



Backyard ADUs
Build Smart. Build Small.



Are ADUs Worth Subsidizing?

Three Test

1

Can ADU can
scale?

2

Are ADUs are a
good housing
type- size,
location, rents,
ownership, cost?

3

How to Make
Building ADUs
Even Easier?



Scalability

ADUs are the most scalable housing type in Maine since LD 2003

WHY? An ADU can be planned and then built in <12 months due to:

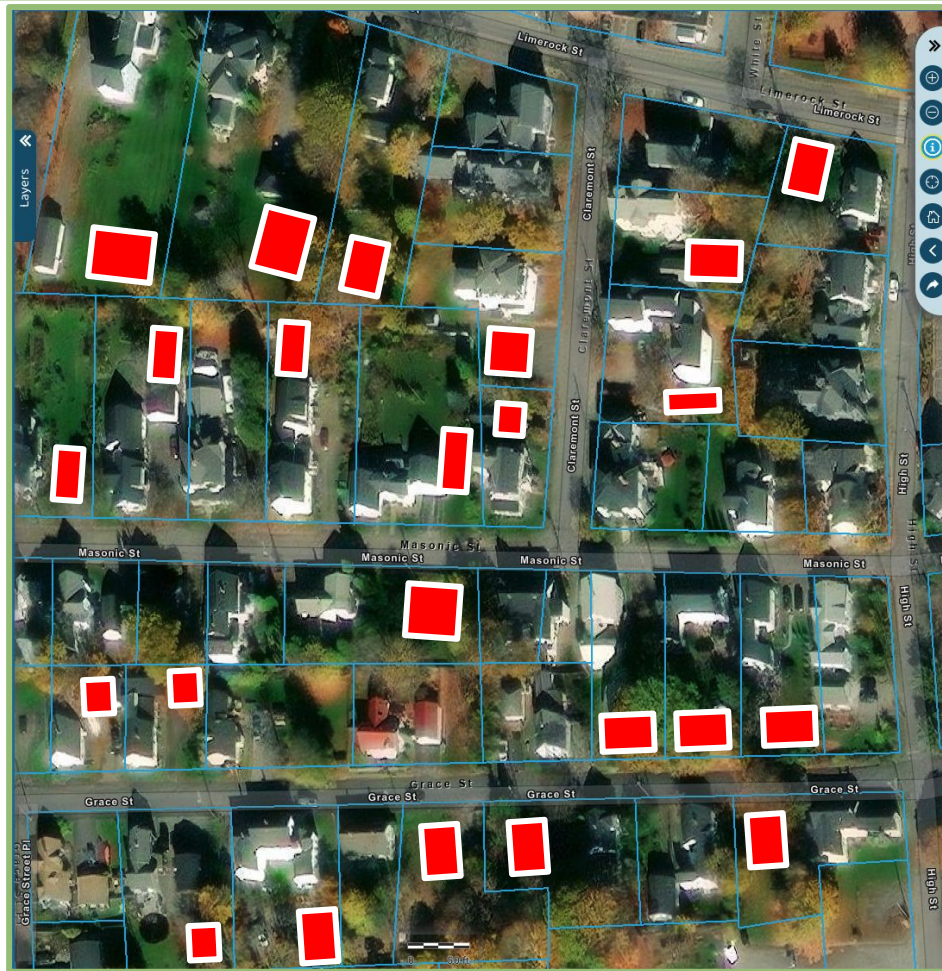
- By Right Permitting (No PB, ZBA, etc)
- Fastest permitting/planning timeline of any housing type
- Simple architecture concerns
- Lowest soft cost of any housing type
- No land acquisition
- Bank financing of up to 95% of cost

