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THE

MISSING

MIDDLE HOUSING

AFFORDABILITY

SOLUTION

(WITH CASE STUDIES)

With Karen Parolek

THE LACK OF AFFORDABILITY OF HOUSING IS AN INCREAS-
ING PROBLEM IN MANY PLACES ACROSS THE COUNTRY—
PARTICULARLY IN THOSE THAT ARE WALKABLE AND HAVE
TRANSIT SERVICE. (HOUSING IS GENERALLY DEFINED AS

affordable when householders do not have to spend more than 30 percent of their income on housing.) While there is outsized media attention on the affordability woes of San Francisco, New York, and other high-cost cities, the reality is that a one-bedroom apartment in 99 percent of counties in the United States is not affordable for a full-time minimum wage worker. While the federal minimum wage has remained stuck at \$7.25 since the aftermath of the financial crisis, rents have risen at a steady clip between 2.5 and 4 percent since 2012, according to Harvard's Joint Center for Housing Studies.¹ Solutions to the affordability crisis lie on a spectrum that includes subsidized housing on one end, an increase in supply on the other, and Missing Middle Housing in the middle.

At one end, it's imperative we increase the supply of subsidized housing for households with lower incomes, particularly those that make at or below 60 percent of average median income (AMI). These households do not make enough to pay the true cost of building housing, so the market will not be able to meet the need for this sector without subsidy. For many families the availability of subsidized housing can be the only bulwark against being extremely housing-cost burdened or even homeless.

Barbell of affordable housing solutions showing subsidized housing on left, increasing supply on the right, and providing Missing Middle Housing in the middle.

The Barbell of Affordable Housing



SUBSIDIZE



INCREASE SUPPLY
AT MARKET RATES



However, absent a massive influx of government (likely federal) spending on housing subsidies, the market must be part of any realistic supply-side solution to the housing crisis, and the supply simply has not kept up with the growing demand. The reasons for this, as addressed elsewhere in this book, include a zoning paradigm that drastically limits where and what type of new housing can be built, and resistance from existing residents (known as NIMBYs, or, “not in my backyard”). Fortunately, a growing number of planners and policy makers at the local and state levels are recognizing the dire need for more housing supply, especially in jobs- and transit-rich areas, and are proposing policies to remove barriers to delivery.

Instead of focusing solely on already dense, mid-rise, urban contexts, cities should also look to add housing to their existing walkable but smaller-scale neighborhoods, some of which may be primarily single family. The key is to focus on areas that already deliver walkability or could deliver it with the introduction of more housing, improvements to the public realm, and access to amenities. This is where Missing Middle can be most impactful in delivering housing that is more affordable. Heather Hood from Enterprise Community Partners states, “We used to build smaller and medium-sized housing structures that were the building blocks of integrated neighborhoods. These are those ‘missing middle’ sizes somewhere between the single-family home and the nineteen-plus-unit, multifamily apartment buildings. Now,” Hood goes on, “we can see the genius in this old settlement pattern and find ways to bring it into our futures to achieve both affordability, flexibility, and variety in neighborhoods. Tucking such sizes into neighborhoods can create all levels of affordability, depending on financing, and take some of the pressure off the housing markets where communities are experience displacement’s fatal sting.”

Since Missing Middle Housing types are typically affordable for households with incomes at 60 percent the average median incomes or higher, we often call it attainable housing rather than affordable housing. Here are ways that Missing Middle Housing delivers more attainable housing.

AFFORDABLE BY DESIGN FOR MIDDLE-INCOME HOUSEHOLDS

Missing Middle Housing is affordable by design, which means that it can achieve affordable price points for rental or for-sale units without subsidies. It achieves this by increasing supply and filling the gap for neighborhood living; using simple, lower-cost construction methods; reducing reliance on automobile ownership; using land more efficiently with shared and smaller units; and providing more income opportunities for residents. All of these factors result in an end product that is much more attainable for households, typically those making 60 percent or more of the area median income, or middle-income households.

