Accessory Dwelling Unit Market Assessment

Executive Summary

This report is a qualitative market assessment (Assessment) of accessory dwelling units (ADU) based on available data, literature and studies, focus groups, panel discussions, and surveys. The Assessment was developed by Maryland Department of Planning (MDP) and Maryland Department of Housing and Community Development (DHCD) staff and a graduate intern to inform the ADU Policy Task Force's (Task Force) deliberations and accompany the final report. 2023's SB 382 required that the Task Force's recommendations address ADU "impacts on local housing markets, neighborhood livability, and other policies and projects related to accessory dwelling units". The Assessment is guided by four research questions.

1. How do state and local policies, regulations, and implementation efforts facilitate or deter ADU construction ADU construction?
2. How does the construction of ADUs affect the viability and attractiveness of local housing markets?
3. What roles do policy and market demand play in driving ADU development?
4. How do ADUs impact neighborhood livability regarding the provision of public facilities, sustainability, affordability, and other related factors?

The Assessment yields the following findings:

1. While the removal of owner-occupancy requirements could potentially increase ADU construction, such requirements support neighborhood stability and livability while contributing to slow densification.
2. There is a growing consensus of the need for by-right approval processes, streamlined review procedures, and pre-approved design plans to facilitate ADU development.
3. Regulations on minimum lot size and maximum unit size are widely favored, and some suggest incorporating inclusive design elements to accommodate persons with disabilities.
4. Amnesty programs are seen as a valuable opportunity to convert unpermitted, potentially hazardous units into compliant ADUs, thereby enhancing neighborhood safety and providing additional housing options.
5. Studies in areas which have closely tracked ADUs indicate that their average rent is often more affordable than that of a one-bedroom apartment.
6. While there are concerns about ADUs increasing impervious surfaces, others stress their potential to reduce the overall carbon footprint. Moreover, ADUs typically occupy fewer square feet per person compared to traditional housing options, contributing to efficient land use.
7. Suggestions for addressing environmental concerns include implementing stormwater management and control measures for additional impervious areas and permitting ADUs only on properties served by public water and sewer systems.
8. Multiple surveys note parking availability as a top ADU concern. However, the only study quantifying this ADU impact, in Portland, Oregon, found no connection between ADUs and parking availability.
9. ADUs are a promising housing option for older adults and individuals with disabilities.
10. Ordinances and programs are most effective, and lead to ADU construction, when they are informed by community input, track ADU permits, and are adjusted to meet market demands and homeowner needs.
11. ADU financing remains a hurdle for many homeowners, requiring incentives to stimulate construction. High permitting and development fees and parking regulations also present barriers. As a result, ADU construction has concentrated in middle to high income communities, perhaps limiting ADUs as a wealth-building or equity-promoting housing product.

12. ADU permitting data in Maryland is limited. Further quantitative analysis, supported by permitting data, is needed to fully measure the impact of ADUs on housing markets and neighborhood livability.

The Assessment demonstrates that the most significant policies, regulations, and implementation efforts influencing ADU construction are those governing owner occupancy, off-street parking requirements, lot and unit size, financing, and complex zoning and building codes. Moreover, obstacles such as Homeowners Association (HOA) covenants, lengthy and costly special exception or conditional use processes, and rules requiring ADU residents to be family members of the principal dwelling owner impede ADU proliferation, prompting calls for unified regulations.

ADU studies in American communities considering or implementing ADUs, as well as national research surveys and surveys completed by the Task Force, reveal significant demand for ADUs, a variety of reasons why homeowners want to construct ADUs, and that the majority of ADU residents consist of young adults and older adults. Additionally, ADUs often serve as accessible housing options for individuals with disabilities, with focus group participants suggesting inclusive design elements. Research also shows that ADUs are more commonly constructed in high to middle income census tracts and that their wealth building and affordable housing benefits may not extend to lower income or underserved communities.

Local and state policy influences market demand by spurring and/or incentivizing ADU development. In several states, there is a notable proliferation of ADUs in areas with good job access and reasonable rent levels. Community engagement initiatives have also played a pivotal role in addressing contextual challenges that hinder ADU development. Continuous outreach and ADU program assessment and modification can contribute to an increase in the number of ADUs through refined ordinances and targeted programs. ADUs also have the potential to bridge the gap in affordable housing options for various income classes because renting an ADU reduces the overall demand for affordable rental units.

The impact of ADUs on neighborhoods depends on factors such as housing demand, lot size, property value, and neighborhood typology. ADUs offer a practical strategy for slow densification and addressing land scarcity, particularly when their design aligns with existing neighborhood characteristics. Evident demand for multigenerational housing exists, for which ADUs emerge as a viable option. Urban and suburban markets, particularly those experiencing rapid expansion and affordability challenges, are well-suited for ADUs. Nevertheless, the rising cost of development presents challenges for ADU owners seeking to provide affordable rentals, potentially resulting in ADUs being used as short-term rentals. In affluent neighborhoods, ADUs may not be accessible to low-income individuals. To incentivize affordable rentals, some proponents have suggested the implementation of rent control for a specified period.

ADU proliferation is hindered by real or perceived neighborhood livability threats related to parking, environmental degradation, and code enforcement. Some surveys indicate that parking availability is a top concern, although staff found no studies documenting that ADUs have a negative impact on parking. According to a Task Force survey of environmental organizations, ADUs may have a moderate to high impact on the environment, mainly through the expansion of impervious surfaces. However, the same survey, along with other studies, demonstrates the promise of ADUs to reduce carbon emissions and contribute to efficient land use. ADU Amnesty programs also present an opportunity to ensure illegally constructed ADUs meet code requirements and expand housing choice.

Overall, while there are challenges surrounding ADU development, they offer promising solutions to gently increasing residential density in traditional single-family neighborhoods, bring vitality to communities through a diversity of housing types that suit both young and old. State and local policies

can drive demand for smaller dwelling units by encouraging market flexibility, simplifying processes, and developing ordinances and regulations that respect community context.

Introduction

An ADU is a secondary housing unit located on the same property as a primary residence. Also known as granny flats, in-law suites, or backyard cottages, ADUs are typically smaller, self-contained living spaces with their own entrance, kitchen, bathroom, and living area. They can be attached to the primary residence, such as a basement apartment or converted garage, or detached, such as a stand-alone cottage in the backyard.

In recent years, ADUs have gained significant attention as a solution to housing shortages and affordability issues in challenging markets. They offer varied and flexible housing options, particularly in high-demand urban areas. ADUs, nestled within existing residential properties, address neighborhood context concerns by utilizing underused spaces and diversifying housing types. Their versatility makes them appealing to both homeowners and renters, facilitating the provision of affordable housing options. As cities strive to accommodate growing populations and enhance housing affordability, ADUs emerge as a promising strategy to meet these pressing challenges.

Several states in the United States, such as California, Oregon, Washington, and Massachusetts, are actively adjusting ADU policies and regulations as one option to address the housing crisis[1]. These measures include easing zoning restrictions, streamlining permitting processes, and offering financial incentives to encourage ADU construction. Historically, accessory dwelling units have been integral to the nation's housing landscape, providing supplementary housing options that accommodated changing household needs and demographics. Today, ADUs have gained traction across a significant number of states in North America, including Canada, as a response to the acute housing crisis and soaring prices. Many communities grappling with housing shortages and affordability concerns are considering ADUs to bolster housing supply, offer affordable options, and foster sustainable urban development; prompting policymakers, housing advocates, and urban planners to study ADUs as an alternative housing option and implement strategies to promote their development further.

In Maryland, the Fair Market Rent (FMR) for a two-bedroom apartment stands at $1,616, requiring a household to earn $64,642 annually to afford housing without exceeding 30% of income on rent and utilities. However, the average renter wage in Maryland is $22.71 per hour, significantly lower than the $31.08 per hour needed to afford a two-bedroom apartment in the state.[2] In a survey of 807 adults in Maryland by American Strategies, respondents believed that denser ‘missing middle’ development is the solution to address the housing crisis and 74% responded favorably to enabling homeowners to build

[1] Expanding ADU Development and Occupancy: Solutions for Removing Local Barriers to ADU Construction, AARP (2023)

[2] Out of Reach 2023 – The High Cost of Housing, National Low Income Housing Coalition

ADUs.[3] This disparity accentuates the challenge faced by low-income populations in Maryland, highlighting the need for policies and initiatives to address housing affordability issues and investigate ADUs as a viable housing option.

