

VAPAC Feedback on the County Planning Commission Housing Study

July 2016

Background

Over the past year, Enterprise Community Partners has convened a diverse group of housing and community development practitioners and hosted monthly meetings to help inform and assist the County's Deputy Chief of Staff for Housing, Ken Surratt, in his work toward creating a county housing plan. This ad hoc advisory group has been given the title, "County Housing Policy Stakeholders". The Vacant and Abandoned Property Action Council (VAPAC) has had significant representation on the Stakeholders group and has been actively involved in helping to inform the housing plan. After the presentation before County Council on the Countywide Housing Study and a thorough review by some VAPAC members, it was suggested by County Councilwoman Sunny Simon that feedback be provided to the Cuyahoga County Planning Commission. As a considerable amount of the study focuses on issues that VAPAC was created to address such as tax collection, foreclosures, demolition, and housing market recovery, VAPAC formed a working group to review the document. While the Housing Study was originally intended to inform County Council of county-wide housing needs, it is also being used by the Administration as one of the background sources to help inform the development of the County Housing Plan.

Our review of the document has identified a number of concerns, areas of incomplete information, and data that is either too general to be useful in developing an understanding of the challenges or fails to provide the information necessary to address them. It is important that Council, the Administration, and citizens have a complete and accurate picture of the County's housing challenges and opportunities in order to set goals and determine priorities based on the greatest need. This summary of our concerns is supplemented by an attached table that includes a more detailed analysis of each concern, with references to specific page numbers in the study. (Appendix A).

Overview

Housing constitutes 70% of the County's property tax base. During the past 20 years:

- Cuyahoga's Inner Ring Suburbs lost 23% (\$4.72 billion) of its residential market value (adjusted for inflation)
- Cleveland lost 28% (\$2.27 billion)
- Outer Suburbs gained 11% (\$3.22 billion)
- Cuyahoga lost a total of 6.6% (\$3.78 billion)
- The six counties adjacent to Cuyahoga gained 52% (\$14.5 billion) as Cuyahoga residents moved out (Study Table 13)

The future of the county is directly tied to the viability of our housing stock and the ability to retain and attract new residents to rebuild the tax base. With an aging housing stock and the highest percentage of underwater mortgages in the country¹, our county faces significant hurdles. Without appreciable job

¹ <http://www.realtytrac.com/news/foreclosure-trends/q1-2016-u-s-home-equity-and-underwater-report/> (May 4, 2016)

and population growth in the region, Cuyahoga County faces a significant mismatch of supply and demand for housing, resulting in upwards of 100,000 surplus units. Efforts to reduce oversupply of functionally obsolete housing, coupled with efforts to capture a higher share of the region's market of new housing must be explicit components of the County's housing strategy. Many Cleveland and suburban neighborhoods have housing for which there is now, and may never be, sufficient market demand.²

In spite of the oversupply of housing, according to research by Enterprise Community Partners, over 68,000 households in Cuyahoga County spend a disproportionate amount of income for housing. These households include some of the most vulnerable populations in the County. Similarly, there is a nexus between employment opportunities and housing that can help address the housing cost burden. Seniors, the largest growing population in the County, may have trouble aging in place, creating future housing problems and County social service expenditures.

Key Concerns

The following is a summary of the key items that need to be addressed if this document is to provide the foundation upon which an effective and comprehensive housing strategy will be built.

1. **Current County Housing Initiatives:** The study provides data of some county housing activities, including demolition and foreclosure prevention, but does not provide a complete picture of all of the County programs and expenditures in the area of housing. To understand where we are and where we want to be, there is a need for data on current county programs and support for housing programs, expenditures, outcomes, gaps in service, and numbers underserved or not served.

2. **Property Tax:** Residential property tax is one of the most vital sources of revenue for the county. The continuing decline in property tax collection should be a primary focus of the housing study. There are three significant residential property issues that need better documentation and trend analysis:
 - a. The reduction of the county's residential tax base over the past twenty years: total lost 6.6% (\$3.78 billion)
 - b. The shift of the county's tax burden from core and inner ring suburbs to the outer suburbs
 - c. The dramatic increase in residential tax delinquency over the past 7 years from \$90 million in 2009 to \$240 million in 2015

Since this is a major challenge, there is a need for a much more detailed analysis of current tax delinquency as to types of property, geographic distribution, and results of efforts to stem delinquency or collect taxes. (pages 90 and 122)

3. **Population Projections:** An important set of findings of the study in its current form are that the percentage of seniors will continue to grow, and that seniors in general want to age in place. There is a need for much more specific demographics analysis of this population using additional

² http://engagedscholarship.csuohio.edu/cgi/viewcontent.cgi?article=2184&context=urban_facpub

data such as geographic distribution, access to transportation, housing cost burdens, and the number of seniors presently tax delinquent. (Page 38)

