

# Accessory Dwelling Units as Affordable Housing

January 19, 2023



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## AFFORDABLE HOUSING CATALYST PROGRAM

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# About the Florida Housing Coalition

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- Statewide nonprofit organization that is primarily a training and technical assistance provider to local governments and nonprofits on all things affordable housing
- Our work covers:
  - Compliance with local, state, and federal affordable housing programs
  - Affordable housing program design
  - Capacity building for nonprofit housing providers
  - Land use planning for affordable housing
  - Research & data gathering
- We provide free training & technical assistance through the Catalyst Program

# Presenters

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# Webinar Logistics

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- All participants are on mute
- Please type in your questions and comments into the question box on the side panel
- We will not identify who has asked a question
- Webinar is recorded
- PPT is provided as a handout
- For follow-up information or problems downloading handouts, please contact [glazer@flhousing.org](mailto:glazer@flhousing.org)



# Topics Covered: ADUs and affordable housing

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## 1. What are ADUs?

Benefits of ADUs

Where ADUs fit in the affordable housing ecosystem

## 2. Planning

Addressing land use & zoning barriers to ADU growth

Policy design

Requiring or encouraging affordability

## 3. Financing

Overview of financing for ADUs

Using SHIP or other funds to support affordable ADU development

## 4. Other topics

Local gov. role in educating homeowners

Pre-approved designs

ADUs and short-term rentals

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# I. What are ADUs?

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# Accessory Dwelling Units

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- An accessory dwelling unit (ADU) is an additional living space, typically “accessory” to a single-family home, that is independent of and generally smaller than the primary structure.
- ADUs can be an apartment within the primary residence or an attached or freestanding home on the same lot.
- ADUs are commonly referred to as granny flats, mother-in-law suites, garage apartments, carriage houses, and backyard cottages.
- **Put simply,** an ADU is an extra home on a parcel.





# Benefits of ADUs

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## Affordability.

- Due to their relatively small size, and because they do not require additional land or major new infrastructure, ADUs are cheaper to build than other housing options and can be a naturally occurring form of affordable housing.
- The rental income generated from the ADU can subsidize the cost of the primary unit – making ADUs an affordable housing tool for both the renter and landowner.
- Increased housing options in single-family detached housing neighborhoods.

## Older adult care.

- “Granny flats” are a great way for older adults to downsize, age-in-place, or live close to a caregiver.
- Ex) A son or daughter can build an ADU in their backyard for their aging parent.

# Benefits of ADUs

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## Family flexibility.

- An ADU can create an additional living space for family members and provide a flexible living arrangement.
- Meets needs for small households (one- or two-person), which are generally increasing.
- Ex) A young adult or college graduate who cannot afford housing, but wants to remain independent, can live with their parents in a detached ADU.

## Infill development.

- ADUs are a smart growth tool because they are typically infill units built where there is existing infrastructure – making greater use of built-on land.
- ADUs close to employment centers give more people the opportunity to live closer to where they work.

# Benefits of ADUs

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## Integration of income levels.

- When ADUs are used as affordable rental homes, they can facilitate mixed-income communities.

## Property rights.

- Allowing landowners to build ADUs enriches individual property rights.

## Positive impact on overall housing supply.

- Each ADU built and used for long-term residents increases our state's much needed supply of housing.



# ADUs are hot!

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## White House 5-year housing supply strategic plan (May 2022)

- One of the immediate policies is “Scaling Up ADUs and piloting ADU and home renovation financing tools”
- “FHA and FHFA are exploring avenues to help lenders pilot and scale renovation and construction financing for ADUs – particularly for low- and moderate-income homeowners.”

ADU reforms are picking up steam at the local level in Florida. Sample of communities with meaningful ADU reforms in the past three years:

Jacksonville

Gainesville

Pinellas County

St. Petersburg

Manatee County

Seminole County

Orlando

Sarasota

Miami-Dade County

Orange County

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# Where ADUs fit in the housing ecosystem

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- ADUs are just one tool to address a community's affordable housing needs
- Just like any other housing type, unless ADUs are deed-restricted or otherwise required to be affordable, not all of them will be affordable
- ADU reform should be done in conjunction with other land use reforms such as a missing middle, minimum lot sizes, density, inclusionary housing, etc.
- ADU reform is important, but has a limited impact when considering the scale of the state's affordable housing crisis

# ADUs as affordable housing – unsubsidized market

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- Affordability through small size:  
ADUs tend to be 400-1000 sq ft.
- Rents for family and friend tenants tend to be below market rate.



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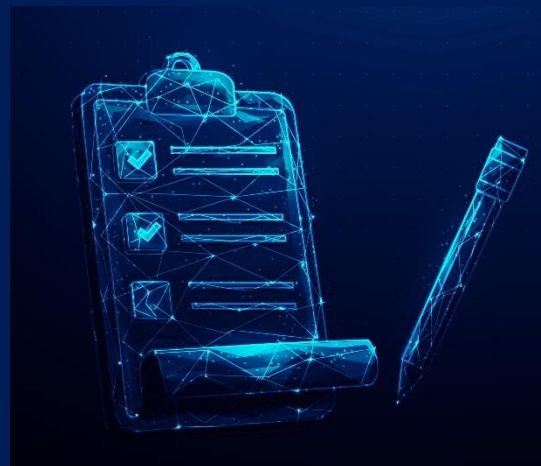
# ADUs as affordable housing – unsubsidized market

## 2020 UC Berkeley Center for Community Innovation Survey - California ADUs

- Regarding regions with sufficient sample size, median ADU rental price was affordable to 2-person household at AMI in San Francisco Bay and Central Coast areas. San Diego and Orange County had inconclusive results in this regard. Los Angeles County did not meet this level of affordability.
- 31% of ADUs in Los Angeles County were affordable to these households.
- For counties submitting 20+ responses: share of ADUs affordable to 2-person households at 80% AMI or less ranged from 12% to 67%.

## 2017 Urban Land Institute Survey - Portland, Seattle, Vancouver ADUs

- 58% of 114 ADUs rented for below market rates.
- 40% of these rented to family/friends.



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# ADUs as affordable housing – unsubsidized market

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## 2013 Oregon Dept of Environmental Quality Survey - Portland Permitted ADUs

- 13% of 192 units rented for free; 5% rented for \$500 or less.
- Attached ADUs not rented for free and comparable in bedrooms to multi-family (MF) units in the area (control for size) had higher mean rents than the MF (\$872 vs \$753).

## 2012 Berkeley Institute of Urban and Regional Development Study - East San Francisco Bay Area ADUs

- 17% of 41 ADU survey respondents rented for free.
- ADUs rented for less than overall unsubsidized rental units (savings of 6% AMI on average) due to small size, fewer amenities, shared utilities.

