

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

Present: Councilmembers Anderson, O'Malley, & Rader

Also Present: Councilmember Bullock, Mayor Summers, Director Sylvester, Director Gelsomino, Planning Department Programs Manager Mary Leigh, City Planner David Baas, Developmental Officer Dan Wyman, two dozen members of the public, and Deputy Clerk Lascu taking minutes

Call to Order: 7:00 p.m.

ORDINANCE 35-18 - AN ORDINANCE repealing Section 516.01 and Section 510.01, Discrimination Prohibited, of the Codified Ordinances of the City of Lakewood and enacting a new section in its place to include source of income as a protected class as well a definition for the term source of income. (1st READ & REFERRED TO HOUSING COMMITTEE 7/16/18; 2nd READING 9/4/18)

Councilman Anderson opened the meeting and asked members to defer questioning until staff from the city's Planning Department gave a presentation on current efforts that the city is making to address affordable housing in Lakewood. Planning Director Sylvester opened with brief remarks and Planning Department Programs Manager Mary Leigh led the presentation. Copies of the city's Affordable Housing Strategy – Summary & Action Steps presentation were provided to all present at the meeting.

Ms. Leigh outlined housing research the city did and its resulting action plan, listing its 7 action steps and providing greater detail into the programs and policies that apply to each respective action step. The action steps are: 1) Launch Rental Restoration Program Preserving Affordability 2) Gap Financing for Rental Development Projects 3) Non-profit partnerships 4) Homeownership opportunities for low and moderate income households 5) New Affordable Home Construction 6) Connect property owners to resources and incentives 7) Outreach & Advocacy to HUD by Administration and City Council.

Councilman Anderson made the point that the city is consolidating a lot of programs into a strategy, as demonstrated by the administration's presented plan. He added that each action step will require the input of Council in the future and in other committees, such as Finance, and Budget hearings.

Councilman Anderson stated that the intent of the committee meeting tonight is to end at a motion on whether to recommend or not recommend Ordinance 35-18 to City Council for a full vote and also to explore how some of the main tenets of the ordinance can be crafted into public policy.

Councilman Rader stated he fielded 200 comments online from landlords regarding the ordinance. He said that a great deal of comments focused on deficiencies in CMHA's Housing

Choice Voucher program process. Many people have had to wait 3-4 months before they are able to get paid by CMHA. The goal of the ordinance is to increase the availability of affordable housing. He stated many people commented that they did not know much about the program and 22% of online respondents mentioned that they would like to learn more about it. He surmised that landlords might not need the impetus of a law. Lakewood has a high overall rent rate and comes in 70th or 80th on the income scale for the state. Many landlords will be exempt from the proposed ordinance because their rents are too high for the maximum subsidy. Lastly, he added that we have a county wide issue of hyper segregation. He would be willing to table this ordinance for the time being and explore other options.

Councilman O'Malley asked Ms. Leigh to talk more about action step 2 and specifically about the Bi-Rite Madison project. Ms. Leigh stated that there has been a great deal of interest in the property in becoming residential rental units. It being an older building presents difficulty in renovating it. The switch of use and age of the property is what's making it challenging. The city has federal funds from HUD to use on the project, but those are available only by keeping a certain amount of the units affordable for a specific period of time and that the units are rented to low-income families. Director Sylvester added that the city is interested in doing affordable housing projects and that it has tools available from the financing side to invest to increase the amount of affordable housing units. Councilman O'Malley replied that the project is a good idea. He added that a former office building that he worked in was converted into rental unit housing. The project mandated a certain percentage of the units be affordable. He suggested that could be a model that the city could use to incorporate or entice development of affordable housing units.

Councilman Anderson stated that in his 8 years on city council, he does not remember year where affordable housing was not part of the conversation in regard to various city programs designed to induce development.

Councilman Bullock stated that Lakewood seems to be shifting upwards in housing pricing pretty rapidly in the last 4 years, leading to a marked increase in property values. He added that the strategy presented by the administration is great. He asked how many total affordable housing units on average are developed per year with the city's assistance. Ms. Leigh responded that there are usually a couple of rehabs are done a year. Councilman Bullock recalled that the city directly owned several distressed properties and that it generally has done good work to boost the areas of those distressed homes.

