Creating a Transit-Oriented Development Social Housing Model for the City of Cleveland

Thriving Communities Program
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CITY OF CLEVELAND
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CITY PLANNING COMMISSION

THRIVING COMMUNITIES PROGRAM

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Introduction

The purpose of this memo is to detail the need and opportunity for a Transit-Oriented Development Social Housing Model in the City of Cleveland, provide background information and recommendations to be discussed for the framework of a social housing model, and outline the decisions that should be considered by the City to move forward.

Cleveland faces a daunting combination of an overall declining housing stock and a high number of rent-burdened and cost-burdened households. These needs are described in the Cleveland Housing Plan 2030 and cited in this memo accompanied by Census and American Community Survey data to provide further insight on a neighborhood level.

The Cleveland Housing Plan also sets a target of 13,500 new rental units by 2030. There are several private, non-profit, and public organizations working together to create housing solutions in Cleveland. Part 1 of this memo explores how to leverage these relationships and the City's existing assets to identify and define new opportunities. The memo includes four case studies of successful housing initiatives across the country and current insight from residential developers active in Cleveland.

A social housing model will include some key components such as identifying a lead organization, developing selection criteria, and establishing funding mechanisms. Part 2 explores these key components and provides some initial recommendations that can be used as a starting point as a model is developed.

The final part of the memo sets the next steps and includes a list of the primary questions that should be answered to help develop a model. The memo concludes with a detailed example of a long-term funding mechanism for a Transit-Oriented Development Social Housing Model based on a vision that is integrated with the City's current policies and plans.

1

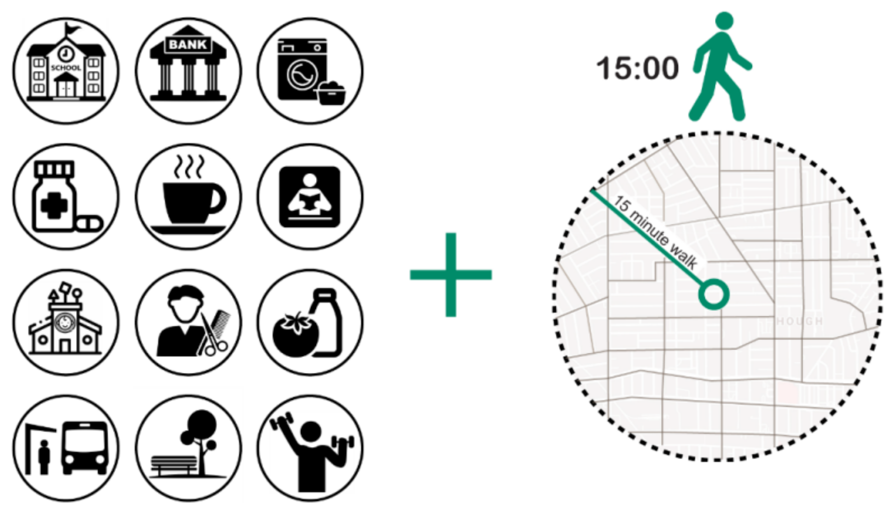
The Need and Opportunity for Social Housing

The Need

Cleveland needs more affordable and well-maintained housing.

The City of Cleveland's population has been decreasing since the 1960's. Over the decades this decrease has been accompanied by a decline in available housing. Over half of the city's housing stock was built before 1940.[1] From 2010 to 2020 the city's population declined by 24,191 people – a loss of 6%.[2] In that same decade the census recorded a loss of over 8,000 housing units. These losses were not evenly distributed across the city. While many west side neighborhoods remained stable (except for Clark Fulton), most east side neighborhoods lost between 5 and 25% of their 2010 population. The Slavic Village, Union-Miles, and Mount Pleasant neighborhoods each lost over 3,000 people. Glenville shed more than 6,000. This is a cycle of decline and disinvestment that has dogged these neighborhoods for decades. Between 2015 and 2018, approximately 3,750 homes were demolished in the city's east side neighborhoods.[3]

For the households that remain, home stability is a major issue for renters and existing homeowners. Cost burdened households, as defined by the Federal Department of Housing and Urban Development Department (HUD), are households paying 30% or more of their income towards housing. In nearly one quarter of census tracts in Cleveland, 30% or more of the households present are considered cost burdened.[4] 41% of Households across the broader metro region are also cost burdened, further highlighting the need for stable, affordable housing whether it is in Cleveland proper or the greater Cleveland area.[5] Homeowners face ongoing maintenance and upkeep costs of aging housing stock on top of mortgage, insurance, and utility costs. Renters are generally more likely to be cost-burdened than homeowners with the costs mostly reflected in utilities and rents.



What is Cleveland's 15-Minute City Framework?
Cleveland City Planning

Housing Needs Analysis

The Cleveland 2030 Housing Plan, adopted in 2021, established a production target of 13,500 new rental units affordable to households spread across the income spectrum. The plan uses five income groups: less than 30% of area median income (AMI), 30-50% AMI, 50-80% AMI, 80-120% AMI, and greater than 120% AMI. Nearly half of the plan's targeted units are within the <30% AMI band (6,300). While the City does not have reliable data available to assess production, based on permit application volume this production target of 1,500 rental units/year through 2030 is a high bar to clear annually.

While there are many definitions of "affordable housing", we believe a sufficient one for Cleveland must include housing that is safe, high quality, and healthy, especially as Cleveland struggles with some of the highest rates of lead poisoning in the country – largely attributed to lead paint in homes.[6] Affordability is primarily a financial relationship between the income or resources a household has and the cost of housing in the market. By examining households in Cleveland through the lens of HUD-defined cost burden we can begin to constrain the problem and derive long-term targets for housing production. In a simplified sense, each neighborhood theoretically has enough affordable housing if there are no cost-burdened households.

Figure 1 on the following page was developed from the 2030 Housing Plan. It shows a map with the number of cost-burdened households by neighborhood. The figure includes a table showing the target number of units to protect, preserve, and produce per income group for each neighborhood based on census data.

There is high variability between neighborhoods in Cleveland. Median incomes range from a low of ~$14,800 in Central to $67,800 in Kamm's Corners. In total, there are 45,805 rent-burdened households in the city. At the 2030 housing plan's proposed production rate, it would take over 30 years to produce enough new affordable housing to ease rent burden across the city.

This calculation does not represent a meaningful goal or target but is meant to illustrate the need and reality of the situation, and to attempt to constrain the problem. New construction rentals are not and should not be the only solution for affordability, and the Housing Plan notes this with its "Protect" and "Preserve" designations.