# ADUs as affordable housing – income-restricted program pilots

## Backyard Homes Project, Northeast Los Angeles – LA Más + partners

- Homeowner financing, design, permitting, construction, and leasing support to build and rent a new ADU
- ADU serves section 8 voucher recipient for min. of 5 years
- <https://www.mas.la/affordable-adus>

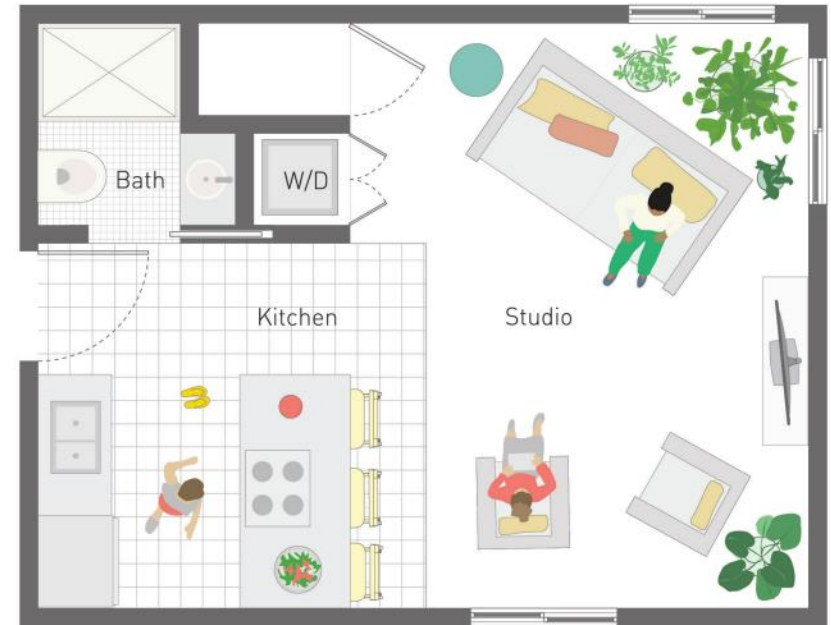


Image source: floor plan from  
[LA Más + RNLA Backyard Homes Project Homeowner Design Package, p 3](#)



# ADUs as affordable housing – income-restricted program pilots

## LA ADU Accelerator Program – City of Los Angeles

- Matches homeowners in City with existing ADUs or soon to receive certificate of occupancy with ADU tenants
- Tenants are:
  - at least 62 years of age
  - LA County resident
  - earn 30% AMI income or below
  - have valid phone and email address
- Rents are pre-determined.
- Homeowners and tenants agree to participate for 5 years.
- <https://adu.lacity.org/>



Image source: [City of LA](https://www.lacity.org)

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# ADUs as affordable housing – income-restricted program pilots

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## A Place for You Pilot - Multnomah County, OR

- Homeowner volunteers to have ADU constructed on their property.
- ADU serves a family experiencing homelessness
- County and partners assist with ADU rent.
- After 5 years, homeowner has option to buy ADU at fair market price.
- <https://www.multco.us/multnomah-county/news/only-thing-we-lacked-was-home-place-you-pilot-project-houses-four-families>



Image source: [Multnomah County, OR](https://www.multco.us/multnomah-county/news/only-thing-we-lacked-was-home-place-you-pilot-project-houses-four-families)

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## II.Planning for ADUs

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# Land use planning & ADUs

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- The goal should be more ADUs – local government's most important role is to craft zoning/land use policies that facilitate and encourage ADU development.
- If land use restrictions are too onerous, ADUs will not be built.
- Land use policies we will address today:
  - Eligible zone districts
  - Owner-occupancy restrictions
  - By-right v. conditional uses
  - Minimum lot size
  - Density
  - ADU size
  - Parking
  - Setbacks & other lot design requirements
  - Impact fees

# Barriers & Solutions to ADU growth

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## 1. Euclidean Zoning & the Single-Family District

- “Euclidean” zoning separates what are thought of as incompatible uses from being on nearby or the same lots.
- Many Florida jurisdictions may only allow ADUs in agricultural districts or pick-and-choose certain medium to high density residential districts to allow ADUs.
- **Bottom-line: ADUs are compatible with single-family homes.**
- Solution: Allow ADUs as a permissible use in all zone districts where single-family homes are allowed.
- **Pinellas County, FL** allows ADUs in residential districts, as well as nonresidential districts for an owner or employee as an accessory use to an office, commercial or industrial activity

# Barriers & Solutions to ADU growth

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## 2. Long-term rental use restrictions

- Some local governments only allow ADUs for temporary guests, family members, caretakers, and in conjunction with certain uses.
- Solution: Allow ADUs to be rented freely on the market.
  - **Miami-Dade County, FL** amended its regulations in 2022 to include a rentable ADU housing type in addition to a non-rentable guesthouse for family.
  - **Tampa, FL** regulations include those for a rentable ADU and an "extended family residence" which is restricted to relatives and not rentable. Currently, ADUs are allowed in more limited areas, but the City is considering proposed changes to expand those allowances, among other changes.

# Barriers & Solutions to ADU growth

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## 3. Owner-occupancy requirements

- Many jurisdictions in Florida require the homeowner to occupy the primary unit if ADU is built.
- A strict owner-occupancy requirement may discourage development, limit selling options for current owners, and dissuade prospective buyers.
- Ex) if a low-income homeowner with an ADU moves but wants to rent their property rather than sell, an owner-occupancy requirement would force a sale of the entire property.
- **Orlando, FL** allows both the primary unit and ADU to be rented but must be owned by same person/entity; **Gainesville, FL** removed its owner-occupancy requirement in 2020.
- Solution: To provide maximum flexibility, remove owner-occupancy requirements altogether.
- Regulate noise & secondary effects instead of strict owner-occupancy standards.



# Barriers & Solutions to ADU growth

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## 4. By-right v. conditional uses

- The onerous, unpredictable, and costly nature of a conditional use or special exemption process may discourage homeowners from constructing ADUs.
- Solution: Allow ADUs by-right and establish transparent and predictable development requirements.
  - Pinellas County, FL is one example where by-right approval is used for ADUs.

# Barriers & Solutions to ADU growth

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## 5. ADU size

- Local governments regulate max. ADU size from 400-1200 sq feet & higher and some cap the ADU size as a % of the primary home
- ADU maximums based on a proportion of the primary home prevent ADU development on large lots that happen to have a small primary unit.
- Ex) If ADU size can be no more than 25% of the primary and the primary residence is 1,750 sq feet, ADU could only be 440 sq feet – a size not large enough to house 2 people
- Solution: Set a maximum square footage number with additional size allowances depending on lot size. If setting maximum ADU square footage based on proportion of the primary dwelling, make % as high as possible.
  - Alternatively, set ADU sizes based on lot size, not primary dwelling size.
  - In 2020, **Gainesville, FL** amended its ADU regulations from an ADU living area standard of 50% of principal residence or 1,000 sq ft (whichever is lesser) to a standard cap of 850 sq ft.

