

# **Beyond Legalization:**

## **How Regulatory Reform, Standardized Appraisals, and Public Engagement Can Multiply the Impact of Accessory Dwelling Units in Massachusetts**

By Andrew Mikula

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## Executive Summary

Accessory dwelling units (ADUs) are small homes located on the same lot as larger dwellings. Following the statewide legalization of ADUs in Massachusetts in 2024, production rates remain well below those of other states, especially California.

ADUs remain difficult to permit, finance, and build in Massachusetts for a variety of reasons. The legal framework under which ADUs are allowed makes it challenging to enforce state preemptions of local regulations. Boston's exclusion from Chapter 40A, the state's Zoning Act, means the approval process and zoning for ADUs are particularly fraught in the state's largest city. While some states have plenty of detached garages, mid-block alleys, and small setbacks that make it easier for new ADUs to conform to fire codes and avoid access issues, those features are relatively uncommon in Massachusetts.

Most private banks do not have specific mortgage products for ADUs. Instead, ADUs are often financed via home equity loans and cash-out refinancings of existing mortgages. Loosening credit standards among government-sponsored enterprises to expand access to ADU financing is controversial, but may be appropriate in limited contexts. Public financing solutions may be difficult to scale up, although Massachusetts has begun earmarking some capital investments to facilitate ADU construction.

To better enable ADU production and affordability, Massachusetts will need to:

- More aggressively preempt local zoning for ADUs, including dimensional requirements, parking requirements, common ownership mandates, and others.
- Reform building, fire, and environmental codes to contain costs while preserving core health and life safety standards.
- Streamline the process for building ADUs by codifying objective standards in state law and dropping special permit requirements in all contexts.
- Expand online materials and technical assistance available to prospective ADU owners.
- Train home appraisers and other professionals to catalog and value ADUs in a reliable, systematic, and data-driven way.

After such reforms are implemented, lawmakers should pay attention to future opportunities to design better public financing programs and facilitate more predictable (likely modular) construction techniques.

## Introduction

The United States is a nation of mostly single-family neighborhoods, and Massachusetts is no exception. Even in metropolitan Boston, most communities list single-family homes as the sole primary use allowed on at least 80 percent of available land.<sup>1</sup> Thus, in the face of extensive needs for new housing in the foreseeable future (222,000 units from 2025 to 2035, according to a recent state report),<sup>2</sup> solutions adapted to existing single-family neighborhoods have a high potential for impact and scalability. At the same time, many such neighborhoods have a long history of resisting comprehensive reforms that could facilitate more housing production within their borders.<sup>3</sup>

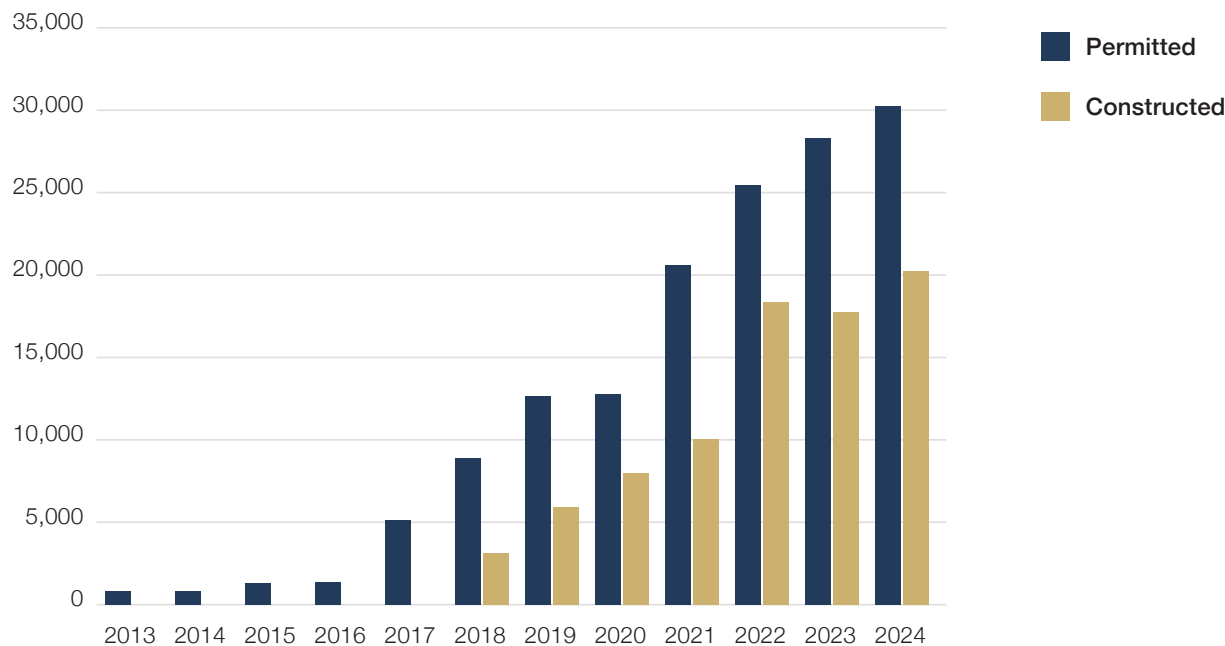
In this environment, accessory dwelling units (ADUs) have gained traction as an incremental form of development that is minimally disruptive to existing development patterns in a wide range of places, including in single-family neighborhoods. Accessory dwelling units are small homes located on the same lot as a larger, "primary" or "principal" dwelling, and often take the form of backyard cottages, garages converted into living spaces, or attic or basement apartments. Many ADUs are rented to long-term tenants, while

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others are used as guest suites, free housing for friends or family members, or for other purposes. Some places in the United States—especially on the West Coast—have seen an explosion in the number of ADUs permitted in recent years following iterative rounds of regulatory and permitting reform. California is probably the most striking example, going from permitting about 800 ADUs in 2014 to more than 30,000 in 2024 (see Figure 1).

**Figure 1: ADU permits issued and structures completed\* in California by year, 2013–2024<sup>4</sup>**



\*Construction completion data is unavailable before 2018

More recently, Massachusetts has followed in the footsteps of California by using statutory reforms to facilitate enhanced ADU production. In August 2024, the Affordable Homes Act legalized ADUs statewide in Massachusetts, preventing municipalities from “unreasonably restricting” or requiring “zoning relief or discretionary zoning approval” for an ADU in a “single-family residential zoning district.”<sup>5</sup> As an amendment to Chapter 40A Section 3 of state law, known as the Dover Amendment, this provision establishes certain ADUs as “protected” from “local discrimination,” a legally distinct approach from outright preemption.<sup>6</sup> Instead, a state agency, the Executive Office of Housing and Livable Communities (EOHLC), has the authority to clarify when local rules around protected uses are “unreasonable,” often explicitly including contextual criteria.<sup>7</sup> Related regulations for ADUs were finalized in February 2025 (see Appendix A).

In September 2025, EOHLC reported that 550 ADUs had been approved in Massachusetts in the first half of 2025.<sup>8</sup> Even when considering that not all Massachusetts communities responded to the underlying survey, on a per capita basis, that’s fewer than a quarter of the ADUs permitted in California in a given six-month period in recent years.<sup>9</sup> This begs two questions: why is the level of ADU production in Massachusetts so far below that of California? And what else can Massachusetts lawmakers, government officials, and bankers do to maximize the positive impact of ADUs going forward?

With the aim of answering these questions, this paper proceeds by first cataloguing California’s efforts to enable ADU production across the state starting in 2016. Subsequent sections explain that aspects of Massachusetts’ existing development pattern and legal framework for overseeing local zoning decisions make it uniquely difficult to

build ADUs at a scale like that of California. The paper then explores additional barriers and opportunities related to financing and appraisal decisions. The paper concludes with recommendations for regulatory, permitting, and community engagement reform actions that aim to help overcome these barriers and have proven effective at increasing ADU production elsewhere.

