOOLS

Solutions:

- Affordability programs aimed at lower income households
- Rent supports to ADUs
- Deferred loans
- Grants to address risk of ADU permitting and approval

HOME VALUE AND INCOME

Solutions:

- Use changes to FHA regulations to adopt new underwriting practices
- Deploy new lending tools to tap home equity
- Bridge financial gaps for downsizing into an ADU

TOOLS AND TECHNIQUES FOR INCREASING THE AVAILABILITY OF ACCESSORY DWELLING UNITS IN NEW HAMPSHIRE

Note: This table is a useful quick reference guide for exploring the tools and techniques used by each case study. The table follows the order in which the case study information ia laid out in the ADU Policy and Program document.

	Tool Number		AFFORDABLE FOCUS (2.1)			PRE-APPROVED FOCUS (2.2)			DESIGN INITIATIVE FOCUS (2.3)		
			Barnstable, MA	Boston, MA	California	Eugene, OR	Chico, CA	Seattle, WA	Los Angeles, CA	Houston, TX	Salt Lake City, UT
Reductions in Zoning Regs/Approval Process	1	Momentum Building Tools	X	X	X	X[1]	X[1]	X[1]	X[1]		X[1]
Technical Assistance: Permitting/Approval	2		X	X	X			X	X		
Technical Assistance: Permitting Checklist	3			X							
Technical Assistance: Homeowner Workshops	4			X						X	
Annual Reporting of ADU Production	5				X	X		X	X		X
ADU Design Initiatives: ADU Design Guides	6	Case Study Tools of Focus			X			X	X		X
ADU Design Initiatives: Design Competition	7							X	X	X	X
ADU Design Initiatives: Pilot ADU Project	8								X		
Pre-Approved Plans: Free for Public Use	9					X	X				
Pre-Approved Plans: License Fee for Plan Use	10					X		X	X		
Financial Incentives: ADU Design/Permit	11				X		X[1]		X[1]		
Financial Incentives: ADU Construction	12		X	X							

[1]Tools Implemented as Statewide Actions (not included in Cumulative Use of Tool count).
Red "X" designates the tool of focus in the case study.

Policy and Program Models for Creating Accessory Dwelling Units in New Hampshire was written by Southern New Hampshire Planning Commission on behalf of New Hampshire Housing. Download the full report via the QR code or at **NHHousing.org/ADU**. To learn more about how your community can help support the development of ADUs, contact New Hampshire Housing at info@nhhfa.org.

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1.0 WHAT IS AN ACCESSORY DWELLING UNIT?

The definition of an accessory dwelling unit (ADU) varies according state and local laws that define an ADU for legal purposes. The case studies in this report include localities and states across the country to provide background on the legal and regulatory context in which ADU programs are being implemented. Some communities have strict regulations for ADUs while others are more flexible in their allowance of these housing unit types. This has an impact on the rate of ADU production from place to place.

Since this report was undertaken to encourage the development of ADUs in communities around New Hampshire, it is useful to understand the state's regulatory environment regarding them.

1.1 State and Local Regulations Defining ADUs in New Hampshire

All powers of local government in New Hampshire stem from delegations of authority by the state legislature. This legal framework is often referred to as "Dillon's Rule." New Hampshire's laws are codified in its Revised Statutes Annotated (RSAs). Among many other things, the RSAs include delegations of power to cities and towns to create master plans, establish local zoning, and create planning boards and zoning boards of adjustment. The state granted these powers to local governments with certain limitations and expectations as to their purpose. An important element of these local powers to regulate land use includes housing; per RSA Section 672:1–III.e:

> *"All citizens of the state benefit from a balanced supply of housing which is affordable to persons and families of low and moderate income. Establishment of housing, which is decent, safe, sanitary and affordable to low- and moderate-income persons and families is in the best interests of each community and the state of New Hampshire and serves a vital public need. Opportunity for development of such housing shall not be prohibited or unreasonably discouraged by use of municipal planning and zoning powers or by unreasonable interpretation of such powers…"*

One of the advantages of accessory dwelling units is that, due to their limited size, they may help municipalities meet the intent of NH RSA 672:1 –III.e. For example, they are often affordable to persons who are of modest means. RSA 674:71 also provides a definition of an ADU as:

> *"…a residential living unit that is within or attached to a single-family dwelling, and that provides independent living facilities for one or more persons, including provisions for sleeping, eating, cooking, and sanitation on the same parcel of land as the principal dwelling unit it accompanies."*

State law goes on to define how and where ADUs must be allowed by municipal land use regulations. RSA 674:72 states that local governments are required to allow attached ADUs to be built on any property where a single-family home is allowed to be built. The law is written to give local governments flexibility to control some features of an ADU. For example, communities can decide whether to require owner occupancy of the property (but they cannot specify which unit must be owner-occupied). The law also allows towns to utilize architectural standards to require that the property maintain the "look and feel" of a single-family home. Finally, RSA 674:73 allows municipalities to decide whether to allow accessory dwelling units detached from the primary home.

The New Hampshire ADU law also states that an accessory dwelling unit can count toward a municipality's obligations under the state Workforce Housing Law if it meets that law's definitions (See Appendix C of NH Housing's ADU Guide for Homeowners).

2.0 ADU RESEARCH: SUCCESSFUL POLICY AND PROGRAMS

Reader Tip: Identifying Tools & Techniques of ADU Production in the Case Studies
Each case study demonstrates the use of one or more tools and/or techniques for increasing the production of ADUs. For a quick reference, see the table in Section 3.1.

ADU case study research is divided into three core subject areas:
1) Affordable ADU Programs **2) Pre-Approved ADU Plans** **3) ADU Design Initiatives**

These subject areas are addressed by six case studies that provide unique perspectives on accessory dwelling units. Case studies cover various ADU solutions across a range of community sizes. The differences in response between larger market and smaller market case studies reflect an availability of resources and staff with specific skillsets for implementing programs. Smaller communities tend to have fewer resources and less program-specific knowledge than larger communities. Despite resource challenges, the highlighted communities showcase programs that offer unique opportunities for ADU builders and homeowners.

2.1 Affordable ADU Programs: Barnstable, MA; Boston, MA, State of California

These programs each take a different approach to defining where and how ADUs are allowed, as well as how they distribute resources to facilitate ADU production.

Barnstable's resources are used to bring existing ADUs into compliance in exchange for affordability restrictions and to facilitate the creation of new affordable ADUs. Boston's program focuses on expanding housing stock. Due to the high level of density in the city and the limited number of single-family homes, the city allows ADUs for housing with three units or less. This approach captures a majority of housing stock in the city given the high number of walk-up apartment buildings. Boston's program limits the scale of additional units by restricting the creation of an ADU to fitting within the existing footprint of a home. This means building additions for ADUs are not allowed.

Finally, the California ADU grant program is the only case study that looks at an ADU affordability program at the state level. California committed $100 million in state funding to provide grants of up to $40,000 to income-qualifying homeowners to help fund preconstruction costs such as ADU design and permitting. It was important to include California due to the sheer scale of their program.

2.1.1 Barnstable, Massachusetts

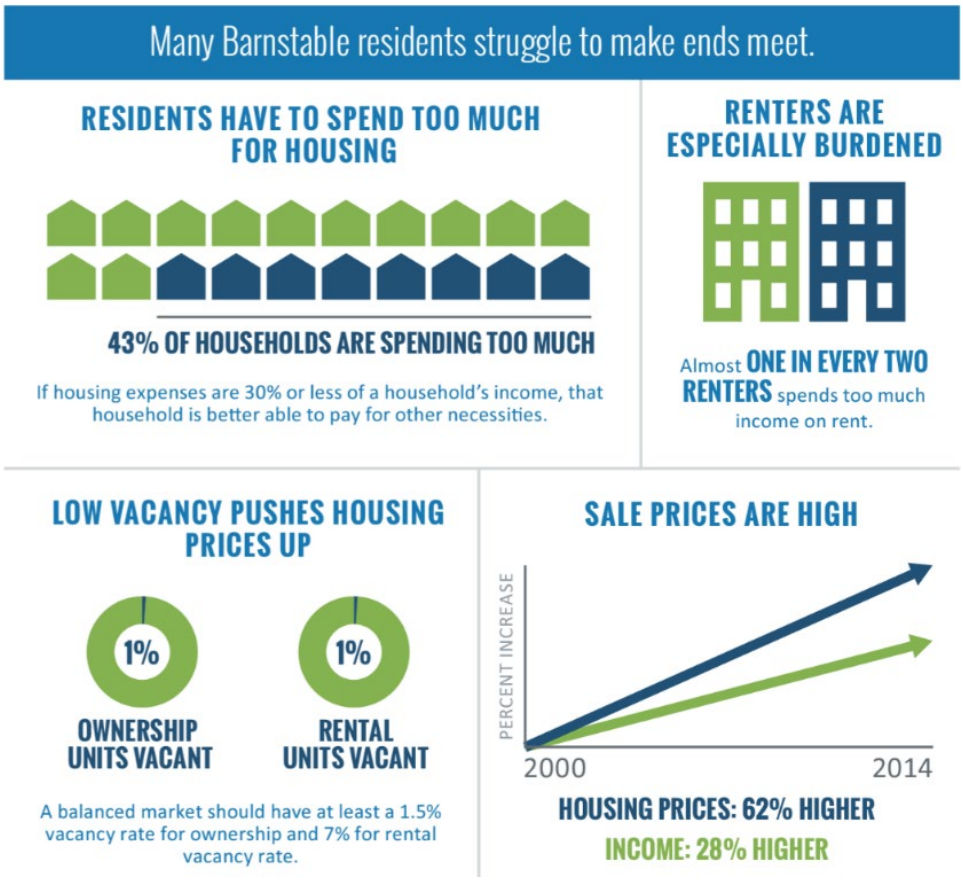
Program Summary

The Town of Barnstable, Massachusetts has one of the longest running formalized affordable ADU programs in the Northeast. Its **Accessory Affordable Apartment Program** (established in 2000) provides incentives to homeowners to enroll, obligating their ADUs as year-round affordable units for residents. Homeowners can

work with the town to verify their tenants are income qualified and are engaged in an annual lease; in return the town provides a deferred loan at a 0% interest rate for code compliance costs. This program has been used for hundreds of units and is an effective policy approach in the face of summer rental demand and its impact on housing affordability for service workers living in Cape Cod.

Barnstable's Housing Profile

Barnstable is a small municipality on Cape Cod, and is a popular summer tourist destination close to Boston. Barnstable has a land area of 59.9 square miles (about twice the land area of Nashua, NH) and includes seven villages within its boundaries: Barnstable, Centerville, Cotuit, Hyannis, Marston Mills, Osterville, and West Barnstable.



Note: The graphic above and the narrative have different figures for housing in Barnstable. The Census and the Town used different methods for calculation.

With a year-round population of about 48,500, its summertime population swells by about 150,000 residents. The town has 27,084 housing units, of which 19,748 are occupied, leading to a 27% vacancy rate, reflecting its status as a summer tourism destination. Census data points to a high homeownership rate with 76% of all households being homeowners. This is attributed to the area being a sought-after retirement location. Between 2010 and 2021, Barnstable has seen a 6% increase in population and a 2% decrease in total housing stock. Owner-occupied homes have a median value of $430,100 and renters pay a median gross rent (meaning the rent amount listed does not include utility costs) of $1,569 per month. The median household income is $82,816. The larger Barnstable Metropolitan Statistical Area (MSA) has a total population of 227,942. The town has 2.43 people per household, and a population density of 810 people per square mile.

Accessory Affordable Apartment Program (AAAP) Regulations

Barnstable's Planning and Community Development Department has a goal of a vibrant, intergenerational community with diverse and attractive year-round housing choices. To achieve this, the department has a housing coordinator who administers affordability resources, primarily in the form of its Accessory Affordable Apartment Program (AAAP). It was established through Chapter 9 (Affordable Housing) of the Town's General Ordinances, the purpose of which is:

> *"…to provide an opportunity to bring into compliance many of the currently unpermitted accessory apartments and apartment units in the Town of Barnstable, as well as to allow the construction of new dwelling units accessory to existing single-family homes to create additional affordable housing."*

In 1999, the town acknowledged that although unpermitted and unlawfully occupied, these accessory apartment units were filling a critical market demand for housing at rental costs typically below that of units which are lawfully constructed and occupied. As a result, the town set out to create zoning, policy, and programming to bring such units into compliance with local regulations.

The effort was further influenced by Massachusetts's affordable housing zoning laws known as Chapter 40B which encourage the production of affordable housing in the state's cities and towns. Also known as the Comprehensive Permit Law, Chapter 40B addresses the shortage of affordable housing statewide by reducing unnecessary barriers created by local approval processes, local zoning, and other restrictions. It is controversial because the developer has the right to appeal an adverse local decision to the state in communities with little affordable housing, and in some cases the developer may circumvent local zoning restrictions.

Barnstable's Master Plan supports the use of the AAAP program through the designation of staff, waiver of fees, and the provision of deferred loans at 0% interest. The amnesty component of the AAAP program has a few qualifying criteria for an ADU:

- It must have been in existence prior to the year 2000,
- It must have been cited by the building department as in violation of the zoning ordinance, and
- It must meet state building and sanitary codes if the unit is currently occupied.

Accessory Affordable Apartments are essentially the same as an ADU but preceded a legal definition of an ADU by 23 years. The interaction between the AAAP and ADUs are covered in more detail on the next page. Accessory affordable apartments are only allowed by the town when they are part of an owner-occupied single-family home. Where an accessory affordable apartment is accepted by the town through its comprehensive permit process, it must be occupied by a tenant whose household income is below 80% of the area median income. A homeowner who wishes to build a new accessory affordable apartment as part of their owner-occupied home has the same income limit requirement and permitting process.

Accessory Affordable Apartment Program (AAAP) Loan Requirements

Once the primary AAAP requirements have been met, including zoning approvals and obtaining a comprehensive permit, a homeowner can apply for a loan through the town. The loan carries a 0% interest rate and payments are deferred until the home changes ownership or is refinanced. Since the loan is secured by a lien registered with the county record of deeds, the town is able to leverage the loan terms to monitor income qualifications and require one-year lease terms for tenants. If the homeowner fails to meet loan terms, the town can enforce its loan conditions.

During construction of a new unit, or for code compliance improvements to existing units, the town requires a contract with the homeowner. All work needed to bring the unit into compliance with the building and sanitary code must be completed prior to leasing the apartment. Eligible loan expenses include septic upgrades, heating system installation, electrical work, plumbing improvements, new windows and insulation, or improvements to egress. If the costs of improvements exceed the amount of funds made available through the loan program, the owner is responsible for covering the difference. In short, all work necessary to create the accessory apartment unit and/or to ensure that the apartment meets health, building, and safety codes are allowable costs for the loan. The homeowner must provide contractors with the procurement guidelines and solicit at least three quotes for all work. The program does allow the homeowner to perform repairs, and is reimbursed by the town for supplies only, and not the homeowner's labor.

Once improvement to an ADU is complete, the homeowner lists the accessory apartment on an open and fair basis to an income-eligible individual, and must also list the unit with the Barnstable Housing Authority and Housing Assistance Corporation. When a unit becomes vacant, the homeowner notifies the program coordinator to relist the unit. The homeowner must submit tenant income verification documents to the program coordinator after finding a new tenant, and annually submits rent charged and tenant income.

AAAP Program Likely Coming to an End

Barnstable approves ADU bylaw, 'first step' toward more housing

Bronwen Howells Walsh
The Barnstable Patriot

Published 11:18 a.m. ET July 17, 2021 | **Updated 12:47 p.m. ET July 19, 2021**

Barnstable became the 10th Cape Cod town to adopt an Accessory Dwelling Unit (ADU) bylaw Thursday that lets residential homeowners rent a portion of their home.

The new bylaw, approved Thursday by the Barnstable Town Council, is aimed at expanding the number of housing units in town at a time when rental options are dwindling across the region.

In July 2021, the town passed zoning regulations to allow market-rate accessory dwelling units (ADUs). The new ADU regulations were brought about to increase the number of dwelling units available for year-round rental and to support residents at various life stages, with particular attention given to young adults and senior citizens. This new regulation also allows homeowners to obtain rental income to defray housing costs.

The town's zoning regulations for ADUs are largely aligned with many other communities in the Northeast but are unique in Cape Cod due to the requirement that the renting of the ADU or the primary home must be for a full year. The intent is to prevent the town's residential housing stock from being used for vacation and summer short-term rentals. The AAAP program had controls in place which allowed town staff to monitor compliance with lease terms and income restrictions. These new ADU regulations allow homeowners to rent out either the primary home or ADU (but not both), and the regulations still require year-long lease agreements. With the new regulations, ADUs are no longer income restricted for affordability. From the homeowner perspective, the additional rents are highly advantageous and create an incentive for homeowners with units approved under the legacy AAAP program to repay 0% loans previously provided by the town, exit the income requirement and monitoring, and take advantage of the income potential of market-rate rental arrangements.

According to Anna Brigham, a Barnstable planner, "The biggest advantage to the ADU program is that an apartment can meet the 'By Right' criteria and then only requires a Building Permit with no need for Zoning Board of Appeals action unless the property owner seeks a larger apartment with additional bedrooms. Other advantages are that the property owner does not have to live on the property (although only one unit can be rented), and there's no limit to the rent that can be charged and no income restrictions for the tenant."

Due to these new regulatory conditions and a drop in applications for the AAAP program, Barnstable is likely to wind down or redesign the AAAP program to maximize the use of existing funds available for supporting the development of affordable housing units. The town already deploys multiple programs and incentives to support developers in producing affordable housing units. This includes grants of up to $50,000 in pre-development funding for the planning, permitting, and approval of affordable housing units.

2.1.2 Boston, Massachusetts

Program Summary

The City of Boston is comprised of 24 distinct neighborhoods, each with unique characteristics and zoning regulations. Under a 2017 pilot initiative, Boston worked with East Boston, Mattapan, and Jamaica Plain to implement a program for adding affordable ADUs to existing residential buildings through a "by-right" permit process supported by 0% interest deferred loans. Boston's ADU pilot program is focused on the creation of ADUs within existing building envelope of single-family homes and walk-up buildings of up to three units. The city uses two primary tools to promote ADU development:

- Tool #1: Exempt ADUs within a one-to-three-unit residential building from having to go through a zoning review and approval process (in the select neighborhoods),
- Tool #2: Make available 0% interest loans of up $50,000 for ADU construction, payable on resale or refinancing of the home within pilot initiative neighborhoods.

Boston's Housing Profile

Boston is the capital and largest city in Massachusetts, with a population of 672,814 (Census, 2021). It has a land area of 48.3 square miles (roughly three times the land area of Portsmouth, NH) and includes several municipal areas ranging from East Boston to Hyde Park, each independent land use regulations. Boston has 300,437 housing units, of which 271,950 are occupied. Its relatively high vacancy rate of 7.2% may be partly attributed to the city's large non-permanent college student population. Group quarters, including dorm rooms, comprise 46,574 units. The total student population in the city is approximately three times that number at over 150,000 students.

Boston has a comparatively low homeownership rate, with just 35% of all households being homeowners. This is partly attributed to the city's density and form of existing housing stock. Over the last decade, Boston has seen a 12% increase in population and an 11% increase in total housing stock, largely keeping pace with demand. Owner-occupied homes have a median value of $610,400, and renters pay a median gross rent of $1,783 per month. The median household income is $81,744. The larger Boston–Cambridge–Newton, MA–NH Metropolitan Statistical Area has a population of 4.9 million across 176 municipalities. Boston has 2.30 persons per household, and a population density of 13,918 people per square mile.

Additional Dwelling Unit (ADU) Regulations

Boston's two dozen neighborhoods each have their own discrete zoning regulations which control residential density and lot configuration. Neighborhoods vary significantly in density, site arrangement, and lot layout. As such, neighborhood zoning regulations reflect these variations. The Boston Triple Decker is a well-known and relatively affordable type of housing within the city. They are three largely identical units stacked vertically and comprise a significant portion of the housing stock in several neighborhoods and municipalities. Curbed.com published an article on walkups listing their advantages and disadvantages for homeowners. The Federal Housing Administration allows government-backed mortgages for up to four units, so homeowners may finance an additional unit in a triple-decker home.

The basement of triple-decker homes is the most common location for adding an ADU as it is often unfinished (the process of permitting another unit within an existing building is complicated, time consuming, and cost prohibitive). With the development of the ADU Pilot Program, Boston's homeowners can bypass the zoning review and standard permitting process by working directly with the Mayor's Office of Housing to procure permits for an ADU.

Reader Tip – Use of the Term "ADU" in this Document

There is a great of diversity in how the term and/or definition of ADU is used across the nation. Sometimes ADUs refer to an additional unit allowable in a building with multiple existing units (as in this case in Boston) other times multiple ADUs can be built on the same property as the single-family home (as is the case in California). In this document, the term is used loosely to cover the multiple case studies being looked at.

Boston's ADU Pilot Program

In response to a call for action by Mayor Marty Walsh in the Imagine Boston 2030 report, in 2017 the Boston Planning & Development Agency approved a pilot program to allow owner occupants to create ADUs within their existing homes. The report envisioned the creation of 53,000 new residential units by 2030.

Boston started the ADU Pilot Program to increase the production of affordable housing options, promote the creation of safer living arrangements, and support multigenerational family arrangements. Its goal was to allow more homeowners to age in place, create a means for homeowners to have new sources of income via rent, foster safe and supportive housing for relatives, and increase physical accessibility for the homeowner. The city sees ADUs as a good opportunity to maximize the use of existing infrastructure to meet housing unit production goals.

The ADU Pilot Program was implemented in Jamaica Plain, Mattapan, and East Boston. At the time, the city was offering 0% interest deferred loans up to $30,000 through the Boston Home Center, a division of the Boston Mayor's Office of Housing. The pilot launched at the end of 2017 with involvement from the Department of Neighborhood Development and Inspectional Services Department. During its 18 months, the program received 55 applications and 12 ADU permits were issued. Of those applications, 88% were for basement conversions to an ADU.

In 2019, the Boston Planning & Development Agency Board of Directors approved an amendment to the citywide zoning to allow homeowners to build an ADU where they were otherwise forbidden. The city included $650,000 in the fiscal year 2020 budget to fund 0% deferred loans to income-eligible homeowners.

In March 2022, the city's Housing Innovations Lab implemented the Early Adopter Cohort Pilot II, working with select homeowners in Dorchester, Jamacia Plain, Mattapan, and Roslindale to permit detached structures such as garages and carriage houses for conversion into ADUs. The Pilot II project will identify barriers and opportunities for a citywide policy for detached ADUs. This pilot does not allow the zoning review and approval process to be bypassed, nor are applicants eligible for the city's 0% loan program.

Boston's ADU Loan Program

The Mayor's Office of Housing hosts the Additional Dwelling Unit Program website. It includes an ADU design checklist and information on the process of adding an additional dwelling unit (ADU) to a owner-occupied property and how to apply for a 0% loan for an approved design. The program is open to Boston residents who are owner-occupants of their residence and who meet financial eligibility. The ADU being built must stay within the floor area of the existing building footprint. They must have a kitchen and bathroom, two means of egress, ceiling heights of seven feet, easily accessible water and electricity shut-off locations, and sprinklers in ADU units in buildings with two or more existing units.

Once Inspectional Services issues a permit for construction, homeowners can then apply for a 0% interest deferred loan from the Boston Home Center, which operates a homeowner assistance program to help residents buy, improve, or keep their homes. (See requirements in the long-form application and fact-sheet outlining the requirements of the program.) Once an ADU is built, the owner is required to register the unit according to the Boston Rental Registration Ordinance. The center offers financial counseling to existing homeowners and training to first-time buyers. Financial programs include foreclosure prevention, home repair, and ADU creation. In 2022, the program was offering 0% interest deferred loans of up to $50,000 for ADU projects to owners of one-, two-, and three-unit homes. The program has no funding matching requirements for applicants earning less than 120% of the area median income (AMI) while a dollar-for-dollar match is required for owners with incomes between 120% and 135% of AMI. Homeowners earning more than 135% of AMI do not qualify for the deferred loan program. Median income limits are determined by the number of people living in the household. Additional program requirements include not having more than $75,000 in financial assets, excluding their primary home. Homeowners must demonstrate they have the financial capacity to cover the total development costs when leveraging the city's loan.

Boston Interview Summary with Wandy Pascoal and Chana Haouzi, City of Boston Housing Lab

The ADU Pilot Program is unique in that it follows an "as-of-right" process. Instead of having to cover initial costs for drawings and taking a risk of not winning approval in the permitting process, the Pilot Program grants homeowners permits as long as they meet all qualifications. Risk is reduced substantially, allowing for more participation.

Other unique facets to the program include support to interested homeowners through monthly technical education and outreach training. The pilot programs have unified multiple city departments and agencies in a common goal of supporting the program and citizens. This kind of collaboration has influenced other city programs and policy perspective changes and the ADU pilot program is used as a model for other agencies.

