Does Public Policy Impact Commercial Real Estate Investors
Decision Making in the Cleveland Metropolitan Area?

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ABSTRACT

In recent years there has been an increase of real estate development in the University Circle (UC) district of Cleveland Ohio. Cleveland is a Midwestern city in the United States which over the last several decades has seen an extreme decline in its manufacturing jobs base which was the sector that had originally built the city. This led to population loss as well as disinvestment in real estate throughout the city including the University Circle area and its surrounding neighborhoods.

This report is intended to examine what impact the public sector has had on private development decision making by means of tax and non-tax incentives offered to investors and real estate developers in the University Circle district. We have researched the history of several incentive programs and read previous literature regarding these incentives to determine if some of these programs were successful and what impact they may have had in the areas that they are trying to assist.

In the literature we found that mostly these incentives had modest results at best. While some of these incentives are crucial in making deals possible, such as brownfield redevelopment and clean
up funds for contaminated land that would otherwise be too expensive for developers to redevelop, other programs focus too much on tax breaks that in the big picture of development are only considered by developers to be an added bonus of doing development and not a main attraction to a project.

In addition to the literature, we had the opportunity to speak with more than a dozen professionals who either had investments in UC or worked with the economic development of the UC area and they offered an insight in to how these programs are marketed to investors and how effective they are. The common theme of the interviews was that most incentive programs were an addition to the private investments that were driving the development of the area. The Cleveland Clinic, University Hospital, and the other institutions in the area are the drivers of development in the area and are the catalyst for the redevelopment of the district. Though there are many assets that attract investors to the area such as transit improvements, the use of Community Development Corporations (CDCs), and other amenities, the use of these incentive programs are mostly a “tie breaker” for developers. Many of the developments would have taken place in the area because of the value created by the institutions through their own private investment and these incentives are just an added bonus to the developers to attract them to the area.
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1. INTRODUCTION

1.1 Background

When studying real estate management we are trained to think about what forces drive the development of the cities we all live, work and play in. There are simple supply and demand forces that determine this development, but in recent years we are also experiencing external forces such as government “incentives” that are attempting to steer development in one direction or another.

With the current market conditions related to real estate around the world and specifically within the United States it is very interesting to see so much development going on in one of the more depressed cities in the country. Throughout the research it is our goal to better understand what the drivers of development are in the University Circle district of Cleveland Ohio today.

The fact that construction is and has been happening in the University Circle district of Cleveland Ohio in one of the worst recessions of our generation in one of the most depressed cities in the United States was the motivation for our study of the area. The countless number of residential, commercial, medical and office buildings being constructed or renovated in this specific area of the city made us look at what were the possible reasons, private or public, for the current boom in investment to the area in what is otherwise bleak times for other parts of the country.

When analyzing real estate investor decision making patterns in the United States there are many factors that contribute to the final decision for investors. One of these factors is the incentives that are offered to these developers/investors to encourage them to invest in a given state, region or municipality. In order to understand the motivations of an investor we must first understand and define what types of incentives (i.e. tax abatements, low or no interest loans on repairs of a building, government infrastructure improvements such as road or transportation improvements, etc.) are offered by these government agencies and how they can affect behavior and the investor’s bottom line.
1.2 Purpose
The main objective of this research is to determine if these incentives have an impact on real estate developers’ decision making, thereby influence the City’s economic growth and if so, is it positively impacting the local residents or increasing local public revenues as well. It is well known that cities like Cleveland, Detroit, and other Midwestern “Rustbelt” cities have seen intense decline in population as well as investment over the last 50 years. The objective of our research is to see if these incentives are working for the Cleveland area. If so, it would be our recommendation that other “rustbelt” cities also begin to implement these incentives in regions that have become depressed in the last half century.

1.3 Method
We will use Cleveland Ohio as a case study for this thesis work. We will examine what incentives are offered to investors of commercial as well as residential real estate within the City of Cleveland versus other separate and smaller suburban cities in the region and compare how this has impacted development in recent years. We will specifically look at the development of a district on the eastside of Cleveland known as University Circle. This area consists of a medical university, Case Western Reserve University, along with other arts and cultural assets.

The University Circle, in recent years, has been transformed by a great amount of private investment. This is clearly visible by the amount of cranes that are present in the skyline surrounding the district. It is our task to determine what, if any relationship exists between the amount of private investment and the local and state policies that have occurred in recent years in and around the district.

1.3.1 Research question
As previously mentioned, our main research question is “Does Public Policy Impact Commercial Real Estate Investors Decision Making in the Cleveland Metropolitan Area?” We will attempt to answer this question along with similar questions related to the types of economic development tools and how they impact the development and investment in the University Circle. These questions will also deal with what has worked and what has not in regions similar to Cleveland. By using the existing
literature as well as interviews we did. Hopefully, the conclusion is recommendable for other similar cities.

1.3.2 Hypothesis
Our basic hypothesis is that these economic development incentives that are directed to specific districts in Cleveland do have a positive impact on the economic stability and growth of the region. We will do our best to prove that this is or is not the case in the area we are studying.

1.3.3 Research material/Data
Local economic development plans, related literature, company/ government/ non-profit organization website, as well as articles given to us from our interviewees are the main materials that we are using to base our research on. In addition, we also gathered information from local officials and representatives by means of semi-structured questionnaires with open questions for personal interviews. Two different editions of questionnaires are drafted one for the private real estate development/investment sector and another for local government and non-profit organizations in the University Circle District. The whole text of these questionnaires is presented in appendixes.

To make the thesis deeper rather than wider, we focused on the influence of public policies specifically rather than any other assistance programs which can also absorb investors’ interests. Commercial real estate investors are chosen to pay much more attention than residential investors.

More realistic information is collected from the people in charge in all related parties, which becomes to the most reliable and updated information we can get. These people are working in different sections from government, private and non-profit organization. High quality interviews can be the most valuable part for your reference.

1.4 Thesis Structure
The thesis is divided into six chapters.

Chapter One is the introduction, it provides background, the purpose of the writing, and the method running through the whole thesis which is discussed separately about research question, hypothesis
and research material, in order to give a general idea of the whole thesis without reading the whole document.

Chapter Two is going back to review the history of Cleveland urban development. We draft this section by following chronological order, from late 18th century the settlement of Cleveland to the current real estate development in the City. The chapter refers to the change in transportation system throughout the City’s formation period including, canals, railroads to freeways; as well as Euclid Avenue development and the formation of University Circle. Also discussed are the decline of the City’s jobs and population over the last century and what the City is doing now to promote economic development throughout the City including UC.

Chapter Three is an overview of different subsidies offered in the study area. These programs vary in their administration and goals of development and are used defined and used for reference later in the document.

Chapter Four examines related literature on the subject. This section shows that the programs have been implemented in different areas with different results and success rates.

Chapter Five provides insight from our 12 interviews we conducted from private real estate developers, local non-profit organizations and local city government officials which can cover all related authorities in our research.

