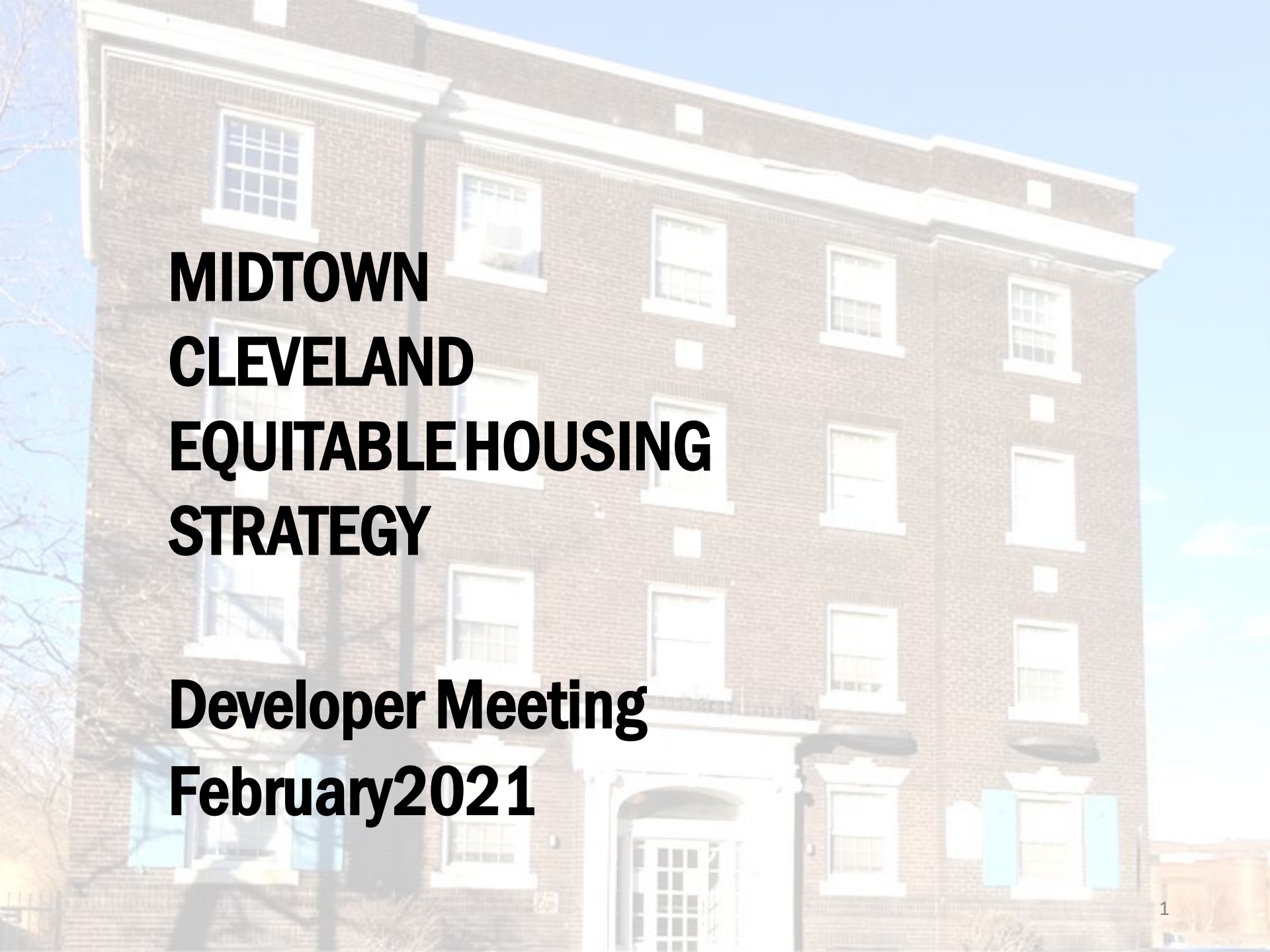


MIDTOWN CLEVELAND EQUITABLE HOUSING STRATEGY

Developer Meeting February2021

Ninigret | Partners

MANAGEMENT CONSULTING, ECONOMIC DEVELOPMENT, COMMUNITY PLANNING

- 20 years old
- 2 national awards
- 9 state level awards
- Best in Class Firm Indiana Economic Development Corporation
- Fast Company United States of Innovation Top Project Award
- Sample of housing studies prior to Midtown
  - Pittsburgh
  - Dayton
  - Grand Rapids
  - Hartford
  - Fargo
  - St Louis
  - Athens GA
  - Tuscaloosa AL
  - Burlington VT

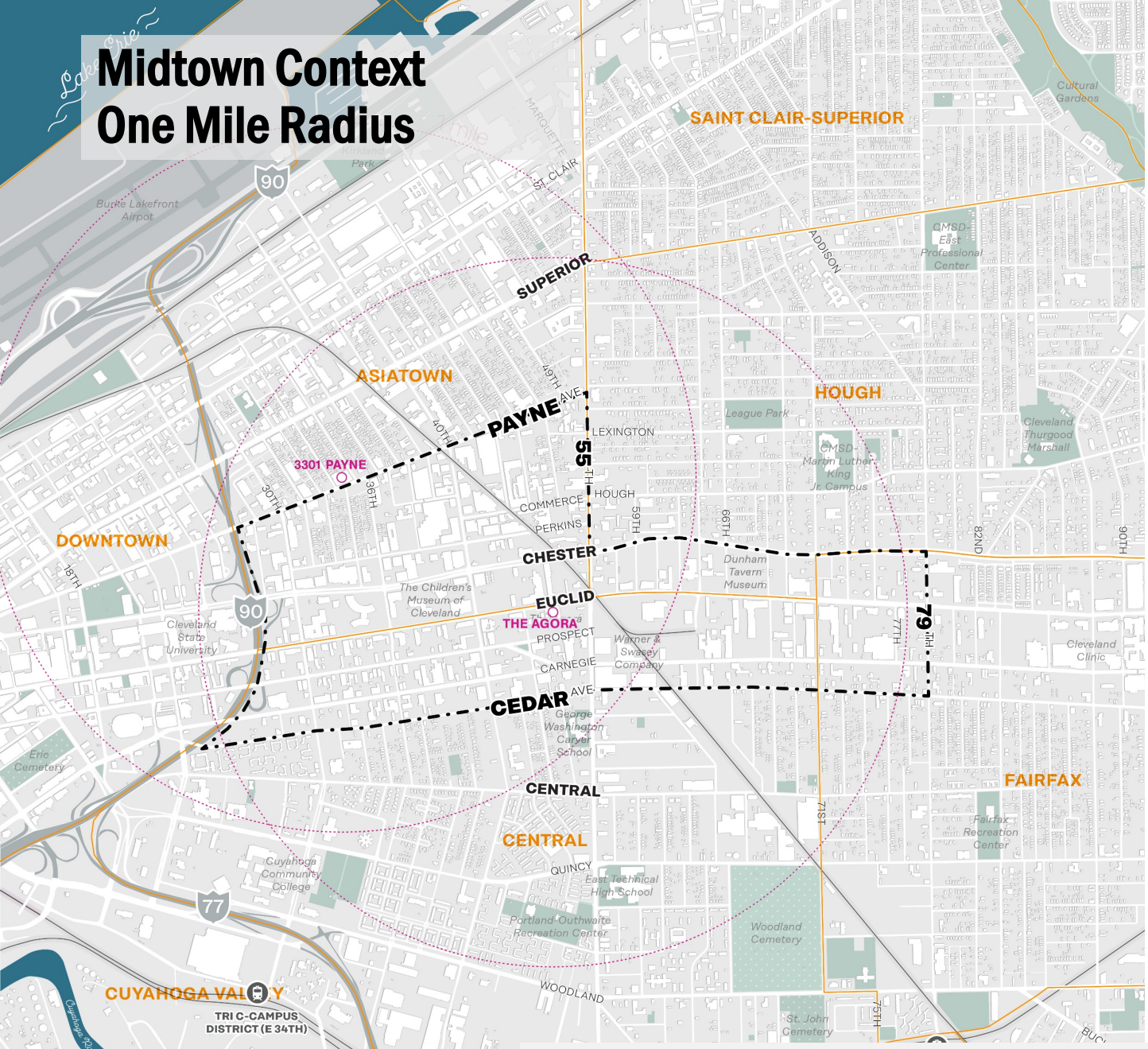
KEVIN HIVELY

- Founder and President
- Ohio native
- Telesis, Towers Perrin Business strategy consulting
- Policy Director RI Governor's Staff

FINDINGS & STRATEGIES

- Changing household demographics will shape housing unit construction – unless acted upon by an outside force
- Housing market as of November 2020 reflects this changing household demographic
- There appears to be at least 2 different housing markets in Midtown
- A citywide perspective on equitable access to new housing makes sense for Midtown

Midtown Context
One Mile Radius



NEIGHBORHOODS

- MIDTOWN BOUNDARY
- LAKE/RIVER
- RAIL
- PARK/OPEN SPACE
- NEIGHBORHOODS
- 1 MILE RADIUS

Midtown has …

- 7500 residents*
- 2900 housing units within its boundaries
  - 78% are apartments
- Median Household Income: $14,335

* Note because Midtown boundaries do not conform to census tract boundaries population information is estimated