4. **Housing Demand:** The study concludes that *“there is every indication that many parts of the County have begun to recover from the housing crisis and the recession.”* The study fails, however, to document that many communities still face problems with foreclosure and depressed market values. To get an accurate picture of housing demand, information should be provided by community and geographic area that accurately shows the sub-market trends—where housing values are improving, remain stable, or are declining. Similar data is needed on foreclosure, mortgage delinquency, and tax delinquency. Mapping could help to define specific areas that may cross jurisdictional boundaries. Looking at foreclosure data back to 1995, the actual start of the foreclosure crisis, can identify a change in trends, geographic impact and suggest future trends. Identifying emerging issues that may lead to further foreclosure (bulk buying, rent-to-own, low down payment, etc.) and where this is occurring is needed for future planning. (page 69 and 73)
5. **Neighborhood stability:** The study suggests a need for rehabilitation over demolition. Housing conditions and housing values in some areas cannot sustain rehabilitation. In stronger housing markets where rehabilitation is financially feasible, it should be encouraged and supported and barriers to rehabilitation should be identified. However, in the more distressed housing markets demolition is still the most cost effective tool for neighborhood stabilization and the removal of non-economical and severely deteriorated housing. In addition, not all of our communities are similar and there is a need to monitor their vital signs for neighborhood stability. Developing a typology for neighborhood stability to provide a tool for monitoring change would be beneficial. (page 127)
6. **Housing Insecurity:** The study documents that there are over 68,000 households with a cost burden and many with a severe cost burden of over 50%. These are the most vulnerable to become homeless or face problems maintaining their homes or providing for other basic needs (impacting other County resources). There is a need for much more specific information about this population broken down by household type, age, income, and geography location matched against housing cost, available housing and projections of need. (p.73)
7. **Special Needs Population and Homeless:** The word “homeless” appears only twice in the study and there is no reference to special needs populations. Since the Health and Human Services Levy specifically provides resources to address the needs of this population, a housing study needs to document the trends in these population group and the corresponding unmet housing needs. (page 75)
8. **Housing Market assessment:** The study comments on the decline in homeownership and increased rental but does not include the rental market in its market assessment. (page 89)
9. **Focus Areas:** The study clearly finds that foreclosure, property abandonment, increasing tax delinquency, and an increase in aging population are important trends. Yet it appears the four Focus Areas selected, intended to “act as prototypes for framing housing issues and strategies”, have no logical connection to those important trends. It is not clear how these trends informed the selection of the focus areas, or will be addressed in the focus areas. It appears as though

the County Planning Commission had already predetermined these four areas for reasons unrelated to the study's findings. Given the important nexus between jobs and housing, if one were to have a focus on housing in regards to economic development it would be helpful to identify job centers and job corridors in relationship to development of workforce housing or transportation options to access the jobs for the population that is in need of increased opportunity. (page 108)

- 10. Rental registry and code enforcement:** Code enforcement is one of the strategies for housing and market stabilization and rental housing is required by state law to be registered with the County (as well as with many municipalities). The report documents that about 40% of rental property owners are not registered with the County. Aggressive registration and coordination with local municipalities could help to improve monitoring of rental properties. Many communities face significant burdens in trying to do comprehensive code enforcement. While the best practices section highlights some local efforts, it fails to adequately define local capacity challenges. Given the importance of this issue, best practices in other counties and regions should be explored to see if there are models of county-wide cooperation. (page 142)
- 11. Home Repair Programs:** The study acknowledges a widespread need for home repair but there is no estimate as to the number of properties with this need, or mention of the types of support that would be needed. Additionally, the Study misses an opportunity to analyze the HELP Loan or Heritage Loan programs for applications and originations. This data is available and would provide a proxy for demand. (p 143)
- 12. Lead Paint:** The study documents that there are significant lead paint issues but does not address the scale of the problem or the additional resources needed to address it. Given the County's investment in early childhood education, that investment can be significantly undermined if those children become lead poisoned. This is a significant issue that needs more detailed attention. (page 130).

Implications for the County Housing Plan

Housing Trust Fund: The study recommends a housing trust fund as a best practice to raise funds to address some of the housing needs in the community on an on-going basis. While it is beyond the scope of the study to recommend potential funding sources, for the housing plan to address the issues raised in the study, Council and the Administration should begin the process to identify appropriate resources that would be available on an on-going basis.

Fair Housing: This is an important challenge cited by the study. As programs, funding or activities are developed in the housing plan, fair housing should be taken into consideration in every aspect of the plan's implementation.

Metrics for evaluation: The study focuses on some key trends in regards to foreclosure, tax delinquency, increasing elderly population and housing insecurity for many households. It will be important to focus on these as priorities and establish clear outcomes for these areas. Two key metrics to consider are: property value stabilization and tax collection; and improved housing outcomes for those who are most vulnerable (homeless, seniors, special needs population and families with severe rent burden). The County-wide Housing Study should be a living document that is regularly updated to reflect current conditions so that data-driven strategy modifications can be made.

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Appendix A
Cuyahoga County Housing Study: Analysis Detail

