



LAMBDA ALPHA INTERNATIONAL WEBINAR

April 21, 2023

Housing Affordability - The Missing Middle

Sheila Harris, PhD, Immediate past President of LAI International, welcomed the group to the first in a series of presentations focused on housing affordability. She introduced the Moderator, Carole Galante, who presented the topic, "Housing Affordability - The Missing Middle."

The panel of experts from the U.S. and Canada presented success stories and the challenges that exist for those needing livable, affordable housing options.

Moderator Carole Galante, founder of the Turner Center for Housing Innovation at UC Berkeley introduced the presenters:

- Dan Parolek, founding Principal of Opticos Design, Inc.
- Dr. Ann McAfee, member of Canada's National Housing Council.
- Jonathan Free (replacing Denise Pinkston) member of The Casita Coalition.

You can view to the webinar in its' entirety on YouTube at [LAI.org](https://www.lai.org).

Dan Parolek: Missing Middle Housing

The first presenter is Dan Parolek, who coined the term missing middle housing. He created the concept over 10 years ago to highlight the lack of availability of missing middle housing.

Parolek stated some missing middle housing issues could be alleviated by developing multi-family structures. These structures included duplexes, triplexes, fourplexes, courtyard apartments, bungalows, townhomes, live/work buildings, and cottage courts.

While multi-unit dwellings gained popularity in the 1940's they were no longer the norm due to a variety of issues including community and leadership perceptions and zoning laws.

Parolek worked with state legislators and community leaders to change the land use map, zoning regulations, and building codes. Once zoning was updated from single-family to multi-unit buildings, there were more efficient, affordable housing options for individuals that fell into the “missing middle”.

Completed projects proved that vacant lots in struggling areas encouraged private sector investments in more innovative housing developments. Investors and state leaders had the forethought to realize the feasibility, attainability, and livability of multi-unit homes.

Dr. Ann McAfee: Implementing Missing Middle Housing Choices - Vancouver, Canada

Dr. Ann McAfee has garnered a wealth of experience during her tenure as the co-director of planning for the City of Vancouver. In the past 30 years, her plans to reconfigure the downtown Vancouver area into a livable, walkable community with housing options for various income levels individuals have flourished.

McAfee explained Vancouver had a long history of homes that utilized secondary “suites” or “mortgage helpers”. These units were crucial in helping those with modest incomes enter the housing market with basement suites rented to students and families. More recently new policies permit laneway dwellings in addition to secondary suites often resulting in 2 to 4 units on a previously single-family lot. Laneway homes are most commonly used by in-laws and adult children that have moved back home.

Even though this was the norm, many of these areas were not zoned for multiple units. Due to the need for affordable housing, city leaders are rezoning these areas to allow multiple units on an individual lot.

The rezoning issue was met with controversy from the local community, concerned about the social, economic, and environmental impact on the area. There are also concerns about the increased use of municipal services and increased demand for parking.

Per McAfee, as the rezoning moved forward, none of these concerns were realized. Just the opposite occurred. The areas that have been rezoned have enabled people to stay in their existing neighborhoods at less prohibitive costs. This is especially true for seniors that are looking to stay in familiar areas but in smaller, more affordable units. It has also enabled service workers to affordably live in areas where they work.

New zoning ordinances have developers and the community working together to develop mixed use areas that added missing middle housing options to single-family areas thereby making more efficient use of land and existing services.

Jonathan Fearn, California’s “ADU Resolution”

Jonathan Fearn is a well-respected member of the Casita Coalition, which looks to remove policy barriers that limit the ability to build small homes on existing land throughout California. Fearn explained that the organization was started to establish a broad eco-system, offering missing middle housing options to the Bay area and other California neighborhoods where individuals could not afford to purchase a home.

Fearn explained that the Casita Coalition has worked to allow Accessory Dwelling Units (ADUs) on existing land plots. ADUs are small units that provide more affordable housing options for many that were previously priced out of the market.

The majority of Bay area homes had been built 50 to 60 years ago and were zoned to have just one unit per plot of land. This plan initially worked because the structure of the traditional family was different. Today, the family unit is diverse and U.S. households have changed. The housing market needs to adapt and offer housing options that reflect those changes.

Fearn explained that in 2016 and 2017, the Casita Coalition began working with environmentalists, teachers, legislators, and other advocates to counter the voices that were resistant to rezoning changes to land and parcels with existing structures.

Today, the Casita Coalition is responsible for rezoning ordinances and producing over 60,000 ADUs in the last five years. This paves the way for more housing options for those in the missing middle.

Q & A: Many questions were submitted. Below is a sample of the questions received.

1. GALANTE: What is being done to address the home affordability issue?

McAfee: We create housing options that reach those at lower income levels. Our work in Vancouver has enabled those with a range of income levels to find viable living arrangements. These include single parents, college students, service workers, and others that may be willing to rent but can now afford to buy.

Parolek: Four units per lot became the magic number. But many parcels can be used for more than four units. For example, if your building envelope has 10,000 square feet of building potential, four units would each be 2,500 square feet and too expensive for many. If that same 10,000-square-foot building can produce eight to 10 units, there will be more units at a more attainable rent.

