

October 13, 2022

**To:** Arlington County Board; Arlington Department of Community Planning, Housing & Development

**Subject:** Ongoing Discussions on the Missing Middle Proposal

I hope all is well. My name is Michael A. Spotts, and I am an Arlington resident; housing and community development policy research professional; and former Vice-Chair of the Affordable Housing Master Plan (AHMP) Working Group.<sup>1</sup> I write today as a follow up to my prior comments on the missing middle ([May 2022](#) and [July 2022](#)), offer insights based on additional analysis I have conducted on issues related to affordability and diversity, and provide comments on recent suggestions about modifications to the missing middle plan.

**Affordability and Diversity**

On Tuesday, October 13, I participated in the Arlington Civic Federation’s debate on missing middle housing. In advance of that conversation, I conducted additional research on the issues of affordability and diversity. The slide deck for that presentation accompanies this letter, which provides the graphical summary of my comments. However, the most important takeaways from my most recent research are as follows:

*The single-family detached starter home is already mostly extinct in Arlington.* My research assistant and I reviewed closed sales listings for the last 12 months on Zillow (as of 9/29/2022) to estimate the number of comparably lower cost single-family detached homes that could be “lost” as a result of missing middle redevelopment. Of the 1,395 2+ bedroom homes (excluding condos) that sold in the last year, only 12 (less than 1%):

- Were single-family detached;
- Were likely arms-length transactions that cost under \$600,000 (which is affordable at 129% of AMI); AND
- Were not likely tear downs or gut rehabs.

The average cost of these 12 houses was \$529,042 (in the ballpark of estimates of the price point for some 1-2 bedroom new construction units under the County’s proposed missing middle framework). Of these 12, only 4 had at least 3 bedrooms (0.3% of all 2br + house sales). Entry-level buyers must also compete with higher-income purchasers (developers and higher-income households looking for a rebuild opportunity) for this limited inventory. Based on this analysis and data on average/median costs (and upward trajectory), I believe that the long-term trajectory of this inventory will be one of continued decline. **We can either tie ourselves to single-family detached homes and let the starter home eventually go extinct, or we can create a pathway to create new homes that moderate-income households can at least hope to afford.**

Scenario	Source	Standard	Home Price/Standard	AFFORDABILITY	
				Qualifying Income	LEVEL (% of AMI - Family of 4)
Status Quo	County MMH Bulletin 2	Average single family rebuild, last decade	\$1,700,000	\$518,200	364%
Status Quo	Zillow	Typical Mid-Tier Home Value; Single-Family Home	\$968,340	\$295,173	207%
Status Quo	Zillow	Typical Mid-Tier Home Value - 3 Bedroom Only	\$931,051	\$283,806	199%
MMH	Consultant memo	Midpoint MMH - 1000-1299 SF	\$667,000	\$213,860	150%
MMH	Consultant memo	Least expensive MMH 1000-1299 SF	\$573,000	\$185,207	130%
Status Quo	Author analysis of Zillow listings	Average bottom tier SFD, non-tear down, arms length (2+br)**	\$529,041	\$161,264	113%
MMH	Consultant memo	Midpoint MMH - 700-900 SF	\$494,000	\$161,126	113%
MMH	Consultant memo	Least expensive MMH - 700-900 SF	\$430,000	\$141,617	100%

\* based on 12 eligible units over last 12 months  
 Qualifying Income assumptions based on National Housing Conference Paycheck-to-Paycheck methodology: taxes of 1.1%; insurance of 3.5%; interest rate: 5.62%; PMI of 0.9%  
 Added \$246 in condominium fees for MMH typologies, per PES Consultant report assumptions

