

# Middle Housing Attainability and Feasibility

Middle Housing Objective Design +  
Development Standards Toolkit

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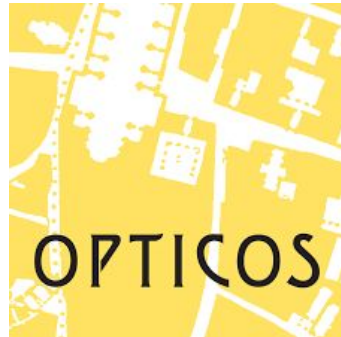


Washington State  
Department of  
**Commerce**

# Middle Housing Objective Design and Development Standards (ODDS) Toolkit



Washington State  
Department of  
**Commerce**



Title X: Middle Housing Toolkit of Objective  
Design + Development Standards (ODDS)  
| Puget Sound Region

Administrative Draft - May 3, 2023



# Cascadia Partners

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*Real estate economists  
and land use planners  
based in Portland, OR.*

## Our Role:

- Analyze ODDS to ensure financial feasibility
- Recommend changes to standards to make housing more attainable to middle income households
- Develop an pro-forma tool that city staff can use to analyze feasibility and attainability of middle housing in their jurisdictions.

# What is Attainable Housing?

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## What is “Attainability”?

Housing that is “attainable” for a certain income group means it is affordable to own or rent without spending more than 30% of one’s income on rent or a mortgage payment.

Middle-income households, are those earning between 60% and 110% of area median income (AMI), adjusted for family size. In the Puget Sound Region, this means the following:

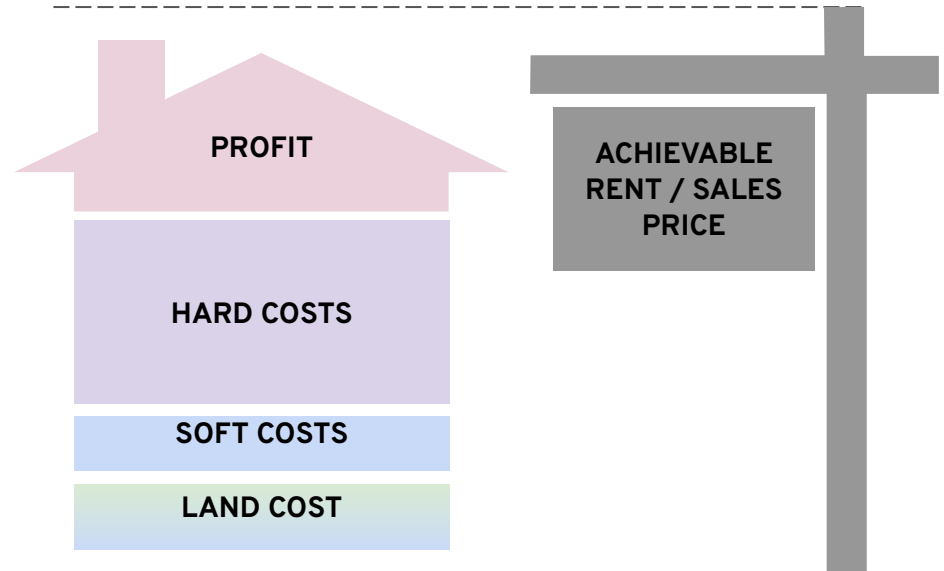
	60%	←————→	110%
King	\$80,760	<i>Area Median Income (AMI)</i>	\$148,060
Kitsap	\$61,500		\$112,750
Snohomish	\$80,760		\$148,060
Pierce	\$61,080		\$111,980

# What Makes Development Feasible?

## What is “Financial Feasibility”?

Developing housing involves a range of costs. Developers must pay for materials and labor (hard costs), taxes and fees (soft costs), and land and still be able to justify their investment with a reasonable return (profit).

When the expected revenue (rent or sales price) from a project can cover all of its costs and generate an acceptable rate of return (profit), it is considered **financially feasible**.



