



Attainable Housing

Challenges, Perceptions, and Solutions

Cover photo: Meritage Homes.

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2001 L Street, NW
Suite 200
Washington, DC 20036-4948

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Recommended bibliographic listing:

Ducker, Adam, Kelly Mangold, and Lorry Lynn. *Attainable Housing: Challenges, Perceptions, and Solutions*. Washington, DC: Urban Land Institute, 2019.

ISBN: 978-0-87420-450-6

Attainable Housing

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About the Urban Land Institute

The Urban Land Institute is a global, member-driven organization comprising more than 42,000 real estate and urban development professionals dedicated to advancing the Institute's mission of providing leadership in the responsible use of land and in creating and sustaining thriving communities worldwide.

ULI's interdisciplinary membership represents all aspects of the industry, including developers, property owners, investors, architects, urban planners, public officials, real estate brokers, appraisers, attorneys, engineers, financiers, and academics. Established in 1936, the Institute has a presence in the Americas, Europe, and Asia Pacific regions, with members in 81 countries.

The extraordinary impact that ULI makes on land use decision making is based on its members sharing expertise on a variety of factors affecting the built environment, including urbanization, demographic and population changes, new economic drivers, technology advancements, and environmental concerns.

Peer-to-peer learning is achieved through the knowledge shared by members at thousands of convenings each year that reinforce ULI's position as a global authority on land use and real estate. In 2018 alone, more than 2,200 events were held in about 330 cities around the world.

Drawing on the work of its members, the Institute recognizes and shares best practices in urban design and development for the benefit of communities around the globe.

More information is available at uli.org. Follow ULI on Twitter, Facebook, LinkedIn, and Instagram.

About the ULI Terwilliger Center for Housing

The ULI Terwilliger Center for Housing conducts research, performs analysis, and develops best practice and policy recommendations that reflect the land use and development priorities of ULI members across all residential product types. The center's mission is to facilitate creating and sustaining a full spectrum of housing opportunities—including workforce and affordable housing—in communities across the United States. The center was founded in 2007 with a gift from longtime ULI member and former ULI chairman J. Ronald Terwilliger.

About RCLCO

Since 1967, RCLCO has been the “first call” for real estate developers, investors, the public sector, and non-real estate companies and organizations seeking strategic and tactical advice regarding property investment, planning, and development. RCLCO leverages quantitative analytics and a strategic planning framework to provide end-to-end business planning and implementation solutions at an entity, portfolio, or project level. With the insights and experience gained over a half-century and thousands of projects—touching over \$5 billion of real estate activity each year—RCLCO brings success to all product types across the United States and around the world.

RCLCO has expertise in five major areas: real estate economics, management consulting, investment strategy, asset management, and legal support. Our multidisciplinary team combines real world experience with the analytical underpinnings of thousands of consulting engagements. We develop and implement strategic plans that strengthen your position in a market or sector, add value to a property or portfolio, and mitigate value erosion.

Since we first opened our doors, RCLCO has been governed by our core values. We believe that excellence, integrity, honesty, respect, exceeding expectations, and quality are great goals that all firms must possess. These goals and values shape the culture and define the character of our firm. They guide how we behave and make decisions. Our extensive network provides us with a unique and comprehensive outlook on the industry, not to mention unmatched access to the best minds in real estate.

Project Staff

Authors

Adam Ducker
Managing Director
RCLCO Real Estate Advisors

Kelly Mangold
Vice President
RCLCO Real Estate Advisors

Lorry Lynn
Principal
RCLCO Real Estate Advisors

ULI Report Staff

Christopher Ptomey
Executive Director, Terwilliger Center
for Housing

Rosemarie Hepner
Director, Terwilliger Center

Lisa Sturtevant
Senior Visiting Fellow, Terwilliger Center

James A. Mulligan
Senior Editor

Laura Glassman, Publications Professionals LLC
Manuscript Editor

Brandon Weil
Art Director

Kurt Wisthuff, Arc Group Ltd
Graphic Designer

Craig Chapman
Senior Director, Publishing Operations

Acknowledgments

Funding support for this report was generously provided by Bob Sharpe, managing partner of Rancho Sahuarita Company and a ULI trustee and ULI Foundation governor.

Thank you also to the ULI Community Development Council members who shared their insights through participation in the survey used as the basis for this publication.

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Letter from the Sponsor

Over the years, we have worked on and supported a number of research projects to share best practices and ideas in community development and land use. Our focus has always been about highlighting member thought leaders and projects that provide insight into innovative solutions for the challenges facing our industry.

As master-planned community developers focusing on first-time homebuyers, we have experienced many of those challenges firsthand—rising labor and material costs, lack of available labor, and increased regulations, to name a few; yet we have also heard many practical solutions shared among our colleagues at ULI meetings.

This report attempts to highlight best practices and ideas on attainable housing, which we've defined as for-sale housing serving moderate-income working families. We understand the depth of this market and the importance of serving it, from both a business and social need perspective, and have experienced the headwinds that make doing so difficult. The findings in this report include insights from Community Development Council members and other practitioners in the field who are actively exploring solutions to serve this demographic.

We would like to thank all the ULI members who participated in the research. In addition, we extend our appreciation to the staff at the ULI Terwilliger Center for Housing and RCLCO for the many hours spent on this project, specifically Rosemarie Hepner, director of the ULI Terwilliger Center for Housing, and Adam Ducker, managing director of RCLCO.

Sincerely,



Bob Sharpe
ULI Trustee and Governor
Founder, Rancho Sahuarita



Jeremy Sharpe
ULI Governor
Chief Operating Officer, Rancho Sahuarita

Attainable Housing: America's Missed Opportunity

A largely untold chapter in the story of America's housing affordability challenge is the near disappearance in most areas of modestly priced new for-sale homes—what ULI members who participated in this study call “attainable.”

Although the homebuilding sector in the United States once built for the middle class, this strategy has shrunk dramatically during the past decade, and today very little nonsubsidized homebuilding activity is oriented to the middle-class price point.

Many factors combine to create this shortfall, but evidence indicates that industry leaders are starting to respond with new products aimed at a growing and underserved market. Innovations are coming from publicly held homebuilders, developers of master-planned communities, neighborhood-based real estate investors, and a new breed of entrepreneurs from other industries.

It is important that ULI members understand these emerging approaches because they shed light on new potential business opportunities and suggest a path toward a better-balanced housing supply in communities that need choices to remain competitive.

This report provides an overview of attainable housing in the United States derived from a survey of members of the ULI Community Development Council conducted in fall 2018.

Presented here is an assessment of the market opportunity, the barriers to homebuilders responding to it, an overview of ULI members' outlook on the space, and a series of case studies that may provide strategies for delivering to this market segment in the future.



(Garman Homes)

Introduction

There is no universal definition of “attainable housing.” For the purpose of this report, attainable housing is defined as nonsubsidized, for-sale housing that is affordable to households with incomes between 80 and 120 percent of the area median income (AMI). So, for example, in the Washington, D.C., region, this would be for-sale housing affordable to a household with an income of \$119,400 or less. In Phoenix, attainable housing would be for-sale housing affordable to households with incomes of \$71,000 or less.

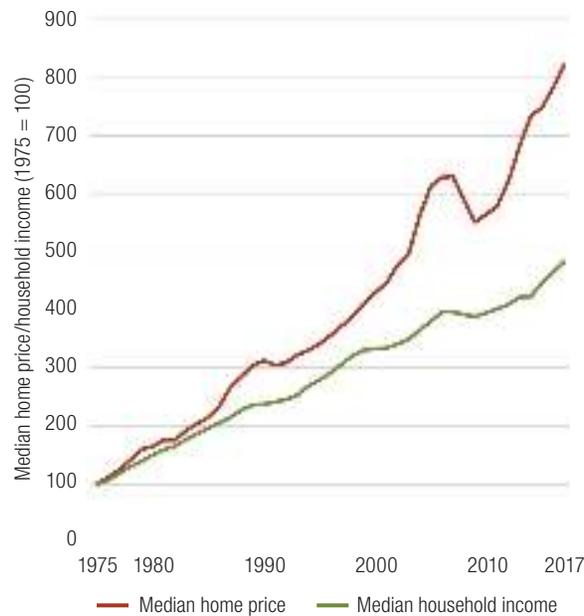
Since at least the mid-1980s, household incomes have increased at a slower rate than home prices. However, the divergence between household incomes and home prices widened dramatically during the housing market boom in the mid-2000s, and the widening of the gulf between home price growth and income growth has accelerated in the years since the recovery. According to data from Zillow, the price-to-income ratio in the United States has increased from 2.95 in 1980 to 3.58 in 2018. The ratio is over 5 in some markets, including Boston, Santa Fe, and

Portland, Oregon. The price-to-income ratio approaches and even exceeds 10 in California cities such as San Jose (10.9), Los Angeles, and San Francisco.

