

MINUTES OF THE HOUSING COMMITTEE
November 11, 2019
East Conference Room

Present: Councilmembers Anderson, O'Malley & Rader

Also Present: Councilmember Bullock, Planning Director Bryce Sylvester & Clerk Bach taking minutes

Call to Order: 6:37 p.m.

The minutes of the October 14th Housing Committee were approved by a unanimous vote of the Committee.

RESOLUTION 2019-08 - A RESOLUTION to take effect immediately provided it receives the affirmative vote of at least two thirds of the members of Council, or otherwise to take effect and be in force after the earliest period allowed by law, amending Ordinance No. 58-04, adopted July 6, 2004, for the purpose of fostering the investment and development of affordable housing in new multi-family and mixed-use construction projects in Community Reinvestment Area (CRA) #1, which is the citywide CRA.

Director Sylvester walked the Committee through the legislation and provided background on the Department's affordable housing strategy. In April 2019, the Department presented a seven-step affordable housing strategy to the Housing Committee. This proposal represents an eighth step in the strategy and proposes to modify the City's existing Community Reinvestment Area (CRA) to create new affordable housing units for individuals and families earning 80%-120% of the Area Median Income (AMI).

Director Sylvester explained that this particular strategy is intended to target the income bracket, commonly referred to as the "missing middle." Steps one through seven of the strategy, as well as many federal programs, are intended to support individuals and families earning below 80% AMI. The middle class is a group that lacks resources, and the City sees this as a way to support the middle class.

Using the CRA as the structure, the strategy proposes to provide a 15-year property tax abatement to developers of new residential development projects of 100 or more units in exchange for 20% of their units being affordable. The abatement would be for the improved value of the property only. In exchange, 10% of the units would have to be rented to households earning up to 80% AMI and another 10% would have to be rented to households earning 80%-120% AMI.

Director Sylvester explained the history of the existing citywide CRA created in 1978 and later edited in 1984 and again in the late 1990s for introduction of condos.

Director Sylvester clarified that the baseline/current property tax value would be maintained. The developer would continue to pay the existing property tax, which protects the schools.

Director Sylvester remarked that this strategy could potentially be applied to the proposed new housing at One Lakewood Place and the two Solove developments. He walked through an example of the financing and how the program could work at the proposed Solove development at the existing Barry Buick site.

Solove is proposing 140 total units. Under this program, 28 would be affordable. The Barry Buick site currently nets \$71,000 in property taxes annually. This baseline tax rate would be maintained. With a \$30 million development, the property tax would likely increase to about \$725,400. Given the proposed investment, the value of the land will also increase. The property tax on the land will NOT be abated. All told, the City expects to net about \$124,000 from the abated tax on the structure PLUS the non-abated tax on the land. Director Sylvester highlighted that this is \$53,000 than what the City currently nets. He also highlighted that if the new development does not move forward that the value of the land will likely not improve and the City will net its usual \$70,000.

For 15 years, the developer would be saving approximately \$601,400 annually.

Director Sylvester stated that no developer is likely to offer affordable housing without an incentive of this nature. He cited the economic climate, the risk, and the cost of materials as the reasons.

The Committee expressed a strong preference that affordable units be comparable in quality to the other units.

Director Sylvester remarked on the need for a program of this nature to prevent the marketplace from “completely taking over.” He identified this as an appropriate role of government to help ensure balance in the housing stock. He pointed to other local governments that are doing this as well. He acknowledged that affordable housing exists in Lakewood but its quality is not always the best. These new projects promise to be safe, energy efficient, and healthy.

The Committee discussed what might happen after 15 years to the affordable housing units.

Director Sylvester spoke about Solove’s experience with “workforce housing” in Columbus and its experience complying with government regulations. He spoke about how such a plan fits in with the Community Vision and the NEO 2040 Plan.

The Committee discussed how the City would enforce and administer this program. Director Sylvester explained that reports would be made to the City annually. If there are any issues of non-compliance, the City is permitted monthly check-ins. Also, it will be stipulated that the Building Department can do exterior and interior inspections on the affordable units.

