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MEMO

Re: Understanding the Impacts of Accessory Dwelling Units (ADUs) in New Haven

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For more information and links to references visit

<https://www.newhavenct.gov/government/departments-divisions/city-plan/zoning-and-regulations/accessory-dwelling-units>

Background

An accessory dwelling unit (ADU) is a smaller, independent residential dwelling unit located on the same lot as a stand-alone (i.e., detached) single-family or multi-family home. In 2021 the City of New Haven Board of Alders adopted the first Phase of the City's Accessory Dwelling Units (ADU) Ordinance. This was envisioned as a first step toward diversifying and expanding the city's housing stock and addressing growing concerns over the soaring costs of housing. The first iteration of the ordinance allowed Accessory Dwelling Units to be built "as-of-right" (without additional regulatory approvals) as long as they met several key components. First, as-of-right ADUs were restricted to those in which either the ADU or the principal structure was occupied by the property owner. Second, it allowed ADUs only within existing structures. Examples of ADUs that are currently as-of-right include converting a third floor into a new unit, creating a basement unit or converting an existing garage.

Why are ADUs an important part of a broader housing strategy?

Not unlike most cities around the country, New Haven is in the midst of an urgent and unprecedented housing crisis. Over the last decade, while the economy and jobs have grown, demand for housing has increased but the number of housing units created is not keeping up with demand. Elm City Communities Breaking Ground Report's analysis of the Bureau of Labors Statistics Job Growth Data found that from 2010-2020 New Haven added 34,000 jobs but only 11,000 homes. At the same time, this shortage of supply is continuing to cost burden residents, with over half of New Haven residents spending over 30% of their income on housing (Elm City Communities, 2023).

ADUs are an appealing housing creation strategy for historic cities like New Haven because they allow minor increases in density that are largely invisible within neighborhoods and without the construction of large-scale housing developments. ADUs are typically located in backyards, existing garages, and converted interior spaces and make use of existing, often underutilized, buildings. In many ways, use of these existing buildings helps to retain the character of historic neighborhoods and is a sustainable alternative to demolishing structures and building new large-scale housing. ADUs have advantages for both the property owner and potential tenants as well. Proponents argue that they tend to be more affordable to build than single-family

housing, because the units are small and typically have fewer amenities (e.g., lower ceiling heights, less space per person. This is discussed in depth below). For many existing homeowners, ADUs provide opportunities for multigenerational households to enable family members to age in place and accessible housing for seniors and persons with disabilities. This is one reason why the American Association for Retired Persons (AARP) has been an advocate for building ADUs nationally.

Has the ADU Ordinance been effective?

The New Haven City Plan Department has documented the creation of 11 ADUs permitted since the passage of the ADU Ordinance, but all have required additional approvals before the Board of Zoning Appeals. The ADU Ordinance in its current form resulted in no new housing units built as-of-right. This is consistent with experiences of other municipalities that have implemented ADU ordinances where owner occupancy, design restrictions, and regulatory processes (Lamar, 2022; Volker & Handy, 2022) are documented barriers to new housing creation through ADUs. In December 2023, the City Plan Department submitted Phase 2 of the Accessory Dwelling Units Ordinance. This proposal implements the previously envisioned components of Phases 2 and 3 as presented to the Board of Alders in 2021. If approved, the proposed text amendment would remove the owner occupancy requirement for ADUs and expand the ordinance to allow detached and attached ADUs to be built as-of-right *outside* of the building envelope of existing structures. The proposal also eliminates the minimum lot size for ADUs and aligns ADU setbacks (the distance between the property line and the building) with those required for “accessory structures,” 5 feet from the property line. ADUs would not be permitted in front yards. No changes are proposed to the zones where ADUs are permitted: RM-1, RM-2, RS-1 and RS-2.

How do ADUs contribute to housing affordability?

Accessory Dwelling Units are commonly described as an affordable housing solution, and an increasing number of municipal leaders view ADUs as a strategy for supporting low-income renters. But how affordable are ADUs compared to other kinds of rental housing? And how do they stand to ease New Haven’s housing crisis?

