

The Connection Between Foreclosure, Nuisance Abatement, Blight Removal and Housing Market Recovery in Cuyahoga County

Testimony In Support of House Bill 155

Economic and Workforce Development Committee
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Frank Ford

Senior Policy Advisor, Western Reserve Land Conservancy

fford@wrlandconservancy.org

Causal Connections - Overview

- Mortgage lenders targeted low income communities in Ohio for high interest subprime loans.
- Those loans had high rates of default and foreclosure.
- The foreclosure crisis in Ohio led to a high volume of housing abandonment and blight.
- Pronounced visible blight undermined property value, homeowner equity and property tax collection.
- Nuisance abatement and demolition of blighted properties over the past decade has put housing markets on the path to recovery.
- **BUT...the hardest hit communities are still struggling because funding for nuisance abatement is coming to an end.**

While mortgage foreclosure, property abandonment and blight are most associated with urban Black communities, many small rural Ohio communities were also impacted.

Smaller rural counties like Preble, Clark, Marion and Brown were among the top 10 hardest hit counties by mortgage foreclosure over the past 20 years.

Top 10 counties, foreclosures per capita over past 20 years			
County	2015 population	1996-2015 filings	Filings per 1,000 people
Statewide	11,613,423	1,115,509	96
1. Cuyahoga	1,255,921	183,869	146
2. Montgomery	532,258	67,116	126
3. Lucas	433,689	51,802	119
4. Preble	41,329	4,696	114
5. Summit	541,968	61,395	113
6. Mahoning	231,900	25,803	111
7. Clark	135,959	15,109	111
8. Marion	65,355	7,024	107
9. Hamilton	807,598	86,285	107
10. Brown	43,839	4,671	107

Source: Ohio Supreme Court. The population data are from 2015 annual estimates by the U.S. Census Bureau, Population Division.

Richland and Coshocton Counties were among the top 3 hardest hit by foreclosure in 2015 and 2016