Director Sylvester characterized the proposal as very fair to both parties.

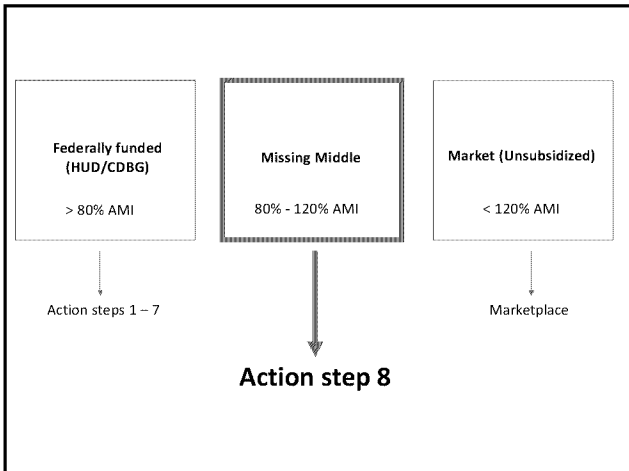
Committee members raised issues about the impact on the schools and the cost of inflation.

The Committee decided that it will hold another hearing before making a recommendation on Resolution 2019-08

The Housing Committee adjourned at 7:47 p.m.

Proposed Modification to the Citywide Community Reinvestment Area (CRA)
 City Council Housing Committee
 November 11, 2019
 Bryce Sylvester, Director of Planning & Development

- ### Summary of Action Steps
- Action Step 1 – Launch Rental Restoration Program Preserving Affordability
 - Action Step 2 – Explore Gap Financing for Rental Development Projects
 - Action Step 3 – Develop and expand non-profit partnerships with housing agencies
 - Action Step 4 – Provide more homeownership opportunities for low- and moderate-income households
 - Action Step 5 – Develop new affordable home construction
 - Action Step 6 – Connect property owners to resources and incentives
 - Action Step 7 – Conduct more outreach & advocacy to HUD and CMHA to improve effectiveness and service delivery of housing programs in Lakewood.
 - **Adding Action Step 8 – Modify existing citywide CRA to create new affordable housing units in Lakewood targeted at households making 80% - 120% of area median income.**



Proposal:
 Realize 15 years of affordability requirements for 20% of new residential units constructed in Lakewood by abating future and unrealized real estate taxes on only the improved values of property.

Existing Citywide CRA

For the remodeling of every dwelling containing not more than two family units, including individual condominium units:

- Five (5) years, upon which the cost of remodeling is at least Two Thousand Five Hundred Dollars (\$2,500) but less than Ten Thousand Dollars (\$10,000).
- Ten (10) years upon which the cost of remodeling is ten Thousand (\$10,000) or more.

For the remodeling of every common area of a condominium building containing more than two units:

- Five (5) years, upon which the cost of remodeling is at least Five Thousand Dollars (\$5,000) but less than One Million Dollars (\$1,000,000).
- Ten (10) years upon which the cost of remodeling is One Million Dollars (\$1,000,000) or more.

In census tracts 1606.02 and 1617 tax abatement for new residential construction as will be granted to an individual purchaser as follows:

- The first two (2) years at One Hundred Percent (100%)
- The following three (3) years at Fifty Percent (50%)

Proposed new addition to Citywide CRA to require affordability in new construction

Criteria for tax abatement for new multiple-family residential construction in citywide CRA:

For the new construction of multi-family residential projects, over 100 units, that include a minimum of 10% of the units rented to households making up to 80% Area Median Income (AMI) and 10% of the units rented to households making up to 120% AMI.

- 15-year duration at 100% exemption on the improved value of the buildings only.
- Land value will be taxed at market rate.
- Baseline tax value shall be maintained for the entire term of abatement.

