

Accessory Housing Units

What is it?

Your local government can create widespread opportunities for mixed-income housing in suburban and urban neighborhoods at virtually no public expense. Simply amend your building codes and residential zoning to allow for construction of accessory dwelling units. Accessory apartments, “in-law suites” or “granny flats”, are independent, complete living units created from surplus space, or added in inconspicuous ways, within single family homes or detached structures. Revising your zoning ordinances to permit accessory housing units is one of many ways to encourage mixed-income housing through regulatory reform.

Accessory units are also effective in fighting the displacement of low and moderate-income residents that sometimes happens as in-town neighborhoods that suddenly become trendy and more expensive – a process known as gentrification. Both the elderly and young adults are frequently displaced as prices rise on older homes that were once affordable for them. Rising property taxes also squeeze those with fixed incomes such as seniors.

Amending zoning ordinances that constrain single-family residential districts to allow accessory apartments is growing in popularity in many communities around the country, and may be one of the most effective means of regulatory reforms available to local governments seeking to increase the supply of affordable housing throughout your community. According to Martin Gellen, author of *Accessory Apartments in Single-Family Housing*, from 10 to 18 million U.S. single family houses had enough surplus space to allow an accessory apartment in 1985. Converting only 15 percent of these single-family dwelling units over a ten-year period would add 150,000 modestly priced rental units to the market each year (Gellen, 1985). A number of studies have shown that accessory apartments with no subsidy or rent control typically rent for less than fair market rent levels set by the Department of Housing and Urban Development (Hare, 1994).

Accessory units offer many benefits:

- The property owner lives on-site (either in the main house or the accessory unit), easing neighborhood concerns related to the perception that renters don't have a vested interest in the neighborhood
- Construction does not consume additional land
- Construction costs approximately one-third as much as conventional apartments
- They provide a modest, but comfortable rental dwelling in a desirable neighborhood for young singles or elderly persons who could not otherwise afford to be there

- They give elderly homeowners additional income to relieve the high costs of owning and maintaining a large house as home prices and expenses continue to rise
- Young and/or single people who cannot afford to own a home have an attractive alternative to apartment life while saving money for a home purchase
- Accessory apartments lead to increased diversity of residents and life-styles in neighborhoods

Things to consider before using this tool

- Address neighborhood concerns in your ordinance by:
 1. Limiting each primary residence to no more than one accessory dwelling unit.
 2. Ensuring that the lot size provides physical space for any addition that rests on the ground without violating setback requirements (be fair - some jurisdictions grant variances routinely for major house additions that are not accessory units).
 3. Limiting accessory unit floor area and proportion to the primary dwelling, to ensure that accessory units do not overpower the scale of the primary unit.
 4. Providing standards for architectural compatibility with the principal dwelling - height, roofline, massing, building materials, window styles and window proportions are examples.
 5. To minimize impacts in neighborhoods, require appropriate parking for the accessory unit.
 6. Look at access to transit in areas where accessory dwellings are encouraged.
 7. Addressing the issue of a separate entry for the accessory unit - when to allow a second entry and where it can be placed.
 8. Protecting privacy by ensuring that the placement, orientation, or size of added windows do not become unwanted intrusions on the neighbors.
 9. Setting landscaping standards to ensure that the addition to the building does not displace the integrity of the landscape.
 10. Ensuring that the accessory unit meets all plumbing, electrical, mechanical, structural, fire and health codes.
 11. Stipulating that the owner must live on the property in either the primary unit or the accessory unit.
 12. Addressing amnesty for illegally created accessory units because some of them may be non-conforming.
 13. Your ordinance should address additional septic capacity or expanding drain fields that may be necessary to add bathroom and kitchen facilities in homes that have septic tanks.

Additional Information on Mixed-Income Housing

Background

- Do people in your community find themselves driving long distances to work because there is no housing they can afford near their jobs?
- Is it impossible to find an affordable apartment nearby for an elderly parent, yet your zoning prohibits building an accessible in-law suite in an existing home?
- Are companies in upscale areas of your community having trouble attracting and retaining support personnel because they can't afford to live near work?
- Are there unemployed or underemployed individuals in your region willing and able to fill job vacancies in your community, if they could only afford to live there?
- Are the only affordable housing units in your community heavily concentrated in large complexes?
- Is it difficult for young families to find a home they can afford to buy in the area in which they grew up?

These are examples of the issues faced in communities where housing choice is limited or not responsive to the needs of citizens, businesses and newcomers. Do any of these scenarios sound familiar in your community? One set of approaches to resolve these concerns is mixed-income housing.

Mixed-income housing provides housing for people with a broad range of incomes, at all stages of life, within the same development or neighborhood. Mixed-income housing bridges a gap in the current housing market and spreads affordable units throughout community neighborhoods, providing more housing choices. Including a variety of housing and unit types in your community addresses many housing and lifecycle needs. Your community goals might be various housing opportunities for young adults, middle age and senior housing – single family and multi-family, for rent and for sale.

