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# Housing Dynamics in Northeast Ohio: Setting the Stage for Resurgence

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Thomas E. Bier, PhD

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Thomas Bier, PhD

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For Cynthia, Ronald, David, and Michael

*“While the rights of private property are sacredly guarded, we must not forget, that the community also [has] rights; and that the happiness and well-being of every citizen depends on their faithful preservation.”* Charles River Bridge v. Warren Bridge, 36 U.S. 420, 422 (1837).



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At NOACA, one of the board members was Norman Krumholz, then director of the Cleveland Planning Commission. He requested that NOACA staff do a study of mortgage lending in the Cleveland area. We did it, and our report of stunning variation in lending patterns made front-page news. Norman eventually left City Hall for Cleveland State University where he founded the Center for Neighborhood Development. Thank you, Norman, for your pivotal request at NOACA and for the collegueship I was privileged to have with you at CSU.

The NOACA mortgage report drew attention from the U.S. Department of Housing and Urban Development. HUD requested that we prepare a guidebook to promote similar studies in other cities. A senior HUD official, David Garrison, wrote a cover letter for the guidebook. Two years later, coincidentally, David came to Cleveland State to head the college's new Urban Center, within which a number of sub-centers and programs were to be located. One was Housing Policy Research. On the basis of my work at NOACA, I was employed by David to head that program. I extend many thanks to David for his support and guidance as our studies progressed, and for reviewing a draft of this book.

There would have been no Urban Center or opportunity for this book without David Sweet, first dean of the Levin College. David's vision and determination resulted in the Ohio Urban University Program, which was funded by the Ohio Legislature in 1979. The UUP supported urban research and projects at eight universities, including Cleveland State. For thirty years, the UUP enabled many excellent activities to be implemented across the state. But, unfortunately, it met its demise when the Great Recession of 2008 forced major cuts in the state's budget. When better times return, hopefully, so too will the Urban University Program. Thank you, David.

Speaking of funding, special thanks go to the Cleveland and George Gund Foundations. Over the years, they, combined, provided 25 grants to the Housing Policy Research Program to

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To implement those projects I had a series of four staff assistants who made all the difference in the world. I would have accomplished little without them. They knew how to manipulate the computer, how to design a project, how to *really* get things done. Bob Orszycki was first, followed by Mark Hoffman, Ivan Maric, and Charlie Post. Charlie ran the anchor leg for me (he's still running). I cannot say enough about what each did as they produced most of the book's numerical substance.

And where would I have been without student assistants to enter data, do tabulations, design innovative procedures, and brighten the day as students typically do? I had many but I wish to recognize in particular John Brennan, Mike Campbell, Richard Cole, Noreen Kuban, Rick Seifritz, and Winifred Weizer. To them, and all the others, I extend my most sincere appreciation and best wishes as their careers progress.

I've had the good fortune and pleasure to share much of the journey with Mark Salling, geographer and mapper extraordinaire. We worked together at NOACA. When he took a position in the Urban Center, I had no idea that I would be following him just a few months later. Mark has been nothing but a constant source of insights, ways and means, and good cheer. Also, through it all, has been Bob Layton, another ex-NOACA-ite. Bob's fingerprints are all over this book (and many of the op-ed articles I wrote for *The Plain Dealer*). Here's to you, Mark and Bob.

My wholehearted thanks go to those who critiqued various drafts, starting with George Havens. Without George's patience and guidance when my initial writings had him shaking his head ("I was concerned for a while"), there would have been nothing for others to review. Special thanks go to Rick Taft. I have profited from many discussions over quite a few years with Rick, culminating with the structuring of this book. Rick is the epitome of thoughtful contribution and encouragement. The others include John Aram, Bill Barrow, Art Brooks, Dennis Keating, Barry Keefe, Gene Kramer, Brent Larkin, Kermit Lind, Steve Litt, Sally Martin, Joe Mazzola, Stuart Mendel, Steve Minter, Ken Montlack, Glenn Solomon, and Pete Zimmerman. Carol Poh was an invaluable aide with copy-editing and counsel. All, I greatly appreciate your willingness to dig in, and the resultant contributions. Remaining errors and omissions are on me.

I wish to acknowledge two friends who, although not directly involved in the shaping of this book, added to the shaping of me. I met Charles Bolton and John Eckblad in graduate school. We spent many hours then, and since, kicking around ideas about organizations, cities,

and society that honed the thinking that went into my studies, articles, and this book. Thank you, Charles and John, for the breadth, depth and warmth of our interactions.

“Home is the most popular, and will be the most enduring of all earthly establishments.”<sup>1</sup> A long time ago I was struck by the profundity of that statement. Nothing is more basic than home and family. The quote may also have caught my attention because a sixth sense knew my future work would involve matters—housing dynamics—that greatly affect peoples’ homes. My reason for mentioning this is to express my gratitude for the homes I have had, first as a child and youth in my classic Cleveland neighborhood, and then with my wife Dorothy whose 58 years of love and care enabled me to study and write and settle and refresh, and on and on. Thank you, dearest, for our perfect home.

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<sup>1</sup> [https://www.brainyquote.com/quotes/authors/c/channing\\_pollock.html](https://www.brainyquote.com/quotes/authors/c/channing_pollock.html)

## Introduction

Why is there no urban sprawl—houses scattered across the countryside—in England as there is here in the United States?<sup>1</sup> Why is Cleveland, and American cities in general, so different from European cities—different in terms of stability, vibrancy, attractiveness? Those questions came to mind when I was living in England during the early 1970s and when many U.S. cities were in such turmoil that a particularly sardonic view of them, “Last one to leave please turn off the lights,” was popular.

When I returned to my hometown of Cleveland I wondered what I might do to help brighten its future. I eventually landed at Cleveland State University’s Maxine Goodman Levin College of Urban Affairs and joined a program in housing research just getting underway. It turned out to be a perfect spot for seeking answers to those questions. This book presents the results.

My starting point reaches further back in time to 1948. That year stands out in the history of Cleveland because it was the last time the Cleveland Indians won the World Series. As a youngster growing up in the city’s Collinwood neighborhood (Map A), I remember it well. The Indians’ victory was headline news. But there was another major happening that might have made the newspaper, but if it did its significance surely went unnoticed. In October 1948, possibly even as the World Series was being played, only four apartments were available for rent in all of Cuyahoga County (Cleveland’s host county).<sup>2</sup> Yes, four! Virtually every conceivable living space was occupied. World War II had ended and a surge of humanity had returned from overseas and across the country and proceeded to pack the county’s housing stock. Thus, possibly it was 1948 when Cleveland reached its peak population, not 1950 as recorded by the U.S. Census.

In any case, that Cleveland in 1948 was at its peak and on the verge of decline was unthinkable. One person, however, was prescient: Lawrence S. Robbins. In 1941, Robbins did a study for the Cleveland Chamber of Commerce (forerunner of today’s Greater Cleveland Partnership) which was prompted by the city’s loss of population during the 1930s.<sup>3</sup> Before 1930, Cleveland had known nothing but growth. Robbins’s report, which I found by chance while rummaging through the stacks in the library in Cleveland City Hall, compared Cleveland with the suburbs of Cuyahoga County (Map B) in terms of real estate development, population change, and property value. During the 1930s, Cleveland’s population had dropped 2.4 percent while the suburbs gained 8.7 percent. City residents had begun to move up and out to suburbs.

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<sup>1</sup> <http://www.sciencedirect.com/science/article/pii/S0264275106000461>.

<sup>2</sup> *Real Property Inventory*, 1954 Edition: p. 7.

<sup>3</sup> Robbins, L.S. 1941. Decentralization: A Problem in Cleveland’s Future. *Cleveland Chamber of Commerce*.

He concluded: “if these underlying forces [suburban development and outmigration] continue to gather momentum and if projected into the future, they will threaten the entire structure of the community.”

It was an astoundingly prophetic report. *In 1941*, Robbins had perceptively described and documented the uncompetitive position of Cleveland in relation to its new suburbs. He stressed the implications of real estate development occurring in those suburbs while scant redevelopment was occurring in the city. But his alarm had no effect. In 1950 the Cuyahoga County Regional Planning Commission, possibly inspired by the report, tried to alter the course the city and suburbs were on, but failed totally (Chapter 6).

### **Where are You, Mr. Robbins?**

I was so taken by what Robbins had done that I wondered if he might still be around and if I could meet him. I found “Lawrence S. Robbins” in the phone book but when I called there was no answer. I tried several more times with the same result before letting it go. Twenty years later, on January 13, 2000, I was jolted to read in *The Plain Dealer* that “Lawrence S. Robbins, a retired financial analyst who in the 1940s outlined how problems associated with decay of Cleveland’s neighborhoods could harm the city’s development,” had died at age 92.

I learned in a letter from his son (identified in the death notice), that Mr. Robbins with his wife had moved to “a desolate area of Southwestern Arizona where they bought a dilapidated ranch and slowly built it into one of the finest cattle operations in the west. He was never successful in convincing local folks of the critical necessity of community planning and zoning. During his thirty-two years there it caused him great sadness.” And I imagine what happened to Cleveland in the decades following his report also caused him great sadness.

My unexpected and indirect encounter with Mr. Robbins was topped off by a remarkable coincidence. His obituary named a company where he had worked at one time. A partner in that company was the man from whom my wife and I bought our home. Possibly Mr. Robbins had visited there. I like to think so.

### **Relentless Underlying Forces**

In the course of our studies at Cleveland State,<sup>4</sup> I realized we were following in Robbins’s tracks by focusing on his “underlying forces” and how they affected communities across

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<sup>4</sup> When I say “our” and “we” I am including my staff and student assistants who were central in the studies and projects that form the basis of this book.

Northeast Ohio. But we enjoyed substantial resources not available to him. We had computerized records of real estate that were extensive and detailed. All he had were paper files and records that were severely limited in content, making his study all the more impressive. For example, for every property in Cuyahoga County we had its auditor-appraised value, sale history, and tax-status. We had extensive data on new construction. We were able to do studies of population migration that Robbins could only dream about. We were able to do various studies at the multi-county regional scale. Those measures enabled us to form a more complete explanation of what was happening to Cleveland and, most important, *why it was happening*.

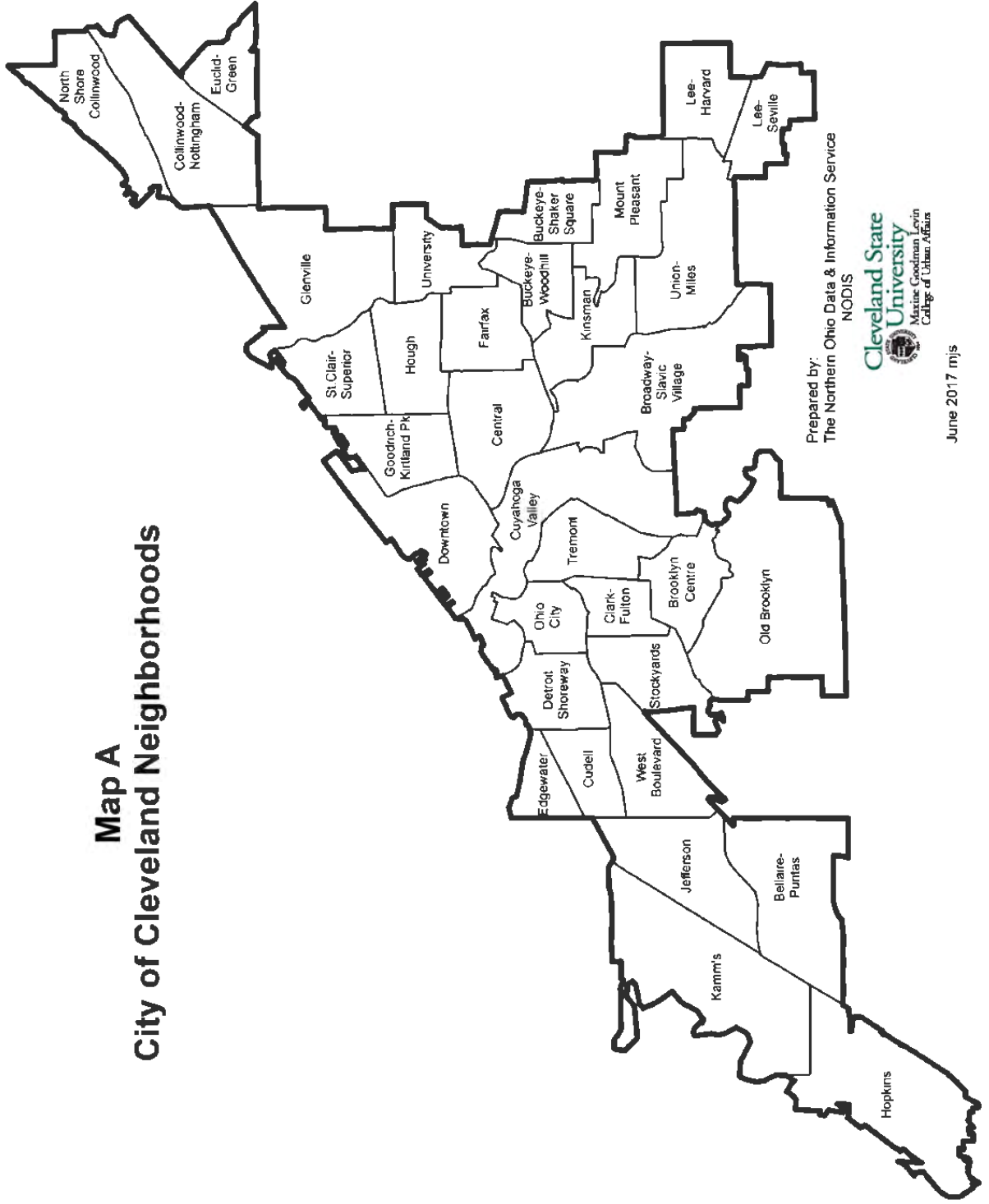
As Robbins saw the situation in 1941, the “why” consisted of what he called “factors motivating migration,” factors that pushed people from Cleveland to its suburbs. He cited 16 of them, most having to do with physical conditions ranging from “smoke and dirt” (the quality of Cleveland’s air at that time was appalling by today’s standards) to “unattractive appearance.” Our studies, along with many done by others, led us to go beyond physical conditions and focus on “housing dynamics” that are created as people move around the region and occupy a supply of housing that is constantly changing.

Our perspective ranged from local to regional, with the region consisting of seven counties: Cuyahoga, Geauga, Lake, Lorain, Medina, Portage, and Summit (Map C). This Northeast Ohio region is a single housing market with numerous interconnected submarkets, within and across which people move. Most county-to-county moves are between Cuyahoga and the other six. Further, change in one place has impacts in others. For example, the construction of new homes in Lorain County affects the value of old ones located elsewhere by enabling people to move outward from the city and county. And deterioration and decline in one part of the region push people to locate in another part. (When I speak of the “region” in this work, I am generally referring to this seven-county area which has Cleveland and Akron as its largest cities.)

We delved into how government influences housing dynamics and the choices people have when they consider where to live. One may assume that influence to be benign, but I assure it is anything but neutral. My purpose is to show how government, acting on behalf of a majority of its citizens, shaped Cleveland and the region during the decades following Robbins’s report, how the shaping continues, and what would constitute a more constructive influence.

Inevitably, Robbins’s “underlying forces” gradually but relentlessly went beyond threatening the “entire structure of the city of Cleveland” to where they now *threaten the stability and future of Cuyahoga County*. I say that because some suburbs have aged to where they have begun to decline. A much larger portion of the county’s geography is in jeopardy. If the situation that existed in 1941 was a two-alarm fire, the one now is a three-alarm.

# Map A City of Cleveland Neighborhoods



Prepared by:  
The Northern Ohio Data & Information Service  
NODIS

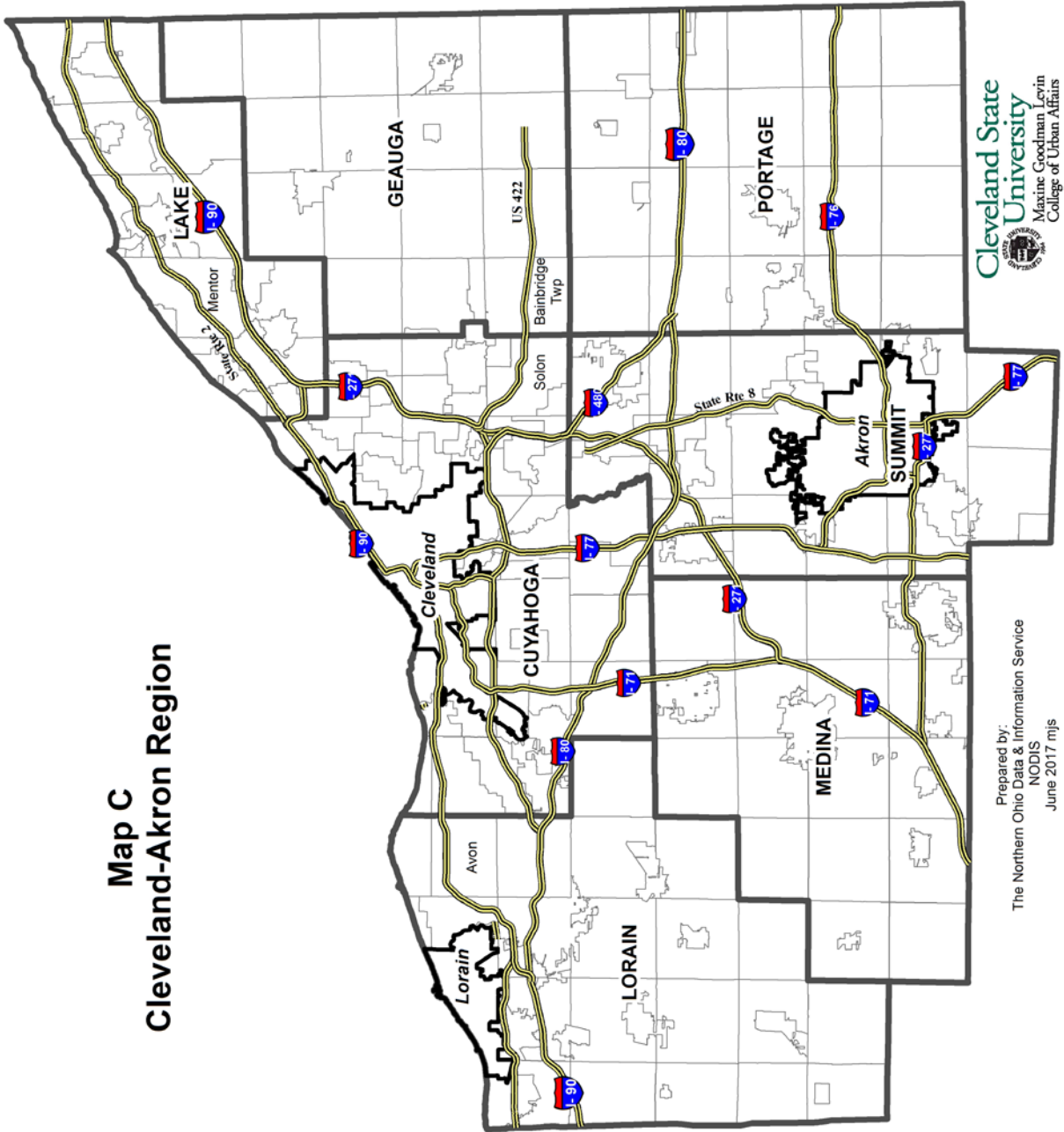


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**Map C**  
**Cleveland-Akron Region**



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The Northern Ohio Data & Information Service  
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The advancements that have occurred in Cleveland’s downtown and in a few neighborhoods in recent years can give the impression that the city has finally “turned the corner.” Yet, as impressive as those gains have been, they have been greatly exceeded by losses elsewhere in the city. Add to that suburban decline and the resultant situation poses daunting challenges. This book presents that reality. As such, you, my reader, may find parts of it off-putting, even difficult to accept. I cite facts you may not like; you may feel the impulse to resist and reject. Well, I don’t like some of what we will cover. Indeed, I am more than concerned by the seeming intractability of some issues, which is why the situation calls for three-alarms. Hence this book.

Northeast Ohio is entering its third century as a major American region. With a population of nearly three million, it ranks as the 16th largest in the nation. Until roughly fifty years ago, all was well. Then the region’s economic underpinnings, principally well-paying manufacturing jobs, began to come apart. For several decades, the great undoing was increasingly disturbing. But residual strengths, from health care to advanced manufacturing to legal expertise, are forming new underpinnings. The breadth and depth of that resurgence will determine the region’s future. The *quality* of that future will depend greatly on how government influences housing dynamics and the choices people have when considering where to live—particularly choices concerning neighborhoods and communities that have aged and are in need of renewal and redevelopment. That influence is critical.

### **Laws of Housing Dynamics**

The starting point of housing dynamics is simple: people move, and when they do they select a house or apartment out of an extensive supply that is constantly changing in size and condition. Unseen, or lightly considered, is the influence of government on the movers and the supply. Going a step further, there are various facets to the dynamics. I focus on four, which will be discussed in the following chapters. To orient you to the full picture of what I will be covering, here are the four, shamelessly cast as “Bier’s Laws of Housing Dynamics.”<sup>5</sup>

- *First Law of Housing Dynamics:* People move, and when they do most move “up” to a property that is newer and higher priced—which means the mainstream of movement across all communities is toward newer places and away from older ones (Chapters 2 and 3).
- *Second Law of Housing Dynamics:* Most buildings have a lifespan. They age, become obsolete, and are demolished. Properties in lowest demand in the market place are the ones closest to the end of their lifespan. Properties that receive high-quality maintenance can have their life extended indefinitely (Chapter 4).

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<sup>5</sup> They are not literally “Bier’s”; they all are well-established landmarks in the field of housing research.

- *Third Law of Housing Dynamics:* The market-driven construction of housing can result in an oversupply for the region—that is, more houses and apartments exist than households to occupy all of them. Oversupply forces vacancy and abandonment among the least desirable properties in the region (Chapter 5). Another aspect of market-driven construction is “urban sprawl” (Chapter 6).
- *Fourth Law of Housing Dynamics:* Government, particularly the state, strongly influences the functioning of the first three laws by favoring some communities over others, giving them a competitive advantage. It is in the interest of the disfavored communities to perceive and overcome this disadvantage (Chapters 1 and 7).

I will examine these laws and relationships among them, with the intent to justify the following assertion: Because most buildings do not last forever; because not all properties receive sustaining maintenance; because oversupply and abandonment can easily happen; because state government commonly promotes the development of new communities at the expense of old ones—because of all that, many, if not most, communities will in time be faced with the need for extensive renewal and redevelopment for which they will be considered solely responsible even though they inherently lack the resources essential for success.

In other words, the game of contending with decline and producing renewal is, in many instances, unwinnable—at least when the game is played as it has been in Ohio. The “old” central cities of Cleveland, Akron, and a growing number of suburbs can’t win as losses resulting from housing dynamics exceed whatever gains are achieved. As a suburban councilman put it, “It’s like trying to go up the down escalator.” Thus, I intend to discredit the notion that Cleveland’s troubling conditions are simply the result of ineffective schools, crime, and the dysfunction of City Hall. Yes, those factors partly explain the city’s slippage, but they do not comprise the whole story. Far from it. The straightjacket of *sole responsibility*—an outgrowth of our home-rule form of local government—leaves city officials woefully short of tax revenues needed to meet the challenges *inescapably imposed upon them by housing dynamics that are beyond their control*. Therein lies the rest of the story.

Following discussion of the four laws and their impacts, I will present the likely near-term future for the city of Cleveland, the suburbs of Cuyahoga County, and the region if current trends, patterns, and policies continue unchanged (Chapter 8). I will conclude with recommendations for altering the existing situation through tax-base growth sharing to achieve renewal and redevelopment, and foster high-level cooperation among elected officials (Chapter 9).

As we consider these matters, it is important to have a long-range perspective because the full significance of underlying forces and the playout of dynamics become clear only when considered over time. Change typically occurs incrementally, adding up to major impacts only

after decades. As Cleveland lost over half its population between 1950 and 2010, did a single year's decline make any news? Certainly not. A ten-year change usually received some attention when results of the U.S. Census were announced. A newspaper editorial calling for action to "Halt the flight!" usually appeared and was followed with a statement from City Hall saying, "That's exactly what we're doing." Then, after a day or two, poof, the issue disappeared from public view.<sup>6</sup>

But what if a ten-year decline had occurred in a single year? What if all the losses that marked the 1970s—Cleveland's worst decade, when it lost fully a quarter of its residents—had occurred in one year? My bet is it would have so shocked civic and business leaders, the media, and the public that they would have been compelled to dig deeply into "Why did it happen?," intent on finding root causes and determining what change—fundamental change—was required to alter course.

To restructure the game, we need to consider root causes and fundamental change. This book attempts to identify root causes and offer direction to achieve a more positive future for all communities in Northeast Ohio.

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<sup>6</sup> On June 17, 2001, *The Plain Dealer* launched a "continuing series on Northeast Ohio's 'quiet crisis'—the one that threatens to drain our economic vitality, take our jobs, send our children packing." The series, *A Quiet Crisis*, focused on the uncertain economic future of Northeast Ohio. It may have been the single most extensive media exploration of a civic matter in the region's history.

## Chapter One

### The Influence of Government: How Much, and How?

The influence of government on housing dynamics is so ubiquitous across the landscape that it cannot be confined to a single chapter. So while Chapter 7 is devoted to the Fourth Law, we will consider it frequently and variously beginning with the following.

The experience of living in England opened my eyes to the potency of government as it affects communities and the use of land. England has no urban sprawl—housing *scattered* across the countryside—because laws and regulations, broadly supported by citizens, do not allow it. Attention to land-use issues emerged there in the early 1900s in response to urban growth and the environmental impacts of industrialization. In the 1940s and 1950s, the role of government in determining how land would be used was codified in various Acts of Parliament. The Town and Country Planning Act of 1947, in effect, nationalized the right to develop land in England and the rest of Great Britain (Scotland and Wales).<sup>7</sup>

British farmers, I was startled to learn, are not free to sell land to a real estate developer whenever they wish. They can sell only when permitted by government. When invited to do so, they usually are not compelled to sell and may prefer not to. But if they do, the land involved will be specified in an established plan. Britain is very much a free-market capitalist economy, but not when it comes to the use of land and the management of communities. Historically, government has given top priority to reusing existing buildings and previously developed (“brownfield”) land before building on greenfield land. For example, in 2008, 77 percent of all new housing in Britain was built on previously developed land.<sup>8</sup> In Northeast Ohio, the figure typically is less than five percent. Redevelopment dominates in Britain; development of raw land dominates in the U.S.

For many years, central government in London established national and regional housing construction targets and limits. But when house prices reached disturbingly high levels (in August 2016, the average price was around \$300,000<sup>9</sup> while in the U.S. it was \$240,000<sup>10</sup>),

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<sup>7</sup> [https://en.wikipedia.org/wiki/Town\\_and\\_country\\_planning\\_in\\_the\\_United\\_Kingdom](https://en.wikipedia.org/wiki/Town_and_country_planning_in_the_United_Kingdom).

<sup>8</sup> [http://ec.europa.eu/environment/integration/research/newsalert/pdf/39si3\\_en.pdf](http://ec.europa.eu/environment/integration/research/newsalert/pdf/39si3_en.pdf). Also see: <http://www.citymetric.com/politics/one-map-shows-why-brownfield-land-wont-solve-englands-housing-crisis-1218>, which discusses the limitation of available brownfield sites. Early in 2017, Prime Minister Theresa May’s Conservative Party launched the Starter Home Land Fund “to provide funding [1.2 billion pounds] to enable local authorities to acquire brownfield land and prepare it for development.” If the U.S. federal government were to do the same, the investment would amount to nearly \$8 billion. See <http://www.out-law.com/en/articles/2017/january/government-confirms-2017-start-date-for-construction-of-starter-homes/>.

<sup>9</sup> <https://www.theguardian.com/business/2016/apr/01/average-uk-house-price-tops-pounds-200000>.

<sup>10</sup> [https://ycharts.com/indicators/sales\\_price\\_of\\_existing\\_homes](https://ycharts.com/indicators/sales_price_of_existing_homes).

planning for new supply was decentralized to regional offices. Pressure grew to loosen constraints on greenfield development, which was and is being countered by protectors of the countryside who argue that most building can be located on brownfield sites.<sup>11</sup>

Nonetheless, the location and amount of construction are tightly controlled by local councils following plans produced by professional planners, which officials cannot ignore or easily change as they come and go with elections. Outside of major cities, decisions on proposed development projects are shaped by local residents who, more often than not, adamantly oppose construction on greenfield land. In Britain, it is far from easy to build where no structure has ever been. The net effect is that cities and towns are bound by governmentally structured and societally endorsed constraints, while in the U.S., with few exceptions, outward flow is uninhibited. In the states of Oregon, Tennessee, and Washington, citizen-based movements to protect farmland and nature resulted in the establishment of “urban growth boundaries” to limit sprawling development.<sup>12</sup>

The British are comfortable with government’s heavy hand controlling the use of land possibly because the concept of control by higher authority has a long history there, dating back to when the crown commanded ownership. When William the Conqueror, the first Norman king of England, invaded in 1066 and defeated the last Anglo-Saxon king, he did not hesitate to declare his God-given ownership of the whole place and his right to do with it as he pleased. Over subsequent centuries, ownership passed among kings, queens, and favored nobles, but gradually bits and pieces shifted to common folk. But not all of it. Today, one-third of Great Britain, including half the nation’s rural land, is still owned by members of the aristocracy.<sup>13</sup>

(Naturally, the British crown laid claim to the land on which its American colonies were established and granted parcels to colonizers as it saw fit. But pesky settlers figured they would rather do without such government overreach and instead handle amongst themselves all matters having to do with land. After achieving that by means of the Revolution, they then employed the British royal model against Native Americans by, in effect, claiming tribal lands to be theirs, and confirming it, as needed, with overwhelming firepower. So much for property rights.)

Scarcity of land in Britain may also be a factor in the national sensitivity to real estate development. Compared with the U.S., land in most European countries is skimpy, thus calling

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<sup>11</sup> <http://www.cpre.org.uk/resources/housing-and-planning/housing/item/4416-housing-capacity-on-suitable-brownfield-land>.

<sup>12</sup> [https://en.wikipedia.org/wiki/Urban\\_growth\\_boundary#United\\_States](https://en.wikipedia.org/wiki/Urban_growth_boundary#United_States).

<sup>13</sup> <http://www.dailymail.co.uk/news/article-1328270/A-Britain-STILL-belongs-aristocracy.html>.

for careful management and use.<sup>14</sup> The island that contains Great Britain has a population of 61 million but is only twice as large in area as the state of Ohio with its population of 11.6 million. Britain is heavily populated compared with Ohio, but you would not know that by the appearance of the countryside. Beyond cities and towns, countryside is pure countryside. With the miracle of the Internet you do not have to cross the Atlantic Ocean to see what I mean. Go to Google Maps and enter “York England” (not far from where I lived). Zoom in and scroll to the edge of the city, where development meets countryside. Now open a second tab and enter “Medina Ohio.” Go back and forth between the two tabs and note the difference. Notice how the outer edges of York are sharp and distinct, with houses on one side of a road and nothing but farm or green space on the other. In Medina, the scene is a mishmash. The difference is produced by government, by what it does and does not permit. (Scroll across France, Germany, Italy, all of Western Europe; the approach to land use is basically the same as in Great Britain.)

Some Americans may consider the British way of controlling real estate development as evidence of a socialist society and will have none of that. Indeed, as will be discussed, the U.S. Constitution virtually guarantees there will be none of that. Americans may reject such controls, but they surely appreciate the result. Great Britain ranks as the top overseas destination for American tourists, who love historic and lively London and, above all, the British countryside with its small towns, quaint villages, and pastoral scenes devoid of visual pollution in the form of billboards. British government does not allow them. (Neither do the states of Alaska, Hawaii, Maine and Vermont.) Britons do not protest restrictions because they serve what most people value: rural open space, preservation of existing communities and historic sites, and community stability. Societal values energize government policies. That was expressed in what the British Prime Minister Theresa May wrote shortly after being chosen by the Conservative members of Parliament to be their head:

“The changes I want to make reflect a different kind of Conservatism, but they are consistent with my party’s principles. We don’t just believe in markets, but in communities. We don’t just believe in individualism, but in society. We don’t hate the state, we value the role that only the state can play.”<sup>15</sup>

Again, Ms. May is leader of the *Conservative* Party.