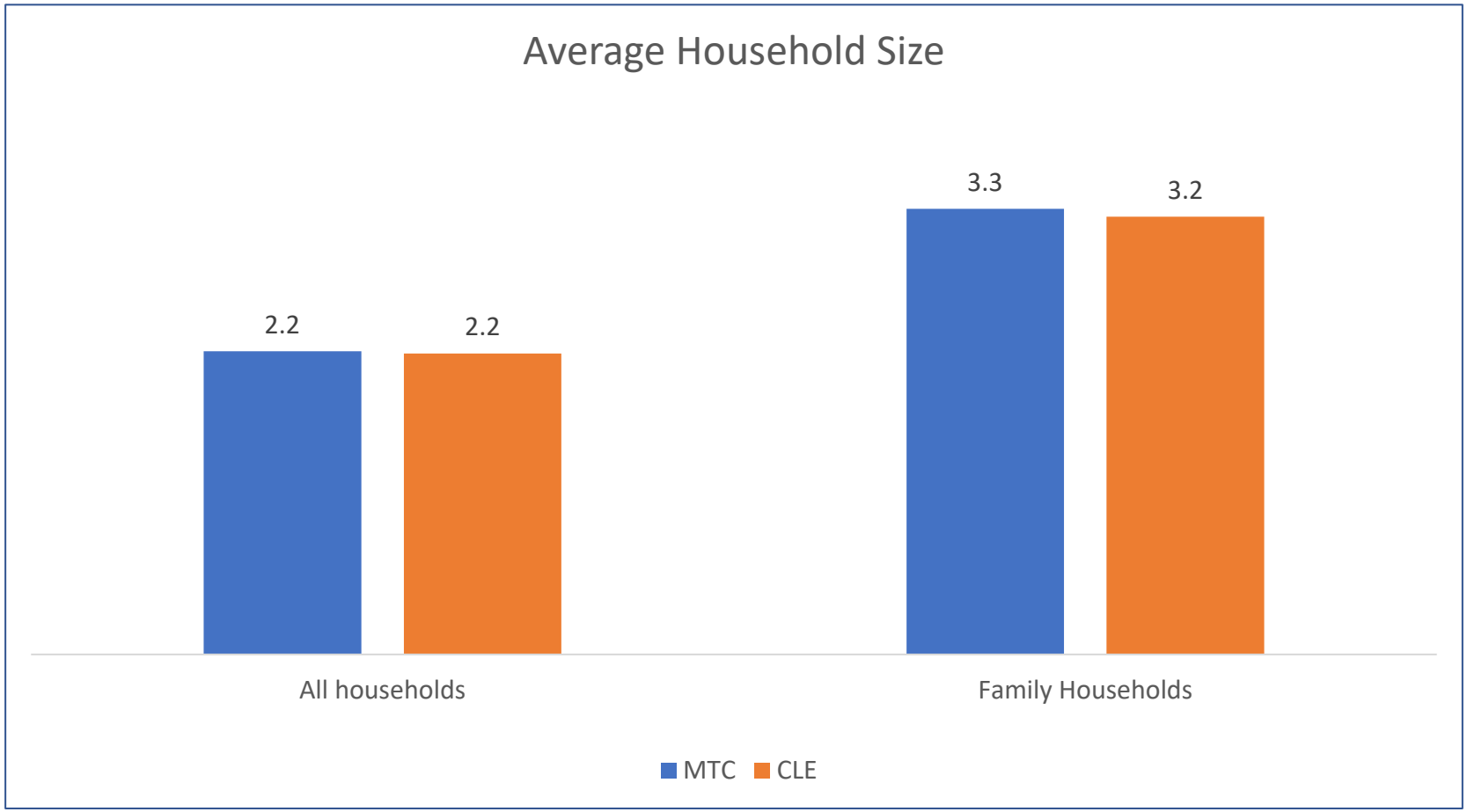
Understanding AMI or Area Median Income and its role in housing policy

- AMI: Area Median Income is the midpoint of a region's income distribution – half of families in a region earn more than the median and half earn less than the median
  - It changes annually
- Cleveland's AMI is based on a region which extends to Elyria. The base AMI for Cleveland is $76,000

AMI Range	Household Income
30% AMI	$ 22,800.00
50% AMI	$ 38,000.00
60% AMI	$ 45,600.00
80% AMI	$ 60,800.00
120% AMI	$ 91,200.00

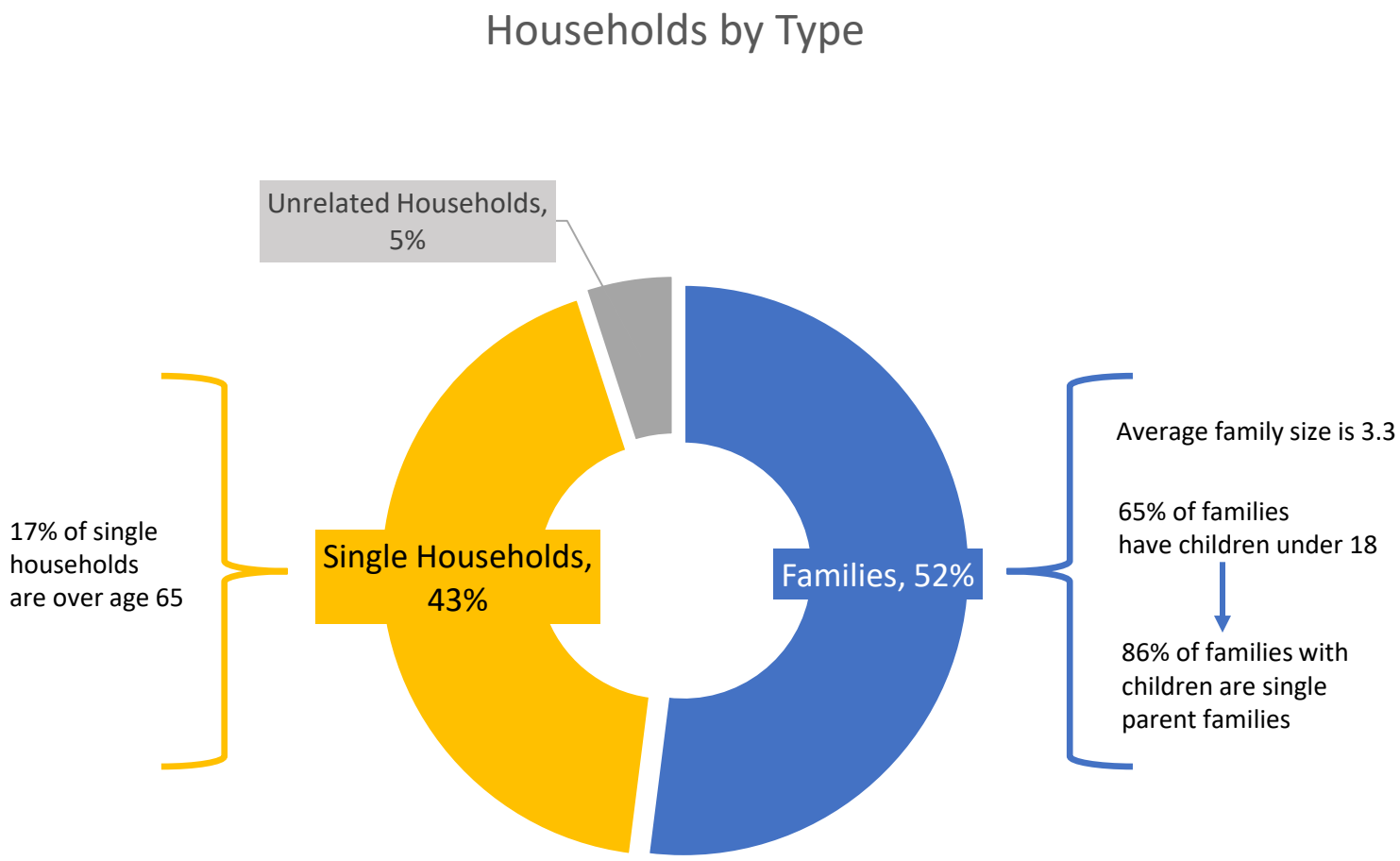
Changing household demographics will shape housing unit construction – unless acted upon by an outside force

Average household size reflects the city



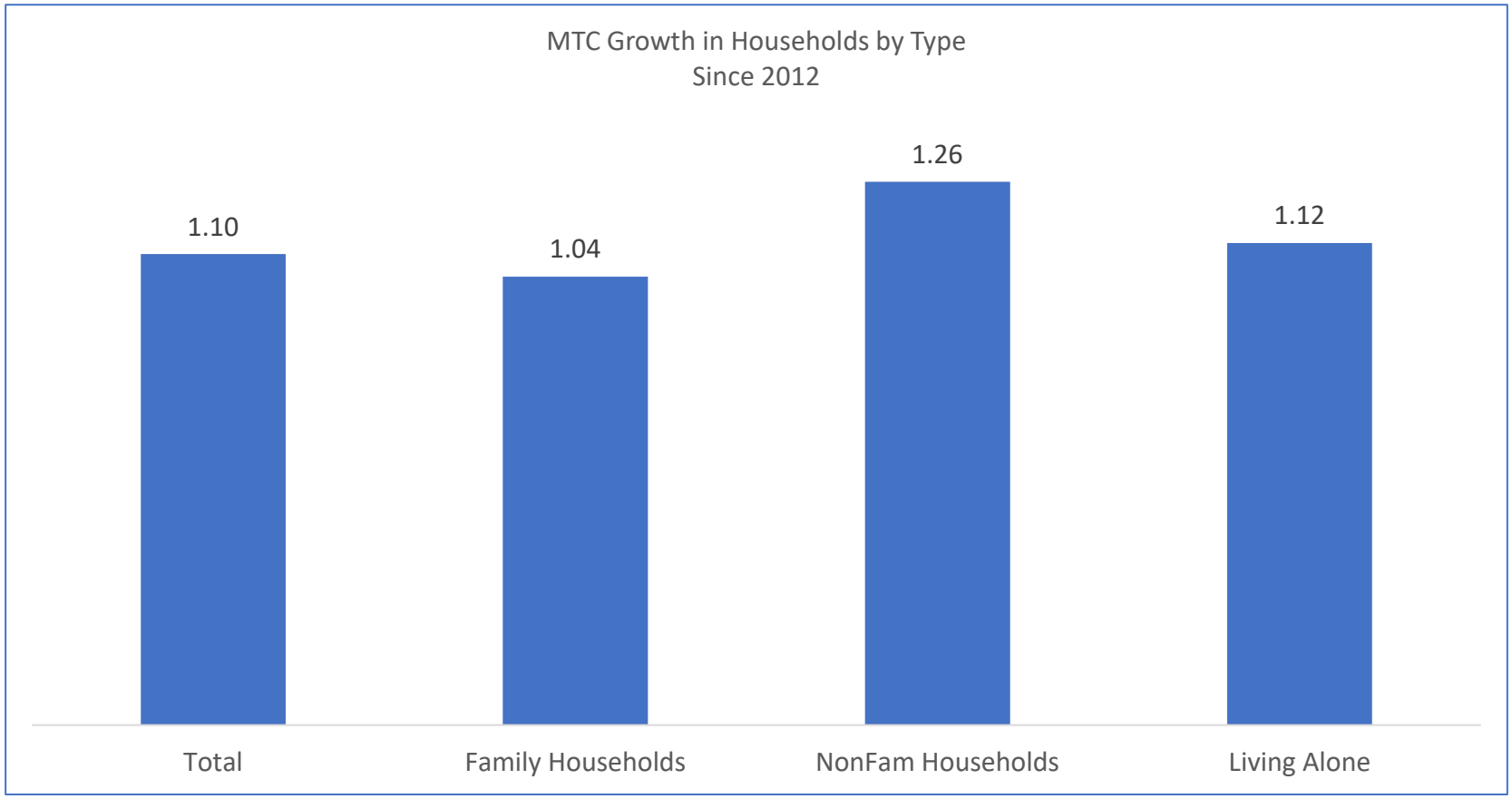
Source: NP analysis of ACS 2019

Current Midtown household makeup



Source: NP analysis of ACS 2019

Nonfamily households are the fastest growing household type in Midtown



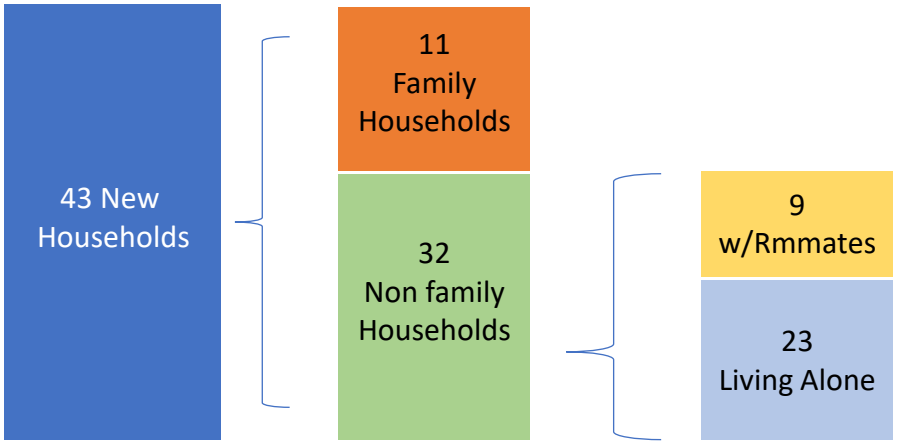
Source: NP analysis of American Community Survey 2019

