

Paid to Sprawl:

Subsidized Job Flight

from Cleveland and Cincinnati

by
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EXECUTIVE SUMMARY

One hundred and sixty-four small and medium-sized business establishments with an estimated 14,500 employees received lucrative tax breaks as they merely moved around within the Cincinnati and Cleveland metropolitan areas. These subsidized relocations were overwhelmingly outward bound and by many measures, especially in the Cleveland region, fueled suburban sprawl.

By dispersing jobs away from the two urban cores, the relocations contributed to disparities in wealth and opportunity among localities in the regions. They moved jobs away from areas with higher rates of poverty and people of color to more affluent and less racially diverse areas. And by moving mostly to locations that are not served by public transportation, they denied job opportunities to carless workers and denied thousands more any choice about how to get to work.

The relocation-sprawl problem is more pronounced in the eight-county Cleveland metro area: the subsidized relocations there occurred proportionately more often; they were somewhat more sprawling; they involved slightly larger subsidies; and they affected more employees per firm than the five Ohio counties of the Cincinnati region.

In the Cleveland metropolitan area, four-fifths of the moves were outbound and they took jobs an average of more than five miles away from the central city. In the Cincinnati region, almost three-quarters of the relocations were outbound and they took jobs an average of

almost 3 miles farther out. In the two regions combined, 23 facilities moved outward 10 miles or more.

The relocations moved thousands of jobs away from transit corridors, reducing job opportunities for low-income workers who can only reach work via public transportation. Carless workers are disproportionately people of color. The moves also reduced commuting choices for workers who can afford a car.

In the Cincinnati metro area, 30 relocations moved jobs from sites that were transit-accessible to places that are not, while only eight did the opposite. Another 52 remained transit-inaccessible in their new location, while only 11 remained accessible. A similar pattern occurred in Cleveland: 25 companies moved from a location that was transit-accessible to one that was not, while only seven did the reverse. Twenty-five facilities moved from one inaccessible location to another, and only six remained accessible.

Many, if not most, of the subsidized relocations involved the sole facility of a small or medium-sized business; a small number of the moves were apparently branch plants of national or multinational companies. In Cincinnati, they affected about 80 employees per move; in Cleveland, about 100. All told, an estimated 14,500 jobs were moved.

One hundred and fifty-two (or 93 percent) of the relocations occurred between 1996 and 2005, when all of the moves were into

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Enterprise Zones (EZs). From 2006 through 2010, the EZ program became less lucrative because of changes made to Ohio's corporate property tax system. At the same time, a successor program, Community Reinvestment Areas (CRA), became more popular. But because of the recession, the number of relocation deals declined sharply in the two metro areas: over those five later years, there were only seven relocations into CRAs and five into EZs.

The relocations into EZs between 1996 and 2005 (94 in Cincinnati and 58 in Cleveland) involved an estimated 13,400 jobs. The EZs typically abated up to 75 percent of real and personal property taxes for as many as 10 years (the maximum allowable without school board approval). Of the 152 deals, the value of the abatements is available for 116; they total \$29.7 million. Applying the regional averages (\$223,000 per facility in Cincinnati and \$317,000 in Cleveland) to the remaining 36 EZ deals suggests a total of \$39.3 million.

A CRA can eliminate 100 percent of real property taxes for up to 15 years (corporate personal property taxes on machinery and equipment no longer exist in Ohio). The value of the CRA and EZ tax breaks granted from 2006 through 2010 cannot be estimated because CRA records usually fail to include that information. But deals made during that time period exempted at least \$37.4 million worth of property from property taxes for as many as 15 years.

Many of the deals were also automatically entitled to or likely qualified for various other economic development subsidies from the State of Ohio (such as investment tax credits and/or training grants); those are not as well disclosed and are not estimated here.

In the Cleveland region, the localities that gained and lost businesses are quite distinct: the biggest gainers were Streetsboro (gained 6), Aurora (gained 5), and Avon (gained 5) and the biggest losers were Cleveland (gained 2 and lost 11), Twinsburg (gained 2 and lost 6), and Mentor (lost 5).

The 1996-2005 relocations in the Cincinnati region are more complicated: some localities there both lost and gained numerous firms. Cincinnati lost 17 but also gained 7; Hamilton lost 5 but gained more than twice as many (11); and Sharonville lost 5 but also gained more (7). Other net gainers were Evendale (gained 12 and lost 2), Miami Township (gained 8 and lost 5), Fairfield (gained 8 and lost 4), Forest Park (gained 6 and lost 2), and Union Township (gained 6 and lost 1). Big net losers were West Chester Township (gained 1 and lost 12), Blue Ash (lost 6), and Woodlawn (gained 3 and lost 6).

Our interviews with local development officials on both ends of the 1996-2005 relocations—and numerous disputes and debates since, especially in the Cleveland area—suggest that tax-base competition is alive and well in both metropolitan regions and that job subsidies are routinely involved. Many officials feel they are forced to offer subsidies as proof that they are truly interested in a footloose firm. Capturing that unpleasant feeling, one official rued, “EZs are like jail sentences; eventually they are over.”¹

The relocating facilities were identifiable thanks to 1994 changes in Ohio's Enterprise Zone law, which require companies moving into an Enterprise Zone from within the state to receive a waiver from the Ohio Department of Development. Companies receiving waivers are

recorded in the state’s Enterprise Zone Annual Reports, and outcomes for all Enterprise Zone deals were until recent years disclosed online within the state’s annual Enterprise Zone data base. (That information has disappeared as the quality of EZ disclosure has deteriorated.)

Our findings suggest these policy improvements:

- *The State needs to actively encourage and incent the creation of regional systems for economic development cooperation among local governments.*

The relocations documented here, our interviews, and other disputes make it painfully clear: local development officials in neither metro area have a functional region-wide network for cooperation, even when companies seek to pit neighboring communities against each other. By contrast, officials in the Dayton metro area (Montgomery County) have for many years used a cooperative system and some modest financial “carrots” to jointly promote their region’s economy. Building upon that precedent and ongoing efforts in Cuyahoga and Summit counties in the Cleveland area, the State of Ohio should use its enabling powers over incentives and other levers and resources to encourage and reward the formation of strong regional systems that deter poaching and promote cooperation. Local officials deserve State leadership to help them stay focused on the things that really matter: the linkages, skills, infrastructure and quality of life of a whole metro area, not one suburb or even one county. The meaningful unit of competition in economic development is a metro area, not a locality.

- *Install a state online disclosure system that covers all economic development subsidy programs.*

It should provide company-specific, deal-specific data on the source and value of the job subsidy, the number of jobs the company is obligated to create, the level of wages and benefits required, the geographic location of the project site—and then outcome data at least annually on how well the company is meeting its obligations and whether it has been subject to any “clawback” or other penalties for any performance shortfalls. Ohio’s Enterprise Zone program meets some of these transparency standards, but CRAs are less accountable and since 2008, the quality of disclosure for EZs and that of two other major job-subsidy programs (Job Creation Tax Credit and Job Retention Tax Credit) has seriously deteriorated, contrary to the national trend. Making all economic development deals readily transparent to the public would improve public participation and help public officials be more strategic and deliberate in their use of incentives.

- *Make transit-accessibility a requirement to qualify for a subsidy in metro areas.*

Illinois gives an extra subsidy—and California and New Jersey give subsidy-application preference—to certain deals that are accessible via transit or that meet other anti-sprawl criteria. Making more jobs accessible by transit will create more opportunity for low-income Ohioans, reduce traffic congestion, reduce tax-base stress by promoting more efficient use of infrastructure, and reduce greenhouse gas emissions that drive global warming.

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- *Consider regional tax-revenue sharing in all Ohio metro areas.*

When sprawl undermines the tax base of older areas, it undermines public services, creating another outward “push” factor on jobs. The Twin Cities Fiscal Disparities Act—and to a more limited extent Montgomery County, Ohio’s Economic Development/Government Equity (ED/GE) program—provide for some regional sharing of commercial-industrial property tax revenue, making tax-base competition less attractive and creating a structural incentive for regional cooperation. Many local leaders in the Cleveland metro area are ready for tax-revenue sharing: mayors from the entire 16-county northeast corner of the state voted in 2008 to pursue a new regional agenda that would include a regional tax revenue-sharing agreement.

Ohio’s land use challenges are complex and to be sure, they have many other causes in addition to EZ- and CRA-subsidized relocations. But subsidy reform is tangible and doable: the Dayton-area precedent and innovations from other states demonstrate how Ohio’s economic development incentives can become part of the solution for more intelligent land use, a stronger economy, and a healthier tax base.

1. INTRODUCTION

With Ohio still suffering high unemployment and depressed tax revenue needed for public services, one would hope that local government officials would be thinking more systemically than ever about jobs and tax base. But instead, some local economic development officials are continuing a ruinous practice left over from less-dire times: giving generous subsidies to companies that are merely relocating within the same labor market, if not actively luring them to relocate.

Combined with the state's anxiety to appear aggressive on jobs, this local practice of poaching (or at least eagerly welcoming and rewarding runaways) has made it all too easy for companies like American Greetings to move in a sprawling direction from Brooklyn to Westlake while reaping state subsidies of \$93 million and local subsidies starting at \$11 million and more to come. Both cities are in Cuyahoga County, the core of the Cleveland metropolitan area.

Soon after that episode, Cuyahoga County Executive Ed FitzGerald issued a proposed protocol to create a cooperative system for the County's 59 communities that would favor retention of companies in their current localities. Mayors and city managers who sign a no-poaching agreement would still be allowed to offer financial assistance to companies looking to move from another community in the county, but they would first be required to notify the losing community of their intent. Cities that sign the deal would be favored for a slice of the county's new \$100 million economic

development fund.² Local officials are now actively debating whether to join it.

However, the American Greetings/Cuyahoga debate is hardly an isolated incident. It is just the latest in a string of disputes over intra-regional relocations that have repeatedly provoked calls for reform. Summit County (which includes Akron within the Cleveland metro area), triggered by a 2008 episode, has a revenue-sharing agreement which some of its cities and villages have voluntarily joined. Some mayors in Cuyahoga County began debating a tax-sharing proposal in 2006 after episodes such as Strongsville offering a subsidy to attract part of a UPS Supply Chain Solutions facility from Middleburg Heights. At least two other versions of proposed anti-poaching agreements were subsequently debated among groups of Cleveland-area local governments.

Ohio cities are hardly alone: Kansas City has a hot two-state "border war" debate on job piracy. In April 2011, 17 prominent Kansas City-area business executives issued a compelling open letter to the governors of Missouri and Kansas, urging them to stop offering subsidies to companies that simply jump the state line to create "new" jobs. "At a time of severe fiscal constraint the effect to the states is that one state loses tax revenue, while the other forgives it," they wrote. "The states are being pitted against each other and the only real winner is the business who is 'incentive shopping' to reduce costs. The losers are the taxpayers who must provide services to those who are not paying for them." "...Neither state will

benefit as the stakes in this ‘economic arms race’ continue to escalate, and we squander available tax incentives by fighting amongst ourselves. Further, the effect of this economic border war is not only erosion of the tax base but a decrease in property values, and the chilling of community relationships on other important metropolitan issues.”³ (As of the publication of this study, there are no known changes in the Kansas City jobs war.)

The public complaint from the Kansas City-area business succinctly raises the burden-shift issue. And an academic study of Ohio companies raises an even more troubling issue: it suggests that economic development subsidies don’t work. Ohio State University Prof. Charles Kraybill and University of Maine Prof. Todd Gabe analyzed job growth at “366 Ohio manufacturing and non-manufacturing establishments that launched major expansions between 1993 and 1995.” Their remarkable findings: “After controlling for other factors, we found that the effect of incentives on establishments that received incentives is a decrease of 10.5 jobs per establishment.” But they also found that “incentives have a substantial positive effect on *announced* job growth (emphasis added).” And that “[t]hese findings imply that establishments misrepresent their hiring plans to receive larger incentives from the government.”⁴

The Ohio Economic Development Incentive Study, a very large review of all of the state’s programs that was mandated by the state legislature in 2007 and delivered in 2009, found that tax abatement in Ohio is no longer the targeted program it was originally founded to be. “There is no longer a discernible overall public policy focus to the programs, other than

to maximize the locations and projects eligible for abatement,” it concluded.⁵

Government cannot tell companies not to move, but government does control economic development subsidies such as Enterprise Zones and Community Reinvestment Areas. State governments legally enable and regulate them, even those that are granted by local governments. Like another ubiquitous subsidy, tax increment financing (TIF), Enterprise Zones have historically been enacted by states in the name of revitalizing inner cities, alleviating blight, and reducing poverty. But over time in many states, including Ohio, their good intentions have been perverted. They have become the opposite of what their original sponsors intended: a “Reverse Robin Hood” structural incentive.

Because EZs and CRAs abate property taxes, and because property taxes remain the largest single source of revenue for public education, that is one key lens to check for this Reverse Robin Hood effect. The non-profit group Policy Matters Ohio analyzed the state’s Enterprise Zones in 2005 and found that zones in very high-income school districts subsidized twice as many jobs and five times as many dollars of investment as zones in very low-income school districts. “It’s the wealthy areas that tend to land the most lucrative deals,” the author wrote. Legislators “should not pretend that they’re helping struggling communities. ...Ohio’s poorest communities have been zoned out.”⁶

The way this perversion plays out spatially is to worsen suburban sprawl. Economic development subsidies have seldom been explored as a contributing factor to suburban

sprawl. In the considerable research on sprawl, it is usually blamed on “push” factors such as crime, schools, and contaminated land and “pull” factors such as suburban amenities and biased transportation policies. In addition to the outer-suburban bias in the siting of new economic activity, sprawl involves the outward, thinning movement of existing jobs and tax base.

Ohioans are fortunate in being able to see this process play out. Very few states are known to track business relocations of any kind, much less those that receive economic development subsidies. Among those few is Ohio’s tracking of relocations into Enterprise Zones (EZ) and Community Reinvestment Areas (CRAs).

The tracking started when 1994 amendments made to the state’s EZ law required firms relocating within the state and seeking an EZ property tax abatement to obtain a waiver from Ohio Department of Development (ODOD, which will soon become the privatized corporation JobsOhio). Annual Reports, formerly available on the ODOD website, used to list each firm applying for such a waiver.⁷ Additionally, the website included a database of all EZ deals that included project commitments and outcome reporting details.

Unlike EZs, the CRA program does not regulate intrastate relocations. Communities gaining a relocating business must merely notify the losing community 30 days before the formal approval of the CRA agreement. Moreover, ODOD does not publish an annual CRA program report that could include relocations and other program trends, as it used to with the EZ program.

Good Jobs First began uncovering the connections between subsidies and sprawl in 2000, publishing a small case study about Anoka, Minnesota, an outer-ring suburb in the Twin Cities metro area. Entitled *Another Way Sprawl Happens: Economic Development Subsidies in a Twin Cities Suburb*, the study found that between 1994 and 1999, Anoka made aggressive use of tax increment financing to offer free land to 29 companies with about 1,600 jobs to relocate to its municipal industrial park.⁸ Most of the companies moved from Minneapolis or its inner-ring suburbs.

The Anoka study was the first to explicitly link job subsidies and sprawl. Since then, Good Jobs First has substantially expanded this literature, publishing *The Geography of Incentives: Economic Development and Land Use in Michigan*; *The Thin Cities: How Subsidized Job Piracy Deepens Inequality in the Twin Cities Metro Area*; *Gold Collar: How State Job Subsidies in the Chicago Region Favor Affluent Suburbs*; and *Sprawling by the Lake: How IDA-Granted Property Tax Exemptions Undermine Older Parts of the Buffalo/Niagara Metro Area*. These studies cover 10 metro areas and more than 5,500 state and local subsidy deals.

Each of these studies concludes that—by varying degrees based upon the program or the metro area—job subsidies favor communities that have less economic distress and are more thinly populated while shortchanging central cities and older, inner-ring suburbs. In general, they reduce economic opportunity in neighborhoods with higher rates of poverty, many people of color, and/or households receiving public assistance. Moreover, as the subsidies help more jobs locate further from urban cores, they are less likely to be

transit accessible. This contributes to traffic congestion, global warming and air pollution, while isolating carless workers.

A few additional studies by other non-profit groups have also linked job subsidies to sprawl. Friends of the Earth and the Forest Conservation Council mapped Small Business Administration (SBA) loan guarantees in the Washington, DC metro area. The distribution of deals looks like a donut; almost all of the loan aid went to companies in outlying areas. The two groups sued the SBA for failing to analyze the environmental impact of its loans, and the SBA agreed to start considering such impacts.⁹

The most optimistic geographic finding comes from Pennsylvania, where in 2010, the Keystone Research Center found that “older Pennsylvania” (cities, inner-ring suburbs and boroughs) had received a higher per capita rate of investments from three state programs than “outer Pennsylvania” (second-class townships) between 2003 and 2008, an improvement from findings in a previous period. Although the Research Center did not derive a firm explanation for the shift, it wrote that “[i]nterviews with economic development practitioners also indicate growing efforts to encourage potential new businesses to consider brownfield locations, as well as reserving subsidies for companies in industry clusters that fit into regional economic strategies.”¹⁰

There have also been a few journalistic investigations about subsidized corporate relocations. The most detailed was an investigative series in 1995 by the *Kansas City Star*. The *Star* documented several companies that were given economic development subsidies to leave older, core areas with high

unemployment and relocate into prosperous suburbs. The paper found the deals particularly galling because the tools being used by the wealthy suburbs were originally intended to help central cities. “Created to combat sprawl, tax breaks now subsidize it,” the *Star* concluded.¹¹

However, in the absence of much disclosure data about business relocations (Maine is the only other state besides Minnesota and Ohio known to track some subsidized relocations), this is only the second regional analysis of how such moves affect land use and sprawl.

As with our previous Michigan, Minnesota, Illinois and New York mapping studies, we welcome readers’ feedback and will be glad to share details of our methodology with non-profit researchers who might seek to replicate this work in other regions.

2. OHIO'S GEOGRAPHIC JOB SUBSIDIES AND SPRAWL

Enterprise Zones (EZs)

Enterprise Zones (EZs) are geographically designated areas in which new and/or relocating businesses can receive various economic development subsidies in exchange for new capital investment and/or job creation. In Ohio, these include property tax exemptions on both real property (land and building) and personal property (inventory, machinery and equipment). Most of the EZ deals we reviewed provided an exemption of up to 75 percent for as many as 10 years, which is the maximum allowed without school board approval. With such approval, EZ abatements could go as high as 100 percent for 15 years.

The EZ program was created in 1981 with the intent of stimulating economic development in distressed urban communities suffering chronic economic decline.¹² The idea was that market forces would bring economic growth to areas that offered lighter taxation.

However, over time, as in many other states, Ohio's EZ rules were relaxed so that the program was no longer targeted to depressed areas. In fact, the program officially became part of Ohio's arsenal in the "economic war among the states." Specifically, statutory amendments in 1987 and 1994 changed the intent of the program: no longer were EZs supposed to foster urban revitalization; instead their purpose became "to reduce Ohio's

business property taxes in order to keep and attract companies to the state."¹³

In 1987, another amendment allowed the creation of rural EZs if a zone had at least 4,000 residents, substantial portions of vacant or undeveloped lands, and a low-income area or 10 percent population loss between 1970 and 1980. The amendment was intended to benefit Ohio's Appalachian counties with high unemployment; however it also qualified large areas in the rest of the state. Although the amendment required that Enterprise Zones have continuous borders, a zone could span more than one municipality. As a result, an affluent community could include a poorer neighbor to qualify, a practice sometimes referred to in economic development as "renting a slum."¹⁴

The 1994 amendment included provisions intended to deter intrastate relocations and attached more reporting requirements. It regulated (but did not prohibit) intrastate relocations into Enterprise Zones, requiring relocating firms to receive a waiver from Ohio Director of Development and give 30 days notice to the losing community prior to any local action. Further, the amendment made any facility that had received property tax abatements (i.e. exemptions) within the past five years ineligible for an abatement at its new EZ location unless it received a waiver from the Director of Development. However, if the

intrastate relocation is into a distressed area, it is exempted from the waiver requirement and need only give notice to ODOD.

Although ODOD requires that to receive a waiver, an intrastate relocation must be “absolutely necessary to attract and retain employment opportunities in the state,” the waivers have become nearly automatic and cannot be considered a safeguard. From 1999 (when ODOD started reporting on waiver application status) through 2005, when changes to the state business tax structure resulted in a sharp reduction in new EZ agreements, only six percent of relocation waiver requests were denied.¹⁵

Annual reports used to be available on the ODOD Office of Tax Incentives website listing each firm applying for a waiver.¹⁶ The website still includes a database of all Enterprise Zone deals that includes project commitments (for capital investment and job creation) and outcome details.

As a cumulative result of this drastic loosening, the number of EZ agreements ballooned through 2005. As of 2009, the year for which ODOD’s most recent annual EZ report was released, there were 363 EZs and 1,911 active agreements. EZs operate outside of traditional zoning and land use requirements, yet they have far reaching effects on local tax collection. Schools, municipalities and counties all lose revenues to EZ exemptions. Since school districts are the largest recipients of property tax dollars, ODOD requires communities with municipal income taxes to enter into an income tax-sharing agreement with the affected school board on all projects creating at least \$1 million in new annual payroll. Enterprise Zone annual reports confirm that approximately one-third

of new agreements require school district approval.¹⁷

However, according to the 2005 Policy Matters Ohio study, authored by Professors Mark Cassell and Robert Turner, as more affluent communities have been allowed to create EZs, communities in distressed school districts have become unable to compete for jobs and investment. In 1987, 85 percent of EZ agreements were signed in communities with poor, urban school districts; by 2004, that was true of only 38 percent of the agreements.¹⁸

EZs in Ohio are not subject to any state rules concerning job quality standards (wage or health care requirements); nor does the state place a ceiling on the value of the tax exemptions per job.

Community Reinvestment Areas (CRA)

CRAs are also geographically designated areas where new and relocating businesses can receive tax exemptions on new commercial real property, and they are more generous than EZs, with exemptions of up to 100 percent (versus a more typical 75 percent) for 15 years (versus 10 years). Like EZs, CRAs operate outside of traditional zoning and land use requirements and have far reaching effects on the local tax base. Although proposed CRAs must demonstrate “specific evidence of disinvestment” on area housing, the project boundaries need include only one housing structure — again allowing affluent communities easy access.¹⁹

Because of changes in Ohio’s corporate tax structure enacted in 2005, CRAs are quickly supplanting EZs. These changes eliminated

the state tax on corporate income and phased out a business “personal” property tax upon which a major EZ tax subsidy was based. This change rendered a major component of the EZ program, the property tax exemption on machinery and equipment, valueless. As a result, in 2005, 243 new EZ agreements were signed, but by 2009, only 35 were entered into — a decline of six-sevenths.²⁰ That has also meant that the total number of active EZ agreements and new applicants has declined: between 2005 and 2009, it fell from 2,827 to 1,911.²¹ As the EZ agreements signed in the 1990s begin to “age out,” total enrollment numbers will likely continue to decline.

As EZ enrollment declines, Ohio communities are increasingly using the CRA program. Businesses seeking to reduce their tax responsibility are gradually transitioning to CRAs because the tax subsidies are based solely on real property tax exemptions (i.e., land and buildings), which were unaffected by Ohio’s 2005 restructuring of its corporate tax system.

Residential, commercial, and industrial properties located in CRAs are eligible for property tax exemptions, making it a major source of revenue losses for property tax collecting jurisdictions such as school districts. In 2008, the taxable value of property exempted through CRA already exceeded a staggering \$3.5 billion statewide.²² (This figure includes residential abatements, and unfortunately cannot be disaggregated by property type.²³)

Unlike EZs, the CRA program does not regulate intrastate relocations. Communities gaining a relocating business must only notify the losing community 30 days before the formal approval of the CRA agreement.²⁴ Moreover,

ODOD does not publish an annual CRA program report that could include relocations and other program trends, as it has in the past with the EZ program. As CRAs continue to supplant EZs, unless EZ-style safeguards are applied, it will become impossible to determine whether these lucrative tax abatements are actually creating any new jobs in Ohio, or just shuffling jobs around within the state and fueling regional sprawl.

Suburban Sprawl

Suburban sprawl typically refers to development characterized by low density, a lack of transportation options besides auto use, and strict separation of residential and nonresidential property, resulting in long distances between jobs and housing and retailing, increased dependence on automobiles, more time spent driving, and increased geographic concentration of poverty. Sprawl is also associated with rapid consumption of open space, neglect of central city infrastructure and services, and tax-base stress produced both by disinvestment in older areas and by rapid suburban growth in newer areas.

Scholars have identified many contributing factors to sprawl, including: some people’s desire for large-lot/low-density housing; white flight from urban areas with minority residents; lack of regional planning; competition among cities for development; “redlining,” or geographic and racial discrimination by lenders and insurance companies; crime and perceptions of crime; “brownfields,” or contaminated land in core areas; restrictive suburban zoning that effectively excludes apartments, town homes and mixed-use

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development; federal capital gains tax rules that used to encourage people to buy ever-larger homes; declining quality of central city schools; and a pro-highway/anti-transit bias in federal transportation policy.

Suburban sprawl also causes a “spatial mismatch” between jobs and job seekers. The sprawling decentralization of jobs moves work further from concentrations of low-skilled, underemployed and unemployed workers. The lack of affordable housing and adequate public transportation in the suburbs effectively cuts central city residents off from high-growth areas in regional labor markets.

3. SUBSIDIZED ENTERPRISE ZONE RELOCATIONS

An analysis of business establishments relocating within the Cincinnati and Cleveland metropolitan areas—and receiving Enterprise Zone (EZ) subsidies in their new locations—finds that their moves were overwhelmingly outward bound, fueling suburban sprawl. Between 1996 and 2005, when Ohio enacted structural tax changes making EZs obsolete, 152 corporate relocations involving an estimated 13,400 jobs received more than \$39.3 million in EZ subsidies from local governments. Ninety-four relocations were in the Cincinnati area; 58 were in the Cleveland region.

The problem is more pronounced in the eight-county Cleveland metro area: the subsidized relocations there occurred proportionately more often; they were somewhat more sprawling; they involved slightly larger subsidies; and they affected more employees per firm than in the five-county Cincinnati region. In the two regions combined, 22 facilities moved outward 10 miles or more.

Many if not most of the subsidized relocations involved the sole facility of a small or medium-sized business; a small number of the moves were apparently branch plants of national or multinational companies. According to interviews with local development officials, the typical affected establishment was growing.

CINCINNATI METRO AREA

Maps 1 and 2 trace the movements of the 94 facility relocations. The overall pattern is one

of job flight outward from the city of Cincinnati and its older, inner-ring suburbs to outer-ring suburbs.²⁵ With 78 of the 94 companies (those with data) reporting an average of just over 80 jobs affected per move, we estimate that all 94 moves affected about 7,560 jobs.

