Case Study: Building Affordable ADUs and Tiny Homes in the Portland Metro Area

Background



Community Vision (CV) has been dedicated to the philosophy of individual services for people with disabilities since our founding in 1989. Our mission is to provide services, education, and advocacy to ensure that people with disabilities direct their own lives. We believe in a world that is accessible and inclusive, making each person feel like a valued member of their community.

When people with disabilities are asked what they want most, a place of their own is a top response. CV made the dream of homeownership come true for over 125 people with disabilities from 2000– 2015. As housing costs have risen, we have shifted our focus. We created a Home Repair Fund, which helps stabilize homeowners, and a Housing Access Program, which connects people with disabilities to accessible, affordable rental housing. In the four years of the program's existence, we have found housing for more than 100 people, primarily affordable units in large apartment complexes.

Some people, however, prefer housing other than multi-family apartment buildings. So, we decided to explore two smaller, creative options: accessory dwelling units (ADUs) and tiny homes. Thanks to funding from the Kuni Foundation, we have built six new units—4 ADUs and 2 tiny homes.

The goal of this work was three-fold: 1) to pioneer this type of home along with other partners, 2) to ensure deep affordability for tenants with disabilities, and 3) to incorporate accessible design in as many units as possible.

ADU Experience

An accessory dwelling unit (ADU) is a separate living space within a house or on the same property as an existing house. An ADU cannot be sold separately from the existing home, but it can be rented.

An ADU unit built within the envelope of the home is called an attached accessory dwelling unit (AADU). An ADU unit on the property (but not within the envelope of the home) is called a detached accessory dwelling unit (DADU) or backyard cottage.



ADUs were appealing for this project for a variety of reasons:

- **Cost:** ADUs cost about one-third of a single-family home. The per-unit cost is similar to, or less than, the subsidy for a multi-family unit (\$150,000–\$200,000 in the Portland area). Some jurisdictions are incentivizing ADUs to make it even more cost effective. For example, Portland is reducing the system development fees if owners agree to rent to tenants making 60% Area Median Income or lower for 10 years.
- **Time:** ADUs can be built in under a year, even for stick-built homes. Manufactured ADUs can take even less time. Cities are working towards having a more streamlined permitting process so that the timeframes can be reduced even further.
- Land availability: Since ADUs can be added to existing homes, there is no need to find open plots of land, which are scarce in Portland. ADUs are a way to increase density in cities like Portland.
- Accessibility: ADUs are customizable and can be made accessible, provided that the lot has enough space and the way to get to the home is accessible.
- Attractive to both homeowners and tenants:
 - Homeowners: ADUs add value to their land and allow them to acquire a full asset after 8–10 years of affordable rental. This can be particularly attractive for middle-income families.
 - Tenants: Having private space is a desire of many tenants. In addition, ADUs enable the tenant to be part of a neighborhood, with the homeowner providing a connection point to the community.

Along with the benefits, there were several challenges to building ADUs:

- Each jurisdiction has its own rules. For example, the requirement for how far an ADU needs to be set back from the property line is 5 feet in Portland, but 15 feet in Gresham. The fees, incentives, and permitting processes also vary by jurisdiction, making building multiple ADUs less predictable.
- Not every space can accommodate an ADU. This is particularly true with pre-built options, which tend to be more affordable but may need to be put in place using a crane on tight lots.
- Tenants are only guaranteed affordability for 8–10 years, unlike in larger complexes where the guarantee is much longer if the tenant's income remains low.

ADU Examples



Garage Conversion—NE Portland. This ADU is located on a property owned by a nonprofit. It is a detached ADU, converted from an old garage. The ADU is fully accessible and around 600 square feet. Cost was \$225,000.



Attached ADU—Gresham. This ADU was built with a family who has two sons with disabilities. This two-bedroom unit is 600 square feet. It is attached to the original house due to setback constraints, but it has its own separate entrance. Cost was \$237,000.



Mass Timber ADU—SE Portland. This ADU used mass timber modular construction piloted by Hacienda CDC. The home was constructed at the Port of Portland and placed on the site. It is 426 square feet and considered visitable but not fully accessible.



Manufactured ADU—SE Portland. This ADU was built by Wolf Industries, a modular home builder in Washington. The site needed to be large enough to place the pre-built unit on the lot. Cost was \$140,000.

