

Missing Middle Housing: An Economic & Fiscal Imperative



Missing Middle Housing

Opticos Design founder Daniel Parolek inspired a new movement for housing choice in 2010 when he coined the term “Missing Middle Housing,” a transformative concept that highlights a time-proven and beloved way to provide more housing and more housing choices in sustainable, walkable places.



Source: Opticos Design, Inc

The Present Edges!

The vast majority of building permits issued in most counties are for single-family detached housing.

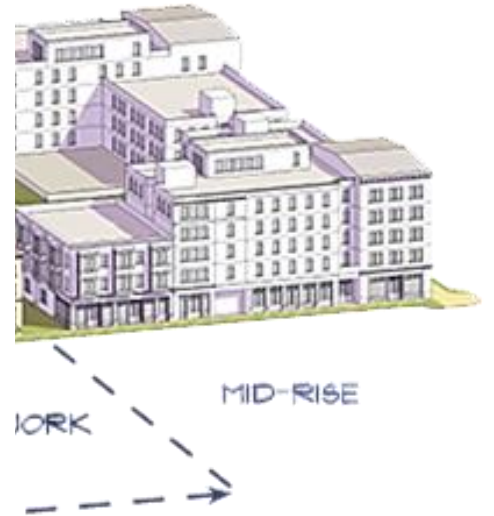


The Present Edges!

A rising number of building permits, in more urbanized counties, are associated with low- and mid-rise multi-family housing projects.

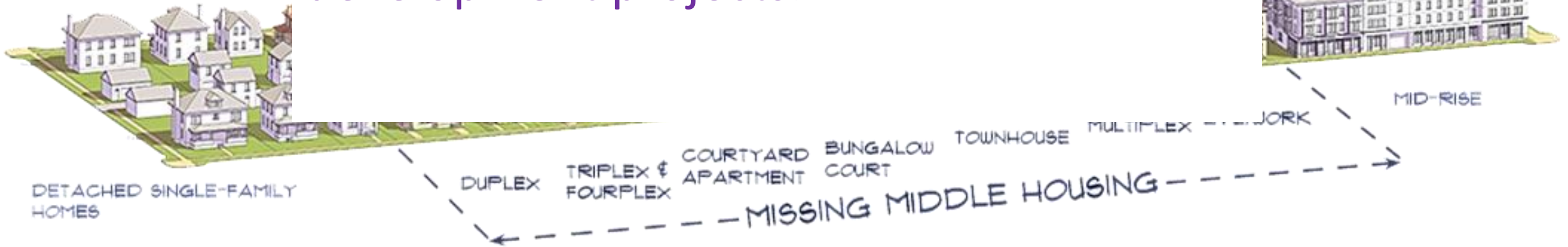


DETACHED SINGLE-FAMILY
HOMES



The Present Edges!

Most affordable housing is developed within single-family detached or low- and mid-rise multi-family residential development projects.



Missing Middle: Typology



Duplex: Side-by-Side



Duplex: Stacked



Triplex/Fourplex



Courtyard Apartments



Bungalow Court



Townhouse



Multiplex: Small



Live/Work



Missing Middle Housing: Traits

Missing Middle: Affordability



Affordable

- Affordable by Subsidy



Middle

- Affordable by Design
 - Smaller Units and Shared (Lower) Land Costs
- Simple Construction
- Less Parking



Luxury

- Affordable to Higher Income Households



ASSEMBLY

How does Missing Middle Housing integrate into existing or new blocks?



Missing Middle buildings in T3 Transect Zone, Ex. B

**Distributed throughout a block
with single-family homes**

ASSEMBLY

How does Missing Middle Housing integrate into existing or new blocks?



T3/T4 Neighborhood Street

Main Street

Transition: Single-family to neighborhood Main Street

Using a block comprised exclusively of Missing Middle types to transition to a commercial corridor

ASSEMBLY

How does Missing Middle Housing integrate into existing or new blocks?



Missing Middle buildings in T3 Transect Zone, Ex. A

Placed on the end-grain of a single-family block

ASSEMBLY

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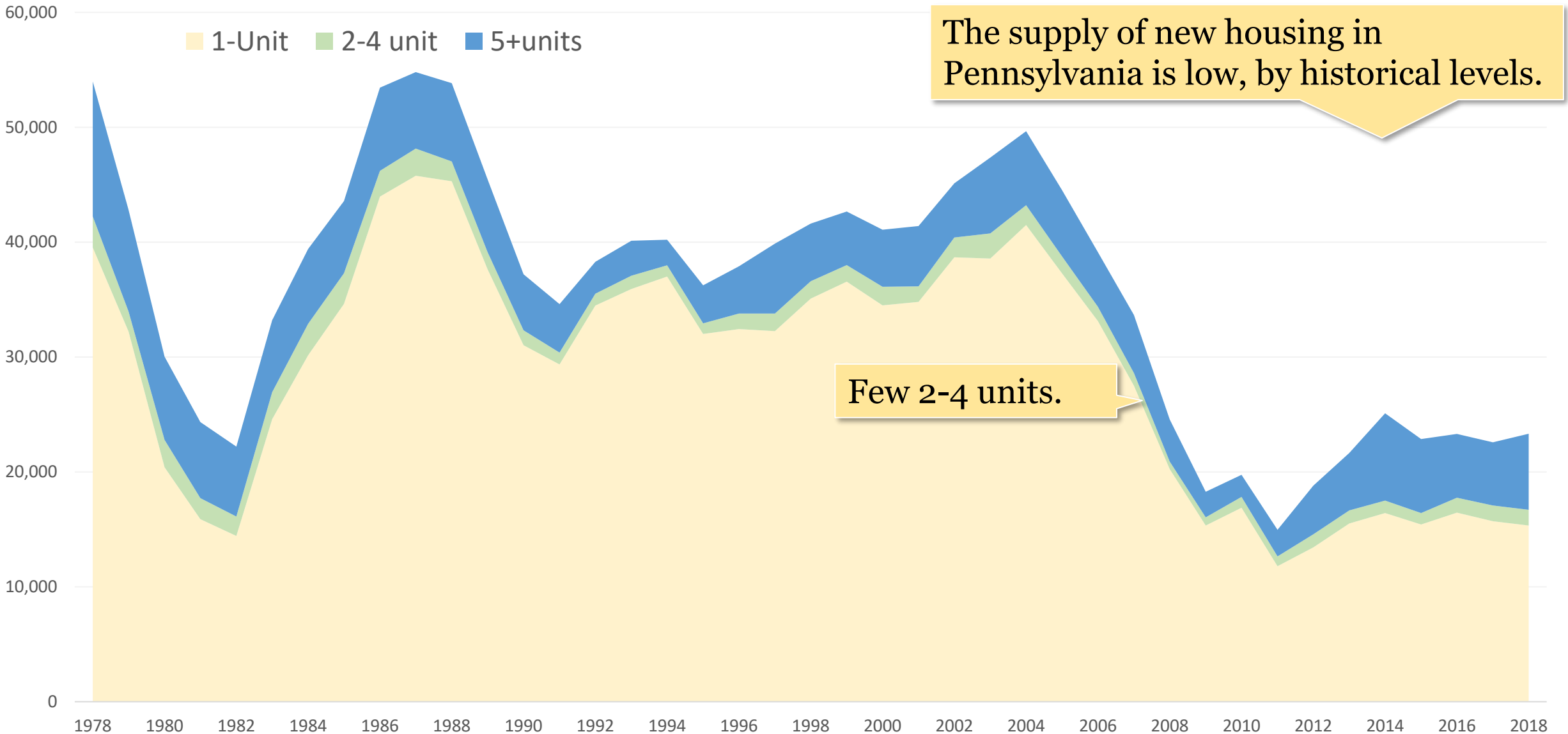
Transition: Single-family to larger Missing Middle building types

Using Missing Middle types to transition from single-family homes to higher-density housing

What trends are driving demand for Missing Middle Housing and why is planning and zoning for it urgent?



Pennsylvania Housing Units Authorized, 1978-2018



Source: U.S. Bureau of the Census, Manufacturing and Construction Division

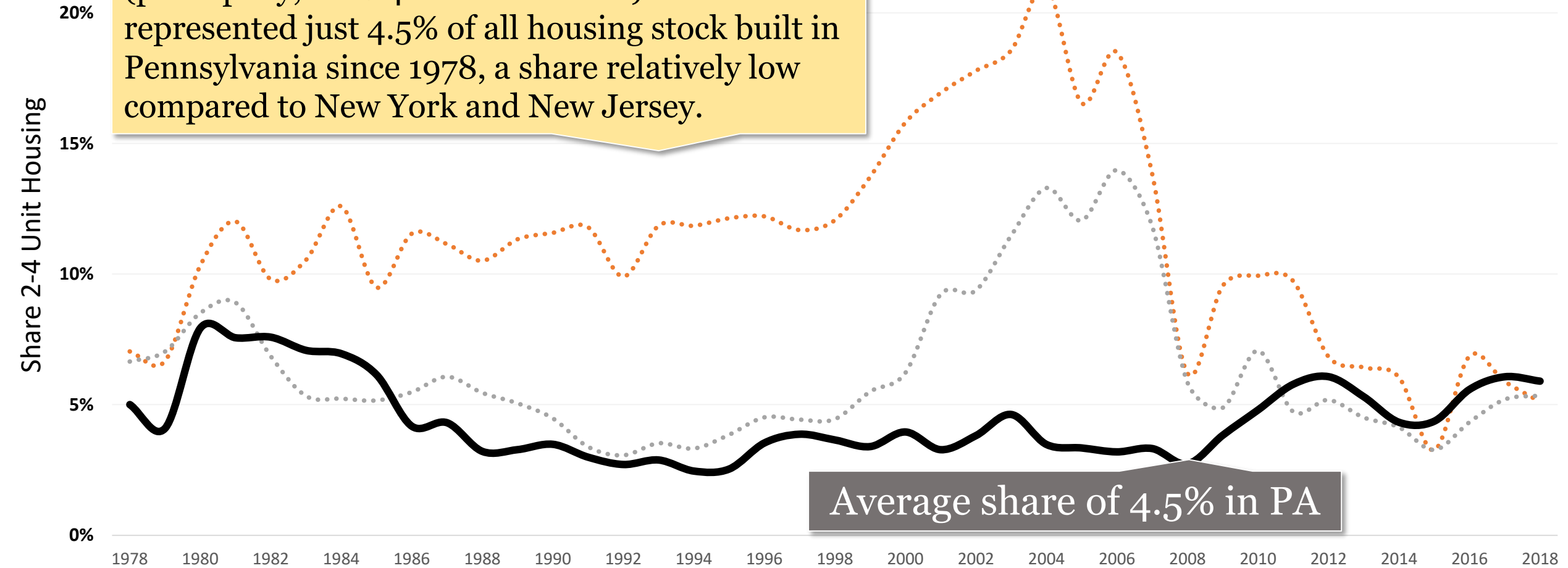
“Missing Middle” Type Housing Units Authorized: Northeast U.S. 1960-2018