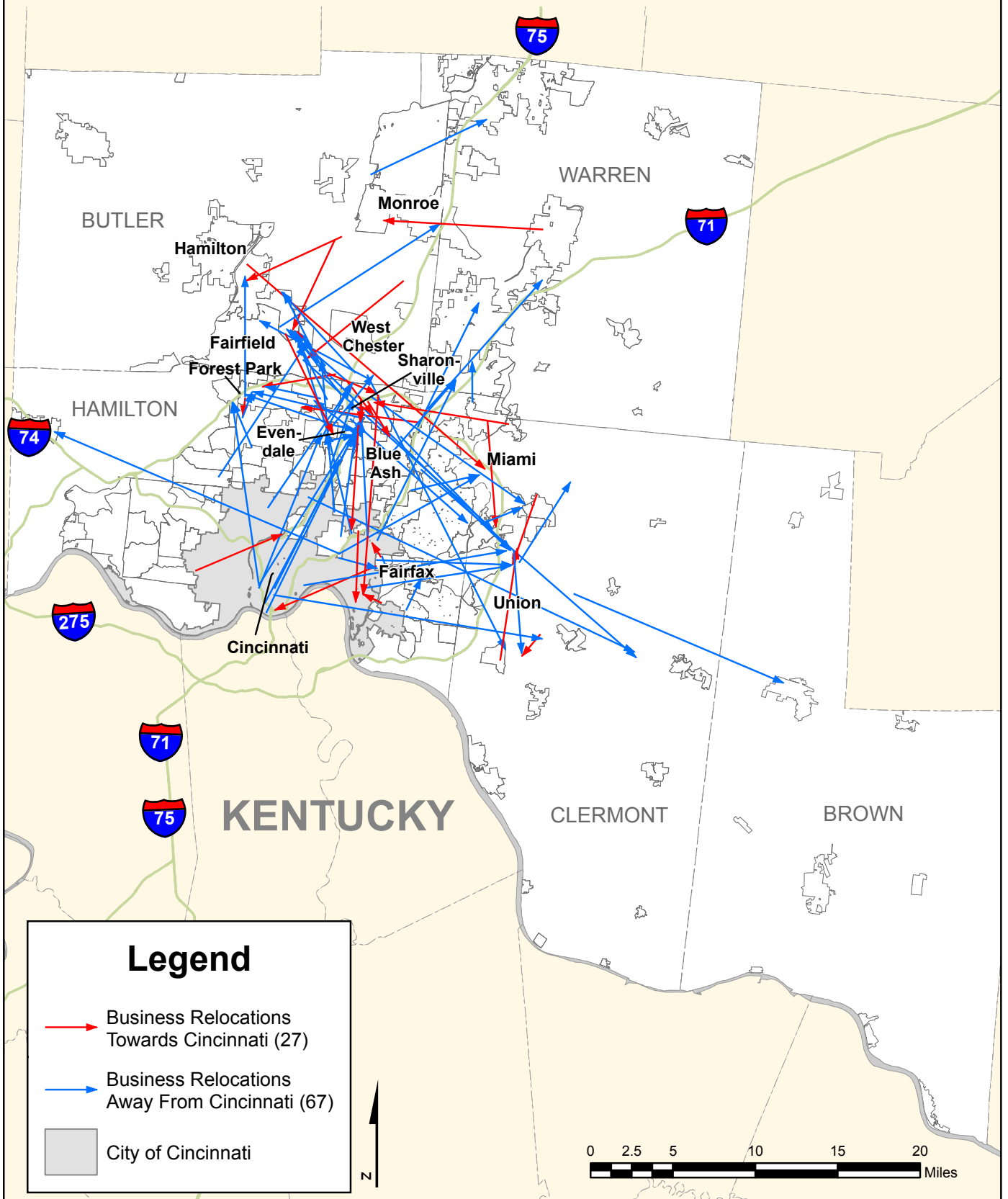
The relocation deals were generously subsidized. In those 72 of the 94 deals for which data are available, firms received an average of \$223,000 in EZ property tax exemptions, or a total of \$16.1 million. If the remaining 22 companies received similar tax breaks, we estimate a total subsidy of almost \$21 million.

One measure of “job sprawl” is the distance between the worksite and the center of the metro area’s central city. By this measure, close to three-quarters (67 out of 94) of the relocations were outbound and sprawling; they averaged 4.9 miles outward. Seven companies moved 10 miles or more away from the core. Only 27 facilities relocated closer to Cincinnati. Combining the two groups, the typical move took jobs 2.8 miles away from the regional center.

Reflecting the modest average distance of Cincinnati-area moves, almost 65 percent of relocations there occurred within the same county. EZ relocations are administered at the county level for most municipalities in Butler, Clermont and Hamilton Counties. Larger communities like Cincinnati and Hamilton administer their own EZ programs.

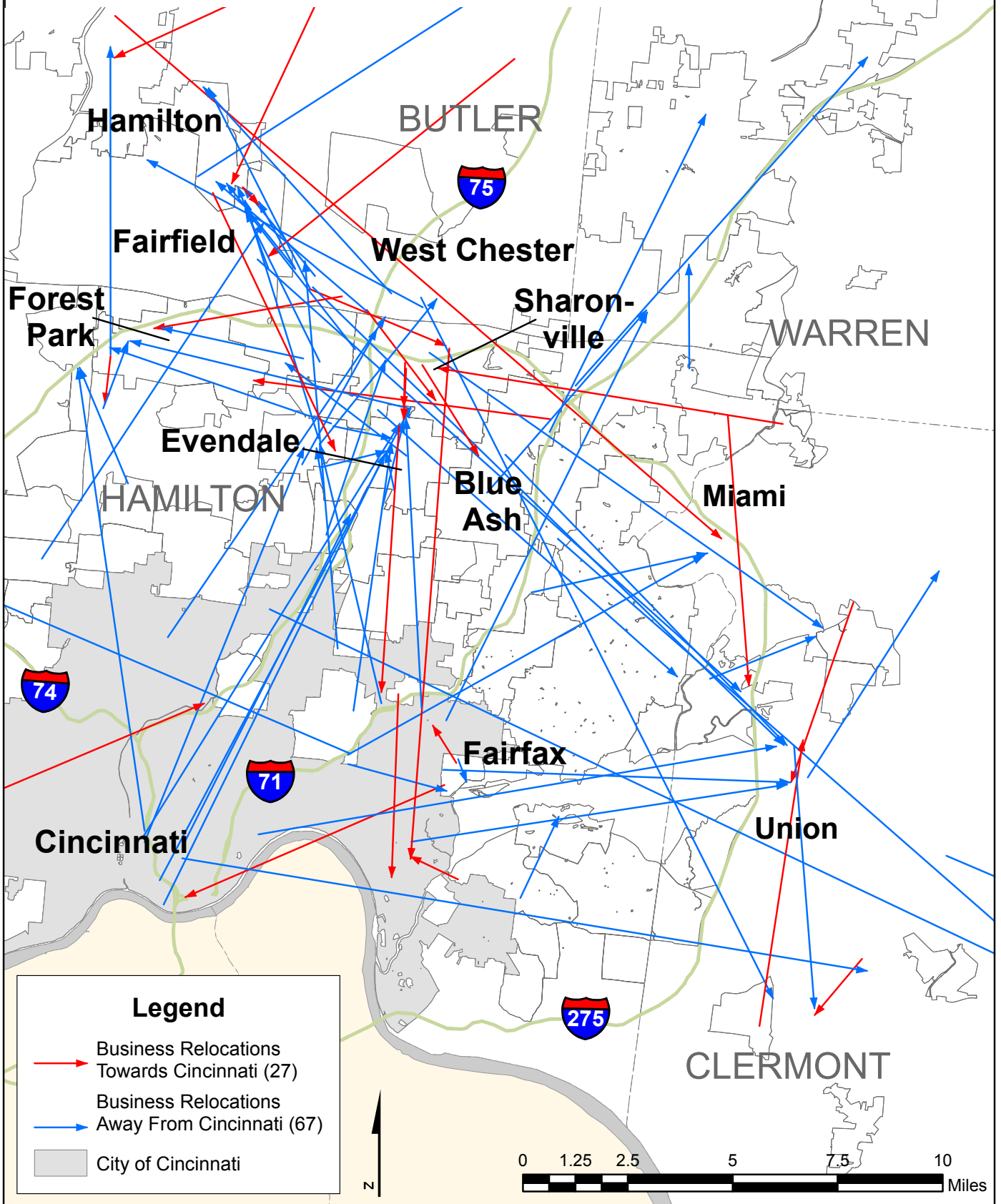
MAP 1: CINCINNATI REGION

Subsidized Business Relocations, 1996-2005



MAP 2: CINCINNATI REGION ZOOM IN

Subsidized Business Relocations, 1996-2005



Most of the relocations occurred in the northwestern suburbs of Cincinnati. Fifty-five of the 94 moves were there, either in Butler County or non-core suburbs in northwestern Hamilton County. Most of the relocations within this northwestern corridor were short distances, often between neighboring communities. In the two counties with the greatest numbers of relocations, Butler and Hamilton, the moves averaged only 2.6 miles and 1.4 miles respectively.

Further out, 20 firms relocated to Clermont County, moving longer distances (on average 4.2 miles). Three-fourths of these relocations arrived from outside the county. Brown and Warren Counties as well as suburbs in western and eastern Hamilton County received few subsidized relocations.

Table 1 lists the communities that lost the greatest numbers of firms (five or more). Five of these—Blue Ash, Hamilton, Sharonville, West Chester and Woodlawn—are in the northwestern corridor which had many relocations.

Table 2 lists the communities that gained five or more facilities. Five communities—Evendale, Forest Park, Fairfield, Hamilton, and Sharonville—are also located in the northwestern metro area and accounted for a third of all the region's relocations.

Given the many short-distance relocations in the northwest, it is not surprising that Cincinnati, Hamilton, and Sharonville appear on both Tables 1 and 2 as both big gainers and big losers. Although outlying Hamilton and Sharonville came out ahead on net, Cincinnati lost eight more firms than it gained during the 10-year study period.

Two of the biggest gainers, Miami and Union (both in Clermont County) are townships. Ohio townships are not allowed to levy a municipal income tax, so some of the firms they attract may be averse to income taxes as well as property taxes.

SUBSIDIZED EZ RELOCATIONS

Table 1: Cities in the Cincinnati Region That Lost Five or More Facilities to EZ Relocations

Former Location	Business Name	New Location	Year	Change in Distance from Cincinnati*
Blue Ash	Entek IRD International Corporation	Miami Twp.	1996	3.09
	J.F. Berns Company, Inc.	Forest Park	1996	8.21
	JW Harris Co. Inc.	Mason	1998	0.72
	Neycon, Ltd./Neyer Properties	Evendale Vill.	1998	-5.13
	RPC Mechanical, Inc.	Evendale Vill.	1998	5.76
	Spotlight Solutions	Deerfield	2000	-2.06
Cincinnati	ABS Business Products, Inc. & Medallion Enterprises, Ltd	Evendale Vill.	1998	4.67
	Adam Wuest Corporation	Evendale Vill.	2000	7.43
	American Standard, Inc./ The Trane Co.	Woodlawn Vill.	1999	6.09
	Cas-Ker Company, Inc.	Colerain Twp.	2000	8.42
	Eger Products, Inc.	Batavia Twp.	1998	14.04
	Frank J. Catanzaro Sons & Daughters, Inc	Lockland Vill.	1998	5.63
	Gentile Brothers Company	Woodlawn	1999	4.18
	Georgia Pacific Corporation	Batavia	2000	17.26
	Gold Medal Products Company	Evendale Vill.	1996	7.48
	Model Graphics & Media, Inc.	Union Twp.	1999	8.07
	Riverfront Steel, Inc./ Kar Properties, LLC	Evendale Vill.	1998	5.74
	The Foundry Way, LLC	Union Twp.	2004	8.77
	Thompson Learning Company	Deerfield Twp.	2000	9.61
	Total Quality Logistics	Miami Twp.	2003	11.84
Hamilton City	Alba Manufacturing, Inc.	Fairfield	2001	-0.39
	Caruso, Inc.	Sharonville	2003	-0.24
	EZ-GO, Division of Textron, Inc.	Monroe	1999	8.17
	International Paper Company	Miami Twp.	2001	-5.19
	TSS Aviation Power & Marine	Sharonville	2005	-5.63
Sharonville	GTE Mobilnet, Inc.	Springdale	1997	1.48
	H.C. Nutting Company	Cincinnati	1999	-6.92
	Kens of Cincinnati	Miami	1996	-0.96
	Queen City Reprographics	Evendale Vill.	2000	-1.12
	Winotek Ltd and MB Group Ltd	Evendale Vill.	1998	4.85
West Chester (Butler Co. Twp. named Union prior to 6/28/00)	Aerospace Alloys, Inc. #3	Hamilton	1997	-1.01
	AIC Contracting, Inc	Hamilton	2005	1.9
	Cintron Scale, Inc.	Miami Twp.	1996	1.91
	Dawes Transport	Hamilton	2005	4.23
	DEI, Inc.	Forest Park	1996	4.56
	Diebold, Inc.	Hamilton	2003	2.62
	Engineered Environments, Inc.	Union Twp. (Clermont Co.)	1996	-6.02
	M.A. Folkes Company, Inc.	Hamilton	1999	1.31
	Prestige Display & Packaging/Three Rivers LLC	Fairfield	2000	1.51
	Rieman and Arszman Custom Distributors, Inc	Fairfield	2002	2.57
	Sensus, LLC/ DAJ Enterprises, LLC	Hamilton	2003	1.49
The Hillman Group	Forest Park	2000	1.39	
Woodlawn Village	CDC Distributors, Inc.	Evendale Vill.	1999	0.94
	Champion Window Manufacturing & Supply, Inc.	Sharonville	1998	0.25
	Color Resolutions International, LLC	Fairfield	2003	3.58
	Crafters Art, Inc. DBA Alpha Packaging Systems	Evendale Vill.	1998	5.34
	Edwards Products, Inc.	Forest Park	1997	1.75
	Skidmore Sales & Distribution	Union Twp.	1997	4.17

* Measured from the center of the city. Positive numbers indicate outward movements; negative numbers denote inward moves.

CHAPTER THREE

Table 2: Cities in the Cincinnati Region That Gained Five or More Facilities by EZ Relocations

New Location	Business Name	Former Location	Year	Change in Distance from Cincinnati*
Cincinnati	Baxter Hodell Donnelly Preston, Inc (BHDP Architecture)	Fairfax Vill.	2001	-2.6
	Gold Star Chili, Inc	Anderson Twp.	2001	-1.24
	H.C. Nutting Company	Sharonville	1999	-6.92
	Ohio Medical Instruments Co., Inc.	Fairfax	1997	-0.38
	Stevenson Photo Color Company	Columbia Twp.	1999	-0.18
	Superior Hyundai West, LLC	Greene Twp.	2002	-3.63
Evendale Village	ABS Business Products, Inc. & Medallion Enterprises, Ltd	Cincinnati	1998	4.67
	Adam Wuest Corporation	Cincinnati	2000	7.43
	Brakefire, Inc. D.B.A. Silco Fire Protection	Reading	1998	2.07
	CDC Distributors, Inc.	Woodlawn	1999	0.25
	Crafters Art, Inc. DBA Alpha Packaging Systems	Woodlawn	1998	0.94
	Gold Medal Products Company	Cincinnati	1996	7.48
	KDM Signs, Inc.	Norwood	1997	5.48
	Neycon, Ltd.	Blue Ash	1998	0.72
	Queen City Reprographics	Sharonville	2000	-0.96
	Riverfront Steel, Inc./ Kar Properties, LLC	Cincinnati	1998	5.74
	RPC Mechanical, Inc.	Blue Ash	1998	-5.13
	Winotek Ltd and MB Group Ltd	Sharonville	1998	-1.12
Fairfield	Alba Manufacturing, Inc.	Hamilton	2001	-0.39
	Clippard Instrument Laboratory, Inc.	Colerain Twp.	1996	6.57
	Color Resolutions International, LLC	Woodlawn Vill.	2003	5.34
	Prestige Display & Packaging/ Three Rivers LLC	West Chester Twp.	2000	-6.02
	Quality Gold of Cincinnati Et Al	Springdale	1997	3.3
	Rieman and Arszman Custom Distributors, Inc	West Chester Twp.	2002	1.49
	Ship-Paq, Inc.	Springdale	1996	2.78
Forest Park	DEI, Inc.	West Chester Twp.	1996	-1.01
	Edwards Products, Inc.	Woodlawn Vill.	1997	1.75
	J.F. Berns Company, Inc.	Blue Ash	1996	-2.06
	National Bedding Company, LLC	Evendale	2003	0.73
	S&S Healthcare Strategies, Ltd.	Springdale	2005	0.62
	The Hillman Group	West Chester Twp.	2000	1.39

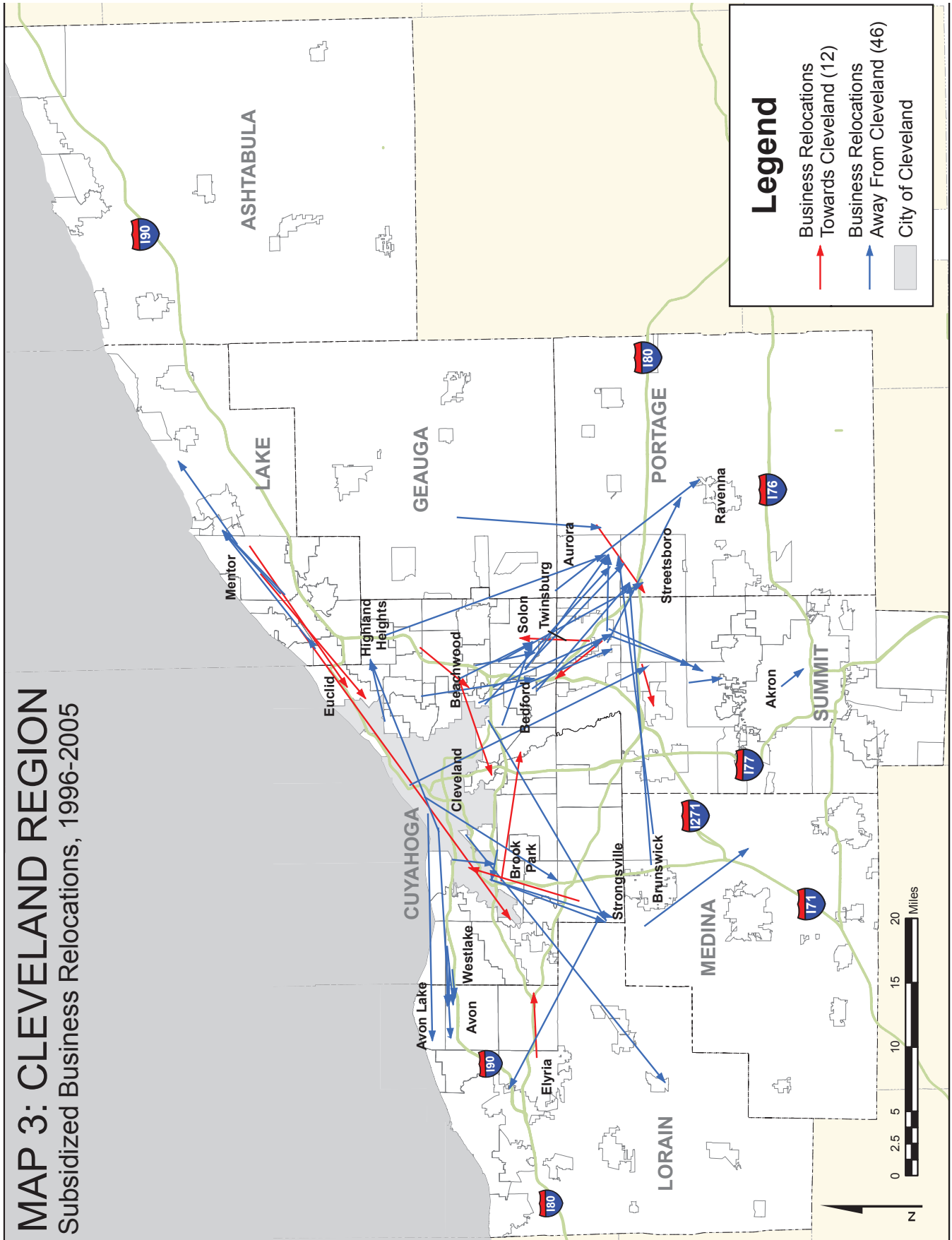
* Measured from the center of the city. Positive numbers indicate outward movements; negative numbers denote inward moves.

CLEVELAND METRO AREA

Map 3 traces the movements of the 58 business establishments that relocated in the Cleveland metropolitan area. More distinctly than Cincinnati, they evince a pattern of jobs moving out of the central city and older, core suburbs and into outer suburbs.²⁶

On average, relocating Cleveland-area facilities were slightly larger than those in Cincinnati, and they received larger subsidies and relocated longer distances away from the central city. Of the 58 deals, 48 reported data on jobs retained or created; they had a total of 4,833 jobs or an average of just over 100. If the remaining companies were of similar size, about 5,840 jobs were affected.

MAP 3: CLEVELAND REGION
 Subsidized Business Relocations, 1996-2005



CHAPTER THREE

In those 44 deals for which tax exemption data are available, the facilities received a total of \$13.9 million in tax breaks, or an average of \$317,000. If the remaining companies received similar-sized subsidies, the 58 deals' total value was \$18.4 million.

Again measuring job sprawl—the distance between the worksite and the center of the metro area's central city—46 of the workplaces moved outward; only 12 did the reverse. The average outward move was 7.8 miles, and 15 facilities moved outward 10 miles or more. Overall counting both outbound and inbound moves, subsidized worksites moved an average of 5.1 miles away from the central city.

In the Cleveland region, reflecting the longer average move, relocating firms were more likely to cross a county line than those in the Cincinnati metro area (47 percent versus 35 percent respectively).

Within the region, the greatest number of the movements occurred in the southeastern quadrant. Twenty-three of the 58 relocations were to outer-ring suburbs in southeastern Cuyahoga County, northwestern Portage County, or northeastern Summit County.

A smaller group of 16 facilities migrated from the central city and inner-ring suburbs to the west and southwest. Far-flung Ashtabula, Geauga, and Medina Counties gained no relocations.

Table 3 lists the communities that lost five or more workplaces. Cleveland is by far the biggest loser, losing nine facilities to the west and southeast; most moved more than eight miles outward.

Two losing localities, Mentor and Twinsburg, do not follow the typical pattern of movements from the central city and inner-ring suburbs to the suburban fringe. Mentor is located on the eastern edge of where most EZ moves occurred. Twinsburg is in the southeastern corridor where most of the EZ "gains" occurred.

Table 4 lists the communities that gained five or more workplaces. All of these localities are on the fringe of the metro area; arriving facilities moved on average seven miles. Two of the biggest gainers, Aurora and Streetsboro, are located in the southeast and account for 19 percent of all the relocations. The third big gainer, Avon, benefits from the secondary migration to the west and southwest.

SUBSIDIZED EZ RELOCATIONS

Table 3: Cities in the Cleveland Region That Lost Five or More Workplaces to EZ Relocations

Former Location	Business Name	New Location	Year	Change in Distance from Cleveland*
Cleveland	Alumalloy Metalcasting Co. Inc.	Avon Lake	2004	17.63
	Avery Dennison - Industrial Products	Strongsville	1996	8.57
	Eaton Corporation	Brook Park	1997	-4.58
	Eighth Day Sound Systems Inc.	Highland Heights	2000	7.45
	Freeman Manufacturing & Supply Co.	Avon	1996	16.28
	Glidden/ICI Paints	Strongsville	2004	10.27
	Laich Industries	Brook Park	2001	1.59
	The McLean Company	Boston Heights Vill.	2000	16.06
	Transilwrap Company, Inc.	Strongsville	1998	8.43
Mentor	Apsco, Inc.	Perry Twp.	1996	7.93
	Lincoln Electric Company	Euclid	2003	-13.32
	Royal Appliance Mfg. Co.	Euclid	2005	-12.72
	Tessa Precision Products, Inc.	Painesville	1998	6.66
	Woodline Products, Inc.	Painesville Twp.	1998	6.93
Twinsburg	Advanced Lighting Technologies	Solon	1998	-3.22
	Commercial Alloys Corp. & Victor Trucking Co.	Twinsburg Twp.	1997	6.62
	Decker Fasteners Limited	Cuyahoga Falls	2002	4.38
	Katherine's Collection, Inc.	Cuyahoga Falls	1999	4.05
	R.P. Gatta, Inc.	Aurora	1998	4.53
	Vogelsang USA	Shalersville Twp.	2002	12.11

* "Change in Distance from Cleveland" is measured from the center of that city. Positive numbers indicate outward movements; negative numbers denote inward moves.

Table 4: Cities in the Cleveland Region That Gained Five or More Workplaces to EZ Relocations

New Location	Business Name	Old Location	Year	Change in Distance from Cleveland*
Aurora	A 2 Z Computers	Mayfield Vill.	1997	9.71
	Mill Distributors, Inc.	Warrensville Heights	1996	14.39
	Perifitech	Hinckley Township	2000	5.59
	R.P.Gatta, Inc.	Twinsburg	1998	4.53
	Semtorq, Inc	Bedford Heights	2001	11.03
Avon	Carroll Sales Agency, Inc.	Westlake	2005	4.68
	Freeman Manufacturing & Supply Co.	Cleveland	1996	16.28
	Jenne Distribution	Westlake	1996	2.25
	Maroon, Incorporated & Maroon Ltd	Westlake	1998	4.62
	North Coast Bearings, Inc. and BCSA Properties, Ltd.	Westlake	1999	3.27
Streetsboro	Aurora Plastics, Inc.	Mantua Township	2005	-1.75
	Hurst Printing Inks, Inc.	Bedford Heights	1996	11.13
	Mozes Cleveland & Company, Inc.	Boston Mills	1998	-0.59
	Recreational Products, Inc.	Brunswick City	2003	3.91
	Softlite, LLC	Bedford	2000	11.13
	Spectrum Diversified Design, Inc.	City of Solon	1998	11.7

* "Change in Distance from Cleveland" is measured from the center of that city. Positive numbers indicate outward movements; negative numbers denote inward moves.

4. COMPARING THE GEOGRAPHY OF JOB LOSS AND JOB CREATION

Ohio has suffered a disproportionately high share of factory closings and other business closures in recent years. Indeed, of the 5.2 million manufacturing jobs lost in the United States from the the first quarter of 2001 (business-cycle peak) through the third quarter of 2010 (most recent data available), Ohio lost almost 355,000 or nearly seven percent of the national total. Put another way, while the U.S. lost 31 percent of its factory employment, Ohio lost 36 percent.²⁷

In the long debate surrounding Enterprise Zones (EZs) in the United States, even their advocates generally concede that they are not intended to create net new economic activity. Instead, they are a tool to steer jobs and tax base within a metro area to places suffering economic distress, such as high unemployment. That is, Enterprise Zones were originally intended as an antidote to the concentrated urban poverty associated with suburban sprawl.

Hence the next issue we explore: how well are EZ relocations in Ohio working to bring jobs back to those communities hardest-hit by business closures and mass layoffs? The answer is not at all. In fact, our findings indicate that EZ relocations are actually making the problem worse; on net, they are moving jobs away from those places most harmed by shutdowns and layoffs.

Mapping Job Loss with WARN Act Data

Under a 1988 federal law, the Worker Adjustment and Retraining Notification (WARN)

Act²⁸, companies must notify states, localities and unions (when a workplace is unionized) in the event of a mass layoff or large facility closure. The law has never functioned as a tool to help avert closures of layoffs; it is intended only to enable dislocated worker programs to better serve layoff victims by reaching them before they disperse. The Ohio Department of Job and Family Services provides rapid response services to layoff victims.

By mapping WARN Act notices and juxtaposing them with the EZ relocations, we can determine whether the zones are helping to replace jobs lost in areas with the greatest need.