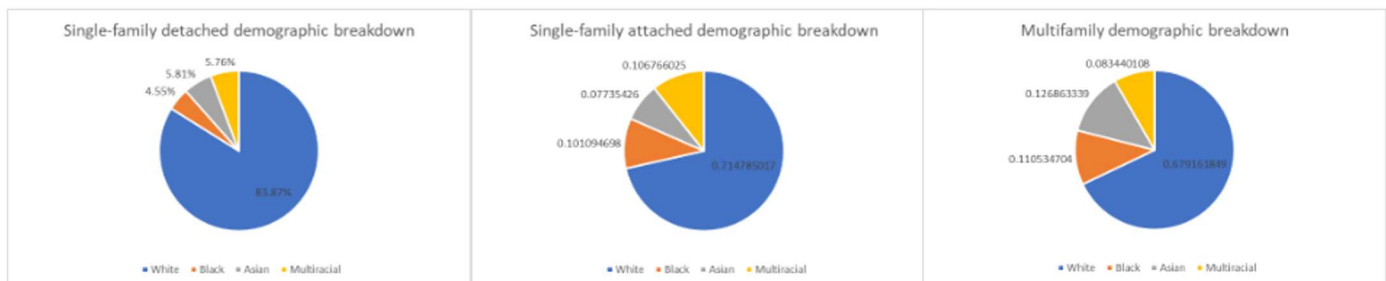
<sup>1</sup> Disclosure: I am a volunteer member of the Board of Directors the Northern Virginia Affordable Housing Alliance. These comments are my own, and do not represent the perspective of NVAHA.

**Missing middle price points would expand housing opportunities for key segments of the workforce.** Using median wage levels for more than 100 occupations in the Washington, DC metropolitan region, I analyzed who could afford various missing middle typologies in sample one- and two-income households. The following chart shows a sample of 18 occupations from across most of the income distribution (0-90<sup>th</sup> percentile). **As this analysis demonstrates, the typical single-family detached home in Arlington (the status quo) is not affordable to even a household with two-incomes each in the 81-90<sup>th</sup> percentile range, whereas missing middle typologies (and rental options in particular) extend the affordability reach further down the income spectrum. Importantly, per the PES consultant analysis, allowing 6-8 unit missing middle housing is critical to expanding affordability further down the income spectrum.**

Occupation	Percentile	0-10	11-20	21-30	31-40	41-50	51-60	61-70	71-80	81-90	
			Stockers and Order Fillers	Nursing Assistants	Passenger Vehicle Drivers, Except Bus Drivers, Transit and Intercity	Teaching Assistants, Postsecondary	Plumbers, Pipefitters, and Steamfitters	Child, Family, and School Social Workers	Construction and Building Inspectors	Accountants and Auditors	Civil Engineers
Percentile		\$ 30,050	\$ 32,150	\$ 41,450	\$ 48,400	\$ 56,970	\$ 66,390	\$ 68,890	\$ 89,220	\$ 93,180	
0-10	Home Health and Personal Care Aides	\$ 29,960	\$ 60,010	\$ 62,110	\$ 71,410	\$ 78,360	\$ 86,930	\$ 96,350	\$ 98,850	\$ 119,180	\$ 123,140
11-20	Childcare Workers	\$ 31,540	\$ 61,590	\$ 63,690	\$ 72,990	\$ 79,940	\$ 88,510	\$ 97,930	\$ 100,430	\$ 120,760	\$ 124,720
21-30	Construction Laborers	\$ 36,840	\$ 66,890	\$ 68,990	\$ 78,290	\$ 85,240	\$ 93,810	\$ 103,230	\$ 105,730	\$ 126,060	\$ 130,020
31-40	Roofers	\$ 50,450	\$ 80,500	\$ 82,600	\$ 91,900	\$ 98,850	\$ 107,420	\$ 116,840	\$ 119,340	\$ 139,670	\$ 143,630
41-50	Postal Service Mail Carriers	\$ 52,490	\$ 82,540	\$ 84,640	\$ 93,940	\$ 100,890	\$ 109,460	\$ 118,880	\$ 121,380	\$ 141,710	\$ 145,670
51-60	Electricians	\$ 62,300	\$ 92,350	\$ 94,450	\$ 103,750	\$ 110,700	\$ 119,270	\$ 128,690	\$ 131,190	\$ 151,520	\$ 155,480
61-70	Police and Sheriff's Patrol Officers	\$ 75,500	\$ 105,550	\$ 107,650	\$ 116,950	\$ 123,900	\$ 132,470	\$ 141,890	\$ 144,390	\$ 164,720	\$ 168,680
71-80	Registered Nurses	\$ 82,530	\$ 112,580	\$ 114,680	\$ 123,980	\$ 130,930	\$ 139,500	\$ 148,920	\$ 151,420	\$ 171,750	\$ 175,710
81-90	Physical Therapists	\$ 94,690	\$ 124,740	\$ 126,840	\$ 136,140	\$ 143,090	\$ 151,660	\$ 161,080	\$ 163,580	\$ 183,910	\$ 187,870
0-60% AMI	Income necessary to purchase typical single-family detached home over last year: \$295,173										
60-80% AMI	Green icon indicates household that can afford least expensive missing middle housing typology based on consultant report										
80-100% AMI	Green icon and bold font indicates household can afford 1000-1299 square foot missing middle typology (2-3 bedroom) based on consultant report										
100-120% AMI	Gray shading indicates household can afford least expensive 1-2 bedroom rental option based on consultant report										
Above 120% AMI	Wages are occupational medians for the Washington, DC MSA based on BLS data, compiled via NHC Paycheck to Paycheck database										

