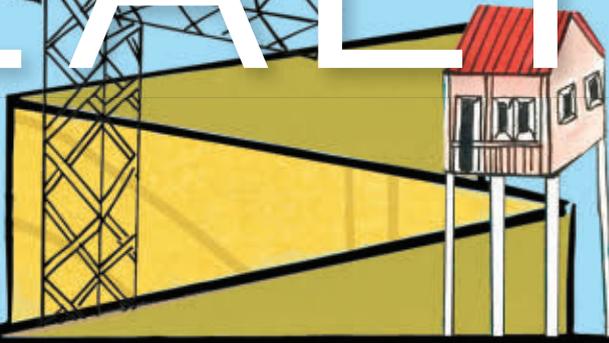


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See what's popping up in backyards

Accessory dwelling units may be the answer when affordable housing is scarce. Here's what you need to know about today's version of the granny flat. **BY KAREN SPRINGEN**

When Jeni Nunn, an agent with Intero Real Estate in Santa Clara, Calif., and her husband bought their 1,270-square-foot house, they planned to use its deep backyard to build a pool or playground. But they switched course when Nunn's dad and mom (diagnosed with Parkinson's) couldn't find an affordable condo nearby. Instead, four years ago, they built a 640-square-foot, wheelchair-accessible, one-bedroom house, with room for their baby grand piano, for \$160,000—a bargain in the Bay Area. "For us, it's the perfect scenario," says Nunn, who is also a mother of four. "I can send my 3-year-old into the backyard. 'Go to grandma's house!'"

Nunn's own build-out put her at the leading edge of the movement to address one of today's most vexing real estate problems: the need for affordable housing in areas with tight inventory. These secondary residences, known formally as "accessory dwelling units," have become a popular alternative in high-demand areas of the U.S., from Washington, D.C., to Seattle. And local governments are increasingly passing measures that makes it easier for homeowners to build and rent out ADUs. The homes are permanent, with their own entrance, kitchen, and full bath. "It's a self-contained dwelling on

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Looking good

What are the secrets to ensuring an accessory dwelling unit is not an eyesore? “A lot of people really take pride in their units,” says David Garcia, policy director of the Turner Center for Housing Innovation at the University of California, Berkeley. “Sometimes they even look nicer than the primary residence.” For example, Kol Peterson and his wife live in an 800-square-foot “dream house” ADU with a king bed, radiant in-floor heating, and a 10-foot movie screen. (They rent out their main house for \$3,000 a month, which more than covers the \$1,700 mortgage.) Some tips:

Match the main home’s exterior. Cities typically require it, though places like Portland, Ore., and Seattle are relaxing those regulations. “Modern is in right now,” says Valley Home Development’s Steve Vallejos. But it tends to be more expensive and may not fit in as well in some neighborhoods. Many opt for a match to the main house. “Most clients are coming to us with the assumption that the ADU is going to be a miniature version of their existing house,” says Vallejos. Homeowner Lisa Fontes, whose primary house, a colonial, is dark brown with maroon trim, is building the ADU on her Massachusetts property to be lighter brown with maroon trim.

Place windows as high as possible. They let in more light. “Use higher, not just bigger, windows and doors,” says ADU architect Ileana Schinder. “That brings light deeper into the apartment.”

Consider vaulted ceilings. They create a spacious feeling. “The key is natural light,” says Schinder.

Create open spaces. Avoid hallways. “Why waste square footage?” says Schinder. Put the laundry in the kitchen, and make closets for reaching into rather than walking into. Recess fixtures like medicine cabinets.

Invest in quality. “The fact that it was so small meant we could do a really good job with the design and the materials,” says consultant Martin Brown. “It’s got a very unusual loft that has a skylight running through it.”

Your questions about ADUs answered

What counts as an ADU? It can be detached (a small house in the backyard), attached (typically in the basement), a bump-out from the main house or a carve-out (an independent area within the house). Some refer to them as “granny flats” when describing accessible models that temporarily attach to an existing home.

How big should an ADU be? Most municipalities limit ADUs to 800 square feet. For a rental, a two-bedroom, 800-square-foot ADU makes sense, says Steve Vallejos, president and CEO of Valley Home Development, which has built more than 100 ADUs in the Bay Area in the last 12 years and aims to build 100 more in 2018.

What are the environmental benefits? “A totally normal, no-green-features house that’s 1,000 square feet will use fewer resources over time than a green McMansion that’s 6,000 square feet,” says Martin Brown, whose own house is 800 square feet and whose ADU, a converted detached garage, is 400 square feet. “Size is the single biggest influence on environmental impact.”

Which buyers may be most interested? “An ADU works well for small households just getting started and for empty nesters who are downsizing and want to stay in their neighborhoods,” says ADU developer Eli Spevak. They’re also good for people who need the rental income to live in a pricier neighborhood. And ADUs are good

for older people who want to age in place. (They can rent out their main house and live in the small one.) However, most municipalities do not allow owners to rent out both dwellings, which is important information to share with prospective buyers. This rule helps prevent ADUs from “disturbing neighborhood character,” says David Garcia, policy director of the Turner Center for Housing Innovation at the University of California, Berkeley. Sometimes divorced couples choose this option—one in the main house and one in an ADU in the backyard—because it’s easier with kids and saves money.

How complex are local restrictions? “Be aware of whatever the local rules are,” says Brown. For example, San Francisco doesn’t allow new buildings in backyards because it wants to keep green spaces, but they’re permitted in retail spaces. Portland, Ore., allows a detached ADU but says it can’t be bigger than 75 percent of the square footage of the main home or 800 square feet, whichever is smaller. In areas without specific guidelines, consider pushing for an easier, clearer permitting process so homeowners don’t need to go before special zoning boards and ask neighbors for individual approval.

