

Accessory Dwelling Unit Guide



Prepared by:

Thomas Aldrich, Senior Project Manager

W: www.dseainc.com

P: 714.639.3958

E: taldrich@dseainc.com

Topics Covered:

1. Introduction
2. ADU Facts Briefly Explained
3. ADU Types
4. Timeline from Concept to Completion
5. ADU Example (My ADU at North Main St.!)
6. Is It Worth It! Cost vs. Income Estimate

Introduction

This guide aims to provide a basic understanding of California's Accessory Dwelling Unit Ordinance, how it applies to single and multi-family residences and how to take advantage of this unique investment opportunity

What

An Accessory Dwelling Unit (ADU) has gone by many names; Granny Flat, Casita, Mother-in-Law Unit just to name a few. An ADU is essentially an additional residential unit created on a property with an existing primary residence. There are multiple ways this additional unit can be created. Existing space can be converted, an addition can be constructed or a new ground up structure can be developed.

Why

The State is aware of the shortage of available housing, especially affordable housing and the impact this is having on our infrastructure. ADU's provide our macroeconomy with more housing options for renters. The state realizes that an ADU provides home owners and small developers a more accessible investment opportunity. In some cities, it will even be possible to sell these ADU's as a condominium (Not Orange!).

How

In 2019 the State passed SB13 which overrules the rules and regulations which county and city agencies restricted the development of ADU's. The spirit of the law is to bypass much of the redtape that was traditionally required to build ADU's. This redtape had essentially eliminated the possibility for ADU's to be built on most residential properties. The language contained within SB13 created general guidelines that county and city agencies must follow which allow for an ADU to be constructed on nearly every residential property.

Simplify This Thing!

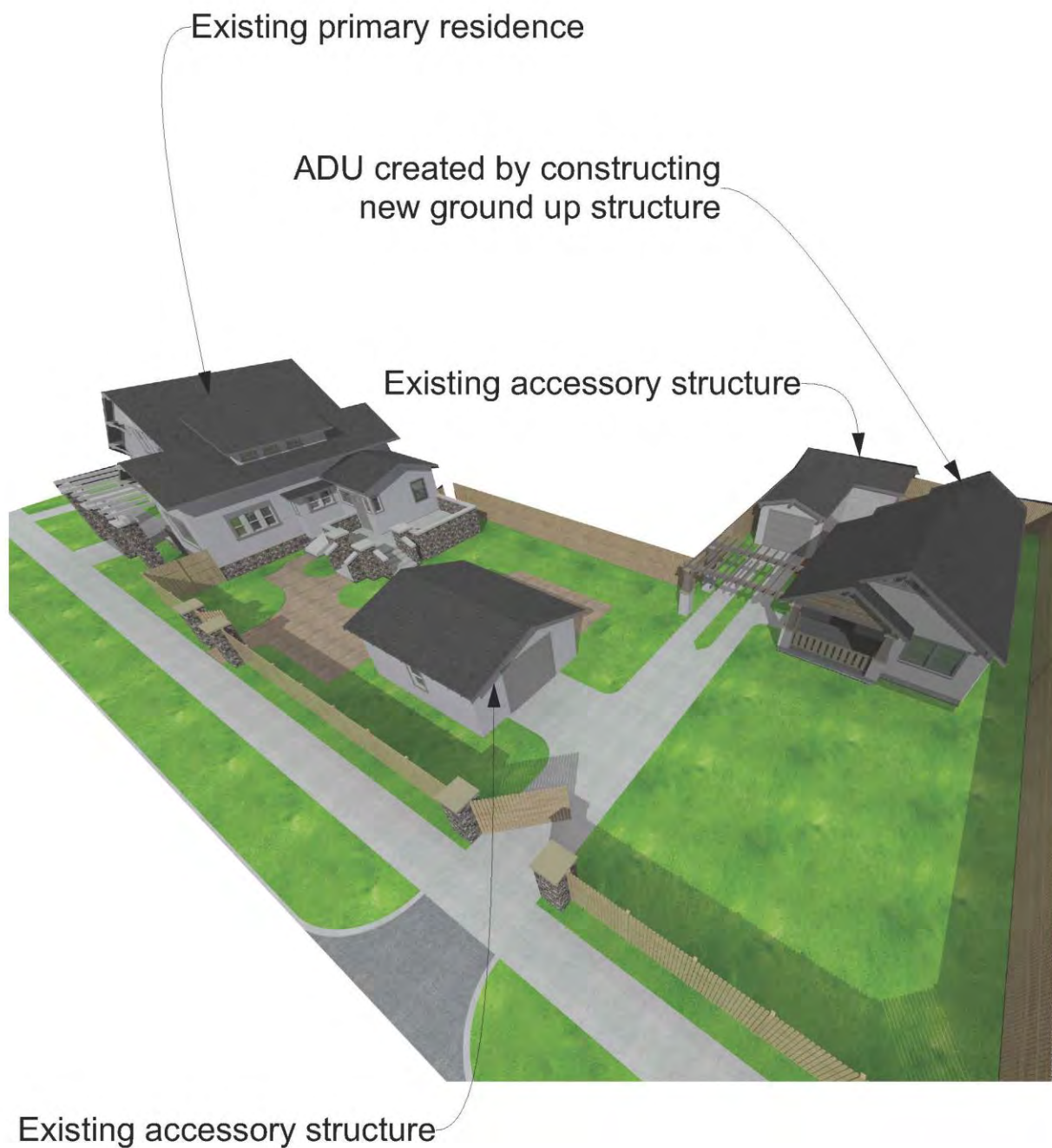
Instead of going through hundreds of pages of legal text, let's break down the key components:

1. A local agency cannot prohibit you from developing an ADU of at least 800sf (provided there's space on the lot). The city of Orange has enacted a relatively strict interpretation of the law and made it extremely difficult to build more than 800sf. Other cities are more liberal with the law and it's possible to build up to 1200sf.
2. One ADU *and* one JADU can be built on any lot with an existing primary residence. We personally don't advocate for JADU's because they need to be created from within the existing footprint of the primary residence and often that's just not worth the investment because it hurts the value of the primary residence.
3. If the property is within one half mile of a train or bus stop, no additional parking is required. If there are no bus stops that close then 1 additional parking space will be required. This space can be uncovered, tandem and/or within setbacks.
4. New ground up ADU's can be placed as close as 4' from the side and rear property lines. ADU's created by converting an existing structure are not required to meet any setbacks.
5. ADU's can be created by converting an existing garage or accessory structure, constructing an addition to a primary residence or constructing a new ground up unit.
6. Most cities, including Orange, have limited the maximum height of an ADU to sixteen feet. This eliminates the possibility of creating a second story unit (unit above a garage) in nearly all cases.
7. The process of permitting an ADU is streamlined. By no means does this mean it's fast though as most public agencies just don't work at the same speed as private companies do.
8. Multifamily properties can also have ADU's. They can be created by converting existing accessory structures like garages or constructing new detached units. Typically 2 units are allowed if they are ground up type. Up to 25% of the existing unit count can be constructed when converting existing accessory spaces like garages.
9. The City of Orange requires that a new detached ADU be constructed at least 6' from the primary residence.
10. Utilities like electric, water and gas can be connected to the primary residence or separate and new services can be installed.
11. ADU projects located within the historic district in Orange are required to comply with some additional design standards. ADU projects located outside of the district are generally only required to have the new roof match the style and pitch of the main residence. There is very little design regulations beyond this (except for the 16' height limitation)
12. Properties governed by HOA's are also allowed to have ADU's constructed and the HOA can't prohibit them.

There are many rules within these key components but this provides the basic parameters