> 73% stated that housing options are inadequate for young people, people with low and moderate income, and senior populations.
> Survey of 807 adults in Maryland by American Strategies

Maryland Senate Bill 382 established the Task Force to survey and document a representative sampling of state and local codes, ordinances, laws, and policies regarding the development and operation of ADUs in areas zoned for single-family residential (SFR) use. The final report to the Governor and General Assembly required the Task Force to "holistically address the impacts on local housing markets, neighborhood livability, and other policies and projects related to accessory dwelling units". Because of the absence of available quantitative ADU data in Maryland, the Task Force opted for a predominantly qualitative approach in analyzing the housing market; conducting an ADU Market Assessment instead. Thus, the Task Force facilitated focus groups, panel discussions and surveys to generate qualitative data and insights from local contexts, coupling and that insight with existing literature on ADUs in North America.

ADU Market Assessment

Examining the impact of ADUs on the housing market requires a detailed analysis of local housing dynamics and administrative procedures for ADU construction. Reviewing the ADU movement across states over the last decade reveals that states which reformed policies and regulations in response to local demand have witnessed ADU growth by stressing the importance of adapting to evolving housing needs. Assessing the positive and negative effects of ADUs on property values is crucial for informed decision-making. Beyond regulatory considerations alone, evaluating the potential of ADUs in Maryland involves understanding local housing challenges and the potential benefits of ADU implementation.

The ADU Market Assessment (Assessment) uses a combination of qualitative methods, such as focus groups, panel discussions, surveys, and a literature review of academic studies and advocacy organizations to gain insights into prevailing concerns about ADUs and to frame our understanding. The Task Force established a series of objectives and research questions to guide the Assessment, aiming to address these objectives through the methods listed above. In focus groups and panel discussions, stakeholders shared their experiences, concerns, and aspirations regarding ADUs, which was crucial for capturing the possible impact of ADUs on local communities. To address the objectives outlined by the Task Force, the literature review examined scholarly articles and studies sourced from advocacy organizations working in North American cities that are experiencing an increase in ADU construction.

[3] National Association of REALTORS® MD – State of Housing January 2024

The Task Force outlined four research questions to guide the ADU Market Assessment.

1. **How do state and local policies, regulations, and implementation efforts facilitate or deter ADU construction?** This inquiry aims to understand the impact of local policies, community engagement, and the built environment on ADUs, as well as how ADUs influence these aspects in return.
2. **How does the construction of ADUs affect the viability and attractiveness of local housing markets?** This includes examining the demographics of ADU renters, the motivations of homeowners building ADUs, and the neighborhoods where ADU construction is prevalent, along with any potential impact on property values.
3. **What roles do policy and market demand play in driving ADU development?** This question aims to understand how local housing demand impacts ADU construction and whether different communities show varying levels of interest in ADUs. Additionally, it explores the extent to which policy can shape the demand for ADUs within different community contexts.
4. **How do ADUs impact neighborhood livability regarding the provision of public facilities, sustainability, affordability, and other related factors?** This question assesses quality of life aspects and identifies strategies to mitigate any negative impacts on neighborhoods while ensuring that ADUs contribute positively and increase affordable housing supply.

Local Housing Markets

1. How do state and local policies, regulations, and implementation efforts facilitate or deter ADU construction?

The first question explores the obstacles interested homeowners face when building an ADU and how state and local policies shape ADU construction by analyzing factors that impede or foster their viability as housing options, including regulatory barriers and supportive measures. To answer this question, the Task Force organized focus groups, panel discussions, and surveys to gather stakeholder perspectives of complications faced during ADU construction from the perspective of policy, regulation, and implementation. Given Maryland's absence of state ADU policies, the literature review synthesizes insights from other states' regulations and appropriate studies to clarify the intricate relationship between policy, regulation, and ADU proliferation.

Focus Groups and Panel Discussions:

The Housing Organization Focus Group highlighted the complexity of ADU construction, citing challenges from permitting construction, such as zoning and regulation enforcement, which is worsened by inadequate homeowner assistance programs. Participants from the ADU Owner, Resident, Accessibility, and Aging Advocates (AORAA) Focus Group emphasized the importance of having accessible information and support at the local level for homeowners interested in building ADUs. They stressed the need for prompt answers to zoning and approval questions from local planning and permitting staff, as well as the

avoidance of costly and time-consuming appeal processes. Both the AORAA and the Housing Organizations Focus Group suggested that jurisdictions should consider pre-approving certain ADU architectural models and actively promoting them to streamline the process. Participants in the Planning Directors Panel Discussion (Planning Directors Panel) echoed this sentiment, highlighting the potential for facilitating ADU production by allowing units by-right, streamlining local review processes, and providing pre-approved architectural plans along with staff assistance. Additionally, the Housing Organization Focus Group pointed out a current lack of marketing for ADU housing products.

Housing Organization Focus Group, HOA and Community Association Focus Group and Planning Directors panel discussed ADU ordinances in local jurisdictions (*Table 1*) and how local regulations and enforcement may shape the development of ADUs. The AORAA Focus Group noted that Homeowners Association (HOA) covenants can be confusing and prohibit ADU development. The Planning Directors Panel shared the same concern that HOA and Community Association covenant limitations act as barriers to ADU development and recommended that the Task Force address the issue.

Table 1: Stakeholders Shared How Local Jurisdictions May Impact ADU Proliferation.

Housing Organization Focus Group	HOA and Community Association Focus Group	Planning Directors Panel Discussion
Extreme local control is harmful to housing development in general. Unique ordinances deter the development of ADUs. Initially, local ordinances lock down the proliferation of ADUs with excessive restrictions. As the initial regulations are loosened over time through legislative amendments, the ADU ordinances become flexible and more ADUs are built. For example, in California one out of every four building permits is for ADUs.	ADUs will increase challenges to HOA enforcement of covenant requirements, especially during real estate transactions. Robust enforcement of ADU ordinances is needed to prevent evasion of regulations, both during and after the permitting process. Allocation of resources is needed for monitoring requirements; particularly for familial relationships or owner occupancy, to prevent exploitation by investors. ADU ordinances are only as effective as a local government's ability to enforce them; and state ADU legislation should allow jurisdictions to enact stricter rules based on local context and necessities	The Task Force should consider how communities can enforce ADU regulations within their jurisdiction, especially those without proper permits.

Participants from the Housing Organization Focus Group and the HOA and Community Association Focus Group highlighted the importance of rental licensing and monitoring programs to enforce ADU regulations. A participant from the AORAA Focus Group highlighted the challenge of funding limitations and limited access to construction loans when building a new home with an ADU intended for rental purposes. This constraint can lead homeowners to consider short-term rentals as a more viable option. The group expressed the importance of incentives, such as tax breaks and funding resources, to encourage accessible housing products. Additionally, during the Planning Directors Panel discussion, it was suggested that waiving fees for utility connections, such as water and sewer, could promote the development of ADUs.

The Housing Organization Focus Group emphasized the significance of rental flexibility for ADUs, highlighting the need for homeowners to be able to rent to non-family members. They noted the rising foreclosure rates among homeowners struggling with mortgage payments, along with increased evictions due to the end of federal funding during COVID. They highlighted that familial requirements are an obstacle and hard to enforce; and suggested the Task force carefully consider the necessity of mandating familial connections.

Survey Responses:

Nineteen respondents provided feedback for the builder survey. The responses were from companies primarily engaged in residential development work, with a focus on Modular or Tiny homes, single-family residential construction and renovations, as well as ADUs and accessory structures. The respondents were asked to grade the impact of state and local policy and regulation on the proliferation compared to housing market pressures and demand, on a scale of 1 to 5 with 1 being not significant at all and 5 being very significant (see Figure 1). 47.4% respondents rated the impact at the highest rating (5); while 31.6% rated the impact as a (4); and 21.1% rated the impact as a (3); no one rated the impact as (1) or (2). From their local experience most ADU policies are restrictive, permitting them only in specific areas and under certain circumstances. The challenges in developing and constructing ADUs were primarily linked to the

