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Accessory Dwelling Units in Portland, Oregon: Evaluation and Interpretation of a Survey of ADU Owners

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Accessory Dwelling Unit (ADU) Development Trends



**PSU Transportation Seminar
November 14th, 2014**

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State of Oregon
Department of
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Quality

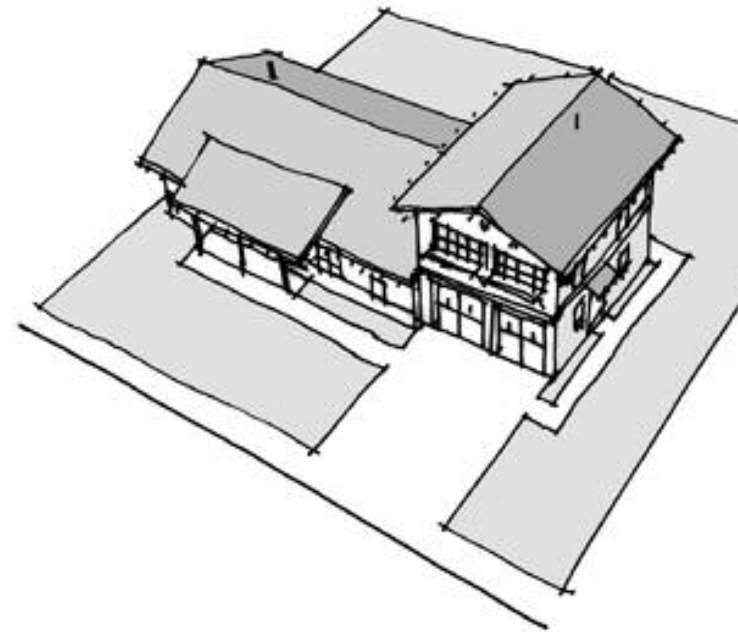
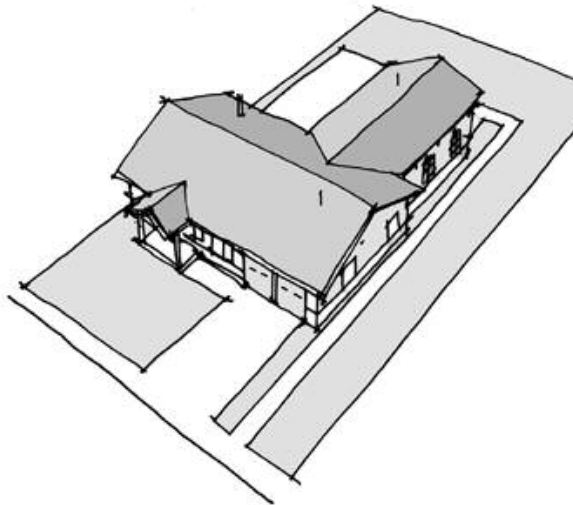
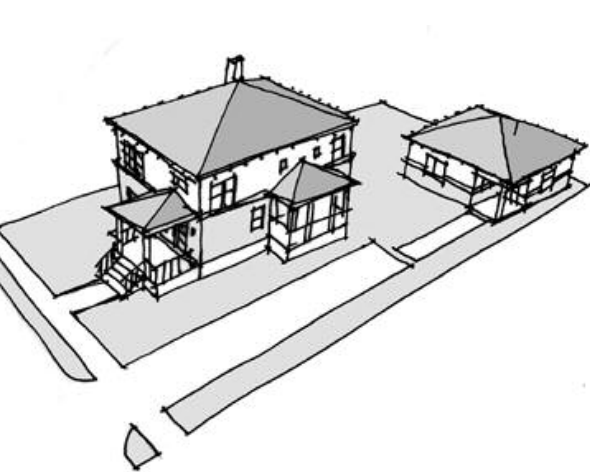
More details: <http://www.deq.state.or.us/lq/sw/wasteprevention/greenbuilding.htm>

Overview

1. What's an accessory dwelling unit (ADU)?
2. Why does Oregon DEQ like them?
3. Development trends
4. Occupancy stats
5. ADU potential

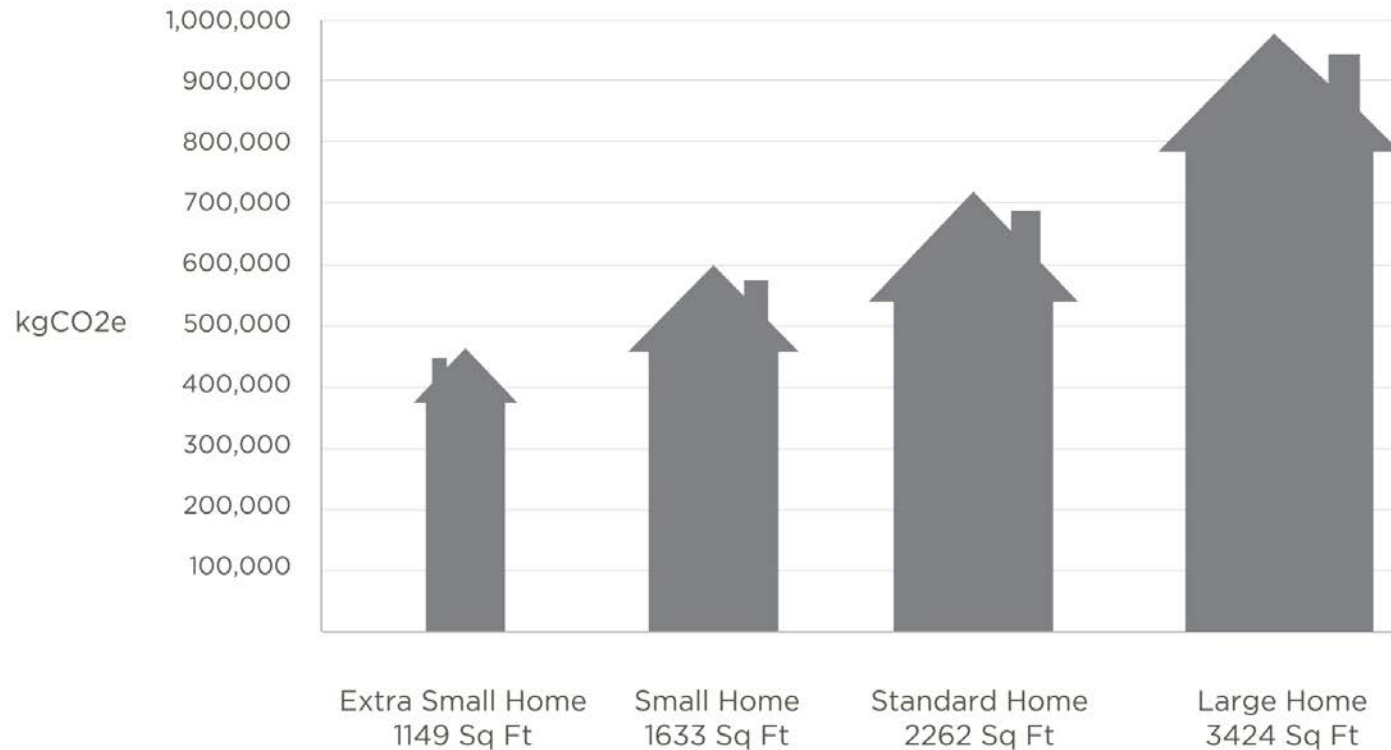
What's an Accessory Dwelling Unit (ADU)?

An accessory dwelling unit (ADU) is a second dwelling unit on a single family residential lot. They're also called granny flats, mother-in-law suites, in-law suites, etc.



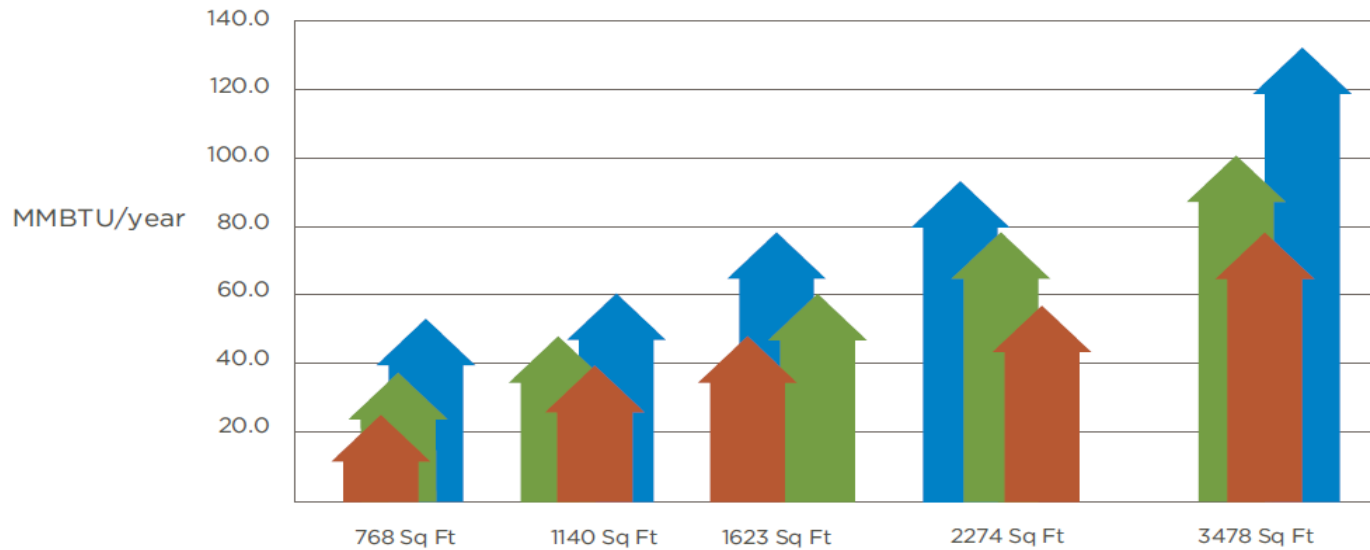
Why does Oregon DEQ like them?

