



SHAKER
HEIGHTS

Housing and Neighborhood Plan

January 2015

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EXECUTIVE SUMMARY

The City of Shaker Heights is known for the excellent quality of its housing, its attractive, Garden City landscape and its vibrant, diverse neighborhoods. These are the characteristics which draw people to the community and which cause them to stay. While all cities seek to be regarded as desirable places to live, for cities like Shaker Heights where 89.7 percent of the property tax base is residential, and only 10.3 percent is commercial,¹ maintaining strong property values is an imperative, not a choice. Housing is Product #1 in this city. Throughout the decades, Shaker Heights has been the choice for home seekers looking to move into a community that acknowledges and recognizes the benefits – social, economic, and long-term – of an integrated, diverse suburb.

Why Housing Matters

Housing matters to us as residents and as taxpayers. Housing matters to residents because it is typically their largest investment and they want to ensure that the investment in their homes is protected and ideally, appreciating. In addition, residents want the safe, quiet enjoyment of their homes, the ability to sell their houses without incurring a loss, and a sense of community and stability in their neighborhoods. They look to the City to help them to achieve these goals. Research supported by the John D. and Catherine T. MacArthur Foundation has shown that good-quality housing that is stable and affordable may be an essential platform that promotes a wide array of positive human outcomes in education, employment, and physical and mental health, among other areas.² Housing very much matters—to the individual, to the family, to the neighborhood, and to the City.

Housing is also a critical source of revenue for both the City and the School District. The schools are the main recipients of property tax revenue, with 84.6 percent of these taxes funding school operations.

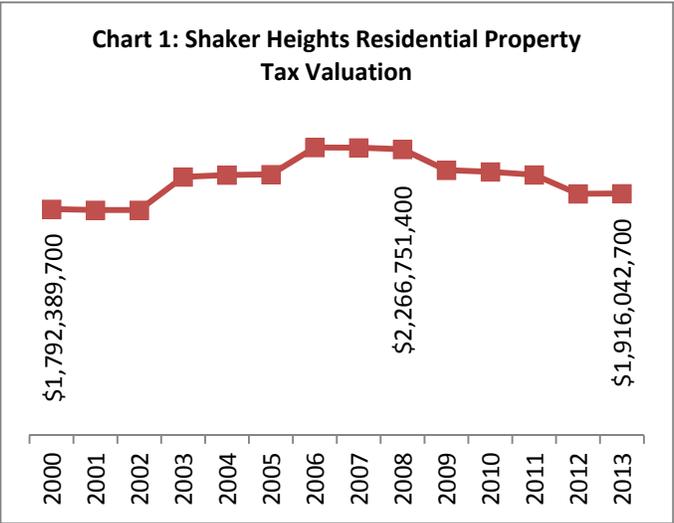
Housing also represents the main source of revenue for the City. The housing market impacts City revenue in two main ways:

- directly through the value of the residential property taxes the City receives; and
- indirectly through the income tax revenue received from those who choose to live in the City.

¹ Data from Shaker Heights Finance Department

²<http://www.macfound.org/press/commentary/housing-policy-matters/#sthash.qUmVa6HB.dpuf>

Sixty-eight (68) percent³ of the revenue received by the City to fund its general operations is from income taxes, and of this approximately 70 percent is from residents who live in the City. While only 4.5 percent of local property tax revenue is allocated to the City, property tax remains an important source of revenue for the City. Funding City operations has become increasingly reliant on income tax revenue. By 2013, property tax revenue accounted for 15.7 percent of the City's operating revenue, compared to 23.4 percent in 2008.⁴ While declining property values have led to lower property tax revenues over that period, the increase to the City's income tax rate (effective in 2012) was the primary reason for the change. Together, residential property tax revenue and income tax revenue received from those who live in the City, account for 60 percent of the City's annual revenue.⁵ These two significant sources of City revenue are intertwined and move in correlation with the same set of economic factors. A growing resident base, low housing vacancy rates, and strong demand for all price points of housing in Shaker Heights are critical for fiscal stability.



Economic Impact of Housing

The linkage between housing and economic development is well documented. In fact, the slow recovery of the national housing market has been blamed for the slow national economic recovery, as housing has traditionally been the economic driver that has brought the country out of its economic downturns. When retailers look at a city as a potential location to open a business, one of the most important factors to consider is the median household income, which is of course tied to the value of the housing in a community. They recognize that the greater the amount of income in an area, the more likely that there will be disposable income available to support their business. Housing also matters to business owners looking for a place to locate because they want their employees to have access to nearby attractive, affordable housing, and they want an available pool of employees from the area.

For all these reasons, the City needs to maintain a pro-active strategy which preserves the characteristics that have made this city one of the premier places to live in the country – quality housing in a quality setting - while simultaneously keeping pace with changing market demands for a broader range of housing choices, for all ages and household sizes. The City's 2015 Housing and Neighborhood Plan is a critical element in planning for our future. The Plan seeks to address the key questions of what City actions will have the greatest impact on stabilizing and increasing housing values. How can we build off of our existing assets? What are the best ways to make our housing more competitive and to increase the demand for it? What is the City's role in meeting resident expectations regarding housing?

³ Data from Shaker Heights Finance Department
⁴ Ibid
⁵ Ibid

Purpose of New Housing and Neighborhood Plan

The City has identified four overall strategic goals to guide its activities:

- Effective, Cost-Efficient Government
- Vibrant Commercial & Retail Development
- High Quality, High Functioning Neighborhoods
- Attractive, Desirable Quality of Life

The 2015 Housing and Neighborhood Plan serves as an update to the City of Shaker Heights' 2001 Housing Plan and provides the framework for attaining the City's goal of High Quality, High Functioning Neighborhoods.

Since 2001 there have been significant changes in the local and regional housing market, which have fundamentally affected the City's housing market and consequently the goals and strategies that the City must pursue. As a result, in 2013 the City determined to update its Housing Plan to reflect these new realities. The 2015 Housing and Neighborhood Plan builds on the foundation of the 2001 Housing Plan, and identifies new recommended strategies and approaches for the City to pursue over the next five years.

Housing Plan Goals

There are three goals identified in the 2015 Housing and Neighborhood Plan:

- Attract New Residents to Shaker Heights, Increase Demand for Houses, and Increase Property Values
- Preserve Existing High Quality Housing
- Increase Cohesiveness, Desirability, Attractiveness, and Stability in the Neighborhoods

For each of these goals, recommended actions have been identified that the City should take to help attain these goals. Key recommended strategies include:

- Continued comprehensive code enforcement;
- Incentives to encourage modernization of properties, especially energy efficiency and accessibility upgrades;
- Leveraging City-owned land assets to strengthen neighborhoods;
- Investment in infrastructure enhancements, such as broadband access, to make the City as a whole more competitive;
- Leveraging the City's economic development efforts to create a more vibrant retail and commercial sector attractive to potential new, as well as existing, residents;
- A neighborhood marketing, branding, and resident recruitment effort to attract a diverse population of new residents;
- New efforts to encourage and provide opportunities for current residents to remain in the community as they age; and

- Expanded collaboration with the private and non-profit sectors, and with neighborhood associations.

The 2015 Housing and Neighborhood Plan also identifies key market opportunities for the City based on changing demographic trends and housing preferences and needs. These include targeting specific population cohorts such as Generation Y (aka Millennials), Baby Boomers, immigrants, and others to maintain and enhance population diversity, and encouraging investment, particularly in townhouses, apartments, and condos that will be demanded by many in these populations.

Key Challenges

Since its inception, the economic fortunes of Shaker Heights have been closely linked to the Cleveland regional economy. Shaker's high-quality housing, excellent schools, and connection to transit have made it one of the most attractive places in the metropolitan area, if not the nation. Over time, however, we have been significantly challenged by the fact that the regional population has declined and suburban communities have been founded further from downtown with high-quality housing and good schools of their own. These trends have been further exacerbated by the recent economic recession and the housing and foreclosure crisis. These changes have led to some fundamental shifts in the dynamics of the local housing market.

This Plan analyzes external and internal challenges that the City will face in upcoming years, including:

- The negative effects of foreclosure, blight, vacancy, and abandonment;
- Slow growth of housing values;
- Increased levels of rental vs. homeownership;
- Expanding inventory of city-owned properties;
- Increased numbers of out-of-town property owners;
- Aging, energy inefficient, inaccessible housing, with significantly higher property tax burden and maintenance costs;
- Increased competition.

Because of the significant impact of external factors largely beyond our control, the City must continue to be involved at the policy level regionally to lessen the impact of these external factors and take aggressive steps to address internal factors.

This Housing and Neighborhood Plan is dedicated to ensuring that all residents have an equal opportunity in housing, both in their pursuit of the housing of their choice and in the neighborhood of their dreams.

Implementation of the plan will require the collaboration of multiple City departments, the community, the non-profit and banking sectors, Cuyahoga County and private investors in order to achieve the City's overarching goal of High Quality, High Functioning Neighborhoods.

Programs to Maintain

- Systematic Inspections
- Point of Sale Escrow
- Certificate of Occupancy program
- Partnerships with providers of subsidized housing
- HELP & Heritage low Interest loans
- Anti-Blight
- Land Banking
- Advocacy and Real Estate Owned (REO) partnerships
- Transit Village
- Support of County down payment assistance program
- Promotion of transportation alternatives

Programs to Re-Evaluate/Reconfigure

- Landlord Training
- Vacant Lot
- Home Repair Grants
- Neighborhood Community Projects

Programs to Expand

- Shaker Renovator and Private Purchase-Rehab
- Owner Occupancy (Deed in Escrow and Land Trust)
- Vacant Property Securing and Monitoring
- Scattered Site Infill on City-Owned Lots
- Home improvement financing options
- Foreclosure prevention/asset building/financial counseling/homebuyer education & referrals

New Programs

- Moreland Innovation Zone
- Avalon Station II
- Van Aken District
- Multifamily Building Reinvestment Program
- Accessibility Program
- Out-of-town landlord program
- Registration of rental property managers
- Small Scale Nuisance Abatement

Needed Tools

- Neighborhood Marketing Campaign

- Residential Tax Abatement
- Live-Work Financial Incentives
- Affordable Energy Efficiency Financing
- Expanded Partnerships with Neighborhood Groups

HOUSING ACCOMPLISHMENTS 2001-2013

Shaker Heights adopted a Housing Preservation Plan 14 years ago in 2001. This plan focused on strategies aimed at maintaining and modernizing the City's housing. The top concerns at the time were encouraging maintenance of rental properties, remaining competitive vis a vis newer housing products in outer ring suburbs, and fixing up blighted properties that were not being maintained by their owners. Post 2006, Shaker Heights has also dealt aggressively with the circumstances that were created by the foreclosure crisis and the collapse in the housing market in order to maintain neighborhood stability. These efforts resulted in significant accomplishments, including:

New Housing

- 46 luxury townhomes built at Sussex Courts, which had a build out value of \$15.6 million;
- 16 luxury townhomes built at South Park Row with a build out value of \$6.4 million;
- 51 loft condos built at Avalon Station Phase I, with a build out value of \$12 million;
- Private investment of \$6 million to build 44 units of affordable senior housing;
- 7 privately built infill homes representing over \$1.4 million of new tax value.

Investment in Existing Housing

- Private investment in existing housing of over \$25 million through Point of Sale Escrow;
- Over \$157 million in residential building permit work to upgrade existing houses;
- Over \$2.1 million in private investment in upgrades to rental properties through Certified Shaker;
- 1,408 households assisted in home maintenance through City grant programs;
- Creation of 9 units of entrepreneurial housing in the Moreland neighborhood;
- Private rehab of 15 properties through the Shaker Renovator program, adding over \$3 million of property value.

