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Cuyahoga County's Tax-Base Challenge: Renewing and Redeveloping Core Communities

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**Cuyahoga County's Tax-Base Challenge:
Renewing and Redeveloping Core Communities**

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Two major factors threaten the well-being of Cuyahoga County: the approaching build-out of its outer suburbs, which will severely limit tax-base growth through new construction, and the aged condition of inner suburbs, which jeopardizes property values. The situation calls for unprecedented cooperative action among elected officials to secure the county's future.

Recent changes in the value of real estate in Cuyahoga County compared with adjacent counties shows the seriousness of the situation and the criticality of the primary course of action: redevelopment and renewal in Cleveland and inner suburbs.

A study¹ found that between 1994 and 2013:

- Cuyahoga County's residential real estate lost 6.8 percent of its value (adjusted for inflation) while adjacent areas in neighboring counties² gained 49.3 percent (Figure 1 and Table 1).
- Cuyahoga's loss was concentrated in inner suburbs³ which, as a group, lost 21.0 percent, and the city of Cleveland which lost 25.6 percent. Outer suburbs gained 8.1 percent.
- New construction is a vital component of the county's tax base.
 - Cuyahoga County had \$3.264 billion in new construction (assessed value⁴) between 1994 and 2013, *84 percent of which was located in the county's outer suburbs, which are approaching build-out. If that amount of construction had not occurred, the county's loss would have been 23.3 percent, not 6.8 percent.*
 - Adjacent areas had \$5.417 billion in new construction (assessed value).
- The inner suburbs and Cleveland lost value in each of the three main property classes: residential, commercial, industrial (Table 2). At the county level, Cuyahoga's residential and industrial real estate lost value while commercial gained. For the three classes combined, Cuyahoga lost 5.1 percent (\$4 billion market value) while the adjacent counties gained 45.7 percent (\$35 billion).

¹ Data source: Ohio Department of Taxation. Tax abated values are not included.

² Adjacent county areas are locations within the larger Cuyahoga County housing market. They are identified on Table 1. Cuyahoga, Lake, Lorain and Portage Counties had property reappraisals in 2012, making their data perfectly compatible.

³ Inner suburbs (listed on Table 2) are defined as suburbs that share a border with the city of Cleveland, with two exceptions: Parma Heights which is included because it is imbedded in Parma, and North Randall which is imbedded in Warrensville Heights. Three of the group – Bratenhal, Brooklyn Heights and Cuyahoga Heights – gained value (Table 2).

⁴ Assessed value is 35 percent of market value.

CONSIDERATIONS

Cuyahoga is nearly built-out

Thirty years ago half of the region's new housing was built in Cuyahoga County; in 2013 it was a third. Cuyahoga's 200-year history of growing major amounts of tax base through development on virgin land is in its final years as little undeveloped land remains in the county's outer reaches. As the amount of raw land has diminished, building has inevitably shifted to adjacent counties where land has been and is plentiful. Most options for Cuyahoga residents looking for a newly constructed home are across the county line. Cuyahoga is losing population and wealth – property value and income – to adjacent counties

Cuyahoga is getting old

Residential development in Cleveland peaked in the 1920s and in the suburbs in the 1950s. In another 35 years, half the county's homes will be at least 100 years old. Lakewood will reach that point in four years, Cleveland Heights in 12. Old and obsolete properties are increasing in number.

Properties that reach 100 years (and many don't) often are in poor condition. Real estate, unless properly maintained, has a life-span ending with abandonment. Thus far Cuyahoga's abandonments have been concentrated in Cleveland where most of the county's oldest structures are located. But old, low-value suburban properties are vulnerable to the long-established urban dynamic of decline, decline, decline, abandon. For decades, Cuyahoga's suburban development served to offset depreciation of Cleveland properties as they aged through their life-span.

The outward spread of deterioration involving aged properties and increasingly unattractive conditions is cultivating an environment of community instability and is pushing suburban residents outward, followed by Cleveland leavers. Since more leave the county than move in, the county's population is falling. And with more leaving Cleveland than moving in, most of the county's loss is located there.