Exploration of future ADU programming may include ADUs as new structures possibly in partnership with factory-controlled production facilities. *~ See Appendix A for complete interview.*

2.1.3 California Housing Finance Agency

Program Summary

Amid a long-building housing crisis, California recently passed a series of state laws to address both housing shortages and affordability. Among the laws passed were funding measures for facilitating the production of ADUs statewide. A grant program addresses the upfront monetary risk homeowners face in obtaining permits and approvals for ADU construction. As such, it remedies some of the challenges in facilitating ADU production across a number of scenarios, and supports low- and moderate-income families who have little cash available to pay for the ADU process from permitting through construction.

California's Housing Profile

California is the largest state in the United States at 39.4 million people (about twice the population of New York and 10 million more than Texas) as of July 2021. Between 2010 and 2020, the state saw an 8% increase in the state's total population and a 6% increase in the state's total housing stock. California is not only the most populous state, but is also physically large: its land area covers 155,858 square miles (about half the area of Texas) with a median population density of 253 people per square mile. According to 2021 Census data, the state has 14.3 million housing units, of which 13.2 million units are occupied. Fifty-five percent of housing units are owner occupied and those owner-occupied homes had a median value of $573,200 in 2021. Renters pay a median gross rent of $1,698 per month. California has an average of 2.92 persons per household.

California's ADU Laws and Regulations

ADU Grant Program Background

In September 2021, Governor Newsom announced the state's strategy to address housing shortages and lack of affordability. Legislation, dubbed the "California Comeback Plan," included $100 million in grant funding for low- to moderate-income homeowners to build ADUs on their properties. In total, the legislation included $22 billion (about $560 per person in the state) in funding to address various housing needs and statewide housing initiatives. The California Housing Finance Agency (CalHFA) became responsible for administration of the ADU grant funding. The program was envisioned to provide $25,000 in grants to income-qualified homeowners and is expected to produce 4,000 units of housing throughout the state.

By 2022, the program was providing up to $40,000 in grant funding with the goal of producing 2,500 units of housing. The grant funds are targeted as the pre-construction costs of development, which was cited as a primary barrier for homeowners seeking to build ADUs. The grant program appears to be based on research and recommendations from UC Berkley's Terner Center for Housing Innovation, which published in August 2020 *Reaching California's ADU Potential: Progress to Date and the Need for ADU Finance*.

Between 2019 and 2021, the California Legislature passed eight different bills revising state law, to improve the effectiveness of the state's ADU regulations at creating more housing units. These changes further reduce barriers, streamline approval processes, and expand capacity to accommodate the development of ADUs. The ADU regulations require all local governments to allow ADUs within single and multifamily zoning districts. State law requires local governments to allow both an ADU and a JADU to be built on the same lot if the property is owner occupied. The California Department of Housing and Community Development's (HCD) ADU Handbook contains markup language of all changes to the state ADU regulations along with explanations of how the regulations should be interpreted by local governments.

ADU Variations Allowed by State

State regulations allow ADUs in two variations: a **traditional ADU** or **Junior ADU** (JADU). Traditional ADUs can be within, attached, or detached from the primary home. Junior ADUs, as we will see in the Chico, CA, case study, can only exist within the primary home, can have shared services and/or utilities with primary home, and are limited to 500 sf in size.

Summary of California's ADU Regulations

- One ADU and one JADU allowed on the same lot in single-family and multifamily zones
- Local development (architectural) standards are allowed by state law
- Where local regulations of development are more restrictive than state allowances, the ADU is exempt from those regulations:
  - Allows ADUs of up to 80sf, 16' in height, and with 4' side/rear yard setbacks
  - JADUs have a maximum allowable size of 50sf, are within the primary home
- Off-street parking is not required for ADUs under most conditions
- Limits on the number of bedrooms are not allowed for ADUs
- No owner-occupancy requirements can be put on homes with an ADU
- Homes with a JADU have an owner-occupancy requirement
- ADUs smaller than 750sf are exempt from local impact fees
- Manufactured homes are allowed ADUs statewide

The CalHFA ADU Grant Program

California Assembly Bill 671 requires local governments to create incentives and promote the creation of affordable ADUs for very low- to moderate-income households. These requirements are codified in Government Code 65583 which requires the HCD to list available financial incentives for the planning, construction, and operation of affordable ADUs.

CalHFA's ADU Grant program includes income restrictions regarding who can receive funds. Household income limits are listed on the CalHFA webpage. Household income limits in 2022 range from a low of $159,000 in several counties with lower area median incomes and a high of $300,000 in high median area income communities, such as San Francisco. CalHFA does not provide loans to homeowners; the agency works with community lending institutions. The agency's website lists 20 lenders within the grant program that administer and disburse ADU grant funding to homeowners for qualifying expenses such as surveys, civil engineering, architectural plans, administrative fees, and utility site work. These lenders can pre-qualify homeowners for anticipated ADU lending. CalHFA's website includes a link to a lender participation agreement which defines the requirements for submitting grant applications, the conditions of the grant, and other contractual terms of the grant. The homeowner must sign an affidavit stating that they will follow Fannie Mae and FHA policies for single-family homes and submit a certificate of occupancy to CalHFA at project completion. (See ADU term sheet on CalHFA website.)

Tax Planning for Grant Income

Homeowners will receive a 1099-G which carries tax implications. The claimed income of $40,000 may have several implications on the received benefits of a low- or moderate-income household. Depending on financial conditions of a household, the homeowner may have a responsibility of roughly $2,000 in additional state taxes as a result of the grant. In addition, the grant may put certain households over specific thresholds for receiving other federal state and local grants, aid or services. This presents a potential financial pitfall to households which would not become apparent until several months after the ADU has been constructed or limiting the number of households which can effectively participate in the grant program.

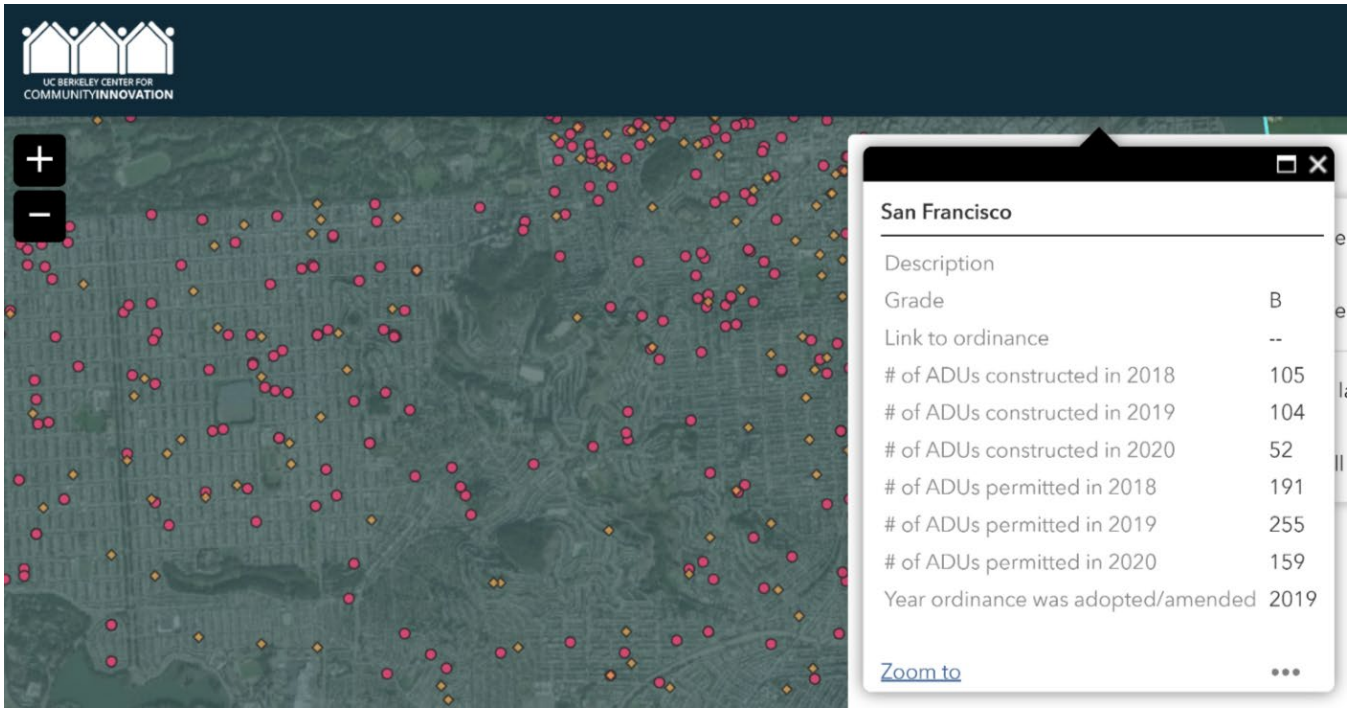
In addition to the lenders acting as administrators of the grant funds, CalHFA also has special relationships with third-party ADU developers who bundle financial services with ADU development and contracting services. For example, the agency has a partnership with Neighborhood Partnership Housing Services (NPHS) for Factory Built Accessory Dwelling Units to provide the $40,000 financial incentive to homeowners seeking a factory-built ADU offered through NPHS's business model.

By September 2022, the grant program had tapped approximately half of the $100 million allocated and reserved funds through direct lenders and special partnerships with local governments and non-profits. Beyond reservations, CalHFA reported that over 500 ADUs had been funded through the program with a total disbursement of over $20 million. As of March 1, 2023, CalHFA reported that all funds for the Accessory Dwelling Unit Grant program was fully reserved.

ADU Reporting through Housing and Community Development

Due to the large scale of California both in population and geographic area, the state provides an extensive set of conditions for housing to exist. The California Department of Housing and Community Development (HCD) tracks key data on ADU permitting, construction, and demographics across the state. Given the supportive laws and widespread adoption of ADUs as a market solution to growing housing needs, California provides a unique condition where existing data provides useful information about the trends of ADU production.

The Institute of Governmental Studies at the University of California's Center for Community Innovation (CCI) evaluated local ADU ordinances documented the permitting and construction of ADUs between 2019 and 2020, and created an interactive map to analyze ADU production.



In 2020, CCI created a scorecard for grading California's ADU ordinances and produced a report grading local governments and highlighting model communities and ordinances based on restrictions for lot size, coverage, and setbacks as well as parking, size, and height limits. CCI also graded elements such as entitlement process, fees, occupancy requirements, and clarity of local programs and regulations.
A policy brief (August 2020) by the Terner Center for Housing Innovation identified major barriers to ADU production, including additional financial tools for low- and moderate-income homeowners to tap. With high construction and labor costs, financing ADUs requires substantial cash savings, a home equity line of credit, or cash-out refinancing.

The findings also state that lower- and moderate-income homeowners are less likely than their wealthier counterparts to have knowledge of how to navigate the ADU permitting and financing process to their advantage. The brief suggested that public interest campaigns about the advantages of investing in ADUs could help address this knowledge gap.

	High-Income	Low-Income
High Home Equity	Cash-Out Refinance or Home Equity Loan/HELOC	Special FHA, Reverse Mortgage, or Fannie Mae Loan Products
Low Home Equity	Renovation Loan	Cash Savings and Personal Resources

Level of Difficulty Finding and Qualifying for Loan Products:

Source: Adapted from UC Berkeley Center for Community Innovation, 2017.

CalHFA Interview Summary with Ellen Martin, Director of Business Development and Stakeholder Relations

California's ADU Grant program utilizes both state and local government funding sources, along with third-party banks and non-profits to support low- and middle-income homeowners with financial flexibility to alleviate pre-construction costs to building ADUs. The state's $40,000 grant program for homeowners is held in a construction escrow, and homeowners were originally using traditional systems for borrowing. The program initially didn't meet growth goals, partially due to increasing interest rates for borrowing, so the state shifted to allow the use of the non-profit sector for managing grants for homeowners.

By partnering with HPP Cares, a local nonprofit, the grant program was able to engage many more participants, and the program went from only completing 1 - 3 ADUs per month to fully maxing out the grant program with a success rate of 94%. HPP Cares offered escrow management but also an ADU education component for homeowners, a move that directly increased viability of program success.

CalHFA adapted to the use of new lending partnerships with nonprofits and demonstrated that financing availability must be flexible."

See Appendix A for complete interview.

2.1.4 Observations of Affordable ADU Case Studies

Barnstable, Boston, and California Housing Finance Agency offer three different approaches to encouraging production of accessory dwelling units, as well as how they distribute resources to facilitate affordability.

Long-Running Affordability Program in a Smaller Community

In Barnstable, a longstanding ADU amnesty program provided a solution to existing informal ADUs within the town. The program's tradeoff provided a path for homeowners to conform with local land use regulations and required building codes in exchange for requiring the units only be rented to income-qualifying households as affordable rents. While the program proved effective and was consistently utilized over the 20 years it has been in place, changes to ADU regulations to allow market-rate ADUs has made the ADU amnesty program less appealing. Homeowners can garner higher rents and realize a faster return on investment by building an ADU outside of the amnesty program. The town's staff anticipate the ADU amnesty program will likely wind down over time as homeowners repay their outstanding 0% loans with the city in order to exit the affordability restrictions on their existing ADUs. While this may appear to have a negative conclusion, the program proved to be effective over 20 years by legalizing hundreds of otherwise illegal ADUs. The program achieved the intended outcomes of ADU production in a community with limited staff availability and financial resources.

A New Affordability Program in a Larger City

Boston has an abundance of three-story walk-up housing. It developed a new program aimed at boosting the production of ADUs which would fit within the existing context of this denser housing type. The city's affordability program is designed to reduce cost and risk to the homeowner, targeting households with high home equity but lower household incomes. The affordability element of Boston ADU program was secondary to its goal of providing technical assistance with permitting. The structure of the affordability program is aimed at reducing financial risks to homeowners, as the costs of professional services to successfully obtain a permit could be problematic for a low-income household. Because of this, households that could benefit the most from Boston's ADU affordability program's incentives often do not have the cash needed to access the incentives. Boston's ADU affordability program saw limited success with 12 ADUs permitted with 0% loans over an 18-month period.

A Fast-Acting Statewide Program for Jumpstarting the ADU Industry

California's Housing Finance Agency (CalHFA) administered the distribution of $100 million in funding to low- and moderate-income households to build ADUs. The program is aimed at solving the same issues identified in Boston's program but instead of withholding funding until the homeowner overcomes the risk hurdle of obtaining permits, the funding was aimed at covering pre-construction costs. The program was designed to target asset rich, cash poor participants for assistance in getting through pre-construction challenges. To date, all funding through the grant program has been committed to ADU projects. This subsidy to ADU production has been an effective tool for supporting industry involvement to the point of creating demand for changes in government policy, financial underwriting, and availability of professional services.

Conclusions

Barnstable's ADU amnesty program is a legacy project with a proven track-record of effectiveness bringing existing units into compliance with local regulations. In comparison, Boston and CalHFA's programs are new and designed to directly support the production of new ADUs. Where Boston's program was misaligned with the risks to lower-income households, it resulted in limited program utility. Comparatively, Barnstable and CalHFA designed effective programs and both programs are reaching a point of closure. Where Barnstable's amnesty program is being superseded by broader ADU regulation, CalHFA's program is coming to an end due to the commitment of all available funding to projects.

2.2 Pre-Approved ADU Plans Programs

Pre-approved accessory dwelling unit plans have already gone through a building code and compliance check of local building departments. The plans are then deemed approved by the department as a way to streamline the building permitting process. There are many advantages in choosing a pre-approved ADU plan:

1. Cost savings,
2. Reduced permitting times and risk,
3. Simplified process related to regulatory compliance, and
4. Reducing risks associated with process challenges.

Depending on the community, pre-approved plans can be free or cost a few thousand dollars. Under any circumstance, they are always less costly than paying an architect to develop a set of plans and construction documents which are customized to the owner and site. The quality of pre-approved plans can range significantly: some communities provide preapproved plans with limited architectural expressions and limited plan details, while other communities have dozens of high-quality plans with photorealistic renderings of the units provided to illustrate their unique features. The image below illustrates Seattle's Sky House Pre-Approved Plan by Yes Architecture which homeowners can license for permitting and construction of an ADU on their property.

Often, owners will seek to make minor changes to the pre-approved ADU plans either to accommodate unique needs or desires of the occupant or to address specific site challenges. In this situation, the owner would seek out and engage the designer to make changes to the plans while also letting them retain the pre-approval condition. This is not always possible; in which case, the property owners are likely to further retain the designer/architect to lead the owner through a traditional permitting process for their ADU approvals and permitting.

Pre-approved ADU plan programs allow architects to offer a wide range of ADU options. Full-service architectural firms can customize the specific goals, needs, and site challenges for each applicant while still working towards cost savings. An ADU's design and construction can be complex. Finding the ideal design and witnessing one's dream home come to fruition can take months of preparation.

2.2.1 Eugene, Oregon

Program Summary

The Department of Planning and Development in Eugene, Oregon launched the Pre-Approved Accessory Dwelling Unit Plans Program in response to the ongoing housing crisis. The Eugene City Council asked staff to recommend possible strategies and tools to address the barriers to housing affordability, availability, and diversity. The Pre-Approved ADU Plans Program was designed to encourage the construction of ADUs by offering property owners pre-approved ADU building plans that can be downloaded for free. In addition to providing architectural plans, the program also expedites the permit process and reduces fees.

Eugene's Housing Profile

Eugene is located 110 miles south of Portland, Oregon and has a population of 173,277 people according to 2021 Census data. Eugene has a land area of 44.2 square miles (about the area of Manhattan) and a population density of 3,922 people per square mile. The city has 76,635 housing units, of which 73,466 units are occupied. Eugene's vacancy rate is 4%. Census data gives an ownership rate of 48%. Over the last decade, Eugene has seen robust population growth with a 13% increase in population and an 11% increase in total housing stock. Owner-occupied homes have a median value of $337,200 and renters pay a median gross rent of $1,134 per month. The median household income is $55,776 with 2.27 persons per household.

ADU Laws and Regulations

In September 2021, the city's council adopted several amendments to the city's "Secondary Dwelling" ordinances dating back to 1971 and renamed it as an "Accessory Dwelling" Ordinance No. 20625. The ADU ordinances are 25 pages long and contain significant detail on the development standards for ADUs, largely based on the neighborhoods in which they are built. The primary factor controlling design is the setback of ADUs along interior lot lines and height limitations. Many neighborhoods have standards for a sloping maximum height, an example of such a requirement as demonstrated in the graphic below. Other controlled neighborhood design standards include pedestrian access, maximum number of bedrooms, and a portico over the main entryway.

Eugene's ADU law allows one ADU per single-family dwelling, both being on the same lot. The city does not require the owner to occupy either the home or the ADU. In addition, the city does not require off-street parking to support the creation of an ADU. Some neighborhoods have a maximum parking requirement, allowing a maximum of 2.25 parking spaces per dwelling unit for the lot. For existing structures being converted to an ADU or where ADUs are being built on a flag lot (a term given to a property with very little street frontage but provides access to a buildable lot), the planning director can adjust the ADU design requirements based on specific hardships. The planning director can approve, conditionally approve, or deny an adjustment review application. Approval or conditional approval is based on criteria for existing buildings and flag lots. To support ADU production, the Department of Planning and Development also provides an easy-to-read and illustrated step-by-step guide for permitting an ADU. The table below summarizes Eugene's ADU allowances according to the city's current ordinances.

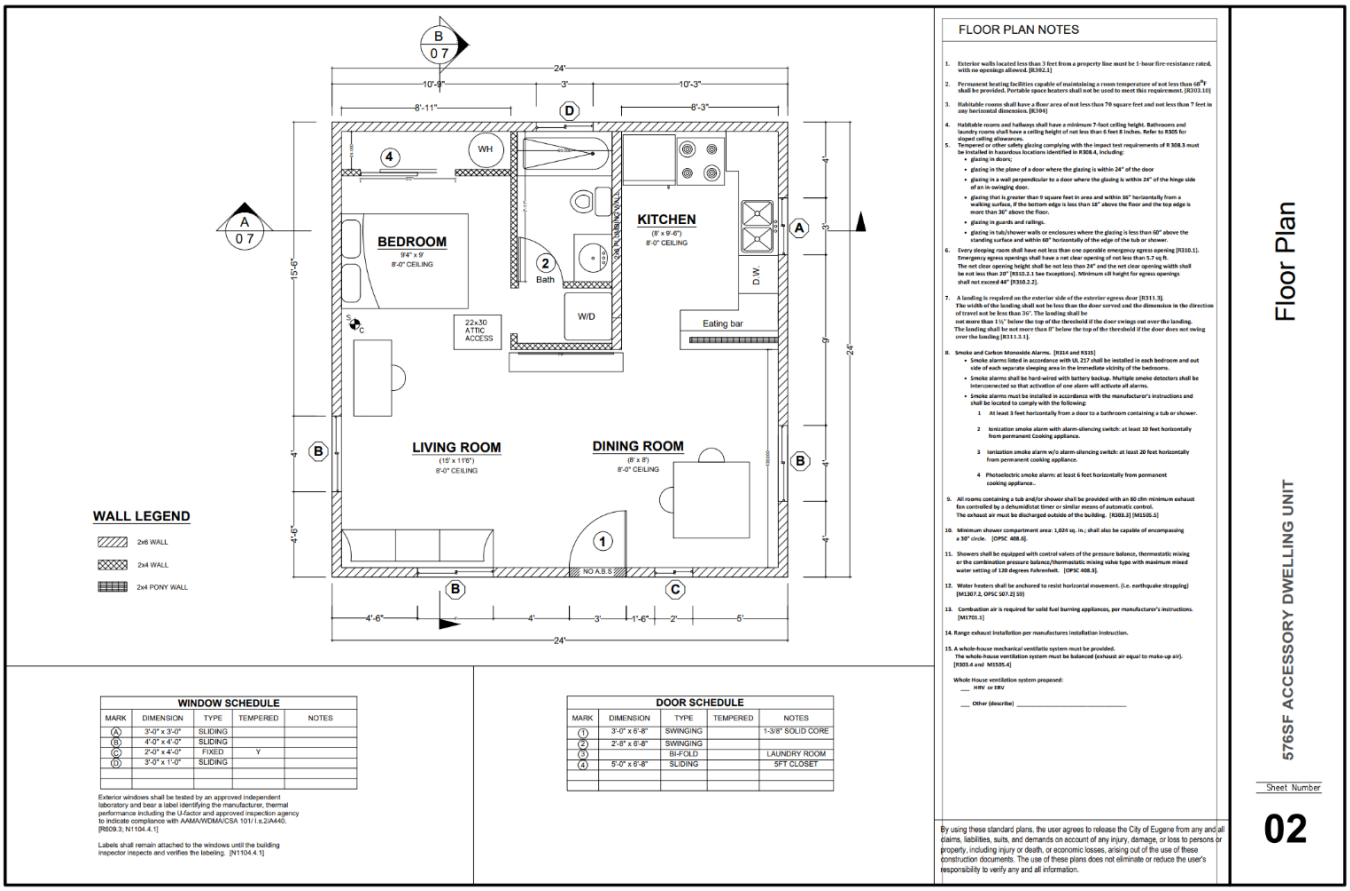
Summary of Eugene's ADU Regulations

- ADUs are allowed in all neighborhoods
- Maximum ADU size of 800 square feet
- Design standards required for ADUs
- ADUs do not require off-street parking
- Owner occupancy of property not required
- Lot size and density requirements not applied to ADU
- ADUs are allowed on alleys and flag lots
- Development fees can be financed through the city

Eugene's Pre-Approved ADU Plans

Eugene's Pre-Approved Accessory Dwelling Unit Plans Program encourages the construction of ADUs through the provision of pre-approved ADU building plans. The pre-approved plans program is designed to assist in the creation of ADUs by providing architectural plans, expediting the permitting process, and reducing fees. Currently, the city offers one free plan with a variation of shed or gable roof styles. The plan can be downloaded from the city ADU webpage for homeowners. The free 10-page plan set includes a cover sheet, a pre-formatted blank site plan sheet for use by homeowners for their unique conditions of their property, a floor plan, a building foundation plan, two pages with building floor and roof framing layout and details, a wall bracing plans, two pages of building elevations (each containing a variation on finishes and roof style), and a building section for both roof styles options and additional details for the building's mechanical systems and energy efficiency.

The city is also in the process of developing an online library of ADU plans which homeowners would be able to purchase for a low-cost fee. The Department of Planning and Development ADU website notes that most owners using the pre-approved plans will still need to procure the services of an architect/builder to address unresolved elements of the plan which are specific to a given site, such as utility connection locations and site plans.



The free plan currently offered by the city is for a detached unit and not for an attached ADU. This is understandable given the unique conditions that arise with any project where a structure is added to an existing building. The city also provides a Computer Aided Design (CAD) file for the pre-approved plan to homeowners who can then use the CAD plan as a starting point for modifications or for handing off the plan to an independent builder for modifications based on the homeowners needs or desires.

Eugene's Online Library of Pre-Approved Plans:

Fortunately for Eugene residents, the Department of Planning and Development recently concluded a solicitation process for additional architectural plans for expansion of their ADU library. In the solicitation, the department sought additional ADU plans from architects which would be pre-approved. The solicitation process is currently on hold as department staff are in the process of reviewing ten plans already submitted to determine if they meet the building code and design requirements of the city.

