

HOUSING ANALYSIS FOR CLEVELAND LAKEFRONT DEVELOPMENT

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November 6, 2003

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SUMMARY

This report contains the results of analyses to determine potential market demand for housing located on Cleveland's lakefront, and to assess associated impacts. Results of these analyses are based primarily upon (1) a comparative study of waterfront populations in the cities of Milwaukee, Chicago, Portland and Baltimore, and (2) a survey of residents in the multi-county Cleveland region.

Potential Scale of Cleveland's Lakefront Housing

10,000 units of new housing are possible

Planners have determined that land that would become available for development by altering the location and configuration of Cleveland's Shoreway could accommodate 10,000 units of new housing.

Comparison with Other Waterfront Cities

10,000 units are comparable with other cities

If Cleveland had 10,000 households living on the lakefront, they would be five percent of the city's total households. Portland's waterfront households are 9.7 percent; Chicago's figure is 7.1 percent; Baltimore 4.0 percent; and Milwaukee 1.8 percent. Thus, Cleveland's 10,000 units are within the range of the other cities.

Other cities' waterfront populations have a mix of incomes

Fifty-two percent of the households living on Milwaukee's waterfront have an income of \$50,000 or more. The figure for Baltimore is 48 percent; Chicago, 43 percent; Portland, 32 percent.

Other waterfront cities have more middle- and upper-income residents than Cleveland

Forty-one percent of *all* of Portland's households (the entire city) have an income of \$50,000 or more. Chicago's figure is 38 percent; Milwaukee, 29 percent; Baltimore, 28 percent. Cleveland is 22 percent (the suburbs of Cuyahoga County are 47 percent). Cleveland needs more higher-income households to strengthen its tax base but *the city has a serious deficiency of housing to meet that market*. In 2000/2001 Cleveland had 171 homes that sold for \$150,000 or more; the suburbs of Cuyahoga County had 9,294. Cleveland would have 40 percent of its households with an income of \$50,000 or more by adding an additional 35,000, a portion of which can be achieved through lakefront development.

The multi-county region is the pool for middle- and upper-income waterfront residents

Portland's waterfront households with an income of \$50,000 or more are 2.5 percent of all households with that income in the Portland region. The figure for both Chicago and Baltimore is 2.2 percent; and Milwaukee is 0.7 percent.

If 2.2 percent of the Cleveland region's households with an income of \$50,000 or more lived on Cleveland's lakefront, the number would be 7,300.

Cleveland's Potential Lakefront Residents

A target of 7,000 middle- and upper-income households for Cleveland's lakefront is appropriate

A survey of residents of the Cleveland region found that at least 6,000 and possibly up to 9,000 middle- and upper-income households are interested in living on the lakefront. Thus, 7,000 units is an appropriate target for planning and design.

Lakefront development is an opportunity for income mix, tax base enhancement, and population growth

With a total of 10,000 units, a creative mix of housing types is possible with 7,000 middle- and upper-income households (85 percent of whom would be movers into the city) combined with 3,000 moderate income households (all current city residents).

Construction of 7,000 residential units with a median value of \$200,000 (2003 dollars) would annually generate (based upon the current tax rate and abatement policy) \$6,253,340, which would grow to \$31,267,700 when the abatement period expires. (Apartments classified as commercial real estate would increase revenues). New income tax revenues would amount to \$2,120,000 annually.

Full development of the lakefront would add up to 12,000 persons to the city's population.

Absorption and Price

Build-out of the lakefront can occur over 20 years beginning actively in 2010. Initial absorption is projected to be 300 units/year for the first five years, 400/year for the second five years, 500/year for the third, and 200/year for the fourth.

Prices for ownership units would range from \$125,000 to \$1,000,000 with a median figure of \$200,000.

Rents would range from \$700/month to \$2,500 with a median figure of \$900.

Lakefront Development: a New Market

Sixty-one percent of those interested in the lakefront would stay in their current residence if a suitable lakefront property does not materialize – indicating that lakefront development would tap new market opportunities and would not diminish construction elsewhere in the region.

This report contains the results of analyses to determine potential market demand for housing located on Cleveland's lakefront, and to assess associated impacts. Results of these analyses are based primarily upon (1) a comparative study of waterfront populations in the cities of Milwaukee, Chicago, Portland, Oregon, and Baltimore, and (2) a survey of residents in the multi-county Cleveland region. In addition, housing characteristics of Cleveland's lakefront neighborhoods were reviewed, as was the regional market context for lakefront development.

CLEVELAND LAKEFRONT NEIGHBORHOODS

The area of analysis that is designated as "Cleveland Lakefront Neighborhoods" (CLN) includes all of the Edgewater and St. Clair-Superior Statistical Planning Areas (SPA) and portions of Detroit-Shoreway, Ohio City, Downtown, Goodrich-Kirtland Park, and Glenville (see Appendix A for census tracts).