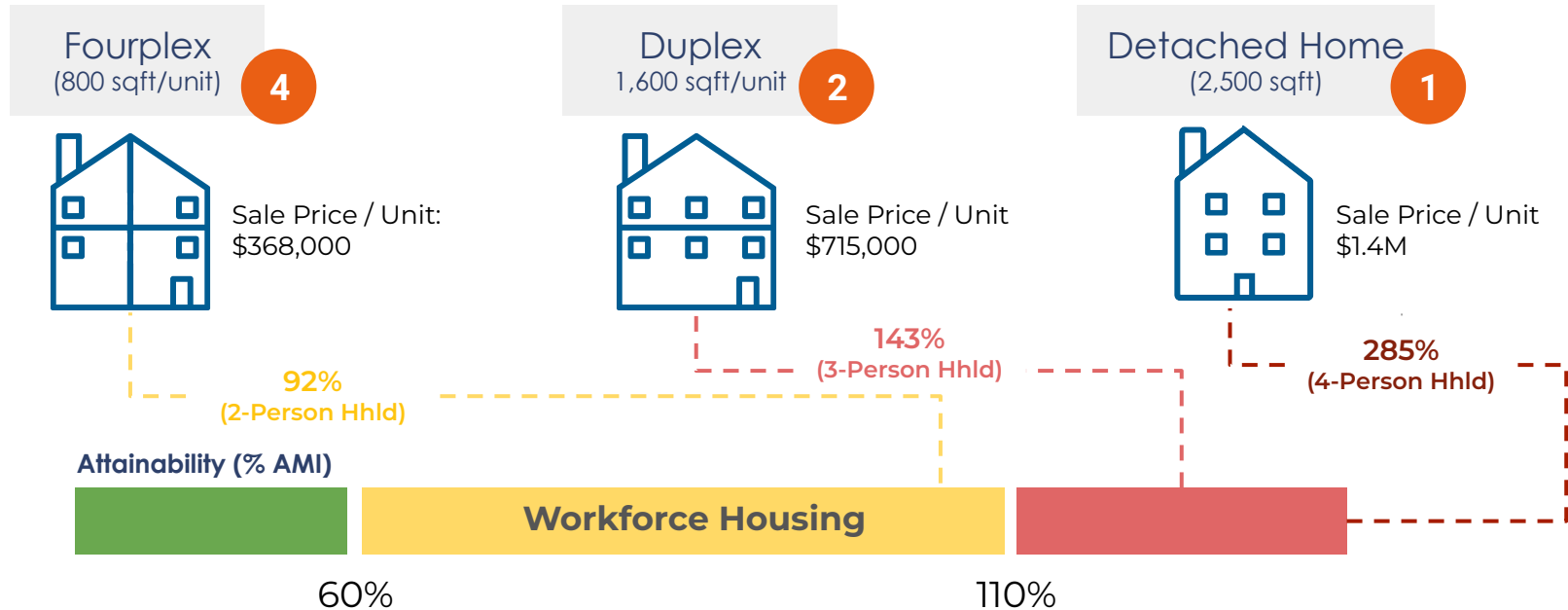
# Is Middle Housing Attainable?

Can households in the Puget Sound afford to buy middle housing?






# Middle Housing vs Single Detached Home

## AMI needed to afford:



# Cost Burden Lower for Middle Housing

Middle housing types are more attainable than detached homes and provide housing at a cost near 30% of income.

	Teacher	Police Officer	Doctor
			
Annual Income	\$74,030	\$101,470	\$252,820
Detached Home Cost Burden	142%	104%	42%
Duplex Cost Burden	75%	55%	22%
Fourplex Cost Burden	39%	28%	11%



# Is There a Market for Middle Housing in the Puget Sound Region?

If you build it, will they come?

