# "Hidden" Density: The Potential of Small-Scale Infill Development

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## ISSUE

California's implementation of SB 375, the Sustainable Communities and Climate Protection Act of 2008, is putting new pressure on communities to support infill development. As metropolitan planning organizations struggle to communicate the need for density, they should take note of strategies that make increasing density an attractive choice for neighborhoods and regions.
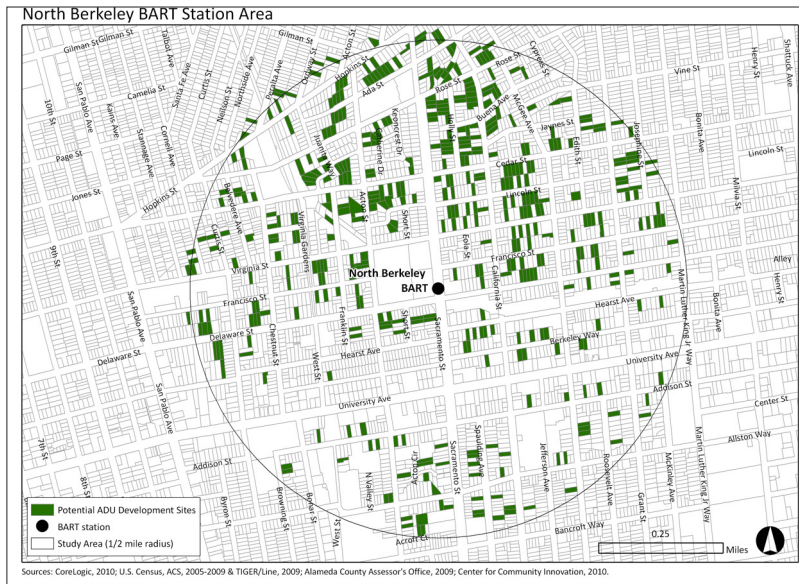
## FINDINGS

*A second unit can be a small stand-alone cottage that provides low-cost rental housing stock.*

One such strategy is small-scale infill—specifically, the construction of self-contained, smaller second units on the lots of existing homes. These units can be either attached to the primary house, such as an above-the-garage or basement unit, or a free-standing cottage or carriage-house. The Institute of Urban & Regional Development's Center for Community Innovation is assessing both the social and individual benefits of second units as well as their potential to accommodate future housing needs in the East Bay.

Second units provide social benefits by making efficient and "green" use of existing infrastructure and helping increase densities to levels at which transit becomes feasible. Because second units tend to be relatively small, and their amenities modest, they can be built for less than one-third the cost of comparable units in multifamily buildings, providing housing options that are more affordable and helping maintain neighborhood diversity.

As the City of Santa Cruz has demonstrated, streamlined permitting, subsidized technical assistance, and standard architectural guidelines can speed second units' approval and construction. As a result, they can be used to increase neighborhood density relatively quickly. Second units also can enhance a property's value, constituting an asset-building strategy for homeowners, who can also generate income if they choose to rent out the unit. In addition, by providing homeowners with flexible space for changing family needs, second units accommodate the fluctuating work schedules and

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North Berkeley BART Station Area

Potential ADU Development Sites
BART station
Study Area (1/2 mile radius)

Sources: CoreLogic, 2010; U.S. Census, ACS, 2005-2009 & TIGER/Line, 2009; Alameda County Assessor's Office, 2009; Center for Community Innovation, 2010.

*Low-density residential neighborhoods around transit stations can accommodate significant numbers of new second units, as shown in the map of residential housing with potential space for second units within a half-mile radius of the North Berkeley BART station.*

alternative living arrangements that are becoming more common.

In economic terms, increasing the number of second units on a large scale could have significant impact. A second unit built for $100,000 generates an additional $80,000 of indirect and induced spending in the economy and, if most purchases are made locally, creates one year-long local job. Thus, construction of 4,000 second units locally would mean 4,000 local jobs, as well as hundreds of millions in indirect and induced spending locally. Property tax revenues would rise as well: some $5 million would be generated at the Alameda County base rate.

However, parking requirements constitute a major barrier to second unit construction in many cities. Cities might relax these requirements in neighborhoods well-served by transit, where residents may not need to own a car. In neighborhoods that are not transit-centric, car sharing services could give residents access to a car without the need for substantial added parking. To achieve these outcomes, cities could use permit parking regulations to favor shared cars and limit parking for second unit tenants.

## RECOMMENDATIONS

Even if second units are feasible and desirable from a policy perspective, the biggest barrier is perhaps psychological—the resistance of homeowners to change. The best way to overcome this resistance is to demonstrate the value of second units by building them. Utility providers, transit operators, and local governments could work together to sponsor a pilot program that gives homeowners incentives to build second units and make the advantages of "hidden" density more visible to all.