UNLOCKING HOUSING CHOICES

Issue Identification Report

June 2025

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Introduction

This report documents the issues that the Unlocking Housing Choices project will focus on as it develops potential solutions to enable more housing diversity in Denver's neighborhoods. The issues identified by the project team were collected and categorized into this report to provide a foundation as the project begins and act as guideposts at later points in the project.

01 Approach to Identifying Issues

Community Input Reflected in Plan Guidance

The Unlocking Housing Choices project aims to implement adopted plan guidance in both citywide and area plans. Developed with robust community engagement, these plans identified many issues that can be addressed through this project. By leveraging the plan guidance directly to develop this issue identification report, this project gives deference to the time and effort of those communities whose vision is articulated in our adopted plans. The project team completed a review of the city's citywide plans, including Comprehensive Plan 2040 and Blueprint Denver (2019), and all neighborhood plans that have been adopted since these citywide plans. This review resulted in a collection of relevant plan guidance that was then further reviewed to identify common themes and issues across the city.

National Trends and Peer City Project Review

Many cities around the country have reformed zoning, parking and other regulations and processes in recent years to expand the diversity of housing types in lower-density areas. Staff reviewed "missing middle" projects in about 20 comparable cities to identify common issues and approaches.

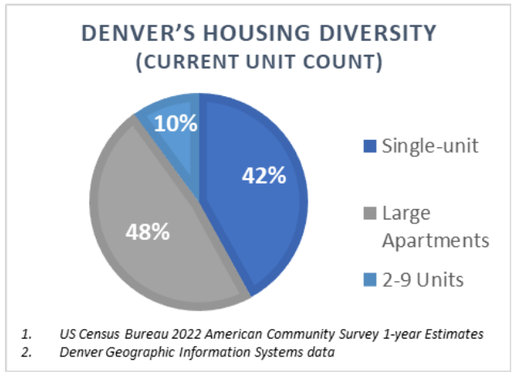
02 Key Issues

Based on staff analysis of relevant guidance from the city's adopted plans, relevant housing data, and peer city project review, the key issues identified for Denver are summarized below. It should be noted that there is overlap between the key issues, and they are not exhaustive. There are also issues and barriers to developing additional housing options that are unlikely to be addressed by this zoning code amendment project including rising construction costs, financing and insurance costs, and building code requirements. City staff will continue to track issues that arise through this project during the public engagement phases, advisory committee meetings, and feedback from elected and appointed officials.

Insufficient Housing Diversity

Housing options in Denver are limited to primarily detached single-unit houses or apartment buildings with 10 or more units. There is not a sufficient supply of middle housing options to meet the needs of Denver's residents. According to US Census Data, 42% of Denver's housing units are detached single-unit homes and 48% are multi-unit buildings with 10 or more units. Only 10% of Denver's housing units are within the 2-9 unit category. Nationally, housing in the 2-9 unit cohort makes up nearly 20% of all housing units.

Additionally, very few 2-9 unit developments are permitted and constructed each year. The lack of development of new housing types in this unit range is why this middle housing cohort is referred to as the missing middle. Middle housing used to be built in many of Denver's neighborhoods that no longer allow these housing types and provide an important housing option that is desired by Denver's residents. This desire for a complete range of housing types is expressed in Denver's adopted plans.



The unit count of Denver's existing housing stock.

Approximately 40% of Denver's total land area is single unit zoning, which allows for primarily single unit residential uses. Furthermore, 67% of city land that can be used for housing is zoned for no more than single unit development. These zoning rules restrict the ability of homeowners and developers to provide a complete range of housing options in Denver's neighborhoods.

