

**MINUTES OF THE HOUSING COMMITTEE**  
**December 2, 2019**  
**East Conference Room**

**Present:** Councilmembers Anderson, O'Malley & Rader

**Also Present:** Councilmember Bullock, Planning Director Bryce Sylvester, Program Manager Mary Leigh & Deputy Clerk Lascu taking minutes

**Call to Order:** 5:00 p.m.

**AGENDA**

**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. (referred to Housing Committee 11/4/19)**

Program Manager Mary Leigh gave an overview of the new builds and property acquisitions that the city has overseen as one component of its affordable housing strategy. 19 homes in a variety of Lakewood neighborhoods have been acquired, rehabbed, and sold since 2010. The properties were usually received through an expedited foreclosure process. The city sold or transferred vacant parcels it acquired based on what made sense for the specific street and neighborhood it was in. Some were sold to neighbors for side yards and other were transferred to a partner via RFQ process.

Director Sylvester requested that Council give Resolution 2019-08 a vote out of committee, as some projects in the pipeline are waiting for the Lakewood CRA to be amended. Ms. Leigh outlined steps 1 through 7 of the city's affordable housing action plan, highlighting various uses for federal CDBG and HOME funds that the city has applied to projects. Step 8 of the plan involves the Community Reinvestment Area (CRA), which was created by federal legislation but is governed by state of Ohio regulations. All CRAs and TIFs are reviewed annually by the Tax Incentive Review Council (TIRC), which is a county level organization that works with the city to examine what deals are working. Annual oversight of the CRA is driven by the Ohio Revised Code (ORC).

Councilmembers asked why the Planning Department chose not to target certain areas of the city. While both targeted and citywide areas were considered, the citywide one was chosen because it is a more equitable option for developers, eliminates the possibility of missing out on CRA opportunities, and it does not break off certain neighborhoods from benefitting from the provision. Councilmembers expressed their support of the tool and stated how it could distinguish Lakewood from other communities.

Councilmembers inquired as to what other communities have implemented a citywide CRA. Director Sylvester indicated that Lakewood is charting new territory in the Cleveland-Akron area with this move, however Cleveland is in the process of moving forward with the model. The focus is on providing affordable housing to those make 80% - 120% of the local area median income (AMI). It is the most pressurized range of all income spectrums no matter the city, however in Lakewood the range is even more highly pressurized. In discussions with counterparts in Columbus, the Planning Department found that they have reworked their CRA, as many of the incentives under their old structure were only going into the already successful Short North neighborhood. Columbus is expanding CRA areas to target certain areas and is in the process of tightening up their policies and procedures to manage the expansion into areas of need. Seattle implemented a citywide CRA in 2014, but did not have tight enough controls initially, which required them to go back and rework their process.

Councilmembers and Director Sylvester ran through a hypothetical scenario with actual numbers presented in a Planning Department PowerPoint presentation. The presentation detailed FY2019 HUD income limits and used the Barry Buick as an example. After calculations were made, it was determined that 28 of the 140 units in the project would be rented to individuals in the 80% - 120% AMI range for a 15-year period. Combining this figure with potential affordable units in the One Lakewood Place and Spitzer projects gives Lakewood the potential to add under 100 units between the 3 projects. It should be noted that participating in this program is optional for developers. It should also be noted that land value taxes would increase despite any unit abatements taking place due to the costs of construction improvements on a site. For example, the Buick project has an estimated construction cost of 30 million dollars, which will drive the land value up to approximately 1.3 million dollars. If a city's market continues to thrive, it can pick on land value over time despite abatements being in place.

It was noted that a developer participating in the CRA program has high penalties in the event he or she do not comply with the terms of the affordable housing component of the deal. There are 15 years of restrictions on properties. The Solove team, who is doing work in Lakewood, has delivered affordable workforce housing in Columbus. It was clarified that a city can have direct control that a certain number of units are affordable in a project. Councilmembers and Planning Department officials talked about the benefits of integrating these units into development projects and how Lakewood's convenient layout and access to good grocery stores and walkable places leads to higher quality of life. It was also noted that this CRA arrangement allows multiple government entities to share in the burden and risk, as opposed to the city being the only investor in projects.