Housing market as of November 2020 reflects emerging household trends

Opportunity exists but its complex

- ACS estimates 24% of the population lived in a different location outside of these census tracts a year ago
  - ~1800 people (at 2.2 per household – 818 households)
  - 74% of this population moved to here from other locations in Cuyahoga County
- But only net household growth of ~43 per year – CAGR of 1.6%

Household Average Annual Growth 2012 to 2018



Housing Market Update - November

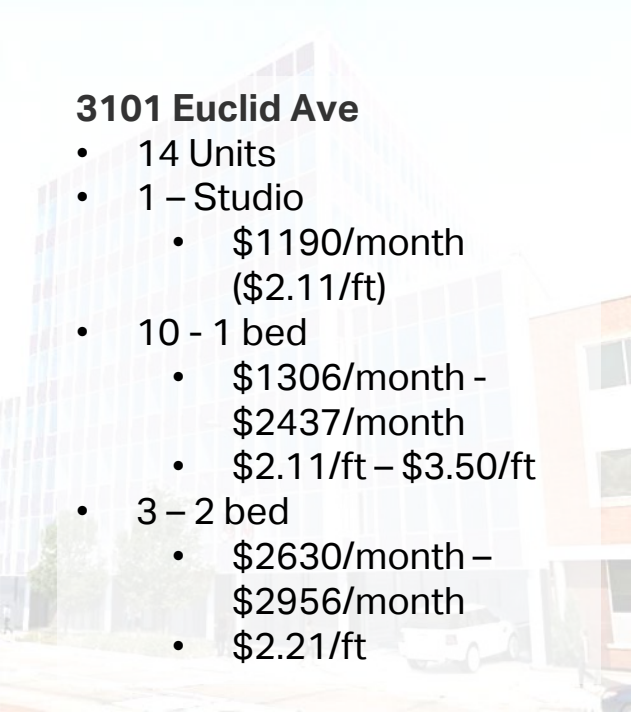
Rentals

- We estimate at least 15 rental units available with several buildings coming online in December and January
  - Most of the units are near CSU in the "Midtown Campus District"
    - These units are around $2/ft rents
  - Units outside of this district are approximately 50% of the cost on a sqft basis
- With the exception of 1 house on the fringe of MTC there are no units available with 3 bedrooms

For Sale

- 11 properties
- 9 townhouses
  - 7128 Simpson Ct
    - 4 price range of $369k to $390k
    - 3 bedroom units
    - 10% down mortgage
      - Monthly payment ~$2100
  - 4122 Chester
    - 5 priced at $124k
    - 2 bedroom
    - Newly renovated
    - Marked down in price from $129k
    - 10% down mortgage
      - Monthly payment $715
- 2 homes in Asiatown
  - 1753 E. 32nd St (pending sale on market for 14 days)
    - $69,800
    - 7 bedrooms / 1896sqft
  - 1792 E. 32nd St
    - $99,000
    - 5 bedroom / 1944sqft

Rentals Available Begining Nov 12, 2020



3101 Euclid Ave

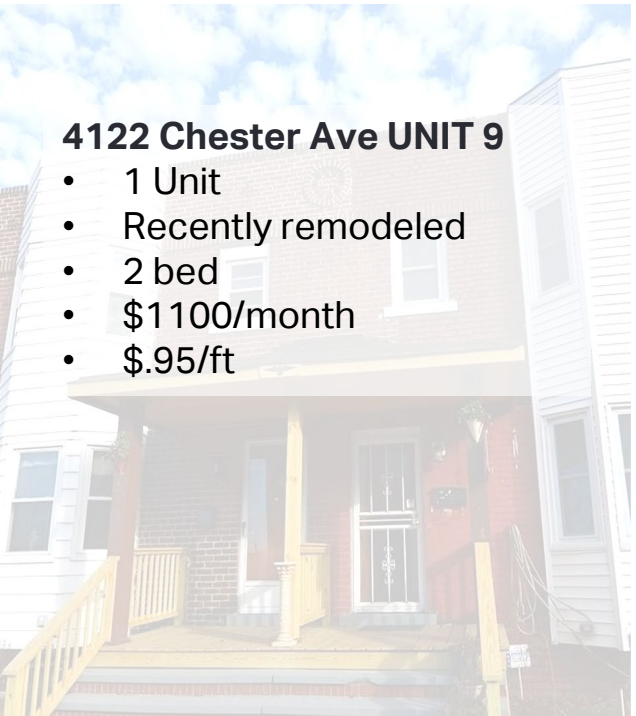
- 14 Units
- 1 – Studio
  - $1190/month ($2.11/ft)
- 10 - 1 bed
  - $1306/month - $2437/month
  - $2.11/ft – $3.50/ft
- 3 – 2 bed
  - $2630/month – $2956/month
  - $2.21/ft

2828 Euclid Ave

- 8 Units
- Recently remodeled
- 2 Studio
  - $895-965/month
  - $1.99-$2.08/ft
- 4 – 1 bed
  - $1235/month
  - ~$2.00/ft
- 2 - 2 bed
  - $1995/month

2901 Euclid Ave

- Student focused housing
- Studios / micro units
- 320sqft to 481sqft
- $737 – $962 month
- $2.30/ft - $2.00/ft



4122 Chester Ave UNIT 9

- 1 Unit
- Recently remodeled
- 2 bed
- $1100/month
- $.95/ft

1911 E 73rd St

- House
- 5 bed
- $4500/month
- $.45/ft

1970 E 71st St

- 4 Units
- Recently remodeled
- 2 bed
- $1025-$1050/month
- $1.06/ft

Rentals Available Begining Nov 12, 2020

3814 Prospect

- 1 unit
- 1 bed
- $725/month
- $.85/ft

1900 E. 30th Street

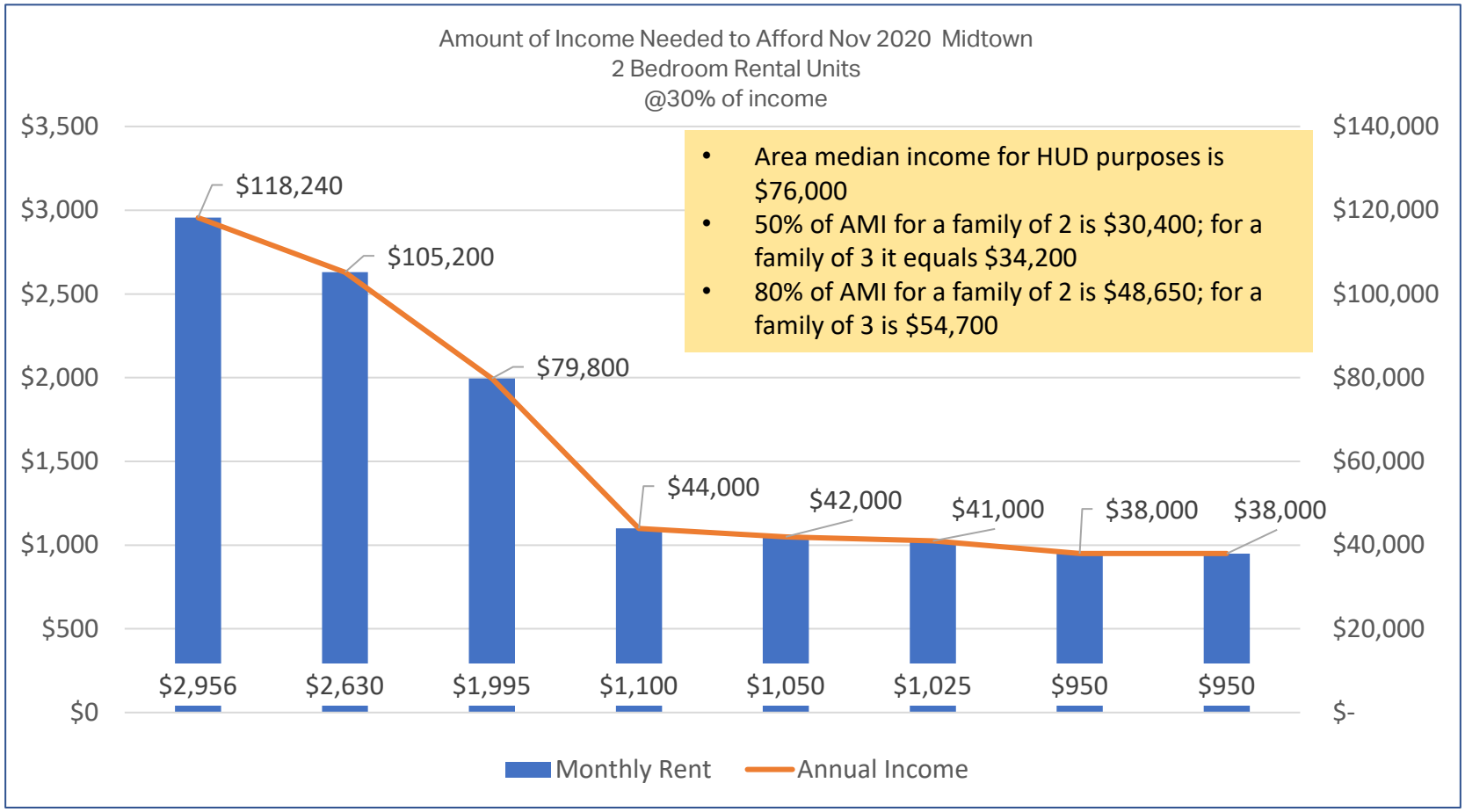
- Mix of renovated and non renovated units
- Studio - $610/month ($1.44/ft)
- 1 bed - $600/month ($1.24/ft)
- 1 bed renovated - $780/month ($1.30/ft)
- 1 bed study renovated - $920/month ($1.31/ft)
- 2 bed - $940/month ($1.14/ft)
- 2 bed renovated $950/month ($1.15/ft)

3328 Euclid Ave

- Recently renovated
- Units coming online December 1
- Studio - $575 (280ft – 550ft)
- 1 bed - $695 (500ft – 900ft)
- 2 bed - $950 (1200ft-1500ft)

