



# # COTTAGE # ZONING

Small detached lots as a solution for Denver's "missing middle" housing dilemma.

**Dear Blueprint Denver Planning Committee,**

**#CottageZoning** is a coalition of professionals, academics and community representatives deeply concerned about the stark realities facing the housing ecosystem in today's Denver. We commend all the stakeholders involved in Blueprint Denver (Task Force, Community Think Tank, Staff, and Consultants) in their efforts to identify and activate modern solutions for the challenges facing our great city.

**THE BIG IDEA**

We agree with Blueprint Denver that in order to accommodate rapid job and population growth, we must make attainable housing solutions a critical pillar of any holistic housing policy. After considerable analysis of Denver land use, zoning, and housing data, we believe the best solution for Denver to achieve its Blueprint Denver goals and manage change is to allow small detached lots ('cottage lots') on existing single-family lots, while preserving the existing smaller homes on such lots. Many of the single family lots in the Urban and Urban Edge Contexts are over 6,000 square feet in size yet contain one small home built an average of 70 years ago. Adding cottages in the City's ubiquitous under-utilized home sites, within Urban and Urban Edge Contexts, will create crucial *'Missing Middle'* housing supply that incorporates Blueprint Denver's major themes of Equity, Urban Design and Water and Climate.

The reality is we need both higher density housing and more easily-financed small home construction to tackle our problem effectively and provide adequate attainable housing opportunities that Denverites so desperately need. By providing for Cottage Zoning we can meet the four Core Goals of Housing an Inclusive Denver, as paraphrased from Blueprint Denver:

**OUR ASK**

Blueprint recommends a 'Citywide' approach to enable ADUs. We agree. In order to implement this strategy in the most equitable and expeditious manner, a Citywide change appears logical, regardless of whether the 'ADU' is a free-standing for-sale or rental unit on a small divisible lot, or an accessory structure to a principal structure.

For the reasons set forth above, and in the following discussion, we request Blueprint Denver consider including:

- 01 CREATE ATTAINABLE HOUSING THROUGHOUT THE CITY.**
- 02 PRESERVE EXISTING ATTAINABLE HOUSING SUPPLY.**
- 03 PROMOTE EQUITABLE AND ACCESSIBLE HOUSING OPTIONS.**  
Cottage Zoning makes it easier for a range of economic strata to take advantage of what is in effect an easier to finance ADU.
- 04 STABILIZE RESIDENTS AT RISK OF INVOLUNTARY REPLACEMENT.**  
Cottage Zoning reduces the number of scrapes, reversing the unintended incentives within the City's ordinances and regulations encouraging demolition and displacement. Demolition of existing units is not needed to increase housing - underutilized land in backyards and side-yards being used for 2-3 cottages will be more utilitarian than as McMansions.

For greater detail on how the benefits of Cottage Zoning align with the specific goals and recommendations specified in Blueprint Denver, refer to **Exhibit 1**.

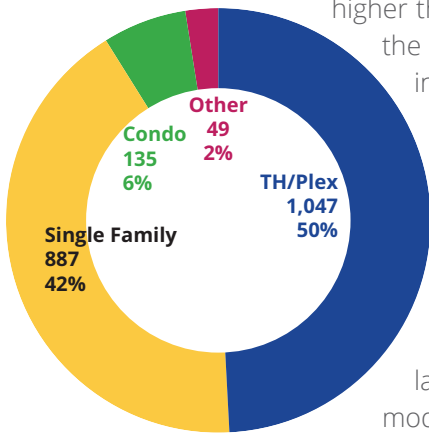
- >>** Inclusion of Cottage Zoning (or similar nomenclature) in Chapter 2's discussion of Access to Opportunity and Displacement of Vulnerability discussions
- >>** Inclusion of Cottage Zoning as a possible solution in Sub-chapter 3.3's recommendations for Housing
- >>** Incorporation of Cottage Zoning into Denver's Comprehensive Plan 2040

# THE PROBLEM

## HOMEOWNERSHIP

Today the path to homeownership in Denver is an increasingly daunting prospect, if not an outright impossibility for an overwhelming majority of Denverites. In 2018 alone, the Denver Metro Association of Realtors' affordability index

**DENVER TRANSACTIONS BY CATEGORY 2018**



deteriorated 10.5%. Affordability for prospective buyers in our city is not simply an issue, but an emerging crisis. According to the Census Bureau, the median income in Denver is around 20% higher than the US median, while the median home value is approximately 90% higher than the US median (Census, Zillow, Case-Schiller). A look at active single-family home listings in Denver County at the end of 2018 showed that just 34% of homes were priced under \$400,000, down from 42% at the close of 2017. These trends can only be described as "alarming". If we as a City fail to find and implement creative solutions supporting attainable, accessible home ownership, our ability to attract and retain many of our most essential residents - from all age and socioeconomic groups - will vanish.