Mayor Summers stated that the Westerly building has 179 subsidized units seniors. Fedor Manor has 145 and Lakeshore tower has about 100 units. In total that makes about 424 units and there are about 317 CMHA vouchers in Lakewood today and 189 Eden vouchers as well. All together that makes 938 units that are either directly subsidized through HUD funding or vouchers, and that equates to 5.7% of the city's rental units. He noted that in Lakewood public schools today, 45% of students qualify for a free or reduced cost lunch, which means there are about 1,100 households in total that are at or near some level of poverty. He would like to know more about their households, but it's tricky because of privacy issues. He had a conversation with the treasurer of the schools regarding housing affordability, and the treasurer is unaware of anyone leaving the district because of housing affordability, but that does not mean it is not happening.

Councilman Bullock stated that affordable housing issues are broader than just the number of housing vouchers. People have to wait years in order to get vouchers. Landlords in the room can provide information on whether people can afford rising rents. Lakewood's affordability is a key community characteristic.

Mayor Summers stated that landlords subsidize rents by not raising rents on good tenants in order to keep them. A large number of people in the room raised their hands in agreement with this point.

Councilman Anderson stated that 14% of Lakewood residents are living below the poverty level and 14% are living right at it. He added that number is a lot higher than the current number of affordable units.

Councilman Anderson made a motion that the committee not recommend Ordinance 35-18 for a full Council vote. That motion was seconded by Councilman Rader. Councilman Rader is confident that the administration grasps the issue of affordability along with the landlords in the room. Councilman O'Malley asked for clarification on the motion. Councilman Anderson reiterated that there is more discussion to be had on the city's affordable housing strategy and that the author of the legislation has indicated that he is willing to not recommend the legislation, in favor of the presented city strategy going forward. Councilman Rader added that action step 7 of the city's plan needs to be fleshed out more.

Public comment was opened. A resident named Debbie disagrees with the proposed legislation because landlords should have a choice on whether to participate in the program. Councilman Anderson stated that the ordinance does not require participation in a Section 8 program and asked Councilman Rader to specify the intention behind it. Councilman Rader explained that the ordinance states that a landlord cannot deny a prospective tenant solely because of his/her source of income. Councilman Anderson reiterated that there is a motion on the table now that is to not recommend for full council vote.

A resident stated she has raised the rent of her property \$15 over 10 years and made a point about having multiple people occupy a unit to subsidize the property. She stated she has 2 young women living in her property, each making approximately \$35,000 a year, who would technically be on the lower end of the income scale. She does not think landlords should be forced to accept the voucher and asked if local law would supersede federal law on the choice issue. Mayor Summers responded that the city is not sure if the law would be upheld against a legal challenge.

An attendee stated that affordability is a problem nationwide and suggests being careful that passing an ordinance regarding this issue does not backfire and achieves what it intends to achieve.

A landlord stated that she has had experience working with voucher programs in the past and one of the major difficulties with it is getting your rent payments on time and getting compensated for increases in your rent. It takes months and it is very difficult dealing with the government and their various inspections. She thinks it is a great thing to build more affordable housing. The biggest difficulty with voucher programs is dealing with the government and getting your payments from it.

Another landlord stated that it is difficult to get HUD to come out and inspect, as he has done it in the past. In the meantime, he is paying utilities and taxes and needs to make a certain amount in order to make a profit or he is forced to sell the property. Councilman Anderson stated, while looking online, that 81 homes are currently listed in Lakewood for \$175,000 or less.

An attendee asked what a fair market rent is considered to be. Ms. Leigh and Mr. Baas of the Planning Department explained how the federal government looks at a metropolitan statistical area (MSA), which Lakewood's extends from Cleveland to Elyria, to determine what fair market rent. Mr. Baas added that Lakewood is a different market than a lot of other areas that fall into the MSA. The attendee added that it is not fair that the federal government establishes a price, yet the landlord is subject to local tax levies or increases in water payments, which cannot be passed along to the government.

A landlord stated he has been in Lakewood doing business since the 1980s. He described situations in which he was given 4 hour inspection windows, and if you aren't there the moment an inspector is, the

inspection is delayed. He has CMHA and Eden voucher recipients in his buildings. He gives loyalty subsidies to tenants. He stated in his experience that tenants who receive subsidies tend to have more police calls and do not get jobs. He had quite a few evictions during the housing collapse in 2008. The escalation in property values have resulted in raising rents to a peak. He ended with the comment that he now has fewer units but more work and that the city should let landlords do their jobs.

An attendee thanked the administration for looking at all the facets of the issue. He has a lot of units in the city from the affordably priced to higher end priced. He stated landlords in the city struggle with older housing stock, which requires more investment. He asked Councilman Rader to speak with CMHA to discuss how to make things better on their end. He stated it's not the people, it's the system that frustrates landlords.