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<sup>14</sup> A remarkable fact expresses the scale of land in the United States: If the entire population of the world, seven billion people, lived in Texas, the population density (persons per square mile) would be less than half the density of New York’s Manhattan Island. If Cleveland had the same density as Manhattan, its population would be five million, not 388,000.

<sup>15</sup> May, Theresa. 2016. Economy Must Work for Everyone in a Truly Great Britain. *The Times*, July 11, p. 7.



### **Need for Balance, Stability**

What impresses me in Ms. May's statement is the matter of *balance* such as, "We don't just believe in markets, but in communities." I assume she made the point with emphasis on the word "just" because she thinks "communities" needs more weight in the balance. Our American values, with their heavy emphasis on property rights, individualism, and "free markets," create imbalance. (I put "free markets" in quotes because all markets are structured by laws, policies, and customs; none is completely free.) Further, as a society, we prefer new over old, which fuels the growth of new communities and the decline of aged ones. And we consider the need for renewal and maintenance to be strictly a local matter: *I don't live in Cleveland; its condition and future have nothing to do with me.* The result, eventually, is a community mired in decline which, until recent years, has involved mostly the original central cities, places that were extensively built before World War II. But some suburbs have aged to the point where they, too, are slipping.

I am not suggesting that we should be like Great Britain; we can't be even if we wanted to. I am pointing out that concern for community that is not limited to one's place of residence is an inherent feature of British society. We lack that wider concern, possibly because we are still a young nation. But even though we Americans cannot foster community stability as Britons do, we still need it. The proliferation of gated, exclusionary communities may be an expression of that need. A potent lesson which many Americans surely drew from the urban turmoil of the 1960s and 1970s is: You can't trust government to protect your neighborhood, your community. That lesson haunts us; it has yet to be undone. Thus, the way to feel secure is to live as far from perceived threat (deterioration, crime, minorities) as possible, which has driven the building of new communities while writing off investments in older ones. We would all be better off if community stability were more widespread. That is a fundamental challenge before us.

Achieving stability requires a particular role by government. As Ms. May put it, "the role that only the state can play." Our government now greatly influences the location of investment in real estate by making the development of farmland simple and straightforward while making renewal and redevelopment of "aged" places anything but—the exact opposite of what government does in Britain. In that respect, our system is just as controlling but in a different way. For us, it is just the way things are and ought to be: people are free to sell land, free to build, free to move, and communities are free to govern themselves. Like the Brits, we do not protest. What is there to protest?

## **Survive on Your Own**

A central issue of this book is government's unbalanced influence as it makes the development of farmland simple and straightforward, while renewal and redevelopment of aged places are far from simple and straightforward. This imbalance stems from the mindset cultivated by our home-rule form of government: cities (central and suburban) are free to govern themselves, except for restrictions imposed from time to time by the state legislature.<sup>16</sup> Thus, when it comes to the issues of decline and revitalization, each independent city is expected to check decline and sprout new vitality *on its own* (Chapter 7). While British society has ingrained mechanisms that serve to maintain community stability, we essentially leave the matter to autonomous jurisdictions—and to the whims of a marketplace that can either elevate or destroy a community. A community is elevated if people who have good incomes want to live in it (or have modest incomes and give priority to home maintenance); it is destroyed if they do not.

State government, through its operational policies, essentially abdicates responsibility for this imbalance and thereby favors some communities over others. (In Chapter 7, I contend that the state is violating its Constitution.) The state, in effect, says to Cleveland, *You are independent, you govern yourself; you alone are responsible for your condition.* The same mindset exists among those living in each independent jurisdiction. *I live in Cleveland Heights; Cleveland's condition and problems have nothing to do with me.* The mindset demands that local officials practice Do-It-Yourself survival.

Independence is an elegant operating principle as long as a community is new, fairly new, or has the resources needed to maintain and renew buildings and infrastructure as they age. Where that is not the case, where resources—tax base—are lacking, DIY survival is a nightmare. If the history of Cleveland since its peak in 1948 has demonstrated anything, it is that its tax base—the value of its taxable real estate—has been nowhere near adequate to cope with the structural challenges that emerged over the decades as its population fell from 915,000 to the current 388,000. The fire alarms multiplied. Now, a growing number of suburbs are feeling the heat as they have aged to where they need extensive renewal and redevelopment.

All Ohio cities are engaged in DIY survival. What is odd about this is the fact that our federal government, beginning in the 1950s with urban renewal, has paid much more attention to cities than have state governments. It should be the other way around. Because it isn't,

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<sup>16</sup> Cities are independent except when the state rules otherwise. Recent denials of self-governance in Ohio have concerned the issues of oil and gas drilling, city employee residency, payday lenders, and gun control.

because DIY survival is the rule, big cities like Cleveland and increasingly small suburban ones like Euclid, Maple Heights, and Parma struggle mightily.

What makes the situation particularly egregious is a city's isolation in the face of the first three laws of housing dynamics: People move, and when they do, most move "up" to a property that is newer and higher priced; buildings have a lifespan; and the construction of housing can result in oversupply and extensive abandonment at the bottom of the housing market. No mayor, no city council, can alter those laws, yet they are held singularly responsible for consequent impacts.

### **Build, Move, Abandon**

What Lawrence Robbins saw and documented in 1941 was our nation's urban version of its frontier ethos: build, use, move—move on to a new location and forget about, abandon, the place left behind. Actually, the roots of build, use, and move on go back to the beginning of our nation, to the Pilgrims who, in 1620, settled Plymouth Colony in what became the state of Massachusetts. William Bradford, the colony's leader, wrote of its founding and early years.<sup>17</sup> He described how the grown children of the original settlers started moving to "better accommodations elsewhere"; to better land with opportunity for making money: ". . . it was not for want or necessity so much that they removed, as for the enriching of themselves."

The practice of using and moving was common among farmers. As the infant nation took hold, farmers typically gave little or no regard to the need for soil renewal. When fertility had been drained and crop yields became weak, many pulled up stakes and moved westward to where land was better if not richly fertile. British farmers never had that luxury. Confined to the land they had, they were forced to be concerned with renewal of the soil, generation after generation.

At Plymouth, the question arose: Should the colony's church be relocated as well? The elder colonists decided no, it would remain where it was founded. Bradford wrote: "And thus was this poor church left, like an ancient mother, grown old, and forsaken of her children . . . Thus she that had made many rich became herself poor." Through its industrial development starting in the mid-1800s and exploding into the twentieth century, Cleveland made many rich and was left behind like the Plymouth church, a civic casualty of our move-on way of life.

Disturbingly, Lawrence Robbins saw leaders and elite members of Cleveland society—people with, as he put it, "the highest standards of living and the most desirable characteristics from a civic viewpoint"—leaving the city for new, independent suburbs such as Shaker Heights

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<sup>17</sup> Bradford, William. *Of Plymouth Plantation*, Chapter 33.  
<http://coursesite.uhcl.edu/HS/Whitec/texts/Plymouth%20Plantation/plymplanch3233.htm>.

and Lakewood. The movers were thereby freed of responsibility for Cleveland as they now lived outside its jurisdiction. Likewise, the governments of the new suburbs had no responsibility for Cleveland's condition and future. It would be up to *Cleveland alone*, "left like an ancient mother grown old," to deal with what was threatening its "entire structure." It would inexorably and miserably fail.

## Chapter Two

### The First Law of Housing Dynamics: People Move; Setting the Pattern

One of the more fascinating aspects of housing dynamics concerns the movement of people as they change their residence and the factors that influence their decisions. In this chapter I will review some history of early Cleveland movers as they set the pattern for those who were to follow. Then I will review studies of recent city and suburban movers (Chapter 3).

#### **The Economy Needs Movers**

The extent to which people move depends on the economy and the economy depends on movers. The better the economy the more moving vans appear on streets and highways. The Great Recession of 2008 cut the pace of moving to less than half normal. In a normal year, about 5 percent of homeowners and 25 percent of renters move. The relatively small number of homeowners who do not move for 20 years likely will see all, or nearly all, their original neighbors leave and be replaced by newcomers. For apartment renters the turnover happens in just four years. The lower the income, the more people rent and the more they move, which results in serious challenges for schools serving low-income households as many students come and go. In 2009-2011, 58 percent of the students in grades 8-11 in the Cleveland Metropolitan School District were in the same building for two consecutive years. In the middle- and upper-income suburb of Solon, the figure was 95 percent.<sup>18</sup>

Because many millions of livelihoods and a major portion of the national economy depend on homebuilding and moving (“housing” accounts for around 18 percent of the nation’s GDP<sup>19</sup>), the scale of activity matters. When the economy dips, Washington usually steps in to encourage movement by lowering interest rates so as to aid mortgage financing. The primary role of lobbyists for the housing industry is to get government to boost homebuilding and population movement.

Government strongly influences where developers and banks invest in housing and communities. This in turn shapes the options people have when they consider where to live and determines where households move and put their money, which then determines whether a community is stable and vibrant or eroding and dying. As people move, communities change. Much depends on who moves into a community as replacements for those who move out.

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<sup>18</sup> <https://www.edexcellencemedia.net/publications/2012/20121107-student-nomads-mobility-in-ohio-schools/OSMS%20Full%20Report%2011-8-12.pdf>.

<sup>19</sup> <https://www.nahb.org/en/research/housing-economics/housings-economic-impact/housings-contribution-to-gross-domestic-product-gdp.aspx>.

Government influence takes various forms.<sup>20</sup> A longstanding and obvious one is the construction of highways. The impact, for example, is evident in the city of Avon in Lorain County, just across the border with Cuyahoga County. Avon leads the region in growth because its two interchanges on Interstate 90, the second of which opened in 2012, conveniently facilitate movers from Cuyahoga (more on this later).

Less obvious is the effect of the Internal Revenue Code that permits mortgage interest to be a deductible item on income tax returns. This is a major benefit for tax filers in the early years of a mortgage when most of the mortgage premium payment goes to interest rather than principal. The standard mortgage has a 30-year term. One that starts out with interest amounting to \$10,000 a year can drop to \$5,000 after 20 years, a level that could prevent some homeowners from itemizing their tax deductions. That may be one reason some owners move after 20 years. When faced with the prospect of losing that benefit they may decide it is time to requalify by moving to a more expensive property with a fatter mortgage.

The way to maximize wealth-building through home ownership is to move frequently, each time mortgaging as much as one can finance, using the increased value of each house as the stepping stone to the next. And what is the likely direction of that series of moves? Toward the new and away from the old. It is a perfectly rational thing to do in light of the underlying structural forces operating in the housing market. Success, of course, depends on continuous appreciation of home values, which took a heavy hit during the Great Recession of 2008.

For decades, starting in 1951, the Internal Revenue Code encouraged homesellers to move up in price through the provision governing capital gains. Prior to 1951, people who sold their home for a price greater than they bought it for were subject to a tax on their “gain.” That made enough people reluctant to move during the Cold War years following World War II that employers felt handicapped in their efforts to get the employees they needed. Thus, in 1951, Congress altered the tax code to facilitate population movement around the country. Sellers would not have to pay a tax on their gain if they purchased a home priced at least equal to the one being sold. Although elderly sellers were granted an exemption, the law, as it affected the core of the housing market, encouraged people to move up in price and discouraged them from moving down. And where were higher-priced homes located? Overwhelmingly in the suburbs, not Cleveland. The law pushed movers away from Cleveland and deterred them from moving in.

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<sup>20</sup> For an excellent review of government’s influence on housing and communities, see: Jackson, Kenneth T. 1985. *Crabgrass Frontier: The Suburbanization of the United States*. New York: Oxford University Press.

One of our studies documented the moves made by Cuyahoga County homesellers (80 percent being suburban) during the years 1987-1991.<sup>21</sup> We found that 84 percent moved up in price; 71 percent moved farther out; 14 percent stayed near to where they had been living; and 15 percent moved inward. Outward moves dominated the pattern.

In 1998, the law was changed to allow sellers of any age to have limited capital gains tax-free (up to \$500,000 for a couple).<sup>22</sup> Most sellers now can move down in price without incurring what had been essentially a penalty for doing so. I am sure some people have moved into Cleveland as they sold an expensive suburban home and downsized to a new home priced lower than the one they sold.

Unintended or not, the capital gain provision prior to 1998 and the mortgage interest deduction encouraged middle-class households in particular to move up in price. The mortgage interest deduction still does, making a mover's locational options an important matter.

Before I further consider how options are structured for present-day movers, I'll go back in time to when, in a sense, Cleveland's movement dynamics began.

### **Unsettling Times**

Cleveland's history of population outmigration begins in the early 1800s when the prime residential location in the young town was the bluff overlooking Lake Erie, along which, today, runs Lakeside Ave. Land parcel number 1 (now a parking lot) was/is at the northeast corner of Lakeside and West Ninth Street. Home sites extended eastward from there to East Ninth Street.

The bluff overlooking the lake was the premier place to live until 1849 when railroads arrived. In order for trains coming from the east to access the infant industries located near the Cuyahoga River in the area known as the Flats, tracks were placed along Lake Erie's shoreline. At the foot of West Ninth Street, below land parcel number 1, engineers often would halt their train and wait for clearance to make the turn into the Flats. The idling steam engines sent smoke and soot up and onto the homes above and the laundry drying in the breeze coming off the lake. Living there became intolerable. Residents removed, mainly to Superior and Euclid Avenues east of Public Square where they built homes, grand homes, and possibly expected never to move again. It was not to be.

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<sup>21</sup> Housing Policy Research Program, Cleveland State University. 1993. Movement of Cuyahoga County Homesellers, 1987-1991. Unpublished paper.

<sup>22</sup> The law was changed as the result of a study that showed the relationship between the movement of homeseller/buyers and the geographic distribution of home values. Bier, Thomas and Ivan Maric. 1994. IRS Homeseller Provision and Urban Decline. *Journal of Urban Affairs* 16(2):141-54.

The movers started what became famously known in the late 1800s as Millionaires' Row, Euclid Avenue from near Public Square and eastward for four miles. Along the Row lived most of the city's wealthiest captains of industry including John D. Rockefeller on the southwest corner of East Fortieth Street.<sup>23</sup> In due course, 260 stunning mansions were built, mostly between the Civil War and 1900. Homes of that grandeur and quality were meant to last for generations, but Euclid Avenue was doomed within astonishingly little time. By 1890 its residents felt their special place was being threatened.

The city's exploding economic growth during and after the Civil War created the need for more and more downtown office buildings and stores. The stunning Old Arcade was built in 1890. Because the Cuyahoga River and the Flats prevented downtown from expanding westward, office and retail construction pushed eastward toward the grand mansions.

At that time, there was no such thing as zoning, the tool local government uses to specify how land can be used (zoning was not declared constitutional by the U.S. Supreme Court until 1926<sup>24</sup>). Without zoning, anything could be built anywhere; all one needed was site ownership. Residential property was not legally protected from incompatible uses. Homes on the western end of Euclid Avenue were increasingly in the crosshairs of downtown's commercial expansion.

Also, the system of property taxation that existed at that time placed commercial value on residential property located near commercial buildings, and taxed it as such. Wealthy as they were, Euclid Avenue residents balked at paying such high tax.

Then there was traffic. Euclid Avenue was a major east-west route. What had been a quiet, semi-private horse-and-buggy lane (originally, a Mohawk Indian trail), Euclid was being increasingly used by commercial vehicles and the general public. In spite of much resistance from residents, approval was given to run streetcars on "their" avenue. Traffic and hubbub became intolerable; something had to be done. The residents came up with a solution: designate Euclid Avenue as a "parkway" under control of the city's Parks and Boulevard Commission. The parkway, which would be financed by the avenue's residents, would extend roughly four miles from what is now Playhouse Square to University Circle where it would connect with the new Rockefeller Park. Streetcars and commercial vehicles would be prohibited.

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<sup>23</sup> Cigliano, Jan. 1991. *Showplace of America; Cleveland's Euclid Avenue, 1850-1910*. Kent, OH: The Kent State University Press.

<sup>24</sup> Wolf, Michael Allen. 2008. *The Zoning of America: Euclid v. Ambler*. Lawrence, KS: University Press of Kansas. The Euclid in the case was this region's city of Euclid. The Court's decision was one of the most important among all rulings affecting municipal governance in the nation's history.



In 1896, the residents of the Euclid Avenue made their case for the parkway to city officials, who agreed and passed legislation to establish it.<sup>25</sup> No sooner was the legislation passed than grumbling about “special treatment for the rich” began. The populist backlash grew and eventually City Council retreated. On May 21, 1900, the legislation was rescinded by a vote of 22 yeas, 0 nays.<sup>26</sup> If there is a specific date to mark the beginning of Cleveland’s downfall, that one quite possibly is it.

Without protection from City Hall, there would be no means to preserve Millionaires’ Row. While the parkway may not have succeeded in stabilizing the exclusive street, by doing nothing, City Hall sealed its fate. As Britain’s Ms. May might have put it, City Hall failed “the role that only the state [in this case, Cleveland’s elected officials] can play.” Euclid Avenue grew ever more commercial, and, by 1921, half of its grand homes had been razed. Business blocks and apartment houses took their places.

### **The Beginning of Outmigration**

The city’s rich and famous gradually moved out.<sup>27</sup> Rockefeller had already gone as he had established his legal residence in New York in 1884. (He kept his house on Euclid Avenue for summer visits until he shifted to his estate, Forest Hill, in East Cleveland). Most of the movers went farther east to what was becoming known as University Circle, and to the Village of Bratenhal, and up Cedar Hill to “the Heights” and beyond, in particular to the Chagrin River Valley. Some went west to the city’s lakefront; others to suburban Lakewood. The main eastward flow resulted in major development projects in what would become the cities of Cleveland Heights and Shaker Heights. The model of the independent, self-governing suburban city was born. And the upheaval and decline of the original central city was fated.

A 1921 advertisement for Shaker Heights expresses the calamity that was the collapse of Millionaires’ Row (and nearby streets where many of the professional class lived). It reads:

From even the finest home communities [that is, neighborhoods]  
about Cleveland, old families have been forced away  
because undesirable buildings, features, neighbors  
could not be kept out.  
But not in Shaker Heights  
Protective restrictions operate for 78 years to come.  
We created it – we sell it.

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<sup>25</sup> The City Record, November 30, 1896, File No. 14100.

<sup>26</sup> The City Record, May 21, 1900, File No. 28697.

<sup>27</sup> For informative documentation of the move-out, see: Borchert, James. 1999. From City to Suburb: The Strange Case of Cleveland’s Disappearing Elite and Their Changing Residential Landscapes: 1885-1935. *Proceedings of the Ohio Academy of History*.

The Van Sweringen Company<sup>28</sup>

What a remarkable statement: “...old families,” that is, elite families with established roots in the still-young Cleveland were “forced away.” *Forced!* I’m sure the Van Sweringen brothers, the developers whose company it was, knew precisely how their target market felt. “Undesirable buildings” were office buildings and retail establishments. “Undesirable neighbors” surely was a racial reference since Negroes (the term then), although comprising just 1.4 percent of the city’s population, were residentially concentrated near to and a little south of Euclid Avenue between downtown and East Fifty-Fifth Street. “Protective restrictions”: Cleveland’s City Hall had failed to protect the elite families, but the Van Sweringen Company guaranteed protection in Shaker Heights. It would be the first “gated” community, gated by protection in the form of restrictive covenants that bound property owners as specified in their deed of ownership.

Deed restrictions ranged from the prohibition of retail establishments to acceptable house color (white only) to location of vegetable gardens (must not be visible from the street) to garages (not allowed to face the street). Negroes and undesirable ethnics were kept out by requiring buyers to be approved by both the Van Sweringen Company and prospective neighbors, and by setting minimum construction costs beyond the means of any undesirables. It amounted to strict residential zoning before there was zoning, and was established in cooperation with the Village of Shaker Heights. The Van Sweringen Company was, in effect, the village government. “78 years to come” meant until 1999, which came and went without homeowners in Shaker Heights suddenly suffering some mysterious misfortune.

Certainly the residents of Millionaires’ Row would have eventually moved on even if their parkway plan had been implemented. They were part of a national shift as elites living in major American cities began moving to the nation’s first suburbs. Some may have sensed the implications of how new technology was about to change their world. Timing is everything, and in the case of Euclid Avenue residents, it could not have been worse. They had invested considerable money and emotion in their opulent residences just when downtown’s economic growth was about to burst their way, and when the automobile and telephone would revolutionize where people of their class could live. Still, they were “forced away,” as the Van Sweringen Company put it, and being who they were—the most powerful group of movers and shakers in the history of Cleveland—the experience had to have major impacts. This is speculation, but I suggest there were both negative and positive impacts.

On the negative side, because City Hall failed to protect them and they felt forced out, I imagine the experience caused many to turn their backs on the city, emotionally speaking, and

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<sup>28</sup> 1921 Cleveland City Directory, p. 549.

depart with a bitter taste in their mouths. There had to be serious hurt and maybe anger behind the decision to leave what had been their dream homes. The milieu of the economic and social elite, many of whose men had played major roles in governing the city during the 1800s, including serving as mayor, was now marked by estrangement. At the extreme it may have been, *Cleveland, goodbye! I want nothing more to do with you*, civically speaking.

On the positive side, although many of the wealthy may have washed their hands of the city, they were far from completely withdrawn as they focused their interests on matters they could control, namely the arts and philanthropy. A hefty portion of the mountain of personal wealth they acquired during Cleveland's early industrial growth was invested in community betterment, from the formation of charitable foundations to the establishment and advancement of institutions located within University Circle, particularly the Cleveland Museum of Art and the Cleveland Orchestra.

Today, University Circle continues to be a focus of the social elite. The Circle exists as somewhat of a Vatican City, an independent place within its mother city tightly controlled by its institutional members and the board of trustees of University Circle, Inc. (Millionaires' Row was lost because its residents were unable to *control* the situation.) The current elite accept an inherited responsibility to protect and further what the founding generation established—to which I say thank heavens, otherwise we would not have University Circle as it is.

A final thought about the economic elite: In some other cities, the physical and emotional detachment by the elite did not happen to the same extent as was the case in Cleveland. The Shaker Heights of Pittsburgh, known as Shadyside, was built in that city and not as an independent suburb. Because some of Pittsburgh's elite have always lived in the city, they have been more or less continuously engaged in issues concerning its condition and future.

Some people maintain that such engagement does not benefit common residents because the elite look after their own self-interests: the one percent furthering the one percent. (*Euclid Avenue must be made a parkway!*) That can happen, and I'm sure it does to some extent wherever heavy hitters are involved. But I do not see how a city, in the long run, can amount to much without their presence. Their role in the local economy, arts, and charitable causes is central. Besides, whichever group has the reins of power will be inclined to give special attention to their self-interests. Would Cleveland have been better off if Shaker Heights had been part of the city? I believe so. (Cleveland could have annexed its suburbs as the city of Columbus did, using water service as leverage. But Cleveland missed the opportunity—possibly because the drive for secure separateness was so strong in the wake of being “forced away” that any attempt by city officials to annex the new suburbs would have resulted in a titanic clash between them, the Van Sweringen Company, other developers, and the powerful elite who wanted “out.”)

## **Fateful Donation**

University Circle, as we know it today, might not exist if, in 1881, the industrialist Jephtha H. Wade had not donated 75 acres of land to create a park. Wade Park, located adjacent to what then was Western Reserve University (which eventually would merge with its neighbor Case Institute of Technology), became the setting for the Cleveland Museum of Art, which opened in 1916. It was a critical moment in the evolution of the city. A succession of arts and cultural institutions followed suit, including Severance Hall, home of the Cleveland Orchestra; the Cleveland Institute of Art; the Cleveland Institute of Music; the Western Reserve Historical Society; the Cleveland Botanical Garden; and the Cleveland Museum of Natural History.

Notwithstanding my gratitude for Wade's gift, it is a shame that such magnificence is located four miles from downtown. Many in Northeast Ohio will not go to University Circle because of its location, put off by seemingly confusing streets and concern for safety (more imagined than real). And for many tourists it might as well be on Mars. Imagine, however, if we were to wake up tomorrow and find that every square inch of University Circle, including the Art Museum lagoon, had magically moved overnight to the eastern edge of downtown just north of Playhouse Square. The image of Cleveland would explode, positioning it among the nation's most attractive cities. Oh those four miles! Their negative effect, however, would be lessened by turning Chester Avenue into a stunningly attractive boulevard. That would accelerate residential development along those miles and add substantially to the city's repopulation and tax base. It can happen.

## **A Second Legacy**

University Circle is an extraordinary legacy from the era of Cleveland's industrial might, but there is a second legacy that is, in its own way, equally extraordinary: the Flats, the gritty bottomlands that flank the Cuyahoga River and the place where much of the wealth that went into the making of University Circle was created. The bridges and old buildings along the twisting Cuyahoga River located just over downtown's west shoulder make for a setting that is unique among the nation's major cities. I recall a night in Chicago's Loop, standing on a bridge over the river thinking, "This is cool, with the office buildings and lights lining and reflecting off the river. But it doesn't come close to matching views in the Flats."

We have something ultra-special in the Flats, just as we have something ultra-special in University Circle. The two districts represent the two segments of former Clevelanders who together achieved greatness, with the Flats representing laborers, the working class, and University Circle representing the professions and entrepreneurs. The latter representation is effective, focused as it is on the Art Museum and its front-door Wade Lagoon. But the Flats needs more of what was started in 1996 on the occasion of Cleveland's Bicentennial: artistic lighting of bridges and buildings. Imagine what General Electric's Nela Park designers could do.

*Housing Dynamics in Northeast Ohio*

Besides being an artistic must-see, the resulting display would serve as declaration that we Clevelanders recognize and appreciate what those who came long before us did in the Flats and at industrial sites across the city.

## Chapter Three

### The First Law of Housing Dynamics: People Move; Enculturating the Pattern

With the departure of the Millionaires' Row elite, the pattern was set. Why wouldn't they be followed by those on lower rungs of the economic ladder? As a family's economic condition improved, the thing to do was to live success and move up. And where were the choices for moving up? Mostly in developing suburbs with their new, modern homes, garages, and relatively spacious yards. Except in select outer neighborhoods, Cleveland could not compete.

The pattern was typical nationwide. Robert Bruegmann, in his book *Sprawl: A Compact History*, maintains that the driving force behind ex-urban living is essentially human nature.<sup>29</sup> When people have the means to move and the freedom to do so, many will choose outer locations. For much of history, the only ones who could do that were members of royalty and the economic and political elite. They often had a rural residence as well as a city dwelling. The countryside offered relief from the congested, befouled city. But with industrialization, growth of the middle class, and automobiles, ex-urban living became possible on a mass scale, particularly in America. In England and other European countries, people moved but not scatter-like, since cultural affinity for "the center" and governmental controls on land-use served to contain the expansion of cities and towns. Thus the images on Google Maps.

By 1941, when Lawrence Robbins did his study, conditions in Cleveland and the scale of outflow had become such that he felt compelled to write, "It is evident that most people who live in Cleveland are anxious to move to the suburbs and that most people who move [here] from other cities definitely prefer suburban Cleveland." "Most people" may have been an exaggeration. I had no indication my parents, their friends, or my relatives were anxious to move out. They seemed quite content. (In any case, they might not have had the means to make the jump up.) Robbins seemed to be sensitive to social class as he saw those leaving as having "the highest standards of living and the most desirable characteristics from a civic viewpoint." It was the upper crust and those aiming for that crust who were moving.

Mr. Robbins cited 16 "factors motivating migration" out of the city ranging in order of importance from (1) "smoke and dirt," (which was a much more serious in 1941 than it was in 1849 as coal was the primary source for heat and energy in the city's multitudinous factories and steam engines), to (4) "proximity of races having a depreciatory effect on [property] values," to (6) "safety" (auto accidents, not crime), to (12) "vice and crime," to (16)

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<sup>29</sup> Bruegmann, Robert. 2005. *Sprawl: A Compact History*. Chicago and London: University of Chicago Press.

“unattractive appearance.” “Cleveland today,” he wrote, “is characterized by decaying residential neighborhoods, deteriorated unpainted buildings, vacant and neglected land parcels, deforestation and ugly signs.” That was 1941 when “crime” ranked twelfth among the city’s most negative faults.

The Robbins report was a fire alarm, but Japan’s attack on Pearl Harbor on December 7 of that year pushed it and other civic matters to the back burner until after the war when every house, apartment, and spare space in Cuyahoga County was occupied. If the war had not intervened, Cleveland surely would have continued on its course of population loss that had started in the 1930s. Nevertheless, even during the war, the city-to-suburb, up-and-out dynamic was active, although on a small scale.

When the federal government enabled returning veterans to purchase a home with zero down payment and a guaranteed low-interest mortgage, and as the post-war economy expanded, the homebuilding industry took off. In the 1950s, 120,000 homes were built in Cuyahoga County, 85 percent of which were in its suburbs. For comparison, in the 1990s, 26,000 were built with 88 percent in the suburbs. Construction occurred where vacant land was easily available, and in the 1950s most of it was suburban. What remained in Cleveland was near Hopkins Airport and in southeastern sections of the city. It didn’t take long for all of that to be developed. By 1960, Cleveland was essentially built out.

I recall the jolt I felt not long after the war when a friend who lived nearby told me he was moving. “My parents bought a new house in Euclid,” he proudly announced. Then and throughout the 1950s, the cities of Euclid and South Euclid were popular destinations for people who had been living in my Collinwood neighborhood. In 1960, after 20 years on Galewood Drive, my parents moved to South Euclid. I am pretty sure that imminent racial change was the driving factor (Chapter 4).

Negative conditions that pushed people from Cleveland intensified in the latter 1960s when riots occurred in the Hough and Glenville neighborhoods. In the 1970s, court-ordered school desegregation and busing added to the push. Between 1970 and 1980 the city lost 24 percent (177,000) of its residents. All of that has been well-recognized. But housing research we did at Cleveland State University beginning in 1982 provided a fuller picture of the dynamics involved in population movement and Lawrence Robbins’s “underlying forces.” What happened in Cleveland was not simply a matter of reaction to negative conditions.

### **Recent Moves Up and Out**

The most significant studies we did were of people who sold a home in the seven-county region and then purchased another one in the region during the 1980s and 1990s. We used computerized public records of deed transfers to match the names of sellers of houses

with the names of buyers. Other data available included the property's sale price, address, year built, and size. The matching worked very well, except when common names such as Smith were involved, and produced a large sample of movers. The main findings for sellers in Cuyahoga County were these:

- *Most movers went up in price.* Eighty-four percent of Cuyahoga County sellers purchased a house more expensive than the one they sold, on average 52 percent more expensive. Generally, the lower the price of the house sold, the greater the percentage move-up in price. The average Cleveland seller purchased a house twice the price of the one they sold.
- *Most moves were to a newer and larger house,* which accounted for the higher price.
- *Most moved outward.* Eighty-eight percent of Cleveland sellers, 78 percent of inner suburban sellers, and 48 percent of outer suburban sellers moved farther out. The closer sellers lived to downtown Cleveland, the more they moved outward.
- *Most moved to a different community.* Eighty-seven percent of Cleveland movers and 75 percent of all suburban movers changed communities. Twenty-two out of 57 suburbs lost more than 80 percent of their residents. Even in Cuyahoga's outer suburbs of Solon, Strongsville, and Westlake, half of those who moved left their community, with many going to neighboring counties. Twenty-five percent of all Cuyahoga movers went to a neighboring county.

Striking were the extent of movement *up* in price to a newer, larger house, and the extent of movement *outward* by suburban residents, and not just outward but *from the suburb where they had been living*.

I expected to find significant movement from Cleveland; after all, "fleeing the city" was taken for granted. But were people also "fleeing" suburbs, since 75 percent of them moved to a different community? Surely not; they were simply moving up. They wanted and could afford something "better"—which happened to be in a different jurisdiction. Cleveland's leavers were doing the same.

Eighty-seven percent of Cleveland movers left the city for a suburb and 75 percent of all suburban movers went to a different jurisdiction—which suggests that *even if schools and crime in Cleveland were no different than in suburbs, at least 75 percent of Cleveland's homesellers would still have moved out!* Schools are not irrelevant, but moving from a community is normal. The highest ranked school system in Cuyahoga County (in 2016) is Solon's, yet half its residents who sold their home in 2004 left Solon to purchase another home elsewhere in the region. But



since they were replaced by movers-in with comparable demographic characteristics, their departure was neither noticed nor labeled as “flight.”

The exodus from suburbs is not noticed because leavers generally are replaced by movers-in who are demographically similar to the leavers. In the case of Cleveland, normal movement from the city is called “flight,” and greatly exaggerated as an issue, because the city’s population has been continuously falling, the result of more people moving out of the city than in.

