SHAKER HEIGHTS

Neighborhood Revitalization & Development Committee Minutes
Via Zoom Due to COVID-19
Public Health Emergency
Wednesday, April 14, 2021

Members Present:	Tres Roeder, Chair, Council Member Anne Williams, Council Member Nancy R. Moore, Council Member Rob Zimmerman, Council Member Eric Bevilacqua, Committee Member Carter Strang, Committee Member Donna McIntyre Whyte, Committee Member Benjamin Woodcock, Committee Member Kamla Lewis, Director of Neighborhood Revitalization Laura Englehart, Director of Economic Development Kyle Krewson, Director of Building & Housing William Hanson, Commissioner of Housing
Others Present:	Mayor David E. Weiss Jeri Chaikin, Chief Administrative Officer

The meeting was called to order by Council Chair Tres Roeder at 6:00 p.m.

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Approval of the March 10, 2021 Meeting Minutes

It was moved by Council Member Ms. Anne Williams and seconded by Committee Member Mr. Carter Strang that the minutes from March 10, 2021 be approved as recorded. The motion passed.

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Construction of New Home – 3608 Hildana

Tres Roeder, Chair:

Welcome to the Neighborhood Revitalization and Development Committee. We have four items on our agenda tonight, we are excited and looking forward to the housing report. Our first item is the minutes from the prior meeting. Are there any adjustments to the minutes?

Tres Roeder, Chair:

Moved by Councilwoman Anne Williams, seconded by Mr. Strang. All those in favor of the minutes say or show Aye, those opposed, abstentions, motion carries.

Tres Roeder, Chair:

The second item is a sale of the home on 3608 Hildana, there's a potential construction of a new home on that property.

Director Kamla Lewis:

Thank you very much. I'm very pleased this evening to bring before you a recommendation that the city enter into a development and use agreement with Ms. Valentine to construct an owner occupied single family house on the city owned vacant lot, located at 3608 Hildana Road. This proposal is consistent with the city's goals of returning vacant city owned lots to productive use and by so doing increasing the residential tax base. It also attracts new residents to the Moreland neighborhood, raises housing values in the neighborhood and diversifies the housing stock by introducing new construction. As background the city's 2015 Housing and Neighborhood Plan expressed the need to diversify the city's housing stock and revitalize the Moreland neighborhood through the creation of new housing. It was determined that the best way to do so would be through using city owned, vacant lots and ten year, a hundred percent tax abatement as an incentive. Currently, as you probably recall, the city has agreements with Knez homes and with the County Land Bank to build single family homes in the neighborhood.

Director Kamla Lewis:

This would be the first sale of a city owned vacant lot to an owner occupant herself, as opposed to a developer - builder. Under the new guidelines you may recall, because this is an unrestricted lot, it was available to anybody either as a side lot or for new construction. Council must wait to approve an application at least 30 days after receipt of the first application, in this case that would be on April 25th, 2021. The Council meeting is on April 26th. Any applications that we receive for a new home construction for this lot would be considered before we would bring it to Council. As of this date, we have not yet received any proposals or any interest expressed for this property. A little background on the lot itself, 3608 Hildana is located between a privately owned vacant lot to the North and a two family house to the South.

Director Kamla Lewis:

The lot was acquired by the City in 2008 as a donation from Wells Fargo and the house was demolished in that same year. Ms. Valentine proposes to acquire the lot for a dollar and build a single family, highly energy efficient home for her to live in. The expected project cost is approximately $400,000. She has hired Moreland based architects, RDL Architects, to design the home but has not yet selected a builder. RDL Architects is very familiar with the City's infill design guidelines and has had discussions with us around the special things that Ms. Valentine is looking for. Ms. Valentine would like to build a home with two master suites. One would be on the main floor with an open concept living area and a private pilates studio. The other master suite would be upstairs with a small bedroom that could also be used as an office.

Director Kamla Lewis:

Her goal is to have a LEED certified home and she wants to have as much natural ample light, clean indoor air and use safe building materials. She is exploring and very interested in new practices and technologies for the construction and maintenance of a green home. She's also looking at things like dual flush toilets, sensor faucets, tankless water heater, solar panels, and an electrical car plugin. Because she is a senior, she has indicated that she'll also be incorporating as much universal design into the home as possible. She currently resides in Shaker Heights and has no outstanding building, housing or zoning violations. She's current in her property taxes and owns no properties that are in foreclosure, i.e. she meets all of our qualifications. She proposes to take approximately six months for the construction, which she anticipates, if this were approved, would begin in fall of this year. Staff is recommending that this committee recommend to Council the approval of this application for 3608 Hildana Road.

