

Photo courtesy of Merilee Kern

TINY HOME INTEL:

10 MOST COMMON ADU QUESTIONS

By Merilee Kern

The rise of the Accessory Dwelling Unit (ADU) has been nothing short of spectacular. Once a niche residential real estate concept, ADUs — often referred to as guest houses, granny flats, casitas or in-law suites — have exploded in popularity, transforming backyards across the nation. This surge in interest reflects a growing need for flexible living spaces, a desire to increase property value, a means to generate revenue and even a solution to some housing challenges.

Gone are the days of drab and cookie-cutter ADUs. Today's designs push the boundaries of creativity, showcasing how even small spaces can be transformed into stunning, functional living environments. These modern ADUs are not just about adding square footage; they're about enhancing lifestyles, fostering intergenerational living and creating sustainable housing options for the future.

For a deeper dive into the value, benefit and process best practices related to ADUs, I connected with Paul Dashevsky and Jon Grishpul, co-CEOs at Maxable, a national leader in resources for planning, hiring, building and managing ADU, granny flat and other tiny house projects.

How would you simply describe an ADU?

Paul Dashevsky: An ADU is an additional small housing structure built on a property that already has a main home or main structure. They can be built on a single-family lot or multifamily lot, noting that duplexes count as multifamily. They can be garage conversions, stand-alone units, attic or basement conversions, or be attached to the main house. ADUs are exceptionally flexible, and most owners find that their use for the unit evolves over the years. To be considered an ADU, the structure must contain everything required for long-term housing of at least 30 days. This includes a full kitchen with countertops and appliances; full bathroom, bedroom or sufficient space for a sleeping area if building a studio; private entrance and utility connections including water, electric and sewage. Think of an ADU as a regular home, just on a smaller scale, like an apartment.

What are the best types of ADUs?

PD: The best types of ADUs are the ones that align with your needs, budget, style and property constraints. In my own professional experience, some of the most popular ADU types include garage conversion and expansion; detached or attached custom-built, above garage and detached prefab.

Garage conversion ADUs are excellent for homeowners who are looking for an affordable option

and are tight on space on their property. Plus, you benefit from regulatory benefits. If your garage is found to be in poor condition, it may need to be demolished and rebuilt to complete your ADU project. A detached, custom-built ADU provides the greatest flexibility among all options, though it's often one of the more expensive choices. However, if customization is a top priority, the additional cost may be well worth it. An above-garage ADU preserves not just the garage, but the backyard space too. Most garages are not built to support a second story, so the garage will need to be reinforced before construction on the ADU can begin. With that in mind, an above-garage ADU is the most expensive option.

Will an ADU increase my property value?

Jon Grishpul: Yes, an ADU will almost certainly increase your property value by up to 35%. An additional living space not only enhances the functionality of your property but also makes it more attractive to potential buyers. When building a garage conversion ADU, some homeowners are worried that losing their garage may deter some buyers. But studies show that many buyers prioritize additional living space over a traditional garage, especially in urban areas where parking may not be as critical. The added value of an ADU often outweighs the loss of a garage, making it an appealing feature for future buyers.

How much does it cost to build an ADU?

PD: The cost of building an ADU will depend on your region, since labor and material costs vary throughout the country — or even any given state. One main thing to keep in mind is that building an ADU is going to be vastly different from building a larger main house. Every cubic foot counts since you have to fit so much into a smaller space, which means that the cost per square foot will be a bit higher. With that said, using starting cost is a good way to gauge how much your project will cost. In some states, ADU costs start at about \$150,000 and can increase depending on lot characteristics, level of finishes, ADU type and even the time of year.

Can the cost per square foot of an ADU differ depending on size and structural form?

PD: Yes. The larger the unit, the cheaper your cost per square foot will be. Detached units can be up to 1,200 square feet or larger if you're converting an existing space. A 1,200-square-foot unit will probably be cheaper per square foot to build than a 450-square-foot unit. Building up is more expensive. Most people instinctively want to build an accessory dwelling unit above their garage. If your budget is tight, stick to single-story. Building

up will add approximately \$50 per square foot to your project. In most cases, a garage conversion is the most affordable way to convert space into an ADU. If your budget is modest, keep the existing envelope of the garage — meaning, don't expand on the current footprint, as this will add extra cost.

