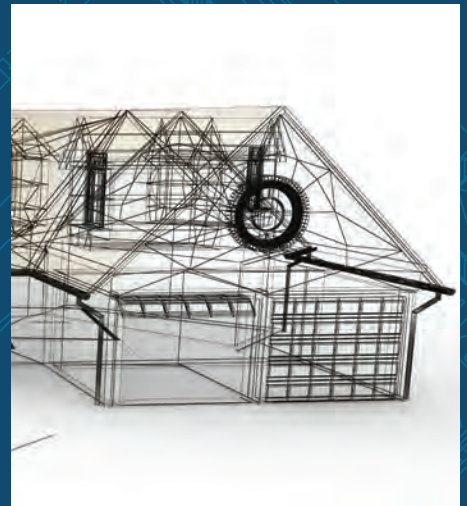


A NEW HAMPSHIRE
HOMEOWNER'S GUIDE TO

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A NEW HAMPSHIRE HOMEOWNER'S GUIDE TO ACCESSORY DWELLING UNITS

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A NEW HAMPSHIRE HOMEOWNER'S GUIDE TO ACCESSORY DWELLING UNITS

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INTRODUCTION

Could an accessory dwelling unit – also known as an "in-law apartment" or "granny flat" – be an opportunity to provide housing for a relative, caregiver or yourself? Or is it an opportunity to create a rental unit that brings additional income into your household? If you've been wondering how this type of apartment might potentially benefit your family, our guide will help you explore their possibilities and options.

Since the New Hampshire Accessory Dwelling Unit (ADU) statute (RSA 674:71 – 73) became law in 2017, many Granite State homeowners have seen how an ADU would be advantageous not only to them and their families, but also to their communities. New Hampshire has had a very tight housing market for a number of years. The creation of more ADUs will expand the supply of housing in New Hampshire, encourage efficient use of existing housing stock and infrastructure, and provide more affordable housing options.

This guide is written with homeowners in mind. We hope you find it a useful tool as you consider if you want to pursue constructing an ADU, or renovating space in your home into an ADU.

Last year NHHFA published a guide for municipal officials, to assist them in complying with the law and guiding their community's homeowners. You can download PDFs of that ADU guide and this one at [NHHFA.org/ADU](https://www.nhhfa.org/ADU).

Our ADU guides, along with a range of other publications, data and research, are part of our services and outreach to support the development and preservation of affordable housing in our state. If you are looking for a mortgage to buy a home, need housing assistance, are interested in building affordable rental housing, are looking for data on housing trends, want to learn more about workforce housing – we are here to help. You can email us at comments@nhhfa.org or call 603-472-8623.



Dean J. Christon
Executive Director
New Hampshire Housing Finance Authority

TO BUILD OR NOT TO BUILD?

If you're worried about your aging parent living alone, or wish your daughter and her kids lived closer and didn't have to pay so much for rent, or if you've dreamed of having extra income through renting an apartment, this guide is for you.



A Plainfield homeowner discusses her ADU plans with a builder.

ADUs can be the perfect home for aging parents, for adult children, for college students, or for people starting a career. Their use is flexible and can change with your family's needs. It can be a place for an older relative, a guest suite, an alternative living space for you, living quarters for caregiver needed in the main house, or as a rental unit that provides income for a homeowner.

There's such a strong market in New Hampshire for decent rental housing that the state enacted a law to make it easier for homeowners to create accessory dwelling units (ADUs) - apartments more-or-less connected

to single-family homes. Across the country, ADUs are seen as a great long-term investment and a means to strengthen communities by expanding housing options.

Before you start putting up new walls or searching for tenants, there's a lot to consider. This guide will help you decide whether to build. It covers:

- The benefits and challenges of adding an accessory dwelling unit,
- Costs and financing,
- Planning, designing and building an ADU, and
- ADU information, ideas and resources

With so much potential variation across New Hampshire, this guide can't answer every question or define every possibility, but it will make you familiar with the range of possibilities and help you start asking good questions. And it includes six homeowners sharing their ADU "how and why" stories and photos that may inspire you.

Once you start looking for ADUs in the houses around you, you'll spot them. Look for separate entrances to rooms over a garage, or maybe a wing off the house that looks self-contained, or even a detached unit on the property .

Where would you create your ADU? As soon as you start seriously contemplating that question, check with your city or town, your mortgage holder, and your insurance company. They will help you focus on what's possible.

► ADUs: What They Are

Accessory dwelling unit or accessory unit (ADU) is a standard term in real estate and zoning. You may know them as in-law apartments or granny flats.

An ADU can be built inside an existing home: in the attic, over the garage, in the basement, in a

converted office or bedroom. It can be added to the side of an existing home and attached in a variety of ways. It can even be a free-standing, self-contained home if it's on the same lot as the main house.

State law and local zoning ordinances distinguish ADUs from duplexes and various temporary or mobile structures such as the “tiny houses” that have been featured widely in recent years. This guide pertains only to legal, permitted, permanent units, where both the main home and the smaller “accessory” unit are owned by the same person.



[Read New Hampshire's ADU law in Appendix C.](#)

Since the statute went into effect in 2017, New Hampshire cities and towns must allow homeowners to create an ADU of at least 750 square feet, provided the unit includes facilities for sleeping, cooking, eating, and sanitation. The law allows cities and towns to enact their own ADU ordinances, so they will vary within the constraints of the law. If a municipality does not enact an ADU ordinance, the statute is the guiding law.

Municipalities must allow you to rent out the ADU to anyone, or to live in it yourself while you rent out the “main” home. They can require you to connect the two units with a doorway, but they can't require you to

keep it unlocked (an old rule designed to limit ADU rentals to close family members).

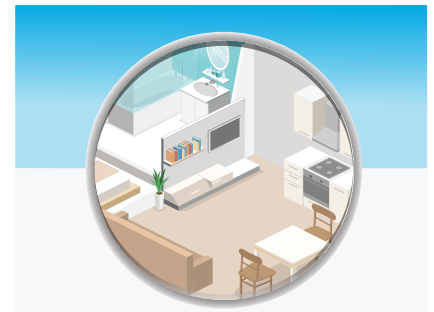
Municipalities can't arbitrarily require separate water or septic connections, but they can require you to demonstrate that your existing systems are designed to accept additional usage based on the total number of bedrooms on the property.

If the existing septic system is not designed to accommodate the additional use from the ADU, the municipality can require you to get a new septic system design permitted. They cannot require you to install a new system unless the current system is already failing.

Towns and cities have considerable latitude in how they implement the statute. They can prohibit ADUs larger than 750 square feet or with more than two bedrooms. They can prohibit free-standing ADUs (including ADUs built into or over a detached garage), also known as detached or DADUs. And they can require that the ADU owner live on the property in either the ADU or the main home.

Municipalities can regulate the appearance of ADUs to maintain the look of single-family neighborhoods. For example, some towns prohibit adding a new access door to the front of the house.

ADU ordinances also can allow more than one ADU



ADUs are also known as:

- In-law apartments
- Granny flats
- English basement apartments
- Guest houses
- Garage suites
- Carriage houses
- DADUs (detached ADUs)
- AADUs (attached ADUs)
- Mother-daughter apartments
- Accessory apartments

per lot, as Conway does in some of its zoning districts.

► ADUs: The Potential

The broad social benefits of ADUs are significant. They offer more affordable housing, more efficient use of land and public infrastructure, and a means to keep some of our great big old New Hampshire houses fully occupied and maintained.

But what about the personal benefits? An ADU can make it possible for an aging parent to live independently right beside you at far lower cost than in an assisted living establishment. Most of the ADU stories featured in this

guide were built specifically for the homeowners' family members. That's why in real estate listings ADUs are frequently called in-law apartments.

Many homeowners reach a point where they no longer need or want their large, multi-story home, but they may still wish to stay in or near that home. When ADUs are built on a single level, their occupants don't have to deal with stairs. That makes them ideal for anyone who may be concerned about their mobility and accessibility.

An ADU designed with separate entrances and good soundproofing can provide these benefits while producing as little or as much interaction between owner and tenant as suits them.

► ADUs as an Income Source

In addition to offering practical family-related benefits, ADUs can provide financial benefits to

their owners, particularly if they are willing to hold the asset for a decade or more. Whether you rent the rest of the house out to a family member or an unrelated family, you'll have an income stream and close neighbors.

Examples of listings of ADUs for rent in New Hampshire shown in this guide came from the Craigslist and Zillow websites. The first is a classified advertisements website with sections devoted to jobs, housing, items for sale, and more. Zillow is an online real estate marketplace for homeowners and renters.

The listings on these sites illustrate the range of ADUs for rent, including how much they rent for depending on location, the type of unit, and what's included in the rent (utilities, cable, furniture, amenities). You'll also get some insight into what kind of tenants the owners are seeking.

To find what's currently available on Craigslist, go to [## DERRY](http://www.craig-</p></div><div data-bbox=)



800
sq. ft.

STUDIO ONE
bathroom

\$1,575

Private property, on 4 acres, parking for 2 vehicles, 2nd floor private access. Owner pays all utilities, hot water, AC/heat, trash removal. Washer/dryer in unit. Large kitchen w/roll out drawers, double ovens, microwave, dishwasher & refrigerator. Cable ready. Tenant pays for phone. Private entrance beyond garage doors.

list.com, and click on Housing, then "housing type," then "in-law." For listings on Zillow, go to www.zillow.com, click on Rent, then enter New Hampshire in the location bar. Use the keyword "in-law" to search the listings.

Backyard Revolution: The Definitive Guide to ADU Development is currently the most comprehensive and useful book about ADUs. Among many other topics, it includes a chapter on the costs associated with building different types of ADUs and a chapter on income models.



This house on a corner lot in Concord has an attached ADU.

The author, Kol Peterson, is a long-time ADU advocate. He notes that small isn't necessarily inexpensive. A bathroom costs as much to install in a small home as in a big one. Attaching a self-contained dwelling to an existing home may cost more than building it as a free-standing house because it may require re-engineering part of the main structure. Basements and garages must be brought up to code. Garages, in particular, aren't usually built to standards required for habitation.

