

# Accessory Dwelling Unit Report

EVALUATION OF CURRENT USE & OPPORTUNITY  
TO SUPPORT AFFORDABLE HOUSING OPTIONS

1

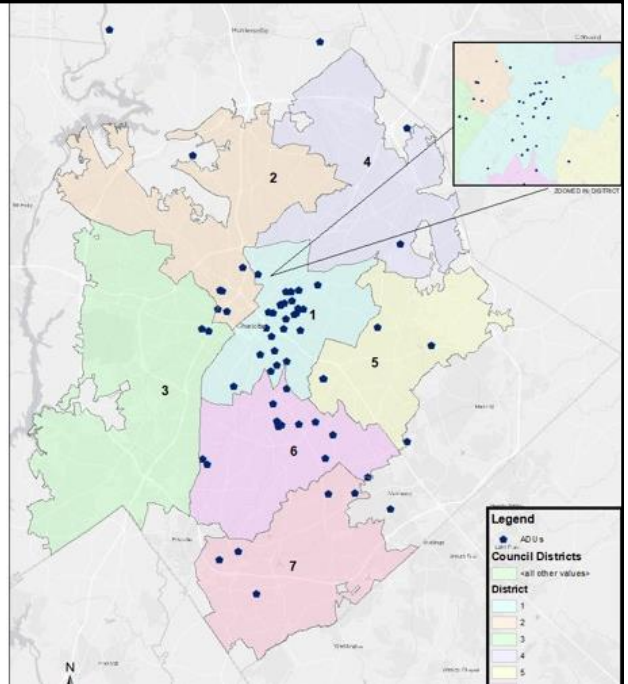
**How might we** adapt our Accessory Dwelling Unit (ADU) policies and regulations to be a tool for affordable housing and upward mobility?

- ▶ **Development since 2012 policy & ordinance update**
- ▶ **Impact of current regulations on use of ADU permits**
- ▶ **Policy, program, & communication tools**
- ▶ **Potential to address affordable housing & upward mobility**

2

## ADU Policy Broadened in 2012

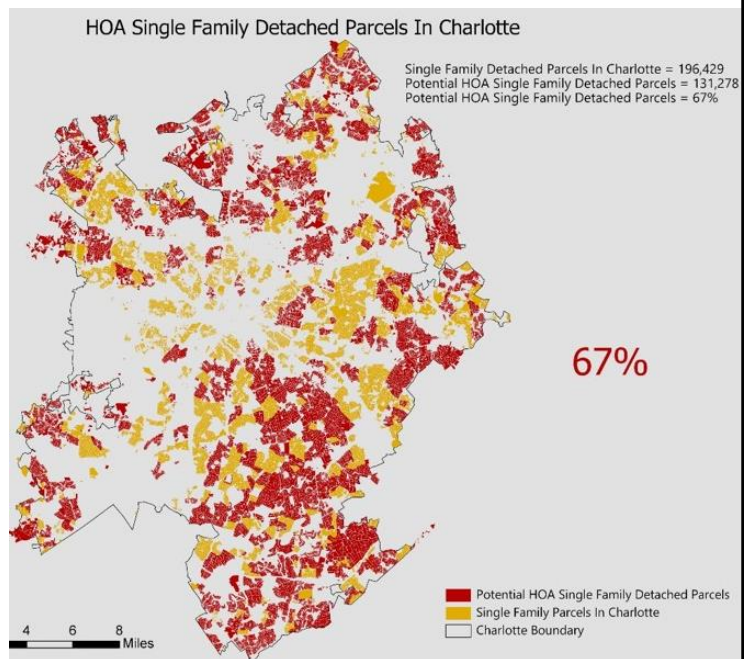
- ▶ Approximately 30-75 ADUs have been built between 2012 and 2019



3

## Homeowner Associations

- ▶ NC Law: 1969 HOA's authority broadened
- ▶ NC Law: 1999 HOAs required
- ▶ Charlotte: 49-67% of single family lots are impacted by HOAs
- ▶ Charlotte: 95% of HOAs limit single family development

