

REBUILDING AS ONE: A COMMON SENSE APPROACH TO HOUSING IN CUYAHOGA COUNTY

Prepared by the Northeast Ohio First Suburbs Consortium

SUMMARY OF RECOMMENDATIONS

Preserve our older housing stock

- Work with first ring suburbs to develop a regionalized data system to assist in code enforcement initiatives.
- Require servicer information be provided for foreclosed properties.
- Ensure corporations have complied with state law requiring registration with Secretary of State before deeds are recorded.
- Require that county funded programs for subsidized housing enter into MOUs with the FSC as a precondition for funding consideration.
- Partner with the Cleveland Restoration Society to provide historic preservation service and loan products to all cities.
- Increase home repair funding for low-income home owners.

Reduce vacancy & blight

- Continue to provide support and maintain a dedicated funding stream for the CCLRC.
- Increase FSC representation on the CCLRC Board.
- Encourage the CCLRC to expand its work to include more suburban commercial demolitions.
- Explore a regional approach to maintenance of vacant lots.
- Create incentives, provide information and develop programs to streamline and simplify side lot consolidations.

Promote stability

- Increase foreclosure prevention outreach to suburbs.
- Provide or support programs and agencies that increase the pool of qualified homebuyers, facilitate the path from rental to homeownership, provide services to promote tenant screening and landlord training.

Strengthen our tax base

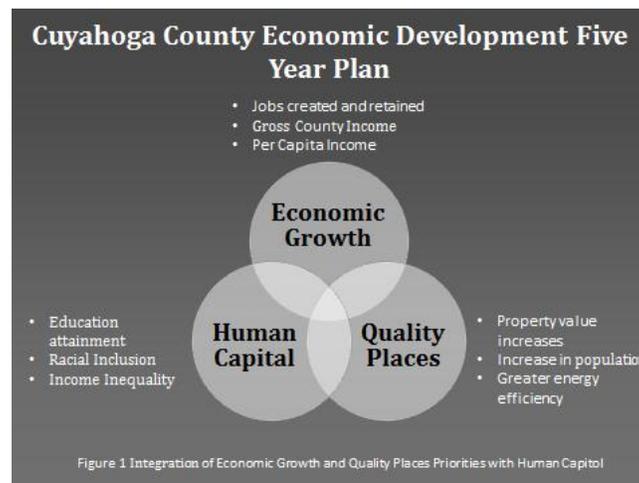
- Invest in suburban infrastructure to create the quality places that will attract new residents.
- Provide a multi-million dollar housing innovation fund for First Suburbs.
- Provide affordable services for mapping and planning for suburban communities.

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Background & Purpose

The need for a county housing policy has been stressed by suburban constituents from the outset of the new county government's formation in 2010. While the county developed a comprehensive Five Year Economic Development Plan in 2011, and followed that up with the launch of the Western Reserve Plan in 2012, both of which make passing mention of housing issues, there still remains no countywide housing policy. Housing represents a key sector for the county, representing 66% of the total real estate value of the county. In a speech at the 2012 Ohio land banking conference, County Executive, Ed FitzGerald attributed the county's reduced bond rating in large part to foreclosures and the impact of the housing crisis on housing values and tax delinquencies, highlighting the critical role of housing in our local economy. According to Patrick L. Phillips, Chief Executive Officer at the Urban Land Institute (ULI), inner ring suburbs are poised for growth. Their proximity to major employment centers and transportation hubs, among other factors, will make inner ring suburbs the "sweet spot" for development and investment over the next several decades¹. He further predicts that "up to 80% of the development that takes place through 2050 will occur in the suburbs, rather than downtown cores"². The lack of a housing policy represents a significant gap in the county's stated efforts to have a coordinated strategy to compete in a global economy.



¹ "Shifting Suburbs: Reinventing Infrastructure for Compact Development", 2012 (<http://www.uli.org/wp-content/uploads/ULI-Documents/Shifting-Suburbs.pdf>)

