



**Neighborhood Revitalization & Development Committee Agenda
City Hall Council Chambers
Wednesday, March 13, 2019, 6:00 PM**

1. Approval of January 9, 2019 Minutes

Documents:

[NRD MINUTES 01-09-19.PDF](#)

2. Align Capital Partners Vision Fund Proposal

Documents:

[ALIGN CAPITAL PARTNERS VISION FUND MEMO_NEIGHBORHOOD REVITALIZATION AND DEVELOPMENT.PDF](#)

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SHAKER HEIGHTS

**Neighborhood Revitalization and Development Committee Minutes
Wednesday, January 9, 2019
6 P.M.
Council Chambers**

Members Present: Anne E. Williams, Chair
Nancy R. Moore, Council Member
Earl Williams, Council Member
Carter Strang, Citizen Member
Jeremy Paris, Citizen Member
David E. Weiss, Mayor
Jeri Chaikin, Chief Administrative Officer
Kamla Lewis, Director of Neighborhood Revitalization
Kyle Krewson, Director of Building and Housing
Colin Compton, Neighborhood and Housing Specialist

Others Present: Roslyn Quarto, ESOP
Valerie Grim, ESOP
Sonya Edwards, ESOP

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

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

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Approval of the November 14, 2018 Meeting Minutes

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

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Discussion of Proposed Contract with ESOP to Provide Financial Capability and Housing Stability Services to Seniors

The City is recommending entering into an 11 month contract, in the amount of \$25,000, with the non-profit agency, ESOP (Empowering and Strengthening Ohio’s People) as a pilot program to provide financial capability and housing stability services to Shaker’s seniors, to better enable our seniors to age in place with greater economic stability.

Background

Seniors (55 and older) in Shaker comprise 29.4% of the population (2010 census), and the City provides a range of services and programs specifically aimed at this segment of the population. The Recreation Department provides recreation and transportation programs and contracts with a part time social worker to respond to requests for information and referral from seniors. The Economic Development Department provides grants to seniors to help with home repairs and accessibility.

However, often as the City works with our seniors around issues of housing maintenance and tax delinquency, it has been evident that their needs require a range of services that exceed our staff capacity to address them. These include tax and mortgage delinquency, financial capability, hoarding, and caregiving needs. Nationally, 32% of people aged 53-62 have \$0 saved for retirement. 30% of seniors experience a \$0 or negative budget every month after paying for their basic needs.

- Shaker residents on homestead exemption (a proxy for seniors) represented 33% of tax delinquent properties in Shaker in November 2018, and 36% of the total tax delinquency. Without assistance, these seniors are in danger of losing their homes.
- Seniors historically represent approx. 85% of the Housing Specialist's caseload.
- Based on the types of situations they encounter working with seniors, the Building/Housing, Recreation, Law and Police Departments, all of which have frequent interaction with seniors, support the addition of the services offered by ESOP to our seniors.

As examples, ESOP staff would be available to assist seniors who receive housing violations create budgets, and connect with benefit programs which can provide financial assistance. For seniors facing crises related to high credit card debt and payday loans, ESOP will negotiate with creditors to create fair and affordable repayment plans and work with their partners at Hebrew Free Loan Association (HFLA) to seek interest free loans to get out of payday loans and or pay down high interest credit card debt. They provide specific property tax counseling services, including operating their own unique Senior Property Tax Loan Program.

ESOP's background

ESOP helps people in all stages of life achieve and maintain financial wellness and housing stability. The organization was founded in 1993. In its early days as the East Side Organizing Project, ESOP used community activism to combat predatory lending and other disreputable financial practices. As the organization evolved into Empowering and Strengthening Ohio's People, ESOP shifted focus to provide individuals with the knowledge and tools they needed to ensure their financial wellness and housing stability. In its 25 year history, ESOP has helped more than 42,000 homeowners across Ohio save their homes from foreclosure.

In recent years, ESOP developed the Senior Financial Empowerment Initiative, an integrated suite of financial capability services for older adults and their caregivers. The commitment to helping older adults and their caregivers achieve financial wellness and housing stability was enhanced in 2017, when ESOP became a subsidiary of Benjamin

Rose Institute on Aging, a 110-year-old nonprofit organization whose mission is to advance support for older adults and their caregivers. ESOP's clients all have full access to an array of services and supports for older adults and their caregivers from the Benjamin Rose Institute on Aging. In addition to one on one counseling, ESOP offers 15 financial capability workshops and homebuyer education workshops.

ESOP Program Outcomes

73% of the clients ESOP serves are African American women over the age of 65. Most rely exclusively on Social Security, are deep in debt, and, on average, have a fixed income of \$12,131.

- Even on this meager income, through one-on-one coaching and counseling, ESOP has helped their clients increase their credit score by an average of 27 points, decrease their debt by an average of 20% or \$2,415, decrease their monthly expenses on average by 22% or \$218, and still manage to save \$244.
- Clients who participated in their matched savings program established an average emergency savings of \$1,092. These are life-changing numbers for seniors who live at this level of income.
- ESOP has assisted 529 seniors avoid property tax foreclosure, and have saved 1,663 clients a total of \$785,571 by accessing benefits.

