

Alley Houses and ADUs as Missing Middle Housing

Homes Within Reach 20th Anniversary Conference

Presenters: Adam Staveski (Pew), Wes Hiatt (Lehigh U), Sara Satullo (City of Bethlehem)

Moderators: Marc Rittle (New Bethany), David Feldman (PA State Planning Board)

ACCESSORY DWELLING UNITS (ADUs)

DEFINITION:

- “GRANNY FLAT”, IN-LAW SUITE, GARAGE/ATTIC/BASEMENT APARTMENT
- TYPICALLY 300 SF-800 SF, “ACCESSORY” TO A LARGER, MAIN HOUSE
- OWNERSHIP ON SITE, RENTAL VARIATIONS

BENEFITS:

- “GENTLE DENSITY”, LOW VISIBILITY, A FEW PER BLOCK
- NATURALLY OCCURRING INCOME DIVERSITY
- PRIMARY TARGET OF SENIORS, IN VARIOUS CONFIGURATIONS
- IN CONTEXT OF DEMOGRAPHIC SHIFT:
 - MULTI-GENERATIONAL HOUSEHOLDS
 - SINGLE PERSON HOUSEHOLDS

IMPLEMENTATION:

- STATEWIDE LAWS-14 STATES AND COUNTING, MUNICIPALITIES
- ZONING RELAXATIONS SPECIFICALLY FOR ADU CONSTRUCTION
- FINANCING OF ADU CONSTRUCTION

Accessory Dwelling Units: Increasing Housing Supply and Improving Affordability

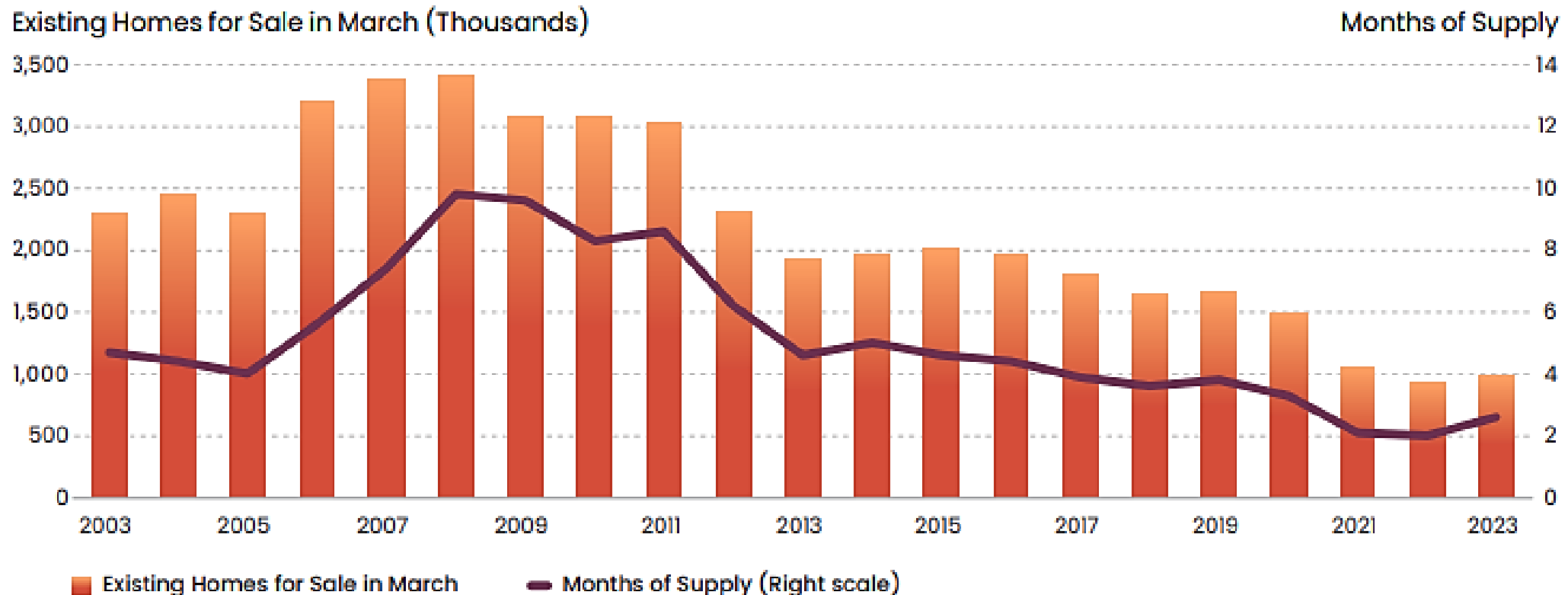
Homes Within Reach Conference
December 5, 2024

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Pew

U.S. Supply of Homes Near All-Time Low

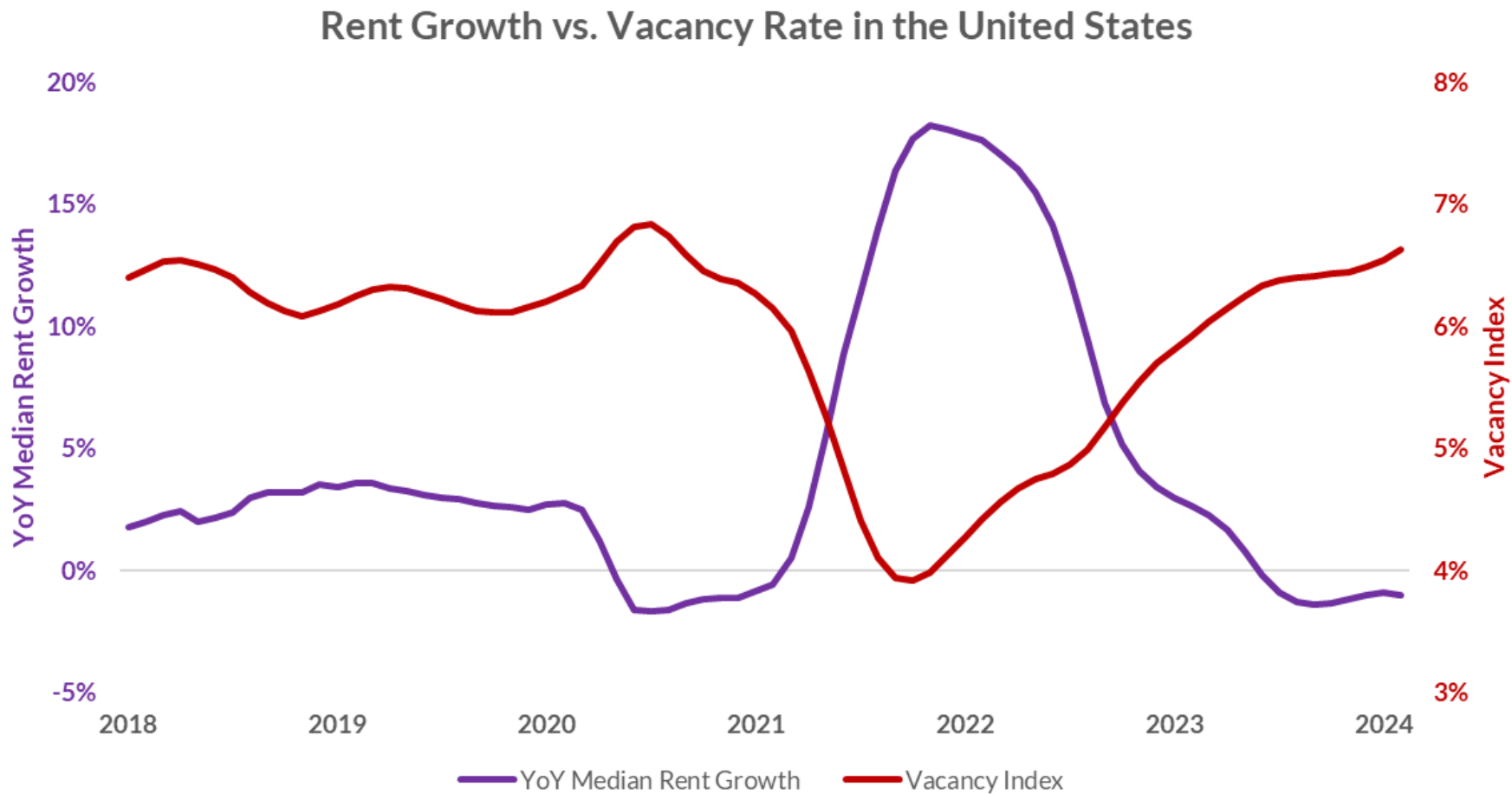
Supply of Homes for Sale Remained Near Record Lows in Early 2023



Notes: Months of supply measures how long it would take homes on the market to sell at the current rate. Six months is typically considered a balanced market.

Source: JCHS tabulations of NAR, Existing Home Sales

Rents Rise Quickly When Shortages Occur



Source: Apartment List Rent Estimate Data

Pennsylvania's Housing Shortage Exceeds 100K Units

105,000

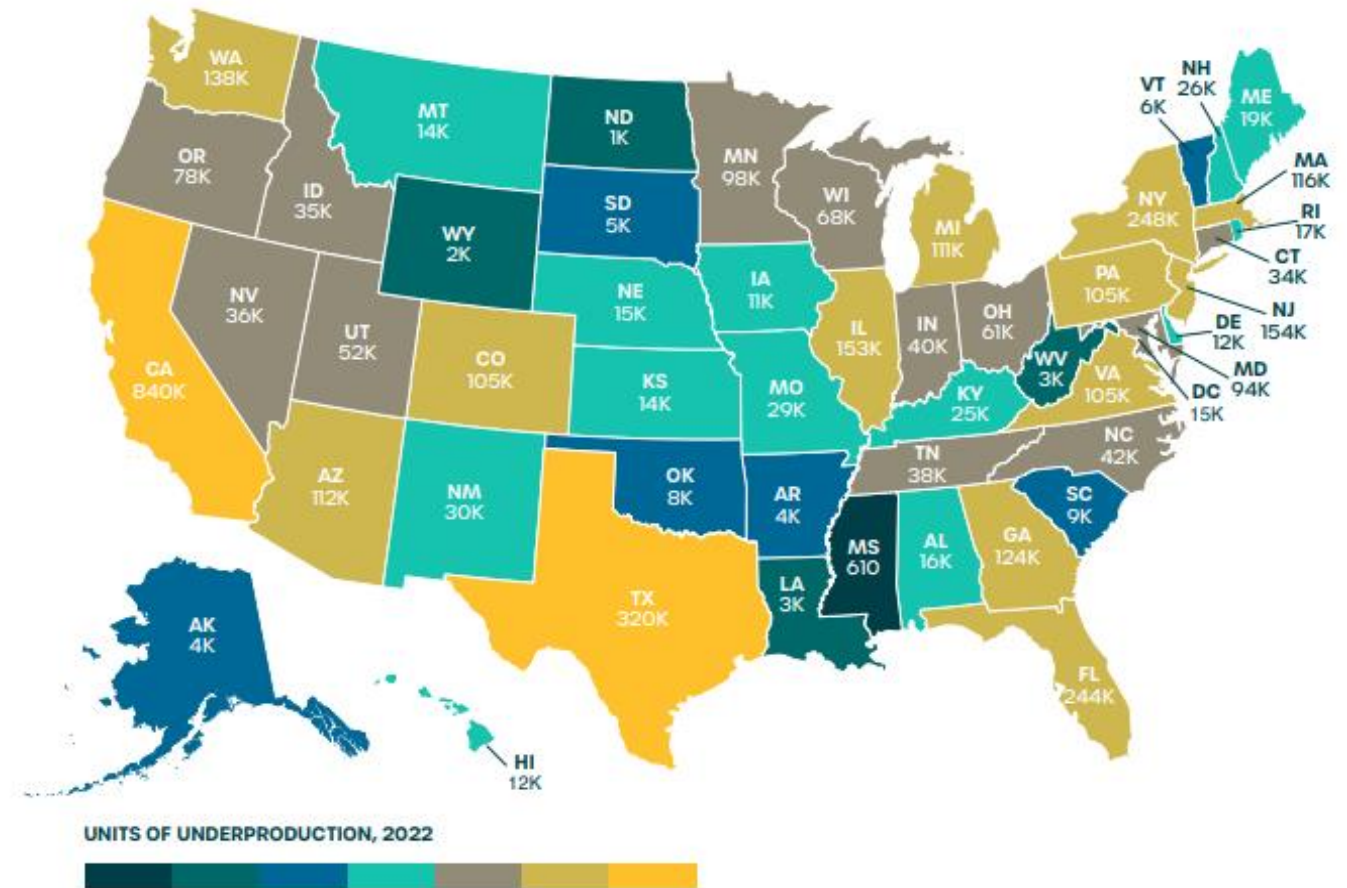
Housing shortage in Pennsylvania in 2022

