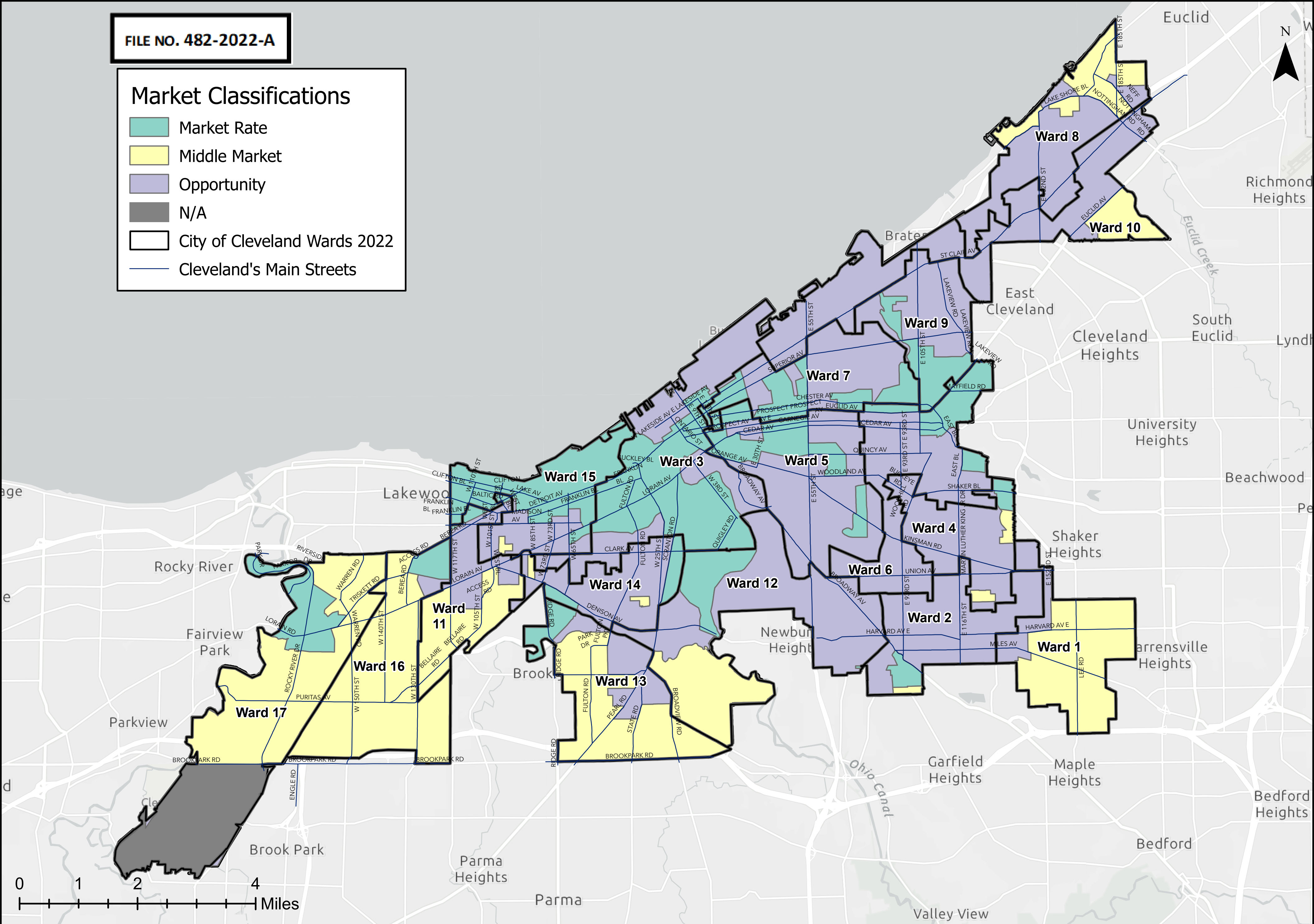


# Neighborhood Development Index

Esri, HERE, Garmin, SafeGraph, GeoTechnologies, Inc, METI/NASA, USGS, EPA, NPS, USDA
City of Cleveland
Department of Community Development
April 2022

2022 Tax Abatement
Block Group Neighorhood Reference

| Block Group Number | Neighborhood |
|---|---|
| 390351011011 | Market Rate |
| 390351011012 | Opportunity |
| 390351011021 | Market Rate |
| 390351011022 | Market Rate |
| 390351011023 | Market Rate |
| 390351012001 | Market Rate |
| 390351012002 | Market Rate |
| 390351013001 | Market Rate |
| 390351014001 | Opportunity |
| 390351014002 | Opportunity |
| 390351015011 | Opportunity |
| 390351016031 | Opportunity |
| 390351016032 | Opportunity |
| 390351016033 | Opportunity |
| 390351016034 | Middle Market |
| 390351017001 | Opportunity |
| 390351017002 | Opportunity |
| 390351017003 | Opportunity |
| 390351018001 | Market Rate |
| 390351018002 | Opportunity |
| 390351018003 | Opportunity |
| 390351019011 | Market Rate |
| 390351019012 | Opportunity |
| 390351021011 | Opportunity |
| 390351021012 | Opportunity |
| 390351021013 | Opportunity |
| 390351021021 | Middle Market |
| 390351021022 | Middle Market |
| 390351022001 | Middle Market |
| 390351022002 | Middle Market |
| 390351022003 | Middle Market |
| 390351023001 | Opportunity |
| 390351023002 | Middle Market |
| 390351023003 | Opportunity |
| 390351024011 | Middle Market |
| 390351024012 | Opportunity |
| 390351024021 | Opportunity |
| 390351024022 | Opportunity |
| 390351024023 | Opportunity |
| 390351024024 | Middle Market |
| 390351027001 | Opportunity |
| 390351027002 | Opportunity |
| 390351027003 | Opportunity |
| 390351027004 | Opportunity |
| 390351027005 | Opportunity |
| 390351027006 | Opportunity |
| 390351028001 | Opportunity |
| 390351028002 | Opportunity |
| 390351028003 | Opportunity |
| 390351029001 | Opportunity |
| 390351029002 | Opportunity |
| 390351031001 | Market Rate |
| 390351033001 | Market Rate |
| 390351034001 | Market Rate |
| 390351034002 | Market Rate |
| 390351034003 | Opportunity |
| 390351035001 | Market Rate |
| 390351035002 | Market Rate |
| 390351036021 | Market Rate |
| 390351036022 | Market Rate |
| 390351036023 | Market Rate |

| Block Group Number | Neighborhood |
|---|---|
| 390351036024 | Market Rate |
| 390351038001 | Opportunity |
| 390351038002 | Market Rate |
| 390351039001 | Opportunity |
| 390351039002 | Market Rate |
| 390351041001 | Market Rate |
| 390351041002 | Opportunity |
| 390351042001 | Market Rate |
| 390351042002 | Market Rate |
| 390351043001 | Market Rate |
| 390351043002 | Market Rate |
| 390351044001 | Market Rate |
| 390351044002 | Market Rate |
| 390351046001 | Opportunity |
| 390351046002 | Opportunity |
| 390351048001 | Market Rate |
| 390351048002 | Market Rate |
| 390351048003 | Market Rate |
| 390351049001 | Opportunity |
| 390351049002 | Opportunity |
| 390351049003 | Opportunity |
| 390351049004 | Opportunity |
| 390351051001 | Opportunity |
| 390351051002 | Opportunity |
| 390351051003 | Market Rate |
| 390351051004 | Opportunity |
| 390351053001 | Opportunity |
| 390351053002 | Opportunity |
| 390351053003 | Opportunity |
| 390351053004 | Opportunity |
| 390351054001 | Opportunity |
| 390351054002 | Opportunity |
| 390351054003 | Opportunity |
| 390351054004 | Opportunity |
| 390351054005 | Opportunity |
| 390351055001 | Opportunity |
| 390351055002 | Middle Market |
| 390351056021 | Opportunity |
| 390351056022 | Opportunity |
| 390351056023 | Opportunity |
| 390351057001 | Middle Market |
| 390351057002 | Middle Market |
| 390351057003 | Middle Market |
| 390351059001 | Middle Market |
| 390351059002 | Middle Market |
| 390351059003 | Middle Market |
| 390351061001 | Middle Market |
| 390351061002 | Middle Market |
| 390351061003 | Middle Market |
| 390351062001 | Middle Market |
| 390351062002 | Middle Market |
| 390351062003 | Middle Market |
| 390351063001 | Opportunity |
| 390351063002 | Middle Market |
| 390351064001 | Opportunity |
| 390351065001 | Middle Market |
| 390351065002 | Middle Market |
| 390351065003 | Middle Market |
| 390351066001 | Opportunity |
| 390351066002 | Opportunity |
| 390351066003 | Middle Market |

| Block Group Number | Neighborhood |
|---|---|
| 390351066004 | Middle Market |
| 390351068001 | Opportunity |
| 390351068002 | Opportunity |
| 390351069001 | Middle Market |
| 390351069002 | Middle Market |
| 390351069003 | Middle Market |
| 390351069004 | Middle Market |
| 390351070001 | Middle Market |
| 390351071011 | Opportunity |
| 390351077011 | Market Rate |
| 390351077012 | Opportunity |
| 390351078021 | Market Rate |
| 390351078022 | Market Rate |
| 390351082011 | Opportunity |
| 390351082012 | Opportunity |
| 390351083011 | Opportunity |
| 390351083012 | Market Rate |
| 390351083013 | Opportunity |
| 390351084001 | Opportunity |
| 390351084002 | Market Rate |
| 390351087011 | Market Rate |
| 390351087012 | Market Rate |
| 390351087013 | Opportunity |
| 390351093011 | Market Rate |
| 390351097011 | Opportunity |
| 390351097012 | Opportunity |
| 390351098011 | Opportunity |
| 390351105011 | Opportunity |
| 390351105012 | Opportunity |
| 390351108011 | Opportunity |
| 390351108012 | Opportunity |
| 390351109011 | Opportunity |
| 390351109012 | Opportunity |
| 390351109013 | Opportunity |
| 390351112021 | Opportunity |
| 390351112022 | Opportunity |
| 390351112023 | Opportunity |
| 390351114011 | Opportunity |
| 390351114012 | Opportunity |
| 390351115001 | Opportunity |
| 390351115002 | Opportunity |
| 390351116001 | Opportunity |
| 390351116002 | Opportunity |
| 390351117001 | Opportunity |
| 390351117002 | Opportunity |
| 390351118001 | Opportunity |
| 390351118002 | Opportunity |
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| 390351122001 | Opportunity |
| 390351122002 | Opportunity |
| 390351123011 | Opportunity |
| 390351123012 | Opportunity |
| 390351124001 | Opportunity |
| 390351124002 | Opportunity |
| 390351125001 | Opportunity |
| 390351125002 | Opportunity |
| 390351126001 | Opportunity |
| 390351126002 | Opportunity |
| 390351128001 | Market Rate |

| Block Group Number | Neighborhood |
|---|---|
| 390351131011 | Opportunity |
| 390351131012 | Opportunity |
| 390351135001 | Opportunity |
| 390351136001 | Opportunity |
| 390351138011 | Market Rate |
| 390351138012 | Opportunity |
| 390351138013 | Opportunity |
| 390351141001 | Opportunity |
| 390351143001 | Market Rate |
| 390351145011 | Opportunity |
| 390351145012 | Opportunity |
| 390351145013 | Opportunity |
| 390351146001 | Opportunity |
| 390351146002 | Opportunity |
| 390351147001 | Opportunity |
| 390351149001 | Opportunity |
| 390351149002 | Opportunity |
| 390351149003 | Opportunity |
| 390351149004 | Opportunity |
| 390351151001 | Opportunity |
| 390351152001 | Opportunity |
| 390351153001 | Opportunity |
| 390351154001 | Opportunity |
| 390351154002 | Opportunity |
| 390351157001 | Opportunity |
| 390351157002 | Opportunity |
| 390351158001 | Opportunity |
| 390351158002 | Opportunity |
| 390351158003 | Opportunity |
| 390351158004 | Opportunity |
| 390351158005 | Opportunity |
| 390351159001 | Market Rate |
| 390351159002 | Middle Market |
| 390351159003 | Opportunity |
| 390351159004 | Opportunity |
| 390351161001 | Opportunity |
| 390351161002 | Opportunity |
| 390351162001 | Opportunity |
| 390351162002 | Opportunity |
| 390351163001 | Opportunity |
| 390351163002 | Opportunity |
| 390351164001 | Opportunity |
| 390351164002 | Opportunity |
| 390351164003 | Opportunity |
| 390351164004 | Market Rate |
| 390351164005 | Opportunity |
| 390351165001 | Opportunity |
| 390351165002 | Opportunity |
| 390351165003 | Opportunity |
| 390351165004 | Opportunity |
| 390351166001 | Opportunity |
| 390351166002 | Opportunity |
| 390351166003 | Opportunity |
| 390351167001 | Opportunity |
| 390351167002 | Opportunity |
| 390351167003 | Opportunity |
| 390351168001 | Opportunity |
| 390351168002 | Opportunity |
| 390351168003 | Opportunity |
| 390351168004 | Opportunity |
| 390351169001 | Opportunity |

| Block Group Number | Neighborhood |
|---|---|
| 390351169002 | Opportunity |
| 390351169003 | Opportunity |
| 390351171011 | Middle Market |
| 390351171012 | Opportunity |
| 390351171013 | Opportunity |
| 390351171021 | Opportunity |
| 390351171022 | Opportunity |
| 390351172011 | Opportunity |
| 390351172012 | Middle Market |
| 390351172013 | Opportunity |
| 390351172021 | Opportunity |
| 390351172022 | Opportunity |
| 390351173001 | Opportunity |
| 390351173002 | Opportunity |
| 390351173003 | Opportunity |
| 390351174001 | Opportunity |
| 390351174002 | Opportunity |
| 390351175001 | Opportunity |
| 390351175002 | Opportunity |
| 390351175003 | Opportunity |
| 390351175004 | Opportunity |
| 390351176001 | Middle Market |
| 390351176002 | Opportunity |
| 390351176003 | Opportunity |
| 390351177001 | Middle Market |
| 390351177002 | Middle Market |
| 390351177003 | Opportunity |
| 390351177004 | Middle Market |
| 390351177005 | Middle Market |
| 390351178001 | Opportunity |
| 390351178002 | Opportunity |
| 390351178003 | Opportunity |
| 390351179001 | Opportunity |
| 390351179002 | Opportunity |
| 390351179003 | Opportunity |
| 390351179004 | Opportunity |
| 390351181011 | Market Rate |
| 390351181012 | Opportunity |
| 390351181013 | Opportunity |
| 390351182001 | Opportunity |
| 390351182002 | Opportunity |
| 390351182003 | Opportunity |
| 390351182004 | Opportunity |
| 390351183011 | Market Rate |
| 390351183012 | Opportunity |
| 390351183013 | Opportunity |
| 390351183014 | Market Rate |
| 390351184001 | Opportunity |
| 390351184002 | Opportunity |
| 390351184003 | Opportunity |
| 390351185001 | Opportunity |
| 390351185002 | Opportunity |
| 390351186021 | Opportunity |
| 390351186022 | Market Rate |
| 390351187001 | Market Rate |
| 390351187002 | Market Rate |
| 390351188001 | Market Rate |
| 390351188002 | Market Rate |
| 390351188003 | Market Rate |
| 390351189001 | Market Rate |
| 390351191001 | Market Rate |

| Block Group Number | Neighborhood |
|---|---|
| 390351192021 | Opportunity |
| 390351193001 | Opportunity |
| 390351193002 | Opportunity |
| 390351193003 | Opportunity |
| 390351193004 | Opportunity |
| 390351194011 | Market Rate |
| 390351194012 | Opportunity |
| 390351194013 | Opportunity |
| 390351194021 | Opportunity |
| 390351194022 | Opportunity |
| 390351194023 | Opportunity |
| 390351195011 | Market Rate |
| 390351195012 | Market Rate |
| 390351195013 | Opportunity |
| 390351195021 | Opportunity |
| 390351196001 | Opportunity |
| 390351196002 | Opportunity |
| 390351196003 | Opportunity |
| 390351196004 | Opportunity |
| 390351197011 | Middle Market |
| 390351197012 | Opportunity |
| 390351197021 | Opportunity |
| 390351197022 | Opportunity |
| 390351197023 | Opportunity |
| 390351198001 | Opportunity |
| 390351198002 | Opportunity |
| 390351198003 | Opportunity |
| 390351198004 | Opportunity |
| 390351198005 | Opportunity |
| 390351198006 | Opportunity |
| 390351199001 | Opportunity |
| 390351199002 | Opportunity |
| 390351202001 | Opportunity |
| 390351202002 | Opportunity |
| 390351202003 | Opportunity |
| 390351204001 | Opportunity |
| 390351204002 | Opportunity |
| 390351204003 | Opportunity |
| 390351204004 | Opportunity |
| 390351205001 | Opportunity |
| 390351205002 | Opportunity |
| 390351206001 | Opportunity |
| 390351206002 | Opportunity |
| 390351207011 | Opportunity |
| 390351207012 | Opportunity |
| 390351207013 | Opportunity |
| 390351207021 | Opportunity |
| 390351207022 | Middle Market |
| 390351207023 | Opportunity |
| 390351208011 | Opportunity |
| 390351208012 | Opportunity |
| 390351208021 | Opportunity |
| 390351208022 | Opportunity |
| 390351211001 | Opportunity |
| 390351211002 | Opportunity |
| 390351211003 | Opportunity |
| 390351212001 | Opportunity |
| 390351212002 | Opportunity |
| 390351212003 | Opportunity |
| 390351213001 | Opportunity |
| 390351213002 | Opportunity |

| Block Group Number | Neighborhood |
|---|---|
| 390351213003 | Opportunity |
| 390351214011 | Opportunity |
| 390351214012 | Opportunity |
| 390351214031 | Opportunity |
| 390351214032 | Opportunity |
| 390351214033 | Middle Market |
| 390351215001 | Opportunity |
| 390351215002 | Middle Market |
| 390351215003 | Middle Market |
| 390351215004 | Opportunity |
| 390351217001 | Middle Market |
| 390351217002 | Middle Market |
| 390351217003 | Middle Market |
| 390351217004 | Middle Market |
| 390351218001 | Middle Market |
| 390351218002 | Middle Market |
| 390351219001 | Middle Market |
| 390351221001 | Middle Market |
| 390351221002 | Middle Market |
| 390351221003 | Middle Market |
| 390351222001 | Middle Market |
| 390351222002 | Middle Market |
| 390351223001 | Middle Market |
| 390351223002 | Middle Market |
| 390351231001 | Middle Market |
| 390351231002 | Middle Market |
| 390351231003 | Middle Market |
| 390351232001 | Middle Market |
| 390351232002 | Middle Market |
| 390351232003 | Middle Market |
| 390351234001 | Middle Market |
| 390351234002 | Market Rate |
| 390351234003 | Market Rate |
| 390351234004 | Market Rate |
| 390351234005 | Market Rate |
| 390351235011 | Opportunity |
| 390351235012 | Market Rate |
| 390351235013 | Middle Market |
| 390351235014 | Middle Market |
| 390351235021 | Middle Market |
| 390351235022 | Middle Market |
| 390351235023 | Middle Market |
| 390351236011 | Middle Market |
| 390351236012 | Middle Market |
| 390351236013 | Middle Market |
| 390351236021 | Middle Market |
| 390351236022 | Middle Market |
| 390351236031 | Middle Market |
| 390351236032 | Market Rate |
| 390351236033 | Middle Market |
| 390351237001 | Middle Market |
| 390351237002 | Middle Market |
| 390351237003 | Middle Market |
| 390351238001 | Middle Market |
| 390351238002 | Middle Market |
| 390351239001 | Middle Market |
| 390351239002 | Middle Market |
| 390351239003 | Middle Market |
| 390351239004 | Middle Market |
| 390351241001 | Middle Market |
| 390351241002 | Middle Market |

| Block Group Number | Neighborhood |
|---|---|
| 390351241003 | Middle Market |
| 390351241004 | Middle Market |
| 390351241005 | Middle Market |
| 390351241006 | Middle Market |
| 390351242011 | Middle Market |
| 390351242012 | Middle Market |
| 390351242013 | Middle Market |
| 390351242021 | Middle Market |
| 390351242022 | Middle Market |
| 390351243001 | Middle Market |
| 390351243002 | Middle Market |
| 390351243003 | Middle Market |
| 390351243004 | Middle Market |
| 390351245001 | Middle Market |
| 390351245002 | Middle Market |
| 390351245003 | Middle Market |
| 390351245004 | Middle Market |
| 390351246001 | Middle Market |
| 390351246002 | Middle Market |
| 390351246003 | Middle Market |
| 390351246004 | Middle Market |
| 390351246005 | Middle Market |
| 390351261001 | Middle Market |
| 390351261002 | Middle Market |
| 390351275011 | Opportunity |
| 390351275012 | Opportunity |
| 390351275013 | Opportunity |
| 390351275014 | Opportunity |
| 390351371011 | Middle Market |
| 390351371012 | Market Rate |
| 390351371024 | Middle Market |
| 390351371031 | Middle Market |
| 390351371032 | Middle Market |
| 390351371033 | Market Rate |
| 390351381051 | Opportunity |
| 390351381092 | Market Rate |
| 390351401001 | Middle Market |
| 390351410002 | Market Rate |
| 390351411003 | Market Rate |
| 390351413001 | Market Rate |
| 390351413002 | Market Rate |
| 390351501002 | Opportunity |
| 390351503001 | Opportunity |
| 390351503003 | Opportunity |
| 390351511001 | Opportunity |
| 390351511002 | Opportunity |
| 390351512001 | Opportunity |
| 390351517003 | Opportunity |
| 390351518001 | Opportunity |
| 390351518002 | Opportunity |
| 390351521013 | Market Rate |
| 390351524001 | Middle Market |
| 390351525011 | Middle Market |
| 390351525013 | Middle Market |
| 390351525022 | Middle Market |
| 390351527011 | Opportunity |
| 390351527021 | Middle Market |
| 390351531031 | Market Rate |
| 390351531071 | Market Rate |
| 390351531072 | Market Rate |
| 390351541001 | Middle Market |

2022 Tax Abatement
Block Group Neighorhood Reference

| Block Group Number | Neighborhood |
|---|---|
| 390351541002 | Middle Market |
| 390351541003 | Middle Market |
| 390351542001 | Opportunity |
| 390351543001 | Middle Market |
| 390351544002 | Middle Market |
| 390351547001 | Middle Market |
| 390351547002 | Middle Market |
| 390351606011 | Market Rate |
| 390351606012 | Market Rate |
| 390351606023 | Market Rate |
| 390351609003 | Market Rate |
| 390351611002 | Market Rate |
| 390351614004 | Market Rate |
| 390351615004 | Market Rate |
| 390351617001 | Market Rate |
| 390351618001 | Market Rate |
| 390351711031 | Middle Market |
| 390351711033 | Middle Market |
| 390351771013 | Market Rate |
| 390351771041 | Middle Market |
| 390351831001 | Market Rate |
| 390351831002 | Market Rate |
| 390351831003 | Market Rate |
| 390351834012 | Market Rate |
| 390351834021 | Market Rate |
| 390351836031 | Middle Market |
| 390351836032 | Opportunity |
| 390351836042 | Market Rate |
| 390351836052 | Market Rate |
| 390351836062 | Market Rate |
| 390351851011 | Middle Market |
| 390351851012 | Middle Market |
| 390351881031 | Middle Market |
| 390351881033 | Middle Market |
| 390351881034 | Middle Market |
| 390351881041 | Middle Market |
| 390351923001 | Market Rate |
| 390351928001 | Market Rate |
| 390351961001 | Market Rate |
| 390351961002 | Opportunity |
| 390351964001 | Middle Market |
| 390351964002 | Middle Market |
| 390351964003 | Middle Market |
| 390351965001 | Opportunity |
| 390351965002 | Opportunity |
| 390359801001 | Opportunity |
| 390359805001 | N/A |
| 390359811001 | Opportunity |

| Block Group Number | Neighborhood |
|---|---|

**Affordable Units Set Aside Requirements**

| | Strong Market | Middle Market | Opportunity Market |
|---|---|---|---|
| Set Aside % | 25% | 15% | 5% |
| Reduction | 1 Unit Reduction for Every Unit at 30% AMI for 15 years | | |
| Voluntary Payment In-Lieu | $20,000 per unit | | |

An Affordable Unit is a unit that is affordable to a household at 80% Area Median Income (AMI) for the Cleveland-Elyria Metropolitan Statistical Area (MSA).

MSA Median Household Income $56,008

Based on the 2020 American Community Survey (ACS) the rents that would be considered affordable are as follows. The formula to calculate the 100% AMI. 80%, and 30% AMI Rents are:

The formula to calculate the 100% AMI Rents are:

- 2 Bedroom Rent = (median income x 0.26) /12
- 1 Bedroom Rent = 2 Bedroom Rent x 0.83
- 3 Bedroom Rent = = 2 Bedroom Rent x 1.15

80% AMI is 0.8 of results above.

30% AMI is 0.3 of results above.

| MSA | 0-1 Bedrooms | 2 Bedrooms | 3+ Bedrooms |
|---|---|---|---|
| 30% AMI | $302 | $364 | $419 |
| 80% AMI | $806 | $971 | $1,116 |

The composition of bedroom types for affordable units shall match the composition bedroom types for the units with rents above 80% AMI affordability.

# Cleveland Tax Abatement Study

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# Executive Summary

In summer 2019, the city of Cleveland's Office of Community Development and the Equitable Community Development Working Group engaged with Reinvestment Fund, PFM, Greater Ohio Policy Center, Neighborhood Connections and Leverage Point Development, to study the City's residential tax abatement program. The study was commissioned to better understand the historic usage of the program, the value it generated for the City, and to identify potential adjustments to the program that would help the City advance an Equitable Community Development Strategy as part of Mayor Jackson's Neighborhood Transformation Initiative.

The City's residential tax abatement program is one tool, among many, available to incentivize development. Since 2004, Cleveland's program has been guided by one basic premise: any new construction or renovation that meets the City's green building standards will receive an abatement of the property tax on the value of the improvements to an existing structure or for construction of a new structure for up to 15 years.

Over a six-month period from August 2019 to January 2020, the study team conducted quantitative analyses of the contemporary housing market in Cleveland and the historical performance of the tax abatement program. In addition, the study team conducted a diverse set of interviews, focus groups, round table discussions and community meetings that included over 300 institutional stakeholders and residents to better understand the perceived importance of the tax abatement program and to identify key features of the program that could be adjusted going forward.

*At the time of this writing, Cleveland remains in an unprecedented crisis period only recently emerging from a State-wide stay at home order in response to the COVID-19 pandemic. All non-essential business had been closed, and since March Cuyahoga County has received an unprecedented number of unemployment filings. Given the uncertainty about what lies ahead for Cleveland's real estate market in the near, middle and long-term, the study team suggests any policy action taken to amend the current tax abatement program be done in concert with the City's forthcoming Ten-Year Housing and Investment Study. The findings and recommendations presented in this report represent the study team's suggestions for adjustments to the tax abatement program prior to the onset of the COVID-19 pandemic.*

## Summary of Key Findings

At the end of 2018, Cleveland's housing market remained fragile, with minimal home price appreciation, limited mortgage activity, substantial investor activity, and with many households struggling to make ends-meet. Despite these challenges, there are a limited number of areas in the city where home prices have been increasing in recent years, raising concerns among some residents related to potential threats of displacement. The study group's key findings include:

**The Cleveland Housing Market Remains Fragile, but with a Few Areas of Emerging Strength.** The housing market in Cleveland is characterized by low home prices, and clear patterns of housing, economic and demographic disparities across the city. As measured with the Displacement Risk Ratio, only 9 of the city's 462 block groups (2%) exhibit home price appreciation that would typically be associated with a high risk of resident displacement. Despite low home prices and minimal housing price appreciation, in 2018 39% of all Cleveland households spent over 30% of their monthly income on housing expenses, primarily due to low incomes.

**Abatements Have Become Increasingly Concentrated in Fewer Places and Increasingly Used for Large Multi-Family Developments.** Despite issuing fewer than half as many abatements in 2018 as the City issued in 2007, the total assessed value of buildings on abated parcels in 2018 was nearly equal to the value of abated buildings in 2007. Since 2008, projects receiving abatements have increasingly been large multi-family developments (in 2018, nearly 85% of all new abated units were in multi-family housing) and more geographically concentrated in a smaller number of neighborhoods, especially those adjacent to Downtown, such as Ohio City, Tremont, and Detroit-Shoreway and University Circle. Over the last four years, 22% of new abatements were issued in the 2% of block groups that have elevated home sales prices and elevated displacement risk.

**There is No Consistent Relationship between Tax Abatements and Residential Displacement.** The study team did not find consistent relationships between tax abatements and many of the destabilizing factors associated with residential displacement, such as increases in overall sales transactions, home sales prices, foreclosure activity, or increased property tax burdens.

**Tax Abatements Were Associated with Substantial Economic Activity in Cleveland.** In 2018, 59% of the abatements examined for the study will have returned to the tax rolls, providing an additional $2.2 million, $7.7 million, and $2.3 million per year to the City, Cleveland Metropolitan School District, and Cuyahoga County, respectively. To the extent that buildings on abated parcels would not have been built or renovated but-for the availability of the abatement, the tax revenue from previously abated parcels represents new revenue. Additionally, abatements that were used to re-activate Land Bank or vacant properties also represent additional benefits through cost savings to the City associated with reduced maintenance costs for these properties.

**Institutional Stakeholders, Housing Observers, and Cleveland Residents Value the Abatement and Offered Qualified Support for Changes to the Program.** All groups engaged through the study expressed support for the abatement program and see it as a critical feature supporting local housing markets. However, the different stakeholder groups expressed varying levels of support for different programmatic changes to align the program with the City's broader equitable development goals.

**Institutional Stakeholders, Housing Observers, and Cleveland Residents Expressed Interest in Protecting Long-Term Residents from Displacement Risks but Acknowledged Other Tools Are Required.** All groups engaged through the study expressed concern for long-term residents' stability, particularly in the limited areas of the city experiencing home price appreciation. However, there was also consensus that tax abatements cannot address these concerns, and that the City and the State of Ohio will need to advance policy options to protect residents from different threats of displacement, such as increasing property taxes, increasing rents, foreclosure, eviction, or unsafe housing conditions.

## Recommendations

The City's existing tax abatement program is one tool to incentivize new development, and there is good reason to believe that it has played an important role in real estate development in the City in the 21st Century. This study has detailed some of the returns associated with the City's investment that are beginning to come back onto the tax rolls, and also documented that many anecdotal concerns expressed about the relationship between abatement activity and residential displacement are not reflective of the broader housing market in Cleveland. Building on the learnings gleaned over the course of the study, the following set of modest adjustments to the program are offered as recommendations to help the program more efficiently meet the City's Equitable Development Goals.

The specific recommendations presented below represent the study team's suggestions for adjustments to the tax abatement program prior to the onset of the COVID-19 pandemic. Given the uncertainty about what lies ahead for Cleveland's real estate market in the near, middle and long-term, the study team suggests any policy action taken to amend the current tax abatement program be done in concert with the impending Ten Year Housing and Investment Study.

**Recommendation #1: Cleveland should continue to offer a tax abatement for residential properties tied to green construction standards.** Among study participants—private sector, nonprofit, and public sector stakeholders and residents—there was near-universal agreement that the abatement is still a productive tool for encouraging new development that both retains existing residents and helps attract new residents to the city.

**Recommendation #2: Cap the maximum abated value for single family abatements at $300,000.** Setting the cap at $300,000 per housing unit would continue to provide tax relief for most households—99% of single family homes sold in Cleveland between 2017 and 2018 were for less than $300,000, although 23% of abated parcels in 2017 and 2018 sold for more $300,000. Setting a cap at this level will primarily impact households for whom the abatement may not be the deciding factor in their purchasing decisions.

**Recommendation #3: Implement a "but-for" requirement for market rate multi-family projects with abatement values above $5 million.** A "but-for" test requires a determination that the activity that qualifies for an abatement would not occur without ('but-for') the tax abatement incentive. Targeting the requirement to largest projects—among the 110 multi-family developments that received an abatement between 2015 and 2019, only 12 (11%) had an abatement with a market value above $5 million—will help ensure that the requirement will not unnecessarily stifle development in the city.

**Recommendation #4: Establish a framework for community benefits agreements (CBAs) for developers of multi-family market rate projects in block groups experiencing high displacement pressure.** CBAs are signed contracts between the City (or community development corporation) and real estate developers that require the developer to provide specific amenities and/or mitigations to the local community or neighborhood where they are engaged in development activity. The CBAs would be required for developers of multi-family market rate units where the projected median rents would exceed affordability thresholds for households earning up to 120% of the Area Median Income in the 9 block groups identified as 'high pressure.' Specific terms of the CBAs should be established to ensure they are aligned with the City's broader housing strategy.

**Recommendation #5: Develop a specific housing market displacement pressure threshold where the City would trigger adjustments to the tax abatement time period and percentage by block group.** The housing market in Cleveland remains very challenged, and any system to adjust the tax abatement geographically should be carefully calibrated to the level of strength in the housing market. Any new geographically targeted system should include clear and objective standards for defining eligibility, a transparent system for updating definitions, and adequate safeguards to ensure project development pipelines are not negatively impacted by future updates.

**Recommendation #6: Implement process improvements to enhance transparency and streamline the application timelines.** The City should review the abatement application process with an eye towards simplifying and streamlining the application itself and creating a point in the application approval process to notify the other area taxing authorities of pending or approved abatements.

## Introduction

Like many cities across the country, Cleveland is still recovering from the housing market collapse of 2008. Cleveland was one of the hardest hit markets in the country during the recession, and the overall residential housing market is only beginning to show signs of recovery.

However, while most of the city continues to experience ongoing housing price declines, a handful of neighborhoods have experienced new residential development and substantial housing price increases in recent years. As a result, the City of Cleveland and many of its community development industry partners started a Working Group in late 2018 to explore potential policies and tools that could insure a more equitable development approach to encouraging growth in weak markets and protecting affordability in strong markets. While some of those policies require changes to State law to advance, others are locally determined and legislated.

The City's residential tax abatement program is one tool, among many, available to incentivize development. Since 2004, Cleveland's program has been guided by one basic premise: any new construction or renovation that meets the City's green building standards will receive an abatement of the property tax on the value of the improvements to an existing structure or for construction of a new structure for 15 years.

With that policy operating across all Cleveland neighborhoods, the City is in the process of leading or supporting a range of large scale, multi-faceted approaches to stabilizing and revitalizing Cleveland's neighborhoods and the city more broadly – including the Mayor's Neighborhood Transformation Initiative (NTI), Cleveland Metropolitan Housing Authority's Choice Neighborhood project, a Middle Neighborhoods fellowship, the Cleveland Metropolitan School District's Say Yes to Education Initiative and Facilities Master Plan implementation, the Lead Safe Cleveland Coalition, a number of neighborhood specific planning efforts, and a forthcoming ten year housing and investment planning process, amongst others.

As Mayor Jackson has stated, Cleveland's success is inextricably linked to the success of its neighborhoods and the opportunities available to its residents. Careful and diligent community investment along with smart, strategic policies are laudable guiding principles that can help build thriving markets. This initial study of Cleveland's housing market was motivated by observations that while there is public and non-profit investment throughout the city, most of the private investment is limited to a handful of neighborhoods.

Building on the Mayor's Neighborhood Transformation Initiative, the study was designed to provide insights that will continue moving Cleveland's communities toward broader opportunity through a housing strategy that promotes equitable development and housing options for all residents.

Tax abatements are only one tool that will advance this broader strategy. This study is a first step in the creation of an Equitable Community Development Strategy, which is being developed through a partnership between the City of Cleveland and community and economic development practitioners and stakeholders that collectively represent the Equitable Community Development Working Group.[1]

[1] Equitable Community Development Working Group Participants: Cleveland Neighborhood Progress; Enterprise Community Partners; Historic Warehouse District Development Corporation; Historic Gateway Neighborhood Corporation; Ohio City, Inc.; Tremont West Development Corporation; Detroit Shoreway Community Development Organization; Burten; Bell Carr Development, Inc.; Famicos Foundation; Midtown Cleveland, Inc.; CHN Housing Partners; Downtown Cleveland Alliance; Cleveland Development Advisors; Urban Land Institute; Cleveland City Council; City of Cleveland; Cuyahoga County; Metroparks of Cuyahoga County; and Cleveland Metropolitan School District.

In partnership with the City, this growing Working Group is dedicated to developing an Equitable Community Development Strategy that is both community-driven and grounded in research.

Within this context, and on the heels of the State-mandated sexennial property reappraisal process, the City commissioned the present study of the residential tax abatement program to achieve the following goals:

1. Understand the broader economic impact of the tax abatement program;
2. Document the historical distribution of tax abated properties across the city from 2004 to 2018;
3. Describe the relationship between the amount and location of tax abated properties and key features of the contemporary housing market conditions in Cleveland;
4. Assess the fiscal impact the tax abatement program has had, and will continue to have, on local tax revenues;
5. Conduct thorough engagement to identify critical features and/or concerns of the current tax abatement program for key stakeholder groups, including residents and developers, throughout the city; and
6. Recommend programmatic and policy adjustments to the tax abatement program that will promote equitable growth.

To achieve these goals the study team - Reinvestment Fund, PFM Group Consulting, Greater Ohio Policy Center, Neighborhood Connections, and Leverage Point Development – conducted quantitative analyses of the contemporary housing market in Cleveland and the historical performance of the tax abatement program; collected a diverse set of qualitative accounts from key stakeholders related to the perceived importance and impact of the tax abatement program; and identified key features of the program that could be adjusted going forward.

This report is divided into the following sections:

1. Analysis of Existing Housing Market Conditions
2. Characteristics of Abated Properties
3. Relationship Between Abatements and Existing Conditions
4. Fiscal Impacts of Tax Abatements
5. Institutional Stakeholder Feedback, Comments, and Ideas
6. Resident Engagement Summary
7. Recommendations
8. Appendices

## Quantitative Data Collection

The following records were obtained from NEOCANDO, the City of Cleveland, and Cuyahoga County:

- Property tax assessment records for each parcel in Cleveland between 1990 and 2019 (Cuyahoga County)
- Property tax abatement records for each property receiving a tax abatement between 1990 and 2019 (Cuyahoga County)
- Sheriff sale and foreclosure filing records for each property in Cleveland between 2006 and 2019 (NEOCANDO)
- Property transactions in Cleveland between 2004 and 2019 (NEOCANDO)
- Parcel records from tax year 2016 for all parcels in Cleveland (NEOCANDO)

### Interviews & Focus Groups

The Greater Ohio Policy Center (GOPC) interviewed 71 individuals representing organizations whose business models could be impacted by changes to the residential tax abatement program. These included: large commercial real estate developers, mid-sized and small single-family housing developers, single family home builders and renovators, commercial bankers, mortgage bankers, and realtors. GOPC also interviewed expert real estate observers, community development and housing experts, and individuals representing taxing entities in the county (ex. school district). Interviews occurred in one-on-one, small group, and roundtable settings from August 2019 through early January 2020.

Neighborhood Connections and Leverage Point Development conducted 12 community listening sessions and 55 resident interviews, totaling contacts with approximately 250 community members.

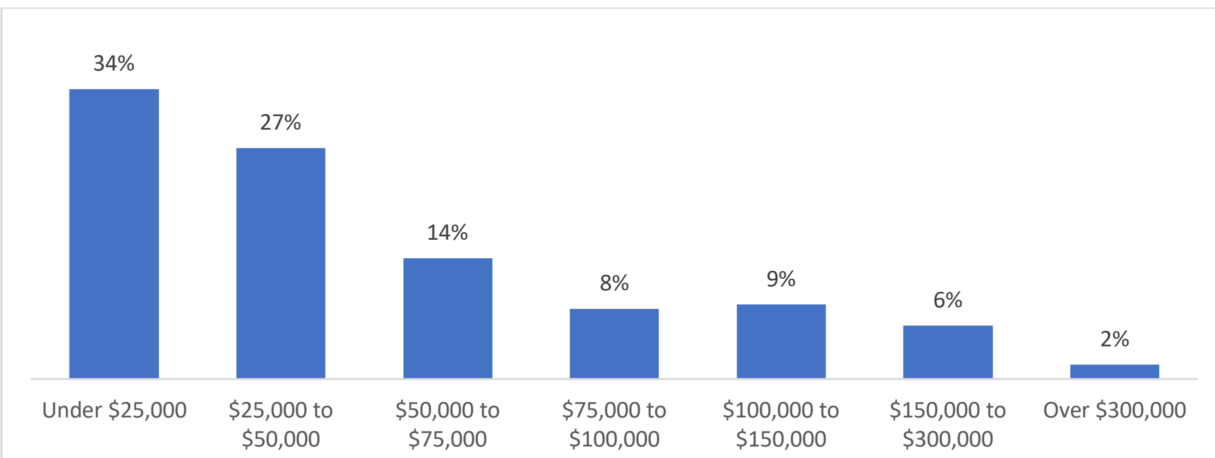
# I. Analysis of Existing Housing Market Conditions

The contemporary housing market in Cleveland is characterized by relatively low home prices, minimal housing market pressure, and clear patterns of housing, economic and demographic disparities across the city. However, despite low home prices and minimal housing price appreciation, many homeowners and renters struggle with housing costs. This section presents an overview of the following housing and demographic conditions across the city: Home Sales; Residential Displacement Risk; Housing Cost Burden; Racial/Ethnic Concentrated Areas of Poverty.

## Home Sales

Home prices in Cleveland are generally affordable by the usual affordability standards of price to income. In 2017 and 2018, there were 14,975 arm's length residential property transactions in the city of Cleveland; the median sales price for these transactions was $38,500. Most homes (61%) sold for less than $50,000 while nearly a third (34%) sold for less than $25,000. Sales prices were highest Downtown, in Ohio City, North of Tremont, surrounding University Circle, and in the southwest of the city. On much of the east side, median prices were generally below $25,000. Figure 1 presents the distribution of home sales prices in Cleveland for 2017 and 2018.

Figure 1. Distribution of Home Prices, City of Cleveland, 2017 to 2018 *(n = 14,975 transactions)*




Many of the actors in Cleveland's housing market are not traditional home buyers using a conventional mortgage to purchase a home. In recent years, most home sales in the city have been cash transactions in all census tracts, with the exception of the highest cost areas. Between 2015 and 2017 (the last year for which data are available) there were 19,548 home sales in Cleveland, but only 5,618 home purchase mortgages originated, representing only 29% of the home sales in Cleveland.[2]

In addition, many of the residential transactions in the city involve an institutional buyer, such as an LLC, a bank, or individual investor. Between 2015 and 2017, an estimated 41% of home sales in Cleveland were to institutional buyers. Investor purchased homes were particularly concentrated on the east side.[3]

[2] This analysis was conducted by looking at the differences between single family home sales transactions provided by NEOCANO and mortgage originations for single family homes reported under the Home Mortgage Disclosure Act (HMDA).

