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The Cleveland Charrette on Sustainable Urban Environments: Elevating the Stature of Urban Redevelopment

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The Cleveland Charrette on Sustainable Urban Environments: Elevating the Stature of Urban Redevelopment

Prepared for

**The U.S. Environmental Protection Agency
Sustainable Urban Environments Initiative**

Prepared by

The Great Lakes Environmental Finance Center
Levin College of Urban Affairs
Cleveland State University

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**THE CHARRETTE THEME:
GRANTS FOR GREENFIELDS DEVELOPMENT VERSUS LOANS FOR
BROWNFIELDS REDEVELOPMENT**

The main focus of this charrette -- the stature of urban redevelopment relative to suburban "greenfield" development -- was epitomized by two Cleveland-area newspaper items (see Appendix A). One item announced an \$850,000 federal grant to a suburb located at the rural fringe of the Cleveland metropolitan area. The grant from the Economic Development Administration of the U.S. Department of Commerce was for construction of a road that would open 250 acres of virgin land for industrial development.

The second item reported that MidTown Cleveland, a nonprofit development corporation working in one of Cleveland's old industrial neighborhoods, was applying for a \$4.85 million loan from the State of Ohio. The loan was to help finance the acquisition of properties, demolition, and environmental remediation for the purpose of enabling redevelopment to occur within a 12-acre portion of the MidTown neighborhood.

The suburb in the first item is new and growing. Located 20 miles (and 20 minutes via an interstate highway) from MidTown, it has thousands of acres of farmland and open space on which 250 homes a year are being built, as well as office buildings, industrial parks, and retail malls. It is a typical contemporary edge-city suburb.

MidTown Cleveland represents a two-square-mile area of old real estate, mostly industrial and commercial buildings, and vacant land cleared of fully depreciated structures. The entire neighborhood consists of used buildings and used land. It is a typical remnant of a large old industrial central city.

Industrial development in the new suburb is being enabled by construction of a road to the 250-acre site. Redevelopment in MidTown is being enabled by demolition of obsolete buildings, by land parcel assembly to "create" new sites, and by environmental remediation of soil contaminated by previous use. At both locations, the suburb and MidTown, development was the objective. Yet the

suburban development was being enabled by a grant, while the city development was being enabled by a loan (which the state approved but only after the city government agreed to guarantee it).

A grant for greenfield development and a loan for urban redevelopment. MidTown was expected to compete in the industrial real estate market place with that suburb (and others like it) on those terms. Not surprisingly, urban redevelopment is a shadow of outer suburban development and job growth.

Grants are at times given to promote city redevelopment, and loans are at times given to promote farmland development. However, *the thesis here is that a serious bias exists in public policy, particularly at the state level, against providing grants for urban redevelopment, while grants in support of greenfield development are considered sensible investments.* At the state level, urban redevelopment is considered to be a local responsibility, yet first-time development is considered to be deserving of state support. State government is actively engaged in boosting greenfield development through highway and road widening, new interchanges, and bridge improvements. For example, "potential to produce economic development" constitutes 30 percent of the criteria used by the Ohio Department of Transportation in rating major new capacity projects, almost all of which, such as an interchange, are linked with expanding the outer edges of Ohio's metropolitan areas.

Where greenfield infrastructure investments are made, local governments and local property owners are not expected to pay back the cost. It is as if unwritten state policy is: "We will gladly assist local governments and property owners with initial development, but once you're built you're on your own." To the extent that public policy favors greenfield development over redevelopment of previously built sites, urban core communities decline and outer metropolitan-edge communities build and grow. Redevelopment activities are handicapped, cities and older suburbs are unable to renew much of their real estate, and edge-city sprawl is unnecessarily extended. In several decades, the newer suburbs of today will become the victims of such a policy, resulting in lack of financing for their redevelopment.

The relative decline in the central city and inner suburbs is illustrated in Table 1, which measures the changes in the value of real estate in parts of the eight-county Cleveland area. The Table illustrates that in Cuyahoga County, the City of Cleveland and the inner suburbs had the lowest growth rates or higher rates of decline. In the suburban counties the table compares portions of the counties that are next to Cuyahoga County and constitute the Cleveland housing market.