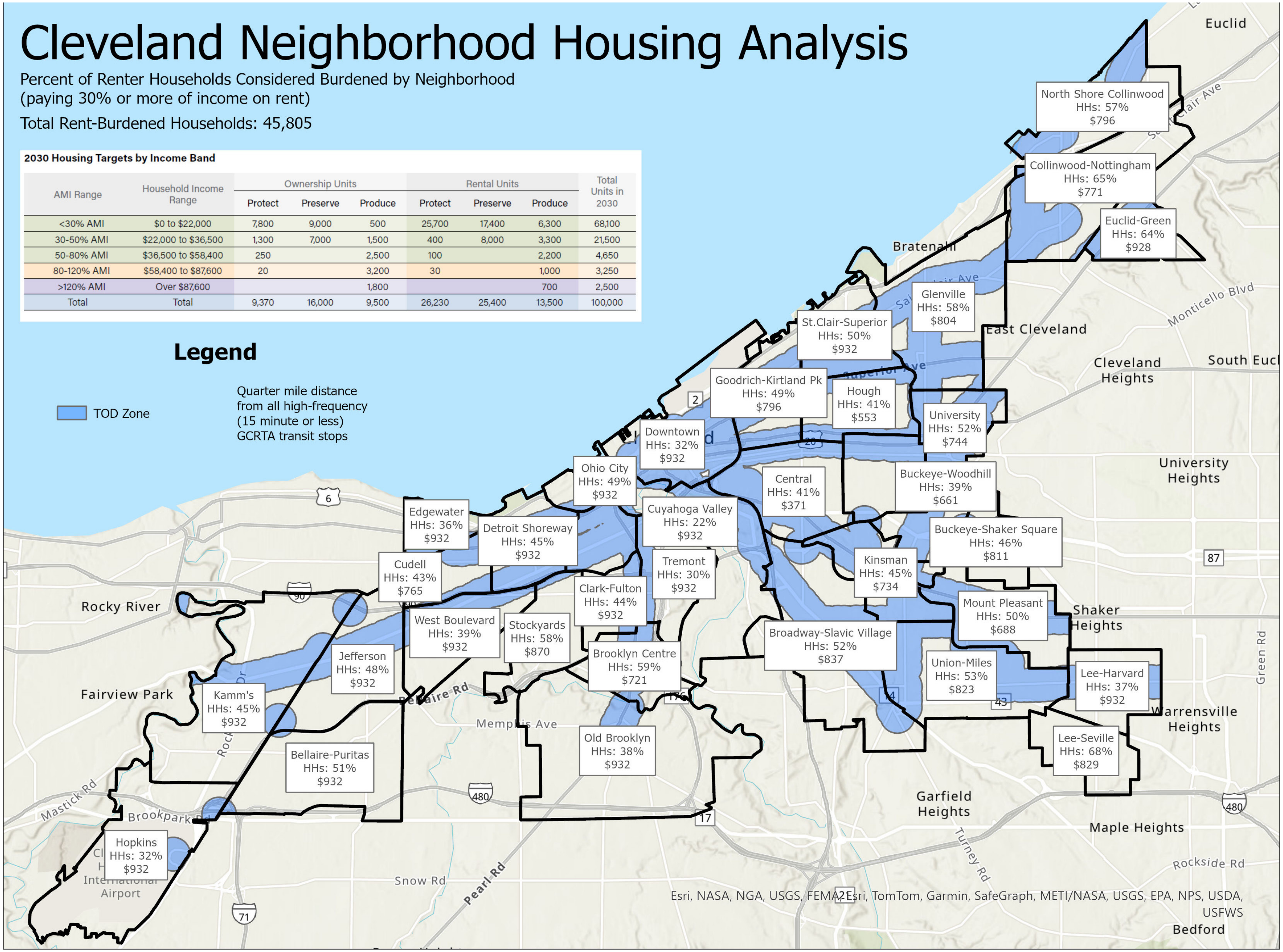
Cleveland Neighborhood Housing Analysis

Percent of Renter Households Considered Burdened by Neighborhood
(paying 30% or more of income on rent)

Total Rent-Burdened Households: 45,805

2030 Housing Targets by Income Band

AMI Range	Household Income Range	Ownership Units			Rental Units			Total Units in 2030
		Protect	Preserve	Produce	Protect	Preserve	Produce	
<30% AMI	$0 to $22,000	7,800	9,000	500	25,700	17,400	6,300	68,100
30-50% AMI	$22,000 to $36,500	1,300	7,000	1,500	400	8,000	3,300	21,500
50-80% AMI	$36,500 to $58,400	250		2,500	100		2,200	4,650
80-120% AMI	$58,400 to $87,600	20		3,200	30		1,000	3,250
>120% AMI	Over $87,600			1,800			700	2,500
Total	Total	9,370	16,000	9,500	26,230	25,400	13,500	100,000



The Opportunity

Areas supportive of the 15-Minute City Model – places where most needs and amenities are available within a 15-minute walk, bike ride, or transit trip – are correlated with increasing property values, increasing demand for housing, and thus are seeing more private investment. Some examples of urban communities that have grown in terms of population and number of housing units include Detroit Shoreway, Ohio City, Tremont, Downtown, and University Circle.

Private investment is good for Cleveland – decades of economic decline and urban sprawl have done severe damage to the city's housing stock, property values, and thus its tax base. However, private investment alone is not enough to reverse declines in population and economic opportunity throughout the city, and it is not a reliable mechanism for equitable investment and development due to inherent biases within capital and lending markets and systemic devaluing of minority communities. Institutional power has long been deployed to displace wealth from cities and African American neighborhoods to the suburbs and surrounding areas through zoning, highway development, transfers of public dollars for services like schools to private entities, among other embodiments of systemic racism in our society.

There are opportunities for strategic action by the City and its partners to invest in social housing in transit-oriented urban communities where the market has not adequately addressed the need, enabling a compelling future for this essential resource for our residents. Specifically, the City can create a Social Housing Model that leverages the City's assets and expertise to make new housing feasible in these communities.

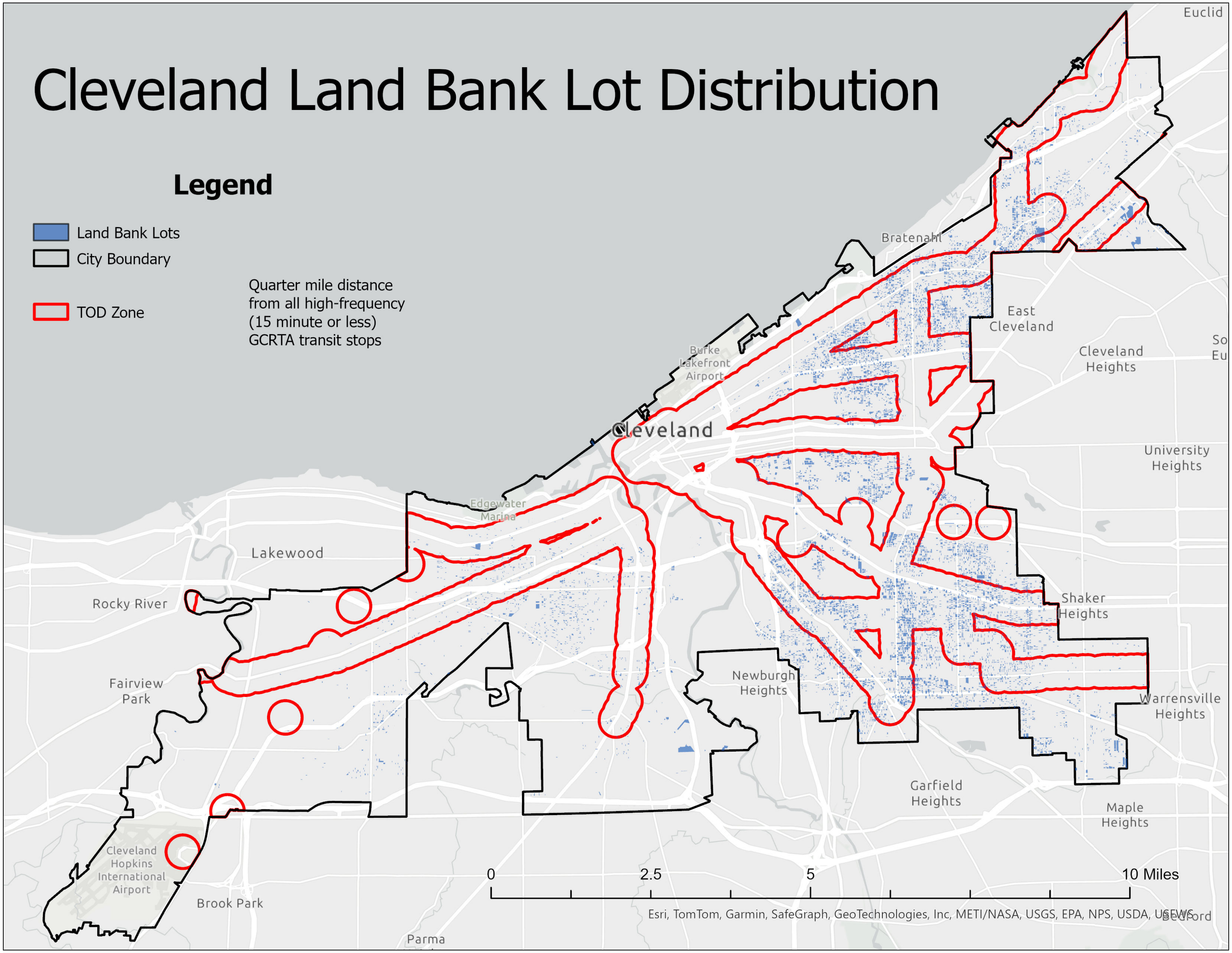


Figure 2: Map of Land Bank Lots in relation to TOD Zones

City Assets

Cleveland's assets for residential development are the vast inventory of land bank lots, our regional priority transit corridors and high frequency transit services, and the streets that service runs on.

The city's land bank held 16,000 parcels as of September 2020 , and this number is increasing each year with current estimates in 2024 of closer to 18,000 parcels. Most of these parcels were acquired through county tax foreclosures either as vacant land or after demolition by the city or affiliated party, such as the county land reutilization corporation. Most parcels were formerly residential uses consisting of single, two-family, and three-family structures.