NY

NJ

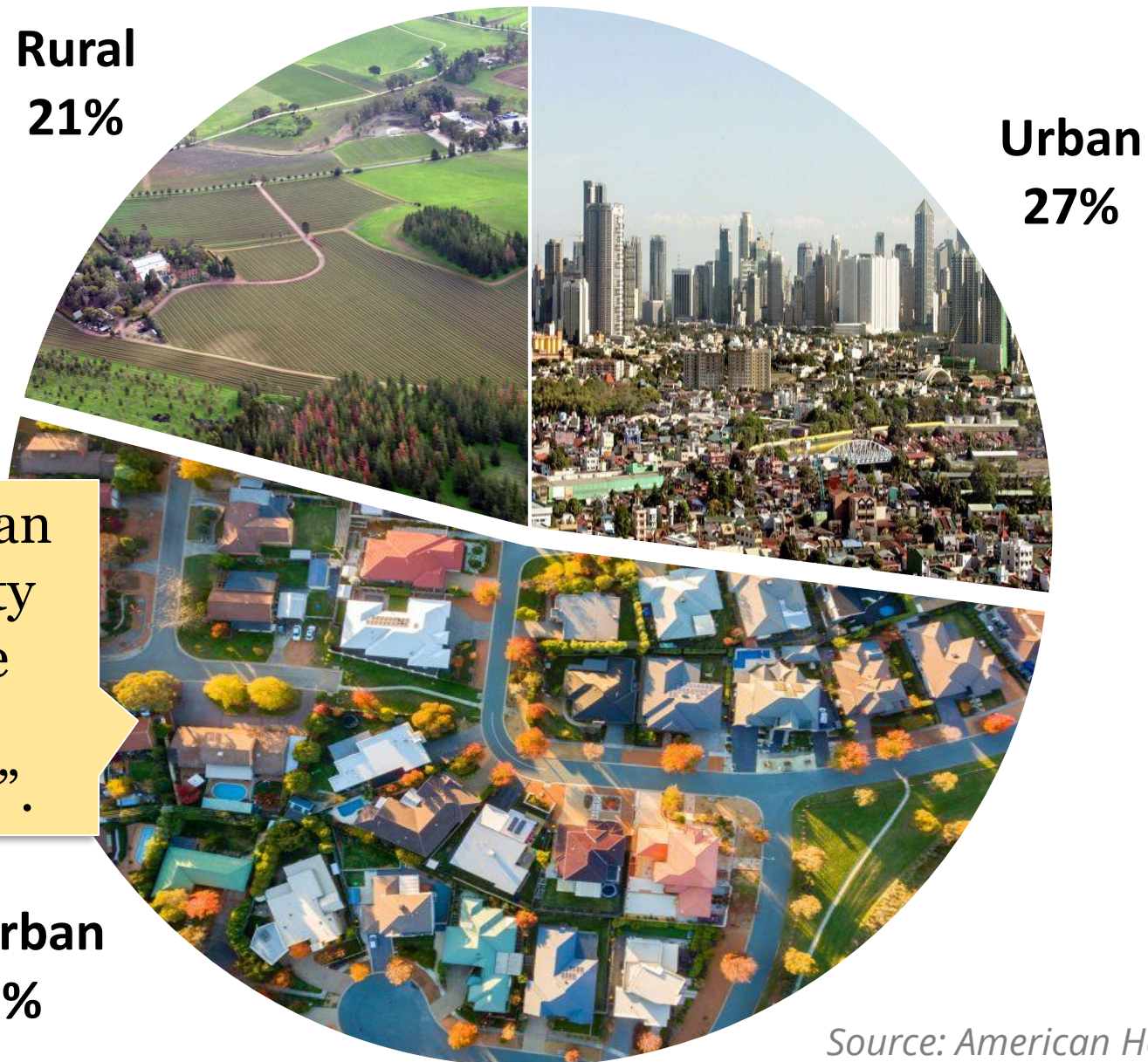
PA

Overall “Missing Middle” housing development (principally, 2- to 4-unit structures) has represented just 4.5% of all housing stock built in Pennsylvania since 1978, a share relatively low compared to New York and New Jersey.



Average share of 4.5% in PA

Location of Available U.S. Housing Stock



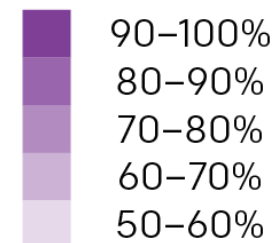
According to a 2017 American Housing Survey, the majority (52 percent) of people in the United States describe their neighborhood as “suburban”.

Urban vs. Rural

Counties that are more:

Urban

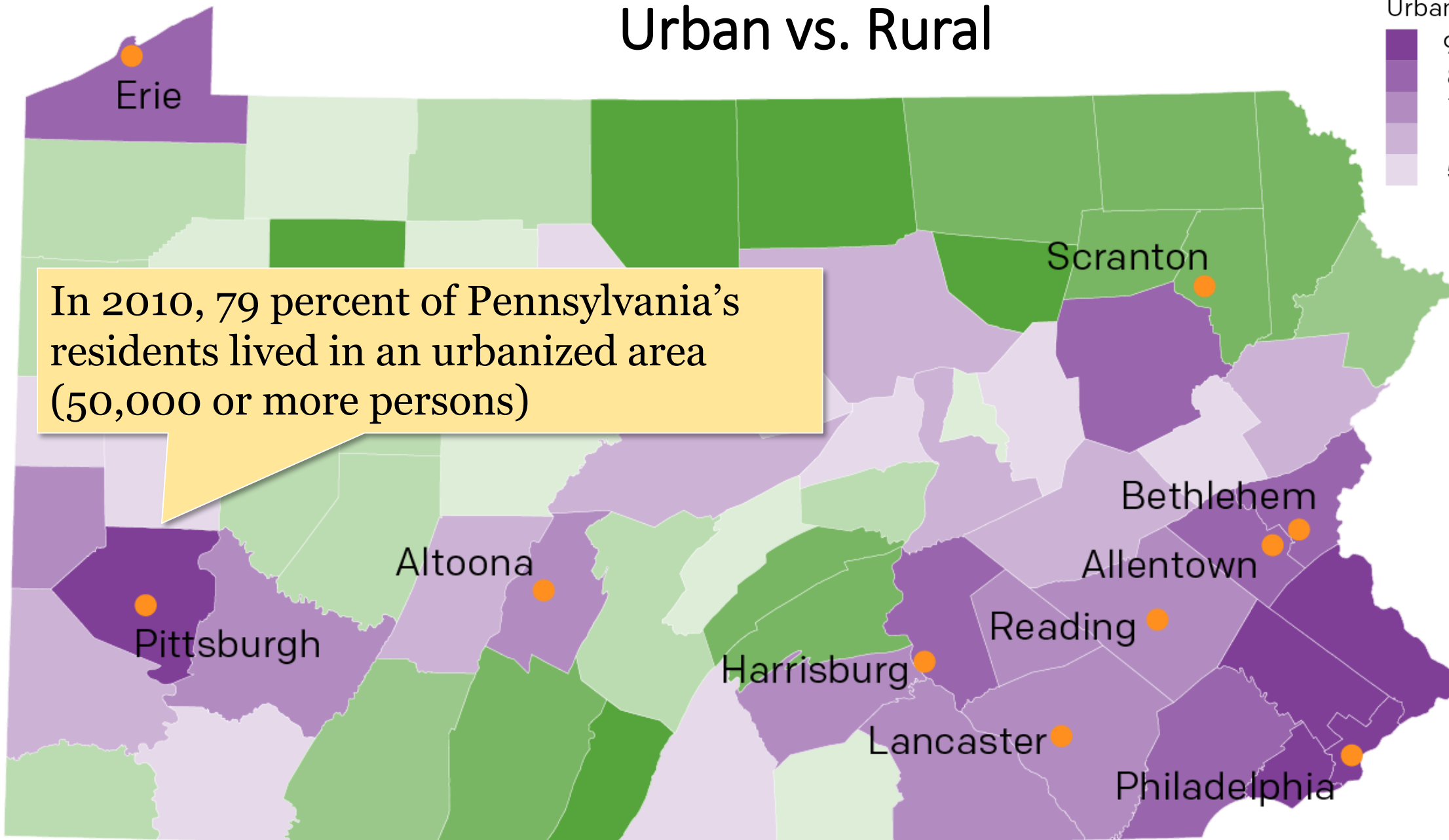
Rural



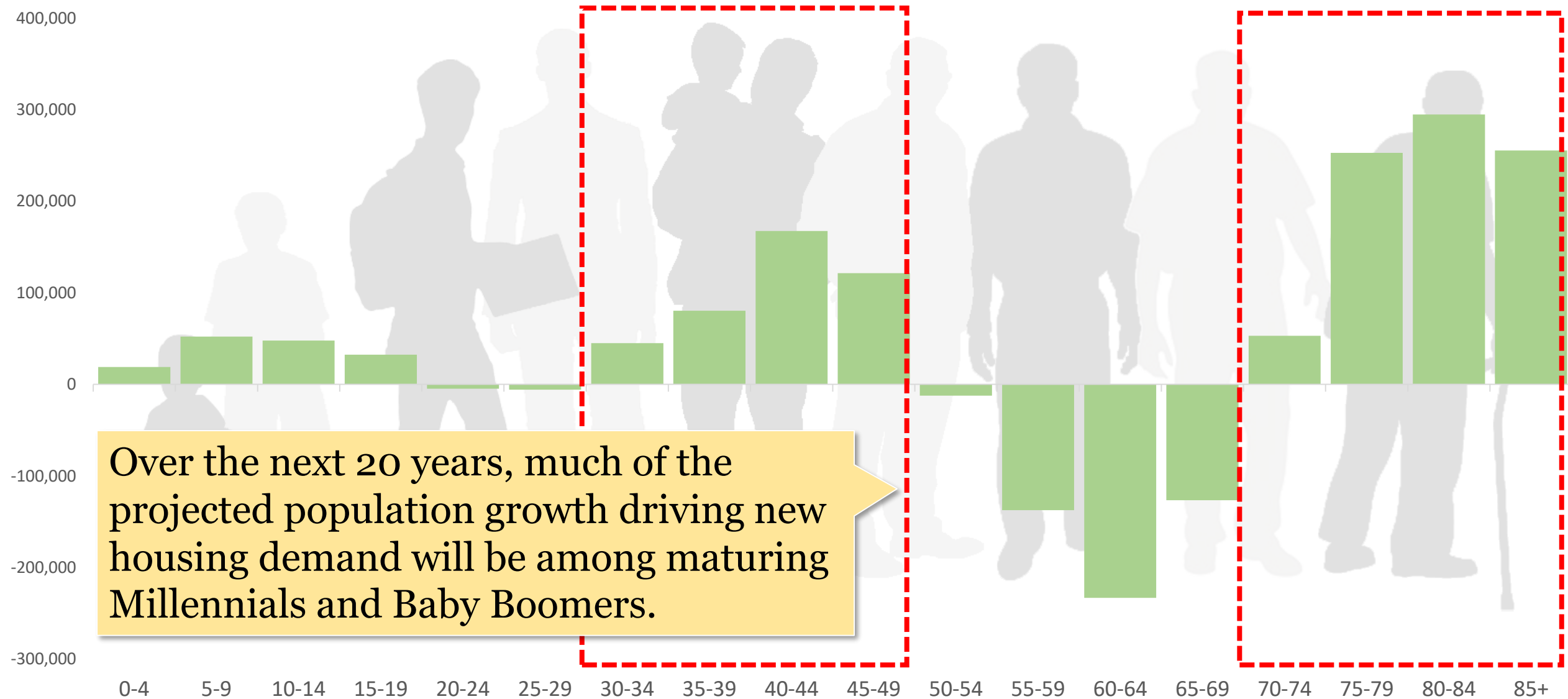
In 2010, 79 percent of Pennsylvania's residents lived in an urbanized area (50,000 or more persons)

Ten Largest Cities

- 1 Philadelphia
- 2 Pittsburgh
- 3 Allentown
- 4 Erie
- 5 Reading
- 6 Scranton
- 7 Bethlehem
- 8 Lancaster
- 9 Harrisburg
- 10 Altoona

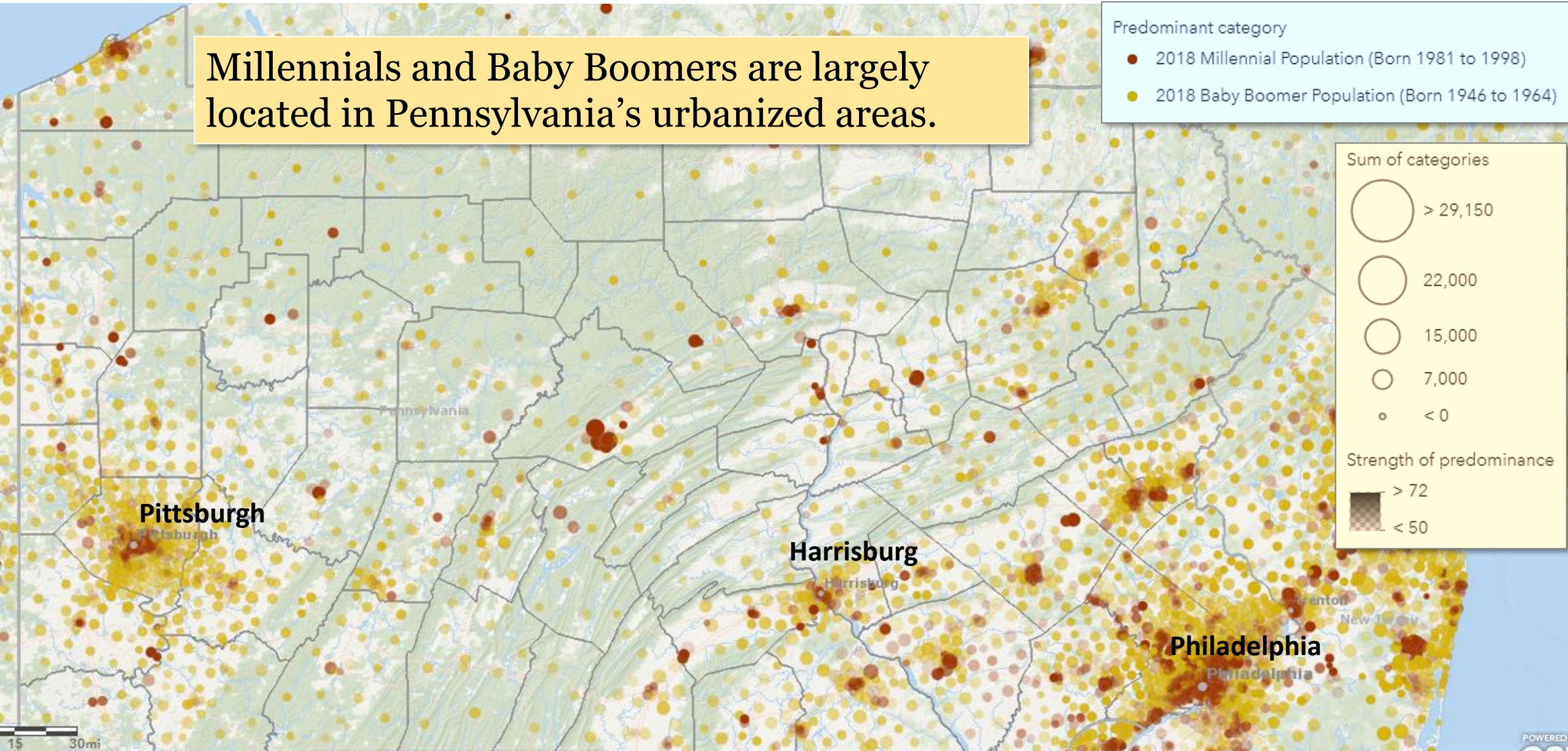


Long-Term PA Population Growth By Age Cohort, 2020-2040



Baby Boomers & Millennials

Millennials and Baby Boomers are largely located in Pennsylvania's urbanized areas.