+52,000

Increase in housing shortage from 2017-22

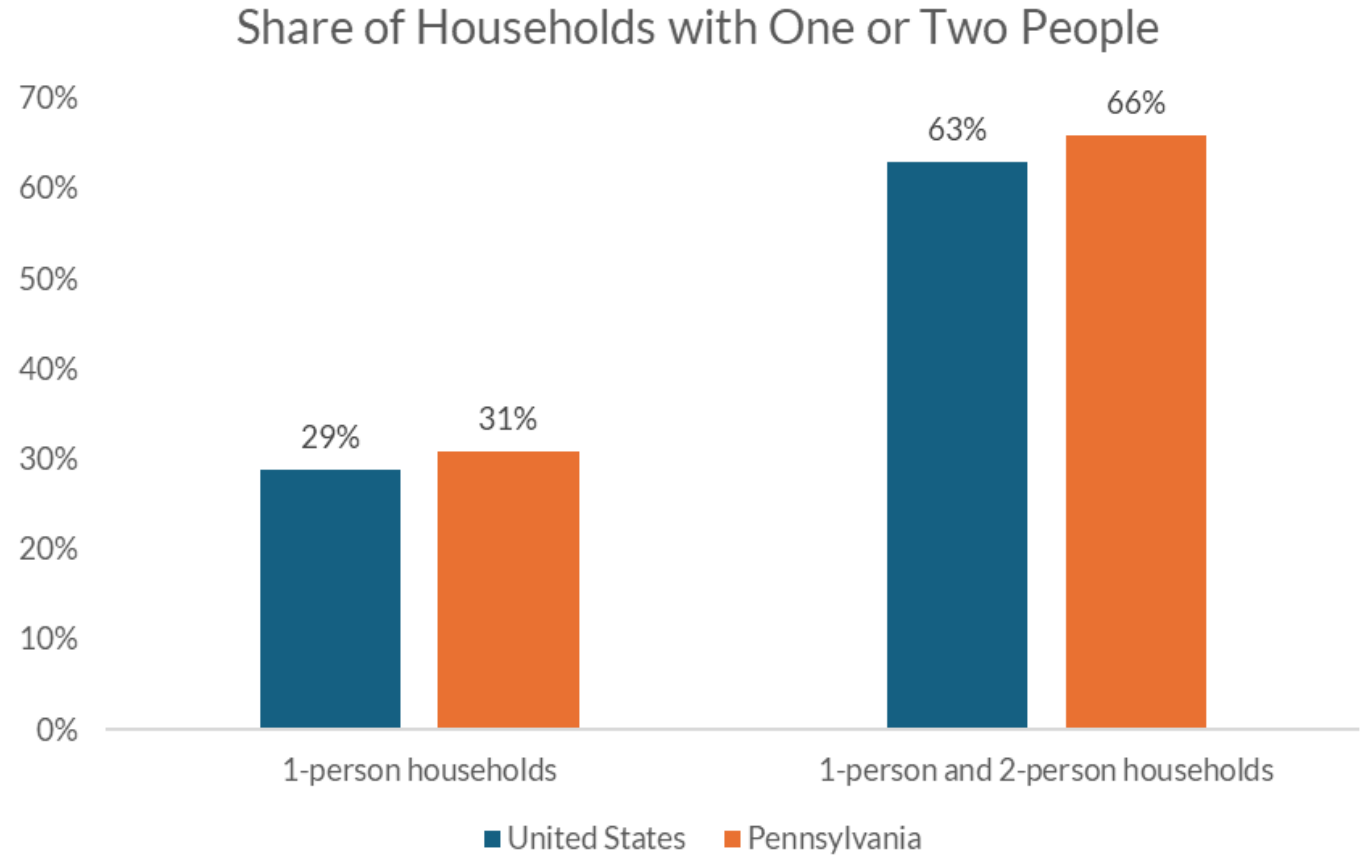
+25%

Increase in median rent from 2017-22



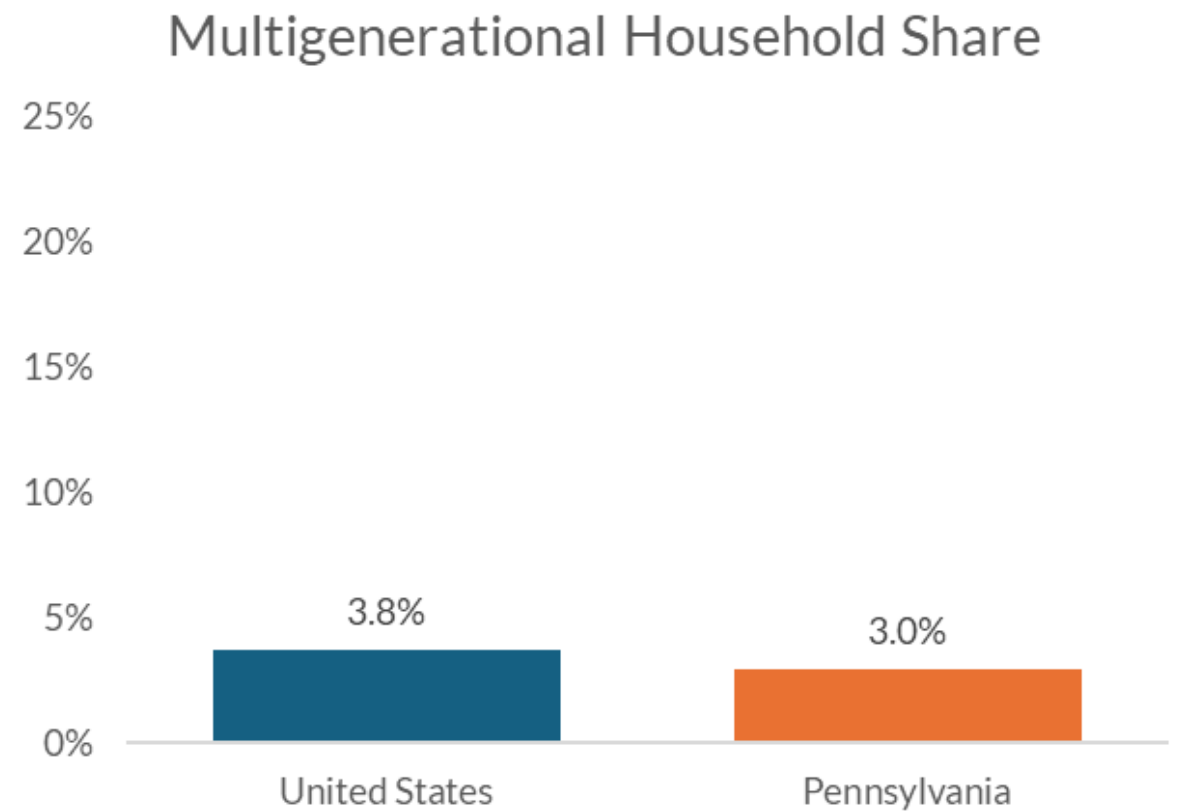
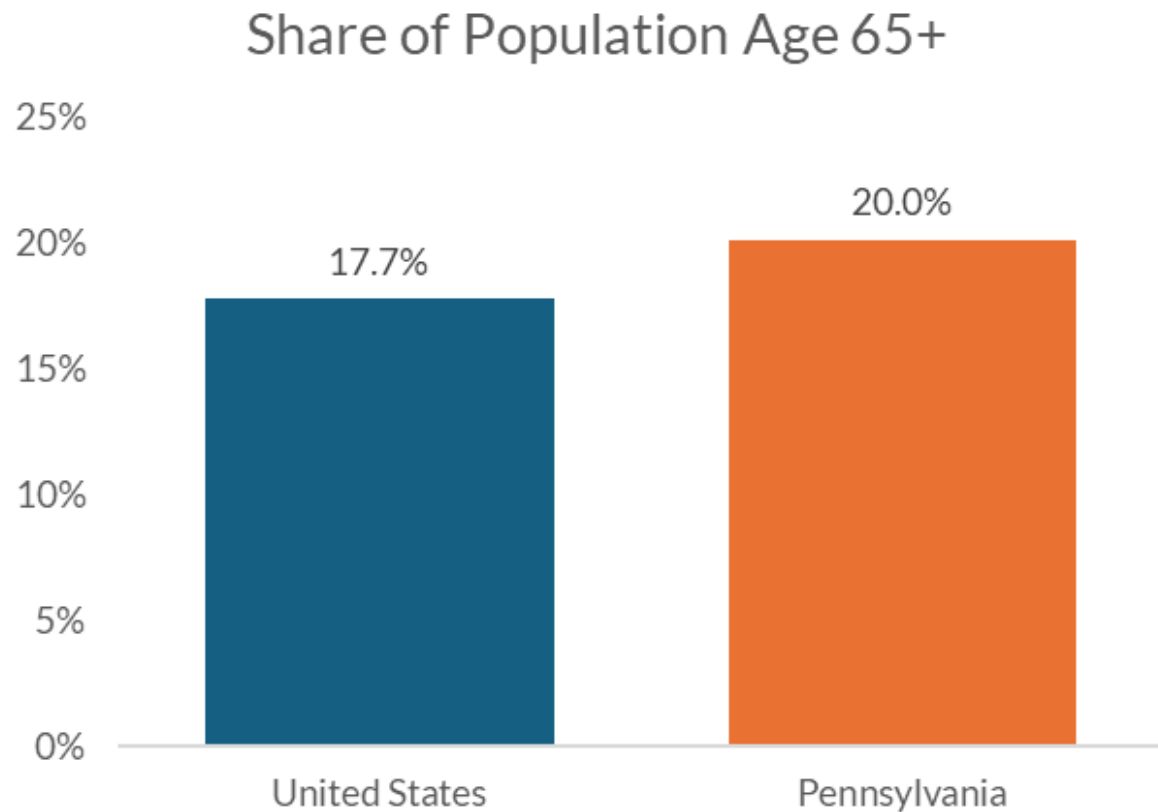
Pennsylvania Households Usually Contain Just 1 or 2 People

- In Pennsylvania, almost two-thirds of households contain just 1 or 2 people. This share is higher than in the rest of the United States.
- The share of households with 1 or 2 people has grown over the last decade, increasing from 64% in 2013 to 66% in 2023.