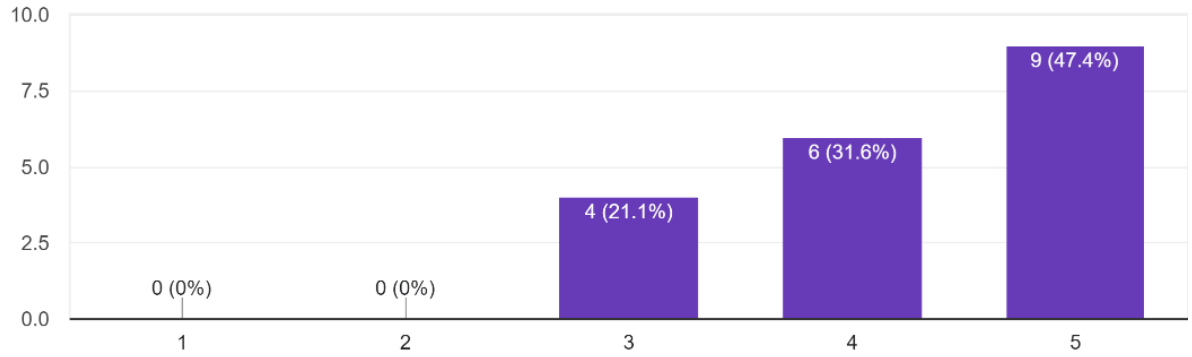


Figure 1: Respondents from Builders/Developers Survey Grade the Impact of State and Local Policy on ADU Proliferation, on a Scale of 1 (No Impact) to 5 (Significant Impact).

complexities of zoning and building codes particularly in the review processes, setback requirements, fire suppression system requirements, and owner occupancy mandates. Overly restrictive zoning regulations concerning permissibility, density, setback requirements, and lot size were cited as significant barriers to ADU proliferation. Respondents also noted high permitting and development fees, parking requirements, and a lack of financial incentives and public awareness as additional challenges. Separate septic system requirements for ADUs, and access to local materials were mentioned to a lesser extent. The Builder Survey respondents also emphasized that allowing ADUs by-right accelerates the pace of construction. It provides certainty to property owners regarding their ability to build one on their property. On the other hand, when you must go through a community engagement process such as the special exception process, it destroys the momentum. According to the 19 respondents, the main barriers to constructing ADUs were as follows, ranked by impact: 83% identified zoning limitations, 67% cited the permitting process, 50% mentioned parking restrictions, 44% responded with insufficient financing, 39% noted construction costs and building codes, and 28% indicated local opposition. Regarding the cost of ADUs, 32% of respondents reported costs exceeding $150,000, while 11% indicated costs ranging between $100,000 and $150,000, 32% stated that costs were under $100,000. However, the responses did not account for factors such as the size of the ADU, whether the unit is entirely enclosed or integrated into an existing primary dwelling, or if it involves converting another structure on the property.

The Builder Survey respondents also mentioned education on ADU construction policies is crucial. Many individuals genuinely support ADUs but may not fully comprehend housing and building innovation because they lack exposure to it. For instance, one survey respondent mentioned converting shipping containers into an ADU as a reusable option of a steel structure and noted that these structures are not covered by insurance policies due to their non-traditional nature.

43% of respondents indicated they were open to building an ADU, 8% already owned an ADU, and 49% reported not wanting an ADU on the same parcel as their homes.

2023 Sacramento, CA Study

Literature Review:

Single family residential homeowners function as ADU developers in most instances, and research shows that sufficient interest in ADUs exists within this demographic, alongside significant concerns about development complexity and uncertainties. An academic study conducted in 2023 of 502 single family homeowners in the Sacramento area demonstrated a general openness to constructing ADUs. That study concluded that, of the reasons for not wanting an ADU, 49.6% of respondents mentioned lack of space required by zoning regulations, 31% homeowners said they did not need an ADU, and 14.3% mentioned privacy concerns. [4]The American Association of Retired Persons (AARP) and the American Planning Association (APA) partnered to conduct surveys and studies across the nation; aimed at gauging public interest in ADUs and associated concerns. Homeowners, as highlighted by AARP studies on ADUs, frequently cited challenges such as space and size restrictions, occupancy limitations, and off-street

[4]Exploring Homeowners' Openness to Building Accessory Dwelling Units in the Sacramento Metropolitan Area, Journal of the American Planning Association, 89:1, 45-60, Jamey M. B. Volker & Susan Handy (2023)

parking requirements when discussing the complexities associated with ADU development. Surveys also identified owner occupancy requirements, zoning and permitting barriers, excessive fees, financing challenges, lack of experience, lot sizes, primary dwelling sizes, and limitations on ADU size as obstacles [5], [6]. A 2021 AARP study on US adults' neighborhood preferences found that 4% currently had an ADU, while 26% without one would consider adding it if space allowed.[7] Among those uninterested, 81% primarily cited lack of need, while over half mentioned concerns about costs, property taxes, complexities associated with being a landlord, the permitting process, and local restrictions as deterrents regarding the entire construction journey associated with ADUs, from initial application to financing and regulatory compliance.

Evidence from several states and cities where ADUs have proliferated suggests that promoting the viability of ADUs has been an incremental process, with the adjustment of ADU legislation and the modification of regulations over time being essential for increasing their popularity.

> Regulatory incentives appear successful in fostering affordable housing, as ADU rents are comparable to or slightly lower than those of one-bedroom apartments in these North American cities.
>
> *Accessory Dwelling Unit - a step by step guide to Design and Development, AARP (2019)*

ADU regulations from Vancouver, Portland, Seattle, Ashland, Austin, Denver, Oakland, and Washington, D.C. show notable incentives to promote ADU construction. For instance, as of 2017 Ashland, OR had 191 ADUs, while Oakland, CA boasted 404 ADUs, with incentives such as fee waivers and pre-packaged ADU designs. Interestingly, regulation allowing ADUs to be sold separately, if the property is a condominium, have led to 1,396 ADUs in Seattle.[8] ,[9] By examining regulatory examples from cities with successful ADU programs, such as Portland, Seattle, and Vancouver, valuable insights emerge. Portland's approach, characterized by no owner occupancy requirement, streamlined processes, and fee waivers, showcases the effectiveness of supportive policies and proactive municipal support for ADUs. Seattle's encouragement of ADUs, informed by extensive study reports, underscores the importance of evidence-based policymaking. Vancouver's proactive approach to tackling its housing crisis, characterized by density reforms and incentives such as the "laneway housing" program, showcases the power of policy innovation in utilizing underused spaces to combat housing challenges. With the city's standard residential plots measuring approximately 33 feet by 122 feet, there emerged an opportunity to construct small residential units facing the back alleys.[10]

[5] Jumpstarting The Market for Accessory Dwelling Units: Lessons Learned from Portland, Seattle and Vancouver

[6] ABCs of ADU - A Guide to ADUs And How to Expand Them.

[7] Expanding ADU Development and Occupancy: Solutions for Removing Local Barriers to ADU Construction

[8] Accessory Dwelling Unit - a step by step guide to Design and Development, AARP (2019)

[9] Accessory Dwelling Unit (ADU) Development Trends, Oregon Dept of Environmental Quality

[10] Jumpstarting The Market for Accessory Dwelling Units: Lessons Learned from Portland, Seattle and Vancouver

A 2019 study of exclusionary ADU zoning in Long Island shows how the prevalence of 90,000 illegal units complicates ADU regulation and implementation, introducing issues related to housing undocumented immigrants. Parking shortages, concerns about overcrowding, and violations of housing codes further impede regulatory efforts, highlighting the imperative for comprehensive and coordinated approaches to ADU regulation. The study concludes that the complexity of exclusionary zoning contributes to the underutilization of ADUs.[11] The degree of ADU adoption demonstrates considerable variation influenced by location and local regulations. While cities like Los Angeles and Portland experienced a significant increase in ADU construction in response to housing challenges, this trend is not mirrored in cities such as Minneapolis.[12] While substantial regional difference in ADU demand is evident, regulatory incentives appear to increase the number of ADUs.

Research Question Conclusion:

State and local policies play a crucial role in shaping the adoption of ADUs, but their proliferation faces significant hurdles due to the complexity of zoning and construction regulations. Homeowners express interest in ADUs, yet uncertainty persists regarding the application process and regulatory requirements. There is a clear demand for streamlined zoning procedures and quicker responses to inquiries, along with pre-approved design plans to facilitate ADU construction. Key concerns include regulations related to owner occupancy, parking requirements, lot and unit size, as well as financial challenges like impact fees and utility installation costs. High permit fees and development expenses, coupled with a lack of financial incentives, pose additional obstacles to financing ADU construction. In some cases, the absence of funding options prompts homeowners to consider short-term rentals instead. Evidence from various locations, including Oregon, California, Seattle, and Austin, highlights the positive impact of easing restrictions on ADU construction rates. Furthermore, barriers such as HOA covenants, special exception reviews, and restrictions on who can reside in ADUs are prevalent in many Maryland counties, further impeding ADU development.

