

# **Cuyahoga County Housing Trends:**

## **Race and Location Matter**

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**Presentation and testimony for the January 11, 2024 Field Hearing  
of the Ohio Senate Select Committee on Housing  
1-9-23**



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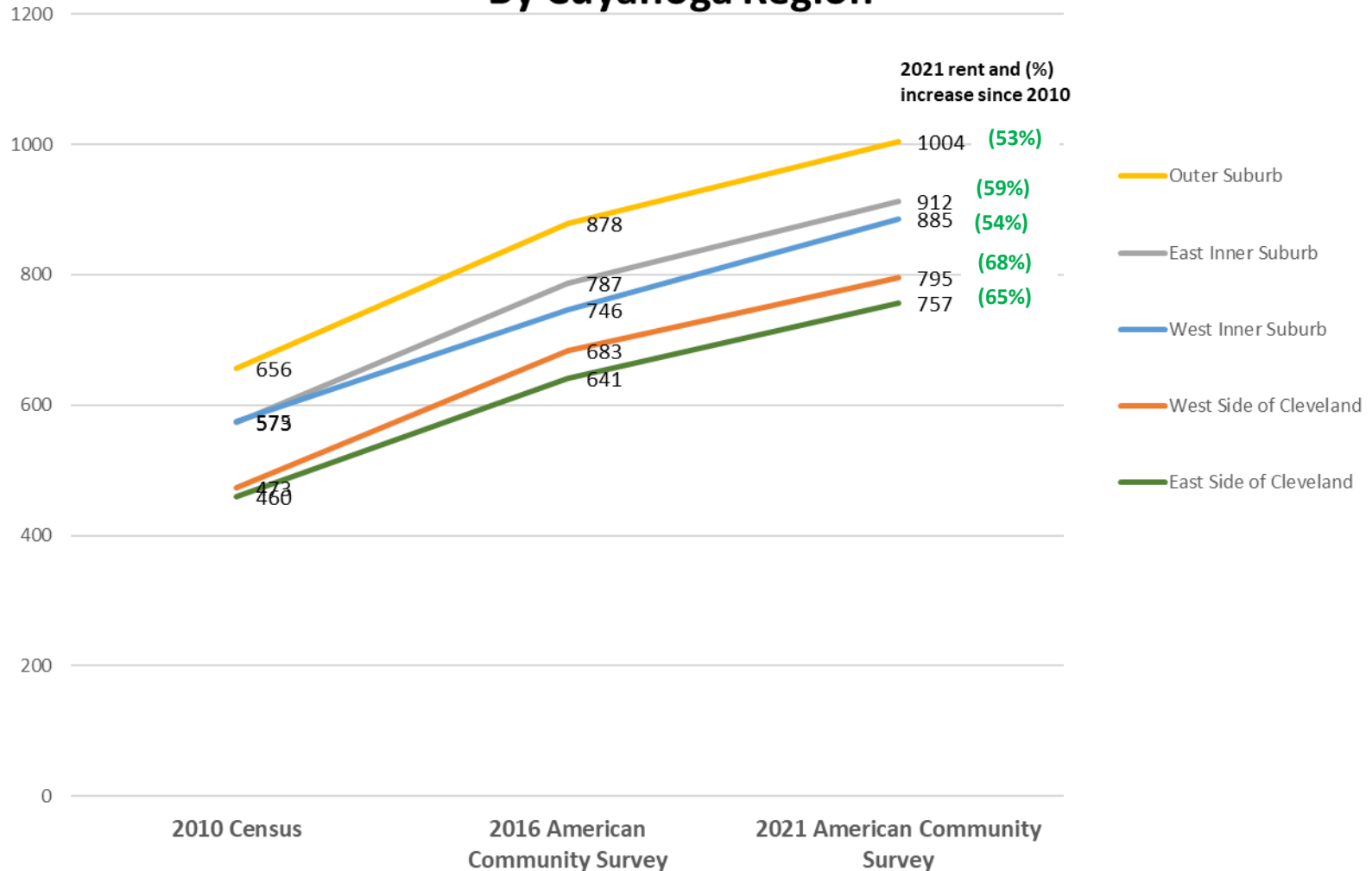
# **Summary of Trends and Challenges:**

- 1. Housing cost burden for renters is increasing.**
- 2. Homeownership is decreasing.**
- 3. Loss of value and wealth in majority Black communities where home sale price has not recovered.**
- 4. Lack of access to low dollar home purchase loans.**
- 5. Lack of access to home repair loans and resources.**
- 6. Dramatic increase of investor activity.**
- 7. Investor homes are more likely to be vacant or in disrepair.**
- 8. Long term vacancy and abandonment remain where predatory lending was most prevalent.**
- 9. Property tax delinquency in majority black communities undermines homeownership and needed county revenue.**
- 10. In rapidly appreciating markets, property tax increases impose hardships on seniors and those with low or moderate income.**

**Income Growth is Not Keeping Pace with  
Rent Growth**

**Resulting in a Housing Cost Burden for the  
Most Vulnerable Renters  
In Minority Communities**

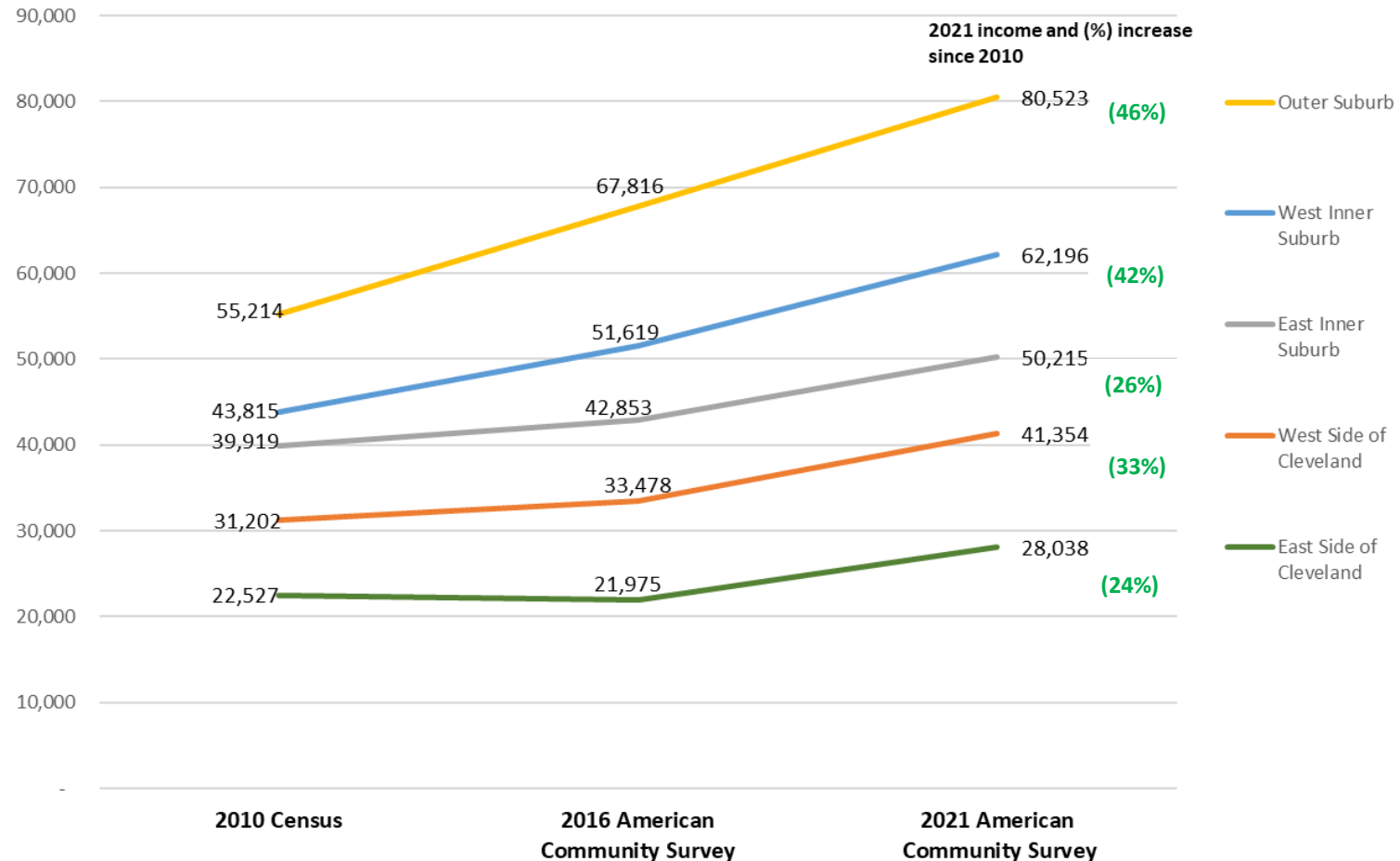
## Median Rents 2010 - 2016 - 2021 By Cuyahoga Region



Source: US Census and NEO CANDO at Case Western Reserve University.  
Prepared by Frank Ford, Fair Housing Center for Rights & Research, 2-14-23.

