

**Housing and Community Development Recommendations
For Cuyahoga County Executive Armond Budish
Prepared By The Vacant and Abandoned Property Action Council (VAPAC)
11-17-14**

As a result of the foreclosure and subprime lending crisis that began to unfold after 1995, Cuyahoga County has experienced unprecedented impact on a scale not seen since the Great Depression of the 1930s:

- 150,000 foreclosures between 2000 and 2012, more than 3 times what would have been expected in this period.
- Dramatic home sale price declines after 2006: 25% county-wide, 50% in Cleveland and more in some communities.
- Loss of property tax value and revenue, with a \$45 Million shift in tax burden to the outer suburbs.
- High foreclosure rates have resulted in 24,000 vacant homes in Cuyahoga County, with 10,000 or more requiring demolition.
- Projected demolition costs of \$100 Million for residential vacancy alone.
- \$70 Million in tax delinquency on vacant homes.
- Continued outmigration of population.

The Vacant and Abandoned Property Action Council (VAPAC), a coalition of 20 civic and governmental agencies, has been responding to the foreclosure crisis since 2005. VAPAC believes County Executive Budish is uniquely situated to assert leadership and take critical steps in the next several months to help County housing markets recover and bring needed relief to struggling homeowners.

Outlined below are 6 priority action steps that can be taken in the first few months of the Budish Administration. One critical step is the initiation of a process to develop a Cuyahoga County Housing Policy. Such a process could take the better part of 2015 to complete. That process must not delay other urgent steps that can, and should, be taken early in 2015.

Summary of Priority Recommendations

1. Initiate a process to develop a **Cuyahoga County Housing Policy**.
2. Create a County **Foreclosure Response Office**.
3. Move quickly to **make demolition funds available** to communities with distressed vacant homes.
4. Ensure adequate staff and resources for the **County Land Bank**.
5. Act on **reforms to the sale of tax liens** recommended by the Vacant and Abandoned Property Action Council (VAPAC).
6. Appoint a Task Force to study the County's **property tax collection procedures** and their impact on vulnerable populations.

Housing & Community Development Policy Recommendations

Cuyahoga County Lacks A Comprehensive Housing Policy

1) Initiate a Process to Develop A Cuyahoga County Housing Policy

Problem	Background	County Role
Cuyahoga County has no comprehensive housing policy.	As a result of the foreclosure and subprime lending crisis that began to unfold after 1995, Cuyahoga County has experienced unprecedented impact - declining home sale prices, loss of property tax revenue, housing abandonment, loss of population - all of which have placed unprecedented burdens on the county and its residents. The County needs an up to date housing policy that responds to these changed circumstances.	The County Executive should take steps to work in partnership with County Council and housing and community development stakeholders to develop a Cuyahoga County Housing Policy that would address elements such as, for example, responding to the foreclosure crisis, delinquent tax collection, property abandonment and the stabilization of housing markets. The process should be open, inclusive and transparent.

Mortgage Foreclosure

2) Create a Cuyahoga County Foreclosure Response Office

Problem	Background	County Role
Banks are unwilling to modify loans	The lending industry on the whole is still not embracing principal reduction.	A new County Foreclosure Response Office should lead efforts to negotiate loan modification programs with foreclosing lenders.
Banks "walking away" from properties they've foreclosed on	After initiating foreclosure, if the property goes vacant, banks too often walk away, i.e. charge off the loan and don't take the property at Sheriff Sale.	The County should use its legislative and police powers to hold banks accountable for the cost to clean up or demolish distressed properties being foreclosed on. This should include investigating foreclosure bond ordinances and other "creditor responsibility" ordinances.
Banks are failing to maintain property to housing code standards	In distressed neighborhoods banks often fail to maintain properties they do take at Sheriff Sale.	
Irresponsible "dumping" of low value property by banks	Banks do little or no vetting of buyers; low value distressed property often ends up in the hands of irresponsible investors.	The County should lead efforts to reward best practices by organizing efforts to strategically deposit county and municipal funds with banks that meet best practice standards.
Sheriff Sale Procedures that enable irresponsible trading of low value distressed property	Buyers at Shf Sale have little information about a property's code enforcement status. This inadvertently facilitates unsound investment decisions which lead to perpetuation of distressed conditions.	Sheriff Sales should be linked to CWRU code enforcement data so buyers would be put on notice of violations, condemnations, pending demolitions, etc.
Lack of home repair resources to stem Homeowner walk aways and defaults	Seniors, disabled and others on fixed income may lose their home due to having insufficient resources to maintain the home.	Expand existing programs to provide home repair grants or forgivable loans to distressed homeowners.

