



Chagrin Falls, OH

A study on the impact of a high percentage of rental units on the community

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Executive Summary

Twenty seven percent of all housing units in Chagrin Falls are renter occupied. This is above the average for surrounding communities indicating that the high percentage of renters may be resulting in a negative impact on the community.

However, economic and social impacts on the community were determined to be insignificant. Through qualitative and quantitative data analysis, the rental population is not impacting property values, which have been increasing over the past ten years. Renter income can be slightly lower than homeowners, however, the gap in income is not significant enough to be considered.

The social impact is positive, considering that roughly 60% of the rental units in the village belong to Hamlet Hills. The Hamlet residents are deemed an asset to the village and regularly attend community events and contribute to the downtown economy. There is no correlation between crime rates and the rental percentage.

The renters were segmented into three groups and all contributed to city administration priorities except for Segment 1, the younger population. Through rental unit registration and networking events, the Village can make efforts to involve this segment into the community and contribute to the unique and high quality of life provided to the residents of the Village of Chagrin Falls.

Background

Chagrin Falls is located 20 miles southwest of Cleveland, Ohio. It is a small community with a population of 3,678 and prides itself on its hometown environment, top ranking school system, and its ability to provide its residents a high quality living.¹ Notable landmarks in Chagrin Falls include The Popcorn Shop, visited by former President Bush, and the Chagrin Valley Little Theatre, one of the oldest community theatres in the country. Residents of Chagrin Falls are very active in the school system and the community. Committees, including Chagrin Falls Dad's Club and Your Hometown, a volunteer organization devoted to maintaining the family strong lifestyle and environment of Chagrin Falls. The community has recently established a strong arts community by creating the Chagrin Foundation for Arts & Culture and by partnering with the Chautauqua Institute to bring various arts programs to the area.²

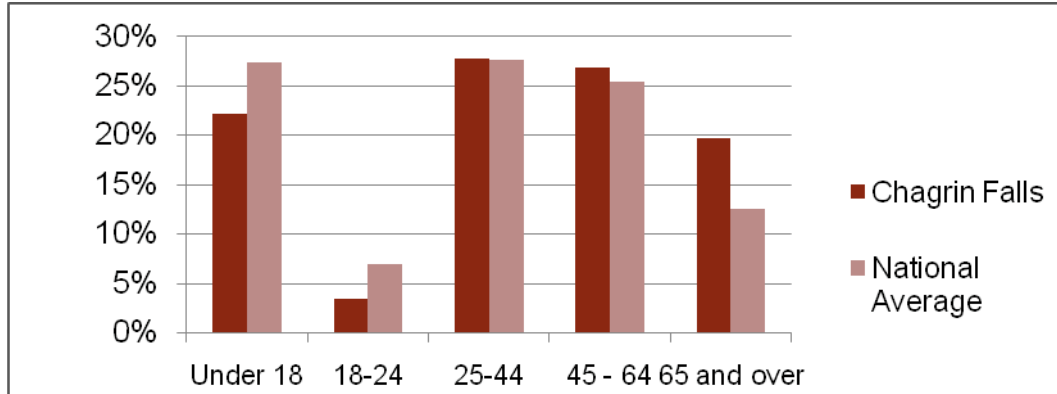
According to 2000 Census data, the median income of Chagrin Falls resident is \$62,917. This is 82 percent above the national average. The Chagrin Falls High School is consistently listed in Newsweek Magazine's "List of the Top U.S. Schools" and given an "Excellent" for the past six years.

The below chart displays the age distribution of the Chagrin Falls population. For ages 65 and over, Chagrin Falls is 5% above the national average. For the age segment under 18, the city is 5% below the national average.

¹Chagrin Falls, OH." *Sperling's Best Places*. 2009. Web. 4 Dec 2009.
<http://www.bestplaces.net/city/Chagrin_Falls-Ohio.aspx>

²Chagrin Foundation for Arts & Culture/Chautauqua Partnership/." *Press Release*. (2007): Print

Population Age Distribution



Project Objective

Mayor Thomas Brick acted as the sponsor for the project and provided initial data for the team to begin its research. According to the 2000 Census Data, there are 1,862 occupied housing units in Chagrin Falls. This includes 503 occupied rental units or 27% of all housing units. The objective of this project was to determine the composition of the rental percentage rate and the *economic* and *social* impact of a high percentage on the village of Chagrin Falls.