## California's ADU Renaissance

For what is still sometimes described as a “niche” housing typology in national publications,<sup>10</sup> ADUs have certainly become more than niche in The Golden State (see Figure 2). More than one in every four new homes permitted in California in 2024 was an ADU.<sup>11</sup> Between 2018 and 2024, construction was completed on more than 83,000 of them, and annual production numbers will likely continue to increase given still-rising permit volumes.<sup>12</sup> Contractors specializing in ADUs have proliferated throughout the state, as have factory-built ADUs that can be installed on a site in fewer than 24 hours after a building permit and financing are secured.<sup>13</sup>

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**Figure 2: Examples of ADUs in California**



**Clockwise from Top Left:** A Large Backyard ADU in Guerneville, California; A Factory-Built ADU in Danville, California; A Garage Conversion in Los Angeles; An Attached ADU (Under Dark Shingles) in Santa Cruz, California<sup>14</sup>

## Characteristics of California ADUs

Beyond the well-cited production figures, the results of California's ADU renaissance are reflected in their significant use as rentals and their relatively affordable pricing. Most new California ADUs are rented out, often providing housing options for those who cannot yet afford to buy, including in neighborhoods that may not have many other rentals.<sup>15</sup> According to a 2020 UC Berkeley survey of California ADU owners, another 18 percent of the state's ADUs provided free housing to family or friends of the owner, and only 8 percent of ADUs in California were short-term rentals.<sup>16</sup> This data is well-aligned with earlier surveys of ADU owners showing that their biggest motivation for building one is the supplemental income stream.<sup>17</sup>

Further, new ADUs often rent for less than the median rental price in the vicinity, and this appears to be especially true in major metropolitan areas. For example, the 2020 UC Berkeley survey found that the median monthly rental price for an ADU in the San Francisco Bay Area in the fall of 2020 was \$2,200,<sup>18</sup> compared to the region's typical market rate rent of \$2,624.<sup>19</sup>

In addition to typically being more affordable than other rental homes, ADUs also cost less to build, and—beside the fact that ADUs tend to be relatively small—many of the savings are in the land value. Unlike most developments, acquisition costs typically don't apply to ADU projects since the property owner usually bought the land previously. By contrast, the median “hard construction cost” (materials, labor, and utilities) for a California ADU was \$250 per square foot in 2020,<sup>20</sup> similar to the median hard construction cost for apartment buildings in the state shortly before COVID.<sup>21</sup>

### ***A Steady March of Zoning Reforms***

While other factors, including California's housing production targets for municipalities, likely played a role,<sup>22</sup> the state's ADU renaissance has been broadly attributed to a suite of zoning reforms.<sup>23</sup> Those zoning reforms began with a parallel set of 2016 laws that allowed conversions of existing structures into ADUs statewide by right. Eventually, other legislation allowed ADUs in new construction, allowed multiple ADUs per property, waived impact and school fees for small ADUs, required faster permitting, and allowed ADUs in non-owner-occupied arrangements (see Table 1).<sup>24</sup> California also has taken extensive legislative action to encourage owners of previously unpermitted “illegal” ADUs to formalize them, and the state's impressive ADU permitting numbers may reflect this.<sup>25</sup>

**Table 1: Summary of ADU reform legislation in California, 2016–2025<sup>26</sup>**

Bill	Year	Description
AB 2299/ SB 1069	2016	Requires municipalities to allow ADUs in pre-existing structures by right with minimal parking requirements and no utility connection fees.
AB 494	2017	Requires municipalities to allow ADUs to be 1) built in new construction and 2) rented out. Further reduces parking requirements.
SB 1226	2018	Allows building inspectors to apply older health and safety code standards for the purpose of making illegal ADUs legal.
AB 68/ AB 881/ SB 13	2019	Requires permitting decisions for ADUs within 60 days of application. Allows multiple ADUs on the same lot. Restricts municipalities' ability to impose ADU size limits and impact fees. Prevents enforcement of most ADU owner occupancy requirements until 2025.
AB 587	2019	Allows an ADU to be bought and sold separately from the primary dwelling (“condoized”) if it is subject to affordability restrictions.
AB 670	2019	Restricts the ability of homeowners' associations to regulate ADUs.
AB 671	2019	Requires local housing development agencies to plan for and incentivize the construction of ADUs.



Bill	Year	Description
AB 3182	2020	Broadens allowance to construct multiple ADUs on the same lot. Requires homeowners' associations to allow ADUs to be rented out.
AB 2221	2022	Allows construction of ADUs in new multi-family housing.
SB 897	2022	Restricts localities' ability to deny permits that would make an illegal ADU legal. Increases the height limits for some ADUs.
AB 671	2023	Allows condoized ADUs to receive state subsidies for affordable homeownership opportunities.
AB 976	2023	Permanently prevents municipalities from enforcing most ADU owner occupancy requirements.
AB 1033	2023	Allows all ADUs, not just income-restricted ones, to be condoized.
AB 1332	2023	Requires local agencies to provide pre-approved ADU building plans.
AB 2533	2024	Further restricts localities' ability to deny permits that would make an illegal ADU legal.
SB 1077	2024	Directs state agencies to create guidance for streamlining the ADU permitting process in environmentally sensitive coastal areas.
SB 1211	2024	Increases the number of ADUs allowed on parcels with multi-family dwellings. Further reduces parking requirements.
SB 9	2025	Requires new local ADU ordinances to be consistent with state law.
AB 1154/ SB 543	2025	Clarifies size standards and permitting guidelines for ADUs and restricts initial review of ADU applications for completion to 15 days.

Senate Bill 13, a combination of Assembly Bills 68 and 881, was a crucial step beyond blanket legalization. When it was signed into law in 2019, ADUs were already legal statewide and municipalities were required to allow them under certain conditions. But SB 13 took a more comprehensive approach to preempting zoning and permitting restrictions that typically make ADUs infeasible. The law raised allowable ADU sizes, lowered parking requirements, expedited building approvals, temporarily removed most owner occupancy requirements, and gave the state broader oversight of local ADU ordinances, among other reforms.<sup>27</sup>

Another important piece of legislation was 2017's Assembly Bill 494, which allowed ADUs in new construction statewide. By 2020, a slim majority (53 percent) of California ADUs were newly built detached units, while another 11 percent were newly built attached additions to the main dwelling.<sup>28</sup> At the same time, UC Berkeley data shows that conversions of garages or outbuildings (23 percent of ADUs) and internal rooms (9 percent) typically cost an average of 30 to 50 percent less to build than an attached addition or detached ADU.<sup>29</sup> Thus, allowing ADUs in new construction and conversions of existing structures were both important to California's ADU revolution: the former contributed more to supply, but the latter likely contributed more directly to affordability.



### **Case Study: Owner Occupancy Requirements**

As shown in Table 1, many subsequent ADU reforms in California were simply clarifications or more aggressive iterations of policies originally enacted in SB 13. For example, before the statewide ADU reform period began, many California cities required properties containing ADUs to be owner-occupied. Owner-occupancy restrictions tend to deter banks from lending to homeowners for ADU construction because in the event of a foreclosure, the banks are greatly limited in who they can sell the property to in short order.<sup>30</sup> Owner-occupancy requirements also greatly limit a potentially scalable way of building ADUs: constructing them in newly built single-family homes.<sup>31</sup> At the same time, such requirements may garner support among some locals who are concerned about real or perceived negative effects of absentee landlords on upkeep, pricing, and eviction rates.<sup>32</sup>

Until 2020, California laws that preempted municipal regulation of many other aspects of ADUs still allowed owner occupancy requirements to apply when the ADU was under construction.<sup>33</sup> SB 13, signed by Governor Newsom in October 2019, barred municipalities from enacting most owner occupancy requirements at any stage of development, but included a sunset clause that would allow such requirements to be enforced again starting in 2025.<sup>34</sup> Then, in January 2024, Assembly Bill 976 came into effect, barring municipalities from enforcing owner occupancy requirements for most categories of ADUs in perpetuity.<sup>35</sup> Thus, it took three separate laws and more than four years for California to go from broadly allowing ADU owner occupancy requirements to banning them statewide.

In a similarly iterative manner, California facilitated a streamlined permitting process and loosened parking requirements for ADUs. Prominent housing advocates consider these three attributes—by-right permitting, ending off-street parking requirements, and allowing non-owner-occupied arrangements—keys to unlocking ADU production.<sup>36</sup>

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### **Limitations of California's Reform Approach**

While California is a notable early adopter of and model for statewide legislation that facilitates enhanced ADU production, problems and inefficiencies remain. Despite laws requiring speedy approvals and preventing permit denials for minor building code violations, as of December 2024, it still takes an average of seven months to fully permit an ADU in California.<sup>37</sup> In some wealthy suburbs of Los Angeles and San Francisco, the average approval period is more than two years.<sup>38</sup>

