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## Three Strategies to Fill the “Missing Middle” of Housing



28 July 2020

# Contents

Introduction .....	1
Three Strategies to Fill the Missing Middle of Housing .....	2
The Multiple Benefits of Filling the Missing Middle of Housing .....	3
Strategy #1: Incentivize Investment in Accessory Dwelling Units .....	4
Strategy #2: Facilitate Partnerships for Cohousing .....	6
Strategy #3: Facilitate Partnerships for Cottage Courts .....	8
References & Resources .....	10

**Credits:**

The term “missing middle” was coined by professionals from Optico Design. The graphics that illustrate that term in this document were adapted from <https://opticosdesign.com/>.

# Three Strategies to Fill the “Missing Middle” of Housing

*“...safe, healthy, accessible, energy-efficient housing is essential for the economic stability and wellbeing of households of all demographics and all configurations throughout Wisconsin, and for a stable and prosperous society.”*

The shortage of housing is at crisis levels in communities across the country, across the State of Wisconsin, in Dane County, and in the City of Madison. This shortage is fueled by a combination of barriers, including outdated municipal codes; unresponsive housing finance policies; and a housing construction industry financed by investors who prefer low-risk, high-end, multi-unit projects. The result is the “Missing Middle” of housing.



This booklet outlines the primary barriers to three “missing middle” housing strategies and describes successful initiatives undertaken by state and local governments to ameliorate those barriers.

# Three Strategies to Fill the Missing Middle of Housing

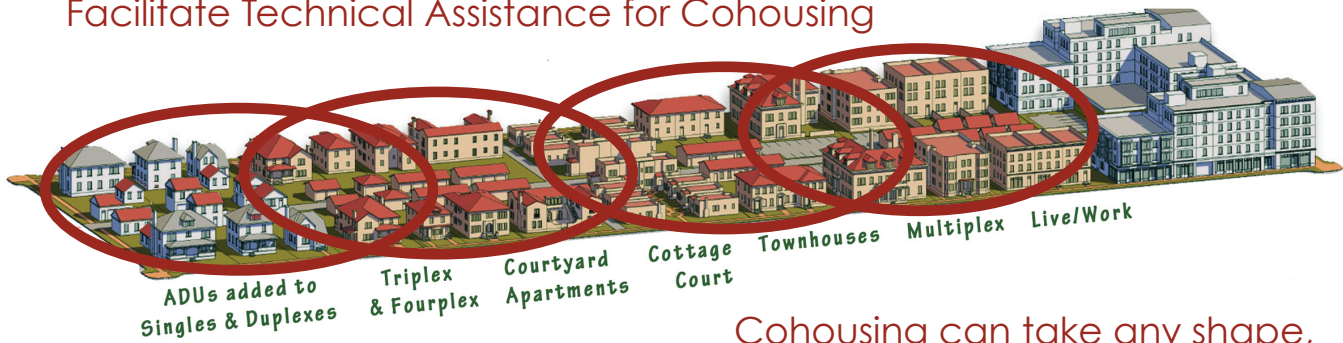
## Strategy #1:

Incentivize Investment in Accessory Dwelling Units (ADUs)



## Strategy #2:

Facilitate Technical Assistance for Cohousing



Cohousing can take any shape, or any combination of shapes, in the “missing middle” of housing.

## Strategy #3:

Facilitate Partnerships for Cottage Courts



## The Multiple Benefits of Filling the “Missing Middle” of Housing

All three housing strategies described in this booklet can be developed as infill housing in urban areas or as part of conservation development projects in suburban or rural areas. For decades, researchers and policy makers across the country have promoted these approaches as an important component of a comprehensive housing strategy.

More recently, researchers have identified multiple social, economic, and ecological benefits of these development strategies, including:

### **Social Benefits:**

- Increased housing options near employment centers
- Increased housing options for multi-generational families
- Increased options for seniors to “age-in-place”
- Increased neighborhood walkability & safety
- Increased access to goods & services for people who are mobility challenged or who do not own cars

### **Economic Benefits:**

- Help local business and industry attract and retain workers
- Help revitalize distressed neighborhoods
- Increase patronage of neighborhood businesses
- Support generational transition of family farms
- Increased employment and small business start-ups in the residential construction industry

### **Ecological Benefits:**

- Reduce development pressures on natural resources
- Reduce commuter hours & CO<sub>2</sub> emissions
- Smaller dwellings use less energy for heating and cooling

# Strategy #1: Incentivize Investment in Accessory Dwelling Units (ADUs)

*"This strategy alone will not solve any single issue, but the cumulative impact of this strategy across multiple social, economic, and ecological issues is incalculable."*

## ADUs: What & Why?

Incentivizing homeowners to add an ADU to their homes is an effective market-driven approach to ameliorating the housing shortage.