The project scope included research on Chagrin Falls and not Chagrin Valley. Additionally, it did not include analysis of the new South Franklin Circle community being built only two miles from the center of the city. Although the South Franklin community will have implications on the local economy, it is not located within the Village of Chagrin Falls and therefore, not researched as part of this survey.

Key stakeholders of this project include Chagrin Falls residents (homeowners and renters), village administration, realtors, school officials, and downtown merchants.

Data Collection

A large portion of the quantitative data contained in this report was extracted from the 2000 Census Report. Additional sources include the Multiple Listing Service (MLS) and the Cuyahoga County Auditor.

The following formal interviews were conducted:

- Ben Himes, Chief Administrative Officer
- Harry Edwards, Building Inspector
- James Broschious, Chief of Police
- David Bloom, Director of Finance

A focus group was conducted including three realtors, each with significant experience in area real estate. They included:

- Joanne Zettl, Sotherby's Real Estate (18 years)
- Nancy Irwin, Howard Hanna (20 years)
- Bob Royer, Howard Hanna (25 years)

The goal of this focus group was to ask area experts to provide insight into the characteristics of area renters. The information revealed that there was not one specific renter profile but actually three different segments (*See Exhibit 1*).

- *Segment 1* includes young professionals, between the ages of 18-32. This segment is attracted to Chagrin Falls because of its safe environment and its proximity to where they work (Cleveland, Beachwood, and Solon).
- *Segment 2* includes middle aged professionals, ages 32-65, with young children. These individuals are likely to have grown up in Chagrin Falls and returned to the

area to be closer to home and so their children could be educated in the top-ranking school system. These individuals also value the lifestyle that Chagrin offers and are involved in community programs and volunteer efforts, including Chagrin Dads and Your Hometown Chagrin Falls.

- *Segment 3* includes an elder generation, ages 65 and older. This generation additionally values the quality of life offered by the village and a number of these individuals have returned to the area to be near grandchildren and other loved ones. This segment is actively involved in the arts community and individuals are regular patrons at local restaurants.

City Administration priorities include maintaining the quality of life in Chagrin Falls and preserving the financial stability of the city. Mayor Tom Brick explained that the city valued residents who were involved in the arts program and other community organizations. He indicated that the Hamlet Hills residents, mostly retired, were a huge asset to the community as they regularly attended the Little Theater events and spent their weekends in the city at restaurants and shops.

Upon revisiting city administration priorities and reviewing the renter segments, it was therefore determined that each renter segment was contributing to community except for one: Segment 1. Segment 1, including young, single professionals, were less likely to participate in community events and organizations and did not spend a significant amount of time downtown at restaurants and shops.

Analysis

The first step in our analysis began by comparing the percentage of rental units in Chagrin Falls to surrounding communities. As predicted, Chagrin is one of the highest in the areas, excluding Bainbridge (36%) and Shaker Heights (32.5%).³ Census data for 1990 indicates Chagrin Falls keeps even higher rental percentage of 34.1%.

Data Set: Census 2000 Summary File 1 (SF 1) 100-Percent Data
 Geographic Area: **Chagrin Falls village, Ohio**

City	Occupied Housing Units	Occupied Rental Units	Percentage
Bainbridge	397	146	36.8%
Shaker Heights	11235	3649	32.5%
Chagrin Falls	1862	503	27.0%
Westlake	12826	3231	25.2%
Hunting Valley	284	41	14.4%
Solon	7554	923	12.2%
Bay Village	6239	487	7.8%
Reminderville	917	69	7.5%
Pepper Pike	2203	97	4.4%
Orange	1170	50	4.3%
South Russell	1364	31	2.3%
1990 Census Data			
Chagrin Falls	1930	658	34.1%

Chagrin Falls Village has four major housing communities: Hamlet Hills, Carriage Hill, Citadel and Nob Hill. Hamlet Hills is the largest housing community with 295 units. Prices range from \$1000 to \$2000. Carriage Hill, built in 1963, is an adjacent community to Hamlet Hills with 113 suites and average rent of \$645 to \$825. Citadel and Nob Hill are both owner and renter occupied. Citadel was built in 1971 whereas Nob Hill was built in 1964. The average price of a condo at Citadel is \$64,500 and \$84,500 at Nob Hill.

