

Cleveland Health-Tech Corridor
An Asset Based Strategy for Economic Growth

Accelerating Urban Manufacturing
Looking beyond Gazelles and Start-ups

The Rebirth of a City
Revitalizing Downtown Youngstown, Ohio

The Global Cardiovascular Innovation Center
*Economic Diversification as a Cornerstone to Reinvention
and Long-term Stability of the Ohio Economy*

The Van Aken District
A Model for First Suburb Revitalization



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Frank G. Jackson
Mayor
Cleveland, Ohio

LETTER FROM THE MAYOR

welcome to cleveland

Greetings!

On behalf of the citizens of Cleveland, Ohio, I want to welcome you to the 2016 International Economic Development Council (IEDC)'s Annual Conference, the largest annual gathering of economic developers, being held in our great city from September 25 – 28, 2016. Thank you for choosing Cleveland as the host city for this event as IEDC celebrates its 90th Anniversary as a global development organization.

This conference will showcase the diversified economy of Cleveland and Northeast Ohio that has leveraged billions of public-private partnership investment over the past five years. One example of this investment is the development of the 1,600 acre Health Tech Corridor, which runs between downtown and University Circle and features biomedical, healthcare and technology companies within close proximity to world-class, educational and medical research institutions including Case Western Reserve University, Cleveland State University, the Cleveland Clinic, and University Hospitals.

Cleveland, located on the beautiful shores of Lake Erie, is a vibrant and growing city with a rich history, world-class attractions and a vast array of arts and culture to experience. While here, you can visit the Rock and Roll Hall of Fame & Museum, Playhouse Square – the 2nd largest performing arts center in the nation, or University Circle - home to the world-renown Cleveland Orchestra, Cleveland Museum of Art and other cultural institutions. Take time to dine at any of our award winning restaurants either downtown at East Fourth Street, the Warehouse District and the Flats or in neighborhood hotspots, like Little Italy, Tremont and Ohio City, which features the West Side Market - the oldest and continuously operating market in the country that has more than 100 ethnically diverse food vendors.

Again, welcome! I hope you have an enjoyable visit and wish you the best for a successful and productive conference!

Sincerely,

A handwritten signature in black ink, appearing to read 'Frank', with a stylized flourish at the end.

Frank G. Jackson
Mayor
Cleveland, Ohio

The IEDC Economic Development Journal

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Looking beyond Gazelles and Start-ups

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Manufacturing matters in Cleveland where over 20,000 people are employed in the industry. Accelerate Cleveland Manufacturing (ACM) was developed by MAGNET, a Manufacturing Extension Partnership provider, and WIRE-Net, a membership based manufacturing organization. ACM targets companies seeking incremental growth, year after year, but that are challenged with limited resources and capabilities.



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Revitalizing Downtown Youngstown, Ohio

by Kim Calvert

Youngstown was once known as "Steel Valley" because of a robust steel industry. The death of this industry resulted in massive job and population loss, along with numerous decaying, empty buildings downtown. With the help of the Youngstown Central Area Community Improvement Corporation and its management of 52 projects downtown from the late 1990s through today, the area is growing once again.

The Global Cardiovascular Innovation Center 35

Economic Diversification as a Cornerstone to Reinvention and Long-term Stability of the Ohio Economy

by Mark Low and Tom Sudow

The Global Cardiovascular Innovation Center (GCIC) is a multi-institutional product development and commercialization consortium made possible through a \$60 million grant from the state of Ohio's Third Frontier Project. The GCIC is a model of effective and efficient economic development focused on the knowledge based economy.



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The Van Aken District 43

A Model for First Suburb Revitalization

by Tania Menesse

The Van Aken District in Shaker Heights, Ohio, is a \$91 million mixed-use redevelopment built on the foundation of an \$18.5 million street reconfiguration, transforming a congested and unsafe intersection into a walkable mixed-use environment. The revitalization of the District at the terminus of the Van Aken rail line improves transportation options and livability for neighborhoods and employers in Shaker Heights and surrounding communities to the east and south.

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HEALTH-TECH CORRIDOR

By Jeff Epstein



A state-of-the-art biosafety level two lab at the Baker Electric building in the Cleveland Health-Tech Corridor.

