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ADUs in CD3: A Broad Analysis of the Prevalence, Role, and Impact of Accessory Dwelling Units in Los Angeles' Council District 3

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## ADUs IN CD3

A Broad Analysis of the Prevalence, Role, and Impact of  
Accessory Dwelling Units in Los Angeles' Council District 3

A comprehensive project submitted in partial  
satisfaction of the requirements for the degree  
Master of Urban & Regional Planning

by

Miles Austin Cressy

Client: The Office of Councilmember Bob Blumenfield, Council District 3  
Faculty Chair of Committee: Michael Lens

2024

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Disclaimer: This report was prepared in partial fulfillment of the requirements for the Master in Urban and Regional Planning degree in the Department of Urban Planning at the University of California, Los Angeles. It was prepared at the direction of the Department and of The Office of Councilmember Bob Blumenfield (Council District 3) as a planning client. The views expressed herein are those of the authors and not necessarily those of the Department, the UCLA Luskin School of Public Affairs, UCLA as a whole, or the client.

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## Executive Summary

This report, prepared for the Office of Councilmember Bob Blumenfield, explores the significant potential of Accessory Dwelling Units (ADUs) to address housing challenges within Los Angeles' diverse Council District 3. The district's varied socioeconomic and demographic composition presents both opportunities and challenges for ADU development, which the report aims to address comprehensively.

The study reveals a notable presence of ADUs within CD3, with varying prevalence across neighborhoods. ADU development is more prevalent in areas with specific demographic and socioeconomic characteristics, with household income and challenging building locations being the most predictive factors of ADU rates. The report examines the spatial distribution of ADUs, highlighting areas with high and low potential for growth, and provides insights into the factors driving this development. Characteristics at the parcel level are analyzed, along with the costs of ADU development, comparing new construction with conversions of existing structures. Ownership patterns and the intended uses of ADUs are explored, showcasing their diverse benefits to homeowners, whether through rental income, housing for family members, or personal amenity space.

A key focus of the report is the impact of ADUs on housing affordability. While ADUs can offset mortgage costs through rental income, they are often rented at rates comparable to or higher than multifamily units, challenging the notion that they provide more affordable housing options. Despite the improvements to the permitting process and the potential income they offer, several barriers to ADU development remain, including community apprehensions, obscure permitting processes, and financial limitations.

To support and expand ADU initiatives, the report offers several policy recommendations. These include targeted outreach campaigns to educate residents, exploration of financial incentives to alleviate development costs and enable affordable rents, enhanced transparency and resources for the permitting process, community workshops for stakeholder engagement, and partnerships with nonprofit organizations and housing advocates. Establishing monitoring and evaluation mechanisms is also recommended to track the impact of ADU policies over time.

In conclusion, this report provides a thorough understanding of the impact of recent legislation on ADU development in Council District 3 and guides policy decisions to promote sustainable growth. By considering the unique characteristics of the district's neighborhoods and residents, these policies can effectively address housing challenges and enhance the district's overall housing strategy. Future research should continue to evaluate the long-term impacts of ADUs on housing affordability and community dynamics, and explore innovative solutions to further enhance their effectiveness.

## Introduction

For decades, California has grappled with a persistent housing shortage, contributing to significant challenges in housing affordability across the state. The cost of a typical home in California currently exceeds **\$765,000**, more than twice the national average, while 53% of renter-occupied households in the state spend more than 30% of their income towards rent.<sup>1</sup> The impact of this crisis is further illustrated by the fact that homelessness rates are also disproportionately high in California, where the state houses 30% of the nation's homeless population despite comprising only 12% of the overall U.S. population (Hoeven, 2022).

Considerable research has been dedicated to confronting the housing crisis as it pervades many urban centers throughout the developed world. A significant body of literature pinpoints constraints on housing supply as the principal catalyst of housing unaffordability and frequently traces it back to local land-use regulations (Ikeda, 2018; Molloy, 2017; Glaeser & Gyourko, 2002). Diagnosing regulatory constraints as the chief driver behind the escalation of the affordability crisis, California lawmakers have made it a top priority to alleviate these burdens. This involves a concerted effort to streamline housing unit creation by relaxing regulations, notably by diminishing local authority over land use and removing barriers to housing development.<sup>2</sup>

Policymakers, academics, and housing professionals collectively acknowledge the necessity for a diverse range of housing solutions to improve and expand both the affordability and accessibility of housing within the state. Yet, amidst the pressing urgency of the housing crisis and the demand for swift remedies, recent legislative endeavors have focused on expanding pathways that promote medium-density housing. This category, often referred to as the "missing middle housing," a term pioneered by Daniel G. Parolek, has garnered attention as a means to tackle the scarcity of housing promptly and effectively. A pivotal element of this housing expansion strategy, and the focus of this report, involves simplifying the permitting and review procedures for Accessory Dwelling Units (ADUs). This effort began in 2016 when California legislators signed two pivotal bills, AB 2299 and SB 1069, into law, effectively overriding local land-use regulations pertaining to ADUs (formerly known as second units) with the goal of reducing the barriers that inhibited their development. These bills mandated that cities and counties permit ADUs on the majority of residential lots, superseding local zoning ordinances and permitting processes. This

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<sup>1</sup> According to Zillow, the typical home value in the US was \$347,716 as of March 2024, while the typical value in California was \$765,196. Rent data pulled from 2022 ACS Data – 5 Year | Gross Rent as Percentage of Household Income in the Past 12 Months (Table B25070)

<sup>2</sup> It's essential to acknowledge that not all housing experts concur on the relationship between increased housing supply and affordability. For further insights, see literature review subsection "Impact on Housing Stock, Affordability and Homelessness".

legislation, and the amendments that followed in the years since 2016,<sup>3</sup> not only reflect the State’s growing concern over the housing crisis and ADUs as a potential solution but represent a significant departure from historical practices, where the State traditionally relied on local governance for land-use regulation (Ellickson, 2022).

The justification and motivation by the State to address the housing crisis in this manner is made clear in a report published by the Legislative Analyst Office (“LAO”) following the bills’ implementation. In the 2016 SB 1069 analysis report, the LAO states that the “high cost of housing is one of the biggest drivers of institutional and generational poverty cycles and will not be resolved until more housing can be developed.” The report goes on to elucidate the State’s decision to target ADUs specifically by stating that ADUs are “the only source of housing that can be added within a year at an affordable price, in existing developed communities served by infrastructure consistent with SB 375<sup>4</sup>, without public subsidy, and action by the State on a few issues will make this possible for tens of thousands of owners to immediately benefit and help their communities” (SB 1069 Senate Bill - Bill Analysis, 2016). As evidenced by the priorities of recent housing legislation and the stated reasoning behind their implementation, the State of California has made clear that easing ADU development represents an efficient, cost-effective, and relatively simple way to help address the housing crisis across the state.

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<sup>3</sup> See Appendix A for summary of relevant legislation aimed at expanding ADUs and other forms of medium-density housing.

<sup>4</sup> Also known as The Sustainable Communities and Climate Protection Act of 2008, this legislation strives, in part, to foster housing development near employment centers and educational institutions. ADU development, being a type of infill development, aligns with the goals outlined in this legislation.



## Context

In response to the revisions in state law, municipalities throughout California were mandated to enact an ADU ordinance in accordance with the regulations set forth by the legislation. Failure to do so would render any existing local ordinance "null and void". Despite grappling with the ongoing affordable housing crisis, the City of Los Angeles was not necessarily quick to adapt its local regulations in order to align with the state law amendments. It was not until December 2019, nearly three years after the laws took effect, that the City introduced and implemented its own ADU Ordinance (Ordinance no. 186,481)<sup>5</sup>. During this period, the State law defined the permitting and building practices of ADUs throughout the City. The delay, which appears to have had no discernible impact on ADU development, enabled the City to draft "tailored ADU regulations" that largely mirrored State law but would "recognize Los Angeles' many unique neighborhoods" (The City of Los Angeles, 2018).

The ordinance aims to shape the development of ADUs within the City to better suit its diverse neighborhoods by introducing additional development standards permissible under state law. For example, it establishes locational restrictions in areas like Hillside Areas and Very High Fire Hazard Severity Zones, requiring proposed ADUs to meet specific criteria including the installation of automatic fire sprinkler systems, the provision of one off-street parking space, and the ADU must be located on a lot fronting a street that is at least 20 feet wide, ensuring adequate access for emergency vehicles and services. Furthermore, the ordinance ensures that ADUs do not hinder equine keeping on neighboring lots and imposes additional stipulations for both detached ADUs with a maximum size limit of 1,200 square feet and attached ADUs. For comparison of state law and city ordinance restrictions and standards, see Appendix B.

The analysis of this report is focused on the role and impact of ADU development in Council District 3 within the City of Los Angeles, following the amendments to the state law and subsequent ordinance. This report and its findings have been completed in collaboration with the Office of Councilmember Bob Blumenfield, who serves Council District 3 and wishes to better understand the evolution of ADU development within the district and its impact, if any, on housing affordability. Encompassing the neighborhoods of Reseda, Tarzana, Winnetka, Canoga Park, and Woodland Hills, the district is distinctly marked by a prevalence of single-family homes and diverse array of lot types, making it an ideal location for evaluating the role and impact of ADUs.

Although the report's analysis has been conducted on a limited area, it is the aim of this report to not only assist the Councilmember's office in its efforts to understand ADU development and its impact on housing affordability within the district but also to shed

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<sup>5</sup> The complete ordinance can be found using the following link:  
[https://clkrep.lacity.org/onlinedocs/2016/16-1468\\_ORD\\_186481\\_12-19-2019.pdf](https://clkrep.lacity.org/onlinedocs/2016/16-1468_ORD_186481_12-19-2019.pdf)

light on the effectiveness of the stated goals set out by the state legislation. An existing body of research, explored in the next section of this report, seems to support the idea from which the State has amended existing legislation, but analysis is needed to understand the current impact of this legislation and if the intended impacts of the legislations are meeting expectations. It is the aim of this report to evaluate whether or not the goals set out by ADU legislation are being effectively achieved within this Council District.

### What is an Accessory Dwelling Unit (ADU)?

Before delving into some of the literature that has influenced housing policy in recent years, it is crucial to establish a precise understanding of what constitutes an Accessory Dwelling Unit (ADU). The city's ordinance and updated municipal code provide a technical definition of ADUs that serves as a solid foundation for better understanding exactly what these units entail. Per L.A.M.C. § 12.03, an Accessory Dwelling Unit (ADU) is formally defined as:

An attached or detached residential dwelling unit that provides complete independent living facilities for one or more persons and is located on a lot with a proposed or existing primary residence. It shall include permanent provisions for living, sleeping, eating, cooking, and sanitation on the same lot as the single-family or multifamily dwelling is or will be situated. ADUs include efficiency units as defined in Section 17958.1 of the Health and Safety Code, manufactured homes as defined in Section 18007 of the Health and Safety Code, and Movable Tiny Houses. (Added by Ord. No. 186,481, Eff. 12/19/19.)

It's crucial to highlight that while various types of units fall under the ADU category, this report predominantly centers on attached or detached dwelling units located on lots with either proposed or existing single-family homes. ADUs situated on lots with proposed or existing multifamily dwelling units, Junior ADUs, or Moveable Tiny Homes are not encompassed within this report's analysis, as they lie beyond its scope.

## Literature Review

This project aims to address a range of questions concerning ADU development, focusing specifically on Council District 3. Fortunately, a wealth of recent research and literature has emerged to shed light on ADU development and its impact on housing affordability. While various studies have been conducted across the globe, much of this research has centered on the state of California and the City of Los Angeles, making them prime subjects for analysis. Building on this extensive body of previous research, the report is well-equipped to develop a comprehensive approach, deliver insightful findings, and formulate effective policy recommendations.

### Impact on Neighborhoods

One of the first considerations that is of utmost importance to the Councilmember's office is the impact of ADUs on neighborhood dynamics, characteristics, and demographics. Understanding this impact is somewhat difficult considering the relative recency of ADU legislation and the need for more time to derive concrete and significant insights. However, literature on upzonings provides an insightful backdrop for understanding the potential effects of ADUs on neighborhoods within the council district. Drawing parallels from broader upzoning measures, the studies reviewed reveal nuanced impacts on urban communities, particularly in relation to gentrification, over-crowding, and the supply-demand dynamics of housing markets.

Jenna Davis (2021a) in her examination of upzoning policies in New York City underscores a critical point: while upzonings are often implemented to increase housing supply and affordability, they can also inadvertently catalyze gentrification. Davis finds that neighborhoods with upzoning activities saw an increase in the non-Hispanic white population, suggesting a demographic shift that might similarly occur with the proliferation of ADUs in urban neighborhoods. This shift aligns with the goal of upzoning to increase density but also highlights the complexities of who benefits from such policies. However, despite this finding, in a subsequent Brookings article, Davis argues these results should not deter the complete abandonment of upzoning policies. She contends that while these policies can inadvertently contribute to gentrification, they also offer significant potential to expand much-needed housing supply and can help to "counteract the racist legacy of low-density exclusionary zoning" (Davis, 2021b). Davis stresses the importance of further research to more thoroughly understand the effects of upzoning on gentrification, displacement, and overall housing affordability.

Moreover, Been et. al. (2024) address skepticism targeted at supply-side measures in housing in a working paper that clarifies the impact of new housing supply on existing tenants and gentrification. Although they acknowledge the association between new supply and gentrification, they find no substantial evidence of significant displacement of lower-income households. The paper argues that the concerns about displacement and

gentrification, while valid, are not necessarily exacerbated by new housing developments. Instead, through mechanisms like expanded housing options and the "chain of moves" phenomenon—where newer, more expensive units attract residents from elsewhere in the city, thereby freeing up less expensive units—new housing supply, even market-rate, can indirectly create broader housing opportunities across various income levels and benefit current residents.

Additionally, given the diverse range of demographics and income levels within the council district, it is crucial to assess how long-time residents, who place great value into the character of their low-density neighborhoods (see Section “Findings from Interviews and Informal Discussions”), might be impacted by increases in density. Kearny (2006) explores this relationship, finding that contrary to common assumptions that higher density negatively impacts community contentment due to increased crowding, density alone does not significantly affect residents' satisfaction with their neighborhoods. Instead, the study underscores the critical role of environmental factors, particularly the integration and accessibility of natural and shared spaces. Kearney's research demonstrates that the presence of nature views from homes and frequent interaction with shared natural spaces significantly enhance neighborhood satisfaction, suggesting that the way new development is designed and integrated into the existing community in terms of space usage, view accommodation and nature integration is more influential than the density of the housing itself.

Lastly, research conducted by Greenaway-McGrevy et al. (2021) investigates the short-term effects of upzoning on property values, revealing that upzoning substantially increases the redevelopment premium of properties, thereby potentially enhancing their market value. However, the overall impact on house prices varies significantly, depending primarily on the potential for site redevelopment. Properties that are underdeveloped relative to their potential tend to appreciate in value, whereas those that are already intensively developed may decrease in value compared to similar properties that were not upzoned. This outcome has notable implications for property values in the council district, particularly for properties without ADUs that could be more intensively developed. Homing in on the impact of ADUs specifically, Brueckner et al. (2023) find that in the City of Los Angeles, the presence of ADUs can increase a parcel's assessed value and selling price by approximately 7–9%. Furthermore, Bhatt (2023) argues that there is no evidence to suggest that ADUs negatively impact nearby property values. Collectively, these studies indicate that concerns about declining property values typically associated with efforts to expand housing stock, especially through ADUs, are largely unwarranted.

### Responsiveness to Policy Changes

To assess the potential effectiveness of ADUs in alleviating the city's housing crisis, it is critical to discern not only how ADU development has evolved following the enactment of new state laws and the city's ordinance but also how the market has generally responded

to shifts in upzoning policy. Freemark (2019) found that while upzoning in Chicago raised property values, it did not lead to an increase in the number of newly permitted dwellings over five years, suggesting that upzoning alone may not quickly stimulate new housing construction despite its potential to increase land values. This finding aligns with Freemark's (2023) later study which noted that while both upzonings and downzonings significantly affected residential construction, the exact outcomes could vary dramatically based on the specifics of the local market and existing zoning conditions. On the other hand, in their study on Auckland, New Zealand, Greenaway-McGrevy & Phillips (2023) derived different conclusions when they examined the effects of substantial zoning reforms implemented in 2016, which upzoned approximately three-quarters of the city's residential land. They found that these changes significantly increased housing construction, effectively demonstrating that upzoning can boost housing supply. These studies collectively underscore that while upzoning can influence redevelopment incentives, its effect on actual housing construction is conditional on various factors including market demand, existing property use, and local regulatory environments.

Analyzing the impact of ADU-specific policies on development outcomes, especially within the context of Los Angeles, the evidence more clearly indicates positive results. For example, research conducted by UCLA alumna Elisabeth Crane delves into the dual effects of 2016 state legislation that first streamlined ADU construction, scrutinizing its influence on both the construction and utilization of ADUs in Los Angeles, as well as its broader implications for housing stock and affordability. The author's findings underscore the role of state policy in influencing ADU development within the City of Los Angeles, where the legislation spurred the permitting of over 6,000 ADUs within two years, marking a remarkable tenfold increase compared to the preceding decade. Notably, ADUs constituted half of all housing units permitted in the city in 2018, providing further evidence of the legislation's role in incentivizing ADU construction (Crane, 2020). Her research effectively contextualizes the influence of state legislation in driving ADU development within Los Angeles, which is particularly noteworthy given that the city's ordinance was not enacted until the end of 2019.

Focusing on local policy and the role of the L.A.'s ordinance, a recent study conducted by Kim et al. (2023) employs "Before" and "After" multilevel logistic regression models to track temporal changes in ADU development within the City of Los Angeles post-2019. The findings of this research seem to demonstrate that the ordinance played a direct role in increasing ADU development in the subsequent years following its implementation. Furthermore, the authors find that the ordinance influenced the types of parcels upon which ADUs were developed. Specifically, the authors argue that the ordinance mitigated barriers to ADU development that were prevalent from 2017 to 2019, indicating a broader participation of homeowners across various locations.

While this research provides a solid foundation for the analysis in this report, questions remain around the paper's accounting of broader statewide trends and

legislative changes that may have coincided with the ordinance's implementation. Instead, the study focuses solely on the period up to December 2019, evaluating ADU development types before and after this point and attributing observed changes solely to the ordinance, which may be oversimplified and prone to confounds. Ultimately, pinpointing a direct causal link between the 2019 ordinance and the frequency and distribution of ADUs proves challenging, primarily due to the continuous flow of state legislation introduced since 2016. The answer likely lies in a nuanced interplay between state and local policies, both of which appear to have exerted significant influence on ADU development across Los Angeles.

### Drivers of ADU Construction

A substantial body of published literature is focused on investigating the locational factors and housing characteristics that drive and influence the presence of ADUs. Understanding these factors enables neighborhoods ripe for ADU development to be identified, providing an opportunity for local policymakers to strategically target potential incentive policies, such as construction subsidies, toward these areas. According to research conducted by Brueckner et. al. (2023) on permitted ADUs, ADUs across the City of Los Angeles were more likely to be situated in proximity to commercial districts, transit stations, or educational facilities. Additionally, ADUs were less prevalent in neighborhoods characterized by high population densities or elevated median incomes. Their findings also indicated a higher likelihood of ADUs in areas with a significant Latino population, contrasting with lower presence in predominantly Black neighborhoods. Perhaps most notably, the study demonstrated that ADUs tended to be situated in areas where rent-to-income ratios were high, affirming the assumption that these units were more commonly found in regions where housing affordability was a greater challenge.

Diving into the motivations that underlie decisions to build ADUs, the examined literature reveals important non-socioeconomic characteristics that inform the occurrence of ADUs. Specifically, neighborhoods characterized by a higher proportion of households accommodating relatives other than children showed a notable correlation with the development of ADUs, whether permitted or unpermitted (Krass, 2013; Crane, 2020). This resonates with longstanding research which indicates that, in addition to generating extra income, a primary motivation for homeowners to construct ADUs or second units (known historically as "granny flats") is to fulfill the housing needs of family members (Chapple 2011; Gellen 1985; Chapman and Howe 2001). These findings suggest that factors beyond economic considerations, such as the composition of households, have the capacity to meaningfully contribute to the prevalence of ADUs throughout the region.

While an extensive body of literature delves into neighborhood-level characteristics influencing ADU development, a recurrent theme is the predominance of parcel-level physical traits as the principal determinants of ADU occurrence. This observation aligns with the practical considerations of ADU construction, acknowledging both economic constraints and physical limitations. Studies indicate that smaller, older houses situated on

larger lots emerge as optimal candidates for ADU incorporation. Moreover, the configuration of the lot, especially characteristics like alley access or corner positioning, plays a crucial role in enhancing the feasibility of adding a secondary unit. (Brueckner et. al., 2023; Mukhija et. al., 2014). While comprehending neighborhood-level characteristics is crucial for evaluating ADU occurrence, precedent literature underscores the project's need to assess physical traits at the parcel level to accurately estimate ADU occurrence.

### Impact on Housing Stock, Affordability and Homelessness

ADUs are compact residential structures built by homeowners on the same property as their primary dwelling. Due to the relative ease with which these units can be erected compared to other housing unit types, incentivizing ADU development is seen as an effective and uncomplicated strategy to address housing stock deficits in the region. Although not without their fair share of local resistance, ADUs, as Brueckner et. al. (2023) points out, "offer an easy way to increase housing supply in neighborhoods that are already developed, yielding more housing space without the need for wholesale redevelopment of an area." The assumption that ADUs hold a unique position as a less intrusive method for increasing housing stock aligns seamlessly with various local government initiatives focused on infill development, where ADUs emerge as prime candidates, as emphasized by Kim et al. (2022). Moreover, these units hold income-generating potential for homeowners, creating a monetary incentive for those with sufficient space to pursue ADU construction. This dual benefit of enhancing housing availability and providing a financial return further underscores the appeal of ADUs as a versatile solution to regional housing challenges.

The potential for ADUs to augment the housing supply may have significant implications for long-term housing affordability. A concept known as "filtering," a market-driven process, suggests that new, more expensive housing initially targeted at higher-income groups gradually depreciates and becomes accessible to lower-income households. This process relies on the addition of new housing to push down the price of existing units, thus broadening affordable housing options (Rosenthal, 2014; Sweeney, 1974). In this context, actively promoting the construction of new housing, including ADUs, could be a strategic approach to indirectly support housing affordability for lower-income families in the long term. Research indicates that a property's affordability can improve by approximately 2.7% in its first decade and continues at a rate of about 0.5–1% in subsequent decades (Mueller et. al. 2022). Through filtering, as newer units potentially devalue existing market-rate units into more affordable tiers, ADUs could indirectly contribute to more affordable housing stock and thus improve affordability.

