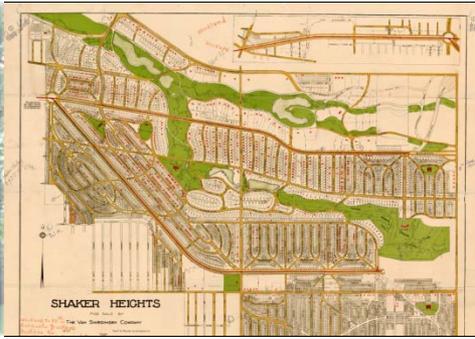

E. PRESENTATIONS & COMMUNICATION



Shaker Heights Economic Development Strategy Advisory Group Meeting

City of Shaker Heights | September 29, 2010



BACKGROUND AND OBJECTIVES

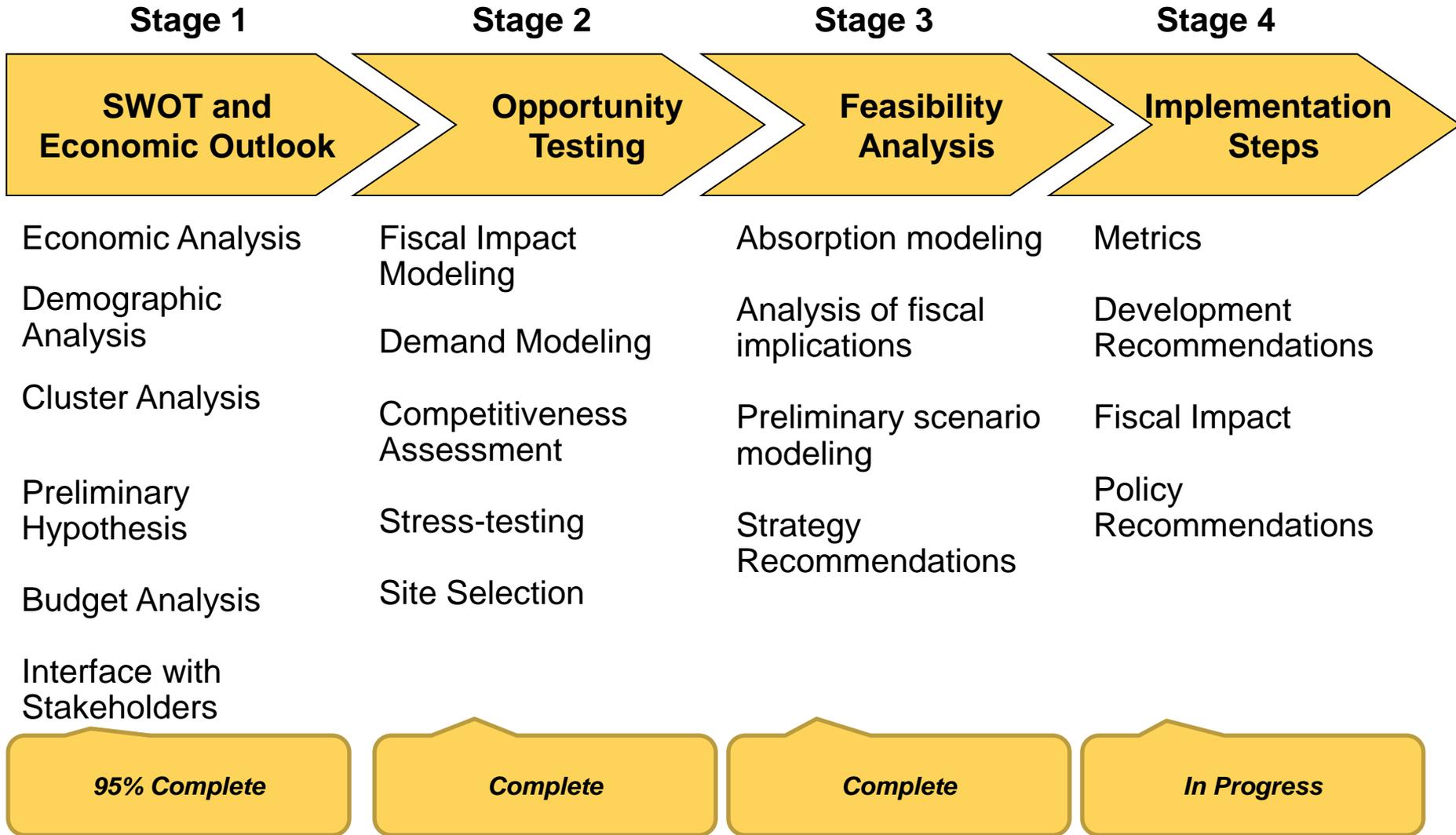
Project Background

- 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”

Scope of Work

- Analysis of Shaker Heights’ fiscal structure
- Economic analysis of Cuyahoga County and Shaker Heights
- Identification of growth segments of the economy that could impact Shaker Heights going forward
- Analysis of current barriers to greater economic activity in Shaker Heights
- Recommended policies and actions to address the above

PROCESS



WHAT YOU TOLD US

KEY PRIORITIES/TAKEAWAYS:

- Current commercial building stock is of poor quality. Some new development or redevelopment is needed to make Shaker more attractive to businesses.
- Focus on Warrensville/Van Aken redevelopment. It's a big opportunity that needs a bold plan.
- Capture future expansion of University Hospital.
- Consider interim solutions/actions to bring businesses to Shaker immediately while long term fixes are in progress.
- Change the perception of Shaker Heights from old, staid, and restrictive on businesses, to young, hip, and business-friendly. Emphasize appeal of Shaker's smart and diverse residents.
- Address occupancy cost issues. Consider lowering the commercial property tax rate.
- City needs to pursue an aggressive business recruitment strategy. Build on contacts with some connection to Shaker already, i.e. Shaker High grads, etc. Focus on businesses/job sectors

WHAT YOU TOLD US

KEY QUESTIONS:

- How much capacity is there for new commercial development? Is the current infrastructure adequate to support new commercial development/tech centers? If not, what is needed?
- Is the demolition of existing commercial stock in favor of new construction warranted? Is it feasible?
- Is it necessary to demolish residences in favor of new commercial development to create enough space? If so, is that politically feasible?
- How does Tower East fit into the strategy? Is city action/subsidy needed?
- What should be done with Lee Road and when should it be done? Can the city take on Lee Road and Warrensville/Van Aken simultaneously?
- Given limited resources, should the city concentrate on “low-hanging fruit” or a plan to create more radical change? Can it do both?
- What is the capacity of the city, realistically, to implement a major redevelopment plan?
- What should the role of the city be: developer, land banker, etc.? Is there a need for a Community Investment Corporation or similar quasi-public body?
- How much public money is available to use as subsidy?



Overview of Strategic Focus

CONCLUSION

HOUSEHOLD ATTRACTION STRATEGY NEEDS REVISITING

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.

AUGMENTING THE CITY'S STRATEGY

PURSUE JOBS AND MAINTAIN PREMIER NEIGHBORHOOD

Existing

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

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

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

Requires 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

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

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

AUGMENTING THE CITY'S 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"

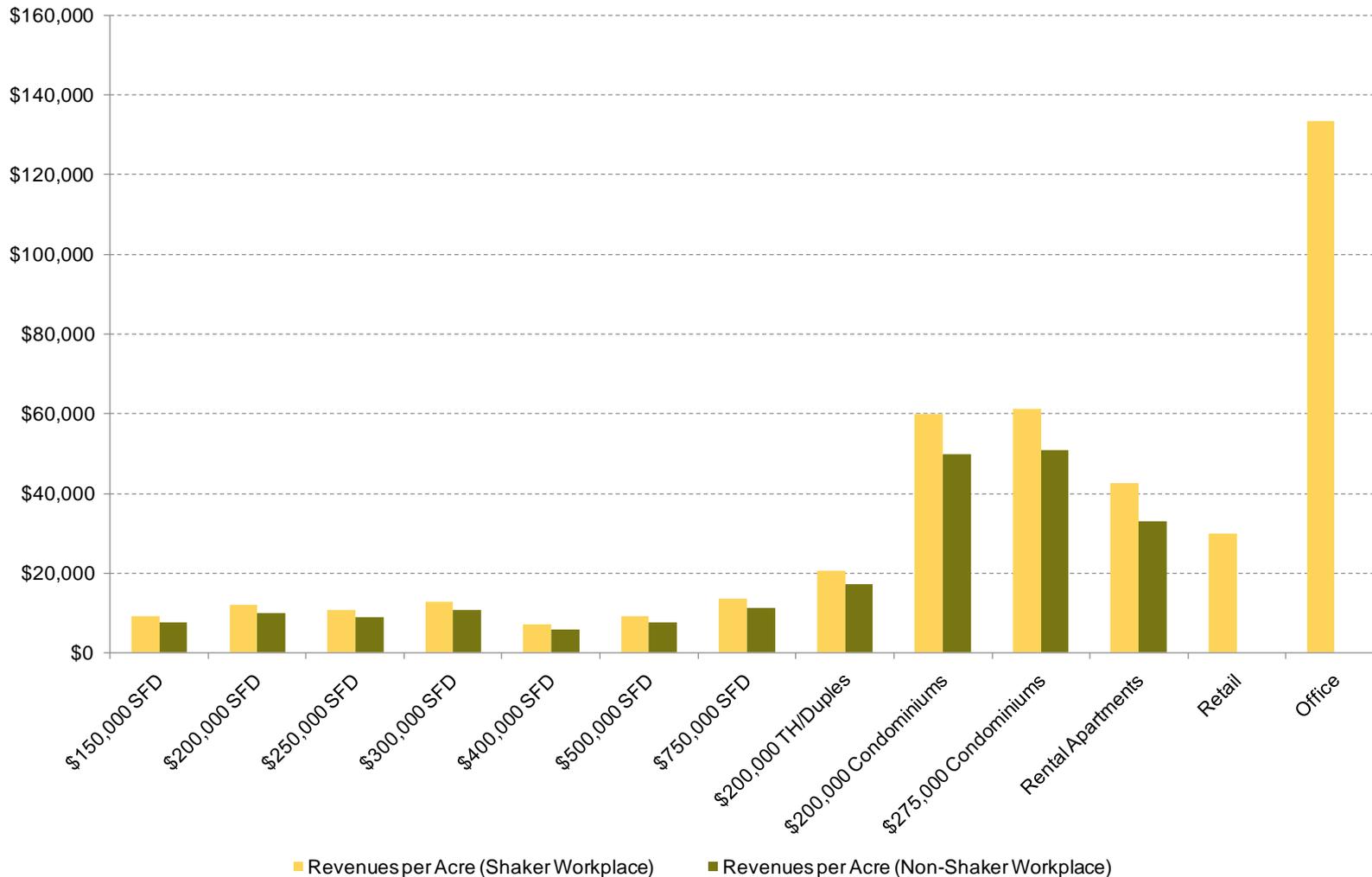


Shaker Heights' Next Economic Strategy

CORE STRATEGY FOCUS

BUILD A WELL-OCCUPIED BASE OF COMMERCIAL STOCK

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



ECONOMIC GROWTH SEGMENTS

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

Flexexecutives/Home-Based Businesses/Incubator

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

ECONOMIC GROWTH SEGMENTS

INDUSTRIES FOR TARGETED INVESTMENT, RECRUITMENT

Short Term (0-5 years)

Ambulatory Health Care

- Therapeutic Services
- Geriatric Care
- Specialty Outpatient

Architecture/Engineering

- Planning
- Residential design/retrofit
- Master planning
- Green building
- Interiors

Government-anchored legal services

- State/Fed regulatory anchor
- Flexexecutives, Retiring Lawyers

Data Processing

Long Term (5 - 10 years)

Research-oriented health sciences

Technology companies, especially those that are related to 2nd stage from startup/incubator lifecycle



Strategic Elements

PILLAR 1 – CORRECT MARKET IMBALANCES

ENHANCE THE CLIMATE FOR RENEWED INVESTMENT

Supply-Side

- Reduce commercial property tax on new development to 2%
- Tax abatement for commercial building modernization or assessment freeze at pre-improved assessed value and a rate of 2% for 10 years
- Consider commercial TIF up to certain limits and with 2.5x debt service coverage to enhance feasibility/marketability of new construction
- Align commercial building inspection outcomes, tools and policies with those of housing inspection to create a more results oriented environment (e.g. focus on encouraging reinvestment and reducing blight not just on number of inspections completed)
- Increase the level of city services for commercial properties to make them at least on-par with residential properties

Demand-Side

- Relocation assistance for businesses moving into Shaker Heights
- Matching grant for tenant improvements
- Treat our businesses as valued customers
- Create an integrated process for new business creation/expansion that is seamless to the business
- Provide business “ombudsman” to serve as single point of contact for new businesses looking to locate in Shaker Heights
- Revolving loan fund for small enterprises

PILLAR 2 – MARKETING AND OUTREACH

BRAND MANAGEMENT, RECRUIT, RETAIN, EXPAND

For the four key business sectors...

- Aggressive outreach and recruitment of regional businesses in target clusters
- Market “inside” to Shaker residents – e.g. advertise potential income tax savings of working and living in Shaker Heights
- Market “outside” to Northeast Ohio, especially touting new tax rates and incentives for property owners and for businesses
- Establish key benchmarks for # of employees per year recruited to Shaker Heights, and net overall employment gain
- Create online site selection tool which can quickly ID available blocks of office space or developable sites (complete)
- Aggressive use of social media
- Launch re-branding campaign for Shaker Heights
- “Launch Party” for new Shaker business mindset – perhaps a regular Shaker Heights business conference
- Recruit business from Shaker Alumni

PILLAR 3 – STRENGTHEN COMMERCIAL AREAS

FOCUSED ATTENTION ON WVA, CHAGRIN/LEE

- Commence transportation improvements at Van Aken/Warrensville
- Strengthen and build office market on Warrensville Road to create demand for the types of uses/amenities residents want in a mixed use/redeveloped WVA area post road reconstruction.
- Specifically, focus on University Hospitals deal and close this within 6 months, and commence aggressive outreach campaign to adjacent building owners to take advantage of new resources available (tax breaks, TI grants, etc.)
- Build on LaunchHouse, RDL, Library Courts to seed office development on Chagrin and Lee.
- Begin to sow seeds of relationships with tech sector and design sectors in Cuyahoga County.

A STRATEGY THAT HELPS THE ENTIRE CITY STRONGER MARKET, FISCAL HEALTH FOR CITY/SCHOOLS

Successful implementation of this strategy enhances the *entire* city ...

- Market context for retail improves with addition of professional daytime employment
- With enhanced retail offerings, Shaker “brand” can ring truer for those seeking lifestyle retail and dining/entertainment options close to home – enhances residential attraction
- Residential attraction augmented by Shaker position as a high quality of life community in which one might already work (or soon work)
- Increased property taxes from commercial will enhance both City and school budgets and put them on a path towards long-term fiscal sustainability

NEXT STEPS

Next steps:

1. Discuss and incorporate feedback from management team, advisory group and public meeting into the plan
2. Develop metrics around strategy elements and parameters around incentives
3. Draft plan
4. Final plan shared at October or November Council meeting
5. Marketing launch



Shaker Heights Economic Development Strategy Advisory Group Meeting

City of Shaker Heights | September 29, 2010



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– STRATEGY

CO-LOCATE WITH MED/PROF OFFICE, ANCHOR TENANT

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

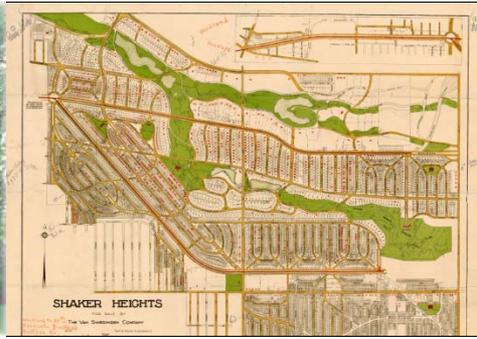
1. Pursuing state, regional, or local level government office site selection
2. Outreach into the Shaker Community to identify potential future “tenants”
3. Coordination with development community to locate and incent the development of suitable space for occupancy.
4. Dedicated resources to site and 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/ENGINEERING –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/flexible 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.



