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# Preparing for Growth: An Emerging Neighborhood Market Analysis Commissioned by Mayor Frank G. Jackson for the City of Cleveland

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# Preparing for Growth

An Emerging Neighborhood Market Analysis Commissioned  
by Mayor Frank G. Jackson for the City of Cleveland

By Richey Piiparinen, Kyle Fee<sup>1</sup>, Charlie Post,  
Jim Russell, Mark Salling and Tom Bier



In anticipation of the development of a Neighborhood Transformation Initiative, in 2016, Mayor Frank G. Jackson commissioned Cleveland State University’s Center for Population Dynamics to analyze the City of Cleveland housing market. The resulting study, “Preparing for Growth,” provides a foundation for the Mayor’s Neighborhood Transformation Initiative acknowledging neighborhoods where private investment is strong but, and most significantly, identifying emerging neighborhood markets where focused planning and the leverage of public dollars will attract private investment to the benefit of existing residents and businesses in these neighborhoods.



## Table of Contents

Key Findings .....	<b>Page 2</b>
Purpose .....	<b>Page 3</b>
What is Global becomes Local .....	<b>Page 3</b>
Demographic Trends in Cleveland, 1970 to 2010 .....	<b>Page 5</b>
Real Estate Trends in Cleveland	
Islands of Renewal .....	<b>Page 12</b>
Spreading the Wealth: The Consumer versus Producer City Approach .....	<b>Page 14</b>
Preparing for Growth .....	<b>Page 20</b>



## Key Findings

- Greater Cleveland is transitioning into a knowledge economy, led by the region's growing "eds and meds" sector. This transition is underpinning the City of Cleveland—which houses the region's top hospitals and universities—as a place of importance in terms of reinvestment.
- The economic transition has corresponded with demographic changes in a number of Cleveland neighborhoods, particularly over the last 10 years. Findings show that neighborhoods in the urban core—including Downtown, Ohio City, and Tremont—that were low income and rental from 1970 to 2000 became upper-middle income and rental by 2010. Other upper-middle income rental areas include parts of University Circle and Buckeye-Shaker. Over 45% of residents in these areas had at least a 4-year degree, compared to 12% for the city as a whole.
- An upper-middle income homeowner market is also emerging in parts of Hough, Goodrich-Kirtland Park, Buckeye-Shaker, Tremont, and Detroit Shoreway since 2000. It is hypothesized these emerging homeowner markets are tied to the region's "white coat" and "blue coat" economy, or those workers employed in the "eds and meds" sector. This is particularly true for East Side neighborhoods near University Circle and/or along the Health Tech Corridor.
- Both the upper-middle income rental and upper-middle income homeowner markets are responsible for the little real estate appreciation that has occurred in Cuyahoga County since the Great Recession. Specifically, 94% of assessed property values in Cuyahoga County have declined since 2009. The 6% of property values that have appreciated are clustered in and around the urban core and University Circle.
- Further real estate appreciation in Cleveland and Cuyahoga County is needed. In terms of strategic housing investment to facilitate this, the analysis recommends using a "producer city" approach where for-sale and rental housing is developed for the workforce employed in the "eds and meds" and tech sectors. This workforce includes both the "white coat" workers (e.g., physicians, data scientists) and "blue coat" workers (e.g., nurses, maintenance staff).
- In determining where this "producer city" investment is best positioned, two criteria are important: (1) being adjacent to the city's anchor institutions, and (2) being in between (or on the edges of) those parts of Cleveland where real estate is beginning to appreciate.
- The neighborhoods in Cleveland that best fit the criteria are Fairfax, and then parts of Glenville, Buckeye-Shaker, Buckeye-Woodhill, and Hough.
- The analysis pinpoints a part of the city that is of particular importance. It is the intersection of E. 105th St. and Cedar Ave. in Fairfax. The intersection is near the north terminus of the Opportunity Corridor roadway project and the future site of IBM. The block is arguably the geographic epicenter of the region's transition into the knowledge economy. Continued investment in the vicinity could be catalytic.



## Purpose

This is an emerging market analysis that details patterns of reinvestment at the neighborhood level—be they latent or more developed. The goal is to pinpoint areas of targeted investment based on evolving demographic and real estate trends.

## What is Global Becomes Local

Before detailing these trends, it's necessary to sketch out the economic forces that have shaped Cleveland. Why? Macroeconomics impacts microeconomics, particularly levels of community investment. Strategizing on the latter without context of the former is to not see the forest for the trees.

Where people live and work are inextricably linked. The Near West Side neighborhood of Tremont, for instance, arose in the late 1800's as a collection of worker cottages whose inhabitants commuted on foot to the mills in the Industrial Valley.

Image 1: Tremont, circa 1930. Source: Cleveland Memory Project.



Yet as the economy changed so did people's living patterns. Heavy industry in the urban core gave way to decentralized manufacturing activities in the suburbs. The "job sprawl" was both federally-encouraged and – financed, all in the name of national security<sup>1</sup>. "National defense", according to a memo to President Truman in 1945, "was offered by [coordinated] dispersion of population and of essential industries"<sup>2</sup>.

For industrial cities such as Cleveland, the policies of dispersal—as well as job losses tied to outsourcing and

<sup>1</sup> O'Mara, M. 2005. *Cities of Knowledge: Cold War Science and the Search for the Next Silicon Valley*. Princeton University Press: Princeton, New Jersey.

<sup>2</sup> Ibid



automation—led to city neighborhood’s being divorced from their macroeconomic, or “producer city”<sup>3</sup>, underpinnings. Consequently, Tremont, like many inner-city neighborhoods, experienced depopulation by the 1960s as residents followed jobs out to the suburbs or left the region altogether. The last 50 years have been a struggle to not only deal with the effects of outmigration, but also in developing new economy underpinnings that ultimately pull residents back in. On the latter point, however, trends are encouraging.

In a 2016 study co-authored by the Federal Reserve Bank of Chicago, the authors chart the extent the nation’s inner cities are growing jobs at faster rates than suburban areas within a given metro<sup>1</sup>. The study found Cleveland was one of 144 cities (out of 281) to increase its share of regional employment from 2000 to 2011, going from 14.6% to 17.1%. Importantly, Cleveland’s most distressed neighborhoods—including much of the East Side—also increased its employment share from having 9.9% of the region’s jobs to 12.6%. Here, Cleveland was one of only 85 cities, or 35% of the sample, to do so. What’s behind the findings? The authors explain by differentiating the “old” producer city economy with the “new”:

*“The inner-city resurgence has been led by the so-called ‘Eds and Meds’ of Health Care and Educational Services; at the same time, losses in manufacturing and construction jobs continue in the inner city, reflecting the twin trends of globalization and suburbanization of manufacturing.”*

Recent developments in Cleveland speak to these “twin trends”. In 2013 industrial manufacturer Eaton Corp. left its long-time Downtown Cleveland location for a suburban development in Beachwood, Ohio—a move in line with trends that began a half century ago. More recently, it was announced the offices Eaton vacated will be filled by IBM and its subsidiary Explorys: an international player in healthcare software and analytics<sup>5</sup>. IBM’s downtown offices will be temporary, however, with a move to the Near East Side neighborhood of Fairfax on a site adjacent to Cleveland Clinic Innovations<sup>6</sup>.

IBM’s move to Fairfax is telling in two respects. First, IBM’s relocation into Cleveland’s East Side shows there are “producer city” underpinnings reemerging in a few inner-city neighborhoods. That’s because knowledge firms prefer to be beside the anchor institutions, like the Cleveland Clinic, that makes the knowledge. “It’s critical that we stay close to the [Cleveland] Clinic,” explained CEO of Explorys Stephen McHale, “because it’s really how we accomplished what we have...”<sup>7</sup> Second, there is a macroeconomic aspect at play that can significantly alter the trajectory of Cleveland. “We are a platform company, and that platform attracts other developers and analytics companies to come in and build,” McHale said. “We want to do a reverse brain drain in Northeast Ohio, and we’ve got the chops to do it.”<sup>8</sup>

The benefit of a growing high-tech sector in Cleveland cannot be overstated. Just like manufacturing created a multiplier effect in the local economy, so does life science-related work. Specifically, every one high-skilled job in the regional economy creates five additional jobs for area residents, be it in the

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<sup>3</sup> Note: The sociologist Max Weber distinguished between “producer” and “consumer” cities in his 1958 book *The City* which illustrated the “producer city” as a city whose primary basis is the exchange of goods and commercial services with the city’s hinterland and with other cities. Cleveland, then, has strong producer city roots in heavy industry exports like steel, and more recently in healthcare services and R&D in life sciences.

