A Tale of Two Cleveland

How we can stop the starvation of minority communities and make our city’s Renaissance work for all in ONE CLEVELAND

Deep Racial & Economic Divides in the Shadow of a Downtown Renaissance

No matter what kind of work we do or what zipcode we live in, all Clevelanders want to live in a place where everybody—no exceptions—can work hard and raise a family.

But these days big corporations like Geis Companies, The K&D Group, Playhouse Square Inc., Millennia Companies, Bedrock, The Wolstein Group, AmTrust Financial are pushing a different agenda—using billions in taxpayer subsidies to build a new, shiny redeveloped downtown, while starving minority neighborhoods from the resources they need for families to succeed.

A divided city, which often runs hand in hand with racial stereotypes and scapegoating, is holding all of Cleveland back. Everybody hurts when hundreds of thousands of people in our city can’t afford the basics—like healthcare, healthy food, affordable housing, and quality education.

That’s why, through their union, thousands of Cleveland janitors are coming together across racial lines to fight for jobs that pay at least $15 an hour. Janitors are the heart of our downtown, the heart of our city and fair pay means all Clevelanders will start to benefit from the redevelopment that all Clevelanders have given through millions of dollars in tax subsidies. Fair pay for janitors will lay the foundation for One Cleveland—a truly prosperous city where everybody thrives.
Comeback Cleveland, Ready for its Close-up

The revival of downtown Cleveland has been touted internationally as one of America’s most notable comeback stories. On the heels of the Great Recession, Cleveland began its transformation from the ghost of a manufacturing mecca, plagued by decades of disinvestment, to an exciting 21st century boomtown, “ready for its close-up”.¹

The redevelopment of historic buildings combined with new construction, the emergence of local start-up businesses, and the attraction of educated new talent, are hailed as the drivers of Cleveland’s rebirth as a growing, vibrant city.² Without question, the impacts of these factors are staggering.

- According to the City’s Department of Development, a total of $8 billion was invested in new development in Cleveland between 2011 and 2015, including $1.37 billion on the new hotels; $1.23 billion on mixed-use development projects; $694 million of residential housing; $1.78 billion on “meds & eds” tech structures; $508 million on arts development; $1.4 million on public space, bike paths / trails and public parks such as the transformation of one of Cleveland’s iconic and oldest parks -public square; $982 million on infrastructure improvements with the Innerbelt Bridge construction; and the $451 million on renovation and business attractions.³

According to the Downtown Cleveland Alliance, another $3.5 billion was invested in downtown development from 2016 to 2018.⁴

- Dozens of large-scale renovations and urban restoration projects in Cleveland have been aided by Ohio’s Historic Preservation Tax Credit program, as well as the New Markets Tax Credit program.

  o Over 100 Cleveland-area projects have been approved to receive Ohio Historic Preservation tax credits since the program’s inception in 2006. To date, about 70 of these projects had reached completion. The combined value of the tax credits for the approved projects is an estimated $325 Million.⁵

  o According to the data from the CDFI Fund, the federal New Markets Tax Credit program delivered over $1.7 billion in financing to nearly 90 economic revitalization projects in Cleveland between 2003 and 2016.⁶

- Cleveland is repositioning itself as a national leader in health sciences innovation, with the Cleveland Clinic and Case Western Reserve University leading the way. As of 2016, Cleveland was home to 25,000 jobs and 700 companies (up from 400 in the early 2000s) involved in health and medical research, biomedical device design, information technology and related sectors.⁷

- Downtown Cleveland’s population has increased 79 percent since 2000, including a 77 percent increase in Millennial residents. ⁸
The Other Cleveland: Black and Impoverished

“In emphasizing only the revival spots, by failing to see Cleveland’s whole picture, we hobble ourselves…We should be positive about our city, but see the whole. We cannot see only the tower and be blind to its shadow.”
-Cleveland Magazine

In the shadow of the downtown revival is another side of Cleveland—the one experienced by the city’s working poor, their families, and their communities. This Cleveland—the poor Cleveland—stands in stark contrast to the growing, thriving metropolis described above.

