

January 19, 2023

Dear Arlington County Board Members:

We write to you today as both PhD-level Economists and Arlington citizens who wouldn't dream of calling anywhere else home. We have decades of experience in the private sector, government, NGOs, banking, finance, urban and environmental planning, and public policy. The reason we are writing to you is to voice our collective concern that there has been no serious analysis done by Arlington County regarding the economic consequences related to the Missing Middle proposal.

One of the cardinal rules of economics is to find solutions for problems whereby benefits are maximized at the lowest possible cost. Likewise, one of the cardinal rules of public policy is that government should only engage in actions that result in a net benefit to society compared to the status quo. Arlington County's proposed Missing Middle Housing plan does neither.

Academic literature and experience demonstrate that re-zoning Single Family Homes (SFHs) by right makes them eligible for their highest market-value use (i.e., developers and their financial backers will seek to maximize profit). SFH plots would be redeployed to their highest-value use, which given existing statements by developers would likely be 3-plexes to 8-plexes depending on the plot size, amenities and construction costs. The PES study indicates 83% of the units in the additional missing middle housing would be in buildings with 6 or 8 units.

Any duplex and SFH construction would see price increases based on their opportunity cost. None of these units would meet the county's definition of affordable. This regulatory change will invariably put significant compounding upward pressure on the price of land throughout the county. By extension, the prices of the existing SFHs will be increasingly out of reach for individuals and families who could have previously afforded them.

Similarly, property assessments, which by Virginia law must be calculated at 100 percent of market rates, will also likely increase to the point where many Arlington residents, especially those on fixed and low incomes, will be forced to move from their homes. This is the text-book definition of gentrification displacement that early researchers, including [Grier and Grier](#), [Marcuse](#), and [Le Gates and Hartman](#) warned us of decades ago.

The aggregate change in housing prices in the segments that proponents care about (housing units), given empirically estimated demand elasticities, is close to zero for any reasonable expected Missing Middle build-out rate. There are just too many apartments already in Arlington for a few extra units (Missing Middle housing) to make a meaningful difference. In addition, the real and opportunity costs of constructing such units make the cost prohibitive in most cases.

Distinguished academics including [Michael Storper](#), [Andreas Rodriguez-Pose](#), and others have demonstrated that the supply of housing doesn't drive interregional differences in housing prices; what drives those differences is the structure of jobs and income. In plain language, developers are looking at and building for the high skill, high income earners that are currently drawn to Arlington/Washington, D.C., and will be for at least the next 10 years due to the abundance of well-paying jobs. When an overflow of housing-related capital (both government and private) mixes with reckless zoning policy, the result is what sociologist Loretta Lees termed

[super-gentrification](#). The end result here will be that Missing Middle housing will benefit a narrow segment of the population while displacing middle-class families.

The economic premise of Missing Middle does not stand up to scrutiny. There is no shortage of demand to live in Arlington; why would a missing middle make it more “affordable”? It would open up more units to wealthy people at the front of the line to get in. If so, the plan should be called “an increased density plan” not a plan to “improve affordability.” Upzoning will generate almost no affordable housing for young families--it’s mostly going to appeal to childless households because the units are going to be far too small to raise a family on average.

Most concerning of all is that the proposed up-zoning plan is likely to lead to even greater displacement of lower income households – those relatively low-income households living in smaller, older single family detached houses. As urban studies researchers [Newman and Wily noted](#), families facing these gentrification pressures have three options: become homeless for an unknown period of time, overload cheaper dwellings with multiple families, or face round-trip commute times in excess of three hours from locations where housing is still affordable. The [public health](#), [mental health](#), and [harmful child development](#) these pressures inflict are also well-documented in the academic literature.

Arlington County has historically driven to obtain fact-based and comprehensive stakeholder consultation to find solutions to its growth challenges, making it one of the most attractive counties in the country. Given the inadequacy and lack of compelling economic arguments in favor of the Missing Middle Initiative - we believe this kind of policy change is unjustifiable. The consequences likely will be profound, and Arlington will have to live with them into the future.

Signed

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This letter represents the independent judgement of the above signatories writing in our capacity as private citizens of Arlington County, Virginia, and not on behalf of any institution, organization or association.