

Thinking Beyond the 3BR, 2BA

by Clair Enlow
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As they have for decades, Americans are moving toward cities and jobs. And now more than ever, they are willing to settle for less square footage in return for a carless commute, convenient access to shopping and entertainment destinations, and that hard-to-define quality called "place." Fewer want to own their own home, and many more are looking for affordable options.



For My Micro NY—developed by Monadnock Development and Actor's Fund Development Corporation, and designed by nARCHITECTS—modular units will be site, constructed off then assembled on city-owned land in the Kip's Bay neighborhood of Manhattan for occupancy in 2015. With 55 units ranging in size from 250 to 370 square feet (23 to 34 sq m), the project could break down zoning barriers that have held back the production of new small apartments for decades.

These trends, which apply across a broad spectrum of the population, are shaping demand for housing, according to panelists at ULI's Housing Opportunity Conference, held in Seattle in March.

- + Related Case Study: Paisano Senior Housing
- + Related Case Study: Rancho Mission Viejo

What is outside—on and off the premises—counts at least as much as what is inside the home itself. Car-free access to parks, cafés, and transit—it all adds up to time and money saved, as well as a desirable way to live.

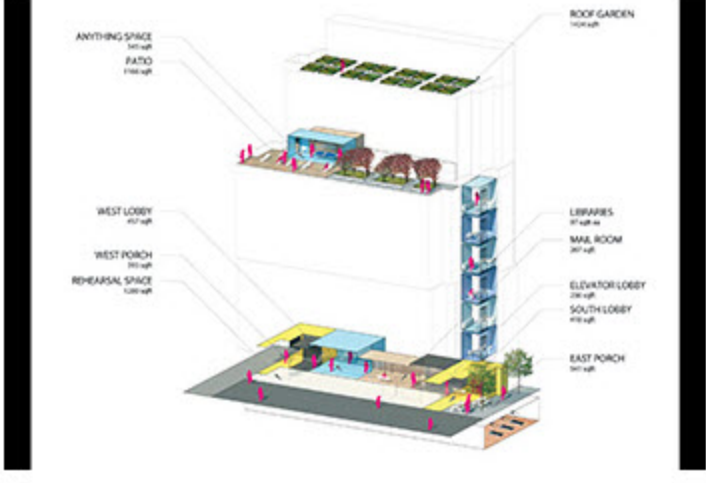
Add edgy design—as well as affordability—and the result is a perfect housing match for millennials. Also known as generation Y, they are age 18 to 35. Now that the recession is passing, members of this generation are moving out of their parents' homes and making up a growing share of new households. But what they need and want is different from what their parents sought.

Millennials are saddled with student debt, they are delaying having children, and they are less interested in mortgages and the route to wealth-building traditionally offered by homeownership. The preferences of 20-somethings are defining an emerging housing type called micro-units—which measure under 400 square feet (37 sq m)—and developers and designers of market-rate housing are putting their minds to how to provide them.

Millennials have some things in common with members of other generations who just want interim housing or a foot on the ground in the city. These desires cut across age and class, applying equally to workers on the move and executives who have families in outlying areas but want to stay near the office on weeknights, says Robert Pantley, manager at Natural and Built Environments, a real estate firm based in Kirkland, Washington. "They are not just looking at the house, not just looking at the unit; that was the old way of making housing choices," he says. Instead, the focus is more on location—a place providing convenient access to the workplace, as well as to a complete urban neighborhood with places to eat, meet, and enjoy life.

Thinking Micro

Though smaller than a studio or one-bedroom apartment, the micro-unit is able to meet basic housing needs, thanks to a number of innovative strategies. In the Seattle area, a typical version of the micro-unit is a four-unit suite with a shared kitchen. Because the units are rented individually, the zoning code counts all four units sharing the suite's single kitchen as one, making the project a "boarding house," in the language of the last century. Typically, a manager is on site.



The success of micro-units hinges on high-quality places for residents to meet and entertain, walk the dog, or exercise. This diagram shows shared spaces to be built into My Micro NY.

Plenty of models for the micro-unit concept exist in Europe and Asia, implementing the basic idea of consolidating living spaces into smaller square footages. Great design and small luxuries can be part of the package, along with lots of on-site amenities like community gardens, dog-bathing facilities, and party rooms, according to Pantley. One key to making micro-units work is providing strategic luxuries like high ceilings, durable materials, and high-quality fixtures.

From New York City to Seattle, however, urban neighborhoods are wary about the construction of micro-unit developments in their midst, says Kaye Matheny of the New York City Department of Housing Preservation and Development. They fear the return of the historically maligned single-room-occupancy unit, associated with poverty and overcrowding.

Despite this resistance, the demand for one- and two-person apartments—even very compact ones—is expected to far outstrip supply. New York City has actively promoted the form, organizing a pilot micro-apartment project based on a design competition called adAPT NYC, Matheny says. The winning project, My Micro NY, located in the Kips Bay neighborhood of Manhattan, is under construction: 55 units ranging in size from 250 to 370 square feet (23 to 34 sq m).



