



Technical Assistance
for Local Planning
HOUSING

Missing Middle Housing Work Group

Work Session 4 / October 21, 2021

Making Middle Housing Affordable

Missing Middle Work Group #4

Agenda

3:00 pm Introduction

- *What we've covered*
- *Today's focus and agenda*

3:10 pm Making Middle Housing Affordable

- *How does affordable middle housing happen?*
- *How to encourage affordability*
- *Q & A*

4:00 pm Breakouts

- *Jurisdiction discussions*

4:50 pm Look-ahead

5:00 pm *close*

Our Team

Opticos Design

- Stefan Pellegrini
- Tony Perez
- Beth Cichon
- Singeh Saliki

ECONorthwest

- Tyler Bump
- Becky Hewitt

Baird+Driskell Community Planning

- David Driskell
- Josh Abrams
- Brandi Campbell Wood
- Corinne Tsai



For Work Group Meeting Videos, Summaries + Products

www.abag.ca.gov

- > Our Work
- > Housing
- > Regional Housing Technical Assistance
- > Local Assistance - Grants, Collaboratives and Work Groups

or search “ABAG Housing Work Groups”

Where We're At

- 08.26 What Is the “Missing Middle”?
- 09.23 The Middle Housing Market
Bay Area Middle Housing Market Report
- 10.07 Making Middle Housing Happen
Guidebook on Zoning for Middle Housing
- 10.21 **Making Middle Housing Affordable**
Affordability Strategies for Middle Housing
- 11.10 **Middle Housing + RHNA**
Middle Housing + RHNA Guidance Memo
Interactive Tool on Middle Housing Feasibility
- 12.09 **Talking About Middle Housing**

Group Poll

- What tools do you currently use to support affordable housing?
- What tools are you considering, or might you consider, to support affordable middle housing?
- What tools are a no-go for you?

Association of Bay Area Governments Missing Middle Housing Workgroup

Session 4: October 21, 2021

ECONorthwest Presenters:

Tyler Bump, Project Director

Becky Hewitt, Senior Project Manager

ECONorthwest
ECONOMICS • FINANCE • PLANNING

- How does affordable middle housing happen?
 - Examples of affordable middle housing development
- How to encourage affordability?
 - Examples of local programs and incentives
 - What does it take to get to different levels of affordability?

How does affordable middle housing happen?

How does affordable middle housing happen?

Fully affordable
middle housing
developed by
non-profit /
mission-driven
developers

Mixed-income /
“shallow”
affordability by
market-rate
developers

Lower-cost
market rate
middle housing
by market-rate
developers

0-30% AMI

30-60%
AMI

60-80%
AMI

80-100%
AMI

100-120%
AMI

120+%
AMI

Non-Profit Development of Middle Housing

Byron Wetmore

- **Location:** Mount Baker, Seattle, WA
- **Type:** affordable rental housing
- **Size:** 12 units
- **Status:** Built in 1992
- **Income range:** 40-50% of AMI
- **Developer:** Community Roots Housing (nonprofit / community-based organization)
- **Public support:** specific sources not listed



Image credit: Community Roots Housing



Image credit: Apartmentfinder.com

Amber Drive

- **Location:** San Francisco, CA
- **Type:** Affordable homeownership
- **Size:**
 - 8 units (2BR and 3BR)
 - 6,400 sq ft
- **Status:** Under construction
- **Income Range:** 40-80% of AMI
- **Developer:** Habitat for Humanity (Nonprofit)
- **Subsidy:** land donation (private party), other donations



Image credit: Habitat for Humanity Bay Area

Nonprofit/Mission-Driven Development of Middle Housing

C-Street Co-op

- **Location:** Springfield, Oregon
- **Type:** Limited Equity Co-op
- **Size:**
 - 2 units (home + ADU)
 - Set up as 6 1-bedroom suites
 - 5400 sf lot (45'x120')
- **Status:** Completed September 2021
- **Income Range:** 60% of AMI
- **Developer:** Cultivate (B-Corp) and Square One Villages (Nonprofit)
- **Public support:** CDBG, grants (~\$20,000 per suite)

