

# Association of Bay Area Governments Missing Middle Housing Workgroup

Session 2: September 23, 2021

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**ECONorthwest**

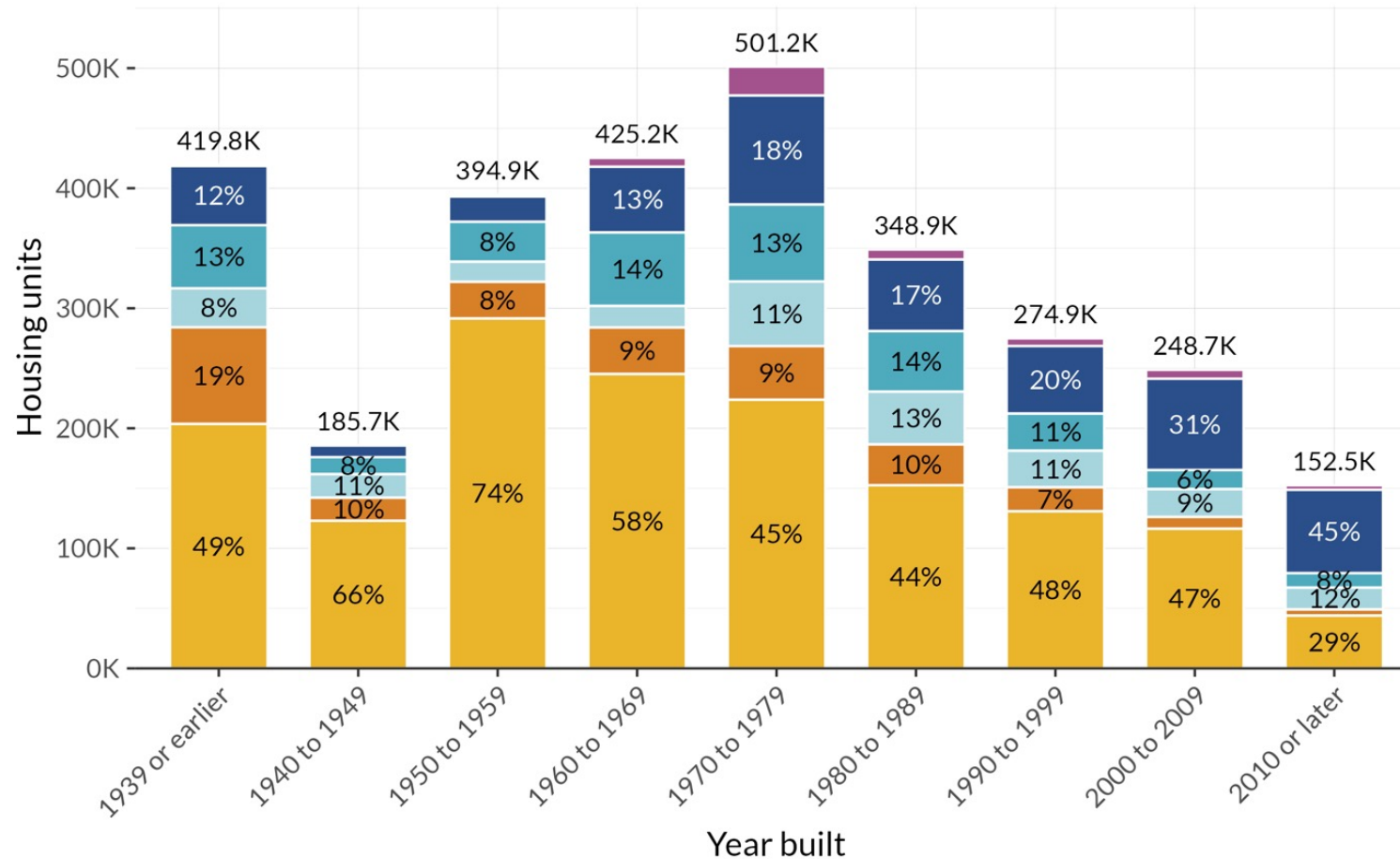
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- Presentation Part 1:
  - Middle housing development trends
  - Middle housing residents
  - Middle housing market conditions
- Questions?
- Presentation Part 2:
  - Other factors influencing middle housing development
  - Middle housing project types
- Questions?
- Breakout Groups
- Report-outs
- Closing