Why is the flow dominantly outward? Why do so few move inward? For various reasons, house prices and rents generally increase with distance from downtown. When a homeowner is ready to move, where are his and/or her “up” options located? Except for those living in outer suburbs, most of those options are farther out, including in neighboring counties. For most residents of Cuyahoga County, there are relatively few choices if one wants to move up and closer in. (Some people move down in price but they experience it as up because it is to a place and situation that better suits their circumstances. The property may be smaller and older, but it is a “good move.” Nonetheless, the mainstream flow in the homeowner marketplace is up in price.)

Figure 1 shows the geographic pattern of sale prices of single-family homes and condominiums in Cleveland and the suburbs of Cuyahoga County for the three years 1989-1991 combined (prices are median values adjusted to 2016 dollars.)<sup>30</sup> The graphs show prices located within one-mile-wide rings centered on Cleveland’s Public Square. Cleveland’s priciest ring (\$145,000) includes properties within one mile of Public Square. Between one and two miles out, prices dropped precipitously, to \$27,000. From that point they then increased outward to the edge of the city where they reached \$93,000.

Prices in the suburbs of Cuyahoga County also increased outward, starting at \$81,000 four miles from downtown Cleveland and peaking at \$243,000 17 miles out. Between five miles and 13 miles, prices ranged between \$112,000 and \$137,000. In Cleveland, between five miles and 10 miles, prices ranged from \$76,000 to \$93,000. With the average Cleveland seller able to purchase a home twice the price of the one they were selling, and with numerous, easily attainable opportunities to purchase in suburbs, it should be no surprise that so many city residents moved up and out, while suburban sellers also were moving farther out.

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<sup>30</sup> Sales include only arm’s-length transactions. Quit claims and other types of transactions that do not represent a normal seller-buyer relationship are excluded.

Housing Dynamics in Northeast Ohio

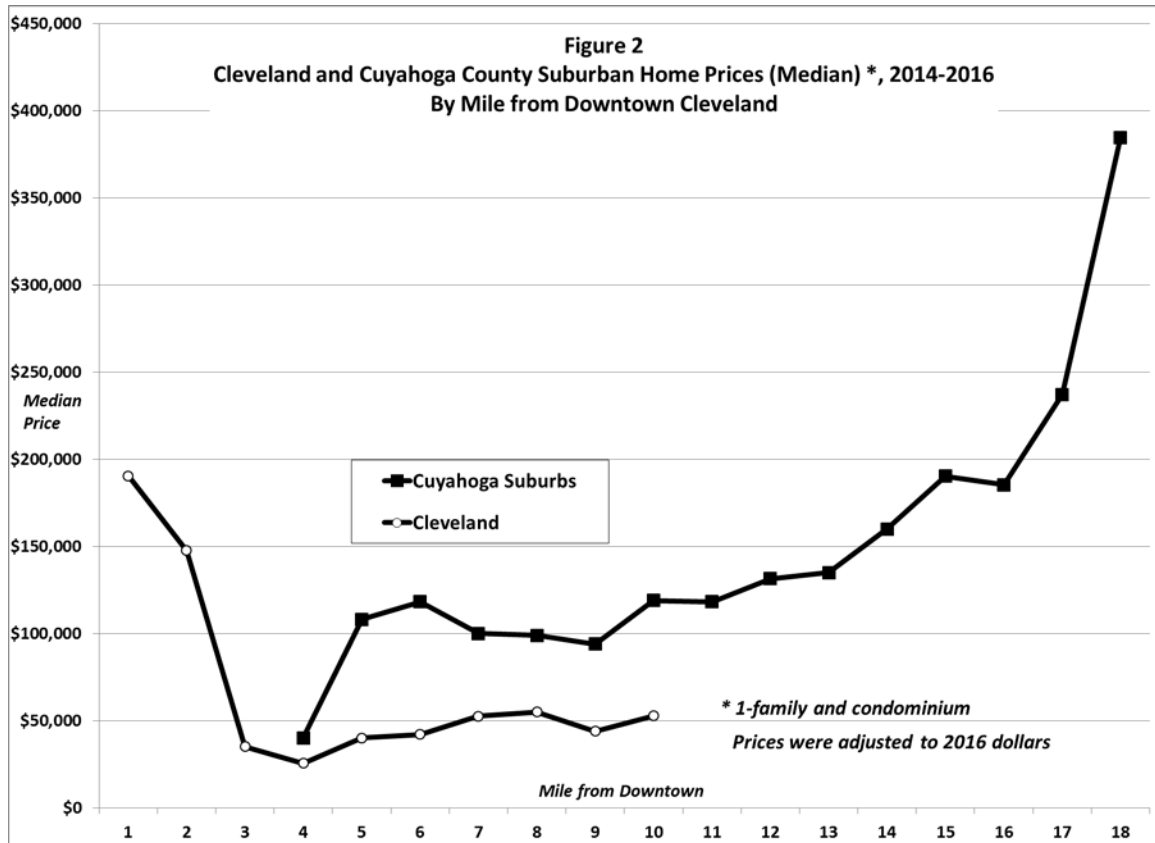
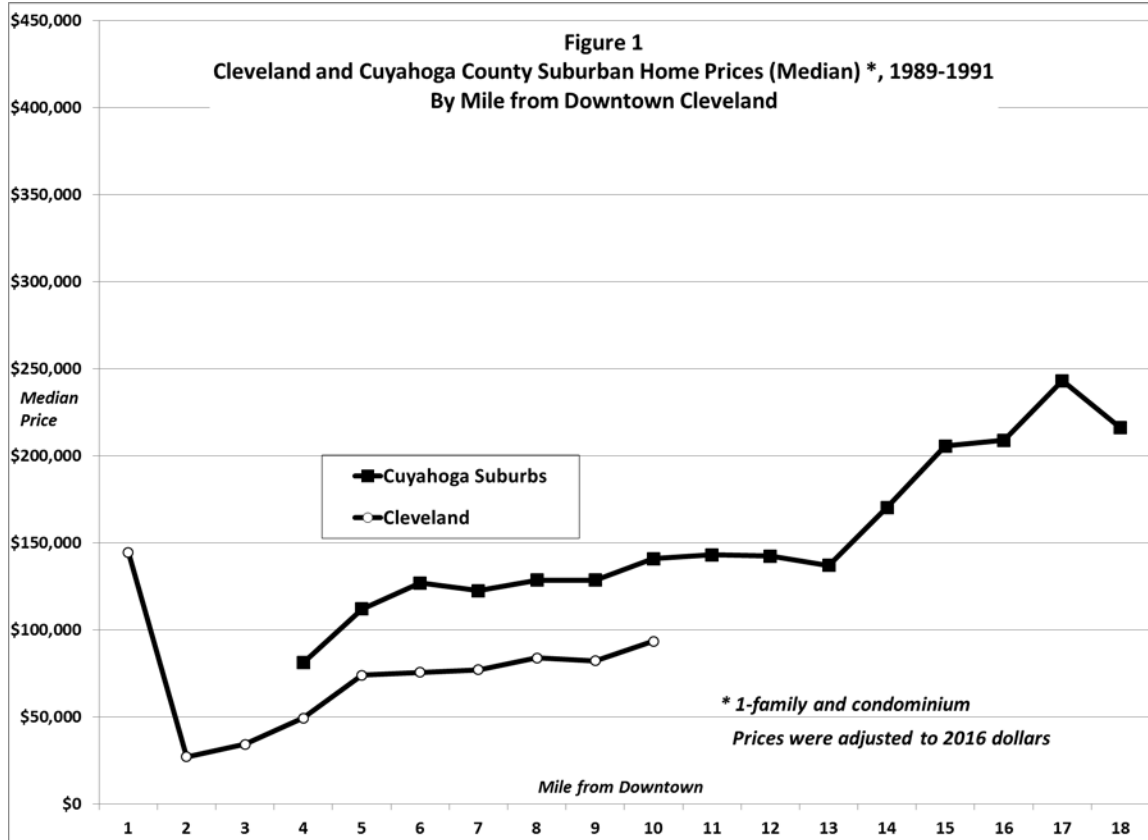


Figure 2 shows the pattern twenty-five years later for the years 2014-2016. The two lines are still basically the same. Cleveland's shows the impact of the Great Recession of 2008. Homes located between four and ten miles sold for roughly a third less than they did in 1989-1991. Those between three and four miles lost half their value. But, within two miles of Public Square there were major increases, particularly between one and two miles where prices shot up from \$27,000 to \$148,000. That occurred in the near West Side neighborhoods of Ohio City and Tremont. High-priced sales were located in other neighborhoods, such as Little Italy (in the University neighborhood) between four and five miles from Public Square, but they were statistically swamped by many more low-priced sales elsewhere in the ring.

In the suburbs, sales between six and nine miles weakened substantially while prices beyond 12 miles generally were maintained. The increases at five and six miles were produced by sales in the cities of Lakewood, Shaker Heights, and Cleveland Heights. The spike between miles 17 and 18 resulted mainly from high-priced homes in the city of Solon (median \$505,000), many of which were built in the previous 15 years.

The pattern is the result of how Cuyahoga County was built over the past hundred years—progressively outward from Cleveland to inner suburbs to more distant suburbs—and the fact that most neighborhoods and communities, once built and aged for 50 or more years, *received little if any renewal and redevelopment*. Even if one wanted to move up and inward, there were, and are, few possibilities. For the most part, old, rundown Cleveland and some suburbs that are becoming old and a bit rundown simply continue becoming older and more rundown.

The pattern displays the fundamental structural problem facing Cuyahoga County: to move up, residents have little choice but to move out. That is the road to ever more decline. To establish a positive future for the county, opportunities to move up and in must increasingly be produced. As that happens, the graphs will change and reflect growth in economic strength where weakness had dominated. The ideal graph would be a single horizontal line, meaning properties priced above and below the median were balanced in number and located in all rings spanning Cleveland and the suburbs. People looking to move would have extensive choice, geographically speaking. That is not likely to happen, but to some degree it can, and I believe will, as officials make major strides forward in coming to grips with the situation.

With many more suburbanites moving outward than inward, opportunity for Cleveland residents to move to suburbs was, and is, created. Indeed, healthy functioning of the suburban housing market *requires* that Cleveland residents leave the city for the suburbs. If Cleveland officials were able to do the impossible and cause all their residents to refuse to move, the suburban housing market would be impaired. Many houses for sale would get no offers, forcing

sellers to lower their price to the point where Cleveland residents could not resist the bargain. And if sellers were unable to get an acceptable offer, they might rent the house.

All that is needed to keep the Cuyahoga County suburban market functioning smoothly is for around five percent of Cleveland’s households to move out each year. That shows clearly why it is impossible for city officials to stop the outflow. How could they cause more than 95 percent of their residents not to move out? They are powerless to prevent normal movement, as is every suburb.

With countywide movement outward being greater than movement inward, the population of the city of Cleveland, numerically speaking, is what remains after all suburbs are filled. Suburban housing does not stand vacant for long; it has too much value to be abandoned. The notable exception is East Cleveland because of its market-bottom conditions (Chapter 5). But chronic, though less dramatic, pockets of near-bottom properties exist in other inner suburbs east and southeast of Cleveland.

### The Pattern is Not Unique

You might ask, Is Cleveland’s and Cuyahoga’s pattern of outward movement unique? Not at all. A similar study was conducted of the six other major cities in Ohio.<sup>31</sup> It concerned just one year of moves (1991), but I am sure the results were, and are, typical (Table 1).

**Table 1**  
**Home Seller Moves, 1991**  
**Ohio Major Cities and Central Counties**

	Akron	Cincinnati	Cleveland	Columbus	Dayton	Toledo	Youngstown
% of city homesellers who moved outward	85	90	91	80	96	91	97
% of city sellers who left the city	58	74	86	57	74	54	80
% of suburban sellers who moved outward	72	79	80	67	76	64	70
% of county sellers who moved to an adjacent county	19	29	22	20	23	17	11*
% of county sellers who purchased a more expensive home	75	80	82	80	81	83	80
Median percent increase in price for sellers who moved up	53	57	61	56	51	69	74
City’s % share of county homes priced above county median value	33	24	4	47	12	50	10
City’s % share of region’s new housing in 1980s.	19	6	5	59	3	23	4

\*The percentage of seller/buyers from Youngstown who bought in an adjacent county (11%) is low because it probably does not reflect the number who moved into neighboring Pennsylvania.

<sup>31</sup> “Bier, Thomas and Steven R. Howe. 1998. Dynamics of Suburbanization in Ohio Metropolitan Areas. *Urban Geography* 19(8): 695-713.

In each central city (Akron, Cincinnati, etc.), 80 percent or more of the homesellers moved farther out, with the strong majority in most cases leaving the city. At least two-thirds of suburban movers also went farther out. Most movers purchased a house priced higher than the one sold; that is, they moved up. It is important to note that Toledo, Columbus, and Akron had the least movement from the city, 54 percent, 57 percent, and 58 percent, respectively. Why? *They had the most houses priced above the county median (along with conditions that elevate prices), and they had more new houses built in them during the previous decade than the other four cities. Thus, more residents were able to move up without having to leave the city.*

Akron has five neighborhoods built between 1890 and 1910 that “continue to dramatically outpace the remainder of the city in terms of income and education.”<sup>32</sup> The city of Columbus was able to have 59 percent of its region’s new homes built within it because, starting in the 1950s, vast amounts of suburban undeveloped land were annexed.<sup>33</sup> The city’s land area was expanded from 39 square miles to 223, compared with Cleveland’s fixed 77 square miles. To a large extent, Columbus became “a city without suburbs” in the sense that what would have been independent suburbs were included within its jurisdiction.<sup>34</sup> Thus, Columbus was able to greatly increase its population and tax base through residential and economic growth, while built-out Cleveland had long passed its peak growth.

Columbus’s expansion was accomplished by means of an offer that suburbs could not refuse: if they wanted city water and sewer services they had to agree to annexation – *but* they could retain their own separate school systems. Sure, why not. If Cleveland had done the same, the outer suburb of Strongsville, for example, probably would be a neighborhood within Cleveland. Rather than force annexation, Cleveland fatefully chose instead to sell water to its suburbs.

With just 4 percent of its homes priced above the county’s median value, Cleveland had little chance of retaining residents who were ready to move up, or to attract suburbanites with good incomes into the city. Since that study was done (1991), a significant amount of new housing has been built, the positive effects of which are showing. But overall, the city still has a severe shortage of move-up opportunities.

The distinct similarity of the patterns across the seven central cities and their suburbs indicates the generality of the underlying macro forces. The more that aged cities (central and suburban) produce new and renewed middle-income (and higher) housing and conditions, the

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<sup>32</sup> <http://thestyle1972.tumblr.com/post/107631214500/30-maps-to-help-you-understand-akrons>.

<sup>33</sup> Annexation continues, and has extended into two adjacent counties, Delaware and Pickerington.

<sup>34</sup> Rusk, David. 1993. *Cities Without Suburbs*. Washington, D.C.: The Woodrow Wilson Center Special Studies.

more they will retain and attract residents with incomes necessary for stability. The less they do that, the more susceptible they will be to decline.

Some say there is no point in producing new housing when schools are considered to be poor and neighborhoods dangerous. I've heard that a lot. But not everyone thinks that way. Most people might say they would never live in Cleveland's Ohio City neighborhood because of crime. But some, a growing number, think otherwise. New homes are being built there, some costing nearly \$300,000.<sup>35</sup> Besides, only around three out of ten households in the region have children, making schools personally irrelevant to more than two-thirds the population. It is possible to have a major city with no children at all (maybe one exists in Florida).

### **Other Moving Factors**

There is, of course, an element of flight in the calculus of Cleveland homesellers, but it does not overwhelm other factors. We surveyed homesellers five times between 1988 and 1996. Eighty-seven percent left the city.<sup>36</sup> The main reasons for moving were (average figure for the five surveys):

- 54 percent said they wanted a safer neighborhood
- 33 percent wanted children to attend suburban schools
- 33 percent wanted a newer house
- 24 percent wanted a larger house

Crime and schools mattered, but so did moving to a newer, larger house.<sup>37</sup> Notably, only half of the movers had children at home and most who did switched from a city parochial school to a suburban public school. Clearly, parochial schools were keeping families in the city, at least until cost may have become a factor. Tuition for a parochial high school can be four times or more the cost of an elementary school.

With Cleveland sellers able to afford a home twice the price of the one they were selling, there should be little surprise that so many left for the suburbs. How could city officials expect its middle-class residents to remain in the city, and expect suburbanites with good incomes to move in, if there was little for them to move to? Only in the last 25 years has that begun to change with the construction of attractive mid-priced (and higher) residences, and the conversion of former commercial properties to residential. Recognizing the situation in the late

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<sup>35</sup> [http://www.cleveland.com/business/index.ssf/2016/03/ohio\\_city\\_knez\\_homes\\_team\\_up\\_t.html](http://www.cleveland.com/business/index.ssf/2016/03/ohio_city_knez_homes_team_up_t.html).

<sup>36</sup> The surveys found 87 percent of homesellers left the city; the matching of names on deed transfers found the same 87 percent. Two different methods, same result.

<sup>37</sup> Industrial companies move similarly. A survey of companies that moved out of Cleveland found that the primary reason for relocating was "needed a larger and better building, needed to expand." Westside Industrial Retention & Expansion Network, December 9, 1993.

1980s, Mayor George Voinovich and City Council began offering property tax abatement as an incentive to boost the construction of new housing. In the 1990s, the administration of Michael White followed suit—resulting in a 20 percent increase in building permits over the 1980s, compared with an 8 percent decrease in the suburbs of Cuyahoga County. But taken as a whole, Cleveland’s housing stock still offers relatively few options for residents who want to move to something new and modern if not larger.

While Cleveland has not been a move-up market, it has been a solid market for young adults (most without children) buying their first home. Many moved in from suburbs. We surveyed Cleveland homebuyers nine times between 1982 and 1995 and found that, annually, roughly 40 percent moved into the city from suburbs where they had been renting. Sixty percent had been living in the city, mostly as renters. Around 30 percent each year were college graduates and another 30 percent had some college experience.

A recent study found that between 2006 and 2013, the number of college-educated young adults living in Cleveland doubled, from 7,536 to 15,057, an indication of the growing popularity among “millennials” for city living.<sup>38</sup> Yet, a recent national study found that “millennials look to the suburbs, not cities, for first homes.”<sup>39</sup> The question remains for the young adults in Cleveland: where will they go when they next move, particularly when they have children reaching school age? Our surveys suggest many will stay in the city and use an affordable private or parochial elementary school, but will move out when it is time for higher grades because of the cost of a non-public high school.

The report of our first homebuyer survey was released in 1983. *The Plain Dealer* did an article on it with the headline: “Move to the city start of a trend?”<sup>40</sup> “Start”—as if no one had been moving in. A TV reporter came to my home to confirm and broadcast the stunning news. People were moving *into* Cleveland!! Four of ten buyers came from suburbs. Really??? The then popular image of the city had people stampeding out in the wake of the disastrous 1970s. Surely no one was moving in, at least no one in their right mind. (Today, 2017, new housing downtown and in several neighborhoods is drawing more than a few people in their right minds.)

Our survey asked, “Why did you buy the house you did?” The answers were consistent across all nine surveys: the number one reason was “good price,” followed by “look of the neighborhood,” “style of house,” “safety,” and “close to work.” Then, after fifteen to twenty years, many moved up and out to a suburb and purchased a property that was newer, larger

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<sup>38</sup> Piiparinen, Richey, Jim Russell, and Eamon Johnson. 2015. Mapping Adult Migration in Cleveland, Ohio. *Urban Publications*. Paper 1300.

<sup>39</sup> <http://www.curbed.com/2016/6/21/11956516/millennial-first-time-home-trends-suburbs>.

<sup>40</sup> May 1, 1983, p. 1G.

and double the price of what they sold. Picture a flow of population coming into the city and a flow out, with the outs being a larger number than the ins.

Numerous suburbs are in the same situation as Cleveland, with a supply of housing that offers few move-up opportunities for their residents, which forces them to leave. Particularly acute situations exist in cities such as Euclid, Maple Heights, and Parma, where most homes are similar, small brick bungalows built 60 or 70 years ago. As residents leave, they create opportunities for other households to move in—households for whom a small sixty-year-old brick bungalow represents a move up from a sagging 80-year-old wood-frame house—which brings us to a critical aspect of housing dynamics, aging and depreciation.



## Chapter Four

### The Second Law of Housing Dynamics: Buildings Have a Lifespan

"A house is a feeble stand against weather and time."<sup>1</sup>

While people are moving, something quite serious is happening to all properties: they are getting older. If history is any guide, most properties age to the point of being worthless. They have a lifespan. At the end nobody wants them; they are abandoned and eventually demolished. (Have you wondered if the place where you live will exist in another hundred years, and what might be its condition if it does? What are the odds that it will still be standing and in good shape?) Since the dominant pattern of population movement is toward newer places and away from older ones, where does the impermanence of structures leave aged neighborhoods and communities? We are going to consider that question and the concomitant subject of depreciation.<sup>2</sup>

#### Coming Agedness

Yes, a house or any structure can last indefinitely if given proper maintenance, but few are. In the long run, all but a small percentage get worn out, become obsolete and eventually wind up being demolished. New England has a number of survivors. The oldest wood-frame house in the country, Fairbanks House in Dedham, MA, was constructed in 1637.

Thus far in the history of Northeast Ohio, most of the properties that have been demolished did not last much more than 125 years. Around the year 2055, half the homes in Cuyahoga County will be at least a hundred years old. The city of Lakewood will reach that mark in 2018, Cleveland Heights in 2026. Because housing construction in the region peaked in the 1950s and 1960s, in another 40 years Cuyahoga County will have a massive number of seriously aged suburban properties. And to a much less extent, so too will Summit, Lake, and Lorain Counties.

I find the following fact a bit jaw-dropping: All but a very small percentage of the one-million-plus structures in Northeast Ohio are original. That is, before they were built, the land under them was either part of a farm or in some state of nature. If every original structure across Northeast Ohio was removed, leaving only those that replaced earlier buildings, there would be hardly any left. Most of them would be in or near to the centers of the first

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<sup>1</sup> Smith, Dominic. 2007. *The Mercury Visions of Louis Daguerre*. New York, NY: Atria Books, p. 266.

<sup>2</sup> Housing researchers refer to the process of depreciation as "filtering." That is, over time structures filter down in condition and value. I prefer depreciate rather than filter because the latter suggests that some kind of screening is occurring, such as a coffee filter screening grounds. As a property depreciates, no screening is occurring.

settlements, Cleveland, Akron, Painesville, etc. Time is going to dramatically affect much of the region.

The reality that buildings do not last forever, a key factor in the dynamics of the housing market and community change, rarely is appreciated when the condition of cities and urban policy are considered. That may be because in the mindset of our society, houses, and therefore a community, are just as much a consumer item as a car, TV, or a pair of shoes. Things start out new, get used, become worn, maybe obsolete, and are discarded. Build new, move on, abandon old—with no regard for what is left behind. It is a big country with seemingly limitless land and possibilities, so why not? But negative consequences of that ethos become dire in communities where large numbers of old buildings are located.

### **A Neighborhood Going, a Neighborhood Coming**

The part of Collinwood where I lived was built mostly in the 1910s. In the 1940s, its residents were mainly blue-collar folks with enough resources to properly maintain their properties, which were still fairly new and not in need of major work. As I recall, there was just one house on Galewood Drive where I delivered *The Cleveland Press* that was poorly kept. Today, the neighborhood is low-income. Many Galewood properties are in bad shape, and 11 of the original 47 have been demolished. In another 20 to 30 years, half of the remaining ones could be gone. It would take a major influx of residents with good incomes to save the street, something I can't see happening. There is nothing special about the location or the architectural features of the houses. Lots are narrow (ours was 35 feet) with no garage. People with a little more income have better options elsewhere.

That's the situation in the neighborhood of my roots (where I had, by the way, a marvelous start in life, rich with positive experiences). On the other side of town is an older neighborhood, Ohio City, where most properties were built in the mid- and late-1800s. Many were in poor shape until 30 or so years ago when people began to buy, repair and modernize them. It happened because the houses were architecturally attractive to those who had the income needed to save them, and the location was convenient. In another 20 or 30 years, Ohio City will likely be just as attractive and stable as it is today, if not more so. Its buildings may not last forever, but possibly quite a long time.

The Ohio City success involved a long gestation. I recall the early 1970s when Cardinal Federal Savings and Loan (it disappeared in a merger in 1988) had an office near West 25th Street and Lorain Avenue. There, mortgage loan officer Ed Wagner promoted living in the neighborhood to young urban professionals who had more income than most of those living there at that time. Gentrification—the upgrading of neighborhoods by people who can afford to make improvements—is vital; a city in distress cannot revive without it. But it sparked

controversy in Ohio City because of concern that residents would be displaced by new residents with more income. Renters were and are, indeed, vulnerable. For owners, however, gentrification usually is a blessing as the value of their property is boosted by the higher-income newcomers. Low-income owners, on the other hand, can be seriously hurt by higher property taxes.

Slowly, over 20-plus years, Ohio City gained ground, but it took a pivotal investment by City Hall to trigger the breakthrough. That investment produced a renewed and attractive West 25th Street (particularly north of Lorain Avenue) which heightened the confidence of private investors—businesses, homebuyers and banks—in the neighborhood. It is amazing the impact burying power lines and getting rid of old “telephone poles” can have on street attractiveness.

Northeast Ohio’s slow-growth economy means that public money, as used on West 25th Street, is essential to catalyze private investment needed to produce genuine renewal. And that can happen only where new residents can afford to upgrade their property. But public funds are severely limited because City Hall is considered to be singularly responsible for producing them. With Cleveland’s declining real estate tax base and extreme dependence on its income tax (really a payroll tax), there is little it can do, particularly when the central item in its budget is safety services.

Unfortunately, one of Cleveland’s major shortcomings is that it does not have many neighborhoods like Ohio City with housing that is attractive for people who have the income to repair and modernize. Most neighborhoods, like my part of Collinwood, are extremely vulnerable. They are, as you will see, almost surely destined by housing dynamics for gradual deterioration and then abandonment.

### **Structures Depreciate**

The commercial real estate industry has a rating system for office buildings that reflects age and condition: Class A includes the most prestigious buildings, usually the newest and most modern, such as Key Tower in downtown Cleveland. Class A commands the highest rents. Class B buildings, a rung lower than A, typically are older with finishes that are fair to good. Rents are consequently lower. Class C buildings are the oldest, with obsolete features, scant upgrading, and the lowest rents. With some vacant or partially occupied, Class C structures constitute the bottom of the functioning market. Some may stand vacant for decades before being demolished or converted to another use.

Buildings start new and decline in condition and value—they depreciate. In a hundred years or less, Key Tower could be a Class C structure. That is not inevitable; with proper maintenance and upgrading, a structure can maintain at least a high Class B rating. Terminal Tower on Public Square, which opened in 1930, has that rating.

The average new house begins life as a Class A property (although homes are not rated that way) at the economic level of middle-income. Then, typically through a series of owners over decades, the structure wears and requires maintenance, which usually is done well in the early years but less so as subsequent owners may have fewer resources and lower standards. Aspects of the property can become obsolete (kitchens are particularly vulnerable) reducing attractiveness in the eyes of potential buyers. Repairs and attempted upgrades might be done shoddily, or not at all. Eventually, after maybe 70 or 80 years, someone buys the house as an “investment,” but its condition is such that it fetches no more than a low-level rent. At that point, major rehabilitation is out of the question because the rent will not support it. The property deteriorates further and the asking rent falls to where, after 100 years, only poor people occupy it. In time they reject it as they find better, less rundown options. What had been spanking new 125 years earlier is totally depreciated and abandoned.

I liken it to the life of a car that is bought new, wears as it ages and, after passing through several owners over 15 or 20 years, winds up in a junk yard. Housing (as all real estate) differs greatly because when junked—abandoned—it goes nowhere. That’s an enormous problem; the community where it is located is stuck with a liability which the owner typically ignores. When someone junks a car, it is removed from the streets and the junker gets paid something for it. Junkers of real estate dump liabilities onto local government, taxpayers, and neighbors.

It currently costs around \$10,000 to demolish a house. And prior to abandonment, over years, the city’s real estate tax base erodes as the property gradually declines and loses value, down to, at the end, junk level. Demolition costs can be staggering when industrial buildings are involved. Thirty million dollars were expended in demolishing the old General Motors Fisher Body plant on Coit Road and clearing the site of contamination. That amounted to \$640,000 an acre for the 47 acres where the Cleveland Job Corps Center now is located. The city has hundreds of such properties.

At 6709 Euclid Avenue is the Dunham Tavern Museum. Built in 1824, the old stagecoach stop is the oldest structure in Cleveland, one of the city’s treasured places. Several years ago a seven-story former warehouse stood abandoned immediately to the tavern’s west. The hulking structure was worse than blight; it was hideous. The board of directors that serves the non-profit entity that owns Dunham Tavern decided it could no longer stand the visual obscenity and took the opportunity to buy it for \$567,000 and have it demolished for \$338,000—money the non-profit did not have, which necessitated a loan and fundraising campaign. With the monstrosity gone, the tavern and its expanded site now evoke a bit of life as it was nearly 200 years ago.

Here is a link showing the pre-demolition juxtaposition and plans for green space expansion: <http://dunhamtavern.org/greenspace-project/>. Was it worth \$905,000? Go look and decide, and maybe make a contribution to help complete the fund-raising. The point is, serious money is required to deal with the physical transition from an old and obsolete industrial city to what it can become in the 21st Century. In comparison, it costs far less to build a new community on virgin farmland in the outer reaches of the region.

### **Lack of Income Fuels Depreciation**

The extent of depreciation is shaped by the number of households that lack income needed to support property maintenance and upgrades. Let's consider the opposite: Imagine if every household living in the region, including all in the city of Cleveland, had an income of at least \$200,000 (and every household valued well-maintained properties). It is possible that no depreciation would occur. Indeed, appreciation probably would dominate. And if all households continued to have sufficient incomes, structures probably would survive long past 125 years. Every house and apartment would be in excellent condition and, from time to time, would be upgraded and modernized. Some properties, even though in excellent condition, probably would be purchased, demolished, and replaced with a new structure more suited to the owner's preference, which happens today, occasionally here and there, such as in the cities of Bay Village (near Lake Erie) and Beachwood. There are people who can afford to do that. They want to live in a particular place but do not like the house that is there. So they buy it, have it demolished, and build what they prefer. Housing in a city where all residents have high incomes could last a long, long time. There would be no decline. Much of San Francisco appears to be near that point.

That's the extreme in one direction. The extreme in the other direction is created by large numbers of low-income and poor people who as owners cannot afford to do proper maintenance, let alone upgrades, or who as renters pay rents that leave the landlord with little to work with even if he or she wanted to. As of 2016, out of 530,000 households in Cuyahoga County, roughly 130,000 were low-income, 10,000 of which lived in public housing and 15,000 in privately owned properties with government assistance, leaving 105,000 in privately owned units (most rented, some owner-occupied) that have aged and depreciated to the low segments of the market. Eventually nearly all, if not all, of the 105,000 units will be abandoned as better options become available for the low-income.

The economically weak live in places that are rejected by those who have more income. It is at the geographic interface between those with less and those with more that depreciation gains strength as those with more retreat from those with less. This dynamic is central to the evolving history of many neighborhoods, communities, and cities. It gives poor people opportunity to move up and improve their circumstances even if it is to a place just slightly better down the street. Not all take the opportunity. The elderly are more likely to stay put. *This has been my home for 40 years; why should I move?* Thus, such dear people often are the last ones on streets that have been mostly vacated.

An example of the final stage of the process is in Cleveland's Hough neighborhood: East 89th Street just north of Chester Avenue. The homes there were built around 1890 for affluent families as evidenced by structural size and architectural features. When new they were grand. Today, half are gone, leaving vacant lots. And most of the remaining ones, occupied by people with little means, are severely deteriorated and probably beyond saving, which means they face eventual abandonment and clearance. Multiply the scene on East 89th Street by hundreds and you get a sense of the scale of advanced depreciation across the city.

Just up the street on Chester Avenue, across from the new Cleveland Clinic-Case Western Reserve University Health Education Campus, is a new apartment building representing the other end of the cycle that a city must go through as properties depreciate, reach the end of their life, and need to be replaced. But economics dictate that replacement properties must be mainly for a population that is a long way from being poor—thereby creating an excruciating political and maybe even moral dilemma for City Hall: To become an economically secure city—possibly even to survive in the long run (beyond 50 years)—Cleveland must rebuild itself mostly for people who are not its current residents; it must attract and service those with better incomes while its low-income and poor residents are left with properties that have declined substantially in condition and value. It is the cruel reality forced upon City Hall by our society's free-market approach to communities, by its way of housing its poor, and the DIY survival straightjacket.