Uneven Income Growth Contributes to For-Sale Housing Affordability Challenges

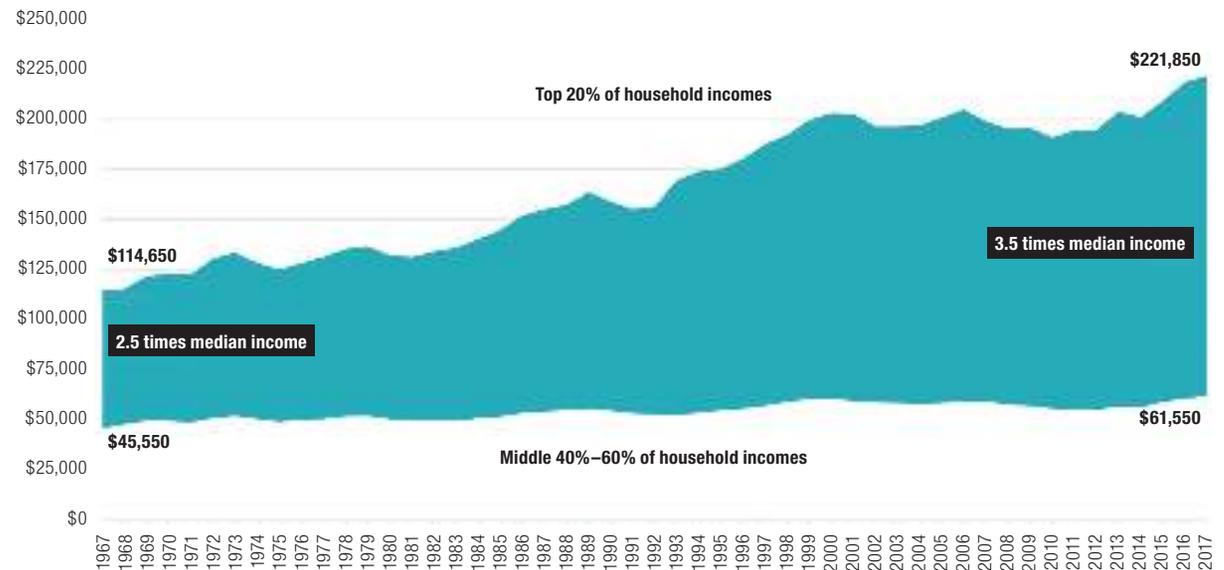
Although a few occupations, such as teachers or firefighters, are often the focus of professions that support demand for attainable housing, the need for attainable housing is broad. In fact, over the past 30 years, the top

Median Home Price vs. Median Household Income



Sources: U.S. Census Bureau; RCLCO.

U.S. Median Income, by Quintile



Sources: U.S. Census Bureau; RCLCO.

20 percent of household income earners have seen much more significant income increases when compared with the middle tier. The top 20 percent now have incomes that are 3.6 times more than the median income, up from 2.5 times in 1967. The top 20 percent of households have incomes of at least \$221,850 per year, compared with the median income of \$61,500, which is the difference between affording a \$680,000 home and a \$278,000 home.

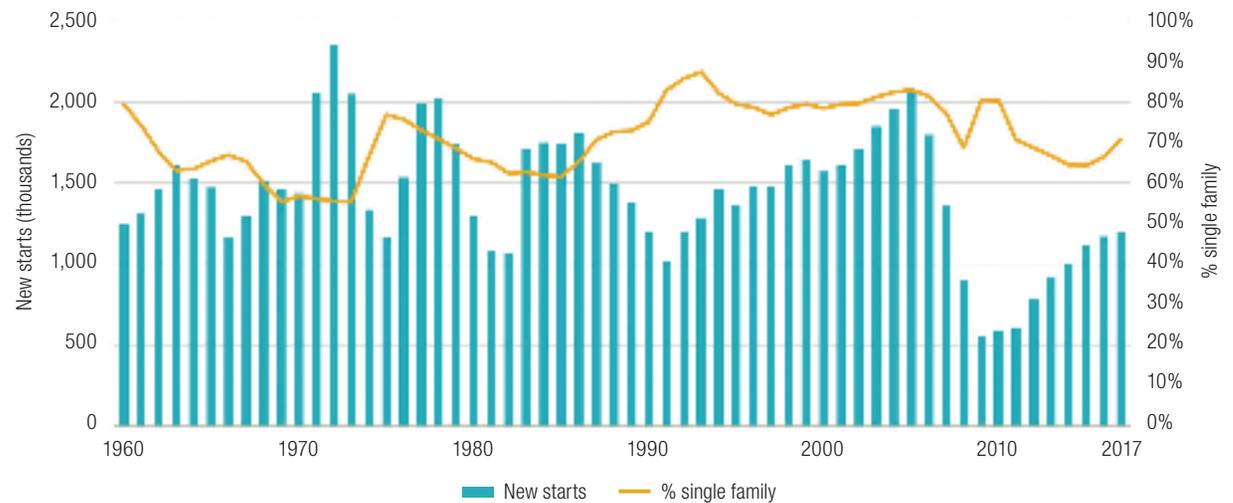
Overall Supply Constraint Creates Pricing Pressure on All For-Sale Housing

In addition to greater income discrepancy, housing prices have accelerated rapidly as a result of limited new supply. The pace of residential construction activity has rebounded since the economic downturn, but new housing starts still remain below long-term averages (see upper chart). In many places around the country, new housing construction is not keeping up with household growth and housing demand. The lack of overall supply—and the next to zero growth in new construction at attainable price points—has led to significant challenges among many young adult households and others with moderate incomes who are looking to become homeowners.

Lower Price Point All But Gone

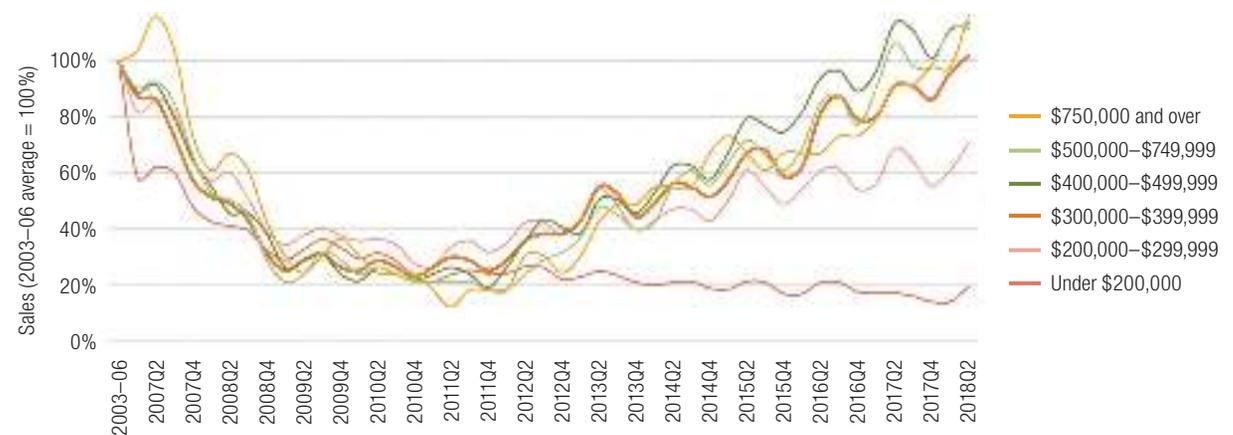
The supply of attainable housing is a nationwide challenge. According to the National Association of Home Builders, the median price of a new home in October 2018 was \$325,100, compared with a median price of \$257,500 for existing homes. Assuming a household spends three times its income on a home (a longer-term income-to-price ratio), a household would need an income of \$107,000, nearly double the median household income nationwide, to afford a median-priced new home.

U.S. New Residential Starts, 1960–2017



Source: U.S. Census Bureau.

New Home Sales by Prices Relative to Pre-Recession Levels



Source: U.S. Census Bureau.
Note: Prices not adjusted for inflation.