# Middle Housing Development Trends

# Trends over time

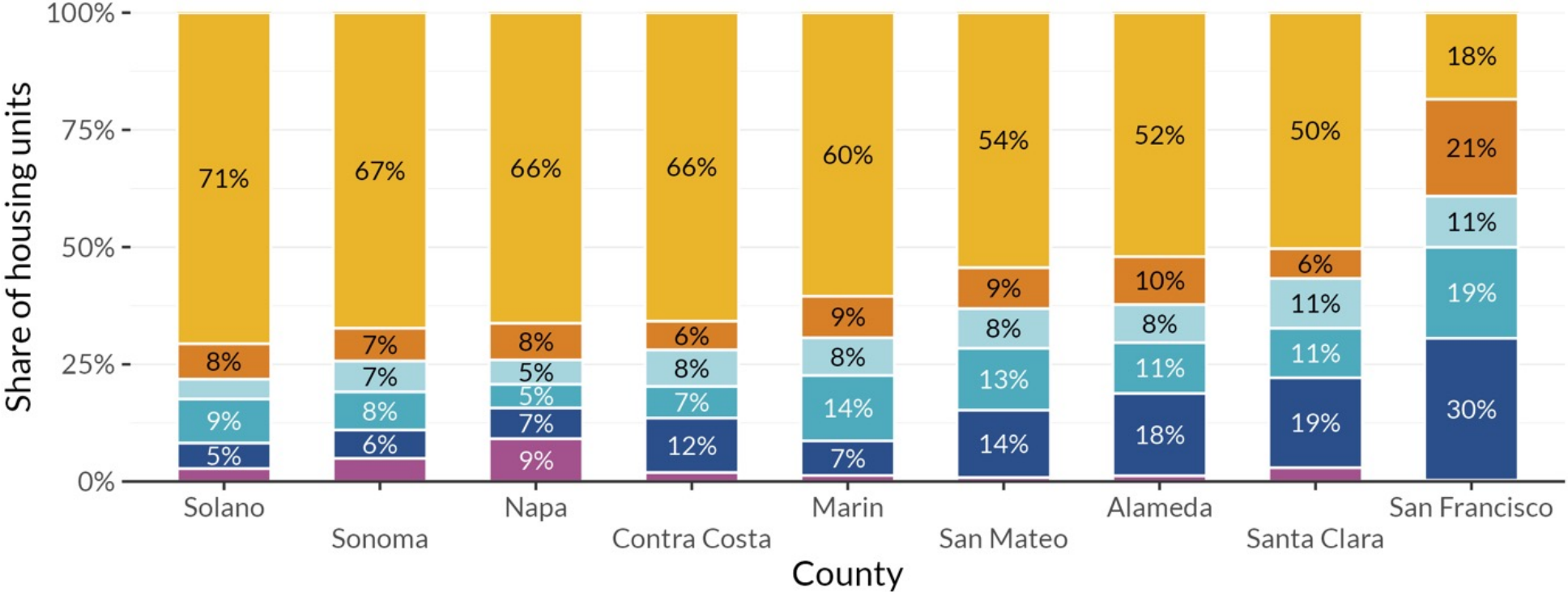


## Housing type



Middle housing was more commonly built before WWII and in the 1970s and 1980s

# Where is Middle Housing?



Middle Housing exists throughout the region but represents a relatively small share of housing units.