Can ADUs be rented out to others?

PD: Yes, you can legally rent out your ADU. However, the permitted rental duration may vary depending on your local regulations. In California, long-term rentals — defined as terms longer than 30 days — are permitted in all jurisdictions. Most homeowners renting out their ADUs prefer one-year lease terms, as they offer stable income with minimal maintenance requirements. Rental terms under 30 days are often referred to as "vacation rentals" and are commonly listed on platforms like Airbnb and Vrbo. However, some cities prohibit ADUs from being rented for less than 30 days.

How long does it take to build an ADU?

JG: An ADU will take about 10 to 18 months to complete from design to construction finish. This will also depend on the complexity of your project. The general timeline of the ADU process entails design over one to three months, permitting over one to three months and construction over eight to 12 months. For a faster turnaround, a prefab ADU can cut the construction process to as little as one month. Modern prefab ADUs offer a wide range of customization options.

Are there permit and building code considerations relating to ADUs?

JG: Yes. You are required to obtain a permit before you can begin construction on your ADU project. The primary permit you'll need is a building permit. A building permit explicitly grants you permission to make major changes to your property. Your general contractor will ask for this before they break ground. Your ADU will also need to meet local building and safety codes for housing units. These codes will vary based on your jurisdiction.

How does one get an ADU permit?

JG: The first step to secure a permit is to assess your property's space, layout and zoning regulations to determine where an ADU could fit best. Next, unless you have experience designing ADUs yourself, it's optimal to hire an ADU designer who will know exactly how to move you through the process.

After brainstorming with your designer, he or she will then develop and draft your permit set to talk specifics, which will be submitted to the city. This is a large, 20-plus page packet of documents typically

printed on 24×36 paper. This documentation allows the city to see exactly how your ADU will be placed, how it interacts with its surroundings, its impact on the neighborhood and other relevant factors. That's why these permit sets are so detailed and extensive.

Luckily, your designer is responsible for drafting all of it. Once completed and with your sign-off, your designer will submit the ADU permit set to your local city planning department to go through the permitting process. This will usually take one to three months depending on your jurisdiction. This is a great time to begin vetting ADU general contractors. Once your building permit is secured from the city, you can then officially start building your ADU.

Can I finance my ADU project?

PD: Building an ADU can be a significant investment, but there are several financing options available to help make your project more manageable. One option is a home equity line of credit, or HELOC. This allows you to borrow against the equity in your home, providing a flexible line of credit. You can draw on this line as needed and only pay interest on the amount you use. This option is ideal if you want to access funds gradually as construction progresses.

Another option is a home equity lump-sum loan that's secured by your home's equity. This option offers a fixed interest rate and predictable monthly payments, making it a stable choice for homeowners who prefer a set repayment schedule. It's ideal for those who need a clear and immediate amount of funding for their ADU construction.

A third option is a construction loan, a short-term loan specifically designed to fund the building phase of a project. This type of loan typically covers the cost of labor, materials and permits. Once construction is complete, the loan can often be converted into a traditional mortgage or paid off with other financing options. Construction loans can be ideal for those planning a major ADU build, as they provide upfront funds for the entire construction process.

Looking ahead, the relevance of ADUs is only set to grow. As urban populations swell and sustainability becomes a central focus, the ability to build smaller, energy-efficient homes with reduced environmental impact will be key. Additionally, ADUs offer a pathway to fostering community resilience by creating affordable housing options that work for everyone — from young professionals to retirees.

With housing costs soaring, many homeowners are looking for creative ways to maximize their property value while providing additional living options. ADUs offer a flexible, cost-effective way to generate rental income, accommodate aging family members, or even provide young adults with an independent living space — all without the need for costly relocations or massive new developments. And, as cities across the U.S. relax zoning laws and streamline permitting for these backyard beauties, the path to building an ADU has never been clearer.

Merilee Kern is a brand strategist and analyst who reports on industry change makers, movers, shakers and innovators: field experts and thought leaders, brands, products, services, destinations and events.