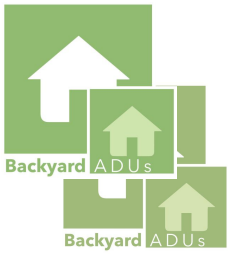




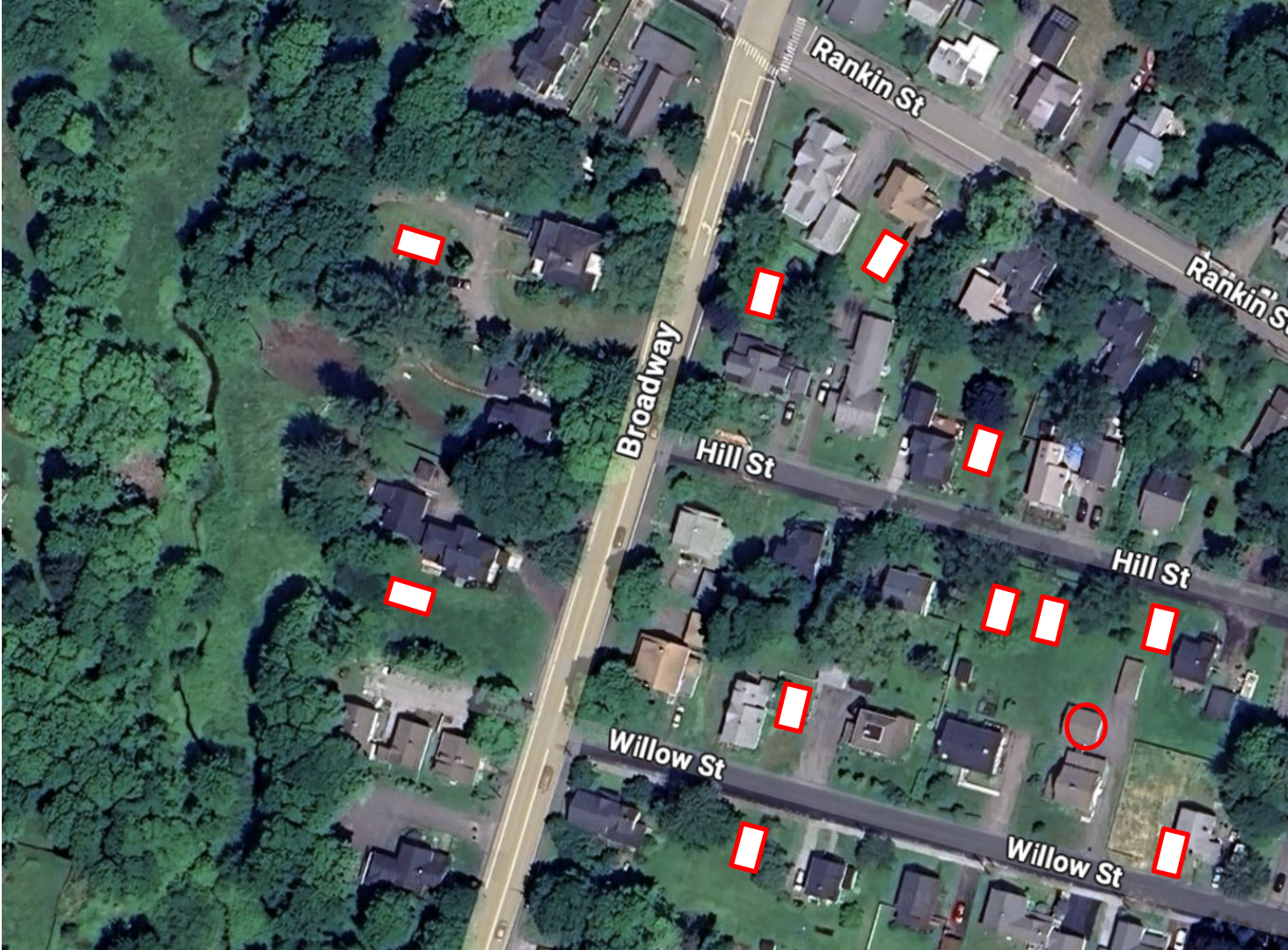
Scalability

Almost any existing house and yard is buildable





Scalability





Are ADUs Homes That We Want?

ADU Benefits:

Smaller 800SF is the sweet spot

Accessible Often single-story

Infill ADUs' enhance existing residential properties

Energy-Efficient ~\$8k makes them all-electric and zero-energy ready

Reuses Infrastructure Use existing water/sewer/electric/parking

Gently Increases Density ADUs are usually added a few per street/neighborhood





Are ADUs homes that we want?

