



Can ADUs Deliver on the Promise of Affordability for Colorado?

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Photo by Kevin J. Beaty/Denverite

Executive Summary

Accessory Dwelling Unit, or ADU, zoning reform can provide a gradual and modest supply of new, moderately affordable housing for a segment of Colorado renters experiencing some cost burden today. But Colorado will face the same barriers as elsewhere to meaningfully and equitably boost production to make a significant dent in the housing crisis or to reach lower-income households. Initial funding that prioritizes low- and moderate-income households is one way proposed legislation seeks to overcome these hurdles. Colorado could deliver even more fully on the promise of ADUs for more of the Coloradans struggling in our current housing crisis with:

- Strong local implementation of any state zoning reforms
- Coordinated efforts to improve private financing
- Maintaining consistent and meaningful state, local and philanthropic assistance for low- and moderate-income homeowners building ADUs
- Efforts linking homeowner assistance to rent standards that ensure affordability

Proposed 2024 legislation [HB24-1152](#) would legalize ADUs in larger, urban communities along Colorado's Front Range and in Grand Junction, and provide \$13 million in funding for local government implementation and ADU financing prioritizing low- and moderate-income homeowners.

Polls show an overwhelming 78 percent of Coloradans support zoning for ADUs. Proponents focus the promise on inherent affordability, use by older adults, and to help house extended families. But no baseline study of existing local policies and ADU production, or the potential for state legislation to meet the needs of Coloradans struggling most with housing affordability, has previously been conducted.

ADU production in California is averaging three ADUs per 1,000 single-family homes statewide, several years into implementation of the most recent reforms in a twenty-year effort. New Hampshire reported just under .5 ADUs per 1,000 homes as the weakest performance among a small sample of communities following more modest statewide reforms.

This first-ever analysis of ADU permitting in Colorado found that among 32 local communities with populations over 9,000 that would be subject to Colorado's proposed legislation (cities and recognized urban areas within unincorporated counties):

- Seventeen cities were zoned for ADUs in all or significant portions of residential areas, with widely varying limitations and requirements, but lot size minimums that still provided for some degree of steady permitting. ADUs were allowed in two

more Census-designated places within unincorporated counties by virtue of county zoning, for a total of 19.

- Of the remaining 13 communities, some prohibited ADUs outright or allowed them only in a narrow swath of residential areas. Others had minimum zone lot requirements so large as to exclude most homes. Several cities were considering reforms but had no legislation pending.
- Permit data was available for 13 communities, with annual rates ranging from .1 ADU permit per 1,000 single-family homes in Broomfield with a relatively new ordinance to 2.3 per 1,000 homes in Boulder following several rounds of reform in recent years, despite their strict owner occupancy and parking requirements.
- The average rate across all jurisdictions allowing ADUs and reporting data was an estimated .6 per 1000 homes. Removing the outlying, strong performance by Boulder, the more illustrative average is .4.

Evidence supports the likelihood of the market delivering a portion of new Colorado ADUs at rents for those earning around 80 percent of AMI. But rents will vary and are not guaranteed, absent programs with standards. In Los Angeles, California's strongest producer, the median ADU rent is not affordable to the median income household.

Households at 80 percent of AMI in Colorado face low double-digit percentages of mild or moderate rent burden in most of the counties that would be subject to the state zoning reforms, except Douglas County with a much higher 31 percent burden. But by magnitudes, a far higher number of Colorado households facing severe housing burden earn below 50 percent of AMI. These individuals and families are unlikely to be served by ADUs absent public support for homeowner construction of ADUs in exchange for lower rents or accepting housing vouchers. Denver has one successful national model for doing so and others exist that Colorado should replicate to truly address more of our housing crisis through this type of housing. While ADUs are an important choice for older adults, their uptake is likely to be smaller than their focus in the debate. Only 15 percent of ADUs are occupied by older adults in California. Colorado's older adults overwhelmingly own rather than rent.

Colorado has a growing number of families doubled up with other families or roommates to save money in the housing crisis, nearly 94,000 of whom are still housing cost burdened. They could be well-served by ADUs, but it would require intentional policy and financing products, and larger and more expensive units than the market will deliver on its own. California serves children in only 11 percent of ADUs. Construction by Latino owners lags their white counterparts by almost half there. Publicly funded programs delivered by trusted nonprofits that pair greater subsidy with income guidelines are critical to ensure larger ADUs can be built and by more diverse and low- or moderate-income homeowners. Zoning and the market alone will not meet the promise for serving

doubled-up families.

Local policymakers and stakeholders have reason to be cautious about diversion of ADUs for short-term rentals, but local governments are already limiting who can rent ADUs in many of the Colorado communities that allow them. Only 8 percent report renting ADUs short-term in California with a similar policy landscape. Concern about wide-spread investor speculation following ADU zoning was not validated in the research. Around 90 percent of applicants in California are natural persons, not LLCs or corporations. This is likely due to the customized and long nature of ADU construction compared to other investment opportunities.

Owner occupancy requirements are discriminatory on their face, treating ADUs differently than single-family or duplex housing. And these requirements represent a disproportionate barrier to financing and wealth-building for low- and moderate-income and BIPOC homeowners because of their greater reliance on hard-to-get financing to build ADUs. Removal of these requirements is associated with increases in ADU permitting in many cities and the state of California.

The outcomes of state zoning legislation will depend on many factors. High interest rates will slow construction. But the buzz of big changes will spur more interest in ADUs, which can also be leveraged for new financing innovations. The jurisdictions governed by mandatory zoning reforms contain 70 percent of the state's single-family homes, while others may opt in to access funding.

If after implementation Colorado were to reach California's level of current success, it would represent 3,500 – 5,000 new ADU permits annually. Data on actual completions was harder to come by and not analyzed for all jurisdictions, but always lower than the permits pulled. More ADUs would likely be built closer to job centers, fewer in communities with homeowner associations based on trends elsewhere.

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The first person I ever knew who lived in an Accessory Dwelling Unit (ADU) was the partner of my good friend in college in Des Moines, Iowa. Casey was what we would now call gender non-conforming when we became friends, later coming out as transgender male. He didn't make a lot of money, and I think there was a credit issue from a former breakup in an era before gay marriage or legal protections for same sex couples. Casey had an uneasy relationship with family, as many in the LGBTQ community did in the early '90s, and still might today. But his dad allowed him to rent the little cottage behind his house. I have no idea if it was permitted or not. But it was a studio with a bed, couch, and workspace and it gave him dignified and safe housing in his early 30s that likely wouldn't have been possible otherwise during a tough period.

More recently, a divorcing former elected official I knew found a soft landing in a historic Northwest Denver carriage house that probably pre-dated the term "ADU" by a hundred years. Academic friends seeking a home that otherwise would have been out of reach took on managing an ADU built in this century as a short-term rental to help make the mortgage payment on their primary house. Friends with three kids who moved to California put me and their frequently visiting grandparent helpers up in their lovely "garage," complete with pull-out bed, office, and bathroom with shower (but still a functioning garage door!), flirting with code enforcement prior to recent legislative changes that might pave the way for amnesty.

For the second year in a row, Colorado legislators and the Governor have proposed ADUs as one component of the solution to Colorado's housing crisis. This year's [HB24-1152](#) would legalize ADUs in cities with more than 1,000 residents and recognized unincorporated communities with more than 10,000 residents along the Front Range and Grand Junction.¹ It also proposes \$13 million in funding to be divided among cities for incentives, technical assistance or implementation, and homeowner financing to help build units. Proponents tout 78 percent statewide support for ADUs in polling I discussed in the [intro to this series](#).

It's easy to fall in love with compelling stories of the ADU/granny flat/mother-in-law cottage/casita, some attached, others detached, but all on the same lot with a single-family home. And no policymaker ever has been able to resist the attraction of poll numbers exceeding 75 percent. But like any good love affair, it's still a good idea to

pause and confirm compatibility and long-term goal alignment before getting hitched.

What aspect of Colorado’s crisis can ADUs address? On what timeline? Consider this piece a dose of pre-marital counseling for Colorado’s engagement period with ADU legislation. A chance to get to know each other better in the hope of a longer and more successful relationship. And a healthy dose of advice from longer-married friends to help us avoid disappointments likely to creep up after the honeymoon of “just passing something” wears off (if they can indeed do that this year), when people will start to evaluate the union based on outcomes in the lives of real people struggling to pay for housing.