Tres Roeder, Chair:

Thank you Director Lewis. Thanks for your work on this also thanks for the streamlined process. I have the smallest of edits, in the final paragraph under recommendation, the third zero makes it look like initially a thousand dollars.

Tres Roeder, Chair:

Questions or comments for Director Lewis?

Nancy R. Moore, Council:

It's testimony to the success of all our efforts toward Moreland Rising and the revitalization of the real estate. This is just where we wanted to get some day and here we are looking at this. I'm so impressed.

Committee Member Whyte:

I am as well. This is exciting news. I want to ask the question about her cost. Is it because it's energy efficient? Are there costs that would be higher than if Knez would be building the house?

Director Kamla Lewis:

There are a number of special features. This also includes her architectural costs, et cetera. When you're a large scale builder, those are spread over multiple homes. So you have economies of scale that you also benefit from.

Anne Williams, Council:

I wanted to add that I'm excited to hear about this. I am very happy to hear about the green aspect of this and all the features as head of the Sustainability Committee. Glad to hear that a resident is undertaking interest in it. Look forward to hearing more.

Tres Roeder, Chair:

Great point. Other thoughts, comments? If not, I'd entertain a motion. Approved by Mr. Strang, seconded by Council Member Moore, all those in favor say or indicate aye. Those opposed. The motion carries. Thank you Director Lewis. The next item on our agenda is an application to acquire the city owned vacant lot at 3342 Ashby Road. This will also be presented by Director Lewis.

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Side Lots – 3342 Ashby

Director Kamla Lewis:

Thank you. As indicated to you earlier, this item is being withdrawn. Both applicants, late on Monday, withdrew their applications.

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2020 Housing Overview

Tres Roeder, Chair:

Thank you. We can skip through that item on the agenda, and that brings us to the 2020 housing review which is full of positive information. I know there are larger economic forces going on as well but very encouraging to see these Director Lewis.

Director Kamla Lewis:

Thank you. For this presentation this evening I'll be joined by Bill Hanson, the Housing Commissioner from the Building and Housing Department, as well as during the Q & A by Kyle Krewson. This was in response to a request by the Committee in late 2020 that we would bring forward and give you an analysis of the data for the housing market for 2020. We are pleased to do that this evening. Because we deliberately got you the presentation in advance, so you could go through and take a look at it and mark it up with your questions. This evening we're going to kind of go through these quickly, as a refresher, so that there's plenty of time left for questions and answers.

Director Kamla Lewis:

We'll give a brief overview of the market and we will look at them both by housing type, that's single family, two family, condos, and we'll also look at it in terms of the different neighborhoods. Then we'll end up by taking a look at some of the trends with regard to the properties that we monitor closely that are at greater risk in general. I'll set a little background context first, just to remind you, so you are understanding the data that we provide. It's important to understand the differences between our neighborhoods. For example, we've got a very large neighborhood like Mercer with over 2,000 residential parcels. And then at the other end of the spectrum, we've got Ludlow, which is about the 10th of the size with only 209 residential parcels. This will be important when we look at percentages and numbers. The second largest neighborhood is the Lomond neighborhood.

Committee Member Strang:

I do have a question about the neighborhoods generally. Are those districts, I've never really seen the maps specifically what streets are or are not in each of the neighborhoods, are those based on the old elementary school boundaries many, many years ago? I was thinking of Winslow and whether that, I always assumed it's in Lomond, but I've never seen the map that would show.

Director Kamla Lewis:

Yes it is based on the original school district divisions and Winslow actually is split between Lomond and Sussex depending on where it is. And on the city website, there is a map if ever you're interested. I could also send out a copy to the committee afterwards.