The old core is key

Cuyahoga's economic future rests squarely on creating new property values, new growth, new jobs in the city of Cleveland and inner suburbs. New values in the old core are needed to replace what no longer can be built in outer suburbs. There is no alternative. If that does not happen, the county's bond rating will suffer and the tax load on residents and businesses will increase – pushing more of them out of the county to where taxes are lower (particularly townships where there is no income tax).

Cuyahoga County needs at least \$600 million annually (market value in 2013 dollars, Table 3) in new residential construction to maintain its tax base. In the ten years prior to the recession of 2008, 84 percent of Cuyahoga's annual total of residential construction was located in outer suburbs. As that amount declines because of build-out, the loss will have to be made up in Cleveland and inner suburbs. For example, when construction in outer suburbs falls to \$300 million (from the average pre-recession figure of \$500 million) the amount in Cleveland and inner suburbs will have to rise from around \$100 million (combined) to \$300 million.

New opportunity exists

Young professionals and empty nesters who prefer to live in an urban environment or close to central amenities represent substantial opportunity for strengthening the county's old core.⁵ That clearly is happening in Cleveland's Downtown and a few neighborhoods. But the aggregate scale at this point, with modest amounts of redevelopment happening in inner suburbs, is far short of what is needed.

A major obstacle is the paucity of public funds needed for investments such as street improvements that attract private investment and residents. For example, two Cleveland neighborhoods that have had substantial re-growth in recent years are Ohio City and Detroit-Shoreway. In both places, the city invested in street renewal (new pavement, sidewalks, lighting, trees, etc., on W. 25th St and Detroit Ave) that turned dreary and seemingly unsafe spaces into attractive ones, which heightened private investors' vision of opportunity and reduced their assessment of the risk involved.

The need for reinvestment in public spaces is widespread across Cleveland and the inner suburbs but each jurisdiction (particularly suburban) is, for all practical purposes, on its own facing that need with grossly inadequate resources. "Each on its own" will not secure the county's future. The situation calls for countywide engagement – all jurisdictions together – focused on steadily renewing, rebuilding, redeveloping as much of the old core as possible.

Must overcome fragmented structure

"All jurisdictions together" couldn't be further from Cuyahoga's existing governmental structure of 59 cities, villages and townships plus county government in which all units are independent of each other. No *one* is responsible for the county's condition and future; no *one* has positional authority to engage others. Thus, the way forward depends on informal rather than formal action.

Informal action would involve some of the county's elected officials coming together and considering the county's situation and what needs to be done to substantially advance renewal and redevelopment. (A goal could be to have half of the region's new housing located in Cuyahoga County, as it was 30 years ago. That would add, annually, approximately \$800 million to the county's tax base and 3,500 homes to its housing stock).

When the public recognizes that officials, jointly, are focused on the challenge of renewing the county's aged communities, then a new era of stability and optimism can open and broaden the county's prospects for its third hundred years.

⁵ Immigrants also are an important potential source of new residents but, depending on their income level, they may or may not locate in revitalizing areas.

Figure 1
Value of Residential Real Estate: Cuyahoga County and Adjacent Areas
Percent Change 1994-2013 (adjusted for inflation)

