



SHAKER HEIGHTS

Neighborhood Revitalization and Development Agenda Shaker Heights City Hall Council Chambers Wednesday, April 17, 2019, 6:00PM

1. Approval of March 13, 2019 Minutes

Documents:

[NRD MINUTES 03-13-19.DOC](#)

2. Eligibility and Requirements - SRP 2019

Documents:

[ELIGIBILITY-REQUIREMENTS.SRP 2019.PDF](#)

3. Storefront Renovation Program

Documents:

[STOREFRONT RENOVATION PROGRAM NR.PDF](#)

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SHAKER HEIGHTS

Neighborhood Revitalization and Development Committee Minutes Wednesday, March 13, 2019 6 P.M. Council Chambers

Members Present: Anne E. Williams, Chair
Nancy R. Moore, Council Member
Earl Williams, Council Member
Danielle Sydnor, Citizen Member
David E. Weiss, Mayor
Jeri Chaikin, Chief Administrative Officer
Katharyne Starinsky, Economic Development Specialist

Audio of this meeting may be found [here](#).

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The meeting was called to order by Anne E. Williams, Chair at 6:00pm.

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Approval of the January 9, 2019 Meeting Minutes

Anne E. Williams reviewed. Motion to accept the minutes were made, seconded and approved.

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Align Capital Partners Vision Fund Proposal

Presented by Katharyne Starinsky. The Economic Development (ED) Department requests that the Neighborhood Revitalization & Development Committee approve a Vision Fund incentive in the amount of up to \$80,000, to Align Capital Partners (Align), who intends to lease 4,500 square feet of 2nd floor office space (Suite #250) in the C2 building in the Van Aken District for ten years. Align has agreed on terms with RMS and has signed a letter of intent and will process their lease agreement concurrent to the City's approval process during the month of March.

Question was raised as to where Align will be located. Katharyne indicated that they will be located north of Market Hall. When you are standing at Mitchell's and you look to your right, they will be located there.

The Economic Development plan, adopted by City Council in November of 2010, called for the implementation of tenant incentives to make it financially feasible for businesses to expand their operations and locate new offices in Shaker Heights. The income tax revenue from the office workers will help to diversify the City's income tax base and the addition of significant daytime employment will increase demand for new restaurants and retail nearby. At the same time, this incentive requires that businesses meet agreed upon payroll and income tax targets within a set time frame to ensure that the City realizes a return on its investment.

The Economic Development plan calls for financial incentive parameters that not only include return on investment targets, but also take into consideration the location and the business segment of the tenant or project. Incentives should be targeted to generate economic activity in the places well-suited for commercial development by their zoning, transportation access, and surrounding land use. In addition, incentives will be most effective if they are focused on business segments identified in the ED report as these industries are the most likely to expand in the future and generate positive returns for the City.

The Vision Fund has made ten loans, totaling \$362K – the loans have stabilized office buildings in Shaker Heights and yielded \$653K (in income taxes) thru 2018, representing a return of 2:1 return on the City's funds. Funds for this incentive are available in the 2019 ED Department budget for this kind of financial incentive.

The Align office will occupy the last 10% of office in the RMS office property. The \$80,000 incentive will reduce the cost of build out and relocation from Beachwood to the Van Aken District. Managing Partner, Chris Jones, and his CBRE broker, met with me and Russell Berusch, consultant to the Economic Development Department on February 22. The City's internal loan review committee, including the Mayor, has reviewed Align's business history, ownership, financials and return on investment to the city.

Align Capital Partners is a growth-oriented private equity firm making control investments in business to business specialty manufacturing, distribution, and business services companies. Align has been in business for two and one half years. The Align team has completed 90+ transactions representing more than \$5 billion in enterprise value. In August 2018, Align acquired two Cleveland-based businesses: Predictive Service (located in Beachwood) and ABCO Fire. The three principals worked together at Riverside Investments, two of which live in Ohio - Chris Jones is a Shaker Heights resident and Steve Dyke is a Cleveland Heights resident. Align has two offices, locally at Lakepoint Office Park (3201 Enterprise Parkway, Suite 205, Beachwood, OH 44122) and another in Dallas, Texas. Their Lakepoint office lease commitment to renewal is in April 2019, but they are out of space there and Align is planning to grow further. The Beachwood office currently has six employees (not including the two local principals) with plans to add one to two jobs in the very near term. The Van Aken District office

layout has been designed to accommodate growth for up to fourteen employees. Individual employee pay is between \$150,000-200,000.

The out of pocket expense for build out at Van Aken is \$21,830, plus a data and cabling estimate of \$13,500 and furniture, fixtures and equipment estimate is \$112,500. Relocation expenses are estimated to be \$9,000. Additionally, the Van Aken lease will be approximately \$16,000 per year more than another Class A office space in Beachwood, which is \$160,000 during their ten year lease. Total expenses will thus total \$316,830.