[3] See Appendix I, pp i-v., for maps of home sales prices, mortgage financing, and investor purchases.

## Resident Displacement Risk

Rapid housing price appreciation can lead to displacement pressure for long-term owners and renters when property taxes and/or rents increase in a community. To understand the presence of residential displacement in the city's housing market, the project team estimated a Displacement Risk Ratio (DRR) for every block group in the city. The DRR is a measure of residential displacement pressure that compares the ratio between median sales prices over time and median household incomes at a fixed point in time to identify places where the economic profile of households that can afford to live in an area has changed. Values are calculated in each block group and adjusted for citywide trends. The formula below shows how DRR values would be calculated for one block group in 2017-18 using 2000 as the base year.

$$DRR_{2017-18} = \frac{Block\ Group\ Median\ Price_{2017-18}}{Block\ Group\ Median\ Household\ Income_{2000}} - \frac{Citywide\ Median\ Price_{2017-18}}{Citywide\ Median\ Household\ Income_{2000}}$$

For each time period the DRR is calculated, the median household income is held constant to 2000 dollars, adjusted annually for inflation using the Consumer Price Index, while block group median prices vary from one time period to the next. In areas where DRR values are rising quickly year after year, longtime residents or new residents with incomes like those of legacy residents may experience displacement pressure associated with elevated housing prices. Although the DRR does not explicitly measure rents, rent levels typically follow changes in home prices; rents, unlike home prices, tend not to decline even when home prices do.

The results of the DRR analysis for the Cleveland housing market between 2013 and 2018 reveal very little housing market pressure. Using this benchmark, all Cleveland block groups were classified into the following three categories that represent changes in DRR values between 2013 and 2018 (See Appendix I, pp. ix - xv for maps of DRR results):

- **High Pressure.** Areas with an increase in DRR values of 1.5 points or more. Only 9 of the city's 462 block groups (2%) were considered high pressure. The 9 high pressure block groups, which are home to 4,206 (2%) of the city's households, are located in Detroit Shoreway, Ohio City, Downtown, Tremont, and East of University Circle. [4]
- **Steady Pressure.** Areas with an increase in DRR values between 0.25 and 1.5 points. Approximately one in six of the city's block groups (13%) were identified as steady; indicating that their housing markets have experienced little change in terms of displacement pressure since 2013. These areas were predominantly found on the west side of Cleveland, with pockets of 'steady' block groups also found on the northeastern portions of the city.
- **Declining Pressure.** Areas with an increase in DRR values less than 0.25 points. Most of the city was considered declining, indicating that home values have fallen in relation to incomes. Of the city's 462 block groups, 359 (78%) were identified as 'declining' in 2018. Falling home values in declining pressure areas indicate a risk of disinvestment and abandonment. Declining areas are found predominantly on the east side of the city, with pockets of 'declining' block groups also found in southwestern portions of the city. [5]

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[4] In the study team's experience, in any two-year period for which the DRR is calculated, a score above 3.0 generally represents a 'high pressure' market. In these block groups, the ratio between median sales prices and median household incomes is 3 points higher than the citywide ratio. In block groups where this ratio increases by 1.5 in a short time period, i.e. in this case over two time points, there is good reason to believe these areas are experiencing rapid price appreciation compared to the city overall.

[5] Thirty-two block groups (7%) were unclassified due to missing data or insufficient sales data.

## Housing Cost Burden

Economic insecurity appears to be a larger contributor to housing precarity than market pressure. According to the most recent census data, median household income across the city of Cleveland was $29,008 in 2014 – 2018. Researchers consider households that spend more than 30% of their income on housing to be "cost burdened", and this threshold is particularly important for low income residents who are left with very limited resources to meet their needs under these circumstances. In 2014 – 2018, 39% of all households (owners and renters) in Cleveland were considered cost burdened, roughly 10 percentage points higher than national levels.[6] Elevated levels of housing cost burdens, particularly on the east side of the city, are primarily related to low incomes, rather than elevated housing prices (See Appendix I, pp. vii, for cost burden maps for renters and owners).

## Resident Demographics & Incomes - Racially and Ethnically Concentrated Areas of Poverty

Across the city, 35% of residents earned below the federal poverty line in 2014 – 2018, an increase of 9 percentage points since 2000. One way to understand the intersection of poverty, race, and geography is through the identification of Racially and Ethnically Concentrated Areas of Poverty (R/ECAP).

The US Department of Housing and Urban Development (HUD) identifies R/ECAP areas as census tracts where at least half of the resident population identifies as non-white and the poverty rate is greater than 40%, or three times greater than the average poverty rate in the metropolitan area. Between 2010 and 2017, the share of the city that meets the federal definition of a R/ECAP expanded from about a quarter of the city to nearly half the city, concentrated largely on the city's east side (See Appendix I, pp. viii, for maps of R/ECAP areas).

Table 1 presents racial composition, poverty rates and cost burdened residents of R/ECAP and Non-R/ECAP areas as well as median census tract home sale prices. The 'share of declining pressure markets' represent the percentage of block groups within each group where displacement pressure has declined from 2013 to 2018.

Table 1: Housing Market Characteristics in R/ECAP and Non-R/ECAP Areas

| | Census Tracts | Non-White Population | Poverty Rate | Median Sales Price (2017 – 2018) | Share of Declining Pressure Markets | Share of Cost Burdened Residents |
|---|---|---|---|---|---|---|
| R/ECAP Areas | 72 | 78% | 45% | $26,550 | 83% | 42% |
| Non-R/ECAP Area | 105 | 60% | 29% | $45,000 | 84% | 38% |
| Citywide | 177 | 66% | 35% | $38,500 | 83% | 39% |

*Source: ACS, 2014-2018; Reinvestment Fund Analysis of NEOCANDO Property Transaction Data.*

By definition, R/ECAP areas have larger non-white populations and lower incomes. For example, 78% of residents living in R/ECAP areas were non-white, compared to only 60% in non-R/ECAP areas. In addition, 45% of residents in R/ECAP areas lived below the poverty line, compared with 29% in non-R/ECAP areas. Typical census tracts in R/ECAP areas have median home sales prices of $26,550 in 2017-2018, while in non-R/ECAP areas the median was $45,000.

[6] American Community Survey, 2014-18 five-year estimates.

Despite these differences, levels of market pressure and housing cost burden in R/ECAP and non-R/ECAP areas were similar. Across R/ECAP areas, 83% of block groups were classified as having Declining Pressure, based on the change in DRR values between 2013 and 2018. In Non-R/ECAP areas, 84% of block groups were classified as Declining Pressure. R/ECAP and Non-R/ECAP areas also had similar rates of housing cost burden, with 42% of households in R/ECAP areas spending over 30% of their income on housing and 38% of households in non-R/ECAP areas spending over 30% of their income on housing.

## Equity and Neighborhood Types in Cleveland Housing Market

To better understand the equity implications of the City's residential tax abatement program, the project team created a neighborhood typology using three equity elements presented above: home values (using current home sales prices), displacement pressure (using the change in DRR values between 2013 and 2018), and racial/ethnic concentrations of poverty (using HUD's R/ECAP definitions).

The neighborhood typology classifies block groups in the city into 18 categories based on home prices, market pressure, and R/ECAP status.

- Home price categories represent the value of the median home that would be affordable to residents earning roughly half the median household income (under $35,000), residents earning between half and all of the median income ($35,000 to $75,000), and residents earning above the median income (Over $75,000).
- DRR values were grouped into the three categories described above, representing areas with high displacement pressure, stable displacement pressure, and declining displacement pressure.

Table 2 presents the number of block groups classified in each category.

Table 2. Neighborhood Displacement Pressure, by Housing Price, by R/ECAP Status

| | **Non-R/ECAP Block Groups** | | | | **R/ECAP Block Groups** | | | |
|---|---|---|---|---|---|---|---|---|
| | Declining Pressure | Stable Pressure | High Pressure | **All Pressure Levels** | Declining Pressure | Stable Pressure | High Pressure | **All Pressure Levels** |
| Low Price: Under $35k | 119 (43%) | 5 (2%) | 0 (0%) | **124 (45%)** | 113 (73%) | 8 (5%) | 0 (0%) | **121 (79%)** |
| Moderate Price: $35k to $75 | 72 (26%) | 20 (7%) | 0 (0%) | **92 (33%)** | 13 (8%) | 10 (6%) | 0 (0%) | **23 (15%)** |
| High Price: Over $75k | 40 (14%) | 14 (5%) | 6 (2%) | **60 (22%)** | 2 (1%) | 5 (3%) | 3 (2%) | **10 (6%)** |
| **All Prices Levels** | **231 (84%)** | **39 (14%)** | **6 (2%)** | **276 (100%)** | **128 (83%)** | **23 (15%)** | **3 (2%)** | **154 (100%)** |

**Note:** 32 block groups were unclassified due to missing home sales price values (see Appendix I for a description of these unclassified block groups).

In both Non-R/ECAP and R/ECAP areas, over 80% of all block groups have experienced declining pressure between 2013 and 2018. Only 9 block groups, six in non-R/ECAP areas and three in R/ECAP areas, were classified as having High Pressure. All 9 of these block groups were also High Priced, with median home values over $75,000.

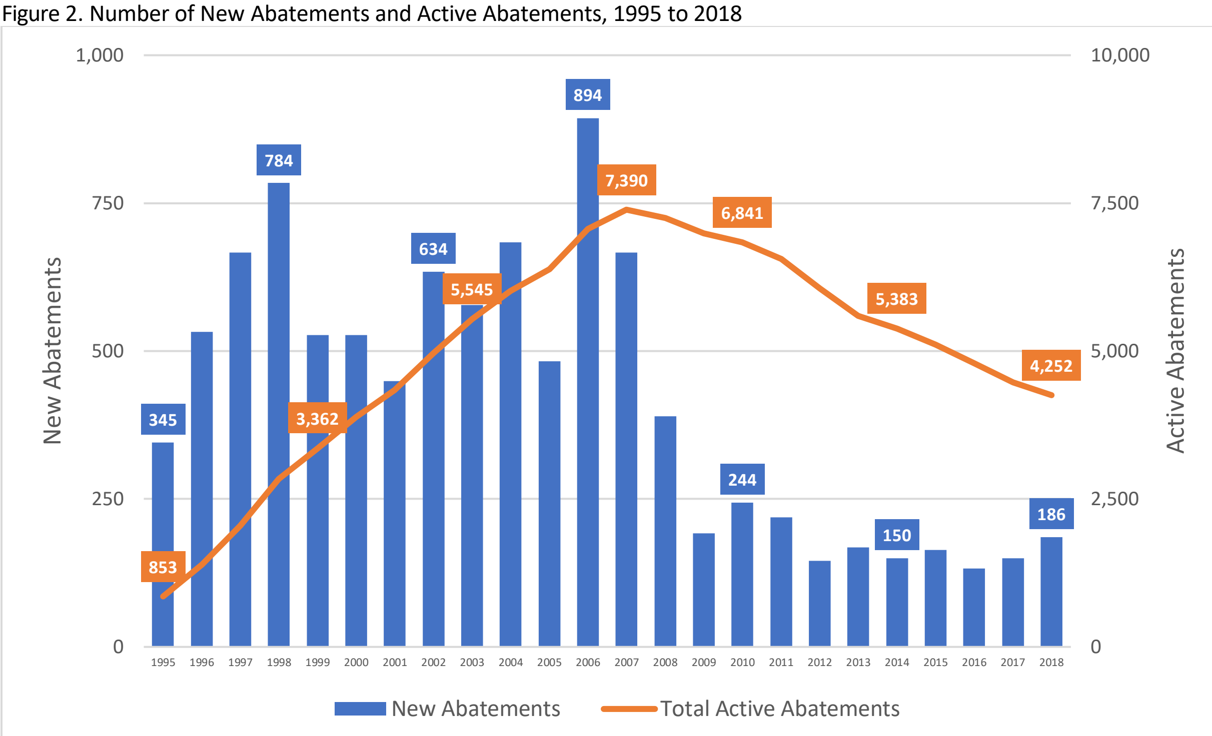
The distribution of neighborhood classifications is fairly similar between R/ECAP and non-R/ECAP areas. Most block groups are classified as Low Price/Declining Pressure, with only 3 block groups (2%) identified as High Pressure, all in the High Price category. A larger share of R/ECAP block groups were classified as declining pressure, low price compared to non-R/ECAP areas (73% vs 43%).

These neighborhood classifications provide a data-informed equity lens for understanding the historic distribution of tax abatement activity, and for considering geographically targeted adjustments to the tax abatement program that help advance the City's equitable development goals (See Appendix I, pp. xiii – xv, for maps of these neighborhood classifications).

# II. Characteristics of Tax Abated Properties

Citywide, tax abated parcels represent a relatively small share of all parcels and the number of abatements issued each year has trended downward over the past 12 years. The number of abatements issued each year in Cleveland peaked in 1998 at 784, and then again in 2006 at 894. From 2006 to 2016, the number of residential abatements issued each year has declined substantially, with slight increases in issued abatements in 2017 and 2018. Accordingly, because more abated properties are losing their abatements than the number of newly abated properties, the number of abated parcels has fallen each year since 2007, when there was a total of 7,390 residential parcels with an active abatement. Figure 2 presents the number of newly issued abatements and the number of active abatements for each year from 1995 to 2018.

Figure 2. Number of New Abatements and Active Abatements, 1995 to 2018

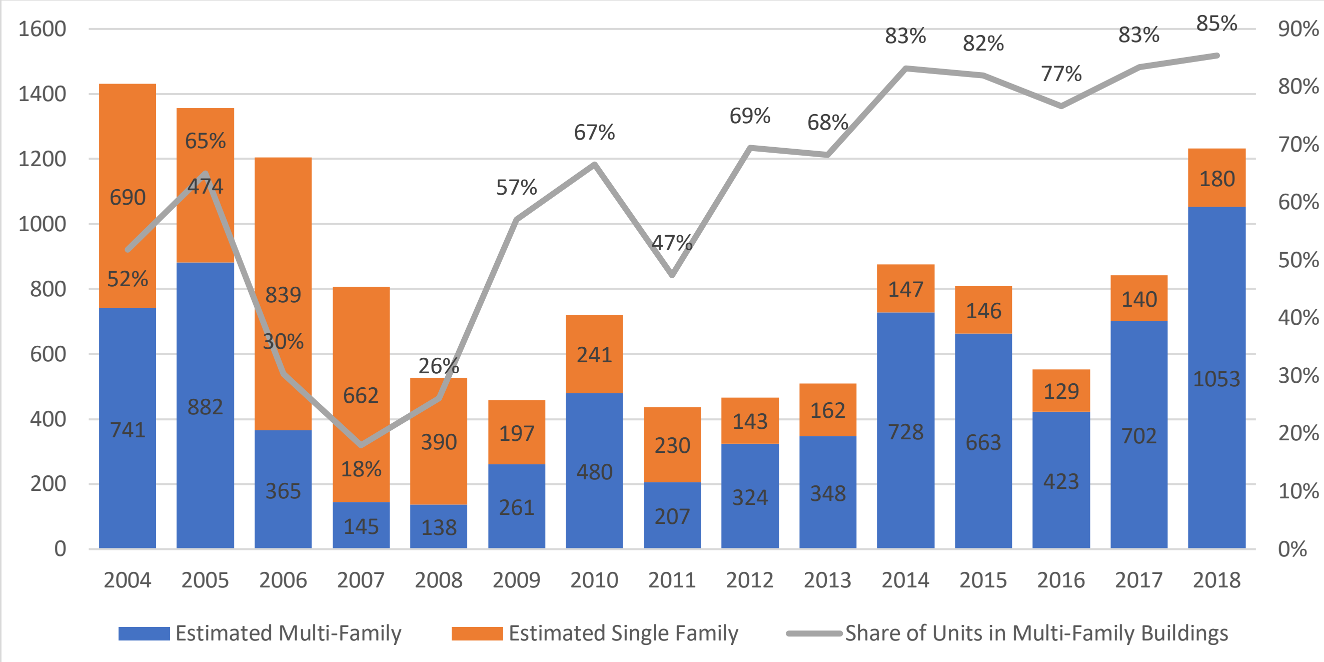



*Source: Cuyahoga County Fiscal Office Historic Tax Data*

The number of newly abated housing units issued each year has also declined since 2006, but not as much as the number of parcels being abated each year. Calculating how many housing units (as opposed to parcels) have been abated each year is difficult because the City does not consistently track the number of housing units on multi-family parcels (i.e. structures with five or more residential units). The figure below estimates the number of housing units on parcels that received their first abatement between 2004 and 2018. The number of units in multi-family developments were estimated using records provided by the City that showed the number of housing units in a subset of the abated multi-family projects created each year between 2004 and 2018.

Over time, a substantially greater proportion of units have been issued to multi-family developments. In 2004, 52% of abated housing units were in multi-family buildings. In 2018, 85% of abated units were in multi-family buildings.

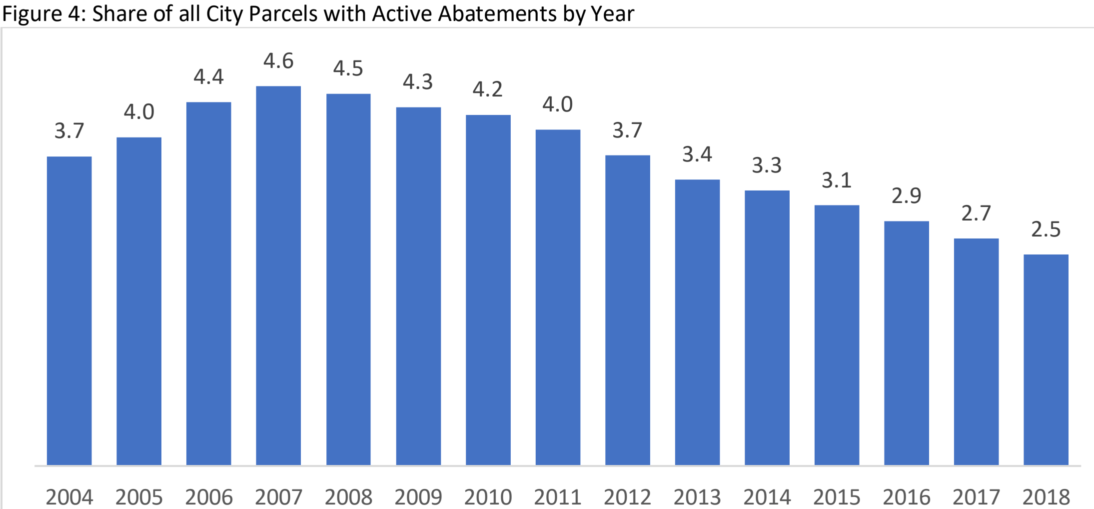
Figure 3: Number of Abated Housing Units in Single and Multi-Family Buildings, 2004 to 2018




*Source: Correspondence with City of Cleveland (3/20/20), Cuyahoga County Fiscal Office Historic Tax Data*

In any single year, residential abatements represent only a small fraction of the parcels in the City. Figure 4 presents the share of residential parcels in Cleveland with active abatements.

Figure 4: Share of all City Parcels with Active Abatements by Year



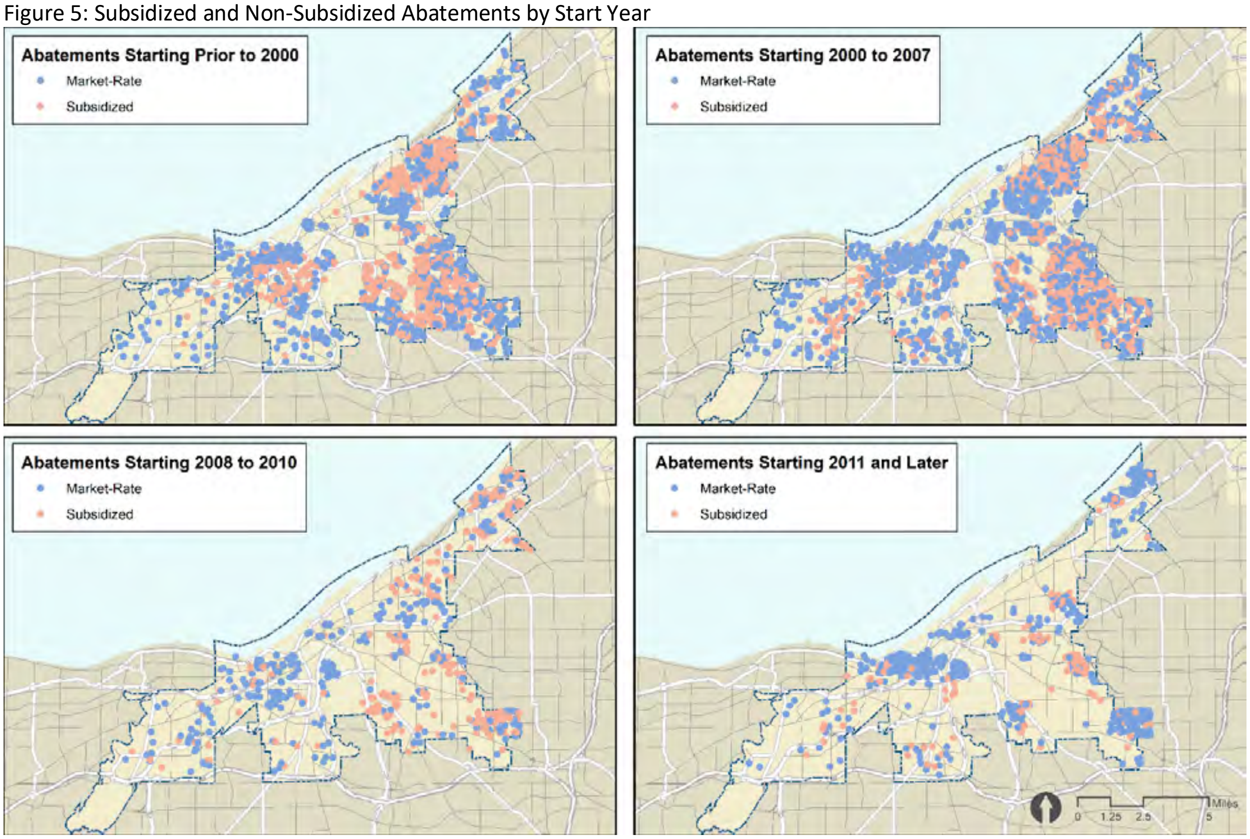

*Source: Cuyahoga County Fiscal Office Historic Tax Data*

In 2007, the year with the highest number of actively abated parcels, parcels with abatements represented only 4.6% of all the parcels in the City.[7] In 2018, 2.5% of City parcels were abated.

[7] The percentage of abated parcels of all residential parcels is slightly higher, 5.36%, than the percent of abated parcels of all parcels in 2007. The majority of parcels in Cleveland are defined as residential land uses.

There is also a notable spatial pattern of abatement activity over time, and these patterns have become more concentrated in recent years. Figure 5 presents the location of newly issued abatements before 2000; from 2000 to 2007; 2008 to 2011; and 2011 or later. Abatements for market rate developments are blue dots and abatements for subsidized developments are pink dots.

Figure 5: Subsidized and Non-Subsidized Abatements by Start Year



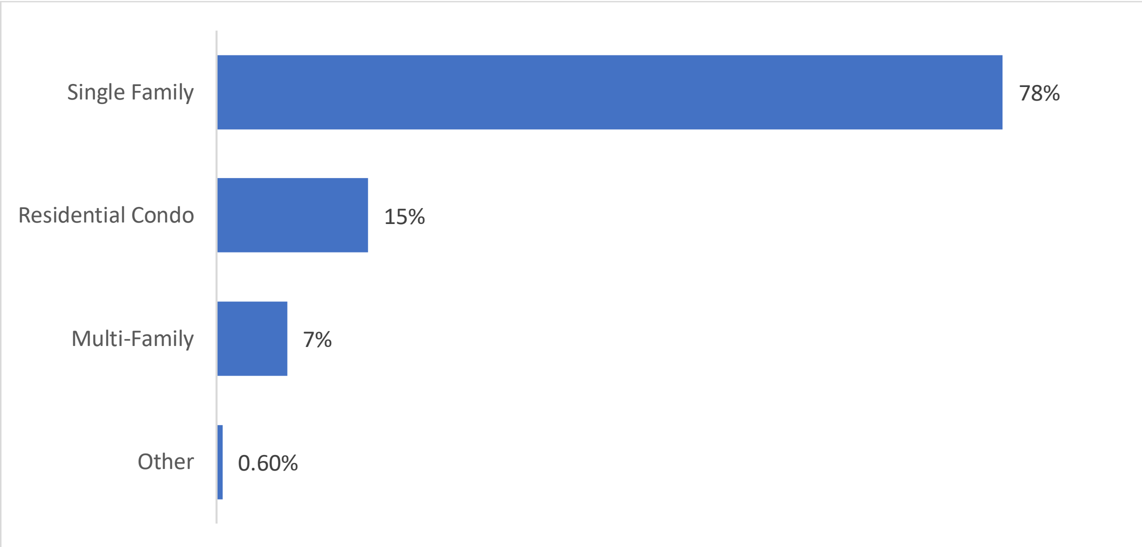

*Source: Cuyahoga County Fiscal Office Historic Tax Data*

Prior to 2007, new abatements were dispersed across nearly all areas of the city with significant groupings in the southeast, northeast, and southwest neighborhoods. However, since 2008 the volume of new abatements has declined substantially (both market rate and subsidized) and has become increasingly concentrated in a smaller number of neighborhoods, especially those adjacent to Downtown such as Ohio City, Tremont, and Detroit-Shoreway. There is a clustering of abatement activity in and around the University Circle neighborhood and in the Lee-Harvard neighborhood.

## Abatements for Different Property Types

Residential abatements tend to be used for single family residences. Figure 6 presents the share of abatements that were active over the study period and that were used for single family homes, condos, multi-family developments or other purposes. In Figure 6, 'Multi-Family' land uses include duplexes, triplexes, and all other land use types with more than three units.

Figure 6: Land Use of Parcels with Active Abatements, 2004 to 2018

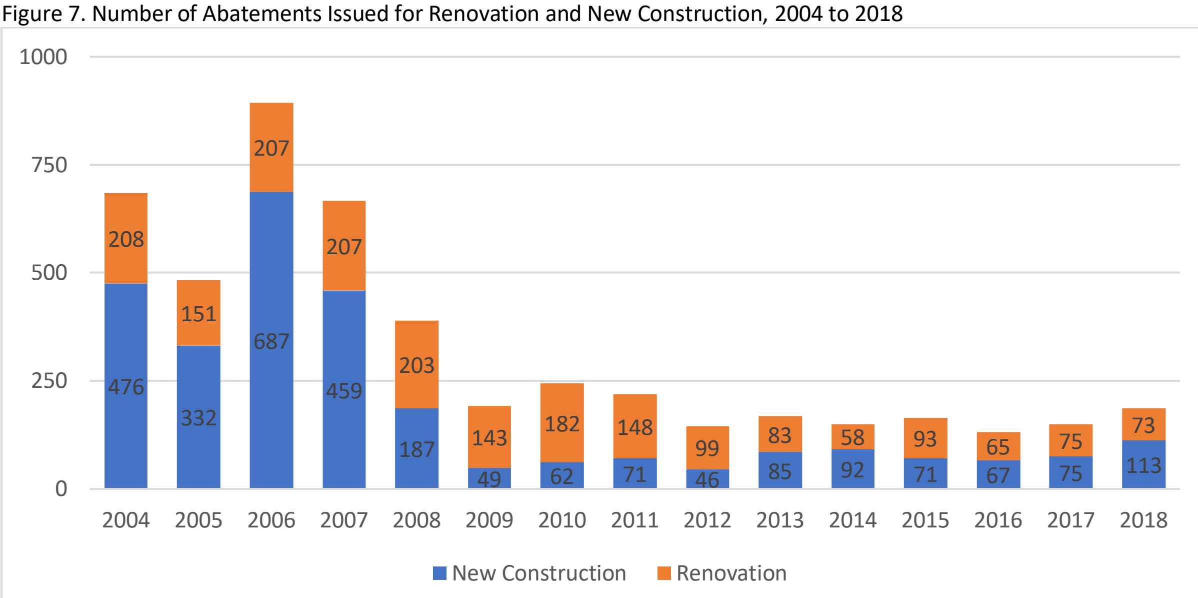



*Source: Cuyahoga County Fiscal Office Historic Tax Data*

The vast majority, 92.2%, of residential abatements are for single family homes (78%) or residential condos (15%). Just over 7% of abatements were for parcels with multi-family (duplexes or higher density) land uses.

Historically, residential abatements tended to be for new construction, although in recent years abatements for renovations have become increasingly more common. Figure 7 presents the share of abatements made for new construction and renovation purposes from 2004 to 2018.

Figure 7. Number of Abatements Issued for Renovation and New Construction, 2004 to 2018




*Source: Cuyahoga County Fiscal Office Historic Tax Data*

Most abatements issued between 2004 and 2018 were for new construction (59%). However, since 2008 the share of abatements issued for renovations made up a more substantial share of all abatements.

## Assessed Building Value Abated

Although the number of abatements issued each year has fallen, the value of the buildings on abated parcels has increased, especially at the highest end of the market. A small number of very high-value abatements issued in recent years have helped keep the total value of abated parcels relatively stable, even as the total number of abatements being issued has declined. In 2018, for example, 48 parcels accounted for 30% of the total market value of abatements. Most of these high value parcels are multi-family developments located downtown.

The total assessed value of buildings on abated parcels reached its peak in 2007 when $949 million of assessed value was abated.[8] The total assessed value abated in 2007 represented 7.7% of the total assessed value of buildings in the city in that same year. In 2018, the total assessed value of buildings on abated parcels was the highest it has been since 2007, with $927 million abated, despite issuing fewer than half as many abatements.

The overall trend in the assessed value of buildings on abated parcels generally follows the trend in citywide assessed values. However, there are periods when the total abatement value increased at faster rates than the overall market. Table 3 presents the average annual rate of growth in both the total taxable assessed value of buildings and the rate of growth in the value of abated buildings.

Table 3: Average Annual Growth Rate of Aggregate Taxable and Abated Value of Buildings

| Time Period | Taxable Total | Abated Value |
|---|---|---|
| **2005 to 2007** | +4.0% | +23.7% |
| **2007 to 2014** | -1.9% | -3.5% |
| **2014 to 2018** | +1.0% | +5.8% |

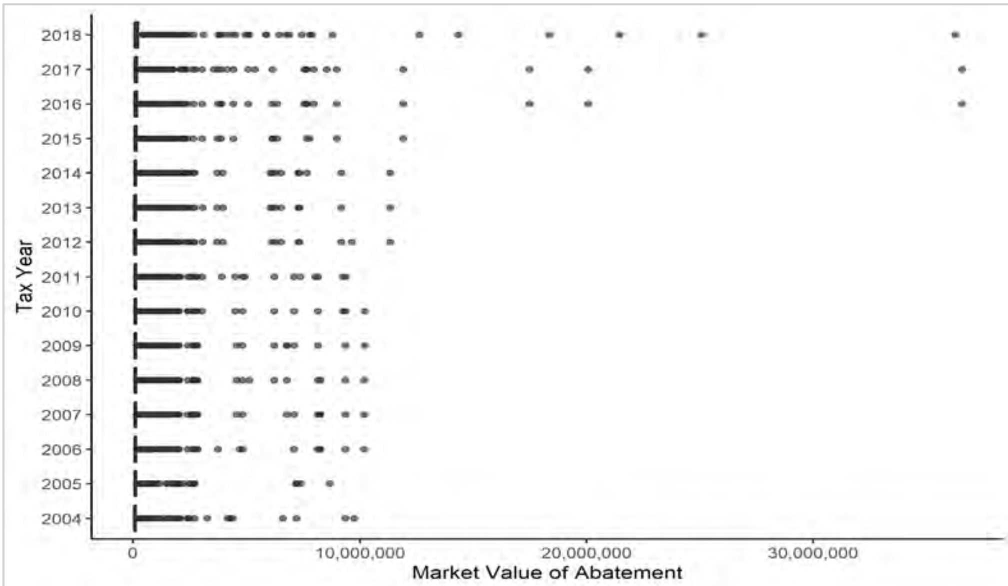
*Source: Cuyahoga County Fiscal Office Historic Tax Data*

Between 2005 and 2007, the aggregate assessed values citywide increased at a rate of 4% per year, substantially lower than the 23.7% annual growth rate of abatement values. Both the aggregate citywide assessed values and abated values declined over the next 7 years until 2014, when the assessed value of abatements began to increase again.

Figure 8 presents the distribution of the abated value of individual parcels from 2004 to 2018.

[8] As discussed earlier, assessed value is the estimated market value of a parcel by the Cuyahoga County Fiscal Office. All abatement values represent just the building value, not land values.

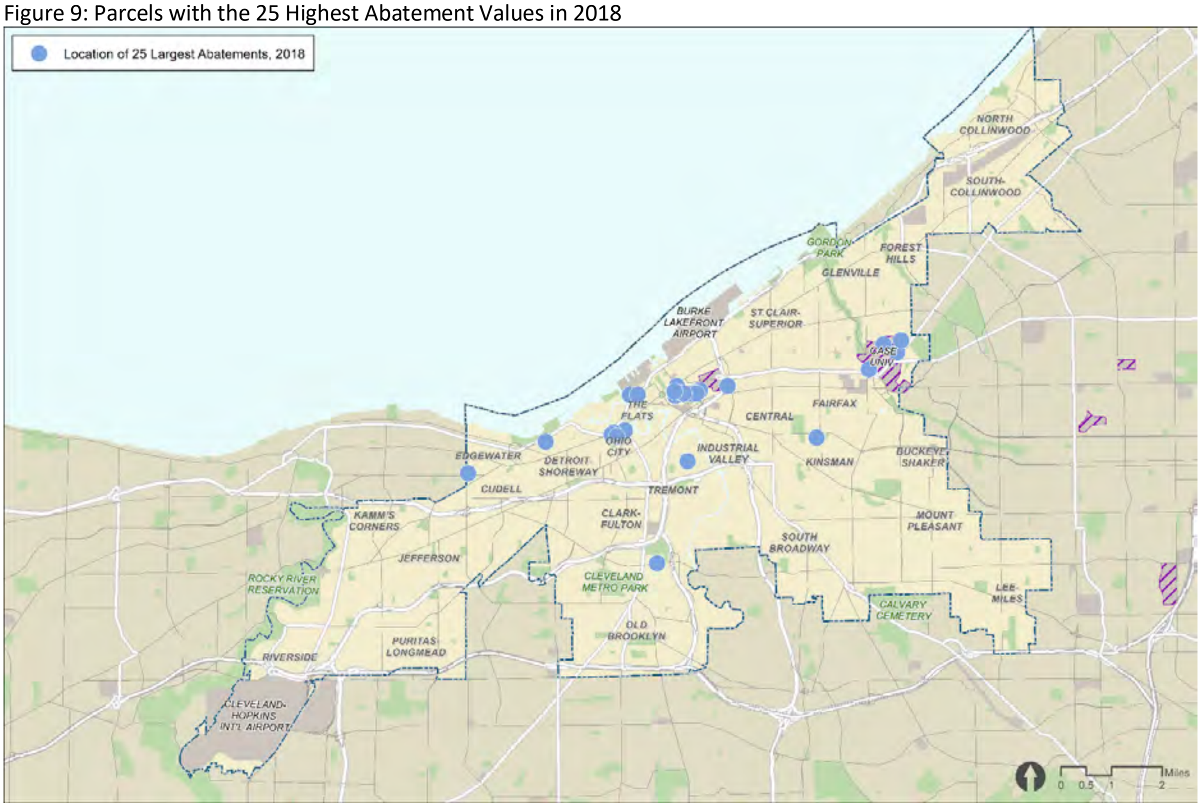
Figure 8: Distribution of Parcels' Abated Market Value by Year




*Source: Cuyahoga County Fiscal Office Historic Tax Data*

In 2018, the median abatement value was $104,000, and 6 parcels had an assessed abatement value higher than $10.0 million. In 2018, these 6 parcels accounted for 14% of the total abated value; and the 25 largest abatement values represented 25% of the total abatement value. Figure 9 presents the location of these 25 largest abated parcels in 2018. The 10 highest abatement values were located in three neighborhoods: Downtown (60%), University Circle (20%), and Ohio City (20%).

Figure 9: Parcels with the 25 Highest Abatement Values in 2018




*Source: Cuyahoga County Fiscal Office Historic Tax Data*

## Abatement Usage and Neighborhood Types

To further understand how abatement usage varies across the city, the project team analyzed abatement usage across the neighborhood types identified above. Abated parcels were disproportionately concentrated in higher priced areas, and relatively evenly distributed across block groups with different levels of housing pressure.

Table 4 below shows the share of residential abatements active between 2004 and 2018 that were issued for parcels in each of the 9 market types identified by the research team alongside the distribution of occupied housing units in each of the 9 market categories. Table 5 presents the same information for R/ECAP areas only.

Table 4: Distribution of Active Abatements and Occupied Housing Units by Neighborhood Type, 2004 - 2018

| | **Distribution of Abatements** | | | | **Distribution of Occupied Housing Units** | | | |
|---|---|---|---|---|---|---|---|---|
| | **Declining Pressure** | **Stable Pressure** | **High Pressure** | **All Pressure** | **Declining Pressure** | **Stable Pressure** | **High Pressure** | **All Pressure** |
| **Low Price: Under $35k** | 48% | 1% | 0% | **49%** | 43% | 2% | 0% | **45%** |
| **Moderate Price: $35k to $75** | 15% | 4% | 0% | **20%** | 23% | 8% | 0% | **31%** |
| **High Price: Over $75k** | 16% | 8% | 7% | **31%** | 15% | 6% | 3% | **24%** |
| **All Prices Levels** | **79%** | **14%** | **7%** | **100%** | **81%** | **16%** | **3%** | **100%** |

**NOTE:** Tables exclude the 363 abatements issued in the 32 block groups that were unclassified

Abatements were distributed across areas with all types of market pressure, roughly following the distribution of housing units into market types. Nearly half of abatements were issued in low price declining pressure areas (48%) and just over half of the occupied housing units in Cleveland were located in a low-price, declining pressure areas (43%). Nearly 80% of abatements were issued in declining pressure markets (regardless of prices) and 81% of housing units were classified as declining pressure (regardless of prices). Only 3% of occupied housing units are located in high pressure areas, while 7% of abatements were issued in high pressure areas.

The distribution of abatements is disproportionately higher than the distribution of overall housing units in high priced block groups (31% v. 24%), regardless of displacement pressure. On the other hand, the distribution of abatements was substantially lower in moderately priced areas compared to the overall distribution of housing units (20% v. 31%), regardless of displacement pressure.

Although only 30% of occupied housing units in Cleveland are in R/ECAP areas, roughly 41% of abatements that were active over the study period were issued for parcels in R/ECAP areas. Abatements in R/ECAP areas were not more concentrated in high or declining pressure areas. Table 5 shows the distribution of active abatements and occupied housing units by neighborhood types for R/ECAP areas.

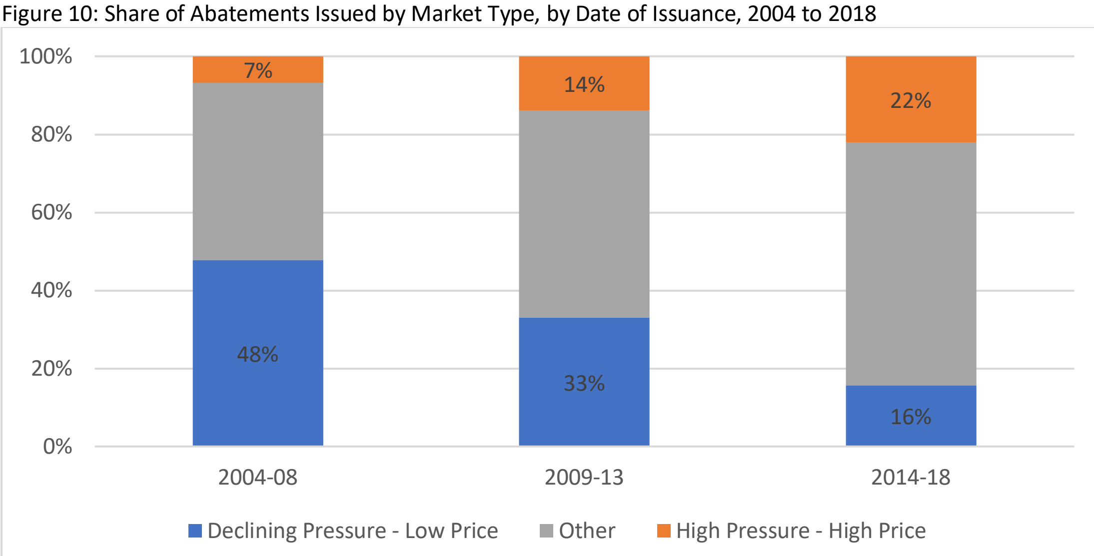
Table 5: Distribution of Active Abatements and Occupied Housing Units in R/ECAP Census Tracts by Neighborhood Type, 2004 – 2018

| | Distribution of R/ECAP Abatements | | | | Distribution of R/ECAP Housing Units | | | |
|---|---|---|---|---|---|---|---|---|
| | Declining Pressure | Stable Pressure | High Pressure | All Pressure | Declining Pressure | Stable Pressure | High Pressure | All Pressure |
| **Low Price: Under $35k** | 64% | 2% | 0% | 66% | 65% | 3% | 0% | 68% |
| **Moderate Price: $35k to 75k** | 10% | 5% | 0% | 14% | 11% | 8% | 0% | 16% |
| **High Price: Over $75k** | 8% | 7% | 5% | 20% | 3% | 6% | 3% | 12% |
| **All Price Levels** | **81%** | **14%** | **5%** | **100%** | **79%** | **18%** | **3%** | **100%** |

The distribution of abatements in R/ECAP areas was similar to the city-wide pattern –the distribution of abatements was overrepresented in higher priced areas and underrepresented in moderately priced areas, regardless of displacement pressure.

Although abatements have been relatively evenly distributed across neighborhood types, in recent years, they have become more concentrated in high pressure, high price neighborhoods. Figure 10 presents the share of abatements issued to parcels located in high pressure, high price areas; declining-pressure, low price areas; and all other neighborhood types between 2004 and 2008, 2009 and 2013, and 2014 and 2018.