LIFECYCLE GHG EMISSIONS



Building Small is a green building strategy

ANNUAL ENERGY USE



DATA SOURCE: OREGON DEQ
IMAGE: LIVING FUTURE INSTITUTE

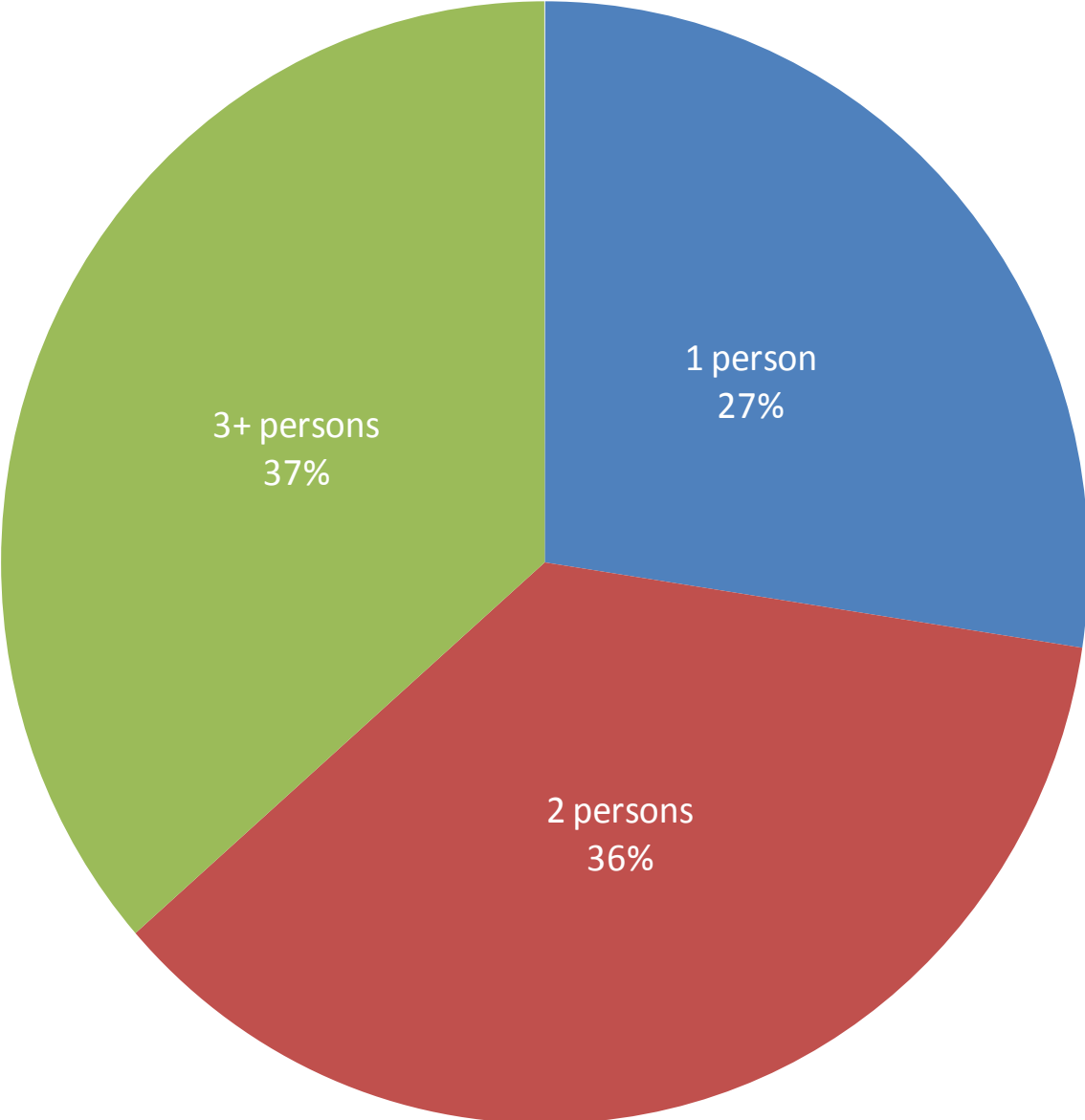
House size has increased



**AVERAGE SIZE OF NEW SINGLE-FAMILY HOME AND
AVERAGE PERSONS PER HOUSEHOLD
IN 1950 AND 2005**

US CENSUS AND NATIONAL ASSOCIATION OF HOME BUILDERS

Share of Households by Size, 2010
State of Oregon



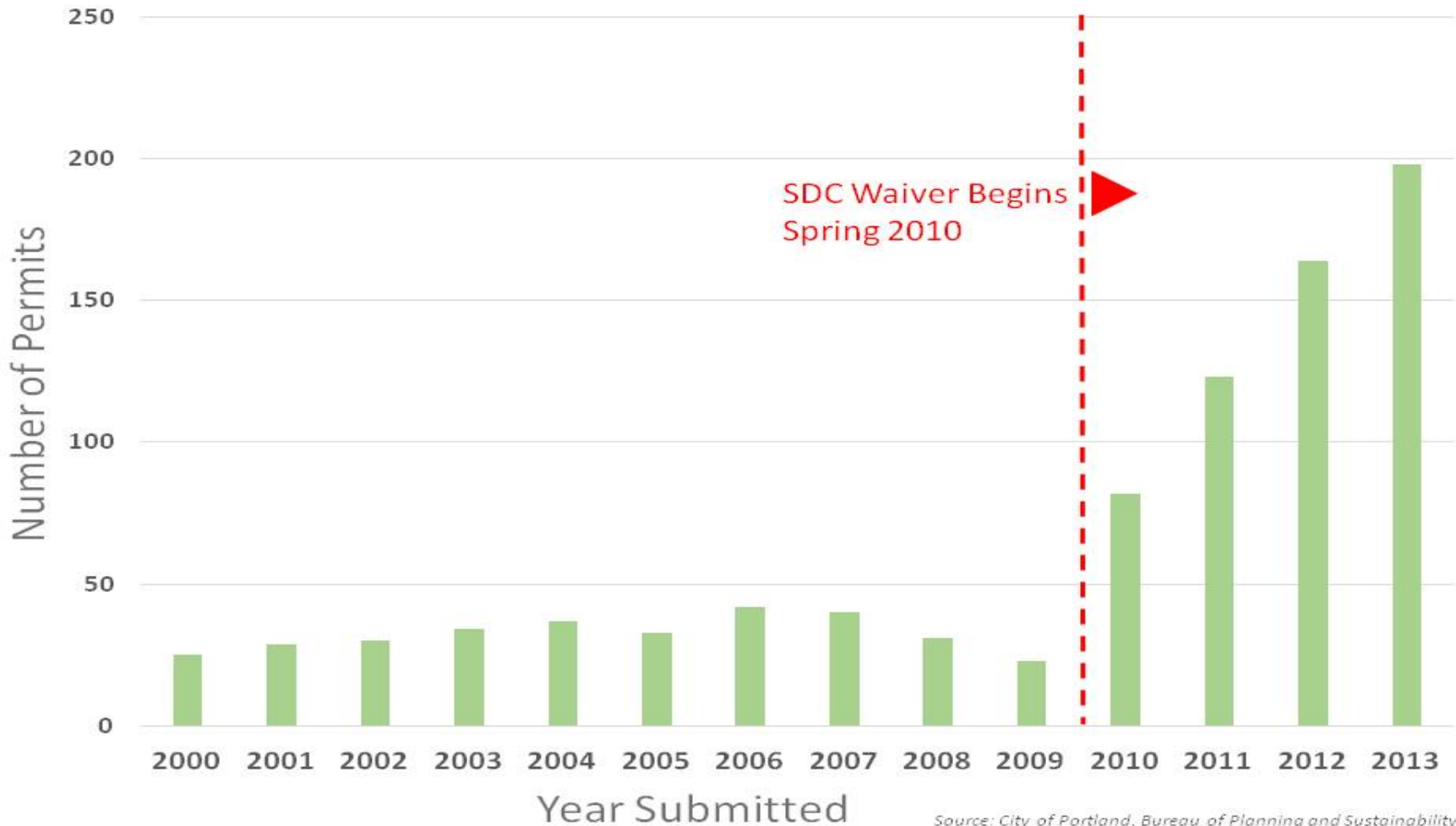
Why focus on ADUs?

- Mismatch between household size and house size (consumption patterns)
- Single family construction has largest sqft/person ratios
 - 64% of Oregon population in single family detached
 - Good way to introducing smaller SF housing to market
- Multifamily already small
- Most ADUs are urban infill that utilize existing infrastructure
- Nice package that had potential environmental, social, and economic benefits
- Wanted to leverage other momentum in ADU industry



ADU permits in Portland, OR

City of Portland ADU Permit Applications



Where are ADUs being built?



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Where are ADUs being built?



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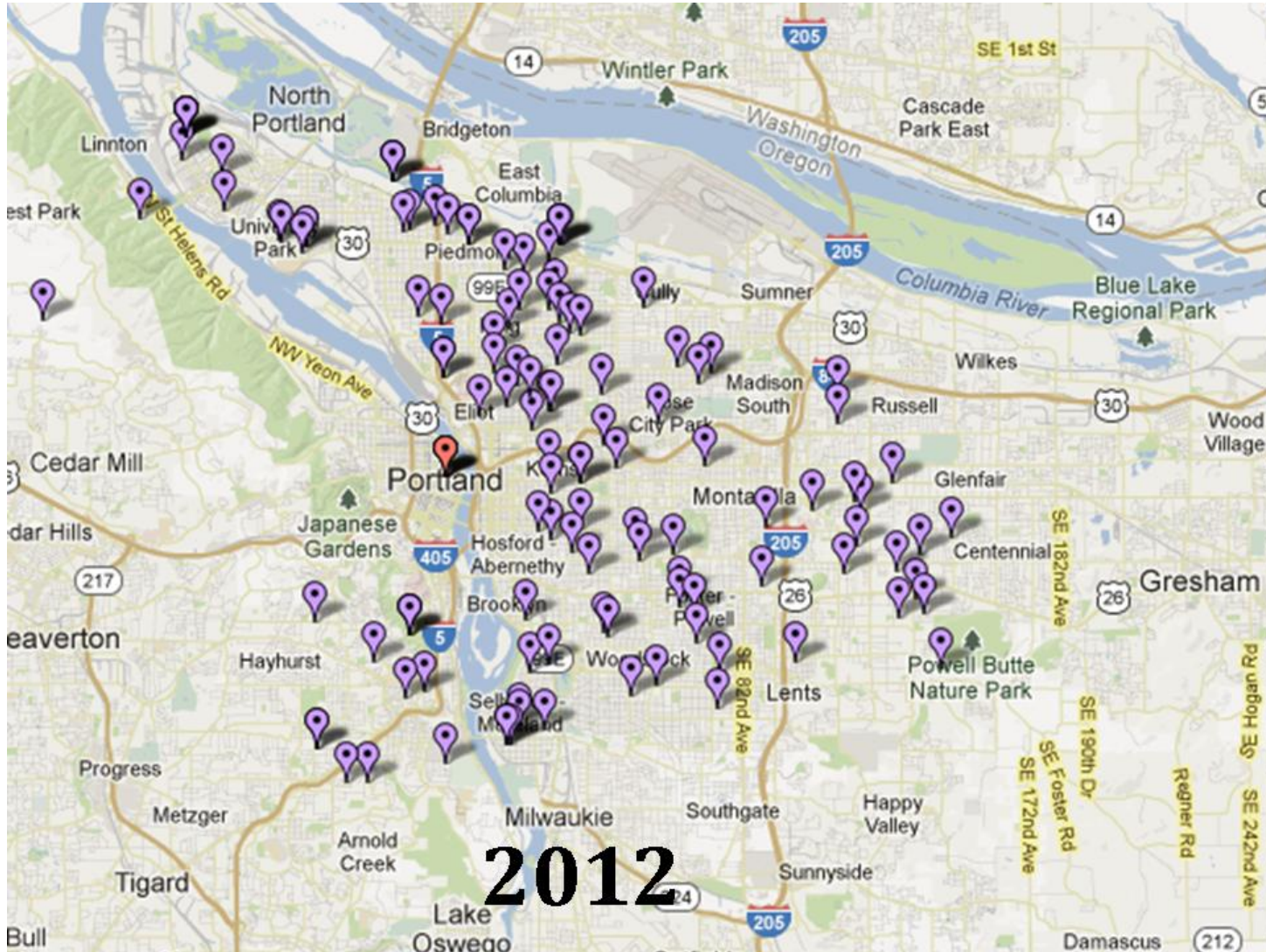
Where are ADUs being built?



