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*A PRIVATE SECTOR MODEL FOR  
REBUILDING INNER-CITY COMPETITIVENESS:  
LESSONS FROM MIDTOWN CLEVELAND*

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A Discussion Paper Prepared for  
The Brookings Institution  
Center on Urban and Metropolitan Policy

December 1998

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## **ACKNOWLEDGMENTS**

The Brookings Institution Center on Urban and Metropolitan Policy would like to thank the Ford Foundation for its support of the Center's research and policy work on the future of community empowerment. The Center is examining ways in which public policies and private sector actions can better support efforts to build and preserve strong neighborhoods. This becomes increasingly important as a number of new challenges (e.g., growing concentrated poverty, welfare reform, continued exodus of jobs and families from central cities) are making it harder for community development corporations, faith-based organizations, and other community-based institutions to effectively serve their neighborhoods and the families who reside there. This discussion paper is a case study of how business leaders in Cleveland created a nonprofit development corporation and partnered with the public sector to effectively regenerate an inner-city commercial and industrial district.

## **ABOUT THE AUTHOR**

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The author would like to thank The Brookings Institution Center on Urban and Metropolitan Policy for the opportunity to produce this paper, and would like to separately thank the Ford Foundation, the George Gund Foundation, and the Morton and Barbara Mandel Family Foundation for their generous support. Special recognition is given to the staff of MidTown Cleveland for their generous cooperation in this project.

*The views expressed in this discussion paper are those of the author and are not necessarily those of the trustees, officers, or staff members of the Brookings Institution.*

## **ABSTRACT**

The 15-year experience of Cleveland's MidTown initiative demonstrates how the private sector can make the market work in inner-city neighborhoods. Private sector leadership is essential in building inner-city competitiveness, but a partnership with community organizations and governments at all levels is also necessary. MidTown is a non-profit, business-driven, inner-city initiative that has succeeded in creating an economic climate for reinvestment, business growth, and job creation within an older inner-city commercial and industrial area. MidTown's experience also reveals four elements of a successful competitiveness strategy: (1) develop strong community leadership and an organization; (2) shape a competitive market environment in the inner city; (3) market the location and other assets; and (4) develop a targeted job creation strategy. These four elements have led to \$500 million in investment, 425 new companies, and 5,500 new jobs in a formerly struggling area of Cleveland. MidTown's ability to make an inner-city neighborhood a competitive business center has implications for policy makers and practitioners interested in healthier central cities.

# A PRIVATE SECTOR MODEL FOR REBUILDING INNER-CITY COMPETITIVENESS: LESSONS FROM MIDTOWN CLEVELAND

## Background and Overview

The economic decline of America's inner cities has been recognized as a major national problem for the past three decades. But the work of combating it has been left largely to local community groups and public officials, with less than satisfactory results. For inner-city revitalization to succeed, some now suggest that a radically different approach is needed. This new approach is known as community capitalism, and its advocates say that it must be led by the private sector.

One well articulated discussion of the private sector's potential role is Michael E. Porter's 1995 Harvard Business Review article, "The Competitive Advantage of Inner Cities."<sup>1</sup> Indeed, Porter's model has received the imprimatur of the Ninety-First American Assembly's Final Report, *Community Capitalism: Rediscovering the Markets of America's Urban Neighborhoods*.

The report defines community capitalism as for-profit, business-driven expansion of investment, job creation and economic opportunities in distressed communities. Proponents of community capitalism assert that "the genius behind the success of American capitalism has been its ability to be profitable while creating an American society that is of broad benefit to its citizens."<sup>2</sup> This same genius applied to our inner cities, they argue, can create both "profitable growth and improved societal conditions."<sup>3</sup> If this opportunity to reclaim the "competitive advantages" of America's inner cities is missed, say proponents of this approach, the nation will become increasingly polarized economically, thereby weakening the nation's ability to compete in the global marketplace.<sup>4</sup>

The report sees government and community groups as playing key partnership roles that set the stage for targeted business investment.<sup>5</sup> The experience of MidTown Cleveland demonstrates that, for optimal effect, the private sector, local government and community entity must function as equal partners. This paper will: (1) describe how the private sector, in partnership with government, can make the market work in inner-city commercial and industrial neighborhoods; (2) show the potential role of a nonprofit community based institution in rebuilding central city economies; and (3) provide suggestions for how public policies can better support

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<sup>1</sup> Michael E. Porter. "The Competitive Advantage of the Inner City." *Harvard Business Review* 73 (1995)

<sup>2</sup> American Assembly (Ninety-First). *Community Capitalism: Rediscovering the Markets of American Urban Neighborhoods*. (New York: Columbia University, 1997) p.4.

<sup>3</sup> American Assembly, p. 4.

<sup>4</sup> American Assembly, p. 4.

<sup>5</sup> American Assembly, p. 5

community capitalism and central city competitiveness. In short, this paper aims to use practical lessons from the MidTown Cleveland experience to help identify the implications for a national policy for restoring urban markets.

The 15-year experience of Cleveland's MidTown<sup>6</sup> initiative offers a highly instructive model for shaping a community capitalism initiative that is different in some important ways from conventional economic revitalization models, beginning with the fact that it focuses neither on downtown nor on a predominantly residential neighborhood. **MidTown is a nonprofit, business-driven inner-city neighborhood initiative that has succeeded in creating an economic climate for inner-city reinvestment, business growth and job creation within an older inner-city commercial and industrial area.** Its core strategies and accomplishments relate directly to the many recommendations in the report.

### **What is MidTown?**

Before attempting to address the larger framework of community capitalism, a brief introduction to MidTown, its formation and development, is in order. MidTown is a private sector initiative established in late 1982 to spearhead economic revitalization of a one-square-mile older residential, commercial and industrial area straddling heavily traveled Euclid Avenue just east of downtown Cleveland. (In the mid-1990s the northern boundary was extended to include the Perkins-Paine business and residential neighborhood.) (See Map 1.)

By the early 1980s, the city's MidTown corridor was marked by extensive physical decline and many social problems. Commuters heading downtown on Euclid Avenue or returning home, in the evening, on Carnegie Avenue one block south, rolled up their windows and hurried past MidTown's 55 blocks of dilapidated buildings, gated store fronts and huddled street people. The neighborhood was notorious for being northeast Ohio's center for drugs, prostitution and illegal gambling. Not only was the area plagued by crime, it was a sea of vacant buildings and lots, poorly maintained and under-landscaped properties, ubiquitous debris and neglected infrastructure.

Today, this once written-off neighborhood has been physically and economically transformed. Well over 600 businesses now employ over 17,000 people. Since 1983, \$500 million has been reinvested and crime has been reduced dramatically. Between 185 and 200 inquiries are received each year from businesses interested in locating there.<sup>7</sup>

### **How Did MidTown Accomplish Its Goals?**

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<sup>6</sup> MidTown Corridor Inc. has recently changed its name to MidTown Cleveland to better reflect its position as a business district. Since the district and the organization are for practical purposes synonymous, the shorthand designation MidTown is used throughout this paper.

<sup>7</sup> A Cleveland Plain Dealer Editorial (Friday, April 17, 1998) recognized the MidTown turnaround: "Fifteen years ago, most people wouldn't have given the MidTown Corridor development corporation much chance of success in its effort to revive the crime-plagued and decrepit neighborhood between downtown Cleveland and University Circle... Yet succeed it has... None of this came about by accident. The strength of the national economy is one factor, to be sure, and so is the sustained interest of City Hall... But much of the credit goes to the corporation, whose members and staff have worked unflaggingly to make the corridor more attractive, and the business men and women who refused to give up on MidTown when so many others were lighting out for the suburbs. By addressing concerns about security and environmental contamination, cutting red tape, helping with land assembly and setting high standards for property maintenance, the corporation has helped make the area an attractive place to work."

Four key ingredients (of a community capitalism strategy) are exemplified in the launch, growth, and success of MidTown:

- **Developing strong community leadership and organization.** MidTown’s corporate and small business leadership, nonprofit, and labor stakeholder interests were brought together in a single organization.
- **Shaping a competitive, market environment in the inner-city.** MidTown took key steps to shape an inner-city market environment that included efforts and improvements in public safety, clean-up and visual quality enhancement, urban design, public infrastructure, land use planning, and land banking.
- **Marketing location and other assets.** The private sector used its expertise to advance and market the location advantages of MidTown as *the* place to do business.
- **Creating a targeted job creation strategy.** MidTown’s employers continue to be a critical link between residents and jobs through a Jobs Match Program and, later, Cleveland’s Supplemental Empowerment Zone Program.

In brief, MidTown recognized the competitive advantage of its inner-city location, established partnerships, packaged and marketed land and buildings, and connected jobs to residents. More than 15 years later, MidTown continues to hone and expand these skills as it responds to changing and ever-challenging economic and policy climates at the local, regional and national levels.

This discussion will, it is hoped, provide new insights for policy development.

## I. DEVELOPING STRONG COMMUNITY LEADERSHIP AND ORGANIZATION

*“Above all, today’s challenge to restore economic vitality to America’s distressed communities will require leadership by champions who will aggressively seek opportunities, willingly take appropriate risks, and unequivocally commit resources and ‘go the distance.’”<sup>8</sup>*

The precipitating circumstance behind MidTown's creation in 1981 was the Dual Hub Corridor Project.<sup>9</sup> Developed by the Urban Mass Transit Association (UMTA), the proposal called for a \$600 million light rail

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<sup>8</sup> American Assembly, p.18.

<sup>9</sup> Cleveland State University, College of Urban Affairs, Investment and Development in the Dual Hub Corridor (Cleveland: 1981).

transit system running the length of the central Euclid Corridor that would connect Public Square, in the heart of downtown, and reborn Playhouse Square, a mile to the east, with University Circle, a regional center for cultural, university and medical services. Given Euclid Avenue's strategic location and its own historic strength as an employment center, its economic development was seen as vital to the city's recovery.

The five miles of Euclid Corridor were divided into four zones based upon current and projected developments: Downtown, MidTown, Doan Center, and University Circle. The strategy was for "stakeholders" (public and private) within each zone to work together and explore the zone's redevelopment potential. MidTown, at the center of the proposed project, was the weakest link. Its 55 city blocks, all agreed, had a powerfully negative impact on the thousands of commuters who drove through as well as on those who lived and worked there. Thus, the MidTown project began as part of a group of public and private planning efforts to revitalize the Euclid Corridor: the success of any of the four zones required that "something had to be done about MidTown."

### **The Formation and Mission of MidTown**

MidTown was formed in three stages: creation of a task force, completion of a feasibility study, and incorporation as a nonprofit organization.

#### **1. The Task Force**

An ad hoc group of MidTown stakeholders was brought together in 1982 by the Dual Hub planners to define and develop an appropriate role for businesses and other institutions in a revitalization strategy for their stretch of the Euclid corridor. The group funded the formation of a 15-member task force, which was given six months to determine the feasibility of forming a permanent organization of MidTown stakeholders.

The task force was made up of individuals with deep historic roots in Cleveland and religious traditions of community involvement, representing the leadership of some of Cleveland's highest tier of corporations as well as social service and labor organizations. While these MidTown stakeholders had never worked together as business neighbors, they had significant social and civic experience in such efforts as the United Way, the United Jewish Appeal, Cleveland Play House, Cleveland Orchestra, Cleveland Tomorrow (an organization of corporate leaders) and University Circle Inc. They had dealt with such diverse matters as labor issues, university development, and handicapped and mental retardation advocacy. The Task Force members thus possessed significant, demonstrated abilities to lead, set an aggressive agenda, and garner the resources to work together as a team. Their first joint project was the feasibility study.

#### **2. The Feasibility Study<sup>10</sup>**

The extent of MidTown's problems was well known. The goal of the study was to determine how to: (1) organize so as to solve those problems; (2) build on the area's existing strengths; (3) identify potential allies and

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<sup>10</sup> Mid-Town Task Force, *MidTown Feasibility Study Summary Report, August 18, 1982, pp. 1-8*

leadership; (4) draw from the expertise of those involved; and, last but not least, (5) assess whether there was a significant base of support, including financial, for such an undertaking. The feasibility study defined boundaries, short-range action plans, action committees, organizational structure and an initial operating budget. The process uncovered a thriving business area, latent common neighborhood interests and concerns, and the untapped leadership potential of industrial and business employers willing to work for community change.

A series of interviews with stakeholders — employers and property owners — yielded valuable information and flagged some key challenges. For example:

**Untapped leadership potential.** A sufficient number of long-term property owners and businesses, with significant roots in Cleveland and latent common interests and concerns, existed to rebuild the area's viability. MidTown's greatest challenge was to successfully harness this untapped potential into a force of enlightened self-interest.

**Existing business operations.** The study identified 415 operations (including 36 vice-related) flourishing in the corridor despite MidTown's outward unimpressive appearance and the exodus of many businesses and employees.<sup>11</sup> The area had in all about 13,000 employees, 570 property owners, and about 3,000 residents.

**Key location.** Expansive new developments at either end of the Euclid Corridor were planned or under way at the Cleveland Clinic, Cleveland State University, Playhouse Square, Terminal Tower, and the new Sohio (soon to be BP, or British Petroleum) headquarters. Easy accessibility to the interstate highway system provided MidTown with a prime opportunity to become a regional distribution center. Close proximity to downtown was an advantage to both management and employees. In addition, the area was served by many public transportation routes, making it convenient for public transit-dependent employees.

**Available land and vacant buildings.** In the initially proposed target area (between E. 30<sup>th</sup> and E. 55<sup>th</sup> streets) alone, the study identified 36 vacant buildings and 17 vacant acres -- not as liabilities, but as assets offering valuable marketing advantages such as lower rental rates and free parking.