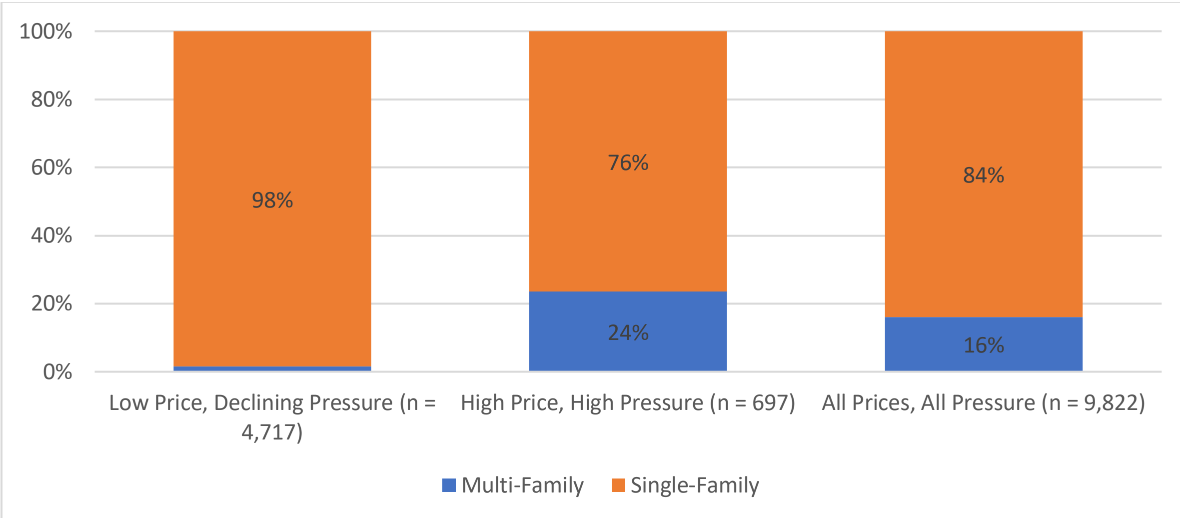
Figure 10: Share of Abatements Issued by Market Type, by Date of Issuance, 2004 to 2018




Among abatements issued between 2004 and 2008, only 7% were issued to parcels located in high pressure, high price areas. In 2014-2018, 22% were issued in high pressure, high price areas.

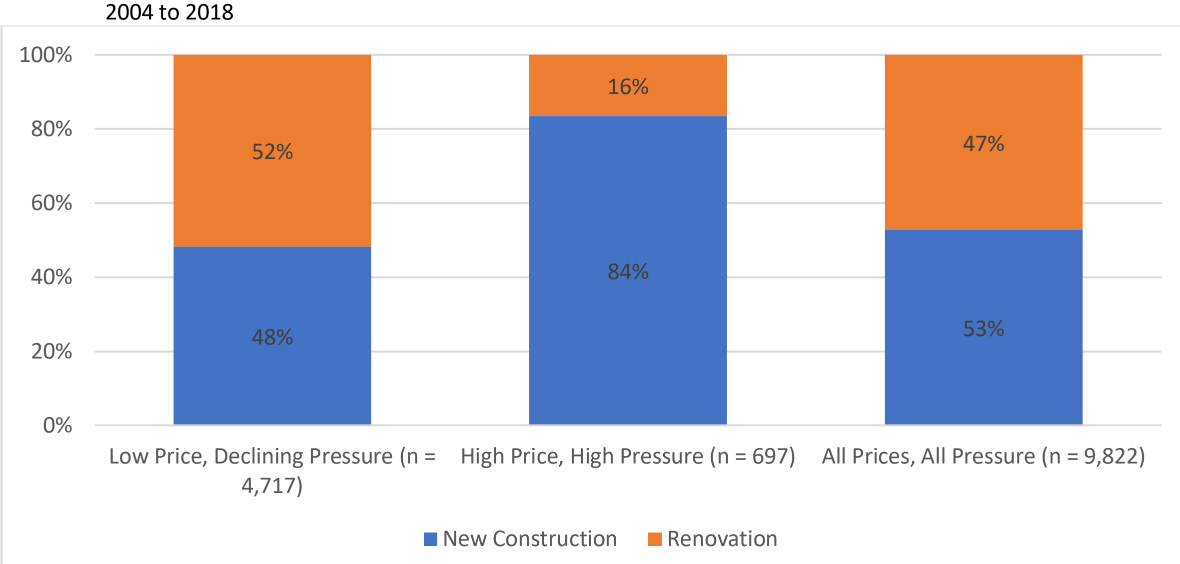
The types of abatements (new construction vs renovation, single vs multi-family properties) issued varied across different market types. Figures 11 and 12 present the share of active abatements for single and multi-family land uses, and the share of active abatements for new construction or renovation across different market types.

Figure 11: Share of Abated Parcels with Single Family or Multi-Family Land Use by Market Type, Active Abatements, 2004 to 2018




Abatements issued for multi-family developments were more common in more expensive areas. In high price, high pressure areas 24% of abatements were issued to parcels with multi-family land use, while in low price, declining pressure areas just 2% of abatements issued to parcels with multi-family land use.

Figure 12: Share of Abatements Used for New Construction and Renovation Projects by Market Type, Active Abatements, 2004 to 2018



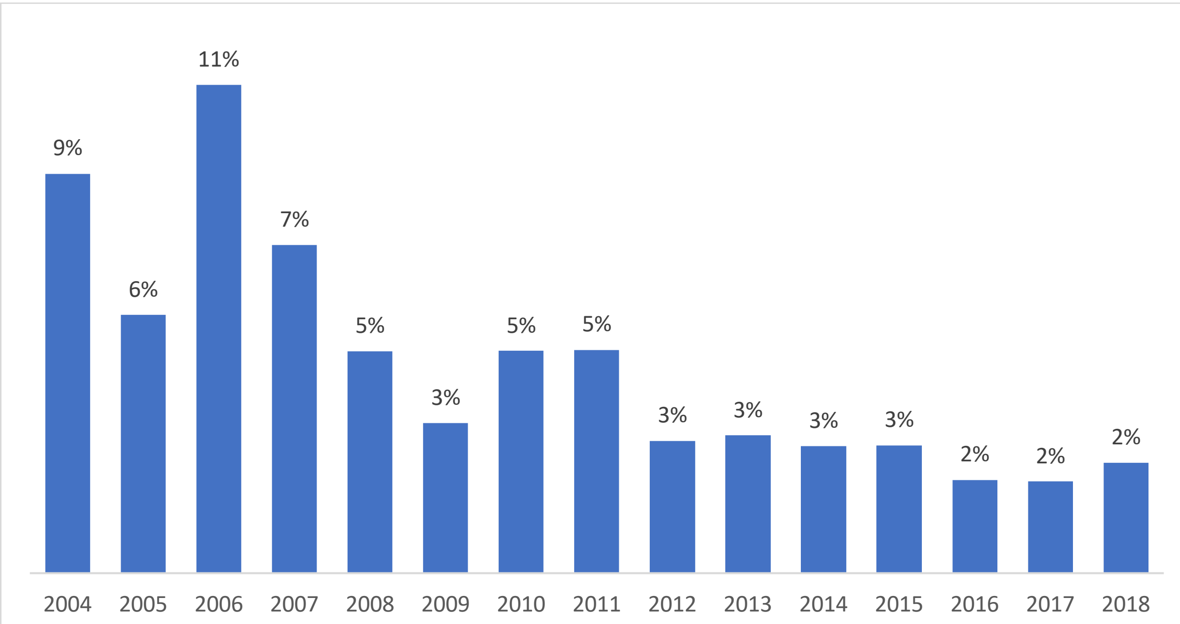

Higher levels of market pressure and higher median sales prices were both associated with fewer renovation projects. In high price, high pressure areas, for example, just 16% of abatements were for renovation projects. By contrast in low price, declining pressure areas, 52% of abatements were for renovation projects.

## III. Relationships Between Abatements and Market Activity

### Property Transactions

It is difficult to identify a strong connection between single family home sales activity and the use of tax abatements. Areas with the greatest concentration of tax abated parcels did not see greater home sales activity than areas with few or no abatements. Moreover, abated parcels have both historically and more recently represented only a small share of residential property transactions in Cleveland. Figure 13 presents the share of abatements issued divided by the number of residential property transactions from 2004 to 2018.

Figure 13: Residential Tax Abatements as a Share of Residential Property Transactions, 2004 to 2018



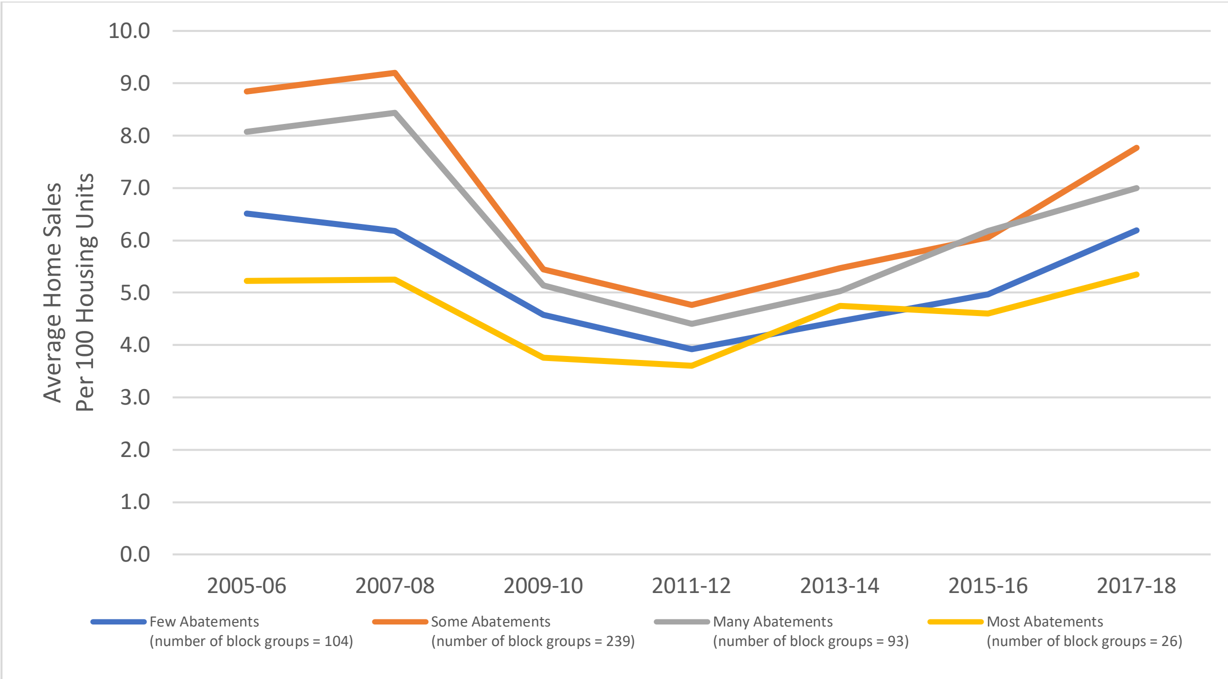

Tax abatements represent fewer than 5% of all residential sales in most years.

To better understand how abatement activity impacted sales, census block groups were divided into 4 'volume' categories:

- areas with few abatements (1 or 0 between 2004 and 2018);
- areas with some abatements (2 to 10 between 2004 and 2018);
- areas with many abatements (11 to 40 between 2004 and 2018); and
- areas with the most abatements (over 41 between 2004 and 2018).

Figure 14 presents the average number of home sales per 100 housing units in each category over the study period.

Figure 14: Average Number of Residential Property Transactions per 100 Housing Units by Level of Abatement Activity, 2005 to 2018




Trends across all 4 types of areas were similar and the number of abatements issued in a block group did not appear to influence the level of residential market activity. Similar trends were apparent for home sale prices, suggesting that new abatements are not driving home price appreciation.

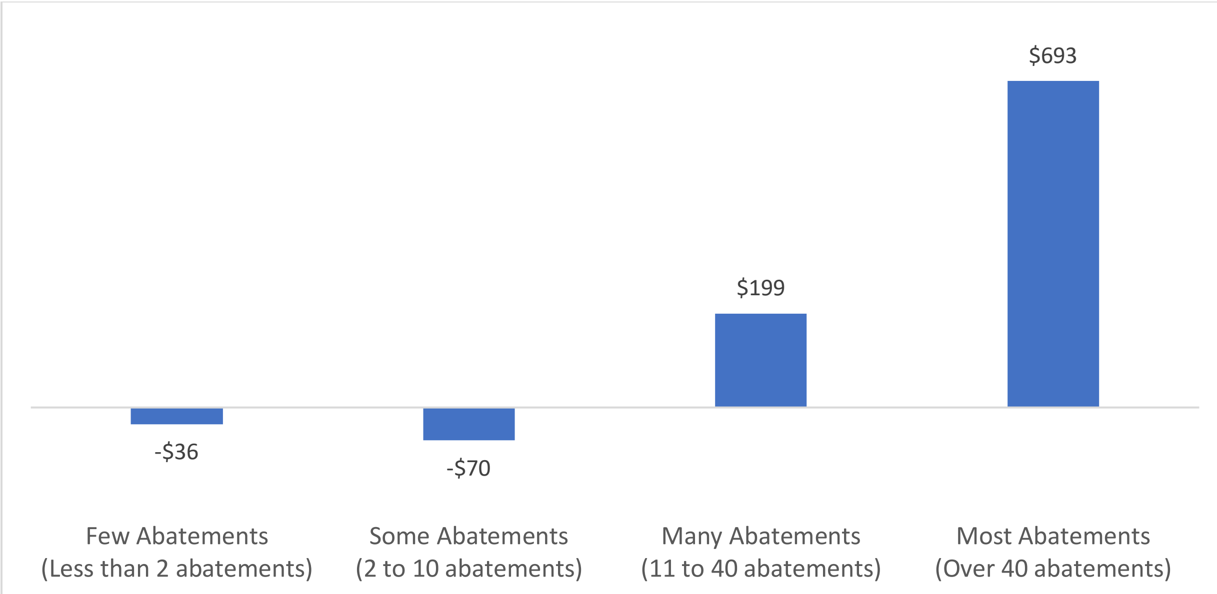
## Abatements and Tax Bills

The concentration of abatements appears to be coincident to rising tax bills in a small number of areas with the most abatements. However, this association does not suggest a direct link between the number of abatements and changes in property values.

Residents' property tax bills are impacted by changing property assessments, which could be influenced by abatement-induced renovations or new construction, or by changing millage rates from the City, County, and school district. Over the study period, changing tax rates appear to have had a larger influence on residents' tax bills than changing assessed values. Between 2004 and 2018, millage rates from the school district, for example, fluctuated from a low of 29.00 in 2006 to a high of 52.69 in 2014. For a home assessed at $50,000, changing millage rates from 29.00 to 52.69 would add an additional $415 to a family's property tax bill, even if the home's assessed value remained the same.

Regardless of the cause, homes in the small number of areas that received the most property tax abatements experienced the largest increases in their tax bills. Figure 15, shows the average change in property tax bills for single family homes in block groups with few, many, some, and the most abatements between 2013 and 2018. Single family homes in areas with few or only some abatements saw their tax bills decline. Areas with many abatements saw tax bills increase by an average of $199, and areas with the most abatements (over 41 abatements between 2004 and 2018) saw tax bills increase an average of $693 or about $139 per year.

Figure 15: Average Change in Tax Bill between 2013 and 2018 by Level of Abatement Activity[9]




**Note:** Figure only includes single family homes and does not include multi-family properties.

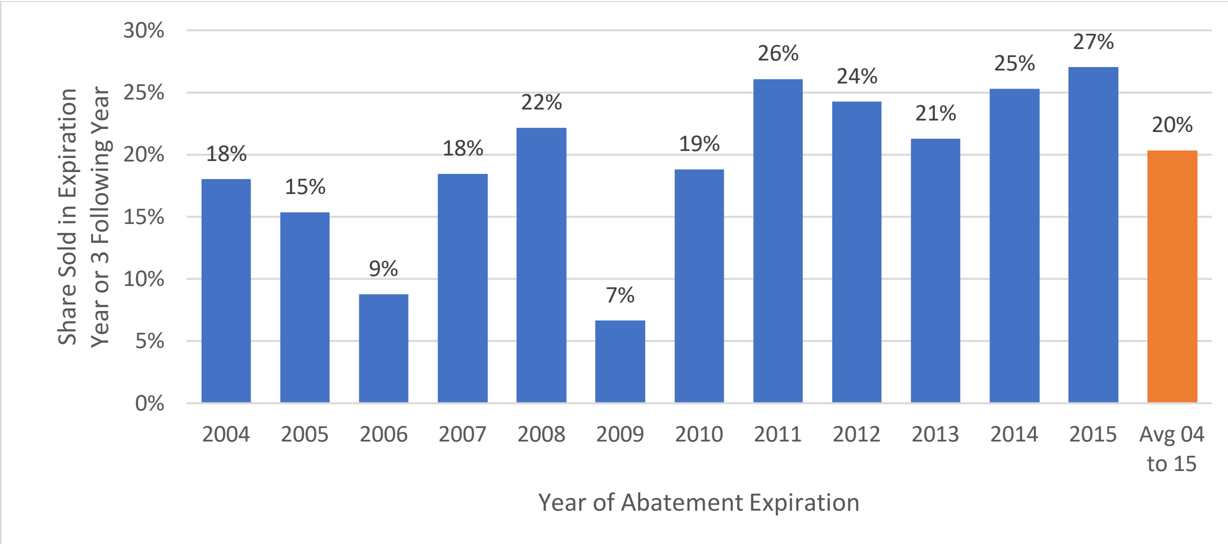
## Sales After Abatement Expiration

The project team also explored the extent to which owners of abated parcels sell their homes at the end of their abatement term. Most owners of abated parcels do not sell their homes at the end of their abatement term.

Figure 16 shows the share of abated parcels that were sold within 3 years of their abatement expiration between 2004 and 2015. Among the abatements that expired in 2011, for example, only 26% were sold in 2011 or the following three years (2012 to 2014). Between 2004 and 2015, 20% of abated parcels were sold within three years of the expiration of their abatement.

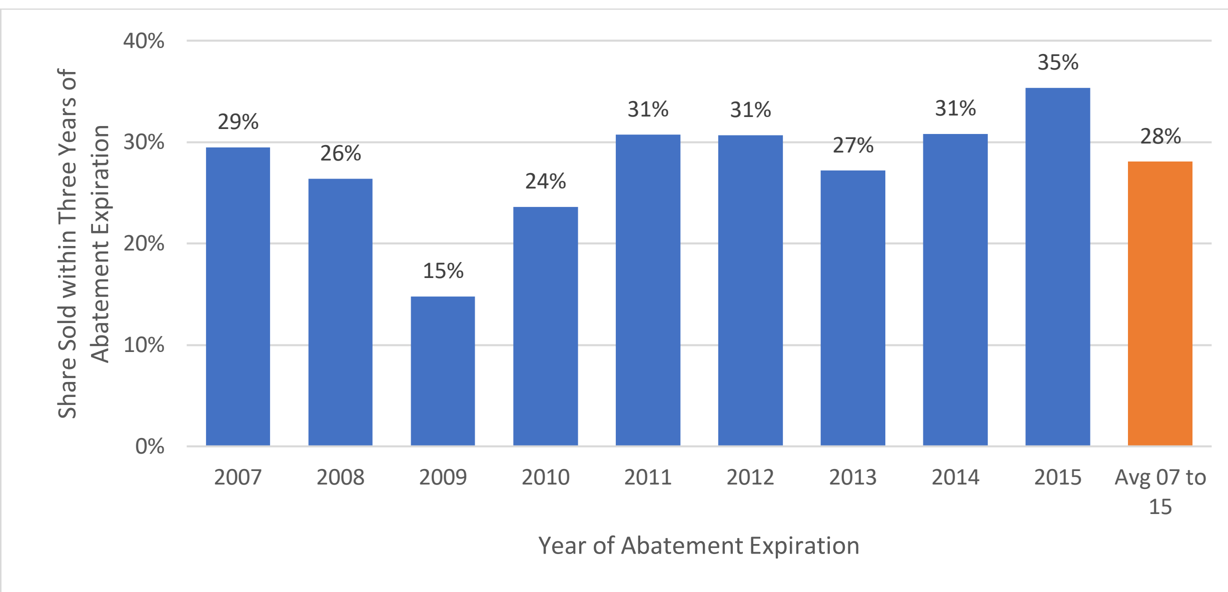
[9] Tax bills estimated by multiplying city, county, and school district historic millage rates by 35% of each parcels' total assessed value.

Figure 16: Share of Parcels with Expired Abatements That Sold Three Years After Abatement Expiration




Owners of abated homes may also sell their properties before the abatement ends, but most do not. Figure 17 presents the share of abated parcels that were sold three years before or three years after the expiration of their abatement. Between 2007 and 2015, 28% of parcels with an expired abatement were sold either three years before or three years after the year their abatement expired. Put another way, 72% of the owners of abated parcels remained in their homes for at least seven years between 2007 and 2015, on average.

Figure 17: Share of Parcels with Expired Abatements That Sold Three Years Before or After Abatement Expiration



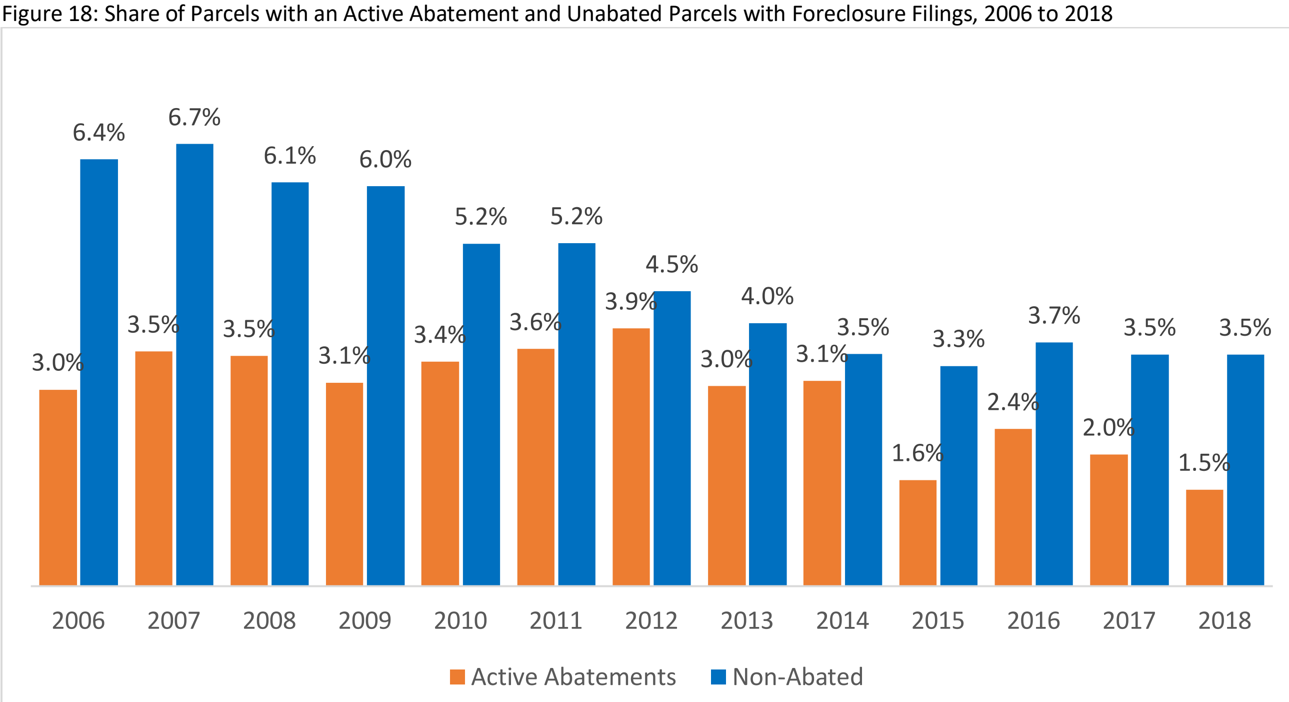
## Foreclosure Filings

Foreclosures continue to represent a major stressor in the Cleveland housing market. Between 2006 and 2018, nearly one third of residential properties in Cleveland experienced at least one foreclosure filing. Most foreclosure filings since 2006 have been related to mortgage costs, but 36% of properties with a foreclosure filing had issues with tax payments. A common concern raised by members of the Tax Policy Working Group was whether residents with abatements were at greater risk of foreclosure at the end of their abatement term.

Analyses examining the link between tax abatements and foreclosure risk did not reveal any discernable relationship between the expiration of tax abatements and increased likelihood of mortgage or tax foreclosure. Indeed, properties with tax abatements had fewer foreclosure filings than non-abated properties both during their abatement period and immediately following the expiration of their abatement.

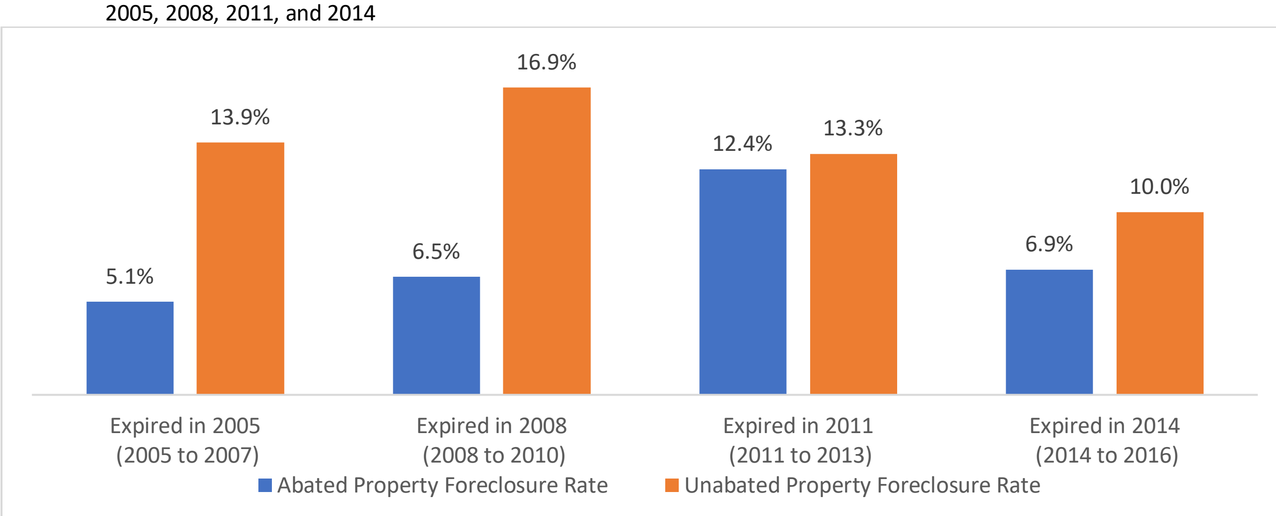
Figure 18 shows the proportion of abated and unabated parcels that received a foreclosure filing in each year between 2006 and 2018. In each year, a larger share of non-abated parcels received foreclosure filings than abated parcels.

Figure 18: Share of Parcels with an Active Abatement and Unabated Parcels with Foreclosure Filings, 2006 to 2018



When their abatements expire, homeowners do not appear to be more at risk of foreclosure. Figure 19 below shows the share of abated parcels that received a foreclosure filing within three years of the end of their abatements. The three-year foreclosure rate among unabated parcels is included in the adjacent bar for comparison. In each of the four time periods, the foreclosure rate for parcels with recently expired abatements was lower than for the rate of unabated parcels.

Figure 19: Three Year Foreclosure Rate among Abated Properties with an Expired Abatement and Unabated Properties, 2005, 2008, 2011, and 2014



# IV. Fiscal and Economic Impacts of Cleveland Abatements

Between 2004 and 2018, the potential City tax revenue from abated parcels averaged $3.6 million per year, ranging from a low of $2.0 million to a high of $4.2 million. In 2018, abated parcels represented $4.1 million of foregone property tax revenue, or 11.9% of the property tax revenue reported for the City's General Fund.[10] Unlike other states, property taxes are not the primary revenue source for major cities in Ohio. In 2018, property taxes accounted for 5.5% of Cleveland's General Fund revenue. The largest revenue source was the income tax, which made up 67% of General Fund revenue.[11]

The revenue impact on the Cleveland Metropolitan School District (CMSD), however, is more significant than for the City itself. Property taxes are CMSD's primary source of local revenue, representing 31.8% of general revenue in 2018.[12] The average annual amount of property tax revenue abated by CMSD between 2004 and 2011 was $8.7 million. Between 2012 and 2018, however, the average property tax abated increased to $14.4 million. It appears that the increase in abated property tax revenue by CMSD is primarily driven by an increase in the millage rate, which increased from 31.67 in 2011 to 52.12 in 2012.[13]

## Projected Revenue from Previously Abated Properties

Just as tax revenue is abated each year, new revenue is realized as abatements expire and parcels return to the tax rolls. This additional property tax revenue from previously abated parcels represents a cumulative increase in property tax revenue for the City, County, and CMSD.[14]

Figure 20 presents the cumulative property tax revenue from previously abated properties, assuming a 100% collection rate and that property values remain fixed at their valuation in the final year of the abatements.[15]

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[10] The 2018 City of Cleveland CAFR reported $34,628,000 in General Fund property tax revenue in 2018.

[11] City of Cleveland 2018 CAFR, p. 47. http://www.city.cleveland.oh.us/sites/default/files/forms_publications/2018CAFR.pdf?id=137549

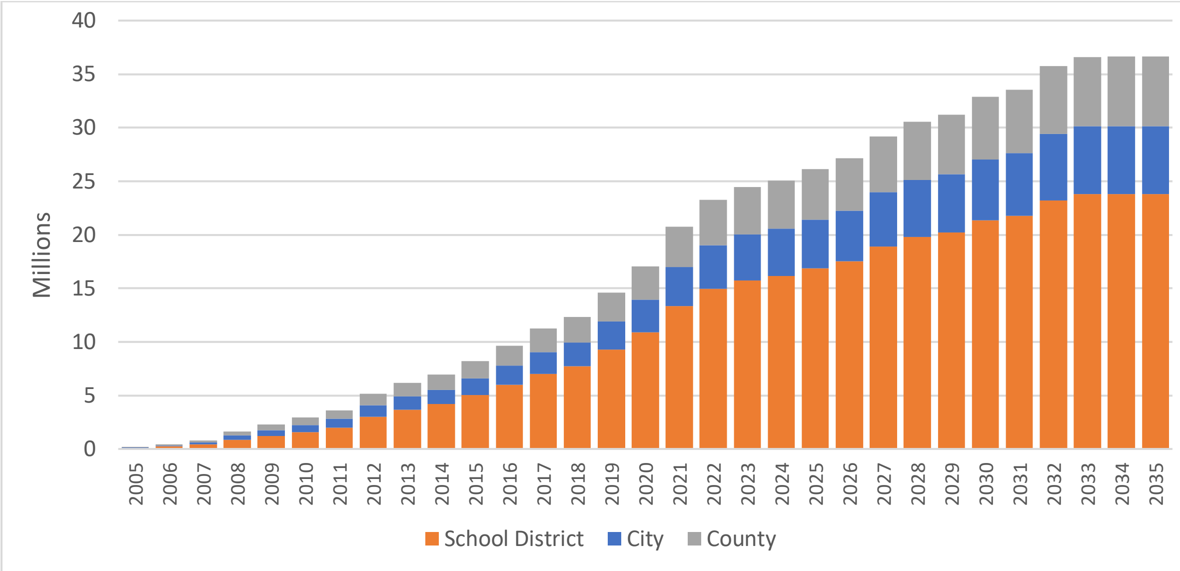
[12] Cleveland Metropolitan School District 2018 CAFR, p. 22. https://www.clevelandmetroschools.org/site/handlers/filedownload.ashx?moduleinstanceid=14338&dataid=24871&FileName=FY18CAFR.pdf

[13] See Appendix II, pp. i., for the historic millage rates.

[14] The revenue from previously abated parcels is considered to be cumulative because the revenue received in 2004, for example, represents revenue that will be received each year after the abatements expire. The property tax revenue from previously abated parcels in 2018 is the sum of the tax revenue of previously abated parcels in all years prior to and including 2018.

[15] The property tax revenue returning to the rolls in a given year for each parcel was calculated by applying the assessment ratio and appropriate millage rates to the abatement value from the final year of the abatement. The revenue was then held steady in each proceeding year as the analysis did not account for any potential increases or decreases in the value of the abated portion.

Figure 20: Estimated Cumulative Property Tax Revenue from Previously Abated Parcels, 2005 – 2035




*Source: Cuyahoga County Fiscal Office Historic Tax Data*

The majority of tax revenue returned from expired abatements will flow to CMSD. In 2018, 59% of the abatements in the study data will have returned to the tax rolls and will provide an additional $2.2 million, $7.7 million, and $2.3 million per year to the City, CMSD, and County, respectively. By 2035, the additional property tax revenue will increase to $6.3 million, $23.8 million, and $6.5 million per year for the City, CMSD, and County, respectively, assuming a 100% collection rate.

To the extent that buildings on abated parcels would not have been built or renovated but for the presence of the abatement, the tax revenue from previously abated parcels represents new revenue. Additionally, abatements that were used to re-activate Land Bank or vacant properties also represent additional benefits through cost savings to the City associated with reduced maintenance costs for these properties.

## Economic Value Generated by Cleveland Tax Abatements

The construction and renovation of buildings on parcels that received a tax abatement between 2004 and 2018 generated additional economic activity in the region in a number of quantifiable ways. Residential construction activity creates economic activity beyond the amount that a homebuyer initially spends on their home. These cascading economic effects are captured in an economic impact analysis where a series of multipliers estimate the level of additional economic activity that is generated by an initial dollar of spending for residential housing construction or rehabilitation.

When a resident buys a home that would not have been built without the abatement program, for example, the purchase price of their new home represents the initial contribution of the abatement to the local economy. Economists call these “direct effects”. The contractors who built the home the resident purchased would have spent money to buy materials and supplies, and that spending also adds to the local economy in ways that economists call “indirect effects.” Additionally, the workers employed by the home’s contractor earned wages from their work, some of which are spent back into the local economy, which economists call “induced effects.”

The Project Team used a commonly accepted economic impact model maintained by the U.S. Department of Commerce Bureau of Economic Analysis to estimate the total economic value generated in the construction and renovation of homes that received an abatement. (For a full description of the methods and multipliers used in this analysis see Appendix II, pp. ii – v).

***Using these methods, we estimate that between 2004 and 2018 the abatement program generated an average of $167,789,488 per year of economic activity.***

Only a portion of the estimated economic activity will occur in the city and be subject to taxation. Even when that activity is taxable, only a percentage will flow back as tax revenue. The most likely applicable tax to generate more city revenue would be the city income tax. Since 2017, the city income tax rate has been 2.5 percent. If the entirety of the total output and earnings resulted in additional taxable income for the City (it did not and will not in the future), that would have amounted to approximately $4.2 million in additional annual income tax revenue per year. By way of comparison, the city forfeited roughly $4.1 million in abated property taxes in 2018. These analyses likely underestimate the true impact on the local economy as they do not capture the economic impact of attracting new residents to Cleveland.

## Benchmarking Residential Abatement Programs in Peer Cities and Surrounding Communities

Property tax abatement programs are common among major cities in the United States. To understand potential changes to the Cleveland program, the project team identified a set of cities with active abatement programs that also share general economic, demographic or geographic characteristics with Cleveland. Only residential tax abatement programs were considered and the analysis did not differentiate between policies established by state or local statutes.[16] The national peer group consisted of the following cities, along with five suburban Cleveland cities:

- Atlanta, Georgia
- Cincinnati, Ohio
- Detroit, Michigan
- Kansas City, Missouri
- Pittsburgh, Pennsylvania
- Richmond, Virginia
- St. Louis, Missouri

- Cleveland Heights, Ohio
- Euclid, Ohio
- Lakewood, Ohio
- Newburgh Heights, Ohio
- South Euclid, Ohio

Table 6 on the following pages summarizes the program characteristics of each city's residential tax abatement program. Cleveland's program generally had similar characteristics to other cities' in terms of program length, percentage of property improvements abated, and other program terms and conditions. Appendix III includes additional information about St. Louis' approach to geographically targeting abatement terms.

[16] Local governments are political subdivisions of the state, and most states' relationship with local governments is a form of 'Dillon's Rule' where local governments have only the powers granted to them by the state. Some state statutes or constitutions provide 'home rule' powers to local governments, which provides greater latitude for local decision making. Ohio enacted a home rule amendment to its State Constitution in 1912, which gives local government greater autonomy, particularly related to its structure and organization as well as certain police powers. However, this autonomy does not extend to its tax structure – which is generally consistent with other grants of home rule powers amongst the states. As it relates to Ohio, see John E. Gotherman, "Municipal Charters in Ohio," Ohio Municipal League, 2016, pp. 17-25. Accessed electronically at http://www.vanwert.org/uploads/6/1/1/4/6114814/charter_city_source_guide.pdf

Table 6. Key Features of Benchmark Cities' Tax Abatement Programs Jurisdiction

| City | Abatement Term(s) | Considerations for Abatement Term | Geographic Eligibility | Investment Threshold | Abatement Cap | % of Value Abated | Requires But-For Test? | Application Submitted Before or After Improvements Made |
|---|---|---|---|---|---|---|---|---|
| Cleveland, OH | 15 years | Green Building Standards | Community Reinvestment Areas | \$2,500 – single and two-family; \$5,000 – multi-family; or \$500,000 per structure | No | 100% | No | After |
| St. Louis, MO | 5-10 years | Housing market conditions determine length and percentage of abatement (see Appendix III for more information) | Specific Block Groups identified by housing market conditions | Investment must exceed acquisition price | No | 50-100%, varies by neighborhood type | No | Before |
| Pittsburgh, PA | 3-10 years | Varies based on program | Varies based on program | None | Varies based on program | Residential LERTA 100% yr 1-2; 90% yr 3-4; 80% yr 5-6; 70% yr 7-8; 60% yr 9-10<br><br>Enhanced LERTA/Act 42: 100% | No | Before |
| Cincinnati, OH | 10-15 years | Types of improvement | Community Reinvestment Areas | \$2,500 to \$5,000 depending on the type of residential property | Varies by energy efficiency standards | 100% | No | After |
| Detroit, MI | 15-17 years | Type of property (new, rehabilitation, homestead vs. historic) | Neighborhood Enterprise Zones | None | No | 100% for Rehab<br>50% for New | Yes | Before |
| Kansas City, MO | 10-28 years | Agency in which program is administered | Varies Based on program | \$5,000 (LCRA program) | No | LCRA: 100% 10 yrs 50% 15 more yrs<br><br>Chapter 353: 50-100% | Varies by agency | Before |

| City | Abatement Term(s) | Considerations for Abatement Term | Geographic Eligibility | Investment Threshold | Abatement Cap | % of Value Abated | Requires But-For Test? | Application Submitted Before or After Improvements Made |
|---|---|---|---|---|---|---|---|---|
| Atlanta, GA | 10 years | None | Urban Enterprise Zones | None | No | 100% yr 1-5; 80% yr 6-7; 60% yr 8; 40% yr 9; 20% yr 10; | No | Before |
| Richmond, VA | 10 years | None | None for new construction; within a Redevelopment and Conservation Area or a Rehabilitation District for renovation | Must increase value by at least 20% for single family and at least 40% for multi-family projects. | No | 100% yr 1-7; 75% yr 8; 50% yr 9; 25% yr 10; | No | Before |
| Cleveland Heights, OH | 5-15 years | Third party certification to meet or exceed sustainability standards | City-wide | None for single family; multi-family $79,000 to $400,000/unit depending on length and percentage of abatement | No | Varies by level of investment: 25% for 5 yrs; 50% for 10 yrs; 75% for 12 yrs; 100% for 15 yrs; | No | After |
| Euclid, OH | 7-15 years | Type of property (existing vs. new construction) | Community Reinvestment Area | $2,500-$5,000 depending on the type of residential property | No | 100% for Rehab 75% for New | No | Before |
| Lakewood, OH | 5 years | None | City-wide | $2,500 | No | 100% | No | After |
| Newburgh Heights, OH | 5-15 years | Size of residential dwelling in housing units | Residential Zone | $2,500-$15,000 depending on the size of the property | No | 100% | No | Before |
| South Euclid, OH | 5 years | None | Community Reinvestment Area | $2,500-$5,000 depending on the type of residential property | No | 50% for 5 yrs for Rehab 50-75% for 5 yrs for New | No | After building permit issued |

# V. Private Sector, Nonprofit, and Public Sector Stakeholder Comments, Feedback, and Ideas

In addition to the housing market analyses and the fiscal impact analyses, the study team engaged a range of stakeholders in the housing market to gather their perceptions of the relative importance of the tax abatement program for local development efforts, and to gather suggestions for how the abatement program could be adjusted to promote the City's equitable development goals. The study team conducted individual interviews, focus groups, roundtable discussions, and community meetings with developers, commercial bankers, mortgage bankers, realtors, expert real estate observers, community development practitioners, housing experts, and taxing entities in the county.

**Institutional Engagement Participants and Data Collection**

Through one-on-one interviews, small group interviews, and Roundtables, the research team interviewed 73 unique individuals whose business model could be impacted by changes to the tax abatement program. Interviews with the following occurred from August 2019 to January 2020:

- **15 Developers**: 8 "large scale," multi-family developers; 4 "mid-size to large scale" single family home developers (some also do multi-family and/or retail); 2 "small scale" seasoned single family home developers; 1 "emerging" single family home developer.
- **8 Commercial Bankers or Advisors on Large Commercial Projects**: 2 large, multi-state commercial banker; 1 small, local, commercial banker; 2 financial analysts/advisors; 3 lawyers.
- **3 Mortgage Bankers**: 1 large, multi-state, mortgage banker; 2 smaller, local, mortgage bankers (1 who predominately lends on west side and 1 who predominately lends on east side).
- **8 Realtors**: A mix of west and east side realtors.
- **3 Local Real Estate Observers**
- **17 Taxing Entities Representatives and Labor**: Cleveland Metropolitan School District; City and County Libraries; Cuyahoga Community College; Greater Cleveland Regional Transit Authority; Port Authority, Regional Sewer District.
- **19 Housing/Community Development Professionals**: CDCs, social services practitioners, policy observers, county landbank, academics.

This section presents key findings from these stakeholder groups related to their perceptions of the importance of key elements of the existing tax abatement program and the viability of potential adjustments to the program. Section VI includes a summary of findings from the resident engagement activities undertaken over the course of this study.