FY2019 INCOME LIMITS

Household Size

% AMI	1	2	3	4	5	6	7	8
80% AMI	\$41,300	\$47,200	\$53,100	\$58,950	\$63,700	\$68,400	\$73,100	\$77,850
120% AMI	\$61,900	\$70,750	\$79,600	\$88,450	\$95,500	\$102,600	\$109,650	\$116,750

Source: HUD User Dataset for the Cleveland-Elyria MSA

FY2019 INCOME LIMITS

Household Size

% AMI	1	2	3	4	5	6	7	8
80% AMI	\$41,300	\$47,200	\$53,100	\$58,950	\$63,700	\$68,400	\$73,100	\$77,850
120% AMI	\$61,900	\$70,750	\$79,600	\$88,450	\$95,500	\$102,600	\$109,650	\$116,750

Source: HUD User Dataset for the Cleveland-Elyria MSA

Income Example

- Income of household of two making 80% of the Area Median Income: \$47,200
- $\$47,200 \times 30\% = \$14,160$ in housing costs annually
- $\$14,160 / 12$ months = \$1,180 housing costs (including utilities)
- Reporting includes income based verification and rent roll

Project Example: Barry Buick

*It is an option, not a mandate, for developers to utilize.

Project Example: Barry Buick

- 140 Units Total – 28 units would have income restrictions
- 14 units would be rented to a household making 80% Area Median Income (AMI)
 - \$41,300 (1 person household)
- 14 units would be rented to a household making up to 120% AMI
 - \$41,300 - \$61,900 (1 person household)
- Affordability Period: 15 years

*It is an option, not a mandate, for developers to utilize.

Project Example: Barry Buick

- \$30M estimated construction cost (if the project was constructed)
- Land value currently at \$8/square foot. \$12/square foot is likely after development is complete.
 - $\$12/\text{square foot} \times 108,900$ square feet (size of all Barry property) = \$1,306,800 land value
 - $\$1,306,800 \times 4.03\% = \$53,000$ taxes generated from land value
 - $\$53K + \$71K = \$124K$ taxes generated with abatement

*It is an option, not a mandate, for developers to utilize.

Project Example: Barry Buick

- \$30M estimated construction cost (if the project was constructed)
- Land value currently at \$8/square foot. \$12/square foot is likely after development is complete
 - \$12/square foot x 108,900 square feet (size of all Barry property) = \$1,306,800 land value
 - \$1,306,800 x 4.03% = \$53,000 taxes generated from land value
 - \$53K + \$71K = \$124K taxes generated with abatement
- One method to estimate taxable value:
 - 60% x \$30M = \$18M
 - \$18M x 4.03% = \$725,400 annual property taxes
 - \$725,400 - \$124K = \$601,400 unrealized future tax generation
 - \$601,400/28 units income capped = \$21,478/unit annual investment through unrealized future taxes to have direct control and positive impact on creating affordable housing units

Local Tax Generation: Barry Buick

- Current Annual Real Estate Taxes on Barry Buick Site \$71,000 – this would be the baseline
- Estimated real estate taxes with abatement
 - 15 years at 100% abatement on improvements only
 - Estimated tax bill with land at the market tax rate plus the baseline taxes remaining is \$123,664 or roughly \$50,000/acre
- Estimated annual income taxes: \$91K
 - Average of \$65K per household x 140 units = \$9.1M x 1% tax rate = \$91K

Proposed Projects Could Introduce 100 New Affordable Units Citywide*

- **One Lakewood Place would introduce 40 new affordable units**
 - 200 Units Total: 20 units rented to households making 80% AMI and 20 units rented households making between 80% - 120% AMI
- **Barry Buick would introduce 28 new affordable units**
 - 140 Units Total: 14 units rented to households making 80% AMI and 14 units rented households making between 80% - 120% AMI
- **Spitzer would introduce 32 new affordable units**
 - 160 Units Total: 16 units rented to households making 80% AMI and 16 units rented households making between 80% - 120% AMI
- **Affordability Period: 15 years**
- **Help to introduce new market rate units which will have a positive impact on supply in the marketplace to meet demand, and can help to protect rents in other areas of the city**

*It is an option, not a mandate, for developers to utilize.