Housing Stock by Building Type

Housing Units In Structure by Tract, 2012-2016

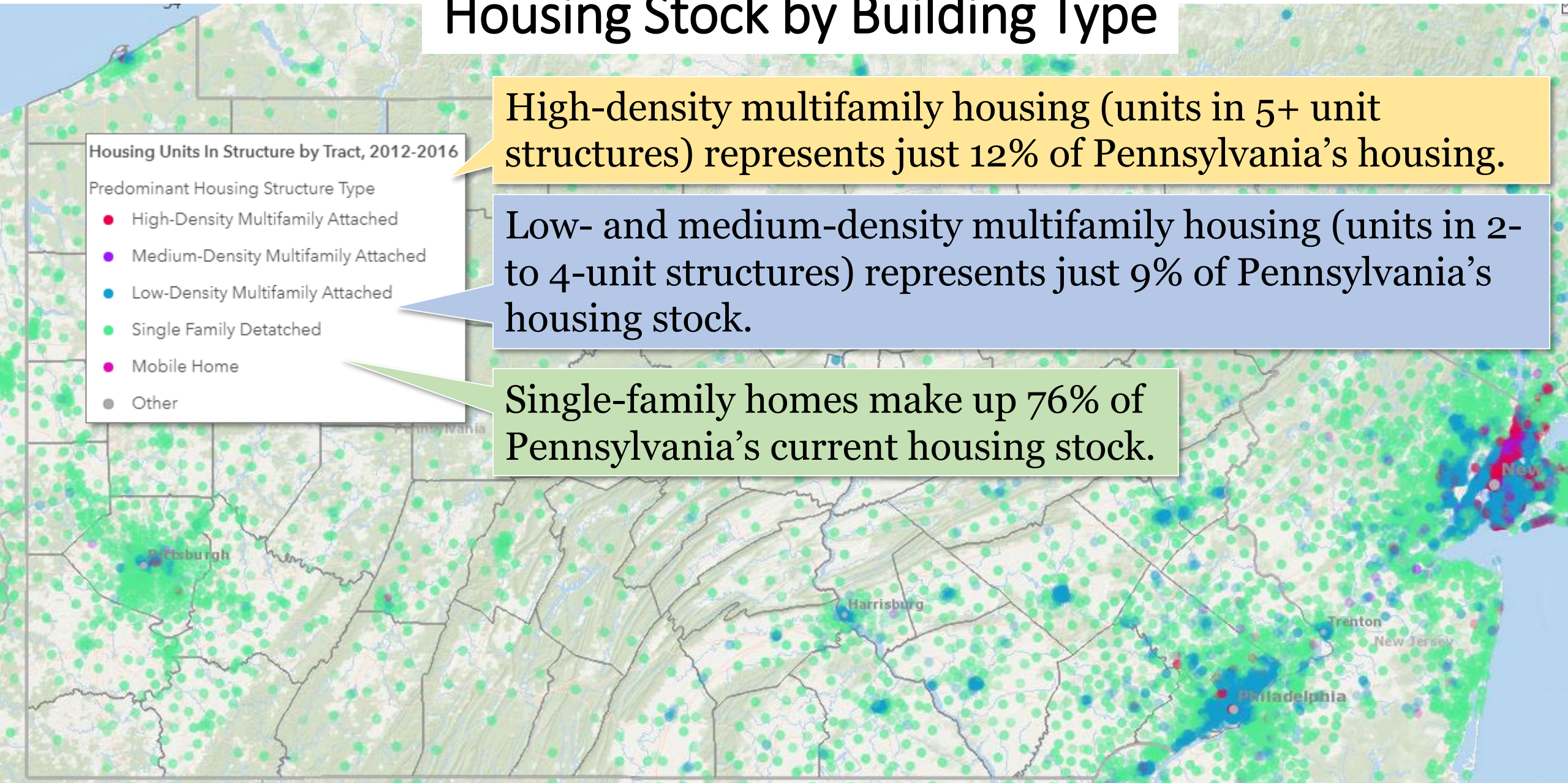
Predominant Housing Structure Type

- High-Density Multifamily Attached
- Medium-Density Multifamily Attached
- Low-Density Multifamily Attached
- Single Family Detached
- Mobile Home
- Other

High-density multifamily housing (units in 5+ unit structures) represents just 12% of Pennsylvania's housing.

Low- and medium-density multifamily housing (units in 2- to 4-unit structures) represents just 9% of Pennsylvania's housing stock.

Single-family homes make up 76% of Pennsylvania's current housing stock.



Housing Stock by Building Type

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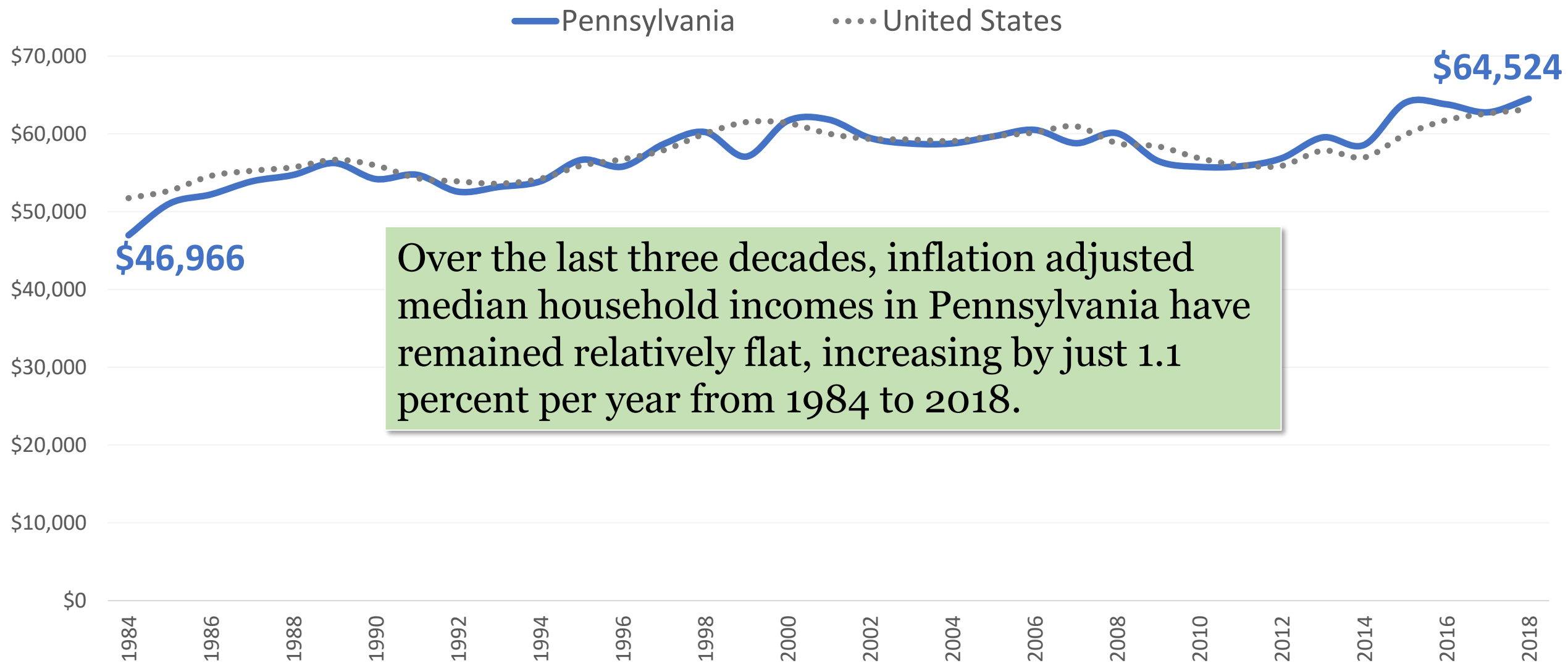
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Just 9 out of 100 housing units fit the missing middle typology in Pennsylvania!

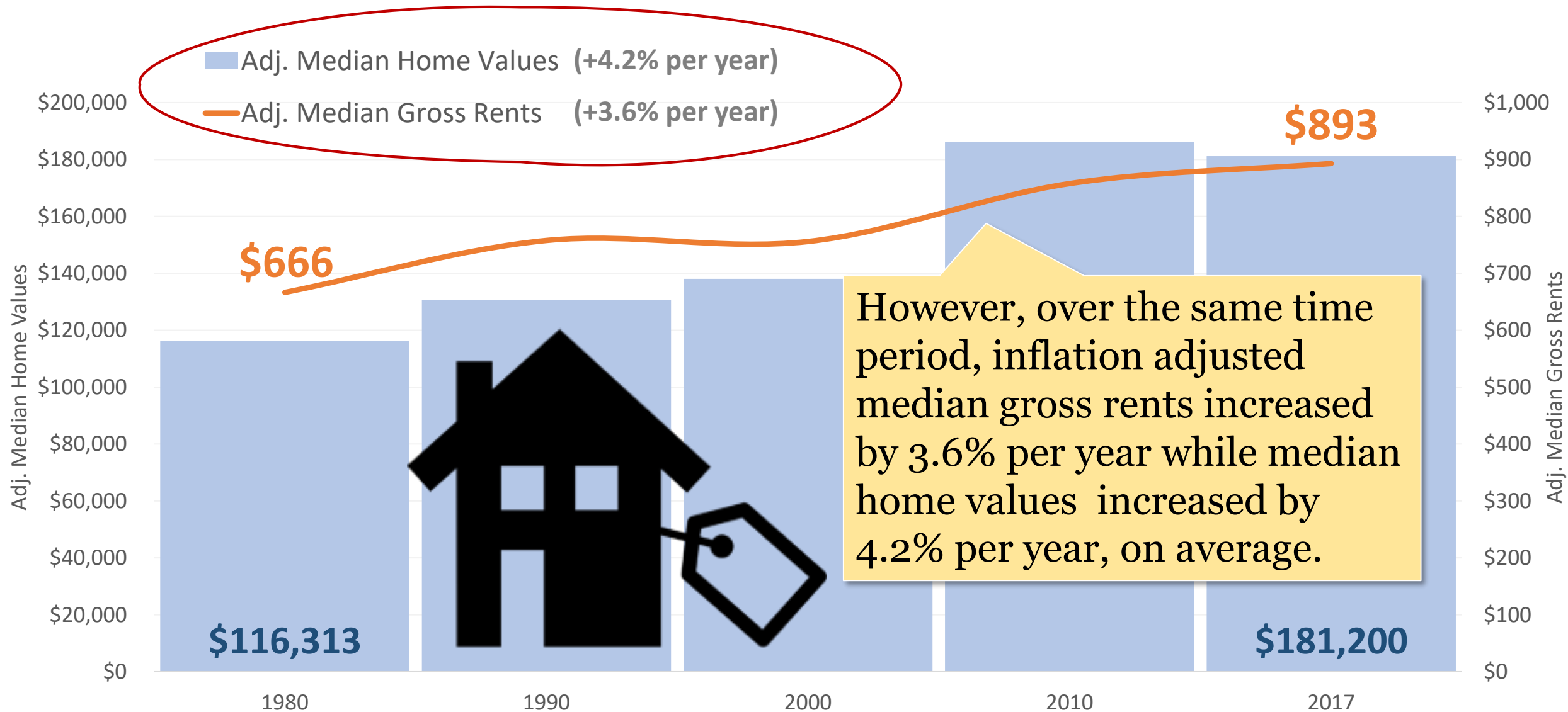
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Median Household Income (2018 Dollars)