Development Structure

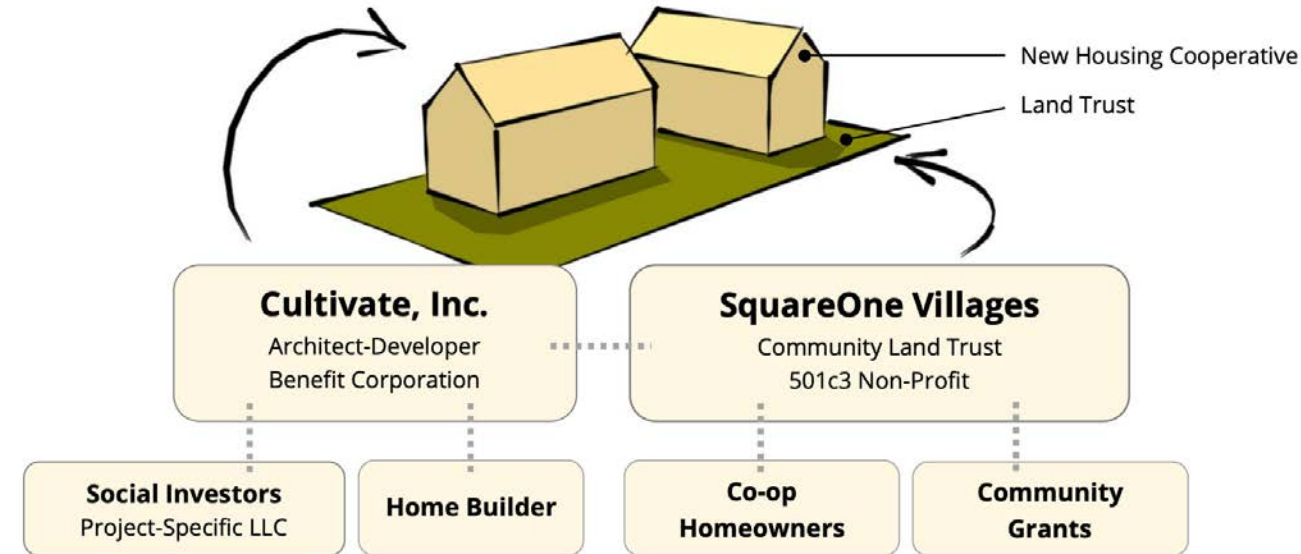


Image credit: Cultivate, Inc.



