ARMSTRONG FIELD GROUP

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THE MASSACHUSETTS BUYER'S GUIDE TO

Homes with In-Law Apartments & ADUs

What Every North Shore Buyer Needs to Know Under the New 2025 Massachusetts ADU Law

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Introduction

On the North Shore, homes with a legal in-law apartment or accessory dwelling unit (ADU) have always commanded attention — they offer flexibility for multigenerational families, income potential for owners, and a hedge against rising housing costs. As of February 2, 2025, a new state law has made ADUs easier to build almost everywhere in Massachusetts, which means more buyers than ever are searching for homes with an existing unit, or a lot that has strong potential for one.

This guide walks you through what actually qualifies as a legal ADU, what the new state law changes for buyers, the questions you should be asking before you write an offer, and the financing, zoning, and inspection issues that trip up even experienced buyers. It closes with a look at North Shore towns where ADU potential is especially strong right now.

This guide is educational and general in nature. Zoning bylaws, building codes, and lending guidelines vary by town and by lender, and change over time — always confirm current requirements with the relevant municipal building department, your attorney, and your lender before relying on any ADU for financing, rental income, or occupancy plans.

What Qualifies as a Legal ADU

Not every finished basement or "in-law suite" you see in a listing is actually a legal, permitted accessory dwelling unit. The distinction matters enormously — for financing, for insurance, for resale value, and for whether you can legally collect rent on it.

The basic definition

Under Massachusetts law, an accessory dwelling unit is a self-contained residential unit with its own sleeping area, bathroom, and kitchen (or kitchenette), located on the same lot as a single-family home. It can be:

- **Internal ADU —** Inside the main house (a converted basement, attic, or attached addition).
- **Attached ADU —** Attached to the primary structure, such as an addition or converted garage that shares a wall.
- **Detached ADU —** A separate structure on the same lot, such as a cottage, converted barn, or standalone building.

What makes it "legal"

A legal ADU has cleared three separate hurdles, and a buyer should confirm all three independently rather than taking a listing description at face value:

- **Zoning approval —** The unit was approved through the town's zoning process (by-right or by special permit, depending on when it was built).
- **Building permit and sign-off —** The work was done under a building permit, inspected, and closed out with a certificate of occupancy or certificate of compliance.

- **Assessor's records —** The unit is recorded as an ADU (or accessory apartment) with the town's assessor and appears on the property record card — not just described that way by the seller or agent.

Red flag to watch for

- A finished lower level with a stove, a second door, and its own mailbox is not automatically a legal ADU. If it was built without permits, it's often called an “unauthorized” or “unpermitted” in-law — and that changes your financing, insurance, and legal options significantly. Always verify before you assume.

Massachusetts' New ADU Law (2025) — What It Means for Buyers

In August 2024, Governor Healey signed the Affordable Homes Act (Chapter 150 of the Acts of 2024), the largest housing bill in state history. Sections 7 and 8 of that Act rewrote the state's zoning statute to make ADUs legal by right in every Massachusetts city and town. The zoning change took effect on February 2, 2025, and the state's implementing regulations, 760 CMR 71.00, were published that January to guide how towns administer it.

The core changes

- **By-right approval —** Every municipality must now allow at least one ADU, by right, on any lot zoned for a single-family home — no special permit, variance, or public hearing required for a compliant unit.
- **Size cap —** A by-right ADU cannot exceed 900 square feet, or 50% of the primary home's living area, whichever is smaller. Larger or additional units generally still require a special permit at the town's discretion.
- **No owner-occupancy requirement —** Towns cannot require the owner to live in either the main house or the ADU. This opened the door to ADUs used purely as rental units.
- **Limits on local restrictions —** Municipalities cannot impose stricter setbacks, height limits, or dimensional rules on an ADU than they apply to the primary home in that district, and parking requirements are capped (typically no more than one additional space).
- **Short-term rental carve-out —** Towns retain the right to regulate whether an ADU can be used as a short-term or vacation rental — this is one of the few areas the law leaves squarely in local hands.
- **One ADU per lot —** The law protects one ADU per lot as a matter of right. A second ADU, or a unit that exceeds the size cap, still goes through the town's discretionary permitting process with no guarantee of approval.

Why this matters if you're buying

For buyers, the practical effect is significant: a single-family lot that could never have supported an in-law apartment under the old special-permit system may now qualify for one by right, provided it meets dimensional and building-code requirements. That reshapes what “ADU potential” means when you're evaluating a property — it's no longer purely about a town's historical willingness to grant permits; it's about whether the lot and structure can physically meet the standard.