Where are ADUs being built?



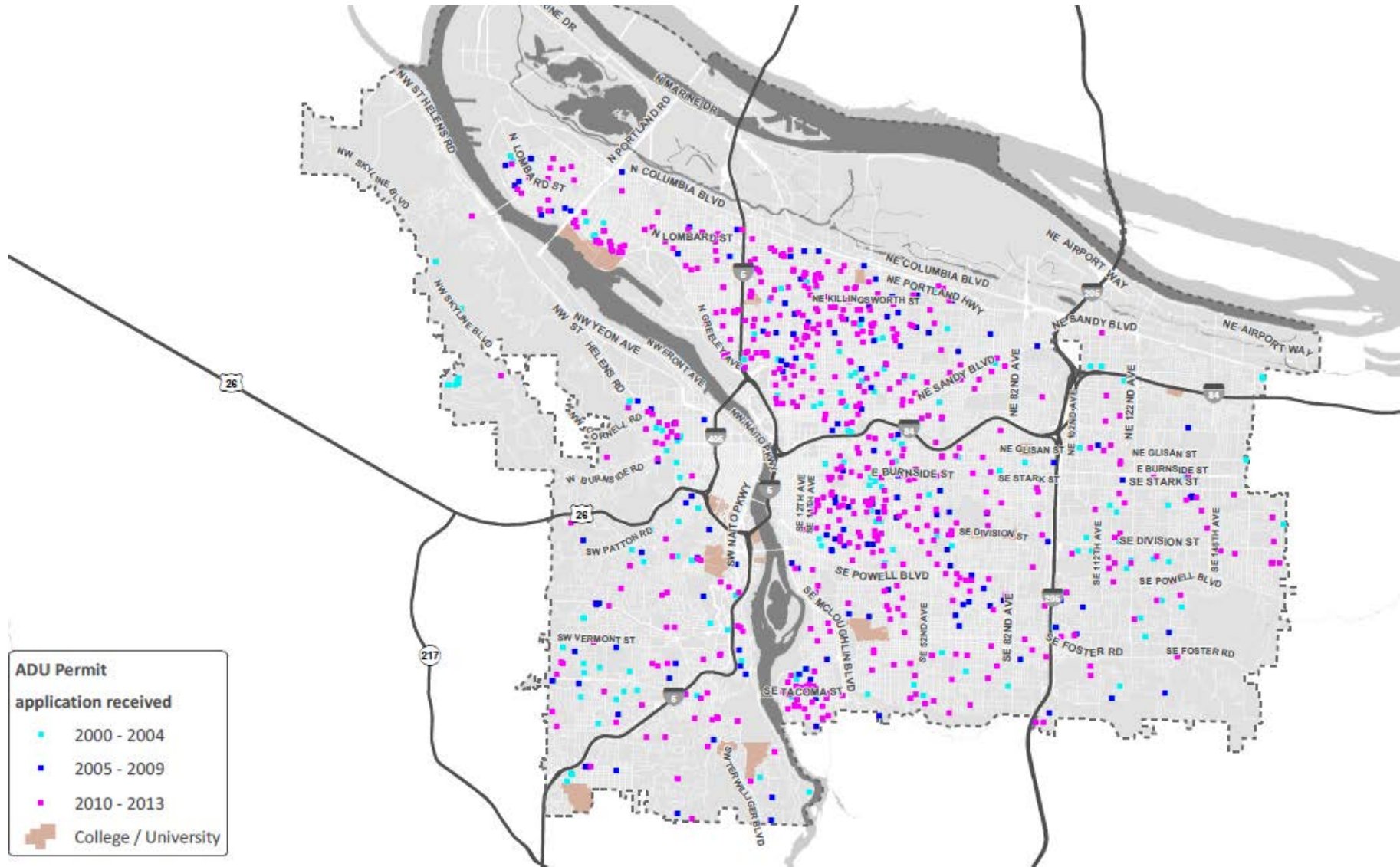
Where are ADUs being built?



Where are ADUs being built?



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Survey Research of ADU owners

Accessory Dwelling Unit Survey
for Portland, Eugene, and Ashland, Oregon
Final Methodology and Data Report
September, 2013