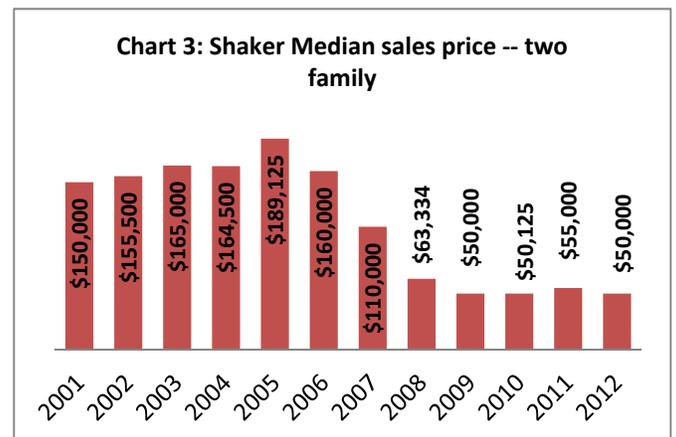
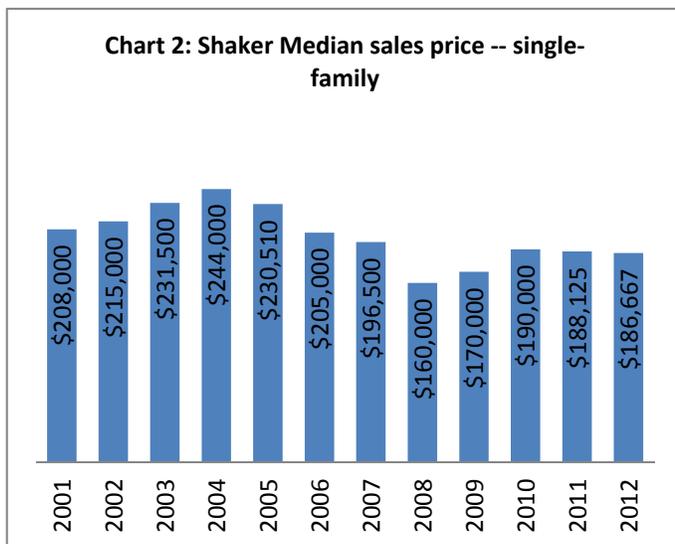
Strengthening Neighborhoods

- Investment of \$3 million in grant funds in the neighborhoods to build 3 homes, rehab 8 houses and create parks, public art, and green spaces;
- Land banking of 130+ lots for future redevelopment as the market improves;
- Return of 13 vacant lots to productive use as side lots, new houses and community gardens;
- 55 blighted properties repaired through nuisance abatement;
- Demolition of 154 homes to eliminate neighborhood blight;
- Reduction in the rates of delinquent tax payment;
- Enactment of criminal nuisance activity ordinance to create financial disincentive to residents whose behavior causes excessive police calls;
- Enactment of a foreclosure filing fee ordinance to pass on some of the costs of monitoring foreclosed properties to those filing foreclosures;
- Citywide tenant screening program and landlord training program which improved the quality of rentals.

CHALLENGES IN TODAY'S HOUSING MARKET

Housing Values

Unfortunately, commencing about the middle of the last decade, Shaker and other Cleveland communities began to feel the impact of a major foreclosure crisis. This was caused by a combination of predatory lending and an economic recession which impacted Greater Cleveland before it struck the rest of the nation. With the 2008 national recession, the housing market collapsed. Almost all communities in Northeast Ohio suffered severe declines in property value. A 2012 state mandated reappraisal of Cuyahoga County property for tax purposes reflected an overall decline in property value of 9 percent.⁶ Compared to most other inner ring suburbs, Shaker's housing values had lower rates of decline. This resulted primarily from the City's point of sale and strong code enforcement program which discouraged damaging speculation and flipping; its proactive response to the foreclosure crisis; and its balance of rental and owner occupied housing. In Shaker, a weakening demand in the for-sale market was balanced to some degree by increases in demand for rental housing. In the 2012 countywide reassessment of all property values, Shaker Heights lost 7.3 percent of its residential property value. This represented a loss of revenue of \$377,933 per year through 2015.⁷



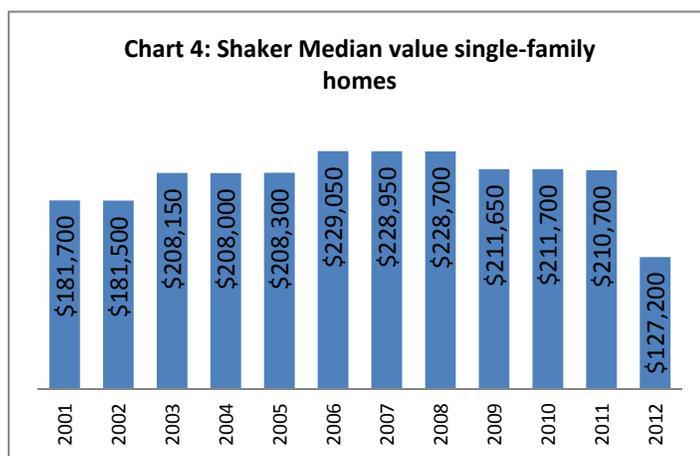
Based on County Fiscal Office data from Northeast Ohio Community and Neighborhood Data for Organizing (NEOCANDO), the median sales price of a single family house in Shaker declined from a high of \$244,000 in 2004 to \$186,667 in 2012, i.e. 23 percent (see Chart 2), while the median sales price of a two family house declined 74 percent from its high in 2005 of \$189,125 to \$50,000 in 2012 (see Chart 3). While prices have risen recently (see Chart 4) and a 2013 Plain Dealer study⁸ showed a median price of \$202,000 for the first nine months of the year, prices have not returned to where they were at the peak.

⁶ 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

⁷ 2014 City of Shaker Heights Operating Budget.

⁸ Plain Dealer, October 23, 2013: http://www.cleveland.com/datacentral/index.ssf/2013/10/median_home_prices_increase_in.html

It is estimated that anywhere from 31 to 40 percent of homes in Cuyahoga County are underwater, i.e., have a mortgage greater than its current property value.⁹ In 2013 in Ohio, Corelogic reports that 19 percent of properties have negative equity.¹⁰ While Shaker’s housing market is relatively stable compared to the County as a whole, our community has been significantly impacted by the overall reduction in property values regionally and in fact, nationwide, as a result of the housing crisis.



This reduction of equity value in housing has three very negative impacts:

- Homeowners are less likely to invest in maintenance or upgrades to their property because they do not believe they will be able to recoup these costs;
- Homeowners are trapped in their houses because they cannot sell them without taking a loss, reducing the natural trading up in the housing market which is critical to a vibrant housing market;
- Homeowners are more likely to walk away from their properties by stopping payment on their taxes and mortgages.

It is, therefore, imperative that the City make stabilizing and increasing property values the cornerstone of its 2015 Housing and Neighborhood Plan.

Mortgage Foreclosures

By 2008, at the height of the foreclosure crisis, Shaker was experiencing a foreclosure rate of 2 percent, lower than the Ohio foreclosure rate of 3.9 percent,¹¹ but slightly higher than the national foreclosure rate of 1.8 percent. Some areas of the City were particularly hard hit, e.g. the southern Moreland neighborhood (census tract 1836.03) experienced a foreclosure rate of 28.52 percent between 2006 and 2012, i.e., higher than that

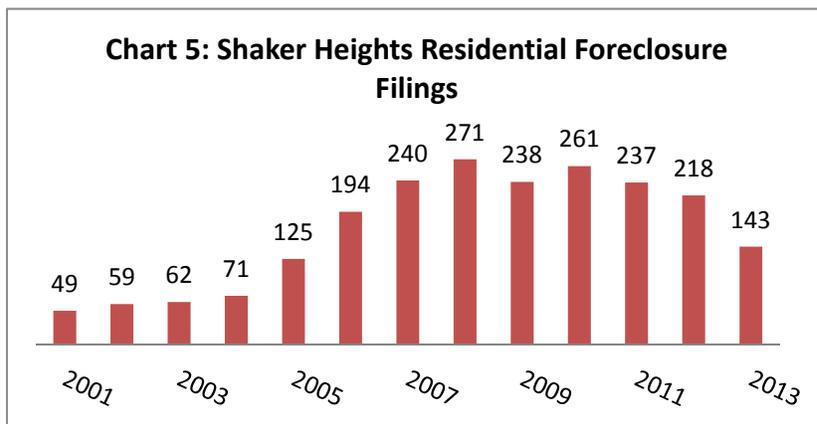
⁹ “Distressed Loans in Ohio: Recent Trends”, *Lisa Nelson and Francisca G.-C. Richter; February 2012:* http://www.clevelandfed.org/community_development/publications/albtn/v6_1/index.cfm

¹⁰ The MarketPulse-Volume 3, Issue 5; CoreLogic; March 2014.

¹¹ Data from NEOCANDO, Center on Urban Poverty and Community Development, MSASS, Case Western Reserve University (<http://neocando.case.edu>)

of the City of Cleveland for the same period.¹² The good news is that residential mortgage foreclosures regionally and locally are finally on the decline. From a historic high of 271 residential mortgage foreclosure filings in 2008, foreclosures in Shaker have steadily declined since 2010, reaching a level of 143 in 2013.¹³ Based on national data showing the steady reduction in the level of delinquencies, it is likely that this trend of declining mortgage foreclosure filings will continue.

However, while Shaker Heights residential mortgage foreclosure filings are declining, these numbers are still historically high - almost triple the rate before the foreclosure crisis. So, while the situation is improving, there is still a long way to go before we are back to normal levels of foreclosure, such as the 49 filings in 2001 (see Chart 5).



In the meantime, foreclosures continue to represent a significant burden on our systems as they slowly move themselves from foreclosure filing to Sheriff’s Sale to Real Estate Owned (i.e., owned by the foreclosing lender) to occupancy. In moderately functioning markets, mortgage-foreclosed structures are shown to have a negative 1.6 percent impact on neighboring values, and a negative 2.6 percent impact on neighboring values in high functioning markets.¹⁴ There were 1,216 unduplicated residential mortgage foreclosures between 2008 and 2013, i.e., 14 percent or one out of every seven houses in Shaker has been in foreclosure since 2008¹⁵ (see Chart 6). There are 318 properties still at various stages of the foreclosure process that have not yet come to Sheriff’s Sale.¹⁶ These are all properties that pose a high risk of vacancy, abandonment, lack of maintenance, and vandalism -- all of which negatively impact property values. Even if no additional foreclosures were filed in Shaker Heights in the next five years, the community would still have to deal with the 318 active properties in foreclosure and the 19 properties that have already completed the foreclosure process but not yet been resold out of REO. This means that despite the continued positive trends in foreclosure filings, for at least the next five years the City will continue to have to devote significant resources to foreclosure and vacant property monitoring and mitigation strategies.

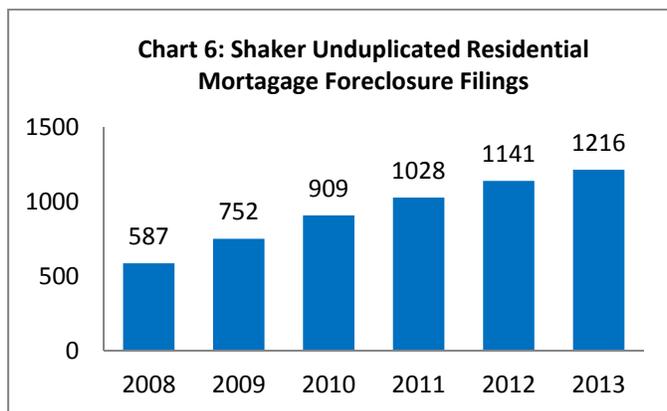
¹² Data from NEOCANDO, Center on Urban Poverty and Community Development, MSASS, Case Western Reserve University (<http://neocando.case.edu>)

¹³ Ibid

¹⁴ Griswold Consulting Group, “Estimating the Effect of Demolishing Distressed Structures in Cleveland, OH, 2009 to 2013: Impacts on Real Estate Equity and Mortgage Foreclosure,” at <http://bit.ly/RrKuwW>.

¹⁵ Data from NEOCANDO

¹⁶ Ibid



According to a study done by the Federal Reserve Bank of Boston,¹⁷ the likelihood of neighbor complaints about a property doubles once a property enters the foreclosure process. Once a property enters REO (Real Estate Owned), i.e., becomes owned by the bank, the likelihood increases nine-fold. Borrowers begin neglecting maintenance when they are 90 days or more delinquent and property distress becomes more common once the property has been in foreclosure for over a year. Properties are most likely to be the subject of complaints when they are bank owned.

A 2001 study in Philadelphia¹⁸ found that houses within 150 feet of a vacant or abandoned property experienced a net loss of \$7,627 in value. According to research done by the Federal Reserve Bank of Cleveland, each additional property within 500 feet that is vacant, delinquent, or both, reduces the home's selling price by at least 1.3 percent.¹⁹

For this reason, it is important for the City to continue to support regional advocacy for foreclosure prevention funding and education initiatives, and to ensure that its residents are aware of all the resources available to prevent foreclosures since prevention is far less costly than the fiscal, economic, and social costs associated with a foreclosure. More than half of Americans would not be prepared to cover living expenses if a job loss or sickness occurred. Fifty-six (56) percent do not have rainy day savings to cover three months.²⁰ This underscores the need to explore innovative ways to build financial capability among residential property owners.

¹⁷ "When Does Delinquency Result in Neglect? Mortgage Distress and Property Maintenance" by Lauren Lambie-Hanson; Federal Reserve Bank of Boston; Public Policy Discussion Paper 13-1; March 2013: <http://www.bostonfed.org/economic/ppdp/2013/ppdp1301.pdf>.

¹⁸ Temple University Center for Public Policy and Eastern Pennsylvania Organizing Project, "Blight Free Philadelphia: A Public-Private Strategy to Create and Enhance Neighborhood Value," Philadelphia, 2001

¹⁹ "The Impact of Vacant, Tax-Delinquent, and Foreclosed Property on Sales Prices of Neighboring Homes" by Stephan Whitaker and Thomas J. Fitzpatrick IV; March 2012 Working Paper.