We must create a path to homeownership for those who wish to put down roots in our community or options for those older residents no longer in need of their current large homes. How will we provide homes for moderate incomes? This problem will only get worse without action.

## HISTORICALLY LOW SUPPLY OF LOW AND LOW-MEDIUM DENSITY LOTS

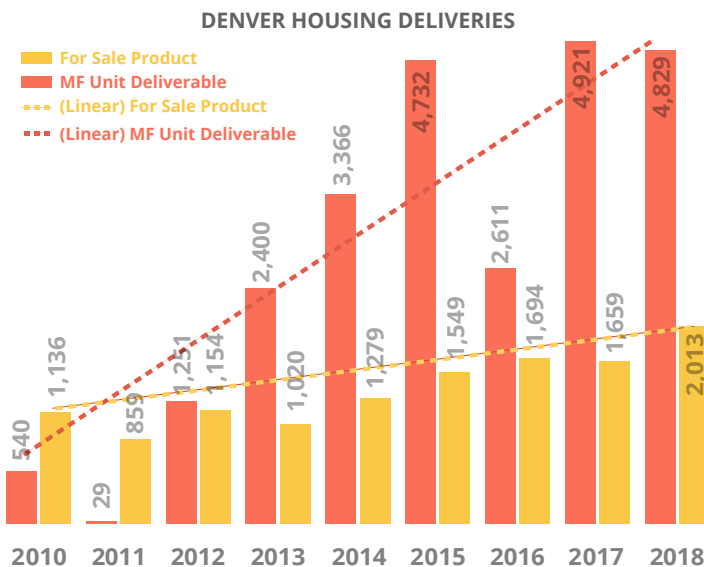
For some time, and with increasing regularity and urgency, the academic community and industry data providers have been sounding alarms regarding Denver's current undersupply of low density and low-medium density housing. Blueprint Denver mentions frequently its goals of new development that honors the City's traditional neighborhood scale and aesthetics, while mitigating the involuntary displacement of valued residents. It will be very difficult to reach those goals unless Denver identifies more land/lots in which to produce low and low-medium density housing, a large part of the housing ecosystem (88% of 2018 Denver resale home closings; 92% of 2018 Denver new home closings. As noted in Blueprint, Denver exists in the context of the larger metropolitan area and makes up approximately 22% of the 7-County Metro Area's for-sale housing starts and approximately 60% of the area's multifamily (apartment) starts, despite accounting for an oversize share of the Metro Area's job growth.

### HOME PRICE CHANGE SINCE PEAK

<b>DENVER, CO</b>	<b>53.4%</b>
DALLAS, TX	48.6%
SEATTLE, WA	27.0%
PORTLAND, OR	24.4%
SAN FRANCISCO, CA	19.8%
BOSTON, MA	18.2%
CHARLOTTE, NC	17.2%
ATLANTA, GA	9.1%
<b>COMPOSITE-20</b>	<b>3.1%</b>
LOS ANGELES, CA	2.8%
SAN DIEGO, CA	0.9%
MINNEAPOLIS, MN	0.5%

Source: Case-Schiller U.S. Home Price Index

The city's explosive growth has necessitated the need for a broad array of both for-sale and for-rent housing solutions.



While a review of annual deliveries over recent years demonstrates accelerating construction in both multifamily apartments and single-family homes, it is clear that single family construction has not kept pace with the market's demand to the same degree as multifamily development. As illustrated in the Denver Housing Deliveries chart, since 2012, when the number of delivered apartment units completed was relatively equal to new single-family home deliveries (1,251 apartment units versus 1,154 square foot homes), there has been a significant divergence in construction growth. Relative to 2012, 2018 saw 280% more apartment unit deliveries versus less than 75% increase in new single-family homes completed. Looking forward, commercial real estate data provider, CoStar, expects developers to complete an additional 3,500 apartment units annually over the next five years.



Meanwhile, Denver is quickly running out of remaining buildable single-family home lots, suggesting that this disparity will only increase.