Homeowners add ADUs for many different reasons. For some homeowners it is an income-generating investment. Some enjoy the benefits of multi-generational living. Others realize both the health and economic benefits of caring for loved ones at home, and others invest in an ADU to secure those benefits for themselves in the future.



Many communities prohibit ADUs or have layers of regulations that discourage homeowners from investing in ADUs. However, legal or not, almost all communities have ADUs “tucked in” above, below, and behind single-family and two-family houses. Granny flats, basement apartments, garage apartments, back yard cottages, and in-law suites are a few of the creative ways homeowners add an ADU to their homes.

## **Primary Barriers to ADUs:**

1. Outdated municipal codes
2. Prohibitively high development fees
3. Lack of financial products for homeowners
4. Lack of technical resources useful to the average homeowner

## **Overcoming the Barriers to ADUs:**

### **1. Update municipal codes:**

The majority of land area in Wisconsin cities and villages is zoned exclusively for single-family detached houses. Municipalities can ameliorate the housing shortage by updating zoning codes to allow ADUs “by right” on single family and duplex houses, and by reducing or temporarily waiving development fees.

### **2. Facilitate Multi-Sector Partnerships:**

State and local governments can work with local lenders, builders, and nonprofit organizations to develop a menu of financial products that will incentivize homeowner investment in ADUs. Example: A short-term interest-only construction loan combined with a pre-approved mortgage or mortgage re-finance.

### **4. Provide Technical Assistance for Homeowners:**

Provide pre-approved plans, construction details, and materials lists for a variety of safe, healthy, accessible, energy efficient ADUs that can be easily modified to meet specific needs. These materials are essential to bridging the communications, knowledge, and trust gaps between homeowners and contractors that discourage both parties from undertaking an ADU project.

## **Case Studies:**

City of Minneapolis, MN; State of Oregon; State of California.

## Strategy #2: Facilitate Technical Assistance Partnership for Cohousing

### Cohousing: What & Why?

Unlike the other housing strategies, cohousing can take any shape, or any combination of shapes, in the spectrum of housing types. This is because people who want to live in cohousing find each other before they find, or build, a place to live. They make basic decisions, like preferred location and what kinds of common spaces will support their common wellbeing, before they start looking for a site. This offers opportunities for the future owner-occupants to plan for individually owned units that are smaller than those typically produced by the developer-driven model.

Cohousing can take any shape, or any combination of shapes, in the “missing middle” of housing.



In urban areas, cohousing groups build new housing on vacant lots, they remodel existing buildings, or they add new units to existing properties. Outside of urban areas, cohousing groups typically build new housing in clusters, rather than on large individual lots “sprawled” along road frontages. In both cases, this housing strategy can help keep land costs per unit lower than average, while reducing development pressures on agricultural land and natural areas.



## Primary Barriers to Cohousing:

1. Outdated municipal codes
2. Lack of technical assistance for cohousing groups

## Overcoming the Barriers to Cohousing:

### 1. Update municipal codes:

The majority of municipalities in Wisconsin do not include cohousing in the spectrum of housing strategies addressed in official documents. Municipalities can ameliorate the housing shortage by updating comprehensive plans and zoning codes to encourage cohousing.



Stage  
Court

Townhouses Multiplex Live/Work

The red roofs in this graphic indicate the “missing middle” of housing.

### 2. Facilitate Technical Assistance Partnerships:

The need for technical assistance for cohousing is similar to that for ADUs (see “Strategy #1”). However, where the communication, knowledge, and trust gaps between homeowners and contractors are barriers to tackling an ADU project, those gaps, and the costs, are an order of magnitude greater for cohousing. Municipalities can ameliorate the housing shortage by facilitating partnerships among local lenders, builders, architects, and nonprofit organizations to develop strategies to incentivize investment in cohousing. Examples: Petaluma Ave Homes, Sebastapol, CA; Silver Sage Cohousing, Boulder CO; Troy Gardens Madison WI; Sawyer Hill Ecovillage, Berlin MA.