The study concluded that MidTown's strategy should: (1) support a coordinated Dual Hub Corridor planning effort; (2) avoid mixing residential and business strategies and instead build upon the area's existing industrial, commercial, retail and institutional strengths; (3) include both black and white businesses and constituencies and set priorities based upon mutual self interest; and (4) encourage a manageable approach to reducing crime. As a result, the initial target area was extended from E. 55<sup>th</sup> to East 79th Street.

The chosen boundaries proved to have long-term significant impacts. By extending the eastern boundary from E. 55<sup>th</sup> Street to E. 79<sup>th</sup> Street, MidTown Corridor embraced a policy and process of supporting emerging black political and business interests; embraced the most physically distressed and challenging part of the Euclid

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<sup>11</sup> MidTown businesses included: 90 automobile-related services, 45 industrial suppliers, 8 radio/TV stations, 18 social service headquarters, 20 labor union headquarters, and 26 properties on the National Register of Historic Places. Nearly 70% of these businesses employed fewer than ten people, and only ten of the operations had more than 100 employees.



Corridor with a thriving sub-economy; covered three ward boundaries, which meant that no single council member took responsibility for, or specially championed MidTown; and took on an area with an eclectic history and identity.

### **3. Incorporation as a Non-Profit**

Within six months, the feasibility study (which had by now become a detailed process) had created strong bonds among 46 MidTown corporate, small business, and institutional leaders. The study recommended incorporation based on the following factors: (1) commitment and interest, including financial; (2) the leadership and expertise of those involved; (3) a politically responsive city administration; and (4) the need for an organization that could respond to critical problems and development issues immediately.

The feasibility process had also identified a substantial number of other interested stakeholders, including labor and social service organizations, that were willing to work for community change. The leadership believed they should mobilize all the constructive elements available to them for "cooperative action."

#### **Some Key Strategic Decisions**

MidTown's success in implementing this phase of its strategy owes much, its leaders now believe, to several key realizations, from which certain useful principles can be drawn.

- 1. Secure active involvement of stakeholders.** "We knew early on that if we were to make progress," says Morton L. Mandel, currently deputy chairman of Premier-Farnell Industrial Corporation and founding chairman of MidTown Corridor Inc., "area leaders would have to commit enough time, energy, money to make MidTown succeed. We knew that we would have to take a personal interest in getting things done, rather than just talking about it, or delegating it to City Hall or staff."<sup>12</sup>
- 2. Build confidence and community by addressing shared, practical concerns.** Using a very basic community organizing principle, MidTown began "where people were." MidTown stakeholders wanted to organize to deal with the issues that concerned them directly: security, neighborhood appearance, public image, productive use of land and buildings, and the development of a cohesive business community. Resolving these problems provided the building blocks for everything else that was to be achieved in MidTown.
- 3. Create early victories by setting some achievable short-term goals.** Strategies were divided into short-term and long-term projects. The Task Force set modest short-term goals and organized into six program committees to solve the problems, in the belief that achieving modest goals would lead to an increased self confidence and a capacity to do more. The Task Force then incorporated as a nonprofit and hired a small full-time professional staff.

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<sup>12</sup> Morton L. Mandel, *MidTown Corridor: Its Key Factors For Success*, American Planners Association, Ohio Chapter, Cleveland State University, Cleveland, 8 Oct. 1987. p.2.

4. **Put in place the tools for realizing more ambitious goals.** The Feasibility Study had also stressed the need for devising a long-range development plan, marshaling the necessary financial resources (capital pool), and developing the methods for acquiring and assembling properties. It recommended the creation of a development corporation to seek public approval for changes in zoning, land use, design, and traffic circulation. This long-term action plan turned out to be just that. It would be several years before it became a major focus.

### Core Governing Principles

MidTown began with and still maintains the following governing principles:

<i>MidTown Governing Principles 1983-1997</i>
Retain control and independence by raising all operating funds from membership.
Conduct an annual fund-raising/membership campaign as a way to interpret the organization's work to its constituents.
Engage professional and volunteer leadership with an understanding of nonprofit operations, real estate, business investment and philanthropic decision-making.
Instill a sense of stakeholder ownership of the process, the strategies, and successes. Extensive volunteer leadership and participation became the machine for positive change.
Exclude no one. Draw strength from the diverse stakeholder base. Everyone with a stake in MidTown's future – from large corporations to auto repair shops – was and is asked to become involved on a regular basis.
Support a working public/private partnership with City Hall, thus giving MidTown partners a critical understanding of local government's legal powers, players, strengths and limitations. In return, MidTown staff and volunteers have become useful resources to these City departments.
Understand that MidTown is a critical part of a regional economy. If MidTown is to be competitive it must be part of the civic agenda for economic growth.
Nurture both enlightened self interest and social responsibility among MidTown partners.

### Summary

In short, the MidTown initiative that emerged was very different from the traditional downtown development strategy or a neighborhood strategy. MidTown has accomplished, and continues to accomplish, its objectives by bringing business, labor, social service and residents together to identify needs, evaluate options, develop resources and implement solutions. Leadership and committee membership is composed of local stakeholders. Five professionals staff more than six program committees. The core operating budget of \$220,000 is supported by almost 250 MidTown stakeholders.

MidTown Core Program Committees:		
Membership	Development & Land Banking	Public Relations & Marketing
Jobs-Match	Security and Code Enforcement	Visual Quality & Urban Design

While much of MidTown's progress is due to a working partnership with City Hall, including the mayor, council president, council members, and department heads, most of its critical successes have been achieved through a day-to-day relationship with middle level staff. City officials, police officers, economic development, community development, and planning staff participate in monthly MidTown meetings. In return, MidTown staff and volunteers have become useful resources to these City departments.

MidTown leadership realized from the very beginning that if the economic and social climate in their area were to change, they had to continue to participate. Thus responsibilities were not delegated to staff or to City Hall. The private sector's economic power had to be organized in a new way and for the long haul: no ad hoc or temporary organization would suffice for tackling the challenges ahead.

Mandel sums up MidTown's success simply: "My company and a few of the substantial businesses in the area began to see this as an opportunity, and we responded to the challenge. In retrospect, the key decision we made was that revitalizing our neighborhood was the right thing to do, not only for community reasons, but for business reasons as well. Reinvesting in our own community was a case of enlightened self-interest: one's ability to attract and to retain qualified employees depends, in part, on the immediate 'neighborhood environment' of a business. It also depends on the general well being of the entire community."<sup>13</sup>

Mandel's reflections mirror those of Michael Porter: "The question we should be asking is how inner-city based businesses and nearby employment opportunities for inner-city residents can proliferate and grow. A sustainable economic base can be created in the inner-city, but only as it has been created elsewhere: through private, for-profit initiatives and investment based on economic self-interest and genuine competitive advantage – not through artificial inducement, charity, or government mandates."<sup>14</sup>

The subsequent sections of this paper describe the experiences of MidTown in greater detail and show how they were able to make the market work in a distressed neighborhood, while demonstrating the need to develop new and more supportive policies for such efforts at every level of government. However, MidTown's experience underscores the need for inducements, charity, and mandates, plus private for-profit initiatives and investments.

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<sup>13</sup> Morton L. Mandel, acceptance speech, *Doing Well by Doing Good: Corporate Leadership in Urban Development*, George S. Dively Award For Corporate Leadership in Urban Development. Cleveland, 18 Mar. 1986. p 2.

<sup>14</sup> Porter, p. 56

## II. SHAPING A COMPETITIVE MARKET ENVIRONMENT

*"If companies are to prosper, they must find a compelling competitive reason for locating (and remaining) in the inner city" -- Michael Porter<sup>15</sup>*

*"It takes a long view and a good deal of patience to undertake community improvements. It also takes an understanding of what is required to be successful." -- Mort Mandel<sup>16</sup>*

Proponents of community capitalism argue that inner cities are located in what should be economically valuable areas and that, as a result, they can offer a competitive edge to companies that benefit from proximity to downtown business districts. They suggest that successful models of community capitalism identify and exploit the competitive advantage in such a way that it is truly profitable for businesses.<sup>17</sup>

In the early 1980s many MidTown companies needed to find compelling reasons to remain in the inner city. The competitive pull of safer, cleaner and greener areas took its toll not only on individual businesses, but on the entire neighborhood environment. While proponents of community capitalism rightfully draw attention to the unique attributes of the inner-city location, what is often missing from this vision are the practical realities and the changes in governance systems required to make inner cities truly competitive with their suburban neighbors. Inner-city competitiveness involves much more than strategic location. MidTown businesses therefore rallied around a shared commitment to make their community safe, clean, attractive, marketable and profitable. Thus emerged a decade-long strategy that laid the foundation for MidTown to become a truly competitive metropolitan location for existing and new businesses.

### **Creating the Tools for Achieving Stakeholders' Goals**

MidTown's stakeholders created a home-grown solution to the economic ills prevalent in inner cities. Strategy implementation was simultaneously challenging, tedious and productive, and involved hundreds of MidTown volunteers each month. MidTown had to use simple strategy tools in the early years, which have stood it in good stead through 1998. The first two tools, self-help and owner-sponsored improvements, were essential because nearly six hundred property owners needed to improve their lots and buildings. The third tool, partnership with city hall, provided the legal power to address crime, code-enforcement, zoning, design standards, and the razing of problem properties.

Thus emerged a strategy to shape a competitive environment by reducing crime; creating an attractive environment; promoting a shared long range development plan; and preparing a marketable product through a land bank program.

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<sup>15</sup> Porter, p. 56

<sup>16</sup> Mandel, American Planners Association, p. 13.

<sup>17</sup> Porter, pp. 56-57.

## 1. Increasing Safety by Reducing Crime

From the beginning, the most pressing concern of MidTown's business stakeholders was the disheartening level of crime, which reflected the neglect the area had experienced over the past couple of decades. A real estate broker, when asked about the potential of MidTown area, underscored the importance of the perception of public safety to the area's future. A change in that regard was key, he said, to reversing the outward migration of businesses in the last two decades:

The major [business] of my firm in that period was locating businesses out of the city.... If people feel that they can have a commitment for the public safety of their employees and property -- if you can solve that one problem and solve it on a positive ongoing basis -- then you can get a reversal, a strong reversal.<sup>18</sup>

The Cleveland Police partnered with MidTown by participating as members of its Security Committee and in many day-to-day activities. The police also adopted a multi-year strategy that involved maintaining a consistent level of law-enforcement activity. The components of this multi-year strategy were basic and ongoing. They emphasized the need for individual businesses and property owners to take responsibility for on-site and neighborhood safety through participation, information and technical assistance.

- Ensuring a highly visible MidTown police presence during the 1980s that included: consistent vice and drug patrols and sting operations; a Cleveland Auxiliary Police Base outfitted by one hundred neighborhood volunteers and \$37,000 in donations; and a Cleveland Mini-Police Station/Foot Patrol with two full-time officers. An Empowerment Zone Patrol is soon to begin.
- Conducting Security Audits, which resulted in technical assistance to hundreds of establishments, and on-site Safety Seminars for employers to hear and respond to employee safety concerns: e.g., how to respond to panhandlers, how to handle emergencies, and how to prevent vehicle theft and vandalism.
- Establishing and publishing security guidelines for both small businesses and employees outlining common sense procedures for personal safety.
- Creating security hot lines for non-emergency needs and a care line for reporting aggressive panhandling or someone genuinely in need.
- Ensuring rigorous code enforcement. This coordinated system was instituted with the City's Division of Building and Housing to oversee inspections, permit approval, illegal property uses, problem buildings and lots. As a result, the system resulted in the demolition of obsolete, deteriorated and condemned buildings whose rehabilitation was not economically feasible; the flushing out of squatters; encouraging very low-profile property owners to seek alternative reinvestment renovations or relocation; and the removal of illegal

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<sup>18</sup> A 1986 Survey of the Greater Cleveland Area Development Professionals and Corporate Executives was conducted by the Market Research Department of the East Ohio Gas Company to determine an appropriate marketing strategy for MidTown. The findings supported both optimism and a realistic picture of the obstacles.

uses that had plagued the area for years. Six city departments and often state officials were marshaled to hammer at more than 120 problem properties.

**The Results: Crime is down. These simple measures, instituted by the partnership between the City Police and MidTown's Security Committee, have drastically improved safety in the business area. Since 1983, crime has dropped; vice was eliminated; and by the mid-1990s crime was almost exclusively property related. In 1996, MidTown accounted for less than 2 percent of reported incidents citywide; and even less than that reported in downtown, University Circle and the Flats (Cleveland's waterfront entertainment and recreation center). Crime in MidTown decreased by 12.3 percent between 1993 and 1996, compared to a city-wide decline of 2.3 percent. Vehicle-related incidents account for 33.9 percent of total reported crime in MidTown, a 9.7 percent decline since 1993.**<sup>19</sup>

While overall neighborhood safety continues to improve, a related problem remains a challenge: the continued perception of crime. As a 1997 employee survey reported, the majority found the central location is easy to access, easy to get around in, and convenient for business trips outside of the area, close to downtown activities and resources, lack of congestion, and the free and easy ample parking.<sup>20</sup> Two out of five employee respondents reported, however, that they "don't feel safe" walking or driving the streets of MidTown, primarily due to the presence of panhandlers and other "unsavory characters." Yet personal crimes involving MidTown employees are extremely rare according to 3rd and 5th Districts' records.

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<sup>19</sup> A more extensive report of the survey findings is found in the March 1998, MidTown Corridor Publication, *MidTown Messenger*.

<sup>20</sup> *MidTown Messenger*, p 3.

