

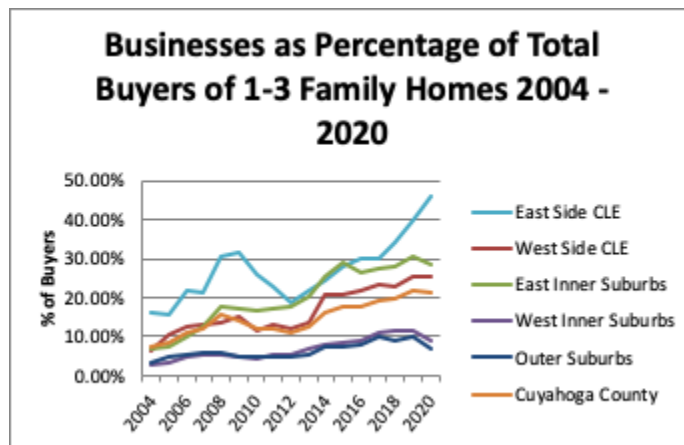
Good Afternoon, my name is Sally Accorti Martin. For almost 14 years, I was the Housing Director for the City of South Euclid, Ohio, an inner-ring suburb on the east side of Cleveland. My role was to oversee residential code enforcement for the city's 9,600 housing units. Currently, I am the Director of Building and Housing for the City of Cleveland. As most of you are aware, Cleveland and its suburbs, like many other rust belt cities, have suffered decades of out-migration and that, combined with the mortgage foreclosure crisis, created a perfect storm that resulted in tens of thousands of residents losing their homes, with municipal governments left to handle the resulting blight of an overwhelming number of vacant and abandoned properties.

One of the after effects of the decline in the housing market has been a dramatic rise of business buyers of single-family homes. The bargain basement prices of the past decade and a half, led to an unprecedented rise in the number of investors flooding the housing market. Even now, with rebounding home sale prices, we have not seen that trend diminish. It continues to increase steadily.

Last month, I assisted an elderly resident who had a housing choice voucher and was being evicted from her home of 19 years. The recent rebound in housing prices has led to many local landlords selling their occupied homes to out of state investors. In this case, as in many others I have seen recently, the tenant was on a month-to-month contract and the new landlord chose not to renew her tenancy and provided her a 30day notice to vacate. The woman was unable to secure other housing for herself, her sister with dementia, and her granddaughter and they were evicted from the home, with many of their possessions and medications left inside. It is not uncommon for these "new" institutional landlords to introduce themselves to their tenants through their property management companies with notices of large rent increases, making remaining in the home unfeasible. In this case the new landlord was the SFR3 Fund, an LLC from Mill Valley California with the mission statement of "acquiring, renovating, and renting thousands of single-family homes". Unlike mom and pop landlords, large out-of-state investors typically don't have much empathy for their tenants. Residents can be a day late in paying rent and face an eviction notice. In this case, the tenant had never been late on rent, but the landlord refused to allow her to remain in the home, as he realized that he could get a higher rent from a non-subsidized tenant. Almost two months after the eviction, the home appears to remain vacant and not renovated, yet the tenant was not permitted to have additional time to remove her belongings. For the past couple of years, my office has received many calls from tenants in similar circumstances.

In Cuyahoga County, community development practitioners from more than 30 governmental, non-profit and educational organizations have collaborated to address the challenges facing our neighborhoods since 2005 by meeting monthly through an ad hoc group known as the Vacant and Abandoned Property Action Council or VAPAC. Chaired by housing researcher Frank Ford, of the Western Reserve Land Conservancy, much of VAPAC's work has involved conducting research into housing trends and recommending policy interventions to help restore neighborhood vitality.

In the coming month, VAPAC will be releasing a white paper on the role of business buyers of 1-4 family homes. Not surprisingly, the research conducted by City of Cleveland data analyst, Dr. Tim Kobie, shows a dramatic and alarming increase of business buyers, especially in communities of color on Cleveland’s east side and in the racially diverse inner ring suburbs of Cleveland. Many of these investors are not local to Cleveland. Many are international and out-of- state investors with little interest in making repairs or improving properties in any meaningful way. The result is continued deterioration of neighborhoods, increasing rents, and the erosion of home ownership opportunities, especially for those of low and moderate incomes. For Cuyahoga County as a whole, business buyers nearly tripled from 2004 at 7.17 percent to 21.1 percent in 2020. The largest increase occurred on the east side of Cleveland. From 2004 to 2020, business buyers increased by almost 30 percent. This is nearly a threefold increase over the time period. In fact, business buyers exceeded individual buyers in 2020, 45.76 percent to 44.79 percent.