CURRENT MARKET CONDITIONS

Sales Prices

- Between 1990/91 and 2001/02, sales prices of 1-family homes in CLNs increased substantially: 112 percent (to \$60,300) in the west CLNs and 109 percent (to \$48,000) in the east – compared with 67 percent (to \$70,000) in all of Cleveland and 53 percent (to \$131,500) in the suburbs of Cuyahoga County (See Table 1; not adjusted for inflation).
- Condominium sales in CLNs were less numerous than those of 1-families and did not show price increases as high as 1-families. Edgewater had the most sales where prices increased 60 percent (to \$53,500) – compared with 48 percent in all of Cleveland (\$107,000) and 41 percent in the suburbs of Cuyahoga County (\$82,000). Downtown condo prices decreased eight percent (to \$121,000). There were no condo sales east of Downtown in CLNs.

- Very few sales of townhouses occurred; only nine in 2001/02, eight of which were in west CLNs, but the median price was \$157,000 compared with \$110,750 in all of Cleveland and \$113,200 in the suburbs of Cuyahoga County.

Conclusion: Although sale prices in Cleveland's lakefront neighborhoods are lower than Cleveland as a whole and on average about one-half the suburban average, demand is strong, as evidenced by price appreciation.

Rent Levels

- In 2000, 45 percent of CLN rentals with two bedrooms were priced \$500 per month or more compared with 86 percent for Cuyahoga suburbs (Table 2). But all CLNs had some rentals at \$750 or more and all but one (Goodrich-Kirtland) had some households paying \$1,000 or more.

Conclusion: Although the population of renters in Cleveland's lakefront neighborhoods is primarily of modest income, those neighborhoods attract and retain households that can afford higher rent levels (\$750 a month or more).

New Construction

All of the CLNs had some new construction in the period 1990-2001, although in Goodrich/Kirtland Park it was just two 1-family homes. (Table 3. These figures for new construction are for the entire SPA.) The total for the seven SPAs was 454 1-family homes and 45 townhouses. Average price for 1-family homes ranged from \$420,021 in Edgewater to \$92,294 in St. Clair-Superior. Average price for townhouses ranged from \$199,981 Downtown to \$139,954 in Detroit-Shoreway.

Conclusion: Cleveland's lakefront neighborhoods have demonstrated that the market for new construction is viable, attracting some buyers who can readily afford to live in suburbs.

REGIONAL MARKET CONTEXT

The regional context for Cleveland's lakefront neighborhoods is (1) the rest of the city of Cleveland, (2) the suburbs of Cuyahoga County, and (3) adjacent counties. In this analysis, adjacent counties were defined as all of Lake, Geauga, and Medina Counties and northern Summit and eastern Lorain Counties.

MIDDLE- AND UPPER-INCOME HOUSEHOLDS

- 22 percent of Cleveland's households had an income of \$50,000 or more in 2000, compared with 47 percent for the suburbs of Cuyahoga County and the rest of the region (Table 4).

Conclusion: Cleveland must expand its share of middle- and upper-income households in order to strengthen its tax base.

HOUSING SUPPLY

Sales

- In the two years 2000/2001, Cleveland had 8,956 homes that sold for less than \$150,000 and 171 homes that sold for that amount or more; the suburbs of Cuyahoga County had 9,294 that sold for \$150,000 or more and the adjacent counties had an additional 9,729. In the same period, Cleveland had 45 condominium sales of \$150,000

or more while the rest of the region had 963; Cleveland had 8 townhouse sales while the suburbs of Cuyahoga County had 345. (Table 1)

- If Cleveland's 2000/01 single-family home sales priced \$150,000 or more made up the same proportion of sales as that of the suburbs of Cuyahoga County (38%), there would have been 3,526 instead of 171.

Stock

- Cleveland's housing stock lacks properties valued at \$150,000 or more (Figures 1, 2, and 3). Cleveland has 1,062 homes valued at \$150,000+ (1.3 percent of all the city's homes); the suburbs have 80,454. Cleveland has 147 condominiums priced at that level; the suburbs have 1,730. Cleveland has 76 townhouses priced at that level; the suburbs have 1,992. (Table 5)
- In 2000 Cleveland had 2,576 2-bedroom apartments with a rent of \$750 or more; the rest of the region had 18,120 (Table 2).

Conclusion: Cleveland's supply of housing is severely deficient at price levels appropriate to retain and attract middle- and upper-income residents.

New Construction

The total number of new housing units (not counting multi-family) built in the Cleveland region during the period 1990-2001 was 66,390, of which Cleveland's share was 2,516 or 3.8 percent (Table 3). Cleveland's share increased in the first half of the decade, peaked in 1997 at 7.2 percent, and then declined somewhat through 2001. On average, Cleveland's new housing was smaller (about 1,000 sq. ft. smaller) and half the price of what was built in the suburbs (Table 3A). Approximately two-thirds of the city's construction was for modest-income households. However, in the past several years construction of single-family homes, condominiums and townhouses priced over \$250,000 has increased substantially, and demand for those products has been established.

Conclusion: New construction increased in Cleveland during the 1990s but much more is needed – primarily to enable middle- and upper-income households to remain in and move into the city.

SUBURBAN LAKEFRONT PROPERTIES

This analysis includes properties that are on the lakefront or near the lake in Bay Village, Lakewood, Rocky River, Bratenahl, and Euclid.