While the inventory of parcels is large and poses a challenge to the City and residents remaining in these neighborhoods, strategies exist to filter parcels most suited for development and re-occupancy by residents to develop a pipeline for redevelopment. The city prioritizes redevelopment and reinvestment broadly with three criteria: proximity to high-quality needs and amenities, proximity to transit, and proximity to jobs/employment opportunities. The City does this by relaxing zoning requirements near high-frequency transit[7] and by prioritizing transit proximity for competitive funding resources such as the Housing Trust Fund.[8]

Paired with the large amount of federal funding prioritized for housing investment near transit, the pieces are on the table for Cleveland to assemble into a compelling vision for stabilization and eventual redistribution or growth.

Case Studies

The four case studies below provide a variety of creative approaches to tackling the complex issue of affordable housing. In Atlanta, the Atlanta BeltLine, a large-scale capital improvement, catalyzed a partnership between the Metro Atlanta Land Bank and Land Trust and attracted public and foundation funding. In Columbus, an effective revolving loan fund was developed. In Seattle, the public transit agency has implemented a dedicated policy to convert surplus land it controls near transit stations to affordable housing development. And Montgomery County's Housing Opportunities Commission stands out for its dual role as a public housing finance agency and developer, allowing it to participate as the lead development partner and finance agency on mixed-income developments, guaranteeing a certain percentage of units are set aside for lower and moderate income households.

Atlanta BeltLine, Metro Atlanta Land Bank, and Atlanta Land Trust

The Atlanta BeltLine is an enviable multimodal development and investment program consisting of a network of 1,300 acres of new greenspace, 33 miles of new multi-use trails, 22 miles of new transit, and affordable housing located along a 22-mile historic railroad corridor around Atlanta, Georgia.[9] This historic amount of public investment has driven an increase in demand for housing as residents seek to live near these amenities.[10]

Atlanta had several tools to address this challenge familiar to us in Cleveland: The Metro Atlanta Land Bank was established to address blight, promote redevelopment, and create affordable housing in Atlanta. Like many Land Banks, it acquires and manages vacant, abandoned, and tax-delinquent policies. Separately, the Atlanta Land Trust was established in 2009 by a consortium of more than 30 organizations to focus on creating and preserving affordable housing.

While the organizations have worked together for several years, in 2020 they formalized their partnership with an MOU to expedite the conveyance of land bank parcels to the Land Trust in neighborhoods adjacent to the Atlanta BeltLine. Through this partnership, the two organizations established a framework under which parcels of residential properties and vacant lots could be sold from the Land Bank to the Land Trust at a discount, ensuring the Land Trust is then able to develop or preserve the properties to be affordable in the long-term.[11]

The City of Atlanta has also supported these efforts through its One Atlanta Housing Initiative, through which the city invested $50 million in 2020. In 2023, Mayor Dickens announced a new partnership with the Atlanta Community Foundation to invest an additional $200 million into affordable housing, with the city issuing $100 million in bonds matched by $100 million in donations from the Robert W. Woodruff Foundation and the Joseph B. Whitehead Foundation, through the Community Foundation of Greater Atlanta. The goal of this partnership is to invest $100 million in low interest loans and $100 million to build and rehab long-term affordable housing.[12]

Despite a slower start than desired, the Beltline partnership was able to meet its goals of creating affordable housing in 2023 and hopes to create 5,600 new affordable homes by 2030. [13]

The work in Atlanta is remarkably like our setting here in Cleveland. While Atlanta is growing and investing on a scale greater than Cleveland, we have many assets they are currently trying to develop such as our transit system. The partnership between the city and its philanthropic community demonstrates commitment and exemplifies the resources necessary to address the challenges of long-term housing affordability and community stabilization.

Columbus Housing Action Fund

An example close to home is the Columbus, Ohio Housing Action Fund. In 2019, the City of Columbus, in partnership with local philanthropic and corporate partners, launched the Columbus Housing Action Fund (HAF), a $100 million fund to provide low-cost capital to projects that build new or preserve existing affordable and middle-income housing. At least 51% of the units supported by the fund must be affordable at 80% of county AMI, with preferences for projects with average affordability below 60% AMI.41 Initial contributors to the fund included the Columbus Foundation, Fifth Third Bank, Huntington Bank, Nationwide, and PNC, among others. The HAF is structured as a revolving loan fund, with developers receiving low interest loans that are paid back once their eligible projects are completed.[14]

The fund is administered by the Affordable Housing Trust for Columbus and Franklin County, a local non-profit that has been supporting affordable housing in Columbus since 2001. The Affordable Housing Trust is also a Community Development Financial Institution (CDFI), and over its 20+ year history it has successfully supported over 200 projects and closed over $350 million in loans. As such, it had the necessary financial, technical, and underwriting capacity to administer the fund on behalf of the city and other funding partners.[15]

Sound Transit Surplus Land for Affordable TOD Policy

Sound Transit, the public transit agency for the metro Seattle region, has adopted a TOD policy that leverages the vacant or underutilized land it owns next to stations for affordable housing development. This policy was enabled by 2018 state legislation, which required the agency to devote 80% of its surplus land for housing developments affordable at 80% of AMI or below. This policy has resulted in over 2,000 units of affordable housing being created since it was enacted.[16]

Generally, Sound Transit has built these units by issuing RFPs to developers, with a focus on large parcels and larger multifamily developments. However, the agency is also experimenting with smaller scale models, particularly in areas where it has more scattered land holdings that are not suited for larger multifamily developments. In 2021, the agency transferred ten parcels around the Rainier Valley Station to the city as part of the Rainier Valley Affordable Homeownership Initiative, with the intention of creating 100+ permanently affordable houses for purchase. The city subsequently partnered with several local housing non-profits to develop the sites, including Habitat for Humanity-Seattle King County, African Community Housing and Development, and the Homestead Community Land Trust. The city also contributed $7.5 million from its Affordable Housing Levy (a city-administered property tax levy dedicated to funding affordable housing) to support the development of these housing units and help ensure long-term affordability.[17]

Montgomery County, MD, Housing Opportunities Commission

The Housing Opportunities Commission of Montgomery County, Maryland (HOC) was established in 1974. HOC is the County's designated Public Housing Authority and Housing Finance Agency, HOC serves approximately 17,500 renter households, owns more than 9,000 rental units and has provided mortgages to nearly 1,200 first-time homebuyers. HOC has also financed more than 4,000 affordable units for other developers and currently has a pipeline of 13 projects in various stages of the development process from design to construction.[18]

HOC is distinctive because it is both a public housing finance agency and a developer. Because of this dual mandate, it can sell bonds to finance its own projects, allowing HOC to engage as a development partner in mixed-income buildings in exchange for cheaper capital. In exchange, HOC can mandate that a certain percentage of units (minimum of 15%, but in many cases much higher) remain affordable. Notably, there is no difference between the affordable units and market-rate units in these projects; all residents receive the same amenities.[19]

One of the primary mechanisms for HOC to accomplish this has been its $100 million Housing Production Fund (HPF). Financed through an appropriation from the Montgomery County Council, the fund is used to finance construction of mixed-income, mixed-used new developments with a minimum of 30% units income restricted, with 20% affordable at 50% of area median income (AMI). HOC retains majority ownership and control of the developments that HPF invests in, with HPF dollars taking the place that private equity typically holds in the capital stack of new developments. Because HOC is willing to accept a lower rate of return than private capital providers, this cheap source of financing allows it to mandate that the units remain affordable and insulated from market pressures.[20]

TOD apartments built next to the Little Italy/University Circle Red Line Station.

Key Takeaways

These examples demonstrate useful and important lessons for Cleveland, and if we can internalize and mimic them through our own institutions, relationships, and context we can forge new tools to build stable, reliable, and affordable housing in alignment with our other growth and sustainability goals. What are some key takeaways from these stories?
To start, the City could identify ways to establish closer relationships with the Cleveland Land Bank, Cuyahoga Land Bank, and community land trusts to enable the more efficient disposition and development of publicly owned land – particularly near or adjacent to existing or new transit lines.

Taking a note from Seattle, the City could work with the state of Ohio and the Cleveland Regional Transit Authority (RTA) to develop a TOD policy to convert vacant or underutilized land around stations to affordable housing developments. Opportunities to better leverage TIFs and similar tools should be explored for the specific purpose of supporting affordable housing around high frequency transit lines.

