

# Grantee: Cleveland, OH

## Grant: B-11-MN-39-0004

October 1, 2021 thru December 31, 2021

---

<b>Grant Number:</b> B-11-MN-39-0004	<b>Obligation Date:</b>	<b>Award Date:</b>
<b>Grantee Name:</b> Cleveland, OH	<b>Contract End Date:</b>	<b>Review by HUD:</b> Reviewed and Approved
<b>Grant Award Amount:</b> \$6,793,290.00	<b>Grant Status:</b> Active	<b>QPR Contact:</b> No QPR Contact Found
<b>LOCCS Authorized Amount:</b> \$6,793,290.00	<b>Estimated PI/RL Funds:</b> \$254,072.11	
<b>Total Budget:</b> \$7,047,362.11		

### Disasters:

#### Declaration Number

NSP

### Narratives

#### Summary of Distribution and Uses of NSP Funds:

Cleveland's investment strategy will rely primarily on existing NSP1 and NSP2 allocations and program income to rehabilitate viable properties. As to the use of NSP3 funds, there are some neighborhood sub-markets in very distressed areas that cannot sustain an investment strategy. The best approach in these areas is to reduce the stock of vacant and distressed properties through a demolition strategy targeting blighted structures, thereby stabilizing the remaining, non-blighted housing stock. For this reason, Cleveland is requesting a waiver of the 10% cap on NSP3 funds for demolition, up to 41% of the total NSP3 allocation (for a total demolition allocation of \$2,814,290). The use of NSP3 funds for demolition of blighted structures will complement the more than \$18 million investment in rehabilitated properties using NSP1 and NSP2 funds. By overlaying the HUD foreclosure and abandonment risk information with the Cleveland Neighborhood Market Typology, Cleveland has identified areas (i)where significant needs must be addressed, (ii)where need and market potential overlap, (iii)where scattered site rehabilitation will be sustainable and (iv)where Cleveland can create new housing opportunities for very low income households. After review of this overlay, Cleveland proposes targeting resources available through NSP using four major approaches (see below).

#### How Fund Use Addresses Market Conditions:

The general downturn of the regional housing market has been well documented by the local press. Cleveland State University completed a study of housing sales that looked beyond sales volume and average sale price. The study documents a bifurcated housing market with significantly reduced sales volume in regular arms length transactions. It also found a significant spike in the number of sales transactions that have a foreclosure in their recent history. While housing prices have declined modestly in the general market, housing prices have plunged when the property has been the subject of a recent foreclosure. Cleveland State concludes that the market can only return to balance if a two pronged strategy is implemented - The significant demolition of blighted properties with no serious prospect of reuse, and the support of the stable portions of the housing market which can be sustained after the waning of the crisis.

The Cleveland Department of Community Development updated its Neighborhood Market Typology in October of 2008.

While several areas hard hit by foreclosure activity have dropped in their market rating, other areas where the City has implemented its concentrated investment strategy and aggressive blight elimination program have shown signs of market sustainability in this difficult market.

Eliminating Blight in Areas of Greatest Distress through Demolition and Land Banking.

In areas where the HUD foreclosure and abandonment risk is high, but where the neighborhood market typology suggests that the market is too weak, at this time, to create a sustainable homeownership rehabilitation market, Cleveland will concentrate demolition and land banking. The red and brown areas in Figure A-5 show the parts of the city with significant need for blight elimination, but a weak market for rehabilitated homes.

Reviving Markets in Concentrated Investment Areas Through Substantial Rehabilitation, Select Blight Removal and Reuse of Vacant Land.

Cleveland has established 19 model block areas in neighborhoods that the Cleveland Market Typology ranks as Transitional, Fragile and Distressed. These model blocks were selected by Cleveland's non-profit development corporation community based on the model block's proximity to an anchor investment or neighborhood asset and an assessment of the potential for market recovery. Cleveland has been and will continue using NSP1 and NSP2 funds, in combination with HOME, CDBG and LIHTC resources, to rebuild these areas. The areas were selected based on a community review of nearby assets, proximity to an anchor investment and potential to reach untapped housing demand.

Stabilizing Sustainable Markets



Using its existing NSP1 and NSP2 allocations, Cleveland is intervening in Stable and Regional Choice markets by encouraging rehabilitation of properties in this environment, providing both development and homebuyer incentives for the purchase, rehabilitation and sale of vacant properties that were the subject of foreclosure action. Some NSP3 funds (\$400,000) are also proposed to be used for the rehabilitation of vacant properties in areas outside NSP2 target areas. The ultimate purchasers of these properties must meet the NSP qualification of an income less than 120% of the median

### **How Fund Use Addresses Market Conditions:**

income for the MSA. Demolition funds will be use sparingly to address only those blighted structures that cannot be returned to productive use. Figure A-5 shows these areas in blue.