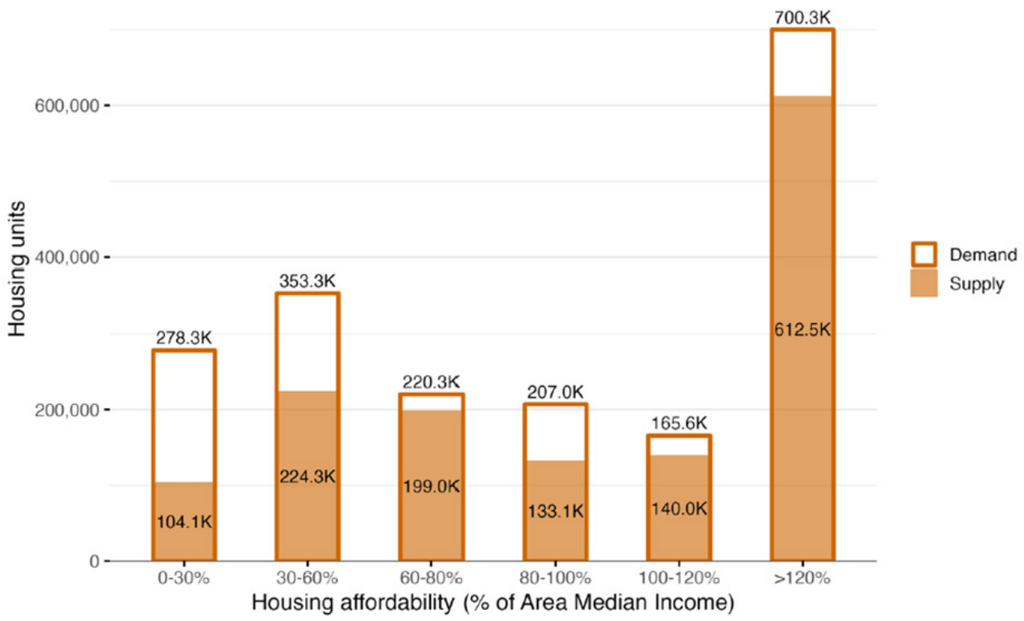
Both Comprehensive Plan 2040 and Blueprint Denver provide guidance to increase housing diversity in residential neighborhoods across the city. For example, Equitable, Affordable and Inclusive Goal 2.A directs CPD to "create a greater mix of housing options in every neighborhood for all individuals and families." And Blueprint Denver Land Use & Built Form: Housing Policy 2 provides guidance to "Diversify housing options by exploring opportunities to integrate missing middle housing into low and low-medium residential areas."

Deficient Housing Supply

Denver's housing supply falls short of the need of current and future residents. According to the State Demographer's Office and Denver Regional Council of Governments (DRCOG), housing unit growth in Colorado and the Denver region did not keep up with the number of new households during the last decade. This led to increased housing prices due to an insufficient increase in supply compared to the increasing demand. Despite the state's significant housing development in recent years, the housing shortage persists, and it is unlikely that the market will deliver the housing needed on its own without intervention. DRCOG's analysis of the regional housing need indicates that the Denver region will need to produce over 216,000 new housing units between 2023 and 2032 to address current demand. Zoning regulations that only support a narrow range of housing types limit the land available for additional housing production and options. Meanwhile, national trends suggest demand for housing units is shifting away from large detached homes as the number of single-person and childfree households increases. National real estate industry organizations report rising customer interest in walkability, affordability and a sense of community that is not being met by traditional detached home development.

Figure 1 shows housing need by income level. As demonstrated by the graph, the housing demand exceeds the current supply and the highest level of need exists in the lowest income levels, but also extends to the highest earning households.

Figure 1: Housing need compared to current supply by income, 2023-2050



Uneven Development Pressure

Several factors have contributed to uneven rates of redevelopment in Denver neighborhoods. In some areas, particularly on Denver's west side, past practices like redlining led to disinvestment and lower property values that persist today. Lower property values in these neighborhoods make them more attractive to market-rate developers who replace existing naturally occurring affordable housing stock with larger, more expensive homes. Additionally, the City's Neighborhood Planning Initiative is working to develop area plans for all of Denver, but is only able to cover a few neighborhoods at a time. In some cases, changes in zoning based on plan guidance has resulted in an increase in development pressure. Other areas of the city where amenities and resources are plentiful, development pressure is resulting in the replacement of smaller, more affordable housing with larger homes that exacerbate the unaffordability of these areas. By undertaking this citywide project to develop a set of strategies to increase the diversity in housing options across all of the city's residential neighborhoods, it is possible to relieve the pressure on certain neighborhoods to provide these needed and desired housing options.

