

### #3

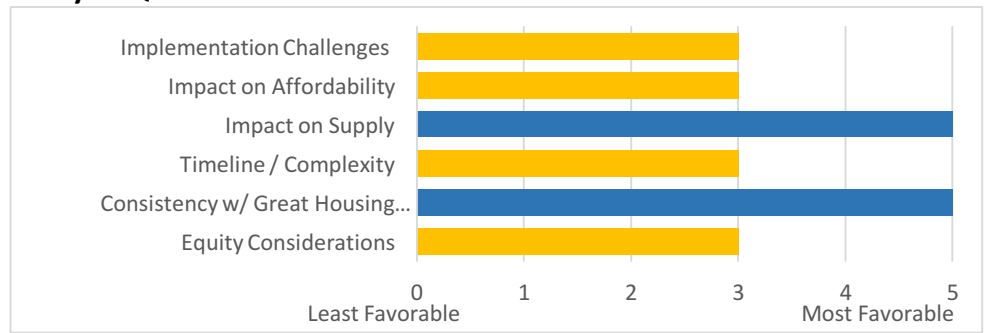
## Incentives for Small Scale Development

### Zoning / Policy Strategy

#### Proposal Summary

Develop incentives for small scale residential development.

#### Analysis Quick Score:



#### If we create incentives for small scale development; then we can expect...

- Higher density in neighborhoods.
- Increased housing choice.
- Increased transit and neighborhood commercial use.

#### Current Conditions

Small scale residential development is also referred to as “missing middle” housing consisting of multi-unit housing types such as duplexes, fourplexes, bungalow courts, and mansion apartments that are not bigger than a large house. The term was coined by architect and urban planner Daniel Parolek, Principal and Founder of Opticos Design, Inc. The concept is to integrate this type of housing into walkable pre-1940 neighborhoods particularly in blocks with primarily single-family homes to provide diverse housing choices and generate enough density to support transit and locally-serving commercial amenities. Although these housing types were common features in pre-war building stocks, many have been replaced and are less common in redevelopment and new construction.

According to Parolek, few of these housing types have been built since the early 1940s due to regulatory constraints, the shift to auto-dependent patterns of development, and the incentivization of single-family homeownership. With shifting demographics and in-migration to urban areas, these designs are a key component to diverse neighborhoods and meeting market demand for walkable urban living. Following are eight defining characteristics of missing middle housing:



**1. Walkable Communities** is considered to be the most important characteristic of missing middle housing types. Buyers or renters of these housing types often are choosing to trade larger suburban housing for smaller homes without yards to maintain that are close to services and amenities such as restaurants, markets, and work.

**2. Medium Density but Lower Perceived Densities** due to the small footprint of the building types and integration with adjacent single-family homes and other building types in the neighborhood. Density of these projects typically ranging from 16 dwelling units/acre (du/acre) to 35 du/acre depending on the building type and lot size, with fewer units or lower acres per unit if design plans are compatible with neighborhood. This figure is generally used as the threshold at which a neighborhood can support public transit and where walkable retail and services become viable.



**3. Small Footprint and Blended Densities**, as mentioned above, are common characteristics of these housing types that have small to medium sized building footprints. The largest of these types of homes, the mansion apartment or side-by-side duplex, may be about 40-50 feet wide, which is comparable to a large estate home.

**4. Smaller, Well-Designed Units** that are comfortable and usable. The smaller unit sizes can help developers keep their costs down and improve the pro-forma performance of a project, while appealing to a larger group of buyers or renters at a

lower price point.

**5. Off-Street Parking Does Not Drive the Site Plan** because the units are built in a walkable urban context. There should be no more than one off-street parking space per unit. Lack of large parking lots supports curb appeal, walkability, and marketability of the units.

**6. Simple Construction** is an important element to make attractive homes within the means of financially constrained buyers/renters. Affordability without compromising quality is achieved through simple forms and construction, smaller size, and reduced parking requirements.