Median rent increased in all Cuyahoga regions between 2010 and 2021 but the rate of increase (65-68%) was higher in the city of Cleveland than in suburban communities.<sup>4</sup>

## Median Household Income 2010 - 2016 - 2021 By Cuyahoga Region

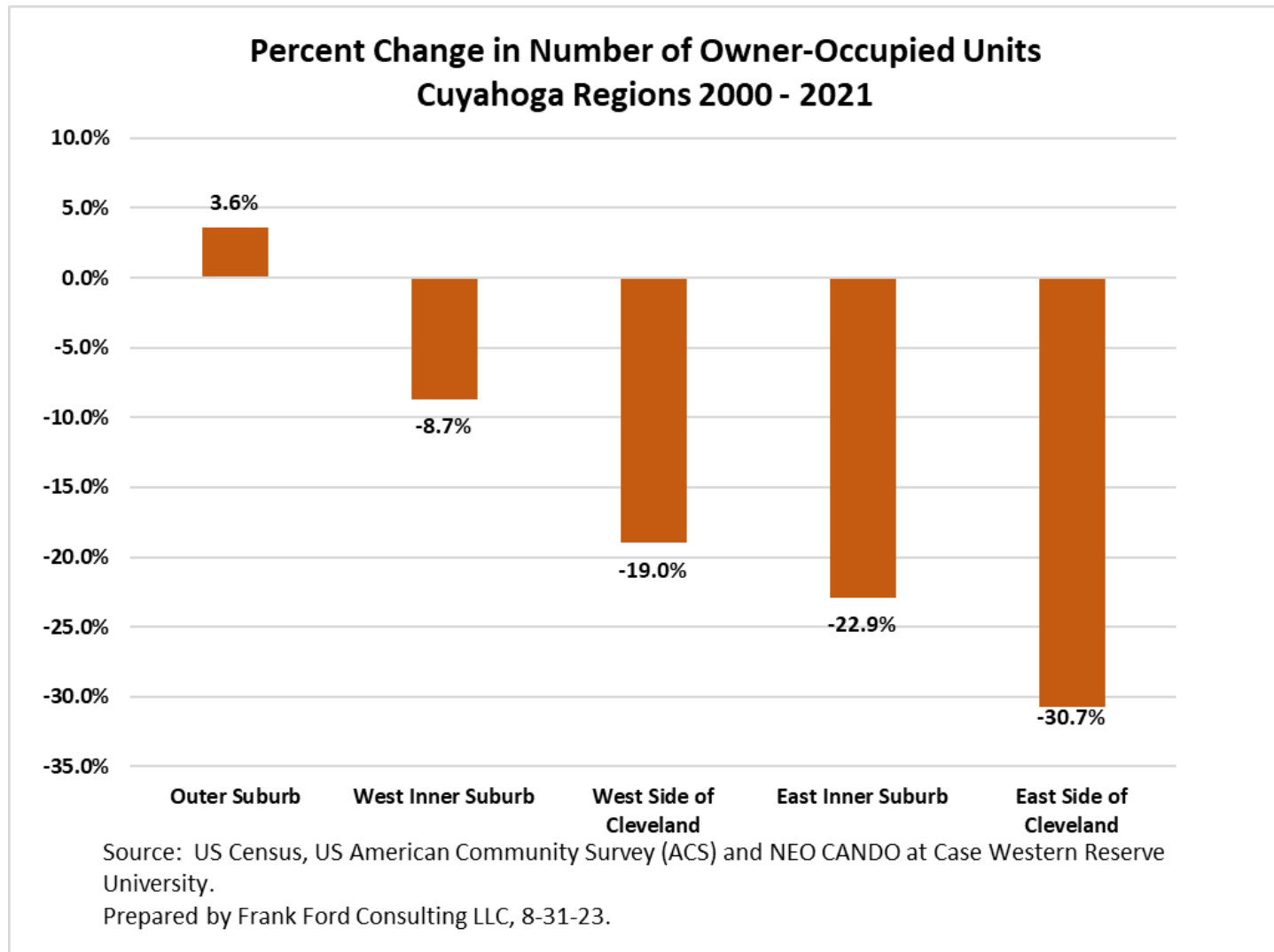


Since 2010 the majority White Outer Suburbs had the greatest gain in median household income (46%) while the majority Black East Side of Cleveland (24%) and East Inner Suburbs (26%) had the smallest gains in income. When income trends are viewed in relation to rent trends, it appears that renters in these two regions have disproportionately greater burdens to meet housing costs.

**Homeownership is Declining in Virtually All  
Regions of Cuyahoga County**

**With the Greatest Decline in Majority Black  
Regions**

# Homeownership is Declining in Cuyahoga County



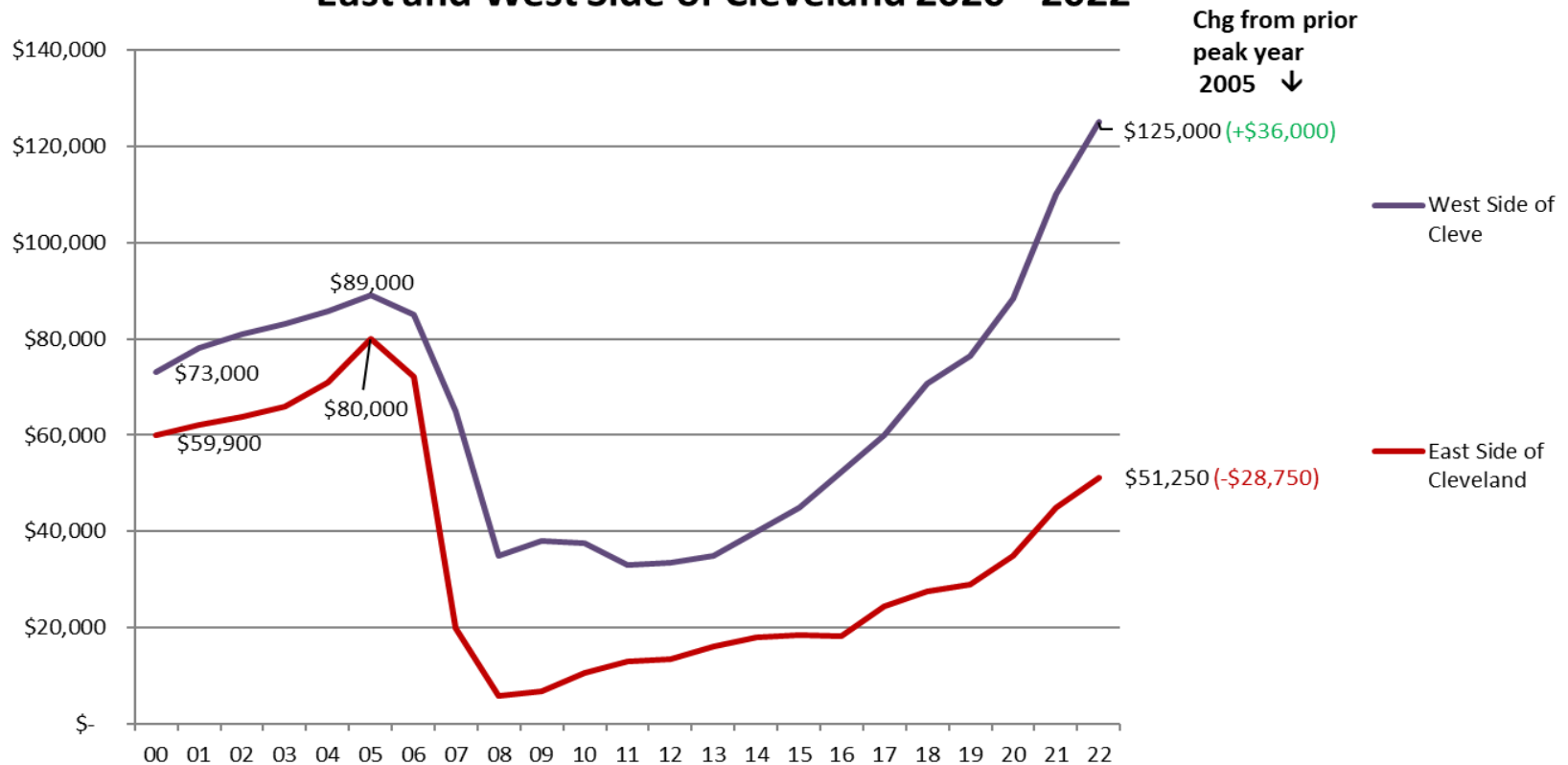
**Outer Suburbs is the only region with a slight increase. All other regions have seen a decline of homeownership since 2000. The greatest decline has been in the majority Black East Side of Cleveland and East Inner Suburbs.**

