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# Are Accessory Dwelling Units the Answer to California’s Housing Crisis? Learnings from the San Fernando Valley

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## Issue

California is grappling with a persistent housing crisis. Home prices significantly exceed the national average, and over half of renter-occupied households are rent-burdened. In response, recent legislation has targeted supply-side strategies to alleviate housing costs, with a particular focus on expanding medium-density housing options. Among these efforts, accessory dwelling units (ADUs) have emerged as a promising solution, celebrated for their potential to swiftly and affordably boost housing supply.

Historically referred to as second units or “granny flats,” ADUs are small residential units located on the same lot as a primary residence. ADUs can be built from the ground up, or by converting existing structures (e.g., garages) into separate living quarters. ADUs have potential to be a non-disruptive yet impactful method to increase housing stock because of their capacity to introduce additional housing in traditionally low-density areas that were previously challenging to develop.

This study focuses on Council District 3 (CD3) located in the western San Fernando Valley. Given its high concentration of single-family homes and diverse socioeconomic and demographic makeup, CD3 provides a prime opportunity to explore the potential of ADUs. The research uses CD3 as a case study to uncover the incentives and motivations behind ADU development, identify barriers, and assess their impacts on local neighborhoods and housing markets. By delving into these factors, the report aims to draw broader conclusions that can inform housing policy across both Los Angeles and the state of California, offering valuable insights into how ADUs can be harnessed to mitigate the housing crisis and create more resilient communities.

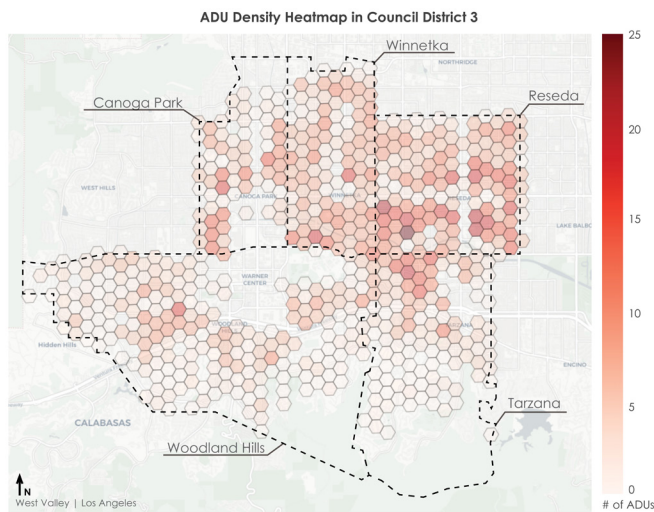
## Study Approach

To understand the role and impact of ADUs in CD3, the researcher searched building permits to locate all ADUs, merged that data with parcel information, and then examined zoning and census data to explore how demographic and socioeconomic factors influence ADU development. Homeowner and renter surveys, along with interviews with ADU builders and policy experts, provided insights into the motivations and challenges of ADU development.

This mixed-method approach enables the report to analyze the spatial distribution, development costs, ownership patterns, and intended uses of ADUs. By integrating quantitative data with qualitative findings, the study provides a nuanced understanding of how ADUs affect housing affordability and availability differently, depending on socioeconomic and other factors. This methodology illuminates local trends and offers a foundation for broader policy recommendations to address housing challenges in Los Angeles and beyond.

## Key Findings

Since 2017, 3,430 out of 48,460 parcels in CD3 have been granted ADU permits, representing 7.1% of the district’s single-family residence parcels (Figure 1). ADU prevalence correlates with lower-income, renter-occupied, and younger households, denser populations, and areas with higher concentrations of non-white residents and registered Democrats. ADU development rates were notably lower in hillside and fire-prone areas, as well as in neighborhoods with higher household incomes.



**Figure 1.**

*ADU Spatial Distribution in CD3*

ADUs are typically found on medium-sized, higher-value lots with older primary homes, with alteration/repair permits (e.g., garage conversions) being most common, likely due to lower costs. Absentee-ownership is higher among ADU properties with significant investor involvement. When owner-occupied, ADUs are often reserved for family members or recreational, non-rental uses. Despite their potential, ADUs face several barriers to becoming new rental units, including high construction costs, lack of accessible information and community resistance. Furthermore, some homeowners may be deterred by the risks that come with renting to outside tenants.

ADUs are usually priced at or above market rates and so they have limited viability as a solution to the housing crisis. They constitute roughly 4% of the council district’s housing stock, and while they hold additional promise to meaningfully contribute to overall supply, their overall impact on rent patterns remains uncertain. Lastly, home sales with ADUs are associated with a 6.5% higher sale price. Despite the higher price tag, ADUs may enhance the feasibility of homeownership by providing potential rental income to help offset mortgage payments.

## Recommendations

- » **Increase community education and engagement:** Effective community education campaigns are essential

to inform residents about the benefits of ADUs, which can foster understanding and acceptance of the developments. Engaging local leaders and influencers can help dispel misconceptions while highlighting the role of ADUs in addressing housing shortages while maintaining neighborhood character.

- » **Provide financial support for homeowners:** Financial incentives, such as grants and low-interest loans, can reduce the financial burden of ADU development. By directing financial assistance to lower-income households, ADUs can become a viable and inclusive housing solution while also increasing access to homeownership through rental income.
- » **Improve information transparency and accessibility:** By making information about how to build an ADU more accessible and transparent to the public, homeowners will be empowered to decide if building an ADU is right for them. Providing clear guidelines, virtual consultations, and comprehensive resources ensures that homeowners stay informed and supported throughout the development process.
- » **Develop innovative incentive programs for affordable rents:** Implementing incentive programs can encourage homeowners and investors to rent out their ADUs at affordable rates. Strategies like bonus programs, similar to those in the City of San Diego, or easing affordability restrictions and requirements, can motivate ADU owners to rent out their units at affordable rates.
- » **Leverage partnerships:** Collaborating with nonprofit organizations and housing advocates can amplify efforts to promote ADUs. These partnerships bring additional expertise, resources, and outreach capabilities, ensuring that ADU development is supported across diverse communities and aligns with broader housing goals.

## More Information

Cressy, M. (2024). ADUs in CD3: A Broad Analysis of the Prevalence, Role, and Impact of Accessory Dwelling Units in Los Angeles’ Council District 3 (Master’s capstone, UCLA). Retrieved from: <https://escholarship.org/uc/item/6n29p44g>