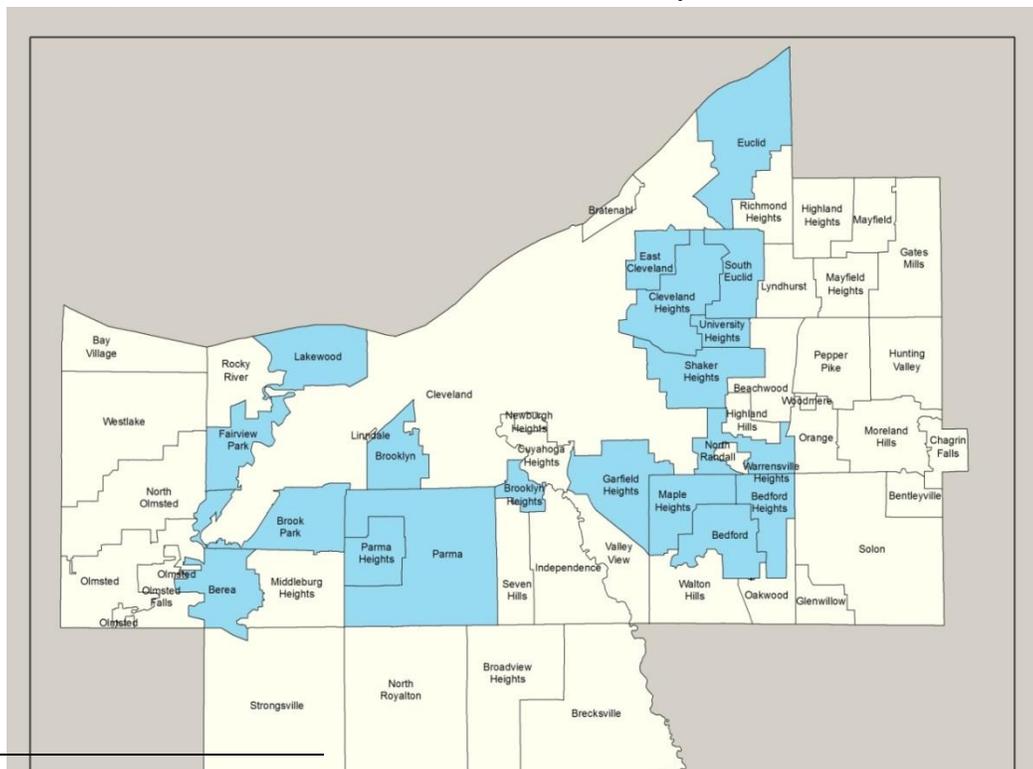
² Presentation by ULI Chief Executive Officer Patrick L. Phillips on February 12, 2011 in Raleigh, North Carolina

(<http://www.foundation.uli.org/sitecore/content/ULI2Home/News/PressReleases/Archives/2011/2011PressReleases/InnerRingSuburbs.aspx>)

The purpose of this white paper is to encourage the county to make development of a county housing policy a priority, and to contribute to that effort by providing a first ring suburb perspective both on the challenges facing the housing sector and recommending potential solutions. This paper is the outcome of a series of meetings of members of the Northeast Ohio First Suburbs Consortium (FSC), which culminated in a Housing Policy Summit in January 2013, where mayors and housing staff of FSC communities generated ideas on how we, in collaboration and partnership with Cuyahoga County, can move forward in addressing the vital housing issues critical to fostering an environment of increased economic vitality. According to the County’s Economic Development Plan, one of the three strategies that county investments will be designed to address is the creation of “*high-quality, well connected places that provide our residents with great communities to live, work, and play*”. However, the plan provides little information or guidance on how this will be achieved. It is our hope that this paper will provide a launching pad for further discussions with the county on how to ensure that Cuyahoga County succeeds in creating these quality places.

Why First Suburb Communities are Key to a County Housing Policy

The future of the cities of the Northeast Ohio First Suburbs Consortium and of Cuyahoga County as a whole are inextricably linked. According to the 2010 Census, the First Suburbs account for 38% of Cuyahoga County’s population—more than the populations of either Cleveland or the remainder of the urban county, and nearly 40% of the county’s 430,063 housing units are located in the First Suburbs. The 19 FSC member cities³ are home to a critical mass of the county’s commercial properties, businesses, public infrastructure, and middle class households. As the county moves ahead in formulating a



³Bedford, Bedford Heights, Berea, Brook Park, Brooklyn, Brooklyn Heights, Cleveland Heights, East Cleveland, Euclid, Fairview Park, Garfield Heights, Lakewood, Maple Heights, Parma, Parma Heights, Shaker Heights, South Euclid, University Heights and Warrensville Heights.

policy to guide its housing decisions, our shared responsibility in rebuilding and revitalizing our neighborhoods must be a mutual priority.

Given the county’s stated policy goal of creating “high quality, well connected places”, First Suburb communities by their very nature must be an integral part of any such effort. A wide diversity in affordable housing options, proximity to urban amenities, and access to public transportation make inner ring communities ideal locations for first home purchases and for those seeking convenience and affordability. Inner ring suburbs have vibrant neighborhoods with involved and active residents who participate in the community. Our citizens are engaged, and understand that a community is built through relationships with neighbors.

Earlier this year, The Plain Dealer published an article entitled, “Cleveland’s Urban Scene Gets a Boost from Young Adults Moving In”⁴. This article highlighted that young professionals are looking for walkable communities and are choosing to live in FSC communities. Communities like ours are the location of choice for many young professionals, and serve as a vital element in the attraction and retention of the talented workers required to fuel a robust local economy.