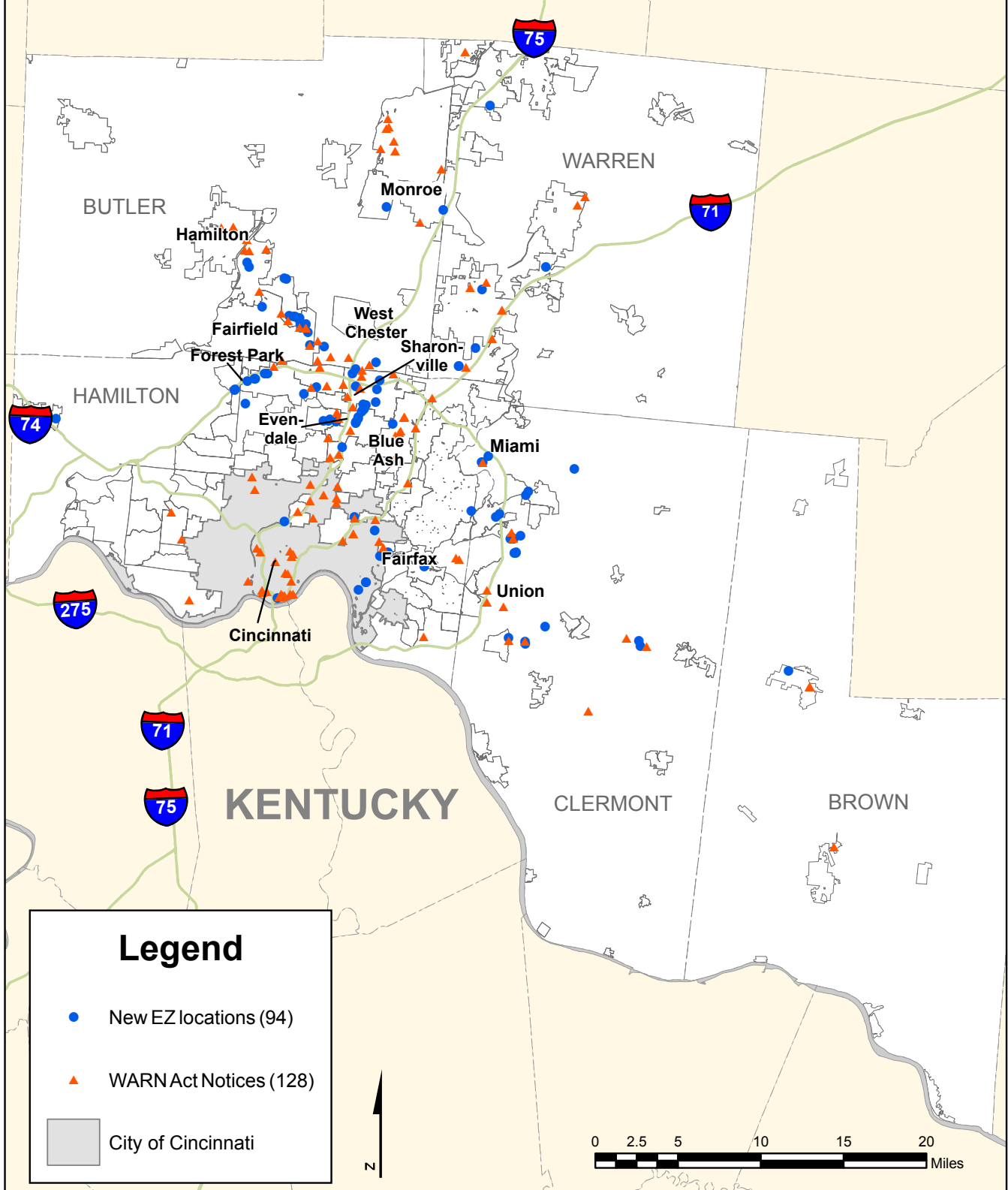
Maps 4 and 5 compare WARN Act sites in the Cleveland and Cincinnati metro areas from 1996 to 2005 to the EZ-arrival sites during the same time period.

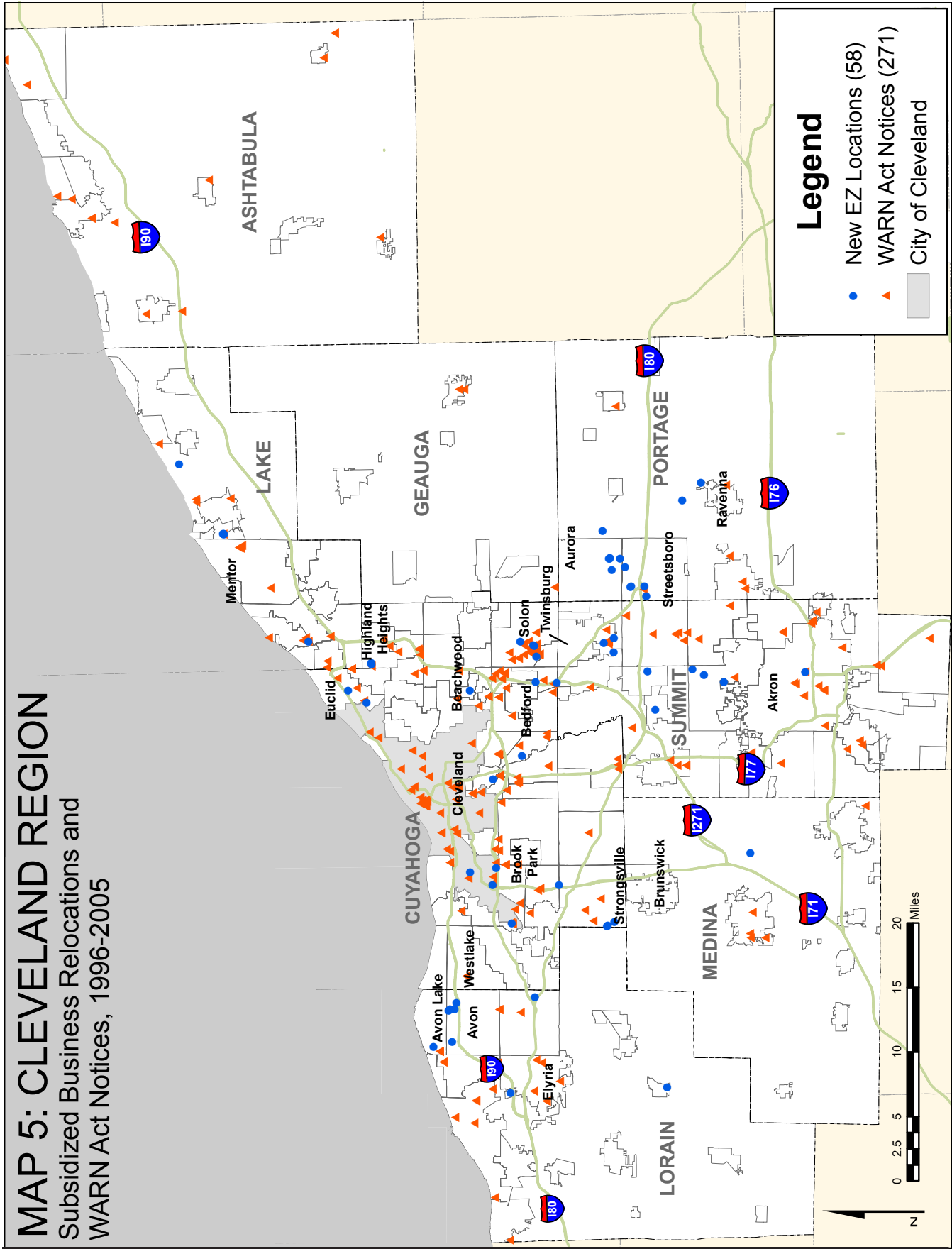
In the Cincinnati region, 37 percent of WARN Act events (dislocating 53 percent of the affected workers) occurred in the central city or inner-ring suburbs (defined here as suburbs that border the central city).²⁹ During the same time period, these communities only received 12 percent (11 of 94) of the EZ relocations.³⁰

The disparity is nearly identical in the Cleveland metro area: 32 percent of WARN Act events (again dislocating 53 percent of the workers) occurred in the central city or inner-ring suburbs.³¹ During the same time period, these communities only received 12 percent (7 of 58) of the subsidized job relocations.³²

MAP 4: CINCINNATI REGION

Subsidized Business Relocations and
WARN Act Notices, 1996-2005





COMPARING THE GEOGRAPHY OF JOB LOSS AND JOB CREATION

Tables 5 and 6 compare the distribution of WARN Act notices to subsidized relocations (in communities gaining or losing five or more workplaces). (Because we lack employment figures for some of the EZ relocations, we do not compute jobs relocated.)

Regionwide, Cincinnati lost more than 40 percent of the “WARNed” jobs, yet instead of helping, the EZ relocations made things worse: the city experienced a net loss of 8 facilities. Meanwhile, Evendale experienced only 2 percent of reported job loss, yet it had a net gain of 10 EZ-subsidized workplaces.

Overall, we conclude that there is no regional connection between where jobs were lost

and where EZs moved jobs. That is, EZs did not help to replace jobs where they had been lost in greatest numbers. Although Hamilton, Sharonville and Union Township demonstrate fairly equitable EZ-WARN offsets, they are the exceptions.

In the Cleveland metro area, the disparities are even sharper. Regionwide, Cleveland lost over 23 percent of “WARNed” jobs, yet it experienced a net loss of seven workplaces (12 percent of all moving facilities). Meanwhile, Aurora and Streetsboro experienced no WARN-size job losses, but had a total net gain of 11 EZ subsidized facilities (almost a fifth of all relocations).

Table 5: WARN Act Notice Distribution in Communities Gaining or Losing Five or More Companies in the Cincinnati Metro Area, 1996 - 2005³³

Jurisdiction	Number of WARN Notices	Net Number of EZ Facilities Gained/Lost	Share of WARNed Jobs Lost	Share of EZ Facilities Gained/Lost
Cincinnati	35	-8	43%	-9%
Hamilton	10	5	6%	5%
Fairfield	6	4	5%	4%
West Chester Twp.	6	-11	3%	-12%
Sharonville	6	2	2%	2%
Union Twp.	5	5	4%	5%
Blue Ash	5	-6	2%	-6%
Miami Twp.	3	4	1%	4%
Woodlawn	2	-3	1%	-3%
Evendale	1	10	2%	11%
Forest Park	1	4	0%	4%

Table 6: WARN Act Notice Distribution in Communities Gaining or Losing Five or More Companies in the Cleveland Metro Area, 1996 - 2005³⁴

Jurisdiction	Number of WARN Notices	Net Number of EZ Facilities Gained/Lost	Share of WARNed Jobs Lost	Share of EZ Facilities Gained/Lost
Cleveland	61	-7	23%	-12%
Twinsburg	5	-4	2%	-7%
Mentor	4	-5	1%	-9%
Avon	1	5	0%	9%
Aurora	0	5	0%	9%
Streetsboro	0	6	0%	10%

5. HOW ENTERPRISE ZONE RELOCATIONS AFFECT WORKPLACE TRANSIT ACCESS

Ohio's Enterprise Zone (EZ) job relocations have reduced the number of workplaces that are accessible via public transportation; in both regions, most companies relocated to sites not in transit corridors while very few moved into transit-served locations. Thus, the relocations have disproportionately harmed workers of color and low-wage workers who are the most likely not to own a car and to rely upon transit to earn a living.

Lack of transportation choice is a familiar aspect of sprawl: it forces people to commute by car, making traffic congestion worse and increasing carbon emissions. It also means fewer job opportunities for low-income workers who cannot afford a car, and concentrated poverty in their core-area neighborhoods.

Using the standard definition of accessibility as within one-quarter mile of a transit stop, we found that in both the Cleveland and Cincinnati metro areas, most workplaces relocated to areas where they either became or remained inaccessible via transit.

Maps 6, 7 and 8 detail these effects for the 1996-2005 EZ relocations. In Cincinnati, 30 facilities (32 percent) moved from a transit-accessible site to an inaccessible location. Only eight did the reverse. The largest share, 46 worksites (49 percent), moved from one

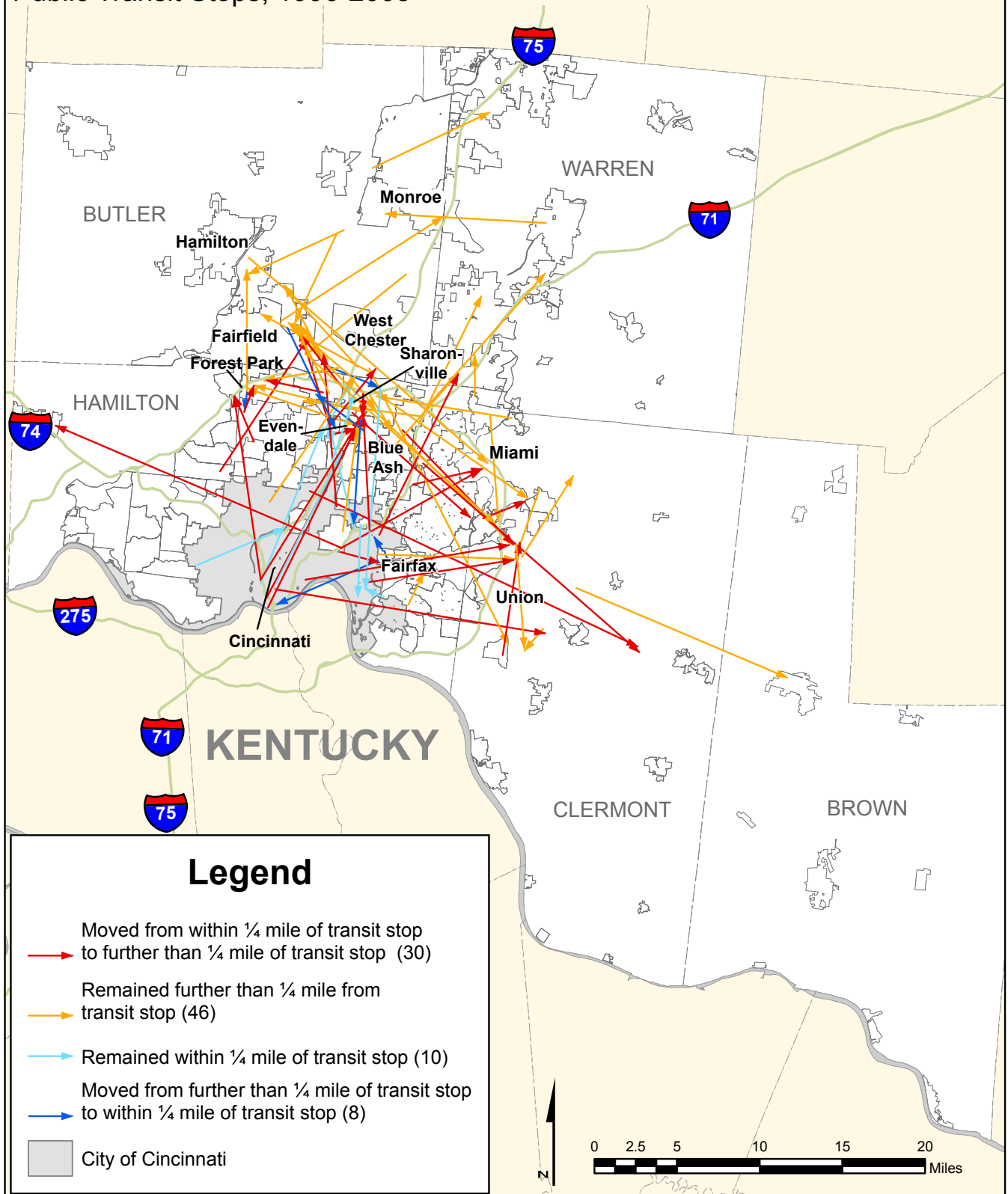
inaccessible location to another, and just 10 began in a site served by transit and moved to another transit-accessible site. All told, more than four-fifths of the workplaces ended up at locations that are inaccessible by public transit, while fewer than a fifth moved to transit-accessible sites. Of the seven Cincinnati-area relocations between 2006 and 2010, only one business was and remained transit-accessible, while the remaining six remained inaccessible for transit-dependent workers.

Similar patterns are true for Cleveland. For the 1996-2005 period, we found that 22 facilities (38 percent) moved from a transit-accessible location to one that was inaccessible, while only seven did the reverse. Twenty-three workplaces (40 percent) moved from one inaccessible location to another. The smallest share (six firms or 10 percent), remained accessible. Among the five later relocations, three began in accessible locations and became inaccessible; the two others remained inaccessible.

Table 7 summarizes how the 1996-2005 relocations affected job access in the Cincinnati metro area, as best we can determine using the available ODOD employment data for 78 (of the 94) relocations. (We do not extrapolate for the 16 firms without jobs data.)³⁵

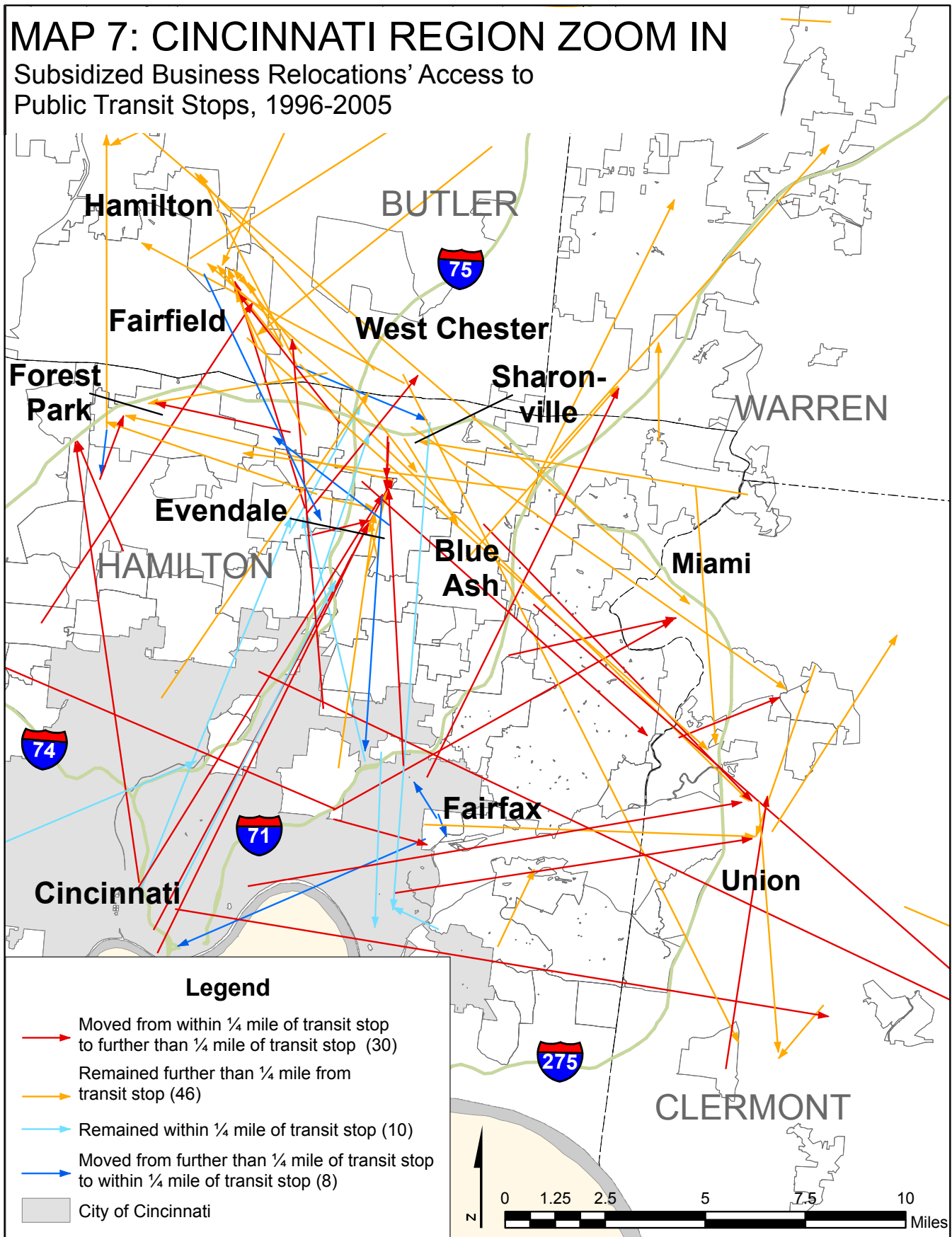
MAP 6: CINCINNATI REGION

Subsidized Business Relocations' Access to
Public Transit Stops, 1996-2005



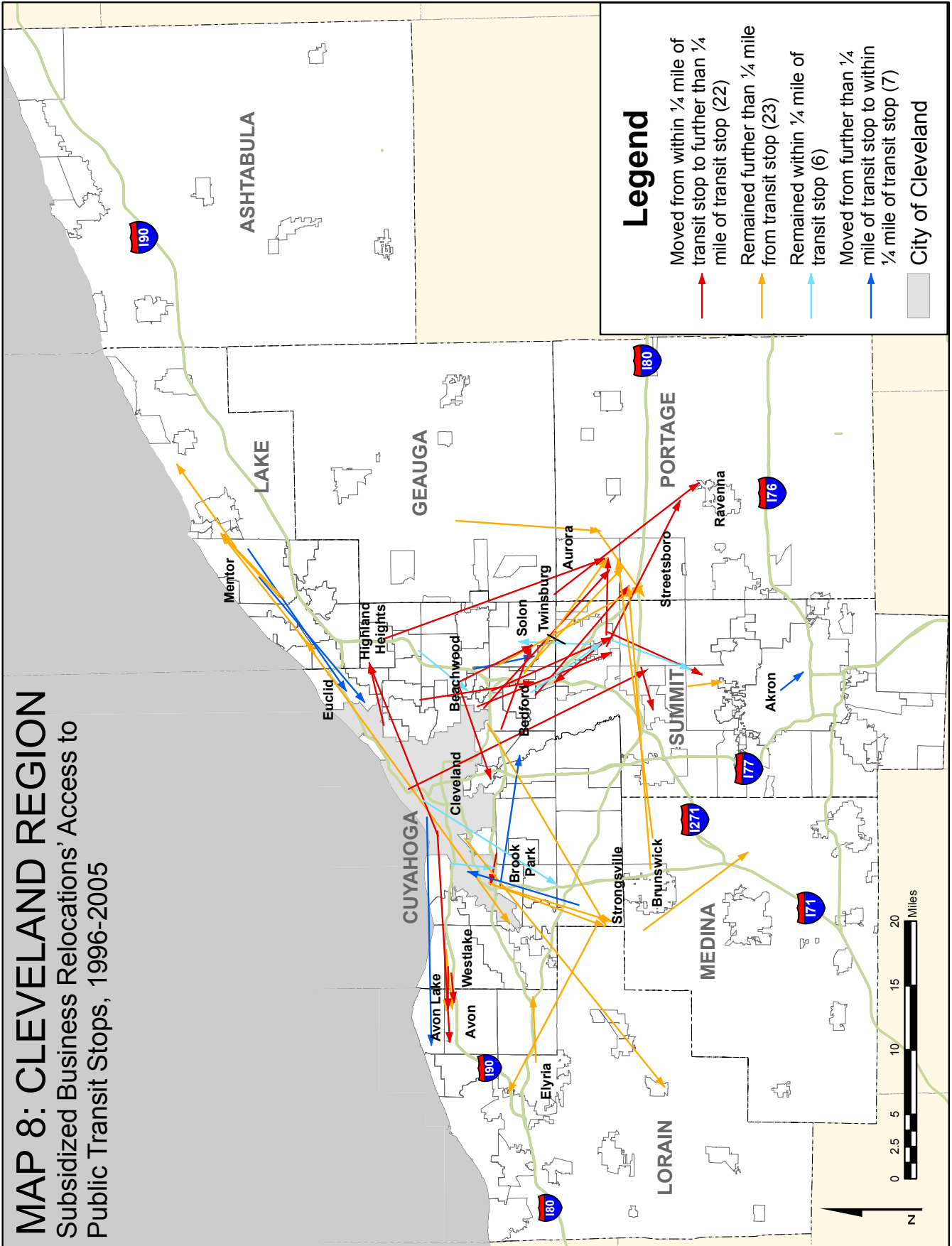
MAP 7: CINCINNATI REGION ZOOM IN

Subsidized Business Relocations' Access to Public Transit Stops, 1996-2005



HOW EZ RELOCATIONS AFFECT WORKPLACE TRANSIT ACCESS

MAP 8: CLEVELAND REGION
Subsidized Business Relocations' Access to
Public Transit Stops, 1996-2005



The anti-transit impact of the relocations in the Cincinnati region is softened slightly by the fact that the eight workplaces that remained accessible are much larger, with an average of 122 jobs compared to 80 for all the relocating establishments in the region. Overall however, only 23 percent of known jobs remained or became accessible, while more than three-fourths moved to places that are inaccessible.

Table 7: Impact on Job Access via Public Transit in the Cincinnati Metro Area

	Number of companies	Companies with Jobs Data	Total Jobs Affected	Average Number of Employees at Firm	Percent Affected*
Remained Accessible	10	8	973	122	16%
Became Newly Accessible	8	7	484	69	8%
Formerly Accessible, Became Inaccessible	30	25	2,124	85	34%
Remained Inaccessible	46	38	2,690	71	43%

*The Percent Affected column totals 101 percent due to rounding.

Many of these findings reflect the fact that few outlying suburban areas are served by regional transit. In 2007, the Southwest Ohio Regional Transit Authority service covered only small portions of high-growth Butler and Clermont Counties.³⁶ While small community-based transit programs exist throughout the region, these programs are designed to serve the elderly and disabled, not commuters.

Table 8 summarizes how the 1996-2005 relocations affected employee transit access in the Cleveland metro area. ODOD records provided employment data for 48 of the 58

relocations; the other 10 are not extrapolated.³⁷ A larger share of these enumerated jobs remained or became accessible in the Cleveland metro area (36 percent) than in Cincinnati (23 percent). Of the Cleveland relocations to inaccessible locations, 31 percent of known jobs had been accessible while 33 percent moved from one inaccessible place to another.

Table 8: Impact on Job Access via Public Transit in the Cleveland Metro Area

	Number of Companies	Companies with Jobs Data	Total Jobs Affected	Average Number of Employees at Firm	Percent Affected
Remained Accessible	6	5	1,156	231	24%
Became Newly Accessible	7	6	599	100	12%
Formerly Accessible, Became Inaccessible	22	19	1,498	79	31%
Remained Inaccessible	23	18	1,580	88	33%

The less severe impact in the Cleveland area can be explained two ways. First, while only five workplaces with jobs data remained accessible, their average size (231 employees) was much larger than the region-wide average of 100. Second, two transit agencies serve commuters in the Cleveland metropolitan area: the Greater Cleveland Transit Authority and the Akron Metro Transit Authority.³⁸ (While Portage Area Regional Transportation Authority also offers transit services aimed at commuters, we found that it does not serve any of the subsidized relocations.)

We consider it significant that in both metro areas, larger firms that previously had transit access are choosing new sites that sustain access. This suggests that larger firms, at least, are more mindful of utilizing public transportation to gain fuller access to regional labor markets. It may also reflect greater sensitivity about the cost of auto ownership, especially when a relocation may make commutes longer.

Poor transit access—and its attendant issues of inequality, congestion and pollution—is a major symptom of subsidized sprawl. Making more jobs accessible via transit is a critical growth issue for Ohio’s metro areas; it is unlikely to be successfully addressed unless economic development is better integrated with transportation planning.

As in other states, a lack of comprehensive regional planning and an emphasis on road building and maintenance in Ohio has exacerbated the symptoms of sprawl as employment centers have shifted primarily from urban cores to outlying suburbs. This has raised commuting costs, with low-wage workers most adversely affected.

Indeed, according to the Center for Neighborhood Technology and the Surface Transportation Policy Project, the Cleveland and Cincinnati metro areas rank 13th and 19th most costly respectively for transportation costs (overwhelmingly auto-related) as a percentage of household expenses.³⁹

In Cincinnati, according to the Texas Transportation Institute’s annual survey, drivers spent 19 hours per year stuck in traffic in 2009. This congestion wasted an estimated 17.5 million gallons of gasoline that year.⁴⁰

When suburban job growth is thinly distributed and auto-dependent, it undermines existing transit systems and effectively cuts central city residents off from regional labor markets, exacerbating the concentration of poverty in core areas. In the Cincinnati metro area, almost three times as many workers (10.5 percent) use transit, bike or walk to work in the census tracts abandoned by the EZ relocations than do workers residing in the census tracts gaining the new worksite. In the Cleveland metro area, almost twice as many workers (5.4 percent) use transit, bike or walk to work in the old census tracts than the new ones (2.8 percent). As workplaces sprawl further from the central city, workers lose commuting choices.

