



## DEVELOPER SURVEYS REPORT

April 2021

Surveys were given to four groups (local multi-family developers, local single-family developers, local ancillary development professionals, and multi-family developers working in markets outside of Cleveland) in Fall-Winter, 2020. At that time, most of the state was in lockdown so some responses regarding COVID-19 impact may no longer be accurate.

### Multi-Family Developers

#### Responders:

- **There were 13 respondents who had developed an average of 622 units in Cleveland in the last 5 years (predominantly 1- and 2-bedroom units)**
- **85% of units developed in the last 5 years were market-rate**
- **Average per-square-foot rents were from \$1.53- \$2.82, with the highest reported at \$3.59**
- **Respondents reported that, on average, 62% of tenants were age 18 – 44**
- **Respondents reported an average of 7 Historic Tax Credit projects in the last 5 years and an average of 444 units in these properties**
- **13% of respondents were MBE/FBE/CSB businesses in the City of Cleveland**

About one-third (33%) of the multi-family developer respondents indicated that the Opportunity Zone had influenced project locations.

Most (83%) of respondents indicated they believe there is a trend toward new construction, with some indicating a lack of historic properties in the right locations or citing difficulties with the State tax credit process. One respondent commented that rents in historic renovation properties were too high.

Nearly one-third (29%) of respondents indicated that they have delayed or cancelled projects due to COVID-19. All respondents indicated issues related to COVID-19, such as having to take more time to complete construction due to labor and materials delays, increased costs, difficulties in financing and delayed government approvals. Respondents reported an average drop in occupancy of 6%, from an average of 95% to 85%.

A significant share (43%) of respondents felt that Downtown was near capacity on Historic Tax Credits. Some (14%) indicated Historic Tax Credit capacity issues in Detroit Shoreway, Little Italy, Ohio City and Tremont.

Respondents indicated that they include the following amenities in their multi-family projects:

- Internet/Wi-Fi 83%
- Fitness Center 66%
- Outdoor Space 33%
- Pet Friendliness 33%
- Community Space 33%
- Bike Storage 17%

Suite amenities included:

- Washer/Dryer 66%
- High-End Kitchens/Stainless Appliances 33%

Of the respondents who indicated the areas where they are actively working, the most common were:

- Downtown 60%
- Ohio City 44%
- Glenville 40%
- Tremont 40%
- Detroit Shoreway 20%
- Fairfax 20%
- University Circle 20%
- Little Italy 20%
- Midtown 20%

Respondents cited the following as **benefits** of developing in Cleveland:

- Tax Abatement 71%
- Land Acquisition Cost 57%
- Walkability 57%
- Gap Financing 43%
- Bank Financing 43%
- Parking Availability 43%
- Neighborhood Retail 29%
- Appraised Values 29%
- Brownfield/Asbestos Funding 28%
- HUD Financing 14%
- Public Perception of Safety 14%
- Public Transit 14%
- Lake Erie 14%

Respondents cited the following as **challenges** to developing in Cleveland:

- Brownfields and/or Asbestos Issues 86%
- City Approval Process 71%
- Planning Review and Approval 71%
- Permitting Process 71%

- Requirements on Construction 71%
- Public Perception of Safety 71%
- Appraised Value Issues 71%
- Public Transit 57%
- Neighborhood Retail 57%
- Architectural Review Board 43%
- Land Acquisition costs 43%
- Construction Cost 43%
- Vacancy Rates 43%
- Walkability 43%
- Parking Availability 43%
- Bank Financing 29%
- Community Approach to Density 29%
- Police Response 14%
- Oversupply of Housing 14%
- Gentrification Concerns 14%
- Gap Financing 14%
- Cap Rates Higher than Other Areas Creating a Gap 14%
- No State Advocacy to Support Housing 14%
- City's Passive Approach to Development (especially small to mid-sized) 14%

Respondents cited the following changes the City could make to support housing development:

- Support Placemaking and Urban Amenities 43%
- Continue Tax Abatement 29%
- Revamp Permit and Inspection Process (Possibly Outsource) 29%
- Denser Zoning 29%
- Streamline Approval Process 14%
- Gap Financing 14%
- Gap Financing Not Tied to Job Creation 14%
- Fund Infrastructure (Streetscapes, Sanitary and Storm Sewers) 14%
- Advocate to State for Historic Tax Credit Penalty for Cleveland to End 14%
- Do Not Provide Incentives until Oversupply is Absorbed 14%

## Single Family Developers

Respondents:

- **There were 13 respondents representing single-family development in Cleveland**
- **Units developed in the last 5 years were predominantly 2- and 3-bedroom units (51%)**
- **96% of units developed were market-rate**

- **Average sales prices for 2-3-bedroom units were \$316,396- 396,000, with the highest reported at \$500,000 and the lowest at \$35,000**
- **Respondents estimated that 36% of buyers were first-time homebuyers and 29% were empty nesters**
- **81% of respondents worked on new construction as opposed to rehab projects**

Three-quarters (75%) of respondents indicated that the COVID-19 pandemic had influenced home sales prices.

The same share (75%) of respondents indicated that there were decreases ranging from 10% to 90% in the number of prospective homebuyers as a result of COVID-19. The estimated decrease was dependent on location as indicated by “East Side” or “West Side,” with East Side numbers decreasing the most. Two respondents, however, indicated *increases* in the number of homebuyers as large as 50%.

A majority of single-family developers responding to the survey reported that home prices had risen between 5 and 20% as a result of COVID-19 and noted increased materials cost, including a 75% increase in window costs and a 100% increase in the cost of lumber. One developer noted, however, that sales prices on the “East Side” continue to decrease.

Half (50%) of the respondents indicated that incentives were needed to support housing development and indicated such incentives could/should include tax abatements, downpayment assistance, and closing cost assistance.

Developers indicated that they include the following amenities in their home projects:

- |                             |      |
|-----------------------------|------|
| • Off-Street Parking/Garage | 100% |
| • Front Porch               | 78%  |
| • Smart Home                | 22%  |
| • Security System           | 11%  |

Of the respondents who indicated the areas where they are actively working, the most common were:

- |                    |      |
|--------------------|------|
| • Tremont          | 100% |
| • Ohio City        | 83%  |
| • Detroit Shoreway | 83%  |
| • Fairfax          | 50%  |
| • Slavic Village   | 50%  |
| • Glenville        | 50%  |
| • Downtown         | 33%  |
| • Old Brooklyn     | 17%  |
| • Clark Fulton     | 17%  |

Respondents cited the following as **benefits** of developing in Cleveland:

- Tax Abatement 83%
- Land Acquisition Cost 66%
- Approach to Density 17%
- Gap Financing 17%
- Lack of Competition 17%
- Bank Financing 17%
- Walkability 17%

Respondents cited the following as **challenges** to developing in Cleveland:

- City Approval Process 100%
- Architectural Review Board 100%
- Planning Review and Approval 100%
- Permitting Process 100%
- Requirements on Construction 50%
- Community Approach to Density 50%
- Public Perception of Safety 50%
- Overall Difficulty 50%
- Gentrification Concerns 33%
- Parking Availability 17%
- Cost of Water/Sewer Connections 17%
- Getting Inspections 17%
- Land Bank Lots Go to Bigger Developers 17%
- Bank Financing 17%
- Appraised Value Issues 17%
- Land Acquisition Costs 17%
- Tax Abatement Process 17%
- Lack of Consistency between Design Boards, Planning, Council 17%

Respondents reported that the following programs work well:

- Tax Abatement 100%
- Land Bank 40%
- Appraisal Gap Financing 20%
- Down Payment Assistance 20%

Respondents cited the following changes the City could make to support housing development:

- Streamline Approval Process 60%
- Expand Appraisal Gap Subsidies where Needed 40%
- Continue Tax Abatement 20%
- Create Consistent Standards for Approval 20%
- Revamp Permit and Inspection Process 20%
- Hire More Plans Examiners 20%
- By-Right Zoning 20%