Prospective homebuyers are finding the market nearly impossible to navigate. In South Euclid, a community with traditionally modest home prices, cash offers and bidding wars have become the norm, making buyers requiring mortgages uncompetitive. We have seen desperate homebuyers borrowing from 401k funds, relatives or even hard money lenders in order to compete with investors.

For subsidized tenants, the market realities are sobering. When I began my position in 2008, South Euclid had approximately 300 housing choice vouchers in force. When I left this month, there were less than 200. Those with public assistance cannot compete with market rate tenants able to pay the higher rents being charged. Many of the landlords that will accept the lower rents offered by the public housing authority often have poorly maintained properties, and engage in unethical behavior such as requesting additional money on the side, or large security deposits.

South Euclid, unlike many cities, has taken a proactive approach to protecting tenants by enacting pay-to-stay legislation and by passing a comprehensive anti-discrimination ordinance including source of income protection. Even so, we cannot stop many of the predatory behaviors we are seeing in the market. Currently the majority of the 1,600 or so rental units in South Euclid are owned by out of state and many international investors. Even with higher sale prices, the investors are insatiable in their demand for more and more houses. Our residents are bombarded with postcards, text messages, and other marketing materials offering to buy their homes for cash.

South Euclid has taken a proactive approach to managing rental properties by passing numerous ordinances designed to hold owners accountable including having a registration and inspection requirement; requiring owners living outside of the area to name a local agent-in-charge; and not allowing the registration of rental properties with delinquent property tax balances. By taking these actions, we have successfully driven out many predatory landlords from our community. But it feels like an uphill battle.

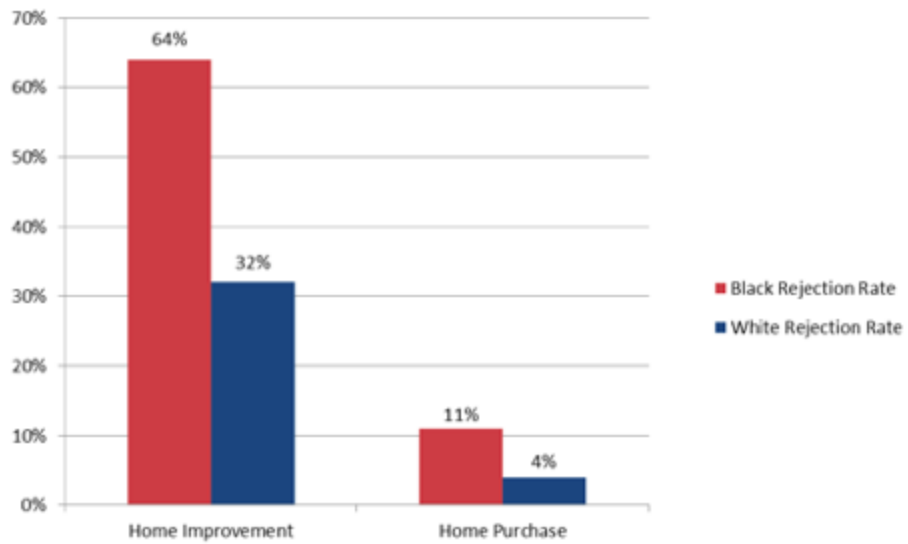
Strategic and aggressive code enforcement serves a critical role in addressing the challenges posed by these market changes, yet many municipalities lack the funding to maintain well-staffed departments and even for cities with the wherewithal to hire, there is often a lack of qualified candidates.

Another factor undermining our housing market is lack of access to credit in low-and-moderate income areas. In Cuyahoga County, community development stakeholders have banded together to create the Greater Cleveland Reinvestment Coalition to highlight the disparities in lending that are prevalent in our region and advocate for fair access to credit for all residents. Research by Frank Ford shows that on the east side of Cleveland, only 18 percent of home purchases are associated with a home purchase loan. The entire east side of Cleveland, a majority minority area, has become a cash market.

Ford's research shows that Black borrowers continue to be rejected more often than White borrowers. In fact, high income Black borrowers continue to be denied loans more often than high income White borrowers. And, more troubling, high income Black borrowers continue to be denied loans more frequently than middle-and-moderate income White borrowers.