**Please also see attached the full table that shows missing middle affordability for all 100+ occupations modeled.**

**Rental housing in single-family neighborhoods will help diversity.** In addition to the well-established nexus between housing cost and neighborhood diversity, two recent studies demonstrate the connection between a lack of rentals and segregation (<https://www.jchs.harvard.edu/blog/rental-deserts-perpetuate-socioeconomic-and-racial-segregation>) and the connection between zoning barriers to multifamily housing and segregation (<https://www.mercatus.org/publications/urban-economics/new-research-shows-how-zoning-slows-racial-integration>). County data shows the same pattern - the residence base of multifamily housing in Arlington (which includes but is not limited to the 5- through 8-plex portion of the County proposal) is the most diverse, followed by single-family attached housing (2-4 plex), with single-family detached housing the least diverse (click to enlarge image).



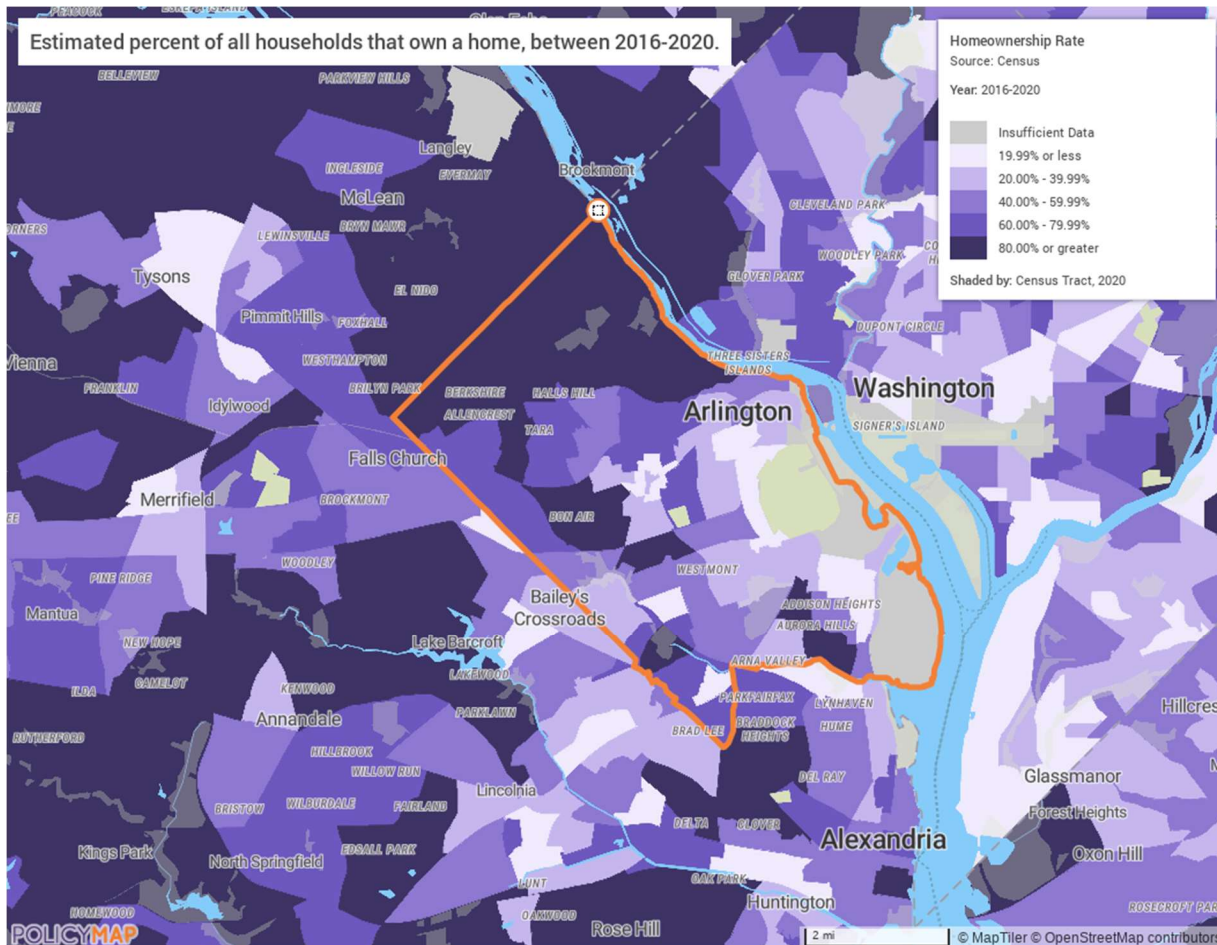
Proportion of SFD units occupied by Hispanic households: 8.25%

