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Policy Lessons from Cleveland's Economic Restructuring and the Accompanying Case Study

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*Labor Day Weekend in Cleveland, 1995: The weekend opened Friday with a downtown parade celebrating the opening of the Rock and Roll Hall of Fame; Saturday saw 10,000 people going through the waterfront Hall as jets from the air show held in the adjacent airport screamed by, and, that night, over 50,000 attended an internationally televised rock concert in Municipal Stadium. This was all page one news in Cleveland's newspaper**, The Plain Dealer**. Saturday witnessed the traditional AFL-CIO Labor Day parade—reduced to a walk between a suburban shopping center and a park, covered on page 3 of the second section of the same newspaper. (The parade has been a suburban stroll since 1992.) Cleveland has changed.*

FORWARD

How does a city built for one economic and social era change to meet the demands of another? In essence this is what it means to be a "good" city: the ability to adapt to external change so that people can prosper in the new economic and social environment. Part of being a good city is the ability to invest in people and places so that physical and social capital are available for development. Another part of being a good city is a unified sense of place so that people recognize a common bond that transcends their immediate neighborhood, class, race, or ethnicity. Finally, a good city is one that is fair and is perceived as being fair. All of this means that being a good city requires the ability to continually regenerate its economic base by tying together human capital investments—primarily through efficient educational investments, with product innovation and flexible local capital markets; excellence in urban design; and access for all to all parts of the city.

This essay is about Cleveland's attempts to remain a good city in the face of a dramatic shock to its economic foundation. Cleveland has recovery from profound economic restructuring that began with the recession of 1972, and was catalyzed by the recessions of 1979 and 1981. The region's economic crisis was one of three simultaneous problems that the region had to confront; the city of Cleveland also had to resolve political and public administrative crises. Even though the restructuring of the economy was at the root of the other problems, the city's political and administrative difficulties had to be addressed before a strategy to address the region's economic problems could be executed. The political crisis revolved around the mayoralty of Dennis Kucinich, but it really marked a shift from redistributional, populist, politics to the politics of economic development. The city's administrative crisis revolved around the need for City Hall, the Housing and Transit Authorities, and the Metropolitan Park District to professionalize management, lower costs, and focus more on service delivery and less on patronage. In many ways these governmental units were part of the city's populist redistributive machinery that could be supported under the region's older economic structure but could not survive the emerging economic order..

What is a city in the context of changing economic structure? It is not the municipal corporation, or legal city, called Cleveland; that is the city of a much earlier age when people both lived and worked within the same set of legal boundaries. The city remains the territory within which people both live and work, but thanks to the automobile and highway, Cleveland now stretches over a multi-county area that covers most of Northeast Ohio.

This paper has two major components, each can be read as separate writings. The first consists of lessons for national urban policy and the practice of economic development from Cleveland's experience. The second is the case study, emphasizing the formation and implementation of the region's economic development strategy.

I. POLICY LESSONS FROM CLEVELAND'S ECONOMIC RESTRUCTURING

There are two sets of lessons to be learned from Cleveland's experience with economic restructuring. The first set consists of eight recommendations distilled from the Cleveland's experience with economic restructuring that can help shape national economic development policy. The second set of lessons come from the way Cleveland structured its private-public economic development organizations and executed its regional development strategy.

Lessons for National Urban Policy

There are eight lessons that the federal government can apply to formulating a national urban economic development policy from Cleveland's attempts to revitalize itself. These lessons encompass: *learning, strategy, leadership, capacity, leverage and scale, distress, coordination,* and *accountability*.

1. Learning.

The federal government has a critical role to play in monitoring, evaluating and disseminating knowledge about economic development strategies and techniques. They can only do this if they are an investor in either development projects or staff capacity and, in effect, purchase a seat at the table. An essential complementary function is providing high quality statistical information about the functioning of regional economies. Timely, statistically accurate, labor force data and estimates of gross regional product for metropolitan economies are especially needed.

2. Strategy.

The promise of federal funds can be catalytic, but the competition for those funds must force the local economic community to place projects in a strategic context, and the strategy must be shown to be reasonable and widely accepted by private and public actors who makeup the economic community. The strategy must be both benchmarked and reviewed to see if it has worked and if it is relevant to current economic and social conditions.

Maintaining a long term strategic focus was critical to Cleveland's regional economic revitalization but the strategy had to be preceded by responses to the political and administrative crises faced by the city of Cleveland that were revealed by the regional economic crisis. The strategy had to be proceeded by a shift in city and union politics from confrontational, distributional, populous politics to the cooperative politics of economic development. In Cleveland's case two process institutions—the Round Table, dedicated to improved racial understanding between corporate, political, and African American leaders, and Work in Northeast Ohio, a group that works on labor management issues—and the leadership of Mayor George Voinovich prepared the ground where the economic development strategy proposed and sponsored by Cleveland Tomorrow, a non-profit group composed of the corporate leadership of the region, could take root. Cleveland's strategy was widely accepted by its political, corporate, and union leadership—its economic community—due in part to inter-personal connections made in those earlier organizations and due to their vested interests in finding solutions to an economic transition that threatened their livelihoods. The second lesson is that the strategy gained legitimacy, and the economy vibrancy, with major plant investments by the

Big Three domestic automotive manufacturers, their second and third tier supplier chains, and LTV Steel Corporation. It is doubtful that these investments would have been made without the combination of the sunk capitol these firms had in the region and the improved labor-management climate. Effective economic development strategy cannot be created in a vacuum, or purchased from development consultants, because strategy goes far beyond a convincing line of argument and a four-color brochure; it is the way the way strategy is developed and implemented that makes a difference in economic performance and peoples lives that makes a difference and this comes from leadership.

3. Leadership.

Private-public development partnerships work, but they must represent a broad coalition of support for specific projects for the project to succeed. That support must consist of a combination of financial and personal involvement. As an aside, it is important to note that the exact composition of that partnership and who takes the lead will differ from region to region depending on the region's particular political and economic cultures, the nature of corporate and institutional leadership, and the degree to which civic infrastructure can address development issues. Three questions need to be answered to identify the economic development leaders of a community:

- Who can catalyze interest and action on pressing regional and local economic development problems?
- Who can maintain a long term strategic focus on both the problem and proposed solution? and,
- Who can leverage resources to address those problems?

These three questions amount to asking: Where does the real political muscle lie? and Does the self-interest of the leadership correspond to the long term development interests of the community?

There are two problems in providing economic development leadership and they relate to two mismatches—one in time and the other in geography. The time it takes for a regional economy to restructure is much longer than the time horizon of politicians and, increasingly, of corporate leadership. The geographic mismatch is more subtle than the timing problem.

William Barnes and Larry Ledebur (1991) point out that there is a spatial mismatch in two important federal systems. There is a federal system of government goes from the nation, to states, and then to municipalities. The federal economic system starts at the global level, devolves to the nation, and then drops to functional regional economies—many of which are metropolitan areas. The problem is that metropolitan economies are not representative units of government and it is difficult to invest in the economic good of the region from state and municipal government. The promise of federal funds offers a strong incentive for state and local governments to overcome urban-rural, city-suburban and regional political rivalries and help overcome the mismatch in the two federal systems.

The reason why corporate leadership is seen as an economic development resource becomes clear when you consider the mismatch in the two federal structures. Normally we think of private sector involvement in development because the private sector makes the investments that power economies. This is a rationale for the private sector's leadership in development transactions, not strategic development and political activity. Corporate leadership in development strategy is required because businesses are the only organizations that span regional economies. Corporate leaders have a perspective that spans the regional economy, but they will must have enough at stake to take the risks of entering visible economic development politics.

In Cleveland's case it took ten years for economic regeneration to take place and corporate leadership entered the arena of development politics because their economic crisis was part and parcel of the region's development crisis. Superior leadership and a reasonable strategy do not guarantee economic revitalization. Development depends on the way the strategy is executed and on investment. The City of Cleveland faced an administrative crisis in the early years of the Voinovich Administration and it did not have the capacity to execute the development strategy.

4. Capacity.

Either local government must be especially effective in its ability to carry out a project, or there must be a broad and deep civic infrastructure located outside of formal government that can see projects through to completion. Federal support maybe provided to development capacity that lies outside of formal units of state and local government. The Voinovich Administration dealt with its administrative crisis in two ways. It hired expertise from another city to run its new development department to execute the deals that required the City's direct involvement. It used federally mandated planning processes and applications to train indigenous expertise. Finally, the region as a whole created a deep civic infrastructure to complete development deals.

5. Leverage and Scale.

There needs to be a high degree of local match to the federal investment for two reasons. First, it is an external sign that local community leaders feel that the project is a reasonable risk and demonstrates local political commitment. Second, it can bring a project to sufficient scale so that it can have a demonstrable impact on local development objectives. However, it is unlikely that the match will be dominated by investments from the private sector. The match can come from other units of government, local foundations, and in the case of development organizations that deliver services directly to firms, from memberships once the program has proven its worth.

In Cleveland's case the financial involvement of county and state governments was particularly important and there was an inadvertent rationale to the pattern of federal involvement—it was nearly nil when the city was politically incapacitated, it then became rather large and then tailed off. There was always local match but that match increased as time wore on. This pattern was not designed, it was a result of the federal government's gradual disengagement from urban development. This implies that once a place has demonstrated that it has the civic infrastructure to do development, and it has an economically viable rationale based on the demonstrated competencies of its economy, federal investments make a substantial difference in the future of a city or of a region.

The Cleveland case demonstrates another important role of the federal government in economic development—the federal government is a critical layer of finance that is required to take a solution to "scale." This is a rather ungrammatical way of saying that it takes a big banker to tackle large and complicated problems. There are three reasons why scale matters in urban economic development. First, urban development problems are both large and difficult and it takes large projects to have visible and meaningful results. Second, it is easier to attract high quality staff to larger organizations. Finally, larger organizations have more flexibility in terms of their financial resources and they can invest more time on process issues and take a more strategic focus then a transactional focus in their work. Again, it is federal funds and guarantees, coupled with the federal government's ability to require leverage, that brings solutions to scale.

The Cleveland case demonstrates three points. First, being cut off from federal funding due to poor performance, or being reprimanded for poor performance, can be a powerful spur for local authorities to reform. This was the case when the City of Cleveland was cut off disciplined for the poor performance of its urban renewal and when the regional housing authority was reprimanded by the federal authorities. Second, the federal government does not have to make politically painful choices between communities as long as it has rules that require local match, demonstrated local capacity, and a reasonable development strategy. Third, federal Urban Development Action Grants (UDAG) and Community Development Block Grants (CDBG) funds allowed the city of Cleveland to reshape its downtown and the scale of those investments mitigated the risk perceptions of investors.

Making scale a reason for federal involvement in urban development brings forward a fundamental question: Which are the urban development issues that are in the nation's interest and which should be the province of state, regional, and local government? After all, if state and county governments are not interested in investing in their own urban areas, why should the central government? One reason for the federal government's involvement was discussed above—to provide incentives to bridge the gap between political and economic geography. The second is distress.

6. Distress.

The federal government has a unique role to play in that it is the entity that can act in distressed communities. There are many local conditions that are manifestations of national problems and economic distress is one of those problems. Whether the issue is the effectiveness of urban educational systems, the response to changing demands for skills in the labor market, or the impact of restructuring industries, the problem is often a national problem that happens to be located in a specific community. This does not mean that the federal government has an obligation to right all that is wrong in all distressed communities—this is an impossible and wasteful objective. Instead, it is the federal role to provide incentives for that community to make investments and changes that are difficult to make and those incentives should only be made available to those communities that have the capacity to successfully complete reasonable projects. Those communities are also in the best position to coordinate federal development assistance.

7. Bottom-up Coordination.

The federal government cannot coordinate all aspects of economic and community development assistance. This must be coordinated locally and be consistent with local goals and objectives. The federal government can consolidate and simplify the number of programs; aggressively educate local officials about the existence, purpose and requirements of these programs; and make it easier to work across federal departments.

The federal government should provide incentives so that communities coordinate community and economic development funding.

8. Economic Development; Not Community Development.

Economic development is a component of community development, and as such it is tempting to recommend that federal economic and community development funds be lumped into a large pot and local communities divide the funds up as they see fit. This would be a mistake for two reasons. First, local and state politics can result in the alleviation of distress being assigned a very low priority. Second, combining programs makes it very difficult to ensure accountability and it makes it very difficult to evaluate program effectiveness and efficiency (this would damage the learning goal). Linking economic development and community development investments is important because they are interdependent. However, this should be done at the local level and federal grant making can recognize and provide incentives for linking community and economic development efforts.

Cleveland's development model is based on strategically identified private-public partnerships that focus on well-defined development goals. Each goal is addressed by defining more immediate objectives, which are treated as transactions, or "deals." (Granted, these deals are often very complicated and difficult to structure.) The result is that Cleveland's model works much less well on community development objectives (as opposed to economic development objectives), process issues where the politics are messy and goals and products are less tangible, and city-specific redistributive objectives. These will forever remain within the realm of politics and require the ongoing involvement of some higher level of government.

The Structure of Cleveland-style Economic Development

There are additional lessons from Cleveland-style economic development, however the implications are not directly relevant to federal policy, but are critical parts of the Cleveland approach to development. They relate to the way the development process is organized and controlled and are a product of the region's political culture and experience. Cleveland's development process began with a strategic plan that was commissioned by a small group that represented the largest employers in the region and was broadly adopted by an expanded group of corporate leadership, who in-turn sold the strategy to political and other pinion leaders.

This plan identified strategic objectives that needed to be addressed if the economy of the region was to change. These are investments that the private market is often unwilling to make without some form of assistance or encouragement, either due to their risk or to the public goods nature of the product (such as improved labor-management relations, manufacturing extension programs, or new civic buildings—even if they are to be privately controlled such as sports arenas and shopping malls). The agenda was developed with the consent of the mayor and it was adopted by the county commissioners, governor, state and Congressional legislative delegations. Pursuit of the long term agenda was left to Cleveland Tomorrow as the intermediary, coordinating, institution. It is doubtful whether this approach could work in a purely opportunistic, deal driven, development environment, as opposed to a strategically driven environment.

Each objective was addressed by first forming an institution closely resembling a community based development organization (CBO) whose purpose was to address the issue at hand—this is even true of Cleveland Tomorrow, the organization formed to maintain the development agenda of the corporate leadership. The development organization is supported by a combination of foundation, corporate, and governmental funding. The government funding is project related, while the continuing funding comes from the other sources. The corporate funding can take two forms—initial corporate grant, that are often followed by membership fees. Seed funding by local foundations and corporations are critical to the success of this model as these funds act as capital. The organization is often temporarily housed inside of some other organization and once it has identified a product or a deal it is spun out of the sponsoring organization (this is especially true of Cleveland Tomorrow, which is an extremely flat organization).

The development organization is controlled by a board that has significant direct representation by the private sector or by the private sector's representatives and the board's membership must have a direct stake in the issue that the organization addresses. Often the development issue is regional in scope and formal political representation on the organization's board is minimal, but the organization remains very respectful of the power of formal government and cognizant of the needs of elected officials. The result is that the Cleveland development model has created, and supported, a very dense professional civic infrastructure. Because the strategic plan that has been followed has three distinct components—regional development organizations, spatially based (neighborhood) commercial and industrial development organizations, and neighborhood development organizations that specialize in housing production—three distinct networks of CBOs exist.

This model has produced two results. First, civic development projects have been privatized and largely taken outside of formal politics. This is due to the nature of the development organizations and to the condition of the City of Cleveland's bureaucracy in the early 1980s when this development effort began. Many of the directors, members and staff of these organizations live outside of Cleveland, or the organizations service firms that are located both inside and outside of the city. This means that organizations, of necessity, begin to take on a regional perspective. The development effort was located outside of City Hall for a second reason. In the late 1970s and early 1980s the City faced an administrative crisis and did not have the capacity to execute the strategy, even though the City's Economic Development Department did develop the capacity to complete complicated financial packages under the UDAG program by the mid-1980s. The second result of the organizational structure of Cleveland's development effort is that there is an ever present danger in the civic infrastructure becoming what Janis Purdy calls "the civic underbrush."

