

ADU Permitting and Housing Affordability

Introduction

New Hampshire is in a housing crisis. The state is more than 20,000 housing units short today and is predicted to need 60,000 more housing units by 2030. Accessory Dwelling Units (ADUs) have long been heralded as part of the solution to the housing shortage. The New Hampshire State Legislature specifically states the potential of ADUs to help meet workforce housing needs. This brief explores the relationship between ADU restriction and the housing affordability.

In 2017, the New Hampshire State Legislature passed RSA 674:71-73, the NH ADU Statute, which mandates that towns allow Accessory Dwelling Units (ADUs). The goal was to increase housing in New Hampshire without developing more land, promote efficient use of buildings and infrastructure, and provide affordable housing options. In general, ADUs may be attached or detached from the primary residence, but the NH law only requires municipalities to allow attached ADUs, leaving municipalities to determine whether to also permit detached ADUs in all or some of their zoning districts.

Despite passage six years ago, nobody has yet analyzed the impact of the law on housing affordability. This analysis will explore one area of potential impact: the relationship between a jurisdiction's share of residents for whom housing is affordable and the jurisdiction's implementation of the ADU law. Implementation options include allowing both attached and detached ADUs or restricting ADUs to only attached in some or all zoning districts. The results may be helpful for lawmakers, municipal staff and volunteers, the NH Housing Finance Authority, and housing advocates as they search for ways to increase workforce housing stock in New Hampshire.

Main Findings

More than half -- 54% -- of New Hampshire jurisdictions restrict ADUs to the primary structure, prohibiting detached ADUs, in some of all of their zoning districts. On the other hand, 46% have no such restrictions and allowed detached ADUs in all zoning districts.

DEFINITIONS

Housing Unaffordability: housing is unaffordable for households that spend 30% or more of their income on housing costs, including insurance, property taxes, and utilities.

Jurisdiction: municipalities or unincorporated areas, as identified by the U.S. Census Bureau with at least 1 household.

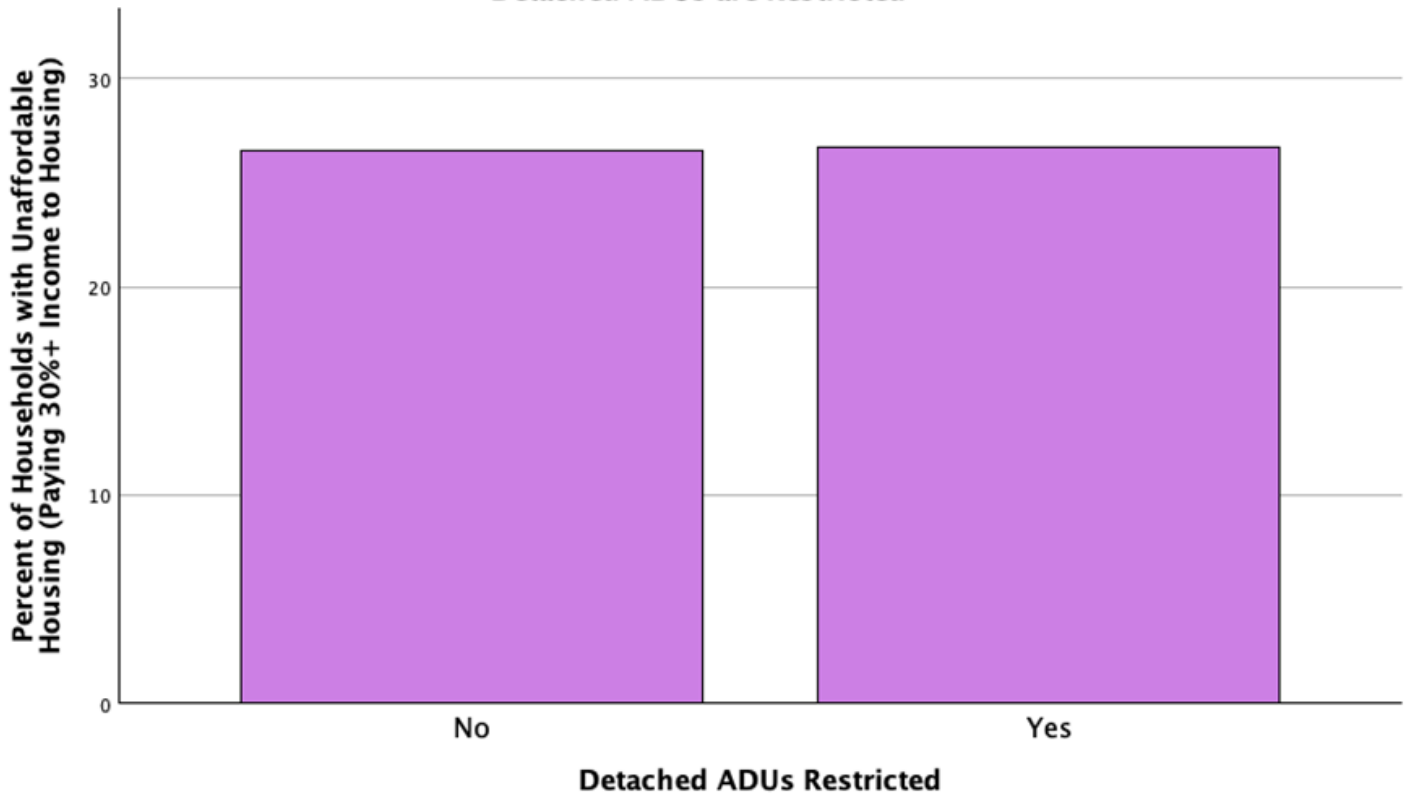
Accessory Dwelling Unit (ADU): a residential living unit that is within or attached to a single-family dwelling, and that provides independent living facilities for one or more persons, including provisions for sleeping, eating, cooking, and sanitation on the same parcel of land as the principal dwelling unit it accompanies, as defined by NH RSA 674:71. Note that, per RSA 674:73, a municipality is not required to but may permit detached accessory dwelling units.