A number of the case studies in this book highlight Missing Middle projects that are affordable for these income levels, and

Box 3-1

Understanding the Small and Medium Multifamily Housing Stock

In 2017, Enterprise Community Partners, Inc. released a report titled *Understanding the Small and Medium Multifamily (SMMF) Housing Stock*. This report focuses on buildings of fifty units or less, which is bigger than what is classified as Missing Middle, but this research and findings are informative about the role of this segment of the market in the United States in delivering naturally occurring affordable housing choices, and also very telling about the long-term impact on affordable housing of the market building fewer and fewer small and medium apartment buildings. This report classifies SMMF housing as any multiunit building with fewer than forty-nine units. According to this report, SMMF accounted for more than a quarter of all units built in the 1970s and

1980s, but since 1990 it has represented only about 15 percent of new construction. In addition, this report finds that buildings with more than fifty units account for less than 10 percent of all rental units, emphasizing the important role of smaller buildings, such as Missing Middle Housing, in the rental market historically, and confirming that smaller SMMF forms define the most affordable segment of the housing stock, with the most affordable rents found in buildings with two to nine units. Within this same data set we can see that Missing Middle buildings, which we define as two to nineteen units, make up 45 percent of all rental units, thus reinforcing Missing Middle Housing's role in delivering rental housing historically.

the case studies in this chapter are projects that are subsidized and thus affordable to households with lower median incomes. And in almost all cases Missing Middle Housing is more affordable than a single-family home or town house built on the same lot. The Prairie Queen case study delivers attainability by providing units that lease for \$995 per month in triplex and fourplex building types, which is affordable for a household making just over 60 percent of AMI for the city it is located within, while at the same time having larger units in town houses sited on the same block that rent for as high as \$3,000 per month. The Mews Homes were able to sell for around \$25,000 less than a typical town house in the same market due to smaller unit sizes; simple, easy-to-construct design; and the typical two-story height compared to the three-story town house.

REDUCING THE COST OF TRANSPORTATION

Building parking is expensive, especially with the high cost of land in high-demand markets. The cost of building parking is passed on to the buyer or renter, thus increasing the cost of housing. By one estimate, parking costs the average renter \$225 per month.² Missing Middle Housing is inextricably tied to walkable places, so the need for parking is less, which can lower the cost per unit in multiple ways: 1. Decreasing the lot size and overall amount of land needed for each unit; 2. Increasing the number of potential units on a site; 3. Eliminating or reducing the cost of building garages. (For example, a small two-car garage is 625 sq. ft. At \$75 per sq. ft., the cost for building this garage is almost \$47,000. This additional cost can easily be the difference between a household being able to afford to buy or rent a unit or not); and, 4. Providing an option for households to live without a car, and thus eliminating the cost of car ownership. In the United States, the average annual cost of owning a car is nearly \$10,000.³ Approaches to reducing parking requirements are summarized in chapter 7.

SHARING LAND COSTS AND BUILDING SMALLER UNITS

Missing Middle Housing delivers multiple units on the same-size lot as a single-family home, therefore allowing distribution of land cost across multiple units, making them inherently more affordable. Even though they have multiple units, the scale of the buildings can be thoughtfully regulated with maximum widths, depths, and heights, or with floor-area-ratio standards. The units are often smaller than conventional single-family housing, thus making them less expensive to build.

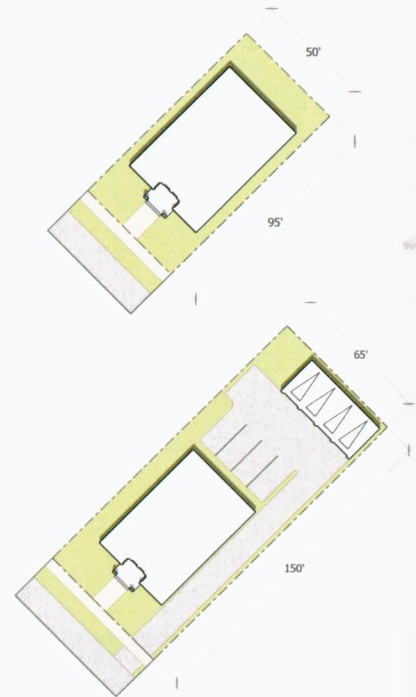
The economic benefits of Missing Middle Housing are only possible in areas where land is not already zoned for large, multiunit buildings, which will drive land prices up to the point that Missing Middle Housing will not be economically viable regardless of how many units can be integrated into a Missing Middle type.