INTRODUCTION

Cleveland has a long history as an industrial powerhouse, with manufacturing leading the way to the explosive growth that made Cleveland the fifth largest city in the United States in the early 1920s. Cleveland's population peaked in 1949, and in the succeeding decades the city has suffered from disinvestment, suburban flight, and manufacturing job losses, leading a downward spiral in the regional economy.

Today, however, Cleveland is in the midst of an economic restructuring, building on its strengths in health care, education, and manufacturing to grow a thriving health-technology economy. This growth has leveraged abandoned and underutilized physical assets into im-

portant building blocks of its new economy – historic streets, abandoned warehouses, and crumbling manufacturing plants have been transformed into gleaming labs and high-tech office districts. Euclid Avenue, Cleveland's famous Millionaire's Row, once home to John D. Rockefeller and dozens of the world's industrial leaders, and for many years home to vacant buildings, used car lots, and contaminated brownfields, is the backbone of the new economy, with more than \$4 billion of investment in the last seven years.

The Cleveland Health-Tech Corridor (HTC), a public-nonprofit collaboration between BioEnterprise, the Cleveland Foundation, the city of Cleveland, and MidTown Cleveland, Inc., was formed in 2010 to be the geographic focal point of Cleveland's health-tech economy and to maximize the economic impact of the billions of dollars of public and private investment. The

Jeff Epstein is the director of the Health-Tech Corridor. (jepstein@healthtechcorridor.com)

AN ASSET BASED STRATEGY FOR ECONOMIC GROWTH

The Cleveland Health-Tech Corridor, a public-nonprofit effort to grow the health-tech and high-tech economy in Cleveland, has had remarkable success over the past six years, transforming the vacant area between Cleveland's booming downtown and University Circle districts into a dynamic chain of innovative businesses. The growth of the Corridor from a marketing and development concept on paper to a booming technology corridor is a story of collaborative civic leadership and the thoughtful development of an asset-based growth strategy. This article outlines the strategy, the players, and the approach towards transforming this critical area of Cleveland.

HTC is a 1,600-acre area spanning the heart of Cleveland's east side, connecting its vibrant downtown to its cultural hub of University Circle, with Euclid Avenue as its central spine. Within the boundaries of the HTC are four world-class healthcare institutions (including the Cleveland Clinic and University Hospitals), six business incubators, and four colleges and universities. The concept behind the HTC was to take these and other assets and leverage them to attract, develop, and grow health-tech and high-tech businesses – making it a prime location for such businesses to take advantage of close proximity to these resources.

The results have been dramatic: over 2,600 new jobs, 500,000 square-feet of new or renovated office and lab space, and over \$4 billion of investment since 2008. This article maps out the HTC strategy and its initial implementation, outlines some of its key successes, and discusses its roadmap for continued growth.

Northeast Ohio has been on a path towards economic restructuring for the past 15 years and has been slowly putting in place the building blocks that led to the creation of the Health-Tech Corridor.

BUILDING BLOCKS OF THE HTC

Northeast Ohio has been on a path towards economic restructuring for the past 15 years and has been slowly putting in place the building blocks that led to the creation of the Health-Tech Corridor. Cleveland's decline in manufacturing jobs coincided with the growth of the area's major health care systems, the Cleveland Clinic and University Hospitals, which are now the top two non-government employers in Cleveland. Health care became a major export – and not just the provision of health care, but health care innovation as well. State policy, in the form of the \$1 billion Third Frontier bond fund, which made investments in advancing technology and R&D in Ohio, helped pave the way for a number of transformative initiatives.

One of the first steps was the world-renowned Cleveland Clinic forming its Cleveland Clinic Innovations (CCI) arm. CCI was designed to help turn the inventions of Cleveland Clinic employees into medical products to improve the quality of care, and since its founding in 2000 it has enabled 75 spin-off companies receiving more than \$910 million in equity investment. Leveraging Ohio Third Frontier funding, CCI opened the Global Cardiovascular Innovation Center (GCIC) incubator in 2010 offering 50,000 square-feet of state-of-the-art space near the campuses of Cleveland Clinic, University Hospitals and Case Western Reserve University. This facility has been full from the day it opened and has been churning out innovative companies since then.

