

# Steelyard celebrates a first

## Years of struggle lead to initial store opening, a Home Depot

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For more than two years, the anticipation about Steelyard Commons has centered largely on Wal-Mart.

The big-box retailer's plans to build its first Cleveland store on a former LTV Steel site sent city officials, labor leaders and bargain-hunters into a gossiping frenzy.

But today, when Home Depot opens the first store at the sprawling shopping center, Steelyard Commons will be more than a controversy about a concept. The huge project becomes a test of an urban market's retail needs, as well as a measure of a successful local real estate player's touch in a setting unlike any he has ever developed.

"This has been a difficult project, but also one we've been fully committed to and invested in," said Mitchell Schneider, president of Lyndhurst-based First Interstate Properties Ltd. "We feel we've done a quality piece of work that benefits the citizens of Cleveland."

Schneider has said that when all the stores and restaurants are open, Steelyard could support 1,800 jobs and add more than \$3 million annually in property taxes. The project also represents several firsts. The 1 million-square-foot, \$120 million development will be Cleveland's first big-box shopping center and — in addition to Wal-Mart — will bring the first Best Buy, Old Navy and Target stores inside city limits.

After Home Depot, retailers will open on a schedule staggered throughout the year. Wal-Mart is expected to greet customers sometime in September.

Steelyard's boosters believe the development will attract shoppers from under-served city neighborhoods and suburbs, particularly those who live south and west of downtown. Critics worry the well-known retailers will take away business from independent merchants in those nearby communities.

### How Steelyard came to be

**May 2004:** First Interstate Properties Ltd. agrees to buy more than 100 acres from International Steel Group Inc. Plans call for \$100 million, 1 million-square-foot, big-box retail complex — a first for city.

**September 2004:** First Interstate President Mitchell Schneider says he expects to open Steelyard Commons by 2006. Neighborhood development groups fear big-box retail could pinch local merchants. Schneider says project will create 1,800 full-time jobs.



Schneider

**October 2004:** Cleveland Planning Commission approves site and design concepts.

**December 2004:** Steelyard Commons identified as spot for Wal-Mart's first store inside city limits.

**January 2005:** City gives final approval to development plan. Councilman Joe Cimperman introduces ordinance that would restrict amount of groceries a big-box retailer could sell.

**May 2005:** Schneider's application for building permit reveals weeks of hidden negotiations that bring Wal-Mart back to Steelyard. Because council had never voted on new law after the retailer pulled out, permit rolls through.

**September 2005:** Construction begins.

**January 2006:** Council approves tax increment financing agreement. Seventy percent of new taxes from Steelyard will pay for completion of Canal Towpath Trail into downtown and buy land for Canal Basin

**February 2005:** Schneider, working with Mayor Jane Campbell, proposes deal: Cimperman's ordinance dies, Wal-Mart agrees that Steelyard store won't be a supercenter (extra groceries) until 2013. Council President Frank Jackson shelves Cimperman's ordinance, talks of new bill using Schneider's plan. But Wal-Mart says it's dropping Cleveland plans.

**March 2005:** Schneider releases survey of 400 city residents, says 78 percent want Wal-Mart in city.

Park near Detroit-Superior Bridge. Rest of tax money will help small businesses affected by Steelyard.

**March 2006:** Mittal Steel and the Ohio & Erie Canal Association announce steel-heritage exhibit at the shopping center.

**November 2006:** Schneider releases study he paid for that says Steelyard may not hurt local retail districts as much as feared.

**February 2007:** Home Depot becomes first store to open at Steelyard.

Source: Plain Dealer archives

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### Steelyard Commons celebrates a first

That these stores are coming at all is a notion many once would have scoffed at. Schneider was at least the fourth developer to consider buying the 120-plus acres alongside the Jennings Freeway from International Steel Group Inc.

Originally, real estate brokers pictured a new industrial complex. ISG representative Terry Coyne, a senior vice president at the Cleveland office of commercial real estate services firm Grubb & Ellis, pitched the property to Greg Geis. The Geis family is a top developer of industrial land in Northeast Ohio.

"Greg thought it was too much money for industrial," Coyne said. "People say that land should have remained industrial, and I actually agreed. But you couldn't justify paying that much money for industrial. When Greg fell out of bed, I contacted Mitch Schneider."

Other local retail developers were looking at the property, including Developers Diversified Realty Corp. and Paragon Real Estate Equity and Investment Trust.