The City should also look for developing new partnerships for sustainable funding programs. The Cleveland Housing Trust Fund successfully allocates HUD-HOME funds for housing projects that include affordable units at 60% AMI, but the program is oversubscribed with only a fraction of the projects receiving funding. In 2024, the Trust Fund allocated approximately $3.3M in HUD-HOME funds against approximately $22M in requests. Cleveland has a strong history of philanthropy. Opportunities could be developed to partner with a local philanthropic or corporate champion to raise a matching fund to provide low interest loans to eligible affordable housing projects. Ideally, the fund would be managed by an existing CDFI with experience in affordable housing development and underwriting. This aligns well with the recent partnership between the City, KeyBank, and LISC Cleveland to create a $100 million affordable housing fund.[21]

And finally, the City can identify ways to increase funding specifically to support the operations of Land Trusts, Land Banks, and non-profit housing developers. Ultimately, the City should take the lead in connecting the dots between well-located land, zoning entitlements, desired housing typologies, and funding.

Investment Without Displacement

The Social Housing Model described in this paper is fundamentally an anti-displacement tool. Concerns of displacement related to neighborhood investment must be taken seriously. There is evidence that transit investments in new systems, lines, and stations can push up housing values (and subsequently rents) in adjacent neighborhoods, particularly if those investments are not accompanied by commensurate investments to increase the supply of housing in those areas.[22] However, there are also examples of cities that have successfully built anti-displacement strategies into these projects, allowing local residents and businesses to benefit from new developments and services.

We should therefore be proactive in planning for and investing in forward-thinking efforts to create and preserve affordable housing and support communities where new transit and economic development investments are planned.

It is also important to ground fears of displacement in data on where displacement is taking place. For example, the 2020 Cleveland Tax Abatement Study found that only 9 out of 462 census block groups (2%) in the city exhibited home price appreciation that would typically be associated with a high risk of resident displacement.[23] Whereas data such as the 2020 Census, crime statistics, traffic crashes, and various health outcome measures, reveal that negative pressures on quality of life are the forces predominantly at work in displacement in our city – not increases in the costs of housing.

Still, new investment in a neighborhood can cause backlash among residents who may fear that they will be priced out of their homes.[24] This backlash has translated into opposition to efforts to invest in greater transit (and transit-oriented developments) in some cities.[25] We have seen some of this backlash already in several Cleveland neighborhoods, related to proposed investments in green spaces.[26] Community involvement and input will be critical to ensuring that anti-displacement strategies benefit local residents and match with their specific needs and concerns.

Examples of intentional anti-displacement strategies implemented in other cities that Cleveland may learn from include:

Peoria Mohawk Business Park Tulsa, OK

The City of Tulsa and regional partners invested in a new business park, creating over 1,000 new high-paying jobs and revitalizing adjacent neighborhoods in North Tulsa. This investment was accompanied by a new BRT line along Peoria Avenue which runs adjacent to the business park site. The city also established a TIF District in the neighborhood to help finance the development and mandated that a portion of that fund to go to local community development and economic development projects in neighborhoods adjacent to the business parks site.

Motivated by concerns that this needed investment might displace existing local residents and businesses, a public-private partnership was formed, including the City of Tulsa, the Tulsa Housing Authority, Partner Tulsa (a regional economic development organization), and the George Kaiser Family Foundation (GFF), a major regional philanthropic funder. This coalition has implemented several initiatives to help combat displacement using funding generated by the TIF, philanthropic support, federal grants, and other sources, including programs that fund:

- Rehab and repair for existing residential homes in North Tulsa;
- Voluntary demolition of dilapidated structures;
- Title clearing;
- Development assistance for new affordable housing construction;
- A revolving loan fund for local businesses looking to expand in the TIF district; and
- A façade repair program, supplemented with money from a HUD Choice Neighborhood grant.

This partnership took time to establish, with planning and organizing efforts dating back over 15 years, but is a good example of how many stakeholders can come together to support needed redevelopment efforts while also supporting programs that allow local residents and businessowners to thrive.

The Big Picture Project Minneapolis-St. Paul

The Big Picture Project (BPP) was launched to help preserve affordable housing and address community needs along the Green Line, an expansion of the region's Light Rail System designed to connect downtown Minneapolis and St. Paul, and which opened in 2014. BPP itself was launched in 2012 by the cities of Minneapolis and St. Paul, as well as the local LISC office, recognizing that the new light rail line had the potential to displace many residents of affordable housing along the route, especially if the desired private investment in new developments along the route materialized.

The coalition had three main goals:

1. Invest in the production and preservation of long-term affordable housing;
2. Stabilize neighborhoods and invest in programs that help low-income individuals and families stay in their homes; and
3. Strengthen families through coordinated investments in social services providers.

BPP leveraged state, local, philanthropic, and federal funding to create and preserve affordable housing along the 11-mile corridor. As of 2018, four years after the line opened, nearly $5.1 billion had been invested along the corridor, creating over 21,000 new units of housing, 15% of which were affordable to households making 30-60% AMI.[27] Furthermore BPP used funding to preserve 3,045 affordable units.

Cleveland should consider adopting elements of both case studies in crafting its anti-displacement policies. Success will hinge on starting with good data, assembling coalitions that include public, philanthropic, and private partners, and ensuring that funds are dedicated specifically to anti-displacement activities, including preserving and creating new affordable housing and supporting local businesses.

Residential Developer Interviews

Three residential development companies active in the Cleveland market were interviewed to inform the development of this memo: Bedrock, Pennrose, and McCormack Baron Salazar. Transit oriented development and affordable housing questions were asked pertaining to the Cleveland residential market, development transactions, public entitlements and subsidies. The key takeaways from these interviews were:

Perspective on the market for TOD and affordable housing

While TOD is attracting market rate residences to Cleveland, and the city is well positioned for TOD, there is insufficient transit service to leverage this trend on a greater scale. There is also insufficient public funding for affordable housing to compensate for low income and rent values. Within the City, the west side is more conducive to development than the east side.

Development Type and Location

The three developers specialize in distinct product types: mixed-use commercial, attached & multi-family in adaptive historic reuse, and affordable single & multi-family. The success of all these product types is tied to creating a critical mass of activity as opposed to spreading outgrowth and neighborhood amenities too thinly.

Capital Stack

Nothing is typical – Various complex combinations of tax credits (equity), senior debt, soft junior debt and developer and other non-tax credit equity. The consensus is that there is a need for greater funding of soft money from the City and/or other local partners.

City Support for Development

There was a range of opinions on the City's current overall support for TOD and affordable housing from negative to positive. All three developers advocated for a simplified, more predictable and understandable entitlement process. The City should remove discretionary approvals as much as possible and coordinate and incentivize development around transit stations. One low-hanging fruit that was mentioned was elimination of parking minimums (already done near high frequency transit).

2

Framework for a Social Housing Model

Guiding Principles

Given the context of this memo – the need for new housing broadly across the city, but also in specifically under-invested neighborhoods, the opportunity presented by the amount of city-owned vacant land and its proximity to existing amenities and transit infrastructure (and millions of dollars of planned investments into that infrastructure), and the challenge in meeting housing production and preservation targets without new tools to do so – a new strategy that identifies new resources and tactics is needed.

What we propose here is a model of housing development and investment led by the City and its partners on city-owned land using a mix of public and private resources to create housing designed for the full spectrum of residents in Cleveland – from transitional housing to permanently affordable housing through mixed-income or market rate housing. We call this our social housing model, and it combines experiences from around the country and the world with the assets and conditions we have here in Cleveland.

The principles that guide this social housing model are:

- **Public or community ownership of land as a foundation** for long-term affordability and alignment with city goals pertaining to neighborhood development and growth.

- **Housing produced shall be affordable to a mix of incomes** and meet a wide range of needs as identified by the city and its partners – examples include permanent supportive housing, housing for recently unhoused individuals, workforce housing, and even market rate housing to provide revenue stability across the portfolio.

- **Social housing will be prioritized near transit** to provide the greatest access to opportunities and amenities for new residents as possible, and to provide long-term support and ridership for our most equitable and climate-friendly transportation network.

- **Social housing is a tool for desegregation** and is not meant to replace existing affordable housing programs and organizations. It is meant to supplement what exists to bridge the gap between income-restricted affordable housing and market rate housing to not only be sustainable financially but also support mixed income communities.