Some stakeholders engaging with the Task Force argued that overly contextualized public involvement processes can impede the ADU development momentum, contrasting with the beneficial impact of by-right laws. As we see from examples, unique ordinances contribute to uncertainty between jurisdictions, increasing the underutilization of ADUs, notably in racially segregated neighborhoods affected by exclusionary zoning. Yet addressing concerns about regulatory enforcement suggests the need for state legislation granting local governments the authority to enact context-specific regulations. Striking a balance between statewide uniformity and local autonomy is essential to effectively navigate the complexities of ADU development and foster equitable housing solutions.

[11] Classifying Regulatory Approaches of Jurisdictions for Accessory Dwelling Units: The Case of Long Island. Journal of Planning Education and Research, 43, 60 - 80. Anacker, K.B., & Niedt, C. (2019).

[12] AARP ADU: Model State Act and Local Ordinance

2. How does the construction of ADUs affect the viability and attractiveness of local housing markets?

The assessment examines how the construction of ADUs impacts the viability and appeal of local housing markets, particularly concerning property values. It examines the specific demographics of renters drawn to ADUs, the motivations of homeowners who build them, and the neighborhoods where ADU construction is prevalent. To tackle these inquiries, stakeholders participated in focus groups and panel discussions. Furthermore, the literature review explores findings from cities and states with active ADU construction to discern the income brackets of those constructing ADUs and their utilization patterns.

Focus Groups and Panel Discussions:

Participants from the AORAA Focus Group voiced their concerns about segregated living situations for individuals with disabilities or aging family members, emphasizing the importance of fair housing. They drew attention to the urgency of creating housing options for the aging population by highlighting that ADUs can address long wait times for accessible affordable housing and bridge the demand for affordable housing options as registered rental properties. The HOA and Community Association Focus Group also emphasized the potential of ADUs to provide housing for vulnerable populations in Maryland, including the unhoused, seniors, and individuals with disabilities.

> Ordinances permitting ADUs to be used as short-term rentals may not effectively address and may negatively impact long-term housing needs and may contribute to transient populations in neighborhoods.
>
> *Planning Directors Panel*

The Planning Directors Panel acknowledged the public demand for ADUs while pointing out their slow integration into the rental market; attributing this to the need for the market to develop cost efficient processes and ensure profitability. They noted the popularity of ADUs as short-term rentals (STRs) in tourism-driven areas but expressed concerns about their impact on long-term housing availability and affordability. They suggested that ordinances requiring the homeowner to reside in one of the two units on the property, along with prohibiting ADUs from being used as short-term rentals, are more successful in addressing long-term housing shortages. The HOA and Community Association Focus Group described the potential of ADUs to offer additional income to homeowners while promoting a diversity in rental housing options. The Housing Organizations Focus Group considered licensing ADUs as rental units appropriate. However, they expressed concern about their potential use as STRs, citing the example of Annapolis to highlight the potential major negative impacts on neighborhoods such as party houses, parking issues, and noise pollution. They noted that STRs in ADUs may contradict the purpose of ADU ordinances, which aim to provide long-term housing options. However, they also noted that while STRs might pose challenges in some tourist areas, they can be highly desirable in locations with limited hotel accommodations, especially in areas where tourism is a relatively new economic force for the community.

The Housing Organization Focus Group expressed that regulations pertaining to an ADU should continue to be enforceable upon sale of the property. The Planning Directors Panel discussed the necessity of owner occupancy disclosures when selling properties with ADUs, as well as the prohibition of property subdivision in some jurisdictions containing ADUs. They highlighted enforcement challenges related to family occupancy requirements and the potential for liability issues for jurisdictions.

Survey Responses:

Among 19 respondents of the Builder/Developers Survey, 58% reported having worked on projects that included ADUs. Respondents rated their familiarity with ADU development and construction on a scale from 1 (not familiar) to 5 (very familiar). 53% indicated the highest level of familiarity, while 11% stated they were not familiar with ADUs at all. 53% of the respondents said ADUs are considered an optional feature in association with new home construction. In the survey, most respondents expressed experience with ADUs detached from the primary residential structure or as an addition to an existing residential structure. The next most common experience was for an ADU internal to a residential structure, or what the bill refers to as a conversion of a single-family home.

The primary reason cited by 74% of respondents for property owners to consider an ADU was to provide additional living space for family or other connected individuals, such as a caretaker or houseguests. The remaining responses were evenly distributed among categories such as long and short-term rental, aging in place, and semi-independent living for an aging parent. ADUs are one strategy in how we support aging in place and enhance living arrangements for families or individuals by optimizing space usage. ADUs enable seniors to remain in their neighborhoods and avoid being priced out. Additionally, in expensive neighborhoods, ADUs significantly enhance affordability by enabling homeowners of any age to pay for their homes through rental income. Moreover, each person renting an ADU reduces the demand for other rental units, thus positively impacting the overall housing market by increasing supply.

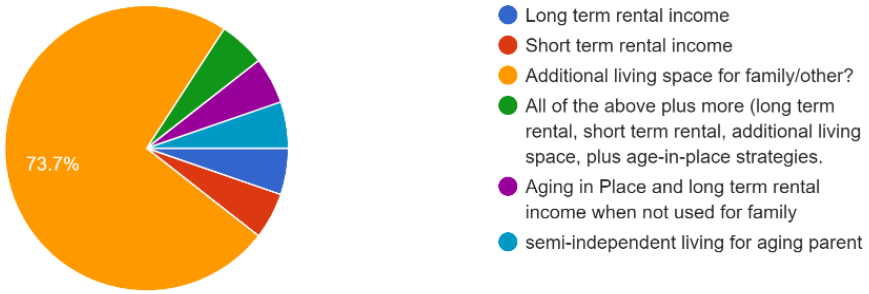


Figure 2 Why Property Owners Consider an ADU, response from Builders/Developers Survey

Literature Review:

Several studies provided insights into the composition of households that construct and reside in ADUs, demonstrating how they contribute to adapting to evolving neighborhood demographics. One of the earliest North American academic studies on ADUs was conducted in Maryland in 1988, specifically

examining accessory apartments in Baltimore City. The study centered on the interest of middle-income elderly populations in accessory apartment conversion, speculating on the phenomenon of declining density in older suburbs as children relocate, leaving parents as 'empty nesters'.[13] The following citations are more recent relating to the composition of households who construct and reside in ADUs:

- In 2022, an ADU Annual Report from Seattle revealed that among ADU owners surveyed, 57% reported utilizing their units for houseguests, while 24% opted for long-term renters, and 15% for short-term renters. [14]
- In 2013, an Oregon report on Portland ADUs found that the average ADU household size was 1.45 people. The study also emphasized that 70% of the ADUs are non-owner occupied and 79.5% ADUs are being used as a long-term residence.[15]
- A study published in 2010 synthesized data from academic studies conducted in Maryland, New York, Boulder, and Seattle, spanning the period from 1988 to 2010, aimed to assess the suitability of ADUs for aging in place. The study noted that ADUs are primarily created by owners aged between 40 and 60, constituting 50% of builders, while 13% are aged over 60. Interestingly, most owners did not have children. The renters typically consisted of young adults under 30 living alone or individuals aged 65 and above. Reasons for adding ADUs varied, including younger adults seeking extra income and improved mortgage affordability, while older adults utilized them for housing family members.[16] In the Seattle context, ADUs are facilitating aging in place for the elderly population while contributing to a balanced density in neighborhoods. ADUs were found to be beneficial in maintaining multi-generational communities and achieving optimal density levels, thereby mitigating sharp fluctuations in demand for community services and facilities.

Multiple studies revealed varying patterns of ADU construction from the perspectives of neighborhood income, job access, and neighborhood ethno-racial composition as follows:

- The 2022 Seattle ADU Annual Report showed a higher concentration of ADU construction in wealthier neighborhoods, defined by census tracts with a median household income exceeding $85,000, which might indicate who can financially afford to build an ADU.
- A report on ADU production in California revealed that 20% of ADUs built between 2016 and 2019 were in census tracts with a median household income of less than $61,000, while an additional 24% were completed in census tracts with incomes ranging from $61,000 to $84,000.[17]
- Another academic study conducted in 2023, also analyzing ADU permitting data in California, revealed variations in ADU construction between Bay Area counties and Southern California

[13] Factors Affecting Middle-Income Elderly Interest In Accessory Apartment Conversion (1988)

[14] Accessory Dwelling Units, 2022 Annual Report, City of Seattle

[15] Accessory Dwelling Unit (ADU) Development Trends, Oregon Dept of Environmental Quality

[16] Accessory Apartments: Are They a Realistic Alternative for Ageing in Place?

