A Comprehensive Look at Housing Market Conditions Across America’s Cities

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Editor’s Note

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Editor

In this article, the authors present an example of using economic, demographic, and housing-market data to identify common socio-economic characteristics from among a dataset of 754 U.S. cities. The authors then match six categories of similar market types that they selected to a range of potential policy solutions of the type that local officials might consider. The paper presents one possible approach to developing a policy matrix, comparing market characteristics to potentially appropriate affordable housing and economic development strategies based on local needs. The approach here may help answer the question, “how can city governments start to approach the affordable housing problems of their residents?”

The paper is published here, in the Policy Briefs section of Cityscape, as a policy-oriented paper matching data to potential housing strategies or responses, and not as a peer reviewed research study.

It is an example of one approach to matching market types to a range of potential policy solutions. Other useful sources of potential policy actions, include the case studies and best practices on HUDUSER.GOV, for instance on The Edge, as well as HUD’s Regulatory Barriers Clearinghouse, also maintained by PD&R at https://www.huduser.gov/portal/rbc/home.html.

The article is accompanied by a dataset compiled by the authors, with the complete set of variables and measures that are referenced in the article text. The complete table presents much more detail on the data used by the authors in sorting various city market types, based on similar characteristics selected by the authors. The dataset can be sorted based on alternative criteria.
Abstract

The narrative of the housing-in-crisis issue focuses on the lack of supply of low- and middle-income housing as the source of the problem. In some communities, however, factors such as slow wage growth, lack of transit options, and lack of access to credit play a larger role in explaining why families cannot afford housing with access to good jobs. To effectively address housing challenges and apply the right mix of policy and regulatory solutions, local leaders must first understand the unique aspects of their housing markets. This research examines the interactions between housing market characteristics—including demographic, economic, and housing supply factors—across 754 U.S. cities with populations greater than 50,000 to help guide solutions. The analysis finds that cities tend to cluster together based on how well the number of approved building permits meets the needs of residents.

Introduction

America is currently experiencing a crisis in housing. Residents increasingly have to pay more for housing while wages remain largely stagnant; those conditions make safe, high-quality, affordable housing harder to find (Pew Charitable Trusts, 2018; U.S. Census Bureau, n.d.a.). This dominant housing crisis narrative focuses on the lack of supply of low- and middle-income housing as the source of the problem. Slow wage growth, lack of transit options, and lack of access to credit are significant factors in some communities to explain why families cannot afford housing with access to good jobs.

Essentially, the challenge of what housing is available and where it is available is exacerbated by who can afford the market price. The narrative of housing in crisis goes beyond just an overall lack of low- and middle-income housing; it suggests a larger issue of demand that far outpaces supply when it comes to residents’ ability to afford quality housing. Ultimately, we need a better understanding of not just housing supply versus demand but how this dichotomy manifests across America’s cities, which are experiencing demographic and economic growth at differing rates. Specifically, we need to understand that America is facing a housing crisis and why that is (for example, slow wage growth, lack of good job opportunities, shortage of public transit options, and insufficient mix of available single-family and multifamily homes).
Although prior research has attempted to tackle those challenges, it has been largely locally focused, failing to provide city leaders with a deeper understanding of housing market conditions both within their regions and across America. City leaders need this deeper understanding to effectively implement policies that are likely to be successful in their communities. They can create those policies only by understanding the factors that have contributed to the national housing crisis and realizing the solutions that can enhance their housing markets.

This research examines the interactions among housing market characteristics—including demographic, economic, and housing supply factors—across 754 U.S. cities with populations greater than 50,000 to help guide solutions. To capture how those factors interact with one another, we conducted a cluster analysis. We are specifically interested in answering two questions: (1) given that not all local housing markets behave the same, how can we characterize cities in a way that effectively captures the most influential factors; and (2) how can we use these more nuanced groupings of city housing markets to identify preferable or advantageous policy tools?

The analysis finds that cities tend to cluster together based on how well a city issues permits for single-family and multifamily housing to meet the income levels and job growth opportunities of its residents. Although some city clusters prioritize multifamily housing to meet the demands of their predominately low-income residents, others prioritize single-family housing to meet the demands of their high-income residents. Also, whereas some city clusters are building relatively high levels of both, others are not. Those factors together produced six types of local housing markets.