Image credit: Square One Villages

“Shallow” Affordability by Market-rate Developers

6606 N Greenwich Ave.

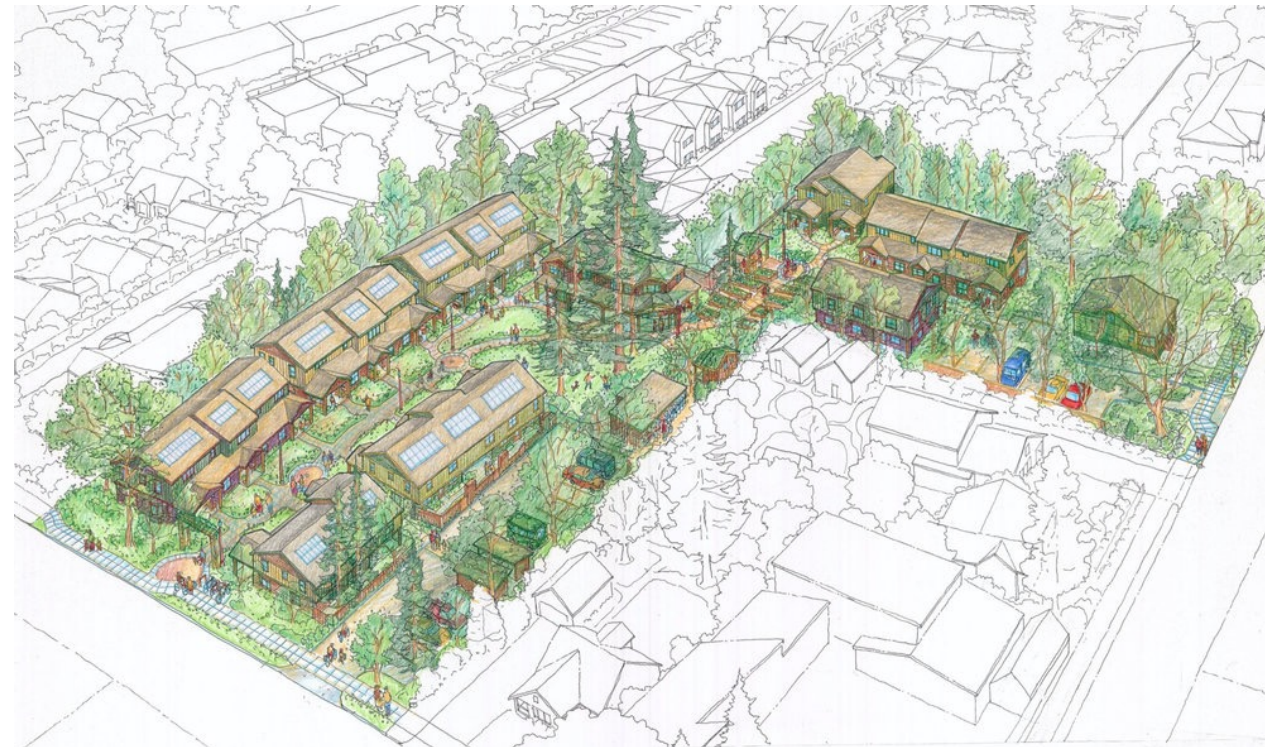


Image credit:

- Location: Portland, OR
- Type: Affordable condominium
- Size:
 - 12 units (4 1BR, 8 2BR)
 - 3 Stories
 - 0.11 acres
- Income range: 80% AMI
- Developer: for-profit developer, typically builds high-end single-family and small apartment buildings
- Public support: 10-year property tax abatement, impact fee waiver

Cully Green Cluster Housing

- **Location:** Portland, OR
- **Type:** Affordable homeownership
- **Size:**
 - 22 units – duplexes and townhomes
 - 800 – 1,500 sq. ft. units
 - 3 affordable CLT units
 - Voluntary IZ
- **Status:** Under construction
- **Income Range:** 80% - 120% AMI
- **Developer:** Orange Splot, LLC
- **Subsidy:** property tax exemption, impact fee waiver, density bonus.



Revere Avenue Renaissance

- **Location:** Bend, Oregon
- **Type:** Mixed-income development
- **Size:**
 - 12 units (6 1BR affordable rental units + 6 market-rate for-sale townhomes)
 - ~ 1/2 acre
- **Status:** Completed 2016
- **Income Range:**
 - Affordable 1BR units: 60% of AMI for ~3 years
 - Market-rate townhomes: unrestricted, moderate- to high- priced for area
- **Developer:** small, local for-profit developer
- **Public support:** density bonus, City affordable housing fund loan (3 years), impact fee exemption (?)



2019 SE Harold St Fourplex

- **Location:** Portland, OR
- **Type:** Condominium
- **Size:**
 - 4 units (2 2BR, 2 4BR)
 - 6,200 sf lot (50'x124')
- **Status:** Built in 2018
- **Income range:** unregulated, but lower sales prices than any other homes in the neighborhood
- **Developer:** for-profit homebuilder/developer
- **Public support:** None



Questions / Discussion

How to encourage affordability?

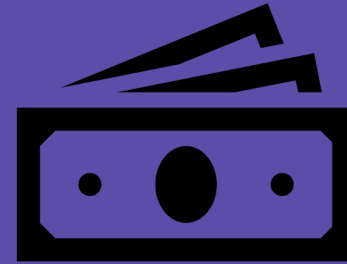
How to encourage affordability?