³ Census 2000

The breakdown of the 27% of rental units (508 units) was determined by investigating how many units were at each of these locations. Based on this information shown in Exhibit 2, we were able to discover how many of the rental units were single family homes or duplexes that have been converted into rental units.

Hamlet Hills is undoubtedly the largest component of available rental units in Chagrin Falls. If Hamlet Hills was not included in the rental percentage rate, the village would be at 11% of all total housing units.

Through interviews with city administration and realtors, it was deemed necessary to determine what different forces may be causing the high percentage of rental rates. The Ishiwaka Diagram, a common tool used in Six Sigma projects, is used to uncover the characteristics of the Chagrin Falls Village that may be driving the percentage (*See Exhibit 3*).

Three main categories emerged in the analysis:

- *Transient Community* - Chagrin Falls has a high property tax rate which may deter some from buying home. Additionally, the village has a number of young professionals who are more likely to rent.
- *City Characteristics* - The city has several characteristics that make the village unique to others. Chagrin Falls is in close proximity to Cleveland and has a top ranked school district. However, the village is small and does not have extra land to build homes. It provides a hometown atmosphere to residents and visitors.
- *Economic Environment* – An unstable job market in the village and surrounding communities make buying a home less possible. Home foreclosures are common as those that cannot sell their homes are forced to put it up for rent.

Another Six Sigma diagram, called Voice of Customer/Voice of Business, was renamed as Voice of Resident/Voice of City and constructed to identify the needs of the residents and how the city must meet those needs while maintaining its financial stability (*See Exhibit 4*). Facing the current economic downturn, residents are concerned how they will keep up with mortgage payments if they lose their job. They still want to live in Chagrin because it offers a high quality education to their children, provides high quality living, and is close to where they work. From the city's perspective, the factors that are critical to meeting the needs of the residents include: commercial business, tax revenue, tourism, arts funding and village safety. This indicates the city must focus efforts on financial stability, maintaining the quality of life, encouraging residents to be involved and keeping the downtown as a thriving market center.

Chagrin Falls tax rate, 2.34%, is ranked 14th among 88 property tax districts in Cuyahoga County (*See Exhibit 5*). The average is 2.11%. Although, the revenue generated by the taxes contributes to the village, it also may discourage home ownership.