- Safety and Schools 20%
- Funding for Utility Tap-Ins for Affordable Housing Projects 20%

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## Ancillary Development Professionals

- The 33 respondents to this survey included attorneys (26%), appraisers (21%), real estate advisors (18%), architects (6%), and other professionals involved in housing development (29%).
- About a fifth (17%) of respondents were MBE/FBE/CSB businesses registered in the City of Cleveland

As a result of COVID-19, 23% of survey respondents felt that Cleveland’s Central Business District had become less desirable. About 19% believe that multi-family development has slowed, while 15% believe that single-family development is either unchanged or stronger in “hot” neighborhoods.

Other concerns related to COVID-19 included income challenges for residents and tenants; rising costs of construction materials and labor; a lack of affordable housing; and an increase in out-of-town investors buying homes but not maintaining them.

Of the respondents who indicated the areas where they are actively working, the most common were:

- Ohio City 61%
- Downtown 55%
- Tremont 52%
- Detroit Shoreway 42%
- Midtown 27%
- Glenville 21%
- Little Italy 21%
- Fairfax 18%
- Slavic Village 18%
- Clark Fulton 15%
- West Park 12%
- University Circle 9%
- Citywide 6%
- Old Brooklyn 6%
- Hough 3%

Respondents cited the following as **benefits** of developing in Cleveland:

- Tax Abatement 85%
- Walkability 61%
- Public Transit 42%
- HUD Financing 39%
- Neighborhood Retail 39%
- Bank Financing 39%
- Parking Availability 18%
- Appraised Values 18%
- Brownfield Funding 18%

- Tax Credits 6%
- Permit Process 6%
- Public Perception of Safety 6%
- Planning Review and Approval 3%
- CDCs 3%
- Skilled Tradesmen 3%
- City Requirements for Construction 3%
- Architectural Review Board 3%
- City Approval Processes 3%

Respondents cited the following as **challenges** to developing in Cleveland:

- City Approval Process 58%
- Permit Process 58%
- Public Perception of Safety 58%
- City Requirements on Construction 55%
- Appraised Values 45%
- Bank Financing 42%
- Planning Review and Approval 39%
- Architecture Review Board 27%
- Neighborhood Retail 27%
- Parking Availability 24%
- Walkability 18%
- Public Transportation 18%
- Brownfield Issues 12%
- Planning Staff Not Helpful 6%
- HUD Financing 6%
- Neighborhood Meetings 3%
- Lack of Planning for Landbank Properties 3%
- Outdated Tech at City Hall 3%
- Perceptions that Developers are Greedy 3%
- Overreach by Boards/Commissions 3%
- Code Violations 3%
- Too-High Real Estate Taxes 3%
- Quality of School System 3%
- Neighborhood Meetings 3%

Respondents reported that the following programs work well:

- Tax Abatement 83%
- Land Bank 55%
- Tax Increment Financing 52%



- Vacant Property Initiative 41%
- HOME funds 28%
- CDBG funds 24%
- Down Payment Assistance 21%
- Housing Trust Fund 17%
- Weatherization 10%
- Historic Tax Credits 3%
- County Landbank 3%

Respondents cited the following changes the City could make to support housing development:

- Streamline City Approval Process 19%
- Continue Tax Abatement 15%
- More Funding for Affordable and Mixed Income Housing 11%
- City Responsiveness 7%
- More Greenspace 7%
- Grant Abatement Earlier in Process 7%
- More Selective Abatement 4%
- Keep Current Assistance programs and Add New Programs 4%
- Create a Rental Assistance Program 4%
- Reduce Property Taxes 4%
- Create more Public Parking 4%
- Improve Lighting in Public Areas 4%
- Create Incentives that Reward More than Developers 4%
- Improve Public Safety 4%
- Improve Schools 4%
- Improve Neighborhood Retail 4%
- Address Code Violations to Attract Investment 4%
- Target Resources around jobs and Transit 4%
- Fix Zoning Code 4%
- Engage Residents on Development Projects 4%
- Bring Technology to City Hall 4%
- Keep Historic Tax Credits 4%

