

High Hopes in Ohio

Derelict Cleveland neighborhood is targeted as a model for community revitalization.

By **Robert Klein**

It's a basic economic principle that when supply exceeds demand, prices go down. Housing prices in the U.S. continue to decline because the supply of available properties far exceeds the pool of potential buyers. In many neighborhoods, the problem is further exacerbated by the presence of deteriorated, vacant, and abandoned properties that have lost most of their value and negatively impact the value of surrounding properties.

The S&P/Case Shiller 20-city home price index in November 2011 showed that property values in the United States had fallen 3.7 percent since November 2010 and 33 percent since 2006. In a February 2012 article citing that report, the *Wall Street Journal* observed that the data included foreclosed properties that sold at lower prices than their previous sales because of deterioration and poor maintenance.

It is a scenario that plays in communities across the country. Home values in what were once solid middle-class neighborhoods that epitomized "pride of ownership" fell

because of the growing presence of vacant and abandoned properties. As the numbers of neglected and decaying properties increases more homeowners with negative equity in their homes simply abandon them. By the time these abandoned homes move through the foreclosure process, which can take months and even years in some states, they too deteriorate and lose much of their value. Low-value properties often become nuisances and eyesores in their neighborhoods and negatively impact the housing values of surrounding properties. Even worse, they deter prospective homebuyers from moving into the neighborhood, further perpetuating the cycle of foreclosure and declining property values.

To reverse that cycle, a comprehensive approach is required to address three critical needs: 1) demolition of substandard and unsalvageable properties; 2) possession and rehabilitation of vacant properties; and 3) assistance for existing homeowners in distress. All three strategies must be undertaken simultaneously.

A Pilot in Development

The Slavic Village neighborhood of Cleveland, Ohio, became the face of the nation's housing crisis in 2007 when it experienced the highest foreclosure rate in the country. Today, it and many communities like it have reached a tipping point. They retain a strong core of residents, businesses, civic leaders, churches, and neighborhood organizations committed to revitalization. With a solid plan of action, these communities can be saved. Without one, the cycle of decline will continue.

Because of its potential for redevelopment, a pilot project is being planned for Slavic Village that could become a model for other communities. It is a collaboration between the community development organization, Slavic Village Development, the mortgage servicing industry and investors, and Cleveland-based national companies Safeguard Properties and Forest City Enterprises, each with a strong commitment to community development and revitalization.



➡ The Cleveland metro area was one of the areas hardest hit by the housing crisis, and it has been left with many vacant properties.

It also will involve participation from the city of Cleveland, Cuyahoga County, the county's land bank, neighborhood development organizations, credit counseling agencies, and the mortgage servicing industry.

The pilot will simultaneously address the need for demolition, property rehabilitation, and homeowner assistance. The strength of the program is that it takes a wide view to assess the needs and develop action plans for large blocks of properties within an entire community rather than a "one-off" approach that fails to make an impact.

A target area of 2,216 homes, among approximately 9,000 housing units in Slavic Village, was selected for the pilot. Approximately 1,942, or 88 percent, are occupied and 274, or 12 percent, are vacant.

Demolish What Can't Be Saved

Until unsalvageable vacant and abandoned properties can be demolished, the rebuilding process can't begin. The very presence of these properties saps the life out of the

neighborhood. They are eyesores and nuisances that attract criminal activity. Many have been stripped of their plumbing, siding, furnaces, woodwork, lighting, and anything that gave them character. They are beyond repair, and nobody will invest in them. Worse yet, nobody will invest in the properties around them until the eyesores are gone.

Demolition doesn't shrink communities or reduce the supply of existing housing. It eliminates nuisance structures that hold back redevelopment. This is why the first step in the pilot is to identify unsalvageable properties and obtain the funding necessary to demolish them. Under the pilot, approximately 64 homes were identified for demolition because they were found vacant, unsecured, and in unsalvageable condition. Once a detailed analysis of vacant and boarded properties has been completed, more properties may be added to the demolition list.

Once these properties are demolished, the vacant land can be transformed in various ways. Some will become green spaces and

infrastructures for streetscapes, bike lanes, walking trails, community gardens, and other amenities. Neighbors next door to vacant land will have the opportunity to expand their yards. Other properties will be conducive for commercial development.

Funding for the demolition will be sought in partnership with the city of Cleveland, the Cuyahoga County Land Bank, and mortgage servicers. Green space and infrastructure partners will include the city of Cleveland, neighborhood development organizations, foundations, and other governmental and community agencies.