Around the same time, Cleveland Clinic, University Hospitals, Case Western Reserve University, Summa Health System, and Austen BioInnovation Institute formed BioEnterprise, a nonprofit economic development organization designed to grow healthcare companies and bioscience technologies. BioEnterprise provides management guidance, relationships with research and clinical institutions, access to investment capital, and technical support to companies. With the help of Third Frontier funding, BioEnterprise also launched an incubator facility which has housed a variety of pharmaceutical and medical device companies. Since its formation, BioEnterprise has helped with the creation of 350 companies that have attracted more than \$2 billion in new funding. BioEnterprise has also led the way in helping to attract capital to Northeast Ohio biomedical startups, which totaled a record \$398 million in 2014, second in the Midwest, just a few million dollars behind Minneapolis-St. Paul.

While CCI, the GCIC, and BioEnterprise were focused on health technology, another Northeast Ohio startup was focused on entrepreneurship and technology business growth. JumpStart, a regional economic development nonprofit, was created in 2003 by a group of civic and philanthropic leaders to support Northeast Ohio's entrepreneurs and encourage startup growth. Seeded by foundations and the Ohio Third Frontier program, JumpStart has grown to become a national model for entrepreneurship growth, has had a cumulative impact north of \$1 billion on Northeast Ohio, and is the focal point for our regional startup economy.

The development of these programs would not have happened without Case Western Reserve University (CWRU), a leading national research university known for its strong engineering and biomedical research facilities. CWRU's track record in attracting top notch talent and scientific research dollars, along with its recent focus on innovation and student entrepreneurship, are inextricably linked to Cleveland's success in transitioning to a knowledge-based economy. According to the National Science Foundation's Survey on Higher Education Research and Development, CWRU's 2014 R&D expenditures were \$419 million, with \$329 million of

Leveraging Ohio Third Frontier funding, CCI opened the Global Cardiovascular Innovation Center (GCIC) incubator in 2010 offering 50,000 square-feet of state-of-the-art space near the campuses of Cleveland Clinic, University Hospitals and Case Western Reserve University. This facility has been full from the day it opened and has been churning out innovative companies since then.

While each of these institutions and organizations – Cleveland Clinic Innovations, BioEnterprise, CWRU, JumpStart, and OneCommunity – are foundational building blocks of the Health-Tech Corridor, it was a transportation project that really served as the growth accelerant.

federal funding, the top eight percent and five percent respectively, of the more than 600 institutions surveyed.

CWRU was also behind the scenes in the founding of OneCommunity, a nonprofit broadband service provider and economic development agency that has methodically built up a massive regional fiber network over the past decade to service the universities, hospitals, and nonprofit institutions in Northeast Ohio with gigabit speeds. The OneCommunity network, which runs through the HTC, now offers businesses the ability to connect and do business at exceptional speeds.

While each of these institutions and organizations – Cleveland Clinic Innovations, BioEnterprise, CWRU, JumpStart, and OneCommunity – are foundational building blocks of the Health-Tech Corridor, it was a transportation project that really served as the growth accelerant. In 2008, after nearly four years of construction, the Greater Cleveland Regional Transit Authority's \$168 million Euclid Corridor project, now known as the HealthLine, was fully operational. The HealthLine transformed Euclid Avenue, Cleveland's historic Millionaire's Row, completely rebuilding the road and sidewalks to accommodate a center-loading bus-rapid transit system linking Cleveland's two main employment hubs – Downtown Cleveland and University Circle – with convenient, affordable, and fast public transit. The HealthLine project also opened up acres of vacant and underutilized land for development, land which was now easily accessible by transit, and sat directly between health care institutions and universities.