Expanding Housing Opportunity for Very Low Income Households

Finally, Cleveland has a development history that concentrated impoverished households in a few core areas. Aggressive use of Section 8 vouchers and a policy of encouraging scattered site lease purchase use of Low Income Housing Tax Credits have mitigated this pattern over the last two decades. Cleveland proposes continuing expanded housing choices for very low income families by targeting its use of its NSP Very Low Income (VLI) funds to communities in the Cleveland typology which have the strongest existing markets - regional choice and stable areas (see blue areas in Figure A-5). In areas with transitional and fragile markets VLI funds will be used as part of the re-investment strategy that creates mixed income neighborhoods in concentrated investment areas.

### **Ensuring Continued Affordability:**

The City of Cleveland will maintain affordability of NSP assisted rental properties for the periods specified in Section 92.252 of the HOME Program regulations. Affordability requirements will be enforced through restrictive covenants placed on the properties and ongoing monitoring of rents and tenant income levels.

NSP home purchaser affordability will be enforced using the recapture method which will require a second mortgage on all property sold. Cleveland will recapture the face value of the second mortgage upon property transfer or, when the sales price is not sufficient to cover the obligations against the property, the net proceeds upon sale or other transfer. Recaptured proceeds will be used for NSP eligible activities in accordance with Program Income expenditure guidelines.

### **Definition of Blighted Structure:**

Chapter 324.03 of The Codified Ordinances of the City of Cleveland defines "blighted premises" as follows:

"Blighted premises" shall mean premises which because of their age, obsolescence, dilapidation, deterioration, lack of maintenance or repair or occurrence of drug offenses, prostitution, gambling and other criminal acts which constitute public nuisances at the premises or any combination thereof, including the ineffectiveness of House Code enforcement after lawfully issued citations or violation notices, constitute an apparent fire hazard, place of retreat for immoral and criminal purposes constituting a public nuisance or repeated and serious breaches of the peace, health hazard, public safety hazard or any combination thereof; an unreasonable interference with the reasonable and lawful use and enjoyment of other premises within the neighborhood; or a factor seriously depreciating property values in the neighborhood.

Section 1.08 of The Ohio Revised Code defines "blighted parcel" as follows:

"Blighted parcel" means either of the following:

(1) A parcel that has one or more of the following conditions:

(a) A structure that is dilapidated, unsanitary, unsafe, or vermin infested and that because of its condition has been designated by an agency that is responsible for the enforcement of housing, building, or fire codes as unfit for human habitation or use;

(b) The property poses a direct threat to public health or safety in its present condition by reason of environmentally hazardous conditions, solid waste pollution, or contamination;

(c) Tax or special assessment delinquencies exceeding the fair value of the land that remain unpaid thirty-five days after notice to pay has been mailed.

(2) A parcel that has two or more of the following conditions that, collectively considered, adversely affect surrounding or community property values or entail land use relationships that cannot reasonably be corrected through existing zoning codes or other land use regulations:

(a) Dilapidation and deterioration;

(b) Age and obsolescence;

(c) Inadequate provision for ventilation, light, air, sanitation, or open spaces;

(d) Unsafe and unsanitary conditions;

(e) Hazards that endanger lives or properties by fire or other causes;

(f) Noncompliance with building, housing, or other codes;

(g) Nonworking or disconnected utilities;

(h) Is vacant or contains an abandoned structure;

(i) Excessive dwelling unit density;

(j) Is located in an area of defective or inadequate street layout;

(k) Overcrowding of buildings on the land;

(l) Faulty lot layout in relation to size, adequacy, accessibility, or usefulness;

(m) Vermin infestation;

(n) Extensive damage or destruction caused by a major disaster when the damage has not been remediated within a reasonable time;

(o) Identified hazards to health and safety that are conducive to ill health, transmission of disease, juvenile delinquency, or crime;

(p) Ownership or multiple ownership of a single parcel when the owner, or a majority of the owners of a parcel in the case of multiple ownership, cannot be located.

### **Definition of Affordable Rents:**

The City of Cleveland will define "affordable rents" to comply with the limits for the HOME Program, as described in 24 CFR 92.252. Maximum affordable rent limits will be the "High HOME Rent Levels" as adjusted by HUD on an annual basis. For units that are specifically targeted to household whose incomes do not exceed 50% of area median income, the applicable rent limits will be the "Low HOME Rent Levels" as adjusted by HUD on an annual basis. However, if a unit receives a project-based rental subsidy and the household's contribution towards the rent does not exceed 30% of its adjusted income, the unit will also qualify as affordable.



