



HOUSING

Municipalities strategically deploy ADUs to diversify housing options

Cities and towns look to increase ADU construction through targeted zoning and incentive programs

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Long before any suggestion of a state mandate to do so, cities and towns across Colorado have looked to accessory dwelling unit (ADU) construction as a timely and cost-effective strategy to address affordable housing needs.

ADUs are small, independent dwelling units located on the same property as a larger standalone home. Such residential units may be attached or detached from the primary residential structure and are tied to the deed of the main home — they cannot be bought or sold separately.

Dozens of municipalities across the state, from Front Range communities such as Denver, Boulder, Lakewood, and Broomfield to rural communities like Fruita, Buena Vista, Gypsum, and Eagle, permit ADUs in some or all residential zoning districts. Many of these cities and towns maintain reasonable limitations on ADUs to meet local conditions while others offer incentive programs for homeowners looking to build such units with a guarantee of affordability.

REASONABLE ADU LIMITATIONS PROMOTE SMART GROWTH

In a recent Colorado Municipal League (CML) land use survey completed by more than 80 cities and towns, about 80% of municipalities reported permitting ADU construction in some form — whether in all residential districts, certain zone districts, or specific neighborhoods.

Most survey respondents permitting ADUs reported moving to do so in the last decade while a few, such as Arvada (70 years), Boulder (40 years), and Crested Butte (30 years), have permitted ADU construction for much longer.

Most responding municipalities see little interest in ADU construction and permit less than five ADUs for construction annually. But some larger cities such as Thornton (20-40 units) and Boulder (50 units) and mountain towns such as Buena Vista (10-20 units) and Gypsum (15 units) permit larger numbers each year.

Various cities and towns across the state have crafted, or are currently working to amend, ADU policies that balance the need for safe and smart residential infill without placing onerous restrictions on property owners interested in building ADUs. Local standards for ADUs reflect policy decisions made by municipal elected officials after receiving community input and analysis of the municipality's conditions from professional staff.

According to CML's land use survey, the most common limitations placed on ADU construction by municipalities are dimension limits on the unit, parking, setback, and lot size requirements, and long-term rental and owner-occupancy rules.

ADU dimension limits are often tied to the primary home size, the lot size, or an outright minimum and maximum on square footage. Parking, setback, and lot size requirements often differ, but many municipalities require a minimum lot size and one parking space for a new ADU.

Long-term rental restrictions, which are common in tourism-focused mountain communities, restrict short-term renting to preserve housing options. Owner-occupancy rules, such as those seen in the City of Boulder, require the primary structure or the ADU to be inhabited by the property owner.

In 2022, the City of Wheat Ridge amended its municipal code to better enable ADU construction after six years of conversation around the topic. Such discussions included community meetings, neighborhood surveys, and ADU workshops — all of which were facilitated by municipal government.

ADUs are now permitted in residential, agricultural, and mixed-use neighborhood zone districts in Wheat Ridge with minor limitations. Such limitations include size and setback limits and an owner-occupancy requirement.

The Town of Superior similarly passed an ADU ordinance in 2021 permitting ADUs as accessory structures to single-family and two-family dwelling units in certain residential districts. In 2022, in the wake of the Marshall Fire, the town amended the ordinance to allow ADUs to be built and occupied before construction of the principal dwelling unit.

"There was a concern over the high cost of rebuilding from the Marshall Fire," Renae Stavros, a planner for Superior, explained of the change. "There was some worry that it would take longer for insurance to cover the cost of rebuilding a primary residence, or that people may be struggling with under-insurance. Allowing ADU construction first was approved to give folks more time to figure out the insurance impacts and rebuild their home."

To date, Superior has permitted ADUs on 18 of the 76 Original Town residential rebuilds associated with the wildfire. Though only two property owners have requested to build an ADU before the main structure thus far, more could be in the pipeline as the code change has no expiration date.

Stavros noted that the two ADUs constructed in Superior prior to the primary structure were built facing the street with attractive facades, giving off the aesthetic feel of a primary residence — an encouraging sign to the town.

INCENTIVES FOR ADU CONSTRUCTION

Cities and towns across Colorado are offering a unique set of incentives to induce homeowners to build ADUs. Some such incentives are tied to affordability standards while others hope to spark ADU construction regardless of price to increase housing options for senior citizens, young adults, and other community members in need.

The most common ADU incentives offered by the municipalities participating in CML's land use survey include waived or reimbursed fees, direct cash payments, and bonuses for unit size, lot coverage, and parking.

For example, the Town of Crested Butte waives all development permit and building review fees, as well as 100% of water and sewer tap fees. The Town of Dillon, on the other hand, reimburses water and sewer fees for property owners entering a deed restriction requiring ADU renters to work 30+ hours per week in Summit County.

The Town of Winter Park offers a cash payment of \$10,000 for the construction of one ADU. And the City of Boulder incentivizes affordable ADU construction by offering larger size limits and reduced parking requirements in exchange for keeping rent below 75% area median income.

The City of Grand Junction offers a mix of these incentives through its tiered ADU Production Program, passed unanimously by the city's council last spring.

While conducting a housing needs assessment in 2019, Grand Junction estimated the city was short 3,300



housing units — a number that was only expected to grow with time. The two demographic groups identified as being most in need of housing were senior citizens and college students.

"It was clear ADUs were an easy win for our community in the way they respond to the missing middle," Ashley Chambers, housing manager for the city, explained. In Grand Junction, ADUs usually take about nine to 12 months and \$150,000 to build as opposed to about two years and \$350,000 for a single-family home.

The ADU Production Program, Chambers said, is designed to not only create housing but also wealth building opportunities among residents who might not otherwise have access to financial capital.

The city waives all municipal impact fees for Tier 1 participants, amounting to a total value of \$6,500 to \$8,500 depending on utilities. To participate, property owners must agree to finish

ADU construction within one year and rent the unit on a long-term basis for five years.

Tier 2 participants receive a cash payment and the waived impact fees, totaling \$15,000. Participating property owners must make less than 140% area median income, agree to finish ADU construction within one year, and rent the unit on a long-term basis for seven years.

Since kickstarting the program last spring, the city has approved five ADUs. Ten applications are currently being processed and four more are awaiting clearance from the community development department. Most of the applicants, Chambers said, are small-scale landlords hoping to rent an ADU to family or friends.

According to Chambers, the primary challenge thus far is a lack of building process knowledge among applicants. Grand Junction offers an ADU toolkit and financing information on its web-

site, as well as quarterly in-person ADU workshops, to respond to such knowledge gaps.

MUNICIPALITIES KNOW BEST

Utilizing expert knowledge of their community's needs and desires, Colorado's cities and towns are leveraging ADUs as an important tool in widening access to housing. Replacing localized ADU standards with inflexible state standards would reject the careful community-based consideration given to land use planning in municipalities across the state.

The passage of rigid state ADU standards may undermine municipalities' ability to ensure the affordability of such units or prevent the increased corporate ownership of housing. The diverse approaches to increasing ADU construction illustrated in this article show that municipalities are best suited to develop and customize land use policy to their own communities.