Lead Organization

Developing and implementing a social housing model in the City will take coordination and partnerships between the public, private and non-profit sectors as noted in the Case Studies. A possible direction for the City is to work with one or more existing Community Development Corporations (CDCs) or a establish a new Community Redevelopment Corporation (CRC). A Community Redevelopment Corporation is an urban renewal-esque organization designed to conduct one or more projects in a Community Reinvestment Area.[28] The entire city of Cleveland is designated as a Community Reinvestment Area. The governing body of a Community Redevelopment Corporation, in the case of a municipality, is the legislative body/city council. To create a Community Redevelopment Corporation, a city must be an "impacted city", meaning:

1. Its city council must have taken affirmative action to permit the construction of housing by a metropolitan housing authority; and,

2. It must have been certified by the director of the state's department of development that is has a workable program for community improvement, essentially an official plan of action for effectively dealing with slum and blight.

"Projects" are also defined as being related to or identified within a community development plan, which is typically adopted by city council, and identifies "blighted" areas. Projects must have financial agreements with the host city, which are essentially contracts to complete the work described in the project. Appendix A contains a table of facts relevant to Community Redevelopment Corporations.

Benefits

The major benefits of a Community Redevelopment Corporation are:

- Can purchase land from a city at a price determined by the city council
- Can develop and maintain projects
- Can obtain financing from the federal government
- Housing projects built by the corporation are tax exempt for 30 years if they are one, two, or three-family dwelling units. They are tax exempt for 20 years for all other types.
- Can take advantage of an "urban redevelopment tax increment equivalent fund" if established by the city. This fund is comprised of payments in lieu of taxes required under state law for Community Redevelopment Corporations (in place of property taxes). Funds can be used by the corporation for purposes established by the council, if the council chooses to do so.

Challenges

The challenges of a Community Redevelopment Corporation are:

- Can only be formed through legislation
- Must make payments in lieu of taxes on real property/ the project(s) not more than the value of the project(s) had they not been exempted from taxation, but not less than the value prior to transfer to the Community Redevelopment Corporation
    - Though, given that the value of vacant/land bank land in Cleveland is practically 0 (in most cases), this may not be a challenge
- Each project(s) requires a financial agreement (essentially a contract) with the city. Contracting can be a cumbersome and complicated process
- The tax exemption for projects eventually expires, meaning the cost of operating housing projects will inevitably increase dramatically when taxes are assessed
- Projects require extensive written applications to the city, which must be reviewed and approved by council. Applications require public notice for two weeks in a newspaper, with signs around the proposed area of the project, and by mail to community organizations I the area. A public hearing is also required
- Must submit audited financials to the mayor and city council within 90 days of the close of the corporation's fiscal year

Housing Production Plan

A Housing Production Plan is a powerful tool for the implementation of a Social Housing Model. Ideally a Community Redevelopment Corporation would work with stakeholders and the broader public to develop a plan that could be championed by the City. While similar to the Cleveland Housing Plan 2030, the Housing Production Plan would be focused on the implementation of the Social Housing Model.

Site Selection

A social housing model should consider a balanced approach to site selection where demand and supply is considered along with need and impact.

On the demand side, areas with stronger rental markets make mixed income projects more financially feasible while still adding affordable units to the city. These projects are also more likely to be located near transit infrastructure and in high-amenity areas. Furthermore, they may contribute to the growth of mixed-income neighborhoods.

On the supply side, there are an estimated 18,000 parcels in the City's land bank. While these properties are generally in the weakest real estate submarkets since land bank land is obtained through the foreclosure process, they are still valuable assets when considering the viability of social housing projects. Also, these properties are within areas with some of the greatest need for investment, especially affordable housing.

Site selection criteria to be developed for a social housing model should include:

- Need for affordable housing per neighborhood using the Housing Needs Analysis described in this memo
- Proximity to transit infrastructure, services and amenities*
- Opportunity to assemble land bank lots
- Market feasibility of mixed-income housing
- Buildings costs per unit considering location factors such as the need for site prep and environmental remediation work.

* This criterion aligns with the city's current policy of prioritizing land bank redevelopment and reinvestment based on proximity to high-quality needs and amenities, proximity to transit, and proximity to jobs/employment opportunities.

We have already performed the analysis to assess Housing Need by Neighborhood earlier in this document. What we will demonstrate now is the analysis of city land for development. Our starting dataset is a feature layer from 2022 – created by the city/Urban3, an analytical consulting firm, as a part of the Putting Assets to Work project.[29] This feature layer contains all publicly owned parcels as of 2022. While this layer is likely incomplete/out of date at this point, the current trend for the city's land bank is the addition of lots so this information is current enough for demonstration purposes.

Our goal is to cluster adjoining parcels into suitable development sites for multi-family housing near transit. The "near transit" goal is a filter, so first we filter the parcels to select only those within the TOD Zone (Figure 3).

Clustering is required as most land bank parcels started as detached single/two/three family homes. Additionally, the model "missing middle" project we are using requires a parcel to be at least 7,000 square feet. To cluster the parcels, we use the pairwise dissolve function in ArcGIS Pro. [30] This tool aggregates features based on proximity or specific attributes, and essentially combines individual parcels into larger parcels.

We can also join other attributes to the clustered parcels, like the 15-minute city index/TOD score. This lets us categorize parcels based on their "score", or proximity to amenities and services. This is useful if we want to start with the highest scoring parcels. Taking these steps (clustering, joining the index scores, and then filtering for the minimum parcel size and index score > 35/60) gives us figure 4, resulting in about 1,300 sites.

To these clustered land bank lots we can add other strategic sites owned by the city and partner organizations like GCRTA within the TOD Zone. The results of this are shown in figure 5. Clustered sites are symbolized to show their TOD score, which is crucial to the next step: prioritizing clusters.

