

# Shaker Heights Economic Development Strategy Summary of Findings and Recommendations

City of Shaker Heights | July 15, 2010



# BACKGROUND AND OBJECTIVES

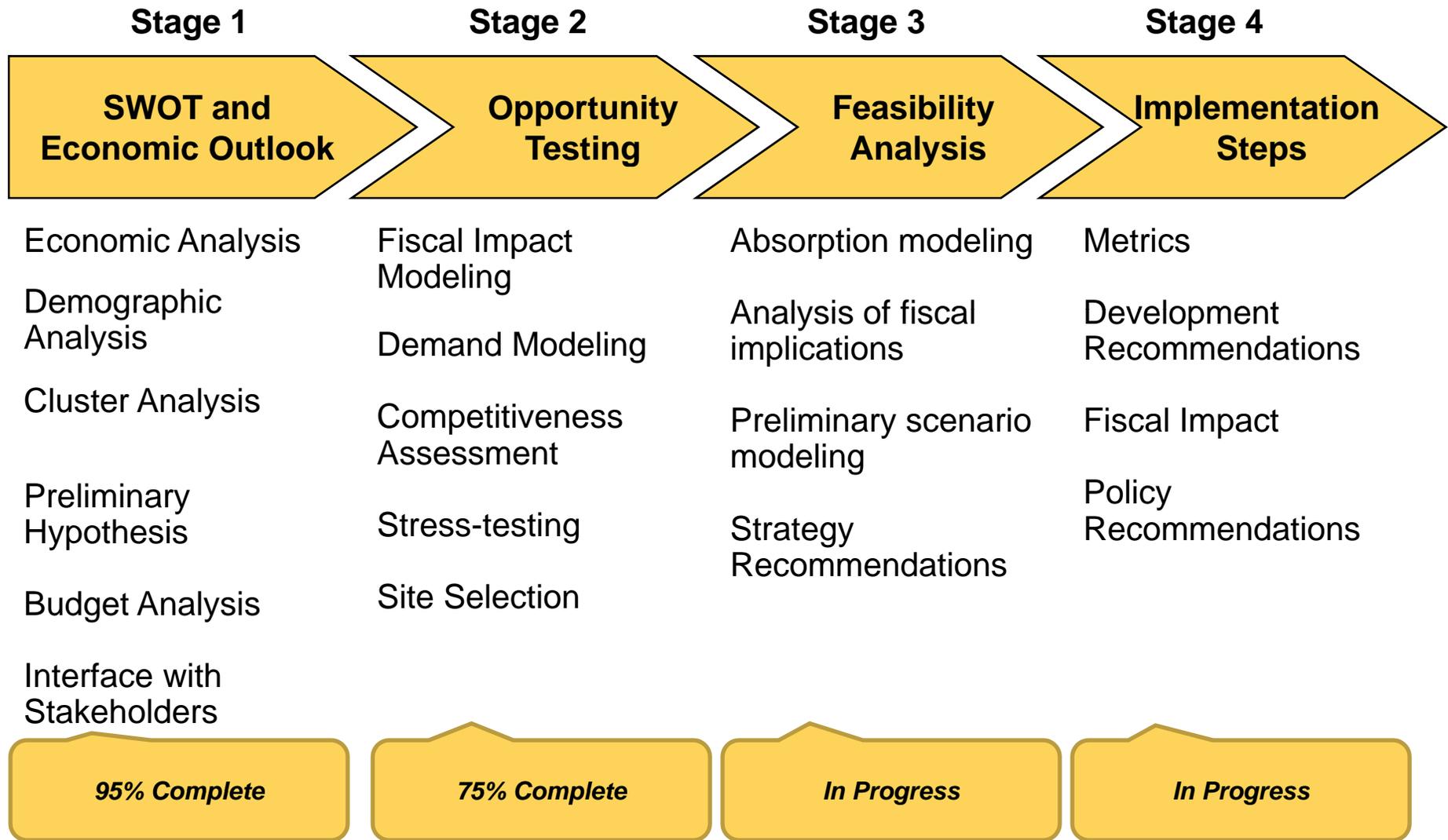
## *Project Background*

- In 2010, the City of Shaker Heights retained RCLCO to provide analysis and strategic recommendations and deliver an Economic Development Plan to the City for implementation.
- “The purpose of the Plan is to find ways to expand the City’s tax base, property and income, and expand development efforts that would accomplish that goal”

## *What You Told Us You Wanted*

- Definitive guidelines
- New ideas and innovative thinking
- Action not just advice
- A strategy that balances the budget balance near term and long term
- Address the needs of residents
- Grow and sustain the community
- The right tactics, even if they’re challenging
- Interact with surrounding communities
- Internal and external messaging
- Look beyond current recession/pessimism
- Implementation
- Streamline ED process for decision making on property opportunities
- Define “success”
- A revenue-based plan that grows the tax base
- Level playing field and improve competitive positioning in property tax
- Processes and approaches to improve competition
- Define a business district = WVA
- Make/maintain Shaker as great place to live
- Increase property values

# PROCESS





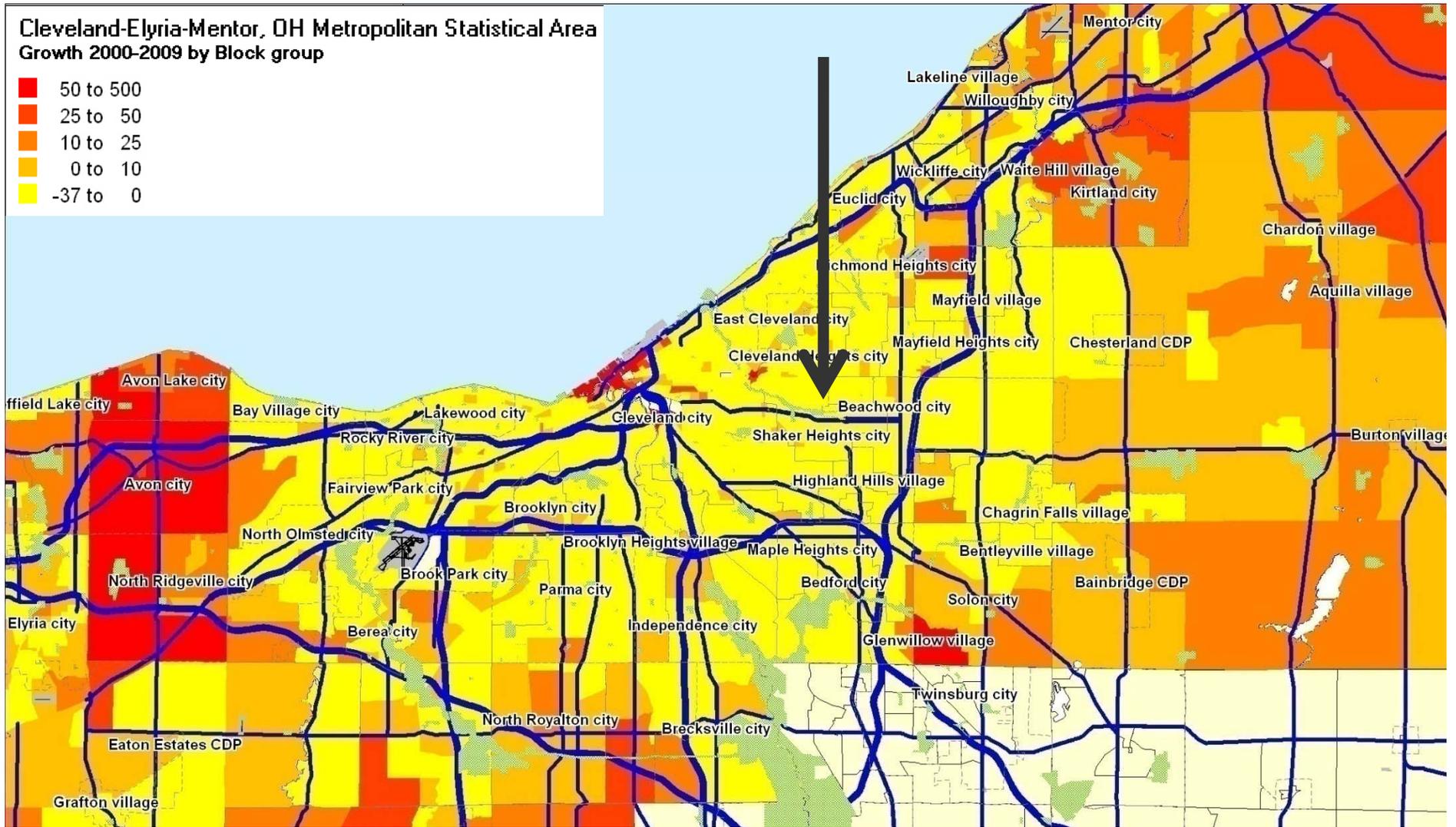
## Current Conditions

# FIRST SUBURBS HIT HARDEST

## JOBS, HOUSEHOLDS MIGRATED BEYOND OLD BORDERS

Cleveland-Elyria-Mentor, OH Metropolitan Statistical Area  
Growth 2000-2009 by Block group

- 50 to 500
- 25 to 50
- 10 to 25
- 0 to 10
- -37 to 0

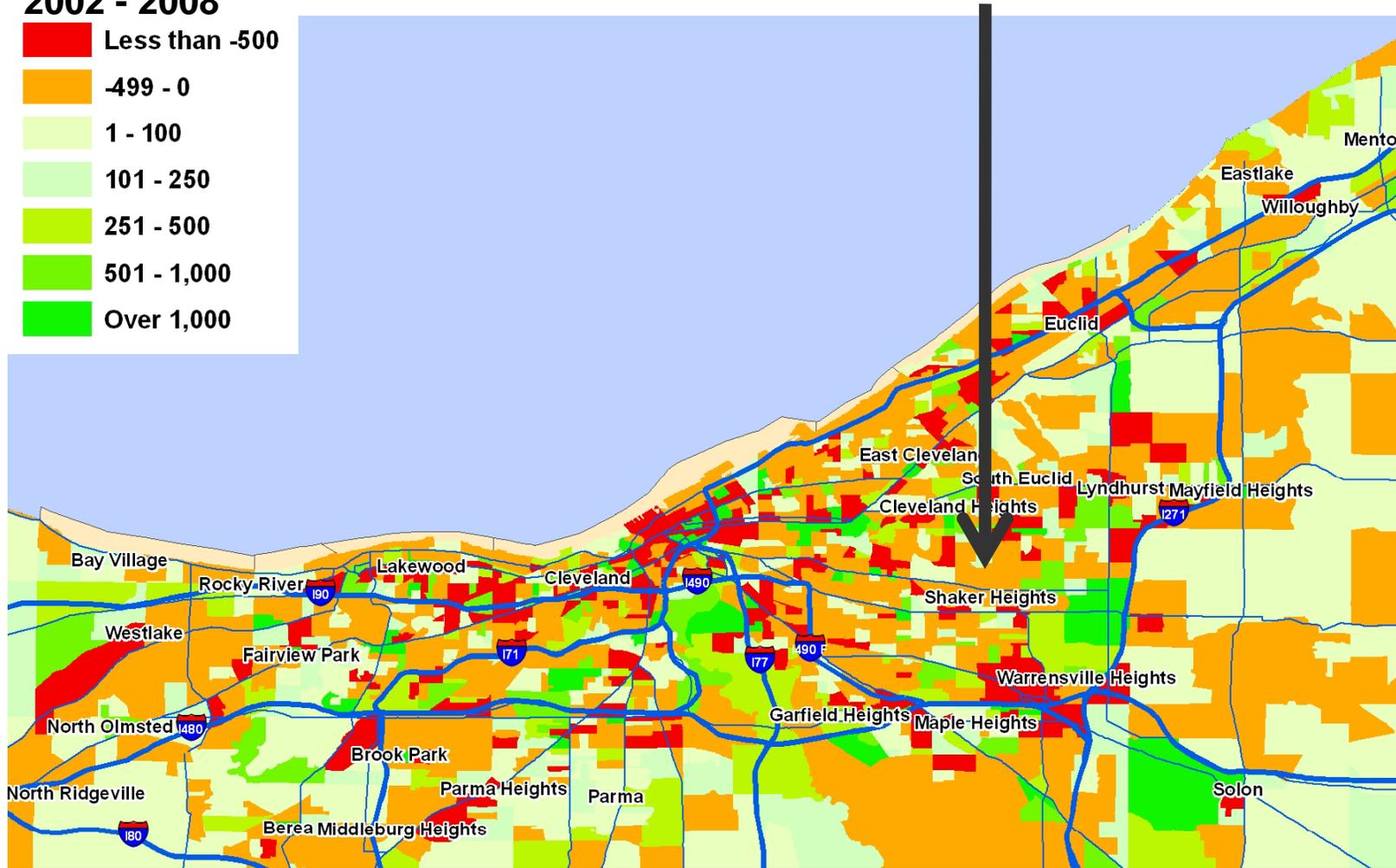
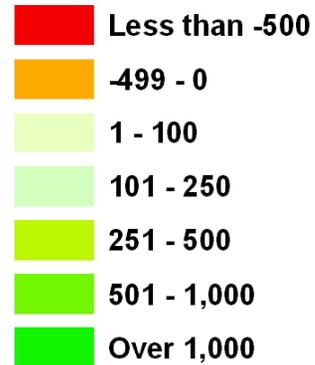