**Some of the Communities Hardest Hit By  
Predatory Lending and Foreclosure  
Have Still Not Recovered  
Their Prior Home Price and Value**



# Loss of Equity, Wealth and Value in the Majority Black East Side of Cleveland (why loans \$50K and below are still important)

Median Price - Arms Length Sales  
East and West Side of Cleveland 2020 - 2022



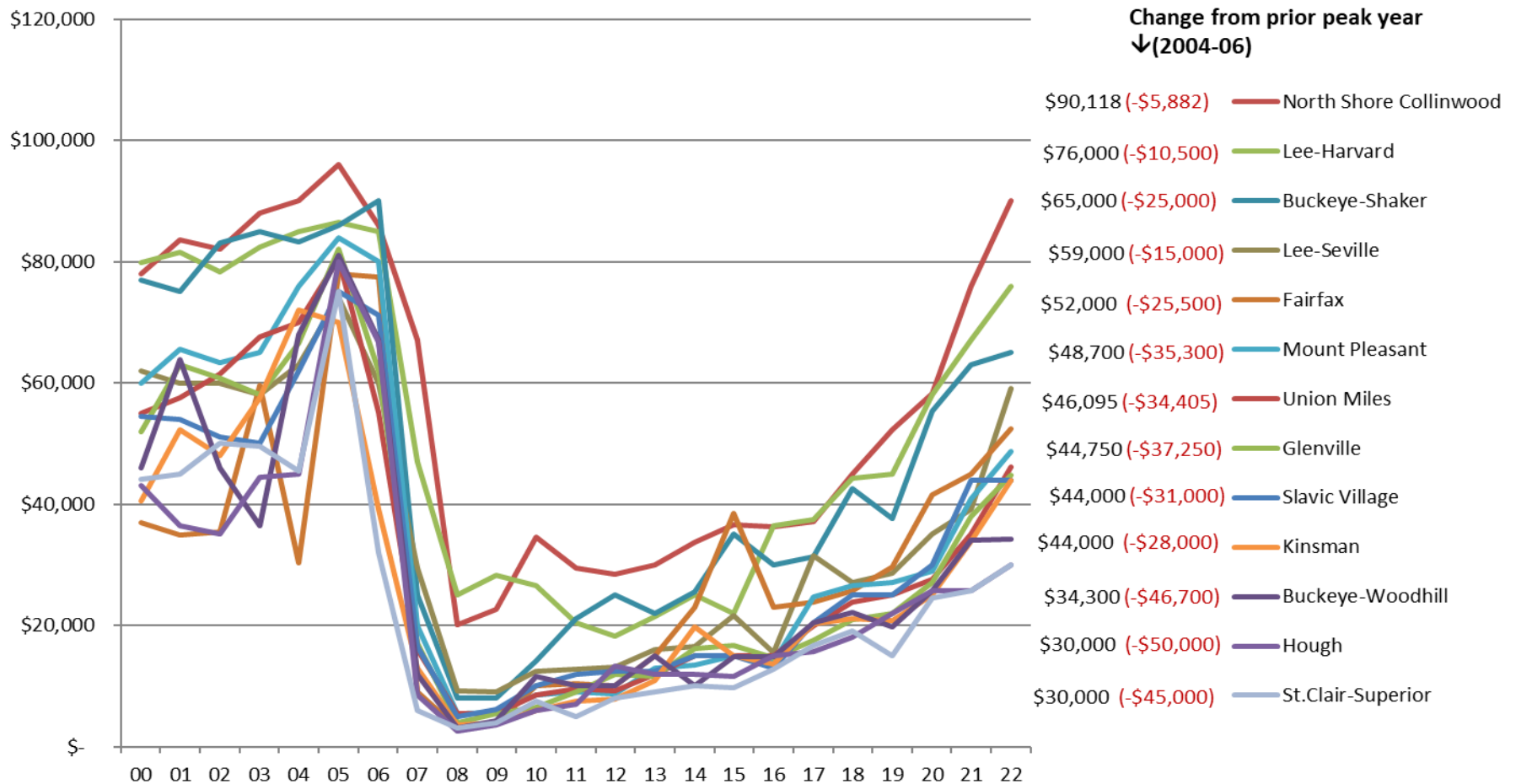
Source: NEO CANDO at Case Western Reserve University.

Arms Length Sales = sales on 1-3 family residential property that exclude: 1) transfers at a Shf Sale, 2) \$0 transfers and 3) transfers to a bank or Federal agency. 1-3 family includes condominiums.

Prepared by Frank Ford, The Fair Housing Center for Rights & Research. 11-13-23.

# Median Price - Arms Length Sales 2000 - 2022

## Thirteen Eastside Cleveland Neighborhoods



Source: NEO CANDO at Case Western Reserve University.

Arms Length Sales = sales on 1-3 family residential property that exclude: 1) transfers at a Shf Sale, 2) \$0 transfers and 3) transfers to a bank or Federal agency. 1-3 family includes condominiums.

Prepared by Frank Ford, The Fair Housing Center for Rights & Research, 2-9-23.

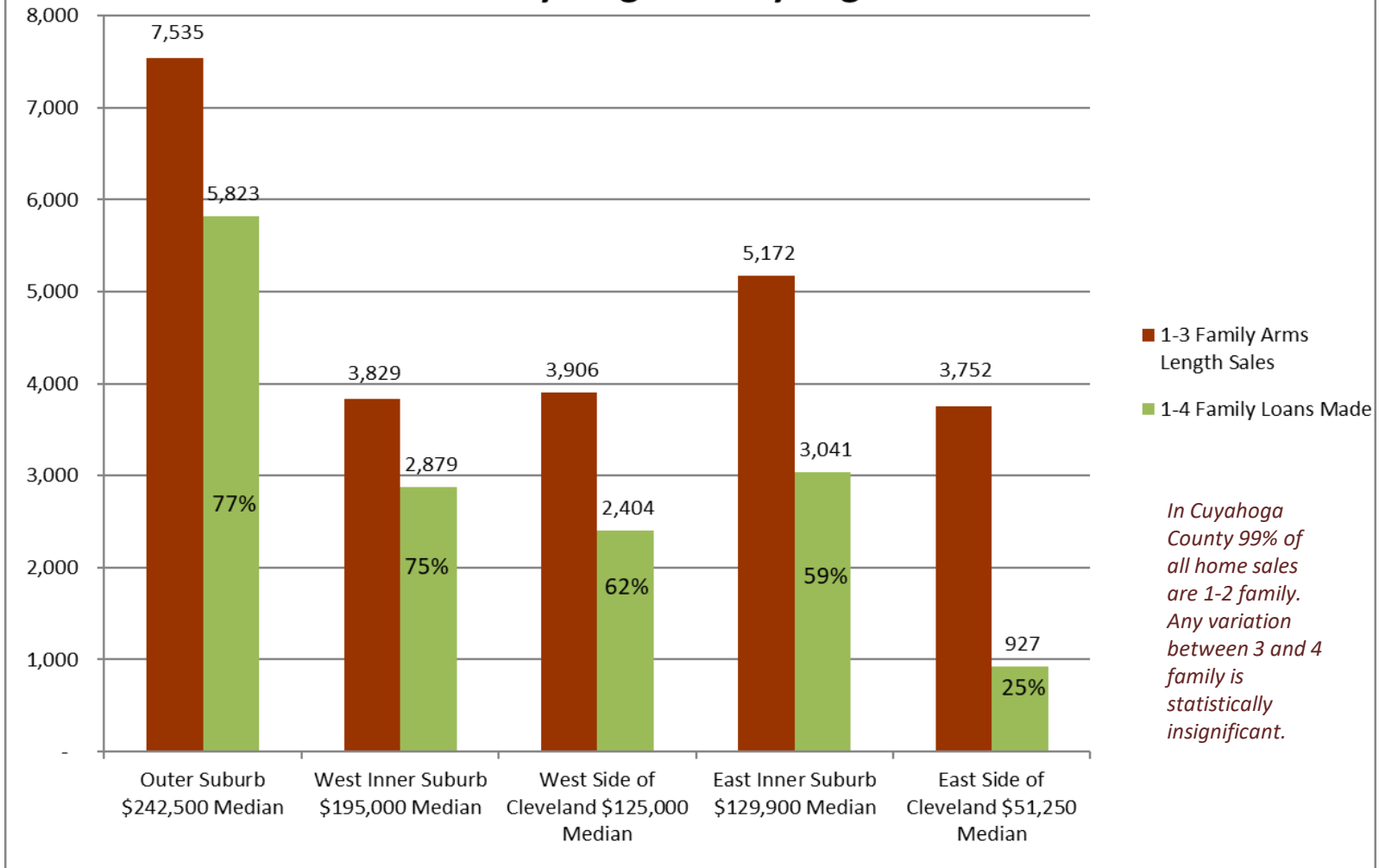
**The East Side of Cleveland was hardest hit by predatory lending, foreclosure, abandonment and blight. These neighborhoods are on an upward trajectory, but abandonment continues to slow recovery and resources for housing rehab and home repair are still needed to insure sustained recovery.**