The Housing Challenges Facing the First Suburb Communities

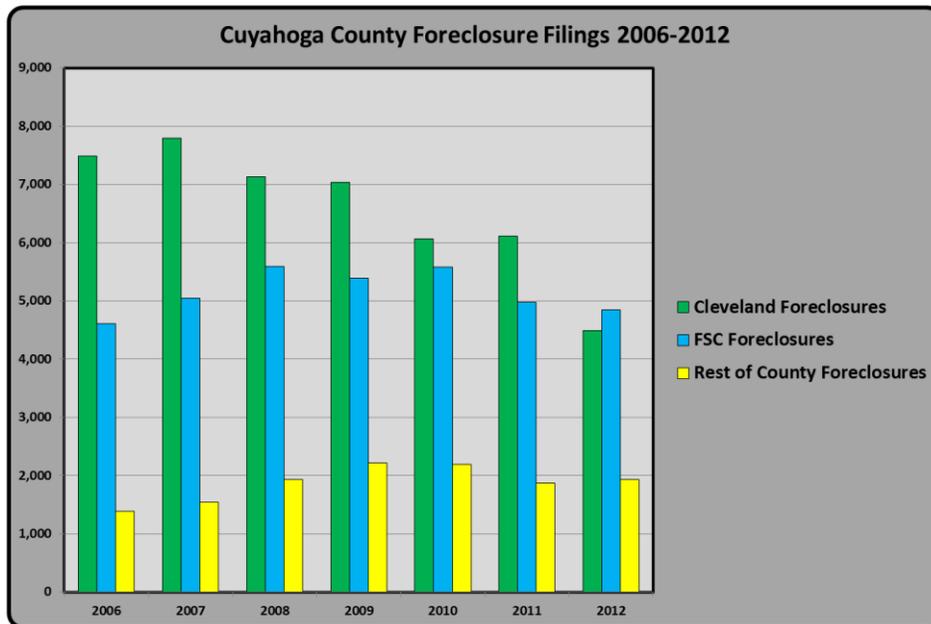
However, while the ingredients for revitalization are present in our communities, the First Suburbs and Cuyahoga County face myriad challenges in our efforts to attract residents and spur economic development. According to Tom Bier, senior fellow at the Maxine Goodman Levin College of Urban Affairs, 80% of suburban residents move outward when they purchase their next home, and fully 50% of those leave the county altogether. From 2004 to 2009, the county lost 36,000 residents, the equivalent of the population of Westlake, in out-migration to adjacent counties. Among Bier’s findings as reported in the April 21, 2013 Plain Dealer, is that by 2038, if these trends continue, Cleveland and every inner-ring suburb will be severely distressed, and an additional 85,000 homes in Cuyahoga County will be abandoned. The county’s stated goal of attracting and retaining residents can only succeed if we are successful in stemming the tide of out-migration from the suburbs.

The trend toward an out-migration of population to exurban areas and neighboring counties, aging and poorly supported infrastructure, and the foreclosure crisis have created a perfect storm resulting in increased housing vacancy, reduced municipal tax bases, and an ever-growing delinquent tax balance in our First Suburbs communities.

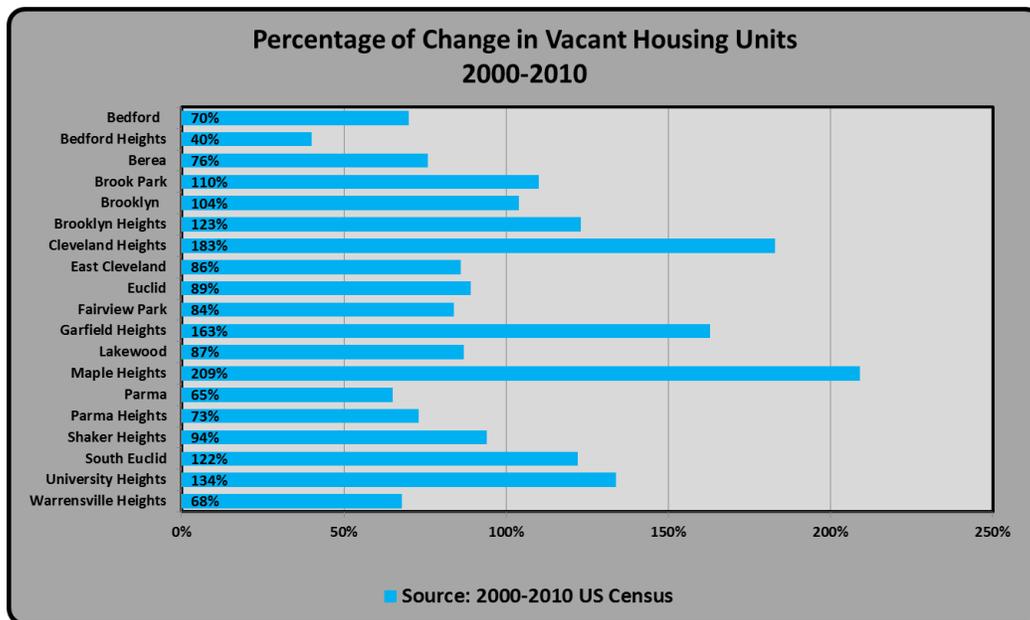
A quick glance at the data tells the story of a great hollowing out taking place in Cuyahoga County, and the First Suburbs are absorbing much of it:

⁴ Plain Dealer of January 21, 2013:
http://www.cleveland.com/business/index.ssf/2013/01/clevelands_urban_scene_gets_a.html.