Source: 2023 American Community Survey, 1-year population estimates.

Pennsylvania's Population is Aging, But Multigenerational Living is Uncommon



Source: 2023 American Community Survey, 1-year population estimates.

Accessory Dwelling Units Can Help Increase Housing Supply

- Accessory dwelling units (ADUs) are small, secondary units located on the same lot as an existing single-family home.
- ADUs are often affordable to households making at or below the Area Median Income.
- In California, 86% of ADUs contain 1 or 2 people.
- In California, 16% of ADUs are occupied by family members of the primary homeowner.



Many Localities Have Laws That Prevent or Restrict ADU Development

- 1) Zoning rules that allow only one house to be built per lot
- 2) Overly stringent height, setback, and building size requirements
- 3) Minimum parking requirements
- 4) Complex permitting processes that add to construction costs
- 5) Rules that require owner-occupancy of the ADU or primary unit

Americans Support Policies That Enable ADUs

72%

Of Americans support policies that enable homeowners to add a housing unit to their garage or backyard

73%

Of Americans support policies that enable homeowners to convert their attic or basement into an apartment

States and Localities Have Passed Laws Making ADU Construction Easier

State Laws: 14 states have passed laws that enable ADU construction. The following six states have the strongest laws that allow ADUs in almost all cases:

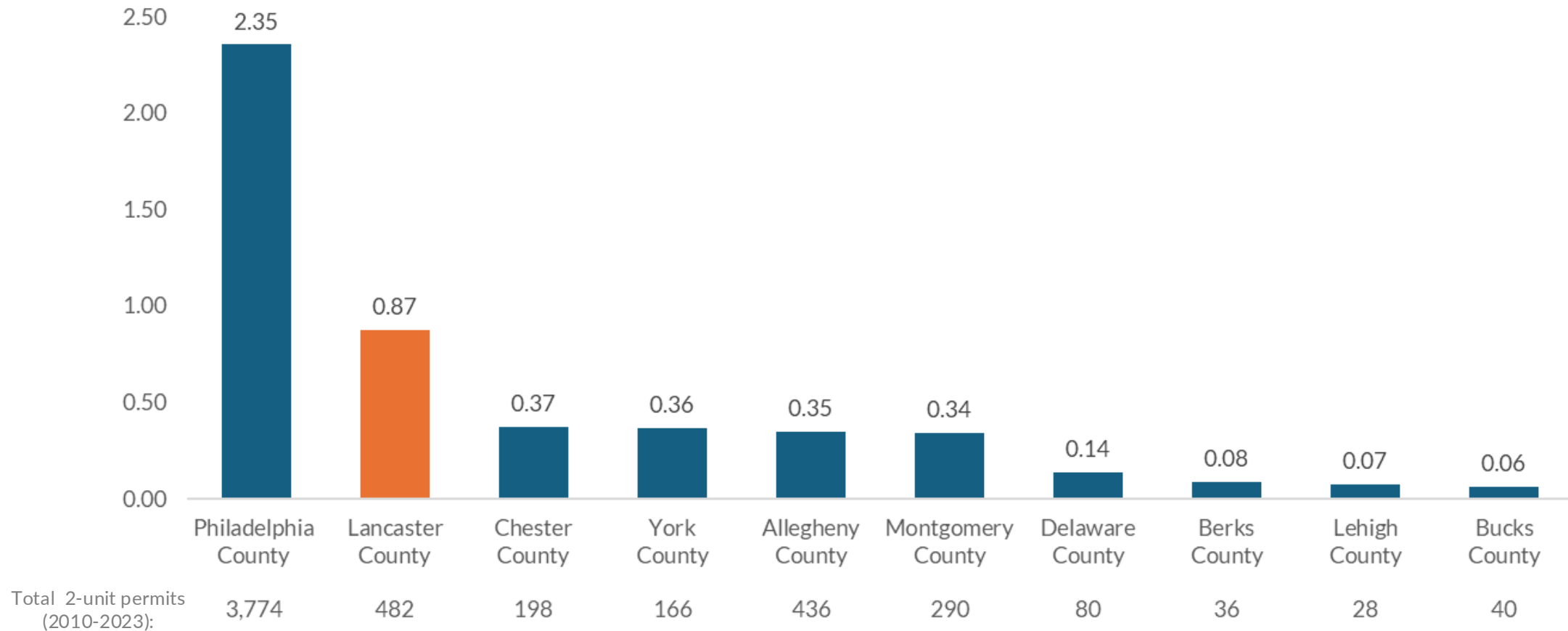
- California
- Washington
- Oregon
- Montana
- Arizona
- Colorado

Local Laws: In places without statewide ADU laws, some cities and towns have adopted permissive stances toward ADU development. Examples include:

- Minneapolis, MN
- Austin, TX
- Durham, NC
- Boise, ID
- Missoula, MT
- Lancaster County, PA

Lancaster County's ADU Policies Have Modestly Expanded Housing Supply

2-Unit Housing Permits Per 1,000 People (2010-2023)



Contact Information

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The Alley House Program

Homes within Reach 2024

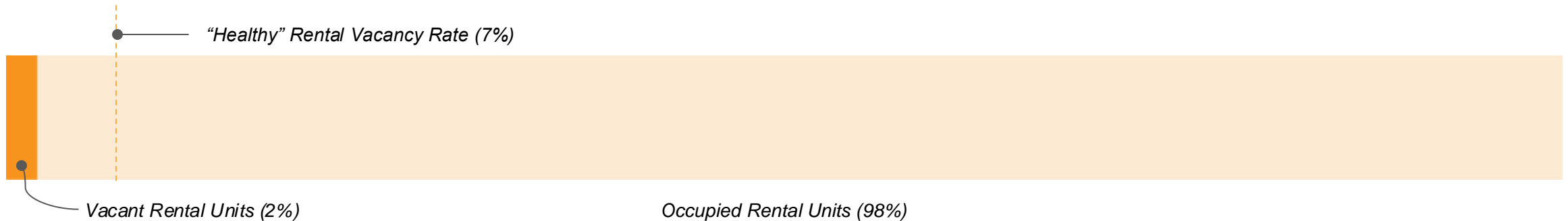


The Alley House Program Partners



Who is Impacted by the Housing Crisis in the Lehigh Valley?

Even while demand is growing, Bethlehem **rental vacancy rates are at a crisis-level of 2%.**



To reach a more “healthy” **7% rental vacancy rate**, Bethlehem would need to **add at least 1052 rental units** over the next five years.

Who is Impacted by the Housing Crisis in the Lehigh Valley?

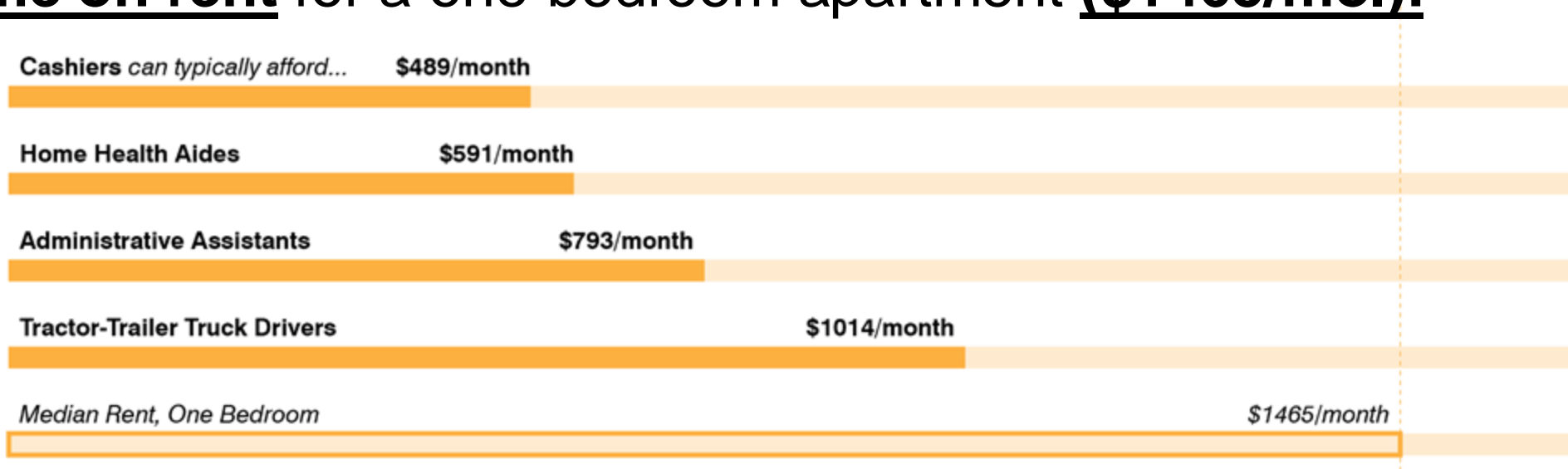
31% of all Bethlehem households – and more than **62% of renters** – are cost burdened by their housing.



More than **30% of residents** are ethnic and racial minorities, of which more than **70% are renters**. Nearly **50% of these renters** are housing cost burdened.