Code
Incentives



Financial
Incentives



Funding
(grants/loans)



Land
(site control)

Less resources,
less impact

Greater resources,
greater impact

- Density Bonuses
- Reduced Parking Requirements
- FAR Bonuses
- Height bonuses
- Other code flexibility

Portland Residential Infill Project

Overview

- Allows duplexes, triplexes, and fourplexes in all SF residential areas
- Graduated FAR structure incents smaller unit production
- FAR bonus for affordability
- “Deeper Affordability Bonus”
- Impact fee waivers
- Property tax exemption



Image credit: City of Portland

Portland Residential Infill Project

- FAR Affordability Bonus
 - 1 affordable unit at 80% MFI = FAR increase of 0.1
- Deeper Affordability Bonus
 - 50% of units at 60% MFI =
 - 2 extra units (max 6 total)
 - FAR up to 1.2
 - 5' height bonus

		Zone								
		R7			R5			R2.5		
# of Units	Allowed Housing Type	Min. lot size	FAR		Min. lot size	FAR		Min. lot size	FAR	
			Base	With bonus		Base	With bonus		Base	With bonus
1	House	4,200 sq ft	.4	n/a	3,000 sq ft	.5	n/a	1,600 sq ft	.7	n/a
2	Duplex <i>or</i> house + ADU		.5	.6		.6	.7		.8	.9
3	Triplex <i>or</i> duplex + ADU <i>or</i> house + 2 ADUs	5,000 sq ft	.6	.7	4,500 sq ft	.7	.8	3,200 sq ft	.9	1.0
4	Fourplex									
Current allowed FAR (based on setbacks, height, building coverage)		1.1 FAR			1.35 FAR			1.75 FAR		