- **High-Opportunity Cities**: Cities in this cluster tend to exhibit high median incomes and job growth. They approve low levels of single-family and average levels of multifamily building permits. In these cities, the overall stock of both single-family and multifamily housing does not keep pace with resident needs. Without policy action, these cities may fall short of producing the appropriate quantity and mix of dwellings to match their high job growth.

- **Growing Cities**: Cities in this cluster tend to exhibit average median income and job growth. They approve high levels of both single-family and multifamily building permits. They have growing populations of millennials and college-educated individuals and growing job opportunities within closer-than-average proximity. These cities could therefore use more multifamily units, such as duplexes, triplexes, or fourplexes. Without policy action, these cities may not be able to sustain their current state of net in-migration.

- **Rent-Burdened Cities**: Cities in this cluster tend to exhibit low median income and job growth. They approve the highest number of single-family and multifamily building permits of all the clusters. With low levels of college education and relatively high levels of rent burden, these cities should prioritize affordable multifamily housing to meet the demands of their predominately low-income populations. Without policy action, low-income residents in cities in this cluster will likely continue to experience rent burden or be priced out of the cities altogether.

- **Multifamily Deficit Cities**: Cities in this cluster tend to exhibit average median income and job growth. They approve average levels of single-family building permits but low levels of...
multifamily building permits. These cities should consider whether the number of multifamily housing units being approved is sufficient to meet the rising demand of their middle-income residents. Without policy action, these cities may not be able to sustain their current state of net in-migration.

- **Wealth Pocket Cities**: Cities in this cluster tend to exhibit the highest median income and job growth of all the clusters. They approve high levels of single-family building permits but low levels of multifamily building permits. Interestingly, these cities also have the highest gender income gap. Without policy action, residents in these cities are likely to continue experiencing disparities in income and access to high-quality, affordable housing.

- **Transit-Desiring Cities**: Cities in this cluster tend to exhibit the lowest median income and job growth of all the clusters. They approve the lowest levels of single-family building permits and average levels of multifamily building permits. Given that median incomes are lower in these cities, increasing access to public transit will be extremely important for ensuring that residents can access jobs. Without policy action, residents in these cities may not be able to experience the economic mobility that would be gained through access to public transportation.

Regardless of the cluster, all cities have room to improve in deploying the right mix of housing and economic development strategies that will influence the affordability of their housing markets. When a city permits a number of single-family and multifamily housing units that do not meet the income levels and job growth opportunities of its residents, the city has a variety of policy levers to pull, as explained below. This report provides city officials with a unique, comprehensive perspective of their housing markets and a practical policy framework to achieve a healthy housing market that is better aligned with resident needs.

**A Framework for Understanding Your Housing Market**

The U.S. Department of Housing and Urban Development (HUD) provides a useful starting point for understanding the conditions that make up a given housing market (HUD, n.d.). In considering housing market needs, HUD accounts for three key factors:

1. **Demographic characteristics**, including population growth, especially among educated individuals and families with high incomes; the prevalence of owner- and renter-occupied units; and incidences of rent and mortgage burden (U.S. Census Bureau, n.d.a.);

2. **Economic characteristics**, including nonfarm job growth and access to public transit; and

3. **Housing supply characteristics**, including the makeup of housing stock and the number of single-family and multifamily housing units; the prevalence of new homes and rental units permitted for construction; and home sales growth (U.S. Census Bureau, n.d.b.; Zillow, n.d.).

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1 Note: We also considered whether to include the prevalence of higher education institutions, presence of military personnel, area median income, and mortgage delinquency but, due to high variability across cities, did not include them.
The ability of residents to access affordable housing, whether renting or buying, is in large part determined by their demographic characteristics, such as income, race, age, and educational attainment. The gap between what residents are being asked to pay for homes and what they can afford is widening (Pew Charitable Trusts, 2018). The circumstance known as “cost burdened”—spending more than 30 percent of income on owned or rented housing units—affects workers everywhere (Herbert, Hermann, and McCue, 2018). One study found the rate of cost-burdened households, in particular non-White households, increased significantly between 2001 and 2015 (Pew Charitable Trusts, 2018).