[17] Reaching California's ADU Potential: Progress to Date and the Need for ADU Finance, Terner Center for Housing Innovation, University of California, Berkeley, Chapple, Garcia, Valchuis, Tucker, August 2020

counties, without any discernible pattern across regions or counties[18]. The study showed that ADU permits were predominantly granted in census tracts with favorable job access and moderate rent levels, rather than those with the lowest levels. Additionally, the relationship between neighborhood ethno-racial composition and ADU permitting varied by region and county, with the only relatively consistent observation being that tracts with higher proportions of Hispanic or Latino residents tended to have more ADUs.[19]

It is notable that despite similar ADU regulations statewide, the studies suggested that ADU permits do not adhere to any specific pattern. These studies identified patterns by analyzing permitting data alongside census tract data, although they did not delve into any definite causal relationships, making it challenging to use them to predict the potential neighborhood impact of ADUs in Maryland.

> Jurisdictional fragmentation, especially in regions with a history of longstanding segregation, can inhibit ADUs as an affordable housing option.
>
> *2019 Long Island Study of Exclusionary Zoning*

Understanding the dynamics of who builds, why they build, and where they build ADUs is significant in shaping the context of ADU proliferation in Maryland from a property valuation perspective relating to racial composition of neighborhoods. This issue is significant, as Maryland's history of redlining and racial discrimination has resulted in disparities in housing values based on neighborhood racial composition. A National Center for Smart Growth (NCSG) study analyzed overall change or adjustment in property values across the entire state for the Maryland Department of Housing and Community Development in 2022.[20] The study emphasized that while the statewide property value adjustment was 42.6%, in BIPOC (Black, Indigenous, and Other People of Color) majority neighborhoods, that valuation was notable lower at 33.2%. Moreover, the Federal Housing Finance Agency (FHFA) appraisal data reveals disparities, with the average property value in BIPOC majority areas significantly lower than the state average. In addition to this historical evidence of variations in property valuation, the addition of ADUs raises questions about their impact on housing values in BIPOC neighborhoods, considering factors such as construction costs, financing accessibility, loan availability, and investment returns through rent or appraisal values. A 2019 study focusing on Long Island's exclusionary zoning found that affluent, predominantly white neighborhoods typically prohibit ADUs, while middle-income and diversifying suburbs impose varying restrictions. In areas with high rental housing rates, including several majority-minority communities on Long Island, ADUs are banned in many jurisdictions. The study proposed the implementation of unified regulations as a potential solution to this

[18] Where Will Accessory Dwelling Units Sprout Up When a State Lets Them Grow? Evidence From California. Cityscape, 25(2). Marantz, N. J., Elmendorf, C. S., & Kim, Y. B. (2023).

[19] Where Will Accessory Dwelling Units Sprout Up When a State Lets Them Grow? Evidence From California. Cityscape, 25(2), 107–118. Marantz, N. J., Elmendorf, C. S., & Kim, Y. B. (2023).

[20] Examining Racial Disparities in Maryland’s Housing Market, NCSG

challenge.[21] Considering the lack of existing studies or data, moving forward it is crucial to initiate the collection of ADU data in the state of Maryland as it will be essential for studying the impact of ADUs on racial diversity at the neighborhood level.

Research Question Conclusion:

Considerable concern exists about how properties with ADUs will be evaluated in the real estate exchange market. Discussions and surveys suggest the need for owner occupancy disclosures when selling such properties. However, many homeowners view an ADU as a value-increasing feature, especially as a multigenerational housing option, rather than a burden. Local surveys confirm this, indicating that property owners predominantly view ADUs as options for housing family members, either with or without rent. But a substantial portion of homeowners also consider renting out ADUs to individuals outside of their immediate family.

ADUs serve as a crucial solution to bridge the demand for affordable housing across various income levels and demographic groups. They particularly benefit the aging population and individuals with disabilities, allowing them to remain in their communities without being priced out. Additionally, ADUs contribute to stabilizing population density and fostering multigenerational communities, especially in areas experiencing aging populations and declining numbers. By maintaining optimal population density, they help mitigate sharp fluctuations in demand for services. Furthermore, each rented ADU reduces the demand for affordable rental units, although concerns remain about short-term rental ADUs potentially affecting the availability and affordability of long-term affordable ADUs.

In middle to high income census tracts across several states, ADUs are proliferating, particularly in areas with good job access and reasonable rent levels. However, these trends do not necessarily have a strong causal relationship. Understanding who is building ADUs and where they are being constructed is crucial, as different contexts react differently to regulations in housing development. This is particularly significant in Maryland, where insufficient data exists to map past ADU construction patterns, highlighting the need for comprehensive data collection to monitor development closely. Given the state's history of racial segregation, which continues to impact property values, ADU development requires careful examination, as jurisdictional fragmentation has the potential to exacerbate existing inequalities.

3. What roles do policy and market demand play in driving ADU development?

The third question explores the dynamic relationship between policy or ordinance changes and market demand in the expansion of ADUs. It delves into how these factors influence each other and whether specific policies or ordinances are more effective in different types of communities. Additionally, it considers the possibility that, despite streamlined policies, a region may not experience significant demand for ADUs. By examining these interactions, the aim is to understand how regulatory frameworks

[21]Classifying Regulatory Approaches of Jurisdictions for Accessory Dwelling Units: The Case of Long Island. Journal of Planning Education and Research, 43, 60 - 80. Anacker, K.B., & Niedt, C. (2019).

and market forces shape the proliferation of ADUs and identify strategies tailored to diverse community needs and preferences.

Focus Groups and Panel Discussions:

The Housing Organization Focus Group highlighted that there is a demand in the housing market for multifamily generational housing, indicating that ADUs can be a specific type of housing option to meet those needs. AORAA Focus Group participants also viewed ADUs as an excellent housing option, especially as land becomes scarcer, provided their design is harmonious with the community. They believed ADUs are particularly beneficial for owners of larger properties. Additionally, based on their experience, they emphasized the importance of educating the public about zoning regulations, as many people lack awareness and understanding of ADUs and best practices.

The HOA and Community Association Focus Group noted that the impact of ADUs and single-family to multi-family conversions on neighborhoods varies depending on factors such as housing market demand, prevailing lot sizes, housing and land costs, and neighborhood typology. They also highlighted that in high-cost communities, ADUs may not provide truly affordable housing options due to the high cost of construction, resulting in rental prices that could burden low to moderate-income households. Fair housing advocates from the Housing Organization Focus Group echoed similar concerns. They noted that because landlords in ADU situations are often homeowners who may not be fully aware of rental regulations, they believe ADUs are not necessarily an affordable housing solution. The Housing Organization Focus Group believed that ADUs will be more affordable for moderate-income earners as opposed to low-income earners.

Survey Outcomes:

All respondents from the Builders Survey indicated that there is at least some current demand for ADUs in the regions and communities where they operate. 37% reported a high demand for ADUs in their respective areas. The respondents primarily work in Maryland, the Delaware/Maryland/Virginia area, and Pennsylvania. Because of the obstacles mentioned, only a few ADUs are constructed, leading people to believe there is no demand. If zoning codes do not facilitate the permitting of ADUs, their construction will remain limited. When asked about the types of markets where ADUs are more suitable housing products (e.g., urban, rural, suburban, rapidly growing, slowly growing, high-cost, medium to lower cost, etc.), the responses varied. Many respondents identified urban and suburban markets, including rapidly growing and low-cost markets, as suitable for ADUs. Additionally, many respondents expressed that ADUs are suitable for all markets. The survey also found that having universal guidelines across counties would be beneficial. It is challenging for interested homeowners when they are confused by unique ordinances and guidelines.

