



Missing Middle Perspective

Arlington Civic Federation

October 11, 2022

Julie Lee

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Create *Real* Public Engagement

Then: Inclusive streetcar debate



Now



"Information Session" with County supporters, no written analysis, no Staff



Highly-limited, closed-door, "conversations" with no answers

3

NEED: Housing that is Affordable, Promotes Diversity & Corrects Imbalances

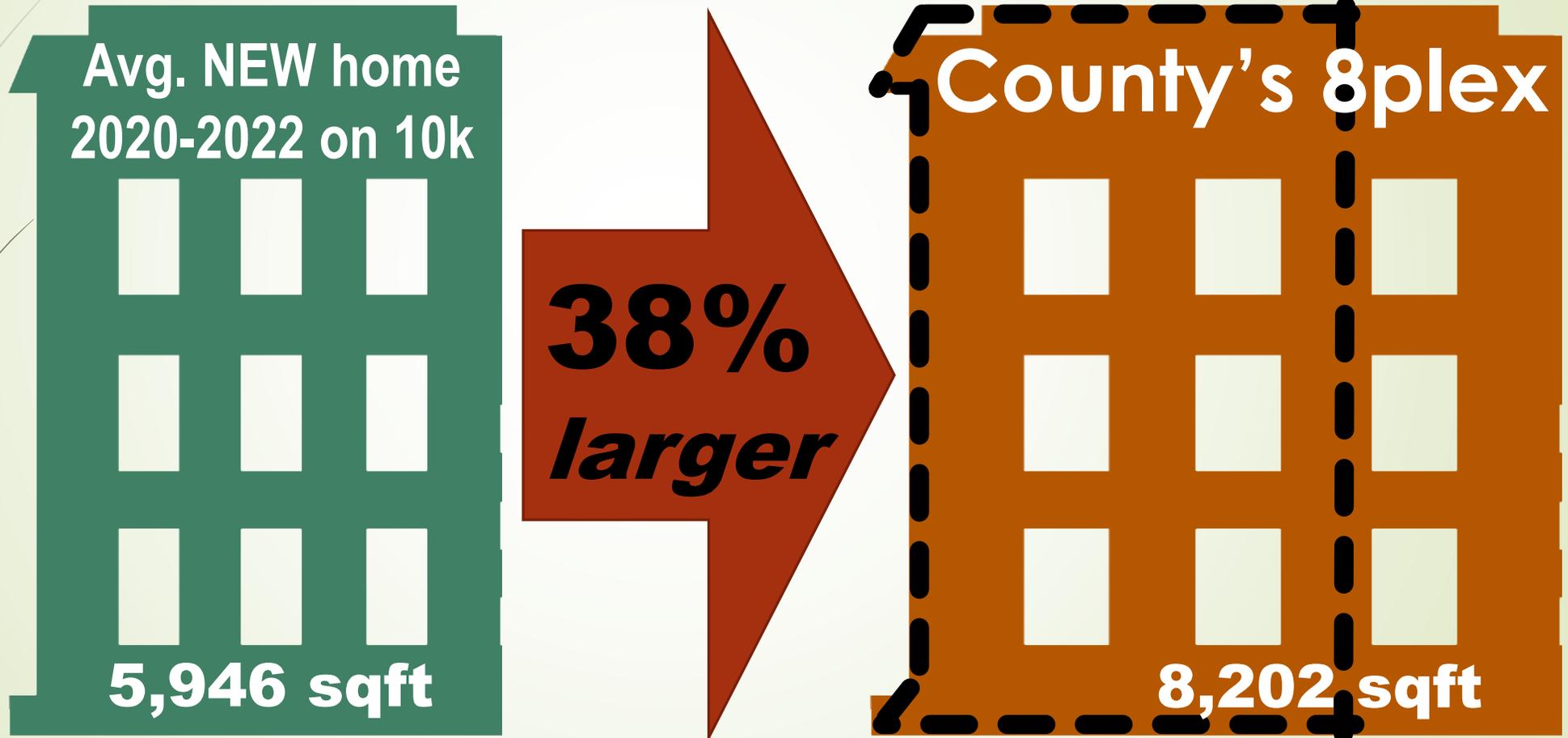
But Missing Middle: 3 Arlington firefighters needed to afford *cheapest* 2-BR