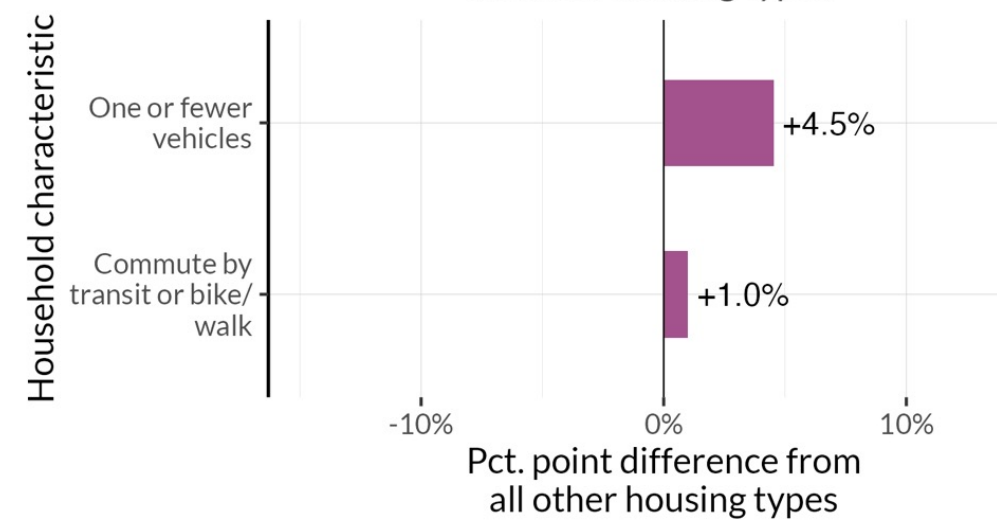
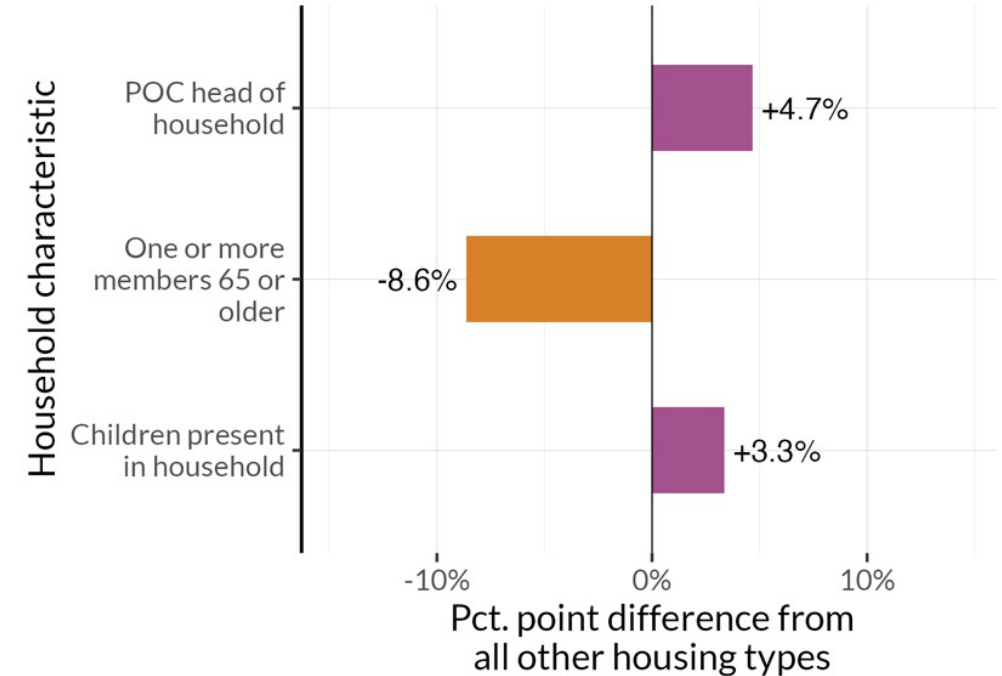
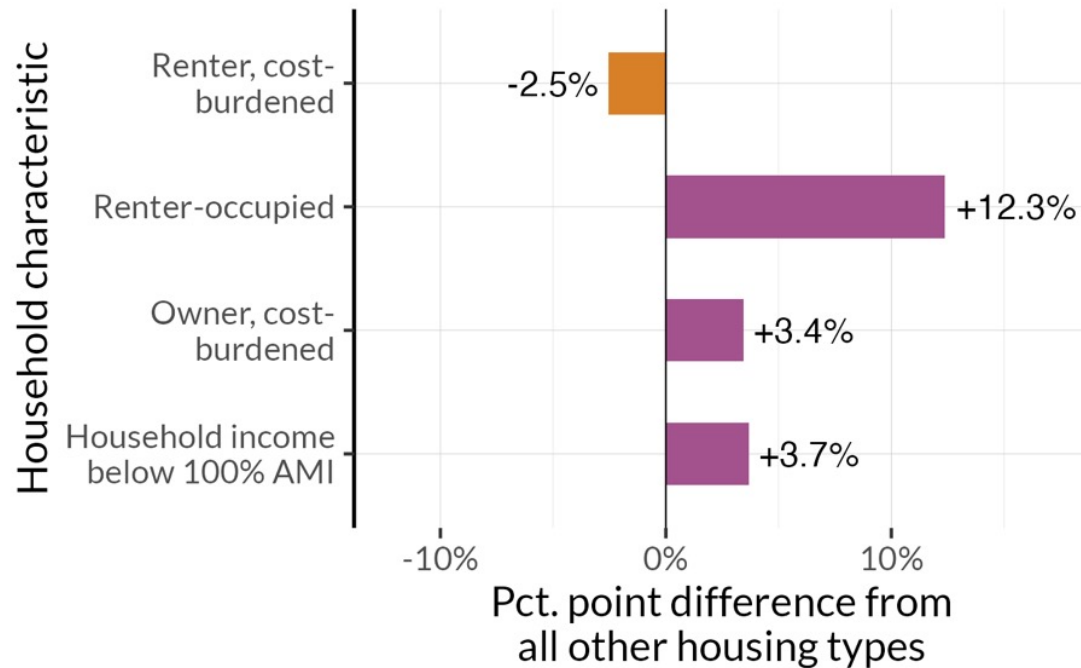
# Middle Housing Residents

# Middle Housing Resident Demographics

Residents of existing middle housing are:

- More likely to be renters, but less likely to be rent-burdened
- More likely to make less than their area's median income
- More likely to include a person of color in the household
- More likely to have children
- Less likely to be over 65