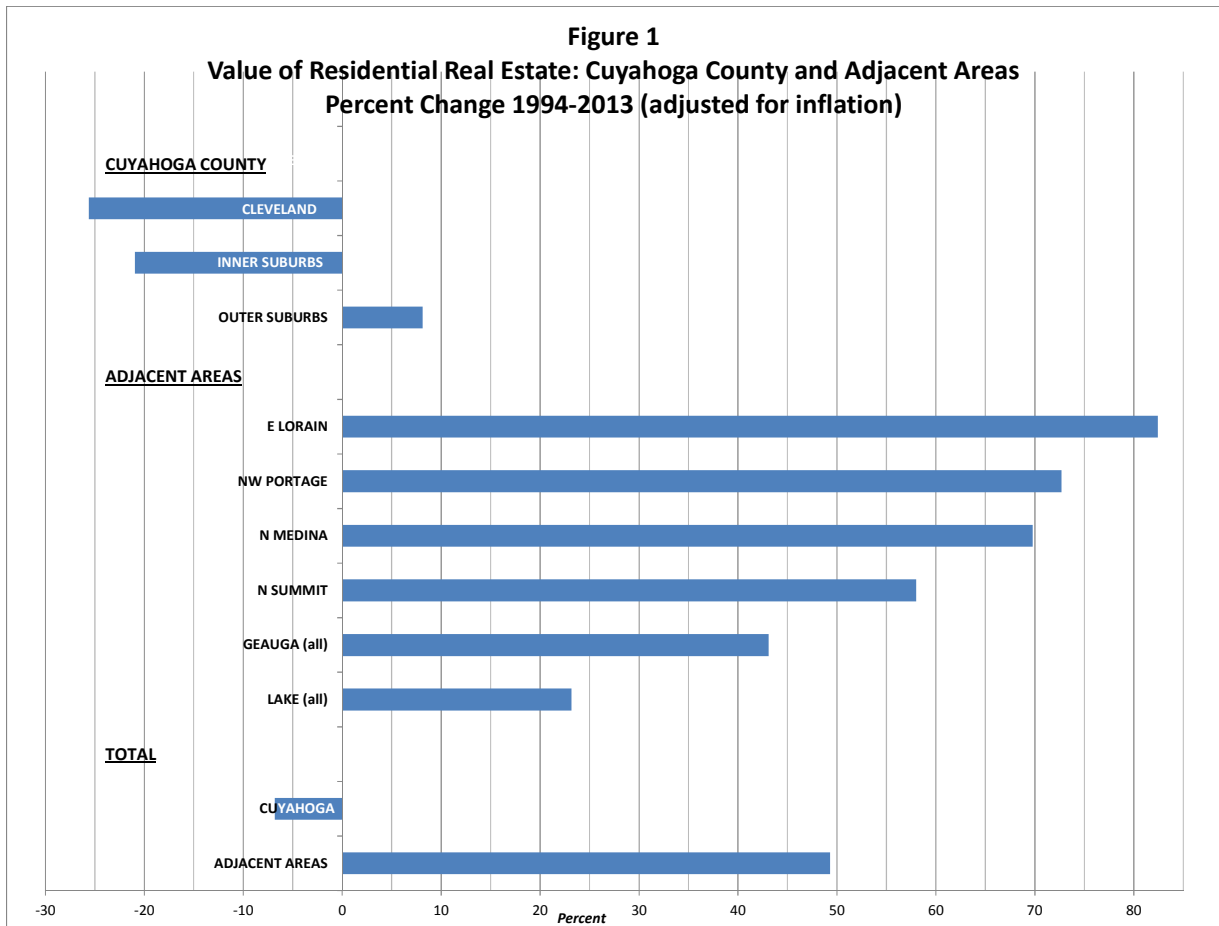


Table 1
Inflation-Adjusted Residential Real Estate Assessed Value (in \$ millions)

Area	R E S I D E N T I A L							
	1994 (in 1994 \$)	1994 (in 2013 \$)	2013	Change 1994-2013	Percent Change 1994-2013	New Construction 1995-2013 (in 2013 \$)	Pct. Change if There Was No New Construction	New Constr. as Percent of 1994 Value
CLEVELAND	\$1,831	\$2,757	\$2,051	-\$706	-25.6	\$262	-35.1	9.5
INNER SUBURBS	\$4,642	\$6,991	\$5,525	-\$1,465	-21.0	\$270	-24.8	3.9
OUTER SUBURBS	\$6,694	\$10,081	\$10,900	\$819	8.1	\$2,731	-19.0	27.1
CUYAHOGA	\$13,167	\$19,829	\$18,477	-\$1,352	-6.8	\$3,264	-23.3	16.5
E LORAIN	\$981	\$1,478	\$2,696	\$1,218	82.4	\$1,309	-6.2	88.6
NW PORTAGE	\$341	\$514	\$887	\$373	72.7	\$389	-3.1	75.8
N MEDINA	\$785	\$1,183	\$2,008	\$826	69.8	\$855	-2.5	72.3
N SUMMIT	\$983	\$1,480	\$2,339	\$859	58.0	\$1,012	-10.4	68.4
GEAUGA (all)	\$1,061	\$1,598	\$2,286	\$688	43.1	\$736	-3.0	46.1
LAKE (all)	\$2,241	\$3,376	\$4,157	\$781	23.1	\$1,114	-9.9	33.0
TOTAL ADJACENT AREAS	\$6,393	\$9,628	\$14,374	\$4,746	49.3	\$5,417	-7.0	56.3