Because of the dwindling lot and land supply within Denver, low to low-medium density development has flourished in suburban and exurban municipalities. As a result, homeowners and renters frequently commute through Denver to get to major employment centers within and on the outskirts of the City, using Denver’s transportation, parking, and other infrastructure, but paying little taxes to support Denver.

If Denver allows its metro area market share of new low to low-medium density homes to drop much further, despite robust demand, prices will inevitably increase (quintessential demand vs. supply dynamic). To grasp the likely result we need only to look at our neighbor to the north. The City of Boulder and other Boulder County jurisdictions have empirically demonstrated the consequence of land use/zoning-imposed housing scarcity. The City of Boulder, with a population of over 100,000, consistently produces less than 50 low-medium density homes with an average closing price of over \$1MM. New single family detached homes closed for an average of over \$2.25MM. A future in Denver with too few housing options for the majority of housing consumers will be unsustainable, and price increases will actually accelerate.

*“The character of many older neighborhoods is defined by the older houses, which tend to be smaller than what would be built new today. **These smaller houses tend to be a more attainable choice and, while not officially income-restricted, provide more affordable options than if a new home was built on the lot. Preserving these choices in neighborhoods is important for affordability and for maintaining character.**”*

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Nearly all Denver low and low-medium density new homes have been recently produced in two very different locations: greenfield and infill lots.

### 1. GREENFIELD

An overwhelming majority of low and low-medium homes were produced in greenfield locations (Stapleton, Green Valley Ranch, Lowry, Avion, all nearing ultimate build-out). According to Metrostudy and the owners/developers, these large greenfield sites are over 85% built-out, and contain less than 5 years of remaining supply. Going forward, these greenfield sources, currently the bulk of the new housing supply, will diminish steadily, until they’ll vanish in a few years. Simply put, Denver is quickly running out of land for traditional suburban new home development.

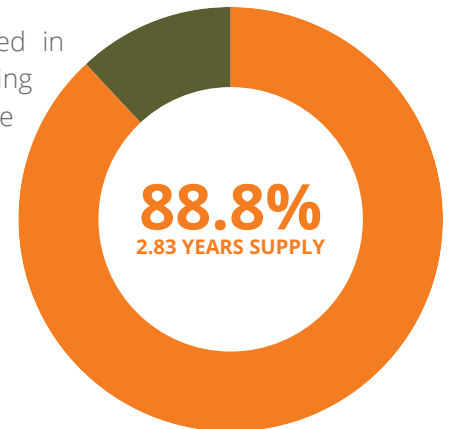
### 2. DEMOLITION/‘SCRAPES’ OF ATTAINABLE HOUSING STOCK

Second, most of the remaining new low and low-medium density homes come from ‘scrapes’ – demolition of existing, smaller, attainable homes to replace them with new, larger, more expensive homes. Much of the City was platted and built in the 1920s through the 1970s, and consists of cottages or bungalows on large lots (most often on two or more 25’x125’ lots). Most of these homes are between 650 and 1,200 square feet.

### SYSTEMIC LOSS OF TRADITIONAL NEIGHBORHOOD CHARACTER

As the zoning code is written today, the most frictionless way to take advantage of these underutilized lots is to “scrape them” and replace an attainably-priced smaller home with a larger single-family home – changing the scale of neighborhoods without advancing the cause of more attainable housing. In fact, between 2016 and mid-2018, over 1,200 structures were demolished in the City – most of the ‘scrapes’ were small bungalows, and most of the replacements were also single family homes or large duplexes (but materially bigger and more expensive). Cottage Zoning would alter the unintended incentives for the continued demolition of attainable housing embedded within the City’s current land use ordinances and regulations.

DENVER % BUILD OUT



COMMUNITY	% BUILD	YRS SUPPLY
STAPLETON	86.1%	2.87
LOWRY	96.4%	2.09
GREEN VALLEY RANCH	89.7%	6.07
AVION/DENVER CONNECTIONS	79.1%	0.97

## **CONDOMINIUMS?**

In most major cities, condominiums account for nearly 20% of housing inventory and provide crucial housing solutions for 1st time home buyers and downsizing seniors. However, due to Colorado's strict defect laws, the City's overwhelming lack of condominiums has exacerbated the 'missing middle' dilemma. Over the past 5 years, the Denver apartment market has delivered 200-300% of its long-term average; however, nearly all were rental units (vs. for-sale condos). High costs of construction have hampered efforts to increase high-density attached for-sale housing, in part due to attached residential construction costs being materially higher than comparable detached residential construction costs. Causes are many, including the nature of urban infill construction, persistent risk of construction defect litigation, increased insurance costs, etc. At less than 5% of the Denver resale market and despite a few recent high-profile construction deliveries, less than 10% of the Denver new home closings, condominiums will not bridge the large growing gap in low and low-density housing options, when compared to continued robust demand.