Hardest hit 10 counties, 2015 and 2016

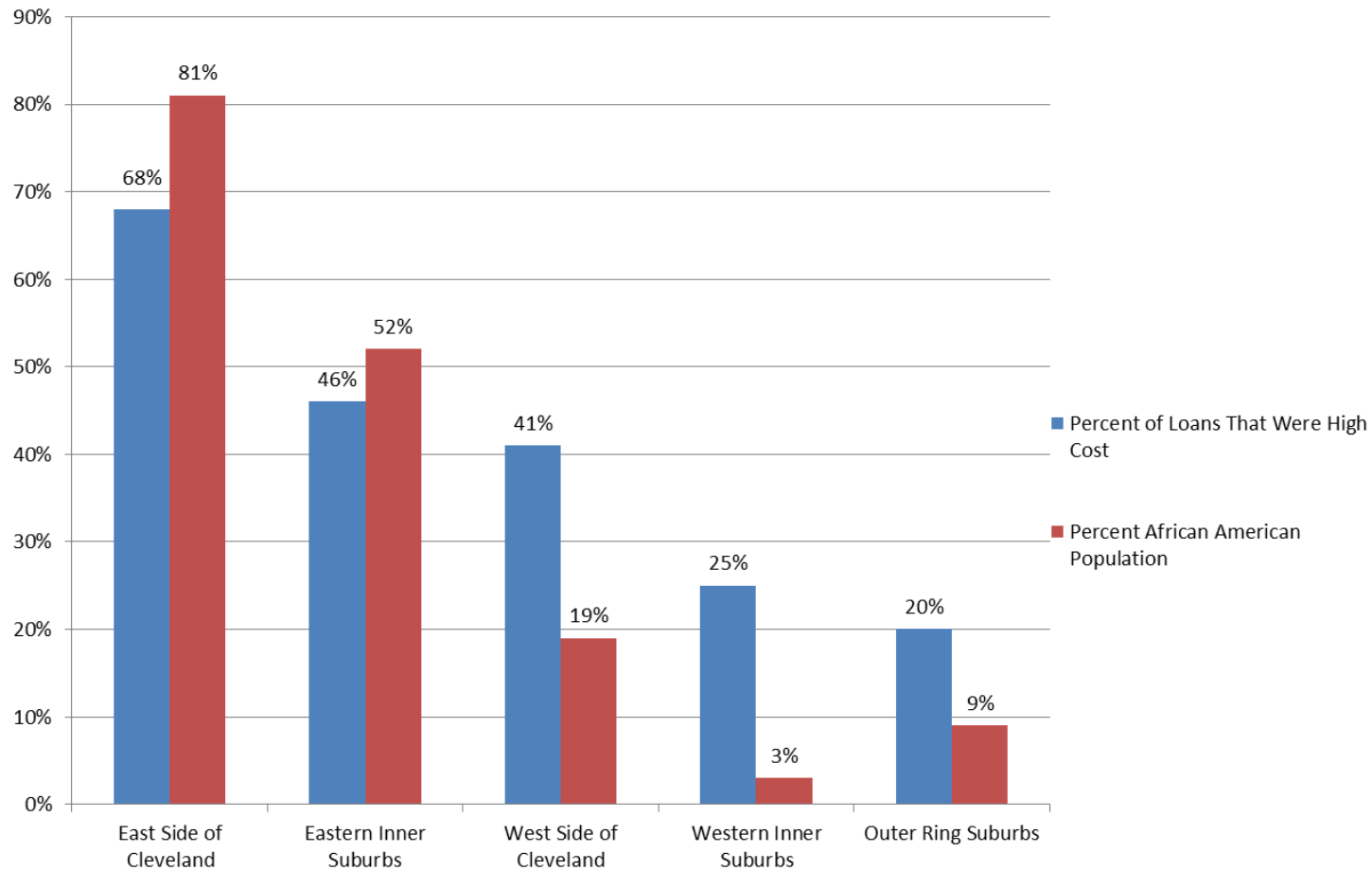
County	2016 filings per 1,000 people	Rate rank	Counties	2015 filings per 1,000 people	Rate rank
Mahoning	5.6	1	Richland	7.8	1
Richland	5.6	2	Jackson	6.1	2
Coshocton	5.2	3	Coshocton	5.8	3
Jackson	5.2	4	Summit	5.3	4
Ashtabula	5	5	Erie	5.3	5
Cuyahoga	4.9	6	Cuyahoga	5.1	6
Trumbull	4.6	7	Mahoning	5.1	7
Preble	4.5	8	Trumbull	4.5	8
Erie	4.3	9	Ashtabula	4.0	9
Summit	4.2	10	Montgomery	3.9	10

Source: 2015 and 2016 filings from Ohio Supreme Court. Population data from: American Fact Finder, U.S. Census Bureau, Table DP03. Retrieved by Hannah Lebovits, 10/17/2017.

“Lingering Impact: Report on 2016 Foreclosure Trends”, Policy Matters, December 2017.

Lenders Aggressively Marketed High Interest Subprime Loans In Low Income and Minority Communities

High Cost Mortgage Loans and African American Population Cuyahoga Regions (2006)



