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# **Accessory Dwelling Units**

City Council Work Session – May 16, 2023

# Questions from February 7, 2023 City Council Meeting

- Why are we talking about ADUs?
- How does this impact the prohibition on short-term rentals?
- What is the impact to property values?
- What are the impacts to infrastructure?
- How many ADUs would be possible?
- Would we need to subsidize ADUs?



# Why ADUs?

Identified in guiding documents as a way to meet various housing and sustainability goals

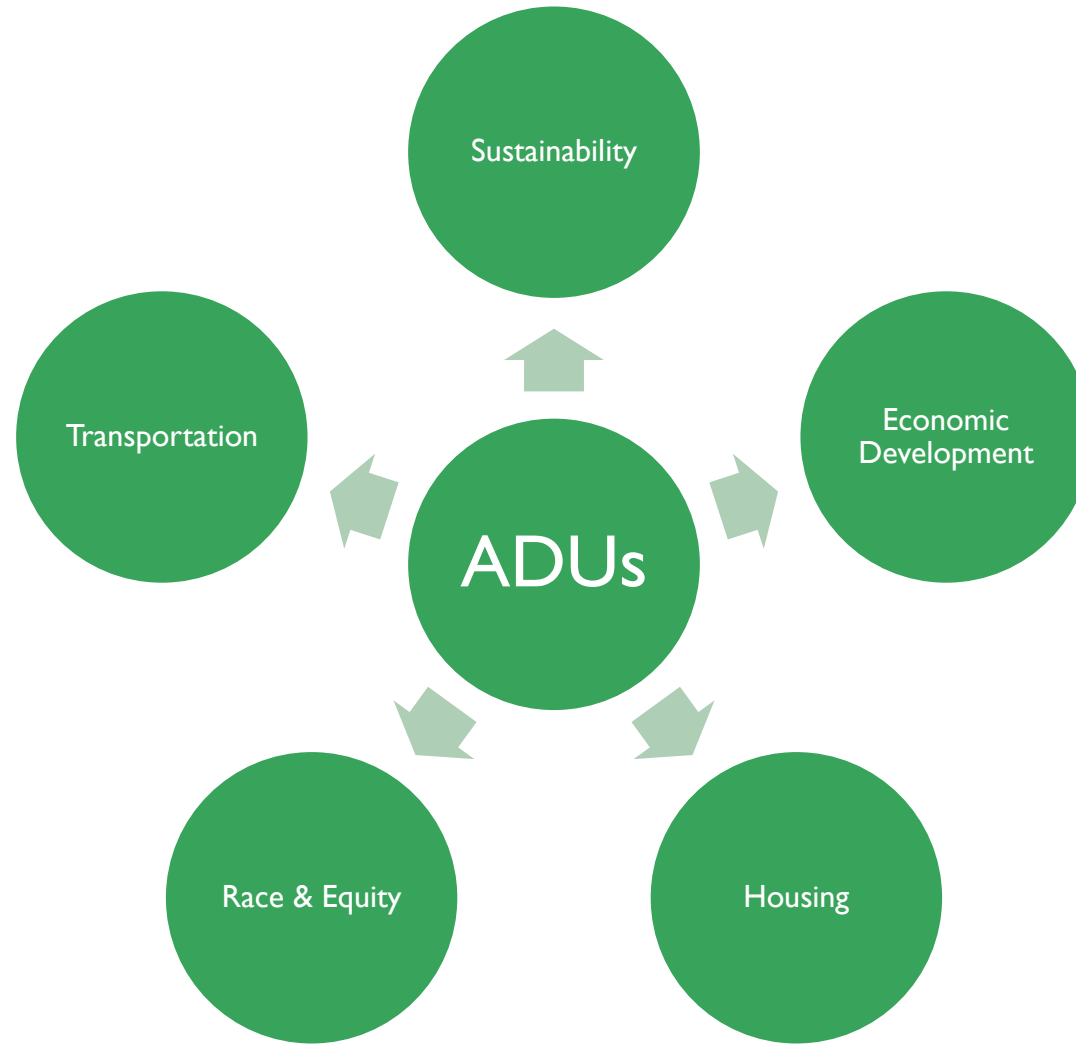
- Comprehensive Plan
- Climate Action Plan
- Housing Strategy Task Force Report

Included on Planning Commission's 2022-2023 Work Plan



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# Why ADUs?



# Why ADUs?

Provide more housing options that serve a diverse range of ages, household types, and economic situations.

- About 90% of all housing in Edina is either single-family or in multi-family buildings of 20 units or more.