**A Median Home Sale Price of \$51,250 in the  
East Side of Cleveland Represents an  
Affordable Homeownership Opportunity**

**But Not if Banks Won't Lend, and Not if  
Investors Can Out-Compete Home Buyers by  
Paying Cash For Homes**

**Example: as Noted in the Next Chart, in  
2022 Only 25% of Home Sales in the East  
Side Were Associated With a Mortgage**

## Comparison of 2022 Home Sales to 2022 Home Purchase Loans in Cuyahoga County Regions



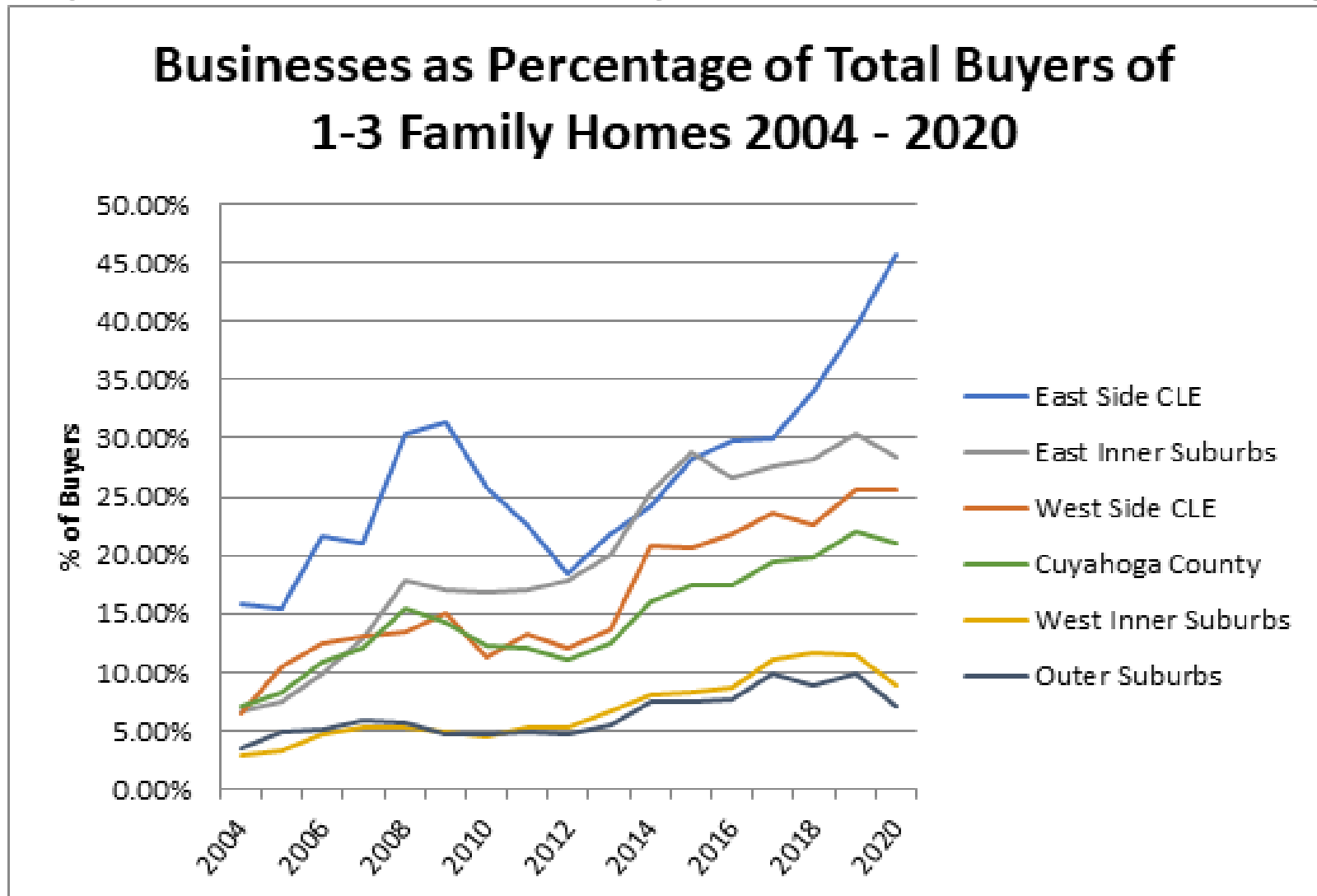
Lack of access to home purchase mortgages is most evident in the East Side of Cleveland where the median sale price was an affordable \$51,250. There were 3,752 1-3 family home sales in 2022, but only 927 home purchase mortgage loans issued. **This suggests: 1) a high degree of investor activity, where investors are paying cash or borrowing from non-traditional “hard money” lenders, and 2) a missed opportunity for affordable home ownership and a significant unmet mortgage credit need.** To a lesser extent this need is also evident in the East Inner Suburbs and the West Side of Cleveland where only 59-62% of sales were associated with a mortgage loan.

# Low Home Sale Prices

## Attract Investors

- In 2005 the median home sale price in the East Side of Cleveland was \$80,000, then dropped to \$5,000 during the foreclosure crisis.
- As of 2022 the median price in the East Side had only recovered to \$51,250.
- Prices dropped significantly during the foreclosure crisis – ***but rents never dropped....***
- This market dynamic is attracting investors from around the country, and the world.

# Acquisition of Homes by Investors Is Increasing



The highest volume of investor buying is in the majority Black East Side of Cleveland, followed by the East Inner Suburbs and the West Side of Cleveland. *VAPAC Investor Study, March 2022; data compiled by Dr. Timothy Kobie, Cleveland Building & Housing Department.*

**Lack of Access To Low Dollar Home  
Purchase Mortgages**

**and Competition With Cash-Paying  
Investors**

**Undermines Affordable Home Ownership  
Opportunities**

## Key Findings From the VAPAC Investor Study - March 2022

[https://www.wrlandconservancy.org/wp-content/uploads/2022/03/20220306\\_The-Impact-of-Investor-Activity-in-Cuyahoga-County.pdf](https://www.wrlandconservancy.org/wp-content/uploads/2022/03/20220306_The-Impact-of-Investor-Activity-in-Cuyahoga-County.pdf)

- Investors buying homes in the East Side **pulling permits at a lower rate** than investors buying homes in white neighborhoods in the West Side of Cleveland.
- An increase of homes without permits, meaning either no repairs or illegal repairs, results in **lower quality housing for renters, and reduced home values for neighborhood home owners.**
- Increased buying of homes by investors has meant **fewer homes on the market for affordable home ownership.**
- Investor activity aggravates the “appraisal gap” problem. In distressed markets, **responsible community developers** wanting to do a sustainable level of rehab for homeownership will end up with an appraisal gap. **They can’t compete with Irresponsible investors willing to do little or no repairs on a rental property.**