Director Kamla Lewis:

The other background piece to understand is the composition of the housing stock. As you can see from this chart, it is primarily single family housing, which comprises 76% of our housing stock. That's followed by condo units, which are 13% of the housing stock and then two families, which are 11%. Of course, we also have a 104 apartment buildings, which make up 3,000+ apartment units. But for the purposes of the discussion of the housing market we'll generally deal with the apartments only when we're talking about rentals. Most of the time when we're looking at sales and values we are focusing on the single family housing market because that is the dominant part of our housing stock.

Committee Member Strang:

Has that percentage stayed fairly steady over the last two decades or so?

Director Kamla Lewis:

Basically since we were built, it hasn't really changed that much. So the other concept that's important as we're going through these discussions is that of median value versus median sales price. Median value is the value that is set by the County for taxation purposes. These are values that change generally every three years as part of the triennial, when the County comes out and evaluates the homes. That's why you'll see this chart in three-year chunks. Those values are done for every single property, commercial and residential, and determine our tax valuation. As you can see, the median value has been increasing since 2012 and it's currently at $223,600 for a single family home. It is higher than it was before the crisis, and it's almost back to its historic high which was in that 2006-2008 period. In the last reappraisal which was in 2018, the city overall saw an 8.75% increase in the overall residential tax value. That was great news at the time. And I raise that because we will be due for our next reappraisal this year, 2021. I wanted you to have some context to where we are coming from. Those valuations of course varied from neighborhood to neighborhood in terms of their increase. You'll see that in that top chart on the left, the greatest percentage increases in 2018 were seen in Lomond, Ludlow and Onaway neighborhoods. Generally the kinds of things that will raise those valuations are permit work, modernizations that are done to the house, upgrades, increasing the square footage of a house and of course, higher sales prices. As we talk about 2020 and the rising trends in home values, that may also contribute to the values that people will get from the County in this triennial appraisal this year. Currently the city receives about $6.78 million annually in property tax revenue.

Director Kamla Lewis:

In the chart on the lower left, you'll see what the median value was by neighborhood. To give you a bit of County context as to what's been going on so that you can understand where we fit into this, I've provided this chart for Cuyahoga County that looks at from 2000-2020 what was happening in terms of median sales prices. So again, this is not the values that we just discussed, these are sales prices. And as you can see from this chart several areas have reached where they were at the peak year. That's what this chart shows and the outer ring suburbs are in that category. The Western inner suburbs, the County as a whole are all at a hundred percent of where they were at the peak. The Eastern inner ring suburbs, which is that orange line, are at 82% of where they were at peak.

Tres Roeder, Chair:

I'm sorry. On the prior slide I noticed that Cleveland is not close to, well, Cleveland's coming back up, but it's not back up to its peak. Of course, Cleveland is the main central city and it has a big influence in all the region around, any insights into why they might be recovering more slowly than the County overall or the West suburb inner suburbs, for example.

Director Kamla Lewis:

There are a number of reasons. I would point to, first of all, the quality of the housing stock, as you're probably aware, and they don't have as robust a code enforcement program as do most of the inner ring suburbs. And that has significantly impacted the quality of the housing stock. The second thing I would point to is tools that we have, like Mr. Hanson will talk about a little later such as point of sale escrow, which causes there to be less speculation by flippers and requires that there be reinvestment at every sale. Cleveland not having that as a tool really fell prey to speculators, irresponsible speculators, during the foreclosure crisis and had properties being bought up and then no repairs being done, so they are still at the condition that they were before. Bill, is there anything else you'd add on that?

Bill Hanson:

I think you covered it very well. I mean, that's certainly the reason why there's such a difference between Shaker and the other communities.

Director Kamla Lewis:

I'm glad you brought attention to that. I sort of skipped over that, but you'll notice that the area that is doing the worst is the East side of Cleveland, which of course is the section that is adjacent to Shaker Heights.

Director Kamla Lewis:

Looking at the inner ring suburbs specifically, two of the inner ring suburbs, Shaker Heights and University Heights are at a hundred percent of peak. The other suburbs are in descending order, but in general as you can see, other than East Cleveland, they are doing generally better than the city of Cleveland.

Director Kamla Lewis:

So we're going to start talking about Shaker Heights now that I've given you the background and context and 2020 in particular. We've been keeping and tracking this data from 2000 so that you can see the trends and also where we are. As Chairman Roeder pointed out, what you'll see as the short version of this presentation is that 2020 was a really strong year for the housing market in Shaker Heights, particularly for the single family housing market. As you can see, the number of sales were at 114% of their pre-crisis level, and we've seen a steady increase in the number of sales since 2011. The distribution of those sales as you can see remains pretty much proportionally the same between single-families and condos, matching how they are represented in our housing stock as well.