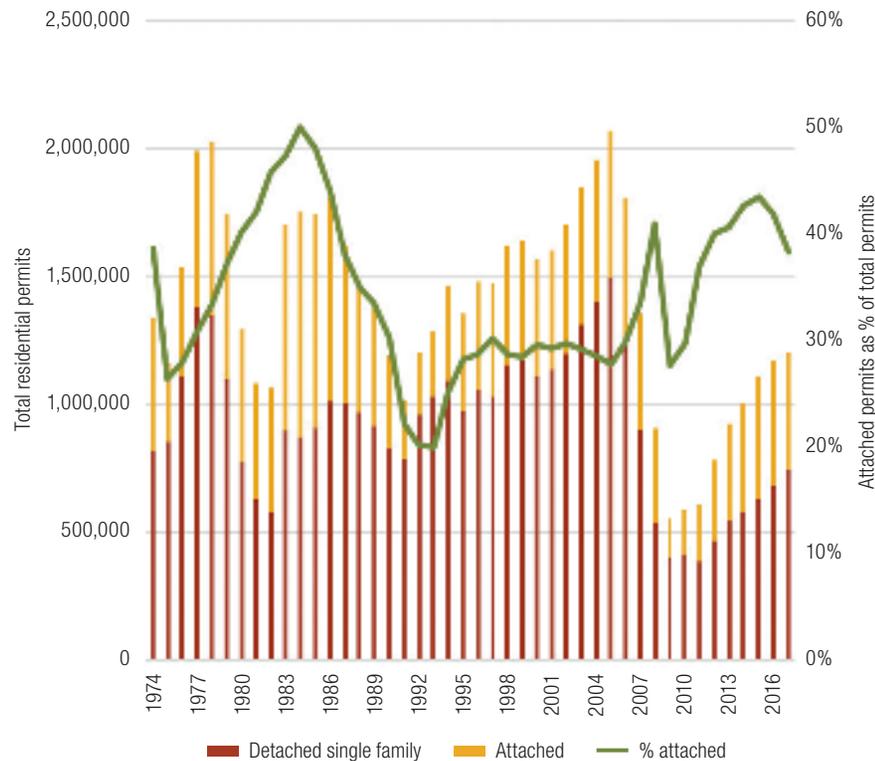
Historically, housing has been diversified, providing housing options in all price bands, but that has not been happening during this recovery. Fifteen years ago, 54.6 percent of new homes sold were priced under \$200,000. Today, only 12.9 percent are priced under \$200,000. During the same period, homes priced under \$400,000 have fallen from 90.8 percent to 67.4 percent of new home sales.

America Is Missing Housing for Middle-Income Levels and Density

Historically, multifamily for-sale product has served as an attainable price point for homebuyers. At first glance, the supply of multifamily housing appears to be stronger than historical trends, increasing from about one-third of total permit activity to nearly 45 percent in 2015. However,

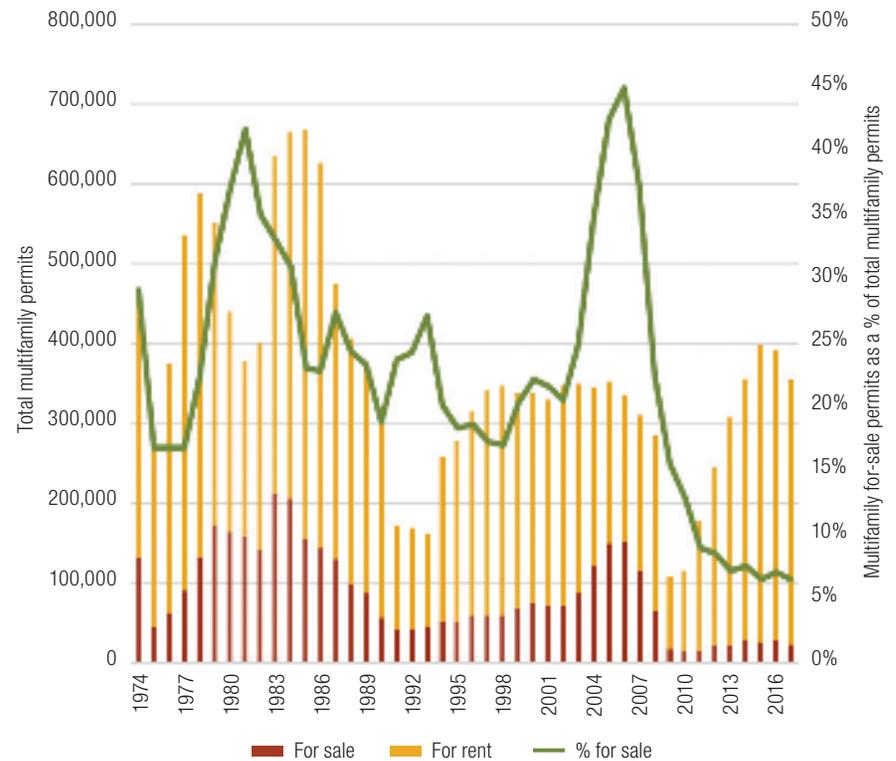
unlike during most recovery cycles, multifamily permits have shifted dramatically from product intended for sale to product intended for rent. Multifamily for-sale housing historically represented about 20 to 25 percent of total multifamily permits, but it has represented 6 to 7 percent in the past eight years (since the recovery began).

Multifamily Permits as Percentage of Total Permits



Sources: U.S. Census Bureau; RCLCO.

Multifamily Permits by Intention: For Rent vs. For Sale



Sources: U.S. Census Bureau; RCLCO.

The Rise of Smaller Households Should Mean a New For-Sale Market Opportunity

Developers and builders are seeing demand shift as a result of the rise of the small household, which has implications for denser, smaller homes at attainable price points. The traditional family household has been declining and smaller households have been increasing since the mid-1960s. Contributing factors include delayed marriage, fewer children, more women in the workforce, more divorces and later-in-life remarriages, healthy life longevity, and more aging in place.

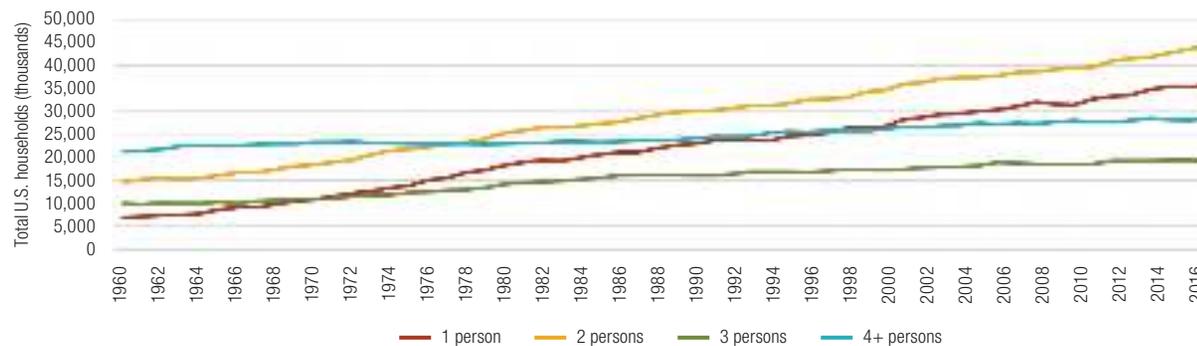
Americans are delaying marriage, on average, to their late 20s or early 30s and delaying the birth of their first child until the early to mid-30s. With a delayed start and a two-person working household, creating and managing a large family becomes less viable and less desirable. If delayed marriage and family is combined with an increased

propensity for marriage to end in divorce (estimated between 30 percent within 10 years and up to 50 percent overall), the window to start and grow a family is further compressed and diminished. Moreover, active baby boomers are choosing to retire differently from the generation before them, which is adding to demand for small homes in closer-in, well-amenitized locations.

But Even as Household Sizes Have Decreased, Bedroom Count Has Increased

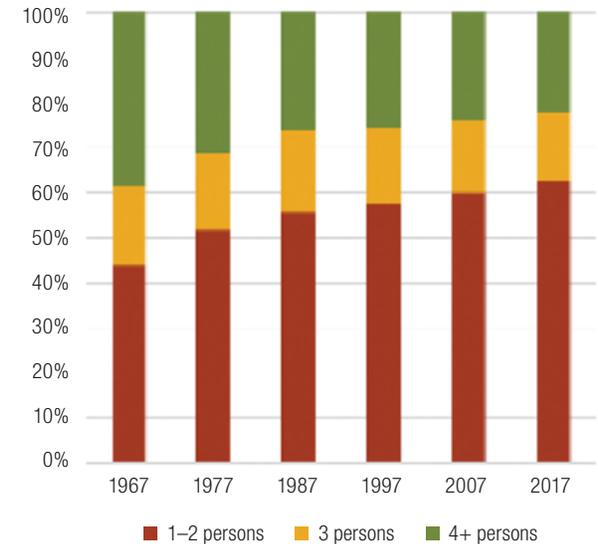
Despite the distribution shift in household size, new construction has focused on delivering larger homes with more bedrooms. Although one- or two-person households make up more than 60 percent of total households, nearly 50 percent of the homes delivered are four bedrooms or more. Less than 10 percent of the homes offer fewer bedroom options like one and two bedrooms.