All indicators point to a high likelihood of a successful match, but one that will require work like any marriage. ADU zoning reform has the potential to increase production and provide a gradual and modest supply of new market-built homes at rents affordable to some of Colorado’s cost-burdened, moderate-income households. Colorado will face the same challenges other states have to boost production enough to make a significant dent in the housing crisis or to reach lower income households. Initial funding that prioritizes low- and moderate-income households is one way proposed legislation seeks to overcome these hurdles. The state isn’t in control of all the factors that will determine the level of success. But the potential to deliver even more fully on the promise of ADUs for more of the Coloradans struggling in our current housing crisis would be maximized with:

- Strong local implementation
- Coordinated efforts to improve private financing
- Maintaining consistent and meaningful state, local and philanthropic assistance for low- and moderate-income homeowners building ADUs
- Efforts to link homeowner assistance to rent standards that ensure affordability

Who’s Looking for ADU Love in Colorado?

TARGET POPULATION

Potential Occupants

When used for housing, ADUs are offered for rent, or sometimes for free to family, friends or caretakers of the primary home occupant.² For those seeking a rental home that feels more like single-family living, they can provide a smaller and therefore less expensive option than renting a single-family home, because those are traditionally bigger and growing even larger in square footage in recent years.³ ADUs also may be located in neighborhoods or near amenities like good schools, where apartment rentals

are less likely or unavailable due to zoning restrictions on multi-family buildings.

Nationally and in Colorado, there's been an increase in smaller one- and two-person households, as families with children drop to one in three households in the United States.⁴ ADUs are lauded as a way to meet the housing demand of these generic, small households.⁵ But a closer look at who makes up smaller households in Colorado and where the need for affordable housing is most acute adds nuance to the case for ADUs and the path to achieving the vision.

In Colorado, much of the trend toward smaller household size is being driven by current residents aging into the over 65-year-old bracket.⁶ But this age group trends heavily toward home ownership over renting,⁷ making ADUs less attractive for those who prioritize maintaining that status. Other older adults might seek out an ADU with family members to be close to and help care for grandchildren or to receive care themselves, fitting right into the ADU profile. For example, 15 percent of Boulder ADUs are being used by relatives.⁸ Groups like the American Association of Retired Persons, or AARP, are strong and early supporters of ADUs because of the promise they hold for older adults. Yet, early results from California, which has implemented the most sweeping legislation and seen the largest uptake in ADUs across the nation, indicate only 15 percent of ADU occupants there are senior citizens.⁹

Another case that has been made for ADUs is their potential to address another Colorado trend: “doubled up” families living with another family member, friends or roommates. According to the [Colorado Futures Center](#), Colorado is home to 93,800 cost-burdened, doubled-up households, meaning they spend more than 30 percent of their income on housing.¹⁰ If these families weren't doubled up and combining incomes, the number who were cost-burdened would grow to an estimated 120,000.

Between 20-25 percent of all children in the state of Colorado are living in a doubled-up household – and all of the growth in the number of children under the age of 6 in our state since 2006 occurred in doubled-up households according to Colorado Futures Center.¹¹ While one in five seniors are also doubled-up in Colorado, their numbers are also growing in non-doubled-up housing, unlike families with children.

To meet the needs of cost-burdened and doubled-up families in West Denver with ADUs, many of whom are Black, Indigenous or people of color (BIPOC) and especially Latino, the WDSF+ pilot found greater demand for homes with two to four bedrooms.¹² Such units require larger footprints and price tags, meaning they'll be harder to build. Only 11 percent of ADUs in California's survey are occupied by children, likely driven by the fact only 21 percent have two or more bedrooms.¹³

A multi-year West Denver Single Family Plus (WDSF+) ADU Pilot Program, a project of the Denver Housing Authority, has diligently paved a path to support ADU construction for

low- and moderate-income families facing these doubled-up pressures, many of which are also BIPOC. But it has taken technical assistance, tailored private financing models, and direct public subsidy. The market won't produce ADU products to serve doubled-up families following zoning reform alone. But WDSF+'s successful program has nine family-size, two-three bedroom ADUs built or moving forward out of their 19 initial ADU cohort, benefiting 38 families. See box on page 11 for full profile.

Potential Owners

Another affordability promise of ADUs is bringing home ownership within reach or promoting the stability of a potentially vulnerable primary homeowner through the extra income of an ADU.

We return to California for insights on who is building ADUs, because it has been a model for Colorado's legislation, including zoning by right, prohibitions on owner occupancy requirements and standards that have made construction more difficult or expensive, such as parking requirements:¹⁴

- Owners living in more affluent areas are more likely to obtain ADU permits, and to complete their ADU building projects.
- Just 2 percent of property owners in the lowest quartile by income have permitted or completed ADUs, compared with about 40 percent in the top two quartiles.
- Racial composition for Asian and Black ADU applicants is slightly lower than their proportion of homeowners, but the proportion of Hispanic ADU applicants (14 percent) lags their rate of homeownership (29 percent) by half.¹⁵ Interestingly, there is a high rate of ADUs being built in neighborhoods that are diverse in terms of race and ethnicity, particularly Latinx communities, largely driven by Los Angeles, which has a high rate of both ADUs and Latinx residents.

New Hampshire also has statewide legislation providing for ADU zoning, though it is less comprehensive than California's or Colorado's proposed bill and therefore more local barriers remain. In spite of that, some communities with data produced four times as many ADUs as California communities as more sweeping reforms were taking root (California has since surged far ahead).¹⁶ New Hampshire's outcomes have been attributed to a higher rate of older-than-average homeowners with more equity built up in their homes, in addition to larger homes and lots that simply make ADUs easier to build. Taken together, the case studies and data point to the likelihood of higher rates of older adults as builders of ADUs than occupants in Colorado.

Can We Afford the Ring?

RENTS

Potential Occupants

When Colorado Gov. Jared Polis announced in his 2024 State of the State address that ADUs were “inherently affordable,” I almost fell off the elliptical I was on at the time. (Not being in elected office has its advantages. Watching a speech while working out is way better than having to sit through it!) It was just begging for a fact check. The kind with numbers.

So, is it true? It depends on who you are trying to house.

The best opportunity for affordability appears to be serving those earning around 80 percent of Area Median Income (AMI). That would be a household of two earning around \$67,100 in Weld, \$75,750 in Adams or any metro Denver county, or \$76,200 in Boulder.

A California survey from ADU owners reported:¹⁷

- A median rental price of \$2,000 in 2021, ranging from \$1,925 in the Central Coast region to \$2,200 in the San Francisco Bay Area.
- A large portion available to those making less than 80 percent of AMI.
- But they acknowledge the overall affordability varies significantly by county. For example, in Los Angeles the median ADU rents for \$2,000, but the median household of two can afford only \$1,546.

A 2022 survey of ADU owners in Boulder documented:¹⁸

- An average reported rent of \$1,626.
- This average represented a 21 percent increase from their 2017 survey average, but less than the 27 percent increase in the general Colorado rental market.
- Maximum rents for designated “affordable” ADUs cannot exceed \$1,746, meaning the average for ADUs without any commitments came in slightly below the affordable rent limit.

For a significant percent of Coloradans, typical market ADU rents, though less than the exorbitant luxury rates challenging metro Denver and mountain resort communities of late, would still represent a burden.

Let's compare these rent trends to Colorado incomes and need for affordability.¹⁹

Half of Colorado households earn less than \$75,000, leaving more than 650,000 households statewide facing significant levels of housing cost burden based on analysis by the Colorado Futures Center.²⁰ How much they actually earn, and their household size determines their AMI and what rent they can really afford. Per the table on the next page, for a significant percent of Coloradans, typical market ADU rents, though less than the exorbitant luxury rates challenging metro Denver and mountain resort communities of late, would still represent a burden (i.e. require more than 30 percent of their income.)

Affordable Rents for Colorado Households Earning Less than \$75,000 by AMI

AMI Level	Percentage of Households earning Less than \$75,000 within this AMI level	Affordable Rent for 1 bedroom in Metro Denver Counties	Affordable Rent for 1 bedroom in Grand Junction or Pueblo County	Affordable Rent for 1 bedroom in Colorado Springs
Below 30%	~ 33%	\$698	\$489	\$548
31-50%	~ 26%	\$1,163	\$815	\$914
51-80%	~ 29%	\$1,862	\$1,305	\$1,463

Source: AMI data from Colorado Futures Center, and rents from 2023 Income Limit and Maximum Rent Tables from Colorado Housing Finance Authority²¹

According to the [National Low Income Housing Coalition](#), Colorado has a shortage of nine rental homes for every 100 renters earning 80 percent of AMI.²² The federal data sources generally used to calculate rent burden don't provide data at exactly 80 percent of AMI. This income level is either lumped in with those earning much less, from 51 percent of AMI to 80, or those earning up to 100 percent, of whom one in five are burdened, less than 3 percent severely. There are renters struggling statewide around the 80 percent of AMI threshold, even if that struggle is far less acute than for renters at lower incomes. For example, 43 percent of those earning less than 50 percent of AMI and three out of every four households below 30 percent of AMI are severely burdened and paying more than half their entire income for rental housing, leaving little left over for food, medical care, transportation or other necessities.