# Barriers & Solutions to ADU growth

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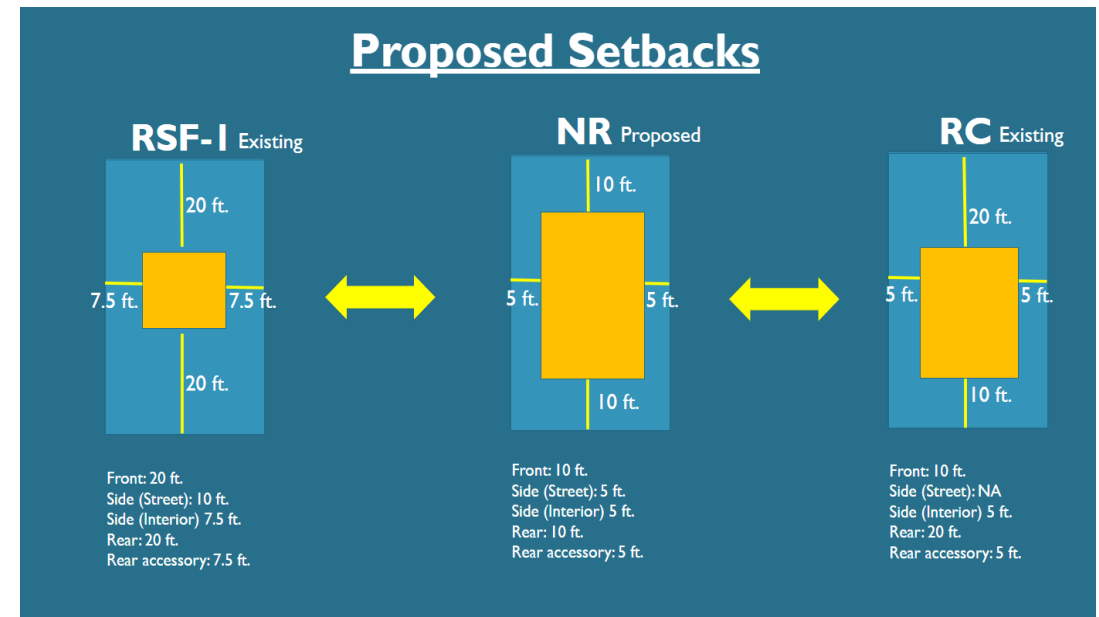
## 6. Minimum lot sizes

- A high minimum lot size requirement will limit the number of ADUs that are built.
- Ex) several FL counties require a parcel to be a minimum of 15,000 sq. feet (or .35 acres) to construct an ADU – this effectively bars ADU development on many single-family lots.
- **St. Petersburg, FL** amended its code in 2019 to reduce min. lot size requirements for ADUs from 5,800 to 4,500 sq feet and increased the number of lots that could have an ADU by about 9,600.
- Solution: Draft minimum lot size requirements to allow the most possible lots to contain a lawful ADU.
  - Study lot sizes in the jurisdiction & how a min. lot size affects ADU opportunities.

# Barriers & Solutions to ADU growth

## 7. Setback requirements

- Onerous setback standards can effectively prevent ADU development, especially for smaller lots.
- Solution: Consider zero-lot-line configurations where the ADU can be built up to, or very near, the edge of a property line
  - To ensure smaller lots are not inadequately burdened by setback requirements, utilize variance or exception procedures to amend certain setback rules.



City of Gainesville "Missing Middle" Zoning Reform.



# Barriers & Solutions to ADU growth

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## 8. Parking

- Parking requirements can be burdensome to ADU development both in terms of cost and lot configuration.
- For smaller lots, a “one paved spot per ADU” requirement could render an ADU impractical
- **Orlando, FL** does not require additional parking for ADUs 500 sq feet or less
- **Pinellas County, FL** does not have min. or max. parking requirements for ADUs
- Solution: Devise parking requirements based on need or eliminate parking requirements altogether.
  - At minimum, do not require one paved parking spot if on-street parking is available and consider exempting smaller ADUs or ADUs for older adults from the parking requirement.

# Barriers & Solutions to ADU growth

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## 9. Density calculations

- If ADUs are counted in an area's density calculation, that will likely push a parcel over the density restrictions for a particular zone and prevent ADU development.
- Solution: Exempt ADUs from density calculations.
  - **Alachua County, FL, Pinellas County, FL, and Miami, FL** are examples of where ADUs are excluded from density calculations
  - **Gainesville, FL** amended its ADU regulations in 2020 to allow 2 ADUs, still exempt from density calculations.

## 10. Impact fees

- Impact fee policies can be designed to facilitate ADU development.
- Solution: Consider waiving impact fees for affordable ADUs, charging impact fees by square feet, and/or a "de minimus" impact fee
  - **Hillsborough County, FL** charges a \$100 "de minimus" impact fee for ADUs

# Recent local reforms in Florida

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- **Orlando - 2018**

- Broadened number of zoning districts where ADUs are legal
- Exempted parking requirements for ADUs 500 sq feet or less
- Lowered minimum lot size requirements

- **Gainesville - 2020**

- Expanded number of zoning districts where ADU are permitted by-right
- Permitted 2 ADUs per lot
- Amended size restrictions to 850-sq-ft cap from a 50% of principal residence or 1,000-sq-ft cap (whichever is lesser)
- Removed owner occupancy and homestead exemption requirement
- Explicitly allowed shared utilities and service infrastructure with principal unit

# Recent local reforms in Florida

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- **Miami-Dade County -2022**

- Permitted a rentable ADU in agricultural, residential, and estate districts
- Required one parking space per unit but allowed on-street parking space in front of property to count towards this requirement; exempted properties located within 660 ft of certain transit and mixed-use corridors
- Included 2-vehicle parking limit
- Allowed separate utilities for ADUs.
- Allowed administrative adjustments of setbacks, heights, lot coverage, min. lot size allowed.
- Applied administrative site plan review to ADU
- Allows use of ADUs as short-term rentals, but only when rented along with the principal unit as one single vacation rental.



# Recent local reforms in Florida

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- **St. Petersburg - 2022**

- Amended ADUs from "grandfathered" to permitted uses in Neighborhood zoning districts where not already permitted.
- Excluded up to 500 sq ft of ADU floor area from Neighborhood Traditional residential floor area ratio maximums, removing the "detached" requirement of the ADU
- Removed parking requirements for ADUs under certain conditions
- Allowed an attached ADU to be located on the side of a principal unit on the condition of side or rear access to the unit not visible from the street.
- Amended minimum lot area requirements to 4,500 sq ft in Neighborhood Traditional districts
- Increased the ADU square footage cap to 800 and added an additional cap not to exceed 67% of the floor area of principal unit.
- Added provisions for conversion of a garage attached to front façade of principal unit to an ADU.