Moreover, independent of the filtering process, research by Been et. al. (2024) indicates that boosting the housing supply can mitigate rising housing costs and temper growth of regional rents. This effect arises from the downward pressure exerted on rents due to the added competition created by new housing units. This conclusion finds support in the analysis conducted by Greenaway-McGrevy's (2023), which found that six years after

fully implementing an upzoning policy in Auckland, New Zealand, rents for three-bedroom dwellings in the city were 26 to 33% lower than those in a synthetic control group<sup>6</sup>, with variations depending on the model specification. Although contingent on the actual number constructed in response to new policies, these studies demonstrate that ADUs hold the potential to be an effective means to increase contribute to moderating rents through increased stock, particularly because of their ability to enhance density in low-density areas. Furthermore, even when not utilized for long-term rentals, Schuetz & Devens (2024) stipulate that ADUs can still enhance overall housing affordability. For instance, ADUs designated as short-term rentals might lessen the likelihood that primary homes are offered as short-term rentals, thereby diminishing competition for these homes among owner-occupants and long-term renters.

It is important to note, however, that some academics and housing professionals remain skeptical of the capacity for these market-led policies to deliver affordable and inclusive housing. Various studies examine the effectiveness of these mechanisms like upzoning and deregulation in addressing housing affordability and find that while these policies can increase the supply of housing and potentially lower housing costs through increased competition, they often do not result in more affordable housing options for lower-income populations (Rodriguez-Pose and Storper, 2020; Wetzstein, 2021). Furthermore, these skeptics argue that the predominance of supply-side policy in recent years may ultimately lead to gentrification and displacement, exacerbating economic and spatial inequalities without significantly impacting the affordability crisis in prosperous areas. In a panel discussion at the University of British Columbia, housing experts shared insights on how these supply-side measures can lead to inequitable outcomes. They highlighted that economic incentives for property owners and the speculative nature of property markets significantly influence housing dynamics, indicating that deeper economic and systemic issues are not necessarily remedied by increased supply (Condon et. al., 2024)

Building off questions regarding equity, it is vital to consider the urgency of the housing crisis and the need for housing that is immediately and directly affordable. A key indicator of ADUs' affordability is how their rent prices compare to the market and a study by Brown and Palmeri (2014) examines exactly this. Evaluating ADUs in Portland, Oregon, found that 80% of the ADUs examined were priced at market rates, proving to be "no more or less affordable than comparable apartments in multifamily developments" when adjusted for unit size. While this study helps provide some insight into ADU affordability, broader studies on ADU rents largely remain limited due to the novelty and recency of this housing stock. Historical trends in secondary unit rents could be another avenue of evaluation, but this approach is complicated by the inclusion of both permitted and

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<sup>6</sup> The author defines the synthetic control group as the "weighted average of rents from other urban areas that exhibit similar rental market outcomes to Auckland prior to the zoning reform" (Greenaway-McGrevy, 2023, pg. 1).



unpermitted units, which hampers clear comparisons. Nonetheless, advocates for ADUs and other secondary units argue that their typically smaller size may offer greater affordability compared to other market-rate housing options (Chapple, 2011; Crane, 2020).

Still yet, the capacity for ADUs to satisfy immediate needs for affordability appears uncertain. As Crane (2020) stipulates in her research, ADUs as a rental property type are critically different than more standard rental properties. These critical differences, which may pose challenges to ADUs as a viable solution to the region's housing crisis, stem from the fact that (i) homeowners don't exclusively use these units for housing, (ii) homeowners exercise discernment in tenant selection, potentially excluding strangers, and (iii) if financial considerations take precedence, homeowners are inclined to utilize ADUs as short-term rentals rather than longer-term ones due to the flexibility and enhanced profitability the short-term approach offers. These findings suggest that while ADUs can expand overall housing supply, the likely uses of ADUs and the population they predominantly serve may limit their capacity to serve populations most affected by the housing crisis.

While the potential of ADUs as a source of housing that is immediately affordable is complex and potentially limited in the short-term, its viability as a solution to the homelessness crisis in Los Angeles is even more constrained. As highlighted by Ramsey-Musolf (2018), unless the city implements policies mandating long-term affordability covenants on ADUs, akin to those on regulated low-income housing units, these units will not be priced for or accessible to low-income households, especially those experiencing homelessness. Given that ADUs are typically set at market rates, coupled with homeowners' inherent selectivity in tenant choice, the only conceivable avenue to harness ADUs as a potential solution to homelessness necessitates rigorous oversight by local regulatory bodies.

### Barriers to ADU Development and Policy Implications

Despite the fact that state legislation largely bypasses local power over ADU development, a crucial aspect that still demands attention is the resistance encountered at the local level, particularly to increase favorability and therefore occurrence among hesitant property owners. Extensive research has sought to explain the resistance not only against broader initiatives aimed at expanding housing stock but also specifically against ADUs. A recurring sentiment among residents in neighborhoods undergoing such initiatives is the concern that ADUs may adversely affect neighborhood character and property values, a phenomenon particularly prevalent in high-income neighborhoods. Furthermore, these concerns are not solely driven by the physical changes associated with ADUs; there's a social aspect to the resistance. Some residents worry about the potential demographic shifts that ADU development might bring, expressing concerns about changes in neighborhood dynamics, community cohesion, and the introduction of unfamiliar faces. (Mukhija et. al., 2014; Monkkonen & Manville, 2019; Poorten & Miller, 2017).

Evaluating other common anxieties surrounding density increases, Whitemore & BenDor (2019) explore concerns surrounding housing developments in their analysis of rezoning cases in a suburban county in Virginia, noting that issues often center around traffic, flooding, road connectivity, and property values. However, they point out that despite the frequency in which opposition focuses on flooding and traffic, local legislators tend to adopt rezoning conditions that more commonly reduce housing density (in 69.3% of cases) and mandate larger floor areas (in 83.2% of cases) rather than enforce regulations addressing stormwater management, road improvements, or other aspects of site design and circulation. This pattern suggests that while these concerns are significant and warrant attention, the frequent focus on them may also serve as a means of wealth preservation rather than solely as protective measures against harm. Although rezoning efforts differ from the regulatory measures that have incentivized the creation of ADUs, the insights from this study are valuable for anticipating and addressing resident concerns about the impact of ADU development on neighborhoods.

A survey conducted by Mukhija et. al. (2014) regarding opinions on second units (or “backyard homes”) reported that in the City of Los Angeles, neighborhood council members were concerned that ADUs would impact parking (32%), density (24%), crime (9%), low-income renters (6%), and safety (6%). The authors go on to emphasize that despite fierce resistance, these concerns are “primarily based on perceived and even imagined threats, since the secondary units are literally hidden in backyards.” Navigating this local resistance is a complex task for elected authorities aiming to encourage ADU development, demonstrating that strategies must address both the practical and emotional dimensions of local resistance.

Recognizing that opposition to this type of development is neither “unanimous nor absolute,” Mukhija et. al. (2014) provides extensive recommendations for successful outcomes through place-based approaches. The authors stress the importance of community involvement in decision-making processes, especially concerning design standards. While ensuring these standards don't hinder development, having guidelines addressing community concerns about significant neighborhood changes and privacy is crucial. Additionally, policies and incentives promoting ADU development should be communicated in clear and accessible ways, addressing the complexity of municipal ordinances. Lastly, responses to concerns about backyard housing should extend beyond building regulations to include considerations about occupancy. Municipal ordinances can incentivize the development of backyard homes for extended family members, particularly elderly householders, as well as for low-income residents.

In addition to barriers related to local sentiment involving ADU development, one of the major challenges that requires attention when assessing the role of ADUs in meaningfully contributing to overall housing stock, especially affordable housing stock, is the cost and financing of their construction. Building an ADU is an expensive endeavor (see subsection “Valuation and Construction Costs”), and since most homeowners cannot fully

fund construction on their own, they often depend on a variety of funding sources, including savings and bank loans, to finance these projects (Chapple et al., 2021). Traditional financing options, which may include home equity loans (HELs), home equity lines of credit (HELOCs), or cash-out refinance, often come with stringent requirements for income, credit score, and/or home equity, effectively shutting out low- and moderate-income homeowners who may lack the resources for out-of-pocket construction (Schuetz & Devens, 2024). This financial burden not only restricts ADU development to wealthier homeowners but also necessitates a higher minimum for rents due to the higher operating costs associated with financing, hindering their potential as a widespread tool for increasing housing stock and providing affordability. Developing innovative financing mechanisms, especially for lower-income homeowners, is crucial for facilitating broader access to ADU development and ensuring their role as a significant contributor to affordable housing stock.

Schuetz & Devens (2024) explore this gap between operating costs and minimum rents, finding that scenarios involving grants or interest rate subsidies can significantly reduce monthly costs and therefore increase the likelihood ADU rents can serve lower income households. The authors analyze various subsidies, discovering that while upfront grants are more effective than interest rate reductions, combining them can lower the monthly operating costs of a standard \$150,000 ADU by approximately \$800 (see Appendix F). State and local agencies have begun to explore these various funding avenues to bridge the gap between operating cost and rents. For example, the California Housing Finance Agency (CalHFA) provides grants of up to \$40,000 for predevelopment costs for property owners with household incomes of less than 80% AMI (approximately \$85,000 for Los Angeles residents)<sup>7</sup>. Furthermore, local governments in Southern California, including the City of LA, have initiated pilot programs to test pathways to achieve more affordable ADU development, employing strategies such as low-cost loans, grants, and even federal housing vouchers to bridge the affordability gap for low-income renters (see Appendix G). Time will reveal the success of these programs, but it is apparent that without substantial upfront grants or ongoing operating subsidies, homeowners will likely struggle to rent their ADUs at affordable levels.

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<sup>7</sup> <https://www.calhfa.ca.gov/adu/index.htm>

## Methods and Data Collection

To comprehensively address the Councilmember’s inquiries regarding ADUs and their prevalence, role, and impact on Council District 3, this report compiles data from diverse sources and conducts a range of analyses. These analyses aim to provide a holistic view of ADU presence in the district while addressing specific questions crucial to the policy objectives of the Councilmember’s office. The project's initial focus is on identifying what kind of ADUs are being developed, where, by whom, and for what reasons. Once a thorough understanding of ADUs in the district is established, the project delves into examining the relationship between housing affordability and ADUs, seeking to identify any discernible impacts.

The first step towards these objectives involved identifying parcels with ADUs. This was achieved by retrieving and filtering ADU-specific permitting data from the Los Angeles Department of Building and Safety (LADBS) database, focusing on permits issued in the City of Los Angeles from 2017 onwards ("ADU\_CHANGED" equal to 1)<sup>8</sup>. Further refinement of this data subset involved removing expired, closed, supplemental, and duplicated permits related to the same parcel. After isolating ADU permitting data, the next crucial step was to spatially map these permits and link them to specific parcels. This process involved merging the permit data with parcel data obtained from the LA County Assessor, which includes geospatial, tax, and physical characteristic information for each property in the county. However, this integration was limited to parcels within the neighborhood boundaries of Woodland Hills, Winnetka, Tarzana, Reseda, and Canoga Park, as defined by the LA Times' 'Mapping L.A.' project<sup>9</sup>, aligning with the project's focus on Council District 3 parcels.

Upon creating a dataset of all parcels in District 3 and flagging each with an ADU, the analysis focused solely on parcels zoned for Single-Family Residential (SFR), excluding condominium uses. For the purposes of this report, SFR parcels are defined as those in which the LA County Assessor has designated the parcel’s “Use Type” as “Residential” and the parcel’s “Use Description” as “Single”. While parcels designated for condominium use technically meet these criteria, they more closely resemble multifamily units and are not necessarily well-suited for ADU development. Consequently, they have been omitted from the total count of SFR parcels in the district to ensure a more accurate evaluation of suitable parcels.<sup>10</sup> Moreover, while ADUs can be permitted on some multi-family zoned parcels, such cases were not statistically relevant and did not align with the project's broader goals.

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<sup>8</sup> LADBS only began tracking ADUs in 2017, coinciding with the passage of AB 2299 and SB 1069. Prior to this date, similar units were known as “second units” but did not have specific permitting categories as they do now.

<sup>9</sup> [https://www.latimes.com/includes/projects/img/mapping\\_la/mappingla.pdf](https://www.latimes.com/includes/projects/img/mapping_la/mappingla.pdf)

<sup>10</sup> Of the approximately 14,400 parcels in CD3 designated for condominium uses, none were permitted ADUs.

The resulting dataset, after thorough collection, cleaning, and merging of permit and parcel data, formed the foundation for the project's analyses.

### The What, Where, Who, and Why of ADU Development

Data contained within the permit and assessor data included the following metrics: valuation and square footage of the accessory dwelling unit, permit type (which determined whether or not the construction was an addition, alteration, or new construction project), year the permit was issued, the location and address for which the permit was issued, the assessed value of the parcel, the size of the parcel, and the year the primary home was built. This data was further supplemented by zoning data provided by LA City Open Data to evaluate ADU occurrence across zoning designations as well as Local Roll data purchased from the LA County Assessor's Office to gauge levels of absentee ownership. These variables were used to perform the report's parcel-level analysis, comparing parcels with ADUs to those without, where applicable. The combined permit and assessor dataset, augmented by zoning and local roll data provided valuable insight into the initial questions of what kind of ADUs were being built, where they were being developed, and by whom.

Taking this analysis further, data obtained from the American Community Survey (2022 ACS 5-Year) at the census block level and voting data at the precinct level obtained from the Statewide Database (SWDB) were leveraged to identify potential additional trends across the district. Utilizing findings derived from the project's literature review, a variety of metrics obtained from ACS data were evaluated in order to identify possible demographic, social, housing, and economic factors that might inform the occurrence and distribution of ADUs across the district. The following variables were evaluated: population by race, population by age, homeownership by race, educational attainment, density, household size and type, occupancy type, vacancy rate, gross rent as a percent of household income, home value, household income, and area. Similarly, data from SWDB was used to evaluate if a spatial divide of ADU occurrence could be identified based on the distribution of political affiliation across the district. Data contained within this dataset includes the number of registered democrats and republicans for the 2020 general election for every precinct throughout California.

To understand the strength of the relationships between ADU occurrence, measured as the percentage of parcels within a census block group permitted for an ADU, and the various metrics evaluated, a correlation matrix was used to identify the existence of strong relationships. The correlation coefficients extracted from this matrix guided the selection of variables for in-depth investigation and visualization through scatterplots. Following this step, cluster analysis was utilized to group key factors based on their interconnectedness, revealing underlying, concomitant patterns that might inform or ultimately influence ADU development. Lastly, the primary variable of interest, ADU rates within a census block group, was regressed on these key variables to determine which, if any, meaningfully impacted ADU outcomes.

Despite the capacity for these data sources to provide a high level of insight into patterns of ADU occurrence across the district, questions around who was actually building ADUs and the underlying motivations for doing so were more difficult to ascertain from this data. To build a better understanding of these unanswered questions, a series of surveys and interviews were conducted. These efforts progressed the research by allowing for more nuanced questions to be answered such as homeowner motivations, owner-tenant relationships, homeowner and tenant demographics, incentives and barriers to ADU development, and more.

First, surveys were both distributed online and conducted in person. Addresses identified as having been issued a permit for an ADU were targeted in a door-knocking effort, with assistance from multiple undergraduate students. All five neighborhoods within CD3 were visited and areas were chosen at random. The online version was distributed through flyers dropped off at targeted addresses (when homeowner did not answer the initial request to answer the survey in person) and through newsletters distributed through the councilmember's office, various HOAs and neighborhood councils. During the door-knocking process, interviewers asked residents of the main home to identify themselves as either homeowners or renters. Responses were simply tallied, supplementing the analysis of local roll data, and informing questions surrounding absentee ownership. See Appendix H for the specific questions included in the survey.

Second, interviews and informal discussions, whether in person or through email, were also conducted. Formal interviews were conducted with a licensed contractor, both who specialize in the sale and construction of ADUs. Informal interviews were conducted as opportunities arose, primarily at neighborhood council meetings or community events where residents sought to communicate their sentiments regarding ADU development or recent legislation pertaining to the ease of their permitting. This qualitative data collected helped to round out the analysis and provide additional insight into the value-add propositions of ADUs, further elucidating the reasons why homeowners or developers might seek to build them/own one.

### Housing Affordability

In addition to exploring patterns of ADU development, a key focus for the Councilmember's office was determining whether ADUs could contribute to improving housing affordability within the district. First, to gauge the role of ADUs in addressing direct or immediate affordability, the report begins by examining the actual rents charged for ADUs, comparing them to multi-family, market-rate units, and analyzing their alignment with the area median income (AMI). Data for this analysis was gathered from several listing platforms, including Zillow, Redfin, and Apartments.com, to calculate average rents for both ADUs and non-ADUs. These figures were further detailed by neighborhood, number of bedrooms, and square footage to ascertain price per square foot. Additional comparisons were drawn using market rent averages provided by Zumper, allowing a comprehensive district-wide and neighborhood-specific evaluation of rent trends. AMI values were derived

by averaging the median household incomes (renter-occupied households only) across all census block groups within the council district for 2022 (5-Year ACS 2018-2022).

Furthermore, building on research that associates increased housing stock with reduced rent levels—the basis for recent legislation—the report examines the extent to which ADUs contribute to the overall housing stock in CD3, as well as how rent changes correlate with fluctuations in both total housing stock and ADUs specifically. Utilizing ACS 5-Year data from 2022 at the census block group level, the report estimates the proportion of total housing units constituted by ADUs. Expanding further, the report scrutinizes rent trends from 2013 to 2022, utilizing the same dataset to categorize census block groups by ADU occurrence and housing stock changes. Census block groups were categorized based on the percentage of ADUs relative to the total housing units within each group: "High" (greater than 10%), "Medium" (between 5-10%), and "Low" (less than 5%). Additionally, these groups were further classified based on the rate of housing unit growth over the same time frame: "Significantly Increased" (greater than 20%), "Slightly Increased" (0-20%), and "Decreased" (less than 0%, i.e. lost units over this time period). Segmenting the census block groups in this way enables a preliminary analysis of whether rent variations are directly linked to changes in ADU density or merely to shifts in the overall housing stock, serving as a first step towards a more comprehensive understanding of their impact. Given that census block group boundaries are redrawn every decade, the analysis is confined to areas where boundaries remained stable, limiting its generalizability across the entire council district.

It's crucial to clarify that this report does not attempt to establish a causal link between ADU integration and housing affordability due to the need for a larger, more comprehensive dataset. Instead, it leverages existing research to suggest potential impacts of increased housing supply on affordability within CD3. While this study underscores the presumed benefits of upzoning based on existing literature, it acknowledges the complexities and uncertainties surrounding housing policy and its effects on affordability, without claiming to definitively resolve these issues.

Lastly, to assess the extent to which owning an ADU influences home ownership likelihood within the council district, a comprehensive analysis was conducted using data from Multiple Listing Services (MLS) on all home sales in the district since 2017. This dataset included variables such as square footage, construction year, sale price, neighborhood, and the presence of an ADU at the time of sale. A hedonic linear regression model was employed to analyze the impact of ADUs on sale prices, providing insights into the key differences in property sales with and without ADUs.

## Quantitative and Qualitative Analysis

### Spatial Distribution of ADUs <sup>11</sup>

Overall, approximately 3,430 parcels of the 48,460 parcels designated for SFR (single-family residence) uses have ADUs (excluding condominiums). When comparing this value to the larger context of the City of Los Angeles, Council District 3 (“CD3”) slightly outpaces the rate at which its SFR parcels are developing ADUs. As illustrated in Figure 1, as of the end of the 2023 calendar year, approximately 7.1% of SFR parcels in CD3 have been permitted or are in the process of permitting ADUs, compared to Los Angeles's overall rate of 6.4%

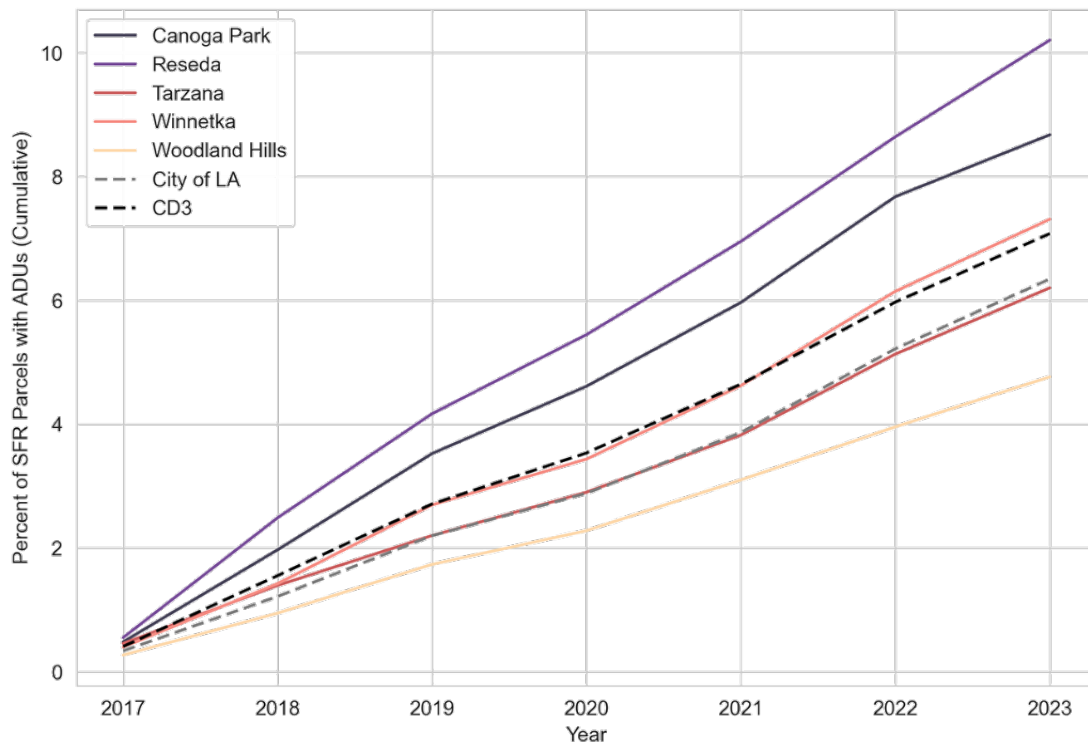


Figure 1 - Percentage of total SFR parcels with permitted ADUs.