There is a need for mediating institutions to organize the claims for resources made by the three sets of organizations. The foundations and Cleveland Tomorrow acted as the mediating bodies until the number of organizations and multiplicity of networks became too dense. Recently, the foundations have begun forming "clearinghouses" to sit on top of each network, to rationalize claims made on resources. Neighborhood Progress Incorporated sits on top of the CBOs that produce housing. The Growth Association sponsors an effort that is attempting to mediate the regional employment training system. Cleveland Tomorrow and the Growth Association mediate the regional development and development research organizations. At present there is no holding company at work among the CBOs engaged in commercial and industrial activities.

The strength of this development model is that the civic infrastructure is composed of professionals who are familiar with each other and work well together, allowing them to broker and complete deals, who work within the strategic framework that is maintained by the Cleveland and Gund Foundations, Cleveland Tomorrow, and the leadership of the Greater Cleveland Growth Association—the boards of all of these organizations have significant, and often overlapping, membership from the region's elite corporations and law firms. The development organizations are also production, or goal, oriented. In this regard they have adopted a corporate operational culture. The reality of this model is that it is top-down in structure and lies outside of formal political process and can be appear to be exclusionary to those without access to one of the networks. The Cleveland model can also appear to be monolithic to those who do not agree with the overarching development goals. The Cleveland model depends upon sharing credit, cooperation, and fundamentally on knowing the needs of the formal political system and finding ways to meet those needs. This is a cultural understanding and it recognizes the power of the mediating institutions.

The Cleveland model also involves corporate leadership in real decision making roles, not as civic figureheads that pass on staff developed projects. They invest personal funds in some of the projects and corporate funds in many others, but these investments always follow the personal expenditure of time and effort on the project by either themselves or a peer. This structure is evident in statements the first two executive directors of Cleveland Tomorrow made to a Harvard Business School case-writing team (Austin, 1996a, p.9). The first director, Bill Seelbach, said that:

> The staff brings analysis, alternatives, and recommendations to the Officers' Group (the executive committee of Cleveland Tomorrow). The Officers' Group, in turn, make recommendations to the full board, and then the board votes on it. That is in

> contrast to many organizations where, frankly, the agenda is set by the staff, and the programs are directed and run by full-time staff.

Richard Shatten, the second director, recounted a lesson he learned from Mort Mandel, one of the CEOs who founded Cleveland Tomorrow. Shatten reported that Mandel told him after a meeting where Shatten told Cleveland Tomorrow's board not to worry about an issue because he had dealt with it:

> You (as executive director) have to involve me (as a member), because involvement leads to understanding. Understanding leads to commitment. Unless I'm involved, I can't be committed, and if I'm not committed, I'm never going to give you any money.

There are two major weakness to Cleveland's model of development. It can break down if there is excessive credit claiming on the part of a political leader that the civic infrastructure cannot accommodate, or if there is organizational rivalry that cannot be mediated. It can also break down if the balance between downtown development—which is of regional interest but formal control over land use resides with the City of Cleveland—and neighborhood development—which is very important to the city's political leadership but requires funds that are often under corporate control—is upset.

There is a reality that must be faced when discussing the impact of federal economic development policies on any region in the nation. Formal economic development spending is small compared to the (often unintended) developmental impact of four major areas of federal spending: federal highway and infrastructure spending, the capital gains treatment of housing, the home mortgage interest deduction from federal income taxes, and federal research and development spending and military procurement. In their present form all work against established urban areas. As Robert Jaquay said: "The major role that the federal government plays in our (Cleveland's) economy is the unintended consequences of highway funding and tax policies—especially the capital gains tax treatment of housing and the mortgage interest deduction—which changes the spatial form of the region. ... Efforts at urban economic development make sense, but they are not large enough to counter the other subsidies."

The next section of the paper contains the Cleveland case study. First, the outcomes from the region's decade-long recovery are documented. The change in the political-economic culture of the region that served as the foundation of the economic development strategy is discussed in the third section.[1] The fourth section describes the process by which the region undertook its restructuring, paying particular attention to the role of the federal government.

[1]This paper is partially based on seven interviews I conducted in late August and early September, 1995 with people who led, or staffed, organizations that were important to the city's revitalization efforts and were in positions to work with broad cross-sections of the corporate and civic communities. William Bryant was the chief executive of the Greater Cleveland Growth Association during most of the period covered. Stephen Gage is President of the Cleveland Advanced Manufacturing Program (CAMP). Robert Jaquay was an Executive Assistant to Mayor George Voinovich. Christopher Johnson was with the State of Ohio's Economic Development Department in the early days of Governor Celeste's Administration, he then moved to Cleveland where he was the first director of the Rock and Role Hall of Fame and latter moved on to become the Director of Mid-Town Corridor, Inc. Janis Purdy was part of the team that established Cleveland's first economic development department under Mayor Voinovich. She currently is Executive Director of the Citizen's League of Greater Cleveland. Richard Shatten was Executive Director of Cleveland Tomorrow. David Sweet is Dean of the Levin College of Urban Affairs and held that position throughout most of the time period covered by this paper.

II. Revitalized Cleveland, Not Comeback Cleveland: Federal and Local Forces That Rebuilt a Region

Comeback Cleveland By The Numbers

> *What does "Comeback" mean? It's largely physical development focused on the downtown; that's what the feds gave us the money for.*
> —Janis Purdy, Executive Director, The Citizens League

Cleveland's "comeback" is complex and the perception of the successes that the city and region have experienced in developing a new economy has been hurt by the very term that has been used in the promotional effort—comeback. The word has generated unreasonable standards for success, even though it has proven to be both a winning marketing tag line and a successful piece of alliteration. Comeback implies returning to what was. Cleveland is not a comeback city or region, it can never become one, and should not aspire to become one. America's role in the global economy changed, and with it, so has Cleveland's role in the national economy. Like Humpty Dumpty, the old economy cannot be put back together again.

What would be required to produce comeback Cleveland? The region would have to return to being a prosperous center of heavy industrial production as of old; where poorly educated, semi-skilled, labor can share in the oligopoly profits of corporations that are insulated from serious domestic or international competition. This, of course, will not reoccur in the foreseeable future because the tremendous market power of those corporations has been reduced; oligopoly profits have decayed in concert with their loss of market power; and, as oligopoly profits have declined so have the rents available to labor.[2] If not Comeback Cleveland, then what? Cleveland's economy is revitalizing. Downtown Cleveland witnessed a wave of building since 1983. The unemployment rate shows that the regional economy has successfully changed. However, an index of employment growth and data on poverty indicate that work remains to be done. Each of these indicators of economic restructuring are examined in his section.

Downtown Construction

From 1980 to 1996 building construction contracts let in downtown Cleveland totaled about \$3.7 billion in 1994 real dollars. (Table 1) Nearly 60 percent of this amount was invested in buildings that were dedicated to office and retail activities and 21 percent were invested in entertainment or visitor attractions. Another indicator of the rebound of Cleveland's downtown is the real (inflation adjusted) increase in property values. The real value of private property holdings in 1979 was \$1.286 billion in 1994 dollars. The value in 1990 was \$2.7 billion.[3]

There is little question that this investment re-made the public face of the downtown and that the public sector participated substantially in the financing of these projects in the form of various subsidies, write-downs, and tax breaks. The largest investors were county and state governments, followed by the City and federal

[2] One definition of an economic rent is any above market return that is garnered through market power. The economic profit of a firm and its accounting profit differ by the sum of the rents. To an accountant profit is returns to stockholders and retained earnings. To an economist profit are these items plus rents.

[3] Bingham and Kalich (1996) report that the assessed value of real property, in 1987 dollars, in 1979 was \$334 million at a 35 percent assessment rate and the real value in 1990 was \$705 million. To obtain the estimated market value in each year, in 1994 dollars, I first inflated these dollars amounts and then divided by the assessment ratio, 35 percent.

governments. There is no single accounting available of the investments made by each governmental unit and I was not able to find an accounting of the various building projects that identified the participation of each unit of government, the not-for-profit sector and private investors. But examples are available.

Table 1

Annual Spending on Major Building Projects in Downtown Cleveland from 1980 to 1996

Year	**Reported Contract Amount** **Current Dollar** (million)	**1994 Real Dollar** (million)
1980	64.5	106.9
1981	22.5	35.4
1982	12.4	18.8
1983	137.8	204.8
1984	124.0	178.9
1985	236.0	331.8
1986	69.9	96.9
1987	98.5	132.6
1988	128.2	166.5
1989	60.3	74.9
1990	672.2	789.8
1991	689.4	772.1
1992	16.6	17.9
1993	0	0
1994	401.4	401.4
1995	268.9	268.9
1996	244.9	244.9
TOTAL	3,160.5	3,700.3

Sources: Greater Cleveland Growth Association

Northcoast Development Corporation is the not-for-profit organization that controls the Northcoast Harbor site, home to the Rock Hall and Great Lakes Science Center Museum. The initial $10 million investment in Northcoast Harbor came from the State's capital budget, and accounted for 55 percent of the project investments as of 1991. The State funds were linked to an early grant from the Economic Development Administration to make the harbor a reality. Thirteen percent came from federal sources, and 6 percent from county and city government. Corporate donations accounted for 10 percent and local foundations contributed 10 percent.[4] Once the inner harbor was completed, the Rock Hall's architect selected the harbor as its location. The reported contract amount for the Hall was $45 million and Cleveland's alternative newspaper, **The Free Times**, reported that the exhibits cost $22 million.[5] The State of Ohio put in place the first traunche of funding for the Hall with an $8 million capital grant and $64 million in bonds were issued, two-thirds by the County's Port Authority, one-sixth by the County and a matching amount by the City. These bonds are to be repaid in part by tax increment financing from Tower City's property taxes, the County hotel bed tax, and admissions fees.[6]

Tower City Center is one of the two cornerstone projects in Cleveland's downtown redevelopment. It was a high risk venture and was the project that, in the words of Janis Purdy, "taught us how to put together packages." (Purdy was one of the original members of Voinovich's new Economic Development Department). Tower City was first announced in 1985, construction began in 1987 and the project opened in 1990. The project received five UDAGs valued at $31.5 million and at least $54 million in transportation grants from federal and state sources.[7] The project is widely reported to have let construction contracts valued at $400 million. Tower City was of such size and complexity that it took deep pockets to make the project possible, and the bulk of the patient public money came from the federal government. Most other projects in

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[4] Cleveland Tomorrow, Sources of Funds 1982-1991 (mimeo).

[5] The contract amount was reported by the Growth Association and the figure on the exhibits was reported by Roldo Bartimole in "Corporate Rock and Roll," **The Free Times** (August 30, 1995) p. 11.

[6] Bartimole, **Free Times**.

[7] See Keating, Krumholz and Metzger (1995) for a full discussion of the use of UDAGs in Cleveland.

Cleveland's downtown, however, received their funding from State and County Governments. Playhouse Square and Gateway are good examples.

The federal government did not directly participate in the development of Playhouse Square. The County and City provided nearly half of the funds—primarily the County. The State contributed nearly a quarter of the funding, using the bonding authority of the higher education budget as the shell to transfer the funds. The final 20 percent came from corporate contributions (13 percent) and local foundations (7 percent).

Gateway is a half billion dollar sports complex and the final sources of funding are not yet clear. The bulk of the funds come from a county-wide sin tax that is used to retire bonds issued by the County government. Infrastructure finance came from gasoline taxes and from a state-wide infrastructure bond issue called Issue 2. The City of Cleveland also abated property taxes as a development incentive. The federal government contributed indirectly by allowing the issuance of tax free bonds for the project. Funds from loges and club seats and naming rights completed the financing. Unfortunately, the not-for-profit development entity that holds title to the complex is insolvent due to $22 million in cost overruns and neither the final tally, nor the final financial structure, of this project are known.

There are two points to be made from all of this detail. First, doing capital intensive civic projects—which is what many of the visitor destination projects are—is expensive, risky, and requires spreading the risk among many participants. In all of these cases participation started with a risk-taking unit of government. In the case of the Rock Hall the governments were the State of Ohio with its $10 million grant for the harbor and their initial capital grant of $8 million for the Hall itself and the federal government in the form of the grant from the Economic Development Administration. This was due to the personal involvement of Governor Celeste. Playhouse Square was made possible due to risk taking on the part of the County Commissioners, as is the case with Gateway. Tower City was a political risk taken by the federal government. Yet, in each case there was a project advocate who lobbied for the grants. The Playhouse project was initiated by three civic activists, who were latter supported by the Cleveland Foundation and Cleveland Tomorrow. The Hall of Fame was advocated by then-mayor Voinovich. Gateway was initiated by Cleveland Tomorrow and the mayoral administrations of Voinovich and White, but the County Commissioners and the State of Ohio made the project happen under the threat of the Indians leaving the region.

Public participation continued in private sector projects as well. Key Tower, headquarters to KeyCorp, received historical restoration tax credits, a UDAG, and tax abatement. Most other commercial buildings completed after the mid-1980s have received property tax abatement. The city benefits because it receives wage tax revenue from the workers (a former city finance director told me that getting the Cavaliers downtown was a victory for the city because the major cost of the project was borne by county taxpayers and the city received the wage taxes). Could these projects have succeeded without the public's participation? The complicated early projects, such as Tower City and Key Tower, most likely would not have been undertaken. It is highly unlikely that Gateway could have been built with private participation due to the fierce inter-city competition for sports franchises, and the waterfront projects could only work with public money.

It is also very likely that these projects secured the financial health of the City government because approximately 40 percent of the city's general operating budget comes from suburban wage tax payers.[8] If the employment base were lost in downtown Cleveland the City's finances would markedly deteriorate. Granted, much of the development has been financed through property tax abatements that primarily affect the financing of the city's schools. The system of public finance encourages the city to abate to garner wage taxes, even though the abatements might harm the financial structure of the public school system. The real issue at hand is whether or not the development downtown would have taken place without the public subsidies and there is no way to know the answer to this question. In all likelihood the early projects—such as Tower City and the sports arenas—would not have been built which would have changed risk perceptions for the downtown investments that followed.

What has been the impact of these projects on the core of the city? Many of the office projects opened their doors just as a number of prominent downtown employers were cutting back employment in drives to improve their efficiency and in reaction to the 1990 recession. Ameritrust merged with Society Bank, which latter merged with Albany's KeyCorp. Ameritech, formerly Ohio Bell, experienced a long and deep set of layoffs to improve its competitive position, as did East Ohio Gas Company. And a long-time downtown bellwether company, BP, went through a painful rationalization that had profound effects on its Cleveland operations. All of these layoffs reflect national and international market conditions and were independent of local actions. However, these cutbacks, combined with the boost in the supply of office space, increased the local

[8] Steven Strnisha at an April 2, 1995 forum at Cleveland State University that "upwards to 70 percent of the income taxes paid … are actually paid by suburbanites." The City of Cleveland city gets almost 60 percent of its operating budget from the wage tax. The suburban share (70 percent) of the wage tax's share of the operating budget (60 percent) is 42 percent of the operating budget. See Bingham and Kalich (1996) for the full quote.

vacancy rate for downtown office space from approximately 8 percent to a range from 17 percent to above 20 percent through much of the early 1990s. Most of the new office space that was filled, with two prominent exceptions, came from local firms that moved from existing downtown office space. The exceptions were the United Church of Christ, which moved its headquarters form New York City to Cleveland, and KeyCorp. KeyCorp has increasingly centralized its operations in Cleveland, moving activities out of a number of locations, including Albany, New York where KeyCorp was headquartered before its merger with Society Bank. The firm has become the largest employer in the downtown area and its planned expansions are expected to bring the vacancy rate down to the mid-teens, assuming that new buildings are not constructed.