## **2. Creating a Clean and Attractive Environment**

Another key element for a competitive inner city is its physical appearance: not just individual properties and entire blocks, but the whole neighborhood. MidTown's image in the early '80s reinforced every negative image of industrial and urban decline. The Environment Committee began a parcel-by-parcel, block-by-block, street-by-street campaign to plan and implement projects that would motivate, guide, and assist stakeholders in enhancing the appearance of their properties. The following table details MidTown's multiple strategies to meet this challenge.

<b>Program</b>	<b>Description</b>
<b><i>Owner-Sponsored/Self Help Initiatives</i></b>	
<i>Operation Pride</i>	This first phase organized stakeholders and initiated cooperative agreements to encourage clean-up, landscaping and painting. Property owners signed "Operation Pride Agreements" to sweep walks, wash windows, plant flowers or trees. As involvement grew, block captains were organized to engage their entire blocks. Neighborhood Summer Youth Employment participants were enlisted to help on plantings and vacant lot clean-ups. Today AmeriCorps participants serve in the area.
<i>City-Side Gardens</i>	Working with CLEANLAND, Ohio, an organization dedicated to Cleveland's beautification, MidTown conducted corner beautification projects throughout the area.
<i>Lighting Improvement</i> <i>Billboard Removal</i>	MidTown worked with Cleveland Electric Illuminating Co. to improve street and site lighting and to encourage facade lighting to make the area safer. Property owners and the billboard industry were encouraged to cooperate with the removal of visually chaotic signage.
<i>Technical Assistance</i>	MidTown stakeholders wanted to do more but did not know what to do, how to do it, or what it would cost. (The central city lacks landscaping or nursery industries.) The George Gund Foundation funded an on-site professional landscape architect to provide technical assistance. Interest in this program was so successful that support for the urban design program continued for many years.
<b><i>Façade Improvements and Urban Design</i></b>	
<i>CDBG Commercial Revitalization</i>  <i>Rebate Program</i>	<p>Interest in the building and site improvements led to a façade improvement program. Started in 1985 with a City Community Development Block Grant, the program was the incentive needed and began with a 50 % rebate up to \$2,000 for exterior improvements and then expanded to \$28,000. Each improvement must meet the Design Review Committee criteria and applicable standards.</p> <p>MidTown used this program as a cornerstone of its economic development incentives, as a "carrot and stick" to engage negligent property owners to upgrade their property and make a greater commitment to the neighborhood. For example, barbed wire fencing was replaced with historic wrought iron, along with other site improvements. Result: highly visible improvements and increased private investment (\$1 public/ \$4 private).</p> <p>The Empowerment Zone Program re-adapted the scope, location and application process. In an effort to have greater impact, the project is now limited to larger scale interior and exterior construction financed by a bank loan. Maximum rebates are now 40% or a maximum of \$20,000. There is a backlog of demand, and funds are limited.</p>
<i>Design Review Committee</i>	<p>Composed of architects, photographers, graphic designers, labor and utilities people, this committee wrote and published MidTown's own Design Standards and used them to evaluate and guide renovation and new construction projects. Staff and committee members offer technical help on building placement, materials, parking, screening, and signage. In 1995, MidTown was designated by the City of Cleveland as a Business Revitalization District, mandating local approvals for site and building improvements. The workload requires bimonthly meetings.</p> <p>Contrary to the assumption, that development regulations are barriers to urban development, MidTown has found that business owners and real estate investors support quality standards as a protection for their investment.</p>
<b><i>Road/Streetscape Infrastructure Efforts</i></b>	
<i>Prospect Avenue</i>	For five years, the Prospect Avenue Redevelopment Committee (17 members) worked with the City on a model project to restore the avenue's historic character with trees, lighting, pedestrian areas and public spaces. Funding for this project spurred \$1 million of private investment in renovation and improvements.



<i>Chester Avenue</i>	This artery is the most visible street on Cleveland's east side with a volume of 40,000+ cars daily. State funded reconstruction was completed in 1997, but did not include trees and greenery that would have enhanced the revitalization of MidTown and the neighborhoods around it. MidTown began a multi-year search to fund the Chester Avenue landscaping project and with the help of the City's Parks and Recreation, CLEANLAND Ohio, five foundations and local businesses. \$70,000 financed over 200 trees, landscaping and an initial three year maintenance program.
<i>East 40th Street</i>	Since funding has been announced, an ad-hoc East 40 <sup>th</sup> Street group is working with state and local officials to maintain on-street parking and insure truck and dock access.
<i>East 55th Street Initiative</i>	A multi-year project aimed at industrial retention along this north-south corridor that both unites and separates neighborhoods. The Steering Committee representing business and institutions, oversees retention, design and development programs as well as the road reconstruction funded by State Issue II monies. Road reconstruction is scheduled over the next few years.
<i>Transit Oriented Development</i>	MidTown 2000 Master Plan recommends T.O.D. (transit-oriented development) around major transit stops of the proposed Regional Transit System Euclid Corridor Improvement Project with dedicated bus lanes. Infrastructure and streetscape improvements recommended along the right of way are to begin in 2000.
<b><i>Historic Preservation</i></b>	
<i>Historical Significant Buildings</i>	MidTown works to preserve, restore, and maintain architecturally significant buildings. There are 40 such buildings representing the last vestiges of Cleveland's famous Millionaires' Row (lower Euclid Avenue) and the Upper Prospect Historic District.
<i>Sarah Benedict House (one example)</i>	This Prospect Avenue landmark has been vacant and boarded since 1979, when it was last used as a college bar. In 1997 the owner donated the building as a permanent home for the Cleveland Restoration Society and \$650,000 to restore and refurbish the 1884 mansion. With over \$1 million in donations, the restoration is now complete.

### 3. Shaping MidTown: the Emergence of a Long-Range Plan

As MidTown became more successful in restoring a favorable business environment, long-range development planning and land banking, two core strategies that had been postponed for a few years until the organization's expertise grew, were added to the agenda. Long-range development plans are an essential tool because they help to: (1) identify opportunities and create a long-range vision and a strategic development plan; (2) build consensus among parties, both public and private, about needs and the implementation initiatives required to meet those needs; (3) identify the appropriate roles of the public and private sectors; (4) capitalize on the need of stakeholders to leverage their investments to achieve other development objectives; and (5) serve as a marketing and communication tool when selling a building, the area or a program to businesses, developers, or funders.

The first comprehensive plan for the entire MidTown area, The 1990s MidTown Development Plan and Strategy<sup>21</sup> (prepared with funding from the Cleveland, Gund and Premier foundations), set forth an aggressive and challenging vision, projecting MidTown's possibilities and the estimated net new market potential in the next decade. The plan was rooted in the conviction that MidTown offered enormous potential as a regional business center -- if the partnerships, funding and organizational structure could be put into place for rebuilding the city's central business corridor.

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<sup>21</sup> Basile Baumann Prost & Associates in association with RTKL Associates, Inc., and ZHA, Inc. MidTown Corridor 1990's Development Program and Strategy. (Cleveland, 1990) P.8.

Although the 1990s Plan addressed seven sub-districts, the major subject was the “Expanded Commerce-Business District” (shown on Map 2.) extending along the Euclid Corridor from East 49th St. to East 79th St. and comprising more than 80 acres. This sub-district was envisioned as a major regional commerce center dedicated to small and medium sized businesses and (along the district's eastern edge) residential development. The plan recommended a marketing campaign to target service-oriented and light industrial small firms (10,000-20,000 square-foot users) that serve downtown and University Circle operations. The plan pointed out that MidTown is addressing a region-wide need for inner-city employment and business development opportunities which are much larger than MidTown.

The more recent, MidTown 2000 Master Plan<sup>22</sup>, established plans and strategies to position MidTown as a competitive regional center; develop long-term appreciation for real estate values; and establish a sense of place. This Master Plan built upon the earlier 1990s Commerce Business District vision by expanding the long-range vision for a Commerce/Technology District that leveraged its proximity to University Circle’s educational and medical facilities. It designated over 80 acres of land for new development.

The Master Plan’s emphasis on creating a “user-friendly” environment -- proposing new street configurations, land uses, parking zones, streetscape and design standards, building setbacks, safety and security measures, and physical improvements -- was timely. Indeed it would serve as a design-and-public-infrastructure blueprint for the \$240 million Regional Transit Authority’s Euclid Corridor Improvement Project, which originally sought to create a light rail line, but later settled on dedicated bus lanes linking downtown and University Circle. The project offers an opportunity to amass the estimated \$9 million for the public infrastructure and streetscape improvements. Expected to be completed within the next five years, it will put a new face on Euclid Avenue.

#### **4. Land Banking: Preparing a Competitive Product for Future Growth**

In addition to safety and visual enhancement, quality infrastructure and long-range development planning, land banking is another MidTown core strategy basic to building a competitive market environment. As a long-term economic development strategy, the purpose of a land bank is to assemble large tracts of land for commercial and industrial growth in advance of specific use or a detrimental use. The rationale is to prepare a marketable product -- land that is regionally competitive in cost, environmental conditions, and appearance.

Progress came fairly easily to the area west of East 55<sup>th</sup> Street; the real challenge, primarily because of physical conditions, was the area east of East 55<sup>th</sup> Street. (See Maps 3 and 4 illustrating investment activity.) A key element of the two-decade-long struggle to turn the eastern half of MidTown into a competitive business location has been an aggressive land banking program encompassing the area east of East 49th Street to East 71st Street on the Euclid Corridor, bounded by Chester and Carnegie Avenues. (See Map 2.)

#### **The City of Cleveland's MidTown Industrial Park (1983-1987)**

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<sup>22</sup> City Architecture, “MidTown 2000...Understanding, Rediscovering, and Envisioning Our Community,” (Cleveland, January 1, 1997).

The need to assemble larger tracts of MidTown land evolved gradually. As early as the 1970s, the belief emerged that Euclid Avenue's industrial core might compete with suburban locations if enough developable land were available. Development of an industrial park near East 55th Street was a particular priority. In 1984 the City prepared and adopted a plan that designated the proposed site of the industrial park and a larger adjacent area as slum and blighted, thus enabling the City to use its eminent domain powers for land acquisition and demolition. (Map 2 identifies the initial areas of land clearance.)

Major funding for the 20-acre clearance project came from two federal programs: a \$3 million Economic Development Administration (EDA) grant and a \$1.7 million grant from the Department of Housing and Urban Development. An additional \$400,000 was provided by the City from its Demolition Bureau budget, bringing the total initial funding to \$5.1 million. As part of the overall project, the City also provided new street surfaces, water and sewer lines, sidewalks and curbs and lighting for the existing businesses north of the site.

### **MidTown's Land Bank Program (1986-1996)**

Eventually, it became clear that MidTown Corridor would have to step into the "urban renewal" role and initiate some creative financing mechanisms in order to implement the next phase of the industrial park project. MidTown leadership supported this new agenda for two reasons: (1) there was a backlog of demand for land and buildings; and (2) no one else was going to address the complexities of abandoned and economically obsolete industrial buildings, underutilized land, and property hampered with questionable ownership and significant utility and tax liens. The leadership believed that they needed to step in to change the area's image and provide marketable land.

Thus, MidTown broadened its agenda to include land assemblage, large-scale planning and development. By 1986, the leadership had begun to gather the resources and partnerships necessary to continue the land banking process. Over the next decade, MidTown's role in land assemblage evolved in three stages: the Land Bank Program; the MidTown Commerce Park Development; and the 1997 Land Development Initiative. Initially, the partnership included foundations, MidTown and the City. With Brownfields legislation and the City's Empowerment Zone designation, the partnership expanded to include Cuyahoga County, the State of Ohio and the Federal government, and the roles of both the City and MidTown changed as multiple entities became involved in the process. (See Appendix A listing partners and funding sources.)

#### **1. Stage One**

In January 1986, MidTown initiated a Land Bank Planning Project funded by the Cleveland Foundation to determine how to expand and fund land acquisition and clearance beyond the industrial park area and into adjacent blocks within the slum and blight area that the city had cleared earlier (See Map 2). As a first step, the different partners began negotiating over their objectives and responsibilities. (See Appendix B. Points of Agreement)

In October 1987, the partners spelled out the immediate obligations of the partnership in the Master

Agreement.<sup>23</sup> MidTown would own and develop the largest vacant site within MidTown; the City would apply cash immediately to acquire additional “problem properties; and roles would be established for an ongoing public/private partnership to clear and redevelop land over the long term.

Most important, the Master Agreement also committed the City to assist MidTown in land banking efforts within designated action areas by bringing its legal powers of eminent domain, a critical tool to any land assemblage effort.<sup>24</sup> Within a few years the strength of this agreement would dissolve as holders of key positions in the City/MidTown alliance changed.

By late 1987, MidTown successfully launched its land bank program. The Cleveland Foundation had contributed \$950,000; 23 MidTown companies, including utilities, committed \$250,000. The contract with the City had been signed and MidTown now owned the land on which the industrial park would be built. The industrial park was renamed the MidTown Corridor Commerce Park, and a site development plan and protective covenants were established. In addition, a developer agreement was signed; five companies had shown interest; and MidTown began acquiring additional parcels. At the time, MidTown leadership believed that they had created a private sector model for urban renewal, but they also knew that a missing ingredient was an infusion of a large amount of federal and state dollars.

Once launched, the Land Bank Program found itself responsible for: (1) managing the marketing and development of Commerce Park<sup>25</sup>; (2) completing complex land acquisition deals; (3) covering the holding costs of vacant inner-city land; (4) raising additional revenues; and (5) solidifying the partnerships required for the long-term success of projects. MidTown controlled about twenty-eight acres of Euclid Avenue parcels by the end of 1990, all of which required the competency of a professional staff and navigation of lengthy, complex legal transactions. Target parcels included those that prevented further conflicting uses, or were available or strategic for a larger development. Each parcel's acquisition required identifying opportunities, negotiating the purchase, and arranging legal documents (deed, title, survey), soil analysis, contracts for demolition, relocation, site preparation, maintenance, taxes, record keeping, etc. (Appendix C shows status of acquired properties.)

