Missing Middle Work Group Session 2 Meeting Summary

Santa Clara County Planning Collaborative & 21 Elements

[Slides and meeting recording available here.](#)

Work group #2 focused on the current market for middle housing and strategies for incentivizing middle housing types, as well as housing that may be more naturally affordable to middle-income homebuyers. Speakers from ECOnorthwest discussed code incentives and design standards to support housing attainable for middle-income households without subsidies, emphasizing smaller units, higher density, and efficient production. Staff from the City of Boulder shared their experience creating a missing middle housing program, including more creative strategies such as community partnerships and modular housing.

Work Group Overview

Collaborative staff reviewed the work group's goals and returned to the previous session's discussion of how to define middle-income housing. Since most work group members are focused on programs that support households making 80% to 120% area median income (AMI), work group materials shifted to encompass this income range.

Middle-income Renters

For middle-income households making between 80% and 120% AMI for a family of four, a monthly affordable rent payment is approximately $4,350 to $6,500. A survey of available listings on the real estate website Zillow found that the average rent for a three-bedroom

apartment was about $5k, indicating that the market may actually provide options affordable to middle-income renters. However, these renters may be looking for housing with a better location or larger unit size, and they also may prefer to purchase rather than rent. So while the market provides middle-income-affordable rentals, these households may still choose to rent further outside urbanized areas to find homes with the amenities they prefer.

Middle-income Homebuyers

A middle-income-affordable home purchase price is roughly $930,000 to $1.3 million assuming a 20% down-payment and a 6.5% interest rate mortgage. The same survey of Zillow found very few homes in the two counties at this price, and those that were available were primarily built more than 10 years ago. Nearly all new construction in this price range was condos and townhomes.

Work Group Goals

Collaborative staff discussed the work group's goals, updated based on small group discussions during the first session. Group participants want strategies for:
- Both middle-income and middle housing types
- 80% - 120% AMI
- Options accounting for skewed AMI caused by extremely high-income households
- Supporting middle-income homeownership
- Incentivizing middle housing types and higher densities
- Family-sized units in multi-family buildings
- Limiting townhomes (sale prices are inaccessible and these units often don't reach density goals) where higher-density developments make sense
- Encouraging "plexes" (duplexes, triplexes, etc.) and stacked flats

The Middle Housing Market

Speakers from ECOnorthwest gave an overview of the middle middle housing market, highlighting the importance of encouraging smaller units, higher density, simple design, low-cost materials, and efficient production.
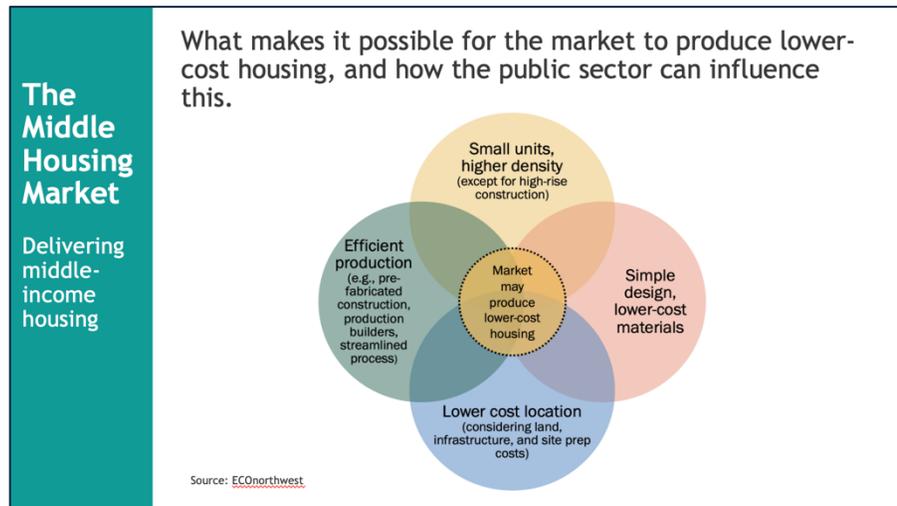
Strategies for Supporting Middle Housing

The ECOnorthwest team also discussed the spectrum of policy incentives and programs that can support both middle-income and middle type housing.

- **Code incentives** can increase the amount of development allowed on the site (e.g., through density or height bonuses), reduce costs, or expedite/simplify review processes to lower permitting and/or carrying costs.
- **Financial incentives** can include reducing the upfront cost of impact or permitting fees and/or the on-going cost of property taxes.
- **Funding** through grants or loans provides direct financial assistance for affordable or mixed-income projects to close feasibility gaps.
- **Acquisition or disposition of land** can offer both the ability to control an appropriate site so that a developer has the opportunity to build on it and, potentially, savings on land costs if the jurisdiction is able to write down land costs.

Lessons From Other Regions

In San Luis Obispo County planners and developers are leaning into "affordable by design" strategies. ABD housing projects require identifying Identify housing types, characteristics, and locations that could deliver middle-income-affordable housing without financial assistance or deed restrictions. Some example projects in San Luis Obispo County include micro units, small condos, small detached units on small lots, and small townhomes.

The City of Seattle focused on supporting middle housing in their Neighborhood Residential Zones update. They found that stacked flats were often naturally more affordable to middle-income homebuyers, but the development of stacked flats is often out-competed by more profitable development types.

City of Boulder Middle-income Strategy

Staff from the City of Boulder gave a presentation on their Middle-income Housing Strategy.

The city's goal is to build or preserve 3,500 middle-income homes by 2030, including 2,500 market-rate units and 1,000 deed restricted permanently affordable units.

Boulder faces many challenges that similar to those in Bay Area cities:
- The market is produces primarily rental units and very few ownership units at the middle-income level.
- LIHTC projects don't serve middle-income households.
- There are fewer annexations and smaller annexations, so development has to get more creative with sites.
- There is competition from surrounding communities attracting households that make above 100% AMI, leading to many households commuting from other communities into Boulder.

This strategy was developed through community goals of supporting middle housing, and has evolved over time to adapt to market realities and project feasibility. The city identified four key policy levers:

One of the major initiatives of Boulder's Middle-income Strategy was the creating of a modular housing factory through collaboration with community groups. The city partners with the Boulder Valley School District to provide job training for the modular housing industry, while also partnering with Habitat for Humanity to use the newly created housing units as affordable homeownership opportunities for community members.

Resources From This Work Group Session

- [Working with the Market: Affordable By Design](#) - EcoNorthwest for San Luis Obispo County (2023)
- [The Bay Area's Middle Housing Market](#) - EcoNorthwest for ABAG/MTC (2021)
- [Guidebook: Making Middle Housing Affordable](#) - EcoNorthwest for ABAG/MTC (2022)
- [City of Boulder's Middle-income Housing Strategy](#) (2016)
- [Video on Boulder's modular home factory](#)