Shaker Heights Economic Development Strategy Management Team Meeting

City of Shaker Heights | September 29, 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”

Scope of Work

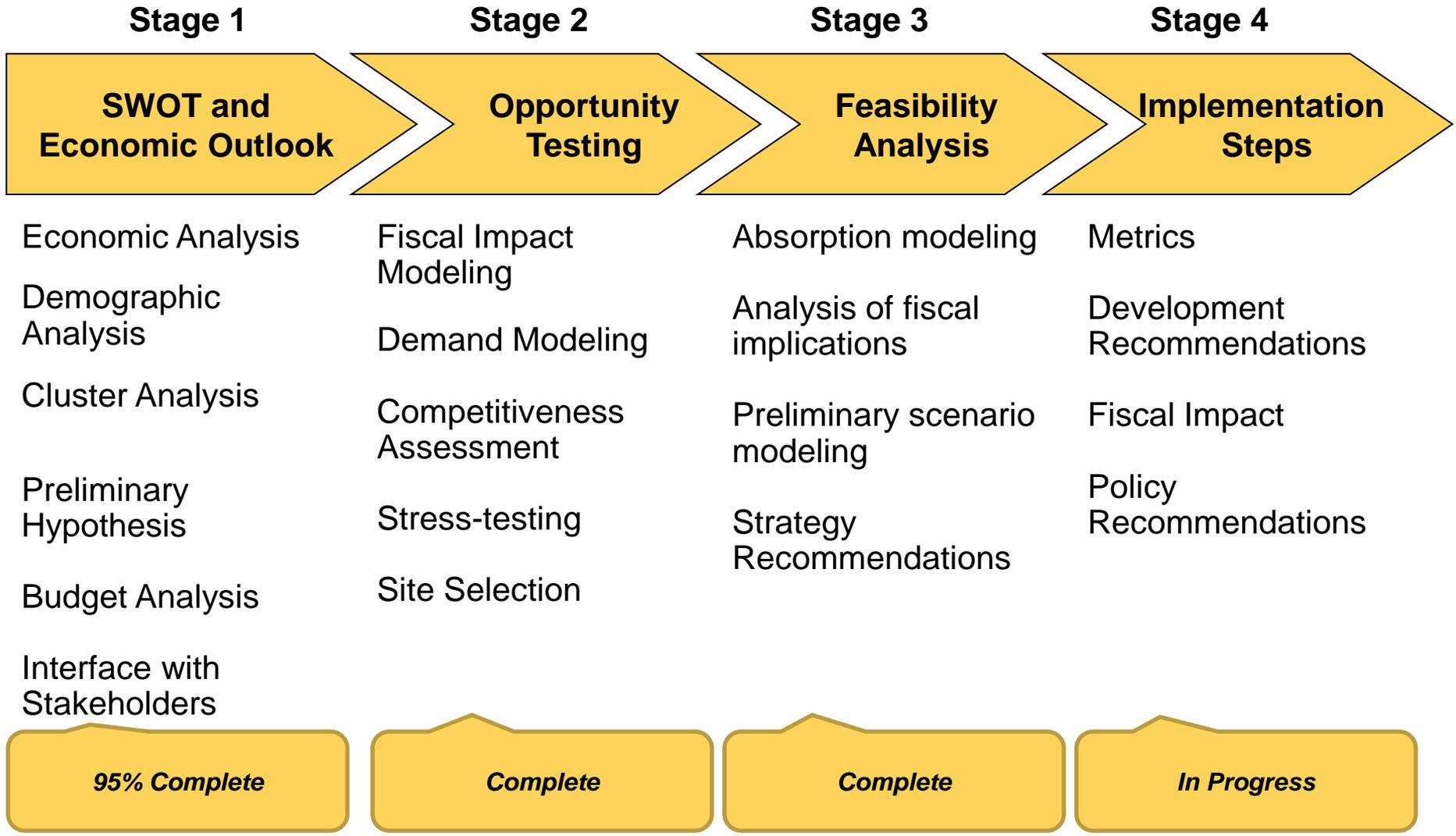
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- Economic analysis of Cuyahoga County and Shaker Heights
- Identification of growth segments of the economy that could impact Shaker Heights going forward
- Analysis of current barriers to greater economic activity in Shaker Heights
- Recommended policies and actions to address the above

BACKGROUND AND OBJECTIVES

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



SUMMARY OF MEETINGS & OUTREACH

March 23	Meet with Mayor, Council Members, Planning, Tour of Shaker Heights
April 7	Interview with Mayor Leiken
April 9	Management Team Meeting
April 26	“Official” Start Date
May-June	Research, Field Visits, Market Analysis, Meetings with Mayor/Planning/Economic Development, Weekly Phone Calls
Early July	Formulate Analysis and Strategy Hypotheses
July 14/15	Meetings with Finance, Stakeholders, Advisory Group Test Analysis and Hypotheses, as well as Strategic Response Build fiscal impact models
August 19/20	Strategy Sessions with Mayor, Planning, Economic Development Test strategies and fiscal impact results
September/October	Draft Strategy in Progress, Stress-Testing, Public Meetings

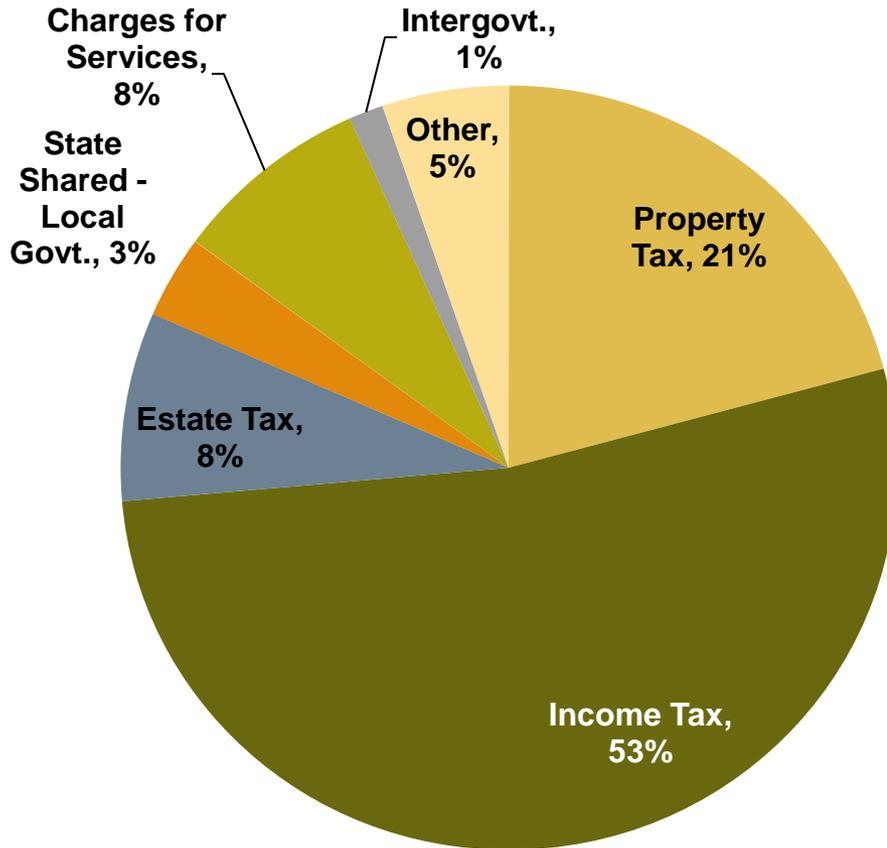


Overview of Current Conditions

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.

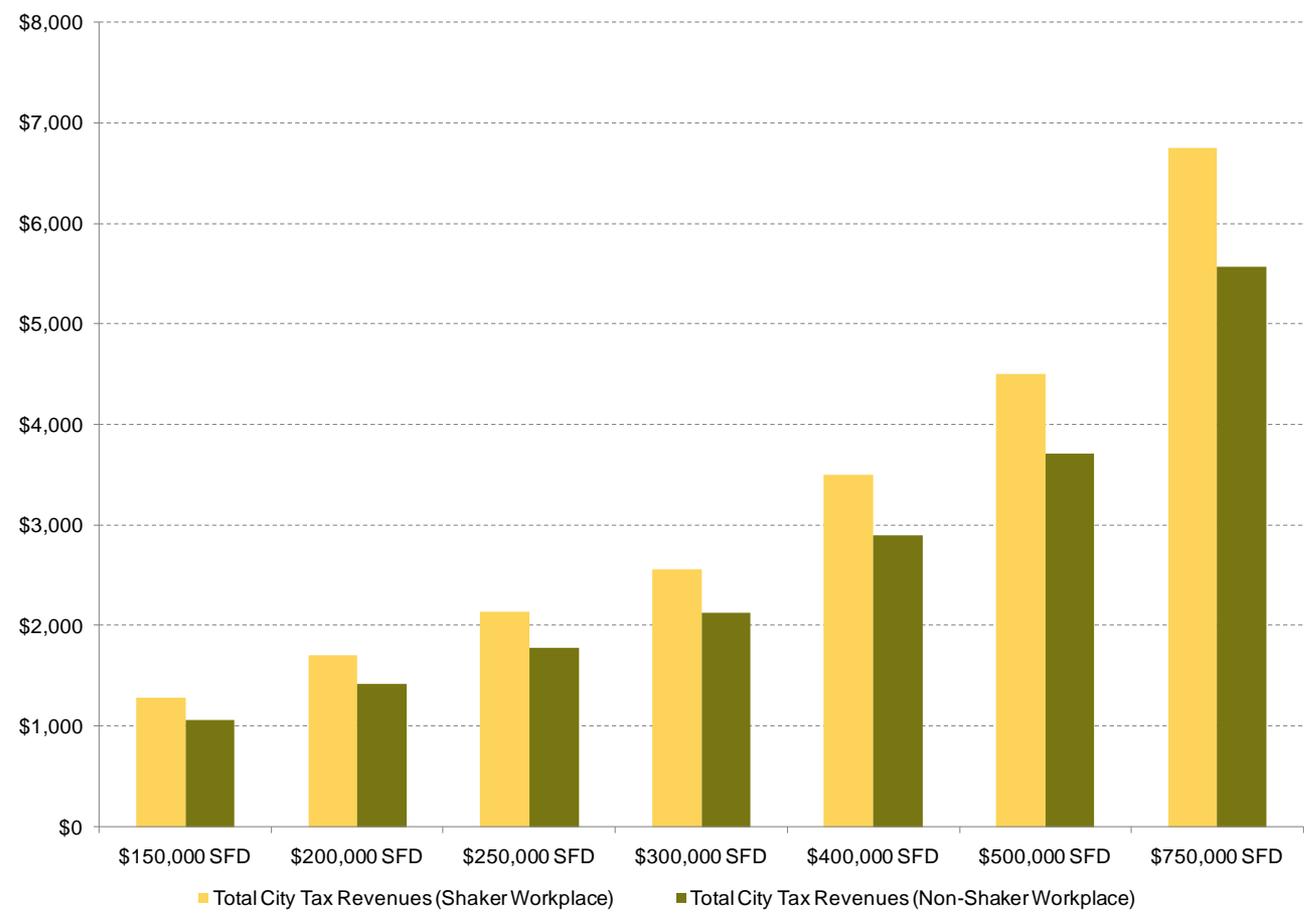
Job losses throughout the MSA pose a threat to the stability of this source of revenue going forward.

Source: City of Shaker Heights

STRATEGY: A PREMIER RESIDENTIAL COMMUNITY

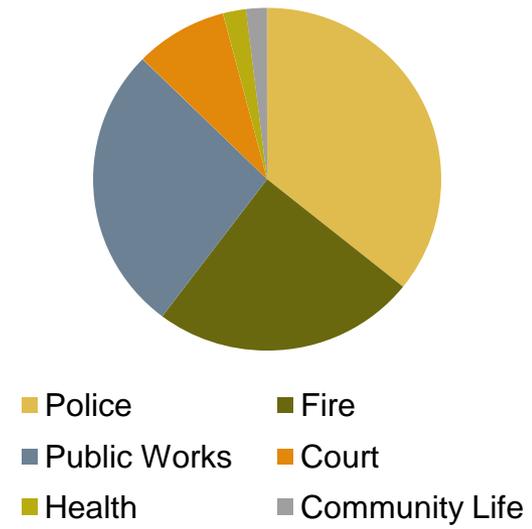
NEW GROWTH IN HIGH-INCOME HHs KEY TO FISCAL HEALTH

Potential City Tax Revenues per Household by Home Value



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

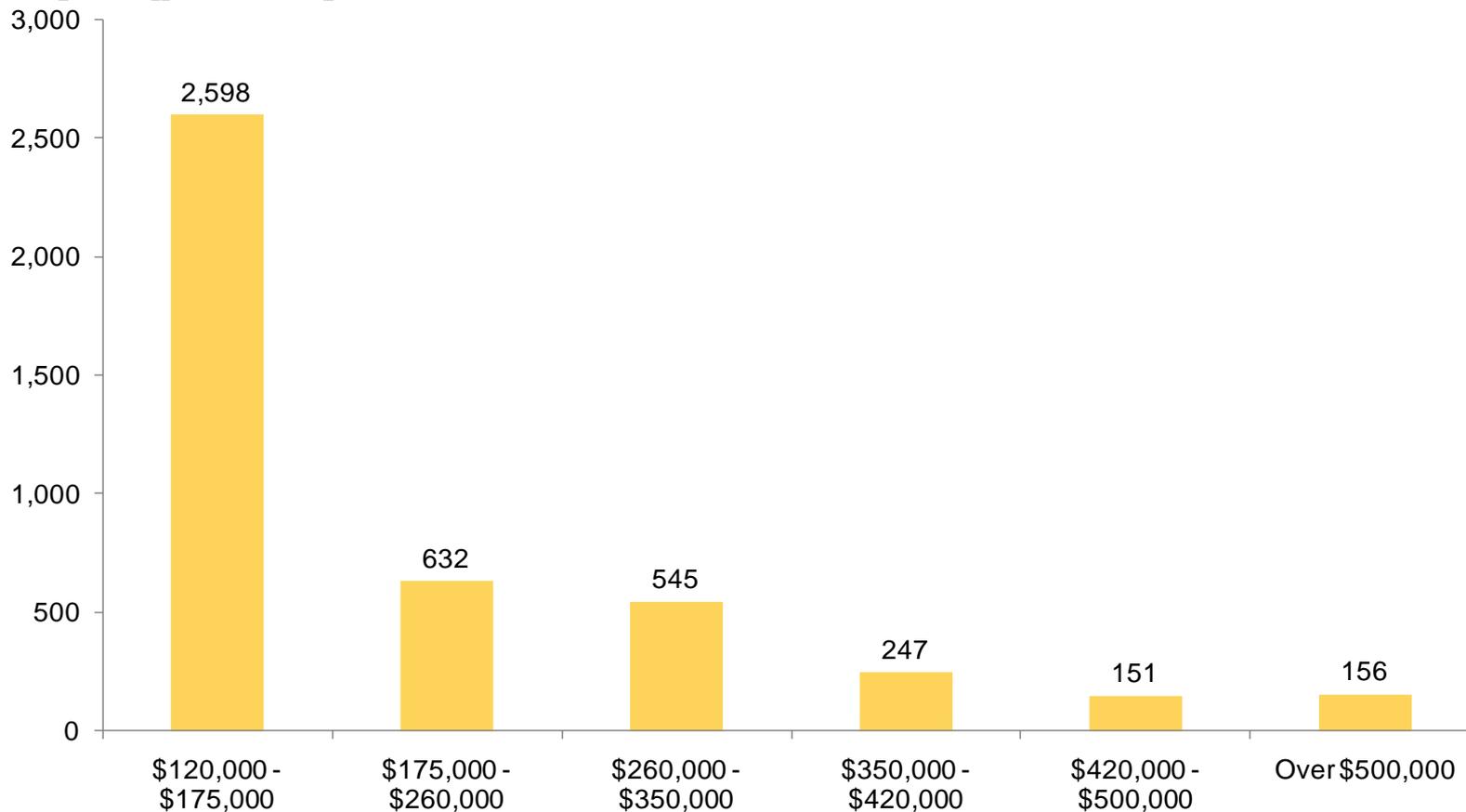
Per Household = \$2,420



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

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)

CONCLUSION

HOUSEHOLD ATTRACTION STRATEGY NEEDS REVISITING

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.

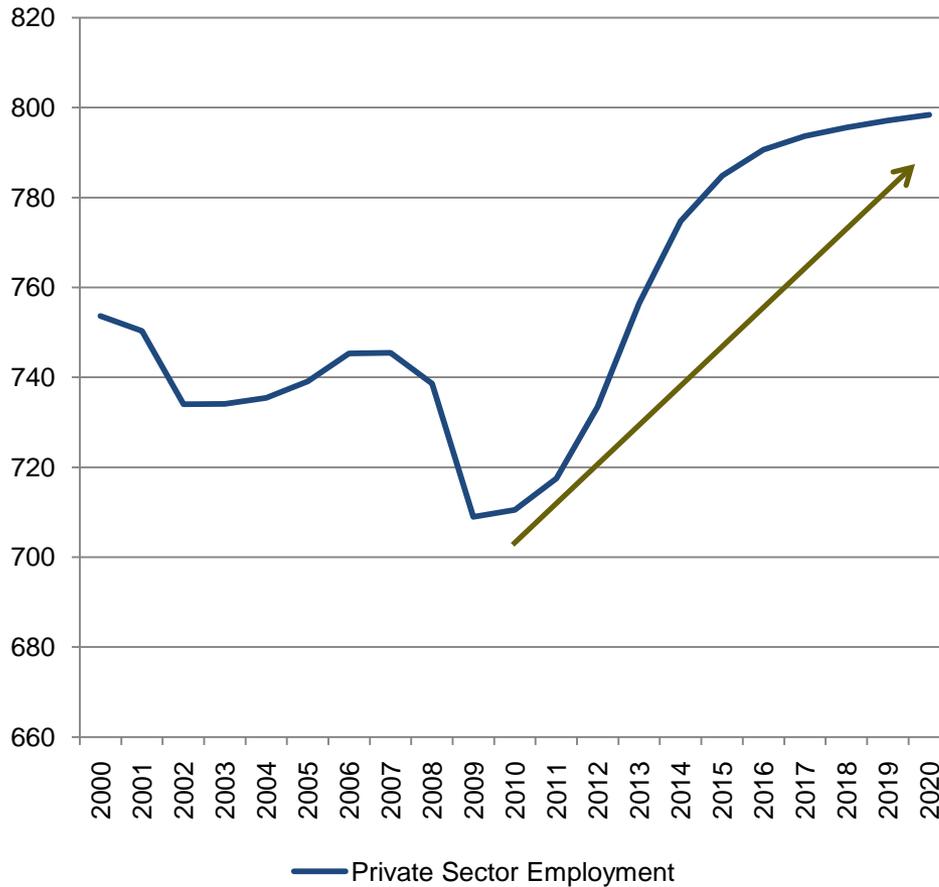
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 - Shaker Heights is largely built-out; The current distribution of home values, which largely favors homes under \$300,000 can only be changed at the margins through renovation or new construction
 - Shaker Heights’ overall tax rates not insignificant
- 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.

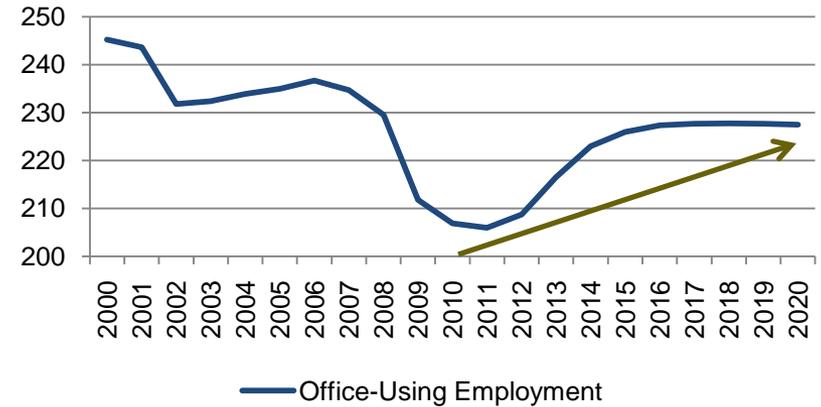
FORECAST – REBOUND ON THE HORIZON

HOW WILL SHAKER HARNESS THE UPSWING?

