

Residents First **Legislative Package**

*Supporting Cleveland residents and
revitalize Cleveland's neighborhoods.*



CITY OF CLEVELAND
Mayor Justin M. Bibb

Residents First **Legislative Package**

At a Glance



Out-of-town investors must have an in-town agent who can't hide from the courts



Civil tickets and fines to address bad conditions and landlords who refuse to repair



Register vacant buildings, and inspect vacant 1-3 family homes

Amendment Summary

Tremendous feedback between introduction and today has resulted in the following proposed amendments:

- **Local Agent in Charge (LAIC)**
 - New requirement that Owners must indemnify (pay back) LAICs.
 - New requirement that the City must use good-faith effort to go after Owner first, so that LAIC is not the main focus for enforcement.

- **Strengthened City's ability to abate tall grass & noxious weeds** so that health inspectors can also require abatements.

- **Revised search warrant process** to clarify presumption that the City should seek consent before pursuing a search warrant for inspections.

- **New impact study/evaluation** to be delivered two years after ordinance passage.

- **Revisions** to address specific issues related to **Land Reutilization Corporations**.

Amendment Summary

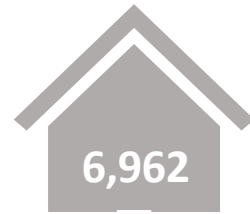
Tremendous feedback between introduction and today has resulted in the following proposed amendments:

- **Eliminating escrow requirement** for vacant residential properties.
- **Fee waiver** for land banks/governments holding vacant properties.
- **Reducing vacant residential unit registration fee** to \$70, to match rental registration fee.
- **Requiring the Director to provide extensions** to the six-month window to complete repairs, as long as there is demonstrated progress on renovations
- **Eliminating 10% administrative fee** for bonds on vacant non-residential (industrial, commercial) properties.
- **No bond requirement** for vacant non-residential properties that :
 - Have no code violations, board ups, etc.; or
 - Are actively being rehabbed, with permits pulled.

Vacant Building Inspections

Properties that will require pre-transfer inspection:

- Are vacant at the time of transfer **AND**
- Are residential properties **AND**
- Contain 1-3 units



In Cleveland, **6,962** structures out of the 117,564 total structures in our city meet the criteria above. Typically, between 1,200 and 1,400 are sold per year.