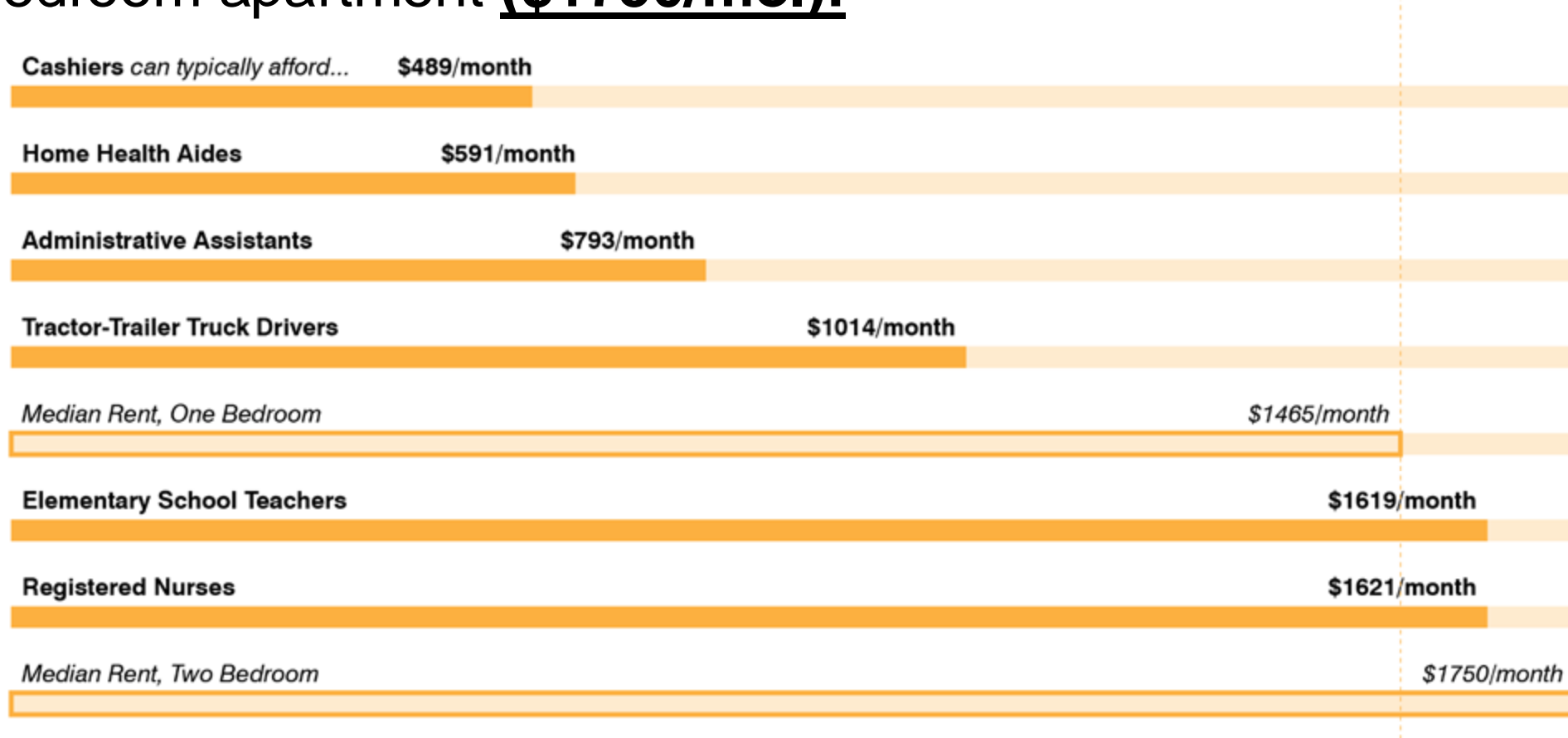
Who is Impacted by the Housing Crisis in the Lehigh Valley?

A broad range of occupations would **pay more than 30% of their income on rent** for a one-bedroom apartment (**\$1465/mo.**):



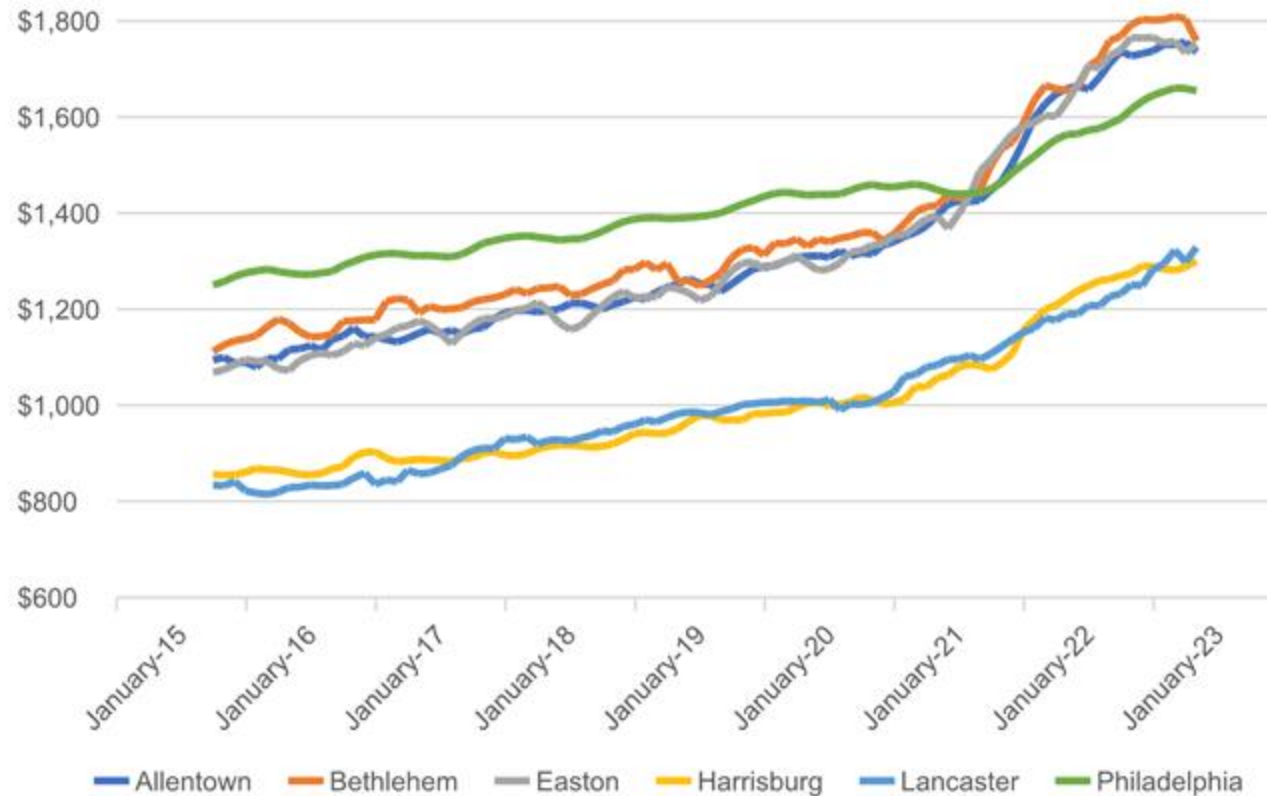
Who is Impacted by the Housing Crisis in the Lehigh Valley?

Even more would **pay more than 30% of their income on rent** for a two-bedroom apartment (**\$1750/mo.**):



Lehigh Valley Housing Crisis: A Regional Challenge

Since 2020, growth in median rental prices in the Lehigh Valley have outpaced and exceeded Philadelphia.



What's an Accessory Dwelling Unit (ADU)?

Accessory Dwelling Units (ADUs) are a kind of **“second living unit” on existing single-family lots, allowing for gentle increases to density.**

ADUs can take many forms, including **detached units, garage conversions, home additions, home renovations, and more.**

ADUs can serve multiple populations, allowing for **aging in place, and supplemental rental income for homeowners.**



What's an Alley House?

Alley Houses are a historic precursor to ADUs **native to Pennsylvania.**

Alley Houses **make use of limited available land** by occupying the rear yards of existing residential lots.

Down-zoning ceased Alley House development in the mid-20th century.

The Alley House Program will **revive this housing type** for today.



What's an Alley House?

Historic Alley Houses in West Bethlehem



Franklin Alley, West Bethlehem



Martins Lane, West Bethlehem



Hanover Street, West Bethlehem

The Alley House Program Overview

The Alley House Program will:

Increase Bethlehem's **supply of quality affordable rental housing**;

Lower barriers to housing access through **zoning reform** and **technical assistance allowing for new accessory dwelling unit construction**;

Provide a **regional model for place-based, gentle increases** in housing density in the Lehigh Valley.



The Alley House Program Scope

Model Alley Houses

To develop ideas at-scale and encourage widespread adoption, a series of Alley House / A.D.U. will be built as a proof of concept for **zoning ordinance revisions and affordability controls**.

These projects will be built using a modular, pre-fabricated construction system that will **reduce material waste and keep costs low**. This system will be coordinated with the other program elements for an end-to-end development model.

Pre-Approved Plans

To make the process of building an Alley House / A.D.U. **more accessible, streamlined, and financially feasible**, a pre-approved plan program will be developed.

A set of plans to accommodate a variety of conditions would be designed by an architect and pre-vetted for compliance by relevant municipal agencies, **lowering up-front costs and logistical barriers to entry**.

Community Engagement

A robust community engagement and education strategy will be implemented, with a focus on matching HUD-eligible homeowners and tenants together, **maximizing the program effects on economic mobility**.

Community education efforts will include Community Design Workshops and an "Alley House Handbook." This will educate the community on the **benefits of Alley Houses and the process of building one**.

Workforce Development

A workforce training program will be implemented in conjunction with the pre-fabricated modular design system, allowing for a **sustainable continuity of Alley House building long into the future**.

Introducing a workforce to skills required to build Alley Houses will expand the reach of the program, **enabling the economic mobility of many more community members through professional development**.

Research and Reform

Large-scale densification is difficult due to a scarcity of vacant land parcels, **making zoning reform and increased unit development crucial**.

Qualitative and quantitative analysis of changes to zoning code to allow for Alley Houses will be pursued to **ensure responsible zoning reform while making it easier for low-income homeowners and renters to access affordable housing**.

The Alley House Program Partners



The City of Bethlehem is partnering in the zoning policy reform and community engagement efforts of this program.

The City's efforts will be led by **Sara Satullo**, Deputy Director of Community and Economic Development, and **Darlene Heller**, Director of Planning and Zoning.



Community Action Lehigh Valley (CALV) and Community Action Development Bethlehem (CADB) are partnering in the program's construction and community engagement efforts.

CALV's efforts will be led by **Anna Smith**, Director of CADB, and **Chuck Weiss**, Associate Executive Director of Housing.



Lehigh University's Small Cities Lab is partnering in the design, construction, zoning policy reform, and community engagement efforts of the program.