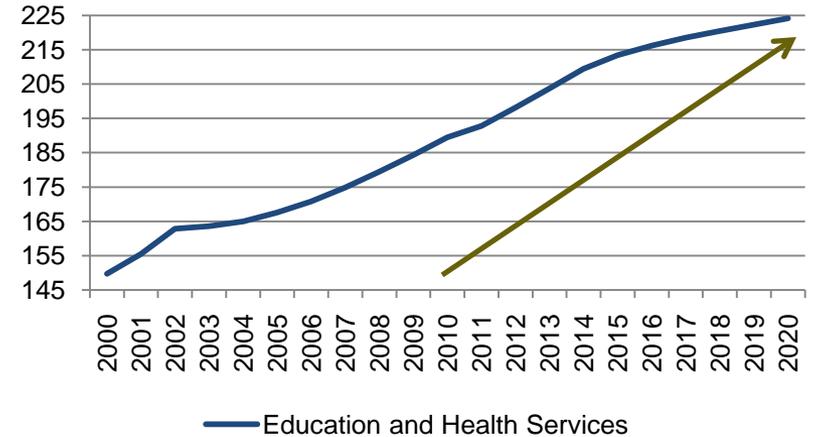
Private Sector Employment (000s)



Office-Using Employment (000s)



Education and Health Services (000s)



SOURCE: Moody's Analytics, September 2010

AN INFLECTION POINT IN SHAKER'S HISTORY

RECALIBRATE FOR SUSTAINABLE ECONOMIC GROWTH

Shaker Heights can seize upon an opportunity moment:

- It has a world-class brand that resonates positively throughout the region and the nation
- There are economic growth opportunities that Shaker Heights could harness, and some for which Shaker has distinct competitive advantages
- Shaker citizens and stakeholders are among the most sophisticated in the nation – the sheer power of its human capital to formulate and execute a going-forward strategy is unparalleled
- City leadership has chosen to ask the tough questions at the right moment in history



Shaker Heights' Next Economic Strategy

AUGMENTING THE CITY'S STRATEGY

PURSUE JOBS AND MAINTAIN PREMIER NEIGHBORHOOD

Existing

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

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

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

Requires 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

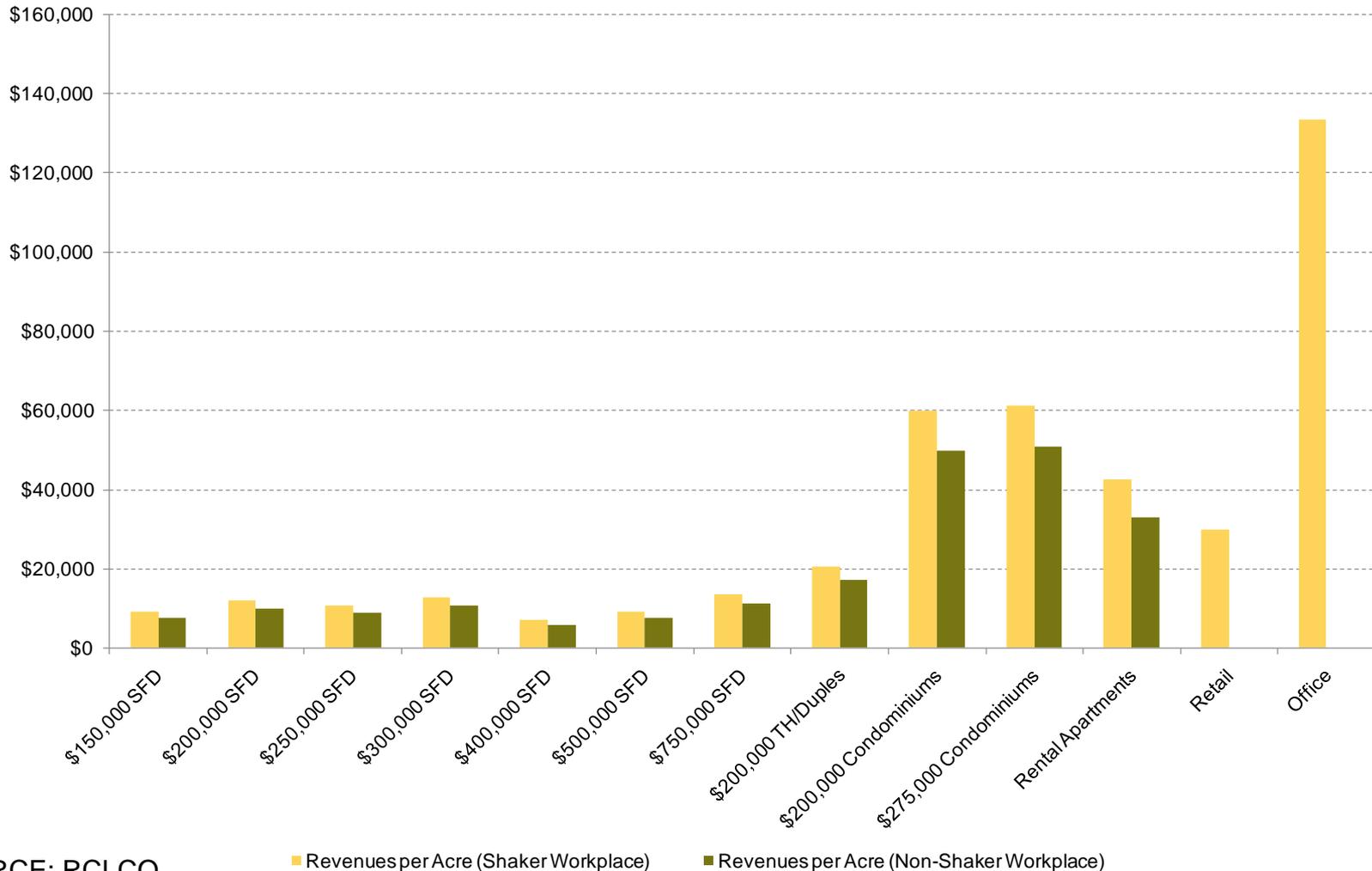
“I work in Shaker Heights, and I’ve decided to move into this great community.”

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

1. SHAKER HEIGHTS NEEDS MORE INCOME TAX

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

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



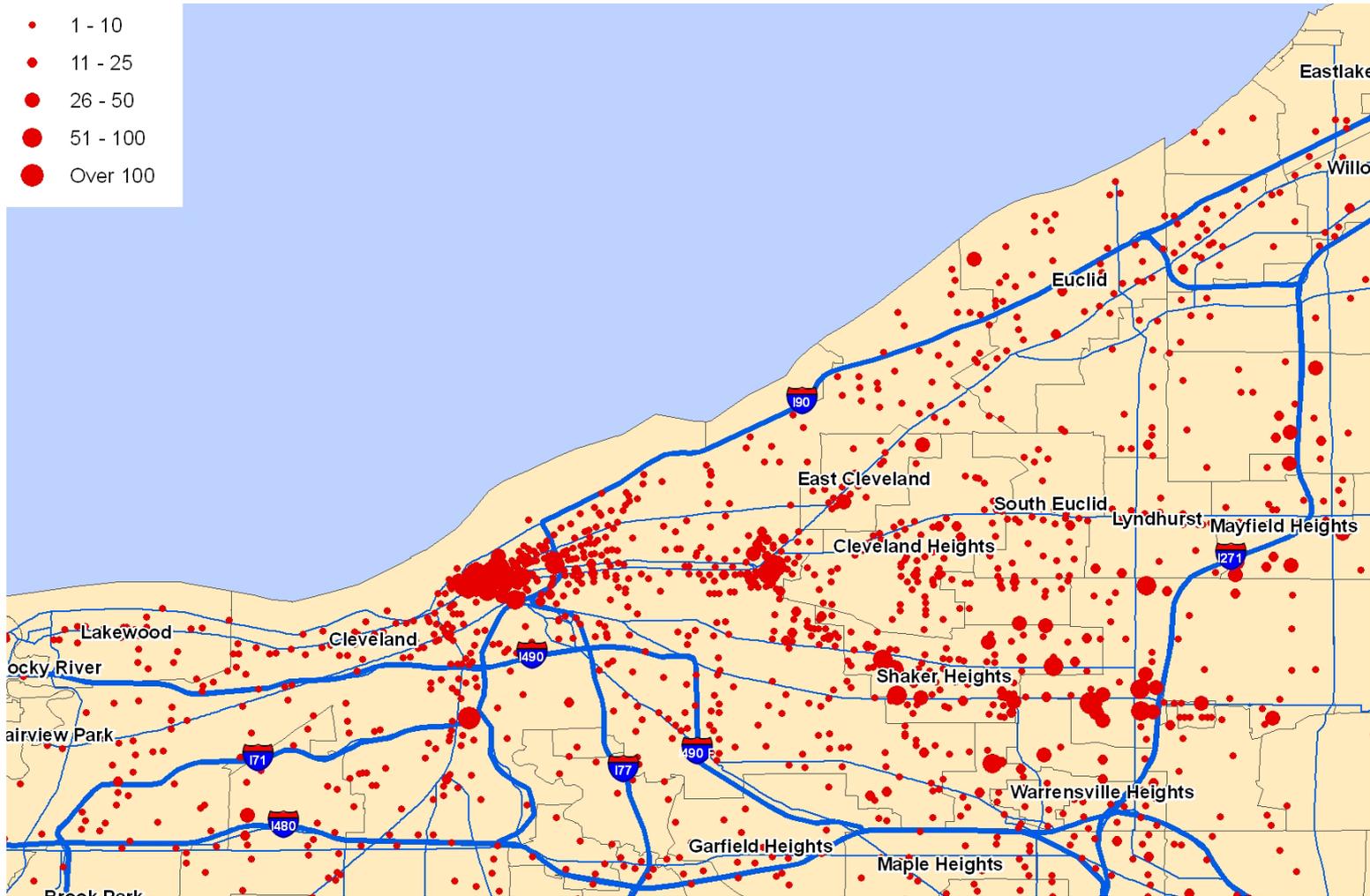
SOURCE: RCLCO

■ Revenues per Acre (Shaker Workplace)

■ Revenues per Acre (Non-Shaker Workplace)

1. SHAKER HEIGHTS NEEDS MORE INCOME TAX 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

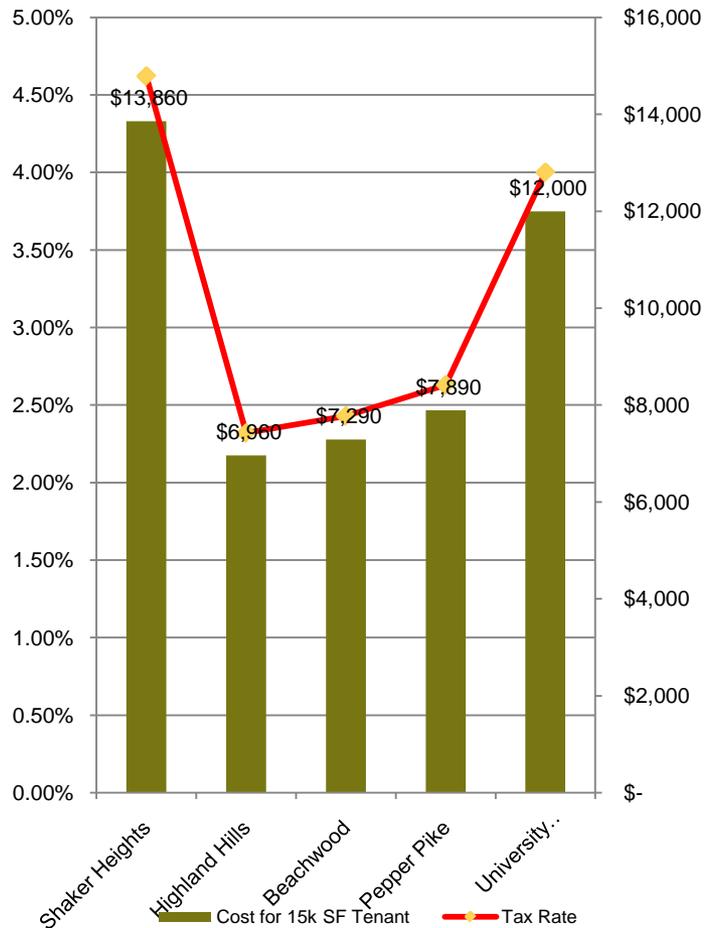
1. SHAKER HEIGHTS NEEDS MORE INCOME TAX

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
Shaker Heights	10,991	\$190,000	\$71,000	316,000	10,400	0.95	32%	11%
Beachwood	4,642	\$262,000	\$71,000	1,300,000	28,000	6.0	23%	32%
Solon	7,616	\$255,000	\$95,000	984,000	31,700	4.2	25%	16%
Pepper Pike	2,123	\$389,000	\$146,000	0	3,800	1.8	10%	26%
Orange	1,210	\$294,000	\$104,000	0	3,300	2.7	29%	21%
University Heights	4,588	\$149,000	\$72,000	825,000	3,600	0.79	40%	9%

SOURCE: Claritas

2. NEEDS BUSINESS-PROACTIVE POLICIES OPEN THE DOORS FOR JOBS, BUSINESSES



Key Issues

- Commercial/industrial property tax rate is highest in Cuyahoga County. Adds 8.0% to occupancy costs.
- Superior level of services that result from higher tax rates do not extend to the business community, which must self-fund basic services like trash removal, snow removal, security, etc.
- Not enough focus on maintaining commercial building excellence in similar manner to maintaining residential building excellence
- Reactive business policies that have focused on retail, which does not return high levels of income or sales tax to City.

3. SUPPLY-CONSTRAINED OFFICE MARKET

SHAKER LACKS HIGH-QUALITY OFFICE SPACE



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 growth sector industries.



Even premier office properties in Shaker Heights are in need of repair and upgrading. Meanwhile, their location vis-à-vis perceived and real traffic/access issues degrades their overall marketability and capacity to capture “risk takers” or Shaker Heights champions.



Development economics make renovation or new construction cost-prohibitive. This segment needs assistance in order to catalyze investment and re-investment.

4. MARKET-BASED RESPONSE/SOLUTIONS

ENHANCE THE CLIMATE FOR RENEWED INVESTMENT

Strategic response should combine correcting market failures/imbbalances with the pulling of policy and program levers necessary to activate the market. This strategy in effect requires both a “hardware” and a “software” response.

Elements include:

- Property-level incentives
- Investing in business districts
- Specific incentives and programs for targeted business sectors
- Aggressive marketing and outreach

5. STRATEGY THAT HELPS THE ENTIRE CITY STRONGER MARKET, FISCAL HEALTH FOR CITY/SCHOOLS

Successful implementation of this strategy enhances the *entire* city ...

- Market context for retail improves with addition of professional daytime employment
- With enhanced retail offerings, Shaker “brand” can ring truer for those seeking lifestyle retail and dining/entertainment options close to home – enhances residential attraction
- Residential attraction augmented by Shaker position as a high quality of life community in which one might already work (or soon work)
- Increased property taxes from commercial will enhance both City and school budgets and put them on a path towards long-term fiscal sustainability

AUGMENTING THE CITY'S STRATEGY

PURSUE JOBS AND MAINTAIN PREMIER NEIGHBORHOD

Implications of Recommended Future Strategy

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"



Targeted Business Sectors

TARGET KEY BUSINESS SECTORS

DISCIPLINE AND FOCUS KEY TO SUCCESS

Over the next five to ten years, Shaker Heights will commence an aggressive outreach effort designed to retain, attract, and expand businesses that fit within key growth segments of the regional economy and also for which there are key competitive synergies with Shaker Heights.

Critical to succeeding in this strategy, which should rebalance the City's and school's fiscal and budgetary outlook, is discipline and rigor. It will test the City's resolve to know exactly when to say "no" to opportunities that seem attractive for a variety of reasons but which do not fit within the game plan designed to restore fiscal vitality.

This analysis has identified at both a macro- and micro- level the types of activities that not only represent growth in the region, but also have competitive reasons to want to locate in Shaker Heights, economic and market conditions permitting.

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

Flexexecutives/Home-Based Businesses/Incubator

SOURCE: U.S. Bureau of Labor Statistics Quarterly Census of Employment and Wages, 1999 YE-1Q 2010, Team NEO, RCLCO, Institute for Strategy and Competitiveness

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)

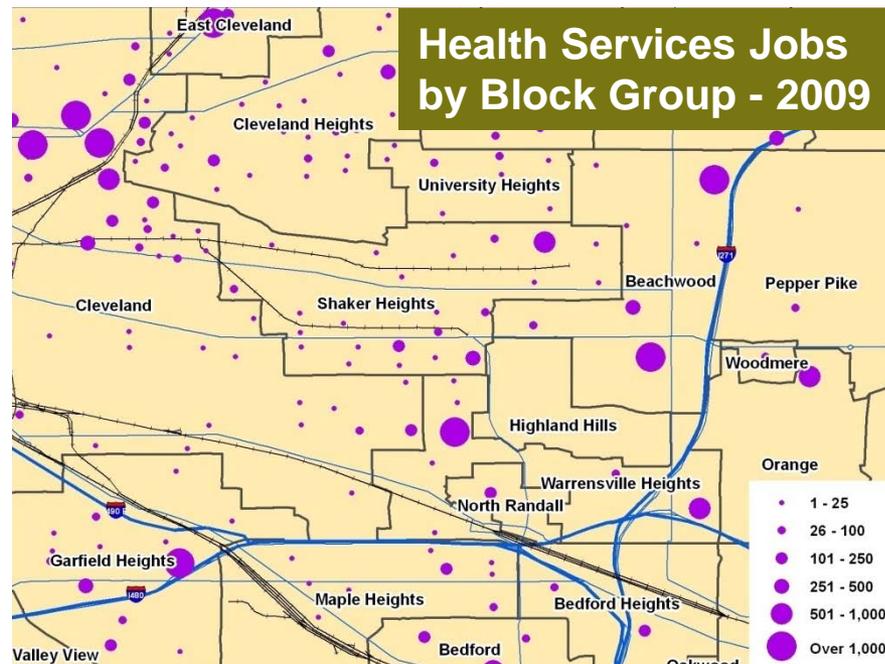
While rules may vary, the profit-maximizing strategy for hospital-affiliated physicians is to locate in the highest-income community near but not adjacent to their hospitals.

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

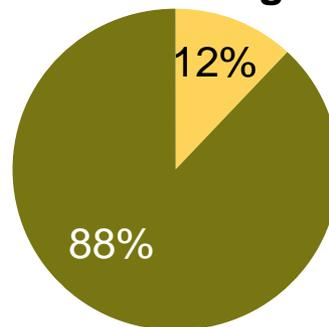
These professionals prefer well-kept and/or modern facilities, and are reluctant to move once established in a location.