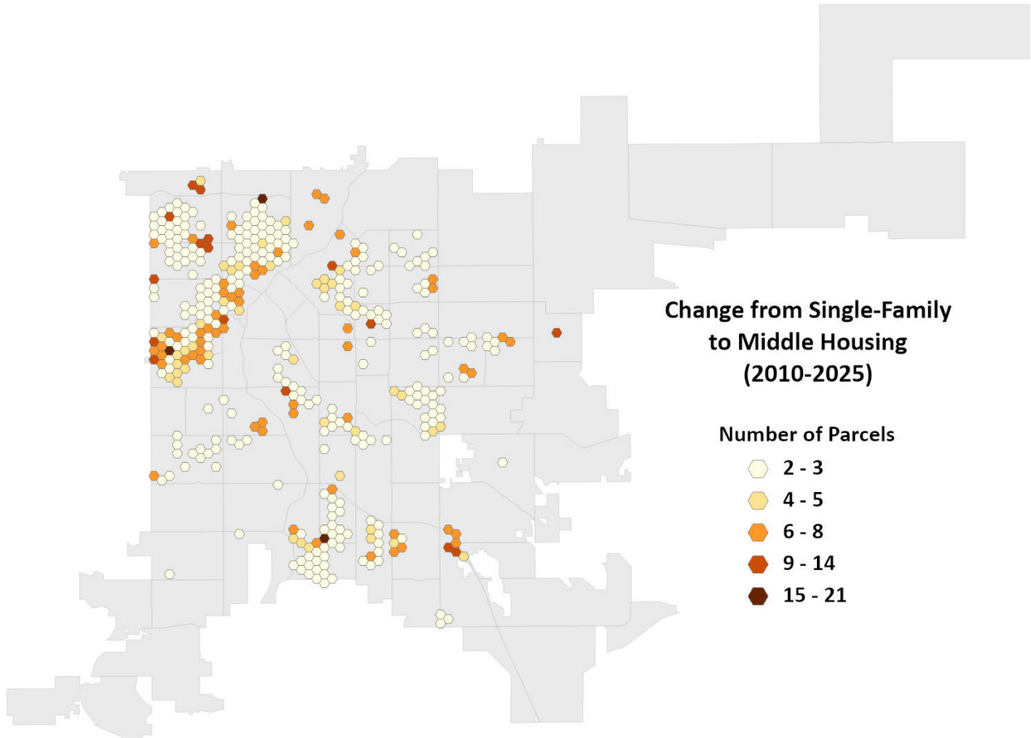


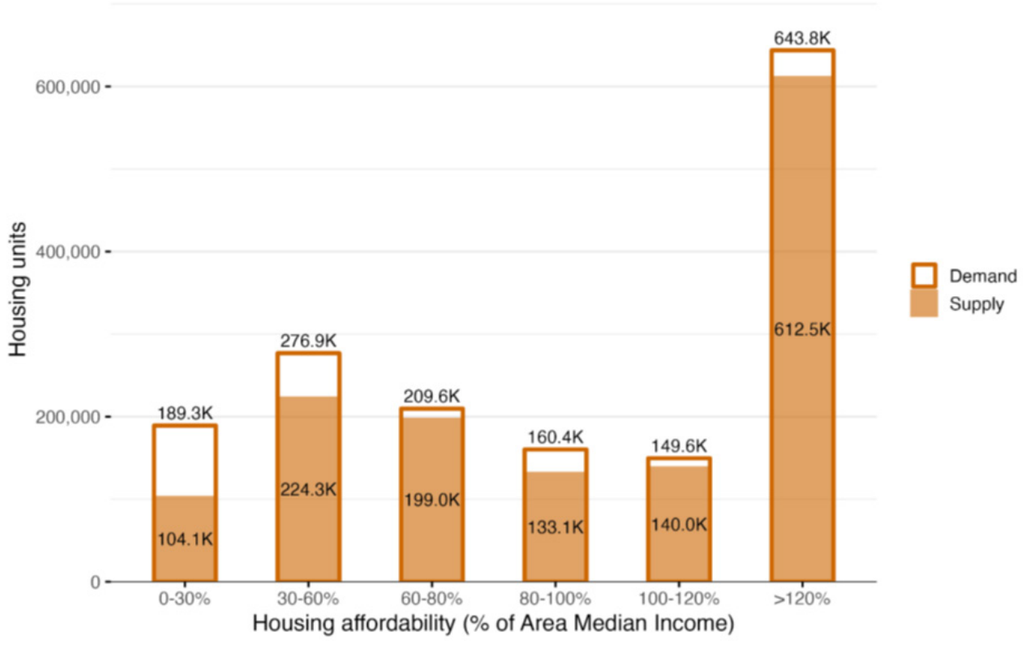
Figure 2: The map above shows the distribution of where single-unit dwellings have been replaced with middle housing types with 2-9 units. Placeholder map. SU-MM Housing map requested from GIS.

Housing Affordability

Denver's main affordable housing programs are targeted toward large-scale, multi-unit development that is most often located in commercial and mixed-use areas. Denver's inclusive housing program, Expanding Housing Affordability, does not require construction of affordable new units created as a part of developments of 2 to 9 units because of market infeasibility, although the program increased the linkage fees collected from such development to fund affordable housing off-site. In addition to mandatory affordable housing requirements, unsubsidized missing middle housing has the potential to serve residents looking for more affordable housing in a residential setting that is within close reach of day-to-day needs, employment, etc. When compared to detached single-unit houses, small multi-unit housing types are typically more affordable while still offering many of the desired traits of single-unit homes like front doors, porches, and locations in more residential areas than larger multi-unit housing options. Missing middle housing developments naturally provide more affordable housing options when compared to single-unit housing or multi-unit housing with 10 or more units in several ways. First, they divide the high cost of land among multiple units on what can now only provide for a single dwelling unit. Additionally, the units built as a part of a missing middle