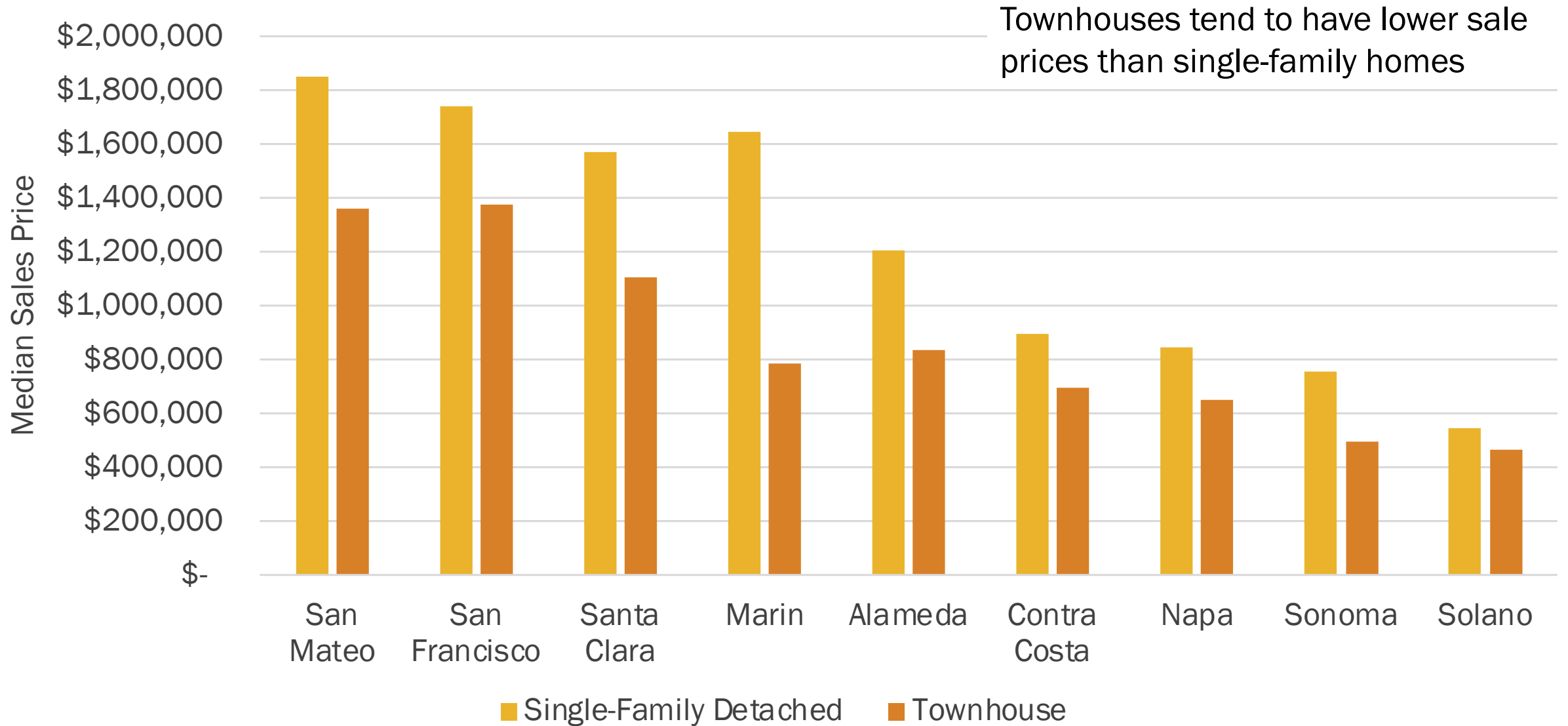
*\*New middle housing may have different demographics, depending on price, unit size, and tenure\**