# Guest speaker

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Elizabeth Abernethy,  
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# ADU Initiatives

Florida Housing Coalition

January 19, 2023

Elizabeth Abernethy, AICP

Director, Planning & Development Services





# Housing Development Opportunities: Action Plan

- Increasing housing development opportunities within the neighborhoods, corridors, and centers framework:
  - Neighborhood, Corridors, and Centers
  - Traditional and Suburban
- Connecting land use and transportation
- Incorporate affordability
- Complete neighborhoods
- Create and preserve neighborhood and community character



# HOUSING: PRODUCTION

DWELLING UNIT CONSTRUCTION				
Unit Type	FY2001 to FY2020		FY 2021 (August)	
	Average Annual Unit Construction	Percent	Year-to-Date Unit Construction	Percent
Single Family	201	23%	292	28%
Townhome	129	15%	40	4%
Duplex	16	2%	18	2%
ADU	7	1%	43	4%
Multifamily 3-4	8	1%	6	1%
Multifamily 5+	526	59%	635	61%
<b>Sub-Total</b>	<b>887</b>	<b>100%</b>	<b>1034</b>	<b>100%</b>
<b>Average Annual Demos</b>	<b>(209)</b>		<b>(161)</b>	
<b>Net Annual Unit Increase</b>	<b>678</b>		<b>873</b>	

**FUTURE DEMAND:** Moderate growth scenario = 1,035 units/year; Strong growth scenario: = 1,550/units per year



## ADU Incentives: 2022/2023

### Current Initiatives:

- USF Fellows Program – developing design templates for how ADUs can be incorporated into the Neighborhood Suburban areas and a general brochure
- Developing a dedicated webpage: coordination with Marketing
- Developing checklists
- CRA program to include ADU financing from the MF Developer Loan Program (up to \$10k) and/or the RRR Plus Program (which offers a 40% rebate to homeowners that rehab/retrofit an ADU from an existing space)
- Institute a 1-to-2-day turn-around for Expedited Permitting for ADUs

# ADU: PAST AMENDMENTS

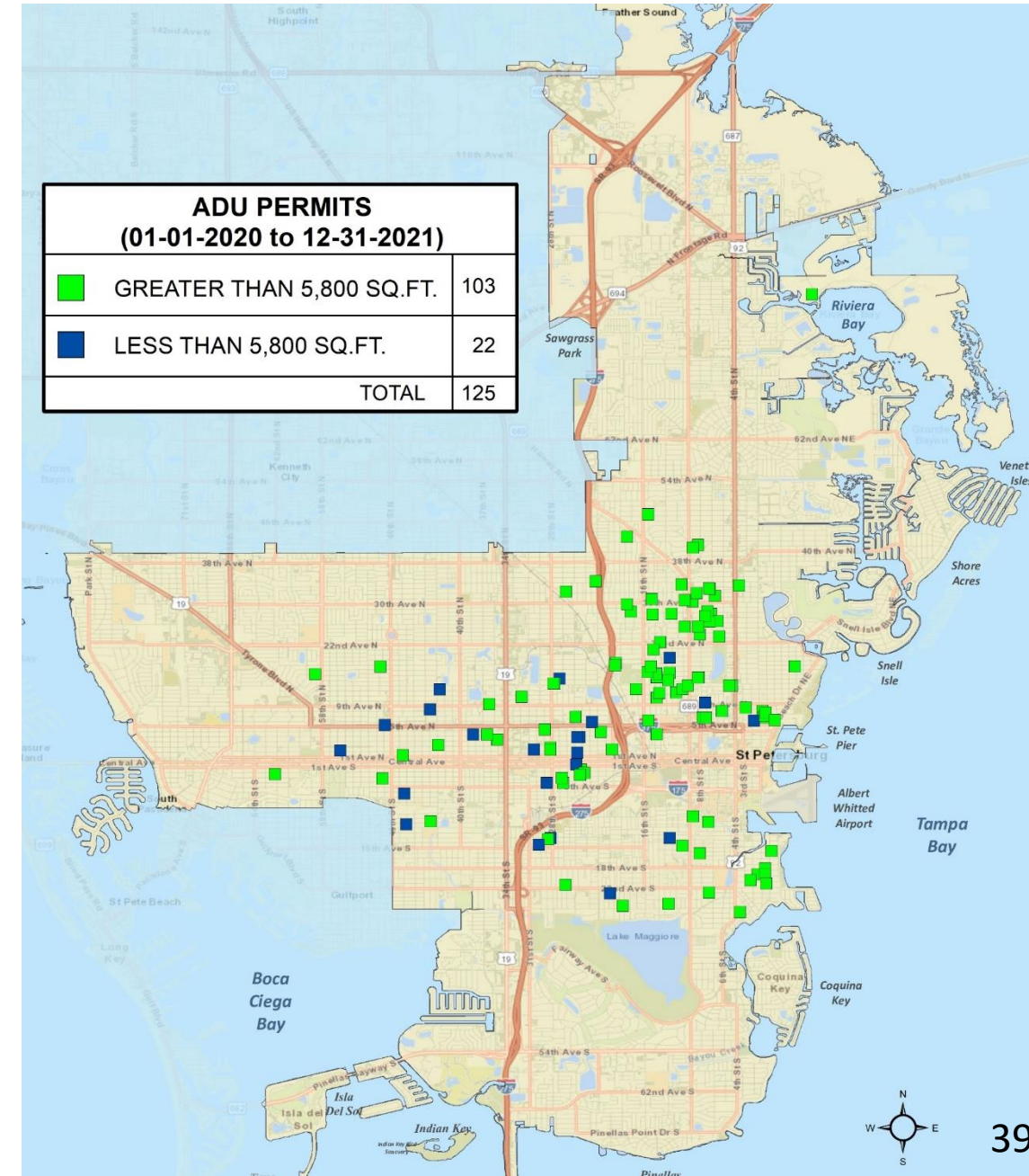
**1977 – ADUs removed as an allowed use**

**2007 – ADUs returned as an allowed use**

**2017 – Several design amendments to ADUs**

**2019 -**

- Exempted ADUs from density calculation
- Reduced minimum lot size requirement from 5,800 to 4,500 square feet. (This amendment qualified approximately 9,600 new parcels).
- Eliminated minimum unit size