ADUs Can Be Controlled by Homeowners

- **Small scale landlords** naturally charge affordable rents. This includes ADUs, 2- family, 4 families, and landlords with <50 units.
- **Land lease programs** allow Homeowner/Developer/Employer partnerships and new financing opportunities
- **Units built for aging family** ease pressure on existing accessible units and on health care services



ADUs are Cheaper to Build

**New Freestanding,
800 SF ADU**

\$270,000 – \$310,000



**New 800 SF Single
Family Home**

\$350,000 – \$550,000



**New Apartments
800 SF**

\$400,000 – \$450,000





Comparing Monthly Payments

Amount Financed	\$275,000	\$150,000	\$75,000
Mortgage Payment	\$1,922	\$1,048	\$524
Additional taxes	309	309	309
Total	\$2,232	\$1,358	\$833

TakeAways

- ADUs can be cheaper than renting
- ADU cost of construction is less than the per unit price in Portland for 1-4 family homes
- Affordable/qualifying financed amounts could leave a downpayment gap for many families

Rental P&L - Single ADU

Rent Received	Monthly	Annual
ADU Rental Income	\$2,250	\$27,000
Total Rent Roll	\$2,250	\$27,000
Expenses	\$513	\$6,161
Net Operating Income	\$1,737	\$20,839
Debt Payment	\$1,414	\$16,963
Cash Flow (post mortgage)	\$323	\$3,876

Investment Overview

Debt to Income *Ratio must be >1.2	1.23	
Cap Rate *Portland new construction 5-7%	7.58%	
Cash on Cash Yield	5.17%	
Cash needed to build	\$75,000.00	
Payback Period (Years)	19.3	

Rental P&L - Single ADU *With 50k State Subsidy

Rent Received	Monthly	Annual
ADU Rental Income	\$2,250	\$27,000
Total Rent Roll	\$2,250	\$27,000
Expenses	\$513	\$6,161
Net Operating Income	\$1,737	\$20,839
Debt Payment	\$1,414	\$16,963
Cash Flow (post mortgage)	\$323	\$3,876

Investment Overview

Debt to Income *Ratio must be >1.2	1.23	
*Portland new construction 5-7%	7.58%	
Cash on Cash Yield	15.50%	
Cash needed to build *with 50k state subsidy	\$25,000.00	
Payback Period (Years)	6.4	



Create a Financing Program

Key Program Aspects:

- Deferred, 0% loan
- Forgiveness if certain criteria is met (*e.g. rented affordable*)
- Don't deed restrict (*no one will impair their largest asset*)
- Easy application process
- \$50k-\$150k
- Use the Mass Home Modification Loan Program, Vermont, New York's program, Salem ADU Grant Program as a framework.





How to Make Building ADUs Even Easier and Avoid Future Over-Regulation



Remove Burdensome Requirements

Water/Sewer Requirements

- Don't require separate water/sewer
- Don't require replacement of service lines
- Let people do what makes sense on each site.

+\$10,000 - \$40,000

Sprinkler Requirements

- One story, all electric small homes with multiple egresses are low fire risk
- The risk of a 1 or 2 family home burning each year is **.0015%**.

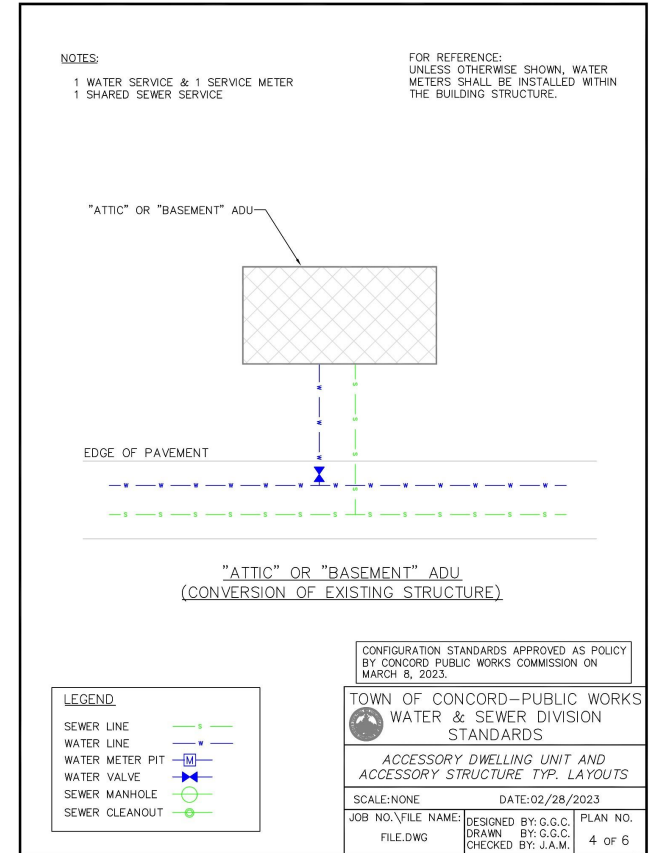
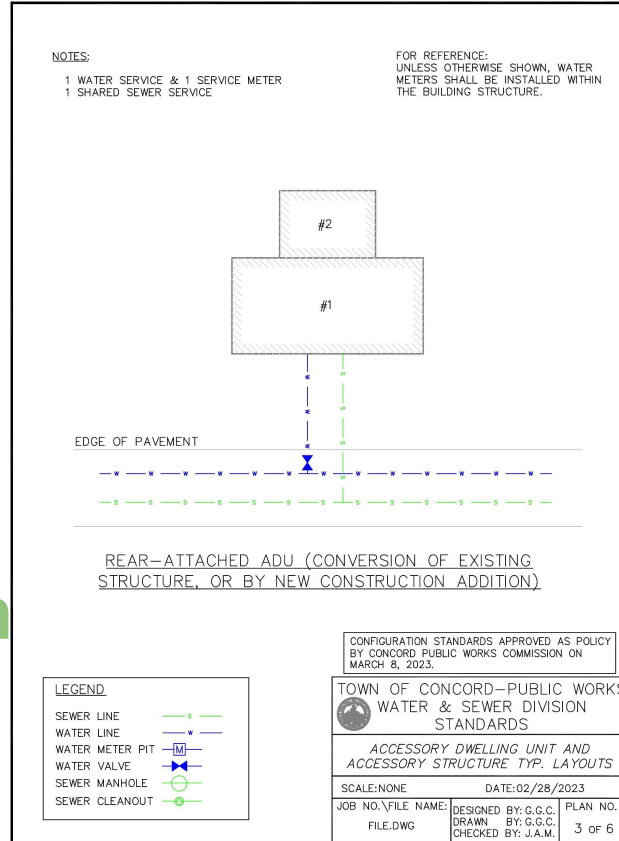
+\$15,000-\$35,000