# Middle Housing Market Conditions

# For-Sale Pricing

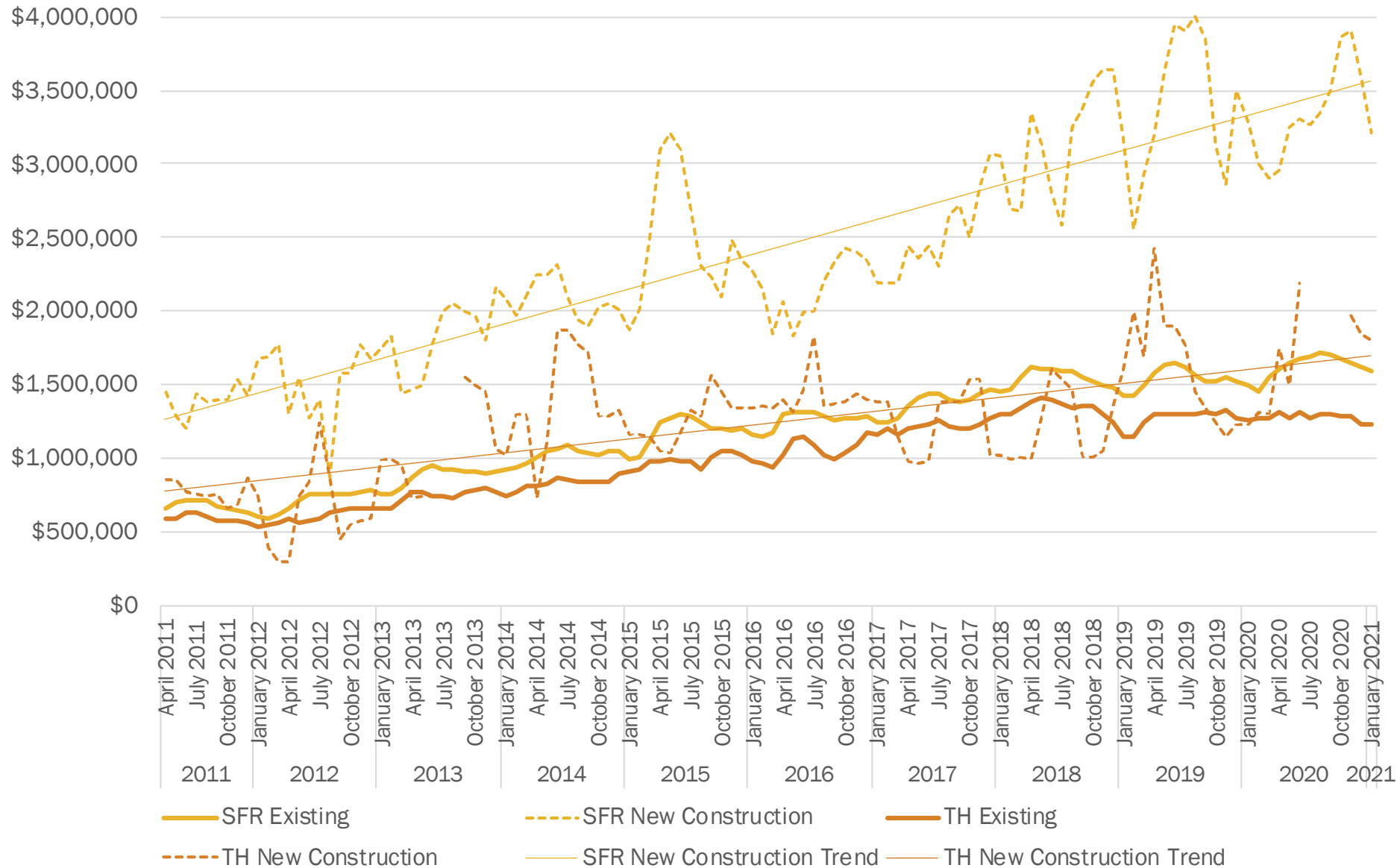


# For-Sale Affordability

	San Mateo	San Francisco	Santa Clara	Marin	Alameda	Contra Costa	Napa	Solano	Sonoma
<b>Townhouse</b>									
Median sales price	\$1,359,700	\$1,374,700	\$1,106,900	\$785,700	\$834,800	\$696,300	\$649,500	\$493,800	\$465,700
Annual income needed to afford mortgage	\$257,770	\$260,530	\$211,330	\$152,330	\$161,350	\$135,900	\$127,310	\$98,700	\$93,540
Annual income needed as a percent of MFI*	172%	174%	140%	102%	128%	108%	125%	99%	91%
<b>Single-Family</b>									
Median sales price	\$1,851,300	\$1,741,400	\$1,571,000	\$1,645,400	\$1,204,300	\$895,900	\$843,300	\$752,600	\$546,300
Annual income needed to afford mortgage	\$348,060	\$327,890	\$296,580	\$310,240	\$229,220	\$172,560	\$162,910	\$146,250	\$108,350
Annual income needed as a percent of MFI*	233%	219%	196%	207%	183%	137%	160%	147%	105%

\*as compared to 100% MFI for a 4-person household. Orange indicates less affordability, blue indicates greater affordability.