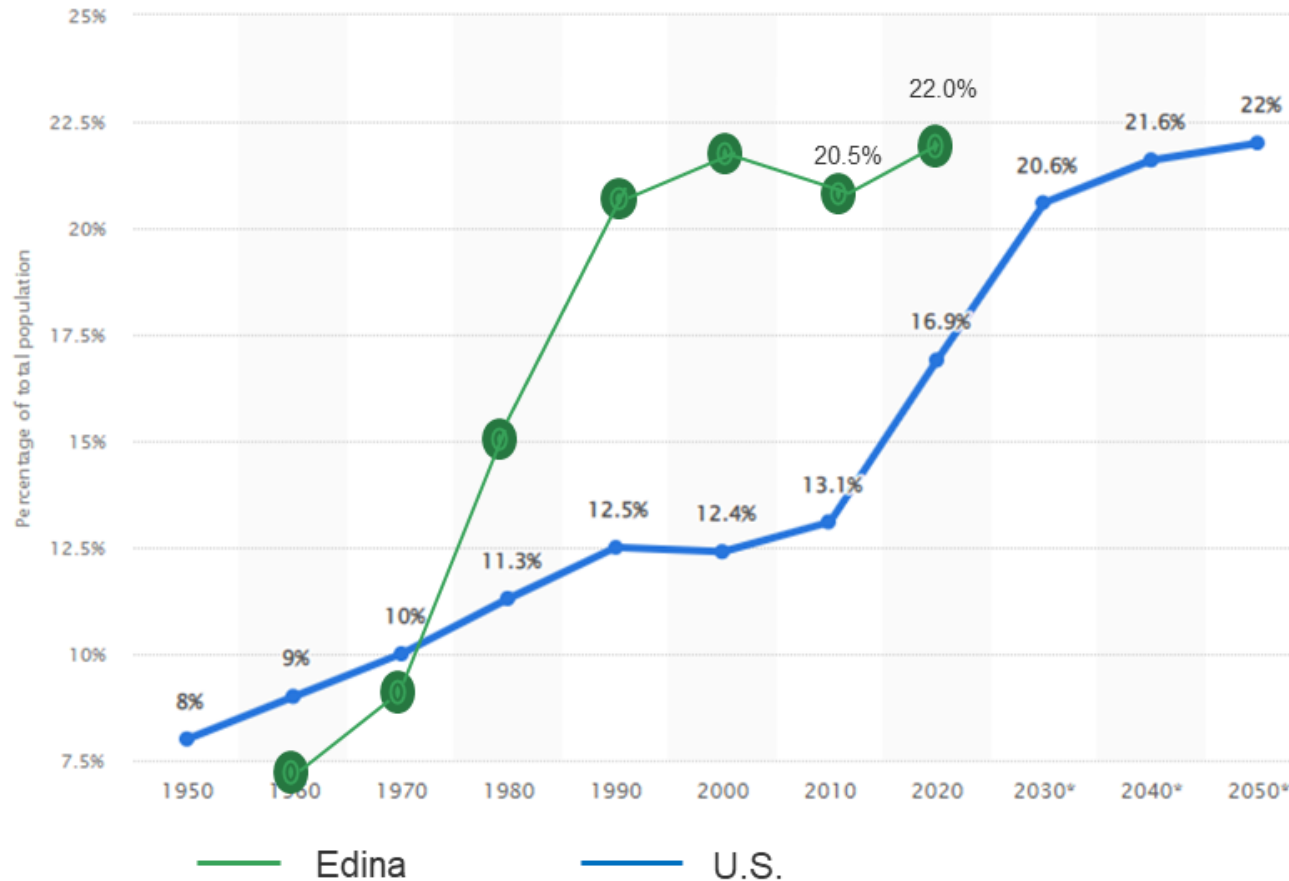
**TABLE. Share of Households With People Living Alone, Single-Parent Families Increases While Share of Married-Couple Households With Children Declines**

*U.S. Households*

 Excel

<b>HOUSEHOLD TYPE</b>	<b>1960</b>	<b>1980</b>	<b>2000</b>	<b>2010</b>	<b>2020</b>
Family Households	85	74	68	66	65
Married Couples w/ children	44	31	24	20	19
Married Couples w/out children	31	30	28	28	30
Single Parents w/ children	4	7	9	10	9
Other Family	6	6	7	8	9
Nonfamily Households	15	26	32	34	35
One Person	13	23	26	27	28
Other Nonfamily	2	4	6	7	7

# Share of population 65 years and older in the total U.S. population from 1950 to 2050



**The New York Times**  
Senior Housing That Seniors Actually Like



**Accessory Dwelling Units Allow Homeowners to Choose Where They Age**

Mobility friendly and energy efficient, ADUs offer more options for aging in place

[MN AARP - Accessory Dwelling Units: A Minnesota Family \(video\)](#)



# Why ADUs?

Allow for a more affordable housing type not requiring subsidy.