Page	Topic	Statement/Sub-topic	Comment or Concern
38	Population Projections	<p>“Another important takeaway from this data is that Cuyahoga County and the surrounding region will increasingly house an aging population. This will definitely drive the type of housing needed in communities as well as the services offered by local governments to citizens.”</p>	<p>In order to develop a plan, it would be helpful to know a lot more about this projected increase. There is a need for more specific demographics about this population including the number that are homeowners vs. renters; type of housing particularly two family; income percentiles; housing cost burdens for both renters and homeowners; the number of seniors presently tax delinquent. It is not sufficient to know that this is an increasing population; a more detailed breakdown is needed to better understand the challenges that the aging population will present and to develop appropriate programs. For example, if we are to consider a home repair program or a property tax assistance program, we need to know how many people will need to be assisted so the dollar amount of that assistance can be calculated.</p>
55	Home Sales	<p>Three sub-markets were analyzed. The first mixes normal fair-market sales with Sheriff Sales.</p>	<p>There is no explanation or justification for why Sheriff sales would be mixed in with normal sales, other than to say “to capture that portion of the market”. Without sufficient explanation, this runs contrary to the “arms-length” methodology three other researchers have employed to get a clear picture of the housing market: a study by Tom Fitzpatrick at the Cleveland Federal Reserve, a study by Nigel Griswold and Mike Schramm, and Housing Trends research by Frank Ford. At minimum a reference should be made to these studies with an explanation for why a different methodology was employed.</p>
		<p>“The first sub-market includes only sales for which the deed type is among those generally considered to represent a fair-market exchange”</p>	<p>“Fair-market exchange” is not described, other than to provide a list of deed types. But some of the deed types are inconsistent. It’s not clear whether the study means to capture the same sales as those defined as “arms-length” by the studies referenced above, i.e. where two unrelated parties, a “willing buyer and a willing seller” engage in what could be considered a “fair market exchange”. There are several problems with the study’s list of “fair market” deed types. First, the list includes transfer on death and survivorship deeds. Both of these are essentially automatic transfers on death to a spouse or heir, not a fair market exchange. The same is likely true for several other included deed types: executor and guardian for example.</p> <p>Second, while the list includes warranty and limited warranty deeds, it does not include quit claim deeds. Sales of lower value properties in more distressed neighborhoods and municipalities are often sold in fair market exchanges between buyers and sellers via quitclaim deed, without the benefit of a title company or a warranty or limited warranty deed. Excluding quitclaim deeds from fair market exchanges gives County policy makers an inaccurate picture of the</p>

			county housing market.
		The second submarket involves properties with “no foreclosure history” and the third submarket involves a history of “at least one foreclosure”. But the history only goes back 2 years.	Two years is an inadequate history. CWRU has for a number of years been identifying sales “tainted” and “not tainted” by Sheriff Sale going back 16 years to 2000. A house may have no foreclosure in the past 2 years, but could have had 2 or more foreclosures on different owners in the 5-6 years prior to that. Is the assumption that the prior history has no impact and is irrelevant? The history should be expanded to at least 10 years.
			The topic of home sales would benefit greatly from a more extended discussion of submarkets from 2000 through 2015, especially by neighborhood in Cleveland—even an east-side vs. west-side breakdown will be illustrative of the difference between submarkets. The boundaries used for Cleveland neighborhoods should be those that are generally accepted by the City of Cleveland and the CWRU NEO CANDO data system. The appropriate metric for median home sale price should be the “arms-length” sales definition developed by CWRU and used by other recent prominent studies, e.g. Nigel Griswold and Frank Ford.
61	Home Lending	Only 2013 data is reviewed.	Irresponsible and abusive home mortgage lending practices, such as predatory lending, are widely believed to have been a major contributing factor to high foreclosure and housing abandonment. The study provides data and maps for 2013 only. To better understand these issues, and prevent them from reoccurring, it would be helpful to include HMDA data from 2000 to 2013 to see the relationship between loan applications, originations and denials, and how those relate to “high cost” loans and the race of applicants. The study should acknowledge and recommend that the County study track home mortgage lending activity on an ongoing basis. Future research should include an analysis by neighborhood and suburb, as well as by lender.
62		“...there is a “C” shaped region which contains most of the highest areas of loan denials”. This is followed by a further reference to the “C” shape with regard to loan dollars originated.	This is an important observation, but the study fails to make the obvious connection which has been discussed by researchers and policy makers in Cuyahoga County for more than a decade: that this “C” or “crescent” shape also defines the areas of the county with the highest concentration of African America population. The study includes other maps (Pages 92-99) for Property Value Change, Vacancy, Demolition, Foreclosure, Tax Delinquency, etc. The same pattern is evident in all of them, but not noted. In light of the fact that “Fair Housing” is one of the key areas identified in the “housing matrix” developed in conjunction with housing stakeholders, it would have been appropriate for these “C” shape references to be directly connected to the impact on people of color communities.