- 1-family homes on or near the lake in the five suburbs are valued higher than homes in the rest of the community, particularly in Lakewood, Rocky River, and Bratenahl, which, of the five, have the highest priced properties (Tables 6 and 7). In Lakewood, median value per square foot of living space is 38 percent higher (\$98 vs. \$71), in Rocky River 57 percent higher (\$152 vs. \$97), and Bratenahl 59 percent higher (\$121 vs. \$76).
- The value of land per acre for 1-family homes is 30 percent higher on or near the lake compared with rest of community (median of \$199,379 vs. \$153,101; highest value is Bratenahl at \$669,462; Table 6).
- In four of the five suburbs, condominiums that are located on or near the lakefront are valued more than condominiums in the rest of the community. The exception is Bratenahl. The differences vary greatly. In Rocky River lakefront condos are 69 percent more (\$130 per square foot vs \$77); Bay Village, 21 percent more (\$105 vs. \$87); Euclid, 12 percent more (\$58 vs. \$52); and Lakewood (the suburb with the most condos) five percent more (\$63 vs. \$60). In Bratenahl, lakefront condos are valued six percent less (\$78 vs. \$83). Bay Village and Rocky River have the highest-priced lakefront condominiums, \$232,500 and \$198,950, respectively (median appraised market value, see able 8).

- Land values for lakefront condominiums are 50 percent higher than for 1-family properties, (\$303,059 per acre vs. \$199,379) and 77 percent higher than condominiums in the rest of the community (\$303,059 vs. \$171,177, see Table 8). Rocky River has the highest lakefront condo land value at \$412,962 followed by Lakewood at \$334,259.
- Suburban lakefront condominium density varies greatly from 47 units per acre in Lakewood to 11 per acre in Bay Village (Table 8).

Conclusion: Lakefront locations will support higher prices than non-lakefront locations – in the order of 50-60 percent higher.

OTHER WATERFRONT CITIES

Analysis was done of populations living on or near waterfronts in Chicago, Milwaukee, Baltimore, and Portland, Oregon.¹ The purpose was to establish a reference framework for estimating the potential scale of lakefront housing in Cleveland. The factors selected for this framework were number of households and their incomes relative to the rest of the city, the central county, and the multi-county region. The focus was on households with incomes of \$50,000 or more because they are the income levels that Cleveland needs to retain and attract and that can most readily afford the cost of new construction. Table 9 contains the results of this analysis.

SIZE AND INCOME LEVELS OF WATERFRONT POPULATIONS

- Waterfront populations are small proportions of city and regional populations. The 4,202 households living on Milwaukee’s waterfront constitute 1.8 percent of all

¹The waterfront geographic areas are comprised of census block groups that are, for the most part, within one-half mile of the water. The “front” for the entire length of the city was used for Chicago, Milwaukee, and Portland. For Baltimore, however, because of the complexity of its coast line, only the area around the city’s inner harbor was used.

households in the city. Portland’s 21,694 make up 9.7 percent of the city; the 10,218 households near Baltimore’s inner harbor account for four percent; and Chicago’s 75,868 make up only 7.1 percent (3.8 percent of Cook County) – and Chicago is the premier “waterfront city” in the Midwest. (See Table 9.)

- Waterfront populations in each city have mixed incomes. One-fourth to one-half of all households had (in 1999) incomes below \$30,000; between 19 percent and 24 percent had incomes between \$30,000 and \$50,000; and between 32 percent and 52 percent had incomes of \$50,000 or more. (These mixes are the result of the history of land use and development in each city. In Cleveland, for example, low-income residents are on the city’s lakefront in public housing, Lakeview Terrace, that was built in the 1930s.)
- In Milwaukee, Chicago, and Baltimore the proportion of waterfront households with incomes of \$50,000+ was greater than the proportion in the city as a whole; in Portland, it was less: 32 percent of waterfront households had income of \$50,000 or more, while in the city as a whole the proportion was 41 percent (Table 9). Milwaukee had the largest disparity: 52 percent of its 4,202 lakefront households had incomes of \$50,000+ compared with 29 percent for the entire city. (In 1999, 22 percent of Cleveland’s households had incomes of \$50,000+. Table 4)
- Of all households with incomes of \$50,000+ in the city, county, and region, those that live on the waterfront constitute the following proportions:

	Waterfront \$50,000+ as a Percent of \$50,000+ In		
	<u>City</u>	<u>County</u>	<u>Region</u>
Milwaukee	3.3%	1.6%	0.7%
Chicago	8.1%	3.6%	2.2%
Portland	7.8%	6.2%	2.5%
Baltimore	6.8%	N/A	2.2%

For example, the households that live on the waterfront in Milwaukee that have an income of \$50,000 or more make up 3.3 percent of all the households with similar income that

live in the city; and are 1.6 percent of the households with that income that live in Milwaukee County (in which the city is located), and are 0.7 percent of all such households in the five-county region.

Conclusion: the size of waterfront populations (households with income \$50,000+) in other cities relative to their regions can be used to gauge the potential size of Cleveland's lakefront population.