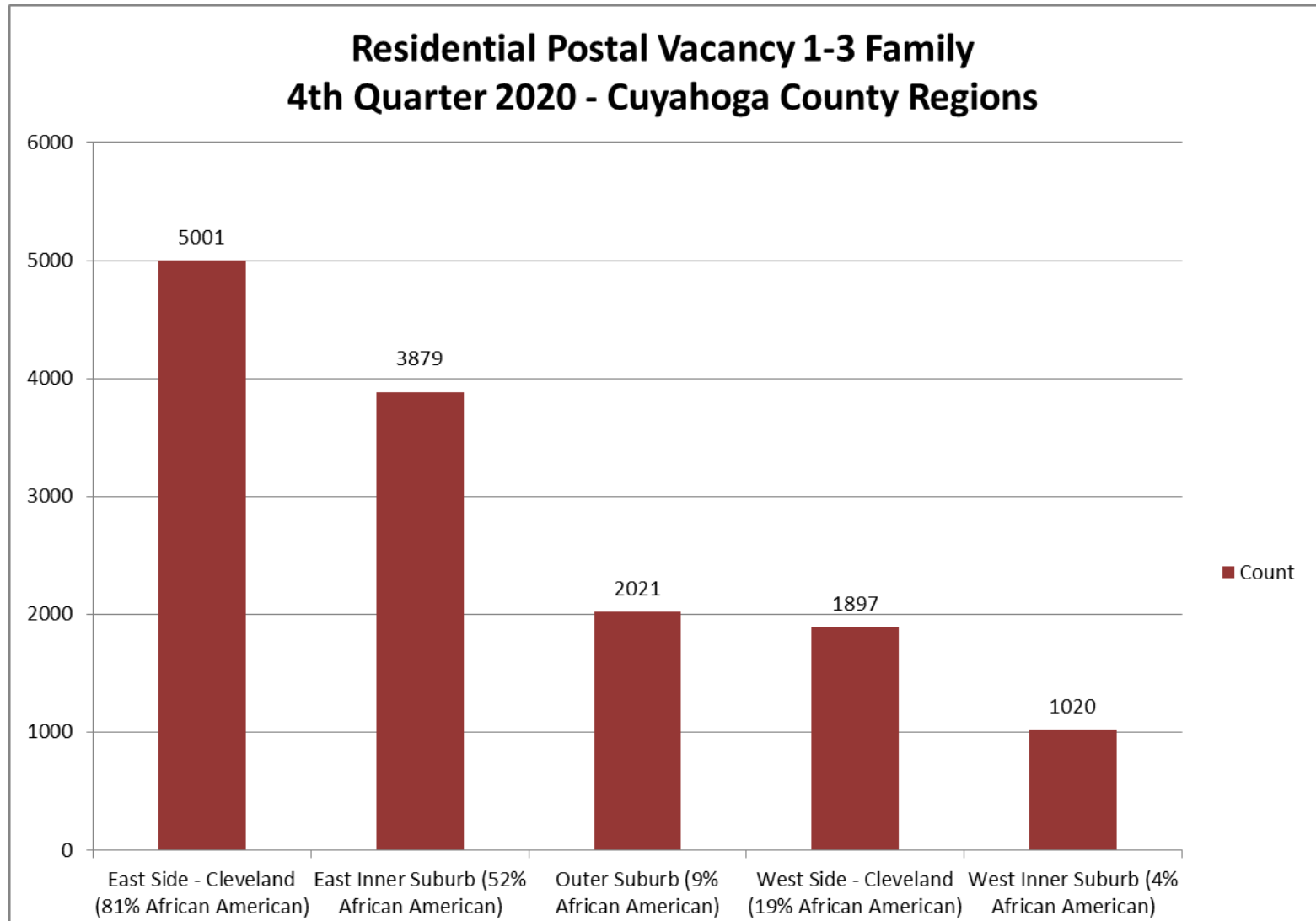
Source: NEO CANDO at Case Western Reserve University; US Census 2012; Home Mortgage Disclosure Data - Federal Financial Institutions Examination Council.

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A Fannie Mae study found that 50% of all borrowers who received a high cost Subprime Loan would have qualified for a lower cost prime loan.

Source: "Financial Services in Distressed Communities", Fannie Mae Foundation, August 2001.