- Average cost to construct is between \$150,000 - \$250,000
- 15-20% of ADUs are occupied for rents that are zero or far below market rate
- Average subsidy per affordable unit
  - \$200k-300k single-family
  - \$140k-\$245k multi-family





# Why ADUs?

Promote more compact development that reduces sprawl and makes walking, biking, and transit more viable.



*“Studies have found that for every 1% increase in population-weighted urban density, household travel CO2 emissions reduce by 0.12% to 0.48%. Based on these, establishing zoning ordinances and incentives guiding future growth into options which increase the density of existing developed land will have positive impact on decreasing total community wide emissions per household.” - [Edina Climate Action Plan](#)*

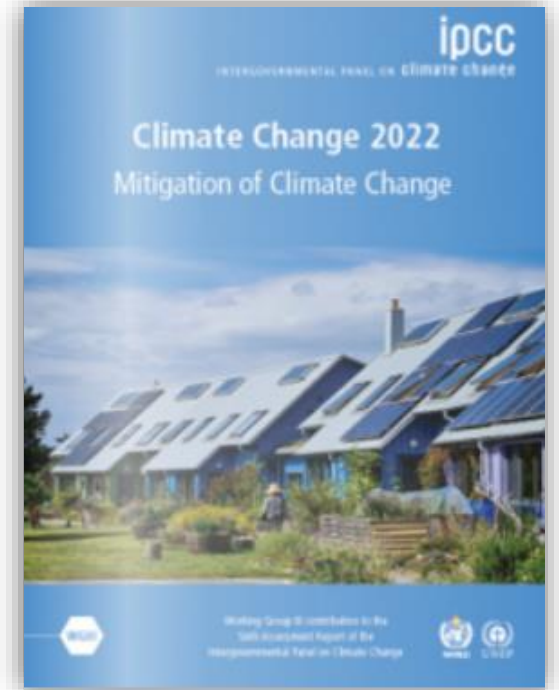


# Why ADUs?

According to the IPCC Sixth Assessment Report, Climate Change 2022: Mitigation of Climate Change – *What are the most impactful options cities can take to mitigate urban emissions, and how can these be best implemented?*

- 1. Reducing or changing urban energy and material use towards more sustainable production and consumption across all sectors including through spatial planning and infrastructure that supports compact, walkable urban form. (pg. 927)*

*“Among mitigation options based on spatial planning, urban form, and infrastructure, urban infill and densification has priority”. (pg. 921)*



# How does this impact the prohibition on short-term rentals?

- No change. Allowing short term rentals is a separate policy decision from whether to allow ADUs.
- Many of the surrounding communities studied prohibit ADUs to be used as a short-term rentals.



# Impact on property values

- Based on numerous studies, there is no evidence that allowing ADUs would decrease property values and may increase property values by giving owners more flexibility in how to use their property.
- ADUs contribute to the tax base, accounting for 25% to 34% of the appraised value on the properties they are built.

Sources:

[The Impact of Legalizing Accessory Dwelling Unit Rentals on Property Values: Evidence from Ogden, Utah. 9 Aug, 2022](#)

[Higher Density Housing – Myth & Fact by Urban Land Institute](#)

[Upzoning and Single-Family Housing Prices – A \(Very\) Early Analysis of the Minneapolis 2040 Plan, Journal of the American Planning Association, 16 Feb 2021.](#)

[Appraising Properties with Accessory Dwelling Units – The Appraisal Journal, Fall 2012.](#)

Correspondence with City of Minneapolis Assessing Staff



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# Impact on property values

ADU ordinances typically require that the appearance of a single-family neighborhood be maintained. This is a distinction from other missing middle housing types like duplexes and triplexes.