Approximately 20% of the current area population can afford the available rental housing

- However, several of these projects are clearly oriented toward the student/downtown market which distorts the pricing to some degree
- About half of the rental housing is in range for households at 80% of AMI

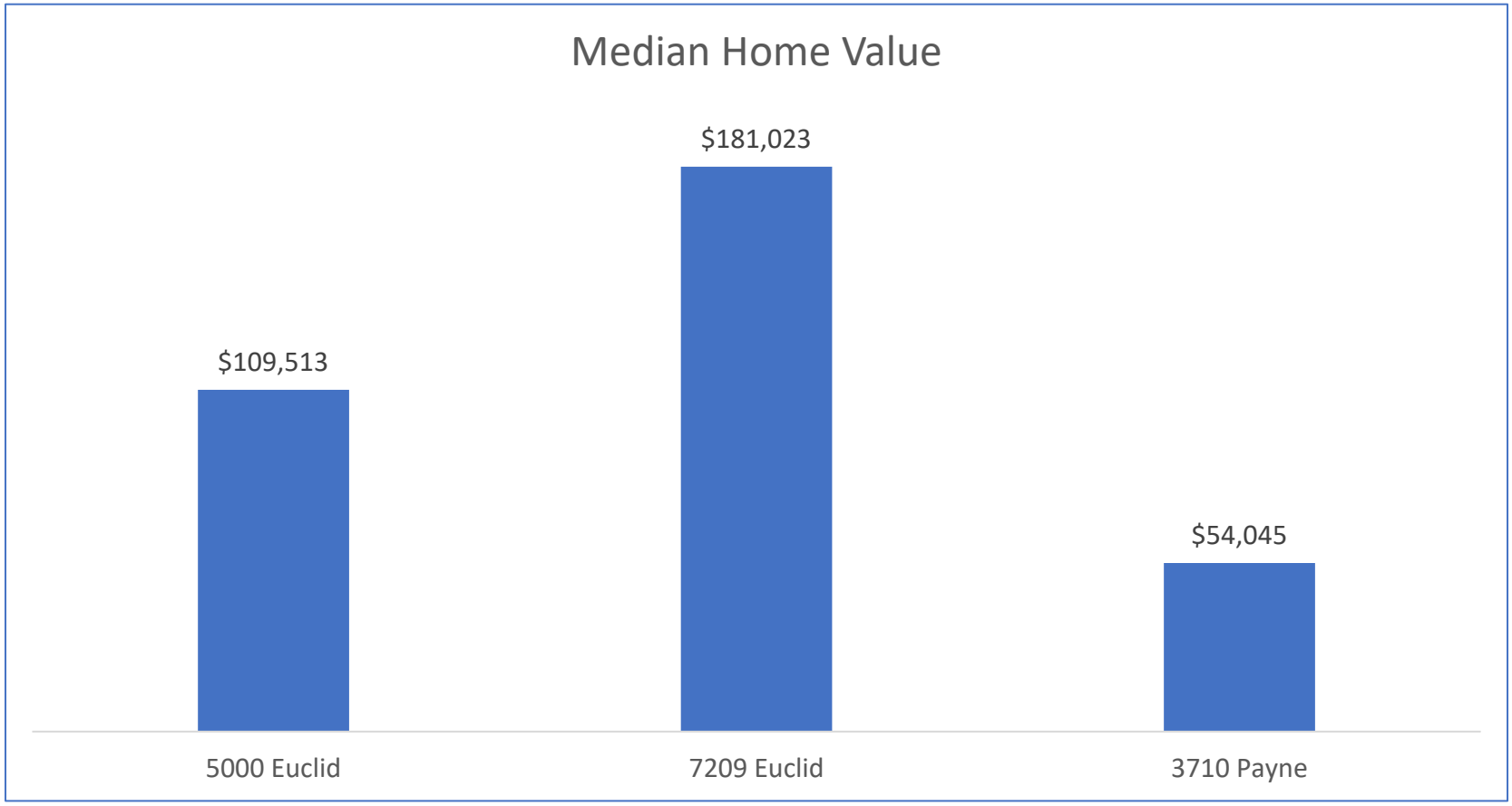


Source: NP calculations

There appear to be at least two different housing markets in Midtown

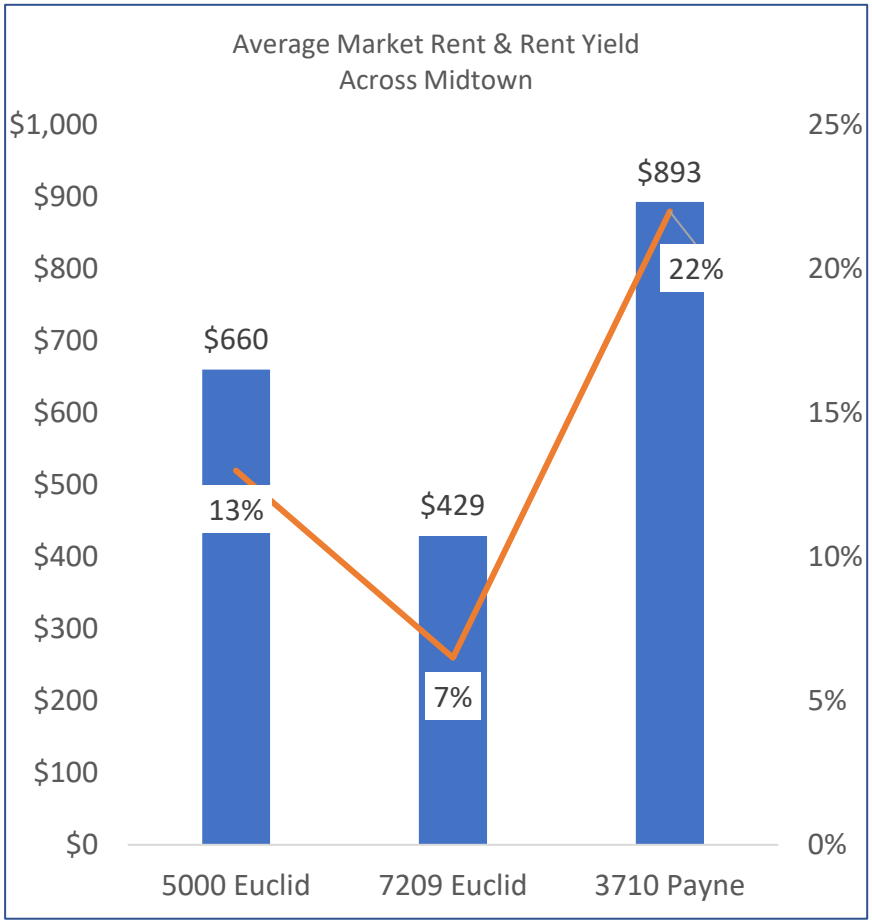
Midtown is a series of micro housing markets

- There is substantial variation across Midtown in terms of median home values



Source: NP analysis of Neighborhoodscout.com microneighborhood real estate data

Rental markets show a similar variation

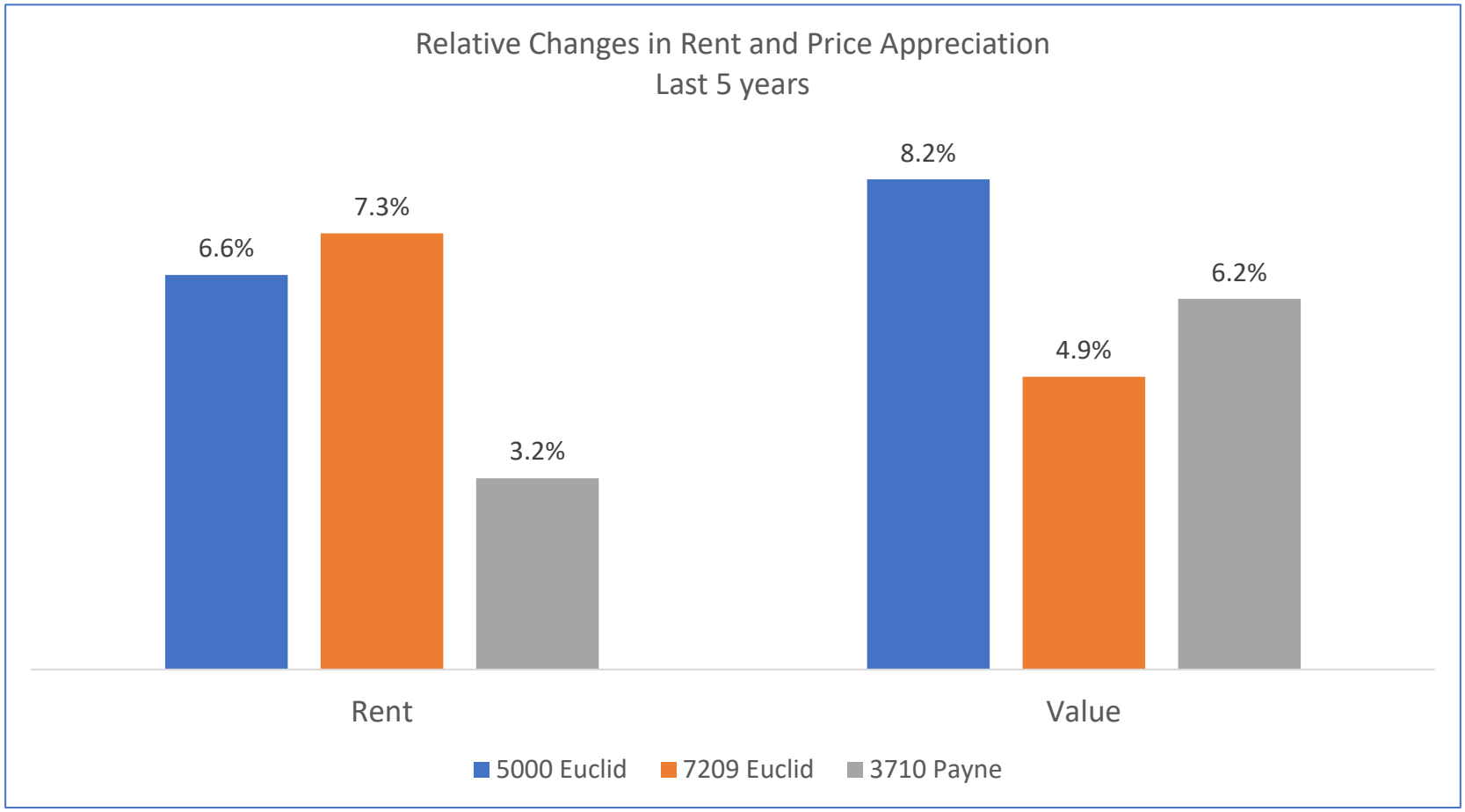


- Gross rent yield is the relationship between rent and purchase price of a house.
- AsiaTown as represented by 3710 Payne has high rent yield because of high rents and low median home values making it a strong market for investors. 7209 Euclid has low rents and higher purchase prices resulting in the lower yield.
- According to neighborhoodscout.com 7209 Euclid rent levels are among the lowest in the state but has had one of the fastest growing rent increases in the country based on this dataset.