Large Setbacks

- ADUs fit nicely in back corners of lots. Don't require setbacks larger than 5'
- Let ADUs be where they minimize costs and protect mature trees



Don't let DPW/Water Define Connection Rules





NOTE:

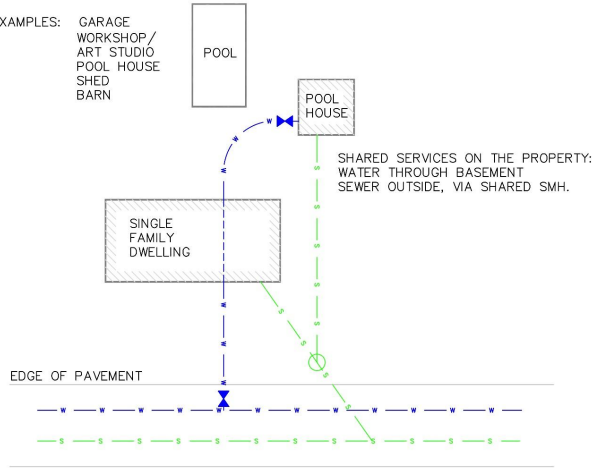
IF THE ACCESSORY STRUCTURE WERE TO BE CONVERTED TO ADU USE, SERVICES MUST BE CONVERTED TO CONFORM TO PLAN 1 OF 6.

FOR REFERENCE:

UNLESS OTHERWISE SHOWN, WATER METERS SHALL BE INSTALLED WITHIN THE BUILDING STRUCTURE.

EXAMPLES:

- GARAGE
- WORKSHOP/ART STUDIO
- POOL HOUSE
- SHED
- BARN



SHARED SERVICES ON THE PROPERTY:
WATER THROUGH BASEMENT
SEWER OUTSIDE, VIA SHARED SMH.

ACCESSORY STRUCTURE
(NOT FOR DWELLING)

LEGEND	
SEWER LINE	
WATER LINE	
WATER METER PIT	
WATER VALVE	
SEWER MANHOLE	
SEWER CLEANOUT	

CONFIGURATION STANDARDS APPROVED AS POLICY BY CONCORD PUBLIC WORKS COMMISSION ON MARCH 8, 2023.