<sup>4</sup> Hartley, D., Kaza, N., & Lester, T. 2016. Are America’s Inner Cities Competitive? Evidence from the 2000s. *Economic Development Quarterly*, 30. Pg.105-116.

<sup>5</sup> Jarboe, M. 2016. IBM signs lease in downtown Cleveland, will fill former Eaton Corp. executive offices. *Cleveland Plain Dealer*.

<sup>6</sup> Jarboe, M. 2016. IBM eyes new office building on Cleveland Clinic land, to house Explorys subsidiary. *Cleveland Plain Dealer*.

<sup>7</sup> Ibid

<sup>8</sup> Ibid





trades, retail, or construction<sup>9</sup>. That said, Cleveland is on the cusp of a knowledge economy transformation that can in short order have significant impact on city neighborhoods. The next step is to develop a strategic framework that can facilitate the growth of knowledge workforce housing on the “back” of this economic transformation. The remainder of the analysis aims to do just that.

## Demographic Trends in Cleveland, 1970 to 2010

A primary goal of this study is to uncover areas of emerging real estate strength in the City of Cleveland. That is, where are these areas? Why are they there? And are there “pinch” areas, or distressed neighborhoods within proximity to strengthening areas, that make them prime for targeted investment?

Yet understanding Cleveland’s housing trends requires examining the living patterns of its people. That’s because real estate prices are lagging indicators to the leading indicators of demographic changes occurring at the neighborhood level<sup>10</sup>.

What’s the demographic landscape locally? The study highlights research by the Federal Reserve Bank of Cleveland showing demographic changes by decade in the City of Cleveland from 1970 to 2010<sup>11</sup>. Neighborhood clusters were created based on twenty variables including the household structure, racial composition, housing stock, and socioeconomic status of a given neighborhood<sup>12</sup>. The neighborhood clusters that were developed allow for nuanced differences between neighborhoods to emerge. The clusters thus forecast varying degrees of market potential in Cleveland.

Table 1 details the number of neighborhood clusters in Cleveland. They include: (1) “low income, rental” (Avg. income = \$30,601); (2) “white upper-middle income, rental” (Avg. income = \$48,857); (3) “African American very low income” (Avg. income = \$21,500); (4) “white middle income” (Avg. income = \$33,358); (5) “low income” (Avg. income = \$30,920); (6) “African American low income” (Avg. income = \$30,447); (7) “white upper-middle income, owner-occupied” (Avg. income = \$44,036); (8) “white high income” (Avg. income = \$52,132); and (9) “African American middle income” (Avg. income = \$41,289).

Before going further, it’s important to note that some clusters labeled “white” are actually mixed race neighborhoods. (Note: The naming convention was dictated by how variables statistically “load” with another.) Specifically, the “white upper-middle income, rental” cluster is 56% white, 34% black, and 10% “other” (e.g., Asian, non-white Hispanic), whereas the “white upper-middle income, owner-occupied” cluster is 55% white, 35% black, and 10% “other”. Thus, they are integrated neighborhoods, especially when compared to neighborhoods that are “white high income” (80% white), “African American very low income” (93% black), and “African American middle income” (98% black).

<sup>9</sup> Moretti, E. 2012. *The New Geography of Jobs*. Mariner Books: Boston.

<sup>10</sup> Davis, A. 2007. *Leading Indicators of Real Estate Demand: The Resurgence of Historic Philadelphia Neighborhoods and Implications for Preservation Policy*. University of Pennsylvania.

<sup>11</sup> Fee, K. 2016. *A Multivariate Approach to Gentrification and Neighborhood Change*. Working paper (in process). The Federal Reserve Bank of Cleveland.

<sup>12</sup> Note: To create a typology of neighborhoods in Cleveland, hierarchical cluster analysis is used to statistically group neighborhoods with similar characteristics together, then discriminant analysis is employed to statistically validate, describe, and label each neighborhood type. The data used in this analysis comes from the Neighborhood Change Database (NCDB) produce by Geolytics. The NCDB is made up of US census variables at census tract level from 1970, 1980, 1990, 2000 and 2010. Census tracts are used as a proxy for a neighborhood.



**Table 1: Neighborhood Clusters in the City of Cleveland, 2010.**

Source: The Federal Reserve Bank of Cleveland

Variables	Low income, rental	White upper-middle income, rental	AA very low income	White middle income	Low income	AA low income	White upper-middle income, owner-occupied	White high income	AA middle income	Outlier*
Cluster #	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>
Total										
Population	1,902	2,812	2,111	2,454	1,896	1,888	2,479	3,183	2,511	1,128
% White	45.6	55.5	5.7	53.7	49.0	5.9	55.0	80.0	1.5	17.0
% Black	44.7	34.1	92.7	29.4	43.9	92.8	35.0	13.1	97.6	77.5
% Owner occupied	16.3	15.8	16.3	35.6	22.6	31.4	45.4	68.7	62.3	17.6
% Rental	67.2	68.3	62.0	41.1	43.8	38.9	39.7	22.2	22.3	65.5
% Vacant	16.5	15.9	21.8	23.2	33.6	29.7	14.9	9.0	15.4	16.8
% Households married with kids	3.7	3.5	3.2	10.9	7.9	5.2	9.9	14.1	6.2	2.4
% Households single female with kids	10.9	3.6	22.1	19.2	25.0	27.3	11.9	8.7	18.7	33.7
% Non-family households	68.0	76.1	52.5	38.9	46.6	41.0	48.3	43.5	37.1	55.8
% Single family detached	17.8	14.5	20.1	49.7	32.1	43.9	50.8	77.6	85.3	15.1
5+units	58.1	60.6	57.7	8.3	7.2	10.1	15.5	11.7	9.0	36.6
Avg. home value (\$)	\$62,850	\$127,312	\$77,441	\$82,553	\$62,250	\$75,876	\$113,405	\$115,780	\$86,825	\$37,213
Household income (\$)	\$30,601	\$48,857	\$21,500	\$33,358	\$30,920	\$30,447	\$44,036	\$52,132	\$41,289	\$24,513
% Poverty	39.9	28.8	55.7	35.6	38.0	36.4	20.4	11.6	18.1	51.6
% No GED	20.2	10.9	27.2	23.2	20.9	20.1	14.5	10.7	14.6	19.2
% Some college	16.9	16.5	20.0	18.7	21.8	22.8	21.5	23.6	29.4	34.1
% 4-Year Degree	18.1	45.1	6.8	7.4	10.2	7.1	16.4	18.7	10.5	7.6
% Same house 5 years ago	68.2	62.1	77.2	80.1	77.4	82.7	81.9	88.8	89.0	71.9

\*The "Outlier" cluster includes those areas that fall outside of two standard deviations in the analysis and have thus been omitted.