SOURCE: Claritas

# FIRST SUBURBS HIT HARDEST

## JOBS, HOUSEHOLDS MIGRATED BEYOND OLD BORDERS

Job Growth per Square Mile by Block Group  
2002 - 2008

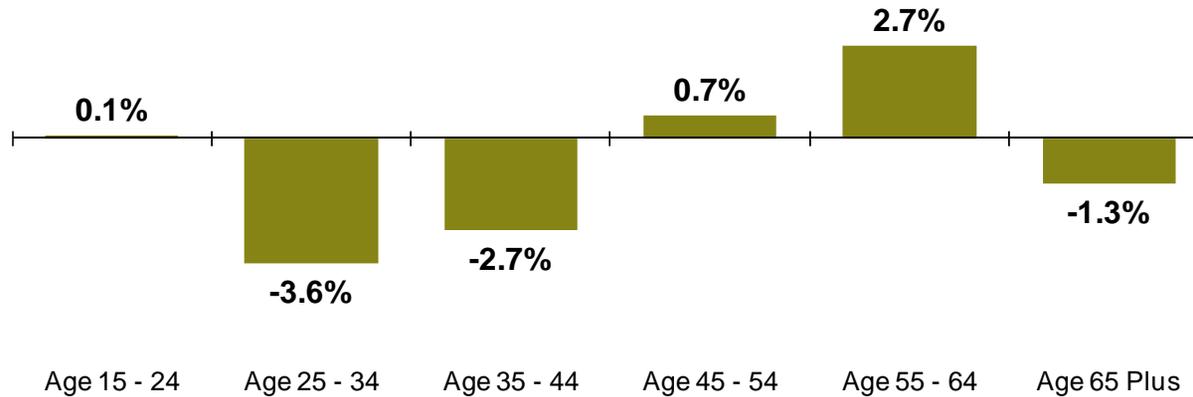


SOURCE: US Census Local Employment Dynamics

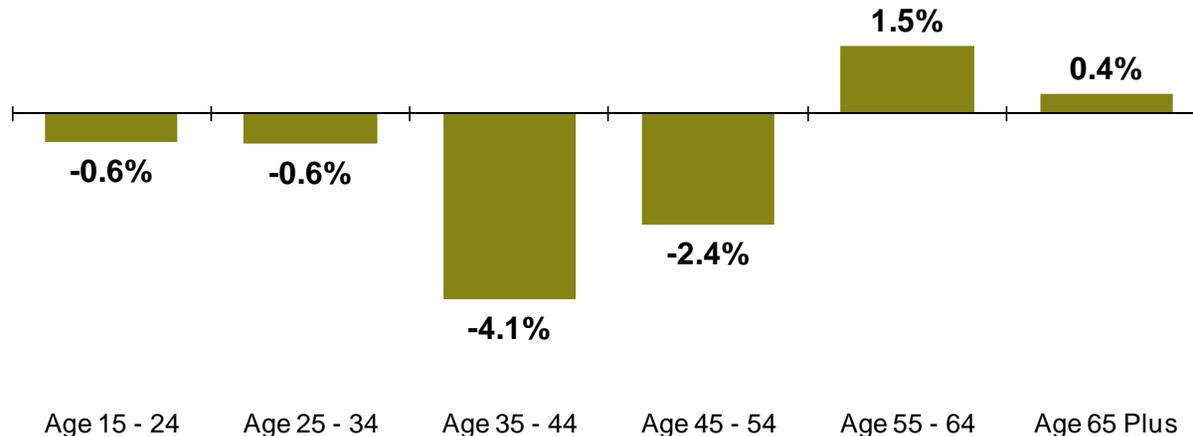
# AGING IN PLACE

## CUYAHOGA COUNTY RETAINS WEALTH, LOSES GROWTH

**Annual Rate of Change in Number of Households 2000 - 2009**



**Projected Annual Rate of Change in Number of Households 2009 - 2014**

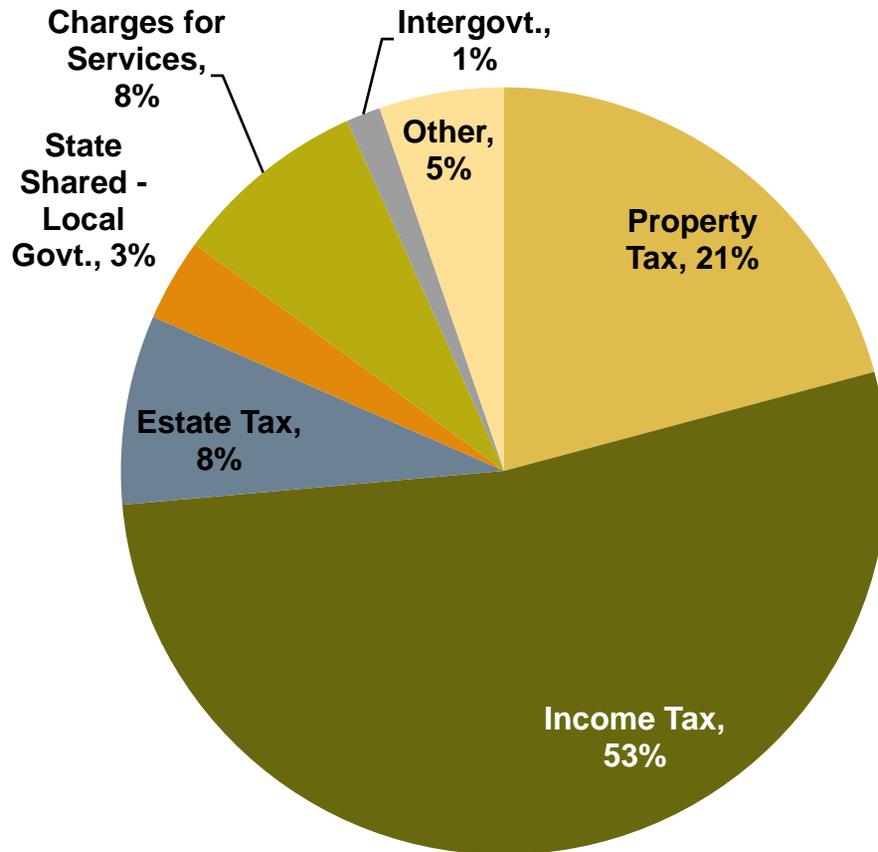


SOURCE: RCLCO, Claritas

# SHAKER HEIGHTS BUDGET IN PERSPECTIVE

## INCOME TAX LARGEST COMPONENT OF REVENUES

**Shaker Heights Revenue Sources – 2010 Budget**



Revenues from Income Taxes have comprised the largest component of the Shaker Heights Budget and are anticipated to do so going forward.

There are projected budget shortfalls through 2012 and uncertainty about the future of Estate Tax.

As a de facto “bedroom community” Shaker only collects a portion of its potential income tax.

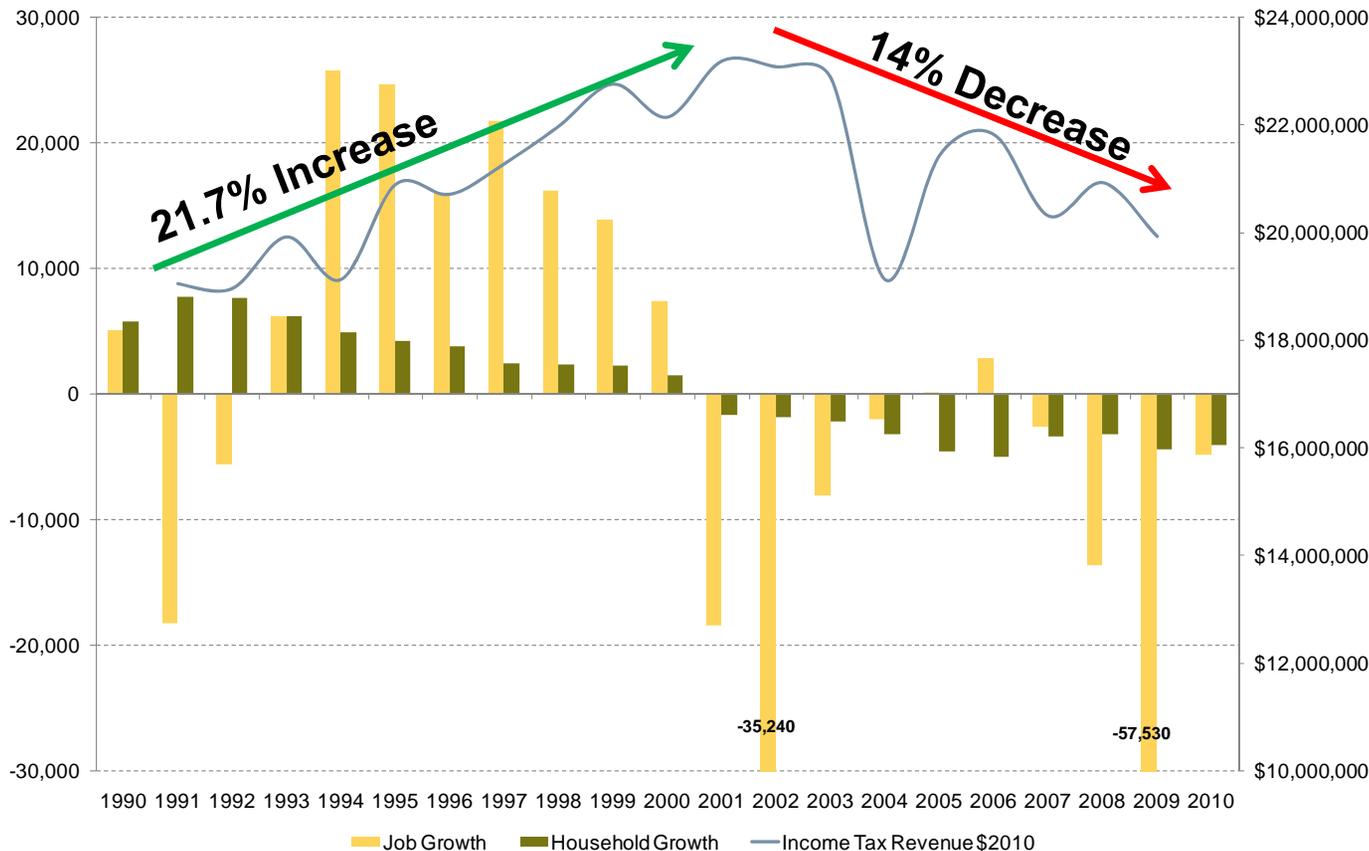
Job losses throughout the MSA pose a threat to the stability of this source of revenue going forward.

Source: City of Shaker Heights

# SHAKER HEIGHTS BUDGET IN PERSPECTIVE

## INCOME TAX REVENUE STAGNATED AMIDST JOB LOSSES

Shaker Heights Income Tax Revenue and Job Growth in the Cleveland MSA



**Shaker Heights Households**  
 1990: 12,648  
 2000: 12,220; -3.4%  
 2009: 10,991; -10.1%

**Cleveland MSA Households**  
 1990: 810,300  
 2000: 852,850; +5.3%  
 2009: 823,100; -3.5%

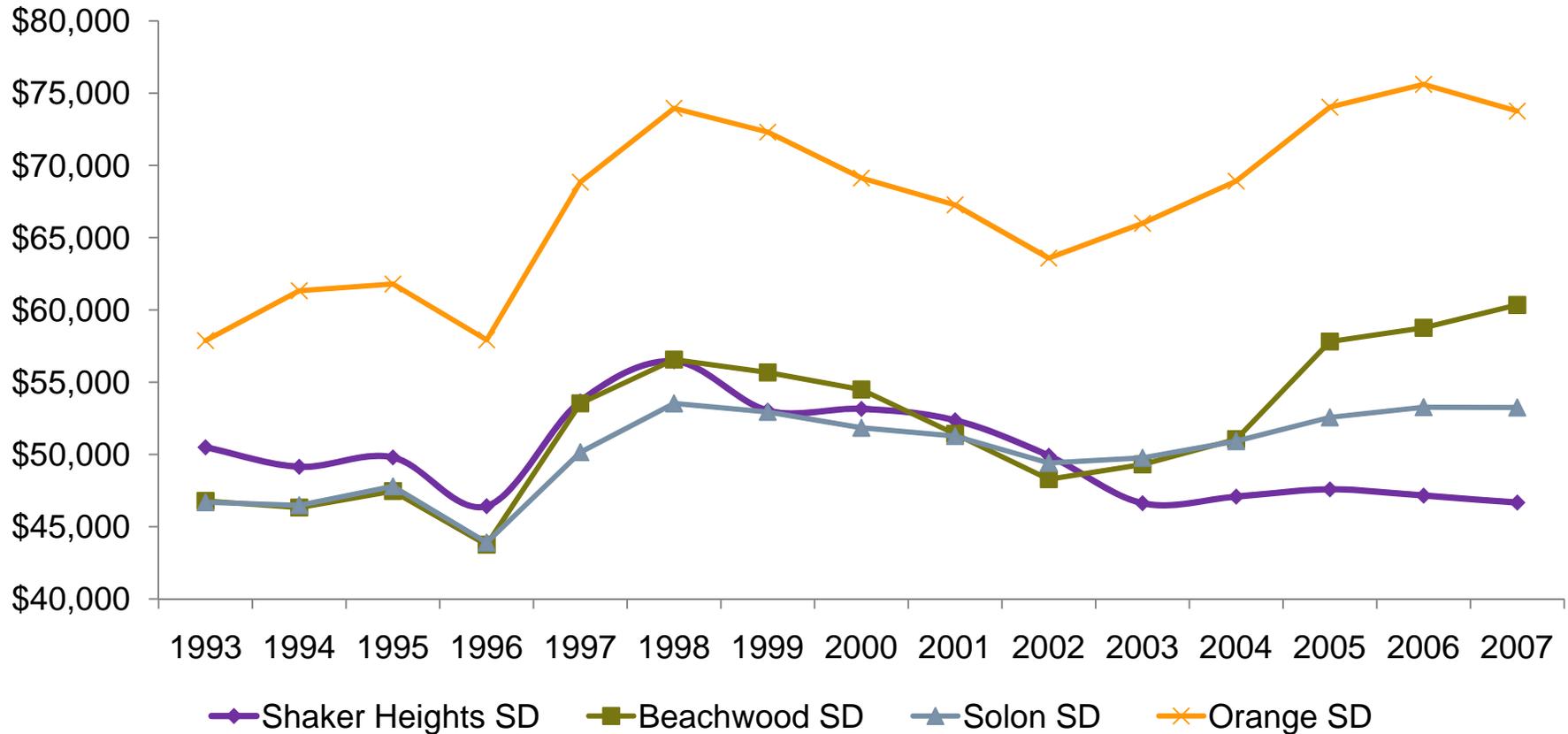
**Cleveland MSA Employment:**  
 1990: 1,028,500  
 2000: 1,136,000; +10.5%  
 2009: 1,001,000; -12.3%

SOURCE: Moody's Economy.com; Claritas; Ohio Dept.. Of Taxation

# SHAKER HEIGHTS BUDGET IN PERSPECTIVE

## LIMITS TO POTENTIAL GROWTH IN INCOME TAX REVENUE

Real Median Income of a Tax Return in Selected School Districts (\$2007)



SOURCE: Ohio Department of Taxation and George Zeller

# IMPLICATIONS

## WHAT IS THE “NEW NORMAL” FOR SHAKER HEIGHTS?

- Shaker Heights can no longer rely exclusively on Cleveland to maintain or generate jobs for existing or future residents. Without this employment driver – which for Shaker provided numerous competitive advantages - Shaker must compete for households employed throughout the County and Metro Area
- Regional job (and household) growth displaying “disperse ring” pattern, which does not comport with Shaker’s historical location and connectivity advantages
- Regional growth patterns do not suggest dramatically rising property values in/around Shaker Heights
- Questions about future of Estate Tax, but betting on Estate Tax to plug budget holes not a good long-term strategy in any regard
- Investments in retail may be important for retaining/attracting households, but in and of themselves they have mediocre contributions to fiscal health (sales tax remuneration, contributions to property tax less subsidy)



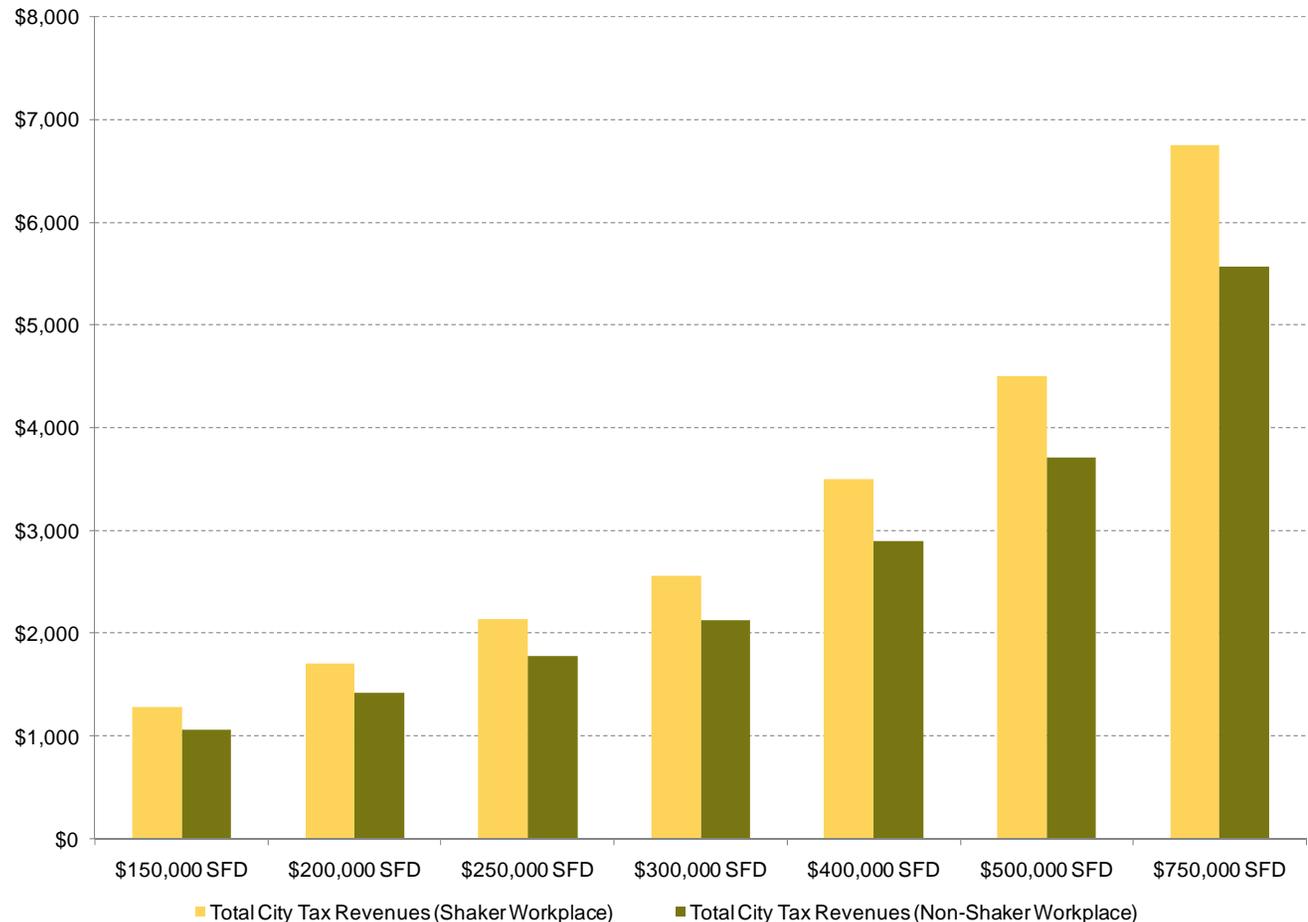
## Shaker Heights' Implied Economic Strategy