61-68		Home lending maps	The maps lack sufficient detail to be helpful, especially within the city of Cleveland. Full data tables, with differentiation between east-side and west-side for the City of Cleveland would be very useful here.
69	Foreclosure	“The foreclosure crisis in Northeast Ohio began in 2005”.	There is good, detailed information in this section on foreclosure. However, the county’s first-ever housing study should accurately portray what is essentially the County’s greatest housing crisis since the Depression. Contrary to this statement, foreclosures doubled between 1995 and 2000, and doubled again by 2007. The Village Voice began writing about predatory lending as early as July 1997. ESOP was organizing here on the issue in 1999. Cleveland City Council fought back with an anti-predatory lending ordinance in 2002. A more accurate statement would acknowledge that the reason for so much blight and abandonment in Cuyahoga is that the foreclosure crisis was already well underway by 2005. There is no shortage of research to document this – including studies by former CSU Professor Kathleen Engel, Policy Matters, the Cleveland Federal Reserve and Western Reserve Land Conservancy. In addition, although foreclosure filings by location only go back to 2006, Sheriff Sale data is available going back to 2000 or earlier. A longer term perspective on this vital sign of neighborhood health informs planning and decision-making with respect to housing market stability and recovery.
			The study should discuss the rise of predatory lending, how that led to high foreclosures, which led to high abandonment, which undermined housing value and home sale price, which then led to banks walking away from foreclosed properties – all of which has directly and indirectly undermined the county’s residential tax base and contributed to drastic increases in residential tax delinquency.
69		“Further, when homes in Cuyahoga County are foreclosed, they are more likely to become vacant and abandoned than they are in other parts of the country”.	This is probably true, but there is no reference to things that would back this up. This is a missed opportunity to draw the causal connection between foreclosure → vacancy → blight → lower home prices.
73	Housing Insecurity / Affordable Housing	Cites a report on housing insecurity from Enterprise Community Partners.	However, the data in the report is not broken down by age or race or household size which would also be helpful. This breakdown needs to be matched with information about the cost of available housing to provide a more detailed picture of the actual housing needs for each group. A unit may rent at a level that would be affordable for a percentage of the population, but the reality is those units may not be available to that population since they are occupied by higher income renters/owners. Knowing the extent of the problem is helpful, but a more detailed analysis of the actual rental costs vs. the

			specific numbers within the cost burdened population is needed to begin to think about costs and programs. Going forward, reports like this one from Enterprise Community Partners should be considered integral to the ongoing work of the County Planning Commission.
75		Homeless Populations	Homelessness or the potential to become homeless is the most serious issue in the area of “housing insecurity”. Yet the word “homeless” appears only twice in the study, both times on page 75 in a tangential reference explaining programs administered by EDEN. There is no substantive discussion of the extent of the problem of homelessness in Cuyahoga County. We have an example of best practice with the Permanent Supportive Housing and it is known that more resources are needed to meet the established goal to address the chronic homeless but this is not documented in the study. There are also homeless that do not fit the HUD definition that need assistance and are residents of shelters or are doubling up. Housing insecurity also undercuts efforts to improve educational outcomes. The Office of Homeless Services has a coordinating role that is important and not addressed in the study. More specific information is needed as to the gaps in the present system and the types of programs and resources that are needed. An accurate estimate of need is necessary to avoid either providing too little, or over-building beyond the need.
76	CMHA Waiting List	The study documents the numbers on the waiting list for Public Housing and Housing Choice Voucher Program (HCVP)	But the study does not address problems using Housing Choice Vouchers particularly in opportunity neighborhoods and the types of assistance needed as well as costs. For example, an HCVP holder may be able to afford the rent but may not have savings for the security deposit or the utility deposits. A housing trust fund could provide such assistance to expand the use of HCVP or provide for counseling to assure an appropriate move to meet educational and employment objectives thus increasing the return on the HCVP investment.
78	Housing Demand	“A recent report by Cleveland.com (Oct. 2015) noted that housing prices in Cuyahoga County have recovered to 97 percent of 2005 levels.....It is even better in the suburbs.....six suburbs have eclipsed their value over a decade ago....”	This offers a skewed picture of the housing market, and makes no mention that most of the east side of Cleveland and the east inner suburbs are not sharing in this level of recovery. Six weeks before this Housing Study was released, Cleveland.com issued an updated report that tracked home sale prices in 90 suburbs and Cleveland neighborhoods since 2000 and found that large portions of the county are not sharing in this recovery. If the Countywide Housing Study is going to cite Cleveland.com as a source for housing price data, it should cite the most recent and most comprehensive Cleveland.com report. However, rather than cite Cleveland.com articles the better approach would be to directly cite the findings from this recent home sale trend research. https://www.dropbox.com/s/74uxoy3qwbcf9c0/Cuyahoga%20Housing%20Trends%203-23-16rev.pdf?dl=0

79		Rent vs Own	The study points out that Cuyahoga County has a higher decline in homeownership when compared to national trends (a decrease of 3.38% vs. 2.25%). However, in some of the weaker areas of the county such as the City of Maple Heights, homeownership has declined as much as 16%. Bulk purchasers who buy low value foreclosed properties for rental represent an emerging issue and should be discussed. Bulk purchasers place a financial burden on municipalities when they fail to keep properties up to code, or when they walk away and leave behind non-tax producing parcels that reduce the county's tax base. The problem is further aggravated due to many of these buyers being out-of-state and difficult to hold accountable. Some bulk holders of rental properties have taken advantage of the Board of Revision system to receive reductions in property valuations which are further compromising the tax base. An analysis of B of R reductions to identify outliers and quantify the amount of tax loss these reductions represent would be a prudent analytical exercise.
80		"However, as this cost of renting increases, it is making purchasing a home a more affordable option with the price of monthly payments on a house becoming more affordable than monthly rents"	To draw conclusions, we need to know a lot more about the present rental population, particularly by income and amount spent for housing to determine what type of housing options need to be provided both for those who will seek homeownership as well as those who cannot afford homeownership. Access to credit poses a barrier to homeownership in certain areas of the county. This should be explored fully by analyzing HMDA data by neighborhood geographies to determine if further advocacy is needed to facilitate an increase in homeownership rates in the areas with the greatest reduction.
89	Housing Market Assessment	General observation regarding maps	The maps on pages 92-99 are nearly unreadable as are the maps on pages 102-107 and 109.
		Housing Value Change 2012-2015	There are a couple problems with using County appraised value as an indicator of housing market strength. First, the full appraisal is only done every 6 years. The 2015 values used by the study are based on an updated estimate. Second, the study should provide policy makers with a greater window than 2012 to 2015; the peak of the housing market in Cuyahoga and its subareas was 2005-2006. A three year window is not sufficient to serve as the basis for assessing the market and its recovery. Third, appraisals are only an estimate of what someone's home is worth. The true value is revealed by what buyers will pay. Recorded home sale prices should also be considered to determine market strengths and weaknesses. As noted above, home sale prices for 90+ neighborhoods and suburbs are available for every year from 2000 through 2015.
		Housing unit vacancy rates	Most of the housing market indicators in this section deal with either parcels or structures, not units. For example demolitions are by