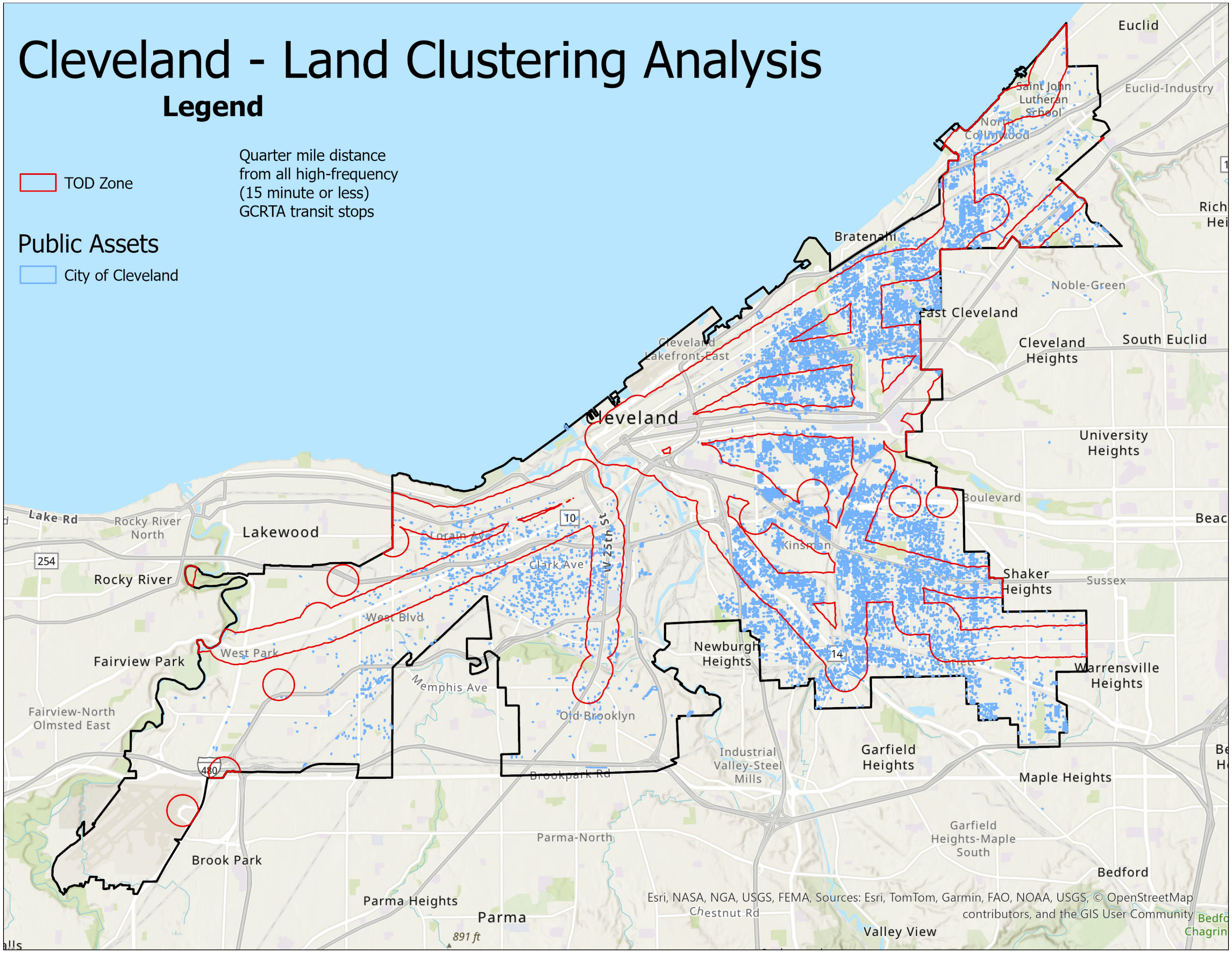


Figure 3: Map of public-owned parcels within 1/4 mile of high-frequency transit

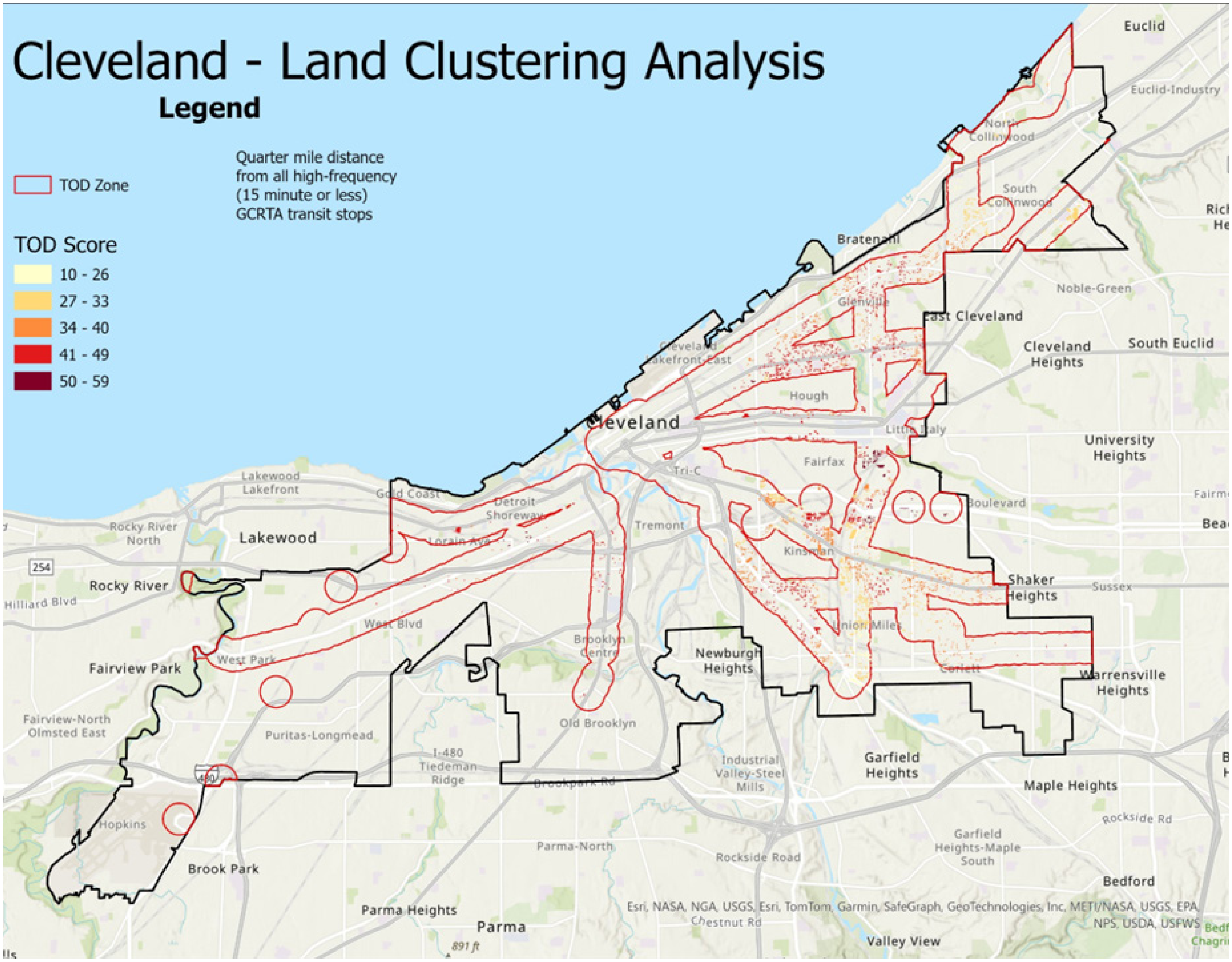


Figure 4: Map of high scoring public owned parcels within 1/4 mile of high-frequency transit

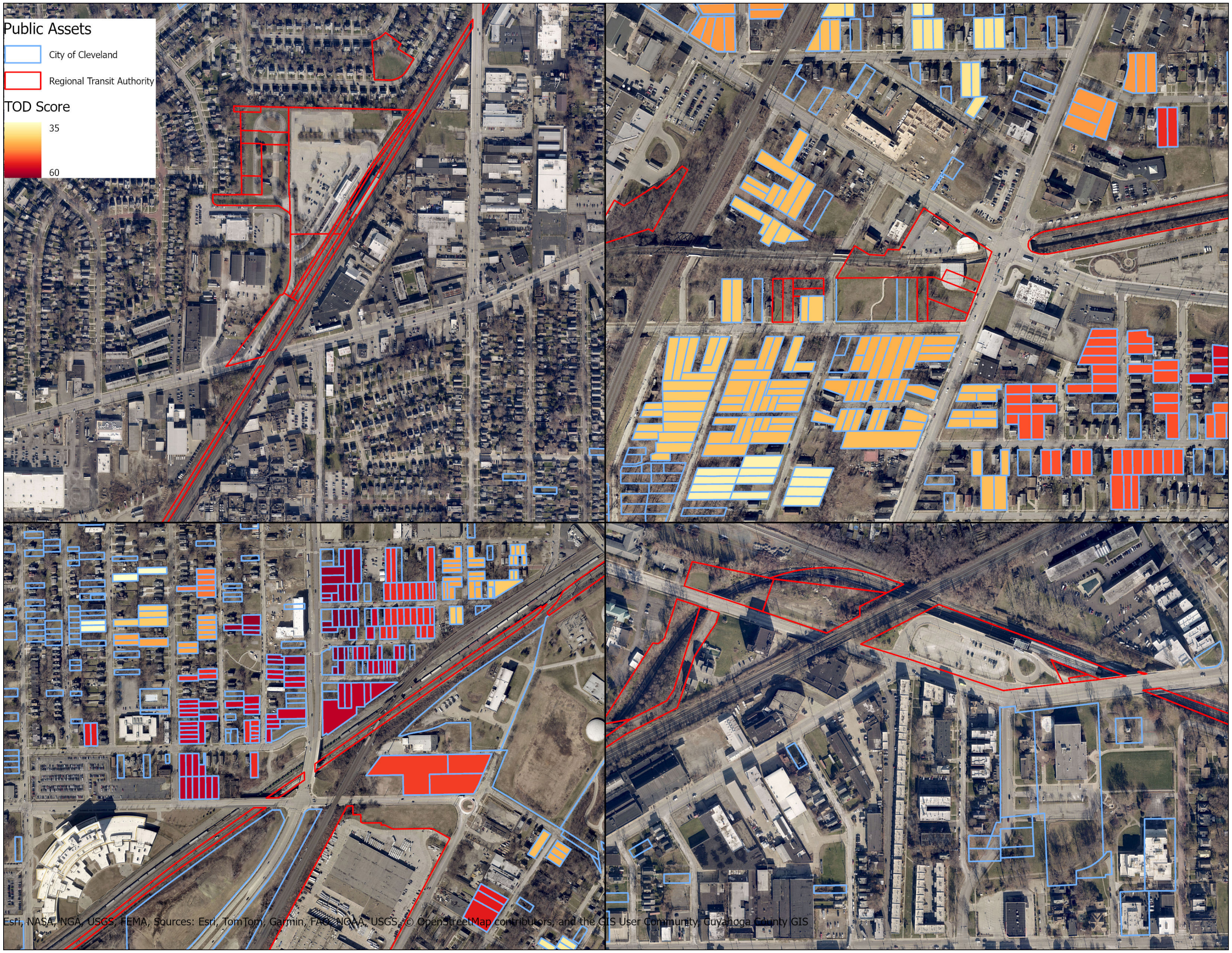


Figure 5: Example of clustered sites with TOD score

Prioritizing Clusters

Now that we have these clustered sites, we need to prioritize clusters for housing development. There are several criteria we can use to prioritize clusters: access to jobs, median household income, housing vacancy rates, and property values. Each play a role in explaining why a cluster is a better starting location: job proximity/access can attract workers to new housing developments nearby; median household income is an indicator of renting power, so important for siting mixed-income projects; housing vacancy rates provide insight into demand for housing within an area; property values indicate ability to borrow/finance new construction based on comparable values in the area and indicate areas where property values may need support from new construction.