# STRATEGY: A PREMIER RESIDENTIAL COMMUNITY

## ATTRACTING NEW HOUSEHOLDS = ECONOMIC GROWTH

- Households contribute property tax to the city, county, and school district
- Because of income tax sharing in the region, households that live and work in Shaker add the most revenue to Shaker Heights

**Potential City Property and Income Tax Revenues by Home Price**



SOURCE: RCLCO

# STRATEGY: A PREMIER RESIDENTIAL COMMUNITY SNAPSHOT – IMPLEMENTING THE STRATEGY

Shaker Heights' effort to attract and retain households has included:

- Maintenance of high aesthetic standards through strict residential code enforcement, encouragement of home renovation, and tree plantings etc.
- Continued emphasis on the public schools as a source of competitive advantage
- Maintenance of unique and high level of services despite budgetary challenges
- Branding efforts that emphasize the quality of the housing stock, neighborhoods, and the public school system
- Support of new housing developments (i.e. Sussex Court and Avalon Station TIF)
- Support for storefront renovation and improved retail/restaurant environments to increase Shaker Heights' quality of life and appeal
- Plan for a transit-oriented development near the intersection of Warrensville and Van Aken that will include additional housing and retail

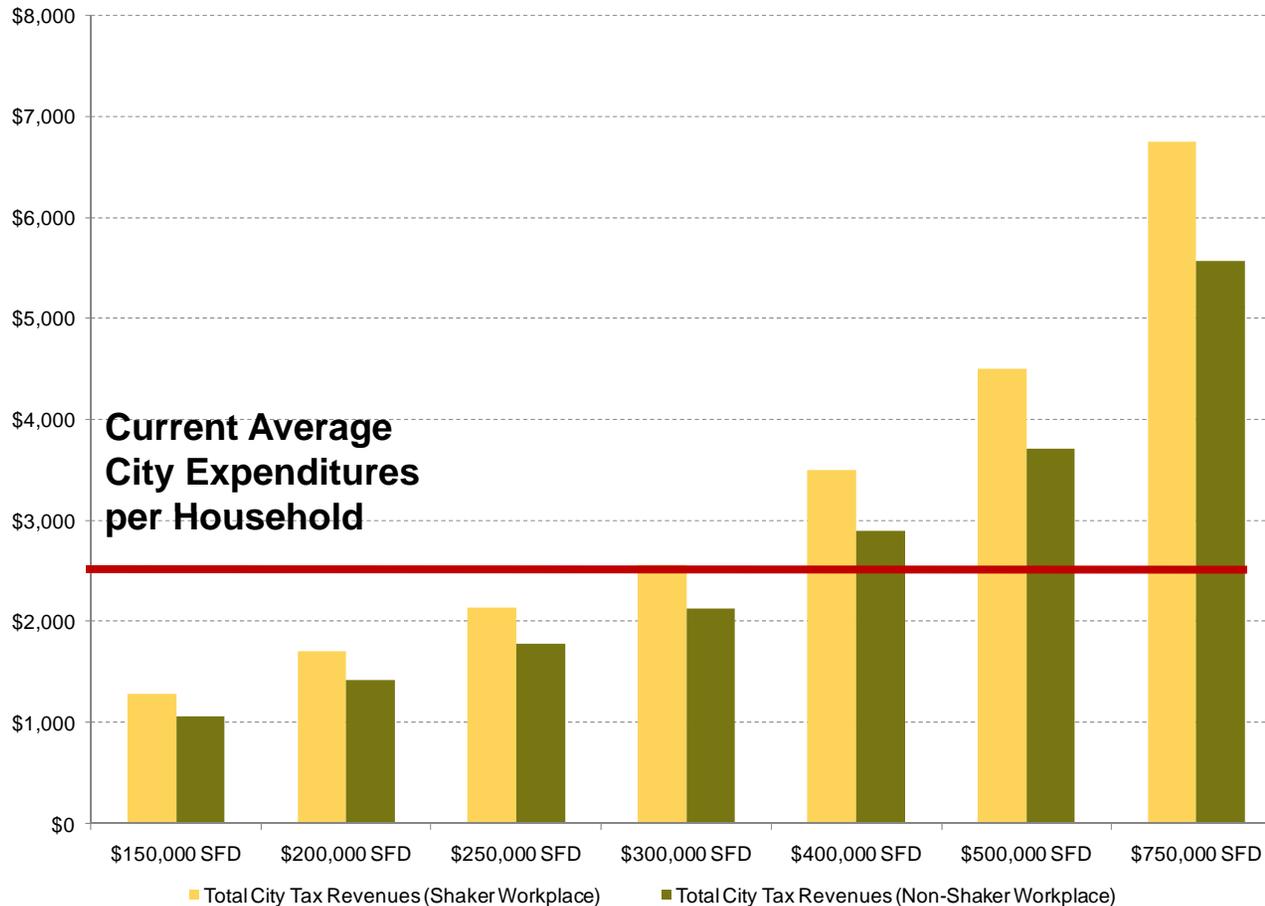


## Examining the Economic Strategy

# STRATEGY: A PREMIER RESIDENTIAL COMMUNITY

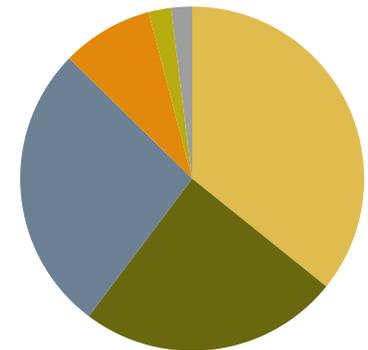
## NEW GROWTH IN HIGH-INCOME HHs KEY TO FISCAL HEALTH

**Potential City Tax Revenues per Household by Home Value**



**Total City Safety & Core Services Expenditures = \$26,610,000**

**Per Household = \$2,420**



- Police
- Public Works
- Health
- Fire
- Court
- Community Life

# WIDE RANGE IN REVENUE CONTRIBUTIONS/HH

## IMPLICATIONS FOR HOUSEHOLD ATTRACTION FOCUS

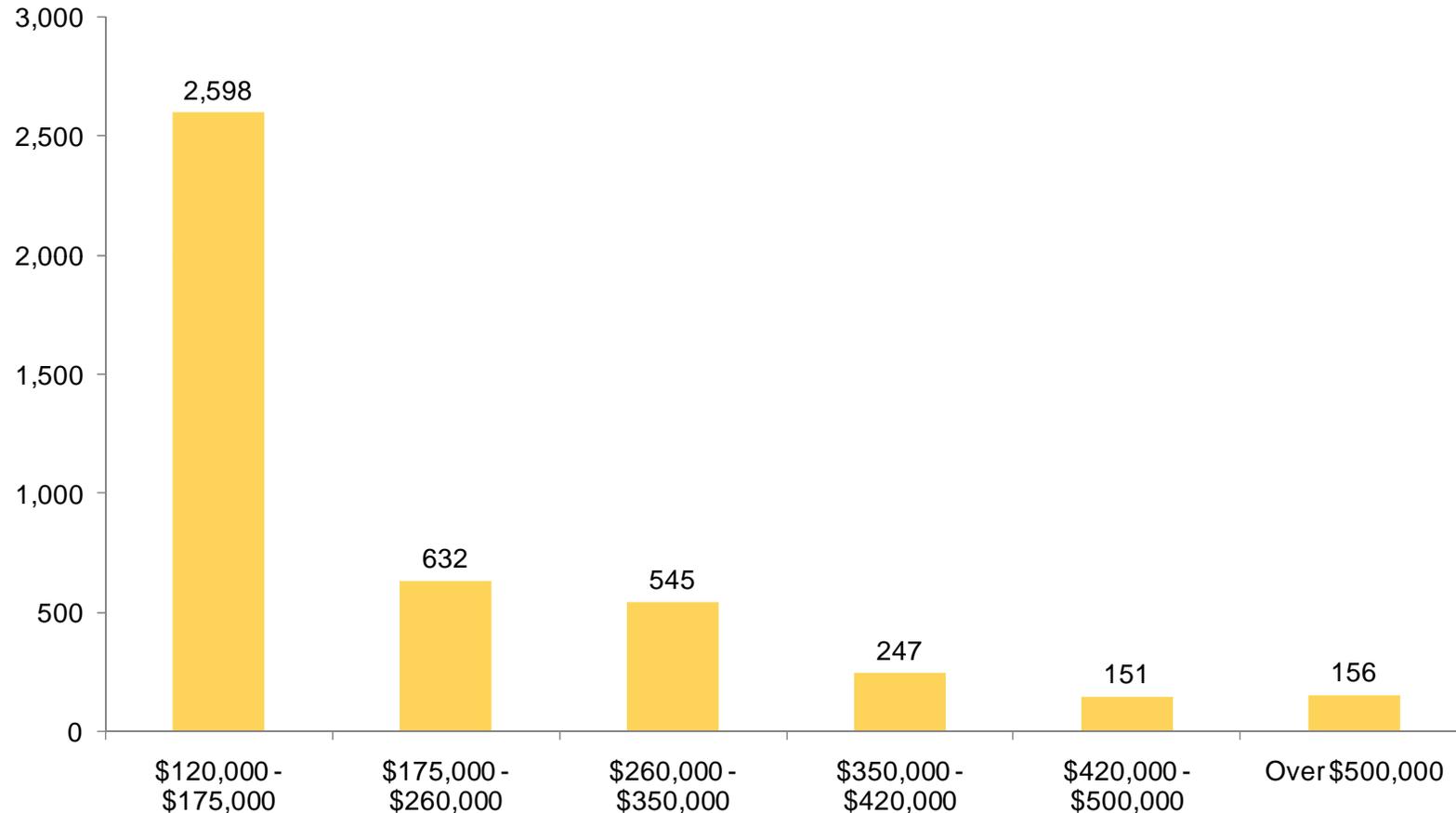
Home Value	Median - \$193,000	High-Income- \$300,000
Estimated Income	\$55,000	\$87,000
Estimated Income Tax (Shaker Workplace)	\$963	\$1,523
Estimated Income Tax (Non-Shaker Workplace)	\$688	\$1,088
Estimated City Property Tax	\$585	\$910
Total Tax Revenue (Shaker Workplace)	\$1,548	\$2,433
Total Tax Revenue (Non-Shaker Workplace)	\$1,273	\$1,998

