



Habitat for Humanity construction supervisor Jose Elizondo exits an accessory dwelling unit, or ADU, being built by Habitat in coordination with the West Denver Renaissance Collaborative in Denver's Westwood neighborhood on October 31, 2019. (Andy Colwell, Special to The Colorado Sun)

GROWTH

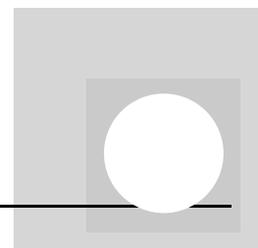
## Colorado cities want to embrace “gentle density” of granny flats, but they’re hitting speed bumps

Could accessory dwelling units — no matter what you call them — ease Colorado's urban housing crisis and help homeowners navigate gentrification?

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Kevin Simpson



**O**n a corner lot along West Dakota Avenue in Westwood, a small structure has sprung from the backyard of the neighborhood's typical one-story frame house. The detached unit represents a show of resistance in what sometimes seems an inexorable march toward economic displacement.

With only a wooden plank rising to the front door and exposed two-by-fours defining the skeletal framing of what soon will be a fully functional, one-bedroom home, its future still requires some imagination.

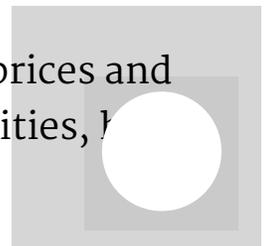
“But now,” says Renee Martinez-Stone, proudly surveying the half-finished construction, “people finally can drive by and go, ‘Ah, *that’s* what these things look like.’”

She’s referring to one version of an accessory dwelling unit — ADU in industry parlance, but also known by other names like granny flat, mother-in-law apartment or carriage house. Anchored to a back yard or even constructed above a garage, they serve as a smaller but fully functional residence.

And their popularity has spiked in a market where affordable housing has become unattainable for some and unsustainable for others who cling to homes where they once hoped to stake out a future, and perhaps even hand down their equity in the American Dream.

These dwellings once had a significant role in the development of post-World War II Colorado, but eventually lost cachet as residents flexed for elbow room. Some areas zoned them out of existence for a variety of reasons — fear of population density, added traffic or adverse impact on property values.

But many areas, responding to local residents fearful that rising prices and property taxes pose serious threats to the fabric of their communities, have moved to revisit the ADU.



On this side of town, where Martinez-Stone directs the nine-neighborhood West Denver Renaissance Collaborative, the aim is two-fold: create affordable rental housing and, at the same time, give homeowners a way to build wealth.



Renee Martinez-Stone, director of the West Denver Renaissance Collaborative, is pictured inside an accessory dwelling unit, or ADU, being built in Denver's Westwood neighborhood on October 31, 2019. (Andy Colwell, Special to The Colorado Sun)



**S**till, barriers remain. In Denver, for instance, only about a quarter of single-family neighborhoods allow construction of ADUs. Since the city last overhauled zoning in 2010, the city council has adopted a plan that recommends allowing them citywide, with some caveats.

Denver city planning supervisor Kyle Dalton notes that for the plan to move ahead, city council must enact a bill after more than a year-long process.



community outreach to solicit feedback. There's currently no timeline for addressing that.

“In the meantime,” Dalton says, “the program recommends — and we are seeing — individuals coming in, one at a time, to have a rezoning process to move that forward while the city is finishing up other priorities before we're able to get that project started.”

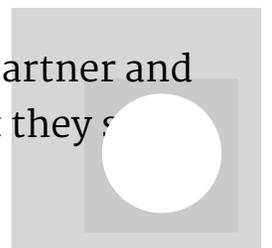
**MORE: Colorado's “doubled-up” households have surged since the recession. That could prolong the housing crunch.**

Mikaela Firnhaber, Denver's residential plan review supervisor, says that since the 2010 rezoning, ADUs have been gaining popularity. The first year, only two moved through the system. But in 2018, 58 passed through the permitting process. This year has seen a further uptick from that, she adds, though final numbers won't be tallied until year's end.

But even where they're permitted, a tight construction market can make building one an arduous process. On top of that, while ADUs are cheaper than citywide real estate prices, they still can be prohibitively expensive.