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

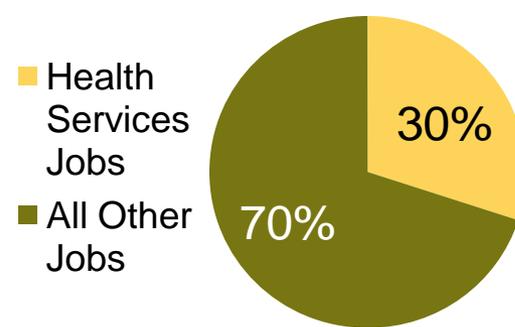
Proximity to major medical infrastructure



Shaker Heights



Within 3 Miles of Shaker



SOURCE: Claritas; RCLCO

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.

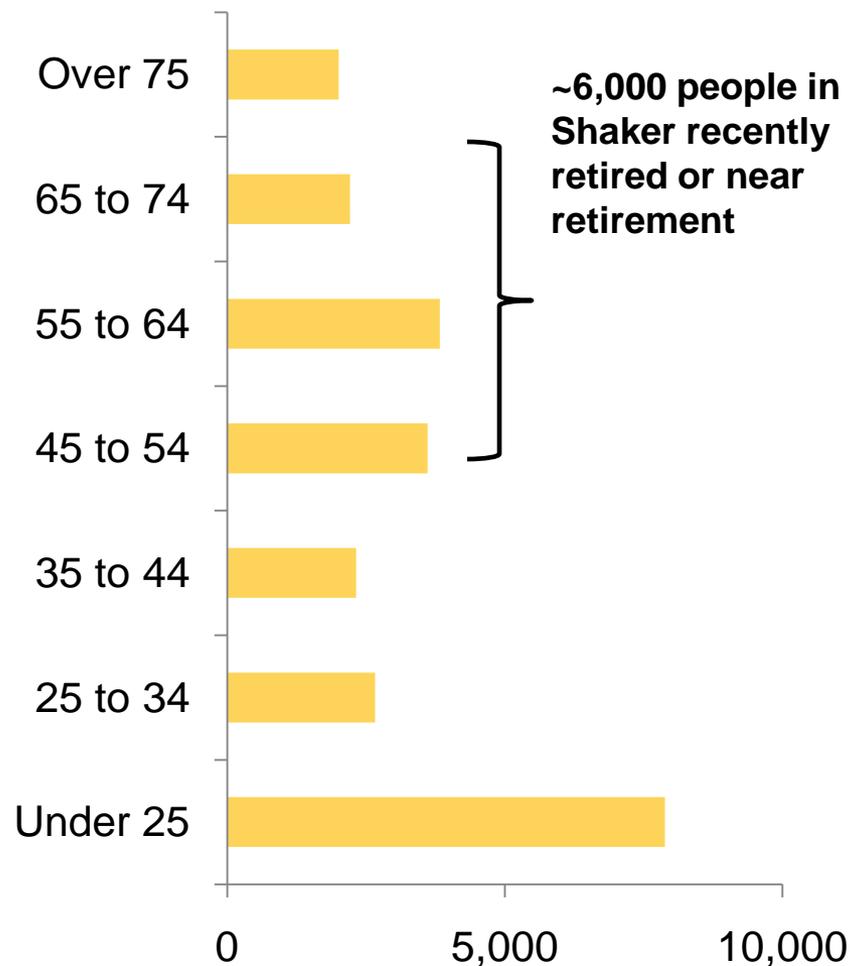
Shaker residents employed elsewhere but approaching traditional retirement age may have desire to and incentive to evolve into “flexexecutives”

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– STRATEGY

CO-LOCATE WITH MED/PROF OFFICE, ANCHOR TENANT

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/ENGINEERING - OPPORTUNITY

MARKET FORCES STRENGTHENING BUILT-IN DEMAND

Architecture, engineering, design professions could be strong complements to legal/flexexecutive 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/ENGINEERING –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/flexible 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.

THE NEXT GENERATION OF JOB GROWTH

PROPOSED STRATEGY HARNESSSES FUTURE GROWTH

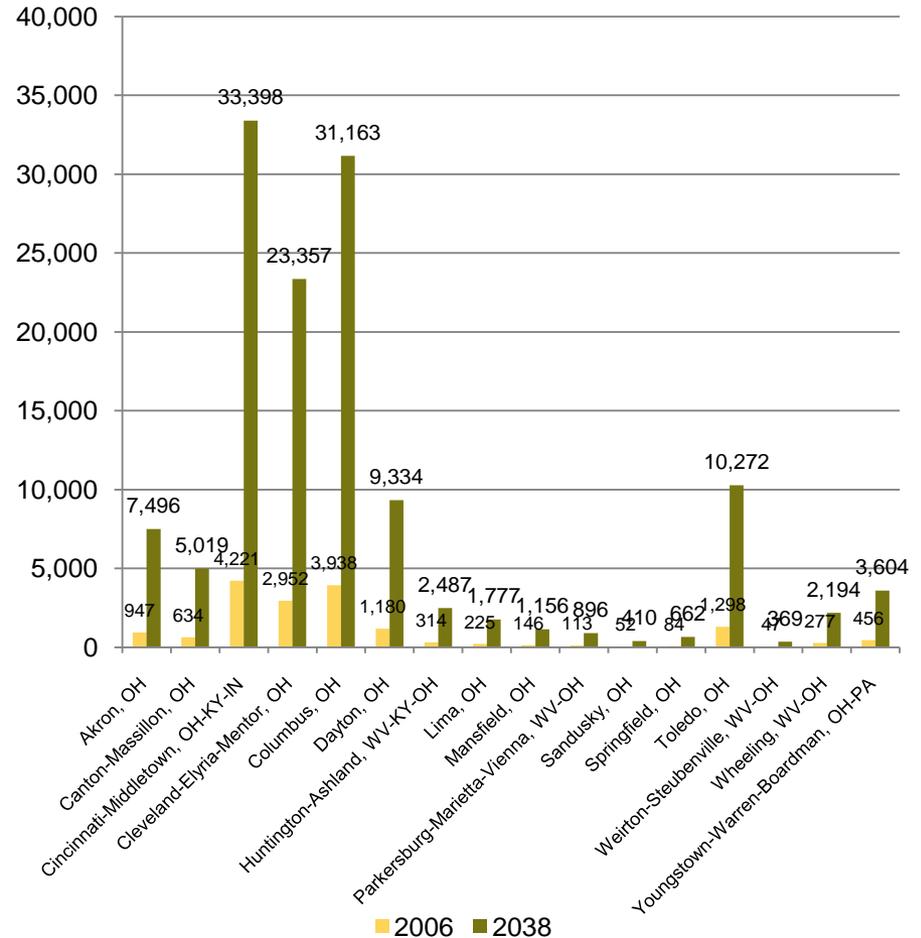
20,000 new jobs in “next-generation” sectors over the next thirty years.

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
- ***Incubator is precisely the right move at the right time to prepare Shaker to absorb this growth***



SOURCE: U.S. Conference of Mayors



Enhancing the Climate for Investment

REPAIR MARKET FAILURES/IMBALANCES

ENHANCE MARKET FOR COMMERCIAL BUILDINGS/TENANTS

1. Reduce property tax on new office-oriented properties (more than 80% of the income derived from office uses) to 2%
2. Provide tax abatement for commercial building upgrades (10-years) OR an assessment freeze at pre-improved levels if combined with other incentives
3. Offer relocation assistance for target businesses moving into Shaker Heights
4. Offer matching grants for tenant improvements
5. Consider commercial TIF up to certain limits and with set debt service coverage to enhance feasibility/marketability of new construction
6. Revolving loan for small businesses

CREATE A BUSINESS-PROACTIVE CLIMATE

THE “SOFTWARE” THAT MAKES THE HARDWARE WORK

Treat our businesses – existing and future - as valued customers

1. Create an integrated process for new business creation/expansion that is seamless to businesses, along with up-front commitments to the timing of approvals for key business segments
2. Provide business “ombudsman” to serve as single point of contact for new businesses looking to locate in Shaker Heights
3. Align commercial building inspection outcomes, tools and policies with those of housing inspection to create a more results oriented environment
4. Increase the level of city services for commercial properties to make them at least on-par with residential properties

CREATE A BUSINESS-PROACTIVE CLIMATE

BRANDING, MARKETING, AND OUTREACH

Execute a marketing/attraction effort around four business segments

1. Create online site selection tool which can quickly ID available blocks of office space or developable sites (complete)
2. Launch re-branding campaign for Shaker Heights
3. “Launch Party” for new Shaker business mindset – perhaps a Shaker Heights business conference
4. Outreach to existing commercial property owners to make them aware of new incentives and how to use them
5. Market “inside” to Shaker residents – e.g. advertise potential income tax savings of working and living in Shaker Heights
6. Recruit business from Shaker Alumni
7. Aggressive outreach and recruitment of regional businesses in target clusters

STRENGTHEN COMMERCIAL DISTRICTS

PLANNING/DESIGN IMPROVEMENTS THAT CREATE VALUE

Shaker Heights has the bones for at least two great commercial districts. What is needed is to improve the overall marketability of these areas through planning/transportation improvements and the catalysis of key sites

Strengthen and build office market on Warrensville Road to create demand for the types of uses/amenities residents want in a mixed use/redeveloped WVA area post road reconstruction. This includes both the proposed planning/TOD efforts as well as making good on promises to secure key anchor.

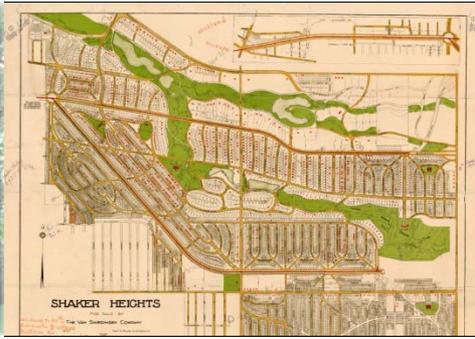
Commence with physical planning improvements to at Warrensville/Van Aken in order to signal to the marketplace the promise of a more marketable business destination. Will enhance marketability of existing buildings in advance.

Build on LaunchHouse, RDL, Library Courts to seed office development on Chagrin and Lee. This is the best way to revitalize the Lee Road commercial district.

NEXT STEPS

Next steps:

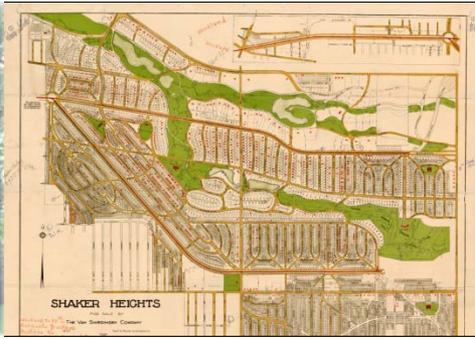
1. Discuss and incorporate feedback from management team, advisory group and public meeting into the plan
2. Develop metrics around strategy elements and parameters around incentives
3. Draft plan
4. Final plan shared at October or November Council meeting
5. Marketing launch



Shaker Heights Economic Development Strategy Management Team Meeting

City of Shaker Heights | September 29, 2010



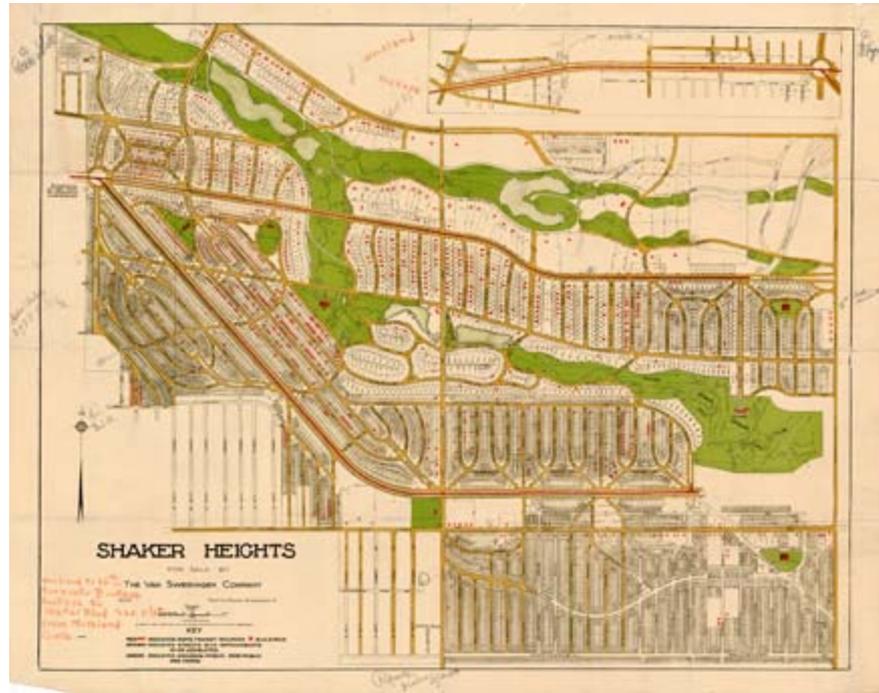


Shaker Heights Economic Development Strategy Presentation to City Council

City of Shaker Heights | November 8, 2010



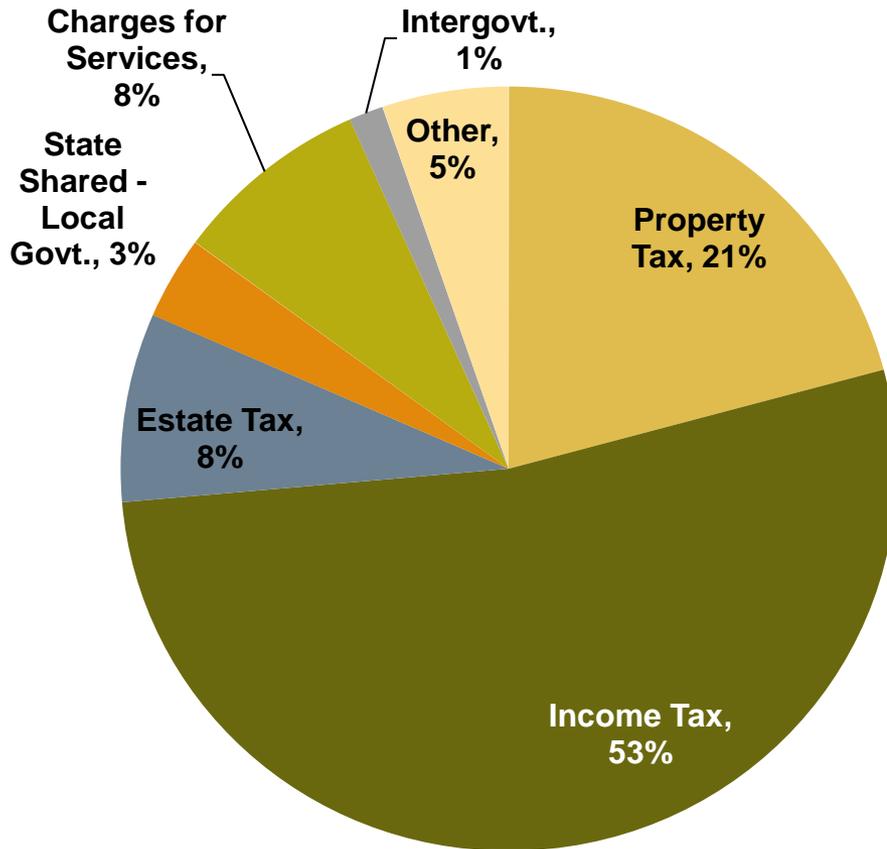
ECONOMIC DEVELOPMENT IN PERSPECTIVE REFLECTING ON A CENTURY OF SUCCESS



- Strategy – *be the most desirable residential community in the Cleveland metro area – if not the nation*
- Specifically avoided commercial activities
- **Successful for better part of 100 years**

ECONOMIC DEVELOPMENT IN PERSPECTIVE REFLECTING ON A CENTURY OF SUCCESS

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.

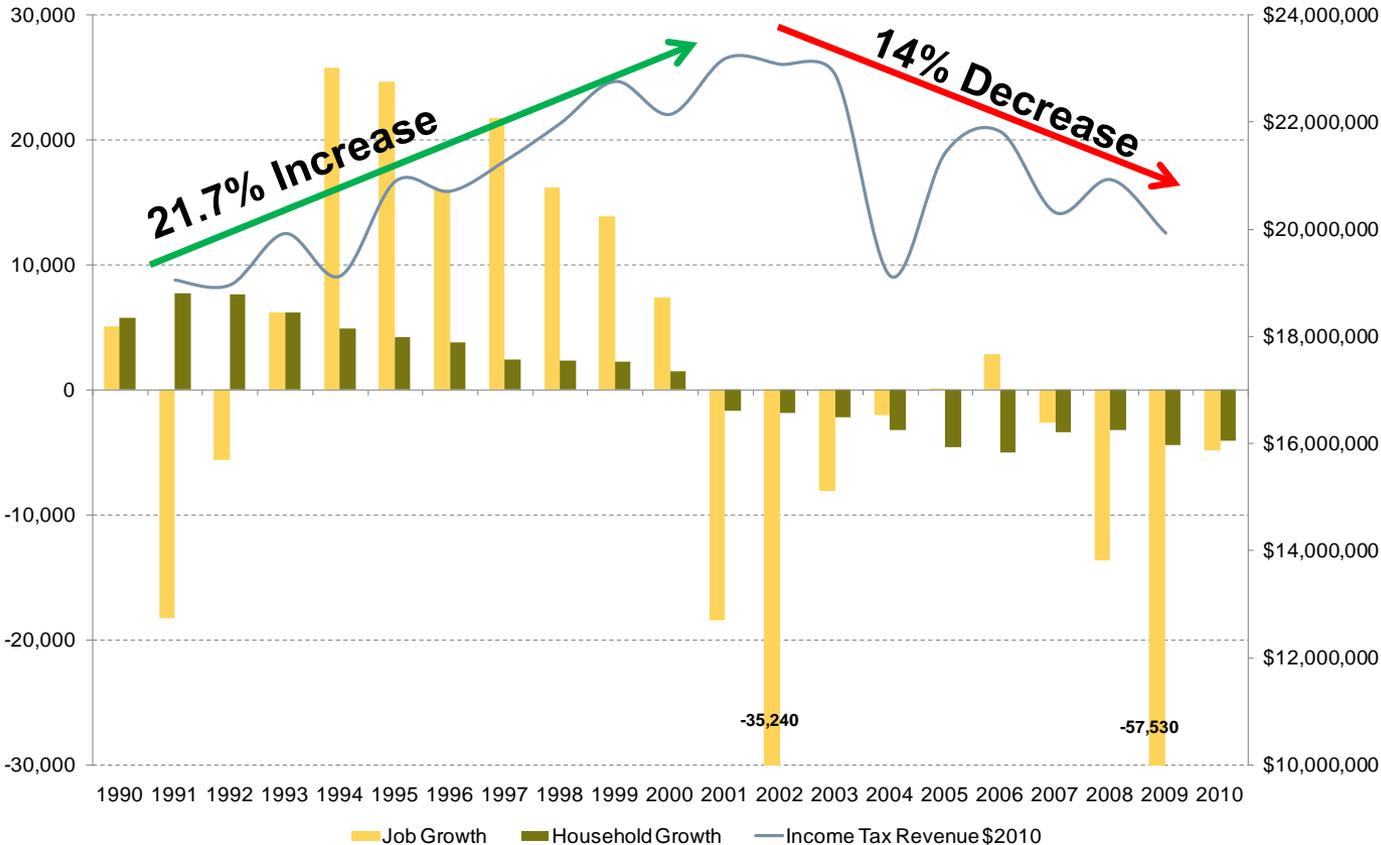
Job losses throughout the MSA pose a threat to the stability of this source of revenue going forward.

