



**AGENDA**  
**CUYAHOGA COUNTY COMMUNITY DEVELOPMENT**  
**COMMUNITY REINVESTMENT ADVISORY SUBCOMMITTEE MEETING**  
**WEDNESDAY, MAY 12, 2021**  
**CUYAHOGA COUNTY ADMINISTRATIVE HEADQUARTERS**  
**C. ELLEN CONNALLY COUNCIL CHAMBERS – 4<sup>TH</sup> FLOOR**  
**2:00 PM**

**\*Due to the COVID-19 pandemic, the Cuyahoga County Administration Building is closed to the public at this time. As this meeting is being conducted remotely, in accordance with HB 197, interested persons may access the meeting via livestream by using the following link:**  
**<https://www.youtube.com/CuyahogaCounty>**

**\*\*Public comment for this meeting may be submitted in writing via email to [jdcarter@cuyahogacounty.us](mailto:jdcarter@cuyahogacounty.us) no later than 1:00 p.m. on Wednesday, May 12, 2021**

- 1. CALL TO ORDER**
- 2. ROLL CALL**
- 3. PUBLIC COMMENT**
- 4. APPROVAL OF MINUTES FROM THE APRIL 14, 2021 MEETING**
- 5. MATTERS REFERRED TO COMMITTEE**
  - a) None
- 6. DISCUSSION**
  - a) Review of the Single-Family Residential Appraisal Study by Emily L. Braman
  - b) Review of the Key Bank Presentation

c) Key Bank Community Commitment Reporting Discussion

**7. MISCELLANEOUS BUSINESS**

**8. ADJOURNMENT**



## **MINUTES**

**CUYAHOGA COUNTY COMMUNITY DEVELOPMENT  
COMMUNITY REINVESTMENT ADVISORY SUBCOMMITTEE MEETING  
WEDNESDAY, APRIL 14, 2021  
CUYAHOGA COUNTY ADMINISTRATIVE HEADQUARTERS  
C. ELLEN CONNALLY COUNCIL CHAMBERS – 4<sup>TH</sup> FLOOR  
2:00 PM**

### **1. CALL TO ORDER**

**Vice-Chairwoman Stephens called the meeting to order at 2:04 p.m.**

### **2. ROLL CALL**

**Ms. Stephens asked Assistant Deputy Clerk Johnson to call the roll. Committee members Stephens, Blackwell, Anderson, Zone and Benjamin were in attendance and a quorum was determined. Committee member Seren joined the meeting after the rollcall was taken. Committee members Jones, Welo and McDermott were absent from the meeting. Councilmember Miller was also in attendance.**

**[Clerk's Note: Ms. Sally Martin attended the meeting on behalf of Ms. Welo.]**

### **3. PUBLIC COMMENT**

**There were no public comments given.**

### **4. APPROVAL OF MINUTES FROM THE MARCH 10, 2021 MEETING**

**A motion was made by Ms. Anderson, seconded by Mr. Benjamin, and approved by unanimous vote to approve the minutes from the March 10, 2021 meeting.**

5. MATTERS REFERRED TO COMMITTEE

- a) None

**There were no matters referred to Committee.**

6. DISCUSSION

- a) Mission Development

**Ms. Martin and Ms. Anderson reported that a draft of the mission statement has been completed and distributed to the Committee members.**

- b) Housing Appraisals: Emily L. Braman, President, C.P. Braman & Co.

**Ms. Emily Braman, President and Chief Appraiser with C.P. Braman & Co., Inc.; addressed the Committee and provided an overview on the history of C. P. Braman & Co., Inc.; the different types of appraisers; the requirements, limitations, and restrictions for appraisers; the impact of out-of-town investors on property appraisals and the results of her study that was performed for the City of Cleveland. Discussion ensued.**

**Committee members and Councilmembers asked questions of Ms. Braman pertaining to the item which she answered accordingly.**

7. MISCELLANEOUS BUSINESS

**Ms. Martin reported that a letter from the National Community Reinvestment Coalition has been circulated regarding the KeyBank National Community Benefits Plan of 2016. Discussion ensued.**

8. ADJOURNMENT

**With no further business to discuss and on a motion by Ms. Stephens with a second by Mr. Seren, the meeting was adjourned at 3:13 p.m., without objection.**

Single Family Residential Appraisal Study  
Cleveland, Ohio

For

Mr. Michiel Wackers, AICP  
Assistant Director  
Department of Community Development  
City of Cleveland  
601 Lakeside Avenue, Room 320  
Cleveland, OH 44114

BY

Emily L. Braman, MAI, SRA, AI-GRS  
Charles P. Braman & Co., Inc.  
23300 Chagrin Boulevard, Suite 102  
Beachwood, Ohio 44122  
(216) 831-8180 Fax: (216) 831-8207

DATE OF STUDY

February 20, 2020

**Charles P. Braman & Co., Inc.**  
*Real Estate Appraisals & Consulting*  
23300 Chagrin Blvd., Suite 102  
Beachwood, OH 44122  
(216) 831-8180  
Fax: (216) 831-8207

February 20, 2020


Mr. Michiel Wackers, AICP  
Assistant Director  
Department of Community Development  
City of Cleveland  
601 Lakeside Avenue, Room 320  
Cleveland, OH 44114

In Re:           Single Family Residential Appraisal Study  
                  Cleveland, Ohio

Dear Mr. Wackers:

Pursuant to your request, attached is a study of issues related to single family appraisals in the Glenville, Mount Pleasant, Kinsman, Union Miles Park, Lee Harvard and Fairfax neighborhoods of the City of Cleveland, Ohio. As you requested, we have appraised a property in each neighborhood to determine what issues impact the ability of buyers to obtain mortgage financing for single family homes in these neighborhoods. The attached study details our conclusions and the information developed to arrive at these conclusions. Please contact me if you have any questions or need additional information.

Sincerely,

  
Emily L. Braman, MAI, SRA, AI-GRS  
State Certified General Real Estate Appraiser  
Certification Number 381955



ELB/lbs

## **Scope of Work**

Emily Braman, MAI, SRA, AI-GRS has compiled data upon which the conclusions are based. Alan Weiner provided significant professional assistance in the form of developing and reporting the appraisals in each neighborhood and researching the market data for those appraisals. Both Emily Braman and Alan Weiner viewed the homes that were appraised for this report. Chuck Cather, ASA, SRA of LookingGlass Appraisal Management Company was consulted for the AMC perspective on this issue. Realtors Sherry Callahan, James Ingram, Lionel Lewis, Henry Stoudmire, Bob Zimmer, Vince Senauskas, Jermain R. Burge and David Kukuka were consulted and interviewed as was Layisha Bailey, Community Development Analyst at the Federal Reserve Bank of Cleveland.

The scope of work for this assignment was as follows.

- Detailed summary of how appraisers approach appraisals of residential single-family properties.
- Complete six appraisals, one for each area, single-family three-bedroom properties:
  - Glenville,
  - Fairfax,
  - Kinsman,
  - Mount Pleasant,
  - Lee-Harvard, and
  - Union-Miles
- Provide a detailed assessment regarding the quality of information to perform appraisals in the above neighborhoods.
- Provide a detailed assessment regard the unique challenges or considerations that an appraiser typically experience in urban housing markets that may differ from suburban housing markets.
- Provide written recommendations or feedback to programs under consideration:
  - Clearinghouse of recent arm's length transactions
  - Certification by City of Cleveland of appraisers that understand Cleveland's urban housing market.
  - Continuing Education class for local appraisers.
  - Second appraisal program for Cleveland home-buyers to determine if factual errors or inappropriate comparable property selection caused low valuations.

## ***Background Information***

### **Who provides appraisals and how are appraisers selected?**

Under the provisions of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), the Appraiser Qualifications Board (AQB) establishes the minimum education, experience, and examination requirements for real property appraisers to obtain a state license or certification. There are two types of residential real estate appraisers a Licensed Real Property Appraiser and a Certified Residential Real Property Appraiser.

A Licensed Real Property Appraiser is qualified to appraise non-complex one to four units having a transaction value less than \$1,000,000 and complex one to four residential units having a transaction value less than \$250,000. This classification does not include the appraisal of subdivisions.

A Certified Residential Real Property Appraiser is qualified to appraise one to four residential units without regard to value or complexity. This classification does not include the appraisal of subdivisions. To be a state certified residential appraiser qualified to do appraisals for federally related transactions, a state must have requirements that meet or exceed this minimum standard. New York Attorney General Freddie Mac and Fannie Mae, and the Federal Housing Finance Agency (FHFA) established the Home Valuation Code of Conduct (HVCC) appraisal guidelines in 2009 that led to regulations of appraisers in the Dodd Frank legislation in 2010. This legislation was designed to prevent lenders from influencing appraisers to inflate property values. For federally related transactions appraisers are hired by lenders through Appraisal Management Companies, known as AMCs. These are independent entities that provide a "firewall" between the lender and the appraiser. The intent of this legislation was to keep lenders from being able to hire particular appraisers that they knew would artificially inflate property values. The unintended consequence is that lenders are unable to choose appraisers that they trust to provide a competent valuation service.

