

The Connection Between Foreclosure, Nuisance Abatement, Blight Removal and Housing Market Recovery in Cuyahoga County

Testimony In Support of House Bill 155

Economic and Workforce Development Committee

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Frank Ford

Senior Policy Advisor, Western Reserve Land Conservancy

fford@wrlandconservancy.org

Thank you for the opportunity to testify today in support of House Bill 155, which will provide \$100 Million Dollars over the next two years to abate blighted nuisance properties in communities still struggling to recover from the foreclosure crisis.

Between 1995 and 2000, after decades of denying mortgage loans to low income communities in Ohio as too risky (a practice known for years as “redlining”), many lenders began to see an opportunity for profit: instead of using *risk* as a reason to deny loans, they used the same rationale to aggressively market *high interest subprime* loans to these same borrowers. Not surprisingly, these loans had high rates of default and foreclosure, which led to a high volume of housing abandonment and blight. The visible blight from these homes undermined property value, reduced homeowner equity and reduced the collection of property tax revenue needed for schools and other services.

The good news is that nuisance abatement and demolition of blighted properties over the past decade has put housing markets on the path to recovery. The bad news is that the funding for that work is nearly exhausted. Meanwhile the progress that the hardest hit communities have made is now in jeopardy because funding for nuisance abatement is running out before the job is finished.

Most of the research I will present here is based on Cuyahoga County, but I also want to point out that while mortgage foreclosure, property abandonment and blight are most associated with urban Black communities, many small rural Ohio communities were also impacted. As noted in Table 1 below, smaller rural counties like Preble, Clark, Marion and Brown were among the top 10 hardest hit counties by mortgage foreclosure over the past 20 years.

Top 10 counties, foreclosures per capita over past 20 years

County	2015 population	1996-2015 filings	Filings per 1,000 people
Statewide	11,613,423	1,115,509	96
1. Cuyahoga	1,255,921	183,869	146
2. Montgomery	532,258	67,116	126
3. Lucas	433,689	51,802	119
4. Preble	41,329	4,696	114
5. Summit	541,968	61,395	113
6. Mahoning	231,900	25,803	111
7. Clark	135,959	15,109	111
8. Marion	65,355	7,024	107
9. Hamilton	807,598	86,285	107
10. Brown	43,839	4,671	107

Source: Ohio Supreme Court. The population data are from 2015 annual estimates by the U.S. Census Bureau, Population Division.

Table 1 “Ohio Foreclosures 2016”, Policy Matters Ohio.

It’s also worth noting that Richland and Coshocton Counties were among the top 3 hardest hit by foreclosure in 2015 and 2016 (Table 2 below).

Hardest hit 10 counties, 2015 and 2016

County	2016 filings per 1,000 people	Rate rank	Counties	2015 filings per 1,000 people	Rate rank
Mahoning	5.6	1	Richland	7.8	1
Richland	5.6	2	Jackson	6.1	2
Coshocton	5.2	3	Coshocton	5.8	3
Jackson	5.2	4	Summit	5.3	4
Ashtabula	5	5	Erie	5.3	5
Cuyahoga	4.9	6	Cuyahoga	5.1	6
Trumbull	4.6	7	Mahoning	5.1	7
Preble	4.5	8	Trumbull	4.5	8
Erie	4.3	9	Ashtabula	4.0	9
Summit	4.2	10	Montgomery	3.9	10

Source: 2015 and 2016 filings from Ohio Supreme Court. Population data from: American Fact Finder, U.S. Census Bureau, Table DP03. Retrieved by Hannah Lebovits, 10/17/2017.

Table 2 “Lingering Impact: Report on 2016 Foreclosure Trends”, Policy Matters Ohio.

Figure 1 below illustrates the result of aggressive marketing of subprime loans to the East Side of Cleveland and the East Inner Suburbs, two regions of the county with significant low income and minority population.

