

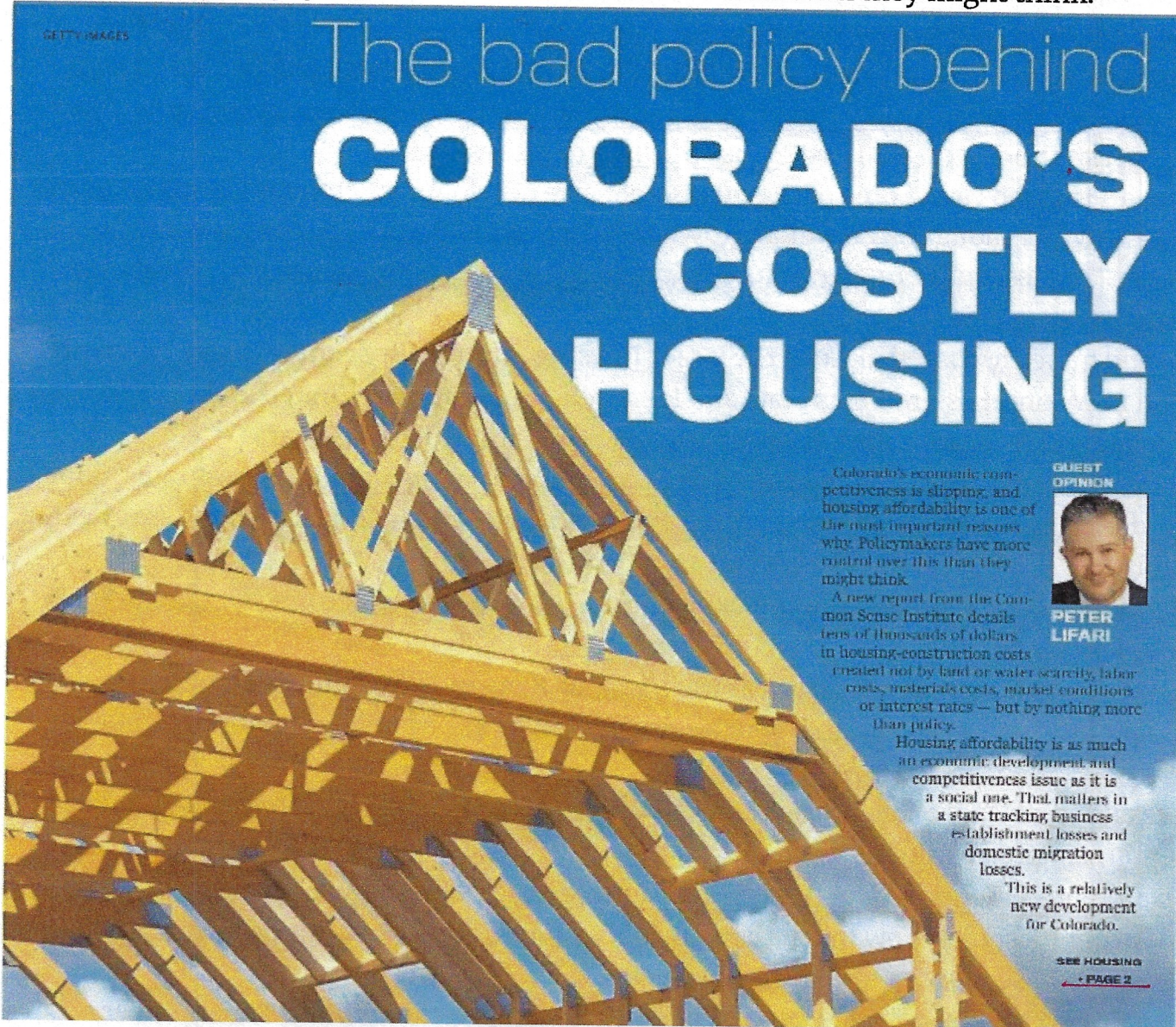
The bad policy behind COLORADO'S COSTLY HOUSING

2026-8-16

Gen R13

The Denver Gazette · 16 Aug 2026 · B1 · PETER LIFARI

Colorado's economic competitiveness is slipping, and housing affordability is one of the most important reasons why. Policymakers have more control over this than they might think.