Twenty-six participants contributed to the Environmental Organizations survey, detailing their involvement or their organization's work in areas such as stormwater and watershed management, low impact development, ecological preservation, Chesapeake Bay restoration, and local initiatives focused on

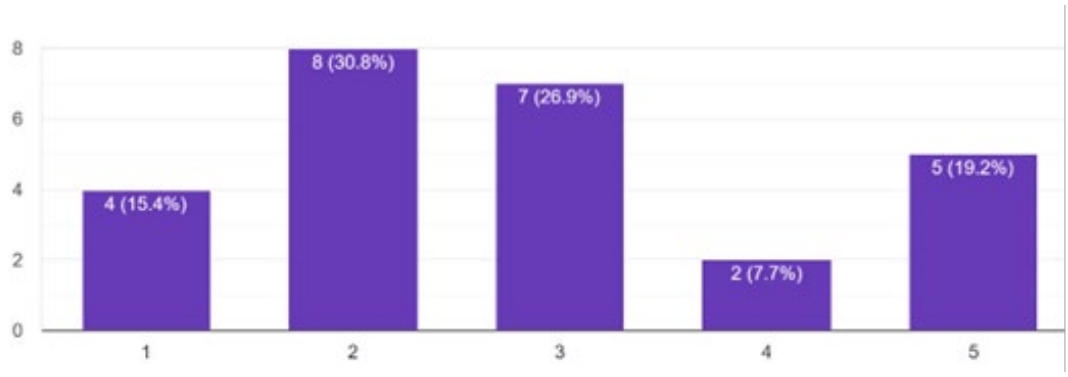


Figure 3: Responses from the Environmental Survey Rating Impact of Environmental Policy and Regulation, In Comparison to Housing Market Demand, on ADU Proliferation, on a scale of 1(No Impact) to 5 (Significant Impact).

environmental justice. When respondents were asked to compare housing market demand and the influence of state and local environmental policy and regulation on the proliferation of ADUs, on a scale of 1 to 5 with 1 being does not influence at all and 5 being influence highly (see Figure 1). 19.2% respondents rated the influence at the highest rating (5); while 7.7% rated the influence as a (4); 26.9% rated the influence as a (3); 30.8% rated the influence as a (2); and 15.4% rated the influence as a (1). Overall, 46.2% indicated a low influence of environmental policy-regulations on ADU proliferation, while 26.9% cited a moderate impact, and another 26.9% leaned towards a high impact. The respondents emphasized that environmental legislation generally does not obstruct the proliferation of ADUs, except for Chesapeake Bay Critical Areas.

Literature Review:

Studies indicate that communities with older adult populations are more inclined to pursue the construction of ADUs, highlighting the influence of a community's average age on ADU demand and proliferation. A 2018 AARP community preference survey of people aged 50 and older revealed that older adults with insufficient retirement savings are interested in staying in their community by either moving into an ADU or constructing one to generate income. The motivations for considering living in an ADU included the desire to be near others while maintaining personal space for 67% of respondents, receiving assistance with daily activities for 63%, and economic factors for 54%. In communities with large numbers of empty nesters in which population density decreases as children move away, ADUs can invite 1-2 person households and increase the density. ADUs also enable older adults to afford living in their communities. This age group's interest in both purchasing or constructing a house with an ADU and moving into an ADU themselves suggests

> A 2019 AARP study showed that despite similar regulations and incentives, the potential for ADU proliferation varies significantly depending on factors like the percentage of older adults in a neighborhood and lot size.
>
> *AARP ADU: Model State and Local Ordinance*

ADUs may promote population stability in a community. Examples demonstrated that neighborhoods with larger lot sizes (over 5000 square feet) and a higher percentage of older adults may have greater potential for ADU development, impacting neighborhood density and market proliferation. Further exploration into the age demographics of Maryland could provide valuable insights into local preferences and trends.

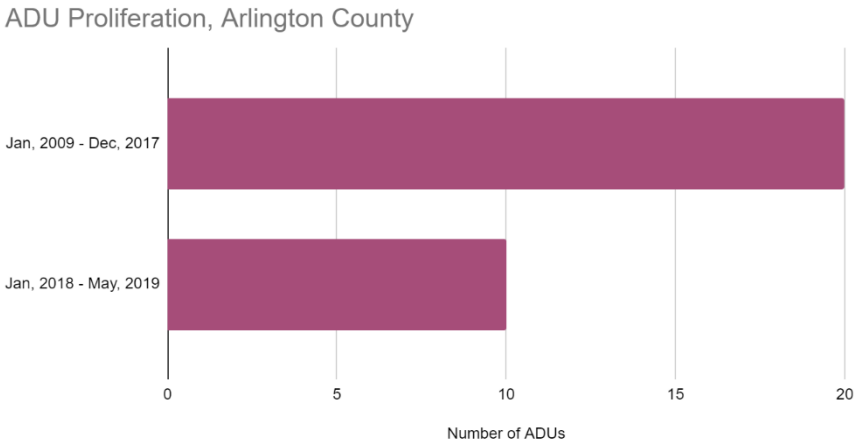


Figure 4: Reformation of ADU Ordinance and ADU Proliferation in Arlington County, VA

Examples from Virginia, Oregon, and California show that community engagement and advocacy are significant factors for addressing the communication gap between policy makers and potentially interested homeowners. According to another AARP study, Arlington County, VA established an ADU advisory committee in 2017 composed of community members to address local ADU concerns while revising ADU regulations.[22] The official reports showed that before 2017 only 20 ADU permits were issued over a 9-year period. After the revisions in 2017 which addressed setback requirement issues using data and community engagement, 10 new ADUs permits were issued just within 1.5 years.[23] The same study also mentioned that in 2019, during the ADU reform in Beaverton, Oregon, an initial email survey was conducted. However, during subsequent community conversations, participants raised additional issues regarding ADU needs and preferences that had not been addressed in the initial survey. Though the study did not mention the 'additional issues', they focused on the importance of multi-layer community engagement such as surveys and workshops to emphasize that community engagement may support ADU advocacy by digging deeper into local barriers. This example may indicate that in cities facing acute housing shortages, ADUs are gaining popularity driven by active community engagement. Understanding market demand for ADUs can be achieved through community engagement in local jurisdictions, which helps identify the market demand for regulatory adjustments and ordinance revisions.

In its 2022 Annual ADU report, the City of Seattle indicated that 15% of owners have been renting their ADUs as short-term rentals while 24% rented them long-term. However, there was significant uncertainty among these ADU owners about how they want to use ADUs in the future, with 21% considering short-term rentals and 31% willing to rent to family members or strangers. This suggests a potential trend,

[22] Expanding ADU Development and Occupancy: Solutions for Removing Local Barriers to ADU Construction

[23] Arlington County, VA, DCPHD, Housing Division, Planning Division, County Board Agenda Item. Meeting of May 18, 2019

especially in tourist attraction cities, where ADUs as short-term rentals may become more prevalent. A 2021 academic study also noted that rent controls significantly impacted the affordability of rent for ADUs, as their absence permits ADU owners to potentially increase market rents.[24] To address this, making ADU construction accessible to less affluent owners could offer a path to building wealth. The study suggested a solution involving the provision of development incentives to those in need, contingent upon implementing rent control for a specified duration. However, achieving this goal requires both financing mechanisms and regulatory reforms to streamline ADU construction processes, which may ultimately foster equitable access to affordable housing.

Research Question Conclusion:

Local discussions and surveys indicate that unique ordinances contribute to confusion and may inaccurately portray low demand for ADUs. Despite this, there is a clear local demand for multigenerational housing, and ADUs can serve as an excellent option to meet this demand. According to respondents from the Builders Survey, there is a general demand for ADUs in Maryland, the DMV area, and Pennsylvania, with 37% of respondents indicating high demand. Other surveys demonstrate that older adults and owners of larger lots express greater interest in ADU construction. Urban and suburban markets, including those experiencing rapid expansion and affordability, are particularly suitable for ADUs.

ADUs offer a promising solution to address land scarcity, particularly when their design harmonizes with neighborhood characteristics. However, the impact of ADUs on neighborhoods, transitioning from single-family to duplexes, triplexes and multifamily, is influenced by various factors including housing demand, lot size, property value, and neighborhood typology. Effective communication is essential to understand community demand accurately. Community engagement initiatives play a vital role in addressing contextual challenges that hinder ADU development, ultimately leading to an increase in the number of ADUs. In affluent neighborhoods, ADUs may be out of reach for low-income individuals and only feasible for middle-income earners. The escalating cost of development presents hurdles for ADU owners seeking to offer affordable rentals, potentially resulting in a rise in short-term ADU (if allowed in the jurisdiction) rentals, or worse, a foreclosure. To encourage affordable rentals, some suggest implementing rent control for a set period in long-term rentals, in exchange for financial incentives.

Neighborhood Livability

As we examine the acceptance and impact of ADUs on local markets, it's crucial to consider their effects on quality of life. Due to various factors both physical (geographical or geological limitations) or political (growth policies or infrastructure investment), jurisdictions may only be equipped to accommodate a specific population size or rate of growth. The introduction of ADUs could potentially strain existing infrastructure and services, affecting residents' overall well-being. Balancing housing needs with maintaining the integrity of community resources is paramount in evaluating the broader impact of ADUs.

[24] Less Is Not More: The False Promise of Accessory Dwelling Units for San Francisco's Lowest-Income Communities

4. How do ADUs impact neighborhood livability regarding the provision of public facilities, sustainability, affordability, and other related factors?