► Weighing the Costs

Unfortunately, we don't yet have a lot of data about the cost of building ADUs in New Hampshire or the rents they generate. In the ADU examples section of this guide, you'll find information on the approximate construction cost and the rental income for several of the ADUs.

Kol Peterson uses the following ranges for ADUs in the Portland, Oregon, area:

- Basement conversion: \$20,000 to \$100,000 depending on structural challenges

- Attic conversion or other internal space: \$20,000 to \$140,000
- Garage conversion (400 sq. ft.): approximately \$100,000
- Detached (800 sq. ft.): \$120,000 to \$250,000
- Attached: \$15,000 to \$30,000 more than a comparable detached unit.

In other words, building an ADU is not a simple renovation project like remodeling a kitchen. On the other hand, as nice as it is, the remodeled kitchen will never write you a check for \$1,200 a month.

A DETACHED ADU DESCRIBES A TYPE OF UNIT, NOT A STRUCTURE TYPE.

Like attached ADUs, DADUs must be secondary to the primary dwelling unit. Under New Hampshire's ADU law, municipalities may allow DADUs at their discretion and may limit them to being fixed to a permanent foundation. (See RSA 674:73.) A detached accessory dwelling unit (DADU) can be built using a variety of techniques, including any of those shown below, as well as "stick-built" or a variety of more creative alternatives. Any DADU has to meet the standards of the state building code. See Appendix D for further details on DADU.

A Tiny Home

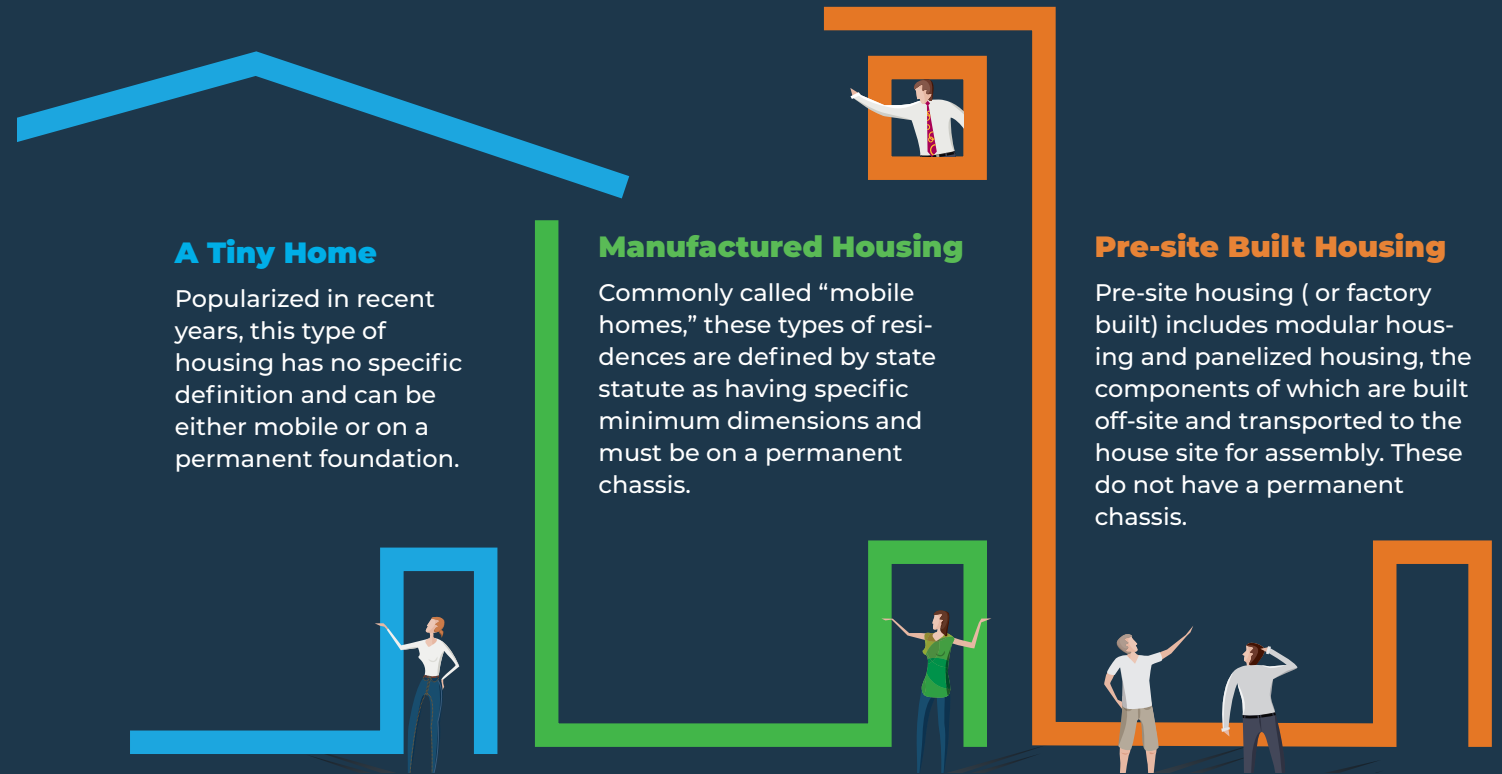
Popularized in recent years, this type of housing has no specific definition and can be either mobile or on a permanent foundation.

Manufactured Housing

Commonly called "mobile homes," these types of residences are defined by state statute as having specific minimum dimensions and must be on a permanent chassis.

Pre-site Built Housing

Pre-site housing (or factory built) includes modular housing and panelized housing, the components of which are built off-site and transported to the house site for assembly. These do not have a permanent chassis.



The simplest way to think about the economics of an ADU is to divide the total construction and finishing costs by the expected monthly rent to calculate a “payback period.” A \$120,000 project that earns \$1,200 per month (\$14,400 per year) would be “paid off” in 8.3 years. After that, all the rent can go straight to your retirement account.

Some ADU owners choose to live in the smaller unit and rent out the main house, thereby earning more in rent and making the payback period considerably shorter.

If you’re planning to borrow to finance the ADU, then a relevant question is whether you will be able to collect more per month in rent than you need to pay the loan’s principal and interest. Your ADU may generate a positive cash flow from the start or it may take a few years.

In addition to potential borrowing costs, you will probably need to buy additional insurance to cover the increased value of your home and liability as a landlord. Your town may reassess your property and raise your real estate taxes as well, because you will likely have increased the value of your home.

The increased value of your home deserves additional attention. During the eight or so years that you’re “paying off” the ADU construction costs, the ADU’s value is probably increasing or holding its own. When you

sell your home, the ADU could help you get a higher price.

But how much higher? Your investment in the improvement of your home by adding an ADU will likely reward you when it’s sold, but the extent of return on that investment is virtually impossible to estimate. Real estate appraisal relies heavily on purchase price data from comparable properties recently sold. Researching the purchase prices of local properties with in-law apartments or ADUs might give you a sense of value in your market. Rental income is also commonly factored into appraised value. The influence of ADUs on local tax assessments is largely unknown.

If buyers begin to pay a premium for homes with ADUs, appraisers and assessors will gradually build those prices into their understanding of the market. This process happens slowly.

In the meantime, the ADU you’ve invested in may produce considerable value to you in other ways. Having your in-laws or children close is valuable in a non-monetary way. Having a smaller place to eventually move to on your property has a unique personal value.

And if an ADU can help you or a loved one avoid paying \$60,000 a year to an assisted living facility for even a few years, that’s an important value, too. (The monthly median rent for assisted living facil-

RYE: IN-LAW



950
sq. ft.

TWO
bedroom

ONE
bathroom

\$1,550

The in-law apartment for rent in Rye is situated on the left side of the house on the property and is located on a beautiful private wooded 4-acre lot on a low traffic street. It abuts 30 acres of forest/conservation land. Tons of privacy. It is 2 miles from the beach. No smoking & no pets. Utilities not included. Tenants are responsible for snow removal, trash removal and yard upkeep. Qualifies for Rye beach parking sticker!

ities in NH is about \$4,855/month, according to Genworth’s 2017 Cost of Care Survey.)

Given the number of variables (construction costs, rent, financing costs, tax implications, real estate assessments, insurance, avoided costs), you’ll want to do some careful analysis before setting a construction budget and financing the project.

► Being a Landlord

There is a very tight and competitive rental market in most of the state that is expected to continue for some time. Rents in New Hampshire have been rising for years (the median gross rent for a two-bedroom unit in 2018 was \$1,269 per month; up \$220 per month from 2013, according to a recent NHHFA rental housing survey). Inventory is low, vacancy rates are very low, and consequently the tenant market for a New Hampshire landlord is promising.

If you're considering renting your ADU and becoming a landlord, it's important to ask yourself if you want to be a landlord. Most of us have been a tenant at one time or another, but being a landlord is a special role and holds special responsibilities. It is not for everyone.

Being a landlord means that you have serious obligations to your tenants and are responsible for the building, day and night. And being an ADU landlord means living in close proximity to your tenants. The Zillow and Craigslist ads shown here provide a sense of what some landlords offer and expect.

One couple put it this way in their Craigslist ad: "This is a rather unique 'rental' situation. We own the house and live upstairs. We are a quiet and respectful couple that mind their own business. We ask for the same in return. We

expect our new 'in-laws' to treat the property as if it were their own!" A Derry listing cautioned: "Landlord is in law enforcement, some applicants may not like this."

The Consumer's Sourcebook, published by the New Hampshire Attorney General's Office, is a useful resource for landlords and tenants. It covers a range of important topics from leases to security deposits to health codes and smoke detectors to building maintenance.

New Hampshire statutes cover many aspects of the landlord-tenant relationship, including how and when a landlord can evict a tenant.

Owner-occupied dwellings—including a home and its ADU—are exempt from the anti-discrimination requirements of the Federal Fair Housing Act.⁵

New Hampshire law gives owners of ADUs and similar rental units considerably more latitude than owners of apartment buildings. Nonetheless, as a landlord, it is advisable to comply with these laws for legal, practical and moral reasons.