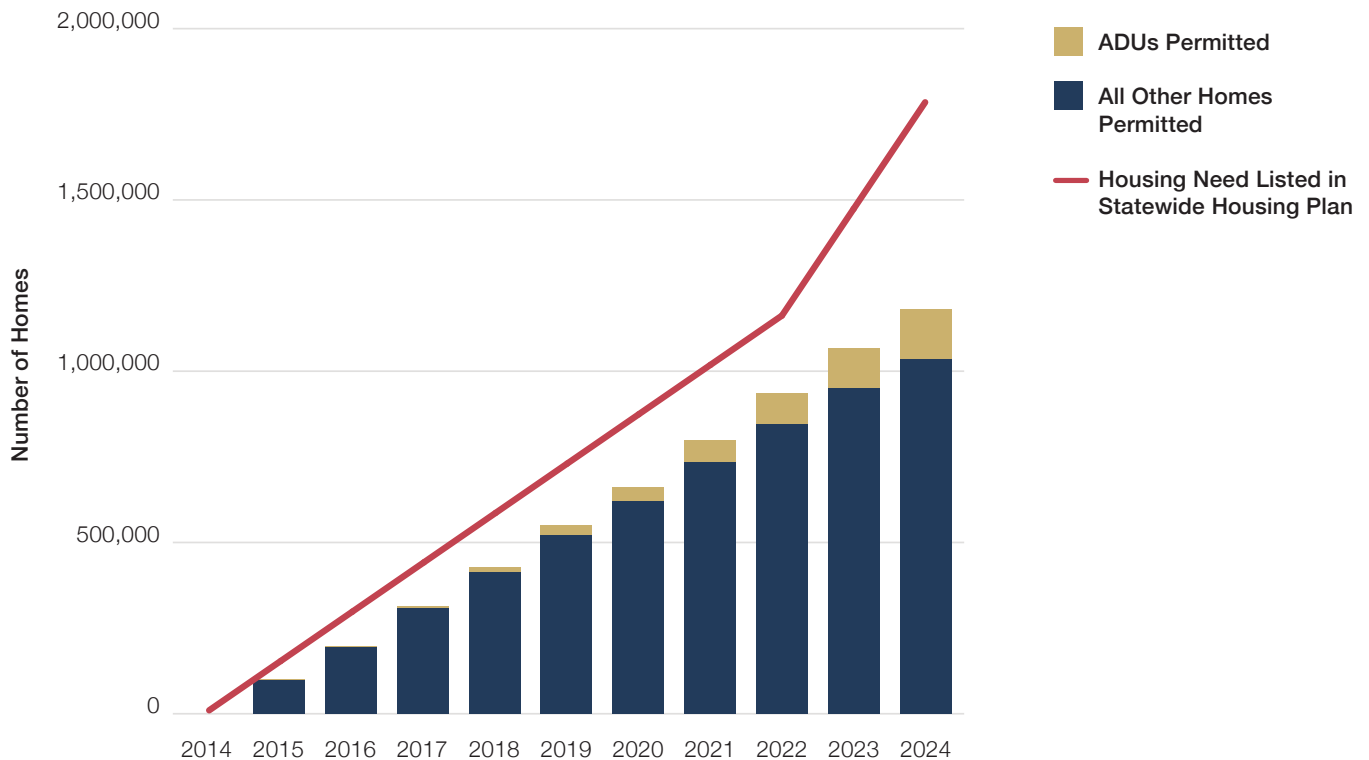
California ADUs have also not overcome the inherent difficulties of building income-restricted homes in new buildings at scale. As mentioned above, most ADUs in California rent for less than the median rent in their area, but still too much for them to qualify as affordable under most subsidized housing programs.<sup>39</sup> After all, most California ADUs are in newly built structures, which are inherently expensive due to steep material and labor costs nationwide.<sup>40</sup> The steep construction costs and labor shortages also help explain relatively long construction periods: as of 2020, 58 percent of California ADUs take at least 10 months to build, and 33 percent take more than 16 months.<sup>41</sup>

Lastly, California's impressive ADU production numbers should be understood against the backdrop of the nation's most extreme housing shortage. California's 2022

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Statewide Housing Plan calls for 2.5 million new units by 2030. As of this writing, ADUs are on pace to provide perhaps 200,000–300,000 of those, depending on how many permitted units are completed (see Figure 3).<sup>42</sup> To the extent that those 200,000–300,000 ADUs are housing units that would not have otherwise been built, they are certainly helping alleviate the state’s housing shortage. But in California, as in Massachusetts, ADUs are only a part of a more comprehensive set of solutions that will stabilize prices and return the housing market to a healthy vacancy rate in the long term.

**Figure 3: Cumulative Housing Need Identified in California State Housing Plans and Homes Permitted by Building Permit, 2014–2024<sup>43</sup>**



Even so, there are good reasons to believe that, without additional policy changes, Massachusetts ADUs likely won’t match those of California in terms of production, geographic diversity, and versatility. The next section examines these reasons in depth.

### Further Interventions Needed for Massachusetts ADUs to Live Up to California’s Example

As mentioned above, accessory dwelling units are legal statewide in Massachusetts following the 2024 Affordable Homes Act and subsequent regulations implemented in February 2025. But the statute and regulations don’t go nearly as far as California in standardizing ADU permitting and dimensional requirements, nor do they create as many guardrails or concentrate oversight at the state level. This is not necessarily a flaw with Massachusetts’ current ADU statute and regulations. Rather, it indicates that substantially expanding ADU production will require additional policy reforms informed by lessons learned during implementation, mirroring the iterative nature of California’s ADU reform efforts.

There are good reasons to believe that, without additional policy changes, Massachusetts ADUs likely won’t match those of California in terms of production, geographic diversity, and versatility.

Still, it's worth both explaining how Massachusetts' ADU allowances are more restrictive than in California and illuminating more fundamental institutional factors that tend to dampen ADU production. There are several major categories of reform Massachusetts could pursue to join California in better facilitating ADU production:

### **1. Increase flexibility on what and where to build.**

Perhaps the starkest difference between California and Massachusetts' ADU allowances is the extent to which they limit objective, specific local regulations on ADUs—from setback requirements to unit size restrictions to parking requirements. And on certain parameters, many cities have even more flexible development standards for ADUs than California does.

For example, in Massachusetts, municipalities may require up to one additional parking space for an ADU on parcels further than half a mile from a transit station, but parking requirements cannot apply within that half-mile radius.<sup>44</sup> California also limits ADU parking requirements to one space and prohibits them in transit-rich areas, but carves out a few additional scenarios in which parking requirements are unenforceable. For example, parking requirements for ADUs are not allowed in historic districts and places near car share services.<sup>45</sup> Meanwhile, in the absence of a statewide ADU parking policy, the City of Seattle eliminated parking requirements for ADUs entirely in 2019, part of a package of reforms that led annual ADU permitting to more than triple in three years.<sup>46</sup>

Besides a full ban on parking requirements, the other “keys to unlocking ADU production” identified above—namely, required by-right permitting and a ban on owner occupancy requirements—are already present in the statute and EOHLC regulations.<sup>47</sup>

However, Massachusetts hasn't adopted statewide standards for many other zoning parameters. Instead, EOHLC prohibits local ADU regulations that are “unreasonable,” including design and dimensional standards that are “more restrictive or different from what is required for a single-family residential dwelling” in the same zoning district (see Appendix A).<sup>48</sup> For this reason, minimum setback distances required between the ADU and the property line in Massachusetts will often exceed 20 feet, even in Boston's inner-ring suburbs.<sup>49</sup> By contrast, in most contexts, California localities can't impose a setback distance for ADUs of more than four feet.<sup>50</sup>

Similarly, local zoning rules that aim to limit the percentage of a given lot that can be built upon apply to ADUs in Massachusetts but are largely preempted by state standards in California. Specifically, minimum open space or maximum lot coverage requirements cannot “preclude the creation of an ADU with up to 800 square feet of gross floor area with four-foot side and rear yard setbacks” in the Golden State.<sup>51</sup>

Another major difference between the Massachusetts statute and California ADU regulations is in how they treat the possibility of multiple ADUs on the same lot. The Massachusetts statute requires second and subsequent ADUs proposed on the same lot to undergo a discretionary permit process.<sup>52</sup> Meanwhile, California requires municipalities to allow multiple ADUs by right on almost every residential lot.<sup>53</sup>

The bottom line is that the Massachusetts Legislature could take a much more aggressive approach to standardizing zoning around ADUs, in line with California and much of the rest of the country.

### **Case Study: ADU “Condoization”**

Massachusetts has shied away from preemptive policies that could turn many ADUs into homeownership opportunities. To be clear, such policies would invalidate municipal regulations that prohibit ADUs from being sold separately from the principal dwelling and could also require municipalities to allow pieces of land to be subdivided to facilitate these sales. By contrast, many Massachusetts localities currently stipulate that ADUs remain in “common ownership” with the principal dwelling.<sup>54</sup> Both Massachusetts and California allow municipalities to adopt their own ordinances facilitating the separate sale of ADUs, but California does not allow municipalities to prohibit “condoization” if the ADU is an income-restricted unit built by a nonprofit.<sup>55</sup>

Meanwhile, Texas and Washington State have gone even further, preventing municipalities from regulating ADU sales differently than those of other housing arrangements.<sup>56</sup> In 2022, 44 percent of new ADUs built in Seattle were condominiums.<sup>57</sup> Some cities outside of California have even adopted ADU condoization policies themselves, including Portland, Oregon in 2014.<sup>58</sup>

There are two main arguments against allowing ADUs to be condoized. One is that condo conversions could potentially displace tenants, although both state and local governments in Massachusetts regulate condo conversions to minimize the likelihood of this.<sup>59</sup> Condoization may also reduce opportunities to house property owners’ friends and family for free, although owners intent on helping their friends and family could likely still do so with the proceeds from the sale of the ADU.<sup>60</sup>

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## **2. Make the permitting process more transparent and predictable.**