Access to affordable housing is also determined by key economic factors, such as job growth, proximity to jobs, and access to transportation. Millennials, in particular, have a reported unemployment rate twice the national average and, as a result, have been more likely to move back into their parents’ homes. This finding suggests that without good employment opportunities, millennial residents cannot afford stable housing (Thompson, 2012). In addition, communities with access to transportation, resources, and services have been shown to support strong housing markets that lead to improved prosperity and well-being among household members (Lee, Jordan, and Horsley, 2015). Access to transit means a reduction in transportation costs for the average resident, which is especially important for those facing economic hardship (Joint Center for Housing Studies of Harvard University, 2018).

Finally, access to affordable housing is determined by the mix of single-family and multifamily housing permits a city issues and the sale of those housing units. Because housing construction costs have not changed much over time—in fact, between 1980 and today, virtually no net efficiency savings have occurred in construction costs—developers are not able to pass down lower costs in the form of market prices to residents (Barbosa et al., 2017; RSMeans data, n.d.). One study found that during the recent housing crisis, housing sales values were more resilient for properties that had easy access to rail transit once those housing units came on the market (Welch, Gehrke, and Farber, 2018).

Each of those factors represents influences on the supply and demand of housing in a given place. When taken together, they interact in complex ways that are important for policymakers to consider when creating city-level housing policies. This analysis groups cities with similar characteristics together and helps us tell a new story of the current housing crisis.

**Types of Housing Markets**

**Overview**

To capture how demographic, economic, and housing supply factors interact with one another, we conducted a cluster analysis, which allows us to define housing market types by categorizing cities into mutually exclusive groups. We are specifically interested in two questions: (1) given that not all local housing markets behave the same, how can we characterize cities in a way that effectively captures the most influential factors; and (2) how can we use these more nuanced groupings of city housing markets to identify preferable or advantageous policy tools? Six types of local housing markets emerged from our cluster analysis (exhibits 1; 2a-f). For the second question, we focused
on whether each city's permitting of single-family and multifamily housing meets the income levels and job growth opportunities of its residents. Alignment of those factors, or lack thereof, determines the most appropriate policy levers (exhibit 3).

**Exhibit 1**

Demographic, Economic, and Housing Supply Features, by Cluster

<table>
<thead>
<tr>
<th>Cities in Sample (%)</th>
<th>Demographic and Economic Factors</th>
<th>Housing Supply</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-Opportunity Cities</td>
<td>13 High median income; High job growth</td>
<td>Low number of single-family permitting; Average number of multifamily permitting</td>
</tr>
<tr>
<td>Growing Cities</td>
<td>12 Average median income; Average job growth</td>
<td>High number of single-family permitting; High number of multifamily permitting</td>
</tr>
<tr>
<td>Rent-Burdened Cities</td>
<td>27 Low median income; Low job growth</td>
<td>Highest number of single-family permitting; Highest number of multifamily permitting</td>
</tr>
<tr>
<td>Multifamily Deficit Cities</td>
<td>12 Average median income; Average job growth</td>
<td>Average number of single-family permitting; Low number of multifamily permitting</td>
</tr>
<tr>
<td>Wealth Pocket Cities</td>
<td>7 Highest median income; Highest job growth</td>
<td>High number of single-family permitting; Low number of multifamily permitting</td>
</tr>
<tr>
<td>Transit-Desiring Cities</td>
<td>29 Lowest median income; Lowest job growth</td>
<td>Lowest number of single-family permitting; Average number of multifamily permitting</td>
</tr>
</tbody>
</table>

Notes: For a full list of cities in each cluster, see HUDuser.gov/portal/sites/default/files/ls/CSAR_HousingMarketConditions_Appendix_4.xls. To understand what housing-specific policies are available in each state, see the National League of Cities' report, Local Tools to Address Housing Affordability: A State-by-State Analysis.
Exhibit 2a
Geographic Distribution of High-Opportunity Cities

Interactive maps with corresponding data points can be accessed here: https://storymaps.arcgis.com/stories/72b97be3784c4fe8a85938a6e7d1985

Exhibit 2b
Geographic Distribution of Growing Cities

Interactive maps with corresponding data points can be accessed here: https://storymaps.arcgis.com/stories/72b97be3784c4fe8a85938a6e7d1985
Exhibit 2c
Geographic Distribution of Rent-Burdened Cities

Interactive maps with corresponding data points can be accessed here: https://storymaps.arcgis.com/stories/72b97be3784c4ef6a85938a6e7d1985