Other components of the modification to the CRA

- No more than 50% of the qualifying units can be efficiencies
- Rent includes the costs of utilities
- Design is comparable to the market rate units
- Commercial space does not qualify for abatement and is taxed at market rate
- Creates high quality housing units for households making 80% - 120% AMI

Following Best Practices: CRA's are a tool used in many cities in the County to subsidize development. No other CRA's incorporate affordable housing.

- Example cities: Cleveland Heights, Shaker Heights, Euclid, Cleveland, Parma, Westlake, Strongsville, Warrensville Heights
- No other community in the County has an affordability component included in a CRA

Following Best Practices: City of Columbus & City of Seattle Tax Abatement Programs

Columbus

- Abatement on structure & accessory structures only
- Affordable and market rate units must be comparable (no lower quality materials or separate entrances for affordable units)
- Compliance Monitoring
 - Incorporate inspections of the physical structure during abatement period (exterior & interior)
 - Annual rent roll from developer/property manager
 - Annual income calculations retained by property manager and reviewed by City

Seattle

- 20-25% of units are required to be income and rent restricted
- Wider range of income covered under ordinance based on Seattle's high AMI
- Utility allowances required
- Length of abatement is typically 15 years

Sources

Seattle: <https://www.bellweatherhousing.org> & <http://www.seattle.gov/housing/housing-developers/multifamily-tax-exemption#sources>

Columbus: **Michelle Castrogiovanni, City of Columbus &** https://www.columbus.gov/development/housing-division/Residential-Tax-Incentives_M/

Vibrant NEO 2040: Northeast Ohio Sustainable Communities Consortium Initiative

DEVELOPMENT TYPE:

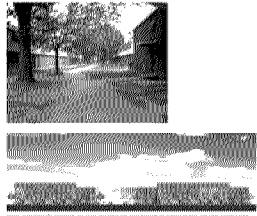
MIXED-INCOME NEIGHBORHOOD

- Rejuvenate neighborhoods currently with existing aging, deteriorating or underperforming housing stock that has not been replaced or rehabilitated. Utilize the existing fabric, structure, or appearance and original form, including a mix of lot sizes and building footprints to create a mix of housing options.
- Encourage variety in the types and scales of available housing options, which may include: single-family, townhomes, multi-family buildings, etc.
- Encourage variety in housing options, including a mix of lot sizes and building footprints to create a mix of housing options.
- Encourage a mix of housing options, including a mix of lot sizes and building footprints to create a mix of housing options.
- Encourage a mix of housing options, including a mix of lot sizes and building footprints to create a mix of housing options.
- Encourage a mix of housing options, including a mix of lot sizes and building footprints to create a mix of housing options.
- Encourage a mix of housing options, including a mix of lot sizes and building footprints to create a mix of housing options.
- Encourage a mix of housing options, including a mix of lot sizes and building footprints to create a mix of housing options.
- Encourage a mix of housing options, including a mix of lot sizes and building footprints to create a mix of housing options.

SUBSIDIZED HOUSING DEVELOPMENT TYPES

ADDITIONAL HOUSING DEVELOPMENT TYPES

- Encourage a mix of housing options, including a mix of lot sizes and building footprints to create a mix of housing options.
- Encourage a mix of housing options, including a mix of lot sizes and building footprints to create a mix of housing options.
- Encourage a mix of housing options, including a mix of lot sizes and building footprints to create a mix of housing options.
- Encourage a mix of housing options, including a mix of lot sizes and building footprints to create a mix of housing options.
- Encourage a mix of housing options, including a mix of lot sizes and building footprints to create a mix of housing options.
- Encourage a mix of housing options, including a mix of lot sizes and building footprints to create a mix of housing options.
- Encourage a mix of housing options, including a mix of lot sizes and building footprints to create a mix of housing options.
- Encourage a mix of housing options, including a mix of lot sizes and building footprints to create a mix of housing options.
- Encourage a mix of housing options, including a mix of lot sizes and building footprints to create a mix of housing options.
- Encourage a mix of housing options, including a mix of lot sizes and building footprints to create a mix of housing options.