# ADU: JULY 2022 - AMENDMENTS

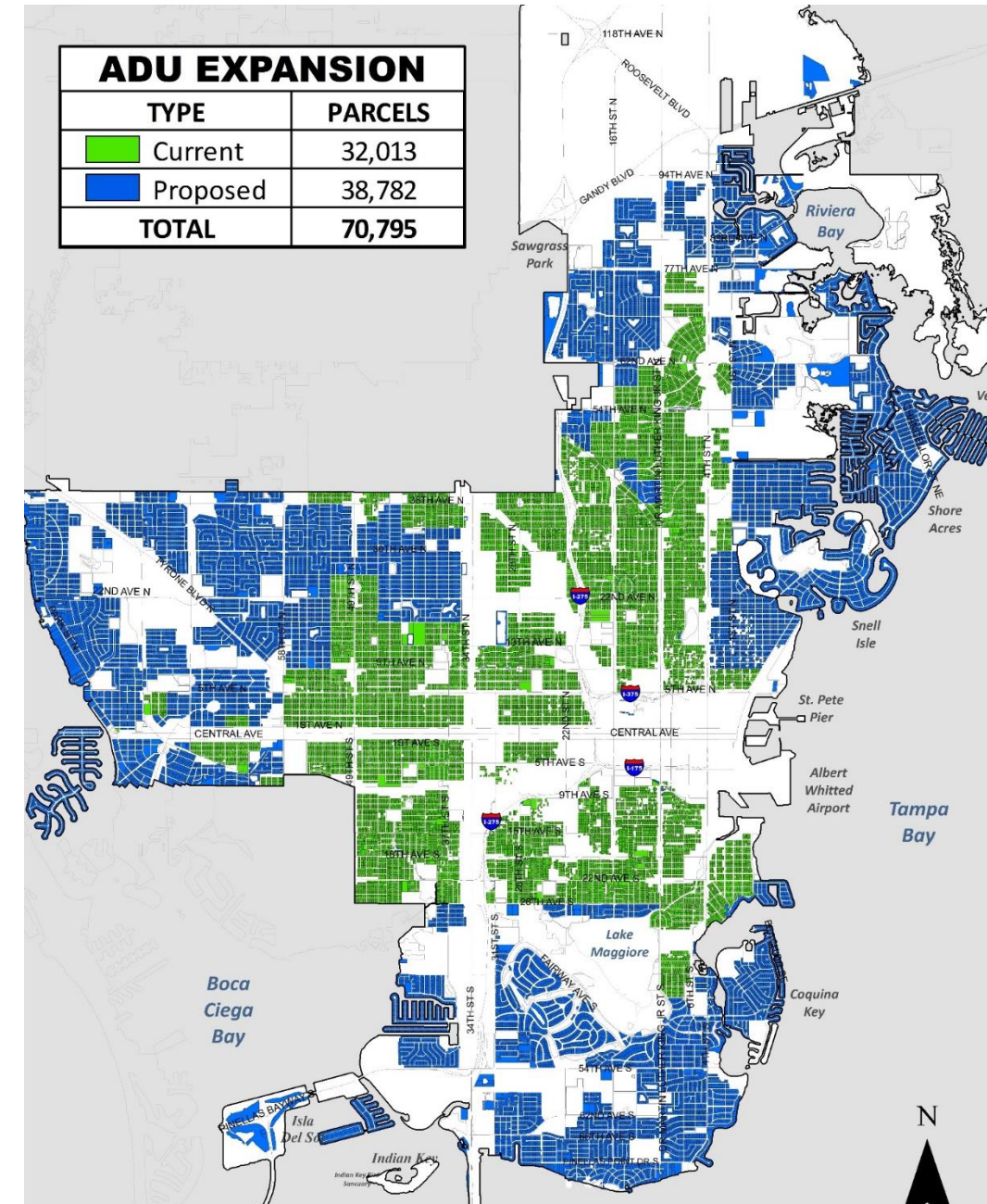
# City Code Section 16.10.010

## Neighborhood Traditional (NT):

- **ALLOW** in the NT-3 zoning category (3,495 parcels)

## Neighborhood Suburban (NS):

- **ALLOW** in the NS-1 and NS-2 zoning categories, subject to:
  - When located on an alley
  - When located at corner of two intersecting streets and meets minimum lot area for zoning category
  - If no alley or corner, then minimum lot size shall be 10,000 square feet; however, 12,000 square feet is also being considered.





# ADU: PROPOSED AMENDMENTS

- **INCREASED** the maximum unit size and **CLARIFY** language to define subordinate in size (*principal* and *accessory*):
  - 67% of the principal square footage (same as 40% of the total floor area combined), whichever is less. Garage square footage to be excluded.
  - For example: 1,000 SF house can have 670 SF ADU; 1,800 SF house can have an 800 SF ADU\*

$$\begin{array}{ccc} \begin{array}{c} 60 \% \\ \text{(primary)} \end{array} & + & \begin{array}{c} 40 \% \\ \text{(ADU)} \end{array} = 100 \% \\ \hline \begin{array}{c} \text{Total} \\ \text{ADU SF} \end{array} & / & \begin{array}{c} \text{Total} \\ \text{Primary SF} \end{array} = 67 \% \end{array}$$

\* 800 SF is maximum unit size.



# ADU: PROPOSED AMENDMENTS

## City Code [Section 16.10.020](#)

- **WAIVED parking** for ADU units that are:
  - Located within 1/8 mile of High Frequency Transit Route (about 2 city blocks);
  - Located on an alley;
  - 600 square feet or less in size;
  - Required spaces provided from alley, no front driveway.

## EXISTING PARKING STANDARDS

### Single-Family:

- Traditional and Suburban: “2 spaces up to 3 bedrooms, plus 0.5 for each additional bedroom.

### ADU:

- Traditional and Suburban: “1 space for units with up to 2 bedrooms; plus 0.5 for each additional bedroom.”



## ADU Incentives: 2022/2023

ADU LDR package approved in July 2022;  
expands allowable locations to 70% of all  
single-family properties

Year	ADU #
2007	1
2008	2
2009	1
2010	0
2011	1
2012	3
2013	3
2014	0
2015	2
2016	16
2017	23
2018	21
2019	29
2020	44
2021	53
2022	86
Total	285



# Plan Implementation Steps and public comment

## STAKEHOLDER MEETINGS:

- 05/19/2021 Council of Neighborhood Associations
- **05/26/2021 Community Workshop No. 1**
- **06/09/2021 Community Workshop No. 2**
- 06/16/2021 Chamber's Housing, Land Use, & Development Committee
- 06/21/2021 Historic Old Northeast Neighborhood Association (HONNA)
- **06/23/2021 Community Workshop No. 3**
- 06/24/2021 Historic Roser Park Neighborhood Association
- **07/14/2021 Community Workshop No. 4**
- 07/27/2021 Downtown Developer's Council
- 09/01/2021 Crescent Lake Neighborhood Association
- 09/14/2021 Chamber Housing, Land Use, & Development Committee



# Plan Implementation Steps and public comment

## STAKEHOLDER MEETINGS:

- 09/14/2021 Council of Neighborhood Associations (CONA)
- 09/15/2021 Bicycle and Pedestrian Action Committee
- 09/21/2021 Complete Streets Committee
- 09/28/2021 Downtown Developers Council
- **09/29/2021 Community Workshop No. 5**
- 10/04/2021 Campbell Park Neighborhood Association
- **10/13/2021 Community Workshop No. 6 (Repeat No. 5)**
- 10/13/2021 St. Petersburg Downtown Neighborhood Association
- 11/15/2021 Historic Old Northeast Neighborhood Association (HONNA)
- 01/19/2022 Holiday Park Neighborhood Association (HPNA)
- 02/15/2022 Council of Neighborhood Associations Leadership Training



# Plan Implementation Steps and public comment

## STAKEHOLDER MEETINGS:

- 03/07/2022 Crescent Heights Neighborhood Association
- 04/12/2022 Alliance for the Pinellas Bayway
- 04/12/2022 Disston Heights Civic Association
- 04/13/2022 Downtown Neighborhood Association
- **04/18/2022 Development Review Commission Workshop**
- 04/26/2022 Greater Pinellas Point Neighborhood Association
- **05/04/2022 Development Review Commission Public Hearing**
- 05/04/2022 Historic Kenwood Neighborhood Association
- 05/16/2022 Shore Acres Civic Association
- 05/17/2022 Snell Isle Neighborhood Association
- 05/31/2022 Central Oak Park Neighborhood Association
- **06/09/2022 City Council First Reading and First Public Hearing**