Single-family Home with attached ADU



Source: Streets MN

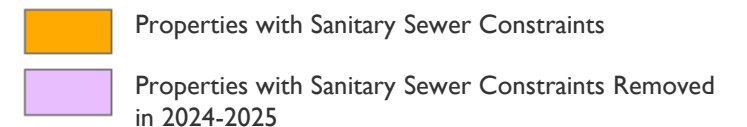
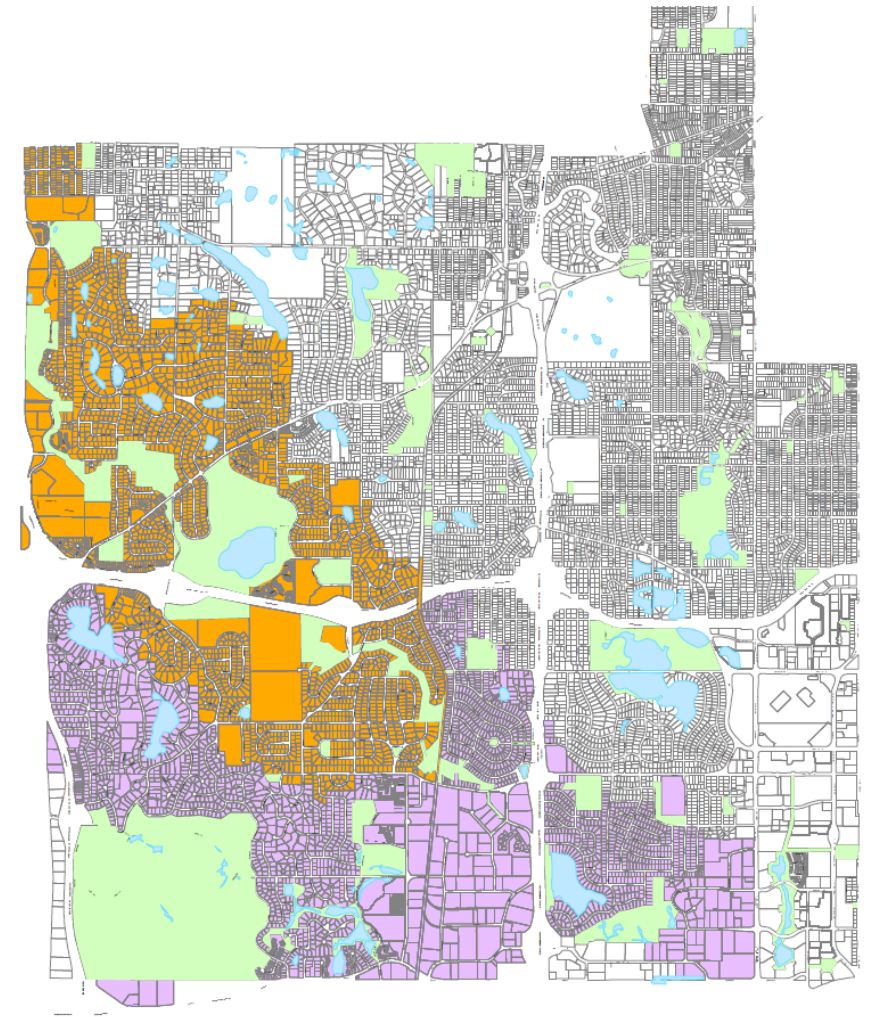
Duplex





# What are the impacts to infrastructure?

- Given the expected number of ADUs, Engineering staff do not have concerns about impacts to infrastructure.
- ADUs could be restricted in areas with limited sewer capacity.





## How many ADUs would be possible?

- The number of possible ADUs in Edina would vary greatly depending on how the ordinance is written.
- Stricter requirements typically result in less ADU production.
- Looking at neighboring cities gives the best estimate of what to expect if Edina were to adopt a similar ordinance.



## Would we need to subsidize ADUs?

- This would be a separate policy decision for the Council or HRA to consider.
- Cost, financing, and city requirements are generally the biggest barriers to development.
- Some cities offer financial assistance in the form of low interest loans, waiving of certain permit fees, covering the fee for consultation with an architect, or providing pre-approved plans.



# Estimated ADU Development

	Attached (Cost effective)	Detached (Cost prohibitive)
<b>Economic/Rent 1.02% (121 units)</b>	0.79% (93 units) - A <b>better economic model to generate cash flow</b> as the cost to convert primary residence will be much lower than constructing a detached ADU.	0.23% (28 units) - Very expensive to build and rental income may not recover the mortgage cost at current 1BDR rent rates. <b>Most likely the conversion of an already detached structure</b> permitted for use as an ADU e.g. pool house, carriage house etc.
<b>Lifestyle 0.98% (116 units)</b>	0.75% (89 units) - This is a <b>cost effective alternative</b> to long term assisted living or community living services facility.	0.23% (27 units) - Convenient for those who <b>prioritize privacy</b> of vulnerable relative and have the disposable income to build a new detached dwelling.
<b>No Action (98%)</b>	It is more likely that most residents will take no action at legalization of ADU development.	

## Assumptions:

11,845 detached single-family homes (Maxfield '19)

Owner occupied requirement included to dissuade investor properties and resident upkeep concerns

2% single-family home convert to an ADU (237 units) and 51% of those are rented



# Conclusion

- ADUs provide another land use option for Edina residents which can improve their economic well being and ability to better care for vulnerable family members.
- All indicators show either no change or an increase in property values due to additional land use options.
- Based on neighboring cities' experience, Edina is not likely to have an explosion of development and will not have any significant change in the character of the city.
- ADUs will not require any city subsidy for construction but could consider options to encourage development.
- Planning Commission recommend ADU development and seeking approval to move forward with draft ordinance.