## Importance of Key Features of the Current Abatement Program

### Abatements are necessary, but insufficient to revitalize neighborhoods or promote equitable development.

In general, interviewed realtors, lenders, and developers all believed that the tax abatement was an important tool to promote development in the city. While there was wide agreement that the abatement should continue to exist in a modified form, there was also widespread consensus that the abatement itself was not enough.

Underinvested neighborhoods lacked "amenities, safety, and quality schools" which according to the interviewed realtors, lenders, and developers were obstacles to revitalization that could not be overcome by the abatement alone. A few single-family home developers suggested "the city should give grants to developers to work in at-risk neighborhoods" and "the city should give land to developers."

### Abatements are still necessary for most new development.

Nearly every developer, lender, and realtor affirmed that, "the numbers are the numbers," meaning that baseline costs to develop in Cleveland outstrip residents' ability to pay, and that tax abatements are necessary for making most projects financially viable. Developers pointed to increasing supply costs, a shortage of sub-contractors, and unfavorable winters as contributors to high development costs.

### Abated products are too concentrated at the market's higher end.

Among realtors, mortgage lenders, and community development and housing experts, there was a shared belief that most abatements were going to housing units serving the top end of the market, and there was an undersupply of new products priced at $250,000 and below. These constituencies believed that the city will not be mixed-income, diverse, or inclusive without family-friendly single-family homes with modern amenities and floorplans priced at levels affordable to middle class households.

### Lenders, community development, and housing experts expressed concerns over homeowners' post-abatement tax burdens.

Although the data suggest that homeowners with expired abatements are no more or less likely than their peers to enter foreclosure, there was a general belief among mortgage bankers, realtors, real estate observers, community development and housing experts, and representatives for the taxing entities that homeowners did not fully comprehend how much their monthly housing costs would change at the end of their abatements. They believed homeowners may underestimate how much their tax bills will increase or the impact of a higher tax bill on their household budget.

## Response to Potential Programmatic and Policy Changes

The project team solicited feedback from stakeholders on three potential changes to the program structure: limiting the geographic reach of the program, capping total abated value, and implementing a step-down in abated value.

### Stakeholders expressed mixed support for geographic targeting.

Although interviewees acknowledged that there are a handful of stronger housing markets in the city—generally Downtown, Duck Island/Tremont, Ohio City, Detroit-Shoreway, and University Circle—as a whole they did not feel that limiting the abatement to only weaker housing markets in the city would be prudent.

These stakeholders believed that weakening the abatement in stronger market areas would not be sufficient to induce developers to begin working in weaker markets. One financing expert noted that large commercial projects, which would be required to catalyze larger investment in underserved areas, "would need massive subsidies, in addition to the tax abatement" to work in Cleveland's underserved neighborhoods. Several commercial lenders, commercial developers, and realtors suggested the City should offer commercial tax abatements to help re-attract the amenities and retail needed for thriving neighborhoods.

Stakeholders cited the difficultly in setting hard line boundaries for eligibility and expressed concern that boundary decisions could be seen as being influenced more by political considerations than market realities. CDCs also noted that even stronger neighborhoods may have weaker sections. As one community developer put it, "every hot market has an 'other side of the tracks'" and limiting the use of the abatement could inhibit a "build from strength" revitalization approach. Finally, several bankers and realtors noted that markets are not static and that the list of strong markets today may not be the list of strong markets in the future. Any geographic designation would need to be fluid and updated on a regular basis, which could introduce harmful uncertainty into development project pipelines.

### Stakeholders expressed qualified support for capping abatement value.

Capping the value of the abatement received the most consistent support among all stakeholder groups. (Ex: Setting a cap of $300,000 would mean that a house valued at $400,000 would pay taxes on $100,000). Taxing entity representatives, community developers, and housing leaders wanted more than a cap but noted that, "something is better than what it is today."

Among those engaged for the study, opinions on the ideal cap amount ranged from $150,000 to $500,000, but there was surprisingly broad consensus around $300,000 as an appropriate amount. One financing expert summarized the perspective that most interviewees held: "over a certain value, we shouldn't subsidize property taxes."

Many commercial lenders, and a few commercial developers, believed capping abated values would incentivize developers to "build to the cap," spurring the development of more housing at the $300,000 price point and less at the top of the market.

When the cap concept was brought to a broader roundtable of commercial, multi-family, and high-volume single-family developers, they were unenthused, but not hostile, to the cap idea. These developers warned that the cap would be difficult to administer on rental apartments and the City would have to be clear on how it was calculating the value of an apartment unit. Participants also strongly suggested the program language include a provision that accounts for inflation.

### Stakeholders expressed mixed support for a step-down approach.

Outside of developers, the step-down approach, where some portion of the abatement would be phased out each year, was viewed as a promising alternative to capping the abatement value. For those concerned that homeowners do not currently understand the financial impact coming when their current abatement ends, the step-down framework was perceived as a way to "cushion the blow." Several interviewees were concerned that the step-down would be too complex and that having a new tax bill each year would cause even more confusion for homeowners.

One commercial banker liked the step-down framework in concept, but warned that Cleveland's step-down would have to be carefully calibrated for rental apartment developments and "not step-down too early, otherwise rents won't have caught up to where they need to be."

## Additional Programmatic Considerations

### The city needs additional tools to address resident displacement risks.

The need to help long-time residents stay in their home was a top priority expressed in interviews, focus groups, and roundtables with developers, realtors, bankers, local government officials, and nonprofit leaders. Although the abatement was seen as a powerful tool for attracting new residents, interviewees emphasized that different tools will be needed to address the needs of long-term residents—such as home improvement grants or additional investments in affordable housing through the creation of a housing trust fund or inclusionary zoning requirements.

Participants at the commercial developers and lenders roundtable argued that equitable development in Cleveland would be better achieved by focusing on tools that keep long time homeowner and renters in their homes, instead of adjusting the tax abatement program. Participants in this roundtable recommended the City call upon the development industry in Cleveland to help move state policy around property tax relief programming.

### Making the application process easier would help expand usage of abatements for eligible projects.

Small developers and renovators who annually produce fewer than 25 single family houses argued that the timeline from concept to approval for abatements was too long. Smaller developers and builders reported that they found the application unwieldly and were frustrated that they "lack a single [point of] contact for support for questions regarding the application process." One emerging development company reported that they did not seek abatements on their rehab projects because they do not have the time to master the "140-page application document." Another established builder delegates abatement applications to his junior partner because he finds the application too confusing.

Stakeholders believed that use of the program, particularly among smaller developers, renovators, and homeowner-led rehabbers would be greater if the application process was simplified or streamlined. One longtime mortgage banker described the difficulty in matching the application timeline to development. He explained that for rehabbed properties, developers must apply for the abatement (prior to work) and then secure the abatement certification on behalf of the buyer. Buyers must have the abatement certification in hand before the bank will originate a mortgage. From the bankers' perspective, "it becomes messy on who is responsible for getting the paperwork," and clients would rather forego the abatement for the comfort of knowing that their home will be remodeled on time.

Another longtime mortgage banker, who serves east side clients, also stated that he had never seen east side residents get tax abatements because of rehab work they did to their house; in his experience "only developers that do rehabs for clients get the abatement." In his view, there were homeowner-led renovations that occurred on the east side of the city, but homeowners were missing the benefits of the tax abatement because the paperwork was complicated or because they were not rehabbing to the green building standards.

### There are opportunities to improve information sharing with taxing entities.

Although the City is not statutorily obligated to seek concurrence from other taxing entities, representatives from those organizations forcefully called for a public notice provision to be included in future tax abatement legislation. Individuals representing taxing entities felt that the program enabled the city to "give away money that isn't theirs." They noted that there is no recourse in state statute for their taxing entities to contest an abatement offered by the City. While statute requires the city to notify school districts in some cases, the City has no obligation to notify other entities that receive property taxes, such as Metroparks and Cuyahoga Community College.

Several taxing entity staffers shared experiences of learning from the newspaper about a pending approval to abate several million dollars on a new development project. These interviewees argued that an "informal heads up" or formal public notice early in the abatement approval would allow their entity adequate time to review the proposal, provide thoughtful feedback to the City, and/or to suggest ways to better align the project with their own assets (ex: green space, technical school students, etc.)

# VI. Community Engagement

In addition to studying the impact of the existing tax policy and analyzing qualitative data from developers, community development corporations, and lenders, Neighborhood Connections and Leverage Point Development completed substantial outreach efforts to ensure authentic community engagement. Resident voices and everyday experiences are essential in evaluating equitable development in Cleveland. The approach for input was important as traditional forums for community engagement often attract little resident input or simply create spaces centered on complaints and defensiveness. Moreover, many Cleveland neighborhood residents hold the perception that government and other service providing institutions make decisions and take actions without considering—or even taking the time to identify—their concerns.

A specialized 'Listening Campaign' was designed with multiple points of entry and engagement for information-sharing and discussion about residential tax abatement policy. Twelve focus groups and 55 resident interviews were conducted across the City; in total, over 250 participants contributed their voice to the issue of tax abatement.

The key takeaways presented in this section are grounded by hundreds of conversations with residents, and draw upon their tremendous insight, energy and input. This section presents these takeaways, details the approach taken for this work, and provides secondary observations. The exhibits utilized in the research are included as Appendices IV, V, and IV.

## Approach

In order to have meaningful conversations with hundreds of people, a Listening Campaign was designed to reach residents across the City of Cleveland. The objective was to gather information on: perceived benefits and challenges of the current residential tax abatement policy; residents' vision for residential tax abatement in their neighborhood (and in the city); the economic or cultural stresses residents have felt as a result of current and past housing policy; and residents' incentives, interests, and suggestions for the City of Cleveland.

To ensure the efficacy, reach, and timely completion of the project, Neighborhood Network stewards were selected to mobilize the work of conducting interviews and facilitating focus groups. Twelve Cleveland residents from across the City were trained in the basics of the residential tax abatement policy, initial research findings of the study, and facilitation best practices. A presentation and Listening Guide (Appendix IV) were developed. These facilitators utilized the Listening Guide to conduct 55 interviews with Cleveland residents. A condensed Listening Guide was then used to facilitate 12 focus group sessions across the City of Cleveland that engaged approximately 200 residents.

***Individual Interviews***

Fifty-five interviews were completed by trained facilitators. Uniformity was ensured through use of the Listening Guide. The Listening Guide first provided background on the City of Cleveland's Equitable Development Working Group, this study's process, the residential tax abatement program, initial research findings, and examples of tax policies and tools that other cities have employed. The Listening Guide then provided a survey for interviewees. This included questions like:

- Did you receive a residential tax abatement from the City of Cleveland?
- If you had not received the residential tax abatement, would you still have purchased in the City?
- What have been the benefits/challenges of tax abatement in your neighborhood?

The full Listening Guide including all survey questions is provided in Appendix IV.

While the 55-person sample size makes it difficult to create a truly representative sample of Clevelanders, efforts were made to achieve a diversity of perspectives. Diversity among interviewees included participant age and race (see Figures 21 and 22). As this study was particularly interested in residents' experience with the tax abatement, a disproportionate number of homeowners were interviewed (85.5%) that lived in homes ranging from one year to over 100 years old. Residents interviewed lived in 18 different Cleveland neighborhoods (self-identified). Of these, 44% were Eastside residents. 30% of total interviews were conducted in areas where at least part of the neighborhood is experiencing a high displacement risk ratio – namely, Ohio City, Tremont, and Detroit Shoreway. This was in order to achieve a distribution of longtime residents, renters, and tax abated homeowners, and to gather a multitude of perspectives in neighborhoods with the highest risk of displacement. Of the 55 individuals interviewed, 37% received a residential tax abatement.

*Figure 21: Age of Participants*

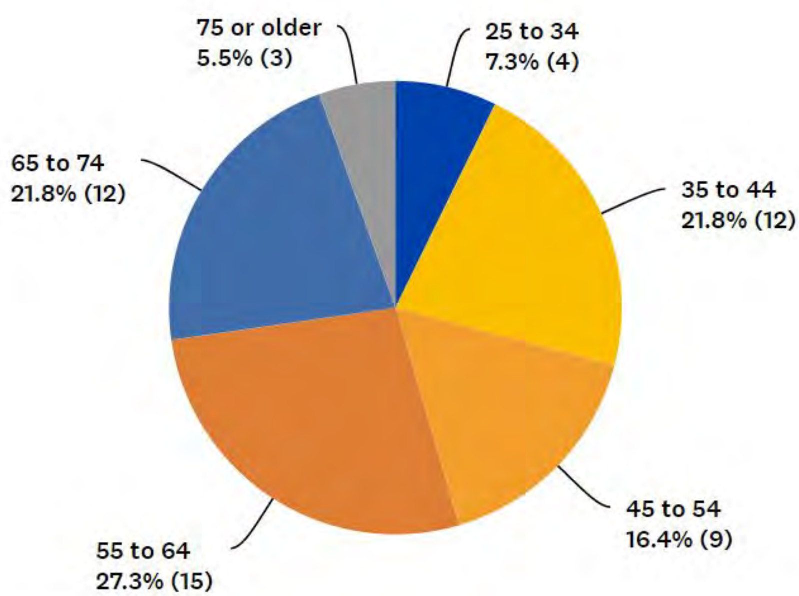
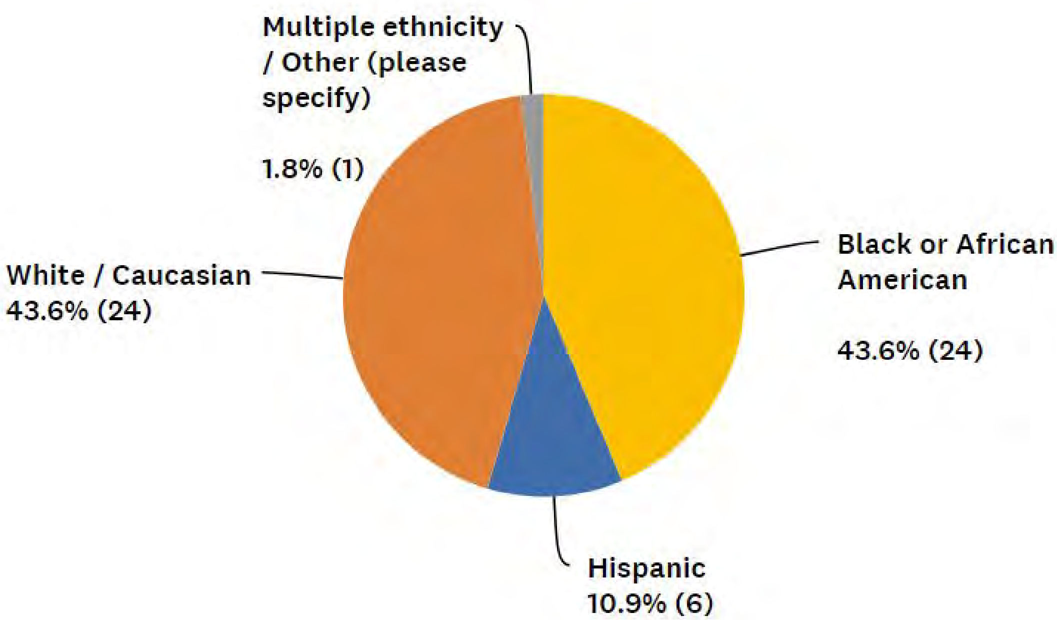


*Figure 22: Race of Participants*




***Community Listening Sessions***
The focus groups were scheduled at community spaces in 12 neighborhoods across the city: Southeast, St. Clair-Superior, Clark Fulton, Old Brooklyn, Ohio City, Slavic Village, West Park/Bellaire Puritas, Downtown, Glenville, Central/Kinsman, Detroit Shoreway, and Tremont. Host sites were selected for accessibility and familiarity to community residents. Flyers (see Appendix V) were developed with locations and dates to promote the listening sessions and encourage resident participation. Information about the sessions was also distributed through social media, facilitator networks, host sites, and partner organizations. Translation services were available at the Clark Fulton (Spanish), and St. Clair-Superior (multiple Asian languages) listening sessions. All Listening Sessions began with introductions, an overview of the City of Cleveland's Equitable Development working group and its goals, a review of the current residential tax abatement policy, and highlights of the research to date (Appendix VI).

Residents were then led through a facilitated conversation guided by three questions:
1. What have been the benefits/positive impacts of the current residential tax abatement program?
2. What have been the challenges of the current residential tax abatement program?
3. What would you like to see in a revised City of Cleveland residential tax abatement policy?

An attempt was made to collect demographics of Listening Session attendees. Of the approximately 200 attendees, 118 completed demographic questionnaires (some residents declined for privacy while other attendees may have been missed, accidentally took their forms home, or identified as professionals who were there to observe). Listening Sessions in Glennville, Central, and Clark Fulton had low questionnaire completion (identified by comparing the number of returned questionnaires and sign-in sheets from sessions). Of those who completed the demographic questionnaires, 36% received a tax abatement and 75% were homeowners. Reported age and race demographics are displayed in the chart below.

| Race | % of Listening Session Participants |
|---|---|
| Asian American | 1.7% |
| Black/African American | 19.3% |
| Hispanic | 5.0% |
| Multiple Ethnicities | 2.5% |
| White/Caucasian | 71.4% |

| Age | % of Listening Session Participants |
|---|---|
| 18-24 | 4% |
| 25-34 | 17% |
| 35-44 | 19% |
| 45-54 | 12% |
| 55-64 | 25% |
| 65-74 | 16% |
| 75+ | 6% |

## Key Takeaways

The research team isolated five key takeaways from the Listening Campaign, along with several recommendations which emerged from discussions and interactions with participants and facilitators.

**#1: Keeping long-time residents in their neighborhood**

The overwhelming primary concern and priority expressed in interviews and listening sessions was that longtime residents, especially those who are most vulnerable, are able to stay in their homes. This held true across all demographics: neighborhood, race, homeowner/renter, length of time in the neighborhood, and those with abatements/without abatements. This also extended to keeping longtime renters, not just homeowners, in the neighborhood as well. Neighbors cited additional concerns of decreasing racial and economic diversity; this was especially true in Ohio City, Detroit Shoreway and Glenville.

### Resident Recommendations:

- Consensus around implementing Longtime Owner Occupants Program (LOOP).
- Desire to see Homestead Exemption limits increased to assist working-class families (one suggestion for incomes at or below $60,000).
- Creation of a Housing Trust Fund to provide assistance to longtime residents.

**#2: Variations in the implementing tax abatement**

Focus groups and interviews included renters and homeowners (both those who received tax abatement and those who did not). Across the board, residents would like to see a more nuanced and proactive residential tax abatement policy. The majority of residents, including those who received an abatement, support caps to the abatement and varying the abatement requirements by neighborhood (e.g., 15 years in neighborhoods needing additional development and either an elimination or shorter term in more stable neighborhoods like Ohio City, Tremont, Detroit Shoreway). Neighbors generally supported abatement for any project that promoted affordable housing components. Among Eastside homeowners and homeowners of color who received a tax abatement, most cited the tax abatement as a determining factor in purchasing their home.

## Resident Recommendations:

- Cap the tax abatement.
- Keep the 15-year residential tax abatement in neighborhoods needing additional development.
- Keep the 15-year residential tax abatement for stable neighborhoods if developments include affordable housing units or contribute to equitable development goals.
- Restrict residential tax abatement in stable high-pressure block groups.

**#3: Tax abatement strategy for properties needing rehabilitation**

Another prevalent theme was residents' desire to see a viable residential tax abatement strategy for existing homes needing rehabilitation. There was significant sentiment around the expense of bringing a renovated home to Green Building Standards; many residents said they lacked the upfront capital to invest in their homes. Lack of awareness of options to rehab and bring current structures up to Green Building Standards also arose in several Listening Sessions. Using the abatement to promote green and transit-oriented development, though mentioned less often, was another common theme across neighborhoods.

## Resident Recommendation:

- Create a pool of funds to assist low and moderate-income individuals in rehabbing their homes

**#4: Keep the tax abatement**

The majority of engaged residents do not want a full elimination of the tax abatement. However, most residents would like to see changes in the delivery of the residential tax abatement. For residents in Detroit Shoreway, Tremont, Ohio City, Clark-Fulton, downtown Cleveland, Hough, Central, and Glenville, stated benefits of tax abatement included: spurring neighborhood stabilization, increasing quality of life (new amenities and services), decreasing number of vacant lots, and encouraging income diversity in the neighborhood. Most residents from other neighborhoods (i.e. Old Brooklyn, Mt. Pleasant, Asiatown, Westpark/Kamm's) indicated they did not see direct benefits in their communities.

## Resident Recommendation:

- Continue offering residential tax abatement with modifications (see caveats articulated in #1-3)

**#5: Residential concern for equitable and stable communities**

Supporting racially and economically diverse neighborhoods was clearly valued by residents of all neighborhoods. Residents believed that all available tools and city and state policies should be employed to promote equitable development that would lead to stable communities.

A common concern was that beneficiaries of the residential tax abatement would leave once abatement expires. There was a related community perception that developers have become the primary benefactors of tax abatement; particularly at listening sessions, residents' remarks seemed to suggest that developers benefit the most from this legislation and there is no secondary benefit to the community.

In neighborhoods with block groups with high displacement risk, residents' concerns were largely directed at high priced multi-family developments. Residents welcomed new neighbors who integrated themselves in the community but felt tension when these large-scale developments separated spaces and people.

### Resident Recommendation:

- A regular suggestion was to differentiate tax abatement benefits between multi- and single-family developments, or between renter and owner-occupied units.

## Secondary Observations

### Interviewed Residents who Received Residential Tax Abatement

Of the 55 individuals interviewed, 26 received a residential tax abatement. Among those 26 residents, all but one stated they would remain or had remained in the City of Cleveland when their tax abatement ended. The importance of the tax abatement in the buyers' decision to move into their home tended to be inversely related to the market of the neighborhood. Overall, those who received abatements in hot markets (Tremont, Ohio City, Detroit Shoreway) said that the abatement was less important than those in weaker markets (Glenville, Central, Slavic Village).

Sixty-five percent of the interview participants (n=26) stated that they would have bought property within the City of Cleveland without the tax abatement incentive. Of those participants, several said that, had they not received the abatement, they may have chosen a different Cleveland neighborhood or may have had to purchase a smaller home. Participants who stated that they would not have purchased their home without the tax abatement cited supporting reasons like better schools and property values in the suburbs.

During interviews, participants were asked, "If your neighborhood is changing, do you feel that you will be able to stay in your home?" 45 of the 54 respondents felt that despite their changing neighborhood they would be able to remain in their home. Only one respondent did not feel they would be to stay, and seven respondents were unsure.

Tax abatement recipients also provided insight on the abatement's impact, benefits, and challenges, and recommended adjustments to the process. There were suggestions that further development of the residential tax abatement should promote the rehabilitation of existing housing stock. These insights and supporting quotes are presented below.

***Benefits related to the tax abatement:***

Overall, those with abated properties felt the policy contributed to improved safety, vibrancy, and density.

- "Neighborhood is safer, more vibrant, more businesses, more people living here…"
- "Not paying taxes for 15 years… made home affordable."
- "It encourages people to live in the city."
- "Overall abatement has been positive, it has increased home ownership and the community sense of being in a community; I would like to see more outreach to citizens of color to access the program."

- "It diversified the income base by bringing in higher incomes. It brought in other developments- amenities like restaurants and shops. It also encouraged the creation of the business improvement district in the neighborhood..."

***Challenges related to the tax abatement:***
Neighbors who received a tax abatement acknowledged challenges related to the policy: that it contributed to displacement, including elderly and lower income renters, and that it exacerbated tensions between longtime and new residents.

- "The neighborhood is increasingly unaffordable for low-income members of the community (rental and homeowners). The accelerating tax rate threatens the ability of current residents to remain in the neighborhood."
- "Older folks are struggling to stay. These last increases were tough… Rentals are getting priced out and many have no improvements. Affordability has changed."
- "Very difficult for renters - rents have gone up"
- "There is a downside. If they built this house without abatement, they would be getting $8,800 from me, and 75 percent of that would go to schools... If a neighborhood turns over, people do get pushed out, I feel bad about that. There should be help for those individuals."
- "I am new to the neighborhood but the lack of assistance to those who already own homes… causes resistance. Programs that exist seem to be out of touch with the people who actually live here as many are much older and do not trust easily."
- "We tend to be targeted by others who think we are all wealthy."

***Adjustments to tax abatement***
When asked what they would like to see in a revised residential tax abatement policy, many residents supported legislation that is geographically based, has a cap, and incentivizes rehabs.

- "We don't feel like we should be tax abatement at the full amount for our expensive home. We definitely think it needs to be changed - change it to something that requires affordable units in certain neighborhoods."
- "I would like other parts of the city that are not benefiting should have 15-year tax abatement, but to have other incentives for people who might not want that. Maybe reduce to 10 years, but not more… We need all kinds of people here."
- "Programs for senior citizens so they can stay in their houses no matter how high taxes go up in a neighborhood."
- "Developers should be required to either have a set aside of a certain % of affordable housing or finance development of affordable housing units in the same area. A land trust could be used to disincentive capitalizing on neighborhood appreciation. "LOOP" legislation would be beneficial as well as other protection for low-income individuals and to maintain rental protection for lower/moderate income. "Step down" could be done on a more gradual basis. "Zone bases" sounds reasonable."
- "Shorter abatement for new builds and longer for rehabs - especially where housing stock is salvageable. It would be good to freeze tax rates for long term owners- especially those with fixed incomes."
- "I think that a "LOOP" policy and a "circuit breaker" policy would help alleviate the pressure on long term homeowners so that they can remain in their homes.[17] I would like to see a more nuanced tax abatement policy so only certain neighborhoods are eligible for tax abatements. Take Ohio City, Tremont, University Circle off tax abatement area or reduce the length of time in

[17] See Appendix III for a description of LOOP and 'circuit' breaker policies.

such areas to encourage development in other parts of the city. Or limit the applicability of tax abatements for larger for-profit developers. Or limit the number of years tax abatements are available."

- "Would like to see more nuance with the policy and not just a blanket policy. Once a certain threshold is reached, abatement may not be necessary in some areas. maybe not even by "neighborhood" but on a street by street basis, updated in real time. Rehab tax abatement is powerful, less harm comes from that, as long as people of all income levels have access to it. Must also take into account the racial equity aspect. CHN lease purchase is important, as is the land trust model for permanent affordability."
- "I wish there were more tax abatement for rehabs than for new builds. Because I think there are some new build projects that would have been rehabs, had there been a higher incentive."
- "There should be requirements for developers who receive any form of a tax subsidy to have a % of affordable units at different price points. (For example, a dishwasher who works in the neighborhood should be able to afford to live in the same neighborhood as an attorney.)"

**Additional suggestions/insights:**

- "Provide more support for people to succeed...bridge relationships and build trust."
- "Offer assistance with neighborhood building, seminars/programs, tear down abandoned homes/buildings, pave streets, offer leaf pick up, more positive police engagement with residents."
- "Find a way to build upon neighborhood activities that are inclusive rather than perpetuating silos. Building community is key. Financial incentives need to continue to be given to residents who have spent years in the community to keep them there."
- "Promote racially and economically diverse housing; develop model structures for community oriented new construction and rehab"
- "...we need to have housing for renters, seniors, limited income, young professionals--we need the mix in the city."
- "A lot of decisions are made before the community hears of them, so the city can take more place-based decisions and do participatory decision-making to include residents."

## Interviewed Residents Not Receiving Residential Tax Abatement

Interview responses from residents who did not receive a residential tax abatement also provided insight on the impact, challenges, and opportunities of the tax abatement program. While these residents saw value in the abatement program, there were also questions about its perceived impact. Several comments suggested that the abatement primarily benefited developers and negatively impacted communities through gentrification, displacement, and increased property values, which translate to a higher tax burden on existing residents.

***Benefits as a related to the tax abatement:***

Residents without abatements saw value in the policy and its impact in their neighborhoods in terms of building on empty lots, spurring investment in the neighborhood, and overall density.

- "Property values have gone up, more local businesses, more people on the street will lead to less crime."
- "I am starting to see some investment in the neighborhood…"
- "A lot of new houses are being built."
- "Attracts new buyers but more opportunities for abatement needed for not just new constructions, but rehabs too."

- ‘Improves the appearance of the neighborhood”
- “Brought in some good neighbors”
- “Currently bringing in new businesses and is encouraging new housing developments.
- “It’s nice not having vacant lots in the neighborhood. I have witnessed more places and services in the neighborhood and improved the quality of life.”
- “It has led to a lot of housing development and major economic improvements and development.”
- “It brings in people who would not otherwise invest in Tremont, theoretically. It helps fill in empty land with new housing. People would build here anyway regardless of tax incentive due to the arts and location.”
- “Some single family homeowners have been able to build on empty lots in my neighborhood.”

***Some challenges with the tax abatement:***
Negative sentiments toward the current tax abatement policy typically fell into two categories:

*Developer benefit and negative impact on the neighborhood*
- “I believe that tax abatement has incentivized high-end developers and that this is hanging our neighborhood in a negative way.”
- “Tax abatement allowed developers to inflate the cost of rehab and new development. It affects everyone's tax assessment, allows developers to walk away with the money.”
- “But we are affected by it because the people who most often seem to benefit are high income individuals - meanwhile those taxes are not going to agencies that serve low and average income individuals. This just contributes to systemic disinvestment.”
- “Rising housing prices are pouring fuel on the fire of gentrification. The neighborhood is gentrifying. Tax abatement benefits households able to purchase in a certain price range and developers.”
- “The neighborhood is not really diverse.”
- “I also own rental properties on my street with the goal of maintaining affordability; however, the property taxes on 2 of my least expensive rentals have increased by 250% and 180%. In 1 house the tax went from $700/year to $2,400 over 15 years with the biggest jump 2018 from $1,100 to $2,400. Therefore I either have to raise the rent or absorb the difference. I am in this position while developers are profiting from tax abatements, raising my taxes. While these developments are increasing the value of my properties, my goal is to maintain affordability and all of this is pushing against my goal.”

*Higher tax burden*
- “New residents are not paying taxes and I am. I'm paying their taxes.”
- “My property taxes have more than tripled.”
- “It's making property taxes higher.”
- “Developers are building outrageously expensive houses that raise the land value and the taxes of neighbors.”
- “As a result of tax abatement, property values are going up... In 1991 taxes were $1,000/year, in 2008 they were $1,700/year, in 2011 they were $1,700/ year, in 2017 they were $2,900/year and in 2019 they are $5,200/year.”

*Additional suggestions/insights:*
- “We may need some long term homeownership protection for real estate taxes.”
- “There would have to be a shift toward providing housing for lower income individuals.”

- “...move east and start developing where it is needed.”
- “Stop redlining the neighborhoods...”
- “Work with low income folks find resources to maintain and keep their property.”
  “We need to be more creative about supporting home ownership. For example artists are willing to live in depressed areas but do not have $30,000 to 40,000… nor can they get loans for that amount. We give land bank houses to CDCs who will help flip with the hope of diversifying housing stock, however current residents cannot afford it once rehabbed. Instead we could be looking at Time banks/labor exchanges/ all other kinds of approaches to home investment.”
- “Keep funding the organizations that do this kind of work.”
- “More resources for Seniors”
- “Maybe rent assistance for low-income people who want to stay in their homes but can't afford their rent.”
- “...more creative, diverse palette of development and tax incentives. Follow more diverse housing to help a variety of people and families in the neighborhood. Welcoming people back with more options on the table, incentives to fix up homes, more multifamily on a parcel of land. They can build or grow farms on the lots. There are empty lots that owners are holding on to for more money. They can tempt landowners to do something. There should be a shift from "infill at all costs with high density". We need a more nuanced decision making.”
- “Get rid of tax abatement. Level the playing field so low-middle income people can rent in the neighborhood. Require developers to have price points for middle income people in the $45,000 to $90,000 range.”
- “...help with neighboring -- an inclusive, safe and welcoming for those who might not feel welcomed.”
- “Increase the minimum wage to a living wage. This will stabilize incomes of poorer people. They could support the schools. In reality it is hard to bridge cultural engagement with such inequality.”

## Focus Groups/Community Listening Sessions

Robust and insightful conversations occurred in 12 peer-led community sessions across the city. These captured a variety of opinions on the residential tax abatement’s strengths and challenges, and garnered suggestions about the policy. The term of the current residential tax abatement was perceived as a strength by some residents, while other neighborhoods strongly indicated it was no longer necessary. All focus group participants, however, raised concerns about the impact on longtime or low-income residents, and contributed relevant policy suggestions like LOOP and capping abatements. Other suggestions included leaving the residential tax abatement policy as-is, or decreasing the 15 year limit – even in the same focus group, opinions and suggestions varied. Selected comments from listening campaign include:

***Significant impact as a result of the tax abatement:***

- “Neighborhood is safer, more vibrant, more businesses, more people living here…”
- “Not paying taxes for 15 years… made home affordable.”
- “It encourages people to live in the city.”
- “Give people an incentive to build in Cleveland”
- “…help stabilize the neighborhood.”

***Some challenges with the tax abatement:***

- “Everyone can't afford the taxes.”
- “The neighborhood is increasingly unaffordable for low-income members of the community (rental and homeowners). The accelerating tax rate threatens the ability of current residents to remain in the neighborhood.”
- “Older folks are struggling to stay. These last increases were tough… Rentals are getting priced out and many have no improvements. Affordability has changed.”
- “Very difficult for renters - rents have gone up”
- “There is a downside. If they built this house without abatement, they would be getting $8,800 from me, and 75 percent of that would go to schools... If a neighborhood turns over, people do get pushed out, I feel bad about that. There should be help for those individuals.”
- “There are a lot of people who have lived in their houses a long time and because of some of the new housing developments, taxes have increased and with their fixed incomes it makes it hard to pay them.”
- “I am new to the neighborhood but the lack of assistance to those who already own homes… causes resistance. Programs that exist seem to be out of touch with the people who actually live here as many are much older and do not trust easily.”
- “We tend to be targeted by others who think we are all wealthy.”
- “Should be aware of affordable housing in the neighborhood… Shouldn't be a us versus them mentality.”
- “I also think the neighbors resent the new neighbors moving in.”
- “While I love many of my new neighbors, I don't feel I should be enabling them via tax abatement to build an even larger or more costly home, especially when they have the means to afford a perfectly nice-sized home. We have to think about sustainability, in terms of the future market for these homes.”

***Opportunities with the tax abatement:***

- “Maintaining the balance of an economically and socially diverse neighborhood.”
- “Promote racially and economically diverse housing; develop model structures for community-oriented new construction and rehab.”
- “Programs for senior citizens so they can stay in their houses no matter how high taxes go up in a neighborhood.”
- “Some assistance in helping residents keep up their homes.”
- “There should be requirements for developers who receive any form of a tax subsidy to have a % of affordable units at different price points. (For example, a dishwasher who works in the neighborhood should be able to afford to live in the same neighborhood as an attorney.)”

***Limits on tax abatement***

- “…tax abatement is good but we have to cap it to people under 100,000 or maybe 150,000.”
- “We don't feel like we should be tax abatement at the full amount for our expensive home. We definitively think it needs to be changed - definitely changing it to something that requires affordable units in certain neighborhoods.”
- “I would like other parts of the city that are not benefiting to have 15-year tax abatement, but to have other incentives for people who might not want that. Maybe reduce to 10 years, but not more… We need all kinds of people here.”
- “Developers should be required to either have a set aside of a certain % of affordable housing or finance development of affordable housing units in the same area. A land trust could be used to disincentive capitalizing on neighborhood appreciation. "LOOP" legislation would be beneficial

as well as other protection for low-income individuals and to maintain rental protection for lower/moderate income. "Step down" could be done on a more gradual basis. "Zone bases" sounds reasonable.”

- “Shorter abatement for new builds and longer for rehabs - especially where housing stock is salvageable. It would be good to freeze tax rates for long term owners- especially those with fixed incomes.”
- “I think that a "LOOP" policy and a "circuit breaker" policy would help alleviate the pressure on long term homeowners so that they can remain in their homes. I would like to see a more nuanced tax abatement policy so only certain neighborhoods are eligible for tax abatements. Take Ohio City, Tremont, University Circle off tax abatement area or reduce the length of time in such areas to encourage development in other parts of the city. Or limit applicability of tax abatements for larger for-profit developers. Or limit the number of years tax abatements are available.”
- “Would like to see more nuance with the policy and not just a blanket policy. Once a certain threshold is reached, abatement may not be necessary in some areas. maybe not even by "neighborhood" but on a street by street basis, updated in real time. Rehab tax abatement is powerful, less harm comes from that, as long as people of all income levels have access to it. Must also take into account the racial equity aspect. CHN lease purchase is important, as is land trust model for permanent affordability.”
- “Requirement to stay after abatement is over.”
- “Income Cap.”
- “Only for a fixed income level. Only for residential property.”
- “The problem needs to be clearly articulated. There are neighborhoods (Detroit Shoreway and Ohio City) that don't need abatement, and others like Hough and Glenville that do.
- “I don't see the need for further tax abatement in Ohio City except for those who add economic diversity.”

***Desire to see some support for rehabilitation and older housing stock:***

- “I wish there were more tax abatement for rehabs than for new builds. Because I think there are some new build projects that would have been rehabs, had there been a higher incentive.”
- “Identifying strategies that allow for the redevelopment of older homes.”
- “Loans that encourage redevelopment of homes in the City.”
- “More down payment assistance programs and more home improvement programs for the other homes…”
- “…home warranties on older homes.”
- “Also, the standards, 120-year-old home may not meet green building standards, so there needs to be an understanding of how modern environmental standards fit with older housing stock.”

# VII. Recommendations

Cleveland's success is inextricably linked to the success of its neighborhoods and the opportunities available to its residents. The property tax study is part of a process to assess and develop policies to ensure that Cleveland's neighborhoods meet the needs of all residents in an equitable, inclusive fashion.

Findings from this study highlight the housing affordability challenges many Cleveland households face, due overwhelmingly to low incomes. In roughly 2% of the city, increasing home prices are also creating challenges to affordability for long-time residents because of increased property tax burdens. Whether the cause is increased assessed values or changes in millage rates, residents in a small number of areas in the city are experiencing substantive increases in their property tax burdens. The tax abatement program is not designed to address rising property taxes for long-term residents, and it may contribute to increasing property values in the limited parts of the city where abatement activity is most concentrated. Protecting long-term residents from housing displacement pressure, whatever the source, will require additional tools.

In partnership with advocates and leaders from across the state, the City should explore approaches such as circuit breakers or long-term owner-occupied programs (LOOP) that are designed to provide direct property tax relief (see Appendix III for a discussion of potential property tax relief programs). Implementing these programs will require a change in Ohio State Statute.

In partnership with the Equitable Community Development Working Group, the City should continue to explore other affordable housing policies that would directly support residents in neighborhoods experiencing displacement pressure: i.e. publicly owned land use, inclusionary zoning, and incentives for affordability. Affordability incentives might include density bonuses, design flexibility, fast track processing, and additional subsidies.

The City's Ten-Year Housing and Investment study, scheduled to begin in Summer 2020, will explore incentives that enable homeowners to invest in home repairs and rehabilitation, thus improving their quality of life and the value of their homes. This study will examine methods that mitigate the risk of investment by financial institutions, builders and developers in Cleveland's distressed, revitalizing and stable neighborhoods. A more strategic abatement program can contribute to a broader values-based housing development strategy that incentivizes priorities like higher energy efficiency, transit-oriented development, and high-quality affordable housing.

*At the time of this writing, Cleveland remains in an unprecedented crisis period only recently emerging from a State-wide stay at home order in response to the COVID-19 pandemic. All non-essential business had been closed, and since March Cuyahoga County has received an unprecedented number of unemployment filings. Given the uncertainty about what lies ahead for Cleveland's real estate market in the near, middle and long term, the study team suggests any policy action taken to amend the current tax abatement program to be done in concert with the impending Ten Year Housing and Investment Study. The recommendations presented below represent the study team's suggestions for adjustments to the tax abatement program prior to the onset of the COVID-19 pandemic.*

### Recommendation #1: Cleveland should continue to offer tax abatement for residential properties tied to green construction standards.

Among study participants - private sector, nonprofit, and public sector stakeholders and residents – there was near-universal agreement that the abatement is still a productive tool for encouraging new development that both retains existing residents and helps attract new residents to the city. While the City's existing tax abatement program can and should be improved, it remains an important way to support the continued recovery in the Cleveland housing market, which has yet to fully recover from housing foreclosure crisis. Overall single-family residential sales volumes were 14,975 in 2017 and 2018, starting to approach pre-recession peaks in 2004 and 2005 (16,155). The median home price of home sold in Cleveland between 2017 and 2018 was $38,500—a price still affordable to many households in the city and region.

Use of the abatement has declined substantially since 2006 for single family development (894 new abatements in 2006 v. 186 in 2018) but the increase in multi-family projects has meant that the dollar value of abatements in 2018 (about $4.2M) is commensurate with 2007. The City stands to begin realizing benefits from the current tax abatement program as a substantial number of previously abated parcels begin coming back onto the tax rolls. These 'deferred revenues' represent returns on the initial investment of foregone revenue. Additionally, stakeholders whose business models may change if the program changes repeatedly cited the simplicity and predictability of the current program as a critical feature. Any actions to adjust the abatement program should consider the implications of additional complexity for developers, lenders, homeowners, and the City administration.

## Recommendation #2: Cap the maximum abated value for single family abatements at $300,000.

In recent years, abatements have become more geographically concentrated, with a larger share of abatements issued in high pressure and high price markets. Residents and stakeholders both affirmed the need for new, quality development that is affordable for a diverse array of families in the city. Finding ways to encourage the use of the abatement for homes at a range of different price points, while maintaining the incentive provided by the program, requires careful balance.

A broad group of private, public and nonprofit stakeholders, and residents supported capping the maximum value of the abatement for single-family homes, in order to encourage a wider array of development types. A cap on the maximum abated value for single-family units would help ensure that benefits from the abatement program are not disproportionately going to the most expensive homes. Setting the cap at $300,000 per housing unit would continue to provide tax relief for most households—99% of single-family homes sold in Cleveland between 2017 and 2018 were for less than $300,000, although 23% of abated parcels in 2017 and 2018 sold for more $300,000. Setting a cap at this level will primarily impact households for whom the abatement may not be the deciding factor in their purchasing decisions.

For example, new single-family units valued at $400,000 would still receive an abatement on $300,000 of the value of the unit, but the additional $100,000 in assessed value would be subject to property tax. Any cap adopted should be annually adjusted for inflation. Establishing a cap would also provide the City with flexibility to make exceptions that meet strategic and/or values-based priorities. Any exceptions should be clearly delineated so that home buyers and developers know who is eligible for a cap-waiver and under what conditions.

## Recommendation #3: Implement a "but-for" requirement for market rate multi-family projects with abatement values above $5 million.