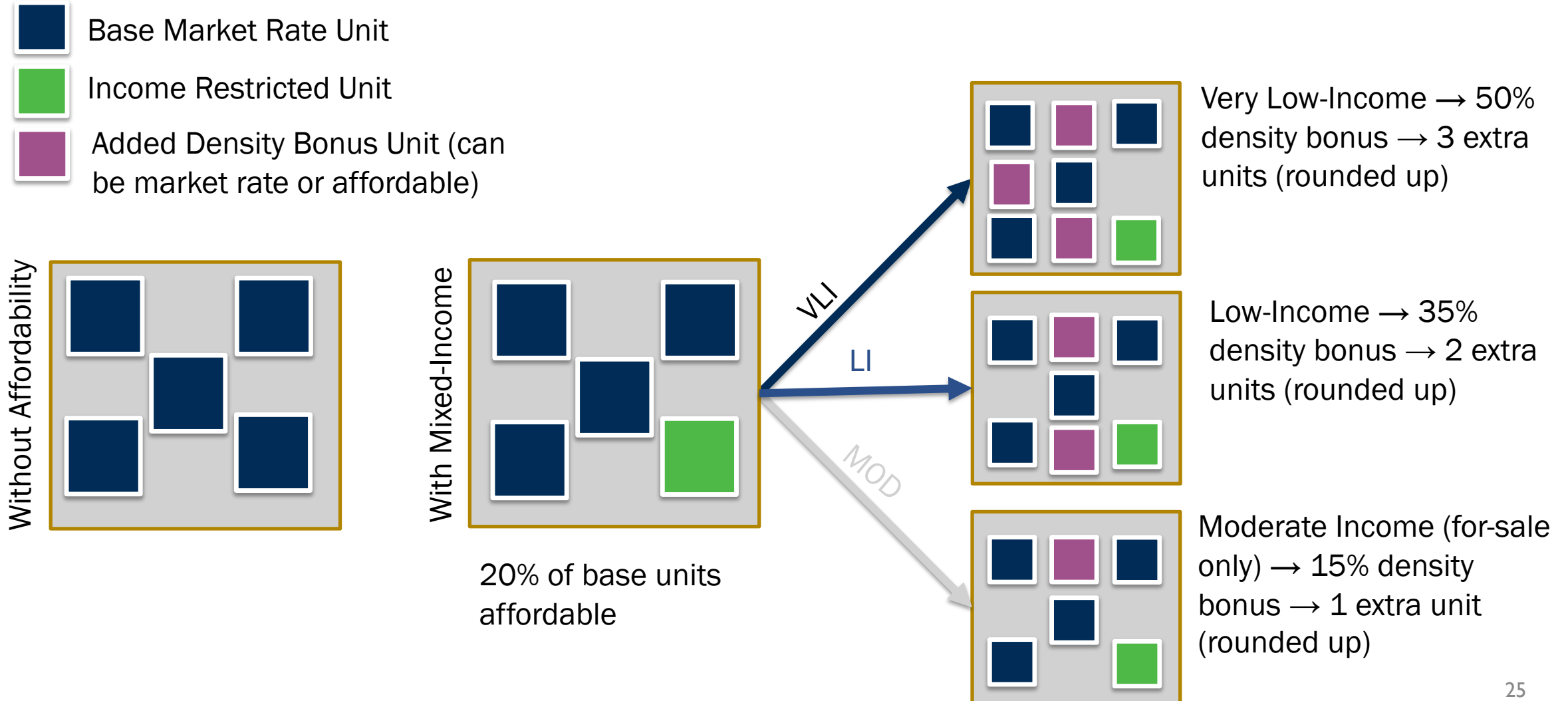
Overview

- Density bonus on a sliding scale with percentage of Very Low, Low, or Moderate-income* units
- Cities required to provide development incentives or concessions that result in cost reductions (e.g., adjusting setbacks, lot coverage, open space)
- Parking requirements capped for eligible projects, especially adjacent to transit
- Applies to projects with 5+ units
- 100% affordable** projects close to transit (within 1/2 mile) get greater flexibility (no density, no parking, 3-story height bonus)




* Moderate income density bonus applies to for sale units, not to rental units

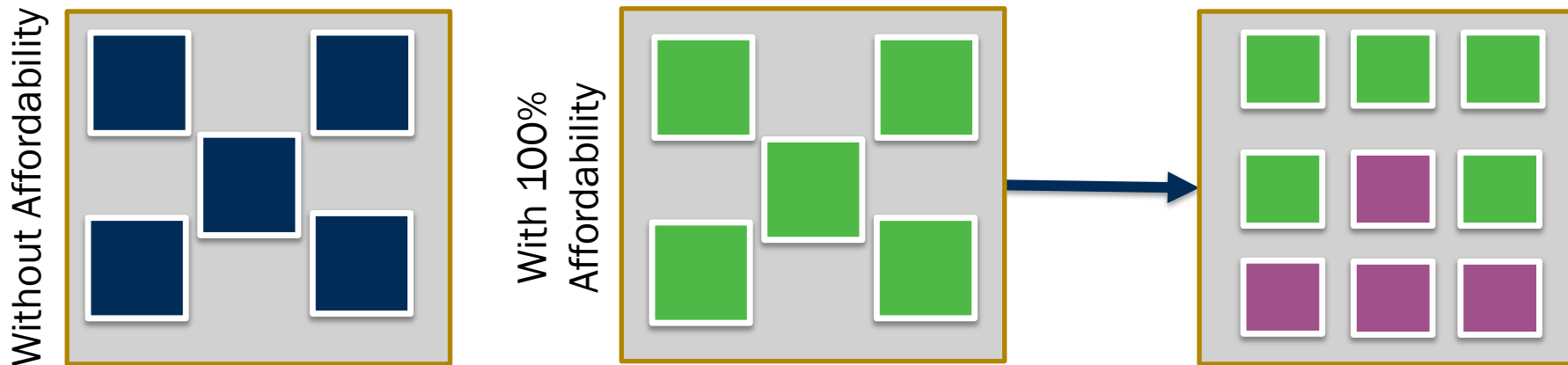
** No more than 20% of the affordable units can be moderate income units

Application to Upper Middle Housing



Application to Upper Middle Housing

-  Base Market Rate Unit
-  Income Restricted Unit
-  Added Density Bonus Unit (can be market rate or affordable)