Exhibit 2d
Geographic Distribution of Multifamily Deficit Cities

Interactive maps with corresponding data points can be accessed here: https://storymaps.arcgis.com/stories/72b97be3784c4ef6a85938a6e7d1985
Exhibit 2e
Geographic Distribution of Wealth Pocket Cities

Interactive maps with corresponding data points can be accessed here: https://storymaps.arcgis.com/stories/72b97be37b4c4fe8a85938afe7d1985

Exhibit 2f
Geographic Distribution of Transit-Desiring Cities

Interactive maps with corresponding data points can be accessed here: https://storymaps.arcgis.com/stories/72b97be37b4c4fe8a85938afe7d1985
### Exhibit 3

#### Policy Recommendations, by Cluster (1 of 3)

<table>
<thead>
<tr>
<th>Policy Recommendation</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>High-Opportunity Cities</strong></td>
<td><strong>Policy Recommendation</strong></td>
</tr>
<tr>
<td>Increase densities per acre through single-family attached units</td>
<td>Cease giving zoning preferences to single-family detached homes, and allow a mix of other housing types, including townhomes, duplexes, triplexes, fourplexes, and accessory dwelling units—all of which increase the population density of a geographic location.</td>
</tr>
<tr>
<td>Streamline permitting and development fees</td>
<td>Increase the transparency of the steps and justifications in the permitting process, and include time limits for issuing permits; this action will tie fees to actual costs of new or updated infrastructure.</td>
</tr>
<tr>
<td>Maintain public housing</td>
<td>Decrease the backlog of overdue maintenance on existing public housing units and complexes, and secure new financial resources to build more public housing either as part of existing footprints or on new sites.</td>
</tr>
<tr>
<td>Offer tax increment financing for affordable rental housing</td>
<td>Make use of the tax code to incentivize rental housing development by refunding or diverting a portion of property taxes to help finance elements of the project, such as infrastructure.</td>
</tr>
<tr>
<td><strong>Growing Cities</strong></td>
<td><strong>Policy Recommendation</strong></td>
</tr>
<tr>
<td>Launch or increase funding to a housing trust fund</td>
<td>Make use of own-source revenues to create a dedicated resource for increasing expenditures on priority housing initiatives, such as rental assistance or first-time homebuyer programs.</td>
</tr>
<tr>
<td>Increase multifamily building permits for young and low-income residents</td>
<td>To support increasing population and job growth, permit higher numbers of small and large multifamily rental buildings, and focus less on homeownership as a priority.</td>
</tr>
<tr>
<td>Use linkage or impact fees</td>
<td>Payments to a city (often to a housing trust fund) made by a developer that are intended to link the production of commercial development to the production of affordable housing, these fees often act as a catalyst to secure additional financial commitments.</td>
</tr>
<tr>
<td>Build micro units and tiny homes</td>
<td>Increase access to housing by building units with smaller square footage or shared common space that are less costly and can be completed in a shorter timeframe.</td>
</tr>
<tr>
<td>Give tax abatements and exemptions for affordable housing</td>
<td>Provide a reduction in the absolute ad valorem (assessed value) property tax to a developer as a condition to incentivize a particular type of development, usually housing units that can be rented for rates below the market rate.</td>
</tr>
<tr>
<td><strong>Rent-Burdened Cities</strong></td>
<td><strong>Policy Recommendation</strong></td>
</tr>
<tr>
<td>Implement or increase rental assistance</td>
<td>Develop or expand financial assistance for households experiencing financial hardship to cover delinquent rent, a security deposit, first month’s rent, or a utility bill.</td>
</tr>
<tr>
<td>Offer tax-exempt municipal bonds</td>
<td>To increase the supply of affordable housing in their community, local governments should use their bonding authority to assist with financing affordable housing.</td>
</tr>
<tr>
<td>Reduce barriers to homeownership</td>
<td>Create access to homeownership by providing down payment assistance and shared appreciation mortgages.</td>
</tr>
<tr>
<td>Support minimum wage increases</td>
<td>Local governments should support a resolution or ordinance increasing the minimum wage to a rate that would allow low- and moderate-income households to rent or purchase a safe, high-quality, affordable housing unit.</td>
</tr>
</tbody>
</table>
## Exhibit 3