Appraisers are selected by the AMC from a list of appraisers in the area. To get on the AMC's list, appraisers must submit sample reports, copies of errors and omissions insurance. Chuck Cather, ASA, SRA of LookingGlass Appraisal Management Company says that AMC's have some leeway in selecting appraisers. The AMC serves as a buffer between the lender and the appraiser, a platform for transferring the appraisal and a quality control function. The AMC anticipates potential issues that may cause the lender to reject the appraisal and attempts to correct these issues before the report gets to the lender. Most AMC's are most sensitive to price rather than quality. Mr. Cather indicates that lenders often have their own guidelines that are in addition to Fannie Mae guidelines and vary by lenders. The AMC's try to anticipate issues that may violate those arbitrary guidelines.



## The Appraiser Shortage

The Organization of Real Estate Professionals in the Working RE newsletter reported that the number of active appraisers and appraisal trainees have declined over the past eight years. Beginning in 2015 a bachelor's degree became required for Certified appraisers. Appraisal trainees also require 2,000 hours of experience and 150 hours of education for licensing. Current residential appraisal fees are approximately \$500 to \$600 paid to the AMC. Of that, the appraiser bids for the job and receives between \$250 to \$350 per appraisal. The appraisals take 6 to 10 hours or more and these low fees don't allow for appraisers to fairly compensate trainees, leading to a shortage of new appraisers entering the profession.

## When are residential appraisals needed and why?

As of October 9, 2019, residential appraisals are required by the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corp and the Federal Reserve System for all loans over \$400,000. The previous threshold of \$250,000, was set in 1994 as part of the FIRREA act. For residential real estate transactions exempted from the appraisal requirement as a result of the revised threshold, regulated institutions must obtain an evaluation of the real property collateral that is consistent with safe and sound banking practices.

Appraisals are also needed for loans of any size that are wholly or partially insured or guaranteed by, or eligible for sale to, a government agency or government-sponsored agency, such as loans sold to or guaranteed by the **Federal Housing Administration, Department of Housing and Urban Development, Department of Veterans Affairs, Fannie Mae, or Freddie Mac**. These loans require an appraisal, developed according to each agency or companies' rules.

## Appraisal Standards

All appraisers are required to conform to the Uniform Standards of Professional Appraisal Practice, known as USPAP, developed by the Appraisal Foundation in 2006 and updated semi-annually. Additionally, residential appraisers are bound by guidelines developed by government sponsored agencies such as Fannie Mae and the FHA. Individual lenders also have individual guidelines and preferences to which appraisers must adhere.

## ***Section One: How Do Appraisers Approach Residential Appraisals?***

The preparation of an appraisal involves an understanding of the lenders requirements, a visit to the residence, viewing the physical characteristics of the property, research and analysis regarding values and trends in appropriate market areas; the research and analysis of information pertinent to the property; analysis and comparison of the subject and comparable sales using the knowledge, experience, and professional judgment of the appraiser. Banks typically require short turnaround times on these appraisals, giving appraisers 24 to 48 hours to contact the homeowner and another 24 hours to provide the appraisal report. This short turnaround time affects the appraiser's ability to do additional research and "dig" for comparable sales that are not readily available through the MLS or to pursue multiple verification sources.

### **Understanding of lenders requirements**

Lender requirements have become very specific, giving appraisers little leeway when developing appraisal reports. To improve the quality and consistency of appraisal data for loans delivered to the government-sponsored enterprises (GSEs), Fannie Mae and Freddie Mac, at the direction of the Federal Housing Finance Agency (FHFA), developed the Uniform Appraisal Dataset (UAD), which defines all fields required for an appraisal submission for specific appraisal forms and standardizes definitions and responses for a key subset of fields.<sup>1</sup> These coded fields are stored in a database and compared between appraisers and appraisals. Among other things, houses are rated for quality and condition on a scale of 1 to 5 and these ratings can not change when an appraiser uses a sale in more than one appraisal. Additionally, if an appraiser gives a house a particular rating and the majority of other appraisers rate it differently, the appraisal could be rejected. Each quality and condition rating is absolute and does not allow the appraiser to compare the subject and the comparable sales relative to one another. These agencies do not share this data with appraisers, although there is proprietary appraisal software that does aggregate and share this data with all subscribers who use that particular software.

Depending on the type of loan or the loans insurer, there are guidelines that the appraiser must follow. Some of these guidelines include the number of sales and listings included, the location of the sales, time frame permit for sales and the degree of support required for adjustment to the sales. Sales have to "bracket" the subject in multiple categories. For example, sale prices must be below and above the concluded value, sales must be both larger and smaller than the subject, must be both older and newer than the subject etc. This leaves the appraiser less leeway to choose the best comparable sales.

Appraisals are reviewed both by the Appraisal Management Company and the lender. The appraisal management company tries to anticipate any potential problems that the lender may identify. Often this results in the AMC "nit picking" the appraisal to avoid problems that may cause the lender to reject the report. In these cases, the appraiser is often asked to do additional, uncompensated work. The appraiser tries to avoid having the AMC or the lender reject the report or require additional work by either over supporting any variance from the guidelines, or by not varying from the guidelines. When the appraiser is unwilling to vary from the guidelines, the lack of recent data in the neighborhood affects the appraised value.

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<sup>1</sup> <https://singlefamily.fanniemae.com/media/16981/display>

## *Section One: How Do Appraisers Approach Residential Appraisals? Continued*

### **Physical inspection of the property**

An appraisal report will have specific details about the subject property including physical characteristics such as size, number of rooms and baths, unique characteristics, condition and construction qualities, land size, home improvements etc. Legal characteristics such as zoning and taxes. Fannie Mae requires that the appraiser conduct a complete visual inspection of the accessible areas of the interior and exterior of the property. The appraiser is responsible for noting in his/her report any adverse conditions (such as, but not limited to, needed repairs; deterioration; or the presence of hazardous wastes, toxic substances, or adverse environmental conditions) that were apparent during the inspection of the property or that he/she became aware of during the research involved in performing the appraisal. The appraiser is expected to consider and describe the overall condition and quality of the property and identify items that require immediate repair as well as items where maintenance may have been deferred and which may not require immediate repair. On the other hand, an appraiser is not responsible for hidden or unapparent conditions.<sup>2</sup> Fannie Mae permits an appraisal to be based on the “as-is” condition of the property as long as any minor conditions, such as deferred maintenance, do not affect the safety, soundness, or structural integrity of the property, and the appraiser’s opinion of value reflects the existence of these conditions. The appraiser must identify these types of physical deficiencies as part of his or her description of the physical condition of the property. These may include cracks or settlement in the foundation, water seepage, active roof leaks, curled or cupped roof shingles, inadequate electrical service or plumbing fixtures, etc. If the appraiser has identified any of these deficiencies, the property must be appraised subject to completion of the specific repairs or alterations. In these instances, the property condition and quality ratings must reflect the condition and quality of the property based on the hypothetical condition that the repairs or alterations have been completed.

FHA financing has a more specific scope of work, the appraiser has to make sure the house meets all FHA Condition Guidelines. This includes but is not limited to many safety items including grounded plugs, GFI outlets, peeling paint, handrails. These items must be reported in the addenda to the appraisal and if the residence does not comply with the requirements, the loan will not be approved.

### **Market analysis of neighborhood**

The appraiser is expected to provide a market analysis of the neighborhood. This includes an evaluation of how the real estate market is performing in the area, a supply and demand analysis, a marketing time analysis and a conclusion of whether values are on the rise, decreasing or stable. The guidelines specify that all of the comparable sales should be in the same neighborhood as the subject property. If ample data is not available and the appraiser has to use data in another neighborhood, a second market analysis must be developed and the reason for leaving the neighborhood must be supported. If the values in these areas differ, adjustments must be supported to reflect those differences in sale price from one neighborhood to another. This again puts the appraiser at risk in the review process.

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<sup>2</sup> Fannie Mae Appraisal and Property Related Frequently Asked Questions <https://singlefamily.fanniemae.com/media/6776/display>

## *Section One: How Do Appraisers Approach Residential Appraisals? Continued*

### **Approaches to Value**

The three potential approaches to value in an appraisal report are the Cost, Income Capitalization and Sales Comparison Approaches. The Cost Approach is defined as, "A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive, deducting depreciation from the total cost, and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised."<sup>3</sup> An appraiser is required to consider all three approaches to value and apply those that are relevant to the valuation of the property. If an approach is not used, the appraiser must explain why it has been excluded.

The **Cost Approach** requires a development of the land value, the replacement cost of the structure, an estimate of depreciation and the value of the site improvements. This approach is often developed in a URAR appraisal however, it is rarely given weight by the appraiser. This approach is not required by Fannie Mae. This approach could be valuable in the case of a fully renovated home but since the lender and review are used to relying on the Sales Comparison Approach, the appraiser risks having the report rejected if he relies on the Cost Approach. In our six appraisals the appraiser developed the cost approach in five appraisals and gave it no weight in any of them. Lenders are not likely to accept a cost approach on a residence that is more than 10 or 15 years old, even in the case of a fully rehabbed home. Chuck Cather of LookingGlass said that banks aren't used to considering the Cost Approach and they would not know what to do with an appraisal that relied on it for an older home.