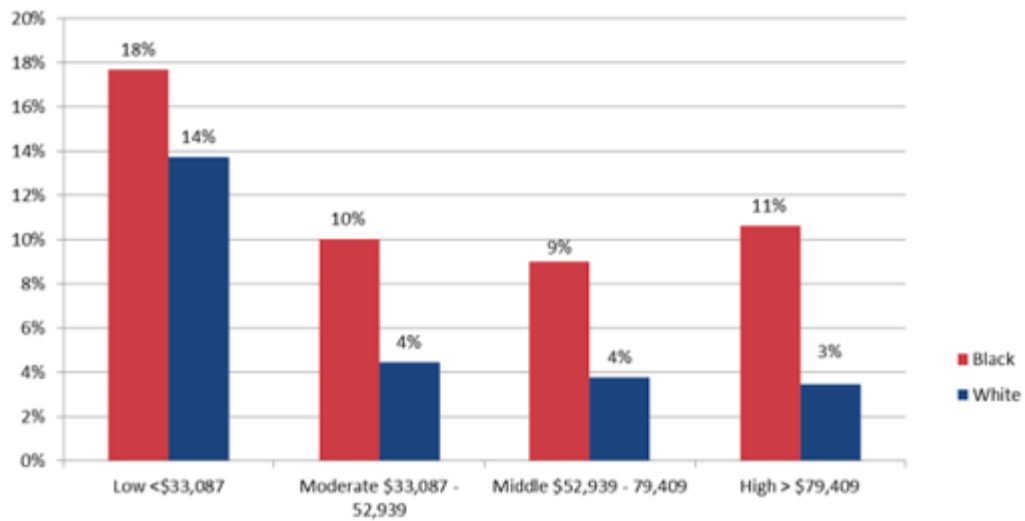
In order to rectify these issues, the public and private sectors must collaborate. Middle Neighborhoods and low-and-moderate income areas continue to lose ground in homeownership and tenants are subject to increasing rents, making attaining the dream of homeownership nearly impossible for many.

### Home Mortgage Loan Rejection Rates 2020 Cuyahoga County - 1 to 4 Family Homes



Source: Federal Financial Institutions Examination Council (FFIEC) and NEO CANDO at Case Western Reserve University.  
Excludes loans that a lender purchased from another bank.

### Home Purchase Loan Rejection Rates For White and Black Applicants - By Income Cuyahoga County 2020



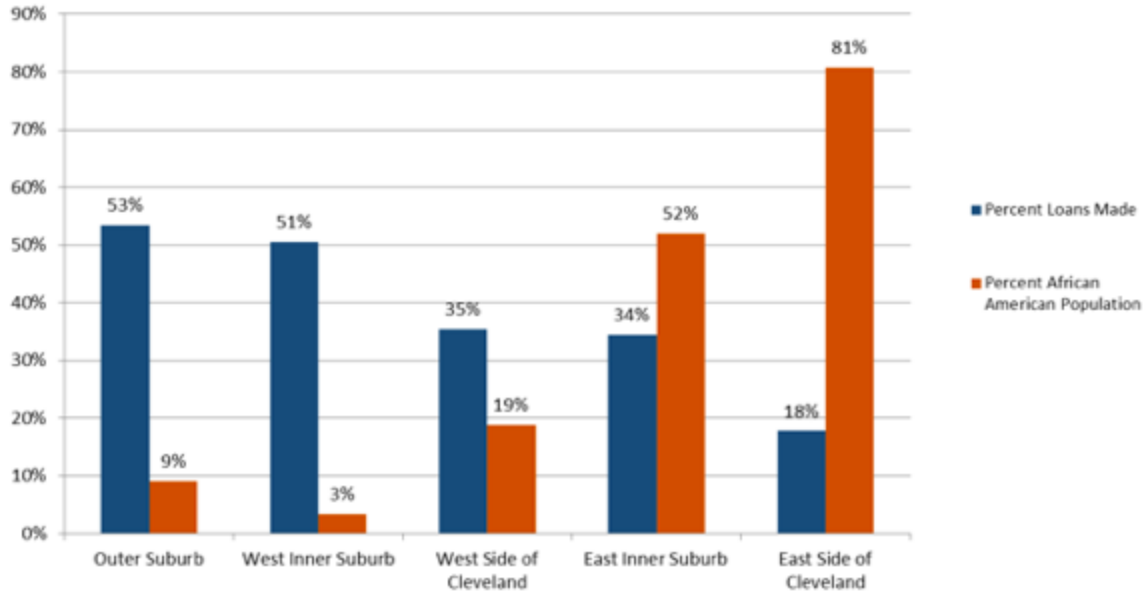
Source: Federal Financial Institutions Examination Council (FFIEC), 2017 US Census and NEO CANDO at Case Western Reserve University.

Cuyahoga median family income = \$66,174 per US Census 2018 - 5 year estimate (2014-2018).

Low <50% median. Moderate ≥50% but <80% median. Middle ≥80% but <120% median. High ≥120% median.

Applications for home purchase loans on 1-4 family dwellings.

### 1-4 Family Home Improvement Loans Percent of Loans Made From Applications Received and Percent of African American Population Cuyahoga County Regions (2020)



Source: 2019 Home Mortgage Disclosure Act (HMDA) data, 2012 US Census data, NEO CANDO at Case Western Reserve University.

Excludes home purchase, refinancing and loans that were purchased by a bank from another bank.

Prepared by Frank Ford, Western Reserve Land Conservancy, 11-6-21.