

Unlocking Accessory Dwelling Units in Chicago



ULI Chicago's ADU Initiative

Goals

- Make it Easier to Build ADUs
 - Identify regulatory, technical & financial barriers; develop solutions to help overcome them
- Improve Housing Affordability
 - Opportunities to incentivize ADUs affordable for middle- and lower-income households
- Build Community Support
 - Engage diverse groups, educational campaigns

Approach

- Multiple Stakeholder Convenings over 1 Year
 - Community groups, industry experts, City representatives
- Data-driven
 - Analysis by Institute for Housing Studies (IHS)
- Lessons Learned from Other Cities



Why do we want ADUs?

- Increasing Housing Choice
 - Accommodate different lifestyles & life-stages
 - Support inter-generational living, aging-in-place
- Increasing Housing Stability
 - Greater financial stability for homeowners from ADU rental income
 - ADUs typically rent at lower rates than regular units in the neighborhood; additional support required for lowest income renters
 - Adding an ADU to an existing 2-flat could be financially better than converting to SF, potentially slowing loss of 2-flats
- Sustainability & Neighborhood Vibrancy
 - New housing units in existing neighborhoods utilizing existing infrastructure
 - Increased customer base for area businesses and services



Who is Building ADUs: Stories from Other Cities

A Home for Aging or Housing Insecure Parents



Bertha's Tiny Cottage in Her Son's Backyard
St. Petersburg, Florida



Diane's Carriage House at Her Daughter's House
Denver, Colorado

"Mom wouldn't be able to live anywhere near us if we didn't have the ADU."

"Its where I can basically be right next door to my parents in case they need me or need any help. Its letting seniors age in their house instead of having to go to assisted living."

Housing Stability and Intergenerational Living



Carrie & Sterling Move Into ADU; Daughter Brenda's Family Moves into Main House
Santa Cruz, California

A New Income Source and Opportunity to Downsize



Lisa's Basement Apartment in Her House
Portland, Oregon

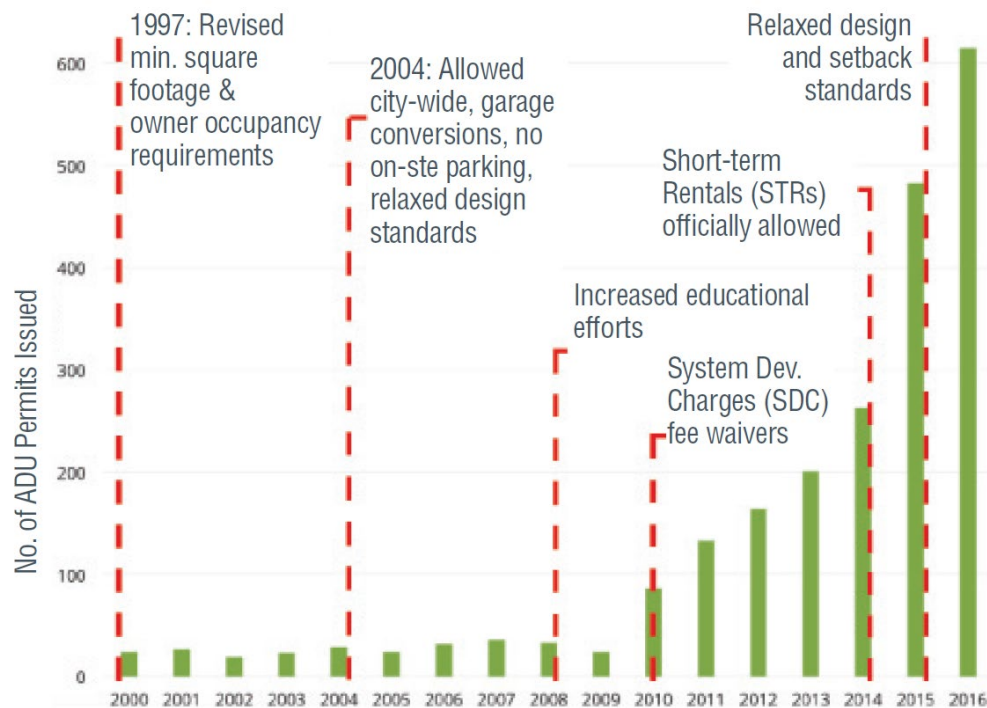
"We are not retiring on the (rental) income, but it has been a good investment."