The use of the **Income Capitalization Approach** in valuing residential real estate is based on the assumption that value is related to the economic rent (income) that the real estate can be expected to earn. "Gross income multipliers (GIMs) are used to compare the income producing characteristics of properties. Potential of effective gross income may be converted into an opinion of value by applying the relevant gross income multiplier. To derive a gross income multiplier from market data, sales of properties that were rented at the time of sale or were anticipated to be rented within a short time must be available. The ratio of the sale price of a property to its known gross income at the time of sale or its projected income over the first year of ownership is the gross income multiplier. Gross income multipliers are typically calculated on an annual basis."<sup>4</sup>

In the case of an owner-occupied single family home, the appraiser is unlikely to develop an Income Approach. However, if the home is rented, the appraiser should develop this approach. In our six appraisals, the appraiser developed the income approach in four appraisals and did not give it any weight in any appraisal. A lender may accept reliance on this approach in the case of a rental property but is not likely to approve reliance on this method for an owner-occupied home.

<sup>3</sup> Appraisal Institute, *The Dictionary of Real Estate Appraisal*, Fifth Edition (Chicago: Appraisal Institute, 2010) page 47.

<sup>4</sup> Appraisal Institute, *The Appraisal of Real Estate*, Thirteenth Edition (Chicago: Appraisal Institute, 2008) page 516

## *Section One: How Do Appraisers Approach Residential Appraisals? Continued*

The **Sales Comparison Approach** is defined as, "The process of deriving a value indication for the subject property by comparing market information for similar properties with the property being appraised, identifying appropriate units of comparison, and making qualitative comparisons with or quantitative adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison.<sup>5</sup> The principle of substitution is the basis of the Sales Comparison Approach as it is based on the proposition that when several similar or commensurate commodities, goods, or services are available, the one with the lowest price will attract the greatest demand and widest distribution.<sup>6</sup>" The principle of substitution "holds that the value of property tends to be set by the price that would be paid to acquire a substitute property of similar utility and desirability within a reasonable amount of time.<sup>7</sup> In the Sales Comparison Approach, similar properties in the subject's neighborhood that have sold recently and are currently for sale are directly compared to the subject to determine the value of the subject property by making supported adjustments. The appraiser must provide appropriate comments that reflect the logic and the reasoning for the adjustments provided. The distance and time of sale can be extended, however then the appraiser must support the reason for the extension and this may be questioned or the report may be rejected.

Fannie Mae allows the appraiser to use sales that are not truly comparable to the subject, to use sales over 12 months old and that are farther away than the guidelines suggest. There are no specific guidelines or limitations to the adjustments an appraiser can make according to Fannie Mae's website. However, the additional work required of the appraiser to support and justify these deviations from the guidelines can be excessive.

Fannie Mae does require that adjustments to the comparables be based on the market reaction to the differences noted between the subject and the comparable. The expectation is that appraisers analyze the market for competitive properties and provide adjustments that reflect the market reaction without any consideration to limits regarding the size of the adjustment. This may be especially important in small towns and rural areas where there may be a relatively low sales volume and a wide variety of property types, and large market-based adjustments may be required.<sup>8</sup> This also may apply in areas of increasing property values or situations like the neighborhoods studied in the City of Cleveland.

An experienced appraiser is aware of all of the guidelines, exceptions to the guidelines, and acceptable methods for supporting any sales or adjustments that differ from the guidelines. Again, the appraiser wants to avoid problems in the review and will either add addendums explaining any variance, over support these adjustments often using a multiple regression analysis or avoid any variance from the guidelines whenever possible.

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<sup>5</sup> Appraisal Institute, *The Dictionary of Real Estate Appraisal*, Fifth Edition (Chicago: Appraisal Institute, 2010) page 175.

<sup>6</sup> Appraisal Institute, *The Dictionary of Real Estate Appraisal*, Fifth Edition (Chicago: Appraisal Institute, 2010) page 190.

<sup>7</sup> Appraisal Institute, *The Appraisal of Real Estate*, Thirteenth Edition (Chicago: Appraisal Institute, 2008) page 297.

<sup>8</sup> Fannie Mae Appraisal and Property Related Frequently Asked Questions <https://singlefamily.fanniemae.com/media/6776/display>

***Section Two: Six appraisals, one for each area, single-family three or four bedroom properties***

These appraisals are provided in the addenda to this report. The homes were selected fairly randomly based upon the availability to show. Houses selected were 3 or 4 bedroom homes that were in average condition. "As Is" "Investor Specials" etc. were avoided. Four of the houses were vacant and two were occupied (Union Miles & Mount Pleasant). The Mount Pleasant house was tenant occupied.

**Fairfax – 2175 E. 86<sup>th</sup> Street, Cleveland**

Listed for \$65,000 at time of inspection, currently \$55,000

Appraised Value \$33,000 - 60%

**Glenville – 9112 Parmelee Avenue, Cleveland**

Listed for \$54,900

Appraised Value \$41,000 - 75%

**Union-Miles Park – 3586 E. 112<sup>th</sup> Street, Cleveland**

Listed for \$37,000 (including furniture).

Appraised Value \$31,000 - 84%.

90% after \$2,500 deduction for furniture

**"Kinsman" – 3777 E. 114<sup>th</sup> Avenue, Cleveland**

Listed for \$39,900

Appraised Value \$35,000 - 88%

**Mount Pleasant – 3867 E. 142<sup>nd</sup> Street, Cleveland**

Listed for \$52,000

Appraised Value \$50,000 - 96%

**Lec-Harvard – 16917 Biltmore, Cleveland**

Listed for \$84,900

Appraised Value \$85,000 - 100%

*Section Three: A detailed assessment of the quality of information to perform appraisals in the above neighborhoods.*

We encountered significant issues with the quality of information in the Fairfax and Kinsman neighborhoods and less significant issues in the Glenville and Union Miles Park neighborhoods. There was no issue with the quality of information in the Lee Harvard and Mt. Pleasant neighborhoods. We will discuss these in increasing order of the significance of the issues.

In **Lee Harvard and Mt. Pleasant** there were no significant issues with the quality of the information. In these areas, sales were reported through the Multiple Listing Service, providing the appraiser with interior photographs, a second verification source and the name of a contact who knew the condition of the interior of the residence. There was ample comparable sales data available and the houses appraised at 96% and 100% of the asking price.

In **Union Miles Park** the appraisal was 16.2% below the list price of the house. This house has only been on the market for 27 days and the sale price includes a significant amount of personal property, including the dining table, buffet, china cabinet, large stereo, two couches, coffee table, end table, 3 air conditioning units, two beds and dressers, sleeper sofa, computer desk, a recliner, engine lift and toolboxes. The appraiser did not value the personal property, but since it is included in the list price it affected the price/value ratio. If \$2,500 is allocated to the personal property, the asking price for the real estate would amount to \$34,500 and the appraisal is about 90% of the asking price. However it is unlikely that a purchaser buying a house at this price point would have additional cash for the personal property and would anticipate financing it with the residence.

The appraiser used three sales and one listing that fell into a relatively tight range before adjustments of \$26,000 for a smaller house to \$32,400 for a larger house. In this appraisal, the appraiser notes that the finished attic and additional half bath could not be bracketed but the appraiser supports adjustments for these items using a regression analysis. After adjustments, the sales range from \$30,500 to \$31,900 and the appraiser concludes a value of \$31,000 excluding personal property.

In Union Miles Park in the past year, there have been 37 sales from \$5,900 to \$135,000 with an average sale price of \$27,615 and a median price of \$22,000. Two of these sales were over \$100,000, two were \$50,000 to \$55,000, six were \$30,000 to \$35,000, 10 were \$20,000 to \$28,000 and 17 were under \$20,000. A summary of these sales are included in the addenda to this report.

**Market Analysis Report**

Market Analysis												
(37)	Beds	Baths	Sqft	Org List Price	List Price	\$/Sqft	Sold Price	SP\$/LP\$	SP\$/OrigLP\$	Year Built	DOM	CDOM
Min	2	1	864	\$5,900	\$5,900	\$3.43	\$5,000	57.14%	45.14%	1880	1	1
Max	5	3	2,176	\$145,900	\$145,900	\$62.04	\$135,000	113.64%	113.64%	1998	582	582
Avg	3	2	1,369	\$33,586	\$31,269	\$20.18	\$27,615	87.94%	79.83%	1936	90	108
Median	3	1	1,317	\$29,900	\$25,000	\$19.51	\$22,000	90.91%	84.00%	1924	66	66
Sum				\$1,242,700	\$1,156,937		\$1,021,750					

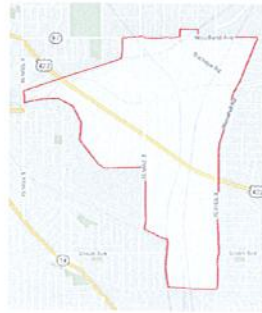
The appraiser could potentially have used a higher sale at 10813 Avon Avenue, which sold on 1/10/20 for \$35,000, but didn't because it is a bungalow without a full second floor. (The subject has a full second floor and a finished attic.) He did not consider this sale because he felt the other sales were more similar to the subject and ample data was available.