CLEVELAND'S POTENTIAL LAKEFRONT RESIDENTS

SURVEY OF THE CLEVELAND REGION

In May 2003, the Center for Housing Research and Policy conducted a mail survey of the Cleveland region to determine the extent of interest in living in new housing along Cleveland's lakefront (as well as elsewhere in the city).² The survey included residents in Cuyahoga, Lake and Geauga Counties, northern Portage, Summit and Medina Counties, and eastern Lorain County (see Appendix B). A random sample of homeowners whose homes were valued at \$100,000 or more and renters with income of \$50,000 or more were selected to receive the survey. Major findings were as follows:

- At least 6,000 and possibly 9,000 households are or might someday be interested in living on Cleveland's lakefront.³ Seventy-eight percent live in Cuyahoga County (14 percent in Cleveland, 64 percent in suburbs), eight percent in Lake County, four percent

²The survey was made possible by financial support from Cleveland Tomorrow, the Homebuilders Association of Greater Cleveland, and the Ruth Ratner Miller Center for Greater Cleveland's Future at the Maxine Goodman Levin College of Urban Affairs, Cleveland State University.

³An estimated 6,000 households have a lakefront location as their first choice (among other choices in Cleveland, including downtown). An additional 3,000 households have a lakefront location as a choice but not necessarily their first choice.

in Summit, three percent in Geauga, three percent in Medina, two percent in Portage, and one percent in Lorain.

- Twenty percent are “definitely interested and would move soon if the right property were available.” Twenty-four percent are “definitely interested but do not expect to move for ___ years,” with 42 percent of that group expecting to move within three years, 43 percent between four and six years, and 15 percent between seven and 15 years. 56 percent “might someday be interested.”

- Strongest interest, 45 percent, is in west side lakefront locations (“between approximately W. 45th St. and Edgewater Park”), followed by the east side, 29 percent (“between E. 18th St. and Gordon Park”) and downtown, 26 percent (between the Cuyahoga River and E. 18th St.).

- Ninety-two percent currently own; eight percent rent. Eighty-two percent prefer to own on the lakefront; four percent prefer to rent, 14 percent are unsure.

- Preferred property types. (Figures in parentheses are from a survey conducted in 1994, which show a shift in preference from 1-family to condominium and townhouse.)

<u>2003</u> (1994)	<u>2003</u> (1994)
23.0% (51%) 1-family detached	8.5% (4.4%) Condominium in multi-unit building
16.4% (4.2%) Condominium cluster	6.8% (N/A) Bungalow on one floor
14.7% (4.7%) Townhouse side-by-side	3.7% (5.1%) 2-family side-by-side
14.1% (4.2%) Condominium detached	2.5% (2.5%) Apartment
9.1% (7.3%) Loft-style apartment	1.2% (1.8%) 2-family up-and-down

NOTE: See Appendix C for survey respondents’ ratings of various unit amenities that could be provided.

- Thirty-six percent prefer 2 bedrooms; 54% prefer 3 bedrooms; 10% prefer 4 or 5.

- Seventy-one percent prefer 2 baths; 17% prefer between 2.5 and 4 baths; 9% prefer 1.5 baths.
- The most that people would pay for rent (including utilities) is a median of \$900 per month; 30 percent would pay between \$1,200 and \$2,500. *All dollar amounts reported in this survey are in 2003 dollars.*
- The most that people would pay to own is a median of \$200,000; 43 percent would purchase between \$250,000 and \$1,000,000. The maximum mortgage payment is a median of \$1,000; 28 percent would pay between \$1,500 and \$5,000.
- If people had to pay extra for parking, 49 percent would definitely be discouraged from moving to the lakefront, 35 percent would possibly be discouraged, 10 percent would not be discouraged, and seven percent are not sure.
- If property tax abatement were available, 15 percent would “definitely want to live there,” 54 percent would be “much more interested,” 22 percent would be “a little more interested,” five percent would not be influenced, and five percent are not sure.
- Sixty-one percent of those who are or might be interested in living on the lakefront would stay in their current residence if a suitable lakefront property did not materialize; 10 percent would buy a new home in the suburbs, two percent would rent a new apartment in the suburbs, 16 percent would buy or rent existing properties, 11 percent are unsure.
- The median age of adults who responded to the survey is 46 years; 25 percent are 56 or older. Seventy-four percent of households have no children (17 or younger) living with them. The average household size is 2.4 persons; the median is 2.0.

The survey stated: “If you are interested in a location but would live there only under certain conditions (such as more stores and services, improved safety, etc.) please state the conditions.” “Safety/security” was the single most cited condition, followed by “shopping” (particularly grocery), and “services” (drug store, coffee shop, dry cleaning, etc.). The fourth

major condition is termed “environment” and includes exterior conditions such as availability of green spaces and parks, walking paths, bike trails, landscaping, “neighborhood feeling,” cleanliness, and pleasant living conditions. Those conditions appear to be essential for most people to be willing to live on the lakefront.

ESTIMATE OF NUMBER OF MIDDLE- AND UPPER-INCOME HOUSEHOLDS THAT COULD LIVE IN CLEVELAND

- Approximately 40 percent of the households in the cities of Chicago and Portland have incomes \$50,000+; the figure for Milwaukee is 29 percent; Baltimore is 28 percent (Table 9). Cleveland is 22 percent (Table 4). If Cleveland’s figure was 40 percent, the number would be 76,000 instead of 41,000 – a difference of 35,000. With the evidence that has been established in recent years that higher-priced properties (over \$250,000) do sell in Cleveland, a long-term program to expand the city’s higher-income population is appropriate.