Englewood, also responding to rising demand from homeowners, recently passed an ordinance allowing the structures. But it happened amid simmering controversy, and local officials acknowledge that impacted the new regulations, which are among the most restrictive in the state. For instance, a primary home must be brought completely up to code before an ADU would be approved. With many older homes in the area, that could be a deal-breaker right off the bat.

But that hasn't deterred one real estate broker from taking on a partner and creating a whole new construction company to capitalize on what they see as an inevitably rising demand for the structures.



In unincorporated Jefferson County, which also had a restrictive ordinance on the books for many years, a working group examining ways to help seniors age in place researched ADUs around the country. Eventually, it made recommendations designed to ease construction. When the new regulations went into effect in 2014, applications spiked.

As municipalities, and even some rural areas, revisit the ADU as an antidote to rising prices and property taxes, people like Martinez–Stone seek an answer to two particularly vexing pieces of the puzzle — loan availability and construction costs.



“When we’re able to roll out a process of building an ADU more affordably, and it’s available to more moderate- and low-income homeowners,” she says, “it can be one of the tools in the tool box that’s a part of the solution.”

She explains how ADUs could have expanded impact on affordable housing through a program that seeks to leverage \$5 million in loans from both public and private sources to help build 200 units for homeowners making no more than 120% of the area median income. Those homeowners would then be obliged to rent the income-restricted units to tenants making no more than 80% AMI — or, if they can afford it, allow family members to live there rent-free.

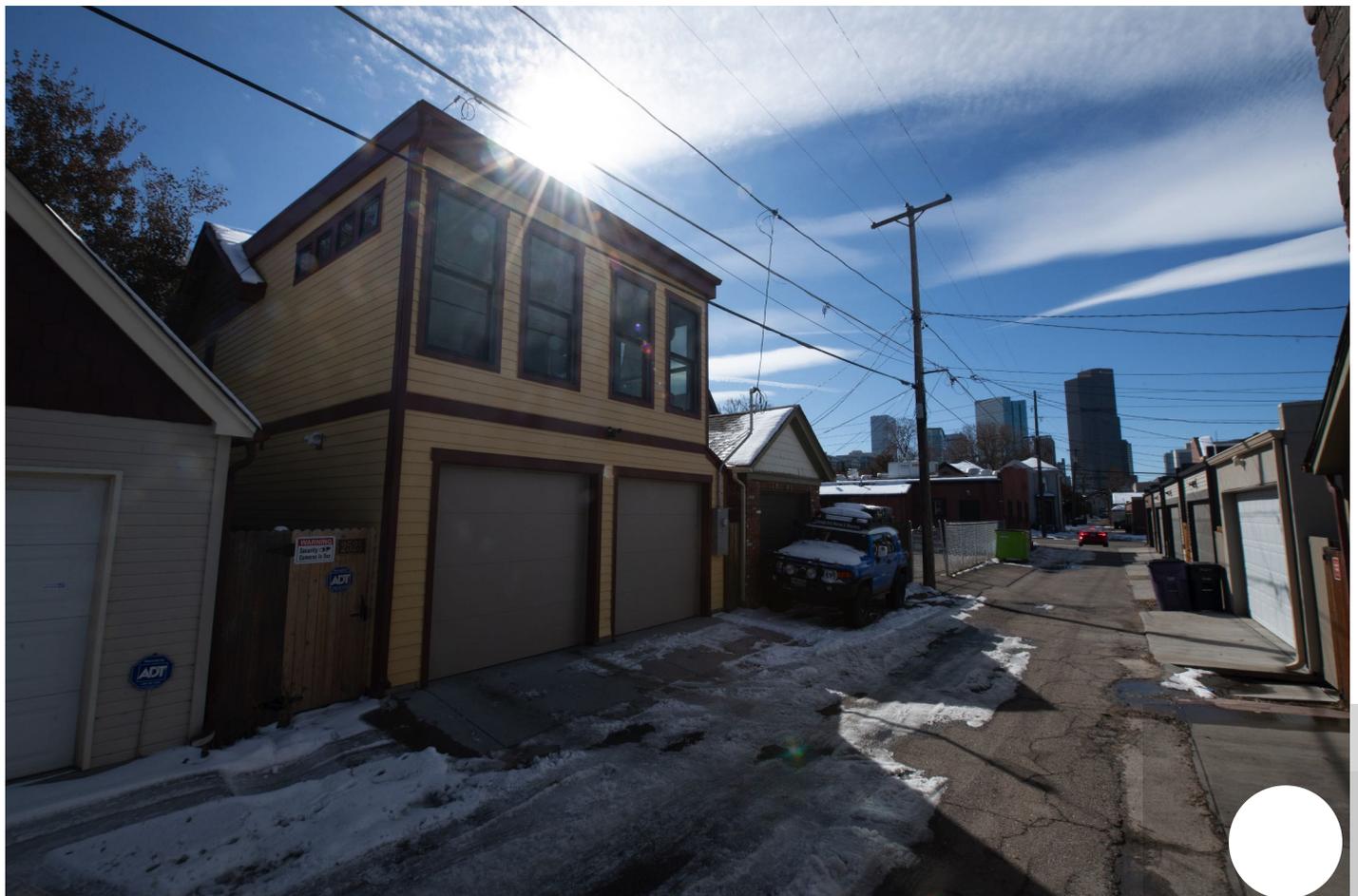
But even some well-off homeowners have embraced ADUs as a housing solution for aging parents or adult children that skirts exploding real estate and rental prices. In other cases, the structures create a source of rental