### Section Three, Continued

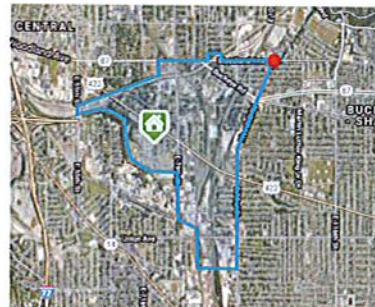
#### Union Miles Park sales:

Residential Single Line														
Listing #	Sub Type	Status	Status Date	List/Sell \$	DOM/COOM	Address	City	Area	BR	BA	Sqft	Acres	Year	Garage
4083281	SING	S	05/31/19	\$5,000	1/1	9701 Easton Ave	Cleveland	1606	3	1 (1 0)	1,457	0.11	1918	0
4063621	SING	S	05/02/19	\$7,900	81/81	9822 Raymond Ave	Cleveland	1606	3	1 (1 0)	1,271	0.11	1905	0
4064155	SING	S	03/12/19	\$10,000	41/41	10511 Reno Ave	Cleveland	1606	5	2 (2 0)	1,632	0.10	1924	2
4031966	SING	S	04/22/19	\$10,000	238/238	9620 Marah Ave	Cleveland	1606	3	1 (1 0)	1,344	0.10	1924	0
4137551	SING	S	12/31/19	\$10,500	86/86	11017 Dove Ave	Cleveland	1606	4	2 (2 0)	1,314	0.12	1928	0
4128650	SING	S	10/24/19	\$10,500	18/18	11024 Harvard Ave	Cleveland	1606	3	1 (1 0)	1,405	0.20	1900	0
4072767	SING	S	04/08/19	\$12,500	17/17	3522 E 104th St	Cleveland	1606	3	1 (1 0)	1,086	0.07	1910	0
4025418	SING	S	05/27/19	\$13,000	254/254	10312 Nelson Ave	Cleveland	1606	2	1 (1 0)	0.11	1924	0	
4087715	SING	S	08/28/19	\$13,500	22/22	3409 E 108th St	Cleveland	1606	4	2 (1 1)	0.13	1995	1	
4109325	SING	S	08/26/19	\$14,000	9/9	10602 Prince Ave	Cleveland	1606	2	1 (1 0)	970	0.16	1952	0
4092639	SING	S	08/13/19	\$14,000	91/91	9503 Sandusky Ave	Cleveland	1606	2	1 (1 0)	900	0.08	1910	0
4143111	SING	S	12/10/19	\$15,000	42/42	10108 Aetna Rd	Cleveland	1601	4	1 (1 0)	1,789	0.12	1921	0
4060115	SING	S	05/03/19	\$15,000	110/110	3646 E 105th St	Cleveland	1606	3	1 (1 0)	0.07	1910	0	
4083356	SING	S	10/01/19	\$16,000	160/160	4240 E 114 St	Cleveland	1606	3	2 (1 1)	0.13	1949	1	
4056691	SING	S	03/25/19	\$18,500	97/97	10526 Park Heights Rd	Cleveland	1604	2	1 (1 0)	1,200	0.17	1953	1
4097455	SING	S	06/14/19	\$19,000	17/17	3454 E 110th St	Cleveland	1605	3	2 (1 1)	0.11	1918	0	
4110801	SING	S	01/10/20	\$19,350	108/108	10609 Avon Ave	Cleveland	1606	2	1 (1 0)	874	0.11	1926	0
4113187	SING	S	08/26/19	\$21,000	23/23	9517 Prince Ave	Cleveland	1606	2	2 (2 0)	1,104	0.12	1924	0
4149065	SING	S	02/04/20	\$22,000	56/56	4159 E 112th St	Cleveland	1606	4	2 (1 1)	0.12	1910	0	
4059629	SING	S	04/10/19	\$23,000	84/84	11210 Matilda Ave	Cleveland	1603	3	1 (1 0)	864	0.08	1929	1
4059222	SING	S	07/22/19	\$24,000	148/361	9623 Fuller Ave	Cleveland	1604	3	2 (1 1)	1,200	0.12	1994	1
4134300	SING	S	11/11/19	\$24,500	50/50	11313 Avon Ave	Cleveland	1606	3	1 (1 0)	1,134	0.13	1954	1
4112840	SING	S	09/06/19	\$26,000	45/45	10506 Nelson Ave	Cleveland	1606	3	1 (1 0)	0.11	1925	0	
4100999	SING	S	07/18/19	\$27,000	11/31	11308 Cotes Ave	Cleveland	1605	3	3 (1 2)	1,536	0.19	1915	2
4148113	SING	S	01/18/20	\$27,000	43/43	9817 Dunlap Ave	Cleveland	1606	3	1 (1 0)	1,152	0.14	1913	0
4150812	SING	S	12/20/19	\$27,500	18/18	9519 Nelson Ave	Cleveland	1605	4	2 (2 0)	1,320	0.11	1954	2
4063862	SING	S	06/27/19	\$28,000	150/398	3454 E 98th St	Cleveland	1606	3	2 (1 1)	0.10	1998	1	
4081347	SING	S	05/16/19	\$30,000	14/14	11314 Proctor Ct	Cleveland	1004	3	2 (1 1)	0.10	1915	1	
3947859	SING	S	11/12/19	\$30,000	582/582	9515 Sandusky Ave	Cleveland	1606	3	1 (1 0)	1,250	0.16	1920	0
4110907	SING	S	09/12/19	\$34,000	15/15	3885 E 112th St	Cleveland	1605	3	2 (1 1)	0.11	1963	2	
4132850	SING	S	01/24/20	\$34,500	120/120	9813 Raymond Ave	Cleveland	1602	4	1 (1 0)	1,692	0.09	1905	2
4144204	SING	S	01/15/20	\$35,000	82/82	10813 Avon Ave	Cleveland	1605	3	1 (1 0)	0.11	1954	2	
4087810	SING	S	09/07/19	\$39,000	129/129	9900 Gaylord Ave	Cleveland	1606	4	2 (1 1)	1,889	0.17	1880	0
4060339	SING	S	03/18/19	\$53,000	66/66	3566 E 108th St	Cleveland	1606	3	1 (1 0)	1,385	0.11	1920	1
4077708	SING	S	06/03/19	\$53,500	14/14	9902 Kingsbury Blvd	Cleveland	1605	3	2 (1 1)	1,544	0.16	1994	2
4047547	SING	S	03/14/19	\$104,000	120/120	9919 Kingsbury Blvd	Cleveland	1606	3	3 (2 1)	2,098	0.45	1994	2
4078840	SING	S	10/08/19	\$135,000	176/342	3348 E 102nd St	Cleveland	1606	4	3 (2 1)	2,176	0.26	1996	2

In **Kinsman** there were very few sales and listings. We ultimately, with the City’s permission used a larger “Kinsman” area and appraised a house that is near the Kinsman area but is technically in Mt. Pleasant. There were no issues appraising this house at 88% of the list price. However, if we were to appraise a house in the Kinsman neighborhood, there would have been significant issues obtaining data.



Kinsman Neighborhood




Active and pending sales in the MLS

There is currently one active single family listing in Kinsman. This is a 5 bedroom house that is in fair condition. It is listed for \$46,499 and is shown on the following page.




## Section Three, Continued



MLS#: [4072862](#) [3029 East 73, Cleveland, OH 44104](#) List Price \$: **\$46,499**  
 Status: **Active** Sale Price \$:  
 Year Built: **1972** Area: **1604-Cle East of Woodland/Kins to E** Sale Date:  
 Above SqFt: **1554/Appraise** Subdiv: DOM/CDOM: **356/356**  
 Below SqFt: **0/Appraiser** Bed: **5** Baths: **2 (2 0) # Fp: 0**  
 Total SqFt: **1554**  
 Lot Size: Acres: Ownership: Annual Taxes: **900**  
 Style: **Colonial** Maint. Fee: **No** Parcel ID: **125-19-067**  
 Heating Fuel: **Gas** HOA: **No** Cooling: **None**  
 Garage: **0/None** Basement: **Yes/Unfinished**  
 Directions: **Off Kinsman Road** School D: **Cleveland Municipal**  
 Comp: **3% None**  
 Office: **2146/Keller Williams Greater Metropolitan** Phone: **(216) 839-5500**  
 Agent: **2017004369/Rudolph Jones** Phone: **(440) 665-4165**  
 rudyjones@kw.com


Pub Rem: **Wow! This house features 5 bedrooms. With a little TLC this house will be great for any buyer. 4 bedrooms upstairs with a bedroom makes this house perfect. The downstairs features all that is needed on a 1st floor.**  
 Brkr Rem: **Send all offers to rudyjones@kw.com. Please allow 48 hours for a response. Motivated seller! Send offers!**  
 Show Inst: **Use Showing Time Link 440-686-0100 Showing Info: Call to schedule as well**

Only two single family homes in Kinsman have sold through the Multiple Listing Service since January 1, 2017. One for \$5,500 and one for \$15,000.