Table 1. Value of Real Estate - Cleveland Area Change, 1983 - 1998*

	RESIDENTIAL	COMMERCIAL	INDUSTRIAL
CUYAHOGA COUNTY			
City of Cleveland	12%	36%	-26%
Inner Suburbs	16	18	-27
Outer Suburbs	68	94	-3
TOTAL	36%	48%	-20%
SUBURBAN COUNTIES			
Northern Summit	139%	73%	66%
Northwest Portage	92	168	111
Northern Medina	75	78	8
Western Geauga	73	40	19
Eastern Lorain	78	4	22
Western Lake	43	43	13
TOTAL	72%	52%	25%
TOTAL AREA	47%	49%	-10%

* real change after inflation

SUSTAINABLE URBAN ENVIRONMENT CHARRETTES

In 1999, the United States Environmental Protection Agency (EPA) teamed with the Environmental Finance Centers Network to hold a series of charrettes on sustainable urban environments. Each charrette was to focus on a specific environmental management problem. The goals of the charrettes are both to help solve problems in particular cities and programs and increase EPA's understanding of the ways its national policies affect local growth patterns. The twin objectives of the charrettes are to understand:

- How local governments are attempting to restore and retain urban core economic and environmental vitality and
- How EPA policies are helping or hindering these local efforts towards urban sustainability.

THE CHARRETTE PROCESS

The charrette is a tool that the Environmental Finance Centers Network has found useful for local problem-solving and for clarifying policy problems that are important but not well-recognized. The process is essentially an intensive, collaborative, short-term application of expertise to a specific problem or issue. The size of the group of participants is limited to ensure active engagement around the table. Local participants in the exercise are invited to present their understanding of the problem or issue; panelists from external resources are asked to give their perspective; and the discussion then proceeds to problem solving.

THE CLEVELAND CHARRETTE

The Great Lakes Environmental Finance Center at Cleveland State University's Levin College of Urban Affairs held a one-day charrette focusing on the issue of the stature of urban redevelopment in public policy relative to greenfields development. The charrette was held on March 3, 2000, at the Cole Continuing Education Center of Cleveland State University to consider the proposition

that redevelopment (reuse of previously developed urban sites) has less stature in public policy than greenfields development.

PARTICIPANTS AND PANELISTS

The Great Lakes Environmental Finance Center invited over 30 leaders in the fields of economic development, environmental issues, and public policy to participate. Eventual participants included city and suburban planning and development directors, elected officials at the municipal and state level, as well as participants from the federal government, county, nonprofit development organizations, and the private sector. Two external panelists (from outside of Ohio) experienced in the areas of development and public policies were present and served as experts. A list of participants and panelists and their affiliations is presented in Table B-1 in Appendix B.

CHARRETTE'S GOALS

The goals of the event were to:

- Reveal policy barriers for redevelopment that are important but unarticulated, or not widely understood.
- Review the uses of public resources for the two types of development (greenfields and redevelopment).
- Initiate actions to rectify inequity.

RECAP OF DISCUSSION

Introductions and process

The charrette began with the moderator, Dr. Jack Greer, director of the Environmental Finance Center at the University of Maryland, explaining the format and process for the day, and making introductions.

