



## OREGON HB 2001

### MIDDLE HOUSING AND AFFORDABILITY Q&A

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#### **Since new buildings are more expensive compared to old ones, how can middle housing improve affordability?**

When comparing the value of two private homes, it is important to compare the cost of homes that are roughly the same age and location.

Once we've accounted for these factors, middle housing lowers housing costs in two ways:

1. Most importantly, it **divvies up land costs** among several households. Since land often accounts for half the value of a detached home, this is a big cost saver.
2. Because middle housing uses low-rise, wood-frame construction, it has **lower construction costs per square foot than taller apartment buildings**. This can make family-size rental homes more viable.

These cost-savings have two effects:

1. They make all newly built market-rate attached or clustered homes **cheaper to create** than newly built one-unit buildings of the same size and location.
2. For the same reason, middle housing **makes public subsidies for affordable homeownership stretch further**, creating more affordable homes per dollar.

#### **Would re-legalizing “missing middle” housing cause more overall displacement?**

No, it would reduce overall displacement while making it easier to start repairing past displacement. Displacement is the result of market dynamics that lead to low- and moderate-income households getting priced out of a neighborhood

because the demand to live in that neighborhood has increased, and higher-income households can outbid lower-income households for the same housing units, driving up their price.

A range of tools can prevent short- and long-term displacement, but preventing development of additional housing amidst a housing shortage makes displacement worse in the long run. The Institute of Governmental Studies at the University of California, Berkeley studied the impact of construction on long-term displacement and found “both market-rate and subsidized housing development can reduce displacement pressures, but subsidized housing is twice as effective as market-rate development at the regional level.” As discussed above, re-legalizing middle housing would improve both.

The City of Portland did a displacement risk analysis of its proposed middle housing policy and found it would reduce demolition-related displacement compared to the status quo, under which almost exclusively larger, more expensive homes replace older one-unit homes.

State and local governments can and should make laws to further reduce or mitigate displacement. Oregon’s new law limiting no-cause evictions and unreasonable rent increases is a major one.



*Duplex in Northeast Portland, photo by Michael Andersen.*

## **Would re-legalizing middle housing inevitably increase demolition rates?**

No. Localities would have many local options, such as building size, to choose a locally-appropriate redevelopment rate, just as they do today when new one-unit buildings replace old one-unit buildings.

Just making something legal doesn’t guarantee action. For that reason, it is important for local jurisdictions to carefully design their middle housing codes to

encourage this type of housing development. To illustrate the gradual result of legalizing middle housing: Duplexes have been legal on every corner lot in Portland since 1991, but only 3.5 percent of affected lots have redeveloped as duplexes in the 28 years since. Middle-housing legalization would let more housing diversity develop gradually, as structures reach the natural end of their lives and are replaced—not always by large one-unit buildings but sometimes by a few smaller homes instead.

In other cases, HB 2001 would decrease the chance of demolition because it would allow large, old buildings to be internally divided into a few homes, bringing new life to classic structures.

### **What about building size? Will middle homes be smaller?**

Some middle homes probably will, and that's a good thing for affordability: Despite falling family sizes, the median size of a newly-built house is up 64 percent since 1970, when the median-aged Oregon house was built. That's because rising land costs in job-rich areas have made smaller homes less economical to build. Allowing some newly-built homes to be smaller would let more Oregonians prioritize price and/or location over home size if they want to. (Meanwhile, it does nothing to stop other Oregonians from prioritizing home size if they want to.)

However, there's no inherent reason middle homes must be small. Localities would retain the right to regulate building size and general design, as they do today.

### **What would re-legalizing middle housing do specifically for lower-income Oregonians and those in frontline communities?**

There are a number of non-profit housing providers in Oregon who specialize in providing low- and moderate-income Oregonians with homeownership opportunities. Middle housing is ideal for them because of its relatively low costs. It would let these providers create more affordable homes per public dollar.

By allowing more new development in currently exclusive areas that have more existing amenities, middle housing tends to take economic pressure off lower-amenity areas. This is one reason the Obama White House urged middle-housing legalization nationwide in its 2016 "Housing Development Toolkit." Portland's study of middle-housing legalization found the same thing: there would be more homes, and also less redevelopment-related displacement of low-income renters, because properties with low-income renters would be less likely to redevelop.

Today's new market-rate homes will become tomorrow's older, more broadly affordable market-rate homes. This is particularly useful for lower-wealth

households, and probably part of the reason Oregon's 2-4plexes are twice as likely to be home to householders of color as the state's one-unit detached buildings.

## **Will middle housing solve Oregon's housing crisis?**

Of course not. No single solution *alone* can.

Oregon faces several interrelated housing crises. Addressing them will require a range of policy and investment solutions.

One of the crises is that too few homes have been built over the last 20 years. The state is 155,000 units short of its long-term average rate. While increasing investment in publicly-subsidized housing is an important part of the solution, there is not enough public subsidy to build 155,000 units. Re-legalizing middle housing would help address this problem gracefully while improving housing choices and neighborhood-level income integration.

*Thanks to Sightline's communications associate Kelsey Hamlin and senior researcher Michael Andersen. Header photo courtesy of Sightline senior researcher Dan Bertolet.*

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