In every market, based on real estate values, the number of units in a building or project needed to deliver units that are affordable by design will be different and should be carefully considered. In some markets a fourplex may deliver the desired target of affordability, and in other markets it may take eight units on the same-size lot to effectively hit affordability targets.

OPPORTUNITIES FOR ADDITIONAL INCOME, OWNERSHIP, AND BUILDING EQUITY

Missing Middle Housing has added bonuses. While it helps contribute affordable-housing solutions, it can also put ownership within reach of more households and provide local business opportunities. Federal home loans can be used for buildings up to four units, which means a homeowner can qualify to purchase a Missing Middle Housing building that could contain their own, more affordable unit, plus up to three additional units, which can provide additional rental income to help subsidize their housing cost.

Historically, Missing Middle types provided lower-income households an opportunity to attain higher-quality living, to build equity, and to move up the social ladder. One such example was in Chicago in the early 1900s, where many two-flat and



The impact of parking on affordability is large. This illustration shows how much more space is required to fit a fourplex on a site when two parking spaces are required per unit versus one without parking. This additional cost of land is directly passed along to renters or buyers.

three-flat building types were built that provided Bohemian immigrants, with some diligent saving and hard work, to earn enough money to buy one of these two-flat buildings and move out of the crowded tenements. This was a great step up from the tenements. The primary reason this was possible for them was that the rent generated from the second and sometimes third units helped them pay their mortgage. Often times, after having spent time in the two flat and saved even more money, many of these households then moved onto Chicago's highly desirable bungalow neighborhoods.

The biggest challenge with this opportunity is the potential buyer or builder having or finding the capital to fund the construction loan for a new building or for a down payment to purchase an

Box 3-2

Hope VI Program and Missing Middle Housing

The Hope VI program was started in 1992 by the United States Department of Housing and Urban Development. The intent of the program was to redevelop the most unsafe and poorly maintained public-housing projects into mixed-income neighborhoods. These projects were not without controversy, but the projects that were implemented under the Hope VI program integrated a broad variety of Missing Middle housing types, including duplexes and fourplexes that were delivered as both subsidized affordable housing as well as market-rate housing. A few examples of Hope VI projects that are seen as successful are the Park DuValle neighborhood in Louisville, Kentucky, and Townhomes on Capitol Hill, in Washington, DC.

Park DuValle integrates 1,050 housing units, including single-family homes, duplexes, town houses, and bungalow courts. Forty percent of the rental and homeownership units are for households earning no more than 50 percent of the area median income (AMI); 30 percent of the units are for households earning up to 60 percent of AMI; and the remaining 30 percent are for households earning more than 60 percent of AMI.

In the Townhomes at Capitol Hill there are 134 units, more than half of which are reserved for households making less than \$54,300 (which is half of DC's area median income of \$108,600). A quarter are reserved for households falling below 25 percent of AMI (\$27,150), a quarter between 25 and 50 percent of AMI (\$27,150–\$54,300), and half between 50 and 115 percent of AMI (\$54,300–125,976).

existing building. But much can be learned from these examples about how Missing Middle types can be used today to creatively deliver attainable housing options.

Small, incremental Missing Middle infill is also an excellent business opportunity for a small local business, and I often recommend that community-development corporations or local banks consider supporting or even incubating these small businesses. This could lead to a groundswell of incremental Missing Middle



The two flat provided opportunities for hardworking immigrants in Chicago in the early 1900s to purchase a home and move up the social ladder. The rent from the second unit was critical in helping them pay their mortgage. Similar strategies to utilize Missing Middle Housing to make homeownership accessible to more households should be created.