			structure, and with the exception of condos, so are foreclosures and tax delinquency. In its raw form US Postal data is by unit, not structure, and does not lend itself to making connections to other market indicators. CWRU has for seven years been cross-referencing the US Postal data with County Auditor data to transform the Postal data to “vacant structures”. It would be better if the County Housing Study took advantage of that existing data, or, in the alternative, at least point out to policy makers that the “per unit” vacancy data has this limitation.
90		Demolitions, as of October 2015	There are two problems with this section. First, the data source from NEO CANDO says it includes Cleveland Land Bank demos and County Land Bank demos. The Cleveland Land Bank does not do demolitions. This may just be an inadvertent error. The study probably meant to say City of Cleveland demos. However, more significantly, the total demos cited for these two types is 4,846 which is likely far below the actual figure. As of June 27, 2016 City of Cleveland demos in the NEO CANDO/NST data base are 5,955 and County Land Bank demos completed are 4,359, for a total of 10,314 combined demos. According to staff at CWRU’s NEO CANDO/NST the Cleveland demos are not an overlap with the County Land Bank demos, they are unique. The count as of October 15, 2015 would of course be less than the 10,314 count 8 months later, but certainly not less than half. This is not an accurate count and should be corrected and the map on page 92 should be redone.
		Property Tax	The study fails to convey the serious situation the County faces with respect to three significant residential property tax issues: 1) the reduction of the county’s residential tax base over the past 20 years, 2) the shift of the county’s tax burden from core and inner ring suburbs to the outer suburbs, and 3) the dramatic increase in residential tax delinquency over the past 7 years. Residential property tax is one of the most important sources of revenue for the county and the weakened state of this source should be addressed front and center in a Countywide Housing study. Yet this major issue is mentioned only briefly on page 90, in one map on page 96, and again briefly on page 122. Given its importance to the County this issue merits far more attention than it has received and could warrant an entire chapter of the study. The data pertaining to these issues is readily available and much of it has already been reported in several recent studies which this study fails to reference. The County’s dramatic rise in residential tax delinquency, from \$90 Million in 2009 to \$240 Million in 2015, has been reported in two prior studies, one by the Cuyahoga Vacant and Abandoned Property Action Council: https://www.dropbox.com/s/t6rdrx8mvcjgsg6/Cuyahoga%20Tax%20Liens%20Sales%203-1-15.pdf?dl=0 and another by the Western Reserve Land Conservancy:

			<p>https://www.dropbox.com/s/74uxoy3qwbcf9c0/Cuyahoga%20Housing%20Trends%203-23-16rev.pdf?dl=0.</p> <p>The shift in tax burden to the Outer Suburbs was documented in a recent study by Western Reserve Land Conservancy: https://www.dropbox.com/s/i2q160zsqh1up3n/the-cost-of-vacancy.pdf?dl=0</p> <p>In addition, Professor Tom Bier at Cleveland State University has for a number of years been reporting on the County's diminished tax base: http://engagedscholarship.csuohio.edu/cgi/viewcontent.cgi?article=2184&context=urban_facpub</p>
		Tax delinquency calculation	It's not clear why the study chose to use "delinquent tax owed" as opposed to "certified delinquent tax owed". It would be helpful if this were clarified in the study.
108	Four Focus Areas	"By creating these [four] Focus Areas we will encompass the typical neighborhoods and common housing issues that are faced throughout the County".	<p>The Study further states "These Focus Areas will act as prototypes for framing housing issues and strategies in the following sections of this study". These statements raise a number of serious concerns.</p> <ol style="list-style-type: none"> 1. How can these four Focus Areas serve as "prototypes" for recommendations for the East Side of Cleveland and the East Inner Suburbs? Two of the four Focus Areas are on the West Side. A third is University Circle and the Euclid-Chester corridor that connects the Circle to downtown. The fourth consists of the southeast suburbs of Glenwillow, Solon, Oakwood and Bedford Heights. Contrary to the language cited above, none of the four Focus Areas are "typical" of the most pressing housing issues faced in the county. They have no rational connection to the severe housing issues confronting the East Side of Cleveland and the East Inner Suburbs, 2. How did any of the findings in the study on foreclosure, abandonment, home lending, tax delinquency, etc. inform the selection of these four areas? 3. Why Four Areas, and not five or six? 4. It appears as though the County Planning Commission had already predetermined these four areas for reasons unrelated to the study's findings.
121	Challenges Facing the County		A general concern is that only four pages in a 170 page study are devoted to outlining the challenges facing the county. A longer historical view should be taken. An analysis should be included on the fiscal health of the 59 municipalities making up the county. Municipal General Fund Balances, bond ratings and tax rates should be noted.
			The County-wide Housing Study makes no reference to the Vibrant