Another attendee stated that there is a difference between a source of income as a protected class and personal characteristics. Everybody should be treated equality in a business activity. This ordinance would compel business activity that would not have happened otherwise. He expressed concerns about older building stock. The maintenance cost of comparable buildings in Lakewood to ones in East Cleveland and Shaker Heights are much higher because the inspections are onerous and arbitrary. This ordinance would need to be a countywide law in order to not put itself at a disadvantage.

A landlord explained she has 1 unit and needs to get a certain amount of money from that unit. She stated that it is not fair to landlords to be forced to take less on a unit.

Another landlord explained he has had several hundred units and improved any property he has purchased. He stated that this ordinance is a vote on rent control. He added that expenses keep rising with older housing costs.

An attendee spoke to Troy Bratz on this issue and stated that everyone at the meeting should read a piece that we wrote that gives a clear and concise outline of what voucher housing is. She stated that a landlord is never compelled to take a Section 8 voucher.

Another attendee stated he has lived in Lakewood all his life and feels the standard of living now is better than it was in the 1960s. He asked how many people at the committee table have had rental property for more than 5 years. Councilman Anderson and Mayor Summers raised their hands. He stated that a tax levy increase is likely and that he has tried renting through the Section 8 program and it was not a good experience. He asked members of the committee to walk in landlords' shoes.

A landlord stated he should not be forced to take part in a third party program he does not want to participate in.

An attendee asked some procedural questions about the motion, specifically if it passed, would Councilman Rader have to reintroduce the legislation. She also asked if it was voted to not go forward to Council, the ordinance would go away until someone reintroduces it. Councilman Anderson explained that 2 out of 3 committee members would have to vote in favor or against the motion in order for it to not go to full Council for a vote. The attendee also asked how they'll know if it is reintroduced. She thanked Councilman Rader for listening to landlords. Councilman Anderson said in his 8 years on Council, an issue was taken up only once when it was not recommended out of committee.

Another attendee asked what the area median income is. Mr. Baas stated \$48,000. The attendee said that every landlord at the meeting uses tax write offs on their rental property as an incentive. He was met with resistance from members of the public due to changing federal tax law that puts a cap on single payer exemptions.

Another attendee stated that Council is cutting off its hand to spite its face with this legislation. He stated it seems like Lakewood is better than the national average of affordability. Other ways should be explored to make housing affordable outside of legislation. He proposed that the city should invest in properties and take on risk as a pilot program.

Councilman Anderson thanked everyone for reasonable responses and asked for any further discussion at the motion. Councilman O'Malley thanked Councilman Rader and the administration for their thoughtfulness. He stated that the tenor of the conversation is improved from the last meeting. He stated he would not make generalizations about landlords like some of the folks at the meeting tonight made about people receiving housing subsidies. He shared positive personal experiences he had while living next door to a neighbor who received a housing subsidy. He is concerned about people like her and is hopeful that the city can move forward to make housing more affordable.

Anderson called for a vote on the motion to not recommend Ordinance 35-18 for a full Council vote. All committee members voted in favor of the motion and to not recommend to full Council.

The meeting was adjourned at 7:07p.m.

AFFORDABLE HOUSING STRATEGY

SUMMARY & ACTION STEPS

City of Lakewood
Department of Planning and Development



Affordable Housing Research

November 2018 to March 2019

- Researched housing values and rents across Lakewood
- Met with for-profit landlords operating in Lakewood
- Met with our non-profit, affordable housing partners
- Identified ways to deploy existing federal funds to address affordable housing concerns
- Developed Affordable Housing Strategy Action Steps



Action Step 1 – Launch Rental Restoration Program Preserving Affordability

Maximum Assistance	Up to \$50,000 for improvements to rental units
Eligible Improvements	Kitchen & Bath remodel, electrical, plumbing, accessibility, energy efficiency
Common Area Improvements	Linked /proportional to unit investment - roofs, hallways, building entrance
Average per unit investment	\$14,000
Terms	30% of loan amortized for 5 years at 0%; remainder forgivable at the end of 5 years so long as commitment to affordability met
Commitment to Affordability	5 years



Action Step 2 – Gap Financing for Rental Development Projects

- Discussing with two property owners – Bi-Rite & 13389 Madison to develop housing projects with affordability commitments
- Projects must include following elements (as negotiated)
 - Acquisition
 - Interior unit renovation
 - Affordability commitment, 50% of units affordable to low/moderate income households for ten (10) years
 - Per unit investment between \$15,000 & \$40,000
- Incorporation of one or more components
 - Energy Efficiency
 - Accessibility
 - Storm water



