

## THE VITALITY OF AMERICA'S WORKING COMMUNITIES

Summary of Research  
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Working communities are neighborhoods of people who earn ordinary incomes—as teachers, nurses, office staff, policemen, fire fighters, factory workers, store clerks among other occupations.

America's working people perform jobs and hold values that are essential to the success of our society. And just as working people are crucial to the economy and social order of metropolitan regions, so too are the areas in which they live.

These are the working communities that provide shelter to working people and their families, provide them with access to indispensable services such as schools and stores, and give them a place to form bonds with their friends and neighbors.

Considered by types of homes, working communities come in three basic groups: mainly single-family, mixed multi- and single-family dwellings, and heavily multifamily. Although not as populous as those with mainly single-family homes, working communities with some or many multifamily dwellings contain an enormous number of people—more than 68 million or almost a quarter of the American population in 2000.

Yet whether they are home to low-, moderate-, or high-income families or a mixture of income groups, multifamily dwellings are controversial. Since most Americans consider ownership of a single-family house to be ideal, they do not esteem renting or living in a building or complex that contains many dwellings. Some fear that multifamily dwellings—especially if they include subsidies for low-income households—will attract large numbers of poor people, lower property values, and raise crime rates.

The Vitality of Working Communities, a research project conducted by the Joint Center for Housing Studies, shows that communities that contain multifamily and rented homes remain a popular choice for millions of Americans. Furthermore, the study indicates that multifamily homes are assets, not detriments, to their neighborhoods.

Among the chief findings of this research are that

- working communities make up a large and important part of American society
- working communities are growing places, with significant amounts of newly constructed homes, especially those in booming metropolitan areas

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\* This summary is based on research for a forthcoming report of the same name by Alexander von Hoffman, Eric Belsky, James DeNormandie, and Rachel Bratt.

- in working communities, the presence of multifamily dwellings correlates with higher home values
- working communities with multifamily homes are not places of high poverty nor are they rapidly becoming impoverished
- working communities are as frequently located in the suburbs as other kinds of communities
- finding affordable housing in working communities can be a problem
- working communities are diverse
- mixed-housing-stock working communities serve a variety of needs in different places—for example, by offering moderate housing costs—which can be valuable in overheated housing markets

The findings suggest that government officials and civic groups pursue policies that will nurture working communities by

- encouraging the preservation and development of housing—including well-planned multifamily dwellings—for moderate income individuals and families
- ensuring that multifamily developments are built and managed well, thereby enhancing the reputation and sustaining the quality of such properties
- Smart Growth and affordable housing advocates should work to expand affordable multifamily housing where it already exists and bring it to other communities where it has not yet taken root.

### **Working communities, including those with multifamily dwellings, make up a large and important part of American society**

A majority of the American people lives in working communities. Working communities—defined as those census tracts whose median income is between 60 and 100% of the area-wide median income contained 157 million people or more than half (56%) of the population of the United States in 2000. Working communities are especially populous in the Midwest and South—where they take in about 60% of those regions’ populations. The area-wide median income is calculated from the income for a family of four for each metropolitan area and non-metropolitan county in the nation.

Working communities that include multifamily housing also hold large populations. Mixed-housing-stock and high multifamily working communities<sup>†</sup> combined are home to more than 68 million or 24% of the nation’s inhabitants. The

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<sup>†</sup> Mixed-housing-stock working communities are defined as census tracts in which 10-30 percent of the structures are multifamily and the average income falls between 60 and 100 percent of the area median income. High multifamily working communities are defined as census tracts in which between 30 and 100 percent of structures are multifamily and average income falls between 60 and 100 percent of the area median income. Single-family working communities are defined as census tracts in which between 0 and 10 percent of structures are multifamily and average income falls between 60 and 100 percent of the area median income.

mixed-stock working communities included 15% and high multifamily areas contained 9 percent of the nation's population.

### **Working communities are dynamic, growing places**

Far from being old, worn-out neighborhoods, working communities are dynamic places that attract new residents and builders of new homes.