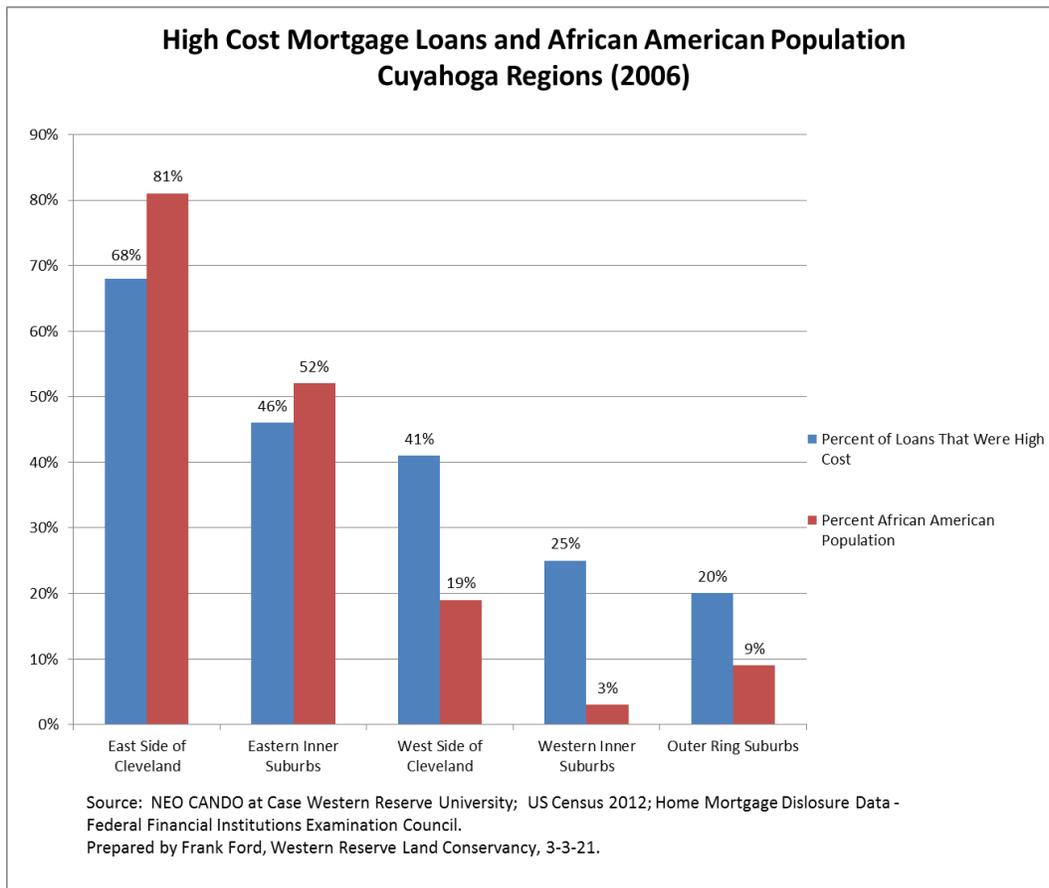


Figure 1

The same two regions of the county that were targeted for subprime loans have also experienced the highest rates of foreclosure and vacancy, as can be seen in Figure 2 and Table 3 below.