MLS#: [3899669](#) [9227 Sophia Ave, Cleveland, OH 44104](#) List Price \$: **\$6,500**  
 Status: **Sold** Sale Price \$: **\$5,500**  
 Year Built: **1900** Area: **1605-Cle E of Union to E 91st & SW** Sale Date: **2017-02-01**  
 Above SqFt: **1120/Auditors** Subdiv: **Stewart & G W Crowells Sub** DOM/CDOM: **14/14**  
 Below SqFt: **-** Bed: **3** Baths: **1 (1 0) # Fp: 0**  
 Total SqFt: **1120**  
 Lot Size: Acres: **0.089** Ownership: Annual Taxes: **80.18**  
 Style: **Colonial** Maint. Fee: **No** Parcel ID: **126-36-045**  
 Heating Fuel: **Gas** HOA: **No** Cooling: **None**  
 Garage: **1/Detached** Basement: **Yes**  
 Directions: **E. 93rd to Holton to E.92nd to Sophia** School D: **Cleveland Municipal**  
 Comp: **1000 None**  
 Office: **9181/Keller Williams Grt Cleve SE** Phone: **(440) 318-1620**  
 Agent: **2007005554/Carolyn R. Dille-Scroggins** Phone: **(216) 570-5264**  
 carol.dille@kw.com

Pub Rem: **Great Investment Opportunity!!! This is not a bank owned or shortsale property. This 3 bedroom, 1 full bath property needs some TLC and updating. Come see today...**  
 Brkr Rem: **No utilities, please take a flash light. Please escort your buyers. If keys are missing, seller will not consider any offers until they are replaced and all have been able to view the property. Waiting on signed docs.**  
 Show Inst: **Use Link, Showing Service 440-686-0100 Showing Info: Please call CSS or click the link for all showings.**



MLS#: [3883236](#) [3477 E 89th St, Cleveland, OH 44104](#) List Price \$: **\$16,500**  
 Status: **Sold** Sale Price \$: **\$15,000**  
 Year Built: **1890** Area: **1605-Cle E of Union to E 91st & SW** Sale Date: **2017-04-07**  
 Above SqFt: **1264/Realist** Subdiv: **Sherban H Wightman** DOM/CDOM: **29/29**  
 Below SqFt: **704/Realist** Bed: **3** Baths: **1 (1 0) # Fp: 0**  
 Total SqFt: **1968**  
 Lot Size: Acres: **0.046** Ownership: **Principal/NR** Annual Taxes: **470**  
 Style: **Colonial** Maint. Fee: **No** Parcel ID: **127-14-034**  
 Heating Fuel: **Gas** HOA: **No** Cooling: **None**  
 Garage: **0/None** Basement: **Yes/Full**  
 Directions: **Union to East 89** School D: **Cleveland Municipal**  
 Comp: **1500 None \$1,500.00**  
 Office: **2815/Howard Hanna** Phone: **(440) 248-3000**  
 Agent: **432161/Sheritha L. Turner** Phone: **(216) 402-6776**  
 sherithaturner@howardhanna.com

Pub Rem: **Nicely maintained single family home. The two family home next door is also for sale. This would make a great turn key project.**  
 Brkr Rem: **This is not a short sale or foreclosure. The house next door is also for sale 3883222. The monthly rent is \$650**  
 Show Inst: **Showing Service 440-686-0100 Showing Info: 24 hour notice is REQUIRED\*\*\***

The house we appraised in the revised Kinsman neighborhood (actually Mt. Pleasant) appraised for 88% of the asking price (List price \$39,900/Appraised value \$35,000). The property was located at 3777 East 114<sup>th</sup> Street in the western end of Mt. Pleasant near Union Miles Park. The comparable sales were all located to the east across East 131<sup>st</sup> Street. The appraiser was able to use these sales because they are in the same neighborhood (Mt. Pleasant), however would have to do a separate market analysis if the subject had actually been in the Kinsman neighborhood. This would have been problematic because the Mt. Pleasant market analysis indicated a median sale price of \$33,000 in the past 3 months and as shown above the only sales in Kinsman range from \$5,500 to \$15,000. A significant negative adjustment would have had to be made to use these Mt. Pleasant sales. Sales in Union Miles Park could have also been considered for a property actually in the Kinsman neighborhood but would have had similar issues to Mt. Pleasant because the median sale price in Union Miles Park is \$29,250.

Even using sales in Mt. Pleasant, with no negative neighborhood adjustment for the homes east of E. 131<sup>st</sup> Street, the house appraised at 88% of the list price. The comparable sales ranged from \$33,000 to \$39,000 and required minimal net adjustments, of 4% to 9.1%. One of the sales had only positive adjustments totaling \$3,000 and the other two had net negative adjustments of \$1,500 and \$3,500. All of the sales were very similar to the subject in terms of condition.

### *Section Three, Continued*

In **Fairfax** we had significant quality of information issues. Rehabbed properties did not transfer through the Multiple Listing Service. There were many low sales in the \$17,500 to \$25,000 range, however these homes were not inhabitable and therefore not comparable to the subject which is inhabitable. There are a number of sales in the \$50,000 to \$60,000 range, but they were not listed in the MLS, the condition was uncertain, and the appraiser did not have sufficient information to use these sales. Several of these sales had multiple transfers on the same day or within a short period of time.

To appraise the property, the appraiser looked at 50 sales, researching each one to see if there was an expired or previous MLS listing indicating the condition of the property at a recent point in time. He looked to the Hough neighborhood for comparable sales. Ultimately, the appraiser selected three comparable sales. One was built after 1990 and was selected in comparison to this home built in 1915. One was in significantly inferior condition and substantial adjustments had to be made to all three sales. One was in the Hough neighborhood. These variances from the guidelines create several problems for the appraiser. The appraiser risks having the report rejected because the sales are not similar in age and condition and the appraiser must support the age and condition adjustments, despite a lack of comparable sales data. In this case, the appraiser contacted the Realtor and discovered a lead based paint hazard that had to be remediated, because of this conversation, the Realtor revised the listing to include a disclosure about this situation. An additional adjustment was taken due to the lead paint and the condition of the roof. Ultimately, the appraiser was able to value the home, but not close to the listing price of \$55,000.

In **Glenville**, the house appraised for 75% of the asking price, \$41,000 of \$54,900. The appraiser concluded that the subject is overpriced for the area. Subsequent to the appraisal there have been two offers on the house, one \$1,000 higher than the other and it is currently under contract. The Realtor, Jermaine Burge indicated that the offer is close to 90% of the list price and the buyer is probably an investor. It is a cash offer, not contingent on financing. The Realtor said that he considered a nearby comparable sale, 793 East Boulevard, to price the house and he considered the location of the property specifically nearby amenities such as the lake, the museums, proximity to SR 2 and University Circle and the condition of the property to determine the list price.

Sales in Glenville in the past year range from \$5,900 to \$180,000 with a median of \$22,500. These sales are included in the addenda to this report. Glenville includes an area just north of University Circle to Superior Avenue that has significantly higher values than the properties north of Superior Avenue. The only relevant sale in this area that the appraiser didn't consider is located at 793 East Boulevard, a brick house that sold for \$62,500. This sale was not selected by the appraiser because it overlooks Rockefeller Park and was considered to be in a better location. The subject was listed for \$54,900. There were 23 sales under \$30,000, 6 sales between \$30,000 and \$39,999, 3 sales between \$40,000 and \$49,999, 2 sales between \$50,000 and \$65,000 and four sales over \$99,000. The appraiser selected the sales at \$37,900, \$42,000 and \$42,000. The three possible higher sales, ranging from \$45,100 to \$62,500 - closer to the asking price, were not selected for the following reasons:

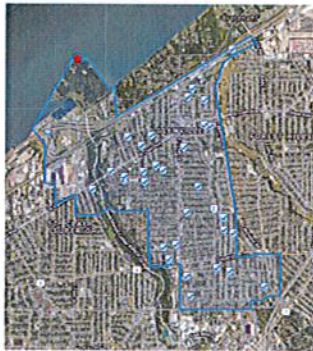
896 Wheelock - 9/10/19 \$45,100 – this house is a different style, it is functionally different because it doesn't have a full second floor and overlooks the Cultural Gardens so it was not used but the appraiser indicated that it could have been, if better sales were not available.

## Section Three, Continued

### Glenville, Continued

10535 Clairdon - 10/8/19 \$56,900 – this house was built in 1991 so is not comparable to the subject.

793 East Blvd. - 11/25/19 \$62,500 – this house is brick & stone construction and overlooks the Cultural Gardens so was considered to be better than the subject by the appraiser and was not considered in the appraisal report. **This sale was used by the Realtor when determining the listing price.**



Market Analysis Report

Market Analysis												
(36)	Beds	Baths	Sqft	Org List Price	List Price	\$/Sqft	Sold Price	SP\$/LP\$	SP\$/OrigLP\$	Year Built	DOM	CDOM
Min	2	1	1,144	\$5,900	\$5,900	\$5.97	\$5,900	41.28%	14.72%	1880	1	1
Max	6	4	2,699	\$200,000	\$180,000	\$109.22	\$180,000	188.66%	188.66%	2011	183	183
Avg	4	2	1,539	\$44,610	\$38,220	\$23.33	\$36,094	94.32%	86.68%	1927	52	52
Median	4	2	1,468	\$29,900	\$23,700	\$16.28	\$22,500	89.30%	83.81%	1915	35	35
Sum				\$1,605,945	\$1,375,905		\$1,299,370					