Two Areas Hardest Hit By Subprime Lending Have Highest Vacancy and Abandonment



Source: US Postal Service and NEO CANDU at Case Western Reserve University.
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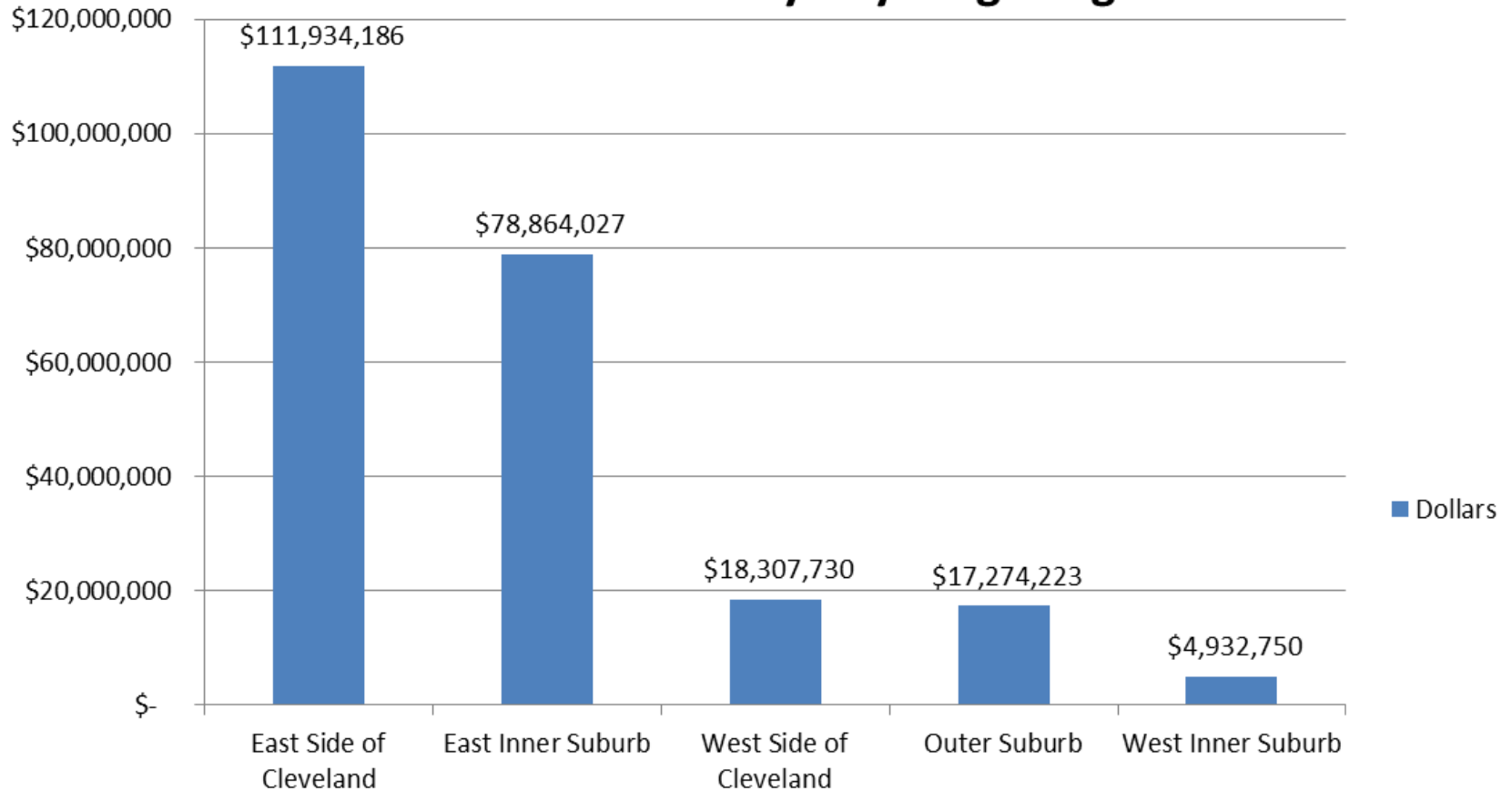
Foreclosure and Abandonment Have Resulted In a Loss of Property Value and Homeowner Equity Cuyahoga County 2000 - 2020