## Strategy #3: Facilitate Partnerships for Cottage Courts

### Cottage Courts: What & Why?

Cottage courts are characterized by a series of relatively small, detached houses arranged around a courtyard or greenspace. The courtyard of the cottage court can be designed as a playground, a social gathering space, gardens, or other outdoor amenities.



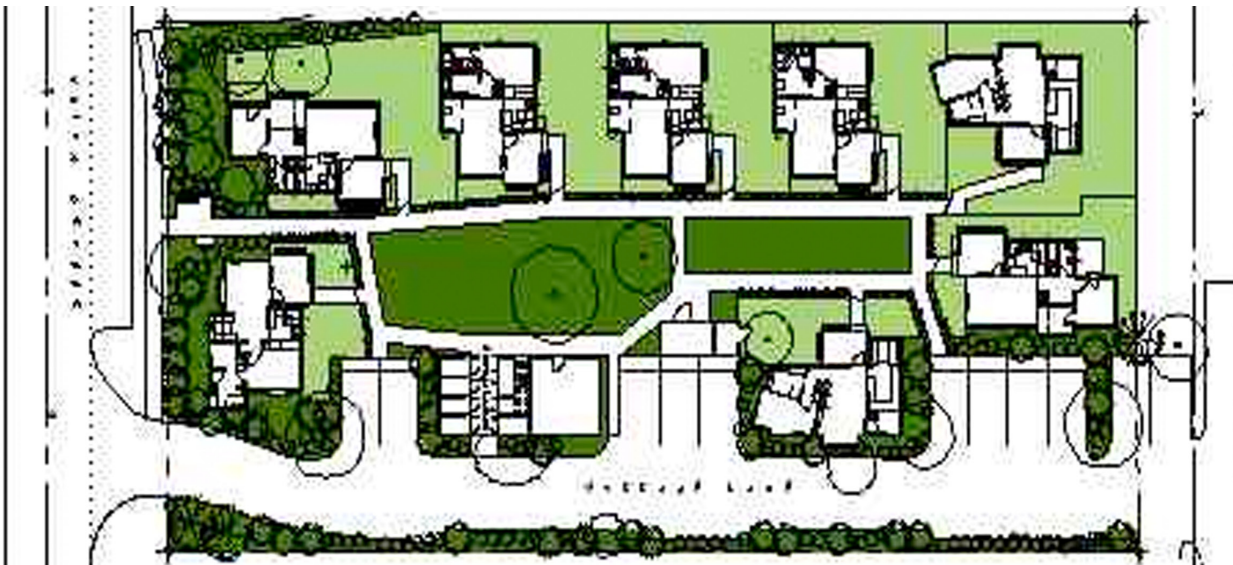
Third Street Cottage Court Langley, WA (credit: Ross Chapin Architects)

Some cottage courts include a larger building with communal spaces on the ground floor and apartments above, which can enhance the capacity of this housing strategy to accommodate residents with special needs.

In some cases, each house in a cottage court is individually owned. In other cases, the entire cottage court is privately owned and each house is rented. In yet other cases there is a combination of owners and renters. This flexibility makes cottage courts an attractive housing choice across the spectrum of households most impacted by the “missing middle” of housing. The characteristic layout of cottage courts is also attractive to people interested in small-scale versions of cohousing (see Strategy #2).

## Primary Barriers to Cottage Courts:

There are multiple barriers to cottage courts, including: the characteristic layout of cottage courts is not included in most municipal codes; they are usually too small in scope for large scale housing developers and too large for smaller contractors; and, because they are rare, the potential for profit is not as predictable as other types of housing, so it is harder to attract investors.



Site Plan, Third Street Cottage Court Langley, WA: Nine cottages on four city lots (credit: The Cottage Company)

## Overcoming the Barriers to Cottage Courts:

### 1. Update zoning codes:

Model zoning codes will allow several small, detached cottages on a site that would normally be developed with only one or two large homes. The allowable square footage of the cottages will be limited, and each cottage will have access to a common courtyard. Examples: Raleigh, NC and Langley, WA.

### 2. Facilitate Multi-Sector Partnerships:

Work with local lenders, builders, investors, and nonprofit organizations to develop a strategy that will incentivize investment in cottage courts. Examples: Decatur IL; Langley, NC; Memphis, TN.

# Selected References & Resources

## Strategy #1 Accessory Dwelling Units

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## Strategy #3 Cottage Courts

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