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# Finding the Middle: Overcoming Challenges to Building Missing Middle Housing

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# Finding the Middle: Overcoming Challenges to Building Missing Middle Housing

by Ryan Winterberg-Lipp

In the Portland metro area and across the state, the demographics of cities are changing. Urban populations and housing prices are rising, while household sizes are declining with an aging baby boomer generation and younger households both delaying marriage and children and having fewer children.<sup>1</sup> With these changing dynamics, many Portland metro communities are looking to missing middle housing types to “provide for the housing needs of citizens of the state” as called for in the Oregon Statewide Planning Goals and Guidelines. With increasing interest in missing middle housing as a way to provide more housing choices for area households while supporting inclusive, sustainable communities, what do metro area

1. Risa R. Proehl, “Who’s Home—A Look at Households and Housing in Oregon,” PDX Scholar (2011) [http://pdxscholar.library.pdx.edu/cgi/view-content.cgi?article=1007&context=prc\\_pub](http://pdxscholar.library.pdx.edu/cgi/view-content.cgi?article=1007&context=prc_pub)

communities need to know to position themselves for housing success?

## What is Missing Middle Housing?

Increasingly, communities are looking to housing models that were prevalent in many American cities before suburban living preferences, the ease of automobile travel, prohibitive zoning, and inequitable lending practices. These communities included a mix of housing types and discrete densities interspersed with single-family homes to form a neighborhood that supported a variety of households. While evocative of many treasured, traditional neighborhoods, this diverse mix of housing types didn’t have a name until recently: missing middle housing.

Missing middle housing represents the gap between single-family housing and higher intensity multi-family and mixed-use build



Source: <http://missingmiddlehousing.com/>

*“Various housing types support household diversity... enabling inclusionary, vibrant communities.”*

ings. These types range from duplexes, triplexes, townhouses, row houses, stacked flats, courtyard housing of various kinds, cottage clusters,<sup>2</sup> and small apartment buildings. Contextually-sensitive missing middle housing can be compatible with single-family homes and may be interspersed in neighborhoods or serve as a transition to higher-intensity or mixed-use corridors. The designers who coined the term often recommend that missing middle housing is no taller than two-and-a-half stories, ranging from two to fourteen units for compatibility with lower-intensity neighbors, while larger missing middle multi-unit buildings may be appropriate in certain contexts.<sup>3</sup> The resulting density may support broader community desires, including walkable retail, amenities, public transportation, and increased “feet on the street.”<sup>4</sup>

#### **Why Is It important?**

Proponents of missing middle housing assert that the various housing types support household diversity, including income, size, age, and preferences for multigenerational living, enabling inclusionary, vibrant communities. Missing middle housing is often smaller, and therefore is generally more affordable than larger homes—both to produce and for the resident. Smaller households, those seeking to downsize, live multi-generationally near each other, or age in community would have increased options through missing middle housing. First-time home buying may additionally be more attainable, and diverse rental options embedded in communities with access to neighborhood amenities like schools and parks would be more available. Missing middle housing can also increase

2. Cottage clusters means a group of small, detached homes clustered around a central outdoor common space. Typically, some of the homes face the common space, while others face the street. The cottages are usually less than 1,000 square feet. Each cottage has its own small yard and covered porch and shares the common space. From the website We Can, “Cottage Clusters,” <http://www.wecaneugene.org/cottage-clusters/>.  
3. Amanda Kolson Hurley, “Will U.S. Cities Design Their Way Out of the Affordable Housing Crisis?” Next City (blog), January 18, 2016, <https://nextcity.org/features/view/cities-affordable-housing-design-solution-missing-middle>.

density discretely without major changes in neighborhood character, conversely supporting the viability of neighborhood commercial districts, higher frequency transit service, and climate change objectives regarding the reduction of auto and fossil fuel dependency. In the Portland metro area specifically, various demographic indicators point to the growing importance of housing that meets these needs and preferences, and research at the Greater Portland Pulse’s Housing Data Hub explains these trends [www.gpphousing.imspdx.org](http://www.gpphousing.imspdx.org).