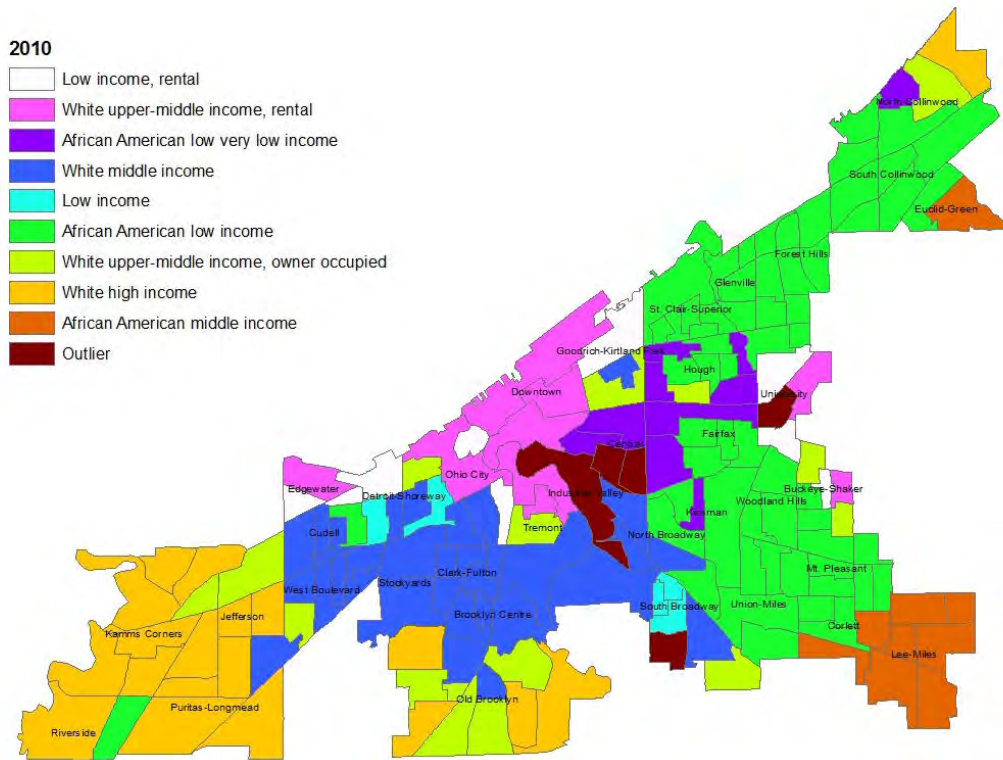


Integrated neighborhoods in Cleveland are important because communities segregated by race and class have lower rates of upward mobility, whereas integrated communities have higher rates of upward mobility<sup>13</sup>. Taken together, Cleveland neighborhoods that are experiencing “demographic dynamism” are important, as they are areas breaking down long-standing divides that have historically enclaved the city. Investing in and around integrating areas means investing in the upward mobility potential of Cleveland residents.

Map 1 shows where the neighborhood clusters are located. The patterns are intuitive for those with cursory knowledge of the city. “African American low income” neighborhoods (light green) comprise much of the East Side of Cleveland, whereas “African American middle income” neighborhoods (dark orange) border the eastern inner-ring suburbs. “White high income neighborhoods” (light orange) are on the western and southern edges of the city in Kamm’s Corners and Old Brooklyn, whereas “white middle income ” areas (blue) make up the majority of neighborhoods on the Near West Side.

Map 1: Neighborhood Cluster Map for City of Cleveland, 2010.

Source: Cleveland Fed



Of particular importance for this analysis are the clusters “white upper-middle income, rental” and “white upper-middle income, owner occupied”. These are Cleveland’s emerging market areas, most representative of the urban infill pattern running counter to legacy trends of suburbanization. While these clusters will be examined below, it’s enough now to say the upper-middle income rental areas (pink) are largely centered in the urban core, while the upper-middle income homeowner areas (greenish-yellow) are dispersed throughout the city.

<sup>13</sup> See Raj Chetty et. al's work for research on determinants of upward mobility at <http://www.equality-of-opportunity.org/>  
<sup>14</sup> Note: Levels of income are determined by comparing levels of income within the City of Cleveland, as opposed to income levels at the national level.



## Maxine Goodman Levin College of Urban Affairs

Time Series 1 (next page) shows how these neighborhood clusters have evolved since 1970. Largely, neighborhoods remained stable. “White high income” and “white lower-middle income” neighborhoods in the 1970s remained so in 2010 (outside of North and South Collinwood which became more minority and less affluent), as did “African American middle income” and “African American low income” neighborhoods. Why? One idea is that these neighborhoods are more attached to economic sectors that are either local or traditional. As such, they are less prone to spatial dynamics brought on by the new economy forces discussed in the previous section.

For instance, the “white high income” neighborhoods in Cleveland are actually not particularly college educated. Only 18% of residents in “white high income” neighborhoods have a 4-year degree. Consequently, the white high-income areas aren’t well tied to the city’s emerging knowledge economy. This makes sense as neighborhoods such as Kamm’s Corners and Old Brooklyn have historically housed the city’s public safety workers and union tradesmen (local economy), as well as legacy blue-collar workers (traditional economy). The same goes for “African American low income” and “African American middle income” neighborhoods which, too, are historically tied to traditional and local economic sectors.

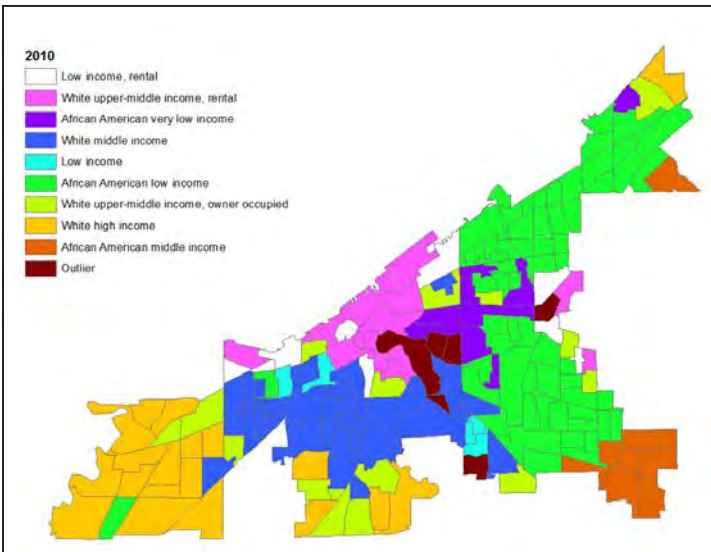
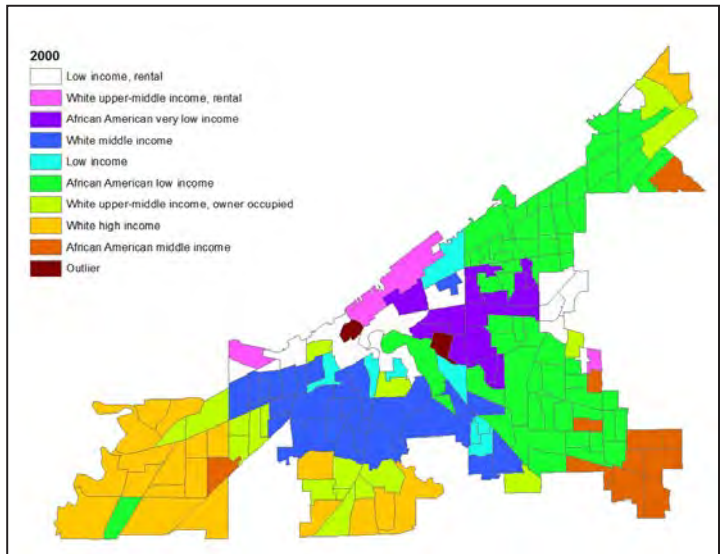
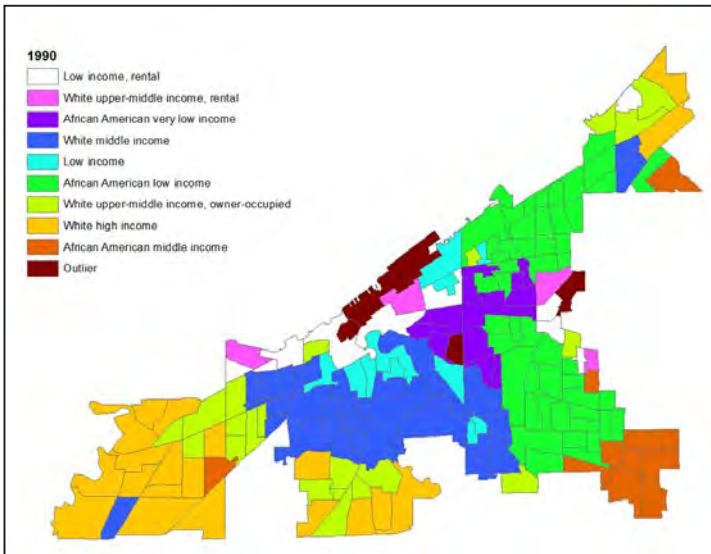
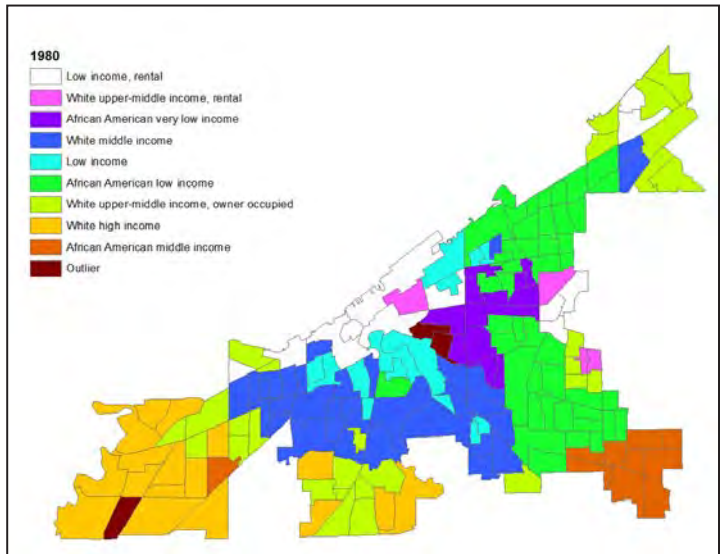
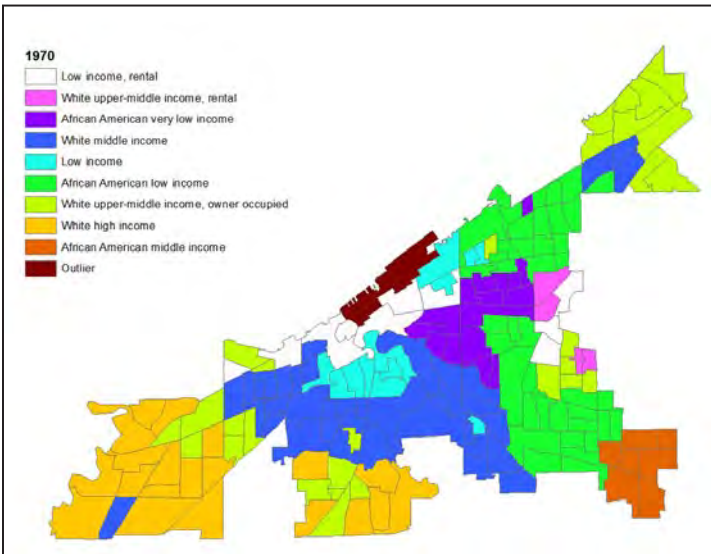
An additional mitigating factor as to why select parts of the city do not demographically or socioeconomically change—particularly the East Side sections of the city—relate to the fact that private investment has been slow to enter these markets, despite the global, “producer city” assets that call these neighborhoods home. This, by and large, provides much of the rationale for this analysis, and it will be discussed further below.

