

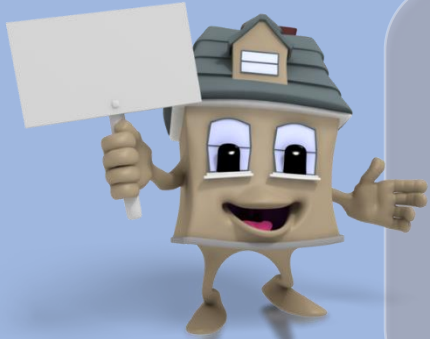


Accessory Dwelling Units (ADUs)

Are They For You?



What do we want to accomplish?



Understanding ADUs
and how they can be a
benefit



Do ADUs fit for you, and if
so, what are your options.



Today's Agenda

1

What are ADUs, and what is their history

2

What is the current environment for ADUs

3

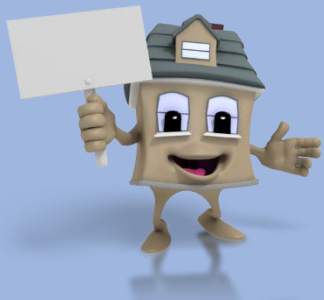
Why ADUs are a big topic today

4

Deciding if ADUs are for you

5

Options for creating ADUs



What is an ADU (Accessory Dwelling Unit)?



Definition:

Accessory dwelling units (ADUs) — also referred to as accessory apartments, second units, or granny flats — are additional living quarters on single-family lots that are independent of the primary dwelling unit.

- *Department of Housing and Urban Development*



ADUs in the Past

- The concept of ADUs infilling housing in established neighborhoods is not new.
- ADUs were popular on TV, and in our lives, in the past
- Historically ADUs have been built without permits
- Many unregistered ADUs locally

ADU Data is Recently Available

- Freddie Mac identified 1.4 million unique properties with ADUs.
- In 2019, 78,000 accessory units were either sold or rented, up from 36,000 units in 2009
- First-time ADU listings increased rapidly from 2009 to 2019, growing at an average annual rate of 8.6%.

What is the Environment for ADUs

- Cities have been adopting ADUs
- Permitting Under State HB 2001
- Local governments often set their own terms and procedures
- Locally permitted, nationally mislabeled

Why ADUs Are A Big Deal Now

- Nationally, we have up to a 6M unit shortage of housing
- It's harder to find affordable housing
- Locally, housing is needed to support the shortage of job applicants
- Tremendous amount of equity available to many homeowners over 55.

Why Would You Consider an ADU?

- Provide needed housing
- Source of income
- Lower environmental impact than other dwellings
- Typically created by homeowners
- Help house a family member or friend

What Are the Challenges of ADUs?

- It cannot be bought or sold separate from the main home (exception)
- Dealing with planning and construction issues
- Patchwork of regulations
- ADUs are still relatively rare- Difficulty to assess appraised value.

Question Break?



How Do You Do It?

1. Finance with an existing or new main house
2. Finance based on existing home equity
3. Finance independently of main home

Scenario #1

Which financing tool would be the most advantageous?

Gainfully employed, has tons of equity on their house, lives in the house, and wants to build a detached ADU on that property.

Assuming they can take out enough cash out from a first mortgage or 2nd mortgage not based on after rehab value, then a cash out first mortgage or 2nd mortgage could be used. Which one depends on the terms of the existing first mortgage?



Scenario #2

Which financing tool would be the most advantageous?

For someone with little or no income, but with the same other factors at play

Could qualify as a primary residence, with income approval still necessary. However, if buying or refinancing as a primary residence with an ADU, they may use rents to qualify.



Scenario #3

Which financing tool would be the most advantageous?

Someone who is employed, but without any significant equity in their existing property?

Without material equity in the property, you need a form of renovation financing. This type of financing will allow for a future value of the proposed ADU by using an appraisal assuming the additional renovation.



Questions?



Mid Oregon Credit Union
Mortgage Team

www.midoregon.com

(541) 382-1795



The Mid Oregon Credit Union Home Loan Team

Dina Bliss



Trevor Lewis



Jenny Kanoff



Ann Wunderlich-Conn



Sloan Holloway



Angie Lopes