Proportion of SFA units occupied by Hispanic households: 14.3%

Proportion of multifamily units occupied by Hispanic households: 12.8%

**Residents of other housing types are more diverse; 84% of households in single-family homes are white**

This map shows the “rental deserts” as defined by Harvard’s Joint Center for Housing Studies as neighborhoods where less than 2 in 10 units are rentals (the level associated with greater racial and economic segregation):



*The goals of expanding rental options can be compatible with supporting more homeownership opportunities. If 10 owner-occupied homes are replaced with eight-plexes, if just two of those were built as condominiums it would represent a net increase in the owner-occupied stock. While this is clearly not a zero-sum game, I have been very concerned by recent rhetoric in the general conversation that portrays renters as somehow less invested in the community. Renters are people with just as much intrinsic worth and who make just as many contributions to the county as homeowners. In my single-family neighborhood, we have renters that have been in the neighborhood almost as long as we have (10 years, in our case), while other owner-occupied houses have seen multiple families come and go over the same period. This also ignores the importance of rental options to households/families that are called to Northern Virginia for duty and service – many of the renters that we’ve known in the neighborhood are military and foreign service families who are forced to move every few years for their jobs. Finally, the reality is that the high-cost of homeownership means that renting is likely to be a long-term option for many low-income households. We should not maintain the current zoning paradigm that makes it more difficult for them to find housing in certain neighborhoods because of a misplaced notion that homeowners are more stable and/or invested in the community. Though I have not heard anti-renter messaging from County board members, I urge you to take a more forceful leadership role in standing up for renter households in our community (and thank you for the instances in which you have done so already).*

### Comments on Recent Suggestions and Modifications to County Proposal

Every policy has trade-offs and the current County proposal is not perfect. As such, it is legitimate to consider revisions to address potential externalities that might occur. In addition, I recognize the need for compromise on a polarizing issue

such as this. As you consider potential changes and the specific details of the eventual policy, I urge you to consider two factors:

- ***The current framework is already a compromise.*** If a housing expert were to write a missing middle policy with the sole objective of advancing goals related to housing affordability and supply, it would look considerably different than the County proposal. This is not a critique of County staff. To their immense credit, staff received and listened to substantial amounts of feedback throughout this process. They weighed trade-offs related to the environment, infrastructure, and the pace of growth. They weighed the opinions of those who wanted no change or minimal change to their neighborhoods. The compromise that the staff proposal struck was a strong one – maintaining current massing/setback, etc. while expanding form – but it did limit the possibilities of what could be achieved with more flexibility. More compromise may be needed, but it is important to push back against the notion that County staff has ignored the opinions of those that oppose or are skeptical of missing middle.
- ***Compromises should serve a policy objective and not undermine the purpose of the proposal.*** There is always a political component to compromise. However, the County should focus its efforts on areas where amending the proposed missing middle options could achieve a real policy objective (for example, stormwater reduction) and not be *only* a political objective.