The modular design for My Micro NY hinges on a two-sided concept for each unit, with one side (the "canvas," left) for hanging out and arranging furnishings—including a bed—and the other (the "toolbox," right), with a 70-cubic-foot (2 cu m) kitchen, accessible bathroom and shower, and a closet. A storage loft, with a built-in ladder, is squeezed in above the kitchen.

New Paradigms for All Ages

In retirement communities, baby boomers are redefining the market, says Helen Foster, principal of New Orleans-based Foster Strategy. The watchwords are play, exploration, friendship, and balance, she says. Units are designed to provide universal access regardless of the mobility of either the resident or his or her guests, and to be on trend and provide high-quality aesthetics. And because boomers tend to want to mix with people of all ages rather than be isolated in age-qualified communities, projects are targeting a wider mix of residents.

"Igniting a new ageless paradigm" is the goal of Rancho Mission Viejo, a master-planned community in southern Orange County, California, says Paul Johnson, the community's senior vice president of community development. In addition to lifestyle attractions like trails, spas, and health-conscious restaurants, the project provides a mix of housing types and amenities that promote easy, at-will connectivity and intergenerational contact.

Sustainable and Affordable Housing

Sustainability is a shared concern among all housing markets, and one in which taxpayers can make good investments, according to conference participants.

Architect Jv DeSousa of Workshop8, based in Boulder, Colorado, presented his project, Paisano Senior Housing, as a model of sustainable housing. Development of the project—located on an unlikely site between a highway and a stadium near the border crossing at El Paso, Texas—was helped by an \$8.25 million grant from the American Recovery and Reinvestment Act of 2009 green communities initiative.

With a construction cost of \$268 per square foot (\$2,885 per sq m) and \$203,000 per unit, the housing at Paisano Senior Housing was not inexpensive to build. But the sustainable features—including use of renewable energy—will translate into savings of \$691 per year for a typical one-bedroom unit.

Housing affordability in general is a primary concern among buyers and housing policy analysts. One group getting squeezed out of the housing market—especially in high-demand employment centers like Greater Boston—is young, working families. According to members of a panel on "Lessons from Massachusetts," which included planners and officials at different levels of government, when the local Metropolitan Area Planning Council collected data as part of regional planning, it found that the Boston area was losing population in that group in particular.

Though residents were worried, jurisdictional divisions among the more than 100 separate Boston-area townships made it difficult to gain any momentum toward making housing more abundant and affordable to these families. Simple revisions of codes and policies, such as defining any building with two separate units as multifamily housing and making new housing more convenient to schools, were proving impossible to obtain, according to Lisa Alberghini, president of Planning Office for Urban Affairs, a nonprofit housing developer.

But when the Metropolitan Area Planning Council partnered with the state, they were able to produce a campaign of outreach and education, leading to general recognition of the importance that housing opportunity for young families plays in the long-term success and competitiveness of Massachusetts, according to panelists.

Gregory Bialecki, secretary of the Massachusetts Executive Office of Housing and Economic Development, says the region and the state are on track to achieve net positive migration and the goal of producing 10,000 multifamily housing units per year between 2012 and 2020. The production of multifamily housing is now trending steeply up, from 519 units in 2011 to 2,752 in 2012, based on permits issued.

The Whole Package

Panelists affirmed that when it comes to making smart investments, housing never stands alone. Housing costs cannot be decoupled from transportation costs—especially for the working poor. Location counts, and locations near transit are key drivers of the market, as are family finances.

For the homeless or those threatened with homelessness, housing is a platform that supports lowered health risks and health costs, and this translates into long-term savings for taxpayers, says David Fleming, director and health officer for public health for Seattle and King County.

There is increasing and even bipartisan consensus that housing policy must recognize the value of community. Fleming says the importance of housing is not just a matter of breaking up pockets of poverty; it also involves access to education, healthful foods, and other important elements of a high quality of life.

One policy guide on affordable housing is to make analysis of the health impact of projects part of decision making, says Jane Graf, president of Mercy Housing California, a nonprofit housing provider. A growing body of data, much of which continues to be gathered through Medicaid innovation grants, supports housing that is sustainably constructed and near essentials like a healthful food supply, open spaces, and services.

Conference-goers also learned some ways that limits on smart investment—from outdated zoning codes to sustainable design innovation barriers—can be broken. New recession-based restrictions on capital investment in housing can also be overcome, says Barry Zigas, director of housing policy for the Consumer Federation of America. He called for stability and standardization in mortgage finance and access to long-term fixed-rate financing. Zigas also notes the need for a greater abundance of private, risk-bearing capital. "Securitization is a way to bring capital into this market," he says. A new guarantor owned by the government—similar to Ginnie Mae—might be a worthwhile approach, he says.