At the same time, some towns are still updating their local bylaws to conform to the state law, and a few have pushed back with strict interpretations of parking, septic, or historic-district rules. The Attorney General's Office has already issued decisions overturning overly restrictive local rules in several towns (including East Bridgewater, Canton, and Georgetown), which shows this is still an evolving area — always check the current status of a town's bylaw rather than assuming it has already been updated.

Condo buyers, take note

- The ADU law amends the Zoning Act and does not touch condominium law (M.G.L. c. 183A). If you're looking at a two- or three-family property with condo units, adding or legalizing an ADU inside one unit is a separate legal question — talk to a real estate attorney before assuming the new law applies.

Questions to Ask Before Making an Offer

A great-looking in-law setup can turn into a costly problem if you don't ask the right questions up front. Before you write an offer on a home with an existing or potential ADU, get clear answers to:

- ☐ Is the in-law unit permitted, and can the seller produce the building permit and certificate of occupancy or compliance?
- ☐ Does the property record card at the assessor's office list a legal accessory unit, and does the recorded living area match what's being marketed?
- ☐ When was the unit built or converted — before or after February 2, 2025 — and under what zoning provision was it approved?
- ☐ Is the unit currently rented, and if so, is there a lease that survives the sale, and what does the seller disclose about the tenant?
- ☐ Does the unit have its own utility metering, or is everything shared with the main house?
- ☐ What is the septic system's design capacity (bedroom count), and does it already account for the ADU, or would adding one require an upgrade?
- ☐ Has the town placed any conditions on the ADU — owner-occupancy requirements from before the 2025 law, deed restrictions, or short-term rental limits?
- ☐ If the unit isn't yet built, has the seller had any pre-application conversations with the building department about feasibility, or is that homework still ahead of you?

Your buyer's agent should be pulling permit history and assessor records before you write an offer, not after — this is exactly the kind of due diligence that should shape your offer price and contingencies.

Financing Considerations

How a lender treats an ADU can materially change your financing options, your qualifying income, and your down payment.

Appraisal and income treatment

- **Conventional loans —** Fannie Mae and Freddie Mac guidelines allow appraisers to give some value to a legal, permitted ADU, and in many cases allow a percentage of projected rental income to count toward your qualifying income — but only when the unit is legally permitted and appraisers can find comparable ADU sales in the area.
- **FHA loans —** FHA loans have historically been more flexible about counting rental income from an accessory unit, but still require the unit to be legal and safe, and typically require the borrower to occupy the primary residence.
- **Unpermitted units —** An unpermitted in-law unit generally cannot be appraised for added value or counted for rental income — lenders and appraisers treat it as if it doesn't exist, or in some cases as a liability that must be disclosed.

Renovation and construction financing

- **Renovation loans —** If you're planning to add an ADU after closing, an FHA 203(k) or Fannie Mae HomeStyle renovation loan can roll construction costs into your mortgage, though both require detailed plans and licensed contractors up front.
- **Home equity options —** Some buyers use a HELOC or cash-out refinance after closing once they have equity, rather than financing the ADU at purchase.

Loan programs and appraisal guidelines change, and not every lender treats ADU income the same way. Talk to a lender experienced with multi-unit and ADU financing early in your search — before you fall in love with a property — so you know what income, if any, will count toward your approval.

Rental Restrictions

The 2025 law removed owner-occupancy requirements for by-right ADUs, but that doesn't mean every ADU is automatically available for unrestricted rental income. Confirm these before counting on rental cash flow:

- **Short-term rental rules —** Some towns still restrict ADUs from being rented as short-term or vacation rentals (think Airbnb-style stays) — this is one area the state law explicitly leaves to local control.
- **HOA or condo rules —** If the property is a condominium, the condo association's bylaws may separately restrict rentals or require board approval, regardless of what the town allows.
- **Legacy deed restrictions —** A property with a deed restriction from an earlier era — for example, an older special permit that required owner-occupancy — may still carry that condition even after the new state law took effect. Confirm whether any prior conditions were formally lifted.
- **Local licensing —** Beverly, Salem, and other North Shore communities license long-term rental units in various ways; check current local requirements for registration, inspection, or lead-paint compliance before renting out a unit.

Zoning and Permits

Even under the new by-right framework, a compliant ADU still has to satisfy dimensional and safety requirements — the state law removed the special-permit hurdle, it didn't remove the building code.

