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The boom in Portland granny flats

A fee waiver has fueled accessory units, but the break is nearing an end

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The Oregonian/OregonLive

Granny flats, in-law apartments, carriage houses. Whatever your preferred nickname for accessory dwelling units, they've been popping up alongside single-family homes all across Portland.

One big reason? Homeowners have saved tens of thousands of dollars in Portland development fees after city officials waived them five years ago in an attempt to spur affordability and density. The number of permit applications leaped immediately, from 25 the year before the waiver to 92 in 2010, according to data provided by the Bureau of Development Services.

An improving economy, plunging vacancy rates and rental services such as Airbnb further added to the increase. More than 260 permit applications were filed last year; as of early September, this year's tally had already reached 314.



ANNA M CAMPBELL PHOTOGRAPHY

Accessory dwelling units like this one in Northeast Portland's Beaumont-Wilshire neighborhood have increased dramatically, in part because the city waived development fees on them five years ago. Those fees are likely to return next year.

The city is likely next year to reinstate the fees, which help pay for infrastructure such as roads, water and sewer systems. But any slowdown caused by the increased cost won't grind construction to a halt, homeowners and build-

ing industry officials say. The accessory dwelling unit has emerged as both an investment and a modern type of living arrangement.

"One might think that this market has matured sufficiently to be able to operate

without the waivers," Andy Peterson, a project manager with the Bureau of Development Services, said in an email.

The uses for an accessory unit are many. Some homeowners rent them to those
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unable to find a traditional apartment. Others play Airbnb host, charging hundreds of dollars in some neighborhoods for a night's stay. Families build them for aging parents so they can be nearby and still maintain some independence. People squeezed by stagnating wages or uneasy about retirement are living in them while renting out their primary homes. And some pursue a mix of those options.

Jonathan Collins built a studio apartment-like accessory unit last year on his property in the Beaumont-Wilshire neighborhood. His parents live there now.

"They love it," said Collins, a co-founder of the communications companies Epipheo and Sincerely Truman. "We really enjoy having them so close yet technically next door in their self-contained unit."

While his parents were gone for six weeks over the summer, Collins tried Airbnb. The online short-term rental service worked well and "brought in some cash," Collins said.

The city's fee waiver gave Collins "more reason to pull the trigger" on the unit, he said. But he added that he "would have built it even if it was more costly and time-consuming."

Designers and builders have seen a boom in business since 2010.

Eric Fowler, the owner of

Development fees

How much are Portland's development fees for accessory dwelling units? It's hard to say an exact figure because the city recalculates the rates every year, and they've been waived since 2010. They are a combination of fees for items such as water, parks, sewers and roads, and could total between \$10,000 and \$20,000. For more information, go to portlandoregon.gov/bds/article/166412.

Northwest Heritage Renovations, said interest "is incredibly high right now." Ryan Austin of Polyphon Architecture and Design said the product accounts for about a quarter of his firm's workload but the majority of its finished products. And Nick Mira, co-founder of the startup architecture firm Propel Studio, said his company's revenues have doubled in the past three years because of accessory units.

"That has been a big part of our emerging small business," Mira said. "And we have grown because of the spike."

Mira and his business partner, Lucas Gray, expect a rush of units in the coming months, as the fee waiver is set to expire next July. The Portland City Council is unlikely to extend it, as it did in 2012. Commissioner Dan Saltzman, the head of the Bureau of Development Services, said in an interview last month that there was "no

need to renew those waivers." And Peterson, the city project manager, said the waivers "are not intended to run on forever, so the sunset date is likely to be the sunset date."

But Mira, Fowler and Austin agreed that though accessory unit construction might slow once the fees come back and price certain customers out of the market, the phenomenon isn't likely to disappear anytime soon.

"Even with the full permit fees, these projects still pencil out pretty well as an investment," Mira said.

That's how Hillsdale resident Barb Sanders, 60, looks at it. Like many, she and her husband, Gary, were set back during the recession and are looking to make some extra money as they approach retirement.

They heard about the accessory units and saved enough cash to build one. They plan to generate some revenue using Airbnb. And if things get worse, they'll move into the unit and sell or rent their house, Sanders said. They're in the permitting process now.

Sanders, an events director at the American Cancer Society, said they would probably still build the unit even if there are city fees. But they would have to wait longer and perhaps take out a loan.

"I don't know that we could have afforded to do it (with the fees)," Sanders said. "It really is in our budget that the fees are gone."

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