income for the primary homeowner to defray rising expenses, like property taxes, or to provide an economic cushion for retirement.

Critics push back against ADUs with arguments that they increase population density, put further strain on infrastructure and exacerbate traffic and parking problems. Their use as short-term rentals, especially by absentee landlords, raises further concern. And in some cases, opponents contend, they open the door for developers, who may be more likely to afford the high cost of construction.

“There are people who wanted to maintain residential Englewood, but it’s disappearing,” says Cynthia Searfoss, a 23-year resident who opposed the city’s new ordinance. “What people are moving here for, they’re not going to get. It’s going, going, gone.”



**A**s Rob Price and Gerald Horner sit in the unit they built above the garage behind their home in Curtis Park, noontime light spills through 6-foot-tall windows and illuminates the 660 square feet of living space they envision as their primary residence in retirement.

Conceived in 2016, it was completed a little more than a year ago — 19 months after the couple began the permitting process, the search for an architect and two tries at finding the right builder. For now, it's an exceptionally well-appointed short-term rental that offers a glimpse of the Denver skyline and walking distance to many of the city's attractions.

“We had been thinking about buying something now that we could retire into, and the market was unattainable,” says Price, 49, before preparing the space for its next guest. “Then we realized we already own this land — let's think about building something in the backyard.”

**MORE: [To help fill the affordable housing gap, a Buena Vista project is creating inventory — one giant box at a time](#)**

After one of Price's childhood friends was diagnosed with terminal cancer, the process began in earnest as they anticipated the ADU as a place where they could care for her in her declining days. They began referring to it as “Anna's Place.” Although she died before it was completed, they incorporated little personal touches in the decor to honor her.

Imagining themselves living in the second-floor flat, notes Horner, the 59-year-old deputy director of the Kirkland Museum of Fine and Decorative Art, informed the space's design — “the idea of living simply, but beautifully.”





Rob Price, left, and his husband Gerald Horner pose for a portrait in the accessory dwelling unit, or ADU, built by the couple in the second floor of their Curtis Park home's detached garage. They were photographed on November 2, 2019 in Denver. (Andy Colwell, Special to The Colorado Sun)

Just as important, they love the Curtis Park neighborhood and hope to stay long after their primary residence becomes more than they need. So they refinanced to cover the cost — somewhere north of \$250,000 — of creating a home on the alley behind their California Street house.

They estimate that in 10 years, the income from using it as a short-term rental will have recouped their investment. If they're still not ready to leave their house at that point, they'll use the ADU as a long-term rental until that day arrives.