While not all pre-approved plans provided by designers through the solicitation process are available on the city's webpage yet, three pre-approved plans are currently published and available to the public.

- Cedarstone Loft: A 675sf, 2 Bed, 1 Bath, Single level + loft ADU built of cross laminated timber
- The Reach: A 670sf, 1 Bed, 1 Bath, Single-level ADU by Aligned Architecture
- The Pine: A 640sf, 1 Bed, 1 Bath, Two-story + balcony ADU by Studio.e. architecture



It is anticipated that additional pre-approval will be made available shortly. The pre-approved plans will offer a variety of housing styles, square foot sizes, and other special features such as energy-efficient, accessible, and low-cost units from which homeowners can pick. These plans are anticipated to include customizable options such as variations in exterior materials and roof styles in order to limit repetition of ADU units within the community.

The overall goals of the city for the pre-approved ADU plans include the following elements:

- Cost savings in the construction of the ADU through innovative methods, smart design choices, and effective materials selection
- Energy efficiency in the operation of the ADU through passive design features and highly efficient mechanical systems
- Broad plan applicability on typical sites through the sizing and configuration of the pre-approved plan to fit on common lot configurations
- Constructability through generally accepted building practices which can be deployed by skilled labor within the community
- Accessibility of the pre-approved plan to accommodate persons with mobility needs based on ADA compliance guidelines

Eugene's Solicitation Process to Architects for Plan Sets

The Department of Planning and Development provided a list of required documents for submission of plans by architects interested in participating in the program. Architects submitting an ADU plan were required to submit a project description which highlights the primary features of the plan as a description for the city's ADU plans library website. The submission also needed to identify specific city goals the ADU plan achieves. Submissions must include scaled plans, elevations, and building sections. Along with technical drawings, architects must submit 3D renderings or photos of built projects for use in the online library. Finally, the plans needed to include a primary list of materials used in construction and mechanical systems used. In return for an architect's ADU plan being accepted as pre-approved and included in the city's online library, the plans would be made available to homeowners for a $500 fee paid to the architect in exchange for a release of liability if using other professionals. The online library would also include an optional hourly fee for homeowners to work with the designer of the ADU plan to customize the plan to the homeowner's needs. The copyright of the ADU plans chosen for the online library would be retained by the architect.

Eugene's ADU Program Overlaps with Production of Tiny Homes

In a February 4th, 2022 article by the Eugene-based *Register Guard* newspaper, reporter Adam Duvernay interviewed Malia Schulthesis about her expanding business building tiny homes on wheels. While tiny homes on wheels are not ADUs in that they are not fixed to a foundation, they share similarities in that they both have much smaller footprints than typical housing and share a less-is-more-approach to housing people. Tiny homes appeal to many people because they are able to avoid many of the challenges of the traditional housing market. Malia's business Tru Form Tiny has built over 300 tiny homes on wheels in Eugene since 2015 and is in the process of doubling its manufacturing floor space in order to increase production volumes. The normalization of back yard Accessory Dwelling Units, through the city's existing programs, bridges a gap both in housing supply, but also with the economical building practices employed for tiny houses on wheels. The near future may see businesses like Tru Form Tiny apply their manufactured housing processes in a traditional fixed building format to further boost ADU production.

Tiny house builder expanding Eugene production space, hiring more to meet growing demand

Adam Duvernay
Register-Guard

Published 6:00 a.m. PT Feb. 4, 2022 | Updated 10:01 a.m. PT Feb. 6, 2022

View Comments

Tru Form Tiny co-owner Malia Schultheis stands in the doorway of one of the company's home models parked inside a new space the company is using to expand production. *Chris Pietsch/The Register-Guard*

The City of Eugene has been supportive of tiny homes as a sustainable housing solution for individuals who experience housing insecurity and might need supportive services. Square One Villages has built four such tiny house villages in Eugene and has become a national model for providing supportive community housing for unhoused individuals. Square One's stable, dignified, and cost-effective shelter in the form of tiny houses helps create community acceptance for manufactured homes and accessory dwellings as part of a community housing stock.

Eugene Interview Summary with Rebecca Gershow, Senior Planner, Department of Planning and Development

Eugene anticipates an increase in ADU construction in the near future because of the accessibility to pre-approved plans as well as the newly enacted statewide missing middle housing law. Currently, the pre-approved plan library on the city website is being developed and there has been one successful ADU construction. In addition to the library of pre-approved ADU plans, the city is developing a suite of tools to assist homeowners along their ADU process.

Because of the expansion of middle housing options now, there are unique opportunities to expand the pre-approved plans program to include new types of housing like duplexes and cottage courts beyond traditional ADU options. Eugene has a growth monitoring system similar to Seattle with a goal "to have a product that illustrates how, where, and who is building ADUs across the city" when there is more activity from the accessibility to pre-approved ADU plans. As of the publication of this report, there are 10 plans under review to be added to the city's online library.

See Appendix A for complete interview.

2.2.2 Chico, California

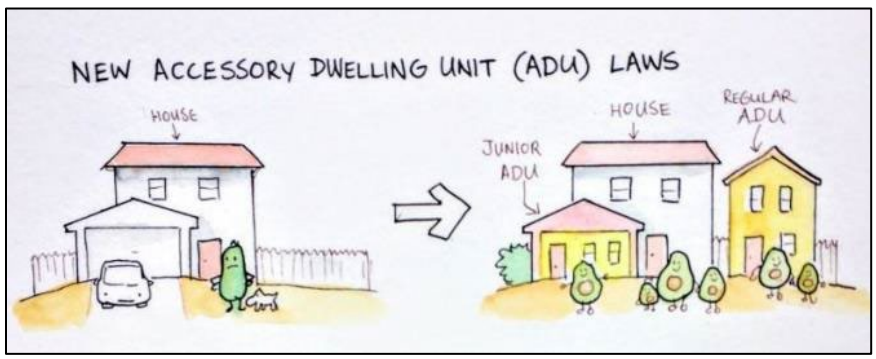
Program Summary

The Department of Planning and Development for Chico, California provides fourteen pre-approved accessory dwelling unit layouts to its residents as part of an effort to address high housing demand throughout the region. The Chico City Council directed planning staff to expand housing opportunity and to apply for housing grants. In response, the city's planning staff procured pre-approved ADU plans and made them free and available to city residents. Planning staff cite the ability of the plans to significantly reduce time and cost for homeowners in obtaining permits to build an ADU. ADUs are seen as a good solution for providing affordable and smaller housing for seniors and young adults while keeping new housing production within the existing municipal infrastructure.

Housing Profile

Located in northern California, Chico is the most populous city in Butte County. It is 105 miles north of the capital city of Sacramento and has a population of 103,898 as of 2021 and a land area of 34.1 square miles (Census). Chico has a total of 45,643 housing units with 41,787 being occupied, resulting in a vacancy rate of 8%. Due to the devastating 2018 Paradise Fire resulting in localized migration, Chico has seen a 22% increase in its population and a 21% increase in housing units since the 2010 census. Owing in part to its status as a university town, 44% of Chico's housing units are owner-occupied. Those owner-occupied homes have a median value of $369,500 and renters paid a median gross rent of $1,223 per month. The median household income is $60,507 with an average household size of 2.40 persons. The Metropolitan Statistical Area Chico is within has a population of 217,884 and the city has a density of 3,043 persons per square mile.

ADU Laws, Regulations, and Goals



Regular ADUs can be built within the existing or proposed home, as an addition to the home, or detached from the home. Regular ADUs can also be built on the same lot as a multifamily building. Alternatively, Chico has developed junior accessory dwelling units (JADUs). JADUs have a maximum area of 500sf and must be contained within the footprint of the

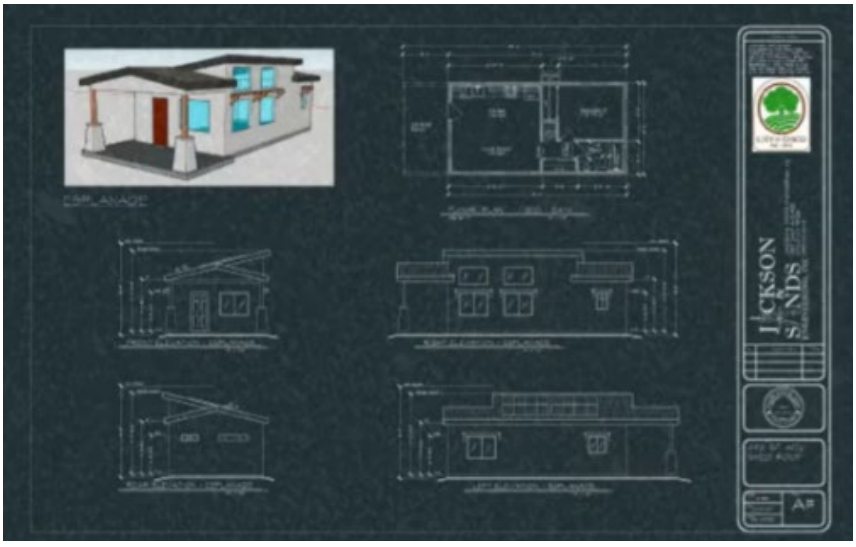
existing home, meaning additions to the home for the purpose of building an ADU are not considered JADUs. JADUs can have either shared or separate sanitation facilities from the main home. Due to a series of state housing laws, homes can have both an ADU and a JADU on the same lot as the primary home, and owner occupancy can no longer be a requirement of local zoning. The cartoon graphic above is from the city's website; it provides a lighthearted illustration of how both an ADU and a JADU can exist on the same lot.

Regulatory Background

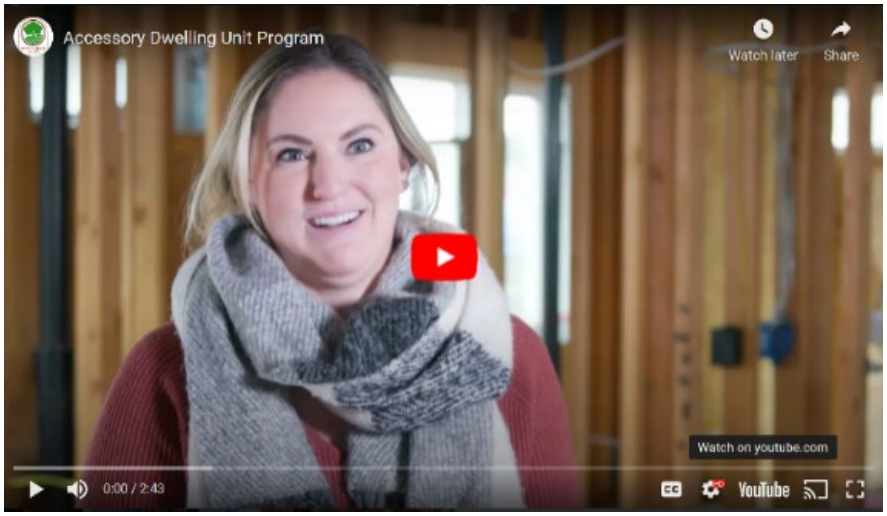
In a 2018 Planning Commission memo, the proposed ADU code amendments were seen as advancing the implementation of several important City of Chico General Plan Housing Element Goals, Policies and Actions. At the time, ADUs were seen as addressing the need to increase equal housing opportunities, improve existing neighborhoods, and provide housing that is affordable to low-income households. The memo also recommended encouraging the creation of housing for persons with special needs along with home ownership. Overall, the department sought to maintain an adequate supply of rental housing to meet demand and promote the development of an adequate number of one and two-bedroom apartments to serve small households, especially to provide options for the city's elderly population.

Chico amended their ADU regulations in 2020 in response to the 2018 department memo along with guidance from the California Department of Housing and Community Development (HCD). In June 2020, the City Council issued a moratorium on draft amendments to the city's ADU ordinances. Amendments included minor revisions which were authored by the city's planning department staff. Chief among the changes were allowances of junior accessory dwelling units. HCD noted that the state's intent in passing state-wide ADU legislation was to address barriers to development, streamline approvals, and to expand potential capacity for ADUs. The HCD focused on the unique importance of ADUs in addressing California's housing needs. HCD notes in the ADU Handbook that the preparation, adoption, amendment, and implementation of local ADU ordinances must not unduly constrain the creation of ADUs and that local governments adopting ADU ordinances should carefully weigh the adoption of zoning, development standards, and other provisions against impacts on the development of ADUs.

Chico's ADU Permitting Process



To help homeowners with determining how and where ADUs and JADUs can be built on their property, the city provides an easy to read, 2-page summary of ADU development standards. The standards discuss ADU square foot area and height limitations. Other standards include minimum building setbacks, allowable utility connections, fire safety standards, access to the ADU from the street, and parking requirements. Once homeowners have determined the viability of building an ADU on their property, they can choose to hire a design professional to develop custom plans for the ADU they wish to build, or they can utilize one of the pre-approved ADU plans which are made available for free through an online ADU Catalogue. The ADU Catalogue includes 13 single story ADU Plan layouts plus an additional two-story ADU layout. Regardless of the ADU plan path homeowners choose, they are required to complete a site plan questionnaire and checklist to accompany their permit application to the city's planning division. Throughout this process, homeowners often have questions about what is allowed or the next steps in the process of building an ADU. The City of Chico produced a 1-page informational document which identifies the answers to several frequently asked questions.



To help residents visualize the utility of ADUs as a housing solution, the City of Chico produced a high-quality informational video in April 2022 showing the benefits of building an ADU from the perspective of city residents Lauren and Seth talking about their experience building their own ADU. Lauren outlines the benefits of having the ADU on their property. The video includes comments from city staff about the benefits of having more ADUs in the housing supply.

Chico's Pre-Approved ADU Plans

Chico hired Jackson Sands Engineering in March 2020 through a professional services agreement contract for $94,000. The contract scope included the design of three unique ADU prototype layouts which would be the basis for the ADU catalogue. The three layouts included a 500sf one-bedroom plan, a 600sf one-bedroom plan, and 749sf two-bedroom plan. The contract scope included a requirement for the layout to be mirrored, and for three variations on architectural style and roof type to be included with each of the plans. According to the contract, Jackson Sands Engineering was given a four-month timeframe to develop these plans to a "stamped and ready for permit" level of completion. In addition to the plans Jackson Sands Engineering provided to the city, they also provide free ADU plans for download from their own webpage. Jackson Sands webpage includes additional ADU plan layouts which are larger in size than Chico allows within the city. These larger ADUs are likely intended for homeowners in other municipalities of Northern California.

Like the overall ADU program, Chico's pre-approved ADU plans are being promoted through media and the production of a short-length, high-quality video. In the video, the narrator defines what an ADU is and why people are building them. Chico's planning staff discuss the availability of the free pre-approved ADU plans and goes through the primary steps for homeowners to follow in permitting an ADU.

The Chico's Planning Division takes a proactive approach to assisting homeowners with utilizing the pre-approved ADU plans. The city's planning division created a Pre-Approved ADU Guidebook. The steps include pre-project financial planning, selecting a pre-approved plan, site plan preparation, site plan review and approval, building permitting, construction, and certificate of occupancy. The guide also includes a useful breakdown of the anticipated permit and impact fees (combined permits and fees can exceed $7,000 per ADU).

Cost of Permitting Chico's Pre-Approved ADU Plans

Below is a summary breakdown of typical fees for Chico's 600sf Pre-Approved ADU plan, valued at $93,725. This summary does not include hiring professionals to conduct site surveys, soil tests, architectural plans, site civil plans, and if needed, lawyer representation during public hearings. There could be additional fees for public hearings, fees for staff review of required hearing materials, or notices to abutters of public hearing dates. Taken together, these fees can represent 5% to 10% of the total cost of construction.

- Site Plan Review Application Fee $745
- Building & Engineering Plan Review $3,384
- Electrical Permit Fee $164
- Solar System Permit Fee $248
- Storm Water Permit Fee $236
- Sewer Permit Fee $245
- Fire System Review Fee $596
- Mechanical Permit Fee $164
- Plumbing Permit Fee $164
- Potential Connection Fees $1,702
- School System Impact Fee $2444
- **Total of All Fees for ADU** **$10,092**

Chico Interview Summary with Bruce Ambo, Principal Planner, Planning Division

The 2018 Paradise Fire caused residents in several nearby communities to relocate to Chico, which became the fastest growing city in California. It subsequently received grant funding from the state to create pre-approved ADUs and JADUs to respond to the sudden increase in housing need.

Chico observed a need for expanded pre-approved ADU plans, like the two-story design, and made these plan available for free on the city website. Although ADUs make up a small percentage of the housing stock, more than 15 permits were approved in 2022 and the rate of production is rising.

The city hasn't seen pre-approved ADU plans being implemented with new construction very often. Instead, the planning department has approved the majority of ADUs and JADUs in neighborhoods with existing single-family homes located near the university. The majority of people seeking permits are single-family homeowners, not developers, who can avoid about $5,000-$8,000 in additional fees by using the pre-approved ADU plans and bypassing the Building Department review process.

See Appendix A for complete interview.

2.2.3 Seattle, Washington

Program Summary

Seattle has one of the most comprehensive and mature ADU programs in the nation. The series of ADU resources made available to the public are referred to as the "ADUniverse" and provide an easy-to-follow process for obtaining permits paired with efficient interactive data on zoning. Primary among Seattle's achievements is its exciting variety of pre-approved ADU plans. To create their library, the city open-sourced their process to obtain preapproved plans. This resulted in multiple seasoned architects and builders putting forward high-quality architectural designs and plans. Through a solicitation process, the City of Seattle received over 160 ADU building plan submissions from which the city selected ten to pre-approve for use by homeowners. In addition to a successful pre-approved plans program, the city has a high level of transparency with data related to ADUs and makes that data available to the public through interactive maps and annual reporting.

Seattle's Housing Profile

Seattle is 15th largest metropolitan area in the United States and the largest city in the Pacific Northwest. The city has a population of 726,054 people as of 2021 (Census). Seattle has a land area of 83.8 square miles. Seattle has 362,809 housing units, of which 337,361 are occupied, resulting in a vacancy rate of 7%. The census gives a home ownership rate of 45%. Over the last decade, Seattle has been one of the fastest growing cities in the nation with a 22% increase in population and a 20% increase in total housing stock. Owner-occupied homes have a median value of $767,500 and renters pay a median gross rent of $1,801 per month. The median household income is $105,391. The larger Metropolitan Statistical Area has a total population of 3,971,125 with Seattle having 2.08 persons per household, and a population density of 8,661 people per square mile.

Seattle's ADU Laws and Regulations

Background to ADU Regulations

Seattle's ADU ordinances date back to 1994. A steady stream of revisions was made between 1994 through the current day. In 2014, the city initiated a deeper review of ADUs with the intent of liberalizing regulations. In 2014, the city council adopted a directive charging the Department of Planning and Development with the task of exploring policy changes that would increase the production of accessory dwelling units. In 2015, the city council passed a resolution declaring its intent to consider strategies to increase the availability of affordable housing in Seattle. The

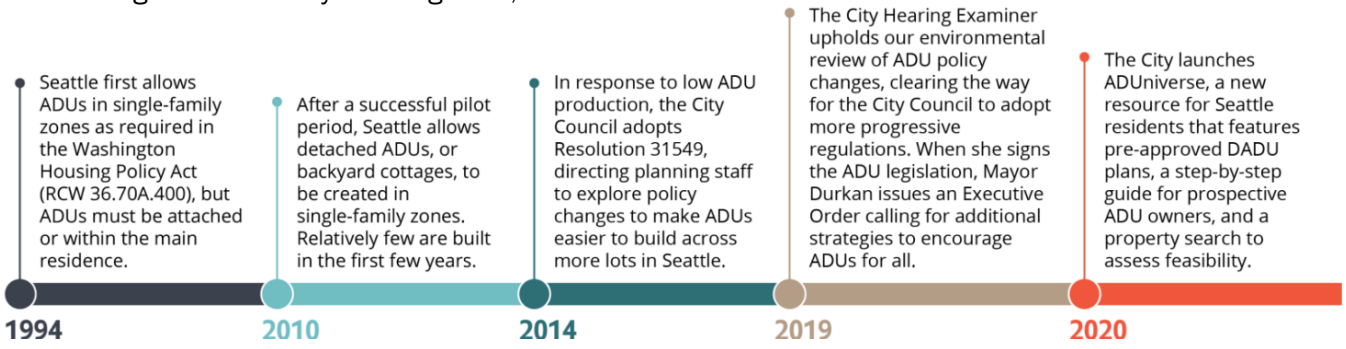
resolution included a strategy to remove barriers to the development of detached and attached ADUs. By May 2016, the Department of Planning and Development issued a director's report on removing barriers to ADUs which identified the department's recommended changes to land use and zoning regulations for ADUs. In June 2019, the City Council adopted amendments to existing land use and zoning ordinances, largely in line with the recommendations from the director's report, with the goal of increasing ADU production. The resolution was delayed several times by well-organized neighborhood groups, like the Queen Anne Community Council, who expressed direct opposition to the easing of ADU regulations and density limits. Ultimately, organized community support for the land use reforms overcame opposition strategies of neighborhood interest groups resulting in adoption of the current ordinances. Under the current city ordinances, ADUs are limited to 1,000sf in floor area and the lot must meet minimum lot size, maximum lot coverage, as well as minimum lot width and depth requirements. While height limitations exist for ADUs, they are exempt from floor area ratio calculations and parking requirements. Today, ADUs are defined in the land use and zoning ordinances as either an attached (AADU) or detached accessory dwelling unit (DADU). All types of ADUs are allowed in all residential neighborhoods with the ability to have two ADUs in the city's Neighborhood Residential (NR) 1, NR2, and NR3 zoning districts.

Summary of Seattle's ADU Regulations

- One AADU and one DADU allowed on the same lot in NR1, NR2, and NR3 zones
- Both ADU types have a maximum allowable floor area of 1,000sf
- Regardless of setbacks, conversion of existing accessory structures to DADUs is allowed
- For a new DADU to be built, a minimum lot width of 25' and depth of 70' is required
- A maximum lot coverage of 35% for typical lots, exceptions for smaller lots
- Typical ADU designs (with gable roof) have a 25' height limit, details vary by roof type
- ADUs are exempt from floor area ratio calculations
- ADUs are exempt from parking requirements

The Seattle ADUniverse

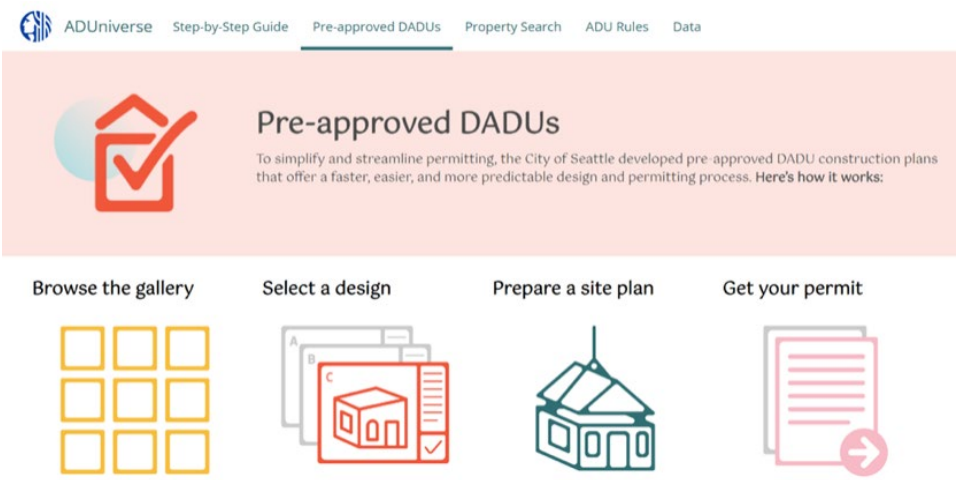
In September 2020, Seattle's mayor responded to the adoption of ADU reforms with the announcement of the ADUniverse GIS webpage. The launch of the ADUniverse webpage encompassed several resources for homeowners seeking to build an ADU. Resources included plain language about ADU permitting and regulations. The language also featured a tool to translate ADU guidance and information into dozens of languages. The ADUniverse Property Search tool contains an interactive map of permitted ADUs in which the public could look up a street address to determine what level of zoning compliance existed for a specific lot in order to build an ADU. The information is color coded to make it easy to understand lot compliance. The map also identifies existing ADUs within the city. The Department of Planning and Development also produces an annual report of ADU permitting data which allows for measurement of ADU production. The report, a mandated element of the legislated ADU reforms, is a successful tool for charting the growth in production numbers across the city. The most recent annual report, published in September 2021, is also available as a visually rich online storyboard. The report contains measures of affordability which rate the risk of displacement for low-income households by city census tract and also indicates the number of ADUs built utilizing pre-approved ADU plans. The report provides an overview of the timeline of actions taken since 1994 to legalize accessory dwelling units, as seen below.