Source: U.S. Census Bureau, 2013-2017 ACS 5-Year Estimates

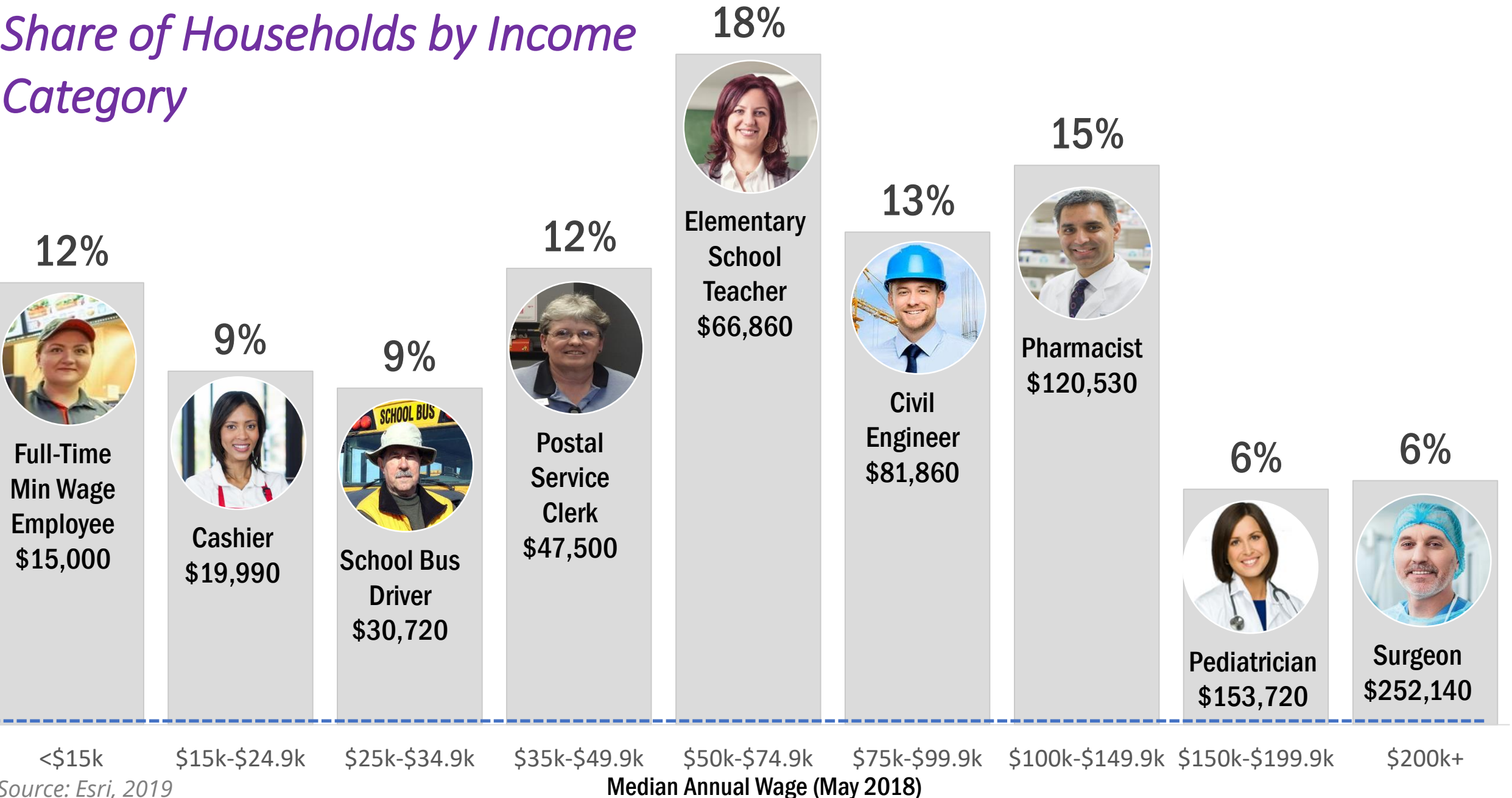
Pennsylvania Housing Costs (2019 Dollars)



Source: U.S. Census Bureau, 2013-2017 ACS 5-Year Estimates

Housing Affordability in PA:

Share of Households by Income Category

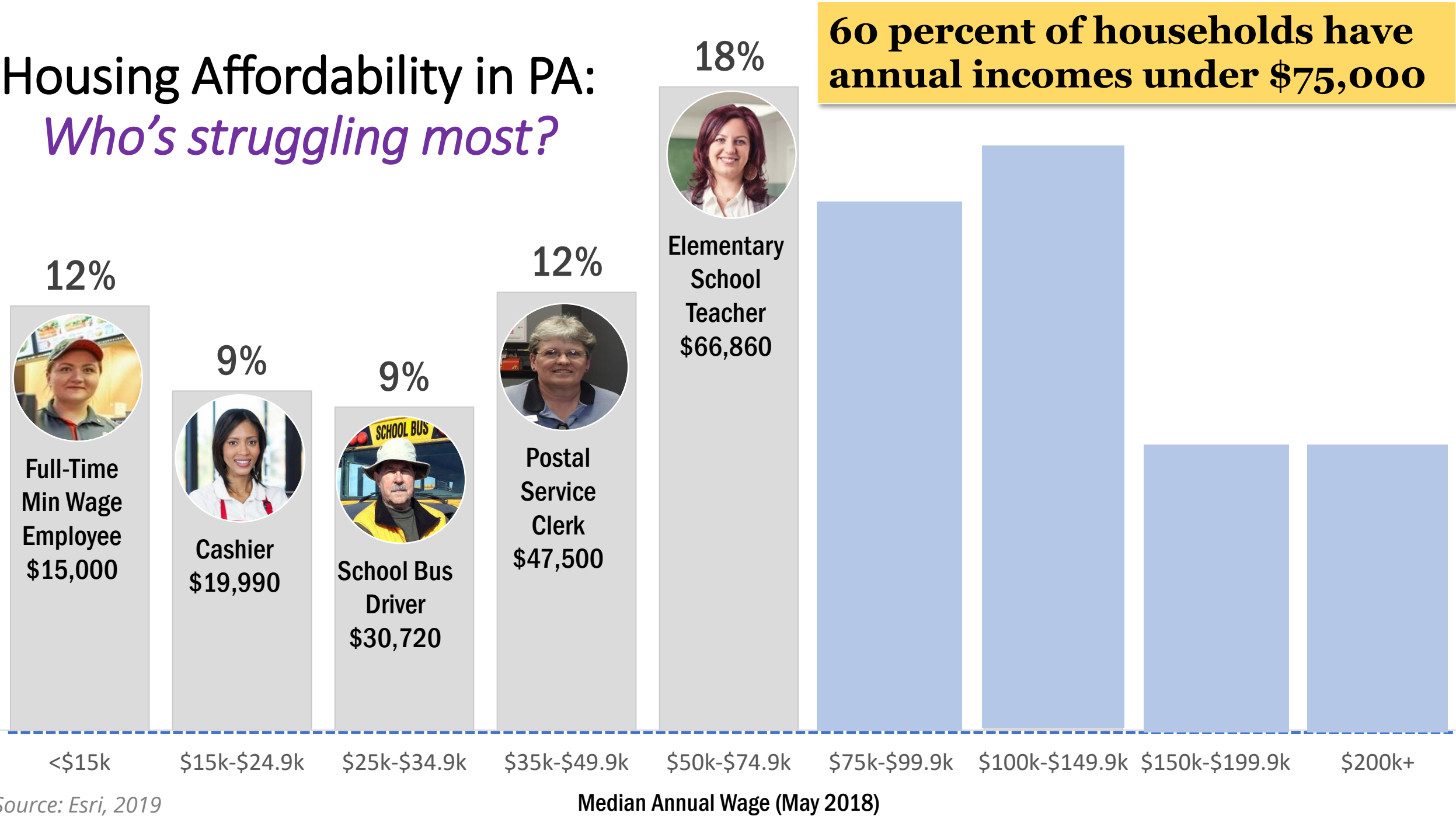


Source: Esri, 2019

Housing Affordability in PA:

Who's struggling most?

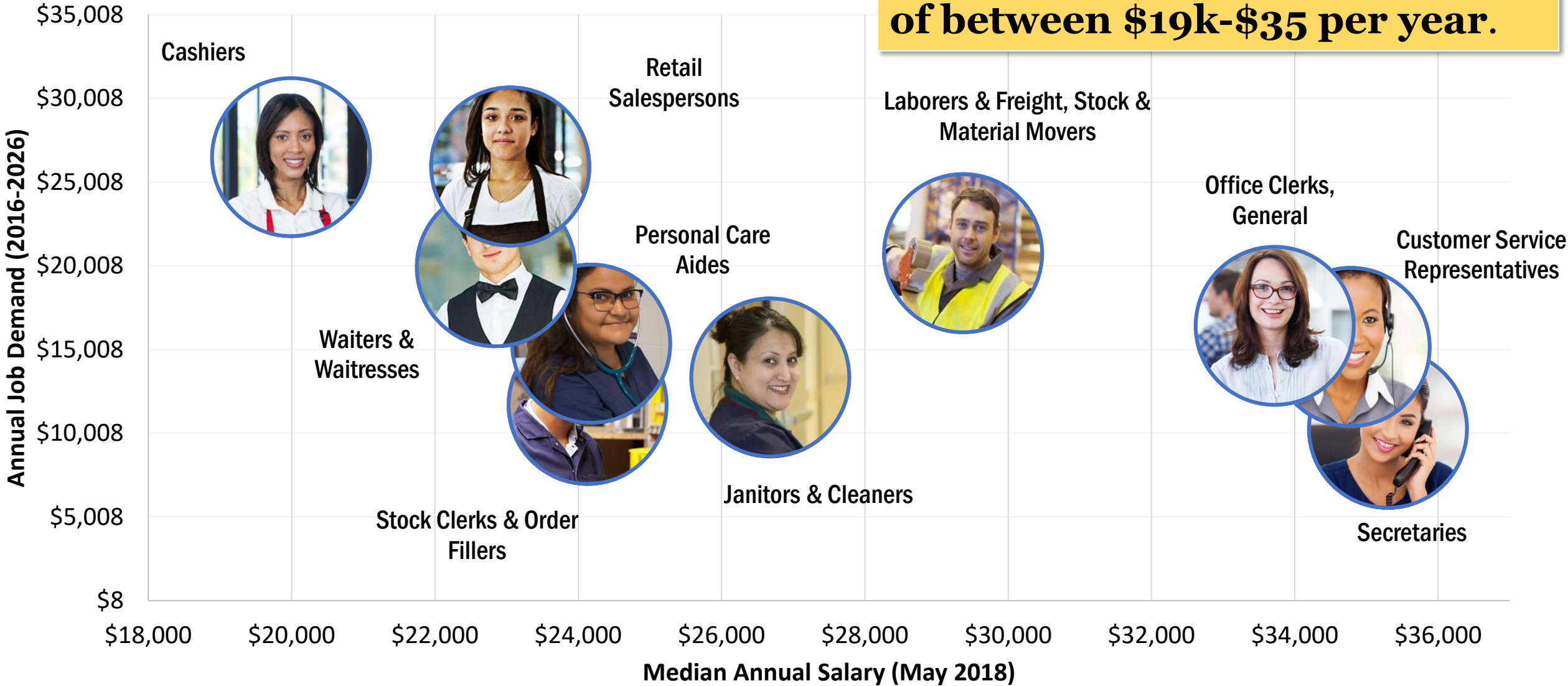
60 percent of households have annual incomes under \$75,000