A “but-for” test makes a determination that the activity that qualifies for an abatement would not occur without (‘but for’) the abatement tax incentive. Residents who participated in the study expressed concerns that benefits of the tax abatement went primarily to large developers. While large multi-family developments make up only a small share of all tax abatements issued each year, their numbers have grown, and these projects represent a disproportionate share of the total value of abated properties in the city. Requiring a higher burden of proof for large projects will help ensure that the abatement will only go to multi-family projects that could not be built without the subsidy. Exceptions to the ‘but-for’ requirement should include all affordable housing developments, in addition to market rate multi-family projects where at least a third of units are designated affordable housing.

Documenting the need for subsidy creates additional costs for developers. Targeting the requirement to largest projects—among the 110 multi-family developments that received an abatement between 2015 and 2019, only 12 (11%) had an abatement with a market value above $5 million—will help ensure that the requirement will not unnecessarily stifle development in the city. Any threshold adopted to trigger a “but for” requirement should also be annually adjusted for inflation.

## Recommendation #4: Establish a framework for community benefits agreements (CBAs) for developers of multi-family market rate in block groups experiencing high displacement pressure.

CBAs are signed contracts between the City (or community development corporation) and real estate developers that requires the developer to provide specific amenities and/or mitigations to the local community or neighborhood where they are engaged in development activity. Residents who participated in the study supported the idea of creating a pool of funds to maintain affordability in a neighborhood or support existing residents in rehabilitation.

The CBAs would be required for developers of multi-family market rate units where the projected median rents would exceed affordability thresholds for households earning up to 120% of the Area Median Income in the 9 block groups identified as ‘high pressure’. The terms of the CBAs should be established to ensure they are aligned with the City’s broader housing strategy. Any CBA framework should be simple and consistent for developers and should consider the following types of provisions:

- Contributions to a City Affordable Housing Fund to support affordable housing development;
- Established set-asides for the inclusion of affordable units in market rate developments;
- Require that any benefits accrued from CBAs are deployed within the block group and/or neighborhood where the abated parcels are located.

Any threshold adopted to trigger a CBA should be annually adjusted for inflation. Updates to designated areas where the CBA will apply should be conducted at regular intervals that are clearly communicated to the public and developers. CBAs would only attach to individual projects at the time abatements are approved in designated block groups.

### **Recommendation #5:** Develop a specific housing market displacement pressure threshold under which the City would automatically trigger adjustments to the tax abatement time period and percentage by block group.

The use of the tax abatement has become more concentrated in a smaller set of 'high price, high pressure' neighborhoods; these places represent roughly 2% of the city's total block groups. Between 2004 and 2008 only 7% of abatements were issued for parcels in high price, high pressure areas, while between 2014 and 2018, 22% of abatements were issued for parcels in high price, high pressure areas. The increasing concentration of tax abatements in a very limited number of higher priced and higher-pressure housing markets stands in opposition to the expressed interests of residents and institutional stakeholders who participated in the study, that the abatement serve as a tool to incentivize reinvestment and redevelopment across Cleveland.

Targeting the abatement geographically—reducing abatement terms or implementing a value step-down approach in hotter real estate markets—received mixed support from institutional stakeholders. While residents were largely in favor of this type of change, many developers, lenders, and housing experts felt the city's housing markets were still too fragile, even in hot markets, to reduce the value of the abatements. These stakeholders also cited administrative hurdles to implementing a geographic component to the abatement. The City should seriously consider and plan these for prior to making any place-based modifications to the abatement program. These include, but are not limited to clearly defining eligibility criteria and the data that will be used for establishing geographic boundaries, establishing time periods for reassessment of these boundaries, establishing provisions for exceptions for projects approved under one set of rules but completed under another, and having clear communications mechanisms to ensure developers and residents understand eligibility criteria.

The housing market in Cleveland remains very challenged, and any system to adjust the tax abatement geographically should be carefully calibrated to the level of strength in the housing market. Residents who participated in the study perceived concentrated development as an issue. These residents generally agreed that the tax abatement policy should have an automatic trigger, based on displacement pressure, that would limit tax abatement. To respond to institutional stakeholder's concerns, the system should include clear and objective standards for defining eligibility, a transparent system for updating definitions, and adequate safeguards to ensure project development pipelines are not negatively impacted by future updates.

### **Recommendation #6:** Implement process improvements to enhance transparency and streamline the application timelines.

Feedback from stakeholders that use and are impacted by the tax abatement program identified a number of pain-points in the abatement application process that could be improved. In conversations with developers, many expressed frustrations with the application itself, which to fully complete can be a lengthy and time-consuming process.

The application process is particularly cumbersome for homeowner- and small developer-led renovations. Among small-scale and emerging developers, there was substantial confusion about when in the project timeline developers should be submitting the abatement application. Other taxing authorities in the region expressed frustration with what they saw as a lack of transparency in where abatements were likely to occur, making it difficult to align their activities and pending projects.

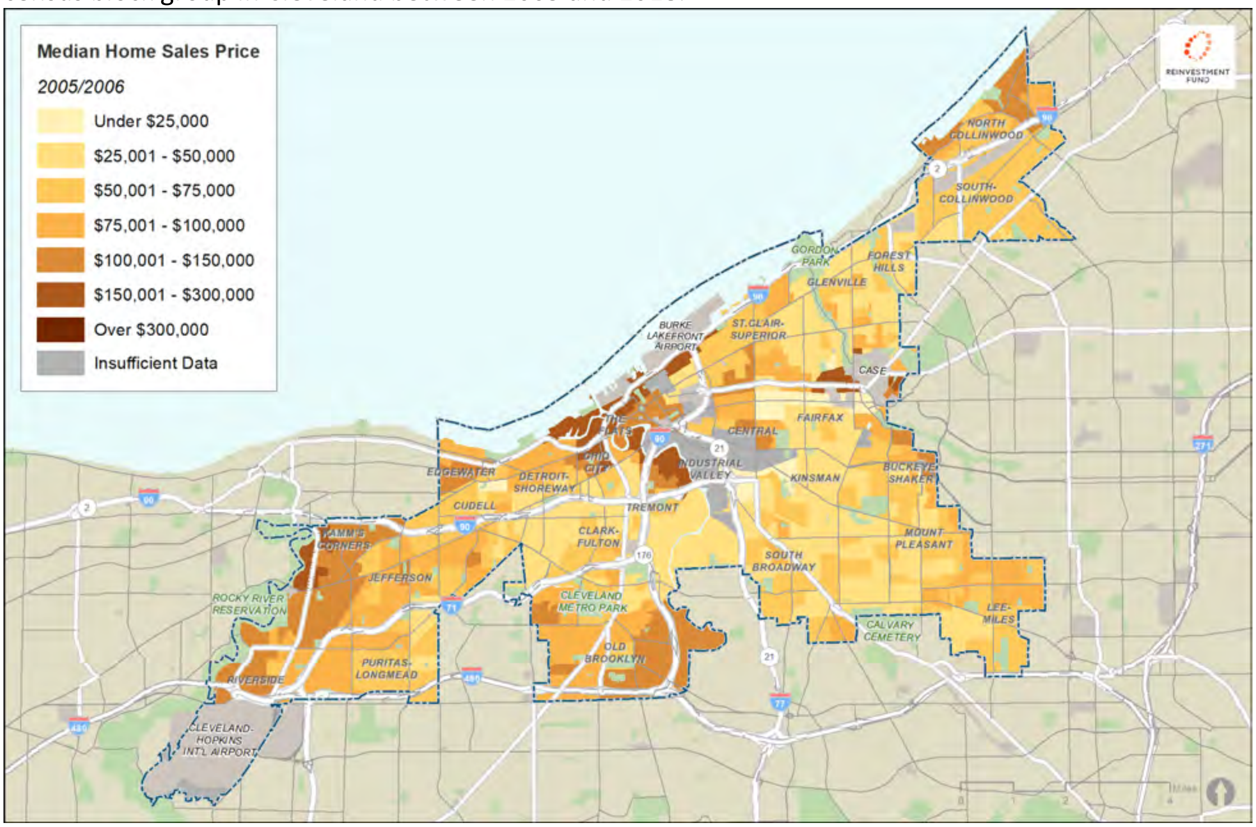
While many components of the abatement application are likely required by state statute or administrative expediency, the City should review the abatement application process with an eye towards simplifying and streamlining the application itself and creating a point in the application approval process to notify the area taxing authorities of pending or approved abatements.

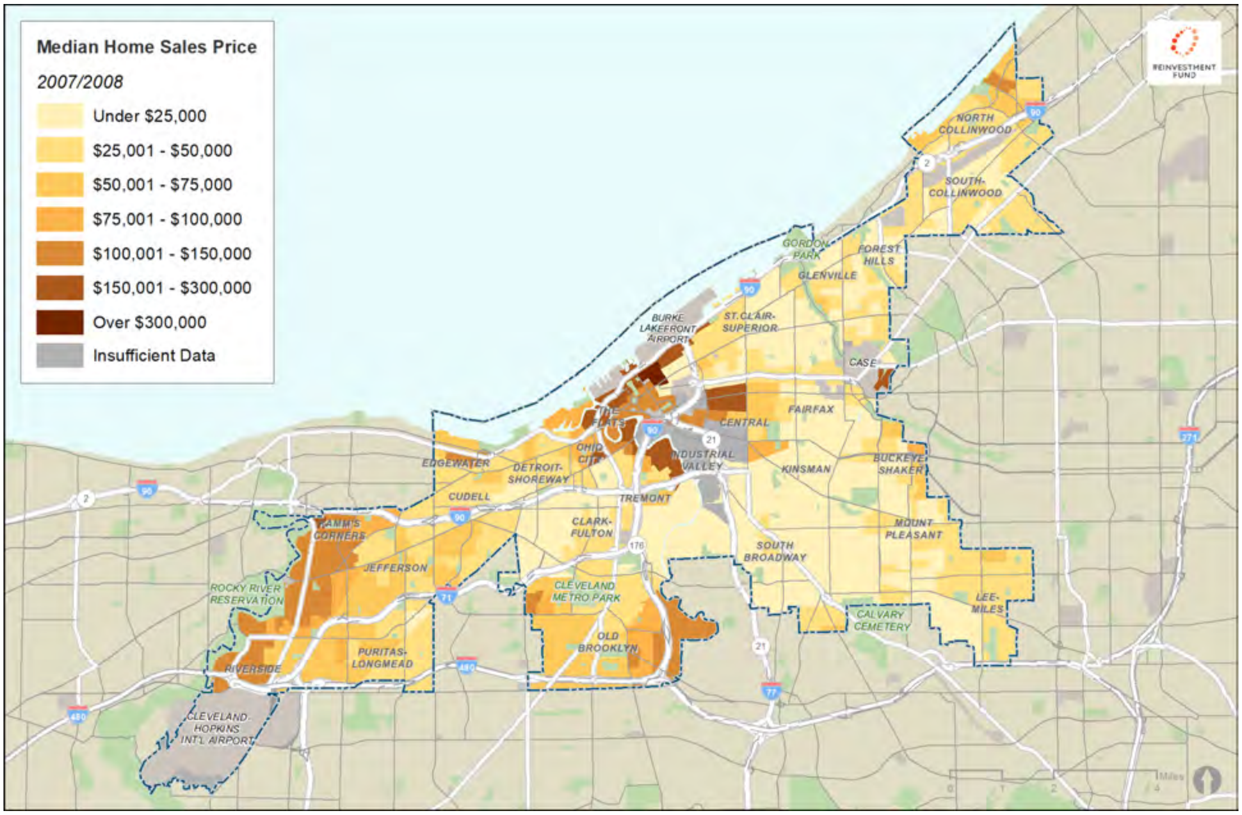
# APPENDIX I

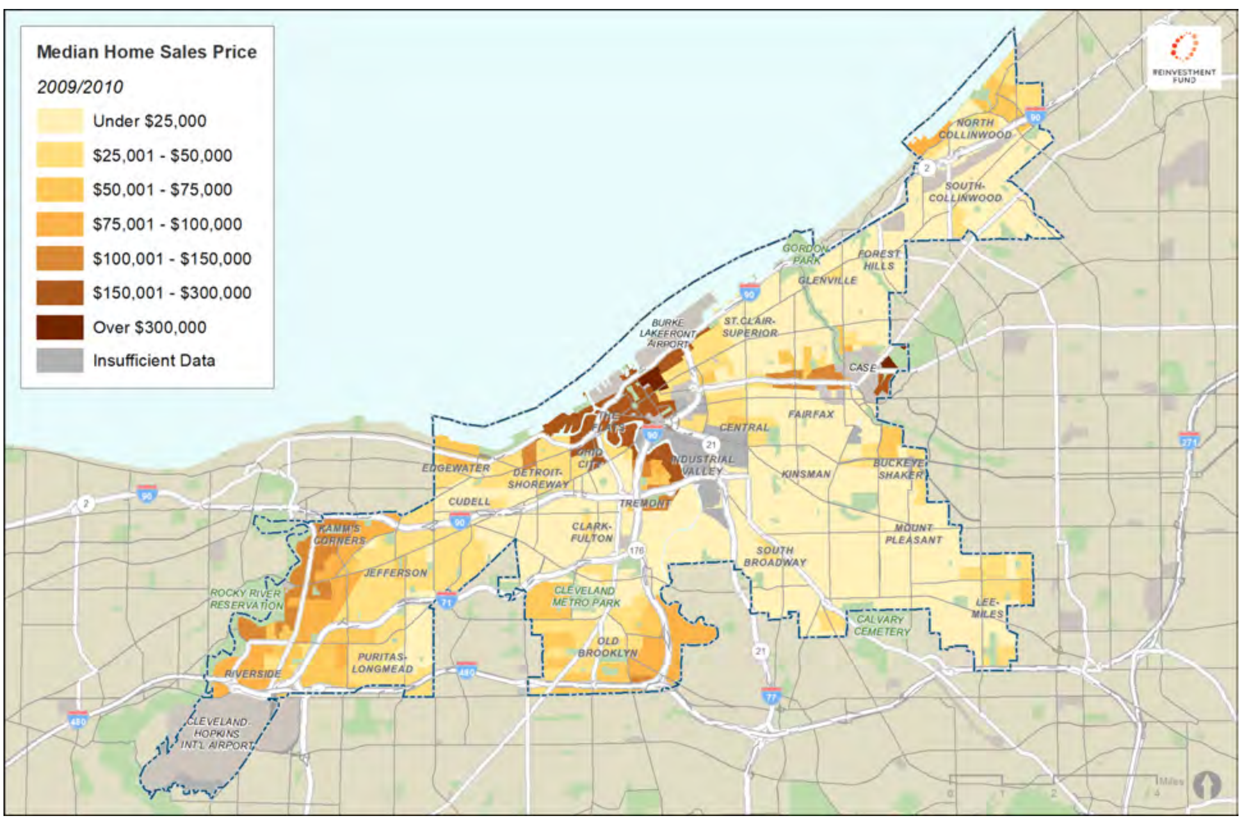
# Appendix I – Supplementary Maps & Data Tables

## Cleveland Median Home Sales Prices 2005 to 2018

The project team analyzed residential property transactions collected from the NEOCANDO property transactions database. The following maps show the median residential property sales prices in each census block group in Cleveland between 2005 and 2018.




Median Home Sales Price
2007/2008
Under $25,000
$25,001 - $50,000
$50,001 - $75,000
$75,001 - $100,000
$100,001 - $150,000
$150,001 - $300,000
Over $300,000
Insufficient Data
NORTH COLLINWOOD
SOUTH-COLLINWOOD
GORDON PARK
FOREST HILLS
GLENVILLE
BURKE LAKEFRONT AIRPORT
ST. CLAIR-SUPERIOR
CASE
FAIRFAX
CENTRAL
EDGEWATER
DETROIT-SHOREWAY
OHIO CITY
INDUSTRIAL VALLEY
KINSMAN
BUCKEYE-SHAKER
CUDELL
TREMONT
KAMM'S CORNERS
CLARK-FULTON
MOUNT PLEASANT
JEFFERSON
SOUTH BROADWAY
ROCKY RIVER RESERVATION
CLEVELAND METRO PARK
LEE-MILES
CALVARY CEMETERY
PURITAS-LONGMEAD
OLD BROOKLYN
RIVERSIDE
CLEVELAND-HOPKINS INT'L AIRPORT


Median Home Sales Price
2009/2010
Under $25,000
$25,001 - $50,000
$50,001 - $75,000
$75,001 - $100,000
$100,001 - $150,000
$150,001 - $300,000
Over $300,000
Insufficient Data
NORTH COLLINWOOD
SOUTH-COLLINWOOD
GORDON PARK
FOREST HILLS
GLENVILLE
BURKE LAKEFRONT AIRPORT
ST. CLAIR-SUPERIOR
CASE
FAIRFAX
CENTRAL
EDGEWATER
DETROIT-SHOREWAY
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INDUSTRIAL VALLEY
KINSMAN
BUCKEYE-SHAKER
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SOUTH BROADWAY
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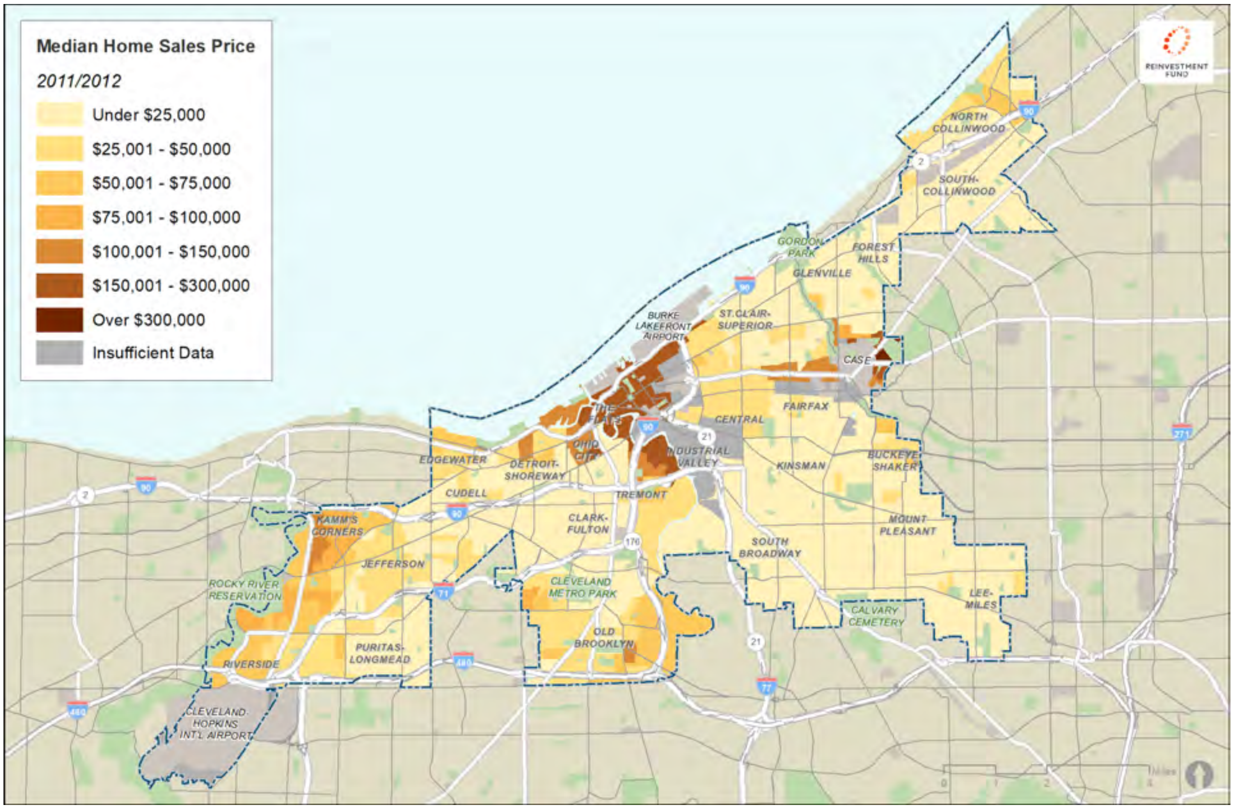
Median Home Sales Price
2011/2012
Under $25,000
$25,001 - $50,000
$50,001 - $75,000
$75,001 - $100,000
$100,001 - $150,000
$150,001 - $300,000
Over $300,000
Insufficient Data
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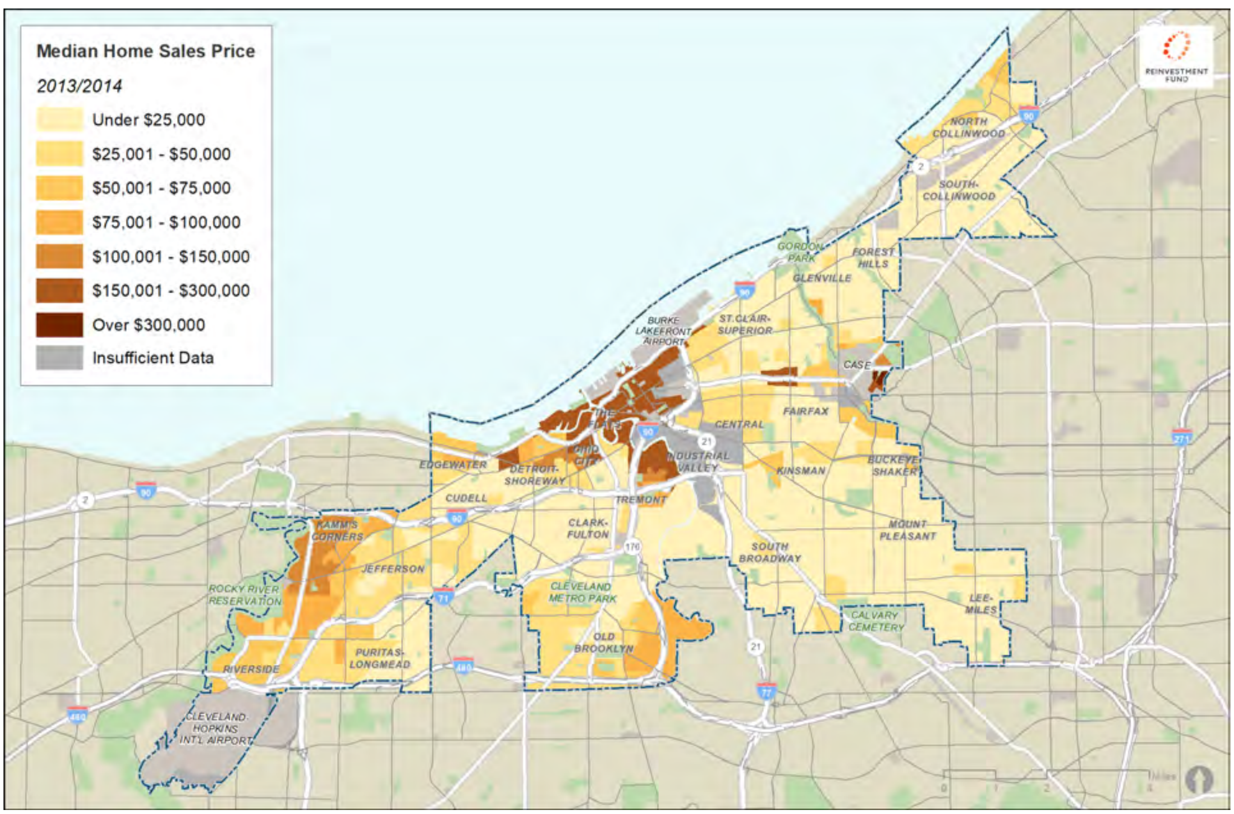
Median Home Sales Price
2013/2014
Under $25,000
$25,001 - $50,000
$50,001 - $75,000
$75,001 - $100,000
$100,001 - $150,000
$150,001 - $300,000
Over $300,000
Insufficient Data
NORTH COLLINWOOD
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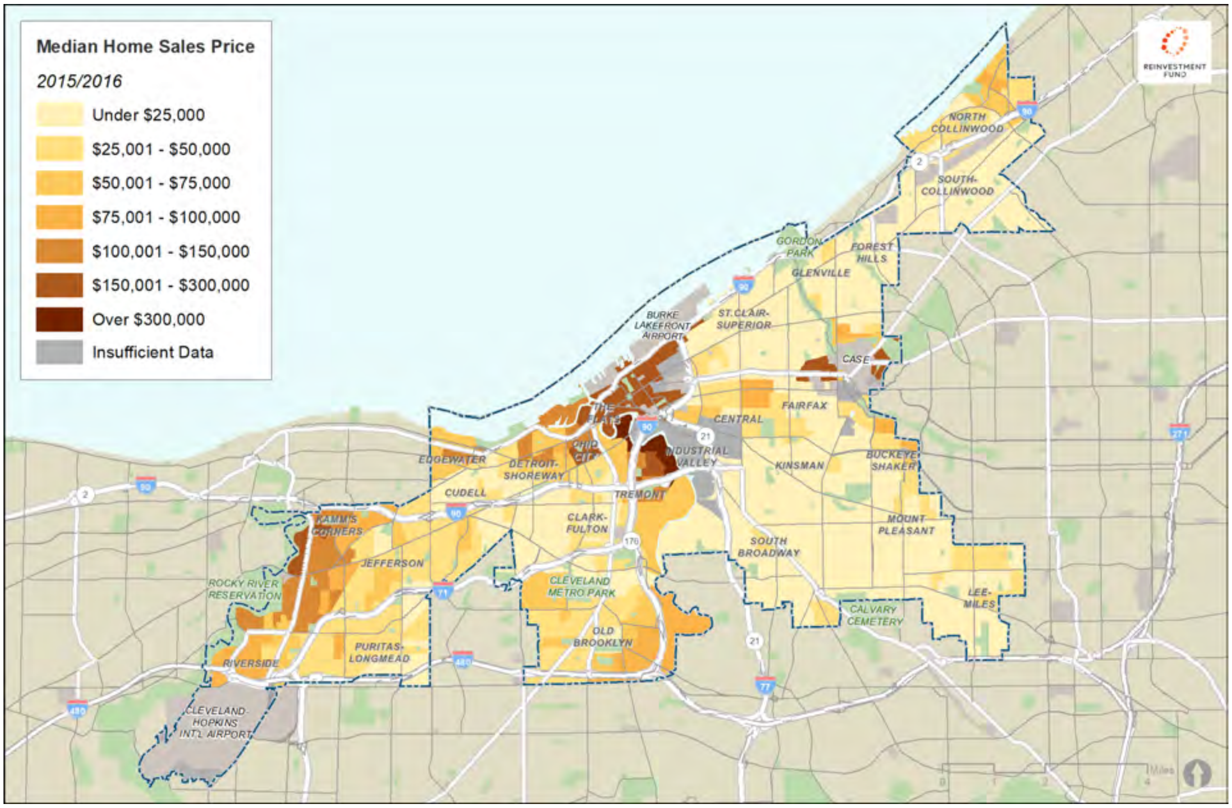
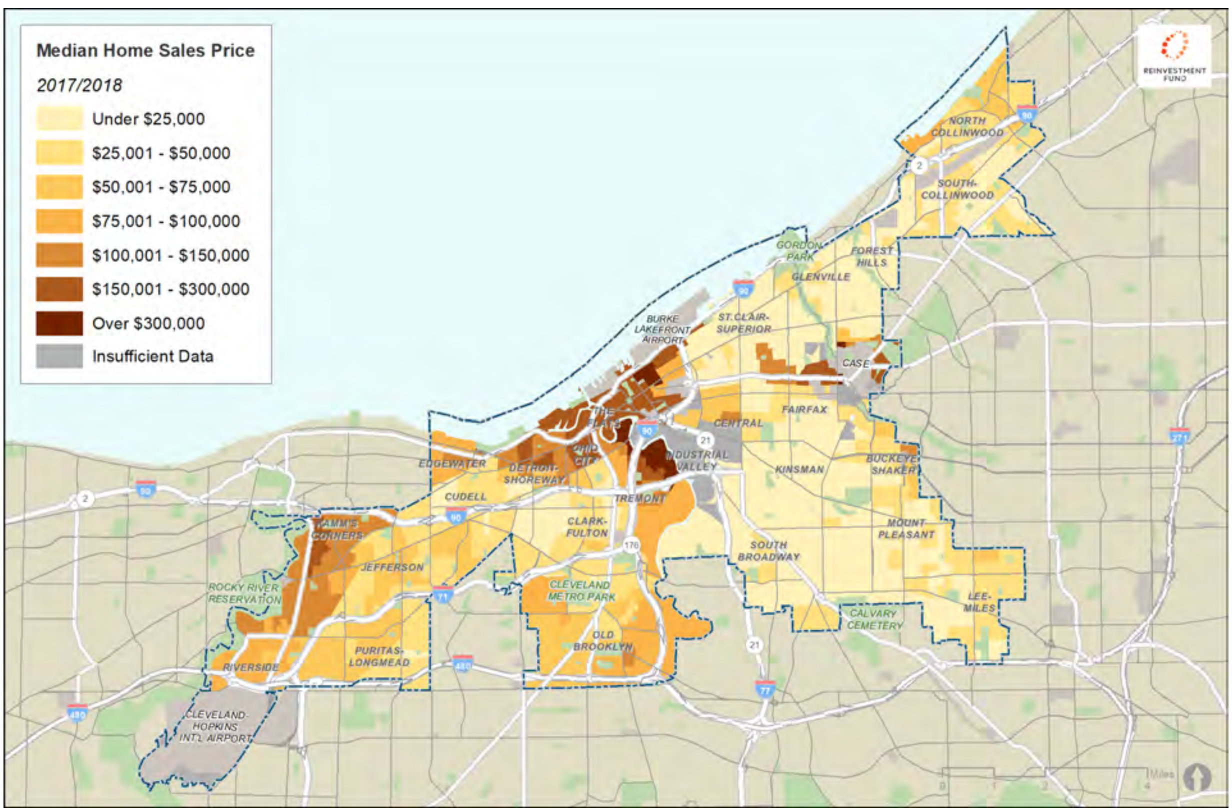


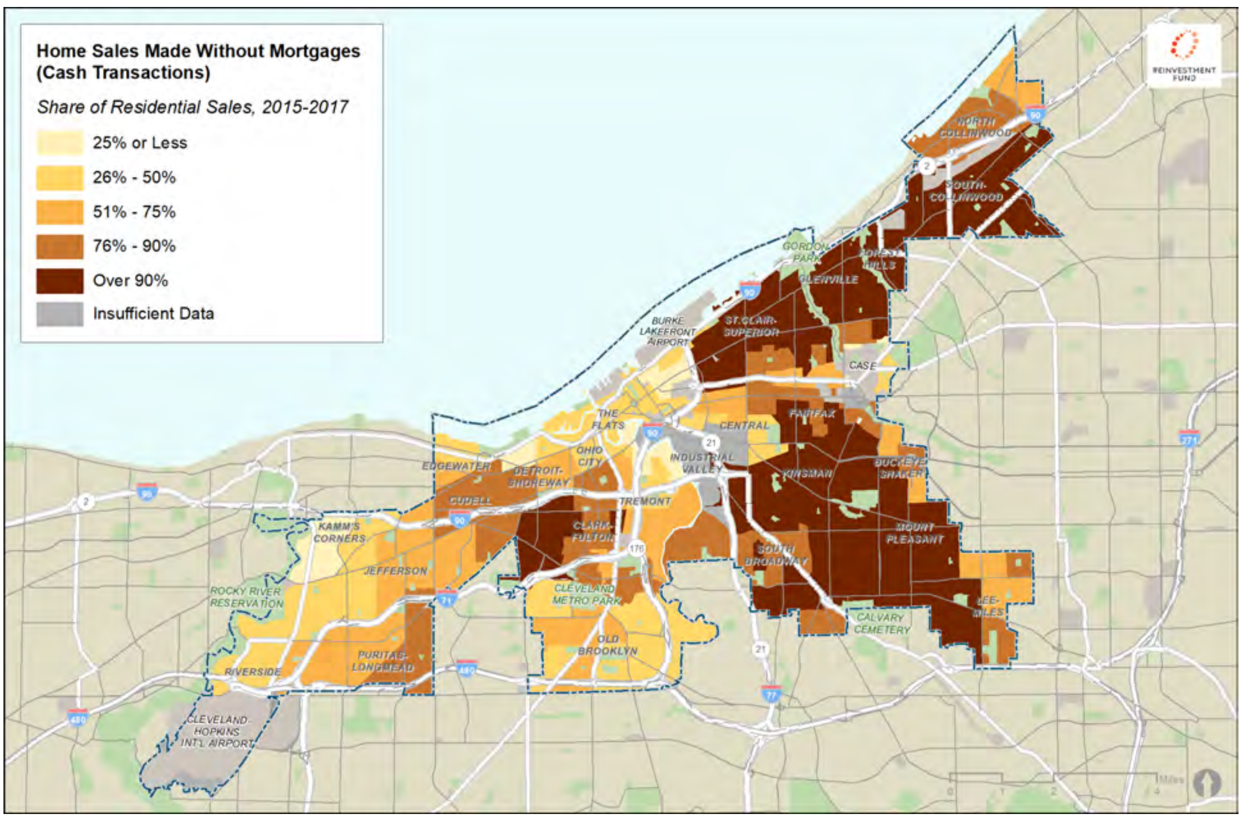




Source: *Reinvestment Fund Analysis of NEOCANDO Property Transaction Data; Medians Calculated at Census Block Group Level*

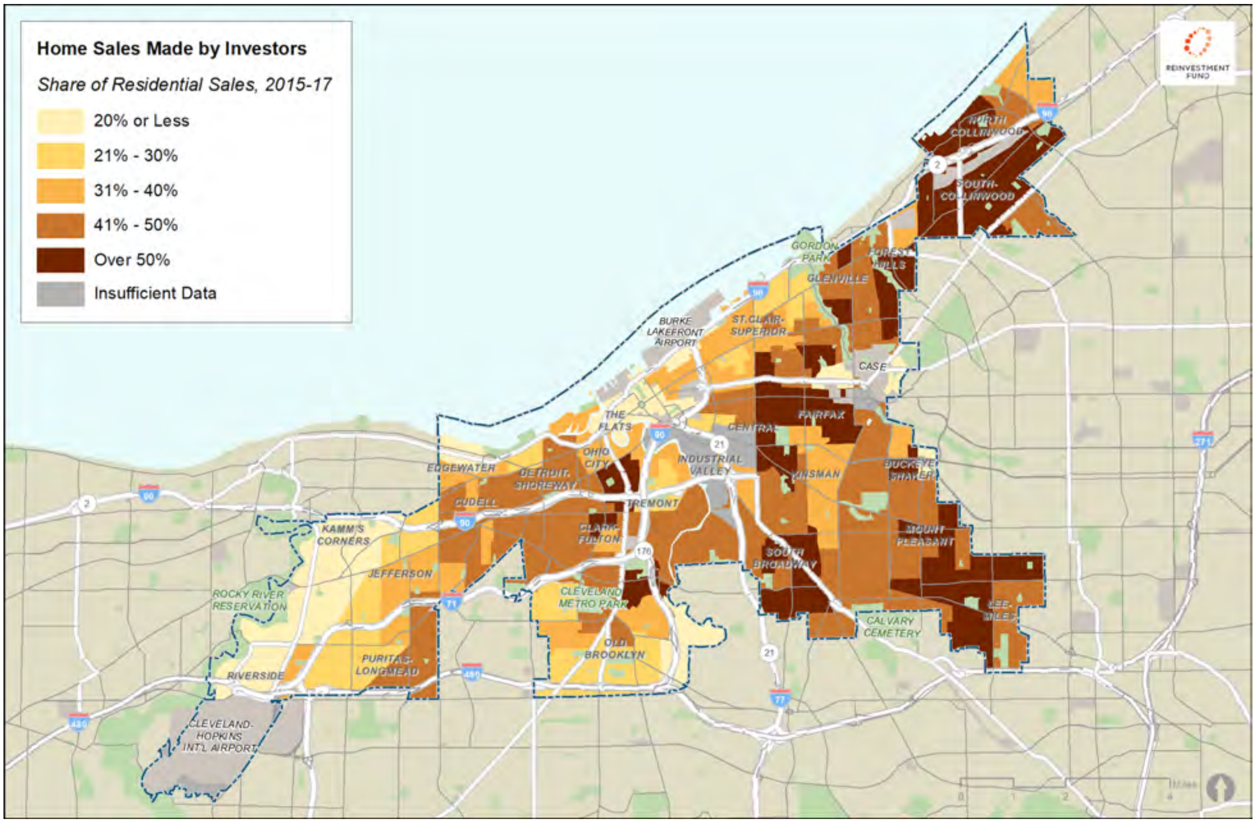
## Mortgage Usage and Investor Purchasers

Many of the actors in Cleveland's housing market are not traditional home buyers, using a conventional mortgage to purchase a home. To estimate the share of home sales that occurred without the use of a conventional mortgage, the Project Team compared the number of residential property transactions in each census tract with the number of originated home purchase mortgages in each census tract. The difference between the number of transactions that occurred and the number of mortgages that were originated represents the number of all cash home sales or property transactions without a conventional mortgage.

| | Total | Share |
|---|---|---|
| **Total Home Purchase Applications, 2015 – 2017** | **7,476** | **100%** |
| Rejected | 1,057 | 14% |
| Withdrawn | 801 | 11% |
| Originated | 5,619 | 75% |
| | | |
| **Residential Property Transactions, 2015 – 2017** | **19,548** | **100%** |
| Estimated Conventional Mortgage Transactions | 5,619 | 29% |
| Estimated Cash Transaction | 13,929 | 71% |




In addition, many of the residential transactions in the city involve an institutional buyer, such as an LLC, a bank, or individual investor. Between 2015 and 2017, an estimated 41% of home sales in Cleveland were to institutional buyers.



Home Sales Made by Investors
Share of Residential Sales, 2015-17
20% or Less
21% - 30%
31% - 40%
41% - 50%
Over 50%
Insufficient Data
NORTH COLLINWOOD
SOUTH COLLINWOOD
GORDON PARK
FOREST HILLS
GLENVILLE
BURKE LAKEFRONT AIRPORT
ST.CLAIR-SUPERIOR
CASE
THE FLATS
CENTRAL
FAIRFAX
OHIO CITY
INDUSTRIAL VALLEY
EDGEWATER
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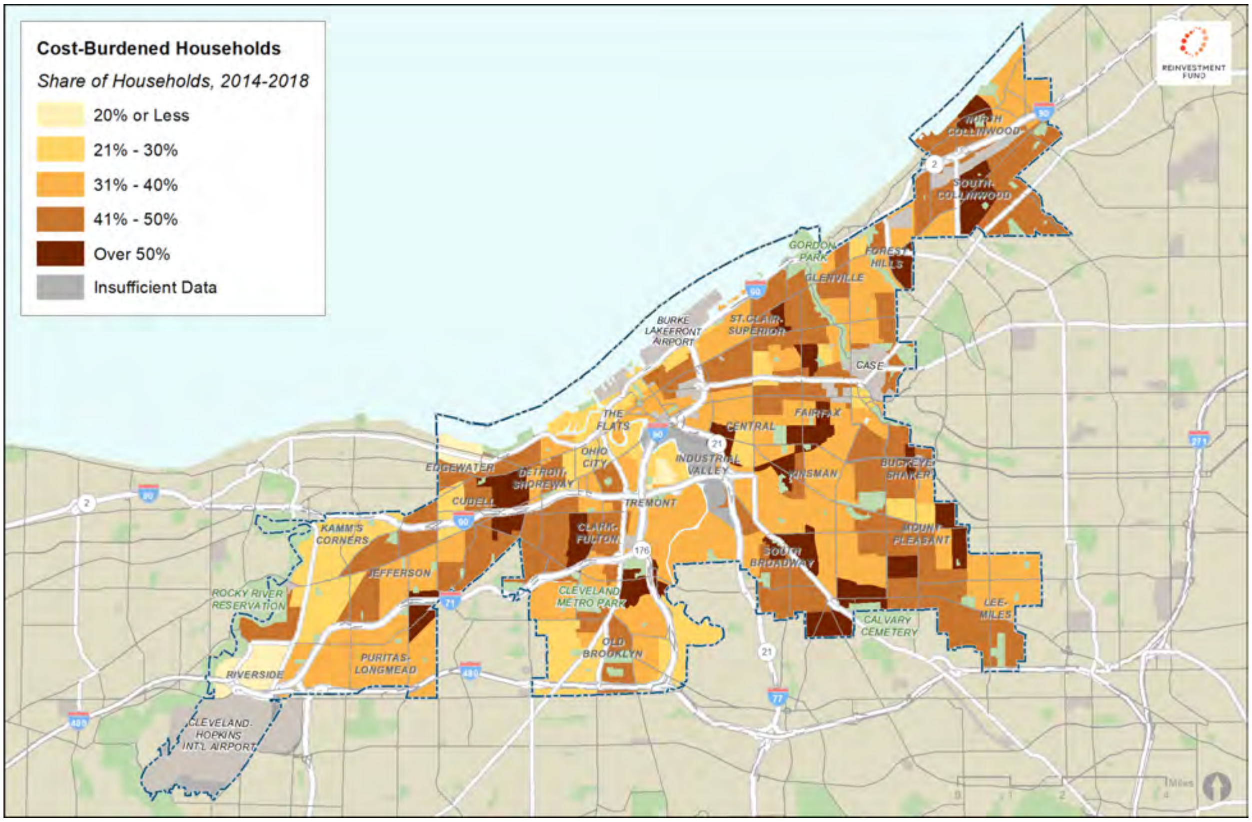
## Housing Cost Burdens

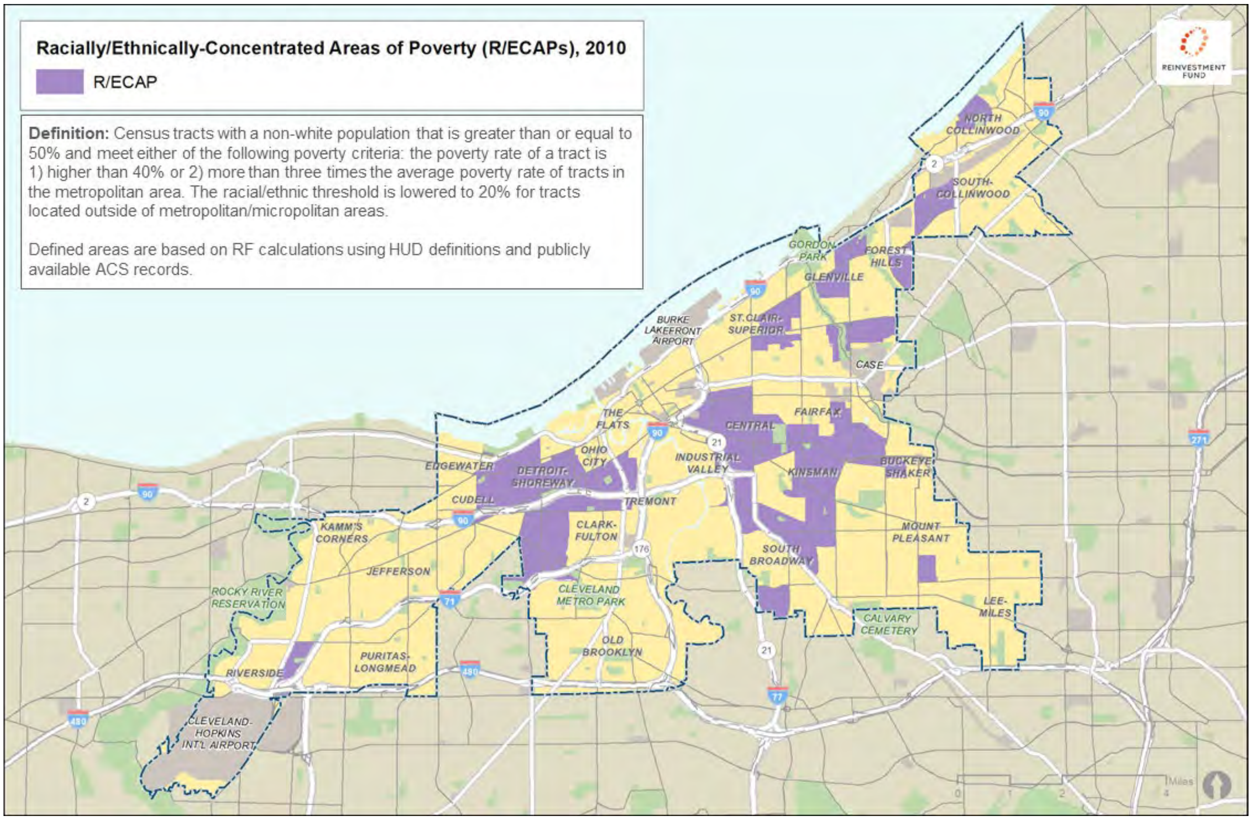
Researchers consider households that spend more than 30% of their income on housing to be "cost burdened". This threshold is particularly important for low income residents who are left with very limited resources to meet their needs under these circumstances. In 2014 – 2018, 39% of all households (owners and renters) in Cleveland were considered cost burdened.