In addition, respondents cited the following as longer-term changes the City could make to support housing development:

- Streamline City Approval Process 14%
- Attract Jobs/Market City to Prospective Residents/Employers 11%
- Increase Walkability 11%
- Provide Grants for Home Rehabs 7%
- Gap Financing for Affordable and Mixed-Income Housing 7%

- Prevent Tax Increases for Neighbors in Development Areas. 7%
- Develop Ridesharing Programs 4%
- Add Bike Lanes 4%
- Improve Public Safety 4%
- Improve Public Transportation 4%
- Improve Neighborhood Retail 4%
- Improve Public Schools 4%
- Stimulate Bank Financing in Underserved Neighborhoods 4%
- Prevent Redlining 4%
- Provide Incentives to Homebuyers 4%
- Eliminate Prevailing Wage Requirement 4%
- Update Zoning Code 4%
- Prioritize Rehabilitation 4%
- Make Housing Rehab Tax Credit Work Better 4%
- Promote Aging in Place Housing Design 4%
- Increase Greenspace/Amenities 4%
- Use Special Assessment Districts 4%
- Create a Parking Authority to fund Downtown Parking 4%
- Focus on Transit Oriented Development 4%
- Fund Public Infrastructure to Support Private Development 4%

## Multi-Family Developers from Other Markets

The RFP team reached out to developers who operate in Pittsburgh, Columbus, Indianapolis, and Northeast Ohio (excluding Cleveland).

### Respondents:

- **There were 14 respondents who, on average, developed 10 projects and 1,647 units in the last 5 years**
- **The average respondent owned and/or managed 2,341 units, of which 64% are 1- and 2-bedroom units**

- **82% of units were market-rate**
- **Average per square foot rents ranged from \$1.42-\$2.00**
- **Respondents reported that an average of 29% of tenants are aged 18 – 44**
- **Respondents reported developing an average of 0 Historic Tax Credit projects in the last 5 years**

Respondents reported an average drop in occupancy of 6%, from 95% on average to 85%, as a result of COVID-19—the same decrease as reported by multi-family developers in Cleveland.

Respondents gave the following as the “number one reason” they had not invested in Cleveland in the last 5 years:

- No Opportunity that meets Investing Criteria 46%
- Lack of Code Enforcement 8%
- Adverse Property Tax Climate from School Districts 8%
- Lack of Strong Executive-Based Job Market 8%
- Asbestos Issues Too Expensive 8%
- Cleveland Residents Cannot Support Senior Living Rents 8%
- Population Growth, Job Growth, Tech Job Growth, Millennial Growth Do Not Meet Criteria 8%

Respondents said that, compared to the vacancy rate in the city where they develop most frequently, the vacancy rate in Cleveland is:

- Higher 75%
- Lower 25%

Respondents cited the following as **benefits** of developing in Cleveland:

- Land Acquisition 100%
- Neighborhood Retail 50%
- Appraised Values 50%
- Public Transit 50%
- Planning Process and Approval 50%
- City Approval Process 50%
- Construction Cost 50%

Respondents cited the following as **challenges** to developing in Cleveland:

- City Requirements on Construction 50%
- Community Approach to Density 50%

- Overall Difficulty 50%
- Bank Financing 50%
- Vacancy Rates 25%
- Parking Availability 25%
- Tax Abatement 25%
- Public Perception of Safety 25%
- Brownfield & Asbestos Issues/Funding 25%
- Attracting Capital due to Lack of Growth 25%

Respondents cited the following changes the City of Cleveland could make to attract out-of-state investment in housing:

- Improve Code Enforcement 25%
- Bring in White Collar Jobs to Attract Younger Residents 25%
- Diversify City with a Focus on Mixed-Use-Friendly Deals 25%
- Help Research/Analytical Firms Recognize Cleveland Growth Potential 25%
- Convince Institutional Capital Market Cleveland is Worth Investment 25%
- Negotiated Approach to PPP on Targeted Districts/Sites 25%
- Entrepreneurial Mindset to Make Something Happen 25%