### **And Then There is Race**

On May 7, 1950, *The Plain Dealer* published an advertisement for a house for sale in Cleveland's Glenville neighborhood that read:

COLORED BUYERS!!  
E. 114<sup>th</sup> South of Superior  
2-Family dwelling, in good condition

While the city's African-American residents originally had been concentrated south of Euclid Avenue and west of East 55th Street, by 1950, some had crossed the Avenue (where 50 years earlier the wealthy had pulled up stakes) and settled in the Hough and Glenville neighborhoods (Map A).

That ad was typical of the time. As black war veterans were buying homes (those able to get financing), they, along with others of their race were explicitly told where they could live while whites were implicitly told where they would not want to live.<sup>3</sup> Other common

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<sup>3</sup> A black veteran was eligible for a Veterans Administration loan guarantee to purchase a home, but a lender (a bank or savings and loan association) first had to be willing to make the loan. Many were not, certainly when the home was located in a white neighborhood.

newspaper ad headings were: “Attention Colored,” “Colored Professional,” “Colored Preferred.” By 1955, the ads were toned down, but the target audience remained clear: “Public Welcome,” “Everyone Welcome,” “Unrestricted Neighborhood.” Ads continued in that manner into the 1960s, but by 1965, the explicit racial directive was gone. The impact of the civil rights movement had begun. But racial separation continued to be the objective as “steering” became a powerful tool in the hands of some real estate agents and brokers. In addition, the well-established practice of mortgage “redlining” by the lending industry served to prevent blacks from buying in white areas.<sup>4</sup>

Those years had to be wretched for everyone, black and white. Blacks were subject to the insult and violation of being told where to live and whites were subject to the fear of it happening near them. What did whites living on East 114th Street, south of Superior Avenue, think when they saw the ad? The white mindset was well-conditioned. The real estate industry had long preached that *all blacks* along with certain nationalities, were a threat to property values and that a realtor should not be instrumental in introducing them into a white neighborhood. What did the Robbins report say about “proximity of races”? They’d have “a depreciatory effect on [property] values.”

When my parents bought their home on Galewood Drive, the Land Title Guarantee and Trust Company (acting on behalf of the Cleveland Trust Company, provider of their mortgage) dutifully informed them of a restriction contained in the original deed of 1916 when the house was built. It declared:

“It is hereby agreed by and between the Grantor [seller/builder] and Grantees [buyer] hereto that occupancy of the aforesaid premises by a negro or mulatto would result in depreciation in the value of said property and surrounding property and it is further stipulated and agreed by said Grantees for themselves, their heirs, executors and assigns that the injury resulting to the surrounding property now or formerly owned by the Grantor by reason of the sale, mortgage, lease or other conveyance of said premises or any part thereof to or on behalf of a negro or mulatto will subject the person thus disposing of said premises to the payment of damages fixed by the parties hereto at \$5,000 in favor of the Grantor or assigns, this agreement to run with and attach to the land and be perpetual.”

Five thousand dollars in 1916 would be \$115,000 in 2016. It could not have been made clearer to my parents that the races were not to mix. But there were locations, such as East 114th Street, where they did, at least for a while until all whites had gone elsewhere. Real

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<sup>4</sup><http://www.bostonfairhousing.org/timeline/1934-1968-FHA-Redlining.html>.

<http://www.encyclopedia.com/history/united-states-and-canada/us-history/home-owners-loan-corporation>.

estate offices that had no qualms about promoting the transition profited nicely as “blockbusting” became an art form.

A report published in 1939 by a highly regarded Cleveland-based real estate service firm openly expressed the dominant thinking of the time. The report contained the results of a study that had been done to determine the “desirability” of each neighborhood in Cuyahoga County as a place to live.<sup>5</sup> The most desirable places were defined as growing in population, had new, owner-occupied, expensive single-family homes (few, if any, apartments and homes older than 40 years), and “large percentages of family heads native white or born in the British Empire and small percentages born in Italy or in Russia, or Negro.”

New was good, old was bad. Single-family was good, multi-family (rental) was bad. High income was good, low income was bad. White was good, non-white (and some white) was bad. The desirability champion was Shaker Heights, followed closely by Cleveland Heights, which is ironic in light of the racial change that would begin in both communities hardly 20 years later.<sup>6</sup> Lakewood came in third. The lowest rating, not surprisingly, went to Cleveland’s Central neighborhood, south of Euclid Avenue, west of East 55th Street and north of Woodland Avenue, essentially the oldest of the old, and the poorest bottom rung among all black neighborhoods.

### **Desirability Today**

Community “desirability” has not waned as a topic of broad interest. *Cleveland Magazine’s* best-selling issue is devoted to “Rating the Suburbs.”<sup>7</sup> Annually, 77 cities, villages, and townships in Northeast Ohio are rated on various factors including home-sale prices, property taxes, school-system performance, and crime. Invariably, all but a few of the top suburbs are the newer, outer, growing ones. Reading between the lines, the results are not much different than in 1939. New is desirable (good), old is undesirable (bad). Single-family is good, multi-family (rental) is bad. High income (represented by high home prices) is good, low income is bad. White is good, diversity is bad. “Diversity” is the magazine’s term and is measured by a suburb’s percentage of population that is minority. I say it is bad in effect even though the rating methodology awards points to communities that have diverse population. It

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<sup>5</sup> Real Property Inventory of Metropolitan Cleveland. 1939. *Relative Desirability of Census Tracts in Greater Cleveland*.

<sup>6</sup> Concerted efforts were made in Shaker Heights in the 1950s and Cleveland Heights in the 1970s to achieve long-term racial diversity through pro-integrative policies, which have been mostly successful, in contrast to what happened earlier in East Cleveland when racial transition rapidly swept through the city. See Keating, W Dennis. 1994. *The Suburban Racial Dilemma: Housing and Neighborhoods*. Cleveland, OH: Cleveland State University Scholarship Collection. Book 48.

<sup>7</sup><http://star102cleveland.cbslocal.com/2016/05/27/cleveland-magazines-rating-the-suburbs-released-where-does-your-suburb-rank/>.



is bad because the magazine's rating table has "% minority" positioned right next to "% below poverty level" (*below* poverty? How poor can one get?). That coupling electrifies the third rail of "desirability"; readers so inclined can easily see which places to avoid and disparage.

In 1939, Shaker Heights, Cleveland Heights, and Lakewood were the "desirability" winners. Today, they are well back in the pack, pulled down by the magazine's rating system that values primarily safety and school performance, which are strongly related to newness and income. But those three cities contain much of the highest-quality housing ever built in Northeast Ohio, which is the primary basis for their continuing attractiveness.

### **Retreating Whites Fuel Depreciation**

In the 1950s, as newspapers conveyed the locations of racial change, white flight ruled, driven by rock solid belief that preservation of property values was not possible in those places. What could real estate agents have done (other than those willing to profit from the debacle), quit their job? As racial turnover advanced eastward from East 114th Street to East 120th Street to East 130th Street to East 140th Street toward Galewood Drive, should my parents, in 1960, have stayed instead of moving to South Euclid—stayed and jeopardized the most valuable asset they had, their home? Whatever City Hall did to try to stabilize the situation had no chance of success. The massive scale of it all, the overwhelming sense of pessimism, crushed any hope of a positive outcome.

As whites retreated through the 1950s, 60s, and 70s, enabled by the region's huge supply of new housing (Chapter 5), and as the pace of black movement matched that of white retreat, the process fueled depreciation and abandonment that was concentrated in Cleveland's market-bottom neighborhoods of Central and Hough. Low-income and poor blacks were given the opportunity to move up as those a little higher on the ladder moved up in the wake of retreating whites. What did those bottom-rung but still upwardly moving residents leave in their wake? Tens of thousands of properties that were emptied out, "junked," abandoned, and eventually demolished.<sup>8</sup> The result was the thousands of vacant acres that mark much of the city's East Side.

At the root of it all was, of course, a self-fulfilling prophecy. How could "depreciation in the value of said property" not happen when the dominant segment of the housing market, whites, would not live among blacks? Depreciation was inevitable. Black homeowners were denied the number one means available to whites for building net worth: growth in home value.

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<sup>8</sup> Large apartment buildings typically were the first rental units to be abandoned; then medium-sized apartments, then small ones. Given a choice, it seems most people will occupy the property with the fewest units, making single-family houses the most preferred among all rental options.

As long as whites flee or avoid locations where blacks live, property values will be threatened. And whites will flee if they have no confidence that stability is possible, if they think history is simply being repeated. Speaking only of communities in Cuyahoga County, it has yet to be demonstrated that racial integration, certainly involving lower-income households, can be stable. A number of eastern suburbs keep growing with African-American residents while whites go elsewhere. Anxiety and pessimism persist. I will return to this most important issue, but first I will complete our review of housing dynamics.

## Chapter Five

### The Third Law of Housing Dynamics: Construction of New Housing Can Result in an Oversupply

The end point of real estate depreciation, the gradual fall in condition and value, is abandonment. But the scale and rate at which properties are emptied can vary greatly, from rapid to zero. Even less than zero is possible, which happens when properties that had been abandoned or long-vacant are reoccupied. If the scale greatly exceeds zero, a sizable housing oversupply exists. I am going to examine the history of oversupply and its structural components in the region since 1950. (The region includes Cuyahoga, Geauga, Lake, Lorain, Medina, Portage, and Summit Counties. Map C.)

The rate of abandonment depends on two factors: (1) the number of houses and apartments in the region and (2) the number of households living in the region. (This is a bit wonkish, but important.) I say region because it encompasses the overall housing market. People move between counties; new housing is built in each county.

Within the region, at any time a specific number of houses and apartments (units) are available for occupancy, along with a specific number of households which do the occupying. Those numbers are constantly changing; new housing is built, old housing is demolished; households move into the region, households move out; new households are formed (son gets a job, leaves his parents' basement for an apartment); households dissolve (a widow dies).

Typically, there are more housing units than households as some units are temporarily vacant while being sold or are available for rent. But it is possible to have at any time *much more* housing than households, or a substantial oversupply. That has been the case in the region year after year for decades, resulting in large-scale abandonment at the bottom of the market. This is how oversupply and abandonment happen:

Before the 2008 Recession, 10,000 houses and apartments were built in the region during a typical year, while the number of households living in the region increased by a smaller number, let's say 6,000. During the course of that year, around 10 percent of the 1.1 million households living in the region moved. Some purchased or rented a new property; most moved to a "used" one. After all moves had occurred (with the majority of Cuyahoga's home sellers moving outward, some to neighboring counties), all of the region's properties were occupied *except* 4,000 that nobody wanted. They had depreciated, over decades, to near the bottom of the market and had been occupied by people with little means who were able, nonetheless, to move to a better situation, leaving those 4,000 places empty and abandoned since no one was

willing to occupy them. The more that new housing units exceed household growth, the more old properties are abandoned.

The situation that existed in 1948 when all of Cuyahoga County's housing was occupied resulted from (1) little homebuilding during World War II and the Great Depression of the 1930s, and (2) the surge of population into the county at war's end when military personnel returned home. Little construction combined with a major increase in population resulted in an extremely serious housing shortage. But then construction took off in suburbs such as Parma, Maple Heights, and Warrensville Heights.

During the 1950s, 120,000 units were built in Cuyahoga County while the number of households living in the county increased by 91,000. *The total supply exceeded the number of households available to occupy all of it.* Movers at all income levels selected the best situation they could afford. And at the bottom of the market some of the most undesirable properties—29,000 units—were left un-rentable, abandoned, and probably destined to be demolished.

That was the 1950s, when most of the regional market was still within Cuyahoga County. What happened during the following 50 years between 1960 and 2010, as homebuilding steadily extended outward into neighboring counties, was more than dramatic; it defined the era. I will examine what happened to the number of households living in the region, the number of new properties built, and consequent impacts.

### **Households**

Between 1960 and 2010, the number of households living in the seven-county region increased by 336,000 (Table 2). With each decade, the gain lessened until the 1990s, when a surge upward occurred as many in the baby boom generation (born 1946-1964) formed new households. In the decade of the 2000s, household growth dropped to a very modest 12,000 as the baby-boom effect faded. The latest U.S. Census estimates indicate that hardly any increase, possibly none at all, is occurring in the number of households living in the region, a first in its history.

### **New Housing**

Between 1960 and 2010, 623,000 units of housing were built in the region. One might ask, "Why were 623,000 built when the number of households in the region increased only 336,000? Was that amount of construction really needed? Wasn't it an unnecessary oversupply?" No, not in a market sense, because all the new properties were sold or rented. There was sufficient demand for what was built. An actual oversupply occurs when homes are

**Table 2**  
**Seven-County Region Oversupply, 1960-2010**

In	Household Increase	New Housing Units	Abandoned Units
1960s	126,000	193,000	67,000
1970s	90,000	174,000	84,000
1980s	38,000	75,000	37,000
1990s	70,000	102,000	32,000
2000s	12,000	79,000	67,000
<b>Total</b>	<b>336,000</b>	<b>623,000</b>	<b>287,000</b>

built but cannot be sold, which happens from time to time when recessionary periods cause builders to slacken or stop work until buyers reappear.

Housing construction during those 50 years was strictly market-driven, as it always is. The Homebuilders Association of Greater Cleveland does not check with demographers to learn how much household growth is likely during the coming year and then tell their members to limit construction to that figure. (In Great Britain, government did that for some time.) Builders produce what they can sell, just as auto companies build what they can sell. Even if there had been no increase in households during those 50 years, homes would have been built as long as there were buyers, surely not 623,000 but still a sizable number. In 2015, regional household growth was around zero, yet nearly 4,000 units of housing were built.

Also, because property has a lifespan, the units in the regional supply reaching the end of their life need to be replaced or else the supply of housing would shrink. The number of housing units in the Cleveland region that can be expected to reach the end of their lifespan in a year probably is around one-half of 1 percent of the regional supply, or roughly 225,000 units for the 50 years 1960-2010.<sup>1</sup> Since 225,000 units reached the end of their life while the region's households increased by 336,000, strictly speaking only 561,000 new housing units were needed. But 623,000 were built, making the oversupply 62,000 units. In ordinary market terms, however, no oversupply existed because all new units were sold and occupied. But in terms of region-wide supply and demand, there absolutely was a sizable oversupply resulting in a sizable number of "junked" or abandoned units.

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<sup>1</sup> A national figure of around a quarter of a percent has been reported, but considered low by many housing analysts. See Belsky, Eric S., Rachel Bogardus Drew, and Daniel McCue. 2007. Projecting the Underlying Demand for New Housing Units: Inferences from the Past, Assumptions about the Future. Harvard University Joint Center for Housing Studies. Because housing in the Cleveland area is older than the national average, the estimate of 225,000 was based on an assumed loss rate of one-half of one percent.

## Impact

Because 623,000 housing units were built in the region between 1960 and 2010, while the number of households increased by 336,000, 287,000 units were *inescapably* left abandoned.<sup>2</sup> After all moves occurred over the course of each year (with most of Cuyahoga's being outward), all the region's housing was occupied except 287,000 that were mostly in the oldest, least attractive, market-bottom locations. Where were they?

- 150,000 were in the city of Cleveland
- 41,000 were in the city of Akron
- 8,000 were in the suburb of East Cleveland
- 88,000 were elsewhere in the region

Cleveland's 150,000 abandonments represented 53 percent of all residences that existed in the city in 1960 (and the city lost 55 percent of its population during those 50 years). Akron lost 44 percent of its existing residences (and 32 percent of its population), and East Cleveland lost 58 percent of its residences (and 53 percent of its population). Akron's population loss was less than Cleveland's even though it lost nearly half its existing housing because it added more new housing than Cleveland did (as indicated in Table 1).

Because most of the region's market-bottom conditions were located in Cleveland and Akron, most (two-thirds) of the region's abandoned properties were located in those two cities. *There was absolutely nothing that city officials could have done to prevent that from happening.* There simply were not enough households in the region to occupy all the properties that existed. Cleveland's and Akron's bad luck was to have within their boundaries most of the region's market-bottom, neighborhoods with the oldest and least attractive properties and living conditions. Keep in mind: the market-bottom is not fixed in place; it shifts to streets and neighborhoods that are not well maintained and upgraded as they age.

What happened in Cleveland between 1960 and 2010 was not just the result, as decriers often say, of poor schools, busing, crime, and ineffectiveness within City Hall. Those factors played a part, but underlying all was the fundamental matter of *housing supply and demand*, coupled with the city's unfortunate possession of the lion's share of the region's market-

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<sup>2</sup> Included in the 287,000 are (1) housing that was converted from residential to some other use, (2) housing that was demolished even though it was not in market-bottom condition (such as removals for highway construction), (3) housing that burned or was otherwise damaged and not rebuilt, and (4) housing vacant and for-sale or available for rent. But the vast majority of the 287,000 were market-bottom abandonments. The details of how the amount of housing changes are not needed to make the point that growth in the supply greatly exceeded household growth during the 50 years 1960- 2010.

bottom, the normal endpoint of depreciation. In that respect, City Hall was, and is, completely helpless and blameless.

If Cleveland had not contained any of the region's market-bottom properties, its 150,000 abandoned units would have been located somewhere else in the region, wherever people would not live if they had a better option. Because new housing built between 1960 and 2010 exceeded household growth by 287,000 units, *there had to be that number of empty properties somewhere*. There was no escaping it. This reality—the impact of producing more new housing than household growth—rarely is considered in urban policy and practice.<sup>3</sup> It is an inconvenient truth, since it exposes a serious downside of our system of free-market housing production coupled with DIY survival. While the British are largely comfortable with government control of housing production and location, our notion of freedom rejects such a heavy hand. We fought a revolution, in part, to get government out of our business (except when business wants government to do something in its behalf).

It should be noted that, over the decades, the scale of abandonment decreased until the 2000s when it increased sharply to 67,000 from 32,000 in the 1990s (Table 2). Baby boomers, combined with easy mortgage lending, produced a surge of housing construction in the 1990s that carried into the 2000s. But household growth dropped dramatically in the 2000s, resulting in a large increase in abandonments during that decade. While the foreclosure crisis of the 2000s gave the impression that the surge in foreclosures caused a wave of abandonment, the main culprit was the small amount of household growth (12,000) in a decade that saw 79,000 units of housing built.

What the foreclosure crisis did was reduce the number of households living in the region as some who lost their home moved in with others (two households became one), while others moved out of the region. (Table 2 shows a precipitous drop in households between 2000 and 2010.) The crisis also changed the mix of properties that were occupied. That is, some properties that had been vacant but not foreclosed probably were rented by people who lost their home through foreclosure. And some of the foreclosed homes that were in poor condition and demolished after foreclosure would have been occupied for a while longer if the crisis had not happened. The foreclosure crisis affected the number of households living in the region and

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<sup>3</sup>Housing analysts have studied the relationship between new housing and household growth, particularly in the early years following World War II when the issues of supply and demand were pressing. See Ratcliff, Richard. 1949. *Urban Land Economics*. London: McGraw-Hill; Lowery, Ira. 1960. Filtering and Housing Standards: A Conceptual Analysis. *Land Economics* 36(4); Grigsby, William. 1963. *Housing Markets and Public Policy*. Philadelphia, PA: University of Pennsylvania Press. In recent years, the subject has received much less attention. An exception is a staff report prepared for the Federal Reserve Bank of Cleveland in 2013: <https://www.clevelandfed.org/newsroom-and-events/publications/special-reports/sr-20130522-policy-considerations-for-improving-ohios-housing.aspx>.

altered the mix of owner vs. renter occupancy. The oversupply determined the scale of abandonment.

### **Other Cities**

Is this issue of oversupply of housing units unique to Cleveland and Northeast Ohio? Not at all. Other cities and regions, mainly in the Midwest such as Buffalo, Pittsburgh, St. Louis, Detroit, Dayton, Toledo, and Cincinnati have had serious disparity between the amount of new housing and household growth, which is why they too have had much population loss and abandonment.<sup>4</sup> Where economic growth has been weak, particularly in the industrial Midwest, demand for new housing has continued, not at the level of the 1950s, 60s, and 70s but sizable enough to substantially exceed household growth. On the other hand, where economic growth has been strong (Washington, D.C., San Francisco, Denver, Boston, Phoenix, Portland, OR) housing starts have barely managed to keep up with growth, thus preventing a major disparity from forming.

How much job growth would be needed in the Cleveland region to greatly reduce or even eliminate oversupply and cause market-bottom housing to stay occupied that otherwise would be abandoned? Probably at least 15,000 new jobs a year would be needed to keep the number of households high enough to avoid abandonment. That number is five times greater than the region's average annual job growth for the past 25 years. Further, to minimize abandonment for the long term, that number of 15,000 would have to be maintained for at least 10 years, maybe 20. That could happen and hopefully will. But for the time being, sizable market-bottom abandonment is likely.

The cost of extreme disparity between new housing and household growth in Northeast Ohio has been rapid depreciation and large numbers of abandoned properties. But there have been benefits. Low-income and poor people have been able to move to better housing. And across the region, the price of housing has increased modestly compared with other places in the country where such disparity has been low or non-existent. For decades, upward pressure on prices in Northeast Ohio has been weak because the production of new housing has kept well ahead of household growth.

### **Dynamics Continue**

If someone had said in 1960 that Cleveland would lose half its housing and half its population by 2010, they would have been dismissed as certifiably looney. The scale of the convulsion might even have shocked Lawrence Robbins even though he, in 1941, was so

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<sup>4</sup> <http://www.brookings.edu/research/reports/2003/12/metropolitanpolicy-bier>.



concerned that he warned that “the entire structure of the community” was threatened. The entire structure was more than threatened; it was brutally assaulted. And it is not over.

The dynamics of construction and destruction—free-market homebuilding that produces more new housing than household growth combined with properties reaching the end of their lifespan (with little or no prospect of rehabilitation) combined with DIY survival that leaves local governments essentially isolated in their attempts to contend with the end results—are just as potent today as they have been since the 1940s.

If the economic situation of Northeast Ohio continues, and the in-flow of new residents needed to occupy Cleveland’s lower-end housing remains slight, it is quite likely that in the coming decades Cleveland will see most of the remaining properties that existed in 1960 gradually abandoned. Abandonment will end only when market-bottom conditions no longer exist in the city, which in practical terms means when most of its low-income and poor have left the city, mainly for suburbs vacated by the middle class. Suburbs are on track to go through what Cleveland has been going through, including eventual large-scale abandonment. Indeed, it has begun, with East Cleveland as the leading edge.<sup>5</sup>

In time (50 years?), Cleveland probably will have lost most of its remaining old housing, but not necessarily end up with less population. The size of its population will depend on how much new housing is built and how many people move into the city compared with the number moving out. If the movers-in exceed the number exiting, the city’s population will grow even as abandonment of market-bottom properties continues.

### **Build Here, Abandon There**

A prime feature in the region’s build-move-abandon dynamic over the decades has been the difference between where abandoned properties were located and where new ones were built. Abandonments were concentrated in Cleveland, while homebuilding was concentrated in suburbs. During the 50 years when 150,000 units of housing were being abandoned in Cleveland, with most of them being demolished, 33,000 units were built in the city compared with 232,000 in the suburbs of Cuyahoga County. Numerically speaking, new middle-class (and up) suburban properties more than replaced the 150,000 city properties that had reached the end of their lifespan.

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<sup>5</sup> In 2015, because of East Cleveland’s extremely negative economic conditions, the state auditor considered the two most likely futures for the city to be either bankruptcy or merging with the city of Cleveland. Since bankruptcy will solve nothing, merging with Cleveland is East Cleveland’s future, although a piece of it, the Forest Hill neighborhood that is geographically more connected to Cleveland Heights than East Cleveland, should go to Cleveland Heights.

If Martians were to land and consider the situation they might ask: Shouldn't the new have been located where the old was demolished?<sup>6</sup> Why wasn't it? Two major reasons are cost and location. "Used" land typically is more costly (acquisition price per acre) than virgin land. And location is key: Who wants to live where properties are reaching the end of their life, where many are standing abandoned, where gradually they are being demolished (in some cases aided by arson)?

### ***Cost is a Killer***

Various factors produce extra costs for redevelopment projects. Land may have been contaminated by previous use, making it unsuitable for new residential development. Lead paint, commonly used until it was banned in the 1970s, continues to be a serious problem, as does asbestos. Contaminated top soil may need to be removed and replaced before rebuilding can be permitted. For many years, common demolition practice was to collapse the structure into the basement, pack it down a bit and top it off with a little soil.<sup>7</sup> Developers and builders never know what they will find and will need to remove when they begin excavating a vacant lot in Cleveland. One found a humongous storage tank; apparently a church had been on the site and used the tank to store heating oil. Another builder found an old Buick auto in a basement. How does one estimate a project cost when little or nothing is known about what lies underground?

I witnessed one such surprise. When the Maxine Goodman Levin College of Urban Affairs moved into its new building at the northeast corner of East 17th Street and Euclid Avenue, its previous building next door was demolished. Behind the old building was a small parking lot. One day I was watching as workers removed the lot surface and exposed what had been basement rooms. In one of the rooms sat a grand piano. The Euclid Avenue Baptist Church had formerly occupied that site (whose most prominent member and patron had been John D. Rockefeller). The piano probably was not worth removing when the church relocated in 1956.

Small parcels of land (usually defined by the original subdivision) typically need to be assembled to form a buildable site. Let's return to East 89th Street where the final stage in the process of depreciation is evident. There are 60 parcels within the block bounded by East 89th, Chester Avenue, East 90th Street, and Hough Avenue. One city block, 60 parcels, and at least 60 different owners, some living who-knows-where. It adds up to a redevelopment migraine. When the day comes for redevelopment, assembling the fractured land into a usable whole will

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<sup>6</sup> In England, the central government, irrespective of party, has for decades made redevelopment of previously built sites a higher priority than building on farmland or countryside. That policy goes hand-in-hand with the controlled separation of developed land from farmland (no sprawl).

<sup>7</sup> [http://www.cleveland.com/metro/index.ssf/2017/05/max\\_hayes\\_surprise\\_1950s\\_shortcut.html#incart\\_m-rpt-1](http://www.cleveland.com/metro/index.ssf/2017/05/max_hayes_surprise_1950s_shortcut.html#incart_m-rpt-1).

require title searches to find owners, determining if they are willing to sell, and resolving legal matters such as liens.<sup>8</sup> It will require much time and expense, particularly if (and the odds will be high) an owner, knowing the realities of the eminent domain process, puts a price tag on his property that is far above market value.

Eminent domain can be the ultimate obstacle to redevelopment.<sup>9</sup> Owners have nothing to lose by holding out because the developer might be willing to overpay so as to avoid the time-consuming and costly procedure of eminent domain. (When eminent domain occurs, the owner is compensated with an amount considered to be “just” as determined by a jury in a court of law, not by the developer.) Government can readily take property for a public purpose, such as highway construction, but when it comes to property needed to stabilize a street or for redevelopment, the power given by the U.S. Constitution and the state legislature to property rights is colossal, in line with its holy grail status among American societal values. That is fine in principle, but when a city is struggling to survive and the state takes little responsibility for its part in causing the struggle, then something fundamental is out of whack.

Ohio law requires that before eminent domain can be used, at least 70 percent of the properties in the area must be designated as “blighted” because they “. . . substantially impair or arrest the sound growth of the state or a political subdivision of the state, retard the provision of housing accommodations, or constitute an economic or social liability, or a menace to the public health, safety, morals, or welfare in their present condition and use.”<sup>10</sup>

Liability, menace—that standard can readily be met in many parts of Cleveland. But in aged suburbs such as Euclid, Parma, and Lakewood that are in generally good condition but have scattered problems, the law requires that seven of ten houses on a street be in really bad shape to justify eminent domain—which means streets have to sink to the level of menace before a most critical corrective tool can be used. The onus is on elected officials to prevent the sinkage (Chapter 9), but when a community has sizable numbers of aged and obsolete properties, and the fierce forces of depreciation are at work, the restricted use of eminent domain constitutes one more strike against the community. An effective balance between protection of property rights and protection of community does not exist. A U.S. Supreme Court Chief Justice long ago wrote: “While the rights of private property are sacredly guarded, we

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<sup>8</sup>The Cuyahoga Land Bank, a quasi-governmental entity established in 2006 in response to explosive growth in the number of foreclosed and vacant properties in the county, is engaged in demolishing abandoned properties and rehabilitating ones that can be saved. It is doing extensive “dirty work” required to prepare land for redevelopment. See: <http://www.cuyahogalandbank.org/>.

<sup>9</sup><http://www.lexology.com/library/detail.aspx?g=b0878962-98cc-48ec-abc7-56abe55faea6>.

<sup>10</sup> <https://www.ccao.org/userfiles/HDBKCHAP009-2011.pdf>.

must not forget, that the community also [has] rights; and that the happiness and well-being of every citizen depends on their faithful preservation.”<sup>11</sup> Somewhere along the line, “we” forgot.

In Great Britain, which does not have a written constitution containing a bill of rights, the need to protect the right of property ownership is closely balanced with the need to protect communities, but the individual does not have sacrosanct status over the community.<sup>12</sup> The Town and Planning act of 1990 allows compulsory purchase (the British term for eminent domain) to “facilitate the carrying out of development, re-development or improvement on or in relation to the land”<sup>13</sup> for a local area’s economic, social, or environmental well-being. Balance is achieved by making compulsory purchase a very serious matter, as it should be. If a local government wants to take the step of compulsory purchase, its case must be reviewed and confirmed by ministerial offices at the national level.

Here in the U.S., except in cities where economic growth is particularly strong, builders and developers cannot afford to engage in urban site assembly, often spanning years, to obtain a single block of land consisting of a few acres when they can launch a project in exurbia by knocking on a farmer’s door, purchasing 50 acres of the best soil on earth, and getting approval for site plans and construction permits all within a few months. The costs involved in assembling and preparing an acre for redevelopment in Cleveland can easily reach hundreds of thousands of dollars, while an acre of farmland might cost \$10,000.

If builders had to pay the premium cost for working in Cleveland, none would. (They would if Cleveland was booming like San Francisco, but commercial and housing prices would be astronomical.) These extra costs must be met some other way—by City Hall, foundations, not-for-profit development corporations, or the state. For the builder, the Cleveland project must offer profit potential comparable to what he can earn in low-risk suburbs. The weaker the potential for profit, the greater the necessity for subsidy. In addition, obtaining financing for a Cleveland redevelopment project usually is much more challenging than for suburban projects because banks routinely view urban redevelopment as riskier than development in suburbs. Banks often will not finance as much of the construction costs as they do in suburbs, requiring the builder to secure financing from sources that will accept greater risk (government, nonprofits, foundations).

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<sup>11</sup> Charles River Bridge v. Warren Bridge, 36 U.S. 420, 422 (1837).  
<http://www.ucl.ac.uk/USHistory/Building/docs/Charles.htm>.

<sup>12</sup> I lean in the direction of the community having a slight edge over the individual. Individuals, come and go, but the community, the place, remains. Thus, a purpose of the individual is to contribute to the continuity of the community. But American society is not tilted that way, with the result of much community instability.

<sup>13</sup> <http://www.legislation.gov.uk/ukpga/1990/8/section/226>.

So City Hall and nonprofit development corporations are stuck with the ordeal of assembling and preparing land for redevelopment, which usually includes demolishing remaining buildings, sometimes with a bit, *a bit*, of state and federal assistance. Cleveland is littered with abandoned buildings that are still owned by individuals and businesses that will not pay to have them demolished, particularly if the property is contaminated. It is cheaper for owners to pay the taxes on an abandoned building than to remove the mess.

### ***Location, Location, Location***

Who wants to live or operate a business where nearby properties are being abandoned and demolished—or worse, where they are not being demolished? What is the market for places that were prosperous and vibrant a hundred years ago but have declined to where they are near or at the end of their lifespan? There certainly is a market for those with little income. Thus, in recent decades some old properties have been rehabilitated and some new ones built for city residents of modest or little means. But all of those projects were subsidized in one way or another; otherwise they would not have happened. However, those with good incomes typically are not interested in living near or where, market-bottom conditions exist.

A striking exception is to be found in Cleveland's Hough neighborhood (north of Chester Avenue between, roughly, East 70th and East 82nd Streets), where by 1980 extensive demolition had cleared more than half of the original structures. In the 1980s and 1990s, numerous suburban-style homes (all subsidized at least with property-tax abatement) were built and purchased. It is an excellent example of what is needed in such locations: *rebuild where real estate has reached the end of its useful life*. Replace the loss with something of value. In the 1990s, Mayor Michael White made the construction of new housing a high priority. Incentivized by tax abatement, builders got busy. (By the 2000s the Hough upsurge had cooled, and then the Great Recession arrived to freeze it. Hopefully, it will be revived, particularly as old League Park nearby, the site of Babe Ruth's 500th home run, has been given new life as an exceptional recreation facility.)