What are the Most Significant Barriers & Concerns?

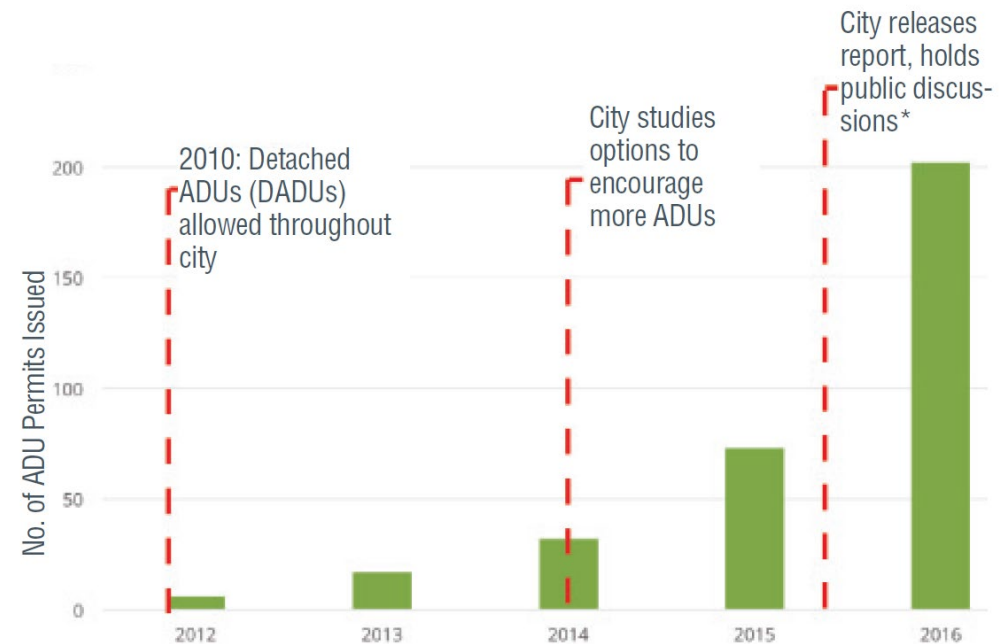
- Zoning Regulations
 - Either disallow or too restrictive
- Complicated Approval & Permitting Process
 - Deterrent for average homeowners and smaller-scale property owners
- Cost of Construction
 - Cheaper than a regular unit, but still a significant investment
- Financing
 - Lack of loan products for ADUs; most rely on savings/ equity in existing property
- Affordability for Middle-Income and Lower Income Residents
 - Might lack financial resources to build ADU; lower ADU rents might still be too high for lowest income residents
- Awareness and Knowledge
 - Homeowners and smaller-scale property owners might lack the experience and knowledge-base required
 - Community intermediaries can help

ADU Production: Lessons from Other Cities

- Allowing ADUs is Usually Not Enough
- Greater flexibility in regulations and additional supports are required
- In other cities, including Portland, Seattle and Los Angeles, less than 2% of eligible parcels have ADUs



2a: ADU permits issued and key ADU reforms, City of Portland



2b: ADU permits issued and key ADU reforms, City of Seattle

* In July 2019, Seattle passed comprehensive ADU reforms.