GETTY IMAGES

The bad policy behind COLORADO'S COSTLY HOUSING

Colorado's economic competitiveness is slipping, and housing affordability is one of the most important reasons why. Policymakers have more control over this than they might think.

A new report from the Common Sense Institute details tens of thousands of dollars in housing-construction costs created not by land or water scarcity, labor costs, materials costs, market conditions or interest rates — but by nothing more than policy.

Housing affordability is as much an economic development and competitiveness issue as it is a social one. That matters in a state tracking business establishment losses and domestic migration losses.

This is a relatively new development for Colorado.

GUEST OPINION



PETER LIFARI

SEE HOUSING
PAGE 2

A new report from the Common Sense Institute details tens of thousands of dollars in housing-construction costs created not by land or water scarcity, labor costs, materials costs, market conditions or interest rates — but by nothing more than policy.

Housing affordability is as much an economic development and competitiveness issue as it is a social one. That matters in a state tracking business establishment losses and domestic migration losses. This is a relatively new development for Colorado. For years, the Centennial State could more or less sell itself on the combined effect of economic opportunity and lifestyle. Businesses could recruit talented

Note

Note

(1)

employees from across the country, and those employees could reasonably expect livability.

What was true last decade is increasingly less true now.

Workers may be attracted to a job, but the offer becomes less appealing if buying a home requires moving far from the workplace, accepting a punishing commute or spending an outsized slice of income on housing. A growing company may like Colorado's educated workforce and entrepreneurial culture, but those advantages are nullified if employees cannot afford to remain here.

CSI's new report helps explain a big part of the problem's severity. The report, "The Cost of Homebuilding in Colorado," examines the government-imposed costs involved in constructing a standard 2,000-squarefoot single-family home and compares those costs across Colorado and with 12 peer cities in the Pacific Northwest, Midwest, Sunbelt and Southeast. Note

Denver, as Colorado's largest housing market, provides the ^{Not} most direct national comparison. There, fees and taxes add more than \$40,000 to the cost of a new home before construction begins — more than double the average policy-created cost across the peer cities researched.

But Denver is not an isolated case. Some of the most expensive development charges identified in the report are found elsewhere along the Front Range, where much of Colorado's new single-family development must occur. The lesson is broader: across Colorado, local policy choices can add substantial costs before a home ever reaches the market.

This is a critical and underdiscussed piece of the larger housing affordability conversation. Much of that conversation now concerns problems state and local policymakers have limited ability to fix: market conditions, labor and resource prices, interest rates or land scarcity in particular.

Not all of these explanations are wrongheaded. Market conditions clearly matter. Interest rates, population growth and income differentials among buyers all contribute. Water and land prices are affected by genuine scarcity.

Materials and labor costs are another common explanation, but they do not account for Colorado's entire affordability problem.

In Denver, base labor and material costs are near the national average. Its composite construction cost index is actually slightly below the national benchmark. Materials are relatively expensive, while installation costs are comparatively lower.

In any case, state and local leaders have little control over national interest rates, commodity markets or the fundamental scarcity of land.

Taxes, fees, permit requirements and review timelines, however, are directly under government control and the report lays out to a dollar how much they can add to a homebuyer's eventual mortgage.

Taxes alone add substantial costs, to say nothing of fees.

Colorado's state sales tax rate is 2.9%, the lowest nonzero state rate in the country. That number, however, disguises the effect of local taxes. Colorado's average local add-on rate is 4.99%, the third-highest in the country.

Denver illustrates the effect. Its combined sales tax rate is 9.15%. CSI estimates that this produces a tax burden of \$7,686 on the materials required to build a typical 2,000-square-foot home. That gives Denver the highest construction-material tax burden among the 12 peer cities in the report — 60% above the national average.

Most cities have some construction-related fees on top of taxes, and here again Colorado communities can be expensive.