SOURCE: RCLCO

# DEMAND CURVE TILTED TO LOWER END

## LIMITED DEMAND DEPTH FOR HIGH-VALUE HOMES

**Projected Annual For-Sale Housing Demand by Price Range  
Cuyahoga County**

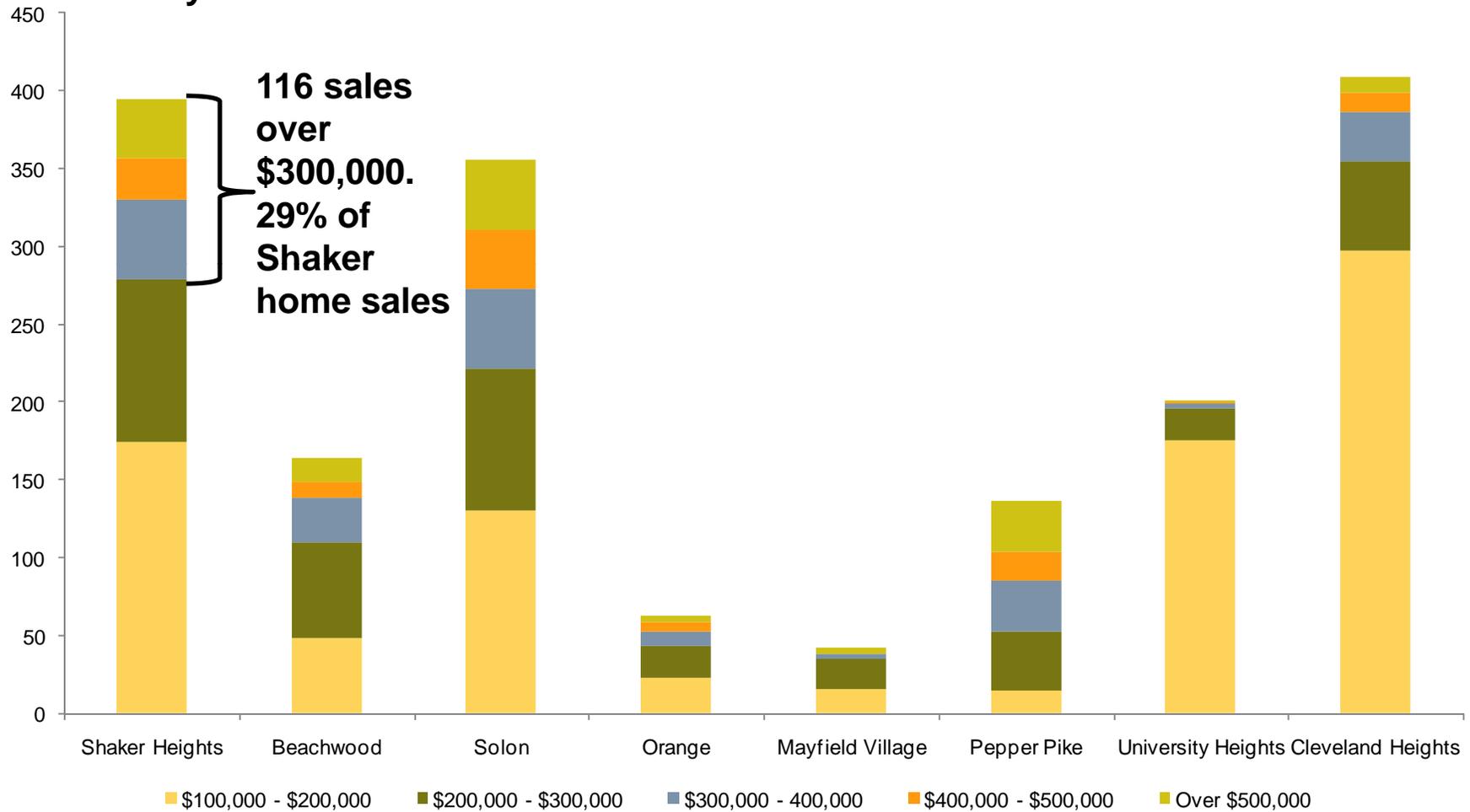


SOURCE: American Community Survey 2006-2008 PUMS; RCLCO; Claritas

# CURRENT CAPTURE ~ 10% OF \$300K RANGE

## RECENT DATA IN-LINE WITH HISTORICAL TRENDS

**Home Sales by Price Range**  
**January 2009 – June 2010**



SOURCE: Realquest

# ~ 13% CAPTURE OF HIGH-END MARKET

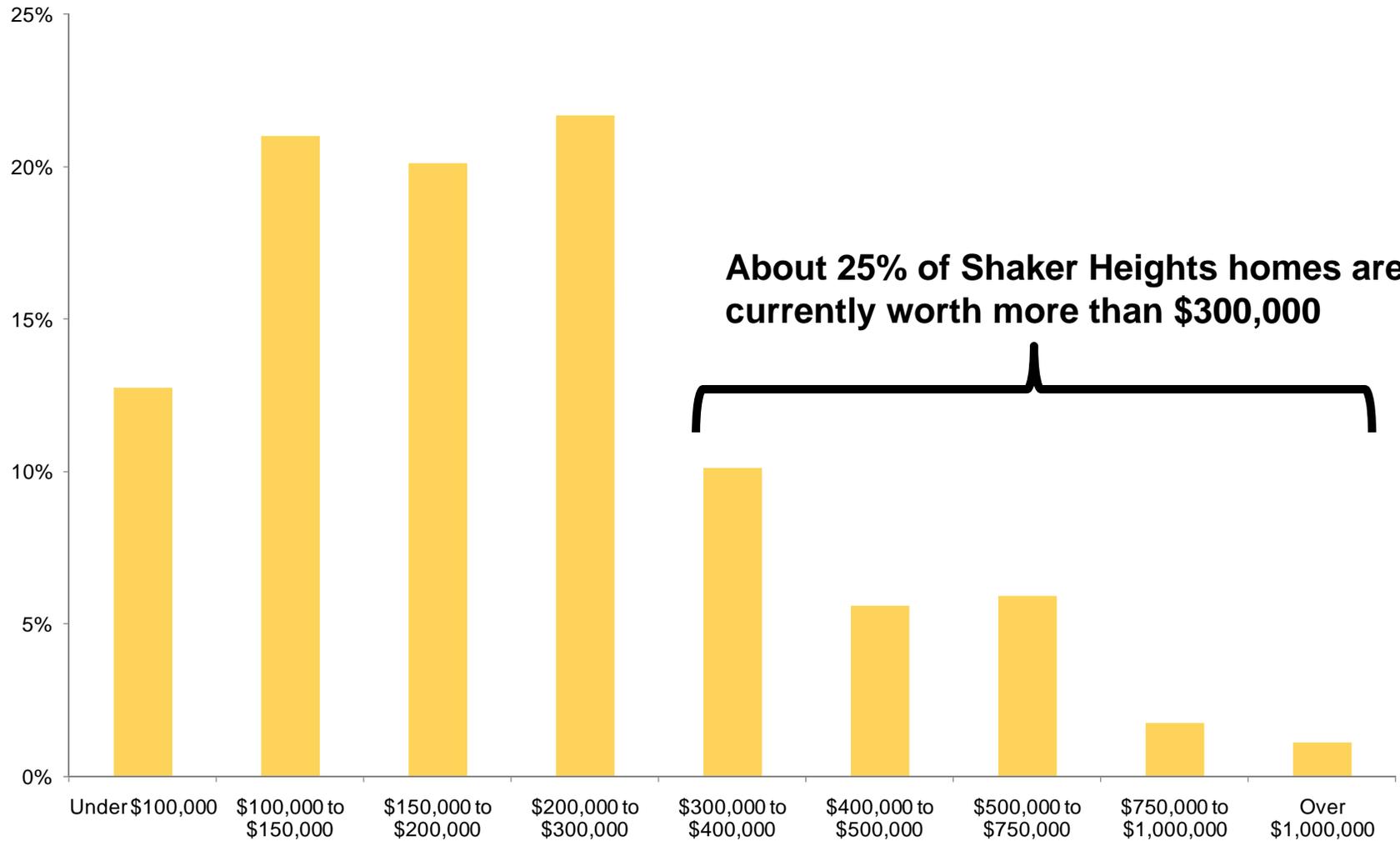
## SOME ROOM TO GROW GOING-FORWARD RATE

Home Value	Shaker Heights Housing Units	Cuyahoga County Housing Units	Fair Share Capture	Annualized Sales in Shaker Heights 09 - 10	Annualized Sales in Cuyahoga County 09 - 10	Capture Rate 09 - 10
\$100,000 - \$200,000	2,946	159,329	1.9%	119	4,555	2.6%
\$200,000 - \$300,000	1,553	37,542	4.1%	33	1,136	2.9%
\$300,000 - \$400,000	725	11,920	6.1%	89	420	21.2%
\$400,000 - \$500,000	400	5,454	7.3%	16	188	8.4%
Over \$500,000	627	6,337	9.9%	10	245	4.2%
Total HHs	7,165	335,548	2.1%	267	6,543	4.1%

SOURCE: Claritas; RCLCO

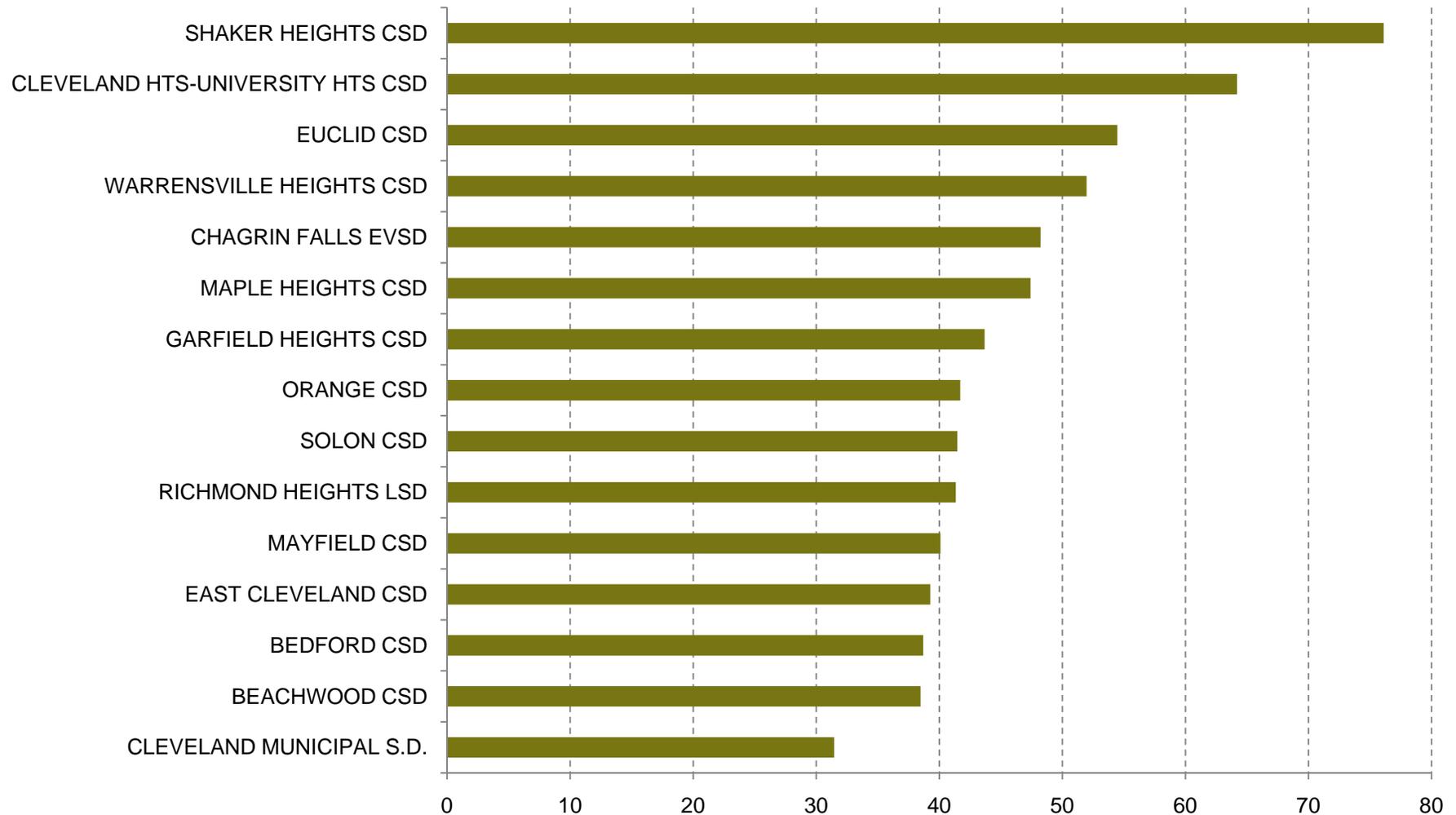
# CAPTURE WILL BE SUPPLY-CONSTRAINED

## LIMITED STOCK OF HOMES TO TARGET HIGH END



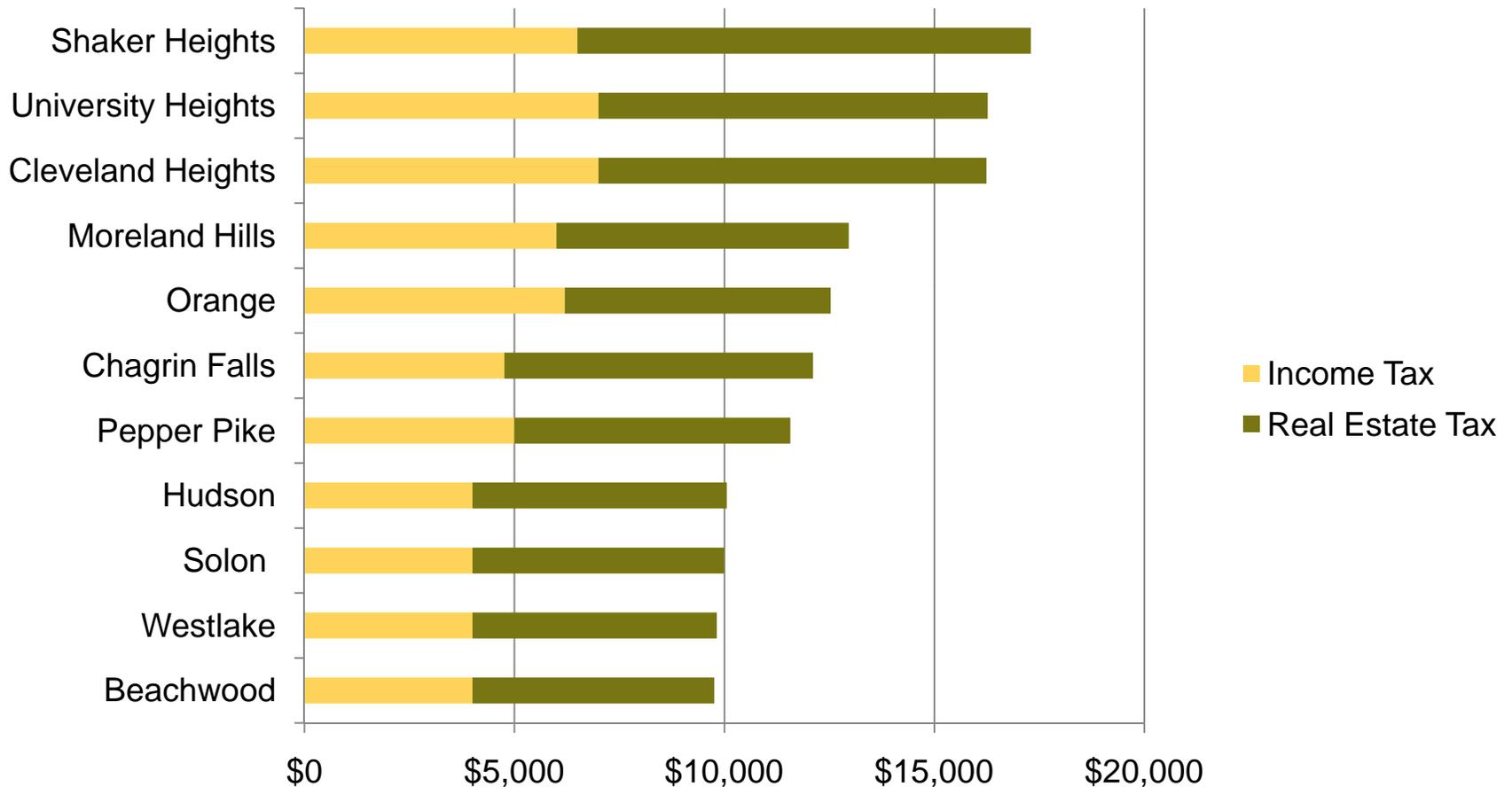
# SCHOOL DISTRICT TAXES IMPORTANT FACTOR THE HIGHEST IN OHIO – IMPACT PURCHASE DECISION

## Effective School District Millage Rates in Cuyahoga County – Residential Property 2009



# OVERALL TAX RATES ALSO A FACTOR EQUALS THOUSANDS MORE/YR FOR SHAKER RESIDENTS

**Tax Burden Comparison<sup>1</sup>**



<sup>1</sup>/Assumes income of \$200,000 earned in Cleveland and home value of \$300,000

SOURCE: George Zeller

# HISTORIC ADVANTAGE NOW CHALLENGED

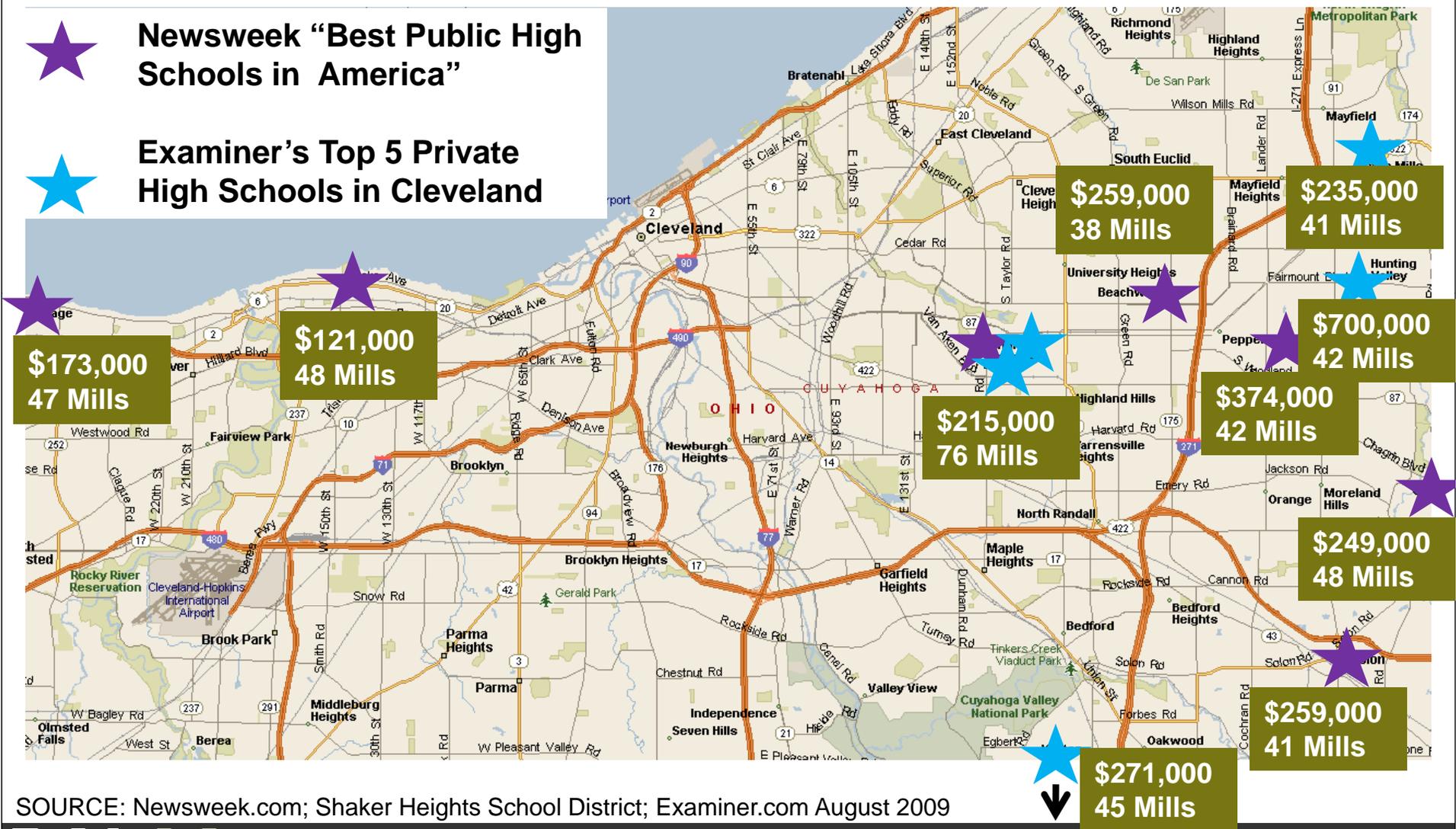
## GROWING NUMBER OF COMPETITORS/CHALLENGERS



**Newsweek "Best Public High Schools in America"**



**Examiner's Top 5 Private High Schools in Cleveland**



SOURCE: Newsweek.com; Shaker Heights School District; Examiner.com August 2009

# CONCLUSION

## HOUSEHOLD FOCUS NOT FISCALLY-STRONG

### PREMISE:

- The “household” strategy can boost revenues by either adding new households or increasing the average income of households that choose to move to Shaker Heights
- Each new household, assuming it purchases the median value home, would contribute between \$1,250 and \$1,550 in income tax and property tax revenues to the city annually.