Interestingly, many of the communities with the highest rates of families earning 80 to 100 percent of AMI and experiencing severe rent burden are not covered by the mandatory ADU zoning in the proposed state legislation:

- Park (22 percent) and Clear Creek Counties (26 percent) are exempt.
- Routt (8 percent), Garfield (6 percent), Delta and Gunnison (5 percent) and Pitkin (4

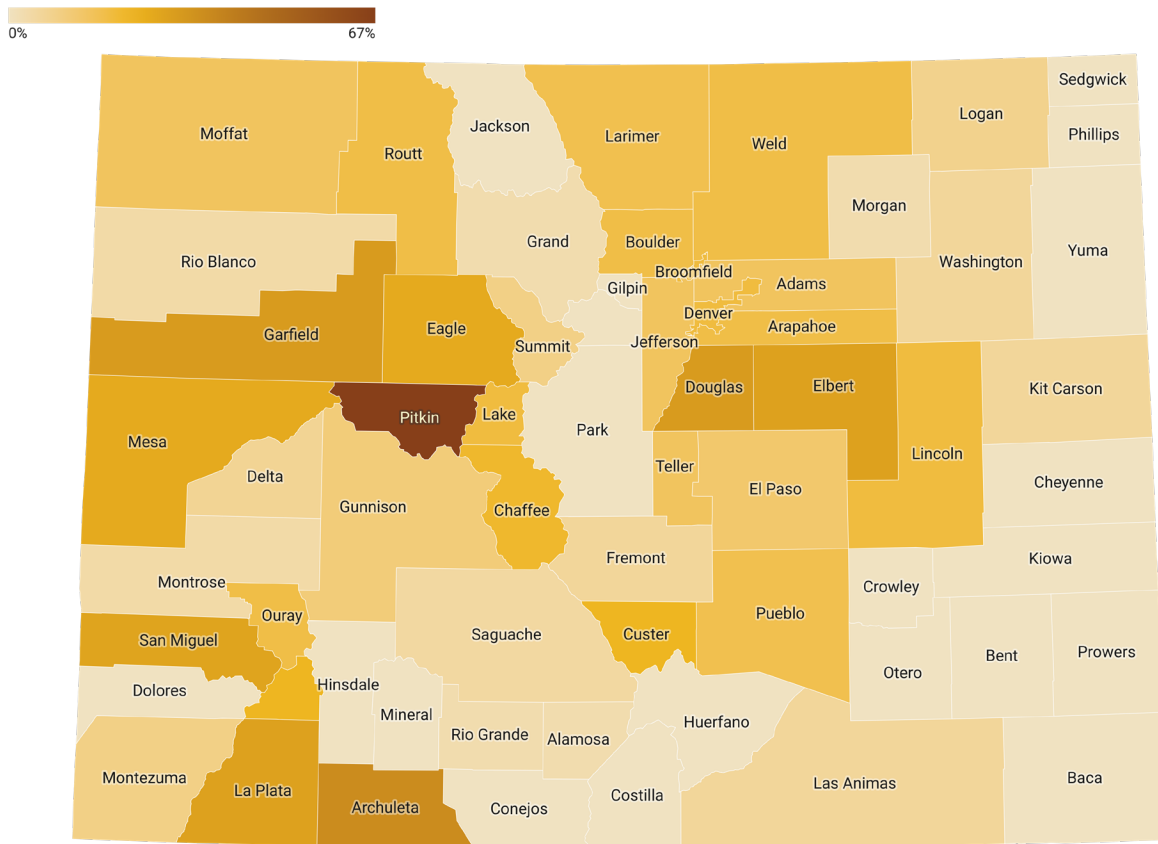
percent) are also exempt.

- Douglas County (5 percent) and Grand Junction within Mesa County (6 percent) are covered by the current bill.

However, some of these communities may already allow some form of zoning for ADUs. And under the proposed legislation, all communities can opt into a menu of ADU regulatory reform options to receive funding for implementation and financing ADUs.

The map below shows mild or moderate rent burden for households earning 80-100 percent of AMI in Colorado. Again, many of the counties with the highest rate of mild/moderate housing burden are not covered in the proposed ADU legislation. But Front Range counties along with Mesa County do have some mild/moderate burden, indicating a benefit if legislation results in more ADUs built and rented to these households at rents they can afford.

Percentage of 80-100% of AMI Renter Households Experiencing Mild/Moderate Housing Burden



Source: State of Colorado Department of Local Affairs Tabulations of HUD²³

[View Interactive Map on Datawrapper](#)

Achieving ADU Affordability Here in Colorado

West Denver Single Family + Pilot Program

Project of Denver Housing Authority

Requirements:

- ADU zoning & clear area for detached ADU (any Denver neighborhood)
- Deed restriction and affordability requirement
- Rent priced \leq 80% of AMI
- Homeowner or ADU occupant \leq 80% of AMI for cash subsidies & compliance
- Residential occupancy
- Annual reporting

Homeowner Outcomes:

- 75% BIPOC (Black, Indigenous, People of Color)
- 45% female head-of-household
- Median income of 73% of AMI across all homeowners

ADU and Renter Outcomes:

- Represent 14% of all ADUs constructed in Denver in 2022
- Average rent of \$957 a month, or 34% of the annual AMI maximum rent by unit size
- For households $<$ 120% AMI, low/no mortgage, break-even rental income = 40% to 60% AMI levels in 2024
- 12 of 23 ADUs completed or in predevelopment are 2-3 bedroom ADUs
- 95% chose to build to initially serve family

Average ADU development cost after subsidies:

\$247k for owners $<$ 120% of AMI, \$300k for owners $>$ 120% of AMI (compare with LHTC units averaging \$450,000 - \$500,000 per unit)

Value of Program:

- 20 homeowners and 40 households positively impacted by an affordable ADU
- Since 2021, 6,000 have explored general ADU feasibility via a custom online app, hundreds of homeowners have received ADU technical assistance and education
- 2021-23 \$2.56 million in total ADU construction financing; homeowners finance on average 83% of development cost
- 2024 projected \$4.3 million in total ADU construction financing

Examples of Subsidies Leveraged/ADU Program Financing:

- \$30,000 – 55,000/Affordable ADU subsidy based on bedrooms, owner or renter ≤ 80% of AMI
- Infrastructure grants (sidewalk, sewer expansions, electrical grid upgrade, permit costs), owner or renter ≤ 140% of AMI
- Interest only payments during construction
- Includes rental income toward debt-to-income ratio when qualifying
- Discounted closing cost for low- to moderate-income neighborhood residents
- Loan to value ratio reduced by including completed value of the ADU
- Interest rate buy-downs and special program interest rates
- ITIN lending at competitive market interest rates

What about A Prenuptial?

AFFORDABILITY STANDARDS

But let's dream bigger. What if we didn't want to leave it to chance and wanted to guarantee Colorado's legislation produces some ADUs at rents affordable to the 80 percent of AMI moderate-income households that the proponents tell us they should, which would be for those earning around \$67,000-\$76,000, depending on their county? Or if we wanted to reach deeper affordability, to ensure some serve families with more moderate incomes and more distress, those earning \$25,000-\$50,000 or less? The WDSF+ pilot discussed and profiled below has succeeded on both counts. Scaling up and replicating this or a similar model with more sustainable funding than the pilot relies on today, should be a priority if HB24-1313 passes.

California's largest effort to reach low- and moderate-income homeowners is the \$125 million it has invested into direct homeowner subsidies, with a maximum of \$40,000 per ADU for pre-development and closing costs. The first \$100 million was not restricted by income level, but more than 60 percent of the recipients made less than 80 percent of the median income.²⁴ The most recent round of \$25 million was restricted to homeowners earning 80 percent or less.²⁵

There are many emerging programs designed to restrict affordability of the rental unit, although few have reached even the number of units Colorado's own WDSF+ pilot has yet, demonstrating the challenge of achieving scale in affordability programs:

- Los Angeles' Backyard Home project provides affordable design and construction, free project management and favorable financing in exchange for a commitment to rent an ADU to a low-income household with a Housing Choice Voucher (formerly known as Section 8).²⁶
- Santa Cruz County offers an ADU Forgivable Loan Program that provides loans of up to \$40,000 to homeowners who rent an ADU to a low-income household at an affordable rent for up to 20 years.²⁷
- Orange County Housing Finance Trust is about to launch a partially forgivable loan for up to \$100,000 in exchange for renting to a householder earning less than 50 percent of AMI for a 10-year period during which payments are not required unless a triggering event, like sale of the home, occurs.²⁸
- These and other affordability case studies are profiled by [Able City](#), [Enterprise Shelterforce](#), and [Turner Center](#).

