EMBRACING GROWTH
PRINCIPLES FOR REGIONAL HOUSING
We need a yes-to-all approach throughout the region that embraces growth. Our region needs to ramp up housing production to catch up with peer and competitive regions. Dense housing is key. It should be a priority everywhere, especially near job hubs.

Our region’s zoning and development policies are an obstacle to housing growth rather than a tool to address it. The housing challenges the Cincinnati region faces are numerous and complex. The Cincinnati USA Regional Chamber is leaning into this effort by framing the issue broadly, with key insights from inside and outside the region, and in a way that is directly connected to the overall economic success of the entire region. We believe that the Cincinnati region has a unique opportunity to improve our regional housing stock, and this report will offer eight critical principles, backed by data, that can help our community thrive and tackle an issue that is, rightly, a top priority for so many.

We must address housing with a robust, collaborative and comprehensive approach that combines smart policies and best practices. Our regional goals should be to dramatically increase the availability of housing, the affordability of housing, and the widespread production of housing. There is no one solution that achieves these goals. We must implement a variety of solutions, considering as many options as possible, to overcome the varying obstacles we face. Our report aims to establish a broader focus on housing everywhere in our region. The Cincinnati region is not alone in facing this challenge—nearly every other region in the country is grappling with the same issue—but the unique opportunities for Cincinnati to address affordability are not unique to Cincinnati.

Affordable housing is not an issue for one jurisdiction to address. Issues of affordability are not unique to Cincinnati, but there are unique opportunities for Cincinnati to address affordability. Affordable housing is not an issue for one jurisdiction to address. Market-rate development is not the enemy of affordability.

Our principles are:

1. Our core must lead the way. Every community has a vital role to play.
2. Our regional goals should be to dramatically increase the availability of housing, the affordability of housing, and the widespread production of housing.
3. We need job hubs. Aony part of our region that is well connected to the job market should be a priority for housing.
4. Our region needs to ramp up housing production to catch up with peer and competitive regions.
5. Dense housing is key. It should be a priority everywhere, especially near job hubs.
6. Affordable housing is not an issue for one jurisdiction to address. Issues of affordability are not unique to Cincinnati, but there are unique opportunities for Cincinnati to address affordability.
7. Issues of affordability are not unique to Cincinnati, but there are unique opportunities for Cincinnati to address affordability.
8. The core must lead the way for broad regional growth, but every community has a vital role to play.
PRINCIPLE 1

WE NEED A YES-TO-ALL APPROACH THROUGHOUT THE REGION THAT EMBRACES GROWTH.

It is impossible to talk about a region’s economy without discussing housing. Issues of growth, equity, economic mobility, affordability, and quality of life are all significantly impacted by the health of a region’s housing market. This is why housing has, for decades, been a key policy issue for elected officials, business and community leaders, civic organizations, human services providers, and many others.

Up until this point, regional housing policy and decision-making has largely taken place in a reactive, fractured framework. But a recent confluence of events has drawn new interest and attention to this conversation. First, there is a widespread, national shortage of housing. Quasi-public mortgage and finance company Freddie Mac estimates the shortage of housing units in the fourth quarter of 2020 was 3.8 million units, up 52% from 2018. Second, that shortage also deeply impacts affordability, with the National Low Income Housing Coalition estimating the country is short 6.8 million rental units available to extremely low-income households. The residential construction industry struggled to recover from the housing-induced recession a decade ago and material costs continued rising rapidly. These costs either prevented developments from advancing or were passed on to consumers through higher rents.

Amid the nationwide challenges, several local events came to the fore. Leading local organizations began wrestling with affordability and the future of development policy in Cincinnati. With only modest progress to date. And community advocates put forth a ballot initiative in the City of Cincinnati to require annual funding for the City of Cincinnati’s Affordable Housing Trust Fund. Known as Issue 3, the measure failed overwhelmingly in May 2021, largely due to its lack of foresight about the implications to the city’s general budget.

Since then, the housing conversation has seemingly reached a crossroads. And with an uncertain future for what may come next in the region. The guiding principle we propose to fill that void is a yes-to-all approach to housing throughout the region that embraces growth. Our strategies, policies, and practices should embrace creative and innovative solutions to address the range of housing challenges present throughout the region.

WHAT DO WE MEAN BY YES-TO-ALL?

We believe a yes-to-all housing approach prioritizes openness and cooperation. Too often conversations around specific proposals to build new housing have been antagonistic and focused on zero-sum outcomes. Stakeholders can view terms in false binaries: market-rate development opposed to affordability; suburban development comes at the expense of our urban areas; new development diminishes our historic neighborhoods. These come from too narrow a view on housing and tend to focus on the project at hand rather than considering the entire housing ecosystem. We end up missing the proverbial forest for the trees.

Our yes-to-all approach instead recognizes that the primary driver of many of our housing issues stems from a shortage of new housing supply. Simply put, our region has not produced enough new housing to keep up with regional demand. In turn, that has hampered our ability to begin tackling affordability, equity, growth, development, and a host of other issues. Yes-to-all means we should examine any and all ways we can increase our overall housing production. This is not a call for haphazard new development—we believe that some types of new development may be better suited than others in some places—but it does mean that we must create clear processes and expectations that intentionally support regional housing growth. It is as much a shift in attitude as anything else, a rejection of the not-in-my-backyard (NIMBY) mindset that has too often inhibited our ability to produce new housing.

WHAT DO WE MEAN BY THROUGHOUT THE REGION?

Our housing shortage is a regional problem that requires regional solutions. No one jurisdiction, location or entity can solve the problem alone. We need a robust system of partnerships and strong collaboration, including cross-jurisdictional cooperation between local governments, alignment of local, state and federal priorities, and creative public-private partnerships. We are fortunate to have strong community-minded non-profits, academic institutions, philanthropic organizations and others who all have resources they can bring to this effort.