Upon closer examination of the neighborhoods within CD3, notable disparities emerge in the prevalence of ADUs, particularly when considering the raw counts of both total SFR parcels and ADU parcels (refer to Figure 2 for a breakdown). For instance, Reseda stands out with the highest raw count of 1,136 ADU parcels and the highest percentage, with 10.4% of SFR parcels having ADUs. Conversely, Woodland Hills boasts the second-highest raw count of 784 ADU parcels but records the lowest percentage, with only 4.9% of SFR parcels having ADUs. What adds intrigue to this observation is that Woodland Hills encompasses approximately 16,000 single-family residential parcels, constituting 33% of

<sup>11</sup> See Appendix C for density heatmap of ADU occurrence within CD3.



the district's SFR parcels—nearly 50% more than Reseda. This data not only underscores Woodland Hills' relatively low rate of ADU occurrence but also highlights Reseda's relatively high rate of ADU occurrence when factoring in the total number of SFR parcels within each neighborhood. Additionally, when evaluating the remaining neighborhoods, Canoga Park and Winnetka exhibit the second and third-highest percentages of SFR parcels with ADUs within CD3, at 8.7% and 7.3%, respectively. While significantly lower than Reseda, these neighborhoods still outpace the occurrence of ADUs observed in the City of Los Angeles. Finally, Tarzana registers the second-lowest percentage of SFR parcels with ADUs, falling below the citywide trend. Its performance aligns closely with that of Woodland Hills but with approximately half the number of SFR parcels.

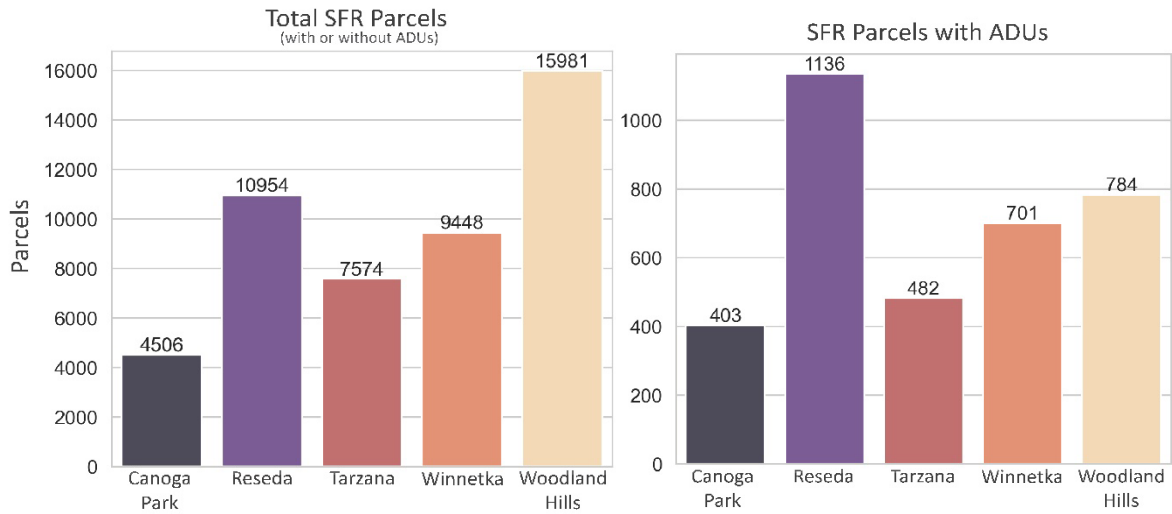


Figure 2 – Raw Totals of SFR Parcels and SFR Parcels with ADUs by Neighborhood

### Zones and Land Uses

Diving further into the findings observed above, it was critical to determine if these differences could be explained by the land use regulations that predominated each neighborhood. ADUs can be permitted on most parcels zoned for residential uses so determining the percentage of parcels in each neighborhood that are not zoned for residential uses might help explain the differences observed above. For example, considering the relative size of Canoga Park and the

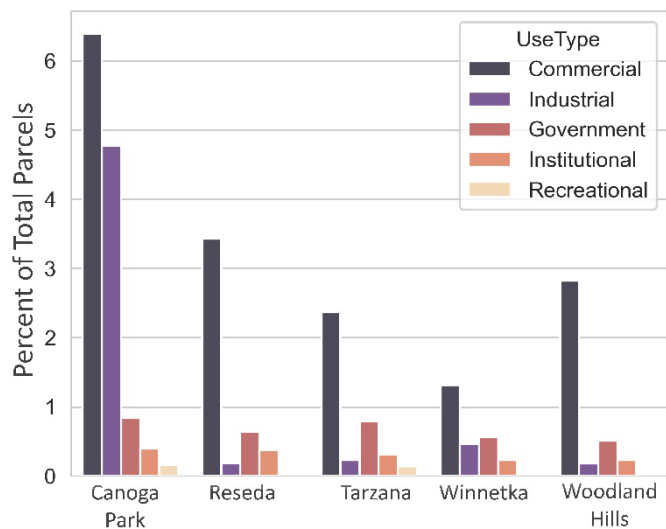


Figure 3 - Percentage of Non-Residential Parcels by Neighborhood

higher proportion of its parcels not being zoned for residential use may help explain its lower ADU count. Whereas all the other neighborhoods have 95% or more of their parcels zoned for residential uses, Canoga Park only has 87% (see Figure 3).

Investigating further and looking at the differences in zoning, we see that more than half of the ADUs are located on R1 parcels (see Figure 4). However, when looking at these values proportionally, we see a more equitable distribution. Still, there exists noticeable differences and similarities in the proportional distribution between the residential zones. For example, although parcels zoned for R1 occur at nearly twice the rate of parcels zoned for RA, there is a less than one percent difference between the proportion of parcels for each zone type that have ADUs on the lot. For additional information regarding breakdown of zones for ADU parcels by neighborhood, see Appendix K.

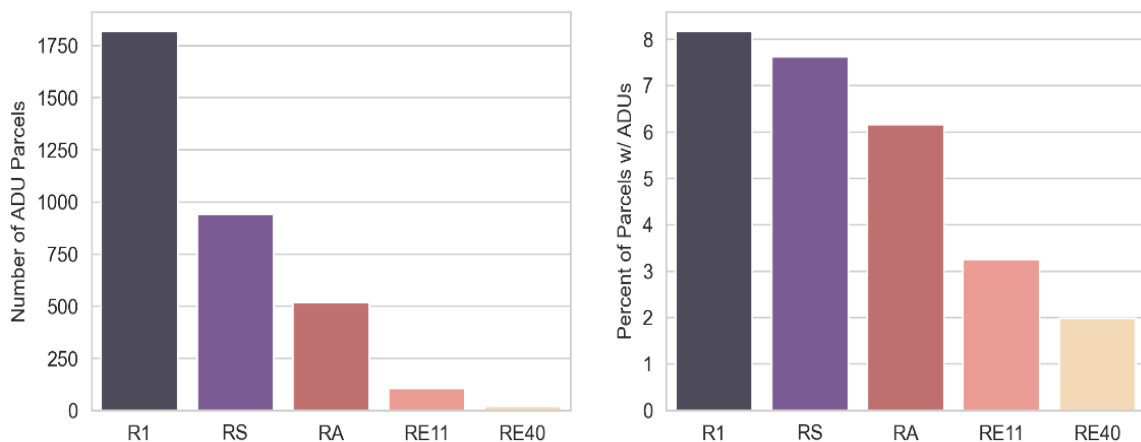


Figure 4 – Number (Raw and Percent) of Parcels with ADUs by Zone

In order to better understand what might drive some of the observations demonstrated above, a brief breakdown of the differing residential zones is provided below<sup>12</sup>:

- R1 (Single-Family Residential Zone):
  - R1 zones are primarily intended for single-family residential use and are the most common zoning type in Los Angeles (and in CD3) by a large margin.
  - R1 zones are characterized by a minimum lot size of 5,000 square feet, permitting one dwelling unit every 5,000 square feet of land. They also enforce a 15-foot rear yard requirement and mandate a minimum lot width of 50 feet.
- RS (Suburban Residential Zone):
  - RS zones are similar to R1 zones but tailored for larger lots and slightly lower density.

<sup>12</sup> [https://planning.lacity.gov/odocument/eadcb225-a16b-4ce6-bc94-c915408c2b04/Zoning\\_Code\\_Summary.pdf](https://planning.lacity.gov/odocument/eadcb225-a16b-4ce6-bc94-c915408c2b04/Zoning_Code_Summary.pdf)

- RS zones are characterized by a minimum lot size of 7,500 square feet, permitting one dwelling unit every 7,500 square feet of land. They also enforce a 20-foot minimum rear yard requirement and mandate a minimum lot width of 60 feet.
- RA (Residential Agricultural Zone):
  - RA zones are designed to accommodate a mix of single-family homes, agricultural structures, and open space uses.
  - RA zones are characterized by a minimum lot size of 17,500 square feet, permitting one dwelling unit per 17,500 square feet of land. They also enforce a 25-foot maximum rear yard requirement and mandate a minimum lot width of 70 feet.
- RE11 and RE40 (Residential Estate Zones):
  - Similar to RA zones, RE11 and RE40 zones are also designed to accommodate a mix of single-family homes, agricultural structures, and open space uses but with a greater emphasis on estate-style residential uses.
  - RE11 zones are characterized by a minimum lot size of 11,000 square feet, permitting one dwelling unit per 11,000 square feet of land. They also enforce a 25-foot maximum rear yard requirement and mandate a minimum lot width of 70 feet.
  - RE40 zones are very similar to RE11 zones but with even larger minimum lot sizes and widths, 40,000 square feet and 80 feet, respectively.
  - RE11 and RE40 zones are intended for very low-density residential development, often featuring large estate-style homes on expansive lots. Regulations prioritize preserving open space and maintaining a rural or semi-rural character.

Several factors may contribute to the differences in the occurrence of ADUs across various zoning types, and it remains to be determined if zoning regulations directly influence this trend. However, there appears to be a correlation indicating that as zoning regulations become less supportive of increased density, the prevalence of ADUs tends to decline accordingly. While zones with larger lot sizes, such as RA and RE, theoretically offer more space for ADU development, homeowners within these zones may be less inclined to pursue such projects (this relationship is explored further in the report). Moreover, RA and RE zones are more often situated in both Hillside Areas (HA) and Very High Fire Hazard Severity Zones (VHFHSZ), which impose additional restrictions and challenges regarding ADU permitting, thereby presenting further obstacles to ADU development.<sup>13</sup>

### Growth and Types of ADUs Built

Assessing the growth of ADUs in CD3 since 2017 and how the types of ADUs being built over this time period reveals some noteworthy trends. Since 2017, the number of

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<sup>13</sup> See Appendix D for map of residential zoning in CD3 and Appendix E for ADU rates by CBG and HA and VHFHSZ boundary overlays.

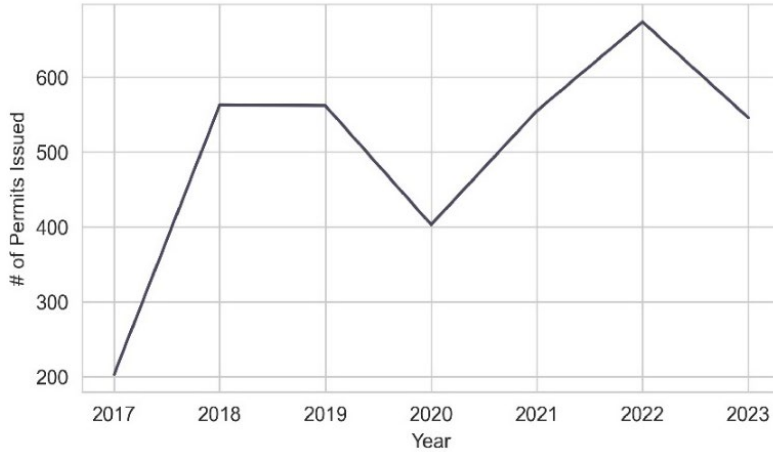


Figure 5 – ADU Construction Total, Year-over-Year

ADUs being permitted each year has grown by 275%, however, the consistency to which it has grown year-over-year is quite volatile. As shown in Figure 5, both 2020 and 2023 represented drops in the total number of ADU permits issued. It is important to note that although 2020 was one year after LA’s ADU

Ordinance came into effect, it was also the height of the pandemic and likely led to the observed decrease in permit issuance. It is not entirely clear why the number of permits issued in 2023 were lower than in 2022 but a plausible explanation could be derived from the same reason that appears to be driving the decrease in total SFR construction starts across the state, namely, continued high rates reducing capacity for builders/homeowners to borrow and continued material shortages leading to high construction costs.<sup>14</sup> An interview conducted with a licensed contractor and ADU specialist in the City of Los Angeles, Joseph Peretz, provides an alternative explanation to this potential trend. During the interview Mr. Peretz speculates that the investors or homeowners (the distinction between the two and its implications are covered in the “Ownership” section later in the report) who wanted to build ADUs largely have already. He goes on to state that outside of changes in new legislation, like SB 9<sup>15</sup>, “ADUs permit pulls are likely to decrease and remain stagnant over the next few years” as the “ADU boom” has likely passed (J. Peretz, personal communication, April 12, 2024)

Taking a deeper dive into the permit types included in the LADBS database (*Alter/Repair*, *Addition*, and *New*)<sup>16</sup> helps to draw some

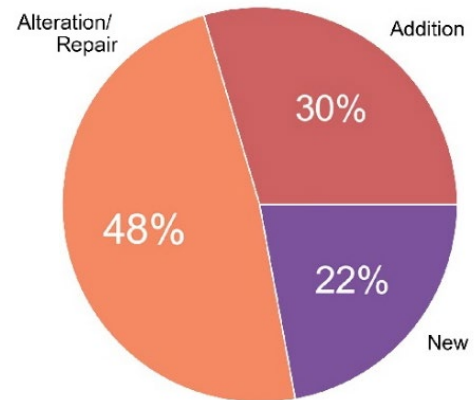


Figure 6 – ADU Construction by Type

<sup>14</sup> <https://journal.firsttuesday.us/the-rising-trend-in-california-construction-starts/17939/>

<sup>15</sup> “Senate Bill (SB) 9 (Chapter 162, Statutes of 2021) requires ministerial approval of a housing development with no more than two primary units in a single-family zone, the subdivision of a parcel in a single-family zone into two parcels, or both. SB 9 facilitates the creation of up to four housing units in the lot area typically used for one single-family home.” (California Department of Housing and Community Development, 2022)

<sup>16</sup> “New” permits are issued for construction projects in which a structure is built from scratch; “Addition” permits are issued for projects in which a new structure is added to an existing structure; “Alter/Repair” permits are issued for projects in which an existing structure or room is converted to an ADU.

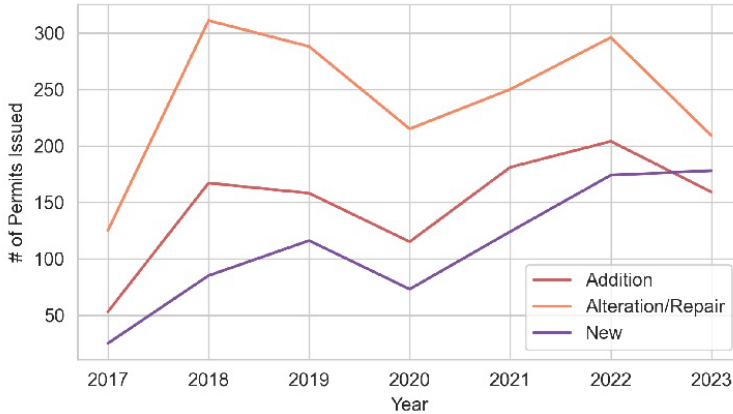


Figure 7 - ADU Construction by Type, Year-over-Year

however, permits issued for alterations or additions fluctuate significantly more than new construction permits, and it appears the new construction category may be on track to outpacing the other two categories by 2024 (see Figure 7). It is not entirely clear why this might be the case and if the trend differences between ADU construction types will continue into the future.

### Valuation and Construction Costs

Assessing the permit valuations and construction costs associated with ADUs helps to not only inform ADU construction trends more broadly but also helps to explain the disparities between the types of ADUs being constructed within the district. According to this permit data, in 2023, the average valuation for ADU construction across all types was \$88,830.0 dollars. Figure 8 helps to demonstrate the difference in relative values between ADU construction types, where existing structures converted to ADUs (i.e. alterations/repairs) are nearly 30% lower in value than new construction ADUs. The disparity in the values begins to paint a picture of the cost associated with each type of ADU construction and may help to explain why nearly 50% of all new ADUs within the

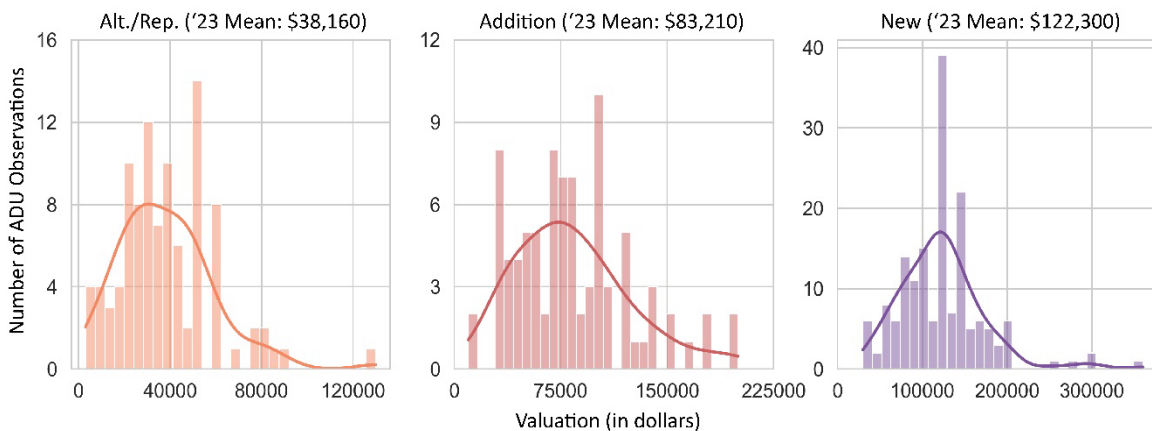


Figure 8 – Permit Valuations by Construction Type

Description of Charts: These histograms show the distribution of values across construction types, where the number of observations or occurrences for a particular value is represented by the height of one bar or “bin”. The curve is a smoothed estimate of the distribution and helps to visualize where values occur most frequently.

district result from the conversion of existing spaces (see footnote 16 for ADU construction type comparison).

Although we can examine the difference in valuations between ADU construction types to draw conclusions about how they differ relative to one another, valuations are not exactly precise ways to estimate construction costs. For example, the current cost per square foot for new construction in 2023/24 is estimated to be between \$250 and \$400, depending on the type and size of the construction (J. Peretz, personal communication, April 12, 2024). With an average square footage of 976 for new construction ADUs (see Figure 9), this would equate to an average approximate construction cost of anywhere between \$244,000 and \$390,400 for a new ADU. Still, it's important to note that the cost to **construct** an ADU is quite variable, and largely depends on the location, size, included amenities, and site characteristics. In the same interview with Joseph Peretz, he stated that converting an existing garage typically costs anywhere between \$100,000 to \$250,000, depending on the condition of the existing structure.<sup>17</sup> These values are significantly different than the values provided in the permit valuations indicating that permit valuations may ultimately be insufficient in fully capturing construction costs, likely due in part to the inherent difficulty of accurately accounting for total construction costs at the beginning of a project (see page 39 for full interview findings with Joseph Peretz).

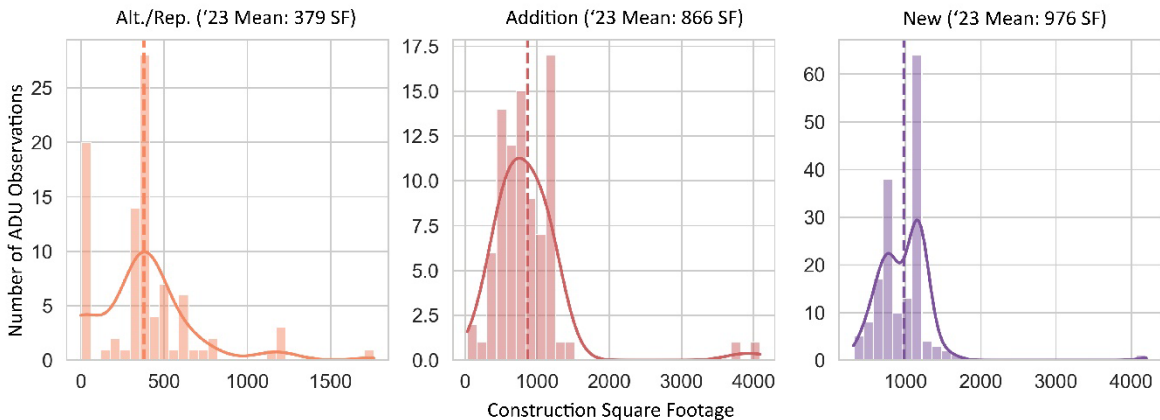


Figure 9 - Square Footage by Construction Type  
(see Figure 8 description for interpretation of chart type)

## Land Area

Evaluating the difference between the size of ADU parcels vs non-ADU parcels helps build an understanding of the type of parcels upon which ADUs are typically built. The median area of the lots for both ADU parcels and non-ADU parcels are very similar (ADU lots: 7,529 SF vs non-ADU lots 7,647 SF) but the averages (ADU lots: 9,778 SF vs non-ADU lots 10,544) demonstrate that the non-ADU lots are influenced by larger lot size values, as

<sup>17</sup> Costs stated by J. Peretz align with other online blogs and resources, e.g. found [here](#) and [here](#).

demonstrated by the distribution seen in Figure 10<sup>18</sup>. The upper bound (75<sup>th</sup> percentile) for non-ADU lots is significantly higher. Considering the higher lower bound and the lower upper bound of ADU lots, it appears ADUs are marginally more prevalent on mid-size lots.