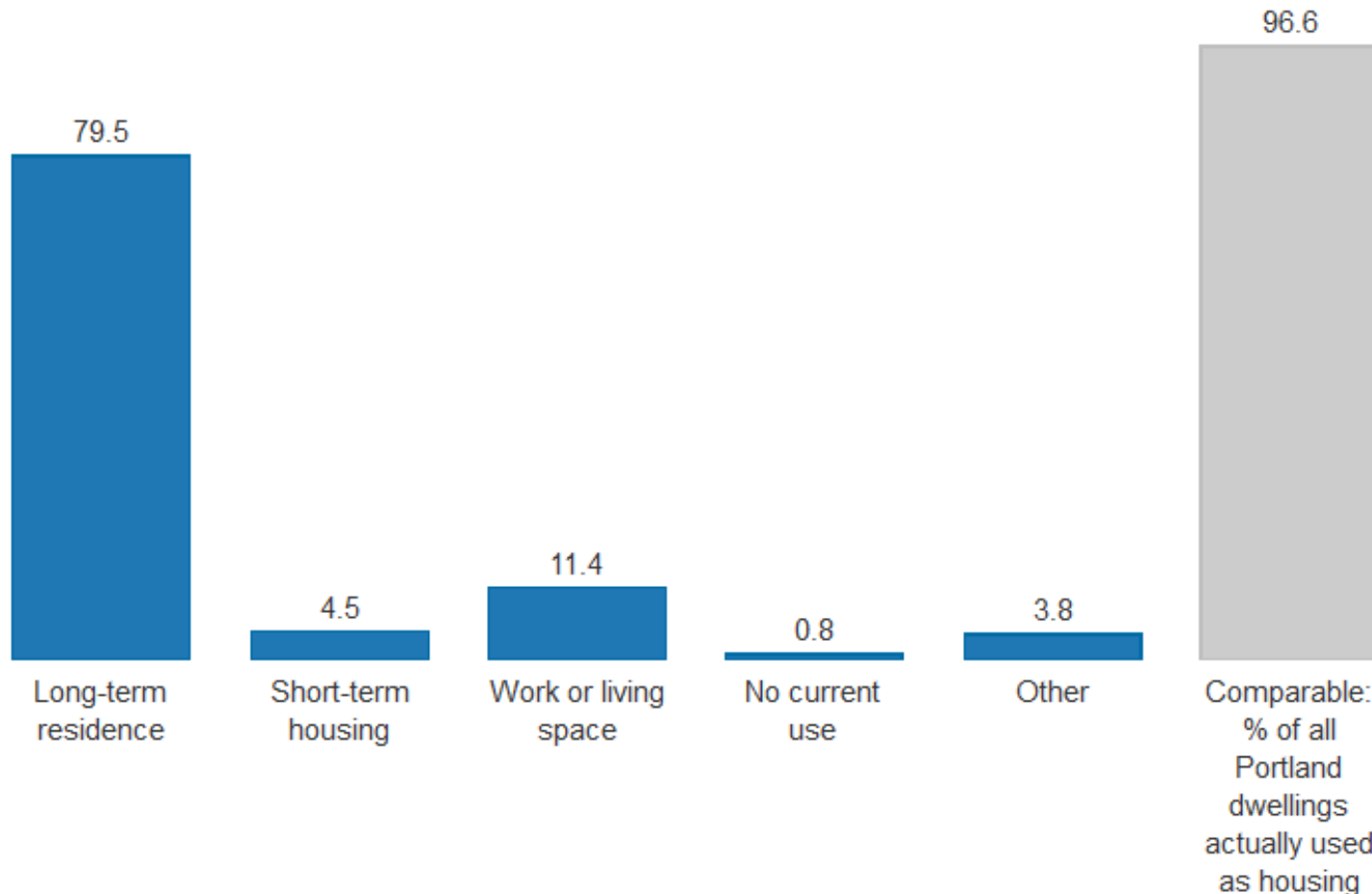


Table 2: Final Response Rates

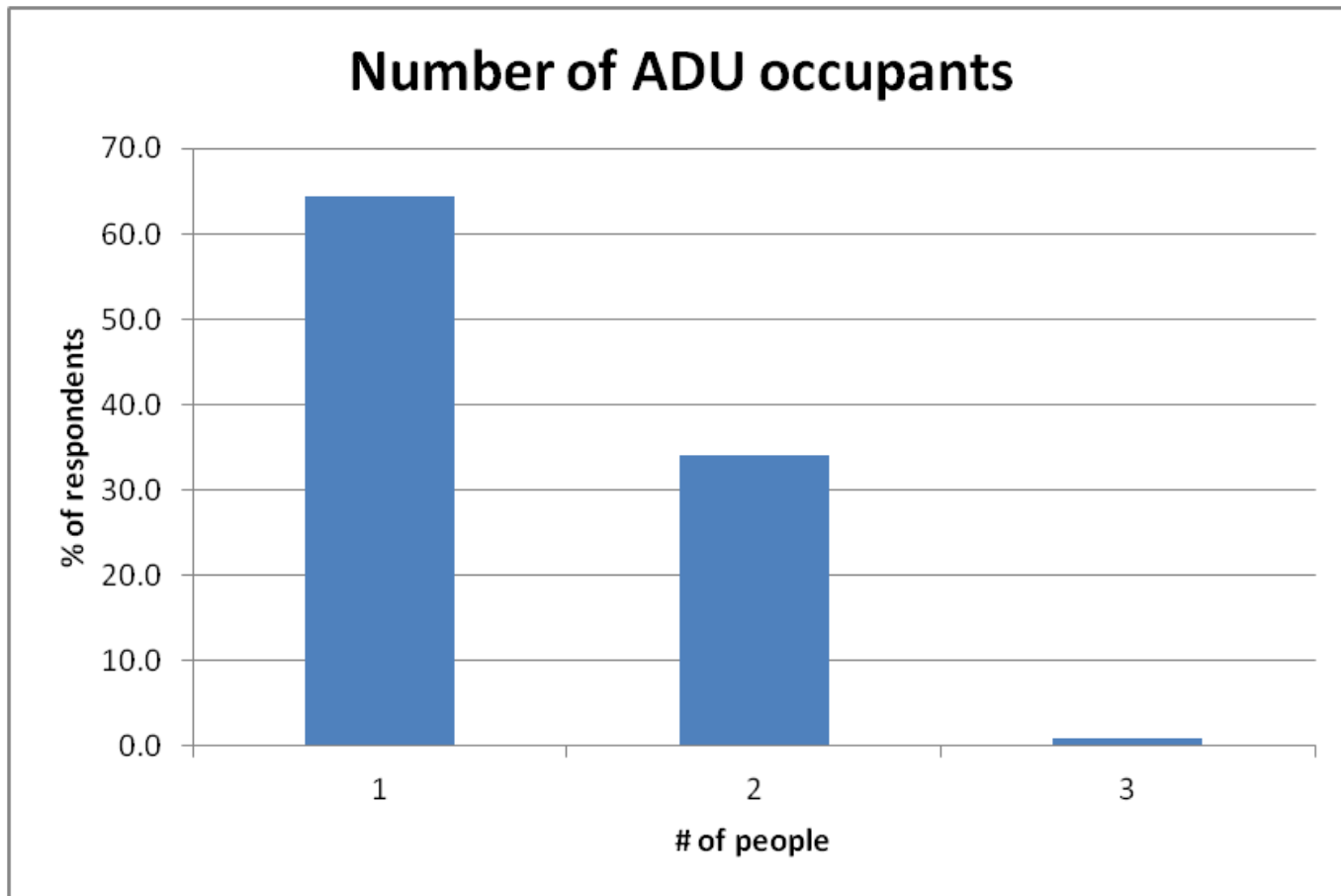
	Target Completes	Total Completes	Valid Sample	Response Rate
Portland	248	290	673	43.2%
Eugene	82	49	91	53.8%
Ashland	57	30	66	45.5%
Total		369	830	44.6%

Are ADUs providing housing?

Uses of ADUs in Portland, Oregon USA in 2013 (percent)

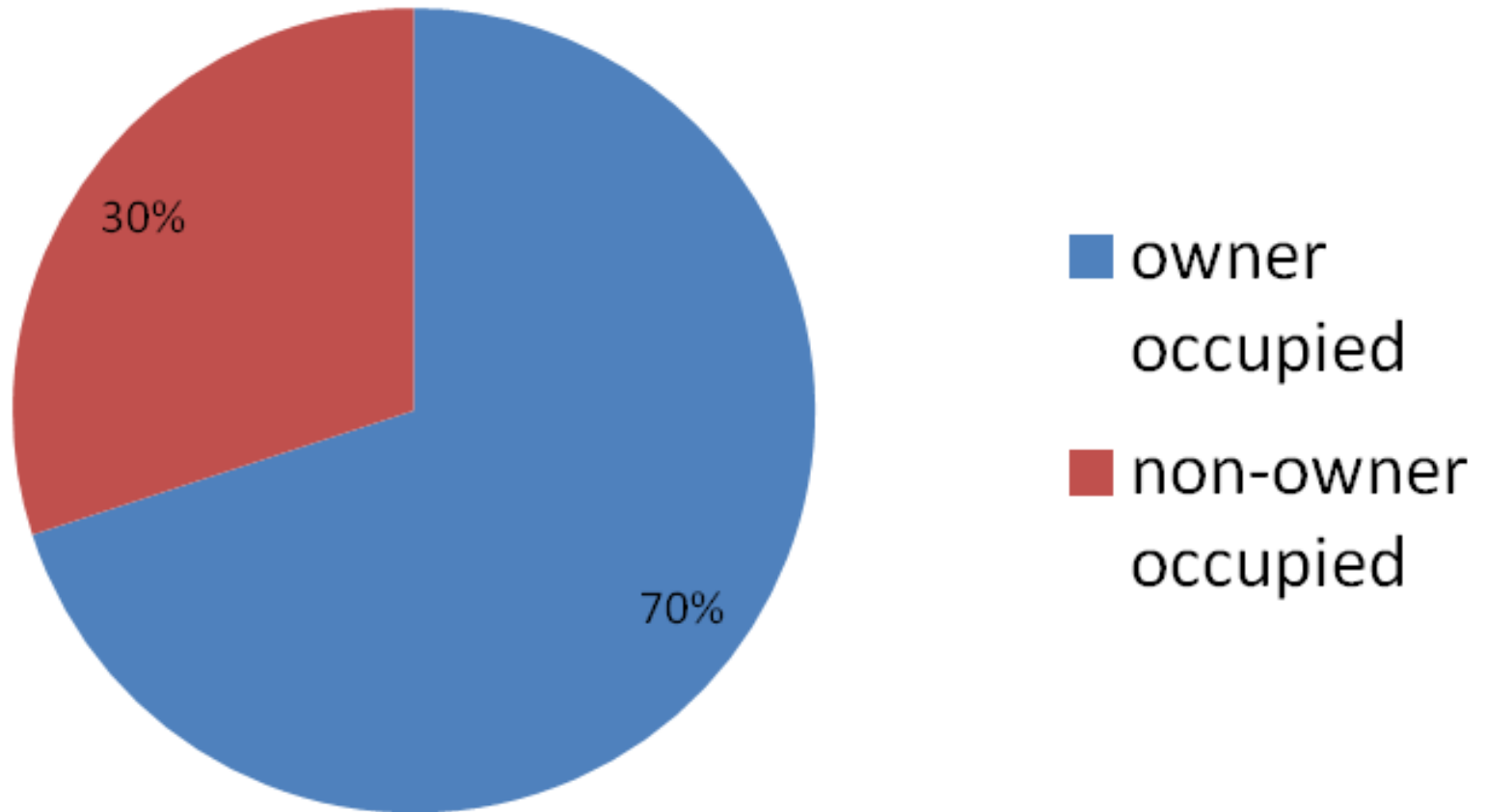


Household Size



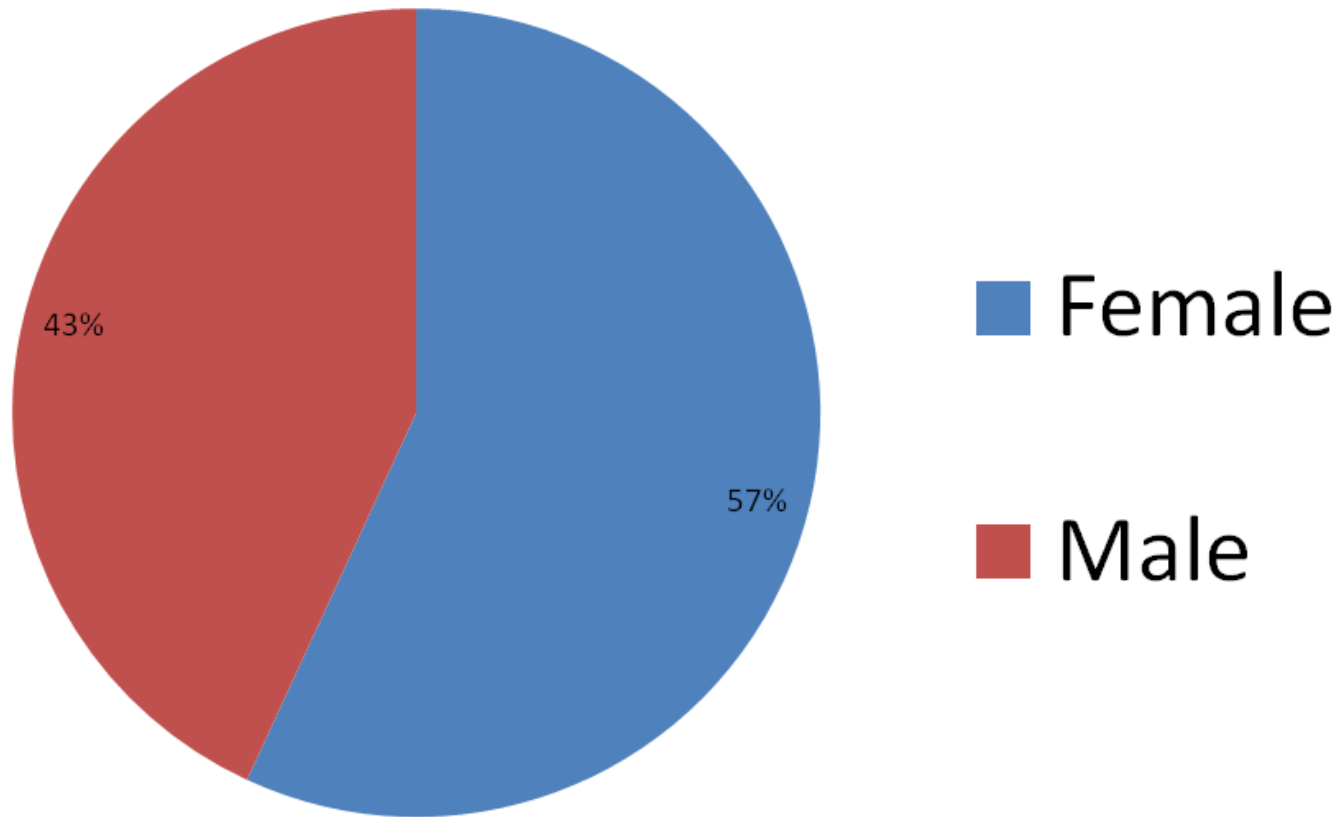
Average ADU household size = 1.45 people

ADU owner status?