The Department of Planning and Development is also studying qualitative impacts of ADU production. The city is collecting data to better understand how ADUs are affecting issues such as racial equity, short term rental use of the ADUs, and environmental elements such as tree coverage (a regulated element of building an ADU). Planning staff have conducted surveys of ADU owners to determine how they are using the units, collected demographic data on the inhabitants and owner sentiments on their experience permitting, building, and owning an accessory dwelling.

Pre-Approved DADU Program

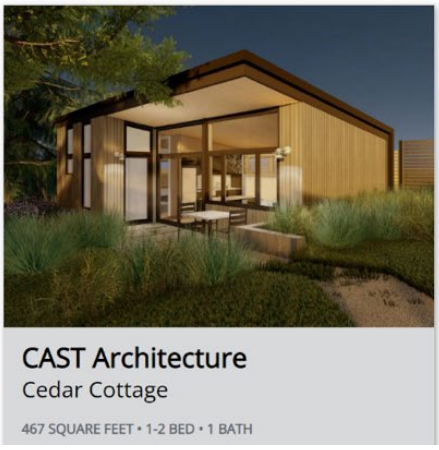
Seattle pre-approved Detached Accessory Dwelling Unit (DADU) program follows a four-step review and approval process. The steps include reviewing available pre-approved plans, selecting a plan to build, preparing the site plan, and obtaining a permit. The gallery of pre-approved DADU plans includes over 160 designs with 10 plan sets receiving a pre-approved status.



The pre-approved plan sets have undergone a full review by the Washington Department of Labor & Industries to determine if they meet DADU regulations, energy requirements, architectural standards, and engineering loads. All of the gallery designs are of a high architectural quality, and plans include detailed documentation as well as high resolution 3D renderings of their designs.

Downloadable Pre-Approved Plans Set, 10 Total (PDFs):

- Cedar Cottage (467sf), by CAST Architecture: PDF Plan Set
- Schooner (1,000sf), by Fivedot Architects: PDF Plan Set
- The Family (up to 926sf), by Ahouse Studio: PDF Plan Set
- Urban Cottage (up to 536sf), by Urban Cottage Studio: PDF Plan Set
- Seattle DADU (600sf), by The Artisans Group: PDF Plan Set
- Sky House (600sf), by Yes Architecture: PDF Plan Set
- MOA Family (850sf), by Mobile Office Architecture: PDF Plan Set
- Edge House (432sf), by Bohlin Cywinski Jackson: PDF Plan Set
- Willow Creek (624sf), by Shape Architecture: PDF Plan Set
- Abodu ADU (up to 620sf), by Abodu: PDF Plan Set



While these plans are free to download by the general public, each designer sets a licensing fee (a maximum of $1,000 fee is established by the city) for the use of their pre-approved plans. Homeowners wishing to use the plans can reach out to the architect listed to engage in a licensing agreement for the ADU plans. The license fee helps compensate the designers for time invested in the plans but is not a reflection of the real cost of plan development. Designers of pre-approved DADU plans retain their ownership over the plan sets they make available on the ADUniverse webpage, the license for use of the plans reflects the retention of intellectual property by the architect/designer. Typically, the license fee is one of several other fees associated with site evaluation, civil engineering, survey work, and permit application preparation. Some of the plans come with listed hourly fees for any requested additional work in preparing permit submissions. Additional work costs were typically listed in the range of $125 per hour. In scenarios where the homeowner selects a pre-approved DADU plan but does not hire the architect/designer that created the plans, the architect/designer may require a release of liability for the plans due to not being involved in changes or construction of the DADU.

Pre-approved DADU Plan Selection Process & Next Steps:

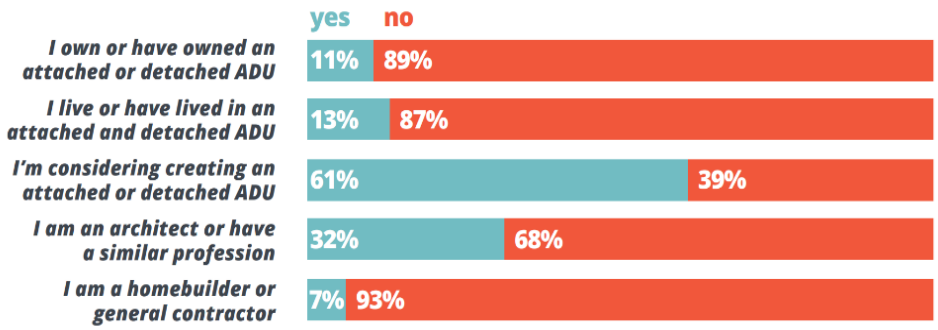
Once a plan has been selected and the building is located within a site plan, the homeowner can proceed to assemble of any remaining city requirements for establishing the DADU. Seattle's Department of Construction and Inspections (SDCI) provides a detailed set of requirements which constitute a complete site plan submission. The SDCI also offer guidance for establishing a DADU, with specific instructions for pre-approved DADU Plans. The use of a pre-approved plan is noted in the guide as allowing for a faster and simpler review process with the SDCI. According to an Office of Planning and Community Development informational flyer, pre-approved DADU plans will average a 2–6 week permit review process, which is drastically shorter than the 4-8 months associated with a typical permit review for establishing a typical DADU. A few site conditions can slow down the streamlined review process for pre-approved plans. Sites which are identified as environmentally critical areas (ECAs), or sites which involve tree removal, require additional review. Seattle's tree protection code limits the number, size, and type of trees that may be removed from a property. If a pre-approved ADU project involves tree removal, SDCI requires a Tree & Vegetation Removal permit. For properties with inadequate tree canopy coverage, the city requires new trees to be planted at the time of ADU construction. Regulations for tree canopy coverage are defined in Section 23.44.020 of city zoning ordinances. Looking up lot conditions is easy to do when using the ADUniverse property search tool to look up the property address for a determination of ECAs and tree canopy coverage.

Seattle's Solicitation and Selection Process for the Pre-Approved DADU Plans

In preparation for launching a call for pre-approved DADU plan submissions, the Department of Planning and Community Development conducted a survey of over 500 residents to shape the design criteria and principles the city would use when selecting DADU plans for pre-approval. The city launched the survey on September 30th, 2019, and collected responses through October 21 of that year. The survey report identified major themes and common points of interest across survey respondents as well as preferences for selecting an DADU design. The survey results were used to inform the DADU plan submission process and to establish the categories and selection criteria to be used by the DADU plan solicitation as well as to inform decision-making of the plan selection committee. The graph below shows the results of a survey question respondent experience with DADUs which found that a majority of survey respondents were identified as having an interest in building an DADU in the future.

Based on survey input, the solicitation for pre-approved plans were broken into the following categories:

1) Small Footprint ADUs
2) Family Friendly ADUs
3) Accessible ADUs
4) Low-Cost ADUS
5) Garage ADUs



Submission review & requirements

Pre-approved ADU plan submissions received a two-phase review by the selection committee based on specific criteria. Phase one review criteria included cost, green design, contextual treatment, ease of construction, privacy, and cultural responsiveness. The criteria were scored on a range of "high, medium, and low". Phase two review used a shortlist of submissions from the phase one process for a group discussion of selecting collective set of six to ten plans for pre-approval. The committee was tasked with picking a set of plans which collectively represented a range of architectural conditions and that would have broad application to the unique housing scenarios observed in the ADU survey findings.

According to an OPCD submission guide, the city accepted submissions from "architects, designers, and builders", but did not call out specific requirements of evidence of licensure or other formal designations for these terms. This largely made the submission process open to the public. The city did emphasize the need for the submission to contain a legitimate estimate of cost of construction and that it would use this to determine if a submission was accepted. Each submission was required to contain contact information, short and long form plan descriptions, and floor plans. Required architectural elements included building sections and elevations along with 3D renderings of the finished product. If the submission was of a previously approved and built DADU, then photos could be provided in lieu of the renderings. Finally, a list of mechanical systems used along with a summary of primary materials for construction were required.

The plans did not need to be fully developed to be submitted to the city. Elements such as door and window schedules, structural and engineering calculations, energy reviews and heating equipment sizing could all wait until the city had selected the plans for pre-approval. When selected, applicants were required to sign an agreement with the city defining the terms of use and liability for each plan set.

Seattle Interview Summary with Nicolas Welch, Senior Planner, Office of Planning & Community Development

Seattle focused on the outreach to the design community for soliciting ADU plans for pre-approval. As a senior planner, Nicolas took a leadership role in creating a process for the selection of ADU plan designs, and the creation of the ADUniverse online platform. He also manages the catalog of ADU designs and worked closely with other staff to figure out how homeowners would move through the system of permitting and the timeline for homeowners break ground on their pre-approved ADU. The department of construction and inspections has "TIP" fact sheets about the process and the regulatory allowances of the program. The program was born out of a goal of relieving some of those challenges homeowners face when building an ADU

Before we had our catalog of ADUniverse plans for the approved plans a homeowner seeking to build an ADU had to come into the city office with their design and go through the entire review process. With our catalog of plans on the ADUniverse, much of the process for homeowners is streamlined because these plans have already been through the formal approval process. We are aiming the help homeowners that have never hired an architect that don't have the resources available to customize an ADU. Seattle has close to 100 permits issued for our preapproved ADU plans.

Seattle tracks ADU production through our annual ADU reports. The reports have details about construction ADUs and the use of pre-approved plans. Seattle also has a dashboard that has all permitting data open to the public. There is a property search tool which highlights the parcels in Seattle where ADUs are allowed and feasible based on physical features such as wetlands or steep slopes and county and state requirements. This property search tool is color-coded and makes it easy for homeowners and professionals to interpret any factors that may affect the permitting of an ADU on a given lot. Our intent is to inform and educate the landowner who may be contemplating constructing an ADU on their property. The online search tool has received thousands upon thousands of views since its launch a little over a year ago. People are using it as an ongoing resource for ADU construction. As far as page views are concerned, we are using ESRI Hub which allows us to track site traffic. At launch, the site received about 50,000 page views in the first 6 to 8 weeks.

See Appendix A for complete interview.

2.2.4 Observations of Pre-Approved ADU Plans Case Studies

Eugene, Chico, and Seattle all have useful pre-approved plans, and their programs are purposefully designed to facilitate more ADU development in their respective communities. While the programs are designed to save time and money for city residents, all three programs have the added benefit of streamlining the permitting and approval process of their planning departments.

Streamlining ADU Approvals:
Streamlining of ADU plan review creates incentives for planning departments to adopt pre-approved plans as a strategy for reducing time staff spent reviewing ADU permit requests, especially where ADUs have the potential to be a high-volume permit in the wake of liberalized ADU zoning rules. While all three programs are aiming for the same goals, each community utilized different strategies for implementing and providing pre-approved ADU plans to their residents.

- Chico purchased ADU plans for a considerable sum and made them available for free on their website.
- Seattle utilized an open-sourced solicitation process to obtain ADU plans, from which they chose a limited number of ADU plans to pre-approve. Seattle's licensing fee arrangement also creates incentives for architects and design professionals to submit their plans for pre-approval.
- Eugene appears to have started their ADU program with a similar approach to Chico but currently is in the process of developing a library of pre-approved plans using a solicitation process similar to Seattle's.

Producing the Best Pre-Approved ADU Plans:

In comparing the three communities' ADU programs, Seattle's pre-approved ADU plans are of a significantly higher quality. While aesthetic and other qualitative elements of ADU plans are subjective, the Seattle pre-approved plans provide an unmatched level of detail and visual information for the end user of the plans. Some of this can be attributed to the size of Seattle as a market area. At 740,000 people, the Seattle market is 4 times larger than Eugene's market and 7 times greater than Chico's market. As such, ADU planning professionals in the Seattle market area have a larger pool of potential clients seeking to build an ADU using a pre-approved plan.

Solicitation for ADU Plans

The approach Seattle took to soliciting ADU plans for pre-approval plays into existing incentives for the private market to provide services to property owners. As such, ADU plan submissions were competing with one another to produce the best ADU plans possible to achieve pre-approved plan status and attract the attention of homeowners seeking to build an ADU. Seattle's planning department, acting as an intermediary, helps to facilitate the process of connecting homeowners to quality design professionals. The city is producing an additional public good though the control of which features are prioritized in the ADU plans which obtain pre-approval status as well as licensing fee of those plans.

Contract Procurement of ADU Plans

Chico's pre-approved ADU plans appear simpler than Seattle's plans due to its implementation approach. Chico contracted the professional services of an engineer to design ADU plans which would meet the terms of a contracted scope. That scope largely focused on the size and layout of the floor plan as a primary feature of the plan set. The resulting plan fulfilled the requirements of the city's contract but did not capitalize on the natural incentives of a potentially competitive market to serve homeowners seeking to build an ADU. Chico's pre-approved ADU plan set inadvertently gives the contracted engineering company a monopoly on serving homeowners who wish to use a pre-approved ADU plan as a starting point for building an ADU.

Changing Strategy for Pre-Approved ADU Plans

Eugene appears to be learning from this experience as their pre-approved ADU plans program is transitioning away from a city developed and provided ADU plan set and towards a catalogue of ADU plans which are retained as the intellectual property of the architect, builder, or designer who submit them to the city. Beyond the licensing fee, design professionals can benefit by acting as an owner's representative.

2.3 ADU Design Initiatives

2.3.1 The Backyard Homes Project (La Más)

The Northern Los Angeles community organization LA Más was established in 2012 as a non-profit organization by architects Elizabeth Timme and Mia Lehrer to take on public design projects and civic planning as a means for supporting community in advocating for their needs and priorities. LA Más focuses on collaborative efforts with residents, community organizations, and local government agencies to execute design projects which advance issues of housing, small business, and the progression of safe pedestrian spaces. Serving as an intermediary between community members and policymakers, LA Más has successfully implemented a small accessory dwelling unit project and the creation of design resources which celebrate the local identity of the Northeast Los Angeles neighborhood they serve.

Los Angeles Housing Profile

The City of Los Angeles has a population of 3,902,440 people as of 2021 (Census) and a land area of 469.5 square miles with 8,312 persons per square mile. The city has 1.5 million housing units, of which 1.4 million are occupied, resulting in a vacancy rate of 8%. The census gives a homeownership rate of 37%. Over the last decade, Los Angeles has seen relatively little growth with a 3% increase in population but a 7% increase in total housing stock. Homes have a median value of $705,900 and renters pay a median gross rent of $1,641 per month. The median household income is $69,778 with 2.75 persons per household. The larger Metropolitan Statistical Area has a total population of 13.2 million people.

Backyard Basics

The first documented work around ADU design from LA Más came in 2015 through the commissioning of an art exhibit from the LA Architecture + Design Museum. LA Más was one of six organizations to participate in the exhibit which was designed to consider was to create greater housing affordability in Elysian Valley along the Los Angeles River. The exhibit "Shelter: Rethinking How We Live in Los Angeles" explores the potential for ADUs as affordable housing. The exhibit was accompanied by a panel discussion of policy and politics, which included local experts who have been navigating the complexities of ADUs. In addition to the exhibit and panel discussions, LA Más developed a booklet titled *Backyard Basics: An Alternative Story to the Granny Flats*. The exhibit curators were hosted for an in-depth interview by local media outlet KCRW to discuss the project. The interview touched on several of the critical challenges of addressing housing affordability, its equity, and the role of government.

ADU Pilot Project

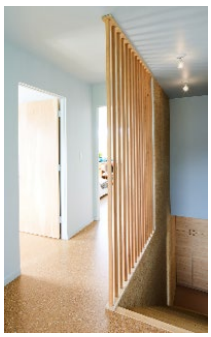
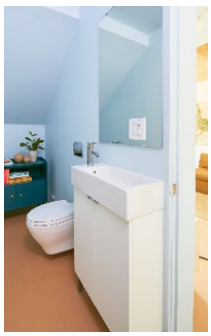
LA Más teamed up with Mayor Garcetti's Innovation Team and Council District Representative to create an ADU Pilot Project which would demonstrate the possibilities of meeting the contextual needs of the community through affordable and feasible ADU designs. In 2017, at the outset of this pilot project, LA's housing crisis was growing due to supply shortages. For the average homeowner in the city, the appeal of a thoughtfully designed home in their backyard appeared to be a good fit for the housing challenges many people faced. LA Más conducted an outreach process to select a household to participate in the Pilot Program. A design for a 1,025 square foot craftsman style, two story, two-bedroom ADU with an attached garage was created to serve the needs of the selected homeowners.

The pilot ADU project relied on the assistance of structural and civil engineering firms as well as general contracting from the local chapter of Habitat for Humanity of Greater Los Angeles. One of the goals for LA Más was to demonstrate that a well-designed home is possible at a low cost. The pilot project had the additional benefit of demonstrating that financing solutions were possible for ADUs at a time when few lending tools were available for this relatively new housing type. In addition to the work of the project participants, the pilot project was also an opportunity to identify where and how local and state government can play a role in making it easier for homeowners to build ADUs in their backyard.

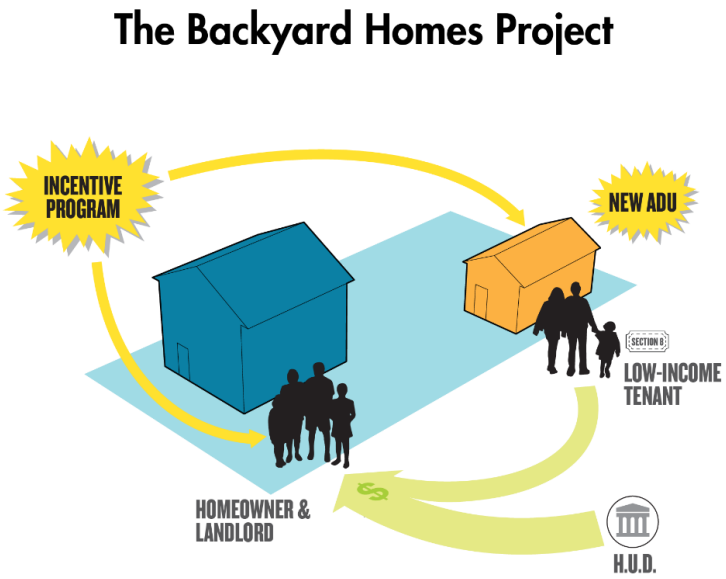
First Floor Second Floor

Because the pilot ADU project site was in a Historic Preservation Overlay Zone, the architectural character of the home needed to match the context around it. A Craftsman style exterior was developed by LA Más and stylistic elements of this project would become an important component of their larger and more influential Backyard Homes Project a few years later. A Craftsman style ADU resulted in the selection of materials, building forms, and architectural details which were matched to interior colors, fixtures, and furnishings. Additional design features while also controlling costs included:

- Use of materials like oriented strand board and plywood are mixed with Linoleum and Formica.
- Craftsman elements like chair rails, picture frame windows, and the unique balustrade upstairs.
- Bold building features included a pink concrete floor and a neon terrazzo kitchen island.
- The ADU pilot project intentionally made use of readily available off-the-shelf affordable materials.
- The project received a LABC Architectural Award in the Design Concept category in 2017.
- Construction of the ADU was completed in summer 2019.


Backyard Homes Project



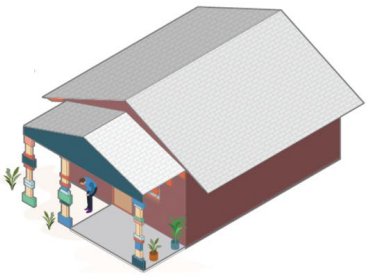
The LA Más ADU Pilot Project inspired the creation of the Backyard Homes Project — an affordable ADU program geared towards facilitating the ability of asset-rich, cash-poor homeowners build equity in their property through the creation of low-cost, well-designed ADUs that are then rented to Housing Choice Voucher (HCV) tenants. HCV is a federal rental assistance program administered by the Department of Housing and Urban Development.

LA Más specifically served the community of Northeast Los Angeles through this program and provided a one-page information sheet, project roadmap, and detailed program booklet to assist homeowners.

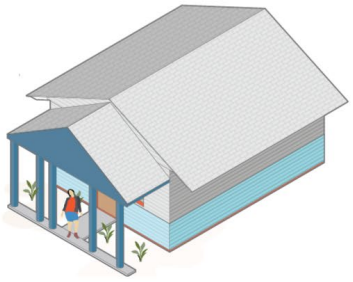
The Backyard Homes Project was initially open to all property owners in the City of Los Angeles, but due to changes to LA Más mission and geographic area of service, the program is only open to homeowners with non-hillside residential properties in Northeast Los Angeles. Homeowners who sought to utilize the program needed to commit to renting the new ADU to an HCV household for a minimum of five years, as well as working with LA Más for design, permitting, and construction. The program created an incentive for homeowner participation through free ADU design services and assistance with ADU construction management. The program also connected homeowners with available financing in the form of mortgages and landlord training and tenant support services.

LA Más was able to build the Backyard Homes Project through a HUD Section 4 Capacity Building Grant for Community Development and Affordable Housing from the Los Angeles Local Initiatives Support Corporation (LA LISC). LA Más made a compelling argument to LA LISC for the need to assist in the creation of ADUs in order to win the grant award. From 2017 to 2018, LA Más used the grant to host a series of focus group discussions and established an advisory committee to inform decision-making during the development of the program. LA Más was able to speak with over 100 homeowners, as well as with housing, financing, and government experts in the creation of the program.

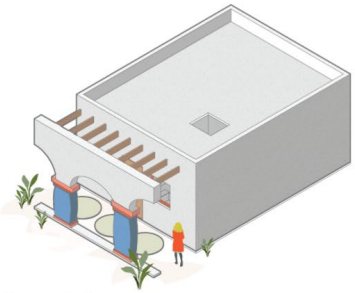
Aside from the resources and support to homeowners, the Backyard Homes Project provided a vitally important visual representation of Accessory Dwelling Units to inspire other homeowners with the knowledge it could be done and done well. LA Más unique illustrative style combined with thoughtful and aesthetically appealing ADU floor plans and architectural styling helped familiarize the relatively new housing typology to area residents. The assortment of seven ADU floors plans ranging from studios to two bedrooms were made available to the public. LA Más has developed two additional architectural styles and each ADU floor had the option of applying a craftsman, modern, or Spanish architectural style.



Craftsman
This style is inspired by the Craftsman homes found throughout LA, typically characterized by pitched roofs and wood detailing.



Modern
This style is characterized by minimal, clean lines and simple forms.



Spanish
This style is inspired by traditional Spanish architecture. It typically features a covered outdoor patio with columns, along with archway openings.

Office of: Backyard Homes

Due to changes to the mission of LA Más, it halted participation in the Backyard Homes Project. In 2021, a new design organization created by former LA Más team members structured a new for-profit entity known as Office of: Office. Office of: Office is a small design practice which, alongside its profitable work, is still focused on serving community needs. Office of: Office affirms their commitment to serving the community through a non-profit component of their business known as Office of: People. It envisions the use of this non-profit component as a tool for supporting low-income and underserved communities through the facilitation of the active engagement of community in design of housing, public space, and small businesses.

Office of: People supports the Backyard Homes Project through the continued service to homeowners seeking to build an ADU for renting to HCV households. Office of: People sustained the project partnerships with Genesis La Economic Growth Corporation, JP Morgan Chase & Co., Self-Help Federal Credit Union, Restore Neighborhoods La (RNLA), La Family Housing, St. Joseph Center, Housing Rights Center, and The Housing Authority of The City of Los Angeles (HACLA).

Funding ADUs

Working with nonprofit lending partners, Genesis LA and Self-Help Federal Credit Union created a cash-out refinance loan that factors in the future value of the ADU and expected rental income generated through renting to Housing Choice Voucher (HCV) households when determining a borrower's eligibility. The lenders consider the voucher as a guarantee that a dependable source of rent for both the homeowner and the tenant. The Housing Rights Center and Housing Authority then connect tenants with the units. Hector Rodriguez, director of architecture at Office of: Office was quoted in a May 2022 Shelterforce article in describing the financial benefits of the Backyard Homes Project as "...specifically designed to support homeowners with limited personal savings and/or not enough home equity to fund construction," and that the project "opened up the opportunity for lower- and middle-income households to participate in ADU construction..." where they otherwise would not be able to access financing. The Office of: Office webpage indicates they are working with Southern California Association of Governments (comparable to New Hampshire's regional planning commissions) in exploring ways to scale the Backyard Homes Project model for building and renting affordable ADUs up to it can service households across various cities in California.

2.3.2 Let's Talk Houston (ADU Design Book)

Let's Talk Houston is a public engagement tool used by the Houston Planning & Development Department. The Let's Talk Houston website has been used to engage citizens around complex topics of planning such as mobility, livability, redistricting, and resiliency planning. Topics discussed on the website contain prompts for visitors to provide input through various mediums. Input can be provided via map-based comments, photo uploads, forums, and planning process documents.

Houston Housing Profile

The City of Houston has a population of 2,293,288 people as of 2021 (Census). Houston has a land area of 640.4 square miles with 3,581 people per square mile. The city has 990,632 housing units, of which 878,906 are occupied, resulting in a vacancy rate of 11%. The census gives a home ownership rate of 42%. Over the last decade, Houston has seen sustained growth with an 11% increase in population and an 11% increase in total housing stock. Homes have a median value of $200,700 and renters pay a median rent of $1,136 per month. The median household income is $56,019 with 2.57 persons per household. The larger Metropolitan Statistical Area has a total population of 7,048,954 people.