And despite our best efforts to ensure things go smoothly, ultimately a tenant may not be a good fit. This might require you to evict the tenant for cause, but it likely will not be easy, and it certainly will not be without stress and some expense.

ETNA



1,400
sq. ft.

TWO
bedroom

1.5
bathrooms

\$1,850

In-Law located 5 miles from Dartmouth College and DHMC. Hardwood floors in kitchen and hallway. Master bedroom with full bath and walk-in closet. Full size washer/dryer with large storage closet. Private balcony/deck off living room with picturesque meadow views. No pets. Rent includes heat.

The *Sourcebook* notes that in New Hampshire, tenants renting part of a privately owned and owner-occupied home can be evicted for almost any reason.

There are a number of online resources and books that provide in-depth guidance to being a landlord. Carefully consider your circumstances before committing to this role.

GETTING UNDERWAY WITH YOUR ADU

This section will introduce you to the key pieces of an ADU project: planning and zoning, design, financing, and construction. Appendices A and B will help you map out resources and ideas to create an ADU.

► What Does The ADU Ordinance Allow?

New Hampshire allows municipalities considerable flexibility in their implementation of the ADU statute. Your zoning administrator can explain what's permitted or you may find the answer on your municipality's website. Search for the "zoning ordinance" and then search the ordinance for "accessory dwelling units" or "accessory apartments."

Most zoning ordinances are written in fairly clear language, so you should be able to determine what your town will permit. To get the full picture in some towns, you'll also have to check the zoning ordinance's "Table of Uses," which summarizes the different requirements in different zones and "overlay districts."

For instance, in Belmont, accessory dwelling units are not allowed in commercial or industrial zones, but are permitted with a special exception in the town's single-family residential zone and permitted by right in the village, rural, and multi-family residential zones.

To ensure that you have accurate information, confirm the scope

of the zoning ordinance by calling your town or city's Community Development Director, the Planning Board staff person, the Zoning Administrator, or the Building Inspector.

In Bow, for example, the ordinance allows ADUs up to 800 square feet, but leaves some questions unanswered. Since it is silent on ADUs built over detached garages, it would be prudent to ask a town official if they are allowed.

And what if you want to convert your basement's 1,000 square foot game room and wet bar into something more productive? Can you use all that space for an ADU?

Freedom's zoning ordinance provides a clear answer to that: by special exception, an ADU may exceed the 800 square foot maximum but only if the unit is a conversion of existing space within the home (not an expansive addition). Other towns do not offer that possibility.

If your town allows ADUs "by right," you will probably only need to present plans for the renovation and information about the septic system to get a simple

building permit to proceed. If you need a conditional use permit or special exception, you may have to present your plans to the Planning Board or Zoning Board of Adjustment.

If there's any ambiguity in the ordinance that your conversations with municipal officials don't resolve fully, get their interpretation in writing. Also, consider hiring a lawyer for guidance before drawing up your plans.

These are the kinds of questions that need to be worked out carefully with planning officials and documented in your records. While you may be the right person to start that dialogue, you might want to consider having a builder or attorney with a track record of successful projects get the answers for you. The discussions can get technical and it may be a better use of everyone's time for municipal staff members to work with someone who's already familiar with the process.

One very important rule of thumb: never build it without getting proper approvals first. Don't risk a fine or even having to dismantle what you've built.



► Design & Construction

Hiring good people to design and build your project is critical to a successful outcome. The level of complexity of the project may direct who you should work with to ensure a successful construction project that finishes on time.

To find good, reliable professionals, ask around. Ask your town building inspector which builders have consistently done good work in town. Ask friends and neighbors who have had renovation projects completed about their experiences with designers, builders, and contractors. Expect the best professionals in the field to be the busiest, though, so plan ahead.

The fear of being ripped off or hiring someone who will make your home worse inhibits many people from undertaking home renovation projects. The New Hampshire Homebuilders Association (www.nhhba.com) has links to its members and other resources. The Better Business Bureau may also be helpful.

For most ADU projects, you probably won't need to hire an architect. You can save on that expense by hiring a good designer or a designer-builder who can turn your ideas and building specs into building plans for contractors. Software allows designers to lay out plans fairly quickly and enables you to see the planned structure in 3-D from many angles before any construction starts.

Do consider hiring an architect if your home is unique or your vision for the ADU is complex or idiosyncratic. Because ADU spaces are compact, look for people with experience designing small spaces.

One very important rule of thumb: never build it without getting proper approvals first. Don't risk a fine or having to dismantle what you've built.

To get a building permit in some towns and cities, you will need to present plans stamped by an engineer or an architect. If you live in one of those communities, you may want to hire an architect up front.

Remember that constructing an ADU is not a typical do-it-yourself project. Most jobs won't require engineers, though complicated projects may need a structural engineer's review as part of the design process.

You will probably want to work with a kitchen designer to get just the right cabinets and appliances for your small space. Kitchen designers work on their own or at some of the larger building supply companies.

When you've identified who you'd like to work with, make an appointment for them to see your property, and request a written quote for the project. Get

several quotes and compare their approaches and experience, as well as their price estimates.

Check the contractors' credentials, their status with the New Hampshire Secretary of State's Office (www.sos.nh.gov), and be sure they and their subcontractors are fully insured. (Sole proprietors may not be listed with the Secretary of State's Office.)

Ask the contractors to provide references from customers in the area. Contact them and ask if you can see the work and talk to them. Truly satisfied customers often are glad to do this.

Examine the contracts carefully. Know exactly what will happen to costs and materials if the estimates aren't accurate, or if the schedule changes.

► Design Considerations

As you plan your ADU, there are two design considerations worth thinking about: how to make the unit accessible, and options for energy efficient features.

The law doesn't require your renovation to be compliant with the Americans with Disabilities Act, but designing for people with reduced mobility makes sense. Even if you don't intend to move an elderly relative into your home, wheelchair accessibility may turn out to be a benefit for others, whether visitors or would-be residents.

How to build for accessibility.

Wider interior doors, a walk-in shower, door levers instead of knobs, grab-bars in the bathroom, somewhat lower counter tops - these are simple changes that can make your unit attractive to a wider range of potential tenants.

The critical items to build in from the start are 36-inch-wide door frames and an easy-access shower. Hardware can be added when it is needed but the wall framing should be constructed at the outset to accommodate their potential addition. Also consider lighting (type and switches), appliances, cabinet location, level entry and general design features that might impact someone who is mobility or visually impaired.

Building in energy efficiency and low-cost operation.

Designing an ADU is an opportunity to build energy efficiency into the core of your project and into your whole house. An energy efficient ADU will be cheaper and easier to operate and will return more on your investment. Upfront costs may be higher, but they will return savings year after year. And if you fold the cost of utilities in your tenant's rent, that income will help pay back your investment.

Smaller spaces are ideal for efficient design. The key is finding a designer or builder who knows how to work with the best insulating, air-sealing, heating, and lighting technologies.



Use the ADU Budget Estimator in Appendix B

New Hampshire's legal energy code is the International Energy Conservation Code (IECC) 2009 edition, but the IECC has been updated three times since then. Ask your builder to meet the 2015 or 2018 IECC code. Each generation delivers more comfort, more safety and less energy consumption than the version before it. The higher standards can provide better indoor air quality too.

Don't feel compelled to acquire LEED certification (Leadership in Energy and Environmental Design) though doing so could be beneficial. You don't need to get a HERS (Home Energy Rating Score) rating, either, though it too would be informative.

Do purchase Energy Star-rated appliances for the unit. And consider building the whole home to Energy Star standards. New Hampshire Saves, the utility-managed rebate program, can help you identify these appliances and it offers numerous rebates.

The first step to creating an energy-efficient space - whether an ADU or your main home - is proper insulation and careful air sealing to eliminate drafts and heat loss. Tell your builder you expect R-60 in the roof/ceilings and R-30+ in the walls.

Proper air sealing of the unit is critical as well. When complete, the ADU should have a blow-

er-door test and rate at least an ACH50 of 3 or less (Air Changes per Hour). (To achieve that rating, you may have to add spray-foam insulation in parts of the main house at the same time.)

Most ADUs have open floor plans to make the relatively small space flexible and feel spacious. Kitchens, dining areas, and living rooms often are essentially one large room, and bedrooms and bathrooms are tucked in around them. Spaces like that are easily heated and cooled by air-source heat pumps. These systems are incredibly efficient and use electricity (not oil, gas, or propane).



An ADU is seen attached to the left side of this home in Hollis, NH.

If you're adding an ADU onto your home or even reconfiguring space within your home, tell your designer you want an air-source heat pump or "mini-split," not baseboard electric heating.

A small solar installation could generate most of the electricity the ADU will need, when averaged out over the course of a year. If the ADU is metered with the main



house, then your electric bill will drop. Your bill will also be more stable over time because the sun won't ever increase its rates.

To find a certified “green builder,” check out Build Green NH, which is affiliated with the New Hampshire Homebuilders Association. Even if your designer or builder isn't experienced in green technologies, they can learn on the job.

You may need to hire an energy professional to consult with them as they finish the ADU plans. For resources and energy consultants, visit the New Hampshire-based Residential Energy Performance Association's website.



For More Resources on ADUs see Appendix D

To get the latest on rebates or other financial incentives for energy efficiency and renewable energy, visit the Sustainable Energy Division of the Public Utilities Commission. Also check with your utility company.

► Financing an ADU

What's the best way to pay for an ADU? As you might expect, that depends on how much money is needed, and where the money will come from. It also depends on whether the unit will generate rent, as well as how long it will take to recover the cost of building and create positive cash flow.

Here are some considerations and financing options. Most homeowners looking to build an ADU

will use some combination of personal funds and a bank loan that is secured by the property.

Qualifying for any loan will depend on your household income, your existing debt (including credit card and auto purchase debt), how much of your existing mortgage has been paid off, and the appreciation in the value of your home. It's important to work with a reputable lender, so talk to several before you decide. Loan products and services can vary widely.