Image 2: Cleveland’s Hough neighborhood, 1975. Source: Cleveland Memory Project.



**Time Series 1: Neighborhood Cluster Change in Cleveland, 1970 to 2010.**

Source: Federal Reserve Bank of Cleveland





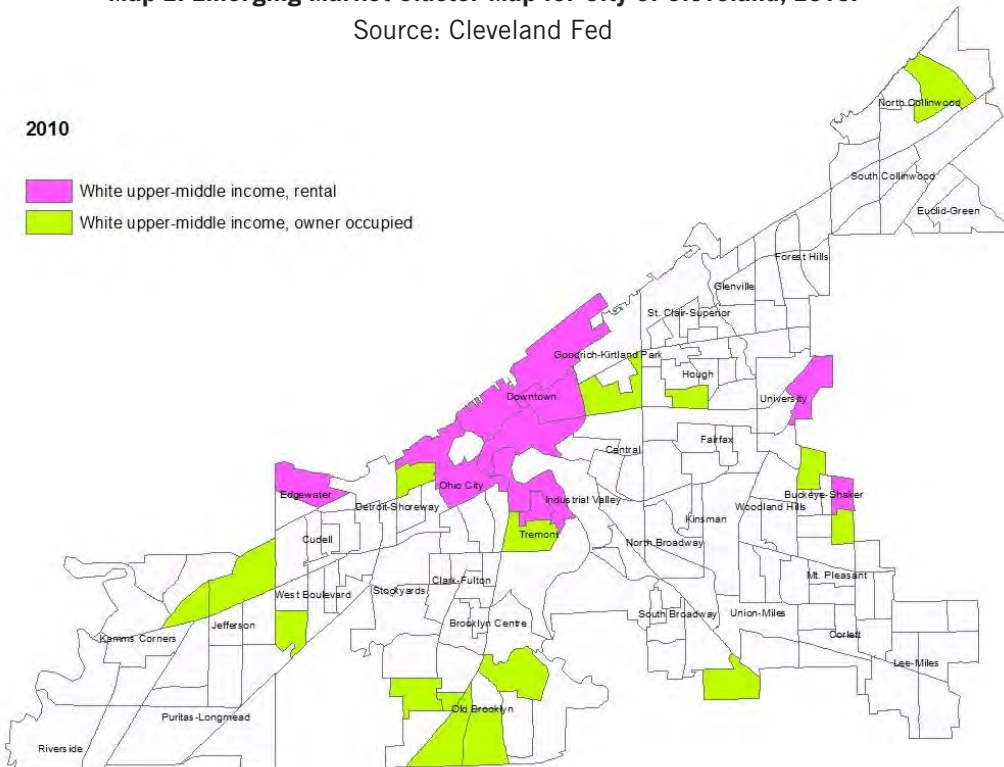
Cleveland’s neighborhood change is mostly associated with those emerging market clusters discussed prior. Most of the urban core in 1970 thru 2000 was “low income rental” or “low income”, whereas by 2010 the urban core—which includes all of Downtown and parts of Ohio City, Tremont, Detroit Shoreway, and Asia Town—changed to “white upper middle-income, rental” or “white upper middle-income, owner-occupied”.

Still, distinctions must be made between the rental versus homeowner emerging markets. While the upper-middle income rental market grows in Cleveland, the upper-middle income homeowner market has declined, going from 29 census tracts in 1970 to 16 in 2010. Why? Because the upper-middle income homeowner cluster is likely composed of two sub-markets: one tied to the “old” economy and another tied to the “new”. Specifically, the upper middle-income homeowner neighborhoods in Jefferson, West Boulevard, and Old Brooklyn are linked with the same economic underpinnings as “white high income neighborhoods”, with residents tied to more traditional industries like manufacturing or the local service economy (See Map 2). As manufacturing employment contracts and city workers suburbanize, the effect has been a decrease in upper-middle income neighborhoods across the city.

By contrast, the upper middle-income homeowner neighborhoods that have sprung up in areas of Tremont, Detroit Shoreway, Asia Town, and Hough are emerging markets areas tied to Cleveland’s economic restructuring into the knowledge economy. These areas, along with Buckeye-Shaker (Cleveland’s traditional knowledge economy community, primarily the area from Shaker Blvd. north to Fairhill) can be called “white coat” neighborhoods, reflective of the region’s growing “eds and meds” sector. When it comes to investing in new construction to house Cleveland’s knowledge workforce, these areas should be considered primed for public/private investment, primarily areas on the East Side. The investment should not only be for higher-income “white coat” workers (e.g., physicians, tech analysts) but also for “blue coat” workers (e.g., nurses, maintenance staff) so as to facilitate integrated communities.