Inner Suburbs		Eastern Lorain	Northwest Portage	Northern Medina	Northern Summit
Bratenahl	Newburgh Hts	Avon	Aurora	Brunswick	Boston Hts
Brook Park	North Randall	Avon Lake	Mantua Twp	Brunswick Hills Twp	Boston Twp
Brooklyn	Parma	Carlisle Twp	Mantua	Granger Twp	Hudson
Brooklyn Hts	Parma Hts	Columbia Twp	Shalersville Twp	Hinckley Twp	Macedonia
Cleveland Hts	Shaker Hts	Eaton Twp	Streetsboro	Litchfield Twp	Northfield Ctr Twp
Cuyahoga Hts	South Euclid	Grafton		Liverpool Twp	Northfield
East Cleveland	Warrensville Hts	Grafton Twp		Medina	Peninsula
Euclid		Lagrange		Medina Twp	Reminderville
Fairview Park		Lagrange Twp		York Twp	Richfield Twp
Garfield Hts		North Ridgeville			Richfield
Lakewood		Penfield Twp			Sagamore Hills Twp
Linndale		Sheffield			Twinsburg
Maple Hts		Sheffield Twp			Twinsburg Twp

Source: Ohio Department of Taxation

Note: "Total Adjacent Areas" includes Eastern Lorain, Northwest Portage, Northern Medina, Northern Summit, plus all of Geauga and all of Lake counties.