Housing development, contributing large numbers of affordable, locally owned housing units. It's the development version of a successful fundraising strategy: making big change through lots of small contributions. It also puts the power to make that change in the hands of the many rather than only a few. Finally, it empowers locals to build equity and benefit from improvements to a neighborhood and broader community.

COMMUNITY LAND TRUSTS

Creative approaches can be used to limit the impact of the cost of land on the short- and long-term affordability of a unit. A community land trust (CLT) is one approach. A community land trust is a nonprofit organization formed to hold title to land to preserve its long-term availability for affordable housing and other community uses. A land trust typically receives public or private donations of land or uses government subsidies to purchase land and develop housing. They are often used for single-family homes but can be a great tool to deliver a broad range of Missing Middle types at even more affordable price points than single-family homes while providing a similar quality of living experience. The homes/units are sold to moderate-to-lower-income families, but the CLT retains ownership of the underlying land and provides long-term ground leases to homebuyers. The CLT typically limits the price homeowners can sell the homes for and also retains a long-term option to repurchase the homes at a formula-driven price when homeowners later decide to move.⁴

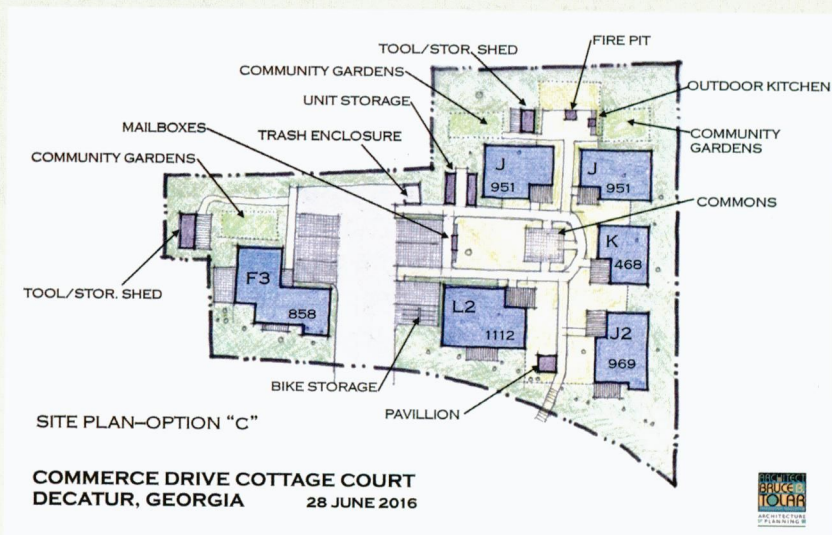
CLTs are particularly efficient with the use of public funds. For example, if a home-buyer assistance program subsidizes the purchase of a home for a low-income person, and that person then owns the home outright, he or she could theoretically sell it a few years later and retain the full value of the subsidy while terminating any long-term affordability of the home itself. Thus, home-buyer subsidy programs are efficient at building wealth in individual homeowners but are very inefficient at creating and preserving affordable-housing supply in a geographic area. In this sense, traditional individual homeowner subsidies are more people-based, and they create an ongoing need for subsidies to deliver the same number of affordable units in a community. On the other hand, the CLT is a place-based alternative that creates permanent affordable-housing stock for generations to come through a one-time subsidy at the outset.⁵

AFFORDABLE MISSING MIDDLE HOUSING CASE STUDIES

The following are a few case studies that demonstrate how Missing Middle is being used in various scales and types of projects across the country with housing subsidies in order to deliver affordable-housing choices to a broader range of households.