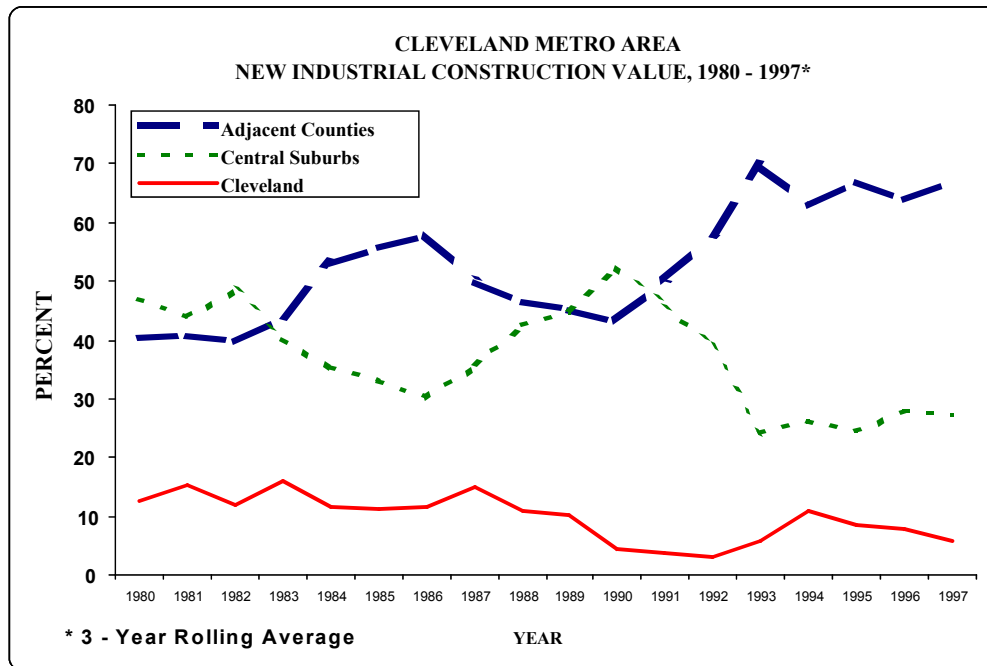
Overview and context

Dr. Tom Bier of Cleveland State University and co-organizer of the day along with Dr. Ziona Austrian, Associate Director of the Great Lakes Environmental Finance Center, presented an

overview of the main issue. Dr. Bier reviewed the policy status of redevelopment versus new development, and positioned it in the context of Cuyahoga County. Cuyahoga County, in which the City of Cleveland is located, is close to being Ohio's first fully developed county, with all outer suburban greenfield land "used." The significance of that condition is that redevelopment of previously built sites, and reuse and maintenance of existing buildings (and infrastructure) must be the basis of the county's future economic growth and stability. The focus for securing that future must not only be on the City of Cleveland but the county's older inner suburbs as well. The amount of redevelopment, reuse, and maintenance in these places must increase dramatically over the next 10-20 years.

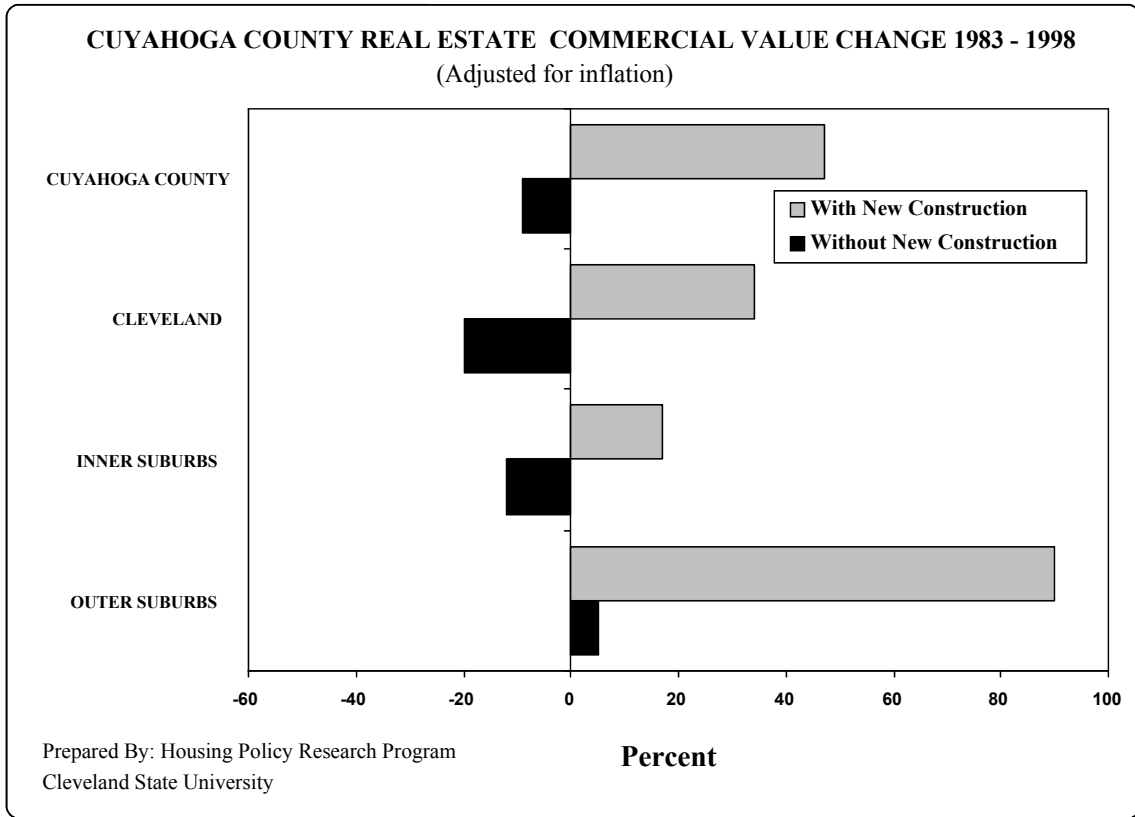
Figure 1 illustrates the falling value of new industrial construction in Cuyahoga County, in both the City of Cleveland, its central city, and its suburbs.