The population of working communities in the United States has grown markedly over the last thirty years. The working communities of 1990, for example, increased their population by 35 percent from 1970 to 2000. Over the last decade alone, the number of inhabitants of these working communities increased by 10 million people, swelling to 97 million. Indeed, from 1990 to 2000 working communities grew almost as quickly as did the national population: the working communities population growth rate was 11 percent, just two points below that of the nation. The ability of working communities to replenish and increase their population is a testament to their vitality.

To accommodate the growing number of residents in working communities, real estate developers and builders have been producing new homes. Thirty percent of all dwellings in working communities across the country were constructed in the last twenty years. Although many of the new homes were single-family houses, a significant portion of the new construction took the form of multifamily homes.

In fast-growth Sunbelt regions, residential development in working communities with multifamily units has exploded in the last twenty years. In metropolitan Austin, Orlando, and Las Vegas, for example, about half the homes in mixed-housing-stock working communities were built in the 1980s and 1990s, and an even higher proportion—60 percent and above—in the high multifamily areas were recently built homes. Even in a slow-growth metropolitan area such as Cleveland-Akron, the proportion of units built since 1980 in mixed-stock working communities was a healthy 15 percent. New homes—single-family and multifamily—are part of the landscape of working communities.

### **In working communities, the presence of multifamily dwellings correlates with higher home values**

Data from the United States censuses of 1970, 1990, and 2000 contradict the belief that multifamily dwellings lower property values. They show that working communities with multifamily dwellings have *higher* house values than other types of working communities. The average value of owner-occupied houses was highest in working communities with the most multifamily units. Among working communities, the high multifamily areas had the highest home values, the mixed-stock areas the next highest, and the single-family areas had the lowest. The presence of multifamily dwellings correlated with higher home values in working communities. Census tracts with a significant quantity of multifamily dwellings, it should be noted, tend to be located near employment, cultural, or recreational centers or major transportation routes, thus raising demand and elevating land and housing costs.

Furthermore, multifamily housing did not stop property values in working communities from growing. Over the thirty years between 1970 and 2000, home values increased in high multifamily working communities in each of the largest 42 metropolitan areas and in mixed-housing-stock working communities in all but one of the metropolitan

areas. From 1990 to 2000, the housing values in most mixed-stock and high multifamily working communities followed the growth trends of their metropolitan areas. In those metropolitan areas where housing values grew fastest, house values in the mixed-stock working communities kept pace or grew more quickly than those of the metropolitan areas. Nonetheless, the change in housing values was generally more positive in single-family working communities than it was in working communities with multifamily structures, especially in the 1990s.

### **Working communities with multifamily homes are not places of high poverty nor are they rapidly becoming impoverished**

Working communities are stable places, not areas of rapidly increasing poverty—indeed their poverty rates barely changed over the last 30 years. Between 1970 and 1990, the proportion of the working communities' population below the poverty line rose only 1.6 percent, less than a percentage point above the .8 percent rate for the entire nation. In contrast, during the same period, poverty census tracts (those with 20 percent or more earning a poverty income) increased their poverty population by 6 percent. In the 1990s, the working communities' poverty rate virtually stood still as was the case for the national poverty rate (poverty declined .2 percentage points in working communities and declined .4 in the nation).

Within the three types of working communities, there was some variation in the initial poverty rates and changes in them across time. In 1990, the high multifamily and mixed-stock working communities contained about the same proportion of people below the poverty line, just under 11 percent, while the single-family working communities had a larger share of poor, 13.5 percent. In the following ten years, the proportion of poor people increased in high multifamily working communities to 13 percent and in mixed-stock working communities to 12 percent. In contrast, the share of poor people living in single-family working communities declined to 12 percent. As a result, by 2000 degree of poverty in the three types of working communities had converged to within one percent.

### **Working communities are as suburban as are other kinds of communities**

In general, working communities are as suburban as other kinds of communities in their metropolitan areas, and have been since at least 1970. In the largest forty-two metropolitan areas in the country, census data from 1970, 1990, and 2000 shows, the residents of working communities lived in suburbs and central cities in about the same proportion as the general population.