²⁰ DSNews May 29, 2013: Survey Finds Younger Homeowners More Likely to Be Underwater" by Esther Cho.

Vacancy and Abandonment

The tripling in foreclosures in Shaker Heights since 2001 has led to a large increase in available housing on the market at the same time there has been a reduction in the pool of qualified buyers. This combination of increased supply and reduced demand has resulted in lower housing values. In 2013 there were 332 vacant houses and 148 vacant condo units,²¹ while in 2001 there were so few vacant properties that the City did not even collect data on them. Most vacancies at that time were seasonal and short term, and for the most part, vacant properties remained well maintained. In contrast, vacant properties today tend to remain vacant for several years and are frequently vandalized and not properly maintained. Homeowners often vacate their homes even before a foreclosure has been finalized, and neither mortgagors nor mortgagees generally maintain the properties while the foreclosure is pending. Since foreclosures take an average of 13 months to be completed in Cuyahoga County²² and homeowners in foreclosure have little or no incentive to maintain a property they are likely to lose, properties generally fall into disrepair once a foreclosure is filed. Lending institutions, which typically obtain the properties post Sheriff's Sale, are slow to market and sell these vacant houses which come into their inventory and typically attempt to sell them in as-is condition. As a result, foreclosed properties can easily sit for two years with no maintenance and repairs.

Vacant properties can also be a magnet for crime. The linkage between vacant houses and crime has been well documented. A Chicago study found that when the foreclosure rate increases one percentage point in a neighborhood, its violent crime rate jumps 2.3 percent.²³ A study in Austin, Texas found that "blocks with unsecured [vacant] buildings had 3.2 times as many drug calls to police, 1.8 times as many theft calls, and twice the number of violent calls" as blocks without vacant buildings.²⁴ More than 12,000 fires break out in vacant structures each year in the U.S., resulting in \$73 million in property damage annually. Most are the result of arson. Vacant houses are magnets for criminal activity, squatting, and vandalism. The high demand for scrap metal and the lax regulation of the scrap metal industry have led to frequent break-ins of vacant properties and the theft of piping in the house, particularly copper piping. Unfortunately, in order to rip out the pipes, thieves often destroy the home by tearing out walls and causing significant water damage when the water has not yet been shut off. Once this level of damage occurs, these houses frequently have to be demolished because the costs of repairing the property exceed the value of the houses in today's challenged housing market. In Shaker Heights, these demolition costs are typically borne by the taxpayers, either directly through the City's General Fund, or indirectly through Federal or State grant funds. While the vast majority of vacant properties are eventually sold and returned to productive use, the City has, on average, had to demolish 15-20 of these privately owned vacant properties annually, (i.e., less than 6 percent of these properties), at a City cost of at least \$300,000 per year. If the vacant home can be secured sooner and is located in a neighborhood with higher market sale prices, it is more likely that renovation remains a viable option.

²¹ Data from Shaker Heights Housing Inspection Department

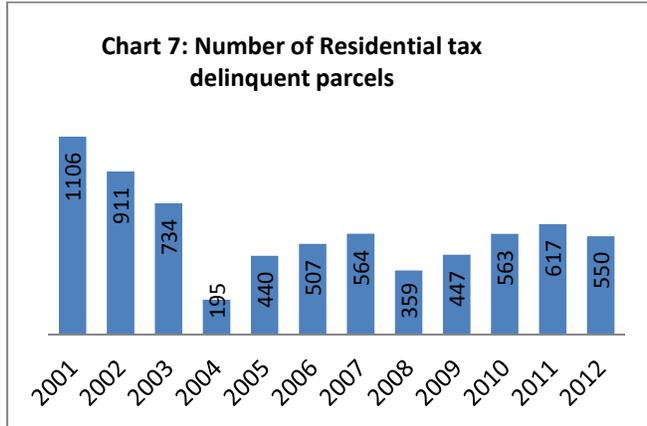
²² "Estimating the Impact of Fast-Tracking Foreclosures in Ohio and Pennsylvania", Kyle Fee and Thomas J. Fitzpatrick IV, March 2014: [http://www.clevelandfed.org/research/commentary/2014/2014-03.cfm?WT.oss=foreclosure impacts&WT.oss_r=536](http://www.clevelandfed.org/research/commentary/2014/2014-03.cfm?WT.oss=foreclosure%20impacts&WT.oss_r=536).

²³ Dan Immergluck and Geoff Smith, "The Impact of Single-family Mortgage Foreclosures on Neighborhood Crime," *Housing Studies*, Vol. 21, No. 6, 851-866, November 2006.

²⁴ "Vacant Properties: the True Cost to Communities"; National Vacant Properties Campaign; 2005: www.smartgrowthamerica.org/documents/true-costs.pdf.

Delinquent Taxes

The number of tax delinquent residential parcels in 2012 was 50 percent lower than it was in 2001²⁵ (see Chart 7). However, the number of delinquent parcels reached its low point in 2004 and has been steadily increasing since, as the economic recession has affected household incomes and stability.



Every dollar of delinquent taxes is a dollar not available to run the City and Schools and Library. At the end of 2013, the tax delinquency of residential properties in Shaker Heights was \$5,058,458.²⁶ As of 2012, 6 percent²⁷ of Shaker Heights residential property owners were tax delinquent. The City's Neighborhood Revitalization Department has worked actively since 2011 with the County and other regional parties to reduce the rate of tax delinquency, seeking improvements in tax collection methods.

Investor Activity

In Ohio, cash sales now account for 34 percent of all transactions, up seven percentage points since last year.²⁸ The majority of these cash sales are attributed to investor buyers. Investor cash purchases often crowd out potential owner-occupant buyers who require financing. In some cases, owner-occupants have trouble accessing credit, or investors flush with cash are simply willing to pay more. In other cases, sellers who wish to avoid the appraisal process prefer cash buyers. In Shaker Heights, we have seen a similar influx of investor buyers, particularly in neighborhoods like Moreland where there are many lower priced properties on the market under \$100,000. Investors can certainly play a role in the housing recovery, particularly in halting and even reversing rapid price declines. However, the City must monitor and manage investors to ensure that they are acting responsibly and playing a stabilizing role in the community. Moreover, investor purchases alone cannot sustain a long-term housing recovery. In order for a housing recovery to last, it must be built on homeowners who are more likely to remain even if investors exit the market in search of more aggressive returns. Investors are typically not located in the communities where they invest, so when they eventually resell their properties, it is likely that they will take their wealth with them. Owner-occupants also tend to have

²⁵ NEOCANDO

²⁶ Ibid

²⁷ Ibid

²⁸ Crains May 9, 2014.

a vested interest in neighborhood amenities such as good schools, parks, and playgrounds. While investors may recognize that amenities will improve their property's value, they may not be as engaged in the future of the neighborhood. There are currently 718 Shaker property owners who reside outside of Cuyahoga County (of which 57 reside overseas) and 358 properties owned by limited liability companies (LLCs) and other corporate entities.²⁹

Real Estate Owned (REO) Ownership

Traditionally, the majority of houses were sold from owner occupant to owner occupant, with a real estate agent facilitating the transfer. REO properties, i.e., properties that are sold after Sheriff's Sale to the foreclosing bank, constituted an insignificant 1 percent of the market. However, in the Greater Cleveland area, REO sales accounted for 24-32 percent of sales for the period 2009-2013.³⁰ REO sales caused a 78.1 percent discount in sales price in the extremely weak market, a 67.8 percent discount in the weak market; a 67.6 percent discount in the moderately functioning market; and, a 54.4 percent discount in the high functioning market.³¹ REO sales are less likely to involve a local realtor familiar with the community, and are more likely to result in direct sales to investors than to homeowners. The most vulnerable properties are those that go through an REO process, and it is therefore in the City's interest to ensure that these transfer to responsible owners. These changes in the way properties transfer have significant implications for the City's housing strategy. In 2001, the City's marketing efforts focused on potential owner occupant buyers and local realtors. There were no strategies aimed at investors, rehabbers, or realtors who specialized in REO. Today's market realities make outreach to these sectors critical.

Rentals

The City was designed with one third of its housing as rentals, primarily a combination of apartment and two family houses. Based on Certificate of Occupancy data for 2013 (see Table 1), there were 4,897 rental units in the City.³² The City has 102 apartment buildings and 29 condo buildings, most of which were converted from apartment buildings.

Table 1: Rental Units Based on 2013 Certificates of Occupancy	
Total Rental Units	4,897
Apartment Rental Units	2,963
Two Family Rental Units	1,300
Single Family Rental Units	445
Condo Rental Units	189

²⁹ City Housing Inspection Department Data

³⁰ Griswold Consulting Group, "Estimating the Effect of Demolishing Distressed Structures in Cleveland, OH, 2009 to 2013: Impacts on Real Estate Equity and Mortgage Foreclosure," at <http://bit.ly/RrKuwW>.

³¹ Ibid

³² Housing Inspection Department data

Traditionally, renting has served as a stepping-stone to homeownership as well as an alternative for those seeking flexibility and more affordable places to live. But the mortgage crisis of the late 2000s has prompted individuals and families across the country to rethink their housing options. For many potential first-time homebuyers, for example, the severe drop in home values, along with tightened lending standards and uncertainty over when the market might recover, have kept them on the sidelines and made renting a more attractive option. Others have lost their homes to foreclosure, resulting in their inability to qualify for mortgage loans in the near future; they too have joined the ranks of renters. With the combination of low mortgage rates and rising rental rates, it is estimated that it costs 45 percent more nationally and 60 percent more in Cleveland to rent than it does to own a home.³³

In 2001 in Shaker Heights there were only 85 single-family rentals and almost no condo rentals in the 29 condo buildings.³⁴ By 2013, the number of single-family rentals had risen to 445 and the number of condo rentals to 189, i.e., 30.5 percent of the 2000 census count for condo units. Of these single-family rentals, 28 percent are in the Lomond neighborhood and 19 percent are in the Moreland neighborhood.³⁵ These new owners are largely out-of-town or reluctant landlords, i.e. those who are landlords simply because they cannot sell their homes. There are currently 718 property owners who reside outside of Cuyahoga County.³⁶ This poses additional challenges to the City in trying to ensure that the City's housing is well maintained because of the frequent lack of knowledge by these new landlords of City requirements, and the difficulty of gaining their code compliance because they are not local.

An increasing share of our rental properties are now owned by LLCs and foreign-based owners. There are 57 property owners who reside outside of the United States and 358 properties owned by LLCs.³⁷ Managing scattered-site rentals by out-of-town owners is usually more challenging than managing a typical multifamily apartment building. There are often multiple layers of property-management subcontractors between the investors that own the property and the tenant who lives in the property. This distance can make it harder for an investor to ensure quality property management and for a tenant to hold an investor accountable for property conditions.

As a result of the combination of tightened credit requirements, buyer wariness of investing in real estate, and changes in housing preferences by the Generation Y (Millennials), there has been a significant increase in rental demand locally and nationwide. This trend is expected to continue, with an estimated two-thirds of new households expected to rent rather than buy.³⁸ Currently in Shaker Heights, apartment owners are reporting low vacancy rates, and in downtown Cleveland apartment buildings have lengthy waiting lists. Many of these renters are stable two-income households who cannot or prefer not to take out a mortgage. With its one-third rental housing, Shaker should be well positioned to take advantage of this rental housing boom.

³³ Trulia Summer 2012 Rent vs. Buy Report

³⁴ Number of condo buildings provided by Shaker Heights Neighborhood Revitalization Department

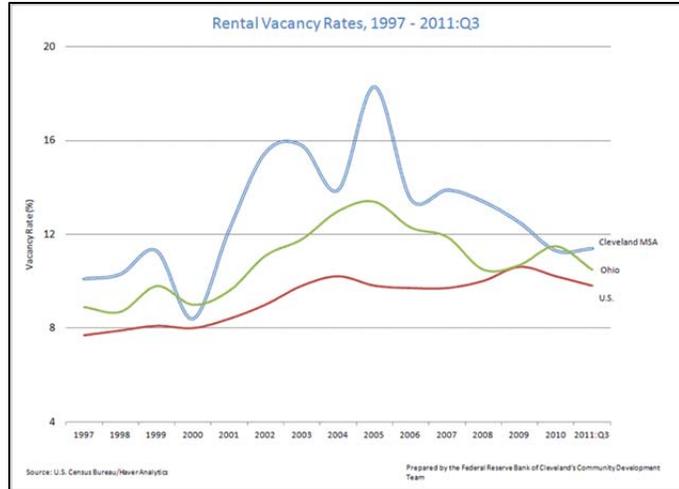
³⁵ Data from Housing Inspection Department.