## **2. Stage Two**

By 1990, the initial optimism about the project had been tempered by the realities of overseeing extensive real estate development responsibilities. MidTown had learned several crucial lessons. First, of all, it needed to preserve its flexibility. To develop and market the Commerce Park, MidTown had chosen a joint venture group

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<sup>23</sup> Council of the City of Cleveland, Ordinance No. 1253-87 Amended passed June 15, 1987. This Ordinance is based on Ordinance 3057-83 and amended to reflect the City of Cleveland and MidTown Corridor, Master Agreement.(October 15, 1987)

<sup>24</sup> According to the terms of the Master Agreement, MidTown agreed to “construct or cause the construction” of a minimum of an average of 11,000 square feet or building per acre; 20% of minimum square footage by 1993; 60% by 1995; and 100% by 1997.

<sup>25</sup> The City attracted the industrial park’s first tenant, Hill Floral Products Co., a company that relocated due to the planned downtown stadium. Two acres were sold for \$1.00 per square foot, or \$45,000 per acre.

comprising two developers with extensive suburban experience in build-to-suit office and industrial space, in the belief that the private sector could get quicker results; but the additional layer of contractual obligations became an obstacle to the flexible response many prospects sought. As agreement deadlines expired, the agreement was canceled.

Secondly, the difficulties in clearing additional land deterred private sector interest. Due to its strategic location for regional distribution, the Commerce Park was seen as a potential site by two large Cleveland-based firms, one of which represented a \$220 million development including building and equipment, a 450,000 square-foot building, and 450 jobs. But, despite the best efforts of MidTown and the City, the potential project finally unraveled over the obstacles that remained to clearing additional land -- compared with 50 acres readily available at a suburban location. These obstacles included: "unknown" factors involving environmental liability and clean-up because of the long history of pollutants in the area; the need to vacate public streets; rail configuration and access; the question of convenient and safe solutions for employee parking; and property taxes double that of the suburban site.

Third, MidTown learned that a parcel-by-parcel strategy of development and sale was not working. Any successes were not significant enough in scale to displace the blighted image or change the physical environment needed to create an attractive urban location. Land remained unsold primarily because it was perceived as an isolated site in a depressed area.

More broadly, MidTown realized that a successful land bank program takes an enormous amount of capital, time, and labor. MidTown discovered that properties that were not being purchased on the open market, but as strategic acquisitions, often involved negotiations with recalcitrant property owners, and complicated title, liens and legal processes that take years. By late 1990, the \$240,000 Land Bank Operating Fund had a balance of \$60,000. Outstanding taxes were about \$40,000. Over \$100,000 was needed annually to provide for professional staff, appraisals, title searches, legal work, options, insurance, environmental studies, maintenance and taxes.<sup>26</sup> The Land Banking Capital Fund was almost depleted, and, until the Commerce Park land was sold, there would be no available funds to acquire additional land. Making matters worse, MidTown operated initially on the assumption that, as a nonprofit land owner, it was tax-exempt. After three years of appealing its taxable status with the support of Cleveland's premier law firm, MidTown was forced to pay taxes, because the State legislature had determined that the holding of land by a Community Development Corporation (CDC) was not a public purpose.

Changes in Cleveland's government and civic agenda also presented challenges to MidTown's success. Key players in the original City/MidTown alliance had moved on: there was a new mayor, a new president of City Council, a new Director of Economic Development, a new Director of MidTown, new MidTown leadership, and a new local councilman who was philosophically opposed to eminent domain. The new City administration had decided, as a "general" land banking policy, that it would use eminent domain powers only if there was a formalized development in place, a fundamental change from earlier years. Furthermore, City's and County's attention and resources were already stretched by new downtown development plans. A key project that had

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<sup>26</sup> Margaret L. Murphy's November 14, 1990 memorandum to the Board of Trustees.

contributed to MidTown's creation and early success, the Dual Hub Corridor Project, was no longer part of Cleveland's civic agenda. New civic efforts were focused primarily on downtown development projects -- a new sports complex, an entertainment district, and the waterfront. MidTown's position in Cleveland's redevelopment effort had been relegated to part of the City's neighborhood development agenda.

In the midst of this changed environment, the 60-acre, \$25 million expansion of Euclid Avenue's Commerce/Business Park recommended by the 1990s MidTown Development Plan and Strategy brought MidTown to a crossroads. It was clear that significant additional tools and resources would be needed to realize this complex project. The massive land clearance involved could not be undertaken without an expanded public partnership, capital improvements, financial incentives, legal powers, funding strategies, and site control mechanisms. MidTown had to decide: (1) What development role did the MidTown's leadership desire to play in the future?; (2) What resources were available to continue existing programs and contractual commitments?; and (3) Who should undertake an "Expanded Commerce Park District" implementation, which was part of the 1990s Development Plan and Strategy, but was beyond MidTown's capacity? That is, who had the legal powers, the financial capacity and the willingness to assume responsibility for large land holdings for the long term?

Because of the crippling constraints outlined above, MidTown was forced to continue an "infill" strategy instead of pursuing massive land clearance. The plan for an "Expanded Commerce Park District" was shelved temporarily. MidTown would continue its role as catalyst and land owner, focusing on: (1) the development of the Commerce Park, which was showing promise by 1992; (2) emerging business expansions in the target area; (3) laying the groundwork for an expanded business district that would use Cleveland Foundation funding to undertake an updated block-by-block analysis of ownership, liens, costs and environmental conditions; and (4) the adoption of design standards by securing the area's designation as a Business Revitalization District, thus requiring City and MidTown approvals for all exterior improvements.

As a result, the area continued to suffer from a negative image, which decreased its marketability; land acquisition for larger projects became almost impossible, and the lack of a financial incentive package designed specifically for the area made it difficult to overcome suburban competition. MidTown found that most quality firms that had a choice of locations continued to avoid the area due to the lengthy, complicated process required for moving there. On the other hand, existing MidTown companies continued to pursue major expansions within the corridor. Indeed, such an arrangement would prove to be the key to developing MidTown Commerce Park at last.

### **3. A Commerce Park Success: Paying Attention to Local Businesses**

*“Growing local business is the most important component of energizing community capitalism.”*<sup>27</sup>

MidTown's success, in part, has been based on its ability to capture the expansion needs of its existing businesses. Thus, when the inefficiencies of double-handling of raw materials at Pierre's Ice Cream and its subsidiary Allen Sugar were forcing these successful Cleveland companies (with combined sales of \$15 million in 1993) to explore opportunities for relocation, a compelling and competitive financial package was structured to keep the firm in the city.<sup>28</sup>

MidTown worked with Pierre's to identify appropriate incentives, involve key participants at the City, State and other levels, and to provide support for environmental studies, the financial package and the master plan. The three-phased \$20 million project began with the construction of a new 30,000 square-foot low-temperature distribution center, a 10,000 square-foot office building on the remaining 17 acres of MidTown Commerce Park along with a railroad siding connecting the Conrail tracks to the company's building on East 65th Street. (See Map 2)

The deal could not have been put together, however, without the critical participation of government partners. The expansion was funded by a \$350,000 grant from the State of Ohio Department of Transportation and Development for the rail spur; a \$750,000 State of Ohio Low Interest Loan; an Enterprise Zone tax abatement of 69 percent for 10 years; and a \$100,000 grant from MidTown/State of Ohio for environmental assessment. Land costs (\$339, 255) for the project averaged about \$22,500 per acre.

The Pierre/Allen expansion had direct benefits: a strong player in MidTown's — and Cleveland's — industrial base was retained; MidTown Commerce Park was at last fully developed after seven years of MidTown and City efforts; 150 jobs were retained (45 percent of them Cleveland residents); a long-term commitment by the companies to remain in the area was secured; and personal property taxes and income taxes, increased.

But there were costs. The expansion was on land that had been cleared and prepared by the City in the early 1980s at a cost of \$250,000 an acre. Funds had come from federal government grants. In 1993 the land was sold for \$22,500 an acre. The expectation that the expenses of demolition, assessment, relocation, and remediation can be folded into the sale price of land is simply unrealistic. Unless land costs are highly subsidized, sensible businesses will choose greenfields.

#### **A New Opportunity: The 1997 Land Development Initiative**

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<sup>27</sup> American Assembly, p. 6.

<sup>28</sup> Pierre's Ice Cream had been based in Cleveland since Pierre's Ice Cream Shop opened in 1932 on Euclid Avenue. The company had undergone several expansions into older, functionally more difficult buildings at its 65<sup>th</sup> Street location since moving there in 1967. By 1975 it had spawned the Allen Sugar company, which now prepares sweetener blends for food processors and packages Pure Sweet and Allen Sugar for retail.

In the mid 1990s, MidTown renewed its land banking efforts. Driving this renewed burst of interest in land banking were: recent business expansions within the target area,<sup>29</sup> the newly completed MidTown 2000-Master Plan, new partnership opportunities for accomplishing the task and, even more importantly, recent federal and state programs for land acquisition, infrastructure and environmental clean-up.

While the 1997 Initiative's overall target area is 43 acres between East 49th Street and East 71st Street, the 17.5 acres between East 55th Street and East 65th Street remains the priority acquisition area. Appendix D shows the \$5,461,000 estimated costs for the five-year project total. Committed funds at this point in time totals less than 50 percent. MidTown's challenge is to acquire the difference. If the Initiative successfully proceeds, additional and continuing funding sources are expected.

But the 1997 Land Initiative operates under a number of constraints that spring from local, state, and federal policies. For example, since there is neither a central source of funding, nor sufficient funding to amass the acquisition, demolition, and environmental (assessment and remediation) resources required for a landbank, MidTown must involve and coordinate a loose alliance of partners, each of which have different powers and resources. The partners include the Cleveland, Gund and Mandel Foundations; Cleveland Tomorrow, a local business group; the Cleveland Cuyahoga Port Authority; and the people involved with a variety of state and federal programs, such as the Regional Transit Authority's Euclid Corridor Improvement Project, and the MidTown Geographic Initiative conducted by the state environmental protection agency. (A complete list of key elements and players of the Land Initiative is in Appendix E.)

This loose alliance means that there are more players at a larger table, and projects have become much more complex, as limited staff resources and valuable time are spent on negotiating and meeting the peculiarities of each entity, rather than the needs of the land bank itself.

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<sup>29</sup> Pierre's Ice Cream expansion and Refrigerator Sales Corporation (RPC) renovation of the twenty year vacant Arts Building at 71<sup>st</sup> Street and Euclid Avenue.



Many of the difficulties that MidTown confronted in earlier projects have not been resolved. The burden of taxes has been mitigated somewhat, thanks to the expanding role of Cleveland Cuyahoga County Port Authority. The Port Authority was established for the purposes of maritime operations, but in 1993 it became an instrumental financing tool for economic development, including the Rock and Roll Hall of Fame and the expansion of Applied Industrial Technologies, Inc. (Bearings Inc). In order to hold down its own operating costs, MidTown, which is still denied tax-exempt status, needs some other entity to serve as land owner. The Port has agreed to purchase land bank properties, but will only accept properties that are free and clear of all liabilities, and the Port must be held harmless.<sup>30</sup>

MidTown's acquisition strategy remains parcel by parcel as owners become willing to sell, because of the absence of eminent domain powers.<sup>31</sup> The City's current policy on eminent domain restricts its use to committed business development projects. Short of a major development, eminent domain will not be part of MidTown's 1997 Initiative.

Costs of land banking remain quite high. MidTown continues to assume the responsibilities and costs for relocation of businesses and residents, which in some cases can be inflated due to the recalcitrance of property owners. And unexpected complications, such as the discovery of a squatter or homeless person living in an abandoned property scheduled for demolition, can place further burdens on the community organization. Under the Uniform Relocation Act the "developer" is responsible for providing 42 months of "decent, safe and sanitary" dwelling, which must also be added to the price of the land.

Some federal programs present particular opportunities and challenges.

## **1. Empowerment Zone Opportunities and Challenges**

The City of Cleveland's \$177 million Empowerment Zone designation in 1993 provided new funding options and recognized MidTown's function as a job generator for its adjacent residential neighborhoods. The City's role is primarily funding for property acquisition, land clearance and demolition, environmental assessment and remediation, site preparation, carrying costs, maintenance and taxes.

In June of 1997, the City approved a MidTown Land Development Initiative Application for \$2 million in Empowerment Zone Funds. The 1997 Land Initiative is based upon a 15-year vision of MidTown that had been articulated in a series of plans for the area, including the 1990s Plan, and the MidTown 2000 Vision Plan. (See

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<sup>30</sup> According to the draft agreement, the Port will purchase "free and clear" land bank properties; assist in financing developments agreed to by both parties; and provide tax exemption by serving as the owner for economic development purposes; and will accept only properties that are free and clear of all liabilities and the Port will be held harmless.

<sup>31</sup> MidTown recently acquired a 4 story masonry semi-vacant building on the corner of E. 57<sup>th</sup> Street and Euclid Avenue (118-02-38). Costs for the .26 acre site (11,000 square feet) are about \$160,000 (\$40,000 for acquisition; \$95,000 for demolition; \$15,000 for assessment; and \$10,000 for services.) This property was designated as part of the Slum and Blight area in the early 1980s.

Map 2). While the money enables MidTown to fulfill a long-standing goal, the funding (Section 108) is a loan.<sup>32</sup> The terms are based on the expectation that MidTown will bring a development project on line and that the loan will be repaid in five years.