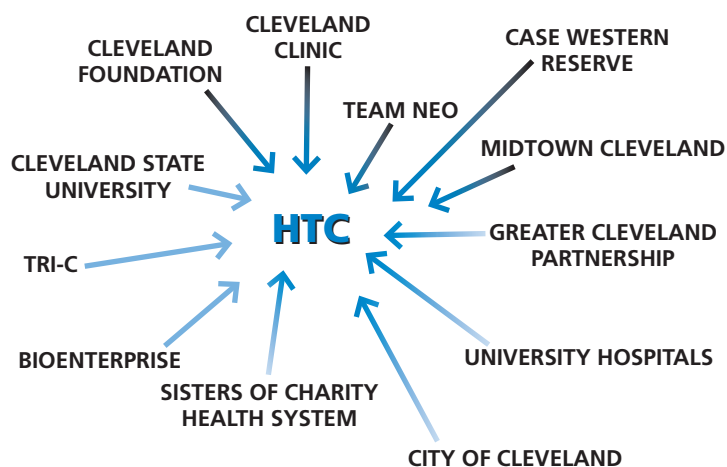
It was from this environment that the idea for the Cleveland Health-Tech Corridor emerged: world class health care institutions and universities working together to foster a community of innovation; public sector funding for traditional infrastructure investments in mass transit as well as nontraditional infrastructure investments in incubator facilities and investment funds; and a network of sophisticated nonprofit economic development organizations to support entrepreneurs, attract capital, and help launch small businesses. The city of Cleveland and its partner organizations looked at this potent stew of activity and asked a basic question – how can we maximize this opportunity for the city of Cleveland?

FORMATION OF THE CLEVELAND HEALTH-TECH CORRIDOR

With this question in mind, the city of Cleveland partnered with BioEnterprise and MidTown Cleveland, the local community development corporation for the area between downtown and University Circle, to seek outside help. The partnership brought in Angelou Economics, the internationally-recognized economic development consulting firm, to answer the fundamental question of what to do next.

Angelou performed a detailed study, including a benchmarking analysis, competitiveness assessment and development of a business case and action plan, ultimately concluding that “possessing a potent combination of a trained workforce in skilled manufacturing and a wealth of healthcare facilities and expertise, Cleveland is poised to take advantage of the growing biomedical industry, which lies at the intersection of manufacturing, healthcare, and pharmaceutical industries.” The Angelou study recommended creating a health and technology corridor utilizing the core assets described here, and making a dedicated effort to marketing, making physical investments, and providing the right financial incentives to help the HTC grow. Among its core strategy recommendations were:

- Promoting a health and technology corridor and Greater Cleveland's position as a leading biomedical center;
- Creating a single point of contact for the corridor;
- Developing appropriate real estate options to meet industry requirements in every stage of growth;
- Leveraging existing, and creating new development financing options and incentives to facilitate the expansion of existing companies and the attraction of new ones; and
- Ensuring that the Greater Cleveland region is attracting, retaining, and producing individuals with the skills needed to meet future health and technology needs.



The Health-Tech Corridor is an asset-based strategy which draws on the contributions of many anchor institutions, partners, and support organizations.

With these strategies in mind, the team had the answers it needed, and set about creating and branding the Cleveland Health-Tech Corridor.

INITIAL HTC PROJECTS AND INVESTMENTS

One of the first in the private sector to recognize the potential of the emerging elements of the Health-Tech Corridor was Dick Pace, a local architect looking to make the move into the development world. Pace acquired the Baker Electric building – originally built as a showroom for the Baker Electric automobile along Euclid Avenue in 1910 – while the HealthLine was under construction, leveraging New Markets Tax Credits and Historic Tax Credits to restore the building and line it with lab infrastructure. He worked aggressively with the Cleveland Clinic, CWRU, and University Hospitals to attract startup businesses who wanted to get off campus but stay close to where they were funded. The 50,000-square-foot building filled up within months and has stayed full since with businesses who like the historic story of how the Baker Electric automobile company was innovating in Cleveland 100 years before the Prius and the Tesla.



The Regional Transit Authority's HealthLine bus-rapid transit project helped catalyze the growth of the Health-Tech Corridor.