California has expanded ADU production not just by tinkering with dimensional and building code criteria, but also by greatly limiting the ability of local officials to impose conditions or delays during the approval process. State law (SB 13) requires local authorities to either approve or deny a completed ADU permit application within 60 days of receipt.<sup>61</sup> It also bans public hearings and design reviews, which present opportunities for either the proposed ADU’s abutters or local elected officials to criticize it and suggest revisions to the design details.<sup>62</sup> A 2024 law even prohibits California localities from “imposing any objective development or design standard” on ADUs that conform to one of four sets of state-defined criteria.<sup>63</sup>

Instead, since January 2025, California has required its cities to create a program that allows designs the city considers desirable to be approved “over the counter.” That way, the review process merely involves checking for conformity to one of several pre-approved plans.<sup>64</sup> In theory, that would allow property owners who want to build an ADU to select from a catalog of designs available from specific contractors and obtain approval to start construction on the same day they apply for a building permit. The City of San Jose was an early adopter of this approach in 2019. As of April 2025, San Jose offers same-day approvals for 61 unique ADU designs (including some attached and garage conversion options) from 29 different vendors.<sup>65</sup>

Meanwhile, Massachusetts places very few limits on procedural aspects of ADU approvals beyond a blanket ban on “zoning relief or discretionary zoning approval” requirements.<sup>66</sup> Site plan reviews, which often examine various aspects of a site’s layout, drainage, landscaping, and traffic impacts, are still allowed if they use “clear and objective” criteria that are “consistent with an as-of-right process.”<sup>67</sup> Site plan reviews are not

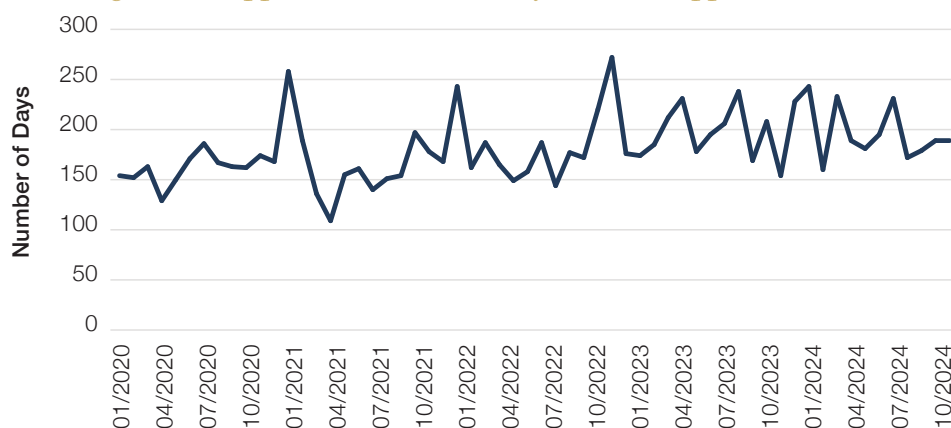
Site plan reviews are not defined in the Massachusetts statute, giving localities substantial leeway to create onerous, if objective, criteria.

defined in the Massachusetts statute, giving localities substantial leeway to create onerous, if objective, criteria, and in some towns site plan reviews typically take 3–5 months.<sup>68</sup>

Still, California's permitting reform approach leaves much to be desired. ADUs in California often require site plan reviews as well, and most ADU applicants don't take advantage of the preapproval options, prioritizing customization over same-day approvals.<sup>69</sup>

Also, the 60-day permitting shot clock doesn't provide very much predictability in practice. Since the 60-day approval period only starts once the municipality confirms that the application is complete, some cities simply refuse to confirm completion until shortly before the ADU is either approved or denied.<sup>70</sup> Thus, California data show that, despite an explosion in ADU permitting activity since SB 13 went into effect in January 2020, the approvals process hasn't gotten any faster (see Figure 4). California has since acted to require cities to confirm application completion within 15 days of receipt, but streamlining permitting for ADUs remains an ongoing battle.<sup>71</sup>

**Figure 4: Average Number of Days Between ADU Application Filing and Building Permit Approval in California by Month of Approval, 2020–2024<sup>72</sup>**



### 3. *Make it easier to enforce state preemptions of local regulations.*

Another aspect of the ADU approval process that remains challenging in both Massachusetts and California is that state and local regulations are often unclear to homeowners.<sup>73</sup> This in turn makes it too easy for cities and towns to delay and impose illegal conditions on ADU permits. Focus groups of California ADU owners have uncovered examples of such delays.<sup>74</sup>

Massachusetts' ADU regulations contain a lot of ambiguous language that could potentially enable municipalities to make the permitting process difficult. For example, the regulations prohibit municipalities from imposing "terms and conditions that are unreasonable" during the site plan review process.<sup>75</sup> The regulations also measure whether municipal restrictions on ADUs are reasonable by determining whether such a restriction "serves a legitimate municipal interest sought to be achieved by local zoning."<sup>76</sup> Parsing the meaning of such language is a matter for a court of law, thus placing a burden on ADU applicants to take legal action against municipalities that attempt to delay or impose unlawful conditions during the permitting process.

The alternative is to establish a formal mechanism of state oversight over local ADU bylaws and ordinances that specify redress for violations of state law. California has given its Department of Housing and Community Development such oversight since 2020, including a requirement that HCD notify the state attorney general when a locality's ADU bylaw or ordinance fails to comply.<sup>77</sup> Meanwhile, in Massachusetts, EOHLC has provided model zoning for ADUs,<sup>78</sup> but ADU bylaws and ordinances that are unenforceable since the state's February 2025 regulations can remain on the books without penalty.

Interpreting unclear regulations is a matter for a court of law, thus placing a burden on ADU applicants to take legal action against municipalities.

One concern with such a situation is that, as occurred in California in the early years of its ADU renaissance, applicants may be pressured to follow rules or processes that have already been preempted by state law.<sup>79</sup>

Unlike the MBTA Communities Act, the Affordable Homes Act doesn't give the EOHLC authority to determine whether related local bylaws and ordinances comply with the statute. The Attorney General's Office must approve new or amended bylaws enacted in communities with town forms of government.<sup>80</sup> However, as of July 2025, at least 101 municipalities have neither enacted nor amended an ADU bylaw since ADUs were legalized.<sup>81</sup>

But even California lacks an expeditious mechanism of state oversight over individual local ADU applications. Instead, the authority to overturn decisions involving illegal delays, denials, or conditions imposed at the local level rests with the state attorney general,<sup>82</sup> who likely has bigger fish to fry than any given ADU permit procedure.

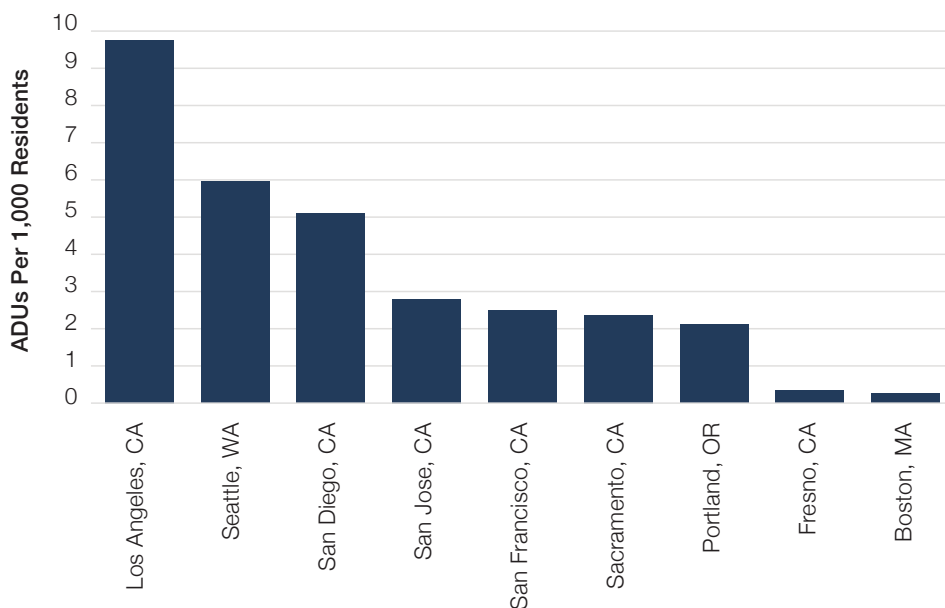
Legislation that took effect on January 1, 2025 allows the state to impose fines of up to \$50,000 per month on municipalities that fail to comply with state housing laws.<sup>83</sup> But it will likely be the summer of 2026 before there is sufficient data to assess whether this reform reduced permitting delays and increased transparency for homeowners looking to build an ADU. Some housing advocacy groups in California have even suggested instituting a state-level permitting process for ADUs, taking localities out of the equation entirely.<sup>84</sup>

Limiting confusion regarding Massachusetts' ADU regulations among applicants and municipal officials doesn't necessarily require such strong preemptive measures. But until the regulations become more concrete and conflicts between state and local laws are resolved, this lack of clarity could lead to permitting delays.