The final Chapter is the conclusion and summary of our findings based on the literature and our interviews results with a short discussion about our conclusion as well as the possible future of these programs.
2. CLEVELAND URBAN DEVELOPMENT HISTORY

2.1 Settlement and Downtown Development

The original settlement of Cleveland dates back to the summer of 1796 when Moses Cleaveland set out to survey the land along Lake Erie at the mouth of the Cuyahoga River. Cleaveland worked for the Connecticut Land Company and was to survey what was known as the Western Reserve consisting of 3 million acres to the west of Pennsylvania. He along with his crew surveyed the land during two summers in 1796-97 in a grid pattern complete with a traditional New England green area which is today’s downtown Public Square and upon completion of the work he left, never to return to the city that shares his name. The land was used for speculation by the Company which did not consist of a unified body, but rather was made up of many separate land speculators who wanted to survey the land and split it up to sell if off at a profit (Barrow, 1999). The settlement had a slow beginning because of its swampy marshland, very cold winters and the availability of cheaper larger lots to the east of the city all discouraged settlers during the early years of the settlement. The population was only a few hundred people during this period, but this would change in the coming decades with the investment of the canal system and other infrastructure improvements (Wikipedia, History of Cleveland: Wikipedia, 2010)

2.1.1 Ohio and Erie Canals

Since achieving statehood in 1803 the state of Ohio did not have any real economic centers and no means to transport goods. By the 1820’s representatives from both Ohio and New York State insisted on a canal system that would, in Ohio, link the Ohio River in the southern part of the state with Lake Erie in the North and in New York State link Lake Erie to the West and the Hudson River and New York City in the East. The governors of both states realized the national importance of the canal system on each state’s economic development potential and the canal was designed and approved in 1822 (Wikipedia, Ohio and Erie Canal, 2010). The population of Cleveland was only about 600 persons as of 1820 but by 1840 the population had become more than 6,000 and would continue to grow until the 1950’s and 1960’s.
Upon the completion in 1832, the canal ensured that Cleveland would be a major Great Lakes port as well as a population center. It became not only known for shipping of iron ore, coal and other raw materials, but it would soon become known for its manufacturing base and steel production thanks to the canal system which first made the transportation connections possible (Wikipedia, History of Cleveland: Wikipedia, 2010). This public investment would have an impact on the value of land and property in the region and Cleveland would continue to see increased demand in the decades to come up until the American Civil War (Barrow, 1999).

2.1.2 Railroads

Although the canal system was instrumental in initially developing Cleveland as trade hub, it would become almost entirely phased out of within only 2 decades. By the end of the 1840’s and into the 1850’s the canal system would be replaced by the inevitable new transportation method of railroads which would provide greater access to many other cities throughout the country (Grant, 1997). There were two eras of railroad building in Northeast Ohio. The first wave being in the 1850’s up until the Panic of 1857, which halted railroad building until well after the Civil War, and a second wave that took many years to gain momentum after the War. It wasn’t until 1873 that another line, predominantly used for hauling coal, was added connecting Cleveland with Lorain to the West and Uhrichville to the South (Grant, 1997).

This infrastructure investment helped to fuel the economic growth of the City and the region. While the canal system created a boom in demand for real estate in Cleveland decades earlier, the railroads ensured the city’s future as a manufacturing center in the Midwest. In addition to the growth of the railways connecting Cleveland with other parts of the country, by 1860’s a horse streetcar system helped to connect the manufacturing center located in the downtown riverfront area with the East. These streetcars ran along Euclid Avenue all the way to East Cleveland and separated the workplace from the residence (Barrow, 1999).
By the 1870’s the population of Cleveland had nearly doubled from less than 44,000 prior to the Civil War to almost 100,000 people. This was due to the manufacturing power created in part by the introduction of the railroad system in Cleveland. With the lure of jobs in the region, the end of the 19th century saw an inflow of immigration from Eastern and Southern Europe which increased the city’s population and demand for real estate. These workers would typically settle in ethnic enclaves in older neighborhoods, while wealthy elite Clevelanders settled farther and farther outside of the city along Euclid Avenue (Barrow, 1999). The development of Cleveland and Euclid Avenue would be
characterized by the City’s wealthiest residents and later by the introduction of many world class institutions.

**Euclid Avenue and University Circle**

![Map of Euclid Avenue and University Circle](Googlemaps, 2010)

### 2.2.1 Millionaires’ Row

Starting in the 1860’s Euclid Avenue was becoming home to some of the richest persons in Cleveland. The Avenue in Cleveland was compared to New York City’s Fifth Avenue and was the one of the wealthiest streets in the United States at that time. John D. Rockefeller, owner of Standard Oil Company and the richest man in the country (and the world), was among the residents of Euclid Avenue from 1868-1884 (Wilson & Cigliano, 2000). These homes stretched from East 9th Street all the way to what would become the City of East Cleveland. The last of the buildings to be constructed along Euclid Avenue was Samuel Mather’s Mansion in 1910 (Wilson & Cigliano, 2000). This would mark the end of an era for Cleveland because the coming decades of the 20th century would see the
demolition of nearly all of the mansions that once lined Euclid Avenue and gave it its gland character.

2.2.2 Case Western Reserve University and other Institutions
Within University Circle (UC) there are many influential cultural, educational, religious, and social-service institutions which have shaped the area over the last 130 years into a center that is only rivaled with the neighboring downtown district just a few miles to the West. One such institution is Case Western Reserve University which was originally called Western Reserve College and was located in Hudson Ohio to the Southeast of Cleveland. The University moved from Hudson to Euclid Avenue in 1883. Additionally, the Case School of Applied Science was also located adjacent to Western Reserve College in the UC and in 1967 the two merged to form Case Western Reserve University (CWRU) (Cramer, 2002). Today CWRU offers many degrees at the University’s school of Medicine, Management and Social Sciences among others. The University Hospital System which is a non-profit academic medical center and is part of the School of Medicine has many branch facilities in the Cleveland region with the main facility being located in University Circle. Green space connected and associated with UC is also of great relevance because of the important quality of life value that it adds. These green spaces include the Botanical Gardens as well as the cultural gardens at Wade Park.

In addition, CWRU is affiliated with other notable institutions in the UC district including the Cleveland Institute of Music which constructed its facility in UC in 1961 and the Cleveland Institute of Art, previously the Western Reserve Design School for women, which located in UC in 1904. Other institutions of significance include the Museum of Art located across the lagoon from Severance Hall which was erected in 1930-31 as a permanent home for the Cleveland Orchestra. Other medical facilities in addition to the University Hospital System include the Veteran’s Administration (VA) Hospital, which located to UC in 1948 and is currently completing additions due to consolidation of the Brecksville Ohio VA facility, as well as the well known Cleveland Clinic.
2.2.3 Creation of Cleveland Clinic Foundation

With the grand entrance that Euclid Avenue provided the location of many influential institutions became to be in the area at what was known as Doan’s Corner at the intersection of Euclid Avenue and East 105th Street. The Cleveland Clinic Foundation was founded in 1921 and was an independent non-profit academic medical center (Hartwell & Rowland, 2005). The center was originally located in UC at Euclid Avenue and East 93rd Street. In the 1970’s the Clinic made long-range plans and began acquiring land for future use (Hartwell & Rowland, 2005). During the period 1989-2004, the Chairman and CEO, Floyd D. Loop, M.D., nearly doubled the size of the center and the number of patient visits. The Clinic now owns nearly all properties in the boundaries of Carnegie and Chester Avenues and East 88th and East 105th Street (Hartwell & Rowland, 2005). Successful capital campaigns in the 1990’s led to the additions of Lerner Research Institute (1998) and Cole Eye Institute (1999) among others as well as a hotel on-campus which gives the Clinic a total of three currently (Hartwell & Rowland, 2005). Many famous celebrities and sports stars from all over the world have received treatment from the Clinic to date.