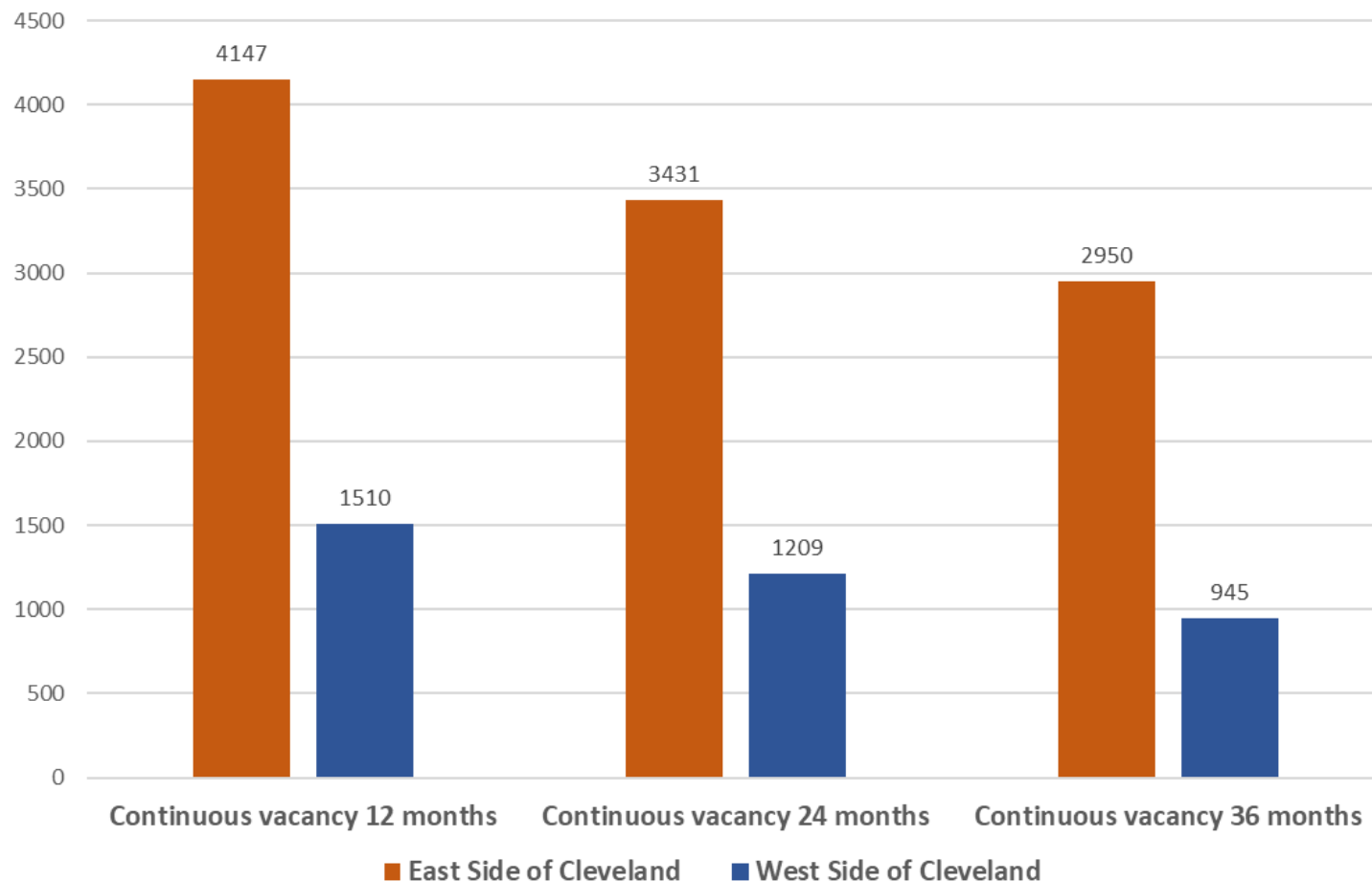


**Investor Activity is Also Contributing  
Significantly to Long Term Vacancy**

**Long Term Vacancy Is A Major Factor  
Undermining Housing Market Recovery In The  
East Side of Cleveland**

# Chronic Long Term Vacancy is Disproportionately Higher in the Majority Black East Side of Cleveland

Long Term Vacancy in 1-3 Family Homes in Cleveland  
3rd Quarter 2020 through 3rd Quarter 2023



Source: US Postal Data and NEO CANDO at Case Western Reserve University.  
Prepared by Frank Ford, Fair Housing Center for Rights & Research. 11-13-23.

# Investors Control More Than Half of the Continuously Vacant Homes in the East Side of Cleveland

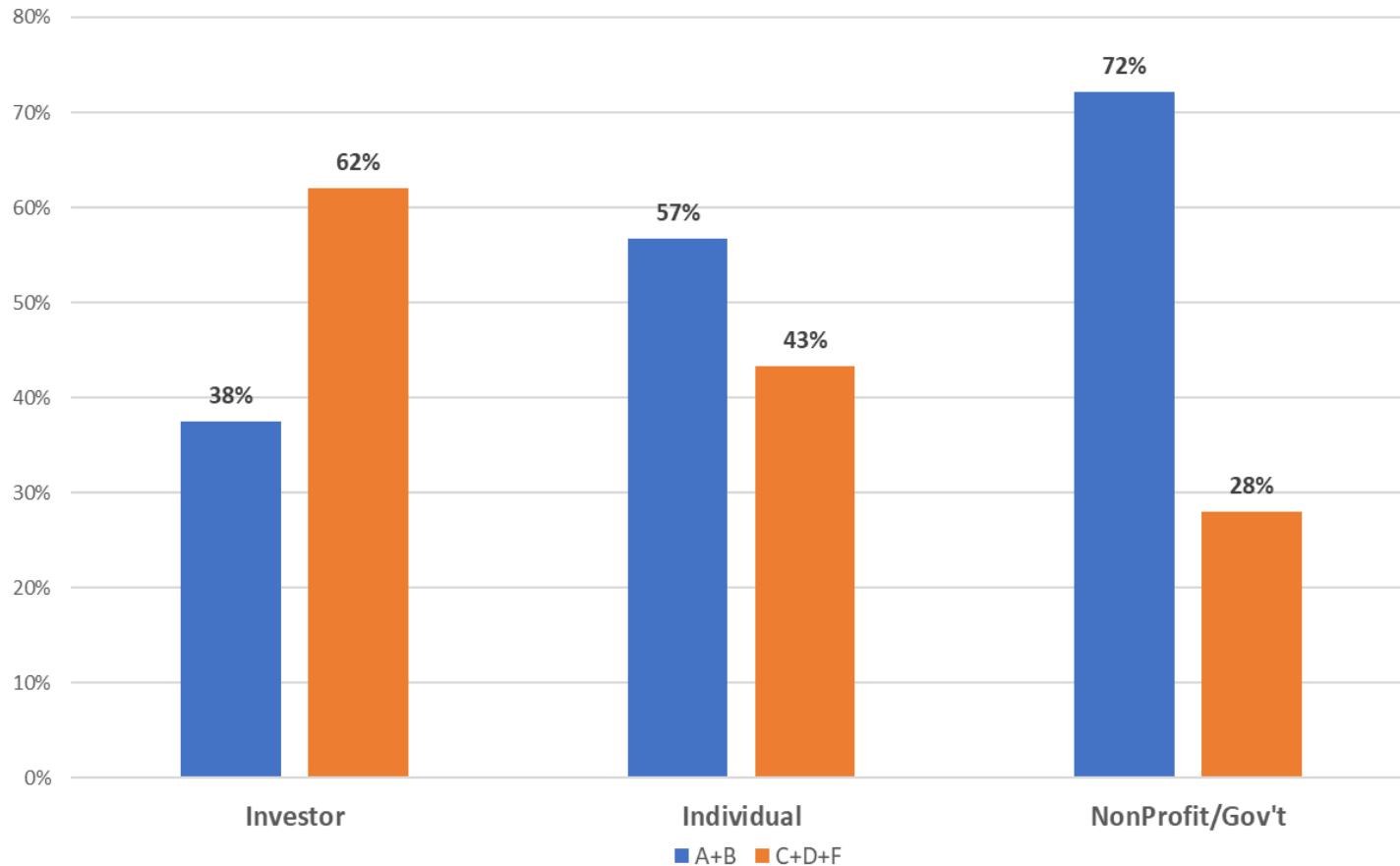
Number of East Side homes continuously vacant for 3 years	2950
→ Number of homes owned in the name of a business	1009
→ Number of homes owned in the name of an individual, but the tax mailing address is outside of Cleveland	539
Total number of homes believed to be owned by an investor	1548
Percent investor ownership	52%
Source: US Postal Data and NEO CANDO at Case Western Reserve University. Prepared by Frank Ford, Fair Housing Center for Rights & Research. 11-13-23.	

# **Investor Activity is Also Negatively Impacting Housing Conditions**

# Property Condition Grades for Ownership

## Percent of Grade for Investors, Individuals and Nonprofit/Government

A+B = Good Condition, Little or No Repair Required; C+D+F = Needs Repair or Major Renovation



Source: Cleveland property inventory conducted by Western Reserve Land Conservancy for the City of Cleveland, Fall 2022 - Winter 2023; other property data from Cuyahoga Fiscal Office and NEO CANDO at Case Western Reserve University. Analysis limited to residential class parcels and parcels with a structure (occupied or vacant). Prepared by Frank Ford, Fair Housing Center for Rights & Research, 1-9-23.