This also means that there needs to be a dedicated effort to increasing housing production in every city, village, township, and neighborhood in our region. More than that, every community needs to have a thorough conversation around affordability for their residents, current and future. The rise of suburban poverty is one of the least discussed issues. Yes-to-all means we should examine any and all ways we can increase our overall housing production. This is not a call for haphazard new development—we believe that some types of new development may be better suited than others in some places—but it does mean that we must create clear processes and expectations that intentionally support regional housing growth. It is as much a shift in attitude as anything else, a rejection of the not-in-my-backyard (NIMBY) mindset that has too often inhibited our ability to produce new housing.

WHAT DO WE MEAN BY EMBRACING GROWTH?

We use the term growth very broadly. Growth includes categories like overall population, investment, economic opportunity, and the accompanying changes those bring to a region. Our definition of growth also includes equitable outcomes for historically marginalized groups of people, especially for Black residents that have consistently experienced lower rates of homeownership (and therefore wealth creation), employment and income than their racial and ethnic counterparts. Many regions experiencing growth and prosperity still struggle to change long-standing disparities. Our aim is that we can grow as a region in overall outcomes, but also that those outcomes are inclusive and equitable.

WHAT DO WE MEAN BY EMBRACING GROWTH? PRINCIPLES FOR REGIONAL HOUSING
PRINCIPLE 2

OUR REGION NEEDS TO RAMP UP HOUSING PRODUCTION TO CATCH UP WITH PEER AND COMPETITIVE REGIONS.

When comparing where the Cincinnati region stacks up to other regions around the country, we see we are in danger of falling behind in a couple of key growth metrics. We selected 15 other regions in the country and measured housing production and population growth for the decade of 2010-2019. We annualized the rates of growth, which is helpful for two reasons: it reduces the noise caused by individual years and provides a better sense of the pace of growth over a longer period of time. It is also useful as a tool to project what future growth might look like. We can apply the rate from the selected decade to the upcoming decade to illustrate, absent any significant change in the local system, what growth might look like in the near future. Here is what we found.

THERE IS A STRONG RELATIONSHIP BETWEEN HOUSING PRODUCTION AND POPULATION GROWTH; AND CINCINNATI IS LAGGING IN BOTH

Based on our research, we found that the regions with the greatest population growth also had the fastest rates of housing production. The inverse was also true—the regions with the least population growth had the slowest rates of housing production. The results are intuitive and lead us to an important conclusion: growth begets growth. The regions in our peer set are either growing—and experiencing the output of new housing and population gains—or they are not growing and suffering from housing and population decline. The fact is that Cincinnati is lagging in new housing and population, which should reenergize our efforts to make broad regional growth an imperative. Population and housing increases will follow, and we must plan for and embrace this new growth accordingly.

FIGURE 1: ANNUALIZED HOUSING & POPULATION GROWTH, 2010-2019

Source: Center for Research & Data Calculation based on Census Bureau Population and Housing Unit Estimates

The regions generally break into three categories. Sun Belt cities experiencing explosive growth, mid-tier Midwestern cities with moderate growth, and legacy industrial cities with stagnant growth. While Cincinnati falls in the last category, it sits closer to the moderate growth midwestern cities than Cleveland, Pittsburgh, or St. Louis. With a concerted effort, Cincinnati could join regions like Columbus, Minneapolis, and Kansas City. Driving broader economic growth will create the conditions we need to move Cincinnati up the scale and catch up with these growing regions. To meet new growth, Cincinnati must be ready to significantly scale up new housing production, even up to double the rate of our current output.

It is also important to note that Cincinnati is not in a position to compete with Sun Belt regions at this point. Charlotte is outpacing housing growth in Cincinnati by a 4-to-1 margin, Nashville is 5-to-1 and Austin is 7-to-1. We provide these examples to give context in terms of the national landscape and offer an illustration of what might be worth exploring from these regions. There are important implications in terms of market forces and other trends that are worth analyzing, but we should not realistically consider these places competitors. The gaps in housing and population growth are simply too large.

Finally, from a projection standpoint, these growth rates are valuable to help us understand critical realities happening in the country. If the growth rates from the 2010s are repeated in the 2020s, a few important things will happen. First is that Columbus will become the largest metro area in Ohio by population, eclipsing Cincinnati by 2026. Kansas City will also pass Cincinnati in total population in 2028, with Indianapolis and Nashville following immediately behind. Cincinnati would, however, pass Pittsburgh in total population.

These projections are to be used carefully. There are too many variables at play to determine what a region’s population will be over the next decade, including the increased mortality the entire nation experienced as a result of the COVID-19 pandemic. They do point out important trends and make the case for where people, opportunity and growth will likely find a home. And, from an investment perspective, it is easy to understand why rapidly growing places are attracting new capital from investors. Demand in growing regions is providing strong return, making many of the quickly growing regions a top target for capital outlays. This can create a vicious cycle, where the growing regions capture more investment, which creates stronger growth, which in turn brings more investment. Meanwhile, cities without strong growth projections might find themselves excluded from financial resources that would have the ability to drastically improve their built assets. It is one of the many reasons leaders in Cincinnati should begin considering the long-term implications of a consistently low growth rate and having a serious conversation around setting goals to make the region more competitive in this area.