### Glenville Sales

Listing #	Sub Type	Status	Status Date	List/Sell \$	DOM/CDOM	Address	City	Area	BR	BA	Sqft	Acres	Year	Garage
4064663	SING	S	03/26/19	\$5,900	5/5	10561 Elk Ave	Cleveland	1001	3	1 (1 0)	0.06	1908	0	
4057476	SING	S	02/28/19	\$6,150	38/38	10939 Pasadena Ave	Cleveland	1001	4	1 (1 0)	0.11	1920	0	
4100369	SING	S	06/29/19	\$8,000	16/16	1130 E 112th St.	Cleveland	1001	5	1 (1 0)	1,273	0.09	1910	1
4089520	SING	S	05/17/19	\$8,900	9/9	9006 Pamelee Ave	Cleveland	1001	4	1 (1 0)	1,472	0.08	1915	0
4151757	SING	S	12/31/19	\$9,720	13/13	10321 Olivet Ave	Cleveland	1001	4	2 (2 0)	1,628	0.09	1911	1
4100070	SING	S	01/29/20	\$10,500	183/183	766 E 95th St	Cleveland	1001	3	1 (1 0)	1,262	0.05	1912	0
4135915	SING	S	11/14/19	\$11,000	21/21	10517 Everton Ave	Cleveland	1001	4	2 (2 0)	1,262	0.09	1915	1
4086573	SING	S	07/19/19	\$11,000	84/84	10721 Greenlawn Ave	Cleveland	1001	3	1 (1 0)	1,224	0.06	1920	1
4047396	SING	S	03/06/19	\$12,900	65/65	558 E 108th St	Cleveland	1001	4	2 (2 0)	1,439	0.10	1910	0
4128079	SING	S	11/08/19	\$13,000	22/22	10939 Pasadena Ave	Cleveland	1001	4	1 (1 0)	0.11	1920	0	
4110725	SING	S	09/10/19	\$13,000	75/75	9903 Yale Ave	Cleveland	1001	4	1 (1 0)	1,594	0.12	1910	0
4140899	SING	S	10/25/19	\$14,000	7/7	713 E 92nd St	Cleveland	1001	4	2 (1 1)	1,464	0.08	1914	0
4116252	SING	S	01/27/20	\$14,000	178/178	10118 Olivet Ave	Cleveland	1001	4	2 (2 0)	0.09	1911	0	
4085655	SING	S	05/01/19	\$15,100	8/8	11203 Hazeldell Dr	Cleveland	1001	2	2 (1 1)	1,144	0.11	1918	1
4148071	SING	S	11/25/19	\$18,000	3/3	10214 Yale Ave	Cleveland	1001	4	2 (1 1)	1,997	0.12	1910	2
4057236	SING	S	04/16/19	\$18,000	109/109	1359 E 110th St	Cleveland	1001	3	1 (1 0)	1,930	0.11	1880	0
4110689	SING	S	11/06/19	\$20,000	104/104	1121 E 111th St	Cleveland	1001	4	1 (1 0)	1,397	0.09	1912	1
4086388	SING	S	08/08/19	\$25,000	118/118	1199 E 113th St	Cleveland	1001	3	1 (1 0)	1,350	0.08	1912	2
4078555	SING	S	05/03/19	\$25,000	48/48	10610 Pasadena Ave	Cleveland	1001	4	2 (1 1)	0.15	1920	0	
4077644	SING	S	06/10/19	\$32,000	18/18	9009 Pamelee Ave	Cleveland	1001	4	1 (1 0)	1,754	0.08	1915	1
4129238	SING	S	10/28/19	\$35,000	43/43	1468 E 123rd St	Cleveland	1001	3	1 (1 0)	1,200	0.20	1999	1
4086052	SING	S	05/30/19	\$35,000	15/15	1184 E 112th St	Cleveland	1001	5	2 (2 0)	1,200	0.08	1995	1
4050693	SING	S	04/19/19	\$35,000	155/155	10401 Olivet Ave	Cleveland	1001	6	2 (1 1)	1,838	0.10	1911	1
4116800	SING	S	09/17/19	\$37,000	29/29	1379 E 112th St	Cleveland	1001	3	2 (2 0)	0.13	1993	2	
4068607	SING	S	04/01/19	\$37,900	3/3	9507 Columbia Ave	Cleveland	1001	3	1 (1 0)	1,384	0.08	1915	0
4114883	SING	S	08/19/19	\$42,000	6/6	660 E 108th St	Cleveland	1001	5	2 (2 0)	1,644	0.10	1918	1
4106090	SING	S	07/11/19	\$42,000	12/12	664 E 108th St	Cleveland	1001	5	2 (1 1)	1,657	0.10	1918	2
4095148	SING	S	09/10/19	\$45,100	75/75	896 Wheelock Rd	Cleveland	1001	4	1 (1 0)	1,622	0.11	1920	0
4115042	SING	S	10/08/19	\$56,900	47/47	10535 Clairdoan Ave	Cleveland	1001	4	2 (1 1)	1,352	0.13	1991	2
4115527	SING	S	11/25/19	\$62,500	72/72	793 East Boulevard	Cleveland	1001	4	2 (1 1)	0.14	1915	2	
4112522	SING	S	09/20/19	\$99,900	72/72	1492 E 107th St	Cleveland	1001	6	4 (3 1)	0.14	1910	2	
4105246	SING	S	08/08/19	\$124,900	1/1	715 E 99th St	Cleveland	1001	3	2 (1 1)	1,430	0.16	1997	1
4043902	SING	S	03/30/19	\$130,000	143/143	10602 Orville Ave	Cleveland	1001	5	4 (3 1)	2,699	0.23	1910	0
4071112	SING	S	04/17/19	\$180,000	14/14	10205 Superior Ave	Cleveland	1001	2	3 (2 1)	1,648	0.04	2011	2
4140945	SING	S	12/03/19	\$12,000	36/36	672 E 109th St	Cleveland	1002	5	2 (1 1)	1,750	0.10	1918	1
4142524	SING	S	11/25/19	\$33,000	35/35	9409 Empire Ave	Cleveland	1002	3	2 (1 1)	1,477	0.08	1910	0

**Section Four: A detailed assessment regard the unique challenges or considerations that an appraiser typically experiences in urban housing markets that may differ from suburban housing markets.**

**1. Sales that are not reported through the Multiple Listing Service**

In **Fairfax**, rehabbed properties did not transfer through the Multiple Listing Service. There were many low sales in the \$17,500 to \$25,000 range, however these homes were not inhabitable and therefore not comparable to the subject which is inhabitable. Later sales of homes that were presumably rehabbed were recorded in County records but were not in the MLS, so the appraiser was unable to verify and use the sale. Contact information for the buyer and seller on the deed or conveyance fee statement could assist the appraiser in this data verification stage.

**2. Multiple Transactions of uncertain origin.**

Several of these sales had multiple transfers on the same day or within a short period of time. These properties may be purchased by wholesalers who sell the property to the end user prior to closing, resulting in two transfers on the same day. However, they also may be fraudulent situations and appraisers should not use transfers that they are unable to verify. Phone numbers and email addresses for buyers and sellers could increase the ability of the purchaser to determine the interior quality of the house. These properties may be purchased by wholesalers who sell the property to the end user prior to closing, resulting in two transfers on the same day. However, they also may be fraudulent situations and appraisers should not use transfers that they are unable to verify.

In the case of the transfers below, 3 of the houses were sold by an LLC known as Immobilier Cleveland LLC. We were unable to find a representative of this company, despite using the information on the Conveyance Fee Statement, the Secretary of State's website and the deed. These documents are included in the addenda to this report. Registered signers for these companies are associated with a Florida company called Registered Agents, Inc. that registers LLCs across the country. In these cases, there is no record of improvements, and no building permits were reported on the County Auditor's website.

<u>Address</u>	<u>PPN</u>	<u>Date</u>	<u>Price</u>	<u>Seller</u>	<u>Buyer</u>	<u>History</u>
2221 E. 69th Street Cleveland	118-22-070	5/2/19	\$64,900	Cleveland Cap Rate LLC	Bargin Investments, LLC	Purchased w/ 8 other properties from Green Pointe Management in 2017
2468 E. 83rd Street	126-01-050	9/6/19	\$56,000	Mary Lou Blue	Camilia Jordan	Previous sale 4/30/18 for \$19,750
2318 E. 86th St.	119-30-050	11/12/19	\$61,000	Centureon AQ CL, LLC	Raphael Ohana	
2318 E. 86th St.	119-30-050	11/12/19	\$39,000	Cross Cay LLC	Centureon AQ CL, LLC	Cross Cay purchased 7 properties from D E Property Group LLC for \$60,000 in 2017
1614 Holyrood	107-20-026	9/17/19	\$66,000	Immobilier Cleveland LLC	AS91 Invest LLC	
1614 Holyrood	107-20-026	9/17/19	\$48,000	JGP Investments, LLC	Immobilier Cleveland LLC	
1614 Holyrood	107-20-026	9/6/19	\$28,500	Kenneth R. Ferguson	JGP Investments, LLC	Ferguson purchased it in 2015 for \$10,000
9274 Amesbury Ave	119-09-076	9/12/19	\$57,500	Immobilier Cleveland LLC	Le Crystal USA Inc.	
9274 Amesbury Ave	119-09-076	9/12/19	\$37,000	JGP Investments, LLC	Immobilier Cleveland LLC	
9274 Amesbury Ave	119-09-076	9/6/19	\$22,000	Kenneth R. Ferguson	JGP Investments, LLC	Ferguson purchased this property in 2002
9270 Amesbury Ave	119-09-075	9/12/19	\$53,500	Immobilier Cleveland LLC	Le Crystal USA Inc.	
9270 Amesbury Ave	119-09-075	9/12/19	\$33,000	JGP Investments, LLC	Immobilier Cleveland LLC	
9270 Amesbury Ave	119-09-075	9/6/19	\$22,000	Kenneth R. Ferguson	JGP Investments, LLC	Ferguson purchased this property in 2001

## Section Four, Continued

### 3. Difference in Perception of Amenities

In **Glenville**, the house at 9112 Parmelee appraised for 75% of the list price, but received two offers, reportedly just under 90% of the list price after only 14 days on the market. The Realtor, priced the house based upon perceived amenities related to the location of the house. The Realtor, relied on a comparable sale at 793 East Boulevard to price the house. When the appraiser was asked about this sale, he dismissed it as superior to the subject because it “overlooks the cultural gardens and has a view amenity that the subject does not have.” The house actually fronts on St. Clair Avenue with some greenspace on the other side of a four lane road, while the subject house is on a two lane road. The sale at 896 Wheelock also was dismissed due to its proximity to the cultural gardens. This house has a greenspace view across the street but is located next to a 4 family apartment building, so is actually inferior to the subject.