Among the different kinds of working communities, the residents of mixed-housing-stock working communities—those with both multifamily and single-family homes—lived in suburbs in proportions much like that of the general population in their metropolitan regions. The inhabitants of high multifamily working communities were often more concentrated in central cities than the total population of their regions, and the residents of single-family working communities lived in greater proportion in the towns and communities outside central cities than did the general population.

The precise distribution of the working-communities population between central city and suburb, however, varied depending upon the metropolitan area. In some older eastern metropolitan regions, inhabitants of working communities with multifamily homes concentrated more in central cities than did the regional populations as a whole.

Take the Boston region, for example. In 2000, 38 percent of the mixed-stock and 47 percent of the high multifamily working communities lived in central cities, compared to only 32 percent of the regional population. The majority of the working communities population, it is worth noting, lived in suburbs and towns outside the major cities.

The massive metropolitan region of Chicago shows a different pattern. There in 2000 the population of the working communities is slightly more concentrated in the central cities than the regional population—43 percent versus 40 percent. Unlike in the Boston metropolitan area, residents of single-family working communities consolidate more in central cities than does the population at large (47 percent as opposed to 40 percent). Residents of the high multifamily working communities live in central cities in about the same proportion as do the people in the metropolitan area (39 percent vs. 40 percent).

The Atlanta region, in stark contrast, has a highly suburbanized population, and an even higher suburbanized working communities population. An overwhelming 87 percent of the metropolitan population of Atlanta lives outside the city. Yet the proportion of suburbanites among working-communities residents is even greater. Ninety-four percent of the mixed-stock and 92 percent of the high multifamily residents live outside the city proper. Almost all, or 97 percent, of the residents of single-family working communities live in the outlying suburbs and towns.

### **Working communities are diverse**

Working communities, and mixed-stock working communities in particular, were once predominantly white, but have come to reflect the nation's racial diversity. In recent decades, for example, African-Americans have moved to mixed-stock working communities and brought the black share of the population (11.6%) close to that of the national average (12.6%). In the 42 largest metropolitan areas in 2000, the black share of the population was near the proportion of blacks in the general metropolitan region. This ratio varied somewhat from one metropolitan area to another. (The African-American portion of all working communities was 14.2%, slightly higher than 12.6% the African-American portion of the national population.)

The large immigration of the last thirty years added millions of people of Hispanic ethnicity to America's metropolitan populations. Between 1970 and 2000, Hispanics increased their portion of the population in working communities, reaching above parity with the share of the national population. Nationally, mixed-stock working communities had a slightly larger proportion of Hispanic population than the nation in 2000, but the ratio of Hispanics to the general population again varied according to the metropolitan area.

A particular group's share of the aggregate population of either the nation or a metropolitan area, however, does not indicate the degree of racial integration among or within census tracts.

### **Finding affordable housing in working communities can be a problem, especially in metropolitan areas with soaring real-estate markets, but rental properties may help**

In metropolitan areas across the country, the incomes of families in working communities fell far behind the incomes of affluent households. The slower growth in

incomes of working communities reflects broader structural economic trends. Between 1970 and 2000, income of the upper two quintiles of the national population grew significantly ahead of inflation, while income of the middle quintile grew slowly, and that of the lower two quintiles hardly changed at all.

As a result, as the cost of housing climbed, housing in general became less affordable in mixed-stock working communities. The worst situations were in regions of San Francisco, Los Angeles, San Diego, Seattle, New York, and Boston, where house values and rents soared over the last thirty years. In Seattle, for example, from 1970 to 2000 the census indicates that incomes rose 17 percent in working communities and 22 percent in mixed-stock working communities, both figures substantially less than the 35 percent hike in incomes in affluent areas. Yet the same period saw average house values in working communities jump by 145 percent. And in mixed-stock working communities, a hike in home values of 153 percent actually exceeded that for affluent areas (147 percent).

Even in the Chicago metropolitan area, which did not experience a hyper-real estate market, there were similar problems. From 1970 to 2000 average family income rose 6.5 percent in working communities as opposed to 31 percent in affluent areas. Over the same period, the average owner-occupied house value was reported to have risen 71 percent.