U.S. Household Growth by Number of Household Residents



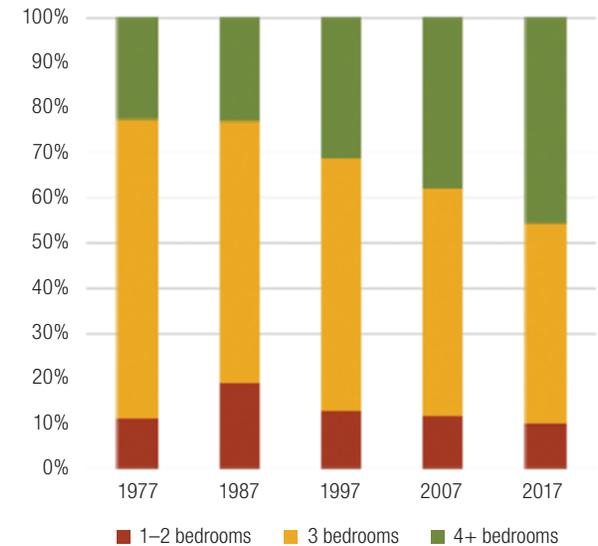
Sources: U.S. Census Bureau; RCLCO.

Household Types, 1967–2017



Sources: U.S. Census Bureau; RCLCO.

New Construction by Bedroom Count, 1977–2017

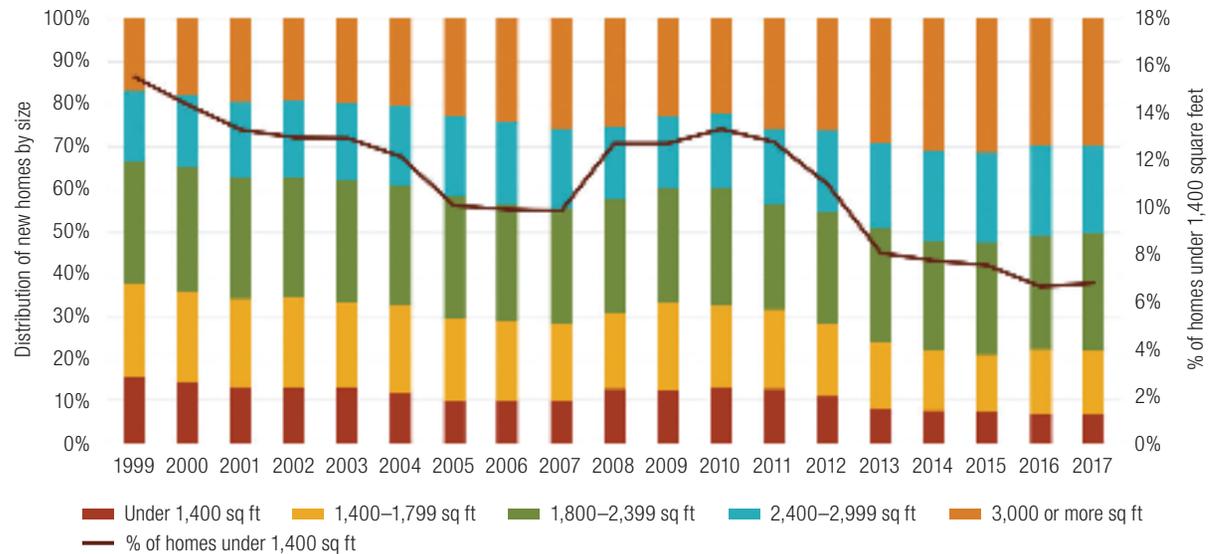


Sources: U.S. Census Bureau; RCLCO.

And Larger, Less-Affordable Homes Represent a Growing Share of the Market

Also contributing to a lack of housing supply at lower price points is the lack of small housing. Small housing, under 1,400 square feet, has historically represented about 16 percent of new construction but in the last cycle has averaged closer to 7 percent. When combined with the next size category, 1,400 to 1,800 square feet, the overall distribution of “small homes” has declined from just under 40 percent to 22 percent, whereas homes over 2,400 square feet have increased from 32 percent to 50 percent of new construction since 1999.

Distribution of U.S. New Homes by Size, 1999–2017



Sources: U.S. Census Bureau; RCLCO.

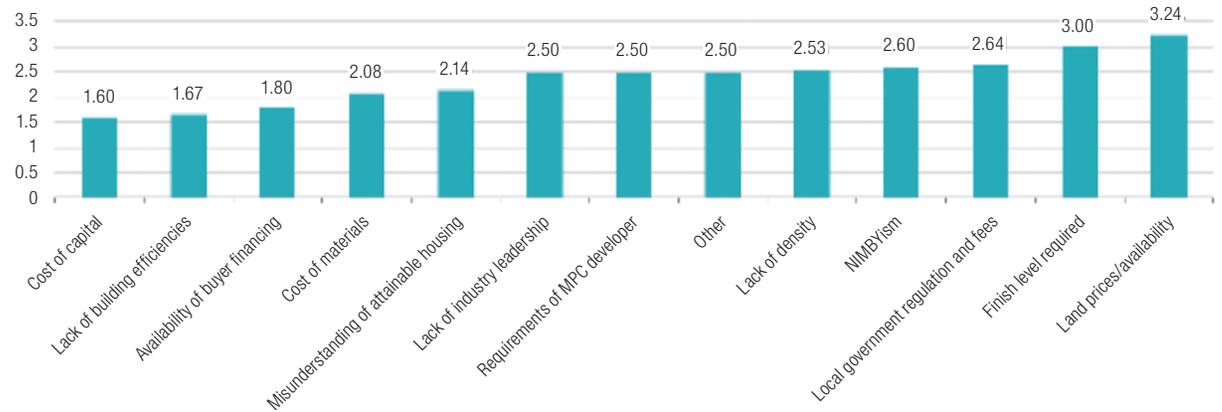
Findings

Following are findings generated from a survey of members of ULI's Community Development Council as well as outside research.

ULI Members Cite Challenges to Delivery and Changes in Attainable Housing

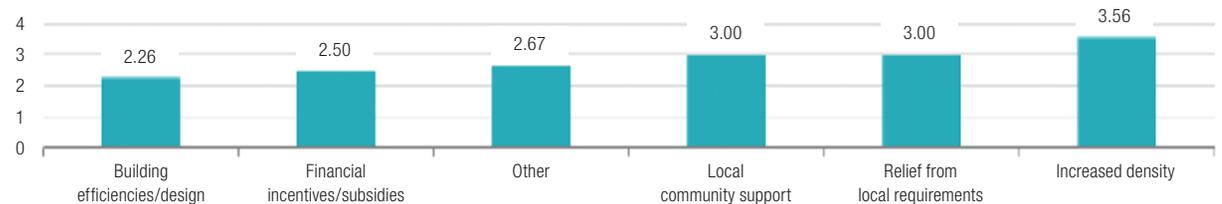
When ULI members are asked what the biggest challenges are to delivering attainable housing, the top four reasons are cost of capital, lack of building efficiencies, availability of buyer financing, and cost of materials. On a scale of one to four, with one being most important, seven additional reasons scored as very important, including understanding attainable housing in general, with specific references to industry leadership; NIMBYism (not in my backyard); and government regulations and fees. Members believe that builders need to be more efficient when building but should also be supported with financial incentives or subsidies as well as local community and government support.

Challenges to Delivering Attainable Housing



Source: ULI Attainable Housing survey.
Note: 1 = most important; 4 = least important. MPC = master-planned community.