Source: Esri, 2019

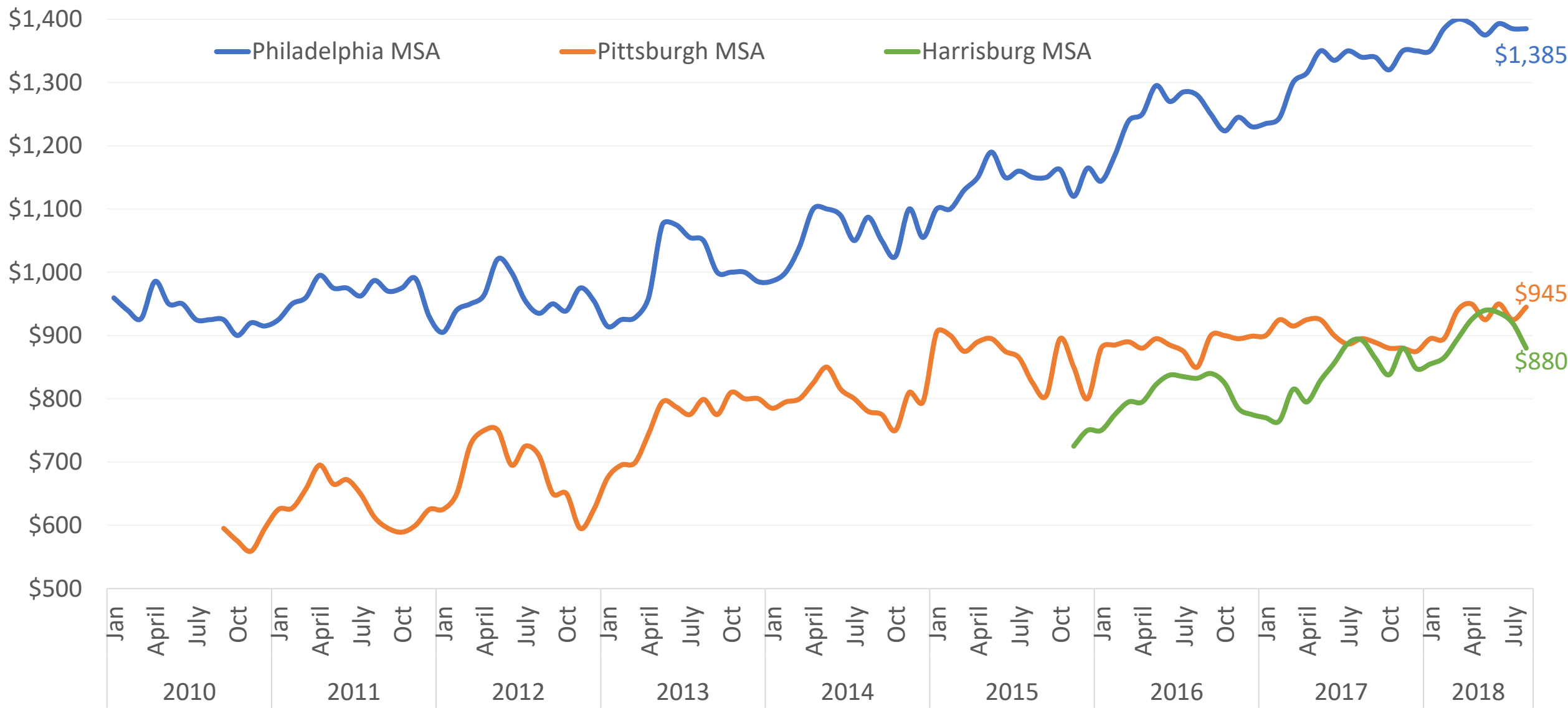
Top Growth Occupations in PA

The top 10 growth occupations provide median annual salaries of between \$19k-\$35 per year.



Source: Employment projections and occupational wages from May 2018 National Occupation Employment and Wage Estimates, BLS.

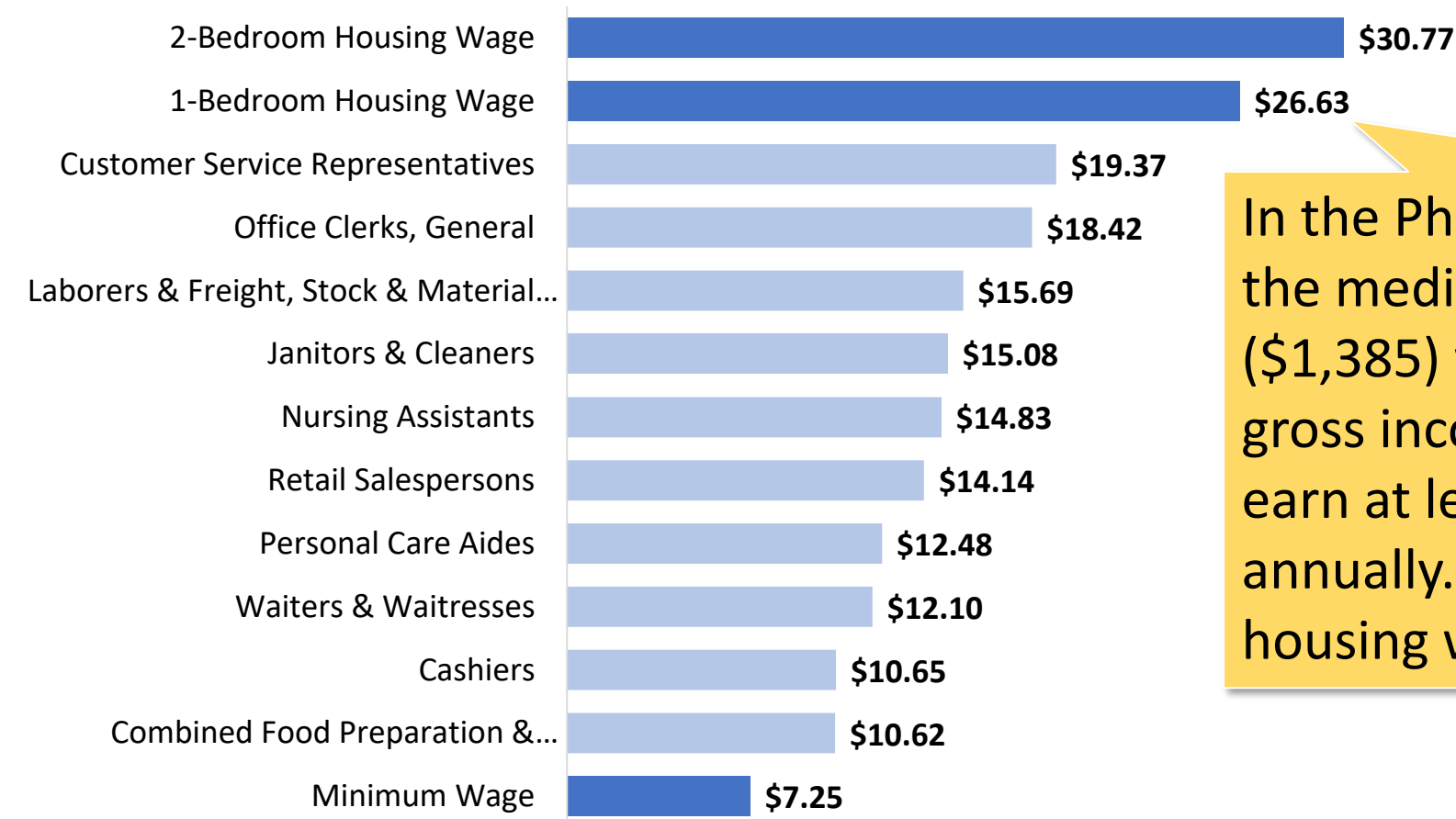
Median 2-Bedroom Rent Trends by Metro



Source: Zillow.

Housing Wage: Philadelphia MSA, 2018

Housing Wage and Median Wages for Occupations with Highest Projected Growth

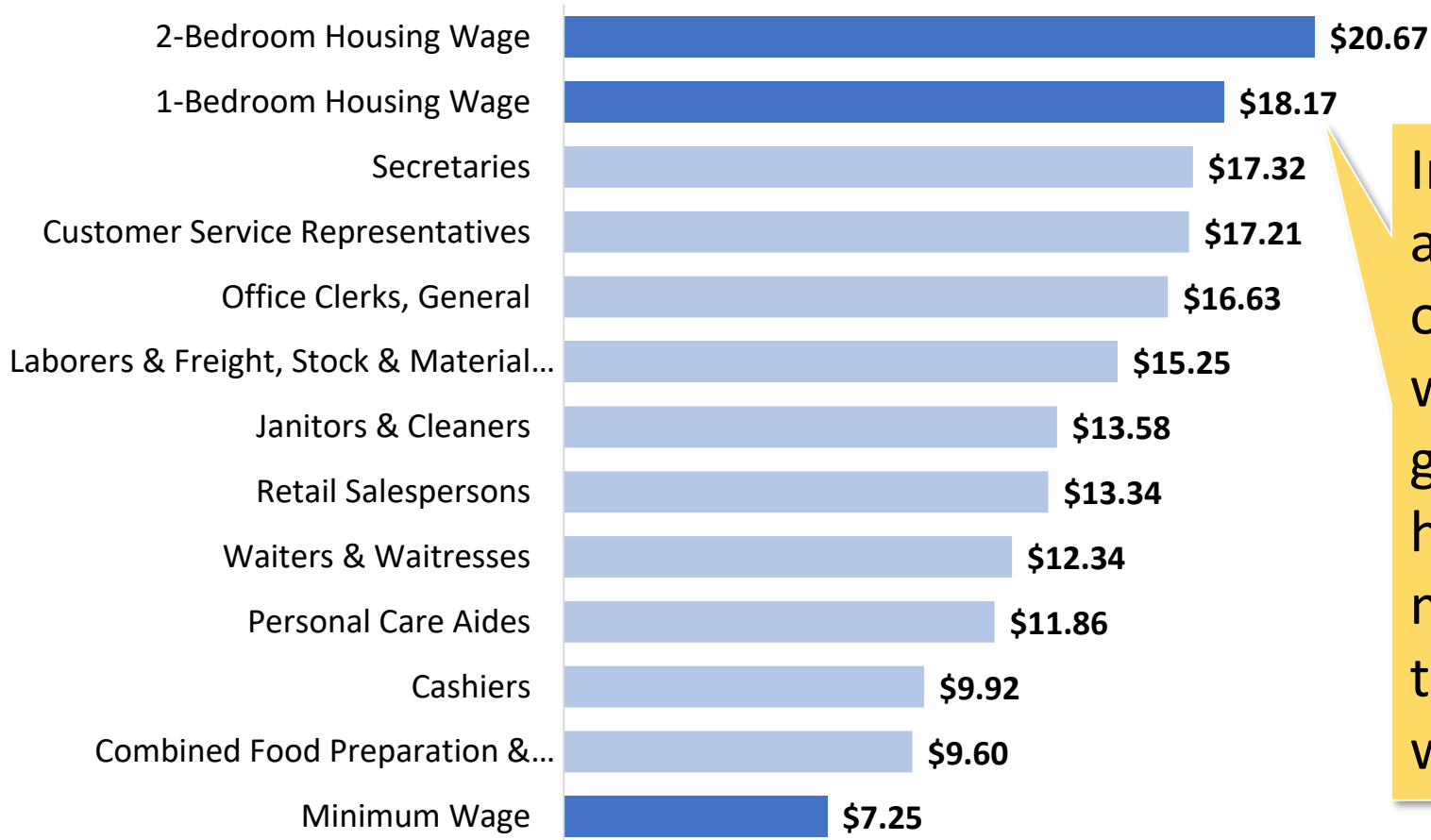


In the Philadelphia metro, in order to afford the median monthly rent for a one-bedroom (\$1,385) without paying more than 30% of gross income, a one-person household must earn at least \$4,616 monthly or \$55,400 annually. This translates into an hourly housing wage of **\$26.63 per hour**.

Source: Housing wages are derived from Zillow data. Employment projections from BLS Employment Projections Program. Occupational wages from May 2018 National Occupation Employment and Wage Estimates, Occupational Employment Statistics, BLS.