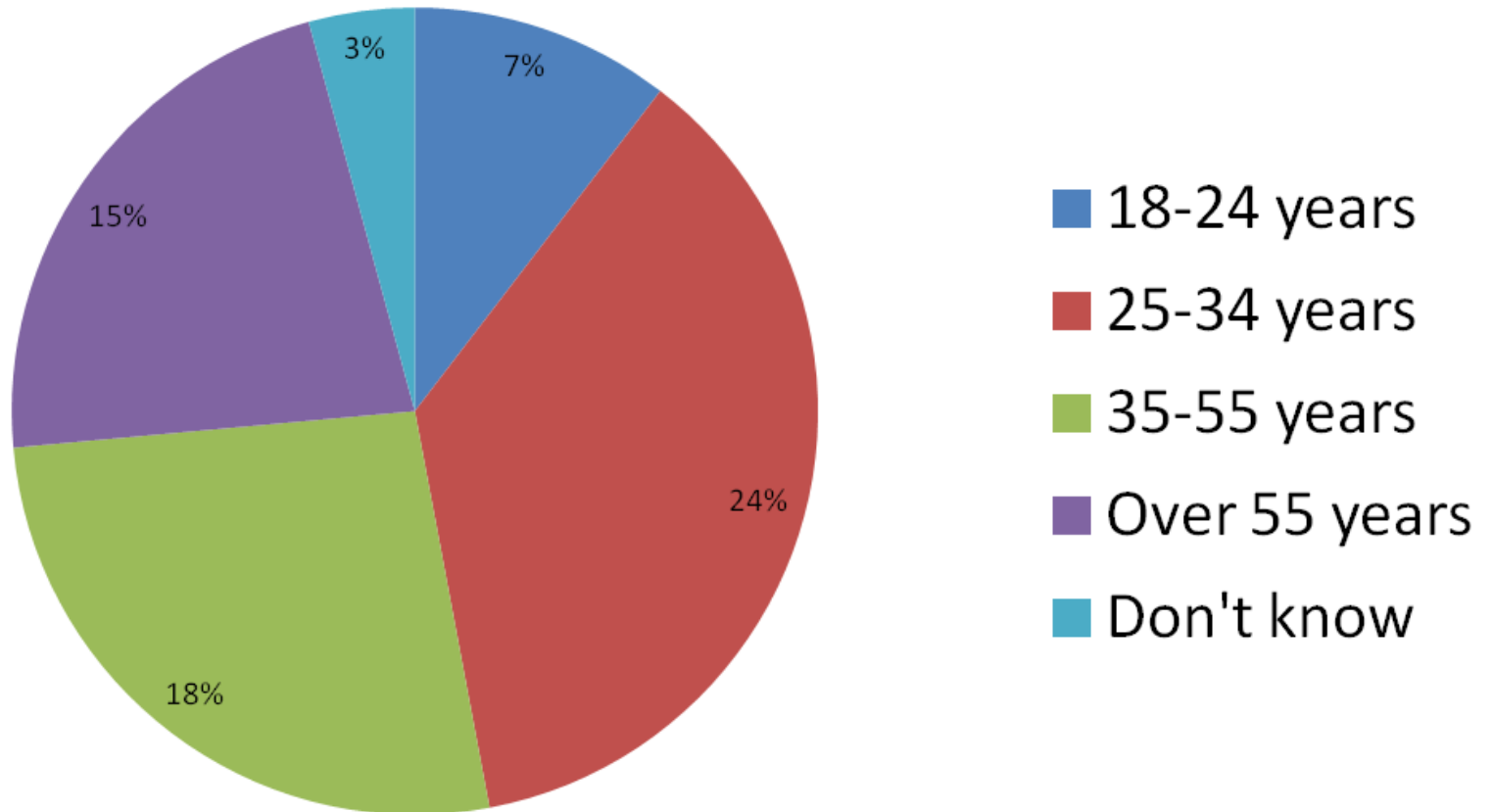
Who lives in ADUs?

ADU Occupant Gender



Who lives in ADUs?

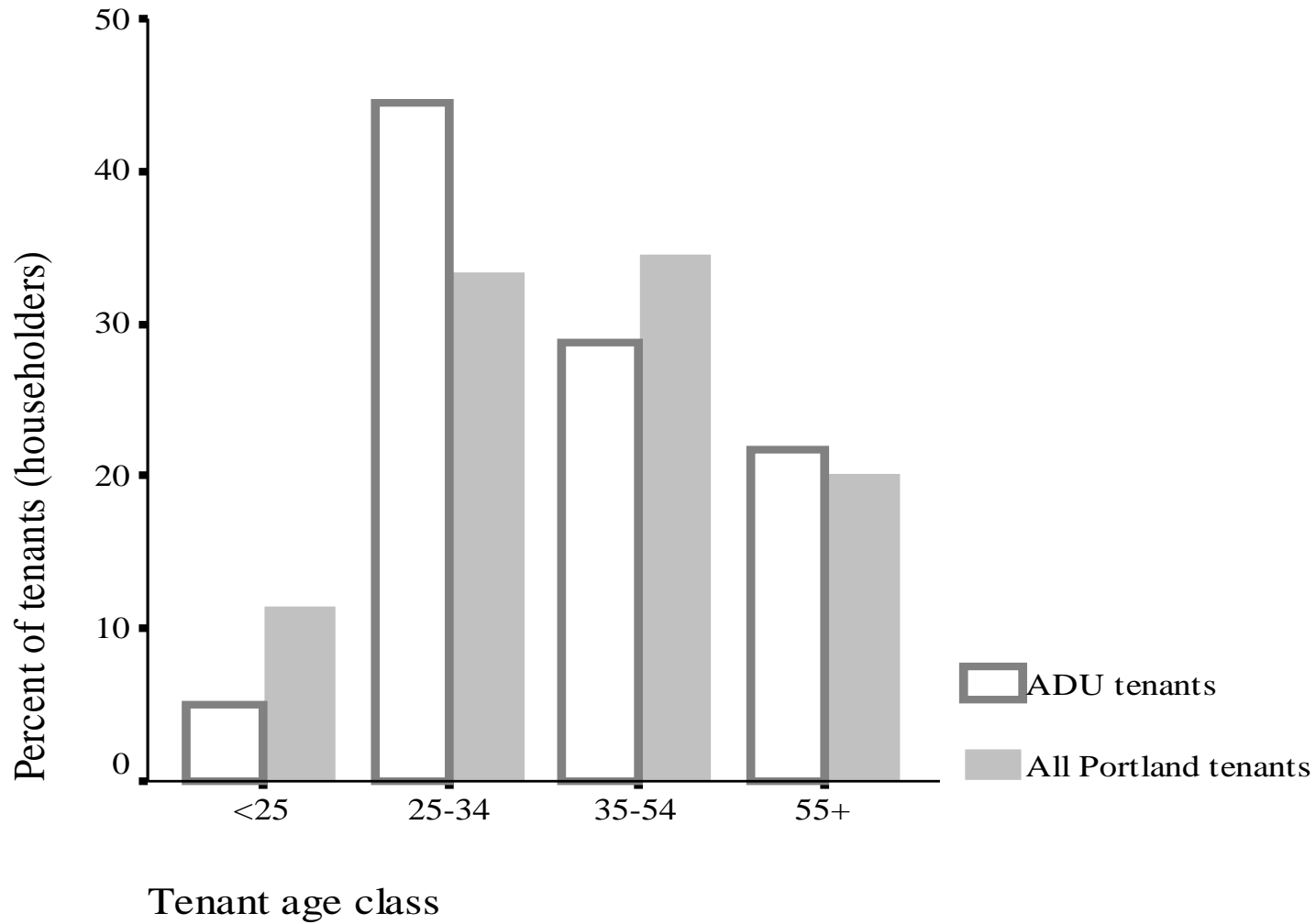
Occupant Age Profile



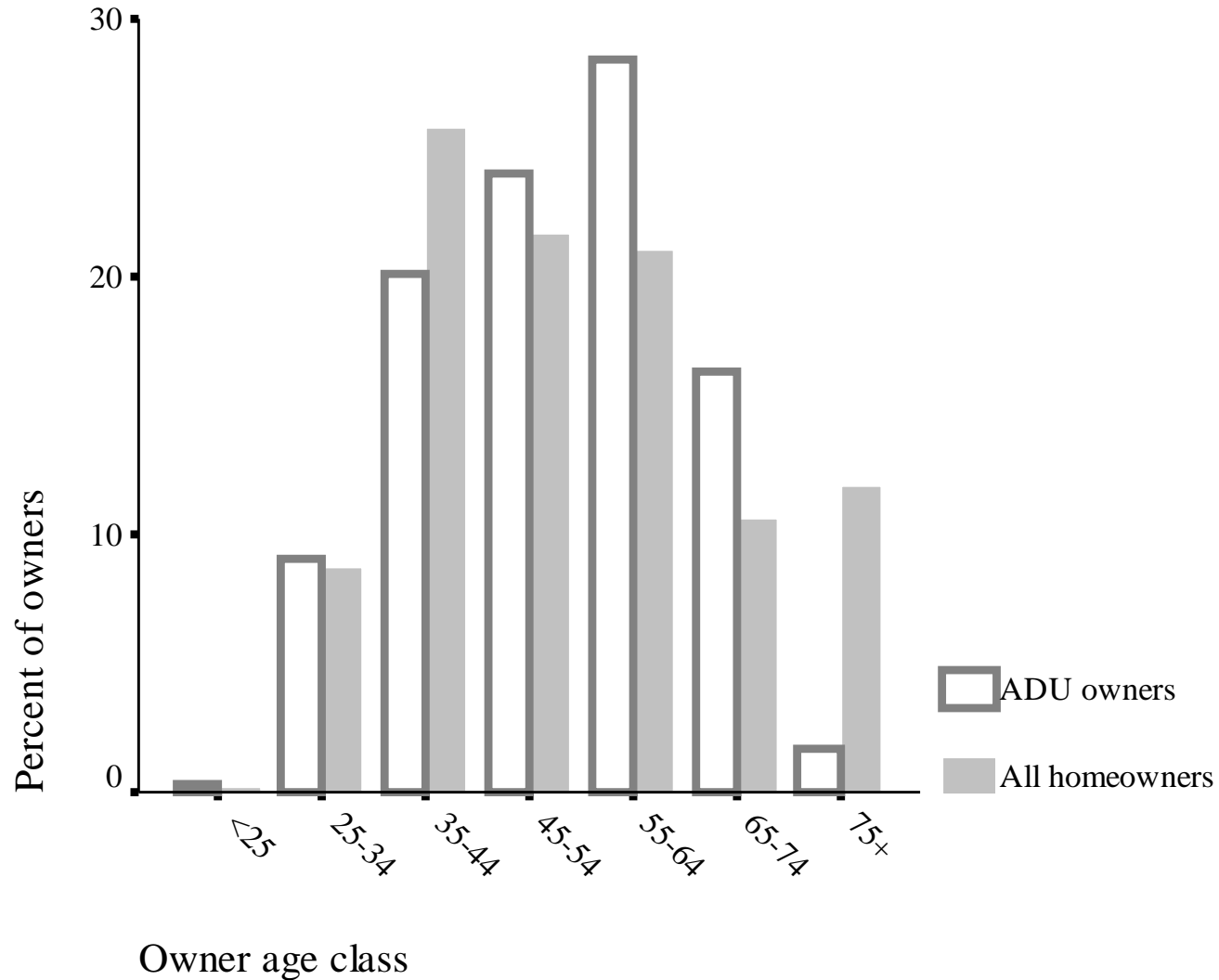
Who lives in ADUs?