## **THE CONSEQUENCES**

The likely consequences of ignoring the City's shortage of attainable for-sale housing are many and likely to be severe.

Cottage Zoning is efficient because it incrementally spreads the needed density out across the City, without fundamentally altering the scale of neighborhoods. While we fully support increasing higher density housing opportunities in select locations as Blueprint Denver contemplates, we strongly suspect that without Cottage Zoning or something similar, the future consequences will be:

### **>> As noted publicly by Denver elected officials since the beginning of 2019, impacts on small areas of the City, leaving others untouched but benefiting from growth, is not equitable or sustainable.**

This is the unfair recipe which has contributed to our housing problems – well-intentioned stakeholders support job growth but fight housing in their neighborhood. 'Jobs = New Households = Housing Demand' is an unforgiving axiom. Cottage Zoning disperses the benefits derived from the City's economic growth and will engender community support more evenly across the City.

### **>> More expensive housing,** both because we will not fully meet the need in total units (demand continuing to outpace supply), but also because the cost of building high density housing is much more per square foot than building low to low-medium homes. Demand for low density and low-medium density housing (90+% of the Denver County's for-sale market) will continue to be robust, as Denver climbs out of its current under-supply of housing. Unless new creative sources of supply appear, home price increases will accelerate.

### **>> Loss of economic growth and vitality.**

Inevitably, if home prices continue growing at or near their current pace, Denver will reach an affordability tipping point. When people cannot afford to live near where they work, they choose to live and work elsewhere.

### **>> Architectural identity loss within Denver's traditional neighborhoods.**

Though unintended, current zoning encourages a 'scrape and replace' mentality which not only further reduces attainably priced home supply, but also leads to the systematic destruction of the architectural identity that defines many of the City's original neighborhoods.

In fact, we believe that without the proposed Cottage Zoning (and the build-out of available lot supply), the pace of conversion of Denver's traditional cottage and bungalow homes to large single-family homes may actually increase, further reducing the attainable housing stock in the City. With no other way to unlock the value in the underutilized land and a shortage of housing, there can only be one outcome – bigger, more expensive homes, which is already a pronounced trend in Urban and Urban Edge Contexts.

## **DENVER IS NOT ALONE IN ITS HOUSING CHALLENGES**

The challenges and potential consequences described above are not unique to Denver. Cities across the country (and globe) are grappling with this issue and beginning to attempt to implement a variety of solutions from Minneapolis

2040 (sometimes referred to as triplex zoning) to Vancouver's "Making Room" initiative to Seattle's aborted Housing Affordability and Livability Agenda. Oregon's state legislature is in the process drafting a proposal to effectively ban single-family zoning, by allowing up to four homes to be built on land currently zoned for single-family homes. What these efforts - whether successful, unsuccessful or still under consideration - have in common is acknowledging the need for more housing and change in their lot sizes, zoning, and streamlining cottage/accessory dwelling unit regulations. We truly wish the best for our beautiful hometown of Denver.

### **PARTNERS AND FELLOW ADVOCATES WITHIN THE CITY - AFFORDABLE HOUSING VS. ATTAINABLE BY DESIGN**

While Cottage Zoning cannot be limited to housing conventionally defined as 'Affordable' (generally speaking, subsidized rental), it can nonetheless be accretive to the efforts of Denver's government-affiliated and non-profit affordable housing organizations and advocates. Though our missions are not identical, our intentions are closely aligned with a number of organizations ranging from Denver Housing Authority, Habitat for Humanity, Community Land Trust, Neighborhood Development Collaborative, Denver Urban Renewal Authority, West Denver Renaissance Collaborative and many others. Cottage zoning would represent an additional tool for these groups, providing them with an additional channel to provide affordable housing to Denver's middle and low-income residents.

## **THE SOLUTION**

As stated previously, in order to accommodate Denver's rapid population and job growth, we must make attainable housing solutions a critical pillar of any holistic housing policy. Permitting Cottage Zoning in the City's under-utilized home sites will be a critical component in addressing the 'Missing Middle' housing shortage, while supporting Blueprint Denver's major themes of Equity, Urban Design and Water and Climate. This can be done by expanding the City's definition of Accessory Dwelling Units (ADUs) to incorporate free-standing cottage construction on single family lots.