Factors for Attaining Housing Success

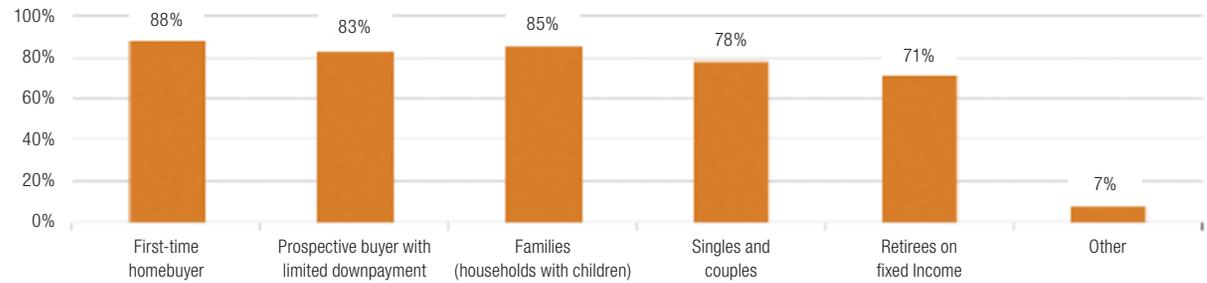


Source: ULI Attainable Housing survey.
Note: 1 = most important; 4 = least important.

Attainable Housing Solutions Are Not What Industry Thinks They Are

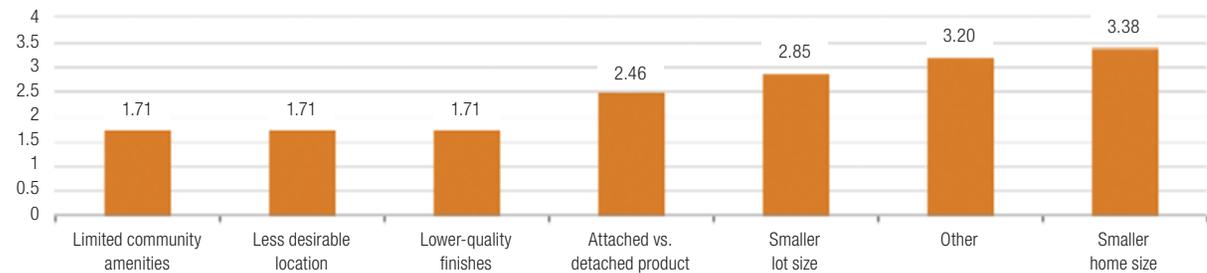
The survey revealed that ULI members recognize that attainable housing is a segment of demand for a variety of buyer types and for a range of reasons. The opinion of the industry is that the top three solutions are limiting community amenities, providing lower-quality finishes, and locating homes in less desirable areas. In contrast, an RCLCO consumer preference survey and the case studies reveal buyers prefer better locations and amenities over lower density and larger home size.

Attainable Housing Solutions Appeal to Diverse Household Types



Source: ULI Attainable Housing survey.

Acceptable Consumer Solutions for Attainable Housing, Based on Industry's Opinion



Source: ULI Attainable Housing survey.

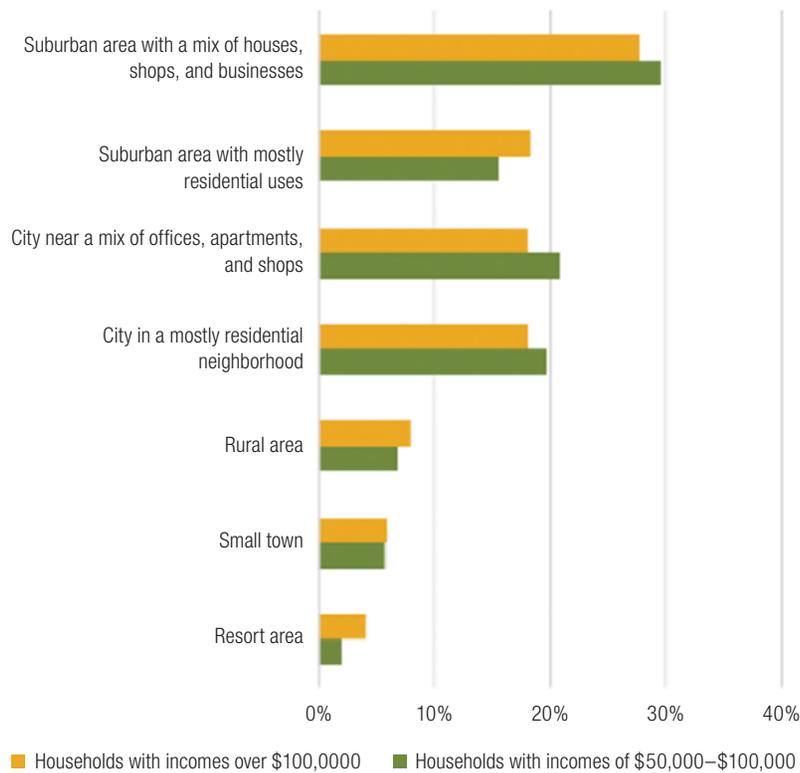
Note: 1 = most important; 4 = least important.

Consumer Preference for Location and Amenities

A national consumer preference survey conducted by RCLCO reveals that all buyers, regardless of income, want to be in a convenient location with a mix of houses, shops, and businesses. In addition, although typical amenities such as a fitness center and trails still topped the list,

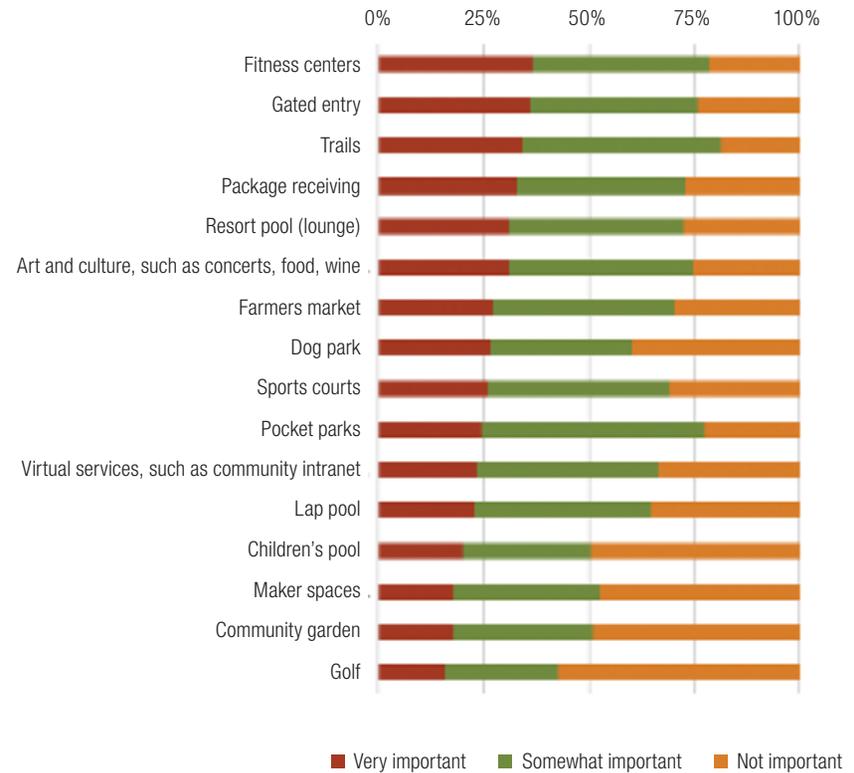
package receiving (for e-commerce) and art and culture such as food, wine, and farmers markets are ranked as very or somewhat important by 75 percent of respondents. The best practices case studies further demonstrate that the most successful attainable housing projects achieve lower pricing while developing in desirable locations and prioritizing amenities—especially walkability to food and beverage amenities.

Consumer Preferences for Location



Source: 2018 RCLCO Housing Consumer Preference Survey.

Consumer Preferences for Amenities

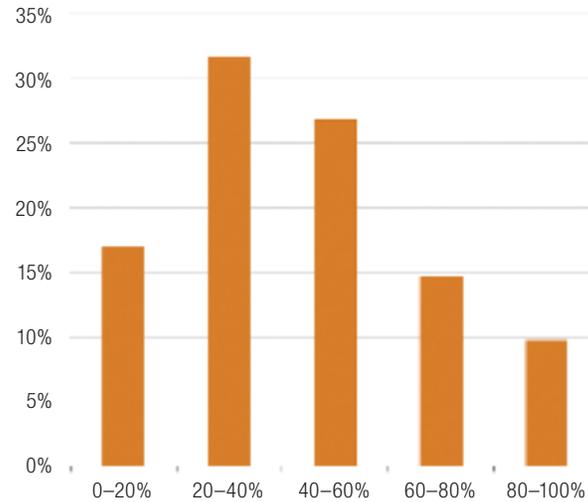


Source: 2018 RCLCO Housing Consumer Preference Survey.