Anticipated Rental Income

When you apply for financing, lenders will ask for information about your income and debt. Generally, they will not take your anticipated rental income into consideration if there's no rental history. They also are unlikely to include rental income in their calculation of the value of the property when putting a limit on the size of your loan as determined by the loan-to-value ratio. However, different lenders have different guidelines and rates. Take the time to find the one that best fits your needs.

Initial First Mortgage (when purchasing primary home)

A standard first mortgage would cover a property that already has an ADU. A first mortgage does not typically cover the cost of both the home acquisition and the cost to build a new ADU, however there are loan products that could make this possible.

Cash-out Refinancing

Another option for properties with sufficient equity is to refinance the initial mortgage for a higher amount and use these funds to build the ADU. A cash-out refinance loan typically allows financing up to 80% of the value of a property, so this option is better suited to a homeowner whose home has appreciated in value since it was financed. An advantage to a refinance is that the repayment period of the new loan can be set at thirty years, lowering the monthly payments by spreading the cost of the ADU over a longer period.

Borrowing Against the Value of Your Property

For most homeowners, the property they own is their biggest asset and building an ADU adds value to that real property asset. Banks are willing to make loans secured by real property for two reasons—if payments aren't made, they can foreclose on the property, and most people will go to great lengths to avoid the loss of their home. There are a variety of ways to leverage your existing property for funds to build an ADU so it is useful to understand how the various tools could work for you.

Second Mortgage: Home Equity Line of Credit (HELOC)

If your property has sufficient equity (meaning value above the amount owed in loans for the property), then it is possible to use a second mortgage on the property to finance any type of home improvement, including the



construction or legalization of an ADU. The most common type of second mortgage in recent years is a HELOC.

Typically, a HELOC is payable in 10 to 15 years and can provide financing up to 80%-90% of the property's value, so it is a tool available to many homeowners with even a few years of equity in their homes, especially in a housing market where home values are increasing. A HELOC works like a credit card, allowing you to draw on the line of credit and pay it down as often as needed for the life of the loan, up to the maximum amount allowed.

To find a certified “green builder,” check out Build Green NH, which is affiliated with the New Hampshire Homebuilders Association.

The advantage of the line of credit is that the borrower only borrows as much money as is needed to finish the project rather than a lump sum up front (as with a home equity loan or refinancing). A HELOC's interest rate may fluctuate and is typically based on the Prime Rate plus a margin, whereas a home equity loan product generally has a fixed rate.

Second Mortgage: Home Equity Loan

With this loan, you are borrowing a lump sum and usually have a fixed interest rate and fixed

repayment over a period of years (generally 15 years). It is based on the same lending criteria as with a HELOC and can be used for the same purpose.

Construction Loans

If you're borrowing to build a new home that will include an ADU, there's no collateral up front, so you may need a construction loan. Here, the bank pays the builder during the construction phase and then converts the loan to a mortgage when the work is done. You can also use a construction loan on your existing home to build your ADU.

This may be an attractive option if the scale of your project requires more than the current value of the home. In this case, the amount you borrow before renovation depends on the appraiser's estimate of the renovation project on the finished product. The lender may require that they approve your choice of a contractor and will usually control when to disburse funds for project costs. During the construction phase you will be required to make monthly interest payments with a floating interest rate. At the end of the construction loan period which is generally fixed, the loan must be converted to a permanent mortgage.

Use of Personal Assets

Many property owners utilize personal savings or work with friends or family members to raise cash to finance their ADU.

If you have assets that could be used for your ADU, your options include:

- Retirement account loans. Many retirement accounts allow loans to be taken against them for home improvements. Repayment is sometimes made through a payroll deduction and interest paid on money taken out goes towards retirement savings.
- Construct ADU with cash and then refinance the property. Some homeowners may decide to take advantage of low mortgage interest rates by using personal savings to construct the unit and then refinance the property once it is complete.
- Personal line of credit. If you lack sufficient equity to qualify for a loan secured by the property, a personal line of credit could be used to bridge the gap between the cost of building your ADU and any cash you may be able to access. Typically, personal lines of credit from a bank are not as large as might be available with a HELOC or refinance, and interest rates are higher. Using credit cards to support some of the construction costs would also fall under this category.

It's well worth exploring your financing options in order to determine which one suits your situation best. The same applies to selecting a lender.

This section was adapted from the Santa Cruz County (CA) Accessory Dwelling Unit Cost and Financing Guide, June 2018 (sccoplanning.com/ADU).



SIX EXAMPLES OF NEW HAMPSHIRE ADUs

One of the underlying messages of this guide is that ADUs are all around. In this section, six New Hampshire homeowners talk about their ADUs and their reasons for having one.

As you'll see in this section, each ADU is as unique as the home and its homeowner. They also have many commonalities, as you'll see in the stories shared by six New Hampshire homeowners who explain why they chose to create an ADU in their home.

A NEW ADU ABOVE A NEW GARAGE: BELMONT

It's an ADU that looks like it's always been there and could go almost anywhere in New Hampshire: an apartment above the garage and attached to a traditional New England cape.

Laurie and Bill built the garage and the apartment in 2009 for about \$100,000. Laurie's mother has lived in the apartment ever since. Now 91, she only uses the electric stair lift to carry her groceries up and her watering cans down, but it's there for anyone who can't manage the flight of stairs.

Before the addition, the house had no garage. Step one was to prepare for the 22 x 30-foot addition by grading the land to allow the first floor of the house to connect directly to the second floor of the addition. When the structural work was complete, Bill re-sided

the entire house so the garage would blend in.

The two-car garage now has storage space for the home, as well as a ventilation unit and a separate water heater for the apartment. The apartment's heating source is an extension of the main house boiler to provide baseboard forced hot water. The electric supply is off from the main panel of the house.

There's a door to the utility room of the main house, and another door to a staircase with an electric lift from the garage level.

Upstairs, there's a small kitchen with a mini-fridge, a living room, a bedroom with closet, and a bathroom equipped with grab bars by the shower and toilet. A curtained glass door in the apartment's living room connects directly to the living room of the main home, making the two households connected but independent.

Bill said that working with officials in Belmont was straightforward. Town zoning allowed attached ADUs by right, so he needed only a building permit and to show that his septic system was adequate.

Since he was experienced in the design and construction of senior housing, Bill sketched his plans out and had an associate use a computer-assisted design program to convert the sketch into building plans. Local contractors made it happen; Bill did much of the finish work himself.

Working with Belmont town officials was straightforward. Zoning allowed attached ADUs by right, so only a building permit was needed.

Grab bars are an accessibility feature in the bathroom.



NHHFA and this guide's authors wish to thank the people who generously shared their ADU stories and photos for use in this guide.



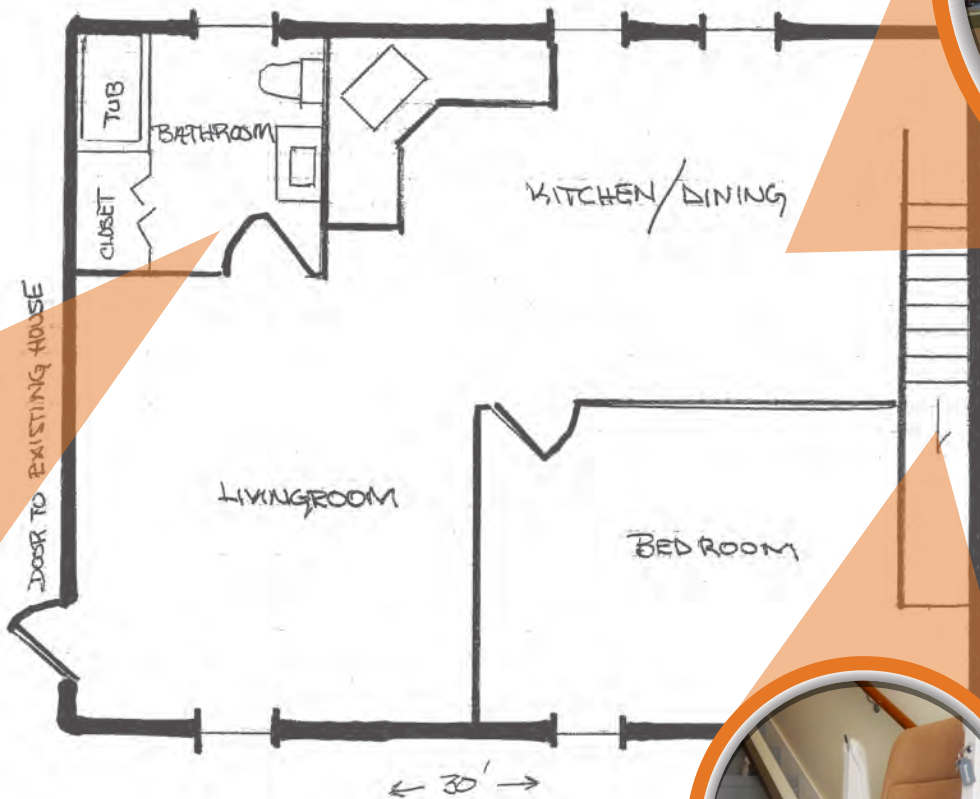
ADU Type:
Addition


\$100,000


660 sq. ft.



The kitchen table is in the center of the apartment.



An electric stair lift can take a person upstairs to the ADU but is mostly used for carrying groceries and other items.





ADU Type:
Renovation


842 sq. ft.

The ground floor ADU has an exterior door and large window; above it is the living room of the main home.

A DOWNSTAIRS ADU: HANOVER

Kathy and Norm raised six children in their home on a dirt road outside of downtown Hanover. A mid-century modern built in 1949 into the side of a hill, the entryway and primary living spaces are on grade with the driveway and garage.

Downstairs also had living space: a study with a fireplace, a bathroom, and two small bedrooms off a long narrow hallway. Five years ago, Kathy and Norm decided to turn the downstairs into what Hanover used to call a mother-daughter suite.

They took down the walls that defined the hallway (leaving a support column that can be seen in the photo), enlarging the room enough to add a compact kitchen and eating space. The living room is now spacious and comfortable

with a door that opens out to the back yard and another fire-safe door that leads upstairs. The suite can be a self-contained living unit or a comfortable extension of the primary living space upstairs.