2.3 Decline of the City and Loss of Jobs

The first wave of decline in Cleveland was felt after the great depression of the 1930’s when the overall economy of the United States experienced slow or no growth. The second wave of disinvestment in the City was felt during the years following the Second World War. This was from the influence of the G.I. Bill, which encouraged home ownership by servicemen and woman through low interest, zero down payment loans which rapidly increased the development of outlying suburban areas such as the City of Euclid and Cleveland Heights to the East as well as countless others around the region. This was a trend that was being seen all over the country at this time and Cleveland Ohio was no different. The City had also begun to see a decline in its industrial base which was responsible for the early growth of the city and the region.

2.3.1 Highway System

Starting in the 1950’s the United States Highway system was intended to create better connections between city centers all over the country; instead it helped these city’s resident’s move out of these cities and to safer cleaner suburban areas. This was the case in Cleveland as well. From
1958-mid-1970’s the interstate system was being planned and constructed and was to be paid for by the federal government using a gasoline tax. This infrastructure along with incentives to purchase new homes on the urban fringe and racial tensions in cities like and including Cleveland accelerated a phenomenon called “white flight” (Barrow, 1999). This easy access to the city center allowed people to leave the city and commute by car to work every day.

2.3.2 Hough Riots and Glenville Shootout
In addition to the disinvestment of land owners and the flight of the middle class from Cleveland starting after the Second World War, there were also racial tensions in areas of the City, like many other American cities at that time, which would even further devalue the City’s real estate and marketability. In 1966 the Hough riots occurred in an African American neighborhood to the northwest of University Circle. The events resulted in 5 nights of unrest in the area including looting, arson and vandalism and the violence killed 4 people and wounded 30 more. This unrest was followed in the summer of 1968 by a shootout with police in the Glenville neighborhood to the north of University Circle. This shootout involved police and an African American militant group also resulting in many nights of unrest.

Both events had a devastating impact on the neighborhoods and its residents as well as the value of properties in and around the area surrounding the University Circle.

2.4 Current Real Estate Development in the City
Since the decline of the City of Cleveland began almost 80 years ago and the population declined by nearly half of its former self, the City is still making strides in trying to attract people and investment. Over the years there have been many pockets of redevelopment all over Cleveland. Including areas hit very hard with disinvestment such as University Circle, Hough and Glenville and other neighborhoods on the City’s Westside such as Tremont and Ohio City. With these hard economic conditions the City has been using many economic development tools to aid the redevelopment process. These programs come in the form of tax incentives, infrastructure improvements as well as grant and loan programs. These have in some way played a role in the redevelopment of this once strong manufacturing center in the Midwest.
3. OVERVIEW OF SUBSIDIES

There are many incentives offered by federal, state, and local government authorities and this section will address as many as possible so that when these incentives are referenced later there will be no confusion about what the purpose of the incentive is. Some incentives give a direct benefit to the developer and can be used in the marketing of the project, while some incentives more directly benefit the end user. Some examples of end user incentives include incentives such as job creation tax credit for business owners or for homeowners the incentive is in the form of property tax abatement\(^1\) for a number of years after they purchase the home.

3.1 State and Local Incentives

Incentives offered by state and local governments vary from location to location, but generally are in the form of tax incentives, low or no interest loans, land banked parcels that reduce land costs to investors as well as the use of quasi-government or non-profit agencies which are designed to plan and assist in the administration of these programs and the successful redevelopment of struggling neighborhoods and commercial districts.

3.1.1 Enterprise Zones

State Enterprise Zones (EZ) programs are geographically-targeted policies aimed at correcting the allocation of production activities in order to boost economic growth in distressed areas (Bondonio, 2003). Through the creation of EZ specific geographic locations are eligible for tax and other incentives offered by government agencies and attempt to increase employment of local residents as well as increase property values.

3.1.2 Greater Circle Living Program

The GCL Program has many benefits to the eligible applicants. The benefits include access to affordable housing, wealth building, reduced commute times, and more through this forgivable loan program that enables qualified employees of institutions within the University Circle District to

\(^1\) Property tax abatement is the temporary elimination of real estate property tax, used to stimulate new development or redevelopment.
purchase a home in and around the district with the down payment offered by the program (Fairfax Renaissance Development Corporation).

### 3.1.3 Other Incentives

**Ohio Historic Preservation Tax Credit Program (OHPTC):**

This program provides owners of historically significant building a tax credit for the rehabilitation expenses. It was amended as part of the $1.57 billion Economic Stimulus Package under House Bill 554 and became effective on June 30, 2008. The credit award was changed to equal 25% of the owner’s qualified rehabilitation expenditures (QRE) as estimated on the submitted tax credit application with a maximum cap of $5 million. These programs are administered by the Cleveland Restoration Society. The loans are not subject to income guidelines and can be used for owner-occupied as well as non-owner occupied homes. (Strickland & Fisher, 2008 Ohio Historic Tax Credit Annual Report, 2009)

**Ohio Job Creation Tax Credit Program (JCTC):**

This program provides a refundable tax credit against a company’s corporate franchise or income tax based on the state income tax withheld from new, full-time employees. It was established in 1993. It has distributed refundable tax credit assistance to a substantial number of existing business expansions and new business locations in Ohio. In addition to its unique refundable nature, it is also significant for its ability to protect the state’s investment in business start-up and expansion activities. (Strickland, Fisher, & Patt-McDaniel, 2008 JCTC Annual Report, 2009)

**Ohio Job Retention Tax Credit Program (JRTC):**

Once a project is determined eligible for tax credits, the Ohio Tax Credit Authority awards benefit levels contingent upon the scope of a proposed project. Participating companies generally can receive non-refundable tax credits equaling up to 75 percent of Ohio income taxes withheld from eligible full-time employees, for a term of up to 10 years. However, in circumstances where the project site will achieve significant retention (1,500 or more retained employees in a project site) the
term length of the credit can be up to 15 years. (Strickland, Fisher, & Patt-McDaniel, 2008 Job Retention Tax Credit Annual Report, 2009)

**Vacant Property Initiative Fund:**

The City of Cleveland Vacant Property Initiative (VPI) is specifically designed to overcome barriers to the full re-use of abandoned, idled or underutilized commercial, industrial, landbank and institutional properties within the City of Cleveland. These properties have the highest return on the tax payers’ dollars as they contribute very little in real estate and property taxes. Job creation and an increase in property values are expected outcomes of redevelopment. (Vacant Property Initiative Fund)

**3.1.4 Grants**

**Cityworks Grant Program:**

Cityworks is a neighborhood-based, matching grant program that has been developed to encourage new and creative efforts in partnership with small citizen groups such as block clubs, street clubs and resident organizations for eligible activities. Cityworks awards grants of up to $3,000 to block clubs and other neighborhood groups for projects that improve the quality of life within Cleveland neighborhoods. These grants require dollar-for-dollar, matching contribution of cash, volunteer labor, or donated services. (City of Cleveland)

**3.1.5 Loans**

Some other low to no-interest loans/grant in Cleveland neighborhood are listed as followed: (City of Cleveland)

**Afford-A-Home Mortgage Loans:**

This program helps buyers purchase and repair Cleveland homes by offering low-interest loans and interest-free second mortgages of $5,000 or $10,000.
Repair-A-Home Loans:

This program helps homeowners repair Cleveland homes by offering low-interest loans ranging from 0% to 3%, determined by total household income. These loans are only for code related repairs, mechanical repairs or health and safety repairs.

Home Weatherization Assistance Program Grants:

Approximately $3250 per unit is available through the State of Ohio for homeowners and tenants who meet HWAP income limits.