Ultimately, large scale systems will need to be transformed for ADUs to be more widely and equitably accessed by low- and moderate-income homeowners, primarily the financing to fund construction. Fortunately, some changes called for by advocates and in the literature are beginning to emerge, such as the Federal Housing Authority (FHA) allowing consideration of ADU income when underwriting mortgages and counting up to 50 percent of ADU income for borrowing to build an ADU.²⁹ But more advancement is still needed.

Waiving costly utility connection fees for detached ADUs, which often are not charged for additions adding similar square footage, would also help. Some of these are beyond the control of the municipal governments targeted by the legislation because they are controlled by special districts over which municipalities have no direct authority. For example, Metro Wastewater is charging nearly \$6,000 for each detached ADU in its service area, which includes most jurisdictions covered by the legislation.

[The Turner Center for Housing Innovation](#) at University of California, Berkeley has led analysis of ADU implementation in California and provides overlapping recommendations for reaching both more low- to moderate-income homeowners and ensuring more BIPOC owners can build them, including:³⁰

- Dedicated outreach and education on how to navigate permitting processes
- Incentivizing better private finance products
- Offering more affordable and efficient financing products through public finance agencies. In Colorado, an example would be Colorado Housing Finance Authority
- Building the capacity of more trusted, community-based organizations to facilitate ADU interest and provide technical assistance throughout processes. They also note the potential of those groups to expand BIPOC capacity on the construction/

development side of the equation, so owners have a more diverse pool to work with.

- BIPOC owners would benefit from similar financing improvements needed across the board, but targeted products would also be helpful and credit unions are suggested as potential partners due to the greater flexibility they may have if not selling loans on secondary markets, along with paired and increased homeownership counseling.
- Amnesty programs to help non-permitted ADUs come into compliance, a not uncomplicated or free process since it may require homeowner renovations to meet building code standards and/or waiver of other standards by jurisdictions. Any new program should first try to reach the most vulnerable owners who might benefit the most from it, but also should include anonymous hotlines or Q&A sessions, offer grants, and ensure cultural competency given the sensitivity of code enforcement historically in BIPOC communities.

Other sources emphasized that basement ADUs, in particular, are less expensive than detached ADUs and more awareness and promotion of these opportunities, versus the overwhelming focus on detached units, would likely lead to more equitable access.

Practitioners emphasize the predictability and clarity of government processes will always need more work, particularly for communities with greater barriers, regardless of state law.

Significant analysis has been done in California on the concept of a loan loss reserve fund that would serve as a backstop, limiting risk to help entice more private capital lending to construct ADUs, a concept that Colorado should build upon.³¹ California and the WDSF+ program are also exploring, but have not yet implemented, revolving loan concepts to try to stretch public dollars further to help more families.

As noted, Colorado's draft legislation comes with a proposal for \$13 million in funding. Of that, \$5 million would go to local governments to do fee breaks, outreach, technical assistance or other implementation paving the way. And \$8 million would go to ADU financing. Though Colorado's proposal doesn't include details on subsidy amounts per homeowner, if we divided it by the \$40,000 maximum subsidy level in California, it would assist 200 homeowners. There appear to be legal reasons why California targeted pre-development versus construction costs with their financing. Colorado may have more flexibility, pending additional research. Up-front costs like engineering, design, and zoning permits can be the greatest barrier for getting started and owners can rarely borrow for them, making up-front subsidies appealing. But there is risk that projects receiving up-front support may not be feasible or make it to construction, which is why many other affordability subsidies are designed to offset actual construction costs. A lower maximum subsidy would theoretically serve more owners, but the shallower the subsidy the less likely it is to make the difference needed to afford the ADU, particularly

if the subsidy is targeted, as it is in Colorado, to low- to moderate-income homeowners.

Where Might We Settle Down?

GEOGRAPHIC TRENDS

One spatial analysis of ADUs concluded that it is difficult to predict where ADUs will be built, but proximity and access to jobs was the most important predictor.³² Generally speaking, ADUs are more likely to be permitted:³³

- On larger parcels and on parcels with multiple structures (e.g., a house and a detached garage, rather than just a house.)
- In neighborhoods with rents in the low-to-middle range, less so in neighborhoods with rents in the highest or bottom quartile.
- Other factors held equal, cities with more homeowners' associations, or HOAs, permit fewer ADUs. It is important to note that like Colorado's proposed legislation, HOAs aren't allowed to prohibit ADUs in California, so observers theorize this correlation has more to do with the preferences of owners likely to live in HOA-controlled communities or efforts to subvert the legislation.

Imagining how these factors could play out in one Colorado community not analyzed elsewhere in this paper:

- **Douglas County** has both opportunity and need. It has many larger homes and parcel sizes associated with more ADUs in other case studies. And it has the highest rent burden in the metro area for those earning 80-100 percent of AMI, the income level market-rate ADUs have the most promise of serving on their own. But the county has a high prevalence of HOAs and is far from two major job centers north (Denver) and south (Colorado Springs). Based on trends elsewhere, these factors could lower the odds of ADU success in a community like Highlands Ranch, where ADUs aren't allowed today, depending on whether the county, which zones for this unincorporated area, embraces implementation. But **Castle Rock** is the fourth strongest ADU producer among those analyzed on a per home basis, and seems well positioned to double its baseline of .6 permits per 1000 homes if reforms pass. Given their retail job center, Castle Rock would have strong demand for ADUs at lower AMIs, and would be a good candidate for more targeted programs to provide rents at levels these service industry workers could afford.

All sources also indicate that ADUs are built where there is focused “buzz” and attention. An oft-cited statistic from a 2018 Portland report is that 15 percent of owners built their ADU after they received outreach suggesting the idea.³⁴ Renee Martinez-Stone, who leads the WDSF+ program, describes this focused attention as

necessary not only to garner homeowner interest, but also to entice lenders to tweak financing products or try new things. The storm of attention created by legislation, for example, helps open doors and align priorities among private sector, philanthropy, and government. Focused outreach efforts by government during implementation have also been credited with improving construction outcomes in New Hampshire even absent the strongest regulatory reform.

How Much ADU Love Can We Expect?

PRODUCTION RATES

State legislation doesn't build ADUs. So, passing a bill would only be the first step. There would still be a role for local implementation. California has found that some jurisdictions are still in greater or lesser compliance, and they have more proactive enforcement written into their legislation than the Colorado bill, which is trying hard to avoid stepping on any more local control than necessary. Nevertheless, the bill is still opposed by major associations, like the Colorado Municipal League, for overriding local zoning.

But well-implemented zoning doesn't build ADUs either. Factors outside government control, like housing and lot size and suitability, owner attitudes, and money, money, money along with trends illuminated below will determine how many ADUs really get built.

Colorado Baseline

Sometimes before big legislation, we research a baseline and then make the case for change, and even set goals. But our state is governing from a crisis posture, and outside parties haven't published an engagement announcement that I could find celebrating the happy couple with all their awkward childhood photos to examine. So, I have no idea how many ADUs there are across Colorado.

However, in a first-ever analysis of baseline ADU permitting in Colorado, I did look at policies and permitting in 32 communities with populations over 9,000 (cities and recognized urban areas within unincorporated counties.) These represent the largest among those that would be subject to proposed legislation. The appendix provides this data and production rate calculations for all jurisdictions.

- Seventeen cities were zoned for ADUs in all or significant portions of residential areas, with widely varying limitations and requirements, but lot size minimums that still provided for some degree of steady permitting. ADUs were allowed in two more census designated places within unincorporated counties by virtue of county

zoning, for a total of 19.

- Of the remaining 13 communities, some prohibited ADUs outright or allowed them only in a narrow swath of residential areas. Others had minimum zone lot requirements so large as to exclude most homes. Several cities were considering reforms but had no legislation pending.
- Permit data was available for 13 communities, with annual rates ranging from .1 ADU permit per 1,000 single-family homes in Broomfield with a relatively new ordinance to 2.3 per 1,000 homes in Boulder following several rounds of reform in recent years, despite strict owner occupancy and parking requirements there.
- The average rate across all jurisdictions allowing ADUs and reporting data was an estimated .6 per 1,000 homes. Removing the outlying, strong performance by Boulder, the more illustrative average is .4.