### ANALYSIS:

- In an environment of population loss, demand for new housing will be minimal and the attraction of new households will be challenging
- Regional demand for homes worth over \$300,000 is highly limited. Shaker Heights has succeeded in capturing a high portion of this demand relative to its peers but increasing its share will be difficult because:
  - Shaker Heights is largely built-out; The current distribution of home values, which largely favors homes under \$300,000 can only be changed at the margins through renovation or new construction
  - Shaker Heights schools may, in fact, be excellent but test scores do not always bear that out. In any case, there are several other excellent schools, both public and private, in the area.
  - Shaker Heights School District property tax rates are the highest in the state
- Revenue per household is likely to skew towards the lower end of the range because few households work in Shaker, reducing the amount of tax that Shaker Heights can collect. Net fiscal impact may be minimally positive after expenditures are taken into consideration.

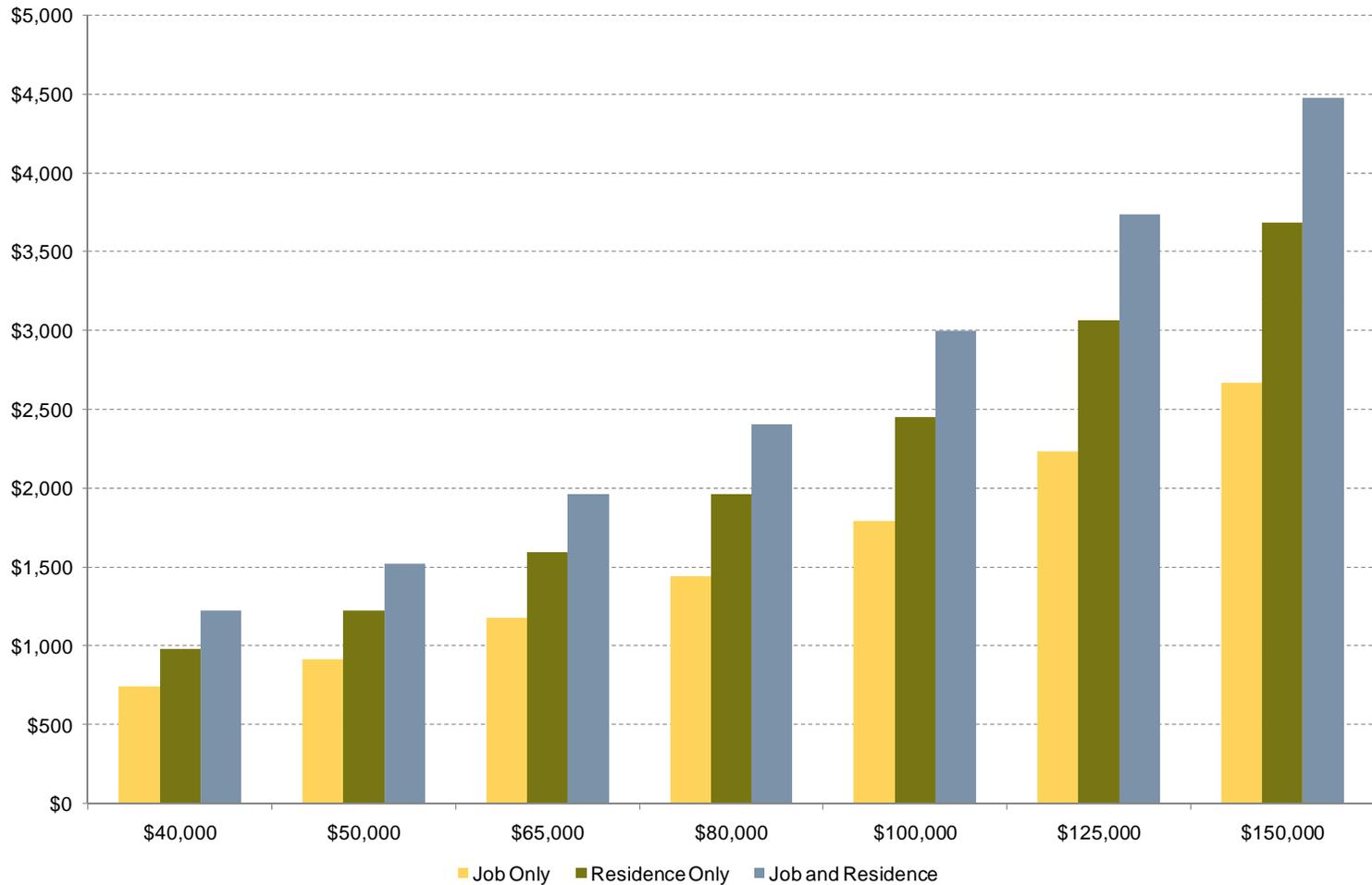


## An Alternative Strategy – Job Attraction

# POTENTIAL CONCLUSION

## HOUSEHOLDS ALONE MORE VALUABLE THAN JOBS ALONE

**Estimated City Income and Property Tax Revenue by Household Income**



SOURCE: RCLCO

# REVISED CONCLUSION

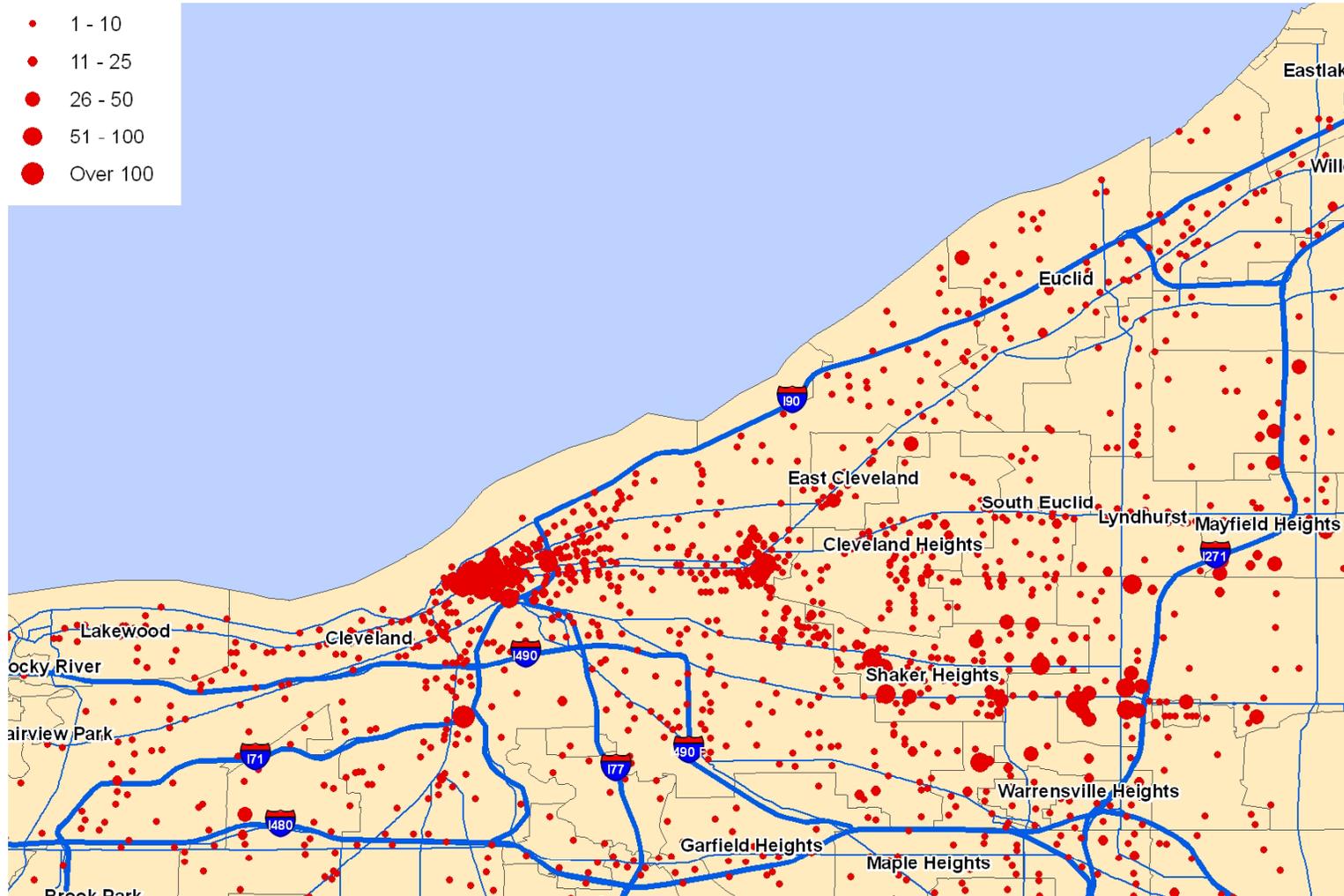
## JOBS FAR MORE FISCALLY -POSITIVE ON A PER-ACRE BASIS

Land Use	HHs or Jobs per Acre	Income per HH or Job	Income Tax Base per Acre	Income Tax Revenue per Acre	Est. Property Tax Base per Acre	Est. Property Tax Revenue per Acre	Total Tax Revenue per Acre
\$200,000 SFD	7	\$58,000	\$406,000	\$7,105	\$1,400,000	\$4,245	\$11,350
\$400,000 SFD	2	\$121,000	\$222,000	\$5,530	\$800,000	\$3,465	\$8,995
\$200,000 Condominiums	35	\$58,000	\$2,030,000	\$35,525	\$7,000,000	\$21,223	\$56,748
Office	120	\$60,000	\$7,200,000	\$126,000	\$1,525,000	\$5,284	\$131,284
Retail	50	\$30,000	\$1,500,000	\$26,250	\$1,050,000	\$3,638	\$29,888

- Office space is typically built at higher densities, holds more jobs per square foot, and employs people at higher wages than retail space, yielding much higher revenues
- Income tax calculation assumes full rate. In practice, household income tax revenue would be lower because most Shaker residents work elsewhere

# FEW RESIDENTS WORK IN SHAKER NOT REALIZING FULL FISCAL BENEFIT OF HOUSEHOLDS

## Where Shaker Residents Work - 2008



• Only 7.5% of Shaker residents work in Shaker Heights

• Among those earning more than \$40,000 per year, less than 5% work in Shaker Heights

SOURCE: US Census Bureau Local Employment Dynamics

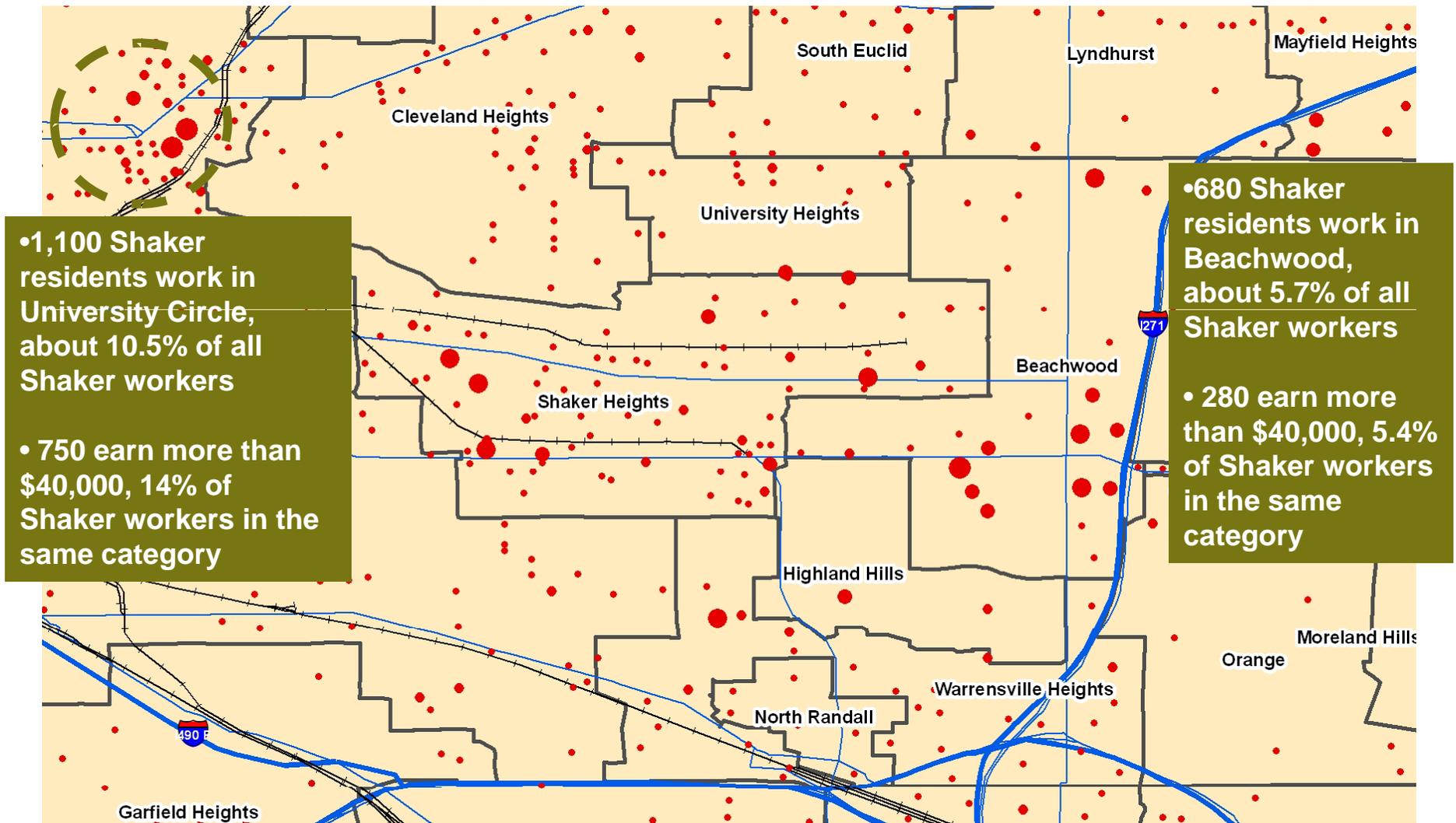
# SHAKER NOT CAPTURING “FAIR SHARE” OF JOBS