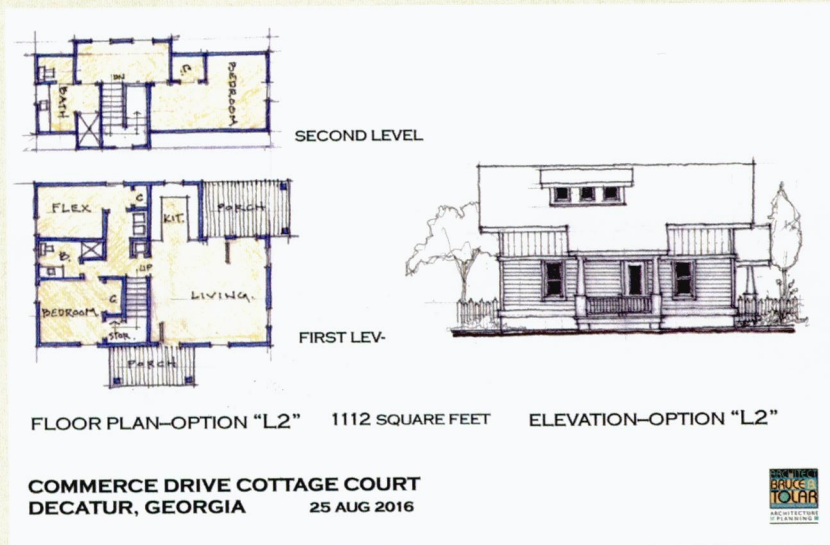
MISSING MIDDLE PILOT PROJECT, DECATUR, GEORGIA: A City-Driven Missing Middle Affordable-Housing Pilot Project

It is not unusual for the development community in a city to initially respond to discussions about the need for more housing diversity or Missing Middle by saying, "It is not viable here." One approach to counter this response is for a city to take the lead on developing a Missing Middle Housing pilot project. As a pilot project, it introduces a housing product that is not already in the market that is intended to prove economic viability and market demand, thus making it easier to finance and reducing the risk for any other developers to begin building Missing Middle Housing.



The six units on a half-acre site are oriented around a shared courtyard.
(Source: Bruce B. Tolar, architect)

The cottages range from 468 to 1,100 sq. ft. (Source: Bruce B. Tolar, architect)



One example got underway in Decatur, Georgia, in 2016. The City of Decatur purchased a half-acre vacant infill property within walking distance to jobs, amenities, and services with the intent to build a cottage court with six homes that will be sold to buyers who make 80–100 percent of the median household income in Decatur, selling at price points ranging from \$100,000 to \$250,000. Buyers will be determined through a lottery, with the City targeting city employees, city school employees, and employees of the Decatur Housing Authority as potential homeowners. The smallest unit is 468 sq. ft., the largest at 1,100 sq. ft., and the remaining homes are 900–1,000 sq. ft.

The City paid for and led the design for a six-unit cottage court with an architect, Bruce B. Tolar, and then went out to an RFP to find a developer and builder partner to build the designed project. This approach, of a city-led design process, is highly recommended. This also enables a city to get a more detailed and solid estimate in proposals from builders and to get a builder on board that is committed to delivering a shared vision. Decatur assistant city manager Lyn Menne stated in an article, “We don’t intend for this project to be a one-off.



Phase one in the implementation of the vision to provide much-needed housing in Sonoma County, California, particularly after the wildfires there, completed. (Source: Sonoma County Habitat for Humanity)

We really want this to be a catalyst for these types of projects throughout our community.”⁶

More than a year into the process, gaining full support from the city and the community, the project ran into a potential roadblock that demonstrates why these types of projects are still missing in communities across the country. The street that the pilot project is located on is a state road, and the one proposed residential-scale curb cut is considered changes within right of way by the Georgia Department of Transportation (GDOT), who manages this right of way. They reviewed the plans and have expressed concerns about the curb cut and wanted a deceleration lane added to address the problem. This not only would have been a bad solution for this context, compromising the compact walkable nature of the place, but also would have reduced the area of the project site. A compromise was made, and the project is now on track for construction.

SONOMA WILDFIRE COTTAGES, SANTA ROSA, CALIFORNIA: Using Missing Middle Housing for Effective Disaster Relief

In October 2017, devastating wildfires torched at least 245,000 acres of Northern California, claiming forty lives, causing nearly \$10 billion in property damage, and destroying over five thousand homes in Sonoma County alone, exacerbating an already

dire housing crisis in the Bay Area. Habitat for Humanity of Sonoma County embarked on an effort to rapidly rehouse displaced residents. They envisioned a pilot project that would showcase different prefabricated building technologies and models of development in order to quickly and inexpensively deliver homes to residents throughout the county. They were interested in exploring whether Missing Middle Housing could play a role in their approach.