Source: NP analysis of Neighborhoodscout.com micro-neighborhood real estate data

Financial performance

- The Euclid Avenue locations have been among the best performing in Ohio and nationally

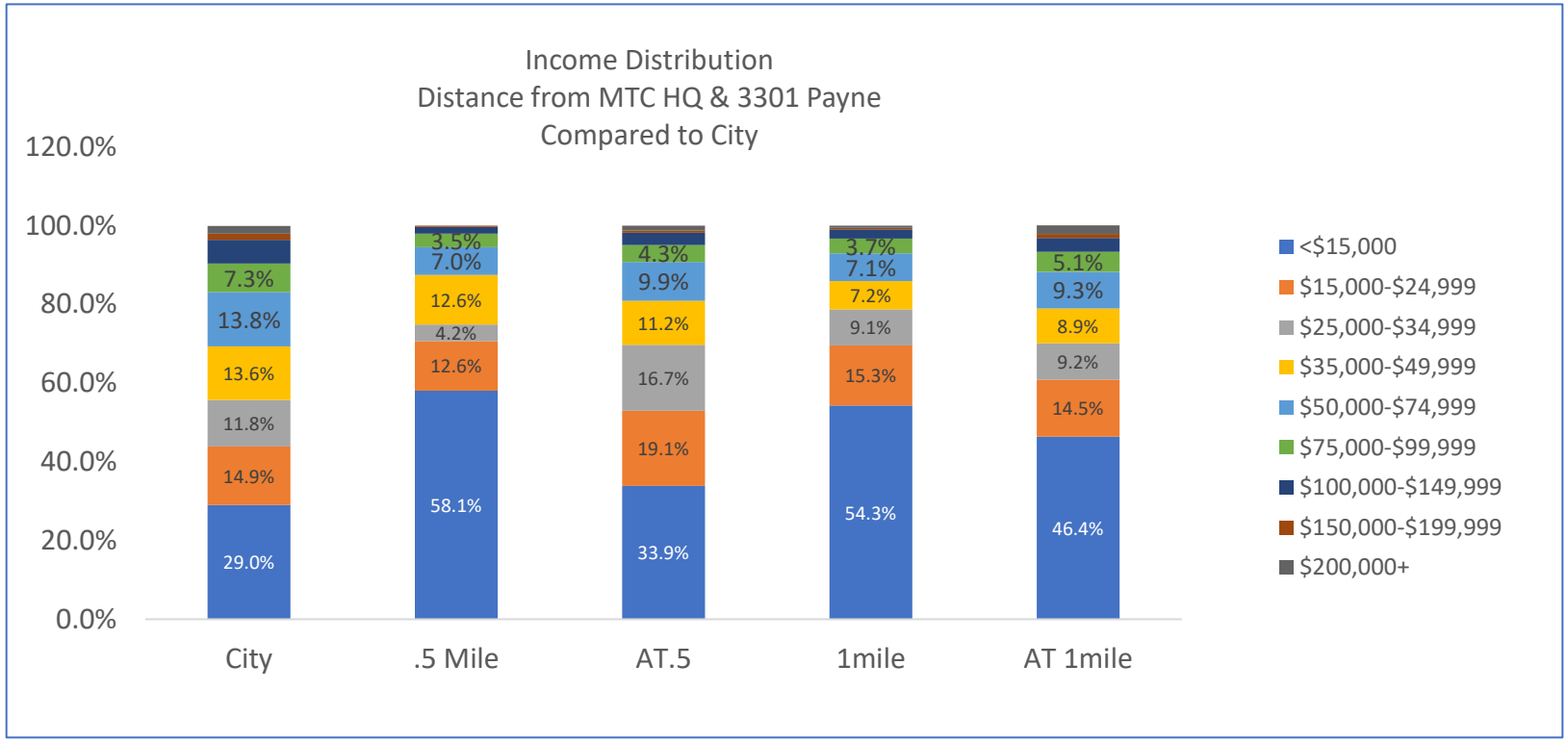


Source: NP analysis of Neighborhoodscout.com microneighborhood real estate data

Midtown should be a neighborhood for anyone who lives in Cleveland

Targeting housing development to reflect city income distribution provides an income mix that can support neighborhood amenities

- 23% of the income categories under $25k with a 1 mile radius are under the age of 25 or over the age of 75
  - This reflects the citywide proportion of low income households in these age categories
- A citywide target increases by about 50% the number of lower middle income ($25k to $50k) households where Midtown is underrepresented
- 83% of the households would have less than $75k in income



Source: NP analysis of American Community Survey 2019

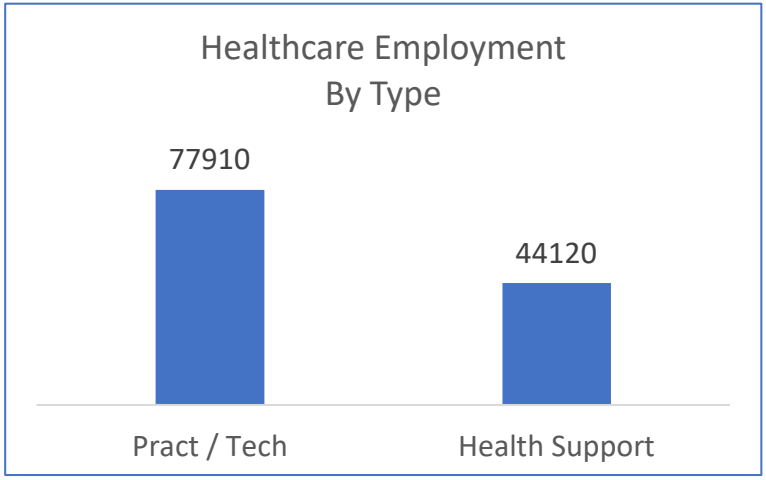
Measuring Affordability

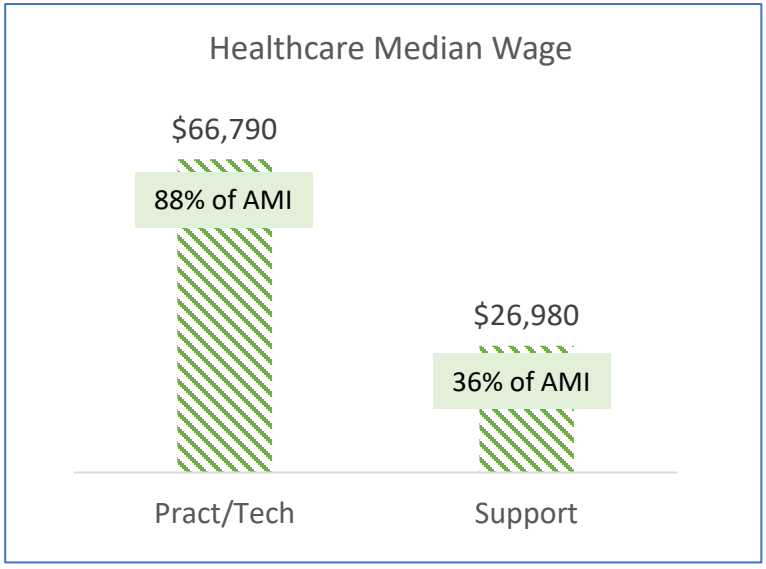
- These tables are based on rule of thumb estimates
- Monthly housing costs represents utilities plus rent as a percentage of income
- Rent tolerance reflects basic rent at 80% of housing costs
- Note: for young college graduates in Ohio average student debt is ~$28,000 which translates to approximately $320 to $350 a month in lower rent capacity

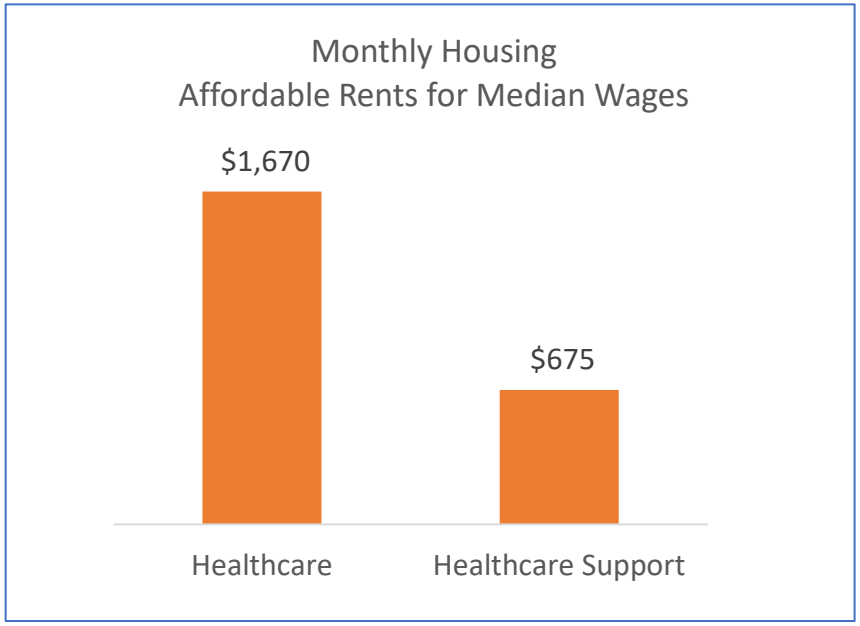
Annual Household Income	Monthly Housing Costs @ 25% income	Monthly Housing Costs @ 30% income		Annual Household Income	Monthly Rent Tolerance @ 25% income	Monthly Rent Tolerance @ 30% income
$ 15,000	$ 312.50	$ 375.00		$ 15,000	$ 250.00	$ 300.00
$ 22,800	$ 475.00	$ 570.00	30% AMI	$ 22,800	$ 380.00	$ 456.00
$ 25,000	$ 520.83	$ 625.00		$ 25,000	$ 416.67	$ 500.00
$ 30,000	$ 625.00	$ 750.00		$ 30,000	$ 500.00	$ 600.00
$ 35,000	$ 729.17	$ 875.00		$ 35,000	$ 583.33	$ 700.00
$ 38,000	$ 791.67	$ 950.00	50% AMI	$ 38,000	$ 633.33	$ 760.00
$ 40,000	$ 833.33	$ 1,000.00		$ 40,000	$ 666.67	$ 800.00
$ 45,000	$ 937.50	$ 1,125.00	~60% AMI	$ 45,000	$ 750.00	$ 900.00
$ 50,000	$ 1,041.67	$ 1,250.00		$ 50,000	$ 833.33	$ 1,000.00
$ 55,000	$ 1,145.83	$ 1,375.00		$ 55,000	$ 916.67	$ 1,100.00
$ 60,000	$ 1,250.00	$ 1,500.00	~80% AMI	$ 60,000	$ 1,000.00	$ 1,200.00
$ 65,000	$ 1,354.17	$ 1,625.00		$ 65,000	$ 1,083.33	$ 1,300.00
$ 70,000	$ 1,458.33	$ 1,750.00		$ 70,000	$ 1,166.67	$ 1,400.00
$ 75,000	$ 1,562.50	$ 1,875.00		$ 75,000	$ 1,250.00	$ 1,500.00
$ 80,000	$ 1,666.67	$ 2,000.00		$ 80,000	$ 1,333.33	$ 1,600.00
$ 90,000	$ 1,875.00	$ 2,250.00		$ 90,000	$ 1,500.00	$ 1,800.00
$ 91,200	$ 1,900.00	$ 2,280.00	120% AMI	$ 91,200	$ 1,520.00	$ 1,824.00