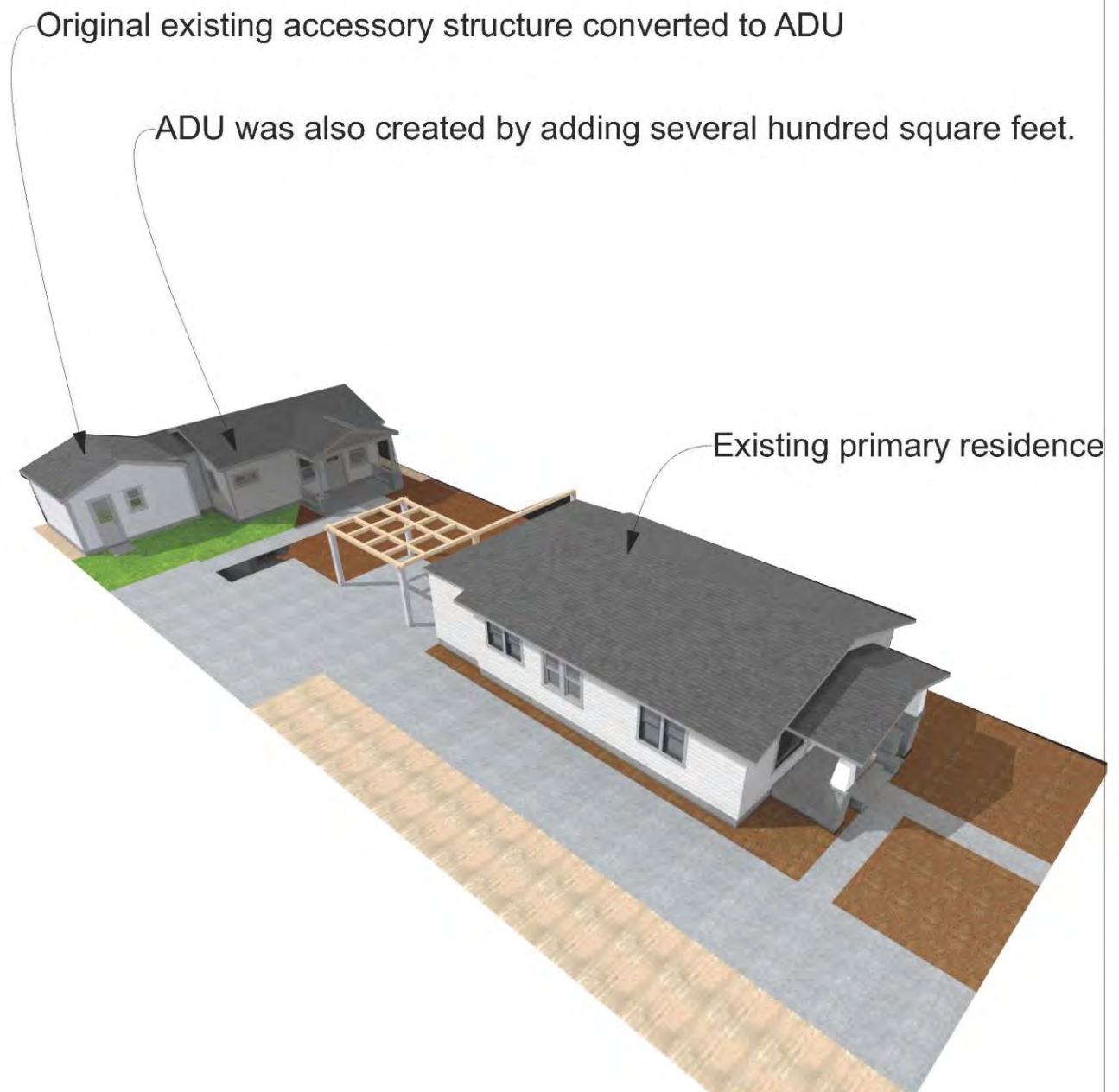
ADU Types

Ground up Detached



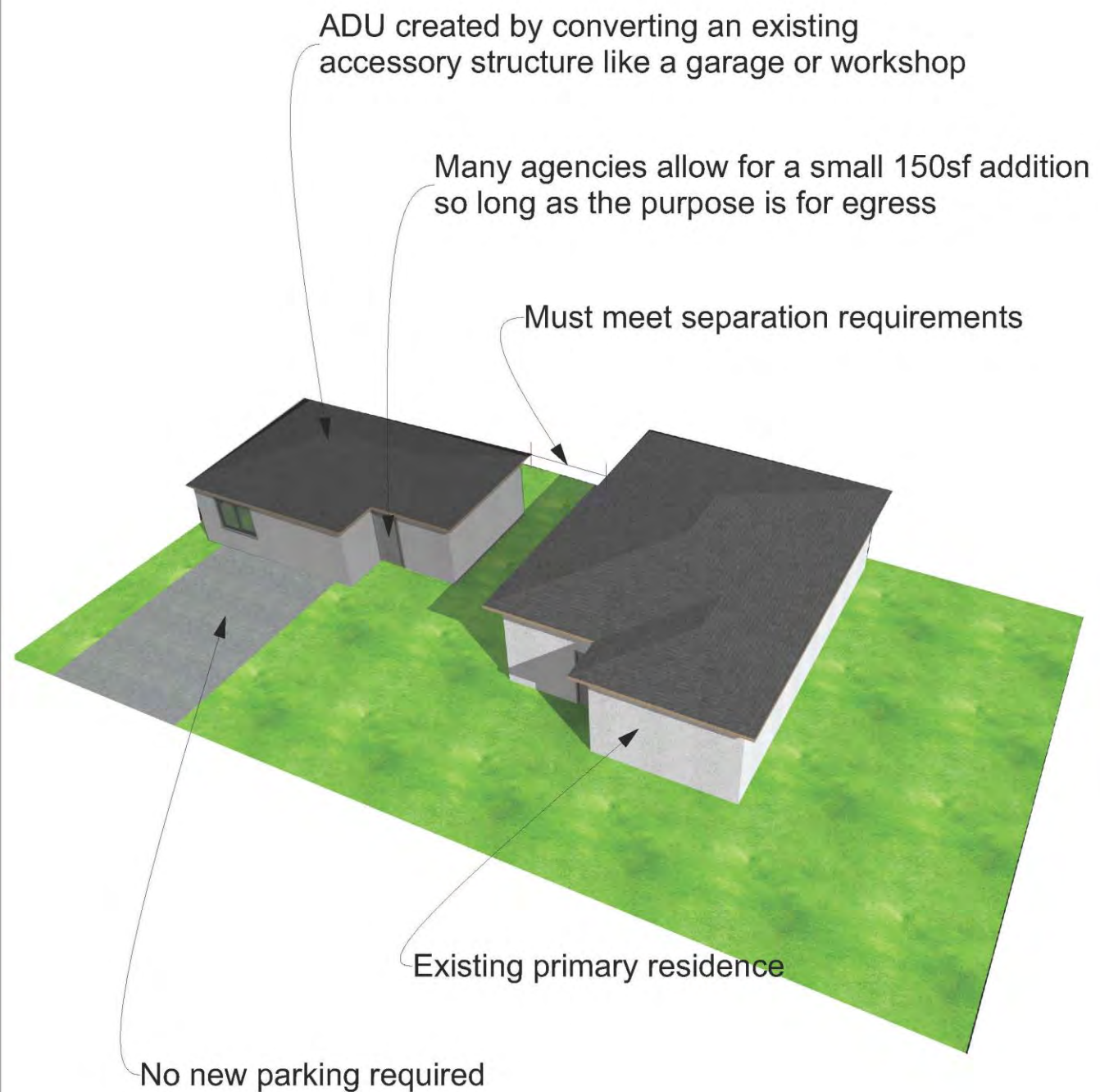