Housing Enhancement Loan:

This loan is available to all Cuyahoga County investors as well as owner-occupants and can be used to enhance properties with market values below $250,000. This lower interest program is not subject to income requirements.

Paint Refund Program:

This citywide program, which opens yearly in May, offers refunds of up to $400 for paint and materials to homeowners and tenants who paint the exteriors of their homes. Income eligibility guidelines must be met for this first come, first served program.

Cleveland Action to Support Housing (CASH):

This program is a citywide partnership between the City and financial institutions that allows creditworthy homeowners to obtain low-interest rehabilitation loans. The maximum term is 12 years and there are no income limitations for CASH loans.

3.1.6 Organizations

Community Development Corporations (CDC):

CDC’s are non-profit, neighborhood-based organizations that build affordable housing, create jobs, renovate storefronts, rehabilitate distressed structures and tackle other challenges that threaten the
livability of neighborhoods. The group of concerned CDCs formed the Retail Commercial Support Initiative. The Initiative, consisting of approximately 40 members, strategically develops tools and resources to implement catalytic programs that create vital neighborhood commercial and retail activity essential to a healthy community. (The Retail Commercial Support Initiative). The University Circle Area is served by University Circle Inc. and Fairfax Renaissance Development Corp. CDC.

**Cleveland Foundation:**

Established in 1914, it is the world’s first community foundation and the nation’s third-largest today, with assets of $1.8 billion and annual grants of $80 million to $85 million. The foundation improves the lives of Greater Clevelanders now and for generations to come by building community endowment, addressing needs through grant making, and providing leadership on vital issues. (Cleveland Foundation)

**Cleveland Housing Network:**

Its mission is to generate hopeful and healthy market forces in Cleveland neighborhoods, assist very low-income families to get out of poverty and assist low to moderate income working families build wealth and self-determination. In partnership with 22 constituent community development corporations, CHN implements a strategic set of programs and services to accomplish the mission, primarily the large-scale production of superior quality, affordable homes and the provision of a broad array of training and counseling services that enable families to escape poverty, build wealth, and become homeowners. (Cleveland Housing Network)

### 3.2 Federal Incentives

In addition to incentives offered by local and state organizations, the federal government also has many programs and ways of encouraging development in blighted areas. The following are examples of federal programs which are intended to encourage development are used in many areas of the country including the University Circle district of Cleveland.
**Stimulus money:**

Economic stimulus is a term used by economists to define a situation where the government changes its fiscal policy of spending and taxation in order to bolster and revive an economy that is in a recession. By spending money on state and federal infrastructure, the government hopes to provide jobs, and jump-start the failing economy (Your Dictionary.com)

**New market tax credits program (NMTC):**

A “pure place strategy” which focuses on a specific geographical area rather than the economic needs of the area’s resident. The program permits taxpayers to receive a credit against federal income taxes for making qualified equity investments in designated Community Development Entities (CDEs). The equity investment must be used by the CDE to provide investments in low-income communities. The credit provided the investor 39 percent of the investment and is claimed over a seven years credit allowance period. In the first three years, the investor receives a credit equal to five percent of the total amount paid for the stock or capital interest at the time of purchase. For the final four years, the value of the credit is six percent annually. Investors may not redeem their investments in CDEs prior to the conclusion of the seven years period. (Community Development Financial Institutions Fund)

### 3.2.1 Infrastructure Improvements

The federal government also plays a role in urban development through the improvement of local infrastructure in cities. An example of this is the capital improvements made to the Euclid Corridor in the form of the Bus Rapid Transit (BRT) system. This is a public transportation system in which the infrastructure is fixed to the location and right-of-way preferential access is granted to buses for quicker commute times for passengers. This investment was funded mostly by the federal government, along with contributions from the City of Cleveland Rapid Transit Authority (RTA) and others.
3.2.2 Brownfield Remediation

Brownfield sites are considered to be abandoned or underused industrial or commercial pieces of land usually in economically distressed areas of cities. Due to contamination, or the perceived threat of contamination from hazardous materials, these sites are very difficult to redevelop because of the cost and liability burdening the owners. The federal government offers programs such as grants and loan programs that encourage development of these sites (EPA, 2010).

Due to the process which is very complex and competitive it is usually only attempted by development firms whose specialty is redevelopment of such sites. While the process is long and complicated, the use of these otherwise underutilized pieces of land can be quite profitable with the help of these cleanup programs.
4. LITERATURE REVIEW

In trying to better understand how incentives have worked, examples are taken from around the country from different literature to try and determined whether or not they are effective. A brief history of these programs is given along with some examples of what the benefits and drawbacks are to these programs.

4.1 History of Incentives

With urban slum and blight being issues that must be addressed by cities the way that has been used in places such as the United Kingdom and United States are development incentive programs. These programs some of which were previously mentioned have evolved and are used differently in different cities or countries depending on local needs to address these problems of disinvestment.

4.1.1 United Kingdom and United States

In the early 1980’s the United States adopted enterprise zones, a concept that had already been implemented in England to redevelop industrial areas by luring investment to these abandoned areas. The American version would focus more on reviving depressed neighborhoods. This difference in the zones because instead of creating industrial parks for businesses to locate to the US version of the zones was more determined to give incentives to encourage small business starts, which are shown to create more jobs and are important to economic growth (Forbes, 2005). These incentive driven zones became more widely used after the 1992 riots in Los Angeles California. The implementation was intended to build the community in an attempt to help the local residents.

In addition, there was another program called New Market Tax Credits (NMTC) which was introduced in 2000 as an attempt to restore commerce and create jobs through the infusion of outside capital (Forbes, 2005). This program was a more market driven approach to getting investors to think about these inner city communities and is a more pure place strategy.

4.2 Development incentives

The different programs in use now have been analyzed by many authors for their ability to stimulate the local economy in areas that need assistance from outside capital. The following addresses the
use of these programs and their effectiveness to benefit the communities they are trying to assist based on the goals set out by the agencies which administer them.

### 4.2.1 Enterprise Zones and New Market Tax Credits

Along with the controversy of American economic development incentives, there are always two different voices on if those incentives play a positive role in encouraging current economy progress. How much do they cost? Or are they effective?

Alan Peters and Peter Fisher are two professors in the Graduate Program in Urban and Regional Planning at the University of Iowa. Alan’s research focuses on micro-simulation modeling, particularly of economic development policy. Peter centers on state and local government finance, economic development policy, and poverty and income inequality. They co-authored State Enterprise Zone Programs: Have They Worked? (W. E. Upjohn Institute Press) which was published in November 2002; another two works are Industrial Incentives: Competition among American States and Cities (W. E. Upjohn Institute Press, 1998) and The Failures of Economic Development Incentives (Peters & Fisher, 2004)

We will take The Failures of Economic Development Incentives as an example to illustrate the questioned party’s general idea about how effective these incentives are when brought into the current economy? In this paper, Alan and Peter are trying to answer three questions: Do economic development incentives encourage new investment and employment? Are these incentives targeted at economically depressed areas or economically depressed people? How costly are these incentives?

Peter and Fisher by doing their own research from 1997, and collect other authors’ research findings, conclude that economic development incentives have no or little impact on investment decision and employment by collecting materials from other authors. There’s not enough literatures showing the poorer places benefit from incentives more. Incentives focus on poor people are even

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2 See Table 1
less. Poorer places are more likely to be the loser when they are competing with other places. Incentives may work at the beginning, but if the economy cannot take care of itself after a while, in the long term, the cost of incentives is unworthy and may lead state or local incentive system deteriorated (Peters & Fisher, 2004).