Action Step 3 – Non-profit partnerships

- Grow our relationships with non-profits already working with Lakewood landlords and low/mod renters
- Partner on affordable housing initiatives
- Leverage/develop their expertise managing long term affordability requirements
- Develop strategies to increase awareness and promote affordable housing (rental and homeownership) in the community

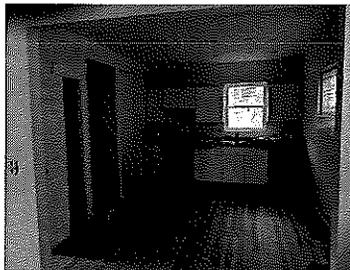


Action Step 4 – Offer homeownership opportunities for low and moderate income households

- Acquisition, rehab, resale
- 1 – 2 projects annually
- Example project – 1477 Lauderdale



Before



After



Action Step 5 – New Affordable Home Construction



- The City developing proposals for two new single family affordable homes on Plover and Shaw
- Received vacant parcels from partnership with Cuyahoga County and the County Landbank
- City's Urban Designer will design homes

Action Step 6 - Connect property owners to programs and incentives

- County Housing Program (new)
- PACE (Advanced Energy District Financing) – alternative financing for residential & commercial renovations that improve energy efficiency
- Lakewood Alive's Pride Fund
- HELP Loans



Action Step 7 - Outreach & advocacy to HUD by Administration and City Council

Steps

- Initiate conversation with HUD about regulatory burdens and inefficiencies that make it challenging for landlords (and tenants) to participate in voucher programs
- Be open to replacing CMHA's outsourced inspections with Building Department Safety & Maintenance inspections (Recommend a Lakewood Pilot Program)
- Align HUD's Fair Market Rents & maximum sales values to align with Lakewood's real estate market

Benefits

- Eliminate common reasons why landlords do not accept vouchers
- Increase the number of eligible units available to voucher holders
- Increase the number of single family homes that can be purchased by income eligible first time buyers

Summary of Action Steps

Action Step 1 – Launch Rental Restoration Program Preserving Affordability

Action Step 2 – Gap Financing for Rental Development Projects

Action Step 3 – Non-profit partnerships

Action Step 4 – Homeownership opportunities for low and moderate income households

Action Step 5 – New Affordable Home Construction

Action Step 6 - Connect property owners to resources and incentives

Action Step 7 - Outreach & Advocacy to HUD by Administration and City Council

APPENDIX

Community Vision for Housing

Adequate housing opportunities for the City's economically and culturally diverse residents

Support a variety of housing options that meet the needs of our diverse community

Promote development of affordable housing for low-moderate income and special needs households



Goal

Using data and observation, pinpoint challenges within Lakewood's affordable housing market:

- Identify barriers to entry into the rental and homeowner market
- Understand the market forces driving the current housing market
- Understand why landlords accept or do not accept vouchers
- Develop strategies & tools to address these issues



Housing Center Voucher Study

The Housing Center evaluated trends in Cuyahoga County; conducted testing in 2016; analyzed and published in 2017

Study recommendations

- Countywide voucher discrimination legislation
(Note: It is also being considered at the federal level)
- Creation of a mobility program to simultaneously help tenants move to "high opportunity areas" and incentivize landlords in those areas to accept vouchers
- Implementation of small area fair market rents in "high opportunity areas" to allow voucher program to adjust for market variations



Landlord feedback

- Voucher system bureaucracy & wait times of 2+ months
- HUD fair market rents limit revenues needed to cover expenses associated with property management (debt service, maintenance, compliance, staffing)
- We (landlord) already have units occupied by and affordable to low/mod tenants (challenging to quantify exact numbers)



Landlord feedback

- Negative perceptions and misconceptions about the voucher program and participants
- Lack of understanding, negative perceptions and misconceptions about voucher programs and participants
- Fear of being forced to accept lower rents (than what the unit can bear on the open market)
- Not being able to increase rents
- Not being able to evict if a voucher tenant violates lease terms
- Being held to higher standards than landlords who do not accept vouchers (i.e. building conditions & codes)