Source: City of Shaker Heights

ECONOMIC DEVELOPMENT IN PERSPECTIVE

REFLECTING ON A CENTURY OF SUCCESS

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%

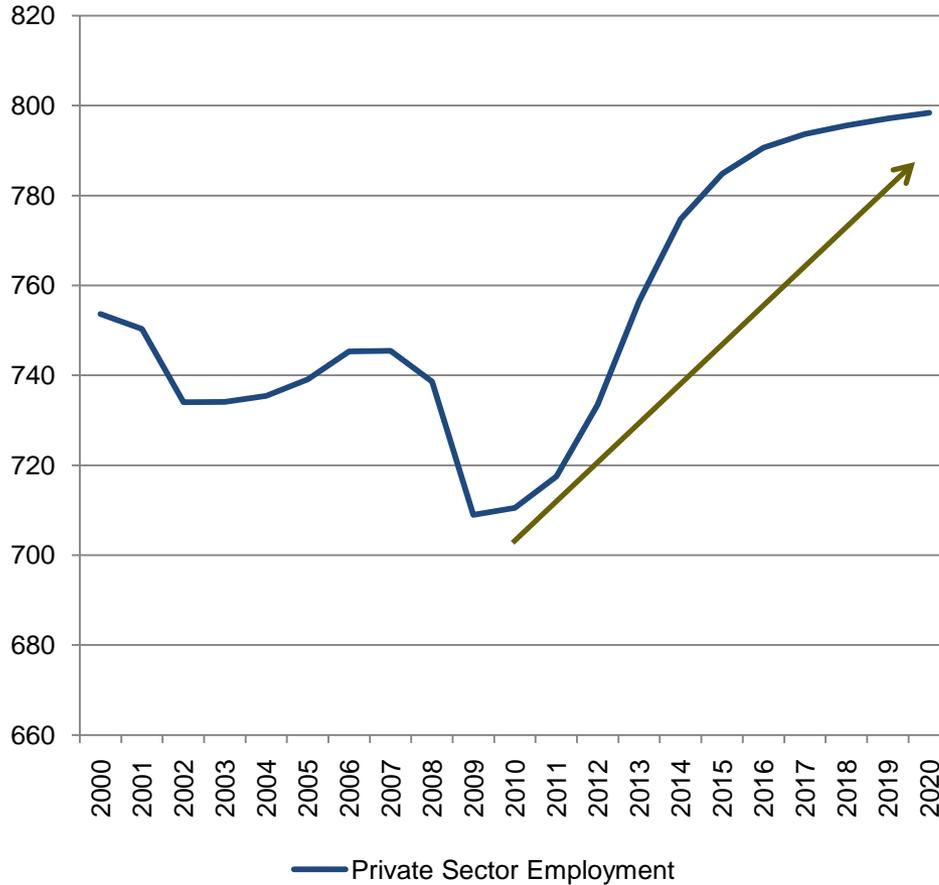
Cleveland MSA Employment:
 1990: 1,028,500
 2000: 1,136,000; +10.5%
 2009: 1,001,000; -12.3%

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

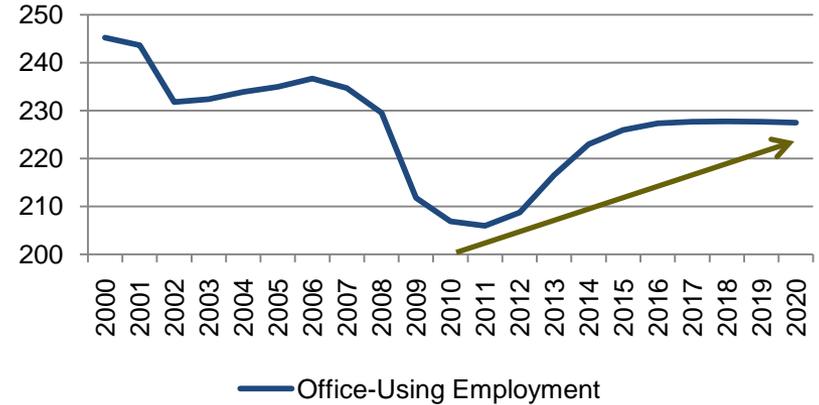
ECONOMIC DEVELOPMENT IN PERSPECTIVE

FORECAST – REBOUNDE ON THE HORIZON

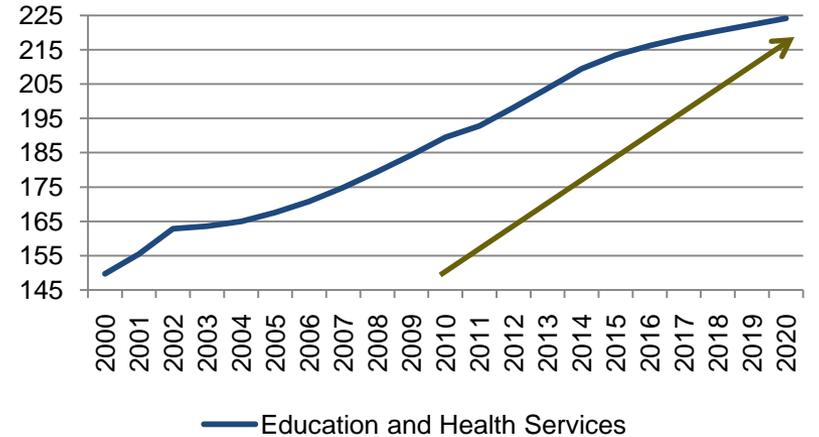
Private Sector Employment (000s)



Office-Using Employment (000s)



Education and Health Services (000s)



Source: Moody's Analytics, September 2010; RCLCO

ECONOMIC DEVELOPMENT IN PERSPECTIVE

SET THE STAGE FOR THE NEXT 100 YEARS

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”

Scope of Work

- Analysis of Shaker Heights’ fiscal structure
- Economic analysis of Cuyahoga County and Shaker Heights
- Identification of growth segments of the economy that could impact Shaker Heights going forward
- Analysis of current barriers to greater economic activity in Shaker Heights
- Recommended policies and actions to address the above

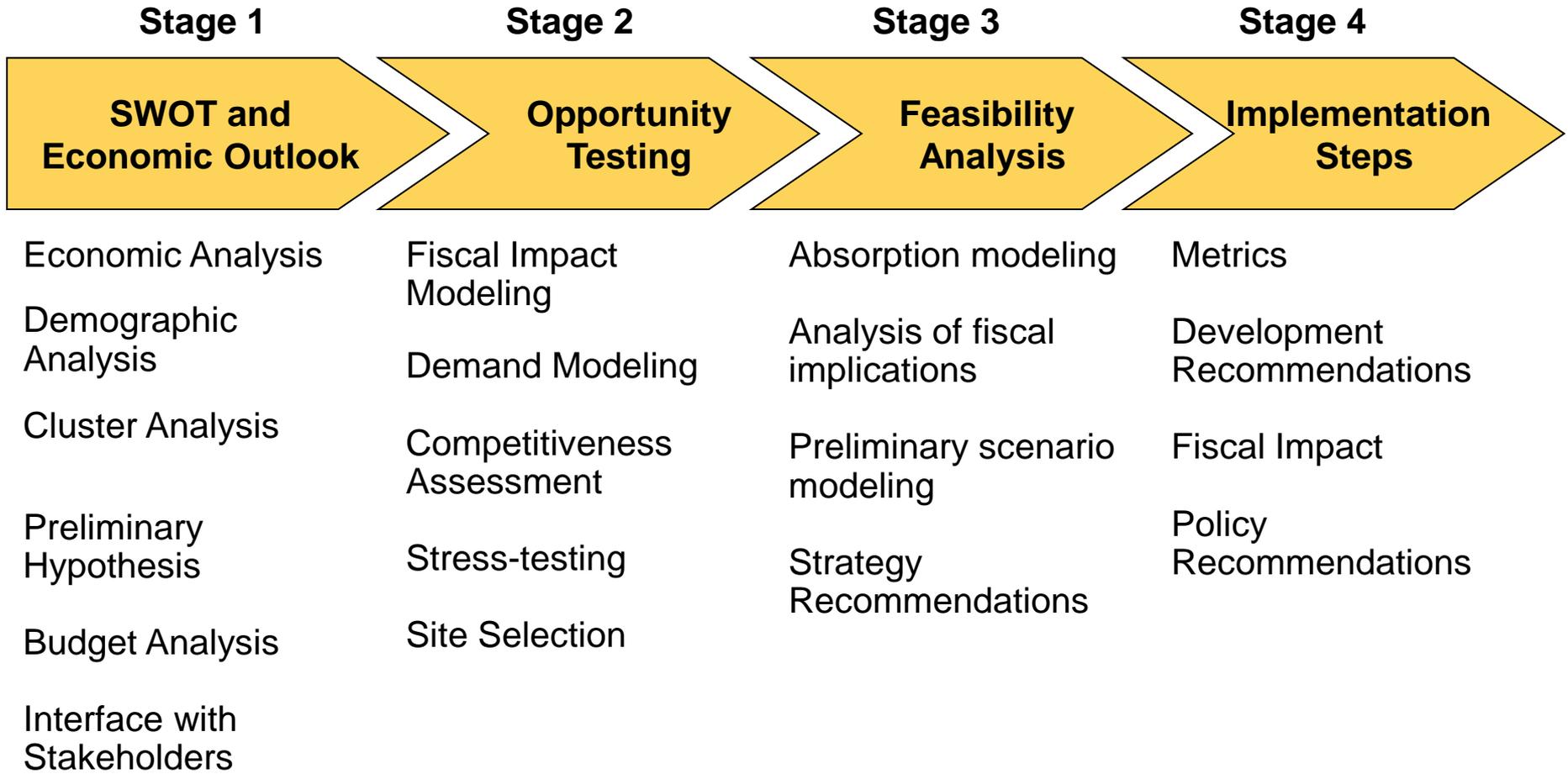
ECONOMIC DEVELOPMENT IN PERSPECTIVE

SET THE STAGE FOR THE NEXT 100 YEARS

Key Questions

- What are the current obstacles to business development in Shaker Heights and what should the city do so that it is known as “business-friendly”?
- How does the city most effectively recruit businesses? What incentives and programs should be offered, if any?
- Given the regional economy and Shaker Heights’ competitive position in it, what business segments can and should the city attempt to recruit and retain?
- How should the City allocate its limited economic development resources? How much money can be devoted to incentives and financial assistance to revitalize existing buildings and encourage new development?

PROCESS





Summary of Recommendations

SUMMARY OF RECOMMENDATIONS

ENHANCE THE CLIMATE FOR COMMERCIAL INVESTMENT

The principal recommendation of this strategy is to build the income tax base in Shaker Heights by enhancing the climate for commercial investment and attracting jobs.

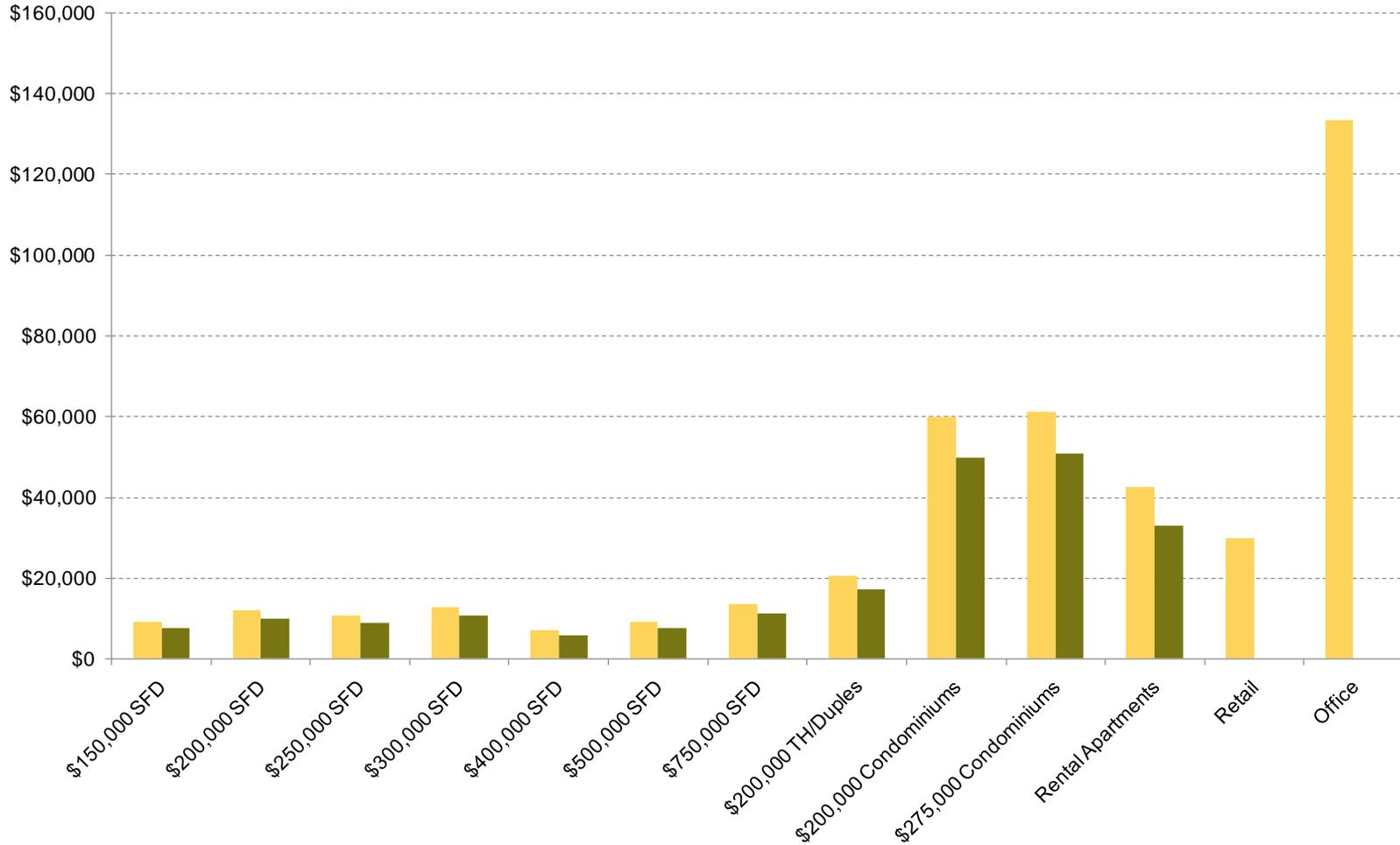
Beyond addressing the City's need to diversify its tax base, the attraction of jobs and businesses will serve broader goals.

- More daytime employment will generate greater demand for retail services and restaurants, allowing the creation of new stores and restaurants and providing a greater diversity of choices to existing residents and employees.
- More commercial development will naturally expose more people outside the community to its unique qualities. Some of these people will eventually choose Shaker Heights as a place to not only work, but live.

STRENGTHEN COMMERCIAL COMPONENT

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

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



■ Revenues per Acre (Shaker Workplace)
 ■ Revenues per Acre (Non-Shaker Workplace)

SOURCE: RCLCO

AUGMENTING THE CITY'S STRATEGY

PURSUE JOBS AND MAINTAIN PREMIER NEIGHBORHOOD

Existing

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

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

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

Requires 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

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

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

TARGETED ECONOMIC SEGMENTS

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 SEGMENTS

INDUSTRIES FOR TARGETED INVESTMENT, RECRUITMENT

Short Term (0-5 years)

Ambulatory Health Care

- Therapeutic Services
- Geriatric Care
- Specialty Outpatient

Design

- Architecture
- Engineering
- Planning
- Residential design/retrofit
- Master planning
- Green building
- Interiors

Boutique Legal

- State/Fed regulatory anchor
- Flexexecutives, Retiring Lawyers

Information Services/Data Processing

Long Term (5 - 10 years)

Research-oriented health sciences

Technology companies, especially those that are related to 2nd stage from startup/incubator lifecycle

AUGMENTING THE CITY'S STRATEGY

PURSUE JOBS AND MAINTAIN PREMIER NEIGHBORHOOD

Implications of Recommended Future Strategy

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"



Strategic Goals

1. ENHANCE THE CLIMATE FOR INVESTMENT

Enhance the climate for commercial investment via ...

- One of the most competitive non-residential commercial property tax rates in the region
- An aggressive marketing/branding/outreach campaign that communicates directly to property owners and executives that Shaker Heights means business
- Leveraging the Shaker Heights brand via outreach to business networks, Shaker Heights schools alumni, existing residents, and regional/national champions
- A focused and disciplined effort to grow target industry segments in Shaker that can reinforce each other and sow the seeds for long-term business growth in the city
- Targeted planning and transportation investments in key commercial districts to upgrade their overall marketability both today and tomorrow.

2. EXPAND THE BUSINESS BASE

Put Shaker Heights in position to recruit new and expand existing businesses via...

- Incentives for businesses in target industry segments to expand and/or locate in Shaker Heights
 - Partnerships with financial institutions to provide financial assistance to selected enterprises seeking to grow in Shaker
 - Seamless business opening procedures that allow speed and predictability for enterprises and building owners
 - Allocating the right internal resources within and beyond city departments to proactively embrace the business community
 - Placemaking investments in business districts and commercial buildings that signal to the marketplace overall enhanced marketability and an extension of the Shaker brand
 - Investments in start-up and incubator facilities that put Shaker on the map for next-generation entrepreneurs and science- or energy-based new ventures
- Completing placemaking investments in Shaker's commercial districts, including transportation improvements and changes to the zoning code.