What can you do to promote ADUs? In Portland, real estate agents are using language explicitly saying “ADU-ready property,” says Spevak. “It’s a sales point. It’s a bragging point. If the agent knows the rules, she can say, ‘Look. That can make a little dwelling unit.’” If a city is unfriendly toward ADUs? “Real estate pros are going to have to become advocates,”

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the same property as a standard single-family home,” explains Martin Brown, a researcher who co-edits AccessoryDwellings.org and rents out an ADU on his Portland, Ore., property. While much attention has been paid to the rise of tiny homes under 400 square feet, the emergence of compact ADUs has been similarly swift, if with less hype.

No one tracks the total number of ADUs, but Kol Peterson, author of *Backdoor Revolution*, creator of the “Building an ADU” online guide, and co-founder of AccessoryDwellings.org, estimates that the country is home to 25,000 to 100,000 permitted

units and several million unpermitted ones. Since California loosened its restrictions in 2016, the number of applications in Los Angeles alone increased from 90 in 2015 to nearly 2,000 in 2017. With permits, cities make sure the units are safe and also capture property tax revenue.

The idea behind accessory dwelling units is hardly new. “It used to be the case that it was quite normal to have someone living above the garage or in the basement,” says Patrick Quinton, CEO of Portland, Ore.–based Dweller, which builds ADUs in a factory so that on-site construction takes only 30 days. In fact, Thomas Jefferson lived in basically an ADU while Monticello was

says builder Patrick Quinton. They can promote the positives: “It is to the benefit of municipalities to not only allow for ADUs but also to incentivize their development so that homeowners pick up the cost of developing our most affordable housing,” says Lilypad’s Rachel Ginis. “Some cities are releasing how-to manuals and showing testimonials of what it has meant to people to be able to house an emergency responder or a teacher from their child’s school,” says Rachele Trigueros of the Bay Area Council.

Is the yard big enough? Santa Clara requires a 7,500-square-foot lot. Nunn’s was 7,505, with enough room for a deck with a hot tub for her parents. Portland requires an ADU to be behind the back line of the house. “It has to be set back far enough from the front that no one confuses it for the actual house,” says Quinton. But it can’t be too far from the street, either, since fire hoses typically stretch only 150 feet from the truck. The idea is to create “invisible density,” says Trigueros.

How much do they cost? The average cost is \$156,000, according to the Turner Center at the University of California, Berkeley. With a do-it-yourself kit, a homeowner can build one for as little as \$50,000. Typically, it costs about \$130 per square foot with a kit and up to \$200 per square foot with a contractor. Homeowners who rent out their ADU typically pay off their costs in seven to 10 years. “They kind of pay for themselves twice,” says Lucas Gray, a designer at Portland-based architecture firm Propel Studio, noting the potential rental income and increased property value.

What are the related costs? Permits, architectural plans, insurance, and fees can add up, as can

utilities. Because most houses have excess capacity for water and electricity, they can share them with the ADU. To encourage ADUs, cities are allowing homeowners to tee off existing utilities and not pay an extra utility charge. They’re doing the same with extra fees for schools and park districts.

What about financing? To pay for construction, home-equity lines may make sense. Some banks may provide loans for an ADU given the rental revenue potential. Another option: The manufacturer Dweller will build and install an ADU at no cost. It owns it, manages it, and rents it. The homeowner, who gets 30 percent of the rent, owns it again after 25 years or at any time through a buyout.

How fast can ADUs be built? Typically, they take no more than 18 months. Permitting and architectural plans can take longer than construction. For the Nunn’s, it took two months for the permission, four months for the architectural plans, two months for a variance approval and three-and-a-half months for construction.

Is there strong price appreciation? It’s hard to say because ADUs are still new. “As ADUs have grown in popularity, appraisers have had to find ways to incorporate them into appraising properties,” says Dulcinea Myers-Newcomb, an agent with Living Room Realty in Portland, Ore., who hired Dweller to install an ADU in her backyard for her father. Their versatility is key. “ADUs provide the opportunity for densification; they create possibility for passive income, allow you to work from home, and live multigenerationally. As long as you can lose a bit of yard, you can gain much more.”

being built, says Eli Spevak, co-founder of AccessoryDwellings.org and an affordable housing developer in Portland, Ore.

So-called mother-in-law units grew at a time when multi-generational living was more common, but in cities like Washington and Philadelphia, people replaced the little home in the back with garages. Interest in ADUs is rising at a time when the average family size has fallen to an all-time low of 2.6 individuals and people have become “overhoused,” says Rachel Ginis, executive director of Lilypad Homes, an education and advocacy group for ADUs in California’s Bay Area. ADUs fall under “in-fill housing”—ways to squeeze more homes into walkable, bike-able high-demand areas. “A third of the population is in one- or

two-person households,” says Peterson. “We’re not building the right kind of housing for the population we have right now.”

As ADUs become more prevalent, it’s important to consider how they may affect a transaction. “It’s like looking at a pool,” says Nunn. “There are people who love a pool and will give more money. There are people who [say], ‘I’ll never have a pool’ and see them as an invasion of privacy.” Nunn urges buyers to think about a property’s ADU potential even if it’s not a priority feature. “I encourage my clients to pay attention to the lot size of homes, especially if they have aging parents in the area. Even if they can’t afford to do an ADU immediately, I try to show them the value of having the option to do it in the future.”