Unemployment Rate

The unemployment rate makes an unabashed case for the dramatic recovery of the regional economy, defined as the Cleveland-Akron-Lorain-Elyria (CALE) Consolidated Metropolitan Area (CMSA).[9] The difference between the state and national unemployment rates displayed in Figure 1 were constructed by subtracting the national unemployment rate from the rate for the state of Ohio and the CMSA respectively. If the percentage point difference is positive, the local unemployment rates are greater than the national rate and, if negative they are lower than the national rate.

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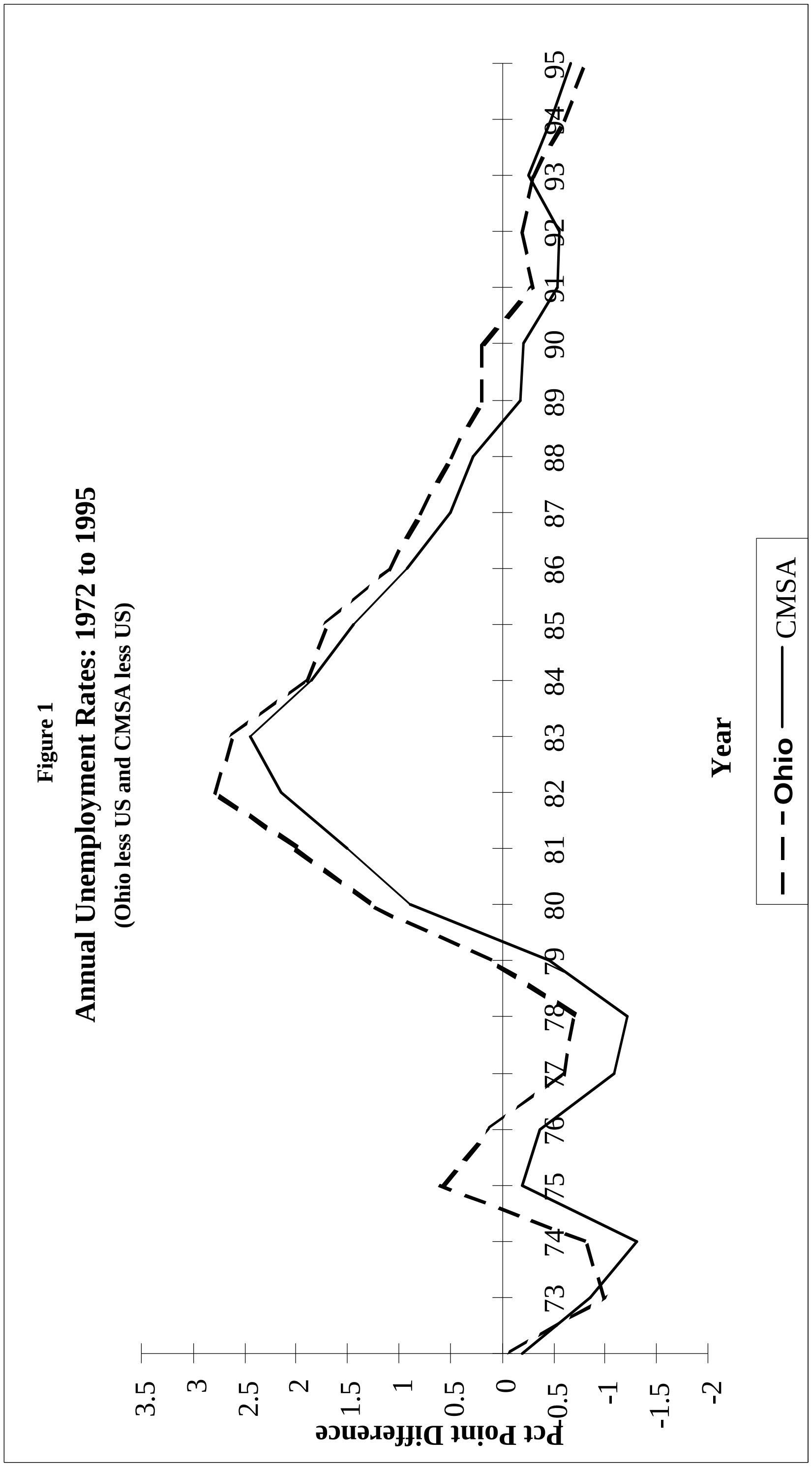
[9] The Cleveland PMSA increased from four counties to six in the early 1990s. It now includes Ashtabula, Cuyahoga, Geauga, Lake, Lorain, and Medina Counties. The CMSA adds Portage and Summit Counties to this list. I have used data from the Ohio Bureau of Employment Services to adjust earlier data to match the new, expanded, geography.

From 1972 to 1979 the unemployment rate for the CMSA was lower then that of the State of Ohio, which was, in turn, below the rate for the nation—1979 was also the



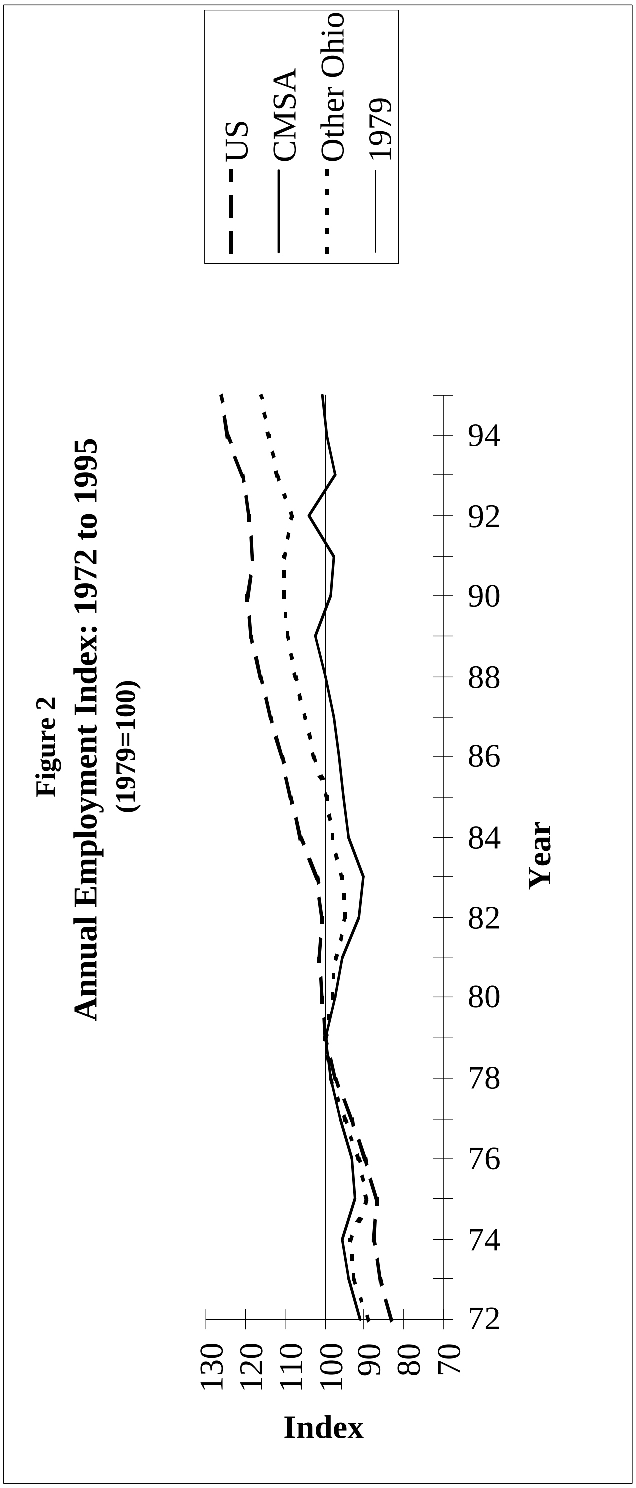
year of peak employment in the region. The economy crashed in 1979, bottomed out in 1983, and then began an unsteady recovery until 1986. The recovery was firmly established after 1986. The unemployment rate for the nation was significantly below that of both the CMSA and state for a decade, from 1979 to 1989. Generally, the unemployment rate for the CMSA was below that of the state until 1993, and fell below the national rate in 1989. This latter event marked the recovery of the regional economy. The state's unemployment rate fell below the national rate in 1991.

Movements in the unemployment rate mark the three of the four periods of recent economic history, the fourth period is only evident when employment figures are examined. The regional economy moved cyclically, in concert with the national economy, from 1972 to 1979, but signs of structural problems were evident. The economy crashed in 1979, bottoming out in 1983, and did not stabilize until 1986, when the restructured economy was firmly in place.

Employment

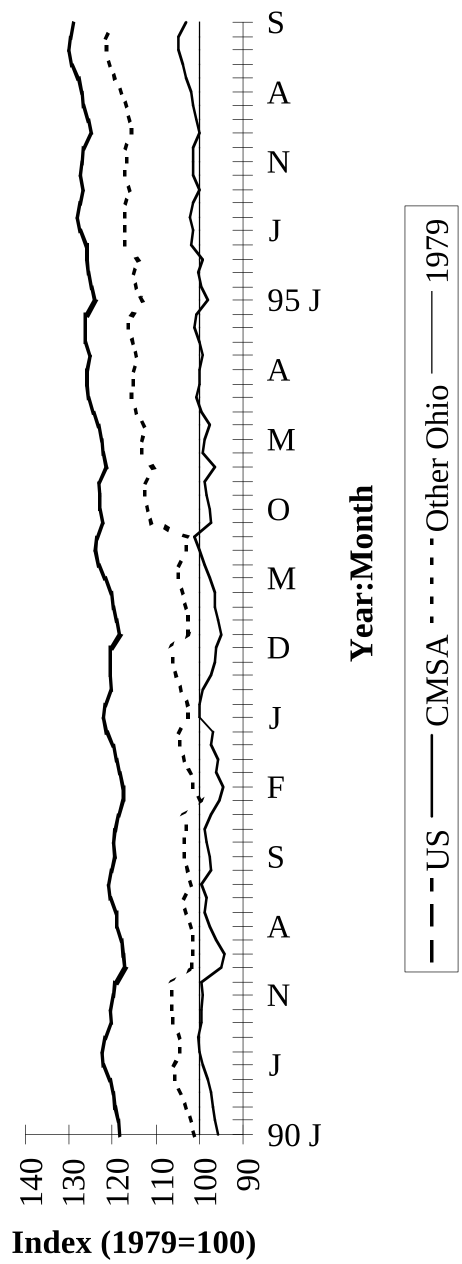
The flip side of the region's economic recovery is marked by employment growth. To best display fluctuations in the number of people employed, I constructed an employment index using the annual average number of people employed in 1979 as the base of the index (1979 was chosen because it was the employment peak of the old Cleveland economy). The index can be interpreted as the percentage point difference in a given period's level of employment from the 1979 level. If the index is below 100, employment is less than it was in 1979; if above 100, the number of jobs is greater than in

1979. The employment growth rate can be observed by looking at the slope of the index, or changes in the position of the index, between any two points in time. Data are not displayed for the state of Ohio; instead they are displayed for Ohio less the Cleveland-Akron-Elyria-Lorain CMSA. This is labeled as the "other Ohio" in Figure 2.



Four distinct periods are evident in the second figure: before 1979, 1979 to 1983, 1983 to 1989, and 1989 to 1995. The first time period is marked by generally positive employment growth rates that move with the national business cycle, and the growth rates for CALE and the other Ohio move together. The decline of Ohio's regional economies from 1979 to 1983 is evident, but the parts of the state that are located outside of Northeast Ohio pull out of the decline a year before the region, and the other Ohio's decline is not as deep as in Northeast Ohio. The

Figure 3
Monthly Employment Index: January 1990 to September 1996
(1979=100)



nation as a whole suffered a slow-down in employment growth, but never an absolute annual decline, over this time period. From 1983 to 1989 the regional economy slowly recovered the number of jobs it had in 1979 and resumed a growth track that roughly paralleled the state and nation until 1989 when the regional economy appears to have stalled. Figure 3 depicts the monthly employment index from January 1990 to September 1996. It is designed to more closely examine the stall in regional employment job growth.

Nationally, the recession of 1990 was relatively shallow (unemployment did not increase as dramatically as it did in past recessions) and the recovery became notorious as the "jobless" recovery. Northeast Ohio entered the recession late, because the national recession was triggered by regional events that were located outside of the Midwest.[10] The message contained in Figure 3 is clear: during the most recent business cycle employment growth for the rest of the state mirrored that of the nation, it is just starting from a lower base; employment growth in the CMSA has largely stagnated. The nation began to pull out of the recession in the early 1993; the recovery in the "other Ohio" began in late 1994 and has continued until late in 1996. The recovery in the CMSA began a year latter. Movements in the employment index for the CMSA over the entire period covered in Figure 3 largely represent seasonal fluctuations in hiring (employment peaks in the summer months) until the recovery set in April of 1994. Of concern is the increasing gap in the employment index between the "other Ohio" and the CMSA. There is an apparent inconsistency when the unemployment rate for the region and the employment growth data are compared. The unemployment rates make an unabashed case for "comeback Cleveland," while the employment growth data indicate that the regional economy has stagnated. The only way in which these two sets of data can be reconciled is by stating that a large share of the population is existing outside of the labor force. One indicator of this would be the incidence of poverty in Cuyahoga County, which is the county that contains the City of Cleveland.

[10]First, the savings and loan industry collapsed and this was followed cutbacks in defense spending, which in turn accelerated the crash of over-built commercial and residential real estate markets—first in the Southwest, then in southern California, and finally in New England. The recession was like a pin-ball rattling around the country taking regional economies down as it came crashing through a region-specific industry. It was only after these regional forces accumulated, and purchases of consumer durable goods slowed, that the recession affected the industrial heartland.

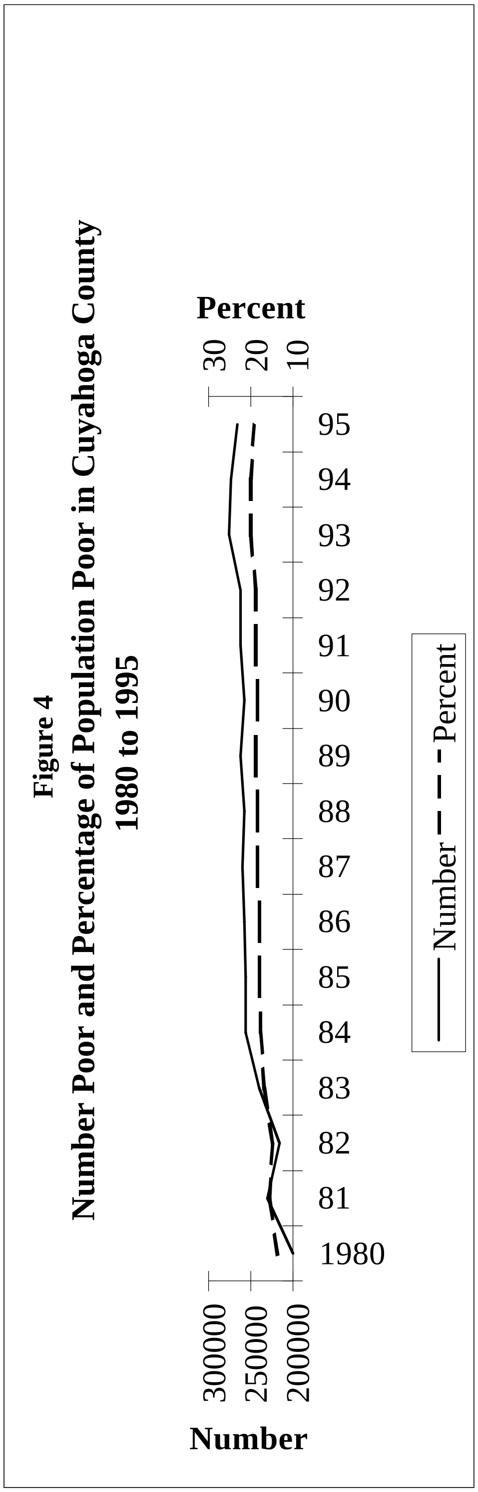


Figure 4
Number Poor and Percentage of Population Poor in Cuyahoga County
1980 to 1995

Poverty

George Zeller, of Cleveland's Council of Economic Opportunity, estimates the number of people who have incomes that are below the poverty line, and the percent of the population that has incomes below the poverty line for Cuyahoga County. Figure 4 reproduces Zeller's estimates from 1980 to 1995. The poverty estimates roughly track the employment index that was displayed in Figure 2. The estimated number of poor individuals climbed rapidly from 1980 to 1983. The number continued to increase, but at a much slower rate until 1989, when it dipped a bit. The number of poor climber once again with the recession in the early 1990s and began to drop in absolute numbers in 1993. The percent of the County's population that is poor closely tracked the number of poor individuals. It is clear from these data that the incidence of poverty is closely connected to job formation. Three reports that reached similar conclusions were released in the mid-1990s.