# THANK YOU

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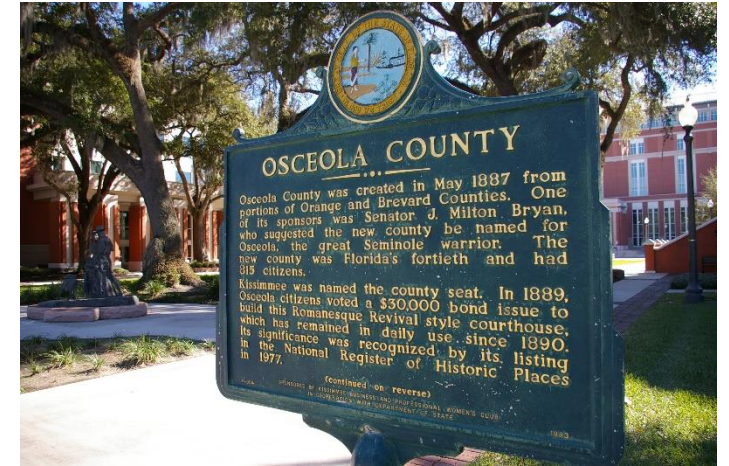
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# Guest speaker

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Susan Caswell,  
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# Fla. Stat. 163.31771 – Florida's ADU statute

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- Created in 2004 to encourage local governments to allow ADUs in single-family districts
  - “(1) The Legislature finds that the median price of homes in this state has increased steadily over the last decade and at a greater rate of increase than the median income in many urban areas. The Legislature finds that the cost of rental housing has also increased steadily and the cost often exceeds an amount that is affordable to extremely-low-income, very-low-income, low-income, or moderate-income persons and has resulted in a critical shortage of affordable rentals in many urban areas in the state. This shortage of affordable rentals constitutes a threat to the health, safety, and welfare of the residents of the state. **Therefore, the Legislature finds that it serves an important public purpose to encourage the permitting of accessory dwelling units in single-family residential areas in order to increase the availability of affordable rentals for extremely-low-income, very-low-income, low-income, or moderate-income persons.”**
- Only encourages local governments to allow ADUs.

# Fla. Stat. 163.31771(4) – Required affordability?

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- House Bill 1339 (2020) slightly changed the wording of the ADU statute
  - Lines 365-370: (4) ~~If the local government adopts an ordinance under this section,~~ An application for a building permit to construct an accessory dwelling unit must include an affidavit from the applicant which attests that the unit will be rented at an affordable rate to an extremely-low-income, very-low-income, low-income, or moderate-income person or persons.
    - This “strike-through” language arguably changes the breadth of the statute to require every ADU to be used for affordable rental housing
- City/County Attorneys differ in opinion on the effect of the “strike-through”
- Local governments can use this provision to require that all ADUs be used as affordable rental housing.

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# ADU Building Permit Affidavit for Use as an Affordable Rental?

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## Pros

- Means to require affordability
- Option to ban ADUs as vacation rentals

## Cons

- May prevent homeowners from using their ADU for family members, older adults, or other valuable uses
- May discourage ADU development



# Encouraging affordable rental ADUs

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- Impact fee waivers
- Expedited permitting
- Allow additional ADUs
- Setback, parking, lot design incentives





# III. Financing ADUs

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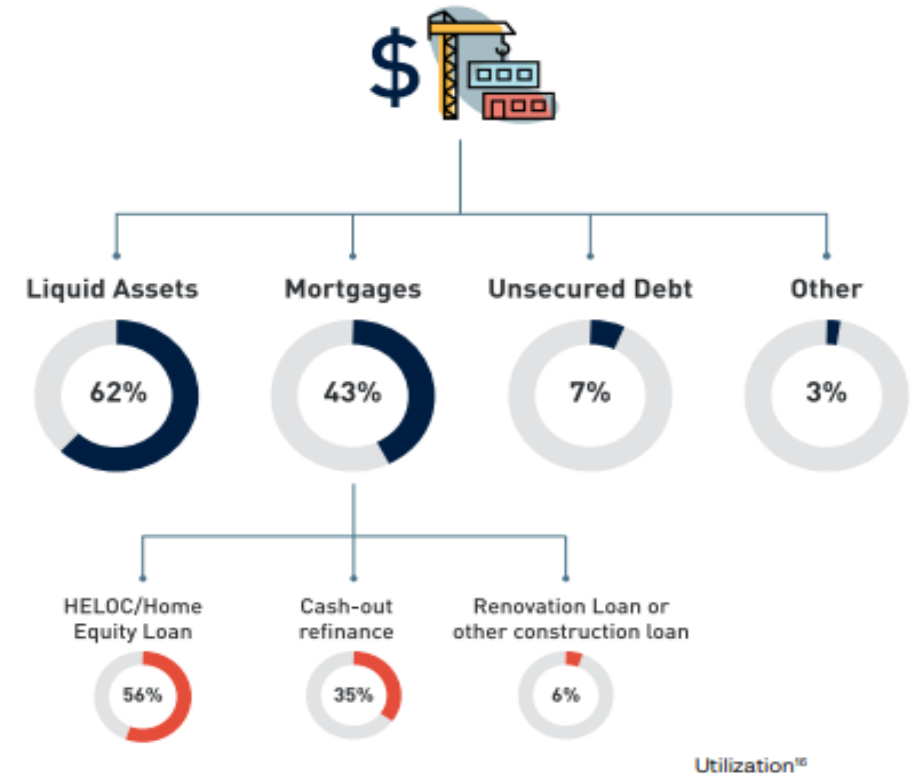
# Typical methods of ADU financing

Credit: Turner Center, ADU Construction  
Financing: Opportunities to Expand Access to Homeowners (handout)

A 2021 UC Berkeley survey of 800+ homeowners in California with an ADU asked how they financed the cost of ADU construction.

Almost all homeowners used liquid assets or equity built up in their home.

Figure 1.  
How do homeowners finance the cost of ADU construction?



# Methods of ADU financing

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## Mortgages for ADU construction:

- Home Equity Line of Credit/Home Equity Loan
- Cash-out refinance
- Renovation loan or other construction loan



## Government-backed products include:

- Fannie Mae HomeStyle renovation
- Freddie Mac CHOICERenovation
- FHA 203(k) program
- VA renovation loan

# Methods of ADU financing

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## Shared equity models:

- Nonprofit & for-profit entities can offer financing in exchange for a share of the rental income from the ADU, a share of equity on sale of the property, and/or through a deferred loan of 10-30 years
- See Dweller, United Dwelling, Unison, etc.
- Community land trusts (CLTs) can build ADUs in conjunction with single-family homes

## Credit cards & other unsecured debt (avoid)



# Local government financing ADUs

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Local government can fund the development of affordable rental ADUs:

- **Santa Cruz County, CA** Accessory Dwelling Unit Forgivable Loan Program
  - Provides loans of up to \$40,000 to homeowners adding an ADU to their property
  - Homeowner must agree to a deed restriction to rent the ADU to a low-income household for 20 years
  - The loan is 3% interest, deferred for 20 years, and fully forgivable if ADU rented at affordable rate to eligible households for that period
- **Boston, MA** Additional Dwelling Unit Program
  - Provides loans up to \$50,000 for ADU development for owners of 1-3 family homes
  - No monthly payments and does not become due until owner sells, transfers ownership, or undertakes a cash-out refinance
  - No affordability controls

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# Local government financing ADUS

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- **Gainesville, FL HOME-ARP proposal**
  - Included an ADU Pilot Program in their HOME-ARP plan
  - Plan to fund partial or full construction costs if ADU is used as an affordable rental to HOME-ARP qualifying populations for 15 years
  - City to partner with local qualified and experienced architects to design three ADU floorplans to be made available to homeowners



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# Structuring an affordable ADU funding program

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- **Amount.** Up to \$50,000 or more depending on overall construction costs.
- **Repayment.** Consider a fully-forgivable, deferred payment loan if the ADU rented at an affordable rate for the loan term.
  - If not fully-forgivable, consider 0% interest or partially forgiven over time.
  - Require repayment if ADU no longer used as affordable rental.
- **Term of years.** At least 15 years.
- **Eligibility.** Prioritize low- to moderate-income homeowners.
  - Prioritize low-income renters for the ADU (ex – ADU must be affordable to renters earning 80% of the AMI or below)
- **Monitoring.** Housing department staff should conduct annual income monitoring to take onus off the homeowner.