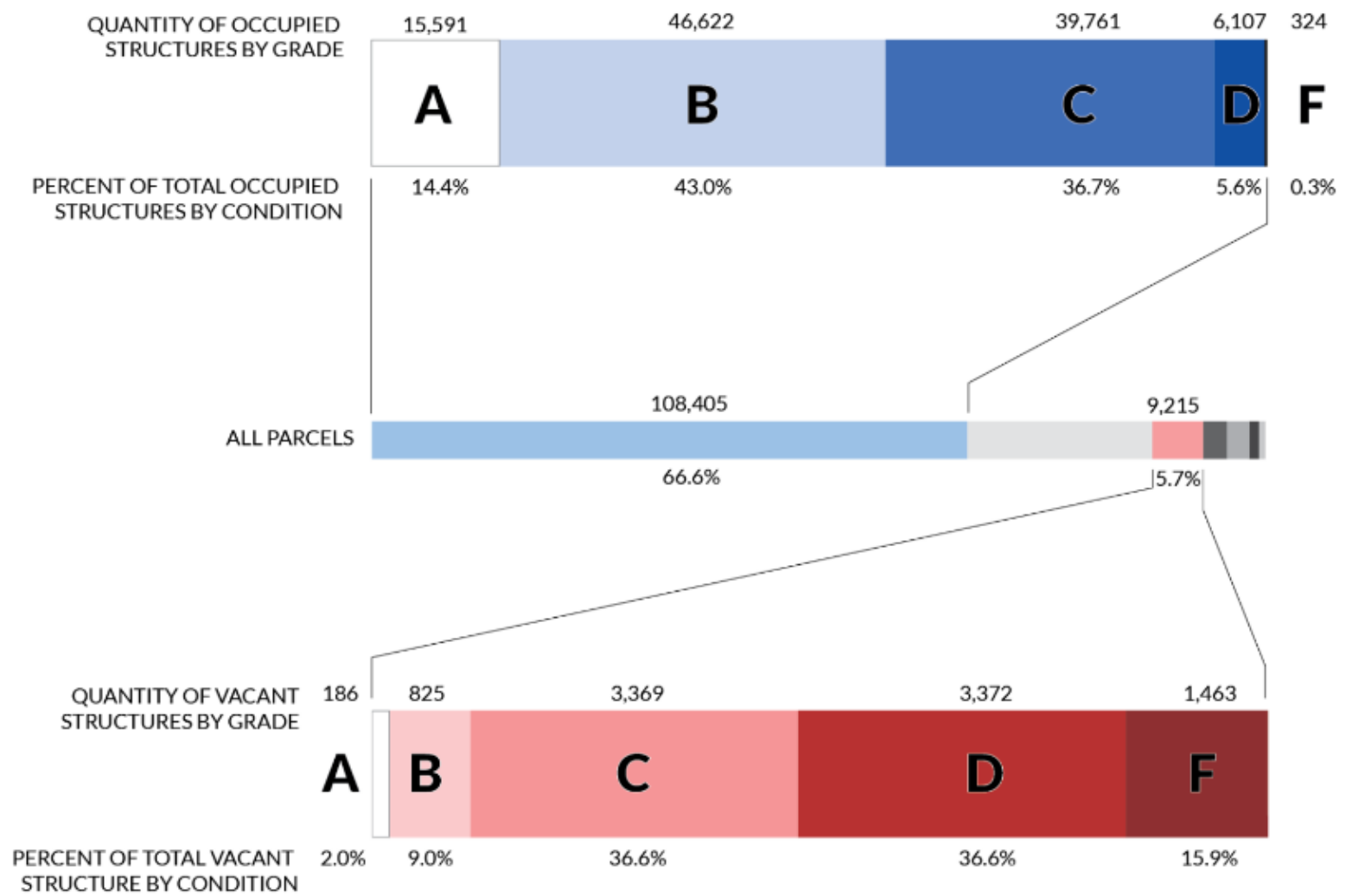


That's **6%** of the total *vacant* properties in the city.

Vacant Building Inspections

Vacant structures are much more likely than occupied structures to be D or F properties

Comparison of Occupied Structure and Vacant Structures by Grade



Vacant Building **Inspections**

How They Work

- ❑ Vacant properties are to be kept in secure and weathertight condition with basic upkeep. The city may inspect as needed based on condition.
- ❑ Vacant 1-3 family homes are required be inspected within 1 year of expected transfer. This will be an interior and exterior inspection focusing on life, health, and safety issues. There is no charge for the inspection.

Vacant Building Inspections

Impacted



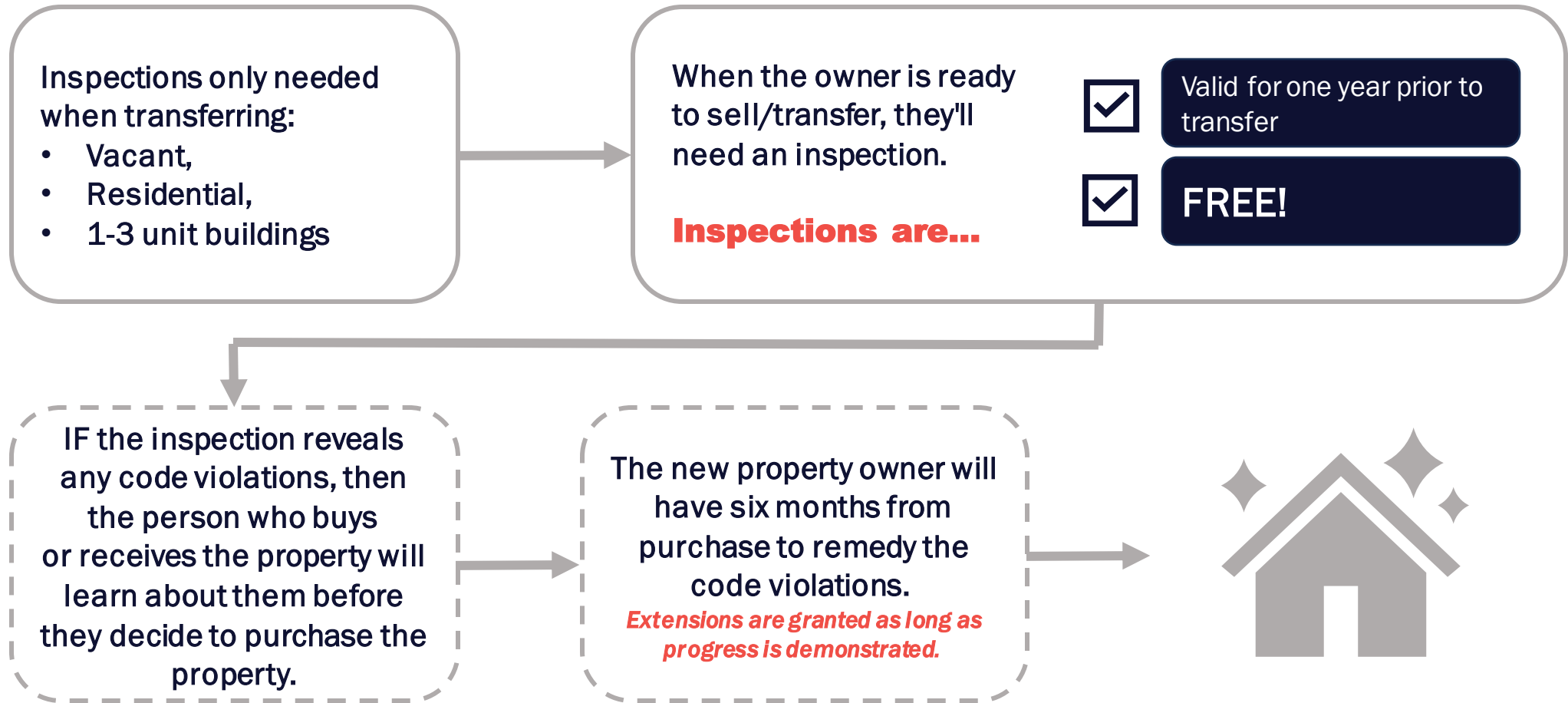
- Individuals who own a second home that they do not rent out and would like to transfer