3. SHARE IN REGIONAL ECONOMIC GROWTH

Set the stage for sharing regional growth in next-generation job growth via...

- Occupancy-ready buildings suitable for Stage II companies beyond seed funding stage and/or new ventures affiliated with sciences/renewable energies/design fields already moving to Cleveland
- Well-established networks in growing fields that allow Shaker to be the “first call” for companies looking to grow/expand in the Cleveland suburbs

4. STRENGTHEN MARKET FOR LIFESTYLE USES

Strengthen the market support for lifestyle uses via...

- Investing in retail and services, especially those that reinforce the new focus on daytime employment and commercial offices
- Completing placemaking investments in Shaker's commercial districts, including transportation improvements and changes to the zoning code.

A STRATEGY THAT HELPS THE ENTIRE CITY STRONGER MARKET, FISCAL HEALTH FOR CITY/SCHOOLS

Successful implementation of this strategy enhances the *entire* city ...

- Market context for retail improves with addition of professional daytime employment
- With enhanced retail offerings, Shaker “brand” can ring truer for those seeking lifestyle retail and dining/entertainment options close to home – enhances residential attraction
- Residential attraction augmented by Shaker position as a high quality of life community in which one might already work (or soon work)
- Increased property taxes from commercial will enhance both City and school budgets and put them on a path towards long-term fiscal sustainability



Strategic Elements

FINANCIAL INCENTIVES

NEAR-TERM FOCUS ON DEMAND-SIDE INCENTIVES

- Reduction of commercial property tax rate to an effective two percent on new development through a tax credit that behaves mathematically like a ten year tax abatement, pending approval by School District and City Council
- Extension of the above tax credit to property reinvestment in existing buildings. Qualification parameters will need to be outlined by City Staff and approved by City Council.
- Consideration of low-interest loans, TIF financing, or leveraging State and County funds for building remediation or demolition to the extent that analysis shows that the investment meets the City's return targets.
- Implementation of tenant incentives, such as matching grants for tenant improvements, and relocation assistance to defray the moving costs of businesses coming to Shaker Heights.
- Provision of low-cost loans fronted by a City revolving fund dedicated to small businesses.
- Maintenance of broad discretion in deploying the above to ensure that the City can remain nimble and strong.
- Secure and provide assistance for commercial building demolition by leveraging County and State programs

PROGRAMS AND OPERATIONS INVESTMENTS

THE “SOFTWARE” THAT MAKES THE “HARDWARE” WORK

- Prioritize commercial district placemaking, including transportation improvements and especially improvements in existing commercial districts. (touch on WVA)
- Develop an ombudsman function to facilitate all permitting, licensing, and other issues. As the commercial office presence grows, create a bricks and mortar Shaker Heights business outreach center to house the ombudsman function.
- Initiate a “green taping” program – i.e., expedited regulatory permitting and paperwork for businesses and property owners that meet key Shaker Heights investment criteria.
- Play a role in the support of home-grown businesses, especially in transitioning them into existing office space within Shaker Heights.
- Harness ventures that may spin-off from the seed-stage companies and support “Stage II” companies which are further along in the product lifecycle,
- Repurpose underutilized or vacant space to accommodate these start-up businesses in a low-cost fashion.
- Investigate best practices in commercial district building inspections and code enforcement and invest necessary resources to implement best practices.

MARKETING, BRANDING, AND RECRUITMENT BUILD ON A GREAT BRAND FOR THE NEXT 100 YEARS

- Assign resources to keep the pulse of the local business environment.
- Develop on line information tools, so potential companies can quickly identify development sites or vacant space, understand the incentive programs being offered, and know who to contact for further information.
- Develop a branding campaign that publicizes Shaker Heights' new commitment to businesses
- Conduct a vigorous “inreach” campaign to recruit businesses to locate in Shaker from within the Shaker community or Shaker schools alumni
- Conduct a vigorous outreach campaign to key industry segments to locate in Shaker Heights
- Set up a “Launch Party” to introduce the components of the economic development plan to the business community and the local media.

GUIDING PRINCIPLES

KEYS TO SUCCESSFUL OUTCOME FROM STRATEGY

Focus and Discipline

Enhance the Climate for Investment

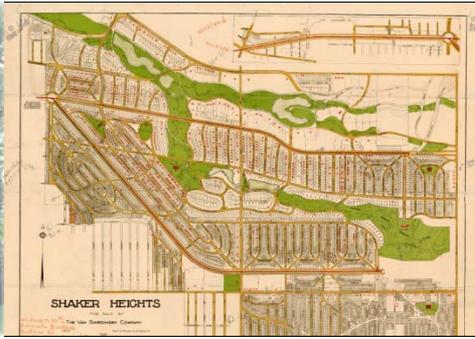
Commitment to Jobs

Enhance the Market for Placemaking Efforts

Marketing/Outreach

Align Funding with Anticipated Levels of Tax Base Return

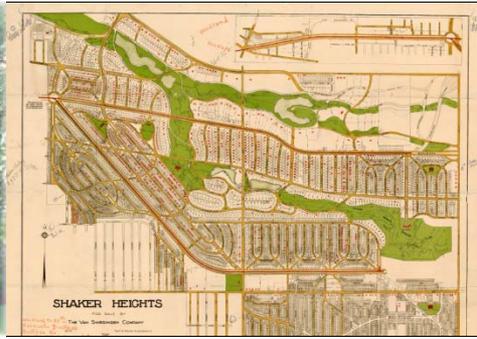
Identify and Target Opportunity Areas



Shaker Heights Economic Development Strategy Presentation to City Council

City of Shaker Heights | November 8, 2010





Economic Development Strategy Public Meeting

City of Shaker Heights | September 29, 2010



PUBLIC MEETING

SEPTEMBER 29, 2010

AGENDA

- The Need for an Economic Development Strategy
Earl Leiken, Mayor
- Presentation: Draft Economic Development Strategy
Shyam Kannan, RCLCO
 - Economic Development Plan Process
 - Current Fiscal & Environmental Analysis
 - Strategy & Key Findings
 - Business Sectors
 - Opportunities to Improve the Investment Climate
 - Resources Required to Implement the Plan
- Marketing/Outreach and Launch Plan
Tania Menesse, Economic Development Director
- Small Group Discussions (Please see back of Agenda)
Tania Menesse
- Read Out From Small Groups
- Closing and Next Steps
Tania Menesse

BACKGROUND AND OBJECTIVES

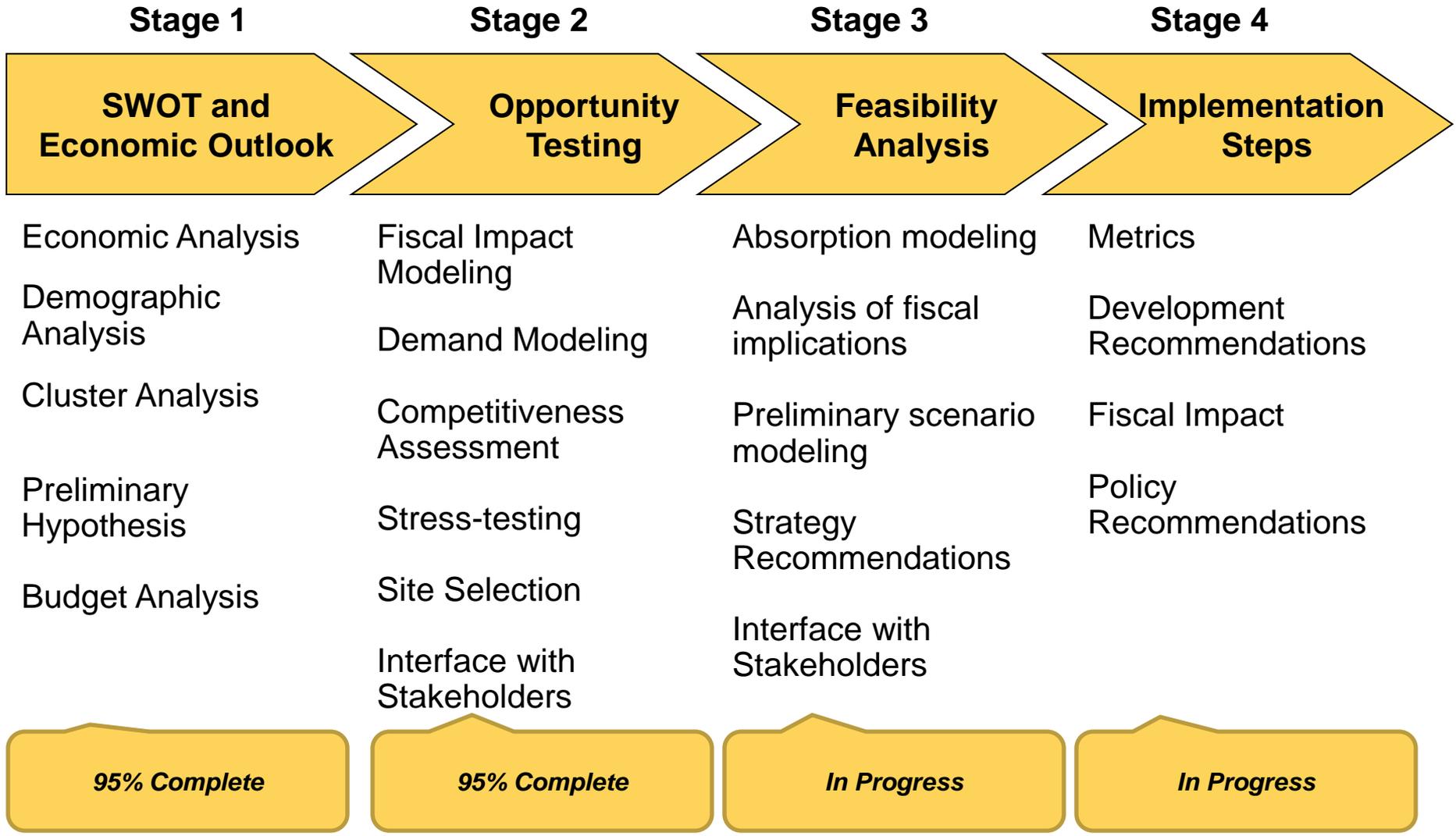
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- “The purpose of the Plan is to find ways to expand the City’s tax base, property and income, and expand development efforts that would accomplish that goal”

RCLCO Process

- Rigorous and independent analytics
- Process-driven work plan
- Constant communication between Mayor, Planning, Economic Development, Finance and RCLCO, as well as connections to Council
- Numerous site visits
- Stakeholder outreach
- Financial and fiscal impact modeling
- Stress testing
- Iterative strategic formulation process

PROCESS



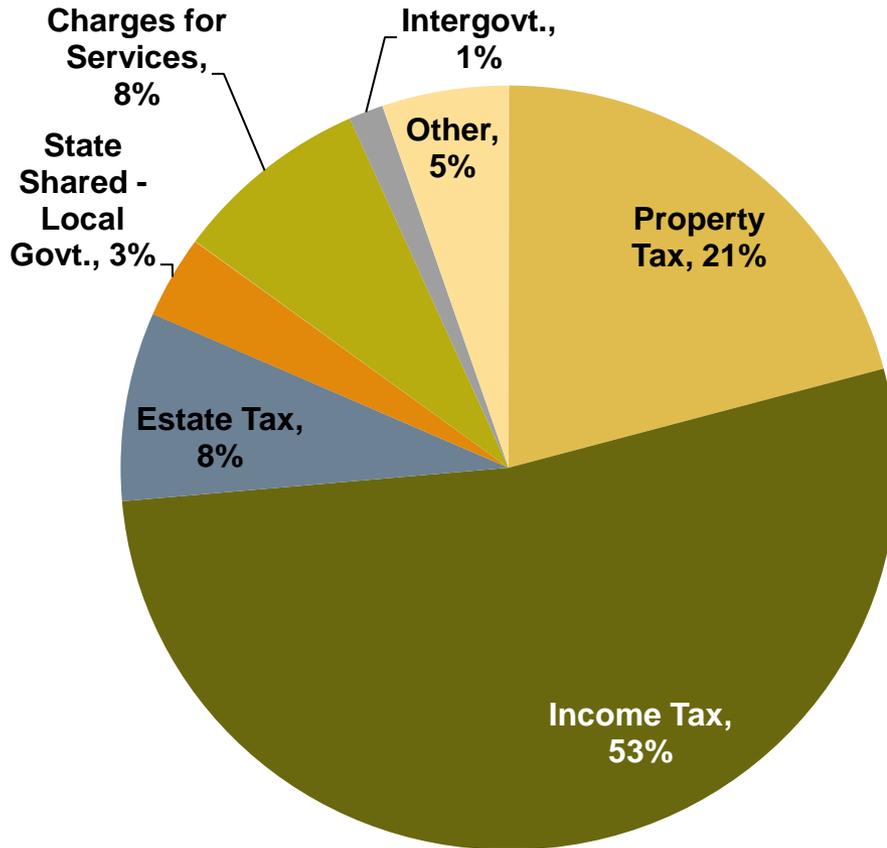


Current Conditions

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.

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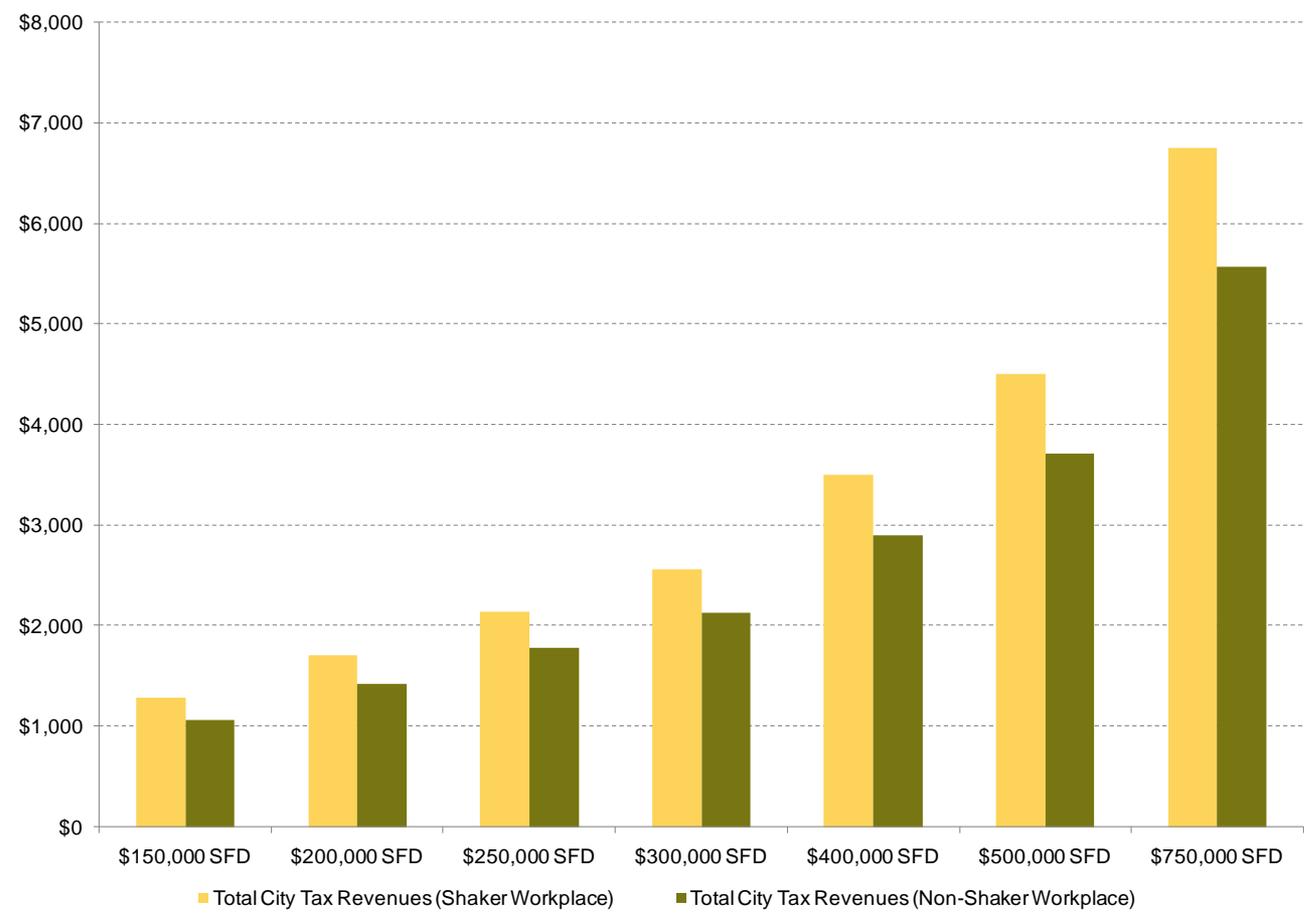
Job losses throughout the MSA pose a threat to the stability of this source of revenue going forward.