Three Recent Reports

Leadership Cleveland's 1996 class titled its economy day: *Cleveland¾Beyond the Glitz*. The title is an acknowledgment of the reality of the region's recovery and transition. The title of the training session is also a clear sign of emotional security because it marks a start of an honest evaluation of the state of the region. A title that indicated an incomplete comeback would have been unthinkable a few years ago.[11] Three reports made available in 1994 detailed the extent of the economic transition: one by the Citizen's League of Greater Cleveland, one by researchers at Wayne State and Cleveland State Universities, and the third by consultants to the Greater Cleveland Growth Association. All indicate that the economic transition has had uneven impacts on the region.

The Citizen League reported measured the region's progress in five broad areas (amenities, people, education, government, and economic performance) against thirteen bench-mark regions.[12] Three of these regions were chosen because they are similar to Cleveland (Detroit, Pittsburgh, and St. Louis), seven were seen as national role models (Atlanta, Charlotte, Cincinnati, Indianapolis, Minneapolis, Phoenix, and Seattle), and three were viewed as stable regional centers (Boston, Chicago, and San Francisco). The results indicates that the region's efforts at revitalization have been mixed. Greater Cleveland ranked **first in amenities—**the index is composed of measures of cultural opportunities and leisure activities, **seventh in people—**the index measures poverty, crime, health, environmental quality and racial integration, **eighth in education—**the index measures educational opportunities and workforce preparedness, **ninth in government—**the index

[11] Essayist Calvin Trillin, in his book **American Fried** (1970), describes the problem of "rubaphobia"**—**fear people have of being thought of being unsophisticated and a rube. In his latest book (**Too Soon To Tell**) he extended this concept from restaurant selection to economic development, see his essay "Return of the Rubes."

[12] Citizens League of Greater Cleveland (1994a, 1994b).

measures political participation and accountability of leadership, and **thirteenth in economic performance**—only Detroit was lower.

Wayne State University's Harold Wolman and Coit Ford, and I published a paper that examined the economic performance of the residents of central cities, and their metropolitan areas, that were economically distressed in 1980 in 1990.[13] We used a panel of experts to identify those places that were distressed in 1980 and had a reputation of having revitalized over the following decade. We then measured the economic well being of their residents using the 1990 Census of Population and compared the performance of those places that reportedly had successfully revitalized with those that did not have this reputation, but were distressed in 1980. Cleveland was one of the cities that was reputed to have revitalized. It did not perform well.

The unemployment rate in the city of Cleveland increased by 3.9 percentage points over the decade, versus an average increase 1.3 percentage points for the "unsuccessful cities;" median household income in Cleveland (unadjusted for inflation) increased by 45.2 percent, compared to 76.8 percent for the "unsuccessful" group; the percentage change in per capita income was 60.5 percent in Cleveland, compared to 87.6 percent for the comparison group; the percentage of the population below the poverty line increased by 6.6 percentage points, compared to 2.9 percentage points for the reference group; and the labor force participation rate increased by 0.3 percentage points in Cleveland, compared to an average increase of 2.7 percentage points for the "unsuccessful" cities. The results for the metropolitan area were similar. We concluded that, with the

[13] Wolman, Ford and Hill (1994).

exceptions of Atlanta, Baltimore and Boston, the reportedly revitalized cities performed no better, and in many cases much worse, than cities that were equally distressed in 1980.

The Greater Cleveland Growth Association reviewed approximately 100 studies prepared on various aspects of the regional economy since the early 1980s, interviewed more than 50 Cleveland leaders to assess the progress of the community and is using the results to reorient its mission.[14] The executive summary of the report states that there have been marked “gains in physical infrastructure, ‘livability’, and civic image/attitude during the 1980s,” and that “while the local economy bottomed out in 1983, more growth is needed … notably: economic performance remains below average, but the gap has narrowed, manufacturing concentration heightened the region’s vulnerability, but service sector slowness has been as damaging as a manufacturing decline, [and] the urban center has underperformed the region.” This is a notably honest evaluation of the state of the region, and of the city’s position within the region.

The three reports indicate that the economic benefits from the restructuring of the regional economy have been unequally earned or distributed. Much of this result reflects national patterns in the income distribution, rates of return to educational attainment, and the industrial composition of the regional economy. There are two ways of viewing the major development problem that Greater Cleveland faces—from the demand and supply sides of the labor market. The most important measure of the health of a local economy is its ability to grow jobs—Greater Cleveland has fallen behind the nation and state. The problem did not lie in the behavior of the economy during the 1990 recession, it lies with

[14] Greater Cleveland Growth Association (1995).

the region's industrial base. However, the world does not directly demand local labor, instead it demands locally produced goods and services.

The gap in employment generation occurred from 1983 to 1988, as the nation recovered from the earlier recession. From 1983 to 1988 the fast growing industries in the nation were non-bank financial services, electronics and software industries connected to defense and microelectronics, and health care. Greater Cleveland is relatively weak in all of these sectors, with the exception of health care. The core of the region's industrial base is made up of mature manufacturing industries and their headquarters operations. The Greater Cleveland region is solidly rooted in manufacturing, and its service sector primarily services manufacturing. As manufacturing is slow growing, so is demand for labor in the region.[15] While the nation was expanding employment in newer service industries, firms in this region were investing in capital and restructuring their operations to increase productivity. Productivity increased; employment did not.

The region's economy is built upon a foundation of steel, automobiles, paints, and chemicals.[16] Development in the region depends not just on entrepreneurs but on the

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[15]Ten percent of U.S. employment in 1992 was in durable goods manufacturing; the percentage in the CMSA is 15 percent. The employment base of the CMSA is defined as those industrial sectors where the region has a greater proportion of its employment than does the nation. This is measured by calculating the ratio of the regional share of employment in a given sector to the national share of employment in the same sector—this is called the location quotient. The location quotient (LQ) for durable goods manufacturing is 1.51; personal services is at 1.40 and accounts for nearly 19 percent of local employment; social services is at 1.31 which is generated by the large hospital sector, information and research services has a LQ of 1.09 and 8 percent of local employment; non-durable goods manufacturing and non-financial producer services is at 1.07; and wholesale and retail trade are at 1.03. The banking industry (financial producers services) accounts for 4.1 percent of local employment and has a LQ of 0.97 and rounds out the economic base of the region.

[16]Hill (1994, 1995) and Hill, Rittenhouse and Allison (1994). For an extended discussion of Cleveland's economic history see Hill (1995) and Hill, Rittenhouse and Allison (1994). James E. Austin and his associates (Austin and Strimling 1996a, b and Elias and Austin 1996) segment Cleveland's recent development history. They write that Cleveland responded to a crisis from 1979 to 1988, the years 1989 to 1996 was a building period and that new and largely social issues are the challenges of the future.

economic vitality of these central activities and the relationship of other industries to this core. There are two other components of the region's industrial core. First, industries that have either corporate or divisional headquarters and production activities in the region. This is true of greeting cards, petroleum refining, blast furnaces and basic steel products, electric lighting and wiring, paints and allied products, non-plastic plumbing and heating products, drug stores and proprietary stores, and automobile parking. Second, metal working industries are well-represented in the core, which can be explained by the presence of competitive integrated steel mills as sources of supply and durable goods manufacturers as customers.

The supply side view of the performance of the regional labor market rests on the observation that the region as a whole has a level of educational attainment that lags behind both its competitor and bench-mark regions. The level of educational attainment in the region is unacceptably low compared to its competitor regions despite the fact that Northeast Ohio's economy remains rooted in sectors of the economy that have traditionally been a haven for people with relatively low levels of educational attainment.

The Greater Cleveland region is saddled with a blue-collar legacy in terms of educational attainment. High performance blue collar workplaces are looking for better educated and skilled workers, possessing what has become known as the "extended basics" of manual dexterity, reasoning, interpersonal skills, working as a team member, using information systems, setting priorities, and personal work behaviors in their new hires.[17] Differences in rates of return to different levels of education are solid indicators of

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[17]Packer and Wirt (1992) p.58. The research on the requirements of "high performance" workplaces was completed for the SCANS reports. SCANS was a project of the US Department of Labor and represents

Table 2

Percent Distribution of Educational Attainment
Ages 25 Years and Older

Terminal Attainment	CALE		Metropolitan	
	% Dist	Rank*	Average**	Median
College Degree	19.0%	134	22.5%	18.8%
Some College	23.9%	184	25.9%	25.6%
High School	33.4%	84	28.6%	30.6%
Dropout	23.7%	144	23.0%	23.8%

Source: 1990 Census of Population, PUMS

* Among 284 metropolitan areas

** Weighted average of all metropolitan areas

what labor markets judge to be educational characteristics that are either surplus or in short supply. During the 1980s rates of return increased for those who went beyond secondary school and declined for those who did not.

The good news is that "only" 23.7 percent of the adult population terminated their education before they graduated from high school, the CMSA is just above the median metropolitan area in the nation on this score. (Table 2) The region is also far above the median in terms of the share of the population that stopped their education at the secondary school level. These are the two groups that lost ground in terms of real income over the past decade and a half. Nearly one out of five adults in Cleveland's CMSA has a college degree. This is below the national metropolitan average, but above the median.

Of greatest importance to a region that specializes in production, and aspires to create high performance workplaces, is the percent of adults who have gone beyond

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the Secretary's Commission on Achieving Necessary Skills. The three critical reports are *What Work Requires of Schools* (1991), *Learning a Living* (1992), and *Skills and Tasks for Jobs* (1992).

secondary school but do not have four-year college degrees. The median is 25.6 percent of the adult population and the weighted average is 25.9 percent. Cleveland is two full percentage points behind the average, with 23.9 percent, and sits in 184th place out of 284 metropolitan areas. The reason Cleveland lags is due to the proportions of adults who either dropout, or are satisfied with the returns from a secondary school degree.

How then does the Greater Cleveland region compare with both its benchmark regions and its competitors? Table 3 lists all of the metropolitan regions that were used by the Citizens League as benchmarks and also includes metropolitan regions in adjoining states that can be viewed as competitors. There are four groups of metropolitan regions in the list: three MSAs are international economic centers, seven are regional economic capitals, two are similar industrial metropolitan areas, and seven are regional competitors to Cleveland. The international economic centers are: Boston, Chicago, and San Francisco. The regional economic capitals are: Atlanta, Charlotte, Dallas, Denver, Minneapolis, Phoenix, and Seattle. The two industrial metropolitan areas are Detroit and St. Louis. And the regional competitors are: Buffalo, Cincinnati, Columbus, Dayton, Indianapolis, Louisville, and Pittsburgh (Detroit can also be viewed as a regional competitor).

Table 3 contains an index of educational attainment of the adult (age 25 and above) population. Each of the 284 metropolitan areas in the nation was ranked according to the percentage of the population that held a college degree in 1990 in descending order. Then, a similar rank order was created based on the percentage of the population that had some college education, but had not completed college. Two-thirds of the index weight was given to the rank ordering of the percentage of the population that has some post-secondary education, but did not complete college and one-third of the weight was given

Table 3

Educated Labor Supply Index
Population Age 25 Years or Greater in 1990
For 20 Metropolitan Areas
Ranked Among 284 Metro Areas

Metro Area	Index
Seattle	6
Denver	15
San Francisco	16
Phoenix	18
Minneapolis	28
Dallas	35
Atlanta	79
Detroit	92
Chicago	113
Charlotte	116
St. Louis	133
Boston	145
Dayton	148
Columbus	152
Indianapolis	163
Buffalo	164
Cincinnati	179
Cleveland	**183**
Louisville	191
Pittsburgh	233

to each MSA's rank in the percentage of the adult population that graduated from college. The metropolitan areas in the table are listed according to their score.

The Cleveland CMSA is third from the bottom on all of the indices. It ranks 183 out of 284 metropolitan areas on the third index, trailed only by Louisville and Pittsburgh. All of the MSAs in the surrounding region, the Rust Belt, are at the bottom of this group of twenty regions, with the exception of Detroit. Detroit is an interesting case because its region contains the fast-growing suburban Oakland County, which is capturing large numbers of auto-related factories and headquarters that are fleeing the city of Detroit. Yet, this same region ranked last in the Citizen's League's multi-dimensional index of economic growth. Clearly educational attainment is not the only story in economic growth and development but it is an important part of the story. It is also clear from Table 3 that the international economic centers and the regional economic capitals have much deeper educated workforces than do the Rust Belt metropolitan areas. We have no information about cause and effect; we do not know if these places are attracting people who have been educated elsewhere; and we do not know if these deeper pools of educated talent are the result of homegrown human capital investments. What is clear is that the Cleveland CMSA has a low level of educational attainment among its resident adult population compared to its competitors.

Greater Cleveland has indeed recovered from the economic restructuring of the late 1970s, as evidenced by the physical rebuilding of the downtown, the renewed competitiveness of its industrial base, and the marked improvement in the region's unemployment rate. The recovery has been, and continues to be, uneven. Poverty increased over most of this period, as those without education that went beyond secondary school were left behind by an economy that increasingly does not value those with limited skills. The region also lags in job creation, whether or not this is due to a skills shortage among the population—thereby leaving jobs unfilled—is not known. The lack of job creation is more likely due to the region's manufacturing base, the sector where productivity is increasing the fastest, and downtown Cleveland's dependence on firms in industries that are either consolidating—such as finance and advertising, or on firms in industries that are under increasing competitive pressure as they are deregulated—such as telecommunications and utility services. What is troubling is the low level of educational attainment among the adult population compared to the region's competitors. In the next sections of the case study the process of forming and implementing the region's development strategy are discussed.

Cleveland's Culture: Once Conflict. Now, Cooperation or Cooption?

> *Nothing clears the mind like an impending hanging. [Cleveland's] Default was clearly the equivalent of a city's hanging. It got the attention of everyone.*
> —William Bryant, former CEO, Greater Cleveland Growth Association

Default was the symbolic catalyst that caused the region as a whole to focus on Cleveland's three interrelated problems: the economic crisis confronting the region's industrial base, political and labor-management cultures of conflict, and a public administrative meltdown. Labor-management relations in this region were fundamentally altered as a reaction to the decline in the industrial base, and as a result of institution building in the form of Work in Northeast Ohio Council (WINOC), a labor-management council that was formed in 1981. In the old economy, the central issue for management and labor was not the competitive position of the firm and its survival; that was assured in the essentially closed post-World War II American economy. The central issue was the division of economic profits between wages and salaries of workers, earnings of senior management, and returns to stockholders. This was adversarial. In the old economy management and labor were like two pigs at the trough. They agreed that the trough should be made as big as possible and they recruited the federal government to be the carpenter, but they fought as hard as they could over the swill.

Conflict

> *Weissman (Mayor Kucinich's chief of staff) treated everything like a labor negotiation. He was hard-line on everything and anything.*
> —Robert Jaquay

Why was a conflict-based system of industrial relations important when talking about the region's economic revitalization? It is important because the industrial relations system set the tone for the region's political-economic culture.[18] The revitalization of this regional economy was based on equal parts of economic advantage and change in political culture.