One of the most comprehensive analyses of ADUs nationwide was conducted by Freddie Mac, which did not place Colorado in its top 10 markets (the smallest of which had below 50,000 units.) Therefore, they didn't provide numerical data for the number of ADUs they found. But the Denver-Aurora-Lakewood metro area was 21st in the top 25 markets for growth in ADUs between 2015-18, increasing by an average of 2.7 percent, year over year.³⁵

Colorado Case Studies

In 2019, **Boulder** expanded ADU zoning to all low-density residential zone districts and implemented other code and permitting changes, followed by 2023 tweaks including expanding the maximum size. Though it still requires two off-street parking spots unless the owner promises to rent the ADU at an affordable rate and requires owner occupancy of one of the homes, it produces more than twice as many ADUs as any other community.

- Around 200 ADUs were built prior to the 2019 changes.³⁶ Today, the total stands at approximately 461 approved ADUs.³⁷ Between 2019 and 2022, just over a third of ADUs were built under the affordability option that came with broader building latitude.³⁸

Grand Junction is among the next tier of leaders in ADU production statewide. It permitted 91 ADUs between 2019 and 2023, and is just completing the first of 11 funded under its ADU Production Program, which offers three different tiers of incentives.³⁹ The city has produced a highly accessible toolkit breaking down the process for owners and offers owner education sessions.

Denver has been very slowly liberalizing zoning for ADUs since a nearly citywide rezoning process in 2010, bolstered by an update to the city’s comprehensive plan adopted in 2019. It passed a building code update to make it easier to build the units in places that were already zoned for them in 2023. According to Denver’s Community Planning and Development, 35 percent of all Denver land is zoned for ADUs, about a third of the city isn’t zoned for residential at all (think airport, park space, right of way, industrial areas, etc.), leaving about 36 percent of residential areas unable to build an ADU without going through an individual rezoning. That could change with either state legislation or a citywide rezoning process to legalize them in the remaining areas, a topic [discussed by Denver City Council in March 2024](#). Denver also still requires owner occupancy.

- Between the citywide rezoning in 2010, and 2023, approximately 516 ADU permits had been issued, a miniscule percentage of the lots covered by eligible ADU zoning.⁴⁰ Three hundred and sixty of those permits were issued since 2018 with a completion rate of 73 percent, meaning 27 percent weren’t built or are still in construction.⁴¹

Colorado Springs has seen 44 permits recently, with rapid growth from two permits in 2020, to seven to 10 in the intervening years, and 25 in 2023 following reforms.⁴²

According to a survey conducted by the Colorado Municipal League, many of the 80 cities reporting ADU permitting saw only a couple permits per year, but the following annual averages were reported by communities not covered by the proposed legislation:⁴³

- Buena Vista (10- 20 units)
- Gypsum (15 units)

Colorado local governments are deploying a range of regulatory incentives and financing tools to spur more construction of ADUs. Most of these are not linked to the AMIs in this paper, but a few creative examples include Dillon’s fee-exemption for those limiting ADU rental to employees working in the county. Summit County allows ADUs only for local workforce.⁴⁴

Case Studies from Elsewhere

The rate of ADU production in other states and localities post-reforms is our best insight into the range of outcomes we might expect if state legislation changes our landscape.

New Hampshire (reminder: without the full regulatory reform passed in California)

- Seven of eight communities that provided permit data to researchers generated

ADU permits at an annual average rate between .5 – 1.5 per 1,000 single family homes between 2017-2021.⁴⁵

California (20 years into phased reform, several years into local implementation of their most recent reforms)

- More than 80,000 ADUs have been permitted since 2016, though an unknown number already existed illegally and used reforms to retroactively permit.⁴⁶
- The statewide production rate is currently around three ADUs per 1,000 single family homes, with huge variation across cities from 0.1 in one to 39 per 1,000 homes in another.⁴⁷

Elsewhere:

- **Seattle** has seen a steady increase in ADU construction since easing regulations and allowing two units per primary home, growing from an average of 121 detached permits annually between 2016 and 2019 to 551 in 2022.⁴⁸
- In **Oregon**, ADU production has increased particularly in suburban communities following state legislation prohibiting owner occupancy.⁴⁹
- Approximately 3,350 permits have been issued for ADUs in **Portland** as of July 2021.⁵⁰
- **Durham, North Carolina** has one detached ADU for every 490 single-family homes following removal of barriers and adoption of best practices.⁵¹

Potential ADU Production in Colorado

Predicting the scale of new ADUs should Colorado's legislation pass is challenging.

Reform and production increases elsewhere coincided with historically low interest rates, which made ADU borrowing, though not easy, cheaper than it will be in our new interest rate environment. Because of both construction timelines and data lag, it's unclear how higher interest rates will impact outcomes elsewhere two to three years from now.

ADU outcomes will depend on many unknown factors: Will interest rates moderate? Will financing tools improve with the scale of attention brought to Colorado? How much public subsidy will be available and to whom? How well will implementation go on the ground? Will short-term rentals be allowed or not locally and will that decision impact owner construction decisions?

But, putting on the rose-colored glasses of a newlywed dreaming into the future, let's imagine some possible scenarios anyway. In terms of timelines, we're talking about

several years following implementation of any state legislation, after cities have time to conform locally, and after owners have time to line up plans, permits and financing and projects finally begin to move from concept to permitting to construction to occupancy. In short, don't expect any announcements from the stork in terms of actual measurable increases in rental housing on the ground attributable to state zoning mandates for three to five years. Obviously, already rising rates of permitting and implementation of additional local reforms already underway should continue to bear fruit sooner.

Colorado has 1.68 million single family homes but is only proposing mandatory zoning and regulatory reform in communities over certain size thresholds in Metropolitan Planning Areas, which cover much of the Front Range and Grand Junction. Based on analysis of census data provided in the appendix, cities in these areas represent 70 percent of the single-family housing stock in the state. So, if we were to achieve California's rate of statewide success at three ADUs per 1,000 homes, a rough estimate for Colorado would be 3,500 ADUs annually, or up to 5,000 units each year if greater voluntarily reforms and/or uptake happened in more rural and mountain resort areas.

Estimates for individual communities are even bolder guesses. But a few possible scenarios:

- **Boulder** is likely best positioned to expand ADU housing opportunities based on its already outsized performance given its size, its embrace of state legislation, and its ranking as one of the top cities in America for growth in single-person households to drive demand. Looking to a possible peer city like Berkeley, CA, it doesn't feel like a stretch to imagine it could double its current 50 to reach 100 ADU permits a year or more.⁵²
- A realistic outcome for a city like **Denver** could be to see permits rising to 200-300 per year based on a baseline from a peer like Seattle, which allows two ADUs per property and is issuing more than 500 annually. This would keep Denver below the California statewide average and represent an underperformance for the largest city in our state. I'd like to suggest my hometown could excel faster and

If Colorado were to achieve California's rate of statewide success at three ADUs per 1,000 homes, we would see 3,500 ADUs annually. That could grow up to 5,000 units each year if greater voluntarily reforms or faster uptake also happened in more rural and mountain resort areas.

do better, but I think that will take a longer runway given the permitting process improvements needed and a likely desire to continue to prioritize support for low- to moderate-income homeowners begun with the successful WDSF+ program that will require on-going public funding, or more to scale up.

- Considering **Colorado Springs'** later start, but optimism for a happy marriage based on its rapid improvement, perhaps they get to 100 permits annually in a relatively short time span, with capacity to grow much more in the future given its large size.
- **Thornton** is smaller, but could expect a similar range of around 100 permits a year early into implementation based on its strong baseline. Thornton is one of the state's top performers on a per home basis among Colorado's largest ten cities, and is already in the range of 0.5 to 1 permit per 1,000 homes annually.
- Smaller communities with larger homes and lots, which already had widespread ADU zoning before the state legislation, might see a bump in rates when state legislation removes lingering barriers. However, since they are farther from job centers where ADUs are more likely to be built, growth likely will be modest. They might see a bump in rates similar to the lowest end of New Hampshire's rate – hovering just below or at .5 per 1,000 single family homes. Communities that could fall into this category include **Arvada, Broomfield and Wheat Ridge**, which allow ADUs citywide, but have relatively low rates of permitting.
- Communities without broad ADU zoning prior to state legislation, and/or those that are resistant, likely will be the slowest to see new ADUs and in the smallest numbers. This risk is compounded if they have a high rate of HOAs.
- Colorado's proposed legislation also rewards opting into regulatory reform with access to state funding, which could result in increased permitting in the remainder of the state. **Buena Vista** and **Gypsum** reported permitting 10-20 ADUs a year in the CML survey, likely placing them in the top tier of production statewide on a per home basis with potential to excel further. **Crested Butte, Dillon** and **Winter Park** already offer meaningful incentives to ADU builders.⁵³ Furthermore, communities statewide would benefit from any broad, private financing innovations and greater awareness and interest in ADUs that extends across borders, regardless of their opt-in status, if they allow ADUs at all.