#### 4. Get Boston up to speed.

On the West Coast, large cities were often early adopters of ADU-friendly policies, and ADU production remains concentrated in large cities even after ADU regulations were liberalized statewide (see Figure 5).<sup>85</sup> For example, the City of Los Angeles had 9.9 percent of California's population in 2020 but made up more than a third of ADUs constructed in California between 2018 and 2024.<sup>86</sup>

**Figure 5: Per Capita ADU Permits Issued Among Large West Coast Cities and Boston, 2018–2024<sup>87</sup>**





Another example: Seattle made up 9.6 percent of Washington State's population in 2020, but every year between 2011 and 2023, made up at least 40 percent of ADU permits issued statewide.<sup>88</sup> ADU expert Kol Peterson explains that such "ADU superstar cities" exist in part because "the cottage industry to support [ADU] development is the most robust due the sheer population size of the market."<sup>89</sup> Thus, contractors and other ADU specialists may have the most viable business model in places with many potential customers.

Meanwhile, Boston, by far Massachusetts' largest city, is unlikely to make up a significant share of ADU production statewide in the next few years. This is largely because Boston is not subject to Chapter 40A, the section of state law that was amended in 2024 to more broadly allow ADUs.<sup>90</sup> Instead, Boston is pursuing its own set of regulatory reforms that have both taken longer and may not align neatly with those of the rest of the state.<sup>91</sup>

The process of legalizing ADUs in Boston thus far illustrates these limitations. A six-month ADU pilot in 2017–18 led to 50 applications, 12 of which were approved and just two of which were built.<sup>92</sup> In 2019, the city legalized ADUs in internal conversion arrangements only, leading to permits for 212 new units as of July 2025.<sup>93</sup> For comparison, in the first six years after California's 2016 ADU reforms came into effect, the City of Los Angeles permitted nearly 22 times as many ADUs per capita.<sup>94</sup>

Many of the regulations currently limiting Boston's ADU production efforts originate in the fire code. In a compact city with narrow lots and many small multi-family buildings, code constraints regarding fire access are often difficult to overcome. If such code requirements are not met, local fire chiefs have discretion to (and usually do) impose sprinkler requirements and other costly mitigations.<sup>95</sup> Further, as of May 2025, ADUs in Boston are required to have a separate entrance from the primary dwelling, potentially making it difficult to configure legal basement or attic ADUs on small lots.<sup>96</sup>

A separate problem is Boston's high concentration of residential properties that don't conform to the present zoning code. Most efforts to significantly alter such properties (including adding an ADU) would require some sort of discretionary review.<sup>97</sup> The city's 2024 ADU guidebook didn't mince words: "right now, 98% of small-scale residential properties in Boston have zoning that will prohibit them from building an ADU."<sup>98</sup> The guidebook also says that Boston is "working to create new residential zoning that matches the City's small-scale residential fabric and allows ADUs."<sup>99</sup>

Whether the new zoning meets the "three keys" from above (eliminating parking and owner occupancy requirements and permitting ADUs by right) will heavily influence the future of ADUs in Boston. Still, it's hard to imagine Boston matching the pace of ADU production in, say, Los Angeles without changes to fire codes and other building standards at the state level.

## **5. Harmonize ADUs with the existing development pattern.**

As alluded to above, old and dense cities like Boston might have a harder time accommodating new ADUs than other places, especially under existing fire codes. But even suburban areas in Massachusetts come with distinct disadvantages regarding ADU production relative to many large tract housing developments in California and elsewhere.

Simply put, much of California's development pattern is incredibly conducive to building the types of ADUs that are most valuable, versatile, and popular. Residential urban neighborhoods are often dotted with back-loaded alleys and detached garages, providing plentiful opportunities for detached ADUs with direct frontage on a public right-of-way (see Figure 6). Detached ADUs are particularly desirable for homeowners because they usually maintain privacy, minimize construction-related risks, and increase property values more than an attached ADU.<sup>100</sup>

Boston is pursuing its own set of regulatory reforms that have both taken longer and may not align neatly with those of the rest of the state.



As of 2020, California is one of just 11 states that have more detached ADUs than attached ADUs, likely due in part to disproportionate design constraints elsewhere.<sup>101</sup> North Carolina is the only state on the eastern seaboard that doesn't have a preponderance of attached ADUs (see Figure 7).

**Figure 6: Mid-Block Alleys in Pomona, California (Top, in Red) and a Street View of One of the Alleys (Bottom)<sup>102</sup>**



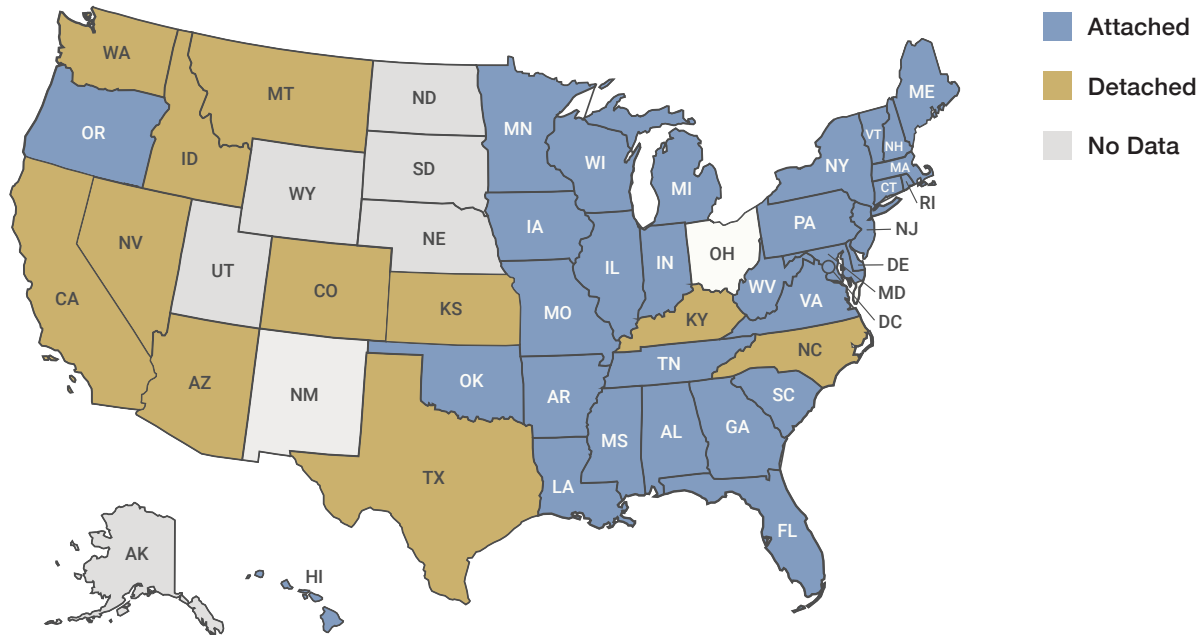
One factor limiting the viability of detached ADUs in much of Massachusetts is that fire codes heavily favor detached ADUs with wide non-driveway access points.<sup>103</sup> While such rules are easily workable in places that maximize street frontage with narrow blocks and back-loaded alleys, many Massachusetts homes contain garages or backyards that are only accessible via driveway. A driveway is often insufficient as an access road for a fire truck because it is likely to have a car parked there during a fire.<sup>104</sup> Thus, even in suburbs with wide lots and ubiquitous driveways, trees and fences could prevent the establishment of a fire access point to a backyard ADU.

California has reduced the impact of fire codes on ADU construction costs by limiting when new ADUs require fire sprinklers. Fire sprinklers are not required in California ADUs in cases where building codes don't require them in the principal dwelling, including most single-family homes built before 2011.<sup>105</sup> The construction of an ADU also can't trigger fire sprinkler requirements in the principal dwelling.<sup>106</sup>

Even parts of California with little room for detached ADUs often consist of tract housing with easily accessible garages, contributing to the high prevalence of conversion ADUs.

Again, sprinklers are less likely to be required in places where detached (or attached) garages and backyards tend to be accessible via a well-established right-of-way. Even parts of California with little room for detached ADUs often consist of tract housing with easily accessible garages, contributing to the high prevalence of conversion ADUs (see Figure 8). For example, in Alameda, a compact Bay Area city, 54 percent of ADU permits issued in 2024 were for conversions of existing structures.<sup>107</sup> According to the 2023 Annual Housing Survey, 85.2 percent of occupied housing units in California have a garage or carport, compared to 49.6 percent in Massachusetts.<sup>108</sup>

**Figure 7: Map\* of States by Most Prevalent ADU Type, 2020<sup>109</sup>**



\*Map template courtesy of MapChart.net

**Figure 8: Attached Garages Directly Fronting on a Fire Lane in Hayward, California<sup>110</sup>**



While other challenges to ADU production in Massachusetts largely involve (fixable) regulatory, financing, and permitting concerns, longstanding development patterns are more fundamental. Both the street network and the arrangements of homes on existing lots tend to be less conducive to detached or new construction ADU development in the Bay State relative to others, especially those on the West Coast. This fact highlights the importance of zoning reforms to facilitate by-right ADUs via internal conversions of existing structures to enable ADU production at scale, especially in Boston and other urban environments.<sup>111</sup>

\* \* \*

One takeaway from these five list items is that Massachusetts may be “behind the curve” on ADUs relative to 2025 California, but it’s not necessarily behind the curve relative to 2016 California. These list items present opportunities for Massachusetts localities and state officials to make ADU construction faster and more extensive via further reform. However, a critical attribute of scalable ADU production is not in the hands of state and local agencies, but rather private lenders and other financial institutions. The next section highlights the challenges and opportunities of the lending environment for ADUs.