- Nearly 40,000 residential foreclosure filings since 2006⁵
- In 2012, residential foreclosure filings in FSC cities eclipsed that of Cleveland⁶



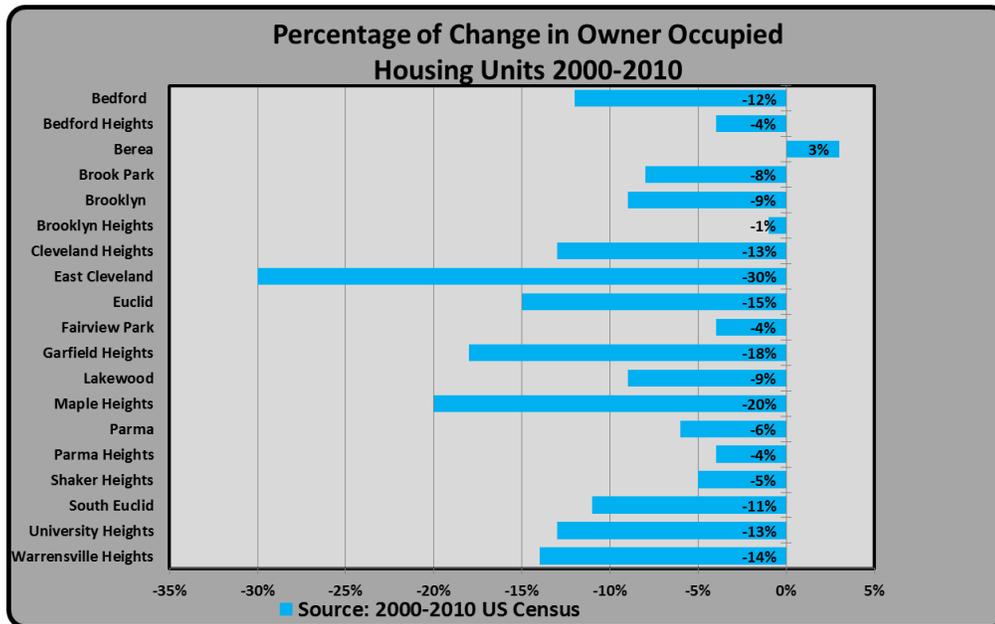
- A doubling in housing vacancy between 2000 and 2010
- An average vacancy rate of 11%, representing over 25,000 vacant housing units



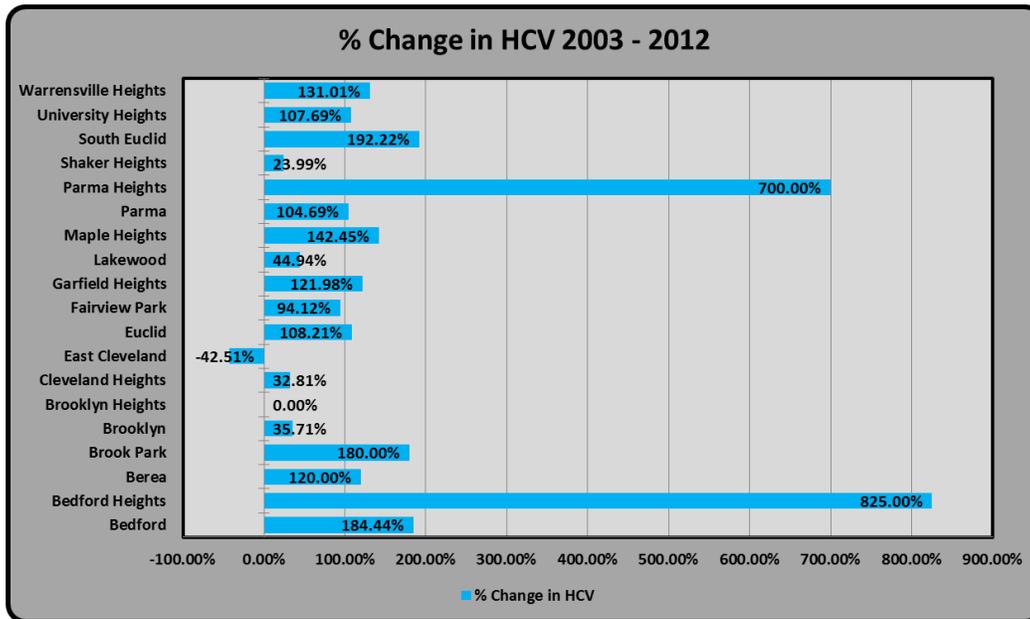
- A 10% decrease in owner-occupied housing units.