ADU Types

Conversion & Addition



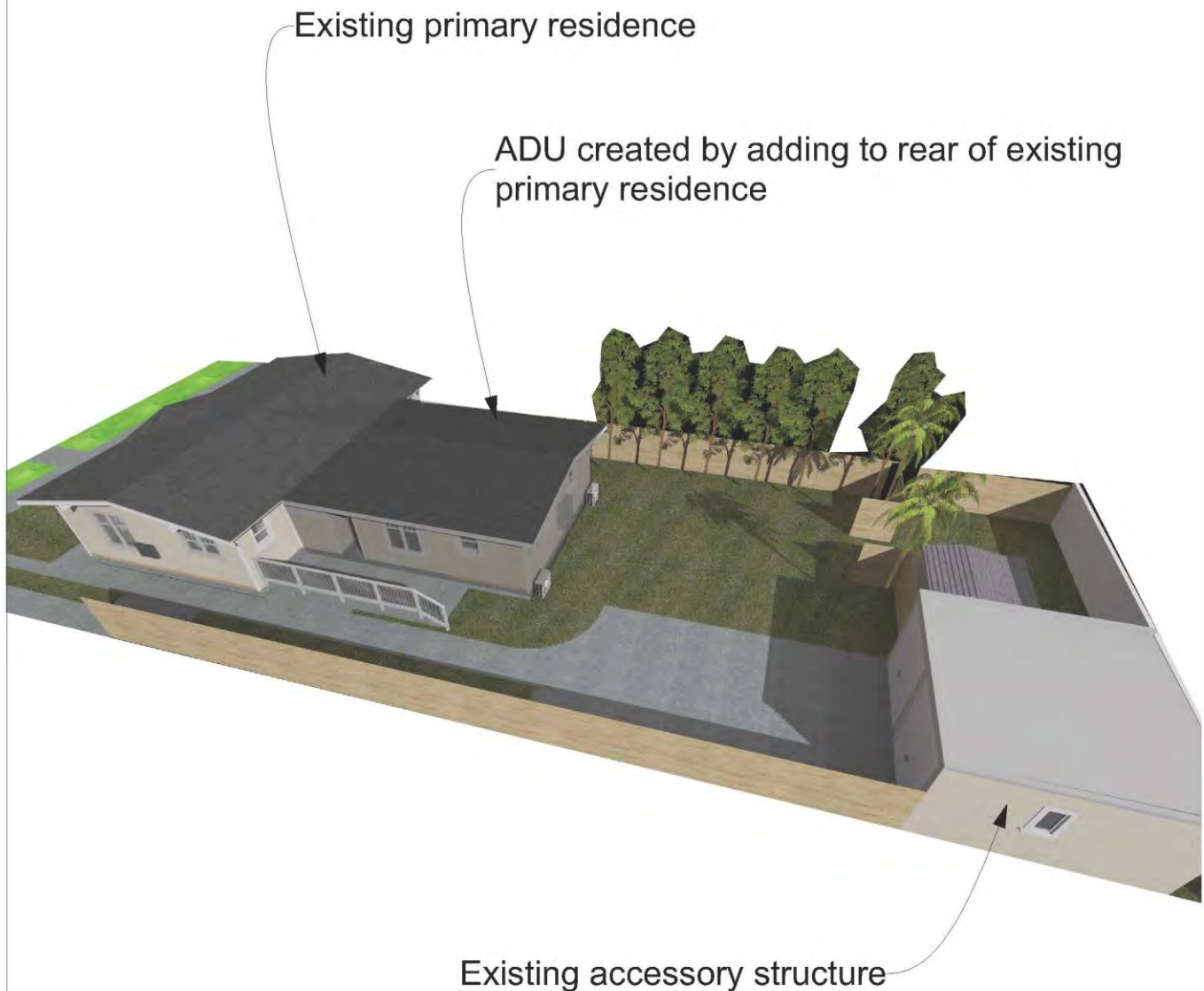
ADU Types

Conversion Only