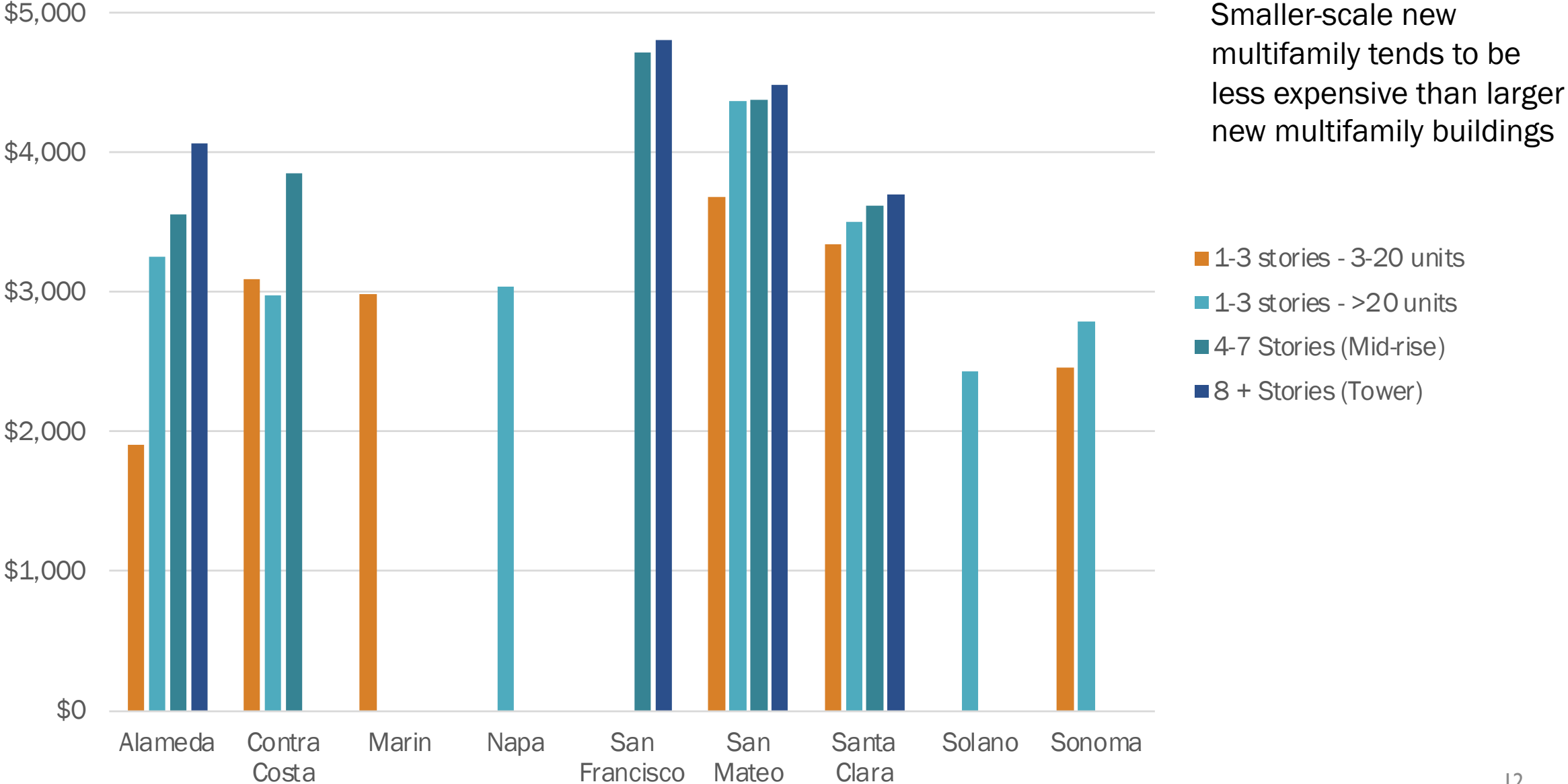
# New Construction Pricing vs. Existing Homes