Kathy and Norm said they embarked on the project without a specific plan for its use. Perhaps their parents would move in, perhaps they would use it themselves, perhaps one of their children’s families would move in, or a caregiver, or a rent-paying tenant.

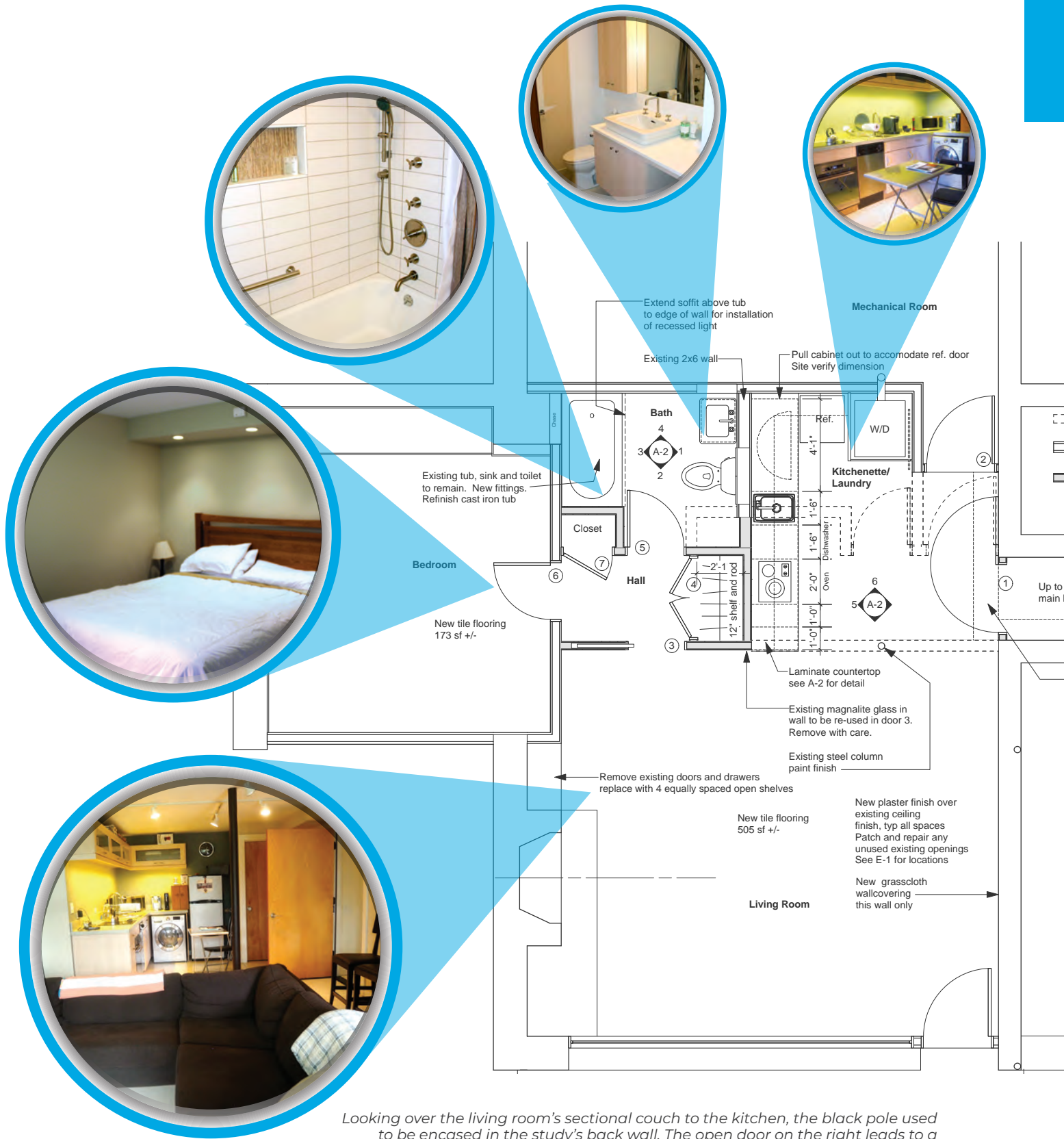
They see each of these options as valuable possibilities, and in the

meantime, the kids and grandchildren use the space at holidays.

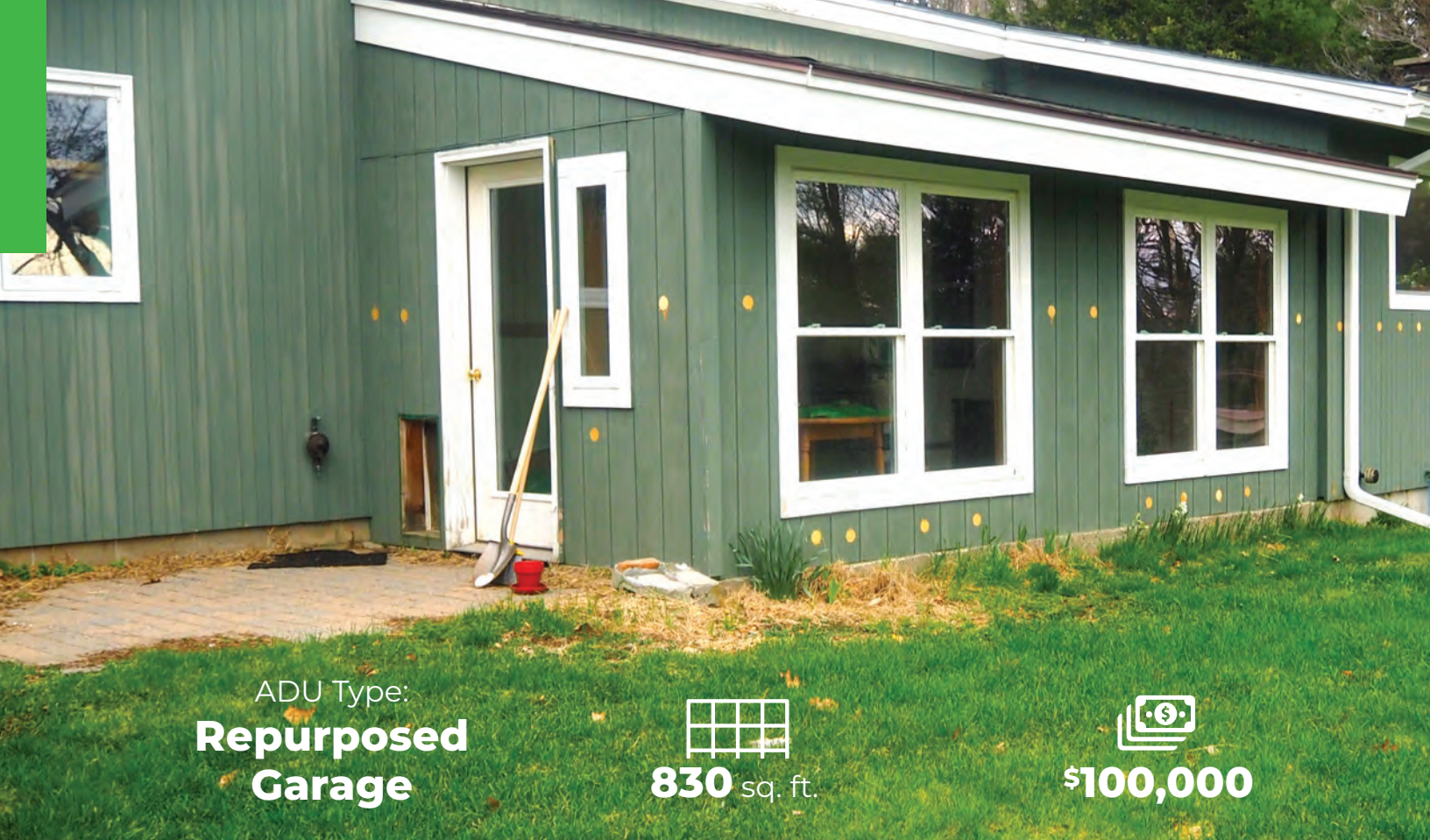
The owners turned to architect Sloane Mayor, the daughter of an old family friend, to design the space and handle all of the permitting details.

The project’s biggest challenge was updating the radiant heat that had been built into the original concrete floor. The home’s main boiler continues to warm the floors through that system, but new electric air-source heat pumps heat and cool the apartment efficiently.

Perhaps an aging parent would move in, perhaps they would use it themselves as they “age in place,” perhaps one of their children’s families would move in, or a caregiver, or a rent-paying tenant.



Looking over the living room's sectional couch to the kitchen, the black pole used to be encased in the study's back wall. The open door on the right leads to a staircase up to the main floor. The ADU's bathroom and bedroom are to the left.



ADU Type:
**Repurposed
Garage**


830 sq. ft.


\$100,000

FROM 2-CAR GARAGE TO ADU: PLAINFIELD

Jill and Sean embarked on their ADU project to provide a new home for Jill's father, a retired minister and long-time resident of Plainfield.

They moved into their home in 2017 and have been focusing on updating its basic systems since then, including insulation, air-sealing, plumbing and heating.

They had originally planned to attach a modular unit to one end of their home. Jill saw units manufactured in factories in Montpelier, Vermont, and Claremont, New Hampshire, that appealed to her. She also was impressed with their quality control process.

However, ultimately the price tag for the anticipated 644 sq. ft. unit was too high for their budget. After reassessing their house and property, they decided to convert structures that are already there and in sound condition. They are converting their two-car garage into a one-bedroom apartment.

The one-story home is long and relatively narrow. Being on one floor and not having to go up and down stairs was important to Jill in both the home and ADU. She is also incorporating universal design features in the new ADU, such as a walk-in shower, wide doors, and supports around the toilet.

The ADU will fit into the existing 668 square feet garage and will repurpose an existing 162 square feet work room into a living room with access to a deck. An insulated floor will go over the garage slab and highly insulated wall panels will wrap the existing structure to make it comfortable and affordable to heat.

