

California Homeowner's ADU Guide

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Introduction to ADUs in California

What is an ADU?

ADU stands for Accessory Dwelling Unit. ADUs go by many other names—additional dwelling units, granny flats, casitas, and in-law units, to name a few. But whatever you call it, an ADU is a small additional dwelling on the same property as an existing single or multi-family residential unit. Common types of ADUs include basement apartments, over-garage apartments, converted garages, and freestanding tiny homes.



Why build an ADU?

There are several compelling reasons to consider building an ADU on your property! In addition to adding much-needed housing units, ADUs make great guest houses, age-in-place homes, rental units, work-from-home offices—the possibilities are endless.

How can I build an ADU?

Although ADUs are small, the building process is just as complex as it is for full-size houses. Architects, land surveys, permits—all of these apply to ADUs, and it's a lot for the average homeowner to manage. The process is complex, and while there is an abundance of free information online, much of it is confusing (and some of it is outdated or incorrect). Accessory Dwelling Units are also expensive to build, and most homeowners need to take out loans to finance them.

This may sound like a lot to take in, but don't be discouraged! We're here to help you understand what you can build, give you a realistic understanding of how the process works, and introduce you to the best methods to fund your project.



What Can I Build?

If you're thinking about building an ADU but aren't sure if your property meets the requirements—or what the requirements even are—this simple guide will help answer your questions and steer you in the right direction.

Laws

In addition to state ADU laws, many jurisdictions across California impose additional local requirements on accessory dwelling unit development. Special zones—such as historic, earthquake, hillside, high fire severity, and methane zones—allow ADUs according to state law, but require additional permits, safety measures, or other limitations. It's best to let an expert analyze your property and your jurisdiction's local laws to determine what you're able to build.

Size

There are size limits for ADUs, and they vary state by state. In California, an attached ADU cannot exceed 50% of the size of the main dwelling (so if your house is 1800 square feet, your attached ADU must be 900 square feet or smaller).

Detached ADUs have a size limit of 1200 square feet, regardless of the size of the main house. Cities must allow units under 800 square feet and 16 feet of height, as long as they abide by 4' rear and side setbacks.

It's worth noting that there are minimum interior space requirements as well. Essentially, the bedroom/living room must be at least 70 square feet and the kitchen must be at least 50 square feet. The bathroom must be at least 30 square feet and requires a toilet, sink, and shower or bathtub. This works out to a minimum of 150 square feet, or a space larger than 10 by 15 feet—they can be very small!

Number of Units

The state allows homeowners to build up to two ADUs on their property, but there are restrictions. Owners of multi-family dwellings can build up to two full-size ADUs on the property (if there's enough space). Homeowners of single-family properties may also build up to two ADUs on their property: a regular detached ADU and a Junior ADU (also called a JADU). A JADU is a smaller unit that is attached to the primary dwelling, and it can extend up to 150 feet beyond the original footprint of the building for means of egress (i.e. an entry or exit). JADUs are usually converted garages or large bedrooms remodeled to include a bathroom and kitchen.

Some local jurisdictions have their own regulations on the number of ADUs you can build, in addition to the state law. For example, multi-family properties in the city of Los Angeles can build up to 25% of their existing units as attached ADUs. That means an existing 12-unit building could add 4 attached ADUs.

Contact Otto for a free assessment to learn more about what you can build on your property!



Building Materials

There are some building material standards in place to ensure quality and Title 24 energy standards. Windows must be at least double-pane glass and labeled for building use, and they can't have exterior trim. There are also a few exterior cladding materials that are prohibited, including single-piece composites, laminates, and interlocked metal sheathing.

If your property is located in a historic area, there may be additional requirements about the windows, doors, and other materials to ensure that your ADU matches the character of the neighborhood. Otto is experienced with several historic districts in the Los Angeles area and can coordinate with the historic board to design an approved unit.