### **>> Accessory Dwelling Units**

While ADUs can and should be part of the solution, without a separate legal lot, they are too hard to finance to appeal to a broad segment of homeowners. While we strongly support ADUs, they are not likely to be a material part of the attainable housing solution, and due to ADUs' many limitations, they work better for households with large financial resources. Statistically, the typical Denver homeowner cannot support the financing/construction of an ADU, in part due to their existing mortgage debt. Cottage Zoning is the logical extension of the ADU concept: cottage lots contain a detached cottage similar to an ADU; however, the home is situated upon its own conveyable, fee-simple lot. Those independent cottage lots, as opposed to being an 'accessory' to a main structure, are undeniably more feasible to finance (whether for rent or for sale), and consequently provide an additional path to attainable and affordable housing for a broad swath of residents, across a range of demographics.

### **>> Urban and Urban Edge Contexts**

Urban and Urban Edge Contexts, which represent the largest share of zoned acreage within the City (over 80% of the City's land area is single family), contain most of the future land for low and low-medium housing. One should note that only a fractional percent of land in these Contexts are targeted for change/new development in the current version of the Blueprint.

### *PROBLEM IDENTIFICATION*

*Many of Denver's residential neighborhoods are composed of older homes, typically one to two stories in height with sloping roofs. When the zoning code was adopted in 2019, the standards for one- and two-unit structures were written to be flexible to accommodate a range of options. **As infill in the neighborhoods occurs, new development tends to "max out" the available building envelope, producing many buildings with incompatible bulk and scale and lot coverage very different from the previous generation of homes.** In addition, new homes often include few street-facing windows and **lack entry features like front porches, resulting in designs that do not respect the surrounding context or public realm.***

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>> Nearly all of the Urban and Urban Edge single family lots are serviced by a public alley, allowing rear yard cottages to park from the alley. The cottages front porch will face a green 'cottage court' in the middle of the lot. Certain lots contain older existing homes with dimensions that have enough setback clearance for side yard and/or rear yard cottages – the 'functional cottage lots.' Nearly all the functional cottage lots in the City are in these two Contexts; we are happy to meet in order to share our research on these two Contexts' unique opportunity to produce new cottage/ADU homes.

>> **SO WHAT IS A COTTAGE LOT (OR A FREE-STANDING ADU) AND HOW CAN IT BE ACCOMPLISHED?**

Within Urban and Urban Edge Contexts, we suggest the City allow detached lots to be a minimum of 1,500 square feet, similar to many existing City-approved lots within Stapleton, including the successful Wee Cottages by Boulder Creek Neighborhoods. On functional cottage lots, where existing small homes could be preserved, one cottage home (800-1,500 square feet) could be added to each 26' x 62.5' 'Cottage Lot'. A typical 25'x125' historical Denver platted lot would be split in half, with one half fronting the public street, and the other facing a green court, and parking off the public alley. See below for an example vs. status quo new low and low-medium density construction.



**MCMANSION - CORY MERRILL**



**TOWNHOME - UNIVERSITY PARK**

The total square footage from the cottages is actually about the same or less than the allowable square footage for a single home under current zoning on a such a single-family lot. Without Cottage Zoning, smaller, attainable homes are being scraped and replaced with new single-family homes, with prices ranging from \$650,000 to well over \$1 Million, depending on location. But, with cottages, two or three more families would have quality shelter, at more attainable prices. We should note: the size of the proposed lots and homes are not ground breaking. In other parts of the country grappling with high housing costs, these dwellings are common in old and new communities alike. Going by various names such as green courts, bungalow courts, paseo homes and others, they were designed to tackle the same issue we face – making homes attainable to a broader segment of the population. This type of housing exists in cities and towns across the country and were a fundamental building block in pre-1940s neighborhoods.

Carriage homes, bungalows and cottages are most likely present on some of your favorite City blocks—you may even have them in your own neighborhood. Here in Denver, new urbanist communities such as Stapleton and Lowry have all included successful, well-received and attractive smaller lot detached homes; however, the City's ordinances prohibit building such small-lot detached anywhere outside of very few geographical locations (e.g. master planned communities, certain mixed-use areas).