Director Kamla Lewis:

Where do those sales happen? This is the breakdown by neighborhood. As you remember, Mercer is our largest neighborhood followed by Lomond. So not strangely you will see that most of the activity is in the Mercer and Lomond neighborhoods. 40% of the sales happen in those two neighborhoods followed by Sussex, Fenway and Onaway, which represent a third. And you can see the significant variation in the median sales prices as well. Looking specifically at single family homes for 2020, the median single family sales price was $252,500. Those prices have rebounded to above pre-crisis levels. They're at 121% of that in the charts. I'll always show in red where the peak was to help you easily identify that. And you'll see that single family sales on the right hand side are at 120% of pre-crisis levels and have been also been steadily increasing since 2011.

Director Kamla Lewis:

So good news, both on the number of sales and median sales prices. Interestingly, I just did the analysis for the first quarter of 2021, and both of those continue to go up,. The median sales price for single family homes went up to $266,000 in the first quarter. The number of sales was 5% above where it was for the first quarter of 2020. Days on the market is another measure that we use to look at health of the housing market. Here it's broken down by the different market segments, so it looks a little strange. Basically in 2020 you'll see that the under $50,000 market segment had the lowest days on the market, at 29, and the over half a million dollar market segment had the highest at 78. Because the number of sales is very small, usually in that category, one or two can shift that dramatically. To give you an example, in the first quarter for 2021 in the over $500,000 category the days on the market were 11, so always keep that in mind, but as you can see, the important thing from this chart is that that trend of days on the markets has been declining, which is a good thing.

Tres Roeder, Chair:

One question Director Lewis, while you're on that slide, I've heard anecdotally that some of the North Park and South Park million dollar plus homes tend to sit on the market even longer. If you further decompose that over $500,000 to $500 - million and a million up, I'm not sure if you have that data handy, does the time on market tend to be longer and longer as that price continues to increase?

Director Kamla Lewis:

I would have to look at that. I don't break it down that granularly because there are so few houses so that when we are tracking this on a quarterly basis, we're just looking at overall trends really. But I'm happy to take a look at first quarter. I do have that data, I don't have it with me tonight, easily accessible, but I get the MLS data so I can pull those out.

Tres Roeder, Chair:

Thank you. I would be interested in that if you'd like to send it to the Committee. And also I note that the under $50,000 looks like the most significant drop in median and days on market. What do you attribute that to?

Director Kamla Lewis:

First of all, there are very few of those now on the market whatsoever, which is great news. These were the ones that were always of most concern to us and ones that were usually in very poor condition. And when Mr. Hanson talks later about point of sale, you'll see what the trends are there. Those who are in that marketplace for those distressed homes will tend to pick them up very quickly because they're very few available in the first place.

Tres Roeder, Chair:

Thank you. I should also mention, Mr. Strang, and I have both asked a couple of questions as we go. Are you all right if there's anyone else in the Committee that has questions at the moment, because as we go from one topic to the next, sometimes it's helpful to address it as we see the slide.

Director Kamla Lewis:

I'm perfectly comfortable with that. I can handle that easily; whatever works best for folks. I just want make sure that we do get through all the slides as well.

Tres Roeder, Chair:

Okay. Thank you. Any other questions or thoughts from the Committee on the slides that have been discussed so far?

Benjamin Woodcock Cmte. Member:

I have a question. Do we have similar data for two family homes? I understand that it's only 10 or 11% of the housing stock, but I'd be curious to see what that's like as well.

Director Kamla Lewis:

That's one of the next slides coming up.

Eric Bevilacqua, Cmte. Member:

Director Lewis, you probably don't have this data handy, but I am curious, have you ever run an analysis on property taxes and the distribution based on property value? So basically like the Pareto principle where the houses over half a million or 80% of your tax base. I'm just curious if the tax base is sufficiently diversified or it's highly concentrated among the higher property price.

Director Kamla Lewis:

I have not done that analysis. I have been thinking about that topic because it has of course has been in the news quite a bit recently in terms of parity and equity. I have raised it to the Cuyahoga County for a response because they are one of those that have been called out as having a property tax system where the distribution is not equitable.