Source: City of Shaker Heights

STRATEGY: A PREMIER RESIDENTIAL COMMUNITY

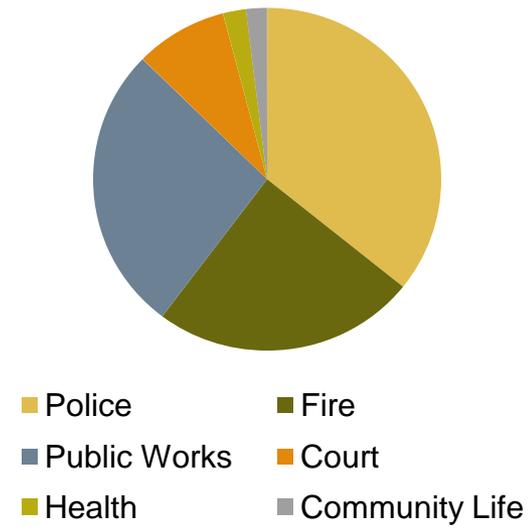
NEW GROWTH IN HIGH-INCOME HHs KEY TO FISCAL HEALTH

Potential City Tax Revenues per Household by Home Value



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

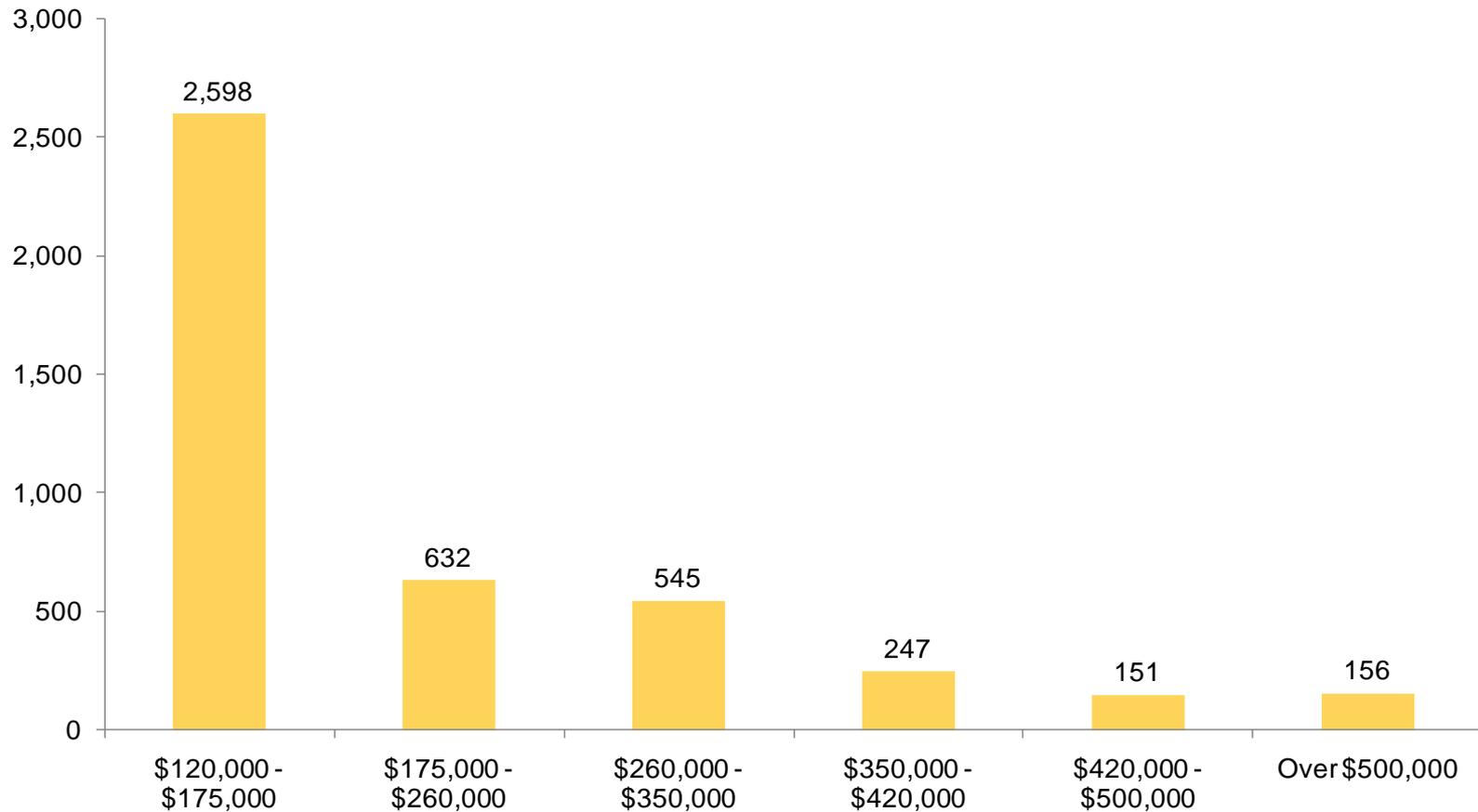
**Per Household =
\$2,420**



DEMAND CURVE TILTED TO LOWER END

STRATEGIC SUPPLY-DEMAND MISMATCH

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



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

IMPLICATIONS

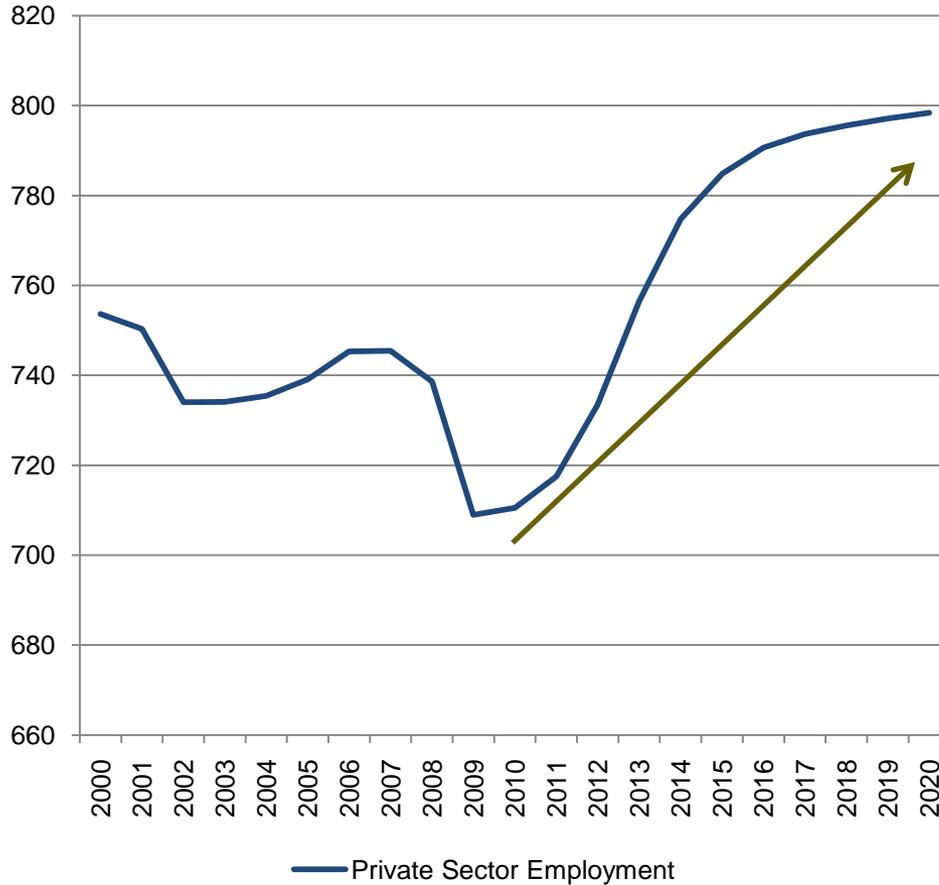
WHAT IS THE “NEW NORMAL” FOR SHAKER HEIGHTS?

- 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)

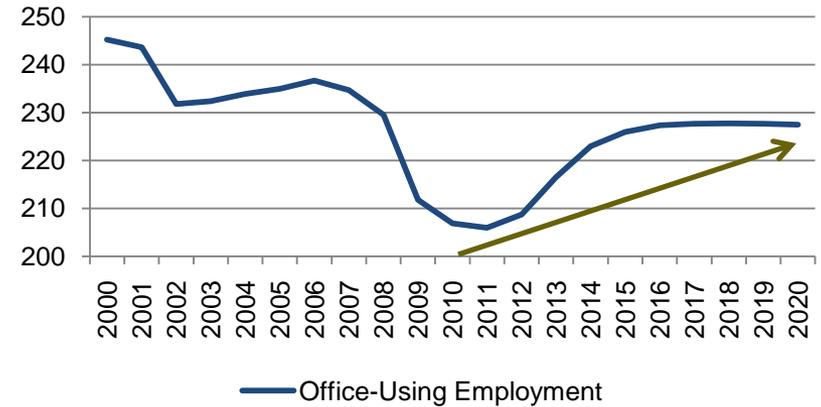
FORECAST – REBOUND ON THE HORIZON

HOW WILL SHAKER HARNESS THE UPSWING?

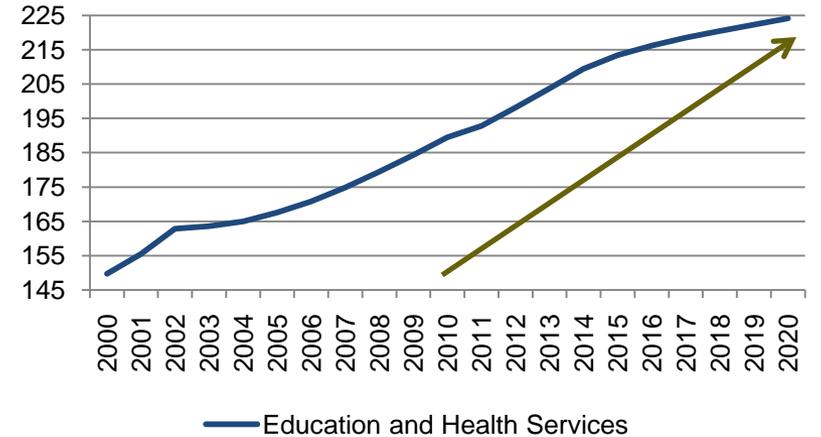
Private Sector Employment (000s)



Office-Using Employment (000s)



Education and Health Services (000s)



Source: Moody's Analytics, September 2010; RCLCO

AN INFLECTION POINT IN SHAKER'S HISTORY

RECALIBRATE FOR SUSTAINABLE ECONOMIC GROWTH

Shaker Heights can seize upon an opportunity moment:

- It has a world-class brand that resonates positively throughout the region and the nation
- There are economic growth opportunities that Shaker Heights could harness, and some for which Shaker has distinct competitive advantages
- Shaker citizens and stakeholders are among the most sophisticated in the nation – the sheer power of its human capital to formulate and execute a going-forward strategy is unparalleled
- City leadership has chosen to ask the tough questions at the right moment in history



Shaker Heights' Next Economic Strategy

AUGMENTING THE CITY'S STRATEGY

PURSUE JOBS AND MAINTAIN PREMIER NEIGHBORHOOD

Existing

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

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

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

Requires 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

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

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

AUGMENTING THE CITY'S STRATEGY

PURSUE JOBS AND MAINTAIN PREMIER NEIGHBORHOOD

Implications of Recommended Future Strategy

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

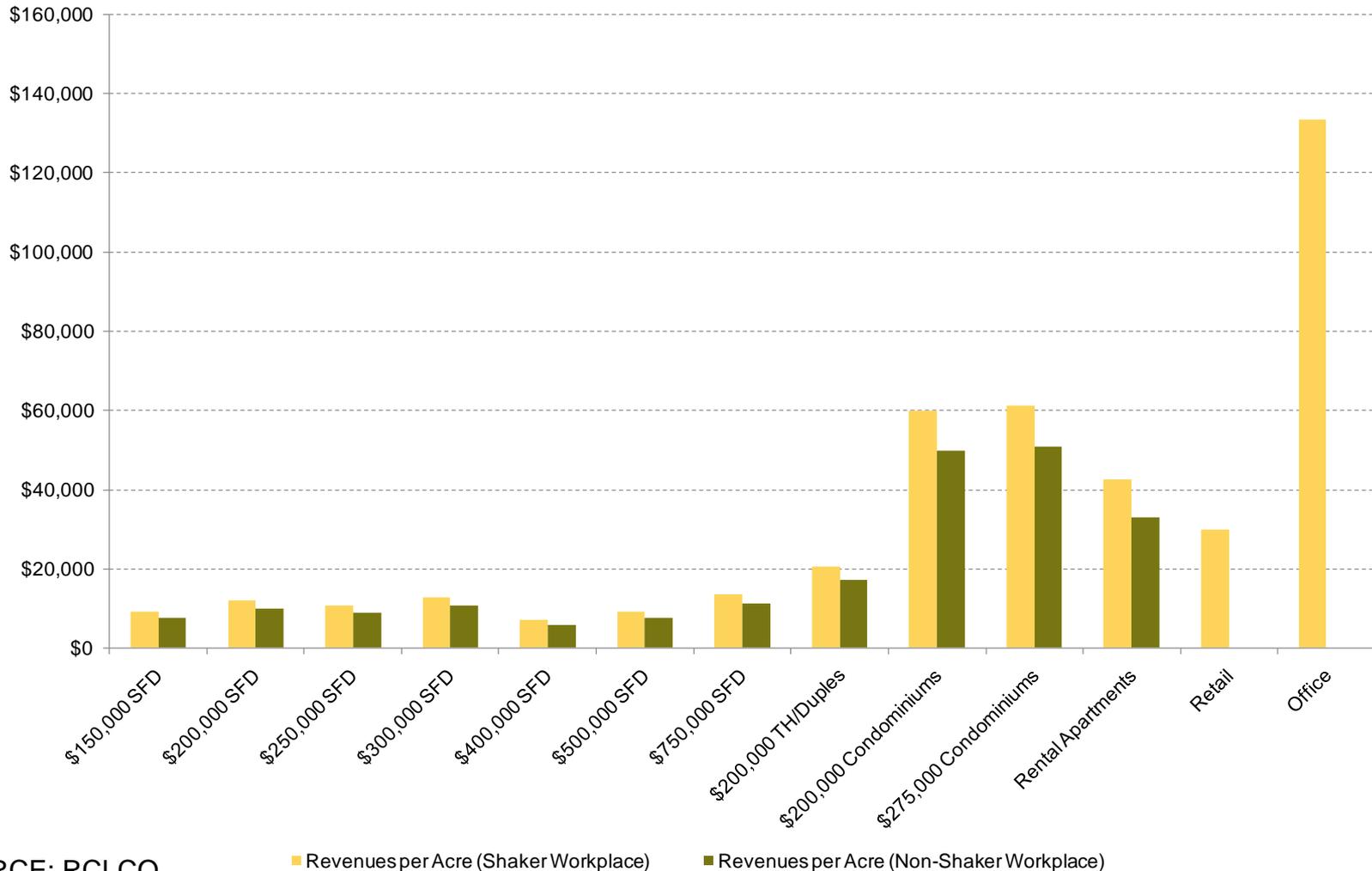
Allocating sufficient resources for business retention, expansion, attraction

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

1. SHAKER HEIGHTS NEEDS MORE INCOME TAX

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

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



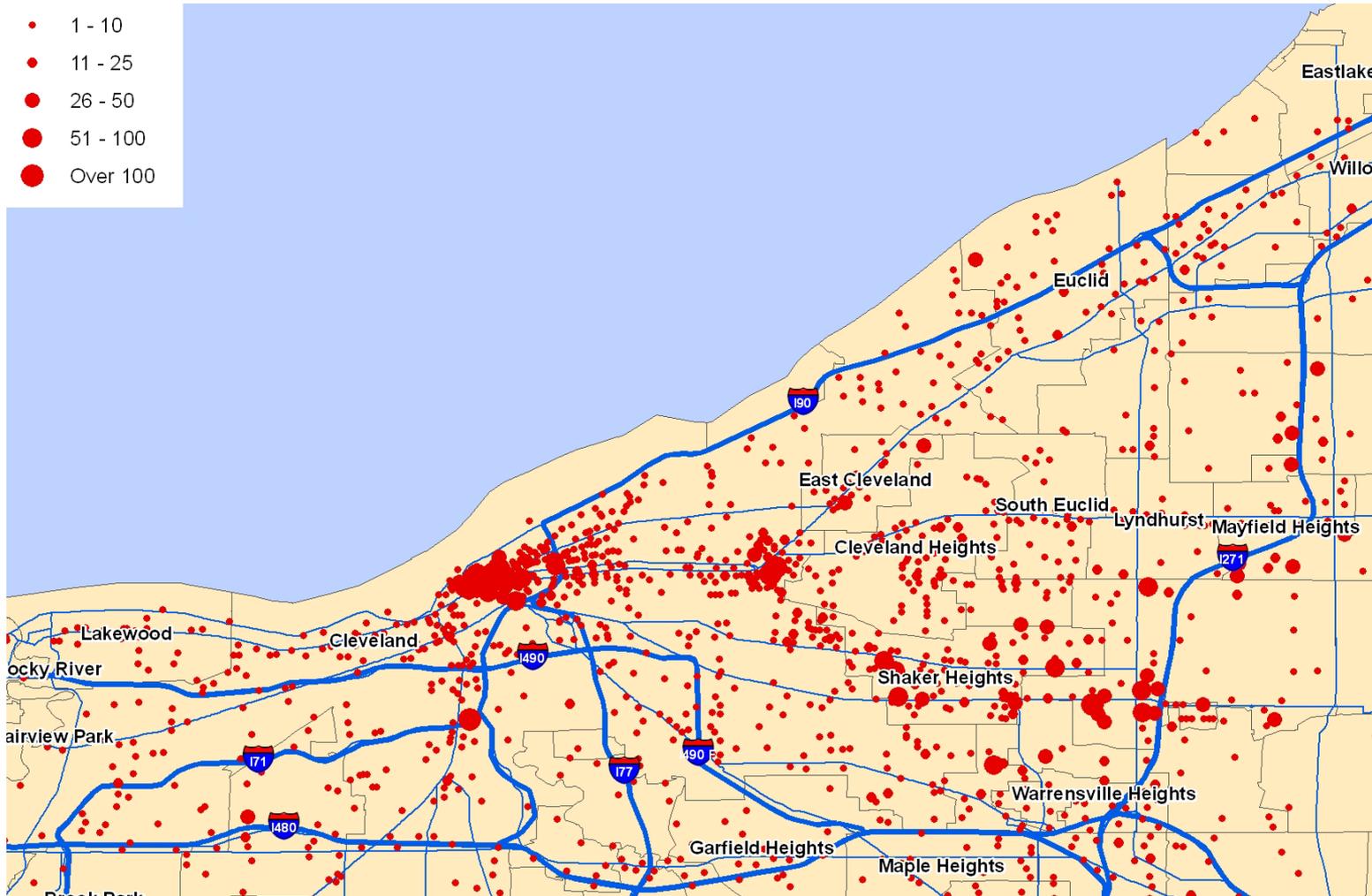
SOURCE: RCLCO

■ Revenues per Acre (Shaker Workplace)

■ Revenues per Acre (Non-Shaker Workplace)

1. SHAKER HEIGHTS NEEDS MORE INCOME TAX 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, RCLCO

1. SHAKER HEIGHTS NEEDS MORE INCOME TAX

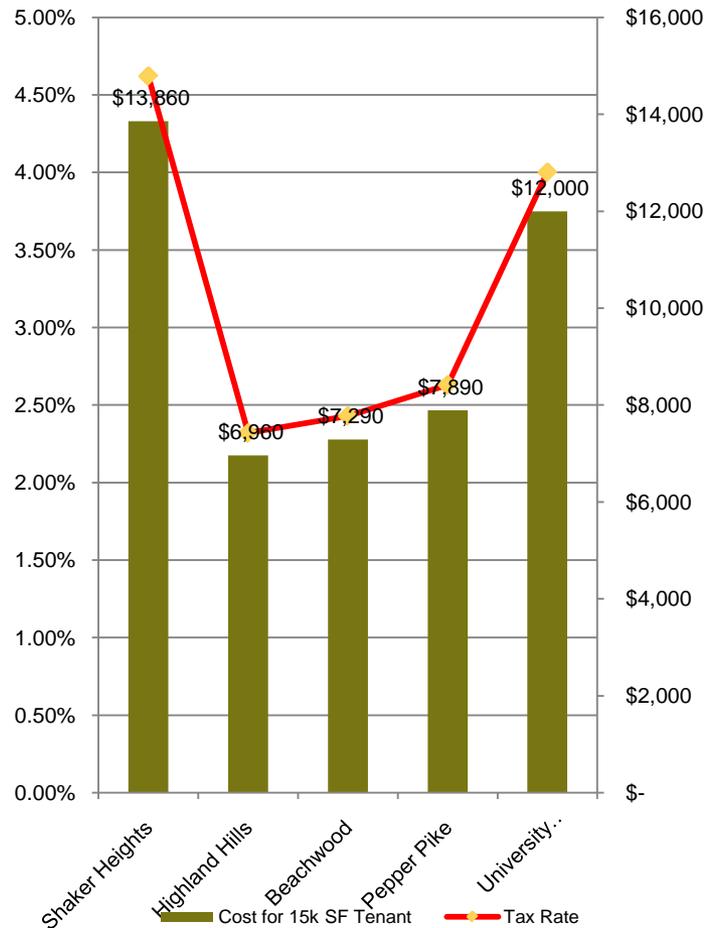
NEARBY CITIES OUTPACING ON A JOBS/HH BASIS

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

SOURCE: Claritas, Inc., RCLCO

2. NEED FOR BUSINESS-PROACTIVE POLICIES

OPEN THE DOORS FOR JOBS, BUSINESSES



Key Issues

- Commercial/industrial property tax rate is highest in Cuyahoga County. Adds 8.0% to occupancy costs.
- Superior level of services that result from higher tax rates do not extend to the business community, which must self-fund basic services like trash removal, snow removal, security, etc.
- Need to have better focus on maintaining commercial building excellence in similar manner to maintaining residential building excellence
- Reactive business policies that have focused on retail, which does not return high levels of income or sales tax to City.