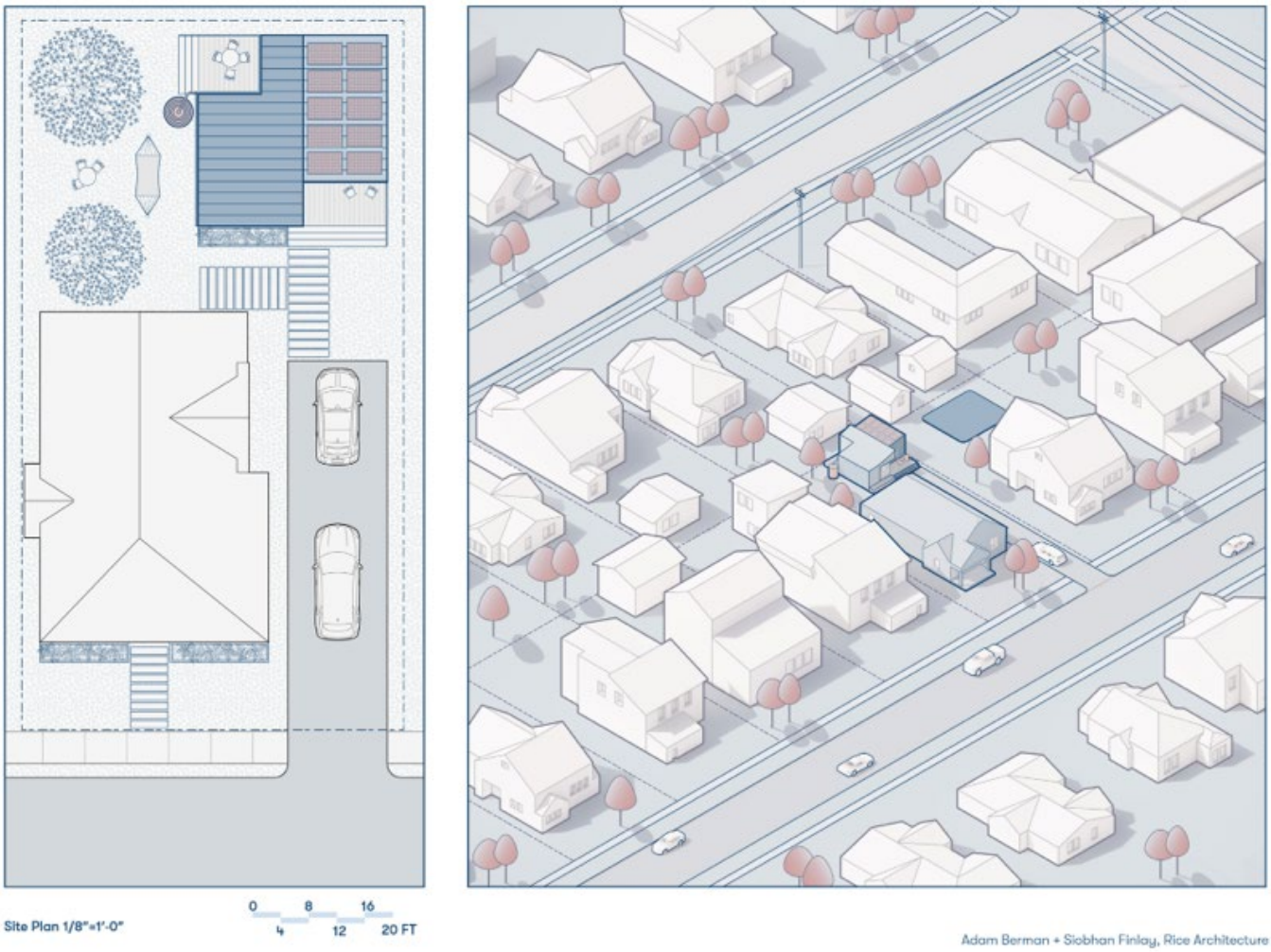
Launching a Community Discussion

The Planning & Development Department used the Let's Talk Houston website as the location to host a broad discussion of the role of ADUs as well as to document an open design competition for ADU designs. In the summer of 2021, Houston planning staff used the Let's Talk Houston website to launch a three-workshop series aimed at educating the general public on the purpose and benefits of ADUs (one featuring Kol Peterson), the process for planning and building an ADU (workshop two), the cost of building and ADU along with the financial instruments available for such projects (workshop three). The launch of the workshop series in August 2021 coincided with the announcement of an ADU design competition.

The Design Competition

In 2021, the Houston Housing Planning Department was awarded an AARP Community Challenge grant to help support their ADU program. The AARP Community Challenge grant is focused on supporting communities that recognize the need to create livable places for people of all ages. The Department held a design competition for ADU housing plans. Houston planning staff hosted a Q&A session and sent out solicitations to architects and designers to participate in the competition. The solicitation stated that the planning department was seeking schematic designs and concepts for accessory dwelling units which would meet the city's current building code. The competition prize was $3,000 for the selected winner. The requirements for submitting ADU designs were simple. Projects were to include a 150-word narrative to accompany the plans along with information on the submitting team. The competition included categories for different types of ADUs, including attached, detached, and garage ADUs. Sustainable and affordable categories were also included. After receiving 30 viable submissions for ADU designs from architects and designers, the planning department posted the submissions for online voting by category and for most votes. In total, nearly 400 online votes were received, and a winner was announced. The winning submission came from two students at Rice University.

Rice School of Architecture is well known for their high-quality architecture program, design studios, and faculty research. The work of the Rice students includes multiple projects looking at the neighborhood scale potential of ADUs and ADU construction projects to realize academic thesis of ADUs as a scalable housing solution. Interestingly Rice School of Architecture recently hosted LA's former LA Más staff members Elizabeth Timme and Chaz Kern in a Lecture in which they spoke extensively about the role of LA Más in assisting community members in realizing ADUs as a housing solution and speaking in detail about their ADU Pilot Project.



The winning submission to Houston's ADU Design competition, titled "Double House" came from Rice School of Architecture students Siobhan Finlay and Adam Berman. According to the Housing Planning Department Director Margaret Brown, "Adam and Siobhan went above and beyond, giving a detailed view of just how functional and elegant an ADU can be. … the winning team created a striking and flexible space that would fit beautifully in a backyard and within the character of a neighborhood."

The Double House along with two dozen additional design submissions, were assembled into an ADU design book by the Houston Planning & Development Department. The design book identified Double House as the grand prize winner and also identifies winning designs for ADU categories of typology, sustainability, as well as affordability. As the architects and designers retained the intellectual rights to their ADU plans, the design book provides contact information for each competition participant so they may work directly with homeowners to realize their ADU designs as complete architectural plan through private contracts.

2.3.3 Empowered Living Design Competition (Salt Lake City)

In the fall of 2021, Salt Lake City's government, in collaboration with the American Institute of Architects Utah Chapter (AIA Utah) and the Community Development Corporation of Utah (CDCU), hosted a design competition for tiny homes and small dwelling units (ADUs). The Empowered Living design competition was crafted in response to escalating housing costs, falling affordability, and rising homelessness in the city. The Mayor's Office held a press conference to announce the solicitation for design competition submissions from architects and designers. During the conference, the two goals were shared, first to explore intentional approaches for introducing tiny home communities in response to homeless and second, to explore innovations in housing through accessory dwelling units.

Salt Lake Housing Profile

The city of Salt Lake City has a population of 199,153 people as of 2021 (Census). Salt Lake has a land area of 110.3 square miles with 1,805 people per square mile. The city has 90,609 housing units, of which 83,197 are occupied, resulting in a vacancy rate of 8%. The census gives a home ownership rate of 48%. Over the last decade, Salt Lake City sustained an 8% rate of population growth and an 11% increase in total housing stock. Homes have a median value of $380,200 and renters pay a median rent of $1,141 per month. The median household income is $65,880 with 2.32 persons per household. The larger Metropolitan Statistical Area has a total population of 1,244,671 people (about the same population as New Hampshire).

Empowered Living

Design competition partners provided the funds needed to offer cash awards for winning design submissions. A panel of jurors reviewed 80 submissions by rating each on the criteria of affordability, accessibility, sustainability, durability, and livability. Jurors selected one grand prize winner along with two runners-up in each category and the winners were announced in December of 2021. The resulting awards evenly split prizes between Tiny Home submissions and Accessory Dwelling Unit submissions. Woofter Bolch Architecture was awarded the grand prize for their Birch ADU design submission. The Birch ADU's design concept uses a flexible and unitized building layout which creates a porch between two building structures, commonly referred to by architects as a "dogtrot" layout. The Birch ADU allows for the porch to exist in one of two different alignments with the ADU's habitable space which the architect refers to as the "Bi-directional porch" lending to the Birch name. Peeling back the design motif and aesthetic treatment of the ADU reveals a pragmatic and well laid out habitable space along with modest accommodations for a shed like space for storage or working from home.

The runners up in the ADU category of the competition includes the Annex Garage design by Yixuan Lin and Vested ADU by Process Studio. The Annex Garage ADU concept focuses on the potential of placing an ADU over the top of single-story single car garages which are common to single-family homes throughout Salt Lake City. The Annex garage conceives of a minimalist studio space with the essential components needed for a dwelling. The overall design features smart tactics for maximizing space. The Vested ADU concept dives into Salt Lack City's zoning regulations and makes a case that existing zoning regulations are inequitable and designed to favor homeowners with larger lots and punish smaller lots by making a 600sf ADU impossible to build on most existing lots. In addition, Process Studio presents the concept of using ADUs as a means for activating Salt Lake City's many alleyways. A common theme throughout most of the competition submissions was the use of construction methods which reduced the barriers to people constructing their own ADUs as a means to achieve affordability.

2.3.4 Observations of ADU Design Initiative Case Studies

Design Initiatives can be a compelling way to engage design professionals and the public in a discussion about merits of ADUs as a housing solution. In addition, the development of concepts through pilot projects, competitions, and design services is an ideal mechanism for open sourcing to highly localized issues. ADU designs require the context of the region be taken into consideration and that the buildings are designed to respond not only to climate, and geography but also to how people live their lives, and the expectations society has for what constitutes a home.

Los Angeles, Salt Lake City, and Houston each provide lessons on how to approach a public dialogue on the role of ADU's and their design. La Mas in Los Angeles saw ADUs first and foremost as a tool for responding to community housing needs, framing the ADU as a tool of community empowerment. Let's Talk Houston, a community engagement tool managed by the City's Planning Division used the online and in-person platform as a lunching point for hosting an ADU design competition and to publish an ADU design book from the resulting competition entries. Houston's design initiatives were managed by city planning staff with the purpose of engaging the public in discussion about the role of ADUs acting as an affordable housing solution. Salt Lake City's Empowered Living Design Competition was developed as a public facing short-term response to growing housing affordability issues which had been building prior to the COVID pandemic and exacerbated by the pandemic's upward push on housing costs. Salt Lake City's Mayor partnered with the local chapter of the American Institute of Architects to announce the competition as a means for generating legitimate housing and design solutions for responding to a growing homeless population and a dramatic decrease in overall housing affordability between 2019 and 2021. In November of 2011, Salt Lake City published an educational guide to building an ADU and followed that up with more substantial land use code changes for ADUs in December of 2022.

While Let's Talk Houston and the Empowered Living Design Competition originated and organized by local governments, both worked in partnership with private institutions (AARP and AIA) to support and legitimize engagement efforts. Alternatively, LA Más used their position of agency as a community advocate to solicit and lobby for resources from public and non-profit institutions to support their efforts in engaging the public in a discussion about the social value of ADUs as a housing solution. Where Houston's and Salt Lake's design competitions were somewhat isolated as public discussions and design efforts, LA Más was able to continually evolve the public engagement and design of ADUs.

The work of LA Más was sustained over a long period of time by individuals with a deep commitment to addressing policy barriers to ADUs through an evolution of their work. LA Más started ADU work in the form of an ADU art exhibition, expanded to a ADU construction pilot project, then evolved to provide community technical assistance in building ADUs, and finally as a stakeholder influencing ADU policy. California's trajectory of ADU policy has been shaped by the work of LA Más in Los Angeles. At each step of the evolution in community development practice, LA Más seized on the opportunity to create a dialogue between the community, industry leaders, elected officials, and policy makers to help shape the next step of their action. These steps coincided with substantial liberalization of land use regulations for ADUs at the state level which culminated with a $50M grant program specifically targeted towards helping homeowners overcome ADU permitting and design risks.

All of three case studies framed their efforts around growing public support for, and normalizing the use of, ADUs as an affordable housing type.

3.0 ADU ANALYSIS: POTENTIAL FOR ADUS IN NEW HAMPSHIRE

This section identifies the successful tools and techniques discussed in Section 4 of this report and how these tools might be utilized in New Hampshire to create accessory dwelling units.

3.1 Identification of Successful Tools and Techniques

The nine case studies in this report provide a variety of tools and techniques for increasing the use of Accessory Dwelling Units as meaningful housing solutions. In addition to the goal of adding ADUs as a means of increasing housing stock to meet demand, the case study communities aimed to use ADUs to serve as inherently affordable housing built within existing communities. This section identifies a dozen different tools utilized in the case studies to help advance ADU production; in nearly every case, multiple tools and techniques were used. The following matrix provides an ordered list of the observed tools used by these communities. As a precursor to almost all ADU initiatives are changes to the zoning regulations and/or the approval and permitting process.

TOOLS AND TECHNIQUES FOR INCREASING THE AVAILABILITY OF ACCESSORY DWELLING UNITS IN NEW HAMPSHIRE

Note: This table is a useful quick reference guide for exploring the tools and techniques used by each case study. The table follows the order in which the case study information ia laid out in the ADU Policy and Program document.

	Tool Number		AFFORDABLE FOCUS (2.1)			PRE-APPROVED FOCUS (2.2)			DESIGN INITIATIVE FOCUS (2.3)		
			Barnstable, MA	Boston, MA	California	Eugene, OR	Chico, CA	Seattle, WA	Los Angeles, CA	Houston, TX	Salt Lake City, UT
Reductions in Zoning Regs/Approval Process	1	Momentum Building Tools	X	X	X	X[1]	X[1]	X[1]	X[1]		X[1]
Technical Assistance: Permitting/Approval	2		X	X	X			X	X		
Technical Assistance: Permitting Checklist	3			X							
Technical Assistance: Homeowner Workshops	4			X						X	
Annual Reporting of ADU Production	5				X	X		X	X		X
ADU Design Initiatives: ADU Design Guides	6	Case Study Tools of Focus			X			X	X		X
ADU Design Initiatives: Design Competition	7							X	X	X	X
ADU Design Initiatives: Pilot ADU Project	8								X		
Pre-Approved Plans: Free for Public Use	9					X	X				
Pre-Approved Plans: License Fee for Plan Use	10					X		X	X		
Financial Incentives: ADU Design/Permit	11				X		X[1]		X[1]		
Financial Incentives: ADU Construction	12		X	X							

[1]Tools Implemented as Statewide Actions (not included in Cumulative Use of Tool count).
Red "**X**" designates the tool of focus in the case study.

Five of the nine case studies were influenced by substantial changes to the regulation of ADUs at the state level. These state laws instigated local zoning regulations in order to comply with the state regulations. Chico, Eugene, Seattle, and Los Angeles used the changes to state regulation of ADUs as a launching point for creating their respective programs. In Massachusetts, there are no state laws on ADUs but there are state laws compelling municipalities to plan for affordable housing, Barnstable used the allowance of ADU's as method for compliance with state affordability regulations. Boston may have also been motivated by a desire to meet affordability regulations of the state in designing their ADU program.

The tools in the matrix are ordered based on the level of effort and financial support the program would typically need to implement. Zoning changes and technical assistance require the least amount of time for municipal staff to implement and often can be done at little to no cost if staff capacity exists to create draft amendments for consideration by decision-makers. Some municipalities may choose to hire consultants to draft ADU language or to implement components of technical assistance for ADU permitting.

3.1.1 Reductions in Zoning Regulations and/or Approvals Process

Tool #1: Reductions in Zoning Regulations and/or Approvals Process

A. Description: While many states across the country have created new rules to allow ADUs to be built, the laws enacted by cities and towns can also limit the permitting of new ADUs to a narrow set of conditions that few properties can meet. Alternatively, municipalities such as Portland Oregon and Los Angeles have streamlined the approval process to have broad applicability, resulting in thousands of ADUs being built in the past few years. The regulatory allowance of ADUs at the state and local level is the baseline for initiating an increase in ADU production.

B. Effect and cost of this tool:
    a. Reducing regulations will increase the number of places ADUs can be permitted and simplifying the approval process will allow more homeowners to navigate the process.
    b. Policy changes happen as part of the normal course of governance with no additional cost.

Common "Poison Pill" Land Use Policies Limiting ADU Production

One of the nation's leading ADU experts, Kol Peterson, wrote *Backyard Revolution: The Definitive Guide to ADU Development*. In chapter eight, Peterson identified the three "Poison-Pill Regulations for ADUs" and five development regulations also limiting ADU production. Summarized, these include:

"Poison-Pills"

1. **Owner-Occupancy Requirements.** Owner-Occupancy of the property is a regularly required rule for ADU development across the nation. While many locations feel justified in enforcing this law as a means for protecting housing stock for ownership, there are few justifiable reasons why such a regulation should be targeted to ADUs specifically versus a broader set of housing types. Occupancy requirements are typically enforced through deed restrictions which limits the appeal for lenders to offer borrowing products for properties with ADUs due to increased risks for financing institutions.

2. **Off-Street Parking Requirements.** Zoning regulations which require additional parking spaces for an ADU effectively kills the production of ADUs. For smaller lots where people would want to add ADUs (close to village centers and downtown), the prospect of adding a 9-foot by 18-foot parking space is either impossible or nearly impossible. Donald Shoup, the leading national thinker on parking policy and author of "The High Cost of Free Parking" drives home the idea that parking should be market based and not based on minimum parking standards. Shoup states, "Zoning and parking requirements that prohibit garages being turned into apartments effectively put free parking ahead of affordable housing."

3. **Conditional or Discretionary Reviews.** A conditional use review and/or permit requires homeowners to submit for permission to use their property in a certain way but does not guarantee the right to build. A homeowner wishing to build an ADU through conditional use may or may not be granted the permission. Conditional use permits typically involve a hearing with neighbor notification, plans, along with oral as well as written justification for the project. The hearing process is often intimidating and costly for a novice homeowner. Hearing fees and hiring design professionals can cost over $6,000 just to be declined.

Common "Poison Pill" Land Use Policies *(cont.)*; ADU Limiting Development Regulations

1. Lot Setbacks:
The distance the structure must be from the lot line. Locations with 10' or even 20' setbacks make it nearly impossible to build a detached ADU in the backyard of a standard size residential property.

2. ADU Size Limits:
Restricting the size of an ADU to be proportional to the primary home can be seen as an economically regressive policy for people with smaller homes. ADU size caps can be tied to housing goals.

3. Minimum Lot Sizes:
Limiting ADUs to larger lots accidentally provides entitlements to more expensive properties. Larger lots are typically located in locations with lower demand for smaller rental housing.

2. Structural Forms:
Limiting ADU to one structural form (I.E. Attached, Detached, Basement, Existing) significantly limits the housing stock where an ADU can be built. Allow ADUs across different conditions.

3. Development Fees:
As known as impact fees, have proven to be critically important to the production of ADUs. Cities in Oregon and Washington can see development fees as high as $30,000. A significant increase of ADUs permitting in Portland, OR is well documented to coincide with the waiver of ADU fees.

3.1.2 Technical Assistance Tools and Techniques Summary

Tool #2: Technical Assistance: Permitting/Approvals

A. Description: Municipalities that designate staff to review site plan applications can also assist homeowners through the administrative process of applications, planning board meetings, zoning board meetings, and permitting. Such assistance can help homeowners avoid hiring costly professional engineers and architects. By dedicating staff to the task of assisting homeowners with ADU permitting. Staff who work on ADU permitting can observe challenges encountered in the development process and either guide homeowners around them or provide guidance to decision-makers for appropriate ways to revise regulations to avoid the challenges in the future.

B. Effect and cost of this tool:
   a. Dedication of staff will increase the success rate for homeowners seeking an ADU permit.
   b. The cost of dedicating staff can be negligible if staff capacity already exists. Alternatively, a municipality may need to hire new staff to satisfy the high demand for technical assistance.

Tool #3: Technical Assistance: Permitting Checklist

A. Development of easy-to-understand documents which provide clarity on the required documentation for submitting an ADU application, along with a chronological layout of the review process, allows homeowners to better understand what information they need to gather for staff review, board hearings, and the length of time needed to complete the process. For example, the town of Millcreek, Utah has an ADU checklist that is quite detailed, yet easy to follow, allowing for comprehension of all regulations that impact the permitting decision for each ADU type.

B. Effect and cost of this tool:
   a. Linguistic and graphical clarity of documents needed for ADU for review will increase the likelihood a homeowner will try to submit an ADU permit application. A clearly defined checklist will reduce the frequency of staff requests for more information after submission.
   b. An ADU submission checklist may cost nothing if staff have the capability to create it. Municipalities may hire a design professional with graphic design expertise at a low cost.

Tool #4: Technical Assistance: Workshops/Outreach

A. Hosting workshops and online media with information on regulations controlling ADUs and the process for obtaining approvals will provide homeowners with new knowledge. Workshops by municipal staff or by entities sanctioned by staff provide accurate source information. Many communities host workshops and develop promotional media to help ensure the public is aware of the ability homeowners have to build an ADU. For example. Chico's promotional videos are professionally shot and provide simple talking points for understanding the value of ADUs. For more interactive communication, the City of Boston published an ADU information session which is paired with monthly online workshops where homeowners can ask questions specific to their property in preparation for submitting an ADU application.

B. Effect and cost of this tool:
    a. Well designed and easily accessible information on ADU programs, rules, and process can take uncertainty out of the ADU application process for both homeowners and staff.
    b. The cost of producing workshops and outreach materials can range from no cost, in the form of staff developed materials, too expensive with consultant-coordinated media campaigns.

3.1.3 Annual Reporting of ADU Production

Tool #5: Annual Reporting of ADU Production

A. Communities that report data on ADU production such as: affordability, and how ADUs are used, unit characteristics, as well as local outcomes of unit production provide information to support decision-making and future policies around ADUs. Further, annual reporting on ADUs can dispel myths and misunderstandings by public and government officials about the impact ADUs are having on municipal infrastructure and services. The Seattle interactive annual report and Salt Lake City's annual report are quality examples of the type of factual information found in such reports. Seattle goes even further by producing a Racial Equity Toolkit on Policies for Accessory Dwelling Units which takes the pulse of disadvantaged community needs relative to ADU policy.

B. Effect and cost of this tool:
    a. Annual reports involve ongoing data collection on how and where ADUs are being built as well as the households that inhabit them. This typically goes beyond the role and responsibility of local planning staff, but the provision of an annual report can increase confidence that local policy decisions and their outcomes are backed up by real world data.
    b. If staff are capable of producing and publishing quality reports, then costs can be low. Hiring a consultant to track data and produce rich graphical reports can cost thousands of dollars.

3.1.4 Design Initiatives Tools and Techniques Summary

Tool #6: ADU Design Initiatives: ADU Design Guidebook

A. ADU Design Guidebooks have a similar effect as a checklist but are more detailed and provide more visual guidance about placement and massing of an ADU on a typical lot. Development of design guides is often complemented by graphics which diagram each feature of ADU regulation. For instance, a graphic may show the footprint of an ADU placed within required setbacks. Like the ADU checklist, design guides that provide clarity on the required documentation for submitting an ADU application, along with a chronological layout of the review process, allows homeowners to better understand what information is needed to submit an ADU permit application. For example, the University of California Los Angeles developed, and ADU Design Guidebook for the City of Los Angeles which offers plain language and graphical instructions for how to design an ADU. The design book also includes a graph-paper page encouraging the homeowner to draw out their lot and plot the location of their ADU at their property.

B. Effect and cost of this tool:
    a. Linguistic and graphical instructions on how to design an ADU to fit on a property increases the likelihood a homeowner will submit an ADU permit application. A well designed ADU site plan will reduce the time staff needs to review ADU applications and may reduce the number of non-compliant ADU plan layouts submitted by homeowners.
    b. An ADU Design Guide is more involved than a checklist. Guides offer concise communication through graphics and require a skill set that is typically beyond municipal planning staff. Municipalities should anticipate hiring a design professional with an understanding of the local regulations as well as graphic design expertise to create the design book. Municipalities can also partner with non-profit or educational institutions to create the guidebooks if they have the expertise and ability to effectively assist the municipality.