Figure 1



The losses in property values are more severe when property values are measured excluding new construction. Figure 2 shows that without new construction, the City of Cleveland, the inner suburbs, and the county as a whole lost commercial real estate value during the past 15 years, while the county's outer suburbs posted increased values.

Figure 2



The Experience of MidTown Cleveland

MidTown Cleveland, established in 1982, is a nonprofit economic development organization serving a two-square-mile area east of downtown Cleveland, Ohio. In the early 1980s the area was blighted, businesses were leaving, employment had dropped, crime was pervasive, and visual clutter abounded. Today, supported by 250 business, institutional, and residential members, MidTown assists in all aspects of neighborhood revitalization, including marketing, real estate development, visual quality, security, and employment. MidTown Cleveland was recognized by the Brookings Institution as a model for urban redevelopment.

Mr. Chris Johnson, former director of MidTown Cleveland, identified four barriers to redevelopment in urban locations such as MidTown and in older suburbs, although suburbs have not declined (yet) to the extent of the central city.

- *Market:* From a business perspective, the market collapsed during the past 50 years. The consequent "atmosphere of decline" obstructs redevelopment. Although "niche" redevelopment is occurring, it is far from the mainstream (which primarily is out in distant suburbs).
- *Product:* What does the place have to offer? Old, obsolete, and dysfunctional buildings; land shortage of large sites; nearby labor that is not ready to produce as needed; and real and imagined environmental contamination can be used as an excuse to avoid the area.
- *Process:* It is more cumbersome and time-consuming to undertake redevelopment than greenfields development. Real estate consultants, lawyers, accountants, and investment bankers want to complete deals quickly and without complications.
- *Subsidy:* There is a perception that injection of state funds into the central city is a welfare act, while "good market investment" is a new highway interchange to the edge city. That perception shapes programs and budgetary line items accordingly. The playing field is far from level.

These barriers are well illustrated in an article that appeared in *Crain's Cleveland Business* after the charrette was held. The article describes a company planning to move its auto parts warehouse operations from a longtime home in MidTown to a new industrial park in a suburban location. The company has to move although its previous owner (the company was acquired by another company from outside Ohio) is a MidTown board member and the chair of MidTown's land development committee. The company needs 11 acres of land that are unavailable currently in MidTown or anywhere else in the City of Cleveland. The largest site available is much smaller and not ready for development. It requires time-consuming efforts to buy land from multiple owners and to raze existing buildings.

Mr. Johnson emphasized, based on his experience, that funding support for redevelopment is considered quite differently than for greenfield development. It is "welfare" versus "good sense capital investment." The central city and older suburbs have substantial assets that can be capitalized upon if public policy were to recognize market opportunity in the same way opportunity is recognized in greenfield development. The price of a single new interchange (\$20 million) could finance a great amount of development in the MidTown neighborhood. The acreage directly affected would not be as great as that affected by the interchange, but the impact on urban conditions would be substantial.

The experience of a World War II suburb

Mr. Paul Oyaski, mayor of the City of Euclid, presented the perspective of a fully developed aging suburb, which is located adjacent to the City of Cleveland. Most of Euclid was built in the 1940s and 1950s. It had a substantial number of World War II and Korean War industrial establishments, and was home to many factory workers. But many of the industrial plants have been vacated as companies merged, moved operations, or closed. Originally, industry provided 60 percent of the city's property tax revenues and residents provided 40 percent. Now the percentages are reversed, and the tax base is declining.

The economic erosion of the City of Euclid has been aided by state government and utilities as they have subsidized development and infrastructure extensions in the next county out, where many Euclid businesses and residents have moved, and continue to move. Wealth and investments are flowing further and further away from the central city. Redevelopment in Euclid is the same costly challenge as it is in MidTown Cleveland. Euclid invested \$250,000 of its tax revenues to demolish a vacant school building and convert the site into 16 lots for new homes, which provided move-up opportunities for Euclid residents, and which were sold almost overnight.