EMBRACING GROWTH: PRINCIPLES FOR REGIONAL HOUSING

<table>
<thead>
<tr>
<th>Region</th>
<th>2019 Population (Actual)</th>
<th>2030 Population (Projected)</th>
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<tbody>
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<td>Austin</td>
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<td>Denver</td>
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<tr>
<td>Houston</td>
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<td>Indianapolis</td>
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<tr>
<td>Kansas City</td>
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<td>Louisville</td>
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<td>Minneapolis</td>
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<td>Raleigh</td>
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</tr>
<tr>
<td>St. Louis</td>
<td>2,803,228</td>
<td>2,820,352</td>
</tr>
</tbody>
</table>
PRINCIPLE 3

DENSE HOUSING IS KEY. IT SHOULD BE A PRIORITY EVERYWHERE, ESPECIALLY NEAR JOB HUBS.

The best way for Cincinnati to rapidly scale up production of new housing is to focus on density—building more housing units on smaller plots of land. Other regions across the country have prioritized density and it is paying huge dividends on their overall housing construction.

In the regional comparison set, the regions adding the most housing are also adding more dense housing unit structures. The above chart tallies the total number of building permits issued for each metro area. It breaks down the type of permit issued by the number of units the structure will contain. By this data, the Cincinnati region had an estimated total of 7,259 units that were issued a permit in 2020. Of those, 5,372 units are single-family housing (about 74% of all units) and 1,732 units are in structures containing five or more units (about 23.9%). For comparison, Columbus had an estimated 12,052 units permitted in 2020, with 5,307 units of single-family housing—nearly identical to Cincinnati. But Columbus had 6,484 units permitted in structures with five or more units, nearly four times the number of units than Cincinnati. And Columbus’s concentration on more dense structures is higher than any other region, with nearly 54% of new housing coming in structures with 5+ units. Minneapolis (52.5%) is the only other region with more than half of all permits going to structures with 5+ units.

The bottom line is clear: the strategy to increase our regional housing production to catch up with other regions must include more dense construction.
DENSE HOUSING BENEFITS CONNECTIVITY

There is a long history in urban planning that merges the benefits of densely populated centers with a mix of commercial, office and entertainment options and multi-modal transportation networks. What planners call Transit-Oriented Development (TOD) emphasizes growing communities around transit systems to take advantage of the many opportunities high-frequency transit and walkable or bikeable communities make available to residents.

The passage of a new transit and infrastructure levy in Hamilton County in 2020 is bringing new public investment into the Southwest Ohio Regional Transit Authority. A logical next step for the region is to align housing development priorities with the redesign to our public transit system that is already underway. Local leaders have already initiated a process to implement TOD strategies and tactics in a report from ULI Cincinnati in June 2021. Strong coordination will maximize efficiency for our new transportation system, increase ridership, decrease congestion and pollution, and perhaps most importantly, connect residents with jobs in the region’s major job hubs.

Transit-Oriented Development emphasizes placemaking where work, healthcare, education, essential services and amenities can be accessed by walking, bicycling, riding, transit or using rideshare services instead of relying solely on driving to meet all your needs. Incorporating TOD principles into our regional development strategy, like Raleigh is doing with its bus rapid transit lines, is a vital part of making our communities more connected.

Dense housing development along transit corridors—and even our region’s burgeoning trail network—would benefit households with no or limited access to automobiles, or give residents a viable choice to live car-lite or even car-free. This in turn can eliminate or reduce the need to create space for parking, leaving more land available for housing.

Employers also enjoy better access to workforce with better connected communities. A recent collaboration between the Chamber, OKI Regional Council of Governments, and REDI Cincinnati resulted in the regional Jobs Hub application, which shows where we have high job density and commuting patterns for those job centers. The lack of available workers connected to job centers via transit was a major reason why the recent transit levy was supported by local businesses. But we can build on that effort by expanding our dense housing availability and synchronizing housing and transit policy to maximize our opportunity to create connectivity.

Finally, there is also an efficiency in utilizing our current built infrastructure when we focus on density. This allows for greater optimization of our current assets like roads, utilities, water and sewer services and more. New infrastructure development to accompany housing construction can be a significant barrier to entry for communities and developers alike. Infrastructure adds both new capital costs and long-term maintenance needs to tight local budgets. Connecting housing to our existing built environment takes advantage of resources already available rather than creating significant new infrastructure.
Cincinnati as a region can be a maze of governments and bureaucracies. Our MSA has 16 counties in three states with hundreds of local jurisdictions. There are 49 local governments in Hamilton County alone. The more variety in zoning codes, building and safety codes, permits, incentives, taxes and other project requirements, the more complicated it becomes for developers of all kinds to navigate. Simplifying regulations, processes, zoning and other requirements would enhance the landscape for developers to increase housing supply.

Addressing the regional housing shortage requires broad participation from local governments in every part of the region. Local governments can signal their willingness to contribute to the solution by taking action on their respective zoning and regulatory measures.

PRINCIPLE 4

OUR REGION’S ZONING AND DEVELOPMENT POLICIES ARE AN OBSTACLE TO HOUSING GROWTH RATHER THAN A TOOL TO ADDRESS IT.
WITH CHANGES, ZONING CAN ENCOURAGE DENSITY

Zoning is the predominant tool available to local communities to regulate land use. Zoning has played an important role in the development of many of our communities, helping establish strong neighborhoods, thriving commercial districts and industrial hubs. However, many local zoning codes have not been updated for decades, leaving a powerful tool for development stuck in a previous era. We need to look for ways to rethink zoning codes to better fit the realities of our current and future needs.

A top priority for zoning reform is to allow for more dense land use rather than restrict it. Density will look different in different contexts. For some communities, density might look like five- or six-story mixed-use buildings along major transit or commercial corridors. For other places, density might mean increasing the number of single-family lots allowable on a given area of land. Dense zoning policies ought to appropriately fit the context and needs of that particular community but it should also consider how to best support the maximum number of units possible.