**We're simply suggesting making small, attainable detached lots and homes (already City-approved in other locations) available in more locations.**

**BY ALLOWING COTTAGE ZONING:**

>> Existing owner-occupiers will have the option to sell-off a portion of their lot, helping them stay in their current home if they have economic challenges, want to pay off debt, or need additional financial support in their retirement – without having to move.

- Existing owner-occupiers can more easily create units for rental income or to support family members. Individual fee-simple homes are much easier to finance than ADUs.
- Existing owners who rent the homes can unlock value (and make possible more housing) without having to remove an existing home or renter.
- Community Land Trusts and other Affordable Housing agencies could buy this “new land” to construct future affordable building in a cashflow scenario that more closely matches incoming annual donations and/or fee revenue.

## TO CONCLUDE

We kindly, and in a collaborative spirit, request of you: do not limit the City of Denver’s flexibility to deal with and adapt to our housing problems by leaving the vast majority of Urban and Urban Edge Contexts, which represents, in turn, a vast majority of Denver’s land, as ‘functionally unchanged’ after the Blueprint process. Trying to fix Denver’s housing problems, while leaving a significant portion of the City off limits, adds to the challenge immensely. Please do not preclude Cottage Zoning during the crucial Blueprint Denver long-term planning process; instead, adopt the suggested Cottage Zoning addition to Blueprint Denver, and adopt it as part of the City’s Comprehensive Plan 2040. While it is not a panacea, this policy solution will deliver sorely needed attainable housing, while at the same time preserving the scale and character of Denver’s neighborhoods.

Thank you for your consideration. We welcome the opportunity to sit down with you and share our research, analysis and ideas. The easiest way to contact us is by reaching:

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**We look forward to working together in helping Blueprint Denver and the Comprehensive Plan 2040 reach their well-articulated aspirations.**



## EXHIBIT 1 - COTTAGE ZONING HELPS ACCOMPLISH BLUEPRINT DENVER GOALS & RECOMMENDATIONS

### COTTAGE ZONING STRATEGY

### BPD GOALS

### BPD HOUSING RECOMMENDATIONS

#### EFFICIENT INFILL DEVELOPMENT

Cottages leverage existing utility and transportation infrastructure - public alleys, streets and existing utilities make this amongst the most efficient infill development remaining in the City.

#### ATTAINABILITY & PRESERVATION

Allowing cottages will add attainable housing opportunities through incremental change, preserving the existing historic homes. New small homes would blend with the existing neighborhood scale, without radically altering the 'historic and cultural fabric' of the incumbent neighborhood.

#### LESS IMPERVIOUS SURFACES

Even when clustered, cottages produce materially less impervious surface than Missing Middle alternatives such as McMansions, townhomes and duplexes.

#### COTTAGES CAN BE RENTED OR SOLD

Cottages are nearly identical to ADU's, however, the cottage lots are independently owned apart from the 'principal' historic structure, and as a result, the cottages can be rented or sold.

#### COTTAGES ARE EASILY FINANCED

Unlike ADU's, due to their independent nature the lots and cottages are easily financed by builders and landlords, whether market-rate or below-market Affordable.

#### DIVERSITY OF HOUSEHOLDS

A broad diversity of households can live in 2-3 bedroom cottages, including families, young singles/couples, and older empty-nester households.

#### COTTAGES DO NOT REQUIRE DISPLACEMENT

Possibly most importantly, cottages do not require displacement of current residents. For example, older existing residents could choose to monetize their cottage lot(s) in order to age-in-place in their existing home – thus, the risk of degrading the critical social character of the neighborhood is far lower than status quo, where demolitions/'scrapes' are plentiful.

We note that Blueprint recommends a 'Citywide approach to enable ADUs. We agree. In order to implement this strategy in the most equitable and expeditious manner, a Citywide change appears logical, whether the 'ADU' is for-sale on a divisible lot, or an accessory structure to a principal structure.

06. character & sense of place

07. urban design

08. embracing historic assets

09. respond to climate change

02. missing middle housing

03. preservation & reuse

04. diversify house choice

04. environmentally friendly (Quality of Life)

05. remove barriers

02. missing middle housing

04. diversify house choice

05. remove barriers

07. family-friendly housing

01. affordable housing options

04. diversify house choice



EXHIBIT 2 - CONCEPTUAL COURTYARD VIEW



EXHIBIT 3 - CONCEPTUAL AERIAL VIEW





EXHIBIT 4 - CONCEPTUAL STREET VIEW