⁵NEOCANDO

⁶NEOCANDO



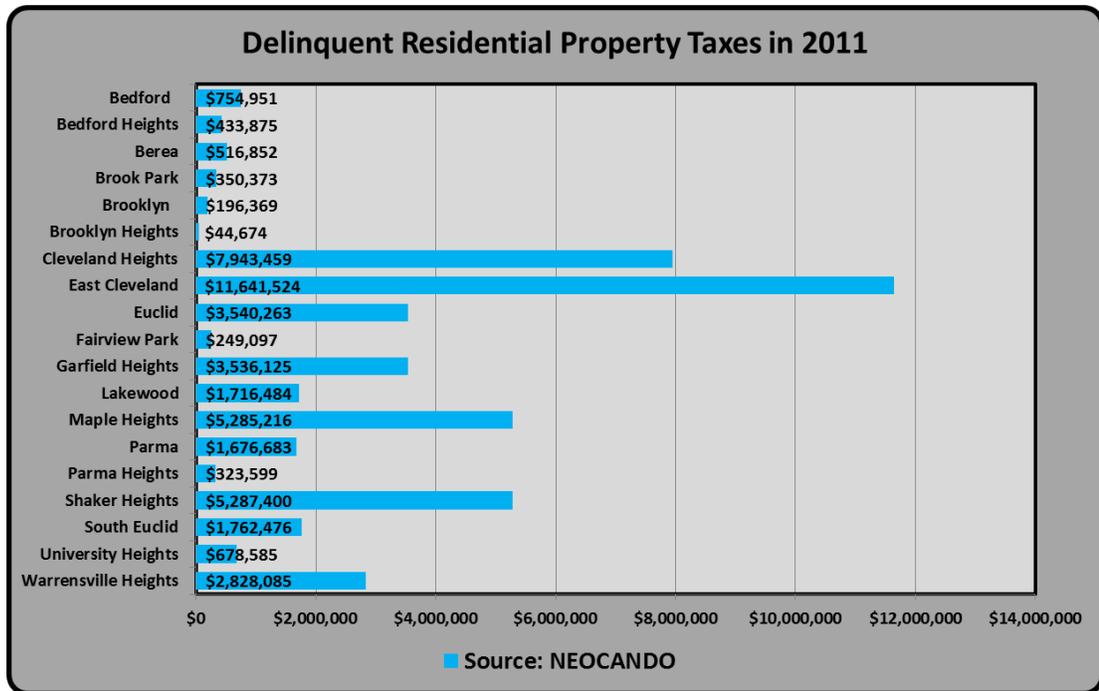
- A greater than 60% increase in Section 8 Housing Choice Vouchers between 2003 and 2012.⁷



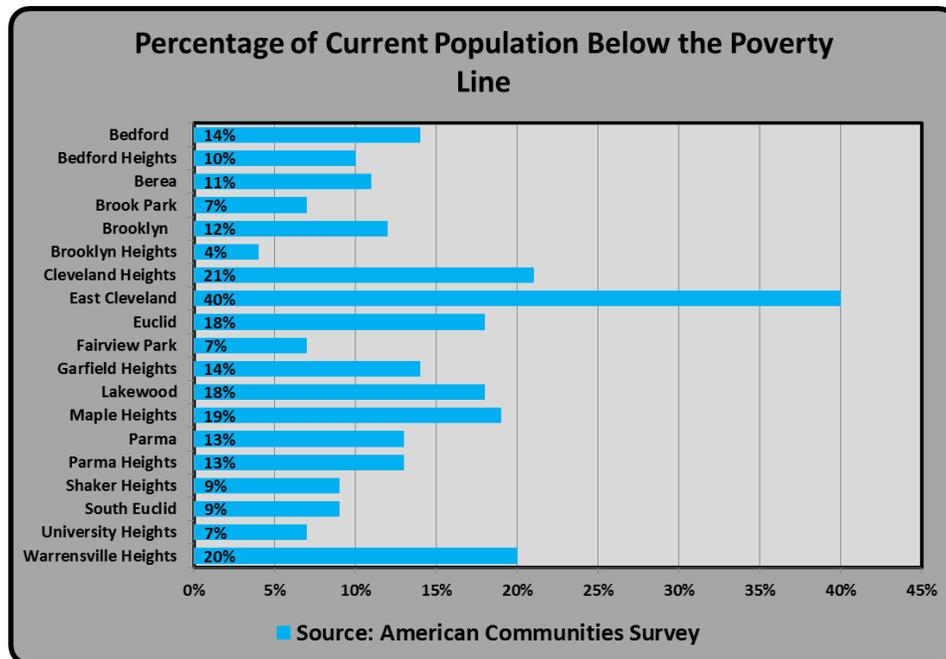
- Nearly \$50 million in delinquent property taxes in 2011 alone
- 13% decline in appraised home values⁸

⁷ Cuyahoga Metropolitan Housing Authority

⁸ Plain Dealer, June 22, 2012: <http://www.cleveland.com/cuyahoga-county/index.ssf/2012/06/cuyahoga-county-home-values-fall-average-of-9-percent.html>