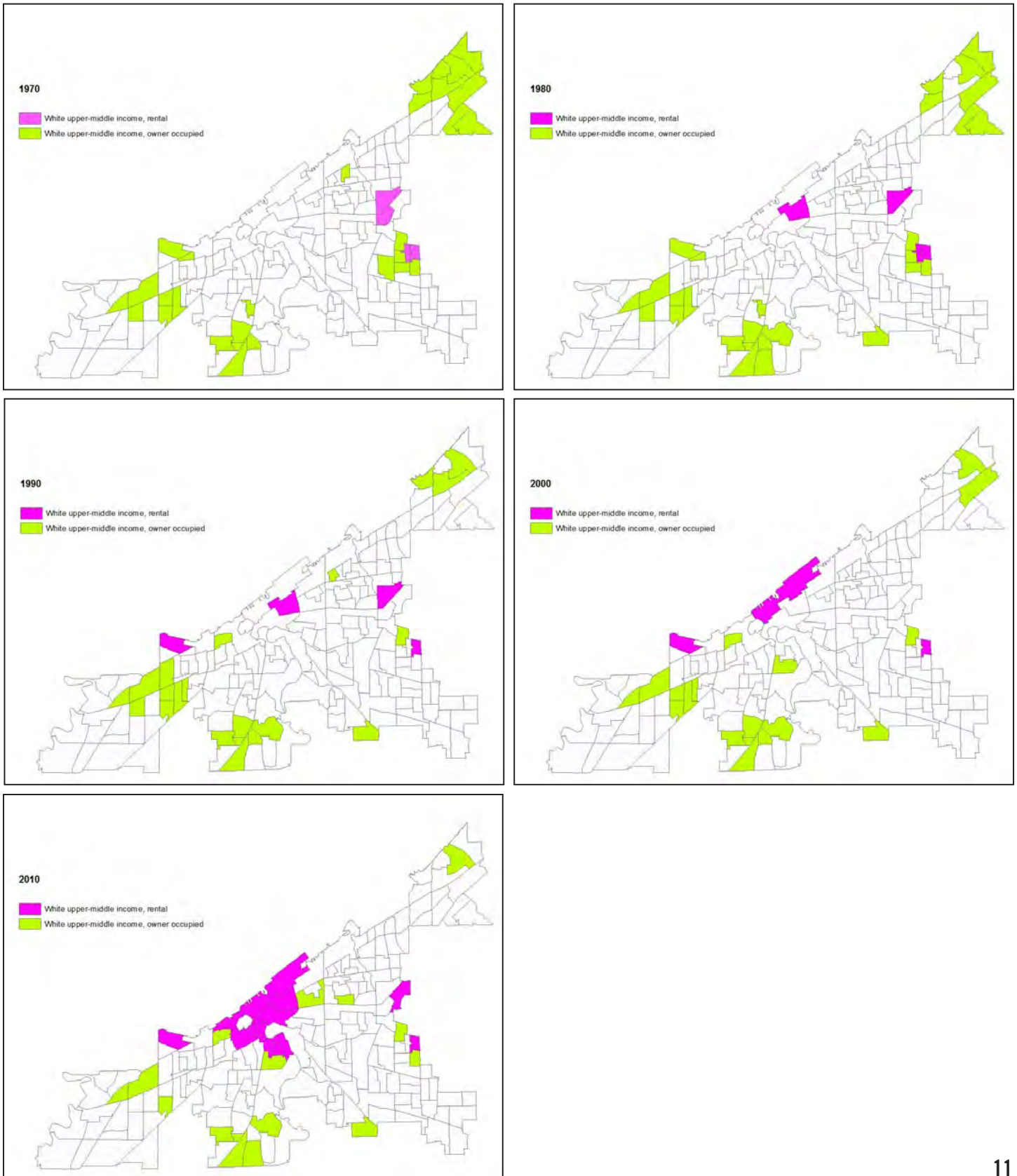
Map 2: Emerging Market Cluster Map for City of Cleveland, 2010.

Source: Cleveland Fed



### Time Series 2: Emerging Market Cluster Change in Cleveland, 1970 to 2010.

Source: Federal Reserve Bank of Cleveland





## Real Estate Markets in Cleveland

### *Islands of renewal*

A region's real estate market can be categorized as four basic types: "emerged", where market forces have positively taken hold; "emerging", where market forces are beginning to positively take hold; "submerged", where market forces have negatively taken hold; and "submerging", where market forces are beginning to negatively take hold. While the focus of this analysis is on the emergent side of Cleveland's market, it's important to discuss the broader trends from which select neighborhood markets are bouncing back.

From 2001 to 2015, residential market valuations for Cuyahoga County declined by 25.3%<sup>15</sup>. For the City of Cleveland, the decline was 34%<sup>16</sup>. From a macro standpoint, the devaluations were associated with two shocks: the decline of manufacturing jobs and associated payroll in Greater Cleveland since 2000, and the subprime housing crisis. Simply, the erosion of the ability to pay a mortgage mixed with the subprime structure of so many area mortgages proved difficult. Supply thus exceeded demand, and home prices and assessed property values dropped.

The aftershocks are still with us today. Ninety-four percent (94%) of residential parcels in Cuyahoga County have lost value since 2009, while 6% have increased value<sup>17</sup>. Assessed residential values in the City of Cleveland broke down comparably—with 94% residential parcels losing value and 6% gaining value<sup>18</sup>.

A key difference, though, is how appreciating land is spatializing in the suburbs versus Cleveland proper. Increased valuations are dispersed in the suburbs, while residential land gaining value in the city is densifying in and around Downtown and University Circle (see Map 3). Importantly, the parts of Cleveland gaining land values overlap with the emerging markets discussed in the previous section, indicative of a relationship between a neighborhood's demographics and its housing values.

Table 2 details the geography of real estate gain in Cuyahoga County more clearly. The neighborhoods with the greatest concentration of single-family homes that increased in value by at least 10% since 2009 were: Tremont, Chagrin Falls, Ohio City, University Circle, and Central, followed by Rocky River, Detroit Shoreway, Edgewater, Pepper Pike, and Moreland Hills. So, six of the top ten appreciating neighborhoods were in Cleveland proper. When it comes to two-family homes, condos, and apartments, nearly all of top-appreciating neighborhoods were in the city proper. The geography of reinvestment, then, is *beginning* to "flip" from the edges to urban core. This, in a nutshell, is the globalization of Cleveland, symptomatic of the region's evolution into the knowledge economy. Expect the trends to continue as regional economic restructuring continues.

Cleveland's pattern of appreciating markets in and around downtown and knowledge economy anchors is not unique. It's the pattern that's been playing out in New York since the 80s; Chicago, D.C., and Boston since the 90s; and Philadelphia, Pittsburgh, and Baltimore since the 2000s. The pattern has been described as one of "islands of renewal in seas of distress" by urban scholars<sup>19</sup>. Cleveland's "islands" are indicated by shades of blue in Map 3.

Will this renewal deepen and spread? If so, where?

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<sup>15</sup> Source: Cuyahoga County Auditor

<sup>16</sup> Ibid

<sup>17</sup> Ibid

<sup>18</sup> Ibid

<sup>19</sup> Berry, B. 1985. Islands of Renewal in Seas of Decay. In *The New Urban Reality*, ed. Paul E. Peterson, 69–96. Washington, DC: Brookings.







A recent study “Modeling Housing Appreciation Dynamics in Disadvantaged Neighborhoods” sheds some light<sup>20</sup>. The authors analyzed a decade’s worth of changes in the D.C. housing market and found that a “rising tide lifts all boats” dynamic does exist—meaning a distressed neighborhood is more likely to change if there are “metropolitan-wide or citywide forces that spawn generalized appreciation” (i.e., population or job growth). This reemphasizes the importance of the macro to micro link discussed prior, or the tying of neighborhood redevelopment strategies with regional economic development strategies. To that end, the Center for Population Dynamics is currently working with Bioenterprise and the Health Tech Corridor in creating a regional job growth strategy around life sciences clusters, including healthcare analytics. That, paired with the current analysis, will go a long way in bringing housing and job strategies together—a holistic approach the region has historically lacked.

Another important finding in the D.C. analysis is the discovery that the role of spatial spillovers cannot be exaggerated in determining which distressed neighborhoods appreciate. “We observed appreciation spreading wave-like across the Washington landscape,” the authors conclude, “beginning first in disadvantaged areas adjacent to nondisadvantaged ones, then spreading from disadvantaged ones that had already appreciated more.”

### ***Spreading the Wealth: The Consumer versus Producer City Approach***

The issue turns to the extent reinvestment will spread alongside various epicenters of citywide strength. To do this, the analysis narrows the lens from the county- to neighborhood-level so that edges of emergent markets can be identified down to the street level. This is done to not only target areas primed for reinvestment, but also to ensure that equitably-focused policies are put in place so tenured residents of “next-level” areas of investment can benefit from a neighborhood’s change. The latter point will be discussed in the final section.

Map 4 details the emergent market on Cleveland’s Near West Side. The density of appreciation (dark blue) is centered in Tremont. A corridor of strong land valuation gains (light blue) connects Tremont to Ohio City through the area known as “Duck Island”, before extending west into Detroit Shoreway. Look for pockets of large gains (dark blue) to emerge in Ohio City and Detroit Shoreway, as this process is already occurring. Specifically, nearly 18% of all parcels in Tremont have appreciated by at least 50% since 2009. This number is 9% in Ohio City and 6% in Detroit Shoreway compared to less than 1% for Cuyahoga County as whole. Moreover, as this appreciation densifies on the Near West Side, expect the edges of strong and modest gains (light blue and aquamarine) to continue along the lakefront into Edgewater. Such “edging” is also occurring to some extent into distressed areas south of Lorain Ave. toward the Clark-Fulton neighborhood.