Minneapolis has been among the most forward-thinking cities in addressing new housing development through regulatory changes. The city recently adopted the Minneapolis 2040 Comprehensive Plan, an ambitious attempt to overhaul housing policy throughout the Twin Cities region. The plan was an intentional, multi-year process designed to incorporate resident feedback, stakeholder input and best practice recommendations to reshape the housing economy in their region by 2040.

Key among the plan’s housing goals are zoning reforms. Minneapolis has embraced the concept of upzoning—allowing more households to live on a parcel already at its current housing maximum. The City of Minneapolis has gone so far as to completely eliminate single-family zoning, greatly increasing the flexibility of potential new development. Parcels previously restricted to single-family use may also now allow Accessory Dwelling Units (ADUs) to supplement the total housing volume. Different parts of the region have different density targets based on their current composition. The highest-density developments are located around the downtown area, with more residential areas focused on a mix of housing units. These can range from single-family parcels with allowable ADUs, apartments or mixed-use zones that combine commercial and residential uses.

Indianapolis has also started integrating Transit-Oriented Development principles into its land use planning, incorporating new zoning guidelines to increase density along selected transit corridors in Marion County. Charlotte, like Minneapolis, recently voted to eliminate single-family zoning in June 2021. Charlotte is also considering more flexible height restrictions in dense corridors or along transit lines, emphasizing the importance of density. And, interestingly, Charlotte is concentrating on developing what they call “middle density” units, like duplexes, triplexes and fourplexes in all neighborhoods.1

Meanwhile, the local picture in the Cincinnati region is still dominated by single-family zoning. In an analysis from the Housing Our Future task force, LISC Cincinnati estimates that as much as 77% of residential land in the City of Cincinnati is zoned exclusively for single-family housing. Many other communities have even higher shares of their land designated for single-family housing. The City of Cincinnati’s zoning code allows for five different single-family zoning subdistricts, ranging from minimum lot sizes of 2,000 square feet to 20,000 square feet. From a land-use perspective, restricting 20,000 square feet for one unit of housing eliminates any other potential development in that subdistrict, even additional single-family housing on smaller plots. In an area where developable land is scarce, zoning requirements should encourage, not eliminate, additional construction of new, dense housing units as a means to increase overall housing capacity.

Local communities need to consider how they can practically increase housing density through zoning reforms. Again, the idea is to find an appropriate balance that reshapes the context and needs of a particular location. For some communities with high shares of single-family zoning, this might mean reducing lot size or square footage requirements to maximize the number of single-family units allowable. For others, ‘middle density’ units might make more sense. On the other hand, there are places in our region that can also accommodate larger structures that might support dozens or even hundreds of units.

Zoning changes will not come without controversy. But if the Cincinnati region is to solve challenges we face in our housing supply, broad and comprehensive updates to our zoning codes must be part of the solution.

IMPROVING FLEXIBILITY AND RESPONSIVENESS

Local policies and practices can also remove barriers to new housing development. Outdated policies like parking minimums and arbitrary height restrictions can serve as impediments to new development. Parking minimums can significantly increase costs of a potential development, because the cost of structured parking is so high and land acquisition is often needed to accommodate surface parking. Parking requirements also reinforce the existing paradigm of car-first development, placing automobile owners as a higher priority than transit riders, cyclists or pedestrians. And in a built environment with limited land resources, it is hard to make a case for parking serving as the “highest and best” use for a plot of land that might otherwise be a dense housing structure, mixed-use development or other improvement.

Jurisdictions should work to identify the most salient places in local reforms that improve the built environment. Regulations serve an important role in making sure our communities are safe and properly maintained. But when regulations help contribute to the growing regional housing shortage, they ought to be thoroughly reviewed and reformed to better balance oversight and encourage new development.

Likewise, jurisdictions also need to examine their own internal processes to find efficiencies in the regulatory system. The length of time from project concept, design and feasibility through to completion is often delayed significantly by the regulatory process. This in turn creates additional “holding costs” for the developer as they maintain an unimproved or vacant parcel, or worse, uncertainty that a project will not move forward at all, which is perhaps one of the biggest risks a developer can take on. Creating standardized, straightforward processes for developers to follow can improve regulatory compliance and get projects moving faster. In a market where we need to stretch resources as far as we can to encourage as much development as possible, even incremental improvements to processes can make a difference.
PRINCIPLE 5  

THE CORE MUST LEAD THE WAY FOR BROAD REGIONAL GROWTH, BUT EVERY COMMUNITY HAS A VITAL ROLE TO PLAY.

A common feature we found in our comparison region set is that growing regions have growing centers. For comparison purposes, we defined a region’s center as the county that contains the region’s principal city (i.e. Hamilton County is the central county in the Cincinnati region). In our specific case, some Northern Kentucky communities are more aptly described as part of the urban core as well. The data limits our ability to incorporate these communities in this analysis, but prioritizing our Northern Kentucky river cities for growth is critical. On the whole, we found that regions with higher rates of population growth and housing production had centers that also exhibited strong growth.

This comparison highlights that Mecklenburg County (Charlotte), Franklin County (Columbus), Denver County (Denver), Hennepin County (Minneapolis) and Wake County (Raleigh) each have growth rates that met or exceeded those of their region. This means that the urban center is driving growth for their entire region. Five of the central counties accounted for at least half of all new housing in their respective regions. These regions are growing from the inside-out and are well positioned to continue growing into the future.

On the other side of the equation are regions with low-, no- or negative-growth centers. Hamilton County (Cincinnati), Cuyahoga County (Cleveland), Allegheny County (Pittsburgh) and St. Louis County (St. Louis) are all low-growth central counties in stagnant-growth regions. These regions would all be far worse off if there were not at least some positive growth in suburban areas.