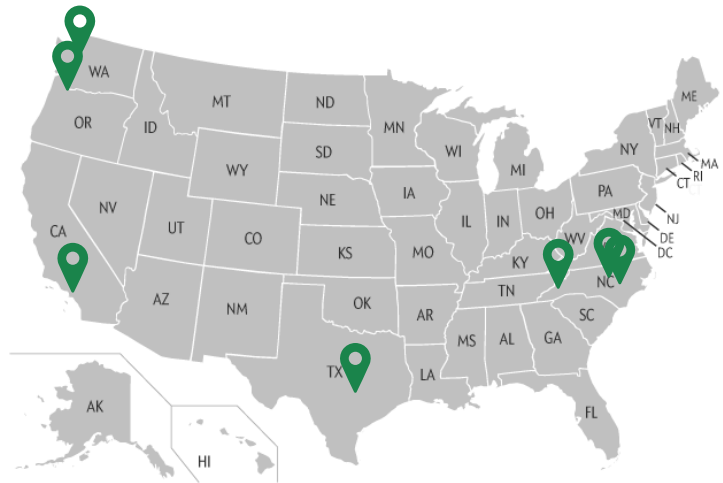


4

## City Comparison - Regulations

### ► Compared ADU regulations both in North Carolina and across the nation:

- Asheville
- Durham
- Raleigh
- Austin
- Los Angeles (County)
- Portland
- Seattle



## Current Regulations & Impact

### ► Height

- no taller than average height of principal dwelling

### ► Size

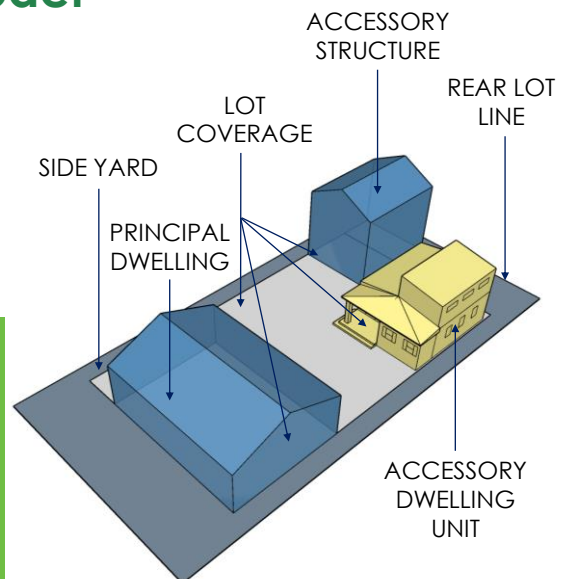
- Lesser of 800 square feet, 50% of floor area principal dwelling (if detached), 30% of rear yard (if detached), 35% of floor area of principal dwelling (if attached)

### ► Rear lot setback

- 15 feet unless in a garage accessed from an alley

#### UDO Recommendations:

- Align Accessory Structure and ADU code by reducing **rear lot setback from 15 feet to 5 feet** and providing a **set height limit of 24 feet** (except in historic districts)
- Simplify code by **removing extraneous size limitations** (50%/35% of principal structure, 30% of rear yard, or 800 square feet, or watershed requirements for lot coverage)



# Prototype: Guidebook & Digital Resources

- ▶ Accessible ADU information
- ▶ Resources & tools

## Policy Recommendations:

- Adopt **Charlotte Future 2040 framework policy** on housing to promote ADU development
- **Create a guidebook** with updated regulations
- **Create an online map layer and survey for homeowners** to examine ADU feasibility
- **Create a virtual or augmented reality tool** to “see” built ADU impact for neighborhood dialog

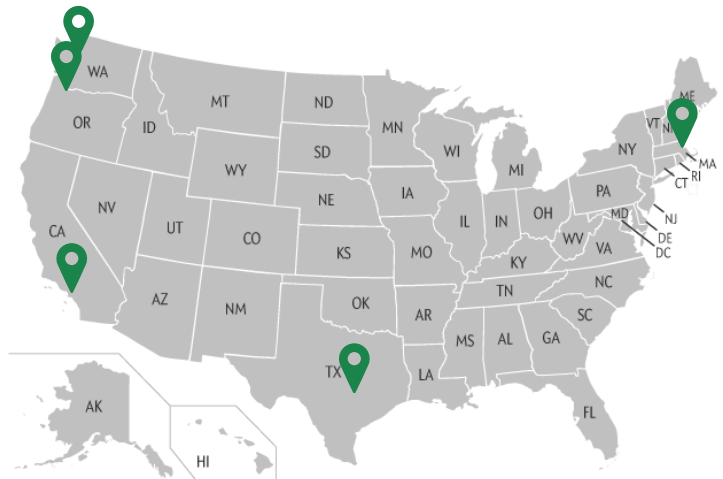


7

# Program Comparison – Affordable Housing

- ▶ Compared ADU affordable housing programs by non profits and cities across the nation:

- Austin
- Boston
- Los Angeles
- Portland
- Seattle



8

# Prototype: Affordable Housing Program

- ▶ **Estimated \$100-200 per square foot**
- ▶ **Rent tends to be lower than market rate or ADU is used for housing family**
- ▶ **Bank financing is not standardized, often paid through savings**

### Housing Program Recommendations:

- Construction loan, pre-permitted designs, tenant management, waiver for utility extension fees in exchange for **deed restriction on ADU** use to support affordable housing (80% AMI and below) for set term 5- 15 years
- Work with **community partners to pilot program** and study effectiveness

## ADU Affordability Program

### Affordable ADUs in Higher-Income Neighborhoods

#### Program Parameters

- Program is a partnership between City of Charlotte, Habitat for Humanity and non-profit or private property managers who commit to affordable housing requirements of the program.
- Units are pre-designed for ease of permitting and community acceptance.
- Permitting, financing, construction and tenant management are handled 100% by a participating private/ non-profit company. No downpayment is required but may be contributed to reduce the term of the loan.
- Unit is leased from the homeowner by the company for 15, 20, or 25 year lease. The term of lease determines how much of the rental income is given to the homeowner (See page 2).
  - After expiration of initial lease, homeowner is not restricted to negotiate terms for management of the unit with an alternate vendor.
- Owners must lease the unit to tenants with a household income of 80% Area Median Income (AMI) or less to participate in program.
- While all tenants are required to make less than 80 percent AMI, the owner may opt to limit tenancy further in exchange for down payment assistance toward the cost of construction. Rent will be limited to 30 percent of household income of the tenant. Downpayment assistance will be awarded based on the level of AMI as follows:
  - 30 percent AMI and below - \$20,000
  - 31-50 percent AMI - \$10,000
  - 51-80 percent AMI - \$5,000
- No geographic restrictions on where ADU may be built.

#### City of Charlotte Contribution to Affordable Housing Through ADUs

- The City will partner with lenders and Mecklenburg County to drive down cost of construction through:
  - Discounted permitting application;
  - Downpayment assistance toward cost of construction dependent on tenant income restrictions;
  - Partnership with lenders to provide low interest rate for company financing ADU.

#### Qualifying homeowners must:

- Own a home in the City of Charlotte with a lot suitable for an ADU
- Be current on all property taxes

#### Comparing the Affordability Program vs. Building Market Rate ADU

##### Building with affordability program

- Lower interest rate on financing.
- Discounted permitting.
- Down payment assistance to help reduce the project cost.
- Third party maintenance

VS

##### Building ADU without program

- Market rate interest on any loans
- Responsible for full cost of permits
- Owner is responsible for financing and maintenance.

# Summary of Recommendations

### UDO Recommendations:

- Align Accessory Structure and ADU code by reducing **rear lot setback from 15 feet to 5 feet** and providing a **set height limit of 24 feet** (except in historic districts)
- Simplify code by **removing extraneous size limitations** (50% of principal structure, 30% of rear yard, or 800 square feet, or watershed requirements for lot coverage)

### Policy Recommendations:

- Adopt **Charlotte Future 2040 framework policy** on housing to promote ADU development
- **Create a guidebook** with updated regulations
- **Create an online map layer and survey for homeowners** to examine ADU feasibility
- **Create a virtual or augmented reality tool** to “see” built ADU impact for neighborhood dialog

### Housing Program Recommendations:

#### Recommendations:

- Construction loan, pre-permitted designs, tenant management, waiver for utility extension fees in exchange for **deed restriction on ADU** use to support affordable housing (80% AMI and below) for set term 5-15 years
- Work with **community partners to pilot program** and study effectiveness