Economic and Social impacts

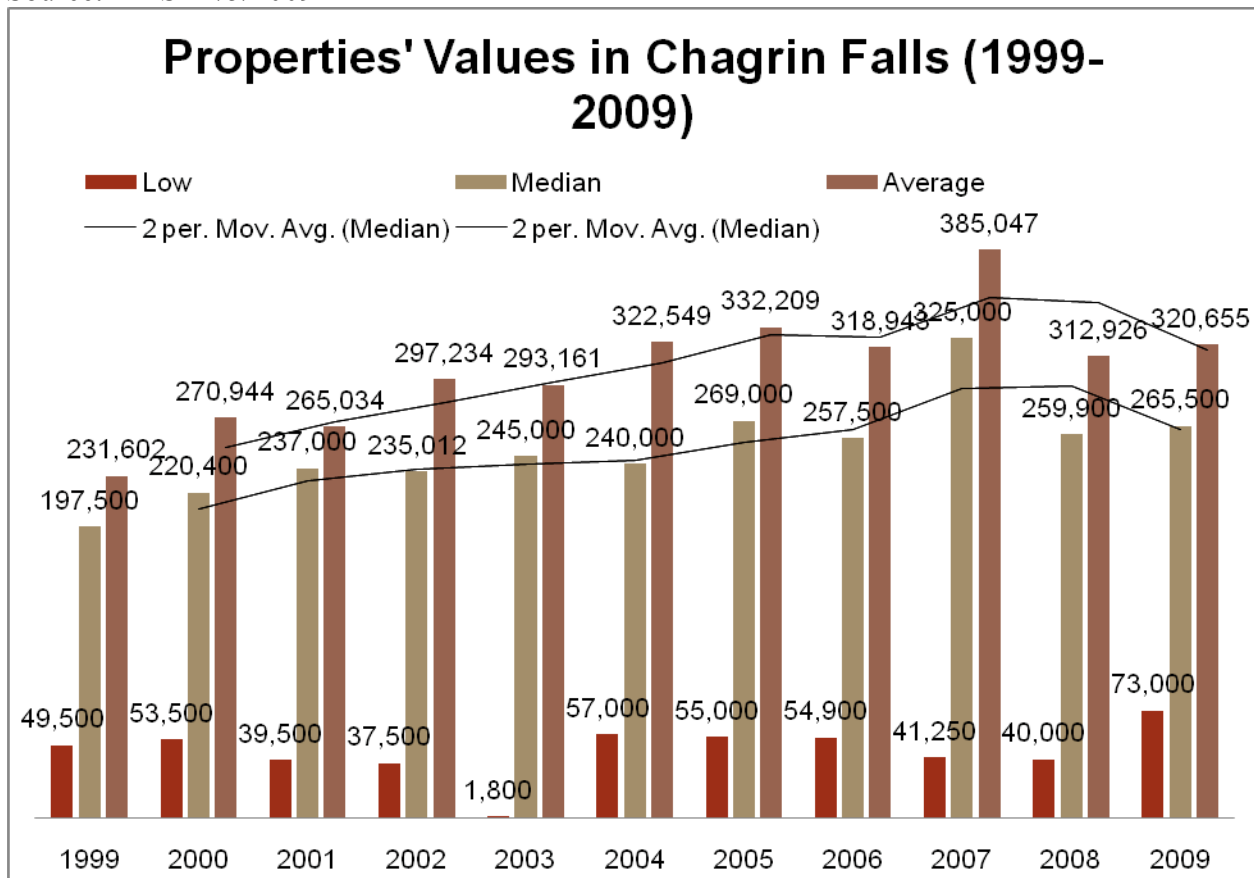
The economic impact of a high percentage of rental units on the property values in Chagrin Falls appears to be insignificant. Touring the city with Joanne Zettl of Sotherbys Real Estate, we were unable to determine which houses were occupied by a renter or by a property owner. Joanne explained that when a potential homeowner is looking at a house, it is not obvious if the house next door or others on the street are owner or renter occupied. Therefore, it was determined that property values are not affected by renters.

To confirm this, we studied the property values in Chagrin Falls from 1999 to 2009. The graph below shows us that the trend is following the general economy and the national housing

market. The most relevant curb is the median. The 1 and 2-year moving averages increase steadily from 1999 to 2007, which is considered as the peak year for the U.S. housing market in general. There is no pattern on the graph. This proves that the relatively high percentage of rental units in Chagrin Falls does not have any impact on property values.

Property values in Chagrin Falls (1999-2009)

Source: MLS 11/5/2009



It was also important to consider if the renters are having a negative economic impact on income tax. Although renters generally have lower income and therefore, contribute less in income taxes, this impact is was deemed relatively insignificant. Income tax in Chagrin is 1.5%

and there is a limited gap in income between the renters and homeowners. It was determined that the high percentage of available rental units did not have an economic impact in this sense.

The social impact also seems to be limited. An interview with Chief of Police, James Brosius, confirmed that his records did not make any distinction if police calls were to an owner or renter occupied unit. There were past instances of issues with a few renters, however, this instance was isolated. The criminal impact of renters on Chagrin Falls' community does not exist.

Stephen Thomas of the Chagrin Valley Arts Initiative indicated that although he did not collect data on Little Theater patrons and if they were homeowners or renters, he estimated that most of the patrons were homeowners. Mr. Thomas shared that the Hamlet Hills residents attended the Little Theater shows. He also agreed that the younger populations were less inclined to participate in community activities.