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**Table 2. Regional Growth and Central County Growth, 2010-2019**

<table>
<thead>
<tr>
<th>Region</th>
<th>Regional Housing Growth</th>
<th>Regional Population Growth</th>
<th>Central County Housing Growth</th>
<th>Central County Population Growth</th>
<th>Share of New Housing in the Region from Central County</th>
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<td>St. Louis, MO</td>
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Source: CR&D Calculation based on Census Bureau Population and Housing Unit Estimates.
If anything is clear from this review of the data, it is that our region is growing from the outside-in rather than the inside-out. This has huge implications for other regional economic indicators like transportation, access to jobs, amenities and services. A growing Hamilton County should be contributing much more to regional increases in housing and population. In turn, that would improve many of the underlying economic outcomes related to housing, make Cincinnati more attractive as a market for growth and provide a sustainable trajectory for future prosperity. It will take a coordinated, dedicated effort accelerate growth in Hamilton County.

The Cincinnati region also needs our high-growth counties to continue growing. This is especially important in relation to Principle 5—density is key. Suburban counties can grow more easily due to less expensive land, more available greenfields (places where nothing is currently built and can be easily developed) and existing community amenities. Building more densely in those areas—along with ongoing maintenance and preservation of existing housing units—better maximizes the resources that make those counties so attractive in the first place.

To examine the Cincinnati region more closely, here are the rates for every county in our metro area.

There are a few important observations from this data. First is that Warren and Boone counties are leading the growth in our region by a wide margin for both housing and population. Second is that Hamilton County, with the largest population in the region, does not contribute to overall growth relative to its size. It has about the same new housing output as Clermont County even though Hamilton County is more than four times the size of Clermont County. And it only added about a thousand more people over the decade than Boone County, which is about a sixth of the size of Hamilton County. Finally, our outlying, rural counties, which make up less than one tenth of total housing and population, have only contributed marginally to overall growth relative to their size. It has about the same new housing output as Clermont County even though Clermont County has only contributed marginally to overall growth relative to its size.

To the contrary, the most growth has been on the west side of the region, specifically in Boone and Warren counties. It is not, therefore, a question of whether or not our region is growing; the real question is how to accelerate growth in Hamilton County.

This data directly corroborates Principle 5: density is key. Building more densely in those areas—along with ongoing maintenance and preservation of existing housing units—better maximizes the resources that make those counties so attractive in the first place.

**PRINCIPLE 6**

**ISSUES OF AFFORDABILITY ARE NOT UNIQUE TO CINCINNATI, BUT CINCINNATI IS UNIQUELY POSITIONED TO ADDRESS AFFORDABILITY.**

The United States has a housing affordability problem. The issue is well-documented and exists across the country. Even the fast-growing regions against which we are comparing Cincinnati have struggled to solve the challenge of households being cost-burdened because of their housing expenses.

The federal government designates any household that spends more than 30% of its income on housing as cost-burdened. Housing affordability is not just a government subsidy program, an unfortunate and all too common misconception. Rather, housing affordability should be treated as an economic principle, where local strategies focus on reducing the cost-burden on households above the 30% threshold, regardless of their income level. Oftentimes housing affordability conversations focus on the lowest income earners. This is undoubtedly a vital part of any strategy to increase affordability. But it is not the entirety of the conversation, as more and more middle-income earners face increasing financial constraints from the pressure housing costs put on their budget.

Housing affordability should be treated as an economic principle, where local strategies focus on reducing the cost-burden on households above the 30% threshold, regardless of their income level.
HOUSING AFFORDABILITY IS A CHALLENGE EVERYWHERE

We have mostly looked to the regional comparison set to see which regions Cincinnati should be looking to for possible solutions to our housing production issues. When it comes to affordability, the reality is no region has found a recipe to address the dilemma at hand.

TABLE 4. COST-BURDENED HOUSEHOLDS IN PEER REGIONS

In every region of our comparison set, we see one-fifth or one-quarter of homeowners with a mortgage are cost-burdened. The case is even more fraught for renters. In every market, at least two out of every five households who rent are cost-burdened, with some areas experiencing up to half of their households living in unaffordable rental housing. The more expensive housing is in a region, the more households there are in financial distress.

This is where Cincinnati is at an advantage compared to some of the other regions in the comparison set. The overall cost of housing here is generally lower than the rapidly growing markets. This makes affordability more easily attainable, as long as our region can simultaneously keep our housing costs under control and increase overall supply of housing.

HOUSING COSTS ARE RISING FASTER THAN INCOMES

The housing market has rapidly escalated housing costs, while incomes, which have grown modestly, struggled to keep pace.

FIGURE 5. CHANGE IN RENT, HOME VALUE AND INCOME

From 2014 to 2019, home values rose more than two-and-a-half times faster than income, while rents rose about twice as fast as incomes in Cincinnati. This phenomenon was present in every region in the comparison set.
Regions like Cleveland have higher ratios of housing costs due to low income growth, while Columbus and Dallas have higher ratios due to high growth in home values and rents. Regions like Nashville and Raleigh have kept better pace with rising housing costs by having above-average income growth. Finally, regions like Pittsburgh and St. Louis had lower increases in housing costs, but also lower increases in income, making their overall ratio lower. Cincinnati falls somewhere in the middle, with about average growth of housing costs and income. The solution to keep better pace with this growing disparity is twofold: we need to find strategies to keep housing costs from rising too quickly, while also boosting income more expeditiously. Addressing both sides of the housing affordability equation will allow us to better confront this ever-increasing challenge.

The solution to keep better pace with this growing disparity is twofold: we need to find strategies to keep housing costs from rising too quickly, while also boosting income more expeditiously. Addressing both sides of the housing affordability equation will allow us to better confront this ever-increasing challenge.

