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## Moving Cleveland Above the Trend: New Residential Centers

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# MOVING CLEVELAND ABOVE THE TREND: NEW RESIDENTIAL CENTERS

A recent report conducted by the Center for Economic Development examined the structural and policy factors of economic growth in mid-sized metropolitan areas (MSAs). The Center used factor analysis as a data-reduction technique to identify five factors influencing mid-sized regional economies: 1) *Innovation and Talent*, 2) *Entrepreneurship in High-Cost Areas*, 3) *New Residential Centers*, 4) *Retirement Destinations*, and 5) *Polarization*. These factors also contribute to changes in regional employment, gross regional product (output), and per capita income. This brief outlines the initial analysis’ primary takeaways related to New Residential Centers and explores how Northeast Ohio can incorporate successful policies and programs in other regions to propel it forward.

The *New Residential Centers* factor explains 11% of the variation and is the third most important factor of regional growth behind *Innovation and Talent*<sup>1</sup> and *Entrepreneurship in High-Cost Areas*.<sup>2</sup> The six variables that make up this factor and are associated with a metro area’s success are homes built after 1940, health insurance, new residential construction, suburban poverty, employment in young firms, and a lack of manufacturing employment (Table 1). This factor is associated with employment and output growth but saw a decline in per capita income, indicating that although these places create jobs, these jobs are not necessarily high paying. Unlike the previous briefs on the factors of metropolitan growth, we will not examine attainable and aspirational metro<sup>3</sup> areas since many of the places that excel in this factor do not resemble Northeast Ohio (NEO). Instead, we will discuss the top performers in this factor, the pros and cons of new residential growth, and the main takeaways for NEO.

## TOP PERFORMERS & NEO

The factor of *New Residential Centers* is not solely about economic growth; rather, the housing and infrastructure

**TABLE 1: NEW RESIDENTIAL CENTERS FACTOR VARIABLES**

Ranking	Variable
1	Homes Built After 1940
2	Health Insurance Coverage
3	New Residential Construction
4	Suburban Poverty
5	Employment in Young Firms
6	Low Manufacturing Employment

issues that characterize growing metro areas should also be considered. When thinking about NEO, many descriptors use the word “legacy” to describe it – legacy cities, legacy manufacturing, the legacy of a place (houses older than 1940), et cetera. *New Residential Centers* is the opposite of this concept: new houses, new industries, and new businesses, and as a result, new people. This is seen in the dramatic difference in rankings between top-performing metros and Northeast Ohio (Table 2 & 3). Infrastructure in aging places is a significant and long-standing issue, especially for a young mobile workforce. Houses with open floor plans appeal to the young, while ranches appeal to the old – neither reflect the housing in many Rustbelt communities. The negative association of manufacturing reflects these *New Residential Centers*’ industrial composition and the North’s legacy of urban poverty and reliance on manufacturing.

Most of the top-performing metros in *New Residential Centers* are metro areas in Texas (7 of the top 10) (Table 2). In fact, of the top 50, only four are not in the Sunbelt (as defined as metros south of the 36°30’ parallel).<sup>4</sup> Top-performing metros in *New Residential Centers* have seen, on average, an 18.3% increase in population as compared to a combined 1.7% decline in NEO MSAs (0% in Akron, -1.7% in Canton, -1.4% in Cleveland, and -5.3% in Youngstown).<sup>5</sup> Both the young and old move to Sunbelt cities for a variety of reasons. Older people seek the fixed physical assets of warm weather and new houses that can be built to suit an older lifestyle. At the same time, young adults move for jobs and a favorable tax and regulatory structure. These physical assets are vastly different from NEO, nor can NEO change them.

<sup>1</sup> Lendel, I. V. Piazza, M., Schnoke, M., and Walsh, N. (2021). [Moving Cleveland above the trend: innovation & talent](#).

<sup>2</sup> Lendel, I. Piazza, M., Schnoke, M., & Kushner, S. (2021). [Moving Cleveland above the trend: Entrepreneurship policy](#).

<sup>3</sup> For more information on how we define “attainable” and “aspirational” see Lendel, I. Piazza, M., Schnoke, M., Yun, J., & Walsh, N. (2020). [Moving Cleveland above the trend: benchmarking regional performance](#).

<sup>4</sup> Fulton, W., Hazle, S.G., Choudary, W., & Sherman, S. (2020). [The urban sunbelt: an overview](#).