Table 1: Summary of metareview of the impact of economic development incentives on economic growth

<table>
<thead>
<tr>
<th>Review</th>
<th>Types of incentives studied</th>
<th>Methodologies of studies reviewed</th>
<th>Impact of incentives</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due (1961)</td>
<td>Taxes</td>
<td>Statistical</td>
<td>Minor at best</td>
<td>Most studies show statistically insignificant impact</td>
</tr>
<tr>
<td>Oakland (1978)</td>
<td>Taxes</td>
<td>Econometric</td>
<td>Minor at best</td>
<td></td>
</tr>
<tr>
<td>Newman &amp; Sullivan</td>
<td>Taxes</td>
<td>Econometric</td>
<td>Recent studies able to identify small but statistically significant impact</td>
<td>Technical review of literature</td>
</tr>
<tr>
<td>Eisinger (1988)</td>
<td>Taxes, non-tax discretionary incentives, and abatements</td>
<td>Econometric, survey, and case study</td>
<td>Ambiguous, tending towards minor or none</td>
<td></td>
</tr>
<tr>
<td>Bartik (1991)</td>
<td>Taxes</td>
<td>Econometric</td>
<td>Majority of studies show positive, statistically significant impact</td>
<td>Clustering of elasticity estimates between −0.1 and −0.6 (intermetropolitan) and between 1.0 and −3.0 (inrametropolitan)</td>
</tr>
<tr>
<td>Wasylenko (1997)</td>
<td>Taxes</td>
<td>Econometric</td>
<td>Most studies show a positive, statistically significant impact, but with smaller estimates than found by Bartik (1991)</td>
<td>Clustering of elasticity estimates between 0.0 and −0.26</td>
</tr>
<tr>
<td>Fisher &amp; Peters (1997)</td>
<td>(1) Non-tax discretionary incentives (2) Industrial revenue bonds (3) Enterprise zones</td>
<td>(1) Econometric (2) Econometric (3) Econometric and survey</td>
<td>(1) Most studies show positive impact (2) Ambiguous results (3) Ambiguous to no discernible impact</td>
<td>(1) No elasticity estimates since results highly questionable</td>
</tr>
<tr>
<td>Man (2001)</td>
<td>Tax increment financing</td>
<td>Various</td>
<td>Ambiguous, though majority of studies show positive impact</td>
<td></td>
</tr>
<tr>
<td>Peters &amp; Fisher (2002b)</td>
<td>Enterprise zones</td>
<td>Mainly econometric</td>
<td>Minor to no discernible impact</td>
<td></td>
</tr>
</tbody>
</table>

(Peters & Fisher, 2004)

Another article is Using Economic Development Programs as Tools for Urban Revitalization: A comparison of Empowerment Zones and New Markets Tax Credits by Jennifer Forbes. This article mainly discussed how much Empowerment Zones/Enterprise Communities (EZ/EC) and New Markets Tax Credits (NMTC) based on tax incentives relieves the low-income area from economy depression. The conclusion of the article is that no matter EZ/EC program which is built on
“place-based people” policy or NMTC which is built on “pure place strategy”, they both cannot sustain economic growth for a longer time. These programs which use tax-incentives to create economic growth, should convert from place-based restrictions to improve human capital such as training, counseling and other social programs to help the local lower income residents and mixed with a more comprehensive approach, which can thoroughly tip the balance of incentives effects for now and into the future (Forbes, 2005).

4.3 Brownfield Remediation Program
Brownfield problem is another popular issue when we discuss the necessity of public incentives. How to deal with brownfield is becoming to not only improvement of a piece of land itself, but also the whole surroundings development. Environmental Protection Agency published the brownfield action agenda in the year 1995, all levels of governments are working on solving brownfield problems, and reach a consensus to combine all source of power from EPA, leaders, buyers to further increase brownfield redevelopment. (Leigh & Coffin) Leigh & Coffin chose two case study cities, Atlanta and Cleveland. Through regression analysis, the result shows the effect is stronger in Cleveland than in Atlanta, they conclude government should interrupt and help to redevelop these brownfields especially those low market value brownfields, which can not only improve the property values, but also government can get tax revenues from its improvement, which can further help both poor people and poor areas.

4.4 Ethical Issues
Peters and Fisher state that because American workers are so mobile, as many as 14% of metro areas move between metro areas in any 4 year period, that the incentives that create these jobs will attract them to a specific area while leaving the local workers at the back of the labor queue (Peters & Fisher, 2004). Because American spatial economy is sticky and slow there is time for local workers to absorb the jobs created by programs, but nonetheless it is an issue that should be addressed and policy makers should be aware of.

In addition to Peters and Fishers comments, Forbes also notes that some programs are fundamentally flawed in their design and can neglect the residents of a neighborhood while focusing
on its development. This is seen in the enterprise zone program because large firms are more likely to take advantage of the program, but not as likely to hire local workers (Forbes, 2005).
5. ROLES AND VIEWS OF LOCAL ACTORS

We will be using qualitative data from interview results that we receive from public, private, and non-profit organizations in the University Circle area. These interviews will attempt to get the perspective of all parties involved in the current development of the University Circle District and offer us insight as to how the area has grown in recent years.

5.1 Interviews

We will have three separate sets of questions for the different parties involved. The first party to be interviewed will be representatives from the private real estate consulting sector who will have experience working in the district and have a good understanding of what investors are looking for and why they have been investing in the region in recent years. So, these interview questions will be based around this experience and will drive by questions related to the motivations of investors.

The following group to be interviewed will be members of the local non-profit organization in the University Circle District. These people work as a liaison between the developer and the local City government. These questions will be directed at what they have experienced in the last few years related to development permits requested from the City of Cleveland and other related questions.

Finally, we will interview members of the local city government in Cleveland who are responsible for all of the policy making and implementation of economic development projects in the city of Cleveland. These people have a direct relationship with investors and business owners so they will be asked questions about their knowledge of how investors have reacted to any dramatic policy changes that have an impact on development in the University Circle district.

The main focus of our research is what the government, local, state and federal, is doing and has done to encourage development in areas of the USA that need assistance to stimulate growth. These are places where development and investment may not exist if there were not something to push the investors to come to their state or district. As stated previously, there are many cities, including Cleveland Ohio where there has been a great deal of population loss and an even greater amount of disinvestment in the center cities of America. In this section we will explore the results of our
interviews with local officials and representatives from local Economic Development organizations who are trying to bring investment back into the City of Cleveland and what is being done to combat these economic hardship and neighborhood deterioration problems.

5.2 Government and Non-Profit Organizations

Along with local government organizations there are many other non-profit organizations which are responsible for encouraging development in the City of Cleveland. These agencies are listed below and will give some insight in to the problems being faced in the University Circle District and some possible solutions.

5.2.1 Team NEO

The City of Cleveland has different organizations that are working toward creating value in the city and encouraging investment and redevelopment. One of these organizations is Team NEO. This organization represents the 16 county area in and around Cleveland and is responsible for bringing companies to the region by marketing it as a great place to do business.