# Questions



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# Appendix



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# Other Metro Communities that have legalized ADUs

Apple Valley

Blaine

Bloomington

Burnsville

Crystal

Eagan

Golden Valley

Hopkins

Inver Grove Heights

Lakeville

Long Lake

Minneapolis

Minnetonka

Mounds View

Plymouth

Richfield

Roseville

Shoreview

Stillwater

St. Louis Park

St. Paul

Wayzata

White Bear Lake



# Impact on property values

*“In our analysis, we find no significant impact of ADU legalization on property values in areas affected by the policy change compared to unaffected areas... These results suggest that legalizing residential ADU rentals may be an effective way to increase the supply of affordable rental housing and provide supplemental income to homeowners without negatively impacting property values”*

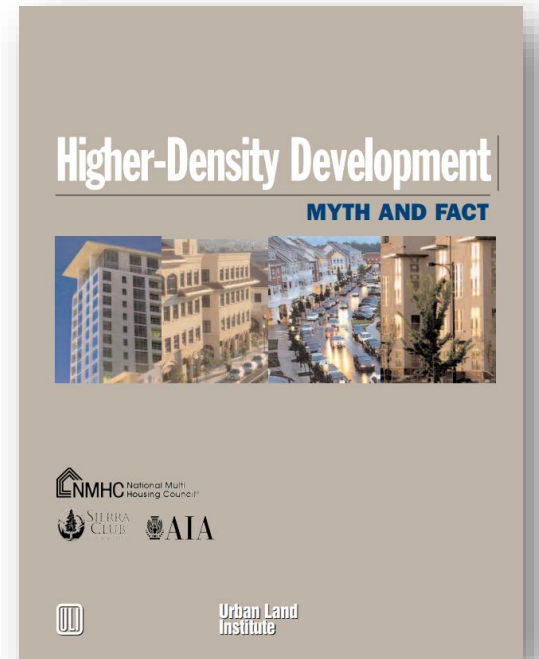
[The Impact of Legalizing Accessory Dwelling Unit Rentals on Property Values: Evidence from Ogden, Utah. 9 Aug, 2022](#)



# Impact on property values

*“No discernible difference exists in the appreciation rate of properties located near higher-density development and those that are not. Some research even shows that higher-density development can increase property values.”*

[Higher Density Housing – Myth & Fact by Urban Land Institute](#)



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## Impact on property values

*“I find that compared with similar unaffected properties in surrounding cities, the Minneapolis plan change was associated with a 3% and 5% increase in the price of affected housing units. In addition, there is some evidence that this price increase is due to the new development option it offers property owners.”*

[Upzoning and Single-Family Housing Prices – A \(Very\) Early Analysis of the Minneapolis 2040 Plan, Journal of the American Planning Association, 16 Feb 2021.](#)

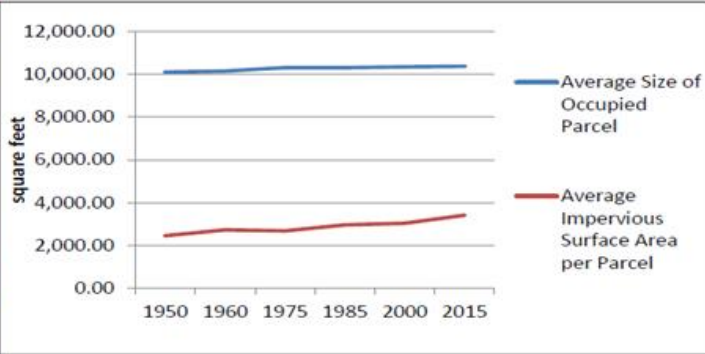
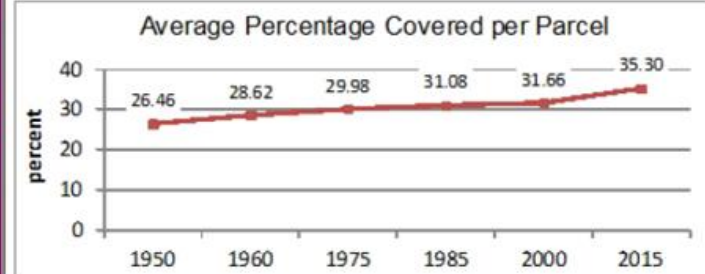
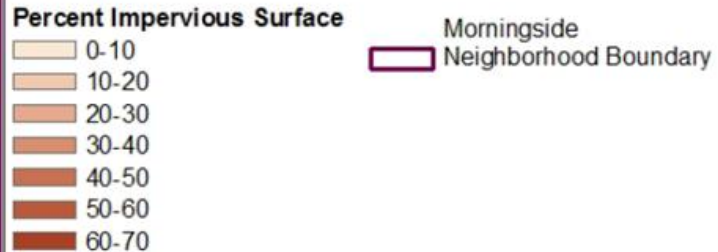




# Morningside Impervious Surfaces

Impervious surface area includes primary and accessory structures, driveways, private paths, decks, patios, and pool decks.

