Missing Middle Housing: An Economic & Fiscal Imperative

Detached Single Family  Duplex  Triplex/Fourplex  Courtyard Apt  Bungalow Court  Townhome  Multiplex  Live/Work  Mid-Rise

Affordable  Middle  Luxury
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.

Source: Opticos Design, Inc
The Present Edges!

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

Source: Opticos Design, Inc
Missing Middle: Typology

- Duplex: Side-by-Side
- Duplex: Stacked
- Triplex/Fourplex
- Courtyard Apartments
- Bungalow Court
- Townhouse
- Multiplex: Small
- Live/Work

Source: Opticos Design, Inc
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

Source: Opticos Design, Inc
How does Missing Middle Housing integrate into existing or new blocks?

Distributed throughout a block with single-family homes
How does Missing Middle Housing integrate into existing or new blocks?

Using a block comprised exclusively of Missing Middle types to transition to a commercial corridor.
How does Missing Middle Housing integrate into existing or new blocks?

Placed on the end-grain of a single-family block.
How does Missing Middle Housing integrate into existing or new blocks?

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

The supply of new housing in Pennsylvania is low, by historical levels.

Few 2-4 units.

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

Source: U.S. Bureau of the Census, Manufacturing and Construction Division
According to a 2017 American Housing Survey, the majority (52 percent) of people in the United States describe their neighborhood as “suburban”.

Source: American Housing Survey, 2017
In 2010, 79 percent of Pennsylvania’s residents lived in an urbanized area (50,000 or more persons)
Over the next 20 years, much of the projected population growth driving new housing demand will be among maturing Millennials and Baby Boomers.
Millennials and Baby Boomers are largely located in Pennsylvania’s urbanized areas.
Housing Stock by Building Type

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.

Source: U.S. Census, ACS, 2012-2016
Single-family homes make up 76% of Pennsylvania’s current housing stock.

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.

Just 9 out of 100 housing units fit the missing middle typology in Pennsylvania!
Over the last three decades, inflation adjusted median household incomes in Pennsylvania have remained relatively flat, increasing by just 1.1 percent per year from 1984 to 2018.
However, over the same time period, inflation adjusted median gross rents increased by 3.6% per year while median home values increased by 4.2% per year, on average.

Source: U.S. Census Bureau, 2013-2017 ACS 5-Year Estimates
Housing Affordability in PA: 
Share of Households by Income Category

Source: Esri, 2019

Median Annual Wage (May 2018)

- Full-Time Min Wage Employee: $15,000
- Cashier: $19,990
- School Bus Driver: $30,720
- Postal Service Clerk: $47,500
- Elementary School Teacher: $66,860
- Civil Engineer: $81,860
- Pharmacist: $120,530
- Pediatrician: $153,720
- Surgeon: $252,140

- <$15k
- $50k-$74.9k
- $25k-$34.9k
- $35k-$49.9k
- $50k-$74.9k
- $75k-$99.9k
- $100k-$149.9k
- $150k-$199.9k
- $200k+
Housing Affordability in PA: Who’s struggling most?

12% Full-Time Min Wage Employee $15,000
9% Cashier $19,990
9% School Bus Driver $30,720
12% Postal Service Clerk $47,500

Median Annual Wage (May 2018)

18% Elementary School Teacher $66,860

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.

- Cashiers
- Waiters & Waitresses
- Stock Clerks & Order Fillers
- Retail Salespersons
- Personal Care Aides
- Janitors & Cleaners
- Laborers & Freight, Stock & Material Movers
- Office Clerks, General
- Customer Service Representatives
- Secretaries

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.
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.

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**.

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.

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).

Source: 2017 ACS 5-Year Estimates, B11016; DP04
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).

Source: 2017 ACS 5-Year Estimates, B11016; DP04
Housing Stock Mismatch: Pittsburgh MSA

Household Size vs. Unit Size, 2017

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).

Source: 2017 ACS 5-Year Estimates, B11016; DP04
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).

Source: 2017 ACS 5-Year Estimates, B11016; DP04
Housing Stock Mismatch: Harrisburg MSA

Household Size vs. Unit Size, 2017

The share of 1- and 2-person households (66 percent) is much greater than the estimated share of studio, and one- and two-bedroom units, combined (34 percent).

Source: 2017 ACS 5-Year Estimates, B11016; DP04
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).

Source: 2017 ACS 5-Year Estimates, B11016; DP04
From 1960 to 2010, population in Pennsylvania increased from 11.3 million to 12.7 million – an approximate 12 percent increase.

From 1960 to 2010, the average household size in Pennsylvania declined from 3.3 to 2.5 persons – an approximate 25 percent decrease.

Source: U.S. Census Bureau Decennial census, 1800-2010; Pennsylvania State Data Center for the Center for Rural Pennsylvania
Part of the decline in household size is due to the rapid increase in the share of single person households in recent decades, especially among renter-households. In Pennsylvania, the one-person occupancy rate for renters climbed from 21 percent in 1960 to 44 percent in 2017.
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!