Table 2

Jurisdiction	Inflation-Adjusted Percent Change, 1994-2013				Total (R+C+I)
	Residential	Commercial	Industrial	Total (R+C+I)	Assessed Value, 2013
Bay Village	1.8	-11.8	-18.8	1.4	\$488,182,560
Beachwood	-8.9	44.7	-29.9	15.2	\$788,310,270
Bedford	-21.2	-1.4	8.4	-13.1	\$226,847,140
Bedford Hts	-6.3	-1.5	-44.6	-15.1	\$218,867,100
Bentleyville Vlg	31.9	N/A	N/A	31.9	\$64,615,430
Berea	2.8	19.7	11.3	6.0	\$373,556,780
Bratenahl Vlg	23.0	-50.4	134.6	18.0	\$87,675,930
Brecksville	10.6	50.4	-8.7	15.5	\$577,287,970
Broadview Hts	66.9	17.9	-15.5	56.6	\$615,805,210
Brook Park	-19.9	20.9	-51.5	-19.1	\$410,013,480
Brooklyn	-28.6	57.1	-49.9	-17.8	\$277,198,390
Brooklyn Hts Vlg	6.5	-21.2	-6.1	-9.1	\$79,823,310
Chagrin Falls Twp	23.5	N/A	N/A	23.5	\$12,724,900
Chagrin Falls Vlg	18.2	-20.7	-55.8	9.8	\$188,164,330
Cleveland	-25.6	-4.3	-22.0	-16.7	\$4,596,105,200
Cleveland Hts	-5.5	1.4	-95.5	-4.6	\$847,653,650
Cuyahoga Hts Vlg	8.7	-11.3	-26.3	-21.2	\$71,171,940
East Cleveland	-38.5	-27.6	-65.2	-37.0	\$137,520,220
Euclid	-37.8	-38.2	-52.3	-39.1	\$566,868,490
Fairview Park	-16.2	-18.9	N/A	-16.7	\$362,541,420
Garfield Hts	-29.6	29.5	-22.3	-21.6	\$357,001,320
Gates Mills Vlg	-4.2	23.3	N/A	-4.0	\$195,374,670
Glenwillow Vlg	281.8	699.3	349.1	400.5	\$54,512,260
Highland Hills Vlg	-13.1	699.0	N/A	248.2	\$25,155,210
Highland Hts	27.8	48.4	19.7	29.7	\$383,003,190
Hunting Valley Vlg	20.8	133.2	N/A	20.9	\$130,065,310
Independence	14.3	-9.2	-25.4	0.7	\$438,319,910
Lakewood	-8.7	-18.9	-12.1	-10.7	\$837,308,900
Linndale Vlg	-15.4	-32.6	73.7	-7.4	\$2,213,800
Lyndhurst	-23.0	24.6	N/A	-14.9	\$389,866,070
Maple Hts	-38.6	-16.2	-49.5	-35.8	\$266,104,940
Mayfield Hts	-5.7	8.3	N/A	0.2	\$512,786,370
Mayfield Vlg	-12.0	15.3	-50.7	-5.4	\$165,655,600
Middleburg Hts	-2.2	5.3	-15.9	0.1	\$492,276,210
Moreland Hills Vlg	3.1	30.1	N/A	3.8	\$241,790,610
Newburgh Hts Vlg	-26.2	-24.6	2.3	-23.7	\$20,429,580
North Olmsted	-16.5	8.3	44.5	-9.7	\$773,614,840
North Randall Vlg	-13.9	-55.4	N/A	-53.0	\$41,227,250
North Royalton	22.4	19.0	-17.4	20.4	\$802,711,610
Oakwood Vlg	45.6	40.1	-28.4	30.0	\$112,786,380
Olmsted Falls	30.0	46.5	7.6	31.0	\$183,506,950
Olmsted Twp	48.1	132.6	868.1	61.4	\$261,098,190

Table 2 (continued)

Jurisdiction	Inflation-Adjusted Percent Change, 1994-2013				Total (R+C+I)
	Residential	Commercial	Industrial	Total (R+C+I)	Assessed Value, 2013
Orange Vlg	9.2	97.5	N/A	18.5	\$172,587,350
Parma	-24.7	-19.5	-40.6	-24.3	\$1,356,420,670
Parma Hts	-22.4	-28.1	44.5	-23.9	\$309,949,190
Pepper Pike	0.4	-0.6	N/A	0.4	\$403,672,950
Richmond Hts	-7.7	12.2	-5.5	-2.2	\$252,484,410
Rocky River	1.9	-8.9	-3.3	0.1	\$677,403,800
Seven Hills	-11.1	-25.9	-23.8	-12.2	\$309,551,250
Shaker Hts	-14.4	-25.6	N/A	-15.6	\$737,909,440
Solon	24.5	42.9	-40.8	16.9	\$1,084,457,980
South Euclid	-26.3	-2.5	-14.9	-23.5	\$354,475,070
Strongsville	15.4	109.6	-0.7	26.5	\$1,381,334,190
University Hts	-9.5	-21.8	N/A	-11.1	\$240,723,560
Valley View Vlg	-0.2	34.4	-1.9	9.7	\$146,227,730
Walton Hills Vlg	-4.9	6.6	-41.5	-13.5	\$102,226,830
Warrensville Hts	-26.4	39.5	-45.3	-4.6	\$221,898,640
Westlake	24.5	36.4	-21.2	25.5	\$1,330,437,240
Woodmere Vlg	14.1	45.9	-2.7	39.2	\$53,020,590
INNER SUBURBS	-21.0	-12.7	-43.3	-20.7	\$7,345,405,630
OUTER SUBURBS	8.1	24.9	-21.1	10.3	\$14,871,012,950
CUYAHOGA TOTAL	-6.8	5.7	-28.5	-5.1	\$26,812,523,780
ADJACENT AREAS TOTAL	49.3	32.4	30.4	45.7	\$17,668,618,780

