

mbapierce
◀ MASTER BUILDERS ▶

JANUARY 2021

FEE SIMPLE TOWNHOMES



AN ISSUE BRIEF BY

mbapierce
◀ MASTER BUILDERS ▶

WHAT IS A FEE SIMPLE TOWNHOME AND HOW IS IT DIFFERENT FROM A CONDO?

Fee Simple Townhomes

Fee simple townhomes help create more affordable homeownership options that make efficient use of limited land supply by allowing for unit lot subdivision of attached homes. With these units, someone owns the lot on which the home occupies, much like most detached single-family neighborhoods. This means that every unit, even though attached, is a different parcel. In terms of how community elements are managed (roofs, drive aisles, siding, etc.), these aspects are typically covered in Covenants, Conditions & Restrictions (C&Rs).



Condominiums

With condominiums, one owns the space within the unit plus an undivided interest in the ownership of the common elements, which are owned jointly with the other condominium unit owners. Insurance policies are typically held by the association to cover the jointly owned parts of the property, while individual owners carry insurance for the interior components of their unit. Despite recent condo liability reform from the state legislature, condos remain difficult to build because insurance agents are still wary of the high threshold for what qualifies as a construction defect under condo law. These higher premiums impact monthly payments which impact affordability.

HOW DO FEE SIMPLE TOWNHOMES BENEFIT A COMMUNITY?

A Pathway to Homeownership

A major benefit of fee simple is that this ownership type makes it easier for buyers and builders alike to obtain financing from banks and

acquire insurance. This change would also improve the ability of owners to refinance and sell their homes, allowing more families to enjoy the benefits of ownership, especially entry-level home buyers and retirees. Adopting a unit lot subdivision code would remove a hurdle to homeownership and provide better access to townhomes.

Community Stability and Rejuvenation

Fee simple townhomes offer a higher density (10-20 du/ac) while maintaining a strong owner-occupied structure that can be stabilizing for a neighborhood. Fee simple townhomes tend to be owner occupied and generally remain so even without covenants or restrictions on renting the unit. In contrast, condos are often kept by an owner and rented out furthering the rental market in a community. Additionally, these townhomes can feature facades that imitate existing housing stock. With increased allowable densities in neighborhoods, these attached units can help to rehabilitate dilapidated part of town.



Achieving Housing Attainability

Fee simple Townhomes move the needle on housing attainability and fill a much-needed missing middle housing option. Increasing density over traditional single family reduces land costs. Additionally, shared walls, reduced roadways, and utility infrastructure reduce construction costs. With these savings when building the units, the homes can be brought to market at a lower price point. Because of this, fee simple townhomes create the opportunity for people desiring home ownership but are priced out of the current single family detached market. In November 2020, the average cost of a detached single-family home was \$450,000. In the same month, the

average cost of a townhome (attached single-family home) was only \$340,000 in Pierce County.¹

Growth Management Obligations

As jurisdictions amend and improve their comprehensive plans, it is worth keeping at the top of mind that pursuing housing options such as fee simple townhomes meet many Growth Management Act goals.

Among the benefits are:

- Increases densities in urban areas
- Is a means to reduce sprawl
- Offers an attainable housing option
- Can be utilized near transit and near open spaces, such as parks

¹ These numbers are for Pierce County in November 2020, the most recent data available at <https://www.redfin.com/news/data-center/>