## The ADU Financing Landscape

### **Currently Available Options**

With some contractors citing average costs to build a two-bedroom ADU in Massachusetts at \$300,000, not everyone can build one.<sup>112</sup> In Massachusetts and on the West Coast alike, mortgage products commonly used to finance ADUs require a substantial amount of home equity typical only of a long-time homeowner. These mortgage products include home equity loans, home equity lines of credit (HELOCs), and cash-out refinancings of existing mortgages.<sup>113</sup> Many homeowners also use their own savings or cash from family or friends to cover a substantial portion of the project cost.

As an alternative, some observers have touted the potential for FHA and VA renovation loans (typically used for home improvement) to help build ADUs, but high denial rates (35.4 percent in 2022) threaten the reliability of this approach.<sup>114</sup> As a last resort, homeowners may also finance ADUs with personal loans, which tend to have very high interest rates because there is no underlying collateral.<sup>115</sup> Table 2 below offers an overview of the pros and cons of each major ADU financing option.

As of this writing, financing programs specifically geared towards ADU construction in Massachusetts are relatively scarce. Cape Cod has the largest concentration of ADU-specific loan products available in the state from community and nonprofit banks, including Cape Cod Five, Cape & Coast Bank, Seamen’s Bank, and First Citizens’ Federal Credit Union.<sup>116</sup> However, none of these banks have branches north of Plymouth. The Greylock Federal Credit Union, based in Pittsfield, began offering an ADU loan program in June 2025.<sup>117</sup>

In other parts of Massachusetts, the public sector plays a larger role in financing ADUs. Boston, for example, has had a no-interest loan program for ADUs since November 2024, in partnership with five local banks.<sup>118</sup> Only low- and moderate-income homeowners are eligible for the program, and the program’s results have been slowed by reportedly unreliable contractors.<sup>119</sup> As of August 2025, 25 ADUs have been completed under Boston’s ADU loan program, with another 28 in the pipeline.<sup>120</sup> This loan program is unlikely to offer a scalable way of financing ADUs, partly because most homeowners will not meet the relevant income and asset limits. Importantly, the city program’s maximum loan amount (\$50,000) will rarely cover the full cost of building an ADU.

Both the street network and the arrangements of homes on existing lots tend to be less conducive to detached or new construction ADU development in the Bay State relative to others.

In Massachusetts and on the West Coast alike, mortgage products commonly used to finance ADUs require a substantial amount of home equity typical only of a long-time homeowner.

**Table 2: Major Benefits and Drawbacks for Homeowners of Present ADU Financing Options<sup>121</sup>**

Type of Financing	Benefits	Drawbacks
Home equity loan	Fixed, predictable payments.	Requires a substantial amount of home equity. Long repayment period.
Home equity line of credit	Doesn't create a large upfront repayment obligation.	Requires a substantial amount of home equity and a high credit score. Often uses adjustable interest rates, which create risks for borrowers if interest rates rise.
Cash-out refinancing of existing mortgage	Doesn't create secondary debt.	Requires a substantial amount of home equity. Will "reset" the mortgage interest rate, which is unappealing in a high interest rate environment.
Renovation loan	Doesn't require a substantial amount of home equity.	High denial rates. Often severe program restrictions on types of ADUs/ownership arrangements eligible for financing.
Personal loan	Doesn't require a substantial amount of home equity.	High interest rates and default risk. Small loan amounts. Often requires a high credit score.
State and local financing	Often has low or no interest rate.	Small loan amounts and limited availability due to dependence on public subsidies.
Other options (shared appreciation models, bridge loans, ground leases, etc.)	(Varies)	Limited availability and/or niche applicability.

Meanwhile, in a region of the state absolutely starving for year-round workforce housing, Truro has a tax abatement program for ADU owners who rent out their ADUs on a long-term, income-restricted basis.<sup>122</sup> Again, the income-restricted aspect of the program will likely limit the program's scalability. Homeowners may be hesitant to take on the financial constraints and extra paperwork that come with a deed-restricted property.

As of this writing, state financing options specifically for ADUs are nascent in Massachusetts. The state's five-year capital investment plan includes \$10 million for a variety of activities promoting ADU production. These activities include ADU pre-development and construction-related financing starting in FY 2026, which will help produce an estimated 1,800 ADUs at less than \$5,600 in public subsidies per unit.<sup>123</sup>



It's unclear how this ADU financing program could be structured to require such an amazingly low level of subsidy. For comparison, in 2023, MassINC touted the Housing Development Incentive Program (HDIP) as "the state's most efficient housing development program to date" for requiring \$23,664 in subsidies per unit.<sup>124</sup>

Larger-scale public ADU financing programs in other states haven't quite had the same efficiency. For example, the \$106 million in ADU financing administered by the California Housing Finance Agency helped fund 2,430 ADUs in the early years of California's ADU revolution for an average subsidy of \$39,763 per unit.<sup>125</sup> As of August 2025, 935 of these ADUs have completed construction.<sup>126</sup>

The state's five-year capital investment plan includes \$10 million for a variety of activities promoting ADU production.

### ***An Expanding Role for Government-Sponsored Enterprises?***

In Massachusetts and elsewhere, private banks have largely shied away from creating specific mortgage products for ADUs, for several reasons. First, most banks find it more economical to finance larger-value projects, given that underwriting a loan comes with certain fixed administrative costs.<sup>127</sup> Second, financing ADUs that aren't part of a newly built single-family home usually entails creating a second-position lien on a property with existing debt, which is often risky for lenders.<sup>128</sup> Third, loan products that are tradable on secondary markets, including securities made from bundled single-family home mortgages, offer banks a lower risk profile and more liquidity because they don't stay on the banks' balance sheets for long.<sup>129</sup> In a September 2024 report, Zillow researchers concluded that "the need for a secondary market for second-position loans that don't require homeowners to lose their low-interest first mortgage rate has been a persistent barrier" to financing ADUs at scale.<sup>130</sup>

However, by April 2024, Freddie Mac was already soliciting public comments on a proposal that would authorize the purchase of second mortgages for single-family homes by government-sponsored enterprises (GSEs).<sup>131</sup> By December 2024, Freddie Mac was operating a limited pilot program to buy second mortgages, capped at \$2.5 billion.<sup>132</sup> Such actions are controversial among those concerned about the effects of credit expansion on asset price inflation and default risks.<sup>133</sup> But the potential role of GSEs in standardizing and scaling up ADU financial products is a common topic of reform in some policy circles.

Recently, lawmakers have attempted to expand government-backed ADU financing further. In July 2025, two congressmen introduced a bipartisan bill that would establish a federal loan insurance program dedicated to ADUs and operated by the Housing and Urban Development Department (HUD).<sup>134</sup> Further, the bill authorizes Fannie Mae and Freddie Mac to buy these loan products, bundle them, and sell them on secondary markets, in the same way that primary mortgage loans for single-family homes are securitized and sold.<sup>135</sup>

Other than creating new programs, past research has also focused on the limitations of existing policies that could be reformed to make it easier to finance ADUs. For example, mortgage products typically cap loan amounts based on both the borrower's income and the property value in a way that doesn't fully account for the income or value created by the ADU itself.<sup>136</sup> Meanwhile, programs that don't depend on home equity often come with substantial restrictions on the types of ADUs they will finance. Federal Housing Administration (FHA) renovation loans, for example, can't be used to finance detached ADUs, ADUs on lots with multiple other homes, or non-owner-occupied properties.<sup>137</sup>

Efforts to further reform GSE or FHA criteria for backing these loans and mortgage products would likely be highly politicized. Housing finance experts have wildly differing opinions on the systemic risks created by expanding GSE-backed credit options.<sup>138</sup>

Some observers are concerned that, if GSEs facilitate the creation of high-risk financial products at scale, they could eventually destabilize the entire financial system in the event of a downturn.<sup>139</sup> The limitations on GSE purchases of secondary mortgage products and restrictions on types of ADUs the FHA will insure both reflect consensus that loan products for ADUs are riskier for lenders than conventional mortgage loans.<sup>140</sup>