More than one in three Cleveland residents (36 percent) lived in poverty over the five-year window ending in 2016, compared to 18.5 percent for Cuyahoga County and 15.4 percent for the state of Ohio. The US Census Bureau’s 2017 American Community Survey found that Cleveland’s child poverty rate was an alarming 48.7%—ranking dead last among large US cities. Cuyahoga County had 233,580 food insecure residents in 2016, the highest of number of any county in Ohio. The Northeast Ohio Coalition for the Homeless estimates that 23,000 people in Cuyahoga county experience homelessness each year, with the Cleveland Public Schools reporting 2,744 homeless students in 2017.

But this economic disparity can’t be fully grasped without recognizing the racial disparity it closely parallels. The majority of Cleveland residents are black, but the city’s black community is not sharing in the prosperity created by the downtown revitalization.

In a 2018 report by the Center for Community Solutions, Cleveland is described as “a place where your life outcomes can be determined by your ZIP code, and where people who are black face significantly more challenges than white people.” By all accounts, Cleveland’s population is highly segregated along racial lines. Studies conducted by The Brookings Institution and Brown University found that Cleveland’s levels of black-white neighborhood segregation are among the highest in the nation.

Cleveland’s black residents are 1.7 times more likely to be living in poverty than white residents, and the median income for white residents in the Cleveland metro area is more than twice that of black residents, on average (the black median income was $28k/year, compared with $60k/year for white residents). Not surprisingly, Cleveland’s black workers are disproportionately represented in low-wage occupations such as janitorial, food-service, and health care support, while white workers are more likely to hold higher-paying positions in fields such as management or engineering.

The lower income levels and higher poverty rates experienced by Cleveland’s black residents are
closely correlated to numerous indicators associated with a lower overall quality of life. Risk factors for infant mortality such as preterm birth and low birth weight are much higher for black babies than they are for white babies in Cleveland. In fact, the rate of black infant deaths was 6 times that of white infant deaths in Cuyahoga County in 2017 (2.56 per 1000 for white babies, compared with 15.6 per 1000 for black babies). While the overall infant mortality rate in the county is on the decline, the racial disparity is rapidly growing. Cuyahoga County Board of Health Data Analyst Richard Stacklin said of the 2017 numbers: “I've analyzed this data for eight years, and this is the largest disparity I've seen.”

The racial disparity continues into childhood, as black children in Cleveland are more likely than white children to live in poverty, be exposed to lead and live in unsafe neighborhoods. In the Cleveland Metropolitan School District, white children are almost twice as likely as black children to be enrolled in gifted and talented programs, and black children are 1.7 times as likely as white children to be suspended from school.

Data suggests that black children being disproportionately disciplined in school leads to an increased likelihood that they will face incarceration in the future (this phenomenon is often referred to as the school-to-prison pipeline). Statistics clearly indicate that such a pipeline exists in Cuyahoga County, where the total youth population is 54% white and 42% black, but there are more than 11 times as many black youth institutionalized than white youth (the county’s institutionalized youth population is 8% white and 90% black). The disparity continues in the adult criminal justice system—black people make up 74% of the Cuyahoga County prison population (compared with just 30% of the county’s general population).

The racial disparity also bears out in data related to the issues of housing and homelessness. Cuyahoga County homeless shelters report that 70% of shelter users are black. Cleveland’s Eastside neighborhoods, which are predominantly black, have a much higher concentration of income-restricted housing units compared to the predominantly white Westside and Downtown areas. Income restricted units constitute 71.6% of the total rental market in the Eastside neighborhoods, compared with just 23% in both the Downtown and Westside rental markets. The majority (61%) of income restricted units on the Eastside of Cleveland are Public Housing (CMHA) units, and the lion’s share (63%) of central Cleveland’s total public housing units are located in the Eastside neighborhoods, which are more than 70% black.