“We’d like to be able to offer it at a little more affordable rent than what we could get,” says Price, a fundraiser for the Botanic Gardens, “because we’ve benefited from that kind of stuff, too.”



Price and Horner wound up using Denver-based L&D Construction, whose president, David Schultz, points out that due to construction expenses, leveraging an ADU as a short-term rental is practically a must to at least get a handle on covering those costs.

“I like to think of short-term rentals as the gateway drug to more of these units,” Schultz says of the means to create a larger ADU inventory. “I’ve heard a few council people talking about additional ADUs conditioned on them not being rentals. I think that’s really short-sighted.”

He notes that the structures are the only form of development that’s afforded to the average homeowner. Most of the units his company has built involve constructing living space above a two- or three-car garage, with anywhere from 340 to 800 square feet.

Homeowners often draw on equity from their primary residence to build, largely because construction loans are difficult to get, as appraisals of ADUs can be all over the map. And the city code around ADUs is so nuanced and detailed, he says, that it’s almost impossible for a layperson to even understand what they can build.

“I’ve been doing ADUs exclusively for three years,” Schultz says, “and there are still things that come up that I’m not sure of. Then you’ve got all these other metrics, depending on what zoned district you’re in. It’s way overly complicated.”

In a metro area still growing rapidly, there’s another elephant in the room: population density. While some pushback against the units centers on increased proximity to neighbors, Schultz points out that in Denver, population density had actually been declining as families have gotten smaller.

Denver officials confirm that, citing U.S. Census data showing that Denver density peaked in the 1950s and then fell off considerably until recently,



when it returned to about the same level as more than 70 years ago.

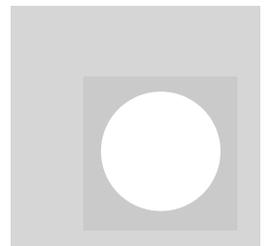
“We always promote ADU development as a form of gentle density,” Schultz says. “It’s coming, whether the city wants it or not.”



The kitchen and stairway of an accessory dwelling unit, or ADU, are pictured in the second floor of a Curtis Park home's detached garage built by homeowners Rob Price and Gerald Horner and photographed on November 2, 2019 in Denver. (Andy Colwell, Special to The Colorado Sun)



**I**n Denver, Martinez-Stone with the West Denver Renaissance Collaborative has been working with builders, as well as Habitat for Humanity, to try to bring down the cost of building ADUs, which she says averages about \$260,000.



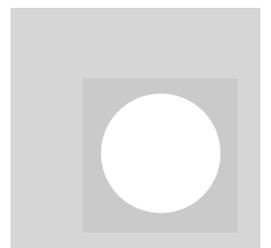
“We’re pulling in new housing data showing that it’s just relentless, the way the market is forcing families that exist right now out of the neighborhoods,” she says. “We know we need more tools.”

Working in partnership with the city, WDRC has designed six floor plans and worked those through permitting ahead of time to streamline the building process. As a result, Martinez–Stone says, these ADUs can be built for at least \$100,000 below the market, with the 600–square–foot model running about \$150,000. The lower cost enables the homeowner to rent them for less than the market rate and still recover their investment.

The program’s target is to construct the 200 ADUs over five years. While that number seems almost inconsequential in terms of the city’s ongoing displacement, Martinez–Stone argues that the impact will actually be much greater.

Here’s her math: Each new ADU stabilizes the household of the primary residence by providing, in many cases, an income–producing asset. It also benefits the eventual renters with affordable housing; figure an average of three tenants over the 25 years of the program. Finally, the original homeowner can survive the rising property taxes thanks to the extra income — and perhaps even pass the property on to the next generation.

So those 200 units ultimately impact about 1,000 households. Martinez–Stone says that currently the city has about 6,000 parcels where ADUs would be allowed — enough to get the program started, though additional rezoning would make the search for qualified homeowners easier.