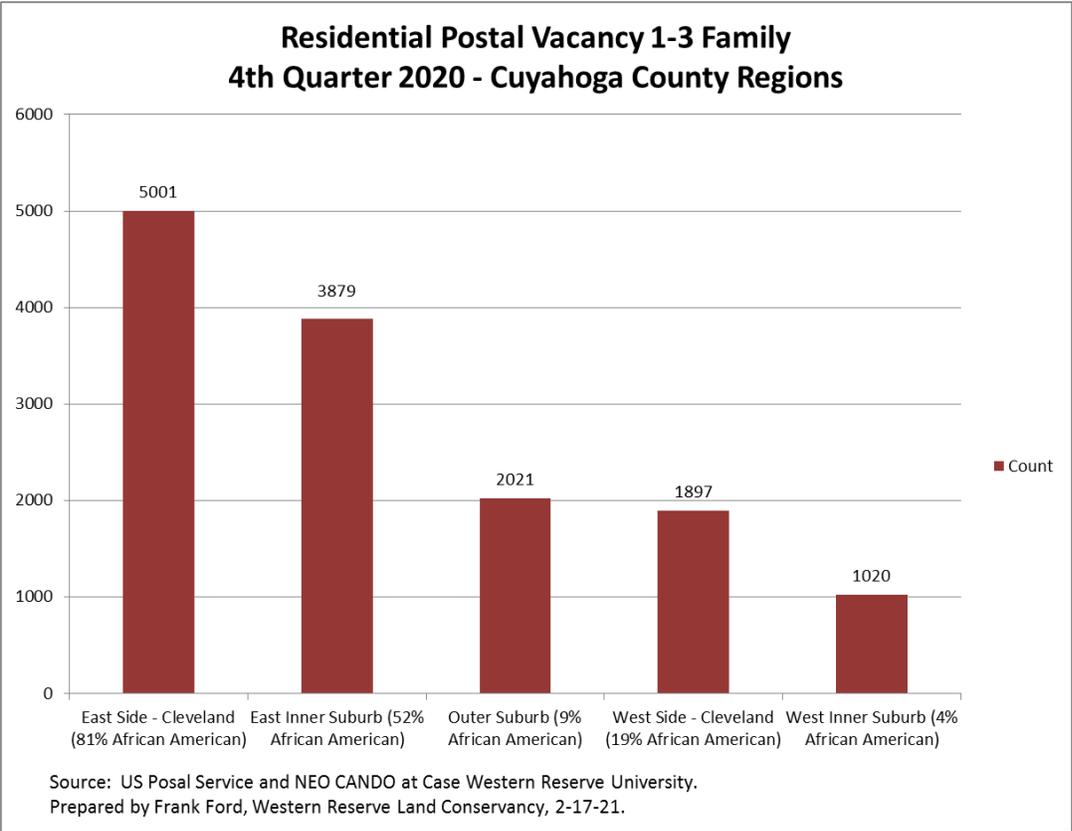


Figure 2

Table 3 below reveals that 45% - nearly half – of the residential parcels in the East Side of Cleveland had at least one mortgage foreclosure filing in the 20 year period between 2000 and 2020. Nearly one third (32%) of the residential parcels in the East Inner Suburbs also had at least one mortgage foreclosure filing in this period. The financial loss is striking. The median sale price of a home in the East Side of Cleveland went from \$80,000 in 2005-06 to \$35,000 in 2020. For homeowners in the East Side that is a loss of equity of \$45,000. The median price of a home in the East Inner Suburbs went from \$115,700 to \$94,000, a loss of equity of \$21,700.

Foreclosure and Abandonment Have Resulted In a Loss of Property Value and Homeowner Equity Cuyahoga County 2000 - 2020

CUYAHOGA REGION	Parcels with at least one filing since 2020	Residential and Land Bank class parcels	Percent of parcels with at least one filing	2005-2006 (peak years) Median Sale Price	2020 Median Sale Price	Loss of Value	Percent African American
East Side of Cleveland	35,229	78,621	45%	\$ 80,000	\$ 35,000	\$ (45,000)	80.74%
East Inner Suburb	27,159	85,605	32%	\$ 115,700	\$ 94,000	\$ (21,700)	52.32%
West Side of Cleveland	16,537	60,279	27%	\$ 89,000	\$ 88,300	\$ (700)	18.81%
West Inner Suburb	9,589	72,890	13%	\$ 133,000	\$ 159,900	\$ 26,900	3.45%
Outer Suburb	18,023	166,552	11%	\$ 173,000	\$ 195,000	\$ 22,000	9.14%
Total	106,537	463,947	23%	\$ 118,000	\$ 130,000	\$ 12,000	29.64%

Data Source: NEO CANDO at Case Western Reserve University.

Residential and Land Bank parcel count as of 4-11-21. The majority of Land Bank parcels were "residential" prior to being re-classified.