Since 2005, the national average of construction costs for single-family homes has risen over 40%. Over the same time, costs for multi-family construction have ballooned more than 80%. These costs end up getting incorporated into the overall development, and in turn are borne by homeowners and renters in higher prices. This dynamic has had a compounding effect of increasing the cost and decreasing overall production levels. With lower production, there is naturally lower overall supply in the housing market. Lower supply inevitably leads to higher demand, which is manifested in higher prices.

Similarly, the labor force for residential construction has also played a significant factor. When the housing market crashed in 2008, jobs in residential construction plummeted, with about 25% of all jobs in the field disappearing by 2011. The situation was even more dire in Cincinnati, with about 40% of jobs lost in the industry. The US has just recently returned to 2001 levels of employment, while Cincinnati is still missing about one-quarter of the workers we had at the beginning of the millennium. Meanwhile, demand for new housing continues to grow. Without an adequate workforce to produce more units, that demand has required additional price increases as an offset to the labor shortage.
HOW CINCINNATI CAN ADAPT TO THESE CHALLENGES

Based on these data, there are a few specific ways we can apply regional tactics to address underlying causes in affordability. First, we need to control, as best we can, overall costs of housing development. Construction costs are largely out of our hands—the global macroeconomic forces driving the increases are beyond regional intervention—but there are ways we can mitigate some cost. Governments have and should continue to offer development incentives to fill gaps in project financing. Going back to Principle 4, the more our zoning code and regulatory policies and processes encourage the efficient production of housing units, the less developers will incur costs from risk, compliance, and delays. Those cost savings can get passed on to the eventual resident in the form of lower prices.

We can also focus regional resources into a robust workforce development pipeline for the construction industry. More readily available labor supply will increase our overall construction capacity. The more we build, the more supply exists in the housing market, the less pressure will come from unmet demand. This in turn will hold cost growth lower over time.

Another cost-reduction measure is increasing access to reliable transit service. The annual transportation costs for a transit rider are much lower than an automobile owner. By reducing the overall cost of transportation on a household budget, more financial resources are available to offset housing costs or dedicate to other purposes.

On the income side, we need to examine ways to increase overall household income. Businesses have a specific role to play in this, especially by building in better methods of advancing un- and under-employed workers to higher-wage jobs. Initiatives like the Chamber’s Workforce Innovation Center are designing ways for businesses to help their workers achieve greater economic mobility. When brought to scale, this will have a dramatic effect on housing affordability. Households will be more able to afford their home when they have more income.

We also need to support economic development strategies that attract high-wage employment. Organizations like the Port, which is focused on restore high-wage manufacturing jobs in Hamilton County (in addition to its housing development portfolio), work every day to improve our economy. In addition, the success of REDI Cincinnati and other economic development organizations will lead to stronger growth in our region.

Our region must leverage the strong community resources that have made Cincinnati a desirable place to live, work and do business. We need to creatively and cohesively utilize our civic assets like our community foundations, lending institutions, philanthropic organizations and more. We have experts and advocates who can provide professional insights, a dedicated business community willing to work on big issues, and blueprints of how to build coalitions to tackle tough challenges. This makes Cincinnati uniquely positioned to mobilize these assets and make meaningful change in our region.

PRINCIPLE 7

AFFORDABLE HOUSING IS NOT AN ISSUE FOR ONE JURISDICTION TO ADDRESS.

A truly regional approach to improving housing affordability will require intentional commitments from every jurisdiction to apply the principles we have already outlined. Housing affordability is a challenge everywhere in the region. In the seven major counties for which the American Community Survey provides localized data (containing more than 90% of our total population), there are still a significant number of cost-burdened households.

### TABLE 5. COST-BURDENED HOUSEHOLDS BY COUNTY

<table>
<thead>
<tr>
<th>County</th>
<th>Median Monthly Housing Costs (Owner-Occupied with Mortgage)</th>
<th>Cost-Burdened Households (&gt;30% Household Income on Housing Costs, Own-Occ. with Mortgage)</th>
<th>Median Monthly Gross Rent (including utility)</th>
<th>Cost Burdened Households (&gt;30% Household Income on Gross Rent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boone County, Kentucky</td>
<td>$1,248</td>
<td>16.1%</td>
<td>$964</td>
<td>42.3%</td>
</tr>
<tr>
<td>Campbell County, Kentucky</td>
<td>$1,377</td>
<td>19.1%</td>
<td>$791</td>
<td>48.8%</td>
</tr>
<tr>
<td>Kenton County, Kentucky</td>
<td>$1,284</td>
<td>11.7%</td>
<td>$792</td>
<td>39.3%</td>
</tr>
<tr>
<td>Butler County, Ohio</td>
<td>$1,427</td>
<td>17.4%</td>
<td>$917</td>
<td>44.2%</td>
</tr>
<tr>
<td>Clermont County, Ohio</td>
<td>$1,357</td>
<td>20.8%</td>
<td>$827</td>
<td>35.4%</td>
</tr>
<tr>
<td>Hamilton County, Ohio</td>
<td>$1,396</td>
<td>21.0%</td>
<td>$831</td>
<td>47.0%</td>
</tr>
<tr>
<td>Warren County, Ohio</td>
<td>$1,644</td>
<td>15.7%</td>
<td>$1,001</td>
<td>2.4%</td>
</tr>
</tbody>
</table>

Source: Census Bureau 2019 ACS 1-Year Estimates

Photo courtesy of SORTA
The strategies to address affordability are the same. We need every community in the region to consider ways to increase housing production, focus on building densely, connect residents to high-quality transit services, reduce barriers caused by outdated rules and regulations and more.