Since Federal (and, for that matter, State) loans must be paid back, even if at a reduced rate, this amount must be folded into the price of the land, which puts the nonprofit seller at a distinct disadvantage in a marketplace in which it must compete with suburban land prices. The Empowerment Zone loan is due in five years--but it took seven years for MidTown to find appropriate tenants for MidTown Commerce Park. Add to these constraints the need to recoup and repay the cost of State and County Brownfields assessment and remediation, expensive demolition or other site preparation costs, and organizations such as MidTown find themselves in an impossible position.

## **2. Brownfields Opportunities and Challenges**

Brownfield remediation remains an obstacle for MidTown. First of all, Brownfields cleanup is complicated. In 1997 a United States Environmental Protection Agency (USEPA) grant allowed the Ohio Environmental Protection Agency (OEPA) to conduct a Geographical Initiative in the eastern portion of the MidTown area. The project was viewed as having significant public benefits as a model for the revitalization of the urban core that could be replicated in other areas of the county. In the 146 target area properties examined, a multitude of potential concerns were identified that were the result of existing or past land uses such as auto repair garages and auto sales lots, platers, printers, and a range of other manufacturing uses.<sup>33</sup> Since this was a limited Phase I assessment, OEPA was unable to enter 59 business properties to determine the type of wastes these entities generate; its report listed the true environmental conditions as unknown.<sup>34</sup>

Secondly, acquiring land in a Brownfields area is an unpredictable venture. It is unclear just how much time it will take to determine the conditions and at what cost. Environmental assessment and remediation cannot be determined until after there is a option to purchase. At this point, the determination has to be made whether MidTown can afford both the costs of remediation and the liability. According to Chris Johnson, MidTown's executive director, "Until there is site control of the property and more environmental analysis indicates the remediation cost, we do not know precisely where the per acre costs will end up." Even when the environmental conditions are known, it is difficult to identify the full extent of clean-up needed, the total cost, and which process

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<sup>32</sup> The terms are: 0% interest, and at least 60% is due in five years (a \$2 million balloon payment will be reduced by up to 40% with a federal Economic Development Initiative grant, which will be determined by an independent appraisal of the post-development value of the property).

<sup>33</sup> Auto service entities often have underground storage tanks, chemical spills, solvents for engine cleaning, and chemicals disposed of on the grounds or spilled. Platers usually have various chemicals on site, including acids, bases, corrosive materials, heavy metal, and solvents. Printers usually generate wastes which contain solvents and heavy metals. Therefore, all the above manufacturing facilities are a concern due to the potential for improper disposal and spills, which may have occurred at the site. It should also be noted that there were no hazardous wastes regulation prior to 1980, and many business disposed wastes on their own sites. And without a site inspection of the facility it is impossible to determine the extent of the toxic or hazardous chemicals or if a company is in compliance with current standards.

<sup>34</sup> Ohio Environmental Protection Agency Division of Emergency & Remedial Response, "Geographical Initiative (G.I.) Assessment Report: MidTown Cleveland," September 27, 1997.

will be required by regulatory agencies, each with different standards.

Third, Brownfields funding is inadequate, given the realities of the marketplace. Much fanfare has accompanied Brownfields initiatives sponsored by federal, state and county governments. MidTown has benefited from such well intentioned initiatives to the extent that about \$200,000 in loans has been dedicated to the 1997 Initiative. But this incentive is modest when the goal is to create a level playing field between Brownfields and suburban greenfield sites.

Finally, Brownfields liability is ill-defined, which generates unease among non-profits. The question of whether liability extends to property owners, developers, lenders and even to the volunteer board members of nonprofit corporations that hold land is unsettled. The key issue is an organization's ability to document the fact that assembled properties meet all requirements for site cleanup and that proper assurances exist that there are no future risk from lawsuits. MidTown leadership has assumed this risk because "it is necessary to get the job done."

## **Summary and Conclusions**

MidTown's reinvestment strategies were aimed at reducing crime; cleaning up a negative physical environment through self-help owner-sponsored initiatives; ensuring quality design standards with the help of local foundations; using CDBG façade renovations funding effectively; and working with state and local officials to change the look of MidTown through street reconstruction projects and privately sponsored landscaping in public spaces.

Another essential strategy has been long-range development planning, because it establishes a land use vision and action plan that the private sector organization, government entities and funders can recognize as a road map for current and future development. It helps build a consensus among stakeholders and the public sector, and also serves as a marketing tool to promote the inner-city area.

Creating a competitive inner-city location also requires a land assemblage and clearance strategy. By examining MidTown's experience, new insights can be gained regarding the role of the private sector, the local government, and federal and state funding programs. Three land banking strategies were examined: The City, using sizable federal funding and eminent domain powers, was able to clear 20 acres in five years; MidTown was able to acquire the 20-acre (at a considerable write-down) and eight additional strategic parcels. However, it took almost seven years to fully develop the industrial park. Land sale proceeds were not sufficient to maintain a sizable land bank; the City's role diminished; and a parcel-by-parcel strategy was found to lack the impact required to improve the marketability of the area. The 1997 Land Initiative represents a private sector effort to adapt to both the City's limited policy for using eminent domain and the availability of government loans rather than grants. Resources are drawn from a network of agencies, and acquisition follows a parcel-by-parcel strategy.

### **III. MARKETING THE INNER-CITY LOCATION AND ASSETS**

The effort to make MidTown competitive with suburban locations does not stop with deterring crime, improving the physical environment, or land banking. Nor can it be assumed that investors will come in droves because of the “strategic location” factor. Community capitalism tenets overlook the consistent efforts needed to change the public's perception of such an area, which has been equally difficult. MidTown adopted three marketing strategies to combat this negative perception:

1. Promote the location through public relations, communications and community-building.
2. Market land and buildings
3. Broker and package the deal with existing financial resources.

#### **Public Relations and Communications and Community Building**

While the context changed over the years, the program elements remain the same: build a "sense of place", promote the product to target audiences and markets, use a range of public relations tools, sponsor events to build community cohesion, and celebrate accomplishments through special recognition and awards and keep the membership and community well-informed. Consistent and persistent efforts on all fronts by the Public Relations, Communications and Marketing Committee(s) produced remarkable results, due to the (donated) expertise of Cleveland-based public relations firms, the growing contribution of MidTown graphic arts firms, and the skill and experience of staff.

MidTown's first task was to create a positive "sense of place," because the area had no existing identity — it was merely a boundary drawn around an imposed target area. In developing an identity for the area, MidTown needed to promote the location and organization to both its own constituency and to the greater Cleveland public, and to market the product to the real estate industry and the business community. This three pronged effort proved basic to attracting new investment.

## Elements of MidTown’s Public Relation and Marketing Strategy

Message	<p>MidTown — It’s Working</p> <p>MidTown — A Cleveland Business District<sup>35</sup></p>
Product	<p>A Central Location with over 600 businesses reflecting an economic diversity — manufacturing, construction, transportation, communications, wholesale and retail trade, financial and governmental.</p> <ul style="list-style-type: none"> <li>• The region’s 4th largest concentration of rented space outside of Downtown Cleveland</li> <li>• Reasonable rental rates (\$10 to \$14)</li> <li>• Free parking availability</li> <li>• Proximity to medical, educational, technology hubs</li> <li>• Immediate interstate accessibility to all of Northeast Ohio</li> <li>• Multiple public transportation routes</li> <li>• Labor pool of over 500,000 within a five-mile radius.</li> <li>• Strong business leadership with a stake in the future</li> <li>• Accomplishments: expansions, new acquisitions, new companies, investment, and employment growth</li> </ul> <p>Small Business growth reflecting change from heavy to light industrial and service industry</p> <ul style="list-style-type: none"> <li>• Affordable investment opportunities</li> <li>• Financial incentives</li> <li>• Design regulations as a “Business Revitalization District”</li> </ul> <p>Sense of history and tradition — Cleveland’s cradle of technological innovation and achievement, a concentration of historic and prestigious clubs and organizations</p>
Audience	<p>MidTown stakeholders (owners and employees), small and medium-sized companies (with an emphasis on: business-related services and amenities, professional and technological services, health care-related services, distribution/wholesale, and manufacturing and light industry); real estate brokers, developers and investors; financial institutions; government officials; foundations; media; civic leaders in Greater Cleveland; and the general Northeast Ohio community.</p>
Tools	<p>Quarterly newsletters, frequent media coverage, special publications, annual reports, web site, trade show/conference display, slide presentation, Q&amp;A brochure, business directories, speakers bureau, and employee surveys, and advertising in business newspapers and trade journals.</p>
Community Building Events	<p>Annual membership campaign, extensive participation in program committees, annual meetings (300+ attendance), media business receptions, businesses and civic tours, “Business After Hours” trade shows to showcase MidTown business owners; community forums on special topics (e.g. security, development), and an Awards and Certificate Program.</p>

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<sup>35</sup> MidTown recently installed MidTown Cleveland Identity Signs (10 foot pylons) at 8 entry points

## Marketing Services

In addition to promoting the area's strengths through the public relations and communications program, the most effective marketing tools have been "brokering" information and personalized service through an in-house Marketing Information Center. The tools MidTown used initially to attract investment were not complex financing, but the ability to respond to calls for information on space, buildings or land. (For example, in the first year of operation, 26 of the roughly 30 vacant buildings were sold). The impact of this service cannot be minimized; today this service is a pipeline for business expansions and attraction.

The Marketing Information Center (staffed by one person) is responsible for:

- Maintaining an up-to-date property listing and distributing it to realtors, developers and prospective tenants.
- Serving as a clearinghouse for information on available properties, financial incentives and technical assistance.
- Maintaining a strong working relationship with real estate and financial institutions by involving them in marketing and development activities, providing them with updated information on sites available and sold, as well as providing MidTown tours.
- Monitoring and servicing all inquiries to completion by logging in all inquiries; meeting with prospects; providing relevant information; reporting monthly progress and utilizing a special stakeholder "sales team" for "peer-to-peer" marketing.
- Keeping current and potential MidTown business owners abreast of economic development resources and financial incentives through meetings, conferences, and mailings.
- Preparing custom marketing packages showing alternatives for specific properties or users.

The Marketing Information Center staff reports that in 1997 the Center fielded 185 inquiries about property or space: most (87 percent) want to own property; and 26 new companies located in MidTown. Of the 26 remaining strong prospects: 11 need larger office space (2,500 to 30,000 square feet); 8 need office space under 2,500; and 7 need industrial space. At any one time staff will be working actively with 30 companies, half of which will be current stakeholders seeking to expand or upgrade their facilities.<sup>36</sup>

The demand for larger properties far outstrips the supply. The existing supply is made up primarily of those "decade-old problem properties" requiring costly extensive renovations. This leaves MidTown with a shortage of readily marketable product. Another marketing strategy is promoting leasing to businesses unable to find a suitable purchase, because experience has shown that as companies succeed and grow, they stay.

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<sup>36</sup> Half of leads came from existing stakeholders, staff, stakeholder referrals, and MidTown publications; 18% from real estate brokers; 15% from City Hall; 17% from banks, CDC's and the Greater Cleveland Growth Association.

Manufacturing firms receive both extensive technical services and financial assistance to remain and expand in the City. The Cleveland Advanced Manufacturing Program (CAMP) assists manufacturers through a program of technical assistance, quality control, worker training, marketing, and adherence to international standards, and helps with plant layout, production flow, CAD/CAM systems and quality assurance and recommendations for appropriate procedures and equipment. A second program, the Cleveland Industrial Retention Initiative (CIRI) is a partnership of five city-wide planning regions established to ensure Cleveland's long-term industrial base by linking neighborhood industrial firms to a full range of services from financial to employment.

Each year, between six and eight MidTown companies are honored by Case Western Reserve University's Weatherhead School of Management as members of the Weatherhead 100. MidTown boasts the highest concentration of such companies in the region, which gives a sense of MidTown's ability to attract and nurture young-high growth companies.

### **Brokering Financing Resources: Package the Deal**

MidTown draws from a full range of financial assistance programs provided by: Cleveland Tomorrow; Cleveland Cuyahoga County Port Authority; the Greater Cleveland Growth Association; the State of Ohio; Cuyahoga County; City of Cleveland; and Neighborhood Progress Inc.(NPI), a neighborhood development intermediary with links to Local Initiatives Support Corporation, (LISC), Enterprise Foundation, Cleveland Tomorrow, and local foundations, and local banks. According to Chris Johnson, MidTown's Executive Director, "Our job is to join with a business as an ally and advocate through the financing process by eliminating all the obstacles to private investment." MidTown helped each business to:

1. Identify the business project goals and their financing needs.
2. Present all the available financing options.
3. Prepare a financial plan.
4. Demonstrate the project's impact on the job market and tax base.
5. Present the project application to the appropriate agency and begin the application process.
6. Monitor each financing agency response and negotiate alternatives, as necessary.

The availability of a full range of financing tools enabled MidTown to retain companies that had identified much more reasonable sites in the suburbs. Two examples will suffice to illustrate.<sup>37</sup>

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<sup>37</sup> An example of industrial retention, Kraber Industries, a metal finishing firm, used a \$450,000 Empowerment Zone loan to consolidate three separate city sites (outside of MidTown) and to consolidate operations in one 52,000-square-foot building and double its staff. Another example is a Corporate Center Office Complex: on a former Allied Technologies Inc. site at East 40<sup>th</sup> Street and Euclid Avenue site a suburban developer is building a new two-acre \$7.5 million project consisting of a three-story office building, a renovated two-story building and a street level retail space with a restaurant and other retail. It will become home for the

## **1. Corporate Retention**

The decision of Applied Industrial Technologies, Inc. (Bearings Inc.) to build its new \$36 million expansion of its corporate headquarters in MidTown signaled a turnaround in both MidTown's and Cleveland's efforts to retain major corporate headquarters not merely in the area but within a downtown neighborhood. Applied (listed on the New York Stock Exchange, a Fortune 1000 industrial corporation and the ninth largest corporation in Cleveland) is one of the nation's leading independent distributors of bearings, mechanical and electrical drive systems, and industrial rubber products.