Benefits of Mixed-Income Housing

Placing mixed-income housing closer to employment and activity centers (definition of activity center):

1. Helps workers find housing near jobs
2. Helps employers find a closely available pool of labor
3. Reduces commuting time
4. Provides affordable housing options in communities without identifying certain homes or households as “low income”
5. Promotes neighborhood diversity and stability, so people can remain in a community through changes in their lifestyles, ages, families and incomes

Barriers to Mixed-Income Housing

Barrier	Strategy
Conventional zoning ordinances with many residential districts that set rigid standards for lot size and house size	Inclusive zoning ordinances that permit a mixture of housing styles and density
Financial institutions that turn down housing developers unless they produce conventional “products”	Support from private foundations, state and local housing agencies, federal agencies like Fannie Mae, and other private sector organizations that will underwrite financing and provide successful financing examples from other parts of the country
Neighborhood associations and civic groups that oppose re-zonings for developments that are priced at levels that are not equal to, or superior to their own homes	Public education about smart growth and the benefits of mixed-income housing close to employment; examples showing that mixed-income housing does not reduce property values
Local government officials that believe that development impacts increase with density and are unfamiliar with the advantages of mixed-income housing	Public education to show that building at appropriate density reduces development impacts; enlisting community-based organizations to convince local officials of the need for affordable housing for public employees, such as police, firefighters and teachers, as well as private sector employees, like bank tellers and retail service workers.

Successful Partnerships for Mixed-Income Housing

Forming and maintaining effective partnerships

Partnerships of various community stakeholders to develop mixed-income and affordable housing should include as many, or as few, members as needed to get the job done. Each partner should have a clearly defined role in contributing to the project and receive rewards for successful efforts.

Roles and Rewards for Successful Partnerships for Mixed-Income Housing		
Player	Role in Project	Reward for Success
Home builder	<ul style="list-style-type: none"> • Innovative design and construction methods • Cost-effective product 	<ul style="list-style-type: none"> • Expanded market opportunities • Professional reputation enhanced

Non-profit developer	<ul style="list-style-type: none"> • Bringing development and financing team together • Local commitment and familiarity with stakeholders • Construction management • Negotiates with government for approval 	<ul style="list-style-type: none"> • Providing homes for families in the community • Building a stronger organization • Community influence
For-profit developer	<ul style="list-style-type: none"> • Bringing development and financing team together • Familiarity with process • Construction management • Negotiates with government for approval 	<ul style="list-style-type: none"> • Expanded market opportunities • Building a profitable organization • Community prestige
City / County government	<ul style="list-style-type: none"> • Adopts affordable housing goals and zoning and land use policies in comprehensive plan • Streamlines development process • Gives incentives for affordable housing • Assists in identifying appropriate sites and land acquisition 	<ul style="list-style-type: none"> • Increasing housing choice • Meeting housing goals • Improving satisfaction of electorate • Improved relations with funding agencies
Local financial institution	<ul style="list-style-type: none"> • Provides construction and permanent financing 	<ul style="list-style-type: none"> • CRA credit • Opportunity to make loans
Federal, state, and local housing agencies	<ul style="list-style-type: none"> • Provide loans, tax credits, loan guarantees and other credit enhancements • Subsidized interest rates, rental assistance and grants may be available • Coordinates home buyer education 	<ul style="list-style-type: none"> • Meeting national, state and local goals to increase affordable housing
Community-based Non-profit organization	<ul style="list-style-type: none"> • Advocates for support of neighborhoods and local government approval • Provides homebuyer education 	<ul style="list-style-type: none"> • Fulfills charter for serving housing needs of constituents in local community

Financing supporting mixed-income housing

Creative financing up front reduces the development cost of a mixed-income housing development. Other forms of financial assistance can offer additional financial incentive to income-qualified buyers and renters. Financing assistance

is available from a variety of federal, state, and local sources, foundations and non-profit organizations offered as grants, low-interest loans, loan guarantees, tax credits and, in some areas, tax abatements. Experienced developers use a combination of these sources to leverage their investments. Some of the more popular financing programs include:

- [Community Development Block Grant](#) (CDBG)
- [HOME](#) Investment Partnership Program block grants to states and local governments
- [CHIP](#) program for local governments, part of HOME program
- HOPE VI Urban Revitalization Demonstration for revitalizing distressed public housing
- Enterprise Communities and Empowerment Zones
- [Low-Income Housing Tax Credit](#) for construction of rental or lease-purchase units
- USDA/Rural Housing Service Section 502
- Brownfield Redevelopment Initiative for remediating sites that were formerly polluted by industries
- Rental Housing Production: Tax Credits/HOME Rental Housing Loan Program, and the Rural Rental Housing Development Fund administered by DCA

Homebuyer and Renter Assistance

Assistance to low-income individuals is available through a variety of programs on the State and Federal levels. These programs can help mix the income levels in neighborhoods.

Federal and State programs help homebuyers receive affordable mortgage financing:

- Federal Housing Administration (FHA), VA, and USDA mortgage insurance programs
- Fannie Mae loans and services
- State and local Mortgage Revenue Bonds mortgages for first-time homebuyers

DCA administered programs:

Homebuying

OwnHOME down payment loans

HomeBuyer low interest mortgage loans

Rental Assistance

HUD Section 8 rent subsidies provide direct rental assistance to low-income tenants in qualified rental housing that may be a component of mixed-income housing developments.

Review the schedule of availability, processing time, approvals, and income restrictions that accompany most government affordable housing programs early

in the development cycle. These factors can significantly affect the timing, marketing, and financial structure of the entire development of a mixed-income project.