



# Accessory Dwelling Units — Can Granny Flats Save the World?



Photos on this page by Mitch Snyder Photography, design by Departure Design and built by Hammer and Hand.

*By Zachary Semke*

Shrinking polar ice caps, rising sea levels, ever-riskier oil and gas extraction — how, as responsible home dwellers and builders can we respond to these problems? Certainly we reclaim and recycle materials and strive to meet green building standards like LEED to make careful materials choices for our homes. But what can we do to ensure that our living spaces are embedded in sustainable patterns of community life? And how, as we emerge from recession, can we also sustain ourselves and our local economies?

## **One Answer: Build an Accessory Dwelling Unit**

Call them what you will: granny flats, mother-in-law apartments, backyard cottages, or ADUs. An Accessory Dwelling Unit (ADU) is a separate, compact space — complete with sleeping area, bathroom, kitchen, and separate entry — that provides a second dwelling to your property. It can be a garage conversion, an attic or basement living space, or a new, detached unit. The

key is that it adds a self-contained living unit to an existing home lot.

## **Granny Flat Benefits — Good for the Planet, the Economy, and the Generations**

Granny flats are small, but don't let their diminutive size fool you. They can pack big benefits for the planet, the wallet, and the household.

“Accessory Dwelling Units make a smart investment that brings high built-value and income generation to homeowners, no question,” says Sam Hagerman, Hammer and Hand's president and co-founder. “But they also make beautiful and sustainable additions to our neighborhoods.”

Because ADUs blend easily into existing communities, they can quickly become part of the vibrancy of those neighborhoods, supporting goals for diversity, livability, and sustainability.

**Benefit #1: Flexible Living** — Perhaps the biggest benefit that ADUs bring to homeowners is flexibility in living options. As this graphic by Ryan Sullivan of pastein-



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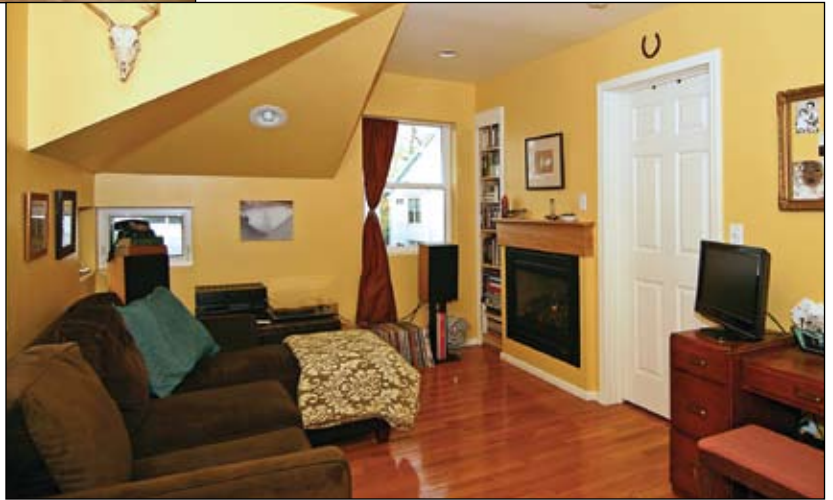
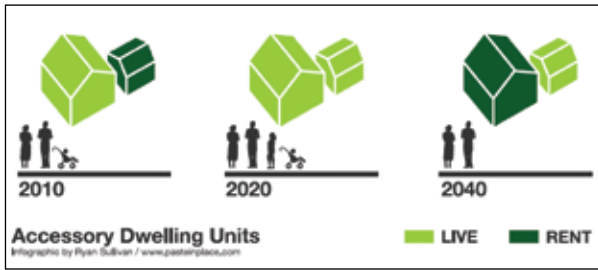


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place.com shows, the role an ADU plays for a household can shift over time. In 2010, the young family lives in the main house and rents out the ADU for supplemental income. Then in 2020, Grandma moves into the ADU as an independent living space close to family. By 2040, the empty-nester couple moves into the ADU themselves and rents out the main house as a sustainable source of retirement income.

**Benefit #2: Affordable and Easy to Develop** — Because ADUs are small and require little or no additional infrastructure, they are affordable and easy to develop. Plug-and-play designs by local architects like Departure Design and John Perkins Architectural allow clients to select ADUs “off the shelf.” Such choices can reduce costs and timelines. The result is high built-value and return on investment.

**Benefit #3: Small Footprint** — When it comes to green building, size matters. This is true at the scale of the individual building (measured in square footage) as well as at the scale of the metropolis (measured in square miles). All else being equal, big houses burn

more energy than small ones, and suburban sprawl eats up more of the earth’s resources than compact urban development. As small living spaces that support a tight urban growth boundary, Accessory Dwelling Units are the king of small-footprint development. More ADUs equals less CO2.

**Benefit #4: Embedded in Vibrant Neighborhoods** — By definition, new ADU units immediately become part of existing neighborhoods. The biggest demand for granny flats is in the urban core where communities are walkable, bikeable, well-served by transit, and full of amenities like parks, shopping, libraries, and schools: sustainable “20-minute neighborhoods” in planner-speak. ADUs benefit from urban vibrancy, and, in turn, help keep it alive.

More and more players in the home building and real estate community, like realtors David Todd (see page 16) and Kama Dersham, recognize a self-reinforcing cycle of value creation. “It’s the people that make Portland interesting, young entrepreneurs who bring business to the city and life to the sidewalks,” says Dersham. “ADUs are

hip and affordable for these folks and will help keep Portland vibrant and viable.”