Committee Member Strang:

The only thing I would add, I don't know if others have, but the two family house that I have on Palmerston, I'm in the process of selling, it hasn't been listed yet, but I just want to tell you I haven't seen anything like this before. I live in Fernway, I'm getting calls from agents. I mean, do you want to sell your house? Do you know of anybody else that's selling their house? And we know in Fernway, almost like the New York real estate market of years ago where you put in the highest price and that just gets you to the point of bidding, it doesn't get you the house. So again, good to see this in terms of a hot market.

Director Kamla Lewis:

Good for sellers, buyers are weeping and yes, Bill Hanson and I were laughing of the day because we got a very hefty offer for a house that's already gone.

Benjamin Woodcock Cmte. Member:

To that comment, Director Lewis, and I can tell you that my brother-in-law moved to Shaker this year and the house wasn't even listed, it was sold before anything. Do we count that as one day or count as zero days? How does that work?

Director Kamla Lewis:

If it wasn't listed on the MLS it would not be in the data that I look at quarterly, but it will be listed in this annual data. The annual data is based on County transfers. So it looks at that overall.

Director Kamla Lewis:

So we'll turn now to look at the two family homes because they are an important part of our housing stock. Those sale prices have not rebounded as well as for single family homes, but as you can see, they are doing quite well. Family sales prices are at 91% of pre-crisis levels. In 2020 they were at $140,500, but I can tell you from my first quarter analysis for 2021, median sales prices were up 28% versus first quarter of 2020 to $156,700. As we've talked about previously much of this is tied to number of sales. So that 28% increase in 2021 first quarter was matched by a 28% decline in number of sales. There really is a shortage that is driving a lot of this price increase. Two family sales prices are at a 74% of their historic high-end 2005. We certainly saw a lot of speculation at the height of the bubble and the two families, as you can see, two families took a huge hit. In some areas there was a 66% decline in value at the time of the crisis. The number of sales have been increasing steadily since 2014, but they are still at 73% of the 2005 high.

Director Kamla Lewis:

Turn now to condos, those are the weakest area of our housing market, but those sales prices are also increasing. They are still low, they're at 70% of their 2003 level. The median sales price in 2020 was $51,050. Number of sales is rebounding, but it's still at 82% of where it was in 2000-2001. I'll turn over to Mr. Hanson.

Bill Hanson:

Thank you Director Lewis. The city's point of sale escrow requirements have proven to be very effective in ensuring that our houses are brought up to code at the time of sale or shortly thereafter. Since 2000, almost $41 million has been deposited in escrow and reinvested in the city's housing stock, which averages out to about $2 million a year. Even though we're talking about escrow, 75% of all transfers occur with all point of sale violations corrected and therefore no escrow hold is required. Correction of point of sale violations is something that realtors are certainly encouraging and in neighborhoods such as Fernway and Malvern we have very few escrow accounts, and if there is an escrow, it is usually not a sizeable amount of funds.

Nancy R. Moore, Council:

Let me ask a question on that point. Even though we hear nothing but complaints from realtors about the point of sale escrow, you are saying that in certain areas they are relieved that there are no violations when they want to sell a property, or that it's a calling card for them?

Bill Hanson:

Realtors, as well as homeowners, prefer to avoid the escrow issue and make a concerted effort to correct all point of sale violations prior to transfer.

Nancy R. Moore, Council:

So, this is rhetorical, how do you explain the fact that they hate point of sale, but then it sells houses faster?

Bill Hanson:

Well it's something else that has to be dealt with at the time of sale. It's the inspection, the re-inspection, and there may be weather considerations if there are exterior items. There may be things that were unexpected but now show up as violations on the point of sale. It's something that needs to be dealt with. I suppose some would prefer not to have to deal with it at all.

Nancy R. Moore, Council:

So they want their profit quickly and they want it without having to do the work.

Bill Hanson:

I believe the fact that it's such a strong housing market in Shaker these days speaks to the effectiveness of point of sale and the escrow requirements. I've heard from numerous investors that do high quality renovations and then turn around and sell the property that they specifically come to Shaker because they know the value of their investment is going to be protected.

Nancy R. Moore, Council:

You're very diplomatic, so true. Thank you.