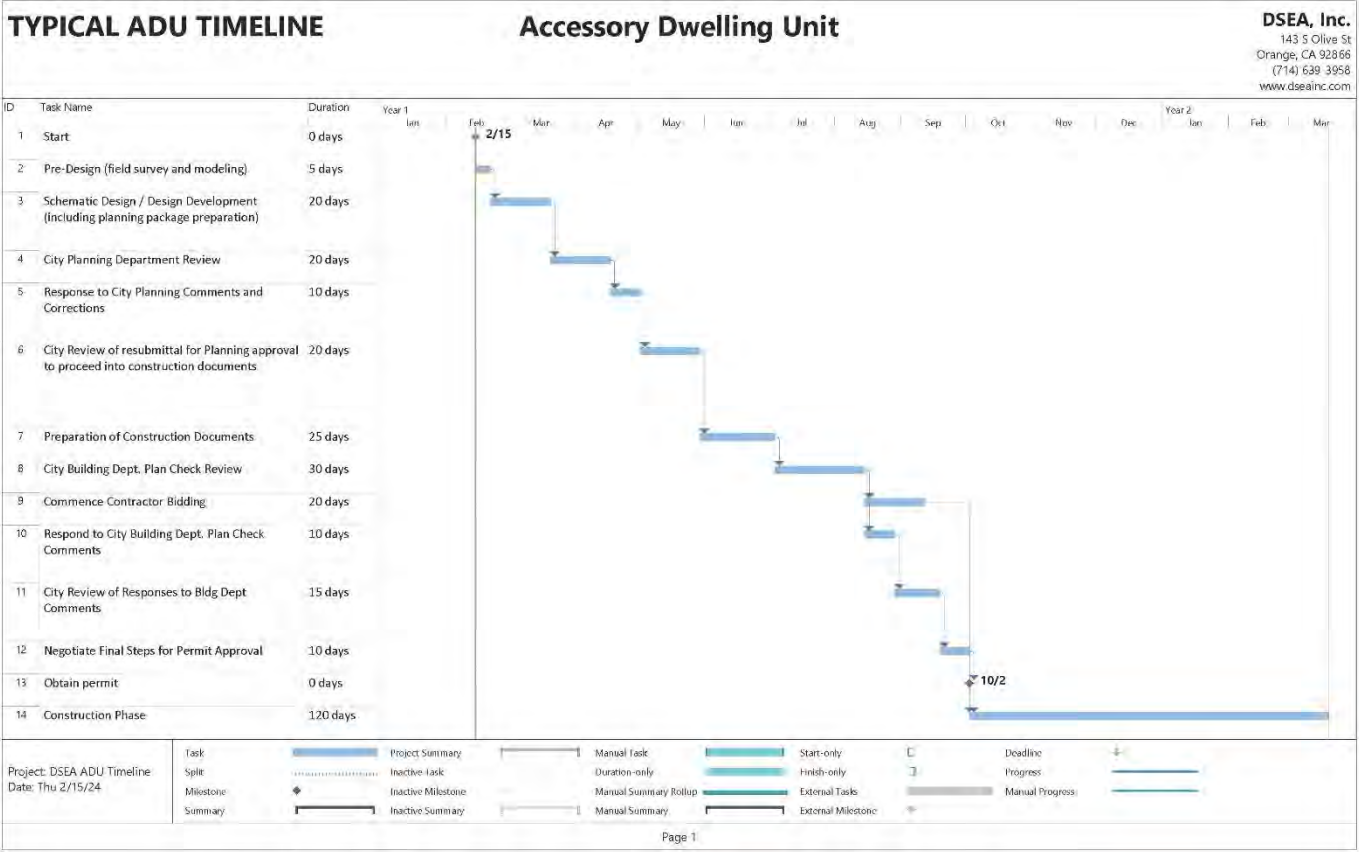


ADU Types

Addition



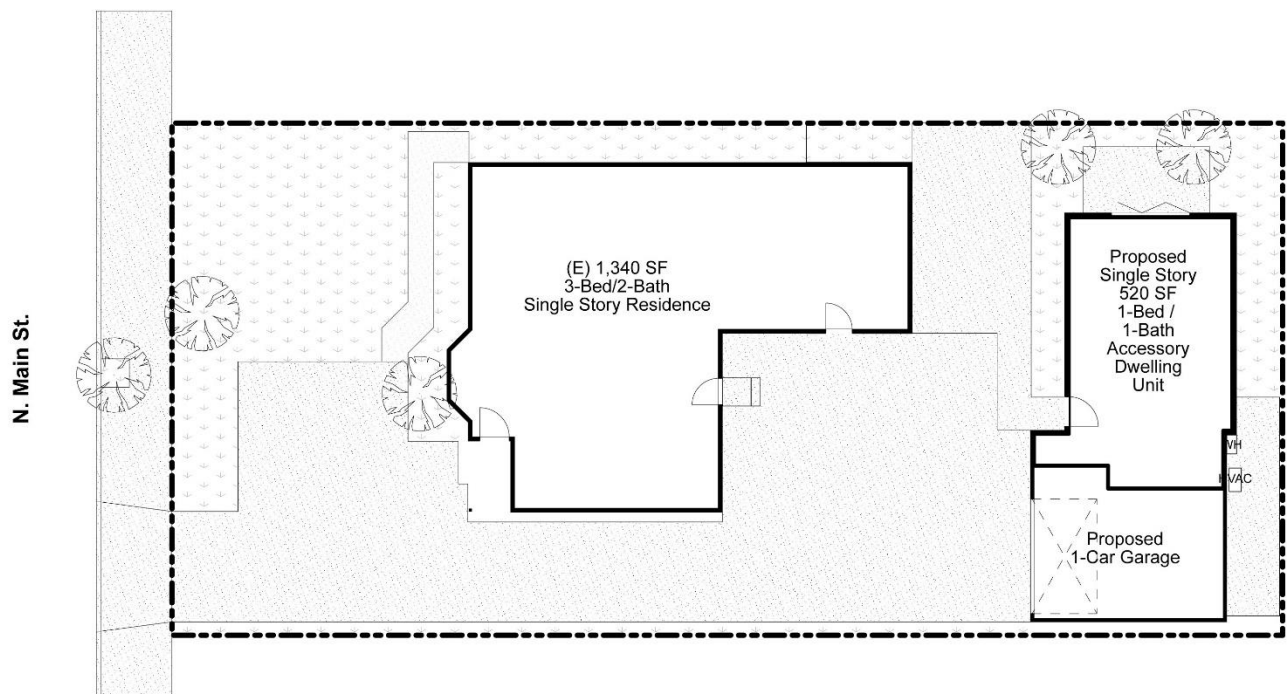