Residents living in Cleveland’s highly-segregated black neighborhoods are also more likely to have poor health outcomes. These communities have much higher rates of conditions such as asthma, diabetes, and high blood pressure, which lead to lower life expectancies. The Plain Dealer reported in 2015 that Cleveland neighborhoods with the highest concentration of non-white residents also have the highest rates of lead poisoning, due to the presence of lead-based paint in residences, lack of code enforcement, and proximity to industrial areas and highways. In Cuyahoga County, white residents can expect to live 6 years longer than black residents on average.
Meanwhile, the remaking of downtown Cleveland is being funded, in large part, by tax-payer dollars. Programs such as the federal New Markets Tax Credit and the Ohio Historic Preservation Tax Credit are pumping hundreds of millions of dollars into the city. Proponents of these programs state that they are intended to spur investment in low-income areas, and create jobs in marginalized communities. City and County-level programs such as Tax Increment Financing and Economic Development Loans purport to have similar goals. But data raises questions as to whether these programs are really driving the equitable economic development that they are aimed at creating.

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Developer</th>
<th>Completion Date</th>
<th>Estimated Project Cost</th>
<th>Notable Public Funding Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>The 9 (Former Ameritrust Complex)</td>
<td>Geis Cos.</td>
<td>2015</td>
<td>$170 Million</td>
<td>Ohio Department of Development: $31 Million HPTC; $6 Million low interest loan from City of Cleveland, using federal money.23</td>
</tr>
<tr>
<td>Flats East Bank</td>
<td>Wolstein/ Fairmount</td>
<td>Phase 1 completed: 2013; Phase 2 completed: 2015; Phase 3: ongoing</td>
<td>$750 Million (for all three phases combined)</td>
<td>For Phase 2 of the 3-part project alone, $35.5 million public sources – including $17 million in economic development bonds from Cuyahoga County.24</td>
</tr>
<tr>
<td>925 Building</td>
<td>Millennia Cos.</td>
<td>Slated to be completed in 2022</td>
<td>Renovations are expected to cost approximately $300 Million.</td>
<td>$25 million state HTC already approved; Millennia expects to have additional financing in place by summer 2019.25</td>
</tr>
<tr>
<td>Terminal Tower</td>
<td>The K&amp;D Group</td>
<td>Slated to be completed in 2019</td>
<td>$112 Million</td>
<td>$74 million in financing acquired through Cuyahoga County Port Authority pass-through financing; $5M in state HTCs; $5M grant from Ohio Water Development Authority.26</td>
</tr>
<tr>
<td>800 Superior</td>
<td>AmTrust Financial</td>
<td>2013</td>
<td>$20 Million</td>
<td>Cuyahoga County provided a $3 million low-interest loan; City of Cleveland approved a Tax Increment Financing designation related to $16 million in improvements; Ohio Development Services Agency approved an $11.4 million job-creation tax credit.27</td>
</tr>
<tr>
<td>Quicken Loans Arena Renovation</td>
<td>Rock Companies/ Dan Gilbert</td>
<td>Slated to be completed in 2019</td>
<td>$185 Million</td>
<td>Cuyahoga County and the city of Cleveland approved $70M for public portion of the renovation funding for Quicken Loans Arena.28</td>
</tr>
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</table>

The downtown transformation includes a host of expensive development and redevelopment projects, led by local and regional real estate groups like Millennia Companies, The K&D Group, Geis Companies, Playhouse Square Inc., Rock Companies, Wolstein/Fairmount, and others. These companies and organizations have bought and transformed significant portions of the city’s downtown core, and they have done so with considerable funding from public sources at the local, state, and federal levels. A great number of these projects have involved the conversion of historic office buildings into luxury residential and mixed-use facilities. While these subsidized projects are succeeding in attracting new businesses and high-income residents to downtown Cleveland, there is little evidence that they have benefited Cleveland’s low-income communities in any measurable way.