Bill Hanson:

So we have 25% of transfers that occur with funds in escrow. Out of that 25%, 78% are established by investors. So what we're seeing is transfers from homeowner to homeowner by and large are occurring with all violations correct. Where we see investor activity is with significantly distressed properties such as foreclosures, vacant homes, or bank owned properties, those types of properties, but again the escrow requirements have proven to be very effective in bringing in investors that have the financial wherewithal to fund the escrow account, correct the violations, get their money out of escrow, and then turn around and sell the house for a nice profit. We have seen increasing investor activity in recent years.

Bill Hanson:

Moving on to rental properties, Kamla mentioned apartment units. We have a total of 4,358 rental units in Shaker, 3,109 are apartment units, with the remaining rental units being single families, condominiums, and two family rentals. In terms of single family rentals that number has declined in recent years. There was a time back in 2013, 2015, where there were homeowners that were interested in selling but couldn't get the price that they were looking for and decided to temporarily rent. That occurred for a number of years, but with the strengthening of the housing market a number of those owners sold to owner-occupants and received the prices that they were looking for. As a result, there has been a reduction in the number of single family rentals and I can see that trend continuing going forward. In terms of two families, we have 993 two family dwellings, 298 of which are not rentals, either occupied by an owner in both units or one unit is owner occupied and the other is vacant. Of the 695 two-family rentals, 72.4% are owned by an absentee owner, 43.3% of whom reside out of state, and 27.6% in which the owner resides in one unit and rents out the other. We are seeing considerable investment in two family dwellings from out-of-state buyers. That said, these purchasers are funding escrow accounts and correcting violations in order to get their money back. My concern is if we run into problems relating to property maintenance or tenant behavior and the owner is in California or Arizona, it can present a code enforcement challenge, especially if the designated local agent revokes their registration. In terms of housing voucher units, that number has remained fairly stable for the last three or four years in the 180-190 range. These numbers represent a considerable reduction compared to the 300+ units prior to 2010. The current decline in numbers are due in part to market factors as well as a lack of growth in available vouchers.

Tres Roeder, Chair:

On the prior slide, one of the questions before we built phase one of Van Aken was what impact will it have on the apartment rental units in the neighborhood? That question of course, is coming up again as we look at a phase two building in Van Aken. Do we have any sort of data indicating what impact the Van Aken and units are having on the immediately surrounding apartment rental market?

Bill Hanson:

The data that we have, or that we're in the process of getting is the occupancy status of our apartment buildings. It appears from the first group of properties that we've looked at, that there is a very high percentage of occupancy in the apartment buildings. We've had six apartment buildings on Warrensville that were owned by a Michigan company that were recently sold. There was about $125,000 dollars put in escrow for the violations. Some repairs have commenced. I can't speak to rent structure of these buildings or others but Kamla or possibly somebody else may have that information. That's all the information I have on the apartment buildings.

Director Kyle Krewson:

We don't really have access to that information, that data, and we don't have the rental rates of apartments. This year, we did start collecting the vacancy rates of apartments in a way and a manner that allow us to analyze that in future years. Moving forward from this point forward we'll be able to assess the total vacancy rate in different neighborhoods of the apartments with the data that we're collecting. But unfortunately we don't have that data on our hands now.

Tres Roeder, Chair:

I heard, I believe from Mr. Hanson, the vacancy rates that you are collecting now do appear to be fairly strong for apartments. Thank you.

Director Laura Englehart:

Mr. Roeder, I will add that the exact question that you just asked is what the staff was discussing and why the building & housing department decided to add that to the housing rental license. There was a discussion among Planning, Building, Economic Development to make sure we are gathering that data from now going forward.

Tres Roeder, Chair:

Thank you Director Englehart. I'm happy to hear where I'm on the same page.