NOT Impacted



- Individuals living in their own homes
- Individuals who own second properties used for non-residential purposes (like a garage)
- Individuals who own vacant commercial or industrial buildings

Vacant Building Inspections: *How it Works*



Vacant Building Inspections

Actual impact

Typical Homebuyer

Responsible Homeowner

Corporate Purchaser

Inherited Without
Maintenance

Typically brings in
home inspector before
purchase and negotiates
price.

City inspections add no
new information to
that exchange.

Vacant Building Inspections

Actual impact

Typical Homebuyer

Responsible Homeowner

Corporate Purchaser

Inherited Without
Maintenance

Doesn't leave
property they own
in poor condition. Fixes up
their property.

City requirement
to correct violations would
not change their behavior at
all.

Vacant Building Inspections

Actual impact

Typical Homebuyer

Responsible Homeowner

Corporate Purchaser

Inherited Without Maintenance

Less interested in condition, and typically will not inspect prior to purchase. Buys as-is.

With Residents First, these LLCs will finally be required to fix up their vacant homes instead of flipping them again and again.

Vacant Building Inspections

Actual impact

Typical Homebuyer

Responsible Homeowner

Corporate Purchaser

Inherited Without
Maintenance

Purchasers will receive inspection results about the condition of the property.

If the purchaser is an LLC, they typically seek bargains and anticipate distressed condition. This will require them to bring the home up to code.

Responsible purchasers deserve to know the condition of the home and what is required to fix it. Sadly, many buyers find themselves in over their head.

Accurate information does not hurt anyone's equity in a property. What hurts equity is poor maintenance.

Vacant Building Inspections

Staffing

**1,200 –
1,400**

Estimated inspections needed per year as a result of this ordinance

5-6

Average pre-sale inspections per working day

5-7

Inspectors in this unit, responsible for these inspections plus ongoing monitoring of all vacant structures in the City, in addition to handling needed prosecutions

Residents First Legislative Package

Vacant Building Inspections

Case Study | Tremont

Fire damage not repaired by owner; sold to out-of-state investor

August 11, 2020



From Twitter, [@ClevelandFire](#)

Vacant Building Inspections

Case Study | Tremont

If Residents First Had Been the Law in 2020: Vacant Building Registry

- The property would be required to be registered as a Vacant Building.
- Buyer would have assumed violations and been required to make repairs within 6 months of purchase.
- Buyer would have been required to address hazards and public safety issues within 10 days.

Vacant Building Inspections

Case Study | Tremont

If Residents First Had Been the Law in 2020: *Local Agent-In-Charge*

- Because the owner is out-of-state, a local agent-in-charge would be appointed.
- Inspectors would issue Civil Tickets if repairs not started within 6 months. These are either paid or attached to property tax bill.
- Could have taken the owner or LAIC to court for failing to comply with the ordinance.

Vacant Building **Inspections**

*"[V]acant, abandoned, and deteriorated properties reduce the value of surrounding properties, **leading to decreases in owners' equity and personal wealth.**"*

*"In Cleveland, Ohio, properties within 500 feet of a vacant, tax-delinquent, and foreclosed property **lost 9.4 percent of their value.**"*

"How Vacant and Abandoned Buildings Affect the Community," Center for Community Progress,
March 24, 2023



Vacant Building **Inspections**

"Homeowners within close proximity to abandoned properties are **often charged higher insurance premiums** or even face policy cancellations...

... because of the **unstable nature of the neighborhood created by the vacant properties leaving homeowners with greater financial liabilities.**"

"How Vacant and Abandoned Buildings Affect the Community," Center for Community Progress, March 24, 2023



Vacant Building Inspections

*Impact to neighbors
and neighborhoods*

When there is vacancy and blight on a street, everyone pays.

- Responsible property owners lose value and equity
- Homebuyers look elsewhere for a home
- Crime increases in areas with high vacancy
- Residents want and expect their city to do something to help. By requiring the registration of all vacant buildings, identifying a local agent-in-charge, and inspecting 1-3 family vacant residential parcels inside and out, the city can begin helping neighborhoods restore their vitality and increase confidence in the housing market.

Vacant Building Inspections

Concerns

MYTH: These requirements will drive responsible investors out of the market.

FACT: Responsible investors care about the condition of their properties and will appreciate knowing the city's requirements for code compliance.

MYTH: Homebuyers will look elsewhere.

FACT: Responsible homebuyers will appreciate knowing the property condition and can make an educated decision about purchasing it based on their resources and ability to make needed repairs.

MYTH: This hurts Cleveland residents who inherit family homes.

FACT: This ensures that long-disinvested properties will finally be brought up to code. Selling Grandma's distressed home will cost the seller \$70 to register. The buyer will be the one making the repairs.

Questions?



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