<sup>5</sup> U.S. Census Bureau, Population Estimates

**TABLE 2: NEW RESIDENTIAL CENTERS TOP 10 METROS (OVERALL RANK OUT OF 135 MID-SIZED MSAs)**

Metro Area	Factor	Homes Built After 1940	Health Insurance Coverage	New Residential Construction	Suburban Poverty	Employment in Young Firms	Low Manufacturing Employment
McAllen-Edinburg-Mission, TX	1	11	1	14	2	10	6
Killeen-Temple, TX	2	23	22	2	20	41	20
Austin-Round Rock, TX	3	15	18	3	61	7	34
Naples-Immokalee-Marco, FL	4	1	5	29	105	1	7
San Antonio-New Braunfels, TX	5	55	6	7	34	36	22
Brownsville-Harlingen, TX	6	13	3	32	15	60	15
Corpus Christi, TX	7	47	2	33	6	34	19
Las Vegas, NV	8	3	20	41	12	17	5
Cape Coral-Fort Myers, FL	9	2	11	59	44	3	4
Fayetteville, NC	10	14	37	25	13	82	23

As a region, it cannot change its aging housing stock on a large enough scale, augment the state tax policy, or alter the climate. The growth in Sunbelt metros follows decades of economic development policy in these areas to attract businesses and residents to facilitate an increase in productivity, demand for Sunbelt amenities, and housing supply.<sup>6</sup>

More recently, Rice University investigated trends in the urban Sunbelt and found that these areas are growing faster than their counterparts, adding more young and older people; jobs are growing in the highest- and lowest-paying sectors; poverty is growing; housing is becoming more expensive; and residents are auto-dependent with high transportation costs.<sup>7</sup> This implies that – as these areas build out and grow – yes, there are jobs, but most are not high-paying jobs. The top growing sectors in the Sunbelt from 2001 to 2016 were in retail, accommodations, food service, and health care, all industries known for low-paying jobs.<sup>8</sup>

## PROS AND CONS OF RESIDENTIAL GROWTH

A contributing factor in the Sunbelt’s rise is the relatively low housing cost compared to more established urban centers. It is necessary to measure how this region became so enticing for homeowners and renters alike. Among certain neoliberal economic circles, the reason for the Sunbelts’ affordability is simple, deregulation.<sup>9</sup> The argument is that their lax zoning laws and regulations keep competition and productivity growing since they approve more greenfield construction, which encourages sprawl, thus subsequently keeping housing affordable. This is unlike established cities in the North where past growth has already built out its metro areas leaving only aging brownfields as available parcels for construction.

The City of Houston embodies this deregulation paradigm since it is the most prominent city in the United States with little or no zoning code.<sup>10,11</sup> There is ample

**TABLE 3: NEW RESIDENTIAL CENTERS NORTHEAST OHIO METROS (OVERALL RANK OUT OF 135 MID-SIZED MSAs)**

Metro Area	Factor	Homes Built After 1940	Health Insurance Coverage	New Residential Construction	Suburban Poverty	Employment in Young Firms	Low Manufacturing Employment
Cleveland-Elyria, OH	115	115	122	110	124	126	121
Youngstown, OH-PA	116	116	115	97	134	98	89
Akron, OH	119	119	111	109	123	110	109
Canton- Massillon, OH	122	122	118	85	116	107	128

<sup>6</sup> Glaeser, E. & Tobio, K. (2007). [The rise of the sunbelt.](#)

<sup>7</sup> Fulton, W., Hazle, S.G., Choudary, W., & Sherman, S. (2020). [The urban sunbelt: an overview.](#)

<sup>8</sup> Ibid.

<sup>9</sup> Glaeser, E. L. (2008) [Houston, New York has a problem.](#)

<sup>10</sup> Fulton, W. (2020, Jan 12). [The ‘Z’ word.](#)

<sup>11</sup> Holeywell, R. (2015, Sept 8). [Forget What You’ve Heard, Houston Really Does Have Zoning \(Sort Of\).](#)

evidence of a precipitous rise in housing and rental costs over recent years, especially when accounting for externalities like commuting costs.<sup>12</sup> Others argue that Sunbelt metro housing is cheaper not because of deregulation but because of poor connectivity and homogenous undesirable neighborhood designs.<sup>13</sup> In other words, San Francisco is expensive because it is a primarily desirable city people want to live in, while Houston is not. This results in a lack of desire for regulation and placing resources and investment in residential places is not an approach that legacy cities are positioned to do.

The impact of the housing crisis and the Great Recession is another potential reason for the lower cost of Sunbelt housing.<sup>14</sup> During and after the recession, mobility decreased, leaving large numbers of people stuck in place, and in some cases, causing densification of cities and regions. Since the recession, mobility has slowly begun to increase, causing rapid growth in Sunbelt metros with an excess supply in housing and more affordability when demand increased. This theory might hold true, but examining some analyses shows the area's increasing unaffordability as more and more new residents move in.<sup>15</sup> This looming affordability crisis may jolt Sunbelt metros into confronting community development issues they are unaccustomed to addressing.

The highest-ranking *Residential Centers* see an increase in employment because growth can beget more growth. For example, suppose seniors move to the South because of the weather. In that case, this increases the demand for housing, resulting in the construction industry increasing. A 2018 report from the Associated General Contractors Association revealed that Houston had added 24,000 jobs in the construction industry alone that year.<sup>16</sup> Those employed in construction will also require housing, furthering demand for new development. This dynamic trickles the money from new home construction to other sectors of the economy based upon household spending.