- An aging housing stock with 85% of all units being built before 1970⁹
- 31% of FSC population living under the poverty line



⁹2010 US Census

In late 2012, a survey was conducted among First Suburbs member cities to assess current needs and concerns related to housing, as well as identify what approaches work well in addressing the challenges being faced. The top four concerns were:

- Increasing numbers of vacant and abandoned homes
- Lack of funding for homeowners to make needed repairs
- Increasing numbers of rental properties
- Depressed home values

These facts, among many others, have compromised the ability of First Suburbs communities to build their local economies and contribute more fully to the economic competitiveness of the county. Shrinking municipal budgets as a result of state funding cuts and shrinking tax revenues have resulted in inner-ring cities being unable to properly maintain vital infrastructure, furthering a negative community perceptions and increasing the chances of additional abandonment.

This crisis has provided us with an unprecedented opportunity to take bold and innovative action to reverse these trends and move forward in a stronger, more sustainable way. The county has an opportunity to build a collaborative relationship with the First Suburbs communities to develop innovative programming to rebuild as one and capitalize on assets already in place. It is impossible for one city acting alone to successfully reverse these negative trends. We must work together to efficiently and strategically use our limited resources to attract and retain residents to stop the further erosion of our tax dollars and rebuild and stabilize our region. Since housing is our main asset, it only makes sense to create a regionalized strategy to address our housing stock. An economic development program, no matter how innovative, can't work in isolation without quality places and desirable housing to support it.

Cornerstones of a County Housing Policy

So what does work? There were four strategies that are seen by First Suburbs member communities as integral to any effort to stabilize and revitalize housing in our county. These strategies should be the cornerstones of any county housing policy:

- Preserving our older housing stock
- Reducing vacancy & blight
- Strengthening our tax base
- Promoting stability

At the housing summit, the mayors identified specific ways in which the county could play a critical role in partnering with First Suburbs communities to enhance the effective use of these strategies.

FIRST SUBURBS CONSORTIUM RECOMMENDATIONS

Preserve Our Older Housing Stock

In inner-ring communities, older housing stock accounts for the majority of housing units. These homes require regular maintenance and investment. Due to a county-wide decrease in housing values, and the estimated more than 30 percent of home mortgages in Ohio that have negative or near-negative equity¹⁰, many homeowners find themselves without the resources to make repairs, and those with resources are reluctant to make further investment in their homes. Systematic code enforcement drives compliance and preservation of the housing stock. Without that intervention, housing further deteriorates and residents become even more reluctant to invest, and prospective residents look elsewhere for housing. While most First Suburbs communities have some code enforcement capacity, this capacity is being significantly strained at a time when needs have increased significantly due to the housing crisis. There are several ways in which the county could strengthen code enforcement capacity countywide and help preserve our older housing stock.

Use Technology to Improve Code Enforcement

One of the ways of increasing the productivity and effectiveness of existing code enforcement staff is to provide them with better information that allows them to identify responsible parties, monitor properties, and prioritize code enforcement actions based on property condition and local goals. Almost no suburban municipalities currently have access to a comprehensive parcel based database which allows them to perform their code enforcement functions effectively. Creating such systems city by city is both costly and inefficient. This is an area where a regionalized approach led by the county would make far more sense, creating an opportunity to facilitate county-wide property data sharing that could lay the groundwork for regional code enforcement initiatives in the future, provide a solid foundation for regional planning activities, and highlight areas where targeted interventions are warranted while simultaneously providing suburban communities with a cost effective tool for tracking and managing their code enforcement data. Case University's NEO CANDONST Web Application has already been developed and is currently being used by the City of Cleveland to house code enforcement data and by the Cuyahoga Land Bank to monitor its properties and inform strategic decision making. With additional funding, this platform could be expanded to serve the suburbs.

Assist in Identifying Responsible Parties

Because of its role in real estate transactions, the county is also ideally positioned to assist all municipalities in their code enforcement actions by ensuring that there is public access to state required information on who to contact regarding properties. This is particularly a problem with regard to bank owned properties and properties owned by corporations. A key element of code enforcement is being able to identify the party responsible for a property, and in the case of both of these types of properties, this can be very difficult, frustrating municipal efforts to hold these entities responsible for the

¹⁰"Home insecurity 2012: Foreclosures and housing in Ohio", Policy Matters, (<http://www.policymattersohio.org/home-insecurity-april2012>)

condition of properties. Since a significant number of properties are owned at some point by a corporation or a bank, this information is increasingly important.

