



Senate Select Committee on Housing Interested Party Testimony

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Chair Reynolds, Vice Chair Johnson, Ranking Member Craig, and members of the Senate Select Committee on Housing, thank you for the opportunity to provide testimony.

My name is Alison Goebel, and I am the Executive Director for the Greater Ohio Policy Center (GOPC). We are a statewide non-profit research and policy organization that champions revitalization in Ohio. Much of our work focuses on and occurs in Ohio’s ‘legacy cities’ or places that have lost substantial population and industry and are in the midst of reinventing themselves.

Housing is the number one concern for the dozens of communities we work with. These places realize that to attract workers and retain residents, they need to offer quality housing products at a range of price points. Local leaders know that homeownership is a critical component to their long-term success.

Ohio Needs Silver Buckshot

The solutions I am about to discuss assume there is no silver bullet and that we need silver buckshot. This means, we need an all-of-the-above approach to preserving and increasing housing options, especially homeownership options in Ohio.

Housing Happens in Vibrant, Stable Neighborhoods

Housing developers enter new markets when neighborhood conditions are stable and are becoming vibrant. This makes sense; developers do not want to invest in markets that appear risky. Risky markets include blocks with abandoned properties that attract crime, dumping, pests, and other variables that can threaten assets. These conditions often lead to low housing values.

The *appraisal gap*¹ also creates risk for developers. Stable neighborhoods and rising values of existing homes will help new homes be developed in Ohio.

The median housing value in Ohio’s legacy cities is still < \$100,000 and < \$200,000 in surrounding metro areas (US Census, 2020).

However, hard costs to build a modest single-family home in Ohio are currently starting at \$250,000, making the *appraisal gap* hard to overcome.

State policies we recommend to help stabilize and increase vibrancy in Ohio’s neighborhoods focus on mitigating and preventing blight and limiting bad actors:

- The state, through revised code provisions, should **require rental property owners to provide actual ownership and management contact information when recording real estate**

¹ The ‘appraisal gap,’ is the gap between the hard costs of construction and what the property will appraise for. Even if locals know that new housing will be purchased, developers won’t or can’t create new housing because they cannot get adequate financing from banks that must adhere to regulated loan-to-value ratios.

transactions. Senate Bill 76 (SB76) has provisions that do that and we encourage the Legislature to pass a version of SB76 that retains this language.

- **Continue to explore methods to limit purchases by institutional real estate investors** that are rapidly converting single family homes into rentals. SB76 is a step in that direction and we will continue to need others, perhaps additional transfer or filing fees on investment purchases.
- **Make it easier to create municipal or county housing courts.** Housing courts have a dedicated judge that hears civil and criminal cases related to housing. Right now, Ohio has two housing courts and an environmental court which handles housing. All three were created through the state’s Revised Code. Empowering local jurisdictions to create housing courts without approval by the General Assembly would make it easier for local governments that want to pursue criminal charges against entities responsible for blight and unsafe living conditions.
- **Continue funding blight removal AND property rehabilitation.** Over the last decade, land banks have effectively utilized federal and state demolitions funds. As a result, many counties have eliminated the worst of the worst and now face the dilemma of tearing down properties that are salvageable, but expensive to do so. Future blight mitigation funds should be flexible, with demolition AND property rehabilitation as eligible uses.
- **Continue to provide grant funding for brownfield remediation.** Brownfields are environmentally contaminated sites, such as former auto factories or asbestos-laden schools. These sites can be dozens of acres and are ripe for new development once remediated. Harrison West, a dense residential neighborhood south of the Ohio State University, is built on a former margarine factory that received brownfield remediation funds in the early 2000s. In Ashtabula, a historic department store has received a clean-up and remediation grant from the recently enacted Brownfield Remediation Fund. After environmental hazards are mitigated, the building will be redeveloped into a mixed-use site that includes housing.

In summer 2023, realtors in Akron told GOPC that since early 2022, nearly every single-family home listed at less than \$100,000 in Akron was purchased by a cash-buyer.

In other words, modestly priced single-family homes that used to be starter homes are rapidly becoming or remaining rental properties in Akron. We know that similar situations in the market are occurring across the state.

Homeownership will be Easier to Achieve when Development Costs are Lowered

The high cost of development makes homeownership difficult. Here are ideas that we have to lower costs or reduce development timelines:

- **Create a grant program to help local communities modernize their zoning codes.** Many communities in Ohio are operating under zoning codes that have not been updated since the mid-20th century. Market preferences have changed and Ohio has a lot of zoning that makes it hard or prohibits new housing from going into existing older neighborhoods. A grant program, run through the Department of Development or Ohio Housing Finance Authority, could help communities produce modern zoning codes that reduce the time and paperwork needed to build housing the market wants, such as 2-4-unit homes or granny flats in single family neighborhoods.

- **Help communities utilize pre-approved building designs.** Pre-approved building designs are architectural designs that a city or county pre-emptively approves for use within their jurisdiction or select zoned areas. GOPC and the Ohio Realtors Association are investigating how pre-approved building designs can cut red tape for infill development projects. Funding to help communities zone for pre-approved building designs or help close development financing gaps on pre-approved architectural designs will help bring more homes to market more quickly.
- **Create the Ohio Community Transformation Fund.** This program would provide grants to Community Development Financial Institutions (CDFIs) for lending and technical assistance to real estate projects (and businesses) that cannot access traditional bank loans. Many housing projects are stalled in Ohio because developers, especially boutique developers, are unable to secure risk-tolerant, low-cost capital that is comfortable with weak real estate markets. This Fund would provide grants to trusted, experienced, financial intermediaries, who know how to coach borrowers and leverage other dollars to make real estate succeed.
- **Establish a loan loss reserve for small-dollar mortgages and home improvement loans.** The Department of Development or Ohio Housing Finance Agency should create a loan loss reserve that intermediaries and local housing agencies can apply to, to underwrite small-dollar mortgages and home improvement loans that banks dislike deploying staff time to underwrite, or that exceed loan-to-value ratios that traditional finance institutions must adhere to.
- **Replicate Minnesota’s Community Land Trusts Homebuyer Initiative Program.** This program helps moderate-income homebuyers buy existing homes that are just out of their price range. Minnesota’s Finance Agency provides grants to community land trusts, which use the grant dollars to help pay the difference between the cost of a home as being sold on the market and what a family is able to purchase. The funds are also used to bring the roof and major mechanicals up to a state of good repair. In return, the family put the land that the house is on into a community trust—so that the family can earn equity on their home purchase, but ensuring the house remains affordably priced for future purchasers.

Conclusion

Chair Reynolds, I will stop there with my suggested silver buck shot. I thank you for the opportunity to share our thoughts regarding housing and homeownership in Ohio and am happy to address any questions you or the members of the committee may have.