Mayor Oyaski emphasized that Euclid needs to redevelop, maintain, and rebuild its infrastructure, but the city does not have the resources to adequately address the need. At the same time, incentives in the form of highways and interchanges are being used to attract investment to greenfield locations. Those incentives, which have massive impacts, are committed at the state and federal levels. On the other hand, the incentives available to attract investment to rebuild aged communities are trivial in comparison. State government essentially ignores the situation in urban areas (it is a local problem, the state has no responsibility), while promoting more sprawling farmland development in the next county. Cuyahoga County, in which Euclid is located, is very limited as to what assistance it can provide and there is no regional government. Although Euclid is a HUD Community Development Block Grant entitlement city, the federal funds are marginal compared to the scale of the need.

General discussion

For the remainder of the morning, participants and panelists raised questions, shared experiences that illuminated the issue further, and began to identify strategic and opportunistic considerations for action steps.

The participants were in agreement that redevelopment is considered "second class" in the context of public policy, and that the importance of that misjudgment is not recognized by local leadership, both public and private, nor at the state level. The need to raise consciousness, educate, build awareness was stressed.

An opportunity in that regard was identified in relation to infrastructure issues (roads, highways, bridges, and sewers) concerning mounting maintenance costs, storm water run-off problems, and traffic congestion. It was reported that attitudes and perspectives at the state and local levels are beginning to change, but there is no sense of crisis, and without it, change will be modest at best. The dominant lobbying forces are strongly for the status quo: promoting as much development as possible in the countryside, while disregarding the places that need funding assistance for redevelopment and maintenance. The status quo ignores the indirect impact of such policy on the whole region. Change requires a crisis; the looming cost of infrastructure maintenance could be the crisis that would change attitudes and opinion, and then policies.

Political fragmentation and a strong philosophy of "home rule" reinforce the status quo. All political jurisdictions compete against each other for tax revenues through development. The developing suburbs are free to establish zoning practices guaranteed to exclude any persons of modest means, thereby ensuring that such persons will remain in communities with lower-priced housing, the same communities that most need redevelopment and maintenance, but lack the resources to enable it. How much redevelopment can a community accomplish if it must finance \$200,000 an acre to prepare a site that would be acceptable to a developer? As one first-ring suburban mayor said at the meeting, "no mature suburb is ever going to find the money within its own budget to do this."

Panelist Glen Sibley of Corporex Development in Denver noted that environmental issues often are not the real problem when private-sector resistance to an urban site is expressed. The negative economic environment of the location or community usually is the underlying problem. The economic environment can deter redevelopment because of time-consuming processes, procedures, and regulations imposed by the local government, and by failure of government (or whatever entity is promoting redevelopment) to identify and promulgate the advantages and opportunities associated with the location. Urban sites have to be made competitive with sites across the region, and when they are, the market will drive redevelopment. Parity is critical: parity in land price, safety, and access to needed labor.

Panelist Margaret Murphy, consultant in economic and community development, identified three components of a comprehensive redevelopment strategy:

- Elevate the issue or problem to a higher geographic level to demonstrate that more interests are at stake than the obvious ones. Document the implications if nothing is done. The result should be a sense of commonality among a broader political constituency.
- Create regionally competitively priced products, such as buildings that are safe, clean, and serviced with updated infrastructure, and vacant land that is ready for reuse.
- Establish an organizational mechanism empowered to plan and operate long-term (20 years) on a large geographic scale (county or multi-county) that has eminent domain power and funding to acquire and recycle real estate. One example is the Greater St. Louis Land Development Trust. The importance of having power of eminent domain to implement redevelopment plans and projects was underscored by a number of the participants.

RECOMMENDATIONS

The afternoon session involved consideration of strategies and action steps. The basic strategy for moving forward in the present political situation is seen as consisting of three elements: focus, education, and organization.

- *Focus*: The focus of redevelopment must be expanded to include the central city and the older suburbs; it must emphasize that the future of the county and the region are at stake.