- **Corporate owned properties:** state law requires that all corporations conducting real estate transactions in Ohio register with the Secretary of State and provide a statutory agent that can be contacted with regard to the properties. Unfortunately, however, the state has not been enforcing the law and consequently all too many corporations simply do not comply, leaving cities with no one to hold responsible for these properties. The First Suburbs membership would like to see the county identify alternative ways of ensuring compliance with this state law by, for example, refusing to record deeds unless the corporate buyer or seller can demonstrate compliance with the state law.
- **Bank owned properties:** With regard to bank owned properties, the county is in a unique position to require the disclosure of information from mortgage servicers at strategic points in the foreclosure process. Cities alone do not have the leverage to obtain this information without great difficulty. Our recommendation would be that the county require that servicer information be provided at key junctures in the foreclosure process, e.g. at the time of foreclosure filing and at Sheriff's Sale.
- **Subsidized housing:** Suburban communities have seen a steady rise in subsidized housing in their communities from Cuyahoga Metropolitan Housing Authority (CMHA), Parma Public Housing Authority (PPHA) and EDEN. There has been over a 60% increase in subsidized units in recent years. Because these properties are all taxpayer subsidized, it is particularly important that they comply with all municipal codes and are not seen as neighborhood nuisances. To this end, the First Suburbs Consortium has entered into Memorandums of Understanding with CMHA and PPHA to share information on properties receiving voucher subsidies so that the cities in turn are able to work collaboratively with these agencies to ensure that they are aware of any criminal activity or code violation issues at the properties. This information sharing has helped correct code violations more quickly, resolve nuisance issues, and improve the overall upkeep of these taxpayer supported houses. However, there are county funded agencies, such as EDEN, that have refused to share this information with municipalities. As a funder, the county is in a strategic position to mandate that all agencies receiving public funding enter into these beneficial information sharing agreements with municipalities.

Increase Home Repair Funding for Homeowners

Many homeowners do not have the resources or the equity to take advantage of traditional loan products to finance home repairs. Programmatic use of CDBG dollars was discontinued by the county some years ago, eliminating suburban paint programs, exterior maintenance grant programs, and other initiatives that are sorely needed due to the foreclosure crisis and the high number of underwater mortgages. Except for the five entitlement cities (Parma, Cleveland Heights, Euclid, East Cleveland and Lakewood), suburban communities rely on the County to access federal funds like CDBG and HOME, and the loss of this funding for home repair programs has been a significant blow to code enforcement efforts. As the county seeks to attract and retain residents, eliminating the blight caused by poorly maintained houses is critical. We would recommend that the county:

- Reinststate home repair funding for low-income home owners through the CDBG program.
- Partner with the Cleveland Restoration Society to provide historic preservation service and loan products to all cities, as is done for the HELP Program, rather than having each city pay separately for access to these services.

Reduce Vacancy and Blight

As communities grapple with the rise in foreclosures and vacant homes, in many cases they do not have the internal capacity to acquire, demolish, and bring these properties back into productive use. Cited by the majority of cities as being transformative, the Cuyahoga Land Bank, organized as the County Land Reutilization Corporation (CCLRC), has become the lead agency for the management of vacant and distressed properties throughout the county. By utilizing their unique funding structure and leveraging funds from external sources, the CCLRC has been able to demolish blighted properties, and through their unique deed-in-escrow program, find beneficial owners for hundreds of low value properties that have come into their inventory. This regionalized approach to handling demolitions and tax foreclosed properties is far more efficient and cost effective than each city trying to establish its own internal capacity to carry out these functions.

County support of the CCLRC

The First Suburbs member cities, therefore, consider it critical that as part of any county housing policy, the county should explicitly state its commitment to continue to provide, support, and maintain a dedicated funding stream for the CCLRC.

FSC representation on the CCLRC Board

Furthermore, because of the significant impact that the problems of foreclosure and vacancy have had on the First Suburbs communities, the mayors consider having adequate representation on the CCLRC Board by FSC member cities to be a high priority. Since FSC cities represent 38% of the population of the urban county, it was unanimously supported that our representation on the board be increased to be proportional to our share of the population.

Commercial demolitions

While the CCLRC has rightfully focused on residential demolitions given the aftermath of the foreclosure crisis, because of the importance of building the tax base of suburban communities, the First Suburbs Consortium would like to see the county encourage and assist the CCLRC financially to increase the number of suburban commercial demolitions carried out.

Regional vacant property maintenance

The County Land Bank has already demolished 392 houses in the suburbs, leaving behind vacant lots that must be maintained by municipalities and are not generating any tax revenue. Increasing demolitions and the resulting vacant lots, as well as increases in abandoned homes have taxed city service departments. Nuisance abatement charges for grass cuts are unlikely to be recovered by cities, placing a burden on already stressed municipal budgets. A county-wide program for the maintenance of vacant parcels would allow for economies of scale. Additionally, the use of Diversion Program participants could be a low cost way to facilitate the maintenance of these vacant properties.