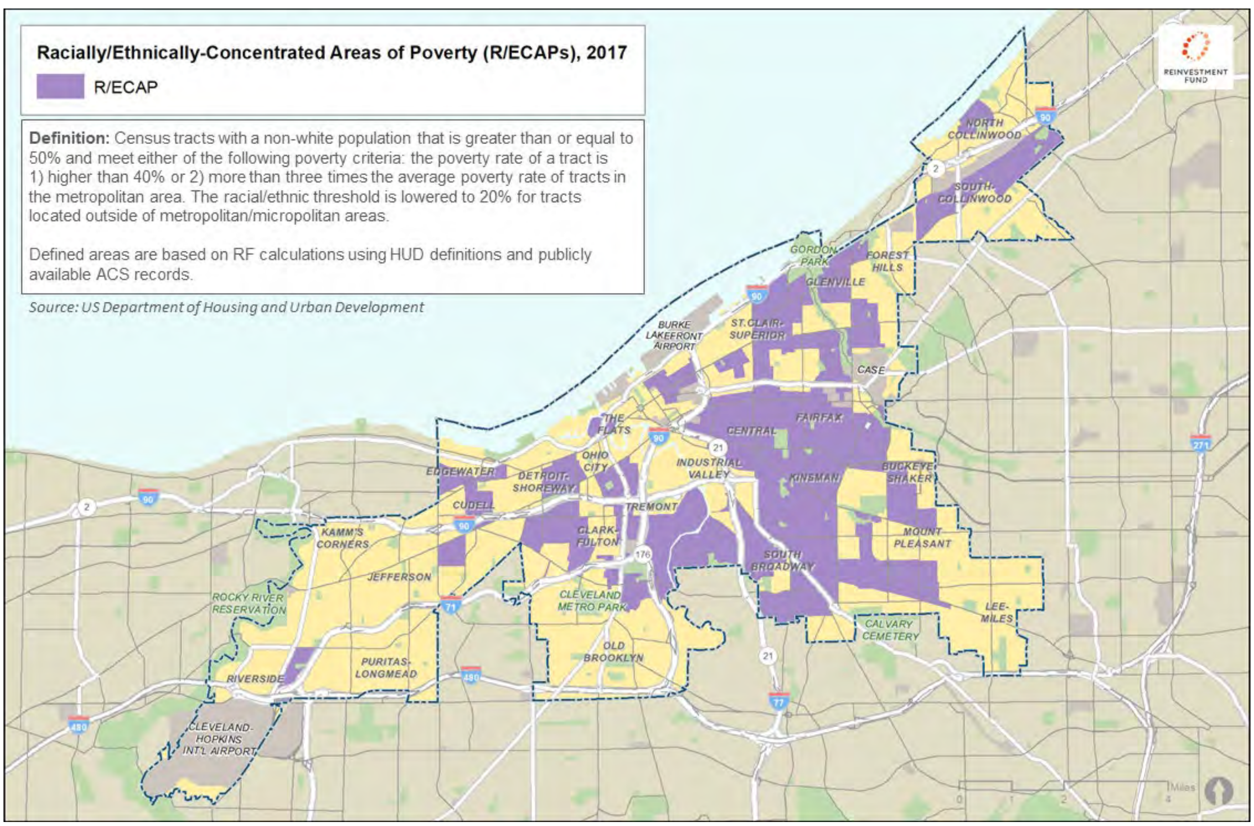



Elevated levels of housing cost burdens, particularly on the east side of the city, are primarily related to low incomes, rather than elevated housing prices. Many homes in Cleveland sell for prices that, in theory, should be affordable to households in the city. The table below shows the share of homes that sold between 2015 and 2018 that were, in theory, affordable to households earning 80%, 100%, 120%, and 200% of the city's median income. Even when homes are affordable based on a household's level of income, barriers such as a lack of savings, low credit scores, or the physical condition of housing may act as barriers.

| | 80% City Median Income | 100% City Median Income | 120% City Median Income | 200% City Median Income |
|---|---|---|---|---|
| Household Income (ACS, 2014-2018) | $23,206 | $29,008 | $34,810 | $58,016 |
| Affordable Home Price (3x Annual Income) | $69,619 | $87,024 | $104,429 | $174,048 |
| Share of Homes Sold at or Below Affordable Price, 2015-2018 | 75% | 82% | 86% | 95% |

# Racial and Ethnically Concentrated Areas of Poverty (R/ECAPs)



# Displacement Risk Ratio

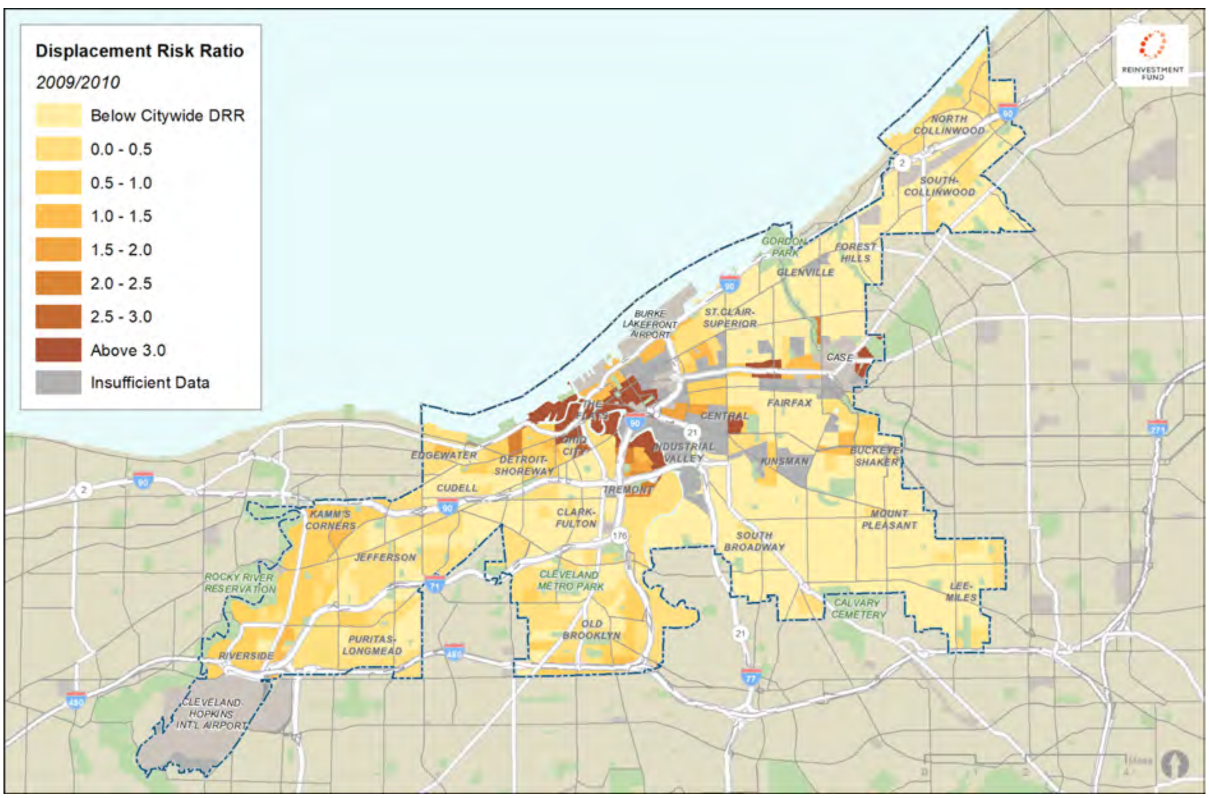
## Calculating Displacement Risk Ratios

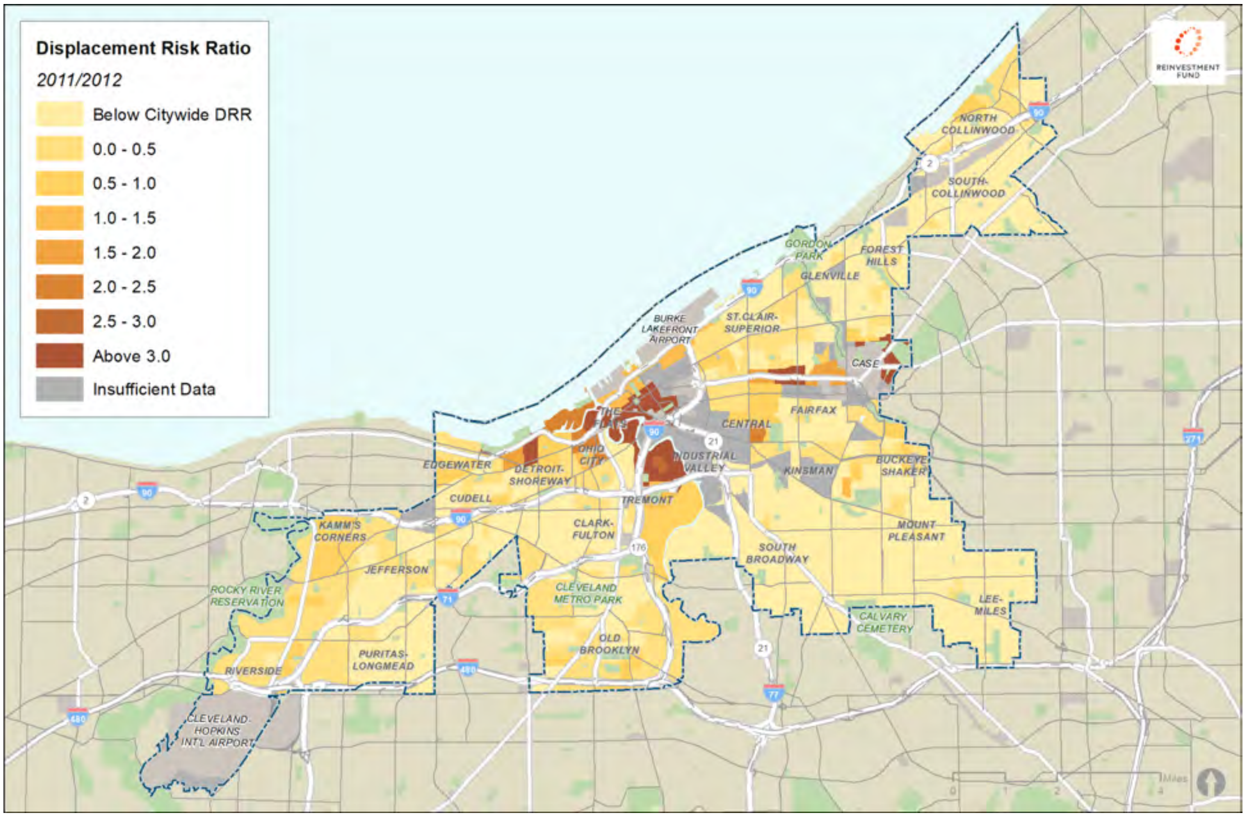
Rapid housing price appreciation can lead to displacement pressure for long-term owners and renters when property taxes and/or rents increase in a community. To understand the presence of residential displacement in the city's housing market, the project team estimated a Displacement Risk Ratio (DRR) for every block group in the city. The DRR is a measure of residential displacement pressure that compares the ratio between median sales prices over time and median household incomes at a fixed point in time to identify places where the economic profile of households that can afford to live in an area has changed. Although the DRR does not explicitly measure rents, rent levels typically follow changes in home prices.

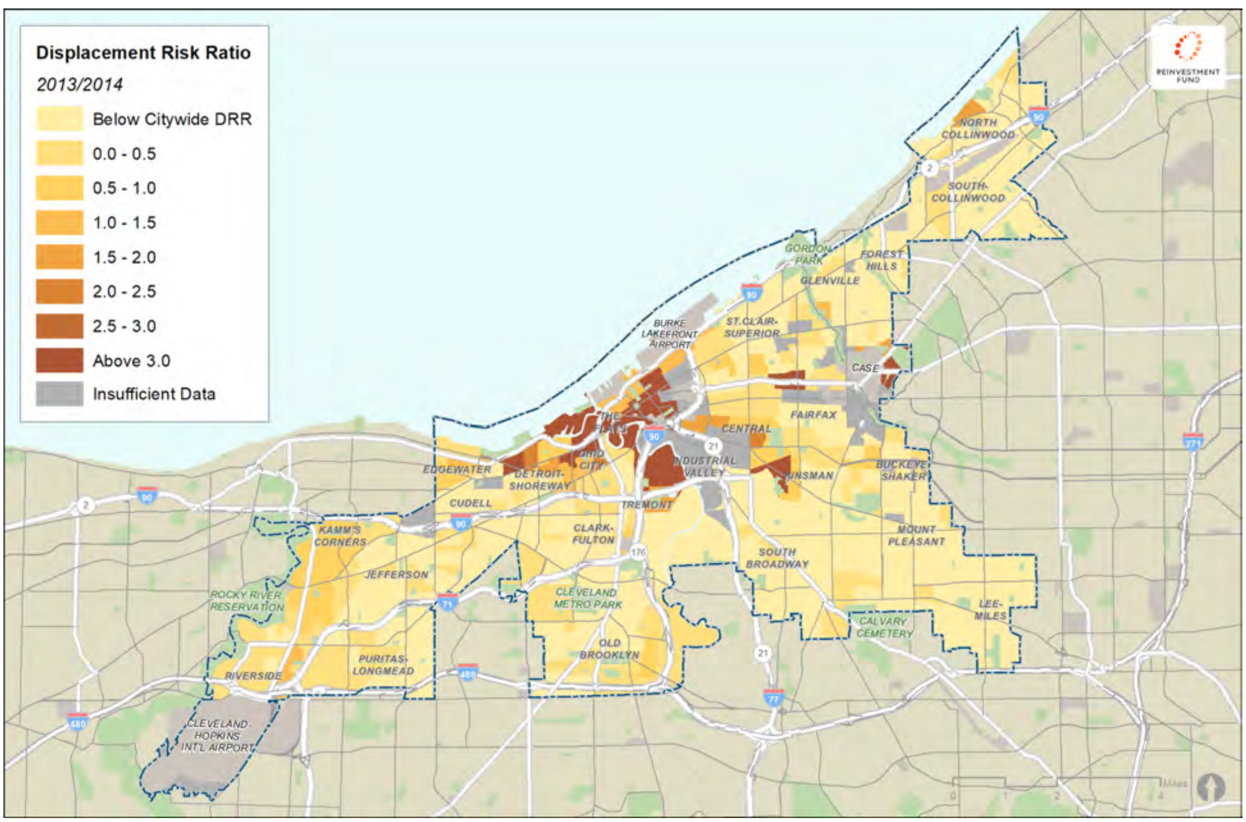
Values are calculated in each block group and adjusted for citywide trends. The formula below shows how DRR values would be calculated for one block group in 2017-18 using 2000 as the base year.

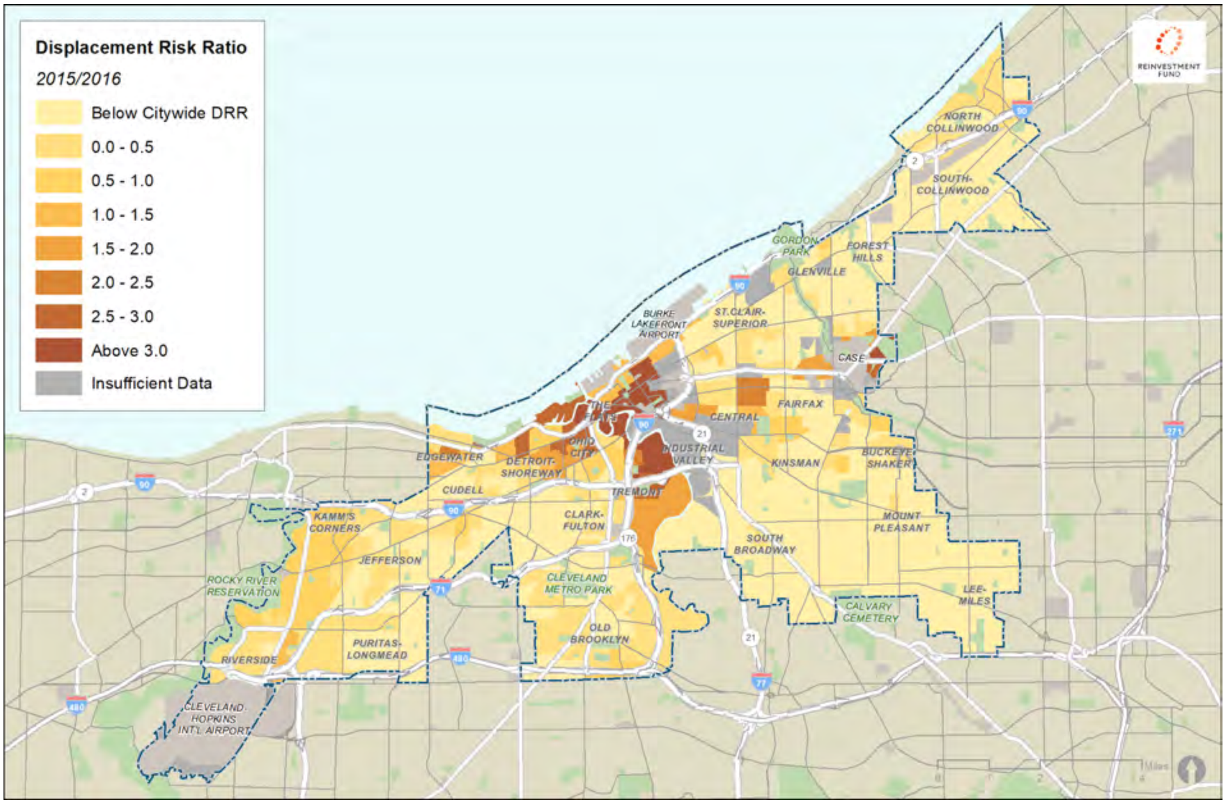
$$DRR_{2017-18} = \frac{Block\ Group\ Median\ Price_{2017-18}}{Block\ Group\ Median\ Household\ Income_{2000}} - \frac{Citywide\ Median\ Price_{2017-18}}{Citywide\ Median\ Household\ Income_{2000}}$$

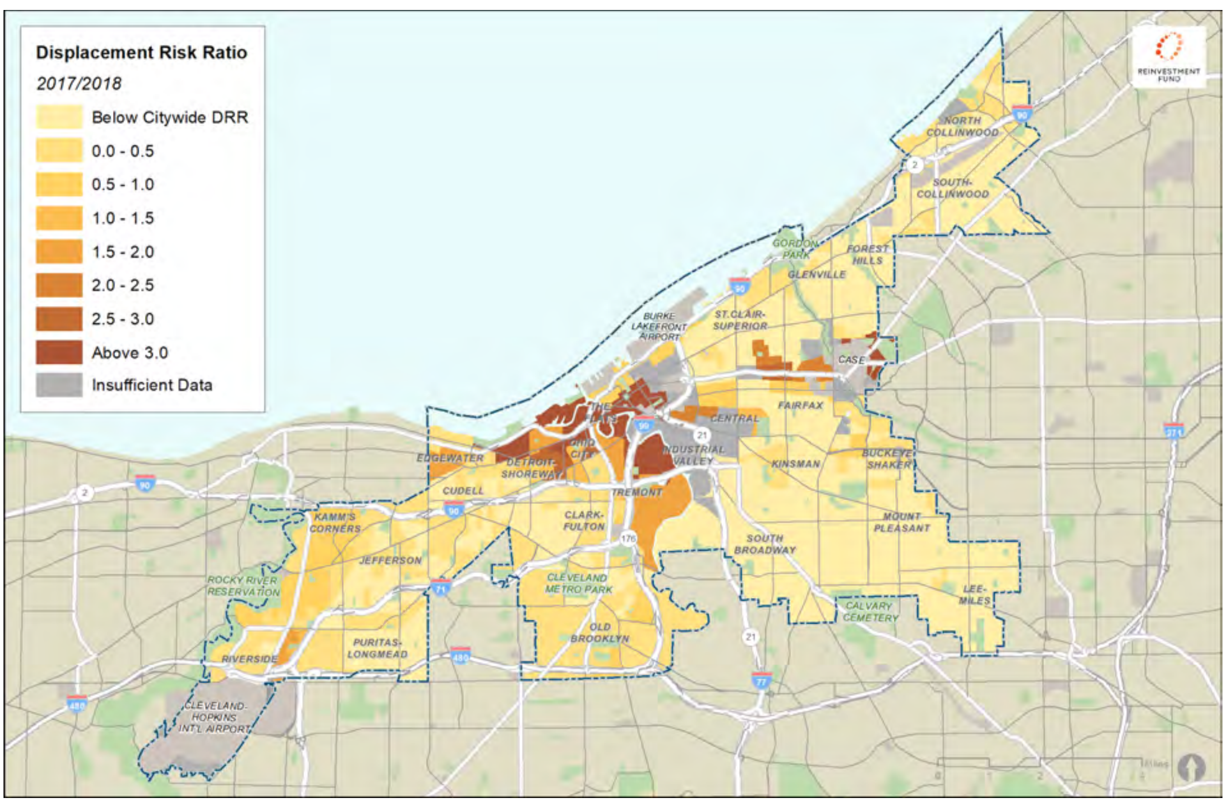
The following maps show DRR values in each block group between 2009/10 and 2017/18.




Displacement Risk Ratio
2011/2012
Below Citywide DRR
0.0 - 0.5
0.5 - 1.0
1.0 - 1.5
1.5 - 2.0
2.0 - 2.5
2.5 - 3.0
Above 3.0
Insufficient Data
REINVESTMENT FUND
NORTH COLLINWOOD
SOUTH COLLINWOOD
GORDON PARK
FOREST HILLS
GLENVILLE
BURKE LAKEFRONT AIRPORT
ST.CLAIR-SUPERIOR
CASE
FAIRFAX
CENTRAL
EDGEWATER
DETROIT-SHOREWAY
OHIO CITY
INDUSTRIAL VALLEY
KINSMAN
BUCKEYE-SHAKER
CUDELL
TREMONT
KAMM'S CORNERS
CLARK-FULTON
MOUNT PLEASANT
SOUTH BROADWAY
JEFFERSON
ROCKY RIVER RESERVATION
CLEVELAND METRO PARK
LEE-MILES
CALVARY CEMETERY
OLD BROOKLYN
PURITAS-LONGMEAD
RIVERSIDE
CLEVELAND-HOPKINS INT'L AIRPORT


Displacement Risk Ratio
2013/2014
Below Citywide DRR
0.0 - 0.5
0.5 - 1.0
1.0 - 1.5
1.5 - 2.0
2.0 - 2.5
2.5 - 3.0
Above 3.0
Insufficient Data
REINVESTMENT FUND
NORTH COLLINWOOD
SOUTH COLLINWOOD
GORDON PARK
FOREST HILLS
GLENVILLE
BURKE LAKEFRONT AIRPORT
ST.CLAIR-SUPERIOR
CASE
FAIRFAX
CENTRAL
EDGEWATER
DETROIT-SHOREWAY
OHIO CITY
INDUSTRIAL VALLEY
KINSMAN
BUCKEYE-SHAKER
CUDELL
TREMONT
KAMM'S CORNERS
CLARK-FULTON
MOUNT PLEASANT
SOUTH BROADWAY
JEFFERSON
ROCKY RIVER RESERVATION
CLEVELAND METRO PARK
LEE-MILES
CALVARY CEMETERY
OLD BROOKLYN
PURITAS-LONGMEAD
RIVERSIDE
CLEVELAND-HOPKINS INT'L AIRPORT



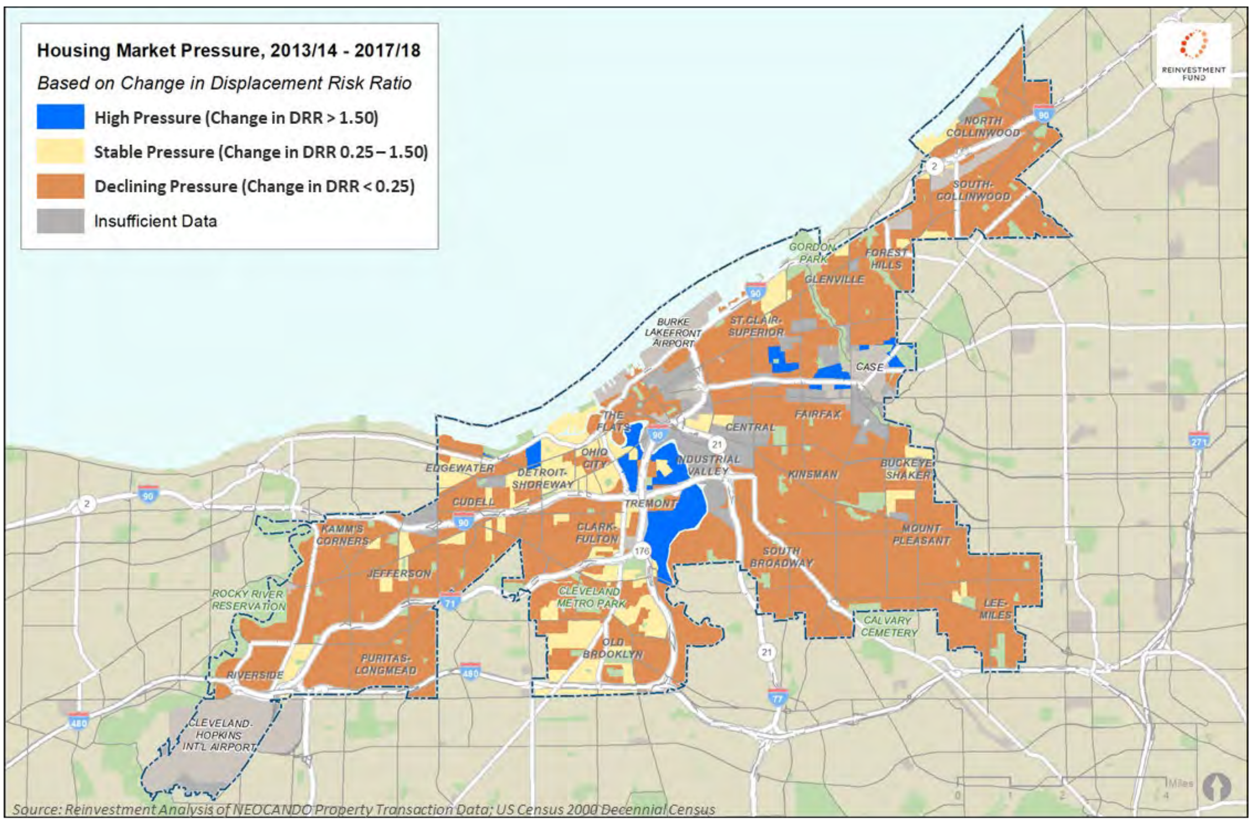

*Source: Reinvestment Analysis of NEOCANDO Property Transaction Data; US Census 2000 Decennial Census*

## Measuring Displacement Pressure

In areas with high positive DRR values, longtime residents or new residents with incomes like those of legacy residents may be experiencing displacement pressure associated with elevated housing prices.

Each one unit increase in DRR is equivalent to a longtime resident needing to pay an additional year of income for housing. Using this benchmark, all Cleveland block groups were classified into the following three categories that represent changes in DRR values between 2013 and 2018:

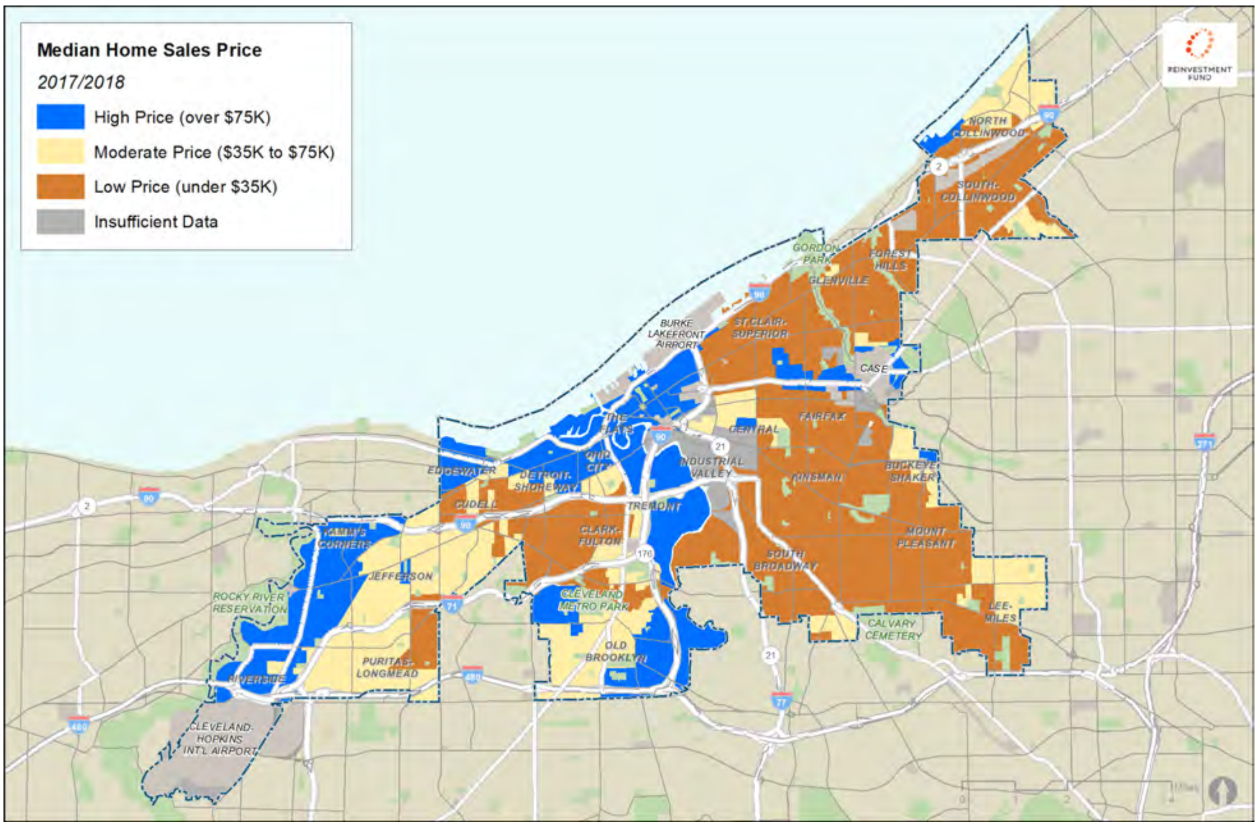
- **High Pressure.** Areas with an increase in DRR values of 1.5 points or more. Only 9 of the city's 462 block groups (2%) were considered high pressure.
- **Steady Pressure.** Areas with an increase in DRR values between 0.25 and 1.5 points. Approximately 1 in 6 of the city's block groups (13%) were identified as steady; indicating that their housing markets have experienced little change in terms of displacement pressure since 2013.
- **Declining Pressure.** Areas with an increase in DRR values less than 0.25 points. Most of the city was considered declining, indicating that home values have fallen in relation to incomes.

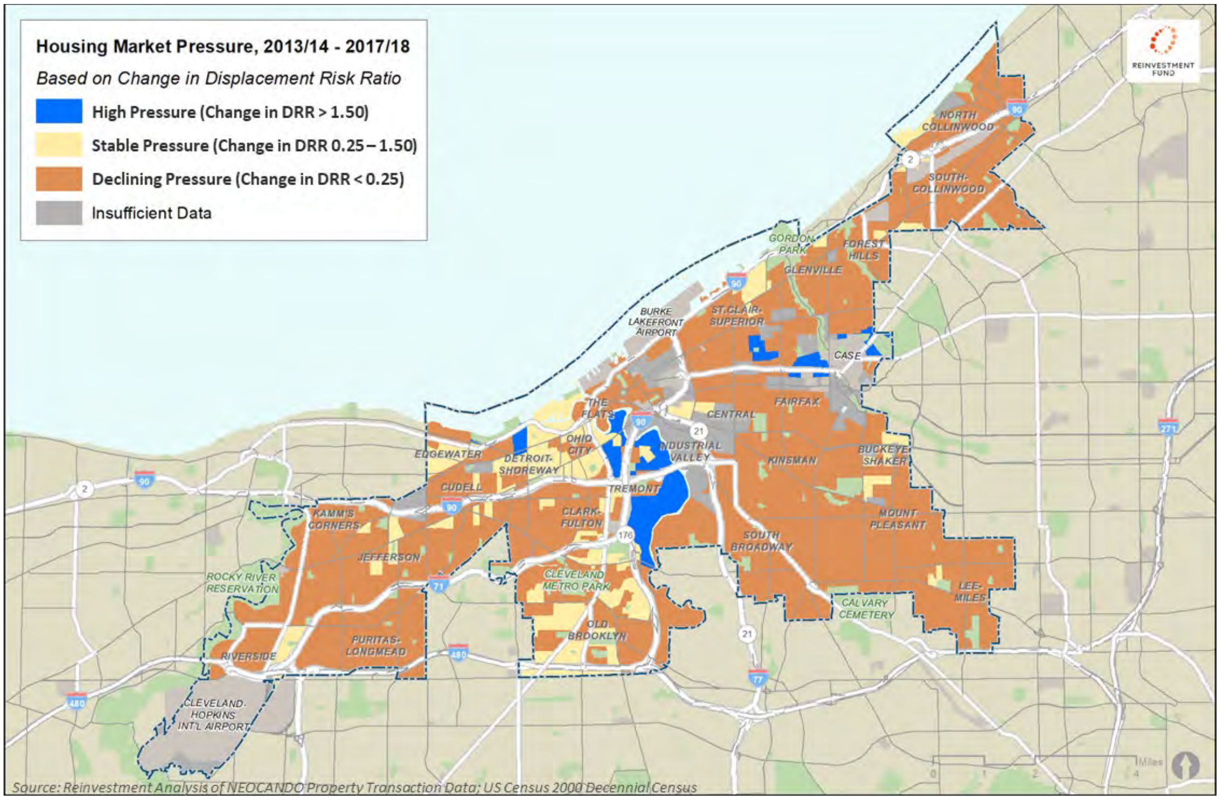


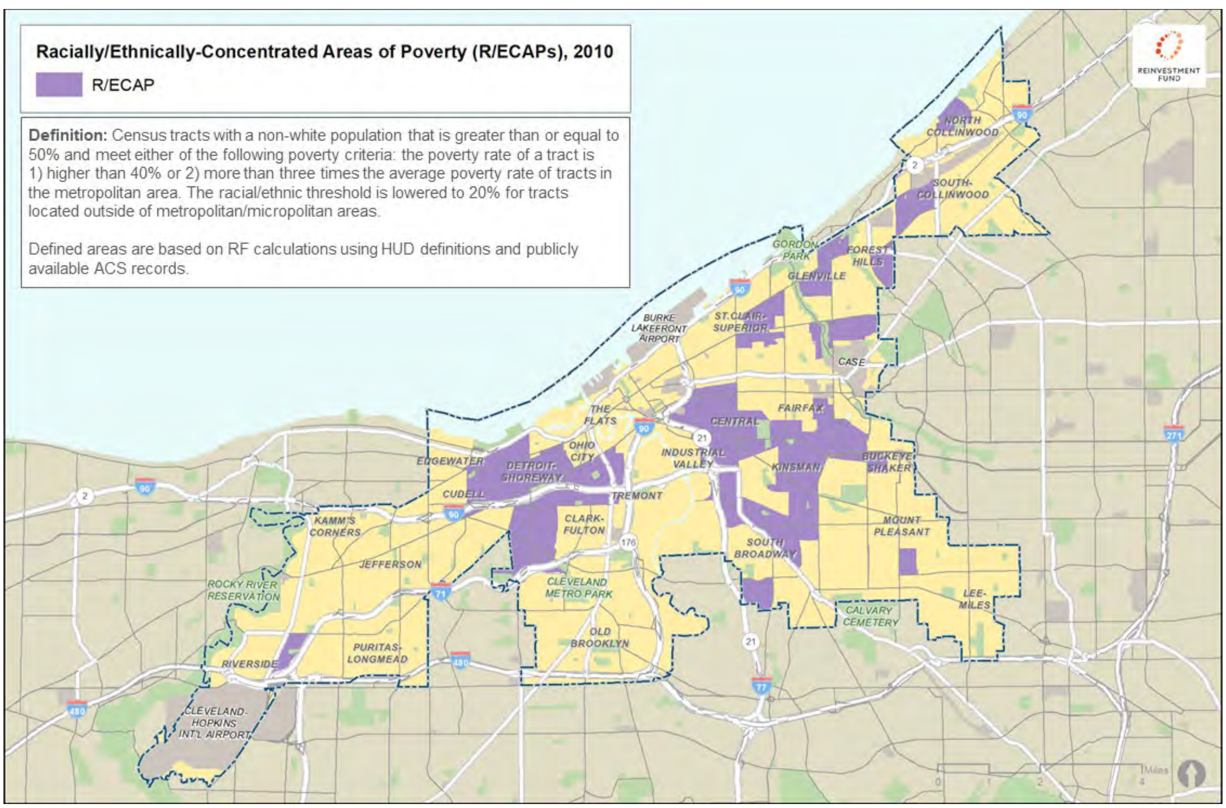
## Neighborhood Types

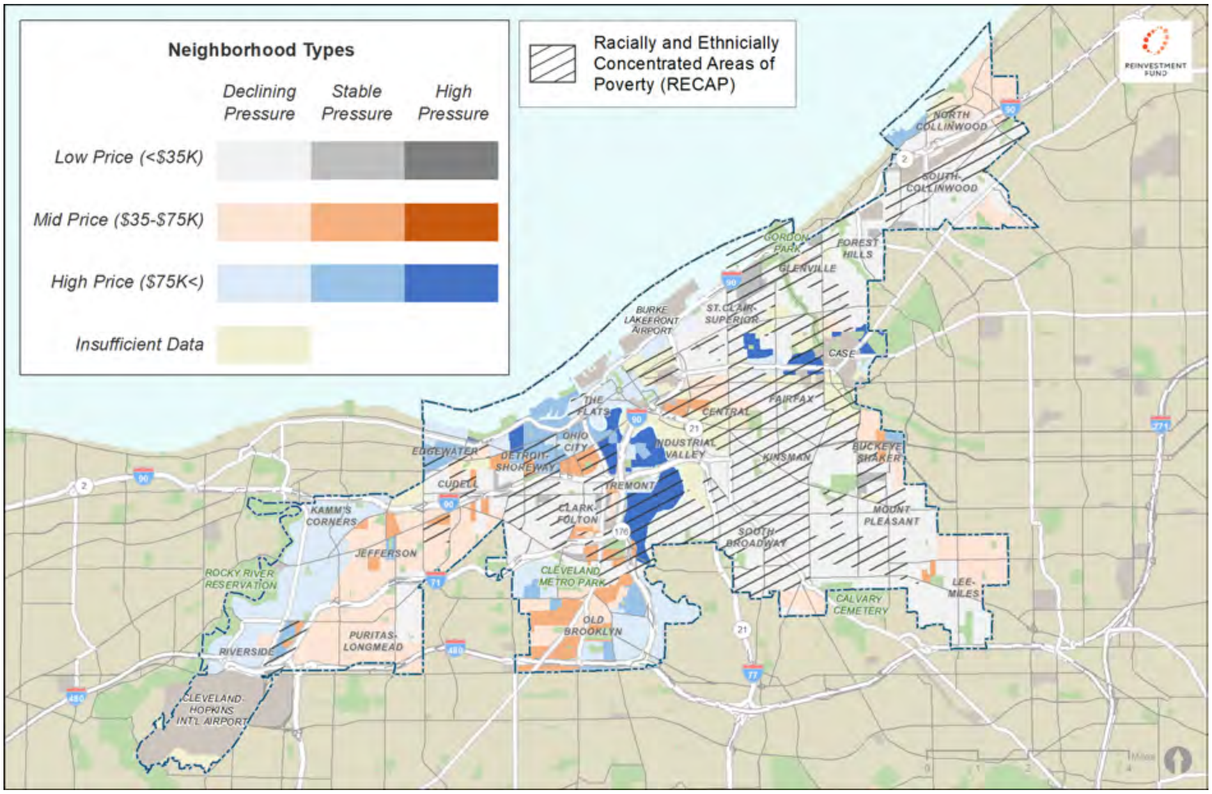
To help better understand the equity impacts of the city's residential tax abatement program, the project team created a neighborhood typology using three equity elements presented above: home values (using current home sales prices), displacement pressure (using the change in DRR values between 2013 and 2018), and racial/ethnic concentrations of poverty (using HUD's R/ECAP definitions).