ULI Members See the Opportunity But Have Not Yet Determined How to Act on It

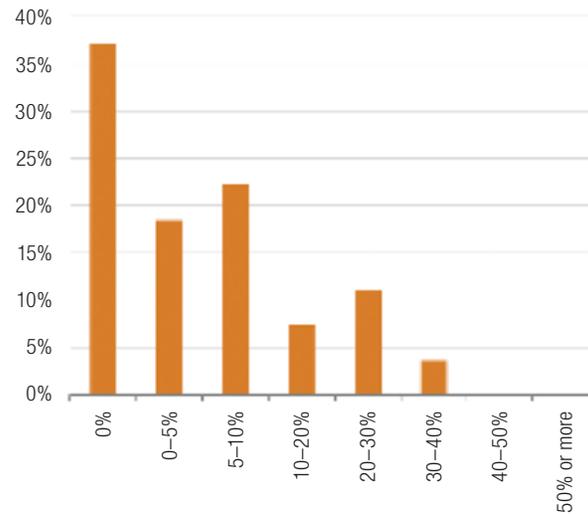
The majority of ULI members who participated in this survey believe the attainable housing price points represent between 20 and 60 percent of market demand, with 25 percent believing it represents more than 60 percent of the market. Despite their perception of the high housing demand, over 35 percent of members are providing no attainable housing, and only 15 percent believe that 20 percent or more of their housing production serves the attainable market segment.

Survey Response to “What Share Does ‘Attainable’ Represent of All For-Sale Housing Demand?”



Source: ULI Attainable Housing survey.

Survey Response to “What Share of the Housing You Build Qualifies as ‘Attainable?’”



Source: ULI Attainable Housing survey.

Product Solutions

The decrease in for-sale housing supply and lower-priced homes has translated into a mismatch between income and home price, in household size and home size and bed/bath counts. Successful developers, builders, and creative architects are evolving attainable housing from four product design strategies:

- **Small homes** (reducing square footage);
- **Value housing** (brand segment);
- **Missing middle** (attached); and
- **High-density detached** (cluster).

On the basis of in-depth interviews within the industry, the developer or builder who successfully executes attainable housing advocates as follows:

- **Similar margins and greater price elasticity:** Attainable housing yields similar margins to higher-priced homes because of faster turnover driven by pent-up demand combined with limited supply, which creates greater price elasticity and more upside revenue potential than any other segment. As prices rise, continual product innovation is needed for the next solution that meets the same needs, and those interviewed continue to redesign and improve their offerings.
- **Segmentation beyond density, size, and price:** High-density detached and missing-middle segmentation strategies are moving beyond size, price, and density into space choices, finishes, exterior

elevations, and aesthetic preferences. Many of the most successful attainable housing developments combine product types in developments with two or three product types (e.g., dense-detached and missing-middle typologies) in addition to providing “value” and reduced square footage (small homes).

- **Design within, between, and around homes:** As density increases, design within the home, between the homes, and within the neighborhood becomes increasingly important. With creative density architecture informing the land plan more than with traditional product, architects plan the homes and land harmoniously. Open floor plans, great room volume, and orientation to the outdoors improve natural light and make the home feel larger and more open. The spaces in between should protect privacy, enhance openness, and create appealing community space. Lifestyle amenities—particularly walkability to everyday conveniences and large outdoor gathering spaces—become increasingly important.
- **Lifestyle-choice messaging:** Messaging is even more critical when product is denser and smaller. For density tradeoffs to work, the site and product should offer something more than just a lower price. Although price is generally a motivator, the buyer should feel he or she is making a lifestyle choice for walkability, maintenance-free living, and financial flexibility without sacrificing function, style, or lifestyle amenities.

- **Entitlement and design commitment:** Developers and builders entitle, retrofit, and design into current development opportunities. Attainable housing can work anywhere for any builder from the smallest micro-pod to the largest master-planned community. To start the process, they look for entitlement deals in older, desirable walkable neighborhoods; revisit current assets and retrofit the product offering for increasing demand and new solutions; and look at how future land deals can provide multiple segments of attainable housing within neighborhoods to maximize absorption, create move-up demand in early phases, and offer move-down opportunities in later phases. These developers and builders are documenting strategic initiatives that set intentions for providing attainable housing and are achieving great success.

Strategy 1: Small Homes

Baby boomers and an influx of wealthy foreign capital, combined with a shrinking first-time homebuyer market, have supported large, luxury home development during the past 10 years. As a result, the building of smaller homes declined significantly despite the increase in smaller households and an emerging consumer preference for experiences over possessions.

Small homes, defined as those with less than 1,400 square feet, offer first-time homebuyers, downsizers, and small

households of any age and income level an alternative housing option. The mistaken idea that “attainable” translates into lower-quality, less-desirable locations is disproved by the following examples that deliver high-quality finishes within desirable, highly amenitized, master-planned communities. Two of the examples are detached alley-load configurations while Azure offers a carriage/townhouse attached combination; however, attainable products can come in any density solution.

- A large segment of small households is looking for smaller, high-quality homes near lifestyle amenities and is decidedly uninterested in large homes with lower-quality finishes in isolated suburban locations far from services and employment.
- Messaging, such as “Smaller Home, Bigger Life” or “Downsizing Is an Upgrade” (by wee-Cottage) or

“Maintenance-Free Living,” are universally appealing to both younger and older smaller households.

- Smaller housing can feel larger with appropriate emphasis on spaces inside and outside the homes. Examples include creating first-floor volume in the great room with adjacency to outdoor space; minimizing view corridors into neighboring homes; and providing outdoor spaces with staggered placement of door entries, great rooms, windows, and outdoor spaces.

The growing number of nontraditional homebuying households consisting of one, two, and three people, combined with a need to create housing at lower price points, is spurring developers and builders to design developments with smaller home sizes. These designs accommodate traditional windows, doors, and appliances

Characteristics of Small Homes

Definition	Less than 1,400 sq ft (Tier 1) Less than 1,800 sq ft (Tier 2)
Unit type	1 to 3 bedrooms, 1 or 2 baths
Unit size	700 to 1,400 sq ft
Density	8 to 20 dwelling units/acre
Land plan	All Most effective with density stated above

but at a reduced overall square footage, generally less than 1,800 square feet. They challenge traditional room sizes (like master bedrooms and kitchens) as well as “must have” room functions and count, revitalizing one and two bedrooms, one bathroom, and one-car garages.



Boulder Creek Neighborhoods, wee-Cottage, Stapleton, Colorado. (Boulder Creek Neighborhoods)



The Cottage Company, Danielson Grove, Kirkland, Washington. (The Cottage Company)



New Home Company, Azure at Escencia, Mission Viejo, California. (New Home Company)

Strategy 2: Value Housing

Many homebuilders are introducing an additional brand segment to specifically address attainable housing and create an alternative product offering. Similar to a hotelier (e.g., St. Regis, West, W, Sheraton—one company with multiple “flags”) or an automotive company (BMW 7, 5, and 3 series), homebuilders are creating “simplified” versions of their core brand. Value housing does not have to mean a “stripped” or lower-quality home. The evolved definition of value housing is one of simplicity, in terms of both option packages and structural choices, that enables the homebuilder to deliver product more efficiently and ultimately more cost-effectively while providing homebuyers a stylish home with a sense of dignity and pride in ownership.

- Value housing does not have to mean lower quality. Fewer but well-articulated styles and structural options allow buyers a simplified homebuying preference that meets the needs of many segments. Fresh Paint’s marketing message is creative, stylish, and fun, ultimately communicating to buyers, “You Don’t Have to Compromise.”
- Repeated iterations of fewer, simple selections create economies of scale; make for fewer errors and delays, ultimately creating greater efficiencies; and mean reduced costs that can be passed on to the homebuyer.
- Lower price points are in demand by all buyer segments. These lower price points can be addressed in all buyer segments—from small households to large families—that need to maximize bedrooms. Toll Brothers’ T Series defines its own nomenclature as “attainable luxury”: still luxurious, just dialed back in size, finishes, and structural options from the core Toll Brothers’ Homes brand.