As Tables 9 and 10 show, only the denser Hamilton and Cuyahoga counties (which respectively contain the central cities of Cincinnati and Cleveland) have transit ridership over five percent. Most other counties have only one or two percent ridership, so if job growth continues in these outlying counties, transit ridership will decline even more.⁴¹ (Commuting statistics for 2000 are the most recent available. They are also the most applicable to the discussion here because they document commuting practices in the middle of the 1996-2005 study period, as they were then known to policymakers.)

Table 9: How Cincinnati-Area Commuters Get to Work, by County of Their Residence⁴²

County	Total Commuters	Car, truck or van	Public transportation	Other means
Brown	18,691	94%	0%	6%
Butler	160,314	93%	1%	6%
Clermont	88,372	94%	1%	4%
Hamilton	398,465	89%	5%	6%
Warren	76,548	95%	1%	5%

CHAPTER FIVE

Table 10: How Cleveland-Area Commuters Get to Work, by County of Their Residence⁴³

County	Total Commuters	Car, truck or van	Public transportation	Other means
Ashtabula	45,689	93%	1%	6%
Cuyahoga	622,876	88%	6%	6%
Geauga	44,499	92%	1%	8%
Lake	116,830	95%	1%	4%
Lorain	132,895	94%	1%	6%
Medina	76,548	94%	1%	5%
Portage	78,023	92%	1%	7%
Summit	258,414	94%	2%	5%

Workers of color and low-income workers rely more heavily on transit than do other workers. Tables 11 and 12 detail minority workers' disproportionate reliance upon transit in Cleveland and Cincinnati. In Cleveland, families of color are three times more likely not to own a car than white families and more than five times more likely to rely on public transit to commute to work. The disparity is even more pronounced in Cincinnati, where families of color are almost four times more likely not to own a car and more than six times more likely to rely on transit to commute to work.

African-American workers are the most numerous and transit-dependent minority group in both regions. As of the 2000 Census, they made up an eighth of the working-age population in Cleveland and a ninth in Cincinnati, and for both metro areas combined, African-American households are almost four times as likely not to own a car as white families, and more than six and a half times more likely to rely on public transit to get to work.⁴⁴

Table 11: Transit Dependence of Workers in the Cincinnati Metro Area by Race⁴⁵

	Total Households	Share with No Vehicle	Total Workers	Share who Rely on Transit for Commute
White	501,459	7%	632,973	2%
All Minority	100,485	26%	102,747	12%
African American	87,052	28%	82,645	14%
American Indian	1,353	14%	1,549	3%
Asian	7,338	12%	10,892	3%
Hispanic/Latino	4,744	16%	7,661	4%

Table 12: Transit Dependence of Workers in the Cleveland Metro Area by Race⁴⁶

	Total Households	Share with No Vehicle	Total Workers	Share who Rely on Transit for Commute
White	931,160	7%	1,134,528	2%
All Minority	224,537	22%	227,880	11%
African American	185,330	24%	176,125	13%
American Indian	2,051	22%	2,334	3%
Asian	13,901	8%	19,669	4%
Hispanic/Latino	23,255	17%	29,752	5%

Tables 13 and 14 summarize low-income workers' disproportionate reliance on public transit. In the Cincinnati region, overall ridership is 3 percent, but for workers earning just above poverty wages, it is three times as high (9 percent) and four times as high for those below the poverty line.

The same pattern is true for the Cleveland area, where overall ridership is 3 percent. Ridership for workers earning just above poverty wages is far higher (8 percent) and for those below the poverty line ridership is 10 percent—more than three times the regional average.

Table 13: Transit Dependence of Workers in the Cincinnati Metro Area by Income⁴⁷

	Share Who Use Transit for Work Commute
All Workers	3%
Workers earning below poverty-level wages	12%
Workers earning 100-149% of the poverty level	9%
Workers earning above 150% of the poverty level	2%

Table 14: Transit Dependence of Workers in the Cleveland Metro Area by Income⁴⁸

	Share Who Use Transit for Work Commute
All Workers	3%
Workers earning below poverty-level wages	10%
Workers earning 100-149% of the poverty level	8%
Workers earning above 150% of the poverty level	3%

6. RACE, POVERTY, WELFARE AND UNEMPLOYMENT

In addition to lack of job access via transit, families of color and the working poor suffer disproportionately from sprawl in other ways. Low-wage workers are more likely to be residentially concentrated in areas with high rates of poverty and crime and low-achieving schools, in part because of the lack of affordable housing in many suburbs. Although Enterprise Zones were originally enacted by the State of Ohio in the name of reducing poverty and revitalizing poorer communities, over time they have strayed from their original intentions (as EZs have in many other states). Ohio's rules governing EZs were fundamentally re-written so that they were routinely created in affluent areas that are inaccessible to or hard to access for many low-income or dislocated workers.⁴⁹

Sprawl in the United States is characterized by housing segregation and racialized concentrations of poverty and the Cincinnati and Cleveland metro areas are no exception. Maps 9 and 10 juxtapose the EZ relocations with census tracts that have above average concentration of residents of color. In both metropolitan areas, there are significant concentrations of minority residents in the central cities and inner-ring suburbs, far from where most of the relocated jobs ended up.

In the Cincinnati metro area there are also considerable minority populations in some of the northwestern outer-ring suburbs that benefited from the subsidized relocations. This helps explain why overall for the region,

census tracts that lost a firm between 1996 and 2005 have an average minority population of 29 percent compared to 20 percent in census tracts gaining a company.⁵⁰ In places gaining or losing five or more facilities, the disparity is larger: losing communities' census tracts average 39 percent residents of color, gaining communities' average 22 percent.

In the Cleveland metro area, the racial disparities between winning and losing areas are sharper. Overall, census tracts that lost a workplace 1996-2005 have an average minority population (24 percent) double that of tracts gaining one (12 percent). In localities gaining or losing five or more job sites, the census tracts of losing communities have an average minority population almost four times greater (19 percent) than those in gaining communities (5 percent).

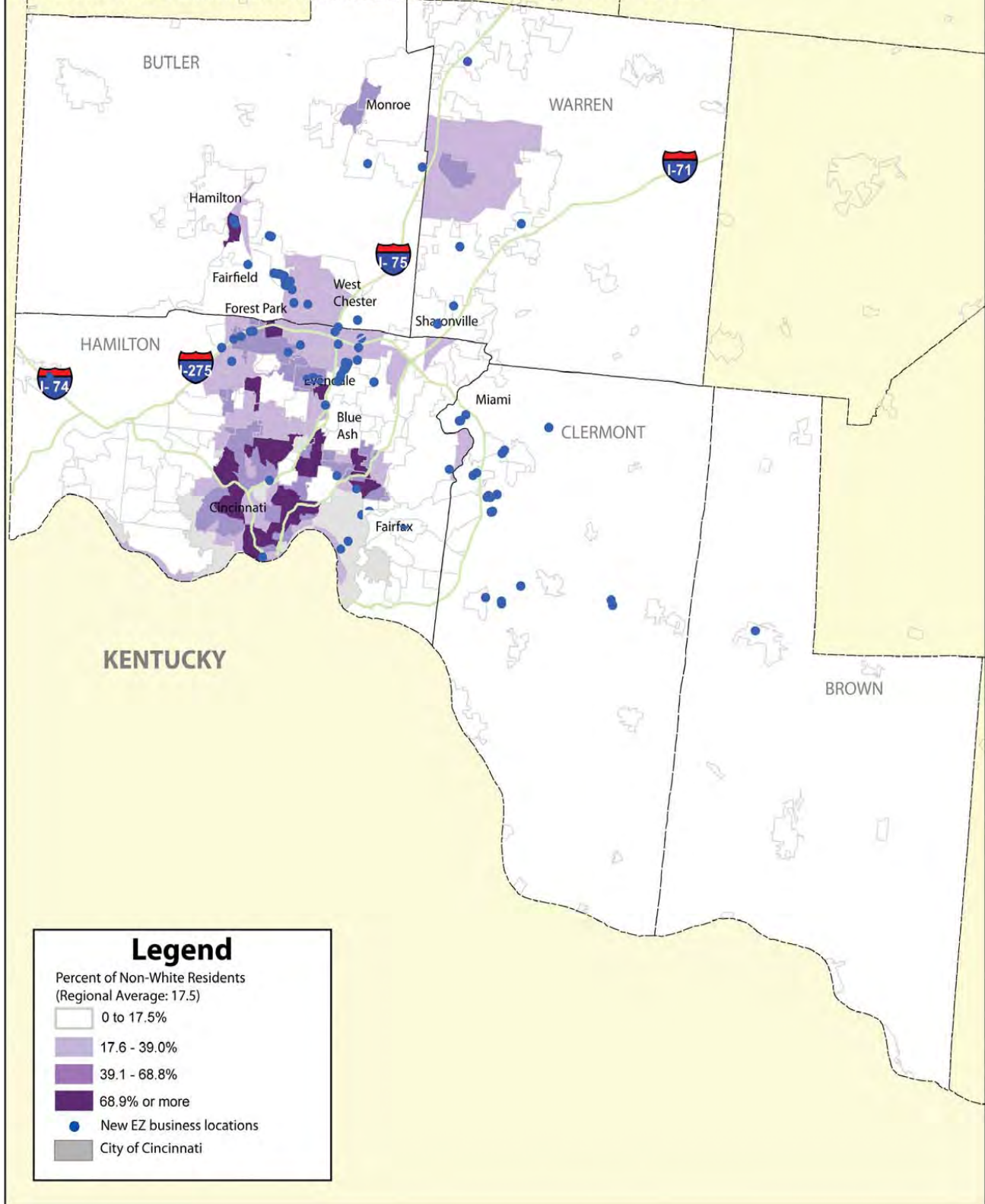
Poverty, Public Assistance and Unemployment

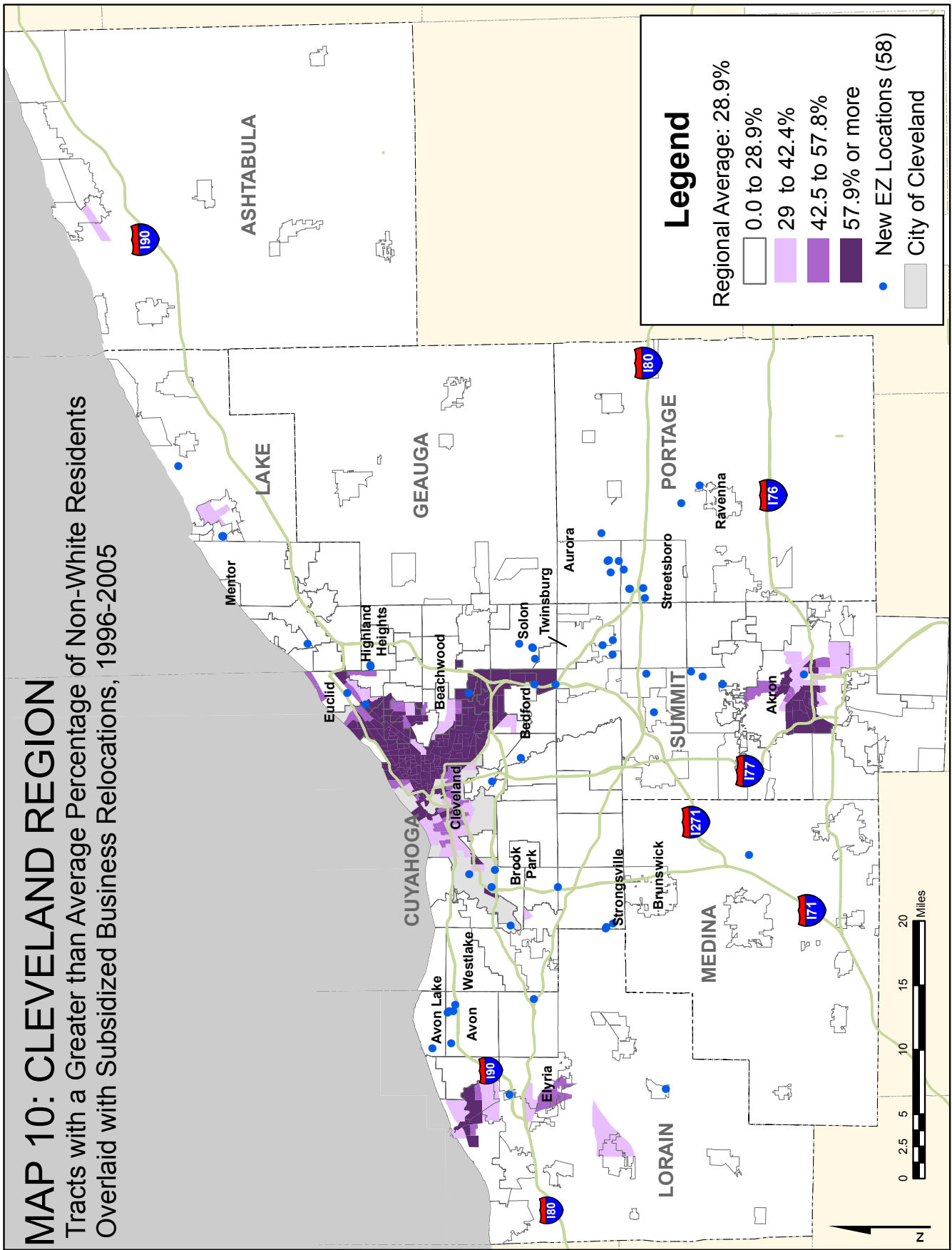
The thinning out of new job opportunities also means fewer chances for poor workers to escape poverty-wage jobs or the need for public assistance. Much the same way the Enterprise Zone relocations moved jobs away from people of color, they have also moved jobs away from pockets of poverty and households receiving public assistance.

Maps 11 and 12 show where poor families were concentrated in the Cleveland and Cincinnati metropolitan regions. While there are pockets

MAP 9: CINCINNATI REGION

Tracts with a Greater than Average Percentage of Non-White Residents
Overlaid with Subsidized Business Relocations, 1996 -2005





of poverty throughout both regions, the central cities and older industrialized areas (like Akron in the Cleveland region and Hamilton in the Cincinnati region) have by far the largest concentrations.

Overall, in the Cincinnati region, census tracts losing a facility during the period 1996-2005 had an average poverty rate more than double (15 percent) that of census tracts gaining one (7 percent). Comparing communities that gained or lost five or more worksites shows an even sharper contrast. Census tracts in losing communities had an average poverty rate of 22 percent; in gaining communities it was only 6 percent.

The disparities are somewhat smaller in the Cleveland region: census tracts losing a facility had an average poverty rate of 8 percent versus 5 percent in census tracts gaining one. In communities that gained or lost five or more worksites, census tracts in losing communities had an average poverty rate (10 percent) more than three times that in gaining communities (3 percent).

The impact of the job relocations on households relying upon Temporary Assistance for Needy Families (TANF) is more subtle. This may be due in part to federal welfare reforms enacted in 1996 that have caused many families to lose their TANF eligibility. Maps 13 and 14 juxtapose the 1996-2005 Enterprise Zone relocations with public assistance households. While the highest rates of public assistance in both regions were concentrated in the central cities and the older industrial areas, census tracts with high shares are scattered

throughout the regions and the average rates of households relying on public assistance in gaining census tracts are only slightly lower than losing blocks.

In the Cincinnati region, census tracts losing a facility due to a subsidized relocation had an average public assistance rate of 2.4 percent compared to 1.8 percent in census tracts gaining a workplace.⁵¹ In communities that gained and lost five or more job sites, the gap shifted only slightly (2.4 percent versus 1.6 percent respectively).

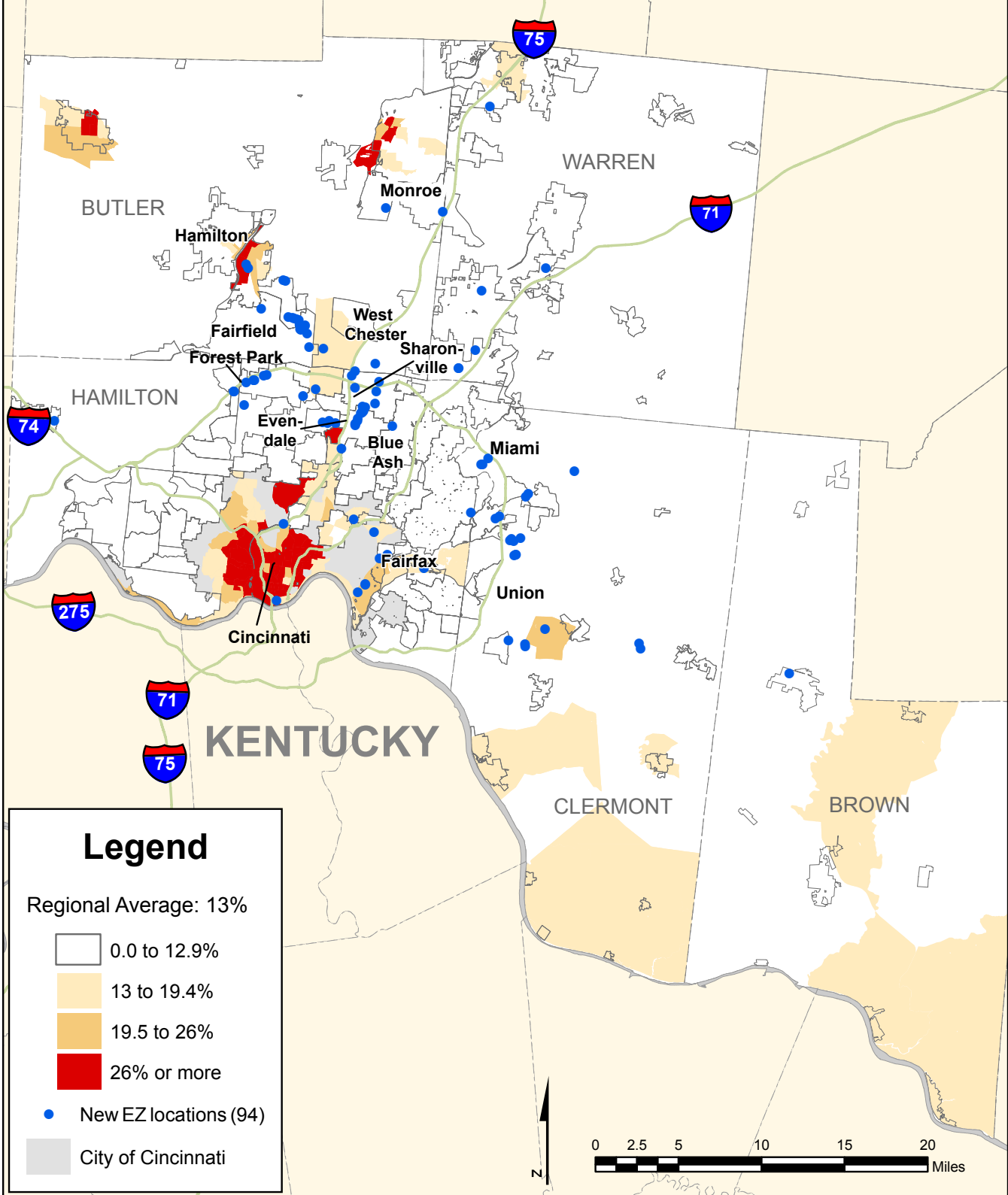
The contrast is somewhat sharper in the Cleveland metro area. Losing census tracts had an average public assistance rate of 2.8 percent compared to 1.6 percent in gaining tracts. However, among big gainers and losers, the disparity was a factor of 6: only 0.6 percent among gainers versus 3.6 percent in communities that lost five or more facilities.

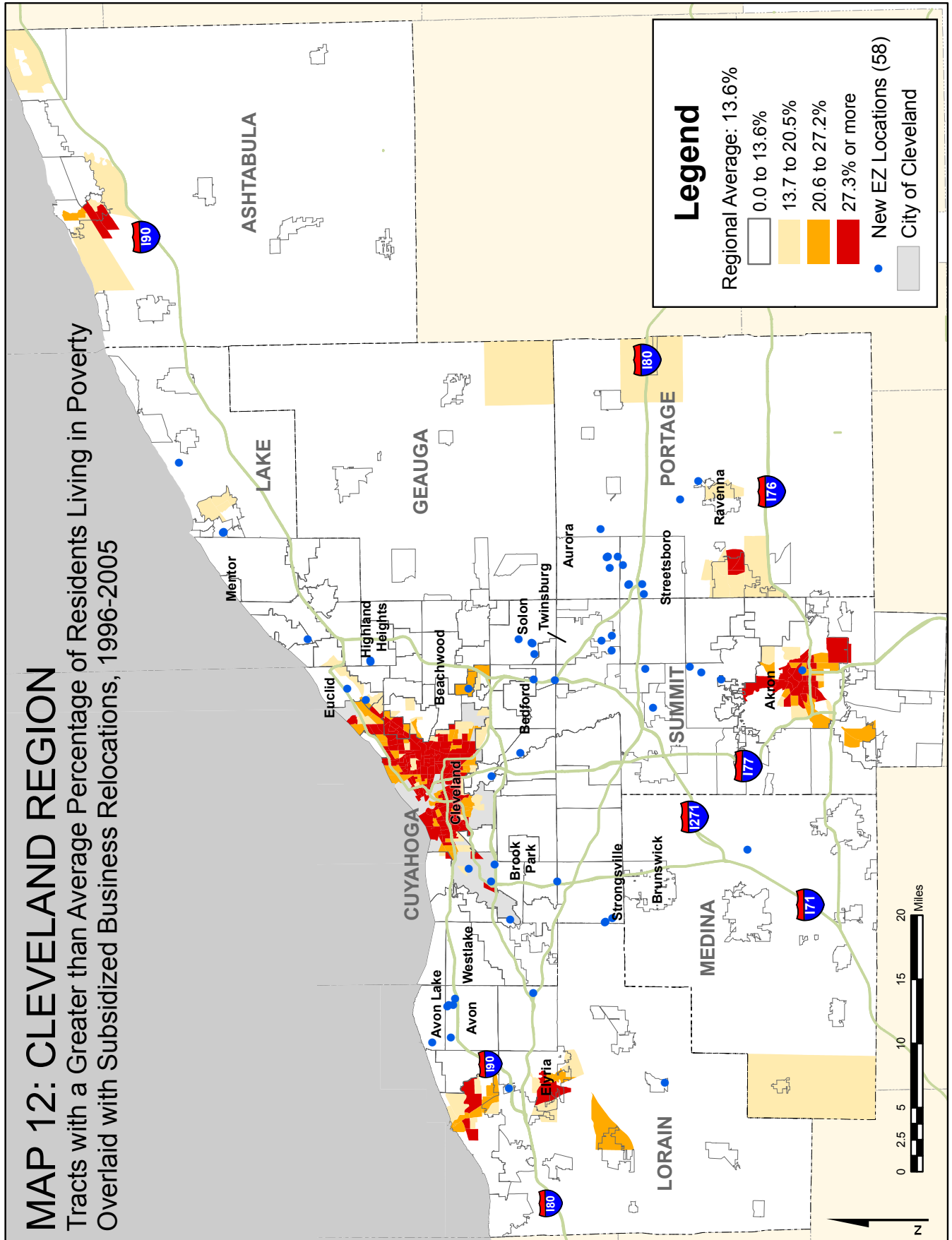
While pockets of higher need for public assistance occur in communities throughout the Cleveland and Cincinnati region, the central cities and inner-ring suburbs have the largest numbers and highest concentrations. In both regions, approximately 60 percent of all welfare recipients reside in the core county.⁵² Therefore, any relocations that move jobs away from the urban core are inherently harmful to welfare households.

The impact of 1996-2005 EZ relocations on unemployment rates is also subtle. As Maps 15 and 16 show, in both metro areas, the highest unemployment rates per the 2000 Census were concentrated in the central city and older industrial areas.