Tool #7: ADU Design Initiatives: ADU Pilot Projects/Programs

A. Pilot projects are useful for testing changes to municipal policy and programs. An ADU pilot project ties the outcomes of physical construction to financial tools or regulation. Typically, pilots solve a key barrier to ADU production. For some communities, the barrier is the cost or risk of not getting permits for an ADU. For example, the town of Kittery, Maine has established a pilot program where the town will provide a grant for up to $50,000 to cover the cost of design, permitting, and construction of ADUs. In other instances, municipalities use pilots to address regulatory uncertainty before a full roll-out of a policy change. The City of Boston is currently operating such a pilot within some neighborhoods. The pilot is exploring allowance of garage conversions into ADUs. This Early Adopter Cohort II Pilot program comes with the added benefit of technical assistance from city staff.

B. Effect and cost of this tool:
    a. A pilot project provides a public demonstration of the utility of ADUs as a housing type while also helping to address community concerns of ADU impact. Pilots allow for the fine tuning of policy before full roll-out of regulation by documenting issues that arise during the process of developing a pilot policy or building an ADU under a pilot program.
    b. The costs to a municipality vary greatly. Costs can be negligible depending on the nature and scope of the pilot and the household it is being built for. Pilots may range from as little as $10,000 to as much as several million dollars if most of the construction costs are included.

Tool #8: ADU Design Initiatives: ADU Design Competition

A. Design competitions are an effective tool for socializing the concept of ADUs with the public. Competitions generate ideas about how ADUs should be built in local communities. Competitions incorporate ideas raised in public forums regarding how ADUs serve communities and the people that inhabit them. Architectural concepts can go beyond individual ADUs and explore patterns of development, such as back alley ADUs, backyard cottages, or garage conversions. Competitions open the opportunity to involve community members in selecting preferred designs in response to specific criteria such as affordability, energy efficiency, and low-cost construction methods. Some communities also seek to use competitions to explore social issues such as homelessness. The City of Houston, Texas put together a design competition which resulted in 26 different design submissions and significant public engagement.

B. Effect and cost of this tool:
    a. Local and state level governments can partner with a local chapter of the American Institute of Architects, the American Planning Association, local realtor associations, and/or home-builder associations to co-host a design competition. These industry groups provide expertise in developing competition criteria, advertising the competition to professionals, and judging submissions. Municipalities can leverage this to raise awareness of ADUs.
    b. ADU competitions can be low-cost efforts, but the quality of submissions is proportional to the size and nature of the prize awarded. Competitions which provide a few thousand dollars in prize money for the winning submission will yield lower quality results in comparison to ADU competitions that result in winning submission which promise to build a prototype ADU as part of the competition award. Such an approach can cost over $300,000.

3.1.5 Pre-Approved Plans Tools and Techniques Summary

Tool #9: Pre-Approved Plans: Municipal Purchase of Plan Set for Public Use

A. Pre-Approved Plans are an effective tool for decreasing the up-front costs of ADU permitting and approval. Per-approved plans curate the best available designs for an ADUs within a local context. By implementing a Pre-approved ADU Plan program, local planning and building inspection staff can significantly reduce the amount of time they need to commit to reviewing an ADU permit application. At the same time, homeowners can pick from a series of ADU plans which they can trust meet building codes, energy standards, and have a track record of successful development. Both the municipality and the homeowner benefit from a reduction in the time needed to obtain a permit, especially if the pre-approved plans are paired with a by-right approval process.

B. Effect and cost of this tool:
    a. Local and state governments build on the process of a design competition to provide plan sets to the public. Homeowners benefit through lower costs and reduced project review times. The tool addresses the primary issue of homeowner risk prior to permit approval, the success of such a program is contingent on a participation from municipal planning and inspection staff.
    b. The cost of purchasing the architectural and engineering stamped ADU plans may range from tens of thousands of dollars to over $200,000, depending on the number of ADU plans the government entity wishes to pre-approve and the area costs for professional services.

Tool #10: Pre-Approved Plans: Municipal Pre-Approval of Licensed ADU Plan Sets for a Fee

A. Pre-Approved ADU plans which are licensed for homeowner use for a set fee bring many of the same benefits as pre-approved ADU plans which are free to the public. By licensing the use of the plans, design professionals have an entry point for engagement with homeowners. Homeowners often seek to use the plan provider as an owner's representative during the construction process. By licensing the pre-approved ADU plans, design professionals can also protect themselves from misuse of the drawings. Municipalities can control the fee design professionals charge for use of the plans as a stipulation of granting pre-approval status. This can keep the cost of plans low for the homeowners.

B. Effect and cost of this tool:
    a. The effect of this tool is like the free pre-approved plans but have been shown to produce more appealing ADU plans and to be more attractive for participation by design professionals.
    b. There is no cost for purchasing the architectural and engineering stamped ADU plans since the government never takes ownership. There will be costs associated with staff review of plans and administration of the program. If the program is implemented at the regional for state scale of government, costs of administration and coordination with local governments may require multiple full-time staff to manage and implement the program.

3.1.6 Financial Incentives Tools and Techniques Summary

Tool #11: Financial Incentives (Grants/Loans): ADU Design and Permitting

A. Government grant and loan programs to pay for the design and permitting of ADUs can create incentives for homeowners to move ahead with building an ADU. Grants for pre-development costs cover an especially risky period where each dollar spent can result in an unbuildable plan which has no value to the homeowner. Government subsidy of pre-development shifts the risk of approvals on to the government entity and gives governments a vested interest in successful approval of ADUs to effectively use public funds committed to such programs. Government entities will often deploy other ADU production tools, such as guides and technical assistance, in partnership with loans and grants to maximize successful outcomes.

B. Effect and cost of this tool:
    a. The effect of this tool is to reduce the financial risk homeowners face when attempting to obtain approvals and permits for building an ADU. This is money that otherwise would be lost if an ADU permit application is rejected by a review body or municipality. The tool has the effect of providing governments with a monetary interest in helping homeowners succeed.
    b. The most effective programs have conditions for how funds are spent on plan development. Places like Kittery, Maine, and the state of California provide up to $50,000 in grant funding to pay for professional design services, permitting fees, sitework, and utilities. If the program is scoped to build 1,000 ADUs at $50,000, then a government entity can expect to spend over $50 Million to implement a grant program. If less intense assistance programs are often implemented, for instance, the city of Boston has a 0% interest deferred loan program. Governments can size loan programs for the first round of ADU with the anticipation that over time homes, properties will repay and replenish funds for the program. It is advisable not to put into place a program that would cover less than 80% to 90% of the total cost of design and permitting, as it will exclude most households from participating in the program and the lowest income households would be the first ones to be excluded.

Tool #12: Financial Incentives (Grants/Loans): ADU Construction

A. Government grant and loan programs to pay for the construction of ADUs create incentives for builders to supply more ADUs to the market. Government grants and loans for construction costs coincide with a period of oversight from financial institutions. Each dollar spent during construction is reviewed by a lending officer to ensure the costs are attributed to the final valuation of the home. This is done to ensure that the loan total at the time of project completion does not exceed the value of the home (or ADU in this instance). Government involvement in construction through loans and grants shifts the risk of ADU development away from lending institutions and onto the government entity. Because lending institutions already have a vested interest in the successful completion of ADU construction, government entities can rely on lender controls to protect public funds committed to such a program. Government entities can build direct relationships with lenders for such programs with the understanding that the lenders will effectively market the available funds to homeowners.

B. Effect and cost of this tool:
    a. The effect of this tool is to reduce the total cost of building an ADU. The tool is also useful for engaging lending institutions in the practice of lending for ADU construction. The tool can be used to reduce the risk lenders face in covering value gaps for ADU construction loans.
    b. Like the tool for pre-development, the most effective programs are grants. Grant and loan programs can be scaled to the desired effect. Programs can be as small as loans for a few dozen ADUs and as large as state-wide programs to cover all new ADUs built. The size of grant or loan programs should be at least enough funding per ADU to cover the majority of gaps in loan-to-value ratio seen by lenders in local markets. Effective construction grant and loan programs would carry between $1M and $50M funding to build between 20 and 1,000 ADUs.

3.2 Application of Identified Tools, and Techniques in New Hampshire

This section contains a brief description of variables which affect the ability to build an ADU in the state of New Hampshire. These include the local permitting process and zoning requirements, the cost of construction (both labor and materials), capital access, as well as home value and income. Each variable is accompanied by a high-level conclusion about the impact these variables have on ADU production.

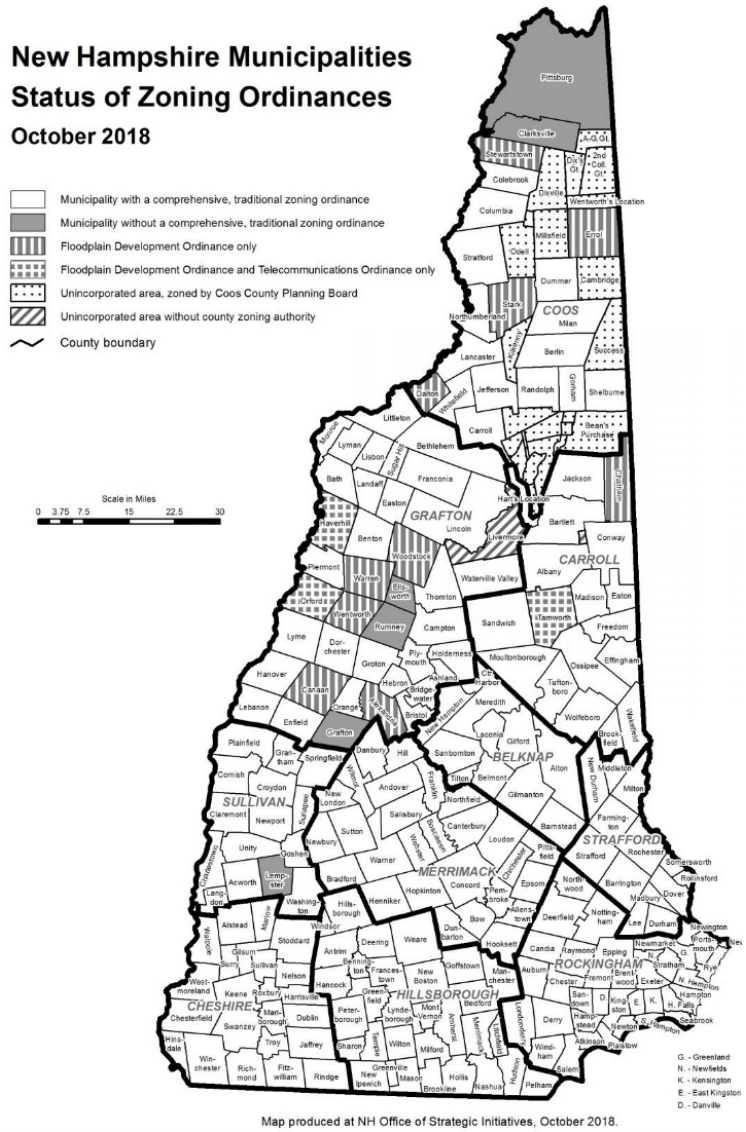
3.2.1 Assumptions of ADU Development in New Hampshire

Permitting and Zoning Variables

The process of ADU permitting and approval in New Hampshire varies from community to community. Some localities allow ADUs by right and have limited additional requirements beyond the underlying zoning for the single-family homes that occupy the property. Other communities require costly applications for permits followed by a public hearing. If the zoning has numerous restrictions that make it difficult to meet all regulations, a homeowner will need to request a special exception, variance, or waiver. In some instances, the owner may need to prove that a hardship exists and demonstrate through plans, renderings, written documentation, and verbal testimony that a hardship will prevent them from building an ADU. Because of this local variability, getting to a place where a homeowner has all permits required to start construction on their ADU can range from as little as a few hundred dollars in permit fees and a few hours of time with town planning staff up to thousands of dollars in fees, professional representation, and months of review between planning boards and zoning boards of adjustment.

Conclusion – In short, New Hampshire communities that seek to reduce barriers to building an ADUs will see a higher number of ADUs permitted in their community. Providing technical assistance to homeowners and liberalizing regulations will bring down the time and cost of permitting and approval. Barnstable, Boston, California, Seattle, and Los Angeles all provided technical assistance with permitting and liberalized zoning regulations for ADUs.

Recommendations – Ensure efficiency be allowing by-right options and provide flexibility to reduce the amount of zoning board and planning board cases and thereby barriers to ADU production. For example, allow simple ADUs (within or additions to existing structures) to be reviewed by the Building Inspector; this keeps the administrative requirements to a minimum.



Construction Cost Variables

The cost of construction is controlled by availability and price of labor and materials in a location. Traditionally, the costs of labor and materials can vary significantly over relatively short distances. For example, the cost of labor in Nashua will be higher than in Newport which will influence overall construction costs. The prevailing wage of larger metropolitan markets, availability of skilled workforce, and travel time for labor force all influence labor costs.

The per unit cost of materials is less variable by location due to efficient transportation and sale of commodity goods such as wood and concrete. But materials for construction can fluctuate based on their overall availability as well as the cost of getting those materials to market. To a greater degree, local norms and requirements for building construction can determine material costs. Places with greater controls on building materials and methods of construction will see higher costs per square foot than locations with little oversight or additional regulations beyond the building code. Both labor and materials costs change over time.

During post-pandemic growth of the economy, there has been an increase in inflation across most consumer industries. As of the writing of this report, the construction industry was also experiencing significant inflation. The average inflation for six years prior to the pandemic (2013 to 2018) was 5.2%. Residential inflation in 2021 was 14.0%. While wages have gone up, the Producer Price Index (PPI) Material Inputs

(which exclude labor) for new construction averaged less than 1%/yr. from 2012 to 2017, then costs averaged over 5% for 2018-2020. Then in 2021 input costs soared to 22%, the highest ever recorded. Construction material costs in 2021 were more than three times the rate of inflation, leading to troubling affordability issues for housing.

> **Conclusion:** New Hampshire has few controls over national price trends but can invest in programs which help stabilize the price of construction. Programs designed to train construction laborers, and to manufacture construction materials locally keep dollars within the state and can boost the local economy. In addition, municipalities might explore new innovations in manufactured housing which effectively lower the costs of construction through the development of materials and methods that use year-round factory-controlled environments to build ADUs that can then be delivered to the site.
>
> Given the need for workers, state agencies might consider the need for cooperative programs with educational institutions to develop programs that provide construction industry training programs for plumbers, electricians, carpenters, masons, and other skilled trades.

Capital Access Variables

Across the nation, home finance is largely guided by the Federal Housing Administration (FHA) policy for mortgages. FHA regulates and insures loans which private lenders originate. The loans can purchase or refinance a home. Other loans backed by FHA allow new construction and home remodeling. FHA allows the

use of these loans to build ADUs using FHA's underwriting process. Underwriting includes an appraisal which determines a home's (and an ADU's) value. Property values vary by location based on comparable home selling prices. When valuing an ADU, FHA's underwriting rules allow for rental income from the ADU to be taken into consideration. Other variables include the cost to borrow money (fees and interest rates) for a mortgage; over time these fees and rates change. A one percent change in interest rate on a typical mortgage equates to approximately $200 of monthly payment on a mortgage. Over the 12 months between March 2022 and March 2023, interest rates have risen significantly, making borrowing for home improvement much more expensive.

Conclusion: The current lending environment puts borrowing out of reach for many current and prospective homeowners. Homeowners who refinanced their home mortgages to very low interest rates during the pandemic will be reluctant to change mortgage terms in the future. Anecdotal data about ADU permitting in New Hampshire points to a majority of ADUs being built using cash with little to no borrowing. This limits ADU production to households with more than $100,000 in available cash; a small percentage of the state's overall population. New financial tools specifically designed around ADUs are needed to facilitate ADU production for households with little to no savings. This is an opportunity for households that have significant equity in their homes. Lending tools that leave the primary mortgage in place and supplement that with secondary loans will have the broadest appeal to homeowners in the current lending environment.

Encouraging financial institutions to create lending products that do not require disrupting existing mortgages with low interest rates is key, as is supporting increased use of rental incomes as a means for determining an appraised value for the ADU.

Home Value and Income Variables:

A January 2023 article in *New Hampshire Business Review* noted a significant drop in housing affordability in 2022. In an earlier article in July of 2022, NHBR noted that homes had become so unaffordable that nearly half of the median household's income would be needed to pay for a home. The reduction in affordability can be attributed to the costs of homes outpacing increases in household incomes. This condition is not sustainable in the long term. In the short-term, if home values fall short of home prices, a gap between the purchase price and the appraised value of the home may form. In addition to an appraisal gap, household incomes can fall short of what is needed to purchase a home. Both scenarios have a role in cooling an overheated housing market.

Appraisals and incomes also play a role in accessing financing. Appraisers can take one of two approaches to valuing an ADU. They can take an income approach, which values the ADU based on its earning potential as a rental unit. Alternatively, appraisers can take a market approach. A market approach looks at comparable homes with similar features in the immediate area which have recently sold and bases the home value on comparable homes. It is fairly typical in New Hampshire for the appraised value of an ADU to be well below the cost of construction, because of this condition, homeowners must have significant equity in their home or cash on hand to cover the gap between the maximum loan amount and the cost of building the ADU.

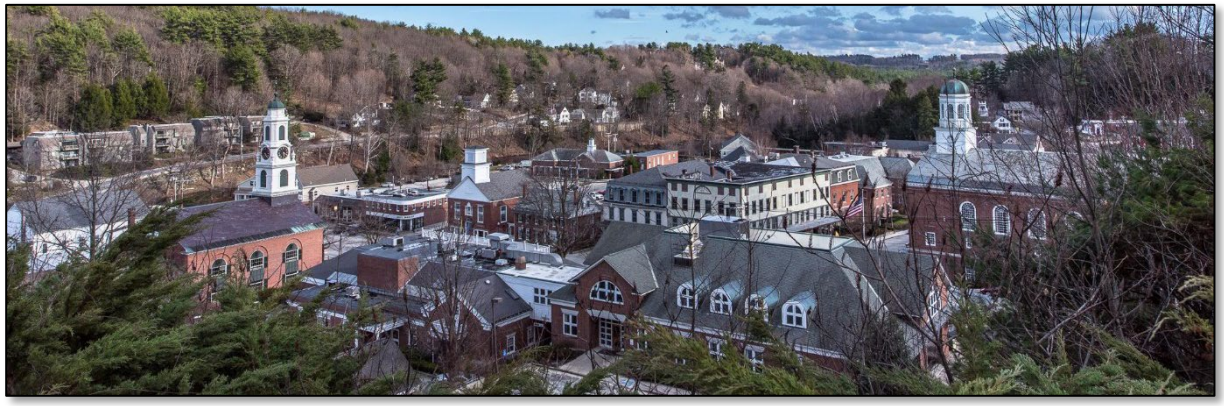
Conclusion: Gaps between an ADU's appraisal value and a household's income presents a significant barrier to ADU development for homeowners with low home equity, lower incomes, and little cash on hand. Changes to FHA regulations to adopt new underwriting practices, deploy new lending tools to use home equity, and to bridge financial gaps for downsizing into an ADU for seniors can help New Hampshire residents overcome financial barriers. New Hampshire lending institutions can incentivize first-time homebuyers and downsizing seniors to use 203k loans for ADUs and offsetting housing costs.

3.3 Scenarios for and Feasibility of ADU Production

The following section provides five hypothetical scenarios for boosting ADU production in the state of New Hampshire using one or more of the twelve identified tools from section 5.1. These scenarios are intended to help envision how the tools identified can best be used to create momentum for building ADUs as a housing solution in the state. While a few scenarios make reference to recent news about ADUs, the content does not reflect any known plans or policy goals at the local, regional, or state level and is not a reflection of priorities or decision-making approaches of local governments.

3.3.1 Scenario A: Local Municipality Hosts ADU Pilot and Design Competition

In March of 2023, the Town of Peterborough applied to AARP's Community Challenge Grant for the express purpose of funding an ADU design competition (tool #8 recommendation). According to an article by the Monadnock Ledger-Transcript, a $3,000 award to the four best ADU plan sets submitted. Those plans would then undergo a review process by the town's planning and inspections staff in order to receive pre-approval designation for general public use. If homeowners choose to use one of the four pre-approved ADU plan sets without modifications to the original design, then the building permit fees would be waived, saving applicants hundreds of dollars.



The town of Peterborough has relatively permissive ADU land use regulations. ADUs, both attached and detached, are allowed "by-right" (meaning that no planning board hearing or zoning board hearings are required if an ADU meets all the underlying requirements of the single-family lot along with the local standards for an ADU). This enables the town's chief inspection officer with the ability to call for a plan review if they are not able to administratively approve an ADU application. As a next step in building momentum for ADU production, Peterborough could consider additional land use regulation changes including the elimination of parking requirements in the village center, a tiered approach to building setbacks for ADUs, and greater flexibility in allowable ADU sizes.

The creation of pre-approved plans through an ADU design competition as proposed by the town would open the door to supporting the construction of a small number of ADUs under a pilot program (tool #7). To support the construction of pre-approved ADU's under the pilot, the town could explore the use of pre-development loans and housing grants from the NH Community Development Finance Authority (CDFA). Potentially, grant funds could offset the costs of constructing a few pre-approved ADUs to demonstrate the value of this housing type. Pilot ADUs also provide an opportunity to review local zoning regulations around ADUs while the pilot is in progress. To support analysis of existing ADU regulations and possible changes, such as allowing prefabricated or manufactured ADUs, the town could apply for a grant through New Hampshire Housing. Implementation of these initiatives may result in new innovations in ADUs, ADU construction methods, and approaches to housing in the state.

3.3.2 Scenario B: Local Municipality Provides Zoning Relief and Technical Assistance

The Town of Bedford passed a zoning regulation amendment in 2022 which allowed for the development of detached ADUs by conditional use permit in certain zoning districts. This amendment was proposed by the planning board and reflects the recommendations of ADU Tool #1 (reductions in local land use zoning). This proposal was explained with ADU fact sheets produced by the town's planning staff. The fact sheet for attached ADUs and the fact sheet for detached ADUs both describe the requirements for ADU's seeking town approval. The ADU fact sheets reflect technical assistance with permitting and approvals (tool #2) which was a highlighted resource in several of the case study communities. As the next step in building momentum for ADU production, the Town could put together a more detailed checklist (tool #3) of all requirements for ADU plans as well as the timeline for plan review, hearings, and the typical permitting process for ADU construction. Such a checklist would further clarify requirements and process for ADU permitting and approvals.

It is common for properties to have unique conditions and require further clarification. To address questions and explain the application process, the town could host periodic in-person or online workshops (Tool #4). These workshops will reduce the number of incorrect or incomplete ADU plans submitted. Planning staff also could record a webinar or create an FAQ document to answer homeowner and builder questions, and post on the town's website or ADU page.

With increased technical assistance to homeowners, and increasing homeowner confidence in the approval process, the town may start to see several dozen ADUs being approved per year. At this point, discussions about ADUs' impact on the town start might spread by word of mouth and people may start to wonder about the number of ADUs being built and what if any impact they are having on the community. This is an opportunity for planning staff to incorporate ADU data into the town's annual report (tool #5). Planning staff can take existing data from ADU permitting and approvals and combine it with voluntary surveys from ADU applicants, owners, and inhabitants to better understand who is living in the ADUs, the financial impacts ADUs have on households, and the demographic differences between ADUs and the town at large. By putting ADU information in the town report on an annual basis, planning staff can demonstrate the impacts ADUs are having on housing demand to voters and elected officials. This process will give space for annual consideration for any future changes to the town's ADU regulations.

With successful implementation of technical assistance and workshops resulting in a growing number of ADU permits and increasing confidence that they are a benefit to the town, the planning board and/or planning staff may recommend that ADUs be allowed by-right and, based on ADU occupant surveys in the annual report, determine that the town does not need to require additional parking spaces for ADUs. The voters vote to approve by-right permitting and the cycle of ADU technical assistance increases to the point where the planning staff release an ADU design guidebook to aid homeowners with their ADU applications to the town (tool #6). The result of implementation of these ADU tools (recommendations one through six) could result in as much as 5% of all single-family homes having an ADU within the next ten years.

To measure the potential scope of ADUs in Bedford, the Southern New Hampshire Planning Commission's Senior GIS and Data Analyst put together a simplified ADU build-out analysis looking at some characteristics of land use regulation to determine which properties would be candidates for ADUs in the form of ground floor additions or as detached accessory structures. The analysis points to the potential for 2,982 single-family properties to be viable candidates for building an ADU. If 5% percent of those properties build ADUs in the next ten years, it would represent a total of 149 new ADUs in the town of Bedford. See Appendix B for a more detailed look at the analysis.

3.3.3 Scenario C: State Governmental Entity or Non-Profit Hosts Pre-Approved Plans

Inspired by Peterborough's success with their ADU design competition and effective use of pre-approved ADU plans, a state governmental entity or non-profit takes notice and starts discussing the value of pre-approved ADU plans with communities within their service area. After some discussion, several towns show interest in having pre-approved ADU plans but express a lack of local resources to support such an effort and ask if the governmental entity or non-profit can provide technical assistance and administrative support to a group of towns wishing to make use of pre-approved plans (tools #9 & 10).