Conclusion: Cleveland should establish the goal of increasing the city’s middle- and upper-income households by 35,000 (citywide).

ESTIMATE OF POTENTIAL NUMBER OF LAKEFRONT RESIDENTS

Planners have determined that land that would become available for development by altering the location and configuration of Cleveland’s Shoreway could accommodate 10,000 units of housing. That number is 5.3 percent of the city’s total occupied housing units, and 40 percent of the occupied units in the existing neighborhoods near the lakefront.

Middle- and Upper-Income Households

The number of middle- and upper-income households living on Chicago’s lakefront is 2.2 percent of all middle- and upper-income households in the Chicago region (Table 9). Baltimore

also is 2.2 percent. The figure for Portland is 2.5 percent; for Milwaukee 0.7 percent. The following table shows equivalent numbers for Cleveland if its lakefront population of middle-income+ households were similar.

Potential Number of Cleveland Lakefront Households	
<u>With Income of \$50,000+</u>	
At 0.7% of region	2,333

The survey of residents of the Cleveland region found a minimum of 6,000 to 9,000 households interested in living on the city's lakefront. These figures are consistent with the figures for the other cities. Because the survey found 44 percent to be "definitely interested" and 56 percent "might someday be interested" (one-half of whom, it is assumed, will become definitely interested), a minimum range of 4,300 to 6,500 is feasible. A planning figure of 7,000 is recommended.

Conclusion: The number of households with incomes of \$50,000 or more that can be expected to live on Cleveland's lakefront is approximately 7,000, which is 20 percent of the citywide target of 35,000.

It is recommended that for planning purposes the other 28,000 units be distributed 10,000 downtown and 18,000 elsewhere in the city. The eventual demand for downtown living could surpass 10,000 units, but another decade, at least, will probably have to pass before the true scale becomes reasonable clear.

Moderate-Income Households

With a total of 10,000 units on the lakefront, a creative mix of housing types is possible with 7,000 middle- and upper-income households combined with 3,000 moderate-income households. Approximately one-half of the households that live on the waterfront in the other four cities considered in this study have incomes below \$50,000. In Cleveland's case, however, since all 10,000 units will be new construction, and because the city must emphasize expanding

its population of middle- and upper-income residents, the recommended mix is 70 percent above-moderate and 30 percent moderate or below.

Conclusion: The 10,000 units of housing made possible by the Cleveland lakefront redevelopment can involve 7,000 middle- and upper-income households and 3,000 moderate-income households.

Population Change

The construction of 10,000 units of housing will add population to the city. The more that this new housing increases the city's share of the region's new housing, the more the city will gain households. It is assumed that of the 10,000 households, 6,000 would be movers into the city (all middle- and upper-income, some from outside Northeast Ohio. It is assumed that all 3,000 moderate-income households would be existing Cleveland residents and therefore would not increase population). At an average of 2.0 persons per household, the city could gain up to 12,000 persons. (The average household size for waterfront households in Milwaukee, Chicago, and Baltimore is 1.9; Portland is 2.2. The Cleveland-area survey found the average of those interested in lakefront housing to be 2.4, but presumably many of those with children now at home would not move to the lakefront until the children had left home.)

Conclusion: Full development of the Cleveland lakefront would add up to 12,000 persons to the city's population.

Owner/Renter Mix

Ownership along the waterfronts of the four cities examined in this study range from 33 percent in Portland to 47 percent in Baltimore. When only households with income of \$50,000 or more are considered, the range increases to 50 percent in Milwaukee to 60 percent in Portland. Higher-income households are more likely to own. The Cleveland-area survey found that 95 percent preferred to own, but the survey was of middle- and higher-income households; 30 percent of the projected housing would be occupied by moderate-income households. Thus, the proportion of Cleveland's new lakefront homes that would be owner-occupied is projected to be

70 percent. Of those with middle- and upper-incomes, an assumed 80 percent will own (rather than the survey finding of 95 percent).

Waterfront Owner/Renter Mix in Other Cities

	<u>All Households</u>		<u>Those with Income \$50,000+</u>	
	<u>Rent</u>	<u>Own</u>	<u>Rent</u>	<u>Own</u>
Milwaukee	62%	38%	50%	50%
Chicago	63%	37%	45%	55%
Portland	67%	33%	40%	60%
Baltimore	53%	47%	41%	59%
Cleveland	30%	70%	projected 20%	80%

CLEVELAND’S POTENTIAL MARKET SHARE

REGIONAL SHARE AND CITY DISTRIBUTION

Approximately 7,000 units of housing are built annually in the Cleveland regional housing market. (For this purpose the city of Akron is excluded, as well as southern Summit County and all of Portage County except the northwest corner.) During the period 1995-1999, the average annual number of new “market rate” housing units in Cleveland was 423, or six percent of the region’s total. It is assumed that most buyers or renters of market rate housing in Cleveland have a household income of \$50,000 or more. It was estimated previously that Cleveland can target to increase the number of such households living in the city by 35,000. Projecting over the 30-year period of 2000-2029, 7,000 of those households could be located on the lakefront (assuming units there would not begin to be available before 2010), 10,000 downtown, and approximately 18,000 in the city’s neighborhoods. Cleveland’s share of the regional market would increase from the current level of approximately eight percent to 20 percent around the year 2020.⁴

Because most people interested in lakefront living would not otherwise purchase a new home in the suburbs (survey finding), Cleveland’s lakefront housing (and a portion of new

⁴The 3,000 moderate-income units are not included in the figures contained in the following table, which concerns only market rate housing.

downtown and neighborhood housing) would essentially constitute a new market and increase the regional total by 500-700 units annually.