CUYAHOGA REGION	Parcels with at least one filing since 2020	Residential and Land Bank class parcels	Percent of parcels with at least one filing	2005-2006 (peak years) Median Sale Price	2020 Median Sale Price	Loss of Value	Percent African American
East Side of Cleveland	35,229	78,621	45%	\$ 80,000	\$ 35,000	\$ (45,000)	80.74%
East Inner Suburb	27,159	85,605	32%	\$ 115,700	\$ 94,000	\$ (21,700)	52.32%
West Side of Cleveland	16,537	60,279	27%	\$ 89,000	\$ 88,300	\$ (700)	18.81%
West Inner Suburb	9,589	72,890	13%	\$ 133,000	\$ 159,900	\$ 26,900	3.45%
Outer Suburb	18,023	166,552	11%	\$ 173,000	\$ 195,000	\$ 22,000	9.14%
Total	106,537	463,947	23%	\$ 118,000	\$ 130,000	\$ 12,000	29.64%

Data Source: NEO CANDO at Case Western Reserve University.

Residential and Land Bank parcel count as of 4-11-21. The majority of Land Bank parcels were "residential" prior to being re-classified.

Areas Hardest Hit by Foreclosure and Abandonment Have Highest Loss of Property Tax Revenue/Delinquency October 2019 - By Cuyahoga Region



Source: NEO CANDO at Case Western Reserve University. All residential land use codes.

All property tax delinquency \$1 or greater.

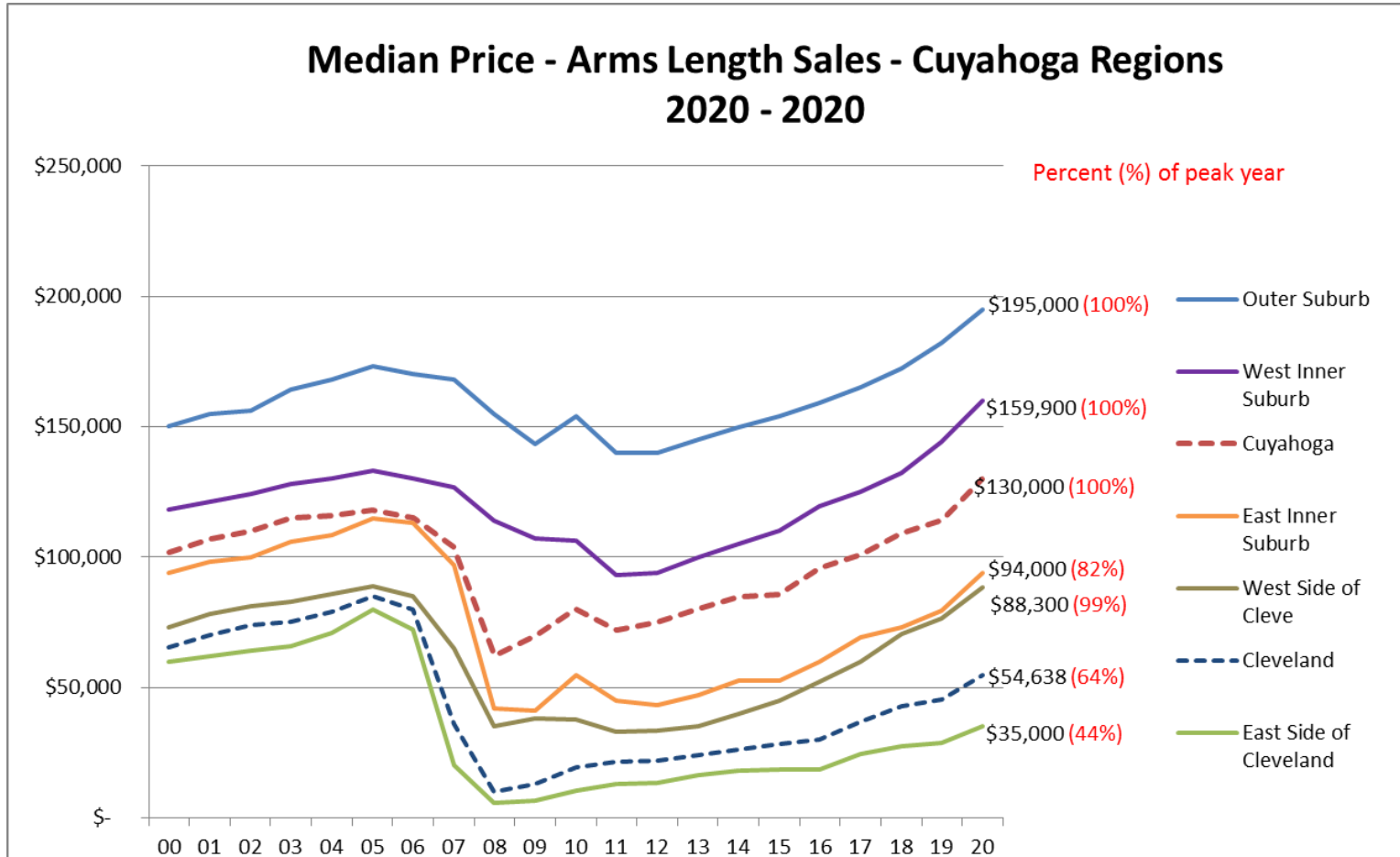
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As the next chart will show, housing market recovery is seen in all regions of Cuyahoga County.