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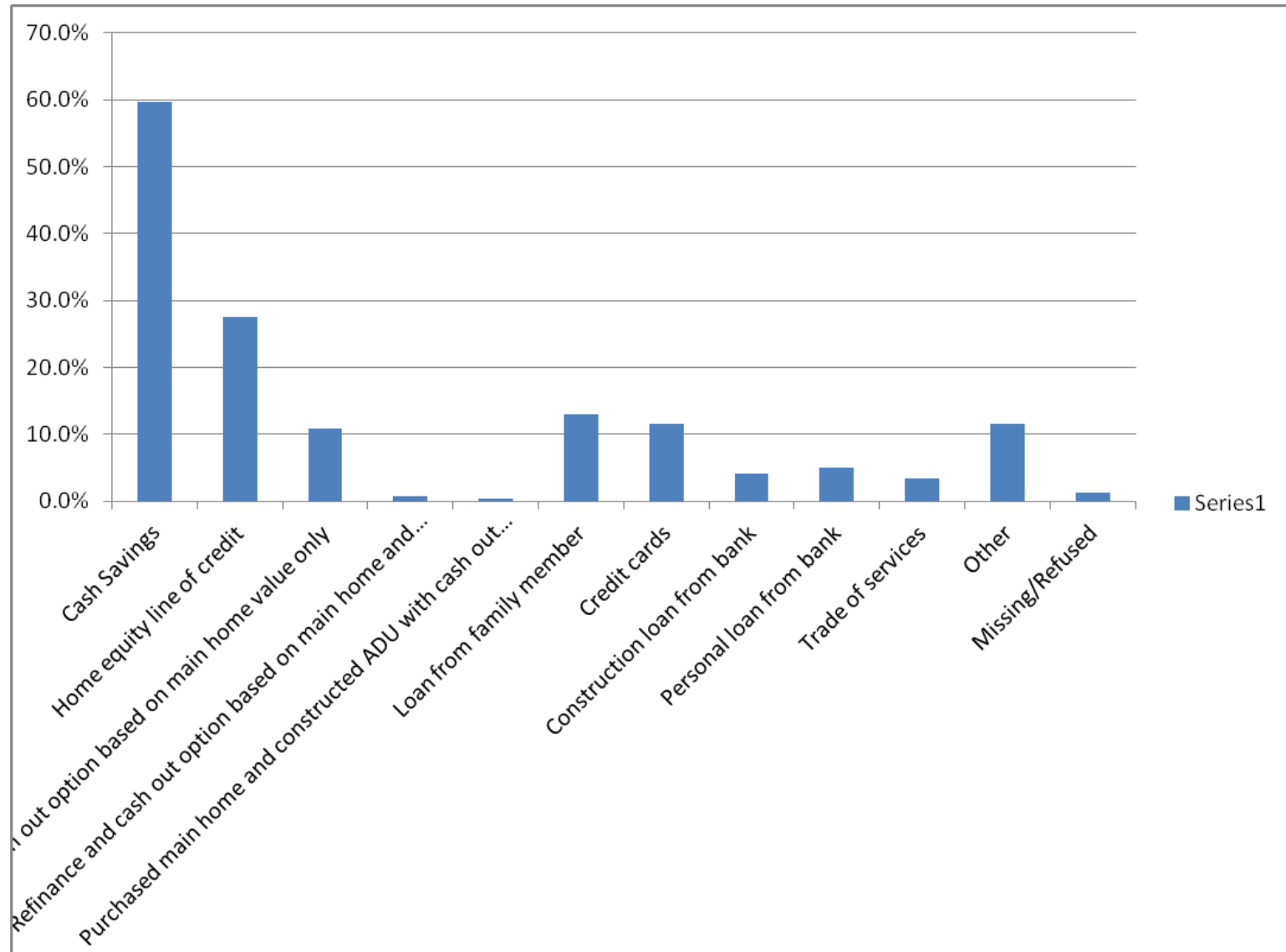
Who owns Portland ADUs?



How are ADUs financed?



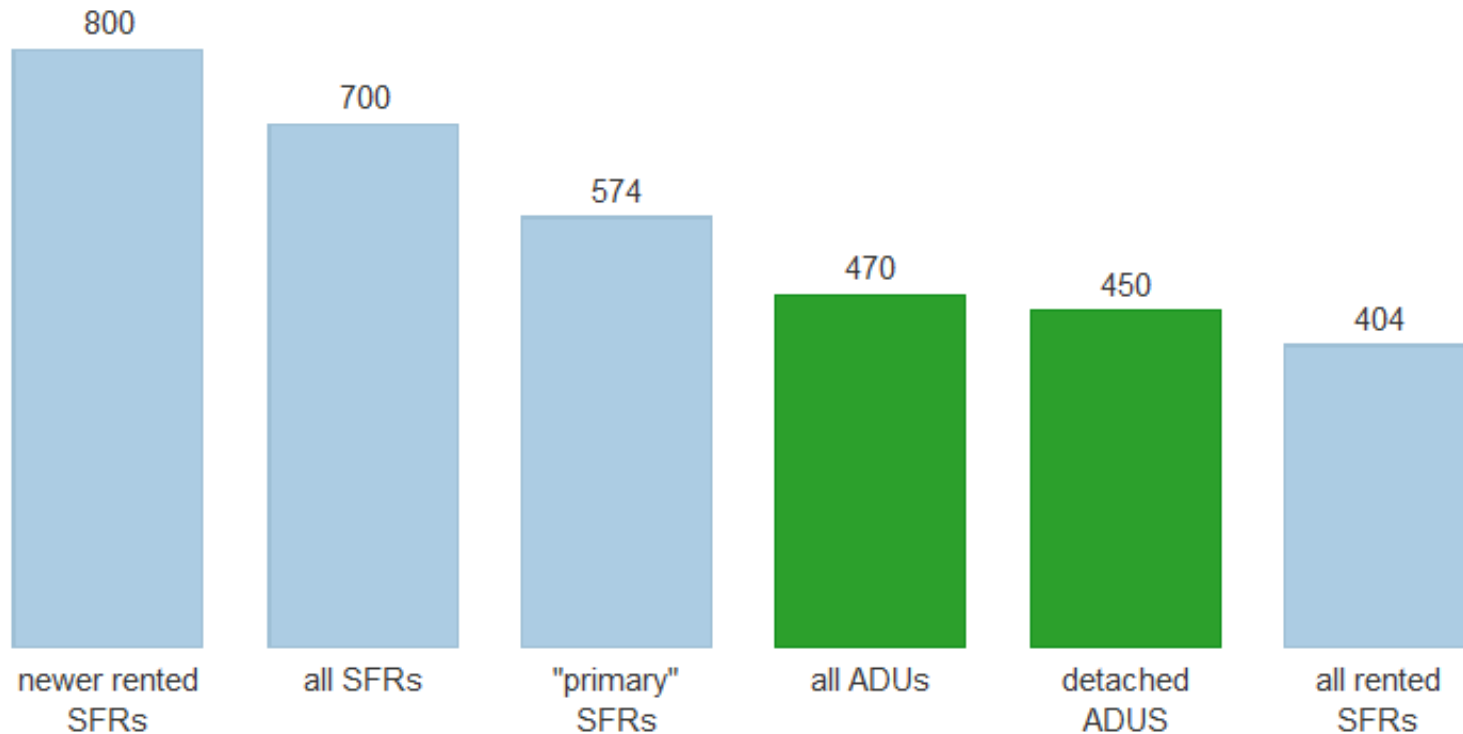
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Do ADUs have low environmental impact?