DEVELOPMENT TYPE:
MIXED-INCOME NEIGHBORHOOD

Residential neighborhoods, typically with existing public infrastructure and aging housing stock, that may be transitioning through waves of renovation, restoration, demolition, or replacement. Smaller lot sizes that maintain proximity of neighbors and original fabric. Housing of a type and scale that may no longer meet the needs and demographic characteristics of the contemporary market. Tend to be within legacy cities or older suburbs.

- Encourage variety in the types and scales of available housing options: single-family homes, duplexes, townhomes, multi-family buildings, etc.
- Revitalize existing neighborhoods by refurbishing vacant and aging building stock to maintain original character. Use vacant land to strengthen fabric.
- Consider strategic demolition of housing that no longer meets contemporary market demand.
- Develop high quality housing options for a range of income levels, age groups, and household sizes.
- Create communities that meet the needs of aging populations by offering access to transit, community centers, healthcare, and retail amenities.

- Leverage and strengthen existing assets that support residential communities, such as parks, schools, recreation and neighborhood centers, retail, and access to employment.
- Combine market rate and affordable options within residential developments.
- Connect neighborhoods with safe, multimodal routes for children and residents that link transit, school, and other amenities.
- Locate near existing and growing job centers.

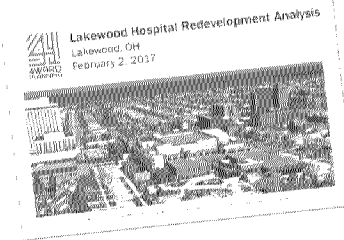
WHERE WE ARE TODAY
 Lakewood has a total of 32,000 housing units citywide. To prepare for the future, in 2012, we began the Housing Forward Initiative. One goal was to analyze our existing housing stock and create a more complete profile of our city.
 Since 2012, we have visited surveyed each of our 12,700 single and two-family homes, at least once. Through a mixture of vigilant code compliance, enforcement efforts,

GOALS
Goal 1: Support a variety of housing options that meet the needs of our diverse community.
Goal 2: Prioritize investment and improve our housing stock.
Goal 3: Develop a culture of informed and responsible action by all property owners and tenants.

2017 Market Study Conducted by 4Ward Planning

"Net Housing Demand through 2025 is 11,597 units within a 15 minute primary market area of Detroit and Belle Avenues"

500 units would capture 4.3% of the multi-family housing demand in the next 5 years, and via this legislation introduce affordability options in the projects.



Proposed Modification to the Citywide Community Reinvestment Area (CRA)
 City Council Housing Committee
 November 11, 2019
 Bryce Sylvester, Director of Planning & Development

Commercial Development Projects Completed: Permitted Uses

Development Name	AREA (ACRES)	2018 Tax Value	TOTAL Tax	Tax Value per Acre
Lakewood Family Health Center	1.81	\$ -	\$ -	\$ -
CVS	1.507	\$ 1,699,400	\$ 68,486	\$ 45,445
Raising Canes (former Bob Evans)	0.9	\$ 1,096,900	\$ 44,205	\$ 49,117
GetGo	1.725	\$ 2,181,000	\$ 87,894	\$ 50,953
Manor Park & Detroit	0.452	\$ 710,200	\$ 28,621	\$ 63,321
Taco Bell	0.326	\$ 534,100	\$ 21,524	\$ 66,025
McDonald's	0.71	\$ 1,298,000	\$ 52,309	\$ 73,675
Family Dollar	0.807	\$ 1,545,300	\$ 62,276	\$ 77,169
Discount Drug Mart	1.584	\$ 3,247,100	\$ 130,858	\$ 82,612