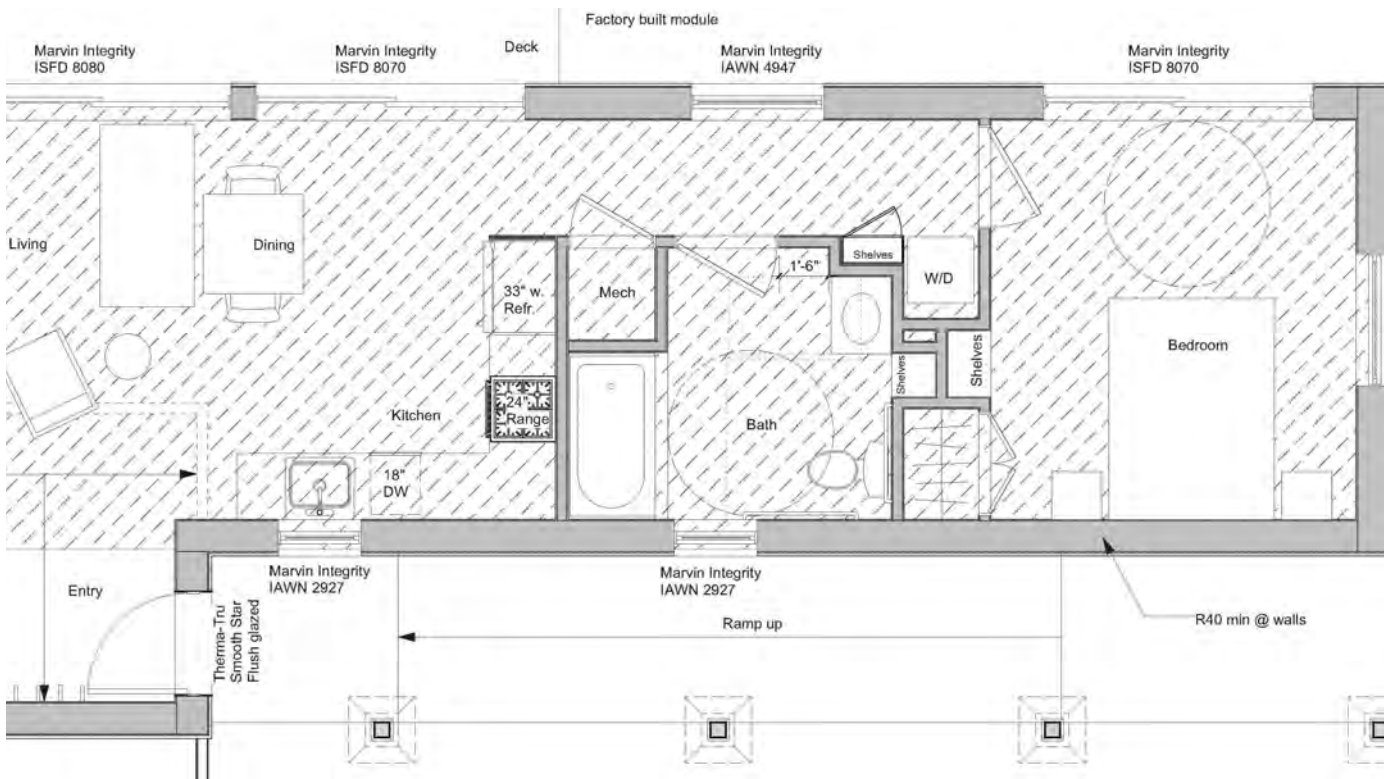
The architect is cognizant of the need to keep total costs to about \$100,000. This amount is well below the bids for the modular unit. She did note one of the challenges of building small: costs are higher per square foot.



This doorway will connect the ADU to the rest of the house.



Jill in front of the garage which will be converted to an ADU.





ADU Type:
Addition


700 sq. ft.

 **\$1,000**/mo.
plus utilities

A HOME WITH A RENTAL ADU: ROCKINGHAM COUNTY

In 2015, Robin and Henry found their dream home. It was a ranch situated on a pond in southern Rockingham County, in a town that had amenities for their active family, and a half-hour commute to Manchester for work. The mortgage on the \$400,000 home was manageable, but it would make their budget tight. Then...an ADU came to their rescue!

Built in the 1970s, their 1,900 square foot house has an ADU at one end. It has two bedrooms, a living room, full bath, separate utilities and its own exterior door (as well as an interior connecting door).

Before they moved in, the couple spruced up both the house and the ADU. They installed a pellet stove to supplant expensive electric heat

and replaced the carpet. A washer/dryer and bathroom exhaust fan were installed, and they repainted.

Then they checked the market and set the rent for the unit at \$1,000, enabling them to cover a significant portion of their monthly mortgage payment. They also opted for a six-month lease, in case the tenant wasn't a good fit with their household. They collected a month's rent for a security deposit and advised their tenants to buy rental insurance.

Robin says they learned a lot about how to evaluate prospective tenants in their first run as landlords. With young kids, she and Henry were particularly cautious. Their first tenants were a couple who subsequently broke up and moved out. Their next tenants,

two young men, could only afford the rent together. When one moved out, so did the other.

After that, the couple reassessed who they wanted living in the ADU. They found Kate through a mutual friend. She had recently sold her home and, with a daughter in college, was looking for a smaller place that gave her some flexibility. She also had a dog and wanted outdoor space for him.

Although Robin and Henry hadn't been looking for one, the rental ADU in their home has turned out to be financially and personally advantageous. "Kate's been living with us for two years, and she's an awesome tenant," Robin noted. "We have a friendly relationship and she even helps us out because she loves gardening."



ADU Type:
Addition


730 sq. ft.

 **\$25,000**
for materials

FAMILY UNIT ABOVE THE GARAGE: CONCORD

With a career in the building trades, it was a given that Al would construct his family's Concord home himself. Built in 1984 with a two-car garage, he and his wife decided to add an accessory dwelling unit above the garage in 2002 to provide a home for their son, daughter-in-law, and new granddaughter.

Al and his son built the 730 square foot, two-bedroom unit over his existing garage, spending approximately \$25,000 on materials. The utilities from the house were tied into the addition; the home's heating system had enough capacity to heat the new unit, and existing water and sewer connections were easily connected.

Since he had a little less road frontage than was required for a two-family property, Al obtained

a variance from the zoning board and paid an impact fee for the second unit. An impact fee is used by the city to offset the additional use of city systems such as water and sewer created by development.

The arrangement has worked out well for both families. The proximity has provided the young family with a comfortable place to live and given the grandparents the opportunity to be involved in their granddaughter's life.

Rent for the unit, Al joked, reflects "the family discount" from the market rate. In turn, his son helps his father out with maintenance and improvement projects on the house and property.

Now, as empty-nesters with retirement on the horizon, Al and his wife are considering their options if they decide to stay in Concord.

They could swap units with their son's family. And because he's a builder and thinks of these things, Al noted that had he not created the ADU above the garage, he might have considered creating an apartment in their basement.


That space is currently configured with three bedrooms and a laundry, so it could conceivably be converted to a single bedroom with a galley kitchen and bath.

"I've been renovating and repairing houses for a long time," Al said. "It's second nature for me to consider floor plan options and how they might fit in."


"Adding the ADU for my son's family has worked out very well for all of us," he added.



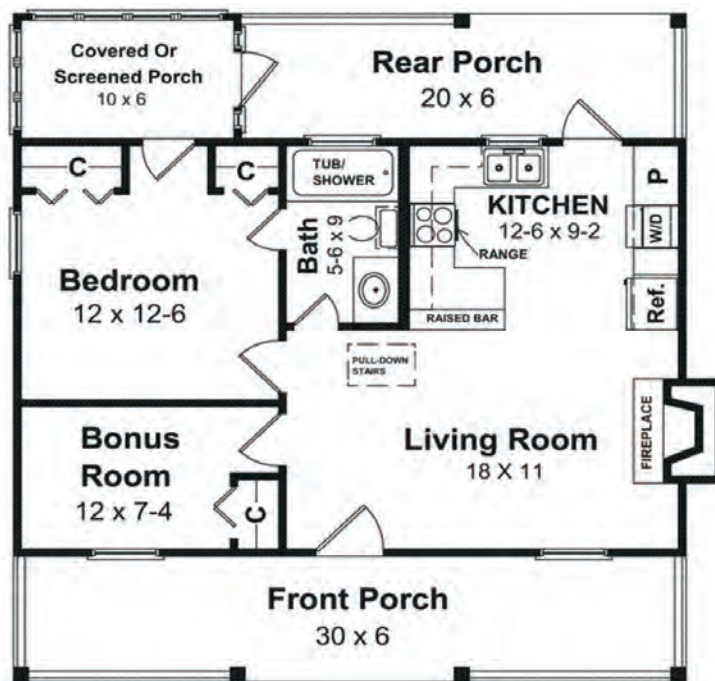
ADU Type:
DADU



approximately
**\$127,000-
\$132,000**



600 sq. ft.



A DETACHED ADU WITH ENERGY-EFFICIENT OPTIONS: WHERE ALLOWED BY ZONING

Detached ADUs (DADU) may appeal to homeowners who want more separation from their tenants. Your ability to create a DADU is contingent on your zoning ordinance, whether you choose a new construction ADU or convert a free-standing building on your property to an ADU.

The detached ADU pictured here could be built wherever local ordinances allow them on the same lot as a primary residence. This small house is styled as a traditional guest cottage. It is a stick-built, completely detached building, separately heated and metered.

The unit is a 980 square foot DADU (with 600 square feet of living space) and is built on a slab on grade (no basement). The estimated cost with a full basement and no land acquisition is

\$132,000; with slab on grade and no land acquisition the estimated cost is \$123,000.

If your contractor built this ADU to meet New Hampshire's current energy code, the home would use approximately 320 gallons of heating oil per year and 6500 kwh of electricity. At today's prices, the house would cost about \$2,000 per year to heat.

For both your budget and the environment, you could install a low-temperature air source heat pump. These are quiet, efficient, electric units that heat in the winter and can cool when it's hot. This tight house with an air source heat pump will cost about \$1,200 to heat and cool each year.