**Policy Recommendations, by Cluster (2 of 3)**

<table>
<thead>
<tr>
<th>Policy Recommendation</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rent-Burdened Cities, Continued</strong></td>
<td></td>
</tr>
<tr>
<td>Invest in shared equity models and community land trusts</td>
<td>Develop or expand on the pipeline of permanently affordable housing units in a community through investment in shared-equity homeownership, such as community land trusts, shared-equity cooperatives, limited-equity resident-owned communities, and deed-restricted or below-market-rate programs.</td>
</tr>
<tr>
<td>Prioritize multifamily permitting</td>
<td>Ensure that a sizable number of both affordable housing and middle-income housing units are available by placing an emphasis on multifamily developments over single-family developments that do not yield a variety of housing units (duplexes, triplexes, fourplexes, and/or single-family attached) for the community.</td>
</tr>
<tr>
<td>Use landlord incentive funds</td>
<td>Implement a program to increase the number of landlords that accept housing choice vouchers to cover administrative fees and reimburse for losses and repairs.</td>
</tr>
<tr>
<td><strong>Multifamily Deficit Cities</strong></td>
<td></td>
</tr>
<tr>
<td>Provide density bonuses for multifamily housing</td>
<td>To achieve both goals of ensuring new housing development and increasing affordable housing, cities will award a developer rights to increase the number of housing units in a planned development to a level sufficiently high as to allow for a fixed percentage of those units (often 10 to 30 percent) to have rent prices set below market rates suitable for persons whose income is below 80 percent of area median income.</td>
</tr>
<tr>
<td>Streamline permitting and development fees</td>
<td>Increase the transparency of the steps and justifications in the permitting process, and include time limits for issuing permits; this action will tie fees to actual costs of new or updated infrastructure.</td>
</tr>
<tr>
<td>Approve more multifamily building permits tied to transit nodes</td>
<td>Prioritize multifamily developments that link housing and transit options (light rail, commuter rail, streetcar, and bike lanes) to give residents access to schools, employment hubs, grocery stores, and healthcare facilities.</td>
</tr>
<tr>
<td><strong>Wealth Pocket Cities</strong></td>
<td></td>
</tr>
<tr>
<td>Offer tax-exempt municipal bonds</td>
<td>To increase the supply of affordable housing in their community, local governments should use their bonding authority to assist with financing affordable housing.</td>
</tr>
<tr>
<td>Advance legal assistance for at-risk renters and eviction cases</td>
<td>To equalize the disadvantages that tenants have in relation to landlords in an eviction process, provide legal counsel to tenants as part of an eviction proceeding to ensure due process of the laws.</td>
</tr>
<tr>
<td>Strengthen “just cause” eviction policies</td>
<td>Ensure protections against arbitrary evictions, including adequate warning about eviction proceedings and clear definitions about the legal grounds to commence an eviction process.</td>
</tr>
<tr>
<td>Increase multifamily building permits</td>
<td>Expand both affordable housing and middle-income housing units that are available by placing an emphasis on multifamily developments over single-family developments.</td>
</tr>
<tr>
<td>Promote rehabilitation and preservation of existing affordable housing</td>
<td>Protect existing naturally occurring affordable housing (NOAH) and subsidized affordable housing; preserve both NOAH and subsidized affordable housing through safe, quality rehabilitation services.</td>
</tr>
<tr>
<td>Provide rental assistance for female householders</td>
<td>Develop or expand financial assistance for female-led households experiencing financial hardship to cover delinquent rent, a security deposit, first month's rent, or a utility bill.</td>
</tr>
</tbody>
</table>
High-Opportunity Cities

We classified 97 cities (13 percent) as having an insufficient number of building permits for their predominately high-income residents. These cities exhibit the following characteristics:

- High median income
- High owner occupancy
- High gender income gap
- Lowest non-White population
- Average population growth
- High job growth
- Average public transit access
- Low number of single-family home permits
- Average number of multifamily permits

Seattle, WA, represents this group well. Although the city's real estate market has slowed over the past year, market conditions have become more favorable to buyers of premium homes. Developers are increasingly building more luxury or premium housing catered to America's upper and upper-middle class (Picchi, 2017a). In fact, premium homes account for more than one-half of the real property market—a 14-percent increase between 2012 and 2016 (Picchi, 2017b).
For Seattle and other cities in this cluster, population growth, job growth, college degree attainment, and median income exceed the national average. In alignment with the fact that 46 percent of housing units are owner occupied, more than one-half of the current approved building permits are for single-family homes. Home sales growth was a modest 2 percent between 2016 and 2017 and -13 percent between 2017 and 2018, however. These data suggest that Seattle's residents are not interested in purchasing the single-family homes that are permitted by the city, but they may be interested in a wider range of multifamily housing instead. Although this cluster exhibits lower rent burden compared with all other clusters, nearly 50 percent of the population is still rent burdened. To address that issue, Seattle is poised to increase housing densities by mandating that all new multifamily housing developments either reserve a certain percentage of planned units as rent-restricted housing for low-income families or contribute to the city's housing fund to build affordable housing.

