Greater Cleveland’s Response To Foreclosure and Vacant Property

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Neighborhood Progress, Inc.
Cleveland, Ohio
Major Response Innovations

Primary Focus for Today:

- Vacant and Abandoned Property Action Council (VAPAC)
- NEO CANDO data system at Case Western Reserve University
- Neighborhood Stabilization Team (NST) and NST WebApp

Other Key Innovations:

- Cuyahoga County Land Bank
- Cleveland Housing Court
- Re-Imagining Cleveland - Vacant Lot Re-use
- Criminal and Civil Code Enforcement
Cleveland Context

25 Years of Progress Against

- Sprawl
- Outmigration

Achieved

- Competitive Neighborhoods
- New Housing
- Renovated Housing
- Homeowner Equity
Then....A Tsunami of Foreclosure

45,000 Sheriff Sales

16,000 Vacant Homes Today (1 out of 10)

Home Sale Prices Down 43%

Lost Homeowner Equity

$54 Million in Uncollected Property Tax
# Home Sale Price Trends

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<thead>
<tr>
<th></th>
<th>2006</th>
<th>2012</th>
<th>%</th>
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<tbody>
<tr>
<td>County</td>
<td>$173,000</td>
<td>$133,000</td>
<td>-23%</td>
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<tr>
<td>City</td>
<td>$93,000</td>
<td>$53,000</td>
<td>-43%</td>
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Low Sale Prices Make Traditional Renovation Approaches Unsustainable

- Full “gut rehab” of home in 2006: no subsidy required.

- The same rehab in 2012: $80-90,000 subsidy required.

- With 16,000 vacant homes, how do you allocate $80,000 in precious subsidy? Renovate one house or demolish eight?
Lost Tax Revenue

- Cuyahoga County 26,728 vacant homes
  - $43,969,608 tax delinquency on these properties

- City of Cleveland 15,976 vacant homes
  - $29,244,753 tax delinquency on these properties

Vacancy and delinquency counts as of 10/24/12.
Source: NEO CANDO at Case Western Reserve University.
Nuisance Abatement Costs

15,976 Vacant Homes
6,974 Likely Condemnable
$69,740,000 Estimated Current Demo Cost
6,500 Likely Condemnable Next Five Years
$65,000,000 Additional Demo Cost
$134,740,000 Total Demo Cost Next Five Years

Source: NEO CANDO at Case Western Reserve University and Vacant and Abandoned Property Action Council (VAPAC).
These Costs Represent An Unprecedented Shift of Private Liability to the Public Taxpayer
Vacant and Abandoned Property Action Council (VAPAC)
What is VAPAC?

• A consortium of 19 government and civic agencies working across city and suburban boundaries to:
  • Explore solutions to the challenges created by foreclosure and property abandonment.
  • Provide a platform for sharing information on new issues and innovative programs.
  • Encourage collaboration and coordination of resources and programming among key institutions.
  • Provide leadership on issues related to prevention and reclamation of abandoned property.
# VAPAC Members

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<tr>
<th>Cleveland City Council (2)</th>
<th>Cleveland Community Development Department</th>
<th>Cleveland Building and Housing Department</th>
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<tbody>
<tr>
<td>Cleveland Mayor’s Office</td>
<td>Cleveland Housing Court</td>
<td>Western Reserve Land Conservancy</td>
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<tr>
<td>Cuyahoga Department of Development</td>
<td>Cuyahoga County Executive’s Office</td>
<td>Cuyahoga County Treasurer</td>
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<td>Cuyahoga County Prosecutor</td>
<td>Cuyahoga County Sheriff</td>
<td>Cuyahoga County Foreclosure Prevention Program</td>
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<td>Enterprise Community Partners</td>
<td>First Suburbs Consortium (3)</td>
<td>Cleveland Neighborhood Development Coalition</td>
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<tr>
<td>Federal Reserve Bank – Cleveland</td>
<td>Cuyahoga Land Reutilization Corporation</td>
<td>Ohio Attorney General-Cleveland Office</td>
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<td>Neighborhood Progress, Inc.</td>
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Staffing and Technical Assistance

• Founding Members:
  • Neighborhood Progress, Inc. (Funder of Community Development)
  • Cleveland Neighborhood Development Coalition (CDC Trade Assn.)