There are other criteria available which could be utilized to develop an even more sophisticated analysis (age of existing housing stock, profiles of existing housing types by neighborhood, etc.) but these aren't necessary to prove this concept. For demonstration purposes, we will use the East 105/Quincy stop around Innovation Square, in the Fairfax Neighborhood (the third map in Figure 5 on the previous page). Table 1 to the right shows the values for each location.

	West Blvd Station	East 105 -Quincy Station
Median Income (of census tracts)	$31,929	$31,900
Housing Units (1/4 mile from station)	1,156	230
Density (units/acre, 1/4 mile from station)	9.10	1.80
Housing Vacancy (census tracts)	~13.0%	~15.8%
Jobs within a 30-minute transit trip	90,485	116,626
Available Vacant Land (acres)	~3.50	~6.64

Table 1: Example of prioritization criteria and values

While the figures on the previous page demonstrate a contrast between the two locations, another consideration is job access. Figure 6 on the following page demonstrates the difference in job access from each location. The analysis below was generated using Open Trip Planner and the GCRTA GTFS data feed, as well as Open Street Map.[31] After writing a python script to process the locations and specific timeframes, the resulting polygon can be visualized in ArcGIS.[32] The resulting isochrones demonstrate how far a person could travel between 8:00 and 8:30 am. By overlapping these polygons with job location data provided by the US Census Bureau, a simple analysis can be created demonstrating relative job access between each location. This is additional information that can be used to prioritize sites across the city, and this analysis can be replicated for any location in the city.

East 105-Quincy is proximate to significantly more jobs via transit, most likely due to there being 30-minute access to both University Circle and Downtown, the two largest job hubs in the region. Riders originating from West Boulevard can only reach as far as East 79th in 30 minutes given the current service.

Surface lots near transit like the one shown above, across from the West 25th St. Red Line Station, are opportunities for dense infill development like the Lincoln, an apartment building in the Tremont neighborhood, shown below.

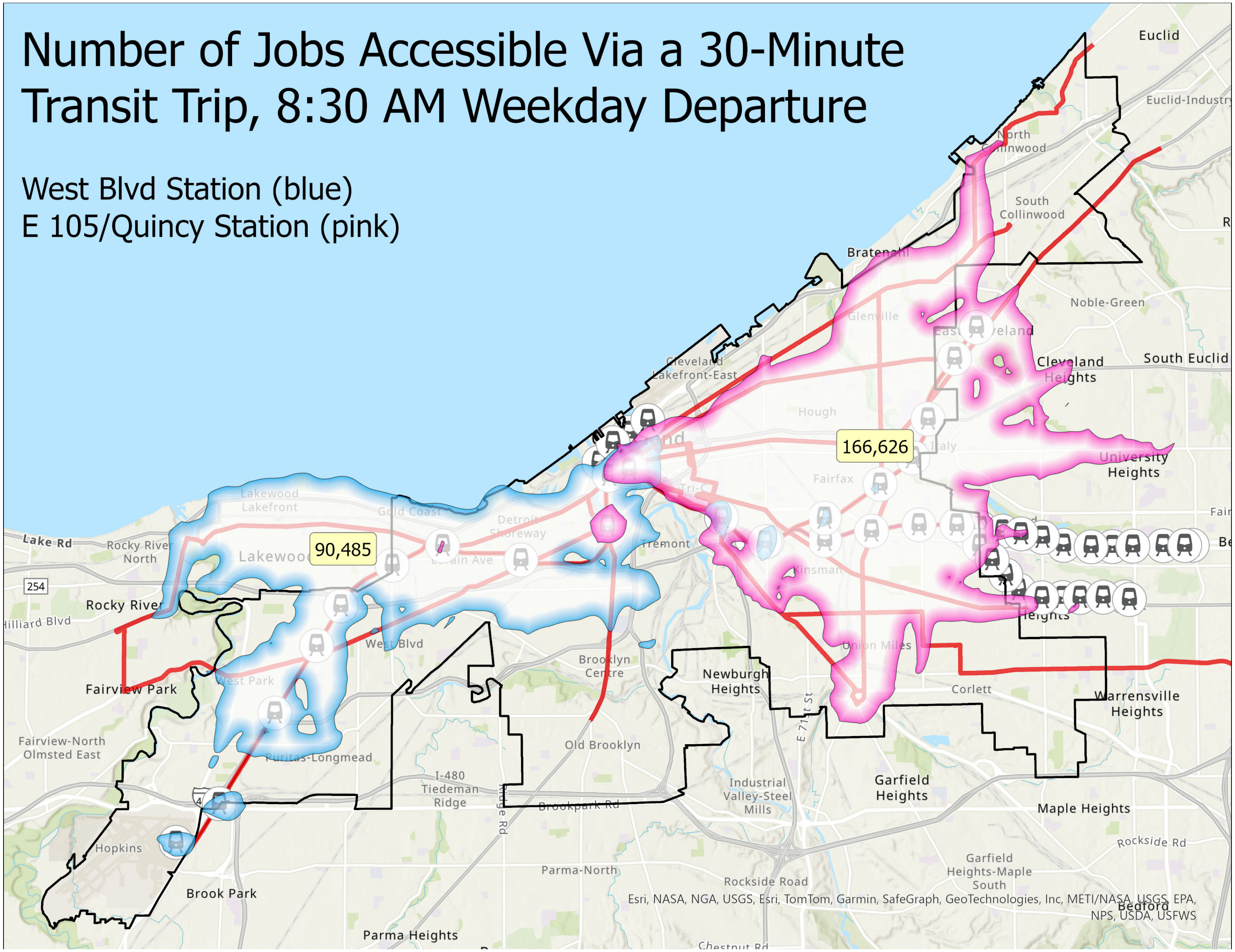


Figure 6: Accessible jobs within 30-minute transit trip of West Blvd and E 105-Quincy Stations

Market Analysis

Conducting a market analysis is a necessary step in the process of developing a housing project. For a citywide social housing model, a standard methodology can be created that can be applied in coordination with site selection and provide firm estimates of development costs. It may be useful to develop a portfolio of infill housing prototype plans, based on the social housing model's guiding principles, that can be used in the market analysis.

Below is a simplified example of the development costs of a 7,200 square foot rental housing project:

Loan Interest Rate	4%
Loan-to-Value Ratio	100%
Amortization Term	30 Years
Construction Cost	$1,930,000
Construction Cost per Sq. Ft.	$286.06
Project Size (Sq. Ft.)	7,200

The project could be configured to deliver 12 one-bedroom units or 4 three-bedroom units.

12 One-Bedroom Market Rate (monthly rent)	$1,400/unit
12 One-Bedroom Affordable (monthly rent)	$600/unit
4 Three-Bedroom Affordable (monthly rent)	$800/unit

We use this example to roughly extrapolate theoretical ratios of market rate units to affordable units to understand how a portfolio of mixed income housing options could be structured for a 7,200 square foot project.

The market rate building generates, in its first stable year, ~$39,700 in net cash flow. The one-bedroom affordable building generates -$78,825 in net cash flow. The affordable family option (three bedroom) building generates -$112,900 in net cash flow. In the scenario where we want market rate units to balance affordable ones in terms of cash flow, for every affordable one-bedroom building we need two market rate buildings. For every affordable family option, we need three market rate buildings.