## NEARBY CITIES OUTPACING ON A JOBS/HH BASIS

City	Households	Median Home Value	Median Income	Retail GLA	Total Jobs	Jobs per Household	% Retail Trade Jobs	% F.I.R.E and Business Services
<b>Shaker Heights</b>	10,991	\$190,000	\$71,000	316,000	10,400	0.95	32%	11%
<b>Beachwood</b>	4,642	\$262,000	\$71,000	1,300,000	28,000	6.0	23%	32%
<b>Solon</b>	7,616	\$255,000	\$95,000	984,000	31,700	4.2	25%	16%
<b>Pepper Pike</b>	2,123	\$389,000	\$146,000	0	3,800	1.8	10%	26%
<b>Orange</b>	1,210	\$294,000	\$104,000	0	3,300	2.7	29%	21%
<b>University Heights</b>	4,588	\$149,000	\$72,000	825,000	3,600	0.79	40%	9%

SOURCE: Claritas

# FEW RESIDENTS WORK IN SHAKER NOT REALIZING FULL FISCAL BENEFIT OF HOUSEHOLDS

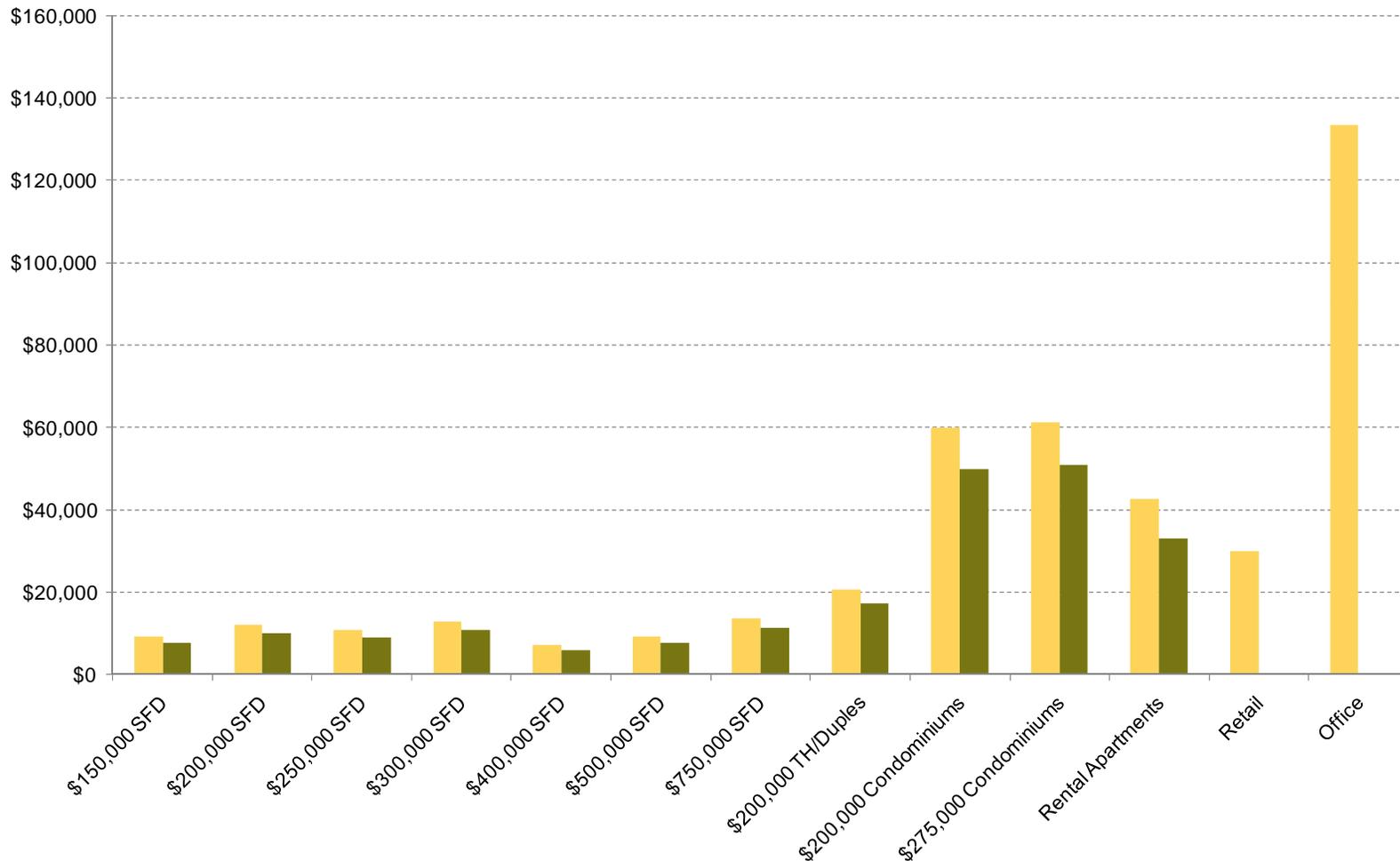


SOURCE: Claritas

# OFFICE BEST OPTION ON A PER ACRE BASIS

## 6X THE REVENUE OF SFD, AND 4X THAT OF RETAIL

Potential City Property and Income Tax Revenues per Acre of Development by Land Use



SOURCE: RCLCO

■ Revenues per Acre (Shaker Workplace)

■ Revenues per Acre (Non-Shaker Workplace)

# PARADIGM SHIFT IN CITY STRATEGY

## PURSUE JOBS AND MAINTAIN PREMIER NEIGHBORHOOD

### Existing Paradigm

“Of all of the places to live in the Cleveland area, Shaker Heights offers me the most desirable quality of life and community possible”

Executing the above requires focus on citizen service provision, creating and sustaining strong neighborhood fabric, top-flight placemaking, and increasingly, sustaining “third places” such as retail environs or parks/open spaces.

### Interim Paradigm

“I live in Shaker Heights and I’d like to locate my job/business here.”

Executing the above will require outreach to and recruitment of existing residents in key sectors who may in the near-term relocate their work, office, or job to Shaker Heights.

### Potential Future Paradigm

“I work in Shaker Heights, and I’ve decided to move into this great community.”

Executing the above will require significant resources deployed towards commercial (daytime employment) development and a laser-like focus on making Shaker Heights a competitive location for business locations.

# PARADIGM SHIFT IN CITY STRATEGY

## PURSUE JOBS AND MAINTAIN PREMIER NEIGHBORHOOD

### Implications of Recommended Future Paradigm

Ensuring that Shaker Heights is a competitive place to locate and/or start a business

Attention to commercial district placemaking, including zoning/planning

Applying demonstrated excellence in building standards/construction to commercial building stock

Allocating sufficient resources for business retention, expansion, attraction

Aggressive messaging, marketing, and branding of Shaker Heights' new position as "open for business"



## Target Job Sectors

# JOBS? WHAT JOBS?

## GROWTH OPPORTUNITIES IN CUYAHOGA COUNTY

1. Amidst general decline in jobs, there are subsets of the economy that are actually adding jobs today and are projected to do so in the coming 10 years
2. Meanwhile, there are jobs that are located *near* Shaker (or right next door) that may have a compelling market rationale to locate *within* Shaker, under the right circumstances.

RCLCO examined the past decade of job gains/losses as well as examined a range of job gain/loss forecasts.

RCLCO identified, at the 6-Digit NAICS code level, employment categories that showed growth before and through the recession in the geographies in and around Shaker Heights and Cuyahoga County. Factors included growth in absolute terms, growth rate, change in location quotient, and in overall contribution to the local/regional economy.

RCLCO examined these growth segments to discern patterns in strength relative to the overall economy in the region and state, relationship (to one another), forecasts, and potential “fit” with Shaker Heights’ future economic development potential.

# ECONOMIC GROWTH CLUSTERS

## INDUSTRIES FOR TARGETED INVESTMENT, RECRUITMENT

### ***Specialize***

Growing in the local market, shrinking in the region

### ***Capture***

Growing in the local market, growing in the region

### ***Divest***

Shrinking in the local market, shrinking in the region

### ***Recruit***

Shrinking in the local market, growing in the region

# ECONOMIC GROWTH CLUSTERS

## INDUSTRIES FOR TARGETED INVESTMENT, RECRUITMENT

### ***Specialize***

Growing in the local market, shrinking in the region

Professional, Scientific, and Technical Services  
 Architectural, Engineering, and Related Services  
 Engineering Services  
 Justice, Public Order, and Safety Activities  
 Administrative and Support Services  
 Ambulatory Health Care Services  
 Automotive Repair and Maintenance

### ***Capture***

Growing in the local market, growing in the region

Legal Counsel and Prosecution  
 Data Processing, Hosting, and Related Services  
 Libraries and Archives  
 Other Information Services  
 Administration of Environmental Quality Programs  
 Regulation, Licensing, and Inspection of Miscellaneous Commercial Sectors  
 Individual and Family Services  
 Social Assistance

### ***Divest***

Shrinking in the local market, shrinking in the region

Over 100 categories

### ***Recruit***

Shrinking in the local market, growing in the region

SOURCE: U.S. Bureau of Labor Statistics Quarterly Census of Employment and Wages, 1999 YE-1Q 2010

# ECONOMIC GROWTH CLUSTERS

## INDUSTRIES FOR TARGETED INVESTMENT, RECRUITMENT

Legal Counsel and Prosecution  
Administration of Environmental Quality Programs  
Regulation, Licensing, and Inspection of Miscellaneous Commercial Sectors  
Flooring Contractors  
Rubber Product Manufacturing  
Other Information Services  
Data Processing, Hosting and Related Services  
Professional, Scientific, and Technical Services  
Architectural, Engineering, and Related Services  
Other Justice, Public Order, and Safety Activities  
Services to Buildings and Dwellings  
Ambulatory Health Care Services  
General Automotive Repair

### Health Care/Social Assistance

Specifically, “ambulatory health care”, or offices of doctors, dentists, physical therapists, chiropractors, etc. Evolve into life sciences.

### Legal/Government Services

Law offices (both public and private-serving), county- or state-level government offices,

### Design

Architecture, Engineering, Advanced Building Services, Boutique Contracting

### Information Systems

Data processing facilities, including server housing, as well as web-based information providers

SOURCE: U.S. Bureau of Labor Statistics Quarterly Census of Employment and Wages, 1999 YE-1Q 2010

# HEALTH CARE – OPPORTUNITIES

## CITY HAS TARGET MARKET AND LABOR FORCE

The health care sector of the economy is projected to grow significantly in the future.

Medical professionals have a market motivation to locate within proximity of their high-value clients (high incomes, insurance, families w/ children)

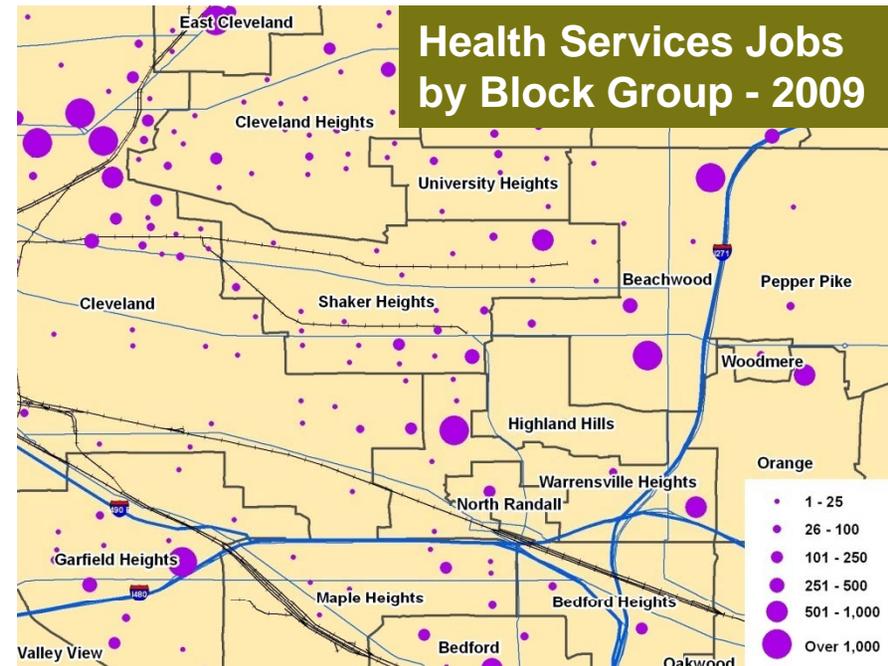
While rules may vary, the profit-maximizing strategy for hospital-affiliated physicians is to locate in the highest-income community near but not adjacent to their hospitals.

Site selection criteria include proximity to high-value households, availability of parking, ease of ingress/egress

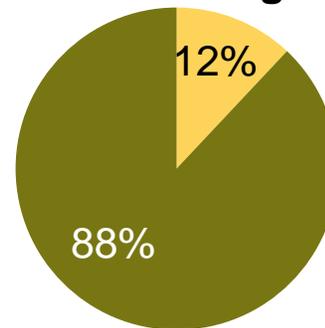
These professionals prefer well-kept and/or modern facilities, and are reluctant to move once established in a location.

These professionals are already locating as close to Shaker as possible (and probably live in Shaker already)

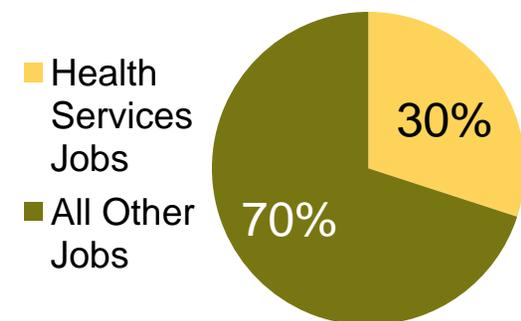
Proximity to Cleveland Clinic and University Hospitals



**Shaker Heights**



**Within 3 Miles of Shaker**



SOURCE: Claritas; RCLCO

# EMPLOYMENT CAPTURE – CHALLENGES

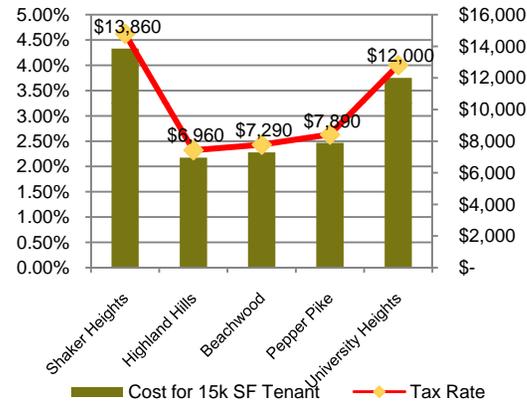
## RECRUIT/CAPTURE STRATEGY SUGGESTED

### 1. Outdated Building Stock



Shaker Heights does not currently have a ready-to-market stock of modern Class A or Class B office space suitable for medical office tenants. Existing buildings are antiquated and do not meet market or design needs of medical professionals.

### 2. Occupancy Cost



Commercial/Industrial property tax rate of 4.62% is highest in Cuyahoga County. Translates into appx. \$1.50/SF, which is 8.0% of market rent. A 20k tenant, pays \$15k more per year for Shaker vs. Beachwood or Highland Heights.