Inner Suburbs		Eastern Lorain	Northwest Portage	Northern Medina	Northern Summit
Bratenahl	Newburgh Hts	Avon	Aurora	Brunswick	Boston Hts
Brook Park	North Randall	Avon Lake	Mantua Twp	Brunswick Hills Twp	Boston Twp
Brooklyn	Parma	Carlisle Twp	Mantua	Granger Twp	Hudson
Brooklyn Hts	Parma Hts	Columbia Twp	Shalersville Twp	Hinckley Twp	Macedonia
Cleveland Hts	Shaker Hts	Eaton Twp	Streetsboro	Litchfield Twp	Northfield Ctr Twp
Cuyahoga Hts	South Euclid	Grafton		Liverpool Twp	Northfield
East Cleveland	Warrensville Hts	Grafton Twp		Medina	Peninsula
Euclid		Lagrange		Medina Twp	Reminderville
Fairview Park		Lagrange Twp		York Twp	Richfield Twp
Garfield Hts		North Ridgeville			Richfield
Lakewood		Penfield Twp			Sagamore Hills Twp
Linndale		Sheffield			Twinsburg
Maple Hts		Sheffield Twp			Twinsburg Twp

Source: Ohio Department of Taxation

Note: "Total Adjacent Areas" includes Eastern Lorain, Northwest Portage, Northern Medina, Northern Summit, plus all of Geauga and all of Lake counties.

Table 3
Residential New Construction Market Value
(in \$ millions)

Year	Adjacent Areas	Cleveland	Cuyahoga Inner Suburbs	Cuyahoga Outer Suburbs	Cuyahoga Total
2013	\$322.904	\$17.686	\$13.197	\$151.863	\$182.745
2012	\$255.314	\$5.814	\$11.000	\$131.520	\$148.335
2011	\$330.490	\$27.911	\$11.751	\$130.995	\$170.656
2010	\$323.837	\$30.768	\$27.425	\$151.971	\$210.163
2009	\$486.989	\$30.988	\$26.911	\$180.111	\$238.010
2008	\$743.537	\$72.729	\$44.986	\$299.696	\$417.412
2007	\$979.562	\$32.565	\$56.512	\$398.391	\$487.468
2006	\$926.162	\$135.418	\$64.035	\$494.930	\$694.383
2005	\$1,112.268	\$91.921	\$56.049	\$578.605	\$726.574
2004	\$1,085.725	\$121.087	\$69.946	\$519.777	\$710.810
2003	\$1,084.845	\$2.360	\$39.776	\$405.234	\$447.370
2002	\$1,000.554	\$26.545	\$45.936	\$598.562	\$671.044
2001	\$1,054.002	\$35.670	\$37.733	\$534.575	\$607.978
2000	\$1,101.449	\$26.077	\$42.758	\$635.520	\$704.356
1999	\$996.699	\$19.806	\$59.011	\$537.436	\$616.253
1998	\$973.780	\$13.738	\$38.225	\$535.049	\$587.012
1997	\$905.123	\$15.075	\$34.875	\$444.061	\$494.011
1996	\$889.777	\$21.714	\$40.188	\$485.634	\$547.536
1995	\$903.363	\$20.483	\$51.671	\$590.186	\$662.341

Inner Suburbs		Eastern Lorain	Northwest Portage	Northern Medina	Northern Summit
Bratenahl	Newburgh Hts	Avon	Aurora	Brunswick	Boston Hts
Brook Park	North Randall	Avon Lake	Mantua Twp	Brunswick Hills Twp	Boston Twp
Brooklyn	Parma	Carlisle Twp	Mantua	Granger Twp	Hudson
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Source: Ohio Department of Taxation

Note: "Total Adjacent Areas" includes Eastern Lorain, Northwest Portage, Northern Medina, Northern Summit, plus all of Geauga and all of Lake counties.