New single-family homes cost much more than existing homes

New townhouses tend to be close to the cost of existing single-family homes

# New Construction Rental Pricing by Scale

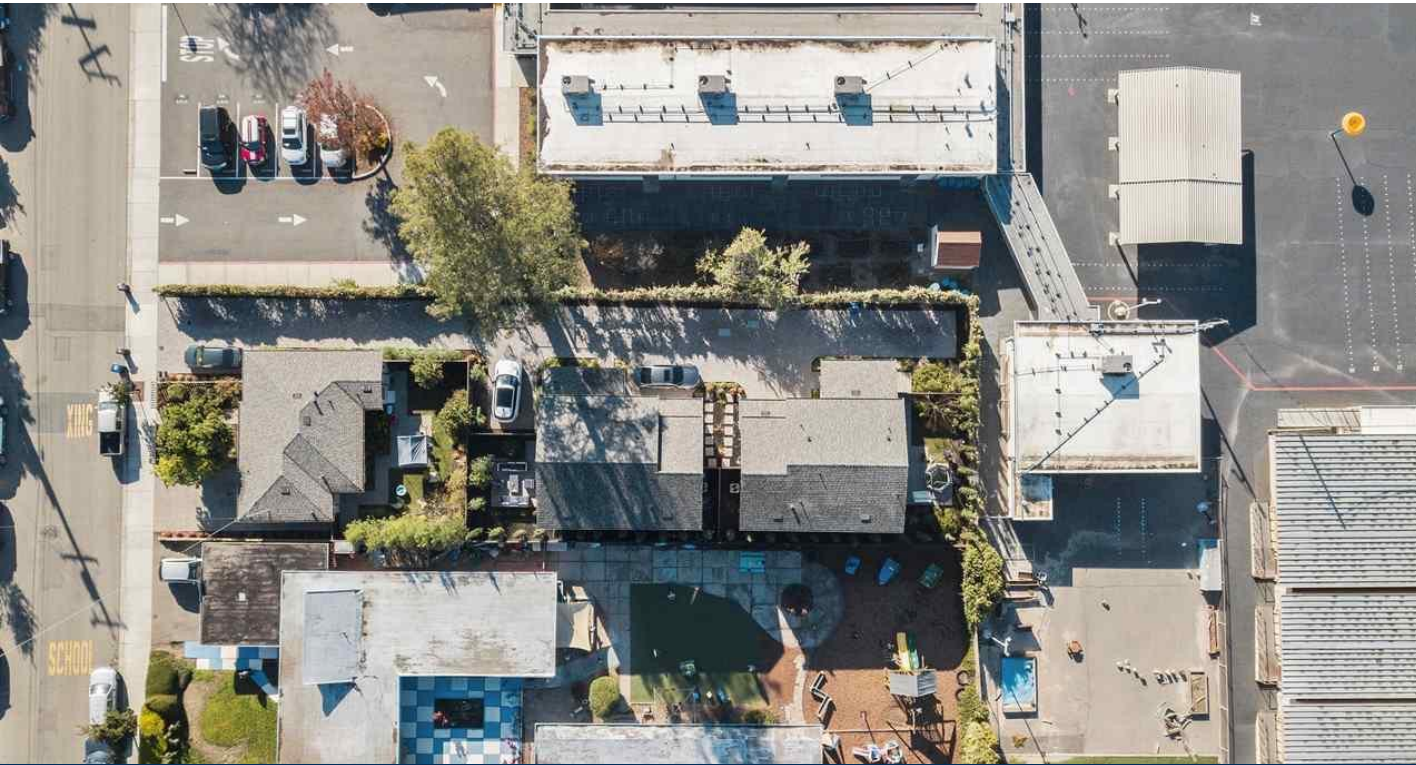


# New Multifamily Rental Affordability

	San Mateo	San Francisco	Santa Clara	Marin	Alameda	Contra Costa	Napa	Solano	Sonoma
<b>Buildings with 20 units or less (built after 2011)</b>									
Median 2-bed rent	\$4,010	\$5,580	\$2,870	N/A	\$2,880	N/A	N/A	N/A	\$2,420
needed to afford rent	\$160,480	\$223,080	\$114,600	N/A	\$115,240	N/A	N/A	N/A	\$96,840
Annual income needed as a percent of MFI*	119%	166%	84%	N/A	102%	N/A	N/A	N/A	104%
<b>Buildings with 21 units or more (built after 2011)</b>									
Median 2-bed rent	\$4,370	\$4,650	\$3,690	N/A	\$3,840	N/A	N/A	N/A	\$2,770
needed to afford rent	\$174,840	\$185,880	\$147,480	N/A	\$153,440	N/A	N/A	N/A	\$110,800
Annual income needed as a percent of MFI*	130%	138%	108%	N/A	136%	N/A	N/A	N/A	119%

\*as compared to 100% MFI for a 3-person household. Orange indicates less affordability, blue indicates greater affordability.

Questions?



# Other Factors Influencing Middle Housing Development

# Tenure & Scale

## Rental



Investor owns property, units rented individually

- Any configuration
- More units = more efficiency
- Low construction defect liability risk

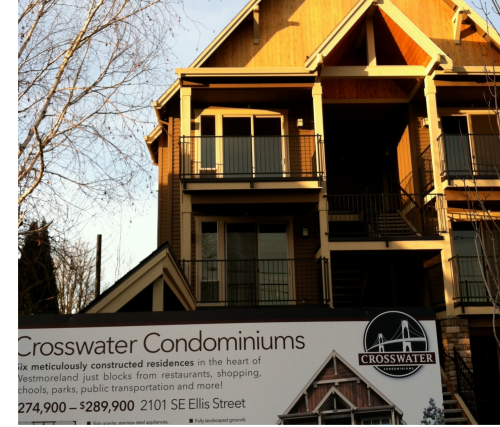
## Owner-occupied Rental



Buyer owns several units, lives in one and rents other(s)

- Any configuration
- Max 4 units for FHA loans
- Low construction defect liability risk

## Condominium Ownership



Buyer owns unit, not land (sometimes exterior of unit)

- Any configuration
- Insurance costs can be prohibitive for small projects
- High construction defect liability risk

## Fee Simple Ownership



Buyer owns unit and land

- Detached or side-by-side, must be able to split lot
- Small or large projects
- Low to moderate construction defect liability risk

# Middle Housing Project Types

## Incorporated into new master-planned neighborhoods

- Generally townhomes, sometimes condominiums or duplexes
- Often clustered within largely single-family detached neighborhoods
- Built by large professional developers / homebuilders