**Only 38% of Investor properties are in good condition, compared to 57% for individual owners, and 72% for non-profit and government owned homes. Conversely, 62% of investor properties are in need of repair or major renovation, compared to 43% for individual owners and 28% for non-profit and government owned homes.**

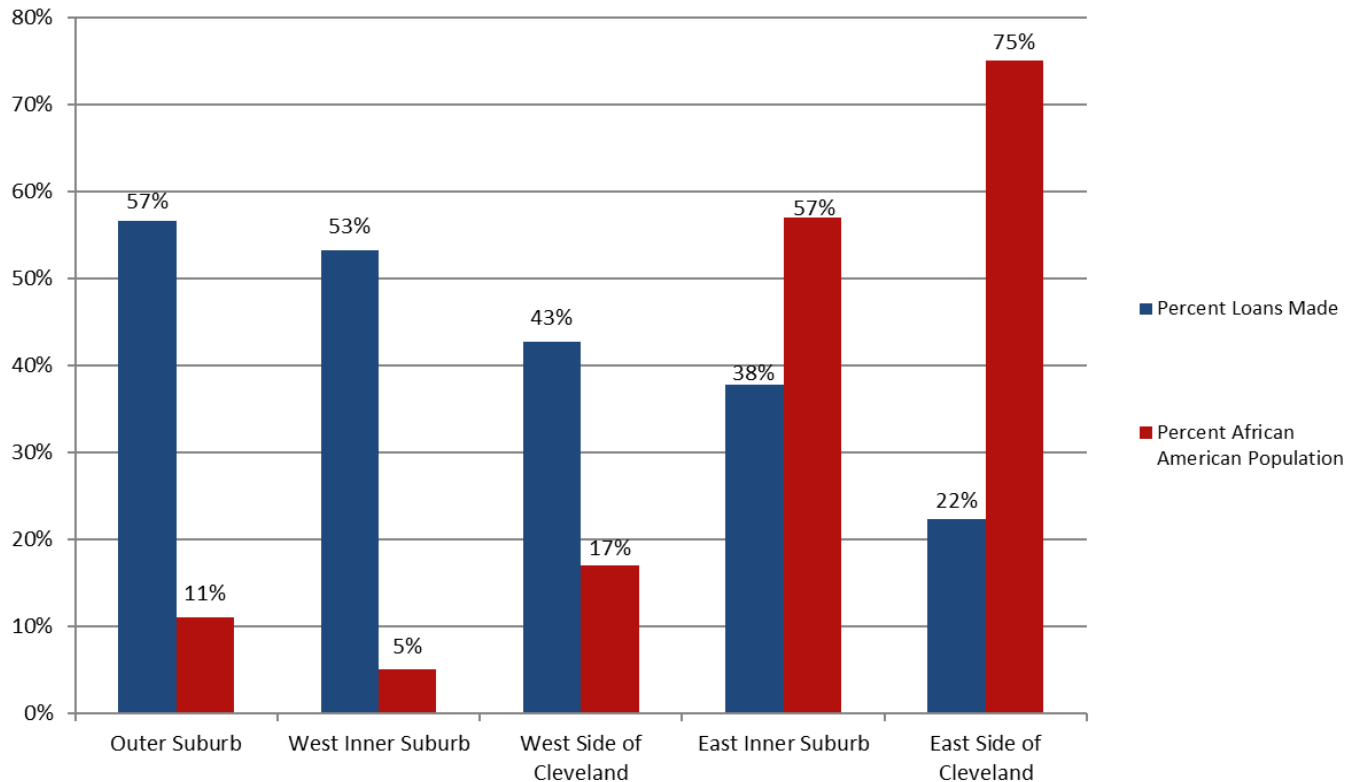
# Notes on Property Survey Grade Analysis

1. Individual owners were defined as any individual (non-business) name, including where an individual held as a trustee for a beneficiary.
2. Investor owners were defined as any business name, e.g. for-profit corporation, limited liability company, partnership, etc.
3. Investor owners also included any individual name (or trustee) owner that owned 10 properties or more.
4. Non-profit and government owners included non-profit or charitable corporation ownership and property owned by a federal, state or local government body or agency.
5. While much of the analysis could be done by searching key words and phrases (corporation, corp, inc, LLC, etc.) a significant amount of manual search and consultation with public records was involved. Due to the complexity of this project a 2-3% margin of error should be considered.
6. On the other hand, the estimate of investor owners may be conservative since this analysis did not include individual name owners whose tax mailing address was outside of Cleveland.

# **Majority Black Neighborhoods Have Significant Home Repair Needs**

**But as Noted in the Following Chart These  
Areas are Challenged by Lack of Access To  
Home Repair Loans**

# 1-4 Family Home Improvement Loans Percent of Loans Made From Applications Received and Percent of African American Population Cuyahoga County Regions (2022)



Source: 2022 Home Mortgage Disclosure Act (HMDA) data, 2021 US Census (American Community Survey) data, NEO CANDO at Case Western Reserve University.  
Excludes home purchase, refinancing and loans that were purchased by a bank from another bank.  
Prepared by Frank Ford Consulting, LLC, 12-18-23.

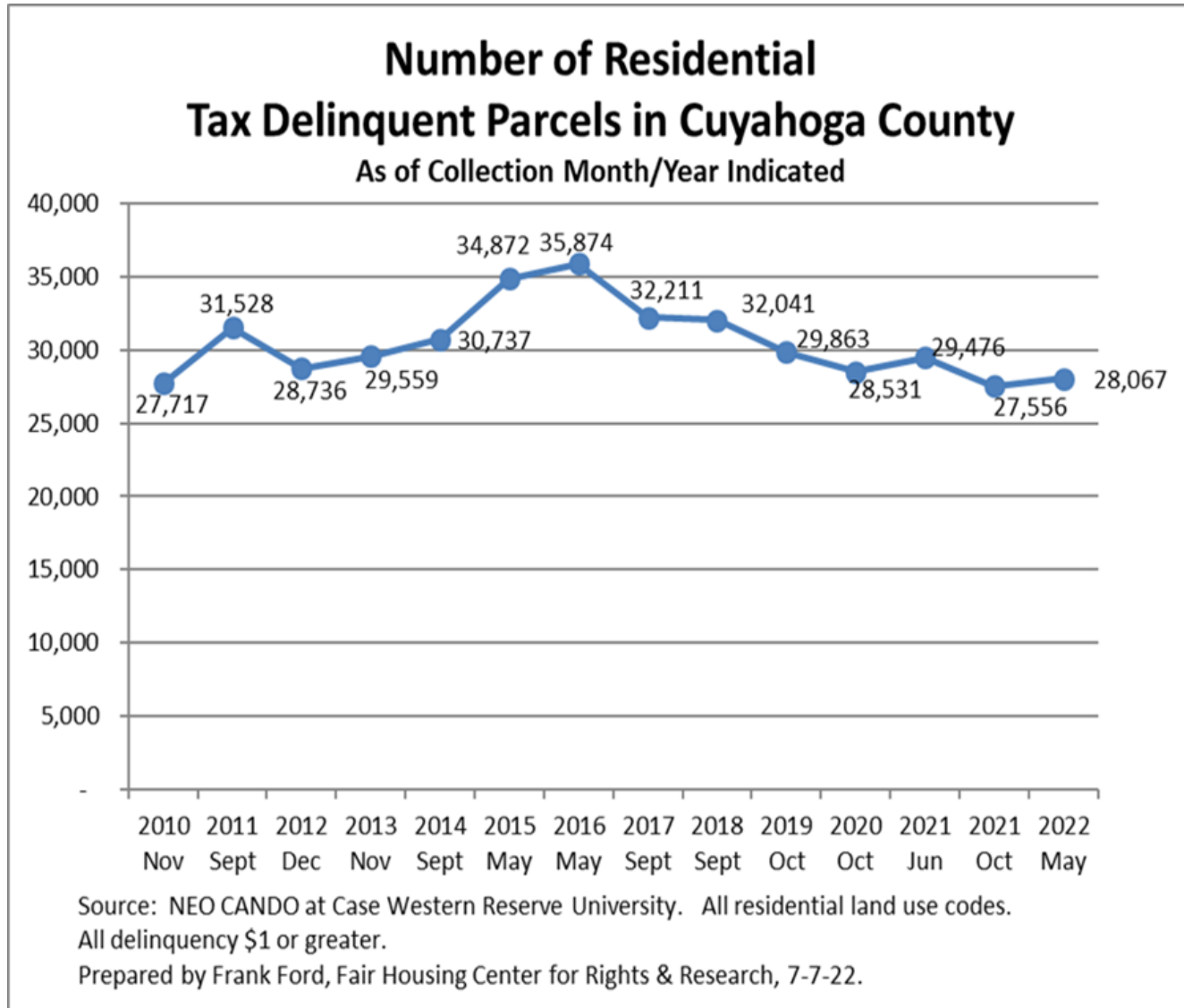
Home improvement loans are not distributed equally across Cuyahoga County. The East Side of Cleveland, where a Western Reserve Land Conservancy survey documented that home repair needs are greatest, had the least access to home improvement loans. Only 151 of 678 (22%) of loans applied for were originated. Most striking is the disparity by race. **Access to home improvement loans tends to decrease as percent of African American population increases.**