The primary reason Accessory Dwelling Units are described as “affordable” housing is because ADUs are often smaller than other rental properties on the market, and therefore draw lower monthly rents (Wegmann and Chapple, 2012). However, unless they are deed restricted, accessory dwelling units may not be required to be rented at “affordable” rates but may be comparably more affordable based on size and amenities. Although the average ADU is no more affordable than an apartment of similar size, multiple studies have found that many ADU owners choose to rent their properties at ultra-low or zero rent. In the San Francisco Bay area, 17% of ADUs are provided for zero rent (Wegmann & Chapple, 2012). This finding is also reflected in Portland, where 18% of ADUs are provided at ultra-low or zero rent (Brown & Palmeri, 2014). These findings imply that many ADU owners do not operate like traditional, investment-driven landlords, a theory explained by the fact that 85% of ultra-low and zero ADU rents are provided to friends and family of ADU owners (Brown & Palmeri, 2014).

Finally, ADUs stand to slow local rent growth simply by producing housing supply. A growing coalition of experts have demonstrated how producing more housing – including market rate housing – impacts the local housing market. First, the production of more housing increases supply compared to demand, which economic theory tells us will lower rental prices throughout the market. Secondly, through the phenomenon of “renter chains,” it is believed that some renters moving into accessory dwelling units will move *out* of other naturally affordable housing, opening up these units for new inhabitants who may need it more. For example, if more seniors age in place in ADUs, there would be less demand driving up prices at a senior housing complex.

Although ADUs stand to impact housing affordability in the ways described above, it is important to note that

ADUs are not a substitute for deeply affordable housing, and many will be rented at prices that do not meet local or federal definitions of affordability. Experts generally agree that ADUs, many of which are likely to be rented at rates comparable to existing apartments, will still be out of reach for low-income renters and may not be suitable for many kinds of families. Governments seeking to provide affordable housing for families of all incomes might choose to implement ADU policy, but should *not* abandon development of government-subsidized units for our most vulnerable residents. ADUs must be one piece of a broader strategy to address housing availability and affordability.

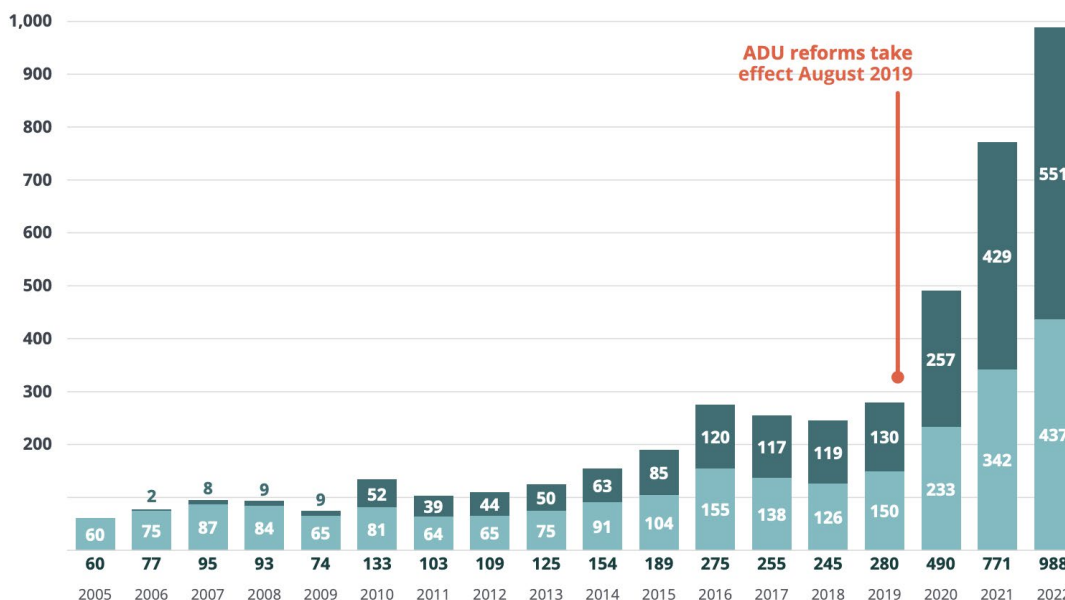
How could owner occupancy requirements impact ADU development?

One of the most common debates over ADU policy centers on the inclusion of owner-occupancy requirements. Proponents of owner occupancy frequently argue that owner occupants take better care of their properties, and are less likely to engage in speculative development practices (Sheild & Luberoff 2023). Conversely, opponents argue that owner-occupancy requirements limit the development of ADUs, and by extension the broader housing supply. They do so by limiting the kinds of developers who can create new ADUs, by reducing the number of units available to renters, and by making it more difficult for all prospective developers to receive ADU financing (Lemar 2022, Stacy et. al. 2020).