Source: NP calculations based on ESRI household demographic data set

Target housing price points for the largest employment group in the city







Housing between these price points will serve the vast majority of healthcare workers before student debt is included – typically $300 to $600 a month lower rent capacity if graduate education is included

Source: NP calculations based on Bureau of Labor Statistics Occupational Employment Statistics 2019

Healthcare Occupational Groupings used to calculate previous page estimates and demonstrate distribution of wages within healthcare

Health Practitioners & Technical Services Occupations over 1000 employees

Occupation (SOC code)	Employment	Annual mean wage	Annual median wage
Registered Nurses(291141)	25600	$ 71,650	$ 70,490
Licensed Practical and Licensed Vocational Nurses(292061)	7250	$ 48,800	$ 48,180
Physicians, All Other; and Ophthalmologists, Except Pediatric(291228)	5640	$ 200,760	$ 206,890
Medical Dosimetrists and Records Specialists, and Health Technologists and Technicians, All Other(292098)	3990	$ 47,870	$ 45,680
Pharmacy Technicians(292052)	3160	$ 33,800	$ 32,860
Pharmacists(291051)	2390	$ 126,150	$ 122,920
Dental Hygienists(291292)	2380	$ 66,360	$ 67,910
Physical Therapists(291123)	2010	$ 87,390	$ 86,230
Clinical Laboratory Technologists and Technicians(292010)	1950	$ 58,020	$ 58,380
Physician Assistants(291071)	1940	$ 110,400	$ 111,070
Radiologic Technologists and Technicians(292034)	1720	$ 61,500	$ 61,120
Emergency Medical Technicians and Paramedics(292040)	1700	$ 40,760	$ 39,390
Nurse Practitioners(291171)	1500	$ 101,430	$ 103,720
Respiratory Therapists(291126)	1340	$ 59,660	$ 58,860
Occupational Therapists(291122)	1250	$ 88,910	$ 89,830
Speech-Language Pathologists(291127)	1170	$ 82,620	$ 81,060

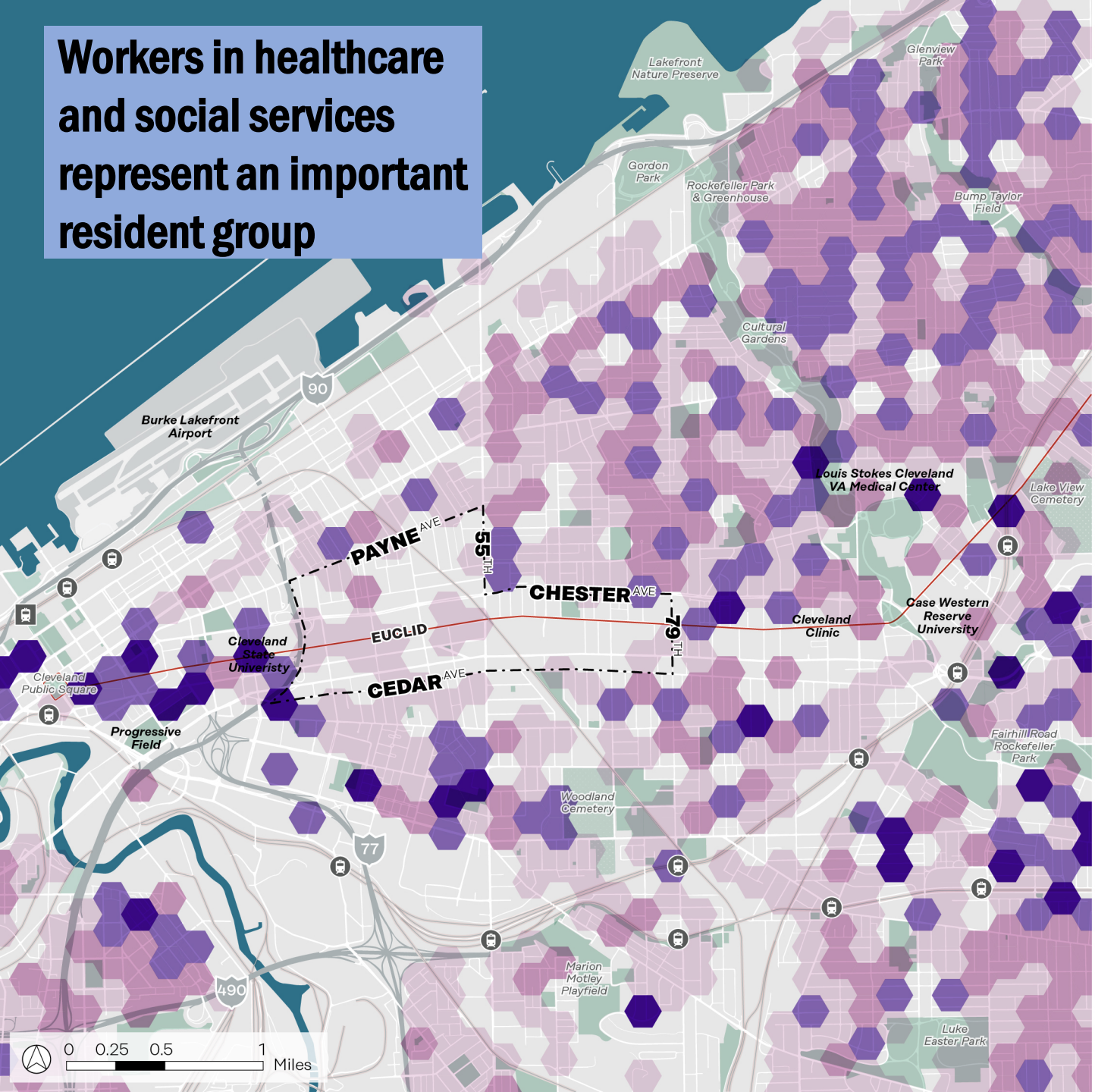
Health Support Occupations

Occupation (SOC code)	Employment	Annual mean wage	Annual median wage
Home Health and Personal Care	18970	$ 23,370	$ 22,730
Nursing Assistants(311131)	13060	$ 29,600	$ 29,150
Medical Assistants(319092)	4360	$ 35,070	$ 34,940
Dental Assistants(319091)	1930	$ 40,670	$ 39,800
Phlebotomists(319097)	1050	$ 37,640	$ 37,230
Physical Therapist	1040	$ 61,720	$ 60,680
Occupational Therapy	840	$ 61,070	$ 60,260
Healthcare Support Workers,	760	$ 44,820	$ 45,990
Orderlies(311132)	490	$ 29,830	$ 29,300
Veterinary Assistants and	470	$ 26,900	$ 26,690
Medical Equipment	370	$ 37,070	$ 36,430
Massage Therapists(319011)	280	$ 42,280	$ 40,550
Physical Therapist	140	$ 28,970	$ 28,150
Medical	130	$ 38,910	$ 36,320
Pharmacy Aides(319095)	110	$ 28,200	$ 27,850
Psychiatric Aides(311133)	90	$ 31,330	$ 30,840
Occupational Therapy	30	$ 36,800	$ 35,970

60% of AMI = $45,600
80% of AMI = $60,800
120% of AMI = $91,200

Source: NP calculations based on Bureau of Labor Statistics Occupational Employment Statistics 2019

Workers in healthcare and social services represent an important resident group



HEALTH CARE AND SOCIAL ASSISTANCE WORKER RESIDENCES

- MIDTOWN BOUNDARY
- LAKE/RIVER
- RAIL
- PARK/OPEN SPACE
- HEALTHLINE

WORKER RESIDENCES

- 0-1
- 2-10
- 11-20
- 21-40
- 41-116

(Source: 2017 LEHD Origin-Destination Employment Statistics, analyzed in July 2020)

You can add a significant amount of market rate housing and not fundamentally alter the demographics of Midtown

Present household income distribution across Midtown

- Asiatown incomes are higher than Midtown

Households by Income Distribution 2020	MTC 1 Mile	% MTC 1 Mile Distribution	3301 Payne (AT) 1 Mile	% 3301 Payne (AT) 1 Mile Distribution
<$15,000	3,644	54.3%	2,276	46.4%
$15,000-$24,999	1,023	15.3%	712	14.5%
$25,000-$34,999 (30% AMI: $22,800)	608	9.1%	452	9.2%
$35,000-$49,999 (50% AMI=$38,000; 60% AMI= $45,600)	484	7.2%	435	8.9%
$50,000-$74,999 (80% AMI = $60,800)	475	7.1%	454	9.3%
$75,000-$99,999 (120% AMI = $91,200)	246	3.7%	248	5.1%
$100,000-$149,000	164	2.4%	173	3.5%
$150,000-$199,000	28	0.4%	51	1.0%
$200,000+	36	0.5%	108	2.2%
Totals	6,708		4,908	

Source: NP calculations based on ESRI household demographic data set

Largest gaps in households in Midtown begin at 50% of AMI- $38,000

- Around the 30% of AMI band ($22,800) the city has 23-28% more households than Midtown
- At 50% AMI band ($38,000) the differential increases to the city being almost 50% higher
- At the 80% - 120% of AMI ($60,800 to $91,200) the differential to the city remains around 50%

Households by Income Distribution 2020	CityWide Distribution	% MTC 1 Mile Distribution	% 3301 Payne (AT) 1 Mile Distribution
<$15,000	29%	54.3%	46.4%
$15,000-$24,999	15%	15.3%	14.5%
$25,000-$34,999 (30% AMI: $22,800)	12%	9.1%	9.2%
$35,000-$49,999 (50% AMI=$38,000; 60% AMI= $45,600)	14%	7.2%	8.9%
$50,000-$74,999 (80% AMI = $60,800)	14%	7.1%	9.3%
$75,000-$99,999 (120% AMI = $91,200)	7%	3.7%	5.1%
$100,000-$149,000	6%	2.4%	3.5%
$150,000-$199,000	2%	0.4%	1.0%
$200,000+	2%	0.5%	2.2%