An accessory dwelling unit, or ADU, is pictured behind a house owned by Habitat for Humanity in Denver's Westwood neighborhood on October 31, 2019; the ADU is the first of a pilot program spearheaded by the West Denver Renaissance Collaborative as a way to increase housing access for low- to middle-income Denver residents. (Andy Colwell, Special to The Colorado Sun)

“If we could take this and scale it beyond these nine neighborhoods, get more banks and more builders to understand how we’re doing it, then the numbers start to be relevant,” Martinez–Stone says. “Now, we’re taking what the city and the markets haven’t figured out and we’re trying to figure it out. What we’re trying to do is take all those systems, all those steps, and make them more efficient and predictable so we can lower the cost of ADUs.”

The corner lot in Westwood already has a primary residence built by Habitat for Humanity. By adding the ADU, it has become the property that will test the program’s viability sometime early next year. Already, two homeowners are under contract to participate in the loan program with a handful of others in the pipeline.



The one-bedroom unit features a kitchen, bathroom and living area, with some storage space and checks in at 576 square feet. The building design, which uses 12-foot-by-12-foot segments, represents a hybrid of manufactured components and traditional on-site construction to reduce the price and attract moderate- and low-income homeowners.

It's still a daunting proposition.

“The obstacles of creating these are really high,” Martinez-Stone says. “(Other) residents’ fear is that these come in and triple the density of the neighborhood. There’s no way. If that was the situation, the task at hand would be trying to temper that and control that. But the lending market’s not there, the building market’s not there. It’s not going to happen. It’s like an untapped opportunity.”



**L**ike Denver, Englewood has a history with ADUs.

From the 1920s through the ‘40s, about 180 of the structures sprouted along alleys, many as soldiers returning from World War II sought solutions to the local housing shortage. In the past several years, Englewood says it began receiving inquiries from citizens interested once again in adding them to their properties.

City officials told them the practice was no longer allowed. But it also began keeping a database of requests.

“It was getting really long,” says John Voboril, long range senior planner for the city, noting that the list extended to roughly 50 people. “Housing prices had gone through the roof, rents too. It started to gain some traction be



of those two key elements in the economy. We figured it was time to ask the question.”

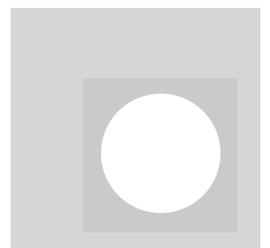
Voboril says Englewood did extensive community outreach and forums to determine what regulations people would like to see, and how many people would be interested in building. Most of the interested parties, he adds, advanced the usual concerns — needing extra cash flow as they neared retirement, or some financial cushion to help them stay in their house as they learned to live on a fixed income. Others were looking to take care of either elderly parents or house somebody younger in family, like an adult son or daughter.

**MORE: [It's not just Denver: Rural Colorado feeling housing crunch, with more residents spending half their income on a place to live](#)**

The resolution of what he terms a very contentious debate was the narrow passage of a new ordinance that allows ADUs — but with some significant restrictions. Not only would a homeowner have to inhabit either the ADU or the primary residence and bring it up to code, but ADUs would be limited to 650 square feet of living space.

Voboril calls it “the strongest, tightest ADU ordinance in the state.”

“That’s the only way we could make it happen,” he adds.





Renee Martinez-Stone, director of the West Denver Renaissance Collaborative, poses for a portrait in the doorway of an accessory dwelling unit, or ADU, being built by her organization and Habitat for Humanity in Denver's Westwood neighborhood on October 31, 2019. (Andy Colwell, Special to The Colorado Sun)

He notes that the city excluded some zoning districts where there was low demand and decided to start in places with single-family homes closer to downtown and the city's hospital district, older portions of Englewood where ADUs had been built earlier in its history. In hopes of avoiding more controversy, the city decided to see how the process goes there before expanding.

Searfoss, the longtime resident of Englewood, counted herself among the opposition. Not only did she feel that the city's process excluded opponents of the idea, but she also felt that allowing ADUs would trigger "extreme issues with trash and traffic." Absentee landlords who didn't monitor their renters also became a concern because, she claims, the city never enforced its code prohibiting ADUs when those were already on the books.

Searfoss also called it ironic that the very people who supposedly needed the ordinance to stay in their homes or take care of relatives would effectively be shut out by its restrictions.