- Demonstrate that communities are interconnected: newer communities are affected by the conditions of the older ones.
- Package a regional perspective and plan for redevelopment.
- *Education*: Educate public officials, corporate leadership, religious leaders, and the media on the real costs and dangers associated with failure to maintain and redevelop older communities. Emphasize issues of outmigration, tax-base erosion, costs, and economic decline.
 - Communicate that the situation is of crisis magnitude.
 - Target specific policy issues (e.g., infrastructure, storm water run-off).
 - Envision a positive future and the mechanisms to achieve that vision.
 - Demonstrate that existing policies promote outer development and outmigration but ignore impacts on older communities.
 - Advocate the need for a new land bank mechanism (such as a land development trust) empowered to acquire land and plan and organize partnerships.
- *Regional Organization*: Organize at the county and regional level.
 - Build a coalition involving public and private sectors.
 - Start with the local county commissioners.
 - Build on existing initiatives (e.g., First Suburbs Consortium, County Treasurer's link deposit program).
- *Statewide Organization and Education*: In order to increase influence with state legislature, organize across the state with Hamilton County in the Cincinnati area and Franklin County in Columbus.
 - Demonstrate to state government that central cities and older suburbs are doing all they can to help themselves, but that they cannot succeed without state support.
 - Educate legislature on policy bias that disadvantages older communities and promotes urban sprawl.
 - Address lack of coordination among state departments.
 - Advocate for a line item in state budget for redevelopment of older communities.

CONCLUSIONS

Redevelopment on a large scale requires resources that are beyond the capacity of a single local government to produce. Funding assistance to enable redevelopment must come from other governmental entities: federal or state, or, at the local level, county government or groups of counties (the region). The newer and more affluent suburbs typically do not consider such assistance as being their responsibility. The federal government provides assistance to some

communities but it usually is targeted to persons of low or moderate income, or places with acute distress, not suburbs that are in the early stages of decline. State government considers local governments to be responsible for correcting their deterioration, while giving top priority to development of virgin land. This is how Ohio has operated for many decades. Attitudes and policies that reinforce the status quo are deeply entrenched. To change the current structure of policy and practice requires substantial political influence, which, to mobilize, requires a clear and convincing case for change.

The timing for efforts to change policy appears favorable in light of the extent to which some suburbs have aged. Documentation of those signs, such as lack of tax-base growth, forms the case for change. Coalitions of officials representing older suburbs (such as the First Suburbs Consortium of Northeast Ohio) and the central cities constitute a much stronger political presence than the central cities on their own. Overcoming the resistance to change among the public sector, however, may require strong leadership from the private sector. To engage business leadership, the case for change must be compelling and related to issues of economic development.

Table B-1: A list of Participants and Panelists in the Cleveland Charrette, March 2000

	Title	Organization
Moderator		
Dr. Jack Greer	Director	Environmental Finance Center, University of Maryland
Participants and Panelists		
Dr. Tom Bier	Director	Urban Center, Cleveland State University
Brian Carnahan	Special Projects Coordinator	Ohio Department of Development
Blythe Eaman		MidTown Cleveland
Eric Fingerhut	State Senator	Senate District 25
David Goss	Senior Director	Greater Cleveland Growth Association
James Haviland	Director	MidTown Cleveland
Ed Jerse	State Representative	House District 14
Christopher Johnson	Senior Vice President	NatCity Investments
Jim Kennedy	Director of Development	City of Fairview Park
Kory Koran	Director of Development	City of Euclid
Vince Lombardi	Special Assistant to Director	Ohio Department of Development
Thomas Longo	Mayor	City of Garfield Heights
Michael McGinty	Director of Community Development	City of Parma
Kenneth Montlack	Chair	First Suburbs Consortium
Margaret Murphy	Consultant	Phippsburg, Maine
Paul Oyaski	Mayor	City of Euclid
Frank Pietravoia	Acting Director of Planning and Development	City of Lakewood
Judith Rawson	Mayor	City of Shaker Heights
Kathleen Ruane	Vice City Manager	City of Cleveland Heights
Glen Sibley	Vice President	Corporex Development
William Skowronski	Chief, Northeast District	Ohio EPA
Kirstin Toth	Consultant	Great Lakes Environmental Finance Center
Ronald Traub	Director of Development	City of Mentor
A.R. Winklhofer	Manager, Cleveland Office	U.S EPA, Region 5
Adina Wolf	Research Associate	Great Lakes Environmental Finance Center