My aforementioned [July 2022](#) comments outline ideas for systemically and effectively addressing the issues of tree coverage, stormwater, deeper affordability, and protecting existing homeowners from abusive real estate practices. In addition, I want to address several of the policy options that have been recently discussed.

#### Unit Count Restrictions

***Reducing the number of units that can be built on a site – without countervailing provisions – would undermine both the spirit and the substance of the missing middle policy.*** Restricting the eight-plex option does nothing to address any of the legitimate concerns expressed about missing middle (tree canopy, stormwater) but does make it harder to get to lower price points. Such a change would skew missing middle housing to the higher-cost typologies, potentially bringing to fruition some of the concerns raised by the proposals' skeptics that missing middle housing will not sufficiently improve affordability (undermining the proposal from a political perspective as well).

While the current proposal allows eight-plexes everywhere in theory, the practical aspects of development mean that there are many lots where they could not be accomplished in practice. Eight marketable units would need to fit into existing lot coverage, setback, height requirements, etc., all while providing off-street parking. When the math/geometry is actually calculated, the current proposal is already a de facto tiered system. Functionally, eliminating the higher-unit options would predominantly impact Arlington's largest lots. These are generally the most expensive lots, where having the extra density would be critical to allowing missing middle to be an economically viable option vs. large-scale additions/rebuilds. As such, eliminating this option would be yet another example of land use planning that caters to the aesthetic preferences of the wealthiest households at the expense of affordability and integration. Rather than represent the type of compromise that many hold up as part of the "Arlington Way" (i.e., coming to a consensus that addresses legitimate concerns of all involved), it would be symbolic of all that is wrong with the past approach - those with the most wealth and power get to shield their neighborhoods from the change that is necessary for Arlington to healthily evolve.

While I believe the proposal should retain the option of 8-plexes throughout Arlington, I acknowledge that this could be an area where compromise could be needed. Opportunities to compromise without sacrificing the purpose of the policy include:

- Maintaining the eight-unit limit countywide but tiering the number of potential units based on lot size (making the de facto reality into the de jure policy). For example, the smallest lots could be restricted to one-to-four units, midsize lots could accommodate up to six units, and up to eight could be allowed on larger lots.

- Creating an administrative, quasi-by-right approval path for larger missing middle developments (such as a floating zone) that creates certain standards that seven- and eight-plexes must adhere to (related to transportation, stormwater, etc.). In order to be effective, the policy would need to be streamlined (more so than the current BZA process), administrative-only, and include off-setting flexibility to compensate for additional requirements (for example, requiring more pervious surface/tightening lot coverage but allowing an extra 5-10 feet in height).
- If by-right denser structures *must* be eliminated and there are no other viable options, create an affordable housing incentive program akin to what was created in the City of Portland. For example, if four-plexes are allowed by-right, up to eight units could be allowed if at least 1/2 of the increase in density (i.e., one unit for a six-plex, two for an 8-plex) are deed restricted affordable at 80% of AMI. Developers might choose this path if the affordable price-point is sufficient to absorb all hard/soft costs and at least a portion of land costs, as it would allow the developer to amortize fixed costs over a larger number of units. For ownership, such units could be stewarded similarly to existing County homeownership CAFs in mixed-income developments or by nonprofit organizations such as the VA Statewide Community Land Trust.

### Annual Caps on Missing Middle Development

***Caps on the number of units that could be produced in a year could lower the quality of missing middle housing that is built and make it more difficult to have a large enough sample size to inform educated, iterative policymaking.***

Capping the number of potential missing middle conversions or units in a given year could concentrate demand, incentivize a race to the "lowest hanging fruit," and again contribute to creating the very conditions that skeptics of missing middle claim will happen: concentrating turnover in a few lower-cost neighborhoods and prioritizing the most expensive missing middle housing typologies. In addition, such a policy would ensure that the sample of projects that do get to move forward are not representative of the full range of potential missing middle types, thus inhibiting the ability to monitor outcomes and make adjustments to the policy as necessary. A cap would also make it more difficult for the "niche" project to move forward – for example, a homeowner-driven development not intended to maximize profit but to accommodate their specific family circumstances.

