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Zoned Out

A plan to help dying cities shoves the knife deeper.

BY CHRIS MAAG

Oh sure, Glenn Smith could give you his office address. But that won't help you find it. Instead, he tells you to drive into East Cleveland on Euclid Avenue. On the left you'll see a parking lot that's pitted and sunken, where a patch of gravel marks the outline of the old Burger King. Pull in there. Once you park, walk through the gap in the fence toward the little brick building behind the Pizza Hut.

In his office, Smith -- in charge of economic development for East Cleveland -- points to a map taped to the wall. Outlined in black marker are two squares labeled "Northern Gateway" and "Southern Gateway." This is where Smith hopes to entice new businesses. "We may have to acquire some of that land and relocate some of the residents to turn it into an industrial area," says Smith, who worked in development for Cleveland for 12 years. He speaks in the confident tone of someone accustomed to building things. But pestered by assistants, surrounded by chaos, he closes his eyes to concentrate.

"I keep wondering if I'm crazy," Smith says, his eyebrows converging on a deep worry line. "I honestly don't know if we'll be able to pull it off."

If there's any city in Ohio that needs new jobs, it's East Cleveland. Nearly one-third of the city's 26,000 residents live below the federal poverty level.

Fortunately, the state has a program created specifically to help poverty-stricken cities. Enterprise zones are supposed to bring jobs to needy towns by slashing taxes for companies that agree to move in and expand.

Unfortunately, the program has never lured a single job to East Cleveland.

The cities that profit most from enterprise zones are rarely poverty-stricken, according to recent research by Kent State Professor Mark Cassell. Relatively affluent cities (where the median income is \$65,000 per year) receive twice as many jobs from the program -- and five times as much private investment -- as poor cities (\$22,000). "The principal benefit of this has gone to the places that least need it," says Zach Schiller, research director for the group Policy Matters Ohio.

In fact, enterprise zones seem to intensify competition between Ohio's cities. Of the 4,813 tax-break agreements signed since the program started in 1982, only 55 involved a company moving to Ohio from another state. In 376 deals, one Ohio city used the program to steal a company from another.

And it's old, poor cities like Cleveland and East Cleveland that are most often the losers. "Enterprise zones don't address any of the problems we face," Smith says. "We have roads and sewers that are 100 years old. We have lots of land, but it's scattered all over the place. But you go out to Solon or Avon Lake, and you can just build on farmland. They have this natural advantage that makes it very difficult to compete."

J.P. Sandy



**Roll up the red carpet:
Enterprise zones hurt the
impoverished cities they
were supposed to help.**

To illustrate his point, he conducts a tour of Hartshorn Road, where 15 apartment buildings -- most of them vacant -- line a single block. "I want houses!" he shouts from the driver's seat, shimmying with the excitement of his vision. "I want industrial buildings! Look at all this land! Other cities would *kill* to have this kind of land!"

But creating an enterprise zone here would be useless, Smith says, because tax abatements only kick in after some deep-pocketed developer builds something. The problem in East Cleveland is that there's so much work to be done before anything can be built. "An enterprise zone won't help me tear these buildings down," Smith says. "It won't help me remove the asbestos. It won't help me relocate the people who still live here . . . It doesn't do anything I need."

In Cleveland, the problem is contaminated land. "In the suburbs, you can build on farmland," says Greg Huth, Acting Director of Economic Development. "Here, you often have to clean up the land before you build. Enterprise zones don't address those costs at all.

"Enterprise zones were done initially to put Cleveland on an even playing field," Huth adds. But since then, the state legislature has "knocked us out of the level playing field."

The state began monkeying with enterprise zones in 1987, eventually expanding eligibility from blighted cities to all cities. Legislators saw it as an easy way around Ohio's business-unfriendly tangible-personal-property tax, which taxes companies on new machinery and inventory. "A tax on plants and equipment is the world's stupidest business tax," says Cleveland State University urban-studies professor Ned Hill.

Another expansion was approved last month, when the legislature passed a bill sponsored by State Representative Earl Martin (R-Avon Lake), extending the tax-abatement limit from 10 to 15 years. Martin cites taxes as well: "What's being abated through enterprise zones is a tax that's uncompetitive with other states."

But because the program is so ineffective at attracting companies from out of state, many jobs are won simply by poaching from other Ohio cities. And it's largely the rapidly growing outer-ring suburbs that win. For example, the Village of Boston Heights (population 1,186) used its enterprise zone in 2000 to lure the McLean Company away from Cleveland. The company rents and sells heavy construction equipment, and its move cost Cleveland 23 jobs. In 2001, FedEx used an enterprise zone to move 772 jobs from Coventry Township, in Summit County, to Green. In 2002, Cuyahoga Falls lured Decker Fasteners Limited and 137 jobs out of Twinsburg.

"We call it a job-creation program, and it's just not," says State Senator Eric Fingerhut (D-Shaker Heights). Still, Fingerhut joined East Cleveland's state senator C.J. Prentiss and House and Senate Republicans in voting for the recent bill, largely because it also included \$43 million for job-training programs. East Cleveland's state representative, Claudette Woodard, voted against the plan.

Fingerhut proposes new efforts to clean contaminated industrial land, re-educate workers, and invest in business start-ups. But he's a Democrat in a legislature dominated by pro-suburb Republicans, and such ideas are likely to go nowhere for the foreseeable future.

In the meantime, Glenn Smith sits in his office and watches the grass grow higher around the Pizza Hut. "People think East Cleveland is a real terrible place," Smith says, rubbing his eyes. "But there is potential. I could do a lot here, if I had the right tools."