Conclusion and Recommendations

This action learning project started with a number: 27%. That number was given to our team by Mayor Brick and it represents the percentage of home rentals to owners in the Village of Chagrin Falls, Ohio. Our team was asked to investigate this number and determine what, if any, effect it had on the Village. Throughout this paper, we have outlined the work we did to develop a breakdown of the different locations that these rents reside. We were also able to quantify the amount of rental units in each property, as well as determine what portion of the rental percentage consisted of single family homes, a number that was not previously published. In addition, through personal interviews and focus groups, we were able to segment the renter population into the three groups mentioned earlier. We identified that of the three groups only

one was not actively contributing to the financial and community goals of the village as outlined by the administration. Our recommendations are directly aimed at providing a solution to this issue.

The recommendation is two part, first a rental unit registration, and second a networking event. Chagrin Falls can pass an ordinance requiring all rental property owners to submit an annual registration for each unit. This registration comes with a minimal fee and will provide the city with a snapshot of the number and location of its rental units. Suggested information to request would be name, telephone, address, email, and employer. This basic information would be entered by the city into a simple database file and actively maintained. The city of Akron and Cleveland Heights have both introduced a mandatory rental unit registration. The charge to rental property owners is \$25 per unit, per year. The fees collected are used by the city to manage the database. There are several pros and cons to having a mandatory rental unit registration. Having a database of rental units within the community would give the city a snapshot at any point in time of the renters who have to this date not been tracked in Chagrin Falls. The city will know how many renters exist, where they are living, and how they can be contacted. If the city wants to contact the renters for any reason, they have the ability to do so. In addition, requiring the rental owners to submit this registration will ensure that it happens, as opposed to making the registration optional as will be discussed in a moment. Despite the pros for the mandatory registration, there are several cons as well. There will likely be some resistant property owners who reject the idea of an additional fee per unit and may increase rental rates to cover the fee. In addition renters themselves might object to having to submit their information to the local government, citing privacy concerns.

If the city decides that a mandatory rental unit registration is not the right solution, another suggestion would be to make the registration free and optional. This will encourage rental owners to ask their renters to complete the form. Also it will eliminate the fear that the government is too involved.

Regardless of whether the registration is mandatory optional, if instituted the city will have a powerful tool at their hands. In today's world, data is extremely valuable and currently, the city has no information on their renter-citizens. With this database the city would now be able to reach out to renters and open a line of communication. This leads well into the second part of the recommendation.

Currently the city has one renter segment that is not contributing to the overall goals of the city administration. To eliminate this problem, the city can use the rental registration database outlined above to reach out to their citizens and invite them to local networking events. The idea is to setup an event that brings together the less involved members of the community with the more involved community leaders, organizational leaders, local merchants, and other interested citizens. The event would be organized by the city and a committee of local leaders. Renters will network and interact with others at the event with the hopes of getting them interested in contributing to the community. The event will be held at local establishments, thus contributing to the financial success of the village. The relationships that will be established will help develop the uninvolved members of the Chagrin Falls renter community into contributing members.

Exhibit 1 – Renter Segmentation

Renter Segmentation

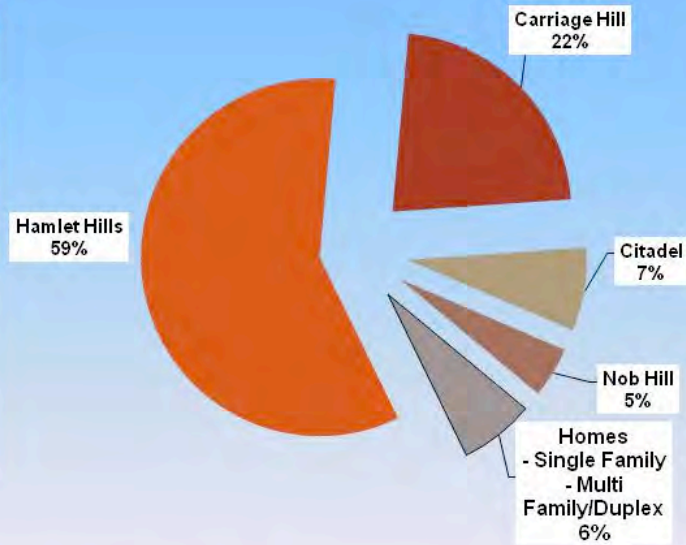
Segment	Profile	Priorities	Community Involvement
Segment 1	Single Age 18-32	Safe Proximity to Cleveland	Low
Segment 2	Middle Aged Married 32-65	School System Arts Proximity to Cleveland Roots	High
Segment 3	Grandparents 65 and over	Near grandchildren Arts	High