“How is this economical for a retired couple to build in their backyard, when they have to bring their home up to code, and then pay a builder?” she asks. “It’s just not the economic boon that it was presented as. Growth is inevitable, I understand that. “But this didn’t bring Englewood citizens along with growth and development. It left us behind.”

Searfoss says she tried to get a repeal of the new ordinance put on the November ballot so citizens could vote on the issue. But family medical issues pulled her away from the effort after she’d gathered about 500 of the 762 signatures she needed. Now, she says, the only people likely to benefit are developers who can afford to work around the restrictions.

Schultz, the Denver builder, says the city’s hurdles are so much higher than Denver’s that he’s “not getting close to Englewood.” He expects that maybe one or two might get built.

But Mike Dickman, who has worked in metro-area real estate for years, recently created a new company for the sole purpose of building ADUs, and he envisions Englewood as a bonanza.

“We feel this market is going to be huge,” Dickman says. With a nod to the city’s history he calls this “their back-to-the-future moment.”

His Carriage Home Builders will focus on nothing but ADUs and, in a familiar refrain, seek ways to bring costs into an affordable range. He feels that modular housing is the only way to do that and has been working with a manufacturer. Once he has marketing materials in hand, he plans to target one small area of Englewood and make his pitch.



“I’m one of these old-time guys, I’ll go knock on doors,” he says. “I have no problem with that.”



This accessory dwelling unit, or ADU, is the first of a pilot program spearheaded by the West Denver Renaissance Collaborative in Denver’s Westwood neighborhood on October 31, 2019. (Andy Colwell, Special to The Colorado Sun)



**M**artinez-Stone, who in addition to her work with the WDRC also serves on the Denver planning board, says she has repeatedly gone on the record in meetings saying that the current method of rezoning for ADUs on a parcel-by-parcel basis is inefficient and ineffective.

“We should be doing these by the thousand,” she says, especially in areas facing significant displacement. To underscore the urgency, she points to the West Colfax neighborhood. In 2012, the average household paid \$75 per month in property tax. Now it pays \$235.



“All added up, many households with low or fixed income can see on the horizon that they may not be able to afford or keep their home,” she says. “This provides a solution to that.”

The problems may differ among the economic classes, but the possibility that ADUs could become part of the solution has emerged as a common theme across the Denver metro area.

Broomfield’s city council recently passed an ordinance allowing construction of ADUs, though homeowners associations can still prohibit them. The city also may consider the possibility of offering some sort of subsidy for homeowners who build ADUs and rent them to low-income tenants.

Councilwoman Sharon Tessier says that the free market will never solve the area’s housing issue, and neither will any one nonprofit or governmental agency.

“It’s a partnership that has to happen,” she says. “ADUs will definitely be part of that, because we’re able to allow for that in ordinances. My hope is that some of the HOAs will allow it, and it doesn’t become so much of a NIMBY issue.”

Donna Mullins of Aging Well in Jefferson County, an initiative that began in 2008 and operates under the Human Services department, volunteers with a working group on housing issues that sees ADUs offering an alternative for seniors to age in place. An older person might stay in their home and have a caretaker live in the ADU, or vice versa.

She says Jefferson County had an ordinance on the books for a long time, but it was so restrictive that, in 2011, the group hired an intern to spend a year researching ADUs around the country. That resulted in a set of proposals to the county’s planning and zoning people, and less restrictive regulations went into effect in 2014.



There have been 55 applications since the change, compared with 11 in the six years before — and, Mullins adds, those numbers don't account for 2019.

“The good thing with ADUs is you can use the same infrastructure, so that makes it a little cheaper,” she says. “You can't build a house for \$250,000 around here.”

As they look south from the second-floor flat behind their house to a slice of the Denver skyline, Price and Horner, the couple with the ADU in Curtis Park, realize that one day a neighbor could build a similar structure and take that view away. They shrug. That's life in the city.

“We can't grow out anymore,” Price says, shaking his head at city dwellers who complain that filling in the holes will ruin the neighborhood. “Sure, there's too much traffic, but it's not because there are too many people. There are too many cars.”

Horner calls concerns about density an “irrational fear” born of misconception.

“Unless we encourage this, the city won't be able to be as livable,” he says. “It's gonna happen.”