The counterargument to concerns about creating an overly loose credit market is that expanding coverage would merely reflect improving reliability and better data about the loan products GSEs are backing. One potential source of this reliability is the rising prevalence of ADUs in the aftermath of regulatory and permitting reforms in California and elsewhere. These reforms made it more certain that entitled projects would proceed without unanticipated intervention from regulators. They also gave numerous appraisers and contractors expertise in valuing and constructing ADUs that further increased lender confidence.<sup>141</sup> Thus, as the National Association of Homebuilders argued in 2019, a critical mass of ADUs could make it more readily justifiable to loosen GSE credit standards in a way that would entice local banks to finance more ADUs.<sup>142</sup>

In such a rapidly evolving market and regulatory landscape for ADUs, it's possible that some of the GSE and FHA criteria around ADUs warrant some reexamination. For example, the FHA may preclude new detached ADUs from its renovation loan program simply because they don't involve the renovation of existing structures. But with the substantial prevalence of detached ADUs on the West Coast and elsewhere, lenders have an increasingly good understanding of the risks involved. The FHA also already allows renovation loan funds to be used for other potentially detached structures, including garages.<sup>143</sup>

### ***Standardizing Appraisals and Listing Data***

Banks typically require home appraisals as a condition for issuing renovation financing or construction loans for an ADU, which ensures that the property value of the finished product justifies the loan amount. However, a 2022 UC Berkeley study found that, absent sufficient comps and standardized appraisal methods, appraisers are very conservative in how they value ADUs.<sup>144</sup> Part of this lack of standardization is a direct result of GSE-provided appraisal forms, which make it difficult for appraisers to make a distinction between rents in the primary dwelling and in an ADU.<sup>145</sup> The resulting undervaluation could both prevent loan applicants from accessing certain types of financing and dissuade them from building an ADU in the first place if they believe it is not a good investment in their property.<sup>146</sup>

But evidence from Portland, Oregon suggests that, once it becomes easier for home appraisers to find comparable properties with ADUs that have recently sold in a given area, it's less likely ADUs will be undervalued in appraisals.<sup>147</sup> Further, those comps also give banks more confidence in the cost estimates for building the ADU provided by contractors.<sup>148</sup> The result is a cycle characterized by positive feedback: building more ADUs makes financing easier and encourages lenders to offer more generous loan terms, which in turn enable more ADUs to be built.<sup>149</sup>

There may be opportunities to accelerate this positive feedback loop by better standardizing the ADU data used by appraisers, brokers, and prospective owners. The National Association of Realtors and the Real Estate Standards Organization (RESO), which maintains data standards for Multiple Listing Services, are likely in the best position to do this.<sup>150</sup> Currently, there is no standard indicator in MLSs of whether a property has an ADU,<sup>151</sup> which is partly why national studies on the prevalence of ADUs have been criticized as unreliable.<sup>152</sup> Updated data fields for "additional living quarters" have been approved by RESO's Data Dictionary Workgroup, but probably won't be ratified by their Board of Directors and fully implemented until 2027.<sup>153</sup>

Housing finance experts have wildly differing opinions on the systemic risks created by expanding GSE-backed credit options.

While the NAR and RESO are private organizations, state and local governments can make financing for ADUs easier by reforming ADU regulations to make more ADUs eligible for traditional mortgage products. In that regard, a particularly important additional ADU reform in Massachusetts may be to allow them to be sold separately from the principal dwelling. The following section contains many more recommendations for facilitating enhanced ADU production in Massachusetts.

Currently, there is no standard indicator in MLSs of whether a property has an ADU.

## Recommendations and Conclusion

### Statutory and Regulatory Reforms

- **Allow ADUs to be sold separately from the primary dwelling unit.** “ADU condoization” would create more opportunities for homeownership and make it much easier to finance them, given the quick cash-out and potential eligibility for single-family home mortgage products.<sup>154</sup> The impact on affordability could be astounding. An analysis of new ADU condos in Seattle found that they cost an average of 53 percent less than new detached homes.<sup>155</sup> Condoization also helps ensure that the ADU remains a housing unit after the property is sold.<sup>156</sup>
- **Create a baseline allowance for ADUs on dimensionally constrained lots.** Rather than create statewide standards, Massachusetts prevents municipalities from adopting “unreasonable” dimensional requirements for ADUs, including those stricter than would be allowed for a single-family home or accessory building in the same district. This approach could be a major barrier to standardized designs for modular ADUs and make it harder for local contractors to expand to other communities. Massachusetts should follow California’s lead and broadly allow a prototypical 900-square-foot ADU with de minimis setback and lot coverage requirements.
- **Eliminate all parking requirements for ADUs, regardless of location.** Hypothetically, most new housing development will increase the need for parking to some extent. But many ADUs aren’t used as housing, and still others are used to house people who don’t own cars. The ADU owner is in the best position to know whether parking will be necessary for the ADU’s end user, so it should be up to the ADU owner whether to include parking in the first place. Otherwise, parking mandates will just increase costs and deter ADU production.
- **Exempt new detached ADUs from strict fire access requirements.** By default, the Massachusetts fire code requires new structures built behind others to have a door within 25 feet of a fire access road.<sup>157</sup> If this isn’t possible, applicants can propose alternatives for fire officials to consider at their discretion, which are either expensive (sprinklers) or often disallowed in practice.<sup>158</sup> But as recently as 2019, the fire code exempted “existing and new one- and two-family detached dwellings and their accessory structures” from this requirement.<sup>159</sup> Re-adopting this language, at least for small ADUs, would provide more predictability for ADU owners and their contractors while lowering costs.
- **Preempt “above and beyond” septic system rules for ADUs.** In some communities, there are separate septic system requirements for the ADU and the primary unit, even if there is sufficient capacity in the primary unit’s existing system.<sup>160</sup> Such requirements can raise the costs of building an ADU by tens of thousands of dollars and greatly limit their location on the property.<sup>161</sup> Massachusetts could minimize the effects of septic system rules on ADU production and affordability by preventing localities from enforcing standards that exceed those of Title 5, the state environmental code’s section on septic systems.

Massachusetts should follow California’s lead and broadly allow a prototypical 900-square-foot ADU with de minimis setback and lot coverage requirements.



## Process Streamlining

- **Establish objective site plan review criteria in the statute.** Site plan reviews for ADUs are already required to be “clear and objective” under state regulations.<sup>162</sup> But in practice, it is very difficult to enforce the role of site plan reviews as technical and administrative without codifying review parameters in state law. Statutory criteria should also make it clear that technical professionals, such as city staff or consultants, should conduct such reviews, not elected officials. The bottom line is that local actors should never have the discretion to use a site plan review’s aesthetic or otherwise nebulous criteria to delay or deny ADU proposals.
- **Cut down on Boston’s process hurdles for ADU approval.** Meeting the potential for ADUs requires that they be allowed by right. But in Boston, discretionary reviews aren’t just limited to variance procedures. The city’s 53 Neighborhood Design Overlay Districts (NDODs) require both a special design review and significant abutter notification for most exterior alterations.<sup>163</sup> The Boston Parks Commission can also veto the issuance of building permits near their properties.<sup>164</sup> Aspiring ADU owners should not be subject to these conditions just to build a small, inconspicuous new home. The Parks Commission review has the added downside of discouraging people from living near parks.
- **Remove the state’s special permit requirement for multiple ADUs per lot.** Special permit processes add great uncertainty for prospective ADU owners, who are relatively unlikely to have experience navigating such a process. And most municipalities that allow multiple ADUs per lot would likely impose special permit requirements by their own volition. Placing limits around local control of residential permitting is sometimes justified when it can help solve problems of regional significance, like the state’s housing shortage. This special permit requirement does the opposite: codifying barriers to housing production in a way that takes away local control.

## Community Engagement and Education

- **Host frequent workshops for homeowners on how to build an ADU.** A May 2025 MassINC poll found that only 27 percent of Massachusetts voters know that ADUs are now legal statewide.<sup>165</sup> Local governments, community organizations, and regional planning agencies can help increase that number by hosting and publicizing general information sessions and pre-application workshops for interested homeowners. Local libraries, schools, and public parks could host information booths and events on ADUs. EOHLC has already undertaken a similar education effort for planning officials and building inspectors.<sup>166</sup>
- **Offer supportive online materials like fact sheets and checklists.** Municipal websites are a logical first stop for homeowners interested in adding an ADU, but many of them are devoid of accessible guidance on how to build one. Each municipality should have a dedicated webpage that outlines the ADU approval process, provides an application materials checklist, estimates permit fees, and allows applicants to track their proposal.<sup>167</sup> Providing such information could not only get more ADUs built, but also help equalize opportunity for building them across households with different levels of resources and technical knowledge.
- **Update the Massachusetts Interactive Property Map to include better ADU feasibility info.** Homeowners and contractors shouldn’t need several meetings with local officials just to understand whether a property is suitable for an ADU. While it would be difficult without further standardization of ADU requirements, MassGIS should supplement their existing interactive property look-up tool to help property owners understand the feasibility of different ADU arrangements. New variables should include parking requirements, wastewater infrastructure capacity, and others.

A May 2025 MassINC poll found that only 27 percent of Massachusetts voters know that ADUs are now legal statewide.