Less Regulatory Restrictions = More ADUs

- Key policy consistencies across cities with strong ADU policies include:
 - Allow ADUs on all lots where residential uses are permitted
 - Allow attached ADUs and detached ADUs
 - Do not require off-street parking for the ADU
 - Do not require the property owner to live on-site
 - Allow flexibility in terms of size, height and placement of ADUs on the lot
 - Minimize permit and other development fees
- In addition to the ADU ordinance, offer financial and technical assistance programs for middle- and lower-income property owners



Chicago's ADU Ordinance Follows Most ADU Best Practices

- Allows ADUs in all Residential Zones
 - As-of-right in RS3 and above, special Use in RS1 and RS2
 - Single-family homes & 2-4 flats can add one ADU, larger buildings can create more units (up to 33% of legally allowed units)
- Allows both detached and attached ADUs
 - Detached ADUs or coach houses only allowed on lots with 4 residential units or less
- Makes it easier to site ADUs on typical Chicago residential lots (25' x 125')
 - Setbacks, open space, height
- Reduces Parking Requirements
 - Off-street parking not required for ADUs
 - Parking requirement for primary unit reduced to one off-street spot (from two)
- Existing Structure
 - Coach houses can be built on lots with newer buildings and even vacant lots
 - Conversion units can be added only in residential structures that are at least 20 years old
- Occupancy
 - Owners do not need to live on site (primary house or ADU)
 - Short-term rentals are not allowed

In Addition to ADU Ordinance, New Programmatic & Financial Supports Are Needed To Promote Stability For Residents & Neighborhoods

Incentives should have an income-eligibility requirement for the property owners and/or an affordability requirement for the ADU; community intermediaries are key

- Affordability requirements should correlate to level of subsidy provided

Financial Incentives

- Reduced/waived fees
- Grants to help offset predevelopment expenses, rehab including costly infrastructure upgrades
- Low cost loans to improve or build the ADU
- Property tax relief
- Rental assistance (such as CHA rental vouchers) to achieve a deeper level of affordability to serve the lowest-income households

Technical/ Process-based Incentives

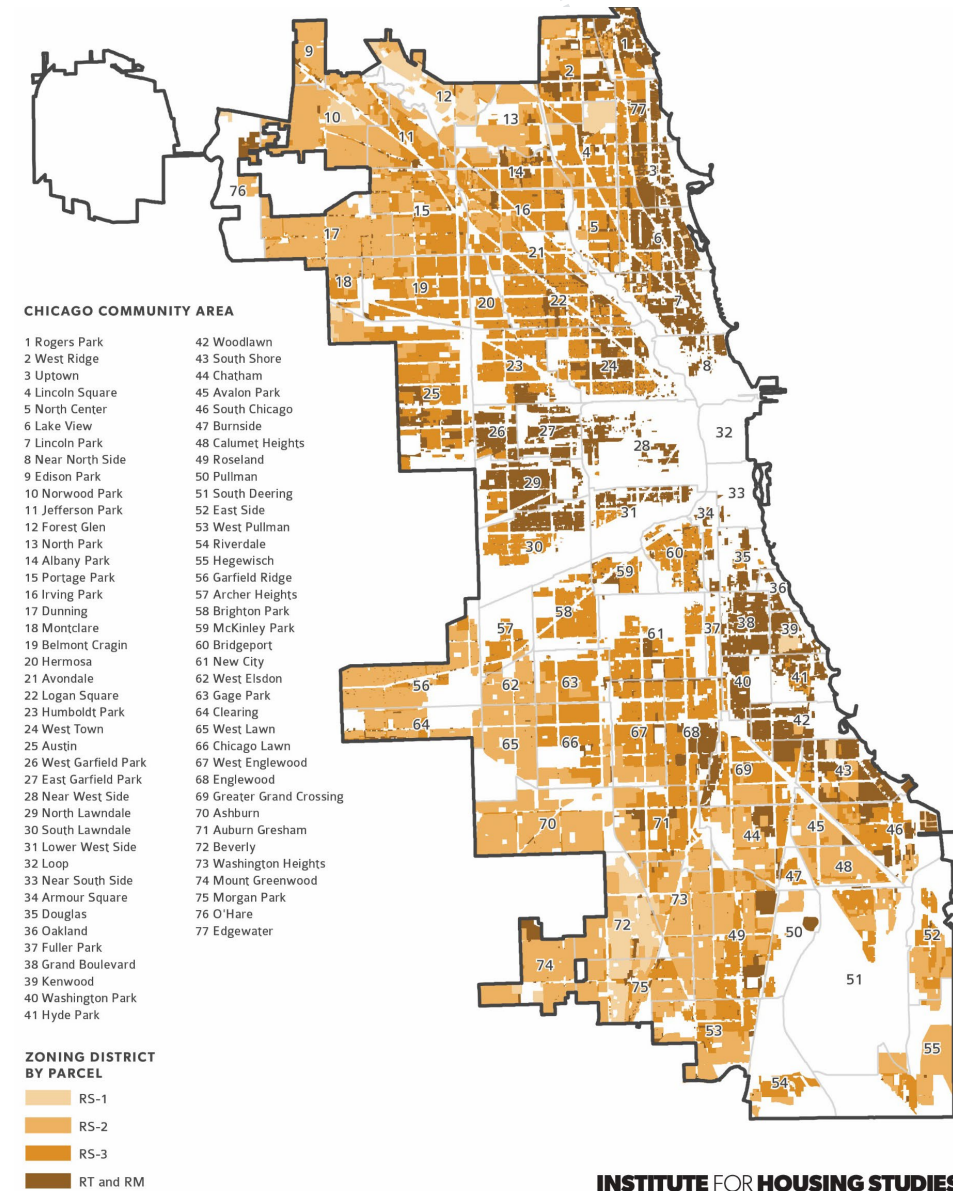
- Streamlined permitting and approval process
- Help of trusted community intermediaries
- Guidebooks, checklists of improvements, trusted professionals
- Multilingual materials