Table 3

When multiplied by thousands of foreclosed homes, the loss transcends beyond the tragic loss for an individual homeowner to a massive loss of property tax revenue for the county: \$111,934,186 in the East Side of Cleveland and \$78,864,027 in the East Inner Suburbs. Together those numbers represent 83% of the lost tax revenue for Cuyahoga County (Figure 3).

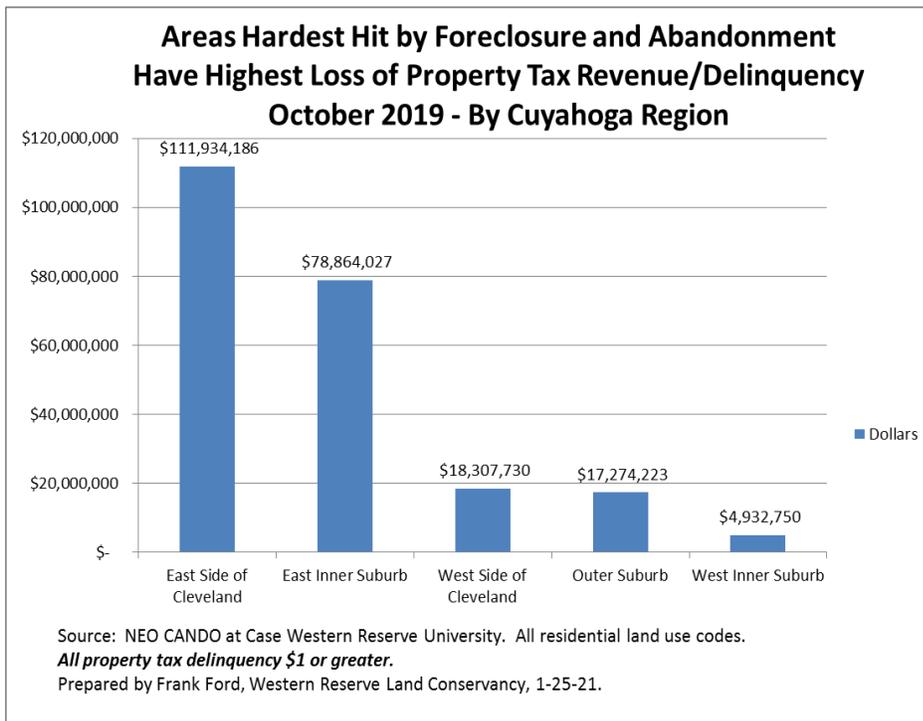


Figure 3

Figure 4 below demonstrates that housing market recovery is seen in all regions of Cuyahoga County, but it also shows that the degree of recovery is not consistent in all sub-markets. Vacancy, abandonment and blight still undermine market recovery in the two areas hardest hit by subprime lending, foreclosure and blight: the East Side of Cleveland (44% recovery) and the East Inner Suburbs (82% recovery). These areas still need blight removal resources to stimulate full recovery.