**Property Tax Delinquency Has Been  
Increasing Since the Foreclosure Crisis**

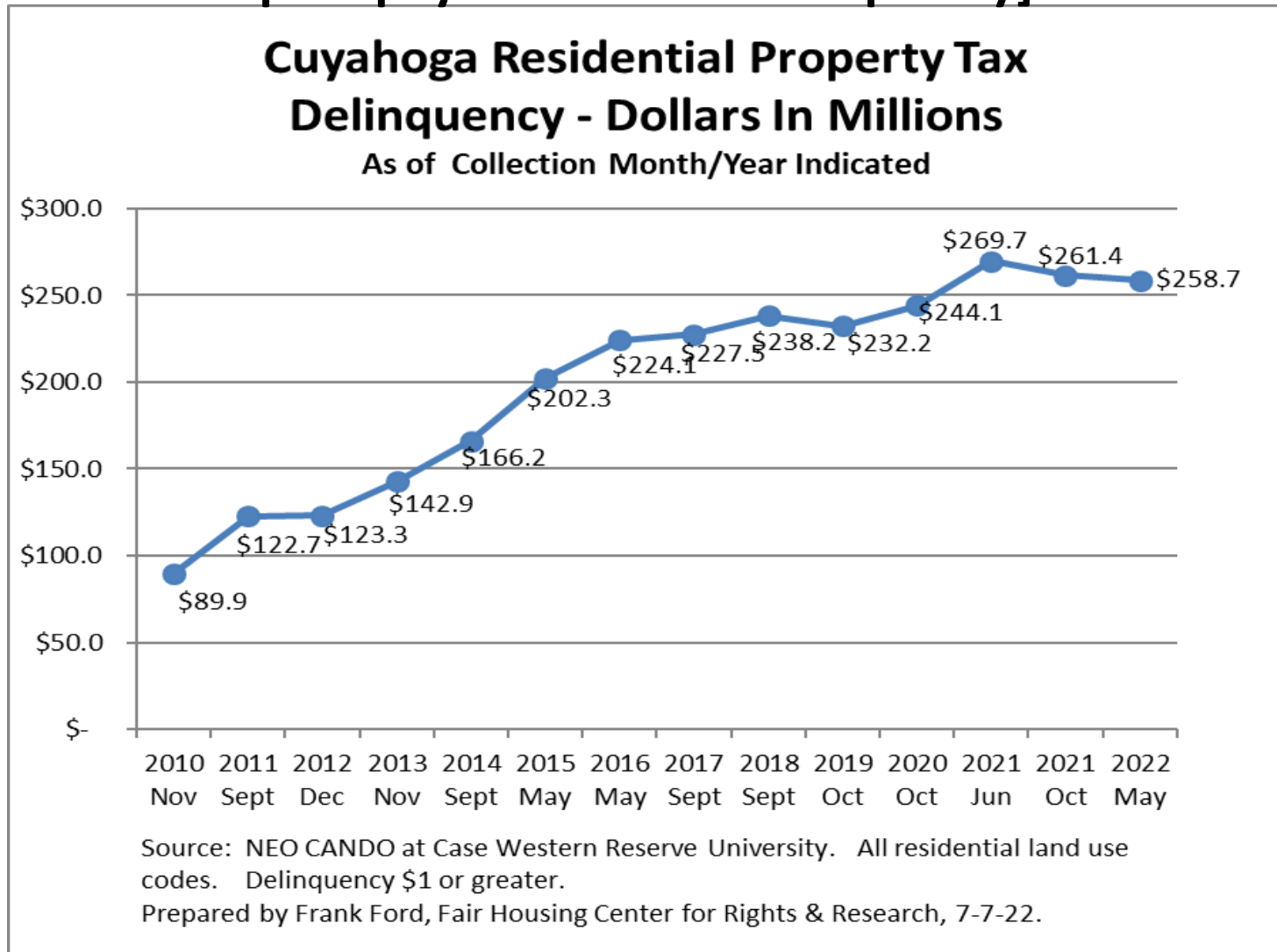
**Resulting in Loss of Revenue  
for Cuyahoga County  
And De-Stabilization of Neighborhoods**

# The Number of Delinquent Parcels Has Remained Relatively Unchanged Since 2010



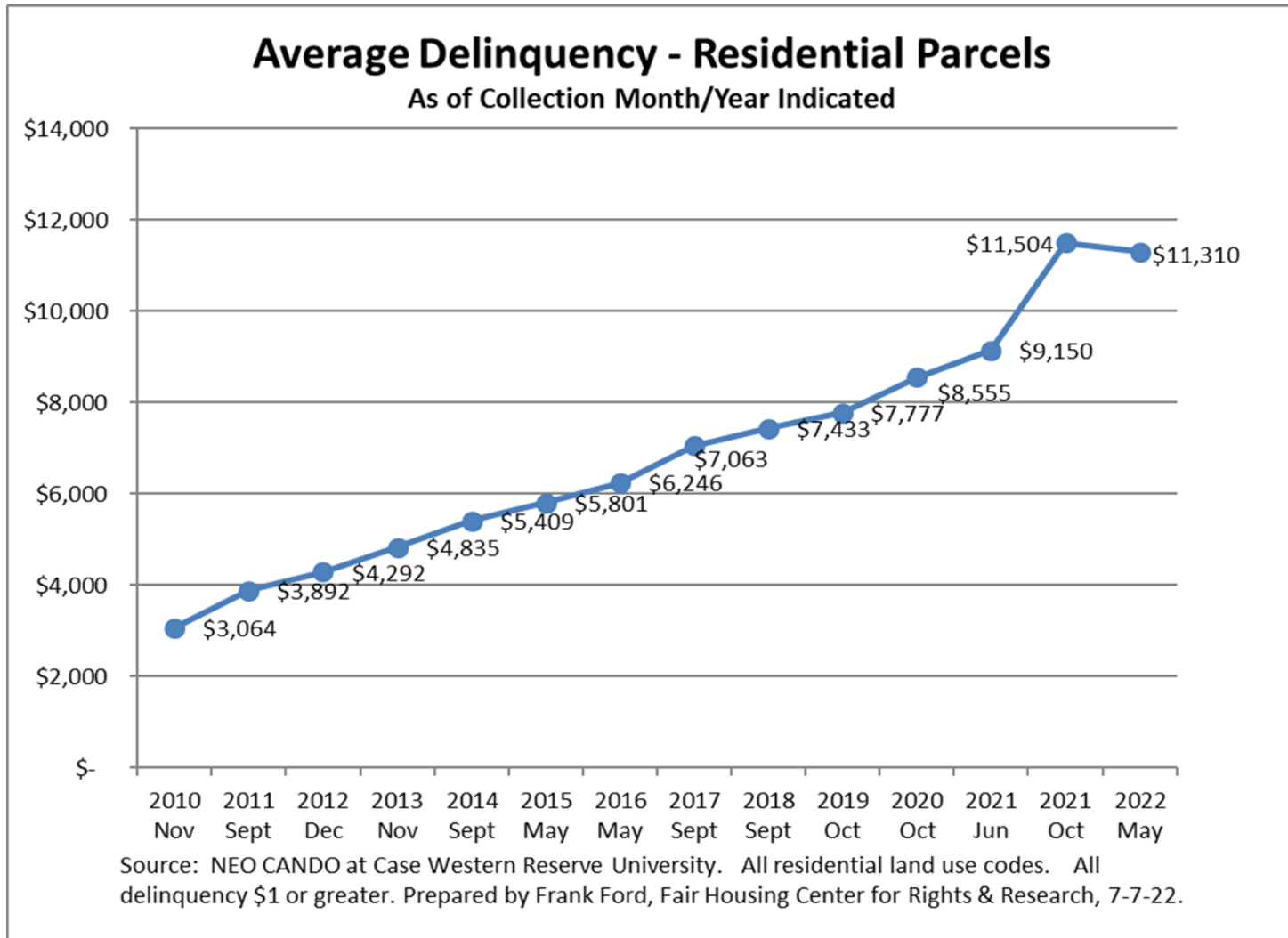
# But the Overall Delinquent Dollars Owed Has More Than Doubled

[However: it's coming down recently – possibly due to efforts to help taxpayers address delinquency]