Dennis Kucinich was mayor of Cleveland for only two years (1977-1979), but what time it was! He was elected one year, barely survived a recall election the next, and lost a general election in the third year.[19] He was a self-styled urban populist who claimed to represent the little guy and the neighborhoods against downtown corporate interests.

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[18]This is a point Chinitz makes in his 1961 article about Pittsburgh and New York.

[19]The two year term of Dennis Kucinich was a formative political experience, as was the continuing battle between the city-owned electrical company and investor-owned Cleveland Illuminating Company. Four essays in Keating, Krumholz, and Perry (1995) deal with these issues. These are by: Miller and Wheeler; Swanstrom ; Keating, Krumholz and Perry; and Bartimole. Also see Swanstrom's 1985 book.

He ran on four issues: saving the municipally-owned electrical system (Muny Light), opposition to tax abatement for downtown development, concentrating the city's resources on the neighborhoods, and no new taxes. Unfortunately, Kucinich was running a city that was financially strapped, in large part because he followed on the heels of a mayor, Ralph Perk, who must have attended the Abe Beame school of municipal finance and spent bond and Community Development Block Grant (CDBG) funds on the city's operations.[20]

This four-part platform put Kucinich into a political box. He promised better services to the neighborhoods and he had support from neighborhood-based community development corporations. He also promised no new taxes. Unfortunately for him, the city did not have the finances to deliver. His way out was to use confrontation and turn on the business community.[21] At the same time Cleveland Electric Illuminating (CEI) continued to actively pursue the sale of its nemesis—Muny Light. Then the pieces need for political gridlock fell into place. The chair of the City's lead underwriting bank, Cleveland Trust Company, was on CEI's board. He proposed to roll over the City's short term bonded debt if the City sold Muny Light to CEI. Kucinich would not do the deal.

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[20]Beame was the mayor of New York City who drove that city to the edge of default by spending bond funds on municipal operating expenses.

[21]The involvement of corporate leadership in Cleveland's civic life are discussed from three perspectives in Keating, Krumholz, and Perry's collection of essays, **Cleveland: A Metropolitan Reader** (1995). They reprinted Myron Magnet's laudatory 1989 **Fortune** magazine essay titled "How Business Bosses Saved a Sick City." They also include Roldo Bartimole's view that a visible corporate oligarchy exists that uses public funds to redistribute income and investment opportunities in its direction in an essay titled "Who Governs: The Corporate Hand." Todd Swanstrom's essay in the same collection describes the role of Cleveland's banks in the city's default and discusses both the political and economic dynamics that triggered the default. The three-part case study produced buy the Harvard Business School case writing team, headed by James E. Austin, discusses the role of corporate leadership from the viewpoint of that leadership (Austin and Strimling 1996a, 1996b and Elias and Austin 1997).

He also could not turn to any other local bank because they stood shoulder-to-shoulder with Cleveland Trust. They were going to get rid of Kucinich and they did it by forcing the city into default. As Todd Swanstrom noted, New York City was in worse financial shape than Cleveland and it did not default.[22] To default, Cleveland required a perfect line-up of political economic events. First, it needed a municipal cash crisis that was generated by the ineptness of the Perk administration, coupled with the unreal political posturing of anti-tax populist electioneering that was unwilling to cut the expense side of municipal government (this was voodoo municipal finance). Second, you needed confrontational politics that painted the potential source of a bailout as the enemy. Kucinich did this by running against the banks. Third, it took a business community that was willing to take the City into default as a way to rid itself of a political irritant. Richard Pogue, then managing partner of the prominent law firm Jones, Day, Reavis and Pogue told **Fortune** magazine: “In a sense, Kucinich was the best thing that ever happened because he became a unifying element. People look at him and said ‘enough is enough here. Let’s get together and change things.’ ”[23]

The business community’s loathing of Kucinich was over more than just the attempt of CEI to rid itself of a competitor and a yardstick for its rate structure—that was the motive of CEI and its Board. Kucinich and his chief of staff, Robert Weissman, blocked an application to the Economic Development Administration for a new ore unloading dock for Republic Steel (the dock was eventually built in Lorain). There was

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[22] Swanstrom (1995) and Swanstrom (1985, pp. 210-224).

[23] Magnet (1995, p. 156.)

also the difficulty that firms throughout the region were having in attracting potential workers from outside of the region, the constant conflict over downtown development, and the realization that City Hall was a financial nightmare.[24] At the same time, Kucinich's personality and the insular confrontational style of his staff also alienated his supporters in the neighborhood development movement. Reporter Fred McGunagle concluded that "It wasn't default or confrontations with the Establishment which defeated Kucinich in 1979. It was the alienation of the neighborhood people who had elected him. George Voinovich learned from Kucinich's mistakes, channeling block grant funds to pet neighborhood projects.[25] A confrontational style does not work for a city when it is in decline. Confrontational politics works when the issues are redistributional and the fight is over pieces of the pie. When a city, and more importantly a region, is in sharp decline you have to bake a new pie; that takes cooperation.

Conflict was the perfect metaphor for city life in the 1960s and 1970s. In an interview, Richard Shatten identified nine sets of adversarial relationships that dominate the political-economic culture of American cities: "business-neighborhood, downtown-neighborhood, city-suburb, east-west, black-white, labor-management, rich-poor, mayor-council, or mayor-everybody." Shatten said that "these define the fault lines of urban life and that's how decisions were made—out of conflict. The change came for Cleveland

[24] During the late 1970s major corporations and service firms, especially law and accounting firms with national practices, had a difficult time recruiting people to work in the city. These firms paid the Greater Cleveland Growth Association to run a summer-long wine, dine and entertainment program targeted at graduate school interns of these firms called Spotlight Cleveland. The goal of the program was to change the interns' perceptions of the city and region. The program lasted for seven years. It took four or five years before the perceptions of the recruits began to change and after seven years, as recruitment became easier, the supporting firms found that the expense of the program was no longer justified.

[25] McGunagle (1989).

when George Voinovich rejected this framework and said that ‘together we can do it.’” Cleveland, as a community, wasted time from 1972 to 1979 looking to Washington D.C. to fend off foreign competitors and return to the good old days of the post-World War II economy in much the same way that South Sea Cargo-cultists looked seaward for a tidal wave to return the good old World War II days brought on by the American war effort. Cleveland could not begin to revitalize until it began to look inward.

Cooperation or Cooption?

> *… despite who sat or sits in the mayor’s chair¾ ethnic or black¾ from 1965 to 1993, the corporate community and institutions dominated by business interests decisively controlled the issues and dominated the public agenda…*
>
> —Roldo Bartimole[26]

What replaced confrontational politics, cooperation or cooption? It’s all in the eye of the beholder. If you believe that a tight oligarchy sets the agenda, directs public investments and other sources of funding, and controls the political process then you can look at political behavior related to economic development and public real estate investments in Cleveland as a process of systematic cooption. If, on the other hand, you view the political process as being structured by self-interest where groups are tied together by a common purpose to preserve their investments, both personal (in the forms of monetary investments in their homes and emotional investments in the quality of their lives) and business, then the political process in revitalizing Cleveland becomes one of broad regional consensus that was shaped by political and corporate leadership, and the

[26] Bartimole (1995) page 161.

money that is part and parcel of that leadership. This latter formula is what lies behind Cleveland's revitalization—cooperation based on self-interest.

The solution to the political and administrative crises came through a combination of enlightened self-interest coupled with risk-taking, institution building, and deal cutting. Confrontational city politics and labor-management relations had to end if private investment was to take place, and City government had to function again to reduce the perception of risk in investing the city of Cleveland.. These were the preconditions for economic development. First, the political deal cutting.

Three representatives of Cleveland's business community asked Voinovich to run against Kucinich for mayor in 1979. Voinovich agreed provided that his campaign was well financed and the corporate community promised go help overhaul the city administration—thereby addressing the administrative crisis. Voinovich formed an Operations Improvement Task Force immediately after his election and turned to executives of large corporations for corporate funding and loaned executives to review all aspects of City Hall's operations E. Mandell deWindt and Mort Mandel told the Harvard case writing team that five or six chief executive officers called about 30 of their peers and raised $850,000 for the task force and recruited close to 120 loaned executives (Austin and Strimling 1996a, pp.4-5). Voinovich's election brought forward a new style of collaborative politics and greater involvement of suburban corporate leaders in the city's political affairs.

Two structural changes in city government were also made that lowered the political fires substantially. The election cycle for mayor and council was stretched out from two years to four years and the council was reduced in size. These two actions kept the council and mayor from being in constant "campaign mode" and the positioning for press attention was diminished decreasing the number of council positions. Several observers of politics at that time said that these actions improved the climate for governing.

Understanding was also fostered by the creation of two process-oriented organizations, the Greater Cleveland Roundtable and WINOC. The Roundtable grew out of attempts in the late 1970s of the region's African American leadership to build bridges to the corporate leadership (Austin and Strimling, 1996a, pp.17-18). After much preparatory discussions that were facilitated by the Cleveland Foundation a retreat was held for a broad cross-section of the community's leadership ethnic, political, and corporate leadership to form some sort of bridge-building organization. The facilitator of the group found that the leadership of the African American community had two views as to the purpose of such an organization. One would be a forum for articulating the aspirations and concerns of the black community, but this type of organization would compete with the local branch of the NAACP and the Urban League and it would be purely process oriented. The alternative was to form an organization that had a broad mission of identifying the "problems of the day" and work towards their solution. In other words a process organization that worked its process through identified tasks and projects. The Roundtable identified housing and neighborhood development as areas that needed community-wide attention. The Roundtable was important as a vehicle for this broad group of leaders to know each other, and it involved corporate leaders as a group in the city's and region's racial politics.

African Americans were also brought into the new political calculus through the President of Cleveland City Council, George Forbes, who reached an early accommodation with the new Mayor. Forbes soon became part of a two person governmental team (Mayor and Council President) that emphasized development and could carryout the development agenda. The combination of the partnership between the Mayor and Council President and the work of the Roundtable eased racial politics in Cleveland for over a decade.

WINOC was the second process institution that created a climate for changing labor-management relations and changing the second arena of confrontational politics to collaborative politics. WINOC was founded in 1981 and maintained a relatively low profile but soon developed a series of programs to improve product quality and productivity in the workplace. The organization worked because union leadership took the risk of working indirectly with management to improve productivity. They did it because they saw the results of conflict—the shops either closed or moved.

Both WINOC and the Roundtable were process organizations that broke down barriers through personal interaction and the involvement of leaders, but they did it by identifying tasks and developing tangible products. This the an organizational style that was employed by all of the intermediary organizations that followed. But the projects are only part of the success of these organizations. They provided a setting for different parts of the community's leadership to get to know each other, understand their problems and motivations, and allowed them to pick up telephones and form fluid coalitions around different projects. Cleveland Tomorrow, which was founded in 1982, offered a similar opportunity for the leadership of the 50 largest private employers to break down barriers that also existed in the corporate community.

A Fortunate Political Confluence

> *We were so successful [at getting UDAGs] that they killed the program.*
> —Richard Shatten

Janis Purdy emphasized the importance of civic infrastructure to a region that needs to revitalize. She said that “having federal programs in place doesn’t mean that a city will use, or can, use them if they do not have the capacity.” Purdy claimed that Cleveland could not make extensive use federal programs during the 1970s because the capacity did not exist to go after the funds and to spend them responsibly. However, Cleveland’s improved access to federal funds during the 1980s was for reasons that went beyond staff competence. A unique confluence of political events gave the city access to these funds. Once it began spending them the City achieved a reputation of competence, which kept the funds flowing.

David Sweet noted that in 1979 and 1980 Cleveland had a unique advantage compared to other cities. It was one of a few that easily meet federal distress criteria and had a Republican mayor at a time when a new Republican Administration was coming into office. Northeast Ohio also had a senior delegation in the House of Representatives that worked in bi-partisan fashion in pursuit of a regional agenda. The dean of the delegation was Democratic Congressman Louis Stokes, who was a ranking member of the House Appropriations subcommittee that passed on the Department of Housing and Urban Development’s budget. Democratic Congresswoman Mary Rose Oakar was a member of the senior leadership of the House and played a central role in supporting the city's UDAG applications, in addition to supporting other Cleveland projects. A Republican member, Ralph Regula, worked with the Northeast Ohio delegation on obtaining a National Park for the region and is very supportive of the Cleveland Advanced Manufacturing Program (CAMP). This political lineup was supported by the ability of the city and region, through the Voinovich Administration's and Growth Association's lobbying efforts, to present a unified, long term, list of capital projects that that could be supported by both the Congressional delegation and Regan Administration. Another player was the leader of the Teamsters Union, Jackie Presser, who reportedly turned his union's support for Regan into the Administration's support for assigning work for the space platform to NASA Lewis Research Center.

Where was federal support the most important? Clearly the flow of UDAGs was critical to the city and the increase in CDBG funds during the Perk Administration was crucial to the City's finances. But before the UDAGs, came Cleveland's designation as a demonstration city in the area of infrastructure. Here the Growth Association's work in establishing Build Up Greater Cleveland was critical. The Association took on a program developed by the Urban Institute and became a demonstration site for the infrastructure program. This action triggered $2 billion in federal funds and laid the foundation for a state-wide bond issue for further infrastructure investment.[27] What is common to both the infrastructure funds and the UDAGs is that politics opened the door for the region, but the projects were done and Cleveland earned a national reputation as being a place where things can be completed. The city's record keeps the funds flowing, and the vehicle for managing the projects is typically a public-private partnership. William Bryant said that Greater Cleveland formed 37 separate public-private partnerships to implement its development strategy.

At the same time period the power of Northeast Ohio's delegation in the state capitol also increased. Newly elected Governor Richard Celeste was a policy innovator interested in economic development. He started the technology investment programs—the Edison Partnerships—that started and supported CAMP. At the same time the second ranking Democrat in the House was Patrick Sweeney, who worked with the delegation to discipline the region's priorities in the state's capitol budget. The combination with improved political visibility both in Washington and Columbus provided access to funds to implement the region's development strategy. However, these tools could not have been used if solutions to the region's political and administrative crises were not found.

The foundation of Cleveland's economic restructuring was political and it was the three-way partnership that was formed between George Voinovich, George Forbes, and the corporate leadership of the region. The center of the revival was Voinovich and his collaborative style. Voinovich was, however, the right person at the right time. The City of Cleveland's electorate and the people of the region were tired of confrontational, populist politics and wanted to try something new. Also the balance of power in the region had shifted from the City to the County because the County had deeper resources—this gave added incentive to find solutions and policies in which county voters

[27] See O'Brien et al (1995).

could invest. Cleveland Tomorrow could not have succeeded without this new political center.

The Evolution of a Development Strategy

> *While we Clevelanders congratulate ourselves on pulling our city and region back from the depths of economic decline and its resulting community decay, let us acknowledge that our work has only begun. ... [W]e have stabilized our manufacturing employment base, but it's a fragile stability. Serious troubles among any of our major manufacturers could deeply damage Cleveland's economy. ... Cleveland is not yet a major financial center, nor is our service sector sufficient to drive the economy. By many measures, Cleveland is still stressed.*
>
> —Joseph Gorman, Chief Executive Officer, TRW[28]

Soon after Voinovich's election eight of the city's business leaders formed the Cleveland Tomorrow Project Committee to put together a strategy that would address the city's economic problems—which soon became evident were really regional.[29] They received a grant from the Gund Foundation and hired the local office of McKinsey & Company to study the local economy, examine best-practice development programs in other metropolitan regions, and make recommendations for a development strategy for Cleveland. The resulting report was issued a year latter and stressed the loss of market share of the region's core industries and the lack of firms in new, fast growing industries. The eight leaders decided to establish Cleveland Tomorrow as an intermediary organization composed of the chief executive officers of the largest private employers in the region, the staff and operating budget of Cleveland Tomorrow would be supported by

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[28]Cleveland Tomorrow, 1993, p.4.