It is especially incumbent on individual communities to begin making plans around housing production and affordability because of the widespread nature of the problem and the highly fractured local government system we have. The Cincinnati area has 245 local government entities, with one of the highest rates of local governments per capita in the country. Local leaders in cities, villages, townships and counties must recognize the deep need we have and take responsibility for bringing about meaningful solutions in their respective communities. It is not enough to sit back and wait for other leaders to step up to tackle the issues at hand. We applaud the work Hamilton County has started with Norwood, Silverton, Deer Park, Cheviot, and Addyston to begin crafting local solutions to housing affordability. We encourage more communities to take the same step.

Additionally, there is a specific equity lens that we must use in discussing housing affordability in Cincinnati. Renters are more than twice as likely to be cost-burdened than homeowners in Cincinnati. Renters here are also much more likely to be Black, Asian, and Hispanic or Latino, while non-Hispanic Whites are more likely to be homeowners.

**FIGURE 9. RENTERS AND HOMEOWNERS BY RACE/ETHNICITY CINCINNATI MSA**

<table>
<thead>
<tr>
<th>Race/Ethnicity</th>
<th>Owner</th>
<th>Renter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hispanic or Latino</td>
<td>47.9%</td>
<td>52.3%</td>
</tr>
<tr>
<td>Asian</td>
<td>56.7%</td>
<td>43.3%</td>
</tr>
<tr>
<td>Black or African American</td>
<td>33.3%</td>
<td>66.7%</td>
</tr>
<tr>
<td>Non-Hispanic White</td>
<td>73.4%</td>
<td>26.6%</td>
</tr>
<tr>
<td>Overall Population</td>
<td>66.9%</td>
<td>33.1%</td>
</tr>
</tbody>
</table>

This means our communities with a higher percentage of Black, Asian, and Hispanic or Latino residents are more likely to experience challenges with affordability. Housing has long been a tool of racial and ethnic discrimination in the country and region. Finding ways to increase affordability will have significant implications in creating more equitable outcomes and providing new opportunities for improved economic mobility.

As a final note and lesson from other regions, it is important to make sure the benefits from growth are shared equitably. No region in the comparison set has found a meaningful solution to widespread challenges to affordability or disparate outcomes. As the Cincinnati region embraces growth, it is important to be intentional with how investment creates opportunity for everyone.

**MARKET-RATE HOUSING IS PART OF THE REGIONAL SOLUTION**

Due to our relatively low rate of new housing production, we need to build more housing in order to catch up. Market-rate housing is a vital part of that equation. Housing is a capital-intensive proposition, and the Cincinnati region needs to attract as much capital investment as feasible to increase our overall production rates.

Unfortunately, market forces have not always made Cincinnati a desirable location to deploy capital for housing. In a 2019 report, the City of Cincinnati’s Department of Community and Economic Development detailed the gaps that exist when market conditions are too risky for investors to provide financing to develop new housing. Essentially, new housing will not be built in a market environment where incomes from rent will not offset construction and ongoing maintenance costs. In these scenarios, projects will only move forward with some form of subsidy. The Cincinnati region’s median monthly rent is third lowest of the peer set we discussed earlier, providing little incentive for investors to build here when they can see stronger returns on their investment in hotter markets across the country. This creates a competitive disadvantage for Cincinnati.

**MARKET-RATE DEVELOPMENT IS NOT THE ENEMY OF AFFORDABILITY.**

Market-rate housing is vilified by some as the enemy of affordability. This argument is short-sighted and creates a false binary by pitting market-rate housing against more affordable housing. The broader perspective instead sees market-rate housing and more affordable housing as components of a broader housing system, with each having direct and indirect impacts on the other.

The broader perspective instead sees market-rate housing and more affordable housing as components of a broader housing system, with each having direct and indirect impacts on the other.
This reality creates another vicious cycle: we need more housing to help keep rents affordable in the region, and we need more private investment in the region to build more housing, but private investment is not likely to come to a market with an environment that provides low returns. It’s important to note that this capital investment gap exists for market-rate housing that can charge the highest level of rent in the market. This means that building affordable housing units that require additional public subsidy have an even larger gap to fill.

Possible opportunities to meet this market failure are to offer targeted incentive programs that accomplish one of two goals. The first goal is to close the financing gap facing new development, which is most commonly done through tax abatements. Aggressively deploying tax abatements on the improvements being added to a site enable new developments to move forward. Political jurisdictions forgo potential future property tax revenue if the project is able to move forward, but do gain an increase to their earnings tax base from new residents, an improved physical site and a new revenue pool when the abatement expires (often in 10 to 15 years).

The second opportunity is to encourage private investment where there otherwise would not be. This can be accomplished in a variety of methods, but tax credits are a common way to provide the incentive. Institutional investors like banks and pension funds, as well as private investors, can offset their tax liabilities by purchasing tax credits awarded to specific development projects that meet the objectives of the tax credit program. Examples include the federal Low-Income Housing Tax Credit (LIHTC), New Markets Tax Credit (NMTC) and Historic Tax Credit. Opportunity zones also provide tax incentives for investing in designated census tracts. In each case, the tax credit program provides an incentive for developers to build specific kinds of projects, or to build in specific places, that would otherwise be financially unprofitable based purely on private market forces.

Widespread incentives to increase private investment have helped accelerate new development throughout the region. Incentives remain an integral tool to pursue our broad housing goals. Governments have finite resources and have the right to prioritize the types of developments they want to see in their jurisdictions. Creating incentive guidelines that encourage more dense, affordable and transit-accessible development are wholly appropriate, and we encourage communities to tailor their policy solutions in this way. But those incentive guidelines should also ensure enough flexibility to award other worthy projects too, such as densely constructed single-family housing.