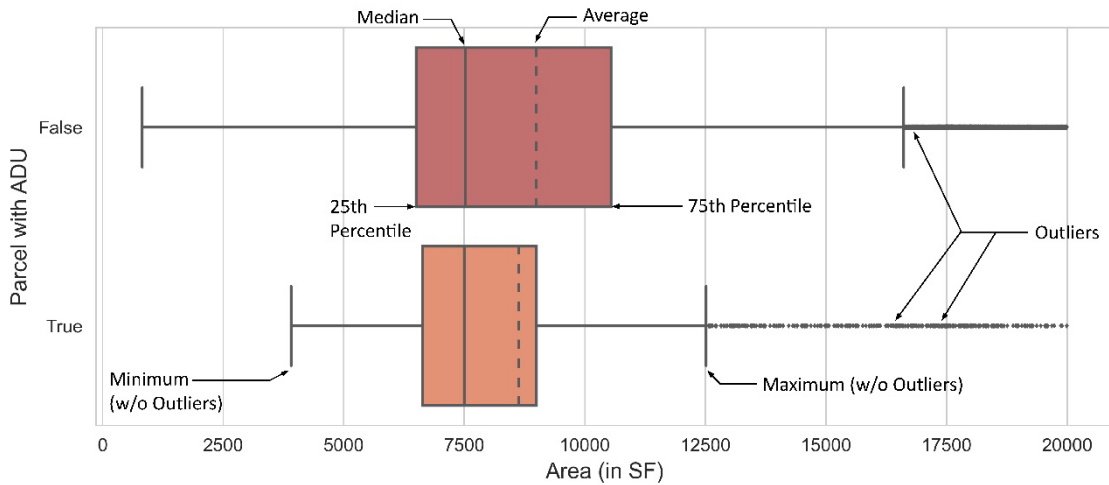


Figure 10 - Lot Area: ADU Parcels vs. Non-ADU Parcels. Average and median values shown in plot are reflective of trimmed data.

### Assessed Land Value

The assessed land value evaluates the value of the land at the time of purchase, increased 2% year-over-year, again providing insight into the type of parcels upon which ADUs are built. Although it does not directly measure real-time property values, it does provide an approximate understanding of land values and how these values may differ between ADU parcels and non-ADU parcels. As shown in Figure 11, the average assessed land value for parcels issued permits for ADUs is larger than that of non-ADU parcels (ADU

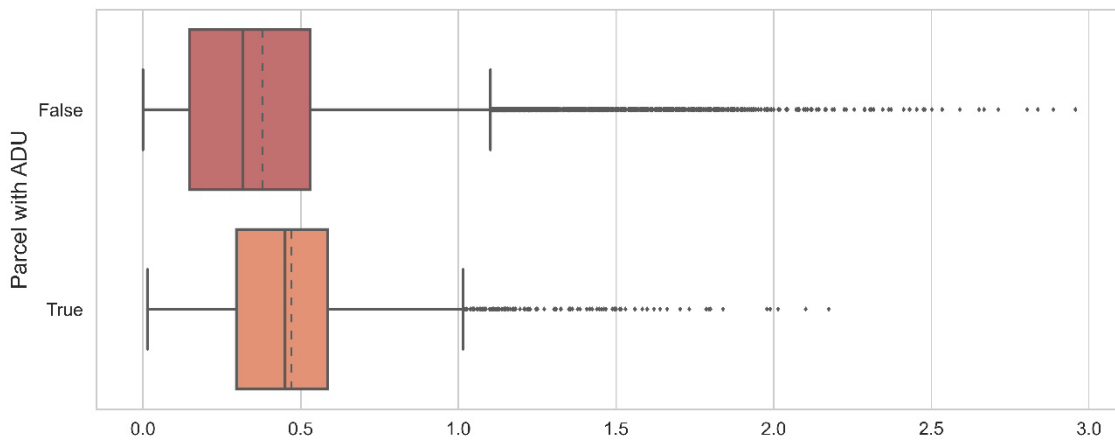


Figure 11 - Assessed Land Value: ADU Parcels vs. Non-ADU Parcels (see Figure 10 description for interpretation of chart type)

<sup>18</sup> Lot sizes exceeding 20,000 square feet have been omitted from the distribution plot for clarity purposes. While the values listed above include the entire dataset, the average and median values shown in the plot reflect trimmed data. Nevertheless, the overall conclusions remain unchanged.

lots: \$470,509 vs. non-ADU lots: \$381,641)<sup>19</sup>. Considering the cost implications and lot size requirements in order to build ADUs, it makes sense that ADU occurrence is more frequent on higher value lots.

### Year Built of Primary Home

The last physical attribute evaluated to build a better understanding of the type of parcels upon which ADUs are developed was the year in which the main structure on the parcel was built. It appears ADUs are more commonly built on parcels in which the main structure is older, aligning with existing literature. The medians are quite similar but when comparing averages, there is a 5-year difference between the two parcel types (ADU lots: 1956 vs non-ADU 1961). The observed difference in the age of primary structures between parcel types, as discussed earlier, may be partly explained by the disparity in ADU construction types. ADUs are more likely to be created by converting or adding to existing structures, rather than being newly constructed, which may ultimately influence the age differences demonstrated below.

### Ownership

The insights gathered from the survey process and door-knocking effort provided initial context regarding questions surrounding ownership. As shown in Figure 12, of the home visited, 69 residents answered the door. Of the 69 residents, 41 were renters and 28 were homeowners. It appears more than half of the residents living in the primary unit of a parcel on which there was also an ADU, were renters. This finding suggests that ADU parcels are more likely to have absentee owners, with both the ADU and the main unit being rented out.

Following these findings, a larger analysis was conducted using assessor data, comparing the primary address to the mailing address listed for the property (see the “Methods and Data Collection” section for process details). The results demonstrate that, although the percentage is significantly lower than the in-person findings, there is still a notable increase in properties where the mailing address and primary (or “situs”) address do not match for SFR parcels with ADUs compared to those without ADUs. As shown in Figure 13, the percentage of SFR parcels with ADUs where addresses did not match was approximately 12% higher than those without ADUs. While not all of these mismatched addresses can be

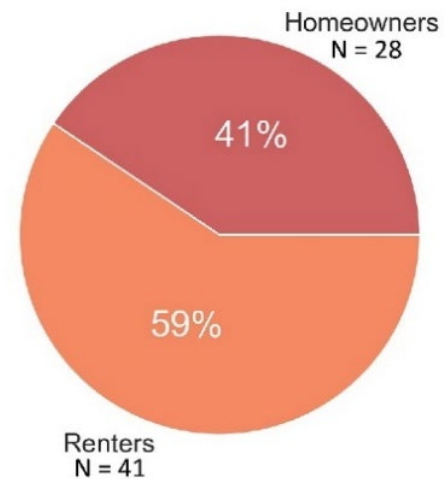


Figure 12 – Occupancy Status of Primary Unit

<sup>19</sup> Assessed values exceeding \$3,000,000 have been omitted from the distribution plot for clarity purposes. Both the mean and median values remain virtually unchanged even after excluding these larger lots (.04% of obs.).



directly attributed to absentee ownership, the notable difference strongly suggests a higher prevalence of absentee ownership among properties with ADUs. This trend is likely driven by investor interest in ADUs.

Delving deeper into the distribution of these percentages across neighborhoods within the council district reveals intriguing disparities. Notably, Reseda and Tarzana emerge as frontrunners, with 34% of SFR parcels featuring ADUs potentially owned by absentee landlords. Conversely, Woodland Hills and Winnetka trail behind, exhibit figures around 27.5% and 26.5% respectively. This observation sparks curiosity, given the distinct demographic, socioeconomic and housing profiles of these neighborhoods elucidated both earlier and later in the report. Despite their unique characteristics, they exhibit comparable proportions of absentee-owned parcels with ADUs. The absence of a clear explanation for the similarity in percentages between Reseda and Tarzana, and Woodland Hills and Winnetka, further complicates the analysis.

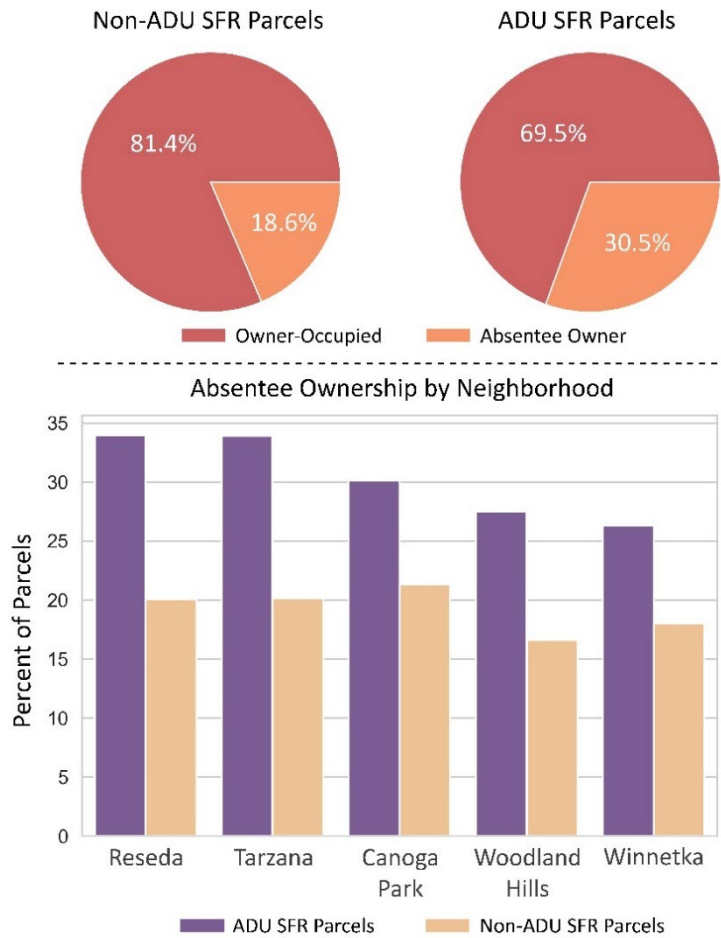


Figure 13 – Estimation of Absentee Ownership

## Census Block Group Analysis

ACS data and voter registration data provide a wide breath of metrics that enable a broader understanding of the socioeconomic, demographic, political, and housing patterns that may underlie ADU development. When compared against the percentage of SFR parcels with ADUs in a census block group (dependent variable; N = 137), the variety of metrics provided from the dataset demonstrates some moderate correlations. As seen in Figure 14, while no variables demonstrate strong correlations (typically values between +/- .6 and .8), a few variables demonstrate moderate correlations (typically values between +/- .4 and .6) or are close enough to make some notable observations.

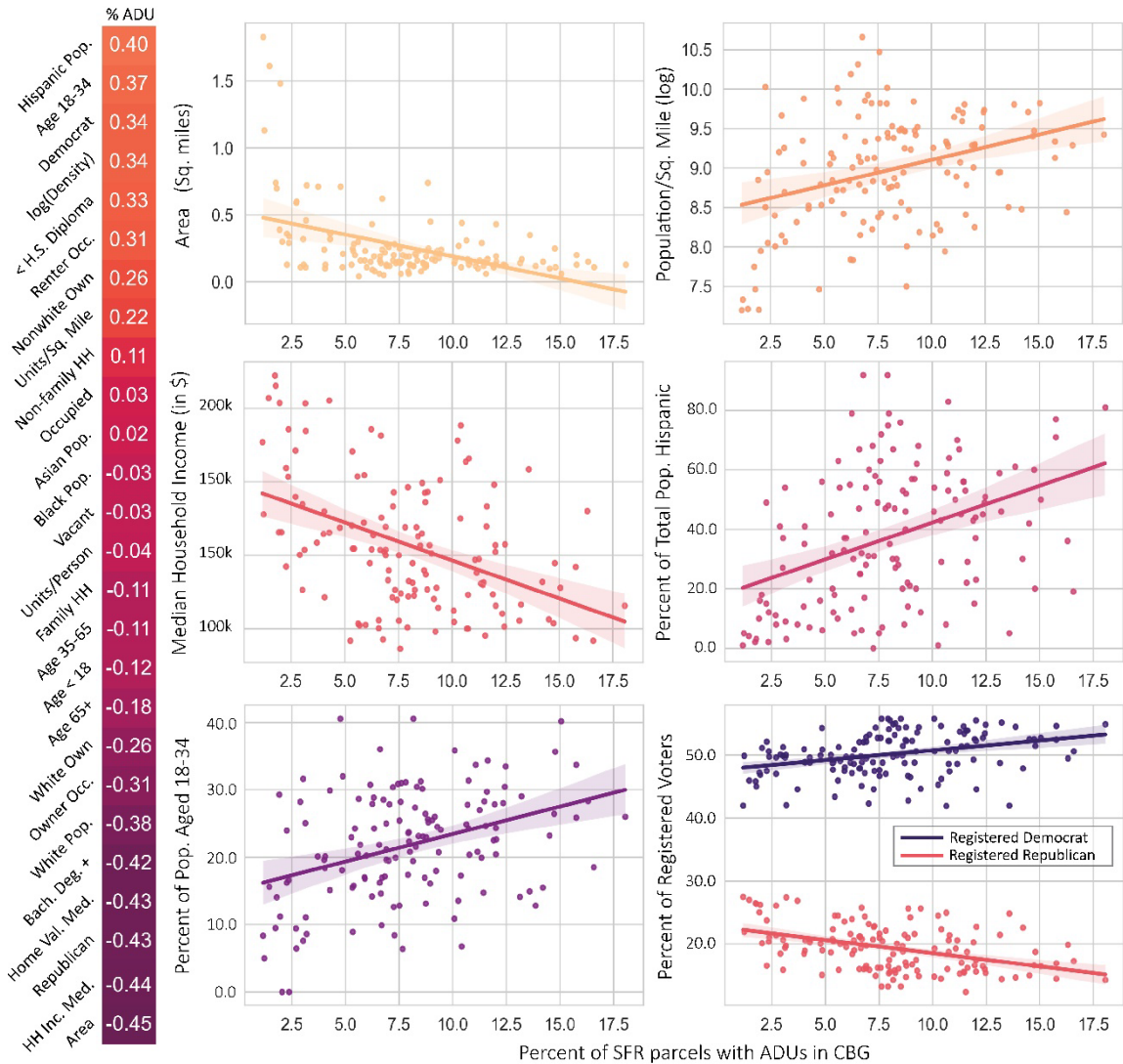


Figure 14 - **Left:** This side displays all dependent variables along with their corresponding correlation coefficients relative to the percentage of parcels with ADUs in a census block group (the independent variable). Values closer to 1 indicate a strong positive relationship with the independent variable, values near 0 indicate no relationship, and values approaching -1 indicate a strong negative or inverse relationship. **Right:** This side presents scatter plots of significant relationships with each dot representing a census block group., with the percentage of parcels with ADUs on the X-axis. A best fit line is added to each plot to visualize the relationship: lines that slope upward indicate a positive relationship (approaching 1), while lines that slope downward indicate a negative relationship (approaching -1).

Notably, the correlations suggest that census block groups with smaller areas, higher populations of non-white residents, low to middle-income households, higher densities, lower educational attainment, higher percentages of Democratic voters, younger populations, and higher proportions of renters tend to see higher rates of ADU occurrence. Conversely, neighborhoods where ADUs occur less frequently tend to exhibit the opposite characteristics. To delve deeper into the spatial distribution of ADUs and identify potential clustering patterns, a spatial cluster analysis was employed utilizing the most significant variables identified from the previous analysis. The results are visualized in Figure 15 using a radar plot, separating census block groups into two distinct clusters based on high and low rates of ADU development.

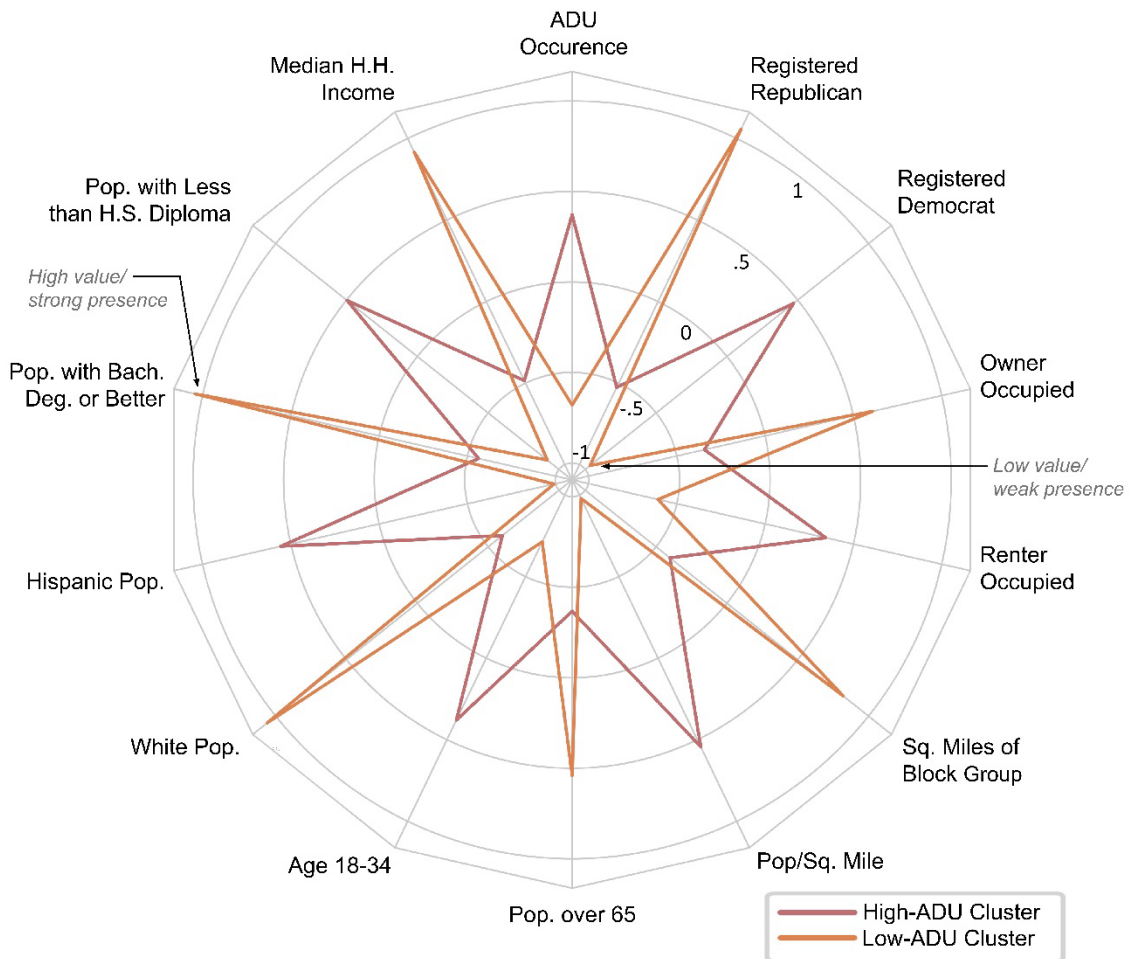


Figure 15 – Radar plot visualizing cluster analysis. In this chart, two clusters show various characteristics of two distinct census block groups: one where ADU rates are high (red) and one where rates are low (orange), making it easy to compare their characteristics at a glance. When the line extends toward the perimeter, it indicates high values for that variable. Conversely, when the line moves toward the center, it represents low values.

To better understand how these factors might influence rates of ADU development, a random forest regression model was created. This machine learning method utilizes multiple decision trees to predict the rate of ADUs (percentage of parcels with ADUs) within a census block based on the input variables. Furthermore, the model generates

"importance scores" for each input variable. Higher importance scores indicate that the variable has a stronger influence on the model's prediction accuracy. These scores help to identify the most important factors associated with ADU occurrence, ultimately providing insights into the types of areas with higher or lower rates of ADU development.

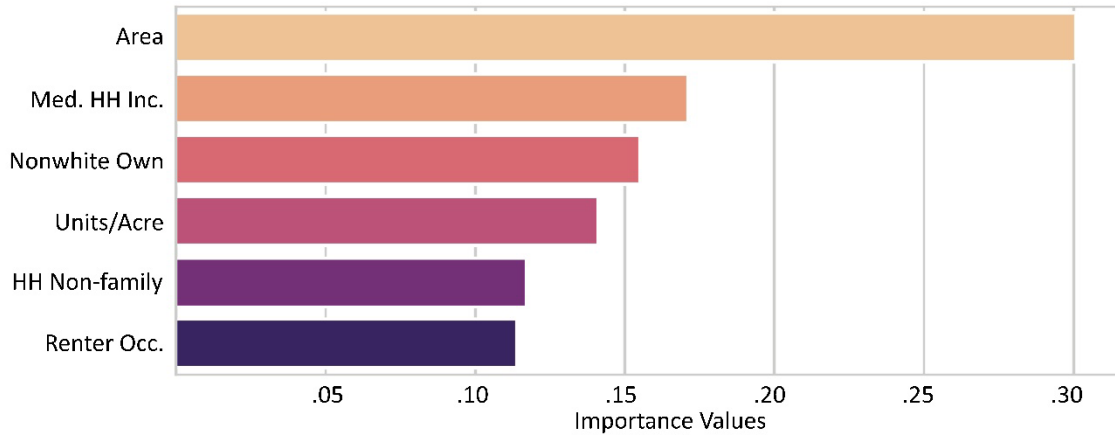


Figure 16 – Importance values for significant independent variables derived from a machine learning model. This helps identify which variables most strongly predict ADU rates among census block groups.

To ensure robust analysis, independent variables exhibiting multicollinearity, i.e. highly correlated with one another like income and property value, were removed. This isolation of input variables allows for a clearer identification of the most influential factors impacting ADU occurrence, as presented in Figure 16. We can see that the total area of a census block is the most predictive variable, followed by factors like household income, percentage of non-white homeowners, unit density, percentage of non-family households, and percentage of renter-occupied households. When supplementing this analysis further with a simple linear regression model (not shown), only the area and household income variables appear to be statistically significant ( $R^2 = .26$ ). Overall, the total fit of both the random forest and linear regression models are not particularly strong, indicating that other factors not included are crucial to unpacking rates of ADU development.

Still, the data-driven analysis provides several notable insights. First, it enhances our understanding of how neighborhoods with high and low rates of ADU development differ in terms of their demographic, housing, social, economic, and political characteristics. Second, while the models indicate that demographic, housing, and political factors do not directly cause variations in ADU outcomes, they are associated with these outcomes through their links with other key variables. Conversely, household income and the size of the census block group appear to partially explain the spatial unevenness of ADU development.

Diving into these findings further, what is perhaps most interesting is the initial assumption that higher-income households, presumably with greater financial capability to afford construction and financing costs, would show higher rates of ADU development.

However, the analysis suggests otherwise. This paradox might be explained by a couple of factors: a) higher-income households may prefer to maintain the low-density character of their neighborhoods and therefore view ADUs as disruptive; b) such households may not feel as compelled to build ADUs for supplemental income compared to middle-income families; and/or c) since household incomes and property values are highly correlated, and considering investor involvement in ADU development, purchasing lower-value properties to rent out both the primary and accessory units could yield better investment returns, especially in a high-interest-rate environment where the cost of capital is elevated. It remains challenging to determine whether this contradiction stems from one of these reasons, a combination of them, or some other unexamined factor.