According to William Mahnic, associate professor of Business and Finance at Case Western Reserve University, “What we’re seeing here in the City of Cleveland in terms of new residential construction is the majority of the focus is on the very, very high end”. Mahnic describes the current...
housing environment in Cleveland as an example of the “barbell effect”, in which there are two primary groups: those with very high income, and those on the very low end (who typically can’t afford to buy new homes). Mahnic predicts that this barbell will stay in effect “until we see a lot more economic development that targets better-paying jobs for low-income residents of Cleveland”.29

In fact, the rapid growth and development in downtown Cleveland coincides with a sharp increase in the cost of living city-wide. Between 2017 and 2018, average rents in Cleveland jumped 2.7%.30 As of 2018, two-bedroom apartment in Cleveland rented for $1,177 per month on average, a cost that most Ohio jobs don’t pay enough to cover.31 In 2016, it was reported that 48 percent of Cleveland renters were cost burdened (having 30 percent or more of their monthly gross income dedicated to housing).32 If wages on the low end of the scale don’t see significant improvements, that percentage will only continue to increase.

In a 2018 report, the National Low-Income Housing Coalition estimated that an Ohio worker would need to earn $15.25 an hour in order to afford a two-bedroom apartment.33 But 8 of the 10 most common jobs for Ohioans pay average wages that fall below that threshold: food preparation ($9.40), retail salesperson ($10.41), cashiers ($9.33), laborers and freight movers ($12.66), waiters ($9.45), office clerks ($14.42), janitors ($11.59) and stock clerks ($11.65).34

Cleveland Janitors: Essential Work for Poverty Wages

Cleveland janitors—including those who clean the properties of the very same developers who are receiving hundreds of millions in public dollars to transform downtown Cleveland—are paid just over $11.00/hour on average.35 This amounts to just $23,025 per year—9% percent below the federal poverty level for a family of four. Janitors working full-time are still eligible for food stamps and public housing.36

“I’ve been a janitor for 23 years. I love the work but it’s hard on your body—with all the bending—sometimes I get home & I can’t stand up straight. On top of that, I have to work a 2nd job just to cover my bills. I know a lot of my co-workers are going through the same thing. It’s why we are standing together and fighting for $15 an hour. We work so hard every day. We deserve to be paid better.”

Lynn Jackson, Janitor at The One Cleveland Center building, owned by Optima.
Lives in the Baltic Neighborhood

“As janitors, sometimes we are treated as subhuman because of what we do for a living. If you don’t know about industrial cleaning, it’s hard work. When I blow my nose, nothing but black soot comes out. This is why I’m standing with my union & fighting for $15 an hour – it would mean not having to work 2 jobs just to pay the rent & spending more time with my young son.”

Marquita, Janitor at Steel Mill, owned by Arcelor Mittal.
Lives in Buckeye neighborhood
Cleveland janitors work day and night to ensure our city’s most important buildings—including the bathrooms, kitchens, floors and windows—are spotless. Like other low-wage workers, Cleveland janitors often go unnoticed, but they perform critical work in the local economy, without which Cleveland could not function.

Simply put, janitors’ work is not adequately valued. As new businesses and residents have flocked downtown in recent years, corporate interests have continued to hold wages down. As a result, janitors and other low-wage workers don’t have a share in the prosperous Cleveland they are helping to create. With stagnant wages while the cost of living is on the rise, the disparity deepens between the two Clevelands: one mainly white and prosperous, the other mostly black and impoverished.