Proposed Contract with ESOP

- ESOP would provide up to 68 hours per month of one on one financial counseling and housing counseling services, at the Shaker Heights Community Building. Specific office hours will be determined on a monthly basis in consultation with the City, but appointments will be encouraged, and office hours adjusted accordingly. Clients could also receive services at ESOP's offices located at 11890 Fairhill Road, if they so choose. If the City chooses to have ESOP offer any of their workshops, these hours would count towards the 68 hours per month.
- Services provided would include:
 - **Financial Counseling and Coaching:** One-on-one sessions are available by appointment to help people develop budgets and better manage their finances.
 - **Foreclosure Prevention Counseling:** ESOP will negotiate with lenders to help people obtain affordable loan modifications to save their homes from foreclosure.
 - **Property Tax Counseling:** ESOP helps people resolve their property tax delinquency through a payment plan directly with Cuyahoga County or through their own Senior Property Tax Loan Program (SPTLP).
 - **Senior Property Tax Loans:** Affordable loans and counseling to help eligible homeowners pay delinquent property taxes and avoid foreclosure.
 - **Matched Savings Accounts:** Eligible clients can earn a dollar-for-dollar match up to \$500 if they engage in financial coaching for a year.
 - **Accessibility Modification Grants and Loans:** help people get the funds they need to make their homes safer so they can age in place.
 - **Benefits Assessment and Enrollment:** assists clients in understanding and applying for local, state and federal benefits.
 - **Transitional Counseling:** Stewarding older adults through downsizing and/or successfully transitioning to assisted living facilities.

- **Vision Screening and Eyeglass Vouchers:** Free screenings and glasses for eligible consumers to ensure they can properly see and monitor financial statements.
- **Volunteer Income Tax Assistance (VITA):** free income tax preparation for adults with low to moderate income.
- **Pre-purchase Counseling:** work to ensure that individuals are financially ready for homeownership.
- **Homebuyer Education Workshops:** Individuals learn the important basics of the home-buying process and gain the knowledge and skills needed to secure an affordable mortgage.
- **Post-purchase Counseling:** Gain the tools and knowledge needed to be a successful long-term homeowner prepared for financial emergencies and necessary home repairs.
- **Group Financial Education Workshops:** Workshops provide valuable information on topics ranging from budgeting and goal setting to understanding credit and debt, avoiding financial exploitation, spending choices, and the importance of savings.
- The contract would cover the period February through December 2019.
- The City would provide free office space in the Community Building for meeting with clients and assist in marketing ESOP services through existing channels, including our website, magazine and fliers, as well as referrals from departments.
- ESOP would provide the City with non-confidential information about program usage and outcomes, including demographics, income level, debt reduction, savings, monthly expense reduction and credit improvement.

Recommendation

Staff is requesting that the Neighborhood Revitalization & Development Committee recommend to Council entering into a professional services contract with ESOP in the amount of \$25,000 for 2019 to provide Shaker seniors with services to achieve and maintain financial wellness and housing stability.

Nancy Moore moved and Earl Williams seconded the motion to approve the ESOP Contract

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There being no further business, the meeting was adjourned. The next meeting will be March 13, 2019.

Anne E. Williams, Chair
 Neighborhood Revitalization Committee



SHAKER HEIGHTS

Memorandum

To: Neighborhood Revitalization & Development Committee
From: Katharyne Starinsky, Senior Economic Development Specialist
cc: Mayor David Weiss
Chief Administrative Officer Jeri E. Chaikin
Date: March 12, 2019
Re: Align Capital Partners Vision Fund proposal

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

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

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

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

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

Align Capital Partners is a growth-oriented private equity firm making control investments in business to business specialty manufacturing, distribution, and business services companies. Align has been in business for two and one half years. The Align team has completed 90+ transactions representing more than \$5 billion in enterprise value. In August 2018, Align acquired two Cleveland-based businesses: Predictive Service (located in Beachwood) and ABCO Fire. The three principals worked together at Riverside Investments, two of which live in Ohio - Chris Jones is a Shaker Heights resident and Steve Dyke is a Cleveland Heights resident. Align has two offices, locally at Lakepoint Office Park (3201 Enterprise Parkway, Suite 205, Beachwood, OH 44122) and another in Dallas, Texas. Their Lakepoint office lease commitment to renewal is in April 2019, but they are out of space there and Align is planning to grow further. The Beachwood office currently has six employees (not including the two local principals) with plans to add one to two jobs in the very near term. The Van Aken District office layout has been designed to accommodate growth for up to fourteen employees. Individual employee pay is between \$150,000-200,000.

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

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

The up to \$80,000 incentive will be paid out over the course of six years in installments. The first payment will be in January 2020 for \$12,000. For each of the following four years, depending on their previous year tax productions (see Table 1). If Align produces \$30,000 to \$90,000 in prior year income taxes, they will receive a payment of \$12,000. If Align produces more than \$90,000 in taxes in the previous year, they will receive a payment of \$17,000. Align will have the option to use year 6 as an alternate tax measurement period in lieu of one annual measurement period during the incentive term in order to reach the full, not to exceed, \$80,000 incentive amount.

The aggregate incentive paid to Align (if any) based on the replaced measurement period and the year 6 alternate measurement period shall in no event exceed \$17,000. See Table 2 for possible payment scenarios.

Table 1: Payment Amounts	
Prior Year Taxes Collected	Incentive Payment Amount
\$30,000-90,000	\$12,000
>\$90,000	\$17,000

Table 2: Payment Scenarios				
Year #		Payment Scenario #1 Taxes collected are \$30,000-\$90,000	Payment Scenario #2 Taxes collected are >\$90,000	Payment Scenario #3 Year 6 "Catch Up"
1	Flat Amount Paid January 2020	\$12,000	\$12,000	\$12,000
2	2021 Payment based on 2020 taxes	\$12,000	\$17,000	\$12,000
3	2022 Payment based on 2020 taxes	\$12,000	\$17,000	\$17,000
4	2023 Payment based on 2020 taxes	\$12,000	\$17,000	\$17,000
5	2024 Payment based on 2020 taxes	\$12,000	\$17,000	\$17,000
6	2025 Payment based on 2021 taxes	\$0	\$0	\$5,000
TOTAL		\$60,000	\$80,000	\$80,000

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