#### **What’s Being Built**

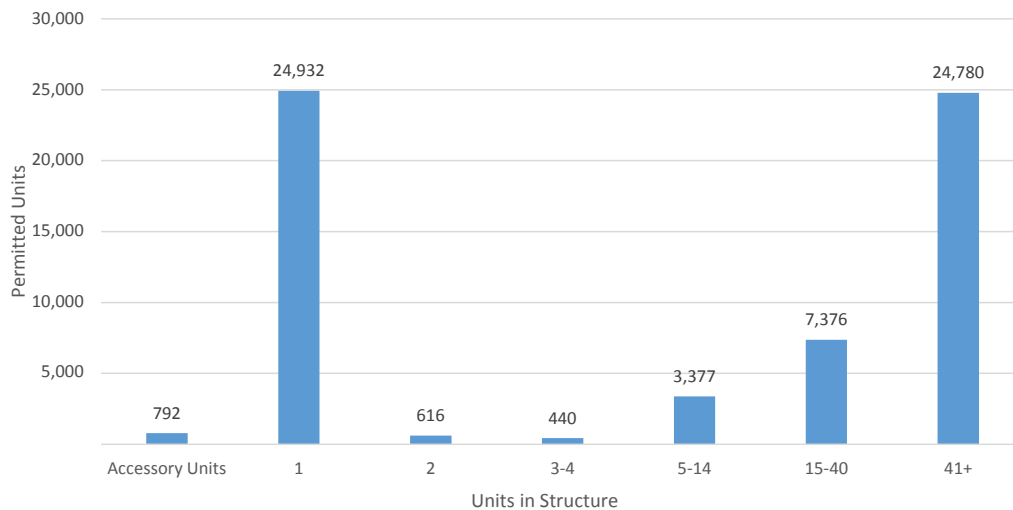
Regional forecasts project that the Portland MSA in Oregon alone will gain over 274,000 households by 2040, a combination of new people and individuals striking out on their own. With a need for housing for these 274,000 new households, how are communities and housing providers meeting their diversifying needs?

According to a study by Oregon’s Department of Environmental Quality, single-family zoning is still a dominant land use in most Oregon cities. Within the Portland Metro urban growth boundary as of December 2015, single-dwelling residential zones comprised 48 percent of all land area and 77 percent of all land area currently zoned for housing.<sup>5</sup> In many metro area communities, the areas where new missing middle housing is permitted may therefore be very limited, though many areas currently zoned for single-family residential may include small-scale multi-family homes that predate zoning regulations.

From January 2010 to January 2018, roughly 62,000 housing units were permitted in

4. Robert Steuteville, “Great Idea: Missing Middle Housing,” Public Square: A CNU Journal (blog), March 22, 2017, <https://www.cnu.org/public-square/2017/03/22/great-idea-missing-middle-housing>  
5. Website of Oregon.gov, Transportation and Growth Management Program, “Report: Character-Compatible, Space-Efficient Housing Options for Single-Dwelling Neighborhoods,” <http://www.oregon.gov/LCD/TGM/Pages/SpaceEfficientHousing.aspx>

## Units Permitted Jan. 2010 to Jan. 2018 in Multnomah, Clackamas and Washington Counties



Source: Construction Monitor

Oregon’s Clackamas, Multnomah, and Washington counties. The breakdown of these units, however, illustrates that the vast majority of the newly-built housing stock may not provide for the needs of an increasingly diverse community. Over this eight-year period, 40 percent of the permitted units were single-family, detached homes, consistent with the high prevalence of single-dwelling residential zoning. Over the same time, an equal 40 percent of permitted units were located in large buildings with forty-one or more units, generally representing high-density, urban apartments with smaller units. At the ends of the housing spectrum, the bulk of these single-family homes may be out of reach for many area households or located in far-flung neighborhoods, while many new multi-family units are generally high-end and do not meet the needs of families.

From 2010 to 2018, only 7 percent of units permitted were located in buildings defined as missing middle housing—generally considered two to fourteen units—demonstrating that the small-scale, discretely dense housing types that historically made up America’s urban neighborhoods truly are missing from housing production today.

### Meeting in the Middle

With housing production concentrated on the extreme ends of the density spectrum

and a growing, diverse population, many communities are looking to missing middle housing to fill the gaps in the current housing supply. For example, the Residential Infill Project undertaken by the City of Portland is seeking to balance the contextual scale of infill housing with increased housing choice to provide more missing middle housing options. In Milwaukie, the city is undertaking a “cottage cluster” housing study to understand the financial feasibility and ideal site design of small home communities. At a plan level, Hillsboro’s Comprehensive Plan 2035 includes a policy to “support innovative design techniques that allow the opportunity for varied housing types, such as, but not limited to, tiny houses, cottages, courtyard housing, cooperative housing, accessory dwelling units, single story units, and extended family and multi-generational housing.” Implementation of this policy recommendation could include missing middle typologies at various scales, demonstrating the relevance of missing middle housing in communities large and small across the metro area.