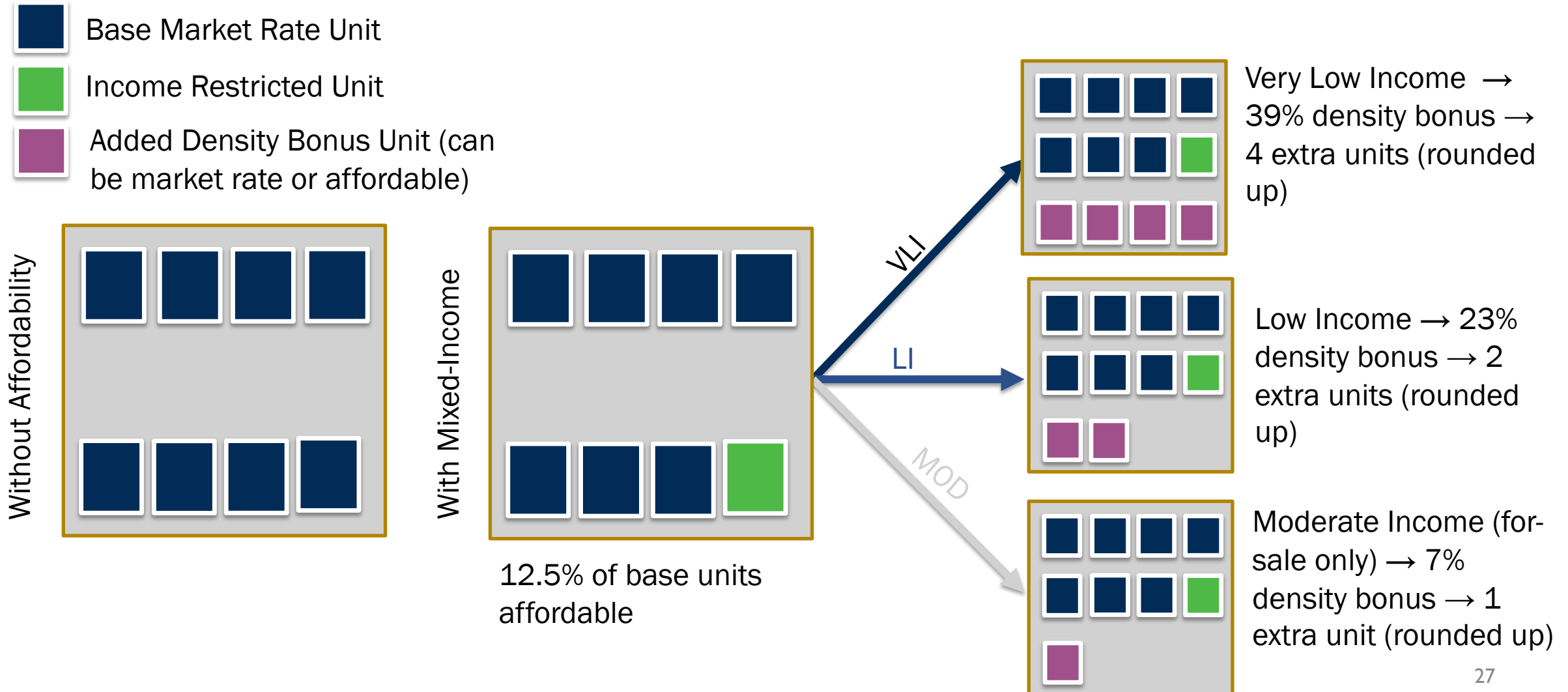


100% of base units affordable* → 80% density bonus




→ 4 extra units

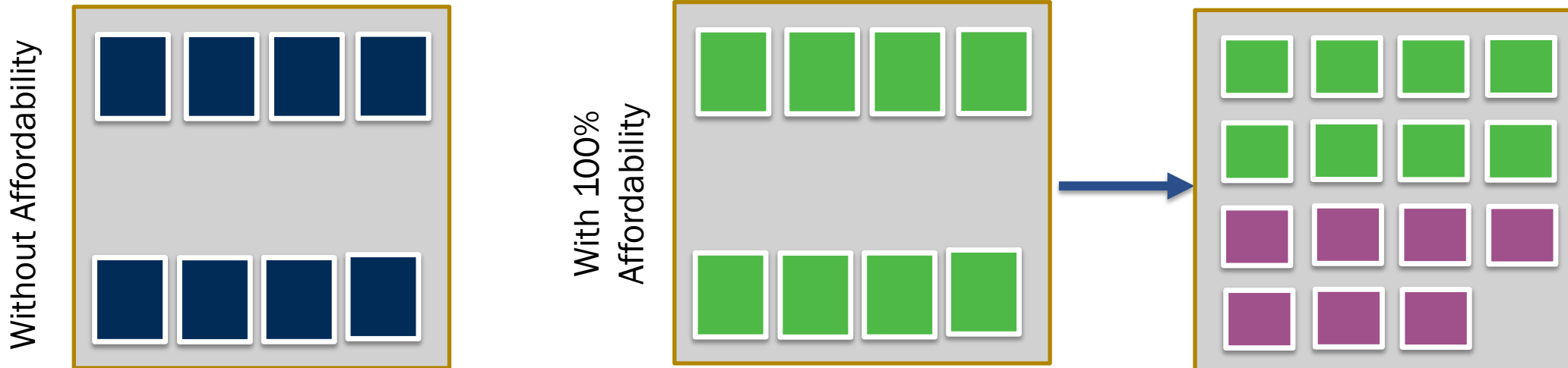
* Very Low, Low, or Moderate Income

Application to Upper Middle Housing



Application to Upper Middle Housing

-  Base Market Rate Unit
-  Income Restricted Unit
-  Added Density Bonus Unit (can be market rate or affordable)



100% of base units affordable* → 80% density bonus
→ 7 extra units (rounded up)

* Very Low, Low, or Moderate Income

- Impact fee reductions/waivers
- Property tax abatement
- Permitting fee reductions/waivers
- Waiving public improvement requirements

Fresno Development Impact Fee Waivers

- Affordable housing development eligible for impact fee waiver
 - Units affordable at or below 80% of AMI eligible
 - Reimbursed if purchased through First Time Homebuyer program
- Residential Infill Developments
 - New multifamily residential projects on sites less than 5 net acres in size and substantially surrounded by urban uses
 - Also eligible for up to 50% reimbursement of the cost of curb, gutter, and sidewalk improvements imposed as a Condition for Approval for the project
- Small Residential Developments eligible for exemption of development impact fees
 - Single family, duplex, triplex or fourplex units
 - New construction is replacing substantially similar dwellings with the same number of units -- *Not really an incentive for middle housing, incentive for 1:1 replacement*

Folsom Impact Fee Deferral & Processing Fee Waiver

- For projects serving low or very low income HH
 - Minimum 10% affordable units if very low income
 - Minimum 30% affordable units if low income
- Processing fees waived (up to annual cap)
- Up to 75% of City impact fees deferred (interest free, up to 15 months)

Portland Homebuyer Limited Tax Exemption (HOLTE)

- Application initiated by home builder prior to obtaining building permit
- Eligible homebuyers receive 10-year property tax exemption on improvement value (not land)
- Eligibility Criteria
