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If You Build It, They Will Come: How Cleveland Lured Young Professionals Downtown

SOPHIE QUINTON AUGUST 2, 2013

It's easy, really: create places people want to be.

When the Maron family decided to redevelop an entire city block in downtown Cleveland, the area was so blighted no restaurateur would lease space there. A decade later, the East Fourth neighborhood is home to Food Network personalities, a House of Blues, and free Saturday yoga classes. Café-style seating spills into the pedestrian-only street. Apartments on the block are fully leased, and a 100-unit building under construction across the street has already reached full capacity.

The success of East Fourth Street in once-struggling Cleveland was something few people would have anticipated 20 years ago. It took years of collaboration between developers, businesses, local institutions, and government, but today downtown Cleveland is taking off—and giving the old Rust Belt city a future. There wasn't a market for urban living in Cleveland until developers like the Marons built places where young professionals would want to be.

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"Employers are looking for fresh, vibrant urban environments," says Chris Warren, the city's chief of regional development. "Cleveland needs to compete." Until recently, Cleveland was on the sidelines. The city's population has dropped by one-third since 1950. Although Cleveland includes two neighborhoods that are among Ohio's top five employment centers, tax revenues from incomes go primarily to the suburbs where most employees live. As recently as 2011, about one-third of city residents lived in poverty.

When Ari Maron graduated from Rice University in 2000, he came home to Cleveland to find that most of his childhood friends had moved to New York, Chicago, and San Francisco. "None of them lived in neighborhoods like we grew up in," Maron says. He realized that if Cleveland were to retain—let alone attract—young professionals, the city's downtown would have to offer more than just office space.

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Maron joined his dad's contracting and development company, MRN Ltd., which had just turned a building on East Fourth Street into apartments and started to renovate a hotel in the same neighborhood. At the time, these were considered risky projects. East Fourth Street was a center for prostitution and drug dealing—not exactly a robust housing market. But the street was also close to public transit, the Cleveland Indians' new ballpark, and the historic theater district. Maron decided to aim even higher: to turn East Fourth into an entertainment district.

Developers were reluctant to invest in urban residential and mixed-use projects in an unproven market. An urban development in a distressed area is a significantly more complicated, expensive, and time-consuming endeavor than planting a subdivision in open space. "It took us eight years just to buy all the property, and we got no returns for that period of time," Maron says. It helped that MRN wasn't beholden to preconceptions about how to make money in real estate. Its leadership consisted of Maron, a trained violinist; his dad, a contractor; and his brother, an accountant.

Urban projects also require a lot of cooperation with city hall, to make sure they are integrated with existing infrastructure and comply with city laws. The 16 buildings on East Fourth had 250 owners crowded onto their land-leases. MRN managed to acquire 80 percent of the property, but to free up abandoned or extremely neglected buildings, the city had to exercise eminent domain. Realizing Maron's vision required working with the city to waive parking-ratio requirements and to make sure fire trucks could still access a street closed to vehicular traffic.

Financing the project was even more complicated. "What we call 'baklava financing' has been the way we've approached urban projects," Maron says, referring to the Mediterranean layered pastry. Federal and state historic tax credits provided a layer of funding for every apartment building, restaurant, or entertainment venue. Cleveland Development Advisers, a subsidiary of the regional chamber of commerce, provided loans and New Markets tax credits.

MRN was forced to get creative. Restaurateurs were wary of taking a chance on a largely abandoned area, so MRN opened its own Mexican restaurant, Irish pub, and bowling alley. "We're in the hotel business, and the restaurant business—things that, at the time, we were forced to do because it was the only way for us to prove that there was a market for this kind of product," Maron says.

But each project got easier to finance. The 224 apartments filled up almost as fast as MRN could build them. Crowds gathered at East Fourth's entertainment venues, attracting new businesses and new investment. Today, tenants include Chef Jonathon Sawyer, whose Greenhouse Tavern was named one of the 10 best new restaurants in America by *Bon Appetit*. Rents on East Fourth have gone up 60 percent in the last decade, Maron says, and restaurant retail sales are double what MRN first expected. "As the market continues to grow, there's less and less need for the baklava financing," Maron says.

"Back in the '70s and '80s when we were trying to save our cities, they were constantly coming out with silver bullets," says Christopher B. Leinberger, a real-estate developer-turned-research-professor at the George Washington University School of Business. But attracting a flashy new stadium or new convention center is only one piece of the puzzle. Those projects—both of which Cleveland has pursued—didn't do for shrinking cities in the 1970s and 80s, when professionals were fleeing to the suburbs en masse. East Fourth Street was the right project at the right time.

Nationwide, demand for walkable, urban living is on the rise—in a way that it wasn't in past decades, when high urban crime rates kept professionals in the suburbs. Leinberger believes demand will continue to rise as millennials and Gen-Yers focus on paying off student loans rather buying cars and houses, and baby boomers downsize to apartments. In Cleveland, there's now a broad consensus that mixed-use, urban neighborhoods will give the city a future, says Edward Hill, dean of the college of urban affairs at Cleveland State University. As an economist, Hill is usually wary of the interference of public money in private markets, but in this case he thinks social-sector investment is justified. "The city really is positioned to realize the gains. If they don't invest themselves, they're going to die," he says.

Cleveland's urban revival has required leadership at every level. Business owners voluntarily raised their taxes to fund special improvement districts. Cleveland State University built space for nearly 1,200 additional dorm beds downtown. A Transportation Department grant helped fund a bus rapid-transit line between the business district and the university, hospital, and arts district. City hall modified building codes to encourage historic preservation and created new walkable neighborhood zoning.

There's little political opposition, in large part because gentrification isn't an issue. "No one's being displaced," Hill says. Downtown, in University Circle, and along the lakefront, new developments are replacing vacant office space, empty warehouses, and parking lots.

Today, nearly 12,000 people live in the two square miles that make up downtown Cleveland—the largest number in 60 years—and residential occupancy rates are over 95 percent. In 2011, MRN developed new office space for Rosetta, an area marketing agency that relocated downtown. Cleveland has been able to persuade major employers like Amtrust Financial Services and Ernst & Young to expand their downtown operations. They were sold, Warren says, on Cleveland's ability to attract talented professionals.

Top image: Cleveland's trendy new East Fourth neighborhood, which a decade ago was largely crime-ridden and dotted with vacant buildings. (Courtesy of Downtown Cleveland Alliance)

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