**Projection of Market Rate Housing Construction (Annual Average Units)
Region, Cuyahoga County, Cleveland, 2000-2030**

5-Year Periods	Region	Cuyahoga County	Cleveland N'borhoods	Cleveland Downtown	Cleveland Lakefront	Cleveland Total	Cleveland % Share of Region
1995-99	7,000	2,000	200	223		423	6.00%
2000-04	7,200	2,000	500	325	25*	850	11.80%
2005-09	7,300	2,200	550	325	100*	975	13.40%
2010-14	7,500	2,600	600	325	300	1,225	16.30%
2015-19	7,600	2,800	650	325	400	1,375	18.10%
2020-24	7,700	3,000	700	325	500	1,525	19.80%
2025-29	<u>7,600</u>	<u>2,800</u>	<u>700</u>	<u>325</u>	<u>200</u>	<u>1,225</u>	<u>16.10%</u>
Total Units 2000-2029	224,500	77,000	18,500	9,750	7,625	35,875	16.00%

*Quay 55 and other assumed "preliminary" lakefront developments.

LAKEFRONT ABSORPTION AND PRICE POINTS

With 20 percent (1,400) of the 7,000 lakefront households interested in moving "soon if the right property were available" (survey), an annual average absorption rate of 300 units per year for the first five years of the development should be feasible. (Some may have moved into "preliminary," i.e., pre-2010, developments such as Quay 55.) An additional 24 percent, 1,680, would move later, most within six years. Thus, the rate would increase to 400 units annually during the second five-year period and 500 during the third. Total build-out is projected to be 20 years.

On the basis of what survey respondents said would be the maximum purchase price they would pay for a lakefront unit, the proportion of owner units by price range is as follows (in 2003 dollars):

Sale Price Range	Percent of For Sale Units in Range
\$125-150,000	8%
\$150-200,000	29%
\$200-250,000	20%
\$250-300,000	20%
\$300-400,000	14%
\$400-500,000	7%
\$500-1,000,000	2%

On the basis of what survey respondent said would be the maximum rent they would pay for a lakefront unit, the proportion of rental units by price range is as follows:

Rental Price Range	Percent of Rental Units in Range
\$700-750	11%
\$800-850	19%
\$900-950	12%
\$1,000-1,100	28%
\$1,200-1,400	15%
\$1,500-1,800	10%
\$2,000-2,500	5%

FISCAL IMPACTS OF LAKEFRONT DEVELOPMENT

New housing construction associated with Cleveland's lakefront development will generate real property tax revenues and income tax revenues. Following is an estimate of the scale of those revenues (the estimates are in terms of 2003 dollars per thousand new units).

PROPERTY TAX REVENUES

Average annual property tax revenues produced for each 1,000 units of lakefront housing (depending on unit average value) is as follows:

Annual Residential Property Tax Revenues Per 1,000 Units (Before Tax Abatement)

Unit Avg.	Schools	City	County	Library/Pks
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<u>Value</u>	<u>53.83%</u>	<u>19.9%</u>	<u>19.52%</u>	<u>6.75%</u>	<u>Total</u>
\$150,000	\$ 1,903,884	\$ 666,864	\$ 654,130	\$226,198	\$3,351,075
\$200,000	\$2,405,178	\$ 889,152	\$ 872,173	\$301,597	\$4,468,100
\$250,000	\$3,006,473	\$1,111,440	\$1,090,216	\$376,996	\$5,585,125
\$300,000	\$3,607,767	\$1,333,728	\$1,308,260	\$452,395	\$6,702,150

Calculations are based on effective residential tax rate of \$63.83/\$1,000 assessed value. Apartments are classified as commercial with a tax rate of \$79.28/\$1,000 assessed value. Thus, for every 1,000 apartment units, the above revenues should be increased by approximately 24.2%.

Properties receiving 100 percent tax abatement would produce approximately one-fifth the revenues shown (assuming that land value is one-fifth total market value).⁵

Conclusion: Residential development at the scale of 7,000 units with an average value of \$200,000 per unit, based upon the current tax rate and abatement policy, would generate \$6,253,340 annually, which would grow to \$31,267,700 when the abatement period expires. (Apartments classified as commercial real estate would increase the amounts.)

INCOME TAX REVENUES

A number of assumptions were made to estimate potential income tax revenues paid by residents of new lakefront housing. These assumptions were guided by the results of a survey of downtown Cleveland residents that was conducted by the Center for Housing Research and Policy in October 1999.⁶

- Assume 85 percent of the households move into Cleveland (the Downtown Survey found 87 percent moved in). These would all be middle- and upper-income. It is assumed that all moderate-income households would be existing Cleveland residents.
- Assume average household income of \$75,000 (Downtown Survey found \$73,723).
- Assume five percent of the households are retired (Downtown Survey did not ask this).