Team NEO provides firms that are considering a site in the Cleveland Metropolitan area with information about the region related demographic as well as business related incentives. One of the goals of Team NEO is not to simply shift jobs from other areas within the region, but to attract jobs from outside of the region or to create new jobs to stimulate the local and regional economies and create a multiplier effect\(^3\). This is done by pooling information from the local officials, private real estate consultants, and other resources. When a company shows interest in the region Team NEO will provide the company with transportation and workforce information so they can make informed decisions when choosing Cleveland as a location for their business.

\[^3\] The multiplier effect describes how an increase in some economic activity starts a chain reaction that generates more activity than the original increase.
When considering an investment in the 16 county region that Team NEO represents according to the Team NEO website the area in addition to an exponential consumer, partnership and supply chain opportunities, also provides “cost-effective distribution and smart logistics with Lake Erie, the St. Lawrence Seaway, 5 Class I Rail Systems intermodal capabilities and major interstate highways as well as close proximity to 2 consumer airports” (Team NEO). They also market the Northeast Ohio area as a place that offers “Bottom line benefits in tax structure and incentives” (Team NEO). This is represented by highlighting the Ohio tax reform in 2005 which will reduce business owners’ tax burden by as much as 63% by 2010. As of 2009 there are only 15 other states that have better tax incentives for businesses which is an improvement of 9 states prior to the reform in 2005. The most notable changes to the tax Ohio code that encourages businesses to locate in Ohio are the elimination of corporate income taxes and personal property taxes. In addition there are also reduced personal income taxes and state sales taxes (Team NEO).

Team NEO also works with local officials and consultants to put together a comprehensive package of incentives to further entice a company to come to the region. Jay Foran, Senior Vice President of Business Attraction for Team NEO, states that there are many factors that will bring a new firm to the University Circle district and it is his job to lure them to the area. Team NEO will try to match the right firm with the right part of the region and because the UC district is not easily accessible by rail or highway, it is not a good location for manufacturing or other industries that requires mass shipments of their goods. Therefore, Mr. Foran will try to put together the most beneficial package of incentives for the firm. He also says that bringing in a larger firm with more employees to the district will sometimes get better incentives from local officials because this firm will eventually create other developments in the surrounding areas (i.e. housing, commercial, ancillary uses) as well as help the local tax base increase which is one of Team NEO’s main objectives (Foran, 2010).

The large amount of private investment from the Cleveland Clinic, University Hospital system and the other institutions such as the museums and the Veteran’s Affairs Hospital (VA) are the drivers for the current development that the area is experiencing. According to Team NEO, two of the largest non-government employers in the region are in the UC is of Cleveland which further helps the
districts growth. This is why Mr. Foran states that the job creation tax credit is one of the most popular incentives offered today. This incentive is used by smaller firms that are supporting these institutions. Whether it is commercial, retail or research and development uses, many of these new companies are taking advantage of these incentives. Mr. Foran also mentions that the “Intellectual Property” in the area as a huge asset and is the main reason for University Circle’s current success. These uses, along with the investments made, are creating jobs and the jobs create the need for commercial and housing in the area (Foran, 2010).

And while Mr. Foran says that the incentive programs are needed and helpful to start development in the areas they are being used, they are mostly a “tie breaker” for many companies. It is not uncommon for companies to make different cities or regions around the country compete for their business. As long as the other major factors for doing business are met such as access to transportation, infrastructure, and workforce the company will then try to get the most bottom-line benefit from the specific location, which will force the locations to compete for their business (Foran, 2010).

Table 2: Top Employers in Northeast Ohio

<table>
<thead>
<tr>
<th>Top 10 Corporate Employers in Northeast Ohio</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cleveland Clinic</td>
<td>28,200</td>
</tr>
<tr>
<td>University Hospitals</td>
<td>16,800</td>
</tr>
<tr>
<td>Progressive Corp.</td>
<td>9,400</td>
</tr>
<tr>
<td>KeyCorp</td>
<td>6,400</td>
</tr>
<tr>
<td>National City Corp</td>
<td>6,300</td>
</tr>
<tr>
<td>General Motors</td>
<td>6,300</td>
</tr>
<tr>
<td>MetroHealth</td>
<td>5,500</td>
</tr>
<tr>
<td>Ford Motor Company</td>
<td>5,500</td>
</tr>
<tr>
<td>Case Western Reserve University</td>
<td>5,100</td>
</tr>
<tr>
<td>Summa Health System</td>
<td>4,700</td>
</tr>
</tbody>
</table>

(Team NEO)

4 See Table 2
5.2.2 The Cleveland Foundation

Another organization that is dedicated to helping the redevelopment efforts in the UC district is the Cleveland Foundation. The organization is a philanthropic foundation that is responsible for spreading its resources to areas of the region that need it. The investments must be strategic and have a long term impact on the region. This is done by proactively directing grant dollars toward the following seven areas: Economic Development, Advanced Energy, International Relations, Public Education Reform, Neighborhoods and Housing, Human Services and Youth Development, and Arts and Culture (Cleveland Foundation).

In addition to these areas listed, in 2005 CF created the Greater University Circle initiative which has focused some of the resources of the foundation on the UC district in Cleveland. (Cleveland Foundation). The GUCI is intended to create wealth in the area while focusing on four specific areas which include: Housing, Education, Economic Inclusion, and Safety. All of these aspects of the initiative are catering to the neighborhoods current residents. The housing aspect intends to manage incentive programs for low to moderate income residents who are eligible for mortgage or home repair assistance programs, while the education portion is focused on improving the local school options. In addition the economic inclusion aspect is trying to train local residents who are qualified and also leveraging the institutional relationships to procure or purchase products and services from local businesses or businesses that relocated to the district. And finally, CF is also contributing to the safety of the area, which is vital to future development of the area (Cleveland Foundation).

In addition to these areas of the strategy CF is also investing its resources in a new development that will be located on the corner of Mayfield/Euclid/Ford in the heart of UC. This development is called “Uptown” to conform with the existing “Midtown” district located to the east of UC on and around Euclid Avenue and the existing “Downtown which is located at the Terminal Tower at Public Square in Cleveland. According to Lillian Kuri and Ted Howard of CF, the foundation has already agreed to contribute approximately 7 million dollars to the project which will consist of retail, residential, as well as entertainment (Kurri & Howard, 2010)
Community Development Corporations

As mentioned earlier there are many CDC’s in the Cleveland area, two of which are UCI and Fairfax CDC. These organizations are intended to assist developers and work between the local government and other organizations to promote development in the UC area.

UCI and Fairfax currently have many initiatives which are aimed at creating investment in the area. One program is the Greater Circle Living program which is facilitated by the CDCs. This program is designed to improve access to affordable housing, assist individuals in wealth building, reduce commute times and costs, and enhance quality of life by offering employees of eligible institutions an opportunity to live and work close to world-class cultural institutions and services. This is done with a forgivable loan of $5,000 (employees of non-profit organizations in the UC area) or $10,000 (employees of major institutions in the district) which can be used for a down payment or to pay the closing closes associated with purchasing an owner-occupied home in the defined UC area. The program also offers matching funds of up to $4,000 for exterior repairs for employees who are already living in the district (Fairfax Renaissance Development Corporation).

Their role is important to the development of the area because they act as coordinators as well as liaisons between the many players that work on these developments and programs. Tom Mignogna, Director of Real Estate Development for University Circle, Inc. attributes the success of the area to maintenance of its buildings and security around UC district. The area boasts having 7 different police forces patrolling the area. This is very significant because the constant police presence makes residents comfortable and is the only part of Cleveland that has this advantage. In addition to the police patrol of the area UC also has free transportation for all of the residents and visitors of the area with Circle Links transport another small amenity that connects the institutions to the neighborhoods. There have already been improvements to the housing and business developments in the area, with the addition of the Uptown project it will bring much needed dining and retail to the area to give the residents and workers a place to shop and be entertained in the Circle (Mignogna, 2010).
Fairfax CDC is also present in the area near UC. The neighborhood of Fairfax located just West of UC and is home to The Cleveland Clinic is part of an Empowerment Zone. This zone was granted federal funds from the Department of Housing and Urban Development in the form of loans that are to be administered to local businesses. According to Jay Gardner, the Planning Director of Fairfax CDC, there are great uses of these funds in the Fairfax neighborhood, but these incentives will only take a project so far. Location and other amenities will ultimately drive a project to success (Gardner, 2010).