MAP 11: CINCINNATI REGION

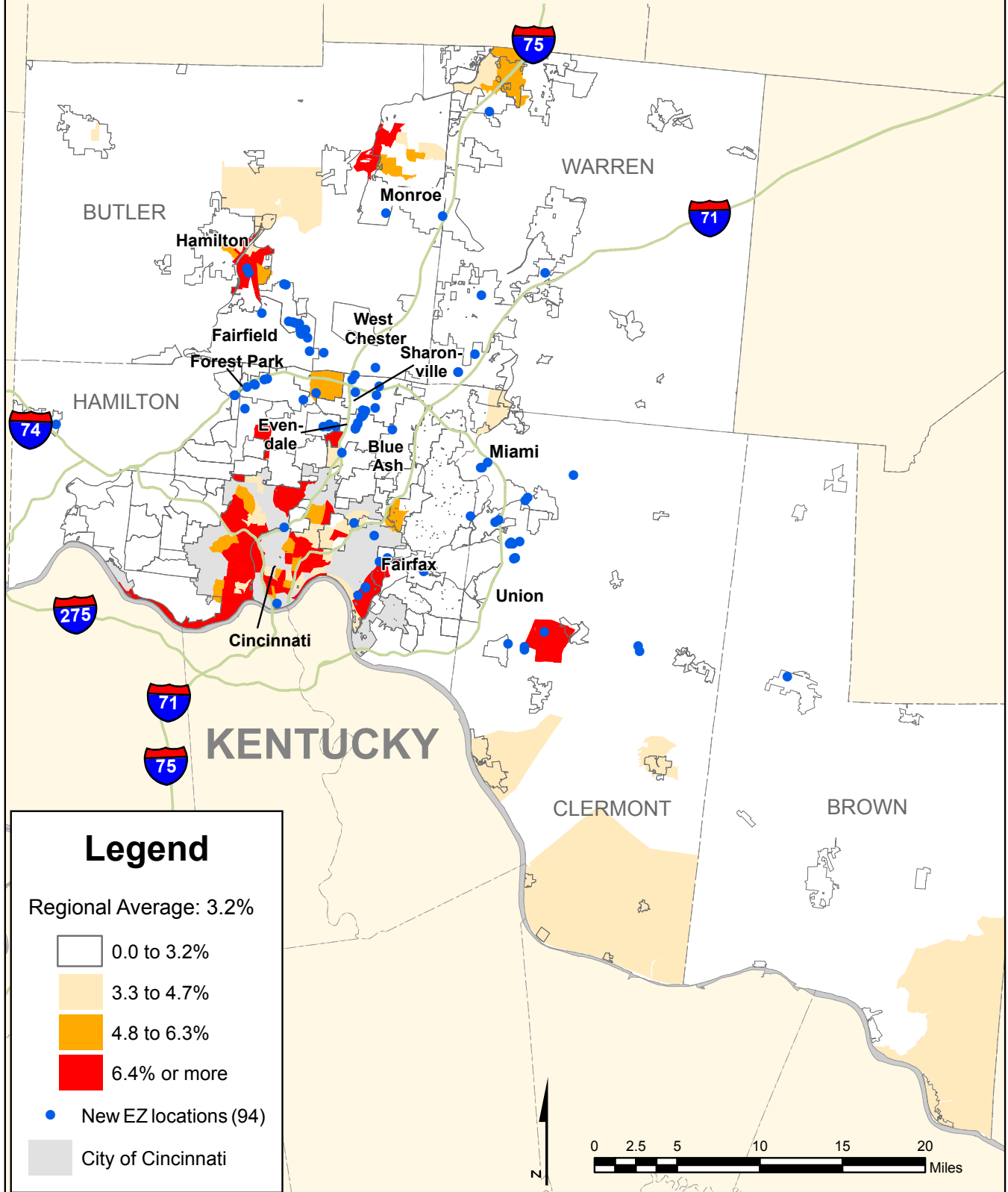
Tracts with a Greater than Average Percentage of Residents Living in Poverty Overlaid with Subsidized Business Relocations, 1996-2005

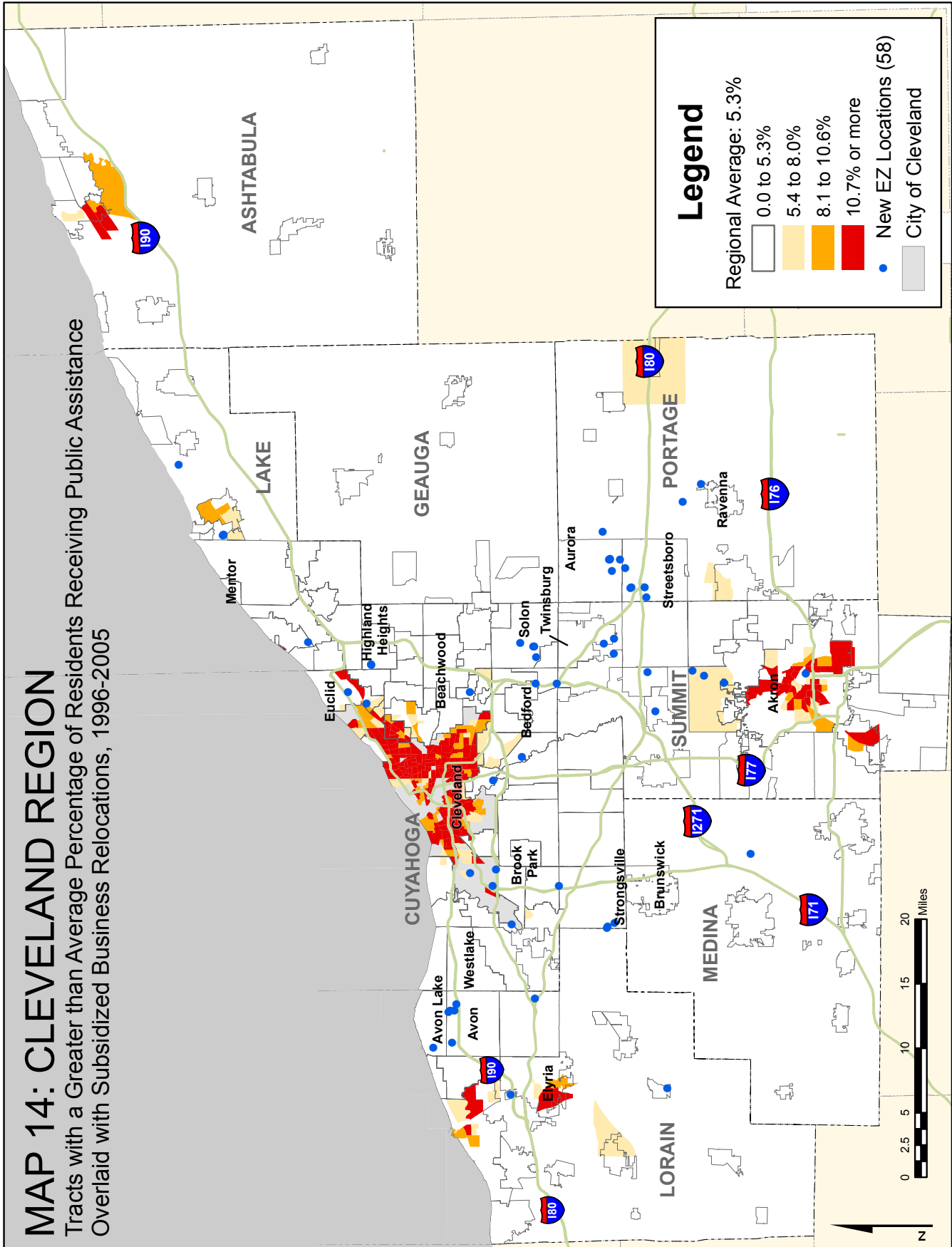




MAP 13: CINCINNATI REGION

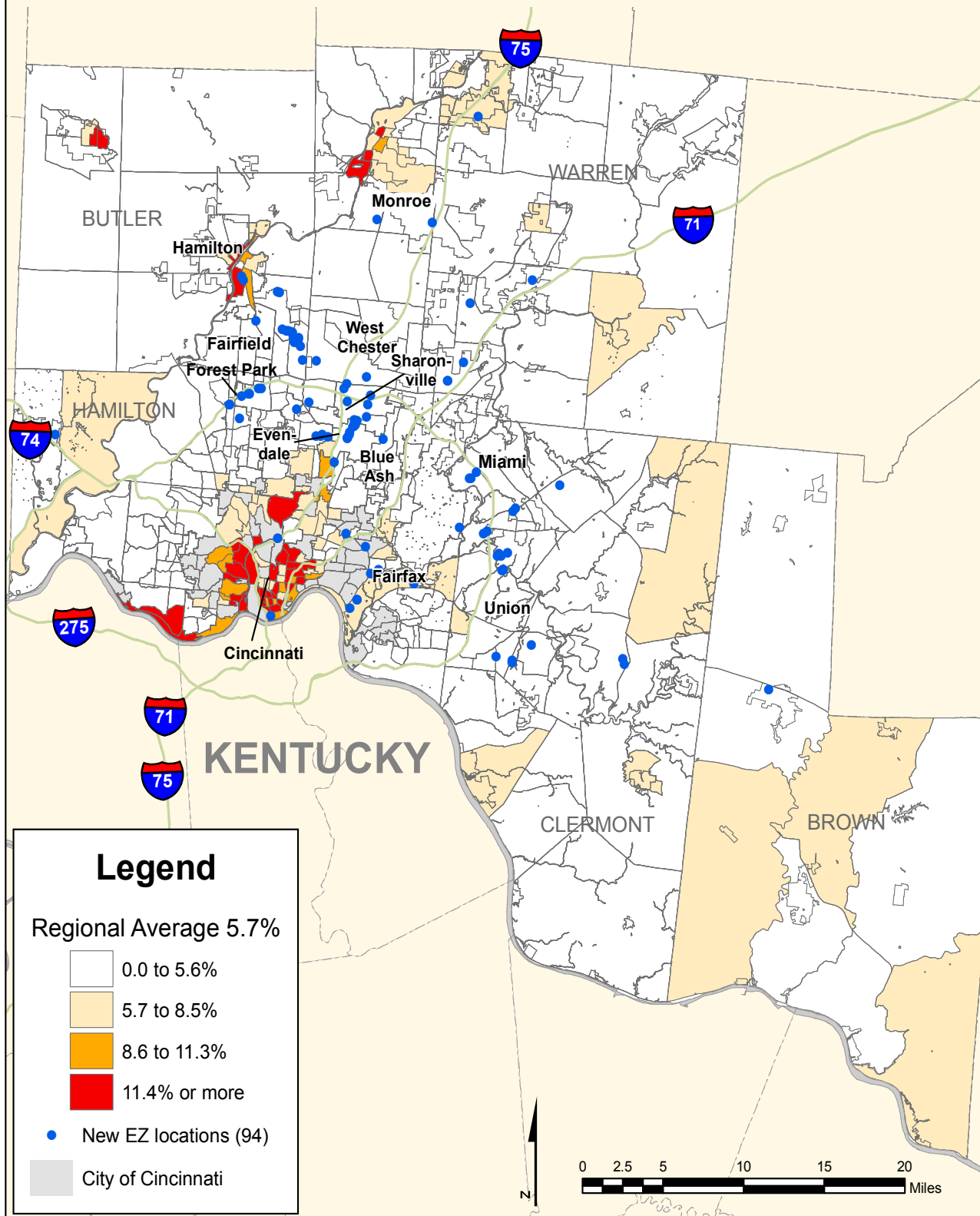
Tracts with a Greater than Average Percentage of Residents Receiving Public Assistance Overlaid with Subsidized Business Relocations, 1996-2005

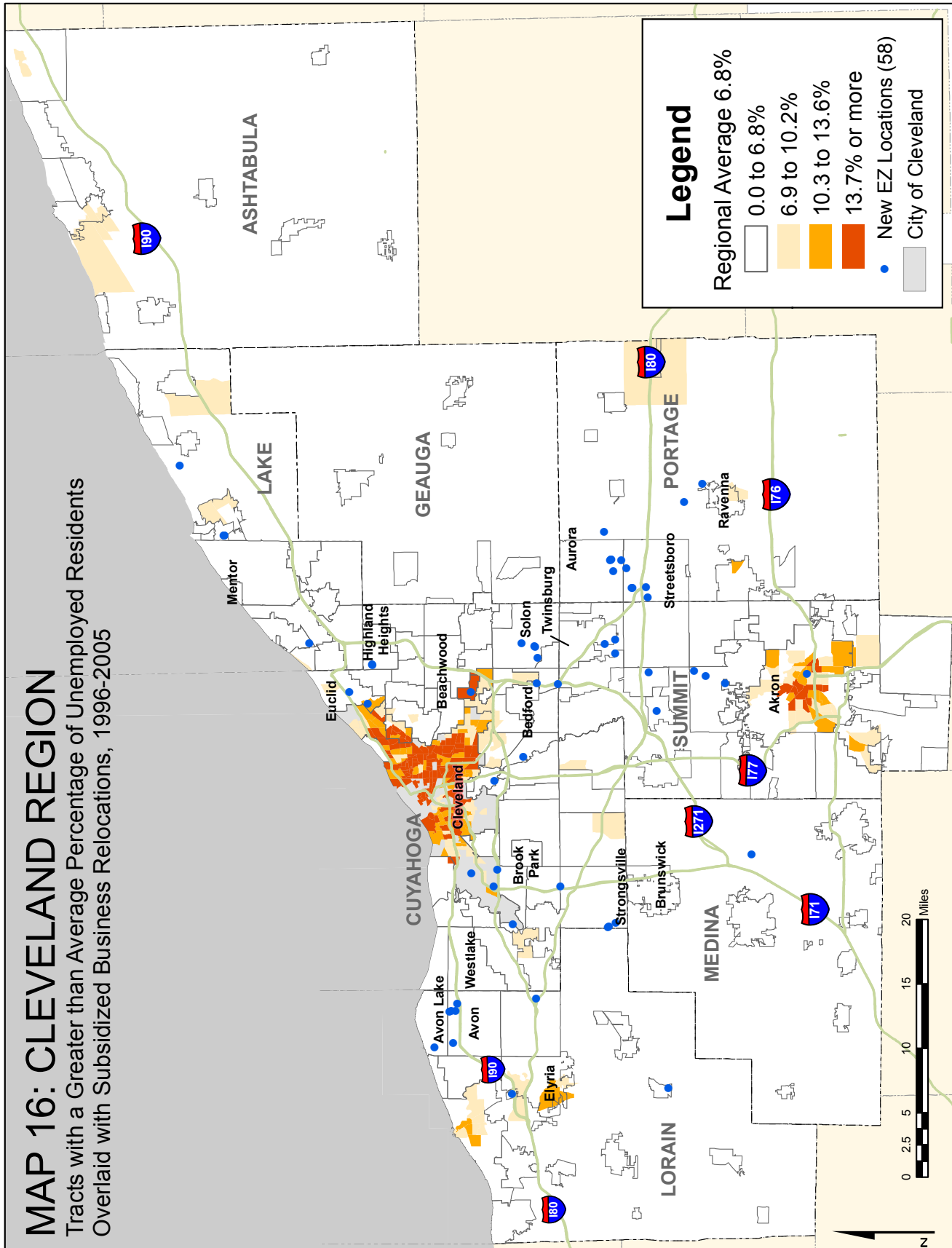




MAP 15: CINCINNATI REGION

Tracts with Greater than Average Percentage of Unemployed Residents
Overlaid with Subsidized Business Relocations, 1996-2005





In the Cincinnati metro area, census tracts losing a facility had an average unemployment rate of 4.3 percent compared to 3.8 percent in census tracts gaining one.⁵³ In communities that gained and lost five or more worksites, the gap shifted only slightly (4.5 percent versus 3.7 percent respectively).

In the Cleveland metro area, losing census tracts had an average unemployment rate of 5.1 percent compared to 4.2 percent in gaining tracts. In communities that gained or lost five or more worksites, the gap grew to 5.4 percent versus 3 percent.

7. SUBSIDIZED RELOCATIONS IN THE NEW TAX ENVIRONMENT

Because of changes in Ohio's corporate tax structure enacted in 2005, Community Reinvestment Areas (CRAs) have supplanted Enterprise Zones (EZs). These changes eliminated the state tax on corporate income and phased out a business property tax upon which a major EZ tax subsidy was based. Specifically, this change rendered a major component of the EZ program, the personal property tax exemption on machinery and equipment, valueless. As a result, the total number of new EZ applications has plummeted: in 2005, 243 new EZ agreements were signed, but in 2009, only 35 agreements were entered into — a decline of nearly 90 percent.⁵⁴

Therefore, in the same time period, the total number of active EZ agreements fell from 2,827 to 1,911.⁵⁵ As the 15-year EZ agreements signed in the 1990s begin to “age out,” total enrollment numbers will likely continue to decline.

As EZ enrollment declines, Ohio communities are increasingly using the Community Reinvestment Area (CRA) program. Businesses seeking to reduce their tax responsibility are gradually transitioning to CRAs because their tax subsidies are based solely on real property tax exemptions (i.e., those on land and buildings), which were unaffected by Ohio's restructuring of its corporate tax system.

CRAs are also geographically designated areas where new and relocating businesses can receive tax exemptions on new commercial

real property, and they are more generous than EZs, with exemptions of up to 100 percent (versus more typically 75 percent) for 15 years (versus 10 years). Like EZs, CRAs operate outside of traditional zoning and land use requirements and have far-reaching effects on the local tax base. Although proposed CRAs must demonstrate “specific evidence of disinvestment” on area housing, the project boundaries need include only one housing structure — again allowing affluent communities easy access.⁵⁶

Residential, commercial, and industrial properties located in CRAs are eligible for property tax exemptions, making it a major source of revenue losses for property tax-collecting jurisdictions such as school districts. In 2008, the taxable value of property exempted through CRA already exceeded a staggering \$3.5 billion statewide.⁵⁷ (This figure includes residential abatements, and unfortunately cannot be disaggregated by property type.⁵⁸)

Unlike EZs, the CRA program does not regulate intrastate relocations. Communities gaining a relocating business must only notify the losing community 30 days before the formal approval of the CRA agreement.⁵⁹ Moreover, ODOD does not publish an annual CRA program report that could include relocations and other program trends, as it has in the past with the EZ program. As CRAs continue to supplant EZs, unless EZ-style safeguards are applied, it will become impossible to determine whether

these lucrative tax abatements are actually creating any new jobs in Ohio, or just shuffling jobs around within the state and fueling regional sprawl.

Intrastate Relocations after Business Tax Changes Enacted in 2005

The national recession has diminished business activity in general, and has definitely reduced businesses’ access to credit for firm expansions and relocations, resulting in a significantly lower number of business moves over the past four years. Despite the weak economy, there were a total of 25 notices of businesses making intrastate moves into CRAs between 2006 and 2010. Five of these businesses made intra-metropolitan area moves in the Cleveland metro area, and two moved within the Cincinnati metro area. During this period, no waivers were requested by businesses moving into EZs in the Cleveland metro area, but five waivers were awarded to businesses relocating to EZs in the Cincinnati metro (Table 15).

Table 15: Number of EZ- and CRA-Subsidized Relocations in the Cincinnati and Cleveland MSAs, 2006 - 2010

	Moves into EZs	Moves into CRAs	Total Jobs
Cincinnati MSA	5	2	858
Cleveland MSA	0	5	262
Total	5	7	1,120

These relocations are mapped in the following section in order to demonstrate a continuation of the spatial trends established between 1996 and 2005 by the EZ program. Spatial analysis of these additional EZ moves and relocations made into EZ-successors, CRAs, shows mixed

results in terms of equitable distribution and targeting of subsidized business relocations. The small sample sizes of five and seven relocations in the Cleveland and Cincinnati metro areas, respectively, makes stand-alone analysis inadvisable, but taken within the context of all relocations in previous years (94 in Cincinnati and 58 in Cleveland), the job sprawl trend is still demonstrable.

Data Sources

Although the economic landscapes of the Cleveland and Cincinnati metro areas have undoubtedly been significantly altered by the recession, this report uses 2000 Decennial Census data for analysis of business relocations between 2006 and 2010. Census data from the 2000 decennial census was utilized for spatial equity analyses because although some 2010 Census data has been released, no detailed economic data was yet available at the time of this report’s publication.⁶⁰

When possible, jobs figures for subsidized relocations occurring between 2006 and 2010 were obtained through Ohio’s Community Reinvestment Area Agreement Information and Enterprise Zone Agreement Information websites.⁶¹ These agreements are not often updated and multiple informal and formal Open Records requests to the Ohio Department of Development for current jobs data were disregarded. When jobs data were not available through either of the agreement information websites, Dun and Bradstreet data was used.

CINCINNATI RELOCATIONS

Between 2006 and 2010 there were a total of seven relocations subsidized through the

SUBSIDIZED RELOCATIONS IN THE NEW TAX ENVIRONMENT

CRA and EZ programs in the Cincinnati metro area. Two CRA-subsidized relocations and five EZ-subsidized relocations involved a total of 858 employees.⁶² These seven businesses' combined real property value exempted through the CRA program amounts to at least \$18.8 million.⁶³ Tax abatements awarded through the CRA program last up to 15 years, although the abatement term varies for each of the five recipients analyzed here. Other economic development subsidies awarded to these companies are not included in this analysis.

Subsidized Relocations

Together, these employers moved an average of 4.8 miles farther away from central Cincinnati. Six firms made outbound moves, while the only firm that reduced its distance from central Cincinnati did so by less than half a mile. Map 17 shows these relocations.

Transit

The already poor transit accessibility of CRA- and EZ-subsidized businesses was unaffected by relocations in the Cincinnati metro area. Only one business was and remained transit-accessible, while the remaining six remained inaccessible for transit-dependent workers (Map 18). Table 16 displays the number of jobs affected by transit accessibility for these businesses.⁶⁴

Minority Residents

Census tracts in the Cincinnati metro area gaining a business through a subsidized relocation had a significantly smaller share of minority residents, on average, than census

Table 16: Impact on Job Access via Public Transit in the Cincinnati Metro Area, 2006 - 2010

	Number of Companies	Total Jobs Affected
Remained Accessible	1	80
Became Accessible	0	0
Formerly Accessible, Became Inaccessible	0	0
Remained Inaccessible	6	778

tracts losing a business. The average percent of nonwhite residents in "gaining" tracts is 10.6 percent, compared with 17.0 percent in "losing" tracts. Map 19 demonstrates this trend.

Poverty, Public Assistance, and Unemployment

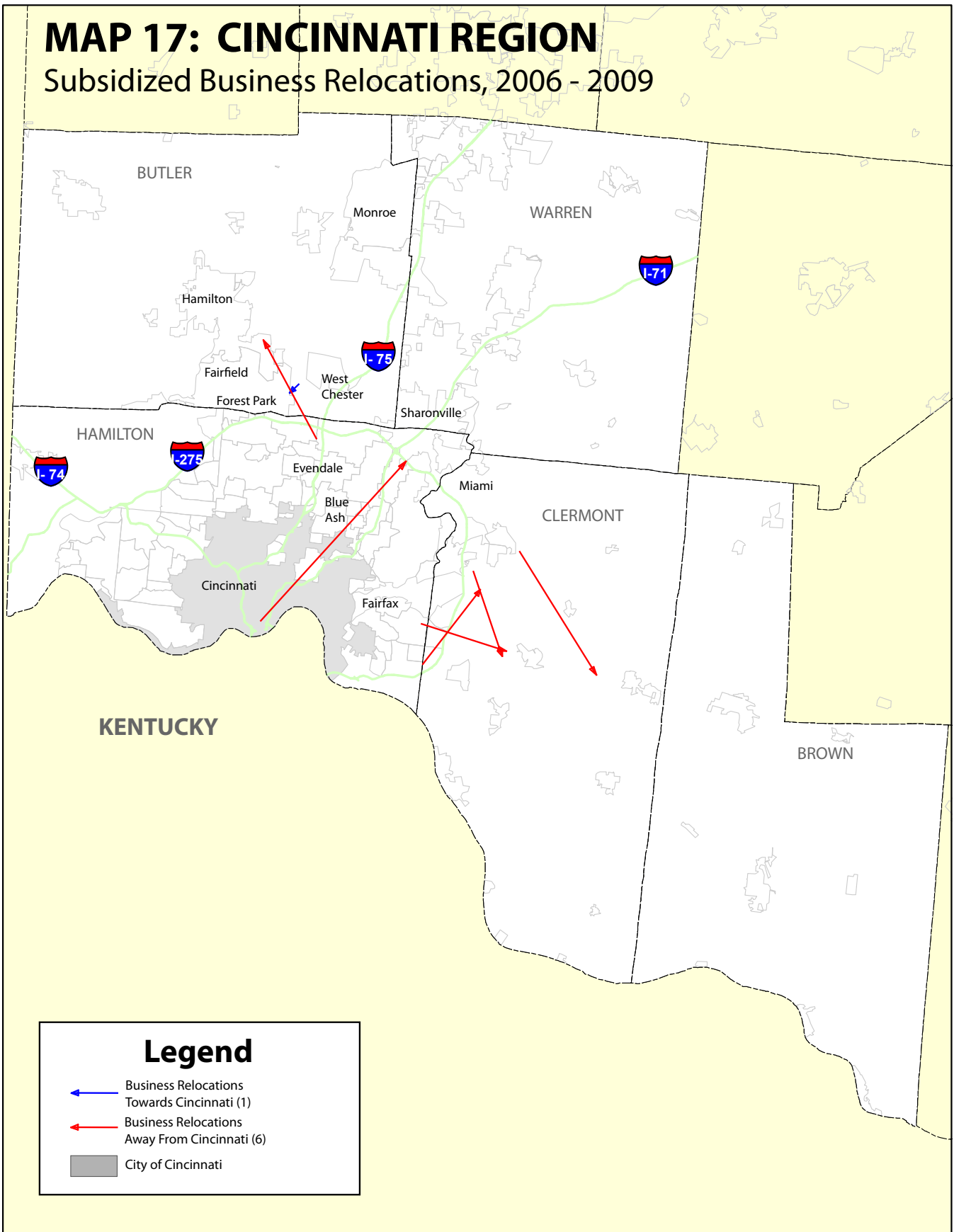
CRA-subsidized business relocated into census tracts with slightly higher levels of poverty, on average, than their previous locations. The mean rate of poverty in census tracts gaining businesses is 10.5 percent, compared with 8.7 percent in tracts losing businesses. The regional average rate of poverty for the metro area as a whole is 17.5 percent, however, so these relocations tended to occur between census tracts that have lower family rates of poverty than does the metro region. Map 20 contrasts household poverty rates with subsidized business relocations.

Map 21 juxtaposes CRA-subsidized relocations with the percentage of households receiving public assistance. These businesses moved into census tracts with a slightly higher average rate of households receiving public assistance, from 1.4 percent in old locations to 2.7 percent in new locations.⁶⁵

The unemployment rate in census tracts losing a business to a CRA-subsidized relocation is slightly higher, on average, than the unemployment rate in census tracts gaining a business (from 5.4 percent average unemployment in “losing” tracts to 4.0 percent in “gaining” tracts). In 2000, the regional average rate of unemployment was 5.7 percent. The April 2011 unemployment rate estimate by the Bureau of Labor Statistics is 8.4 percent.⁶⁶ Map 22 displays business relocations and unemployment rates in the year 2000 in the Cincinnati metro area.