³⁶ Ibid

³⁷ Ibid

³⁸ DSNews.com May 3, 2013: "Tight Lending, Foreclosures to Prompt Homeownership Declines" by Krista Franks Brock.

Subsidized units in the city have declined from 385 units in 2001 to 304 units in 2013.³⁹ Through an innovative partnership with the Cleveland Metropolitan Housing Authority (CMHA) and with Parma Public Housing, the City has worked collaboratively to ensure that subsidized housing provided through their voucher programs are protected from landlords who are in foreclosure or are not complying with City ordinances, and that these agencies are notified when voucher holders are not complying with the City's criminal nuisance activity ordinances. This has resulted in a significant reduction in complaints regarding subsidized housing and an improvement in compliance with City regulations by landlords receiving these subsidies. This collaboration is important because research has shown that, among the five housing characteristics included in the analysis done by the MacArthur Foundation, (quality, stability, affordability, ownership, and receipt of a housing subsidy) poor housing quality was the most consistent and strongest predictor of emotional and behavioral problems in low-income children and youth.⁴⁰ It is critical, therefore, that we ensure that subsidized housing being provided to families is safe and of good quality. The City should continue this collaboration and extend it to other subsidized housing programs.



Shaker apartment owners have not been able to capture the types of rents currently being charged in the new and rehabbed apartment buildings that are in high demand downtown and in adjoining communities. According to Zillow, the average monthly rent in Cuyahoga County is \$895. The 2014 HUD Fair Market Rent for Shaker Heights for a two bedroom unit is \$801,⁴¹ while landlords near Beachwood Place are asking anywhere from \$1,000 to \$2,700 per month.⁴² Realtor.com lists the following rental market comparisons in Table 2:

Beds	Cuyahoga County	Ohio	United States
0	\$585	\$ 515	\$1,161
1	\$660	\$ 637	\$1,282
2	\$1,096	\$1,230	\$1,821
3	\$1,269	\$1,423	\$2,080
4	\$1,980	\$2,978	\$2,942
5+	\$3,588	\$2,540	\$7,122

³⁹ Data from Shaker Heights Housing Inspection Department.

⁴⁰ MacArthur Foundation: <http://www.macfound.org/press/commentary/housing-policy-matters/#sthash.qUmVa6HB.dpuf>

⁴¹ Data from CMHA: <http://www.cmha.net/hcwp/rentdetermination.aspx>

⁴² Plain Dealer, March 14, 2014.

Our rental properties, because they are typically at least 50 years old, also generally lack the accessibility features that attract older renters who select rentals as they downsize. Condo buildings have picked up some of this increased demand for rentals, with Shaker condo rentals increasing significantly, reaching a level of 189 units in 2013. However, 148 condo units remain vacant,⁴³ i.e., a vacancy rate of 13.2 percent, presenting an opportunity for capturing a far greater share of potential renters. A 2013 Accessibility Study commissioned by the City showed that some of the impediments to accessibility included stairs to access the buildings, narrow doorways, and inaccessible light switches, electrical outlets, thermostats and other environmental controls. In other words, many properties could be made more accessible with a few moderate modifications.⁴⁴ These modifications can be quite affordable. The typical cost of widening a door is \$700 and the typical cost of retrofitting to create an entrance without steps is \$3,300.⁴⁵

Homeownership

The flip side of the rise in rentals is the decline in homeownership. Shaker Heights homeownership rates have fluctuated since 1960, to its current level of 63.9 percent in the 2010 census (see Table 3).

Table 3: Shaker Homeownership Rate					
1960	1970	1980	1990	2000	2010
64.1%	61.7%	63.8%	61.4%	64.9%	63.9%

Maintaining a balance between owner occupancy and rentals is critical to the stability of our neighborhoods.

⁴³ Data from Housing Inspection Department.

⁴⁴ "Accessibility Survey Results: A Report to the City of Shaker Heights", December 2013, The Housing Center.

⁴⁵ Concrete Change: <http://concretechange.org/construction/cost-of-no-change>

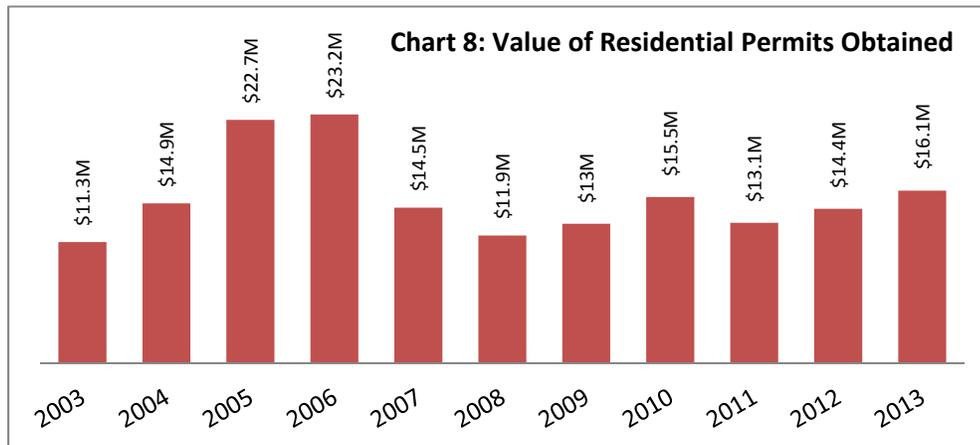
OPPORTUNITIES IN TODAY'S HOUSING MARKET

Affordability

Homeownership is currently more affordable than ever. As of May 2014, 81 percent of housing in the Cleveland metropolitan area was affordable to the middle class.⁴⁶ Today, buying is frequently more affordable than renting, because of higher rents due to increases in rental demand. The greater affordability of homes in today's market provides an opportunity to attract new groups of residents into our community as homebuyers.

Modernization of Existing Housing

A review of Shaker's Building Department's residential building permit data (see Chart 8), indicates a trend of increased confidence leading to a rebound in reinvestment in existing housing. While the number of residential permits pulled⁴⁷ has declined significantly since 2003, from a high of 3,353 to 2,700 in 2013, the estimated value of those permits pulled has increased over that same period, reaching \$16.1 million in 2013. While this is lower than the value of permits at the height in 2006, it is higher than it was prior to the foreclosure crisis.



Air Conditioning

It is also important to note that while air conditioning permits are down from their high of 206 permits pulled in 2003, they have been steadily on the rise since 2009, reaching 180 permits pulled in 2013. Adding air conditioning is an important property upgrade needed to keep our housing competitive. Since 2003, there have been 1,589 air conditioning permits pulled, i.e., an average of 144 per year.

Remodeling

Remodel permits have followed a similar trend, with permits pulled down from 313 in 2003, a steady rise since 2008, and reaching 211 permits pulled in 2013. There have been 2,340 remodel permits pulled since 2003, an average of 212 remodeling permits pulled per year. This is another important measure of modernization of our housing.

⁴⁶ "Where the U.S. Middle Class Can Still Afford to Buy a House", by Jed Kolko, Atlantic Cities May 2014.

⁴⁷ All permit data provided by the Shaker Heights Building Department.

Other Upgrades

Other notable trends⁴⁸ have been:

- A dramatic increase in the number of building permits pulled for decks/porches/patios. Prior to 2008, the number of permits pulled for this type of work ranged from 4 to 11 per year. Since 2009, the annual number has averaged 40 and above.
- There have been 2,630 building permits pulled since 2003 for new driveways, i.e., an average of 214 new driveways per year.
- There have been 2,689 roof permits pulled since 2003, an average of 239 per year.

Another indicator of the continued interest in reinvesting in our housing is that from 2006-2013, almost \$18 million was deposited in Point of Sale escrow accounts.⁴⁹ While there was a clear downturn with the crash of the market after 2008, the trend since 2010 has clearly been upward. In 2013, 68 percent of residential properties were sold with all Point of Sale violations corrected.⁵⁰

The City can build on this renewed confidence by identifying and marketing affordable home improvement financing to residents and investors since approximately 70 percent of all home improvements of up to \$15,000 are financed and 90 percent of all improvements greater than \$15,000 are financed. Most financing is contractor driven. The City can also specifically target the groups most likely to engage in home improvement projects. Nationally, recent homebuyers make up only 18 percent of homeowners but account for 36 percent of home improvement projects.⁵¹ Homebuyers often make major improvements within a year or two of moving into a house. Recent research indicates that about 75 percent of homebuyers identify a list of desired projects at the time of purchase, and almost 90 percent work on those improvements within a year of moving in.⁵² Buyers who trade up are more likely to undertake larger, more expensive projects than first-time buyers.

Energy Efficiency Upgrades

According to the 2012 National Association of Home Builders Consumer Preferences Survey, more than 80 percent of Generation Y homebuyers (people born after 1977) prefer a highly energy efficient home over a lower priced home without energy efficient features, preferring to save instead on utility costs.⁵³

The largest portion of household energy consumption—over 40 percent—goes toward warming the inside environment in the winter and cooling it in the summer.⁵⁴ Homeowners can dramatically reduce this seasonal energy consumption by installing new heating and cooling equipment; sealing and insulating, heating,

⁴⁸ Data from Shaker Heights Building Department

⁴⁹ Data from Shaker Heights Housing Inspection Department.

⁵⁰ Ibid

⁵¹ Financing Guidebook for Energy Efficiency Program Sponsors, 2007:

http://www.energystar.gov/ia/home_improvement/downloads/FinancingGuidebook.pdf.

⁵² Joint Center for Housing Studies of Harvard University (JCHS), *Improving America's Housing 2007: Foundations for Future Growth in the Remodeling Industry* (2007). Figures include single-family and multifamily owner-occupied housing.

⁵³ DSNews.com June 4, 2013; Tory Barringer: <http://dsnews.com/news/market-studies/06-04-2013/survey-features-generation-y-homebuyers-favor-2013-06-04>

⁵⁴ Financing Guidebook for Energy Efficiency Program Sponsors, 2007:

http://www.energystar.gov/ia/home_improvement/downloads/FinancingGuidebook.pdf.

ventilating, and air conditioning (HVAC) duct work; and improving the building envelope with air sealing, insulation, and upgraded windows. These efficiency measures are proven, cost-effective, and provide numerous benefits for homeowners, including increased comfort and improved durability. Nevertheless, energy efficiency upgrades have not been as widespread as they need to be if the City's housing is to remain competitive.

In 2003 the City launched a very successful "Go Green" Program that provided homeowners with access to low-cost energy audits, technical assistance, and rebates for energy efficiency upgrades, long before these types of incentives became popular. In 2011, when utility companies starting offering discounted energy audits and the State and Federal government started offering tax rebates for energy efficiency upgrades, the City discontinued the program, and shifted its sustainability efforts to identifying other ways in which residents could reduce their energy consumption and costs, lower the cost of ownership, and increase marketability of the housing.

In 2011 the City undertook an Alternative Energy Feasibility Study⁵⁵ that focused on the feasibility of installing geothermal, solar thermal, and solar photo-voltaics on residential construction. The report recommended that a geothermal system would provide the most gains for individual residences. It showed that for single and two family residences, geothermal creates the most improvements to the house value because it pays for itself in the least time, creates long term savings, easily allows the addition of air conditioning, improves aesthetics, and improves indoor air quality by reducing combustion in the furnace. In addition, a district geothermal system that provided a standard financing mechanism would be an effective means to create widespread adoption and maximize its potential gains. In cases where modifications to the buildings to install geothermal would be extensive and therefore raise the cost above the system savings, solar thermal and solar photo-voltaics could be used as additions to the geothermal system to create savings that exceeded the cost of installation over the lifetime of the system. Below in Table 4 is a summary from the study of the cost benefit analysis for geothermal.

Est. # of wells /KW	3 - 4 u-tube wells
Capital Cost	\$18,000 - \$34,000
Est. Rebates/Incentives	\$5,400 - \$10,200
Estimated. capital cost post rebates/incentives	\$12,600 - \$23,800
Extra Cost for Geothermal vs. standard equipment	\$6,100 - \$16,000
Payback year w/incentives	9 - 16
First year energy cost reduction	\$600 - \$840
30 year Lifetime Savings	\$17,000 - \$31,700
% Greenhouse gas emissions reduction	29% - 32%

⁵⁵ "Report on Alternative Energy Feasibility Study: Sutton neighborhood"; Haley & Aldrich; 2011.

The study found that for building owners who pay the heating and cooling utility bills, a geothermal system would reduce their utility bills and improve the market value of their property. If the individual residents pay the heating and cooling bills, apartment owners would see the direct benefit from lower utility bills for the common areas and indirectly through the increased renter retention due to owners' lower utility bills and comfortable environment from a state-of-the-art heating and cooling system. Tax incentives regarding depreciation and property tax financing are available through the local, state, and federal governments, which may provide additional reasons for commercial building owners to install geothermal when replacing an existing system.⁵⁶

The main impediment to following through on the report recommendations when the study was issued was the absence of a financing mechanism. Since then, the energy efficiency financing industry has matured considerably, and there are now several successful programs nationwide and initiatives regionally that make revisiting the study recommendations timely. One of these approaches is the “on-bill” unsecured loan-financing program, such as operates in California, New York, and Kansas. A regional coalition in Northeast Ohio is currently researching implementing such a system in Ohio. This could represent an opportunity for the City's residents to finance their energy efficiency projects.