[29] See Shatten (1995) and Austin and Strimling (1996a).

corporate dues, and the organization that would be charged with implementing the strategy. Cleveland Tomorrow then hired two of the people McKinsey placed on the study project as staff. This was the point when the development strategy was formed and placed into the stewardship of Cleveland Tomorrow, who maintained strategic focus, and the Cleveland and Gund Foundations, who provided seed money for specific projects and intermediary institutions that spun out of Cleveland Tomorrow.

What has proven more durable then the initial strategy is the civic infrastructure that was formed, the improved professional capacity of local government and growth in non-profit organizations that evolved to implement the strategy and the way in which the strategy was formulated. This period proved to be critical to the region's transition and it is where the central lessons about Cleveland-style revitalization can be learned.

The time period from 1983 through the City's current administration of Mayor Michael L. White has witnessed the execution of that strategy. Some observers think that the years 1994 to 1996 marked the beginning of a fourth period in the region's revitalization. There was a change-over in the leadership of both the Growth Association and Cleveland Tomorrow. The City's drive to encourage new housing construction in the neighborhoods began to bear fruit, thanks in no small part to the loan pools that Mayor White extracted from the region's major banks under the Community Reinvestment Act (CRA). This time period also saw the completion of many of the original downtown construction projects and the politics of constructing three sports stadiums dominated the downtown development scene, they consumed not only a large amount of money—three quarters of a billion dollars—but an incredible amount of time and energy on the part of the Mayor, corporate community, and development organizations. Two other facts mark the beginning of a new era in Cleveland's development. First, many of the intermediary organizations that were targeted in the original development plans were up and running. Second, three social issues loomed as the next major development targets: functioning of the city of Cleveland's public schools, workforce development, and suburban sprawl.

The Original Strategy

Cleveland's experience indicates that local economic development consists of opportunistic actions taken within a strategic framework. This appears to be the case in other large cities as well. Robert Mier, reflecting on his time as Chicago's development director, said: "The question (of economic development) is how does an agenda and operating *ad hoc* go hand in hand."[30]

There is no one place to find the development goals and strategies that evolved from 1979 to 1983. No one organization has ownership over the strategy, because it represents a broad consensus among various levels of government, numerous private and non-profit institutions, and is widely accepted by residents of the region. Having said that, it is also clear that this consensus was forged under the leadership of a relatively small group of business and political honchos, with the support of the two dominant local foundations, the Cleveland and Gund Foundations. The clearest expression of the initial strategy, and its evolution, is documented in a report linked to the founding of Cleveland

[30] Quoted in Norman Krumholz and Pierre Clavel, **Reinventing Cities: Equity Planners Tell Their Stories** (Philadelphia: Temple University Press, 1994) p.79 and in Robert Giloth and Wim Wiewel "Equity Development in Chicago: Robert Mier's Ideas and Practice, **Economic Development Quarterly** (1996).

Tomorrow, by McKinsey & Co.[31] The evolution in strategy can be traced with two other reports from Cleveland Tomorrow, one issued in January, 1988, the other in January, 1993.[32]

The stated mission of Cleveland Tomorrow in 1988 was to "help Greater Cleveland become known as the pre-eminent business and professional center between New York and Chicago."[33] The 1983 mission statement of the newly organized Economic Development Department of the City of Cleveland was "to provide leadership to capitalize on Cleveland's strengths to build a stronger City and regional economy."[34] These two statements encapsulate the region's development goals. There are three, and they have remained constant since the early 1980s. The first is to provide an economic rationale for Cleveland's *downtown*, or central business district (CBD). The second is to stabilize, and then grow, the employment base of the *region*. The third is to help stabilize the middle-class base of the City of Cleveland's *neighborhoods*. In the mid-1990s this last goal is beginning to expand to include the inner-ring suburbs that are experiencing growing poverty populations and racial change. (What is ironic is that these suburbs, Cleveland Heights, Lakewood, and Shaker Heights, traditionally housed the region's elite

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[31]McKinsey & Co. (1981), a second study completed by Rand Corporation (1982) strongly suggested that the region develop policy research capacity, which led to the foundation of Regional Economic Issues which eventually became part of the Weatherhead School of Business at Case Western Reserve University.

[32]Cleveland Tomorrow is an organization of the chief executive officers of the 50 largest employers in the Cleveland region.

[33]Cleveland Tomorrow, 1988, p.25.

[34] City of Cleveland, Department of Economic Development, "Economic Development Strategy 1983-1984 (mimeo).

population.)[35] The strategy clearly envisions the CBD as one of several prominent centers of employment in the Greater Cleveland region, and it links the future of the region to the viability of the CBD and, secondarily, to that of the City of Cleveland's neighborhoods.

Richard Shatten, former director of Cleveland Tomorrow, wrote that the organization initially focused on five issues that framed Cleveland Tomorrow's agenda: (1) Cleveland had lost its competitive position in the world economy, (2) manufacturing was declining faster regionally than it was nationally, (3) corporations were not replacing lost manufacturing jobs with new companies, (4) labor-management relations needed to be improved, and (5) new companies needed to be formed from a research base that existed in the region's universities, hospitals, and federal laboratories. Recognition of these five challenges grew out of the 1981 McKinsey report. Cleveland Tomorrow added the physical development of downtown to its agenda after the 1982 Rand Corporation report and at the suggestion of Cleveland Tomorrow's Officer's Group.[36] A conversation between Mayor Voinovich and William Marriott, chairman and CEO of Marriott Corporation, also helped to put downtown Cleveland on the development agenda. Early into his administration Voinovich was reported to have asked Marriott when he was going to put a hotel in Cleveland. Marriott told him that the downtown was in such poor shape that Cleveland was not even on his corporation's list of possible development targets. This focused the mayor's attention. The original five points of the agenda all related to

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[35] See DeWitt (1995). These three suburbs have always had a wide range of housing stock. The upper end of the stock in all three cases are feeling competitive threat from much more homogenous exclusive outer-ring suburbs. Of greater concern is that the middle portion of their stock is under extreme pressure from suburbs where new units sell from $100,000 to $175,000.

[36] Shatten (1995) p. 326 and Austin and Strimling (1996a) pp. 6-8.

improving the regional economy, the sixth is the foundation for the physical redevelopment of the downtown.

A Shared Agenda?

Was this just Cleveland Tomorrow's agenda; or, was the list widely shared in Greater Cleveland in the early 1980s? Cleveland Tomorrow's agenda is best known because it was written down and was widely articulated, but the organization was just one of two focal points in the region's early attempts to organize for development. The dominant center was held by Mayor George Voinovich and his administration.[37] There were other important players and each had control over an important set of resources.

- The Greater Cleveland Growth Association shared much of Cleveland Tomorrow's agenda and provided funding support for lobbying and housed many of the new organizations that were developed to implement the agenda.
- The city of Cleveland was well positioned due to its electing a big-city Republican mayor during the Regan Administration's oversight of the UDAG program. HUD Secretary Pierce and the White House had so politicized the program that Cleveland became a favored grantee.
- The Cleveland Foundation and George Gund Foundation provided start-up funds for many of the intermediary organizations that were created and injected seed capitol into the Playhouse Square Development and many of the neighborhood housing initiatives.

[37] Roldo Bartimole, among others, would argue that the Mayor represented the same set of downtown-corporate interests that were represented by Cleveland Tomorrow (See: Bartimole 1995; Swanstrom 1985, especially his last chapter).

- The County Commissioners were important for their financial support of physical development projects and their absorption of some of the City's financial responsibilities.
- Governor Richard Celeste's vision of an activist state government in the area of economic development and his willingness to increase the share of the state's capital budget devoted to projects in Cleveland were sources of finance for the region's recovery.
- The two legislative delegations, state and federal, worked to find funds at critical junctures. The leadership in the federal delegation came from Congresspersons Stokes and Oakar. The leadership in the state house came from State Representative Patrick Sweeney. Congressperson Stokes was second ranking majority member of the House subcommittee that controlled the budgets of the U.S. Department of Housing and Urban Affairs and Congressperson Oakar sat on the Appropriations Committee and played a critical role in both securing UDAG funding for the downtown development projects and was a major force in preserving the NSAS-Lewis research facility. Representative Sweeney worked with the Governor to put Cleveland and Northeast Ohio's priorities in the state's semi-annual capitol budget. What made the work of the legislative delegations possible was that the community, through the City Administration, the Growth Association, and Cleveland Tomorrow, presented a stable set of, largely physical, development projects over a decade-long time period.
- Finally, there were project advocates—people who owned a piece of property, people who could profit from a specific deal, and people who were advocates for a specific physical development project.

Three projects—Sohio's Headquarters, Tower City and Playhouse Square—were the bellwether physical investments in downtown Cleveland. Sohio was important because it was a symbol that the corporate community was not going to abandon the city's core. The other two projects were important because they became models for development activities that followed—they were the early projects that trained the civic development infrastructure. They were the projects that entailed the most political and economic risk. They were the first of a string of complex projects that where structured and provided the models for those that followed. Tower City was the model for an essentially private investment that relied heavily on federal government sources for finance (these were UDAG grants). Playhouse Square was the prototype of a highly leveraged civic project that became possible with corporate and foundation leadership and risk capital, that was augment by substantial capital investments by state and county governments.

Sohio's headquarters building, latter British Petroleum's (BP), came before the other two projects, and it was viewed as an important sign of faith in the city's core but it was not typical of the projects that followed. Sohio was a private deal, done at the insistence of the company's CEO Alton Whitehouse, and it was nearly the last major development project that did not involve some form of public participation.[38] Sohio was

[38] John Ferchill's North Point Tower followed and did not receive direct public support. Ferchill spoke at a local meeting of the Urban Land Institute to discuss his development strategy. He said that he wanted to sign up his tenants before the publicly supported towers came online. He anticipated that a glut of office space would develop when Tower City, Society Tower, and the expected Ameritrust Tower—that was never built—opened. He thought that the glut would hold down rents and take down developers. He stated that waiting for public tax abatements or UDAGs would cost his project too much money due to the time delays incurred. Ferchill's predictions of the impact of the big projects on the local market proved to be correct. Unfortunately, the second phase of his North Point project was not completed in time to win this race.

originally granted abatement for another site in Public Square where they did not build. Before they concluded the deal for the new site Cleveland voters reacted negatively to the tax abatement for the National City Bank Building and the Kucinich Administration would not support further abatement for downtown projects. Whitehouse proceeded with the project without the abatements. This was possible because the funding was secured by the developer, who was Sohio, and the investment was being made more for corporate symbolic reasons than as a real estate investment. When Sohio was fully absorbed by BP the building was sold and the company put through a vigorous downsizing. The importance of Sohio's building was symbolic. It was built after TRW left the city for the eastern suburbs and it was a visible statement that downtown Cleveland was a viable business address. The building also set a design standard that Planning Director Hunter Morrison was able used to guide downtown development over the ensuing decade.

Albert Ratner, of Forest City Development is made the Tower City project possible. One person I interviewed told me that Tower City happened because Ratner did not fall asleep on an airplane. Ratner was flying somewhere over the Colorado Rockies and thought to himself "Why do I have to leave town to do deals? Why not try a major project in Cleveland?" This was the start of the Tower City Center project. Forest City Development had the experience to complete complicated real estate transactions and they knew how the UDAG program worked. This is the project that is acknowledged as having taught the City's Economic Development Department how to put together the complex financing of urban real estate development projects and how to use Urban Development Action Grants (UDAGs). Additionally, the City hired Dayton's development director, Gary Connally, who had experience with these types of projects to head the office. If the Sohio Building was a vote of confidence in Public Square by the business community, then Tower City Center was a statement that Public Square remained the symbolic heart of the city and it became the symbol of Cleveland's rebirth.

Three civic activists became the saviors of Playhouse Square, first rallying corporate support through Cleveland Tomorrow and then enlisting "risk capital" from the Cleveland Foundation. Playhouse Square became the model that was followed in a number of early development projects. Building preservationists worked hard to generate public support for a number of theaters grouped at the eastern edge of downtown. They put together a case that the theaters were a traffic generator that would both create a market for development and secure a vital piece of the city and keep the land from being turned into parking lots. Cleveland Tomorrow and the Cleveland Foundation supported the creation of a non-profit intermediary who are charged with the development of the Playhouse Square "neighborhood." There was direct corporate and foundation involvement in the early stages of the project and they secured funding form Cuyahoga County to make the project happen.

The civic projects—Playhouse Square, Gateway and the Northcoast Harbor, along with Tower City— are the cornerstone for the visitor destination development strategy for downtown. More importantly, however, they also have three important symbolic values. First, and foremost, they offer a tangible symbol of the revitalization of the city and region. Second, they are proof that the coalition of business, government and activists can complete physical development projects. Finally, they offer an opportunity for Cleveland's City Planning Commission to subtly shape the fabric of the built environment of the downtown.

The Galleria was completed before Tower City, but it used UDAG's and tax abatement in ways that were pioneered for the Tower City project. Gateway—the location of Jacob's Field and Gund Arena, and Northcoast Harbor—home of the Rock Hall and Science Museum—were financed by a combination of funds from the County and the state capitol budget, techniques that were pioneered for Play House Square.

An overarching agenda hatched by a small cabal of downtown development interests did not, and does not, exit. Although Robert Jaquay noted that there were "a handful of agendas" based on the self-interest of each participant. In other words, the six or so goals for Cleveland's revival were the common denominator that tied a number of powerful interests together. These agendas came together on projects that could be accomplished with the resources either in hand, or in the immediate offing. That is where the federal government entered the picture.

The Formula for Cleveland-style Economic Development

Cleveland-style revitalization is almost a formula and when a project falls outside of that formula it fails. First, the most successful projects are bricks and mortar projects because development coalitions work best when there is a tangible project that is "doable." What makes a project "doable" is that a source for the base-line funding, which serves as the investment capital or very patient debt, is identifiable. The project also must fit into the broad development strategy that has evolved over time so that it can become part of Cleveland's "development story." The second part of the formula is that there must be a stakeholder who can build a coalition that includes the primary investor (which is often a unit of government), the corporate community (which can provide seed capital from the community foundations, Cleveland Tomorrow, and corporate grants), and City and County government. The third part of the formula is that the project must be adopted by the civic infrastructure who can staff the project. If the project is privately owned, then the project is managed by the developer but receives support form the civic infrastructure. If it is a civic project then it will be managed by some from of a not-for-profit organization. What is critical to Cleveland-style development is that there is the knowledge-base in the community to staff and complete complicated projects and that all of the players—the corporate community, developers, banks, not-for-profits organizations, State, County, and City governments as well as the legislative delegations—knew how the process worked. Finally, the project had to have some broad appeal in the County. Regional appeal is required for several reasons: County government is often a critical funder and the County Commissioners need to sell the investments to suburban residents, corporate leadership—and often their employees— rarely live in the city and the projects have to make sense to their lives, and Cleveland's downtown is a regional resource that is dependent on suburban labor for its economic vitality.[39]

Critical to the process is that all of the players ascribe to the original Voinovich dictum: "together we can do it." What is different about Cleveland-style development is that it is largely self-effacing and credit-claiming does not appear to be important to those who put together the projects and managed the process. Instead, projects fall apart when there is blatant attempts at grand-standing, or credit-claiming, or when project advocates

[39] See Bingham and Kalich (1996).

fail to take the time to put together coalitions that included a fairly broad array of elected officials and the corporate community. What is ironic is that the more Voinovich rejected credit-claiming, the more credit he received.

There have been development projects that have failed during the 1980s and early 1990s and it is these projects that prove the model. The Regional Transit Authority proposed a rail transit project that would connect the University Circle area to downtown along Euclid Avenue. The project could not garner sufficient public support, and enough federal funds, and the County Commissioners were skeptical about the project. Cleveland Tomorrow staffed an attempt to build a new baseball park in 1987 and 1988 without a public partner and the effort failed. Richard Shatten wrote that "this was a public project that required private sector support—not the other way around."[40] The same can be said for the attempts to build a new home for the Cleveland Browns football team in 1994 and 1995. The stadium is being built only after Mayor White led a public campaign, targeting largely suburban voters, to extend the "sin taxes" used to pay for the Gateway complex. The NFL stadium is a "gorilla" project that cannot be justified on economic development grounds, it has taken funds from other projects in the state's capitol budget, but will go forward due to the popularity of professional football in Northeast Ohio.