 - New construction
 - Single-Family home, townhome or Condominium
 - At least 3 bedrooms; 2-bedroom homes may be eligible within transit-oriented areas
 - Homebuyer Income Limit: 100% Median Family Income set for families of 4 (Nonprofits, generally 80% MFI)

- **Homeowner's Property Tax Exemption**
 - \$7,000 reduction in the taxable value of a qualified owner-occupied home
 - Eligibility:
 - Any owner-occupied housing unit, regardless of unit type / price
 - Must be primary residence
- **Low-Income Housing Property Tax Exemption**
 - Full tax exemption (up to \$20,000 of taxes)
 - Eligibility:
 - Government financing / Low-Income Housing Tax Credits
 - At least 90% of units affordable

- CDBG grants
- Housing Trust Funds, etc.
- Revolving Loan Fund / low-interest loans
- Public land disposition

Santa Barbara Housing Trust Fund

- At least 25% of units to 0-120% AMI
 - Priority for greater affordability
 - Long-term affordability required
- Funds can be used for site acquisition, predevelopment costs, project construction, bridge financing, permanent financing
- Below-market interest rate loans through partnership with community-minded lenders
 - Mostly short-term loans



Image credit: Santa Barbara Housing Trust Fund

Example of use for middle housing:
\$750,000 construction loan to Habitat for Humanity of Southern Santa Barbara County for 12-unit condominium project

Santa Cruz County: ADU Forgivable Loan Program

- Offers forgivable loans up to \$40,000 to homeowners who rent ADUs to low-income households at affordable rents for up to 20 years
 - Max rent set at 70% of AMI, eligibility up to 80% of AMI
 - 3% interest rate, payments deferred for 20 years, then forgiven if ADU has stayed affordable
 - Homeowners can opt out of deed restriction by repaying loan (with interest) before 20 period expires
- Housing Division verifies tenant income eligibility, monitors compliance

Questions / Discussion

Look-Ahead

*Please complete the
flash feedback survey!*

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