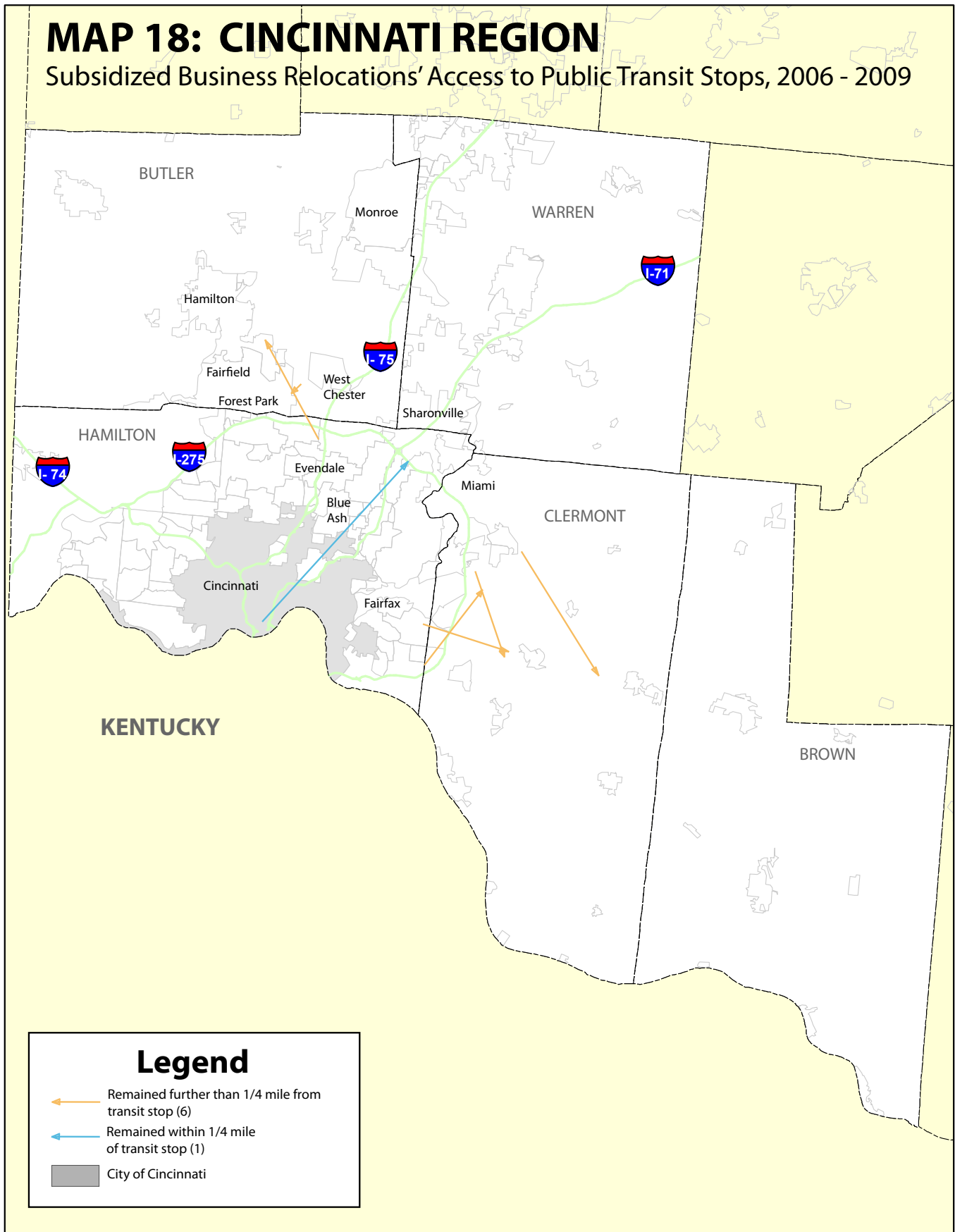
MAP 17: CINCINNATI REGION

Subsidized Business Relocations, 2006 - 2009



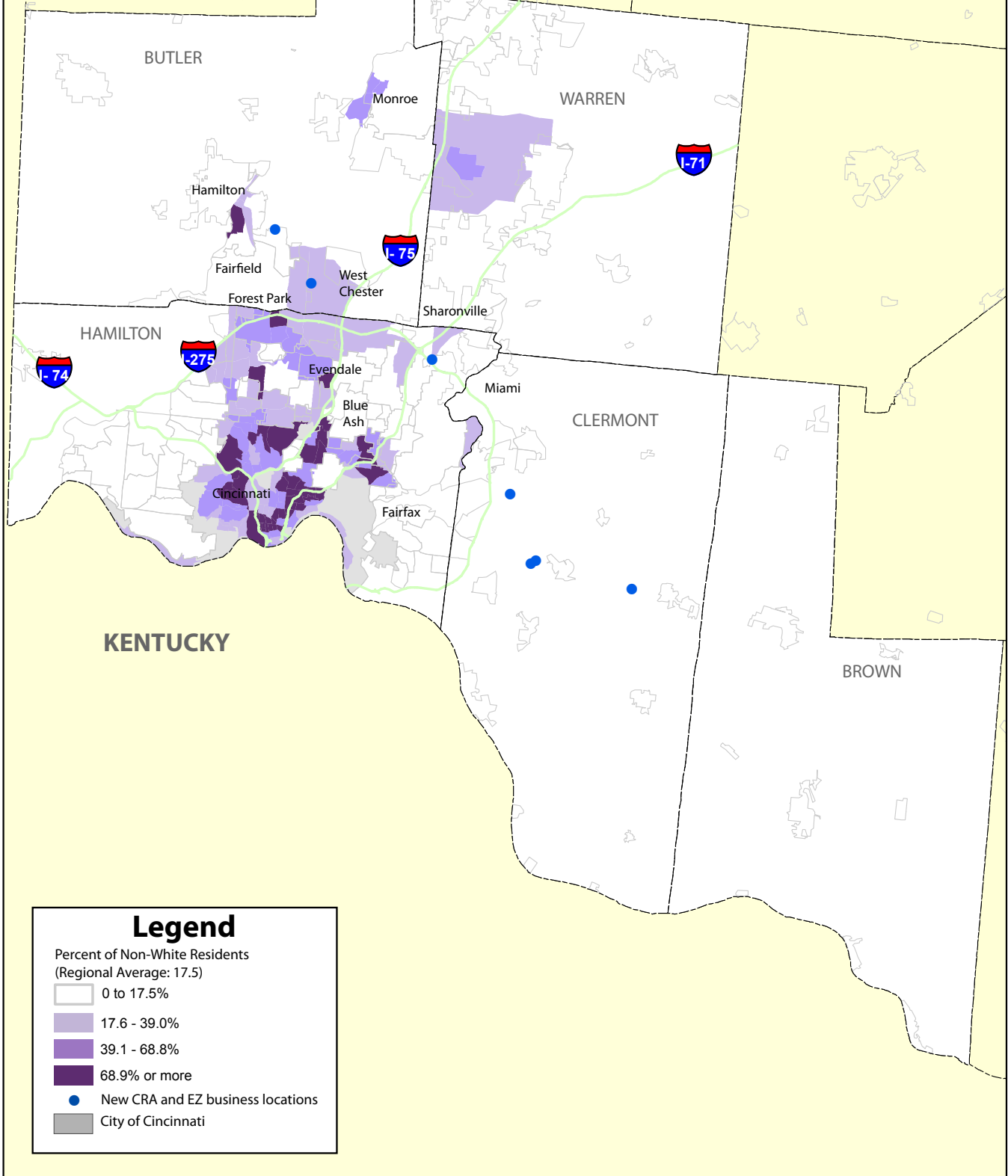
Legend

- ← Business Relocations Towards Cincinnati (1)
- ← Business Relocations Away From Cincinnati (6)
- City of Cincinnati



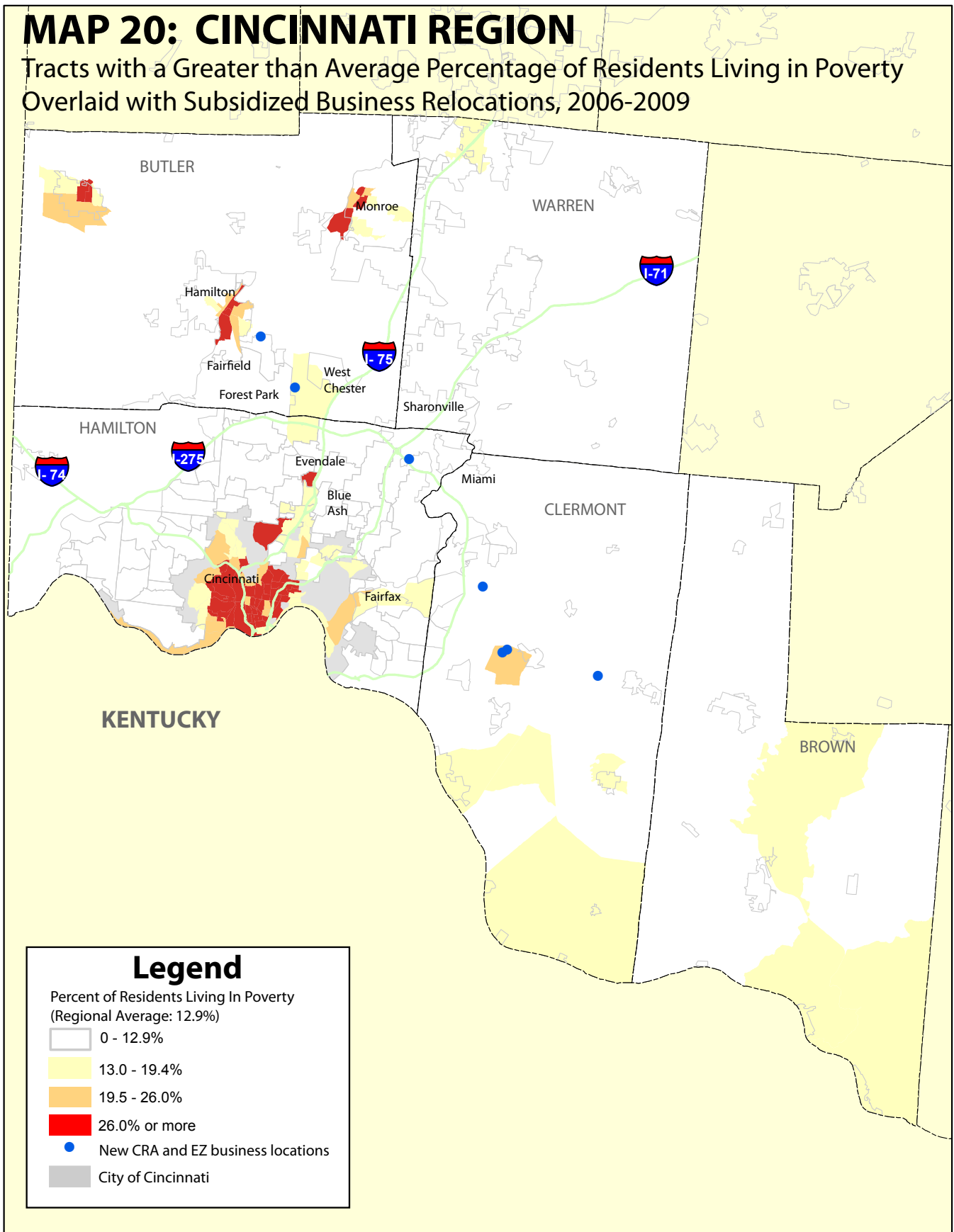
MAP 19: CINCINNATI REGION

Tracts with a Greater than Average Percentage of Non-White Residents
Overlaid with Subsidized Business Relocations, 2006-2009



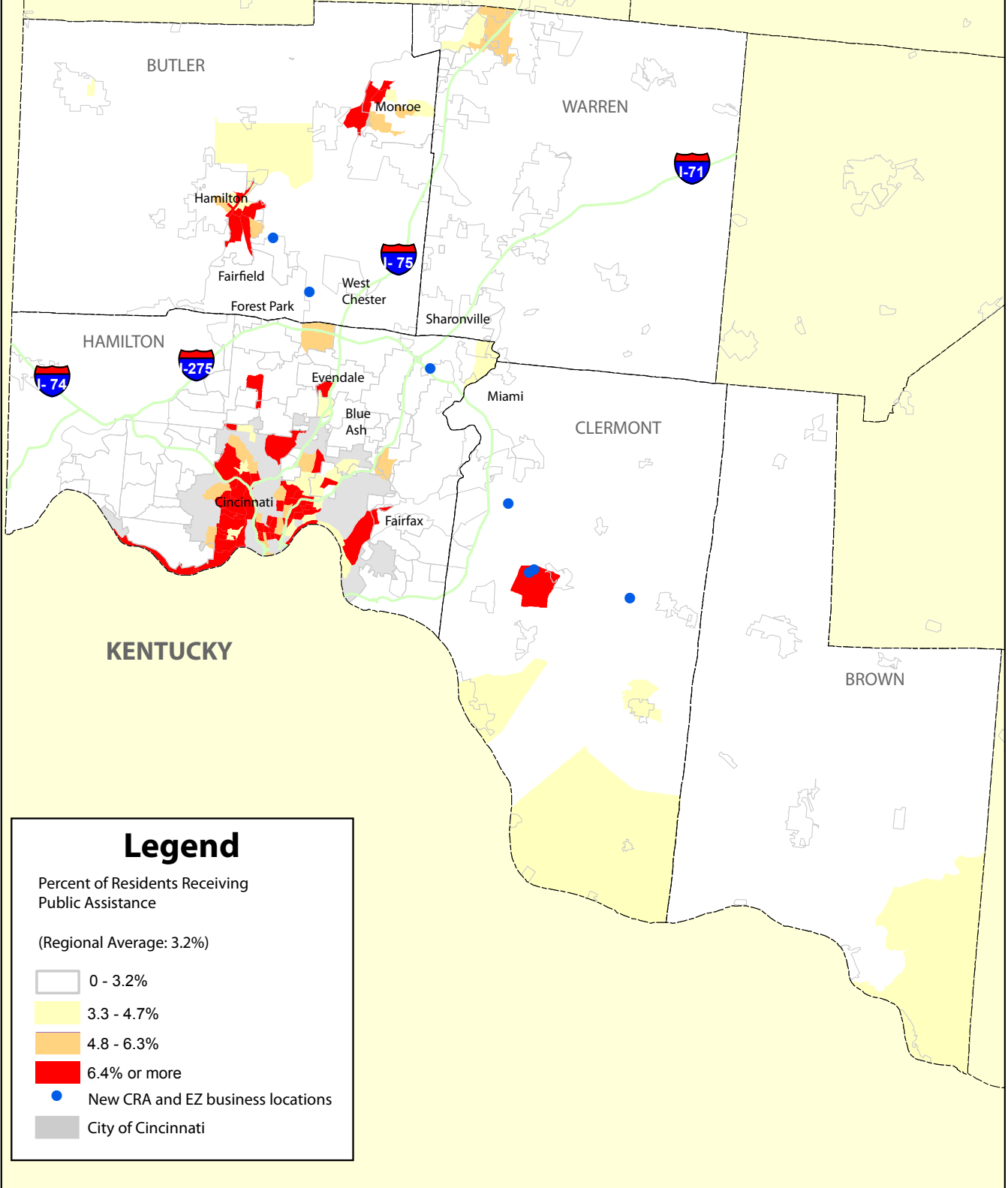
MAP 20: CINCINNATI REGION

Tracts with a Greater than Average Percentage of Residents Living in Poverty Overlaid with Subsidized Business Relocations, 2006-2009

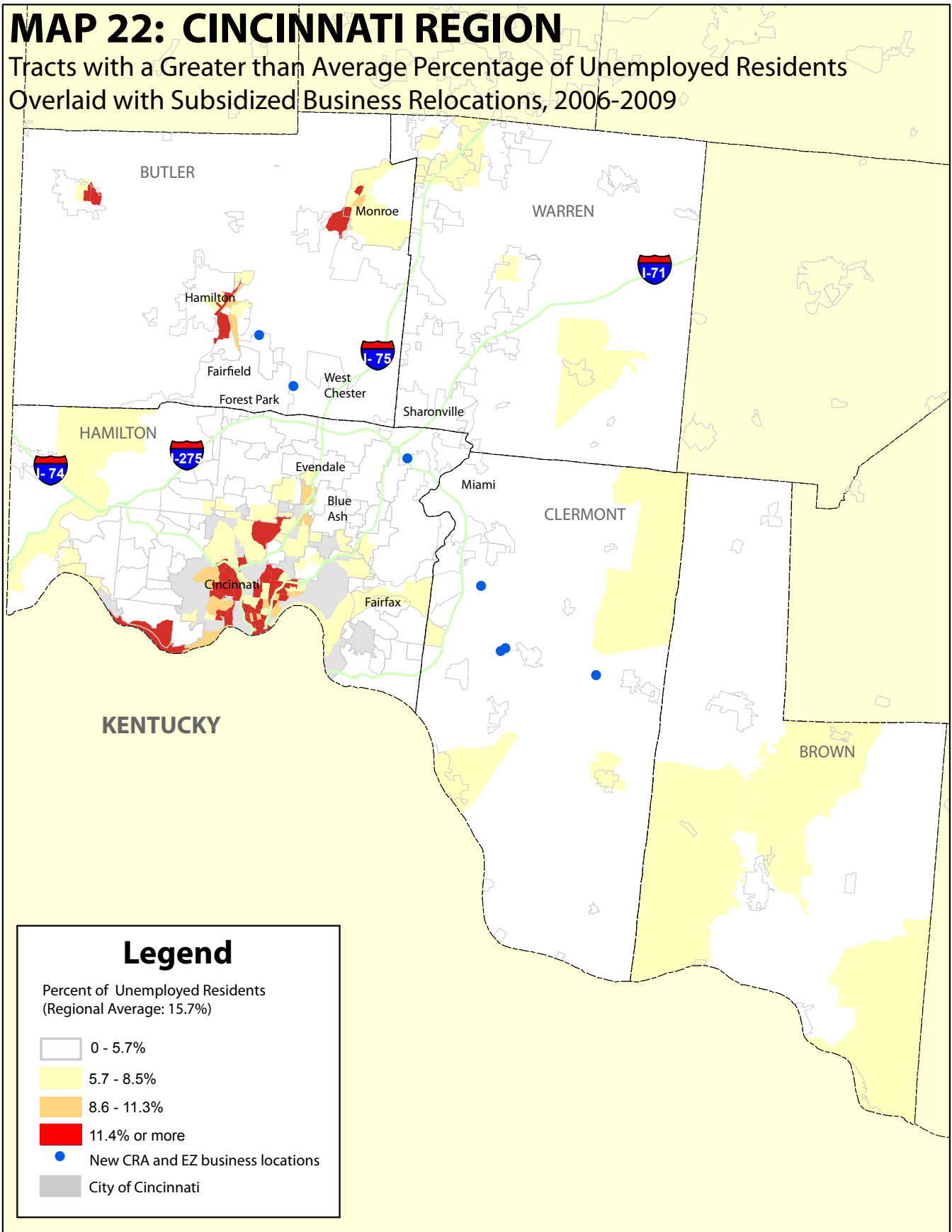


MAP 21: CINCINNATI REGION

Tracts with a Greater than Average Percentage of Residents Receiving Public Assistance
Overlaid with Subsidized Business Relocations, 2006-2009



MAP 22: CINCINNATI REGION
Tracts with a Greater than Average Percentage of Unemployed Residents
Overlaid with Subsidized Business Relocations, 2006-2009



CLEVELAND RELOCATIONS

An evaluation of five subsidized relocations into Community Reinvestment Areas in the Cleveland MSA occurring between 2006 and 2010 demonstrates a continuation of the trends revealed by EZ relocations in the state between 1996 and 2005. These five subsidized CRA moves affected a total of 262 employees at the time of the relocation.⁶⁷ Their combined real property value exempted through the CRA program amounts to at least \$18.6 million. Tax abatements awarded through the CRA program last up to 15 years, although the abatement term varies for each of the five recipients analyzed here.

Subsidized Relocations

Together, these employers moved an average of 5.1 miles farther away from central Cleveland. Three firms made outbound moves of eight miles or more, while two firms' lateral moves in Cuyahoga County reduced their distance to Cleveland's city center by approximately two miles each. Map 23 shows these relocations. Two businesses relocated from within Cuyahoga County to the same CRA in Avon Lake in Lorain County.

Transit

Transit accessibility of CRA-subsidized business relocations is unfortunately as poor as with subsidized EZ relocations in the Cleveland MSA. Three businesses moved from a transit-accessible location to an inaccessible location, while two others remained inaccessible in both old and new locations, as shown in Map 24.⁶⁸ Table 17 shows the number of jobs affected by these changes in accessibility.

Table 17: Impact on Job Access via Public Transit in the Cleveland Metro Area

	Number of Companies	Total Jobs Affected
Remained Accessible	0	0
Became Accessible	0	0
Formerly Accessible, Became Inaccessible	3	129
Remained Inaccessible	2	183

Minority Population

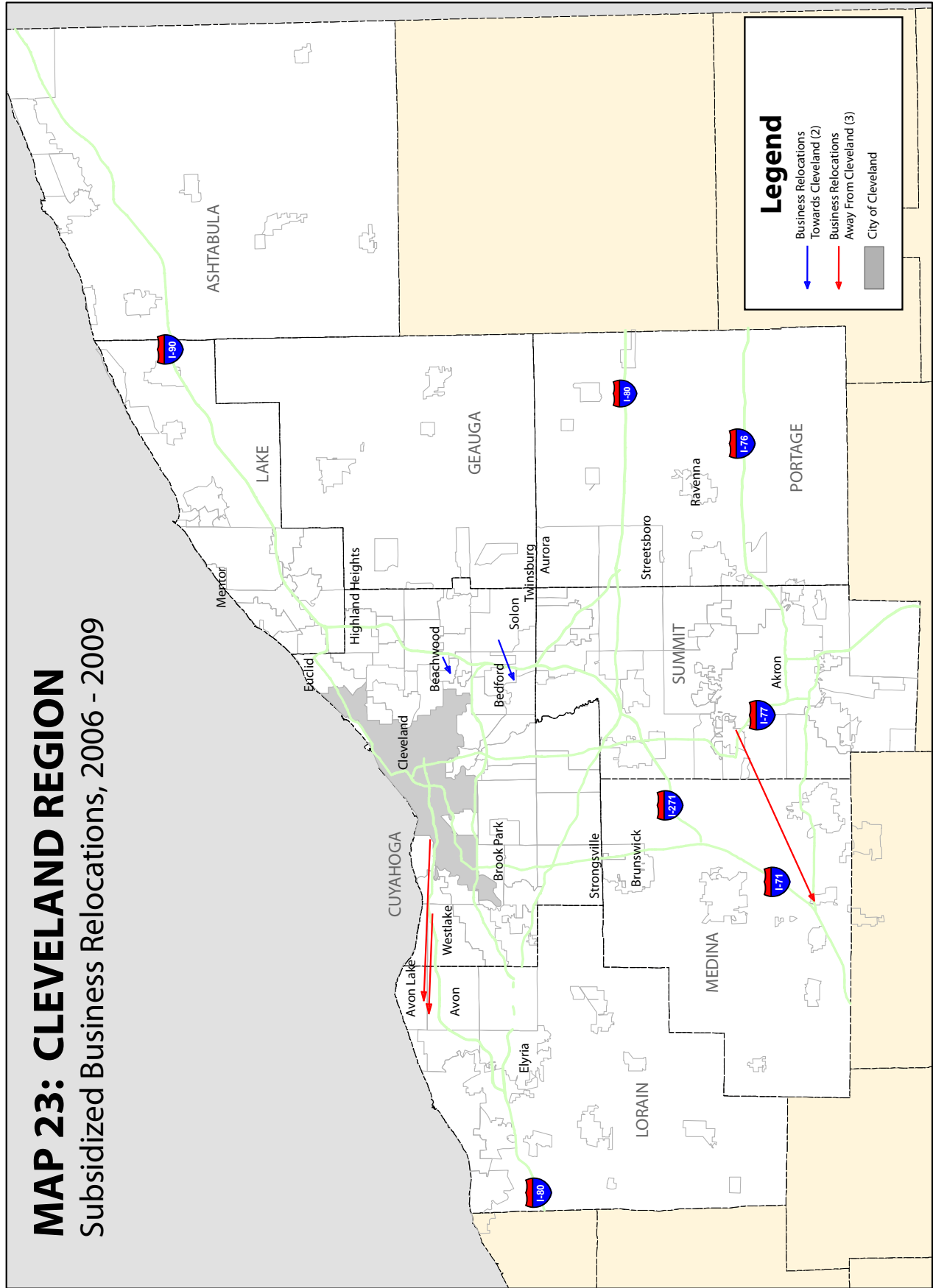
In the Cleveland metro area, on average, relocations moved into census tracts with slightly larger shares of minority residents than former locations (to 17.5 percent from 15 percent).⁶⁹ See Map 25.

Poverty, Public Assistance, and Unemployment

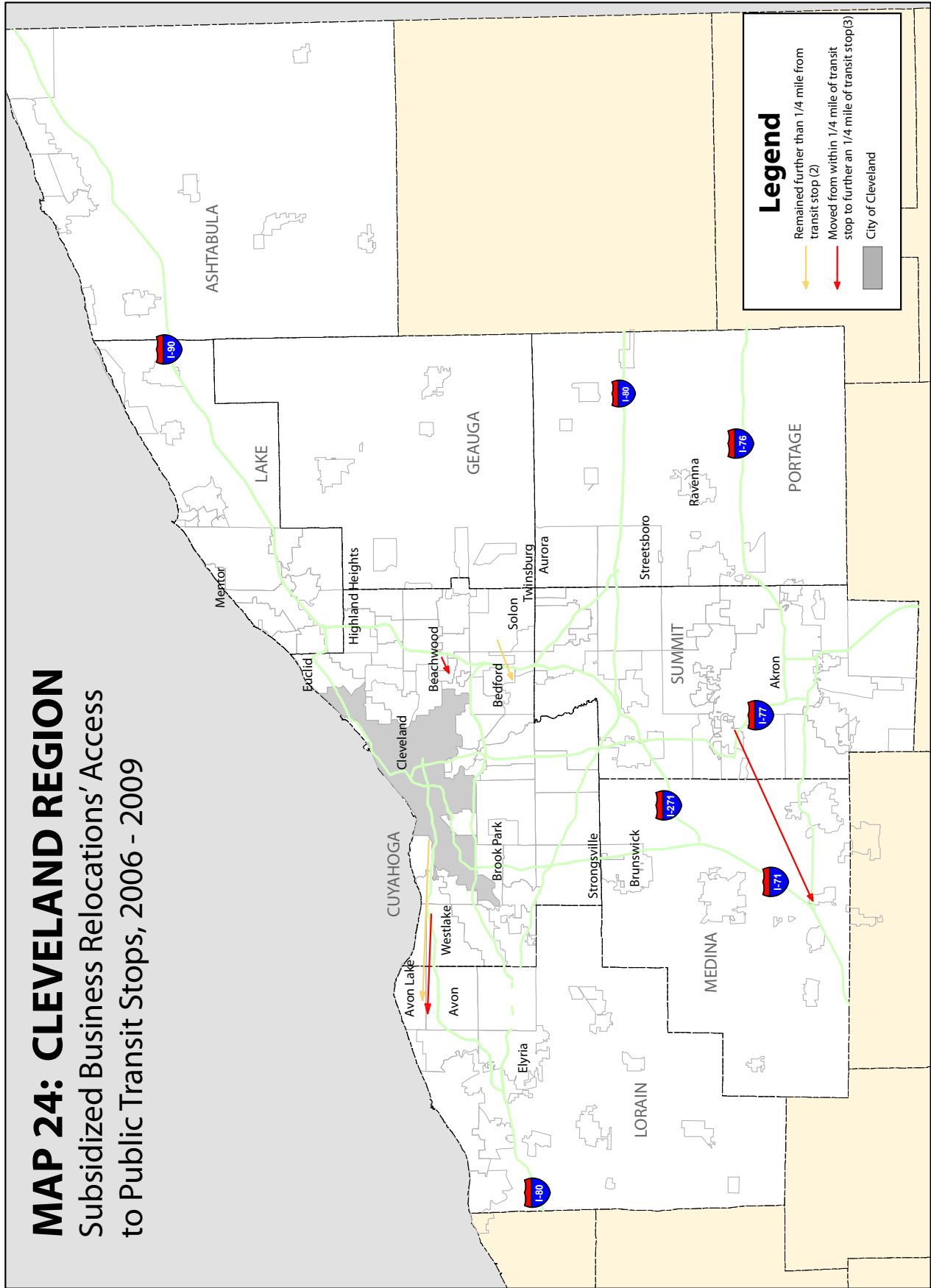
CRA-subsidized relocations moved into census tracts with higher levels of poverty, on average, than their previous locations. The mean rate of poverty in census tracts gaining businesses is 11.4 percent, compared with 8.5 percent in tracts losing businesses. The regional average rate of poverty for the metro area as a whole is 13.6 percent, however, so these relocations tend to occur between census tracts that have lower rates of families living in poverty than the metro region average. Map 26 demonstrates this.