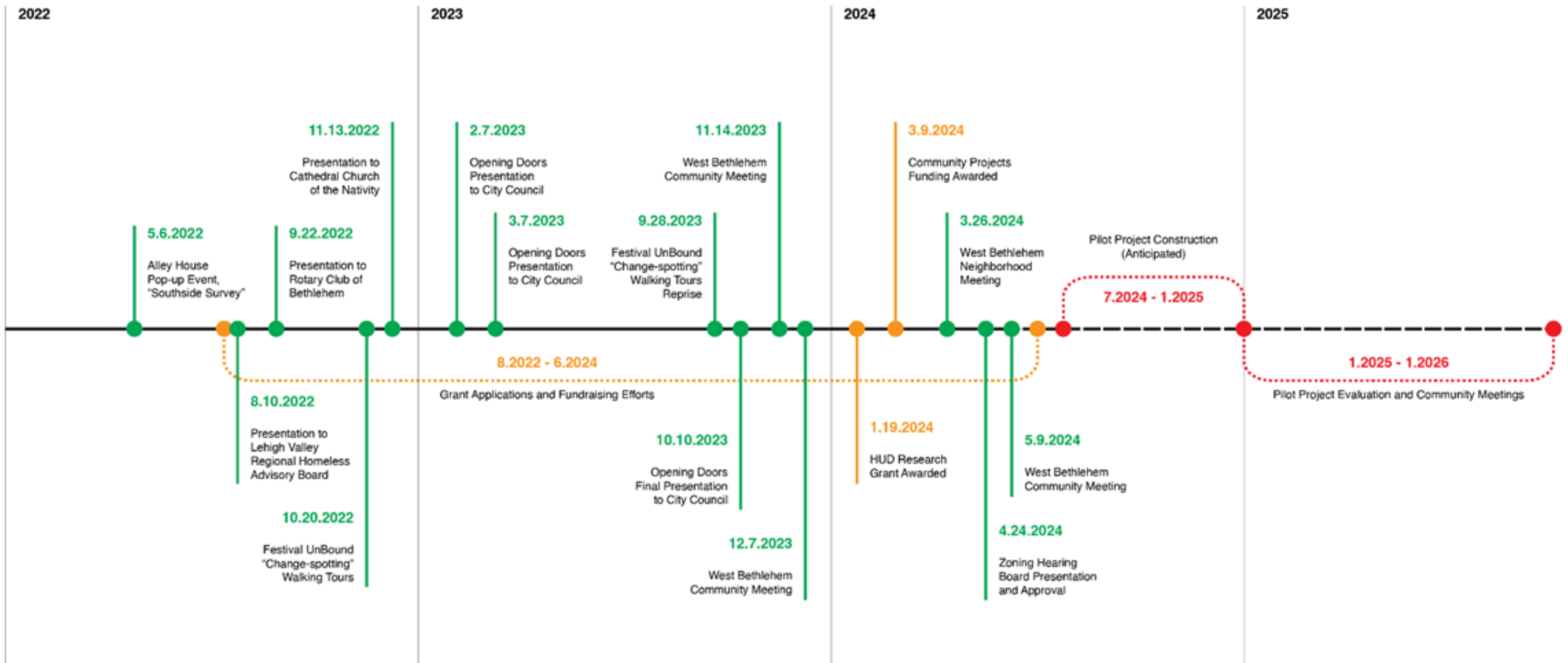
Wes Hiatt, Assistant Professor of Architecture, is the program coordinator and design lead. **Dr. Karen Beck Pooley**, Professor of Practice in Political Science, is leading zoning policy research efforts.



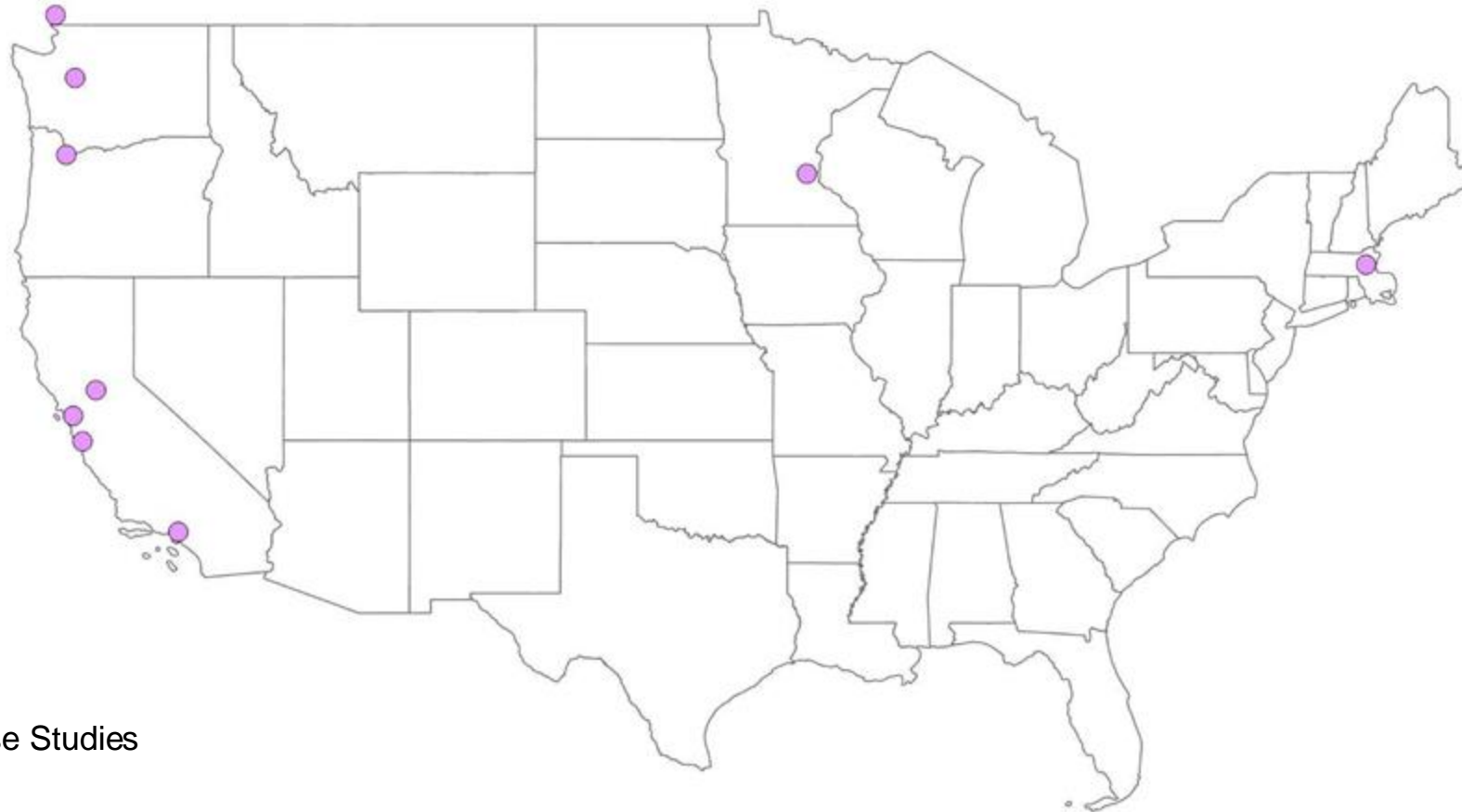
New Bethany is partnering to provide property management and tenant selection services for the program.

Marc Rittle, Executive Director, will lead New Bethany's efforts.