The appendix to this paper includes a table of the single-family home count for all the communities covered by this legislation and a purely illustrative calculation of potential ADU production rates intended to demonstrate a sense of scale based on outcomes elsewhere, not intended as predictions of actual outcomes.

Missing from the proposed legislation is a data collection or reporting provision, aside from those receiving grants, to ensure the public can efficiently monitor ADU production post-passage, perhaps to minimize burdens on local government. The implementation

provisions themselves are the greatest burden, and the additional work required to report permit counts in an accessible manner is marginal. Doing so would help provide transparency on progress toward the promise when/if such a requirement can be incorporated in the future, perhaps phasing it in for larger jurisdictions with more staff first.

If We Get Married, Will New Housing Push Out Longtime Friends?

DISPLACEMENT

As a former Denver City Councilwoman, one of my last debates on the dais was over our city’s “owner occupancy requirement” for ADUs – meaning you can’t have an ADU unless the owner lives on site in the primary house or the ADU. Survey data leading up to 2023 code amendments to ease the path for ADUs indicated support from an advisory committee and many community members for removing the requirement. However, reluctance from other community members and colleagues won the day.

Community opposition centered around a belief that there would be less neighborhood “impact” if an owner lived in one of the units, reflecting biased assumptions and differential treatment of renters of ADUs versus single family homes or duplexes, which face no such restrictions and can be rented without the on-site supervision of a property owner.

The concern of Council colleagues was more substantive: Without a homeowner requirement, institutional investors might find homes owned by moderate-income owners even more attractive as investment opportunities. Such speculation is already a concern in Denver, where many single-family homes, particularly in historically BIPOC communities, are being bought by investors. This results in displacement, price escalation, and fewer homes in the pool for families to purchase.

I found no evidence to support maintaining an occupancy requirement to prevent displacement. But there was qualitative evidence to the contrary, that the requirement inhibits wealth-building opportunities and represents a barrier that could disproportionately and negatively impact BIPOC families.

- In California, 89 percent of ADU applicants are natural persons, not LLCs or other corporations.⁵⁴ Even though investors own 17 percent of the single-family housing rental stock there, they permit and construct just 8 percent of its ADUs.

Researchers involved in tracking these outcomes and those working with low- to moderate-income homeowners to build ADUs explained that the time, customization,

and effort to produce a single ADU provides a poor return on investment for most investors. This is especially true when compared to the more lucrative outcomes of producing multi-family projects with larger profit margins in similar or only slightly longer timeframes. The combined price of a single-family home with an ADU is also very expensive, narrowing the buyer pool, which makes these projects less attractive to those who buy, build and flip.

In San Diego, which has liberalized local zoning beyond state law requirements to pave the way for additional bonus ADUs on lots, there has been more developer involvement. But a new generation of BIPOC developers is also emerging, creating new community-based, wealth-building opportunities.

Lot splitting was recommended for communities that see such speculation occurring with frequency. This is because once an ADU is split off and can be bought and sold on its own, its lower price and value would be of even less interest to developers. This is not proposed in Colorado's bill, but was a component recently passed in California.

The limitations and risks of an owner-occupancy requirement are more likely to inhibit low- to moderate-income or BIPOC families than other owners. This is especially true because of the already smaller pool of buyers noted above. The following are notable impacts:

- The lower the income, the more reliant a family is likely to be on financing to build an ADU. A prohibition on renting both units in the case of an inability to sell the property or other vacancy (military deployment, disability, job change, death etc.) can be seen as a risk of default, making already hard-to-get financing even harder to qualify for.
- These same circumstances could present actual risks of default and long-term credit impacts. After an ADU is built, owners could find themselves in changed circumstances and unable to sell or rent both properties to generate income to pay their debts because of the owner-occupancy limit.
- The differential treatment of smaller and easier-to-build ADUs, compared to more expensive duplexes, is inequitable and a wealth-building barrier for those with low- to moderate-incomes or who are BIPOC. The duplex path remains open to homeowners and investors with greater means without any limitations, while the ADU path - most likely to be pursued by homeowners with more barriers - involves an extra hurdle. The owner occupancy requirement means an inheriting family is more likely to have to sell rather than passing a home with an ADU on to future generations, as compared to a duplex.⁵⁵

Colorado's ADU proposal was amended to allow occupancy requirements only at the time of pulling a permit to find a compromise between speculation concerns and avoiding the unintended consequences outlined above.

Will you Cheat on Us?

SHORT-TERM RENTALS

An oft-cited concern, particularly from thoughtful leaders in our mountain resort communities, is that ADU legislation is likely to backfire if units are used as short-term rentals.⁵⁶ As the Colorado Futures Centers has analyzed and I'll address more fully in the next piece in this series, the risk of overall increases in housing supply being diverted from resident housing to vacation or second homes in tourism-heavy markets like Colorado is a very real concern.⁵⁷ This should be less of a concern for the sub-market of ADUs, however, because short-term rental of ADUs could be prohibited or otherwise regulated by local governments.

Many, like Boulder, prohibit properties with ADUs being used as short-term rentals. Denver allows one unit, either the primary or the ADU, to be rented, but not both. California does not prohibit short-term rentals for ADUs statewide, but many local governments regulate or restrict them, which is perhaps one reason why only 8 percent of new ADUs were offered for short-term rental.⁵⁸ Interestingly, Californians who offer their ADUs for short-term rental are more likely to be higher income, another incentive for ensuring low- to moderate-income homeowners have paths to building these homes

One potential caution about rushing to outlaw short-term rentals altogether: Based on short-term licensing data and feedback from ADU owners in Denver, there is evidence many units are offered as short-term rentals in the early years after construction and then are more likely to transition to long-term rentals or extended family units over time. The initially higher take from renting short-term was reported as an important source of income to pay for the construction of the unit, without which some owners said they wouldn't have been able to afford to build an ADU at all.

The trade-off of allowing short-term rentals to increase the potential of garnering the construction of more ADUs that will grow the housing stock for the long term, in a context where ADU financing still lags and construction prices and interest rates are high, is a tough conversation. At the time of writing the Colorado legislature has left it to local communities to decide.

Ready for the altar!

CONCLUSION

I could have written a shorter, predictive paper by quoting this summary from the Turner Center on where California finds itself 20+ years into its ADU journey:

*ADUs do provide relatively affordable rental housing units for Californians, confirming our previous research. But there are still significant barriers to making these a widespread policy solution for tackling the state's affordable housing crisis. This survey suggests that despite legislative reforms, the ADU revolution has been slow to reach low-income homeowners of color. It will take a targeted effort at both the state and local level to meaningfully boost ADU production throughout the state and to eliminate structural barriers to ADU production so that all Californians can reap the benefits.*⁵⁹

It isn't that we aren't ready to get married to statewide ADU reform. But a good engagement is one where you've had a fight or two and you know where the sore spots like those highlighted in this paper are going to be. We know what our betrothed looks (and smells!) like after a long hike or wearing a ski helmet all day, and what happens when they eat too many tamales or wake up on the wrong side of the bed. It may not all be pretty. Vows taken with eyes wide open, respectfully committed to a lot of hard work, rather than from pure infatuation, are often the most successful.

But to torture our marriage analogy to the very last: A reminder that no one relationship can fulfill all of one person's needs. Just as humans need family, friends, acquaintances, and colleagues to round out full lives, so too does Colorado need many, many other housing strategies to address affordability beyond ADUs.

The scale of all ADU construction taking place over several years in a typical community could be built in one or two multi-family buildings. A multi-family building of fifty, a hundred or even more apartments or condos can be built in about the same timeline it would take to build only two typical ADUs.

And the largest number of households facing the most extreme housing need in our state don't fall into the income range ADUs are most likely to serve when built through market forces alone. Even if we implemented the best ADU affordability programs ever, they'd never touch the scale of affordable homes these families need: 120,000 for those below 30 percent of AMI alone.⁶⁰ Housing at this income level rents for less than it costs to build and operate it, so these families will only be helped through models that deliver deep public subsidy at scale. Something to think about before we seriously debate cutting income taxes in our state, which would further limit the pool of funding to invest in any housing solutions.