Furthermore, the finding that the size of census block groups is the strongest predictor of ADU development rates merits additional scrutiny. Census block group boundaries are delineated by various physical features such as roads, streams, and transmission lines. The configuration of these boundaries is crucial, as block groups tend to be smaller in densely populated areas and larger in more rural, low-density areas. Although Los Angeles is predominantly an urban environment, significant portions of CD3, including Tarzana and Woodland Hills, are adjacent to the Santa Monica Mountains National Recreation Area, exhibiting a more rural character and consequently larger census block groups. These larger block groups often overlap with Hillside Areas and Fire Hazard Severity Zones, which enforce stricter regulations on ADU construction. Thus, the presence of larger census blocks in these heavily regulated areas may explain their lower ADU prevalence. See Appendix E for map of ADU rates by census block group and intersection with the areas described above.

This analysis unveils the uneven distribution of ADUs across the district, offering valuable insights into the potential causes of this disparity. Correlation and cluster analysis serve as powerful tools to identify underlying social, demographic, economic, political, and housing patterns that might be associated with either high or low ADU development rates, painting a picture of the types of neighborhoods where ADUs are more or less prevalent. Furthermore, the random forest and linear regression models go beyond mere association, acting as a magnifying glass to pinpoint the most significant factors influencing ADU development outcomes among those examined. They move us from "what" to "why" by quantifying the relative impact of each factor. This data-driven approach effectively unravels the complex interplay of forces that shape ADU development across the district. It not only identifies the types of neighborhoods most likely to see ADU development but also explains, in part, the reasons behind this trend.

### Incentives and Motivations for ADU Development and Ownership

Data is incredibly helpful in drawing larger observations and trends across the district but unraveling the incentives and motivations can only be guessed at using secondary data. To bridge this gap, a comprehensive survey was conducted both in person and online. The survey (N=28, homeowners), encompassing a wide range of topics, offered

crucial insights into the demographics of individuals involved with ADUs, encompassing both homeowners and tenants. Importantly, the results helped to illuminate homeowners' motivations for building or acquiring properties with ADUs, delineate the typical characteristics of ADU tenants, and clarify the functions that these units fulfill within the housing market. Key questions that contribute to this analysis are detailed in Figure 17 on the next page.

Consolidating the responses from the survey, key findings related to ADUs in which the homeowner resides in the primary structure are as follows:

- **Homeowners of ADUs have significant tenure** with 57% of homeowners having lived in their home for 10+ years.
- **A significant majority of ADUs are not intended as rental units available to the broader market.** “To house a family member or close relative” and “To provide extra recreation, work, or living space” combined accounted for 70% of the responses related to the primary reason homeowners decided to build or own an ADU.
- During the survey period, there was a **relatively equal occupancy rate for ADUs** (approximately 50/50), with tenants occupying them at a comparable rate to those that were vacant.
- A **significant majority (67%) of ADUs that did have tenants had some sort of familial relationship with the homeowner.**
- Of the respondents who listed “To house a family member or close relative” as their primary reason, approximately 65% of them actually had a tenant in the ADU. In discussing with the respondents, **many times the owner was waiting for their relative to move in or the unit would serve to house their relative on a more intermittent basis.**
- Homeowners are quite **split on their willingness to rent their ADUs to individuals with whom they have no prior relationship** (50% “Very Unlikely”/“Unlikely”, ~20% “Neutral”, and 30% “Very Likely”/“Unlikely”).
- A majority of homeowners were interested in **long-term leases** rather than short-term (i.e. AirBnb).

Ultimately, the survey responses help to build a better understanding of how homeowners view their ADUs. The survey indicates that homeowners primarily view ADUs as extensions of their living space for family members or for personal use, rather than as opportunities for generating rental income. Stability and long-term occupancy by relatives are preferred, with many homeowners disinclined to rent to outsiders, reflecting a cautious approach to the commercial use of these units.

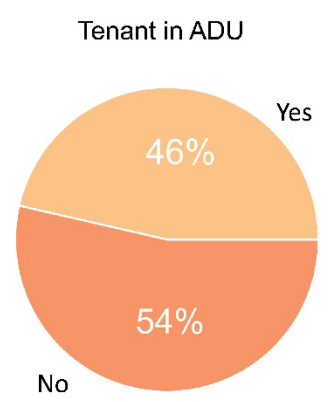
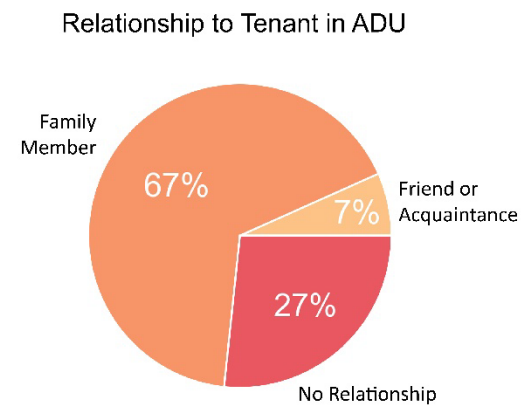
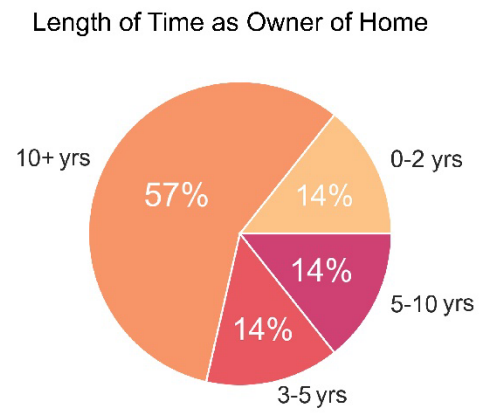
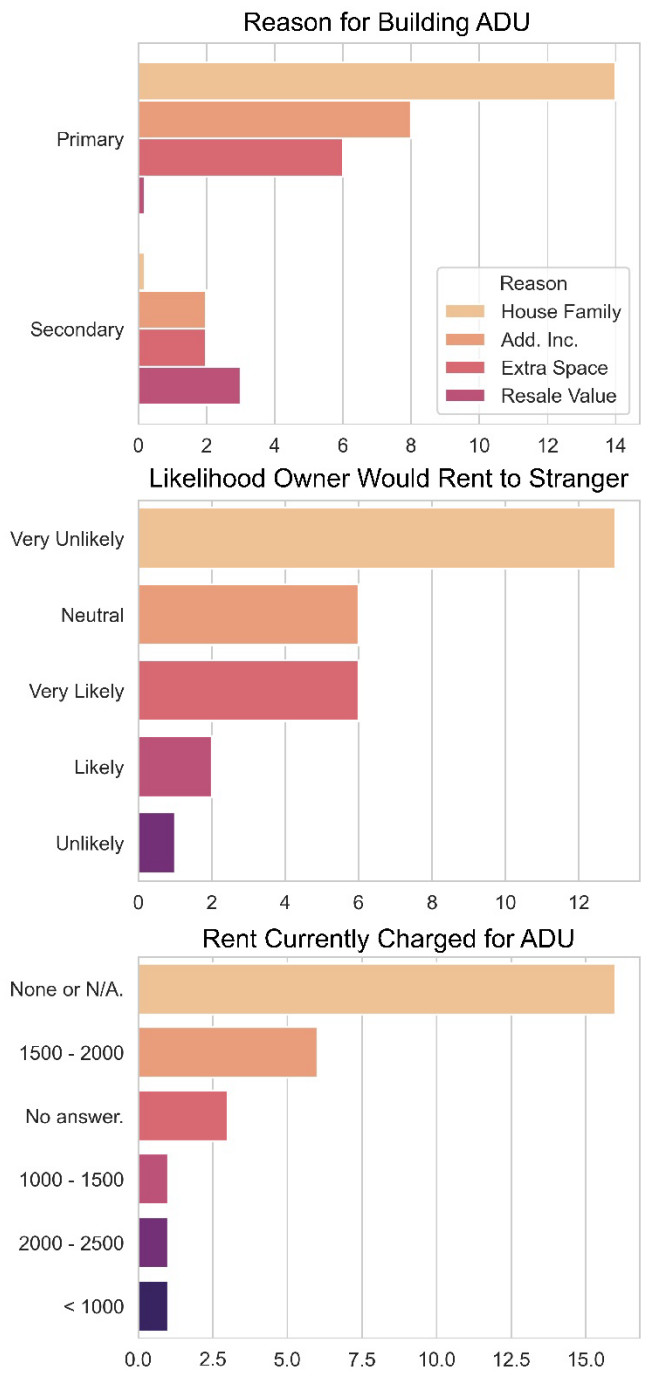


Figure 17 – Survey Response from Homeowners with ADUs



## Findings from Interviews and Discussions

### Interview Summary: Joseph Peretz, ADU Builder and Specialist

In an interview with Joseph Peretz, an experienced ADU builder and specialist, several key insights were provided regarding the motivations for building and owning ADUs, as well as the associated construction costs. Since the inception of state legislation on ADUs, Joseph has been an active participant in their construction, having built over 50 units across Los Angeles. Alongside his construction endeavors, he has also been instrumental in educating homeowners about ADU development, offering invaluable guidance and assistance in navigating the process. Below is a summary of the interview:

**Construction Costs and Project Types:** Peretz categorized ADU projects into two primary types based on size: 500 square feet and 1200 square feet. The cost to construct a 500-square-foot ADU ranges from \$300 to \$400 per square foot, whereas 1200-square-foot builds typically range from \$250 to \$350 per square foot. He highlighted that smaller units tend to have higher per-square-foot costs. Additionally, converting existing structures like garages can vary significantly in cost, primarily depending on the condition of the existing structure. These conversions generally cost between \$100,000 and \$250,000 and are currently the most common ADU projects in the valley.

**Client Demographics and Trends:** Peretz noted a shift in his client base from primarily investors in 2021 to predominantly homeowners today, a change he claims should endure barring any major changes to ADU legislation. He anticipates that homeowners will continue to make up the majority of his clients, as investors and developers have already capitalized on the new unit type.

**Impact of COVID-19:** The COVID-19 pandemic initially drove a significant increase in ADU production due to low interest rates and readily available capital. Although the frenzy has subsided, Peretz mentioned that business remains steady, albeit not as brisk as during the peak of the pandemic.

**Influence on Multi-Family Housing:** Peretz believes that the rise of ADUs has exerted pressure on multi-family property owners and developers to enhance their offerings. ADUs provide attractive benefits such as high-quality finishes, increased privacy, and outdoor spaces, making them competitive in the rental market.

**Community Perception and Benefits:** Despite the growing popularity of ADUs, some homeowners still hesitate, fearing that ADUs might disrupt neighborhood character. Peretz argued that ADUs contribute positively to housing stock without compromising neighborhood quality. He cited his own street as an example, where the proliferation of ADUs has led to increased property values and higher investment in the area.



In summary, Joseph Peretz's insights underscore the evolving landscape of ADU construction, driven by legislative changes, economic factors, and shifting homeowner and investor interests. His perspectives offer a valuable understanding of the current and future dynamics of ADU development.

### Interview Summary: Jenny Schuetz, Senior Fellow at Brookings Metro

In an interview with Jenny Schuetz, a Senior Fellow at Brookings Metro, key insights were shared on the barriers and incentives to ADU development, as well as strategies for local jurisdictions to promote their growth. Dr. Schuetz's expertise spans economics, writing, and public speaking, showcased through extensive contributions to both academic and public discourse. With a distinguished career, Dr. Schuetz held the prestigious position of principal economist at the Board of Governors of the Federal Reserve System. Prior to this, they served as an assistant professor at the University of Southern California and completed a post-doctoral fellowship at NYU Furman. Below is a summary of the interview:

**Barriers to ADU Development:** Schuetz identified several significant barriers to ADU development that vary across jurisdictions. These include complex permitting processes, inaccessible information, high fees, and stringent licensure requirements. Additionally, financing ADU construction is typically feasible only for higher-income households, leaving middle and lower-income households—who stand to benefit the most from the rental income—at a disadvantage. The burdensome cost of financing ADU development ultimately undermines their capacity to serve as an effective source of affordable housing stock (see Appendix F for example financing and rent gaps).

**Incentives and Solutions:** Schuetz highlighted the potential for ADUs to contribute to affordable housing stock. However, homeowners often resist strict affordability restrictions. To address this, she suggested implementing lighter and more flexible conditions with shorter affordability timelines to encourage homeowners to rent their units to lower-income tenants.

**Success Stories and Best Practices:** San Diego's innovative ADU programs were praised, particularly the ADU Bonus program, which allows the construction of an additional unrestricted ADU for every deed-restricted ADU built.<sup>20</sup> Implemented since 2021, this program has added over 200 ADUs to the city with affordability restrictions, without requiring additional funding mechanisms from the city. Combined with San Diego's ADU Finance Program<sup>21</sup>, commitment to public education, and a simplified, transparent process, the jurisdiction has seen great progress in their ADU construction. Furthermore, San Diego has effectively engaged multi-family housing developers, who can build ADUs more efficiently and at lower

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<sup>20</sup> <https://www.sdhc.org/wp-content/uploads/2022/04/ADU-Bonus-Program-Quick-Facts.pdf>

<sup>21</sup> [https://sdhc.org/wp-content/uploads/2022/SDHC\\_ADU\\_Program\\_Flyer.pdf](https://sdhc.org/wp-content/uploads/2022/SDHC_ADU_Program_Flyer.pdf)

costs than individual homeowners — a strategy Los Angeles has not yet implemented. While Los Angeles has pursued various ADU pilot programs, such as the ADU Accelerator<sup>22</sup>, many were short-lived due to their funding mechanisms, leaving their capacity to meaningfully contribute to ADU production limited (see Appendix G for various programs throughout the LA region).

**Challenges in Affluent Neighborhoods:** Navigating ADU acceptance in affluent neighborhoods remains complex. Although these areas can often afford ADU development, Homeowners Associations (HOAs) can impose substantial barriers despite supportive legislation. Schuetz recommended educating HOAs on the benefits of ADUs while maintaining high design standards to facilitate wider adoption.

**Comprehensive Housing Strategy:** Schuetz emphasized that ADUs should be part of a broader strategy to address housing shortages at the state and city levels. Policymakers and politicians should adopt a holistic approach, promoting a variety of housing types to expand the overall housing stock effectively.

In summary, Jenny Schuetz’s insights provide a comprehensive understanding of the multifaceted barriers to ADU development and highlight successful strategies implemented in other jurisdictions. Her recommendations underscore the importance of flexible policies, tackling public education, and a diverse approach to housing solutions.

## Neighbor Sentiment

During discussions conducted through the survey process, neighborhood council meetings, and email correspondence, homeowners within the council district shared their opinions on the increase in ADU development over the past few years. Although it is common for the most discontented individuals to be the most vocal, potentially biasing the general sentiment, it was particularly notable that this discontent came from both ADU owners and non-owners alike.

While the grievances shared by residents took various forms and were specific in nature, the general sentiment surrounding increased ADU development centered on the perceived disruption to the low-density qualities of their neighborhoods. Several residents from Woodland Hills and Reseda expressed these concerns, which is interesting given the significantly different rates of ADU development in these neighborhoods.

The common thread throughout resident feedback was a belief that ADUs were fundamentally altering the character of their neighborhoods. Residents were particularly concerned about the increasing rate of deregulation surrounding ADU construction,

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<sup>22</sup> This program allowed the city to partner with homeowners to rent their ADUs to older adults facing housing insecurity. In exchange, homeowners received benefits like tenant screening, competitive rent, and landlord support. <https://adu.lacity.gov/homeowners#program-eligibility>

lamenting the loss of the quiet, low-density feel they once enjoyed. The negative sentiment surrounding the influx of ADUs was largely characterized by concerns over increased population and housing density, impacts on neighborhood aesthetics and privacy, insufficient parking, and a perceived strain on infrastructure.

Residents also expressed frustration over the size of some ADUs, claiming that new units sometimes had a larger footprint than their own homes. Additionally, there was a sentiment that some ADU owners are investors with no connection to the neighborhood, further diminishing the close-knit community feel. While there was some acknowledgment of the potential benefit of ADUs in accommodating population growth, the overall tone was negative. The implicit call to action was for stricter regulations on ADU size, placement, and potentially ownership type to mitigate the negative impacts and prevent the transformation of previously "lovely neighborhoods" into "ADU slums."

The sentiment expressed by residents underscores a deeper issue at the intersection of housing policy and community identity. The discontent, spanning both ADU owners and non-owners, reveals a fundamental tension between the necessity of increasing housing supply and preserving the intrinsic qualities that define neighborhood character. This duality suggests that while regulatory frameworks need to adapt to accommodate growth, they must also consider and integrate community values and concerns. Balancing these interests requires a nuanced approach that not only addresses the practicalities of housing density but also fosters transparent dialogue with residents to ensure that development aligns with their vision of the neighborhood's future.

## Potential Impact on Housing Affordability

### Rent Comparisons

To thoroughly understand the role of ADUs in housing affordability, it is essential to start by examining their rental rates compared to those of the broader housing market. This analysis involves assessing both the average rents district-wide and at the neighborhood level, comparing ADU rents to market rents. Although ADUs are often touted as potentially more affordable housing options, the data may reveal a different reality. The analysis of 335 rental listings in the council district, comprising 88 ADU listings and 247 non-ADU listings, shows that the average rents for ADUs and non-ADUs are closely aligned, with ADUs averaging about \$2,324 and non-ADUs around \$2,372. Diving deeper, Figure 18 illustrates that while studio ADUs in the district might be slightly less expensive than their market equivalents, one and two-bedroom ADUs are, in fact, priced higher. Furthermore, when evaluating the cost of rent per square foot, ADUs consistently emerge as the more expensive option relative to apartment rentals. An extensive neighborhood-level analysis, detailed in Appendix J, indicates that these pricing trends are largely consistent across different areas.

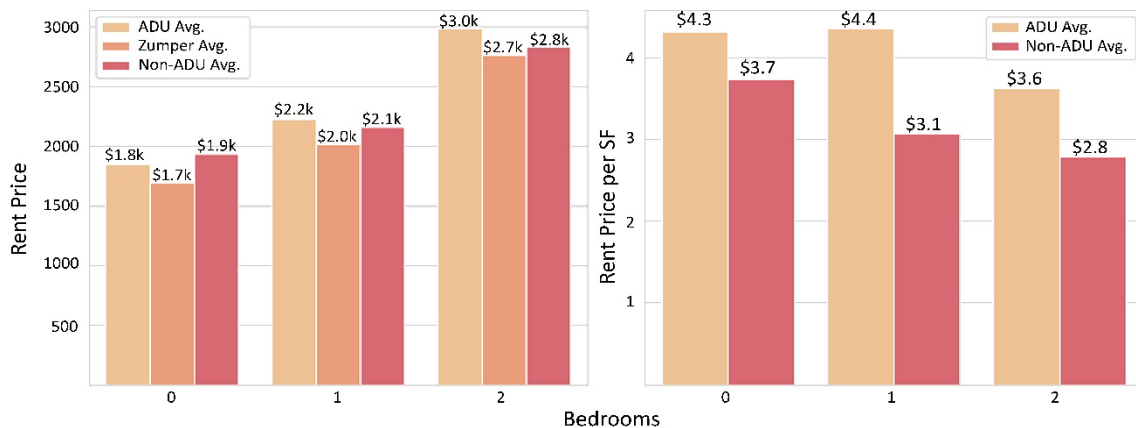


Figure 18 – Average rent price comparisons by bedroom. **Left:** Total rent prices for current listings as of February 2024 for SFR parcels with and without ADUs. Additional comparison for average rents using Zumper data. **Right:** Average price per square foot.

When comparing these rental prices to the average median household income for renter-occupied households in the council district (derived from 2022 5-Year ACS data; approximately \$71,270), we find that the average ADU rent price accounts for about 39% of monthly income, with studio rents accounting for 30% of monthly income, 1-bedroom units 37%, and 2-bedroom units 51%. However, it is important to note that this average median income for renter-occupied households contrasts with the significantly higher average median household income for all household types across the district, which stands at \$101,100. By specifically examining the incomes of renter-occupied households, a clearer understanding of the economic demographics of the typical renter emerges. According to HUD guidelines, households are considered rent-burdened if they spend more

than 30% of their income on rent. Given this standard, ADUs may not represent an affordable housing solution for many.

The higher cost of ADUs, contrary to some scholarly suggestions that their smaller size might lead to more affordable rents, may be attributed to several factors. Given the recency of ADU legislation, ADUs are either new construction or newly converted units which not only involve higher costs from new building materials and adherence to the latest building codes but often include modern, higher-end finishes and new appliances, all contributing to a higher price tag. Moreover, ADUs often offer features akin to those of single-family homes, such as enhanced privacy and personal outdoor space, compared to the multi-family units they are evaluated against. These characteristics, while adding value, also necessitate higher rents. Thus, while ADUs provide distinct living advantages—such as privacy, modern amenities, and sometimes a desirable location—their role in housing affordability is complex. They do not appear to uniformly offer a more affordable alternative to traditional housing options in the market.

### Contribution to Overall Housing Stock

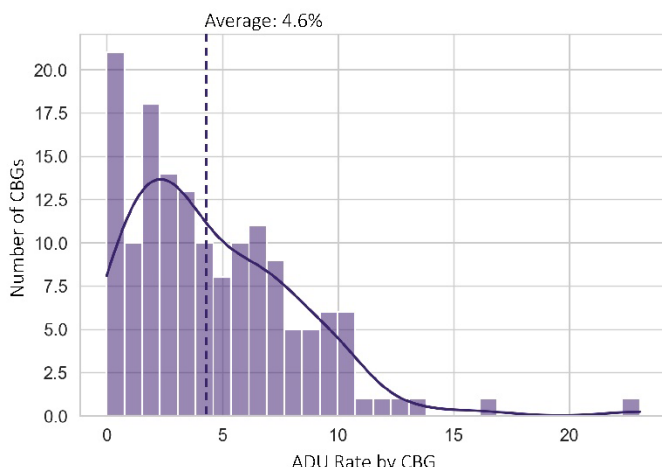


Figure 19 – ADU Contribution to Housing Unit Stock by CBG  
(see Figure 8 description for interpretation of chart type)

Analyzing the impact of ADUs on overall housing stock in the council district is crucial for understanding their potential role in long-term housing affordability. As illustrated in Figure 19, by merging ACS 5-Year (2018-2022) housing data and LADBS permitting data (2017-2023), ADUs constitute an average of 4.6% of total housing units within a census block group. Combining all housing units across the council district and dividing that by the total number of ADUs,

ADUs represent approximately 4% of total housing units. It is evident that ADUs currently constitute only a small portion of housing units across the council district, especially when one considers that many of these units are not utilized as rental properties. However, given the disproportionately large number of SFR parcels in the council district, ADUs have significant potential to enhance the housing stock, indicating substantial room for growth.