⁵ Cleveland's annual residential taxes due are approximately \$128 million (excluding delinquencies).

⁶ "Downtown Cleveland Residents Survey," Center for Housing Research and Policy, Cleveland State University, January 24, 2000. This report is referred to as the "Downtown Survey" in the above text. Note: the survey did not include residents of assisted housing, such as Bohn Tower.

- Assume 60 percent work in Cleveland (Downtown Survey found 69 percent).
- Assume tax rate for residents who work outside the city to be 1.25 percent.

Annual Income Tax Revenues Per 1,000 Households

1,000 households x 0.85= 850 move into Cleveland

850 x 0.95 = 807 households working

807 x 0.6 = 484 work in Cleveland (and are already paying income tax);

thus 323 work outside of Cleveland

323 x \$75,000 x 0.0125 (tax rate) = \$302,812

Conclusion: Lakefront housing development at the scale of 5,000 units would produce approximately \$1,514,000 annually in new city income tax revenues; 7,000 units would produce \$2,120,000.

OTHER IMPACTS

The development of 10,000 units of lakefront housing will have additional impacts on nearby existing neighborhoods, impacts such as increased demand for retail services, increased property values, and expanded employment opportunities. Analysis of these impacts, however, was beyond the scope of this study.

APPENDIX A

NEIGHBORHOOD BOUNDARIES

The city of Cleveland defines its neighborhoods, for planning purposes, by groups of Census tracts. The neighborhoods are termed “Statistical Planning Areas.” The lakefront project involves seven areas. For analysis purposes, some census tracts were not included in five of the seven, those being Detroit-Shoreway, Ohio City, Downtown, Goodrich-Kirtland Park, and Glenville. The tracts included are as follows:

Edgewater: 1011.01, 1011.02, 1013

Detroit-Shoreway: 1012, 1018, 1019, 1031, 1034, 1035

Ohio City: 1032, 1033, 1036, 1037

Downtown: 1071, 1072, 1073, 1074, 1076

Goodrich-Kirtland Park: 1075, 1081, 1082, 1111

St. Clair-Superior: 1112, 1113, 1115, 1116, 1117, 1118, 1119.01, 1119.02

Glenville: 1114.01, 1114.02, 1161, 1162, 1164, 1165, 1181, 1182

APPENDIX B

SURVEY METHODOLOGY

A mail survey was sent to 15,500 households in the seven-county Cleveland area to assess the extent of interest in living on Cleveland's lakefront. The area includes all of Cuyahoga, Lake and Geauga Counties; northern Portage County; northern Summit County (excluding Akron); northern Medina County; and eastern Lorain County.

The surveys were sent to homeowners, including owners of condominiums, whose property was valued at \$100,000 or more, and to renters with an income of \$50,000 or more. Those limits were set in order to target the survey to those who most likely would be able to afford the cost of new housing. It was estimated that 413,217 households meeting those criteria live in the survey area.

Of the 15,500 surveys mailed, 338 were returned as being "not deliverable" – leaving 15,162 as the potential pool of respondents. Recipients were asked to complete the survey "If you are, or might some day be, interested in a new residence on Cleveland's lakefront, or downtown, or in a neighborhood." If they were not interested they were instructed not to return the survey. They also were informed that their responses would be anonymous; they were asked to identify only their city or village of residence, ZIP code, and county.

Returned surveys numbered 395, or 2.6 percent of the pool of 15,162. (See below for a table showing the place of residence of the survey respondents.) For the purpose of analysis, it was assumed that all 14,767 who did not return the survey are not interested in new housing in Cleveland. But it is reasonable to assume that some of the 14,767 actually are interested, but for whatever reason, did not fill out and return the survey. Thus the 395, or 2.6 percent of the pool, can be considered a *minium* measure of interest. (2.6 percent +/- 0.347 at 95 percent confidence level.)

Of the 395 respondents, 221 selected a lakefront location as a first choice among a number of locations for new housing in Cleveland that were listed on the survey. The 221 represent 1.458 percent of the survey pool of 15,162. If that percentage is representative of the 413,217 households in the area that meet the criteria of home value or income, then at least 6,023 households in the area are interested in living on Cleveland's lakefront.

An additional 111 (0.732 percent of the pool of 15,162) selected a lakefront location but not as their first choice. If all 111 were eventually to choose the lakefront, they would add 3,025 households to the 6,023 for whom the lakefront is first choice. Thus, at least 6,000 and possibly up to 9,000 households in the area are interested in lakefront housing. For planning purposes, and in light of the fact that 2.2 percent of the middle- and upper-income households in the Chicago and Baltimore areas, and 2.6 percent in the Portland area, are waterfront residents, 2.2 percent of the Cleveland area – or 7,000 households – is a reasonable figure.

RESIDENCE OF SURVEY RESPONDENTS

The following table shows the communities (and ZIP codes) where the respondents to the survey live.