Because the house is using so little electricity, it could easily

become a "Net Zero Energy" home by generating as much electricity as it uses each year. It would need a 6 kW solar photovoltaic (PV) system with 20 conventional solar panels on the roof.

With these improvements, the total annual utility bill would be about \$150, the cost of staying connected to the grid. To achieve these energy savings, your contractor would charge you about \$4,300 for the above-code insulation. The heat pump would cost \$1,500 less to install than a propane furnace and \$8,500 less than an oil burner and basement. The most expensive item, the solar PV, would add \$11,000 to the construction cost (after taking the 30 percent federal tax credit), but would pay for itself in about 5.4 years.



ADU Type:
Side Addition


400 sq. ft.

 approximately
\$50,000

MAKE ROOM FOR MOM: PORTSMOUTH

When the family home in Portsmouth became too much to keep up with, Jeanette and her daughter Lulu had a conversation. Newly divorced and with a job on the Seacoast, Lulu suggested that she buy the house from her mom and they would live together.

They agreed to build an ADU on the side of the house near the driveway, where Jeanette would live. With one level, an interior connecting door and an exterior door, the one-bedroom unit was mapped out carefully.

Lulu refinanced the house in order to pay for the addition, and went to the zoning board to request the necessary variance to add the ADU.

Then came Jeanette's health scare while the ADU was being built, and the two sat down again and

revamped their plan. Jeanette would move into the house with Lulu, and the ADU would become a rental unit and generate income.

In the 14 years she has been renting the ADU, Lulu noted that her tenants are on an annual lease and typically stay several years. The current tenant sometimes stops by to visit, as the three have a congenial relationship.

"Currently, I am renting the apartment for \$950 a month, with the tenant paying for heat and electricity. I provide hot water, WiFi and plowing/shoveling of the driveway and walkways. I don't allow smoking on the property," said Lulu. "Amenities? The apartment comes with off-street parking, a fenced-in backyard, and they can have a pet with my approval. I have a dog and I know how much I enjoy her company."

Among the considerations in being a landlord, Lulu said that when you have a "mother-in-law" type apartment, it has to be a good fit for both the landlord and tenant. Mutual respect and courtesy are necessary because of the close proximity.

"When I was considering the design and function of the ADU, I focused on what my mother would need or want, although it turned out she never lived in it."

Lulu added, "At the same time, I considered what would make it appealing to renters in the future. How would it work? What would help bring and retain desirable tenants? While it's worked out well, in hindsight, I would have made the apartment slightly bigger to accommodate a larger kitchen and a separate washer/dryer area."

APPENDIX A

Comparison of ADU Elements in Municipal Zoning

This table captures a few key zoning elements from a sampling of New Hampshire cities and towns. Below the table is a section to record your city or town's ADU requirements.

	MIN/MAX SQUARE FEET	MAX BEDROOMS	DETACHED ALLOWED?	OWNER OCCUPIED?	BY-RIGHT IN ZONES	BY EXCEPTION IN ZONES	OTHER
STATE LAW	At least 750	At least 2	Town's choice	Town's choice	Town's choice, but must allow where single family houses are allowed		
BELMONT	300/750 or 25% of building	2	No	Yes	Multi-family family res, rural, village	Single-family res	
CONWAY	300/800		Yes	Yes	Some zones	Most residential zones	Home must beat least 50 years old
DERRY	-/800	2	No	Yes	Residential zones		4 parking spaces/lot
FREEDOM	-/800		No	Yes	Village, general res	> 800/sq ft	+1 parking space
HANOVER	350/1000	2	If built before 5/9/17	Yes	D, RO, I, GR, SR & RR		"Adequate" parking
LANCASTER	No explicit reference to ADUs so state law applies				Wherever single family homes are allowed		
MANCHESTER	-/750	2	No	Yes		Conditional use in res zones	\$1720 impact fees requires
SOMERSWORTH	-/800	2	Only as part of a detached garage	Yes	Permitted in any single family home		Annual certificate of use required (\$75 fee)

D= Downtown RO= Residence and Office GR=General Residence SR=Single Residence RR=Rural Residence

MY TOWN / CITY ZONING REQUIREMENTS

MY TOWN / CITY	MAX BEDROOMS	DETACHED ALLOWED	OWNER OCCUPIED	MIN/MAX SQUARE FEET
BY-RIGHT IN ZONES	BY EXCEPTION ZONES		OTHER	



APPENDIX B

ADU Project Worksheet

Use this worksheet to get a sense of how the economics of building an ADU might work for you.

Design cost	\$
Construction cost	\$
Permitting cost	\$
Loan closing cost	\$
Other up-front ADU costs	\$
TOTAL DEVELOPMENT COST	\$
ANTICIPATED MONTHLY RENTAL INCOME	\$
Monthly loan payment	\$
Monthly insurance prorated cost ADU	\$
Monthly property tax prorated	\$
Monthly ADU utility cost if owner responsibility	\$
Other monthly costs attributed to ADU	\$
TOTAL MONTHLY COST	\$
NET MONTHLY INCOME	\$



APPENDIX C

New Hampshire's ADU Law Explained (RSA 674:71 - 73)

Section of Law	Explanation
<p>674:71 Definition</p> <p>As used in this subdivision, “accessory dwelling unit” means a residential living unit that is within or attached to a single-family dwelling, and that provides independent living facilities for one or more persons, including provisions for sleeping, eating, cooking, and sanitation on the same parcel of land as the principal dwelling unit it accompanies.</p>	<ul style="list-style-type: none">■ The four defining elements - provisions for sleeping, eating, cooking, and sanitation - must be allowed by the municipality for the unit to constitute an ADU.■ This may all be done in a relatively small space, such as a studio apartment or “tiny home,” or it may be in a larger unit with multiple rooms.
<p>674:72 Accessory Dwelling Units</p> <p>I. A municipality that adopts a zoning ordinance pursuant to the authority granted in this chapter shall allow accessory dwelling units as a matter of right or by either conditional use permit pursuant to RSA 674:21 or by special exception, in all zoning districts that permit single-family dwellings. One accessory dwelling unit shall be allowed without additional requirements for lot size, frontage, space limitations, or other controls beyond what would be required for a single-family dwelling without an accessory dwelling unit. The municipality is not required to allow more than one accessory dwelling unit for any single-family dwelling. The municipality may prohibit accessory dwelling units associated with multiple single-family dwellings attached to each other such as town-houses, and with manufactured housing as defined in RSA 674:31. Subsequent condominium conveyance of any accessory dwelling unit separate from that of the principal dwelling unit shall be prohibited, notwithstanding the provisions of RSA 356-B:5, unless allowed by the municipality.</p>	<ul style="list-style-type: none">■ The municipality needs to choose how it will allow ADUs: by right (generally requiring only a building permit), by special exception (board of adjustment), or by conditional use permit (often the planning board, but other officials can be involved; see RSA 674:21, II).■ The municipality must allow at least one attached ADU wherever single-family residences are also allowed by zoning.■ Regardless of how ADUs are allowed, the municipality cannot impose greater dimensional standards on homes with ADUs than it does for homes without ADUs.■ Municipalities may restrict ADUs from being built with manufactured housing or town-house-style units.■ ADUs may not be sold as condominiums unless the municipality explicitly allows it; such sales may be allowed either through zoning or subdivision regulations.
<p>II. If a zoning ordinance contains no provisions pertaining to accessory dwelling units, then one accessory dwelling unit shall be deemed a permitted accessory use, as a matter of right, to any single-family dwelling in the municipality, and no municipal permits or conditions shall be required other than a building permit, if necessary.</p>	<ul style="list-style-type: none">■ If a municipality’s zoning ordinance is silent on the topic of ADUs, the municipality must allow at least one attached ADU in any single-family home.



APPENDIX C

New Hampshire's ADU Law Explained

Section of Law	Explanation
<p>III. An interior door shall be provided between the principal dwelling unit and the accessory dwelling unit, but a municipality shall not require that it remain unlocked.</p>	<ul style="list-style-type: none">■ The requirement for an interior door only applies to attached ADUs.■ This requirement may suggest that there must be a common wall between the units, but local interpretation could allow ADUs above attached garages where there might be more than one intervening door between the ADU and the main house.
<p>IV. Any municipal regulation applicable to single-family dwellings shall also apply to the combination of a principal dwelling unit and an accessory dwelling unit including, but not limited to lot coverage standards and standards for maximum occupancy per bedroom consistent with policy adopted by the United States Department of Housing and Urban Development. A municipality may require adequate parking to accommodate an accessory dwelling unit.</p>	<ul style="list-style-type: none">■ There can be no additional dimensional requirements for an ADU.■ Reference to HUD occupancy standards means that a municipality can limit per-bedroom occupancy in ADUs only if it is also doing so in single-family homes. Check with legal counsel about limitations before trying this.■ A municipality can require off-street parking or some other demonstration of parking adequacy for an ADU.
<p>V. The applicant for a permit to construct an accessory dwelling unit shall make adequate provisions for water supply and sewage disposal for the accessory dwelling unit in accordance with RSA 485-A:38, but separate systems shall not be required for the principal and accessory dwelling units. In order to comply with this paragraph and prior to constructing an accessory dwelling unit, an application for approval for a sewage disposal system shall be submitted in accordance with RSA 485-A as applicable. The approved sewage disposal system shall be installed if the existing system has not received construction approval and approval to operate under current rules or predecessor rules, or the system fails or otherwise needs to be repaired or replaced.</p>	<ul style="list-style-type: none">■ The property owner must demonstrate the adequacy of water supply and sanitary disposal.■ The municipality cannot require water or sanitary disposal systems for the ADU that are separate from those of the principal dwelling.■ The owner may be required to have a new septic system designed and approved if the existing system does not meet NH Department of Environmental Services standards for the house including the addition of the ADU. This may be true even if the overall number of bedrooms using the system is unchanged by the ADU's construction.■ A new septic system does not need to be built unless the existing system is unlicensed or has failed.