For communities considering missing middle housing types, what do policymakers and technical staff need to know to position their cities for success? Is the lack of missing middle housing an outcome of prohibitive zoning regulations alone, or are there other regulatory, market, and financing barriers to

creating a range of housing choices at attainable prices? While each community's experience will be unique, understanding the major pieces that must align to realize a community's housing vision is critical, and the following common elements should be part of the conversation.

### **Who Builds Missing Middle Housing**

Missing middle housing is developed by both market-rate and affordable housing providers, and many affordable housing entities and community development corporations have developed, owned, and operated missing middle housing types—duplexes, triplexes, townhouses, row houses, and apartment flats—in the metro area for decades. The lower cost of production, ability to serve families and residents in all life phases, and location in neighborhoods make missing middle housing an important part of quality affordable housing. For-profit developers who have traditionally targeted first-time homebuyers or the workforce housing market often describe themselves as producing “attainable” housing, often in the form of missing middle typologies, but without the specific term. Notably, some developers who have traditionally constructed higher-end single-family housing are also interested in shifting to duplexes, townhouses, and row houses, because single-family development in infill locations is too expensive to be able to sell at a rate the market will support. Acknowledging both a market desire for these products, and the inability to produce single-family housing at a viable price in many communities, the development community's interest in missing middle housing is increasing across the metro area.

In infill contexts, most missing middle developers today are smaller firms. It's important for communities to understand who their housing providers are based upon this development context; larger companies are often better able to hold land longer before developing, and smaller firms are generally unable to purchase and hold land as long with high carrying costs. Entitlement challenges discussed below that add time and cost to missing middle housing projects may be felt more acutely by these small firms.

### **Entitlement Challenges**

Housing developers widely acknowledge that there is limited available land zoned appropriately for missing middle housing in the metro area, consistent with the finding that 77 percent of land within the Urban Growth Boundary zoned for housing is limited to single unit dwellings. Zoning allowance is obviously the first hurdle in constructing missing middle housing, but simply enabling missing middle housing through other multi-family and mixed-use zoning options is not enough. While missing middle housing may not be precluded in an area zoned for mixed-use or higher-intensity multifamily uses, the corresponding market-driven high land value demands higher density development. Missing middle developers often cannot compete with other buyers for land zoned for higher intensities, because they would not be able to offer a comparable purchase price for the land while making less profit from smaller-scale development. While there are numerous technical and design elements to consider, zone districts that are specific to the desired missing middle housing types, but do not allow densities that exceed them, will be critical in implementing missing middle housing policy recommendations.

While not unique to missing middle housing development, unpredictable or protracted development and design review processes are a major impediment to housing provider's ability to deliver desired housing. Development standards that lack clarity or are open to interpretation, and lengthy review and inspection processes increase the time and cost of development, expenses that are often passed on to the owner or renter. When producing affordable or lower-cost housing, the resulting increased development timeline and cost can be especially problematic.

### **Development Economics Challenges**

The high cost of development, including construction materials, labor, land, utilities, and development and permitting fees, is a substantial barrier to housing production. When asked about the impact of development costs, a metro-wide affordable housing provider offered that missing middle housing types have been part of the organization's portfolio

*“There is limited available land zoned appropriately for missing middle housing in the metro area.”*

for over twenty years; however, it is becoming increasingly difficult to build housing that meets the needs of area families with increasing development expenses in various communities. A for-profit developer stated that many downsizing seniors are surprised to see that a newly-constructed row house or duplex is no less expensive than the larger, single-family home they are hoping to leave. The high per-square foot cost of new construction presents a market acceptance challenge, this developer indicated, where missing middle housing may be challenging to sell when single family homes are comparably priced.

While developments with multiple units may often be able to leverage fixed, necessary development expenses—like a driveway, roof, or foundation, for example—developers report 5 to 7 percent increases in material costs annually and a pervasive shortage in skilled construction labor that increases cost. Contractors who are qualified to build a ten-unit project are also likely to be qualified for a forty-unit project; therefore the construction company would likely divert crews and resources to the larger job that pays more and would have greater certainty. Small-scale and especially one-off projects have challenges competing for construction labor and subcontractors.