Median Firefighter/EMT salary \$61,984 (Aug. 2022), [https://arlingtoncountyva.govqa.us/WEBAPP/_rs/\(S\(e50r5qxp5qua0ymmnoxqrmq\)\)/RequestArchiveDetails.aspx?rid=1897&view=1](https://arlingtoncountyva.govqa.us/WEBAPP/_rs/(S(e50r5qxp5qua0ymmnoxqrmq))/RequestArchiveDetails.aspx?rid=1897&view=1). Cheapest 2-BR (1020 sqft) likely to be built to cost \$571,000 far from Metro, Tables A-8 and A-4 of <https://bit.ly/3OOH4S5>; \$151,244 in income needed to afford \$571k unit with 12% down payment, 5.7% interest rate on 30-year fixed rate mortgage, 1% property tax, \$1000/yr. home insurance, \$246/mo. HOA dues, \$535/mo. in non-mortgage debt -- Zillow Home Affordability Calculator; County FOIA response.

“Fix” the McMansion Problem First

County data shows Missing Middle will be *larger* than new SFHs



Lack of Study or Planning on Key Issues

- How many MM lots/year? **No analysis**
- New SFHs maxing lot cover? **No analysis**
- Neighborhood-specific? **No analysis**
- Budgetary/ fiscal impact? **No analysis**
- Stormwater impact? **No analysis**
- Tree canopy impact? **No analysis**
- Ownership/rental? **No analysis**

No analysis on MM lots/yr and no neighborhood-specific analysis,

[https://arlingtoncountyva.govqa.us/WEBAPP/_rs/\(S\(4thjg24u1ezpvgi13r0zp0jb\)\)/RequestArchiveDetails.aspx?rid=2036&view=1](https://arlingtoncountyva.govqa.us/WEBAPP/_rs/(S(4thjg24u1ezpvgi13r0zp0jb))/RequestArchiveDetails.aspx?rid=2036&view=1); no lot coverage analysis, no own/rent analysis, page 10 & 18 of <https://www.arlingtonva.us/files/sharedassets/public/housing/documents/missing-middle/mmhs-responses-to-phase-2-questions-updated-07-8-22.pdf>; no fiscal analysis (FOIA Reference # C001293-09222); no stormwater & enviro. analysis (FOIA Reference # C001243-090822); no tree canopy analysis [https://arlingtoncountyva.govqa.us/WEBAPP/_rs/\(S\(4thjg24u1ezpvgi13r0zp0jb\)\)/RequestArchiveDetails.aspx?rid=2087&view=1](https://arlingtoncountyva.govqa.us/WEBAPP/_rs/(S(4thjg24u1ezpvgi13r0zp0jb))/RequestArchiveDetails.aspx?rid=2087&view=1) and [https://arlingtoncountyva.govqa.us/WEBAPP/_rs/\(S\(4thjg24u1ezpvgi13r0zp0jb\)\)/RequestArchiveDetails.aspx?rid=1707&view=1](https://arlingtoncountyva.govqa.us/WEBAPP/_rs/(S(4thjg24u1ezpvgi13r0zp0jb))/RequestArchiveDetails.aspx?rid=1707&view=1).

Alt.: Neighborhood-by-Neighborhood

Arlington Fire Chief:

70% of streets
below 20-ft min. width

Missing Middle:

Up to 8 units, any lot,
unlimited lots on any street

No plan for geographic
spread; no analysis of it

More cars/lot

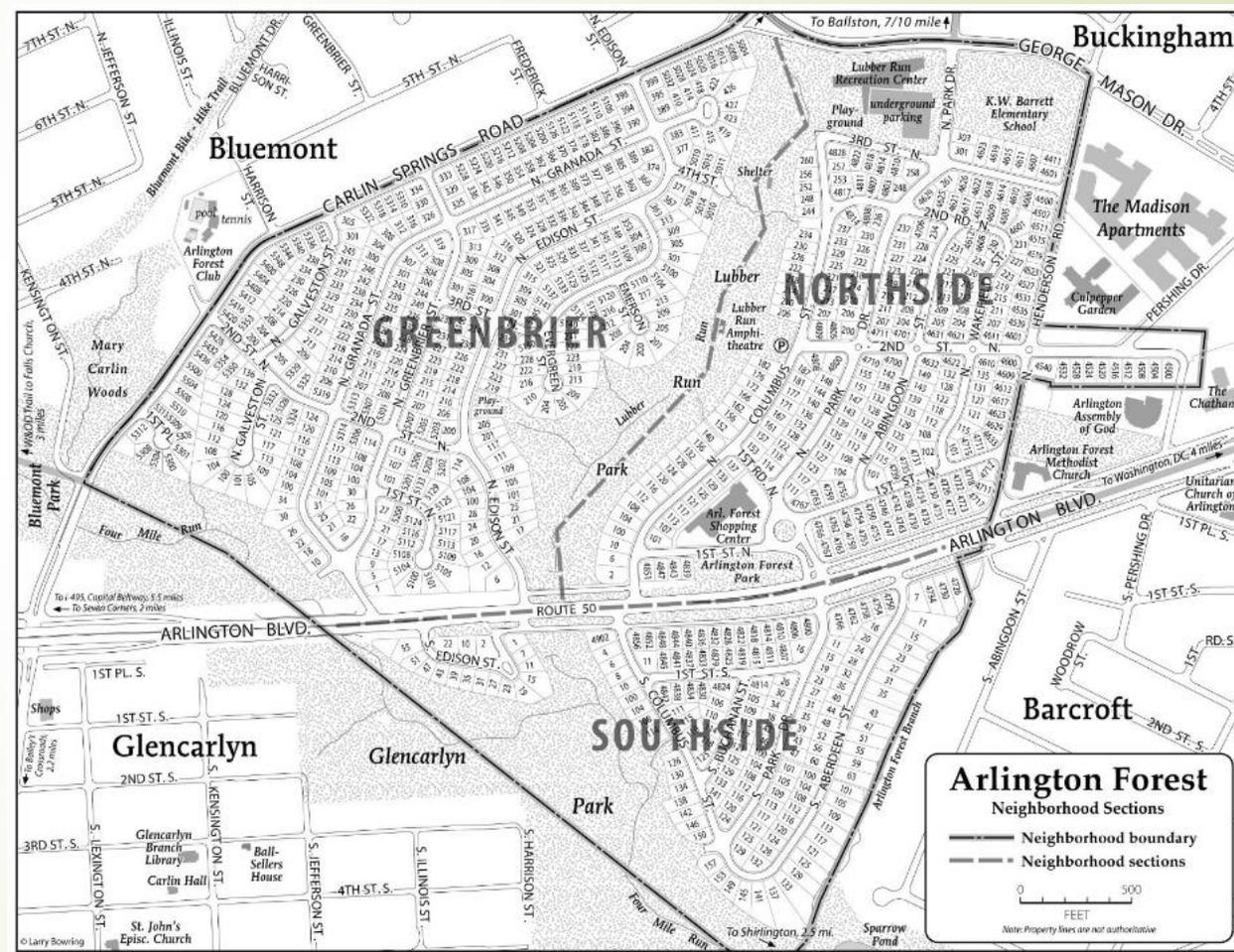
More cars on streets



Avoid Unintended Consequences

852 homes
2 tear downs
in 80 years

Avg. list approx.
\$840,000



Who is left out?

County has no plan even to *monitor* negative effects



Fixed-income seniors



Renters in housing torn down to make MM



Black, Hispanic, others at risk of displacement

➔ We need to “**Get it RIGHT,**” not just “**Get it done**”

APPENDIX

https://arlington.granicus.com/MetaViewer.php?view_id=2&clip_id=3697&meta_id=190791 pp.10, 54

<https://therealdeal.com/2022/07/28/carlyle-goes-big-on-small-brooklyn-buildings/>

https://www.arlingtonva.us/files/sharedassets/public/housing/documents/missing-middle/mmhs_consultantanalysis_2022-04-28.pdf p.8

<https://www.washingtonpost.com/opinions/2022/09/28/whats-stake-with-arlingtons-missing-middle-housing-debate/>

Opinion | What's at stake with Arlington's missing middle housing debate

By Michael O'Grady

September 28, 2022 at 9:00 a.m. EDT



The Cherrydale neighborhood in Arlington on August 28. (Craig Hudson for The Washington Post)

Michael O'Grady is a research economist and geographic information system analyst at Virginia Commonwealth University's Center for Urban and Regional Analysis. He formerly worked for Arlington Economic Development.

As a lifelong Arlingtonian, I cannot remember an issue as divisive as the [missing middle framework](#). A significant rethinking of housing in Arlington is at least 30 years overdue. The further south one goes in Arlington, the more it looks like the land time forgot. Houses look faded, sidewalks look neglected, and the dated architecture sends a subliminal message that these areas don't matter as much. Yet in an era of [\\$1.3 million McMansions](#) and [\\$900,000 townhouses](#), the older housing stock is the backbone of market-rate affordable housing. The people who live there aren't a uniform cross-section of Arlington but are more likely to come from disadvantaged groups who've struggled to achieve the American Dream — especially in Arlington.