In Denver, water and sewer system development charges total approximately \$16,930 for a new residential unit. Denver Water's portion alone reached \$10,450 in July, 91% above the national average. Building permits, plan reviews, and trade permits add another \$4,510, placing Denver among the most expensive cities in the peer group for those charges.

But the statewide comparison is even more revealing. Combined water and sewer development charges range from just \$2,994 in Lamar to \$46,800 in Arvada. Seven Front Range suburbs charge more than Denver's combined total, in some cases by as much as 176%.

There is a lesson for local leaders across Colorado in that variation. Water infrastructure has to be paid for, and fast-growing communities face real capital needs. But when the cost of connecting one new home varies by tens of thousands of dollars depending on which Colorado municipality it happens to sit in, policymakers should at least examine whether those charges are helping or hindering the housing supply they say they want.

The time involved in waiting for a project to come to market imposes other costs.

Denver's average plan review timeline for major residential projects is 209 days. Meanwhile, Salt Lake City's benchmark is 45 days. Based on a 7% construction loan and a \$300,000 land-and-soft-cost balance, CSI estimates that Denver's additional delay creates roughly \$9,625 in avoidable financing costs for each unit.

Denver also illustrates another way policy choices can distinguish Colorado communities from competitors elsewhere. Some of its fees simply do not exist in most peer cities.

Denver imposes homebuilding costs through the Expanding Housing Affordability linkage fee. For a typical 2,000-square-foot single-family home, the EHA fee totals \$16,360. Only Portland has a similar charge among the cities studied, and it is markedly cheaper — approximately \$3,160. Most cities in the comparison group rely instead on voluntary programs, requirements tied to subsidies, or state laws that prevent such mandatory charges.

In other words, some measures intended to increase affordable housing can simultaneously pass additional costs onto new market-rate housing.

These costs not only pass through to homebuyers but can inflame the root cause of Colorado's housing affordability challenges. The state remains tens of thousands of homes short of what its population requires. CSI previously estimated that the Denver metro area alone faced a housing deficit of between 64,000 and 135,000 units in 2024.

This is simple supply and demand. When the number of households seeking homes grows faster than the available housing stock, prices rise. Government cannot solve the problem simply by subsidizing some buyers or designating a portion of a limited supply as affordable. Colorado must make it not only possible but financially viable to build more homes.

The trend in the state's largest housing market should therefore concern policymakers everywhere. Denver's single-family permitting volume has fallen 45% from its 2021 peak, one of the steepest declines among the peer markets studied. Dallas and Phoenix, by contrast, have largely maintained production near or above their 2019 levels.

No single fee caused that decline, and the report does not claim otherwise. Higher interest rates and changing market conditions have affected housing production nationwide. That is only part of the story, though. Policy costs raise the threshold at which a project can make money and lower the tolerance for homes that are naturally affordable to a broader range of income levels.

Policymakers across Colorado should consider the policy atmosphere homebuilders endure, not as individual items but as a whole. A water fee, permit charge, sales tax, linkage fee, or new regulatory requirement might seem small on its own, but the eventual homebuyer does not pay each cost solo. The buyer pays the stack.

That is particularly important because the precise stack differs from community to community. Denver provides one vivid example, but Arvada, other Front Range suburbs, and communities throughout Colorado make their own decisions about utility charges, permitting processes, taxes, and development requirements. Collectively, those decisions help determine whether the state builds enough housing to remain affordable and competitive.

Housing affordability is arguably Colorado's most consequential issue in 2026. It affects family formation, workforce recruitment, business expansion, commuting patterns, and whether younger residents believe they can build a future here.

State and local leaders cannot control national interest rates or global material markets. They do, however, control a meaningful share of the cost imposed on new construction.

More than \$40,000 in government-imposed costs in Colorado's largest city, and development charges that can run even higher elsewhere in the state, are accumulated decisions, not unavoidable facts of the housing market.

Leaders who want more housing and a more competitive Colorado should be willing to reconsider them.

Peter F. LiFari is the chief executive officer of Maiker Housing Partners, a socially conscious public housing authority, owner, operator and developer of multifamily affordable housing based in Adams County. LiFari is the housing fellow at the Common Sense Institute.