Housing Wage: Pittsburgh MSA, 2018

Housing Wage and Median Wages for Occupations with Highest Projected Growth

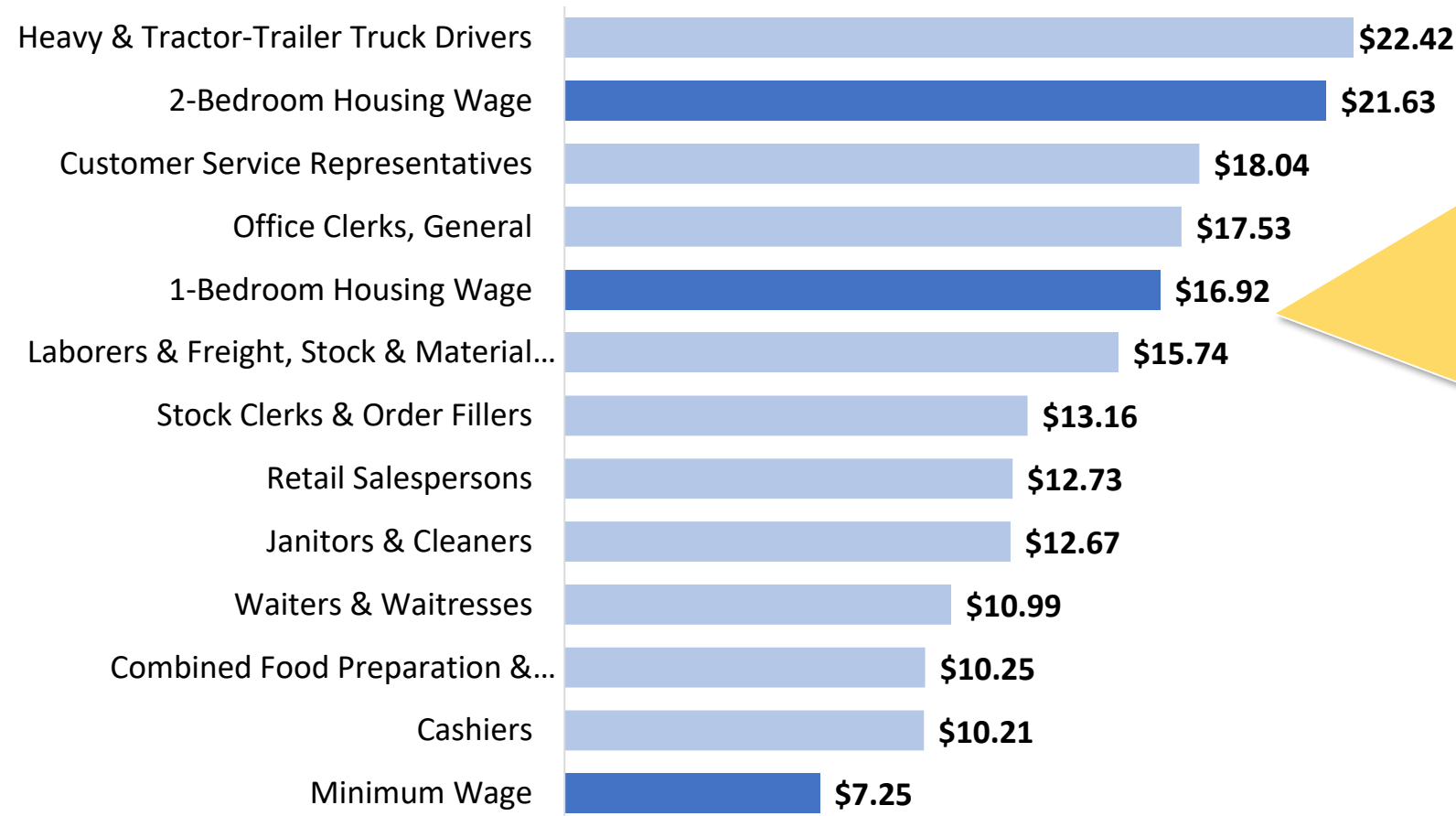


In the Pittsburgh metro, in order to afford the median monthly rent for a one-bedroom apartment (\$945) without paying more than 30% of gross income, a one-person household must earn at least \$3,150 monthly or \$37,800 annually. This translates into an hourly housing wage of **\$18.17 per hour**.

Source: Housing wages are derived from Zillow data. Employment projections from BLS Employment Projections Program. Occupational wages from May 2018 National Occupation Employment and Wage Estimates, Occupational Employment Statistics, BLS.

Housing Wage: Harrisburg MSA, 2018

Housing Wage and Median Wages for Occupations with Highest Projected Growth



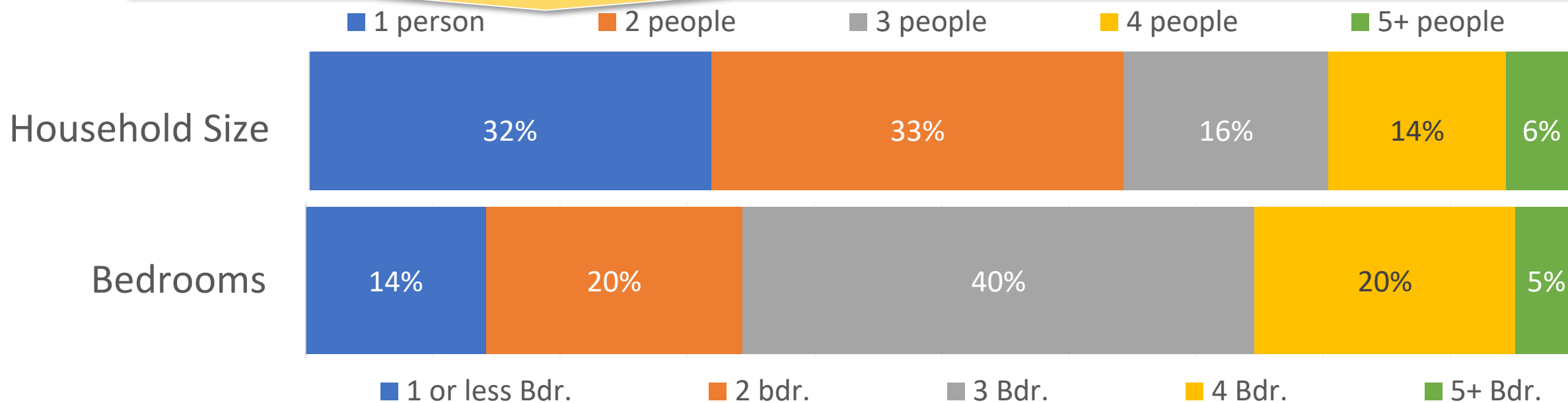
In the Harrisburg metro, in order to afford the median monthly rent for a one-bedroom apartment (\$880) without paying more than 30% of gross income, a one-person household must earn at least \$2,933 monthly or \$35,200 annually. This translates into an hourly housing wage of **\$16.92 per hour**.

Source: Housing wages are derived from Zillow data. Employment projections from BLS Employment Projections Program. Occupational wages from May 2018 National Occupation Employment and Wage Estimates, Occupational Employment Statistics, BLS.

Housing Stock Mismatch: Philadelphia MSA

Household Size vs. Unit Size, 2017

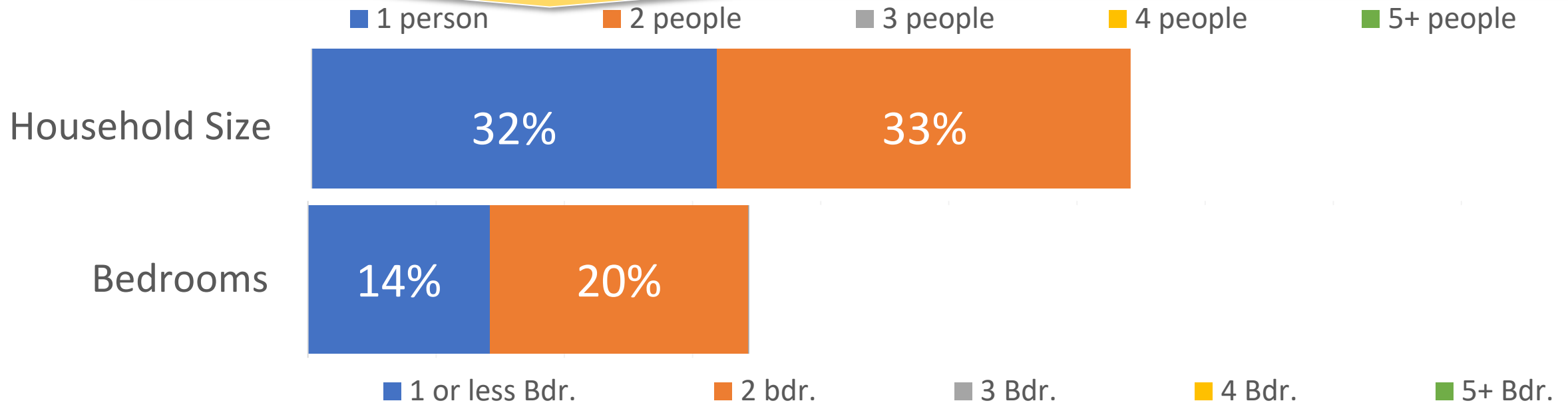
The share of 1- and 2-person households (65 percent) is much greater than the estimated share of studio, and one- and two-bedroom units, combined (34 percent).



Housing Stock Mismatch: Philadelphia MSA

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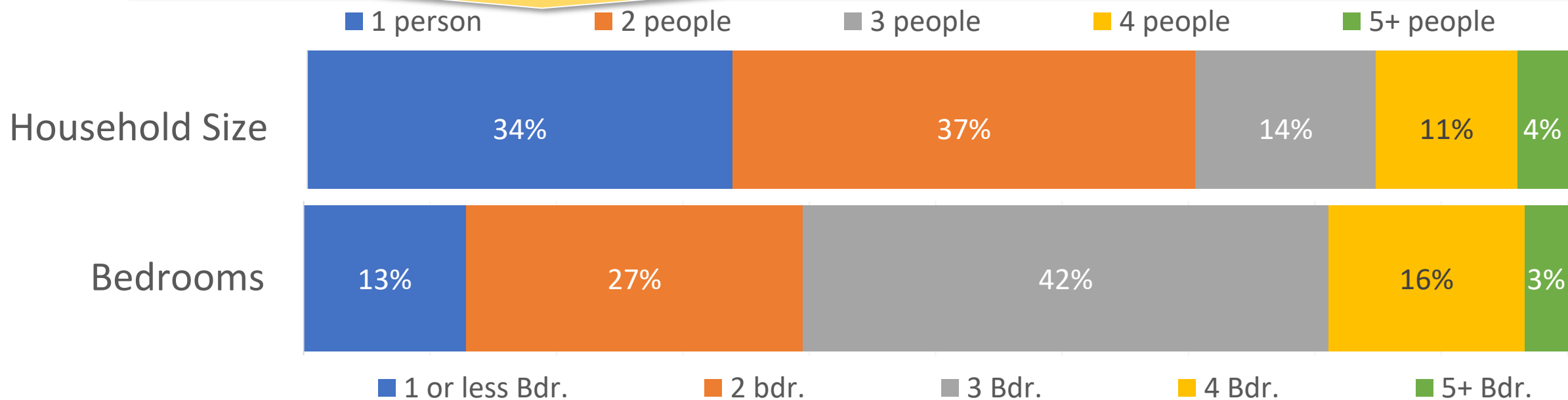
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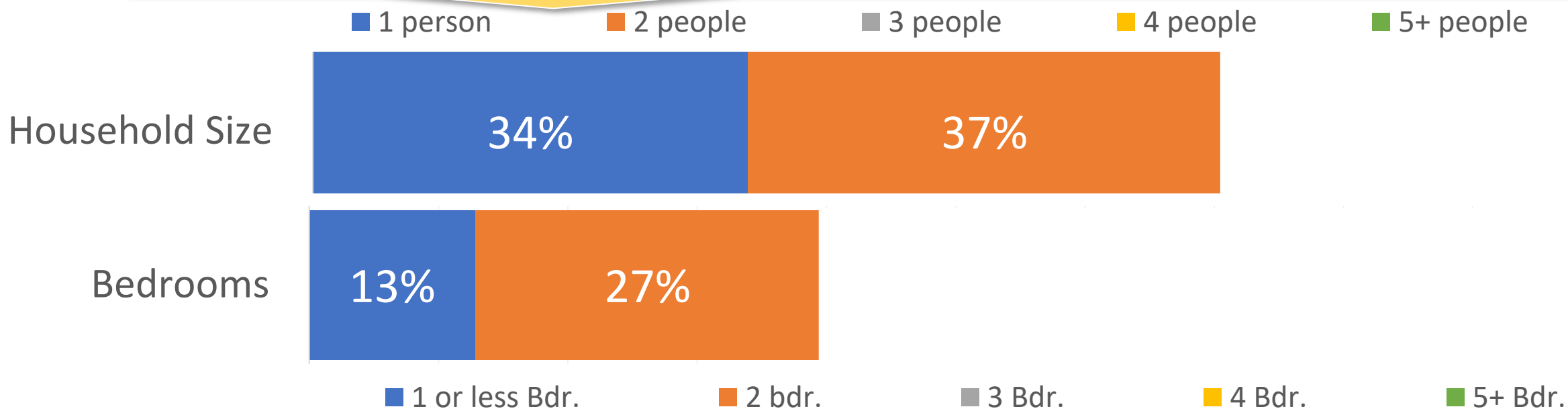
The share of 1- and 2-person households (70 percent) is much greater than the estimated share of studio, and one- and two-bedroom units, combined (40 percent).