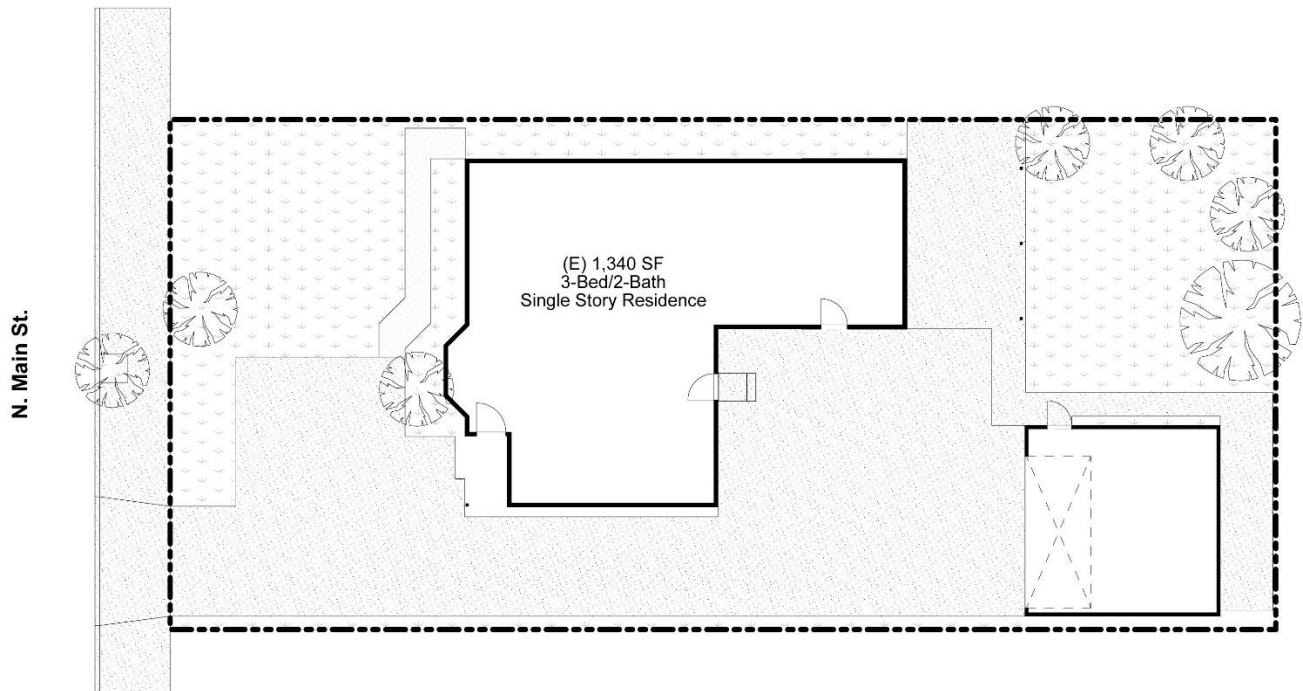
Typical Start To Finish Timeframe



Case Study: An ADU Done The Hardest Way...

