

March 3, 2010

Portland City Council
1221 SW 4th Ave.
Portland, OR 97204

Re: **City Council proposal to waive SDCs on Accessory Dwelling Units**

Mayor Adams and Commissioners Fritz, Fish, Leonard and Saltzman,

As building professionals committed to smart, green, in-fill development, we would like to express our strong support for the proposal to waive Systems Development Charges on Accessory Dwelling Units put forth by Mayor Adams and Commissioners Fish and Leonard.

This action will remove a major obstacle to the development of these small, energy-efficient homes and enable more people to build them – legally.

Enthusiastic about the potential ADUs could play in Portland, a spin-off group from the EcoBuilding Guild convened a few months ago to identify and try to remove obstacles to the development of ADUs.

Accessory Dwelling Units (ADUs) have the potential to meet many of Portland's housing policy objectives including:

- Small, energy-efficient homes with low carbon footprints
- Neighborhood-friendly infill development that makes efficient use of existing housing stock and infrastructure
- Affordable housing choices for a variety of household configurations
- Opportunities for innovation with small home design and green building

Unfortunately, the ADU program continues to be underutilized. The number of ADUs built each year was never very high and has been steadily dropping over the past decade.

- At its peak, in the late 90's, 83 ADUs were built in a two year period.
- From 2005 - 2006, the number of permitted ADUs dropped to 56, of which only 38 were actually built.
- In 2007, 16 ADUs were completed and in 2008, just 13 ADUs were completed.

Finally, a growing number of homeowners are circumventing the ADU process by either building 'detached accessory structures' to house more people on their property or by using garages or portions of their homes as separate dwellings without permitting them for that purpose. Recent research based on RMLS and building permit data for the past 3 years reveals that for every permitted ADU, there approximately 3 to 4 unpermitted ones that are being used (and marketed through the RMLS) illegally as independent dwellings.

Based on personal experiences and conversations with numerous friends, clients, and fellow professionals, we have identified the following obstacles to the development of ADUs and some small changes that could be made to remove them.

Obstacle 1: Maximum ADU size

Currently, the zoning code caps ADUs at 33% of the size of the primary structure or 800sf, whichever is less. In practice, this means that if the existing house is already small (ie. Under 1,500sf), there's little chance of building an ADU without first obtaining a zoning adjustment.

Proposal

Change the zoning code to increase the size cap on ADUs.

Status

This concern has been addressed as part of the RICAP 5 process and a zoning change should go into effect shortly that allows ADUs to be up to 75% of the size of the primary house, but still capped at 800sf.

Obstacle 2: System Development Charges

By definition, ADUs are small with limited occupancy. Yet as currently charged, SDCs for ADUs can reach \$12,000. SDCs for new, single family home of any size are just a few thousand dollars more than this.

Proposal

Reduce or remove SDC fees on ADUs

Status

This would be addressed through this resolution. Hurray!

Obstacle 3: Design Constraints

ADUs are required to match design features of the existing primary dwelling. If the existing house has undesirable architectural features, the ADU must mimic them (or successfully appeal this requirement). These requirements also make it impossible to use a standard ADU design at multiple properties to achieve efficiencies of scale.

Proposal

Fund staff time at the Office of Planning and Sustainability to revise ADU design requirements to increase flexibility while ensuring that they will continue to fit in well with existing neighborhoods.

Status

Eric Engstrom and Michael Armstrong at BPS have proposed to do this as part of a small code change package for 2010, but funding has not yet been identified to do the work.

Obstacle 4: Rectifying ADU and Accessory Structure Code and Fees

Zoning code restrictions and fees for ADUs are significantly more burdensome than they are for Accessory Structures. As a result, there is a strong incentive for homeowners to permit new small buildings as Accessory Structures (for their greater design flexibility and to save money on permitting costs) rather than as ADUs, even if they know that over time the ultimate use will likely be as an accessory dwelling. This disparity in codes and fees may be one reason why so many structures currently used as ADUs were not permitted as such.

Proposal

Fund staff time at the Office of Planning and Sustainability to adjust zoning codes and fees on ADUs and Accessory Structures so that homeowners are more likely to permit structures appropriately for their real, intended use.

Status

This issue is touched upon in the proposal to address the design constraint issues as part of the code change package for 2010, but we are not aware of discussion within BPS to address this larger issue.

Obstacle 5: Financing

Although ADU construction was already slowing down before the housing bubble burst, the contraction of credit and conservative trends in residential appraising have made it quite difficult for people to obtain

financing to build ADUs. In addition, the lack of consistency in valuation methods for ADUs introduces a scary element of unpredictability for anyone thinking about building one.

Proposal

Work with the appraisal industry to provide guidelines for the valuation of ADUs and consider working with local lenders and/or public entities to create mortgage products that help with the financing of ADU construction/conversion.

Status

Our group will soon perform some quantitative research to better understand the contributory value of ADUs and try to boil down this information into guidance for appraisers on how to value them.

Obstacle 6: Public Awareness and Education

Since ADUs are usually tucked away in back yards, attics and basements, many people aren't aware that they can be legally built (or converted) at all.

Proposal

Work with building professionals and other interested parties to bring attention to the ADUs being built. Collaborate with others to provide tours and design contests featuring ADUs. Provide some website support to specifically address Frequently Asked Questions, Resources, and recent code and fee changes.

Status

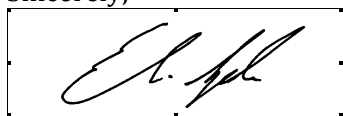
Recently a Portland Chapter of the Tiny Home Society, was formed made up of various building professionals (developers, builders, designers, real estate agents and appraisers) and interested homeowners. This group is actively pursuing ways to make ADUs a more viable housing option in Portland and has been talking to a variety of city officials about these issues. We are available to assist with publicity and other strategies toward this end.

Conclusion

Until the rules for ADUs are revised, we suspect that ADU construction will continue to languish. Furthermore, people who want to create separate living spaces on their property will tend to build 'accessory structures' (with no special size, design, height or SDC fee requirements) instead and use them (illegally) as ADUs.

Our hope is that by making a few changes to the ADU program, more ADUs will be built legally and, as a consequence, the city's policy objectives in creating ADUs in the first place will be better met.

Sincerely,



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