There were two projects proposed for the waterfront at the same time that serve as a good test of the Cleveland development model. One, The Great Lakes Science Center, was built using the model, the other, the Aquarium, was viewed as a purely public project and was never built (it was a victim of Gateway's cost overruns and the NFL stadium).

[40] Shatten (1995) page 329.

Because a broad-based development coalition was never put together, and corporate support of three professional sports venues does not leave much money for much else, the Aquarium will most likely never be built.

Current Strategy

Strategies to reach the region's development goals have changed over time. The most striking change is in the strategy for reaching the first goal—providing an economically viable rationale for downtown Cleveland. The initial strategy was to focus on corporate headquarters, retailing, and financial services employment as the anchor. This has shifted to preserving existing office employment, pursuing other office employment opportunistically, while developing a destination tourist industry to complement the CBD's function as a regional entertainment district and tourism attraction.[41] The shift in strategy was made necessary by blossoming vacancy rates in downtown office buildings in the early 1990s. The rates, coupled tendency of headquarters that were new to the region—such as OfficeMax, Progressive Insurance, and MBNA—to locate along the I-271 in the eastern suburbs, indicate that downtown could not primarily rely on a Fortune 1000 headquarters strategy as its economic rationale.

In an interview, Richard Shatten said that the strategy for reviving Cleveland's economy in 1995 has four parts: promote downtown Cleveland as a visitor destination; reestablish market conditions in persistently poor neighborhoods (particularly for the housing market); create jobs in new industries through entrepreneurship and scientific

[41] Deloitte & Touche (1994), Iannone (1994), and Regional Economic Issues (1992).

research; and restore competitive leadership to the manufacturing sector, which is the historical economic base of the region. Shatten also said that having a competitively educated workforce is an emerging concern of the membership of Cleveland Tomorrow. Workforce development is an issue that is moving onto the broader community agenda, due to its adoption as a priority of the new leader of the Growth Association, Carole Hoover.

Cleveland has a number of regional organizations that act as development intermediaries and they have a well articulated set of objectives. Three facts are striking about these organizations. First, the majority did not exist before 1980. The restructuring of Greater Cleveland's economy was accompanied by an explosion in the number of economic development intermediaries. Secondly, their objectives largely derive from the original set identified in the early 1980s.[42] Third, when specific industries are targeted they reflect the original development strategy. These targeted industries emphasize the region's industrial specialization and reflect the desire to grow new firms from the research and technological base that exists in the region.

[42]The Growth Association's eight critical outcomes for the region in 1995 are typical: (1) revitalize the manufacturing base, (2) increase business formation, (3) increases high-wage, high-growth services and technology sectors, (4) create a more efficient labor market, (5) restore economic vitality in the city of Cleveland, (6) increase female and minority participation in the economy, (7) increase export activity and improve air connections, and (8) develop the visitor destination industry. The Growth Association continues to support efforts at selling the image of the region nationally, it supports efforts at lobbying for physical development within the region (paying special attention to Cleveland's downtown), and it is one of a number of organizations that pursues the traditional economic development function of firm attraction and retention. Cleveland Tomorrow (1996, p.1) endorsed a slightly different list in 1996. They endorsed "education, downtown and neighborhood development, and technology as the core areas for concentration through the balance of the decade."

The Civic Infrastructure

> *Development did not take place solely due to money from the federal government. Of equal, or greater, value was the civic infrastructure. The partnership between the Mayor (first Voinovich and then White) and the private sector through Cleveland Tomorrow, the Growth Association, NPI (Neighborhood Progress Incorporated), etc.*
>
> —Janis Purdy, The Citizens League.

What was behind the development of a sophisticated civic infrastructure and the self-effacing nature of development politics? There are three parts to the answer. One lies in 1979. In that year the League of Women Voters passed petitions to get an extension of the mayoral and council terms from two years to four years and reduced the size of council. This action, in and of itself, reduced the necessity for credit-claiming on the part of elected officials, taking some of the political edge off of publicly supported projects. The second was the administrative crisis faced by the City of Cleveland; the City did not have the staff capacity or staffing flexibility to execute these complex problems. Finally, the neighborhood-based community development movement provided a ready model of how to use production oriented intermediaries to staff and organize projects that often evolved into public-private partnerships. An extensive network of community based organizations (CBOs) and community development corporations where founded and supported in the city of Cleveland during the 1970s. These organizations were originally supported by the Catholic Church and local foundations. The Voinovich Administration and Council increased their support by providing the CBOs with access to Community Development Block Grants.

These CBOs were a model for three separate networks of not-for-profit development intermediaries: neighborhood based housing development specialists, spatially based representatives of employers, and regional economic development organizations. The neighborhood based CBOs were strongly encourage by the two local foundations to concentrate on housing production, they were given funds to professionalize their staffs, and the foundations created Neighborhood Progress Incorporated to act as a clearing house for proposals to the foundations and to focus investments so that development could "build to scale." This specialization paid-off when the White Administration aggressively used provisions of the Community Reinvestment Act (CRA) to file protests against bank mergers as a way of creating a large CRA supported loan pool. This pool has been used by CBOs to finance both mortgages on used housing and new housing construction aimed at attracting middle class residents back into the city.

The second set of CBOs are organizations such as Midtown Corridor, Inc., Lakeside Area Development Corporation (LADCO), Southeast Development Corporation, and Westside Industrial Retention and Expansion Network (WIRENET). These organizations represent their members, mostly small and mid-sized industrial firms, before city government, act as intermediaries between neighborhood residents and the employers—most provide some form of job matching service, and a few engage in physical development activities. These not-for-profit organizations became the models for a group of economic development organizations that operate regionally.

The largest regional development organization is the Cleveland Advanced Manufacturing Program (CAMP), that provides technical assistance to manufacturers from Youngstown to Toledo. Akron is home to a second such organization, the Edison Polymer Program. Both were founded with seed money from the State of Ohio's Edison

Technology Program. They completed their funding from memberships and federal funding. The Cleveland-based Ohio Aerospace Institute is acting in a similar fashion to CAMP but is specialized in using the capabilities of the technology base of NASA Lewis as a development tool. Most of these organizations can trace their roots to Cleveland Tomorrow, as can Primus Capital Fund (a venture capital firm) and Enterprise Development Incorporated (EDI), an industrial incubator facility with loose links to Case Western Reserve University. In much the same way that Neighborhood Progress Inc. is the umbrella for the neighborhood based housing developers, Cleveland Tomorrow is the umbrella of the region-wide economic development not-for-profit agencies. Where they differ, however, is that the economic development organizations are more independent of Cleveland Tomorrow partly due to Cleveland Tomorrow's desire to spin off activities and partly due to the diversity of funding streams that these organizations have developed over time.

There is something new and important that is evolving from the civic infrastructure. The infrastructure is providing leadership and stability that once came from corporate leaders. Richard Shatten mentioned the increasing difficulty in keeping Cleveland Tomorrow focused at the end of his tenure as Executive Director due to the instability in its membership—the firms stayed the same but turnover in chief executives had accelerated in the 1990s (William Bryant stated that the average tenure has dropped to four and a half years).

Robert Jaquay noted that sprawl is fanning a new leadership crisis: firms and industries are increasingly locating on highway beltways on the outskirts of the metropolitan areas and their executives often live even further out in the country. They are cut off in a real way from the city, with the exception of the airport and entertainment facilities, and are not connected to city-specific issues. If they are active in civic issues it is in state-wide and regional subjects. Several observers mentioned that there is also a generational change underway in the region's corporate leadership. Those who were deeply involved Cleveland's civic life in the late 1970s and the 1980s are retiring from civic life and it is not clear who the new leaders are and the base of corporations has narrowed. Keycorp has clearly replaced Ameritrust and BP as the leading downtown employer and it has increased its visibility (but this is one firm playing a role that was once shared by three actors). Several other of the city of Cleveland's large employers are themselves not-for-profit entities and are limited in the investments they can make, this is true of the hospitals and universities—to be perfectly crass, they are all on the taking end of the wallet and not on the giving end.

Christopher Johnson, director of Midtown Corridor, stated that the Cleveland Foundation brought stability to the corporate leadership by supporting the executives of the non-profit intermediaries. Johnson noted that the executives of the non-profits stay at their positions longer than the new generation of CEOs do and the leaders of the not-for-profit organizations provide continuity to the regional development agenda by acting as the institutional knowledge base. They also have legitimacy in the eyes of the new corporate CEOs who use the non-profit leaders to educated themselves about their expected role. There is an additional benefit to this civic infrastructure. It grew up during the 1980s and most of the not-for-profit leaders know each other well and they work well together. They provide the solid face that exists across organizations when there is an opportunity for external funding. In this sense the civic infrastructure is in danger of becoming self-perpetuating. What is missing from this tableau is the mediating institution. Who maintains the culture? Who disciplines the leaders of the not-for profits when the interests of their organization begins to collide with the interest of the established civic strategic agenda? The only candidate organization is their common funding agencies, the two community foundations.

There is a specific flavor to Cleveland-style development. All interviewed clearly stated that the leadership for the development activity in Cleveland in the 1980s came from the private sector. William Bryant indicated that the downtown corporate leadership recruited George Voinovich to run for mayor and underwrote his campaign. David Sweet, Dean of the College of Urban Affairs, best summarized the limits of Cleveland's revitalization:

> Cleveland's credibility was wrapped around specific bricks and mortar projects; and it needed to be project specific. The private sector understands bricks and mortar. It is harder to understand and address the root causes of Cleveland's problems, such as race relations and poverty. This is not a knock on the corporate leadership; it is a reality…. The community got rolling around these projects [referring to the UDAG supported projects] and George Voinovich was the fulcrum around which these developments revolved…

Despite the organizational efforts of a city, or of a region, the best it can do is to work around the edges of larger economic and social forces. In many ways what makes Cleveland interesting is that it is representative of a large number of older metropolitan areas in the United States. As such, its fate is largely determined by a combination of its history, investments, and national policies. Cleveland's major problems cannot be called a crisis. It has two sets of problems. One are the forces that cause sprawl and the federal policies that promote sprawl. In a market economy, moves and decisions that are made by people and firms that are in their best interest are applauded, as long as they bear the full costs incurred by their actions. In modern metropolitan America the forces that promote sprawl are subsidized by federal tax policies. These are the real federal forces that shape Cleveland's future. The second set of problems is housing segregation and concentrated poverty.

The Federal Role in Cleveland's Revitalization

> *The federal government was catalytic in terms of providing money to jump start a stagnant economy [referring to downtown]. Due to the [local] politics of that time people would not take the development risks.*
> —Janis Purdy

Context

> *Federal urban policy is a molecule in an ocean of federal policies that hurt cities.*
> —Richard Shatten

There are three interventions by the Federal Government that encourage excessive development in stagnant economies: federally subsidized infrastructure investments (especially highway construction), the mortgage interest deduction from personal income taxes, and the capital gains treatment of housing. These Federal actions are aided by state highway, infrastructure, and other public capital funds and a lack of effective metropolitan decision making structures. The result is a land market that encourages new construction on the edges of the metropolitan area and discourages housing investments in older areas. Mid-Town Corridor's Christopher Johnson summed up the dilemma best when he said that "we aren't growing as fast as we are developing."

Robert Jaquay looked at the total effect of Federal and State capital spending, especially highway funds, on the Cleveland region and noted that “a priority of our investment pattern has been to finance internal commuter trips, not to deal with, or connect to, the rest of the world. We are spending money to facilitate sprawl.” This spending, and the sprawl that it accommodates, is a powerful result of federal policies. But as Jaquay and others recognize, the federal government played an important role in the revitalization of downtown Cleveland, and the federal government was an important investor in the region’s economic development intermediary organizations.

Federal Expenditures

Year-in and year-out the federal government pumps from $4 billion to $5 billion (in 1983 constant dollars) into the Cuyahoga County, the county that contains Cleveland. (Table 4) We assigned every federal grant and contract that flowed directly into the county from 1983 to 1993 into one of twelve categories and aggregated those categories into five expenditure classes.[43] The reason why these figures are minimums is that federal money that enters the region through the state budget cannot be identified. This federal undercount is especially severe in the area of infrastructure spending, where a large fraction of what Ohio’s Department of Transportation spends comes from the federal Highway Trust Fund and other sources.

The largest category of federal spending is for social welfare—Social Security, Medicare, Medicaid, as well as AFDC and other direct transfer programs, that comprise

[43] We used federal data on contracts and expenditures that are listed by county. These data only exist for the time period that we cover in Tables 4 and 5.

about two-thirds of the listed expenditures. (Table 5) The second largest spending class is federal spending for wages and salaries paid to federal employees and direct purchases of equipment, supplies, and services. This spending is the source of a bit more than $1 billion in expenditures per year and accounts for about 30 percent of total direct federal expenditures. This spending makes the federal government one of Cleveland's largest customers for goods and services. Community development is the third largest category at nearly a half billion dollars per year. This category includes Community Development Block Grant (CDBG) payments, infrastructure grants (sewers, roads, and the like), and direct housing assistance from all sources (from public housing funds to Federal Housing Authority and Veterans Authority loans). The largest area of direct community development expenditure is housing, although as we noted, a great deal of federally supported infrastructure spending flows through the state budget and is undercounted in our figures. In 1993 CDBGs accounted for a bit more than $25 million in direct federal property and wage tax relief to local tax payers.

The two smallest categories of expenditure are research and economic development. Research expenditures account for nearly 2 percent of direct federal expenditures in the region and are a strategic focus of the region's development efforts. These funds have increased by nearly a third over the decade from 1983 to 1993. Medical research increased in real, inflation adjusted, terms from between $40 million to $45 million in the mid-1980s to $60 million to $65 million in the early 1990s. These research funds are partially the result of increased emphasis on medical research by the community foundations and Cleveland Tomorrow in terms of grants made to the two

Table 4

Real Federal Expenditures Directly Received by Local Governments in Cuyahoga County Ohio
($ 1983)

Program Category ($ Million)	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
DIRECT PROCURMENT	**1,045,626**	**1,130,084**	**1,168,242**	**1,247,922**	**1,015,869**	**1,127,715**	**1,182,938**	**1,145,689**	**1,237,761**	**1,032,215**	**1,122,224**
Procurement	433,529	504,785	537,663	590,419	347,155	449,546	522,675	483,745	550,882	358,788	412,072
Salary & Wages	523,253	520,970	532,142	539,118	555,128	564,105	551,983	557,419	565,457	577,380	571,599
Other	88,844	104,330	98,437	118,384	113,586	114,064	108,280	104,524	121,421	96,047	138,553
SOCIAL WELFARE	**2,110,957**	**2,439,754**	**2,480,619**	**2,717,095**	**2,765,435**	**2,774,545**	**2,809,149**	**2,928,211**	**3,026,926**	**3,297,680**	**3,391,396**
Transfers	2,090,953	2,438,606	2,478,957	2,715,916	2,764,298	2,773,301	2,808,010	2,926,940	3,025,738	3,296,457	3,390,284
Job Training	20,004	1,147	1,662	1,179	1,137	1,244	1,139	1,270	1,188	1,222	1,112
ECONOMIC DEVELOPMENT	**30,425**	**24,301**	**40,087**	**45,055**	**6,439**	**9,811**	**25,247**	**30,250**	**5,175**	**5,850**	**12,999**
UDAG	22,868	15,652	29,328	40,411	-	4,517	19,573	22,225	-	-	1,643
Economic & Business Development	7,557	8,649	10,759	4,645	6,439	5,294	5,674	8,025	5,175	5,850	11,356
RESEARCH	**61,484**	**53,405**	**58,417**	**56,911**	**65,535**	**70,485**	**77,293**	**78,121**	**86,194**	**91,914**	**90,223**
Medical	48,560	40,327	45,148	43,284	51,222	53,209	58,371	57,083	61,159	68,156	65,078
Science & Engineering	12,924	13,078	13,269	13,627	14,313	17,276	18,922	21,038	25,035	23,757	25,145
COMMUNITY DEVELOPMENT	**224,080**	**314,125**	**301,525**	**352,694**	**470,936**	**410,484**	**489,619**	**585,442**	**528,422**	**471,762**	**497,715**
CDBG	24,488	32,052	34,551	21,334	82	46,523	-	23,036	-	119	25,177
Housing Assitance	156,510	170,439	133,873	197,750	355,775	265,081	425,356	399,351	429,030	390,542	395,099
Infrastructure	43,082	111,635	133,101	133,610	115,079	98,879	64,263	163,055	99,392	81,101	77,439
TOTAL	**3,472,572**	**3,961,670**	**4,048,889**	**4,419,678**	**4,324,213**	**4,393,040**	**4,584,246**	**4,767,712**	**4,884,478**	**4,899,421**	**5,114,558**

Source: The Consolidated Federal Funds Report, U.S. Bureau of the Census.

major research hospitals in the region and lobbying for state and federal investments in biomedical research through the Edison Program (Case Western Reserve University's Medical School and the Cleveland Clinic are partners in the Edison Biotechnology Program). Table 6 contains a listing of the sources and uses of funds in projects that Cleveland Tomorrow was involved in from its beginning in 1982 until 1991.[44] The upper panel of that table lists the source of funds by use and it shows that the Edison Biotechnology Center is primarily a funding partnership between the federal government, it was responsible for 52 percent of the funding, and State government, which provided 46 percent of the funding.