Gaithersburg, MD, is a small city with population and job growth closer to the national average. Gaithersburg boasts a higher-than-average median income, and its residents have good access to jobs. In this city, developers are building a similar mix of single-family and multifamily housing units, in alignment with the city's nearly 50-50 split by occupancy. Home sales have grown above the national average, however, at more than 14 percent between 2016 and 2017; that growth further signals the demand for single-family homes.

These cities should examine the existing neighborhood-by-neighborhood footprints of single-family housing and their residents' income levels to assess whether they are permitting the right mix of dwellings for their predominately high-income residents. For example, one-half of the housing units in both Seattle and Gaithersburg are owner occupied, yet about one-third of the residents are mortgage burdened. Although more single-family units than multifamily units are permitted in both cities, they will need to assess whether this mix of properties is sufficient to meet demand.

**Multifamily Deficit Cities**

We classified 88 cities (12 percent) as having an insufficient number of multifamily building permits for their predominately middle-income residents. These cities exhibit the following characteristics:

- Average median income
- Average owner occupancy
- Average gender income gap
- Low non-White population
- Average population growth
- Average job growth
- Low public transit access
• Average number of single-family home permits
• Low number of multifamily permits

Virginia Beach, VA, experienced population growth lower than the national average. In Virginia Beach, approximately 41 percent of the population is composed of millennials; 38 percent Generation Xers; and 21 percent baby boomers. More than 45 percent of its residents are college educated, with a median income above the national average. In this city, jobs are also not growing at a particularly rapid rate, yet its higher-than-average proximity to jobs sets it apart from others (other cities in this cluster that are experiencing slow job growth but high proximity to jobs are Burbank, CA; Bloomington, MN, and Palatine, IL). High proximity to jobs means more opportunity for economic growth, which bodes well for the in-migration of young singles and growing families.

Virginia Beach is approximately 64 percent owner-occupied, similar to the national average—and has nearly 20 single-family units for each multifamily unit. Although other cities with similar demographic and economic characteristics continue to prioritize single-family housing over multifamily housing, Virginia Beach is one of the few cities that has begun building a substantial proportion of multifamily housing—at 32 buildings versus an average of 13 buildings.

Marysville, WA, experienced huge population growth—almost doubling its population since 2007—and a higher-than-average job growth rate. Although only 29 percent of the population is college educated, an above-average median income and a below-average mortgage burden qualify the city, in some respects, as an economic growth engine. In this city, nearly six single-family homes were permitted for each multifamily building permitted. Because the city is experiencing high population and economic growth, it would do well to follow Virginia Beach’s lead and increase its housing mix to accommodate its varied population of millennials, Generation Xers, and baby boomers.

These cities need to focus on the people who are attracted to them. Millennials, for example, may be interested in nontraditional housing options, such as micro-units. Furthermore, these cities could examine their residents’ income levels to assess whether they are building the right mix of dwellings for their predominately middle-income residents and identify how local governments might support wealth-creation strategies. Maximizing density is key to ensuring both residents’ ability to pay and ample housing options, such as multifamily or multi-story, single-family-style structures (that is, townhouses).

**Rent-Burdened Cities**

We classified 204 cities (27 percent) as having the highest number of single-family and multifamily building permits for their predominately low-income residents. These cities exhibit the following characteristics:

• Low median income
• Low owner occupancy
• Low gender income gap
• Average non-White population
• Low population growth
• Low job growth
• Highest public transit access
• Highest number of single-family home permits
• Highest number of multifamily permits

What sets these cities apart from the rest is their access to public transit and the proximity of residents to job centers. These cities deploy nearly twice as many public transit vehicles as the other cities, giving them the greatest advantage in accessing good jobs. So, although job growth and educational attainment could be improved, residents are better able to access jobs from various locations, meaning that the housing cost burden is slightly less, on average, than in other cities.