This preliminary analysis demonstrates that market rate units are generally required at a higher ratio to affordable units to balance cash flow. Factors such as the level of affordability, number of bedrooms, unit size, and amenities can make a significant difference in net cash flow. It is common practice to analyze the financial feasibility of multiple combinations of these factors and others when developing a project. While the social housing model's guiding principles should inform the market analysis, the market analysis should also inform these principles and any resulting objectives such as affordability targets. The market analysis may result in identifying opportunities with a combination of factors that had not been considered.

Social housing will require outside funding, such as a dedicated tax levy, bond, or combination with philanthropic contributions to build and operate affordable units.

As described in the four case studies presented in this document, there are many ways to weave together social goals, public and private partnerships, and financial realities of the market to develop successful housing projects. A key consideration for the city in developing a social housing model will be determining how to structure a longer-term source of funding to help provide the subsidies needed to ensure affordability.

A set of vacant lots with an adjacent abandoned home in the Buckeye-Woodhill neighborhood, on the East side of Cleveland

3

Next Steps

Key Questions and Considerations

Part 2 of this memo gave a brief description of the key components of a social housing model and provided some recommendations as a starting point such as developing a set of guiding principles, identifying partners, creating a site selection and prioritization methodology, and determining the right organizational structure for implementation. In this part, we will list the key questions that need to be addressed and present a possible structure for long-term funding for a social housing model.

As Cleveland continues to explore the development of a social housing model, there are several key questions that must be addressed, including guiding principles, governance structure, and implementation considerations. Many of these questions are related to each other – for example, if the city wants to include long-term city ownership of land as a key criterion for the model, that will necessarily preclude certain types of implementation structures (such as partnering with private or non-profit developers who wish to retain control of the land in the long-term).

This memo includes initial suggestions and options for a number of these criteria. At this stage, it is critical for the TCP project leaders to meet with relevant stakeholders and leaders both internal and external to city government to begin to develop consensus around the following questions:

1. What will be the Guiding Principles for a Social Housing Model? Should they be the ones suggested in this paper? Should the list be expanded or reduced?
2. What should be the implementation structure to begin to implement the social housing model according to the guiding principles? Should a Steering Committee be established to guide implementation? If so, what will be the composition of this group?
3. To what extent does the city want to lead on implementing the social housing model? Which aspects of the model does the city want to retain control over (i.e. land ownership) vs. partner with other entities?
4. What are the expected main sources for Project Financing, particularly for filling the necessary capital gaps to achieve housing affordable for low AMI households?
5. What Legislation (if any) will be necessary to create and facilitate the implementation of a Social Housing Model in Cleveland?
6. What will be the Organization or Organization(s) that will ultimately lead implementation of a Social Housing in Cleveland?
    a. What will the Responsibilities of the Organization include?
    b. What are possible avenues for Ongoing Funding of the Organization?
    c. Who are the expected Partners (private, non-profit, public) and what are their roles?
7. What will be the specific criteria for Site Selection and Funding Prioritization? How will those decisions be made, and who will be involved in making those decisions?

Conclusion

It is perhaps appropriate to end our argument for a social housing model by referring to one of its inspirations: Vienna, Austria. The city is a global model in social housing – as of 2016, 62 percent of all households live in subsidized housing, with 220,000 rental units owned by the city and another 200,000 units owned by limited-profit housing associations.[33] A core principle of Vienna's system is a clear perspective of housing not as a market commodity or financial asset, but at its core infrastructure, an essential component to Viennese society. Housing is not just a place to live, but a place to create a community, to mix socially indoors and outdoors. Housing is a solution to climate adaptation needs, not responsive to climate change. Housing is a foundation on which quality of life is built, not just an amenity. In other words, words we may more readily recognize here, housing is a right. From this principle we are confident Cleveland can develop a program that embodies the values manifest in social housing programs like Vienna's and those found elsewhere, even domestically.

While it may seem like Cleveland is far from realizing this vision, recent projects demonstrate we are and can be on track. The Watterson-Lake school site Request for Proposals in 2023 incorporated a serious community engagement process and prioritized public ownership of the underlying land.[34] More recently, the McCafferty Health Center Request for Qualifications sought a development partner with the City to transform this site into affordable housing.[35] By continuing down this path we can foster a culture of investment and activity that centers people in land use and development. We believe from this perspective Cleveland can provide this essential good, housing and community, to Clevelanders now and into the future.

Quality infill housing can increase density over time and take advantage of vacant lots located in context of existing homes. These townhomes in Ohio City are market rate, but could be built on public land by a social housing entity.

Endnotes

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33 Forster, W., & Menking, W. (Eds.). (2016). The Vienna model: Wohnbau für die Stadt des 21. Jahrhunderts. JOVIS Verlag.
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35 City of Cleveland issues RFQ to redevelop the McCafferty Health Center Site into affordable housing | City of Cleveland Ohio

Acknowledgements

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Appendix

Section 1728.01 | Community redevelopment corporation definitions.	
Creation and governance:	(1) To use the Community Reinvestment Area program, a city petitions to the Ohio Dept of Development for confirmation that the geographical area is one in which investment in housing has traditionally been discouraged. (2) All approved projects require evidence by a financial agreement between the city and the community urban redevelopment corporation. The agreement shall be prepared by the community redevelopment corporation and submitted with the project application for approval.
Powers:	(1) Acquire, construct, operate, and maintain a project hereunder, or to acquire, operate, and maintain a project constructed by a corporation (2) Attempting to cope with the problems of urbanization, to create or preserve jobs and employment opportunities, and to improve the economic welfare of the people of the municipal corporation (3) Accept loans from the federal government or an agency thereof in aid of a project owned or to be acquired or undertaken by the corporation. (4) Obtain, or aid in obtaining, from the federal government any insurance or guarantee, or commitment therefor, as to, or for the payment or repayment of interest or principal, or both, or any part thereof, of any loan or other extension of credit, or any instrument evidencing or securing the same, obtained or to be obtained or entered into by it, and to enter into any agreement or contract, or execute any instrument whatsoever with respect to any such insurance or guarantee. (5) Acquire public or private lands by purchase or otherwise, on such terms and in such manner as it deems proper which lands are necessary for the undertaking and carrying out of a community development plan approved by the governing body of the impacted city and to the extent agreed to by the governing body of an impacted city in a financial agreement provided for in section 1728.07 of the Revised Code.

Notable attributes for social housing:	(1) Projects are all tax exempt: Thirty years for one, two, or three family residential dwelling units Twenty years for all other uses of the improvements from the date of the execution of a financial agreement (2) Funding—Section 1728.112 | Urban redevelopment tax increment equivalent fund. May establish an urban redevelopment tax increment equivalent fund by city council ordinance into which service payments in lieu of taxes can be deposited Moneys deposited in the urban redevelopment tax increment equivalent fund shall be used for such purposes as are authorized in the ordinance establishing the fund. (3) As a part of a project/financial plan, a city may utilize appropriate private and public resources to: • eliminate, and to prevent the development or spread of, slums and urban blight, • to encourage needed urban rehabilitation, • to provide for the redevelopment of blighted, deteriorated, or slum areas, • to undertake such activities or other feasible community activities as may be suitably employed to achieve the objectives of such a program has been adopted.

Other facts:	The project must be completed in full within twenty years and must include the following: (1) That all improvements shall be exempt from taxation—section 1728.10 of the Revised Code (2) That the corporation in impacted cities shall make payments in lieu of real estate taxes—section 1728.111 of the ORC (3) That the corporation shall bind its successors and assigns by agreements and covenants running with the land (4) That undertakings and activities of the corporation are for the elimination and for the prevention or spread of blight. (5) That the corporation or the municipal corporation, or both, shall provide for carrying out relocation of persons, families, business concerns, and others displaced by the project including: • Decent, safe, and sanitary dwelling accommodations • Reasonable moving costs • CRC is allowed a reasonable time in which the corporation may begin compliance with relocation (6) That the corporation submit annual auditor's reports to the mayor and governing body of the municipal corporation within ninety days after the close of its fiscal year (7) That the corporation shall, upon request, permit inspection of property, equipment, buildings, and other facilities of the corporation (8) That the corporation shall, upon request, permit examination and audit of its books, contracts, records, documents, and papers by authorized representatives of the city (9) That disputes shall be resolved by arbitration