The entity (or non-profit) agrees to work with the municipalities by offering to host a single library of pre-approved ADU plans which any municipality can opt into using at their discretion. The entity would conduct a survey of area residents within the service area to determine what attributes homeowners prioritize in selecting an ADU plan. The survey findings might point to the cost of construction, flexibility of use over time, and the use of green materials and methods as top priorities for homeowners looking to select an ADU plan for development. Survey findings also point to the need for a variety of ADU sizes to meet the needs of different households. The entity hosts a roundtable discussion with building inspectors, planning staff, and fire chiefs of the participating municipalities to report out survey findings and request input about local process for plan review. The commission works with the local staff to build consensus around the minimum required information to be included in the pre-approved ADU plan sets and the process for local final review.

With the desired ADU attributes and required pre-approved plan information identified, the entity puts out a public solicitation for ADU plans. The entity elects to works directly with the New Hampshire chapter of the American Institute of Architects to promote the program and note the potential for the program to result in new business for design professions with the pre-approved ADUs acting as an intermediary for connecting with homeowners. In addition, the entity sends out the ADU plans solicitation to successful ADU builders within the states of New Hampshire, Vermont, Maine, and Massachusetts with the hope they will have interest in expanding their operations into the region. Further solicitations are sent to the New Hampshire Home Builders Association and the New Hampshire Planners Association for distribution to their mailing list.

After receiving a few dozen ADU plan submissions, the entity would host an ADU selection committee comprised of municipal staff, planning boards, and affordable housing organizations to rank and select the top 10 plans which best reflect the following potential categories:

- Low cost of construction in studio, one-bedroom, and two-bedroom ADU plans sizes.
- Flexibility of ADU use over time in studio, one-bedroom, and two-bedroom ADU plan sizes.
- Use of green materials and methods in studio, one-bedroom, and two-bedroom ADU plan sizes.
- Finally, a one-bedroom plan for a prefabricated ADU which can be delivered to a site.

Participating local municipalities would then host information on the pre-approved ADU plans on their respective websites and direct interested homeowners to the library of pre-approved ADU plans which will include detailed building information in PDF format along with information on how to license the available ADU plans for use through the originating design professional for a fee. To defray the cost of administering the pre-approved plans program, the entity can request Community Development Block Grant funding for rural areas from CDFA. The CDBG program can provide substantial funding if the program is designed to serve specific geographies or households.

3.3.4 Scenario D: State Housing Entity Offers 0% Deferred Loans to Homeowners

Realizing the merits of legalizing a large number of existing informal ADUs in the state, a state housing entity develops a financial resource to support a local ADU amnesty program. These local amnesty programs offer to provide informal ADUs a legal status as an ADU in exchange for bringing the ADU up to existing building code requirements. In order to incentivize homeowners wishing to make their ADUs legal, the state housing entity offers a 0% interest loan with deferred payments to the homeowners (tool #11). The loan requires no payments during the life of a household's ownership of the property and is only paid back once they sell or refinance the property, or the loan can be passed on to the buyer of the home if they also meet all the program's income criteria. The loan program is not limited to just amnesty but can also be used by homeowners wishing to build an ADU. The caveat of the program is that homeowners must agree to rent the ADU at an affordable rental rate to a household that meets the income criteria.

The 0% deferred loans provide a comparatively cost-effective way for the housing entity to build an affordable unit which outperforms typical low-income and affordable units constructed under existing government funding programs. As a result of this program's effectiveness in creating permitted ADUs and building affordable housing units at a lower cost, the state housing entity starts allocating a larger proportion of their allocated housing funds to sustaining the program on an annual basis, eventually leading to hundreds of affordable ADU units funded through the state housing entity.

The establishment of a program like this would require initial – and perhaps period additional – capitalization, probably through an appropriation by the Legislature.

3.3.5 Scenario E: State of New Hampshire Funds Grants for ADU Pre-Development

The Legislature could establish a $4 million grant program for building ADUs. The funds would be directed by the Legislature to be used to award approximately 100 homeowners with $40,000 grants to support the costs of pre-development and site costs for building ADU (tool #12). The grants are administered through a state housing entity of the legislature's choosing and the grant funds are accessed by homeowners through an escrow account set up by lending institutions they select. The lenders verify the costs are for pre-construction costs as a way to monitor for appropriate use of the grant funds. To qualify for the grant, homeowners would need to have incomes below 120% of the Area Median Income for their community.

In addition to the grant program, an entity also could collaborate with community colleges and building trades organizations to support and build upon existing trades programs and establish new ones. As part of the support to the building trades programs, scholarship programs could be established and awarded to qualifying students every year. The increase in skilled construction laborers would increase construction capacity statewide.

Coupled with the building trades scholarship program, the trades workforce is supported and increased production of ADUs is possible. As a result of the hundred or so new ADUs being awarded grants, municipalities would see a rise in the number of ADUs permitted and start to consider additional changes in regulations to better support ADUs as an affordable housing option. One-hundred new ADUs being built in such a short timeframe would create new market demand for ADU design services and construction specialists, giving rise to new ADU focused businesses in New Hampshire. The hundred or so homeowners would also find themselves in need of borrowing for construction and long-term financing. Lending institutions would develop new loan products which allow homeowners to keep their existing low-interest mortgages and add a second loan to their property deed as a way to pay for the ADU over time.

APPENDIX A - Case Study Interviews

BOSTON, MASSACHUSETTS

Wandy Pascoal & Chana Haouzi, City of Boston's Housing Lab

What has your role been in implementing Boston's ADU Pilot Program?

Wandy – I was part of the cohort for the ADU 2.0 program and helped to review some of the ADU applications, and I participated in the ADU workshops that we hosted. Yeah, playing a supportive role with the ADU team whenever they've needed that additional support.

Chana – I started as Rose Fellow mainly to work with Boston's ADU program. There was an existing 1.0 program which was for basement attics and I kind of popped in with the question of how we could make it easy for homeowners to convert accessory structures.

One of the things I noticed about the program was that homeowners can participate in the streamlined approvals regardless of participation in other elements (income qualifications of the grant) of the program.

Wandy – The key element is helping homeowners through the permitting process. Homeowners can participate in the ADU program of streamlining of approvals regardless of participation in other elements of it. There's the affordability component in the program that works off of income qualifications. But if somebody just wants to participate in the approval process regardless of their income, they can do that.

Chana – The ADU permitting process and the ADU grant program are really seen as separate programs because the support of the loan program is just to provide additional support to eligible homeowners, and I think only something like 20% of homeowners apply for it with the 1.0 program. So, the affordability component is not really seen as required. It's just an additional support tool for building ADUs.

My observation is that the pre-development is a large hurdle for homeowners, the risk of being declined for a variance as a zoning meeting is the kind of thing that limits their participation in ADUs.

Chana - Yeah, definitely, especially when you compare the ADU Pilot program 1.0 with the 2.0 program. So, in the 1.0 program, it's an as of right process. Which means permits are provided if you can follow all of the criteria of the program. When you apply it gets approved within 60 days through an administrative review process. Homeowners can build out their basement or attic or any portion of the house can be made into an ADU. With the 2.0 program, we've been working with homeowners to do it as a Technical Assistance program based off of their need. That means all 2.0 programs ADUs go to the zoning board of appeals and through a community process. There are no guarantees in terms of whether it's going to work or not for a homeowner to receive an approval from the ZBA. The only way to know that it doesn't work is after investing in making the plan and the drawings and putting in the time and money. So, there is definitely risk there and we're very explicit about it with the homeowners. A lot of homeowners don't really have that appetite for that level of risk. Our goal is to Make the 2.0 program an as-of-right application process, the same as the 1.0, in the sense where if it's an actual program, then it becomes a zoning regulation. If the zoning is amended to make it as of right process, then anybody who meets all the requirements will get their ADU approved.

It is easier to know what to expect going into a town or city with an ADU application when you do not have to go through a public hearing process. It is nice to see the city's able to commit one-on-one staff technical assistance to homeowners seeking to build an ADU and that the city can commit to the same technical assistance under the 2.0 pilot program. That is no small effort, and it is an admirable approach.

Chana – The pilot brought multiple city agencies together to help homeowners, but also to get a sense of what barriers the city is facing in housing production and how staff can work together. Now, anytime the city wants to launch something new from a policy perspective, they consider the ADU pilot model.

What is the gateway for homeowners to come to the city and start the ADU application process? I understand it doesn't have to be that the first step is a visit to city hall.

Chana - Typically a homeowner submits drawings for their ADU to the inspectional services department, there tends to be a back and forth to get the plans into code compliance and it takes longer to be able to communicate with the applicant because the process is documented as part of a formal process. With this pilot program, city staff put together a webinar and host monthly ADU workshops where homeowners can ask questions before they ever apply for an ADU. We have found that by using these outreach methods, we more often receive drawings which can be approved on the first round of the ADU plans submission.

I am curious about what drove the decision to move to an administrative approval process?

Chana - A homeowner can apply for any change to their property at any point by requesting a variance, really any property owner could do that. Our rational for the by-right ADU approval process is to make it easier for homeowners to get through the ADU development. In general, Boston has a consensus to support the type of smaller scale and incremental approach to increasing housing that ADUs provide.

I am curious to hear of any units of measures you are using to track the effectiveness of your pilot program.

Chana - Staff have not been focused on the year-over-year effects of ADUs yet. While we are very interested in tracking outcomes, we do not really have measures to share. The city is tracking permits for completed ADUs. Data such as how many of them were completed? How many ADU applications have been started and how many are not yet completed, how much construction costs, and the time it takes to reach a certificate of occupancy from date of project start. But it would be interesting to take analysis further and understand how ADUs are impacting social issues. For instance, how much are homeowners earning in terms of additional rental income or increases in property value or resale? There's a lot to look at it. Right now, we are limited to what data we gather through inspectional services.

It's great to see you had positive popular demand for the program, it makes it easy politically to recommend its expansion as a housing tool. My experience and observation are that these programs always face early skepticism but once underway, become generally popular.

Chana - A specific measure that was interesting to us was how many requests we were getting from people outside of the 1.0 pilot area. Other neighborhoods wanted to build ADUs so that led to the program going city wide in the spring of 2019. When designing the 2.0 pilot for detached structures we found some neighborhoods had up to 45% of properties had an existing accessory structure. We were able to easily identify where opportunity exists as a pattern and design the pilot around it.

Have your team considered manufactured ADUs as part of your 3.0 pilot for new detached ADUs?

Chana - We are looking into a 3.0 pilot to introduce ADUs as new structures within neighborhoods. We are looking at the potential of manufactured ADUs. By building ADUs in a factory-controlled environment, we can produce more housing, more efficiently and partner with private enterprises to get things off the ground. The city has not gone very far in the development of the concept but it's a very cool idea.

I could see a future where ADU production can be used as a job training program for teaching people construction skills. As a by-product of the skills training, they are building an ADU unit and so the community is getting two benefits out of that. We're spitting out new skilled staff into the construction industry in our community and we are building an ADU that we can put someone's backyard to help solve the housing problem, it doesn't seem like rocket science. Communities have successfully done this type of community enterprise with co-op food kitchens where skills training is paired with sales of small locally produced food.

My next question is about some data I came across in my research. I saw a 2019 article that stated that the 1.0 version of the pilot program had 55 applications for loans but only 12 of the applications were provided with a loan. I am curious how the loan portfolio is performing. For such a large city, it is surprising to see that there was only $650,000 in the lending capital pool, which seems small for a city the size of Boston.

Chana – We will connect you with the people who manage the 0% deferred loans for the ADU program. They will be able to answer the lending questions. I know we have never run out of money for loans. I think the eligibility criteria made it difficult for many homeowners to use the program. But I will note that area median income numbers have gone up recently. Eligibility has changed over the last few years, to help incentivize more use of the 0% loans, we have bumped up the loan maximum from $30,000 to $50,000 in 2020.

CALIFORNIA

Ellen Martin, Director of Business Development and Stakeholder Relations, CalHFA

What has your role been in implementing CalHFA's ADU Program?

My role is to oversee the implementation of the program and interface with program stakeholders and the legislature. The program is a $40,000 Grant associated with the cost of the predevelopment of ADU's. The costs include utility hookups, site prep and the ability to buy down points and closing costs. Our grant money does not cover construction costs. $100m in funding was provided for the program, initially through ARPA Funds. The funding ended up switching to state of California sources due to restrictions with ARPA. This allowed the program to fund projects to households up to 120% of Area Median Incomes. The program funding goes directly into an escrow account managed by our partnership lenders who interface directly with homeowners who in most scenarios, borrow from partner lenders.

Have lenders made use of the ADU grants in the short time since the program was launched?

$100 million has been available in grants from the state of California's general fund to anyone who has about 125% income based on AMI. We work with a CALHFA lender network to distribute the funds. These lenders include several local government ADU finance programs. These programs could have a new construction ADU component or an ADU legalization component. As interest rates have gone up, we've seen the cost of borrowing from traditional lenders go up, so we now have an option for borrowers to work through a non-profit which helps them manage the construction escrow.

We are happy with the number of lenders on board right now, but with interest rates going higher, we needed to augment our lender network with other government programs. About 50% of the hundred million dollars in Grant funds available have already been reserved by homeowners for ADU development. So far, our qualification or pull through rate has been 94% of applicants, which is high for a loan program.

As part of my research of successful ADU programs, I am seeking out data that may prove useful for analysis of program effectiveness. I saw in the September Webinar posted on the CalHFA webpage that approximately half of $100 million has already been reserved to fund ADUs. This seems like a major success. I am hoping you may be able to share metrics CalHFA is tracking on these grants and any insight you have about this impacting ADU production?

We have the backing of the State of California legislature to develop complementary ADU legislation creating the opportunity to make ADU permitting as flexible and streamlined as possible. Generally, the state legislator has made it so that local jurisdictions can be a lot more flexible and permissive when it comes to constructing ADUs. That is helping us because a lot of local jurisdictions have adopted ADU ordinances that have maximized ADU permits and streamlined the permitting process.

Based on your interaction with direct lenders, what are your observations about the program benefits?

Financing availability must be really flexible. Homeowners can take out a line of equity, they can get a second mortgage, they can use cash, they can go to a traditional lender and also use the third-party nonprofit to manage the construction escrow which is a requirement for our grants.

I am curious about any changes to the program both past and future. For example, I see that the total amount of grant funding increased from $25,000 to $40,000. I assume this adjustment was a direct result of pre-

construction costs. Can you confirm the reasons for the changes?

When we started our uptake was pretty slow and we had ARBA funds which were too restrictive, so we switched the funding source and changed the income eligibility. Then we started to see some activity, but it was still slow at about 1-3 ADU's per month. Then we got HPP Cares on board the nonprofit that offers the construction escrow management piece. HPP Cares had a huge impact, they are one of the few places that offers training on how to build an ADU. Basically, ADU education for homeowners. HPP Cares does not offer the financing they partner with a bank, but they offer the critical piece which is construction escrow management. After we partnered with the nonprofit our numbers exploded. They were able to connect interested homeowners with lenders and lenders were able to use the nonprofit for the construction escrow management. As we develop into phase 2, we are seeing lenders starting to be more flexible with ADU construction. For instance, the loan could allow rental income to help underwrite the loan.
The private lending market is meeting the ADU demand where traditional government-backed lenders are not meeting this need.

Do you think the ADU Grant Program has had any moral or cultural value impacts on lenders viewpoints relative ADUs and the financing of ADUs?

There is a NIMBY element to ADU development, so our grant requires that the main unit be owner-occupied to take care of some of that opposition. We have worked hard to incentivize ADU construction, and we've had some validation that the program is working. Some third-party consultants have data that show our grant has flipped ADU construction from infeasible to feasible in many jurisdictions and that has been our goal.

Is there anything else you would like to share about the program that can inform this ADU research paper?

It was the nonprofit HPP Cares and more flexible financing that was the turning point for our program. About 35% of our ADU funds are going to the LA area, about 65% of our grant funds are distributed outside of the LA area. There are really two things that make our ADU incentive pre-construction grant funding program work and they are that both state and local government support coupled with financing flexibility for homeowners.

EUGENE, OREGON

Rebecca Gershow, Senior Planner, Department of Planning and Development

Rebeca, what is your role around the implementation of Eugene's Pre-Approved ADU Plans program?

I am a senior planner in the Community Design and Planning Division. I work on long-range land-based planning for the City of Eugene. The Pre-approved ADU program was started through the efforts of an urban designer who worked with the Building and Permit Services Division to produce a single plan set for ADUs that homeowners could use for no charge. With the development of a pre-approved ADU plan set, our housing division allocated funding to streamline tools to help Eugene's resident efforts to build housing faster.

It took the City of Eugene a long time to get the pre-approved plans in place as several appeals to the program were made. Once the state passed laws mandating the allowance of Middle housing types of Eugene was able to move forward with the Pre-Approved ADU Plans. The Community Design and Planning Division now has an agreement with the building department that allows the city to offer up to 10 pre-approved plans to the public for use. We are excited about the next steps as three private designers have submitted a total of ten plan sets which are under review now. Once reviews of the submitted plans are complete, the city's webpage will be updated to include a Pre-approved ADU Plan Library as part of the suite of tools we proved to assist homeowners. Eugene recently hired an urban designer that has experience with marketing which will be helping with getting the program information out to the residents and broader public audience in the city.

Have homeowners been able to make good use of the pre-approved plans since launch?

Currently, there is only one pre-approved ADU plan. To-date, we have only had one homeowner make use of the plan to build an ADU. We anticipate the use of the program will increase with a wider selection of plans,

but that element of the program has taken a little longer to implement. The architects who have submitted ADU plans for pre-approval are eager to have the plans on the city webpage and provide services to city residents seeking to build an ADU. Once the floor plans from the architects are posted on the city website, we should see more utilization of the pre-approved plans program. Overall, the construction of ADUs in Eugene has increased but not by significant numbers. The pre-approved program is too new to know what effect it is having on ADU development, check back in with me in a year to see how we are doing…

Has Eugene seen any increase in ADU production as a result of the pre-approved Plans?

The city does monitor ADU permits and use of the pre-approved plans. Overall, there has not been any significant change in the number of ADUs being built in the city since the launch of the pre-approved plans program. Oregon is in a unique position in that a state-wide missing middle housing law was recently passed which makes building an ADU much easier throughout the state including Eugene. Eugene has several strong neighborhood organizations which have expressed concerns about ADUs in the city's low-density residential neighborhoods. Concerns from neighborhoods have subsided significantly since the passage of the missing middle housing law. Rebecca notes the planning department sees the opportunity to expand the pre-approved plans program to include new types of missing middle housing types such as duplexes and cottage courts.

Are there any particular metrics around ADUs that the city is tracking that might be useful in my research?

Rebecca notes that the city has a growth monitoring program similar to Seattle. It is not public facing yet, but our goal is to have a product that illustrates how, where, and who is building ADU's across the city. Rebecca notes that the pre-approved plans have had limited use so far. Currently, only one homeowner is utilizing the program. Rebecca acknowledged the benefits of incorporating architects into the program by letting them submit plans that would be published on the city's webpage. Homeowners would be able to license plans provided by architects. Rebecca notes that several architects have submitted plans, but the staff review process has been somewhat slow due to other responsibilities taking priority. She anticipates the architect derived plans will be up shortly and is hopeful the plans will help boost utilization of the pre-approved plans.

CHICO, CALIFORNIA

Bruce Ambo, Principal Planner, Planning Division

What are the outcomes of pre-approved ADU plans thus far?

Due to the Paradise fire in 2018 Chico (located close to Paradise) received 30,000 evacuees that needed housing. Chico was the fastest growing city in California for that year. Bruce Ambo cited the need to incentivize housing production in Chico to keep pace with relocating residents and ADUs were an important component of providing that new housing. Chico received grant funding from the state to create a pre-approved ADU plan set with the purpose of accelerating ADU production. These plans were specifically approved for use within the city limits of Chico and meet all local and State of California building requirements. A local architect was hired to design the plans, that architect expressed a deep desire to be part of the housing solution after the Paradise fire.

What has your role been in designing and implementation of the Pre-Approved Plans?

Bruce referenced the production of two promotional videos aimed at telling the story of Chico's pre-approved ADU plans. The videos are available on YouTube, on the City of Chico's website and were provided to the planning division for the state as a precedent for other towns. The videos are also aired as PSAs on the local government channels. In short, the videos provide testimonials from real people, teachers, firefighters, cops, on how having an ADU improved their lives. Chico has a third video coming out soon to promote the pre-approved ADU program and benefits of the free plans. Chico purchased 13 sets of ADU pre-approved building plans and recently added a two-story pre-approved ADU plan design where the ADU is located above the garage. This two-story design was added to the plan set in response to planning staff observations of what the community was building in the area. This garage unit has room for two cars or one car and a workspace for laundry or tools. The upper floor provides a 600 square foot living space.

Have homeowners made good use of the pre-approved ADU plans program?

Chico has three variations of pre-approved ADU plans which are made available for free on the City's webpage. The plans come in distinct styles with some personality and identity which are unique to each plan. The three variations break down as follows, a standard plan, a reverse or mirror layout of the standard plan, and a universal access plan aimed at serving persons with mobility issues. Because of the recent adoption of new California housing laws, all single-family house lots can have a main residence, a junior accessory dwelling unit, which is part of the main residence, and a detached ADU all on a single lot. In general, the people Chico's planning staff have been interacting with are homeowners. They may be seniors who own their own home, or they may be homeowners who are aware of the housing situation and are looking to provide housing as a means of income. In either case, they contact us with the goal of building an ADU. In the nine months of this year, the program has issued about 15 permits for pre-approved ADU plans. The rate of ADU production is way up from the slump in the housing market which took place over the previous decade. ADUs are still a very small percentage of the overall housing stock. The planning department does not see the pre-approved ADU plans being used in new construction very often. It has not taken hold in new construction or subdivisions as was feared by some city residents. In short, ADUs are not transforming neighborhoods where single-family housing is predominant. More often, Chico has seen ADUs being used in older, more dense neighborhoods. These older neighborhoods are close to the university campus and appeal to a variety of residents. Because ADUs are not typically built by developers, it is regular people we see come into the Planning Department for the free ADU plans. When they apply for the plans, they get a building permit directly from us. A complete construction plan set is provided to the resident when they pay the $800 building permit fee.

What are the primary benefits of the pre-approved ADU program you have seen so far?

For the average homeowner, it makes more financial sense to build an ADU when they use the free ADU plans. The homeowner is getting a free set of plans which would have otherwise cost thousands of dollars. The program allows homeowners to play a role in meeting the community's need for housing. The quality of the ADU plans as a construction working set is great. Homeowners can save anywhere between $5,000 to $8,000 with our free plans. Because the plans are already approved by the city there is no need for the homeowner to wait while the Building Department reviews a plan set prior to issuing a permit to build. ADU's are a great housing solution for people who don't need a great big house and oftentimes don't want to have stairs to climb. That seems to be a good solution for many people. For people who own their home outright and move into the ADU, the home can become a decent form of income. Right now, there are grant funding sources on our website that are available. Homeowners can receive up to $40,000 towards the construction of an ADU. Having pre-approved plans demystifies the whole development process for the typical homeowner. Interestingly, as a result of increased ADU production in Chico, a private industry response from three or four local builders has begun. These builders are offering ADU plans similar to Chico's pre-approved plans, helping to grow the number of units in production.

What changes to the program would you recommend improving its implementation?

Communities grossly underestimate the amount of existing ADU units in the overall housing stock, either legitimate or informal. By California state law, a building official cannot go after an informal ADU unless it is a health and safety concern. We hit a lot of resistance at first from the involved staff. The Engineering department was not enthusiastic about ADU's at first. They were concerned about the infrastructure in the older parts of the city becoming overwhelmed. But the views are evolving and getting better through the years. In Chico's zoning code there are parking requirements for ADUs, but we do have exceptions. Communities can benefit from Planning and Building Department staff that are receptive to the concept of ADUs as a housing solution. Ideally, rules are put into place to avoid ADUs being used as short-term rentals. Short term rentals have been found to negatively impact the housing stock. A deed restriction is an effective tool to prevent ADUs from being used as short-term rentals.

SEATTLE, WASHINGTON

Nicolas Welch, Senior Planner, Office of Planning & Community Development

Tell me about your role in implementing the pre-approved plans program for the city of Seattle?

Nicholas notes he is a collaborator with the co-development manager in the department of construction and inspections as well as elected officials to bring about the pre-approved ADU program. Nicholas focused on the outreach to the design community and ADU plan solicitation. Nicholas took a leadership role in creating a process for the selection of ADU plan designs, and the creation of the ADUniverse online platform, and manages the catalog of ADU designs which brings everything together. My co-collaborators and I worked together to figure out how homeowners would move through the system of permitting and the timeline for homeowners break ground on their ADU. The department of construction and inspections has follow-up on the program implementation with "TIP" fact sheets about the process and allowances of the program. For the typical homeowner, building an ADU is complicated and time-consuming. This program was born out of an effort to relieve some of those challenges homeowners face.

The process you used to develop the pre-approved plans program was very robust and thoughtful. With that program and GIS website in place, have homeowners been making use of the pre-approved plans?

