

Executive Summary

Investors in Steelyard Commons are receiving tax subsidies worth \$12.48 million over seven years. These federal tax credits were funneled through a for-profit corporation controlled by the Cleveland-Cuyahoga County Port Authority, a public entity whose board is appointed by the City of Cleveland and Cuyahoga County. While these are not direct subsidies from the city, they are scarce resources granted by a publicly controlled entity in virtual secrecy, with little or no opportunity for public scrutiny or debate.

Policy Matters Ohio has attempted to learn more of the details of the use of this credit and the role of the Port Authority. Among our findings are:

- The Port Authority has not taken steps to follow the rules its own board laid out for selecting the projects that would benefit from these credits;
- The Port Authority, while providing numerous documents to Policy Matters Ohio, has not supplied the information needed to understand how the public came to be subsidizing this project, which has become especially controversial because a major tenant will be Wal-Mart Stores Inc. Whether or not this violates Ohio's open records requirements, it leaves Clevelanders in the dark over this important transaction, which will influence the city for years to come. The Port Authority has shielded records, maintaining they are not public, while at the same time declaring it has never received them; it has refused a request for another document that is publicly available elsewhere; and it has not produced documentation that clearly must exist related to board actions and staff activity. Policy Matters Ohio will continue to request additional information.
- Much of what was promised in the application for the tax credits has not come to pass, including the role the Port Authority was to play and the type of investments that were to be made.
- Questions should be raised about the close relationship between the public Port Authority and the private, for-profit company that received the federal tax credits.

The private company that is the vehicle for these credits, the Northeast Ohio Development Fund LLC (NEODF), was set up in 2003 and successfully won \$47 million in New Markets Tax Credits from the U.S. Department of the Treasury in the spring of 2004.¹ The Port Authority, named as NEODF's controlling entity in the application, was instrumental in the company's success in winning the credits. Port Authority President Gary L. Failor is chairman of the NEODF board, to which he appointed himself and a majority of board members. These also include two Port Authority board members, John J. Carney and Michael Wager, and Linda Highsmith-Poole, the Port Authority's vice president in charge of development finance.

¹ NEODF was notified in April, though the credits were officially allocated October 8, 2004

Steelyard Secrets

While Failor argues that the lack of Port Authority involvement in financing of projects supported by the tax credits limits its role, the Port Authority already has spent tens of thousands of dollars on legal work connected with the tax credits, and collected \$310,000 as a result of the Steelyard Commons financing in June. This further underlines the project's significance to the Port Authority, and therefore, the public.

Policy Matters Ohio recommends that this issue be opened up for public debate. The full details of the Port Authority's involvement with NEODF in general and the Steelyard Commons project in particular should be made public. Future NEODF credits should require approval of the Port Authority board, with arrangements for prior public input.