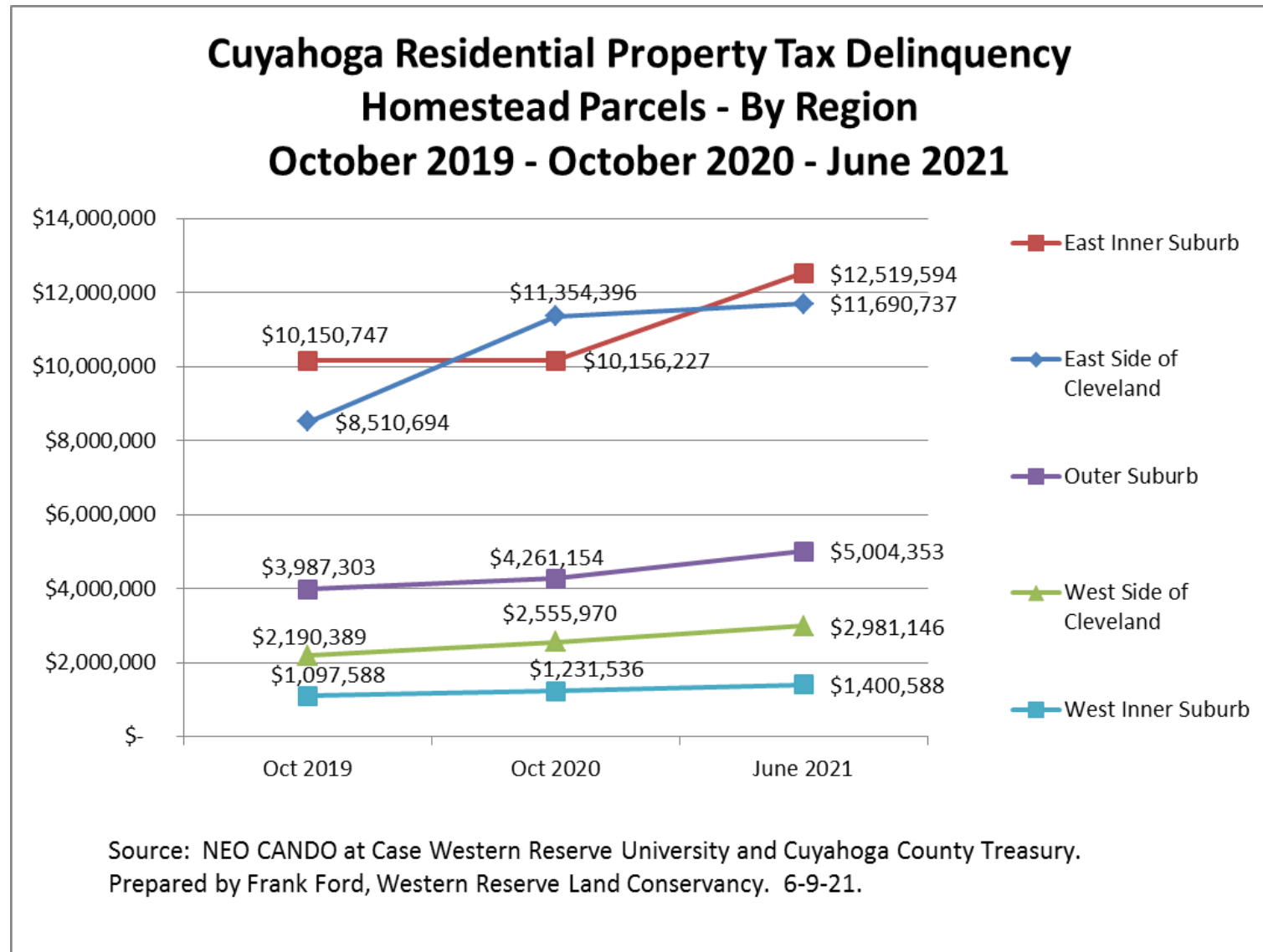


# And the Average Amount Owed per Parcel Has More Than Tripled

[But: this also beginning to decline – possibly due to recent efforts to help taxpayers address delinquency]



**During COVID the steepest increases on Homestead Exempt property (owned by senior citizens and disabled) were in majority African American communities: the East Side of Cleveland and the East Inner Suburbs**



**In spite of the high overall delinquency, an opportunity is presented by the fact that the largest segment of delinquent home owners owe less than \$3,000.**

# Cuyahoga County Delinquent Residential Parcels

## By Range of Delinquency

### As of May 2022

Cuyahoga Region	Below \$3,000	\$3,000 - \$9,999	\$10,000 - \$24,999	\$25,000 and above	Totals
East Side of Cleveland	6,818	2,884	1,773	1,682	13,157
East Inner Suburb	3,026	1,614	839	940	6,419
West Side of Cleveland	2,381	771	289	156	3,597
Outer Suburb	2,034	755	287	176	3,252
West Inner Suburb	806	303	102	41	1,252
(region is blank)	313	48	18	11	390
Count	15,378	6,375	3,308	3,006	28,067
Dollars	\$ 14,781,352	\$ 35,842,011	\$ 52,439,648	\$ 155,593,499	\$ 258,656,510

Source: NEO CANDO at Case Western Reserve University and Cuyahoga County Treasury.

Delinquency \$1 and greater.

Prepared by Frank Ford, Fair Housing Center for Rights & Research, 7-9-22.

**When property tax delinquency is grouped by range of delinquency, and location, it becomes clear that the largest number are only \$3,000 behind, and are located in the regions with the highest African American population: East Side of Cleveland (75%) and East Inner Suburbs (57%). Over the next couple of years there is a narrow window of opportunity to use American Rescue Plan Act (ARPA) funds to assist taxpayers struggling with delinquency and facing tax foreclosure.**

**This Suggests an Opportunity to Save Homes  
and Prevent Tax Foreclosure**

**by**

**Investing in a Fund That Provides Assistance  
to Home Owners Who Are  
Not That Far Behind**

**and by**

**Expanding Opportunities for Payment Plans**



# Recommendations

**1. Acquisitions by irresponsible investors are not likely to slow down – as long as investors can: 1) buy at below market prices and maximize profits with market rents or higher, 2) remain sheltered in layers of LLC ownership and evade accountability for code violations.**

## Recommendation:

- **Require greater disclosure of owners behind LLCs so municipal code enforcement officials can find them and hold them accountable.**
  - Expand the requirements for county fiscal office form DTE 100 required at title transfer.
  - Amend state law to require greater disclosure at filing with Secretary of State, or at title transfer. [Note bill being developed by Ohio Senator Louis Blessing.]

# Recommendations

**2. Investors will continue to siphon off affordable home ownership opportunities, out-competing home buyers who are struggling to obtain home purchase loans.**

## Recommendations:

- **Use the leverage of county, municipal and state funds on deposit at banks to encourage lenders to improve fair access to home purchase and home repair loans.**
- **Award government banking services contracts on a competitive basis to banks willing to meet targeted measurable benchmarks for increased loan production to underserved populations.**
- **Agreements with banks and the monitoring of their performance should be transparent and include opportunities for community stakeholder input.**

# Recommendations

**3. The housing cost burden for lower income household renters could widen, and housing instability and insecurity for renters is at risk of continuing.**

## Recommendations:

- **Enact statewide Source of Income protection to expand the number of housing units available for all renters.**
- **Reestablish Emergency Rent Assistance to provide housing stability for families and financial stability for landlords.**
- **Remove barriers for lower income rental housing such as capping rental application fees at the actual cost of processing.**

# Recommendations

## Recommendations to address barriers to lower income rental, continued:

- Disallow submetering of utilities where payments are made to private companies.
- Restrict requiring payment of last month's rent in addition to a security deposit.
- Seal eviction records after a reasonable period.
- Restrict evictions from being included on a credit report where the eviction was only filed, but not granted.

# Recommendations

**4. The recovery of housing value, and lost homeowner equity, will continue to be painfully slow in Ohio neighborhoods hardest hit by the foreclosure crisis as long as remaining blight and abandonment goes unaddressed (examples: the East Side of Cleveland, and the suburb of East Cleveland).**

## Recommendations:

- **The massive infusion of American Rescue Plan Act (ARPA) funds provides a unique one-time opportunity to address existing blight either by demolition or renovation, whichever is financially feasible and timely; commit to aggressively dealing with this in the short term (not stretched out over 3, 4, 5 years).**

# Recommendations

**5. Lack of access to home repair resources is a critical problem. Housing quality impacts not only the individual renter or homeowner, it also impacts adjacent properties, neighborhood stability and local housing markets. New state resources are needed to guarantee that homes are in good repair and families are not exposed to lead and other health and safety issues.**

## Recommendations:

- **Grant funds for emergency repairs for health and safety.**
- **Invest in a loan-loss reserve fund to increase bank loans to underserved communities.**
- **Use the leverage of state funds deposited at banks to encourage greater access to home repair and home improvement lending.**

# Recommendations

**6. While the number of property tax delinquent homes has remained consistent, the total (and per parcel) delinquency owed remains historically high. Data suggests this problem is disproportionately impacting the majority Black East Side of Cleveland, as well as senior citizen homeowners.**

## Recommendations:

- Support successful outreach collaborations between County Treasurers, County Prosecutors and housing advocates.
- Fund non-profit housing counseling agencies to provide assistance to homeowners struggling with tax delinquency.
- In the narrow window provided by the infusion of ARPA funds, use ARPA to assist homeowners facing tax delinquency and foreclosure.
- Amend state law to expand opportunities for payment plans and consider a 1-year renewable poverty exemption similar to Michigan's.
- Amend state law to provide tax relief for homeowners in rapidly escalating housing markets.

# Recommendations

**7. Ohioans passed a constitutional amendment making housing a public purpose and the state created the Housing Trust Fund. Over the years the Fund has provided for basic affordable housing needs as well as supported pilot efforts to test ways to address homelessness and create more affordable housing.**

## Recommendations:

- **The Trust Fund needs to continue and needs to grow.**
- **Proposed legislation to increase the recorder's fee should also continue the historical arrangement that any increase should be split 50/50 with the Trust Fund.**
- **The state should explore other sources of on-going revenue to increase the funding of the Trust Fund.**