The following maps show the individual components in the neighborhood typology along with the classification of each of the city's block groups.




Housing Market Pressure, 2013/14 - 2017/18
Based on Change in Displacement Risk Ratio
High Pressure (Change in DRR > 1.50)
Stable Pressure (Change in DRR 0.25 – 1.50)
Declining Pressure (Change in DRR < 0.25)
Insufficient Data
REINVESTMENT FUND
NORTH COLLINWOOD
SOUTH-COLLINWOOD
GORDON PARK
FOREST HILLS
GLENVILLE
BURKE LAKEFRONT AIRPORT
ST.CLAIR-SUPERIOR
CASE
FAIRFAX
CENTRAL
THE FLATS
OHIO CITY
EDGEWATER
DETROIT-SHOREWAY
INDUSTRIAL VALLEY
KINSMAN
BUCKEYE-SHAKER
CUDELL
TREMONT
KAMM'S CORNERS
CLARK-FULTON
MOUNT PLEASANT
SOUTH BROADWAY
JEFFERSON
ROCKY RIVER RESERVATION
CLEVELAND METRO PARK
LEE-MILES
CALVARY CEMETERY
OLD BROOKLYN
PURITAS-LONGMEAD
RIVERSIDE
CLEVELAND-HOPKINS INT'L AIRPORT
Miles
Source: Reinvestment Analysis of NEOCANDO Property Transaction Data; US Census 2000 Decennial Census

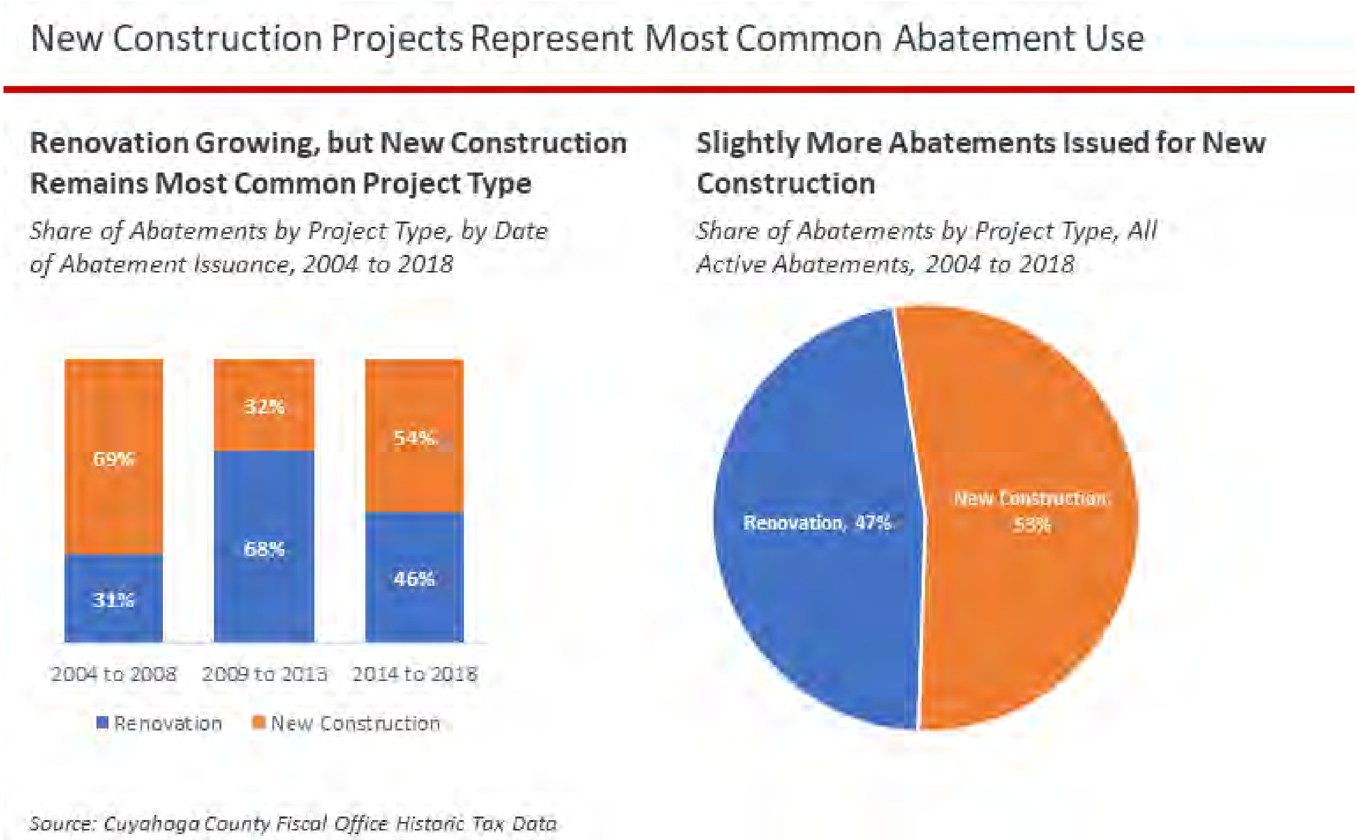

Racially/Ethnically-Concentrated Areas of Poverty (R/ECAPs), 2010
R/ECAP
Definition: Census tracts with a non-white population that is greater than or equal to 50% and meet either of the following poverty criteria: the poverty rate of a tract is 1) higher than 40% or 2) more than three times the average poverty rate of tracts in the metropolitan area. The racial/ethnic threshold is lowered to 20% for tracts located outside of metropolitan/micropolitan areas.
Defined areas are based on RF calculations using HUD definitions and publicly available ACS records.
REINVESTMENT FUND
NORTH COLLINWOOD
SOUTH-COLLINWOOD
GORDON PARK
FOREST HILLS
GLENVILLE
BURKE LAKEFRONT AIRPORT
ST.CLAIR-SUPERIOR
CASE
FAIRFAX
CENTRAL
THE FLATS
OHIO CITY
EDGEWATER
DETROIT-SHOREWAY
INDUSTRIAL VALLEY
KINSMAN
BUCKEYE-SHAKER
CUDELL
TREMONT
KAMM'S CORNERS
CLARK-FULTON
MOUNT PLEASANT
SOUTH BROADWAY
JEFFERSON
ROCKY RIVER RESERVATION
CLEVELAND METRO PARK
LEE-MILES
CALVARY CEMETERY
OLD BROOKLYN
PURITAS-LONGMEAD
RIVERSIDE
CLEVELAND-HOPKINS INT'L AIRPORT
Miles




Across the city, 32 block groups were unclassified due to missing home sales data. Only block groups with five or more sales in 2013/14 and 2017/18 were included in the analysis. Among the 32 unclassified block groups, three were non-residential with no households according to the most recent census data. Twenty-three were predominantly rental areas where over 80% of households rent their homes. Four were very small, with fewer than 85 owner occupied households, and two were predominantly vacant, with over 40% of housing units vacant.

## Residential Abatement Characteristics

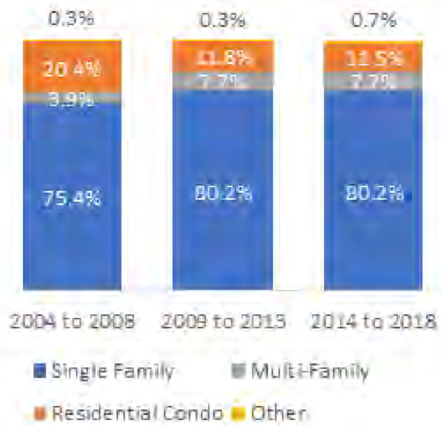
New construction projects represented the majority of abatements issued over the study period. The recession period, between 2009 and 2013, were the only years when renovation uses exceeded new construction. Single-family housing was the most common land use among abated parcels across all time periods.



## Abatements Most Often Used for Single Family Housing

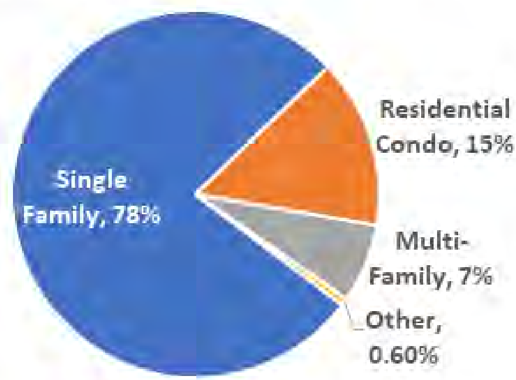
### Single Family Housing Continues to be Most Common Housing Structure

*Share of Abatements by Parcel Land Use, by Date of Abatement Issuance, 2004 to 2018*



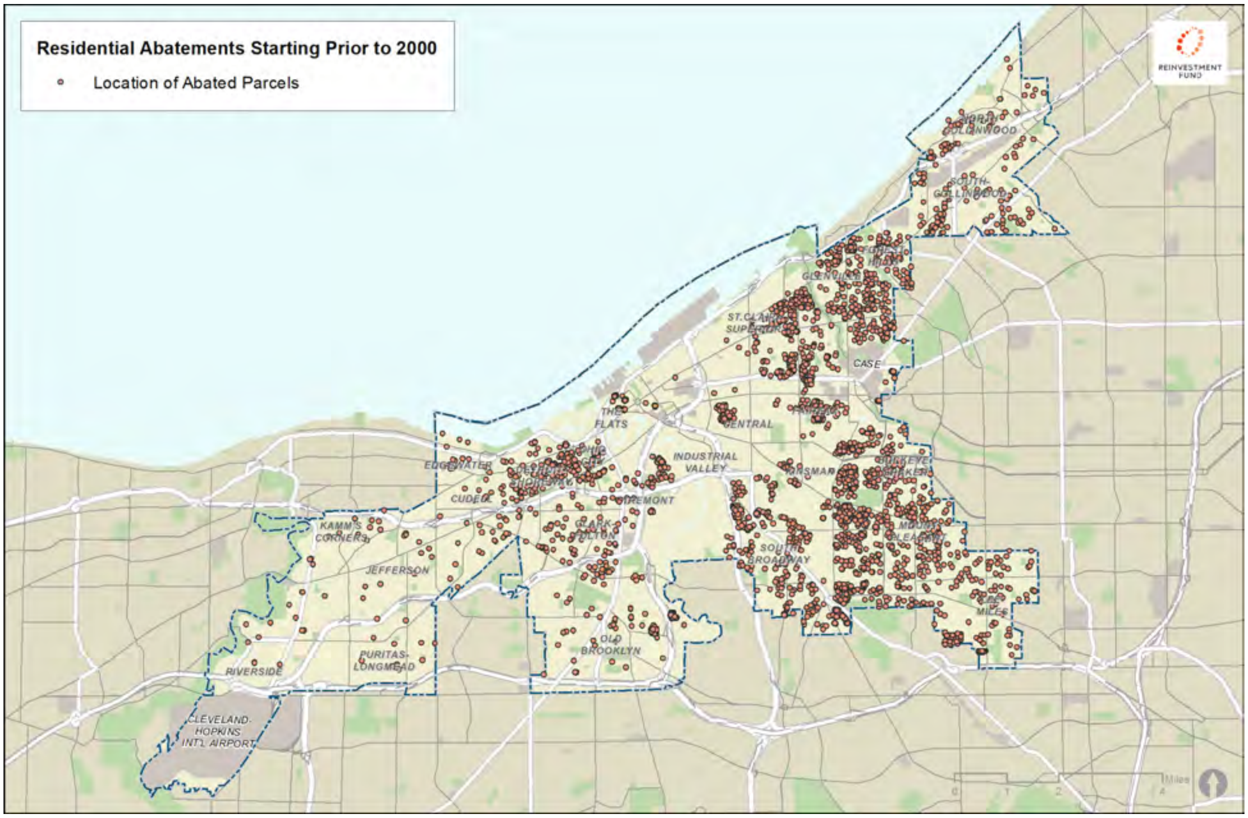

### Most Abatements Issued for Single Family Housing

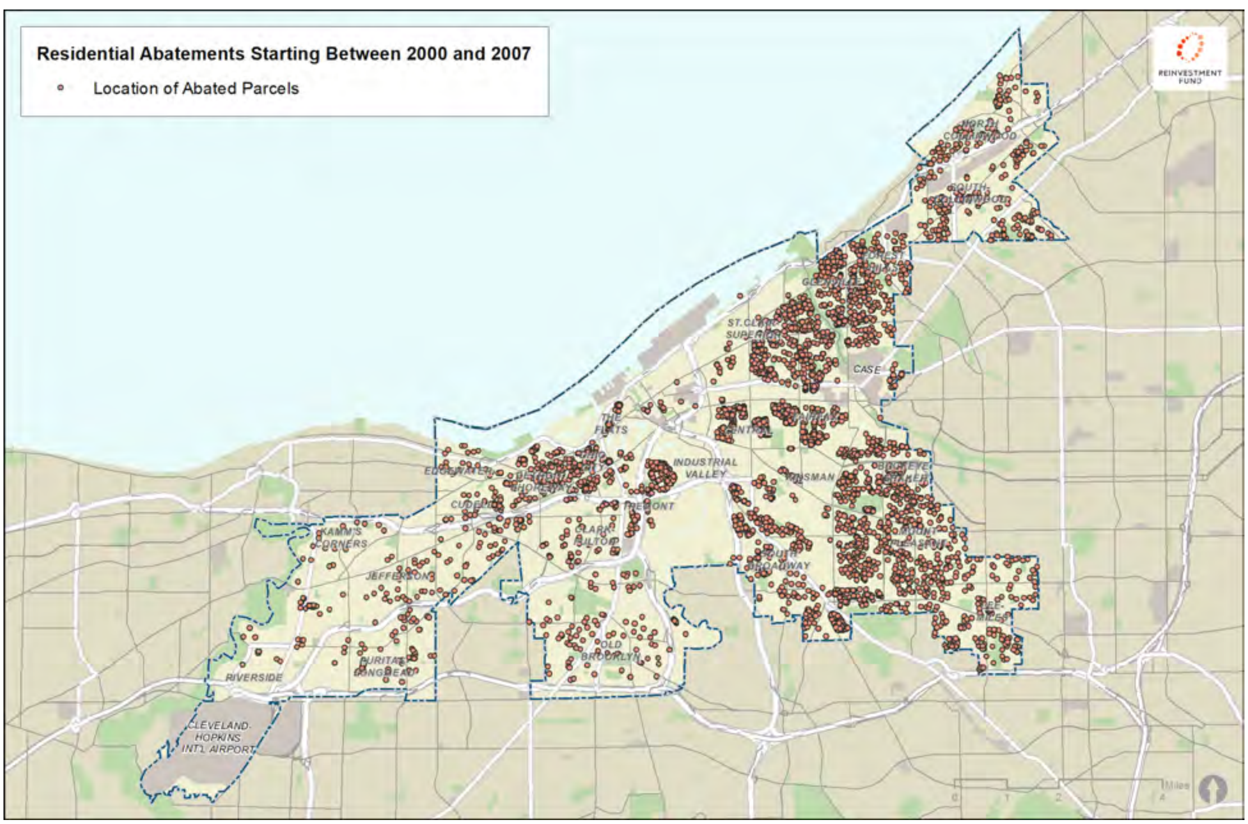
*Share of Abatements by Parcel Land Use, All Active Abatements, 2004 to 2018*

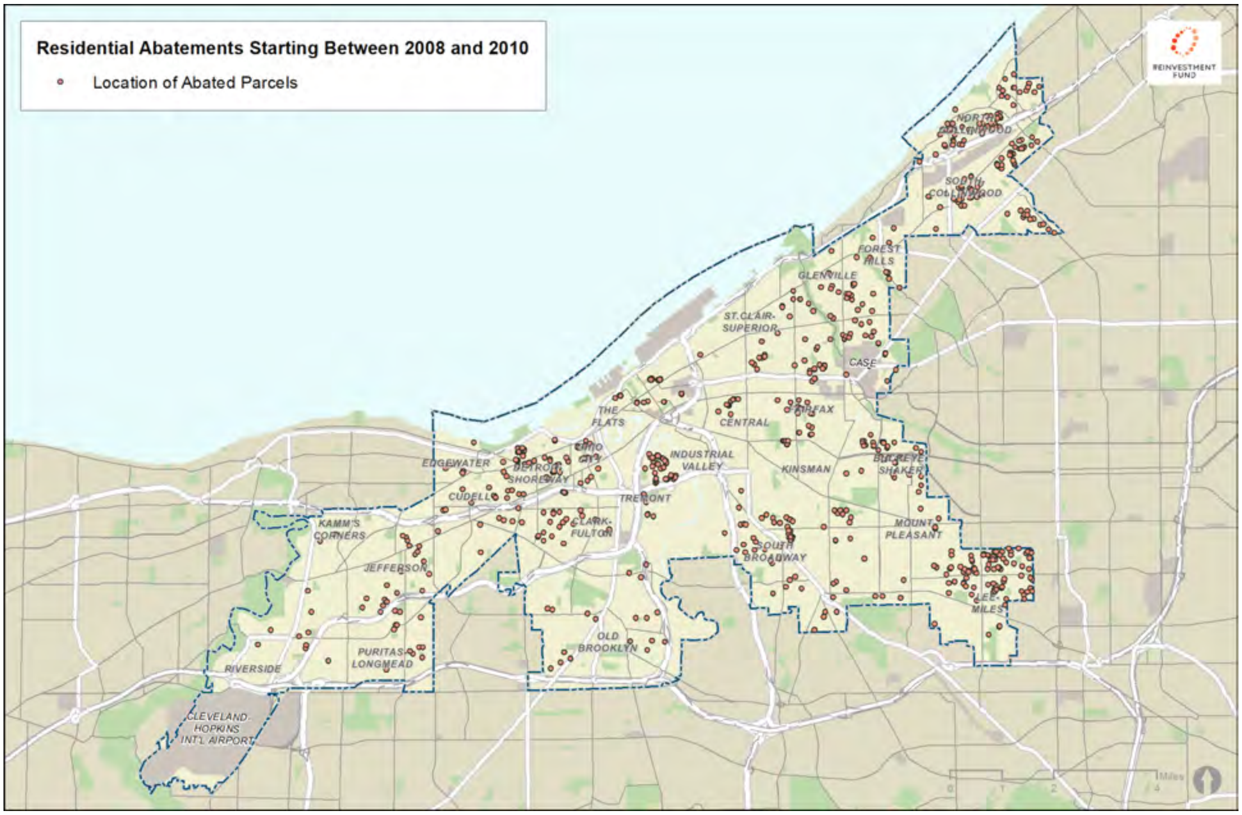


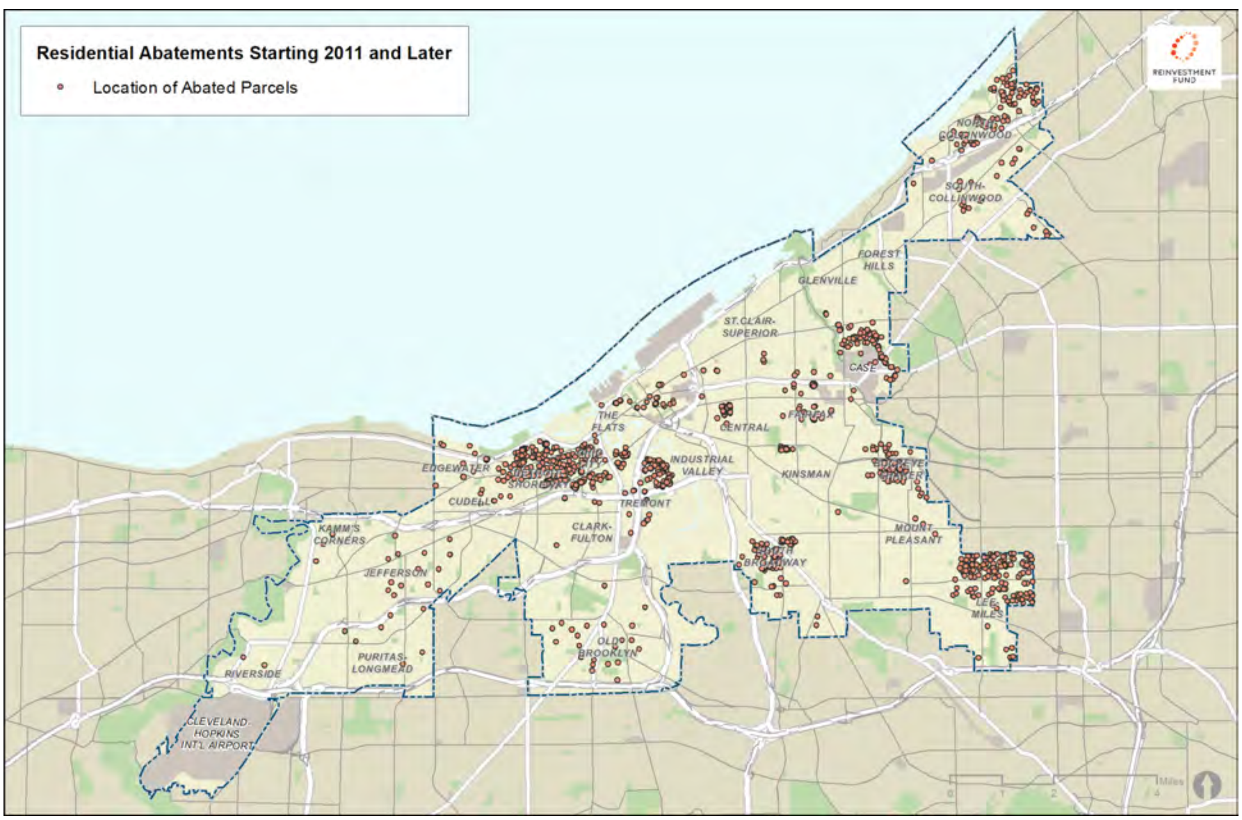

*Source: Cuyahoga County Fiscal Office Historic Tax Data*

The following maps show the location of residential tax abatements issued in Cleveland prior to 2019.




Residential Abatements Starting Between 2008 and 2010
Location of Abated Parcels
REINVESTMENT FUND
NORTH COLLINWOOD
SOUTH COLLINWOOD
FOREST HILLS
GLENVILLE
ST. CLAIR-SUPERIOR
CASE
THE FLATS
CENTRAL
FAIRFAX
EDGEWATER
DETROIT SHOREWAY
OHIO CITY
INDUSTRIAL VALLEY
KINSMAN
BUCKEYE SHAKER
CUDELL
TREMONT
CLARK-FULTON
KAMM'S CORNERS
JEFFERSON
SOUTH BROADWAY
MOUNT PLEASANT
LEE-MILES
OLD BROOKLYN
PURITAS-LONGMEAD
RIVERSIDE
CLEVELAND-HOPKINS INT'L AIRPORT
Miles


Residential Abatements Starting 2011 and Later
Location of Abated Parcels
REINVESTMENT FUND
NORTH COLLINWOOD
SOUTH COLLINWOOD
FOREST HILLS
GLENVILLE
ST. CLAIR-SUPERIOR
CASE
THE FLATS
CENTRAL
FAIRFAX
EDGEWATER
DETROIT SHOREWAY
OHIO CITY
INDUSTRIAL VALLEY
KINSMAN
BUCKEYE SHAKER
CUDELL
TREMONT
CLARK-FULTON
KAMM'S CORNERS
JEFFERSON
SOUTH BROADWAY
MOUNT PLEASANT
LEE-MILES
OLD BROOKLYN
PURITAS-LONGMEAD
RIVERSIDE
CLEVELAND-HOPKINS INT'L AIRPORT
Miles

## Abatement Usage by Neighborhood Type Over Time

The table below shows where residential abatements were issued in the 2004 to 2008 time period, but citywide and in R/ECAP areas.

| | Citywide | | | | | R/ECAP Areas Only | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Declining Pressure | Stable Pressure | High Pressure | All Pressure Levels | | Declining Pressure | Stable Pressure | High Pressure | All Pressure Levels |
| **Low Price: Under $35k** | 1,391 (48%) | 38 (1%) | 0 (0%) | **1,429 (49%)** | | 796 (55%) | 22 (2%) | 0 (0%) | **818 (57%)** |
| **Moderate Price: $35k to $75** | 446 (15%) | 85 (3%) | 0 (0%) | **531 (18%)** | | 162 (11%) | 31 (2%) | 0 (0%) | **193 (13%)** |
| **High Price: Over $75k** | 551 (19%) | 197 (7%) | 200 (7%) | **948 (33%)** | | 274 (19%) | 76 (5%) | 82 (6%) | **432 (30%)** |
| **All Price Levels** | **2,388 (82%)** | **320 (11%)** | **200 (7%)** | **2,908 (100%)** | | **1,232 (85%)** | **129 (9%)** | **82 (6%)** | **1,443 (100%)** |

The table below shows where residential abatements were issued in the 2009 to 2013 time period, but citywide and in R/ECAP areas.

| | Citywide | | | | | R/ECAP Areas Only | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Declining Pressure | Stable Pressure | High Pressure | All Pressure Levels | | Declining Pressure | Stable Pressure | High Pressure | All Pressure Levels |
| **Low Price: Under $35k** | 304 (33%) | 12 (1%) | 0 (0%) | **316 (34%)** | | 182 (60%) | 10 (3%) | 0 (0%) | **192 (63%)** |
| **Moderate Price: $35k to $75** | 274 (30%) | 42 (5%) | 0 (0%) | **316 (34%)** | | 63 (21%) | 8 (3%) | 0 (0%) | **71 (23%)** |
| **High Price: Over $75k** | 89 (10%) | 73 (8%) | 128 (14%) | **290 (31%)** | | 3 (1%) | 26 (9%) | 13 (4%) | **42 (14%)** |
| **All Price Levels** | **667 (72%)** | **127 (14%)** | **128 (14%)** | **922 (100%)** | | **248 (81%)** | **44 (14%)** | **13 (4%)** | **305 (100%)** |

The table below shows where residential abatements were issued in the 2014 to 2018 time period, but citywide and in R/ECAP areas.

| | Citywide | | | | | R/ECAP Areas Only | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Declining Pressure | Stable Pressure | High Pressure | All Pressure Levels | | Declining Pressure | Stable Pressure | High Pressure | All Pressure Levels |
| **Low Price: Under $35k** | 121 (16%) | 1 (0%) | 0 (0%) | **122 (16%)** | | 82 (39%) | 1 (0%) | 0 (0%) | **83 (39%)** |
| **Moderate Price: $35k to $75** | 152 (20%) | 48 (6%) | 0 (0%) | **200 (26%)** | | 15 (7%) | 20 (9%) | 0 (0%) | **35 (17%)** |
| **High Price: Over $75k** | 122 (16%) | 157 (20%) | 170 (22%) | **449 (58%)** | | 5 (2%) | 58 (27%) | 31 (15%) | **94 (44%)** |
| **All Price Levels** | **395 (51%)** | **206 (27%)** | **170 (22%)** | **771 (100%)** | | **102 (48%)** | **79 (37%)** | **31 (15%)** | **212 (100%)** |

## Abatement Usage by Project Type and Neighborhood Types

The following tables show the number of residential abated parcels in each neighborhood type in all areas and RECAP areas.

| | Citywide | | | | | RECAP Areas Only | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Declining Pressure | Stable Pressure | High Pressure | All Pressure Levels | | Declining Pressure | Stable Pressure | High Pressure | All Pressure Levels |
| **Low Price: Under $35k** | 4,717 (48%) | 143 (1%) | 0 (0%) | **4,860 (49%)** | | 2,579 (64%) | 95 (2%) | 0 (0%) | **2,674 (66%)** |
| **Moderate Price: $35k to $75** | 1,522 (15%) | 413 (4%) | 0 (0%) | **1,935 (20%)** | | 389 (10%) | 183 (5%) | 0 (0%) | **572 (14%)** |
| **High Price: Over $75k** | 1,556 (16%) | 774 (8%) | 697 (7%) | **3,027 (31%)** | | 305 (8%) | 299 (7%) | 210 (5%) | **814 (20%)** |
| **All Price Levels** | **7,795 (79%)** | **1,330 (14%)** | **697 (7%)** | **9,822 (100%)** | | **3,273 (81%)** | **577 (14%)** | **210 (5%)** | **4,060 (100%)** |

The following table shows the number of new construction abated parcels in each neighborhood type in all areas and RECAP areas.

| | Citywide | | | | | RECAP Areas Only | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Declining Pressure | Stable Pressure | High Pressure | All Pressure Levels | | Declining Pressure | Stable Pressure | High Pressure | All Pressure Levels |
| **Low Price: Under $35k** | 2,279 (44%) | 38 (1%) | 0 (0%) | **2,317 (45%)** | | 1,256 (54%) | 33 (1%) | 0 (0%) | **1,289 (56%)** |
| **Moderate Price: $35k to $75** | 699 (14%) | 224 (4%) | 0 (0%) | **923 (18%)** | | 277 (12%) | 128 (6%) | 0 (0%) | **405 (18%)** |
| **High Price: Over $75k** | 878 (17%) | 475 (9%) | 582 (11%) | **1,935 (37%)** | | 281 (12%) | 149 (6%) | 181 (8%) | **611 (27%)** |
| **All Price Levels** | **3,856 (75%)** | **737 (14%)** | **582 (11%)** | **5,175 (100%)** | | **1,814 (79%)** | **310 (13%)** | **181 (8%)** | **2,305 (100%)** |

The following table shows the number of renovation abated parcels in each neighborhood type in all areas and RECAP areas.

| | Citywide | | | | | RECAP Areas Only | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Declining Pressure | Stable Pressure | High Pressure | All Pressure Levels | | Declining Pressure | Stable Pressure | High Pressure | All Pressure Levels |
| **Low Price: Under $35k** | 2,438 (52%) | 105 (2%) | 0 (0%) | **2,543 (55%)** | | 1,323 (75%) | 62 (4%) | 0 (0%) | **1,385 (79%)** |
| **Moderate Price: $35k to $75** | 823 (18%) | 189 (4%) | 0 (0%) | **1,012 (22%)** | | 112 (6%) | 55 (3%) | 0 (0%) | **167 (10%)** |
| **High Price: Over $75k** | 678 (15%) | 299 (6%) | 115 (2%) | **1,092 (23%)** | | 24 (1%) | 150 (9%) | 29 (2%) | **203 (12%)** |
| **All Price Levels** | **3,939 (85%)** | **593 (13%)** | **115 (2%)** | **4,647 (100%)** | | **1,459 (83%)** | **267 (15%)** | **29 (2%)** | **1,755 (100%)** |

The following table shows the number of abated parcels with single family land use in each neighborhood type in all areas and RECAP areas.

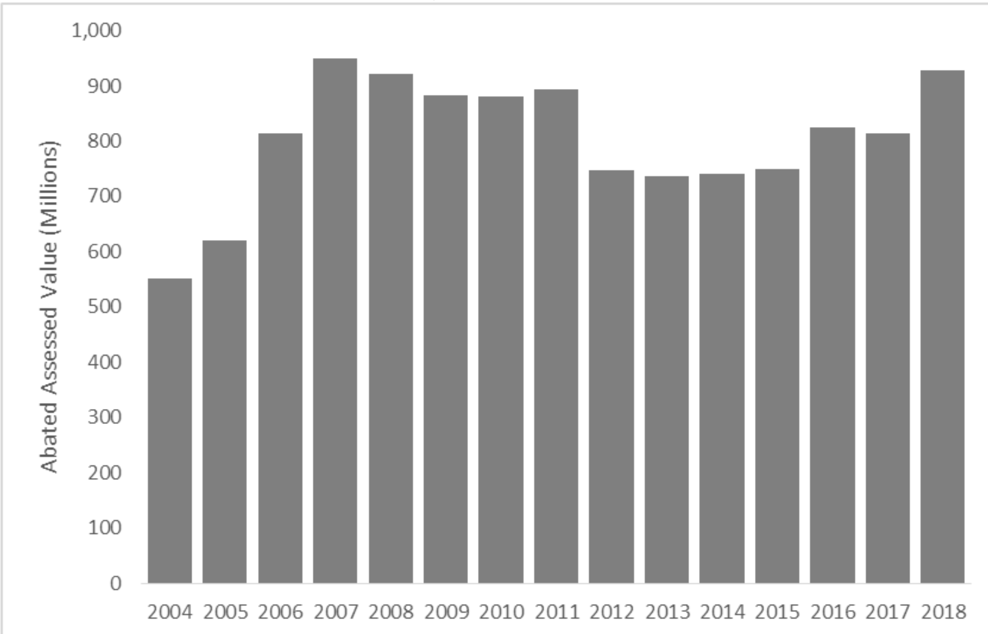
| | Citywide | | | | | RECAP Areas Only | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Declining Pressure | Stable Pressure | High Pressure | All Pressure Levels | | Declining Pressure | Stable Pressure | High Pressure | All Pressure Levels |
| **Low Price: Under $35k** | 4,274 (56%) | 125 (2%) | 0 (0%) | **4,399 (57%)** | | 2,344 (69%) | 87 (3%) | 0 (0%) | **2,431 (71%)** |
| **Moderate Price: $35k to $75** | 1,371 (18%) | 365 (5%) | 0 (0%) | **1,736 (23%)** | | 350 (10%) | 165 (5%) | 0 (0%) | **515 (15%)** |
| **High Price: Over $75k** | 437 (6%) | 580 (8%) | 509 (7%) | **1,526 (20%)** | | 36 (1%) | 231 (7%) | 202 (6%) | **469 (14%)** |
| **All Price Levels** | **6,082 (79%)** | **1,070 (14%)** | **509 (7%)** | **7,661 (100%)** | | **2,730 (80%)** | **483 (14%)** | **202 (6%)** | **3,415 (100%)** |

The following table shows the number of abated parcels with multi-family or condo land use in each neighborhood type in all areas and RECAP areas.

| | Citywide | | | | | RECAP Areas Only | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Declining Pressure | Stable Pressure | High Pressure | All Pressure Levels | | Declining Pressure | Stable Pressure | High Pressure | All Pressure Levels |
| **Low Price: Under $35k** | 369 (18%) | 18 (1%) | 0 (0%) | **387 (19%)** | | 181 (31%) | 8 (1%) | 0 (0%) | **189 (32%)** |
| **Moderate Price: $35k to $75** | 145 (7%) | 45 (2%) | 0 (0%) | **190 (9%)** | | 36 (6%) | 16 (3%) | 0 (0%) | **52 (9%)** |
| **High Price: Over $75k** | 1,117 (54%) | 193 (9%) | 186 (9%) | **1,496 (72%)** | | 269 (46%) | 68 (12%) | 7 (1%) | **344 (59%)** |
| **All Price Levels** | **1,631 (79%)** | **256 (12%)** | **186 (9%)** | **2,073 (100%)** | | **486 (83%)** | **92 (16%)** | **7 (1%)** | **585 (100%)** |

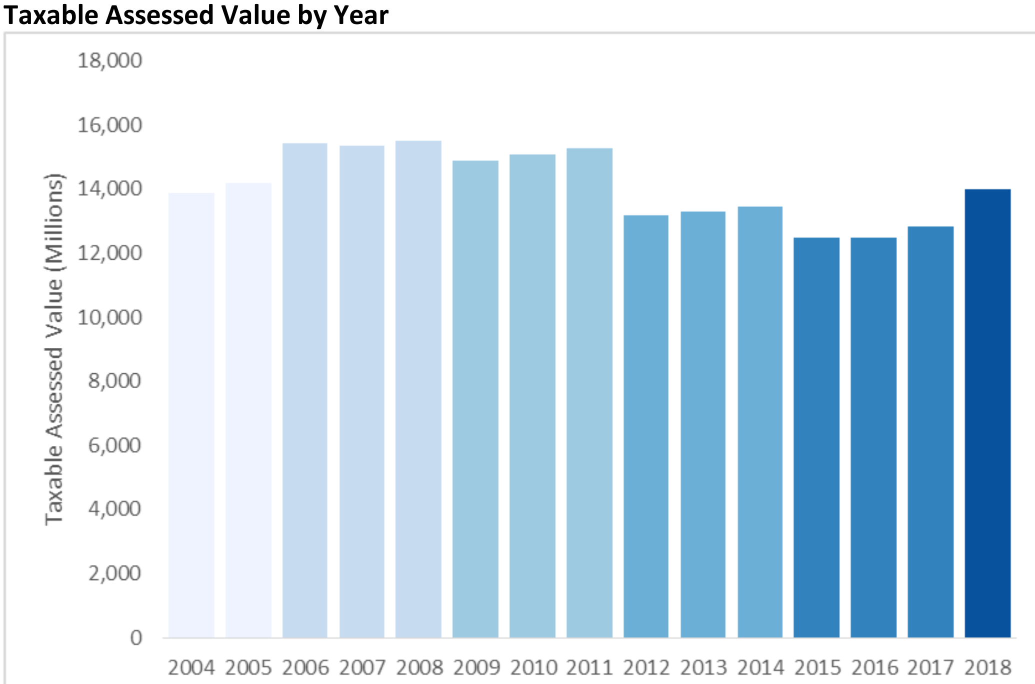
## Assessed Building Values & Foregone Tax Revenues

**Assessed Value of Abated Parcels by Year**



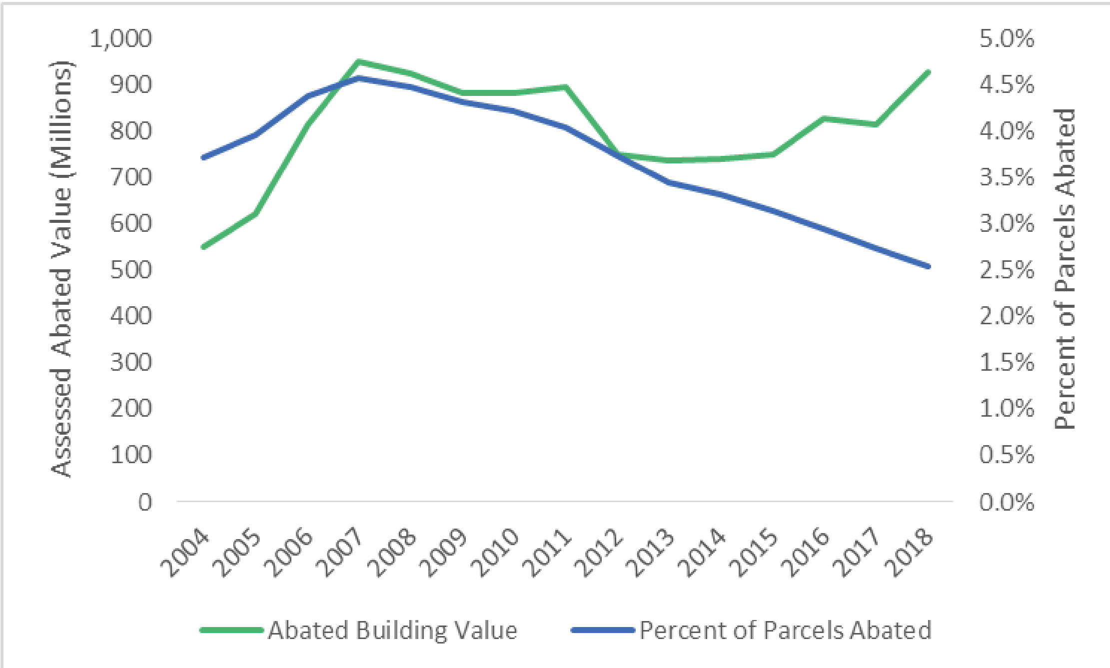

*Source: Cuyahoga County Fiscal Office Historic Tax Data*

**Taxable Assessed Value by Year**



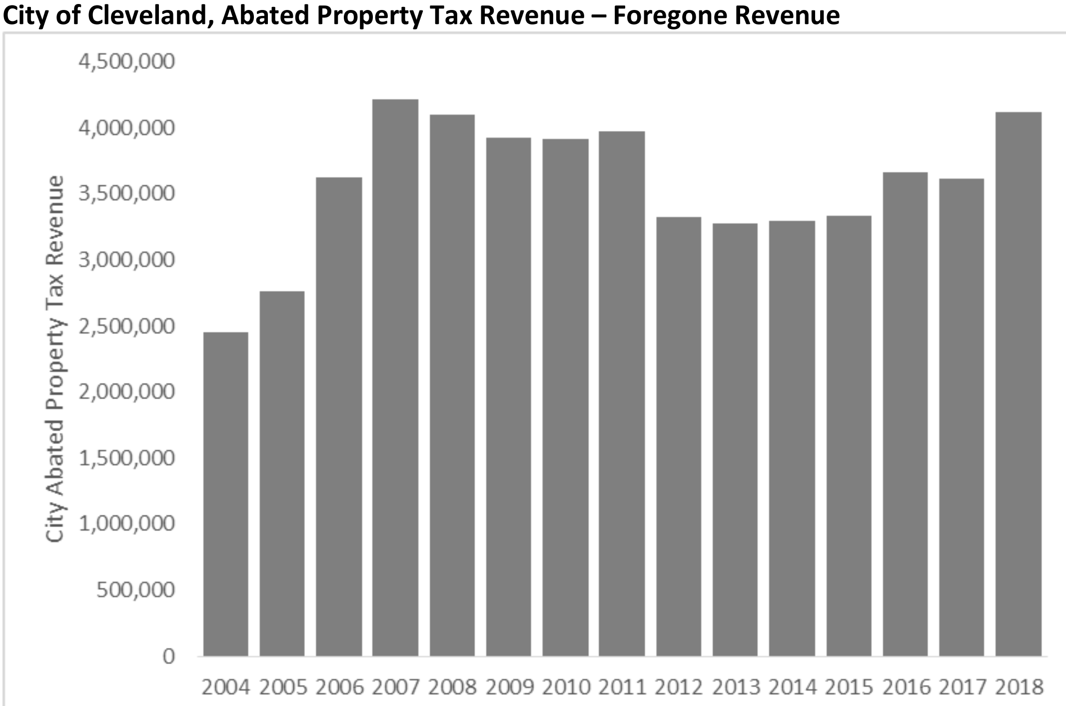

*Note: Bar shading represents triennial reassessments*
*Source: PFM Analysis of Cuyahoga County Fiscal Office Historic Tax Data*