Frear: The addition of ADUs provides housing for more people at affordable prices, even in high-land cost areas. The goal of the Casita Coalition is to change zoning and make it easier to develop innovative housing options for a diverse group of individuals.

2. Galante: Does local infrastructure like increased municipal and infrastructure costs and parking issues create a barrier for more attainable housing?

Parolek: This is an issue, but we need to get beyond perceived problems and address the actual housing problem. Decision-makers need to support these new solutions and get into the 21st century in appropriate zoning.

Frear: One of the biggest issues we experience is working with leadership at the federal level. They need to update their lending standards. They need to advocate for bills that allow for greater flexibility, and creative home development.

Parolek: Can we talk about parking and how to deal with that when it comes to affordable housing?

Parolek: In California, they removed many parking limitations when ADUs started to be developed resulting in more street parking being allowed.

McAfee: Vancouver is an anomaly as a lot of people use public transportation and ride bikes. Many requirements for parking on-site have been reduced, and more areas are allowing street parking. While this was originally met with concern, communities have found that it has had a calming effect on traffic.

Frear: Changing zoning adds density to the neighborhood which often means more vehicles. However, many areas include work/live areas, creating a more walkable city with businesses and services minutes away.

3. Galante: How is the city addressing the need for additional infrastructure and services in areas with more children?

McAfee: In Vancouver, many neighborhoods were built in the 1950s during the post-war baby boom. Schools were plentiful, but since then many schools have closed or have much smaller classes. The influx of children is a positive as many schools are thriving again.

Galante: Dan mentioned larger-scale developments that used developers. But what about smaller parcels that can be scaled to need?

Parolek: Many parcels we developed have been vacant areas like South Bend, Indiana. In some cases, small-scale projects turned into larger-scale, multi-family projects. Organizations like The Housing Lab have helped with incubation projects that help develop the optimum number of viable units on large and small parcels.

Frear: Due to the success of ADUs, we are experiencing new issues like zoning parameters that were appropriate 60 years ago but are no longer viable in today's economy and current housing needs.

4. Galante: Million-dollar companies are creating new uses for infill areas with options like modular home kits that are not built on-site. Can we go further with this and other innovative building strategies?

McAfee: Vancouver has several building industries; some smaller-scale builders specialize in innovative building concepts such as ADUs and laneway units. Larger builders are more focused on high-rise apartment buildings. While the two building concepts are different, they have the same concerns such as supply chain issues and sales.

5. Galante: What is the relationship between affordability, employment security, proximity, and land ownership? What risks are involved?

Parolek: It is hard to secure first adopters due to risk. With publicly traded entities, there is accountability to the board.

Many of those getting involved are innovative developers looking at things from a different perspective and hoping to influence change. One project that we have been working on is ready for the first phase to open. There are 11,000 currently on the waiting list and 600 units available.

Frear: It has been a challenge for large developers. Many don't want to be the first to sign off on a project because of the capital at stake. It is often more difficult to get investors on board than the developers. They are more comfortable investing in what was done before.

Parolek: Most of our projects are outside of California because it takes a lot of time to get approvals there than in other areas.

6. Galante: We see some well-known homebuilders designing and selling single-family homes with plans for an additional unit in the back. This enables the homeowner to scale should they need to. Is this becoming more commonplace?

Parolek: It is being done more and provides additional housing options. We also think stacked units could aid the missing middle, but there is perceived risk and liability, which creates a barrier for builders.

McAfee: Some builders are adding "lock-off" suites as part of a home unit. This design enables individuals to purchase a unit that is larger than they need and rent it out. These lock-off suites have a separate entrance; the income it generates helps the owners with their mortgage. If needs change, they can open up the lock-off unit, using it for their growing family or elderly parent.

7. Galante: What about construction liability issues? Do homeowners want to rent out part of the home or unit on their lot? Is the U.S. financing structure challenging for those that want to finance an ADU or other type of housing structure?

McAfee: For many years in Vancouver, funds for non-profit and co-operative housing were available on a limited scale. Today more funding is going to larger developers, who can get lower interest rates for their construction projects in return for providing units in high density housing at slightly less than market rents. Redirecting funds to non-profit and co-operative housing will hopefully result in more smaller-scale missing-middle projects.

Galante: How is the state of California with downpayment assistance for those looking to purchase in divided lots and the construction of missing middle homes?

Parolek: Most of my projects were outside California. But everyone knows that home ownership is a positive way to gain wealth. Any tools that help individuals gain ownership are positive.

Frear: Anything that aids in homeownership and the increased production of affordable housing should be addressed.

8. Galante: What makes you optimistic that the "missing middle movement" is having a moment?

Parolek: It is great to see the missing middle becoming a movement. There is a great need for innovative housing, as anything we can do to increase awareness of different living options is positive.

McAfee: It is more expensive to finance the suburban sprawl than to build on infill areas. We need to increase infill usage and utilize existing services. It makes better use of existing land.

Frear: Since I began my career over 20 years ago, politics have changed. Today, people understand the need for developing housing options that more diverse individuals can afford.