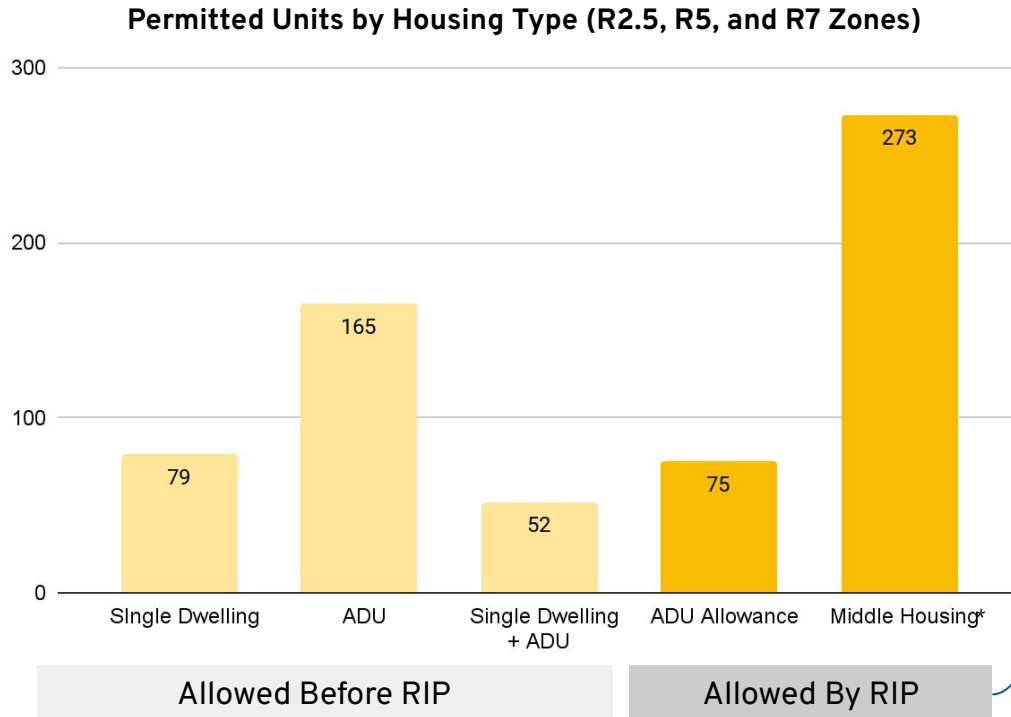


# Portland's Residential Infill Project (RIP)

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- Portland used to only allow one housing unit + an ADU on lots in residential zones.
- The Residential Infill Project (RIP) updated zoning to allow duplexes, triplexes, fourplexes, sixplexes, as well as additional/expanded ADU allowances.
- Within one year of making changes, there is evidence that the market is already responding.

# Portland's Residential Infill Project (RIP)



**RIP-Enabled Units Permitted by Housing Type**  
Aug 1, 2021- July 31, 2022

	ADU Allowances	75
	Duplex	40
	Triplex	27
	Fourplex	204
	Sixplex	2

Source: City of Portland Building Permit Data

# Portland's Residential Infill Project (RIP)

The market has delivered 348 units in year one of the program.

Image Source: Zillow



Median Sales  
Price Prior to RIP\*:

**\$706,000**

*\*Woodstock neighborhood,  
new construction,  
Q1 2018 - Q2 2022*

Housing Type:  
Average Price/unit:

Fourplex  
\$518,099

← (units **pending for sale** after **only 8 days** on the market)

*\*Price retrieved Feb 2023*

# How Can Cities Lower Barriers to Middle Housing Production?

Policy changes to make middle housing even more likely



# Puget Sound Developer Insights

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Developers say you can build middle housing in any market but there are regulatory barriers that prevent it.



I could have built 7 units on a lot, but was only allowed 4 units on the lot.



Parking is a significant factor. Two spaces per unit is very difficult.



The layers of regulation require so many rounds of review, which adds up to time and cost.

# Ways to Improve Feasibility

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 Reduce Parking Requirements

 Allow More Density

 Streamline Permitting

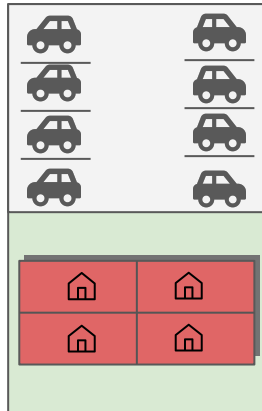
 Restructure Impact Fees

# Reduce Parking Requirements

*\*Internal rate of return (IRR)*

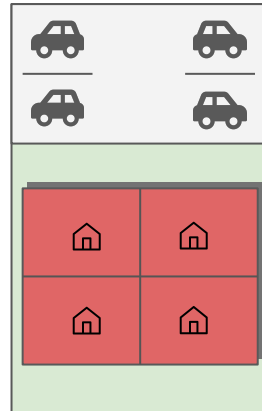
## FOURPLEX

2 spaces/unit



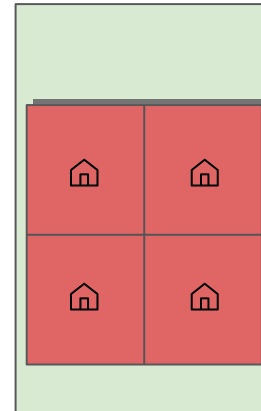
Lot Size: 5,000 SF  
Avg Unit Size: 700 SF  
Project Return\*: **8.8%**