Yet residential growth is not all positive. One drawback we see to this residential growth is the decline in income growth. Though these areas create jobs, they are not all high-wage jobs. As a result, they have also seen an increase in poverty as well as increased inequality. This divergence between high-paying and low-paying employment puts pressure on overall affordability and

creates a greater need for communities to provide services to residents pushed into poverty. It remains clear that housing choice and amenities are essential in deciding where people choose to live.

## TAKEAWAYS FOR NEO

So, where does this leave NEO? The takeaway from this brief is that NEO is in a paradox – we want to grow and attract the population. Still, we have to recognize our regional assets do not reflect the Sunbelt. Moreover, growth in NEO should be reflective and authentic to its roots of older housing stock, a manufacturing tradition, and a climate that has four seasons. Understanding that we don't want to become Texas or Florida, but we also don't want to lose population to them either, is crucial.

It is yet to be seen whether the dynamics of place have been permanently changed because of the pandemic. COVID-19 has left many things that people held to be true in jeopardy – one being that you need to live by your job. For many white-collar jobs, employment is no longer restricted by geography. A place's quality of life will become more critical. Gallup estimates that over half (56%) of Americans are still working from home even a year after closures.<sup>17</sup> Some trends show that people are choosing to leave high-cost cities, opting for lower-cost communities since geography for many jobs is irrelevant. Where young people choose to live and work has yet to be foreseen as cities re-open and envision a post-pandemic country. It may be that highly mobile workers will choose to live in places with a high quality of life.

Regions have recognized that attracting remote workers may be a way to increase their tax base and have a more educated, vibrant population. One example of such an approach is Tulsa Remote. This organization will pay remote workers \$10,000 to relocate to Tulsa, OK.<sup>18</sup> Recent data shows Cleveland and Milwaukee in the top ten metros for new migration during the pandemic.<sup>19</sup> Is this perhaps due to remote workers? Perhaps ex-residents moving back for affordability while remote? Only time will tell if this trend continues.

Beyond this, the pandemic has forced many people to assess and reassess their relationships with friends and family and their geographic proximity.<sup>20</sup> We now know

<sup>12</sup> Holley, P. (2020, Jan 17). [Houston Is Now Less Affordable Than New York City.](#)

<sup>13</sup> Ross, B. (2014, Oct 31). [Lousy Neighborhoods, Not Lax Zoning, Make Sunbelt Houses Cheaper.](#)

<sup>14</sup> Wilson, R. (2019, April 18). [More Americans are moving, mostly to Sun Belt suburbs.](#)

<sup>15</sup> Sen, C. (2021, Mar 15). [Texas and Georgia Are Paying the Price for Sprawl.](#)

<sup>16</sup> Turmail, B. (2018, Dec 27). [Construction employment increases in 265 metros from November 2017 to November 2018.](#)

<sup>17</sup> Lardieri, A. (2021, Feb. 12). [Poll: Americans like working at home.](#)

<sup>18</sup> Florida, R. & Ozimek, A. (2021, Mar. 5). [How remote work is reshaping america's urban geography.](#)

<sup>19</sup> Anders, G. (2021, Mar 17). [Migration's new map: Florida and Utah win favor as two giant metros lose out.](#)

<sup>20</sup> Grabar, H. (2021, Feb 8). [Mama, I'm coming home.](#)

that the immediate family was a lifeline for social, emotional, and physical support during this trying time for many people. This dynamic change in how people view the importance of friends and family could lead to a boomerang effect in the future where families may choose proximity to one another over climate or business prospects. This could also potentially reverse a negative trend for Ohio that has increased in recent years.<sup>21</sup>

However, knowing all of this, NEO should position itself to take advantage of this new trend by enhancing its brand awareness and marketing as to its affordability, family-centric and cultural amenities, and centralized location. Strategic investments in transportation and infrastructure in the region are crucial; one exam-

ple is NOACA's (Northeast Ohio Areawide Coordinating Agency) exploration into the creation of a hyperloop – a super-fast train proposed to connect Chicago and Cleveland<sup>22</sup> – with the hope that this investment would make Cleveland a bedroom community of Chicago since it would now be within a 20-minute commute. These kinds of investments could also make Northeast Ohio an affordable bedroom community for Sunbelt cities such as Houston and San Antonio for an increasing cohort of remote workers. This paradigm shift only works if NEO is poised to prioritize broadband infrastructure investments, capitalize on federal infrastructure spending, and entice remote workers.

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<sup>21</sup> Exner, R. (2020, Nov. 27). [37 million Ohio natives now make other states their homes here's where most ex-buckeyes have moved.](#)

<sup>22</sup> NOACA Board of Directors Meeting (2019, June 14). [Resolution 2019-028: GreatLakes Hyperloop: Contract Amendment.](#)

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