			NEO Report for Cuyahoga County dated October 2015; specifically there is no reference to many of the housing-related challenges cited in the Vibrant NEO Study.
122		Shrinking tax base	As mentioned earlier the assessment portion of the study fails to convey the serious situation the County faces with respect to three significant residential property tax issues: 1) the reduction of the county's residential tax base over the past 20 years, 2) the shift of the county's tax burden from core and inner ring suburbs to the outer suburbs, and 3) the dramatic increase in residential tax delinquency over the past 7 years. Likewise, these three issues should be highlighted more prominently in the "Challenges" section of the study, perhaps with their own enumerated subsection along with foreclosure, housing value and segregation.
		Tax base decrease estimated to be 9-13%	Councilwoman Sunny Simon surfaced this issued at a conference in 2014, cited by the study. The decrease of 9-13% should be updated and cross-referenced with research that Professor Tom Bier has done.
		Tax delinquency	Only a couple of paragraphs are devoted to discussing tax delinquency and tax lien sales. Those two paragraphs do contain valuable information, however, as noted earlier residential tax delinquency has grown from \$90M to \$240M in just 7 years. This is an epidemic with serious consequences for the county; as such it seems a major oversight to not acknowledge and discuss this problem, or to even reference two recent research studies that have addressed this. In addition, as noted above, the shrinking of the county's residential tax base is a major challenge to the County that should be discussed.
		"Tax delinquency is a problem that the County can address internally".	The internal steps the County is taking are commendable. But would this bold statement make sense if it was preceded by the revelation that residential tax delinquency has grown from \$90M to \$240M in just 7 years?
		Home price recovery "There is every indication that many parts of the County have begun to recover from the housing crisis and the recession."	As the backdrop and justification for the County's Housing Plan, a statement like this gives the reader an unrealistic picture of what's happening in Cuyahoga sub-markets. There are 90+ neighborhoods and suburbs in Cuyahoga; to say that "many are recovering" is misleading since this recovery is mainly limited to the outer suburbs and some west inner suburbs. It is appropriate to acknowledge those neighborhoods that are recovering, but the study does not adequately focus on the dramatic disparity between those areas and the East Side of Cleveland and many of the east inner suburbs where recovery is either very slow or not occurring. Along with the decline in the county's property tax base, the

			dramatic decline of home sale prices in much of the county in the past decade should be a major cause of alarm. References to “recovery” in this study should be far more specific and cite how neighborhood home sale prices in 2015 compare to their peak in 2005 and 2006, as well as their pre-“bubble” prices in 2000.
123		Indicators of progress	It makes sense to utilize existing research from organizations already compiling housing data to annually help track progress on the Housing Plan. The comments in this review of the Housing Study suggest some additional indicators that should be considered. One not already mentioned would be tracking increases in municipal building permits as an indication of reinvestment and recovery.
		Racial segregation	This is an important challenge cited by the study. However it should connect back to the “C” shape noted on page 62 referencing mortgage loan denials. And, as pointed out earlier, this connection should be made with the “C” shape found in other maps in this study related to foreclosure, demolition, tax delinquency, etc. African American communities have been disproportionately impacted by most of the assessment indicators in the study.
126	Best Practices	“Where housing markets are particularly distressed, the county will need to encourage infill and new development.”	<p>First, some clarification of terms would be helpful. In the housing industry “infill” housing typically means new homes constructed on scattered vacant lots between existing housing. Infill housing is thus inherently also “new development”. Is the reference to “infill” and “new development” referring to the same thing, or two different things?</p> <p>Second, and more importantly, the statement raises an issue we surface several times in this review of the Housing Study.</p> <p>Where “markets are particularly distressed” the goal should be to restore the confidence of existing property owners, encouraging them to remain and invest, while also restoring the confidence of new homebuyers to promote the recovery of home price and value. Vacant blighted homes are a major cause of this market distress and a major impediment to restoring market confidence. As a result of surveys conducted by Western Reserve Land Conservancy (which should be cited in the study), combined with known applications to the County Demolition Fund, the number of homes likely requiring demolition is ascertainable, approximately 7,300 in the County. See Figure 13 on page 23 of the following housing trends study: https://www.dropbox.com/s/74uxoy3qwbcf9c0/Cuyahoga%20Housing%20Trends%203-23-16rev.pdf?dl=0.</p> <p>Further, the cost of addressing these 7,300 blighted homes is also ascertainable, approximately \$73 Million. Given the limited subsidy available to address this problem, and the relatively higher subsidy required for renovation and new construction, the primary focus of</p>