The financing challenge was to overcome the \$5 million land-cost differential between MidTown and a suburban site. Project financing involved six parties: Cleveland Cuyahoga County Port Authority Bonds, a State 166 Loan and grant, a Cuyahoga County 108 CDBG loan/grant, City of Cleveland Empowerment Zone and UDAG Fund loans, a Cleveland Tomorrow loan and The Cleveland Foundation grant.

## **2. Industrial Retention**

Encore Manufacturing, a precision machining and grinding firm, had been in MidTown for 46 years. This three-generation company needed to expand, but faced extensive costs, and was therefore considering suburban sites. A \$2.6 million Empowerment Zone loan helped neutralize costs when compared with a greenfield site (\$1.5 million less), and enabled the plant to double in size at the same location.

The strength of MidTown's location and ability to broker a full range of private and public financing programs and incentives is illustrated in Appendix F, Financing Resource: New, Expansions and Renovations 1994-1998. This analysis shows that: (1) local banks support the majority of reinvestment projects, thus indicating that private capital is strong in the inner city; (2) the Empowerment Zone and the State 166 Program have fueled additional reinvestment; and (3) on more difficult projects (e.g., Applied Industrial Technologies) multiple resources were required even to retain a major corporate headquarters, due to land clearance and acquisition costs.

### **Number One Barrier to Business Growth: Concentration of Social Services**

Social service institutions have been a backbone of MidTown leadership, membership and reinvestment partnerships. However, the same factors that originally motivated private investment in the area also continue to attract social services. MidTown now houses one of the highest concentrations of social services in Ohio. This growth is seen in the number of clients on the street traveling from one service to another, and is the cause of the most significant remaining security issue, the perception of crime due to panhandling and loitering.

There are a half dozen social service agencies located between East 30<sup>th</sup> and East 36<sup>th</sup> streets providing shelter, substance abuse treatment and welfare-related services, as well as a plasma center. In the next block,

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new Roulston & Co. headquarters, an investment management and advisory firm located in MidTown since 1979.



between East 40<sup>th</sup> and East 55<sup>th</sup> streets are four more social service agencies: the City Mission Shelter, a daily soup kitchen, a substance abuse rehabilitation facility, and a community correction facility. Within this same block the Salvation Army of Cleveland currently houses a thrift store and warehouse, as well as a residential adult rehabilitation center for 30 men. The Salvation Army proposes to add a Men's Emergency Shelter that will accommodate 100 homeless men on overnight stays, while also serving as a daytime drop-in center.

Also within the same block is a new site for a nonprofit-sponsored community corrections facility, which was awarded a United States Bureau of Prison contract to open a 150-bed halfway house. Although resisted strongly by both MidTown and the City, the facility is expected to open. Several years ago, Cuyahoga County withdrew its proposal for a 14.5-acre Juvenile Court Complex across from the new Pierre's Ice Cream \$6 million headquarters, near East 61st and Euclid Avenue.

The frustration engendered by these developments is expressed by Robert V. Munson, CEO of Phillips Day and Maddock and Chairman of MidTown, in a letter to the Chairman of Cleveland's Civic Vision 2000 and Beyond Committee. "Increasingly, the balance of business development and social service development is a daily challenge due to increased pressure to house regional social service facilities. In MidTown, the largest question facing the future development of our business district is the increased concentration of social services because that balance is in jeopardy. If Cleveland is to be a truly great city in the next century, we must not just define a great waterfront or beautiful stadiums. We also must deal with homelessness and other social issues in an organized and efficient way. In order to achieve a viable city, we must approach the social issues just as we do other civic issues of importance....We would like to see a ...regional discussion of the facility location for these services, and the best approach to meet these needs."<sup>38</sup> There has been no response for a regional discussion of this issue to date.

Chris Johnson of MidTown points out the obvious conflicts, "It doesn't make sense for the federal and local governments to encourage business attraction and reinvestment, and then fund prisons in the same area." The perception of crime continues to be the major marketing challenge.

## **Summary and Conclusion**

The private sector, working through MidTown and the public sector, has adopted an aggressive and extensive marketing program that includes the following tools: public relations and communications; marketing and promotions; industrial retention services; and effectively brokering and packaging of financing resources.

By focusing on the general area, not specific buildings, MidTown garnered interest that resulted in area reinvestment, primarily west of East 55th Street because of the availability there of vacant marketable buildings and space.(See Maps 3 and 4.) The first investment in the area came from investors purchasing vacant buildings, then from MidTown business owners, as evidenced by the number of expansion projects. Eventually a growing interest surfaced among other Cleveland and suburban sectors, mainly as a result of reinvestment successes and

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<sup>38</sup> Robert V. Munson, Chair of MidTown Cleveland, letter to Joseph T. Gorman, Chairman, Cleveland's Civic Vision and Beyond, 15 Jan. 98.

promotion conveyed through the media and MidTown stakeholders themselves.

Between 1983 and 1997, MidTown experienced:

- an increase in assessed values in commercial (55%) and industrial (47%) real estate that far exceeds that of the City of Cleveland, Cuyahoga County and the Greater Cleveland Suburban Counties; and

- investment activity that resulted in:
  - ◆ \$500 million — fueled primarily by private sector financing.
  - ◆ 425 new companies, ranging from 2 to 100 employees.
  - ◆ 400 expansion, renovation, new construction or improvement projects.
  - ◆ 6,000 jobs retained due to expansion, substantial capital investment, and/or relocation of existing companies within MidTown.
  - ◆ 5,500 new jobs due to expansion and/or relocation.

The result is that buildings are filled, companies are remaining and expanding, and new companies now call MidTown home. This inner-city growth is fueled primarily by private lending sources. This would seem to suggest that, given a choice and the resources -- and the help of a local development organization -- most businesses will stay and reinvest in the inner city, thus altering the pattern of disinvestment to one of reinvestment. This process will continue, if the major barriers are addressed. This will involve the removal of large economically obsolete building and the acquisition of land to meet the market demand to own more buildings and space, and the rational planning on a regional level for the physical location of social service and correctional facilities.

MidTown’s practices and strategies have been successful in attracting increased investment in Cleveland’s central city. In addition to Maps 3 and 4, which illustrate the reinvestment activity, the following figures support MidTown’s status as a regionally competitive location. Based upon these findings, it can be concluded that, the core strategies adopted by MidTown over the past 15 years have worked. MidTown has established itself as a regionally competitive business location.

TABLE 1: VALUE OF REAL ESTATE, CLEVELAND AREA (Change 1983 - 1995 <sup>1</sup> )		
	Commercial	Industrial
<b>MIDTOWN CLEVELAND <sup>2</sup></b>	<b>55%</b>	<b>47%</b>
CUYAHOGA COUNTY		
City of Cleveland	30%	-27%
Inner Suburbs	22%	-16%
Outer Suburbs	78%	-2%
<b>TOTAL</b>	<b>38%</b>	<b>-16%</b>
SUBURBAN COUNTIES		
	38%	-13%
<sup>1</sup> Real Change After Inflation		
<sup>2</sup> Years 1982 - 1997		
Source: Tax Base Disparity Report, Housing Policy Research Program, College of Urban Affairs at Cleveland State University, 1997, p. 14.		

**IV. DEVELOPING A TARGETED JOB CREATION STRATEGY**

*"A new commitment is needed to enable communities to meet the needs of employers, and to link residents to employment*

*that meets their needs."*<sup>39</sup>

Proponents of community capitalism assert that businesses need to be involved at all stages in any effort of local employment intermediaries to provide businesses with good service and people with good jobs. The economic revitalization of commercial industrial areas should be used to benefit nearby impoverished areas. This paper has thus far examined the role of the private sector in such an initiative. It will now briefly consider the efficacy of a place-based employment strategy in light of MidTown's experience.

When MidTown began in 1983, there was an implicit understanding that the revitalization effort -- all the program concerns with security and the visual quality of environment, business expansions and attraction of new businesses -- were critical in providing employment for the people of this city. Employment growth was, in part, what motivated MidTown leadership to act. MidTown's purpose was to keep and increase employment in the inner city during a time when Cleveland suffered from profound economic restructuring and high unemployment rates. As the economy improved, the goal remained the same.

### **The Job Strategy**

MidTown leadership's commitment to providing a connection between an employer's personnel needs and neighborhood job seekers coalesced in 1986 into a Jobs Committee whose members were drawn from corporations, small businesses, social services, labor groups, churches and neighborhood organizations. Since that time, this employment link has been expanded through three phases.

#### **1. A Joint Pilot Program between MidTown and the United Labor Agency**

The United Labor Agency (ULA), a MidTown-based organization with extensive experience in job training programs, secured a Job Training Partnership Act (JTPA) Program contract from the City of Cleveland's Private Industry Council.(PIC). The MidTown Jobs Committee and the ULA embarked on a joint pilot program to provide neighborhood residents with opportunities for on-the-job training, customized training, screening and placement at

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<sup>39</sup> American Assembly, p.13.

MidTown companies. Within one year, MidTown identified 46 employers who received job training funding for over 100 placements.<sup>40</sup>

## **2. MidTown Job-Match Program**

In 1992, the Cleveland Foundation funded the launch of a Job-Match Program, which was designed to bridge the employment gap between MidTown employers and east side residents. MidTown partnered with Vocational Guidance Services (VGS), an agency that specializes in job recruitment, training and placement. A VGS job specialist was assigned to work directly with MidTown employers on their employment needs and to search for the right applicant for the job. Within six months the new Job-Match Program placed 55 employees, all Cleveland residents, in 22 MidTown companies with 50 percent coming from the Central neighborhood (a nearby area with concentrated public housing).

With the first year's success under its belt, the Jobs Match Program was extended for three years, thanks to increased funding , which included support from five foundations (Cleveland, Premier, Gund, Thomas White and the 1525 Foundation) in 1993. By 1995, the program had expanded to include two neighboring business areas — Maingate to the south, and Lakeside Area Development Corp. (LADCO) to the north, thus expanding the pool of businesses. In three years, the program placed 800 residents of nearby neighborhoods with more than 100 inner-city companies.<sup>41</sup>

## **3. The Cleveland Empowerment Zone**

In 1996, the Job-Match Program became a cornerstone of the Cleveland Empowerment Zone (EZ), combining a "place-based" strategy with economic development and labor force development. The Empowerment Zone consists of three residential neighborhoods with a total of about 50,000 residents -- Hough, Glenville, Fairfax, plus the industrial MidTown. (See Map 1) The EZ program established One-Stop Job Centers in each neighborhood with the aim of reaching the 12,000 unemployed residents, nearly one-half unemployed for about seven years.<sup>42</sup>

The EZ Job-Match Program added drug screening, a one week preparation period, and a 24 hour on-call contact for employer and employee. Services and participating inner-city business development organizations remains essentially the same. An initial orientation includes diagnostic vocational and academic testing. A social services assessment addresses practical matters such as compliance with new welfare reform regulations, transportation, child care and health care, proper work behavior and dress, and job seeking skills. In addition, participants may also receive specialized training in shipping and receiving, machine tool operating and welding through the Center for Employment Training (CET), a nationally recognized program recommended to the City by Cleveland's business leadership.

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<sup>40</sup> Margaret L. Murphy's Third Quarter Status Report to MidTown Corridor Board of Trustees.

<sup>41</sup> See the City of Cleveland's 1997 Publication "The Empowerment Zone" by Christopher Johnston, p.6.

<sup>42</sup> Olivera Perkins, "Drugs Trip Up Job Seekers", *The Cleveland Plain Dealer*, November 17, 1997, p.1. Plain Dealer

## **Barriers to a Successful Empowerment Zone Job Match**

There were, however, growing pains involved in the transition from a business-led job initiative to the larger Cleveland Empowerment Zone initiative. Difficulties that businesses perceived were: (1) initial skepticism over a government (federal and City) funded program replacing a private jobs program; (2) the decline in services as one small VGS central office staff servicing local businesses expanded to neighborhood-based service centers with new staff and little contact with the employers, thus weakening the understanding of the employers needs; (3) increased emphasis on reaching hard-core poverty residents; and (4) the need for more computer skills as service jobs replaced manufacturing in MidTown. Such factors combined to change the “personalized hand-on service with local employers that had been a feature of MidTown Jobs-Match Program,” according to MidTown staff, Pat Solomon.

For employment service providers, the mandate was to reach the chronic unemployed, which often weakened the capacity to service the smaller employer’s needs also. A major problem is getting applicants to pass a drug test, and also motivating them to remain off drugs. Prospective applicants often walk away when they learn that a drug test will be required. Robin Smalley, Project Manager of the Job Match Program, says, “Program officials estimate that nearly 40 percent of the people who contact Job-Match aren’t able to pass a drug test or aren’t willing to try.”<sup>43</sup> The following statistics document the extent of the drug problem: of the 2,009 persons referred to the program; 1,085 were scheduled for orientation; 553 (49 percent) completed orientation; and 409 were referred for drug screening. Of the 307 persons actually screened, 10 percent, or 30 of them tested positive for drug use.<sup>44</sup> Thus, about 277 qualified for the program. Counseling and rehabilitation services are recommended for those failing the drug requirements, with an opportunity to return to the program.

Another problem identified by Smalley is what she calls the “impoverished barrier”: a lifetime of not knowing any lifestyle other than survival. “The perception among employers was that neighborhood residents are not qualified. On the other hand the residents feared that they could not get a job.”