Average percent covered per parcel (2015): 35.30%  
Average impervious area per parcel (2015): 3,419.03 sq ft  
Minimum percent covered: 0.34%  
Maximum percent covered: 65.74%



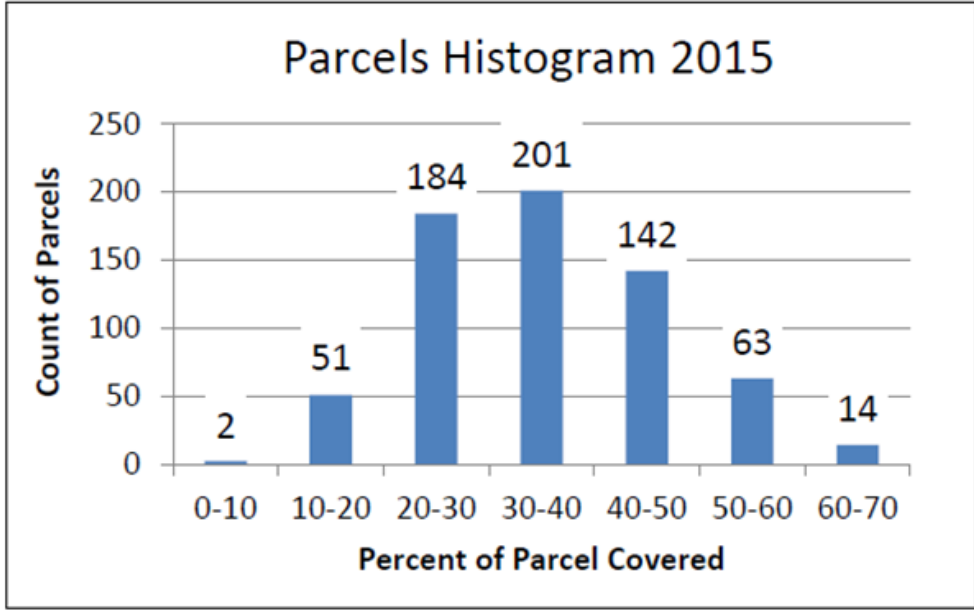
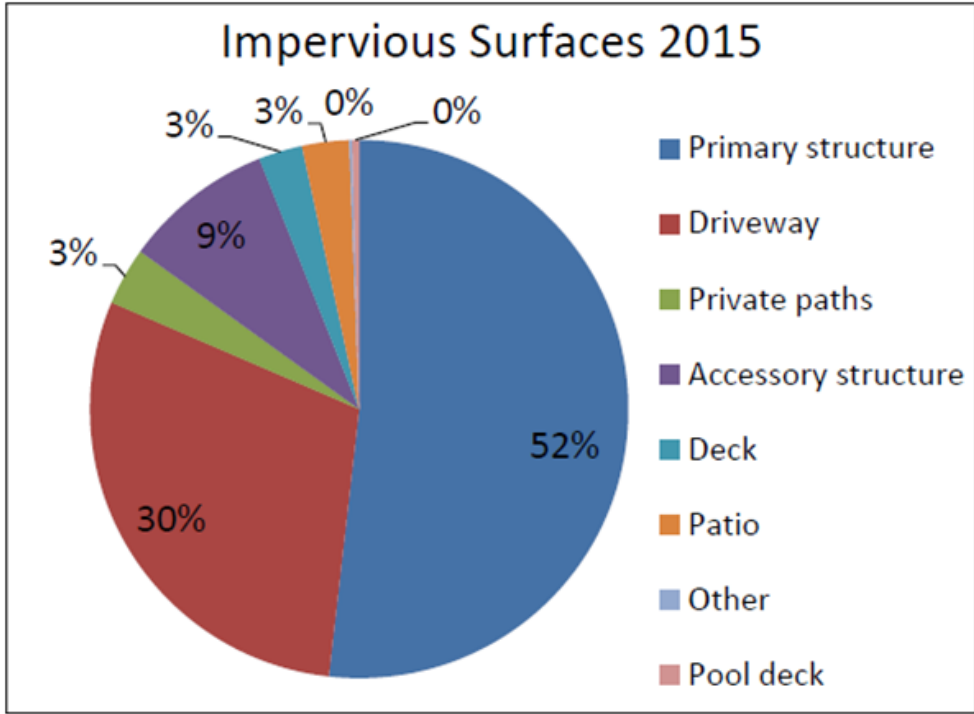
Max Impervious = 50%

50% - 35.3% = 14.7%  
impervious available

Avg. size of occupied  
parcel = 10,000+sq.ft.