Bill Hanson:

Owner occupancy of a single family and two family homes has remained stable or increased in all neighborhoods since 2017 except for the Moreland neighborhood, which declined from 63% to 57%. On the other hand, there's been a significant increase in the Lomond neighborhood increasing from 60% owner occupancy in 2017 to 69% in 2020. Overall the city owner occupancy rate is 84%. 2020 was a unique year for foreclosures due to a moratorium on many filings as a result of the pandemic, particularly those that were backed by federal mortgages. Despite the reduction in filings in 2020 we're still dealing with approximately a hundred foreclosures that were filed in earlier years and are slowly working their way through the court process. Going forward we expect, as the pandemic wanes, that there will be pent-up demand for foreclosure filings and we expect the numbers to increase for both foreclosure cases and sheriff sales. So again, 2020 was a very unusual year in terms of foreclosures. With respect to residential parcel foreclosures, which includes vacant lots as well as properties with structures, there were 463 foreclosures filed from 2017 through 2020, an overall rate for the city of 5%. Our greatest concern from a foreclosure perspective remains the Lomond, Moreland and Ludlow neighborhoods. During this period, there have been 122 foreclosures filed in Moreland, a 12% rate, 116 foreclosures in Lomond, a 7% rate, and 26 foreclosures in Ludlow, which is a 12% rate due to fewer properties. Considerable attention is given to these neighborhoods including the regular monitoring of at-risk properties such as foreclosures and vacant homes.

Bill Hanson:

In terms of residential tax delinquency there were improvements made in 2019 in response to City interventions, however, with the economic impact of the pandemic there has been an increase in tax delinquencies in 2020. Currently 7% of all residential parcels are tax delinquent.

Director Kamla Lewis:

Thank you, Mr. Hanson. The last segment will deal with vacancy. In terms of vacant properties, we saw a significant decrease in the number of vacant homes, 29% decrease in 2020. That is largely due to the strong housing market. Of the vacant homes that we do have, 25% are currently under rehab, i.e. they are in process of returning to productive use. We thought it was important to note that oftentimes people think that most vacant properties are bank owned. That is not generally the case. 5% of the vacant properties are bank owned versus 15% in 2018.

Director Kamla Lewis:

Vacancy does vary by neighborhood. The rates are highest in Moreland and Ludlow. Because of the number of houses in Lomond and Moreland compared to Ludlow, this is where we are focusing when it comes to vacancy. The city wide vacancy rate is about 2% and currently 195 vacant homes. We've talked a lot about vacant lots at our meetings, currently 222 vacant lots are owned by the City, 206 are privately owned. There's been a significant increase in these since 2013, a 73% increase, and the largest number and percentage are both in Moreland. We've made it through the slides and I'll happily open it up for any other questions not yet answered.

Tres Roeder, Chair:

Thank you. Can we put the screen back so we could see each other. If we need to we can certainly access these slides. Questions?

Nancy R. Moore, Council:

I wondered since you are the entities that are most familiar with all the housing, the factors that affect the housing market, to what do you attribute the boom in housing sales? What factors do you think are the most critical in Shaker Heights?

Director Kamla Lewis:

Certainly most analyses indicate that part of that boom, which is happening nationwide, is linked to the pandemic. How that ties in is the restriction in supply, because foreclosures generally make up to a third of the number of houses on the market. Not having those on the market creates a very limited supply of houses available for purchase which naturally pushes up prices. We haven't seen necessarily such a huge increase in the number of sales. That's why we look at all different aspects. There's no one indicator that tells you how your housing market is doing. The other factor that we've all probably read much about is that as people are staying at home and their needs in terms of housing and not being on top of each other have changed and increased, people have been looking at larger houses. And of course the very low interest rates currently. Put those three factors together, I'd say that largely is the cause of what we're seeing in 2020. AS we saw from the charts on the County as a whole, once we get through the pandemic and we see some of the negative effects of the pandemic play out, different cities are going to be impacted differently based on the underlying factors. That's where I go back to the question that was asked related to those that have not recovered as well from the housing crisis as we have.

Rob Zimmerman, Council:

The rising tide lifts all boats, the receding tide. You don't hear the second part, it potentially can sink all boats. It's an impossible question to ask and answer, but I'll do it anyway. You look at market trends and things have gotten better and those of us we all had to live through the awful foreclosure crisis. And then the years of slow movement, can you point to policies, anything specific to Shaker, that we think we've done better than perhaps the market or maybe things we can do to improve on beyond simply market forces?