1 space/unit



Lot Size: 5,000 SF  
Avg Unit Size: 1,000 SF  
Project Return: **10.5%**

0 spaces/unit

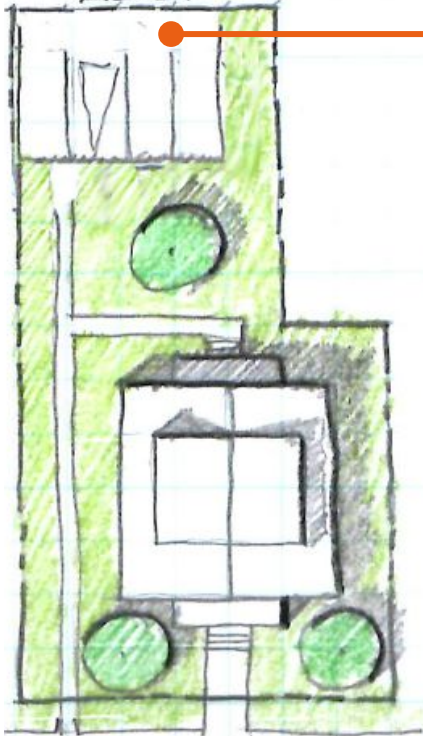


Lot Size: 5,000 SF  
Avg Unit Size: 1,200 SF  
Project Return: **11.3%**

On small infill sites, parking competes with leasable area. With less parking, larger units are possible leading to a more feasible project.

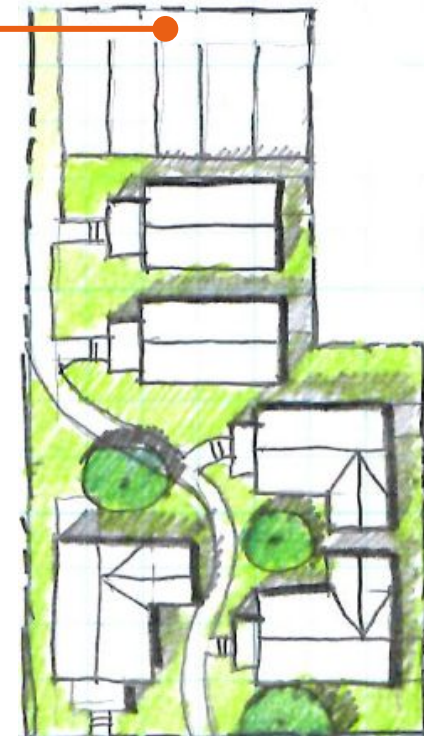


# Allow More Density



	Duplex	Cottage Court
Lot Size	5,500	5,500
Lot Price	\$220,000	\$220,000
Units	2	5
Avg. Unit Size	1,600 sqft	1,000 sqft
Rate of Return	20%	20%
Feasible Sales Price	\$908,000	\$440,000

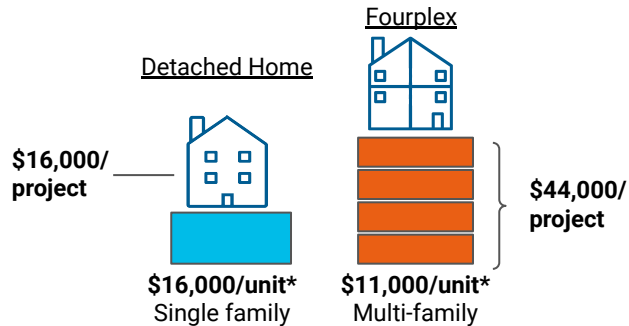
Increasing density allowances on lots, allows for smaller units to be offered at lower cost



# Restructure Impact Fees

## FLAT FEES

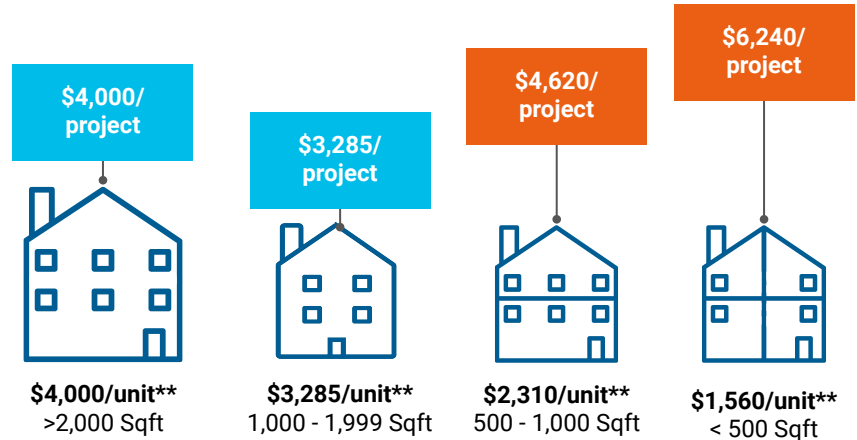
When Middle Housing is treated the same as larger multifamily projects, impact fees can end up representing a relatively large share of project cost.