Create Good Jobs, Make Bad Jobs Better

There is good reason to be optimistic about Cleveland’s rapid growth, exciting development, and increased economic productivity. But Cleveland won’t achieve true economic transformation without good jobs and livable wages for working people of all backgrounds and all skill levels. The reality is that not all new jobs are good jobs. In fact, nearly 50 percent of jobs created in recent years by the 25 fastest growing industries in Northeast Ohio are in industries that, on average, pay below a living wage. As labor markets continue to tighten, corporate and political leaders must push for improved job quality. Yes, we must put policies in place that will create good jobs, but we must also recognize that Cleveland’s rapidly growing economy still rests on a foundation of bad jobs. We must also commit to making bad jobs better.

In the words of Steven Dawson, in his series of papers for the Pinkerton Foundation on improving job quality:

“A bad job is not simply the absence of a good job…. A bad job not only fails to pay enough for decent food and shelter for a worker’s family, but it can also risk her health, disrupt any chance for a predictable family life, undermine her dignity, and deny her voice within the workplace. And when a local economy hosts a large number of bad jobs, the community is forced to subsidize those bad jobs by paying for additional public benefits, tax credits and health care costs…. In short, bad jobs are a core driver of inequality and it is left to the rest of us to pick up the costs.”

One Cleveland That Works for All of Us

The need to improve job quality in Cleveland, thereby improving the quality of life and reducing the racial and economic inequalities that plague our city, is an urgent one. This is why Cleveland janitors are uniting with low-wage workers, community leaders, elected officials, responsible employers and building owners across the region to fight for One Cleveland that works for all of us.

One Cleveland begins with dignified wages for working people. A path to $15 an hour for low-wage workers across Cleveland will dramatically improve the quality of life for working families across the city, but it will also create clear benefits for employers. Companies that pay their employees a living wage
have healthier workers, less turnover, increased company loyalty and reduced absenteeism.\textsuperscript{39}

Leading employers across the region, like the City of Cleveland\textsuperscript{40}, and Metro- Health\textsuperscript{41} have already committed to bringing their lowest-paid employees up to $15 per hour.

Just this year, The Cleveland Orchestra\textsuperscript{42} has worked productively with union janitors and service providers to ensure a path to $15 for low-wage workers in their properties.

Now is the time for downtown real estate owners—who have benefitted handsomely from the support of public dollars and whose buildings run on the labor of low-wage workers—to follow suit. The fiscal impact of raising janitors’ wages to $15 an hour would be minimal to building owners and tenants: the cost of bringing 500 union janitors up to $15/hour over a four-year period would be roughly equivalent to an increase of just $.05 per square foot per year in the city’s commercial office market.\textsuperscript{43}

\textbf{IN CONCLUSION}

No matter what zipcode we live in or what work we do, all Clevelanders want to live in a place where everybody—no exceptions—can work hard and raise a family. When we examine the revival of downtown Cleveland—which has been touted as one of our nation’s most extraordinary comeback stories—we can see that in its shadow lies another side of Cleveland—the one experienced by the city’s working poor, their families, and the communities they live in.

Big corporations—like Geis Companies, The K&D Group, Playhouse Square Inc., Millennia Companies, Bedrock, The Wolstein Group, AmTrust FInancia—are using billions in taxpayer subsidies to build a new, shiny redeveloped downtown, while at the same time starving minority neighborhoods from the resources they need for families to succeed.

A divided city, which often runs hand in hand with racial stereotypes and scapegoating, is holding all of Cleveland back. In a 2018 report by the Center for Community Solutions, \textit{Cleveland is described as “a place where your life outcomes can be determined by your ZIP code, and where people who are black face significantly more challenges than white people.”}\textsuperscript{44} Everybody hurts when hundreds of thousands of people in our city can’t afford the basics—like healthcare, affordable housing, healthy food and quality education.

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Endnotes

22. https://www.communitysolutions.com/research/racial-disparities/#_ftnref1
44. The estimated cost of increasing wages from the current CBA hourly minimum (11.30) to 15.00 over a four-year period=3.8 million, the Cleveland union janitorial commercial office market is roughly 17.1 million square feet.
45. https://www.communitysolutions.com/research/racial-disparities/