10,000 x 14.7 % = 1,470  
sq. ft. available







Criteria	St. Louis Park	Minneapolis	Richfield	Bloomington	Minnetonka
Zoning / Max Allowed	R-1, R-2, R-3. Single family lots / 1	Single family and 2 family zones / 1	R-1 / 1	R-1, RS-1 / 1	R-1, R-1A, R-2 / 1
No. / Issue	0 since Oct 2020	232 May '15 – Mar '23	< 5 since 2015	1 since 2009	61 since 1986
Detached	Attached, Detached, Internal	Attached, Detached, Internal	Must be attached to principal structure or above a detached garage	Yes (newly proposed ordinance)	Attached, Detached, Internal
Min / Max Size	200 sq. ft. / Attached units: <= 40% gross floor area of the single family home Detached: 800 sq. ft. or 25% of rear yard, whichever is less	300 sq. ft. / 1300 sq. ft. or 16% of lot size area	300 sq. ft. / 800 sq. ft.	300 sq. ft. / No max	None / 1,000 sq. ft. or 35% of the floor area of the principal dwelling, whichever is less.
Height	15 ft.	21 ft.	Height of principal residence (or 18 ft if lot is less than 75 ft wide)	Same as principal structure	Up to the roof height of the principal dwelling.



## What are impacts to infrastructure?

*“Higher-density development generates less traffic than low-density development per unit; it makes walking and public transit more feasible and creates opportunities for shared parking”*

*“according to one study using data from the National Personal Transportation Survey, doubling density decreases the vehicle miles traveled by 38%”*

[Higher Density Housing – Myth & Fact by Urban Land Institute](#)



## Why ADUs?

- Lack of housing inhibits mobility, negatively impacting labor markets, which has a negative impact on economic output.
- Economists estimate annual loss in wages associated with restrictive zoning around \$1.6 trillion and is responsible for reducing economic growth by 36% from 1964-2009

[Gray, M. N. \(2022\). \*Arbitrary lines: How zoning broke the American city and how to fix it.\* Island Press.](#)



# Why ADUs?

From [Itasca Project Housing Innovation Report](#)

- *“The MSP region has not built enough homes and, as a result, housing is now too expensive for many residents.”*
- *“The increased housing costs threaten the overall prosperity of the region and worsen racial and economic gaps.”*
- *“Stable and affordable housing is the foundation for business and economic growth as well as a host of other positive individual and systemic outcomes. Increasing housing production and improving housing affordability will benefit families, firms, and the entire MSP region for generations to come.”*



# Why ADUs?

From Minnesota Chamber of Commerce – [Minnesota: 2030 Framework for Economic Growth](#)

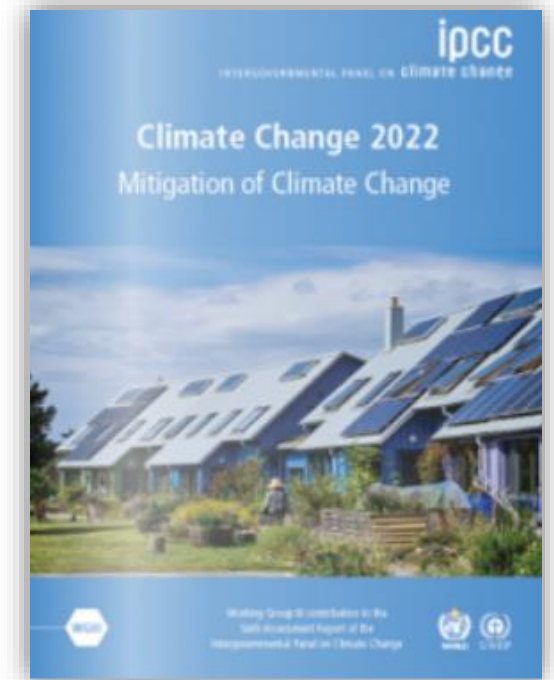
## Housing Recommendations

- Policymakers at the state, regional and local level should undertake a rigorous cost/benefit analysis to assess and streamline the many regulations impacting housing costs, including permitting, zoning, and construction codes.
- Explore policies and initiatives to facilitate innovation in the housing market, enabling less expensive construction in building and creating additional consumer choice.



# Why ADUs?

- [According to the IPCC Sixth Assessment Report, Climate Change 2022: Mitigation of Climate Change](#) – *How can governments, communities and individuals reduce demand and be more efficient in consuming transport energy?*
  1. *“Cities can reduce their transport-related fuel consumption by around 25% through combinations of more compact land use and less car-dependent transport infrastructure. (pg. 1121)”*