Governments at every level, local, state and federal, should consider how they might expand incentive opportunities that are predictable, transparent and based on the merits of the project to develop new housing throughout their jurisdictions.

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MARKET-RATE HOUSING BENEFITS AFFORDABILITY

New research is emerging that seeks to empirically study the relationship between market-rate development and affordability. The results are actually surprising: identifying that market-rate development is complimentary to affordable housing rather than incompatible. Building new market-rate housing ultimately helps stabilize pricing at the metro level by increasing overall supply of new units and putting downward price pressure on the real estate market. But there are more ancillary effects that specifically benefit low-income housing.

Researchers have found that adding new market-rate housing in low-income neighborhoods keeps already-existing rents in those neighborhoods 5-7% lower than in neighborhoods without new development.12 The new market-rate housing developments create supply that is filled by higher-income householders, alleviating demand on currently existing units that are then more likely to remain affordable. Critics of market-rate housing may say that new development increases average rents in neighborhoods that make those neighborhoods unaffordable for low-income residents or prospective residents. That average rents will increase is true—new development is going to add units that will push higher rents, bringing overall rents up. But, the research is beginning to show that the relationship of market-rate development is actually beneficial to already existing affordable housing (either naturally occurring or publicly subsidized) because the effects of new housing supply are so pronounced; they offset any other potential effects that might increase nearby rents. As the researchers summarize, “[c]ontrary to common concerns, new buildings slow local rent increases rather than initiate or accelerate them.”

Additional research has also shown that adding new market-rate housing creates more available affordable housing units through what is called a migration chain. When a household moves into a new market-rate development, they create a vacancy in their previous residence that can then be filled by another household. Each move creates a corresponding vacancy, thus building a chain of newly available units, some of which are more likely to be at a rate affordable to a household with below-median income. A simulation of this effect found that for every 100 units of new market-rate development, the migration chain created 70 available units for households in middle- and low-income neighborhoods.13 It is an indirect benefit, to be sure, but still a complementary way new market-rate development, at the right scale and in the right timeframe, can improve affordability across the entire income spectrum.

These findings align with additional research that shows in metro areas with higher levels of housing production, the existing housing stock becomes more affordable as it ages in a process called filtering.14 Metro areas with high elasticity in the housing supply have higher rates of downward filtering, where the same owner-occupied unit becomes more affordable to lower-income households over time. High elasticity comes from increased housing production. Over time, increased housing production will create more affordable housing units as the filtering process takes place.

Finally, when it comes to the likelihood of displacement of current residents from new development, a study in San Francisco found displacement to a lower-income neighborhood is 17% less likely for residents within 100 meters of the new development.15 The author concludes that “increasing the supply of market-rate housing has beneficial spillover effects for incumbent residents, reducing rents and displacement pressures while improving neighborhood quality.”

The data around this topic is continuing to evolve as researchers more acutely study impacts of development. But the emerging evidence paints a clear trend of market-rate development benefitting the affordable housing environment in the neighborhoods and regions in which the development takes place. This does not mean that we should focus only on new market-rate development—there is too great a need for affordable housing units throughout the entire region—nor should we forget to support ongoing maintenance and repair to ensure our existing housing stock offers a high quality of living at all levels of affordability. However, market-rate development must be seen as part of the solution to our region’s overall housing needs. The real culprit is an exceptional shortage of housing capacity at every price point. Addressing that shortage requires a comprehensive approach to build more housing at every income level, in every jurisdiction throughout the region.


PRINCIPLE II
CONCLUSION

Housing is an interwoven, complicated policy topic with deep implications on our regional economy and quality of life. The principles we have laid out in this report are meant to provide a data-driven perspective to guide a community-wide discussion. As much as possible, we hope to provide factual, thorough and thoughtful information that can be taken by leaders, practitioners and advocates as they make decisions impacting the regional housing market.

Collaboration will be a critical requirement as we take these ideas and put them into action. The Chamber and our Center for Research & Data will serve as a resource for a broader regional coalition committed to ensuring the Cincinnati region is on a long-term trajectory of growth and success.

We hope to have robust conversations with policymakers, industry experts and stakeholders to create a strong regional plan to increase our housing production, create new growth in our region, improve connectivity, increase affordability and advance equitable outcomes for our residents. With the right approach, strong regional collaboration and dedicated leadership, we can create a housing environment where everyone can thrive.

Acknowledgements

The Center for Research & Data would like to thank the many individuals and organizations who shared their insights and feedback during the development and publication of this report. We appreciate the expertise we received from many perspectives, including civic organizations, business leaders, development experts, housing practitioners, local government officials, affordability advocates and many more. The Chamber looks forward to building on these partnerships and taking action on the principles laid out in this report together.

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About the Center for Research & Data

The Cincinnati Chamber’s Center for Research & Data is an initiative to deliver data-driven analysis regarding vital regional economic indicators and outcomes. The center helps regional leaders, community partners, and policymakers make informed decisions around priorities like talent attraction, inclusive economic growth, and community-wide goals. We provide actionable insights to support the mission and vision of the Chamber.

About the Cincinnati USA Regional Chamber

The Cincinnati USA Regional Chamber’s mission is to grow the vibrancy and economic prosperity of the Cincinnati region. The Chamber team is working on behalf of member businesses to ignite business resiliency and inclusive growth, to invest in the people who call this region home, to lead regional connectivity through collaboration, and to champion the region’s unique advantages. The Chamber is powered by inclusion, regional thinking, data, policy, and relationships. The Cincinnati Chamber’s vision is that the region embodies the Future City, where business growth delivers the economic platform that accelerates opportunity for everyone who calls this region home. For more information, visit www.cincinnatichamber.com.