Rehab Properties to Sell or Rent

The pilot will rely on the private sector to rehabilitate vacant properties to provide safe, well-maintained, and affordable housing for rent or purchase.

Under the pilot, approximately 200 vacant properties will be identified for rehabilitation. Once repaired and remodeled, the homes will be available for direct purchase or through a

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lease-purchase for homeowners who either do not qualify for loans or who are working to repair their credit. Homes in need of modest repairs may also be marketed at a lower cost to qualified “do it yourselfers” who can demonstrate the financial ability to make needed repairs. A key component of this phase also will include credit counseling to help homeowners become and remain fiscally responsible.

Safeguard Properties will oversee the repair and remodeling of homes to ensure work meets established standards for quality, timeliness, and budget. This will help assure homebuyers—especially first-time homebuyers—that they will not incur major unexpected expenses on their homes for a reasonable period. Unexpected and expensive repairs, or repair work done improperly, are major reasons why many homeowners either fall behind on their mortgages or their homes fall into disrepair.

Financing, property management, credit counseling, loan assistance, and related services will be done in partnership with Slavic Village and neighborhood housing agencies.

Although not part of the pilot, it is important to note that a major contributor to the deterioration of vacant properties is the fact that Ohio has one of the longest foreclosure processes in the country. When properties are occupied, an extended foreclosure process makes sense to give homeowners time to work out their finances and keep their homes. However, when homes are vacant and abandoned, there is no homeowner to protect. Until the foreclosure can be completed, a servicer, a land bank, or other entity can't take legal possession or assume full responsibility to repair a property and get it reoccupied. The longer a property sits vacant, the greater the risk that

it will deteriorate, lose value, and negatively impact surrounding properties.

This is why Ohio is among the states considering legislation to accelerate vacant and abandoned properties for foreclosure. This will help to protect the condition and value of properties, especially those in neighborhoods such as Slavic Village, with older housing stock that provides affordable and decent housing for first-time homebuyers and people with modest incomes. The more vacant properties the coalition can protect and preserve, the more housing it can make available to people who might not otherwise have the opportunity to own a home.

Assist Distressed Homeowners

Helping distressed homeowners remain in their homes is critical to reduce the numbers of vacant and abandoned properties and uphold property values. The Slavic Village pilot includes two initiatives to help existing homeowners who are in financial distress. One offers assistance with home repairs. The other assists with loan modifications.

It is estimated that 10 percent of occupied homes in Slavic Village require repairs to correct code violations. Many homeowners, especially the elderly, simply do not have the financial or physical ability to make repairs. Under the pilot, financial support will be sought through foundations and other organizations to help an estimated 170 homeowners in the target area make needed repairs to bring their properties up to code and protect their condition and value. This will be coupled with code enforcement action to ensure that homeowners follow through with the needed repairs.

Pilot partners with Slavic Village development for this portion of the initiative will be the city of Cleveland, foundations, and neighborhood housing agencies.

Approximately 25 percent of homeowners in the community—about 266 within the target area—are believed to require some type of loan modification, either because they are in serious default their mortgages are underwater, or they have high-risk loans. Under the pilot, these homeowners will receive loan modification assistance. This assistance will come through neighborhood housing agencies and mortgage servicers.

A Vision for the Future

In many ways, the vision for the future of Slavic Village is to return to its not-so-distant past. In the 1990s, it was a thriving blue-collar community. Its population was growing even as other neighborhoods in the city were declining. It offered affordable and well-maintained housing, safe neighborhoods, and a strong sense of community. Its anchors were its churches, schools, senior centers, recreation facilities, and other amenities. It provided good public transportation and close proximity to downtown Cleveland. Its restaurants, bakeries, art studios, markets, and other small businesses were a destination for residents from surrounding communities. Its streets bustled with life as children rode bikes, families took walks, and neighbors looked out for one another.

In every sense it was, and still is, a community. Despite its challenges, Slavic Village's civic leaders, residents, and businesses remain committed to restoring their community's former quality of life and building a bright future both for current residents and those yet to come. A pilot for community revitalization could not find a more worthy testing ground.

The project bears watching, as its success could be replicated in neighborhoods and communities across the country. The key is simultaneously addressing existing inventories of neglected and low-value properties that drag down property values, providing assistance to existing homeowners in distress, and protecting and restoring habitable properties to attract new home buyers and spur a housing recovery. **DS**

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