Demographic and Market Changes

One of Shaker's advantages is its diversity of housing types which appeal to a broad cross section of the housing market. However, the group that has traditionally had the greatest market penetration, i.e., married couples, is a declining demographic in our region. To remain competitive and diverse, Shaker will need to be able to attract other demographic groups in addition to married couples with children. The two fastest growing demographics are singles and seniors. Both represent market opportunities for the City.

Table 5: Household Composition

	1960	1970	1980	1990	2000	2010
Total Households	11,919	12,558	12,761	12,648	12,220	11,840
Married Couples	79.2%	72.2%	60.1%	55.0%	50.1%	46.8%
Female Head of HH	na	6.6%	9.2%	11.2%	12.9%	15.3%
One Person HH	12.2%	19.9%	26.0%	27.7%	30.2%	31.1%
Average HH Size	3.04	2.88	2.54	2.43	2.39	2.39

There are several factors that make Shaker Heights attractive to both seniors and young singles including:

- Availability of transportation alternatives to the automobile;
- Compact, mixed use development;
- Proximity to Cleveland and its cultural amenities.

However, in order to compete for these various demographic groups, the City will also need to encourage significant changes, improvements, and modernization in its housing and in other City amenities.

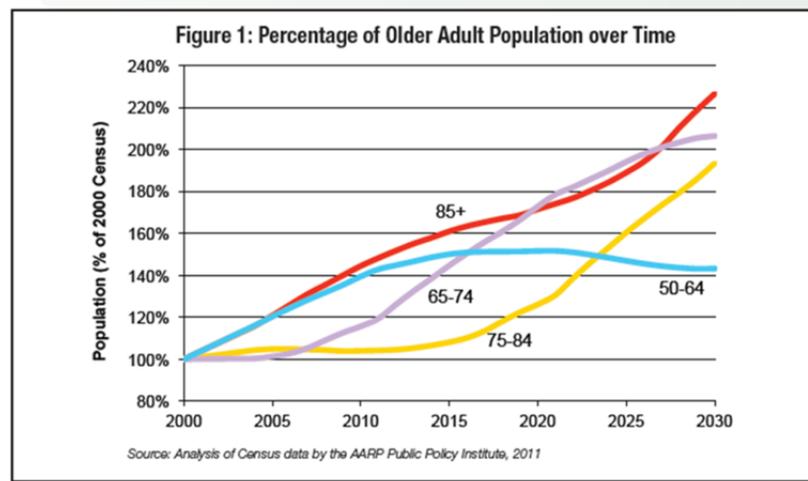
⁵⁶ “Report on Alternative Energy Feasibility Study: Sutton neighborhood”; Haley & Aldrich; 2011.

Generation Y (1985-2004)

Younger generations, particularly Generation Y, appear to have different preferences in housing and commuting compared to previous generations. The younger population will be the primary group forming households. They prefer smaller houses, shorter commutes, alternatives to transportation (technological communication) and alternative transportation (as compared to the private auto). Transit-supportive communities, like Shaker Heights, will be more attractive to them.⁵⁷ A majority (55 percent) of people in Generation Y prefer to live in communities with public transportation, the most of any generation. According to a recent study by the National Association for Realtors, young people are the generation most likely to prefer to live in an area characterized by nearby shopping, restaurants, schools, and public transportation as opposed to sprawl.⁵⁸ They are also more ethnically and racially diverse than older adults.⁵⁹

Baby Boomers (1945 -1964)

Nationally, the country continues to age (see Figure 1). According to the census, 29.4 percent of the population in Shaker was 55 or older in 2010. The Scripps Gerontology Center estimates that by 2050, 32.7 percent of Cuyahoga County's population will be over 60, and of that 22.6 percent will be over 85. According to the AARP, 73 percent of seniors want to stay in their current residence as long as possible.⁶⁰ An aging population, however, typically seeks accessible housing of which there is a very limited pool in the City. However, an aging population will also require transportation options other than the private automobile, and the City is well served by transit alternatives.



Entrepreneurs

Entrepreneurship has become a popular career option for people from all across the United States. The

⁵⁷ "Ohio Statewide Transit Needs Assessment: Demographic Trend Analysis" by Ohio Department of Transportation; <http://www.dot.state.oh.us/Divisions/Planning/Transit/TransitNeedsStudy/Documents/DemographicTrendAnalysis.pdf>

⁵⁸ Ibid.

⁵⁹ "Millennials. Confident. Connected. Open to Change." Pew Research Center, February 2010: <http://www.pewsocialtrends.org/files/2010/10/millennials-confident-connected-open-to-change.pdf>.

⁶⁰ AARP (2010) Home and Community Preference of the 45+ Population.

number of Americans involved in early-stage entrepreneurial activity is the highest it has been since the Global Entrepreneurship Monitor (GEM) began tracking that information in 1999. Currently, 13 percent of Americans are involved in entrepreneurial activity.⁶¹ Entrepreneurs represent a diverse and growing potential target market for the City. For example, there are seven female entrepreneurs for every 10 male entrepreneurs and almost 20 percent of young women now aspire to run their own business as entrepreneurs.⁶² The percent of entrepreneurs who are Baby Boomers has grown from 14.3 to 23.4 in 2013. In fact, in every one of the last 15 years, Boomers between the ages of 55 and 64 have had a higher rate of entrepreneurial activity than Generation Y.⁶³

One of the initial projects of the Economic Development Plan, adopted by the City in 2010, was the Shaker LaunchHouse which is an innovative public-private partnership that connects new entrepreneurs with proven business leaders in a grassroots, for-profit model. The public-private partnership has enabled the City to revitalize a former car dealership owned by the City to help bring new activity to the Lee Road commercial district. The LaunchHouse facility opened in mid-2011 and both the facility and the programming are operated by Shaker LaunchHouse, a private entity. Members include portfolio companies, regional startups, entrepreneurs, creative groups, nonprofits, service providers, investors, and mentors. More than 9,000 individuals, businesses, and entrepreneurs have been to Shaker LaunchHouse in 2013. They have hosted more than 400 speaker and workshop events for individuals, businesses, and entrepreneurs in the community; hosted five entrepreneurial showcases attracting more than 1,250 attendees; and more than 30 non-LaunchHouse organizations have used the Shaker LaunchHouse space to host events and educational experiences.

LaunchHouse and the other City initiatives aimed at attracting entrepreneurs to the City provide an excellent opportunity to market Shaker's housing, particularly in the adjacent Moreland and Lomond neighborhoods, to entrepreneurs. The City took the first step in this direction with the redevelopment in 2013 of two vacant foreclosed properties as nine units of affordable rental housing for entrepreneurs.

Immigrants

The growth in the number of foreign-born residents in Ohio will continue to outpace the growth in the number of U.S.-born residents in the state. The number of foreign-born residents in Ohio has increased from 2.4 percent of the state's total population in 1990 to 3.9 percent of the state's total population in 2012.⁶⁴ Overall, the foreign-born population in Ohio grew by 74 percent between 1990 and 2012. The majority of foreign-born residents are from Asia and Latin America. In 2012, almost 40 percent of foreign-born residents in Ohio came from Asia, the most of any region or continent. The second most common place of origin was Latin America, from which almost 20 percent of foreign-born residents came. In 2012, the top three countries of birth for

⁶¹ "The Career That's Growing in Popularity: Entrepreneurship", by David Mielach, May 2013: <http://news.yahoo.com/career-thats-growing-popularity-entrepreneurship-102358579.html>.

⁶² Ibid

⁶³ "A New Era For Entrepreneurs And Startups Has Begun", by Martin Zwillig; Forbes ;December 25, 2013: <http://www.forbes.com/sites/martinzwilling/2013/12/25/a-new-era-for-entrepreneurs-and-startups-has-begun/?optimizely=a>

⁶⁴ Ohio Department of Transportation Demographic Trends Analysis draft: <http://www.dot.state.oh.us/Divisions/Planning/Transit/TransitNeedsStudy/Documents/DemographicTrendAnalysis.pdf>

foreign-born residents in Ohio were India (10.4 percent), Mexico (9.6 percent) and China, excluding Taiwan, (6.9 percent).⁶⁵ Immigrants have historically been an important engine of growth, and there have been recent initiatives, such as Global Cleveland, aimed at broadening the appeal of the Cleveland region to immigrant groups in an attempt to stem the regional population decline.

According to census data, in Shaker Heights, the foreign born population increased from 7.3 percent of the population in 2000, to 8.3 percent of the population in 2010, and is higher than the 6.8 percent in Cuyahoga County and 4.9 percent in Cleveland. Shaker Heights is well positioned to take advantage of the growth in immigrant populations because of its racial diversity, reputation for inclusion and educational excellence, its access to public transit, and its more compact development model – all of which are important to immigrants. The addition of the International Baccalaureate Program in the Shaker Schools and organizations like the Eastside Welcome Club, are important assets on which the City can build its appeal to immigrant populations. The City can convene focus groups with immigrants in the region to better understand their housing choices and to develop marketing specifically aimed at this group.

Changes in Housing Preferences

Increased Demand for Townhomes and Condos

Demographic changes have an impact on the type of housing that people prefer. It is estimated that half of all new housing demand will be for attached homes.⁶⁶ Research from the University of Utah found that nationwide about 40 percent of respondents would choose to own or rent an apartment or townhouse if it had an easy walk to shops and restaurants and offered a shorter commute to work.⁶⁷ In the first nine months of 2013, the volume of townhome and condo sales soared almost 17 percent in the Cleveland area, surpassing the 12 percent increase in sales over the same period in the single-family market.⁶⁸ Ninety-one homes in Ohio City on Cleveland's near west side, sold between 2010 and 2013 for prices ranging from \$200,000 to \$580,000.⁶⁹ Demand for these housing types has also been high in University Circle, the second largest employment center in the Greater Cleveland area.

This changing housing preference offers a real market opportunity for Shaker Heights condo buildings, which have been hard hit by vacancies after the foreclosure crisis. There were 148 vacant condo units in 2013, and the average sales price was \$22,600.⁷⁰ The average sales price of condos that went to Sheriff's Sale in 2011 to 2012 was \$12,000. With improvements in accessibility and modernization, these condo units could be an attractive option for both seniors and singles. The Accessibility Study prepared for the City by The Housing Center in 2013⁷¹ found that even small changes to multifamily buildings could significantly impact accessibility.

⁶⁵ Migration Policy Institute. (2012). State immigration data profiles: Ohio: <http://www.migrationpolicy.org/data/state-profiles/state/demographics/OH>

⁶⁶ Reshaping Metropolitan America, Arthur C. Nelson, 2013

⁶⁷ Ohio Department of Transportation Demographic Trends Analysis draft: <http://www.dot.state.oh.us/Divisions/Planning/Transit/TransitNeedsStudy/Documents/DemographicTrendAnalysis.pdf>

⁶⁸ Crains October 28, 2013: "Condo and townhouse market climbs from the rubble" by Stan Bullard.

⁶⁹ Crains, September 23, 2013: "Ohio City is home to market Optimism" by Stan Bullard.

⁷⁰ Data from Housing Inspection Department.

⁷¹ "Accessibility Survey Results: A Report to the City of Shaker Heights", December 2013, The Housing Center.

The most frequently found impediments included stairs to access the buildings, narrow doorways, and inaccessible light switches, electrical outlets, thermostats and other environmental controls. The City can explore incentives to make these properties more accessible, and provide educational materials to current and prospective condo and apartment owners on ways in which they could make their properties more accessible and therefore more appealing to these growing markets.

Increased Demand for Smaller Houses and Lots

Single-person households are the most common household composition in Ohio. Married couples without children (29 percent) and married couples with children (19.3 percent) were the other most common types of households in the state.⁷² More than 80 percent of the growth in households will be households without children, including the 40 percent of growth in single-person households.⁷³ This is explained, in part, by the fact that Baby Boomers, the largest generation in American history, are now empty nesters. In addition, people are living longer; and the millennial generation, for the most part, is delaying childbirth.⁷⁴ This could be a positive trend for Shaker Heights because smaller households tend to prefer smaller houses and smaller yards. About 60 percent of those preferring detached options would choose smaller lots if they had the same attributes of walkability to shops and restaurants and a shorter commute. Thirty-five (35) percent preferred smaller detached homes on smaller lots and 25 percent preferred larger detached homes on all other lots. This is another reversal from past preferences. It is forecast that demand for large-lot homes will decline below 2011 levels. Shaker Heights can continue its strong marketing efforts for which it is already known, while identifying opportunities to highlight these housing characteristics, particularly as it targets the marketing for southern Shaker which is characterized by these smaller houses and lots.

