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
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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.

Photo: City of Santa Cruz
Why does Oregon DEQ like them?
Building Small **is** a green building strategy.
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*

*Source: City of Milwaukie and URBSWORKS*
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

Number of Permits

Year Submitted


Source: City of Portland, Bureau of Planning and Sustainability

SDC Waiver Begins
Spring 2010
Where are ADUs being built?
Where are ADUs being built?
Where are ADUs being built?
Where are ADUs being built?
Where are ADUs being built?
Where are ADUs being built?
Survey Research of ADU owners

Table 2: Final Response Rates

<table>
<thead>
<tr>
<th></th>
<th>Target Completes</th>
<th>Total Completes</th>
<th>Valid Sample</th>
<th>Response Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portland</td>
<td>248</td>
<td>290</td>
<td>673</td>
<td>43.2%</td>
</tr>
<tr>
<td>Eugene</td>
<td>82</td>
<td>49</td>
<td>91</td>
<td>53.8%</td>
</tr>
<tr>
<td>Ashland</td>
<td>57</td>
<td>30</td>
<td>66</td>
<td>45.5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>369</strong></td>
<td><strong>830</strong></td>
<td></td>
<td><strong>44.6%</strong></td>
</tr>
</tbody>
</table>
Are ADUs providing housing?

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

- Long-term residence: 79.5%
- Short-term housing: 4.5%
- Work or living space: 11.4%
- No current use: 0.8%
- Other: 3.8%

Comparable: % of all Portland dwellings actually used as housing

Source: Martin J. Brown, Get the data
Household Size

Average ADU household size = 1.45 people
ADU owner status?

- 70% owner occupied
- 30% non-owner occupied
Who lives in ADUs?

ADU Occupant Gender

- 57% Female
- 43% Male
Who lives in ADUs?

**Occupant Age Profile**

- 18-24 years: 3%
- 25-34 years: 24%
- 35-55 years: 18%
- Over 55 years: 15%
- Don't know: 7%

Who lives in ADUs?

<table>
<thead>
<tr>
<th>Tenant age class</th>
<th>Percent of tenants (householders)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;25</td>
<td>ADU tenants: 20%</td>
</tr>
<tr>
<td>25-34</td>
<td>All Portland tenants: 40%</td>
</tr>
<tr>
<td>35-54</td>
<td>ADU tenants: 40%</td>
</tr>
<tr>
<td>55+</td>
<td>All Portland tenants: 20%</td>
</tr>
</tbody>
</table>

Tenant age class
Who owns Portland ADUs?

The diagram shows the distribution of ADU owners and all homeowners by owner age class. The x-axis represents the owner age class, ranging from <25 to 75+, while the y-axis represents the percent of owners.

- ADU owners are depicted with lighter bars.
- All homeowners are depicted with darker bars.

The data indicates that the majority of ADU owners are in the age classes 45-54 and 65-74, with a smaller percentage in the younger age classes.
How are ADUs financed?
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.

- newer rented SFRs: 800 square feet
- all SFRs: 700 square feet
- "primary" SFRs: 574 square feet
- all ADUs: 470 square feet
- detached ADUS: 450 square feet
- all rented SFRs: 404 square feet

Source: Martin J. Brown, Get the data

Created with Datawrapper
Do ADUs cause parking problems?

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 778 sqft/month
Do ADUs provide affordable housing?

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

**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?

18% of ADUs provide affordable housing. 85% of these tenants are family or friends of the ADU owner.
Future ADU trend?
Separating ownership to create affordable starter homes?

Sabin Green

Woodstock Gardens
Accessorydwellings.org

Includes:
• Case studies
• Videos
• Tour info
• Zoning code
• Appraisal guide
• Financing guide
• Research

Accessory Dwellings
A one-stop source about multigenerational homes, laneway houses, ADUs, granny flats, in-law units, accessory dwelling units...
ACCESSORY DWELLING UNIT (ADU) FINANCE GUIDE

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.
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.

FOD 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 205 (the 2-unit form) may be the best way to report your appraisal results because it provides a simpler income format than Fannie Mae form 204. If using form 204, remember to check the “One with Accessory Unit” box in the Improvements section, and add your rent schedules to the report.

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

2010

2020

2040

Accessory Dwelling Units
Infographic by Ryan Sullivan / www.pasteinplace.com
Thank You!

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