But the degree of recovery is not consistent in all sub-markets.

Vacancy, abandonment and blight still undermine market recovery in the areas that were hardest hit by subprime lending, foreclosure and abandonment.

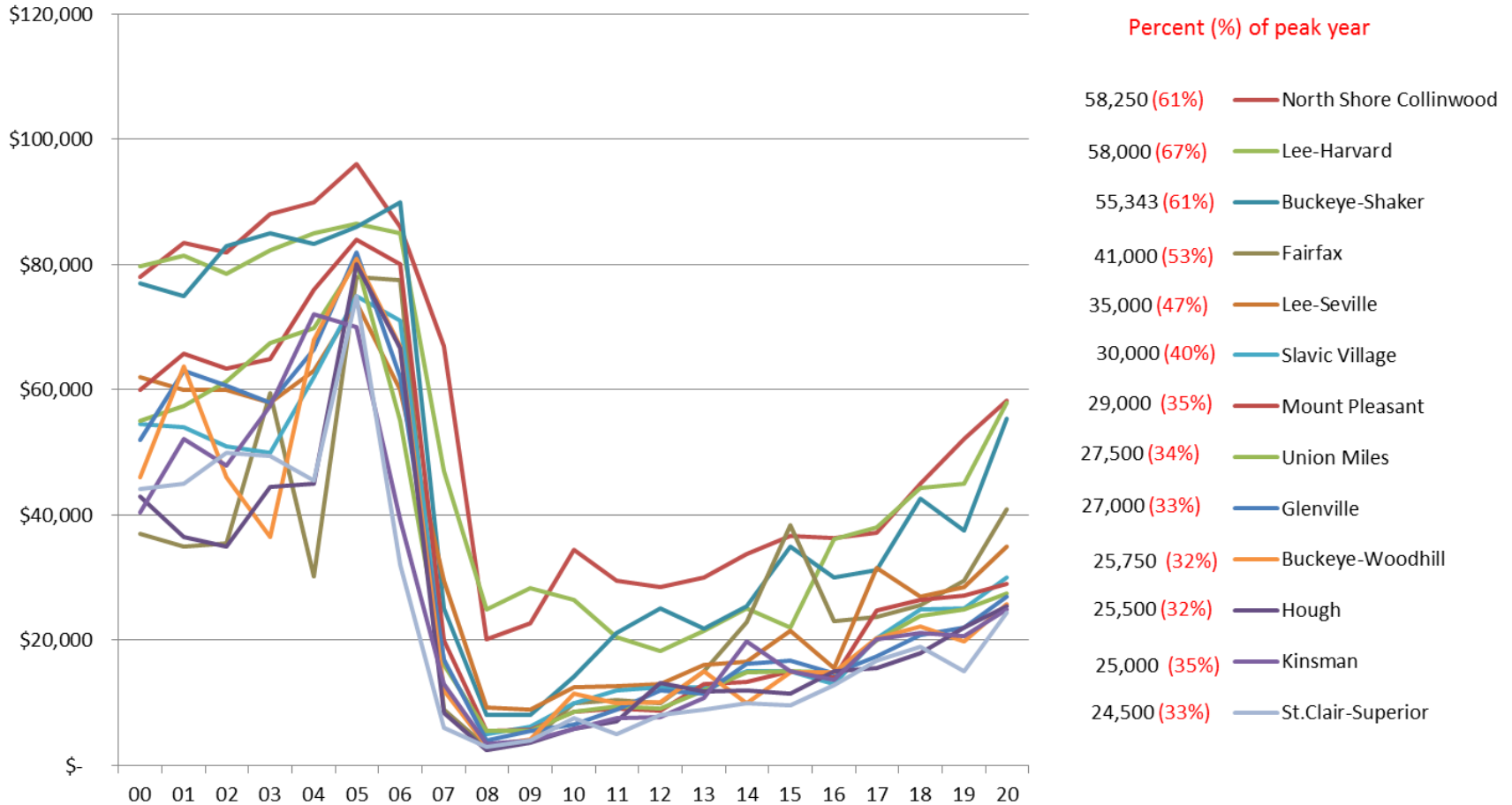
Two areas hardest hit by subprime lending, foreclosure and blight are still struggling to recover: the East Side of Cleveland (44%) and the East Inner Suburbs (82%). They need blight removal resources to stimulate full recovery.