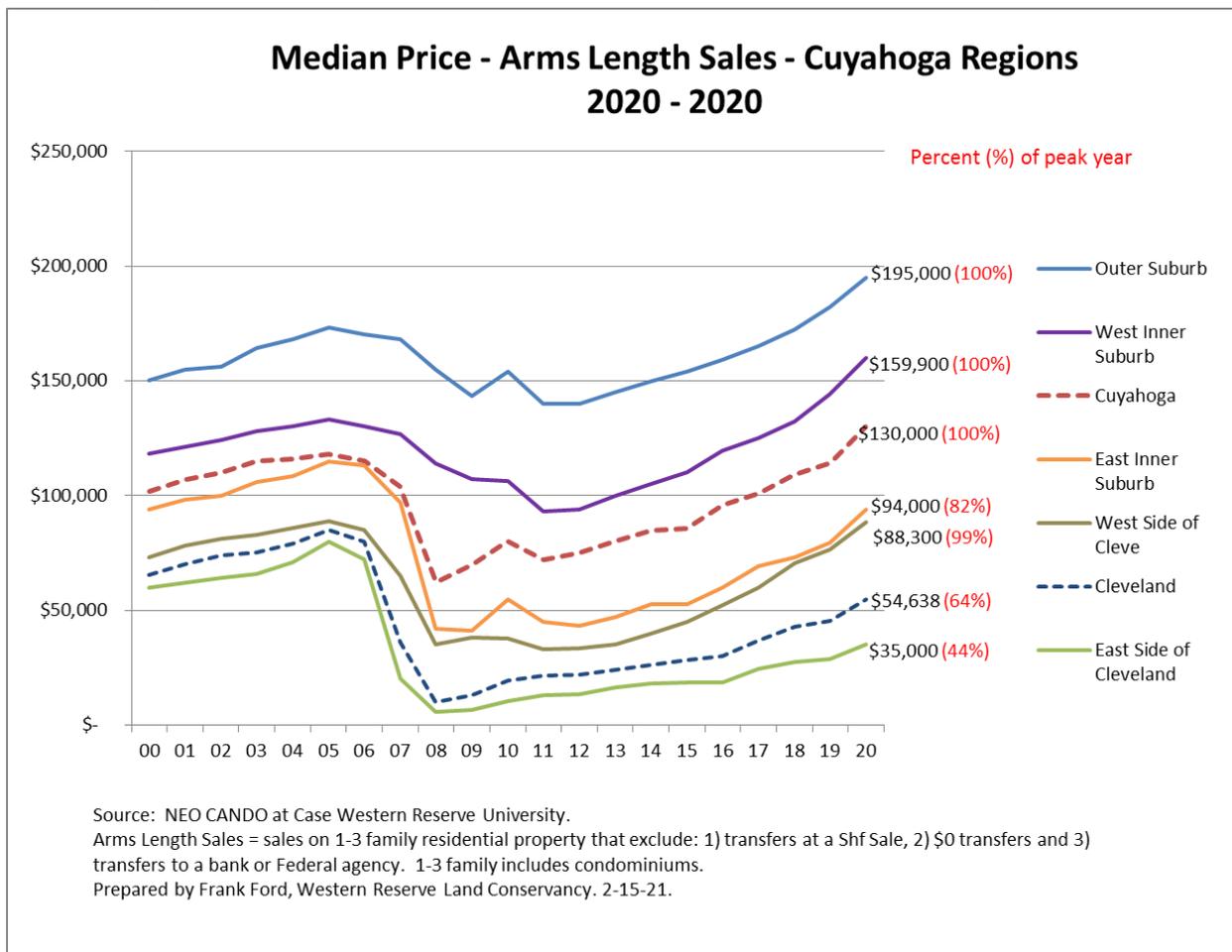


Figure 4

An even more dramatic picture is presented when the East Side of Cleveland is isolated, as in Figure 5 below.