Exploring beyond current statistics, it is crucial to assess the impact of ADU legislation on the development of housing stock over time. Figure 20 aims to shed light on this aspect. The graph illustrates the evolution of housing units over the last decade, with key legislative changes concerning ADUs highlighted. Despite these policy shifts, there appears to be no clear correlation between the presence of ADUs and overall housing stock

growth. The annual fluctuations in housing stock further complicate drawing definitive conclusions from the data.

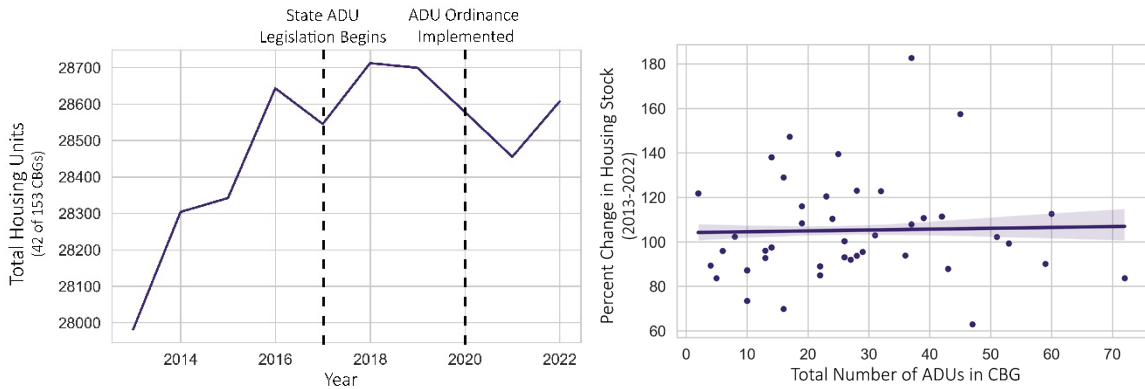


Figure 20 – **LEFT:** Changes in total housing units over a 10-year period for 42 of the 153 census block groups that comprise Council District 3. **RIGHT:** Scatterplot depicting the percentage change in housing stock over time (Y-axis) in relation to the total number of ADUs within each census block group (X-axis). (See Figure 14 for interpretation of chart type).

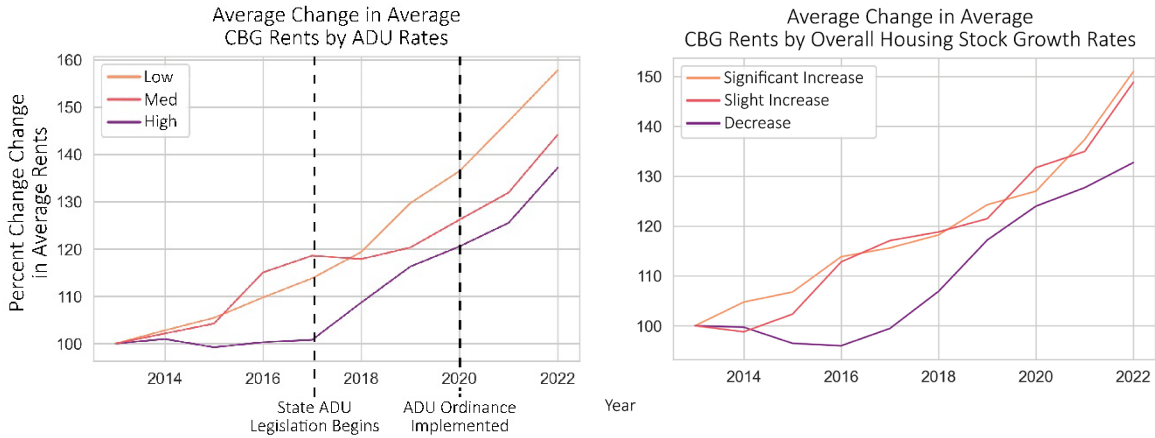
The graph examines 42 of the 153 census block groups within the council district, specifically those that have maintained consistent boundaries since 2013. The y-axis shows the percent change in housing stock over the past decade for each CBG, while the x-axis displays the total number of ADUs per CBG. A regression line is included to explore any potential relationship between the two variables. According to the data, there is no discernible impact of ADU numbers on the changes in housing stock within these CBGs. While boundary redrawings in 2020 introduce some analytical limitations, making it challenging to assert definitively the absence of any relationship, the evidence suggests a minimal connection between ADU presence and housing stock variability.

### Effect on Rent Growth

Moving beyond the overall housing stock, the analysis also examines how rent changes correlate with ADU adoption rates and changes in overall housing stock. This is not to claim a direct causal relationship, but rather to explore potential connections. By analyzing trends in housing stock growth alongside rent changes, the analysis aims to discern whether rent fluctuations are solely related to ADU prevalence or are influenced by broader housing stock variations.

In Figure 21 (see next page), the graph on the left plots rent growth against ADU occurrence, categorizing census block groups based on the percentage of ADUs relative to the total housing units: "High" (greater than 10%), "Medium" (5-10%), and "Low" (less than 5%). It reveals that census block groups with a High ADU rate experienced approximately 37% growth in rent, which is 20% lower than the groups with a Low ADU rate, which saw about 57% growth. This disparity in rent growth is reflected, albeit less distinctly, in the graph on the right, which compares changes in housing stock. This analysis similarly separates CBGs into three different classifications but instead by the percent change in

housing units over the same 10-year period: "Significantly Increased" (greater than 20%), "Slightly Increased" (0-20%), and "Decreased" (less than 0%, i.e. lost units over this time period). Here, there is a 17% difference in rent growth rates between CBGs that significantly increased their housing stock (more than 20%) and those that saw a reduction.



*Figure 21 - LEFT: Average percent change in average rents over a 10-year period for 42 of the 153 census block groups that comprise Council District 3, separated into three categories based on relative rates of ADUs. RIGHT: Average percent change in average rents over a 10-year period for 42 of the 153 census block groups that comprise Council District 3, separated into three categories based on percent change in housing units over the 10-year period.*

Several key points emerge for further investigation. Firstly, the High ADU occurrence category exhibited a notable disparity in rent growth rates before 2017, suggesting a trend that was already in place before ADU legislation took effect. After 2017, rent growth rates across all categories began to converge. While there are still variations in rent increases, these patterns appear to have been established prior to the widespread introduction of ADUs. Secondly, although the right graph suggests that CBGs with substantial housing stock increases generally see lower rent growth, this might be attributable to factors unrelated to housing supply, indicating that multiple dynamics influence rent trends in these areas. This complexity highlights the challenge of directly linking increases in housing supply to the reduction of rent price growth, underscoring the need for further research to fully understand their impact.

## Sale Comparisons

A final consideration for the Councilmember's office was to evaluate whether ADUs impact the affordability of purchasing a home within the district. To address this question, an analysis of home sales data from the Multiple Listing Service (MLS) starting in 2017 was conducted, comparing properties with ADUs to those without. By examining the sale values, the analysis aimed to determine if the presence of ADUs was reflected in the sale price and, if so, by how much they affected the final sale price. Overall, the analysis encompassed the sale of 3,526 properties, with 128 properties sold with ADUs and 3398 properties sold without ADUs.



Since 2017, the average sale price for homes with ADUs in the council district has been \$1,465,517, compared to \$1,281,584 for homes without ADUs. Interestingly, the average price per square foot was slightly lower for homes with ADUs (\$615) than those without (\$627). Despite the higher overall price tags, homes with ADUs typically date back to 1960, while those without ADUs were built around 1962. Figure 22 breaks down the sale values by neighborhood, demonstrating that home sales with ADUs were consistently higher than home sales without ADUs across all neighborhoods.

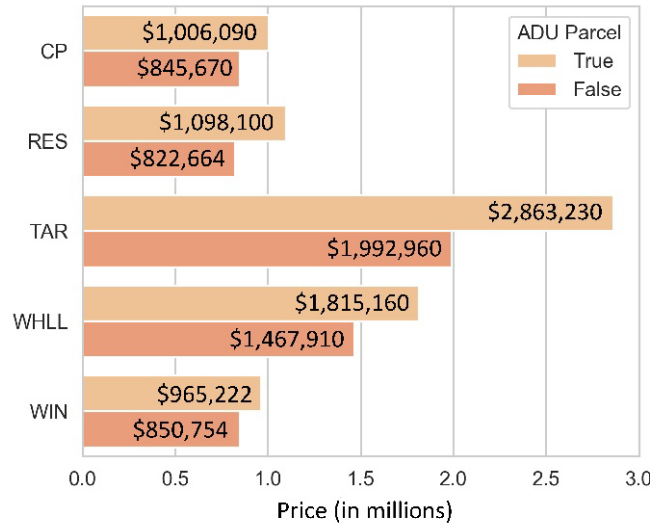


Figure 22 – Average home sales of properties with ADUs and properties without ADUs, by neighborhood, since 2017.

Furthermore, according to a linear regression model (see Figure 23), which helps to determine the impact of ADUs on home sale price while controlling for all other characteristics of the home, ADUs are attributed with an increase in sale price of about 6.5%. Some reasonable explanations for this finding could be that ADUs provide unique amenity space or rental income potential, enhancing the property's overall value proposition for buyers. This added utility often translates into a higher perceived value, leading to increased sale prices. Additionally, homes with ADUs may have undergone renovations or updates to accommodate these additional units, further enhancing their appeal and value in the eyes of buyers. These factors may collectively contribute to the higher sale prices observed for properties with ADUs compared to those without.

Dep. Variable:	Price_log	R-squared:	0.801			
Model:	OLS	Adj. R-squared:	0.801			
Method:	Least Squares	No. Obs:	3526			
	coef	std err	t	P> t	[0.025	0.975]
<b>const</b>	12.4536	0.391	31.870	0.000	11.687	13.220
<b>Sqft</b>	0.0003	3.76e-06	69.536	0.000	0.000	0.000
<b>Yr Built</b>	-0.0008	0.000	-3.400	0.001	-0.001	-0.000
<b>ADU</b>	0.0637	0.018	3.637	0.000	0.029	0.098
<b>Area_CP</b>	2.3558	0.079	29.757	0.000	2.201	2.511
<b>Area_RES</b>	2.3625	0.078	30.339	0.000	2.210	2.515
<b>Area_TAR</b>	2.7188	0.078	34.780	0.000	2.566	2.872
<b>Area_WHLL</b>	2.6634	0.078	34.079	0.000	2.510	2.817
<b>Area_WIN</b>	2.3530	0.079	29.655	0.000	2.197	2.509

Figure 23 – Linear regression model output. Value under the “coef” column for the “ADU” represents the impact on price (in log dollars) of a home sale.

To explore the potential impact of ADUs on property purchases within the council district, a back-of-the-envelope calculation helps to provide insight on the finding above. Consider a homebuyer looking to purchase a \$1,000,000 home without an ADU. With a conventional 30-year fixed mortgage at a 7% interest rate (approximate current average rate) and a 20% down payment (excluding taxes and fees), the monthly mortgage payment would be approximately \$5,320. Assuming a 6.5% increase in sale price for properties with



ADUs, the same property, holding all other variables constant, would be priced at \$1,065,000. Under the same loan conditions, the additional down payment required would be \$13,000 and would result in a monthly mortgage payment of approximately \$5,670, an increase of \$350.

If the homebuyer can afford the additional down payment, the average monthly rent for ADUs, estimated at \$2,324 (see “Rent Comparisons” section above), would more than cover the increased mortgage payment. While this exercise makes various assumptions and excludes additional taxes, fees, operational and maintenance costs, and potential vacancies, it illustrates that purchasing a home with an ADU could potentially enhance affordability within the council district. The rental income from the ADU could offset the higher mortgage costs, making homeownership more attainable. Furthermore, considering the high costs associated with financing and constructing an ADU, as discussed in earlier sections, purchasing a property with an existing ADU may be a more cost-effective strategy for owning and operating such a unit. It is important to note that as ADUs become more prevalent, their value and the potential rental income they generate may become more accurately reflected in the market over time, as additional data allows for a better assessment of their true value. Still, based on the current findings and assumptions presented, ADUs appear to enhance the affordability of purchasing a home within the district.

## Summary of Findings

### Spatial Distribution of ADUs within Council District 3

Since 2017 and as of the end of 2023, 3,430 parcels of the 48,460 parcels designated for SFR (single-family residence) within the council district have been granted permits for ADUs, accounting for approximately 7.1% of SFR parcels in CD3 (compared to LA's 6.4%). The spatial distribution of ADUs across the council district is not homogenous. A summary of ADU rates across CD3 neighborhoods is as follows:

Reseda: 1,136 ADUs, representing 10.4% of SFR parcels in the neighborhood. This neighborhood has the highest raw count and percentage of SFR parcels with ADUs, indicating a strong presence of ADU development.

Canoga Park and Winnetka: 403 and 701 ADUs, representing 8.7% and 7.3% of SFR parcel in each neighborhood, respectively. These areas have higher percentages of SFR parcels with ADUs compared to the citywide average, though not as high as Reseda.

Woodland Hills: 784 ADUs, representing 4.9% of SFR parcels in the neighborhood. Although it has a high number of ADU parcels, its percentage is the lowest in the council district, suggesting room for further growth.

Tarzana: 482 ADUs, representing 6.3% of SFR parcels in the neighborhood. This neighborhood shows a lower percentage of SFR parcels with ADUs, similar to Woodland Hills but with a smaller number of total parcels.

(see "Spatial Distribution of ADUs", page 23)

To build an understanding of the spatial distribution of ADUs, the report delves into various housing, economic, social, demographic, and political factors that inform different parts of the council district. ADUs exhibit moderately positive correlations with areas that demonstrate higher proportions of lower-income, renter-occupied, and younger households, as well as in regions with denser populations. Moreover, ADU prevalence tends to coincide with concentrations of Hispanic populations and registered Democrats. Conversely, areas with low rates of ADU development typically lack these demographic and socioeconomic indicators.

Among the multitude of factors analyzed, two emerged as particularly influential in predicting ADU development rates: size of the census block group, which directly coincided with Hillside Areas (HA) or Very High Fire Hazard Severity Zones (VHFHSZ), and household income. Notably, significant portions of Woodland Hills and Tarzana fall within these HA's and VHFHSZ's. While it may seem intuitive that the stricter development regulations in these areas could impede ADU construction, the lower likelihood of ADU development in

higher-income regions within the council district is less straightforward. Research, expert interviews, and communication with community members suggest a possible explanation: Wealthier neighborhoods may prioritize preserving the existing character of their surroundings and perceive ADU development as a potential threat. Consequently, households in these areas may be less inclined to pursue ADU construction, or they may possess the capacity, for instance through a Homeowners Association (HOA), to impose additional barriers to such development (see “Zones and Land Uses” and “Census Block Group Analysis”, pages 24 & 33).

### Types of Parcels and ADUs

ADUs tend to be associated with lots of medium size and higher assessed values, often sharing space with older primary homes. Conversely, non-ADU parcels show a wider range of lot sizes and assessed values, with both smaller, lower-value lots and larger, very high-value lots displaying lower rates of ADU development (see “Land Area”, “Year Built of Primary Home”, and “Assessed Land Value”, pages 29, 30, & 31)

When it comes to the units themselves, alteration or repair permits are the most commonly issued, which is consistent with the lower costs associated with converting an existing structure rather than building one from the ground up, be it a new standalone unit or an addition (see “Growth and Types of ADUs Built”, page 26). These conversions typically range from \$100,000 to \$250,000, but it's important to note that costs can vary significantly based on the condition of both the interior and exterior of the building. On the other hand, ADUs constructed as new buildings or additions still make up more than half of all ADU permits issued, despite their higher price tag. Depending on the size and quality of the unit, construction costs can range from \$125,000 to \$480,000. This assumes a minimum of 500 and a maximum of 1,200 square feet, with a cost per square foot ranging from \$250 to \$400 (see “Valuation and Construction Costs” and “Interview Summary: Joseph Peretz, ADU Builder and Specialist”, pages 28 & 39).

### ADU Ownership and Uses

Properties featuring ADUs appear to have higher rates of absentee ownership, although pinpointing the exact percentage proves challenging. Survey data suggests that nearly 60% of properties with ADUs have both the primary unit and the ADU occupied by renters. However, subsequent analysis utilizing assessor data, which compares mailing and situs addresses, suggests a lower figure, closer to 30%, compared to 18% of parcels without ADUs. Regardless of the precise percentage, the data underscores significant investor and developer involvement in ADUs as absentee owners (see “Ownership”, page 31).

When the primary home is owner-occupied, the utilization of the ADU varies widely. More than half of the ADUs surveyed did not have a tenant within the unit. Surveys, which finds backing from existing literature, suggest that this finding could be attributed to the fact that homeowners build ADUs to provide additional recreational or office space or with

the intention of renting it out at a later time, such as for short-term rentals or accommodating family members on more sporadic occasions. Even when the ADU was initially intended as a long-term rental unit, many homeowners expressed reluctance to rent it out to individuals with whom they had no prior relationship, preferring instead to reserve the unit for family members or close friends (see “Incentives and Motivations for ADU Development and Ownership”, page 36).

### Impact on Housing Affordability

ADUs have higher rents and are typically set at or slightly above market rate prices, indicating that ADUs as a housing stock that is immediately affordable unlikely. This is likely attributed to the high quality of the unit and the various amenities they provide over equivalent multi-family housing units. Additionally, considering the high cost of financing ADU development, investors and especially homeowners, are likely limited in their capacity to set below market rent prices without some sort of subsidy or assistance (see “Interview Summary: Jenny Schuetz, Senior Fellow at Brookings Metro” and “Rent Comparisons”, pages 40 & 43).

As of 2022, ADUs account for 4% of total housing units within the council district, a relatively low percentage of the total housing stock. A substantial body of research indicates that increases in housing supply can have a cooling effect on rent growth. While the report shows that census blocks with higher rates of ADU development tend to exhibit slower rent price growth over time, it is challenging to establish ADUs as the causal factor. Other influences unrelated to ADU development could be contributing to the lower rent growth in these areas. Nonetheless, increasing housing stock is particularly challenging in low-density areas, and the potential of ADUs to augment housing supply in such regions highlights their unique effectiveness. More time and data are needed to fully understand their impact and potential (see “Contribution to Overall Housing Stock” and “Effect on Rent Growth”, pages 44 and 45).

Furthermore, since 2017, the average sale price for homes with ADUs in the council district has been \$1,465,517, compared to \$1,281,584 for homes without ADUs. The report later demonstrates that when all other variables are held constant (e.g. square footage, year built, location, etc.), home sales with ADUs are 6.5% higher than those without ADUs. This impact on property value is likely due to the capacity of ADUs to provide unique amenity space or rental income potential, as well as the possibility that homes with ADUs have undergone recent renovations. While ADUs may be associated with higher purchase prices, the potential rental income generated from the ADU largely outweighs the increase in monthly mortgage payments, provided the homebuyer can afford the increased down payment (see “Sale Comparisons”, page 46).

## Challenges Impeding the Development and Affordability of ADUs

The primary challenges impeding ADU development and rent affordability can be broadly categorized into two main areas: convincing people of their benefits while alleviating their concerns, and providing the necessary resources and information to those interested in developing ADUs. Addressing community and neighbor sentiment is crucial, as homeowners may be more resistant to increases in density, perceiving ADUs as a threat and potentially imposing informal barriers that delay or discourage their development. Their concerns, whether justified or not, include potential changes to neighborhood quality, aesthetics, congestion, and the intentions of homeowners or investors, as well as tenant demographics. By establishing an open dialogue with community groups, demonstrating the benefits of ADUs, and meaningfully addressing these concerns through targeted outreach and policy initiatives, it becomes possible to foster a more positive perception of ADUs (see “Neighbor Sentiment”, page 41).

Even if successful in addressing apprehensions surrounding ADUs, significant obstacles remain for interested homeowners to get an ADU built. First, the cost of financing ADU development is substantial and burdensome for low- and middle-income households, who arguably stand to gain the most from owning and operating ADUs as rental units. This not only limits the number of households that can develop ADUs but also impacts the affordability of rents, thereby undermining the potential for ADUs to house lower-income or vulnerable populations. Without some degree of subsidy or assistance with financing, households will continue to struggle to develop ADUs.

Second, ADU homeowners show a strong preference for housing family members or close relatives in their units rather than renting to individuals with whom they have no prior relationship. This preference is compounded by homeowners' resistance to the oversight and constraints typically associated with affordability restrictions. Therefore, significant changes are needed in the process to address homeowners' hesitations about using their ADUs not only as rental units available to the broader market but also as affordable housing options.

Lastly, while the permitting process for ADUs has become more streamlined, the accessibility and transparency of information regarding the process is severely lacking within the City of Los Angeles. In contrast, the City of San Diego, for example<sup>23</sup>, offers extensive resources such as free virtual ADU consulting appointments, instructions on legalizing unpermitted ADUs, monthly updates to ADU codes and processes, instructional videos on new ADU programs, and various guidebooks and informational materials. This highlights a significant gap in Los Angeles' efforts to educate the public about ADUs and provide the necessary resources for residents to pursue these projects independently (see “Interview Summary: Jenny Schuetz, Senior Fellow at Brookings Metro”, page 40).