Source: NEO CANDO at Case Western Reserve University.
 Arms Length Sales = sales on 1-3 family residential property that exclude: 1) transfers at a Shf Sale, 2) \$0 transfers and 3) transfers to a bank or Federal agency. 1-3 family includes condominiums.
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Blight removal over the past 10 years has put the East Side of Cleveland on a path to recovery, but additional resources are needed to finish the job.

Median Price - Arms Length Sales 2000 - 2020 Thirteen Eastside Cleveland Neighborhoods



Source: NEO CANDO at Case Western Reserve University.

Arms Length Sales = sales on 1-3 family residential property that exclude: 1) transfers at a Shf Sale, 2) \$0 transfers and 3) transfers to a bank or Federal agency. 1-3 family includes condominiums.

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Estimates of Severe Distress and Potential Demolition in Cuyahoga County As of April 2021

	Cuyahoga Land Bank Estimate	City of Cleveland Estimate
	Residential, Commercial and Industrial That Will Likely Require Demolition	Residential, Commercial and Industrial That Will Likely Require Demolition
Cleveland	4,552	3,907
East Cleveland	418	418
Balance of Suburbs	605	605
Total	5,575	4,930

Sources: Cuyahoga Land Reutilization Corporation, City of Cleveland Building and Housing Department.

Both Cleveland and Land Bank estimate that 83% of the total are residential 1-3 family homes.

Combined industrial and commercial count varies from 5.7 % (Cleveland) to 7.5% (Land Bank).

The balance are small, medium and large apartment buildings.

Conclusion

Abatement and removal of blighted properties over the past decade has been key to putting hard hit communities on a path to housing market recovery, i.e. recovery of lost homeowner equity and recovery of lost property tax revenue.

But resources are running out before the job is finished. Additional nuisance abatement resources are needed to ensure the progress these communities have made is not lost.

For further information

Contact:

Frank Ford

Senior Policy Advisor

Western Reserve Land Conservancy

fford@wrlandconservancy.org