Source: NP calculations based on ESRI household demographic data set

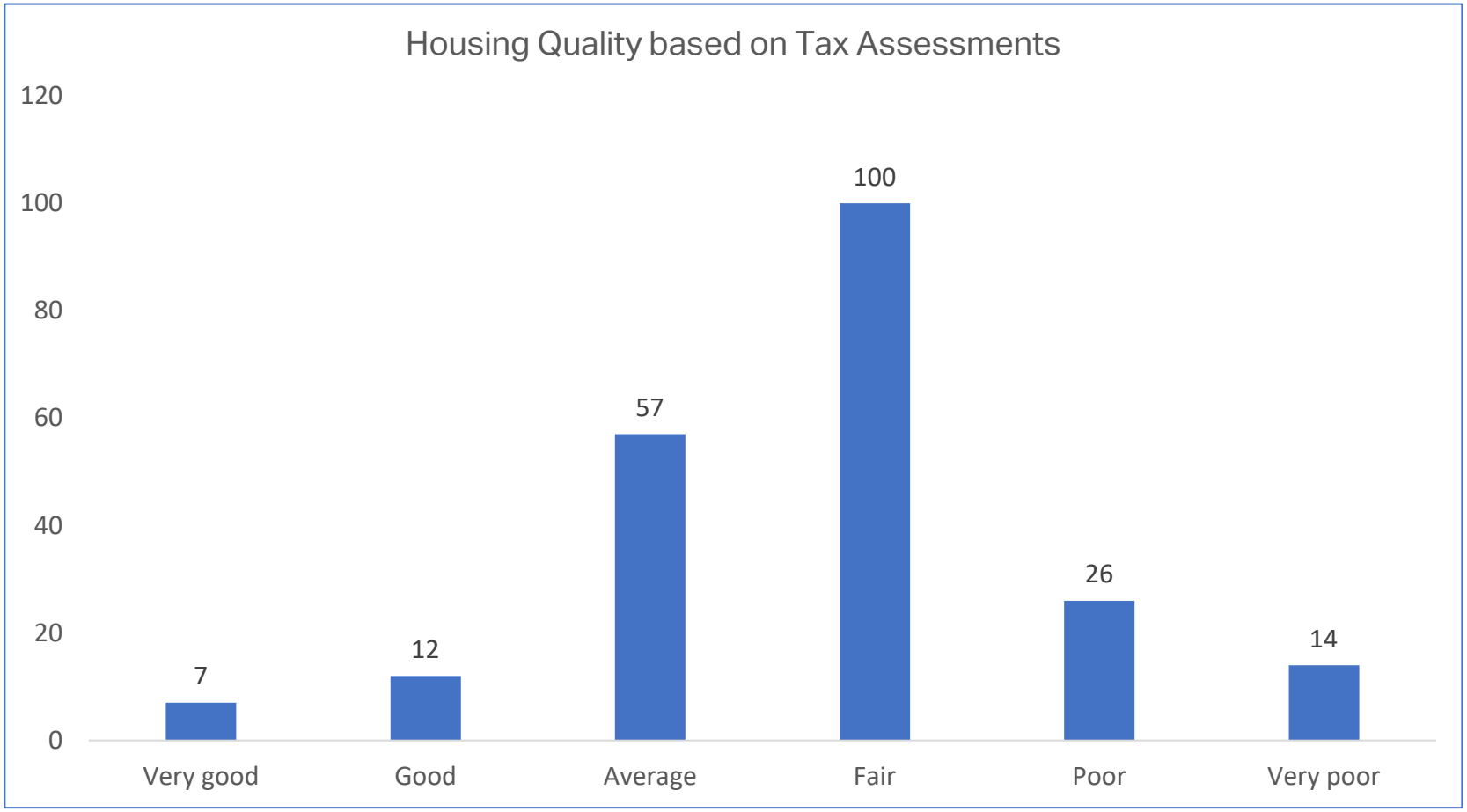
If you added 600 units of new market rate housing the neighborhood balance does not change if there is no displacement for those under $50k

- If you had significant increases in new market rate housing units including doubling the highest income levels, Midtown would still have incomes below the citywide income distribution
- Lowest income groups would still be 20 points higher (64%) than the citywide distribution (44%)

Households by Income Distribution	Model: No Displacement Under $50k	Model % Distribution	Model Household Change
<$15,000	3644	50%	0
$15,000-$24,999	1023	14%	0
$25,000-$34,999 (30% AMI: $22,800)	608	8%	0
$35,000-$49,999 (50% AMI=$38,000; 60% AMI= $45,600)	484	7%	0
$50,000-$74,999 (80% AMI = $60,800)	650	9%	175
$75,000-$99,999 (120% AMI = $91,200)	450	6%	204
$100,000-$149,000	320	4%	156
$150,000-$199,000	56	1%	28
$200,000+	72	1%	36
Totals	7307		599

Source: NP calculations based on ESRI household demographic data set

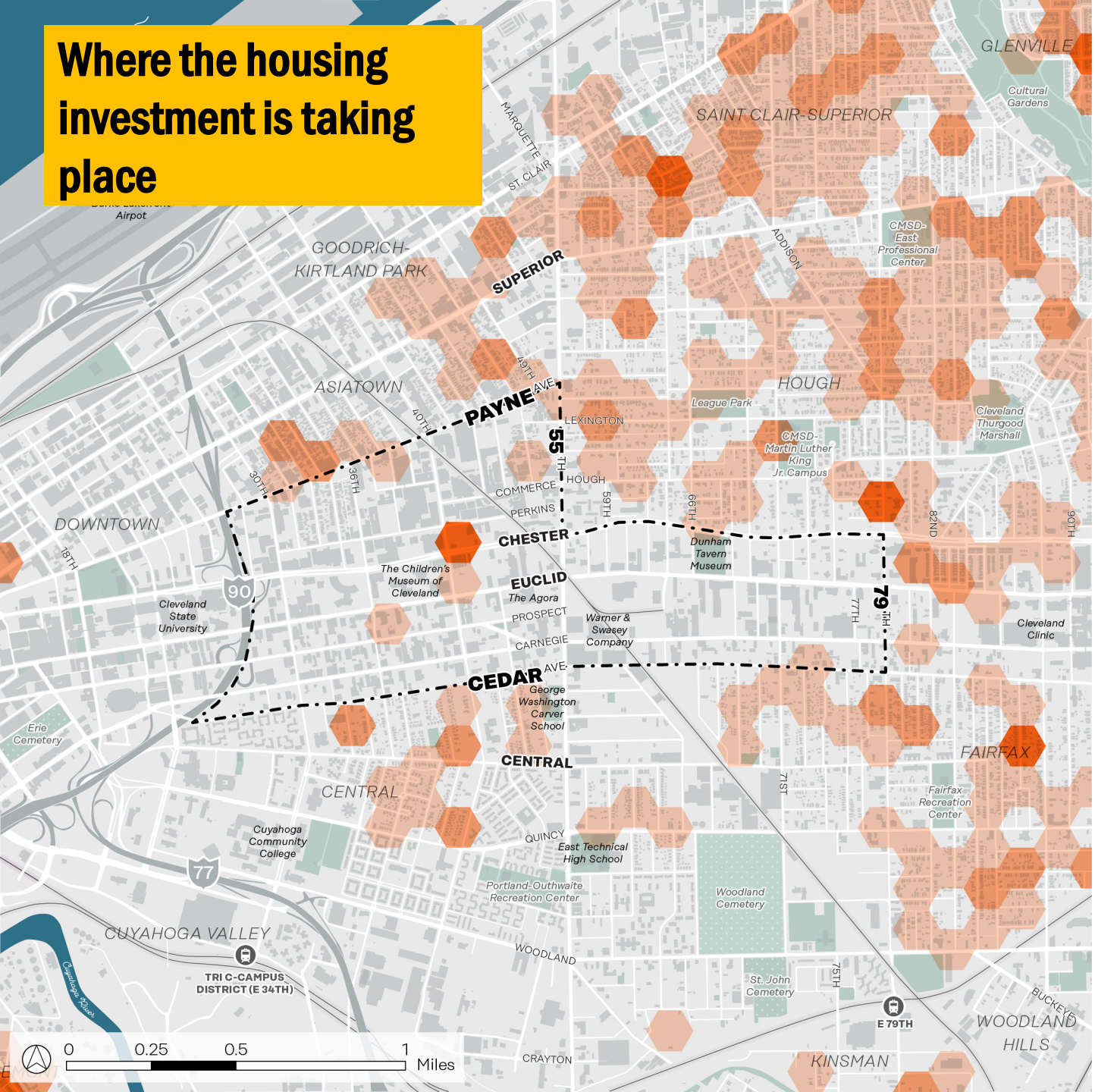
However because most of the existing housing stock in Midtown is rated fair to very poor any new construction needs to be accessible for a range of incomes



Source: NP analysis of NEOCANDO property database

Consider targeting a mix of housing types by location to build critical mass and positive psychological impact

Where the housing investment is taking place



RESIDENTIAL PROPERTY SALE, 2019

(SALE AMOUNT >= $1,000)

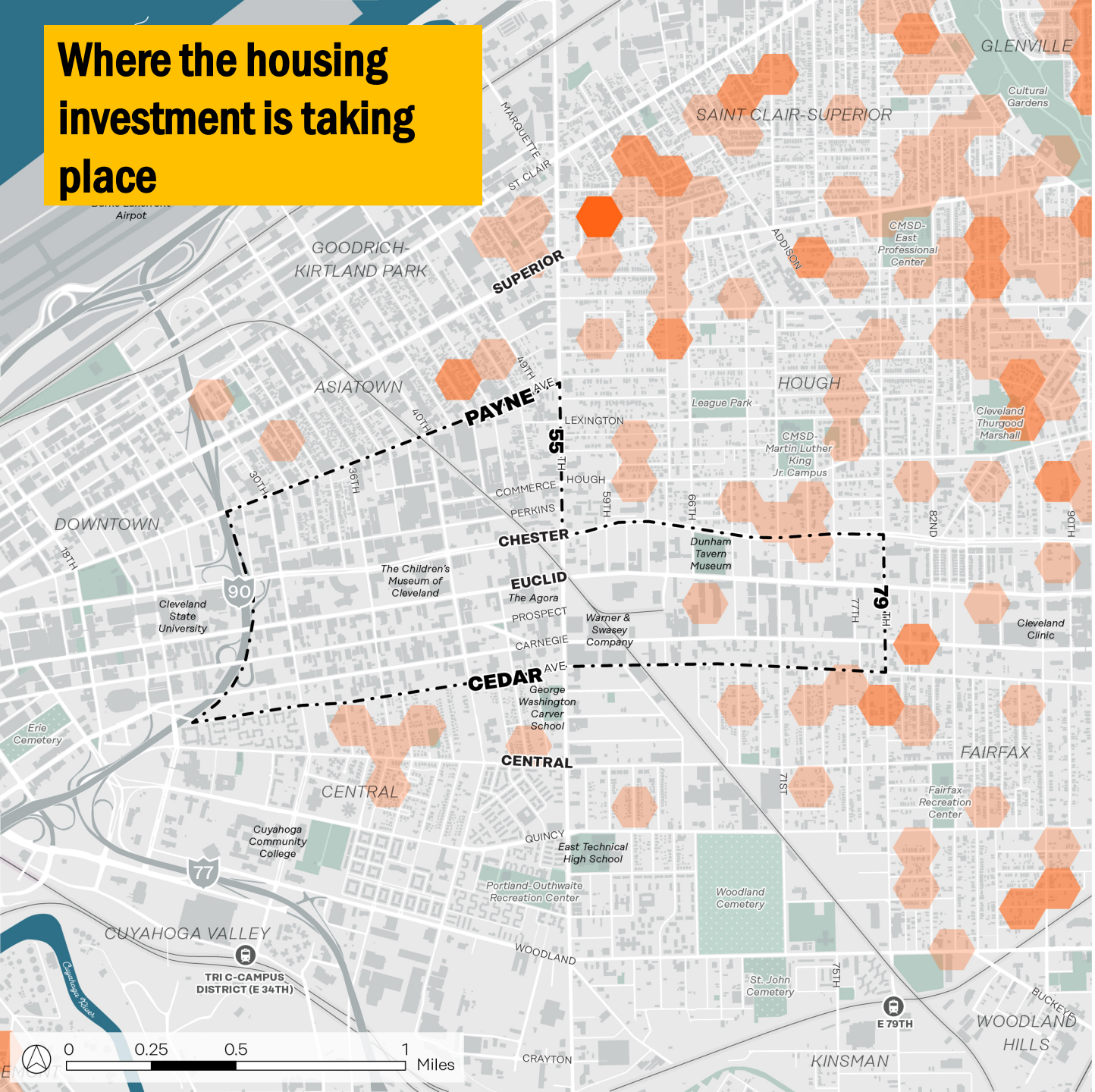
- MIDTOWN BOUNDARY
- LAKE/RIVER
- RAIL
- PARK/OPEN SPACE