Before we had our catalog of ADUniverse plans for the approved plans a homeowner seeking to build an ADU had to come into the city office with their design and go through the entire review process. With our catalog of plans, on the ADUniverse, much of the process for homeowners is streamlined because these plans have already been through the formal approval process. Our audience is not the people who want to build a completely customized ADU. Our audience is homeowners that have never hired an architect that don't have the resources available to customize and with that we have been successful. We've had close to 100 permits issued for our preapproved ADU plans. Seattle is in the middle of a three-year cycle of update dating construction codes. In the last several years Seattle has added tens of thousands of housing units and ADUs represent a very small portion of those units.

Are there particular metrics on the pre-approved ADU plans program that demonstrate its effectiveness?

Metrics that demonstrate that the pre-approved plans for ADUs are having an impact on housing. We have annual reports with details about ADU construction and the pre-approved plans. There were doubts about the merits of establishing the pre-approved plans, due to their costs, but felt there was a need for the plans to serve an audience who would not typically seek to engage an architect for planning purposes. While dozens of pre-approved ADU plans have been permitted, they still make up a small portion of the overall number of ADUs built in Seattle in the past few years. There are some upcoming challenges. Next June, the re-approved plans will not be pre-approved anymore as the building code will be updated, with that new code there are small changes to the rules which will require a re-review of all pre-approved ADU plans to be current with code.

We also have a dashboard that has all our permitting data open to the public. We have a property search tool which highlights the parcels in Seattle where ADUs are allowed and feasible based on physical features such as wetlands or steep slopes and county and state requirements. This property search tool is color-coded and makes it easy for homeowners and professionals to interpret any factors that may affect the permitting of an ADU on a given lot. Our intent is to inform and educate the landowner who may be contemplating constructing an ADU on their property. The online search tool has received thousands upon thousands of views since its launch a little over a year ago. People are using it as an ongoing resource for ADU construction.

Have you tracked the use of the ADUniverse website to see how much use it is getting and have you seen any cultural shifts as a result of people using the site to learn about how ADUs are regulated?

The website is more of a reflection of cultural shifts towards ADUs rather than a driver of such changes. In the 90's and more recently, there has been a push to liberalize ADU regulations on the state level. There is also a recognition of the housing crisis and allowing ADUs feels like the bare minimum that can be done to respond to the housing issues affecting the state. As far as page views are concerned, we are using ESRI Hub which allows me to track site traffic. At launch, the site received about 50,000 page views in the first 6 to 8 weeks. People are using it.

APPENDIX B - Detached ADU & ADU Additions Build-Out Analysis

Buildout Analysis Methodology: Physical Constraints on Detached ADUs and additions.

DISCLAIMER: This analysis is limited to the potential of land to support additional building footprint on existing lots. Analysis does not consider the potential for converting existing building space into an ADU. For demonstrating the calculation of the buildout analysis, Bedford, NH was selected on an arbitrary basis. Bedford's assessing and GIS data appears current and the town's housing stock is fairly homogeneous. These features make the build-out model less prone to errors or exceptions. For communities with denser village centers and urban areas with compact lots, this analysis would be less relevant as urban areas would tend to see more special exceptions, variances, and wavers from criteria such as setbacks in order to build an ADU. In compact environments, ADUs have a higher likelihood of being built within an existing footprint of a building, also making this analysis less relevant.

Methodology used to conduct an ADU buildout analysis for the Town of Bedford, NH

1. Obtain statewide parcel mosaic data from the NH Department of Revenue Administration
    - Remove uses other than single-family residential properties
    - Calculate parcel square footage of remaining properties
2. Intersect parcel data with Microsoft and/or OpenStreetMap building footprint layers*
    - Calculate square footage of the intersecting footprint by parcel
    - Remove square footage of the intersecting footprints from developable parcel area

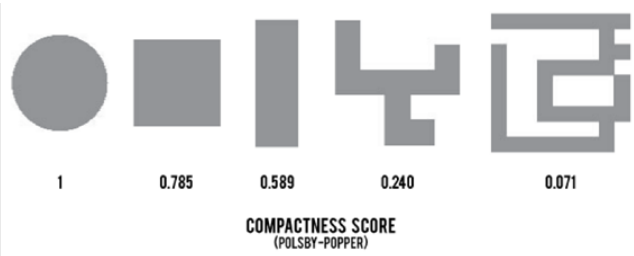
*Towns with accurate building footprint data in GIS can use their own data in place of Microsoft footprint layer.

- Remove Single-Family Home Parcels with no building footprint or footprints less than 200 square feet total.

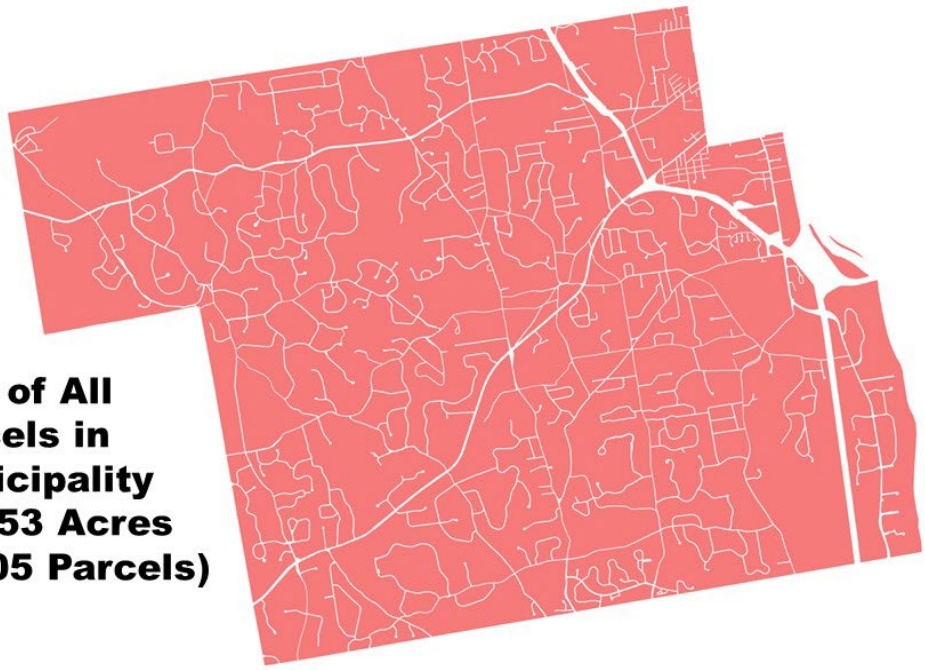
Calculate square footage of the intersecting footprint by parcel

3. Determine zoning district of each parcel
    - Determine the most restrictive setback for zoning district and apply to boundary of applicable parcels.
    - Remove setback from the developable parcel buildable area
4. Develop layer of parcel constraints to include FEMA flood zones, US Geological Survey waterbodies and Topographic steep slopes, US Fish & Wildlife Service wetlands, and University of NH conservation areas.
    - Intersect developmental constraints layer with parcel layer.
    - Remove developmental constraints from the parcel buildable area
5. Calculate Polsby–Popper test to determine compactness of developable areas
    - Apply $(4*\pi*\text{Area})/\text{Perimeter}^2$ to determine thresholds of parcels too irregular to be developed.
    - Remove those parcels from the analysis.

Note: The Polsby-Popper test is a measure of compactness of a lot (right) and is not a requisite for conducting an ADU buildout analysis. The compactness test is useful for filtering out highly irregular lots where an ADU would likely be difficult to achieve under the typical zoning requirements.



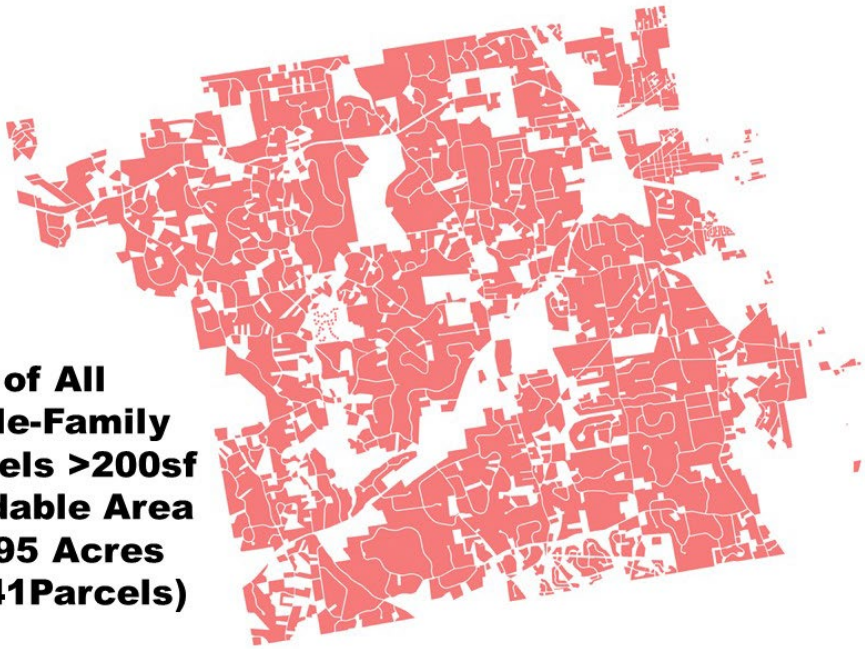
6. Determine additional regulatory barriers*
    - Determine minimum and maximum square footage & parking area requirements for ADUs for municipality.
    - Bedford assumptions: 35' setbacks, 1.5 unit per acre max density, and 2 parking spaces per ADU
    - Determine maximum floor area ratio and maximum lot coverage for each zoning district and municipality
    - Removed parcels where not enough area exists in the developable area to build an ADU
7. Calculate the number of remaining parcels within the municipality
    - Estimate ADU buildout assuming construction on 5.0%, 7.5%, and %9.5 of available parcels
    - Calculate parcel square footage of remaining properties



Map of All Parcels in Municipality 19,453 Acres (7,405 Parcels)

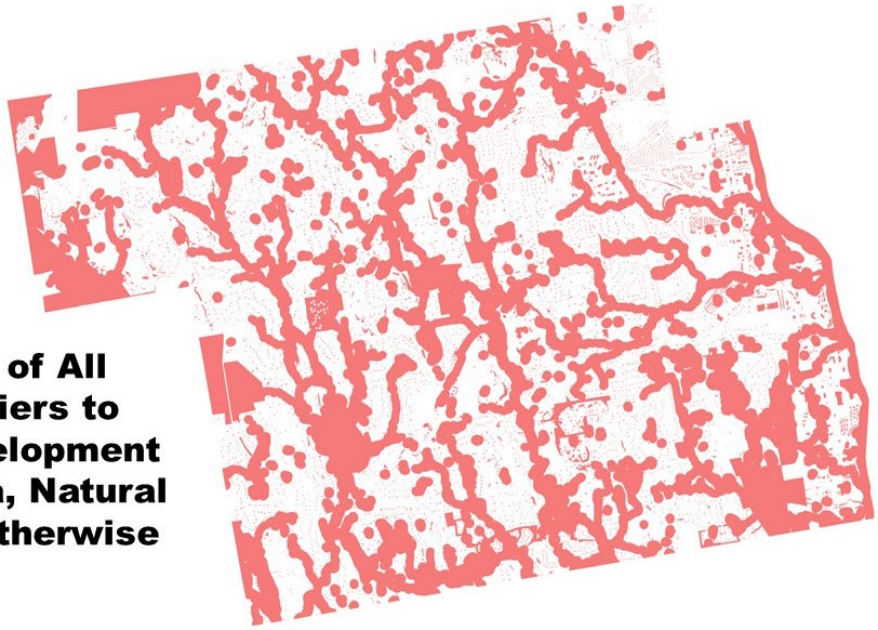
Map of All Existing Single-Family Home Parcels in Municipality 12,408 Acres (6,352 Parcels)

Map of All Building Footprints in Municipality



Map of All Single-Family Parcels >200sf Buildable Area 11,495 Acres (5,941Parcels)

Map of Setback Area, Existing Single-Family Parcels



Map of All Barriers to Development Area, Natural or Otherwise

ADU Buildout Area (Bedford, NH):
2,982 Parcels (3,049 Acres)

Map of Existing Single-Family Home Parcels Suitable for an ADU Addition or Detached ADU

ADU Buildout Scenario Range:
Low (5%): 149 Parcels
Med (7.5%): 223 Parcels
High (9.5%): 283 Parcels

Application of the Build-Out Analysis Statewide: Analysis Results

- Using NH Department of Revenue Administration parcel mosaic, existing single-family parcels were identified.
- Parcels for 17 municipalities plus unincorporated areas were removed due to insufficient parcel data.
- Parcels without a building footprint or with one smaller than 200 sq. ft. were removed.
- Environmental constraints (open water and wetlands with a 200 ft buffer, conservation lands, Department of Defense lands, steep slopes, flood zones, and existing building footprints) were removed from buildable area. Zoning constraints (maximum setbacks) were applied. Existing zoning constraints beyond setbacks were applied including unit density, lot coverage, and parking requirements.
- ADU was assumed to be a maximum of 1,200 sq. ft. and parking spots were assumed to be 320 sq. ft.
- A Polsby-Popper test was also applied and parcels scoring below 0.2 were excluded.

Below is a list of build-out analysis results by municipality for the State of New Hampshire.
Results show the estimated maximum number of parcels which can add a detached ADU or an ADU addition. Scenario for buildout ranges from an estimated low of 5%, a medium range of 7.5%, and a high range 9.5%.

TABLE OF SUITABLE PARCELS, BY TOWN, FOR DETACHED ADUS & ADU ADDITIONS

	Max	5.0%	7.5%	9.5%
STATE OF NH	94,650	4,733	7,099	8,992
Acworth	210	11	16	20
Albany	160	8	12	15
Alexandria	450	23	34	43
Allenstown	170	9	13	16
Alstead	310	16	23	29
Alton	720	36	54	68
Amherst	1,790	90	134	170
Andover	390	20	29	37
Antrim	390	20	29	37
Ashland	50	3	4	5
Atkinson	710	36	53	67
Auburn	1,110	56	83	105
Barnstead	620	31	47	59
Barrington	1,520	76	114	144
Bartlett	280	14	21	27
Bath	220	11	17	21
Bedford	2,980	149	224	283
Belmont	660	33	50	63
Bennington	180	9	14	17
Benton	80	4	6	8
Berlin	60	3	5	6
Bethlehem	420	21	32	40
Boscawen	260	13	20	25
Bow	1,690	85	127	161
Bradford	340	17	26	32
Brentwood	760	38	57	72
Bridgewater	160	8	12	15
Bristol	110	6	8	10
Brookline	1,150	58	86	109

TABLE OF SUITABLE PARCELS, BY TOWN, FOR DETACHED ADUS & ADU ADDITIONS

	Max	5.0%	7.5%	9.5%
STATE OF NH	94,650	4,733	7,099	8,992
Campton	470	24	35	45
Canterbury	610	31	46	58
Carroll	190	10	14	18
Center Harbor	160	8	12	15
Charlestown	210	11	16	20
Chatham	150	8	11	14
Chester	970	49	73	92
Chesterfield	620	31	47	59
Chichester	670	34	50	64
Claremont	230	12	17	22
Colebrook	310	16	23	29
Columbia	220	11	17	21
Concord	620	31	47	59
Conway	370	19	28	35
Cornish	140	7	11	13
Danville	730	37	55	69
Deerfield	1,030	52	77	98
Deering	410	21	31	39
Derry	2,440	122	183	232
Dorchester	100	5	8	10
Dover	300	15	23	29
Dublin	370	19	28	35
Dummer	80	4	6	8
Dunbarton	640	32	48	61
Durham	570	29	43	54
Easton	160	8	12	15
Eaton	120	6	9	11
Effingham	390	20	29	37
Enfield	380	19	29	36
Epping	620	31	47	59
Epsom	790	40	59	75

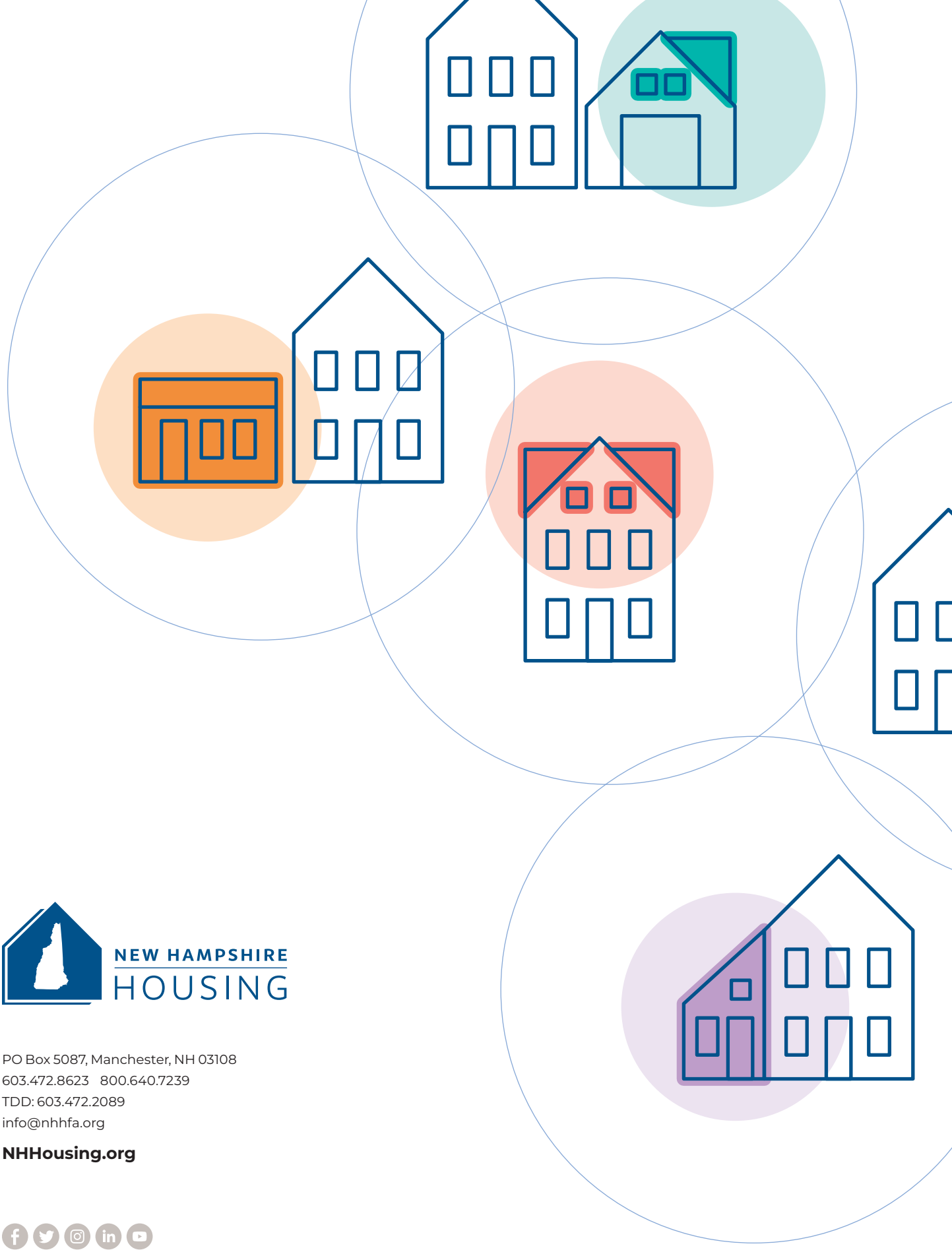
TABLE OF SUITABLE PARCELS, BY TOWN, FOR DETACHED ADUS & ADU ADDITIONS				
Exeter	420	21	32	40
	Max	5.0%	7.5%	9.5%
STATE OF NH	94,650	4,733	7,099	8,992
Farmington	470	24	35	45
Fitzwilliam	430	22	32	41
Francestown	330	17	25	31
Franconia	360	18	27	34
Franklin	420	21	32	40
Freedom	390	20	29	37
Fremont	610	31	46	58
Gilford	420	21	32	40
Gilmanton	820	41	62	78
Gilsum	130	7	10	12
Goffstown	1,240	62	93	118
Gorham	50	3	4	5
Goshen	210	11	16	20
Grantham	280	14	21	27
Greenfield	220	11	17	21
Greenland	380	19	29	36
Greenville	100	5	8	10
Groton	170	9	13	16
Hampstead	360	18	27	34
Hampton	60	3	5	6
Hampton Falls	490	25	37	47
Hancock	430	22	32	41
Hanover	560	28	42	53
Harrisville	180	9	14	17
Harts Location	20	1	2	2
Haverhill	240	12	18	23
Hebron	190	10	14	18
Henniker	650	33	49	62
Hill	170	9	13	16
Hillsborough	400	20	30	38
Hinsdale	230	12	17	22

TABLE OF SUITABLE PARCELS, BY TOWN, FOR DETACHED ADUS & ADU ADDITIONS				
Holderness	390	20	29	37
	Max	5.0%	7.5%	9.5%
STATE OF NH	94,650	4,733	7,099	8,992
Hollis	1,370	69	103	130
Hooksett	490	25	37	47
Hopkinton	990	50	74	94
Hudson	550	28	41	52
Jackson	250	13	19	24
Jaffrey	510	26	38	48
Jefferson	380	19	29	36
Keene	320	16	24	30
Kensington	540	27	41	51
Kingston	870	44	65	83
Laconia	190	10	14	18
Landaff	130	7	10	12
Lebanon	400	20	30	38
Lee	720	36	54	68
Lisbon	140	7	11	13
Litchfield	120	6	9	11
Littleton	440	22	33	42
Londonderry	490	25	37	47
Loudon	970	49	73	92
Lyman	150	8	11	14
Lyme	170	9	13	16
Lyndeborough	370	19	28	35
Madbury	300	15	23	29
Madison	570	29	43	54
Manchester	20	1	2	2
Marlborough	220	11	17	21
Marlow	130	7	10	12
Mason	410	21	31	39
Meredith	900	45	68	86
Merrimack	1,090	55	82	104
Middleton	300	15	23	29

TABLE OF SUITABLE PARCELS, BY TOWN, FOR DETACHED ADUS & ADU ADDITIONS				
Milan	210	11	16	20
	Max	5.0%	7.5%	9.5%
STATE OF NH	94,650	4,733	7,099	8,992
Milford	970	49	73	92
Milton	600	30	45	57
Monroe	180	9	14	17
Mont Vernon	570	29	43	54
Moultonborough	1,040	52	78	99
Nashua	40	2	3	4
Nelson	130	7	10	12
New Boston	1,160	58	87	110
New Castle	10	1	1	1
New Durham	670	34	50	64
New Hampton	350	18	26	33
New Ipswich	910	46	68	86
New London	860	43	65	82
Newbury	540	27	41	51
Newfields	330	17	25	31
Newmarket	460	23	35	44
Newport	280	14	21	27
Newton	400	20	30	38
Northfield	550	28	41	52
Northumberland	70	4	5	7
Northwood	720	36	54	68
Nottingham	950	48	71	90
Ossipee	790	40	59	75
Pelham	310	16	23	29
Pembroke	440	22	33	42
Peterborough	430	22	32	41
Piermont	130	7	10	12
Pittsfield	460	23	35	44
Plainfield	310	16	23	29
Plaistow	310	16	23	29
Plymouth	120	6	9	11

TABLE OF SUITABLE PARCELS, BY TOWN, FOR DETACHED ADUS & ADU ADDITIONS				
Portsmouth	30	2	2	3
	Max	5.0%	7.5%	9.5%
STATE OF NH	94,650	4,733	7,099	8,992
Randolph	160	8	12	15
Raymond	970	49	73	92
Richmond	260	13	20	25
Rindge	950	48	71	90
Rollinsford	180	9	14	17
Roxbury	30	2	2	3
Rye	350	18	26	33
Salem	1,120	56	84	106
Salisbury	320	16	24	30
Sanbornton	620	31	47	59
Sandown	990	50	74	94
Seabrook	10	1	1	1
Sharon	100	5	8	10
Shelburne	60	3	5	6
Somersworth	50	3	4	5
South Hampton	190	10	14	18
Springfield	230	12	17	22
Stoddard	250	13	19	24
Strafford	1,010	51	76	96
Stratham	1,110	56	83	105
Sugar Hill	270	14	20	26
Sullivan	130	7	10	12
Sunapee	420	21	32	40
Surry	140	7	11	13
Sutton	560	28	42	53
Swanzey	480	24	36	46
Tamworth	440	22	33	42
Thornton	360	18	27	34
Tilton	150	8	11	14
Troy	200	10	15	19
Tuftonboro	620	31	47	59

	Max	5.0%	7.5%	9.5%
STATE OF NH	94,650	4,733	7,099	8,992
Unity	310	16	23	29
Wakefield	740	37	56	70
Walpole	320	16	24	30
Warner	330	17	25	31
Washington	290	15	22	28
Weare	1,630	82	122	155
Webster	340	17	26	32
Westmoreland	340	17	26	32
Whitefield	250	13	19	24
Wilton	520	26	39	49
Winchester	290	15	22	28
Windham	1,080	54	81	103
Wolfeboro	810	41	61	77



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As a self-supporting public corporation created by the state legislature, New Hampshire Housing promotes, finances, and supports housing solutions for the people of New Hampshire.