In these and other cities, according to the census, rents climbed much more slowly than did house values. In the Seattle region, for example, rents rose from 1970 to 2000 three percentage points more than income in working communities and seven points less than income in mixed-stock working communities. Similarly in the Chicago metropolitan area, the rise in average rents are reported to be the same as the average income in the working communities and less than a percentage point higher than the average income in the mixed-stock working communities. The census data thus suggests that the development of multifamily rental properties may help allay high housing costs.

### **Multifamily housing serve a variety of needs in different mixed-housing-stock working communities**

A close-up look at selected mixed-stock working communities reveals that their multifamily housing stock serves a variety of needs for housing and community life within their metropolitan areas.

Multifamily housing in the Chicago neighborhood of Beverly-Morgan Park and the Cleveland suburb of Shaker Heights illustrate multifamily housing as entry point into an exclusive community. Both communities are long-standing upper-middle-class areas. They both were once all white but have successfully integrated in recent years. In both places, multifamily housing takes the form of apartment buildings built in the early decades of the twentieth century. Today these multifamily structures are for the most part well managed—thanks in part to the vigilance of local leaders. They offer apartments at reasonable rents—about 50% of the multifamily housing in Shaker Heights is said to be affordable to households earning 50-80% of area median income. As a result of the reasonable rents, multifamily housing introduces new people to Beverly-Morgan Park and Shaker Heights. Often these renters decided to buy homes in their communities, further promoting community spirit.

The Boston suburb of Peabody, Massachusetts illustrates the possibilities multifamily housing offers in a built-up and extremely expensive housing market. Peabody is an old industrial town whose industry—leather tanning—has become obsolete. Yet the town has experienced a renaissance, thanks to a regional shopping mall, new high-technology industries, and two of the metropolitan area’s major highways. Despite being a developed suburb, Peabody has attracted and continues to attract real estate developers who build not only single-family subdivisions but also multifamily rental housing for different income groups. Renovated tanning factories and recently built multifamily complexes offer well-located apartments at reasonable rents. In the Boston region, where housing costs have soared into the stratosphere, Peabody’s multifamily housing provides a moderately priced haven in an overpriced housing market.

In the northern California agricultural community of Woodland, multifamily residences are an important component of the local housing stock. In addition to producing such foodstuffs as tomatoes, rice, and almonds, Woodland manufactures mobile homes and is a major distribution center for such consumer product companies as Target, Walgreens, and Radio Shack. Because many of its agricultural, industrial, and warehousing jobs pay relatively low wages, Woodland has a substantial working class, many of whose members are Hispanic. Thus, even with the recent arrival of commuters from nearby Davis, the home of a growing campus of the University of California, and Sacramento, the state capital, Woodland has a need for low-cost housing. Real estate developers, with the encouragement of the city’s planning and development agency, have obliged with reasonably priced multifamily dwellings, with and without subsidies. Surprisingly, proposals to build multifamily projects in Woodland engender relatively mild opposition, partly because they are often located in previously undeveloped areas and partly because they fill an obvious need. Woodland teaches the lesson that in growing working communities multifamily dwellings can be seen as necessary and desirable.

### **Working communities and multifamily housing are valuable assets worth preserving and encouraging**

These findings suggest that working communities and multifamily housing serve a valuable role within metropolitan regions. Working communities provide stable neighborhoods for the working people who help urban areas function. Multifamily dwellings provide decent shelter and contribute to a mix of income groups within a community, thus making it a more lively and vital place.

Working communities in some locales, moreover, appear to be evolving in a direction that would hearten pro-smart-growth city planners and affordable housing advocates. From east to west, in older industrial cities and booming Sunbelt settlements alike, some working communities are increasing population densities, developing multifamily housing, and creating mixed-stock working communities. In these working communities, the research suggests, real estate developers have been building multifamily housing and leasing their units at rents reasonable for their metropolitan areas. The disparate examples of Peabody, Massachusetts outside Boston and Woodland, California outside Sacramento illustrate the national trend, reflected in census statistics,

in which certain working communities over the last twenty years increased the number of multifamily housing dwellings.

Given these findings, government officials, planners, and housing advocates might benefit from studying why such places attract new multifamily housing for working people. With that knowledge it might be possible to encourage affordable multifamily housing to grow where it already exists and help spread it to other communities where it has not yet taken root.