Another professional with experience in the UC district area is Eric Wobser. Eric is currently with another CDC called Ohio City Near West Development Corp. and was previously with the City of Cleveland. Eric was responsible for applying for federal stimulus funds to be used for a project in the UC called Lake to Lakes. This project is a bicycle trail that will start at the Shaker Lakes in the southeast of Cleveland pass through UC and continue on through Wade Park and connect with Lake Erie to the North. Eric states that this is the kind of public investment that will add to the growing amount of amenities that already and will soon exist in the UC area (Wobser, 2010).

5.2.3 City of Cleveland Planning and Economic Development

There is already a great deal of help from the local CDC’s but the local government also plays a large role in the development of the area. It is the job of these professionals to create a better quality of life for the citizens of the city of Cleveland. This can be done through city planning, economic development as well as transit planning to encourage real estate development.

When asked about the issues related to vacancy in the UC area City of Cleveland Planning Director, Robert Brown stated that “the area of UC has never seen much of a vacancy problem. In neighborhoods surrounding UC, residential vacancies exist but are somewhat less than in many other neighborhoods. The concentration of jobs in UC helps strengthen the market for housing in surrounding neighborhoods, but that positive impact has not been as significant as it could be” (Brown, 2010).
According to Kevin Schmotzer, with the City of Cleveland Economic Development department, the city stands to gain only from the income produced from the new jobs created by the institutions and not from the property tax that would be created by the value of the new buildings of these non-profit businesses (Schmotzer, 2010). This makes programs like the job creation tax credit as well as the vacant property initiative more attractive to investors and to the city of Cleveland.

In addition to the city of Cleveland’s efforts to create jobs and promote redevelopment in the UC area the Greater Cleveland Regional Transit Authority (GCRTA) is also making improvements to encourage development in the area. The Euclid Corridor Project was recently finished and it stretches from downtown Cleveland to East Cleveland through UC. This project is called Bus Rapid Transit (BRT) and while not as successful at increasing values and spurring Transit Oriented Development (TOD) as light rail, it still has the potential to connect the two districts of downtown and UC as well as creating opportunities in between the two nodes. This is another investment by the public sector that is being used by the private sector to entice investment in the area.

5.3 Types of Investors

There are many reasons to invest in the University Circle area of Cleveland Ohio and there are also reasons that many investors would want to invest outside of the University Circle area. Some investors are interested in building on the urban fringe. These developers need little assistance from government and are able to acquire private investment as well as permanent financing for their projects with little difficulty. This is due to the fact that building on a “Green Field” site on the outside of a heavily populated urban area such as Cleveland Ohio on land that was once used for farming or simply never before used by its inhabitation will be less difficult than building in a urban Midwestern city with population decline and low income residents. On the other hand, many investors see a lot of value still left in the University Circle.

There are many reasons why investors would like to invest their time and money in the University Circle. These investors are typically still see value in the area and potential to build something that will satisfy the areas needs as well as to leave their mark on the area and create something for future residents to enjoy.
These investors find a niche in the area around the institutions. Because of Case Western Reserve University, and the Cleveland Clinic and the other institutions in the area developers and investors see potential to create value in this part of Cleveland that does not exist in other parts of the region. There is a need to create housing for doctors, nurses, students and other employees of these institutions as well as give those who live and work in the area a place to shop and relax.

The need for these types of uses for housing and shops would not be possible without the initial investment made by these institutions. The initial creation of the Clinic, which has its roots in the area for generations, has laid the groundwork for the developments that we are seeing today. But there are also other reasons.

Investors and developers such as MRN, Fairmount, XYZ, 27 Coltman, and Paran Management are all examples of companies that still see value in the University Circle district in Cleveland Ohio and continue to do market research to prove that their projects will be successful. Some of these firms are familiar with the area and are no stranger to doing developments in the City of Cleveland and other lower income areas. This allows them to know the system and know who to turn to for help.

Joe Shafran of Paran Management states that the best asset that his company can have in this situation is a great CDC (Shafran, 2010). His company is used to doing projects in the city of Cleveland and surrounding suburbs and he always looks to the CDC to get the information he needs.

5.4 Institutions

In the University Circle area of Cleveland Ohio there are many institutions including the Cleveland Clinic, University Hospital, Case Western Reserve University and VA Hospital. These institutions have been an influential part of the area for over 100 years. In researching the area and trying to determine the importance of these institutions on the influence of the type of development in and around the area we found that there are other such institutions in the Cleveland area that have also helped to create development in surrounding areas.

According to Lisa Kious of Key Bank, institutions such as the Capital Theater on Detroit Avenue on West 65th Street in Cleveland are the catalysts for redevelopment (Kious McGovern, 2010). They spur
other developments in the surrounding areas. This in addition to streetscape and other public improvements to the area the district is seeing more investment in recent years which includes the addition of # of businesses.

<table>
<thead>
<tr>
<th>Organization</th>
<th>Impact on Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jay Foran - Team NEO</td>
<td>Firms see incentives as a &quot;tie breaker&quot;. They will agree to locate in a given region only when other needs to do business are met first.</td>
</tr>
<tr>
<td>Jay Gardner - Fairfax CDC</td>
<td>Incentives will only take a project so far. The location and amenities will drive the project.</td>
</tr>
<tr>
<td>Tom Mignogna - University Circle Inc. CDC</td>
<td>While amenities such as transportation and police services help promote development, developers as well as the end users are drawn to the area by the institutions and other opportunities.</td>
</tr>
<tr>
<td>Bob Brown - City of Cleveland Planning</td>
<td>It is the goal of the incentive programs to encourage development and make projects feasible where needed, but when a stabilized economic atmosphere is established the incentives will no longer be used or needed.</td>
</tr>
<tr>
<td>Kevin Schmotzer - City of Cleveland Economic Development</td>
<td>Development expands in areas where development is already occurring (i.e. University Circle, Tremont area).</td>
</tr>
<tr>
<td>James DeRosa - RTA</td>
<td>Goal of Euclid Corridor is to pull development to the corridor that may have happened in other parts of the city/region.</td>
</tr>
<tr>
<td>Ken McGovern - Doan Center Inc.</td>
<td>History of the institutions in the area and the commitment of CDC's have contributed to the UC district current successes.</td>
</tr>
<tr>
<td>Eric Wobser - Ohio City CDC</td>
<td>Developers see value in the City again because of employment centers including downtown and UC.</td>
</tr>
<tr>
<td>Lillian Kurri and Ted Howard - Cleveland Foundation</td>
<td>Philanthropy can increase a communities value through strategic investments.</td>
</tr>
<tr>
<td>Lisa Kious McGovern - Key Bank</td>
<td>While incentives such as historic tax credits and Tax abatements help to make projects happen, a Catalyst such as the institutions is also key to having successful off shoot development in an area.</td>
</tr>
<tr>
<td>Joseph Shafran - Paran Management</td>
<td>CDC's can assist development by being in between developers and government to make the process easier.</td>
</tr>
<tr>
<td>Lou Barbee - 27 Coltman</td>
<td>Incentives offered are poorly advertised by organizations and government. Only a small number of the homebuyers of their development take advantage of the GCL program.</td>
</tr>
</tbody>
</table>
The delimitation of this topic is that public policies are made by prediction and experience. The outcome from one specific policy is influenced by other programs/plans implemented during the same period. So the conclusion we draft of this topic are more judgment than fact. Policy makers adjust the policies by judging the previous outcome.