Map 27 juxtaposes CRA-subsidized relocations with the percentage of households receiving public assistance. These businesses moved into census tracts with a slightly higher average rate of households receiving public assistance, from 1.4 percent in old locations to 2.7 percent in new locations.⁷⁰

MAP 23: CLEVELAND REGION
 Subsidized Business Relocations, 2006 - 2009

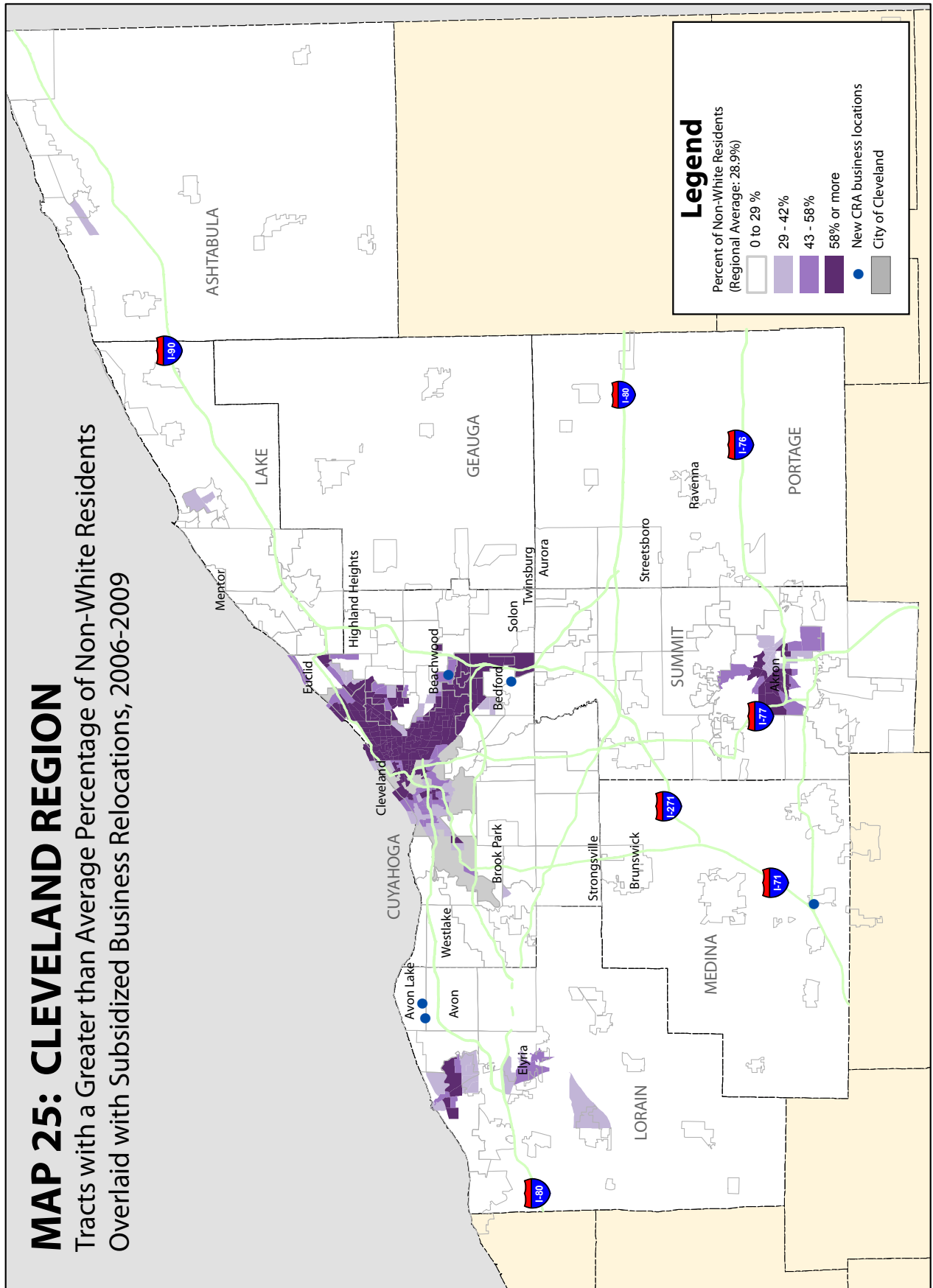


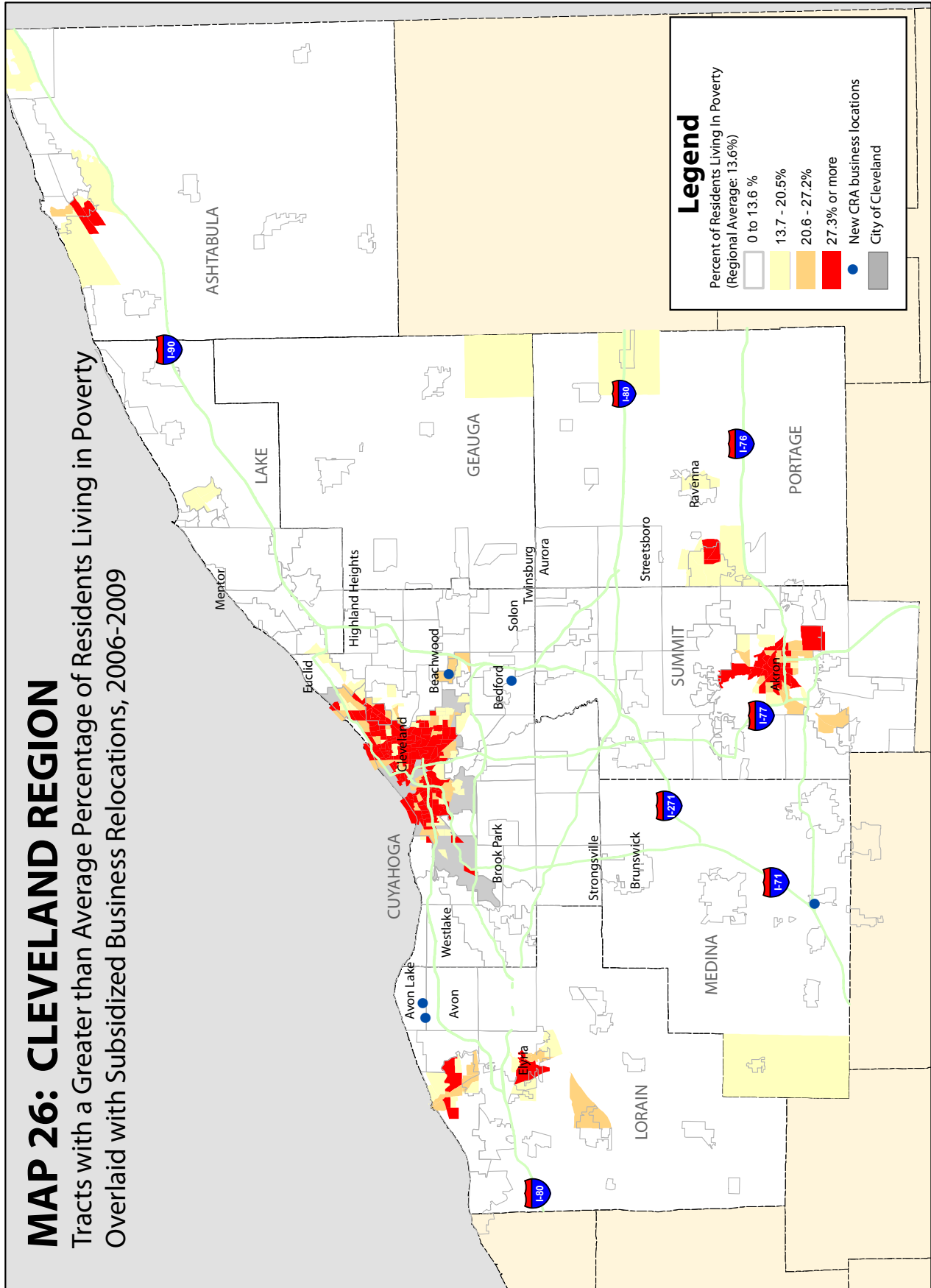
MAP 24: CLEVELAND REGION
Subsidized Business Relocations' Access
to Public Transit Stops, 2006 - 2009



MAP 25: CLEVELAND REGION

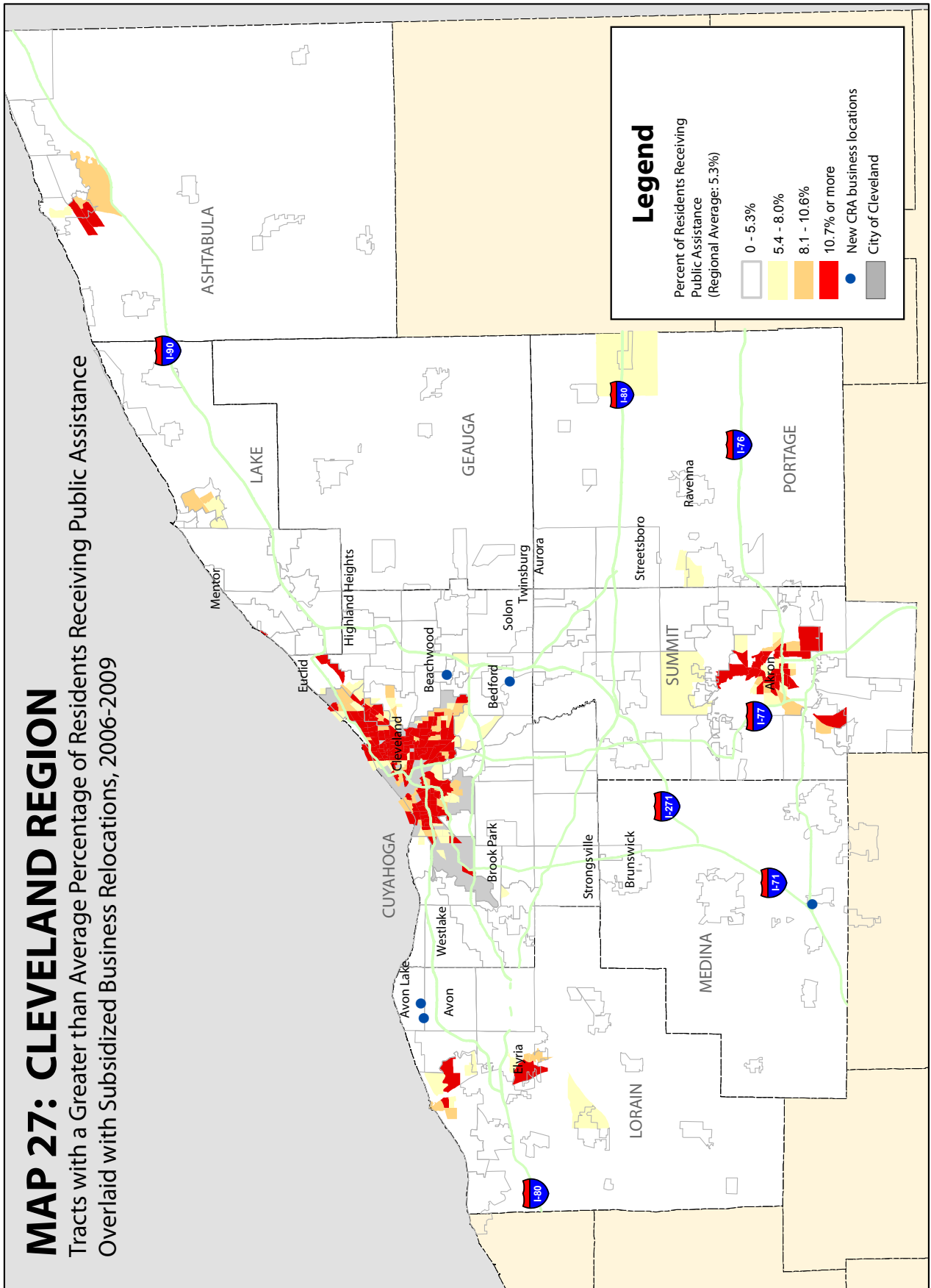
Tracts with a Greater than Average Percentage of Non-White Residents
 Overlaid with Subsidized Business Relocations, 2006-2009



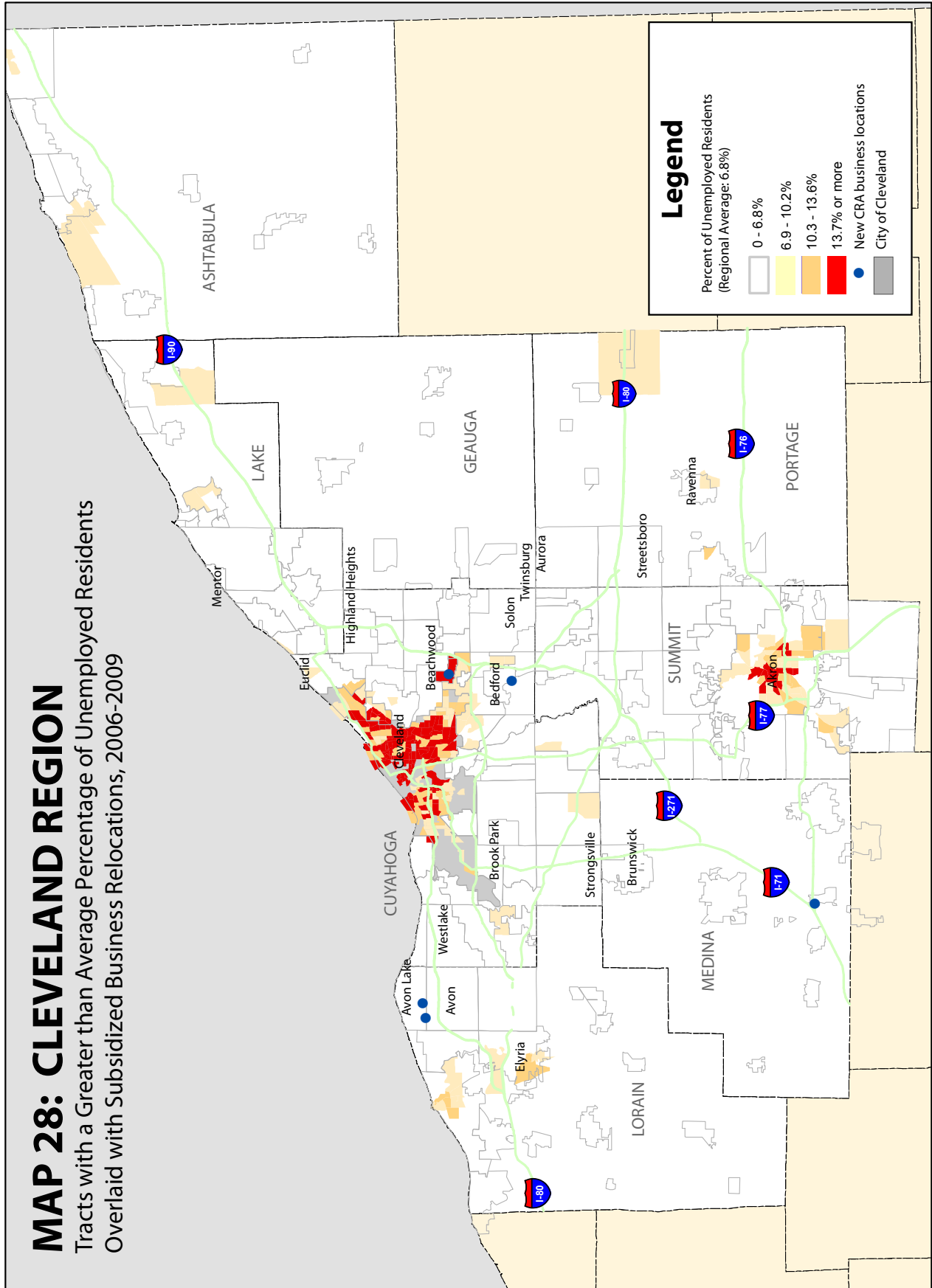


MAP 27: CLEVELAND REGION

Tracts with a Greater than Average Percentage of Residents Receiving Public Assistance
 Overlaid with Subsidized Business Relocations, 2006-2009



SUBSIDIZED RELOCATIONS
IN THE NEW TAX ENVIRONMENT



The unemployment rate in census tracts losing a business to a CRA-subsidized relocation is slightly lower, on average, than the unemployment rate in census tracts gaining a business (from 5.3 percent average unemployment in “losing” tracts to 7.6 percent in “gaining” tracts). In 2000, the regional average rate of unemployment was 6.8 percent. The May 2011 unemployment rate Bureau of Labor Statistics estimate is 7.7 percent.⁷¹ Map 28 displays business relocations and unemployment rates in the year 2000 in the Cleveland metro area.

8. LOCAL PERSPECTIVES ON ENTERPRISE ZONE RELOCATIONS

Seeking to better understand how the relocations occurred, we sought to interview the economic development director of each community that lost or gained five or more business establishments. In interviews conducted in 2007 and 2008, we found a mix of regional policy awareness and staunch localism. Even in the communities where the Enterprise Zone program is administered at the county level, the interviews revealed, tax-base competition among localities is alive and well. We also heard that companies often demand tax breaks even when they are relocating only short distances.

In preparing for the interviews, we reviewed the relevant disclosure reporting forms for that city's relocations. We also performed a newspaper database search for all available contemporary news accounts about the moves. We used a standardized questionnaire (a copy of which is appended to this study) which provided for both specific and open-ended answers.

In the gaining communities, there were recurring patterns. Many attracted all of the relocating firms into a municipal industrial park. Officials made it clear that they consider developing municipal industrial parks with easy access to a highway to be a central part of their business recruitment strategy. Local officials in both gaining and losing locations generally said that they target their incentive offers to mid-size companies with the greatest potential for growth.

Often officials reported that location was the primary reason for the move, and that Enterprise Zone subsidies played only a secondary or even negligible role. One county official, discussing a new industrial park in the Cleveland region, was resolute that businesses moving into that location "would have gone there without the Enterprise Zone [tax break]."

However, many officials said they feel forced to offer such subsidies as proof that they are truly interested in a relocating facility. Capturing that unpleasant feeling, one official rued, "EZs are like jail sentences; eventually they are over."⁷²

None of the local government officials we interviewed reported that they actively solicit or recruit relocations. However in some cases, public officials reported that private industrial park developers sometimes engage in direct recruitment efforts to gain occupants for newly developed sites. Officials in both regions expressed frustration that subsidized relocations are often initiated by a realtor or a site location consultant who, as one official put it, are "earning their bucks by garnering as much economy in the move as he can for his client."⁷³

Officials in the Cincinnati metro region repeatedly cited competition with Kentucky and Indiana as an impetus for offering EZ subsidies. However, as we detailed in Chapter 1, Cincinnati-region facilities on average relocated only 3 miles further away from the central city, a shorter distance than in the

Cleveland area. Moreover, as we also reported above, worksites moving in the Cincinnati region are more likely to stay within the same county and to receive substantially smaller EZ tax breaks.

County-level program administrators seem to have more success in dissuading intra-county moves in the Cincinnati metro area. Harry Blanton from the Hamilton County Office of Economic Development reported, “Without overarching authorities, communities will try to outdo each other. We will offer the same incentive no matter where you go [within the county], so you minimize communities having to compete against each other within the county.”⁷⁴

Although the EZ program requires the gaining community to notify the losing community, we found that officials in the losing cities were less likely to remember the relocation episodes than were officials in the gaining cities. Moreover, to the extent there was ever any communication between gaining and losing communities, it was almost always limited to the mandatory notification letter that is sent only 30 days prior to local action. When officials from a losing community did recall a move, they remembered trying to retain the worksite by offering help in finding real estate and/or an alternative subsidy package.

Often communities that lost facilities reported that they had refused to offer retention subsidies. Some made it clear they felt constrained by a poor tax base. Others stressed the need to treat businesses even-handedly and keep government services strong. The city of Blue Ash, an admittedly industry-rich area, uses this fairness strategy. Judy Harris Clark,

the city’s Economic Development Director, reported:⁷⁵

It’s really simple; we don’t have an incentives program in Blue Ash. If you are looking for that you will have to go elsewhere. There won’t be an incentive offered, but we believe our features are worth more than that. We believe that service provision is [more] important. A good community provides a return on investment.

This philosophy was echoed to varying degrees by officials in some of the other losing communities. Yet, with no region-wide pact or structure for active cooperation among cities in either region, local officials are left to repeatedly fend for themselves.

CASE STUDY: Montgomery County’s Cooperative ED/GE

Montgomery County, Ohio (Dayton metro area) has long sought to foster regional cooperation in economic development. In the late 1980’s, County officials faced a shrinking population, a declining industrial base, and growing suburbanization outside the county borders. To combat these drains on the economy, they created two programs to encourage active cooperation among local governments within the County: a modest tax-base sharing system and a business retention program that requires all participants to sign an anti-poaching agreement.

In 1992, Montgomery County created the Economic Development/Government Equity (ED/GE) program. It consists of two related parts: the Economic Development (ED) Fund

(a competitive grants program), and the Government Equity (GE) Program (a modest tax-base sharing program).

Montgomery County allocates \$3 million a year in sales tax revenue to the ED Fund. A board composed of County Commissioners, local jurisdictions and private sector representatives awards grants from the Fund based on a competitive application process. Preferences are given to infrastructure improvements, retention and expansion of local businesses, infill development in areas already served by basic infrastructure, and collaborative efforts involving two or more communities.⁷⁶ Program administrators report that the “carrot” provided by this ED Fund is critical to guaranteeing local participation in the ED/GE program.

All jurisdictions participating in the ED Fund must also participate in the Government Equity tax revenue-sharing program. Based on a countywide formula, local governments either make an annual contribution to the GE Fund or receive a distribution from it. The fund captures a third of a locality’s growth in property and income taxes over a base year; a total of about \$600,000 is redistributed annually.⁷⁷ The formula also weighs growth in commercial and industrial property values versus residential growth so as to reduce the fiscal benefit to any individual community that might seek to pirate jobs and grow its tax base at the expense of its neighbors. In general, declining, stable and steady-growth communities take in GE funds, while high-growth jurisdictions are required to pay in.

However, there are no net losers from the tax-base sharing program. Under a “settle-up provision,” every three years each locality

that has paid more to the GE Fund than it has received from combined ED/GE fund payments is paid the balance of its loss from the ED Fund. Overall then, member jurisdictions are engaging in tax sharing behavior, but county sales tax revenues effectively refund all municipal property and income tax payments into the program. At present, 27 of the 28 municipalities in Montgomery County participate in ED/GE.

Montgomery County has also sought to institutionalize the regional goodwill established through the ED/GE program by creating a regional business retention program called Business First! Created in 2001, the program focuses on improving government services and coordinating responses to industry needs; it has attracted over 30 member jurisdictions. The protocol for membership in the program educates participating communities on the importance of regional cooperation and requires member-government officials to “tattle” on any footloose company that approaches their municipality with an interest in relocating. It reads:

The underlying philosophy of the program is that we as a region agree that it is desirable, whenever possible, to retain and expand businesses in the jurisdictions that they reside. Therefore, no employee and/or representative of any participating jurisdiction shall actively pursue businesses in another participating jurisdiction.⁷⁸

To ensure that poaching behavior does not occur between member communities, the protocol requires municipalities receiving a business inquiry from a firm already in the County to: inform the firm that incentive programs in Montgomery County require

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County approval or consent of the affected jurisdiction; notify the at-risk jurisdiction of the inquiry; and notify the Montgomery County Department of Economic Development.

The effectiveness of Montgomery County's economic development programs has not been independently analyzed. However, it was renewed by the participating communities already in 2011, effective through 2019. Despite its efforts to curtail inter-jurisdictional competition, we still identified 23 Enterprise Zone relocations there within the 1996-2005 study period.

9. POLICY OPTIONS

If there is a state in the U.S. that ought to be open to new ideas on economic development, Ohio must be it. Rivalled only by Michigan for the weakness of its economy going into the subprime mortgage-driven recession, the State of Ohio conducted a large review of its economic development incentive programs in 2007-2009 after making big changes to its corporate income and property tax systems in 2005.

Although this study is limited to the Enterprise Zones and Community Reinvestment Areas, our policy options apply to all of Ohio's state-enabled economic development subsidy programs, whether they are granted by local governments or by the state.

Ohio's economic development programs have a long history of being studied and modified, and the EZ disclosure data that enabled this study is one vestige of past reforms enacted as a result of previous findings.

Use State Leadership and Resources to Create Economic Development Cooperation Systems among Local Governments

The fate of Ohio's regional economies—and the localities within them—are determined by regional assets. Metro areas are the meaningful unit of competition in economic development. Companies from outside a metro area that are deciding where to expand or relocate look at the linkages and skills and infrastructure and quality of life of the whole metro area, not one city or county. Despite that recruitment reality, and the fact that people live, work, shop, dine, recreate, worship, study and attend

entertainment in different localities within a metro area, most local development officials in Ohio lack a vehicle to deter poaching and promote cooperation for regional growth.

Indeed, the interviews we performed for this study—and the disputes that have prompted calls for anti-poaching protocols—make it painfully clear that local economic development officials in the Cleveland and Cincinnati metro areas do not have a regional network or policy for cooperation, even when a company seeks to pit places against each other in order to extract a larger subsidy. With some exceptions, cities in both regions behave the same way states act when they are asked to compete for a new facility: they do not communicate with each other, passively acceding to the “prisoners’ dilemma” role of allowing the company to control the process of bidding up the subsidies.

EZ program rules mandate that the gaining community notify the losing locality 30 days prior to formal local action, but that is too little, too late. Unfortunately, most interviewees told us that is the only communication that occurs between gaining and losing communities. Few of the officials we interviewed said anything to suggest that they consider their neighboring communities as any sort of partners in economic development. Even though most EZ agreements are administered at the county level, we found little evidence of region-wide partnership.

By contrast, officials in the Dayton metro area (Montgomery County) have for many years used a cooperative system and some

modest financial “carrots” to jointly promote their region’s economy. Building upon that precedent and others, the State of Ohio should use its powers and its resources to encourage the formation of strong regional cooperative bodies. Ultimately, only the State can do this, by virtue of its legal authority to enable and regulate economic development incentives. Local officials deserve State leadership to help them stay focused on what really matters.

Indeed, the *Ohio Economic Development Incentive Study*, a very large review of all of the state’s programs that was mandated by the state legislature in 2007 and delivered in 2009 after involving many dozens of stakeholders across the state, recommends that the Montgomery County model be used as “the standard anti-relocation provision for all state economic development incentives.”⁷⁹

Several other metro areas also have experience that could benefit the Cincinnati and Cleveland regions. For example, the Metro Denver Economic Development Corporation actively facilitates the work of local communities, in part with a Code of Ethics that stresses very specific ways to promote cooperation and reduce zero-sum competition.⁸⁰

In the event a company chooses to relocate from one [Denver-area] community to another, every effort will be made to contact the affected community to let them know of the potential move. Violation of this commitment shall be viewed as the single most serious breach of our membership pledge to the Metro Denver EDC.

“Selling against” another member of the Metro Denver EDC or another

Colorado community, or direct solicitation of intrastate relocations, is strongly discouraged.

Members are strongly discouraged from advertising in local media outside of their own market area.

San Francisco Bay-area members of the California Association for Local Economic Development have also had a long-standing Code of Ethics, which states in part:

The economic development program, city or county in which the business [currently] resides is to be notified (as soon as possible) that the business is considering relocation. Permission to contact the city MUST be obtained from the business first. Since the reasons the business is relocating could well be reasons why you may not want the business in your back yard, a discussion of the needs and reasons of the business for moving, is prudent. This discussion should be followed by an offer to contact a person in the county/city who could assist with the resolution of any problems identified in the business’ current location.

The Bay area community losing the business must agree that they are unable to meet the needs of the business before State and Federal resources/ programs (such as Industrial Development Bond financing) can be provided as an incentive to the business to move.⁸¹

Another example of coordination exists in south Florida, where Miami-Dade, Broward and Palm Beach Counties have a hand-shake agreement not to give subsidies for existing jobs moved between the three counties.⁸²

States that have anti-poaching laws (often specific to one incentive or type of business, such as retail) include Alabama, Colorado, California, Iowa, Michigan, New Mexico, Puerto Rico, and Wisconsin. Localities that have ordinances either denying or discouraging piracy deals include Gary, Indiana and Austin, Texas.⁸³

By virtue of the fact that it legally controls economic development subsidies, the State of Ohio could require local governments that wish to use programs such as CRA or EZ to first sign onto a regional cooperation protocol like Denver's or Dayton's. Liberated by such a safeguard, Cincinnati and Cleveland area officials (not to mention those in other metro areas such as Columbus, Toledo and Youngstown) could abandon zero-sum job piracy and instead cooperate to jointly promote their regions' growth.

Expand Ohio's Online Disclosure System to Cover All Economic Development Subsidy Programs—and All Relocations

Contrary to the national trend, the quality of Ohio's online transparency for jobs has in recent years been deteriorating. And the recently enacted legislation privatizing the state's economic development agency lacks transparency provisions, suggesting that costs and benefits will become even more hidden.

In a subject as costly, complicated and controversial as jobs and tax breaks, taxpayers deserve as much information as possible. Three of Ohio's most important economic development programs—Community Reinvestment Areas, Job Creation Tax Credit,

and Job Retention Tax Credit—used to disclose actual jobs created and wages paid. But as we learned while performing this study, CRA online reports now routinely fail to report even projected jobs and wages, much less actual outcomes. And the two tax credit programs have failed to report job and wage outcomes online since 2008.

Although Ohio's EZs no longer are a top-tier program, the quality of EZ disclosure has also been deteriorating as the program is supplanted by CRAs. Archival annual reports are no longer available online through ODOT's website, and the most recently released annual report, from 2009, fails to disclose relocation activity occurring that year, even though lists of relocations had been included for many years in prior annual reports.

In *Show Us the Subsidies*, Good Jobs First's December 2010 "report card" study, we found 37 states practiced online company-specific disclosure for at least one key subsidy program—a big increase from 2007, when 23 states were found to disclose online. The best states' online disclosure systems provide company-specific, deal-specific data on critical issues such as the value of the job subsidy, the number of jobs the company is obligated to create, the level of wages and benefits required, the street address of the project—and then outcome data on how well the company is meeting its obligations and whether or not the company has been subject to any "clawback" or other penalties for any performance shortfalls.