Program Timeline: Many months and years of runway

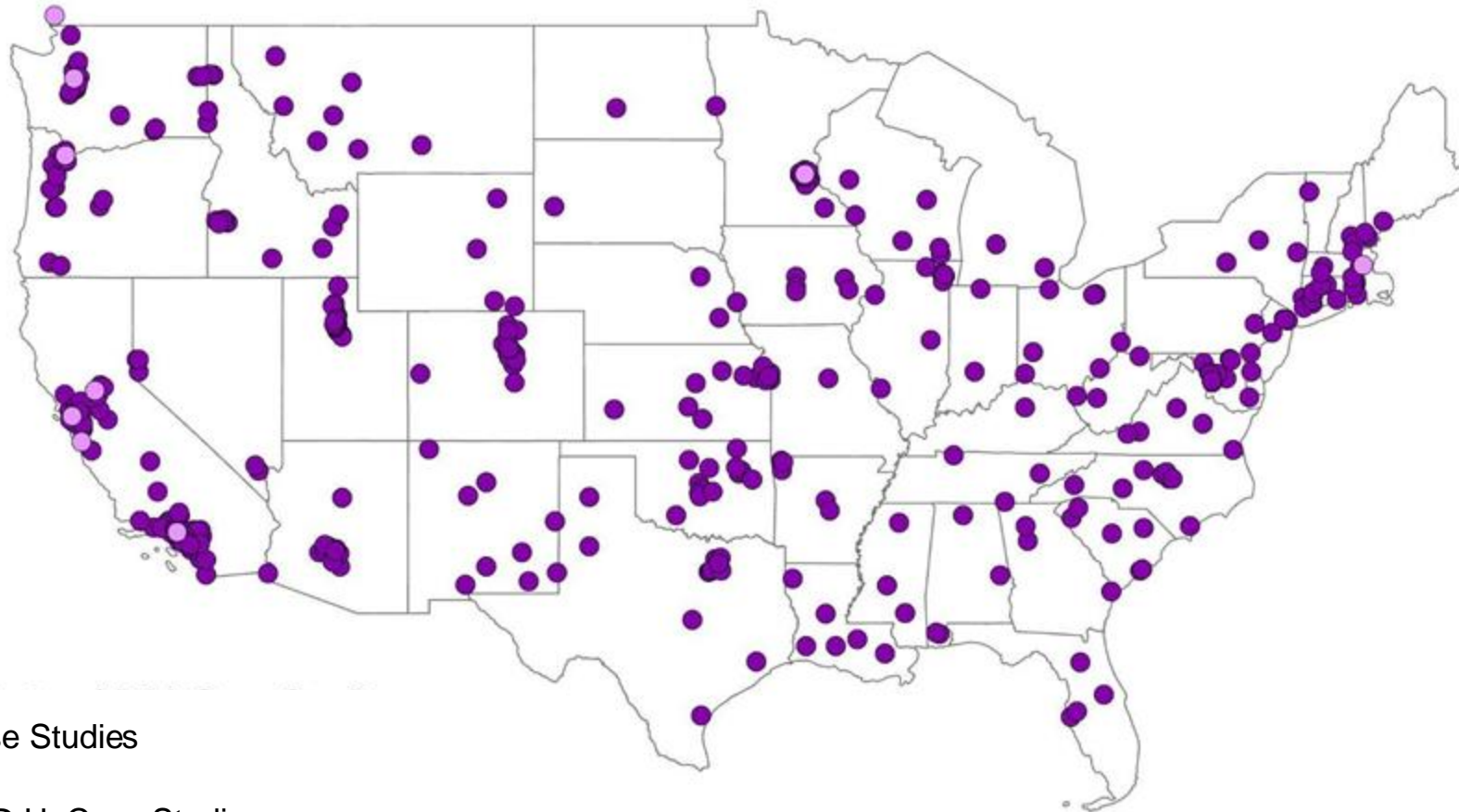


Filling the Research Gap: Case Study of Accessory Dwelling Units in Small Cities



● Existing A.D.U. Case Studies

Filling the Research Gap: Case Study of Accessory Dwelling Units in Small Cities



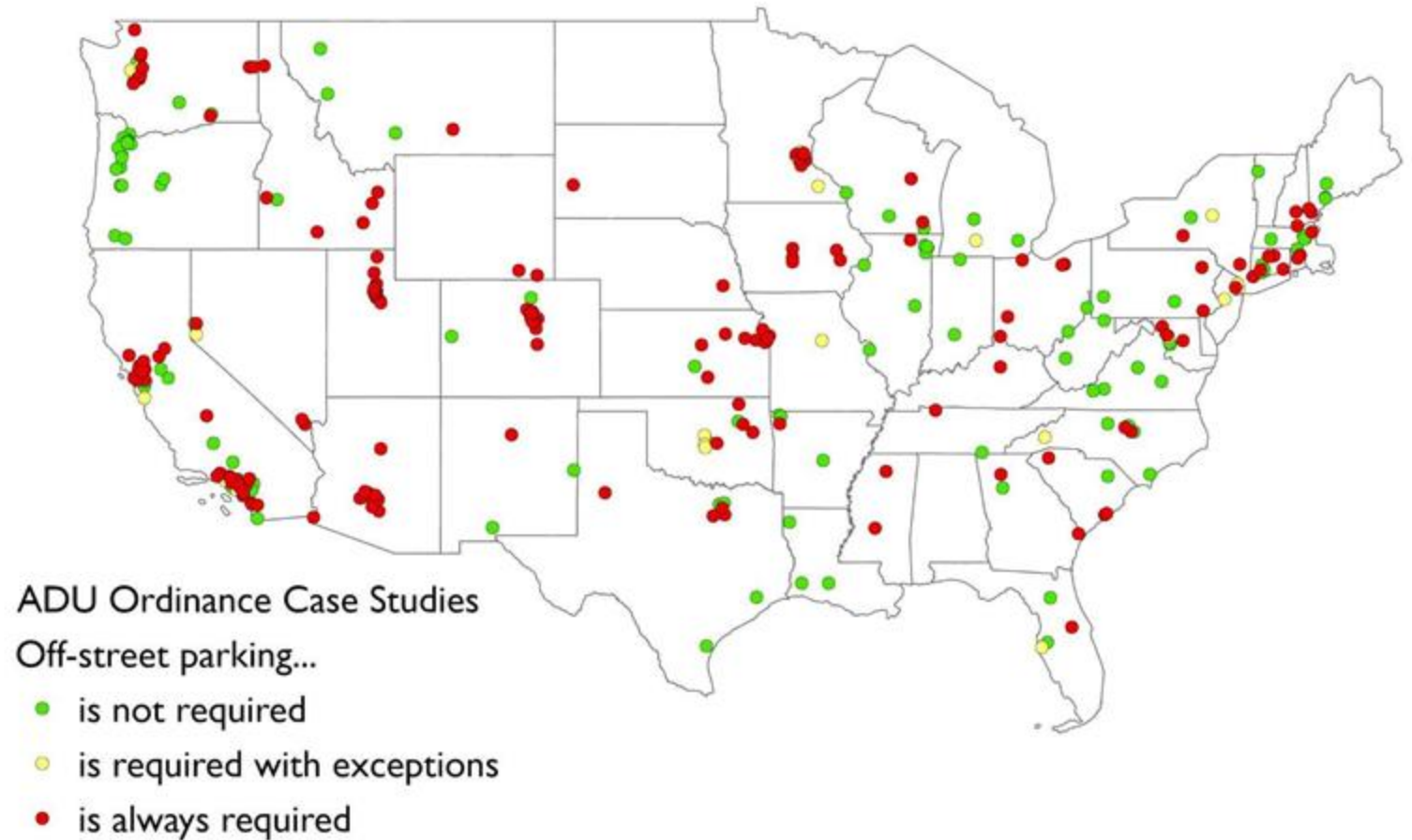
● Existing A.D.U. Case Studies

● Small Cities Lab A.D.U. Case Studies

How Have Other Small Cities Zoned for Second Units?

Out of 314 cities studied (so far), [additional parking for second units](#) is:

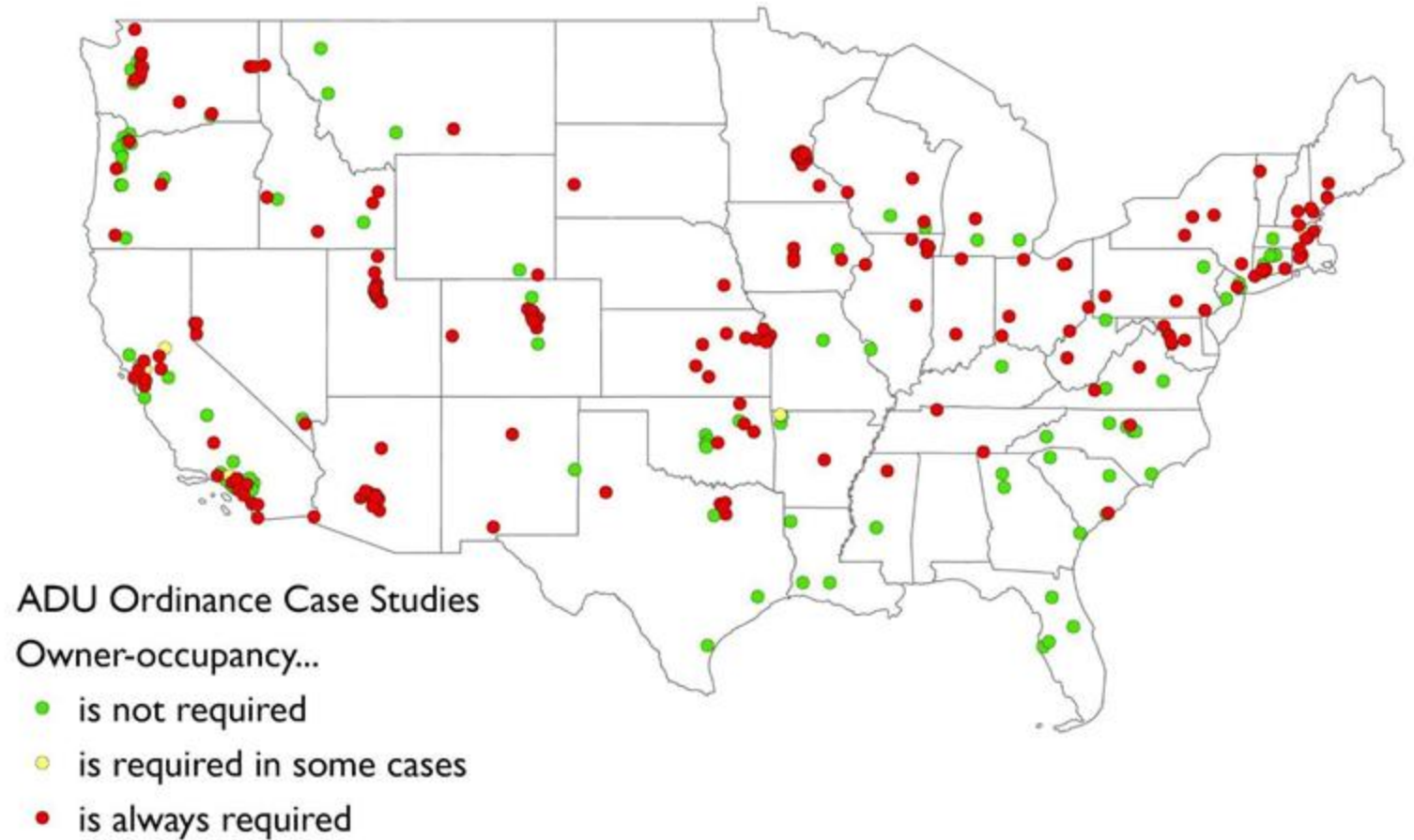
1. Required in all cases: **169**
2. Required with exceptions: **25**
3. Not required: **120**



How Have Other Small Cities Zoned for Second Units?

Out of 314 cities studied (so far), [owner occupancy of the primary unit](#) is:

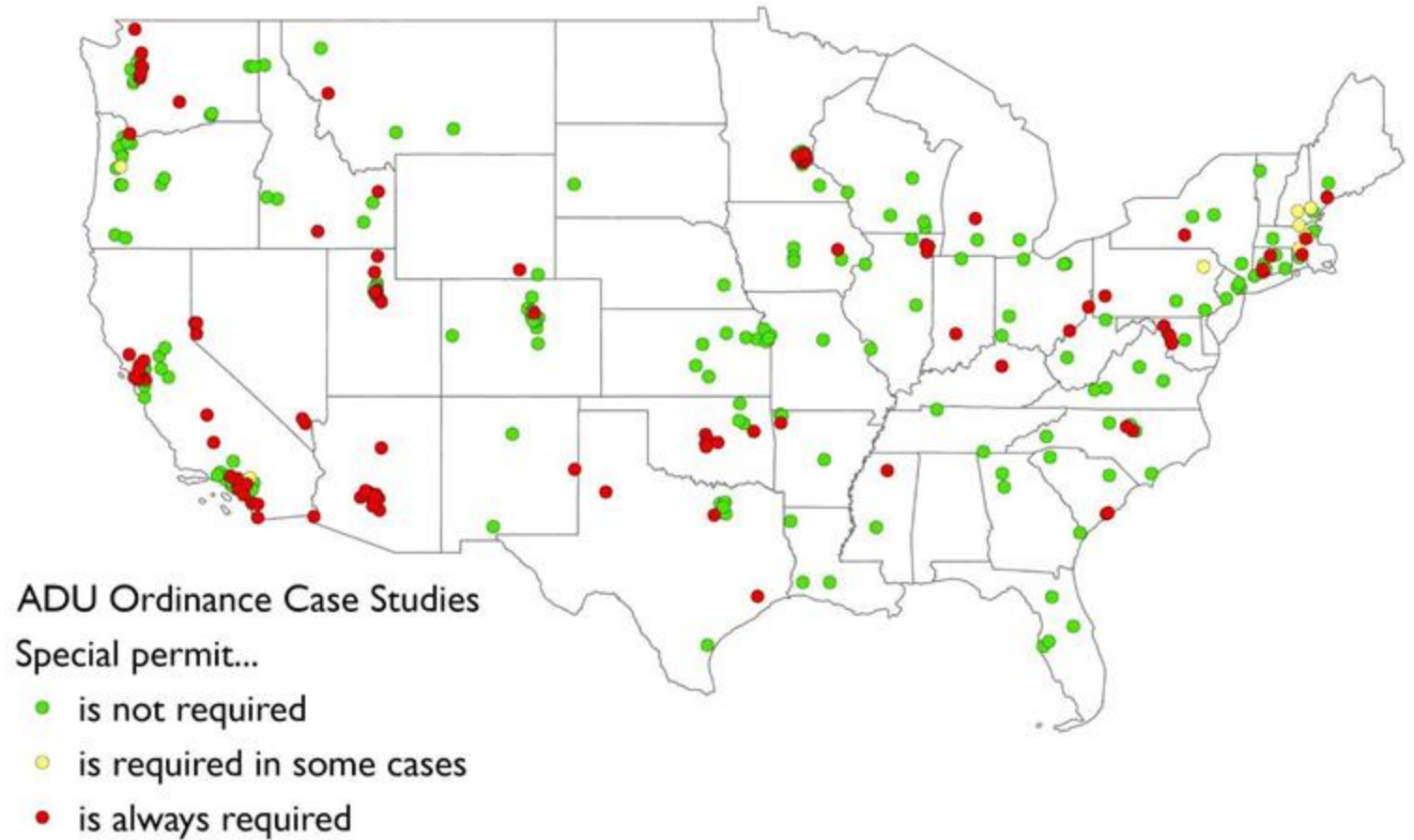
1. Required in all cases: **187**
2. Required with exceptions: **9**
3. Not required: **118**



How Have Other Small Cities Zoned :