SOURCE: RCLCO

3. SUPPLY-CONSTRAINED OFFICE MARKET

SHAKER LACKS HIGH-QUALITY OFFICE SPACE



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 growth sector industries.



Even premier office properties in Shaker Heights are in need of repair and upgrading. Meanwhile, their location vis-à-vis perceived and real traffic/access issues degrades their overall marketability and capacity to capture “risk takers” or Shaker Heights champions.



Development economics make renovation or new construction cost-prohibitive. This segment needs assistance in order to catalyze investment and re-investment.

4. MARKET-BASED RESPONSE/SOLUTIONS

ENHANCE THE CLIMATE FOR RENEWED INVESTMENT

Strategic response should combine correcting market failures/imbbalances with the pulling of policy and program levers necessary to activate the market. This strategy in effect requires both a “hardware” and a “software” response.

Elements include:

- Property-level incentives
- Investing in business districts
- Specific incentives and programs for targeted business sectors
- Aggressive marketing and outreach

5. STRATEGY THAT HELPS THE ENTIRE CITY STRONGER MARKET, FISCAL HEALTH FOR CITY/SCHOOLS

Successful implementation of this strategy enhances the *entire* city ...

- Market context for retail improves with addition of professional daytime employment
- With enhanced retail offerings, Shaker “brand” can ring truer for those seeking lifestyle retail and dining/entertainment options close to home – enhances residential attraction
- Residential attraction augmented by Shaker position as a high quality of life community in which one might already work (or soon work)
- Increased property taxes from office commercial will enhance both City and school budgets and put them on a path towards long-term fiscal sustainability



Targeted Business Sectors

TARGET KEY BUSINESS SECTORS

DISCIPLINE AND FOCUS KEY TO SUCCESS

Over the next five to ten years, Shaker Heights will commence an aggressive outreach effort designed to retain, attract, and expand businesses that fit within key growth segments of the regional economy and also for which there are key competitive synergies with Shaker Heights.

Critical to succeeding in this strategy, which should rebalance the City's and school's fiscal and budgetary outlook, is discipline and rigor. It will test the City's resolve to know exactly when to say "no" to opportunities that seem attractive for a variety of reasons but which do not fit within the game plan designed to restore fiscal vitality.

This analysis has identified at both a macro- and micro- level the types of activities that not only represent growth in the region, but also have competitive reasons to want to locate in Shaker Heights, economic and market conditions permitting.

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

Flexexecutives/Home-Based Businesses/Incubator

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)

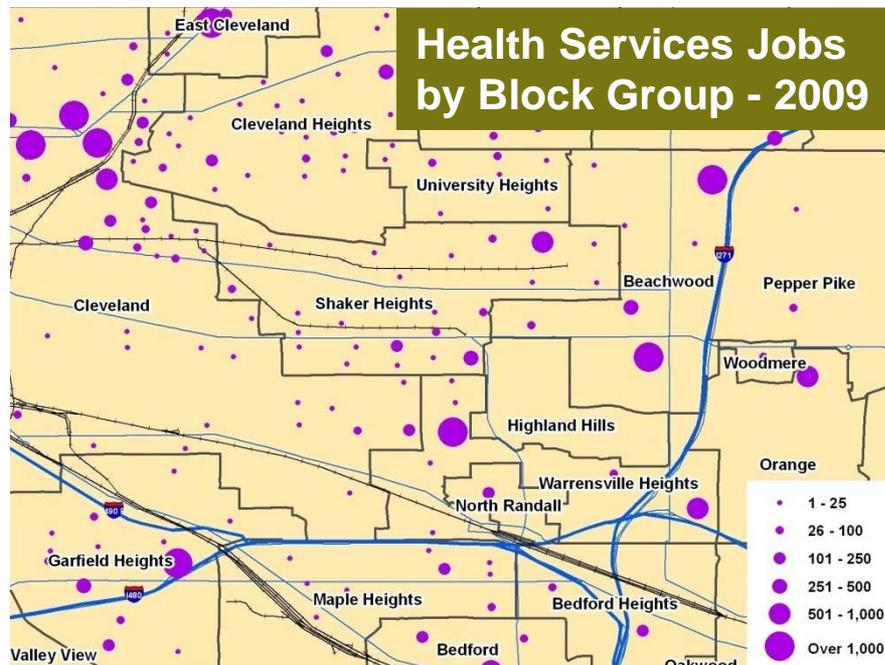
While rules may vary, the profit-maximizing strategy for hospital-affiliated physicians is to locate in the highest-income community near but not adjacent to their hospitals.

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

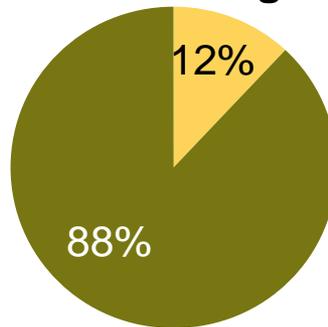
These professionals prefer well-kept and/or modern facilities, and are reluctant to move once established in a location.

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

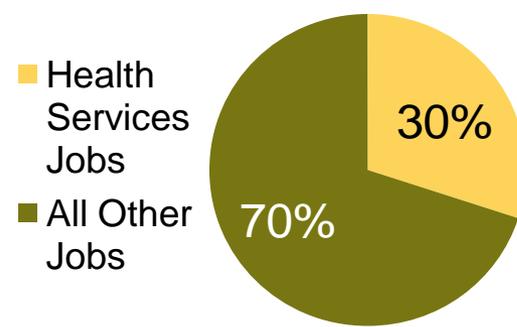
Proximity to hospital infrastructure



Shaker Heights



Within 3 Miles of Shaker



SOURCE: Claritas, Inc., RCLCO

SOURCE: Claritas; RCLCO

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/FLEXEXECUTIVES - OPPORTUNITY

LOCATION AND EVOLUTION OF BOOMER CAREERS

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

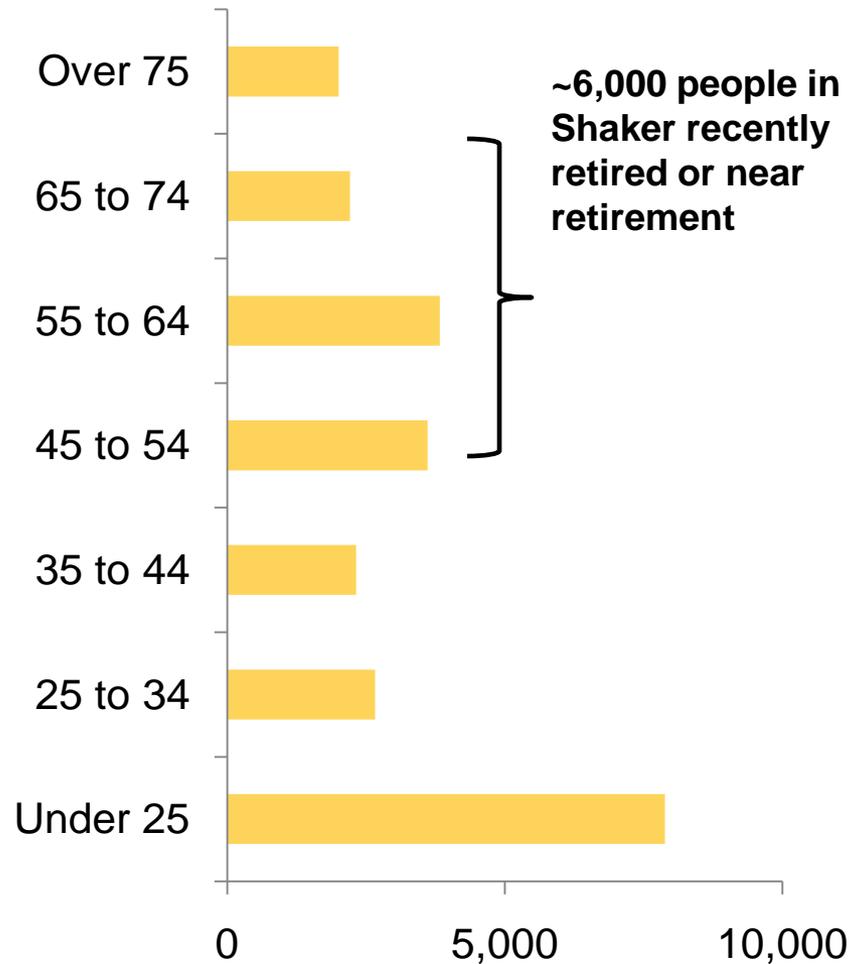
Shaker residents employed elsewhere but approaching traditional retirement age may have desire to and incentive to evolve into “flexexecutives”

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, Inc., RCLCO

SOURCE: Claritas; RCLCO

LEGAL/REGULATORY – STRATEGY

CO-LOCATE WITH MED/PROF OFFICE, ANCHOR TENANT

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/ENGINEERING - OPPORTUNITY

MARKET FORCES STRENGTHENING BUILT-IN DEMAND

Architecture, engineering, design professions could be strong complements to legal/flexexecutive 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/ENGINEERING – 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/flexible 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.

THE NEXT GENERATION OF JOB GROWTH PROPOSED STRATEGY HARNESSSES FUTURE GROWTH

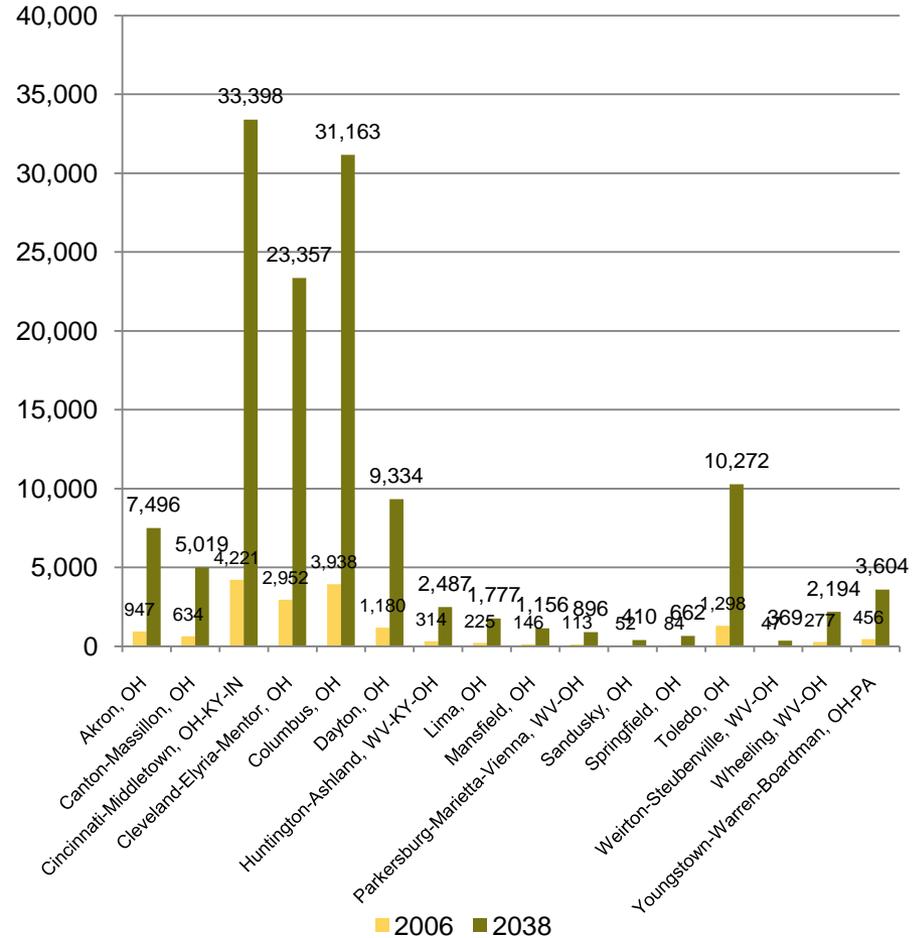
20,000 new jobs in “next-generation” sectors over the next thirty years.

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
- ***Incubator is precisely the right move at the right time to prepare Shaker to absorb this growth***



SOURCE: U.S. Conference of Mayors



Enhancing the Climate for Investment

REPAIR MARKET FAILURES/IMBALANCES

ENHANCE MARKET FOR COMMERCIAL BUILDINGS/TENANTS

1. Alter tax structure to make Shaker Heights commercial tax rates among the most competitive in Cuyahoga County
2. Tax breaks for property owners who pursue for commercial building upgrades
3. Financial assistance for target businesses moving into or expanding in Shaker Heights
4. Consider providing some development assistance up to certain limits and with set maximums per year and per strategy for certain target business-oriented projects
5. Revolving loan fund for small businesses

STRENGTHEN COMMERCIAL DISTRICTS

PLANNING/DESIGN IMPROVEMENTS THAT CREATE VALUE

Shaker Heights has the bones for at least two great commercial districts. What is needed is to improve the overall marketability of these areas through planning/transportation improvements and the catalysis of key sites

Strengthen and build office market on Warrensville Road to create demand for the types of uses/amenities residents want in a mixed use/redeveloped WVA area post road reconstruction. This includes the proposed planning/TOD efforts.

Commence with physical planning improvements to at Warrensville/Van Aken in order to signal to the marketplace the promise of a more marketable business destination. Will enhance marketability of existing buildings in advance.

Build on LaunchHouse, RDL, Library Courts to seed office development on Chagrin and Lee. This is the best way to revitalize the Lee Road commercial district.

CREATE A BUSINESS PROACTIVE CLIMATE

THE “SOFTWARE” THAT MAKES THE HARDWARE WORK

Treat our businesses – existing and future - as valued customers

1. Create an integrated process for new business creation/expansion that is seamless to businesses, along with up-front commitments to the timing of approvals for key business segments
2. Provide business “ombudsman” to serve as single point of contact for new businesses looking to locate in Shaker Heights
3. Align commercial building inspection outcomes, tools and policies with those of housing inspection to create a more results oriented environment
4. Increase the level of city services for commercial properties to make them at least on par with residential properties

CREATE A BUSINESS PROACTIVE CLIMATE

BRANDING, MARKETING, AND OUTREACH

Execute a marketing/attraction effort around four business segments

1. Create online site selection tool which can quickly ID available blocks of office space or developable sites (complete)
2. Launch re-branding campaign for Shaker Heights
3. “Launch Party” for new Shaker business mindset – perhaps a Shaker Heights business conference
4. Outreach to existing commercial property owners to make them aware of new incentives and how to use them
5. Market “inside” to Shaker residents – e.g. advertise potential income tax savings of working and living in Shaker Heights
6. Recruit business from Shaker Alumni
7. Aggressive outreach and recruitment of regional businesses in target clusters

ROUNDTABLE DISCUSSION TOPICS

Business Sectors

This group will discuss the key business sectors RCLCO has identified for attraction, retention and expansion.

Program Incentives

This group will discuss the program incentives and policy levers RCLCO has recommended to build the supply of attractive, professional office space and increase the demand for such office space in our community

Real Estate/Bricks & Mortar Strategy

This group will evaluate whether our real estate approaches match our business sector targets.

Internal Marketing (within Shaker Heights)

This group will evaluate the proposed marketing efforts geared towards increasing the awareness of real estate and business opportunities to Shaker residents and alumni

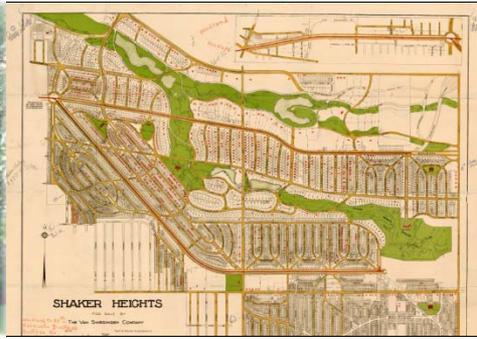
External Marketing

This group will evaluate the proposed marketing efforts geared towards increasing the awareness of real estate and business opportunities in Shaker to the region and beyond

NEXT STEPS

Next steps:

1. Discuss and incorporate feedback from management team, additional stakeholders, and public meeting into the plan
2. Develop metrics around strategy elements and parameters around incentives
3. Draft plan
4. Feedback and comments
5. Final plan shared at November Council meeting
6. Marketing launch



Shaker Heights Economic Development Strategy Summary of Findings and Recommendations

City of Shaker Heights | July 15, 2010