Mixed Use Neighborhoods More Popular

Generation Y is not alone in a stated preference for mixed-use communities and neighborhoods. These are neighborhoods that blend a combination of residential, commercial, cultural, institutional, and even sometimes industrial uses. Of all adults surveyed by the Urban Land Institute, 62 percent of Americans planning to move in the next five years would prefer to settle in mixed-use communities. Furthermore, 59 percent of Americans planning to move in the next five years would prefer to move to a community where they had a shorter commute, but smaller home.⁷⁵ When strictly looking at Ohio, about 56 percent of Ohio respondents would prefer to live in a mixed-use community offering a variety of housing choices, walkable destinations, and other features.⁷⁶ No more than one in five households has this option now. Clearly, there is a supply-demand mismatch, creating a market opportunity for mixed-use communities like Shaker Heights. The redeveloped Van Aken District will be ideally positioned to appeal to those looking for a mixed-use neighborhood well served by transportation alternatives. While market rate new multifamily construction is anticipated as part of

⁷² Greater Ohio Policy Center. (2010). Shaping the state. Greater Ohio Policy Center; <http://www.greaterohio.org/publications/shaping-the-state>

⁷³ "Ten things planners need to know about demographics and the future real estate market" by Kaid Benfield: http://switchboard.nrdc.org/blogs/kbenfield/ten_things_planners_need_to_kn.html.

⁷⁴ Nelson, Arthur. (2009). Reshaping America's built environment. Metropolitan Research Center, University of Utah.

⁷⁵ Urban Land Institute. (2013). America in 2013: A ULI survey of view on housing, transportation and community; <http://uli.org/research/centers-initiatives/terwilliger-center-for-housing/research/community-survey/>

⁷⁶ "Metropolitan Area Trends, Preferences, and Opportunities: 2010 to 2030 and to 2040" by Arthur C. Nelson, January 2014: <http://www.nrdc.org/transportation/files/columbus-metro-area-trends-ES.pdf>.

the Van Aken District, if the City wishes to truly capitalize on its investment in this area, it will be important to use this project as a catalyst for spurring additional private reinvestment in the dozens of existing multifamily buildings in the area. The City can work with existing multifamily buildings in the Van Aken District to encourage them to upgrade their units to take advantage of the greater potential market they will have once the Van Aken District is complete.

Diverse Communities

Interest in diversity today reflects the changing demographics of the country as a whole and a related shift in racial attitudes. More Americans than ever, especially younger, millennial generation adults (age 18-34), say they are interested in living in racially diverse communities. Communities that have chosen to embrace diversity and more importantly to embrace integration and inclusion can and have prospered and the diversity of the community becomes an asset. According to a 2012 University of Minnesota report,⁷⁷ in the 50 largest U.S. metropolitan areas, 44 percent of residents live in racially and ethnically diverse suburbs, defined as between 20 and 60 percent non-white. Many inner ring suburbs, once considered white flight communities, are now more reflective of the country's demographics than the cities. These factors pose an opportunity for Shaker Heights to incorporate into its marketing its pride and confidence as a diverse and welcoming community.

Demand for Transportation Alternatives

According to a national 2012 transportation study:⁷⁸

- America's young people are decreasing the amount they drive and increasing their use of transportation alternatives.
- Young people's transportation priorities and preferences differ from those of older generations.

A majority (55 percent) of people in Generation Y prefer to live in communities with public transportation, the most of any generation. From 2001 to 2009, young people (16-34 years old) who lived in households with annual incomes of over \$70,000 increased their use of public transit by 100 percent, biking by 122 percent, and walking by 37 percent.⁷⁹ Also, there is a great need for transportation alternatives for the aging population of the City as they also drive less.

These are all positive trends for Shaker Heights which is so well served by transportation alternatives. The City can continue to highlight the availability of these alternatives, and collaborate with the Greater Cleveland Regional Transit Authority (GCRTA) to continually upgrade its bus and light rail service and infrastructure. With the continued growth and vibrancy of University Circle, the City can push for easier connectivity between the City and University Circle. The City has an opportunity to attract demand by even greater promotion of its transportation alternatives.

⁷⁷ America's Racially Diverse Suburbs: Opportunities and Challenges, University of Minnesota; July 20, 2012, by Myron Orfield and Thomas Luce: https://www.law.umn.edu/uploads/e0/65/e065d82a1c1da0bfef7d86172ec5391e/Diverse_Suburbs_FINAL.pdf

⁷⁸ Ibid.

⁷⁹ "Transportation and the New Generation: Why Young People Are Driving Less and What It Means for Transportation Policy" by Benjamin Davis and Tony Dutzik, Frontier Group; Phineas Baxandall, U.S. PIRG Education Fund; 2012: <http://www.frontiergroup.org/reports/fg/transportation-and-new-generation>

Vacant City Owned Land

The City currently owns 138 vacant lots,⁸⁰ and this inventory is growing steadily primarily through the tax foreclosure process. The costs of new construction versus housing values make infill economically unfeasible without significant subsidy. Without action, the City, therefore, must be prepared to continue to land bank and maintain these vacant lots for at least the medium term (5 to 10 years). How these lots will be used in the future will determine the character of our neighborhoods. They present a unique opportunity to create new types of housing and uses we currently do not have in our community.

While the City has had an infill and side lot program since 2003, these programs can be better publicized and have greater incentives available in order for them to become realistic alternative uses. To date, six side lots have been sold to neighbors, five have been used for new infill housing, and four have been used for expansion of neighborhood green spaces. Tax abatement to encourage new construction on vacant lots may be a way of increasing the diversity of the City's housing stock, particularly to meet the needs of the growing variety of populations seeking to stay in the community or to move in.

⁸⁰ Data from Housing Inspection Department.

RECOMMENDATIONS

In order to achieve our housing goals, we must continue the programs that have worked and also undertake new initiatives to take advantage of opportunities that now exist. The City must seek to increase demand for housing in attractive, well-maintained neighborhoods filled with engaged residents. This will result in stronger property values and a vibrant, stable community. The following are the main recommendations, under each of the plan's three goal areas:

Goal 1: ATTRACT NEW RESIDENTS TO SHAKER HEIGHTS, INCREASE DEMAND FOR HOUSES, AND INCREASE PROPERTY VALUES

In order to increase property values, the City must increase demand, and to increase demand, the City must diversify its housing options, encourage new housing, stimulate demand through marketing, and promote its assets.

Moreland Innovation Zone (Moreland Neighborhood)

The goal is to establish an innovation zone in the one-quarter-mile radius around the Chagrin-Lee intersection where residents and businesses would be able to leverage the opportunities created by high-speed fiber. The area encompasses a business incubator, 125 businesses, the Stephanie Tubbs Jones Community Building and Shaker Public Library, a school, the City's Public Works Department, an assisted living facility, a senior multifamily building, two banks and a credit union, and 2,000+ residents. A non-profit, OneCommunity, has already invested in this area with fiber running east along Chagrin Boulevard from Kinsman, and south on Lee Road, connecting to Shaker LaunchHouse and two residential properties on Chelton Road. This neighborhood has more than a decade of focused public and private investment, totaling over \$65 million. Elsewhere where high-speed networks have already been established, they have sparked innovation, attracted investment and created new collaborations not previously envisioned. This project would build off the City's earlier Entrepreneurial Housing Project, where the City redeveloped two vacant foreclosed properties as nine units of affordable rental housing for entrepreneurs. The City should expand this project, using as a model the types of initiatives that were used in Kansas City, where the provision of broadband access and assistance to start-ups, created an increased demand for neighborhood housing. The City should work with broadband providers to do a cost benefit analysis of broadband infrastructure investment. This is especially pertinent to the neighborhoods around LaunchHouse, where fiber already exists that could be expanded. Shaker should try to identify additional opportunities for housing that is attractive to entrepreneurs in the neighborhoods adjacent to LaunchHouse.

Transit Village (Moreland Neighborhood)

In 2009 the City developed a plan for the redevelopment of the Sutton Road area. This involved the creation of a blend of new housing and upgraded energy efficient housing to capitalize on the location's proximity to transit as a means of strengthening this street and as a pilot for encouraging energy efficient upgrades. The project was slowed considerably by the downturn in the housing market, but with interest in infill development by builders picking up significantly, the City should move ahead with this project, pending the findings of the market study commissioned in early 2014.

Avalon Station Phase II

In 2005 the City partnered with private developers to construct Avalon Station Phase I, which consists of 51 units of market rate loft style condos adjacent to Shaker Towne Centre. The ultimate goal was to construct two phases, creating a dense, urban-style neighborhood, which would provide alternatives to our traditional single-family housing to help us attract and retain a diverse population of residents. As the housing market continues to strengthen and with renewed interest expressed by the developer community, the City should actively pursue the development of Avalon Station Phase II. A goal of the project is to diversify the City's housing and build a walkable, transit-friendly neighborhood that will further enhance the City's investment in the Shaker Towne Centre area.

New Housing at Van Aken District

There are several privately financed housing developments planned as part of the Van Aken District. The first phase of the \$68 million Van Aken District development includes luxury rental apartments along Farnsleigh Road. The City's 2.6-acre Farnsleigh parking lot will contain the first phase of housing with a minimum of 108 units with on-site attached garage parking. A second phase of housing is also planned. A 3 to 4 story high-end apartment building will be built beginning in 2016. The building will be constructed along Farnsleigh Road and form a strong street wall and feature views of the Shaker Country Club to the rear. The high quality, high-end apartments will feature luxury finishes and benefit from the new retail and office development across Farnsleigh Road. A \$1 million streetscape will be installed on Farnsleigh Road featuring green infrastructure methods and enhancing the street with landscaping and special paving.

Residential Tax Abatement

The City has previously used tax abatement as a tool in its commercial areas. Several suburbs with whom we compete, such as Cleveland Heights and South Euclid, are currently using residential tax abatement to encourage the construction of new housing. Because the cost of building new housing exceeds the potential sales price in several of our neighborhoods, tax abatement should be explored as a tool to fund the subsidy needed to make new housing projects feasible.

Incentives to Live and Work in the City

The City should develop a robust live-work program and market this option to groups such as artists and entrepreneurs where the City has already identified potential niche markets. It should also work with the schools and other large local employers to develop incentives for those who already work in the City to also live here.

Vacant Lot Program

While the City has had an infill and side lot program since 2003, these programs need to be better publicized and have greater incentives available in order for them to become realistic alternative uses. To date, six side lots have been sold to neighbors, five have been used for new infill housing, and four have been used for expansion of neighborhood green spaces. Tax abatement for new construction may be a way of increasing the diversity of the City's housing, particularly to meet the needs and demands of the market today. With 138

vacant lots currently in inventory, the City should work actively with neighborhood groups to identify a variety of creative reuse strategies depending on whether stabilization, green infrastructure, or productive landscapes make the most sense for the site and neighborhood. The City should review zoning and building codes, and vacant lot disposition processes.

The City has set itself apart from many other municipalities in its approach to vacant lots by insisting on fencing and landscaping each City-owned lot, so that these lots blend into the neighborhood and are seen as an asset, not a dumping ground. It currently costs the City approximately \$1,500 to install landscaping and fencing at City-owned vacant lots and \$670 annually to maintain each lot. The City needs to develop low-cost, low-maintenance neighborhood stabilization and holding strategies to manage vacant and abandoned properties and establish a sense of stewardship and care for these vacant lots in neighborhoods.

Neighborhood Marketing and Branding

In order to increase demand and housing prices, we must attract new residents to Shaker. From a marketing standpoint, it will be important to establish a well-focused marketing campaign to promote certain neighborhoods where there is evidence of positive change and also help to market and brand certain neighborhoods. The City should:

- Create a marketing campaign to attract a wide variety of markets to the City, especially those who make up the growing populations such as Generation Y, Baby Boomers and immigrants.
- Promote the City's housing activities, population diversity, and accomplishments, particularly as they relate to the City's goals of increasing owner occupancy, expanding the diversity of housing types, re-purposing of vacant lots, modernization of existing homes and attraction of new residents.
- Expand outreach to a broader cross-section of the real estate community to communicate our message and strengthen demand for Shaker homes.
- Develop new tools for communicating with realtors, property managers, and landlords, particularly out-of-town landlords, regarding rental requirements.
- Convene focus groups with immigrants in the region to better understand their housing choices and develop marketing specifically aimed at this group.
- Work with neighborhood groups to welcome new residents.

Promotion of Transportation Alternatives

Given the growth of both Generation Y and Baby Boomer populations and the importance of alternatives to the automobile for these populations, the City should continue to highlight the availability of its transportation alternatives, and collaborate with the Greater Cleveland Regional Transit Authority (GCRTA) to continually upgrade its bus and light rail service and infrastructure. With the continued growth and vibrancy of University Circle, the City should push for easier connectivity between the City and University Circle. The City should implement the 2014 Bicycle Improvements program, the Lake-to-Lakes Trails initiative and the Avalon Bike Boulevard with the City of Cleveland.

