



AGENDA MEMORANDUM

To: Honorable Mayor and Members of Town Council

Through: David L. Corliss, Town Manager

From: Tara Vargish, PE, Director, Development Services
Tammy King, Zoning Manager
Brad Boland, AICP Long Range Project Manager

Title: Discussion/Direction: Accessory Dwelling Unit Regulations

Executive Summary

In 2018, the Town of Castle Rock adopted regulations allowing accessory dwelling units (ADUs) town-wide, with a mix of administrative approvals for internal units and a public hearing/Use By Special Review (UBSR) process for detached units or additions. While intended to provide housing flexibility in allowing an ADU, the UBSR process—requiring neighborhood meetings and public hearings—has proven burdensome for many homeowners looking to add a detached or expanded unit. All ADU applications that have gone through the UBSR process were unanimously approved with no public opposition.

In May 2024, the State of Colorado passed House Bill 24-1152 (HB24-1152), which mandates that many municipalities, including Castle Rock, allow at least one ADU per single-family lot and approve them through an administrative process. The law also limits restrictive local regulations, including those related to setbacks and owner-occupancy.

Castle Rock's existing ADU regulations are largely consistent with the new state law. However, to ensure full compliance and improve the homeowner experience, staff recommends several updates to the ordinance. Key changes include:

- Eliminating the UBSR process for all ADUs in favor of administrative review
- Removing perpetual owner-occupancy requirements, while requiring proof of owner occupancy at the time of permit
- Setting a minimum size for interior ADUs at 750 sq ft
- Clarifying setback rules to ensure they are not more restrictive than those for primary structures
- Expanding allowance of ADUs in all single-family areas, including those with prior PD limitations

These updates reflect feedback the Town has received from ADU applicants and aligns with state law while maintaining the original goals of the ADU program: providing

alternative housing options, increasing housing flexibility, and supporting evolving family needs.

Staff recommends that Town Council direct staff to proceed with drafting and bringing forward the ordinance amendment at a future meeting.

Background

Town Regulations

Town Council approved accessory dwelling unit (ADU) regulations in January 2018 to permit and regulate accessory dwelling units across the Town unless expressly prohibited in a PD. An accessory dwelling unit (ADU) is a secondary smaller, independent residential dwelling unit located on the same lot as a stand-alone single-family home.

The Town's ADU regulations were originally drafted in 2018 to allow for all ADUs to be approved through an administrative process. During the public hearing process, Town Council requested changes to the regulations that would require ADU's go through the Use By Special Review (UBSR) process unless the ADU is within an existing structure and no additional square footage is added to the structure to establish the ADU. Interior remodels, such as basement finishes would be handled administratively through the building permit process. At the time of adoption, Town Council indicated that they would be open to re-evaluate this process after a few years of seeing the outcome of these units and the public feedback to see if the UBSR process was still an appropriate process.

As of the end of 2024, a total of 81 building permits were issued for ADUs. A total of 9 ADUs were approved through the UBSR process. The UBSR process included neighborhood meetings, a hearing at Planning Commission for recommendation, and a hearing at Town Council for final decision. Every ADU that has gone through the UBSR process was approved unanimously and there was no negative public comment at the public hearings. Applicants for ADUs are residential homeowners, and staff has gotten feedback over the years that the public hearing process was lengthy for them and at times felt daunting and onerous.

Other pertinent requirements from the Town's ADU regulations for this discussion are as follows:

- Allowance – Allowed in all residential zoning districts unless expressly prohibited in PD Zoning Regulations
- Owner Occupancy - The property owner must occupy either the primary dwelling unit or the ADU
- Dual Rental Prohibited – A deed restriction is recorded prohibiting the concurrent renting of both the primary dwelling unit and the ADU.
- Size – The floor area of an ADU located interior to the primary dwelling unit shall not exceed fifty percent of the primary dwelling unit. The building footprint of a detached ADU or a new ADU addition to the primary dwelling unit shall not exceed eight hundred square (850) feet

State Law Changes

Colorado House Bill 24-1152 (HB24-1152), enacted on May 13, 2024, aims to increase the number of accessory dwelling units (ADUs) in the state. Most prominently, HB24-1152 requires that certain jurisdictions, such as the Town of Castle Rock, permit the construction of at least one ADU per single-family detached home through an administrative process and that jurisdictions cannot enforce regulations that unduly restrict ADU construction. HB24-115 requires that jurisdictions come into compliance with these requirements by June 30, 2025.

HB 24-1152 sets forth the following requirements that municipalities shall follow;

- Allow ADUs in all single family residentially zoned areas
- ADUs shall be approved through an administrative process
- Sets minimum size requirements
- Prohibits restrictive setback requirements
- Prohibits owner occupancy requirements
- Allows for proof of owner occupancy at the time of building permit issuance

Discussion

Castle Rock led the way among surrounding jurisdictions by allowing ADU's generally town-wide with the 2018 ADU regulations. The Town's ADU regulations comply with the recent state law in many areas, however there are a few items that staff is recommending to change for the benefit of residents as well as to comply with state law. The proposed amended ordinance language (Attachment A) is generally consistent with HB24-1152. Proposed changes include:

- Allowance: Allow ADUs in all single-family residential areas regardless if they had been prohibited in a Planned Development Plan
- Process: All ADUs would go through an administrative process, removing the UBSR/public hearing steps for the detached ADUs
- Owner Occupancy: Adds requirement that proof of owner occupancy at time of building permit of ADU. Removes the requirement for owner occupancy of either the primary dwelling or accessory dwelling unit through perpetuity.
- Size: Sets for a minimum square footage of an ADU that is within the primary dwelling unit of 750 square feet.
- Setbacks: Clarifies setback requirements if zoning districts are silent to accessory dwelling units and does not allow for setbacks of accessory dwellings to be more restrictive than the primary dwelling unit.

Staff Findings

Staff believes that a change to an administrative approval for all ADUs is appropriate due to the lack of controversy surrounding the projects that went through the Use by Special Review process, and the feedback received by some of the applicants. By removing the use by special review process, homeowners will have a more streamlined process that doesn't create the rigor and time to go through the neighborhood meetings and public

hearings. Staff believes that the other changes, including removing the deed restriction for owner occupancy, do not significantly change the intent of the Town's ADU regulations, and help add clarity to the existing regulations.

Staff Recommendation

Staff has drafted a proposed ordinance that would amend the ADU code to address the items discussed above, while maintaining the original intent of Town Council to provide (i) alternative housing options to make more efficient use of existing housing stock and infrastructure, (ii) flexible use of space for property owners, and (iii) a mix of housing type that responds to changing family dynamics. Staff recommends that Council direct staff to bring forward the amendment to the ADU ordinance on a future Council agenda.

Proposed Motions

"I move to direct staff to bring back an ordinance amending the ADU regulations as discussed tonight."

Alternative Motion

"I move to direct staff to bring back an ordinance amending the ADU regulations as discussed tonight with the following changes _____."

Attachments

Attachment A: Sample Draft Ordinance