The Task Force's fourth question explores the anticipated impact of ADUs on neighborhood livability concerning public facility provisions, sustainability, affordability, and overall quality of life. The inquiry delves into existing literature, panel discussions, and surveys to assess how ADUs have influenced neighborhood livability, considering concerns raised by local participants. To mitigate negative impacts and promote affordability, ADU policies and regulations can be crafted to address specific neighborhood needs, balancing housing expansion with sustainability measures and community well-being.

Focus Groups and Panel Discussions:

AORAA Focus Group participants noted that ADU legislation often mandates owner occupancy, which they see as a significant barrier to development. But they stressed that requiring landlords to reside on-site with ADUs can mitigate issues associated with absentee landlords and contribute to neighborhood stability. The Housing Organization Focus Group agreed that having the owner living on-site is beneficial for ensuring a vested interest in the property and the neighborhood.

> Parking requirements should be flexible in ADU ordinances, tailored to the specific needs of different communities.
>
> *- AORAA Focus Group*

> If parking is the issue, then it should be addressed first rather than using the lack of parking to limit ADUs.
>
> *-Housing Organization Focus Group*

Additionally, the AORAA Focus Group highlighted the lack of affordable and accessible housing as a critical issue. They advocated for ADUs to be designed with accessibility in mind and added to a searchable database for accessible housing. They emphasized the importance of ADUs being adaptable for persons with disabilities, focusing on inclusive design elements such as entrance accessibility, lighting, and climate sensitivity. Moreover, the AORAA Focus Group underscored the prevalence of unpermitted and illegal ADUs, which they believe could be substandard housing, posing risks to public health and safety. They suggested that implementing amnesty programs could help prevent tragedies associated with such structures. Planning Directors also discussed the potential for amnesty programs for homeowners to address nonconforming ADUs.

The HOA and Community Association Focus Group expressed concerns about ADUs and single-family to multi-family conversions potentially contributing to urban blight and straining municipal services in communities with struggling housing markets. However, the Housing Organization Focus Group suggested that ADUs represent a form of slow densification. To ensure neighborhood stability, they mention that regulating lot coverage is an important issue. They suggested that ADU height should be regulated and

perhaps limited to one story and that setbacks should be sufficient to avoid impacts on neighboring properties. Minimum lot size could be an effective way to manage these elements to avoid negative impacts on adjacent properties. The AORAA Focus Group emphasized that properties with sufficient space for an additional unit and parking, while blending well with the neighborhood, are ideal for ADU development. They stressed the importance of regulating appropriate sizing for both the property and the unit. The Planning Directors Panel also suggested considering the limitations of aging infrastructure when determining suitable locations for ADUs.

From focus group discussions, there was a recognition of the need to consider the impact of ADUs on community facilities and infrastructure, including municipal capacities, trash removal, and transportation in working class communities. Planning Directors noted that lot requirements have generally not been problematic in their communities, but that parking issues vary between communities, with some still assessing the impact of recent ordinances. They stressed the need for long-term studies to understand the full impact of ADU ordinances on the housing market, including parking considerations. Additionally, they suggested implementing annual statements from property owners regarding the status of ADUs to ensure compliance.

The AORAA Focus Group advocated for flexible parking requirements in ADU ordinances, tailored to the specific needs of different communities such as downtown areas versus suburbs, considering factors like transit access. They emphasized the importance of parking flexibility to accommodate various community types. The Housing Organization Focus Group suggested that if parking is the issue, then it should be addressed first rather than using the lack of parking to limit ADUs.

The HOA and Community Organizations Focus Group recommended limiting ADUs to areas served by public sewers and water to maintain water quality and protect the environment, particularly in regions with septic systems. They advocated for regulations addressing public health, safety, stormwater management, and infrastructure impact, with enforcement through restrictive covenants if necessary. They also suggested that ADU owners may need to pay additional fees to offset their impact on services and infrastructure.

Survey Outcomes:

The Builders Survey respondents said there is a practice of renovating spaces, essentially creating ADUs in every aspect minus a specific element of a dwelling unit (for example a stove) to get around the strict rules around defining a dwelling unit in some counties. At a later stage a stove is added, and the unit is not properly permitted, creating an illegal ADU. Ensuring that ADUs are legally permitted and meet building code requirements is essential for ensuring the health and safety of a community.

The Builders/Developers and Environmental Organizations survey respondents contributed the following insight on the neighborhood and environmental impacts of ADUs.

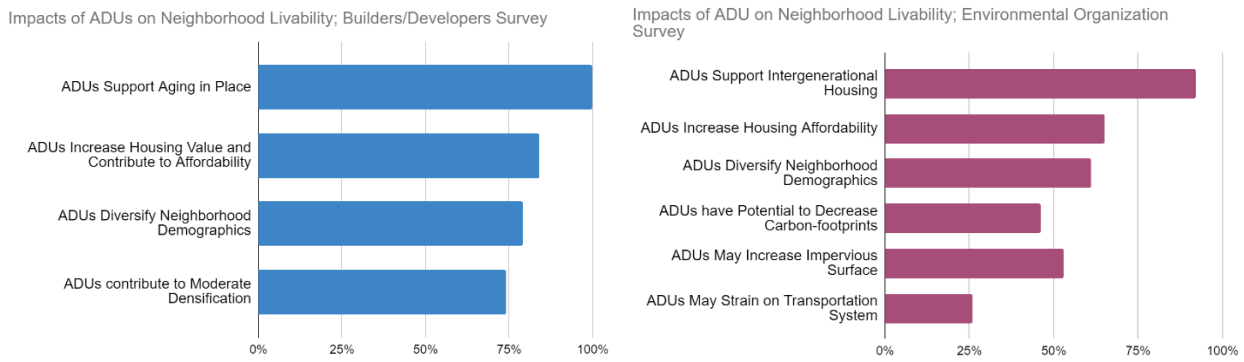


Figure 5 Survey Results: Percentage of Respondents' Beliefs on ADUs Impacting Neighborhood Livability

In response to inquiries about neighborhood livability, all Builders/Developers Survey respondents indicated that ADUs support aging in place. Additionally, from both the surveys the majority respondents believed that ADUs contribute to housing affordability and a large percentage of respondents stated that ADUs diversify neighborhood demographics. The respondents from Builders/Developers survey also believed that ADUs increase the likelihood of service workers residing in the community rather than commuting long distances to access jobs. This enables teachers, house cleaners, vet techs, and others to live closer to their workplaces. Majority respondents from the Environmental survey acknowledged that ADUs support intergenerational housing, however many respondents shared concerns about ADUs increasing impervious surfaces and potentially straining the transportation system and parking availability.

Respondents to the Builders Survey believed the most significant current impact of ADUs is creating affordable housing options in wealthier neighborhoods. More affordable rental units would be feasible in these areas if homeowners were not required to live in either the primary home or the ADU. However, this option may not be popular in some neighborhoods due to concerns about the investment community taking over ADU construction. According to the Environmental Organizations Survey, when asked about the best ways to permit ADUs to minimize negative environmental and neighborhood livability impacts, respondents stressed stormwater management, pervious surfaces, public water and sewer access, ADU size restrictions, and green building strategies.

To minimize negative environmental and neighborhood livability impacts, the following key strategies emerged from Environmental Survey: 69% suggested requiring stormwater management and control measures for additional impervious areas; 50% advocated for permitting ADUs only on properties served by public water and sewer; and 42% recommended enforcing size limitations for both attached and detached ADUs.

Environmental Organizations Survey

Literature Review:

Comprehending the livability concerns of local communities regarding ADUs can inform the development of both local or unified state policies and regulations. Findings from the 2021 AARP survey of a representative sample of US adults aged 18 and above showed a notable 26% of individuals were open to integrating ADUs into their living arrangements, especially to address multigenerational and guest living needs.[25] In the book titled 'Remaking the American Dream: The Informal and Formal Transformation of Single-family Housing Cities', the author described a 2012 California survey of neighborhood council members who expressed their top concerns about ADUs. 32% mentioned fear of the lack of parking spaces, 24% feared increased density, 9% were concerned about infrastructure capacity, and another 9% mentioned an increase in disorder and crime. From the neighborhood livability perspective, parking and density emerge as the most prioritized concerns. Conversely, while identifying positive attributes of ADUs, 26% of respondents mentioned housing for extended family, 15% believed ADUs would increase property value and rental income, 15% believed affordable housing supply would increase, and 6% thought of ADUs as a more effective approach to increasing density. The survey also underscored support for second units with strict design standards and community consent, highlighting their attractiveness as housing options.[26]

The implementation of ADU regulations can play a crucial role in mitigating the construction of illegal accessory housing units, offering oversight and guidance in their development. According to a 2017 academic study, in the ten largest major metropolitan statistical areas in the United States between 2000 and 2014, 37% percent of new single-family housing units (including detached inhabited garages) were built illegally. [27]These unauthorized units often lacked proper safety measures, were constructed by unlicensed contractors, and may have incorporated hazardous recycled materials for affordability. Additionally, in a 2008 report, the Pratt Center highlighted that between 1990 and 2000, New York City acquired 114,000 apartments that were not accounted for in the official count of certificates of occupancy, yet they were instrumental in addressing the city's affordable housing shortage. Regulations encouraging and guiding the conversion of undocumented units into ADUs can reduce the prevalence of illegally converted housing, promoting safer and healthier living conditions and overall neighborhood living standards.