Vacant Blighted Homes

- 3) Move Quickly To Make Demolition Funding Available so Communities Can Restore Their Housing Markets**
- 4) Ensure Adequate Staff and Resources for The County Land Bank, The County's Major Force For Housing Renovation and Blight Removal**

Problem	Background	County Role
The need for demolition of blighted homes exceeds the resources available	Blight has driven down home sale prices and, as a result, the cost to renovate a home in many distressed communities far exceeds what it can sell for, making demolition the only financially feasible option. There are an estimated 8,000 homes requiring demolition in Cleveland, 1,000 in East Cleveland and another 1,000 throughout the remainder of the suburbs, with a projected cost of \$100 Million.	VAPAC strongly supports the recently enacted \$50 million demolition bond and urges that the hardest hit communities will have manageable access to the resources that they need to remove blight and stabilize and restore their housing markets.
Inadequate resources for housing renovation	In the case of homes that are historic or have other strategic significance, there may be a need for subsidy beyond the subsidy available for demolition.	The County should assess the need for a grant fund and/or forgivable loan fund for renovation of blighted homes, as an additional resource for stabilizing housing markets.
Property Stripping	Theft of viable mechanical systems and components increases the cost of renovation, and reduces the viability of renovation.	The County should collaborate with Cleveland and other municipalities to police and deter this activity.
Code Enforcement	The code enforcement and law department resources of municipalities, both large and small, are often insufficient to keep up with the volume of distressed properties. The NEO CANDO data system at CWRU has emerged as a key tool for code enforcement advocates; the system relies heavily on an updated pipeline of public records to CWRU.	The County should support and facilitate the use of the CWRU data system to help municipalities coordinate their vacant property code enforcement efforts, and should ensure that the flow of critical public records data is maintained uninterrupted to CWRU.
Land Bank Sustainability	The Cuyahoga Land Bank has over the past 5 years emerged as a national model for land banking. It has been the leading force for housing renovation and blight removal, and is the county's most important tool for achieving housing market stability and recovery.	A top priority for the Budish Administration should be insuring adequate staff and operation of the land bank.
Irresponsible investors fail to maintain homes, pay taxes and register with the Secretary of State	A Harvard University Study, led by a team of Cleveland researchers, has documented the problem of investors failing to maintain their properties, failing to pay property taxes, and failing to register with the Secretary of State. Yet these investors freely use the County's system of recording of deeds to further their flawed business model.	Long term the County should seek a legislative amendment giving it authority to refuse to file deeds for companies that are tax delinquent or fail to register with the Secretary of State. Short term, the County should require investors to disclose whether they have registered, and if they refuse, report them to the municipality where the property is located.

Problem	Background	County Role
Lack of access to responsible credit for renovating vacant property	Interviews with redevelopers conducted during the Harvard study referenced above suggest that responsible private developers are having difficulty obtaining financing to rehab vacant properties. This may be due to an over-reaction of the lending industry to the industry's prior abusive lending practices. An over-tightening of credit may actually undermine market recovery where it otherwise could occur.	The County should play a leadership role, in partnership with municipalities and community development organizations, to encourage lending institutions to make credit available for renovation and home purchase. In collaboration with partners, the County could monitor and track bank lending to ensure equitable lending.
Lack of access to responsible credit for home purchase loans	Similarly, an over-reaction to prior abuses may be resulting in a denial of credit to credit-worthy borrowers.	The County should organize efforts to reward best credit and reinvestment practices by strategically depositing county and municipal funds with financial institutions that meet best practice standards.

Tax Delinquency & Collection

- 5) Adopt VAPAC Tax Lien Sale Recommendations**
- 6) Convene a Task Force to study the County's Property Tax Collection Procedures and their impact on vulnerable populations.**

Problem	Background	County Role
Diminished treasury department capacity.	Since the change in administration in 2011, resources for the County Treasury have been cut, with staff reduced from 83 to 37 employees. The number of employees assigned to work with the public on delinquent tax issues has been reduced to four individuals. Long wait times for taxpayers calling in are not uncommon. This reduction in staff capacity is unacceptable and undermines the County's ability to maintain healthy levels of tax revenue collection.	The County Treasury is the initial point of contact for troubled taxpayers and should be strengthened to provide customer service that helps avoid tax delinquency and tax foreclosure.
Sale of Tax Lien Certificates	VAPAC has for a number of years raised concerns about the practice of selling tax lien certificates to investors. VAPAC is currently partnering with the County on research to study the impact of these sales. The research will be completed by the end of the year.	Recommendations developed by the VAPAC tax lien sale research group should be a top priority in 2015.
Forfeiture Sale Auctions	Forfeiture sales, once limited to vacant lots, are now occurring on both occupied and vacant structures; a high number of condemned structures are being made available to speculators at forfeiture auctions.	The County should explore all actions it can legally take to minimize acquisition of forfeiture property by irresponsible investors.

Problem	Background	County Role
Disposition of Tax Delinquent Property	The County Land Bank has proven to be a viable alternative for disposition of tax delinquent vacant property. The current administration has recently enacted disposition policies crafted in collaboration with the Land Bank, VAPAC, and others.	Support and continue the implementation of the recently developed disposition policies.
LLCs getting Homestead Exemption	Due to inadequate record maintenance, investors are benefitting from carry-over Homestead exemptions for seniors and disabled prior owners. The County is losing tax revenue that could be collected.	Work with CWRU's NEO CANDO data system to eliminate these improper exemptions to investors.
LLCs getting owner/occupancy reduction	Due to inadequate record maintenance, investors are benefitting from carry-over Owner-Occupancy reductions of prior owners. The County is losing tax revenue that could be collected.	Work with CWRU's NEO CANDO data system to eliminate these improper tax reductions to investors.