For these reasons and others, a cap on units is a poor policy design element. However, if there is no other choice, several provisions/structures could make it less damaging/distortive:

- The cap should be sufficiently high to enable as large of a sample for evaluation as possible.
- The cap should sunset after a period of time, such as three years.
- The cap should provide geographic equity (i.e., North Arlington should not be exempt from missing middle just because the cap was reached by developments exclusively elsewhere in the County).
- The cap *MUST* exempt committed affordable housing (either as part of mixed-income development as outlined above or fully committed affordable projects). Per the letter of support from Habitat for Humanity of DC and Northern Virginia, missing middle could help make homeownership CAFs more feasible, but only if regulatory constraints are minimized. CAF projects need more time to assemble financing than market-rate developers, and such builders would be at a competitive disadvantage under a capped system without an exemption for affordable housing. If the County decided to go with an affordability bonus density option as described in the prior section, a CAF exemption would also create an incentive for market-rate developers to choose that option (or to voluntarily proffer a unit or two) to get their deal within the cap.

### Design Requirements/Considerations

***Overly restrictive design and layout requirements could jeopardize viability.*** The County understandably wants to promote good design and missing middle development that blends into existing neighborhoods. Certain design/layout requirements – if carefully evaluated for unintended consequences – may be reasonable to ensure a minimum urban design quality baseline is achieved. For example, the County could require that at least one entrance faces the street. However, restrictive design requirements should be the exception not the rule, as they can add cost, jeopardize project viability, and restrict innovation.

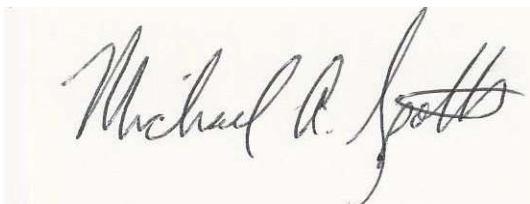


Fortunately, there are options for promoting quality design and layouts that are less likely to create unintended consequences.

- The County could create Arlington-specific, non-mandatory educational materials tailored to our real-world conditions that promote design best practices (i.e., how to incorporate parking without paving over more of the lot, how to provide privacy, etc.). An example of this has been done in Norfolk, via a "Missing Middle Pattern Book": <https://www.norfolk.gov/DocumentCenter/View/66555/MissingMiddlePatternBook>. This could also be a more formal way to implement policies to preserve trees/permeable space. If an owner or builder follows the pattern book and pays a small fee for the administrative review, they could receive quasi-by right approval for the variance. The County could also offer modest incentives for selecting a preferred design (i.e., planting canopy trees provided through the tree canopy fund instead of at the developers' expense). As a nod to community concerns about design, there could also be a community process that informs the preferred design process (as long as this is an educational guide rather than a mandatory, prescriptive design requirement).
- The County could allow neighborhoods to "plot their own course" for more "planned" versions of missing middle. Some Arlington residents I have spoken with have mentioned that while they are not thrilled by the concept of some of the lower density missing middle forms (i.e., duplexes and triplexes), they view some other forms (including some that go beyond the current county proposal) more favorably. Examples include rowhomes similar to GlebeWood or Fairlington. The County could provide a process through which individual neighborhoods could initiate planning processes (once the County-wide by-right missing middle housing policy is passed) to incorporate provisions to enable alternative forms such as larger rowhome developments, cottage clusters, etc. Importantly, it should be stipulated that these plans would only be allowed if they had the effect of expanding, rather than restricting, what might otherwise be allowed under the by-right proposal, but could include incentives to "nudge" developers to pursue the neighborhood-preferred path.

As always, thank you for the opportunity to comment on housing and community development-related policies in Arlington. Please do not hesitate to reach out to me if you would like to discuss any of these issues or if I can provide any additional information ([mispotts@neighborhoodfundamentals.com](mailto:mispotts@neighborhoodfundamentals.com); 570-259-0831).

Sincerely,

A handwritten signature in black ink on a light-colored background. The signature is written in a cursive style and reads "Michael A. Spotts".

Michael A. Spotts