Create incentives, provide information, and develop programs to streamline and simplify side lot consolidations

One of the key tools for returning these lots to productive use is by encouraging neighbors to acquire them for use as side lot expansions. A strong side lot program is important to the county as it is the easiest way of getting these properties back on the tax rolls. However, lot splits and side lot consolidations are currently complicated and costly for the average homeowner to undertake, creating a significant disincentive to such programs. It can cost anywhere from \$1000 to \$3000 to carry out the required survey and plat preparation. The county, through its engineering department, has staff expertise in conducting surveys and plays a key role in certifying lot splits and consolidations. By partnering with the CCLRC and municipalities, the County could identify regional solutions to simplify, promote, and facilitate an easier, more cost effective approach to side lot consolidations.

Promote Stability

Retaining our existing residents is as important as attracting new residents. However, inner ring suburbs have experienced a doubling of vacancies between 2000 and 2010 mainly due to foreclosures. The resulting destabilization of neighborhoods, increases in rentals, declines in owner-occupancy, and erosion of household wealth have created conditions which further additional county population loss. We need to develop strategic programs to counteract these trends.

Increase foreclosure prevention outreach to suburbs

Preventing additional vacancies must be a high priority to promote stability. The number of delinquent mortgages remains high in FSC communities and with over \$50 million in delinquent property taxes and the resulting increase in tax foreclosures, this problem shows no signs of abating. Although there are multiple HUD approved non-profit foreclosure counseling agencies in the county, many suburban at-risk individuals are still not seeking help, as they are unfamiliar with the services available. Since many of these agencies are located in Cleveland, their outreach has traditionally focused on Cleveland residents. Preventing foreclosures is far less costly than addressing the problems that frequently arise post foreclosure such as nuisance demolitions, vacant lot maintenance, increasing criminal activity, or loss of tax revenue as properties are abandoned. Foreclosure prevention services are best handled through a countywide system than individually by each municipality. There is a need for the county to take a leadership role in advocating and promoting to suburban residents, the use of reputable non-profit foreclosure counseling agencies, ensuring adequate funding for the most effective programs, and developing additional interventions for the prevention of tax foreclosures. There is also an opportunity to create new prevention programs to address the growing number of tax delinquent parcels at risk of tax foreclosure to stem the tide of this potential source of additional vacancy and abandonment.

Provide or support programs and agencies that encourage homeownership and responsible rentals

While demolitions are an important part of a strategy to reduce blight, they do not by themselves create neighborhoods that are desirable to live in. To stabilize our neighborhoods and retain our existing residents we must be able to provide residents with quality housing options. However, the market for rehabbed and newly constructed housing has been significantly hampered by the shrinking of the pool of qualified homebuyers, particularly at lower and middle incomes. To stimulate the housing market, the County needs to develop programs that will increase the pool of qualified

homebuyers and facilitate the path from rental to homeownership. This could include special financing programs tied to credit repair and homeownership training or promotion of affordable housing models like land trusts which have historically had negligible foreclosure rates (0.52 percent, compared to the national average of 3.3 percent in 2008) and strong results in terms of neighborhood stabilization.¹¹

As suburban owner-occupancy rates have declined by on average 10%, the majority of suburban communities have seen significant increases in single family rental units. While these may be preferable to vacancies, rental properties do pose their own challenges and if not properly managed, can lead to further neighborhood instability. Some suburban cities, like Shaker Heights and Lakewood operate successful landlord training and tenant screening programs that could be replicated at the county level to serve all cities.

Strengthen our tax base

Invest in suburban infrastructure

In order to attract and retain residents, it is essential to invest in improvements to existing infrastructure. FSC cities have great need for the maintenance and improvement of infrastructure, but few funds are available to them. Crumbling curbs, broken sidewalks, aging and tired main street areas perpetuate an impression of decline, and discourage additional private investment. These types of projects could have a transformative effect on the future of inner-ring suburbs and help stop the further out-migration of population.

Provide a multi-million dollar housing innovation fund for First Suburbs

FSC cities need the infusion of the funding and planning assistance necessary to make strategic infrastructure improvements that will drive private investment and restore confidence in existing residents. The county should, therefore, work with FSC cities to create a flexible competitive grant fund that will allow the most catalytic and replicable projects to move forward.

Provide affordable services for mapping and planning to suburbs

In a recently published report¹² by the Northeast Ohio Sustainable Communities Consortium (NEOSCC), sprawl was cited as a major threat to the region, with a projection that nearly 175,000 homes could be abandoned in the region by 2040 if existing trends continue, further eroding our county's tax base. Better planning and strategic investment in core urban areas like the First Suburbs is imperative to help reduce out-migration. However, suburban cities often lack planning departments, and sorely need planning and mapping assistance. The County Planning Commission should be an affordable resource to cities and the catalyst for a transformative regional planning effort.

¹¹"Stable Home Ownership in a Turbulent Economy: Delinquencies and Foreclosures Remain Low in Community Land Trusts", Lincoln Institute of Land Policy (7/28/2011):

<http://www.cltnetwork.org/index.php?fuseaction=Blog.dspBlogPost&postID=2767>.

¹²Plain Dealer April 27, 2013:

http://blog.cleveland.com/architecture/2013/04/vibrantneo_shows_how_prawl_plu.html