Incidentally, and significantly, the arrival of those new, pricey homes in Hough and their middle-class occupants was just what the children and youths of the remaining nearby low-income households needed as it (1) "told" them that *they* were not abandoned even though properties around them were, (2) gave them a close look at how people who were far from poor live and conduct themselves, (3) exemplified the value of education, and (4) provided opportunities for them to earn money by doing odd jobs (cut grass, wash cars, run errands). That strikes me as the way a community ought to function. And maybe that's why many who moved into Hough did it when they otherwise could have lived in a solid suburb. Maybe they wanted to be part of building a better city and society.

The Tremont neighborhood on Cleveland's near West Side is another place that had serious market-bottom conditions but turned out to be, like Ohio City, an attractive location for many people with good incomes. Many Tremont properties have been upgraded and many new ones built. The neighborhood's rise began not with people with good income, but with starving artists who were displaced from their dirt-cheap lofts in the Warehouse District downtown when gentrification got rolling there. (Downtown's rebirth began in the Warehouse District, which accelerated around 2000 when rowdiness in the Flats got out of hand, causing restaurants and bars to lose business and close.) I will have more to say about downtown, but for now it is important to note that until the extra costs encountered when redeveloping in the city are offset with profit that is comparable to what can be earned in outer suburbs, subsidy will be required.

## Chapter Six

### Inexorable Urban Sprawl

One end of the spectrum of housing dynamics is anchored in market-bottom locations where structures have reached the end of their life and are being abandoned. The other end is where communities are growing and where most new homes are being built, now mainly 20 to 30 miles and more from downtown Cleveland, sprawling across the countryside as the Google Maps image of Medina County shows.

The roots of urban sprawl go back to Cleveland's early years when it was coming alive as a small city and development was expanding outward. But that wasn't sprawl as we have it today. Homebuilding before World War II typically was compact, on what today would be considered small lots, and knit together with the mother city by public transportation. But the basic dynamic was the same then as now: build at the outer edge, move outward, leave the old behind.

In the spirit of Lawrence Robbins's 1941 report, the Cuyahoga County Regional Planning Commission in 1950 dug in its heels with a report titled *Our Citified County: A Study of Cuyahoga County and Its Land Use, Now and for the Future*. Outer areas of the county were then still very much rural, sprinkled with small villages such as Highland Heights, Pepper Pike, Solon, Brecksville, Strongsville, North Olmsted, and Westlake. But postwar homebuilding was accelerating, in response to which the planning commission report stated, "Much of this territory can keep its pleasant openness if we use our land wisely and economically." It asked: "Can we afford all this sprawl? to waste all this land? to spend extra millions on sewer and water supply? to raise the cost of policing, schooling, fire protection, transportation? We don't need to build up all this land."

The commission defined its objective: "We want to eliminate those sprawling 'spotty residential developments,' their waste of land, their waste of municipal services. We want to go on farming our agricultural land. We want to return our dead subdivision land [Cleveland's "brownfields" and derelict buildings] to usefulness."<sup>1</sup> The commission's analysis determined that there was enough vacant land in and near the core of the county to accommodate future growth, thereby eliminating the need to build on the remaining farms. "We estimate," the report stated, "that Cuyahoga County can house as many as 835,000 households comfortably without crowding." The actual number peaked in 2000 at 571,000—and that was with the outer

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<sup>1</sup>That objective is exactly what is achieved in England through "the role that only the state can play," as Prime Minister May put it.

suburbs almost fully developed, and the county's farmland almost completely gone. The number of households in 2010 was down to 545,000, with most of the loss being in Cleveland.

Cuyahoga County's unstoppable suburban development in the 1950s was so strong that *The Plain Dealer* ran a series of articles in 1960 titled "Metro-Age Ahead."<sup>2</sup> Based on growth in the 1950s, the region's population was projected to reach five million by the year 2000. It fell short at less than half that. (Another example of just how erroneous expectations about the future can be is in a planning report prepared in 1941: "... it is unthinkable that the great offices, banks and stores of the business district [downtown Cleveland] will move out of the heart of the city."<sup>3</sup> Unthinkable? Yes, but it happened.)

Four key factors rendered the commission's call for an alternative future futile: the economy, the power of money, the U.S. Constitution, and the locus of governmental authority.

### ***The Economy***

The Cuyahoga County Regional Planning Commission asked "Can we afford all this sprawl? to spend extra millions on sewer and water supply? to raise the cost of policing, schooling, fire protection, transportation?" The answer turned out to be a resounding *Yes!* During the 1950s and 1960s, Cleveland, Northeast Ohio, and the nation enjoyed the greatest economic well-being in history. There were jobs aplenty. Industrial productivity elevated everyone's standard of living. The middle class expanded and flourished.<sup>4</sup> The growing suburban communities of Cuyahoga County had no trouble affording extra millions on sewer and water systems, and policing, schooling, fire protection, and transportation, particularly as the state helped to finance new water and sewer lines, and utilities extended power lines and gas pipes out from the old urban core, spreading the costs across all customers not just those receiving the new service.

### ***The Power of Money***

Farmland represents money, particularly if located near where much real estate development is likely. Today, a farm in the middle of nowhere might be worth \$2,000 an acre. The same land located off a freeway and near a growing suburb could sell for more than \$100,000 an acre for commercial development, less so for residential. If Cuyahoga's farmers in 1950 were like farmers today, they wanted to farm and they also wanted to be free to sell some or all of their land for development whenever it suited them. That way if cash was needed for a new tractor or to finance retirement, they had the means to get it. It is a comforting situation.

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<sup>2</sup> The series started May 1, 1960.

<sup>3</sup> Regional Association of Cleveland. 1941. *What's Ahead for Cleveland*. Publication Number 10, p. 24.

<sup>4</sup> Such prosperity even though the top marginal income tax rate for the wealthiest Americans was 91 percent (in 1950). Today it is 39.6 percent.



But, on balance, I believe most farmers would prefer to have farmland stay as farmland. When farming is your life, I imagine that the sight of soil being churned for houses, stores and parking lots can be disheartening.

The comforting situation is created by zoning that permits two uses of the land: agriculture or development, typically housing. If only agriculture is preferred, zoning with that limitation can be established, but rarely is that done. Most farmers want the option to sell to a builder. Countryside zoning is not mandated in Ohio. There is no zoning in Geauga County's Middlefield Township. Apparently, Amish farmers are uncomfortable with the principle, which is fine so long as all property owners agree and use their land only for farming. But with no zoning, *anything* can be built in Middlefield Township. If a farmer were to break ranks and sell to someone who wanted to build a thousand homes or an amusement park or an asphalt plant or an Indy 500 race track, it would be difficult to stop. The same situation existed on Millionaires' Row in 1890 and in all of Cleveland until the legality of zoning was affirmed by the U.S. Supreme Court in 1926.

Farmland in the seven-county region is located in townships, and all but Middlefield's is zoned for either agriculture or residential development. Ninety-six percent of Geauga County is in townships; 90 percent of Medina County, 86 percent of Portage, 70 percent of Lorain. Currently, half the homes being built in those counties are in townships where residents have a nice tax advantage over city residents: no local income tax.<sup>5</sup> Townships in Ohio cannot levy an income tax; only cities and villages can do that. Moving up and out of Cuyahoga County usually means reducing one's tax liability. People are realizing this; between 2000 and 2010 the region's population that lived in townships increased 37,000 while those living in cities declined by 102,000. There is more than enough farmland to accommodate builders and movers for the indefinite future.

In 1995, I was invited to a "community meeting" in Richland County's Washington Township, southwest of Cleveland off I-71 at exit 165. I arrived at a hall packed with what I quickly realized were farmers. The meeting was called because they were upset about the homebuilding that was happening around them as new residents were starting to interfere with farming activities to the point of filing law suits because of smells and noise, particularly noise during nighttime operations.

I was asked, "What can we do about this?" At first I was puzzled, trying to figure where the new folks were coming from. I assumed they were moving from the nearby city of Mansfield. "No," I was told, "they're from Cleveland and Columbus." That spot just off I-71 is

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<sup>5</sup> One can reduce one's tax obligation by living in the city where one is working. To live in a different city results in payment of two income taxes.

midway between the two regions, making it an hour's drive to both Cuyahoga and Franklin Counties. Apparently, for some people living deep in the country and driving an hour or more to work is no big deal. Also, land there is cheap compared with a lot in or near Cuyahoga and Franklin Counties. The entire 140 miles between Cleveland and Columbus along I-71 are thus in range for homebuilding. The two job markets can be tapped from one location, and today substantial numbers are doing the tapping. [Realtor Kirk] "Wilson said [the Village of] Bellville is 'the hottest market' for his company, due in large part to its location in southern Richland County, with proximity to I-71. 'You have a lot of people driving to work in Cleveland or Columbus,' he said." <sup>6</sup>

So who was selling land to the newcomers who were irritating those farmers? Farmers who presumably were in need of some cash. I was no help. All I could say was the only way for homebuilding to cease was for those who were selling land to stop doing it, and there was no indication that that was about to happen. And it did not.

### ***The U.S. Constitution***

Our Constitution establishes and protects property rights: no person shall be "deprived of life, liberty or property, without due process of law; nor shall private property be taken for public use without just compensation." If the Cuyahoga County commissioners, in response to the 1950 Planning Commission report, had declared that spotty residential developments were undesirable and henceforth would be prevented by denying construction permits, surely a farmer would have gone to court saying, "Wait a minute; government is trying to take my land, in effect, by preventing me from receiving what has been determined to be its value. A developer is offering me a million dollars for the farm. If the county intends to prevent me from accepting the offer, the county must pay me the million." I imagine the U.S. Supreme Court would agree with the farmer.

A local government can limit the pace of development (number of units per year), as the City of Hudson (Summit County) did in the 1990s, but it cannot totally prevent it, if land is zoned to permit the proposed use. Hudson's concern was that the pace homebuilding was overly taxing its sewers, water system, and roads and needed to be slowed. Its position was upheld upon court challenge.<sup>7</sup>

The protection given to property by the U.S. Constitution makes sprawling development extremely difficult to contain. Once farmland is zoned for residential development nothing can stop it from happening as long as the project conforms to the relevant building codes. Except

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<sup>6</sup> <http://www.mansfieldnewsjournal.com/story/money/2017/05/07/homes-snapped-up-quickly-hot-market/101205206/>.

<sup>7</sup> <http://caselaw.findlaw.com/us-6th-circuit/1434208.html>.

for those codes, the use of the land is entirely in the hands of the landowner. Just off Route 2 in Lorain County, south of the city of Lorain, lies a 20-acre parcel of agricultural land surrounded by homes. Whoever owns it continues to plant and harvest a crop each year. The land is worth at least a million dollars for residential development and much more if zoned commercial. But the owner clearly prefers farming over having the cash, and the situation could go on and on with owners to come if they so choose.

It should be noted that, yes, property owners have the right to develop according to zoning, but government is not compelled to encourage, aid, or facilitate its happening. Government does not have to build an interchange, widen a road, or extend water lines and sewers. Such actions stem from policy decisions. More on this later.

### ***Locus of Governmental Authority***

The Cuyahoga County Regional Planning Commission had absolutely no authority to implement its vision for the county's future. Authority governing land use was, and is, vested in local government, in the individual suburbs that were growing—growing not only in population but real estate tax base. The history of suburban development is replete with elected officials mouthing Halleluiah! upon hearing the news of a forthcoming development project as it meant more tax revenues. All the commission could do was advocate for its vision, which was but a candle in the hurricane of outmigration energized by the economy, farmer readiness to sell, and “property rights.” Those factors combined to ensure that the county's future would be no different than the path it was on.

### ***Inevitable Outcome***

Cuyahoga County's farmland gradually disappeared, dropping in area from around 150,000 acres in 1950 to 2,600 in 2012, and probably even less today. Cuyahoga has the distinction of being the first county in Ohio to have nearly exhausted its supply of green fields. As its land was steadily developed, building naturally shifted farther out to neighboring counties. Lake County was the first to be highly active, sparked by the Lakeland Freeway (Route 2), opened in the early 1960s. Then Medina County began to surge after I-71 opened in 1968. Now Lorain County leads the pack, fed by I-90 (1978) and I-480 (1980). Each county is gaining population *only* because of movers from Cuyahoga. Two-thirds of Cuyahoga's current population loss is the result of residents moving to neighboring counties, where 80 percent of the region's new homes are built.

In 1997, we did a study of Medina County to determine when it might be fully developed, given the pace of construction and land-use conversion that was occurring. We projected the end point to be the year 2045. Later we found that, between 2002 and 2012, the

amount of farmland was reduced by 28,000 acres (23 percent), leaving 95,000 acres.<sup>8</sup> At that pace Medina would indeed be out of farmland by 2045. But the Great Recession intervened, and homebuilding fell from 1,600 units in 2000 to 370 in 2011. It has since recovered somewhat, reaching 676 units in 2015. Medina's "We're full" date of 2045 has been pushed back. But whenever it may occur, the end of farming (most of it anyway) in Medina County appears to be as inevitable as it was in Cuyahoga. The same holds for Geauga County. Western Lorain County, however, probably is beyond reach. It would take stupendous economic growth in the region, or an unfathomable collapse of Cuyahoga's western suburbs, to push sizable amounts of development out that far.

Medina County residents have not been oblivious to the trend. "Loss of rural character" has been a concern there for years. In the 1990s, agitation over this issue intensified when the Ohio Department of Transportation announced its plan to widen I-71 from two to three lanes between Rt. 42 in Cuyahoga County and Rt. 18 in Medina County. Some people (in both counties) maintained that widening would only encourage more Cuyahoga residents to move to Medina, promote more sprawl and further erode Medina's rural character. (Cuyahoga County is not the only feeder of Medina County; substantial numbers move from Summit County. But most of Summit's population loss is to its southern neighbor Stark County.)

On the other side in the Medina dispute were those who considered the widening necessary for highway safety and efficiency, and for Medina County's economic growth. The matter could not have been more contentious. A county commissioner was voted out of office after putting highway widening and urban sprawl in the same sentence. Being seen as standing in the way of growth and development is a good way to draw attacks from those whose livelihood depends on growth and development. In the end, planners and officials ruled for widening. Since the rest of I-71 was going to be three lanes, it made no sense to keep that 15-mile segment at two lanes.

The central issue in the widening dustup, which never got the attention it deserved, is the state's biased role as it readily promotes the development of new communities, such as through the I-71 widening, while abdicating responsibility for conditions at the other end of the spectrum spanning the regional housing market. Government influences the location of investment in real estate by making the development of farmland simple and straightforward, while making renewal and redevelopment of aged places anything but simple and straightforward. That imbalance, I believe, amounts to a violation of the Ohio Constitution as it affects particular property owners (Chapter 7).

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<sup>8</sup>[http://www.agcensus.usda.gov/Publications/2012/Full\\_Report/Volume\\_1,\\_Chapter\\_2\\_County\\_Level/Ohio/st39\\_2\\_001\\_001.pdf](http://www.agcensus.usda.gov/Publications/2012/Full_Report/Volume_1,_Chapter_2_County_Level/Ohio/st39_2_001_001.pdf).

In 2000, Medina County residents had the opportunity to establish a fund for farmland preservation by increasing the sales tax by 0.25 percent. Voters said no, 55 percent to 45 percent. The loss of the county's rural character has continued. I wonder how the farmers voted. Did they vote yes only to be outnumbered by town folks who voted no?

In 2012, I was invited to a "Medina County Growth Forum" attended by many county leaders. I was asked to report on the county's development trend compared with the projection we had done in 1997. I told them the recession had slowed things greatly, but the county could be mostly built-out in another 40 years or so. I also showed them the Google Maps images of York, England, and Medina County without identifying the locations. I simply showed the two pictures and asked them to vote for their preferred pattern. Fifty-eight percent chose York.

Not until after the vote was counted and five minutes had passed did someone recognize the Medina image. The 58 percent preference possibly was not a good sample of Medina voters, but maybe in the 12 years following the defeat of the preservation levy, enough residents had changed their mind on the matter that a new levy would pass. Or most may want the rural quality that attracted them to Medina County, but balk when asked to pay to secure it. Or maybe some think farmland preservation is not an appropriate role for government.

But state government is involved in farmland preservation. In 1996, then-Governor George Voinovich established a bi-partisan Ohio Farmland Preservation Task Force to formulate recommendations "for the protection of agricultural land use" and to "identify incentives and voluntary methods to encourage a healthy agricultural sector."<sup>9</sup> In the four years preceding the task force's commission, Ohio had lost 100,000 acres of farmland. The task force recognized that "preservation of a healthy agricultural economy and urban revitalization are two sides of the same coin . . . strategic planning for the one must incorporate the dynamics of the other." I take that to mean that without urban revitalization that attracts and retains people in cities, outmigration and farmland loss cannot be reduced.

The task force did its job thoroughly (I observed many meetings) and produced an extensive list of recommendations, one of which was to establish the Office of Farmland Preservation. But the report was limited, per the governor's charge, to incentives and *voluntary* methods. Thus the existing system that determines the use of farmland was to be untouched. The state was not about to restrict the freedom of farmers to sell to a developer. There would be no Oregon-like urban growth boundary,<sup>10</sup> no governmental structure that would protect farmers whose land was in range of urban outmigration. And without some kind of controlling structure, selling would be unpreventable. Farmers in counties where development pressures

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<sup>9</sup> [http://glenn.osu.edu/farmland-policy/papers/2010\\_6.pdf](http://glenn.osu.edu/farmland-policy/papers/2010_6.pdf).

<sup>10</sup> <http://www.oregonmetro.gov/urban-growth-boundary>.

were high (Medina, Lorain, etc.) would continue to yield, domino-like, to the conclusion that was no point in carrying on in a collapsing situation.

Nonetheless, the state created the Clean Ohio Local Agricultural Easement Purchase Program, which uses Clean Ohio funds (provided by state taxpayers) to pay farmers who volunteer to keep their land in agricultural production in perpetuity. The farmer gets cash without having to sell land, and the property's deed gets a permanent easement preventing future development. The state committed \$6.3 million in 2016 for that purpose. Around 50,000 acres have received protection of the state's total agricultural land of 13.6 million acres.<sup>11</sup>

When land must be purchased, in effect, to protect it from development, not much gets protected. One farm in Lake County is in the easement program along with two in Lorain and three in Geauga. Medina County has none.<sup>12</sup> Indeed, the state has written off its high-pressure counties because in order to be eligible for the program a farmer must demonstrate that his land "is not in the direct path of development."<sup>13</sup> Without protection, there will be a steady stream of land in the direct path of development until the stream runs dry. The task force was given an impossible charge by the governor's limitation of "voluntary methods." Farmland preservation in Ohio is essentially a lost cause.

The fact that farms typically produce more tax revenues than are needed to finance the services they receive carries little weight when development pressure is high.<sup>14</sup> Homes are the opposite; they are heavy users of services. Astute elected officials know that and attempt to minimize the tax load on residents by getting retail and office developments, which are light users of services compared with the tax revenues they produce. The "extra" revenues are applied to residential services and obviate the need to tax residents more. Advocates of farmland preservation emphasize that farms generate a tax surplus, while homes place heavy demands on services, but a driving force in the dynamics of development is officialdom's unavoidable obsession with tax base, fueled by DIY survival (Chapter 7).

So what is happening in Medina County, Lorain County, and the others is exactly what happened in Cuyahoga but at slower pace and with much greater scale of land consumption. When Medina County becomes built out, it will have roughly one household for every 2.7 acres of county land, compared with Cuyahoga County's one household for every half-acre.<sup>15</sup> The difference is the result of large-lot zoning, a practice commonly employed to reduce the

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<sup>11</sup> <http://www.farmlandinfo.org/statistics/ohio>.

<sup>12</sup> [http://www.agri.ohio.gov/divs/FarmLand/docs/Farm\\_ASA\\_AgMap.pdf](http://www.agri.ohio.gov/divs/FarmLand/docs/Farm_ASA_AgMap.pdf).

<sup>13</sup> [http://www.agri.ohio.gov/divs/FarmLand/FarmLand.aspx?div=Farm\\_AEPP\\_Index.htm](http://www.agri.ohio.gov/divs/FarmLand/FarmLand.aspx?div=Farm_AEPP_Index.htm).

<sup>14</sup> [http://www.farmlandinfo.org/sites/default/files/Cost\\_of\\_Community\\_Services\\_Studies\\_AFT\\_FIC\\_201609.pdf](http://www.farmlandinfo.org/sites/default/files/Cost_of_Community_Services_Studies_AFT_FIC_201609.pdf).

<sup>15</sup> The most densely populated place in Northeast Ohio is the city of Lakewood, with 7.1 households per acre, which helps make possible the commercial vibrancy that the city is experiencing. For comparison, the figure for Cleveland Heights is 3.85; Parma, 2.66; Solon 0.65.

negative impacts of development and preserve some measure of rural character. For example, Homer Township, in the far southwest corner of Medina County, has a minimum lot size of 10 acres (roughly the size of Cleveland's Public Square). In Geauga County, the minimum lot size is five acres, which raises home values as large lots usually require more affluent households who can afford the price of the land and, thus, a high-priced home. Geauga now has the second-highest average income in the state.

Another way to minimize impacts is through "conservation development," which combines development and preservation. For example, instead of building 50 houses on a 100-acre farm with a two-acre lot size, build 50 more compact houses on 50 acres and leave 50 acres in their natural state. Call it sprawl-lite. But even that can be a tough sell as township officials and residents often are leery of any kind of "planning" that deviates from the standard house-per-x-acres, which they view as opening the door to high-density development, rentals and people who bring "urban problems."

### **1950 Redux**

The issue of how to balance land use and individual property rights ranks among the most controversial in the nation, which is why altering the existing dynamics in Northeast Ohio probably would amount to a foot-journey of a thousand miles. In 2010, a federally funded project, the "NEO Sustainable Communities Consortium" (NEOSCC) was launched to review Northeast Ohio's development pattern and its impacts, and to formulate alternative scenarios for the future.<sup>16</sup> Numerous community involvement meetings drew many who saw the need for reduced sprawl and more redevelopment and reuse of previously built places. But some who came were adamantly opposed to the Sustainable Communities project. They saw it as the first step toward the imposition of central planning upon local communities and an attack on property rights in accordance with the alleged purpose of United Nations Agenda 21.<sup>17</sup> At one such gathering, the give-and-take became so lively that the police were called.<sup>18</sup>

The main conclusion of the Sustainable Communities project was that the existing pattern of regional development (the outward spread into the countryside while abandoning old, central locations) is leading to a future of escalating and unsustainable public costs. The report states:

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<sup>16</sup> <http://vibrantneo.org/>.

<sup>17</sup> Agenda 21 is a non-binding, voluntarily implemented action plan of the United Nations in support of "sustainable development." See [https://en.wikipedia.org/wiki/Agenda\\_21](https://en.wikipedia.org/wiki/Agenda_21). Some people see it as an attack on individual rights, especially property rights. See <http://www.crainscleveland.com/article/20130804/SUB1/308049975/sustainability-advocates-infringing-on-publics-property-rights>. And <http://americanpolicy.org/agenda21/>.

<sup>18</sup> May 2, 2013, at Cuyahoga Community College Eastern Campus.

“If Northeast Ohio follows its current trend of virtually flat population growth and job growth and maintains its current approach to land use and development, our region will face unprecedented challenges by 2040.

“The costs of our land-use and resource choices will place EVERY county in the region at significant financial risk as local governments will be forced to spend more than they take in. Northeast Ohioans will have to choose between two bad options: getting used to a diminished quality of life or paying significantly more in taxes.”<sup>19</sup>

The NEOSCC-projected budget deficits (a way to measure the need for tax increases) are shown in Table 3.

**Table 3**  
**Projected County Deficit in 2040**

<b>County</b>	<b>Budget Deficit In 2040</b>
Cuyahoga	60.4%
Lake	32.3%
Geauga	23.5%
Medina	22.5%
Summit	15.3%
Portage	13.6%
Lorain	13.1%

The NEOSCC report is Cuyahoga County Regional Planning Commission 1950 redux: “Can we afford all this sprawl? to waste all this land? to spend extra millions on sewer and water supply? to raise the cost of policing, schooling, fire protection, transportation?” And like the 1950 effort, not a single action of any consequence has been taken in response to the recommendations that resulted from the Sustainable Communities project. It has been only two years since the NEOSCC report was issued; perhaps some actions are coming, but I am doubtful.

Of the four factors that dictated the futility of the planning commission’s 1950 call for an alternative future, one and only one appears substantially different today. There is no indication that the economy of Northeast Ohio is on the verge of 20 years of unprecedented economic growth. It may happen, but the likelihood appears small. Thus, the NEOSCC report’s conclusion—EVERY county in the region is at significant financial risk—probably is spot on. That is certainly true of Cuyahoga County (Chapter 8).

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<sup>19</sup> Vibrant NEO Guidebook. 2014. [http://vibrantneo.org/wp-content/uploads/2014/02/VibrantNEOGuidebook11x17\\_Final.pdf](http://vibrantneo.org/wp-content/uploads/2014/02/VibrantNEOGuidebook11x17_Final.pdf).



Some might conclude that the situation calls for as much attention by state government as it does by local officials. The state *could say: We recognize what is happening in Northeast Ohio and the associated costs; we recognize that for decades state policies and practices have heavily favored the building of new communities over maintenance and renewal of those previously built; and we recognize the basic right of rural property owners to sell land for development in accordance with established zoning, and we expect property owners will continue to do that. But given the situation that has resulted from the state's decades of imbalanced treatment of communities and property owners, we recognize that a change in priority is called for. Henceforth the state will focus its policies and resources to support maintenance, renewal, and redevelopment of communities that are fully developed and have aged to the point that they are in, or are in danger of, decline.*<sup>20</sup>

If state officials were to take that position, the underlying forces involved in the urban/suburban/sprawl dynamic would shift somewhat toward producing the scenario that 58 percent of the Medina County Growth Forum participants preferred. That *could* happen, but given the resistant pressures that surely would be triggered by any initiative involving such fundamental change—an initiative that immediately would be branded as anti-growth, anti-jobs, anti-property rights, and un-American—proponents would likely have a rough go of it. What happened in Maryland makes the point.

In 1994, Parris Glendening was elected governor of Maryland. Glendening favored “Smart Growth” (he supposedly coined the term) rather than sprawl and sought to prioritize state policy and investment to maximize maintenance and redevelopment in Baltimore and the state’s seven other smaller cities. One should not be surprised that those whose livelihood was tied to Dumb Growth—developers, builders, real estate companies, rural property owners with land to sell (the same interests that resisted Medina County’s attempt at farmland preservation)—took exception to the governor’s stance.

Governor Glendening was term-limited so he could not run again in 2002, but in all likelihood he would have lost had he run. The proponents of Dumb Growth, along with other interests, had little trouble defeating his lieutenant governor, Kathleen Kennedy Townsend. Smart Growth was shoved to a back burner. The point of the story: one should not expect our state government to readily do anything that might rile those whose self-interest is closely tied to priorities and policies as they are.

Build at the edge, move outward, abandon the old: the formula is so deeply ingrained in our way of life that any attempt to change it will naturally face determined resistance. But that

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<sup>20</sup> Officials in 18 Cuyahoga County inner suburbs would welcome such a statement. In 2006 they organized the First Suburbs Consortium of Northeast Ohio and have been advocating such a position since then.

does not mean the case for change is not worth making. Besides, fundamental change can happen even when totally unexpected. Witness the fall of the Soviet Union (or the election of Donald Trump).

## Chapter Seven

### The Influence of Government: Playing Favorites

A state official could respond to my critique of the state's favoring new communities over old ones with, "What a minute, Bier, state government is not responsible for the condition of Cleveland, or Akron, or Euclid, or any city; they are *independent self-governing* cities." Yes, that is true, but nothing in the law enacting home rule makes them solely responsible for their condition. It is state policy that makes them solely responsible.

Naturally, John Q. Public chimes in:

*Cleveland, you have many thousands of derelict buildings that need to be demolished, you have a constant stream of properties being abandoned year after year, you have decline spreading from street to street, neighborhood to neighborhood, and you have large swaths of vacant land (with buried liabilities) in need of redevelopment. You have all that and more. Sorry, but it has nothing to do with me. I don't live there. It's your problem, you fix it.*

*Euclid, your property tax base was substantial when manufacturing was thriving but now you have thousands of 60-year-old homes that need upgrading and modernizing, you have residents moving out to newer and larger homes in Lake County, you have declining property values as new residents from Cleveland move in with incomes lower than those moving out (which weakens your tax base), and you have tax rates among the highest in the region. You have all that and more. Sorry, but it has nothing to do with me. I don't live there. It's your problem, you fix it.*

This mindset assumes that independent cities, of whatever size, have the resources necessary to contend effectively with conditions that naturally arise as buildings and infrastructure age. But few cities have such resources.

When home rule was established by constitutional amendment in 1912, Ohio's major cities were in a totally different situation than they are today. They were exploding with growth and had to address such problems as sanitation, utilities, transportation, construction, and education. Imagine the impact as Cleveland's population shot up from 92,000 in 1870 to 382,000 in 1900. Cities at that time were administratively entangled with their home county and the state. Clearly, the way forward needed to be through independent local government that was free to manage rampant growth as it judged best. Thus home rule.

No one in 1912 had any idea that the governmental adjustment being made would have a monumental and civically corrosive consequence that would not begin to matter seriously for 50 years. It eventually would put a growing number of local governments in the position where

they were expected to do something (renew, redevelop) that was impossible to achieve at the scale needed with the resources available.

Following the implementation of home rule, Ohio's cities grew and prospered. City halls did well in managing their jurisdictions as their real estate tax base generally was sufficient to meet needs. But in the 1930s, the Great Depression sparked fiscal stress. In 1934, the state responded by initiating "revenue sharing" with its cities when it established the Local Government Fund.<sup>21</sup> The revenue source was the state's new 3 percent sales tax. Later, when funds from the Local Government Fund and local property tax revenues were not enough to meet needs, cities began to levy an income tax, which Cleveland did in 1966. That tax has kept the city afloat. Suburbanites working in the city now pay 87 percent of the total collected.<sup>22</sup> In November 2016, voters responded to Mayor Frank Jackson's plea and increased the tax rate from 2.0 percent to 2.5 percent. Now, small suburbs that ring Cleveland from Euclid to Lakewood, suburbs that already have the highest tax rates in the region, are finding they are in the same boat; they have aged to where they have steadily mounting needs for maintenance, renewal and redevelopment but are hamstrung with inadequate tax bases.

In 2011, state policy changed course and undercut cities further. The Local Government Fund was substantially reduced to eliminate a projected state budget shortfall. State need for revenue trumped local need. That reduction greatly aggravated the situations of the worst-off cities as they struggled in DIY survival.

### **Tax Capacity: The Heart of the Matter**

In 1997, the Housing Policy Research Program documented the "tax capacity" of all jurisdictions in the region.<sup>23</sup> A community's tax capacity is a measure of its ability to produce property tax revenues. It is calculated by dividing the value of the community's real estate (residential, commercial, and industrial) by its number of resident households. The resulting number, "value per household," constitutes "tax capacity." Table 4 shows a sample of low tax capacity cities and their residential tax rate (mills) compared with ones having high tax capacity. We found wide disparity across the region. Older cities had low capacity while cities growing with new development and ones with high-priced properties had high capacity. In Lorain County, the cities of Lorain and Elyria stand out with low tax rates and low tax capacity. Voters in those places may be particularly resistant to property taxes (the largest portion of which goes

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<sup>21</sup> [http://www.tax.ohio.gov/portals/0/research/lgf\\_presentation.pdf](http://www.tax.ohio.gov/portals/0/research/lgf_presentation.pdf).

<sup>22</sup> [http://www.cleveland.com/metro/index.ssf/2016/02/proposed\\_cleveland\\_income\\_tax\\_increase\\_frequently\\_asked\\_questions.html](http://www.cleveland.com/metro/index.ssf/2016/02/proposed_cleveland_income_tax_increase_frequently_asked_questions.html).

<sup>23</sup> Housing Policy Research Program, Cleveland State University. 1997. *Tax Base Disparity: Development of Greater Cleveland's Sapphire Necklace*.

to schools) because of financial burden. The city of Oberlin has a low tax rate and modest tax capacity but its schools are also financed by a 2 percent income tax.

Solon’s ability to produce property tax revenues per household is 4.1 times greater than Cleveland’s. If Solon’s rate was roughly one-fourth its current figure (or 20 mills instead of 74) its schools and some city services would be financed at the same level as Cleveland’s. Solon can finance much more for schools and services than Cleveland can by simply having a higher tax rate—much higher—but not out of line with comparable suburbs.