A few blocks down Euclid Avenue from the Baker Electric building, the city and MidTown began assembling a nine-acre site filled with used car lots and brownfields to meet the demand it anticipated for additional health-tech spinoffs from the institutions in University Circle. In 2010 when the city recruited Geis Companies and Hemingway Development, a legacy developer of suburban and exurban industrial office parks, to develop a new 120,000-square-foot building on Euclid Avenue – the first new construction on Euclid in decades – many thought the company was crazy. In order to complete this large scale, speculative project in an economic downturn, the developer worked extensively for two years with the city of Cleveland, Cuyahoga County, state of Ohio, MidTown Cleveland, Inc., and other area stakeholders to obtain and coordi-

nate support and commitments for non-conventional forms of financing, including two rounds of New Markets Tax Credits, a HUD 108 loan, Vacant Property Initiative Loan, County Innovation Zone, and Environmental Assessment Grant. The project also competed with over 40 other Ohio projects and was ultimately awarded an Ohio Job Ready Sites grant for development of the building, to be known as MidTown Tech Park.

The first anchor tenant at MidTown Tech Park demonstrated the playbook for growth in the Health-Tech Corridor. Cleveland HeartLab was a Cleveland Clinic Innovations startup, formed in 2009, and was ready to move out of the Clinic's GCIC incubator and accelerate its growth. HeartLab, which performs an array of tests for unique markers of cardiovascular disease, needed a state-of-the-art lab and a developer who would give them the flexibility to grow. During the course of its lease negotiations, the company grew its space needs from 10,000 square feet up to over 30,000 square feet; it now has nearly 150 employees and is one of the premier cardiovascular testing labs in the United States. An ideal user for the Health-Tech Corridor, Cleveland HeartLab would have left the city or the region for lack of appropriate space had the city not had the foresight to push the private market towards development. JumpStart also located its headquarters in the building, adding its entrepreneurial support resources to the emerging neighborhood.

Based on this success, the developer acquired two abandoned buildings adjacent to the initial building and renovated them to house health-tech startups and labs. Using the same financing formula – a mix of New Markets Tax Credits, developer equity, and city and county loans and grants – Geis / Hemingway added an additional 130,000 square feet of space to the HTC, bringing the three-building campus to 250,000 square feet. Today the campus is over 90 percent occupied, filled with a mix of health care education and service providers, health-technology companies, and marketing and media firms.

Additional redevelopment and investment has followed the success of the Baker Electric and MidTown Tech Park projects, with over 500,000 combined square feet of new or renovated lab and office space

An ideal user for the Health-Tech Corridor, Cleveland HeartLab would have left the city or the region for lack of appropriate space had the city not had the foresight to push the private market towards development. JumpStart also located its headquarters in the building, adding its entrepreneurial support resources to the emerging neighborhood.

coming online in the HTC since 2008 and an additional 150,000 square feet in active predevelopment. These projects are copying the same blueprint successfully used in the earlier projects: pairing tax credits and loans from the city and county with tenants generated from the mix of health care, universities, incubators, and entrepreneurship.

RESULTS

Within the 1,600-acre Health-Tech Corridor, there has been \$3.9 billion of real estate investment since 2008 in construction, institutional projects, and infrastructure improvements. There are an additional \$700 million worth of projects currently under construction, with \$219 million more in the planning pipeline. The city of Cleveland has put over \$70 million into the area, which has directly stimulated close to \$250 million in private investment. In addition to the four healthcare institutions, six business incubators, and four colleges and universities in the HTC, more than 140 high-tech and health-tech companies call the HTC home. These businesses cover a range of pharmaceutical, medical device, health IT and technology firms, and include startups as well as publicly-traded companies.

Several of these companies have unique and compelling stories of growth and innovation, and are prime examples of how the HTC development strategy proved to be the right one at the right time.

Abeona Therapeutics is a startup gene therapy company working on developing and delivering gene therapy and plasma-based products for severe and life-threatening rare diseases. It began at the GCIC incubator, where it drew the attention of PlasmaTech Biopharmaceuticals, a publicly-traded company which acquired the company for \$40 million in May 2015. PlasmaTech kept the Abeona leadership team in place, changed its name to Abeona, and prepared to grow aggressively – and the city was prepared with attractive ready-to-finish real estate options and financial incentives to keep them in Cleveland. With the help of a package of grants and loans from the city and state, Abeona moved into a 12,000-square-foot state-of-the-art gene therapy manufacturing facility in December in a third MidTown Tech Park building. Abeona's CEO jumped at the opportunity to remain in Cleveland and stay close to CWRU and the local medical community; Abeona is projected to grow from four employees to over 30 within the next few years.