Daybreak, South Jordan, UT



**\$400,000**  
**ORCHID**

Garden Park Condominiums  
by Ivory Homes  
Garden Park Village

2 BEDS | 2 BATHS | 1,791 SQ FT



**\$400,000**  
**AUBURN**

Paseo Collection  
by Ivory Homes  
Cascade Village

3 BEDS | 2.5 BATHS | 2,109 SQ FT



**PASEO COLLECTION**  
By Ivory Homes  
Cascade Village

FROM THE 400s



**\$401,290**

by Holmes Homes  
11601 S. Dorian Drive

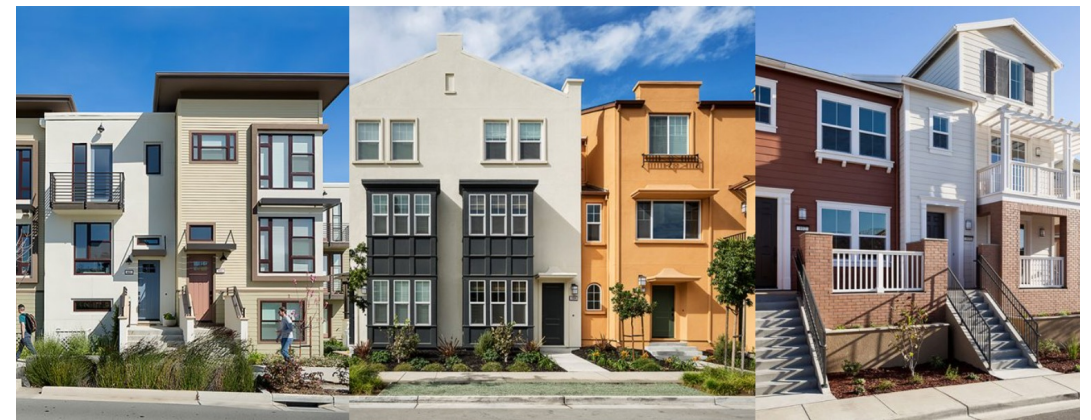
Image Credit: Daybreak Utah

## Large for-sale townhome developments

- Larger groups of townhomes, more multifamily scale than house-scale
- Built by larger professional developers
- Some affordable housing developments (e.g., Habitat for Humanity in urban areas)



*The Redwoods at Montecito, Redwood City, CA*



*Bay Meadows, San Mateo, CA*

## Large townhome or middle housing-style rental developments

- Townhome-style rentals and/or multiplexes grouped on a larger site
- Large professional developers, sometimes acquired by institutional investors
- Can work for affordable rental housing

*Prairie Queen, Papillion, NE*

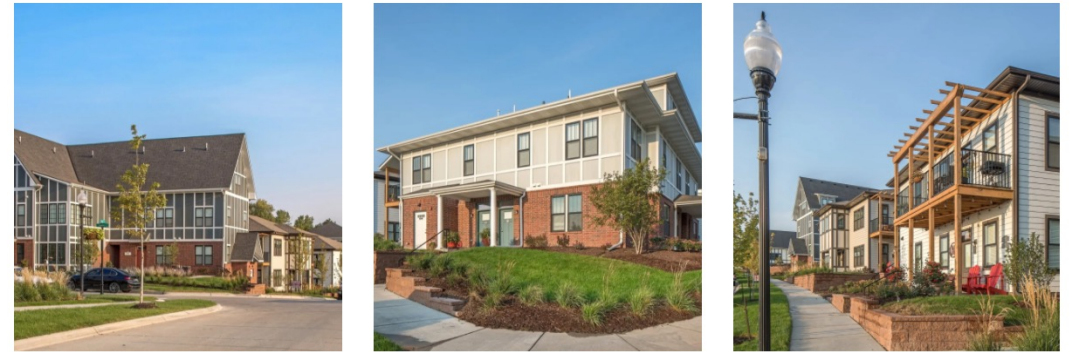


Image Credit: Urban Waters



Image Credit: Veterans Housing Development Corporation

*Windsor Veterans Village, Windsor, CA*

## Upper missing middle housing infill development

- Often in areas that allow multifamily housing, with a strong housing market
- Often smaller, specialized professional developers
- Can work for some affordable housing developers



*Classics at Centennial Place, Redwood City, CA*

Image Credit: Dahlin Group



*Amber Drive (Habitat for Humanity), San Francisco, CA*

Image Credit: Habitat for Humanity Greater San Francisco

## Small-scale middle housing infill development

- Can take many forms, ownership or rental
- Often built by smaller, specialized developers, sometimes local entrepreneurs
- Occasionally built as affordable housing

*Riverhouse Pocket Neighborhood, Healdsburg, CA*



Image Credit: JZMK Partners



Image Bridgeway Realty

*Duplex, Oakland, CA*

## Middle housing conversion

- Sometimes built by smaller, specialized developers (e.g., Fix & Flip model), sometimes local entrepreneurs
- Mix of for-sale (usually condo) and rental



Image Credit: Portland For Everyone

*Fourplex conversion, Portland, OR*



Image Credit: Orange Spot, LLC

*Sabin Green, Portland, OR*

Questions?

# Break-out Groups

# Discussion Questions

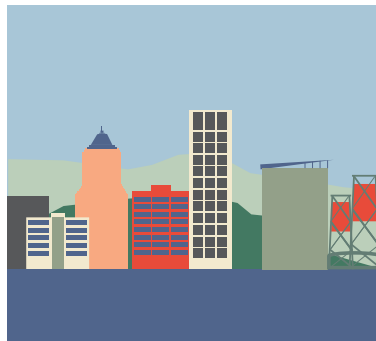
- What info was surprising to you? What was not surprising?
- Which middle housing project types, if any, have you seen recently in your community? Where are they being built, and who is building them?
- Which middle housing project types would you like to see in your community? Where do you hope to see those projects built?
- What market factors do you think may affect middle housing development in your community?

# **ECON**Northwest

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