Cuyahoga County’s Next Crisis: Tax Base

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3/3/13
Overview

• Identify three major threats to tax base
  – Residential abandonment (inevitable)
  – Approaching build-out (inevitable)
  – Population loss (*not* inevitable)

• Define goals to end threats

• Pose feasible strategic actions
A Tale of Two Futures

Abandonment exceeds development = Loss of population & wealth
Tax base weakens
Spreading deterioration
Lower bond rating
Higher tax rates
Reduced services
Pessimism
Negative national image
A Tale of Two Futures

Development exceeds abandonment = Population growth
Tax base strengthens
Wealth growth
Minimal deterioration
Favorable bond rating
Moderate tax rates
Effective services
Upbeat attitudes
Magnetic national image
Threats in Action
Abandonment is Inevitable: Properties Wear Out, are Scrapped

100+ Years

New

Stock

Old
Bottom of market
Abandoned

100+ Years
Abandonment is Inevitable: New Housing Exceeds Household Growth
How Much Has New Housing Exceeded Growth? A Lot

Region* 1960-2010

New 623,000

Household Growth 336,000

*Cuyahoga, Geauga, Lake, Lorain, Medina, Portage, Summit
People Move; New and Best Places are Occupied, Worst Places Abandoned

New 623,000

Household Growth 336,000

Abandoned 287,000
287,000 Units Abandoned 1960-2010

150,000  in Cleveland
53% of 1960 housing stock

8,000  in East Cleveland
58% of 1960 housing stock

41,000  in Akron
44% of 1960 housing stock

88,000  elsewhere in 7 counties
### Cleveland vs. Akron 1960-2010

<table>
<thead>
<tr>
<th></th>
<th>Abandoned</th>
<th>New</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cleveland</td>
<td>150,000</td>
<td>33,000</td>
<td>-55%</td>
</tr>
<tr>
<td>Akron</td>
<td>41,000</td>
<td>35,000</td>
<td>-31%</td>
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</tbody>
</table>

New housing helped reduce Akron’s population loss.
Can Expect Around 3,500 Abandoned Homes Annually in Cuyahoga County

8,000 new homes in region
-1,500 more households
6,500 abandoned
  55% in Cuyahoga = 3,500
Approaching Build-out: New Housing is “Ending”
As Cuyahoga’s Supply of Greenfield Land Has Shrunk, Development Has Shifted to Adjacent Counties

<table>
<thead>
<tr>
<th>Year</th>
<th>Cuyahoga’s Share of 7-County New Housing (units)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>44%</td>
</tr>
<tr>
<td>2011</td>
<td>16%</td>
</tr>
</tbody>
</table>
Number of Residential Permits: City of Cleveland, Cuyahoga Suburbs, Adjacent Counties 1980-2011
Tax-base growth in Cuyahoga’s outer suburbs is limited. Must redevelop and renew Cleveland and inner suburbs.
Cuyahoga’s Tax Base is Losing Ground
Average Annual % Change in Tax Base

Residential 1985-2010

Inflation Adjusted

Cuyahoga

Adjacent Counties
Average Annual % Change in Tax Base

Commercial 1985-2010

Inflation Adjusted

<table>
<thead>
<tr>
<th></th>
<th>Cuyahoga</th>
<th>Adjacent Counties</th>
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<tbody>
<tr>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td></td>
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</tr>
<tr>
<td>1.5</td>
<td></td>
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<tr>
<td>2</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>3.5</td>
<td></td>
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</tbody>
</table>
Average Annual % Change in Tax Base

Industrial 1985-2010

Inflation Adjusted

-1.5
-1
-0.5
0
0.5
1
1.5

Cuyahoga
Adjacent Counties
Population Loss: Moving Up…and Out
Most Moves are Toward New, Away from “Old”

80% of suburban movers go farther out, half to next county
“Old” is Spreading

- In 40 years half of Cuyahoga’s homes will be 100+ years
- Lakewood in six years

<table>
<thead>
<tr>
<th>Obsolete real estate</th>
<th>Worn-out recreational facilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outdated schools</td>
<td>Broken curbs and side walks</td>
</tr>
<tr>
<td>Abandoned buildings</td>
<td>Leaking water lines</td>
</tr>
<tr>
<td>Blocked sewers</td>
<td>Dead trees</td>
</tr>
</tbody>
</table>
Cuyahoga’s Losses to Adjacent Counties* 2004-2009

<table>
<thead>
<tr>
<th></th>
<th>In</th>
<th>Out</th>
<th>Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>Households</td>
<td>33,000</td>
<td>48,000</td>
<td>-15,000</td>
</tr>
<tr>
<td>Persons</td>
<td>51,000</td>
<td>87,000</td>
<td>-36,000</td>
</tr>
<tr>
<td>Income</td>
<td>$1.28 b</td>
<td>$2.38 b</td>
<td>-$1.1 b</td>
</tr>
</tbody>
</table>

36,000 equals a Westlake – in five years

*Geauga, Lake, Lorain, Medina, Portage, Summit
Nearby Townships are a Factor: Move There, No Income Tax and Low Property Tax
Land in Townships

45% of new homes in six counties

Lorain 70%
Lake 53%
Geauga 96%
Medina 90%
Summit 35%
Portage 86%
Current Trajectory: Abandonment Exceeds Development

Cuyahoga’s Next 25 Years

- Abandoned homes     85,000 (inevitable)
- New homes                35,000
- Population loss         175,000
- Property value lost   $1.5 billion
- Income lost               $5.5 billion
- Inner suburbs     Severely distressed
Underlying Dynamics
There’s more to it than “schools, crime, city hall”

Free market
Builders build as many houses as market will absorb
People move toward new away from old

Impact
Old places are stuck with decline, abandonment

Government
Home Rule: “It’s your problem, you fix it”
Good Things are Happening

But Not Enough

- Downtown, University Circle, Ohio City, etc.
- Cuyahoga Land Bank
- County $100 million development fund
- Team NEO: 169,000 new jobs over next eight years
- *But not enough to change underlying dynamics*
Creating Cuyahoga County’s Third Century

- Accelerate renewal and redevelopment in Cleveland and inner suburbs
- Capitalize on successes and new urbanism
- Establish new image, optimism
- Attract residents and businesses
- Achieve stability
Cuyahoga County 2023

Renewing Redeveloping

Moves in and out are balanced
Strategic Targets for the County

By 2023

- Reduce annual household move-outs by 3,000
  Would balance in and out, retain $220 million in income
- Increase new housing from 1,500 per year to 4,000
  (1960s average was 10,000)
  Would add $600 million annually to property tax base
Strategic Agenda for the County

- Establish “Cuyahoga 2023” task force
- Overcome downside of Home Rule (“It’s your problem, you fix it”)
- Maximize land bank and site preparation
- Plan land re-use
- Concentrate resources on renewal and redevelopment
- Create incentives to locate in core
- Promote immigration
Strategic Agenda for the Region

- Create development framework for Northeast Ohio; balance in/out, old/new (Northeast Ohio Sustainable Communities Consortium)
- Promote resource gain sharing (Regional Prosperity Initiative)
Strategic Agenda for the State

- Invest according to county and regional plans
- Enable resource gain sharing
- Offset no-income-tax advantage of townships
- Expand Historic Preservation Tax Credit program
- Permit Clean Ohio fund for unknown end-users
- Take responsibility for abandonment
Cuyahoga County: From Growth to Decline to Re-growth

- Potent basis for optimism and investment
- Solid anchor for the region
- National attraction