### 3. Development Economics



Medical office may justify some of the higher rents in the market, but these rents are still below what it would cost to develop new or rehabilitated facilities. On top of this, tenant improvements for doctors, etc. are often very expensive.

# HEALTH CARE –STRATEGY

## PROVIDE COMPETITIVE SPACE, CONDITIONS

Realizing the Health Care economic opportunity will likely require some combination of the following:

1. Leveling the playing field for occupants, specifically by making meaningful modifications to the property tax structure.
2. Aggressive outreach in the Shaker Heights community to identify “champions” who not only recognize the advantages of a Shaker location, but who may be convinced to move their offices into Shaker Heights.
3. Deliver a ready-to-occupy supply of modern and appealing medical office suites suitable for doctors, dentists, and other ambulatory care professionals. This may involve engaging in the property market in targeted ways.
4. Structuring the right resources in order to make the above happen. This may take the form of assistance to the developer, property owner, or tenant, or some combination of all three. There will likely need to be some consistency in incentivizing the developer community.

# LEGAL/GOVERNMENT SERVICES - OPPORTUNITY

## LOCATION AND EVOLUTION OF BOOMER CAREERS

Boomers more inclined to work longer into traditional retirement years – and perhaps grow into second/third careers.

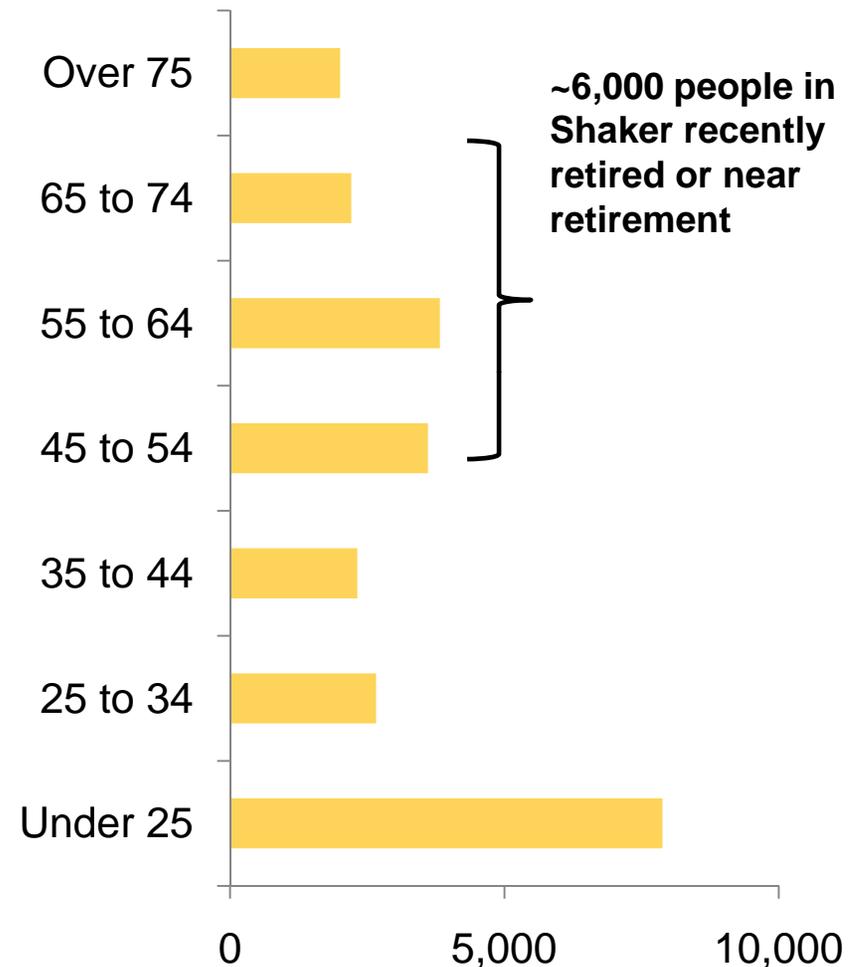
Shaker residents employed elsewhere but approaching traditional retirement age may have desire to and incentive to evolve into “flexexecutives”

Especially for current Shaker residents, opportunity to work in an office close to home can be very appealing.

Anecdotal information suggests that many home-based businesses currently exist – businesses that may be incentivized to seek out de facto office space.

Lawyers in particular have location synergies with government/regulatory body offices.

As Ohio grows state-level employee base, there will be multiple “bites at the apple” to locate that employee base in Shaker Heights.



SOURCE: Claritas; RCLCO

# LEGAL/GOVERNMENT SERVICES - CHALLENGES

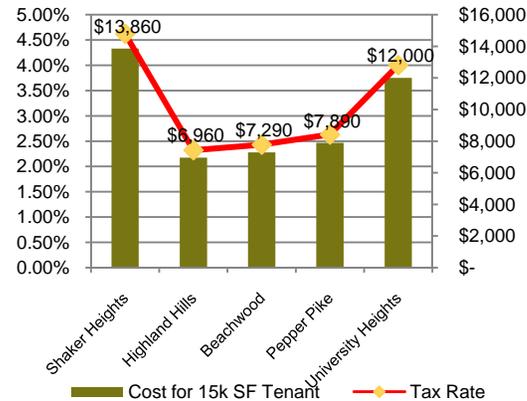
## RECRUIT ANCHOR TENANT, PREPARE FOR FUTURE MKT.

### 1. Anchor Tenant



Even with an anchor tenant in-place, developers will be wary to pursue commercial construction with any spec component in the market. Shaker may have to be creative in solving this gap and seeding the market from the supply-side.

### 2. Occupancy Cost



Commercial/Industrial property tax rate of 4.62% is highest in Cuyahoga County. Translates into appx. \$1.50/SF, which is 8.0% of market rent. A 20k tenant, pays \$15k more per year for Shaker vs. Beachwood or Highland Heights.

### 3. Emerging Market



“Flexexecutives” are an emerging work class that has not been well-served (or well-defined) in the marketplace. Harnessing them to drive economic growth will require proactive, out-of-the box marketing and outreach.

# LEGAL/GOVERNMENT SERVICES– STRATEGY

## PURSUE ANCHOR GOVERNMENT TENANT FIRST

Realizing the Legal/Government Services economic opportunity will likely require some combination of the following:

1. Pursuing state, regional, or local level government office site selection
2. Outreach into the Shaker Community to identify potential future “tenants”
3. Coordination with development community to locate and incent the development of suitable space for occupancy.
4. Dedicated resources to site and bring on-line new commercial construction, and perhaps putting on the table master-leasing executive office space and subleasing it to potential legal or “flexexecutive” tenants.

# DESIGN - OPPORTUNITY

## MARKET FORCES STRENGTHENING BUILT-IN DEMAND

Architecture, engineering, design professions could be strong complements to legal/flexecutive office tenants.

These tenants also have the capacity to take on stand-alone buildings that may even be industrial/quasi-industrial in nature and rehabilitate them for their own specific uses.

As Shaker Homes age and as Cleveland repositions thousands of acres of underutilized land/buildings, the need for design professionals will only grow in magnitude going forward.

Emphasis on energy efficiency, historic preservation, design standards, "HGTV Nation", and other forces will be especially prevalent in Shaker Heights given existing building stock and demographics.

Location in Shaker Heights is optimal for Design Professionals given cachet of community and its planning/design history, as well as the opportunity it affords to professionals to live and work in a community renowned for its design aesthetic.



# DESIGN - BARRIERS

## REHABBING EXISTING BUILDINGS – BUILDING “BRAND”

### 1. Rehabbing Buildings



Design firms have some motivation to become solo tenants or owner occupants, often times in low-rise quasi-industrial buildings. Rehabbing these in Shaker Heights will not be cheap, and may require assistance.

### 2. Branded Recruitment



This is a broad field, encompassing architects, designers, engineers, etc. Relocating existing firms and capturing new growth will require a place-based and branded recruitment effort. “Shaker Design District”?

### 3. Site Selection



“Design Districts” often have symbiotic relationships with end-user design products, including furnishings, home improvement, paints, etc. Finding the right place for this district will involve multi-use land planning.

# DESIGN –STRATEGY

## INCENTIVIZE CONVERSIONS, PLAN DESIGN DISTRICT

Realizing the Design economic opportunity will likely require some combination of the following:

1. Providing incentives to convert existing underutilized industrial/quasi-industrial land/buildings for specific user classes
2. Land planning adjacent or proximate to these sites that can support the growth of an end-user design retail experience
3. Properly branding this effort to create a compelling vision for the place and also to lure existing professionals into Shaker Heights – perhaps with relocation assistance and even tax breaks for rehabilitation dollars.
4. Working with office developers engaged in legal/flexexecutive office effort to accommodate support users or emerging businesses that may prefer a multi-tenant arrangement – but likely will prefer lower rents than legal/executive suites generate.

# INFORMATION SYSTEMS – OPPORTUNITIES SYNERGIES WITH LEGAL/FLEX OFFICE, GROWING MKT

As the information economy continues to grow and evolve, lower cost occupancies in unique locations with fantastic neighborhood fabric continue to be optimal breeding grounds for entrepreneurs.

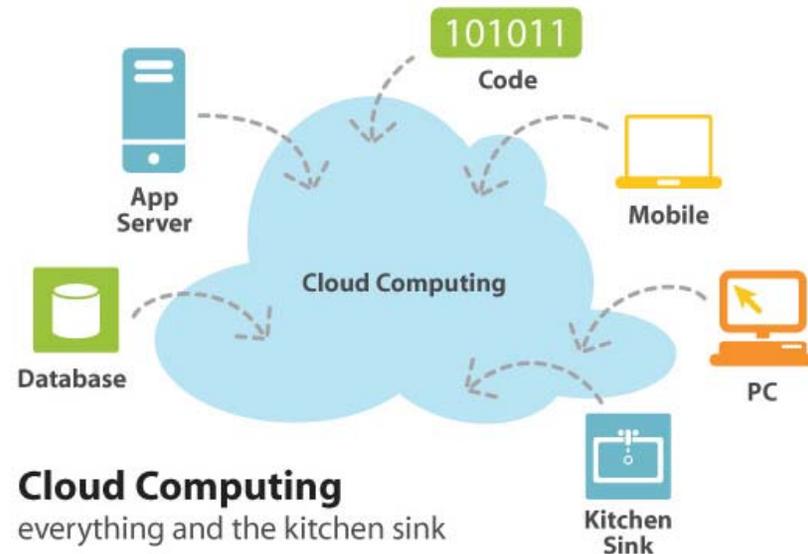
“Information Systems” is broad, but does include internet-based information services, management information systems, technology development to serve research functions, and “Knowledge Management”

Data Processing involves human power, but also can include “blade boxes”, which provide teraflop capacity computing power to users on a license basis. These users may include technology-based companies, but also increasingly include scientific/R&D and life/health sciences companies, especially when research is conducted *in silico* rather than *in situ*.

Companies engaged in these fields are good fits for Shaker Heights given its neighborhood base, proximity to major universities and medical institutions, and capacity to be a “hub” for east side end users of services.



CEU4U is an education management company offering a variety of services to individual and corporate health care professionals. CEU4U's services also include Web-based compliance and competency testing for corporate policies and programs



# INFORMATION SYSTEMS – CHALLENGES

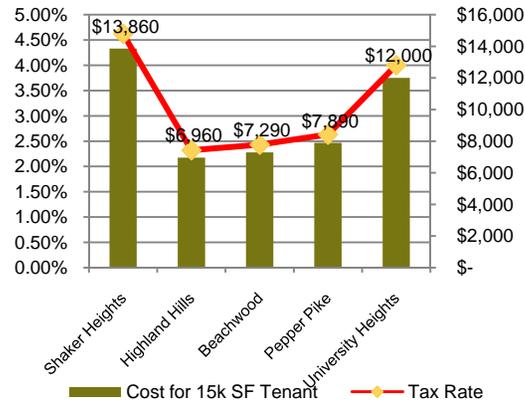
## RECRUIT/CAPTURE STRATEGY SUGGESTED

### 1. Site Selection



Computer-heavy users require buildings with redundant power and climate systems and perimeter security. Blade boxes are not often “street activating” neighbors, and have even more specific infrastructure requirements.

### 2. Occupancy Costs



Commercial/Industrial property tax rate of 4.62% is highest in Cuyahoga County. Translates into appx. \$1.50/SF, which is 8.0% of market rent. A 20k tenant, pays \$15k more per year for Shaker vs. Beachwood or Highland Heights.

### 3. Company Identification



Companies that are engaged in next generation computing/data processing are nascent and the market is immature. Identifying these early movers will be a challenge, but one that may be a good fit with a regional economic development entity’s help.

# INFORMATION SYSTEMS –STRATEGY

## PROVIDE COMPETITIVE SPACE, CONDITIONS

Realizing the Information Systems economic opportunity will likely require some combination of the following:

1. Forward-thinking recruitment effort, possibly run by Team NEO or analogous regionally-focused economic development entity.
2. Pursuit of state- or federal-level funding, possibly from Third Frontier or analogous sources, to offset cost of site development, recruitment effort, incentives needed, and space build-out (if applicable) to host these users.
3. Identification of sites that could be fitted *today* as incubator spaces for these types of end-users, and collaboration with property owners and developer to properly fit these spaces out for their needs.
4. Brand positioning that is appropriate for this target market audience.

# THE NEXT GENERATION OF JOB GROWTH

## PROPOSED STRATEGY HARNESSSES FUTURE GROWTH

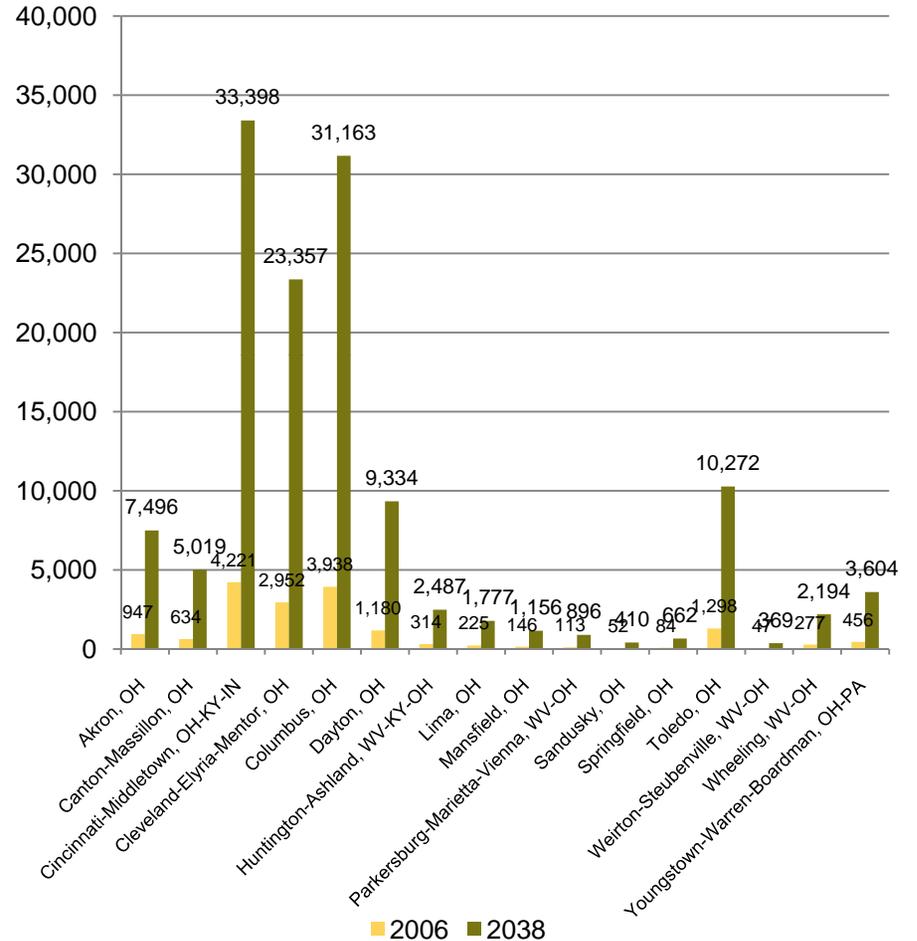
20,000 new jobs in “next-generation” sectors over the next thirty years.

