



Missing Middle Economic Feasibility Study Introduction



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Description

Staff from the Research & Special Projects Division will provide an update on the economic feasibility analysis components of the Missing Middle Design and Economics Study that was introduced previously to the Planning Board. The presentation will include information regarding the goals of the study, the research methodology, an overview of the study's initial findings, and recommendations for next steps.

Overview

Missing Middle Housing refers to medium-density housing typologies that bridge the design gap between high-density urban areas and single-family neighborhoods. The most popular Missing Middle Housing typologies include small and large multi-plex housing, townhomes, carriage houses, bungalows, courtyard housing, and live/work spaces. Lastly, Missing Middle Housing is typically located within walking distance of public transit as well as retail and can be both owner-occupied or rental housing.

Aside from townhouses, Montgomery County has seen minimal development in Missing Middle Housing typologies. Most of the current housing stock in Montgomery County consists of single-family homes in suburban neighborhoods or high-density apartment buildings near the central business districts and public transit. The purpose of the Missing Middle Economic Feasibility Study was to explore the economic rationale behind this trend as well as to identify what regulatory changes (if any) would be needed to stimulate development of Missing Middle Housing throughout the county.

The Missing Middle Economic Feasibility Study built upon existing literature by using a two-pronged methodology to explore the challenges associated with Missing Middle Housing development in the county. The first prong consisted of two two-hour qualitative focus groups

with local developers, and the second prong entailed constructing a financial model for an actual Missing Middle Housing site near the Forest Glen Metro station. Information gathered in the qualitative focus groups and the quantitative model were integrated to identify both the economic and market factors inhibiting Missing Middle Housing development as well as the potential regulatory opportunities for stimulating future Missing Middle Housing development.

The following factors were identified in the study as inhibitors or barriers to the development of Missing Middle Housing in Montgomery County:

- **Parcel size**, layout, and location matters when it comes to determining the feasibility of a potential development, particularly when it comes to developing Missing Middle Housing typologies. There are many sites throughout the county that could potentially be developed into Missing Middle Housing, and the study attempts to identify as well as explore why these alternative housing typologies are not being pursued.
- **Developer types** also play a significant role in determining the feasibility of a project. The size and resources of a developer will determine whether or not they opt for a Missing Middle typology over more a more traditional development route.
- **Existing zoning** inhibits Missing Middle development in many areas, particularly in residential zones. Taking a closer more critical look at specific zoning requirements will likely yield opportunities for regulatory changes which could stimulate Missing Middle development county-wide.
- **Market conditions** play a role in a developer's ability to build, sell, and rent Missing Middle Housing. Because the market for Missing Middle housing is not a developed one, certain barriers to market entry exist that will likely require regulatory intervention to overcome.
- Lastly, **financing** often serves as a limiting reagent when it comes to pursuing Missing Middle projects. While not something that can be easily influenced by the Planning Department, it is important to understand the impact of financing restrictions on both developers and demand for these housing types.

The following regulatory changes were identified in the study as potential opportunities to stimulate Missing Middle Housing development in the county:

- Streamlining the Development Review Process for Missing Middle Housing projects
- Creative zoning via the Master Planning process – designating “transition zones”
- Flexible parking requirements
- Adjusting height & setback requirements
- Financial incentives, such as: lowering impact fees, waiving connection fees, & implementing a one-time tax credit program

The Missing Middle Economic Feasibility Study was a high-level analysis which took a first pass at exploring the issues around Missing Middle development barriers throughout the county. The presentation will provide a discussion of the initial findings and potential ideas for future research, such as drilling down more deeply into the identified challenges to building Missing Middle Housing as well as studying the potential impact of the proposed regulatory opportunities on various county stakeholders.