Utilities

Your ADU can be connected to your current electrical panel, provided there is enough space. If you intend to rent the ADU, however, we typically advise that you have the ADU's electricity metered separately.

Most people choose to share the water and gas connections though, as it is rarely worth the cost of separate metering. The ADU's sewer line is not allowed to connect to the main house, and must connect to the sewer line downstream of the house. JADUs, however, can connect all utilities (including sewer) to the main house.



Parking

California's new ADU laws have eased restrictions on parking requirements. Homeowners who convert garages into ADUs--or tear down the garage to build a new unit in the same footprint--are no longer required to provide replacement parking spaces.

And no parking spots are required for units within half a mile of public transit or in an historic district.



Best Ways to Finance

Obtaining financing is often the biggest obstacle facing prospective ADU builders, according to a 2020 paper from UC Berkeley's Turner Center for Housing Innovation. Legislative changes over the past few years simplified the ADU permitting process, but the construction process remains complex and expensive.

Unless you have lots of cash on hand, there are four main financing options for ADU construction:

1. Cash-Out Refinancing
2. Renovation Financing
3. Home Equity Loans / Lines of Credit
4. Home Equity Investments

1. Cash-Out Refinancing

A cash-out refinance works by refinancing your first mortgage to release some of the home equity you've built up, which you can then use to fund the construction of your ADU. Unlike taking out a second mortgage, this option allows you to consolidate your ADU financing and your mortgage into a single loan.

The downside is that it requires a large amount of established home equity, and most cash-out refinances only let you borrow up to 80% of your current property value.

2. Renovation Financing

A renovation loan is a type of home equity loan, specifically for home renovation projects. In contrast to a cash-out refinance, which is determined by the current value of your home, renovation loans allow you to borrow based on the future value of your home once the renovations are complete.

3. Home Equity Loans / Lines of Credit

A home equity loan--also known as a second mortgage--lets homeowners borrow a predetermined amount of money based on the equity of their home. Home equity lines of credit (HELOC) operate on the same principle, but allow homeowners access to a revolving line of credit rather than a fixed lump sum. Home equity loans and lines of credit can be a good option for people with high home equity but lower cash flow.

4. Home Equity Investments

A home equity investment (HEI) provides a lump sum—up to 25% of your home's equity—in return for a share in the future appreciation of your property value. Some HEIs come with no out-of-pocket costs or monthly payments, and they're not dependent on income or credit score. HEIs can be a great alternative for homeowners who can't access large loans. However, it's not the best choice if other financing options are available.

Bonus Option: CalHFA \$40,000 ADU Grant

The California Housing Finance Agency offers a grant program to assist homeowners in building an ADU on their property. Qualifying homeowners can receive a grant of up to \$40,000 to help pay for predevelopment costs associated with ADU construction. There are some restrictions, however: the grant is only accessible for homeowners who do not exceed the income limits with properties located within a Qualified Census Tract.

The CalHFA grant can be a great option to help fund your ADU, and it's now available to most homeowners in Los Angeles. As an HPP Cares Preferred Partner, Otto can help guide you through the process. Read our blog post on the CalHFA ADU Grant Program to learn more.

Otto, the trusted ADU design and construction experts for Los Angeles

We have one simple goal: Make it easy for homeowners and contractors to create beautiful ADUs in existing garages and empty backyards.

Since the ADU laws were signed into effect in 2020, we have been using our expertise to navigate the complexity & stress of design & construction for hundreds of homeowners like you.

Homeowners choose Otto because of our design expertise, our transparent process, our all-in-one construction management service, and our easy to use online Homeowner Portal.

Let Otto handle your ADU project's planning, design, and permitting. After you get permits, you can opt in for our hassle-free construction management service for peace of mind from start to finish!

We're also an HPPCares preferred vendor, so we can help you with your **free** \$40,000 CalHFA grant.

Get in touch for a free project proposal & quote:
contact@ottoadu.com or 323-210-4670