Director Kamla Lewis:

Absolutely. I would never want to suggest that the policies that we've put in place have not also significantly assisted us, particularly in living through the crisis and recovery. In addition to our strong foundation in code enforcement, you may recall, the Council and Mayors for this City reacted very quickly, much faster than any other community I'm aware of in terms of seeing what was coming down the pike and putting in place new programs. For example, we started our demolition program and actively land banking before there was even talk of creating a land bank. We put in place legislation around vacant properties that allows us to monitor them much more aggressively. Bill Hanson has been monitoring things like foreclosures, and then we added tax delinquencies in a way that other communities do not do.

Rob Zimmerman, Council:

I consider that very fair because I remember those discussions and those policy moves and they were always about trying to maintain value because we understood that this, this could be a race to the bottom very quickly if we didn't intervene and intervene aggressively. I agree with that and it is easy to forget that and look at the larger trends. That's why I asked the question. Both being on the positive side and also looking at us to say what can we be doing? What can we be doing better?

Director Kamla Lewis:

I'd also mentioned, that in 2019, this council approved a pilot program with ESOP to work specifically with seniors over delinquent taxes, based on us creating that model, last year the County has now taken on and expanded that program County wide. So those are the kinds of things where definitely we have set some trends.

Committee Member Whyte:

About the number of homes that are rental and they're not owner occupied, is there any concern that so many of them are owned by out of state owners? Is there any attention that comes to you that is related to whether a property is owner occupied or not?

Bill Hanson:

Certainly there's a concern. Many purchases are made by out-of-town investors who have not personally seen the property or are familiar with the community. Also, some of these purchases appear to be above market. While on one hand increasing sales prices is a good thing, I get a little worried that if economic conditions change, the owner my defer maintenance or stop paying taxes. We have local agent requirements for landlords who reside outside Cuyahoga County and send out a landlord letter signed by me and the Chief of Police to make any new landlord aware of our requirements and our expectations. Shaker is a very attractive community to out-of-town investors for a variety of reasons.

Director Kamla Lewis:

We are mostly concerned about speculation at low price points, which tends to not end well. That's why, going to Councilman Zimmerman's question, one of the first programs we put in place was to enable staff to act quickly and buy up low value properties to keep them out of the hands of speculators and turn them over instead to responsible non-profits or our Shaker renovators. Those are the kinds of tools that we also use. Hopefully we won't have to use them again to the extent we did after the last crash, but if we do, we've had experience, we have the infrastructure in place.

Benjamin Woodcock Cmte. Member:

On that note, as someone that used to own a two family home and live in it, are there any incentives or programs to encourage people to live in a two family home, to be owner-occupied in a two family home,

Director Kamla Lewis:

This is a topic the City has looked at from even before I got here 20 years ago. The bottom line is there's a much smaller market of owner occupants who wish to live and be a landlord at the same time. When these were built they didn't have as many options for first time home buyers. There's so much there available for them now it really is hard to convince somebody. We did have a program on Winslow Road at one point, in a very specific, defined geographic area where we really needed to boost the owner occupancy there since every house on that street is a two family, and there were issues with turnover and stability on the street. That was the only case that I'm aware of where we did an incentive specifically for two families.

Nancy R. Moore, Council:

I might add, I just received a question today from a resident, very worried that the Van Aken District, the new two tower apartment building that is being proposed, how that would impact the desirability of sale for two family apartments. As I thought about it, the type of people that are the type of resident now seeking a luxury apartment, basically with all the amenities. It's a very different market from those who would want to live in a two family. Times have changed, it's probably one of the best examples of how our housing market and the desirability of it has changed over the past 70 years when a lot of these two families were built.

Carter Strang, Cmte. Member:

I would agree with that. Those are two different markets. To Ben's question about city incentives, there certainly was when I bought my two family. It was a pro integration effort back at that time. The city would show my units when they were available, it was a lot easier. The other thing that's really makes it tough for two families, as an owner, it is difficult because of the age of the homes and because of the taxes and everything. It's difficult to come out ahead every year. It makes that other alternative, getting an apartment, a lot more attractive. You don't have the headaches.

Tres Roeder, Chair:

I'd like to ask we make this one of our upcoming working sessions. I think all of council would be interested in this as well as the broader public. This has been very helpful. Thank you all for joining us tonight. Have a wonderful evening. We'll see you next month.

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There being no further business, the meeting was adjourned at 7:00 p.m. The next meeting will be May 12, 2021.

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Council Member Tres Roeder, Chair
Neighborhood Revitalization & Development Committee