While not isolated to missing middle housing types, both affordable and for-profit participants indicate that high fixed permit fees, impact fees, utility fees, or systems development charges increased the cost of providing housing. While appropriate development fees are certainly part of a jurisdiction-wide policy conversation regarding effective ways to provide public services and infrastructure, it's important to calibrate these exactions in a way that does not disincentivize missing middle housing.

While there is no widely-accepted best practice, fees based upon the number of units may be a disincentive to providing multiple units in a missing middle housing development. Fee structures that account for the overall size of the structure or are gradu-

ated by unit size or number of fixtures to incentivize smaller-scale housing could be considered, along with calibrating fees on a per-structure basis instead of per-unit, or waiving some fees for additional units in existing buildings. Individual fees will need to be treated differently based upon the impact they account for—transportation, parks, or water quality, for example— but exaction structures that unintentionally disincentivize missing middle housing and reuse of buildings should be identified and amended if a community wants to prioritize these housing types.

### External Challenges

When units are added to existing structures, state building and fire codes may not account for the limitations of older buildings. Codes are generally oriented to new construction, but some states have adopted building codes for existing buildings to preserve the building stock and encourage reuse. For example, the City of Portland's Bureau of Planning and Sustainability commissioned an internal conversion report to explore the technical, building code, and constructability issues with adding units to existing buildings, revealing numerous safety, accessibility, seismic, and energy and building code challenges that may discourage smaller builders from taking on such projects. The engineering and architectural services necessary to account for these design challenges may be cost prohibitive and beyond the construction experience of many small-scale housing providers.

### How Communities Can Set Themselves Up for Success

With an understanding of the barriers and challenges in realizing missing middle housing, what do communities need to do to create missing middle housing opportunities? First, a collaborative mentality and willingness to work with housing providers is critical to create strong partnerships and advance a common housing goal. Municipal leadership often creates this atmosphere, and aligning departments to facilitate the

*“Some state building code standards may present challenges for accessible missing middle housing.”*

***“A collaborative mentality... is critical to create strong partnerships and advance a common housing goal.”***

development process and communicate consistently manifests this mindset. For example, assigning consistent project coordinators who shepherd the development process and coordinate internally advances “one-stop shop” effective permitting structures, reducing time, expense, and risk for housing production.

Many incentives for affordable housing are tailored for higher-density multifamily projects. Identifying what support affordable housing providers need and creating tailored programs and processes will be critical for regulated affordable missing middle housing. Incentives that promote family-sized units, like density bonuses, for example, should be considered so that a range of housing choices are delivered to the market.

To increase the supply of lower-cost housing options, municipally-approved template plans, like cottage clusters, infill homes, and accessory dwelling unit prototypes can be replicated with little review and can reduce the time and expense of development while implementing the community’s vision for new housing. Form-based zoning<sup>6</sup> approaches may also be appropriate for communities seeking to encourage diverse housing options while responding to different neighborhood contexts and allowing housing to adapt over time. A form-based zoning approach can provide the regulatory framework to permit specific missing middle housing types without reaching the permitted densities that result in higher intensity, multi-family development.

Solutions will look different in every community, but new construction, increasing density in existing buildings, and incremental infill development will all be important

6. Form-based zoning is a land development regulation that fosters predictable built results and a high-quality public realm by using physical form (rather than separation of uses) as the organizing principle for the code. A form-based zoning code is a regulation, not a mere guideline, adopted into city, town, or county law. A form-based code offers a powerful alternative to conventional zoning regulation. From the website of FBCI, “Form-Based Codes Defined,” <https://form-basedcodes.org/definition/>.

scenarios to consider, test, and recalibrate for. To truly realize housing choice, communities should attempt to devise regulatory systems and incentive programs that make desired missing middle housing types more profitable for developers than single family homes or high-density apartments. With a successful, predictable system in place, the homebuilding industry will adapt over time to provide more housing choices if opportunities are available, important for creating missing middle housing at a critical scale in different markets.

Identifying building, energy, and fire code standards within the jurisdiction’s authority that disincentivize missing middle housing, especially standards that exceed state requirements, should be considered in the context of broader missing middle housing goals. For standards outside of a community’s authority, advocating for amendments to state regulations will be important, and communities with common goals can align their lobbying efforts.

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