Living area per person in various housing forms (Portland, Oregon 2013)

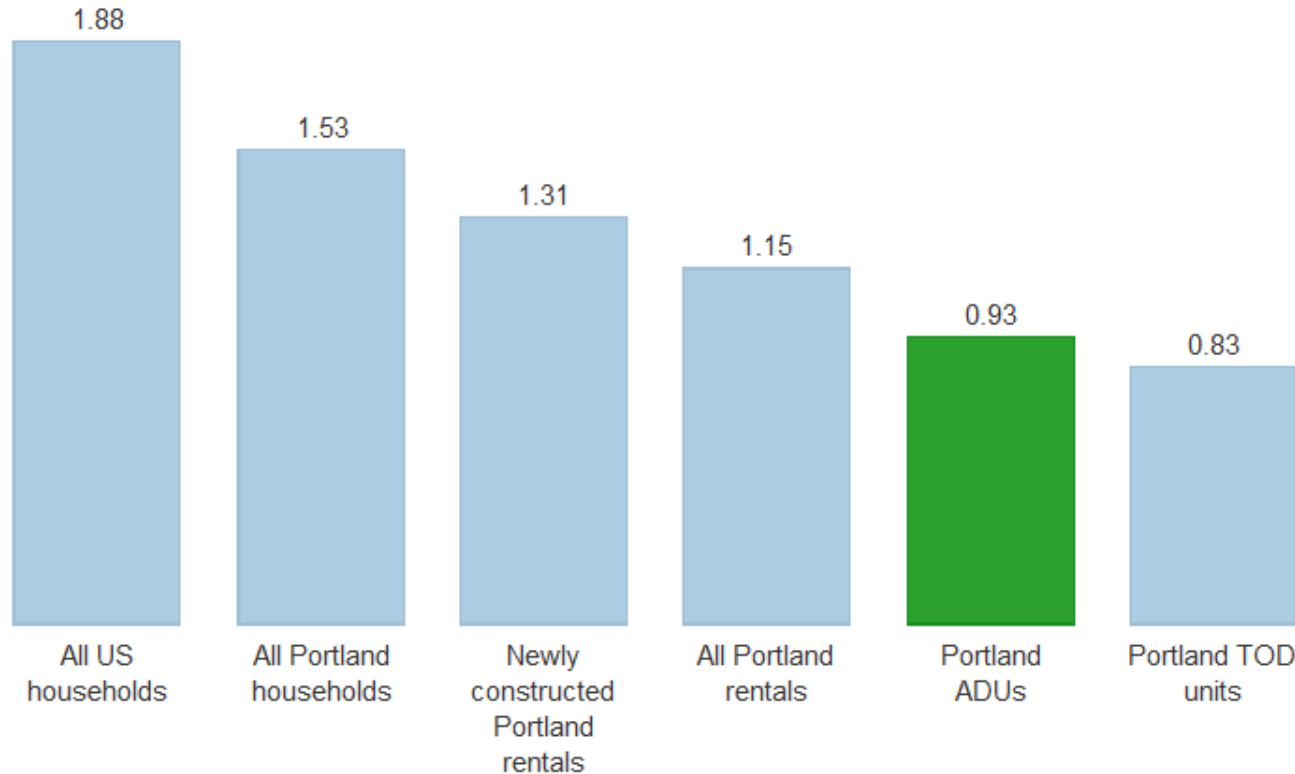
Living area in square feet. See Exhibit F2 in the source below for full details.



Do ADUs cause parking problems?

Average vehicles per household type

Estimated from American Housing Survey and two studies about Portland. See "Source" link below.

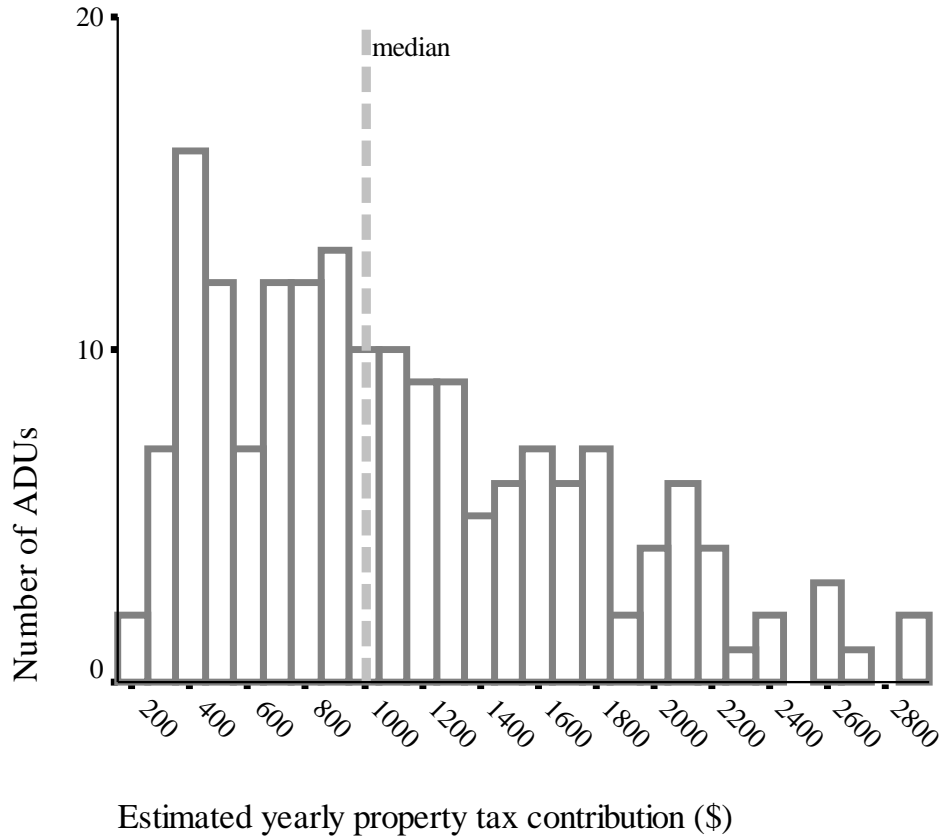


Created with [Datawrapper](#)

Source: [Martin J. Brown](#), [Get the data](#)

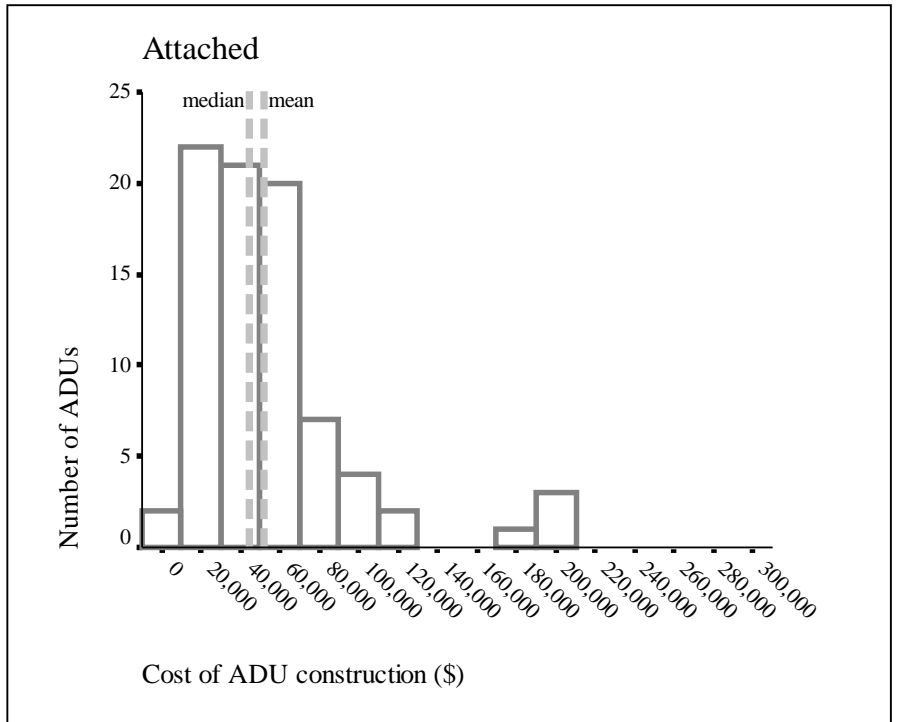
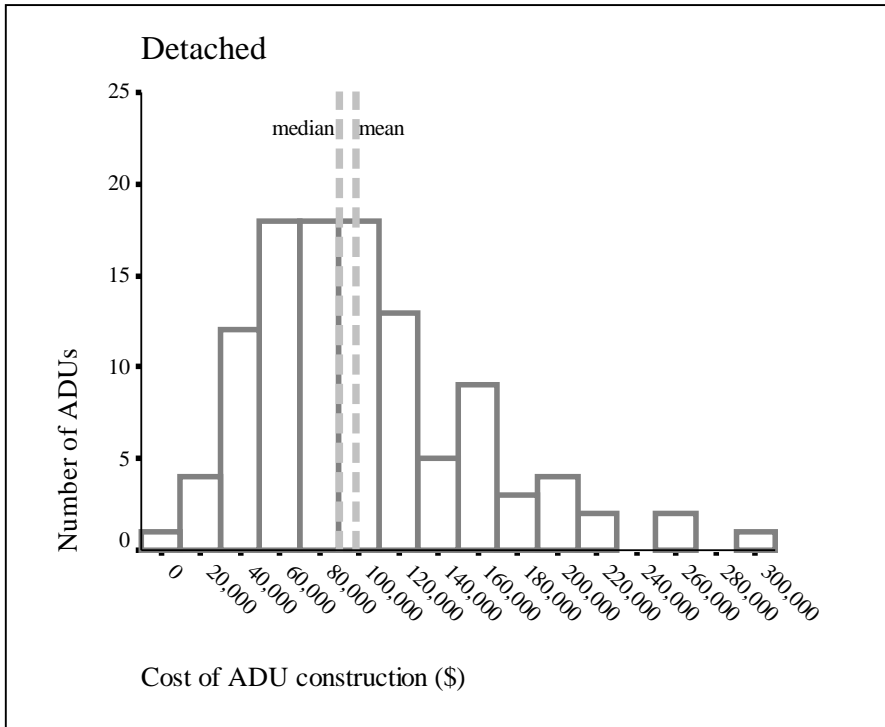
Each ADU contributes 0.46 street parked cars

Do ADUs support the community economically?