## **MidTown’s Invisible Job Market**

Policy makers struggling over an appropriate job strategy often begin with the assumption that very few jobs exist in the city. In fact, the central city is saturated with jobs, but few are held by inner city residents. A recent report, *Commuting Patterns in Cleveland’s Empowerment Zone*,<sup>45</sup> provides a closer look at the number of jobs located in Cleveland’s Empowerment Zone (EZ) and where EZ residents actually work. This report examined 1990 census and transportation data to determine the commuting patterns between residence and work

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<sup>43</sup> For a more extensive discussion of drug problem see Olivera Perkins article in the Cleveland Plain Dealer, November 17, 1997 p.1

<sup>44</sup> Vocational Guidance Services, Empowerment Zone Program: Jobs Match Statistical Report, 15 April 1998.

<sup>45</sup> Paul Gottlieb, “*Commuting Patterns in Cleveland’s Empowerment Zone*,” Center for Regional Economic Issues, Weatherhead School of Management, Case Western University, (Unpublished Report, Cleveland, 1998). This report examined the 1990 U.S. Census and the Census Transportation Planning Package (CTPP).

destinations of current EZ residents. This report is instructive and could contribute to appropriate policy direction. The findings from this report include:

- The work destination data of all Cleveland residents in 1990 shows that of the 40,844 jobs in the Empowerment Zone: 82.8 percent were held by residents of Cuyahoga County; 18.2 percent of all zone workers came from beyond Cuyahoga County; 32.8 percent of the jobs were held by City residents; and only 4.7 percent were held by Empowerment Zone residents.
- The primary work destinations of Empowerment Zone residents are as follows: 97.1 percent work in Cuyahoga County; 3.0 percent work outside of Cuyahoga County; 73.3 percent work in the City of Cleveland; 21.4 percent worked within the Central Business District (Central Business District); and 16.0 percent within the Empowerment Zone.
- Empowerment Zone residents who worked in the Zone tended to be employed in workplaces clustered in the MidTown corridor, especially near the Central Business District.
- The report also looked at the work destinations of all Cleveland area residents, which showed that there were 3.42 inbound commuters to jobs for every one outbound commuter. This means that the Empowerment Zone actually has more jobs than most neighborhoods in the metropolitan area.

In short, Cleveland is not limited to connecting inner-city residents to jobs in the suburbs. Many employment opportunities already exist in inner-city commercial and industrial areas abutting distressed neighborhoods.

## **Summary and Conclusion**

Good jobs are not therefore the exclusive domain of areas outside the inner city. Indeed almost 41,000 jobs exist in the Empowerment Zone. Most are accessible within a 30-minute walk for 12,000 unemployed zone residents. Such a magnitude warrants a well-crafted job strategy, as the Empowerment Zone proposes.

MidTown's experience shows that: (1) an inner-city job strategy makes sense; (2) the private sector can be a willing collaborator with service providers; and (3) the necessary jobs are already in place; and (4) the systems are in place to help meet both private sector and community objectives. The challenge is addressing chronic unemployment factors, such as drug dependency, that prevent many zone residents from taking advantage of these opportunities and succeeding.

In light of the fact that the Empowerment Zone is employment rich, it will be interesting to discover, with the accumulation of more current data, what changes have occurred as a result of increased investment in commercial, residential and retail growth, significant business expansions, and the Empowerment Zone Program. Such new data could have powerful implications for future policy related to both economic development and the revitalization of inner-city neighborhoods.





## V. LESSONS FROM MIDTOWN CLEVELAND: IMPROVING POLICIES TO BETTER SUPPORT INNER-CITY COMPETITIVENESS STRATEGIES

This case study of MidTown offers a community capitalism model that is an alternative to a traditional neighborhood strategy. MidTown is an example of how a private sector-initiated nonprofit development corporation can partner with the public sector to effectively regenerate an older inner-city commercial and industrial district. The business initiative resulted in significant reinvestment, strong business growth, and a diverse occupational mix in the neighborhood suitable for both regional and inner-city residents. The MidTown model, however, goes well beyond the community capitalism premise that community-based groups or local governments merely set the stage for neighborhood revitalization. A continuing long-term working partnership between all three parties (the private sector, the local development organization and government) is required.

The following section outlines the lessons from MidTown Cleveland's experience that can help guide policy makers and funders, as well as other nonprofit intermediaries and business-led initiatives, as they consider strategies to enhance inner-city competitiveness and opportunities for their businesses and residents.

### **Develop Strong Community Leadership and an Organization**

- 1. Harness the existing untapped business leadership and commitment.** Policy makers and funders must recognize the untapped potential of inner-city businesses located outside of residential neighborhoods and outside of the central business district as key players in rebuilding central cities. Commercial and industrial clusters, which exist throughout most urban centers, can become resources for central city revitalization.
- 2. Create a non-profit intermediary to organize the business-led revitalization efforts.** The private sector can mobilize its economic power to increase the competitive advantage of inner cities, but it cannot do the job alone or through working as individual businesses. The initiative must seek to build on the enlightened self interest and, where it exists, the sense of social responsibility of inner-city business stakeholders. When called upon, business owners in MidTown were resourceful and generous in contributing their own time, staff, materials and money to year-round and multi-year efforts to eliminate problems. But such efforts required the coordination of a professional and competent staff.
- 3. Recognize key ingredients for success.** For this private-sector led local development organization to be able to serve as the platform for restructuring the economy, it must seek broad-based support, function at the grassroots level, clearly define its mission and purpose, control its own destiny through membership support, maintain a flexible agenda, and serve as an intermediary between neighborhood residents, all levels of governments, foundations, and collaborating organizations. The organization must also often assume roles and responsibilities previously held by government and be the mechanism for change and continuity over the long term as individual players and political climates change.
- 4. Partner with the local government.** The private sector and local development organization cannot do the job by themselves, either. The public sector must be an equal partner with the local development

corporation in almost all aspects of building a competitive inner-city location. Therefore, the leadership of the local development corporation must have a working familiarity with the individual players in local government, their legal powers, strengths, and limitations. A positive but independent relationship is essential.

### **Shape a Competitive Market Environment in the Inner City**

- 1. Create a regionally competitive product.** To be competitive, inner-city business areas have to be safe, clean, green, outfitted with updated infrastructure, and competitively priced. The emphasis must be on a competitive product.
- 2. Establish both the reality and perception of safety.** Unsafe business neighborhoods are not competitive; therefore safety — both the perception and the reality — should be the first strategic goal addressed. While crime reduction is a shared goal, a high concentration of social services (e.g., prisons, homeless shelters, drug and alcohol treatment centers, etc.) should be avoided. They are a barrier to building competitive inner-city locations. If policy makers are truly committed to urban revitalization, they realize that homeless shelters and prisons are not the kind of amenities that attract private sector investment and business growth. Such facilities should be shared on a regional basis, including outer suburbs.
- 3. Reduce crime through a strong partnership between local business and local police.** MidTown's successful experience in maintaining reduced crime and vice required systemic change. This is possible when the private sector, local government and a local development organization work together. The key ingredients are: (1) stakeholders who do not delegate or merely support police efforts, but take ownership of the process and results for the long haul; (2) a City Hall that uses its enforcement powers — police, health and welfare, fire, and demolition; and (3) police professionals who are willing to apply their expertise and understanding of the problems; delegate staff; and facilitate the business community's efforts to bring about both public and private solutions for the long term.
- 4. Teach inner-city property owners the importance of visual quality.** Using well-tested community organizing tactics, neighborhood stakeholders can be taught how to be responsible business property owners and taught techniques to enhance their sites and buildings. Foundation support is critical. Local foundation support grants triggered the development of workable solutions tailored to a business district and the collaboration with City Hall staff in adapting and creating new programs.
- 5. Adopt design standards and design review.** Design Review and the designation of a Business Improvement District can be important tools for shaping the area's image as a business location. Unlike some proponents of community capitalism, MidTown's stakeholders and real estate brokers believed such measures ensure both the individual's and the community's investments.
- 6. Retain and expand CDBG incentives that instill permanent roots in commercial revitalization.** The CDBG Commercial Revitalization Program (Façade Rebate Program) has proven to be a critical economic development incentive. The original \$2000 rebate was a powerful incentive in engaging the private sector to

commit ongoing financial support. It has proven instrumental in encouraging local businesses to upgrade physical properties and, in turn, to invest more and put down more permanent roots. Such a program can be critical in turning a neighborhood's appearance around. There is a high demand for this program at the local level.

- 7. Level the public infrastructure playing field between the central city and the suburbs.** Where public infrastructure funding is concerned, the critical policy question is not the availability of funding, but how the playing field is leveled between such competing concerns as suburban highway interchange construction projects and inner-city road reconstruction, including quality curbs, sidewalks, lighting and landscaping. A secondary issue is the many years of effort it can take to place inner-city road projects on the state's transportation agenda and the unwillingness of government to add the landscaping amenities often found in suburban and rural areas. Such an effort therefore requires ongoing monitoring of the agenda and the constant advocacy of stakeholders to keep it on the political agenda. Fundamentally, road and streetscape infrastructure improvements are public sector statements to the private sector that convey a positive appreciation for the latter's presence and serve as a red carpet for business growth.

### **Market the Inner-city Location and Assets**

- 1. Shape a positive image.** Community capitalism advocates overlook the need for a consistent sophisticated public relations and marketing programs designed to sell the advantages and products of an inner-city location. Countering a negative inner city image is challenging but possible. The renewed image, the updated data base, the current listings, the brokering of financial resources, community building activities, business stakeholders "peer-to-peer" marketing are essential elements of a comprehensive marketing strategy. Without such communications and marketing programs, the private sector will not choose the inner city on its own.
- 2. Capture the possibilities -- set forth a challenging Vision for the Future.** Master Plans/Long Range Development Plans are essential tools because they help to: (1) identify opportunities and create a long-range vision and a strategic development plan; (2) build consensus among parties, both public and private, about needs and the implementation initiatives required to meet those needs; (3) identify the appropriate roles of the private and public sectors; (4) capitalize on the need of stakeholders to leverage their investments to achieve other development objectives; and (5) serve as a marketing and communication tool when selling a building, the area, or program to businesses, developers, and/or funders.
- 3. Attend to the needs of local businesses.** This attention fuels owners' willingness to locate, remain, and grow. While complex financing is not always required, some inner-city projects require extensive public and private funding programs and incentives, due to the higher costs of building new or renovating older building. Staff then is needed to champion the project through an array of government agencies and legal hurdles.

### **Incorporate Land Banking as an Essential Element of the Competitiveness Strategy**

- 1. Recognize that success brings demand for supply.** With reinvestment successes, there is often both an increased demand and a diminishing supply of marketable inner-city land for building. Thus, there is a need for more clean, cleared, and competitively priced land. However, there is also the need to understand regional market forces. It is not just the cleared site that is important, but also the availability of an attractive market environment on a larger scale.
  
- 2. Understand the difference between long-term land assemblage and a business development project.** Federal, state and local policy makers may recognize (in part) that assembled land is fundamental to an inner-city competitive strategy. However they often lack a critical understanding of the issues and problems involved. There is a difference between land assemblage for specific business development projects (with an isolated brownfields clean-up) and long-term land banking on a large scale to create a competitive inner-city market environment. Many agency administrators and policy makers fail to see the difference between the two.

3. **Adopt and implement an effective funding system for inner-city land assemblage.** The existing system of funding is not up to the task. The private sector can be the catalyst for land banking, but massive federal and state interventions are required. The federal funding flowing into Cleveland through the Empowerment Zone program could provide a great opportunity for land banking. The problem is that it is administered in the same manner as a business loan with the expectation that it will be repaid as the land is acquired. This assumption that the expense of such things as demolition, assessment, relocation, and remediation can simply be folded into the land costs is unrealistic. MidTown's experience has shown that, unless land costs are highly subsidized (\$200,000-\$500,000), the private sector will choose greenfields. Perhaps the solutions can be found in the best practices of urban renewal, the Urban Development Action Grants, the Empowerment Zone, and the Economic Development Administrations Grant Programs.
4. **Think big and for the long term.** The Euclid Corridor Business/Commerce/ Technology Park is a 15-year \$25 million massive land banking effort. The private sector can be the catalyst, but the long-term stakeholder commitment required for such an undertaking needs to be matched by a public commitment to the goals and financial support from federal, state and philanthropic sources. Inner-city locations cannot become competitive without such commitments.
5. **Designate one agency with appropriate powers and funding.** A central agency/authority needs to finance, own and develop the land bank program. While partnerships are highly desirable for many economic development strategies, extensive alliances or networks can be inefficient, and in some cases, ineffective when it comes to land banking.
6. **Arm land banking initiatives with eminent domain powers.** If a "parcel-by-parcel" land bank strategy is the only option for MidTown or other nonprofit community institutions due to the local government's unwillingness to use the powers of eminent domain, the effort will take many decades. Meanwhile, suburban industrial and commercial growth will continue to mushroom and urban policy makers and administrators will continue to wring their hands as the commercial and industrial tax base declines.
7. **Consolidate environmental regulations to aid inner-city brownfields redevelopment.** A workable land banking strategy would include a consolidation of environmental regulations presently overseen by multiple agencies and a substantial increase in remediation funding targeted at inner-city areas and not the entire state. Brownfields assessment and remediation grants need to be targeted for inner-city sites, not the whole state. The goal should be to make redevelopment of these sites as easy as possible.
8. **View inner-city land as public infrastructure.** Policymakers should view cleared inner-city land as an element of infrastructure that should be funded just like roads, utilities, or highway interchanges connecting urban and ex-urban locations. The investment in the clearing of land (site preparation) is similar to preparing greenfields for development.

#### **Link Residents to Nearby, Local Jobs**

1. **Identify the number of inner city jobs.** Policymakers should determine the extent of central city jobs.