It was hard for me to pick a side. Some of the NIMBYS think it's possible to go back to an era in the 1990s when Arlington felt like an undiscovered oasis next to a booming metropolis. But there is no going back. A do-nothing option will slowly destroy Arlington's beautiful multiclass, multiethnic mosaic. To be fair, most NIMBYS don't argue this. However, these logical flaws pale in comparison to the misapplication of economics, blatant conflicts of interest, limited demonstrated understanding of history and selective data presentation from the YIMBYs.

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Arlington needs to change to save itself. Some form of up-zoning is inevitable. But history has shown (e.g., [Chicago's Cabrini Green](#), [D.C.'s Columbia Heights](#)) that doing something isn't always better than nothing.

The missing middle framework would [increase market pressures](#) while offering no safety nets for vulnerable citizens. It would only accelerate the end of the beautiful mosaic. It is little more than micro-targeted poor people removal, and I cannot support it.

Nothing is at stake because even supporters of the missing middle framework acknowledge in their [formal analyses](#) that it will have [no measurable reductions in prices nor increases in affordable stocks](#). To dismiss concerns, they claim it won't affect school crowding nor overload roads and other infrastructure. Meanwhile, home builders and their financiers already have a solid business model: Buy older lots, demolish them and build luxury housing. The market for this is proven, profits are growing and opportunity costs and risks are minimal. Developers have no incentive to alter this operation simply because the missing middle framework says they can.

[Without government backing](#) (which the missing middle framework doesn't provide), market-rate affordable housing is too risky. In talks about structural racism in suburbia, we forget the biggest reason middle-class suburbs came into existence was massive federal subsidies (which dried up decades ago) for both supply (builders) and demand (lenders).

Look at this from a break-even analysis. To maintain existing market-rate affordable housing levels, affordable-housing builders would have to purchase half the older properties that come on the market and build new duplexes. For missing middle framework builders to expand market-rate affordable housing, they would have to buy the majority. Furthermore, they would have to outbid speculators and luxury builders to do it. The likelihood of this happening is practically zero.

Everything is at stake because of the moral hazard the march toward the missing middle framework is producing. Learning the wrong lessons from the [streetcar debacle](#), the board's processes have been so artificial and divisive that I fear for representative government in Arlington if they are allowed to stand.

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So why do it? Using frameworks from political science, the answer lies in the political economy of Arlington's major political party. To be successfully nominated, board members have to make promises to various constituencies — which almost always increase public expenditures. Arlington's [biggest revenue source is property tax](#). Older buildings generate less tax, and older communities provide only about two-thirds of the money needed to fund the services they use. Meanwhile, the county's ability to paper over a [growing fiscal imbalance](#) is coming to an end as pandemic money dries up.

The missing middle framework at this point is nothing more than a lie agreed upon by its proponents and worse than doing nothing. It is tempting to pass something now and fix it later. That will not work here. Political science models show that support for fixing a policy will always be less than support for enacting it originally (and rarely enough to pass a fix). Even if tweaks are made later, substantial community displacement will have already occurred. Successful change must be holistic — which the missing middle framework is not.

The county owes us a long-term quantitative analysis of various options with open-access data to verify. Until then, I urge my fellow Arlingtonians to oppose the missing middle framework.



Michael O'Grady speech to the Green Valley Civic Association October 2022

I am honored to have the opportunity to speak to you tonight. I wish I could be there in person but life had other plans. I know after reading what I wrote, some of you have more questions than answers. Those of you who didn't read it are still wondering "Who is the person I've never heard of lecturing about housing and economics in my neighborhood?" So let's start there...

I am second generation Arlingtonian. Arlington has always been this beautifully flawed mosaic to me. Currently, I'm an ABD PhD student in Public Policy where my research is in local government development programs. I'm also a research economist and policy analyst at VCU's Center for Urban and Regional Analysis where one of my current projects is modeling housing gentrification displacement. Before that, I worked at AED doing market research and business intelligence. But I want to make clear, my views here aren't the result of some insider information and do not reflect those of AED. To my knowledge, AED isn't involved in Arlington housing.

Believe it or not, I wish I didn't have to write my recent op-ed in the Washington Post. I wish the county did a proper and thorough analysis from the beginning with full data and modern, widely-available statistical techniques. I wish they looked at what happened in other areas when they did similar free-market zoning deregulation policies.

As I'm sure you all know, after Columbia Heights de-regulated zoning in 2007, it went from a neighborhood that was 92% African-American and Latino to one that was 63% non-hispanic white in less than 8 years. This wouldn't have been a problem if old and new residents were able to exist harmoniously. But what ended up happening is that many existing residents were displaced to Anacostia, Brookland or Prince George's County. The DC government learned from this mistake and started using smarter policies, including proffers—something Arlington has refused to even consider.