Affordability Requirements in the Introduced Ordinance

- Owners of single-family and 2-4 flats are exempt
 - Unless using City programs/incentives that require affordability
- Affordable units required in larger buildings when building more than one ADU
 - When building more than one ADU, 50% of ADUs must be rented at 60% of AMI for 30 years and the affordable unit(s) must be deed restricted
 - Assess impact of affordability requirement after ordinance roll-out
 - If modifications are required to improve financial feasibility for building owners, potential mitigating measures could include:
 - Reducing affordability term, lowering the proportion of required affordable units

Monitoring Progress, Exploring Opportunities for Enhancement

- Chicago's ordinance incorporates many ADU best practices
- Most cities with ADU ordinances have undergone multiple policy & regulatory revisions
- City should monitor progress (ADU permitting & construction activity) and be open to revisions/enhancements. Potential enhancements include:
 - Allow ADUs in all eligible existing residential buildings in non-residential zones
 - Ordinance allows ADU only on parcels with residential zoning
 - More than 25% of existing multi-family buildings with 5+ units are in B and C zones
 - Allow ADUs “as-of-right” in all residential zones
 - ADUs will be allowed only as special use in RS1 and RS2, making the process more expensive and unpredictable
 - Nearly 24% of residential parcels are in RS2, RS1 is much more limited



Monitoring Progress, Exploring Opportunities for Enhancement

- Allow conversion units (basement & attic units) on residential lots with newer buildings and vacant lots
 - Conversion units will be allowed only in buildings that are at least 20 years old
 - Impacts neighborhoods with large number of vacant lots
- Allow both conversion units and backyard homes on lots eligible for more than one ADU
 - For example, instead of 2 conversion units, allow a 6-flat residential building the flexibility to build one conversion unit and one backyard home
- Regulate short-term rentals but do not place a complete ban
 - Apply restrictions that are applicable to other types of residential units
 - Owner occupants value flexibility of use to ensure they can recoup their investment in ADU
- In a later phase, consider conversion of targeted, chronically-vacant ground-level commercial spaces
 - Consider for non-primary corridors in locations sub-optimal for commercial development
 - Opportunity to convert into ground-level, accessible units

In Conclusion

- Chicago's introduced ordinance incorporates many ADU best practices from across the country (and avoids their initial mistakes)
- City should monitor progress (ADU permitting & construction activity)
 - Most cities with ADU ordinances have undergone multiple policy & regulatory revisions
 - Continue to engage community and industry organizations