housing development are smaller than the typical single-unit home constructed on a similarly sized lot. Additionally, missing middle housing options require simpler construction methods than larger multi-unit residential buildings which keeps construction costs lower.

The figure below, taken from the DRCOG Regional Housing Needs Assessment shows that the highest level of housing need is heavily skewed toward lower incomes.

Figure 3: 10-Year scaled estimate of housing need compared to current supply by income (Source: ECOnorthwest analysis; DRCOG synthesis of State Demography Office 2022 Household Forecast and U.S. Census Bureau, American Community Survey 5-year 2013 Public Use Microdata Sample estimates; Metro Denver Homeless Initiative State of Homelessness Report, 2022–2023Uneven development pressure across Denver's neighborhoods)



Loss of Existing Housing Options

Throughout the city, moderately-sized market-rate houses, duplexes, and middle housing forms are being demolished and replaced with larger and more expensive housing. This replacement of existing housing contributes to the loss of more moderately priced homes in Denver's residential neighborhoods.

In 2024, there were 66 permits issued to demolish and replace existing single-unit dwellings with larger single-unit homes and duplexes. The average size of the original homes was 1,299 square feet, the average size of the replacement homes was 4,405 square feet. This is an average increase of 3,125 square feet. This is a very small percentage of new housing being developed across the city, but still highlights a concern about how new infill development replaces smaller more affordable housing options.