# Why ADUs?

## From Minnesota Governor's Task Force on Housing

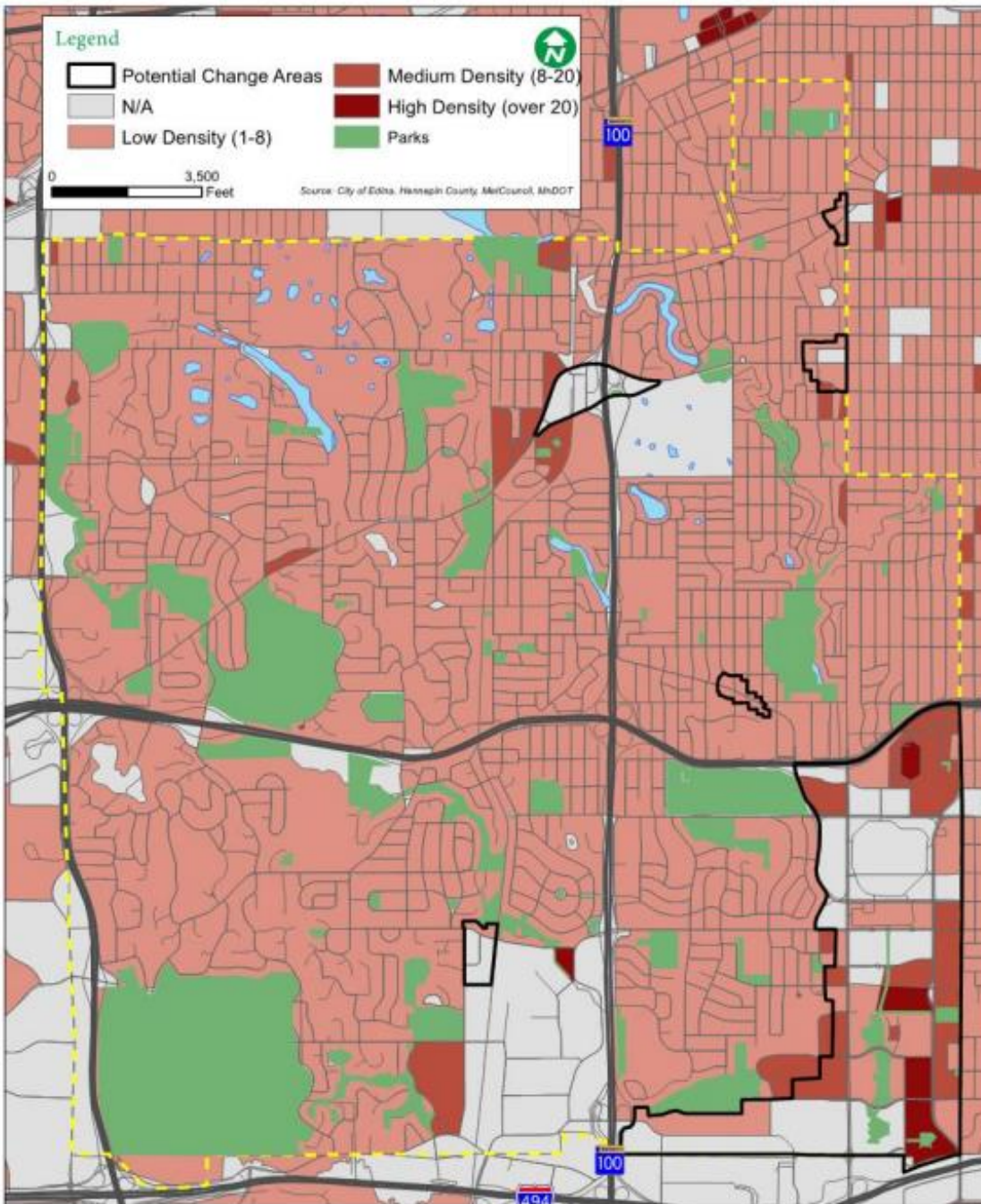
*“The affordability of homes has been a competitive advantage for Minnesota and our employers, but a growing shortage of homes is pushing prices beyond the reach of many individuals and families. New housing construction has not kept pace with household growth since the Great Recession, as evidenced in the short supply of homes for rent or sale.”*

*“As a state, we will realize an estimated \$3.2 billion in investments and support more than 30,000 jobs for each 10,000 additional homes we build.”*

**Goal: Build 300,000 new homes by 2030, across all types, prices, and locations to stabilize prices and meet demand.**







**Table 3.3: Residential Acres by Type (Total Acres)**

Land Use	Acres	Percent of Total
Single Family Detached	5,419	88.2%
Single Family Attached	272	4.4%
Multifamily	433	7.1%
Mixed-use Residential	17	0.3%
<b>Total</b>	<b>6,141</b>	<b>100%</b>

Source: Metropolitan Council



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# Other Resources

- [The ABCs of ADUs – AARP](#)
- [Twin Cities ADU Guidebook – Family Housing Fund](#)
- [Accessory Dwelling Units Allow Homeowners to Choose Where They Age - AARP](#)
- [Accessory Dwelling Units – American Planning Association](#)
- [How Twin Cities housing rules keep the metro segregated – StarTribune](#)
- [The Role of ADUs in Easing America’s Housing Crisis](#)