**Benefit #5: Positive Cash Flow** — You can see the benefit of an ADU with an easy equation. Let’s say you build a beautiful two-bedroom, 800-square-foot detached ADU with high-quality materials. With construction costs of, say, \$120,000, debt service of \$650 per month, and rent of \$1200 per month, it’s easy to see how you would be operating in the black, even after subtracting insurance, taxes, and other expenses. The result? Home-grown, sustainable, income-generating structures.

**Why ADUs Aren’t More Prevalent — Granny Flats as the Outlaw**

So if ADUs are so great, why aren’t they everywhere already? Actually, before World War II, ADUs were a common fixture of American neighborhoods. But after WWII, national patterns of urban development shifted toward low-density sprawl, and new zoning rules emerged that segregated land uses and housing types. During this period, ADUs fell out of favor

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and, in fact, were outlawed in most urban areas across the country.

After several decades of sprawl — accompanied by urban blight, car dependence, and loss of greenspace — communities across the country began advocating for smarter growth. But it was not until 1998 that the City of Portland began promoting ADUs by relaxing minimum area requirements, eliminating owner-occupancy requirements, and permitting ADUs in most residential zones. Then in March of this year, Portland removed onerous maximum limits on square footage and systems development charges. Seattle has seen similar improvements in ADU policy in recent years.

“This couldn’t happen at a better time, given the significant hardships faced by builders and the construction industry, and in terms of our goals for sustainability in the community,” claims Mayor Sam Adams.

### A New Boom in ADUs

With these policy improvements, a new boom of ADU development has begun. Hammer and Hand and our fellow green builders are busily fielding new ADU inquiries each week and have several projects in the works already. And the local lending community is taking note, with local, mission-driven credit unions and other banks providing much-needed financing.

“We’re passionate about bringing ADUs back as a go-to housing type in the city,” says Hagerman. “The last boom in ADU construction was during the Great Depression. Now ADUs can help homeowners and the local economy emerge from the Great Recession, and do so in a sustainable, home-grown way.” ■

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## ADUs and the Real Estate Market

When making any change to your home or property, you should carefully consider its impact on resale value, taxes, and your neighborhood. There are a few rules to follow when adding to your property. You’ll need to decide whether Accessory Dwelling Units (ADUs) are right for you and how much demand there is for the units.

We asked David Todd, a realtor with the Meadows Group located in Portland, OR, what he thought about ADUs and the local real estate market.

### ***From a realtor’s point of view, what is the first thing one should think about when adding an ADU?***

If a property owner is concerned about resale, it’s important to design for adaptability so that your ADU has as many options for occupancy as possible. A thoughtful, well-built design will sell better than designs that are narrowly confined to specific uses, occupants, and lifestyles. Adaptability and simple, timeless beauty reap the best rewards.

### ***Does the adage “Location, Location, Location” apply to ADUs?***

It does from the rental perspective as well as the resale perspective. When a property owner remodels, adds on, or develops an ADU, they won’t want to overbuild for their specific location. Knowing the value ranges for rents and sales in their neighborhood will help identify the threshold that will yield the best return on investment.

### ***How would one determine if there is a resale market for these units?***

This is tricky, as comparables are few and far between. But that will change because “ADU” has been added to RMLS as a “searchable” criterion when one is working with a realtor. Even though ADUs have been permitted in Portland since the mid-1990s, they have only been in our system for less than a year, so we don’t have sufficient data to go on yet.

There is also a groundswell of activity currently attempting to make the case to banks that there is and has been a market for ADU properties. After speaking with a dozen builders and designers lately, I’ve found that ADU projects are gaining a substantial portion of their businesses. If this many people want to build them, then that value will translate to demand on the resale side for quite a while, as the area supply of ADU properties is currently less than the growing demand.

### ***If one was thinking about renting out the unit, how do you assess the maximum market value for the unit?***

I would recommend contacting a property manager or an appraiser who can do a rental market analysis for you. Using these services may cost a couple of hundred dollars. There’s also free training offered through the City of Portland that may provide suggestions and resources to maximize the value and expe-



Photo courtesy of Pasqualle’s Home Remodeling & Construction

rience of owning a rental property. (Visit <http://www.portlandonline.com/BDS/index.cfm?c=31887>).

### ***Can building “green” add value or help with renting out the ADU in Portland?***

There is a growing market for “green” rentals, but I’d caution owners to be sure they can substantiate the claims that set them apart in a field of vacancies that renters are considering. If property owners employ sustainable building practices and choose materials wisely, they can differentiate themselves to fetch slightly higher rents. To get a better sense of that market, I would recommend visiting [www.greenrenter.com](http://www.greenrenter.com).

### ***How is the market when adding an apartment to a basement or attic?***

This is where a thoughtful design can really pay off. If the floor plan can adapt to being an apartment and also retain the potential of being integrated back into the home’s floor plan at various stages of ownership, it will capture the broadest market at resale time and offer the most utility for the property owner. For both basements and attics, the more conforming the space is, the better. If ceiling heights are overly compromised or there’s an obvious lack of natural light, the spaces will not be as successful.

### ***Do you as a realtor check for permits when putting a home on the market for resale that has an ADU or basement/attic apartment?***

Yes, as I would with any apparent remodel or addition. Based on Oregon’s Property Disclosure Law, all sellers are required to disclose the status of the work that has been done on their property — whether it required a permit, was one obtained, and did the work receive final approval. As the market has softened, these questions have become more scrutinized at the time of sale. ■

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