Exhibit 2 – Breakdown of Rental units

27 % Breakdown

Location	# of rented units
Hamlet Hills	295
Carriage Hill	113
Citadel (condos)	39
Nob Hill (condos)	23
Homes - Single Family - Multi Family/Duplex	34
Total	503



*Citadel: Owner/Renter Ratio: 60/40. Total Units: 94

Exhibit 3 – Ishikawa (Cause and Effect) Diagram

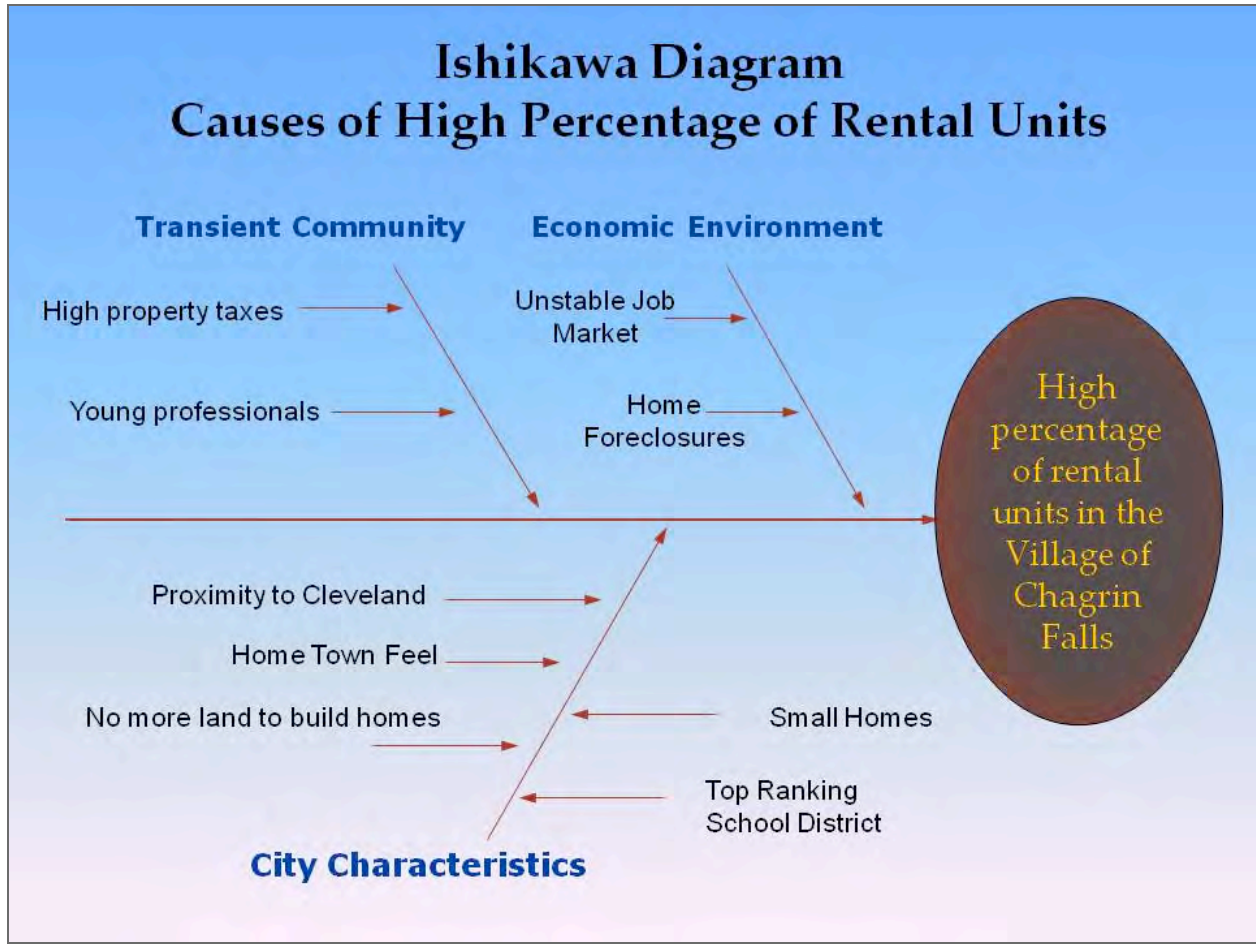


Exhibit 4 – Voice of Residents/Voice of City

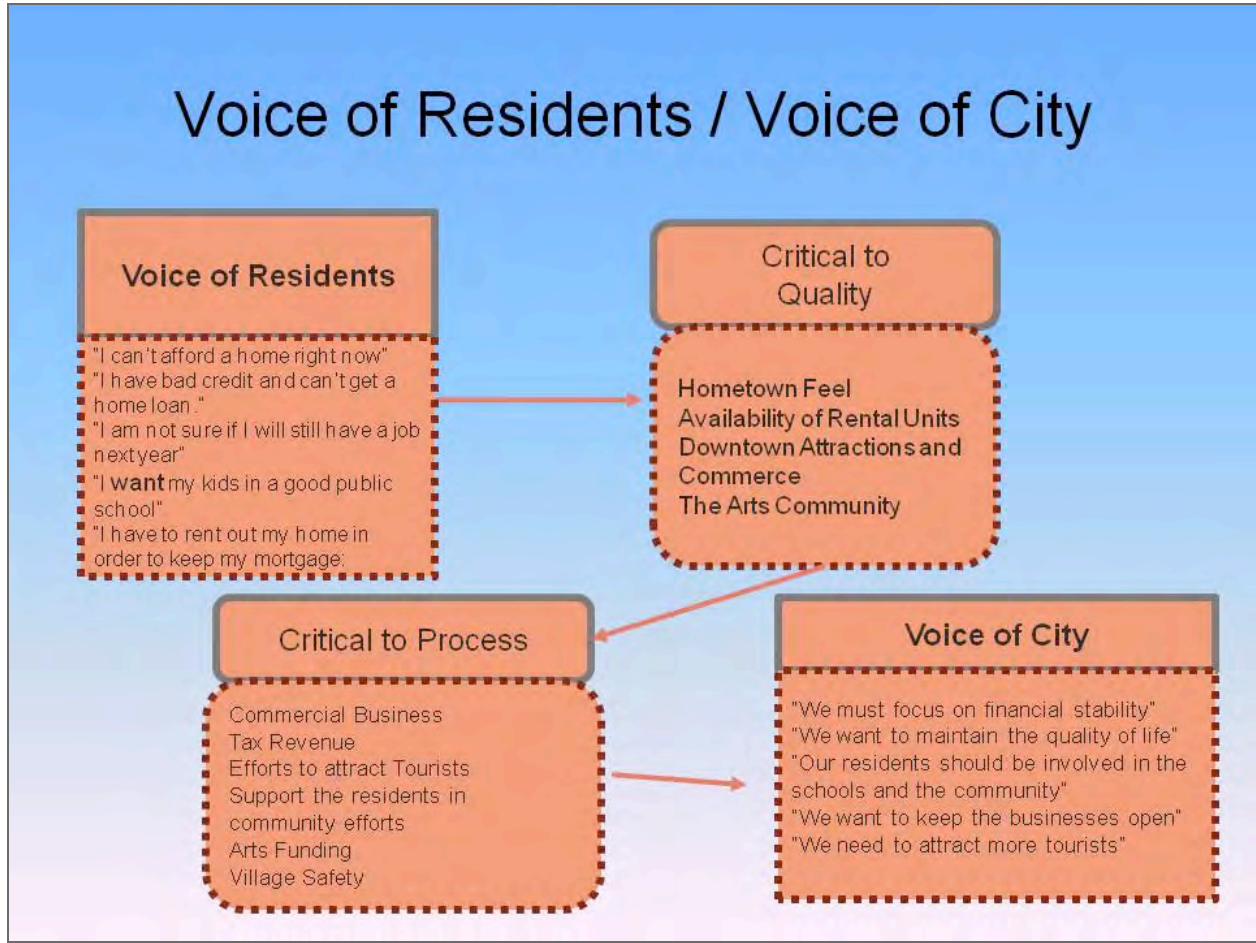


Exhibit 5 – Cuyahoga County Property Tax Rates

Property Taxes

	TAXING DISTRICT	Tax as a % Of Market
1	CLEVELAND/SHAKER	3.20%
2	SHAKER HTS	3.12%
3	SOUTH EUCLID /CLEV HTS	2.93%
4	UNIVERSITY HTS	2.93%
5	CLEVELAND HTS.	2.92%
6	FAIRVIEW PARK	2.60%
7	GARFIELD HTS	2.60%
8	HIGHLAND HILLS	2.60%
9	RICHMOND HTS /S EUCLID-LYND.	2.55%
10	SOUTH EUCLID	2.54%
11	LAKWOOD	2.52%
12	LYNDHURST	2.49%
13	BAY VILLAGE	2.45%
14	CHAGRIN FALLS VILLAGE	2.34%
15	N OLMSTED /OLMSTED FALLS	2.33%