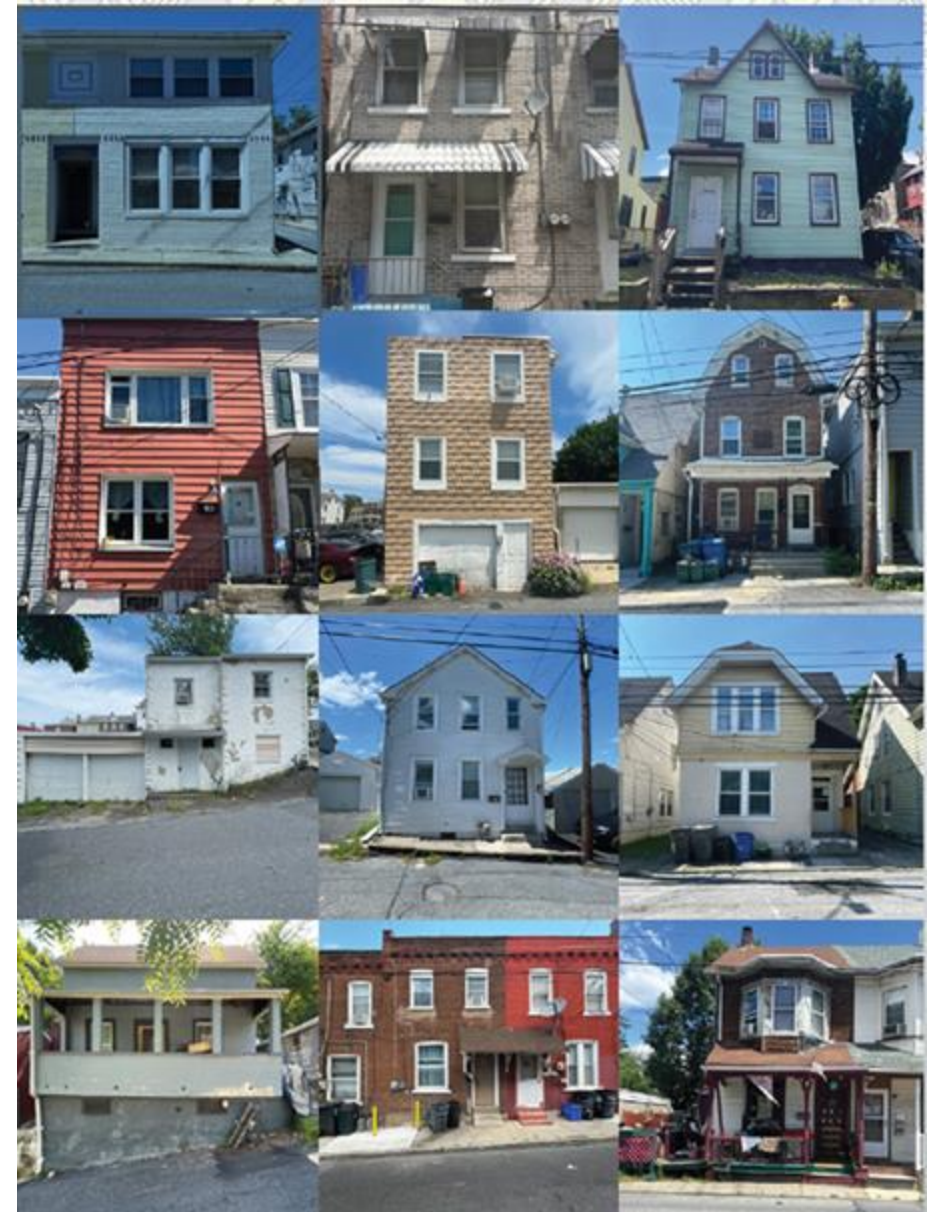
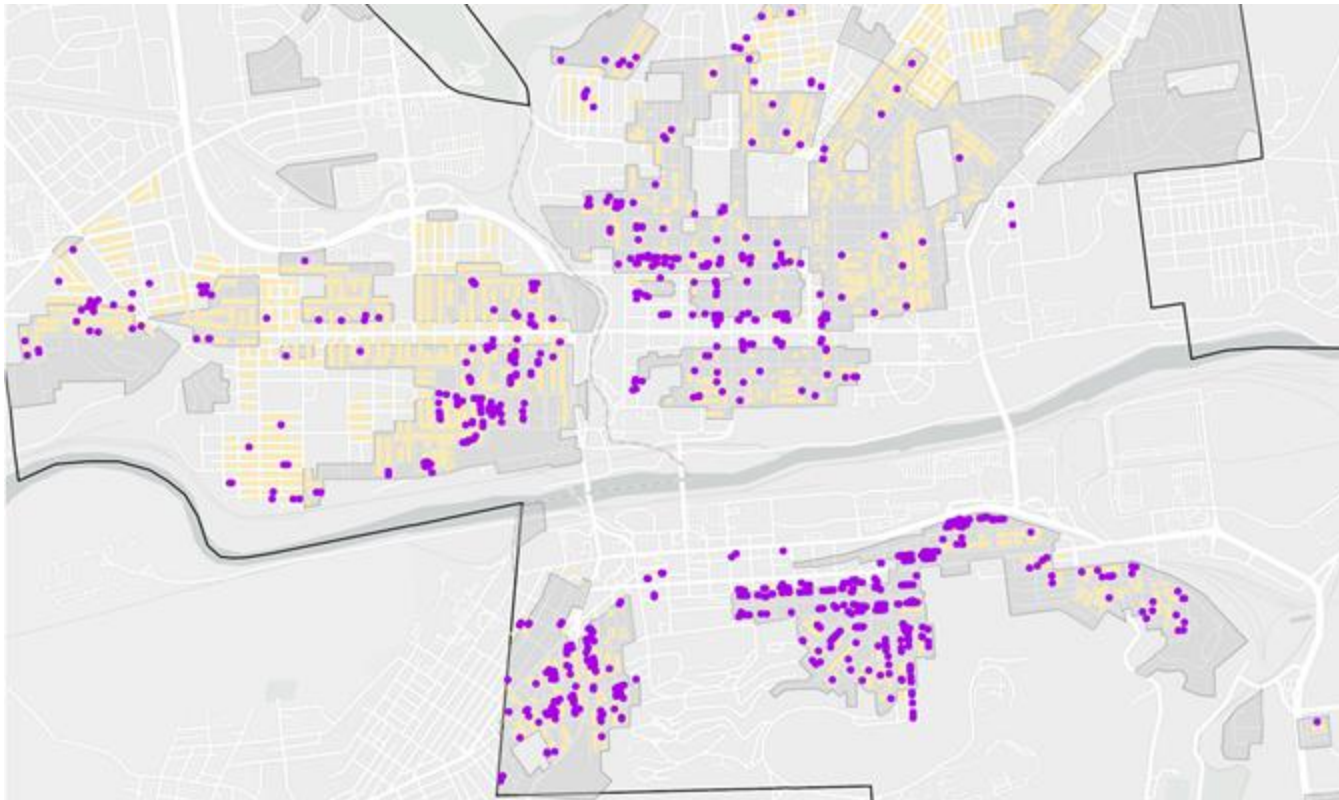
Out of 380 cities studied (so far), special permits or processes are:

1. Required in all cases: **193**
2. Required in some cases: **10**
3. Not required: **111**



Research and Design Visioning

A Summer 2024 alley survey studied **8,187** **properties**, including **919** **alley houses** on over **50** **miles of alley**.



Ongoing Public History Research



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"Who do you consider your neighbors?"

- Kelly down on the corner of liberty and sixth.
- Christie. She's a she's a teacher at Moravian. And...and Tim and Heidi.
- Oh, Ron. Ron and Ann.
- And we used to be friends with with the Vasquez is that like they are on Prospect of our backyards meet. They don't live
- He rents that from his cousin.
- And, and the guy on the corner
- Couldn't think of his name. They're real nice.

"Do you have enough privacy?"

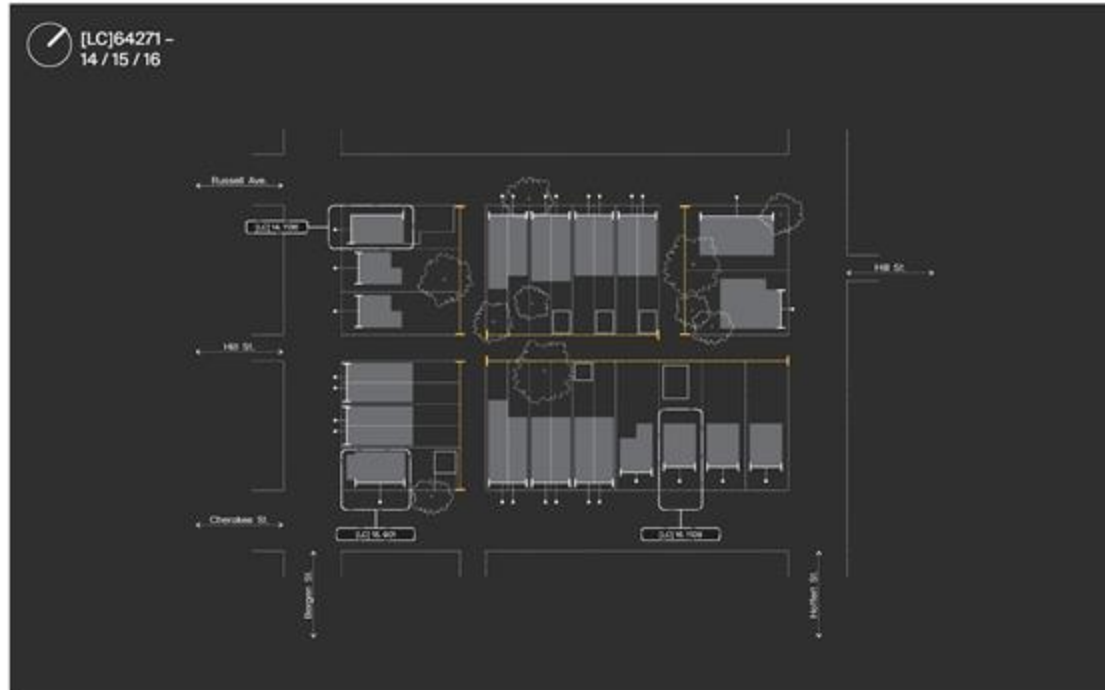
- "I think so. It's just she and I and the people next door too... a young couple, who..."
- "We never even hear them. We never see them. And they have like a dog and never hear the dog ever."



- "Yeah, they've two big dogs never hear them. Don't hear them. Bark"
- "He fixed it all up and he did something with it. Insulated inside...insulation or whatever. Like I said, we can't hear anything. Nothing."