## Financing and Other

- **Require ADU training for appraisers.** Accurate appraisals could enable a significant expansion of ADU financing. In California, some local trade groups already run training courses on how to properly appraise an ADU.<sup>168</sup> These trainings will likely grow more common once the Real Estate Standards Organization implements new data fields allowing for the proper identification of ADUs. To be clear, training requirements should be imposed by lenders, and appraisers should only have to demonstrate they meet them upon submitting an appraisal involving an ADU. Similar training efforts may be necessary for municipal assessors and private insurance agents.
- **Harmonize state and local ADU financing programs with private options.** The appeal of public financing for ADUs is typically low interest rates and occasionally forgivable loans. But rarely are public agencies willing to finance the full cost of building an ADU this way, necessitating private financing as well. Policymakers should ensure that public financing programs don't make it harder for property owners to obtain private financing, for example by requiring small-dollar loans to be the first lien.<sup>169</sup>
- **Make it easier for modular construction to occur in general.** Most ADU owners will want some level of customization in their ADU design. But for those who prioritize affordability instead, modular construction could be an incredibly appealing option. Pre-approved designs and off-site inspections could cut costs, and both will require some foresight on the part of municipal planning and building departments.<sup>170</sup> Transportation costs for modular homes can also be expensive, so the Legislature should exempt businesses that transport finished ADUs from the state use tax on rolling stock.<sup>171</sup>

Notably, many of the above regulatory and process-based reforms could be adopted either by state or local governments. While this paper has leaned heavily on the “strong state” model of reform exemplified by California, that precedent should not preclude municipalities from pursuing their own ordinance or bylaw changes to enable ADU production at scale.

After all, as of this writing, ADUs still constitute just 1.5 percent of California's housing stock.<sup>172</sup> In the U.K., where the construction of “granny flats and annexes” is heavily dependent on local authorities,<sup>173</sup> an estimated 5 percent of homes have one as of 2020.<sup>174</sup>

Moreover, Massachusetts faces a harrowing housing shortage characterized by an immense imbalance of supply and demand.<sup>175</sup> While supply-side challenges like high construction costs and interest rates will likely remain for the foreseeable future, ADUs offer a chance to build housing as close to the origination point of demand as possible. When a certain neighborhood needs more homes for downsizing seniors or young people in transition, some homeowners in that neighborhood may respond to that need by building an ADU on their properties. Often, ADU occupants will be friends or relatives of the homeowner.

Several factors—from the present regulatory and financing environments to historical development patterns—suggest that ADUs' mere legalization will not be enough to achieve their widespread adoption. Thus, whether this community-driven model of housing development can scale up largely relies on the continued reform efforts of policymakers and lenders across the Commonwealth.

The Legislature should exempt businesses that transport finished ADUs from the state use tax on rolling stock.

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## Appendix A: Comparison of Allowed Local Regulatory Standards for ADUs in Massachusetts and California<sup>176</sup>

	Massachusetts	California
Maximum height or number of stories	Must be “reasonable” and cannot be stricter than those that apply to either the principal dwelling or a single-family home or accessory structure in the same district, whichever is less strict.	Cannot be lower than 16–20 feet (depending on conditions specified by statute) for detached ADUs and the lesser of the height limit that applies to the principal dwelling and 25 feet for attached ADUs. Cannot be fewer than two stories.
Restrictions on combined density of the ADU and principal dwelling	Prohibited	Cannot preclude the creation of an ADU with up to 800 square feet of gross floor area. Cannot “unreasonably restrict the creation of ADUs.”
Restrictions on the number, age, or familial relationship of ADU occupants	Prohibited	Prohibited beyond applicable building code standards and “could be construed as a discriminatory practice towards protected classes.”
Owner occupancy requirements	Prohibited	Prohibited
Discretionary review processes	Prohibited	Prohibited
Requirements that ADUs occur in a particular arrangement (detached, attached, etc.)	Prohibited	Prohibited
Minimum lot size requirements	Prohibited	Prohibited
Restrictions on the total number of ADUs in a jurisdiction	Prohibited	Prohibited
Restrictions on altering non-conforming properties to build an ADU	Prohibited	Prohibited
Restrictions on or bans of short-term rentals	Allowed	Allowed
Restrictions on selling an ADU separately from the principal dwelling	Allowed	Allowed, except for income-restricted ADUs built by a nonprofit.
Maximum size of the ADU	Cannot be lower than the lesser of half the square footage of the principal dwelling and 900 square feet	Cannot be lower than 850 square feet or, for ADUs with at least one bedroom, 1,000 square feet. In communities without a compliant ADU ordinance, it cannot be lower than 1,200 square feet.

	Massachusetts	California
Site plan review	Cannot involve “terms and conditions that are unreasonable or inconsistent with an as-of-right process.”	Allowed only if it is ministerial in nature. Informally, “ministerial” means that “the permitting agency reviews the application using only checklists.”
Restrictions on pre-fabricated ADUs	Cannot be stricter than those in the state building code	Allowed only to the extent that other restrictions on ADUs are allowed. A “manufactured home” is, by definition, a type of ADU under California state law.
Minimum parking requirements	Prohibited within 1/2 mile of transit; otherwise, no more than one space per ADU.	Prohibited within 1/2 mile of transit, within one block of car-share options, in “architecturally and historically significant” districts, wherever on-street parking permits are required but not issued to ADU occupants, and if the ADU is part of the primary home or an accessory structure; otherwise, no more than the lesser of one space per ADU or one space per bedroom.
Restrictions on ADUs in historic districts	Allowed unless they don’t serve a “legitimate municipal interest,” don’t “rationally relate” to such an interest, or “impose excessive costs,” or “substantially diminish or interfere with” the use or development of an ADU without furthering such an interest.	Allowed only if they are “objective standards that do not unreasonably restrict the creation of ADUs.”
Design standards	Must be “reasonable” and cannot be stricter than those that apply to a single-family home in the same district. Cannot be so restrictive as to “unreasonably increase costs.”	Prohibited beyond those specified by statute. Standards “must be objective to allow ministerial review of an ADU.”
Required setbacks from property lines	Must be “reasonable” and cannot be stricter than those that apply to a single-family home in the same district. Cannot be so restrictive as to “unreasonably increase costs.”	Prohibited beyond four feet, with limited exceptions for properties in environmentally sensitive areas.
Maximum lot coverage or open space requirements	Must be “reasonable” and cannot be stricter than those that apply to a single-family home in the same district. Cannot be so restrictive as to “unreasonably increase costs.”	Cannot preclude the creation of an ADU with up to 800 square feet of gross floor area. Cannot “unreasonably restrict the creation of ADUs.”
Separate utilities connection requirements	Cannot be imposed by municipalities. May be imposed by municipal, state, or regional boards or commissions; utility companies; state law; or court order.	Prohibited unless the ADU is constructed concurrently with the principal dwelling.

	Massachusetts	California
Environmental regulations	Cannot be stricter than those that apply to a single-family home in the same district.	Require “a conclusive rationale to warrant restricting ADUs.” ADUs are exempt from the review provisions imposed by the California Environmental Quality Act.
Required impact fees	Cannot be more extensive than those required for single-family homes in the same district.	Prohibited for ADUs smaller than 750 square feet, although school impact fees may still apply to ADUs between 500 and 750 square feet. Impact fees for larger ADUs must exhibit proportionality between the size of the ADU relative to that of the principal dwelling and the size of the fee.
Restrictions on building multiple ADUs on a given lot	Allowed. A special permit is required for multiple ADUs on a given lot.	Localities must allow two conversion ADUs and one detached ADU on properties with single-family homes under conditions specified by statute. On properties with multi-family homes, municipalities must allow a number of conversion ADUs equal to the greater of 25% of the number of principal dwelling units and one and a number of detached ADUs equal to the lesser of the number of principal dwelling units on the property and eight.
Fire sprinkler requirements	Allowed	Prohibited if the principal dwelling does not require fire sprinklers. Construction of an ADU cannot trigger fire sprinkler requirements in the principal dwelling.
Affordability requirements	Cannot “impose excessive costs” or “substantially diminish or interfere with” the use or development of an ADU without furthering a “legitimate municipal interest.”	Prohibited, except for in “junior ADUs”
HOA restrictions on ADUs	Allowed	Cannot be stricter than the statute. Cannot “unreasonably increase the cost to construct or effectively prohibit or extinguish the ability to create or serve an ADU.”
Restrictions on or bans of ADUs in multi-family zoning districts	Allowed only if the multi-family zoning district prohibits single-family housing development.	Prohibited
Public hearings	Allowed as long as the approval criteria is not discretionary.	Prohibited

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## Mission

Pioneer Institute develops and communicates dynamic ideas that advance prosperity and a vibrant civic life in Massachusetts and beyond.

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Success for Pioneer is when the citizens of our state and nation prosper and our society thrives because we enjoy world-class options in education, healthcare, transportation and economic opportunity, and when our government is limited, accountable and transparent.

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