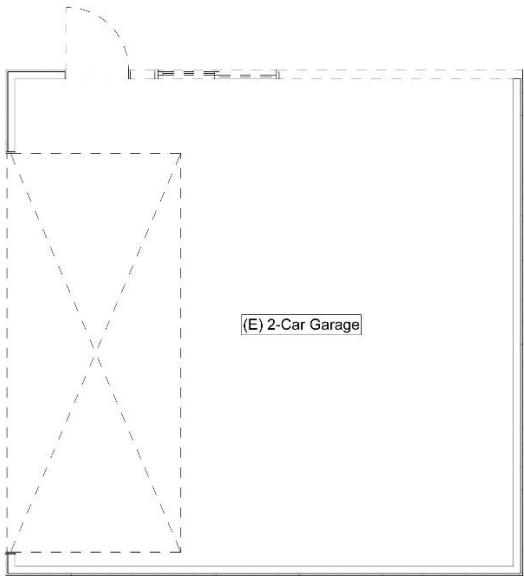
Deciding to take advantage of this opportunity I came up with several iterations of possibilities but decided to settle for the most efficient layout for a 1-bed/1-bath unit since I plan to live in the primary residence and want to limit the amount of people on my property.

Existing Site Plan

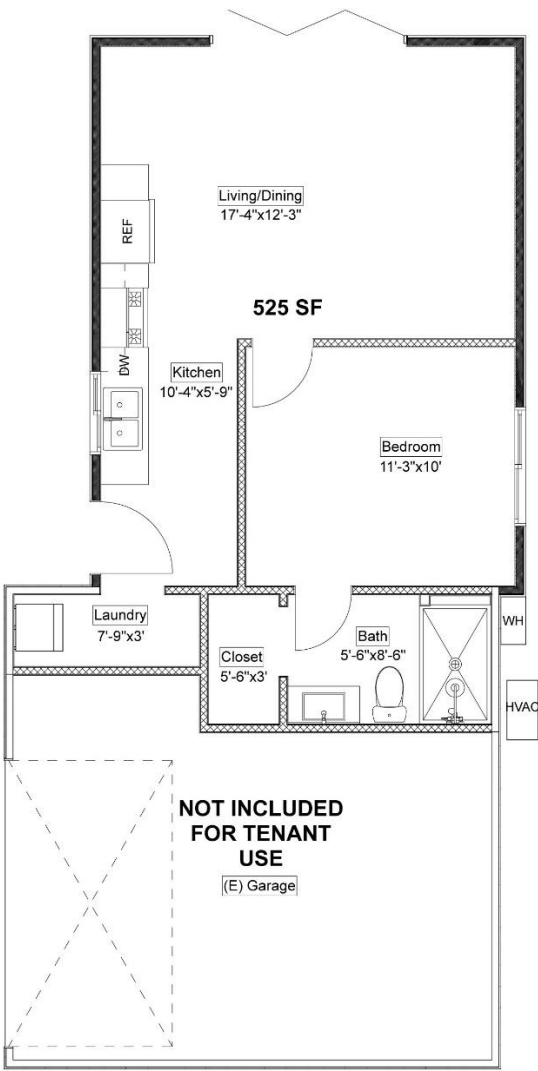


Proposed Site Plan

Demolition Plan



Proposed Floor Plan



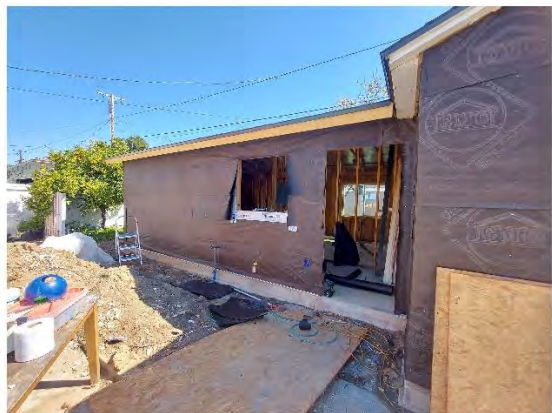
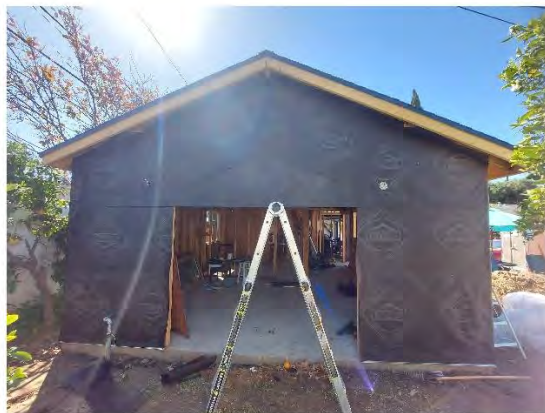
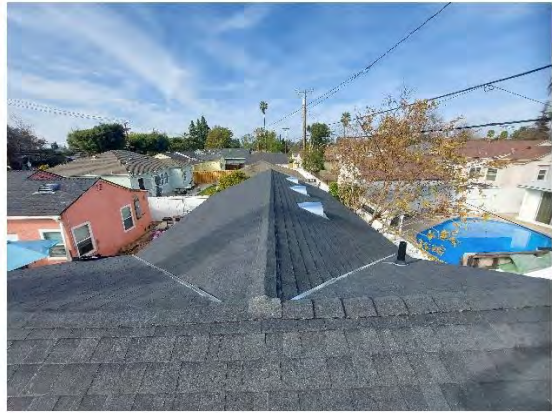
The demolition and concrete work was subcontracted out along with the utility trenching. This part of the project moves quickly.