Housing Stock Mismatch: Pittsburgh MSA

Household Size vs. Unit Size, 2017

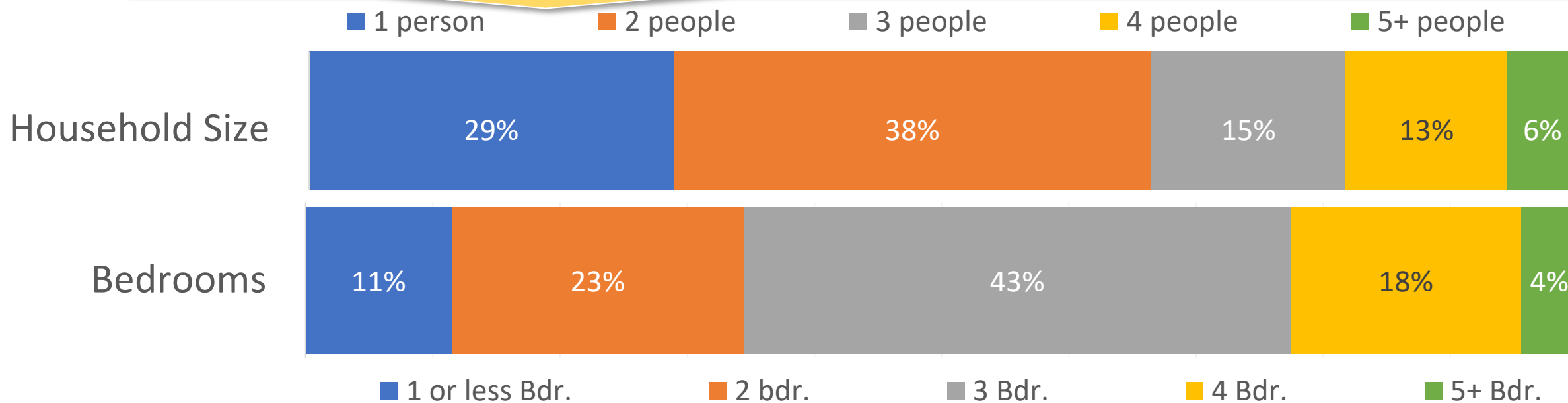
The share of 1- and 2-person households (71 percent) is much greater than the estimated share of studio, and one- and two-bedroom units, combined (40 percent).



Housing Stock Mismatch: Harrisburg MSA

Household Size vs. Unit Size, 2017

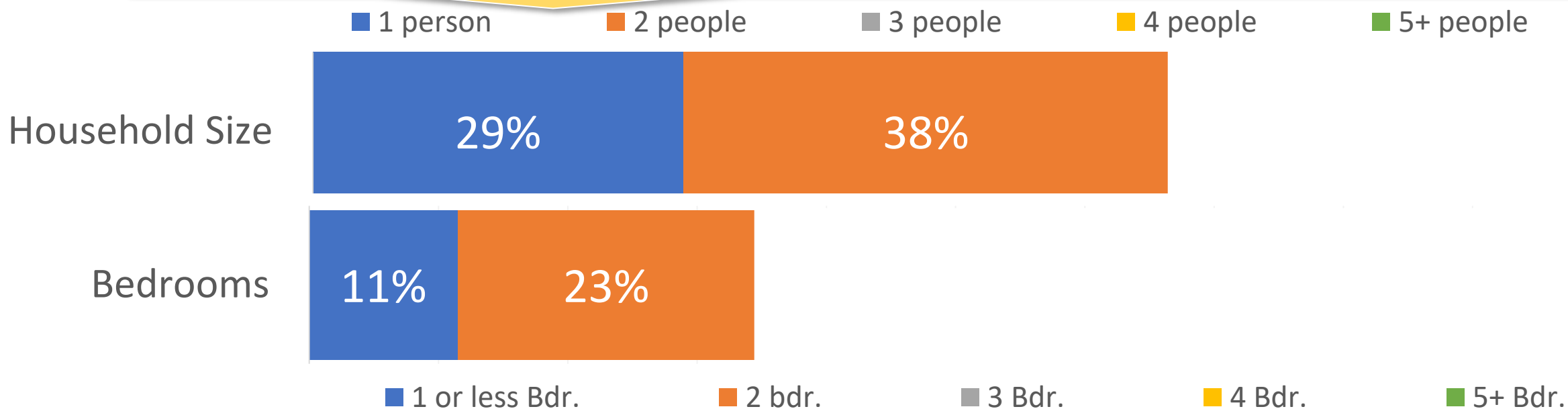
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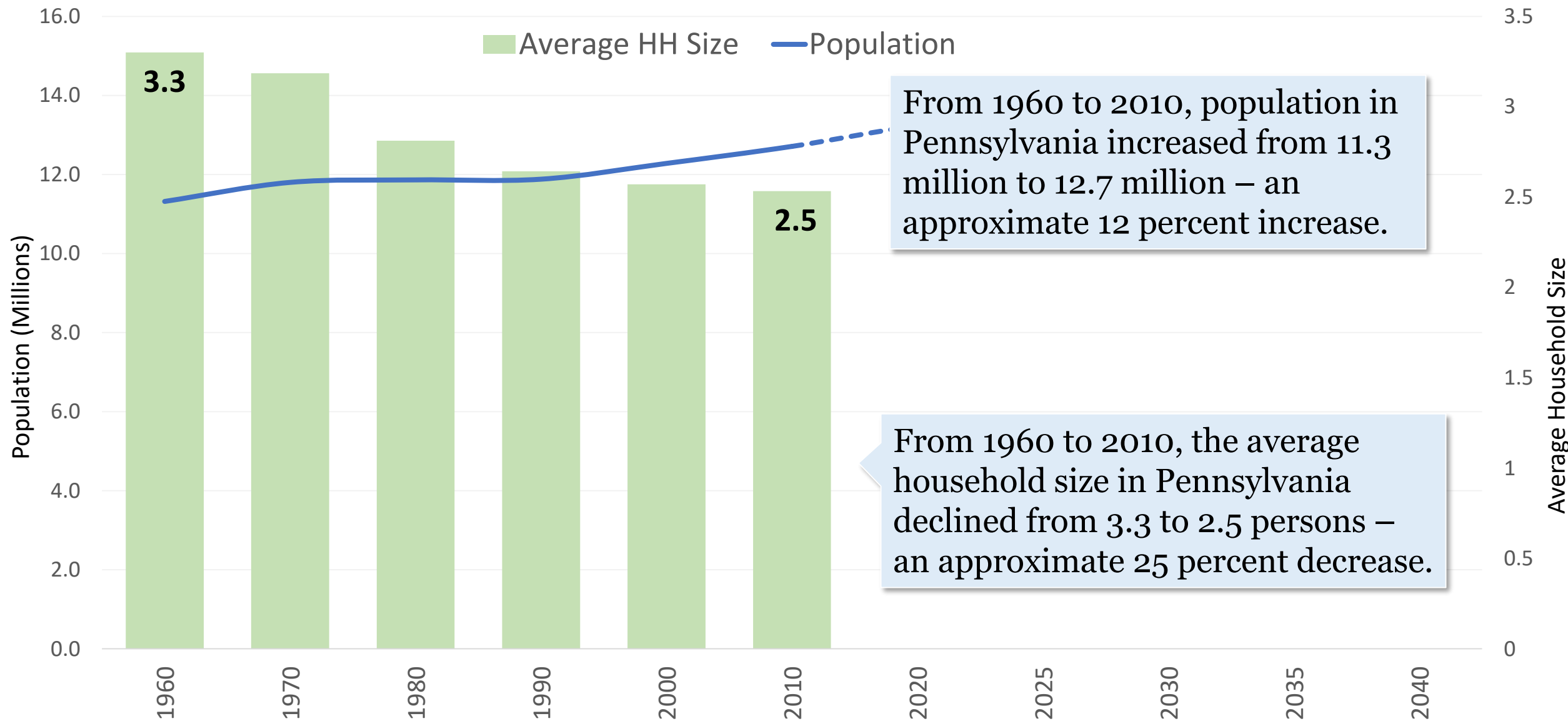
Housing Stock Mismatch: Harrisburg MSA

Household Size vs. Unit Size, 2017

The share of 1- and 2-person households (67 percent) is much greater than the estimated share of studio, and one- and two-bedroom units, combined (34 percent).

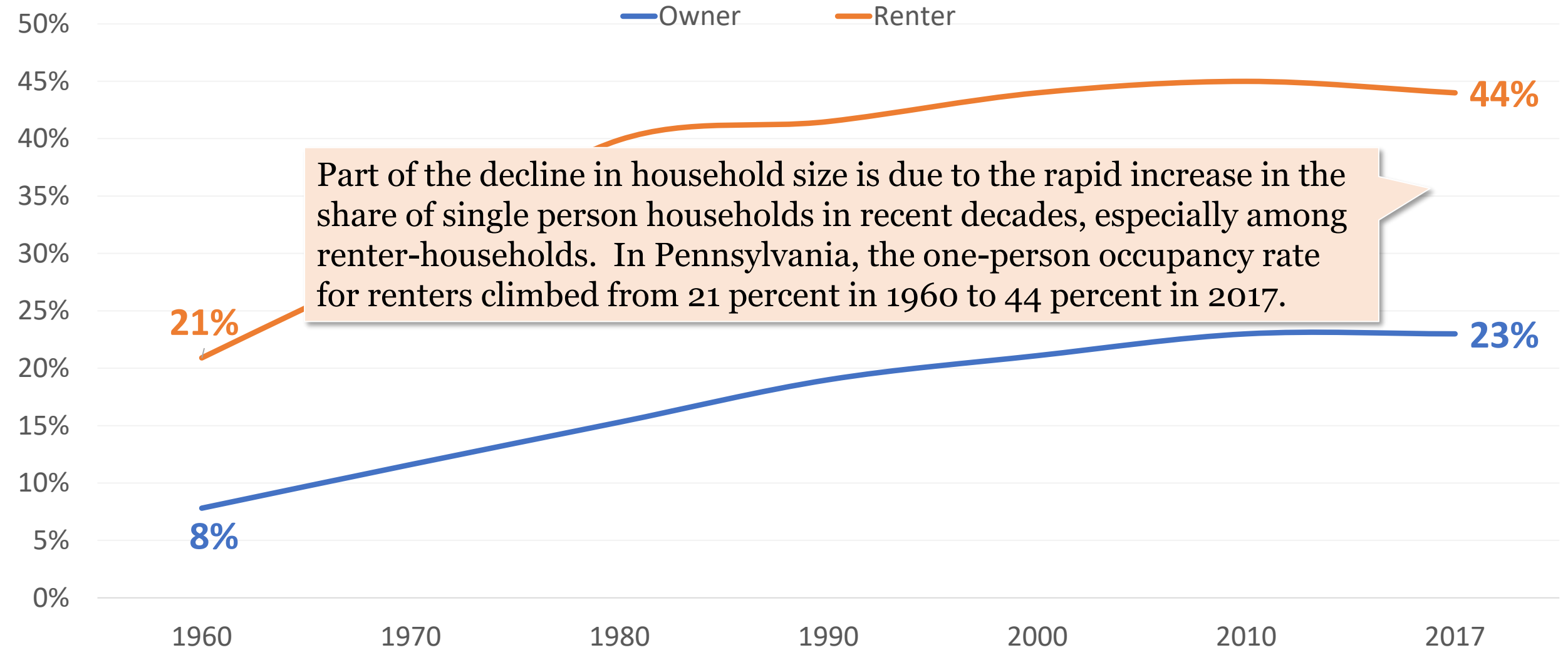


Pennsylvania Trends and Forecasts, 1970-2040



Source: U.S. Census Bureau Decennial census, 1800-2010; Pennsylvania State Data Center for the Center for Rural Pennsylvania

Single Person Household Trends: PA



What are the economic and fiscal benefits of Missing Middle Housing to your local community?



ECONOMIC BENEFITS

More “walking wallets.”