Non-profit feedback

- Its become increasing difficult to place tenants in decent, safe and affordable rental housing and even harder if the tenant has a voucher or an eviction
- Higher income tenants are moving into units historically occupied by low income renters
- The number of vouchers in Lakewood has decreased
- Landlords who accept vouchers are typically "mom & pop" operators with smaller buildings



Barriers to Entry - Rental Market

Limited supply of units*

- Current vacancy rates for rental and homeowner markets are 4.3% & 2.2% respectively

Note: 6% to 7% is considered healthy for rentals; 2% for owner occupied

Challenges to accepting vouchers

- 2+ month minimum wait for inspections and approvals
- Associated paperwork (voucher holders & Landlords)
- Perception

*Source: American Communities Survey & <https://www.citylab.com/equity/2018/07/vacancy-americas-other-housing-crisis/565901/>



Barriers to Entry – Homeowner Market

Competition for units

- Average 57 days on market
- 60 homes on market (as of March 5th) in active status
- 2.1 months inventory

Median sale price in February 2019 - \$189,100

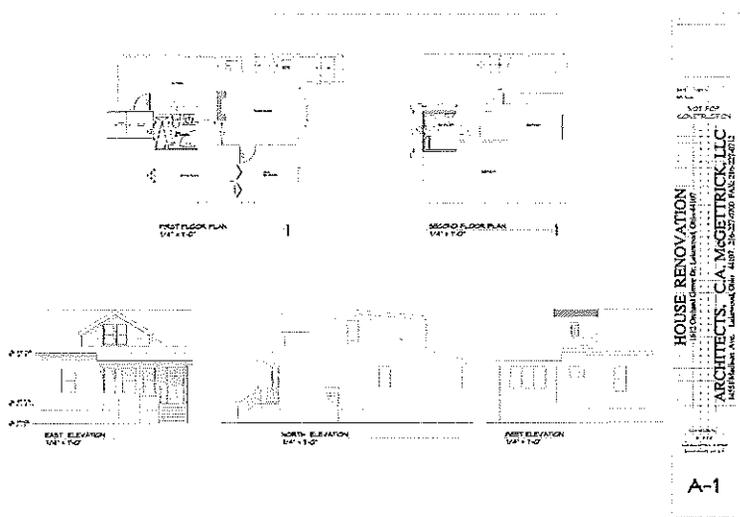
Maximum purchase price - \$131,000 for First Time Buyer Program (existing SF homes)

- In 2017, 23% (120) SF units sold for \$131,000 or less

Source: Zillow, MLS, Trulia, HUD, Tim Bradford, Howard Hanna



Upcoming –1612 Orchard Grove Rehab



PUBLIC COMMENT SIGN-IN

Housing March 11, 2019

Please help us track your concern by neatly printing your name, address and topic to be properly recognized by the Chair. Thank you.

<u>NAME</u>	<u>SUBJECT</u>	<u>ADDRESS</u>	<u>PHONE AND/OR EMAIL</u>
Michal Zakem	Housing Vouchers	15639 Markon Ave	216-333-7518
Kim Kornfeld	Housing Voucher	11800 Edgewater	216 440 715 5842
J. Boone	Housing Voucher	11800 Edgewater	216-521-3074
Theodore S. Stratton	Housing voucher	1384 Lakeland	216-280-2484
James N. Keson	Housing voucher	Multiple	646-584-4607
+ Deborah Perrotto	Affordable Housing	11820 EDGEWATER	216-650-0049
Joe Napier	Housing Ord.	1527 Chassett	216/926-1134
Cindy Stretz	Housing Ord.	2066 Brusterly	216.218.5025
Dean Ditzell	citizen	1276 French	on file
Colleen Clark-Sutton	Affordable Housing	14013 Clifton	216-712-6852

PUBLIC COMMENT SIGN-IN

HHS

March 11, 2019

Please help us track your concern by neatly printing your name, address and topic to be properly recognized by the Chair. Thank you.

NAME	SUBJECT	ADDRESS	PHONE AND/OR EMAIL
Brad Presutto	Affordable Housing	1213 Whisen Rd	216-288-7045 brad@bradpresutto.com
Dan Sheppard	" "	Box 317 Lewis ch	216-521-8222 dan@vaquint.cleveland.ohio.us
Bo Krisfaly	" "	1877 Edgewater Dr	(216) 252-1029
Victor Nylund	" "	Box 555 Lakewood	(216) 336-6160
Manny Mabry	" "	2049 Lewis Dr	M Mabry969@gmail.com
JOE+SHEILA BALBO	" "	17000 HILLIARD	JoeKad058@yahoo.com