# Using SHIP for ADU development

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## 1. Rental development strategy:

- For situations where ADU will be used as an affordable rental
- ADU must be affordable to income-eligible households for the length of the loan term or repay assistance
- Homeowner treated as a developer and tenants of the ADU must be income-eligible
- Homeowner does not need to be income-eligible although a local government may choose to only serve low- to moderate-income households

## 2. Owner-occupied rehab strategy:

- For situations where an income-eligible homeowner need more room for household members
- Treated like any other rehab project where square footage is added

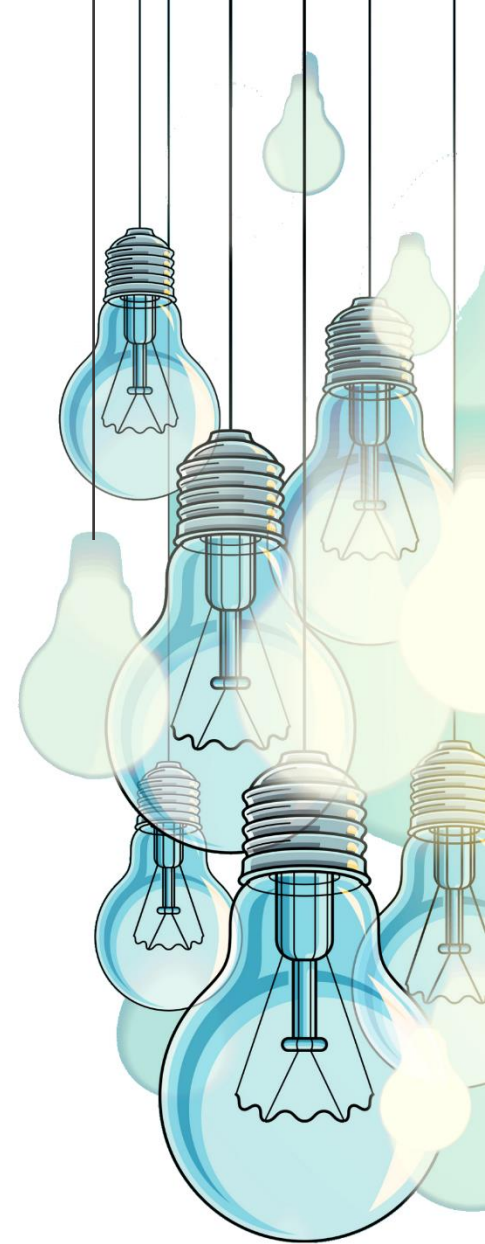
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# Other ideas for supporting ADUs

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- “Adopt a teacher” program concept
  - School boards/local governments could fund ADU development for teachers to live affordability close their workplace
  - **Idea:** Loans for homeowners to construct an ADU with the condition the ADU is affordable to teachers in the homeowner’s school zone
- Special purpose credit programs (SPCPs) for lower-income homeowners to construct ADUs
- CDFI and smaller lender-led initiatives





## IV. Other topics

- Homeowner Education
  - Short-term rental concerns
- 



# Marketing the ADU to Homeowners

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- After making ADU reforms to the development code, **a marketing and educational campaign** is the next crucial step to generating development.
- This should include:
  1. Easy-to-navigate checklist of the local development process
  2. Pre-approved designs
  3. Connections to local ADU architects and developers
  4. Education on how to finance an ADU
  5. Highlighting the community benefits of ADUs
  6. Education on how to manage an affordable rental including landlord-tenant laws, leasing, and maintenance



# Homeowner Education

1. Easy-to-navigate checklist of the local development process.
  - **Orlando, FL's** website provides a step-by-step guide on the permitting process for ADUs under the page "Figure Out What Permits You Need for an Accessory Dwelling Unit"
  - <https://www.orlando.gov/Building-Development/Permits-Inspections/Other/Figure-Out-What-Permits-You-Need-for-an-Accessory-Dwelling-Unit>.
  - **Raleigh, NC** has a terrific ADU webpage to educate homeowners.

1

**Check to see if your property is in city limits and find your zoning category**

Your property must be within City of Orlando limits. Click on the link below to enter your property address in the "Find Address" search box.

To find your zoning, select the "Planning and Development" button on the bottom left of the screen. Check the "Zoning" box to view your category.

[Check City Limits and Zoning](#)

If your zoning category starts with R-1, R-2, R-3, MXD or O-1 and O-2, you may be eligible depending on your lot size.

2

**Check your zoning category's minimum lot size requirement**

Your property may be zoned to allow an accessory dwelling unit depending on the zone's minimum lot size requirements. Check the table below to see if your lot meets its zone's minimum lot size.

[See Minimum Lot Size Chart](#)

