Beacon
CENTER OF TENNESSEE

Addressing Demand Urgently

ADUs Are Small Homes Providing Big Solutions



Introduction

Tennessee is facing a housing crisis. Estimates suggest Tennessee needs 315,000 housing units by 2035 to keep up with population growth and aging housing stock.[1] Median housing costs have spiked 200 percent in a decade, with just 32 percent of homes considered affordable for Tennesseans making the median income in 2024, down from nearly 71 percent in 2019.[2] Increasing rent and sky-high housing costs have caused more than one-in-four young adults to continue living at home instead of being able to purchase their piece of the American Dream.[3]

One solution to ease Tennessee's housing crunch is to look at accessory dwelling units (ADUs). These small, independent living spaces built on the same lot as a primary home are nothing new. They go by many names outside the formal zoning term ADU: mother-in-law suite, granny flat, backyard cottage, carriage house, or guest house. These accessory buildings let homeowners put their property to practical use, whether by housing family members or employees, or by allowing owners to earn a modest rental income. But in the era of zoning, removing or severely restricting an individual's ability to have an ADU on their property has eliminated this housing option for many Tennesseans.

315,000
Housing units Tennessee needs by 2035 to keep up with growth

32%
Share of homes deemed affordable on a median income in 2024, down from nearly 71 percent in 2019

27%+
Percentage of young adults still living at home

ABCs of ADU Regulations

In Tennessee, many localities implement zoning restrictions that make it harder for property owners to build and occupy ADUs. In 2023, the Beacon Center's Middle Tennessee Zoning Atlas showed more than 40 percent of land had zoning restrictions that effectively banned ADUs.[4] On land where ADUs were allowed, occupation was restricted to relatives of the property owner on 23 percent of land, while only 34 percent of land was zoned to allow ADUs to be rented out to nonfamily members.[5] But relatives must be the right type of relative. Some local governments prohibit anyone from occupying an ADU unless they are related by blood, marriage, or adoption to the homeowner.[6] Others list the exact relationships to the property owner in the zoning code, which means that, depending on the list, cousins, nieces and nephews, foster families, and stepchildren can be excluded.[7]

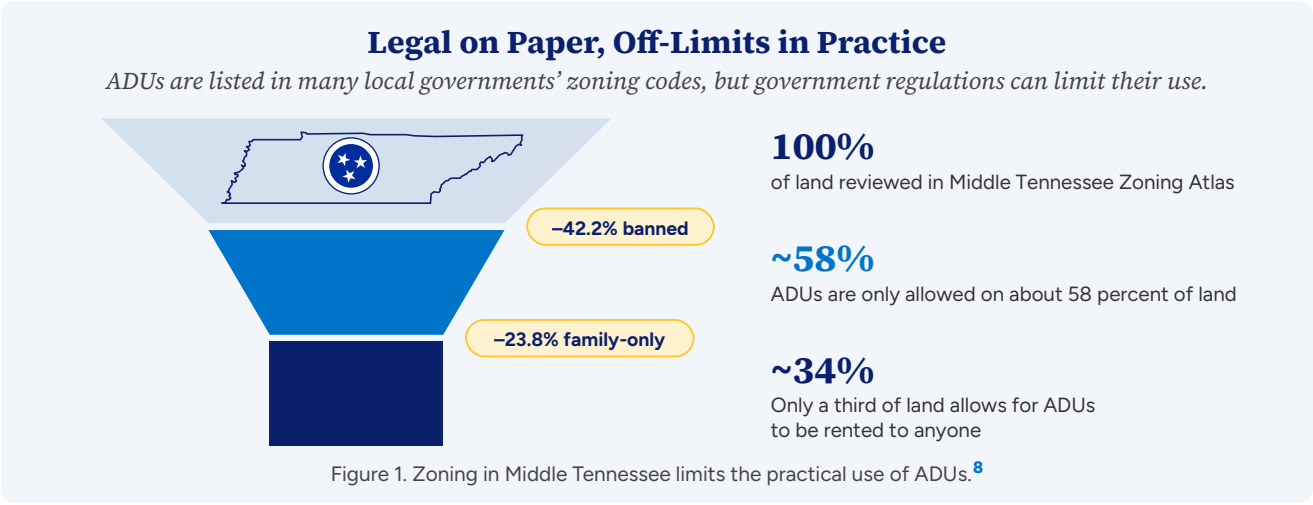


Figure 1. Zoning in Middle Tennessee limits the practical use of ADUs.[8]

ADUs are also restricted through the permit process and are generally not given government permission "by right." Instead, property owners must obtain a special variance or conditional use permit, or go through a public hearing to receive a permit. The property must also be located in certain residential zones, so not all residents of a jurisdiction receive the same property rights. Regulations also include minimum and maximum square footage, setbacks, lot sizes for primary homes, lot location, aesthetic requirements, and continued inspections to confirm compliance.[9] The bureaucratic maze a property owner must navigate can cost time and money, increasing the cost of the more affordable housing options.

In Tennessee, legislative momentum has grown to respect property rights and to create ADU protections. A bill (HB 2031/SB 2131) in the 114th General Assembly sought to institute statewide limits on how local governments could regulate ADUs.[10] Specifically, the bill declared certain discriminatory ADU zoning practices to be illegal, such as requiring an ADU to be less than 850 square feet, requiring ADUs to follow more restrictive applications than the single-family homes on the same lot, prohibiting an owner from renting out the ADU, and even requiring the minimum lot size for an ADU to be larger than the minimum lot size for the primary single-family home.[11] The bill did not pass, but it shows how the legislature could preempt local governments from using zoning codes to effectively ban ADUs or make building one more difficult than building a single-family home.

ADUs are not a blue or red issue. More than half of the nation's ADUs are in California, Florida, Georgia, and Texas.[12] Protecting property rights by allowing owners to use their property as they see fit, without causing harm or disturbance, is a core pillar of American freedom. With 18 states broadly legalizing ADUs—including neighboring Arkansas, which has one of the strongest laws—Tennessee doesn't need to look far to see how other states are protecting property rights and allowing for more affordable housing options.[13]

Conclusion

Housing affordability has slipped further out of reach for the average Tennessean. Despite a slowdown in the growth of new residents, Tennessee remains a popular destination thanks to strong free-market policies like low taxes and school choice. Because they are more affordable, faster to build, and located on already developed lots, ADUs offer a small, simple solution to a big problem. ADUs provide the next step for young adults or families, or older individuals looking to downsize from a larger home.

Government barriers and regulations that effectively ban or severely limit this type of housing do nothing to ease housing costs. Tennessee policymakers should continue to pursue commonsense reforms, such as codifying the ADU and property rights protections proposed in HB 2031/SB 2131. By returning power to property owners and legalizing ADUs statewide, Tennessee lawmakers can pull an easy policy lever to provide some relief from the housing pressures residents face.

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