Goal 2: PRESERVE EXISTING HIGH QUALITY HOUSING

The City should continue to encourage the preservation of homes with meaningful market potential and significant architectural features, while simultaneously encouraging the modernization, particularly of the interiors of homes, to ensure they meet the demands of today's consumers. While the City values and celebrates its history, it recognizes the need to appeal to a broad market, and to ensure that our housing is not obsolete. This will require a delicate balance of strong encouragement of investment in energy efficiency improvements, accessibility, and property preservation, as well as maintenance of our strong code enforcement program.

Code Enforcement

Standard code enforcement remedies, such as administrative citations, criminal prosecution for failure to comply, and nuisance abatement, work best when properties are occupied and have some economic value and the owner or lender has meaningful investments in the property and/or roots in the community; under these conditions code enforcement strategies are more likely to persuade them to rehabilitate and maintain the property consistent with the minimum standards of state and local codes. In seriously distressed markets with hundreds of low-value and underwater properties, owners, especially out-of-town speculators with no connections to the community, are less likely to take traditional code enforcement remedies seriously. "Cities such as Shaker Heights have longstanding, systematic code enforcement programs with dedicated and experienced directors, lawyers, and inspectors that serve as national models for other suburban jurisdictions. Even large cities such as Cleveland can learn from their organizational cultures and strategic approaches to code enforcement."⁸¹ The capacity, commitment, and ability of the City's code enforcement programs and personnel remain critical to addressing the complexities of current and future waves of vacant properties, and the issues associated with aging housing. These include our systematic inspections, and Certificate of Occupancy program for example. The City should re-instate a small-scale nuisance abatement program, to address uncorrected exterior violations on properties, where recoupment of funds is likely.

Point of Sale Ordinance

From 2006-2013, almost \$18 million was deposited in Point of Sale escrow accounts.⁸² In 2013, 68 percent of residential properties were sold with all Point of Sale violations corrected.⁸³ This tool has been critical in ensuring ongoing re-investment in the City's aging housing, in preventing irresponsible flipping, and in preserving the livability of our neighborhoods. Preliminary research by the Federal Reserve Bank of Cleveland also supports this conclusion, indicating that in the 2012 Cuyahoga County property tax assessment, suburbs with systematic point-of-sale code inspection programs fared better than those without.⁸⁴ This program should be continued.

⁸¹ "Cleveland and Cuyahoga County, Ohio: A Resilient Region's Responses to Reclaiming Vacant Properties" ; May 2014 by Joseph Schilling; <http://vacantpropertyresearch.com/wp-content/uploads/2014/05/VPRN-Cleveland-Case-Study-2014.pdf>.

⁸² Data from Shaker Heights Housing Inspection Department.

⁸³ Ibid.

⁸⁴ Thomas J. Fitzpatrick IV, Lisa Nelson, Francisca G-C. Richter and Stephan Whitaker, *The Effect of Local Housing Ordinances on Neighborhood Stability*, Federal Reserve Bank of Cleveland, Working Paper 12-40 (December 2012), http://www.clevelandfed.org/research/other_authors/nelson/.

Strategic Rehabs

A recent Harvard-sponsored study of the cost of rehabs in the Greater Cleveland area⁸⁵ concluded that even in the stronger-market neighborhoods, the subsidy required for a whole house gut rehab (what is typically required for these houses) would be over \$28,000. Where grant funds are available to cover the cost of this subsidy, rehab can certainly make sense, and the City has partnered successfully with private developers to carry out nine rehabs using Federal Neighborhood Stabilization Program grants. However, there is currently very limited grant funding available for rehabs, and a high level of risk associated with these projects. The City has sought to cluster these rehabs to maximize their impact.

Instead, the City has focused primarily on partnerships with private rehabbers to bring strategic properties back into productive use both through its Shaker Renovator and its Private Purchase-Rehab programs, without expending city funds. The Shaker Renovator program identifies rehabbers who have a history of high quality renovations in the City, and encourages them to do more rehabs by providing them with marketing assistance and a reduced Point of Sale escrow requirement. This has resulted in the private rehab of 15 properties, adding over \$3 million of new property value. Under the Private Purchase-Rehab program, the City partners with highly qualified rehabbers to return properties the City has acquired through the tax foreclosure process to productive use. The City contributes the property and the rehabber agrees to a high level of rehab. Through this process, the City has successfully rehabbed four properties in the Lomond area which would otherwise have been demolished. Each of these properties was then sold to owner-occupant buyers, with the post rehab values increasing by over 50 percent. The City should continue, and expand where possible, these programs.

Other approaches that the City has taken to encourage rehabs include partnering with other agencies, such as the Cuyahoga County Land Bank (CCLRC) and Neighborhood Housing Services of Greater Cleveland (NHSGC) to carry out rehabs. The CCLRC has an innovative deed in escrow program which enables owner-occupant buyers to purchase and rehab CCLRC-owned properties. Instead of putting funds for rehab in escrow, the deed is held in escrow until the repairs are completed. This ensures that the work is satisfactorily completed, and encourages homeownership. The City has successfully partnered with the CCLRC on one pilot project in the Moreland neighborhood, and should continue to encourage this option where feasible. Using the NHSGC Land Trust program, the City partnered to rehab one house as a pilot in Moreland. What is important about this approach is that it makes a much better case for inclusion of a public subsidy because the subsidy stays with the property, not the individual homeowner, as with down payment assistance programs. By using the land trust model, a city can ensure that a property remains owner-occupied for perpetuity. If a subsidy of \$30,000 can ensure long-term owner occupancy of a property, this can be an important tool for strategic rehabs in our neighborhoods. The City should continue to work with NHSGC to identify funding and properties that are good candidates for the land trust model.

⁸⁵ "The Role of Investors in The One-To-Three Family REO Market: The Case of Cleveland"; by Frank Ford et al; 2013.

Multifamily Building Reinvestment

The redeveloped Van Aken District will be ideally positioned to appeal to those looking for a mixed-use neighborhood well served by transportation alternatives. While market rate new multifamily construction is anticipated as part of the Van Aken District, if the City wishes to truly capitalize on its investment in this area, it will be important to use this project as a catalyst for spurring additional private reinvestment in the dozens of existing multifamily buildings in the area. The City should work with existing multifamily buildings in the Van Aken District to encourage them to upgrade their units to take advantage of the greater potential market they will have once the Van Aken District is complete.

The City's 2012 Alternative Energy Study found that for building owners who pay the heating and cooling utility bills, a geothermal system would reduce their utility bills and improve the market value of their property. If the individual residents pay the heating and cooling bills, apartment owners would see the direct benefit from lower utility bills for the common areas and indirectly through the increased renter retention due to owners' lower utility bills and comfortable environment from a state-of-the-art heating and cooling system. Tax incentives are available through state and federal governments, which may provide additional reasons for commercial building owners to install geothermal when replacing an existing system.⁸⁶ The City should promote these findings to its multifamily building owners.

Accessibility Program

The City's 2011 Winslow Road demonstration project showed how a two-family house in Shaker Heights could be modified to make the first floor unit accessible, creating a great alternative for downsizing seniors. The City should better publicize the elements of this project to other two-family owners and buyers with the goal of eventually making at least one unit of all two-family houses accessible. Two-family houses are also well suited to an aging-in-place solution because they offer the opportunity of rental income to persons on a fixed income, and also multigenerational living for those who are caring for an older family member. The two family market was extremely hard hit after the foreclosure crisis with a 74 percent decline in prices between 2005 and 2012. There is such an oversupply of two family housing in the northeast Ohio market that unless they can appeal to a new generation of buyers, they will continue to sell for low prices and drag down housing values around them. The City should consider replacing its two family owner occupancy program with one aimed more at encouraging specific modifications to two family houses, apartments and condos that would make them more attractive to a broader market, including the growing senior population.

Affordable Energy Efficiency Financing

The main impediment to greater investment in energy efficiency enhancements to our houses is the lack of easy access, affordable financing, and a reliable contractor network. The City should partner with regional groups who are developing financing mechanisms such as on-bill financing to make energy efficiency upgrades more affordable as they likely represent the best approach to creating an incentive to its residents to

⁸⁶ "Report on Alternative Energy Feasibility Study: Sutton neighborhood"; Haley & Aldrich; 2011.

make the energy efficiency upgrades which are critical for the future competitiveness of the City's aging housing.

Preservation

The City has a long history of encouraging and promoting preservation activities. While we continue to value our rich architectural heritage and our many historic homes, the City recognizes the need for modernization of its housing stock and the need to accommodate changes in consumer preferences related to housing amenities. The City should therefore review its Architectural Board of Review (ABR) design guidelines and Landmark Commission guidelines to ensure that they meet these changing needs. The City should also identify additional ways to encourage the repair rather than the removal of significant architectural/historical details by homeowners when correcting code violations. The City should continue to promote the Cleveland Restoration Society's (CRS) Heritage Loan and technical assistance programs, and negotiate for more services for the annual fees paid to the CRS.

Affordable Home Improvement Financing

Currently two of the best home improvement financing options available to Shaker residents are the County-funded HELP loan which provides loans at three percentage points below the rate that would otherwise apply to the borrower, and the City-sponsored Heritage Home Loan program operated by the Cleveland Restoration Society, which enables Shaker residents to access fixed-interest rates as low as 1.4 percent. In 2013, only five Shaker residents took advantage of the HELP loan program and nine utilized the Heritage Home Loan program. Nevertheless, this represented \$844,840 in investments back into our housing. The main problem seems to be the ability of homeowners to qualify for financing because they lack equity in their homes, or have low credit scores, i.e., they cannot secure conventional bank loans.

In order to increase the likelihood that homeowners will continue to invest in their properties and do the required maintenance and upgrades for them to remain competitive, the City should research additional approaches to enable residents to access financing for home improvements. A successful model nationwide has been to work with lenders to offer special financing to homeowners who participate in home improvement programs. This financing is typically structured as unsecured debt, with limits of up to \$20,000, repayment periods up to 10 years, and starting interest rates similar to a personal loan, though some programs choose to reduce the effective interest rate offered to the homeowner by buying down the rate via a lump sum payment to the lender. This special financing can be attractive to homeowners if the interest rate is lower than other options, or the borrowing process involves less hassle. Simple, monthly payment, contractor driven programs have been the easiest to implement and are having the greatest success.

The City should work with local banks, particularly as it negotiates its banking services contract, to develop alternative home improvement financing options for its residents; and with non-profits such as Neighborhood Housing Services of Greater Cleveland which have experience with this type of lending.

There is very limited funding currently available for investors, limiting the ability of quality rehabbers to take their work to scale. The City should investigate ways of partnering with lenders to develop new financing

mechanisms to encourage the rehab of vacant properties by responsible investors.

The City currently operates three grant programs funded with City General Funds: an exterior maintenance grant program, a paint program, and a senior safety program. These programs are very labor intensive, but serve only a limited number of residents annually. The City should explore the option of partnering with a non-profit agency which already provides similar services to enable the City to reach a broader range of residents with a wider range of services.

Goal 3: INCREASE COHESIVENESS, DESIRABILITY, ATTRACTIVENESS, AND STABILITY IN THE NEIGHBORHOODS

The City should seek to preserve both the physical and social neighborhood fabric, through initiatives that build and engage community connectedness, increase owner occupancy, strengthen households and prevent blight, vacancy and abandonment. Our neighborhoods are the heart and soul of our community, and how residents feel about the community is largely linked to the quality of life that they experience day to day in their neighborhoods. Residents want a shared culture of neighborhood pride by all property owners and residents, whether they are owner occupants, tenants or absentee landlords. They want to feel safe, feel connected to their neighbors, and see their property values preserved through zero tolerance of blight.

Household Stability and Asset Building

Keeping people in their homes on the front end helps the homeowner, the neighborhood, and the City while saving tax dollars that would otherwise have to be spent on code enforcement or cleaning up or tearing down the vacant and abandoned properties on the back end. Studies by Cleveland State University have shown that effective strategies for homeowners include foreclosure prevention counseling, mortgage payment assistance, mediation through the Court, principal reduction to help homeowners negotiate for affordable monthly payments; information and outreach to get them in the door early enough so that they can be helped; and advocacy for additional funding and programs. Half of all clients served through the face-to-face, individualized approach used by local nonprofit counseling agencies had successful outcomes.⁸⁷ The City should increase its collaborations with the County and nonprofit partners to make resources that reduce foreclosures more readily available to our residents, particularly through greater marketing of these resources, and identify and implement successful models of outreach to at-risk residents in order to proactively address situations which could lead to foreclosure.