Fresh Paint by Garman Homes, Briar Chapel, Chapel Hill, North Carolina. (Garman Homes)



Meritage, LiVE.NOW. “starter communities” focused on the first-time buyer market. (Meritage Homes)

- Margins can be lower for value housing, given the overall lower price points, but pent-up demand often pushes prices significantly between phases, creating more upside pricing elasticity. In addition, value housing essentially creates a second business model for homebuilders—one of lower margins but faster turnover to balance out higher-margin, lower-turnover segments.



DR Horton Express, Windermere Townhomes, Shakopee, Minnesota. (DR Horton)



LGI, Mirror Lake, Lehigh Acres, Florida. (LGI Homes)

Characteristics of Value Housing

Definition	Streamlined structural and interior finish options
Unit type	Any housing type can be streamlined
Unit size	Any size
Density	All densities
Land plan	Attached and detached

Briar Chapel: Fresh Paint by Garman Homes

Based in North Carolina, Fresh Paint is a Garman Homes brand with a mission to deliver high-quality homes at attainable price points. This product required delivering homes in the low \$200,000s, a challenge given the high cost of land. As part of Garman's strategy, the Fresh Paint brand will buy only finished lots from top-in-class master-planned-community developers. Teaming with world-class master developers allows the company to specialize and focus on delivering a special product.

Briar Chapel, developed by Newland Communities, is a 900-acre master-planned community in Chapel Hill, North Carolina. With 50 percent of the community dedicated to natural open space, convenient access to employment

centers such as the Research Triangle Park, and top-rated schools, Briar Chapel is popular with buyers of all age groups.

Alaina Money, founder and CEO of Fresh Paint, was building another community in Briar Chapel when she saw another builder creating value housing that was a completely stripped-down product. She thought she could do a better job in achieving the price points of value housing while creating a project that would excite homebuyers. This idea helped launch Fresh Paint, and Money collaborated with Newland, the master developer, to carve out a segment of the community for her to test the concept.



(Garman Homes)

Money is quick to note that providing the correct amount of options for customization is very important: too many choices lead buyers to become frustrated and confused. The members of this target market want to feel their home is unique and affordable, and they want a streamlined, memorable experience. Briar Chapel has also been popular with first-time homebuyers, single-parent households, and empty nesters.

Challenges and Takeaways

- Understand that you cannot be everything to everybody, and design your product around whatever makes you most competitive with your target market.
- Value housing does not mean cheap housing, so design your product with the end user's pride in homeownership in mind. Because of variable land prices, this strategy will not work everywhere.
- Choose the communities that you want to be in wisely, and work creatively and collaboratively to get to your desired result.

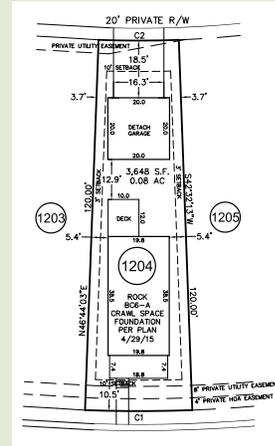
Planning and Design

The company identifies a price point to target and works backward from there to deliver a home attainable to buyers. According to Money, the traditional way to create value housing is either to keep the square footage and strip out the usual features or to reduce the square footage and keep the usual features. Efficiency is the key to reaching this target, so the company emphasizes listening to trades about processes, investing in those relationships, and ensuring that design aesthetics are predictable and repeatable. Money has designed several finish packages and allows buyers to choose among all-inclusive options with a rule of no changes or special requests. This strategy allows consumers to attain a custom-designed home while simplifying the construction process.

Target Market

The Fresh Paint brand was developed with the goal of making homebuying accessible to more buyers while not creating a product that was completely stripped of any character. The initial target market was millennials, and the idea was to take the stress out of the homebuying process.

Characteristics	
Project address	32 Cardinal Ridge Chapel Hill, North Carolina
Homebuilder	Fresh Paint by Garman Homes www.freshpaintbygarman.com
Architect	Michelle Huffman, Garman Homes
Land planner	in house
Product type	2 to 3 bedrooms, 2.5 baths
Home size range	1,516 to 1,820 sq ft
Parking	2-car garage
Price range	\$233,000 to \$310,000
Lot dimensions	26 ft × 110 ft
Lot size	2,660 ft
Density	10 to 14 dwelling units/acre
Percent attainable	100% (at 120% AML)



(All images: Garman Homes)

Strategy 3: Missing-Middle Housing

Missing-middle housing, a term coined by Opticos Design, is defined as housing typologies at densities between those of single-family homes and mid-rise communities whose scale would be compatible with single-family homes. This includes duplexes, triplexes, fourplexes, courtyard buildings, bungalow courts, townhouses, multiplexes, and live/work buildings.

Missing-middle housing comes in a variety of building types and densities, but because of its lower height (at most three or four stories) and width (at most 50 feet), it does not look dense. The scale of these buildings can be attractive to communities that might otherwise believe attached housing will diminish home values in their neighborhoods.

Unit sizes in missing-middle buildings are typically smaller than those offered in traditional for-sale product, and this scale can help keep costs down while delivering homes at

an attainable price point. One of the key attractive features of missing-middle housing is that because of its scale, entrances to individual units feel more like those of single-family homes than large condominium complexes with shared elevators and long corridors.

- Missing middle can be built less expensively when third-floor options, which are often more expensive to build than two stories, are minimized; using a simple rectangular form with simple roof lines is optimal.
- Missing-middle units can be smaller with fewer off-street parking spaces and preferably less parking overall (close to one car space per unit). This concept is more palatable when the development is near public transportation and has ride-sharing options more readily available (including autonomous vehicles in the future).
- To reduce perceived density, the space between homes is purposely designed with pavers and

gravel on common drives as well as hardscape and landscape features to create desirable shared outdoor spaces. The two-story volume of the great room along with architectural features (such as more windows for natural light) further reduces perceived density once inside the home.

Characteristics of Missing-Middle Housing	
Definition	Defined by Opticos Design as typologies between detached and mid-rise buildings
Unit type	1 to 3 bedrooms, 1 or 2 baths 1 to 3 stories
Unit size	700 to 1,900 sq ft
Density	12 to 20 dwelling units/acre
Land plan	Duplex to multiplex (stacked, side by side), row townhouse, bungalow cluster, combinations



Holmes Homes, Mews Collection, South Jordan, Utah. (Holmes Homes and Opticos Design)



Onyx & East, Switchyard at Fletcher Place, Indianapolis. (Onyx & East)



Michael Harris Homes, the Copley at Crown, Gaithersburg, Maryland. (Michael Harris Homes)

Mews Collection: Holmes Homes

Holmes Homes is a single-family homebuilder based in Sandy, Utah, with a long history in the area. The homebuilder historically built traditional single-family homes but realized the market was shifting because income levels had not kept pace with home values. Holmes Homes had been building townhouses for years but wanted to think more creatively about product type to be able to deliver new construction at an entry-level price point.

At Daybreak, Holmes had a challenging site, and traditional lots would have left the proposed community with underused space in the middle of the block. The Mews Collection at Daybreak is a community of 64 homes on a 3.2-acre site. The townhouses feature two bedrooms and one and a half to two bathrooms in floor plans ranging from 968 to 1,416 square feet on 26- by 50-foot lots.



(All images: Holmes Homes and Opticos Design)



Neighborhood Context

Daybreak is a 4,000-acre community in South Jordan, Utah, that was the site of a former Rio Tinto mining operation. In 2004, construction began on the community designed to evoke the traditional neighborhood development mode, which promotes compact development so that retail, recreation, or schools are located within a five-minute walk or bike ride of homes. At buildout, the community is expected to include more than 20,000 residential units and over 9 million square feet of commercial space.

Site Specifics

At Daybreak, Holmes Homes acquired two sites, but they were too deep to build a traditional townhouse product facing a perimeter street. The solution was to break up the site into four micro-scale blocks, oriented along a pedestrian passageway to create a European feel to the community.

Planning and Design

To deliver at an entry-level price point, Holmes Homes needed to design a product with lower construction costs than a traditional home. As a multigenerational homebuilder, the firm knew that it had a brand reputation to maintain and

Characteristics	
Project address	5222 South Jordan Parkway South Jordan, Utah
Site size	3.2 acres/64 units
Density	20 dwelling units/acre
Developer	Daybreak by Kennecott Land www.kennecott.com
Homebuilder	Holmes Homes www.holmeshomes.com
Architect/ land planner	Opticos Design www.opticosdesign.com
Product type	1 to 3 bedrooms
Home size range	968 to 1,416 sq ft
Parking	1- or 2-car garage
Price range	\$180,000 to \$280,000
Lot dimensions	26 ft x 50 ft
Lot size	Attached
Percent attainable	100%

would not accept a stripped-down product. The solution was to design buildings with simple, rectangular forms and rooflines while keeping a high interior finish level. Nearly all the homes were two stories, eliminating expensive third floors on all but one floor plan. With the Daybreak TRAX light-rail station about a 10-minute walk away, Holmes found it viable to build homes with one-car garages and adjacent parking pads. Because of this reduced parking, the firm was able to build at a density of 20 units per acre.