The attraction of Align to the Van Aken District is testament to the City's Economic Development plan, as we have created a place that would attract businesses of the caliber of Align Capital Partners. Align reflects the industry mix of the City's economic development plans as a professional service business and would contribute to the City's income tax base. Align is projecting that their income tax and net profits tax will range from \$60,115 to \$113,625 annually. If we assume a more conservative tax generation that does not include their planned growth, holding their payroll and net income profits steady at their 2018 values, they will produce \$44,435, paying off the incentive in two years.

The up to \$80,000 incentive will be paid out over the course of six years in installments. The first payment will be in January 2020 for \$12,000. For each of the following four years, depending on their previous year tax productions (see Table 1). If Align produces \$30,000 to \$90,000 in prior year income taxes, they will receive a payment of \$12,000. If Align produces more than \$90,000 in taxes in the previous year, they will receive a payment of \$17,000. Align will have the option to use year 6 as an alternate tax measurement period in lieu of one annual measurement period during the incentive term in order to reach the full, not to exceed, \$80,000 incentive amount. The aggregate incentive paid to Align (if any) based on the replaced measurement period and the year 6 alternate measurement period shall in no event exceed \$17,000. See Table 2 for possible payment scenarios.

Prior Year Taxes Collected	Incentive Payment Amount
\$30,000-90,000	\$12,000
>\$90,000	\$17,000

Year #		Payment Scenario #1 Taxes collected are \$30,000-\$90,000	Payment Scenario #2 Taxes collected are >\$90,000	Payment Scenario #3 Year 6 "Catch Up"
1	Flat Amount Paid January 2020	\$12,000	\$12,000	\$12,000
2	2021 Payment based on 2020 taxes	\$12,000	\$17,000	\$12,000
3	2022 Payment based on 2020 taxes	\$12,000	\$17,000	\$17,000
4	2023 Payment based on 2020 taxes	\$12,000	\$17,000	\$17,000

5	2024 Payment based on 2020 taxes	\$12,000	\$17,000	\$17,000
6	2025 Payment based on 2021 taxes	\$0	\$0	\$5,000
TOTAL		\$60,000	\$80,000	\$80,000

Question: Do we have, in terms of safety, UCC's on their payroll? Are we going to put any types of securitized positions on their payroll? Liens? Banks usually put some sort of guarantee to back up what their loaning on the receivables that they receive.

This company doesn't want this structured as a loan (it's a grant) so it's different. In the past, we called them unforgivable loan on the theory that if they close, the likelihood of getting the money back is slim to none. This is more of a "pay as you go".

Question: What incentive is RMS providing to Align? I understand that they are coming in and building. The \$386,000 is what is not being provided. Does this fund revolve so if we have the incentive, does it come back into fund for distribution? The finance department evaluates annually.

Recommendation: The Economic Development Department requests that the Neighborhood Revitalization and Development Committee approves a Vision Fund incentive to Align Capital Partners not to exceed \$80,000 with a six-year term.

Motion to approve the Fund was made, seconded and approved.

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There being no further business, the meeting was adjourned. The next meeting will be April 17, 2019.

Anne E. Williams, Chair
Neighborhood Revitalization Committee



Storefront Renovation REBATE Program 2019 Eligibility and Requirements

The City of Shaker Heights is pleased to offer you, a Shaker Heights property owner and/or business owner, to participate in the 2019 City Storefront Renovation Program. The goals purpose of this program are to:

- Improve the appearance of the commercial districts;
- Support property and business owners efforts to improve building exteriors; and
- Contribute to the economic growth and prosperity of Shaker Heights.

PROGRAM

The program has two options for participation:

1. **Signage Only (Business Owners only):** independently owned, non-franchise businesses may apply for a signage only matching signage only rebate of up to \$3,000. Signage only includes items that bear company marks such as signage, awnings, and window/door graphics. The intent of the signage-only program is three-fold: 1. Incentivize new businesses to open here; 2. Attract, retain and support locally-owned businesses; and 3. Encourage better quality signage in our commercial districts.
2. **Full Façade (Building or Business Owners may apply):** to improve an existing building's exterior curb appeal in a comprehensive, transformative manner including new/restored front doors and windows, tuck pointing, painting, signage (independent businesses only), awnings, outdoor cafes (visible from the street) and front façade landscaping. Parking lot resurfacing and roof repairs/replacement are not eligible. The entire façade must be assessed and included in the design scheme to produce a transformational project. The sides of buildings may be included on a case by case basis. The maximum 50% matching full façade rebate is \$15,000.



Please read and acknowledge each line item by initialing.

ELIGIBILITY

- ___ The commercial zoned property is located in one of the following areas:
 - Lee Road (Van Aken to Scottsdale)
 - Shaker Commons/South Side of Chagrin (Avalon to Hildana)
 - Larchmere Boulevard (Shaker addresses only)
 - District South (Juma to Lucy's)
 - Bloc at Almar (Pistone's to Fussy)
 - Fairmount Circle (Shaker addresses only on 1st floor with exterior entrance)

- ___ Apartment buildings without first floor commercial space(s) and home based businesses are not eligible.