TOWN OF CONCORD—PUBLIC WORKS
WATER & SEWER DIVISION
STANDARDS

ACCESSORY DWELLING UNIT AND
ACCESSORY STRUCTURE TYP. LAYOUTS

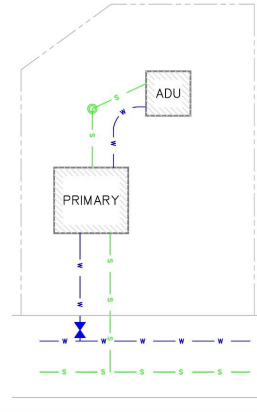
SCALE: NONE	DATE: 02/28/2023	PLAN NO.
JOB NO. \ FILE NAME:	DESIGNED BY: G.G.C.	DRAWN BY: G.G.C.
FILE.DWG	CHECKED BY: J.A.M.	5 OF 6

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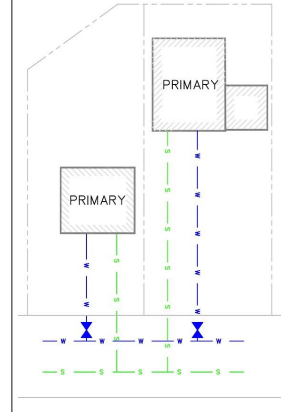
BEFORE: 1 PARCEL

BUILDING PERMITS ISSUED MANY YEARS AGO ALLOWED THIS SERVICE CONFIGURATION.



AFTER: 2 PARCELS

SUBDIVIDED PARCEL W/ACCESSORY STRUCTURE ON NEW LOT & RETAINS SEWER CONNECTION.



SUBDIVIDED PARCEL, WITH ORIGINAL ADU ON NEW LOT
AND NEW LOT RETAINS SEWER CONNECTION

LEGEND	
SEWER LINE	
WATER LINE	
WATER METER PIT	
WATER VALVE	
SEWER MANHOLE	
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Sprinklers

Maine is leading New England (and possible the nation) in sprinkler requirements.

Sprinklers increase the likelihood of survival in a house fire from 50% to 97% BUT house fires are extremely unlikely especially in new homes.

Probability of a 1 or 2 Family Home Burning Each year: .0015%

In that context keep in mind:

- Sprinklers can easily add 15-20k to an ADU
- There are only ~28 Licensed installers in Maine
- People moving into an ADU are overwhelming moving from a house with fewer fire safety precautions AND the safer ADU is unlikely to get built if sprinklers are required

Causes of Fires	
Cause	Total
Appliances	6
Cooking	13
Electrical malfunction	40
Equipment malfunction	5
Heating	33
Natural	1
Open flame	5
Other equipment	1
Other heat	9
Other unintentional/Careless	11
Playing with heat source	1
Smoking	23
Under investigation	1258
(blank)	
Grand Total	1406

Arc Fault Breakers reduce electrical-related fires by 50%

Minisplits eliminate the source of these fires



Check “Good Intent”

All new rules relating to structural building, life safety, servicably, accessibility, water/sewer connection details, driveway access permits, environmental concerns, energy efficiency, and zoning **come from good intent.**

But we’ve had so much good intent from so many people we can no longer build an affordable house, leaving people homeless and/or house poor.



Continue to Remove zoning barriers to building ADUs

- Additional Density - Allow multiple ADUs or 4 units total per residential lot - Help reduce build cost per unit or per SF.
- Don't require owner occupancy
- Don't require common ownership - this allows for property to be condoized and can create new homeownership opportunities.



Let Residents Know ADUs are Welcome

- Add content to town website, newsletters, social media, and website
- Showcase successful ADU Projects in local newspaper
- Host public educational workshop or webinar with Backyard ADUs.
- Promote [financing resources](#) for building ADUs. Backyard has calculators and can point to banks with ADU programs.
- Backyard ADUs provides a feasibility study that details what a homeowner can do for \$600.



Partner with Employers

Our **Rent Your Backyard Program** allow homeowners to earn a lump sum up front to host an ADU and not have to do any management

Employers can sign master leases and pay small monthly fee to make ADUs cashflow positive from the first year

This provides homeowners with financial benefit from demand in the housing market without having to move or borrow money.



Town as Impact Investor

- Revenue Bonds can provide stable source of capital for construction.
- Funds are borrowed by town at low interest, and loaned to new housing construction at slightly higher interest rates, but less than bank interest rates, so that program breaks even.
- Examples are in Montgomery County, Maryland, Chicago, and Atlanta.



Regulate Short-Term Rentals (STR) to reduce local resistance to ADUs

- Require registration of units.
- Cap # of whole unit, non-owner occupied STRs
- Hire a third party to make sure listings on VRBO, Airbnb are registered.
- Require registration # in the online listing.
- Allow Short Term Rentals for the first 5 years after construction to provide a financial incentive to homeowners at no cost to taxpayers.
- See [Portland Maine Chap 6, sec 6-151](#) for language.



ADUs are easy to build!

Build more ADUs!

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