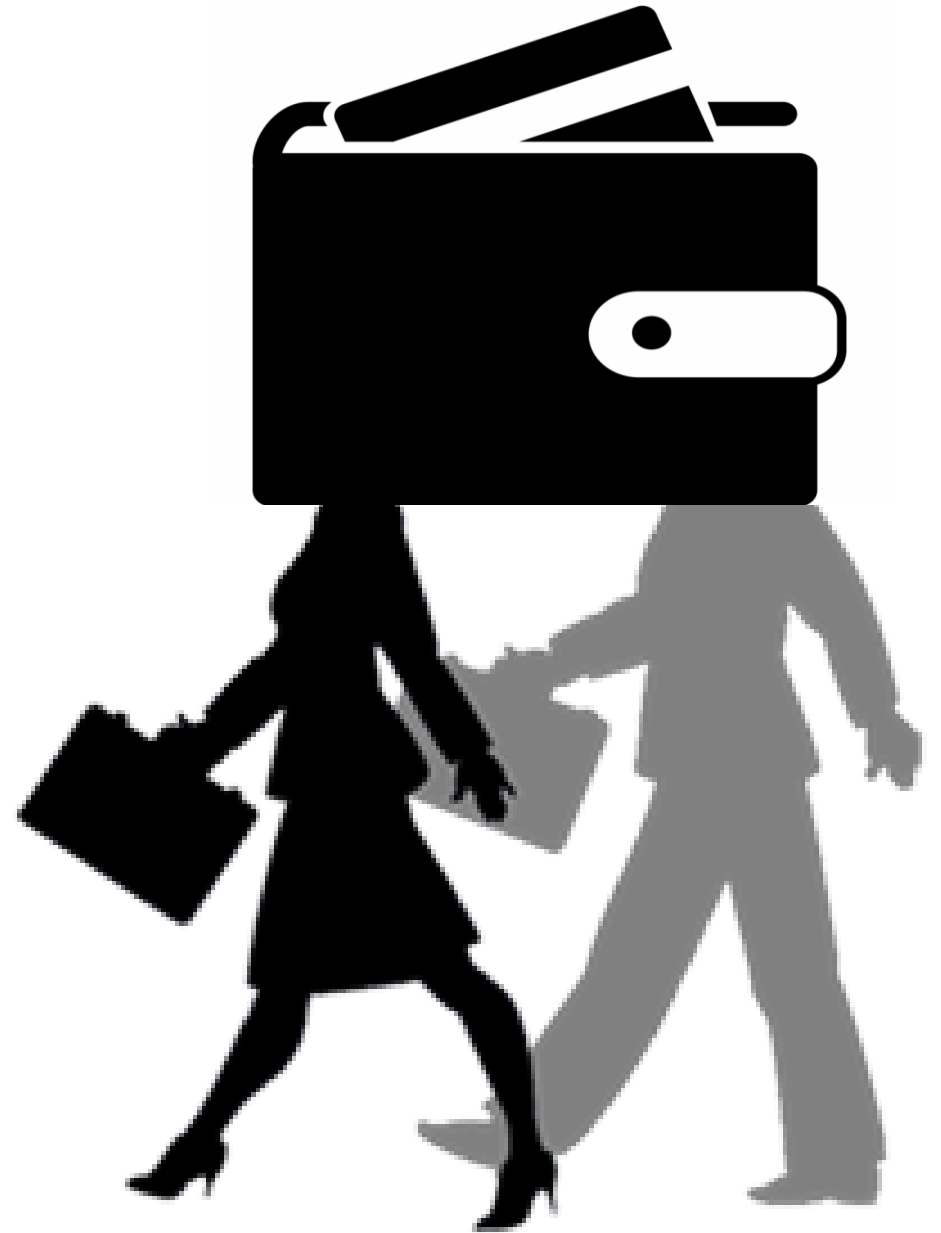
Smaller units/higher
discretionary spending

Supports a mix of small
local retail and service
establishments



Missing Middle Housing Increases “Walking Wallets” on Local Streets

More households, locally, means more consumer expenditures, locally. Further, small households (one- and two-person) are, generally, more inclined to dine out and spend locally when doing so.



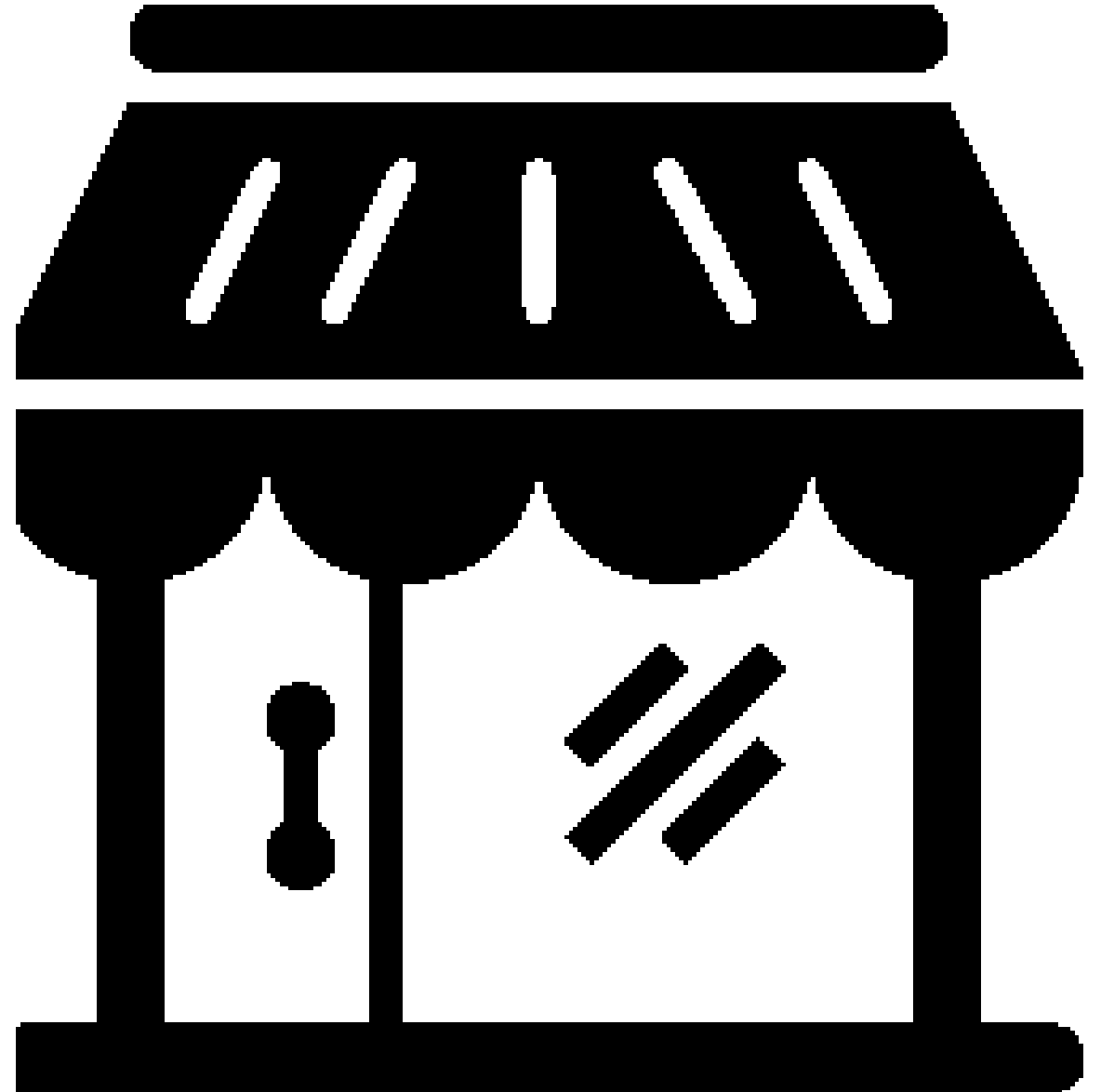
Smaller Units-Higher Discretionary Spending

With less money spent on the house (and fewer people within in it), the greater the income which can be spent on discretionary purchases such as non-essential retail goods, services, entertainment and dining out.



Supports a mix of small/local retail establishments

Middle-income housing, given it's variety, attracts a variety of household types (e.g., young professionals, non-college educated service workers, downsizing empty nesters, etc.) who help support economic diversity in local markets, generally, and small business districts, in particular.

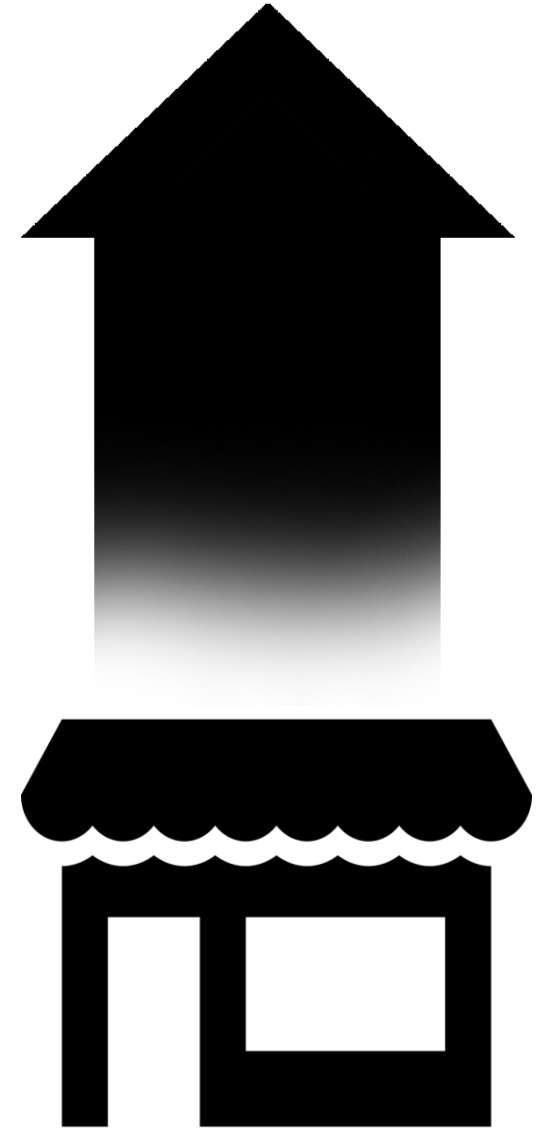


FISCAL BENEFITS

Increase in EIT and LST
Revenue

Large Net Positive
Fiscal Impacts

Increase in Commercial
Real Estate Values



Significant Increase in Earned Income Tax and Local Service Tax Revenue

It stands to reason that the more households within a given area (increased density) the greater will be, all other things being equal, the amount of EIT and LST revenues generated within that area.



A Large Net Fiscal Impact is More Likely than Not

Missing middle income housing, generally much smaller than traditional single-family units, yet more densely developed, will tend to be fiscally positive given minimal stress on existing municipal and school district services.



Helps Increase Commercial Real Estate Values

Given that commercial real value is a function of lease rates and lease rates are a function of demand (whether for office, retail or restaurants), increased demand generated from new housing will, most often, lead to an increase in commercial property value.



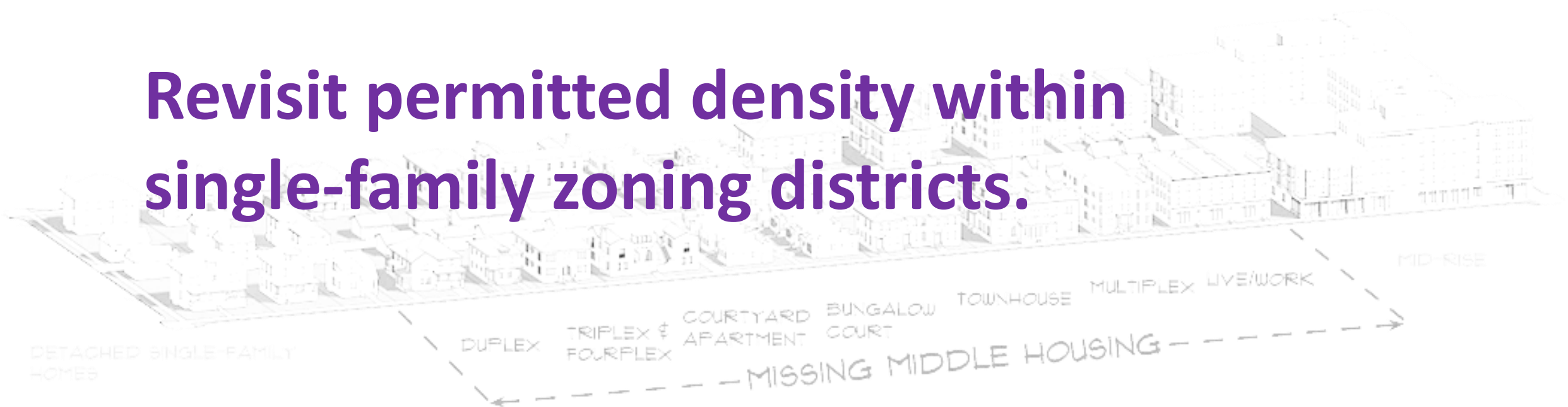
How can you, as planning professional, make Missing Middle Housing happen in your community?

Rethink existing residential zoning.



How can you, as planning professional,
make Missing Middle Housing happen
in your community?

**Revisit permitted density within
single-family zoning districts.**



How can you, as planning professional, make Missing Middle Housing happen in your community?

Expand permitted uses within low-rise main-street area commercial districts.



How can you, as planning professional, make Missing Middle Housing happen in your community?

Pursue form-based coding and make sure to educate your stakeholders about its utility.



Now
get
going!