Target Market

Holmes Homes expected its product to be popular with a millennial entry-level buyer but instead found a broad market of support for the product type and price point. Single-person households, including a large percentage of single female buyers, purchased a significant portion of the homes at the Mews Collection. Older, downsizing boomers were another key segment of buyers. These groups were attracted to the Daybreak master-planned community and the Mews sense of community and security. Although the units may have been smaller, buyers indicated that the double-story living space feels like a loft and enjoyed the large amount of natural light that streams into the homes.

Challenges and Takeaways

- Keep forms and building designs simple to reduce construction costs.
- For challenging sites, do not be afraid to get creative in your product offering to achieve your required returns.
- Locate in established communities to get over the first hurdle when introducing a new, unproven product in the market.



(All images: Holmes Homes and Opticos Design)

Strategy 4: High-Density Detached (Cluster) Housing

In many areas of the country, detached living is the preferred housing type for potential homebuyers. According to RCLCO consumer research, over 55 percent of households, regardless of age, would prefer a single-family detached home over other housing types. In areas with high land costs, developers may not be able to meet this demand without a little creativity. Detached cluster homes allow higher density than traditional single-family homes but create the traditional feel that many homebuyers are looking for. Depending on site shape, setbacks, parking requirements, and the like, detached cluster housing can generally be built in the range of eight to 15 units per acre.

Courts generally have four to 10 homes per module with the alignment of the front door and garage distinguishing motor and green courts. The front entrance for a motor court is off the driveway, next to the garage, whereas green courts have unit entries off a common interior greenbelt, similar to an alley load. These configurations often require making choices for front door and yard orientations, driveway aprons, and yard space while balancing the streetscape and common spaces between homes.

A green court and a motor court can attract completely different buyer types despite similar footprints and densities, depending on where space is prioritized. For example, a motor court can provide a full driveway and traditional rear yard that appeal to families, while a green court might maximize the interior of the home with volume and more of a patio feel that appeals to couples.

These designs have been around since the early 2000s in California, and they are gaining acceptance in master-planned communities near major metropolitan areas as well as in-town locations in Middle America. Builders, by nature, are risk averse and not typically focused on research and development, but they respond if solid evidence exists for demand in the market. In California, architects such as WHA, KTG, Bassenian Lagonia, and Kevin L. Crook Architect are designing with smaller footprints (i.e., small homes), using larger cluster modules, blending attached at the rear of the cluster, and experimenting with parking, including detached parking, staggered parking with single driveways, and single-car garages, to continue to push overall density.

High-density detached housing should look to minimize garage-facing streetscapes with houses fronting elevations

Characteristics of Cluster Housing	
Location	Suburban, rural
Unit type	1 to 3 bedrooms, 1 or 2 baths Two story
Unit size	700 to 1,500 sq ft
Lot dimensions	Typical 6-court module: 125 ft x 150 ft
Lot size	2,500 (50 x 50) sq ft
Density	8 to 20 dwelling units/acre
Land plan	Green court Motor court Alley load

along the spine street. The parking goal is to provide two-thirds of the parking requirements on the home site (with a two-car garage and at least a one-car driveway) and the additional spaces located along spine streets.

Potential privacy issues can be addressed by contemplating how the homes and outdoor spaces sit adjacent to each other and laying out multiple modules throughout the neighborhood.



From left:
Lennar, Olive Grove, Chino, California. (Lennar, KTG, and Kevin L. Crook Architects)
Lennar, Autumn Field, Chino, California. (Lennar, KTG, and Kevin L. Crook Architects)
Bela Flor Communities, Bella Rosa, Mesa, Arizona. (Bela Flor Communities)

Olive Grove: The Preserve

High land prices in Southern California have forced developers to get creative in their product offerings to make deals pencil. Olive Grove is a single-family detached home community by Lennar, part of the Preserve master-planned community in Chino, California. Its detached cluster site plan allows a higher density than traditional development.

Neighborhood Context

The Preserve is an approximately 5,400-acre master-planned community in Chino, California, developed by the Lewis Company on a former and existing farm property. At completion, the community will be home to about 10,000 dwelling units, 620 acres of business and commercial uses, and nearly 3,000 acres of open space. Chino is a bedroom

community in the Inland Empire region of Southern California. The city has proven popular with homebuyers attracted to its safe, family-friendly environment and convenient access to employment centers throughout the region.

Site Specifics

Olive Grove consists of two irregularly shaped tracts within the Preserve, separated by another Lennar community,

Characteristics	
Project address	8688 Celebration Street Chino, California
Site size	6.59 acres
Units	57
Developer	Lewis Community Developers www.lewisgroupofcompanies.com
Homebuilder	Lennar www.lennar.com
Architect	KTGY www.ktgy.com
Land planner	L.D. King Engineering www.ldking.com
Product type	3 to 4 bedrooms, 2.5 to 3.5 baths
Home size range	1,829 to 2,462 sq ft
Parking	2-car garage
Price range	\$468,000 to \$555,000
Lot dimensions	35 to 45 ft × 50 ft
Lot size	1,750 to 2,250 sq ft
Density	8 to 11 dwelling units/acre
Percent attainable	50% (at 120% AMI)



(All images: Lennar, KTGY, and Kevin L. Crook Architects)



Autumn Field. Given that the home design informs the land plan, the architect plans the modules and layouts to maximize yield on the site. The solution was a six-pack module in a blend of green and motor courts.

Target Market

With two court types, Lennar attracted two different market segments. Specifically, at Olive Grove, the development appealed to family buyers with a more traditional feel in terms of a full driveway, a front home entrance, and a traditional yard. The alternative court, Autumn Field, designed by Kevin L. Crook Architect, appeals to couples who value the volume living space and patio home feel. The density tradeoffs are also complemented by amenities at the Preserve by Lewis Communities, which appeals to all buyer segments, including trails, pools, fitness center, high-quality schools, playgrounds, baseball fields, and tot lots.

Planning and Design

Olive Grove was designed to maximize the density of detached housing while keeping a single-family home feel to the community. With the target family demographics, building with higher bedroom counts and two-car garages was important. Given the higher building density of the community, Lennar needed to orient the homes in a way that maximized the privacy of the key living spaces, including the great room and rear yard.

Challenges and Takeaways

- In areas with high land costs and strong demand for detached living, cluster housing can provide higher density while maintaining a single-family neighborhood feel.
- Different design criteria, such as full driveways, two-car side-by-side parking vs. tandem or staggered, stacked vs. volume over the great room, patio vs. yards, finishes, and style, can appeal to different buyers, creating segmentation within a similar density and home size.
- A staggered driveway maximizes density and provides a driveway parking option while creating a variety in streetscape. Olive Grove was also able to provide floor plans with a secondary and NextGen suite downstairs in the cluster module.



(All images: Lennar, KTG, and Kevin L. Crook Architects)

Conclusion

The housing needs in this country are great. Many factors have played a role in limiting the options for middle- and lower-income households to secure housing that is affordable at their income levels. It is as important as ever for the industry to build all types of housing, and especially to find ways to build unsubsidized housing for middle-class buyers. Ultimately, this type of housing—attainable housing—will relieve the current downward pressure on the market that has kept renters from becoming homeowners and that has made housing increasingly unaffordable for Americans at lower income levels.

Although the current industry perception may be that meeting this demand means builders need to limit amenities, use lower-quality finishes, and locate in less desirable areas, research for this report reveals that consumers would prefer better locations and amenities over bigger homes or lower-density housing. In response, the report offers a range of housing typologies with strategies and examples for building to meet this demand while keeping costs low. Solutions include smaller homes, value housing, missing-middle attached housing, and high-density detached cluster housing.

The ULI Terwilliger Center for Housing and RCLCO hope the information presented in this report helps our members and others understand and meet the market opportunities for building more attainable housing.



2001 L Street, NW
Suite 200
Washington, DC 20036-4948

U.S. \$12.95

ISBN 978-0-87420-450-6