• Staffed By: Neighborhood Progress, Inc.

• Technical Assistance Provided by:
  • Cleveland State University
  • Case Western Reserve University
When and How Was it Created?

• A “vacant property coordinating council” was one of the key recommendations of “Cleveland at the Crossroads” - a year-long study of vacant and abandoned property commissioned by Neighborhood Progress, Inc. and released June 2005. Authors: Alan Mallach, Joe Shilling, Lisa Levy.

• The two founding members, NPI and CNDC, issued invitations to the Mayor of Cleveland and other key stakeholders in July 2005.
How Does VAPAC Function?

• VAPAC meets every 3rd Friday at Noon, lunch provided.
• Between monthly meetings, topical “Working Groups”, i.e. sub-committees, meet to work on specific issues, problems, develop recommendations, etc.
• Monthly agendas typically include:
  • Reports from Working Groups.
  • Updates on key initiatives, e.g. Land Bank, etc.
  • Updates on current research on foreclosure, vacancy and stabilization trends.
  • Guests invited from time to time to discuss specific topics.
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<th>Group</th>
<th>Objective</th>
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<td>Demolition Funding &amp; Protocols</td>
<td>Develop projections of future demolition needs and cost. Increase the availability of funding for demolition. Recommend protocols for strategic application of funds.</td>
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<td>Tax Lien &amp; Forfeiture Sales</td>
<td>Tax Lien and Forfeiture Sale procedures that maximize productive reuse of vacant property and minimize harmful consequences to communities.</td>
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<td>Code Enforcement</td>
<td>Code enforcement ordinances, regulations and programs that hold lenders and property investors accountable for the cost of blight and nuisance abatement.</td>
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<td>REO and Mortgage Servicing</td>
<td>Develop guidelines for mortgage servicers to minimize abandonment and encourage responsible disposition of post-foreclosure vacant property.</td>
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<td>REO Investor Research Project</td>
<td>Serve as an advisory group to a Harvard University research project that will 1) study the business models of out-of-state investors, and 2) identify responsible models of vacant property rehab that require little or no subsidy.</td>
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<td>Legislative, Administrative and Judicial Reform</td>
<td>Advocate for state or local laws, regulations and judicial reforms that further any of the above objectives. Examples: 1) allow municipal liens for demo costs to be certified to the county continually, rather than once a year, 2) allow the County Recorder to refuse to record deeds for business entities that have not registered with the state or have not paid property taxes.</td>
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Notable Accomplishments

- Cuyahoga County adopted VAPAC recommendations for Tax Liens Sales to minimize irresponsible flipping of abandoned property.

- VAPAC’s recommendation that low value REO property be donated was adopted by both HUD and Fannie Mae.

- Submitted recommendations to the Ohio Attorney General on strategic use of funding for demolition.

- Submitted White Paper briefing for County Executive Ed Fitzgerald on foreclosure and vacant property issues.
Notable Accomplishments, con’t

• Developed an “REO Code of Conduct”.

• Developed Mortgage Servicer Guidelines for REO Disposition.

• Developed a Scope of Service the City used for an Assessment of the Cleveland Building and Housing Department.

• Organized support for county land bank legislation.
Operational Issues and Challenges

• Who should set the agenda for meetings?
• What level of representation should be expected from member organizations? Department heads? Senior executives?
• Should banks and mortgage servicing companies be members?
• What if the problem to be solved involves an issue with a government agency that’s a member?
• Who decides if and when new members should be added?
Questions - Discussion

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