As poverty rises in the suburbs, so does household instability, deferred home maintenance, tax delinquency and foreclosure. Shaker Heights should develop more partnerships to link residents to services that can strengthen household stability and encourage asset building since suburban poverty is likely to continue to remain at historic levels in the near-term. These could include sponsoring Earned Income Tax Credit (EITC) sessions, educating residents about resources such as the Consumer Law Center and promoting programs to encourage savings. The City should use online information tools to connect residents with resources that can assist them with home improvements, social services, and household asset building, including information on

⁸⁷ Hexter, Kathryn and Schnoke, Molly, "Responding to Foreclosures in Cuyahoga County: 2012 Evaluation Report" (2013). Urban Publications. Paper 690. http://engagedscholarship.csuohio.edu/urban_facpub/690.

credit counseling and foreclosure prevention. The City should also continue its fair housing and fair lending enforcement.

Responsible Rentals

Because of the changing nature of rentals and rental ownership, the City needs to adopt new approaches to maintaining quality rental housing and continued reinvestment in this segment of the housing stock. The City should continue to promote its discounted tenant screening program, but should also develop new tools for communicating with realtors and landlords, particularly out-of-town landlords, regarding rental requirements. These could include, for example, developing a handout for realtors regarding rental requirements, researching the feasibility of a local ordinance requiring compliance with the Secretary of State regulations in order to obtain a Certificate of Occupancy for a rental unit, and providing a welcome packet to out-of-town rental property owners bringing to their attention key rental requirements, including compliance with the City's criminal nuisance activity ordinance. While the City's existing landlord training program is popular among landlords, it does not address the most pressing issues facing the City with regard to rental properties. The City should evaluate referring landlords to available County landlord trainings and add our landlord training program online. The City should continue to work closely with subsidized housing providers to ensure quality rental housing to these populations. The City should also re-instate the Landlord Connection information on the City website and should explore City registration of rental property managers.

Neighborhood Connectedness

Everything possible should be done to encourage the further development of Shaker's neighborhood strengths in building a strong sense of community. People increasingly want to live in cohesive neighborhoods where everyone knows their neighbors. The degree of community feeling and identity with the community and Shaker Heights itself is a strong characteristic of Shaker living and needs to be promoted in the image we present to those we seek to attract. The City should continue its Neighborhood Community Project which provides one grant of up to \$30,000 each year to a neighborhood association to carry out a neighborhood enhancement project, on a rotating basis and should pursue additional means of supporting the community associations and their missions, including leadership training and ways of strengthening communication with their members.

Working with the Private Sector

In the same way that the City competes for residents, it competes with other municipalities for responsible private investors. The City must proactively market itself to this private capital to ensure that they are aware of the market opportunities in Shaker Heights. In addition, the City should develop or expand its tools to incentivize responsible rehabbers to invest in the City, while discouraging irresponsible speculators from buying Shaker properties. The City needs to maintain ongoing relationships with REO asset managers and realtors who represent REO properties to ensure that they appropriately price these properties on the MLS, thus reducing their average days on the market and that they comply with all City requirements.

Investors can certainly play a role in the housing recovery, particularly in halting and even reversing rapid price declines. An excellent example is the City's very successful Shaker Renovator program which, since

2011 when it began, has been responsible for the rehab of 17 single-family houses and the addition of over \$3 million to the City's property tax base. Through this program, incentives are provided to renovators who have a demonstrated history of high-quality rehabs and sales to owner occupants. This program provides marketing and financial incentives to high quality renovators to invest in the community. Expansion of this program to increase the number of participating renovators should be pursued by increasing their access to low cost financing. The City should continue and expand this program.

In addition, since acquisition of properties by investors is likely to continue to increase, the City should research additional code enforcement tools better aimed at ensuring code compliance by out-of-town investors such as potentially requiring Secretary of State registration in order for properties to transfer to LLCs and out-of-town buyers, requiring training for property managers and implementation of new communication tools that make information about City code requirements easily accessible to all landlords.

Demolition

In a community like Shaker Heights, known for the quality of its historic architecture, demolition is always a last resort, and a symptom of the extent of the housing market failure following the foreclosure crisis. The City has had to demolish 143 houses since 2008. Each demolition cost on average \$15,000. Fortunately, the City has been able to reduce the cost to the community by covering the costs of 43 percent of these demolitions since 2010 through Federal and State grants, and having 34 percent of these demolitions carried out and paid for by the County Land Bank.⁸⁸

Despite the high costs of demolition, the alternative of allowing these vacant and abandoned properties to cause blight in our community is even more costly. Some incorrectly assume that by demolishing properties the City is reducing its property and income tax revenue. However, because these are vacant, abandoned properties, they are already not contributing property or income taxes. Instead they are blighted properties causing a decline in housing values, which in turn further reduces the tax base. A 2014 study of the impact of demolitions in the Greater Cleveland area found that in high and moderately functioning neighborhoods like Shaker Heights, for every dollar spent on demolition there was a financial multiplier of 13.45 times and 4.27 times return on investment respectively. Demolition improved housing values and neighborhoods that experienced demolition were consistently shown to have steeper declines in mortgage foreclosure rates than those that did not experience demolition activity.⁸⁹

While some studies have shown a positive impact on housing values of the vacant lots that arise from demolitions⁹⁰, other studies have shown a small negative effect⁹¹. What all studies show though is that if there

⁸⁸ Housing Inspection data.

⁸⁹ Griswold Consulting Group, "Estimating the Effect of Demolishing Distressed Structures in Cleveland, OH, 2009 to 2013: Impacts on Real Estate Equity and Mortgage Foreclosure," at <http://bit.ly/RrKuwW>.

⁹⁰ Wachter, Susan. "The Determinants of Neighborhood Transformation in Philadelphia, Identification and Analysis: The New Kensington Pilot Study." Philadelphia: The Wharton School, University of Pennsylvania, 2005.

⁹¹ Goetz, Edward G., Cooper, Kristin, Thiele, Bret, and Hin Kim Lam. The Fiscal Impact of the St. Paul HOUSES TO HOMES Program. Neighborhood Planning for Community Revitalization, Center for Urban and Regional Affairs, University of Minnesota.

is a negative impact on housing values, it is significantly smaller than the negative effect of an abandoned deteriorated structure.

The cost of demolitions remains a high burden to the City's General Fund so the City should continue its advocacy efforts for increased and more flexible demolition funding which would enable the City to recoup more of its demolition costs; and continue its partnership with the County Land Bank which enables it to access additional demolition funding. Since 2010, the County Land Bank (CCLRC) has demolished 39 properties in Shaker Heights, at an estimated savings to the City of approximately \$487,500.

Vacant Property Securing and Monitoring

If a vacant home can be secured sooner and is located in a neighborhood with higher market sale prices, it is more likely that rehab remains a viable option. The City should maintain its monthly monitoring of vacant homes and explore additional ways to secure vacant properties, including evaluating products that protect the property from intrusion, but also have the appearance of traditional windows; educating rehabbers and realtors about securing options; and exploring legislation and/or incentives to encourage the use of portable alarm systems in vacant homes. The City should also research legal options to enable it to winterize privately-owned vacant properties, review City regulations regarding signage in windows of residential properties and review City policies regarding securing/mothballing vacant properties to prevent significant damage from weather or vandalism.

Owner Occupancy

Part of the reason for the significant increase in renters versus buyers is the greater difficulty today in gaining access to mortgage financing because of tighter lending standards. To increase the proportion of owner-occupant buyers in the marketplace will require systematic efforts to overcome some of the barriers to entry by homebuyers. These can include, for example, programs that build a pool of qualified homebuyers by providing access to credit repair, asset building, and homebuyer education programs; and programs like the County Land Bank's deed-in-escrow program and the Neighborhood Housing Services' land trust program. Neighborhood associations should also be encouraged to have their own outreach programs to potential owner-occupant buyers to introduce them to the neighborhood and its amenities.

Land Banking

Land banking is a policy decision to remove obsolete and low value properties from the marketplace to prevent them from dragging down home values and falling prey to irresponsible speculators, and of holding that land for later responsible re-development that meets public policy goals. The alternative is to allow speculators to determine the fate of low value properties and vacant lots. Local governments essentially own the problem of property abandonment whether they take control of the property or not. By taking proactive policy steps to manage or control property abandonment, the City saves time and resources and gets closer to productive reuse. In a built-out community like Shaker Heights, land remains a scarce commodity, and will be strategically important as the City shapes its neighborhoods for the future. In the same way that the City has strategically held land which has enabled it to redevelop both Shaker Towne Centre and the Van Aken District, the holding of residential land by the City during this market turndown will provide the City with opportunities in the future to re-purpose these lots in ways that the Van Sweringens could never have

imagined. The City should continue its strategy of acquiring tax foreclosed and forfeited properties and either demolishing them or having them renovated by private rehabbers, depending on their condition. The City should investigate use of the Shaker Heights Development Corporation to assist in obtaining funding for land banking activities.

Regional Advocacy Partnerships

The City should continue its work in partnership with the First Suburbs Consortium, the Vacant and Abandoned Properties Action Council (VAPAC) and Cuyahoga County to work on policy and process improvements related to improving tax liens sales, expediting the foreclosure of vacant and abandoned properties, preventing damage by irresponsible flippers, seeking demolition funding, and improving the delinquent tax collection process. This work has helped to create legislation such as the fast track foreclosure process for vacant properties through the Board of Revision, bringing in thousands of delinquent tax payments annually, and obtaining millions of dollars in demolition funding for the region.

SHAKER HEIGHTS DEMOGRAPHIC DATA

Population

	1960	1970	1980	1990	2000	2010
Total	36,461	36,305	32,487	30,831	29,405	28,448
Change		(156)	(3,818)	(1,656)	(1,426)	(957)
% Change		-0.4%	-10.5%	-5.1%	-4.6%	-3.3%

Household Composition

Total Households	11,919	12,558	12,761	12,648	12,220	11,840
Married Couples	79.2%	72.2%	60.1%	55.0%	50.1%	46.8%
Female Head of HH	na	6.6%	9.2%	11.2%	12.9%	15.3%
One Person HH	12.2%	19.9%	26.0%	27.7%	30.2%	31.1%
Average HH Size	3.04	2.88	2.54	2.43	2.39	2.39

Age Distribution

	Census 1990	Census 2000	Census 2010	% of Population 2000	% of Population 2010
0-4 years	1,900	1,833	1,736	6.2%	6.1%
5-17 years	5,395	5,874	5,867	20.0%	20.6%
18-34 years	6,521	4,987	4,469	17.0%	15.7%
35-59 years	10,849	10,849	10,158	37.0%	35.7%
60-64 years	1,631	1,273	1,809	4.3%	6.4%
65+	4,535	4,589	4,409	15.6%	15.5%
Median Age		39.6	40.9		

Source: NEOCANDO/US Census and Cleveland+

Units in Structure

Single-family (detached)	7,005
Single-family (attached)	618
Two-family	1,402
3-4 units	272
5-9 units	353
10-19 units	552
20+ units	2,781

Community Interview Process Summary and Highlights

As a critical component of the strategic planning process that led to the creation of the *2015 Shaker Heights Housing and Neighborhood Plan*, community stakeholders/constituents were interviewed by external consultants, Janus Small Associates. A total of 14 stakeholders were interviewed, representing neighborhood associations, real estate professionals, private sector developers, and residents, both newer and longtime. The interviews were conducted via questions aimed at gauging general impressions about the opportunities and challenges facing neighborhoods and the City of Shaker Heights in general. Ample time was also afforded to each interviewee to share any other topics of interest or concern as deemed appropriate.

Each of the interviews was candid and informative, and helped to shape the strategies that are contained in the Housing and Neighborhood Plan. The interviewees were also given an opportunity to provide feedback on the major goals contained in the plan.

Some of the **key themes** that were shared by the interviewees are outlined below:

- Shaker Heights has a **number of vibrant, attractive and diverse neighborhoods** that are **desirable places to raise a family** and interact with neighbors. These neighborhoods should be better marketed/branded to help to tell the story of what makes Shaker Heights a quality place to live, work, and play.
- The City of Shaker Heights has been **very supportive of neighborhoods** and has **remained in constant contact** with residents through meetings, phone calls, and various social media outlets. As a result, most residents feel connected to City Hall and in a position to be heard by the administration.
- **Demolition is a concern for many residents**, particularly as it relates to the City's long-term demolition strategy. The City should **exhaust other options** such as **rehab and moth-balling** before resorting to demolition, which could help to stabilize many neighborhoods that have been hard hit by foreclosed properties.
- **Quality of life improvements**, such as additional youth programs, more retail establishments, expanded green space, and improved "walkability" of neighborhoods **must be consistently pursued** to help the City to attract and maintain residents (particularly younger populations).
- **Safety initiatives are important** and should be communicated by the City of Shaker Heights, especially in border neighborhoods. When possible, Shaker and Cleveland housing and safety officials should work collaboratively and align strategies.

SHAKER HEIGHTS NEIGHBORHOOD MAP