**Housing Rehabilitation/New Construction Standards:**

Housing rehabilitation activity will need to comply with all applicable building and housing codes. In addition, the Department of Community Development has a "General Specifications Standards" manual that describes in extensive details the policies, procedures and contractor performance standards that are required for all rehabilitation activities, including those assisted with NSP funds.

Any gut rehabilitation or new construction of residential buildings up to three stories will be designed to meet the standard for Energy Star Qualified New Homes. Gut rehabilitation or new construction of mid- or high-rise multifamily housing will be designed to meet American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE) Standard 90.1-2004, Appendix G plus 20 percent. All other rehabilitation will meet these standards to the extent applicable to the rehabilitation work undertaken, including the use of Energy Star-46 labeled products, and water-efficient toilets, showers, and faucets.

**Grantee Contact Information:**

NSP3 Program Administrator Contact Information:

Name: Michael Cosgrove  
 Email Address: MCosgrove@city.cleveland.oh.us  
 Phone Number: (216) 420-7634  
 Mailing Address: Cleveland Department of Community Development, 320 City Hall, 601 Lakeside Avenue, Cleveland, Ohio 44114

**Vicinity Hiring:**

The City will, to the maximum extent possible, provide for hiring of employees who reside in the vicinity of the projects, or will contract with small business owned and operated by persons residing in the vicinity of the projects. This will be implemented through the Fannie M. Lewis Cleveland Resident Employment Law, for all contracts over \$100,000.00, the City requires that 20% of total workforce hours go to City of Cleveland residents, as well as the policy set forth in Chapter 187 of the Cleveland Codified Ordinances, which requires that Cleveland Area Small Businesses have every practicable opportunity to participate in the performance of contracts awarded by the City by setting goals for subcontractor participation.

**Procedures for Preferences for Affordable Rental Dev.:**

The City will solicit projects that create affordable rental housing through a Request for Proposals. Projects that create affordable rental housing are eligible for consideration to receive up to the full \$2,800,000 allocated to this line item.

<b>Overall</b>	<b>This Report Period</b>	<b>To Date</b>
<b>Total Projected Budget from All Sources</b>	\$0.00	\$7,043,002.21
<b>Total Budget</b>	\$0.00	\$7,042,992.00
<b>Total Obligated</b>	\$0.00	\$6,750,992.00
<b>Total Funds Drawdown</b>	\$0.00	\$6,304,494.24
<b>Program Funds Drawdown</b>	\$0.00	\$6,304,494.24
<b>Program Income Drawdown</b>	\$0.00	\$0.00
<b>Program Income Received</b>	\$0.00	\$798,344.96
<b>Total Funds Expended</b>	\$0.00	\$7,054,202.12
<b>HUD Identified Most Impacted and Distressed</b>	\$0.00	\$0.00
<b>Other Funds</b>	\$ 0.00	\$ 10.21
Match Funds	\$ 0.00	\$ 10.21
Non-Match Funds	\$ 0.00	\$ 0.00

**Funds Expended**

<b>Overall</b>	<b>This Period</b>	<b>To Date</b>
City of Cleveland	\$ 0.00	\$ 6,754,202.12
Cleveland Housing Network, Inc.	\$ 0.00	\$ 300,000.00
Puritas Avenue Associates, L.P.	\$ 0.00	\$ 0.00



## Progress Toward Required Numeric Targets

Requirement	Target	Projected	Actual
Overall Benefit Percentage	99.99%	.00%	.00%
Minimum Non Federal Match	\$ .00	\$ .00	\$10.21
Overall Benefit Amount	\$6,367,725.27	\$ .00	\$ .00
Limit on Public Services	\$1,018,993.50	\$ .00	\$ .00
Limit on Admin/Planning	\$679,329.00	\$679,000.00	\$671,021.39
Limit on Admin	\$ .00	\$679,000.00	\$671,021.39
Most Impacted and Distressed	\$ .00	\$ .00	\$ .00
Progress towards LH25 Requirement	\$1,761,840.53		\$1,698,323.00

## Overall Progress Narrative:

No new activity.

## Project Summary

Project #, Project Title	This Report	To Date	
	Program Funds Drawdown	Project Funds Budgeted	Program Funds Drawdown
19628002, Nuisance Abatement - Demolition	\$0.00	\$2,814,290.00	\$2,563,228.80
19628003, Housing Renovation Program - Acquire, Rehab,	\$0.00	\$449,702.00	\$270,244.05
19628005, Land Banking Operations	\$0.00	\$0.00	\$0.00
19628006, Program Operation and Overhead	\$0.00	\$679,000.00	\$671,021.39
19628007, Multifamily Rental Housing Production	\$0.00	\$3,100,000.00	\$2,800,000.00