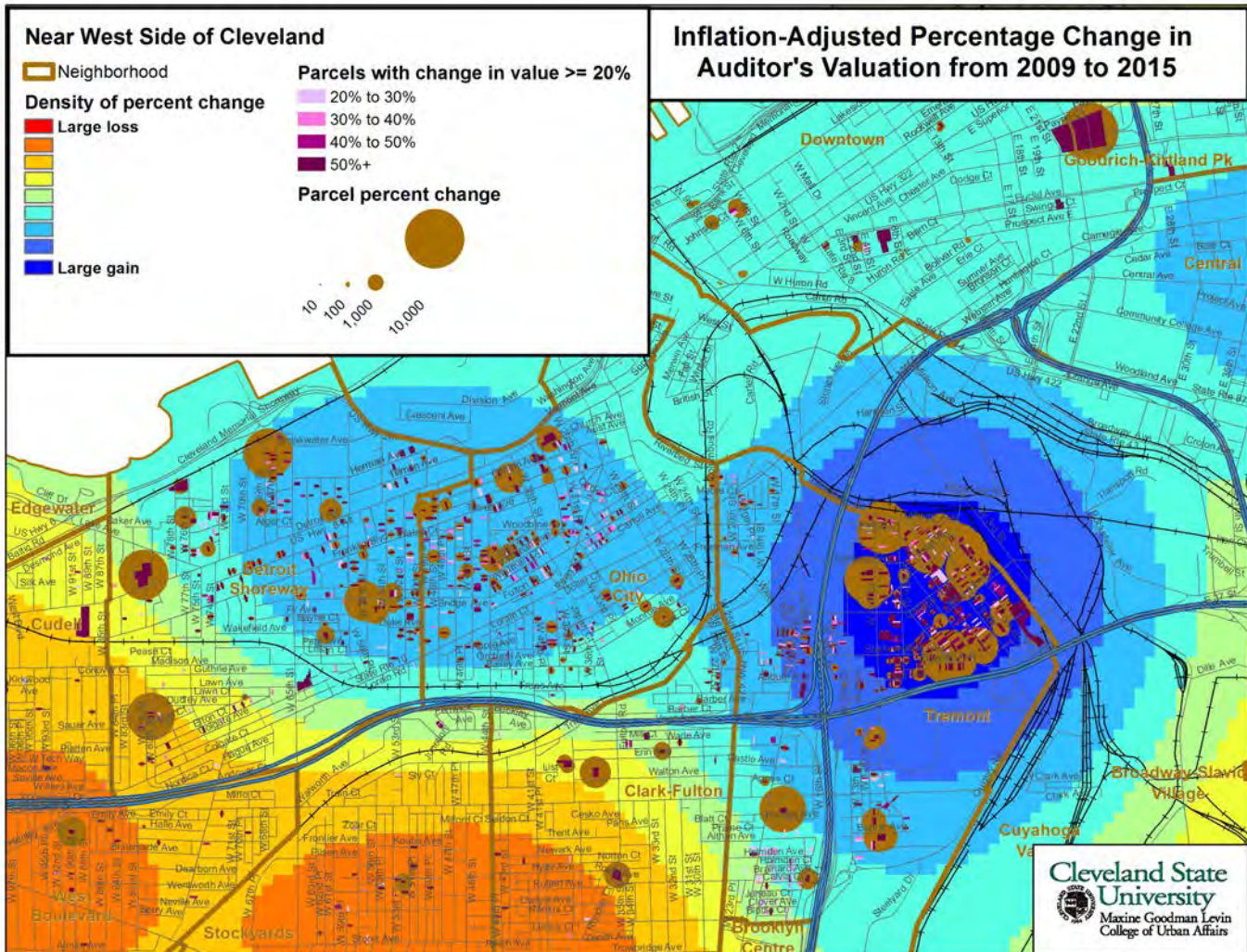
Will this market picture emerge without targeted intervention? In the case of Tremont, Ohio City, Detroit Shoreway, and Edgewater, the answer is likely “yes”. As for Clark-Fulton, the prospect is less certain, yet the opportunity for spatial spillovers to continue into the area are undoubtedly present.

Now, how did this Near West Side redevelopment come about? Is it a model for Cleveland’s East Side? To answer this, a cataloging of why urban neighborhoods revitalize is needed. Enter the “consumer city” versus “producer city” approach.

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<sup>20</sup> Galster, G. 2009. Modeling Housing Appreciation Dynamics in Disadvantaged Neighborhoods. *Journal of Planning Education and Research*, 29. Pg. 7-22.

Map 4: Heat Map of Near West Side



In 1998, the *Chicago Tribune* ran a piece called “Building the City Beautiful”, which detailed Chicago’s transformation from a producer to a consumer city<sup>21</sup>. “The producer city was the industrial city — the smoke and the noise and the industrial jobs,” noted the piece. “The consumer city is the city of Starbucks, boutiques and so forth.”

The article goes on to describe shifts in the city as Chicago’s blue-collar constituency suburbanized or left the region all together, along with the corporations they worked for. This created a mood in Chicago of “a sense of loss” according to scholar Saskia Sassen, but what was less recognized was the arrival of “a new vibrant economy of small specialized firms, software developers and experimental cultural spaces” that brought changes to the city, with “old lofts [being] transformed into beautiful restaurants catering to a whole new type of high-income worker — hip, excited, alive.”<sup>22</sup>

<sup>21</sup> Kamin, B. 1998. Building The City Beautiful. *The Chicago Tribune*.

<sup>22</sup> Sassen, S. 2013. Unlike Detroit, Chicago’s diversified industrial base has helped it to successfully switch from a material to a knowledge economy. See: <http://bit.ly/17rERRw>



## Maxine Goodman Levin College of Urban Affairs

Such consumer city transitions are behind the development of much of Downtown and the Near West Side, wherein “creative class” workers—be they in tech, the arts, design, the “gig” economy, or in fields like real estate or finance—are clamoring to get into amenity-rich neighborhoods that offer value in their ability to satisfy the consumption of cosmopolitan tastes, whether that’s the aesthetics of urban design or flavors of the “foodie” scene.

No doubt, past public investment has proven successful in revitalizing several Cleveland neighborhoods using the “consumer city” approach, particularly the development of an arts district in the Gordon Square area of Detroit Shoreway and a market district on Ohio City’s W. 25th Street. A similar transition is occurring in the Goodrich-Kirtland Park neighborhood just east of Downtown, with loft conversions and culinary and festival scenes picking up steam, particularly in Asia Town. An effort in Clark-Fulton called La Villa Hispana, or is “Hispanic village”, is another ongoing effort wherein revitalization is strategized around a particular neighborhood amenity. Such efforts should be fostered.

Image 3: The Cleveland Flea, an outdoor market in the St. Clair Superior neighborhood. Source: The Salvaged Boutique



But not every neighborhood can be—nor should be—developed through this approach. Simply, a city cannot consume if it doesn’t produce. Cleveland needs a coherent “producer city” revitalization strategy. This strategy should center on developing for-sale and rental residencies to house the region’s growing knowledge workforce, comprised of both “white coat” and “blue coat” workers.

<sup>19</sup> Sassen, S. 2013. Unlike Detroit, Chicago’s diversified industrial base has helped it to successfully switch from a material to a knowledge economy. See: <http://bit.ly/17rERRw>



In terms of capturing its share of this workforce, the City of Cleveland is punching below its weight. The Cleveland metro ranks fifth in the nation in the percentage of the workers aged 25 to 44 with an advanced degree (20.3%), just behind Boston but one spot ahead of Pittsburgh (See Figure 1). Yet the vast majority of these workers don't live in Cleveland proper (See Figure 2). Only 24% of Cleveland residents aged 25 to 34 have at least a bachelor's degree, compared to 64% for Boston and 55% for Pittsburgh. This is partly because the region lacks a coordinated housing strategy that creates (at scale) the supply to meet the emergent demand.

Neighborhoods in the vicinity of Cleveland's anchor institutions—and nearby the city's emerging housing markets—should be the sites of this strategic approach. The heart of this “producer city” strategy is predictably Cleveland's East Side.

Map 5 details the emerging market along the city's Health Tech Corridor. The largest appreciation is centered in the Little Italy neighborhood of University Circle (blue), with “edging” of strong and modest gains (light blue and aquamarine) extending north to Wade Park, or in Glenville's “Circle North” neighborhood. An area of strength (light blue) is also radiating out from the predominantly African American, homeowner section of Central, with modest gains (aquamarine) extending eastward past E. 55th.

Overall, the whole of Fairfax, and parts of Hough, Glenville, Buckeye-Woodhill, and Buckeye-Shaker<sup>23</sup> comprise a classic “pinch” area between University Circle and Downtown, indicative that the area is geographically well-positioned for reinvestment in the form of spatial spillovers. Map 6 details a map of this “pinch area”, reframed as the “Target Area”. This area should be considered as the prime target for funds aimed at facilitating the reinvestment of the Cleveland.