These sectors include:

- Renewable Energy Research, Development, and Manufacturing
- Energy and Environmental Engineering
- Environmental Research, Regulation, and Remediation
- Pollution Control and Conservation Systems
- Construction and Installation

Applied to Shaker Heights, this could imply:

- Establishment of a green design focus integrating technical knowledge and innovations of nearby university students with design knowledge of local architecture firms
- Given the importance of “home,” in Shaker Heights this could involve development of a specialization in the retrofitting of older homes to become green
- Successful deployment of Design District primes the pump for these jobs to migrate to Shaker Heights first.



SOURCE: U.S. Conference of Mayors

# THE NEXT GENERATION OF JOB GROWTH PROPOSED STRATEGY HARNESSSES FUTURE GROWTH

Case Western Technology Transfer Program and Cleveland Clinic nearby, but startups require unconventional assistance, especially in health sciences.

Provision of incubator space and especially access to high-power computing (blade box) may be the competitive advantage Shaker needs to capitalize on this.

A long-term prospect, to be sure, but one that can build logically from the four-pronged growth strategy outlined above.

# POTENTIAL BUILDING OCCUPANCIES

## SOME CROSS-CATEGORY BUILDING SYNERGIES

Category	Typical Occupancy	Secondary Occupancy	Typical Building Size (SF)		Typical Tenant Size (SF)		Square Feet per Employee	
			Primary	Secondary	Low	High	Low	High
<b>Near-Term Opportunities</b>								
Ambulatory Care	Medical Office	End Cap "Retail Office"	150,000 - 300,000	250,000	5,000	15,000	200	300
Social Services	Class A Sublease Space	Class B Office/"Retail Office"	250,000	250,000	2,500	5,000	150	200
Legal	Class A Office Space	2nd/3rd Story In-Line Space	250,000	150,000	2,500	10,000	250	350
Government/Regulatory	Owner-Occupied Class A	Class A Anchor Tenant	400,000 +	250,000	30,000	100,000	200	300
Architecture/Engineering	Flex-Office	Class B Office w/ Custom TI	150,000	200,000	5,000	20,000	250	400
Design-Oriented Retail	In-Line Retail	In-Line Retail	200,000 - 400,000	200,000 - 400,000	10,000	20,000	400	750
Design Professions	Class A Office Space	Class B Office w/ Custom TI	250,000	150,000	5,000	20,000	250	400
Information Systems	Class A Office Space	2nd/3rd Story In-Line Space	250,000	150,000	2,500	5,000	150	225
Data Processing	Flex w Custom TI	Flex w Custom TI	100,000 - 200,000	100,000 - 200,000	10,000	100,000	400	1500
Flexexecutive	Executive Suites	2nd/3rd Story In-Line Space	30,000	150,000	250	500	150	200
<b>Medium to Long-Term Opportunities</b>								
Health Sciences R & D	Custom	Custom	300,000 +	300,000 +	30,000	100,000	300	600
Green Economy Jobs	Flex-Industrial	Flex-Industrial	150,000 +	150,000 +	30,000	100,000	250	600



## Next Steps

# NEXT STEPS

## ALIGN ECONOMICS WITH PLACEMAKING STRATEGY

1. Identify intersection of policy and planning capacities with economic development opportunities
2. Rationalize industry capture targets with building occupancy estimates
3. Develop build-out scenarios based upon targets
4. Construct fiscal impact analysis to quantify net benefit to Shaker Heights
5. Macro-level assessment of resources needed to execute
6. Align the above with site-specific development recommendations
7. Finalize strategy document – target completion October 2010





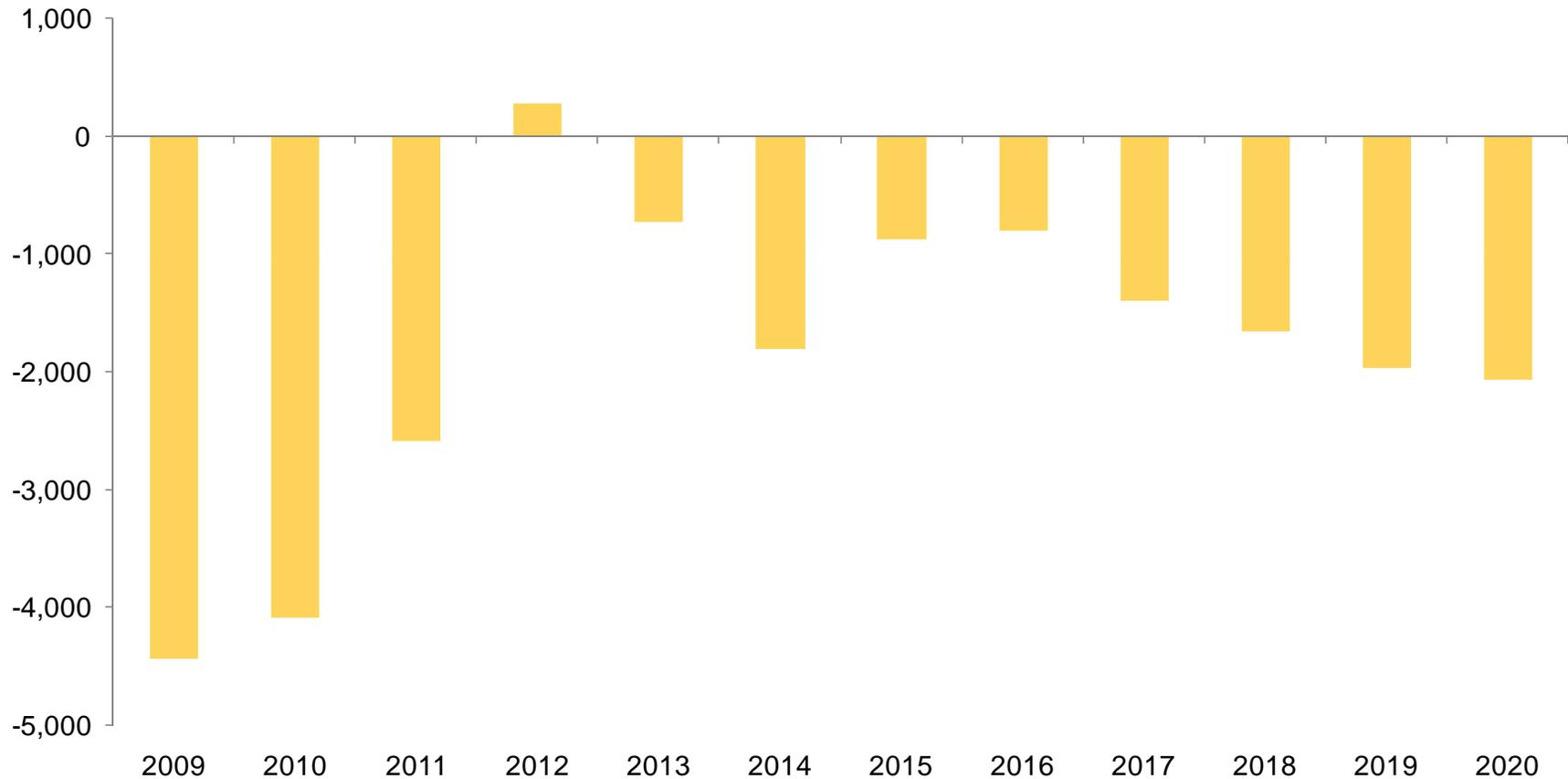
# Shaker Heights Economic Development Strategy Summary of Findings and Recommendations

City of Shaker Heights | July 15, 2010



# BUT ... HOUSING DEMAND CONSTRAINED FORCASTED DECLINE IN HOUSEHOLD GROWTH IN REGION

**Projected Annual Household Growth in the Cleveland MSA  
2010 - 2020**

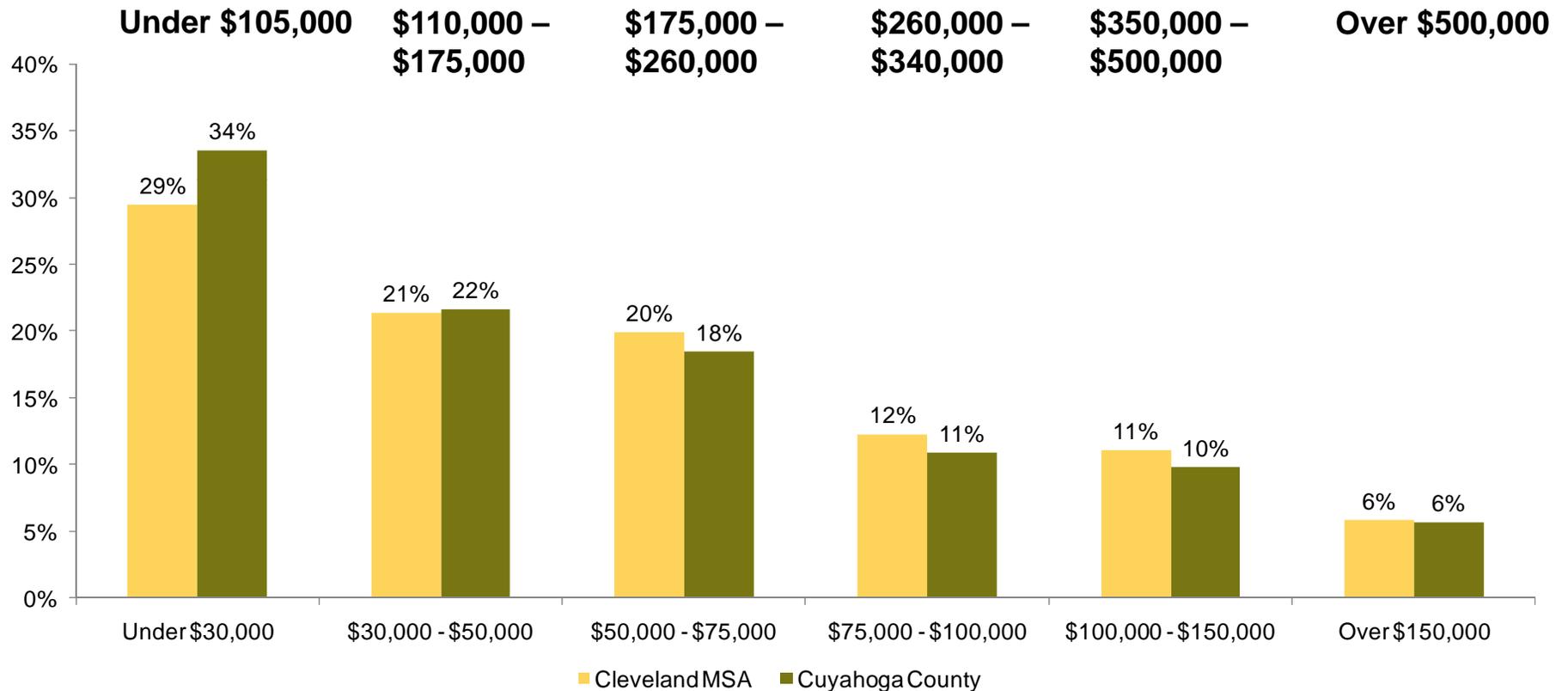


SOURCE: Economy.com

# BUT ... MARKET FOR HIGH-END HOMES THIN

## LIMITED PURCHASING POWER FOR HOMES > \$300k

**Distribution of Households by Income and Affordable Home Value  
2009**

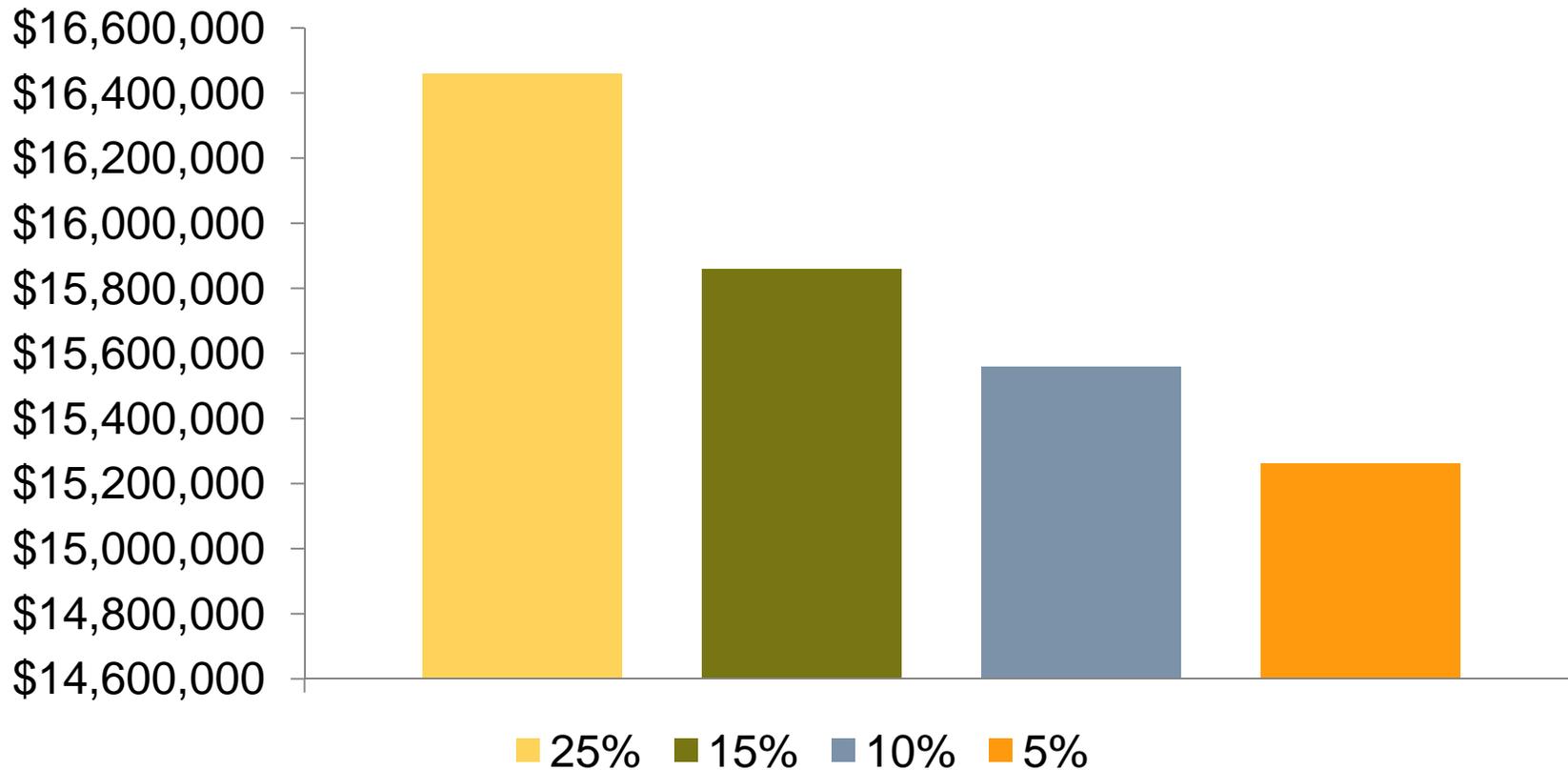


SOURCE: Claritas

# PARADIGM SHIFT IN CITY STRATEGY

## SHIFT FOCUS FROM HOUSEHOLDS TO JOBS

**Estimated City Income Tax Revenues by  
% of Shaker Residents Earning Over \$40,000 Working in Shaker**



SOURCE: RCLCO; Claritas