Framing was also subcontracted out. Scissor trusses were selected to increase the interior clear height inside the unit.
Increasing the ceiling height on a small space helps to make the space feel bigger.



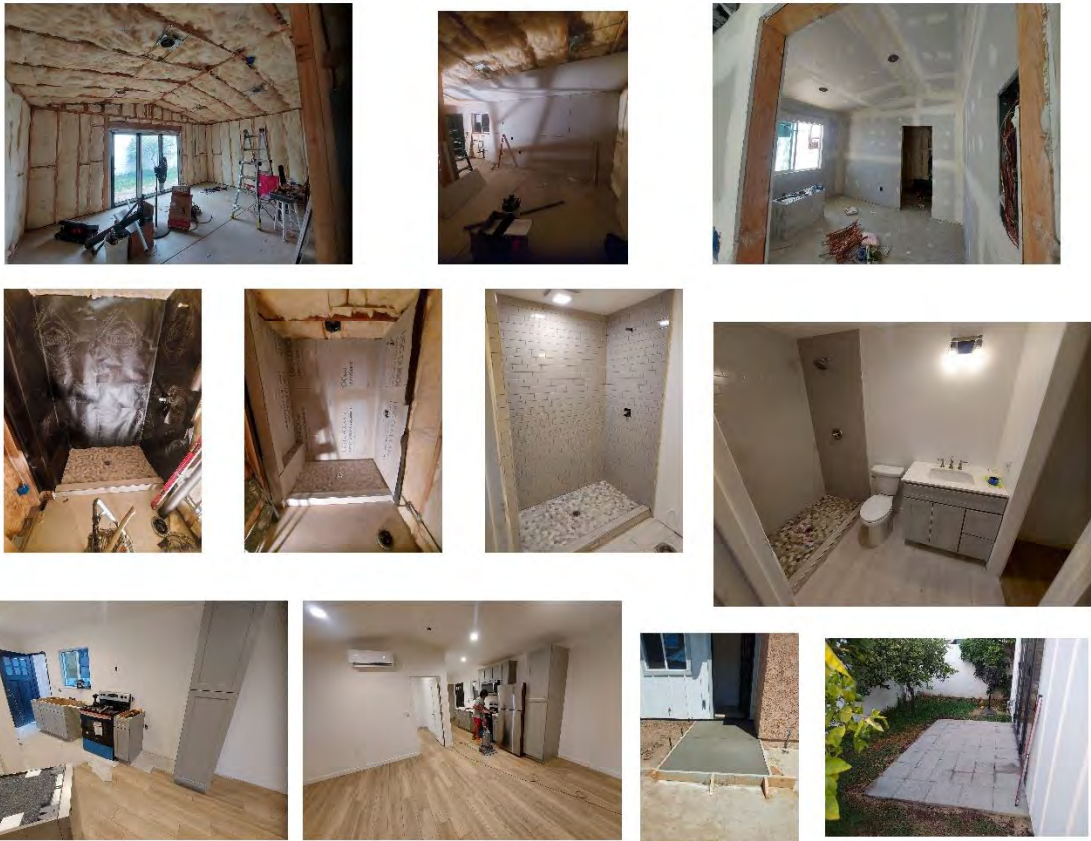
Then the self-performed work began. The most immediate need was weatherproofing beginning with the roofing, then building paper and finally windows and doors.



Once the building was weatherproofed, it was time to get all the exterior finishes completed. James Hardie board siding was selected in combination with real wood battens for a more authentic aesthetic. The exterior plaster was patched with the typical 3-coat process and the paint was applied to 'complete' the exterior.



Then the slow process of getting all the interior work done began, starting with insulation and drywall and ending with cabinets, tile and flooring. The final touches included the interior paint and the exterior flatwork. The total cost for this project was deceptively low because of the amount of sweat equity that went into the construction process.



Cost vs. Income Analysis

Soft Costs Include but are not limited to (Averages shown):

Architecture/Engineering Fees	\$	27,000
Potential Civil Engineering Fees (Some cities require grading plans)	\$	7,000
City Planning Review Fees	\$	1,500
City Building Department Review Fees	\$	5,000
School District Fees	\$	3,000
Water/Sewer Fees	\$	1,000

Total Average Soft Costs: \$ 44,500

Construction Cost (2023 Average cost/SF shown):

800sf 2-Bed/2-Bath ADU @ \$400/sf (All typical elements included)

Total Average Construction Cost: \$ 320,000

Average Rental Income

800sf 2-Bed/2-Bath ADU

Average Rent for an ADU: \$ 2,895/mo.

As you can imagine the return on investment depends on several factors like how much cash you have on hand to put into the project, what you intend to do with the property after you complete the project and the size and features of the unit which will dictate how much income is generated. There are other factors not mentioned here like a slightly higher property tax base and potentially higher utility costs but this gives a general outline of typical costs we're seeing in the industry as of 2023

Let's Keep Building!