Multiple cities and states have eliminated owner-occupancy requirements for ADUs. Cities included in this list are Minneapolis, Portland, Los Angeles, and San Francisco, among others. States that have eliminated owner-occupancy requirements include Hawaii, California, Washington, Oregon, and Montana. Several case studies illustrate how the elimination of owner occupancy requirements might impact the development of ADUs. In 2019, the City of Seattle implemented a sweeping reform of its ADU policies, including the following changes: allowing 2 ADUs per lot, instead of one; reducing the minimum lot size for ADUs; increasing the legal height and size of ADUs; removal of parking and owner-occupancy requirements.

As seen in the chart below, ADU production increased dramatically following the implementation of these reforms. Given the challenges with evaluating the impacts of community policy, it is not clear which of the regulatory changes specifically accelerated the development of ADUs.

Exhibit 1 ADUs permitted since 2005



Source: Accessory Dwelling Units: 2022 Annual Report," Seattle Office of Planning and Community Development and Seattle Department of Construction and Inspections, <https://www.seattle.gov/documents/Departments/OPCD/OngoingInitiatives/EncouragingBackyardCottages/OPCD-ADUAnnualReport2022.pdf>

Another useful case study for understanding the relationship between owner-occupancy requirements and ADU development comes from the city of Portland, Oregon. Portland is widely viewed as a leader in the field of ADU policy, and since 2010 15% of all new housing units developed in Portland have been ADUs (Sheild & Luberoff 2023). ADUs have been legal to build in Portland since the early 1980s, and in 1998 the city eliminated its owner occupancy requirement (Sheild & Luberoff 2023). However, this change did little to spur ADU development in the city. It wasn't until the city removed an expensive permitting requirement in 2010 – over a decade later – that the city began permitting 100 to 200 ADU permits annually (Sheild & Luberoff 2023). This could be interpreted to mean that owner-occupancy requirements were not the only barrier for prospective developers, and that other barriers were more significant in their impact on ADU development. Alternatively, it could be argued that both reforms were necessary for the proliferation of ADUs, and that a substantial acceleration of permitting was only possible once both were in place.

Interestingly, owner occupants develop and own the majority of accessory dwelling units even in cities where owner-occupancy requirements are not imposed. In Portland, over 70% of ADUs are developed by local homeowners, and around 65% of ADU owners are owner-occupants (Sheild & Luberoff 2023). Meanwhile, in California only 8% of ADUs are developed by corporate investors, compared to 17% of the state's single-family rental stock (King 2022, Chapple et al 2020).

Based on this review, research does not indicate the precise extent to which owner-occupancy requirements might inhibit ADU development. However, anecdotal evidence suggests that these kinds of requirements *do* create barriers for prospective ADU developers, and especially for those in need of financing options to construct a new ADU. While lifting the owner occupancy requirement may not necessarily significantly accelerate ADU development, these findings indicate that the benefits of eliminating of owner-occupancy requirements are potentially sizable, while the risks are limited.

Will ADUs impact property values in the surrounding neighborhood?

A significant question of interest for residents is how ADUs might impact their own property values (if they are adding an ADU) or how nearby ADUs might impact adjacent properties. One might expect ADUs could increase property values through returns from rental income or improvements in the property due to renovation of otherwise underutilized buildings. Alternatively decreases in property values may be the result of “spillover effects” like noise, parking issues, congestion, or adverse uses of the property. While there is no data on this specific to Connecticut, several studies review impacts of ADU legalization in western states, particularly California, which adopted ADU enabling legislation in 2016. It is worth noting however that long term research on this topic research is being conducted and could be replicated in both Connecticut and New Haven. As an example, a study of ADUs in Los Angeles’ found that having an ADU raised a property’s assessed value by 7-9% (Brueckner & Thomaz, 2024). To discover the impacts of ADUs on adjacent properties, an economist estimated how a change in the proportion of ADUs within a particular distance (150 meters) impacted the sales price of adjacent single-family and duplex properties between 2013 and 2021. This study found that ADU density in Los Angeles led to a 3.6% decrease in nearby property prices (Tanrisever, 2023), potentially increasing affordability. A study from Ogden, Utah which legalized ADUs in 2016, used a number of different models to compare property values before and after the legalization of ADUs and found no significant impact on property values (Gnagey, Gnagey & Yench, 2022). Clearly, this data is uneven and should be viewed with caution. The economics of housing markets are complicated and it is not always appropriate to compare the impacts of policy among communities that are different in character and economic makeup.