The epicenter of the proposed target area is arguably the intersection of E. 105th and Cedar Ave. Dubbed the “medical mile”, it's both the northern terminus of the \$331 million dollar publicly-funded Opportunity Corridor roadway project and the future site of the aforementioned IBM office that—in partnership with the nearby Cleveland Clinic—can act as the geographic center of the region's emergence in the rapidly-evolving field of healthcare analytics. The block acts as a gateway into the globalization of Cleveland proper that has the potential to do to the Fairfax neighborhood what Google's arrival in Pittsburgh did to the neighborhood of East Liberty.

Fig. 1

Metro	Percent
Washington, DC	28.0%
San Francisco, CA	23.8%
San Jose, CA	22.9%
Boston, MA	22.1%
<b>Cleveland, OH</b>	<b>20.3%</b>
Pittsburgh, PA	19.9%
Seattle, WA	19.6%
New York, NY	19.3%
Denver, CO	18.8%
Philadelphia, PA	18.5%

Source: CPS, 2015





Fig. 2

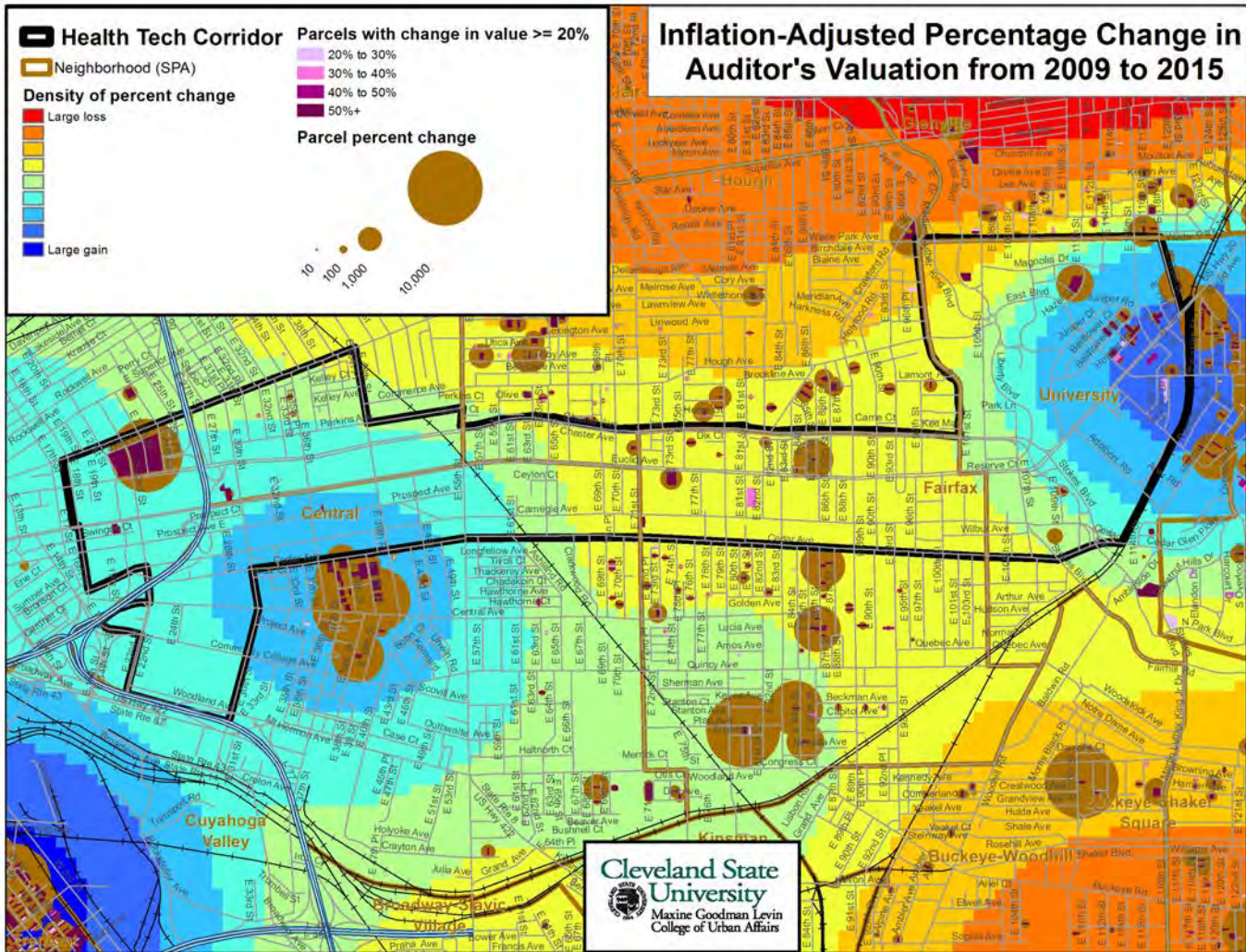
	Aged 25 to 34	Aged 35 to 44
Washington, DC	68.9%	57.8%
San Francisco, CA	70.1%	62.6%
San Jose, CA	42.1%	43.4%
Boston, MA	63.8%	44.0%
<b>Cleveland, OH</b>	<b>23.6%</b>	<b>18.3%</b>
Pittsburgh, PA	54.6%	41.4%
Seattle, WA	65.1%	63.3%
New York, NY	47.3%	38.6%
Denver, CO	51.5%	46.6%
Philadelphia, PA	38.0%	25.0%

Source: ACS 5-Year, 2014

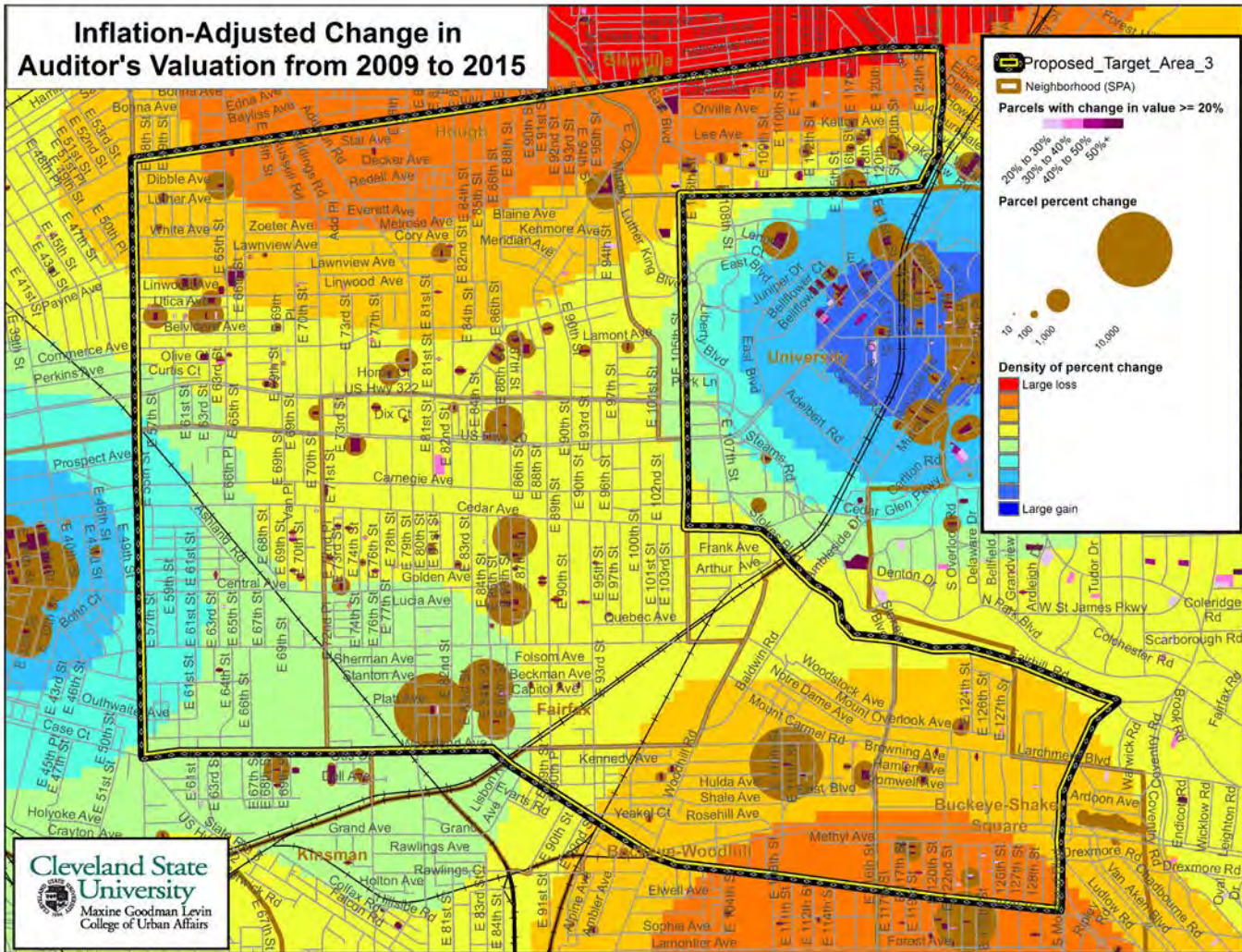


<sup>23</sup> Note: Buckeye-Shaker is a bifurcated community, with investment historically happening north from Shaker Blvd. to Fairhill. Areas of disinvestment remain going south from Shaker Blvd. to Buckeye. The latter area is thus more appropriate for targeted public investment.