**7. Creating Community** is achieved through integration of shared community spaces, as with courtyard housing and bungalow courts, or simply from the proximity they provide to a larger social community within the neighborhood or building.

**8. Marketability** is the most important characteristic of these housing types, in terms of market viability. These units are close in scale and provide a similar experience to single-family homes. Typically, occupants enter from a front porch facing the street versus walking down an interior corridor to get to a unit.

**References:** *Ideas to Action: Strategies For Building Missing Middle Housing Locally* (presentation MSHDA, Opticos Design, Inc). *Missing Middle Housing: Responding to the Demand for Walkable Urban Living*, April 6, 2012.

## Analysis

Financing mechanisms to create affordable, multi-family housing typically require larger-scale developments. Underwriting for Low Income Housing Tax Credits, for example, favor developments with 30 units or more to maximize development costs and operating efficiencies. Design concepts of missing middle housing are contradictory to traditional investor and underwriter considerations for feasibility and marketability, including higher density and number of required off-street parking spaces.

In 2015, the Michigan State Housing Development Authority (MSHDA) held a missing middle housing design competition. The intent was to highlight design concepts, improve understanding of this housing type, and encourage developers and communities to consider it in redevelopment plans. While MSHDA encourages development of the missing middle housing type, it recognizes financing is not readily available for these types of projects.

### Implementation Challenges







Implementation challenges for development incentives for missing middle housing is unknown at this time. Until specific strategies are identified, it is difficult to determine the level of complexity for implementation. (Score = 3)

### Impact on Affordability



Missing middle housing units appeal to a diverse market (e.g. singles, families, empty nesters). While this style of housing may be considered affordable by design through lot selection in areas that serve to lower transportation costs, construction of smaller units, and use of simple construction, these units can be sold or rented as either affordable or market rate. Affordability would need to be an intentional outcome of the project. (Score = 3)

<p><b>Impact on Housing Supply</b></p> 	<p>Development of the missing middle housing type would increase neighborhood density and increase the housing supply. (Score = 5)</p>
<p><b>Timeline / Complexity</b></p> 	<p>The timeline/complexity for facilitating development of missing middle housing depends on the strategies employed to incentivize such development. (Score = 3)</p>
<p><b>Consistency with Great Housing Strategies</b></p> 	<ul style="list-style-type: none"> <li>✓ Provide a Variety of Housing Choices</li> <li>✓ Encourage Mixed-Income Neighborhoods</li> <li>✓ Create and Preserve Affordable Housing</li> <li><input type="checkbox"/> Support Low-Income and Vulnerable Populations</li> <li><input type="checkbox"/> Support Employers and Workforce Development</li> <li><input type="checkbox"/> Encourage Alternative Transportation &amp; Parking Options</li> <li><input type="checkbox"/> Change Public Perception of Affordable Housing</li> <li><input type="checkbox"/> Advocate for Change to State and Federal Policies</li> </ul> <p><i>Commentary:</i> Great Housing Strategies (GHS) references missing middle housing under the goal to “Encourage Mixed-Income Neighborhoods.” Development of smaller, multi-family housing that currently is not present in many neighborhoods helps to provide a variety of housing choices and may create affordable housing opportunities. (Score =5)</p>
<p><b>Equity Considerations</b></p> 	<p>Development of missing middle housing will advance equity to the extent such housing opportunities are made available to low- and moderate-income households and minority residents. (Score = 3)</p>
<p><b>Possible Alternatives</b></p>	
<p><b>Option A:</b> Consider using the Affordable Housing Community Fund and other City programs to incentivize small-scale development.</p>	
<p><b>Option B:</b> Consider creation of a package of tools that enhance small-scale development, such as zoning allowances, and permit/fee reductions.</p>	
<p><b>Recommendations / Actions:</b></p>	
<p><b>Housing Advisory Committee Recommendation:</b> The Housing Advisory Committee recommended this item as a priority for consideration.</p>	
<p><b>City Commission Action:</b></p>	

**OPTIONAL: Any Specific References.**