3

**Review the additional requirements**

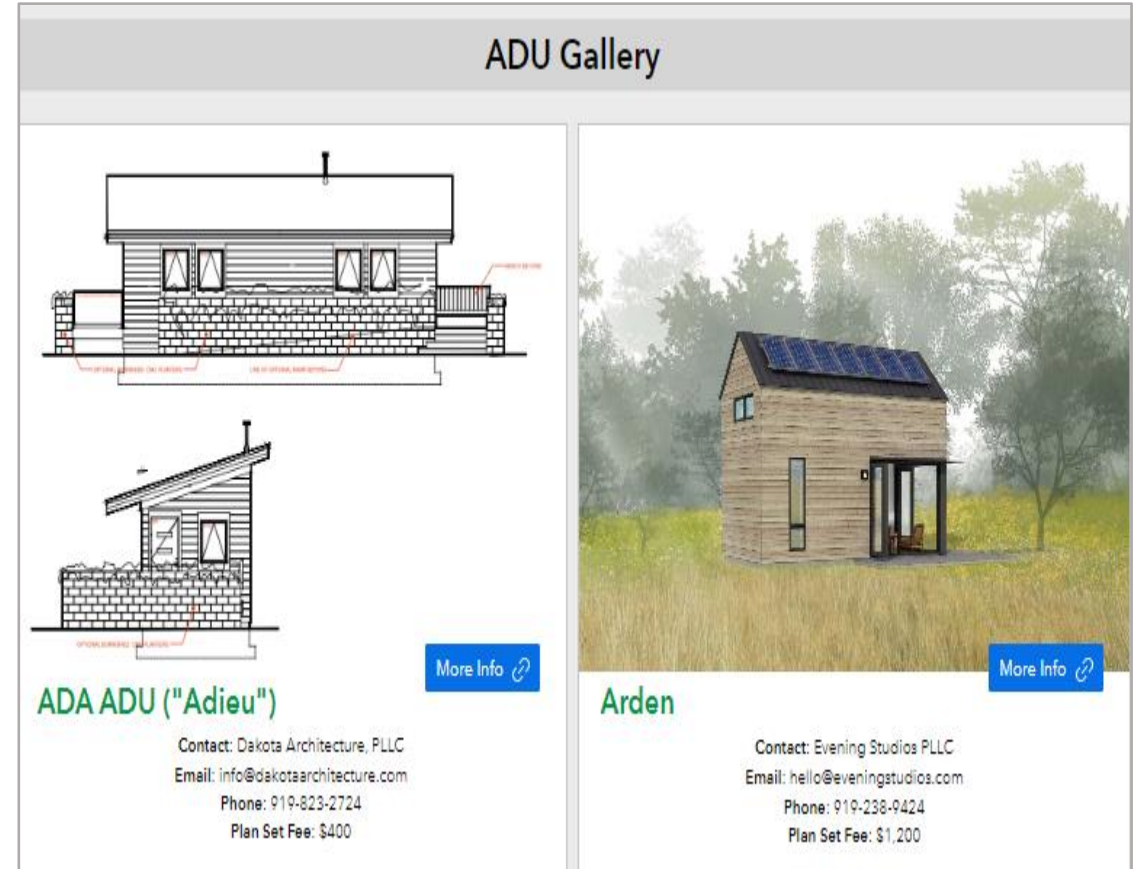
In addition to zoning and lot size requirements, you will also need to comply with and consider:

- Minimum and maximum floor area requirements
- Building code requirements
- Location on the lot
- Appearance standards
- Parking
- Impact fees required
- And more

# Homeowner Education

## 2. Pre-approved designs

- Local government can provide pre-approved ADU designs on its website to save homeowners time and money.
- Raleigh, NC** has an "ADU Fast Track program" which provides pre-approved ADU designs through their Online Gallery. Residents can view the gallery and purchase plans from the designed far below the typical design cost.



Screenshot from Raleigh, NC ADU Gallery

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# Homeowner Education

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## 3. Connections to local ADU architects and builders

- Local government can issue an RFQ and select competent ADU professionals to provide a partners to interested homeowners.

## 4. Education on ADU financing

- Local government can provide community workshops on “How-to-Build an ADU” with education on how to fund development.

## 5. Highlighting the community benefits of ADUs

- Provide marketing materials on how ADUs address a community’s housing needs.

## 6. Education on how to manage an affordable rental including landlord-tenant laws, leasing, and maintenance.



# ADUs and short-term vacation rentals



**Issue:** Communities may be hesitant about implementing ADU ordinances due to concerns about the ADUs being used as short-term vacation rentals.

This is coupled with the fact that state law prevents local governments from creating a new law, ordinance, or regulation prohibiting or regulating the duration of vacation rentals. Fla. Stat. 509.032(7)(b).

# ADUs and short-term vacation rentals

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## Things to consider:

- Allowing a short-term rental as an ADU use adds flexibility that can incentivize homeowners to build an ADU, even if they don't ever take advantage of that use.
- An ADU might not be a short-term rental forever – just because it starts off as an AirBnb, does not mean it will always be an AirBnB. An ADU initially used as an AirBnb may become a long-term rental over time.
- But if the ADU is never built, it **definitely cannot** be used as an affordable rental housing option.
- Avoid “all or nothing” approaches to policy – **the best we can do** is to encourage ADUs as affordable housing as best as possible. Even if only a portion of ADUs are used as “affordable” homes to low-income households, that is a victory.
- Evaluate overall impact of shared uses on property (other home-based businesses, other housing used as vacation rentals) on long-term rentals. Ensure any STR regulations applied to ADUs are comparable to regulations for other uses, particularly residential.

# Data on ADUs as short-term rentals

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Prior studies suggest limited use of ADUs for short-term rentals (STRs):

## 2020 UC Berkeley Center for Community Innovation Survey - California ADUs

- 8% of 380 ADUs used for STR, although many jurisdictions have regulations prohibiting.

## 2018 Portland State University Survey – Portland Permitted ADUs

- 56% of 236 owners were using ADU for primary residence at time of survey and 31% for STR.
- 38% of 236 owners used ADUs for long-term residence in past, 36% for family/friend residence, and 32% for STR (not exclusive to other uses).
- 60% of 236 owners planned to use unit for long-term rental in future and 47% for STR (not exclusive to other uses).

## 2017 Urban Land Institute Survey – Portland, Seattle, Vancouver ADUs

- 12% ADUs used for STR, based on 255 responses.
- 11% of respondents said STR was a reason they built ADUs; more common reasons were extra income from LTR and living space for household member/helper.

## 2020 Freddie Mac Study – Multiple Listing Service Data

- Incorporates unpermitted units.
- Most of the 40,000 pairs of transactions for an ADU between 2015 and 2018 were in TX, CA, FL, GA, and AZ; shares of paired listings in these states with a reposting period less than 30 days (indicating STR) were 7-15%. Does not account for STR listings solely on STR sites.

## 2022 City of Tampa Public Survey for Potential ADU Amendments

- 5% of 1000 total respondents considered STR a most important ADU benefit to them (reinvesting in neighborhood, family housing, and landlord income scored higher).

## 2013 Oregon Dept of Environmental Quality Survey - Portland Permitted ADUs

- 5% of 264 ADUs used for STR.

# ADUs and short-term vacation rentals

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Here are some options if a community is concerned about ADUs being used as vacation rentals:

1. Use the affidavit process in F.S. 163.317771(4) and require all ADUs to be used as affordable rental housing.
  - Consult with your City/County Attorney – F.S. 163.31771(4) and the state law preemption on local government limiting vacation rentals (F.S. 509.032(7)(b)) can be interpreted as in conflict.
  - Consider the negative consequences of requiring the affidavit
2. Encourage affordable ADUs through regulatory and financial incentives w/**land use restriction agreements**.
  - Local government funds, fee waivers, expedited permitting, and other incentives can be offered if affordable rental ADUs are built.
3. Collect data on how ADUs are used.



**Questions?**







# Accessory Dwelling Unit **GUIDEBOOK**

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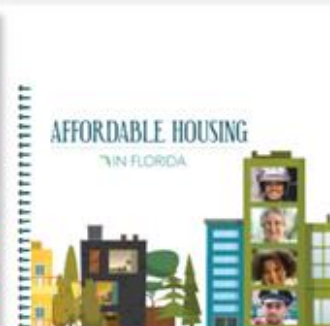
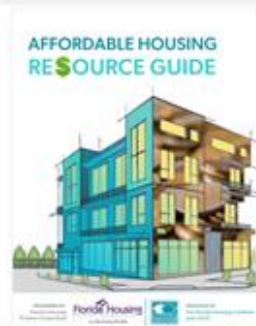
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