Detached ADU: an ADU that is not attached to the primary structure, neither as an addition nor as an internal unit.

Detached ADUs Not Restricted: jurisdictions have this designation when they do not restrict ADUs to the primary structure in any zoning district.

Detached ADUs Restricted: jurisdictions have this designation when they restrict ADUs to the primary structure in some or all zoning districts.

Average Rate of Households with Unaffordable Housing Costs for Municipalities, by whether Detached ADUs are Restricted



Figures shown in this chart are NOT statistically significant ($p < 0.05$).
Source: NH Zoning Atlas and 2021 American Community Survey

However, whether a town restricts detached ADUs or not, does not predict the percentage of people for whom housing is unaffordable any better than flipping a coin would. The average share of households for whom housing is unaffordable is statistically similar across restriction categories, at 26.7 percent in jurisdictions that restrict detached ADUs and 26.6 percent in jurisdictions that do not.

The figure above shows the mean percentage of households paying 30% or more of their income on housing (with unaffordable housing costs) per jurisdiction, by whether the jurisdiction restricts detached ADUs. Findings suggest there is no relationship between the percentage of households living in unaffordable housing in a town and whether its zoning ordinances restrict detached ADUs or not.

My finding of no relationship suggests that permitting detached ADUs may not interact with housing affordability in any town in New Hampshire. This may be: 1) because the ADU statute is still very new

and very few ADUs have been built at all (for context, Peterborough, which is a big proponent of ADUs, has only 20 in total that proceeded through the town permitting process); 2) because of the way I aggregated ADU restrictions (if a town had *any* zoning district that restricted detached ADUs, I coded it as restrictive); 3) because of illegal ADUs, which were built in violation of existing ordinances and blur the distinctions between the two categories; or, 4) because of ADUs that already exist despite the ordinances as a result of preexisting non-conforming uses or special exceptions, which, again, would blur the difference between the two categories. Of course, it may also be that detached ADUs and affordability have no relationship.

Conclusions & Implications

Despite that this analysis found no differences in housing unaffordability between jurisdictions with different restriction levels, there should be further study of the issue. The timing of the data collection,

in which affordability data partially predates the time frame in which the zoning law data were collected, *does* suggest that towns do not make decisions about whether to restrict detached ADUs based on housing affordability needs. However, further study that tracks housing affordability by municipality over time may show different results.

Other opportunities for further study include regrouping into towns that totally restrict detached ADUs and those that allow detached ADUs in some zoning districts but not all.

Additionally, future studies might specifically compare housing affordability for renters and owners, rather than all households together, since ADUs are generally seen as adding to rental units but also do have the potential to help make owner-occupied housing more affordable by increasing a household's income by renting the unit. Subsequent studies could also look at other factors that influence ADU construction, including permitting fees, whether ADUs are allowed by right, and other regulations such as age-based restrictions or parking requirements.

As for policy, my results suggest that more work should be done to understand how the state and municipalities can encourage ADU construction to meet workforce housing demand, aside from zoning regulations. Examples of potential strategies include ADU-specific financing, having sample ADU plans available that comply with building codes, and working with NGOs or businesses to encourage ADU construction. This would require a more holistic understanding of what policies result in ADU construction.

Data & Methods

This brief draws upon two datasets. The first is the New Hampshire Zoning Atlas, which was compiled from a survey of municipal zoning laws across the state of New Hampshire by Saint Anselm College. I am accessing the data directly from Saint Anselm. This data is “frozen” as of June 1, 2022. Since it is a complete census of all municipal zoning laws, the zoning data should not be considered sample-based and any findings on zoning laws could be

generalized to all municipalities statewide.

The second dataset utilized here includes housing costs as a percent of income, from the U.S. Census Bureau's American Community Survey (ACS), which I am accessing directly from the Census Bureau. For this brief, I used data from the 2021 5-year estimates, which aggregate information from 2016-2021 to enhance sample sizes for small geographies (like New Hampshire municipalities). The ACS samples household units in every county or county-equivalent, pulling from various Census and geographic databases of addresses. In the years selected, over 17,000 households were selected in New Hampshire, and over 10,000 responded. The analytic sample is all the municipalities with at least one household. The data is generalizable at the jurisdiction level since it has already been weighted by the Census Bureau. It is limited, however, because the timeframe begins in 2016, before passage of the ADU statute, and does not go up to 2022, which would align with the data collection period for the zoning data. However, the timing of data collection does not indicate the timing of law implementation, and the laws themselves recorded in 2022 were likely put in place earlier than that. In addition, the timing of the two sources had potential to suggest whether towns consider their rates of unaffordable housing when setting zoning policy.



Data from the Zoning Atlas are available at the zoning district level. When aggregating zoning districts' information about ADU zoning into jurisdictions, I excluded zoning districts in which ADUs are not permitted from the sample. All jurisdictions had at least one other zoning district, and thus, including other zoning districts from those jurisdictions

meant no jurisdictions were altogether excluded. However, I did exclude 20 jurisdictions with 0 households, as recorded in the ACS data.

I used an Ordinary Least Squares test to analyze the relationship above. The differences discussed in the text are not statistically significant ($p < 0.05$).

References

¹ Source: Interview with Danica Melone, Peterborough Town Planner, 11/12/23.

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