- **Size —** The ADU cannot exceed 900 square feet or 50% of the primary home's floor area, whichever is smaller.
- **Setbacks and dimensions —** Towns cannot impose a stricter setback, height, or lot-coverage rule on the ADU than applies to single-family homes in that district, though minimum lot sizes may still apply within limits.
- **Building permits —** Every ADU still needs its own building permit, and any new kitchen, bathroom, or separate entrance triggers plumbing, electrical, and building inspections.
- **Septic and Title 5 —** Septic systems (Title 5) must be sized for the added bedroom count, and older systems may need upgrading before a legal ADU can be occupied.
- **Fire and life-safety code —** Some towns still require a separate egress, smoke and carbon monoxide detection, and fire-rated separation between the ADU and the main house — this is where older, informal in-law conversions most often fall short.

Because towns are still updating their local bylaws to conform to the 2025 law, and because the Attorney General's Office continues to weigh in on individual town disputes, always confirm the current, town-specific ADU bylaw with the building department — don't rely on what a bylaw said even a year ago.

Inspection Checklist

When you tour a home with an existing in-law apartment or ADU, walk through this list — or have your inspector focus on it specifically:

- ☐ Separate, code-compliant egress (a door or window large enough to exit safely) from the ADU.
- ☐ Working smoke and carbon monoxide detectors in the ADU, and fire-rated separation from the main house if required.
- ☐ Adequate ceiling height and natural light, particularly in basement conversions.
- ☐ Proper venting for any kitchen appliances, and GFCI protection near sinks and wet areas.
- ☐ Signs of moisture, water intrusion, or inadequate drainage — common in below-grade in-law units.
- ☐ Separate or sub-metered utilities, if that matters for your rental plans.
- ☐ Condition and age of the septic system, and whether its design flow accounts for the added unit.
- ☐ Visible permit sticker or final inspection sign-off posted in the electrical panel or utility area (a good practical clue, though not a substitute for pulling official records).

Common Mistakes Buyers Make

- **Assuming a unit is legal because it's marketed that way —** Believing a listing description (“in-law apartment,” “income potential”) without independently confirming permits and assessor records.
- **Counting on rental income before confirming it will qualify —** Rental income from an unpermitted unit generally won't count toward your mortgage qualification, which can derail financing late in the process.
- **Assuming every lot qualifies under the new law —** Just because the state now allows an ADU by right on paper doesn't mean every lot meets the dimensional, septic, and safety requirements to actually build one.
- **Confusing finished space with legal space —** A finished basement is not automatically legal living space, and treating it as square footage in your value analysis can lead to overpaying.
- **Overlooking septic capacity —** Especially with older septic systems, adding or legalizing a unit may trigger a required Title 5 upgrade that's easy to miss during a fast-paced showing.
- **Assuming rules are the same town to town —** Local bylaws are still catching up to the 2025 state law in many towns — what's true in one North Shore community may not be true in the next town over.
- **Not confirming directly with the local building department —** Building department staff, not listing sheets, are the authoritative source on permit status, zoning conformance, and current bylaw language.

North Shore Towns with Strong ADU Potential

Lot sizes, sewer versus septic infrastructure, and local bylaw updates all affect how easily a property can support an ADU. Here's a general look at ADU potential across the towns Armstrong Field Group serves most — always verify specifics on any individual property with the local building department.

Town	ADU Potential & Local Notes
Beverly	A mix of larger single-family lots and denser in-town neighborhoods; sewer service across most of the city supports ADU conversions without septic constraints.
Salem	Predominantly sewered with a dense housing stock, including many older homes with existing (sometimes unpermitted) in-law layouts worth legalizing.
Danvers	Larger suburban lots in many neighborhoods offer good potential for detached ADUs, alongside a mix of sewer and septic service depending on the area.
Gloucester	Larger, more rural lots in outlying villages can suit detached cottage-style ADUs, though septic capacity should be checked carefully in non-sewered areas.
Marblehead	Historic district review can add a layer of process for exterior changes to a detached ADU, even where the use itself is allowed by right.

Town	ADU Potential & Local Notes
Swampscott	Compact lots are common, which favors internal or attached conversions (basement, attic, garage) over detached new construction.
Peabody	A broad range of lot sizes and largely sewered infrastructure make it one of the more straightforward North Shore markets for ADU additions.

This is general market context, not a guarantee of feasibility for any specific address — lot dimensions, septic or sewer access, and the current local bylaw all need to be checked property by property.

Thinking About Buying a Home with In-Law or ADU Potential?

The new state law has changed the math on a lot of North Shore properties — including some that wouldn't have qualified for an in-law apartment a few years ago. Whether you're looking for a home with an existing legal unit or a lot with strong ADU potential, I can help you evaluate specific properties, pull permit and zoning history, and connect you with lenders and contractors who understand this space.

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