

Keys to Successful ADU Rollout in Louisville

Accessory Dwelling Unit Strategies to Build Better Communities for All

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There are several types of ADUs.

An **interior ADU** can be added to the attic or basement of a house or carved out of a room. An **attached ADU, or “bump-out,”** is an addition to a home, typically to its rear. And a **detached ADU** is a separate building, such as a stand-alone cottage or an apartment above a garage.

How much an ADU costs depends on the local housing and construction market and the type of ADU. An **interior ADU can cost as little as \$20,000**; a detached one can require a more significant investment. Banks may provide financing solutions to help fund ADU construction.

Because of local policy reforms, ADUs are becoming more common in some cities, including Atlanta, Austin, and Charlotte. In other cities, including Louisville, ADUs are relatively rare. Even in the cities with the most ADUs, the units are only about 1 percent of all housing, so they have not changed neighborhoods much.

Accessory dwelling units (ADUs) are secondary housing units that allow an additional family to live on a lot. ADUs are typically reserved for single-family dwelling lots and come in many forms, including backyard cottages, basement apartments, and “bump-outs.” Each type offers the opportunity to add housing to communities at a moderate cost.

In some communities—Austin, Texas, and Nashville, Tennessee, for example—ADUs are increasingly common. Louisville, Kentucky, appears to be heading in that direction too. As part of an equity review of the Land Development Code, staff from the city’s Planning and Design Services office recommended that homeowners and landholders be allowed to build ADUs on their lots by right (automatically permitted if compliant with the zoning criteria) and that the allowed size of an ADU be increased. Metro Council officials are now considering these changes.

Currently, property owners in Louisville who want to build an ADU must receive a conditional use permit from the county, a process that costs \$510. They must also mail notices to the owners of adjoining properties. And the Board of Zoning Adjustment or the Planning Commission must approve the permit.

So far, few homeowners in Louisville have built ADUs. But that could change with zoning reform. In this fact sheet, we review several key elements of ADUs and the conditions for a successful ADU rollout.

WHAT PROBLEMS CAN ACCESSORY DWELLING UNITS HELP SOLVE?

ADUs are just one solution in a broad array aimed at improving residents’ quality of life. They offer several key benefits:

- Housing units in ADUs are often more affordable than single-family homes. They offer families with low or moderate incomes the opportunity to live in neighborhoods with high-quality public and private services.
- ADUs give residents such as older adults, adults with disabilities, and young people looking for a way to save money the ability to both remain independent and live close to family members.
- Neighborhoods with ADUs can grow without having much impact on the physical appearance of a community.
- ADUs allow homeowners to generate a small amount of income through rent, and that money can help them pay their bills.

HOW DO ACCESSORY DWELLING UNITS AFFECT NEIGHBORHOODS?

ADUs and housing choice. As mentioned earlier, ADUs expand housing options in a neighborhood for various populations and provide affordable housing in more expensive areas. To make ADUs even more affordable, local housing organizations can work with homeowners to provide vouchers that families with low incomes can use to rent ADUs. Also, many households rent ADUs to friends or relatives for little or no cost.

ADUs and parking. ADUs increase the number of residents in a neighborhood. For some communities, that raises the question of traffic—and whether the amount of street parking will be enough to accommodate everyone. The good news is that studies of communities that have eased restrictions on ADU development show that the new units had little impact on traffic congestion, and surveys show most residents who live in neighborhoods where ADUs are common said they had no negative impact on parking. Studies have also shown that tenants of ADUs are less likely to own cars.

ADUs and neighborhood aesthetic. Local regulations that define how ADUs can be built and operated typically aim to keep a neighborhood's look and feel in place by setting height limits and minimum-width yards between neighboring homes. The proposed reforms in Louisville would allow attached ADUs to be only as tall as the main house and detached ADUs to be only 19 feet tall. If the ADU has an exterior staircase, it cannot be on the front of the house, and ADUs must abide by setback requirements already in place.

ADUs and ownership requirements. Most ADUs are developed by homeowners, many of whom use the units to expand the housing choices of their relatives and friends. But requiring that ADUs be owner-occupied, as some cities do, can have problematic effects. First, the requirement can undermine the ability of homeowners to get bank loans for potential ADUs because it places undue assumptions on the ability of property owners to make future income from their investment. Second, the city must devote resources to enforcing the rule, which can encourage conflict between neighbors during the entitlement process. Most importantly, owner-occupancy requirements minimize the affordability benefits of ADUs by limiting the number of rental units available to residents with the lowest incomes.

WHAT POLICY STRATEGIES CAN ENSURE ACCESSORY DWELLING UNITS STRENGTHEN NEIGHBORHOODS?

Urban Institute researchers have evaluated ADUs across the US. The following are key aspects of ADU policies that support implementation:

- Adopting by-right processes and faster approvals can hasten construction. Communities with costly and onerous review processes have had little success encouraging ADU construction.
- Owner-occupancy requirements on ADUs or main dwellings can limit investment. Allowing both units to be rented out improves the financial viability of ADUs and expands the housing supply.
- Easing off-street parking mandates can boost ADU viability. Requirements for additional parking spaces add cost and in some cases make ADU projects impossible to complete.
- Partnering with affordable housing groups can support access to ADUs for families with low incomes. Financial assistance for families with low or moderate incomes, either through cheaper construction financing or rent vouchers, helps make neighborhoods more inclusive and diverse.

This fact sheet draws from Lydia R.P. Lo, Eleanor Noble, Diane K. Levy, and Rolf Pendall, [Land Use Reforms for Housing Supply](#) (Washington, DC: Urban Institute, 2020), and Karen Chapple, Dori Ganetsos, and Emmanuel Lopez, [Implementing the Backyard Revolution: Perspectives of California's ADU Owners](#) (Berkeley, CA: UC Berkeley Center for Community Innovation, 2021). For more policy recommendations, see Christina Stacy, Eleanor Noble, Jorge Morales-Burnett, and Lydia Lo, ["Designing Accessory Dwelling Unit Regulations"](#) (Washington, DC: Urban Institute, 2020).

This fact sheet was updated on May 26, 2021, to clarify that when we mention "ADU builders," we are referring to homeowners.