Why should first floor ADUs be ADA accessible?

Twenty-six percent (26%) of the population of Connecticut has a disability. The housing stock, however, is grossly inadequate to meet the needs of these populations. Connecticut's high cost of living makes it difficult for low-income people with disabilities to afford housing, especially if they don't qualify for state waiver supports and or rely solely on Supplemental Social Security Income/Disability payments. The lower cost of ADU's may provide increased access for people with disabilities who have difficulty affording the ever-increasing rent prices in New Haven.

Every municipality must have affordable housing options so their residents can age in place in the community of their choice and/or find affordable housing near their place of employment. Including and planning for persons with disabilities to age in place in the community of their choice should be part of every municipalities' affordable housing and zoning plans. Accessory building housing options are also important to include in these plans for the disability community aging in place.

The City of New Haven has proposed ADUs be built as Type B units. Type B Units are not fully accessible units, but they do provide structural details that will allow a person with a disability to make modifications that would improve accessibility while they live in the unit. Such structural details include wider doorways, blocking in bathroom walls, and clear floor space to allow for turning or maneuvering a wheelchair. Type B units do not affect the rentability to any renter but do provide increased housing opportunities for people with disabilities.

Below is the testimony from two members of the Commission on Disabilities. One is a housing expert and the other an architect. They make good arguments about the need for accessible affordable housing for people with disabilities and recognizing that the population is aging significantly and that we should prepare for the need.

Billy Huang – Chair – Commission on Disabilities - Housing Expert

“Persons with Disabilities experience housing discrimination at every level: there is a lack of accessible housing with no dedicated federal funding or initiative towards this end and, additionally, they are particularly vulnerable to housing instability as their average income overall lags behind the general population. It is crucial that disabled individuals have opportunity to safe, accessible housing especially in such a tight rental market. The Commission supports the development of adaptable ADUs both as a human and housing right.”

Tricia Palluzzi – Vice Chair of Commission on Disabilities - Architect

“When developers and designers begin planning for buildings, one knows that they are planning for a building that will stand for fifty years or more. One needs to plan not for the present, but for the future. We are all a slip or fall away from needing accessibility. If we all know this, why not account for that in our buildings? We have the opportunity to create a space functional for all abilities, let's take advantage of that, by providing Type B units on the ground floors of non-elevator buildings. You are not only planning for the future, but are also allowing tenants to age in place, which is a benefit to the resident and less of a strain on long-term care facilities. We have the capability of doing this now, let's be proactive in a reactive world.”

The following are examples of types of work that would be done at the time of construction or conversion to qualify a ground level unit as being Type B accessible: widening of door widths/blocking in walls so it can be converted to accessible, clear floor space (as mentioned above) as well as providing lower counter heights,

proper toilet clearances, and shower valve reaches. The benefit of requiring this at the time of construction ensures that these units have the capability of being handicap accessible with a cost benefit as doing this at the time of construction would be cheaper and less time consuming than having to retrofit these afterward.

Will ADUs be subject to rental inspection requirements? What if they become nuisance properties?

A study by the NYU Furman Center finds that requirements for local governments to liberalize ADU permitting should be accompanied by data collection and enforcement provisions (Furman Center, 2021). Currently in the City of New Haven the creation of an ADU in a home that is owner-occupied in which the conversion results in less than three dwelling units requires no inspection. However, if an ADU is created on a parcel which is not owner-occupied it would automatically be required to apply for a Residential Rental Business License (RBRL) and have an inspection through the Livable City Initiative (LCI) Department.

There is currently a three-year grace period from the issuance of a Certificate of Occupancy (CO) to the time that a RRBL inspection is required, however ADU owners still have to register the unit(s) with Liveable City Initiative.

One related concern is the potential for ADUs to be converted into short term rentals like AirBnB and VRBO. The improved ability to market short term rentals over the past decade has led to neighborhood concerns about impacts including noise, parking, and adverse uses. As of this writing, the City of New Haven currently does not regulate short-term rentals, however a search of AirB&B in March 2024 found 240 listings in or around New Haven. The Ordinance as written would not preclude ADUs from being used as short-term rentals but this speaks to the importance of strengthening enforcement provisions concurrently with the implementation of ADU development.

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