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George Mason University

POLICY SPOTLIGHT

Avoiding “Poison Pills” in Accessory Dwelling Unit (ADU) Law

How three common ADU regulations can prevent these small units from making a big impact on housing affordability

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Over the past decade, insufficient housing construction has contributed to rising housing prices. The COVID pandemic and the difficulty of building new housing where it is needed due to stringent local land use regulations have exacerbated this problem. In response to the shortage and the accompanying affordability problems, state policymakers are increasingly limiting the extent to which local policymakers can block housing construction.¹

The most common action state policymakers have taken to enable lower-cost housing construction has been to legalize accessory dwelling units (ADUs). ADUs are secondary units located on the same lot as a principal dwelling unit. Often referred to as “granny flats” or “pool houses,” ADUs offer a variety of benefits, both for housing affordability and for households with specific lifestyle preferences. ADUs provide a potential source of income for the homeowners who build them, while they also generally rent for less than apartments in the same neighborhood. Because they benefit homeowners—who are often a key constituency opposed to policy reforms that would expand the supply—ADUs are often the most politically feasible housing reform. ADUs also provide housing for aging parents at their adult children’s homes, sometimes providing an opportunity for grandparents to care for their grandchildren.

However, three common pitfalls in ADU laws make them difficult to build:

¹ See Emily Hamilton and Abigail Houseal, “A Taxonomy of State Accessory Dwelling Unit Laws 2024” (Mercatus Policy Brief, Mercatus Center at George Mason University, August 14, 2024). Scan the QR code below for the full analysis, including sources.



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1. Owner occupancy requirements can thwart investments in ADUs—even for homeowners who want to add them to their primary residences—because building an ADU likely shrinks the pool of future potential buyers. If the homeowner decides to move, they may be unable to generate income from their investment by leasing the ADU and their primary residence to separate tenants. Additionally, Federal Housing Administration lending rules allow mortgage borrowers to qualify in part based on income from an ADU only if it can be rented without occupancy restrictions. Appraisers may also rely only on comparable home sales that exclude ADUs rather than view the ADU as a potential income-generating unit.

2. Parking requirements can make it impossible to build ADUs in areas where space is limited. A yard often has room for either an ADU or an extra parking spot, not both. Furthermore, garages are commonly converted into ADUs, and requiring replacement parking for the main home and new parking for the ADU may prove prohibitive.

3. Discretionary ADU permit reviews can deter homeowners who prefer the certainty of an approval over a potentially contentious public hearing and going through multiple site-site-plan drawings. These reviews can be both time-consuming and expensive.