**Table 4  
Municipal Tax Capacity and Tax Rate**

Low Tax Capacity Cities			High Tax Capacity Cities		
City	Tax Capacity	Res Tax Rate	City	Tax Capacity	Res Tax Rate
Cleveland	\$92,000	92.1	North Royalton	\$182,200	72.7
Euclid	\$92,000	111.01	Shaker Heights	\$195,800	128.9
Kent	\$95,300	77.0	Mentor	\$219,670	57.2
Lorain	\$95,800	66.1	Aurora	\$272,500	63.7
Akron	\$100,000	89.7	Westlake	\$278,400	68.8
Lakewood	\$101,100	103.25	Avon	\$288,800	65.9
Elyria	\$109,400	65.9	Hudson	\$327,900	70.3
Garfield Heights	\$111,600	129.93	Solon	\$384,400	74.0
Willowick	\$124,200	85.9	Boston Heights V	\$426,800	63.2
Oberlin	\$125,900	63.1	Hunting Valley	\$1,609,500	73.8

Tax capacity as of 2010, tax rates as payable in 2016.

Residential Tax Rate is in “mills.” One mill is equivalent to \$1 in taxes per \$1,000 of assessed value. Assessed value is 35 percent of a property’s market value. A \$100,000 home in the city of Cleveland has an assessed value of \$35,000. The property tax on that home is  $35 \times 92.1 = \$3,223$ . The tax on a \$100,000 home in the city of Solon is \$2,590.

The table shows that newer, growing places and the more affluent ones have lower tax rates and provide more services than older, built-out ones. The latter generally have higher tax rates as they struggle in DIY survival to finance needs that didn’t exist when they were new.<sup>24</sup>

Rates in Cuyahoga’s neighboring counties are modest compared with most in Cuyahoga. As of 2016, no neighboring jurisdiction had a residential rate above 90 mills, while in Cuyahoga 14 cities had a rate between 90 and 100, and 13 were above 100. Shaker Heights is somewhat of an oddity, having an above-average tax capacity of \$195,800 and an ultra-high tax rate of 128.9. Shaker residents have been quite willing to support their schools. But there is a downside. If a Cleveland Clinic surgeon earning \$300,000 and living in a \$600,000 home in Shaker Heights were to move to a \$600,000 home in Geauga County’s Bainbridge Township (about 12 miles farther out) she would annually save around \$10,950 in property taxes and

<sup>24</sup> Sewer bills in Cleveland Heights will nearly quadruple by 2018 as its 100-year-old storm water system must be reconstructed to prevent sanitary overflows. The cities of Lakewood and Euclid are facing the same situation.

\$6,750 in income taxes (there is no income tax in townships) for a total savings of \$17,700. I'm sure there are people living in Geauga County because the tax load is much less than in Shaker Heights and other highly taxed communities among Cuyahoga's eastern suburbs. The drop in taxes at the Cuyahoga County line is another factor enabling Geauga County to have the second-highest average income in the state.

### **What Does the Rulebook – the Ohio Constitution – Say?**

The Ohio Constitution states: "All political power is inherent in the people. Government is instituted for their equal protection and benefit . . . and no special privileges or immunities shall ever be granted . . ." <sup>25</sup> Since each city, because of home rule, is considered singularly responsible for its renewal and redevelopment, the state not only fails to further equal protection and benefit, it also promotes special privilege. Properties in communities lacking the resources necessary for renewal and redevelopment lose value as properties in new and growing communities gain value. Value is shifted from the old to the new just as the production of new cars lowers the value of old ones. That is, the way to keep the prices of used cars high is to stop making new ones. The way to keep the prices of existing homes high is to stop building new ones.

By allowing urban renewal and redevelopment to be so limited compared with exurban development, the state falls far short of its guarantee of equal protection and benefit. It recognizes and supports those who prefer to live in new and newer communities and virtually ignores those who prefer to live in older places. It plays favorites. In that respect, the state is anti-choice; it prevents a sizable portion of its citizenry from having its choice location of residence.

In 2010, when the Ohio Department of Transportation approved the I-90/Lear-Nagle interchange in the city of Avon (Lorain County), farmers in that area slept well as they were granted special privilege. The state caused the value of their land to increase from a few thousand dollars an acre to, in some places, more than \$100,000 an acre. The state released the explosive power of well-placed real estate development. The wealth that can result is so substantial that the city of Avon and a major developer were willing to pick up the entire \$24 million price tag for the interchange. ODOT's contribution was to accelerate approval of the project.

But Avon's gain means loss for others. Movers to Avon are coming mainly from Cuyahoga's western suburbs and Cleveland's West Side. Avon's new homes offer the opportunity for moving up and out. I don't blame people for doing that; why shouldn't they? But as they do, economic strength and real estate value move with them. The state is

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<sup>25</sup> The Constitution of the State of Ohio. Article I: Bill of Rights.

*promoting* the shift of property value from some owners to others; it is taking from some and giving to others; it is failing to protect equally while granting special privilege. In effect, the state is saying to aged communities: *We enable economic strength to leave you, but as you weaken, it's your problem so you fix it.*

The state endorses unconstrained, free-market housing production by facilitating—even encouraging—the development of farmland, but it accepts little responsibility for consequent depreciation and abandonment. And, when the state does provide niggling support for redevelopment and renewal (such as with tax credits for the reuse of historic properties), it acts not because of constitutional obligation to protect equally but because of political squeezing, jockeying, and bargaining. Cities and rural districts compete for resources from the state according to their political muscle in a contest where the legislature is, on balance, weighted toward rural districts.

Someone told me that ODOT's investments in Cleveland demonstrate the state's concern for the city's condition: "The state is putting \$650 million into the new I-90 George V. Voinovich Bridge over the Flats. \$650 million!" As if to say, what more do you want? Yes, but how does a replacement bridge contribute to Cleveland's renewal and redevelopment? It doesn't. But the \$24 million Avon interchange facilitates development across at least five square miles of farmland. Five square miles at an average increased value of, say, \$25,000 an acre is \$80 million. That's just the land. Add (over years to come) possibly 3,000 new homes at \$400,000 per. That's another \$1.2 billion. Then there's commercial: Cabela's, Meijer, Menards, Residence Inn, Levin Furniture, with more to come. The state is taking value from businesses in, say, Westgate Mall in the city of Fairview Park (Cuyahoga County) and giving it to businesses nine miles farther out in Avon.

Cleveland's Opportunity Corridor project, which entails building a divided boulevard from the end of I-490 at East 55th Street to East 105th Street near the Cleveland Clinic at a cost of \$331 million is cited as another example of the state's commitment to the city's revival. To a degree, I'm sure it is. Because the route passes through some of the most derelict parts of the city (long past market-bottom) with much vacant land, it will increase the possibility of redevelopment on roughly 500 acres. But, the odds are pretty good that what the city will get from this \$331-million investment will pale in comparison with what Avon will get from its \$24-million interchange. The boulevard will certainly improve the commute to and from the Clinic (and all places in University Circle) for drivers living south and west of downtown. In that respect, the Corridor is a transportation breakthrough. Time will tell what sprouts on those 500 acres and how it compares with Avon's gain.

## Chapter Eight

### Now What?

Build new homes mostly at the outer edges of the region to the extent the market will absorb them; move outward; leave the old behind. “And thus was this poor church left, like an ancient mother, grown old, and forsaken of her children . . . Thus she that had made many rich became herself poor.” It is a deeply ingrained feature, a core driving force in our way of life, a drama involving the life and death of communities. In the big picture, over many decades, that is what is playing out. Yes, downtown Cleveland and some neighborhoods are finding new life, but other places, now including suburbs, are moving closer to their demise, some of which is inescapable. But as social order, as a vision of our future, surely we can do better.

Particularly perplexing is the matter of oversupply, because it appears to be unpreventable in our free-market society. We must live with whatever the difference between construction and household growth happens to be, and with the consequent abandonments if construction greatly exceeds growth.

In the face of those realities and their impact, cities (central and suburban) are left grossly inadequate tax bases and DIY survival. Support provided by state government, federal government, and non-profit organizations is marginal. Because little redevelopment and renewal are produced in and among old inner locations compared with the scale of need, most middle-income (and higher) households have little choice but to live somewhere else. We get what government permits and promotes.

Given the existing role of government, the possibility of slight job growth in the seven-county Cleveland-Akron region, little or no increase in households, and more homebuilding, what can we expect over the next decade or two *if there is no change in public policy?*

### **City of Cleveland: Some Gain, More Loss**

Renewal and redevelopment will continue downtown and in some neighborhoods while abandonment also continues, probably at the rate of at least 1,000 units a year, mainly in the worn-out, market-bottom sections of the city’s East Side. Its residents are steadily moving to eastern suburbs and to the city’s West Side. While Cleveland cannot escape substantial depreciation and abandonment (as long as a serious oversupply of housing exists), it can grow in population; indeed, it will grow if more people move into the city than move out. Population growth and abandonment can, and are likely to, happen simultaneously.

Downtown’s population has reached 14,000 and should continue growing. One of our studies found that in the waterfront cities of Chicago and Baltimore, 2.2 percent of their



region's middle- and upper-income households lived downtown.<sup>26</sup> The figures for Portland, Oregon, and Milwaukee were, respectively, 2.5 percent and 0.7 percent. If Cleveland's downtown had 2.5 percent, it would amount to around 10,000 households containing a population of nearly 20,000, which would support more stores, restaurants, and services. Including downtown residents whose income is below mid-level means a total population of 28,000 is possible. That would be double the current figure, or a community the size of Shaker Heights. Space for that many, and more, certainly exists. As downtown's population continues to grow, so will its attractiveness. I expect it to happen, as long as rowdiness and crime remain under control. But downtown alone will not be enough to offset citywide move-outs, which are likely to increase as regionwide homebuilding increases and enables more outmigration. (Around 4,000 homes were built in the region in both 2015 and 2016. A gradual increase to 7,000 or 8,000 units annually is likely.)

In recent years (2010-2016), the city's population loss has been estimated to be around 2,000 persons a year while downtown growth has been around 500 new residents a year. Two thousand is close to balance compared with the incredible loss of nearly 18,000 a year in the 1970s. Balance and then increase can happen but require steady expansion of the islands of renewal and the start of new ones, which means more new construction and conversion of old office buildings, warehouses and factories to apartments and condominiums, and more streets "redone" as were West 25th Street in Ohio City and Waterloo Road in the Collinwood neighborhood. But with City Hall in its DIY straightjacket, production is likely to fall far short of potential.

The new Cleveland that is emerging involves mostly residents who can afford new and renewed housing. They are not low-income. At the same time, some new housing for modest- and low-income residents will continue to be built and/or rehabilitated. Arbor Park Village in the Central Neighborhood (near East 38th Street and Woodland Avenue) is an example of new construction of rental units (with Section 8 assistance). And an impressive new project to build 79 homes in the Buckeye neighborhood near what was St. Luke's Hospital is about to get underway. It will offer the option to purchase (starting at \$170,000) or to lease-purchase. But since that construction, as all in the city, will "feed" the region's continuing oversupply, the 79 new units will result in some number of abandonments elsewhere in the city. It is maddening, but that is the way oversupply works: gain in one place means loss somewhere else.

The amount of new or refurbished housing produced for the city's low-income households will be limited by the amount of subsidy available to finance projects, and thus will be small in number compared with the number living in the city. Move-up options for those

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<sup>26</sup>Housing Policy Research Program, Cleveland State University. 2003. *Housing Analysis for Cleveland Lakefront Development*.

with the weakest incomes will continue to consist of rentals in Cleveland and nearby suburbs, often in properties depreciating toward the market bottom.

Cleveland's population will continue its fundamental transition as it loses low-income and poor residents to suburbs and gains higher incomes from suburbs. But that gain—the reversal of a hundred years of income loss that started with the collapse of Millionaires' Row—is exactly what the city needs for its new future.

### **Suburbs of Cuyahoga County: Buildout and Slippage**

Cuyahoga's outer suburbs that still have undeveloped land will see those properties steadily developed, culminating in complete buildout. Meanwhile, low-income and poor residents from Cleveland will continue to move into inner suburbs, where properties are declining in value as stronger-income households go elsewhere, pushed away by obsolescence, deterioration, the lack of renewal, and by crime and uncivil behaviors that often accompany economic transition. For the low-income and poor it is a move up; for the suburbs it is slippage.<sup>27</sup> And just as Cleveland lacks a tax base sufficient to contend with its eroding conditions, so too do most suburbs – which leads to a crucial question: Over the next 20 or 30 years, will Cuyahoga County's inner suburbs retain and attract enough middle-income residents to remain economically viable?

The question is crucial because decline among inner suburbs *plus* sparse renewal and redevelopment in Cleveland *plus* diminishing growth in Cuyahoga's outer suburbs will add up to a perilous situation for county government. Indeed, that peril has arrived as evidenced by what happened to the value of residential real estate between 1994 and 2015.

- *The combined value of residential properties in the suburbs that share a border with Cleveland declined \$4.73 billion – more than double Cleveland's loss of \$2.27 billion.*
- *The rest of Cuyahoga's suburbs gained \$3.2 billion.*
- *The net change for the county was a loss of \$3.8 billion.* That bottom line is an ominous threat to the county's well-being and bond rating.

Already, 41 percent of Cuyahoga County's poorest residents live in its suburbs.<sup>28</sup> Possibly within a decade or so, more will live there than in Cleveland. In another 50 years, most of the county's poor may live in suburbs, leaving Cleveland with relatively few, with most of

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<sup>27</sup> Decline of aged suburbs is not just a local phenomenon. It is national, although mainly in the Midwest and East, where most of the nation's oldest structures are located. Google "suburban decline" and see what you get. See Hudnut, William. 2003. *Halfway to Everywhere: A Portrait of America's First-Tier Suburbs*. Washington, D.C.: ULI—the Urban Land Institute. Also: Lucy, William H. and David L. Phillips. 2000. *Suburban Decline: The Next Urban Crisis. Issues in Science and Technology*. <http://issues.org/17-1/lucy/>.

<sup>28</sup> [http://www.cleveland.com/datacentral/index.ssf/2016/09/cleveland\\_poverty\\_numbers\\_drop.html](http://www.cleveland.com/datacentral/index.ssf/2016/09/cleveland_poverty_numbers_drop.html).

them living in public housing or otherwise subsidized properties. The rest of the city's residents would be middle-income and higher, and would be living downtown and in neighborhoods that became islands of renewal. This brings to mind what a social observer noted in the 1960s when many of America's major cities, including Cleveland, were in turmoil: "The indications are that we shall not have viable cities until we lure the chronically poor out of the cities and induce the exiled urbanites to return."<sup>29</sup>

I don't think it is a matter of luring the poor out; how could that be done in any case? It is a matter of depreciation and the economic power of those who are far from poor. Middle-class rejection of some suburbs opens the door for low-income and poor people to leave the central city. Also, if people with strong incomes want to live where people with less income are located, the stronger purchasing power will force those with less to go elsewhere. The leading cases today are San Francisco and New York. It is residential capitalism. Without some governmental protection, such as rent control, a bit of which exists in New York's Manhattan, or rental housing provided and controlled by not-for-profit entities, those with deep pockets will get what they want.

And then there is the distinctive characteristic of cities around the world where the wealthy and powerful live in or near the center while the poor live on the city outskirts or least desirable land wherever located.<sup>30</sup> The center of Paris is an island of wealth and elegance surrounded by low-class "banlieues" (suburbs) with the usual troubling conditions. In central London, the super-rich populate the Kensington, Chelsea, and Knightsbridge neighborhoods. In the world's old cities, the elite were entrenched at the center for centuries if not millennia before the arrival of the Industrial Age and its jarring impacts. The new economic forces were not going to dislodge them. Industry had to fit in around them, as the lowly had always done. But in America's original industrial cities, the economically weak were able to settle centrally because the elite were not immovably in place. In that respect, American cities have been an aberration.

But it seems the need to be at or near the center comes with wealth and power. Historically, the closer one lived to the king or queen, the more one might have access to and benefit from the crown. The resultant concentration was where deal-making, intrigue (and counter-intrigue), personal networks, and cultural activities functioned most efficiently. If so,

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<sup>29</sup> Hoffer, Eric. 1972. *First Things, Last Things*. New York, NY: Harper & Row, p. 73.

<sup>30</sup> On March 25, 2017, Pope Francis visited Milan, Italy, and called upon members of religious orders to go out from the center and minister to "the peripheries" – poor people and those marginalized by society living at the outer edges of the city. <http://abcnews.go.com/International/wireStory/pope-puts-focus-peripheries-milan-pastoral-visit-46368280>.

America cities, at least the major ones, were bound eventually to fall in line with the rest of the world. That has begun, with New York's Manhattan being prominent.

Obviously, Cleveland is in a completely different league than New York, but it is reasonable to expect its downtown to continue rising with better-off (and some well-off) residents. And because Cleveland has a secondary center in University Circle, return of some elite can be expected there as well. An apartment tower, One University Circle, is under construction in response to the growing interest in centrality. I'm not anticipating many of the upper crust to locate downtown or in University Circle, but enough will to constitute an important presence. (The more they do, the more that much needed support for the arts will be at hand.)

### **Cuyahoga County: Continuing Decline**

County residents will continue to move up and out to neighboring counties where most of the region's new housing is located. Cuyahoga's share of the new housing market, currently 20 percent, will continue to shrink. It was 40 percent 30 years ago and 70 percent 60 years ago. The exodus of families will result in fewer children, more elderly, and lower incomes. The need for classrooms will continue falling while growing on the other side of the county line. The pattern of recent years will continue: roughly 1.7 residents move out for each person that moves in; \$1.88 of household income is taken out for each \$1.00 of household income that comes in. The most recent estimates, 2016, have Cuyahoga annually losing 5,000 persons and 2,000 households. Fewer households mean more abandonment.

Property values will continue to shift to neighboring counties, as they did between 1994 and 2015, when:

- The value of residential real estate in Cuyahoga County lost \$3.8 billion while eastern Lorain County *alone* increased \$4.1 billion.
- The portions of the other five counties near Cuyahoga gained a combined \$10.4 billion.
- \$14.5 billion gained in neighboring counties vs. Cuyahoga's loss of \$3.8 billion!

If those figures (coupled with the findings of the NEOSCC project) don't express the severity of Cuyahoga's situation, if they don't shake every elected official to his or her core, I don't know what will. As Cuyahoga loses residents and tax base to neighboring counties, it faces fiscal erosion—not withstanding Cleveland's "comeback" downtown and in a few select neighborhoods.

In the big picture of the county's tax base, downtown's rise is slight. After 20 years of impressive recovery, the value of downtown apartments and condominiums is around \$300 million, which amounts to just 0.4 percent of the county's tax duplicate, and 2.0 percent of

Cleveland's. I don't cite those figures to diminish what has been accomplished; I applaud it and shudder to think of the situation without it. But the big picture shows much more loss than gain, and while the scale of seriousness is sobering, appropriate corrective action can be taken. The pace of renewal and redevelopment in Cleveland and its inner suburbs can be substantially increased; the conditions that will attract growing numbers of middle- and higher-income households can be created. But state and local policies must first be adjusted.

### **Neighboring Counties: Development and Traffic**

Development will continue on builder-ready farmland located mostly within 10 to 15 miles of Cuyahoga County—places where farmers are expected to *voluntarily* preserve their land for agriculture. Voluntariness will be ineffective. The more the regional economy improves, the more homes and stores will be built. Townships, where residents pay no income tax and have relatively low property taxes, will increasingly be locations for growth as Cuyahoga residents become fed up with their tax load. The cities of Medina, North Ridgeville, Avon, Hudson, Stow, and Chardon will continue growing toward their eventual build-out, pushing more development into townships. That dispersal will increase the costs of maintaining safety services, roads, sewers, and water lines. The NEOSCC study projected that by 2040 costs will exceed revenues (unless taxes are increased) in all six counties, led by Lake County with a 32 percent shortfall.

Pressures to widen and build roads to relieve traffic congestion in growing places will continue. An example is the call by the mayor of the city of Solon for a new interchange on U.S. 422 to relieve congestion centered on the city resulting from development in neighboring Bainbridge Township in Geauga County and the city of Aurora in Portage County.<sup>31</sup> That area of the region, where four counties (Cuyahoga, Geauga, Summit, Portage) come together, is booming, to the extent any place in Northeast Ohio is booming. It is inescapable; the combination of plentiful vacant land and highways (I-271, I-480, I-80, I-77, U.S. 422 and Ohio Route 8) make that area a magnet for outmigration and tax-base shifting from Cuyahoga to the other three counties. To be clear, the counties adjacent to Cuyahoga are gaining population *only because of movers from Cuyahoga*.

What development and the vicissitude of location can mean to a single community is currently exemplified by the Village of Boston Heights in northeast Summit County. This village of 1,300 residents happens to have at its center the intersection of I-80 (the Ohio Turnpike) and State Route 8. This junction meant little for the village until 2010 when the Ohio Department of Transportation modified the interchange and provided ready access to 160 acres of the former

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<sup>31</sup> [http://www.cleveland.com/solon/index.ssf/2015/09/solon\\_mayor\\_pushes\\_for\\_regiona.html](http://www.cleveland.com/solon/index.ssf/2015/09/solon_mayor_pushes_for_regiona.html).

Boston Mills golf course. After a horrendous squabble among residents and village officials over how the land would be developed (residential or commercial? residents wanted residential<sup>32</sup>), the zoning was changed to permit commercial and office. Stores are coming, including Arhaus Furniture (which is moving, with its headquarters, from Walton Hills in Cuyahoga County), Costco Wholesale, and Bass Pro Shops. Dominion East Ohio is locating its training center there.

With just 1,300 residents (and not likely to increase much), the tax base that comes with that kind of development means almost tax-free living. “We need the businesses here so we can maintain what we enjoy about living here,” said Mayor Bill Goncy. “To preserve everything else, we need to have tax base.”<sup>33</sup> It is life where municipal independence is a blessing and DIY survival is far, far in the future.

Mayor Goncy knows, as every official does, that the most important matter of all is tax base, the lifeblood of each of the 143 cities and villages in the seven-county region. All are focused on and compete for tax base. Basically, those that have vacant land can grow their tax base through development, while those that don’t tread water if not sink. Thirty or forty years ago, what is happening in Boston Heights would have been in Cuyahoga County, probably in Walton Hills or Solon, both of which now are nearly built-out.<sup>34</sup>

When ODOT launched the Route 8 project, it saw it this way:

“With its close proximity to Akron and Cleveland, the SR 8 corridor in Summit County has seen major economic growth. This once rural roadway has undergone significant improvements to meet growing traffic needs as the corridor has developed. Now it is time for District 4 of the Ohio Department of Transportation to put the final touches on the improvements to this major developing corridor.”<sup>35</sup>

“Major economic growth”? Not in the big picture. That “growth” involves mainly economic activity that moved, aided by the state, from somewhere else. Time and again, ODOT has made it its mission to build new communities and foster commercial development on farmland and green spaces at the expense of built-out older communities. Thus does the state give property value to some owners while taking value from others. It fails to protect equally

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<sup>32</sup> <http://www.ohio.com/news/bitter-debate-splits-village-build-housing-or-businesses-1.98908>.

<sup>33</sup> <http://www.crainscleveland.com/article/20160103/NEWS/151219977/arhaus-headquarters-big-retail-giving-boston-heights-a-commercial>.

<sup>34</sup> Auto-dealer Liberty Ford is moving seven miles farther out from Solon in Cuyahoga County to Aurora in Portage County where it will build a new facility on a 14-acre site rather than expand on its limited existing site. Solon, at the outer edge of Cuyahoga County, is beginning to experience what can happen to a built-out community.

<sup>35</sup> <https://www.dot.state.oh.us/districts/D04/Documents/SR%208%20corridor.pdf>. ODOT built another interchange on State Route 8 at Seasons Road to facilitate economic growth: “The main purpose for adding the interchange was to open up about 1,000 acres of vacant land in Stow, Hudson, Cuyahoga Falls and Boston Township for commercial and industrial development.” Ohio.com, Feb 16, 2010.

while granting special privilege. It plays favorites, in effect, saying to older communities, *I enable economic strength to leave you, but as you weaken, it's your problem, you fix it.*

## Chapter Nine

### Moving Forward

If not more of the same, what? We start with ideals. What is the ideal pattern of population movement across the region if what we have (dominantly outward) is not it? I suggest the ideal pattern approximates equilibrium. Moves inward would balance moves outward. People would have substantial choice in terms of direction and location. The redevelopment of downtown Cleveland, new housing in University Circle, and the renewed Ohio City represent added choices for some people as they consider where to live. More can move up and in. Not everyone wants to go farther out; some, not the majority, prefer to live close in if not at the center. But a majority is not needed to have stable, economically viable inner neighborhoods and communities.

At the county level, ideally just as many people would move into Cuyahoga County as out, if not actually more in than out during some years. I expect that will happen when renewal and redevelopment are substantially increased and as Northeast Ohio's resurgence gains steam.

What is the ideal pattern of new housing construction? I suggest it is little or no pattern, certainly not a dominant one, as new housing would be scattered across the region. Some of it would be on farmland; some on land cleared of market-bottom properties; and some tucked into fully developed communities. All of it would be in response to market demand stimulated by public investments. And bits would be influenced by "Build it and they will come." Not long ago the common belief was that no one with a high income would want to live in the city of Cleveland. That belief has been proven wrong. But the proof could not be established until the product to which they would come was produced. The downtown Pinnacle condominiums overlooking Lake Erie were a breakthrough. Two sales in 2015 were for \$1.4 million each. Millionaires welcome; they pay more taxes.

What is the ideal pattern of renewal and redevelopment? In this case, the issue is not pattern but extent. The need for renewal and redevelopment will form a pattern determined by the age and condition of structures across the region. Ideally, upgrading will occur as the need emerges so that a community gradually but steadily is maintained, adjusted, and rebuilt if necessary, thus retaining and enhancing its economic and social stability.

What is the ideal amount of abandonment? Zero, of course, which would be the case if all properties were well-maintained and if no surplus existed. Realistically, the ideal amount, or ideal pace, would be no more than what a community could handle, meaning abandoned structures would be demolished quickly. There would be no serious accumulation and sites



would be prepared and planned for reuse. But the notion of ideal abandonment is pointless since amount is determined by the size of oversupply, which is beyond control by either government or the private sector. Also, with 100,000 low-income households in Cuyahoga's private housing market, most being renters who move frequently, substantial abandonment is certain as they move and vacate market-bottom properties. To much less extent, the same situation exists in Summit and Lorain Counties.

What is the ideal region? One that comes close to the above ideals and whose numerous sub-areas are economically stable, not in long-term decline, and where aging of real estate is managed so as not to overwhelm particular places. That is the ideal and perhaps an unachievable goal. But, given time, maybe 20 to 30 years, the region could go a long way toward achieving it. Of course, this assumes that such a goal is what a majority of people want. If they do, a structure is needed to power it, a structure involving tax base.

### **Toward Ideals: Growth Sharing**

A primary issue in this discourse is tax-base disparity and the inability of aged places to finance what is needed. Property tax base is both the problem and the solution, or at least the core of the solution, because it can be structured to promote renewal, growth, and stability among all communities as Northeast Ohio enters its third century. Ironically, the greatest need for taxes is not when a community is most able to produce them, which is when it is new and growing. If it is growing, it is growing in tax revenues (see Village of Boston Heights, above). The greatest need comes after the community has finished growing, when it is built out and aged to where it has expenses it never had before—expenses in rebuilding streets, removing old trees and planting new ones, refurbishing recreation facilities, inspecting properties, demolishing derelict buildings, assembling parcels of land to form a re-buildable site, upgrading schools.

But every square foot of the region is aging, with some places, such as Avon, just starting out while others (Cleveland, Akron, Cuyahoga Falls, Lorain, Elyria, Painesville, Lakewood, etc.) are far down the timeline, and the rest positioned between the extremes. Eventually, nearly every place in the region will have to deal with the need for renewal and redevelopment. It is an inherent feature of community evolution, right up there with death and taxes as an existential certainty.

Most places will be threatened and challenged to some degree, but few will have sufficient tax base to contend successfully. The wealthiest communities should be in good shape, as long as the wealthy continue living in them, but most others will face trouble. Gradually, over years, trouble will spread as it has been and is doing. As such, aging is a *regional* matter that calls for a *regional* solution. To put it another way, this one is primarily on us, the residents of Northeast Ohio. We have to want to put the region onto a new course. And we

need the state's close partnership in "the role that only the state can play." It is up to us to cooperatively produce the core solution—tax-base growth sharing—to address the inescapable aging of our communities.<sup>36</sup>

### ***Old Creates New***

An interesting thing about tax base is the role that established communities play in the development of new ones. The new city of Avon's tax base is growing mainly because of its proximity to old Cuyahoga County. "Thus she that had made many rich became herself poor." Not that Cuyahoga is poor, yet, but Cleveland sure made many rich, and still does. If Avon was located in the middle of Noble County in rural Southeast Ohio it would be a pleasant, sleepy hamlet. Avon's growth is not being produced by Avon, although its officials are properly planning and overseeing development projects. Avon's growth is a product of economic strength that was and is being generated in other communities across the region. Thus it would be appropriate and civically sound for a small portion of Avon's expanding tax base to be used in support of renewal and redevelopment in communities whose tax bases have passed their prime, whose tax capacities are low.<sup>37</sup>

New property value is being created in many locations across the region by economic strength that exists, or existed, elsewhere in the region. Such is the interconnectedness and interdependence among all communities. To exemplify the point, imagine if we were to wake up tomorrow and find that, overnight, downtown Cleveland had completely disappeared. Everything that had been there, every structure and its contents were totally gone, with no possibility of return. All jobs, gone. Professional sports, gone. Playhouse Square, gone. Northeast Ohio would be traumatized (how would you be affected?).

Another one: Imagine if Lake County completely disappeared, every bit of it including every single person. The effects within Cuyahoga would be staggering, if for no other reason than the number of people who live in Lake and work in Cuyahoga, which is almost as many as

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<sup>36</sup> In 2007, several Northeast Ohio mayors formed the Regional Prosperity Initiative to promote cooperative economic development through growth sharing and coordinated planning. <http://www.crainscleveland.com/article/20090603/FREE/906039961/regional-prosperity-initiative-lays-out-plan-for-collaboration>. The Initiative was endorsed by the Northeast Ohio Mayors and City Managers Association. As an outgrowth, several members of the Ohio Legislature are proposing to establish a Regional Economic Development Study Committee to investigate the benefits of creating metropolitan economic development alliances through which growth sharing could be conducted.

<sup>37</sup> Income tax paid by workers who do not live in the jurisdiction where they work is a form of tax sharing that is common across the region. But it is not based on *growth* in the real property tax base.

those who work in Lake.<sup>38</sup> The counties that comprise the region play a variety of roles with varying contributions to the whole. Each is an integral part.

With its tens of thousands of employers and 1.3 million jobs (54 percent of which are in Cuyahoga County and 20 percent in Summit), the region is a massive web of economic interconnectedness and interdependence that bears no relation to jurisdictional boundaries that were set when the web was in its infancy. It is a mismatch that has both benefits (independent communities) and costs (tax disparity, jurisdictional competitiveness, DIY survival). But the costs can be greatly ameliorated by having *growth support regrowth*.

If a small portion of real property tax-base growth, wherever it is located in the region, were pooled each year and then directed to wherever renewal and redevelopment were needed, the prospects for a much more positive future for all jurisdictions would be greatly enhanced. Results may not show quickly, but after 10 or 20 years they would start to add up and then expand each year thereafter.

The Minneapolis-St. Paul region has practiced property tax-base growth sharing since 1975 through its Fiscal Disparities Program.<sup>39</sup> It is the only such program in the country. It was established by the Minnesota Legislature in 1971, but legal challenge and controversy delayed its startup until the state Supreme Court ruled in its favor. One hundred and seventy-nine *independent* local jurisdictions in the seven-county region participate. They range in size from Minneapolis's 411,000 residents to many places with fewer than 1,000. In 2016, \$561 million in tax revenues were shared. Ninety-nine jurisdictions were recipients and 80 were contributors. One's position as a recipient or contributor can change from year to year. When the program started, both Minneapolis and St. Paul were recipients. Lately, Minneapolis has been a contributor and St. Paul a recipient.