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<sup>23</sup> <https://www.sandiego.gov/development-services/news-programs/programs/companion-junior-units>

## Policy Recommendations

The findings presented in this report underscore the importance of promoting Accessory Dwelling Units (ADUs) as a viable solution to housing challenges within LA's Council District 3. To capitalize on the potential of ADUs while addressing the concerns of residents, the following policy recommendations are proposed:

- **Tailored Outreach Campaigns:** Develop targeted outreach campaigns to educate residents across the district, and particularly in neighborhoods like Tarzana and Woodland Hills, about the benefits of ADUs, emphasizing their potential to increase property values, generate rental income, and provide support to family members during times of need or for facilitating aging in place. Highlight the role of ADUs as a key strategy within a comprehensive housing toolkit, offering a means to alleviate supply constraints while preserving the character of existing, low-density neighborhoods. Engage community leaders, homeowners' associations, and local influencers to disseminate information and dispel misconceptions.
- **Financial Incentives and Assistance Programs:** Introduce or advocate for financial incentives and assistance programs to alleviate the financial burden associated with ADU development. This could include grants, low-interest loans, or tax incentives for homeowners undertaking ADU projects, particularly in areas with lower-income households where upfront costs may be prohibitive. This is especially crucial if ADUs are to offer below-market rents, potentially through initiatives like a revitalized and reimagined LA ADU Accelerator Program or a program akin to the City of San Diego's ADU Bonus program (see "Interview Summary: Jenny Schuetz, Senior Fellow at Brookings Metro", page 40 for additional information regarding these programs).
- **Enhanced Transparency and Resources:** The City of Los Angeles should enhance the accessibility and transparency of information regarding the permitting process for ADUs as well ongoing updates to both state and local policy or programs. Adopting practices found elsewhere, such as the City of San Diego, the City should aim to provide virtual ADU consulting, instructions on legalizing unpermitted ADUs, monthly updates regarding policy or process changes, instructional videos, and comprehensive guidebooks. The City lacks sufficient efforts to educate the public and provide necessary resources for independent ADU projects. Collaborate with LA City Planning and Building & Safety departments to improve access to information, empowering homeowners and developers to expand ADU stock.
- **Community Workshops and Engagement Forums:** Host community workshops and engagement forums to solicit input from residents, stakeholders, and policymakers on ADU policy development and implementation. Create opportunities for dialogue, exchange of ideas, and collaborative problem-solving to address neighborhood-specific concerns while promoting consensus-building and inclusive

decision-making. This is crucial in neighborhoods with low ADU adoption but significant growth potential, such as Woodland Hills, as well as in neighborhoods with high ADU adoption that may require additional assistance or guidance, such as Reseda.

- **Partnerships with Nonprofit Organizations and Housing Advocates:** Forge partnerships with nonprofit organizations, housing advocates, and community-based organizations to leverage their expertise and resources in promoting ADU development. Collaborate on outreach initiatives, financing options, and educational programs aimed at empowering homeowners and fostering equitable access to ADU opportunities across all demographics.
  - **CCEDA** (California Community Economic Development Association) empowers organizations serving communities of color and lower income households. The organization partnered with CalHFA to assist with distribution of grants of up to \$40,000 aimed at reimbursing pre-development and non-recurring closing costs. Although the program is no longer receiving applications, the organization holds expertise in vetting potential ADU homeowners and providing necessary financial assistance.
  - **NHS** (Neighborhood Housing Services of Los Angeles County) strengthens communities by developing quality affordable housing, creating homeownership opportunities, supporting local leaders, providing financial education, and fostering financial independence for low to moderate income families. Similar to CCEDA, NHS of LA County partnered with CalHFA to distribute ADU grants and is well-qualified to assist homeowners and assess their eligibility for financial assistance.
  - **SCAG** (Southern California Association of Governments) is a Joint Powers Authority under California state law, established as an association of local governments and agencies that voluntarily convene as a forum to address regional issues. The organization conducts funds ADU programs through the region, conducts affordability analysis of ADUs, provides tools for assessing ADU feasibility, among other things. Collaborating with SCAG could be vital for continuing ongoing analyses within the district or city and may be instrumental for implementing future ADU programs.
  - **SCANPH** (Southern California Association of Non-Profit Housing) is a membership association that supports and advocates for affordable housing developers, leading policy efforts, securing public funds, and enhancing members' effectiveness in serving low-income residents despite funding and resource challenges. Considering its experience, the organization may be uniquely positioned to assist with efforts to secure more stable sources of funding for future ADU programs.

- **Housing California** unites a diverse network to end homelessness, increase affordable housing, and address racial and economic injustice through advocacy, narrative shaping, and statewide policy solutions focused on land use and public investment in affordable housing and supportive services. This organization has significant expertise in policy advocacy related to homelessness and affordability, making it a valuable partner for expanding ADUs as an affordable housing option with the potential to serve the unhoused population.
- **CHC** (California Housing Consortium) is a non-partisan advocate dedicated to producing and preserving affordable housing for low- and moderate-income Californians, representing a coalition of development, building, financial, and public sectors united in ensuring safe, affordable homes for all Californians. CHC would be instrumental in evaluating strategies to reduce barriers and enhance production tools for ADU development.
- **Monitoring and Evaluation Mechanisms:** Collaborate with LADBS to establish consistent monitoring and evaluation mechanisms that track the impact of ADU policies and initiatives over time, utilizing existing permitting data. Coordinate with LAHD to simplify and streamline the process for providing affordability-restricted ADUs while tracking associated rents, tenant incomes, and impacts on rent growth and demographic shifts to assess the effectiveness of interventions and inform future policy decisions. Additionally, use online listing and real estate database websites to continue tracking market-rate ADU rents and ADU parcel property sales, evaluating the residual impact of ADUs on housing affordability within the council district.

Promoting ADU development presents a multifaceted opportunity to address the housing crisis, support sustainable growth, and enhance neighborhood resilience within LA's Council District 3. By implementing targeted policy interventions, fostering community engagement, and leveraging partnerships, both the Office of the Councilmember and the City of Los Angeles can navigate the complexities of ADU adoption while fostering inclusive and equitable housing solutions for all residents.



## Conclusion

The study conducted for the Office of Councilmember Bob Blumenfield underscores the significant potential of Accessory Dwelling Units (ADUs) in alleviating housing challenges within Los Angeles' diverse Council District 3. This district, characterized by its varied socioeconomic and demographic composition, reflects a broad spectrum of housing needs and opportunities. The growing trend of ADU development signifies an evolving approach to increasing housing supply and improving affordability across this heterogeneous landscape.

Despite the progress made, several challenges persist, including community apprehensions, financial barriers, and the need for greater accessibility to resources and information. Addressing these challenges requires a multifaceted approach, combining targeted outreach and education to alleviate community concerns, innovative programs and financial incentives to support homeowners and developers alike, and enhanced transparency in the permitting process. By fostering a supportive environment for ADU development, the district can better harness the potential of these units to contribute positively to the housing market.

The aim of this report is to offer a comprehensive understanding of the current state of ADU development in Council District 3 and to inform policy decisions that can further support and expand ADU initiatives, taking into account the unique neighborhoods, character, and residents of the district. Future research should focus on evaluating the long-term impacts of ADUs on housing affordability, shifts in community dynamics, and urban development. Additionally, exploring innovative financing mechanisms and best practices from other regions can provide valuable insights to enhance the effectiveness of ADU policies and programs.

## Appendix A – Summary of Significant ADU Legislation in California

BILL	YEAR	DESCRIPTION
A.B. 2299 S.B. 1069	2016	<ul style="list-style-type: none"> <li>• <b>ADUs on pre-existing homes:</b> ADUs must be allowed on lots with existing single-family dwellings.</li> <li>• <b>Prohibited preventative zoning requirements:</b> Banned requirements that ADUs have their own pathways to the street; banned setback (distance between structure and lot boundary) requirements for garages converted to ADUs.</li> <li>• <b>Reduced parking requirements:</b> Eliminated parking requirements for ADUs near transit and for ADUs built as part of an existing primary residence.</li> <li>• <b>Prohibited water and utility fees:</b> Banned requirements for new water, sewer, or utility connections, or from charging utility connection or capacity fees.</li> <li>• <b>By-right permitting:</b> Required “ministerial” permitting for ADUs (meaning zoning commissions cannot block ADUs that meet zoning requirements); set 120-day maximum for permitting processes.</li> <li>• <b>State preemption:</b> Both laws override existing local ordinances that are not compliant.</li> </ul>
S.B. 229 A.B. 494	2017	<ul style="list-style-type: none"> <li>• <b>ADUs on lots with proposed single-family homes:</b> ADUs must be allowed on lots where single-family dwellings have been proposed.</li> <li>• <b>Prohibited local bans on renting out ADUs:</b> Local ordinances must allow homeowners to rent ADUs separately from the primary residence.</li> <li>• <b>Reduced parking requirements:</b> Maximum parking requirements may be no more than one space per unit or per bedroom, whichever is less.</li> </ul>
A.B. 68 A.B. 881 S.B. 13	2019	<ul style="list-style-type: none"> <li>• <b>Prohibited preventative zoning requirements:</b> Eliminated minimum lot sizes and floor area ratios; capped setback requirements.</li> <li>• <b>Reduced timelines:</b> Reduce maximum timeline for permits from 120 to 60 days.</li> <li>• <b>By-right approval for JADUs:</b> Extended ministerial approvals to junior accessory dwelling units-ADUs under 500 square feet with separate entrances.</li> <li>• <b>State-level enforcement:</b> Gave the state’s Department of Housing and Community Development authority to determine whether local ADU ordinances comply with state law.</li> </ul>

		<ul style="list-style-type: none"> <li>• <b>Prohibited owner-occupancy requirements:</b> Banned local agencies from requiring owners to live in ADUs.</li> <li>• <b>Limited restrictions on garage conversions:</b> Clarified that garages can be converted into ADUs and banned certain restrictions on garage conversions.</li> <li>• <b>Multiple ADDUs in multi-family housing:</b> Allowed multiple ADUs on multifamily lots.</li> </ul>
A.B. 587	2019	<ul style="list-style-type: none"> <li>• <b>ADU sales:</b> Authorized local jurisdictions to allow the sale of ADUs under certain conditions.</li> </ul>
A.B. 670	2019	<ul style="list-style-type: none"> <li>• <b>Prohibited HOA restrictions:</b> Banned Homeowner Association covenants and conditions that restrict ADU rentals.</li> </ul>
A.B. 671	2019	<ul style="list-style-type: none"> <li>• <b>Incentives for ADUs:</b> Required local agencies to prepare plans to promote ADU development in the housing elements of their general land use plans; required the state Department of Housing and Community Development to develop a list of existing state grants and financial incentives that can be used to facilitate ADUs.</li> </ul>
A.B. 3182	2021	<ul style="list-style-type: none"> <li>• <b>Prohibited HOA restrictions on rentals:</b> Banned homeowner associations from restricting rentals that are longer than 30 days.</li> </ul>
A.B. 2221	2022	<ul style="list-style-type: none"> <li>• <b>Height limitations:</b> Local agencies must allow ADUs that are up to 16 feet high under certain circumstances.</li> </ul>
S.B. 897		<ul style="list-style-type: none"> <li>• <b>Front setbacks:</b> Front setback requirements must yield to allow ADUs up to 800 square feet.</li> <li>• <b>Denial reports:</b> When denying an ADU application, cities must provide applicants with a full list of items that are deficient and describe how the application can be remedied.</li> </ul>
A.B. 1033	2024	<ul style="list-style-type: none"> <li>• <b>ADU sales:</b> Authorized local jurisdictions to allow the sale of ADUs as condominiums.</li> </ul>

Source: <https://bipartisanpolicy.org/blog/accessory-dwelling-units-adus-in-california/>

For a comprehensive list, see: <https://turnercenter.berkeley.edu/wp-content/uploads/2023/04/New-Pathways-to-Encourage-Housing-Production-Evaluating-Californias-Recent-Housing-Legislation-April-2023-Final-1.pdf>

## Appendix B – Los Angeles ADU Ordinance Summary Tables

**Table 1: Detached Accessory Dwelling Units and Movable Tiny Houses<sup>1</sup>**

	Detached ADU Options (located in an accessory building)				Movable Tiny House per Ordinance
	Conversion of Accessory Building per State Law	800 SF max New Construction per State Law	1,200 SF max per Ordinance	Two ADUs per State Law	
<b>Required Main Use on the Lot</b>	Existing single-family dwelling	Existing or proposed single-family dwelling	Existing or proposed single or multifamily dwelling	Existing multifamily dwelling	Existing or proposed single or multifamily dwelling
<b>Applicable Code Section(s) for Listed Option</b>	CA Govt. Code 65852.2(e)(1)(A)	CA Govt. Code 65852.2(e)(1)(B) and applicable part <sup>2</sup> of LAMC 12.22 A.33 (c)-(d), (g)	LAMC 12.22 A.33 (c)-(d)	CA Govt. Code 65852.2(e)(1)(D) and applicable part <sup>2</sup> of LAMC 12.22 A.33 (c)-(d), (g)	LAMC 12.22 A.33(f) and those in (c) not applied solely to buildings and structures
<b>Number of ADUs Allowed by Option</b>	1 per Lot	1 per Lot	1 per Lot	up to 2 per Lot	1 per Lot (limit of one approval per year)
<b>Additional ADU/JADU Options for the Lot<sup>3</sup></b>	Plus 1 JADU (in single-family zones)	Plus 1 JADU (in single-family zones)	Plus 1 JADU (in single-family zones)	Plus attached ADU(s)	Plus 1 JADU (in single-family zones)
<b>Very High Fire Hazard Severity Zone/Hillside Area Restriction<sup>4</sup></b>	No	Yes	Yes	Yes	Yes
<b>ADU Size Limit</b>	None, plus 150 SF max addition for ingress/egress	800 SF	1,200 SF <sup>5</sup>	None	150 SF min to 430 SF max
<b>ADU Height/Story Limit</b>	None	16 feet	2 stories, plus zoning height limit if new building or addition	16 feet (even for conversions of existing space)	2 stories
<b>ADU Minimum Side and Rear Yard Setbacks</b>	None	4 feet <sup>6</sup>	4 feet if new building <sup>6</sup> or addition	4 feet (even for conversions of existing space)	4 feet
<b>ADU Automobile Parking<sup>7</sup></b>	None	Yes (see LAMC 12.22 A.33(c)(12))	Yes (see LAMC 12.22 A.33(c)(12))	Yes (see LAMC 12.22 A.33(c)(12))	Yes (see LAMC 12.22 A.33(c)(12))

<sup>1</sup> The information shown in this table is only a summary of the key provisions for each option. Refer to the listed code section(s) for all the required development standards and regulations.

<sup>2</sup> Except for those provisions which do not allow such an ADU otherwise in compliance with all applicable provisions in Government Code Section 65852.2(e) and LAMC 12.22 A.33(g).

<sup>3</sup> Refer to the "Combinations of ADUs and JADUs" subsection for details regarding when more than one ADU/JADU option is allowed on the same Lot.

<sup>4</sup> Exceptions provided in LAMC 12.22 A.33(c)(4)(i) and (ii).

<sup>5</sup> Unless limited by other applicable zoning rules such as floor area limits for the Lot, Lot coverage limits, or location of accessory building regulations; however, standards that limit floor area or Lot coverage may not preclude an ADU that is up to 800 square feet maximum, if no more than 16 feet in height and with 4 foot minimum side and rear yard setbacks per LAMC 12.22 A.33(c)(1)(iii).

<sup>6</sup> No additional setbacks are required for a structure that is constructed in the same location and to the same dimensions as an existing structure per LAMC 12.22 A.33(c)(8).

<sup>7</sup> One space is required for an ADU unless 1) located within ½ mile walking distance from a bus or rail stop, 2) one block from a designated car share pickup or drop off location, 3) within an applicable historic district, or 4) when an ADU is fully contained within an existing accessory structure. In addition, replacement parking is not needed when a garage, carport or parking structure is demolished in conjunction with ADU construction.

**Table 2: Attached Accessory Dwelling Units and Junior Accessory Dwelling Units<sup>8</sup>**

	Attached ADU Options (physically attached to the primary dwelling)				Junior ADU per State Law
	Attached ADU Contained in Existing SFD per State Law	Attached ADU Contained in Proposed SFD per State Law	Attached ADU per Ordinance	Multiple ADUs per State Law	
<b>Required Main Use on the Lot</b>	Existing single-family dwelling	Proposed single-family dwelling	Existing or proposed single or multifamily dwelling	Existing multifamily dwelling	Existing or proposed single-family dwelling
<b>Applicable Code Section(s) for Listed Option</b>	CA Govt. Code 65852.2(e)(1)(A)	CA Govt. Code 65852.2(e)(1)(A) <sup>9</sup>	LAMC 12.22 A.33(c) and (e)	CA Govt. Code 65852.2(e)(1)(C)	CA Govt. Code 65852.2(e)(1)(A) and 65852.22 <sup>9</sup>
<b>Number of ADUs/JADUs Allowed by Option</b>	1 per Lot	1 per Lot	1 per Lot	Up to 25% of existing units in the building (1 minimum)	1 per single-family zoned Lot
<b>Additional ADU/JADU Options for the Lot<sup>10</sup></b>	None	None	None	Plus up to 2 detached ADUs	Plus 1 detached ADU or 1 MTH
<b>Very High Fire Hazard Severity Zone/Hillside Area Restriction<sup>11</sup></b>	No	No	Yes	No	No
<b>ADU/JADU Size Limit</b>	None	None	50% of existing dwelling, or none if new building <sup>12 13</sup>	None, but only existing non-livable space can be used for ADUs	500 SF
<b>ADU/JADU Height/Story Limit</b>	N/A	Zoning height limit	Zoning height limit if new building or addition	None	Zoning height limit if new building
<b>ADU/JADU Min. Side and Rear Yard Setbacks</b>	N/A	Zoning setbacks	4 feet for ADU portion if new building or addition	N/A	Zoning setbacks if new building
<b>ADU/JADU Automobile Parking<sup>14</sup></b>	None	None	Yes (see LAMC 12.22 A.33(c)(12))	None	None

<sup>8</sup> The information shown in this table is only a summary of the key provisions for this option. Refer to the listed code section(s) for all the required development standards and regulations.

<sup>9</sup> When part of a proposed single-family dwelling, applicable development standards will apply to the entire building.

<sup>10</sup> Refer to the "Combinations of ADUs and JADUs" subsection for details regarding when more than one ADU/JADU option is allowed on the same Lot.

<sup>11</sup> Exceptions provided in LAMC 12.22 A.33(c)(4)(i) and (ii).

<sup>12</sup> Unless limited by other applicable zoning rules such as floor area limits for the Lot, Lot coverage limits, or yard setbacks; however, standards that limit floor area or Lot coverage may not preclude an ADU that is up to 800 square feet maximum, if no more than 16 feet in height and with 4 foot minimum side and rear yard setbacks per LAMC 12.22 A.33(c)(1)(ii).

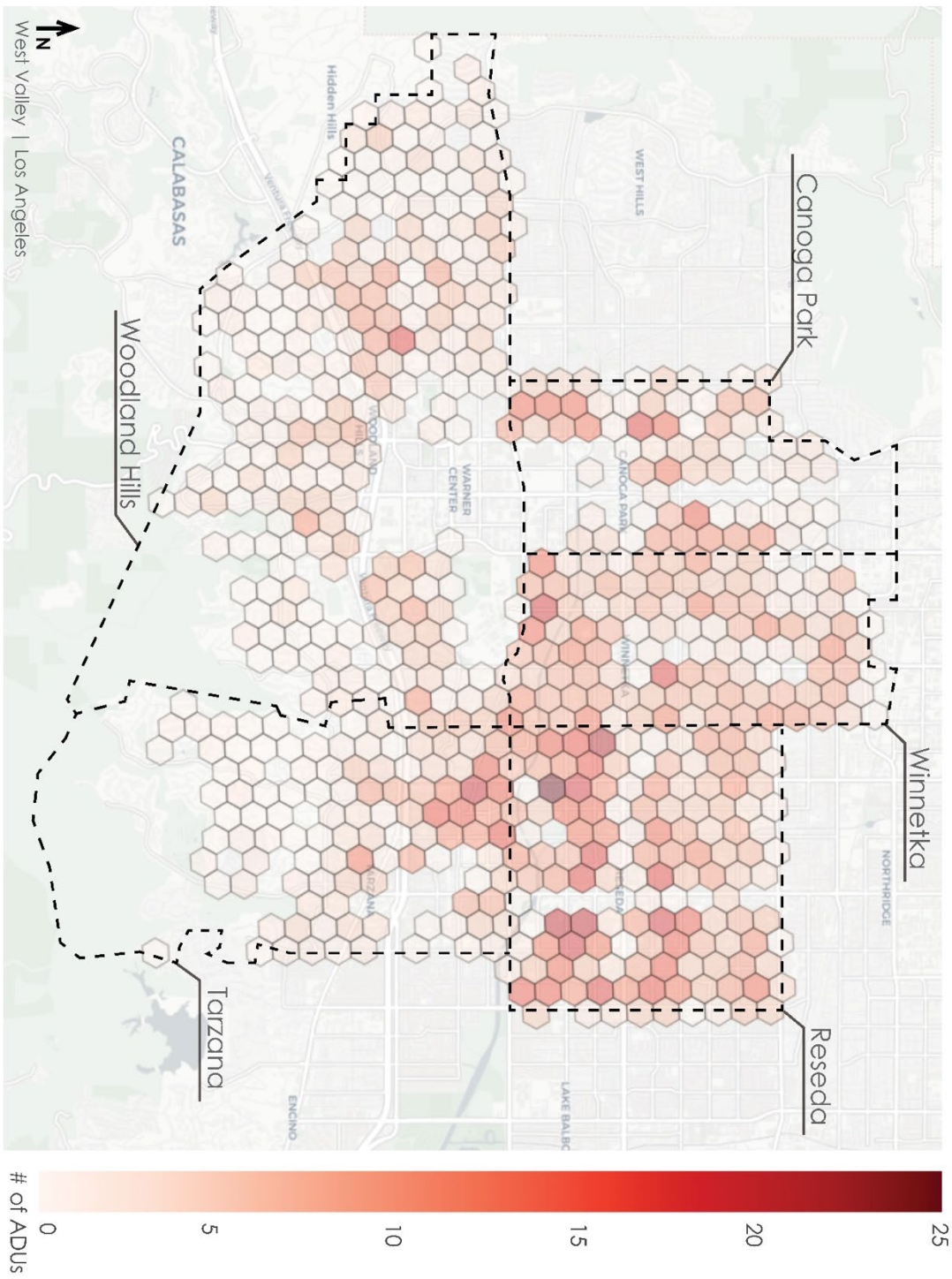
<sup>13</sup> Except that an attached ADU with a floor area of less than 850 square feet, or less than 1,000 square feet for an attached ADU that provides for more than one bedroom, is allowed to exceed this 50% limit and any overall floor area limit for the Lot per LAMC 12.22 A.33(e)(3).

<sup>14</sup> One space is required for an ADU unless 1) located within ½ mile walking distance from a bus or rail stop, 2) one block from a designated car share pickup or drop off location, 3) within an applicable historic district, or 4) part of a proposed or existing residence. In addition, replacement parking is not needed when a garage, carport or parking structure is demolished in conjunction with ADU construction.