Specifically we are focusing on the University Circle district in Cleveland. To date we are unaware of any literature on the subject area and our literature review will mostly consist of a general discussion about how incentives affect investor’s decision making based on other comparable areas. How much the effect is? Quoted to our specific region, it may not work the same. Their experience is just for our reference, not what they say is what is going to happen when we make the same policy in Cleveland metropolitan area.
6. CONCLUSION AND SUMMARY

Having analyzed previously literature related to development incentives as well as personally communicated with many development professionals that have direct interaction with the UC district it is our conclusion that the government incentives that are offered in the UC area can be positive for the areas growth and development, but they do not have any direct impact on the success and development of many of the projects and livability of the area as a whole.

Our conclusion is that these incentives have been helpful in bringing in some of the jobs and building some of the new homes and retail areas; it is not the main force that is driving the development of the area. If it were not for the initial investments made by the large institutions in the area, the UC district would have a similar outcome of other neighborhoods in the Cleveland area. These areas see many of the same incentive programs, but do not have any of the same developments happening.

While the use of programs such as brownfield cleanup and historic preservation tax credits have the ability to make projects financially feasible, they are not as popular in the university circle area because there is a great deal of demand for the area already. This demand created by the Clinic and the other institutions is why many are flocking to the area now. While experienced investors and developers will always take advantage of these programs to help their bottom line they still see value in the UC district because of the institutions and the value that they add to the area.

6.1 Recommendations

While we, as researchers, think that these programs may not be exactly what the neighborhood needs, we do understand that these programs are what is currently available and to leave a city like Cleveland without any assistance could possibly make the situation even worse given the current economic circumstances. It is the role of the public policy to influence the private investors to come to their area, whether that is a specific neighborhood, city, state or even locating a firm from another country to the USA. But it must be understood that with the information that we are given that it is the initial investment by these large institutions and employers that will eventually lead to other development in the area. With the successful planning and investment of these large
institutions we are able to have hoped that there are more jobs homes and businesses created for the future, with or without government incentive policy.

6.2 Future of Programs

While the future of these programs is unknown, it is known that the City of Cleveland as well as many other cities around the United States, specifically the Midwestern “rustbelt” states are still in need of assistance to maintain or regain their competitive edge. With the current literature that is out about this subject it seems that there are little data that shows how these programs are still considered effective. There is cost benefit analysis that shows that these programs are not working efficiently or effectively. Yet they are still being used because they would be politically unpopular to get rid of them at this point. And as many of the participants have said throughout this research paper the state and city governments are currently having to tighten their belts and are forced to give up some of these programs especially grants and other free funds while continuing to offer low interest loans to home and business owners. In the coming years if these programs are working there should be ways to continue them, but if they are not working they should be eliminated and communities should have to be more creative in how they approach their real estate redevelopment and economic development plans.
REFERENCE LIST

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Appendix 1

University Circle Interview Questions
Public & Non-Profit Sector Questions

1. How long have you worked in the Real Estate/Economic Development industry?
2. What is your current title?
3. What is your relationship with the University Circle area in Cleveland?
4. What is the history behind some of the incentives offered in the Cleveland area, specifically the University Circle area?
5. What is the reason for choosing a specific type of incentive program for this or any other area in Cleveland?
6. What are the criteria to be considered for these incentives?
7. Of the incentives offered, what are the incentives that investors take advantage of the most? How is it measured? Is it based on number of applications submitted for a specific incentive?
8. Has there been a reduction in vacancies in the University Circle area with the implementation of some of these programs? If so, how much?
9. Have property values increased significantly since the introduction of these programs?
10. What kind of developer/investor is interested in working with these programs and what is their success rate?
11. What is the measure for success of these programs? Property value increase, tax base increase, employment increase, median household income increase for the area?
12. Are there before and after statistics related to these measurements and if so what other factors may have played a role in the increase or decrease of these statistics?
13. Why was the decision made to extend these incentive programs to other areas and create more competition for development?
14. Do these incentives increase profit for land owners and real estate developer?
15. Has the implementation of the Greater Cleveland Regional Transportation Authority (GCRTA) Healthline bus increased ridership in the area? If so, do you have the statistic data?
16. Has the ridership had a positive impact on the local economy?
17. How is this impact measured?
18. Do these tax incentives and/or other amenities increase the speed at which homes are sold in the area?
19. Do these tax abatements and/or other amenities increase the value of homes and surrounding properties?

20. Are investors attracted to the project in University Circle because of the location, incentives, both or other reasons?

21. What evidence are you aware of that these programs work in the short term or long term related to job creation or property value increase?

22. Do the government programs provide enough assistance or too little assistance to investors given the current real estate market in Cleveland?

23. Is it likely that the programs will be eliminated if the area experiences normal vacancy rates and a steady economic atmosphere in the future?
Appendix 2

University Circle Interview Questions

Private Sector Questions

1. How long have you worked in the Real Estate/Economic Development industry?
2. What is your current title?
3. What is your professional relationship with the University Circle area in Cleveland?
4. What are your company’s criteria for investing in the University Circle area?
5. What is your company’s policy regarding investing in projects that use incentive programs?
6. Does your company generally invest in projects where incentives are offered?
7. In the past (8-10 years) has your company invested in properties where incentives are offered? If so, what is the overall percentage of your company’s total investments?
8. Are there more diverse kinds of incentives offered by governments now than in the previous 8-10 years in your experience? If so, what are the trends in these new policies?
9. What, if any, incentives attract you to a location or project as a potential investment for your company?
10. Are there assistance programs from the local government (State, County or City) for acquiring land or making improvements to your projects in the University Circle Area? If so, what are they?
11. Do properties that you own in the University Circle area have reduced vacancies compared with other properties in other areas of the region?
12. Does your company take advantage of the “Creative Financing” programs offered by the City of Cleveland or the County Economic Development Departments related to your properties located in the University Circle area?
13. Do these incentive programs help with financing improvements to your property that would otherwise go without repair?
14. How do you acquire financing for projects these days? Private, public, personal or a combination?
15. Do these Incentive Programs offer you an increase in NOI for you as property owner/Developer in the area?
16. What assets or amenities attract you to pursue a project in the University Circle area?
17. Do these programs increase the value of your property and/or surrounding properties?
18. Have you seen a value increase in your investment since with the recent developments (i.e. Clinic, Euclid Corridor and University Hospital improvements) in the area?
19. Do tax incentives positively or negatively impact the speed at which your properties are sold/rented? If so, how?
20. Has the implementation of the Greater Cleveland Regional Transportation Authority (GCRTA) Healthline bus on the Euclid Corridor impacted your project? If so, how?

21. How do incentive programs help to increase the developers overall profitability of a project?

22. Who are the target customers for your project?

23. Are they attracted to the project because of the location, incentives, both or other reasons?

24. In your opinion, what is the future of incentive programs like the ones in the University Circle area of Cleveland?

25. Do the government programs provide enough assistance or too little assistance to investors given the current circumstances with the real estate market in Cleveland?