16	ORANGE/WARRENSVILLE	2.33%

EXAMPLE Taxes for a \$100,000 home in:

Cleveland

\$100,000 x 1.98% = \$1980 annual property tax bill

Cuyahoga Co. Avg Tax 2.14%

Total Communities Avg 2.11%

Exhibit 6 – Cleveland Heights Certificate of

Occupancy

HOUSING INSPECTION DEPARTMENT
40 SEVERANCE CIRCLE
CLEVELAND HEIGHTS, OHIO 44118
(216) 291-5900/(216) 291-4881 (FAX)

**CERTIFICATE OF OCCUPANCY
2008**

MONTLACK MANAGEMENT LTD PRTSHP
KENNETH MONTLACK
2835 MAYFIELD RD #103
CLEVELAND HEIGHTS OH 44118

RE: 2593 HAMPSHIRE RD
NO. OF SUITES: 25

FEE: 8,650.00
(Payable Upon Receipt)

DUE BY: December 15, 2007

CERTIFICATE EXPIRES: 12-31-2008

Any renewal application received after January 1 of any year shall incur a late fee of twenty-five dollars (\$25.00) per month for each month or portion thereof that the application and/or fee is delinquent.

THIS CERTIFICATE IS GRANTED SUBJECT TO AND IN CONFORMITY WITH THE APPLICATION MADE FOR THIS CERTIFICATE AND WITH ALL APPLICABLE ORDINANCES OF THE CITY OF CLEVELAND HEIGHTS.

1347.01 CERTIFICATE OF OCCUPANCY REQUIRED. No owner, agent or person in charge of any dwelling structure shall rent or lease such structure for residential occupancy unless the owner holds a Certificate of Occupancy. Individuals failing to apply for a Certificate of Occupancy may be subject to legal action.

Please review the information below and make any necessary changes and return this copy of the application along with the attached tenant information sheet. Incomplete applications will be returned to you. Please make checks payable to: THE CITY OF CLEVELAND HEIGHTS.

OWNER/ADDRESS/HOME PHONE
MONTLACK MANAGEMENT LTD PRTSHP
KENNETH MONTLACK
2835 MAYFIELD RD #103
CLEVELAND HEIGHTS OH 44118
(216)320-5800

RESIDENT AGENT

NON-RESIDENT AGENT
MONTLACK MANAGEMENT
2835 MAYFIELD RD SUITE 103
CLEVELAND HTS OH 44118
2163205800