Ohio was rated #4 in online disclosure in *Show Us the Subsidies*, but received a "grade" of only a "C+". Like all but a few states, Ohio usually fails to show taxpayers what came of their

investments: outcomes are not yet online. Specifically, four major subsidy programs—Job Creation Tax Credit, Job Retention Tax Credit, Ohio Workforce Guarantee, and Rapid Outreach Program—now fail to report how many jobs were actually created or what wages were paid. And although the CRA application form asks for projected and actual jobs and wages, in our experience writing this study, we found that that part of the application form is rarely filled in. (Hence our reliance on Dun and Bradstreet data for CRA-company employment estimates.)

If a state only discloses how many jobs are projected at the time a deal is announced, but not how many actually pan out, economic development statistics can be very misleading. In neighboring Indiana, after a series of investigative reports by WTHR-TV in Indianapolis about claims of 100,000 jobs created by the privatized Indiana Economic Development Corporation, an audit and further WTHR analysis in January 2011 revealed that only 38 percent of the claimed jobs had actually materialized so far.⁸⁴ Indeed, a December 2010 report by Ohio's Attorney General found that the state is good about naming recipients but gives taxpayers very little information about actual outcomes.⁸⁵

Given this study's findings, the need for tracking of relocations is especially critical for the CRA program. Even though CRA, like EZ, is a geographically designated property tax abatement program, it does not regulate or disclose intrastate relocations. Communities gaining a relocating business must only notify the losing community 30 days before the formal approval of the CRA agreement.⁸⁶ Without a statewide tracking system, it will be impossible to analyze CRA-induced job movements to see how they affect any of the

critical issues explored in this study. Making information about all economic development deals readily available to the public would improve public participation in planning and economic development. That, in turn, would help public officials be more strategic and deliberate in their use of incentives.

Even for deals that don't involve relocations, disclosure records should always include the exact street address of the work site (and the previous street address, if applicable), so that deals can be readily mapped and their land-use implications analyzed.

In addition to the already-deteriorating condition of Ohio's subsidy disclosure online, one of Gov. John Kasich's first moves as Governor in early 2011 was to privatize the state's economic development activities, previously performed by the Ohio Department of Development (ODOD). JobsOhio, the new private entity, is now assuming ODOD's duties. The new private agency is already receiving criticism for the absence of transparency and accountability provisions in its enabling legislation.⁸⁷ Absent transparency, analyses of the costs, benefits, or geographic distribution of jobs subsidies will likely be impossible in Ohio.

***Make Accessibility to Public Transportation
(and Other Land Use Efficiencies)
a Requirement to Qualify for a Subsidy***

The Cincinnati and Cleveland regions have three compelling reasons to actively coordinate economic development with public transportation: the environment, social equity, and economic competitiveness.

The Cleveland and Cincinnati metro areas already rank in the top 19 metro areas for household spending on transportation. Frustrations with traffic congestion and air quality and rising concerns about global warming—and now sharply higher gasoline prices—mean more commuters need the option of taking transit. When commuting times grow longer and gasoline costs make long commutes less affordable, some employers lose access to greater shares of the regional labor market, making the region less attractive and competitive. Workers waste more time in slow traffic, making them less productive. And as more jobs migrate to or grow in places that are not transit-accessible, low-income workers who cannot afford a car—disproportionately people of color—are denied the opportunity to gain new skills and a better living.

In 2005, Illinois became the first state to intentionally link job subsidies to transit. Its Business Location Efficiency Incentive Act gives a small additional corporate income tax credit (10 percent higher) under one common state incentive (the Economic Development in a Growing Economy, or EDGE program) for deals in which the job site is accessible by public transportation and/or proximate to affordable workforce housing.⁸⁸

The Act was championed by a coalition of business, environmental and transit advocates who consider transit access and affordable housing crucial issues for the future economic viability of Illinois' urban centers. The Chicago region's largest employers, as represented by Chicago Metropolis 2020, presaged the law with their 2001 Metropolis Principles, in which more than 100 major companies publicly announced that in making future decisions

about where to expand or relocate in the Chicago metro area, they would heavily weight job access via public transit and proximity to affordable housing.⁸⁹

In California, the Infrastructure and Economic Development Bank applies land use and other efficiency-targeting standards to its Infrastructure State Revolving Fund (ISRF) Program. It rates applications using a 200-point scoring system which gives preference to applicants that:

- Serve environmental and housing goals by being located in or adjacent to already developed areas, protecting the environment in any of several ways, and being located in a jurisdiction with an approved General Plan Housing Element (up to 40 points);
- Are “located in or adjacent to and directly affecting, areas with high unemployment rates, low median family income, declining or slow growth in labor force employment, and high poverty rates (up to 55 points);
- Improve the quality of life by contributing to benefits such as public safety, healthcare, education, day care, greater use of public transit, or downtown revitalization (up to 30 points);
- Are most cost-effective in job creation or retention (ranging from 10 points for firms receiving less than \$65,000 per job to 30 points for firms receiving less than \$35,000 per job); and

- Have “established relationships with local employment and training entities... to link local job seekers with employment opportunities” (up to 10 points).

Thirty-five additional points are assigned for “economic base employers” (those that draw revenue from outside the region), those projects with the lowest ratios of public financing versus private capital, and project readiness (the fewest months before construction will start).

Consider Regional Tax-Base Sharing Programs

Frustrated by years of “go-it-alone” interregional competition for jobs and economic development, mayors from the 16-county Northeast Ohio region (including all counties in the Cleveland metro area) voted in 2008 to pursue a new regional agenda.⁹⁰ The plan called for a regional tax sharing agreement and joint land use planning. The proposed tax-sharing distribution formula called for 40 percent of new commercial and industrial property taxes and 20 percent of new income taxes to be shared within the region.⁹¹

This came on the heels of a 2008 report, the Northeast Ohio Economic Revenue Study, authored by the Lorain County Community College and Amerigis, a private research firm led by regional-governance advocate Myron Orfield.⁹² It found that the region’s cities and suburbs are overwhelmingly struggling with weak tax bases, slow growth and growing social needs. Moreover, it concluded, the region’s current growth pattern will only make the stress worse. The study argued that tax sharing, along with regional planning and governance,

would enable the region’s residents to get better services with lower taxes.

The 2008 report followed a debate from 2006 among the Cuyahoga County Mayors and City Managers Association. The 57 member municipalities debated whether to split future income taxes 50/50 on existing jobs that are relocated (but not new jobs) for up to five years. Earlier, Cleveland Mayor Frank Jackson began negotiating agreements with suburbs, offering to take over water lines in suburbs if they promised not to poach jobs from Cleveland.⁹³

Both the Minneapolis-St. Paul (Twin Cities) metro region and Montgomery County, Ohio (as discussed above) have tax-base sharing programs that have discouraged zero-sum competition between neighboring communities.

In 1971, the state of Minnesota passed the Charles R. Weaver Metropolitan Revenue Distribution Act, commonly known as the Fiscal Disparities Act. This law created a system whereby 40 percent of the increases in commercial-industrial property tax revenue since 1971 have been shared on a means-tested basis among localities in seven metro-area counties.

At the time of its passage, lawmakers hoped the bill would create an incentive for local governments to cooperate instead of compete in economic development.⁹⁴ Because communities share a large portion of the tax benefits from any commercial or industrial growth in the region, the law greatly reduces the fiscal reward for any individual community that might seek to pirate jobs and grow its tax base at the expense of its neighbors. However,

unlike regional cooperation systems like that of the Metro Denver Economic Development Corporation, the Minnesota law did not create any specific behavioral requirements or protocols for public officials.

The law has been credited with greatly reducing the tax base disparities among localities in the seven counties compared to other metro areas, enabling older communities to remain vital.⁹⁵ However, because it lacks an anti-poaching protocol, the law has had limited success in stopping subsidized job relocations. In 2006 Good Jobs First published *The Thin Cities: How Subsidized Job Piracy Deepens Inequality in the Twin Cities Metro Area*. The study analyzed 86 subsidized job relocations in the region, and it was readily evident from our analysis that the Fiscal Disparities Act has not deterred some cities from actively recruiting their neighbors' employers.⁹⁶

Part of that can be explained by a structural incentive for sprawl: the metro area has grown since 1971 to encompass four more Minnesota counties that were not covered by the Weaver Act revenue-sharing system. Therefore, those four counties retain 100 percent of their commercial-industrial tax increments, instead of sharing 40 percent regionally.⁹⁷ That said, more than two thirds of the subsidized relocations occurred within the seven counties covered by the Fiscal Disparities Act.

Although Montgomery County's ED/GE program redistributes far fewer tax dollars and guarantees that no community is a net loser (whereas some localities in the Twin Cities area lose considerable sums each year), the Dayton-area effort has been successful in creating stronger communication among neighboring communities and focusing economic

development efforts on projects that are in the best interest of the region rather than a particular community.

Although neither of these tax revenue-sharing programs comes close to eliminating subsidized business relocations, they are a step in the right direction. Local development officials need—and deserve—tools and incentives to cooperate and focus their resources on the issues that really matter for regional success.

10. METHODOLOGY

This is Good Jobs First's sixth mapping study examining how economic development subsidies influence land use patterns. Initial relocation data was derived from the Ohio Department of Development (ODOD) Enterprise Zone website that used to disclose intrastate relocations. If a company relocates into an EZ from within the state, ODOD must issue a waiver stating that the subsidies are "absolutely necessary to attract and retain employment opportunities in the state." The state then collected and published a list of those waiver recipients in its Annual Enterprise Zone Report online as a PDF document.

From the ODOD website, we initially collected a list of all firms listed as having received a waiver between 1996 and 2005 and compiled it into a spreadsheet which totaled more than 430 deals.

With that raw data, next we interviewed state officials, labor representatives, smart growth advocates and grassroots community organizations. Based upon their combined input and reflecting the project's available resources, we decided to focus on the Cincinnati and Cleveland combined metropolitan statistical areas; they are the largest population centers in the state and they also had by far the largest number of EZ relocations. We considered the Columbus metro area; however the city's aggressive annexation practices and comparatively robust economy make for a regional story that does not resemble the state generally.

In Cincinnati, we focused on relocations that occurred within the five Ohio counties (Brown,

Butler, Clermont, Hamilton and Warren) of the 13-county tri-state metropolitan area (since subsidized relocations into Kentucky and Indiana are not disclosed). These five Ohio counties had 147 waiver applications over the 11-year period, the most of any metro area in the state. Fewer than 9 percent (13 out of 147) of those applications were rejected or withdrawn. The eight-county Cleveland metropolitan area had 100 waiver applications, the second largest number of relocations within a metro area, of which 18 were rejected or withdrawn. Excluding these rejected and withdrawn applications from the study sample left 134 relocations in the Cincinnati survey and 82 in the Cleveland sample.

Next we obtained detailed outcome reporting data from ODOD. Firms are required to annually submit reports that include subsidy amounts, job creation and retention commitments, job creation and retention performance, taxes paid and foregone, industry classification, whether the firm has entered into a revenue sharing agreement with the local school district, and compliance status.

We did not find ODOD outcome reporting statistics for every firm on our relocation waiver lists. This could occur for at least three reasons: the Enterprise Zone agreement has expired, so ODOD no longer tracks the agreement; the business received the waiver but did not in fact relocate; or the business changed its name, perhaps as the result of a merger or acquisition. We excluded all firms without ODOD outcome reporting (28 in Cincinnati and 15 in Cleveland) from the analysis since we could not verify that they received EZ subsidies.

Finally, we had to obtain the companies' exact current and previous street addresses since the ODOD Annual Report only lists the community names. Numerous kinds of sources were necessary here: LexisNexis newspaper searches, metropolitan business journal archives, Ohio business directories archived at the Library of Congress; the Dun & Bradstreet, Inc. Market Identifier Plus database; and general internet searches. We also directly telephoned all of the companies. In about 11 percent of the cases, we were still unable to determine one or both of a firm's addresses; we excluded those relocations from the study. After all of this data-sifting, we were left with 94 relocations in the Cincinnati region and 58 in Cleveland.

Given the 2005-2009 changes to Ohio's corporate tax structure, we elected to additionally analyze relocations made via the EZ program's successor, the CRA program, separately. We solicited from ODOD a list of business moves into CRAs in the state between 2006 and 2010. During this period, only 60 companies made intrastate moves into either CRAs or EZs. Intra-MSA relocations occurring in the Cleveland and Cincinnati metro areas accounted for just 12 of these — five CRA relocations in Cleveland, and in Cincinnati two CRA relocations and five new EZ relocations.

Our repeated requests to ODOD for figures describing the number of jobs associated with each of these 12 moves and full facility addresses were responded to slowly and incompletely (by staffers in both the Strickland and Kasich administrations). Where possible, jobs data was obtained through the CRA agreement disclosure website. Duns and Bradstreet data had to be used to estimate job numbers when CRA data was incomplete. As

with the first set of EZ data, numerous kinds of searches were employed to determine former and current addresses of relocating businesses.

In mapping these company moves, we used ArcGIS 9.1. We obtained the transit stop data used in Maps 6, 7 and 8 from the Southwest Ohio Regional Transit Authority, the Greater Cleveland Regional Transit Authority, the Akron Metro Regional Transit Authority and the Portage Area Regional Transportation Authority.

Worker Adjustment and Retraining Notification (WARN) Act notice data (documenting plant closings and mass layoffs) was obtained from the Ohio Department of Job and Family Services, although we again only received community names and had to use the same methods described above to locate firm addresses. The rest of the demographic information expressed in the maps (poverty, race, public assistance and work commute data) comes from the 2000 U.S. Census, which was the available data guiding Ohio policymakers during most of the study period. At the time of this publication's release, detailed economic data from the 2010 U.S. Census has not yet been made available.

Finally, we examined the perspectives of gaining and losing communities by seeking to interview the economic development director of each city that that lost or gained five or more firms. Of the 17 we persistently sought to interview, all but two responded. In a few cases, staff turnover precluded us from speaking with someone with direct knowledge of the relocations; their successors generously retrieved records, sharing what history they could.

ENDNOTES

- 1 Interview with Linda Fitzgerald, Economic Development Consultant for the City of Evendale, January 18, 2008.
- 2 “Cuyahoga County Anti-Poaching Protocol” issued June 9, 2011 by County Executive Ed FitzGerald, at: <http://media.cleveland.com/cuyahoga-county-road-to-reform/other/ANTI-POACHING%20PROTOCOL%20-%20FINAL%20-%20June%208,%202011.pdf>.
- 3 April 11, 2011 letter to Govs. Jay Nixon and Sam Brownback from executives of Faultless Starch/Bon Ami, Great Plains Energy, Zimmer Real Estate Services, UMB Bank, Blue Cross and Blue Shield of Kansas City, Burns & McDonnell, Hallmark Cards, Kansas City Southern, Sprint Nextel, Quest Diagnostics, Kansas City Power & Light (former), U.S. Bank, Commerce Bank, DST Systems, Americo Life, Bank of Blue Valley, and Ash Grove Cement.
- 4 Todd Gabe and David Kraybill, “The Effect of State Economic Development Incentives on Employment Growth of Establishments.” *Journal of Regional Science*, vol. 42, no. 4, 2002, pp. 703-730. Available online at <http://www.agoregon.org/files/gabe%20and%20kraybill%20in%20jrs.pdf>.
- 5 Ohio Department of Development, “Ohio Economic Development Incentive Study,” May 4, 2009, page 38.
- 6 Mark Cassell, *Zoned Out: Distribution and Benefits in Ohio’s Enterprise Zone Program*. Policy Matters Ohio: 2003, Available at www.policymattersohio.org/enterprise_zones.htm. And Mark Cassell, “Wealthy benefit most from enterprise zones,” *Cleveland Plain Dealer* op-ed, November 10, 2003, available through Policy Matters Ohio website at http://www.policymattersohio.org/pdf/CPD_Wealthy_Benefit_EZ_2003_1110.pdf.
- 7 The most recently released, and currently only available Enterprise Zone Annual Report is from 2009. It is online at <http://development.ohio.gov/DepartmentReports/Default.htm>. Annual reports from 1994 to 2006 are no longer available online through ODOT’s website.
- 8 While relocation data started beginning collected in 1999, this data was not published online by the Minnesota Department of Employment and Economic Development until 2000.
- 9 Friends of the Earth press release, “SBA to Implement New Environmental Policies to Settle Conservationists’ Lawsuit”, March 27, 2003.
- 10 Keystone Research Center, “Economic Development Accountability,” summarizing its 2010 study, *Making Smarter State Investments*, at <http://kestoneresearch.org/issues-guides/economic-development-accountability>.
- 11 Chris Lester and Steve Nicely, “Giveaways Set the Stage for a Loss”, *Kansas City Star*, December 20, 1995, p.1.
- 12 Alyssa Talanker and Kate Davis with Greg LeRoy. *Straying from Good Intentions: How States are weakening Enterprise Zone and Tax Increment Financing Programs*. Good Jobs First, June 2003.
- 13 Cleveland State University Urban Center, *An Assessment of the Costs, Benefits, and Overall Impacts of the State of Ohio’s Economic Development Programs*, May 1999. Available online at http://urban.csuohio.edu/publications/center/center_for_economic_development/Final_Report_An_Assessment_of_the_Costs_Benefits.pdf.
- 14 Ed Hill, *Tax Abatement War Within a State: Ohio’s Enterprise Zone Tax Abatement Program*, Cleveland State University College of Urban Affairs, August 1994.

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- 15 Between 1999 and 2005, 21 of the 337 total intrastate relocation waivers were rejected. Another seven were withdrawn.
 - 16 The most recently released, and currently only available Enterprise Zone Annual Report, is from 2009. It is online at <http://development.ohio.gov/DepartmentReports/Default.htm>. Annual reports from 1994 to 2006 are no longer made public by ODOD.
 - 17 Ohio Department of Development, *2005 Ohio Enterprise Zone Annual Report*, p. 7.
 - 18 Robert Turner and Mark Cassell. "The Expansion of the Ohio Enterprise Zone Program: Can More Communities Compete?" Paper at State Polics and Policy 5th Annual Conference, Lansing, MI, 2005. p. 14.
 - 19 Ohio Department of Development. "Ohio Community Reinvestment Area Program Summary," online at <http://www.development.ohio.gov/cms/uploadedfiles/EDD/CRA/CRASUM2.pdf>.
 - 20 Ohio Department of Development. *2009 Ohio Enterprise Zone Program Annual Report*. November 30, 2010. Online at: http://www.development.ohio.gov/DepartmentReports/documents/OhioEnterpriseZone_Report.pdf.
 - 21 2005 Ohio Enterprise Zone Annual Report and 2009 Ohio Enterprise Zone Program Annual Report. Online at: http://www.development.ohio.gov/DepartmentReports/documents/OhioEnterpriseZone_Report.pdf.
 - 22 Ohio Department of Taxation, Tax Data Series PE3. "Valuation of Real Property Exempted by Tax Abatements, by Class of Abatement and County, Calendar Year 2008." Available online at http://tax.ohio.gov/divisions/tax_analysis/tax_data_series/publications_tds_property.stm.
 - 23 Email communication with Meghan Sullivan Homsher, Ohio Department of Taxation, Tax Analysis Division. October 22, 2010.
 - 24 Ohio Community Reinvestment Area Program Summary, online at http://tax.ohio.gov/divisions/tax_analysis/tax_data_series/publications_tds_property.stm.
 - 25 All maps of the Cincinnati metropolitan region in this study display the 5 counties of Butler, Brown, Clermont, Hamilton, and Warren. The 2000 U.S. Census includes two Kentucky counties and an Indiana County in the Cincinnati Greater Metropolitan Statistical Area; however these counties are beyond this study's scope since they are not covered by Ohio's Enterprise Zone subsidy disclosure system.
 - 26 All maps of the Cleveland region in this study display the 8 counties of the Cleveland-Akron Consolidated Metropolitan Statistical Area (CMSA): Ashtabula, Cuyahoga, Geauga, Lake, Lorain, Medina, Portage and Summit. Akron, located in Summit County, is an old industrialized city that historically served as another regional economic hub. However, in the context of EZ relocations, we find that Akron did not attract or lose significant numbers of firms and, for the purposes of this study, the City of Cleveland is defined as the only central city in the region.
 - 27 National Bureau of Economic Research, Bureau of Labor Statistics Quarterly Census of Employment and Wages.
 - 28 The primary advocate for the WARN Act was then-Senator Howard Metzenbaum of Ohio.
 - 29 Ohio Department of Job and Family Services WARN Act Data for years 1996-2005. Out of 128 records, 47 were for companies from the City of Cincinnati or bordering suburbs.

ENDNOTES

- 30 Also during the study period, the central city and inner-ring suburbs in the Cincinnati region lost 31 percent (29 of 94) of the EZ relocations.
- 31 Ohio Department of Job and Family Services WARN Act Data for years 1996-2005.
- 32 Also during the study period, the central city and inner-ring suburbs in the Cleveland region lost 31 percent (18 of 58) of the EZ relocations.
- 33 “EZ Net Firm Gain/Loss” is calculated by subtracting the total number of firms that left the community in order to move to a metro area EZ from the total number of EZ subsidized firms that moved to the community from another Cincinnati-area location. “EZ Net Firm Gain/Loss Share” divides “EZ Net Firm Gain/Loss” by the total number of relocations in the Cincinnati metro area (94).
- 34 “EZ Net Firm Gain/Loss” is calculated by subtracting the total number of firms that left the community in order to move to a metro area EZ from the total number of EZ subsidized firms that moved to the community from another Cleveland-area location. “EZ Net Firm Gain/Loss Share” divides “EZ Net Firm Gain/Loss” by the total number of relocations in the Cleveland metro area (58).
- 35 The Ohio Department of Development, Office of Tax Incentives provided Good Jobs First with outcome reporting records for current and past Enterprise Zone recipients. We defined the total employment impact of each subsidized relocation as the sum of actual jobs created and actual jobs retained.
- 36 ARC GIS files of transit stops provided to Good Jobs First by the SORTA Office of Planning and Scheduling, October 16, 2007.
- 37 The Ohio Department of Development, Office of Tax Incentives provided Good Jobs First with outcome reporting records for current and past Enterprise Zone recipients. We defined the total employment impact of each subsidized relocation as the sum of actual jobs created and actual jobs retained.
- 38 Greater Cleveland Transit Authority bus stop data was provided by the GCTA Service Management Department on October, 29, 2007. Akron Metro Transit Authority and Portage Area Regional Transportation Authority transit stop data was provided by the Akron Metropolitan Area Transit Study on October 12, 2007.
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- 41 2000 Census, Summary File 3. Available at www.census.gov.
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- 58 Email communication with Meghan Sullivan Homsher, Ohio Department of Taxation, Tax Analysis Division. October 22, 2010.
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- 60 This data is expected to be released in 2012.
- 61 Enterprise Zone agreements website: <http://www.development.ohio.gov/oteisearch/ez/>. CRA agreements website: <http://www.development.ohio.gov/oteisearch/CRA/>
- 62 Employment figures were not provided by ODOD for this research. Total employment numbers were obtained using Dun and Bradstreet data. Over half of the total workers cited here are employed by BAE Systems in Fairfield, Ohio.
- 63 The value of CRA and EZ property exemptions is determined using ODOD's contract databases at <http://development.ohio.gov/oteisearch/CRA/> and <http://development.ohio.gov/oteisearch/EZ/>. This information is regarded to be outdated and incomplete by users.

ENDNOTES

- 64 Transit access was verified via SORTA Trip Planner on June 15, 2011. Online at <http://www.sorta.com/>.
- 65 2000 Decennial Census, Summary File 3, online at www.census.gov.
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- 69 However, results from this analysis are slightly skewed upward by a single business that moved from a census tract that was 26 percent nonwhite to a 55 percent nonwhite census tract.
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- 72 Interview with Linda Fitzgerald, Economic Development Consultant for the City of Evendale, January 18, 2008.
- 73 Interview with Economic Development Official from a community losing five or more firms to a subsidized relocation in the Cleveland Region. February 4, 2008.
- 74 Interview with Harry Blanton of the Hamilton County Office of Economic Development in February 2008.
- 75 Interview with Linda Fitzgerald, Economic Development Consultant for the City of Evendale, January 18, 2008.
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- 77 Interview with Montgomery County Economic Development Division Manager, Eric Collins and ED/GE Coordinator Linda Gum on February 15, 2008.
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- 79 Ohio Department of Development, "Ohio Economic Development Incentive Study," May 4, 2009, op cit, page 35.
- 80 See the full Code of Ethics text at http://www.policymattersohio.org/pdf/Metro_Denver_Code_of_Ethics.pdf.
- 81 "CALED Bay Area Chapter Code of Ethics for Economic Development Professionals and Organizations for In-State Business Lead Solicitation (Marketing) and Processing." Undated, provided by Bruce Kern, executive director of the (Alameda and Contra Costa Counties) Economic Development Alliance for Business on December 30, 1998.
- 82 June 24, 2011 interview with Broward County Economic and Small Business Development. Even though a "no-poaching" resolution from 2002 was never formally enacted, the counties agreed not to offer subsidies to companies that move existing jobs between the three counties. However, subsidies may be offered for new, additional jobs.

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- 83 Greg LeRoy, *No More Candy Store: States and Cities Making Job Subsidies Accountable* (1994), pp. 72-83, at: <http://www.goodjobsfirst.org/sites/default/files/docs/pdf/nmcs.pdf>. Wendy Patton, "State and Local Anti-Poaching Agreements: Background Information," Policy Matters Ohio, September 2006, at http://www.policymattersohio.org/pdf/anti-poaching_backgrounder.pdf. "Anti-Piracy Laws," Institute for Local Self-Reliance, New Rules Project, undated, at: <http://www.newrules.org/retail/rules/antipiracy>.
- 84 Bob Segall, "Where are the jobs? The real numbers are in." WTHR-TV, January 19 and 20, 2011, at <http://www.wthr.com/story/13870940/where-are-the-jobs-the-real-numbers-are-in>.
- 85 Ohio Attorney General Richard Cordray, *2010 Report of the Ohio Attorney General Concerning Economic Development Accountability*. December 31, 2010.
- 86 Ohio Department of Development. "Ohio Community Reinvestment Area Program Summary," online at <http://www.development.ohio.gov/cms/uploadedfiles/EDD/CRA/CRASUM2.pdf>.
- 87 Joe Vardon and Jim Siegel, "Kasich's Senate-budget amendments strip him of JobsOhio Powers." *Columbus Dispatch*, June 6, 2011. In response to a lawsuit alleging that aspects of JobsOhio are unconstitutional, the Kasich administration proposed 10 amendments to it.
- 88 Transit access is defined as regular service within a mile of the worksite plus pedestrian access to the transit stop. Housing affordability is pegged to 35 percent of the median salary of the workforce (excluding the highest-paid 10 percent of the employees), located within 3 miles of the job site. Companies seeking the subsidy at sites that do not initially qualify can qualify with a site remediation plan that includes measures such as an employer-assisted housing plan, shuttle services, pre-tax transit cards, and carpooling assistance. The Act also provides incentives for businesses to create jobs in any area with a labor surplus. The text of Illinois SB 2885 may be seen at: <http://www.ilga.gov/legislation/fulltext.asp?DocName=&SessionId=50&GA=94&DocTypeId=SB&DocNum=2885&GAID=8&LegID=23994&SpecSess=&Session=>.
- 89 News of the Metropolis Principles can be viewed at: <http://www.chicagometropolis2020.org/documents/metropolisprinciplesFINAL.pdf>.
- 90 Mark Ferenchik, "Towns Start to Cooperate: State Readies Incentives to Reinforce that Cities Benefit When Region Grows," *The Columbus Dispatch*, May 27, 2008.
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