For these reasons there are many other proposals pending at the Capitol and at the local level. In my next piece, we'll tackle the potential of more multi-family housing especially near transit to deliver affordability to the Colorado households suffering the most in this housing crisis.

Appendix

Colorado Cities (Population >1,000) and Census Designated Places (CDPs)
(Population >10,000) within Metropolitan Planning Organizations (MPOs)

Covered by Colorado HB24-1152 ADU Reforms
Single-Family Homes & ADU Production Potential
Annual Permitting for Populations > 9,000

City/Census Designated Place Name	MPO	Number of Single-Family Homes	Annual Rate if .5/1,000	Annual Rate if 3/1,000	Approximate or Average Number of Permits/Year (for populations >9,000) ⁶¹	Approximate Annual Rate of Current Permitting
State of Colorado		1,684,343	842	5,053		
Denver ⁶²	DRCOG	173,478	87	520	50-70	.3-.4
Colorado Springs ⁶³	PPACG	143,800	72	431	25	0.2
Aurora	DRCOG	96,384	48	289	*	
Fort Collins ⁶⁴	NFR	44,905	22	135	*	
Arvada ⁶⁵	DRCOG	40,331	20	121	9	0.2
Lakewood ⁶⁶	DRCOG	39,837	20	120	*	
Thornton ⁶⁷	DRCOG	37,856	19	114	20-40	.5 - 1
Pueblo	PACOG	36,453	18	109	*	
Centennial	DRCOG	34,762	17	104	*	
Highlands Ranch ⁶⁸	DRCOG	32,795	16	98	* CDP	
Westminster ⁶⁹	DRCOG	31,521	16	95	*	
Longmont ⁷⁰	DRCOG	30,022	15	90	10	0.3
Greeley ⁷¹	NFR	25,736	13	77	****	
Loveland ⁷²	NFR	23,995	12	72	****	

City/Census Designated Place Name	MPO	Number of Single-Family Homes	Annual Rate if .5/1,000	Annual Rate if 3/1,000	Approximate or Average Number of Permits/Year (for populations >9,000) ⁶¹	Approximate Annual Rate of Current Permitting
Castle Rock ⁷³	DRCOG	23,532	12	71	14	0.6
Boulder ⁷⁴	DRCOG	21,740	11	65	50	2.3
Broomfield ⁷⁵	DRCOG	21,698	11	65	2	0.1
Grand Junction ⁷⁶	GVMPO	20,367	10	61	18	0.9
Commerce City ⁷⁷	DRCOG	18,838	9	57	*	
Parker	DRCOG	15,863	8	48	*	
Security-Widefield ⁷⁸	PPACG	12,726	6	38	* CDP	
Littleton ⁷⁹	DRCOG	12,367	6	37	1-2	.08 - .2
Windsor ⁸⁰	NFR	11,570	6	35	4	0.3
Dakota Ridge ⁸¹	DRCOG	11,177	6	34	N/A CDP	
Ken Caryl ⁸²	DRCOG	11,137	6	33	N/A CDP	
Pueblo West ⁸³	PACOG	10,877	5	33	* CDP	
Brighton ⁸⁴	DRCOG	10,404	5	31	**	
Northglenn ⁸⁵	DRCOG	9,920	5	30	***	
Erie ⁸⁶	DRCOG	9,883	5	30	4	0.4
Wheat Ridge ⁸⁷	DRCOG	9,689	5	29	9	0.9
Lafayette ⁸⁸	DRCOG	9,393	5	28	**	
Englewood ⁸⁹	DRCOG	9,131	5	27	**	
Columbine	DRCOG	8,761	4	26		
Fountain	PPACG	8,712	4	26		
Louisville	DRCOG	6,128	3	18		

City/Census Designated Place Name	MPO	Number of Single-Family Homes	Annual Rate if .5/1,000	Annual Rate if 3/1,000	Approximate or Average Number of Permits/Year (for populations >9,000)⁶¹	Approximate Annual Rate of Current Permitting
Cimarron Hills	PPACG	5,684	3	17		
Johnstown	NFR	5,289	3	16		
Black Forest	PPACG	5,047	3	15		
Frederick	DRCOG	4,979	2	15		
Clifton	GVMPO	4,881	2	15		
Evans	NFR	4,843	2	15		
Sherrelwood	DRCOG	4,714	2	14		
Golden	DRCOG	4,440	2	13		
Firestone	DRCOG	4,317	2	13		
Fruita	GVMPO	4,163	2	12		
Greenwood Village	DRCOG	4,116	2	12		
Welby	DRCOG	3,950	2	12		
Castle Pines	DRCOG	3,714	2	11		
Lone Tree	DRCOG	3,643	2	11		
Berthoud	NFR	3,581	2	11		
The Pinery	DRCOG	3,539	2	11		
Monument	PPACG	3,268	2	10		
Superior	DRCOG	3,170	2	10		
Cherry Creek	DRCOG	3,116	2	9		
Milliken	NFR	3,060	2	9		
Severance	NFR	2,896	1	9		

City/Census Designated Place Name	MPO	Number of Single-Family Homes	Annual Rate if .5/1,000	Annual Rate if 3/1,000	Approximate or Average Number of Permits/Year (for populations >9,000) ⁶¹	Approximate Annual Rate of Current Permitting
Fort Carson	PPACG	2,800	1	8		
Berkley	DRCOG	2,765	1	8		
Woodland Park	PPACG	2,764	1	8		
Four Square Mile	DRCOG	2,513	1	8		
Timnath	NFR	2,280	1	7		
Cherry Hills Village	DRCOG	2,242	1	7		
Lochbuie	DRCOG	2,187	1	7		
Eaton	NFR	2,075	1	6		
Dacono	DRCOG	1,684	1	5		
Manitou Springs	PPACG	1,678	1	5		
Mead	DRCOG	1,643	1	5		
Sheridan	DRCOG	1,200	1	4		
Federal Heights	DRCOG	1,132	1	3		
Edgewater	DRCOG	1,079	1	3		
Palmer Lake	PPACG	1,039	1	3		

Source: Metropolitan Planning Organization Membership from MPO Websites and Analysis of 2022 ACS data, Population & Physical Housing Characteristics for Occupied Housing Units by Author⁹⁰

* ADUs not allowed or limited to only a small percentage of single-family homes or neighborhoods by zoning, minimum lot size requirements or other provisions.

** Zoning/regulatory updates that expanded access to ADUs are too new for meaningful data on permits under new standards to yet be available.

*** ADU permitting data not tracked separately by local government.

**** ADU zoning exists but could not secure permitting data.

Endnotes

1 Kenney, Andrew. (January 30, 2024). “Colorado could spend \$18 million – and use a controversial legal power – to get ADUs built,” Colorado Public Radio. Accessed at: <https://www.cpr.org/2024/01/30/colorado-could-spend-18-million-dollars-to-get-auxiliary-dwelling-units-adus-built/>.

2 11% of respondents in a Boulder survey of ADU owners use theirs for “extra space.” City of Boulder. Accessory Dwelling Unit Update Evaluation 2019-2022. Accessed at: <https://bouldercolorado.gov/media/9924/download?inline>.

Finding are similar in surveys of other markets such as the first statewide survey of ADU owners in California where 16% were using the spaces as offices, studios etc. Chapple, Karen; Ganetsos, Dori and Lopez, Emmanuel. (April 22, 2021). Implementing the Backyard Revolution: Perspectives of California’s ADU Owners, UC Berkley Center for Community Innovation. Accessed at: <https://www.aducalifornia.org/wp-content/uploads/2021/04/Implementing-the-Backyard-Revolution.pdf>.

ADUs are not a path to expanding the supply of homes for home ownership. Because a house has to be on its own lot to be bought or sold, homes for sale wouldn’t be considered “accessory” to a primary home and therefore would be called something else: a duplex, in Vancouver they call them “alley homes,” or simply a separate single family home on a newly split or adjacent lot.

3 Denver Community Planning and Development cites data from the National Association of Home Builders and U.S. Census Bureau that the average square footage of new home construction has increased from 1,012 to 2,571 between 1950 and 2017 at the same time average household size has shrunk from 3.8 to 2.5 persons. ADUs in Denver Strategy Report. (May 23, 2023). Denver Community Planning and Development. Accessed at: https://www.denvergov.org/files/assets/public/v/3/community-planning-and-development/documents/zoning/text-amendments/adus-in-denver/adus_in_denver_strategy_report.pdf.

