ACCESSORY DWELLING UNITS

Or Granny Flats
KEVIN TARBELL

- Focus on long-term value
- Strategic Relationships
- Customer Satisfaction
- Support entrepreneurs working in poverty
RECENT STUDIES FIND

• 27% of buyers find it somewhat or extremely difficult to obtain financing.
• Outmigration trend could exacerbate if home prices grow faster than wages.
• State housing prices are 161% above the national average
• Millennials being priced out of California
  • Less equity
  • More debt – student loans
• Young leaving the state could result in aging population gap
Many more renters: cyclical **AND** structural forces at play

California Housing Tenure

- Home Ownership
- Renter Share

California Renter Households

U.S. Census – Current Population Survey, AESC
MAP 1

Where young adults are moving: Annual net migration of residents ages 25 to 34
Major metropolitan areas, 2012-2017

Net in-migration
- +7,000 and more
- 0 to +7,000

Net out-migration
- 0 to -7,000
- -7,000 and below


Metropolitan Policy Program
at BROOKINGS
About Randy Smith

• Background
  • Previously Residential
  • Currently Commercial Tenant Improvement
  • Adding ADUs
Home, Sweet, Home
What Is An ADU?

A secondary dwelling unit with complete independent living facilities for one or more persons and typically takes one of the following forms:

- **Detached**: The unit is separated from the primary structure.
- **Attached**: The unit is attached to the primary structure.
- **Repurposed Existing Space**: Space (e.g., master bedroom, garage) within the primary residence is converted into an independent living unit.
- Can be constructed on any lot zoned for residential use
- Backyard homes can be legally rented.
THE #1 REASON PEOPLE BUILD AN ADU

Family
Benefits Of ADUs

- Affordable
- Source Of Rental Income
- Extended Families Can Be Near
- Living Space Similar To Small Apartment
- Flexibility
- Optional Cost-savings with Factory Built Units
- Property owners – no requirement to live on property.
A Perfect Market

In-laws, Granny Flats, Accessory Dwelling Units

Favorable Legislation + Fee Reduction + Hot Housing Market
Rental Revenue

Support Family

Downsize in Place
Unique Opportunity To Address A Variety Of Housing Needs And Provide Affordable Housing Options

- Family Members
- Friends
- Students
- Elderly
- In-home Health Care Providers
- Disabled / Veterans
- Rental
- Airbnb (where allowed)
- Charitable Causes
Why ADUs?

- Valuable form of housing in California.
- Provide housing at **below market prices** within existing neighborhoods.
- Homeowners who create ADUs benefit from **added income**.
- Allowing ADUs in single family residences provide a **gentle density**.
Summary Of Earlier Changes To ADU Laws

The California Legislature found and declared that allowing Accessory Dwelling Units (ADUs) in single family and multifamily zones provides additional rental housing and are an essential component in addressing housing needs in California.

- State legislation that took effect January 1, 2017 gave California cities more flexibility and latitude for allowing homeowners to build ADUs.
- Recent state legislation provides clarification and fee assistance for the creation of ADUs - These bills, effective January 1, 2018, clarify and improve various provisions of the law to promote the development of ADUs
- Setbacks and Passageways reduced requirements
Key October 2019 changes in legislation (effective January 2020)

- SB13
  - No More Owner Occupancy Rules
  - Parking is Easier
  - Impact Fees Waived! (under 750 sq ft)
- AB670 - HOAs Can No Longer Deny ADUs
- AB881 / AB68
  - No Minimum Lot Size Requirement
  - Setback Requirements Eased
  - Two Units on One Property - one must be a JADU
Parking Requirements

One space per unit
Can be tandem or in set back providing safety conditions met
Can be stacked in driveway
When Parking Is Not Required

- Unit is within a half mile from public transit.
- Unit is within architecturally and historically significant historic district.
- Unit is part of an existing structure.
- Unit is in an area where on-street parking permits are required, but not offered to the ADU occupant.
- Unit is located within one block of a car share area.
ADUs can be built on site or prefabricated and placed on foundation.

**BUILD IN PLACE**

6-12 MONTHS

**PREFABRICATED**

2-3 MONTHS
Myths about Prefabricated ADUs

- MYTH: Prefabs are the cheapest option for an ADU
- MYTH: Prefabs are not as durable as conventional stick build ADUs
- MYTH: Prefab ADUs can be installed in a day

Is a prefab ADU the right option for you?
**TIP 1: DEFINE YOUR GOALS**

<table>
<thead>
<tr>
<th>Who are you building for?</th>
<th>Optimize ADU for:</th>
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</thead>
<tbody>
<tr>
<td><strong>Older Parents / In-Laws</strong></td>
<td>Universal Design</td>
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<tr>
<td></td>
<td>ADA Compliant</td>
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<tr>
<td></td>
<td>Lifestyle Choices (gardening, cooking, hobbies)</td>
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<td><strong>Rental</strong></td>
<td>Privacy</td>
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<td></td>
<td>Access</td>
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<td></td>
<td>Durable finishes</td>
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<tr>
<td><strong>Your Future Home</strong></td>
<td>Design, style, finishes</td>
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<td></td>
<td>Storage space</td>
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<td></td>
<td>Lifestyle Choices (gardening, cooking, hobbies)</td>
</tr>
</tbody>
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TIP 2: FIND THE RIGHT PROPERTY

• What Should You Look For?
  • Single-family zoning
  • Detached Two-car garage
  • Walkable neighborhood
  • Can command high rents
  • Fee waivers in place
  • Backyard that offers privacy
  • Alley Access
  • Corner Lot
  • Deep Lot
TIP 3: UNDERSTAND THE COST

There are no bulk discounts when building a granny flat!
Timeline before building begins

- Recruiting your Expert(s)  
  1+ month
- Financing 1+ months
- Designing 1-2+ months
- Permitting 3+ months
COST PER SQUARE FOOTAGE

• In Southern California
  • $275 - $375 per sq ft
    • Fixed costs – Permits, Design fees,
    • Expensive Square Footage
    • Less Expensive Square Footage

The larger your ADU, the lower the cost per square foot
QUESTIONS?