Michael O'Grady at the Green Valley Civic Association

And make no mistake, the MM is housing deregulation, not a guarantee of affordable housing. MM proponents will use words like “could” and “possible” to distract from the fact that there is no incentive in the proposal or reason to believe builders will do anything different than what they’ve done for the last 20 years—which is erode communities with increasingly unaffordable housing. I oppose MM not just because it will do nothing in the short-term, but because it will actually make things worse in the long-term.

I’m here to walk you through my decision making on this issue. The county is applying a very generic econ model of supply and price. Key to their assumption is that there exists a functioning, competitive market where supply, demand and price all move in tandem. I don’t need to tell you this hasn’t in happened housing for quite some time.

Newly constructed housing will always be more expensive than older housing—even if builders wanted to build the exact same thing. Materials and labor are both more expensive and scarcer. The opportunity cost (i.e., what else you could do with that land) is huge. Ergo, the older housing that the MM wants to tear down and replace is the affordable housing in Arlington. Getting rid of it will simply raise market prices, which will raise property taxes and rents for us all.

Land is the key input for housing. We cant make any more land in Arlington and it is already very scarce. Ergo, anytime a house comes on the market, there will be a bidding war just for the land. Non-profit housing producers, who the MM plan would rely on and make up about 5 percent of total new construction nation-wide, simply cant compete in these bidding wars. A common joke I hear amongst new buyers in NoVa is to be grateful you only had to pay \$100,000 over asking price.

There is also an economic phenomenon known as supply-induced price. The classic example is your car mechanic telling you both what the problem and solution are. Then they give you the price and tell you to take it or leave it. In the housing market, even in places with zoning deregulation, we’ve seen builders dictate that new houses must be these McMansions and luxury townhouses and condos. They will say you need bonus rooms, you need exotic hardwood floors, Italian marble, custom lighting, wifi-integrated everything. And this will be a take it or leave it proposition because they know they can sell to someone else. Thus price increases even more.

There is a cruel reality that building more higher end units will attract more buyers from out of the area. Many of these buyers have more money to spend than many current residents. Some of these buyers will pay a lot of money just to live an urban lifestyle and don’t care about setting down roots or the impact of their actions. Other buyers are cold, calculating financial firms that want to acquire a property and extract as much money as possible either flipping or renting it. We saw this in Crystal City right after HQ2 was announced. A flood of outside investors bought up every available house and condo in the area—many were sitting on the market untouched for 6 months. Recently an investment firm in Atlanta bought a quartet of buildings in Rosslyn for over \$1 billion and proceeded to raise rent. Not only will the MM not solve this, it will likely make this worse by creating more interest from these types.

Arlington County, the NAACP and others are right to examine how structural racism has influenced our institutions and communities. The biggest barriers to minority home ownership are income inequality and discrimination by lenders. Spatial design is tangential at best.

The MM offers no solutions. It doesn't make sense to cannibalize our existing affordable housing for simply the possibility of newer affordable housing. While I would agree with many that supply needs to increase rapidly. But even setting everything else I've said aside, the numbers offered up don't make sense. To get the supply and prices to what they claim, Arlington would need to take an area the size of Ashton Heights and Alcovia, demolish all the houses, and build nothing but 400-unit apartments with the density of Rosslyn. If they're only building duplexes and quadplexes, you would need an area approximately 4 times this size.

I am saying that we must be stuck with older housing if we want affordable housing? No. But the MM is based on a philosophy called New Urbanism, which the overwhelming research has shown is a failed idea.

Government can't simply zone its way out of this, many have tried. There needs to be additional government mechanisms to re-align the market, and without them re-zoning simply won't work the way we need it to.

The truth that no one on the board will admit is that even if they wanted to, they and their current partners can't solve Arlington's housing problem on their own. They don't have the money and they don't have the influence. As much as Amazon and others are putting into funds, it only translates into maintaining a few thousand units when we need to be talking about creating 10s of thousands of new ones.

Only a regional approach with meaningful cooperation between all jurisdictions, and with state and federal backing, can solve the problem at this point. But the county leaders aren't pushing for this, and politics is the only logical reason.

Instead, they've fed themselves and the rest of us this MM delusion. I am under no illusions over who is running Richmond right now nor the probability of getting something passed in Congress. But if we are to get any good result, we have to be honest with ourselves in Arlington. We must start by setting aside the current charade to do that.