Some might consider the Fiscal Disparities Program to be "taking from the rich and giving to the poor" or "social engineering." But if the program has been economically detrimental to residents and employers, that is not apparent. In 2015, the Minneapolis-St. Paul region had a median household income of \$71,000 compared with \$51,000 for the Cleveland-Akron region.<sup>40</sup> And between 1975 and 2015, the number of jobs in the Minneapolis-St. Paul region increased by 894,000, while the Cleveland-Akron region gained 225,000.<sup>41</sup> After 1990,

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<sup>38</sup> Among workers in Cuyahoga County, 195,000 live outside the county, a figure among the highest in the nation. [https://www.census.gov/newsroom/releases/archives/american\\_community\\_survey\\_acs/cb13-r03.html](https://www.census.gov/newsroom/releases/archives/american_community_survey_acs/cb13-r03.html).

<sup>39</sup> <https://metro council.org/Communities/Planning/Local-Planning-Assistance/Fiscal-Disparities.aspx>. For an evaluation of the Fiscal Disparities Program see <http://www.revenue.state.mn.us/propertytax/Pages/fiscal-disparities-study.aspx>.

<sup>40</sup> <http://www.deptofnumbers.com/income/minnesota/minneapolis/>.

<sup>41</sup> U.S. Bureau of Labor Statistics. *Current Employment Statistics; Quarterly Census of Employment and Wages; Moody's*.

the ratio was even greater: 422,000 vs. 68,000. The two regions have the same number of counties (seven) and about the same size population. The fact that growth sharing has been operating for 42 years suggests that most participants support it.

A key feature in growth sharing is that it *does not involve giving up tax base that a community already has*. Rather, for communities that are contributors it involves gaining more tax base (the result of growth) that is slightly reduced by sharing. And the practice has no effect on tax payers themselves. Their tax bill is the same as if sharing was not happening.

For example: American Greetings Corporation recently moved from the city of Brooklyn to a new headquarters building in the city of Westlake, thereby increasing both the city's property and income tax bases. Assume that the property tax revenues generated by the facility in its first year amounted to \$1,000. With growth sharing, Westlake would pocket (depending on the formula) \$900 while \$100 would be placed in a regional pot to be distributed (through a formula) to jurisdictions that have less tax capacity (possibly including Brooklyn) and need renewal and redevelopment. Westlake would not be giving away something it had before the corporation's arrival but would be receiving 10 percent less than what the increase would be if there was no sharing. In each subsequent year in which Westlake's tax base had growth (relative to a constant base year), 90 percent of the increase would stay in the city while 10 percent would go into the regional pot for distribution. If Westlake had no growth in a year, it then would be a recipient.

It is tax sharing, but it is sharing in the *growth* of revenues. The small contribution should make the practice acceptable, as it has been in the Minneapolis-St. Paul area. And Westlake would, in effect, be purchasing an insurance policy that would pay benefits when the time came for its own renewal and redevelopment. That could be 50 years down the road, but whoever lives there at that time would benefit.

In 1960, the city of Euclid was the Westlake of that time. In *The Plain Dealer* series "Metro-Age Ahead" cited above, the reporter wrote: ". . . mayors drool over Euclid's good services, which it could buy because it has a good balance of industry, stores, apartments, homes." Mayors drooled, but 25 years later what had been a stupendous industrial tax base—the key to the good services—was seriously eroding. It didn't take long. Severance Center, the first shopping mall to be built in the Cleveland area opened in Cleveland Heights in 1963. Twenty years later it was in decline.<sup>42</sup> In 2012, the average age of "distressed" shopping malls across the country was 29 years.<sup>43</sup>

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<sup>42</sup> <http://ech.case.edu/cgi/article.pl?id=STC>.

<sup>43</sup> <http://www.costar.com/News/Article/The-De-Malling-of-America-Whats-Next-for-Hundreds-of-Outmoded-Malls-/141980>.

### ***Support for Sharing May be Substantial***

Resistance to tax-growth sharing among the public may not be as strong as one might assume, as evidenced by what happened in a meeting I attended (around 1990) with administrators in Lake County's Mentor school district. I was invited because "student population growth" was on the agenda. Concerns were expressed about the pace of growth and worsening traffic congestion along with erosion of Mentor's "small town atmosphere." I was asked: What were the prospects of continuing outmigration to Mentor by families from Cuyahoga County? My answer: It is certain. I explained about people moving up to new and newer homes and the paucity of move-up opportunities for residents in the northeast section of Cuyahoga County, thus making Mentor a prime target.

I described the obstacles redevelopment projects typically encounter in old built-out places, projects that could attract and retain some people instead of their moving to Mentor. Then I asked them to raise their hand if they would be willing to chip in \$20 a year on their property tax bill to help meet the extra costs involved in redevelopment. Most hands went up. But someone said, and others agreed, they would do it only if they felt confident that the funds would be used for that purpose and would be properly managed, "definitely not by Cleveland officials."

That was Mentor. Over the years I also attended quite a few meetings in Medina County, where laments about "too much growth" and "loss of rural character" were common. Couple those feelings with the 58 percent who preferred York, England's contained growth over Medina's sprawl and possibly a majority of Medina County residents would be willing to support region-wide tax growth sharing.

I once attended a community meeting in Geauga County's village of Bainbridge where "growth" was the topic. I entered the Town Hall and saw a banner that had to be 25 feet long declaring: "DON'T CUYAHOGA GEAUGA COUNTY." People at the meeting were dramatically vocal as they decried worsening traffic and loss of rural solitude. Would most of them be willing to participate in a growth sharing arrangement if it helped reduce development pressures? I wouldn't rule it out.

In a 1996 survey of residents in Portage County's Randolph Township, an area east of the city of Akron that was under substantial pressure from growth, 89 percent disagreed with the statement that "the character of the township should be changed to a more urbanized,

developed community,” and 82 percent disagreed with the statement that “free-market economics should dictate the future use of land.”<sup>44</sup>

In 2005, a project named Voices and Choices was undertaken to assess what people thought were the region’s most pressing challenges and goals. In various ways, from interviews to workshops, 21,000 people were involved.<sup>45</sup> The goal voted most important was “Encourage local governments to work together or combine services to reduce duplication.” The goal voted fifth most important in the region was “Plan for the future development and growth of the region” by “reducing sprawl and increasing regional connectivity.” The public may be more open to and receptive of major initiatives than elected officials assume.

### **From Competition to Cooperation**

Competition for tax base is a major obstacle to regional economic growth. Although many jurisdictions cooperate through equipment sharing, joint purchasing, and the like, it is inadequate to advance regional economic development. In the existing structure, it is winner take all. Every mayor, every council member, every township trustee knows that his or her prime duty is to protect and expand *their own* tax base and not waste time being concerned about anyone else’s—and do it while being pleasant, humorous and seemingly united in the presence of one’s competitors. When American Greetings moved its headquarters and 2,000 jobs to Westlake, the mayor of the city of Brooklyn was supposed to suck it up and remain cordial with the mayor of Westlake. Grin and bear it even while losing a hefty chunk of tax base. One could hardly have designed a more unconstructive governmental situation. Such a scenario did not matter in the prosperous 1950s and 1960s, when newness and growth seemed to be everywhere (except Cleveland). Today is a totally different world.

If Microsoft were to announce that it was going to locate a new facility in the Great Lakes region, the State of Ohio might initiate a bid for the facility, but elected officials in Northeast Ohio would have little if any incentive to work cooperatively to produce the best possible bid. Only one place would get the tax benefits, the jurisdiction selected by Microsoft. Cooperators would get nothing. Why bother? Indeed, the raw incentive officials have when it comes to possibly gaining a new business is to outmaneuver, outcompete, and outbid one’s neighbors in order to land the big fish.

Cuyahoga County, with its extremely limited supply of vacant land to accommodate new and growing businesses, is in a particularly challenging situation. Without readily available sites, job growth will not happen. The Cleveland Clinic is the county’s largest employer partly because

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<sup>44</sup> Hudkins, Stephen and Blaine, Thomas W. 1996. An Assessment of Residents’ Views on Land Issues in Randolph Township (Portage County), Ohio. Ohio State University Extension.

<sup>45</sup> Voices and Choices: Report on the Public’s Priorities for Northeast Ohio’s Future, p. 13.

it acquired land for its expansion, particularly near its original site on Euclid Avenue. Land is fundamental. But what incentive do elected officials have to work *cooperatively* to identify and prepare sites? None.

Consider the 100-acre site where Randall Park Mall once stood. One hundred acres is a sizable piece of real estate in the context of the county's skimpy supply.<sup>46</sup> And its location in the village of North Randall (population 1,018) close to I-480 and I-271, enhances its value. In classic DIY survival mode, the village, in principle, is singularly responsible for getting "its land" back into productive use, which means securing a developer and businesses that would provide hundreds of jobs and increase its tax base. Redevelopment of that site is no small undertaking, particularly for a jurisdiction of that size. But North Randall is on its own. After all, should officials of other jurisdictions in Cuyahoga County lift a finger to help bring jobs to North Randall when the village would get all the direct benefits? Why bother.

Thus, a second major reason for tax growth sharing, in addition to its impact on renewal and redevelopment, is to eliminate or at least greatly weaken the compulsion to compete for tax base in the winner-take-all, DIY-survival derby. Sharing would establish an incentive to engage in high-level cooperation and produce economic growth irrespective of where it is located. The region would have reason to build its future cooperatively while tax-base disparity steadily was reduced.

The technical mechanism for a sharing system can easily be established, but the formula that would govern contributions and distributions could be a difficult political question. Consideration of the matter cannot be in the abstract. People need to know exactly how such a system would affect their community. A study is needed that answers the question: If tax growth sharing using a particular contribution and distribution formula had been operating for the past 10 years, how would it have affected each jurisdiction in the region? The report would deal candidly with the underlying political choices and display the factual results.

### **What's in it for me?**

*If you live in Cuyahoga County, why say "yes" to tax growth sharing?*

- *To accelerate economic growth.* Vibrant cities attract talented people and investment. The Starbucks culture draws employers.<sup>47</sup> From San Francisco to Boston, from Chicago

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<sup>46</sup> "Middleburg Heights, Ohio – United Parcel Service, Inc., has purchased 65 acres of former farmland in Middleburg Heights, snapping up a *rare undeveloped property of that size in Cuyahoga County*" (emphasis added). [http://realestate.cleveland.com/realestate-news/2017/05/ups\\_buys\\_65-acre\\_parcel\\_in\\_mid.html#incart\\_river\\_home](http://realestate.cleveland.com/realestate-news/2017/05/ups_buys_65-acre_parcel_in_mid.html#incart_river_home).

<sup>47</sup><https://www.bisnow.com/national/news/office/8-companies-that-have-relocated-expanded-offices-in-pursuit-of-young-talent->

to San Antonio, that is a central lesson of the past 20 years. Cuyahoga County (indeed the whole region) needs much more of the vibrancy that is emerging in Cleveland's downtown, University Circle, Ohio City, and several other locations.

- *To avoid tax increases, or at least have smaller ones.* If Cuyahoga County's property tax base continues to lose more than it gains, the better-off suburbs (places where gains are occurring) will, as a matter of arithmetic, have to provide a greater portion of county-wide taxes (such as for Cleveland Metroparks). It already is happening. A study found that weakened property values in Cleveland and five inner suburbs during the years 2006-2012 caused tax payers in the rest of the county to pay \$45 million more for levies that had been previously passed. That is, county taxpayers were committed to producing a fixed amount of revenues associated with those levies. The shortfall in revenues caused by the value decline in the six jurisdictions had to be made up by taxpayers in the rest of the county. A one-mill levy in 2006 raised \$30.4 million; by 2012 the yield was down to \$26.9 million.<sup>48</sup>

The less tax base is regenerated in Cleveland and inner suburbs, the more pressure there will be to raise taxes across the county. And the more that happens, the more reason there will be for people and employers to move to a neighboring county, particularly to a township. And the more they go, the greater will be the tax load on those remaining. That is a death spiral.

- *To moderate if not check suburban decline.* Inner suburbs are vulnerable and their erosion puts the next ring, spanning Richmond Heights in the east to Rocky River in the west, at risk.
- *To preserve community independence.* If a jurisdiction's tax base continues to weaken, it can reach the point where it becomes economically helpless and is forced to merge with another jurisdiction. The city of East Cleveland is at that point. And with trends as they are, others could follow. It is important to take a long view; what can happen over 50 years is astonishing.
- *To prevent heavy hits.* If the region's pace of economic growth does not increase, if interjurisdictional competition continues to dominate, if Cuyahoga continues with its losses, if elevation of Cleveland's stature falters, the long-term future could mean more serious losses. For example:

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70823?be=sbullard@crain.com&utm\_source=Newsletter&utm\_medium=email&utm\_campaign=thu-16-feb-2017-000000-0600\_national-re.

<sup>48</sup> <http://s3.documentcloud.org/documents/1096130/the-cost-of-vacancy.pdf>.



Cleveland is known for its law firms, many of which were established during its industrial heyday. They and the local businesses that service them constitute an important segment of the economy. The largest firms have grown to global scope, which is good news, but it also means their Cleveland location is less significant. Jones Day, with its worldwide network of 2,500 lawyers, of which only 200 are in Cleveland, no longer cites Cleveland as its headquarters but simply as its “First Office”<sup>49</sup> (I would have voted for “Founding Office”). Operationally, its Washington, D.C. office may be its headquarters. If so, it may not be identified as such (for the time being?) out of deference to the firm’s history in Cleveland. Might the day come when the Cleveland office is closed and the staff moved to other places? That may seem unthinkable, but 50 years ago who would have thought the day would come when TRW would be gone, along with Harris Corp., Standard Oil (BP), Warner & Swasey, Diamond Shamrock, Republic Steel, and on and on.

When Squire Sanders merged with London, England-based Hammonds in 2010, the firm’s power balance shifted eastward. More shifting probably occurred when that entity merged in 2014 with Washington, D.C.-based Patton Boggs. Without a direct flight from Cleveland to London, can the Cleveland office of Squire Patton Boggs maintain its centrality? Flight availability matters greatly to global businesses. The leading edge of the nation’s economy now is concentrated in and near cities that have at least one major airline hub.

When Cleveland-based Sherwin-Williams Corporation announced it was acquiring Minneapolis-based Valspar Corporation to form the global leader in paints and coatings, my heart skipped a beat. Minneapolis has direct flights to London, Paris, Amsterdam, Tokyo, and all major cities in the U.S. Cleveland Hopkins International Airport (with little to show for “international”) cannot compete. I will not be surprised if some Sherwin-Williams headquarters positions are moved from Cleveland to Minneapolis.

Without much more economic growth in Northeast Ohio, international flights will not be established at Hopkins. Neither will more direct domestic flights. And without flight availability that meets the needs of expanding employers, growth likely will continue to be sluggish. The situation could hardly be more demanding.

Another heavy hit: Cleveland may be close to losing its status as a premier professional sports town. There may not be enough people in the region with enough income to

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<sup>49</sup> <http://www.jonesday.com/cleveland/>.

support three major teams.<sup>50</sup> The only way to secure the region's sports future is with much more economic growth, which tax growth sharing would greatly aid.

And another: Without much more growth, can Cleveland keep its arts supremacy? The Cleveland Orchestra is a major factor in the city's national and international stature. That reality hit me in 1970 while living in England. I was walking down a street in the city of Newcastle and happened to stop in front of a record shop. The window display consisted entirely of recordings (the old LPs) by the Cleveland Orchestra. Conductor George Szell had died. The Cleveland Orchestra was so notable that maestro Szell's passing commanded the total dedication of that space to him and his ensemble. I remember thinking, Wow! Cleveland known like that all the way over here in Newcastle, England!

An orchestra at the top of the world's best is an expensive operation. It seems ours is managing, but barely. Without substantially more economic growth in the region that results in more support for the orchestra (and all the arts), it probably will begin to erode. And that would be, in my judgment, a more damaging decline than the loss of one of our sports teams. We are in a seriously precarious situation. (The 280 apartments in the One University Circle building under construction will provide the orchestra exactly what it needs: patrons and potential donors living within walking distance of Severance Hall.)

*If you live in one of Cuyahoga's neighboring counties, why say "yes" to tax growth sharing?* For most of the same reasons that Cuyahoga's residents should, but also:

- *To preserve more of what remains of your county's rural character.* The more that Cuyahoga residents stay in Cuyahoga, and the more that redevelopment occurs there, the less development pressure there will be on farmland and open spaces.
- *To minimize traffic congestion.* The more that farmland is converted to subdivisions and shopping malls, the more vehicles multiply. As things are, if you work in Cuyahoga County and live in another county, your commute will become increasingly unpleasant.
- *To minimize the possibility that you will have to pay more income tax if you work in Cuyahoga County.* If regional tax growth sharing had been operating for some time, Cleveland possibly would not have had to raise its income tax rate from 2.0 percent to 2.5 percent.

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<sup>50</sup> With its regional median household income of \$71,000 (compared with Cleveland's \$51,000), Minneapolis-St. Paul has five major sports teams, six including women's basketball. Cleveland has three.

- *To support the renewal and redevelopment of the communities in your county as they age.* Your neighboring housing stock may be mostly new today but eventually it won't be.

But this is not just a matter of “What’s in it for me?” Just as important, if not more so, is “What’s in it for my children?” What will be the qualities of the region they will inherit? One limping along or one broadly gaining in prosperity? One in which elected officials are competing intensely for tax base or one where they are genuinely cooperating for joint benefit? One where older neighborhoods and communities are slipping deeper into decline (as new ones grow where the grass is greener), or one where all communities have good prospects for stability? If the answers were to be all the former and none of the latter, it would add up to a weak and uninspiring inheritance—one that would leave many of the region’s young adults with no choice but to seek their future elsewhere.

### **Toward Ideals: Cuyahoga County**

Since the 1950s when suburban development greatly accelerated, Cuyahoga County’s psychic orientation has been outward, pulled that way by each new shopping mall, housing project, movie theatre, highway expansion. That’s history; that era has run its course. Now Cuyahoga has no more new suburbs to build. As a result, it can no longer expand its tax base as it always was able to do. Its future requires a 180-degree turnaround, back to where redevelopment, renewal, and regrowth can happen in Cleveland and its older inner suburbs. It must be a countywide undertaking. Ideally, however, it would be part of a regionwide undertaking focused on all places in need of renewal and redevelopment.

#### ***Build the Team***

Success will depend squarely on unity and cooperation among Cuyahoga County’s 57 mayors, the trustees of the county’s two townships, and the county executive and council. They will need to recognize the county’s situation and support appropriate courses of action. The main vehicle for driving an achievable plan will be the Cuyahoga County Mayors and City Managers Association.

Some cooperative entities already exist, such as the Westshore Council of Governments<sup>51</sup> and the First Suburbs Consortium of Northeast Ohio.<sup>52</sup> Activities already target aspects of the problem as I have presented it. The Heritage Home Loan Program, operated by the Cleveland Restoration Society, offers low-interest financing to improve older and historic

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<sup>51</sup> <http://www.fairviewpark.org/mayors-office/westshore-council-of-governments/>.

<sup>52</sup> <http://www.firstsuburbs.org/>.

homes in Cuyahoga County. The county is putting \$50 million toward demolishing abandoned properties, and is promoting shared services.<sup>53</sup> But these initiatives, and others, are nowhere near substantial enough to drive the Cuyahoga's regrowth. The issue of *scale* has yet to be addressed.

One obstacle will have to be overcome: the structure of local government. Cuyahoga County does not have a captain. The county executive has no authority in relation to the mayors, and no mayor has authority beyond his or her jurisdiction. Each position, in the spirit of home rule, is independent of all the others. With respect to the *county's* future, the buck stops nowhere. The county executive could call a meeting of the mayors to discuss the matter, but none would feel his or her attendance was anything but voluntary. Officials will have to establish a way to steer a captain-less ship.

### ***Make the Case***

Without regional growth sharing, there is little reason to expect any change to existing patterns and trends. The case for it, based on the results of a study showing factually how it would operate, needs to be made and hopefully accepted among Cuyahoga County leaders. Then the case needs to be made to the neighboring counties and state legislators who represent Northeast Ohio. Of course, none of the neighbors may be open to considering the matter because "We're doing just fine, thank you very much"—which in a superficial sense is true because each is benefiting from the outmigration from Cuyahoga. Lake County, however, with some aged communities might have a different perspective (more below).

Nonetheless, Cuyahoga officials should make the case for regional growth sharing to the board of the Northeast Ohio Areawide Coordinating Agency. NOACA is the one place where officials from five counties (Cuyahoga, Geauga, Lake, Lorain and Medina) meet and consider matters having to do mostly with transportation and air and water quality. Transportation issues in particular typically have major land-use implications. If a new interchange were to be constructed on U.S. 422 in Geauga County, it would have direct impacts on several thousand acres. Summit and Portage Counties, unfortunately, are not part of NOACA. In the 1960s, the region's seven counties were in a single agency but infighting caused the split. Given the interdependence that connects them today, they should reunite.

If seven-county growth sharing is not possible at this time, Cuyahoga officials will need to establish a Cuyahoga-only growth sharing arrangement to address its acute situation. An initial obstacle could be resistance from Cuyahoga's outer suburbs where most of the growth

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<sup>53</sup> [http://regionalcollaboration.cuyahogacounty.us/en-US/shared\\_services.aspx](http://regionalcollaboration.cuyahogacounty.us/en-US/shared_services.aspx). One analyst, George Havens of Strategic Consulting, has outlined an arrangement for providing centralized municipal services such as purchasing, benefits, and IT in his paper *An Integrated Future for Cuyahoga County*.

that is occurring in the county's tax base is located. But they are not insulated from the impacts of housing oversupply, outmigration, and consequent decline.

Goals are needed; start by asking: *How much housing construction is needed each year to keep Cuyahoga's residential tax base at least equal to the rate of inflation?* The answer will become the primary goal. Remember, new construction is needed because periodic property reassessments will not keep the tax duplicate at least even with inflation because of the properties that are depreciating in value.

During the years 1994-2015, the county needed an annual average of nearly \$700 million (in 2015 dollars) in new construction in order for its tax duplicate to keep pace with inflation. The annual average fell short by nearly \$200 million. Between the early 1980s and 2016, the county's share of the region's new housing fell from 40 percent to 20 percent. If the county's share were to increase back to 40 percent, and assuming 8,000 new units annually in the region, Cuyahoga's share would be 3,200. At \$250,000 per unit, \$800 million would be added to the County's tax base each year. That amount would offset the average annual loss of \$200 million that occurred during the previous 20 years. It might take 20 or more years to return to a 40 percent market share, but it won't happen on its own. Indeed, without action, Cuyahoga's share will continue falling. Deliberate, concerted effort by all county officials is required to alter course.

But where can 3,200 units be located *year after year, decade after decade?* With the county's outer suburbs nearly built out, there is no easy answer. The focus has to be on Cleveland with its vacant land, and on aged inner suburbs where some properties may have lost enough value to make demolish-and-rebuild economically feasible.<sup>54</sup> Possible sites for redevelopment need to be identified and appropriate plans prepared. That calls for close coordination among the Cuyahoga County Planning Commission, the Cleveland City Planning Commission, and the planning functions in the various suburbs.

In time, when Cuyahoga County reaches stability with balanced movement in and out, and the pace of decline becomes manageable, the amount of new housing needed to stay ahead of inflation might be less than is the case now. If that were to happen, it would signal healthy value appreciation among existing properties.

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<sup>54</sup> The North Coventry neighborhood in Cleveland Heights is an example of demolish-and-rebuild. The city, in cooperation with East Cleveland, is steadily removing lost-cause properties. The proximity of that location to University Circle makes it especially attractive but first the remaining properties must be removed. See: [http://www.cleveland.com/cleveland-heights/index.ssf/2015/08/\\_the\\_house\\_next\\_door.html](http://www.cleveland.com/cleveland-heights/index.ssf/2015/08/_the_house_next_door.html).

### ***Focus on Inner Suburbs***

Between 1994 and 2015, Cuyahoga County's inner suburbs lost a combined residential value of \$4.73 billion, more than twice that of Cleveland's loss of \$2.27 billion. Again, the critical question: Over the next 20 to 30 years, will Cuyahoga's inner suburbs retain and attract enough middle-income residents to remain economically viable? If the answer is mostly no, then the county's tax base will weaken greatly. To avoid that, the county executive and mayors must give middle-income (and higher) persons reason to purchase and upgrade properties in those suburbs. Officials need to establish a sense of confidence.

I believe many Cuyahoga residents are at least dubious about the future of inner suburbs because they lack evidence to the contrary. Some have written them off with *They're going down and there's no stopping it*. Decline is a reality, visible in varying degrees in various locations. The public knows that; there is no point in pretending otherwise.

"The first responsibility of a leader is to define reality," so advises businessman and leadership guru Max De Pree.<sup>55</sup> The public needs unequivocal evidence that county officials, as a unified body, recognize reality and are prepared and determined to deal with it. That will stimulate confidence. Each suburb on its own is trying, and they are working jointly through the First Suburbs Consortium, but they need substantial backup from a larger, more potent entity. They need the clear and public declaration from the county's elected officials, as a unified body, that they are indeed leading the county into its third century as they give top priority to the renewal and redevelopment of inner suburbs.

### ***Go Statewide***

After Cuyahoga's officials have solidified their team and made their case for new directions, they will need to meet with officials in the state's six other major central counties to discuss the situation Cuyahoga is in because the others, to varying degrees, are in the same boat (as Table 1 shows). Cuyahoga is the first of the state's central counties to be built out, but it won't be the last. Hamilton County (Cincinnati) probably is next in line. And all of Ohio's major counties (except Franklin/Columbus) have central cities and some suburbs that are engaged in DIY survival. Columbus, because of its growth through annexation, is doing well. But eventually Columbus and Franklin County will become built out, which will heighten fiscal stress. The purpose of the meetings will be to establish political linkage that will aid discussion with state officials regarding actions needed to alter existing dynamics. Other organizations that should find the Cuyahoga case relevant to their interests include the Ohio Mayors Alliance, the Ohio Municipal League, and the Ohio Township Association.

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<sup>55</sup> De Pree, Max. 2004. *Leadership Is an Art*. New York, NY: Currency.

## **Toward Ideals: Inner Suburbs**

The inner suburbs' loss of \$4.73 billion in property value reflects the impact of middle-class withdrawal, property obsolescence, and consequent decline. There is, of course, a wide range in condition and composition among the inner suburbs, with largely affluent Shaker Heights at one end of the spectrum and destitute East Cleveland at the other. East Cleveland has no future as an independent community, but all the others are faced with having to build confidence among the public.

### ***Build Confidence***

Success in retaining and attracting middle-income residents in Cuyahoga's inner suburbs depends on producing evidence that clearly shows decline being countered and dampened rather than spreading. Each city hall, backed by the county as a whole, must create a feeling of confidence about the community's future among existing and potential residents and businesses. If reason for confidence is not established, people who have better options will take one—and feed the downward spiral of depreciation.

How to build confidence? The primary way is to affect what people see. I previously mentioned the renewal of Cleveland's West 25th Street near the West Side Market as a confidence-builder for residents and businesses considering investment. That's streetscape renewal. The rehabilitation of historic buildings and construction of new ones will lift spirits. I recall watching the construction of the Wyndham Hotel in Playhouse Square in 1994, which was *before* downtown started showing serious signs of life. That project caused me to feel more hopeful about downtown. I doubt I was the only one.

Little things mean a lot because they indicate trouble, or not. I and many others have been greatly impressed by the impact of the Downtown Cleveland Alliance's cleaning operations. Downtown is *clean*; there is no litter, no graffiti, no weeds. I once saw a DCA operative on his knees in Playhouse Square removing gum from the sidewalk. Cleanliness and orderliness communicate safety. It is fundamental.

It should be noted that funding for the DCA comes from taxes self-imposed by downtown property owners. In its condition of DIY survival, Cleveland's City Hall was unable to finance the DCA. (There, again, is the dilemma: use tax revenues downtown or in needy neighborhoods?) The same mechanism is being used in some inner suburbs where businesses have formed "special improvement districts" to finance services city hall cannot afford.

Cuyahoga's inner suburbs must build confidence the same way Cleveland must, by improving the appearance of streets, by being clean and graffiti-free, by reusing and upgrading old buildings or demolishing the hopeless ones and starting over. As they have been struggling

with conditions that come with age, they, like Cleveland, have been faced with the inadequacy of their tax base, particularly since they have little or no open land for development that would add tax base. Indeed, built-out mature suburbs are handicapped more than Cleveland since few have any institutional, corporate, or charitable foundation presence to speak of.<sup>56</sup> They do what they can, limited as they are.

In Cleveland Heights, the streetscape renewal of Coventry Road's retail district in 1995 was a confidence builder. Now, the Lee Road district is being redone. And a major redevelopment at the top of Cedar Hill, Cedar-Fairmount, appears to be coming. In Lakewood, apartments replaced a car dealership. Commercial districts in the western portion of Lakewood have gone through dramatic revitalization. In Euclid, an obsolete lakefront apartment building was replaced with new homes. In South Euclid, an old shopping center at Cedar and Warrensville Roads was demolished and rebuilt, while across the corner in University Heights a new mall, University Square, opened in 2003 (although it largely flopped due to poor design, it is due to be reincarnated). In Parma, Parmatown Mall is being rebuilt as the Shoppes at Parma.

The largest project yet is in Shaker Heights, where the old Van Aken District is getting a \$100 million rebuild. Although Shaker is an aged inner suburb (the fourth oldest in Cuyahoga County behind East Cleveland, Lakewood, and Cleveland Heights), it is relatively well-positioned with middle- and upper-income residents. Nonetheless, portions of the city consisting of modestly priced housing are vulnerable. Of note, the public funds that are making the project possible total \$27.3 million, of which \$8.5 million are coming from Shaker taxpayers. If Shaker had to produce the entire \$27.3 million, the project would not have happened. As the redevelopment takes shape, it says "You have reason to feel confident about the future of Shaker Heights."

### ***Welcome the Constructive, Repel the Destructive***

Safety is a basic issue for all communities. Too much crime will repel people who can afford to live where they do not feel threatened, or if not threatened, uneasy. Yet, what is tolerably safe for one person can be intolerable for another. I have lived in Cleveland Heights for over 40 years, during which a small number of terrible crimes have occurred, the most notorious of which was the murder of bar owner Jim Brennan in an attempted robbery. There have been other equally serious crimes and many less serious but nonetheless disturbing incidents. Some people have asked me, "Why do you live there, aren't you afraid?" suggesting

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<sup>56</sup> Local foundations have been focused on Cleveland for decades. Now, the critical situation Cuyahoga County's inner suburbs are in calls for a strategic broadening of mission.



they wouldn't because the place is too dangerous. I live there because the pluses outweigh the minuses.

Some suburbs are undergoing socio-economic transition, from middle-income to low-income and, in some places, to poor.<sup>57</sup> That change can be accompanied by crime and uncivil behaviors. If a suburb cannot keep such incidents to a level that is tolerable for most people who can afford to live elsewhere, it will have no chance of remaining an economically viable community.

I am not denigrating those with little means. Good and bad can be found at every income level. I prefer the terms "constructive" and "destructive." The destructive among those on the lower rungs of the economic ladder are a small portion of that population, but they do the damage that creates the image that hurts the majority and undermines community stability. Destructive people on the higher rungs of the economic ladder engage in white-collar crime and marginally legal actions that can result in much harm, such as the housing bubble that burst into the Great Recession of 2008. But white-collared destructive actions are not viscerally threatening in the way armed robbers are, so those perpetrators rarely appear on the six o'clock news.

What can officials of a suburb that is approaching, or is in the midst of, socio-economic change do to maintain viability and stability? The popular answer is to have a top-notch police force. Yes, of course. But, let's back up a step. Police primarily respond or react to what residents do. Thus, the fewer destructive residents there are, the less police are needed. The challenge facing elected officials is to make their community unattractive to the destructive in the first place. *Welcome the constructive and repel the destructive.*

The primary mechanism for doing this involves real estate, particularly housing. The most important tool a city has for shaping its condition and future stems from its authority to inspect buildings and require proper maintenance and repair. The better the condition of a community's real estate, the fewer residents and non-resident visitors it will have who engage in criminal and uncivil behaviors.

A community vulnerable to decline must establish a specific public image: *Shoddiness will not be tolerated. If you want to own property here, you must be willing and able to maintain it properly, otherwise city hall will come down on you—gently at first but, if necessary, like a ton*

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<sup>57</sup> Nineteen percent of Cleveland Heights residents are classified as living in poverty; 43 percent in East Cleveland, 21 percent in Euclid, 19 percent in Garfield Heights, 17 percent in Lakewood, 21 percent in Maple Heights, 9 percent in Shaker Heights, 20 percent in Warrensville Heights.  
[http://www.cleveland.com/datacentral/index.ssf/2016/12/poverty\\_rates\\_child\\_poverty\\_ra\\_1.html](http://www.cleveland.com/datacentral/index.ssf/2016/12/poverty_rates_child_poverty_ra_1.html).