APPENDIX C

New Hampshire's ADU Law Explained

Section of Law	Explanation
<p>VI. A municipality may require owner occupancy of one of the dwelling units, but it shall not specify which unit the owner must occupy. A municipality may require that the owner demonstrate that one of the units is his or her principal place of residence, and the municipality may establish reasonable regulations to enforce such a requirement.</p>	<ul style="list-style-type: none">■ The municipality may require owner occupancy of one of the units; if it does this, the municipality should consider what it means by “owner”: does the owner need to be a physical person, or can it be (1) a member of an LLC that owns the property; (2) a beneficiary of a revocable trust that owns the property; or (3) a person with an interest in another legal entity (e.g., partnership or corporation) that owns the property.■ Residency of the owner may also be required, and could be demonstrated through voter registration, automobile registration, or similar indicators of domicile
<p>VII. A municipality may establish standards for accessory dwelling units for the purpose of maintaining the aesthetic continuity with the principal dwelling unit as a single-family dwelling. A municipality may also establish minimum and maximum sizes for an accessory dwelling unit, provided that size may not be restricted to less than 750 square feet.</p>	<ul style="list-style-type: none">■ Standards to perpetuate the “look and feel” of a single-family home may be required by the municipality, and this may best be done through a permit by special exception or conditional use permit.■ ADU minimum and maximum size may be specified, but the municipality cannot require ADUs to be smaller than 750 s.f. The owner, however, may build a unit smaller than that, subject to local ADU unit size minimum, if any.
<p>VIII. A municipality may not require a familial relationship between the occupants of an accessory dwelling unit and the occupants of a principal dwelling unit.</p>	<ul style="list-style-type: none">■ Despite the colloquial name “in-law apartment,” a municipality may not limit ADU occupancy to family members of the owners of the main dwelling.
<p>IX. A municipality may not limit an accessory dwelling unit to only one bedroom.</p>	<ul style="list-style-type: none">■ A municipality may limit an ADU to two bedrooms, but not to one.
<p>X. An accessory dwelling unit may be deemed a unit of workforce housing for purposes of satisfying the municipality’s obligation under RSA 674:59 if the unit meets the criteria in RSA 674:58, IV for rental units.</p>	<ul style="list-style-type: none">■ This section only means that if an ADU meets the rental price standards of the Workforce Housing Law, then the municipality may count the unit as part of its “fair share” calculation.■ The reference to workforce housing does not confer upon a municipality the authority to impose affordability restrictions on the ADU.



APPENDIX C

New Hampshire's ADU Law Explained

Section of Law

Explanation

674:73 Detached Accessory Dwelling Units

A municipality is not required to but may permit detached accessory dwelling units. Detached accessory dwelling units shall comply with the requirements of, and any municipal ordinances or regulations adopted pursuant to, RSA 674:72, IV through IX. If a municipality allows detached accessory dwelling units, it may require an increased lot size.

Statute text includes amendments adopted by the Legislature in 2017.

- A municipality may choose to allow detached ADUs wherever attached ADUs are allowed, in a more limited geographical area, or not at all.
- Only regarding detached ADUs may a municipality require an increased lot size, but it is not necessary to do so.
- Perhaps more important for a municipality to consider is a proximity requirement, so that the detached ADU is somehow physically associated with the main home, instead of being in a remote location on the lot.

*Explanation column written by Benjamin D. Frost, Esq., AICP
New Hampshire Housing Finance Authority*



APPENDIX D

ADU Resources

STATE AND FEDERAL RESOURCES

New Hampshire Housing Finance Authority

www.nhhfa.org/ADU

- Provides links to downloadable ADU guides, and reference information and presentations about ADUs.

New Hampshire Office of Strategic Initiatives

www.nh.gov/osi/planning/resources/accessory-dwellings.htm

- The OSI webpage has a section dedicated to ADUs and includes links to New Hampshire's ADU statute and presentations.

U.S. Department of Housing and Urban Development

www.huduser.gov/portal/publications/adu.pdf

Accessory Dwelling Units: Case Study

- Presents the rationale for ADUs and describes the basic types that can be built, and provides case studies from around the country.

PUBLIC POLICY AND ADUs

Strong Towns

Strength Test #4: Are Accessory Dwelling Units Allowed in Your Town?

www.strongtowns.org/journal/2017/8/14/strength-test-accessory-dwelling-units?gclid=EAAlaQobChMIqszOptiC2gIV2bXAChtayQNJEMAYiAAEgIII_D_BwE

- This article discusses why ADUs are an important tool for creating strong communities and illustrates that ADUs are likely to be part of a housing trend across the country.

Turner Center for Housing Innovation, University of California at Berkeley, and the Urban Land Institute

Jumpstarting the Market for Accessory Dwelling Units

www.turnercenter.berkeley.edu/uploads/ADU_report_4.18.pdf

- The authors researched the economics and market forces that have made ADUs important in the Pacific Northwest. The piece has great photos and quotes from homeowners. Its primary message: when housing is tight and prices are rising, loosening land-use regulations will allow the market to respond with ADUs.

AARP

Creating Room for Accessory Dwelling Units

www.aarp.org/livable-communities/housing/info-2015/accessory-dwelling-units-model-ordinance.html

- AARP's focus is on helping seniors stay in their homes and ADUs are one of their answers. This website is part policy advocacy and part guide for homeowners. It contains numerous links to other sites and publications.

New Hampshire Says Yes to ADUs

www.aarp.org/livable-communities/housing/info-2017/adu-accessory-dwelling-units-law-new-hampshire.html

- Peter Morelli's feature (6/2017) documents how New Hampshire's ADU statute generated such broad political support.



APPENDIX D

ADU Resources

'HOW-TO' PUBLICATIONS

Backdoor Revolution: The Definitive Guide to ADU Development, by Kol Peterson

www.buildinganadu.com/backdoor-revolution

- This book really is the definitive guide to ADUs. From his website, you can sign up for occasional emails and he'll send links to free resource publications like *10 ADU Design Principles* and *The ADU Resource Packet*.

Accessory Dwelling Unit Guides

(Santa Cruz County, CA)

www.sccoplanning.com/ADU

- A very thorough series of guides, which can be downloaded as PDFs: *ADU Basics*, *ADU Design* and *ADU Financing*.

Accessory Dwelling Unit Homeowners' Handbook

(Hawaii Appleseed Center for Law & Economic Justice)

www.hawaiiadu.org

- A guide tailored for Oahu homeowners with useful information regardless of where you live.

'HOW-TO' ARTICLES (PLANNING, DESIGN, CONSTRUCTION)

This Old House

www.thisoldhouse.com/ideas/prep-your-home-return-boomerang-kid

Prep Your Home for the Return of a Boomerang Kid

- The article discusses ways to accommodate an adult son or daughter in your home, including adding an ADU. Includes links to articles on selecting and managing contractors.

Tiny Houses of Maine

www.tinyhousesofmaine.com/adus/

- Tiny Houses of Maine is a private company in South Portland that builds the kind of mobile units that are featured on the "tiny house" TV shows. Their website also devotes space to ADUs.

Down East Magazine/ Maine Homes

Is an In-Law Unit Right for Your Property?

www.mainehomes.com/is-an-in-law-unit-right-for-your-property/

- This feature by Maine architect Eric Reinholdt explains the basics of ADUs and has some great photographs of very nice units, plus links to HOUZZ, a source of information about buildings, furnishings, and design.

PROPERTY VALUE

The Appraisal Journal

Understanding and Appraising Properties with Accessory Dwelling Units

www.accessorydwellings.files.wordpress.com/2012/12/appraisingpropertieswithadusbrown-watkinsnov2012.pdf

- Appraisers take their work seriously and this is a serious publication to help them put a fair market value on homes with an ADU.

Earth Advantage.org

A Practitioner's Guide to Appraising ADUs (2014)

www.earthadvantage.org/assets/documents/Publications/PractitionersGuideAppraisingADUs-140521-v5.pdf

- This short publication won't help you estimate the value of your ADU but it does include an important "tips for homeowners" box that will help you talk with your banker or appraisers.



APPENDIX D

ADU Resources

WHAT IS A DETACHED ACCESSORY DWELLING UNIT (DADU)?

Like attached ADUs, DADUs must be secondary to the primary dwelling unit. Under New Hampshire's ADU law, municipalities may allow DADUs at their discretion and may limit them to being fixed to a permanent foundation. (See RSA 674:73.)

A detached accessory dwelling unit (DADU) can be built using a variety of techniques, including any of those listed below, as well as "stick-built" or a variety of more creative alternatives - any of which would have to meet the standards of the state building code. Beyond renovating a building detached from the primary dwelling unit that is already sited on your property (e.g., a garage, carriage house, workshop, barn, etc.), any of these structures could be a DADU in New Hampshire, if the zoning ordinance allows it.

A Tiny Home

Popularized by various TV shows, this type of housing has no specific definition and can be either mobile or on a permanent foundation. If built as a mobile trailer, state law might regard it as a recreational trailer (exterior area of 400 square feet or less) for use only as a temporary dwelling (see RSA 216-I:1, VIII(c)). State law does not require local zoning to allow these types of dwellings. If built on a foundation, the state building code (2009 International Residential Code) would require it to have a minimum living space of 120 square feet (not including bathrooms, closets, etc.). (See RSA 155-A:1, IV and IRC 2009 R304.1.)

Manufactured Housing

Commonly called "mobile homes," these types of residences are specifically defined by state statute as having minimum dimensions (at least 8 feet wide, 40 feet long, 320 square feet area) and must be on a permanent chassis, regardless of whether it has a foundation, and must meet construction standards of the U.S. Department of Housing and Urban Development. State law requires manufactured housing to be allowed by local zoning, either on individual lots or in parks, or both. (See RSA 674:31 and 32.)

Pre-site Built Housing

Distinguished from manufactured housing, pre-site built (or factory built) housing includes both modular housing and panelized housing, the components of which are built off-site and transported to the house site for assembly. These do not have a permanent chassis and are treated by statute and local zoning in the same manner as housing that is built on site ("stick built"). (See RSA 674:31-a.)





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As a self-supporting public benefit corporation created by the New Hampshire legislature, New Hampshire Housing Finance Authority promotes, finances and supports affordable housing.