Science and engineering research operates at between \$20 to \$25 million per year and much of this is activity that revolves around the NASA Lewis Research Center. However, direct research spending is not the full extent of the scientific and research base of the region's development efforts. Of greater importance is the application of off-the-shelf technologies to existing firms. These efforts revolve around CAMP and the Ohio Aerospace Institute (OAI). Both are public-private partnerships. CAMP received 10 percent of its funding up to 1992 from federal sources, half of its funding from the State of Ohio, and 40 percent from contracts and memberships. OAI receives 22 percent of its funds from the federal government and 75 percent from the state, this partially reflects the fact that OAI is a younger organization than CAMP.

[44] Joseph Roman, the Executive Director of Cleveland Tomorrow, made these data available. He noted that if they were updated they would reflect higher expenditures from the County Government, due to Gateway's expenses and the Rock and Roll Hall of Fame. At the same time foundation and corporate contributions to the Great Lakes Science Center have increased their share of expenses in the Northcoast development area. The Rock Hall and the Science Center are not represented in the data.

The smallest area of federal expenditure is direct economic development funding. One of the program categories, UDAG, no longer exists. In its peak year, 1986, it accounted for $40.4 million in expenditure. From 1981 to 1988 UDAGs accounted for $103.3 million in expenditures.[45] Eighty percent of the UDAG funds were for office and commercial structures, mostly in Cleveland's downtown, ten percent were for housing projects, 4.2 percent for industrial projects, and 5 percent were for health and other institutional projects. The bulk of the funds went to 16 downtown commercial grants (Tower City received 5 grants for $31.5 million, or a bit less than a third of the total). Seventy percent of the grants went to downtown projects, 16 percent of the funds supported neighborhood projects, and nearly 8 percent was spent in the University Circle area. A large part of the renewal of Cleveland's downtown was financed by UDAGs.

What was the federal role in Cleveland's revitalization? The federal government was more than a banker; it was a catalyst. Local observers have been too myopic about the federal role and have concentrated too long and too hard on the politics of the 1970s in explaining the lack of investment during the Kucinich years (some going so far as to describe the lack of investment as a "capital strike"). The fact of the matter was that Cleveland was a terrible place to invest in during the late 1970s. Local politics was gridlocked, but that was only a fraction of the story. Before the Celeste Administration, the State of Ohio was unwilling to reinvest in the state's urban core and suburban investment was (and continues) to place Ohio's cities at a competitive disadvantage. However, the state's starvation of its cities is also a minor player. During the 1970s Cleveland was the center of a region of shrinking population and the core of its

[45] Keating, Krumholz and Metzger (1995), page 341.

Table 6

The Distribution of Funds by Sources and Uses Among Programs Affiliated with Cleveland Tomorrow from 1982 to 1991

USES OF FUNDS (Programs)	SOURCES OF FUNDS (% Distribution by Program)		Government				
	Corporate	Foundation	Federal	State	Local	Other	TOTAL
BUSINESS DEVELOPMENT	18%		14%	53%		15%	99%
Technology Transfer	2%		12%	53%		32%	100%
Clev. Advan Mfg. Prog (CAMP)			10%	49%		41%	100%
Ohio Aerospace Institute	3%		22%	75%			100%
Work in NE Ohio (WINOC)	36%					64%	100%
Entrepreneurship	36%	1%		56%		7%	100%
Enterprise Development (EDI)	36%	18%		14%		32%	100%
Primus Capital Corp.	36%			58%		6%	100%
Technology Development			52%	46%	1%	1%	100%
Edison Biotechnology Center			76%	21%	2%	1%	100%
Special Technology Initiatives				100%			100%
CBD VISITOR/ENTERTAIN INDUSTRY	2%	1%	1%	6%	52%	39%	100%
Gateway					56%	44%	100%
Northcoast Development Corp.	13%	10%	13%	55%	6%	3%	100%
Playhouse Square Foundation	13%	7%	0%	23%	47%	10%	100%
CLEVELAND'S NEIGHBORHOODS	70%	9%			2%	19%	100%
Civic Vision	17%	28%			50%	5%	100%
Clev. Development Partnership	95%	3%				2%	100%
Cleveland Housing Network	46%					53%	100%
Neighborhood Progress (NPI)	10%	45%			4%	41%	100%
OTHER	41%	9%			10%	40%	100%
Health Quality Choice	17%	10%				73%	100%
Cleveland Tomorrow (CT)	62%	9%			20%	10%	100%
TOTAL	16%	2%	5%	21%	28%	28%	100%

USES OF FUNDS (% Distribution) (Programs)	SOURCES OF FUNDS (% Distribution by Source)		Government				
	Corporate	Foundation	Federal	State	Local	Other	TOTAL
BUSINESS DEVELOPMENT	37%	6%	90%	86%		17%	33.1%
Technology Transfer	2%	1%	28%	30%		13%	11.7%
Clev. Advan Mfg. Prog (CAMP)		1%	17%	20%		12%	8.5%
Ohio Aerospace Institute			11%	10%			2.7%
Work in NE Ohio (WINOC)	1%					1%	0.5%
Entrepreneurship	35%	5%		42%		4%	15.4%
Enterprise Development (EDI)	1%	5%					0.5%
Primus Capital Corp.	34%			42%		3%	14.9%
Technology Development			62%	14%			6.0%
Edison Biotechnology Center			62%	4%			4.1%
Special Technology Initiatives			0%	9%			1.9%
CBD VISITOR/ENTERTAIN INDUSTRY	6%	32%	10%	14%	98%	72%	53.2%
Gateway					91%	70%	45.7%
Northcoast Development Corp.	3%	19%	10%	10%	1%		3.9%
Playhouse Square Foundation	3%	13%		4%	6%	1%	3.7%
CLEVELAND'S NEIGHBORHOODS	52%	53%			1%	8%	11.9%
Civic Vision		6%			1%		0.4%
Clev. Development Partnership	43%	12%					7.2%
Cleveland Housing Network	8%					5%	2.7%
Neighborhood Progress (NPI)	1%	35%				2%	1.6%
OTHER	5%	8%			1%	3%	1.8%
Health Quality Choice	1%	4%				2%	0.9%
Cleveland Tomorrow (CT)	4%	4%			1%		1.0%

Economy was in decline. Real estate investors would have been crazy to invest until the economic fundamentals improved; and that is what the strategic vision for the region addressed. The federal government's investments came as the fundamentals were improving and the success of the downtown projects did much to improve the investment climate of the entire region. However, the federal investments were only made due to a combination of fortuitous politics and regional preparation.

In the current round of story-telling about Cleveland's revitalization there is a danger that the federal role will be reduced to that of a part-time banker, but it played a far larger role. Janis Purdy noted three influences the federal government had on the nascent Voinovich Economic Development Department. First, the federal programs served as role models and targets for the efforts of the Department. The programs diffused information about how to set up, run, and prioritize a local economic development program. The planning grants and planning requirements of the Economic Development Administration, in particular, forced the city to think strategically about where to invest both effort and money. Federal program requirements also served to train local bureaucrats on good development practices. Finally, evaluation does not exist unless it is mandated and directed by the federal government. Purdy asked rhetorically: "Where did we learn to articulate these goals? We learned in EDA documents and in CUED (Council for Urban Economic Development) meetings."

In Cleveland's experience the federal government had a number of roles. It is at its best when it plays a catalytic role, as it did in Cleveland with UDAGs and downtown development, and as it is playing with the Empowerment Zone. What federal involvement allows a well organized city to do is to do projects and development to scale. Without federal involvement scale cannot be achieved. This is the promise it offers in tackling the brownfields problem. However, there is a flip side to federal involvement: when the federal government engages in investments that are destructive to cities, it can do that to scale as well.

There is a difference is dealing with the federal and state governments when you are from a place like Cleveland, and this is best expressed by Shatten: “In my fifteen years at Cleveland Tomorrow I worked with the State and developed policy with the State. My dealings with DC were just transactional.”

The federal government has had three separate roles in Cleveland’s revitalization. At its best it is catalytic. This was the case in UDAGs, infrastructure, and research and development investments. At other times the federal government was controlling; this is the case when the court system becomes involved in an issue. In many cases the federal government’s role is marginal, it plays the role of banker. The federal government cannot stimulate change at the local level, it can just facilitate change by providing the resources, in combination with funds from state and local government, to bring a local effort to meaningful scale.

The federal influence waned in Cleveland as the 1980s wore on and the UDAG program began to sunset. David Sweet thought that the federal role “may begin and end with the UDAG program.” Purdy saw a large difference between the federal role in 1979, at the beginning of the Voinovich Administration and in 1986. In 1979 the federal programs, especially UDAG, was the prize around which the Economic Development Department was organized. But, said Purdy, “when the dollars declined and uncertainty grew about the federal role in cities and development, the feds lost their role as the driving force. But the federal programs left a legacy of trained professionals and of development models." The original set of downtown development projects depended on federal funding, but as those funds waned, and as the risks from investing in Cleveland diminished, the focus of development shifted to large civic projects that used a mix of funding sources.

A Story of Leverage

> *The federal government played an indispensable and substantial role in Cleveland's development efforts. It was critical to use the federal money opportunistically. Cleveland is not big enough, or important enough, to influence national policy. The trick is to be well enough organized to grab from whatever source in support of its own goals. You must be opportunistic.*
> —Richard Shatten

Development in Greater Cleveland has relied on a mix of funds. If you took all of the projects that Cleveland Tomorrow was engaged in from 1982 to 1991 and looked at the distribution of sources the diversity becomes clear—however it is largely a diversity among public sources. The corporate and foundation community in Cleveland provided 18 percent of the funding to the projects in which Cleveland Tomorrow became involved and the federal government only provided 5 percent of the funding (the Cleveland Tomorrow figures do not include the projects that were funded with UDAGS and they do not include tax expenditures that many of these projects generated). State government provided 21 percent of the funds and local government—primarily the County—provided 28 percent (and the County's share has grown substantially since 1992). Another 28 percent of the funding came from other sources, such as membership dues and contracts. It is useful to examine the two panels of Table 6 and see how each of the strategic goals of the region were financed.

The dominant goal of the 1980s was to create an economically competitive rationale for Cleveland's downtown. The original strategy focused on a mix of headquarters employment, retailing and entertainment and latter migrated to embrace the creation of a visitor destination industry. The dominant source of funding was state and local government for the large civic projects that followed the UDAG supported commercial development in downtown. A second goal was to invest in the city's neighborhoods. Here the corporate sector is credited with the largest investments, thanks in large part to the CRA agreements the White Administration struck with area banks. This is also an area in which the local community foundations invested about half of their funds, mostly due to the establishments of Neighborhood Progress Incorporated.

The federal hand is most prominent in Cleveland Tomorrow's business development activities. The federal involvement in the Edison Biotechnology Center, CAMP, and OAI dominated the funding stream and it is these programs that will, in the long run, have the greatest impact on the region's economic future.

What then are the lessons for the federal government from Cleveland's efforts at revitalization? There are many. First, the federal government has a critical role to play in monitoring and evaluating and disseminating knowledge about economic development strategies. They can only do this if they are an investor in development projects and, in effect, purchase a seat at the table. Second, the promise of federal funds can be catalytic, but the competition for those funds must force the local community to place projects in a strategic context, and the strategy must be shown to be reasonable. Third, private-public development partnerships work, but they must represent a broad coalition of support for the specific project. Fourth, local government must be especially effective in its ability to carry out a project or there must be a broad and deep civic infrastructure that can see projects through to completion. Finally, there needs to be a high degree of local match to the federal investment. It is unlikely that the match will be dominated by investments from the private sector. The match will come from other units of government, local foundations, and in the case of economic development intermediaries from memberships once the program has proven its worth. There was an inadvertent rationale to the pattern of federal involvement in Cleveland. It started rather large and then tailed off. This pattern was not by design, it was a result of the government’s gradual withdrawal from urban development. There was always local match but that match increased as time wore on. This implies that once a place has demonstrated that it has the civic infrastructure to do development, and it has an economically viable rationale based on the demonstrated competencies of its economy, federal investments make a substantial difference in the future of a city.

Cleveland also shows what this model, which is essentially a model for bricks and mortar physical development model, cannot accomplish. The Cleveland-style development model cannot deal with long term issues of racial isolation, poverty, public housing, and other related social services. Local critics constantly present false choices when discussing public subsidy of the large civic projects such as Gateway and the Northcoast Harbor developments. They will contrast public expenditures, and votes for special purpose taxes, to support these projects as taking money away from vital public services in the city (such as the public school system). In reality, the largely suburban public who are paying the taxes to support these projects will not voluntarily transfer money to another jurisdiction to support social services. Where there is ample room for criticism is the amount of time, effort, and political capital that is required to sell the civic projects to the public. This then is another lesson for federal policy from Cleveland. The federal government can provide incentives so that state, county, and local government can focus on issues of long term economic and social distress. Without these incentives local politics will direct funding away from these problems.

Social problems are political problems that cannot be solved through bricks and mortar. They are also national economic problems. A public-private partnership model can bring pressure to bear to correct a dysfunctional bureaucracy. A public-private partnership can recognize how a dysfunctional and inefficient social service system is raising local costs and needs solution. But public-private partnerships work best when they address a short term tangible problem that have identifiable solutions. These problems are not really local, no matter how much the federal government would like to wish them away to another unit of government.

Cleveland's civic leadership has touted itself as the "comeback" city for over a decade. In so doing it has racked-up five All-American City awards, and a large share of national press and political attention over a rebuilt downtown. Employment in the region has rebounded, marked by unemployment rates below the nation's for the past several years, and by large investments in plant and equipment in the outlying portions of the metropolitan area, particularly by the automobile industry and its suppliers. Yet, there is wide-spread realization that while the downtown has changed its economic function since 1979, so has the city's neighborhoods—and not for the better. The city's neighborhoods, with few exceptions, are poorer than ever, despite considerable efforts expended to attract new middle-income residents to the city. The growth in poverty has also begun to spread to the city's inner-ring suburbs, which has been noted locally and in the President's 1995 urban policy report. Greater Cleveland's recent history is a local manifestation of national economic problems—its current spatial form is the culmination of anti-city bias in national public policies, combined with a bias in favor of low density metropolitan development—mediated by locally generated efforts to change the region's traditional economic base.

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