125

Research and Design Visioning

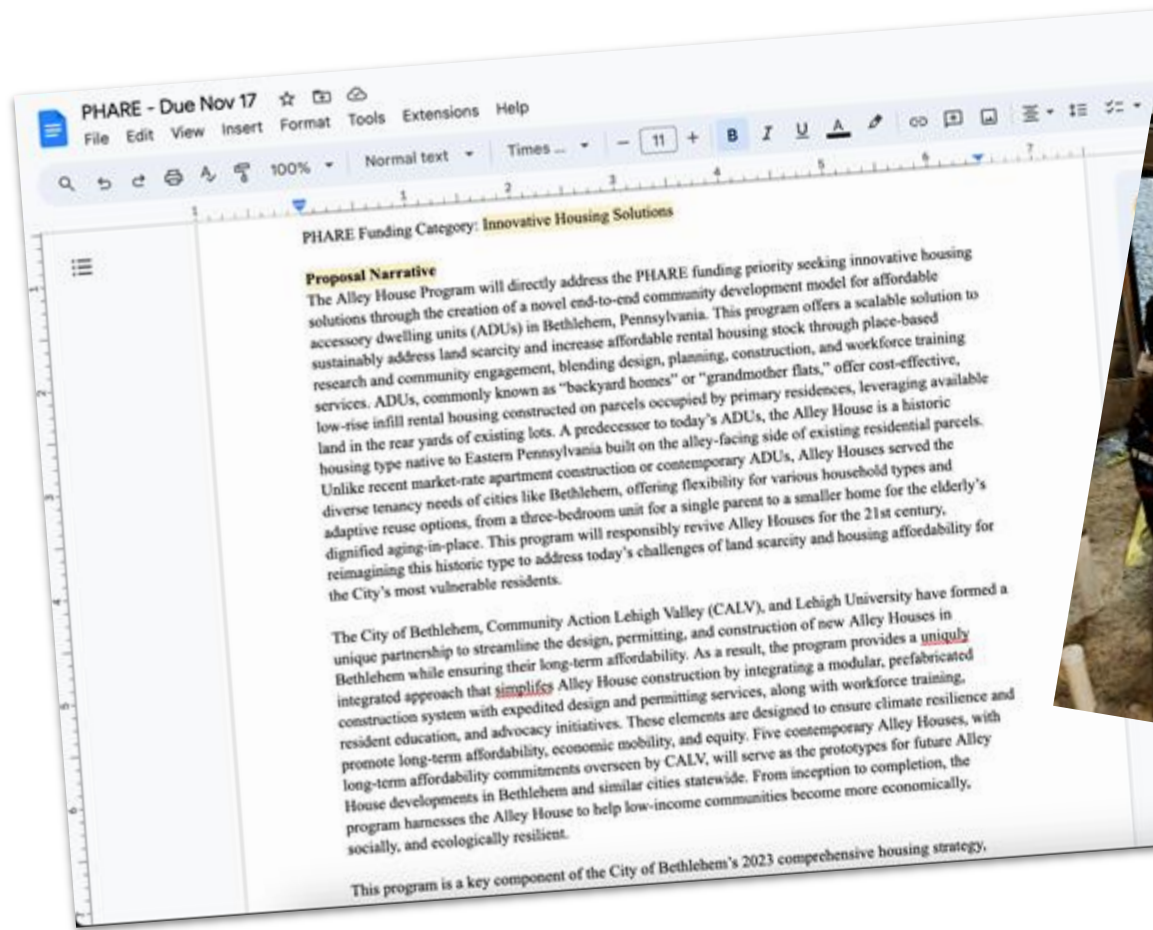


Existing Conditions Surveys



Prototype Design

Advocacy and Grantseeking

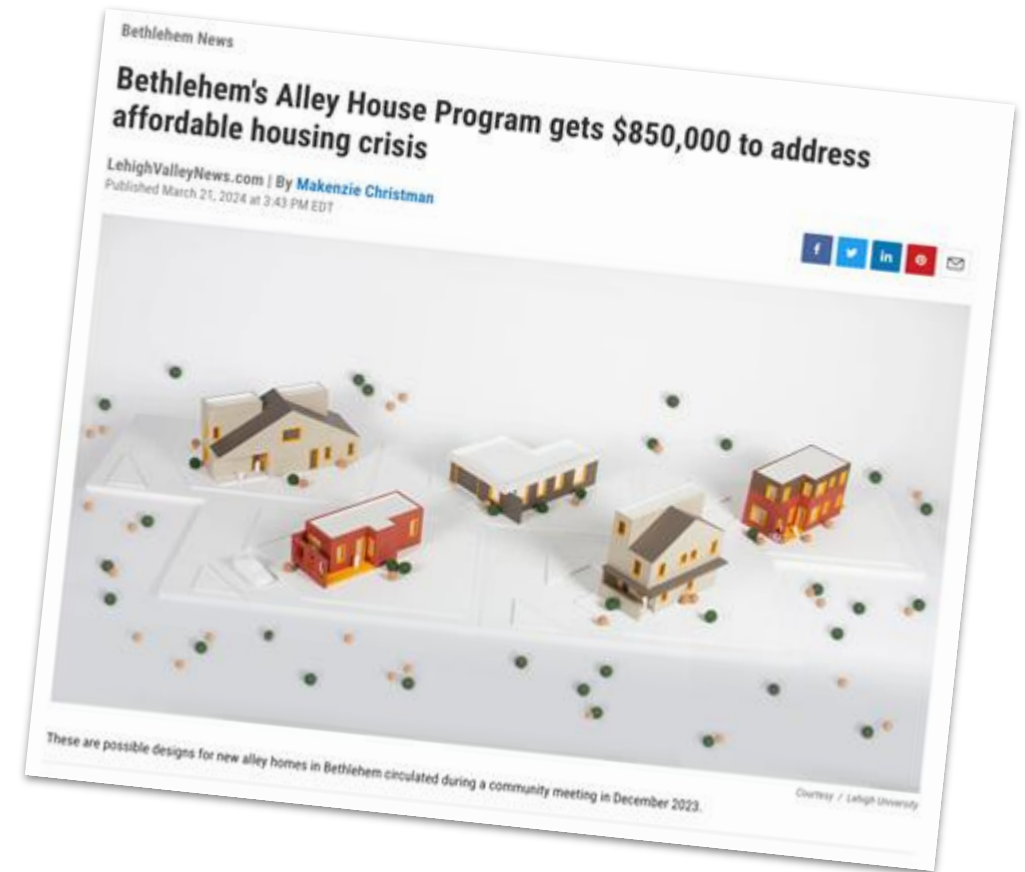


Over **\$1.6 million awarded** to Program partners

Alley House Program Funding

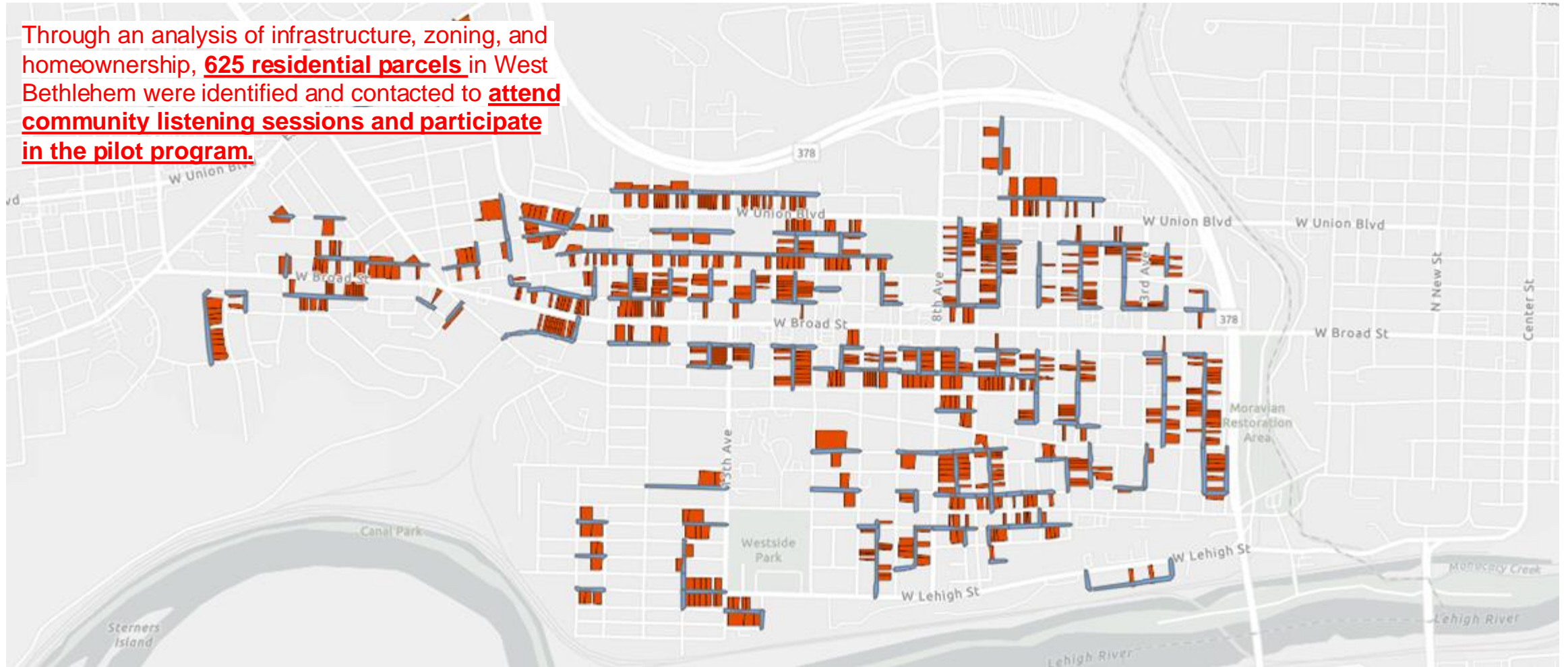
The Small Cities Lab's community-facing, action oriented research approach opens up new pathways to funding, learning opportunities for students, and ways to share resources with communities. Funding for the Alley House Program includes:

- **FY24 Congressionally Directed Spending / Community Projects Funding (CPF)** – \$850,000 awarded for the Alley House Program, with support from Representative Susan Wild and Senator Bob Casey.
- **US Department of Housing and Urban Development (HUD) Research Grant** – \$196,744 awarded January for the Alley House Program to support research for zoning and land-use reform, as well as an ADU best-practice survey in small cities similar to Bethlehem.
- **Pennsylvania Housing Finance Agency** – \$500,000 awarded for the Alley House Program through its PHARE program.



Alley House Pilot Project: Site Selection Process

Through an analysis of infrastructure, zoning, and homeownership, 625 residential parcels in West Bethlehem were identified and contacted to attend community listening sessions and participate in the pilot program.



Alley House Pilot Project: 1604 W Broad Street

1604 W Broad Street will be the site of the Alley House Pilot Project.

The homeowners will continue to live in the street-facing house while **the Alley House in their backyard is rented affordably for 20 years.**

Affordability commitments and **tenant management services** will be provided by Community Action Lehigh Valley and New Bethany.

1604 W Broad Street



Existing Garage on Raspberry Street
(Future Alley House Site)

Alley House Pilot Project: Homeowner Profile

Reginald and Mary Lewis have lived at **1604 W Broad Street** since 2020.

As **lifelong Lehigh Valley residents** with backgrounds in construction and mortgage lending, Reginald and Mary are dedicated to helping **find solutions their community's affordable housing challenges.**

1604 W Broad Street



Reginald Lewis (Homeowner)

Chuck Weiss (CALV)

Alley House Pilot Project: Site



Existing Garage (Future Alley House Site)

Alley House Pilot Project: Model



Alley House Pilot Project: Role of Students





Questions?