Habitat partnered with Cypress Community Development Corp, led by Marianne Cusato, the celebrated designer of the Katrina Cottages, to design and manage the construction of nine cottages clustered around a shared community space. Opticos Design joined the team to lead the site planning. (The ten-acre pilot-project site was graciously donated by Medtronic at their Santa Rosa, California, corporate campus.)

The primary design approach was to create a cottage court with a series of small detached units oriented around a shared community green space. The cottages are one- and two-bedroom units, ranging from 380 to 744 sq. ft. of livable space. Due to the need for quick construction while controlling construction costs, it was important for the team

to compare the performance of a variety of different construction-delivery systems. These systems ranged from complete off-site fabrication to partially off-site fabricated systems that would enable quicker construction.

Construction began in February 2019 and was completed in August 2019. The built homes showcase four different building technologies, including: 1. A components system with light-gauge-steel-and-rigid-foam walls coated in stucco; 2. Structural insulated panels (SIPs) that are prefinished with windows, siding, and drywall before arriving on-site; and, 3. Two different modular manufacturers who built the units completely off-site. The process started



Residents are given keys to their homes on opening day. (Source: Sonoma County Habitat for Humanity)

The process started



with six vendors, but due to pricing and backlog, two dropped out early in the process.

The homes are designed to meet the State of California's strict sustainable-design requirements, CalGreen Title 24, including being solar ready. They also meet the Wildland-Urban Interface Code for hazard areas at risk for wildfires.

Initiated as a demonstration on a donated site in Santa Rosa, the cottages will be rented temporarily to families that lost their homes in the wildfires. The cottages will be relocated in two to five years and sold to Habitat-qualified families. The goal of this pilot

(Photos, pages 64–65) Before-and-after photos show the thoughtful historic rehabilitation that happened as part of the Iberville Off-Site Housing project to deliver affordable housing and reinforce the existing neighborhoods of Treme and Seventh Ward in New Orleans, Louisiana. (Source: Kronberg Wall Architects)



project is to employ the lessons learned to deliver more of these cottages on scattered opportunity sites around the county. This will help Sonoma County Habitat to respond to the high demand for housing by providing much-needed housing supply at attainable price points.

A key component of the project is affordability. The total project cost was approximately \$2 million, including substantial site improvements, units, and fees, with the cost per unit on average just over \$220,000. The one-bedroom units will rent between \$950 and \$1,250 per month, and the two-bedroom units

will rent for \$1,650 per month. By comparison, the average rent for a one-bedroom apartment in Santa Rosa is \$1,730. Residents will only pay one-third of their before-tax income; the rest of the rent will be offset by Section 8 vouchers. Some families are paying less than \$400 a month once vouchers are added. Families' income levels range from 13 percent to 79 percent average median income (AMI).

Ultimately, Habitat and Cusato envision the project will serve as a model for rapid response to disaster-recovery needs throughout the state of California and the United States.

***IBERVILLE OFF-SITE HOUSING, NEW ORLEANS, LOUISIANA:
Utilizing Existing Historic Resources to Deliver Affordable
Housing and to Rebuild Neighborhoods***

When this project began in 2013, more than two hundred thousand residents had returned to New Orleans after Hurricane Katrina. Many of them struggled to find affordable-housing options and to reestablish their communities. Rents had doubled in the previous four years, while median household income was static.

This project took an unconventional approach to developing low-income housing. Instead of tearing down blighted homes (there are 47,738 vacant housing units in New Orleans), the development company Redmellon rehabilitated the homes on the project sites to offer affordable housing while maintaining the distinct architecture of the community. The company sensitively rehabilitated forty-six buildings on twenty-six separate lots—vacant creole cottages, shotgun houses, and bungalows—in the Treme and Seventh Ward neighborhoods, preserving their character while providing modern amenities and sustainable features.

Completed in 2014, the project was a public-private partnership between the Housing Authority of New Orleans (HANO), New Orleans Women's and Children's Shelter, and Redmellon Restoration and Development. Financing for the \$12.1 million scattered-site development was provided in part by affordable-housing and historic-preservation subsidies and low-income-housing tax credits.