Schneider, who had just finished the upscale Legacy Village in Lyndhurst, jumped in when those two passed. First Interstate paid more than \$11 million for the land.

In an interview last November, Scott Wolstein, chief executive of the Beachwood-based Developers Diversified, said not pursuing the project more aggressively was a mistake.

Wolstein said ISG insisted that any buyer pick up extra insurance to cover environmental risks. But Developers Diversified is a publicly traded real estate investment trust, and "we just didn't feel comfortable" completing the deal.

"To Mitch's credit," Wolstein said, "he was able to buy insurance to protect himself from that risk, and that convinced him to go forward with the project."

### Wal-Mart, Target get on board

With a collar on the land, the next step was to approach prospective tenants. Schneider hired Randy Goodman, a local retail real estate specialist.

Goodman set out to find retailers unique to Cleveland proper. Two obvious choices: big-box discounters — and, to a large degree, rivals — Target and Wal-Mart. Goodman wanted both. But, "initially, neither one wanted the other," Goodman recalled.

Other real estate representatives were worried the property was near too many low-income neighborhoods to justify typical open-air tenants such as Best Buy, Marshalls and Old Navy.

It took some convincing that suburban shoppers "would no longer have to go to Parma anymore," Goodman said. "They wouldn't have to go to North Olmsted anymore."

While these negotiations went on behind the scenes, word quickly spread that Wal-Mart was considering Steelyard for a supercenter that would offer a full line of groceries. Public outcry was significant enough to jeopardize Schneider's plans.

Independent merchants were worried about Wal-Mart's reputation as a community killer. Labor leaders were worried a non-union Wal-Mart could endanger union jobs with larger grocery chains such as Giant Eagle.

City Council members worked on legislation that essentially would have blocked Wal-Mart's chances of a building permit.

In early 2005, Wal-Mart sent a letter to city officials: Cleveland was off its radar screen.

Ironically, Target — a logical fallback — was again leery of Steelyard. Goodman had convinced Target that having Wal-Mart in the same development was a benefit. "They believed us so much, it kind of turned the tables on us," he said.

### A former foe changes his mind

Jane Campbell — at the time mayor and one of the project's most vocal supporters — and Schneider quietly revived the Wal-Mart deal. In a surprise move, Steelyard was back on track in May 2005, when Schneider applied for a building permit.

"We simply followed through, dealing with each issue as it arose," Campbell wrote in an e-mail.

Later in 2005, she lost to Council President Frank Jackson in her bid for a second term. Now a private-sector real estate consultant, Campbell praises "the hard work of Mitchell Schneider and his determination to build in the city."

Praise also comes from at least one politician who previously battled Schneider. Councilman Joe Cimperman, whose ward includes Steelyard and the nearby Tremont neighborhood, introduced the ordinance — later shelved by Jackson — that would have blocked Wal-Mart.

In an interview this week, Cimperman said he is now a Steelyard supporter.

"The developer, in my mind, became a partner with the city as soon as he got his permit," the councilman said.

But while Cimperman has come to embrace the project, critics and skeptics remain.

Some continue to hammer on Wal-Mart. Shortly after Schneider received his permit, a group of citizens opposed to the retailer launched a Web site ([www.noclevelandwalmart.org](http://www.noclevelandwalmart.org)). Contributor Jeff Hess said the site receives about 10,000 unique visitors a month.

### Impact on neighborhood still an unknown

Others worry about the impact on independent retail in neighboring communities.

Marie Kittredge, executive director of the nonprofit Slavic Village Development group, said her biggest concern is the Dave's Supermarket on Harvard Avenue, about five miles from Steelyard Commons. "They're a terrific neighborhood retailer," she said. But Kittredge said she is excited about other plans, including one that could extend the Towpath Trail and connect Steelyard with downtown and Harvard Avenue.

Schneider discounted the notion his project will hurt surrounding communities. "I feel it is going to serve as a catalyst for additional development throughout the area," he said.

It is too soon to make such predictions, said Deb Janik, senior vice president of real estate and business development for the Greater Cleveland Partnership, a nonprofit development group.

"There are ways this project will complement what's already going on," Janik said. "But it'd be Pollyanna-ish to sit here and say it's not going to have any [adverse] impact."

"They talked about this project two years ago, set a timeline, conquered obstacles, and are opening the first store," she said. "Too often we get worked up about what's not getting done, and Steelyard is just one example of economic activity in our communities right now."

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