4 ADUs in Denver Strategy Report, cited above.

5 According to the United States Census Bureau, one-person households increased from 25% to 28% of the population between 1990 to 2020 and the share of married couples with children under age 18 fell by 6%. <https://www.census.gov/library/stories/2023/05/family-households-still-the-majority.html#:~:text=Married%20Couple%20Households%20Made%20Up%20Most%20of%20Family%20Households&text=While%20one%2Dperson%20households%20increased,2020%20Census%20data%20released%20today>.

Boulder has the 7th fastest rate of growth in single households nationally, growing by 2.45 times from 12.98% in 2016 to 31.85% in 2021, doubling for women and tripling for men. While not noted by the source, this could be due to changes in living patterns by students given Boulder’s unique population make-up as home to the University of Colorado, unlike the overall trend in Colorado, which is driven by older adults. Analysis of US Census data by DeJohn, Jaclyn. (December 4, 2023). “Number of People Living Alone Surges Across U.S. Cities – 2023 Study,” Yahoo Finance. Accessed at: https://finance.yahoo.com/news/number-people-living-alone-surges-124110311.html?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuZ29vZ2xLmNvbS8&guce_referrer_sig=AQAAAH2Ga4tkwhzsSm4sffSP-WCnQgb4gCcS3S8o_DoghJPwKQ3t3x3fxw8MP6RjY1FZSbP__UonRylCsX1Hx2Ge3rTCL7ZSgNhb3akKKhNxUwT54j9THVnizlcTH9ayGQUqjv9XP_Md-v9IXIXdzaeSccAGw3aRKD35rBoWcg1d.

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- 61 Permit data provided by local communities was not standardized as to the years represented. In some cases annual estimates were provided by the local government. In other cases averages were calculated based on raw permit data from a varying number of years, depending on when zoning was passed or reformed in order to capture the most recent and most accurate indication of rates based on current ordinances.
- 62 Permit data as reported by WDSF+ Report, cited above.
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66 According to author email correspondence with a member of the Planning Commission, Lakewood has seen only 25 ADU permits since zoning to ostensibly allow them 10 years ago. ADUs are only allowed on lots larger than 9,000 sq fee, which prohibits them in more than 40% of residential districts, in addition to other barriers. The Planning Commission just completed recommendations to reform these requirements that are awaiting consideration.

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68 Per Douglas County Land Use and Development Ordinance, ADUs only allowed on lots exceeding 2 acres. <https://douglascountyor.gov/DocumentCenter/View/1694/Chapter-1-Introductory-and-General-Provisions-PDF>.

69 ADUs are prohibited but the city is taking input on changing that: <https://www.westminsterco.gov/News/weigh-in-on-accessory-dwelling-units-adus>.

70 Permit data from Longmont Planning & Development Services Annual Reports. AADU code revision drafting is underway in Longmont following a survey of residents: <https://engage.longmontcolorado.gov/community-feedback-on-accessory-dwelling-units>.

71 ADUs are permitted in some zone districts since 2021 Code revisions. <https://greeleygov.com/docs/default-source/planning-and-zoning/title-24---developmentcode---adopted---effective-10-01-21e9bdba59-5be2-4438-bd12-ab6944b288a6.pdf?Status=Master>. Unable to secure permitting data.

72 Loveland permits rose from 5 in 2011-18 to 14 in 2019-20. Levy, Max. (2/23/21). “Loveland council discusses rule changes meant to encourage building of ADUs,” Loveland Reporter-Herald. Accessed at: <https://www.reporterherald.com/2021/02/23/loveland-council-discusses-rule-changes-meant-to-encourage-building-of-adus/>. Unable to secure data for permitting since 2020.

73 Permit data provided by the Town of Castle Rock: 93 ADUs between 2017-2023, with 7 pending as of time of publication. Attached ADUs are allowed, detached ADUs are allowed with a Use by Special Review Permit only. Castle Rock Municipal Code Section 17.61.040. Accessed at: https://www.crgov.com/DocumentCenter/View/25580/Chapter_1761___Accessory_Dwelling_Units--PDF?bidId=.

74 Permit data provided by Boulder Planning Department.

75 Permit data from City of Broomfield, indicating 7 permits issued since rules went into effect in 2023, increasing each year. Separate ADU permits are not issued for ADUs built as part of new construction. Broomfield ADU regulations: <https://www.broomfield.org/DocumentCenter/View/35919/Accessory-Dwelling-Units-FAQ--Checklist?bidId=>.

76 Permit data provided by City of Grand Junction. According to a Grand Junction Housing Strategy #4 provided by staff: “Between 2013 and 2017, Grand Junction received permit requests for 30 ADUs. The city relaxed the regulations in 2018... Since 2018, Grand Junction has issued 72 permits (140% increase) for the construction of ADUs throughout the city. 37 of the requests were for conversion of garage, home or other structures to an ADU, twenty-seven were for new detached units, and six fell into an “other” category (two were structures requesting to be moved to property from CMU, 4 were bringing illegal structures to code). In 2021, out of 927 housing units, 3.1% were ADUs.”

77 Prohibited unless expressly allowed, such as in a Planned Unit Development. <https://www.c3gov.com/home/showpublisheddocument/1914/637980524423400000>.

78 As an unincorporated area of El Paso County, ADUs would only be allowed for occasional/family use unless a special use permit is received for permanent occupancy by a family member with need (ADUs as a rental units would be prohibited). <https://epc-assets.elpasoco.com/wp-content/uploads/sites/12/FAQ/FAQWebsite.pdf>.

79 Based on data from the City of Littleton, 2 ADU permits have been issued and 3 are under review under current ADU standards: <https://online.encodeplus.com/regs/littleton-co-cc/doc-viewer>.

[aspx#secid-4387](#).

The City is analyzing a possible expansion of code provisions to make ADUs less expensive and allowed in additional locations. Extensive recommendations on ADU zoning and regulations were provided by an advisory committee in 2021: City Of Littleton Unified Land Use Code Recommendations For Accessory Dwelling Units, Next Generation Advisory Committee. Accessed at: <https://www.littletonco.gov/files/sharedassets/public/v1/agendas-and-minutes/ngac/ngac-docs/07-28-2021-ngac-uluc-adu-analysis.pdf>.

80 ADUs are allowed in some zone districts but only on lots greater than 6,000 square feet: <https://www.windsorgov.com/1185/Accessory-Dwelling-Unit>. In spite of that high bar, the Town of Windsor has had 23 ADU land use application permits approved since the Town approved an ordinance in 2014.

81 ADUs would be allowed in this unincorporated community under Jefferson County Zoning and limitations: <https://www.jeffco.us/3976/New-Homes-and-Accessory-Dwellings>.

82 Same as above.

83 ADU use would be governed by Pueblo County in this unincorporated community, which appears to have extremely limited zoning for ADUs (perhaps only in PUDs). Pueblo County had permitted only 2 as of 2020, but has a goal of “increasing” permitting as part of its Comprehensive Plan: https://www.pueblo.us/DocumentCenter/View/32421/PuebloRegionalComprehensivePlan_AdoptionDraft_6-27-22?bidId=.

84 Ordinance providing for ADUs with owner occupancy and other limitations passed in May of 2023: <https://www.brightonco.gov/DocumentCenter/View/27359/2417?bidId=#:~:text=Accessory%20dwelling%20units%20may%20be,square%20feet%2C%20whichever%20is%20less>.

85 ADUs are allowed but limited to no more than one bedroom: https://municode.northglenn.org/ch11/content_11-3.html.

86 Erie has issued a total of 24 permits since 2011. Of those, 16 have been completed, 6 expired, and 2 are pending and presumed to be under construction. Permit data from City of Erie public database: <https://erieco-energovpub.tylerhost.net/Apps/SelfService#/home>. ADU zoning code: https://library.municode.com/co/erie/codes/code_of_ordinances?nodeId=TIT10UNDECO_CH3USRE_10-3-3ACUSST.

87 Permit data provided by City of Wheat Ridge. Wheat Ridge also launched a program for permitting previously built non-conforming ADUs in 2022 and data for these permits has not been included, only permits for new ADUs were used to calculate the annual average reported in the table.

88 New ADU ordinance adopted in September of 2023: <https://lafayette-listens.com/adus>.

89 ADU zoning expanded from 5 to 8 zone districts and other regulatory updates were also adopted in September of 2023: <https://www.englewoodco.gov/home/showpublisheddocument/32331/638331481234500000>.

90 Credit to youth research assistant Nathan Auckland-Kniech. Several governments are members of the Denver Regional Council of Governments but not within the boundaries of the Metropolitan Planning Organization, and therefore have been excluded from this list, such as Idaho Springs.