Cleveland's inner city is rich with employment opportunities. There are over 40,000 in the Empowerment Zone at all skill levels within walking distance of poor neighborhoods. Physical isolation is not the problem.

2. **Target resources to connect both people and place.** Spatial targeting of economic development resources to inner-city business areas supports both business growth and inner-city workforce development. There can be a connection between people and place. Poverty alleviation does not have to be done through policies of dispersal through housing and/or transportation.
3. **Balance the needs of the unemployed with inner-city business needs.** Inner-city employers will work with employment intermediaries to provide jobs for inner-city residents, if a personalized service is maintained. The challenge for service providers is to balance the personalized service while facing the mandate to meet the needs of the chronic unemployed.

## APPENDIX A

<b>MidTown Land Bank Programs</b>			
<b>Partners, Resources and Funding</b>			
	City of Cleveland 1983 – 1986	Land Bank Program 1986 – 1996	Land Bank Initiatives 1997 - 2002
MidTown Stakeholders		X	X
Cleveland Foundation		X	X
City of Cleveland	X	X	X
Cuyahoga County			X
State of Ohio			X
Environmental Protection			X
Economic Development			X
Cuyahoga County/ Cleveland Port Authority			X
Federal Funding			
EDA	X		
CDBG	X		
Empowerment Zone			X

## **APPENDIX B**

### **MIDTOWN/CITY OF CLEVELAND LAND BANK PLANNING PROJECT**

#### **Points of Agreement**

A series of negotiations with the City (and The Cleveland Foundation) led to points of agreement.

- The project was realistically a \$5 million undertaking. It would begin with a Cleveland Foundation grant of \$950,000 to MidTown upon a MidTown match of \$250,000.
- Each of the three parties were to be involved equally (City, MidTown, and Cleveland Foundation);
- The Cleveland Foundation agreed to become a long-term partner, but only if its resources were matched by MidTown and City;
- The City would not commit cash or a continued financial liability, but agreed to bring its experience and legal capacity to acquire land;
- MidTown agreed to manage, market, and develop the industrial park, as well as financial and policy control over new development;
- MidTown contracted with the City to acquire the 20 Acres @ \$1.00 square foot, or \$810,000. The City committed these proceeds to acquire specified parcels; and
- Land sales proceeds would be placed in a MidTown Land Bank Revolving Fund for future acquisitions to continue the redevelopment process



**APPENDIX C**  
**MIDTOWN/CITY OF CLEVELAND LAND ACQUISITIONS ORDINANCES**

**1. City of Cleveland MidTown Community Development Plan**

Ordinance 3057-83 June 19, 1984  
Amended by Ordinance 1253-87 June 15, 1987

“The City will acquire property for redevelopment in an Action Area when there is a specific and satisfactory commitment from a redeveloper to acquire such property from the city and to redevelop when the city is satisfied provides the best means of eliminating blight and preventing the recurrence of blight. Alternatively, the City will acquire property for rehabilitation in an Action Area when there is a specific commitment from a redeveloper to acquire such property from the City to rehabilitate which the City is satisfied provides the best means of eliminating blight and preventing this recurrence of blight.”

**Action Areas:**

- # 1-Blocks A,B,C
- # 2-Blocks J, K

**Parcels:**

- 118-11-3
- 118-12-12-14
- 118-21-1-6
- 118-21-21-27
- 118-12-30-44

Three separately owned structures shall be retained and rehabilitated 118-12-28, 118-12-29,118-12-20, plus and 118-2-38, corner of E. 57<sup>th</sup> Street and Euclid Avenue

**2. Master Agreement Between City of Cleveland and MidTown Corridor (October 15, 1987)**

Ordinance No. 1254-87

“Mid-Town has expressed to the City its interest in acquiring those properties described in Exhibit B attached hereto, contained within said two Action Areas,.....the City and Mid-Town desire to enter into this Agreement to provide for the terms and conditions under which Mid-Town will purchase such property interests from the City and redevelop them in accordance with the restrictions of the community Development Plan.....”

**Sale: Purchase Price**

Mid-Town will purchase the Property from the City and will pay the amount of Eight Hundred Ten Thousand Dollars (\$810,000)...to be paid as follows:

- i) \$500,000 in cash r by certified check simultaneously with the delivery of the deed conveying Parcel One, described in Exhibit B; and
- ii) \$110,000 in cash or by certified check simultaneously with the delivery of the deed conveying Parcel Two, described in Exhibit B, of the Property to Mid-Town; and
- iii) \$200,000 on July 1, 1990, provided however that in order to create and preserve jobs and employment opportunities and to improve the economic welfare of the people in the City of Cleveland, Mid-Town may credit against the \$200,000 any amounts spent by MidTown in the acquisition and demolition of buildings on any of the properties set forth I Exhibit C, prior to July 1, 1990.”

In addition the City agreed to use the remainder of the Purchase Price to engage in demolition activities to the extend permitted by law, on the properties set forth in Exhibit C, after meeting the terms of the agreement between the City and Hough Area Development Corporation.

**Conveyance of Property:**

“...The City shall deliver the Deed and possession of Parcel one of the Property to Mid-Town on or before October 1, 1987.....The City shall deliver the Deed and possession of Parcel Two on the Property to Mid-Town on or before October 1, 1988.”

**Redevelopment of The Project Area:**

“Mid-Town agrees to redevelop or cause the redevelopment of the Property, .....an average of 11,000 square feet of building and structures per acre for commercial and/or semi-industrial purposes.....Construction of at least 20% of such minimum square footage shall be commenced within six years from the date hereof...60% within eight year....., 100% within ten years from the date hereof. All construction shall be completed not later than twelve years from the date hereof. ...No subdivided parcel shall have less than 25% of the total area ...covered by buildings or structures.”

**Exhibit A**

Action Area One  
Action Area Two

**Exhibit B**

Parcel One Commerce Park Property  
Parcel Two First Bank Property

**Exhibit C**

1.	5505 Euclid Avenue	118-2-18	Acquired
2.	1979-81 East 55 <sup>th</sup> Street	118-2-64	Acquired and sold to female headed business
3.	5613 Euclid Avenue	118-2-38	
4.	6301 Euclid Avenue	118-4-12	Owner agreed to demolish
5.	6317 Euclid Avenue	118-4-57	Acquired plus 6319 Euclid Avenue
6.	6601 Euclid Avenue	118-6-26	
7.	6611 Euclid Avenue	118-6-27	
8.	6617 Euclid Avenue	118-6-25	
9.	6975 Euclid Avenue	118-8-26	Acquired
10.	7016 Euclid Avenue	118-19-5	Under development by private firm
11.	7105 Euclid Avenue	118-8-15	
12.	7119 Euclid Avenue	118-8-12	Under negotiations
13.	7209 Euclid Avenue	118-8-11	Under negotiations
14.	7217 Euclid Avenue	118-8-10	Acquired
15.	7401 Euclid Avenue	118-10-26	
16.	7500 Euclid Avenue	118-16-1	Earmarked for expansion by private firm

**Status of Acquisitions by November 1990**

1.	5505 Euclid Avenue	118-2-18	Acquired
2.	1979-81 East 55 <sup>th</sup> Street	118-2-64	Acquired and sold to female headed business
3.	6301 Euclid Avenue	118-4-12	Owner agreed to demolish
4.	6317 Euclid Avenue	118-4-57	Acquired plus 6319 Euclid Avenue
5.	6975 Euclid Avenue	118-8-26	Acquired
6.	7016 Euclid Avenue	118-19-5	Under development by private firm
7.	7119 Euclid Avenue	118-8-12	Under negotiations
8.	7209 Euclid Avenue	118-8-11	Under negotiations
9.	7217 Euclid Avenue	118-8-10	Acquired
10.	7500 Euclid Avenue	118-16-1	Earmarked for expansion by private firm

Commerce Park Site (15 Acres)

Action Area #1

5903-6007 Euclid Under contract to MidTown

Additional Acquisitions:

6410 Euclid Avenue (Churches Fried Chicken) 118-4-16-17  
6317-19 Euclid Avenue acquired and razed

## APPENDIX D

### MidTown 1997 Land Development Initiative

E. 55<sup>th</sup> Street to East 63<sup>rd</sup> Street, Euclid through Chester Avenue  
17.5 Acres

#### Estimated Costs

Acquisition Costs	\$4.0 million
Demolition *	\$1.0 million
Environmental Cost	Unknown
Relocation	Unknown
Core Administrative	\$267,000
<u>Legal and Consulting</u>	<u>\$194,000</u>
<b>TOTAL</b>	<b>\$5,461,000</b>

#### Source of Funds

City of Cleveland Empowerment Zone ****	\$2,000,000
Foundations (2 Year)	\$361,000
The Cleveland Foundation, The George Gund Foundation, and Mandel Family Foundation)	
MidTown Contribution **	
Land Contribution *** \$160,000	
<u>Stakeholder Cash</u>	<u>\$100,000</u>
<b>TOTAL</b>	<b>\$2,621,000</b>

- \* Acquisition Strategy assumes the retention of three multi-story businesses
- \*\* MidTown stakeholders invested \$100,000 for two years of operating support and
- \*\*\* Contributed land valued at \$160,000
- \*\*\*\* City of Cleveland also contributed land valued at \$310,800

SOURCE: MidTown Corridor City of Cleveland Empowerment Zone Application

## APPENDIX E: Key elements of, and players in, the Land Initiative

- MidTown, which, as the catalyst and broker, is responsible for project development, funding, land acquisition, capital and operations administration, and ownership responsibilities. (For a more extensive description see Appendix F.)
- The City of Cleveland's \$177 million Empowerment Zone designation in 1993, which provided new funding options and recognized MidTown's function as a job generator for its adjacent residential neighborhoods. The City's role is primarily funding for property acquisition, land clearance and demolition, environmental assessment and remediation, site preparation, carrying costs, maintenance and taxes. The \$2 million Empowerment Zone funding (Section 108) is a loan.<sup>46</sup> The terms are based on the expectation that MidTown will bring a development project on line and that the loan will be repaid in five years.
- The Regional Transit Authority's \$240 million Euclid Corridor Improvement Project, which, funded by Federal Transit Administration, re-emerged as a system of dedicated bus lanes (rather than light rail) linking downtown with University Circle. This project offers an opportunity to amass public funding for major public infrastructure and streetscape improvements as outlined in both the '90s Plan and MidTown 2000.
- A MidTown Geographic Initiative conducted by the State of Ohio Environmental Protection Agency (with federal DEP funds) that included a Phase I non-intrusive assessment of about 150 parcels in 1997. In addition, the agency set aside \$150,000, in the form of a loan, to conduct Phase II assessment, Phase II (test borings) and Phase III remediation within the target area. Additional remediation funds could be available for project specific developments through the Ohio Department of Development.
- The commitment of a \$50,000 grant from the U.S. Environmental Protection Agency (EPA) by Cuyahoga County to fund remediation, however funds are limited to non-petroleum sites.
- The expanding role of Cleveland Cuyahoga County Port Authority, established in 1968 for the purposes of maritime operations, which in 1993 became an instrumental financing tool for economic development, including the Rock and Roll Hall of Fame and the expansion of Applied Industrial Technologies, Inc. (Bearings Inc). This expanded role has provided new collaborating and funding opportunities. In order to hold down its own operating costs, MidTown, which is still denied tax-exempt status, needs some other entity to serve as land owner. The Port has agreed to purchase land bank properties, but will only accept properties that are free and clear of all liabilities, and the Port must be held harmless.<sup>47</sup>
- Three local foundations (Cleveland, Gund and Mandel), which support the Land Initiative by funding pre-acquisition technical services and administration, real estate technical assistance<sup>48</sup> (options), legal, architectural, engineering and project operations (personnel, overhead, and administration for two years.)
- Cleveland Tomorrow's new initiatives for technology and manufacturing companies, which began to yield positive results with the emergence of a new economic base made up of smaller businesses headed by young entrepreneurs who find an inner-city location attractive. Cleveland Tomorrow's participation is as part of a total financing package for a specific developer-driven project that also requires land assemblage.

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<sup>46</sup> The terms are: 0% interest, and at least 60% is due in five years (a \$2 million balloon payment will be reduced by up to 40% with a federal Economic Development Initiative grant, which will be determined by an independent appraisal of the post development value of the property).

<sup>47</sup> According to the draft agreement, the Port will purchase "free and clear" land bank properties; assist in financing developments agreed to by both parties; and provide tax exemption by serving as the owner for economic development purposes; and will accept only properties that are free and clear of all liabilities and the Port will be held harmless.

<sup>48</sup> Neighborhood Progress Inc. (NPI) serves as a consultant.



## APPENDIX F

### PROCESS OF LAND ASSEMBLAGE

- Step 1. Identify priority sites
  - Secure technical assistance (broker)
  - Develop Option Strategy
  - Identify property ownership
  - Identify property liens (tax, demolition, utility, mechanics)
  - Identify environmental conditions
    - Environmental Assessment
  - Conduct appraisals
  - Identify acquisition costs
- Step 2. Negotiate options with property owners
- Step 3. Complete Purchase Options
- Step 4. Demolition and Site Preparations
- Step 5. Environmental Remediation
  - How does this break-down to  
who does what?
- Step 6. Relocation
  - Legal Documents
  - Who pays for relocation?
  - Who administers pay- out?
  - Who helps in business relocation?
- Step 7. Operations
  - Liability Insurance
  - Taxes.
- Step 8. Provide for security and maintenance
- Step 9. Purchase/Ownership of Target Parcels
- Step 10. Market, Sell and Develop Sites
  - Solicit Developers
  - Solicit Companies
  - Sell Properties
  - Construction financing
- Step 11. Property reverts to MidTown *if not developed within 5 years.*

***APPENDIX G:***  
*what is this?*