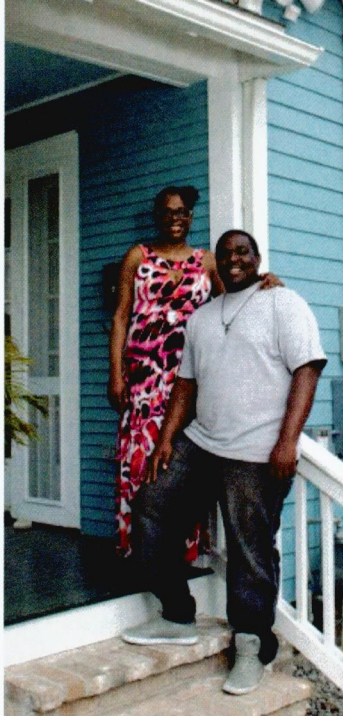
(Opposite Left) One of the historic shotgun duplexes in a tremendous state of disrepair and almost near collapse prior to this project. (Opposite Right) The renovated duplex celebrates the historic structure with attention to detail. (Source: Kronberg Wall Architects)



Map showing the scattered-site approach to renovating buildings in an effort to also stabilize and revitalize the historic Treme and Seventh Ward neighborhoods. (Source: Kronberg Wall Architects)

Redmellon executed the Iberville Offsite Home project in three separate phases that included a total of more than one hundred units. The homes are part of a larger Choice Neighborhoods Redevelopment Plan, a program by the US Department of Housing and Urban Development that supports locally driven strategies to address struggling neighborhoods with distressed public housing through a comprehensive approach to neighborhood transformation. In 2011, HANO and the City of New Orleans were granted \$30.5 million as part of the US Department of Housing and Urban Development Choice Neighborhoods Initiative. The grant award included plans to revitalize the Iberville-Treme neighborhood.

Redmellon partnered with HANO to find former Iberville residents and low-income tenants in need of housing. Based on the location of the particular site, HANO qualified low income as a household making between 20 and 60 percent of the area median income of New Orleans, which the US Department of Housing and Urban Development values at \$60,767. HANO rental subsidies allow residents to pay as little as \$0 to \$360 per month, depending on their household incomes. Long-term affordability is guaranteed via a thirty-five-year legal restriction on the properties that limits occupancy to low-income occupants.



*A few of the happy new residents of the Iberville Off-Site Housing project.
(Source: Kronberg Wall Architects)*

The homes were designed by Kronberg Wall Architects of Atlanta and incorporate original design details such as decorative wood brackets and moldings as well as sustainability features such as new solar panels, tankless water heaters, and energy-efficient heating and cooling systems. The renovations met the challenging guidelines of the National Park Service Secretary of the Interior's Standards for Rehabilitation for historic tax credits as well as the Enterprise Green Community Criteria.

This affordable-housing project focuses on the core goals of the HUD Choice Neighborhoods program, which are housing, people, and neighborhoods. More specifically, the project replaces distressed housing with high-quality mixed-income housing that is well managed and responsive to the needs of the surrounding community. This project demonstrates that it is possible to use an innovative but replicable model to sensitively rehabilitate large numbers of single- and two-unit homes and provide affordable housing in the process.

This project won a Rudy Bruner Award for Urban Excellence and a National Trust Secretary's Award for Excellence in Historic Preservation.

A POWERFUL AFFORDABILITY HOUSING SOLUTION TO HAVE IN YOUR TOOLBOX

Missing Middle Housing is a proven, affordable-by-design housing solution that meets the growing demand for walkable neighborhood living and the need for housing choices at a broad range of price points. It provides a “missing middle” option between subsidized housing at one end and market-rate mid-to-high-rise housing at the other, but does so at a small, neighborhood scale or within house form. The Missing Middle types can also be utilized creatively in subsidized projects to deliver neighborhood-focused affordable-housing options. Therefore, Missing Middle should be a tool in every city’s affordable-housing toolbox.