\*Actual transportation, parks, and fire impact fees from a Puget Sound jurisdiction.

## PER SQUARE FOOT FEES

Per square foot fees are more responsive to the smaller unit sizes that are typical of Middle Housing.



\*\*Actual parks impact fee from a Puget Sound jurisdiction.

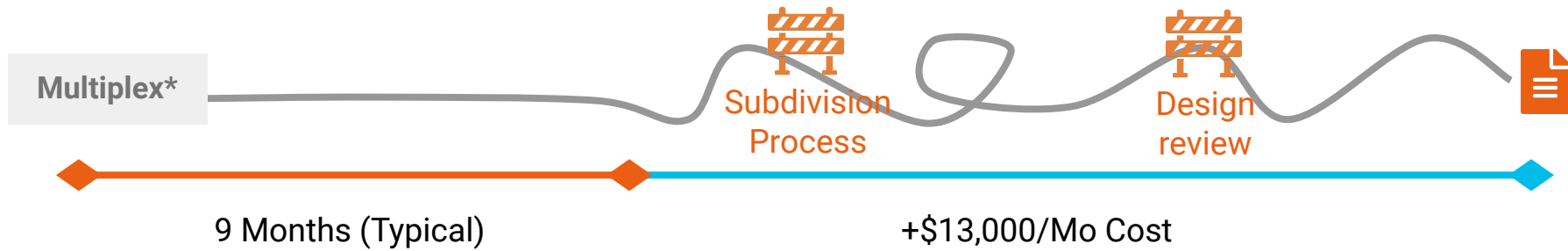
# Streamline Permitting

*\*6-unit rental multiplex,  
Cost includes delayed revenue + pro rata  
debt service and property tax*

## How Delays Impact Cost:

- Legal and permit processing costs
- Property taxes
- Loan debt service
- Delayed revenue

Longer permitting times increase costs, delay revenues, and create additional risk for middle housing projects.



# Tools to Support Implementation

Middle Housing Pro-Forma



# Middle Housing Pro-Forma (DRAFT)

## Pro-forma Spreadsheet:

A companion to the Middle Housing Objective Design + Development Standards Toolkit

Washington State  
Department of  
Commerce

**MIDDLE HOUSING PRO-FORMA**

HOUSING PROGRAM  
LOCAL GOVERNMENT DIVISION

### 1. Project Location & Type

County	King
City	Bothell
Placetype	City_Center_Adjacent
Toolkit_Zone	NRC_M2
Housing Prototype	Multiplex
Project Type	For Rent

### 2. Project Characteristics

Site Size	Dimensions	Setbacks
Front	70	15
Side	110	7

Attribute	Prototype Value	Override
Floors	2	
Average Unit Size	1000	
Number of Units	6.0	
Required Parking (Spaces/Unit)	1	
Impact Fees (% of Hard Costs)	5.00%	
Development Duration (Months)	9	
Land Cost (\$/Sqft)	\$40.00	

Reset to Defaults
Solve for Unit Target

### 3. Project Feasibility

▲	Avg. Monthly Rent Per Sqft	\$	2.71
▼	Avg. Monthly Rent	\$	2,710
	Project Internal Rate of Return		12.0%

### Project Attainability

Financial Surplus (Gap)	\$	(4,232)
Surplus (Cap) Per Unit	\$	(706)
% of AMI		89%
Household Type (Ppl/Hhld)		3

### Achievable Rents and Sales Prices

In Bothell, the average unit in this project could rent for around:

\$2,460

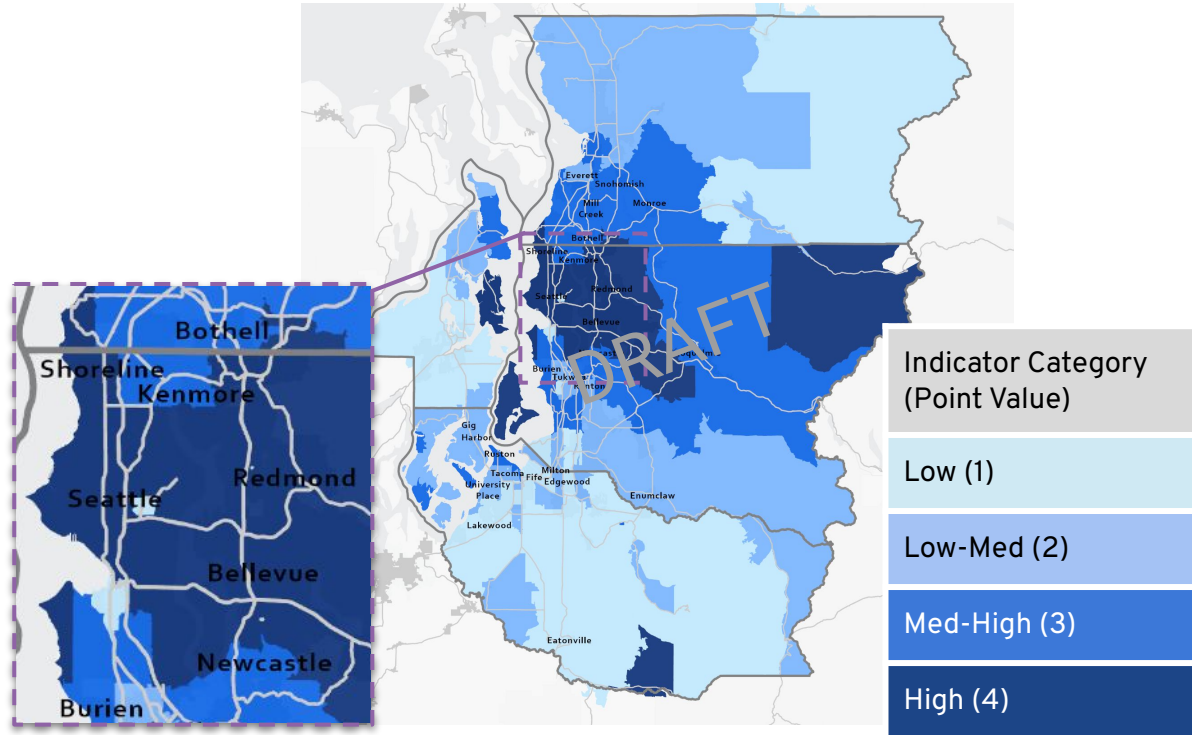
### Site Layout

### Project Return vs Attainability

# Middle Housing Pro-Forma (DRAFT)

## Calibrated to Puget Sound Conditions:

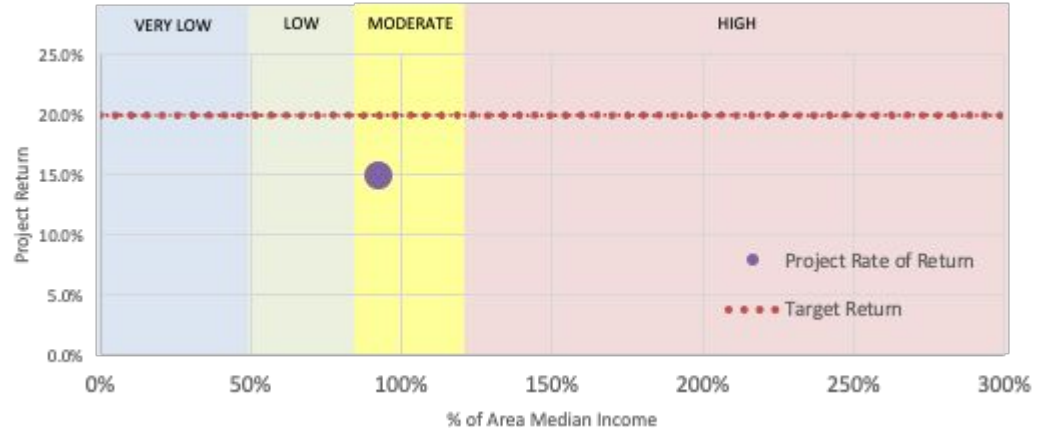
Conducted developer interviews and a regional analysis of sales prices and rents.



# Middle Housing Pro-Forma

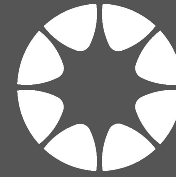
## Feasibility and Attainability:

Allows users to evaluate **feasibility** of development (project rate of return) as well as **attainability** (% of AMI needed to afford)



# Thank you!

Alex Steinberger  
Cascadia Partners



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[www.commerce.wa.gov](http://www.commerce.wa.gov)