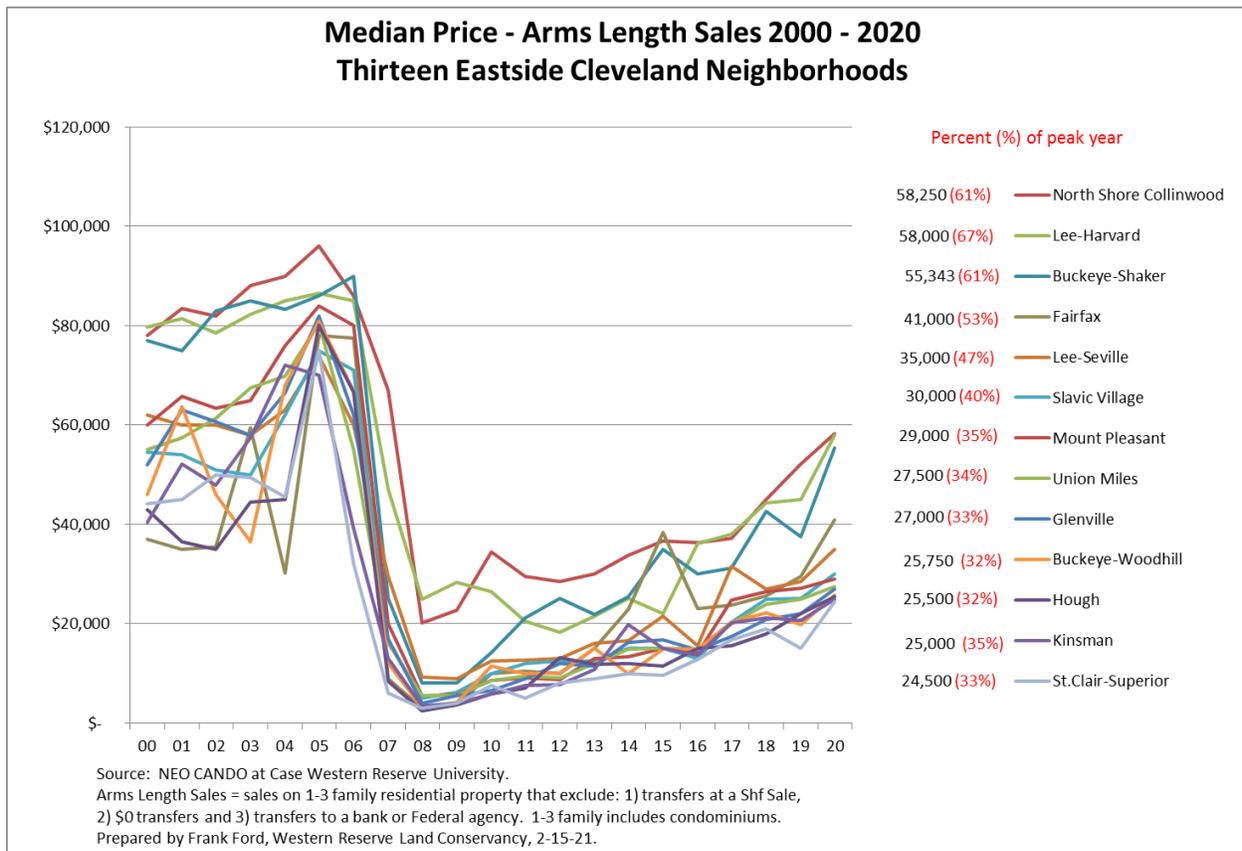


Figure 5

In addition to demonstrating the enormous collapse of the East Side housing market from a flood of subprime loans and foreclosure, Figure 5 also reveals two important points:

- Blight removal and nuisance abatement over the past 10 years has put the East Side of Cleveland on a path to recovery;
- But that recovery is not complete – additional resources are needed to keep the momentum going.

Both the City of Cleveland and the Cuyahoga Land Bank have estimated the number of blighted structures that could require demolition; their estimates are included in Table 4 below. The Cleveland estimate is limited to that municipality; the Land Bank estimate includes all of Cuyahoga County. Both of their estimates include residential, commercial and industrial properties, and in both cases their residential estimate comprises 83% of their total.

Estimates of Severe Distress and Potential Demolition in Cuyahoga County As of April 2021		
	Cuyahoga Land Bank Estimate	City of Cleveland Estimate
	Residential, Commercial and Industrial That Will Likely Require Demolition	Residential, Commercial and Industrial That Will Likely Require Demolition
Cleveland	4,552	3,907
East Cleveland	418	418
Balance of Suburbs	605	605
Total	5,575	4,930

Sources: Cuyahoga Land Reutilization Corporation, City of Cleveland Building and Housing Department.
Both Cleveland and Land Bank estimate that 83% of the total are residential 1-3 family homes.
Combined industrial and commercial count varies from 5.7 % (Cleveland) to 7.5% (Land Bank).
The balance are small, medium and large apartment buildings.

Table 4

Conclusion

Abatement and removal of blighted properties over the past decade have been crucial to putting hard hit communities on a path to housing market recovery, i.e. recovery of lost homeowner equity and recovery of lost property tax revenue.

But resources are running out before the job is finished. Additional nuisance abatement resources are needed to ensure the progress these communities have made is not lost.

Respectfully submitted,

Frank Ford,
Senior Policy Advisor
Western Reserve Land Conservancy
(216) 407-4156
fford@wrlandconservancy.org