Interestingly, these cities are more geographically spread out than cities in other clusters. In terms of population, this group has the highest average population, at nearly 263,000. This group includes very large cities with populations of more than 2 million—New York City, Los Angeles, Chicago, and Houston—and smaller cities with populations of fewer than 60,000 residents—Carson, NV; Revere, MA; Manhattan, KS; and Coconut Creek, FL.

Residents in Columbia, MS, have average college degree attainment yet low median incomes. They are also farther from jobs than residents of many other cities in the nation. Columbia is experiencing high levels (nearly 56 percent) of residents who are rent burdened. Although the owner-to-renter breakdown is about 50-50, more than 12 times more single-family homes were permitted in 2017 than multifamily homes (albeit still a high number of multifamily homes), highlighting the misalignment in the mix of housing offered to the city's predominately low-income residents.

Meanwhile, New York City experienced population and job growth closer to the national average and has a median income of about $57,782. Commensurate with those characteristics, homeownership is about one-half the national average, about 50 percent of owners are mortgage burdened, and 50 percent of renters are rent burdened. Very little new housing has been built since 2014, and although many of the units permitted have been multifamily housing units, the city simply does not have an adequate mix of single-family and multifamily housing units to accommodate its varied population. Interestingly, Hempstead, a suburb “ring” community of New York City, is also experiencing this problem, suggesting a misalignment in the issuing of single-family and multifamily building permits with residents inhabiting the broader region.

These cities should examine their levels of rent and mortgage burden to identify whether they are offering an adequate mix of affordable dwellings for their predominately low-income residents. If these cities recognize the high rent burden and the demand for multifamily housing and concentrate on the development of more multifamily units, their low-income residents may have the opportunity to decrease their rent burden. Programs that deliver rental assistance to residents may prove to be the most valuable investments of both local and federal housing dollars. Follow-on
programs may include homeowner education programs, income-restricted first-time homebuyer assistance, and shared equity housing models via community land trusts.

**Growing Cities**

We classified 92 cities (12 percent) as having a high number of single-family and multifamily building permits for their predominately middle-income residents. These cities exhibit the following characteristics:

- Average median income
- Average owner occupancy
- Average gender income gap
- Low non-White population
- Average population growth
- Average job growth
- High public transit access
- High number of single-family home permits
- High number of multifamily permits

Nearly 52 percent of the Denver, CO, population is college educated, and the median income is approximately $60,000. About 50 percent of the housing units are owner occupied. The numbers of both single-family and multifamily permitting approvals are above average. More than 2,000 single-family homes were permitted in 2017, and the city has implemented innovative strategies to increase mixed-use, mixed-income development; increase affordable housing options near public transportation; develop strategies to combat issues of displacement; and provide increased incentives for private and nonprofit investment in affordable housing (Denver Economic Development and Opportunity, 2019).

Compared with Denver, Madison, WI, exhibits very similar demographic characteristics but lower population and job growth, albeit at or above the national average. Still, single-family and multifamily building permitting is high, just like for other cities in this cluster. With relatively low levels of mortgage burden but high levels of rent burden, the city could prioritize more multifamily housing. Madison approved nearly 10 single-family building permits for every multifamily unit permitted.

Investments in transit have made a difference for cities in this cluster. Regarding single-family development, these cities would do well to better understand the housing demands of their residents and ask whether the residents’ income levels are sufficient to afford the very high number of single-family homes. If not, these cities should consider whether the number of multifamily
housing unit permits they issue is sufficient to meet the rising demand of their middle-income residents. These cities can also focus on increasing the variety of housing types and prices.

**Wealth Pocket Cities**

We classified 51 cities (7 percent) as prioritizing single-family building permitting over multifamily building permitting for their predominately high-income residents. These cities exhibit the following characteristics:

- Highest median income
- Highest owner occupancy
- Highest gender income gap
- High non-White population
- Highest population growth
- Highest job growth
- Lowest public transit access
- High number of single-family home permits
- Low number of multifamily permits

Nearly three-fourths of the Newport Beach, CA, population is college educated, with a median income of $119,379—well above the national average. The owner-occupancy rate is slightly above the renter-occupancy rate at 57 percent, and about six single-family homes have been permitted for each multifamily unit permitted, a rate above the national average. Most surprising is the nearly 27-percent decline in home sales between 2017 and 2018—well above the national average of only 2 percent.