SALE COUNT

- 1-2
- 3-5
- 6-9

(Source: Case Western University shared by MidTown Inc.)

Where the housing investment is taking place



RESIDENTIAL PERMITS, 2019

(TOTAL VALUE >=$10,000)

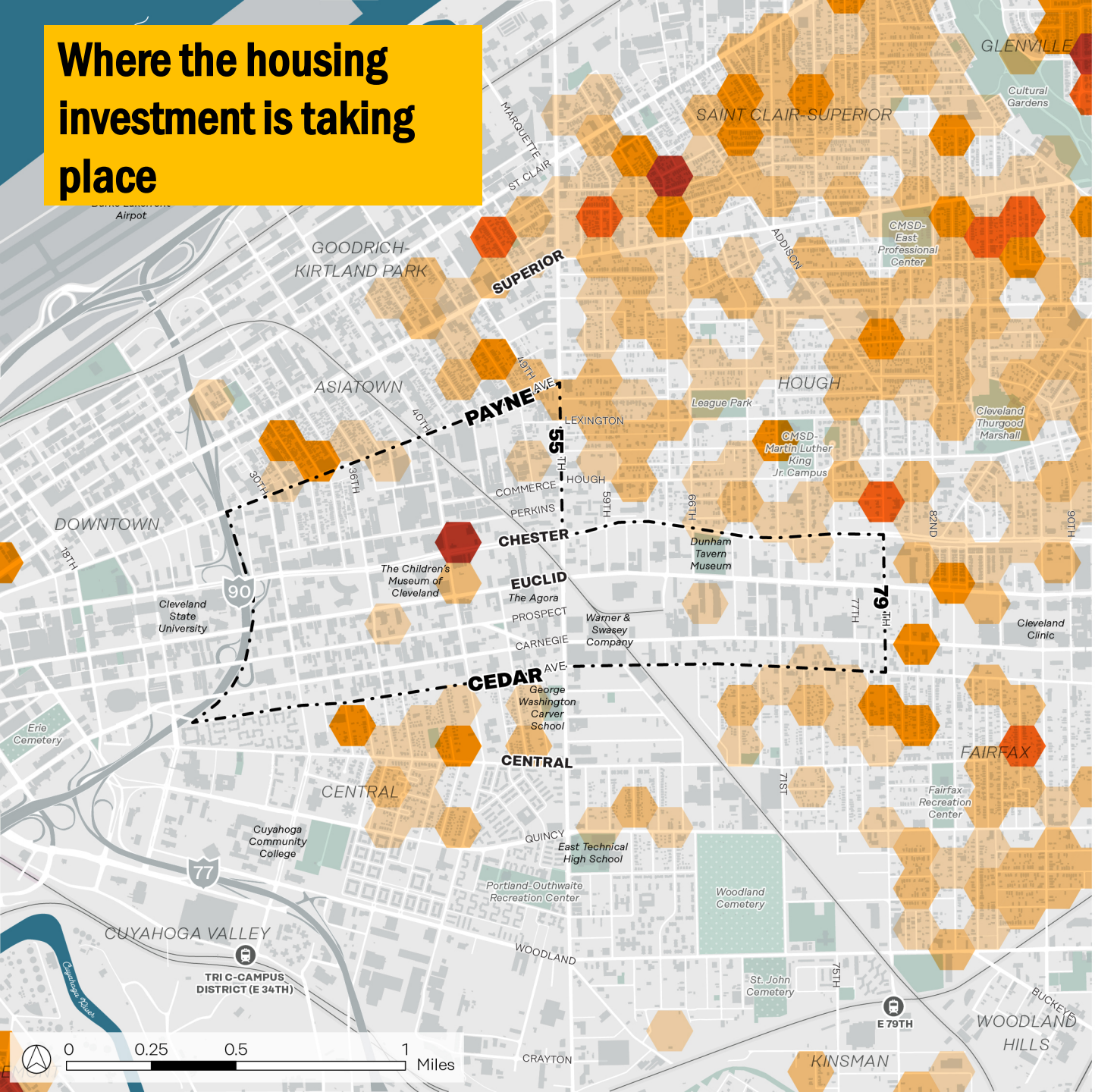
- MIDTOWN BOUNDARY
- LAKE/RIVER
- RAIL
- PARK/OPEN SPACE

PERMIT COUNT

- 1
- 2-3
- 4-6

(Source: Case Western University shared by MidTown Inc.)

Where the housing investment is taking place



RESIDENTIAL INVESTMENTS, 2019

(INCLUDES RESIDENTIAL PERMITS WITH TOTAL VALUE >= $10,000 AND RESIDENTIAL SALES >= $1,000)

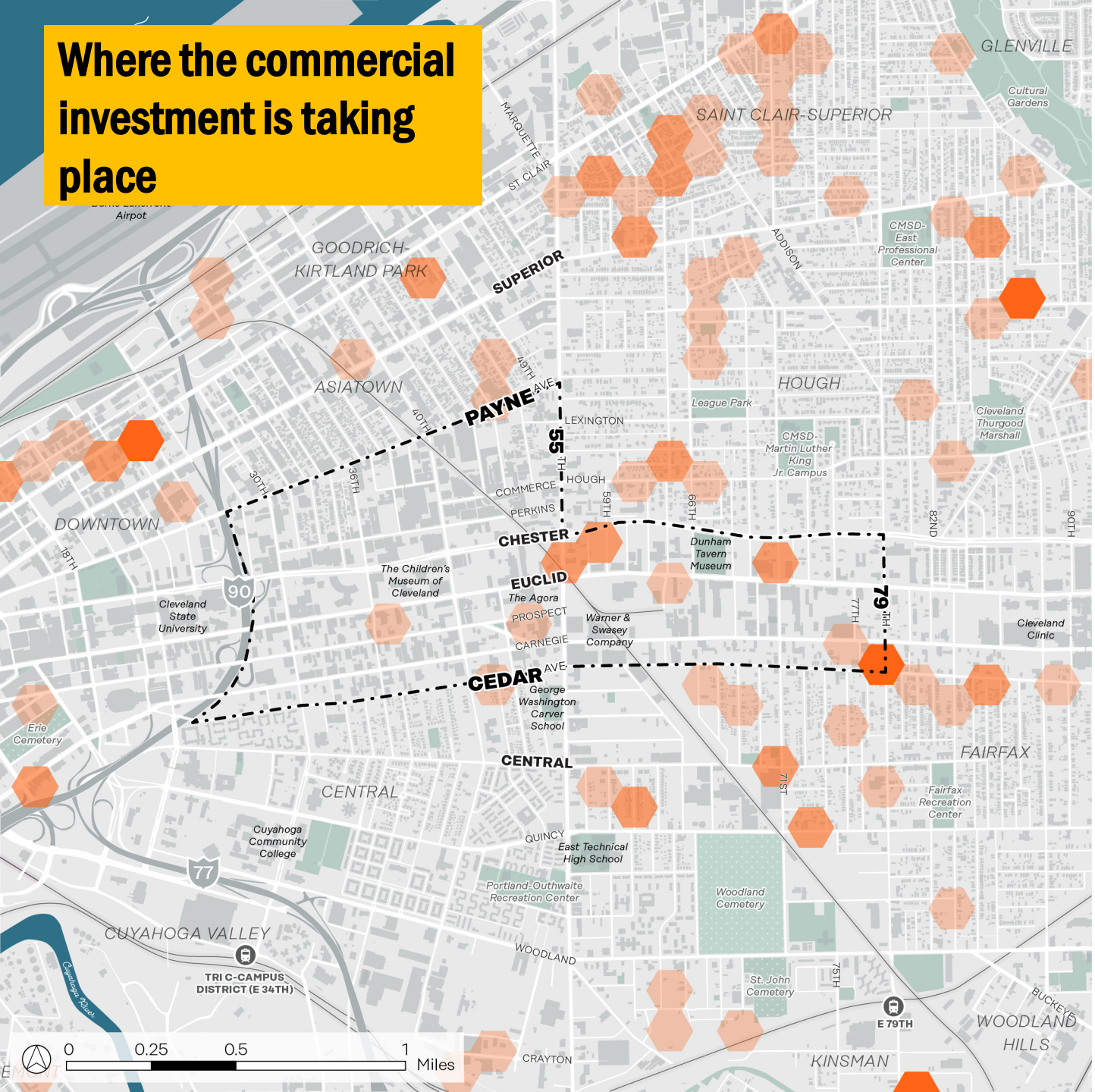
- MIDTOWN BOUNDARY
- LAKE/RIVER
- RAIL
- PARK/OPEN SPACE

TOTAL SALE & PERMIT COUNT

- 1
- 2-3
- 4-5
- 6-7
- 8-11

(Source: Case Western University shared by MidTown Inc.)

Where the commercial investment is taking place



COMMERCIAL PROPERTY SALE, 2019

(SALE AMOUNT >= $1,000)

- MIDTOWN BOUNDARY
- LAKE/RIVER
- RAIL
- PARK/OPEN SPACE

SALE COUNT

- 1
- 2-3
- 4-6

(Source: Case Western University shared by MidTown Inc.)