Average property tax increase of \$1134 per property

Cost of ADU construction



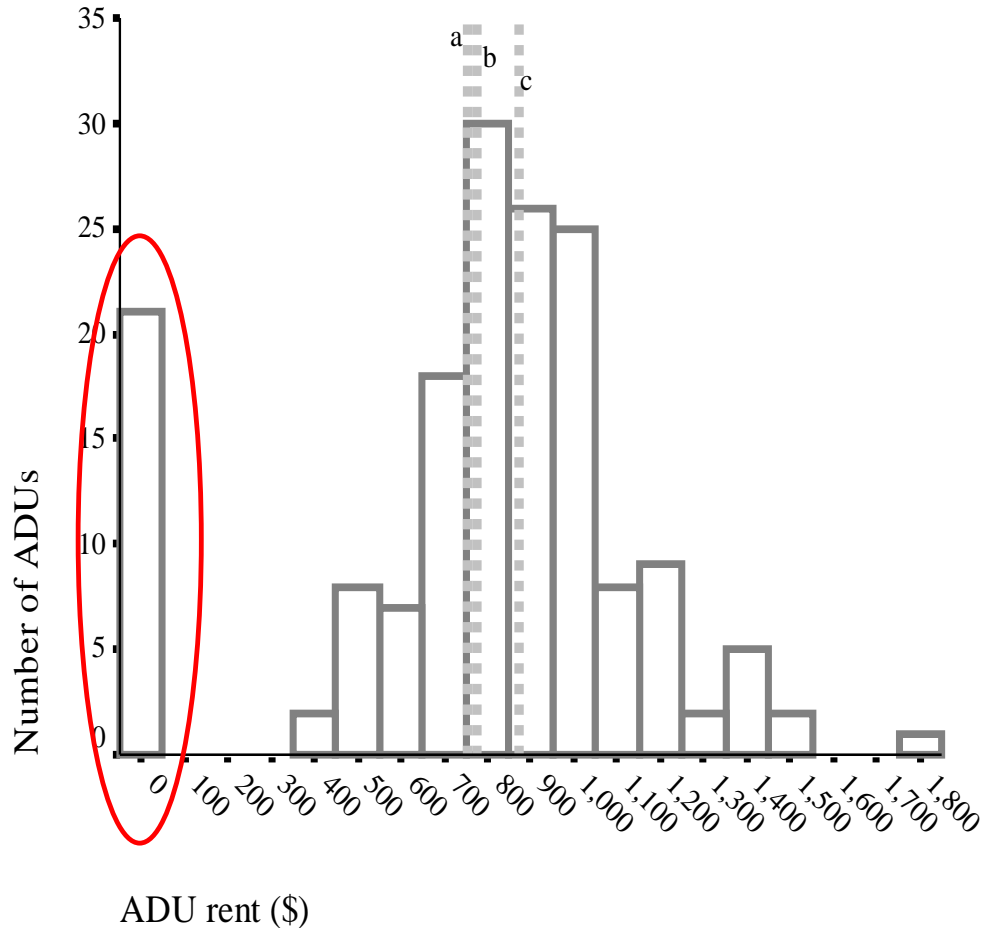
Detached ADU

- Average cost \$100,000

Attached ADU

- Average cost \$50,000

Rental rates



- ADU avg \$756/month (with \$0 rents)
- Comparable multi-family rent avg 778sqft/month

Do ADUs provide affordable housing?

Occupant

1. 13% of ADU occupants are charged \$0 in rent
2. 5% of ADU occupants are charged <\$500/month



18% of
ADUs
provide
affordable
housing



85% of these
tenants are
family or
friends of the
ADU owner

Owner

3. 48% of ADU owners are between 55 and 74 years old. The ADU will make their housing more affordable into retirement.

Developer

4. Average cost of new ADU is \$78,000. How does this compare to the cost of a new affordable housing unit?

Future ADU trend?

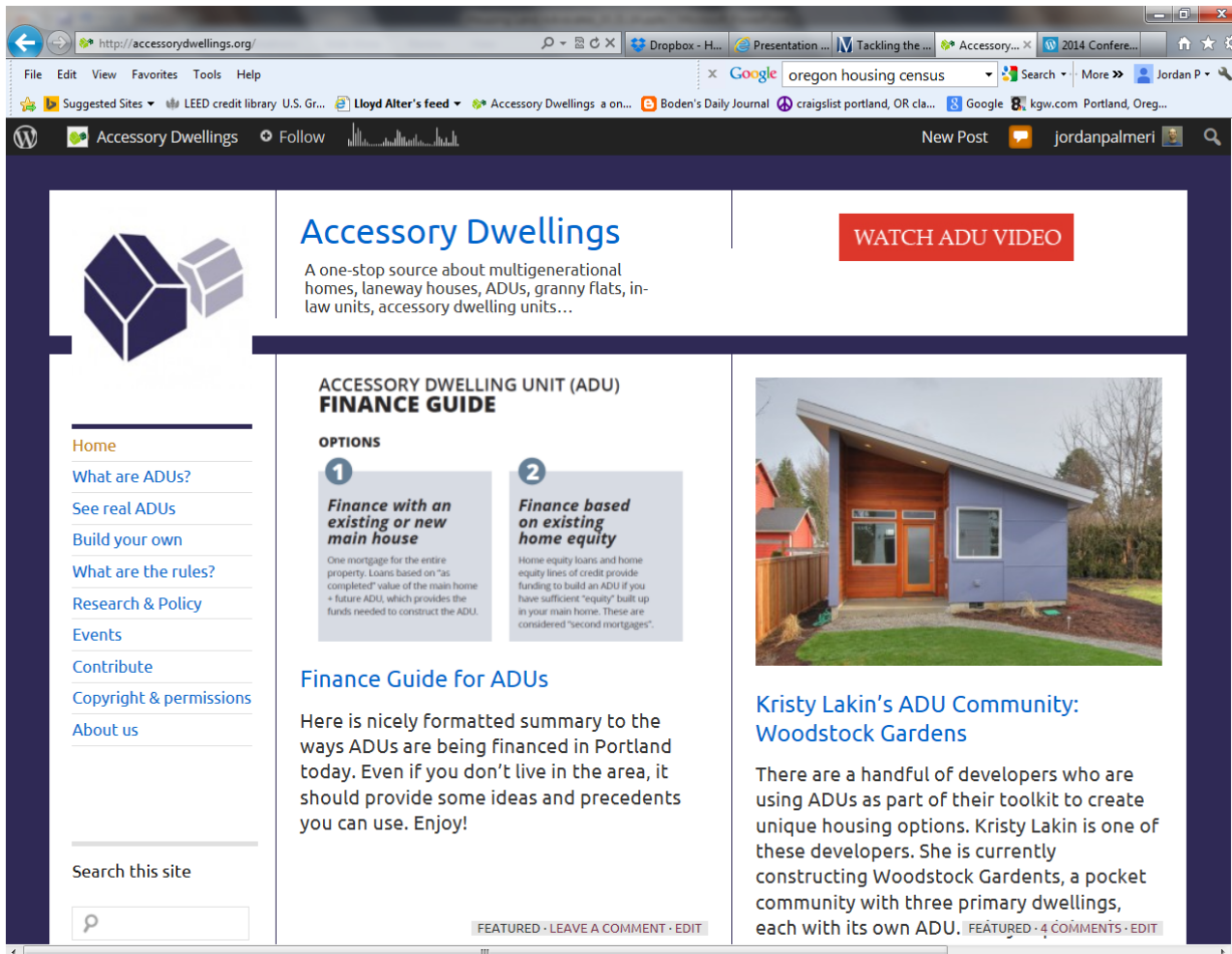
Separating ownership to create affordable starter homes?



Sabin Green



Woodstock Gardens



The screenshot shows the website's homepage with a dark blue header and sidebar. The main content area features a large heading 'Accessory Dwellings' with a sub-description: 'A one-stop source about multigenerational homes, laneway houses, ADUs, granny flats, in-law units, accessory dwelling units...'. A red button labeled 'WATCH ADU VIDEO' is positioned to the right. Below this is a section titled 'ACCESSORY DWELLING UNIT (ADU) FINANCE GUIDE' with two numbered options: '1 Finance with an existing or new main house' and '2 Finance based on existing home equity'. A photograph of a modern blue and orange ADU is shown. The article text below the photo reads: 'Kristy Lakin's ADU Community: Woodstock Gardens. There are a handful of developers who are using ADUs as part of their toolkit to create unique housing options. Kristy Lakin is one of these developers. She is currently constructing Woodstock Gardens, a pocket community with three primary dwellings, each with its own ADU.'

Includes:

- Case studies
- Videos
- Tour info
- Zoning code
- Appraisal guide
- Financing guide
- Research

ADU finance guide



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ACCESSORY DWELLING UNIT (ADU) FINANCE GUIDE



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OPTIONS

1

Finance with an existing or new main house

One mortgage for the entire property. Loans based on “as completed” value of the main home + future ADU, which provides the funds needed to construct the ADU.

2

Finance based on existing home equity

Home equity loans and home equity lines of credit provide funding to build an ADU if you have sufficient “equity” built up in your main home. These are considered “second mortgages”.

3

Finance independently of main home

Besides personal loans, credit cards, and family loans there aren’t any currently established “second mortgage” options for people who don’t have sufficient equity (option 2) or don’t want to refinance (option 1).

FEATURED IN THIS GUIDE! *Turn over for more information »*

FUNDING GAP!

Contact AccessoryDwellings.com if you offer this financing.

ADU financing guide

(handout provided)

A Practitioner's Guide to Appraising ADUs

An accessory dwelling unit (ADU) is a small self-contained dwelling, typically with its own entrance, cooking, and bathing facilities, that shares the site of a larger, single-unit dwelling. ADUs may be attached, as in the case of a basement apartment, or detached, as in the case of a backyard cottage. An ADU is not a separate property; it has the same owner as the primary dwelling.

Because ADUs are an emerging type of residential development with unique legal uses, real estate appraisers frequently misunderstand how to account for them. We recommend you follow these four steps when appraising any property with an ADU.

1 | *Ensure ADU is legal and confirm that main house + ADU can be rented.*

In the City of Portland and most parts of the Portland metropolitan region, both the main home on the property and a legally created ADU on the lot can be simultaneously rented. In other words, the property owner does not need to live in either unit. These legal, income-producing uses of the property with an ADU may affect your opinion of the Highest and Best Use (HBU) of the property. If the ADU is not in the City of Portland, then it is important to check with the local municipality to find out if both units can be rented. Typically, "owner occupancy" requirements will be listed in the ADU section of a city's zoning code.

» FOOD FOR THOUGHT

If only the main home or ADU can be rented, but not both simultaneously, consider how to best develop the opinion of contributory value of the ADU alone. Is income data available? Is cost data available? What is the usability of the ADU's square footage compared to the main home?

2 | *Conduct the HBU.*

Consider these questions: What are market rents for the main home and the ADU? What are the Gross Rent Multipliers (GRMs) for the area and property type? Does a consideration of rents for the main home and the ADU affect the test of "maximally productive" for the property -- does it lead to a higher opinion of value through the income approach?

3 | *Decide on which approaches to value will be developed in the appraisal.*

Based on the HBU, will the sales comparison, cost, and income approaches be developed? The number of approaches being developed will inform the reporting format.

4 | *Report the findings.*

If all three approaches to value are developed, then Fannie Mae form 1025 (the 2-4 unit form) may be the best way to report your appraisal results because it provides a simpler income format than Fannie Mae form 1004. If using form 1004, remember to check the "One with Accessory Unit" box in the Improvements section, and add your rent schedules to the report.



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AccessoryDwellings.org



4 steps

- 1) Ensure ADU is legal and main house can be rented
- 2) Conduct HBU
- 3) Decide which approach to value will be used
- 4) Report the findings

Accessory Dwelling Unit (ADU) Potential

35



Accessory Dwelling Units

Infographic by Ryan Sullivan / www.pasteinplace.com

 LIVE  RENT

Thank You!



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- <http://www.deq.state.or.us/lq/sw/wasteprevention/greenbuilding.htm>