Map 5: Heat Map of Health Tech Corridor



Map 6: Heat Map of Proposed Target Area



“Google’s entrance into this market [in 2010] has helped focus a national spotlight on East Liberty,” notes a respondent in the *Post-Gazette* article “The Google effect: How has the tech giant changed Pittsburgh’s commerce and culture?”<sup>24</sup> The piece discusses how Google wanted to be near the computer science expertise in Carnegie Mellon, choosing the distressed neighborhood of East Liberty as its base.

Today, the neighborhood has a Target, a \$150 million dollar transit center, and over 1,000 new housing units. The reinvestment coincided with a decrease in crime in East Liberty of nearly 50% since 2008, as well as a doubling in property valuation<sup>25</sup>. Consider this an example of a producer city template wherein consumption is not the driver of reinvestment, but the effect of new economy underpinnings that multiply into various forms of market activity, be it in transportation, housing, and retail.

<sup>24</sup> Carpenter, M. & Todd, D. 2014. The Google effect: How has the tech giant changed Pittsburgh’s commerce and culture? *The Pittsburgh Post-Gazette*.

<sup>25</sup> Fabusuyi, T. & Hill, V. 2013. East Liberty Crime Data Analysis. Prepared for East Liberty Development Inc.



## Preparing for Growth

Has the transformation of East Liberty been without problems? No. Pittsburgh has had difficulty integrating residents into revitalized neighborhoods, with displacement a concern<sup>26</sup>. There is potential for a neighborhood to go from integrating back to segregated (e.g., mixed income to high income), disabling the socioeconomic benefits that accrue when regional segregation is lessened. To protect against this the City of Cleveland should strongly consider matching any public funds aimed at revitalizing distressed neighborhoods with Low Income Housing Tax Credit (LIHTC) dollars that are at the city's disposal.

Why should low-income housing funds be spent in poor neighborhoods? Because a new study by Stanford's Rebecca Diamond showed that when LIHTC developments were built in low-income, high-minority neighborhoods, the result was an increase in nearby housing prices of 6.5%, a lowering of crime rates, and the attraction of diverse populations<sup>27</sup>. The author theorizes that building in a poorer neighborhood created a "sort of revitalization effect," since these areas tend not to have a lot of investment in them, and so it makes the neighborhood appear more desirable.

"Given the goals of many affordable housing policies is to decrease income and racial segregation in housing markets," Diamond concludes, "these goals might be achieved by investing in affordable housing in low income and high minority areas, which will then spark in-migration of high income and a more racially diverse set of residents."<sup>28</sup>

Such may be a rare case in urban redevelopment of having your cake and eating it too. Cleveland needs real estate appreciation, so having the need to mitigate displacement in the face of rising housing values is a step in this direction. Keen use of low income tax credits, however, can not only be a place-based solution to displacement, but also one that facilitates housing valuation where it's needed most.

Where increased valuation is needed most is Cleveland's East Side. The loss of home values has been devastating to citizenry wealth, particularly the loss of home equity. For instance, 72% of single-family houses in St. Clair-Superior have depreciated by at least 50% since 2009, followed by Glenville (68%), Euclid-Green (62%), Union-Miles (46%), Buckeye-Woodhill (42%), Mt. Pleasant (36%), Maple Heights (34%), Kinsman (33%), Fairfax (23%), and Euclid (21%)<sup>29</sup>. So, eight out of the top ten fastest depreciating markets are clustered on Cleveland's East Side.

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<sup>26</sup> Deto, R. 2015. Pittsburgh is poised for growth for the first time in 60 years. Will the city's African-American community grow with it? *Pittsburgh City Paper*.

<sup>27</sup> Diamond, R. & McQuade, T. 2016. Who Wants Affordable Housing in their Backyard? An Equilibrium Analysis of Low Income Property Development. NBER Working Paper No. 22204

<sup>28</sup> Lynch, S. 2015. Is Affordable Housing Good for the Neighborhood? *Insights*.

<sup>29</sup> Source: Cuyahoga County Auditor





A survey analysis of housing market activity completed by Cleveland Neighborhood Progress provides a corresponding visual (See Map 7). The analysis shows there remains a deep divide in the city as to where housing valuations are located, with wealth clustered on the West Side. This lack of wealth accumulation goes hand-in-hand with an absence of private market investment. Given the vast “producer city” assets on the East Side of Cleveland, why is that? More importantly, what should be done about it?

Simply, continued public investment must be made in the identified emerging markets so as to ensure those market’s emergence. Sustained, albeit strategic, “signaling” to the market is key. If successful, black wealth will be regrown in the form of home equity for tenured residents. Elaborating, owner-occupancy rates in the target areas of Glenville (45%) and Fairfax (40%) are higher than that of Detroit-Shoreway (35%), Tremont (34%), Ohio City (30%), Edgewater (27%), and Downtown (2.4%)<sup>30</sup>. Moreover, reinvestment in new housing could be paired with public dollars aimed at helping tenured residents reinvest in their home asset.

A final word of note: putting limited public funds in parts of the city that are not yet strategically positioned could lead to squandered, if well-intentioned, investment. The lessons of Baltimore are apropos, as illustrated in the piece “Why couldn’t \$130 million transform one of Baltimore’s poorest places?”<sup>31</sup> It discusses the strategic thinking of then-Mayor Kurt L. Schmoke in his attempts to transform a part of Baltimore with an injection of \$130 million in mixed-income housing. A study by the Enterprise Foundation done in the mid-1990s determined the area of investment should be in East Baltimore, near the growing employment base of Johns Hopkins Hospital. The mayor instead chose a part of West Baltimore, Sandtown-Winchester, as his target area, due to his familiarity with local community groups. The subsequent investment was massive, with 1,000 homes renovated or rebuilt.

The result? “Sandtown-Winchester is crumbling, and there is little to suggest that two decades ago...city officials injected more than \$130 million into the community in a failed effort to transform it,” notes the 2015 *Washington Post* piece. Jobs, not houses, turned out to be the main issue. The area of investment was too spatially isolated from the new economy underpinnings around Johns Hopkins.

For long, the geography of opportunity in Cleveland has been away from the city. Macroeconomics dictated that, as did the notion of where the opportunity was, i.e., the suburb. Things are changing. Brownfields are the new greenfields—suburbanites are now urbanites—and city anchor institutions are increasingly becoming economic change agents that seed innovation, not the outlying research park. These trends are beginning to bend the arc of history back into areas of disinvestment, like the East Side of Cleveland. It is important Cleveland is readied for this future, if only so it gets here faster. The aim of this analysis is to help with that.

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<sup>30</sup> Source: American Community Survey 5-Year (2012) via NEOCANDO

<sup>31</sup> Rosenwold, M. & Fletcher, M. 2015. Why couldn't \$130 million transform one of Baltimore's poorest places? *The Washington Post*.



**Map 7: Residential Market Activity in the City of Cleveland, 2014 to Present**

Source: Cleveland Neighborhood Progress

Note: Verticals represent residential values upon sale or transfer. They exclude multi-family housing.





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## Preparing for Growth

An Emerging Market Analysis Commissioned by the Office of  
Mayor Frank Jackson at the City of Cleveland

By Richey Piiparinen, Kyle Fee, Charlie Post, Jim Russell, Mark Salling and Tom Bier