The density of neighborhoods is expected to be minimally affected by the addition of second units (detached ADUs) in Los Angeles, as highlighted by Mukhija in his book on ADUs. The author pointed out that LA's single-family properties typically have larger lots, and the addition of ADUs resulted in 'elegant

[25] Expanding ADU Development and Occupancy: Solutions for Removing Local Barriers to ADU Construction

[26]Remaking the American Dream: The Informal and Formal Transformation of Single-family Housing Cities. MIT Press. Mukhija, V. (2022).

[27] Converting Garages into Housing. Journal of Planning Education and Research. Brown, Anne, Mukhija, Vinit & Shoup, Donald. (2017).

density'.' While the study acknowledged concerns about reduced privacy, it also identified positives, such as fostering community interaction and maintaining neighborhood density. Addressing privacy concerns through thoughtful ADU design can help mitigate any negative impacts on neighborhood livability and support them as a viable and acceptable housing solution.

Data from cities where ADUs have been successful because of regulatory incentives show that renting an ADU is cheaper than renting a one-bedroom apartment. The 2017 data shows that in Seattle, WA there were 1,396 ADUs and the rent was $1,500, whereas the rent for one-bedroom apartment was $1,884. In Denver, CO, rent for an ADU was $1,250, while one-bedroom apartments were being rented for $1,400. At that time Denver had only 139 ADUs. In 2017 in Washington D.C., one-bedroom apartment rent was $2,000 while ADU rent was $1,350. [28] The rent comparison suggests that if financing ADU construction becomes easier for homeowners; the rent may stay cheaper than other comparable housing options.
Despite many concerns, very few studies show evidence of environmental and parking impacts from ADUs. A 2012 academic study in the East Bay of California found that single-family residential properties with one secondary unit typically have, on average, 0.9 more total cars and consume 0.7 more on-street parking spaces compared to single-family properties without secondary units.[29] The 2014 report from Portland revealed that ADU impact on parking availability was minimal.[30]

The 2014 report from Portland revealed that 20% of ADUs had no associated cars, 66% had one car associated with them. On average, each ADU had 0.46 cars parked on the street.

The same study also showed that where other traditional single-family residences take up to 800 square feet living area per person, ADUs take up only 470 square feet.

Research Question Conclusion:

ADU construction could potentially increase if owner occupancy requirements were lifted; however, maintaining neighborhood stability is widely supported, leading to the preference for owner occupancy. Homeowners seek ADUs to accommodate family members, boost property value, and generate rental income. Results from the Builders Survey also indicate that ADUs support aging in place, enhance property value, and contribute to housing affordability. Evidence suggests that ADU rents are often cheaper than those of one-bedroom apartments in a multifamily structure in major U.S. cities. Inclusive design elements make ADUs suitable for individuals with disabilities. Amnesty programs provide the opportunity to convert risky, unpermitted units into compliant ADUs to promote neighborhood safety and perhaps expand affordable housing options.

[28] Accessory Dwelling Unit - a step by step guide to Design and Development, AARP (2019)
[29] Understanding the Market for Secondary Units in the East Bay, Jake Wegmann and Karen Chapple, 2012
[30] Accessory Dwelling Unit (ADU) Development Trends, Oregon Dept of Environmental Quality

Studies identify parking space availability and increased density as primary concerns regarding ADUs. Regulations on minimum lot and unit size are widely endorsed to prevent neighborhood overcrowding. While urban blight is a concern for some about the proliferation of ADUs, others argue that ADUs contribute to slow densification and appear to favor this form of densification over a new large multifamily structure near or in their neighborhoods. Evidence suggests that ADUs typically occupy fewer square feet per person compared to traditional multifamily housing options. Despite claims of ADUs causing parking issues, only Portland has conducted a study on ADUs' parking share, indicating it is not a significant problem. In specific areas of Maryland, environmental concerns about septic systems, particularly in relation to conservation of the Chesapeake Bay, remain major areas of concern.

Assessment Conclusion:

The primary obstacle to ADU expansion appears to be the complexity of regulation and compliance. Drawing from examples in other cities and states experiencing a surge in ADUs, simplifying upfront development fees, providing prompt zoning and regulatory guidance, implementing an efficient review process, and offering pre-approved plans can significantly increase ADU numbers. However, opinions on ordinances that establish regulations vary, with valid arguments on both sides. While a unified ordinance with pre-approved plans could expedite the ADU building process and create a more accessible ADU market for property owners, the importance of local context cannot be ignored. Local engagement has proven to be beneficial to identify obstructions and increase ADU proliferation. Local governments need to address issues related to market demand for ADUs while also recognizing the need for flexibility to establish regulations tailored to their specific circumstances. Moreover, given Maryland's racial history, it is crucial to consider the evidence suggesting that exclusionary zoning has historically increased racial segregation among jurisdictions. Therefore, striking a balance seems necessary to determine the extent to which the state should mandate regulations and the level of autonomy local governments require in regulating ADU development. This delicate balance ensures efficient ADU proliferation while allowing for responsive regulation to address local concerns.

The concern over the value of properties with ADUs in the real estate market is notable, as homeowners view adding an ADU during new home construction as a worthwhile investment. However, discussions and surveys highlight the need for owner occupancy disclosures when selling such properties. While ADUs may initially be constructed to accommodate family members or others, the possibility of renting out one of the two units on the property arises once the immediate need diminishes. On that point, ADUs play a crucial role in meeting the demand for affordable housing across various income levels and demographic groups. Particularly beneficial for the aging population and individuals with disabilities, ADUs enable them to stay in their communities without facing displacement due to rising housing costs. The concept of ADUs contributing to stabilizing population density in communities dominated by empty nesters is supported by the idea that they can help mitigate fluctuations in service demand. Studies suggest that ADUs are a popular option for young adults with middle-incomes. ADUs are experiencing significant growth in middle to high-income census tracts across several states, particularly in regions with accessible job opportunities and affordable rental rates. ADU literature indicates that ADUs are often more affordable than one-bedroom apartments, although there are concerns about affordability in certain neighborhoods. The

question of whether ADUs will truly be affordable remains, but each rented unit helps ease the demand for affordable rental properties. High application and construction costs, along with limited funding options, often prompt homeowners to consider renting out ADUs on a short-term basis. Consequently, concerns arise regarding the potential impact of short-term rental ADUs on the availability and affordability of long-term affordable housing options. Striking a balance between maximizing property value and ensuring affordability in the ADU market remains a key challenge moving forward.

ADUs offer a sustainable solution to land scarcity, requiring careful consideration to preserve neighborhood characteristics, with owner occupancy playing a key role in maintaining neighborhood stability. Acknowledging the reality of the illegal construction of accessory units, the rise of ADUs as a rental option presents an opportunity to bring these illegal units up to regulatory standards for health and safety, thereby improving neighborhood conditions. Amid local demand, ADUs serve various purposes such as multigenerational living arrangements, accommodating family members, and providing additional rental income for homeowners, which becomes particularly pertinent during times of inflation. While concerns about ADUs increasing service demands and straining facilities exist, it is worth noting that many communities have properties that are larger than needed, with the elderly population expressing interest in ADU construction. One major concern revolves around the potential increase in parking demand associated with ADUs. However, limited studies on the topic indicate that ADUs may not significantly exacerbate parking issues. Another significant concern is the potential for ADUs to increase impervious surfaces. However, when compared to traditional housing options, ADUs may have a smaller environmental footprint. Given environmental concerns, especially regarding Chesapeake Bay, a common suggestion is to regulate ADU construction with considerations for stormwater management and septic systems on the properties.