Of the 3,154 units permitted in 2024:

48 of the units were single-unit demolition/single-unit rebuild

18 of the units were single-unit demolition/duplex rebuild

2%

These represent **2%** of all units permitted

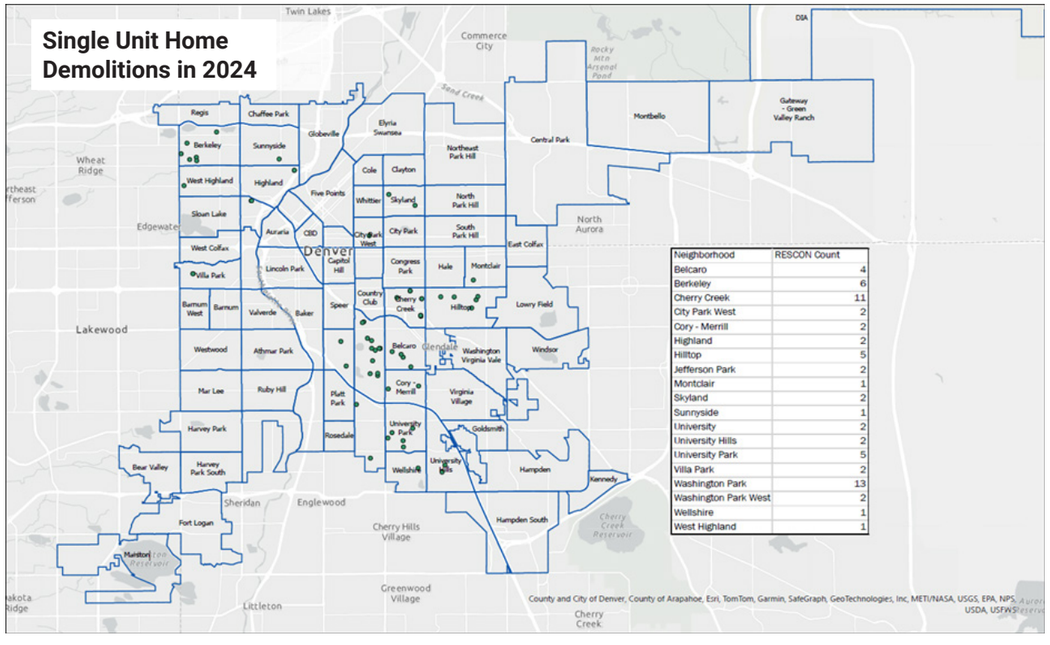
Of the 66 records:

4,405 sf
Average new home size

1,299 sf
Average original home size

3,125 sf
Average increase in square footage

The map below shows the distribution of these records and demonstrates that the majority of these reconstructions are in neighborhoods with high land values. This demonstrates how the loss of these more moderately sized homes in these neighborhoods contributes to the increasing unaffordability in some of Denver's more expensive neighborhoods.



Neighborhood	RESCON Count
Belcaro	4
Berkeley	6
Cherry Creek	11
City Park West	2
Cory - Merrill	2
Highland	2
Hilltop	5
Jefferson Park	2
Montclair	1
Skyland	2
Sunnyside	1
University	2
University Hills	2
University Park	5
Villa Park	2
Washington Park	13
Washington Park West	2
Wellshire	1
West Highland	1

New Housing Doesn't Fit the Character of Existing Neighborhoods

Many new homes built in Denver's residential neighborhoods significantly exceed the size of the house they are replacing and are out of scale with existing buildings in the neighborhood. As discussed in the previous issue, permit data from 2024 shows that when a single-unit residence was demolished and replaced with another house or duplex, the average size of the newly constructed house was 4,405 square feet. This is more than double the median home size of 2,022 square feet sold in the Denver metro area in April 2025 according to the Federal Reserve Bank of St Louis. This highlights the concern in Blueprint Denver: "As infill in these 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." (p. 98) Comprehensive Plan 2040 also highlights this issue and provides guidance in Strong and Authentic Neighborhoods Goal 1.A to "Encourage quality infill development that is consistent with the surrounding neighborhood and offers opportunities for increased amenities." Denver has a history of combatting development outcomes that are incompatible with neighborhood character. The slot home phenomenon is a key example of this and the 2018 text amendment to address the incompatibility with these developments made changes to the allowed building forms to help them fit in better with the surrounding neighborhood character.

Examples of changing neighborhood character in the Hilltop neighborhood