ADU Build Process

The entire process for building an ADU takes 8 months to 1 year. Key steps include:

- 1. Locate the site.
- 2. Conduct a feasibility analysis.
- 3. Review financing possibilities and develop budget.
- 4. Select a contractor. (Decide if it will be a stick build or manufactured.)
- 5. Design the build and create agreements with the builder.
 - a. If grant funding is involved, complete MOUs with partners and grant agreements.
- 6. Establish a timeline for the build.
- 7. Submit permits to city. (This is also the time to submit the waiver for system development fees if you are willing to guarantee that it will not be a short-term rental for at least 10 years.)
 - a. If there is a homeowners' association, confirm permission to build.
- 8. Contractor prepares the site.
- 9. Contractor manages build, change orders, and permitting process during the build.
 - a. Utilities are paid by contractor during the building process.
- 10. Record the new unit with the county.
- 11. Receive the certificate of occupancy from the city.
 - a. This is a good time for the owner to do a walk through with the contractor to learn about warranties and how the building's systems work.
- 12. Add landscaping.
- 13. Recruit tenant(s).
 - a. For homeowners who are renting an ADU, it is likely that they have not been a landlord before, so basic education is needed. First, choose whether to use a property management company. If yes, factor in these costs to the ongoing revenue plan. If not, seek information about the tenant-landlord relationship, lease support, and how to make decisions about property usage.
- 14. Prepare for tenants.
 - a. Mail: set up by the USPS. Consult the local mail carrier on the placement of a mailbox and submit final inspection for proof of build.
 - b. Electricity: transferred from contractor to owner after final inspection is complete. This can be transferred to tenant once they move in.
 - c. Water: since there is more than one building on the property, the Portland Water Bureau deems it as a multi-family property. The water bill will go to the owner of the property instead of the tenant. Owner will have to add water to the monthly rent based on usage estimate.
 - d. Garbage: set up with the local garbage and recycling company.
 - e. Fill out all warranties and send them in.
 - f. Make copies of the appliance "basics" from all the user manuals for tenant use.
 - g. Apply for property tax exemption if applicable.
- 15. Tenant(s) moves in!

Tiny Home Experience

In addition to the ADUs, Community Vision also created a couple of tiny homes. Tiny homes are on wheels, so they are similar to RVs rather than permanent homes and a permit to place one is easily obtained.

There are some good reasons to explore tiny homes:

- Very affordable: Tiny homes are much more affordable than other types of housing. Prices generally range from \$30,000–\$80,000. Site work is only around \$15,000 if the goal is to have a permanent space with a pad and utility hookups. Utilities are also very low due to the efficiency of the space.
- Short build process: Only a simple permit fee is required, so it is a quick process. The whole build process of permitting, site preparation, construction (usually at a manufacturing site), delivery and placement, and completing utility hook ups only takes 4–6 months.
- **Transitional options:** For tenants who are experiencing living on their own for the first time or who want private space, this option can be a good one.

Challenges:

- The most obvious challenge is that size is limited. Since the structure is on wheels, it is constrained by how big it can be. This also means that it is very difficult to have a tiny home be accessible.
- Financing is more complicated. Homeowners are not able to get a traditional loan because it is considered a vehicle. Therefore, a home equity loan or line of credit is required.
- The address of the tiny home has to be tied to the main home since it is not considered a permanent structure.

Tiny Home Examples



NE Portland—In partnership with the homeowner, CV found a builder to manufacture a 210-square-foot tiny home that includes a full bathroom, kitchen, and washer/dryer. Cost: \$86,000 (\$71,000 for the tiny home and \$15,000 for the site work)



SE Portland—Students at Lewis and Clark College donated time and materials to build the exterior. A local tiny home builder finished the home. The home includes a bathroom, kitchen, and washer/dryer in a 140-square-foot space. Cost: \$80,000 (\$25,000 in-kind from students, \$45,000 for interior build out, and \$10,000 for site work)

Conclusion

Experimenting with ADUs and tiny homes has been a worthwhile endeavor. This type of housing can offer small-scale, affordable, customizable options that are embedded in neighborhoods. Our hope is that learning about the experience of these early pilots will make it easier for people who want to explore this option for themselves or a family member.

Resources

For more information on ADUs, check out these resources:

- Accessory Dwelling Strategies: education and information about ADUs <u>https://accessorydwellingstrategies.com/</u>
- Back Home ADU: connector to ADU information <u>https://www.backhomeadu.org/</u>
- Portland's System Development Charge (SDC) Exception Program: <u>https://www.portland.gov/phb/sdc-exemption</u>
- Craft 3: community lender that has offered loans for ADUs <u>https://www.craft3.org/</u>
- Roost Homes LLC: contractor specializing in ADU construction <u>https://www.roosthomespdx.com/</u>
- Wolf Industries: builder of manufactured ADUs <u>https://wolfind.com/</u>
- Tiny Hookups LLC: site prep services for tiny homes <u>https://www.tinyhookups.com/</u>
- Jill Cropp: architect specializing in ADUs https://www.studiocropp.com

Contact Us



Community Vision

2475 SE Ladd Avenue Suite 240 Portland OR 97214

503.292.4964

CVision.org