			<p>market recovery should be on blight elimination by demolition.</p> <p>However, the County can and should support the development of new tools and resources to encourage investment in 1) renovation, 2) new development, and 3) investing in repair and stabilization of occupied structures, <i>provided doing so does not come at the expense of funding demolition.</i></p>
			<p>Where markets are stronger, such as Cleveland housing markets like Detroit Shoreway, Ohio City, Tremont, University Circle, as well as in many stronger housing markets in the suburbs, renovation and new development should be encouraged to help rebuild the county's residential tax base. However, the study just says the county "will need to encourage" this development. Other than siphoning off precious resources for blight removal in the weaker markets, the study should elaborate on how the county should encourage infill and new development in these stronger housing markets.</p>
127	Demolition and Rehab	<p>The study references Nigel Griswold's study looking at the impact of demolition on home value. The study "found a net increase of \$22.6 million in property equity on \$56.3 million spent on demolition in areas of low or moderate vacancy, which is the case in most Cuyahoga County suburbs. However, the study found little evidence to suggest that the same holds true in areas of high vacancy where markets are weak."</p>	<p>Overall, the study appears to exhibit a bias in favor of diverting money from demolition to rehab, and further suggests that funding for demo and rehab should be focused on moderate strength neighborhoods, not the weakest markets, and supports these positions by citing the Nigel Griswold study, and by misrepresenting the findings of a Harvard study that compared the cost of rehab and demo.</p> <p>In a new report prepared for the Ohio Housing Finance Agency (OHFA) just released on June 23, 2016, Nigel Griswold has updated his research with two significant findings. https://www.dropbox.com/s/0u9zmu971ezso3g/OHFA%20Final%20Report%206-23-16.pdf?dl=0</p> <p>First, he finds that across Ohio the expenditure by OHFA of \$28.2 million in demolition has resulted in \$121.4 million in increased home value, or \$4.30 in increased value for every dollar of demolition spent.</p> <p>Second, his new study, based on additional data, finds that home value is indeed increased in the lowest value submarkets in Cuyahoga: "A new finding from the study provides evidence that more than a decade of high volume demolition activity is likely stabilizing the lowest value housing submarkets of the Cuyahoga County Observational Study Area. Given sustained demolition in Cuyahoga County, a statistically significant home value impact rate of 3.15% is identified from demolition in these areas. This hedge was not present in a parallel study performed three years ago."</p> <p>The statements in the Cuyahoga Housing study, which appear to exhibit a bias against the value of demolition in favor of renovation,</p>

			and which cited the original Griswold study as justification, need to be revised. Further evidence of this bias follows in the next comments.
128		Cites the Harvard REO study as saying houses can be brought up to code for the same subsidy as demo.	But the Countywide Housing Study ignores an important question the Harvard study raised: how sustainable is the rehab at minimum code standards? For example, a furnace or hot water tank that is 20 years old meets code, but will not be sustainable. Items like this could cause a homeowner with limited means to be in trouble within a few years.
		Suggests allowing demolition grant funds to be redirected for rehab.	As noted above, this should only be suggested after a careful analysis of whether the per-house subsidy required for rehab will be more than the \$10K for demo, i.e. would diverting demo funds to rehab actually mean that fewer blighted homes would be addressed, thus delaying market recovery? This same analysis should apply to diversion of demo funds for other purposes as well, including non-residential commercial and industrial demolitions.
131		Further citing the Harvard REO study: "The [Harvard] study concluded, though, that in particularly distressed neighborhoods with weak markets, rehab was not cost effective. <i>However, this study based rehab costs on federal compliance with NSP standards....</i> "	This criticism of the Harvard study relies on a blog article commenting on the Harvard study. A link to the blog is provided, but no link to the Harvard study enabling the reader to verify this. The Harvard study looked at 4 levels of rehab, and only 1 was based on NSP standards. This statement is misleading and seems intended to undermine the findings of the Harvard study. The statement should be corrected, with a proper citation to the Harvard REO study. http://www.jchs.harvard.edu/research/publications/role-investors-one-three-family-reo-market-case-cleveland
132		Factors to consider when weighing rehab or demo.	The study correctly lists many of the factors but leaves out a major consideration. How much subsidy is available for blight elimination? And, factoring in depressed market resale prices, will the per-house subsidy for rehab be greater than the subsidy required for demo? If there are insufficient funds to begin with, spending more per-house on rehab will result in fewer blighted homes being addressed, which will postpone the market recovery that could make rehab financially feasible.
		"Indeed, one study found a positive correlation between renovations to housing stock and the mental health of	In a further effort to discredit demolition as opposed to renovation, the Countywide Housing Study cites a study conducted in Glasgow, United Kingdom which suggests mental health is improved due to renovation, but not due to demolition. What the reader is not told is that the Glasgow study looked at "urban renewal" programs that involved "clearance and demolition" where entire communities of