793 East Boulevard



## Section Four, Continued

### Difference in Perception of Amenities, Continued

893 Wheelock Road



The appraiser dismissed these higher sales for locational reasons that a prospective purchaser may not have considered to be beneficial. A nearby public park may be a benefit in a suburban location, but in this case it either may not have been perceived as a benefit or could have been outweighed or mitigated by negative factors, such as the busy road or adjacent apartment building that the appraiser didn't consider. While this is an excellent example of one potential factor where the appraiser's perception is different from the purchasers, this could be an issue in other categories as well.

#### 4. Implicit Bias:

Several Realtor's believe that there is implicit bias in appraisals in traditionally African-American neighborhoods. Horror stories of appraisers disparaging neighborhoods "why would anyone live there" were relayed but not confirmed. Realtor's believe equity is being diminished by appraisers who lack geographic competence or have implicit bias against a neighborhood. A suggestion was made by Layisha Bailey, Community Development Analyst at the Federal Reserve Bank of Cleveland that appraisals should be developed in traditionally white neighborhoods in Cleveland to see if the same issues are apparent in these neighborhoods to determine if implicit bias is a factor in appraisals in traditionally black areas. As discussed above, the appraiser's perception of the value of particular items, ie location, garage spaces etc. may be different than the purchasers.

Additionally, the question was raised about artificially low listing prices due to Realtor's who are not familiar with the neighborhood depressing values. We did not find listing prices to be low in comparison to sales prices in any of the neighborhoods studied.

## **Section Four, Continued**

### **5. Out of Town Investors:**

National and international investors have been purchasing homes in Cleveland for investment purposes. Often, minimal improvements are made at the homes are held as rental property. We were told that investor classes in Florida and other locations are identifying Cleveland for investments in homes under \$35,000. The house we appraised in the **Lec Harvard** neighborhood was owned by an investor in London. The house in **Mt. Pleasant** was owned by an investor in California. Out of town investors push values up on the low end by increasing demand. These investor's often do not maintain properties, are not responsive to tenants and can lead to the destruction of neighborhoods. They often do not realize the property tax consequences of their purchases and improvements in the properties.

Often rehabs by absent landlords are low quality. In the **Lec Harvard** house we appraised, the Realtor indicated that the London based investor had not made all of the improvements he had recommended (windows and a higher quality finish) and that if those investments had been made he would have sold the house for more and more quickly. The Realtor said the investor paid \$36,000 for the house and made \$13,000 of improvements. The Realtor recommended an additional \$10,000 in improvements. The house was listed and appraised for \$85,000. This phenomenon may have additional significant consequences that should be further investigated.

The investors often pay cash for houses and transactions are difficult to verify. Investments in the homes are minimal and of low quality.

Neighborhood residents do not take advantage of the opportunity to invest due to a lack of education about investing and a lack of access to capital. A robust program to education community residents on how to build wealth by investing in their own neighborhoods with support and access to capital could change the community in a dramatic way.

### **6. The Realtor Appraiser Relationship:**

We found significant animosity between Realtors and Appraisers. Realtors do not have an understanding of the constraints that the lenders place on appraisers and are resentful because of lost deals due to appraisal issues. One Realtor referred to an appraisal as "SWAG- Scientific Wild A\*\* Guess". Realtor's believe that frequently appraisers lack geographic competence in the City of Cleveland.

A Realtor stated that he had an experience where an appraiser just auto populated the appraisal form on a fully rehabbed house and did not look for actual comparable sales, resulting in a house that didn't appraise and a deal that did not go through. He stated that a second buyer at the same price was able to get a loan with an appraisal at the same value that his buyer was unable to obtain. The Realtor was not willing to share those appraisals with us, but the experience soured his opinion of appraisers and he sees them as an adversary in the closing process.

## ***Section Four, Continued***

### **7. Quality of the housing stock/housing code enforcement.**

Many of the homes will not qualify for an FHA loan due to the condition and require significant additional investment in order to qualify. While this is not a valuation issue, the lenders require the appraiser to determine compliance and if a house fails to qualify, it may be considered a failure to appraise. In the house in **Lee Harvard**, we found issues related to the urban housing market that were not related to the value. A deal had fallen through on this house because the buyer did not qualify for financing. The house would not qualify for an FHA loan due to its condition. Among other issues, the house had peeling paint on windows, garage need to be painted, driveway had trip hazards. \$4,000-\$5,000 must be expended for this house to qualify for an FHA loan.

### **8. Unusual Circumstances:**

Example: **Union Miles Park** – Furniture was included in the asking price with no separate allocation of the owner's idea of contributory value. Furniture would not be included in a conventional financing package, perhaps creating a gap in the amount of financing available.





To: Tania Menesse, Director of Community Development

From: Michiel Wackers, Assistant Director  
Department of Community Development

Subject: Next Steps with Appraisal Study

Date: February 25, 2020

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**Executive Summary- Single Family Residential Appraisal Study, 2020**

During a listening tour with local banks, the Department Community Development heard repeated that appraisal challenges posed a significant hurdle for banks to lend on the City’s Eastside. In response, the Department issued a Request for Proposals to conduct six appraisals in six Eastside neighborhoods, document the challenges and make recommendations.

The six homes selected were 3 to 4 bedroom detached single family properties in average condition. The results of the six appraisals was that only one property appraised at the listed sales price:

Neighborhood	Property	Listed Sales Price	Appraised Value	Appraised Value as % of List Price
Fairfax	2175 East 86 <sup>th</sup> Street	\$65,000	\$33,000	60%
Glenville	9112 Parmelee Avenue	\$54,900	\$41,000	75%
Union-Miles	3586 East 112 <sup>th</sup> Street	\$37,000	\$31,000	84%
“Kinsman”	3777 East 114 <sup>th</sup> Street	\$39,900	\$35,000	88%
Mount Pleasant	3867 East 142 <sup>nd</sup> Street	\$52,000	\$50,000	96%
Lee-Harvard	16917 Biltmore	\$84,900	\$85,000	100%

The results of the study found the following challenges:

- **Sales that are not reported through the Multiple Listing Service (MLS)-** There are a many more property transaction listed in the County’s property records than listed on MLS. MLS listings with complete descriptions and photos of the condition of the property have significantly greater likelihood to be considered as a comparable for an appraisal. A neighborhood with a high number of sales that are not on MLS or have incomplete information about the conditions of the property severely shrinks the pool of properties that can facilitate the accurate value of other properties.

The following table examines property transaction in 2019 in the study neighborhoods and highlights the impact on insufficient data on MLS. The number of transactions exceeding \$50,000 that have full MLS listings with photos seems to impact the ability of neighborhoods to appraisals.

Neighborhood	Glenville	Fairfax	Kinsman	Mount Pleasant	Lee-Harvard	Union-Miles
<b>County Recorded Transactions</b>	<b>515</b>	<b>58</b>	<b>88</b>	<b>337</b>	<b>218</b>	<b>459</b>
Sales above \$50k	89	19	10	70	80	69
<b>MLS Listings</b>	<b>122</b>	<b>20</b>	<b>7</b>	<b>203</b>	<b>178</b>	<b>82</b>
Median	\$42,000	\$30,000	\$30,000	\$44,900	\$60,000	\$35,000
Sales above \$50k	50	7	0	82	104	22
<b>MLS Listings with Photos</b>	<b>60</b>	<b>8</b>	<b>0</b>	<b>99</b>	<b>122</b>	<b>47</b>
Median	\$25,000	\$19,000	\$0	\$30,000	\$50,000	\$28,000
Sales above \$50k	13	1	0	20	52	6

- **Multiple transactions of uncertain origin-** In neighborhoods with many investor owners, may show multiple transaction for the same property often with in the same day. These multiple transactions often have very limited information and are considered to be a high risk indicator or fraud by appraisers. As a result, these transaction are considered not suitable for consideration as comparable for other properties.
- **Difference in perception of amenities-** Appraisers dismiss or include amenities that are not verified upon further inspection. The results greater likelihood that similar properties in close geographic proximity are not considered comparable. Appraisers may be using suburban values of certain amenities rather than urban neighborhood valued amenities.
- **Implicit bias-** Several Realtors believe that there is implicit bias in appraisals in traditionally African- American neighborhoods.
- **Out-of-town investors-** These investors often pay cash and transactions are difficult to verify resulting in greater likelihood of being overlook or dismissed as a comparison for other properties.
- **Realtor-Appraiser relationship-** Within these neighborhoods there is significant animosity between Realtors and Appraisers. Realtors do not have an understanding of the constraints that the lenders place on appraisers and are resentful because of last deals due to appraisal issues.
- **Quality of housing stock/housing code enforcement-** Many homes will not qualify for an FHA loan due to condition.