*of bricks, to the point where you will want to sell and go elsewhere.* That is achieved through inspection and code enforcement.

High and reasonable standards for maintenance will attract and retain constructive property owners, ones who want to be in a well-maintained community, who value a house or apartment that is in good condition, who buy a used car rather than a new one so they will have money to properly repair the porch and upgrade the wiring, and whose offspring do not engage in criminal or uncivil actions. High standards will repel the destructive sort—not necessarily all, but enough to achieve community stability.

(You may be wondering: If the destructive are blocked from living in particular communities, where will they live? In the places that are least effective in keeping them out. They will be somewhere, mostly in or near the lower segments of the housing market. Possibly the number will decrease with time as the economic structure of Northeast Ohio continues to evolve, resulting in fewer potentially destructive people moving here from elsewhere. And, hopefully, more children and youths living here will grow up in situations that support their becoming productive citizens, to be discussed below.)

Welcoming the constructive and repelling the destructive applies particularly to absentee property owners, some of whom represent a much greater threat for a community than owner-occupants. Legislation passed by Cleveland Heights City Council in 2013 comprehensively targets destructive absentee owners. That must be a top priority for any community that is in danger of erosion.<sup>58</sup>

Housing inspection and code enforcement can be particularly dicey when minorities are involved. Someone could say, *You're hitting me with all these violations because I'm black.* One hopes the honest answer would be, *No, the issue is the condition of your property and only that.* However, race being the juggernaut that it is in our society, that complaint could be valid. The inspector might have cited some minor matters that he would have disregarded for a white owner. All owners must be treated equally, and officials must monitor activities to ensure that they are.

Sometimes dramatic action is called for. In 2006, the mayor and council of the city of South Euclid paid \$1.6 million to purchase and demolish nine homes on one street where there had been “15 years of constant chaos, such as teenagers routinely jamming streets and intimidating passersby. In the two years leading up to the city's purchase, police visited the nine houses more than 100 times.”<sup>59</sup>

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<sup>58</sup> [http://www.cleveland.com/cleveland-heights/index.ssf/2013/11/cleveland\\_heights\\_to\\_crack\\_dow.html](http://www.cleveland.com/cleveland-heights/index.ssf/2013/11/cleveland_heights_to_crack_dow.html).

<sup>59</sup> [http://www.cleveland.com/whateverhappened/index.ssf/2008/09/have\\_the\\_problems\\_on\\_greenvale.html](http://www.cleveland.com/whateverhappened/index.ssf/2008/09/have_the_problems_on_greenvale.html).

From what I've observed, however, city halls usually are not prepared when the forces of decline begin to attack. After some decades of being new and fairly new, a community is not oriented to combating decline. It is human nature to linger in the shadow of the good old days and shy away from reality when it begins to show trouble. And officials (or residents, for that matter) may not appreciate how massive are the forces aligned against them, and therefore how active and determined they must be in combating them. They typically lack staff (inspectors, planners, redevelopment specialists) needed in the new and threatening circumstances in which they find themselves. And if the ever-present massive forces created by oversupply and depreciation are coupled with an abnormal massive force, such as the 2008 foreclosure calamity, then even a well-prepared city hall can be overwhelmed with an unmanageable load of distress. What can a city hall do when its streets are littered with scores of foreclosed and vacant homes (thousands in the case of Cleveland), many owned by corporate entities located in other states? It is a five-star nightmare.

Officials in the city of Berea, where the average house is 62 years old, augmented the inspection function with resident volunteers who *annually* check the exterior condition of every structure and its yard.<sup>60</sup> The use of resident volunteers "softens" the inspection process by placing them, at least somewhat, between owners and city hall. That approach will catch problems before they become serious, which makes correction much easier. That is the ideal.

A city hall must be unequivocal about where it stands and what is required of property owners. Yes, enforcement can be harsh but the viability of the community is at stake. It truly is a matter of community life or death. There is no middle ground; a community is either stable and secure or eroding. To appropriate a Bob Dylan quote, the community that is "not busy being born is busy dying."

Some constructive people will find they cannot afford to maintain their house even though they were able to purchase it, a trap promulgated by many in the real estate industry. Bier's corollary to the Second Law of Housing Dynamics: When a structure is owned by someone who cannot afford proper maintenance, its likely future is progressive deterioration to the point of demolition.

Property inspection and code enforcement are the means for tilting the life-or-death tension toward life. They shield the constructive from the destructive. But even if officials see it that way (and many may not), implementation can be an off-putting challenge. Officials must be willing to impose serious fines for failure to comply with inspection findings, and, at the extreme, be willing to jail recalcitrant owners. And that requires a housing court judge willing to

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<sup>60</sup>[http://blog.cleveland.com/newssun/2011/05/bereas\\_housing\\_volunteers\\_keep.html](http://blog.cleveland.com/newssun/2011/05/bereas_housing_volunteers_keep.html).

function in that manner. If a community threatened with decline is not willing to support its officials in that regard, it cannot expect a viable future.

I know of a judge who did not perform as needed, but instead acted as somewhat of a social worker. Owners who repeatedly failed to correct violations were taken to court where they presented all manner of excuses and walked out with sympathy, encouragement, and advice, but were otherwise unencumbered. It is amazing the damage just one person in a critical position can do. By excusing irresponsibility and permitting shoddiness and deterioration, that judge undermined the stability of the community. It continues to struggle with the consequences.

The city of Cleveland did not have a housing court until 1980, more than 50 years too late.<sup>61</sup> With legions of properties in the hands of owners who cannot afford to bring them up to code, let alone modernize them, inspection means nothing. That's the greatest threat facing suburbs: having so many financially weak owners who are unable to make repairs, no matter what the inspection report says, or the court orders, that they take the community down beyond the point of recovery.

Public schools can be similarly affected. If they get too many poorly prepared and disruptive students, stretching teachers and administrators beyond their capacity to function effectively, then parents who can afford to live elsewhere will move the family (or shift to a private school), thereby fueling the downward spiral of schools and community. There are tipping points for schools just as for neighborhoods. When disruption and overload become "more than I'm willing to put up with," then the future becomes grim. Effective schools require effective housing code enforcement. Before a problem student steps through a school door, he or she will step through the door of an apartment or house, which if ill-kept will invite destructive adults and troubled children. As one official put it, "Submarket tenants go to submarket housing."

In 2008, the city of South Euclid's mayor and council legislated that homes would be inspected inside and out when they change ownership, at the "point of sale," which is the perfect time to do it. But some residents disagreed and through a referendum got the matter on the ballot. Then the real estate industry weighed in: "Think Issue 106 will protect South Euclid home values? THINK AGAIN. Issue 106 does nothing to protect our neighborhoods from homes in disrepair. In fact, Issue 106 promises to place an unnecessary burden on those in

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<sup>61</sup> For reflections on Cleveland's housing court, see [http://www.ncsc.org/sitecore/content/microsites/future-trends-2012/home/Courts-and-the-Community/~/\\_media/Microsites/Files/Future%20Trends%202012/PDFs/ClevelandHousingCt\\_Pianka.ashx](http://www.ncsc.org/sitecore/content/microsites/future-trends-2012/home/Courts-and-the-Community/~/_media/Microsites/Files/Future%20Trends%202012/PDFs/ClevelandHousingCt_Pianka.ashx).

financial trouble. **Vote No on Issue 106!**<sup>62</sup> Yet, Realtors advise us to *watch for red flags when buying a home*:

“Look closely at the neighborhood when buying a home. You are buying into a neighborhood as well as into a home. Check red flags in the area, too. Abandoned and boarded-up buildings or excessive amounts of garbage and graffiti are obviously not good signs. Is there local industry in the form of factories or business parks? Do neighbors park on the streets or in garages? Are cars and debris filling adjacent yards? In other words, do people take pride and care in their community? And are there signs of stability and growth?”<sup>63</sup>

The majority of South Euclid’s voters voted no on Issue 106, overturning the legislation. (I wonder how Mom and Dad would have voted. They were gone by then.) In so doing, they shot themselves in both feet. They did not want government placing unnecessary burdens on those in financial trouble or sticking its nose into their homes—without realizing that housing oversupply and consequent depreciation were undermining their community, that public policy works against them as new communities are greatly favored over aged ones like theirs, that it takes extraordinary determination to survive as a healthy community given the forces aligned against it. They said, in effect, the individual has sacrosanct status over the community. That is how we Americans have been conditioned to think. But that makes the preservation of communities exceedingly challenging, if not hopeless. It is a choice: stable communities with more restrictions or unstable communities and fewer restrictions. Which will it be?

Naturally, self-interest of the real estate industry is to maximize home sales, to sell as many as possible at the highest possible price. The higher the price, the larger the agent’s commission and the company’s revenue. Inspections can stand in the way.<sup>64</sup> Officials and residents should realize that few if any outside their community care about its condition and future. They may say they do, but when it comes down to a possible ox being gored, outsiders, the real estate industry being one, will do all they can to make sure it is not theirs. Again, it is human nature; self-interest comes first.

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<sup>62</sup> <http://activerain.com/blogsviw/731683/point-of-sale-inspections-in-south-euclid--residents---vote-no-on-issue-106->.

<sup>63</sup> <http://www.realtor.com/advice/buy/watch-out-red-flags-when-buying-a-home>.

<sup>64</sup> Resistance to inspection can come at various points. An initiative was launched by the Ohio Association of Realtors to have the state remove inspection for lead paint from local control and place it with the Ohio Department of Health. The action was in response to a Toledo ordinance that requires most rental properties to be inspected and considered free from lead hazard *before* they can be rented. Realtors prefer to have a property become an issue *after* a child has been poisoned.

[http://www.cleveland.com/metro/index.ssf/2017/05/landlords\\_want\\_state\\_control\\_of\\_lead\\_poisoning\\_laws\\_local\\_approaches\\_have\\_proven\\_more\\_effective.html](http://www.cleveland.com/metro/index.ssf/2017/05/landlords_want_state_control_of_lead_poisoning_laws_local_approaches_have_proven_more_effective.html).

More undermining is done by providers of home mortgages and improvement loans. Banks always have their doors open to receive deposits from people living in neighborhood X. No question, take the money. But when it comes to someone applying for a loan from those deposits, a loan to purchase or improve a home in neighborhood X, well, *After careful consideration of your application, sorry, we can't help you.* That does not happen in most cases, but the dynamics of population movement, housing oversupply, depreciation and racial change produce shifting risks in the eyes of lenders and investors. Some locations grow in risk, others represent virtually no risk. Thus, lenders look to invest where risk is low and avoid places where it is considered questionable if not high.

I had friends in Cleveland Heights who owned a very nice house on a very nice street. All the properties on that street were in excellent condition. My friends wanted to completely redo and enlarge their kitchen. They went to one of Cleveland's big banks for a loan and were told, "Why do that when you can buy a new house in Solon?" That was in the mid-1980s when racial integration was well underway in the Heights. They had incomes that allowed them easily to afford the loan—and a new house in Solon. Still, they were met with "Why do that?" They got their loan from another lender, but if my friends had not been so certain of what they wanted to do, they might have been shaken by the loan officer's challenge and caved to his suggestion. Many people have been "steered" in that way by loan officers and real estate agents.

The degree of determination required within an aged community to secure its future is enormous. I can see why some residents, possibly unconsciously sensing the magnitude of negative forces, consider the cause hopeless and move away. Besides, where are the examples of aged places being clearly successful in renewing and redeveloping themselves, examples that would give reason to be optimistic, especially where racial change is involved? There's not much out there. The most successful so far are Shaker Heights and Lakewood. But it is still early days. The primary challenge facing Cuyahoga County officials, as a united body, is clear: produce reasons for optimism.

Returning to my original question: Over the next 20 or 30 years will Cuyahoga County's aged inner suburbs retain and attract enough middle-income residents to remain economically viable? Realistically, with the scale of depreciation that is occurring and is likely to come, not all will succeed. But those that can control the condition of a large segment of their properties will have a chance. That requires tax revenues to employ enough well-trained inspectors and other staff to manage the situation effectively. At this point, I doubt if any suburb can finance what is needed; some are outsourcing the inspection function to reduce costs. Their tax rates already are high. We're back to tax capacity and the need for growth sharing.

## **New Opportunity**

The growth of low-income populations in Cuyahoga's middle-income inner suburbs can be viewed as nothing more than a threat to community stability. Yes, threat exists but so, too, does opportunity, new opportunity for social betterment, the heart of which concerns education. The "beauty" of inner suburbs is their size. Most have a population numbering between 10,000 and 30,000. The largest is Lakewood with 50,000 residents. They are manageable compared with Cleveland's 388,000 residents, with the opportunity to achieve what is much more difficult to achieve in a large city where the culture of want dominates: the educational and social development of children. The odds of a child in a low-income household growing and developing into a constructive adult with a promising future are greater in a small, largely middle-class suburb than in a much larger city. Studies have found that the younger the child is when entering the more positive environment the greater the benefit.<sup>65</sup>

Small suburbs represent great opportunity but their inadequate tax base and limited resources stand in the way of realizing that opportunity. It costs more to service low-income residents. I'm sure the fire and police departments in Cleveland Heights are busier (on a per capita basis) than are Solon's. And the more a school system has troubled and ill-prepared students, the more demands there are on its budget. Solon is the number-one rated school system in the state, based on test scores. With students of such performance, products of stable households in which education is highly valued and income is taken for granted, teachers are blessed with readiness and cooperation. Older suburbs have greater needs that call for greater support. (Again, in the years 2009-2011, 95 percent of the students in grades 8-11 in the Solon public school system were in the same building for two consecutive years. The figure for Cleveland Heights was 67 percent; for Euclid, 73 percent; and Cleveland, 58 percent.)

Provision of support is more than appropriate given the heavy lifting inner suburbs are doing on behalf of outer suburbs, and all of society. The heavy lifting comes in the form of educating and socializing people whom outer suburbs would rather not have as residents, as evidenced by land-use zoning that prevents the construction of modestly priced housing. Zoning is a highly effective socioeconomic insulator, and its use for that purpose is understandable in light of our long history of community instability and destruction wrought by decades of housing oversupply, structural depreciation, and unstable racial integration. When threatened, people naturally seek security. When government fails to do what only government can do, people seek security.

Renewal and redevelopment of Cuyahoga's inner suburbs are essential for the future of the county's tax base. That alone makes them central in the strategy required to secure that

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<sup>65</sup> [http://www.equality-of-opportunity.org/images/mto\\_exec\\_summary.pdf](http://www.equality-of-opportunity.org/images/mto_exec_summary.pdf).

future. Add to that the position they are in to facilitate the betterment of many lives and those suburbs become front and center in the way forward.

### **Toward Ideals: City of Cleveland**

Cleveland officials are faced with having to come to terms with:

- The transition occurring in the city's population as it loses moderate- and low-income residents to suburbs while middle- and upper-income residents move in from elsewhere,
- Its position as the region's primary market-bottom and locale of inescapable abandonment,
- Its dependence on suburbs for achieving its best possible future.

#### ***Manage Transition***

To secure the city's future, officials must do everything they can to gain new residents who have more income than life-long residents who have no intention of leaving, who pay their taxes on time, and who need their street repaved, timely plowing, better police protection, and on and on. What about them?

"In a heated discussion Monday [June 6, 2016], members of Cleveland City Council demanded to know why police are setting up what amounts to a mini-station on downtown's Public Square without restoring the beloved satellite offices to the neighborhoods, too."<sup>66</sup>

It is a wretched dilemma largely created by the straightjacket of DIY survival. But providing services and aid to existing residents who need more does little to advance what matters most: the city's demographic transition and reconstruction of its tax base. Cleveland's future, and the region's, would be severely harmed if downtown were to return to its previous desolation. The city's image (and the region's) is created primarily by downtown, as is the case for cities everywhere. The roaring Flats of the 1990s flamed out as rowdiness and crime drove people away. Downtown or any revitalized part of the city could go similarly. City Hall must protect and advance the islands of renewal. *Welcome the constructive, repel the destructive.*

#### ***Accept Market Bottom***

It is not your fault, Cleveland officials, that you have market-bottom conditions. They existed long before you came along. And you, like your predecessors, cannot make them go

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<sup>66</sup> [http://www.cleveland.com/cityhall/index.ssf/2016/06/downtown\\_cleveland\\_to\\_get\\_city.html](http://www.cleveland.com/cityhall/index.ssf/2016/06/downtown_cleveland_to_get_city.html).



away. In 1944, the Cleveland City Planning Commission, possibly in response to the Robbins report, presented its assessment of reality in a document that categorized neighborhoods into four groups:<sup>67</sup>

*“Coming”* neighborhoods were still developing with new housing.

*“Arrived”* neighborhoods were fully built “stable areas of good houses” in need of “protection of existing [property] values and good conditions.”

*“Going”* neighborhoods “were starting on the down grade. Most of the city is in this condition. Unless blight is checked, investments will disappear, values will fall, tax income will decrease, and living conditions will slip to the slum level, with all the attendant social evils.”

*“Gone”* neighborhoods “have deteriorated to the point where only complete clearance and reconstruction can reestablish decent living conditions, sound values and adequate tax income.”

That was 1944, but the classifications apply today.<sup>68</sup> The city has *Coming* neighborhoods but they are not the same ones as back then, when the city’s remaining vacant land to the southeast and southwest was being developed. Today’s *Coming* neighborhoods are the islands of renewal, such as Ohio City and Tremont. Today’s *Arrived* neighborhoods, which are strong and vibrant, probably were in that category in 1944. But their total land area now is smaller because some of them have slipped into the *Going* group, which for over 70 years has been transitioning into *Gone*. *Gone* now consists mostly of extensive portions of the city’s East Side that are largely abandoned. Remember, the city’s population in 1944 was around 910,000; today it is 388,000—more than a half million fewer people on the same land area and with nearly the same number of streets.

To come to terms with the city’s position as the region’s primary market-bottom is to expect abandonment in *Gone* and *Going* neighborhoods. Oversupply and properties at the end of their lifespan dictate abandonment cannot be stopped nor reduced. Abandoned structures will contain at least 1,000 units annually until the difference between regional household growth and new housing changes. That number will increase if more homes are built in the region while household growth remains stagnant. That number will decrease if the reverse were to happen, or if both factors were to be balanced. The quicker that *Gone* and *Going* streets are cleared of structures the quicker the land can be reused and property values

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<sup>67</sup> Cleveland City Planning Commission. 1944. *Cleveland Planning in 1943*.

<sup>68</sup> The latest typology of the physical condition of Cleveland neighborhoods was prepared in 2009. See [http://cd.city.cleveland.oh.us/forms/Typology\\_3.0\\_Methodology.pdf](http://cd.city.cleveland.oh.us/forms/Typology_3.0_Methodology.pdf).

reestablished, as is underway in the Opportunity Corridor project. Abandoned industrial and commercial properties that appear to have no potential for reuse occupy large lots, but the cost to demolish them is so high and funds so limited that few are likely to come down.

### ***Accept Interdependence***

With its steadily expanding inventory of vacant land, Cleveland possesses a critical (maybe *the* critical) asset for building not only its future but Cuyahoga County's. In that respect alone, Cuyahoga's suburbs are heavily dependent on the city. They need redevelopment in Cleveland to grow the county's property tax base and minimize the need for countywide tax increases. At the same time, Cleveland cannot achieve anything like an optimal future on its own; it does not have the tax base required to cope, at the scale needed, with what confronts it. On its own, it cannot go from property tax-base loss to tax-base gain. Its income tax, while maintaining the city, cannot be its savior. Handicapped by low property tax-capacity, Cleveland needs support from suburbs to navigate the shift from loss to gain. City and suburbs are inextricably in need of each other to achieve their best futures, which in a sense makes the future of *the county* the central issue. Can all the parties accept their mutual dependence?

How far suburbs are willing to go with support for the city (beyond tax-growth sharing, if that can be achieved) may depend on City Hall's willingness to share control of programs and the use of funds. I go back to what was said at the meeting of the Mentor school administrators when asked if they would be willing to chip in twenty dollars on their property tax bill to help meet the extra costs involved in redevelopment in Cleveland: Yes, but only if they felt confident that the funds would be used for that purpose and would be managed properly, "definitely not by Cleveland officials." If that thinking is widespread, and I suspect it is, suburbs are not going to hand cash to City Hall. But, with tax-growth sharing there would be no "chipping in an additional twenty dollars" because a person's tax bill would be the same as if sharing was not occurring.

The reality of interdependence calls for mechanisms for administration and control that all parties can accept. City-county consolidated government could be an effective mechanism, as Indianapolis/Marion County (Indiana) did with Unigov, Louisville/Jefferson County (Kentucky) did with Louisville Metro, and Jacksonville/Duval County (Florida) did with Jacksonville Consolidation. But that would mean the end of small independent jurisdictions. This need not be the case with tax-growth sharing. Remember, all 179 jurisdictions across seven counties in the Minneapolis-St. Paul sharing system have retained their independence.

The starting point is acceptance of the reality of mutual dependence, with the imperative goal of *annually increasing Cuyahoga County's residential property tax base at a rate greater than inflation* while opportunities to move up and in are expanded.

## ***Plan the Future***

The goal for Cuyahoga County is to increase its share of regional new housing from 20 percent to 40 percent, which would amount to roughly 3,000 units annually. Assuming the suburbs of the county will accommodate half that number, the questions for Cleveland become:

- Exactly where can 1,500 new housing units be located in Cleveland, year after year, for decades to come?
- What are the obstacles to achieving that scale of production and how will they be overcome?<sup>69</sup>

Most of the new housing will have to be for middle- and upper-income residents (as dictated by economics), which means it will have to be in locations and with conditions that prospective residents see as attractive. In the near term, developments probably will be located in such neighborhoods as Ohio City, Tremont, and Detroit-Shoreway. Expand the islands of renewal. But the longer term will have to involve new areas, such as on and near Chester Avenue between downtown and the Cleveland Clinic, and the vicinity of East 105th Street where the forthcoming Opportunity Corridor will connect.<sup>70</sup>

Determining where 1,500 units can be located annually will be no simple task, given the complex mishmash of vacant land, vacant buildings, occupied buildings, property ownership and environmental factors, and restraint on the use of eminent domain.

## **Toward Ideals: Neighboring Counties**

Ideally, most officials and residents in Cuyahoga's neighboring counties would recognize the value of tax-growth sharing because they either have or will have jurisdictions that need renewal and redevelopment but lack the scale of tax base required to pursue it. Ideally they would recognize that a single, seven-county sharing system would be best. But if a single, regional system is too much of a stretch, possibly a county or two would be willing to establish

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<sup>69</sup> I am told that the pace at which City Hall moves in permitting construction continues to be a major issue. Mayor Michael White (1990-2002) gave much attention and priority to speeding the process and increasing the volume of residential construction. Shortly after his term ended, I received a letter from a builder who was developing 27 homes in the city. He wrote: "...it is a shame that the city doesn't move more rapidly to stimulate growth in the city. If the process to get a permit and begin construction could be streamlined from 1, 2 or 3 years to 3-6 months I think you would see a tremendous interest by builders wishing to build in the city." After all Mayor White had done, the problem remained.

<sup>70</sup> Piiparinen, Richey, Kyle fee, Charlie Post, Jim Russell, Mark Salling and Tom Bier. 2017. Preparing for Growth: An Emerging Neighborhood Market Analysis Commissioned by Mayor Frank G. Jackson for the City of Cleveland. Cleveland State University, Center for Population Dynamics.

their own county system. If that were to happen, and the benefits were demonstrated over some number of years, then openness to a unified regional system might emerge.

Blocking the way are the gains neighboring counties are realizing from the existing situation as Cuyahoga residents and businesses relocate. The fiscal impacts have been and will continue to be substantial. Why would officials in those counties want anything to change? They are reaping what existing policies enable them to gain. As I've heard many times, "It's our turn." The odd official might see the big picture and conclude there is more involved than simply "It's our turn," but if she or he were to push the matter, resistance would form in a hurry. Yet support for a different future might be much more present than assumed, as the survey of residents in Portage County's Randolph Township suggested.

One place where support might be found is Lake County. Its boom days are over and it has begun to plateau. Its percentage increase in residential property value between 1994 and 2015 was the smallest of the six counties that gained. Although homebuilding and development will continue in the eastern portions of Lake County, where green fields still are extensive, the opportunities for substantial tax-base growth are lessening. Lake's principal city, Mentor, is mostly developed, and aged communities in the western portion of the county (the cities of Wickcliffe, Willowick, and Eastlake) with their 60-year-old bungalow-style homes, are vulnerable to decline. Lake County's need for renewal and redevelopment is at hand and will increase. Tax-growth sharing might be viewed as a centerpiece in the county's way forward.

Ideally the six surrounding counties would accept the principal finding of the Northeast Ohio Sustainable Communities Consortium:

"If Northeast Ohio follows its current trend of virtually flat population growth and job growth and maintains its current approach to land use and development, our region will face unprecedented challenges by 2040.

"The costs of our land-use and resource choices will place EVERY county in the region at significant financial risk as local governments will be forced to spend more than they take in. Northeast Ohioans will have to choose between two bad options: getting used to a diminished quality of life or paying significantly more in taxes."<sup>71</sup>

Every county in the region is at significant financial risk, but appreciation of that risk requires a willingness to look beyond the near horizon and accept interdependence. Working against that acceptance is the compulsion that all officials have to try to stay ahead of the wolf by adding tax base through any means possible. As the mayor of Boston Heights put it, "To

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<sup>71</sup> Vibrant NEO Guidebook.

preserve everything else, we need to have tax base.” Thus, development is welcomed across the countryside, eroding rural character and increasing traffic congestion.

Although development cannot be prevented when greenfield land is zoned for it, pressure to build can be reduced by creating conditions that cause more people to locate in or near already built places, and by restricting the extension of infrastructure to locations ripe for development. That, ideally, is what officials in neighboring counties would advocate, which they justifiably could do if regional tax-growth sharing existed.

I see little point in considering an urban growth boundary a’ la Oregon since the horse is long gone from the barn. Besides, I can’t imagine a majority of farmers being willing to relinquish the option that maximizes their financial position. That was made clear in the results of the Ohio Farmland Preservation Task Force. Farms and greenspace in Northeast Ohio will continue to be built upon to the extent that homebuyers are available.

### **Toward Ideals: the State**

“All political power is inherent in the people. Government is instituted for their equal protection and benefit . . . and no special privileges or immunities shall ever be granted . . .”

“The people” live mostly in communities. Ideally, equal protection means treating all communities equally, not playing favorites. In practice, however, the pure ideal is unachievable; some inequity is inevitable. But state government is obligated to act so as to avoid extreme difference. Ideally, equal protection means respecting and supporting the preference some people have for an aged community just as much as others have for a new one. By not establishing renewal and redevelopment as an activity comparable in stature to the development of farmland, the state falls far short of equal protection and benefit. The result is unnecessary economic disparity, excessive depreciation of real estate, and the erosion of community stability.

*Only the state can make the renewal and redevelopment of aged communities comparable to the development of farmland.* What that might entail specifically is beyond the scope of this book, but some basic matters to be addressed include:

- *Tax-growth sharing:* Is enabling legislation required?
- *Townships:* What can be done to offset the attraction that townships have because their residents pay no income tax?
- *Planning:* What role should metropolitan planning organizations (such as the Northeast Ohio Areawide Coordinating Agency) and county planning departments play in correcting the imbalance?

- *State Investments*: To what extent should state investments be made according to county and regional plans?
- *Policies and programs*: What specific state policies and programs need to be focused on the priorities of renewal and redevelopment?

The extent to which state officials take those matters seriously will depend on the extent to which local officials do. The state is not going to lead the way; it is up to locals to do that, and then to engage the state. The ball is in the court of Northeast Ohio's elected officials, movers and shakers, and opinion leaders.

The matter, however, is not Northeast Ohio's alone, it is statewide. In varying degrees, each of the state's metropolitan areas is similarly situated. State government is in a difficult position. The economic future of Ohio depends primarily on advancements within its metropolitan areas, particularly the big three: Cleveland, Columbus and Cincinnati. As the Ohio Department of Development reports, "The service-producing sectors produce 80 percent of the state Gross Domestic Product and will account for virtually all job growth over the 2012-2022 period."<sup>72</sup> Service-producing sectors are concentrated in the metro areas. For example, Ohio's largest private-sector employer is the Cleveland Clinic with over 48,000 employees. But across the state, small cities and towns are hurting deeply as they have lost manufacturing jobs while gaining few if any service jobs. And those places appear to have little prospect of future gains because service-producing sectors prefer to be in large metropolitan areas.

Just as Cleveland officials are faced with having to take steps to draw new residents with good incomes into the city while existing residents have great needs, state officials are faced with having to concentrate on strengthening the state's metropolitan areas while small cities and towns languish. In that context, economic reality prevents the state from treating communities equally. It is a wretched dilemma forced upon officials by circumstances beyond their control. It is wretched, but the more successful the metro areas are in advancing their economies, the more tax revenues there will be to aid the state's small cities and towns. The priority must go to the big cities. The best resolution of that dilemma will include policy adjustments, such as tax growth sharing, that support cooperative economic development, renewal, and redevelopment.

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<sup>72</sup> <https://development.ohio.gov/files/research/E1000.pdf>.

## Conclusion

In 1912, as Northeast Ohio's first century of non-indigenous settlement was ending, a major governmental adjustment was made in response to conditions created by rapid industrialization and growth: cities were granted home-rule independence. That adjustment enabled the original central cities to grow and prosper, followed by suburbs during the course of the region's second century. As Northeast Ohio enters its third century, extensive community interdependence and the confluence of several factors call for another critical adjustment. The factors include:

- Cuyahoga County is nearly built out and can no longer increase its tax base through large-scale suburban development.
- Large numbers of properties are becoming old and obsolete with some reaching the end of their lifespan, particularly in Cuyahoga County, but also in Summit, Lorain, and Lake Counties.
- Free-market housing construction coupled with little or no household growth is resulting in a housing oversupply and abandoned properties in market-bottom locations.
- Municipal independence has proven to be inadequate for addressing needs for renewal and redevelopment, resulting in excessive community decline, excessive outward spread of the region, and excessive farmland development.

In response to those factors, I propose that local and state officials collaboratively establish public policies and priorities that balance the renewal and redevelopment of aged communities with the construction of new ones in rural and semi-rural areas. Decades of gross imbalance have led to wide disparity in community strength and stability, and to unconstructive competition among the region's numerous jurisdictions. If the region is to realize its potential to flourish in its third century, practices and guiding policies must change.

Northeast Ohio faces the biggest challenge in its history. It must make its future rather than have it made for it, as happened during its first hundred years (the 1800s) when economic growth was *inevitable* owing simply to location. Northeast Ohio was a perfect place to bring together coal, iron ore, and oil for the creation of industries. Today, there is no inevitable. Well-being during the region's third century must be willfully produced. And that includes making adjustments that foster community renewal and stability. The state will not, indeed, cannot take the lead, but it must stop playing favorites. Beyond that, its role is to enable, facilitate, support.

We start with little confidence in the public sector. We start with intense self-interest. We start with *I don't live there; it's your problem, you fix it*. But if we are honest, we will

acknowledge what our own eyes can see in some of our struggling neighborhoods: underlying forces, that, in Lawrence Robbins's echoing admonition, "threaten the entire structure of the community."

To start does not require a great leap. A toe in the water would involve reviewing and discussing the facts that define our situation, and the implications of those facts. Then, alternative courses of action can be identified and evaluated. All quarters can have their say. In so doing, the potential for positive gain will come into focus, diminish our fears, and move the process forward.

As that happens, I do believe, something striking will emerge. How we, the residents of Northeast Ohio, feel about this place we call home will change. And, consequently, how we are viewed by others will change. By working to establish civic balance and stability, a long-absent sense of genuine regional satisfaction and unity will grow. We will dispel lingering vestiges of "mistake-on-the-lake" self-deprecation. We will become increasingly comfortable and pleased with who we are and how we live. And that will radiate. In the eyes of many, particularly our youth and young adults, Northeast Ohio will be seen as a cool place to live. This is essential for our economic advancement because well-educated young adults are the renewing force in every endeavor. Yes, we have begun to feel some of that drawing power, but it is nowhere near what it should be, can be, and, I believe, will be.



### ***Housing Dynamics in Northeast Ohio: Setting the Stage for Resurgence***

This book presents an overview of regional housing dynamics and consequent impacts in Northeast Ohio since the 1940s. Focus is on the city of Cleveland and its host county. Dynamics are examined in terms of supply and demand, population movement, lifespan of buildings, and the influence of government on the choices people have when considering where to live. Impacts include housing decline and abandonment, change in property value, and urban sprawl. Recommendations, centered on tax-base growth sharing, are presented for altering existing dynamics to support Northeast Ohio's resurgence.

### **Thomas Bier**

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