Chairman Anderson made a motion, seconded by Councilmember Rader to recommend Resolution 2019-08 to full Council for passage.

Chairman Anderson highlighted past positive efforts that the city had to work with a private entity in the development of a school building on West Clifton. He also noted that this move to adjust the CRA positions Lakewood to compete with Cleveland's efforts to incentivize downtown living.

All members voted in favor of the motion. Motion passed.

**Approval of the minutes from the November 11, 2019 Housing Committee meeting.**

Chairman Anderson stated that he viewed the minutes and that they accurate.

Chairman Anderson made a motion, seconded by Councilmember Rader to approve the minutes from the Housing Committee meeting on November 11, 2019. All members voted in favor. Motion passed.

The committee was adjourned at 5:54 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.**

**Federally funded  
(HUD/CDBG)**

> 80% AMI

Action steps 1 – 7

**Missing Middle**

80% - 120% AMI

**Action step 8**

**Market (Unsubsidized)**

< 120% AMI

Marketplace

**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
<b>80% AMI</b>	\$41,300	\$47,200	\$53,100	\$58,950	\$63,700	\$68,400	\$73,100	\$77,850
<b>120% AMI</b>	\$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

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**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

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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

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  - \$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**

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## 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.bellwetherhousing.org> & <http://www.seattle.gov/housing/housing-developers/multifamily-tax-exemption#resources>

**Columbus:** Michelle Castrogiovanni, City of Columbus & [https://www.columbus.gov/development/housing-division/Residential-Tax-Incentives\\_M/](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**

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. Infill 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.

**ASSOCIATED AND SUPPORTING DEVELOPMENT TYPES:**

<b>EXISTING ASSET DEVELOPMENT TYPES</b>	<b>NEW ASSET DEVELOPMENT TYPES</b>
<ul style="list-style-type: none"> <li>• Existing Single-Family Homes</li> <li>• Existing Multifamily Buildings</li> <li>• Existing Commercial Buildings</li> <li>• Existing Public Buildings</li> <li>• Existing Open Space</li> <li>• Existing Transit Stations</li> <li>• Existing Recreation Centers</li> </ul>	<ul style="list-style-type: none"> <li>• New Single-Family Homes</li> <li>• New Multifamily Buildings</li> <li>• New Commercial Buildings</li> <li>• New Public Buildings</li> <li>• New Open Space</li> <li>• New Transit Stations</li> <li>• New Recreation Centers</li> </ul>

**BUDDER STORY: CENTRAL CHOICE**  
MIXED-INCOME NEIGHBORHOOD

The Central Neighborhood is a 670-acre tract of land immediately southeast of downtown Cleveland that houses an existing dense population of over 10,000 residents, educational institutions, a hospital system and an array of social services organizations. Many of the Central's residents live in subdivided housing, with 91% of families built by single families. The neighborhood is plagued by improper educational attainment, unemployment, a lack of access to healthcare, poor health status, and high crime rates. Eighty percent of its children live in poverty. In 2012, the Cuyahoga Metropolitan Housing Authority (CMHA) undertook a Choice Transformation Plan—an initiative inspired by the U.S. Department of Housing and Urban Development's comprehensive blueprint for addressing the challenges and opportunities, reduce the current and future need for public housing, and expand a marketplace that connects the community, attracts residents from all income levels, and creates a diverse mix of housing options that meet the needs and desires of a diverse mix of residents. Many of the necessary elements of a complete community already exist in the Central Neighborhood: excellent transit, ongoing initiatives to create complete streets, special educational opportunities from nearby colleges, parks, recreation centers, a library, and a vibrant and diverse shopping center. A major focus of the transformation is a renewal of the original public housing that has defined the neighborhood's character by becoming a vibrant, mixed-income community. To emphasize the Housing Authority's commitment to transforming Central, CMHA demolished functionally obsolete housing that discouraged




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**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.



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**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