		surrounding residents. No such correlation exists between mental health and newly vacant lots.”	renters were displaced. Understandably, the subjects studied experienced significant mental distress from being uprooted and displaced. Cuyahoga County’s demolition program is not removing entire neighborhoods, but removing dangerous and blighted structures that undermine the housing values of homeowners and threaten the safety and security of their families. This attempt to discredit the County’s demolition program with misleading information should be removed from the study.
133		“As a mission driven, community based [CDC] Famicos is able to draw on grants and federal money to fund renovations....without being driven by the need to recoup costs...”.	This statement leaves the reader with the mistaken impression that this funding is available generally to CDCs and that CDCs are able to fund renovation of blighted homes without worrying about cost recovery. Famicos has a unique pool of subsidy that is not available to other CDCs. The Famicos target area also has the benefit of being in close proximity to one of Cleveland’s three hottest real estate markets – University Circle. The study should note that most CDCs, lacking both of these benefits, must confront market realities and must limit rehabs to those where costs can be recovered.
		The study notes that “...the City of Minneapolis... faces many of the same challenges Greater Cleveland....” and goes on to list factors Minneapolis considers when weighing demo vs rehab, including: “4....cost of rehabilitation is not justified when compared to the after-rehab resale value of the building.”	Minneapolis does provide a good list of factors, and the study suggests that Minneapolis faces many of the same challenges as Cleveland, but the study fails to point out that the City of Minneapolis has the luxury of a 2016 median home sale price of \$226,000 while the City of Cleveland’s median is only \$57,300. See this Zillow comparison. https://www.dropbox.com/s/yn8bdzcvoqxtfq3/Zillow_Minn-Cleve%20median%20home%20sale%20price_07-16.JPG?dl=0 The Countywide Housing Study provides policy makers with the arguments for rehab but downplays the harsh market reality that demonstrates why (in those markets where home prices are depressed and subsidy is limited) demolition is the most cost effective means to eliminate the blight that is undermining housing market recovery.
130	Lead Paint	The study documents there are significant lead paint issues and the efforts of County Health Department to address these issues.	But neither the scale of the problem nor the additional resources needed to address it are mentioned. No mention is made of the fact that the City of Cleveland is presently developing a plan for a registry and requirements for testing of all rental property. Given the impact of lead on early childhood education and the initiatives the County is making in this area, it would be helpful to consider a comprehensive strategy to address this serious problem. The study does not mention other healthy homes issues, such as lead in water, or weatherization, which can both improve quality of life as well as make a home much more affordable. The better approach might be to have a section of the study titled “Healthy Homes” that could address a variety of such related issues.

142	Rental Registry/ Municipal Code Enforcement Capacity	The study notes that Cuyahoga County is required to have a rental registry	<p>The study should provide the number of properties currently registered. The study notes that 40% of owners are not registering; it would be helpful to have more information about registration issues.</p> <p>In addition, it would be helpful to note the extent of the code enforcement capacity challenges facing many communities. Many communities have a rental registration ordinance, but are unable to enforce due to staffing challenges. The appendix in the housing study provides some research on code enforcement departments but understates the scope of the challenges and does not accurately reflect the ramifications of outsourcing municipal code enforcement to private firms. First Suburbs communities are working together to create a consistent code enforcement data system. While this was discussed, it was not fully explained that the purpose of this is to lay a foundation for a county-wide approach to code enforcement to address the decline in municipal capacity. The County has an opportunity to be a leader in creating collaboration around code enforcement.</p>
143	Home Repair Programs	The study acknowledges a widespread need for home repair resources and programming	<p>While the need for home repair is mentioned in the report, there are no estimates of the number of properties, the extent of the need and an economic analysis of the types of support that would be needed (grant, subsidized loan, non-bankable loan, bankable loan). A proposed home repair RFP will help to develop some models but there is also a need to have a good estimate of the types of need by these categories and the level of assistance for low income owners, particularly seniors to keep them in their homes, preserve the housing stock, address accessibility and eliminate safety problems.</p> <p>With the largest percentage of underwater mortgages in the country and an aging housing stock, lack of access to credit to make needed home repairs is undermining the viability of the housing stock in many areas of the county.</p> <p>The Home Repair Resource Center has operated a Challenge Loan fund, which has had a 40 year history of success in Cleveland Heights at meeting the home repair funding needs of those considered unbankable while maintaining an extremely low default rate. The Challenge Loan is a good model that was not mentioned as a best practice in the study. Efforts are underway to expand the challenge loan program to other inner ring communities that have unmet home repair needs due to lack of access to credit.</p> <p>A good proxy for unmet home repair funding demand would be the number of unapproved applications for the HELP Loan and Heritage Loans. This information is available to the County, and it should be analyzed as part of this study and on an ongoing basis.</p>

149	Housing Trust Fund	The study recommends a housing trust fund	But the study does not suggest potential funding sources or the amount to be raised annually. While there is clearly a need to identify the types of programs and activities that will need assistance, such considerations cannot be done in a vacuum. Once we know for example what some of the senior home repair needs are, costs to address homelessness, costs for addressing housing cost burden or what it would cost to help Housing Choice Voucher Recipients move to opportunity areas, there will be limits as to how many can be helped. Having knowledge of potential resources will impact program design.
154	Neighborhood Change	“In order for a neighborhood to remain vibrant and vital, the housing market must be healthy. The goals should be to build stronger real-estate markets in weak market areas.”	<p>These are excellent statements, however, they’re not consistent with some of the earlier statements emphasizing renovation over demolition and statements which emphasize spending in moderate strength neighborhoods rather than weak market neighborhoods.</p> <p>A significant missing element in this study is an analysis of how best to bring about recovery of weak housing markets <u>when funds are limited</u>. If funds were unlimited, and homebuyers were plentiful, renovation of blighted homes should always be preferable to removing them. If the study were to correctly show the extent of depressed home sale prices in the weakest areas, it would be more evident that the amount of subsidy to renovate a blighted home in those areas could be 3-5 times the subsidy required to remove the blighted home by demolition. The goal in any case is to achieve a healthy housing market where renovation is once again financially feasible. Encouraging policy makers – with often misleading and disingenuous arguments - to divert funds from demolition to rehab will leave more blighted homes unaddressed, and only serve to delay housing market recovery.</p>