Survey Respondents Interested in New Housing in Cleveland
Counts by City, Zip Code, and County

City	Count	Percent	Zip Code	Count	Percent
Unknown	66	16.7	44118	21	5.3
Cleveland	48	12.2	44122	19	4.8
Cleveland Hts	20	5.1	44107	16	4.1
Parma	17	4.3	44124	15	3.8
Lakewood	15	3.8	Unknown	14	3.5
Rocky River	11	2.8	44121	12	3.0
Shaker Hts	11	2.8	44116	11	2.8
Rav. Villane	9	2.3	44060	10	2.5
Beachwood	8	2.0	44111	10	2.5
Brunswick	8	2.0	44140	10	2.5
Fuclid	8	2.0	44070	9	2.3
Mentor	8	2.0	44126	9	2.3
N Olmsted	8	2.0	44130	9	2.3
Westlake	8	2.0	44143	9	2.3
Berea	7	1.8	44145	9	2.3
Stronnsville	7	1.8	44022	8	2.0
University Hts	7	1.8	44109	8	2.0
N. Royalton	6	1.5	44129	8	2.0
Fairview Park	5	1.3	44144	8	2.0
Penner Pike	5	1.3	44212	8	2.0
S. Fuclid	5	1.3	44017	7	1.8
Willowick	5	1.3	44067	7	1.8
Brooklyn	4	1.0	44065	7	1.8
Olmsted Falls	4	1.0	44106	7	1.8
Parma Hts	4	1.0	44139	7	1.8
Solon	4	1.0	44120	6	1.5
Streetsboro	4	1.0	44133	6	1.5
Aurora	3	0.8	44135	6	1.5
Avon	3	0.8	44138	6	1.5
Rainbridge	3	0.8	44147	6	1.5
Redford Hts	3	0.8	44064	5	1.3
Roadview Hts	3	0.8	44131	5	1.3
Brookpark	3	0.8	44024	4	1.0
Garfield Hts	3	0.8	44102	4	1.0
Hudson	3	0.8	44105	4	1.0
Manly Hts	3	0.8	44123	4	1.0
Maryfield Hts	3	0.8	44146	4	1.0
Merina	3	0.8	44149	4	1.0
Oranget	3	0.8	44202	4	1.0
Richmond Hts	3	0.8	44236	4	1.0
Seven Hills	3	0.8	44241	4	1.0
Chesterland	2	0.5	44023	3	0.8
Eastlake	2	0.5	44062	3	0.8
Highland Hts	2	0.5	44110	3	0.8
Maryfield	2	0.5	44113	3	0.8
Moreland Hills	2	0.5	44125	3	0.8
Northfield	2	0.5	44134	3	0.8
Russell	2	0.5	44136	3	0.8
Sanamore Hills	2	0.5	44137	3	0.8
Twinsburg	2	0.5	44142	3	0.8
Wickliffe	2	0.5	44256	3	0.8
Willoughby	2	0.5	44011	2	0.5
Rath	1	0.3	44026	2	0.5
Bratenahl	1	0.3	44040	2	0.5
Brecksville	1	0.3	44072	2	0.5
Roadview	1	0.3	44087	2	0.5
Chardon	1	0.3	44103	2	0.5
Columbia Station	1	0.3	44108	2	0.5
Concord	1	0.3	44117	2	0.5
Gates Mills	1	0.3	44132	2	0.5
Glenwillow	1	0.3	44286	2	0.5
Grafton	1	0.3	44012	1	0.3
Hambden	1	0.3	44028	1	0.3
Hinckley	1	0.3	44039	1	0.3
Hiram	1	0.3	44044	1	0.3
Independence	1	0.3	44114	1	0.3
Kirtland	1	0.3	44115	1	0.3
Lindhurst	1	0.3	44119	1	0.3
Middleburn Hts	1	0.3	44141	1	0.3
Northfield Ctr	1	0.3	44233	1	0.3
Richfield	1	0.3	44234	1	0.3
TOTAL	395	100.0	44811	1	0.3
			TOTAL	395	100.0
County	Count	Percent			
Cuyahoga	302	76.5			
Lake	27	6.8			
Summit	17	4.3			

Geauga	13	3.3
Merlona	12	3.0
Unknown	11	2.8
Portage	7	1.8
Lorain	6	1.5
TOTAL	395	100.0

APPENDIX C

AMENITY PREFERENCES

The survey respondents were asked to rate a number of amenities or features that could be provided in or associated with their preferred housing choice. The following shows the percentage of respondents who rated each item as “Must Have” or “Would Be Nice.” The items are ranked on “Must Have.”

	Would Be Nice	Must Have
Air conditioning	15%	81%
Cable TV	22	58
Gas heat	27	56
Garage for two	35	52
Laundry facility in suite (for apartments)	8	51
Security alarm system	36	51
Extra storage room	39	50
Parking for two	26	50
View	46	48
High-speed internet access	33	47
Extra closet space	44	45
Gas cooking	28	42
Spacious kitchen	48	41
Master bedroom on first floor	30	35
Spacious living room	55	29
Security entrance guard	33	29
Carpeting	38	27
Private garden space	42	27
Home or suite entirely on one floor	33	23
Fireplace (gas)	59	21
Porch	55	21
Patio	58	20
Hardwood floors	55	19
Deck	56	18
Electric cooking	18	15
Separate dining room	47	15
Balcony	48	14
Exercise facility	46	13
Combined kitchen/family room	43	11
Skylights	61	10
Electric heat	9	8
Swimming pool	45	7
Party room	28	4
Concierge	23	2