Source: [https://planning.lacity.gov/odocument/ec892d01-7873-455a-8e15-78a771b2c7ac/ADU\\_Memo\\_2020\\_Final\\_2.26.20\\_\(1\).pdf](https://planning.lacity.gov/odocument/ec892d01-7873-455a-8e15-78a771b2c7ac/ADU_Memo_2020_Final_2.26.20_(1).pdf)

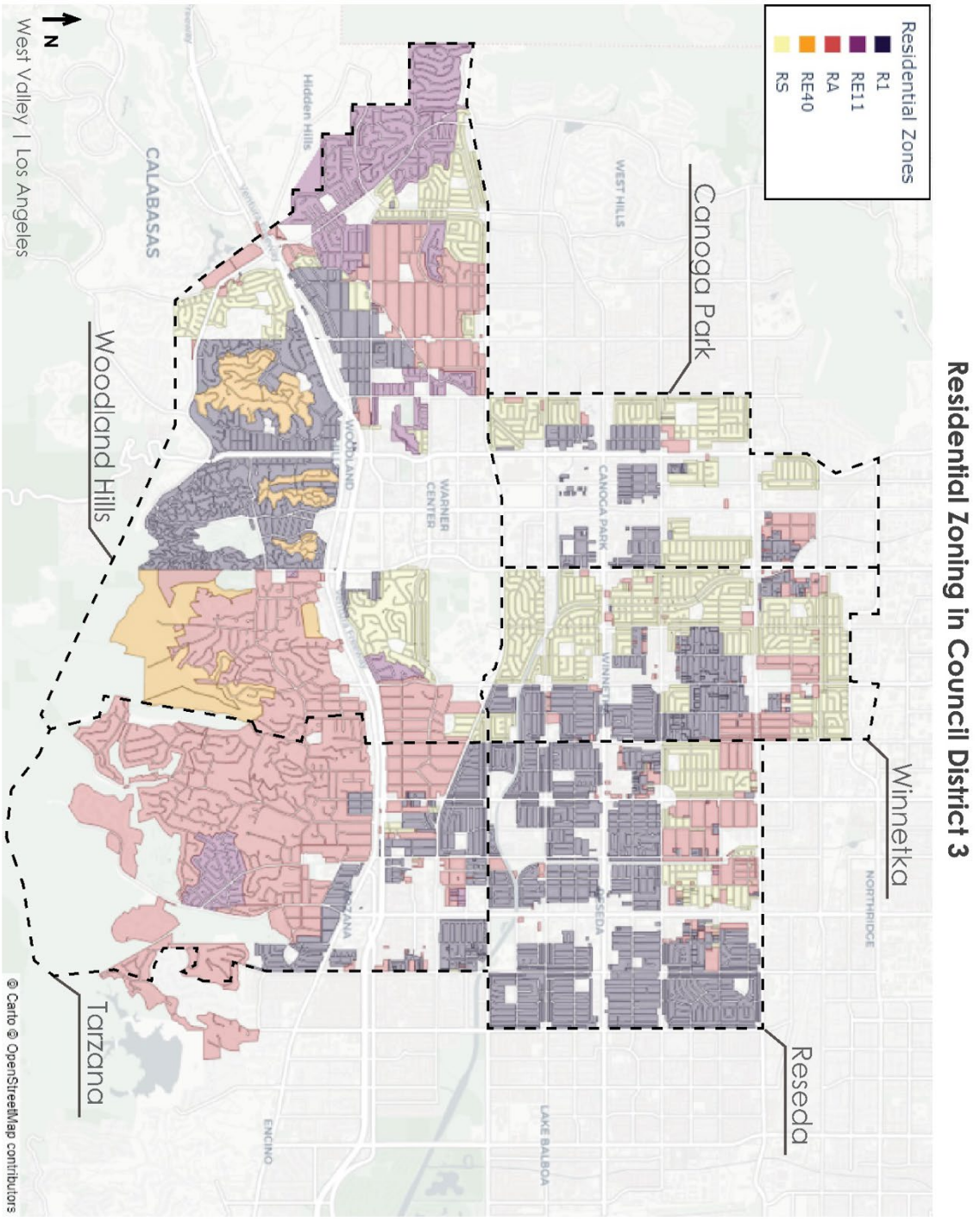


# Appendix C – ADU Density Heatmap in CD3



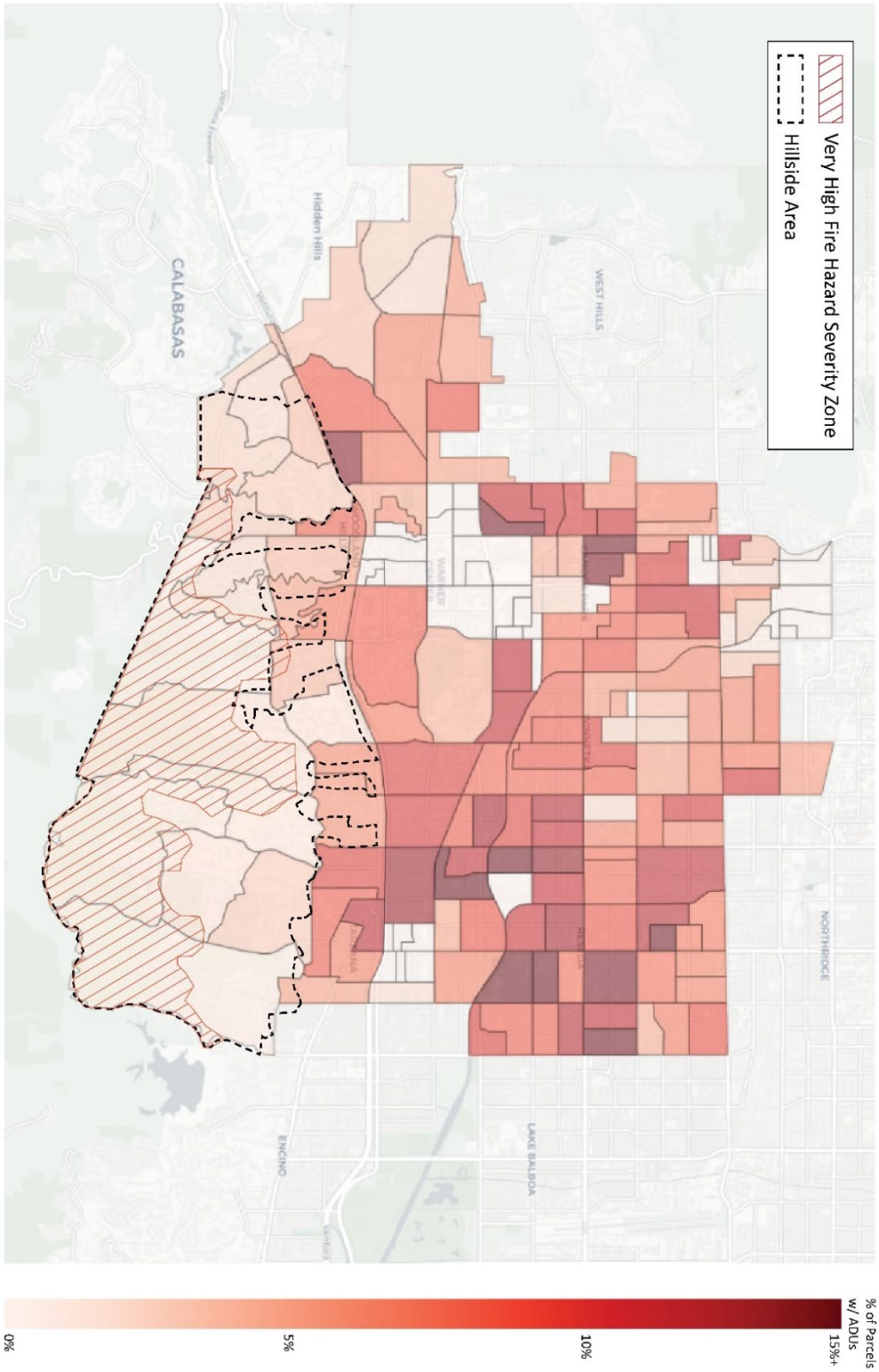
ADU Density Heatmap in Council District 3

# Appendix D – Residential Zoning in CD3





Appendix E – ADU Rates by CBG in CD3 + HA/VHFHSZ Overlays





## Appendix F – ADU Financing and Rent Gaps

FIGURE 1

Monthly costs of ADU ownership can be lowered through various subsidies

	Scenario 1 Market-rate	Scenario 2 Upfront grant	Scenario 3 Low-interest loan	Scenario 4 Grant + loan
Construction costs	150,000	150,000	150,000	150,000
Direct development subsidy	0	40,000	0	40,000
Loan terms				
Initial loan amount	150,000	110,000	150,000	110,000
Interest rate	9.50%	9.50%	5.00%	5.00%
Loan/amortization term (years)	10	10	10	10
Monthly loan pmt	(\$1,940.96)	(\$1,423.37)	(\$1,590.98)	(\$1,166.72)
Operating costs (annual)				
Insurance @ 0.1% * development cost	150	150	150	150
Taxes @ 1% * development cost	1,500	1,500	1,500	1,500
Utilities, maintenance, capital reserves	3,400	3,400	3,400	3,400
<b>Monthly ownership costs</b>	<b>\$2,361.80</b>	<b>\$1,844.21</b>	<b>\$2,011.82</b>	<b>\$1,587.55</b>

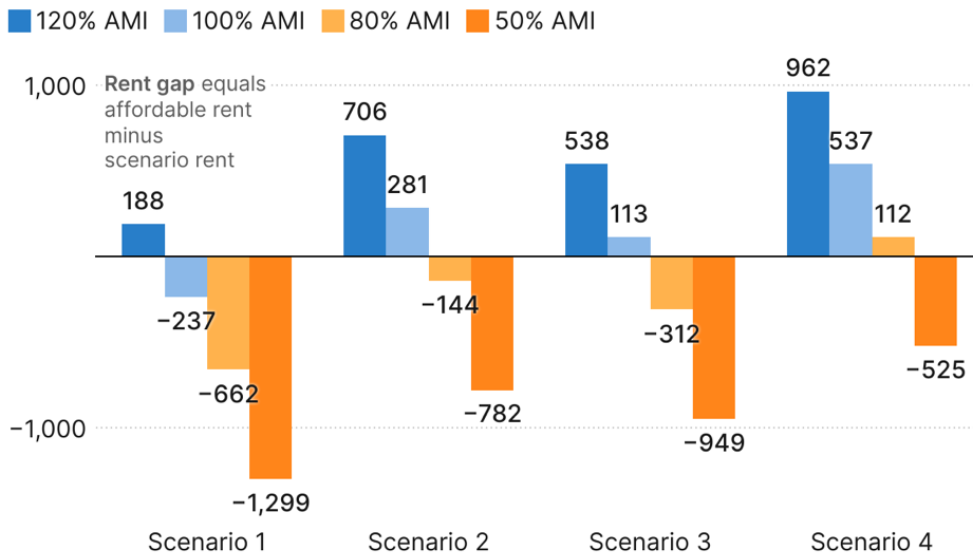
Note: Construction costs of \$150,000 are used to reflect terms of several ADU pilot programs. Scenario 1 assumes a fixed-rate home equity loan, fully amortizing over 10 years. Interest rates taken from Freddie Mac mortgage survey. The upfront grant in Scenarios 2 and 4 models a direct grant similar to CalHFAs predevelopment grant. Taxes and insurance can vary widely depending on the value of the property and homeowner's duration in current location.

Brookings Metro

FIGURE 2

Can renters at various incomes afford to rent an ADU?

Estimated rent gap, by household income and ADU financing scenario



Note: Area median income (AMI) for the Los Angeles metro area is \$85,000. Monthly rent under various financing scenarios is shown in Figure 1.

Brookings Metro

## Appendix G – ADU Pilot Programs in the Los Angeles Region

FIGURE 3

### Local governments are taking different approaches to encourage affordable ADUs

Comparison of financial structure for selected affordable ADU pilot program

Program Name	City of LA	LA County	Pasadena	West Hollywood
Leading Organization	Los Angeles Housing Department	LA County Development Authority	Pasadena Housing Department	West Hollywood Planning and Development
Year program began	2020	2018	2020	2022
Construction subsidy				
Type of subsidy	n/a	Grant	Loan	Loan
Maximum amount	n/a	\$75,000	\$200,000	\$150,000
Duration of loan	n/a		3 years	3 years
Loan interest rate	n/a		1% simple interest	1% simple interest
Operating subsidy				
Duration of income restrictions	Other	Housing voucher	Housing voucher	Housing voucher
Affordable ADUs completed or in pipeline	5 years	10 years	7 years	7 years
	25 ADUs, 32 households served	3	2	2

**Source:** Information compiled from public agency websites, media accounts, and interviews with agency staff.

**Note:** Some jurisdictions offer subsidies for both new ADU construction and rehab or legalization of existing ADUs. This table summarizes only programs for new ADU construction.



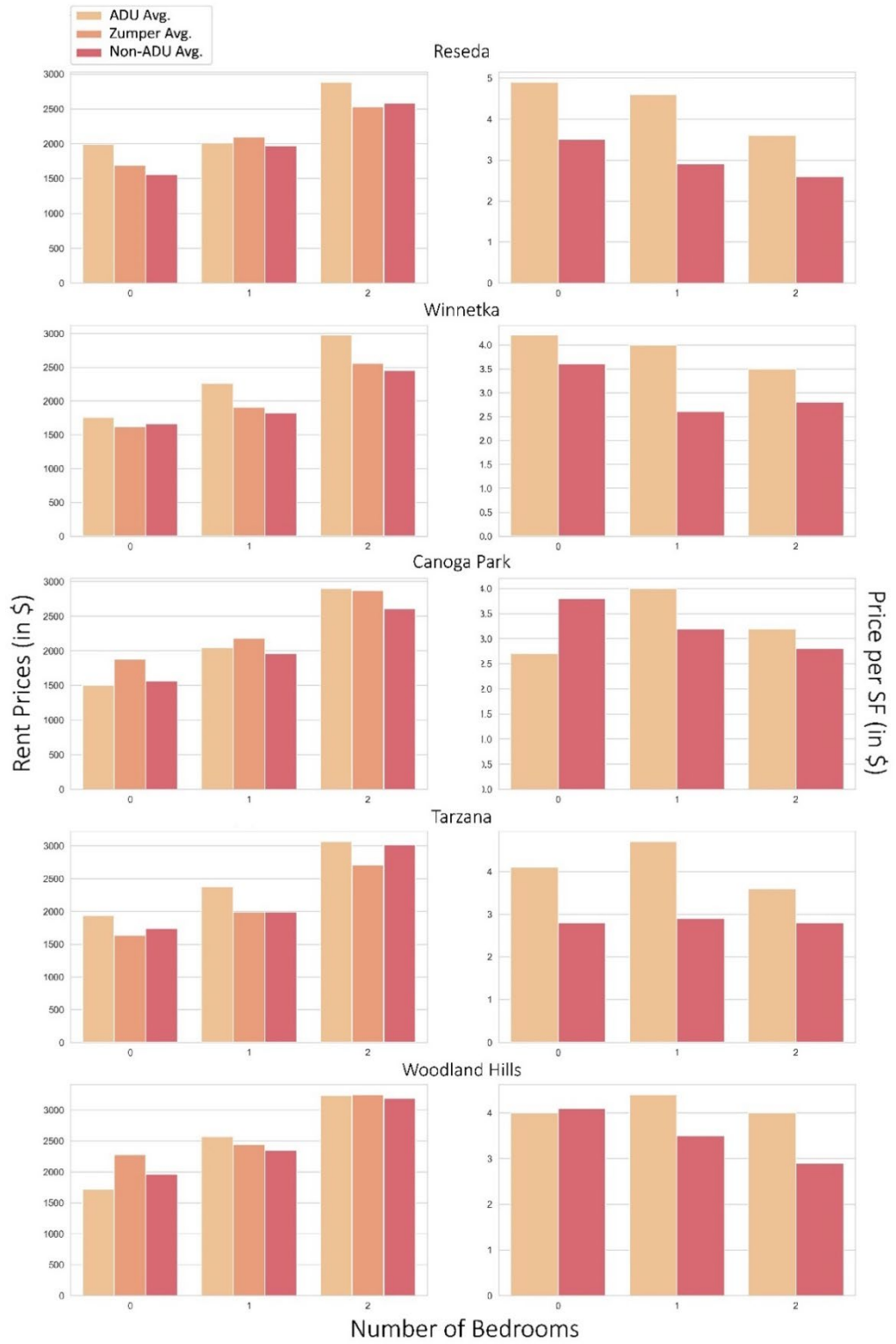
## Appendix H – Distributed Survey

**Notes to surveyor:** First ask if the respondent is a homeowner or renter. Keep a tally of how many renters vs. homeowners answer the door. If renter, move to next house. If homeowner, mention that you are a student conducting research on ADUs in partnership with the Councilmember's office (Bob Blumenfield) and that you are survey homeowners to learn more about the role and impact of ADUs in the area. Emphasize the survey should only take a few minutes and that the survey is strictly for research purposes. Lastly, mention that, should they want to provide an email or phone number, they will be entered into a raffle for a chance to win a \$150 gift card.

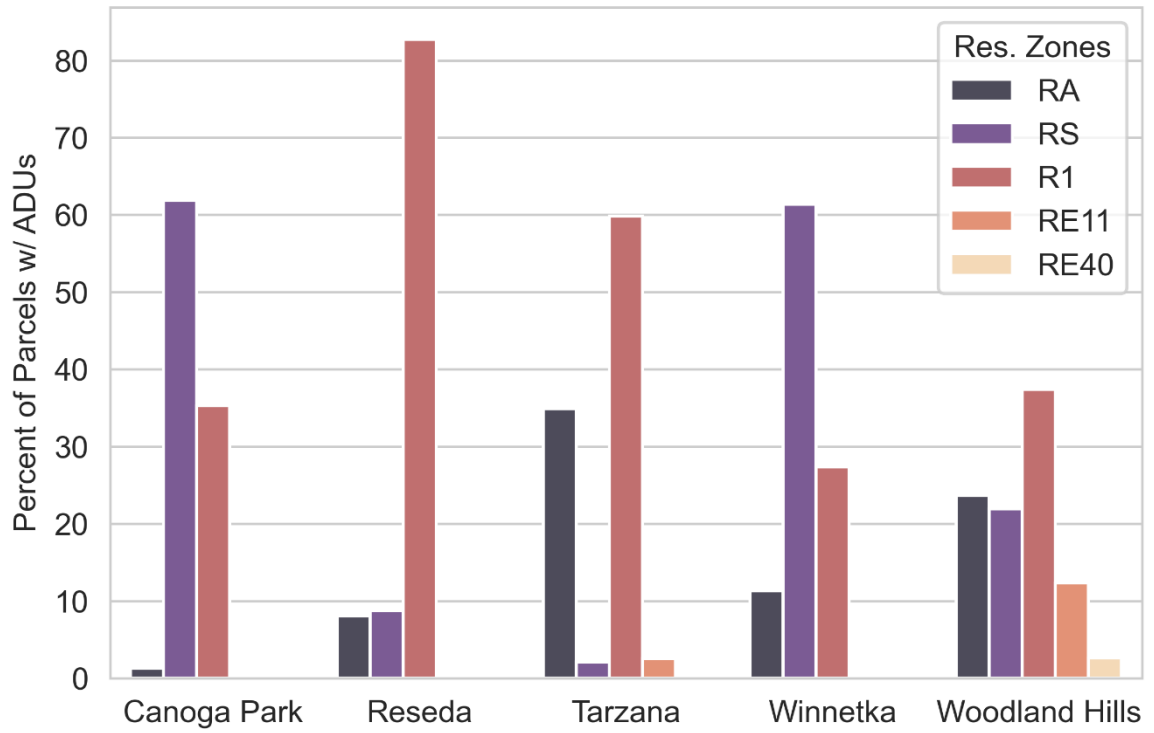
Neighborhood: Reseda | Tarzana | Woodland Hills | Canoga Park | Winnetka

1. How long have you owned your home?
  - a. 0-2 years
  - b. 3-5 years
  - c. 5-10 years
  - d. 10+ years
2. Was the ADU on your property built before or after you purchased your home?
  - a. Before
  - b. After
3. If you built the ADU, can you share what year you built it?
  - a. Before 2017
  - b. Between 2017-2019
  - c. After 2020
4. What best describes the reason you decided to either purchase a home with an existing ADU or build an ADU/convert an existing space (i.e. garage) to an ADU? Select all that apply.
  - a. To house a family member or close relative.
  - b. To supplement my household income.
  - c. To increase the potential resale value of my property.
  - d. To provide extra living or recreation space.
  - e. An ADU did not influence my decision to purchase this property.
  - f. Other: \_\_\_\_\_
5. Does someone currently live in the ADU?
  - a. Yes
  - b. No
6. If someone currently resides in the ADU, please select the response that best characterizes your relationship to the tenant.
  - a. Family member
  - b. Acquaintance or friend
  - c. No prior relationship with tenant
7. If your answer for the prior question was "No prior relationship with tenant", please describe how you found the tenant
  - a. Real Estate Listing Site
  - b. Social Media
  - c. Word of Mouth
  - d. Other: \_\_\_\_\_
8. How long has the tenant lived in the unit?
  - a. Less than 1 year
  - b. 1-2 years
  - c. 2-3 years
  - d. 4+ years
9. In the future, how willing would you be to rent the unit to individuals with whom you do not have a pre-existing relationship?  
1- Very Unlikely → 5 - Very Likely
10. If you currently have no tenant in the ADU, how likely are you to rent it out in the future and charge rent?  
1- Very Unlikely → 5 - Very Likely
11. To the best of your ability, please describe the physical characteristics of the ADU per the parameters below:
  - a. Square Footage: \_\_\_\_\_
  - b. Detached or Attached: \_\_\_\_\_
  - c. Number of Bedrooms: \_\_\_\_\_
  - d. Number of Bathrooms: \_\_\_\_\_
  - e. Number of Tenants in ADU: \_\_\_\_\_
12. Please indicate what rent range best describes how much you currently charge your tenant:
  - a. I don't charge them rent
  - b. Less than \$1000
  - c. \$1,000 - \$1,500
  - d. \$1,500 - \$2,000
  - e. \$2,000 - \$2,500
  - f. \$2,500 - \$3,000
  - g. \$3,000 - \$3,500
  - h. \$3,500 - \$4,000
  - i. More than \$4,000
  - j. Other: \_\_\_\_\_
13. Whether you're currently renting out the ADU or planning to in the future, what kind of rental agreement are you currently pursuing or leaning towards?
  - a. Short term rentals (i.e. AirBnb)
  - b. Long term leases
  - c. Both A and B.
14. If you'd like to be included in the raffle for the \$150 gift card, please provide an email or phone number below.

## Appendix J – Average Rents and Price Per SF by Neighborhood



## Appendix K – Residential Zones by Neighborhood



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