**Total Abated Value and Percent of Parcels Abated by Year**



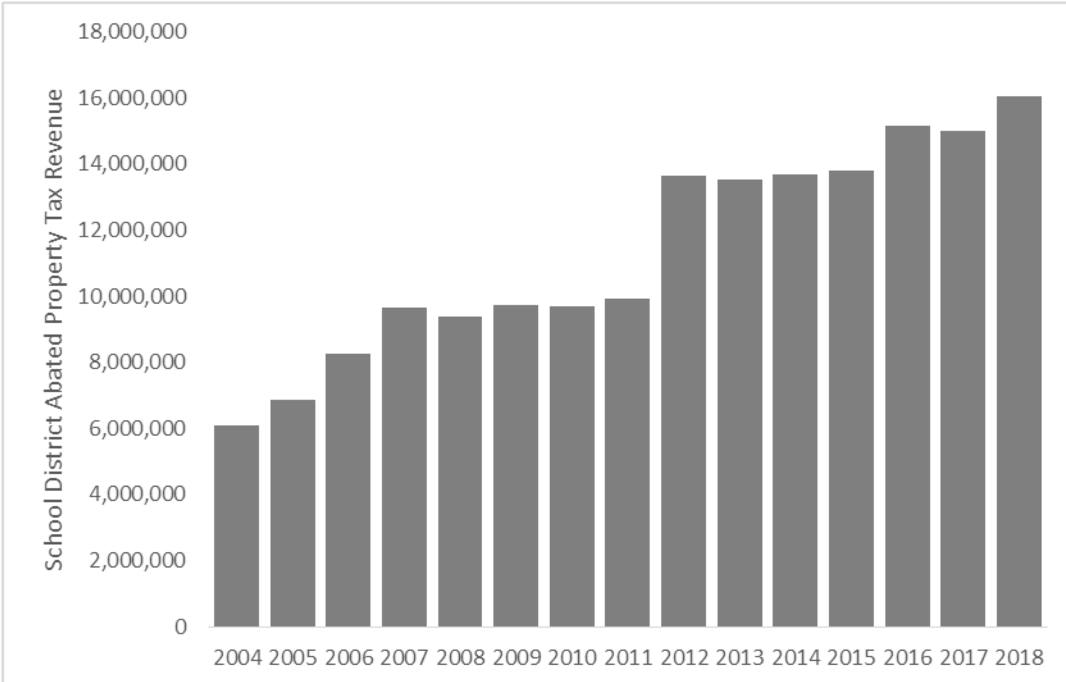

*Source: Cuyahoga County Fiscal Office Historic Tax Data*

**City of Cleveland, Abated Property Tax Revenue – Foregone Revenue**



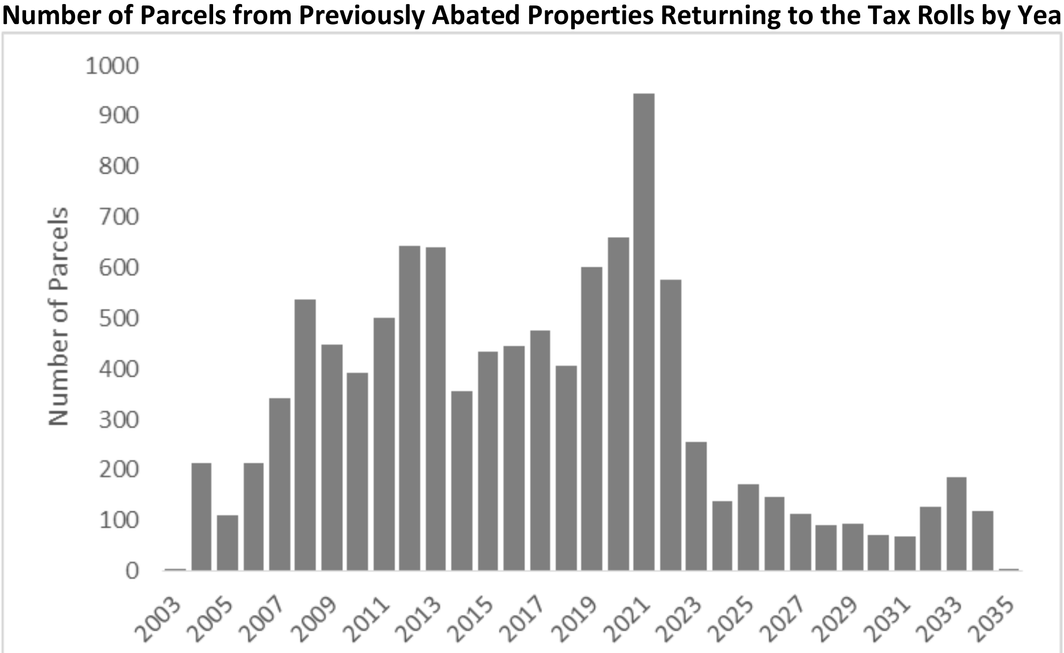

*Source: PFM Analysis of Cuyahoga County Fiscal Office Historic Tax Data*

**Cleveland Metropolitan School District, Abated Property Tax Revenue– Foregone Revenue**



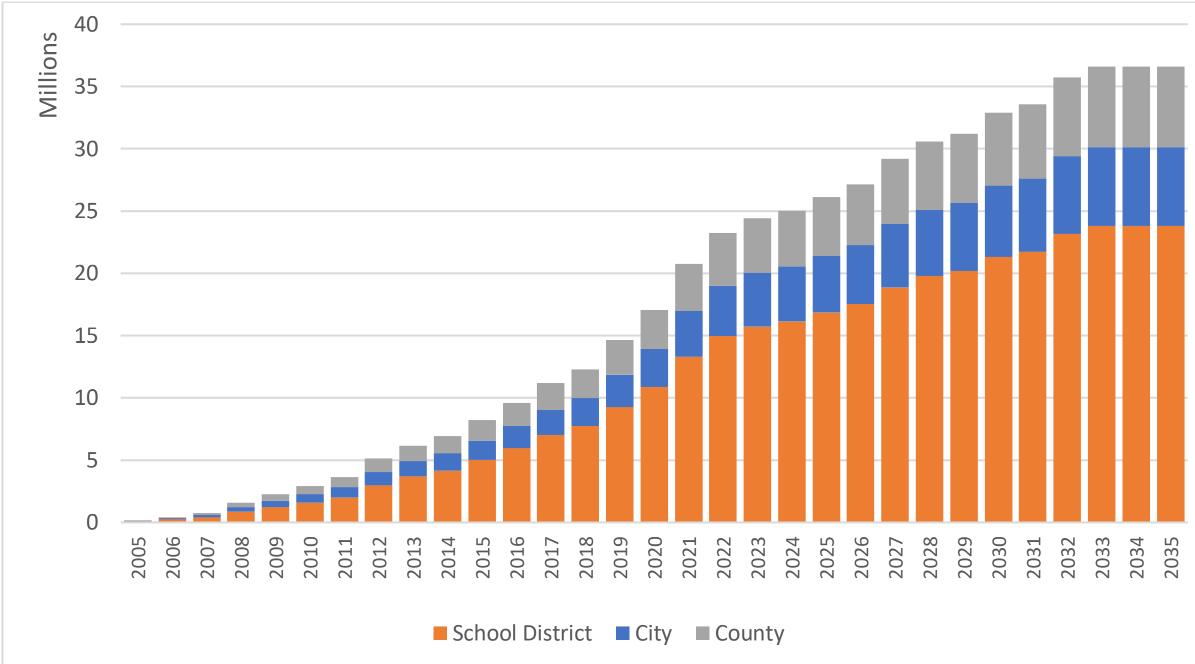

*Source: PFM Analysis of Cuyahoga County Fiscal Office Historic Tax Data*

**Number of Parcels from Previously Abated Properties Returning to the Tax Rolls by Year**




*Source: Cuyahoga County Fiscal Office Historic Tax Data*

**Estimated Cumulative Property Tax Revenue from Previously Abated Parcels, 2005 – 2035**




*Source: Cuyahoga County Fiscal Office Historic Tax Data*

# APPENDIX II

# Appendix II - Fiscal and Economic Impact Methodology

The project team added information to derive the tax impact for each parcel in each year by inputting the appropriate assessment ratio and millage rate.[1] The project team focused on three taxing entities that receive revenues from property taxes: the City of Cleveland, Cleveland Metropolitan School District, and Cuyahoga County.[2] The millage rates for each of these three taxing entities were taken from the City's Comprehensive Annual Financial Reports (CAFR). The rates used accounted for any adjustments required by HB920.[3] The following table lists the millage rate used for each taxing entity.

**Property Tax Millage Rates, 2004 to 2018**

| Year | City | School District | County |
|---|---|---|---|
| 2004 | 12.70 | 31.587 | 10.975 |
| 2005 | 12.70 | 31.589 | 11.723 |
| 2006 | 12.70 | 29.003 | 11.865 |
| 2007 | 12.70 | 29.050 | 11.869 |
| 2008 | 12.70 | 29.077 | 12.661 |
| 2009 | 12.70 | 31.460 | 13.179 |
| 2010 | 12.70 | 31.507 | 13.187 |
| 2011 | 12.70 | 31.674 | 13.118 |
| 2012 | 12.70 | 52.117 | 13.220 |
| 2013 | 12.70 | 52.427 | 14.050 |
| 2014 | 12.70 | 52.700 | 14.050 |
| 2015 | 12.70 | 52.479 | 13.870 |
| 2016 | 12.70 | 52.527 | 13.880 |
| 2017 | 12.70 | 52.627 | 13.914 |
| 2018 | 12.70 | 49.475 | 12.797 |

*Source: City of Cleveland CAFR, 2008 and 2018*

The tax levy and amount of taxes abated for each parcel were calculated by multiplying the assessed value and abatement value by the assessment ratio and then by the millage rate for each entity for that year. The calculations for the tax revenue foregone because of the tax abatement were only applied to the portion of the building that was abated and did not include any abated land values, if present. This approach was used to estimate the residential abatement policy impacts, which only exempts taxes on the building improvements, not any land values.

[1] The assessment ratio is set at 35 percent for each year of the study. The assessment ratio is the percentage of the assessed value of a parcel that is subject to property tax. For example, a parcel with a total assessed value of $100,000 would only be taxed on 35 percent, $35,000, of its total value.

[2] This analysis did not examine the tax impact for special taxing districts such as the Cleveland Metropolitan Parks District, Cleveland-Cuyahoga County Port Authority, Cleveland Public Library, and Cuyahoga Community College.

[3] https://fiscalofficer.cuyahogacounty.us/en-US/house-bill-920.aspx

Several publicly available data sources were also used in the analysis to estimate neighborhood level impacts. The project team created neighborhoods based on census tracts in the City of Cleveland. Each census tract and parcel was assigned to a specific neighborhood based on the City's Statistical Planning Areas (SPA). Socio-economic information from the U.S. Census and tax data was aggregated to the neighborhood level to study neighborhood outcomes.

## Economic Impact Analysis

It is generally accepted that the impact of economic activity can be quantified on a national and regional level. Input-output models, which were first developed in the 1930s, explore the interconnectivity of the component parts of an economy and are based on the premise that economic activity in one sector will increase (or decrease) activity elsewhere.

Given the complexity of a state or regional economy, economists use differing approaches to describe its economic activity. Four common measures are **Output,** which describes total economic activity and, if an economy were a single firm, would be similar to gross sales; **Value Added,** which is the gross output of an industry or a sector less its intermediate inputs; **Labor Income,** which corresponds to wages and benefits; and **Employment,** which refers to jobs that have been created in the local economy.

In an input-output analysis of new economic activity, there are generally three types of effects that combine to reflect total economic impact: **direct, indirect, and induced** effects.

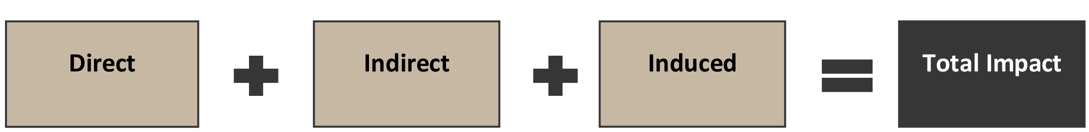
**Direct effects** are production changes associated with the immediate effects or final demand changes. The payment made by a Cleveland homeowner or developer for the improvements or construction of an abatement-eligible project would be an example of a direct effect.

**Indirect effects** are production changes in backward-linked industries caused by the changing input needs of directly affected industries – typically, additional purchases to produce additional output. Completing the abatement-eligible construction project would require the developer or contractor to purchase additional construction supplies (such as lumber, drywall and nails) and services (such as plan design or engineering). These downstream purchases affect the economic output of other local merchants.

**Induced effects** are the changes in regional household spending patterns caused by changes in household income generated from the direct and indirect effects. The developer or contractor and the workers needed to complete the project experience increased income, as do the supplier firms, as well as restaurants or other industries where this increased income may be spent. Induced effects capture the ways that increased income is spent in the local economy.

This cascading economic impact is expressed as a multiplier and reflects the interaction between different sectors of the economy. An output multiplier of 1.4, for example, means that for every $1,000 injected into the economy, all other sectors produce an additional $400 in output. The larger the multiplier, the greater the impact will be in the regional economy. The following describes these components of economic impact:

**Figure X: The Flow of Economic Impacts**



## RIMS II Model

There are several frequently used input-output models. Among the more prominent is the U.S. Department of Commerce's Regional Impact Modeling System (RIMS). Created by the Bureau of Economic Analysis (BEA) in the 1970s, RIMS II is the most recent version of that model, which refined the original by expanding it for use with regional economies. The multipliers associated with RIMS II were updated and expanded in 2017.

RIMS II provides multipliers for all 50 states as well as a variety of major urban regional economies, including the Cleveland regional economy, and the project team used it for the economic impact analysis.

It is notable that the model's regional multipliers consider the Cleveland regional economy to consist of Cuyahoga, Geauga, Lake, Lorain and Medina Counties. That should be kept in mind when considering local impacts using regional multipliers.

## RIMS II Multipliers

There are three primary multipliers that are useful for considering the economic impact from the residential abatement program. These are:

- Output (total dollar change in all industries for each additional dollar of output): 2.0424
- Earnings (total dollar change of households employed by all industries for each additional dollar of output): 0.6694
- Jobs per $1.0 million of investment (2017 dollars): 13.791

To apply the multipliers, the project team used the dollar amount of the new residential abatement in its first year. Only the first year is calculated, as otherwise there would be double counting of activity.[4]

When calculating industry and household expenditure impacts, there is significant economic activity associated with the abatement program. The multiplier for total output, 2.0424, estimates that for each $1,000 of abatement construction/rehabilitation, there is $2,042 of economic activity. Likewise, for total earnings, $1,000 of abatement construction/rehabilitation generates $669 of economic activity.

Total employment is expressed in jobs per $1.0 million of economic activity. In this case, the dollar value of the abatement economic activity must be inflated/deflated for comparison purposes to 2017 dollars.[5] The following table illustrates the abatement economic activity for 2017, based on the categories, multipliers and abated value.

[4] A table with the first year market value of the abatements by year is included in the Appendices.

[5] A table with the abated value by year expressed in 2017 constant dollars is included in the Appendices.

**2017 Abatement Economic Activity**

| | Multiplier | Abated Value | Total Final Demand |
|---|---|---|---|
| Total Output | 2.0424 | $44,987,000 | $91,881,448.80 |
| Total Earnings | 0.6694 | $44,987,000 | $30,114,297.80 |
| Total Employment | 13.791 | $44,987,000 | 620.4 Jobs |

When combining the total output and total earnings categories, the abatement program is estimated to generate approximately $122.0 million of economic activity and be responsible for over 620 jobs. The table below shows the economic impact calculation for the region in each year between 2004 and 2018.

| Year | Abated Market Value | Output | Earnings | Total Economic Impact |
|---|---|---|---|---|
| 2004 | $67,755,300 | $138,383,425 | $45,355,398 | $183,738,823 |
| 2005 | $90,924,700 | $185,704,607 | $60,864,994 | $246,569,601 |
| 2006 | $89,613,160 | $183,025,918 | $59,987,049 | $243,012,967 |
| 2007 | $142,139,750 | $290,306,225 | $95,148,349 | $385,454,574 |
| 2008 | $69,698,840 | $142,352,911 | $46,656,403 | $189,009,314 |
| 2009 | $48,956,500 | $99,988,756 | $32,771,481 | $132,760,237 |
| 2010 | $22,268,800 | $45,481,797 | $14,906,735 | $60,388,532 |
| 2011 | $35,453,200 | $72,409,616 | $23,732,372 | $96,141,988 |
| 2012 | $23,794,000 | $48,596,866 | $15,927,704 | $64,524,569 |
| 2013 | $18,834,100 | $38,466,766 | $12,607,547 | $51,074,312 |
| 2014 | $30,202,200 | $61,684,973 | $20,217,353 | $81,902,326 |
| 2015 | $38,049,100 | $77,711,482 | $25,470,068 | $103,181,549 |
| 2016 | $122,173,400 | $249,526,952 | $81,782,874 | $331,309,826 |
| 2017 | $44,987,000 | $91,881,449 | $30,114,298 | $121,995,747 |
| 2018 | $83,257,600 | $170,045,322 | $55,732,637 | $225,777,960 |

The estimated economic output generated in 2017 is lower than either 2016 ($331.3 million) or 2018 ($225.8 million). The program also generated greater economic activity in the period from 2004 through 2009 and then fell off in the 'Great Recession era of 2010 through 2014. In recent years, some of the larger abatement projects are likely spurring the greater economic activity dollar values, as the actual number of abatements has not grown significantly.

It is important to distinguish, however, between regional economic activity and that for the City of Cleveland alone. As previously noted, the multipliers are for economic activity in the five county region, and the multipliers take into consideration leakage – economic activity that spills over into other counties (and states). However, within the region, it is likely that some of the economic activity generated by the abatements occurs in non-Cleveland Cuyahoga County as well as the other counties in the Cleveland MSA.

## Economic Impact and Tax Revenue

It is also important to distinguish between regional economic activity and increases in tax revenue for the City. Only a portion of economic activity will be subject to taxes within the City, and even when that activity is taxable, only a percentage will flow back as tax revenue. It is notable, for example, that since 2017, the City income tax rate has been 2.5 percent; if the entirety of the total output and earnings resulted in additional taxable income for the City (it did not and will not in the future), that would have amounted to approximately $3 million in additional income tax revenue.

Of course, the economic activity associated with the capital improvements do not tell the entire story as it relates to the economic (or revenue) benefits for the City. Capital improvements can help to stabilize or advance neighborhoods in ways that produce positive externalities that may not directly translate into economic activity captured in the input-output models. Greater neighborhood stability may, for example, attract other residents from outside the City that will then increase tax revenue. Increased demand for housing in neighborhoods may elevate property values that increase overall property tax revenue. The property tax abatement may also attract new residents (such as younger professionals who wish to live downtown) who do not consume a lot of city services but who will pay city income taxes.

It is not possible, within the timeframe and budget of this project, to estimate the net benefit from these changes. The data to do so is not readily available, and there would have to be significant time and effort invested to determine where the individuals are moving from, what their income levels are and whether it is, in fact, new income tax revenue for the City (since non-residents working in the City are already subject to income tax – it is notable that non-residents pay the vast majority of Cleveland city income tax revenue).

## Other Caveats

The multipliers generated by RIMS II and the associated economic impacts should be treated as rough approximations. There are a variety of features of the model that should be taken into consideration. It has already been noted that the information necessary to develop a City fiscal impact is not available from RIMS II. It is also notable that the total realized impact is presented without any lags that may exist – the time required for the impact to be realized (for all the ripple effects to work their way through the regional economy) are not estimated or presented. The model also does not take into consideration issues of scarcity – it is accepted that additional demand can be accommodated at the same cost, regardless of issues of labor or other constraints that might present themselves as activity increases.

Based on the identified factors, it is often advised that the economic activity estimates generated by RIMS II be treated as the upper bounds of activity. At the same time, there may be factors to consider for this particular industry that suggest the multipliers are not significantly different than actual activity. For one thing, construction as an industry is considered to be a 'high impact' sector of the economy – the jobs are typically above average in terms of compensation, and there are generally significant inputs necessary to get to the final product. Finally (particularly for new construction), the cost of furnishing a new home is significant, and that generally boosts (at least for the County) sales tax revenues as well.

# APPENDIX III

# Appendix III – Tools to Protect Legacy Residents & Additional Examples of Geographic Targeting for Abatements

## Tools to Provide Property Tax Relief: the Ohio Context

City officials, interviewees, and residents unanimously expressed a strong desire to keep longtime residents in their homes, particularly in neighborhoods that are experiencing significant increases in property taxes. This concern is shared by leaders in Ohio's other major cities, and by many cities around the country.

In Ohio, the administration of property tax assessment and collection is governed by state policy; changes must be authorized by state statute or changes to the state constitution, depending on the modification. Affordable housing leaders from Cleveland, Columbus, Cincinnati, Toledo, and Findlay are currently working with the Greater Ohio Policy Center (GOPC) to identify workable state policy recommendations that would provide property tax relief to vulnerable residents. Below are three property tax relief approaches that have been used elsewhere. GOPC and affordable housing leaders are analyzing these to determine if they would be effective in Ohio and how to appropriately translate these models into Ohio's policy context.

## Capping Property Tax Increases at the State Level

Property tax caps limit annual increase on assessed property values, either by freezing the property value or indexing future assessments. They seek to contain how much an individual's property taxes can rise due to increased assessed value. Approximately 20 states impose assessment limits. Some states provide state dollars to "backfill" the revenues that local governments forego as a result of the cap. Others, like Indiana, do not. In 2010, Indiana capped property tax increases at 1% per year for owner-occupied homes. Within four years, the cap had kept over $245 million out of school district budgets, and many legacy cities and their school districts throughout the state further struggled to provide basic services to their residents. Higher caps to year-over-year increases could, however, ensure local taxing entities receive adequate funds and protect homeowners in rapidly changing neighborhoods.

## Longtime Owner Occupant Program ("LOOP")

In 2014, the City of Philadelphia created the Longtime Owner Occupant Program (LOOP) to protect vulnerable longtime residents from significant increases in property tax bills, which were expected as the city changed its property assessment methods. LOOP provides a credit to owner-occupants who meet income and length of residency requirements. Through LOOP, homeowners receive a non-refundable credit for each dollar increase above a 50% increase in their property's assessed value.

Philadelphia's LOOP was raised in several community meetings in connection with the research team's analysis of the tax abatement program. GOPC believes a LOOP-like program administered at the local level may run afoul of the state's constitution, which requires equal application of property taxes.

## Circuit Breakers

"Circuit breaker" programs, which are similar in many ways to expanded homestead exemptions, are a widespread and longstanding model to deliver targeted relief for residents with high property tax burden. Circuit breaker programs look at the ratio of property taxes paid as a percentage of household income, protecting taxpayers from an "overload" when this ratio exceeds an established threshold. Nearly two-thirds of states and Washington D.C. have established state-funded circuit breaker programs, though many do not use the term specifically. Program design, cost, and effectiveness vary state-by-state. Taxpayers earning below a certain income level are given some amount of tax relief when their property taxes exceed a certain percentage of their income. In some states, renters can also apply for tax relief through the state's circuit breaker program.

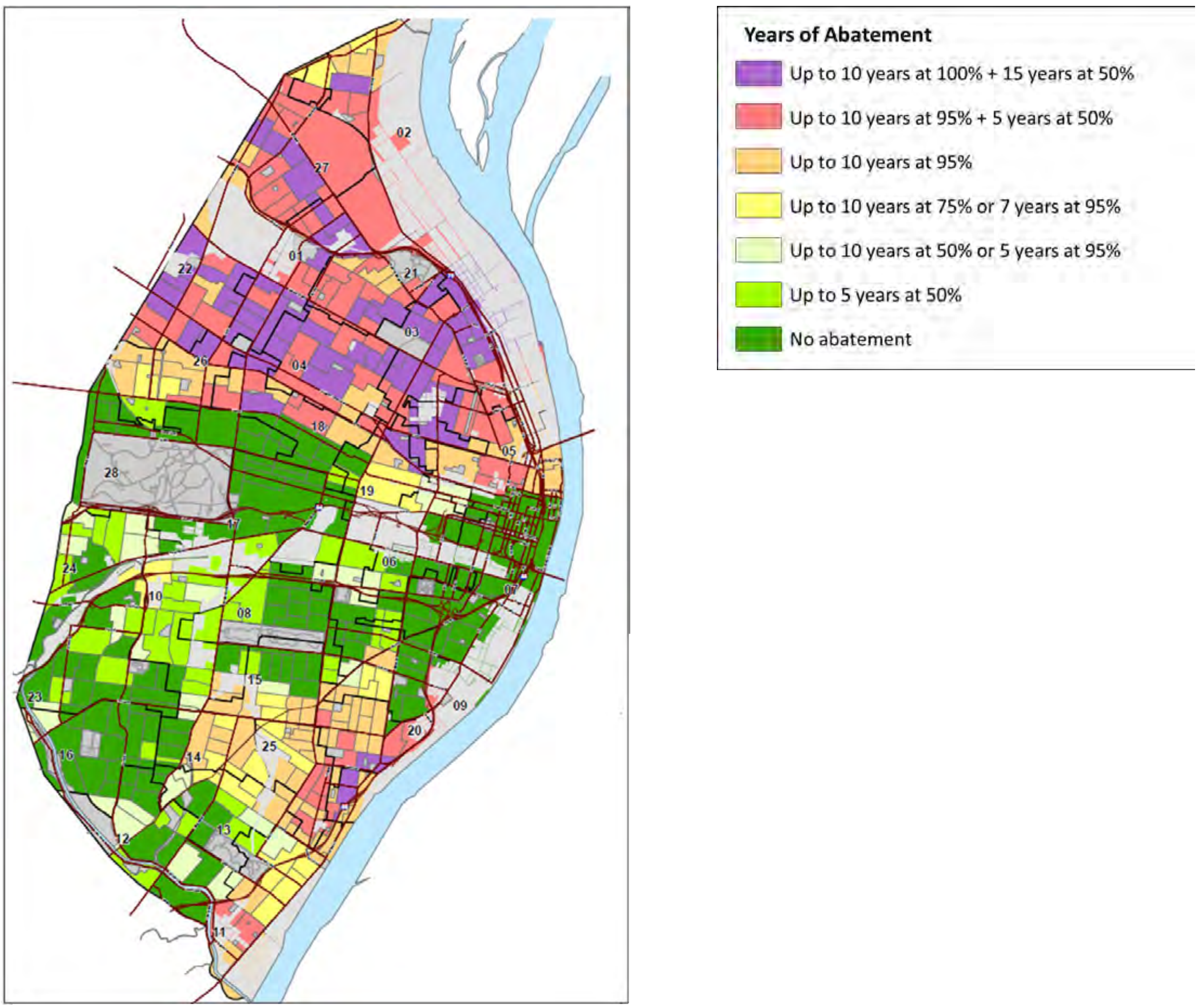
In other words, circuit breaker programs are income sensitive, while LOOP is sensitive to changes in property value.

## Moving to Action—When Will a Solution Be Available?

GOPC is actively working with affordable housing advocates around the state and with state policymakers to develop a policy recommendation that a) provides property tax relief to vulnerable residents, and b) anticipates "unintended consequences" (such as income reductions for local governments). State policy change is most successful when stakeholders can demonstrate there is a statewide need and that the policy would benefit all Ohioans. As such, GOPC is also actively stewarding the conversation across Ohio's major cities to ensure there is coordination and alignment among advocates and stakeholders.

## St Louis Geographic Targeting of Property Tax Abatement

For residential projects under $1,000,000 the city of St Louis varies both the length and maximum abated value of the city's abatement program based on the housing market in which the project is located. Using market indicators such as median home prices, mortgage activity, and resident income the city defines seven market types and matches an abatement term and maximum abated value to each. Terms range from five years at 50% of market value in strong markets to 10 years at 100% of market value or 15 years at 50% of market value in the weakest markets. The city does not award abatements in the strongest markets. The map below shows the location of each of the city's six market types along with the eligible abatement terms in each market type.




*Source:* *https://www.stlouis-mo.gov/government/departments/sldc/economic-development/financing/real-estate-tax-abatement.cfm*

# APPENDIX IV

# LISTENING GUIDE

## Hearing Resident Voice on the City of Cleveland's Residential Tax Abatement Policy

## Background

The City of Cleveland has chosen to study its current residential tax abatement policy and, if necessary, recommend changes to City Council in 2020. This study is one component of the City of Cleveland's Equitable Community Development Strategy that aims to cultivate more racially and economically inclusive neighborhoods with affordable housing through strategic, citywide policies. Multiple research firms are conducting a comprehensive study on the impact of the existing tax policy and analyzing qualitative data from developers, community development corporations, and lenders.

The City's study planning team also chose a deep engagement strategy with Cleveland neighborhood residents. Neighborhood Connections, in partnership with Leverage Point Development, joined this initiative because this is an issue that has been emerging, we see it as an opportunity to empower residents with knowledge, and it creates a viable pathway for residents to influence city policy.

## What is the City's current tax abatement policy?

The current residential tax abatement policy is a temporary 100% abatement of real estate property taxes on eligible improvements to single-family and multi-family projects for up to 15 years. In order to receive the abatement the project must be new construction or making significant renovations in line with Cleveland Green Building Standards. The goal of this policy has been to stimulate development and investment in Cleveland's neighborhoods by offering an incentive via a reduced tax obligation.

LEVERAGEPOINT DEVELOPMENT, INC.

LISTENING GUIDE

## Property Taxes 101

Property value is determined by the Cuyahoga County Fiscal Officer. Reappraisal happens every 6 years, valuation adjustments happen every 3 years. In 2021 County internal and external appraisers will look at each and every home and business in order to assign a value (this is comparable to the process followed when a house is sold and needs to be appraised). There are processes to dispute the assessment if the owner disagrees with the appraised value.  You can review all Cuyahoga County property information at: myplace.cuyahogacounty.us

## Why does this affect me?

When the program was developed (1990s) there was minimal new construction or substantial rehabilitation activity happening in Cleveland. Today there are neighborhoods within the City of Cleveland that are very active and attractive to developers, renters, and buyers. Reappraisals from 2018 resulted in valuation and tax increases for several residential properties. This impacted long-term residents with modest or fixed incomes who may not be able to afford the new tax bill. The goal of the review of the equitable development group is to incentivize development more broadly across the City at multiple price points.

## What has the research shown so far?

Abatement: From 2004 to 2018 the greatest concentrations of tax abatements were in neighborhoods surrounding downtown and on the eastside of the city.

Displacement Risk Ratio (DRR): The DRR identifies places (block groups) where households with a similar economic profile as those that could afford to live in the area in years past may now no longer afford to do so. The DRR is determined by median sales prices over time divided by median household income. When looking at the years 2014-2018 it was found that:

- 13 block groups (3% of the city) located in Detroit Shoreway, Ohio City, Downtown, Northern Tremont, and west of CWRU are considered high pressure.
- 161 block groups (35% of the city) predominantly on the westside, with pockets in northeastern portions of the city, are considered steady.
- 267 block groups (58% of the city) mostly on the eastside with pockets in the south are considered declining.

Housing Burden:

- More than 30% of residents are spending at least 30% of their monthly income on housing.
- The housing cost burden, particularly on the eastside of the city, is primarily related to low incomes, rather than elevated housing prices.

Modest Home Sales Prices:

- In 2017-18 the median home sales price in Cleveland was $38,500. Sales prices were highest downtown, Ohio City, North of Tremont, surrounding CWRU, and in the southwest of the city.
- On much of the eastside, median sales prices were generally below $25,000.
- The vast majority of home sales transactions are cash transactions in all block groups except the highest cost areas.
- Mortgage credit is highly restricted throughout the city, particularly on the eastside.
- Investor purchases account for a sizable portion of overall home sales transactions throughout the city, particularly concentrated on the eastside.

Racism and Poverty are Still Real Issues:

- Between 2010 and 2017 the share of the city that meets the federal definition as an area of Racial/Ethnically Concentrated Areas of Poverty expanded from about 25% of the city to nearly 50% of the city, concentrated largely on the city's eastside.

## What other tax abatement policies exist?

- Longtime Owner Occupants Program (LOOP) – a LOOP program limits year to year increases to the tax assessed value of your home if you meet certain eligibility requirements, such as length of residency and receipt of a homestead exemption (current policy that allows low-income senior citizens and permanently disabled Ohioans to reduce their property tax bills, by shielding some of the market value of their homes from taxation for up to $25,000). This policy would require legislative approval at the State level.
- Circuit-breaker: A policy that limits property taxes as a percent of household income. These types of programs tend to include income limits, and often target senior citizens or individuals with disabilities. This policy would require Legislative approval at the State level.
- Zone-based use of property tax tools. These tools can require (or increase) property tax limits or abatements to areas with lower household incomes or other thresholds (such as percent of households under the federal poverty line).
- Use of refundable income tax credits to offset property tax payments. Because Cleveland is an income tax city, and because the majority of its income tax comes from non-residents, any refundable credits that apply only against property taxes in the City (with income limits) will increase equity.

LISTENING GUIDE

## What happens with my information?

The results of our interviews will be compiled into a chapter to be included in the study. This study will ultimately be presented to Cleveland City Council with recommendations for future residential tax abatement policy. These interviews are anonymous, with your permission we will take your contact information only to share the study with you once completed and invite you to future meetings. Your name will be separated from the collected data.

## Study Timeline

- September - October : Researchers perform interviews, data analysis, and economic impact analysis
- November - December : Residential interviews and focus groups are held throughout the city
- November - January : Draft analysis, interim reporting, and initial recommendations are put together in a report
- January : Two larger community meetings will be held to share recommendations and receive feedback
- March : Final report and presentation to Cleveland City Council

## Resources

- Questions and followup:
  - Email Kaela Geschke, kgeschke@neighborhoodgrants.org
- Current Tax Abatement Policy
  - www.city.cleveland.oh.us/CityofCleveland/Home/Government/City Agencies/CommunityDevelopment/TaxAbatement
  - Homestead Exemption Application: www.tax.ohio.gov/portals/0/forms/real_property/dte_105a.
  - Green Building Requirements: www.city.cleveland.oh.us/sites/default/files/forms_publications/GreenBuildingStandardsHandbook2018.pdf
- Financial Services
  - communityfinancialcenters.org

# APPENDIX V

# LISTENING GUIDE BEST PRACTICES

Our shared goal is to elevate the voices of our neighbors to co-create a better Cleveland, because what people co-create, they sustain! Commit to listening without an agenda when documenting the experiences of others. Our brains are hardwired for what psychologists call “confirmation bias” - hearing what we want when we are taking in new information. Let’s take care to watch for our own biases and respect resident voice.

## Reminders for Active Listening

- Choose a neutral and comfortable spot to meet with minimal distractions
- Go in prepared
- Let the interviewee know you are listening (for example, make eye contact in between note-taking, nod head)
- Refrain from interrupting or inserting your own experience
- Be patient
- Ask one question at a time

## Reminders for Good Note Taking

- Take notes on the provided listening guide sheet (paper or electronic given what is acceptable by the interviewee).
- Repeat back your notes to make sure you got it right: “Let me make sure I understood you correctly, you said…”
- If the interviewee is speaking too fast: “Please give me a second, I want to make sure I note this correctly” or “That sounds important, can you say that again?”

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Resident Name:
Contact Number:
Contact Email:

Date:
Interviewer:

Age Range:

- ◯ 18-24
- ◯ 25 to 34
- ◯ 35 to 44
- ◯ 45 to 54
- ◯ 55 to 64
- ◯ 65 to 74
- ◯ 75 or older

What race/ethnicity best describes you? (Please choose only one.)

- ◯ American Indian
- ◯ Asian
- ◯ Black/African American
- ◯ Hispanic
- ◯ White/Caucasian
- ◯ Multiple ethnicity (please specify): ____________

What neighborhood do you live in? ____________

Do you own a home/have a mortgage? YES ◯ NO ◯

About how old is your home/when was your home built? ____________

About how long have you lived in your home? ____________

Did you receive a residential tax abatement from the City of Cleveland? YES ◯ NO ◯

If Yes: How influential was receiving a residential tax abatement in your decision to purchase your home?

If you had not received the residential tax abatement, would you still have purchased in the City?
If yes, why?

If no, why not?

Do you plan to stay in the City once your residential tax abatement ends? YES ◯ NO ◯

Are you aware of what your taxes will be once your abatement ends? YES ◯ NO ◯

How much do you think your taxes will be?

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Do you believe you have been impacted by tax abatement in your neighborhood? YES ○ NO ○

If Yes, how so?

What have been the benefits of tax abatement in your neighborhood?

What have been the challenges of tax abatement in your neighborhood?

As a resident what are examples of challenges from new development in your neighborhood that you have experienced/are aware of?

Aside from a tax abatement, what could the City do to assist you to buy in a Cleveland neighborhood (ie. down payment assistance tools, credit improvement assistance, etc?

As a (long-time) resident what are examples of benefits from new development in your neighborhood that you have experienced/are aware of?

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Have you seen any changes (for example cultural or economic) in your neighborhood? YES ○ NO ○

If Yes, what are some examples?

If Yes, how can the City or partners help bridge cultural and economic differences in your neighborhoods?

If No, why do you think have not experienced any cultural or economic changes in your neighborhood?

Has someone come to your door asking to buy your home?

YES ○ NO ○

If your neighborhood is changing, do you feel that you will be able to stay in your home? YES ○ NO ○

If No, what would you need in order to stay in your neighborhood in the short term?

If No, what would you need in order to stay in your neighborhood in the long term?

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What would you like to see in a revised policy for residential tax abatement in the City of Cleveland?

Anything else you want to share?

Is there someone else you believe it is really important we interview? If so can you share their name and contact information so we can follow up?

Thank the participant, double check contact information, and review calendar and next steps.

# APPENDIX VI

# Listening Session:
# Residential Tax Abatement Policy

## OUR GOAL?

Neighbor Up members want to gain knowledge, advocate for neighborhoods and create more viable pathways for residents to influence city policy.

## HOW WILL IT WORK?

The City of Cleveland has chosen to study its current residential tax abatement policy and, if necessary, recommend changes to City Council in 2020. This study is one component of the City of Cleveland's Equitable Community Development Strategy that aims to cultivate more racially and economically inclusive neighborhoods with affordable housing through strategic, citywide policies.

As part of the work, multiple research firms are doing a comprehensive study on the impact of the existing tax policy and analyzing data from developers, community development corporations, and lenders.

The city's study planning team also wanted to talk with Cleveland neighborhood residents, and we are leading that work along with Leverage Point Development.

From now through mid-December, we will be hosting Listening Sessions across Cleveland. During these sessions residents can learn more about the current residential tax abatement policy, share how it has affected them, and weigh in on what they would like to see moving forward.

## TIMELINE

Once the Listening Tour and accompanying interviews are complete, the results will be compiled into a chapter to be included in the study. The current timeline is projected to be:

- September – October: Researchers perform interviews, data analysis, and economic impact analysis
- November – December: Residential interviews and focus groups are held throughout the city
- November – January: Draft analysis, interim reporting, and initial recommendations are put together in a report
- February: Two larger community meetings will be held to share recommendations and receive feedback
- March: Final report and presentation to Cleveland City Council

## WHAT IS THE CURRENT POLICY?

The current residential tax abatement policy is a temporary 100% abatement of real estate property taxes on eligible improvements to single-family and multi-family projects for up to 15 years. In order to receive the abatement the  project must be new construction or making significant renovations in line with Cleveland Green Building Standards. The goal of this policy has been to stimulate development and investment in Cleveland's neighborhoods by offering an incentive via a reduced tax obligation.

## WHY DOES THIS AFFECT ME?

When the program was developed (1990s) there was minimal new construction or substantial rehabilitation activity happening in Cleveland. Today there are neighborhoods within the City of Cleveland that are very active and attractive to developers, renters, and buyers. Reappraisals from 2018 resulted in valuation and tax increases for several residential properties. This impacted long-term residents with modest or fixed incomes who may not be able to afford the new tax bill. The goal of the review of the equitable development group is to incentivize development more broadly across the City at multiple price points.

## WHAT ARE EXAMPLES OF OTHER TYPES OF TAX POLICIES?

- **Step-down tax abatement:** The reduction of the tax abatement percentage over 15 years; Reduction in the number of years taxes are abated; Different tax abatement terms (for example years and percentages) for different geographies of the City.
- **Longtime Owner Occupants Program (LOOP**): The LOOP program limits year to year increases to the tax assessed value of your home if you meet certain eligibility requirements, such as length of residency and receipt of a homestead exemption (current policy that allows low-income senior citizens and permanently disabled Ohioans to reduce their property tax bills, by shielding some of the market value of their homes from taxation for up to $25,000). This policy would require legislative approval at the State level.
- **Circuit-breaker**: A policy that limits property taxes as a percent of household income. These types of programs tend to include income limits, and often target senior citizens or individuals with disabilities. This policy would require Legislative approval at the State level.
- **Zone-based use of property tax tools:** These tools can require (or increase) property tax limits or abatements to areas with lower household incomes or other thresholds (such as percent of households under the federal poverty line).

## RESOURCES

- Questions and follow-up: Email Kaela Geschke, kgeschke@neighborhoodgrants.org
- Current Tax Abatement Policy: www.city.cleveland.oh.us/CityofCleveland/Home/Government/CityAgencies/CommunityDevelopment/TaxAbatement
- Homestead Exemption Application: www.tax.ohio.gov/portals/0/forms/real_property/dte_105a.
- Green Building Requirements: www.city.cleveland.oh.us/sites/default/files/forms_publications/GreenBuildingStandardsHandbook2018.pdf
- Utility Assistance: https://cjfs.cuyahogacounty.us/en-US/Utility-Assistance.aspx
- Financial Services: communityfinancialcenters.org
- Cuyahoga County property information at: myplace.cuyahogacounty.us

# APPENDIX VII


The City of Cleveland is evaluating its current residential tax abatement policy and your voice is needed

# LEARN & BE HEARD

JOIN TO LEARN ABOUT THE STUDY OF THE CURRENT POLICY, SHARE YOUR EXPERIENCE & SAY WHAT YOU WANT FOR YOUR NEIGHBORHOOD GOING FORWARD

more info at neighborupcle.org/tax

# COMMUNITY LISTENING TOUR

- 11/18 6-8PM @Life Exchange Center, 13407 Kinsman Rd.
- 11/19 6-8PM @ASIA Inc. 3631 Perkins Avenue, Suite 2A-W
- 11/25 6-8PM @Julia de Burgos Cultural Arts Center, 2800 Archwood Ave.
- 11/26 6-8PM @Mary Queen of Peace, Parish Center Upper Hall, 4127 Pearl Rd.
- 12/3 6-8PM @Neighborhood Housing Services, 5700 Broadway Ave.

- 12/4 6-8PM @Gunning Rec. Center,16700 Puritas Ave.
- 12/10 6-8PM @3rd Space Action Lab, 1464 E 105th St.
- 12/11 6-8PM @Cornucopia Place, 7201 Kinsman Rd. Suite 103b
- 12/12 6-8PM @LGBT Center of Greater Cleveland, 6705 Detroit Ave.
- 12/17 6-8PM @Urban Community School Gathering Room, 4909 Lorain Ave.
- 12/18 6-8PM @Pilgrim Church, 2592 W. 14th St.

more info at neighborupcle.org/tax