The study recommend exploring the following as a possible response to those challenges:

- **Clearinghouse of recent arm's length transactions-** Better information regarding arm's length transaction would be helpful to appraisers.
  - Appraisers use MLS data because it often provides interior photographs and descriptions. When that information is not available online, conversations with parties that have been in the residence are reliable substitutes, however, often buyer and seller's contact information is not available to the appraiser. Requiring County records to include contact information would be very helpful.

- Establishing a local clearinghouse of data that can UAD (Uniform Appraisal Dataset) formatted appraisal data will ensure a large pool of comparable properties for appraisers to access. This data could then be shared with other services appraisers use such as SmartExchange by Alameda Total and possibly Zillow, Trulia and Redfin.
- **Certification by City of Cleveland of appraisers that understand urban housing markets-** This would improve the situation for several reasons. It would create geographic competency by providing the opportunity to educate appraisers regarding amenities of each Cleveland neighborhood, familiarize them with market conditions and trends, the features valued by area residents, and assist them in researching sales that are not listed through MLS.
- **Continuing Education class for local appraisers-** Continuing education for local appraisers could improve geographic competency regarding Cleveland neighborhoods and development trends. Market participants could be interviewed, and information shared regarding items that are valued by residents and investors in these neighborhoods. Additionally, this can serve as a networking opportunity to allow appraisers to share data and to educate appraisers on less conventional methods of data verification.
- **Appraisal Review Program-** An appraisal review service to determine if the original appraisal had factual errors or inappropriate comparable sales. If the review appraiser determines that the report is not compatible with the City of Cleveland standards, education could be provided to appraisers that have questionable appraisals to avoid future problems.
- **Gap Financing-** A loan program administered by the City similar to the Greater Circle Living program to cover any gap created by an appraisal determined to be artificially low by the City's Review Appraiser.
- **Realtor Continuing Education-** Realtors could be educated on how to assist appraisers and to increase their understanding of the challenges and restrictions facing appraisers. This continuing education could be used to build trust between the Realtors and Appraisers. Realtors could be taught to share data that may be helpful to the appraisers regarding interior condition of comparable sales, off market transactions that they may be aware of, improvement costs and other data that could be helpful.

## RECOMMENDATIONS

Therefore, this memo seek approval to:

- 1) Share the executive summary and report with members of the Department and the Directors of the Development Cluster.
- 2) Share the executive summary and report with stakeholders in the community to determine ways that the City could collaborate on this issue.
- 3) Draft an RFP for:
  - a. A consultant to conduct an outreach project to understand important amenities to owner-occupied properties in Eastside neighborhoods
  - b. A consultant to develop a clearinghouse of properties transaction and gather missing information that would be useful for ensure that as many properties could qualify as a comparable property for other real estate transaction.

- 4) Develop a continuing education presentation for local Realtors on how to work with appraisers especially in Eastside neighborhoods
- 5) Develop a continuing education presentation for appraisers on the unique value of amenities in Eastside neighborhoods and how to effectively utilize a City supported clearinghouse of local property transactions.

\_\_\_\_\_ Approved    \_\_\_\_\_ Denied    \_\_\_\_\_ More Information Required

\_\_\_\_\_  
Tania Menesse, Director of Community Development

\_\_\_\_\_  
Date

**KeyBank**



# **Cuyahoga County Update**

December 2020

*KeyBank: Confidential*

# Agenda

- Organizational Updates
- Progress on Commitments
  - Completed Items
  - Work in Progress
  - Next Steps
- Ongoing engagement



# KeyBank & Cuyahoga County | Commitments Completed

KeyBank has delivered on 7 of 13 commitments

## Commitment

## How Key has Delivered

#5

**Mortgage Originator Compensation:** KeyBank will encourage loan officers to make more LMI loans by increasing minimum per unit payments and providing additional incentive compensation.

- In January 2020, KeyBank launched a new compensation plan to include an incentive for CRA –eligible loans for all mortgage originators; additionally, compensation for Community Development Loan Officers was also adjusted to weigh production-based incentives more heavily as a percentage of total compensation in order to drive greater CRA-eligible production

#10

**Low-cost Check Cashing:** KeyBank will provide an affordable alternative to payday check cashing operations.

- KeyBank Plus is available at 10 locations throughout the city of Cleveland. In addition, KeyBank offers free check cashing to clients enrolled in the Hassle Free, a BankOn certified product.

#2

**Expand Affordable Mortgage Products:** KeyBank will seek approvals from CHN Housing Partners and Fannie Mae to extend its Home Ready Mortgage Program throughout Cuyahoga County. KeyBank's Home Ready Mortgage Program allows up to 125% combined loan to value and currently serves borrowers in the City of Cleveland.

- Because of COVID-19, Fannie Mae is retiring the program at the end of 2020 and will not consider expansion. However, Key will continue to offer Home Ready and Key Community mortgage products at 105% LTV

#4

**Data Sharing:** KeyBank will provide the County with Loan Application Register raw performance data prior to the data being published.

- Key will provide the County with Loan Application Register raw performance data prior to FFIEC publication upon written request.



# KeyBank & Cuyahoga County | Commitments Completed

KeyBank has delivered on 7 of 13 commitments

## Commitment

#8

**Help Program:** KeyBank will continue to participate in the HELP program and will consider adjusting lending standards and incentive rates for unsecured loans to the same as for secured loans.

#11

**SBA Loans:** KeyBank will commit to increasing the \$22 million of Small Business Administration (SBA) loans to LMI small businesses it made in 2019 by 20% in 2020.

#6

**Reduce Loan Transaction Fees:** KeyBank will reduce loan transaction fees on original loans of less than \$150,000 and on all refinancing.

## How Key has Delivered

- The HELP program lending standards and incentive of 3% discount below the tiered rate to the borrower is applicable to both secure and unsecured loans.
- **Trade Secret:** Plans in 2020 were to expand lending through the SBA express program. Given COVID-19, KeyBank shifted focus to PPP lending, significantly growing SBA lending in the Cleveland market. As of 5/25/20, KeyBank has funded more than 1,000 PPP loans totaling ~\$316MM in the Cleveland market.
- November 2020, loan sizes below \$150K receive favorable interest rates, a credit of \$1000 for Home Ready product and improved interest rates for FHA mortgage products





# KeyBank & Cuyahoga County | Commitments In Process

We continue to make progress on the remaining commitments

Commitment	Progress to Date	Next Steps
<p><b>#9</b> <b>Challenge Loan Program:</b> KeyBank will participate in the Challenge Program and extend it throughout the County.</p>	<ul style="list-style-type: none"> <li>• Conversation with HRRRC, CHN on 11/11</li> <li>• Clarity on guarantee portion</li> <li>• Approved by KeyBank for all of Ohio</li> </ul>	<ul style="list-style-type: none"> <li>• Need to establish source of loan loss reserves for expansion</li> <li>• Prioritize Zip Codes</li> <li>• KeyBank reviewing guarantee guidelines internally with Underwriting</li> </ul>
<p><b>#7</b> <b>CDFI Creation:</b> KeyBank will work with CHN Housing Partners in an effort to fund a new Community Development Financial Institution.</p>	<ul style="list-style-type: none"> <li>• Hosted an initial conversation on May 5, 2020 with CHN regarding CDFI</li> </ul>	<ul style="list-style-type: none"> <li>• CHN to prepare specific proposal</li> </ul>
<p><b>#1</b> <b>Loan Loss Guarantee:</b> KeyBank will work with the County to solve the issue that arises when real property does not qualify for a Key Community Mortgage loan of \$50,000 or less because it does not appraise for its purchase price. KeyBank will consider the use of a loan loss guarantee fund to fill the gap.</p>	<ul style="list-style-type: none"> <li>• Key Community Mortgage can be used for loans \$50,000 and under.</li> <li>• Key will consider contributing to a loan loss guarantee fund if we find the program is consistent with industry-wide regulatory, credit and underwriting standards</li> </ul>	<ul style="list-style-type: none"> <li>• Determine source of loan loss guarantee fund</li> </ul>
<p><b>#3</b> <b>Appraisal Standards Adjustment:</b> KeyBank will help draft legislation that adjusts appraisal standards to create additional opportunities for low and moderate income (LMI) borrowers.</p>		<ul style="list-style-type: none"> <li>• KeyBank’s level of participation will be limited by the county-level lobbying and or governed by conflict of interest.</li> </ul>



# KeyBank & Cuyahoga County | Commitments In Process

We continue to make progress on the remaining commitments

Commitment	Progress to Date	Next Steps
<p><b>#12</b> <b>Community Reinvestment Fund</b> : KeyBank will provide a Community Reinvestment Fund to provide a second chance for denied SBA applicants</p>	<ul style="list-style-type: none"><li>• Key is currently exploring a small business "second look" program for denied applicants in conjunction with a non-profit partner. This project has been put on hold in light of COVID-19.</li></ul>	<ul style="list-style-type: none"><li>• KeyBank to reengage with CRF and the Business Banking team</li></ul>
<p><b>#13</b> <b>Financial Literacy Series:</b> KeyBank will partner with the County in providing a series of community programs addressing financial literacy and education. At least one such program will be directed toward children aging out of foster care.</p>	<ul style="list-style-type: none"><li>• Amanda Petrak named as KeyBank's Corporate Responsibility Officer for Cleveland</li></ul>	<ul style="list-style-type: none"><li>• Identify appropriate resources to partner with at the County</li></ul>