Another city in this group is Naperville, IL. This city experienced positive job growth, albeit lower than the national average. In addition, the city boasts a very high median income and good job prospects; however, it exhibits a high gender income gap between female and male workers. In terms of permitting, 337 single-family buildings were permitted—above the national average of 315; however, home sales declined by nearly 19 percent. This decline could be due, in part, to the high cost of housing in Naperville. Although the cost of construction for a modest single-family home is about $270,000, the median sales price is more than $400,000.

Similarly, in cities such as Fremont, CA; Bellevue, WA; Parker, CO; Rockville, MD; and Flower Mound, TX, single-family home sales prices are much higher than the cost of construction. Although modest single-family homes in all five cities cost less than $240,000 to construct, the median home sales prices in those cities are more than double the cost of construction. This misalignment between home sales prices and the cost of construction makes it more difficult for residents to afford housing. It also creates an environment in which developers are keen to build
high-end housing, whereby they can increase their profit margins, further disadvantaging low- and middle-income residents.

These cities could benefit from preserving existing affordable housing, increasing attention to income disparities in accessing affordable housing, and looking at gender and race as factors when thinking about how to increase upward mobility and financial security. In these cities, wages could be distributed better between female and male employees, with a particular focus on supporting woman-headed households in rental housing. In addition, given the more evenly split generational mixes in these cities, city leaders will need to think about affordable housing for aging populations.

**Transit-Desiring Cities**

We classified 222 cities (29 percent) as those that prioritize multifamily building permitting over single-family building permitting for their predominately low-income residents. These cities exhibit the following characteristics:

- Lowest median income
- Lowest owner occupancy
- Lowest gender-income gap
- Highest non-White population
- Lowest population growth
- Lowest job growth
- Average public transit access
- Lowest number of single-family home permits
- Average number of multifamily permits

Large cities, such as Cincinnati and Cleveland in Ohio (both with populations of more than 300,000), find their way into this group. Although median incomes in both cities are well below the national average, Cincinnati’s residents are about twice as likely to have a college degree as Cleveland’s residents. Cincinnati also experienced positive job growth, whereas Cleveland did not. Cleveland deploys about 100 more public transit vehicles to its residents than Cincinnati and thereby provides its residents with opportunities to help bridge the economic gap. In addition, 60 percent of Cleveland residents and 50 percent of Cincinnati residents are non-White, highlighting the high diversity of residents in this group of cities and underscoring the need for the consideration of race in the development of housing policies.

In both of these cities, the rate of multifamily homes permitted is similar to that of the national average, at 315, but the rate of single-family homes permitted is much lower, at 163. About 50 percent of their renters are rent burdened, and more than 30 percent of their owners are mortgage burdened.
Given that median incomes of residents are lower in these cities, public transit is extremely important for ensuring that residents can access jobs. By examining the extent to which residents are using public transportation to get to work and public transit vehicles are deployed, cities can enhance opportunities for economic mobility for their residents. This kind of comparison can help build consensus for investments in transit-supportive land use planning, demonstrate the need for income-assisted housing or transit investments in particular areas, or simply raise awareness of a region's housing and transportation challenges.

**Conclusion**

Housing is a significant contributor to the well-being of residents and thus must remain a key issue for policymakers. Our nation's residents need high-quality, affordable housing, where living conditions are not tenuous or constantly in flux. The gap between what residents must pay for a home and what they can afford is widening, however. Overall, vibrant communities with greater opportunities for economic prosperity are grounded in strong housing stocks that serve the myriad needs of singles, families, and seniors across generations and income levels and are accessible to employment, healthcare facilities, and recreational opportunities.

Understanding the factors that compose housing markets and the extent to which a city's permitting of single-family and multifamily housing is meeting the income levels and job growth opportunities of its residents allows local leaders to apply the best strategies for their communities. In each of the housing market types identified in this analysis, tradeoffs are playing out against each other based on which housing values are the highest priorities—the mix of housing type and of owners and renters, the volume of new construction, and the investment in transit. All cities still have significant room for improvement in deploying the right mix of housing and economic development strategies and tools that will influence the affordability of the housing market. Cities must continue to ensure that all residents have equitable access to housing, jobs, and amenities.

This report provides a starting point for understanding the unique characteristics of city housing markets and can be a key tool in informing the work that local policymakers do every day.

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