- ___ Property owner must confirm full support of the project if the business (tenant) is the applicant.

- ___ Property taxes must be current in that the prior tax year is paid in full.

- ___ The applicant must be able to pay for 100% of the project cost up front, as these programs are structured as a rebate once the project is complete.

REQUIREMENTS

- ___ Payroll taxes for the business tenant must be reported to Regional Income Tax Agency (RITA). A payroll tax report for the prior calendar year must be submitted as a part of the application.

- ___ If the business tenant (for Signage Only and Full Façade projects) is a start-up, a business plan and projected financials must be submitted to Economic Development.

- ___ If business signage is included in a Full Façade project, the cost of the sign can only be included if the business is not a franchise or national chain. Additionally, only one rebate may be obtained – either for signage only OR full façade.

- ___ If there are exterior Building Code violations at the time of application, a written plan with timeline to complete the work must be established to remedy the violations if the project scope is not addressing the violations. The rebate will not be issued until the violations are corrected.



PROJECT SCOPE

- For Signage Only and Full Façade projects, the final project scope and design will be reviewed and approved with the support of a Design Specialist assigned and paid for by the City before contractor bids can be solicited.
- Applicants must secure a minimum of two contractor bids for each trade. Three contractor bids are required for all trades for Full Façade projects. If a General Contractor (GC) is hired to manage the project, it is not necessary to have multiple GC bids.
- It is highly recommended that a General Contractor is utilized for Full Façade projects.
- Work CANNOT begin on the property until a notice to proceed is issued. A notice to proceed will be issued when a contract is fully executed between the City and the property/business owner and a purchase order is established.
- All City requirements must be met including securing the necessary building permits and approvals from the Architectural Board of Review, Board of Zoning Appeals and City Planning Commission as needed.
- All contractors MUST be licensed to work in the City of Shaker Heights and secure all necessary building permits. If any work is completed without the proper permits, the project will no longer be eligible for a rebate.
- City Economic Development staff will arrange meetings with the Design Specialist (if needed), set up a Commercial Project Review meeting (if needed) and conduct site visits before, during and after construction.

REBATE

- After final City inspections, the applicant will invoice the City for the rebate and provide demonstration that 100% of the project has been completed and paid for with receipts/paid invoices. All rebates are up to 50% with not to exceed amounts.

Rebate Program	Maximum Rebate	To receive the maximum rebate, the project total for eligible expenses must be at least:
Signage Only	\$3,000	\$6,000
Full Façade	\$15,000	\$30,000



- ___ The rebate funds will not be issued until all required documentation is complete.
- ___ Only one rebate will be awarded per address in a single calendar year.
- ___ The Storefront Renovation Program rebate cannot be combined with another city-funded incentive including, but not limited to a Vision Fund incentive/forgivable loan or SBA Shaker Partnership Loan.

NEXT STEP - APPLICATION

- ___ A project-specific application is required and will be provided upon completion of this eligibility and requirements form.

QUESTIONS?

Contact Katharyne Starinsky at 216.491.1335 or Katharyne.Starinsky@shakeronline.com.

By completing this Eligibility and Requirements form, I _____ (print applicant name), am demonstrating interest in the program. Completion of this form does not mean that my project has been accepted for the 2019 Storefront Renovation Program. Upon receipt of this completed form, a member of the Economic Development Department will contact you to discuss your project and invite you to complete an application. The 2019 Storefront Renovation Program funds are available on a first-come, first-serve, and competitive basis and are limited.

Applicant Name

Date

Business Name

Phone

Property Address

Email



Memorandum

To: Neighborhood Revitalization & Development Committee
From: Katharyne Starinsky, Senior Economic Development Specialist
cc: Mayor David Weiss
Chief Administrative Officer Jeri E. Chaikin
Date: April 12, 2019
Re: Storefront Renovation Program

The Economic Development (ED) Department requests that the Neighborhood Revitalization & Development Committee review and provide comments on the proposed Storefront Renovation Rebate Program, which will be funded by the City at \$74,500; \$50,000 for rebates and \$24,500 for design specialist services. The funds are already approved in the 2019 Economic Development Department budget.

In the past, the City received a competitive grant from Cuyahoga County for the purpose for the Lee Road Storefront Renovation program in 2016 and 2017. During those two years, we completed seven projects on Lee Road between Chagrin and Scottsdale.

Source	Amount
Citizens Bank Grant (via SHDC)	\$7,500
Cuyahoga County Grant	\$77,946
City Investment	\$28,700
Private Investment	\$77,732
TOTAL INVESTMENT	\$191,878

Unfortunately, the County has not offered Storefront Renovation Program grant in 2018 and 2019. In response, the City will fund its own program for 2019. Shaker Heights Development Corporation/Citizens Bank will not contribute any grant dollars to the Storefront Renovation Program in 2019, as those funds are being used to produce the Small Business Advancement Series.

The outline for the program follows.