When Explorys, a Cleveland Clinic spinoff company, was looking for space, the natural move was into space in the Health-Tech Corridor. They cite the emerging

technology in the Corridor and its proximity to the hospitals as the drivers for their decision to locate there. Explorys provides secure cloud-based solutions for clinical integration, at-risk population management, cost of care measurement and pay-for-performance; their clients include some of the most prominent health-care systems in the United States, together accounting for over 380 hospitals and more than 317,000 providers. Since their start in 2009, they have amassed the largest clinical data set in the world and increased their employee base to over 180. In April 2015 IBM acquired Explorys, maintaining their operations in the Health-

Tech Corridor due to their belief that it is the epicenter of health-care transformation.

In addition to individual business growth, the Corridor fosters cross-sector collaboration and is continually building on, and creating, new assets.



One of the first new construction projects in a generation on Euclid Avenue, MidTown Tech Park is home to entrepreneurial ventures such as JumpStart and Cleveland HeartLab.

In addition to individual business growth, the Corridor fosters cross-sector collaboration and is continually building on, and creating, new assets. In 2012, CWRU opened think[box], a high-tech maker space in the basement of one of its engineering buildings and invited its students and faculty as well as the public to come and experiment. The results have been striking, as dozens of student companies have formed out of think[box] and related legal (IP Venture Clinic, a program through CWRU's law school) and entrepreneurial (Blackstone LaunchPad, a partnership with the Blackstone Charitable Foundation and the Burton D. Morgan Foundation) support. The initial think[box] space, which opened in 2012, occupied 4,500 square feet in the basement of the engineering building. In 2015, the first phase of the new, seven-story, 50,000-square-foot think[box] opened, creating one of the largest university-based innovation centers in the world. Visitors to think[box] are provided 3D printers, circuit-board routers, laser cutters, and more. CWRU engineers work alongside industrial design students from the neighboring Cleveland Institute of Art, industry experts, and area entrepreneurs to tinker and create the next great innovation.

In addition to their community collaboration with the think[box] project, CWRU is also collaborating with the



The Health-Tech Corridor has breathed new life into vacant and underutilized buildings, transforming them into highly desirable spaces with concrete floors and floor to ceiling windows.

While the vision for the HTC – creating a dense network of innovative health-tech and high-tech businesses linking downtown and University Circle – is well on its way towards full realization, tremendous challenges remain. Much of the remaining land to be redeveloped in the industrial midsection of Cleveland is environmentally contaminated and ownership is fractured, which will require persistence and continued public support to address. Series A venture capital in the \$1 million to \$5 million range has proved notoriously difficult to raise, despite a wealth of seed and angel opportunities for viable startups.

Cleveland Clinic Foundation on a new medical school. These two world-class institutions broke ground in October 2015 on a four-story, 485,000-square-foot Health Education Campus that they believe will place Cleveland at the forefront of medical education worldwide. This campus will house 2,300 students from CWRU's schools of medicine, nursing, and dental medicine, as well as a new physician assistant program and students from the Cleveland Clinic Lerner College of Medicine. These students will learn, study, and collaborate together, encouraging interaction between professions and promoting innovation.

On the western end of the HTC on the edge of downtown, Cleveland State University (CSU) has also leveraged Cleveland's strength in health care and made strategic investments to catalyze health innovation. In late 2015, CSU dedicated the Center for Innovations in Health Professions, a state-of-the-art medical and nursing school campus in collaboration with the Northeast Ohio Medical University.

Most recently, University Hospitals (UH) and Geis/Hemingway Development are breaking ground on a joint project: an outpatient women's and children's primary-care clinic and adjacent mixed-use development located on a combined 11 acres on Euclid Avenue. The decision to relocate the clinic from its space-strapped location on UH's main campus was driven by the new property's access to buses, primarily the HealthLine, as more than 70 percent of the clinic's 45,000 annual visitors arrive by public transportation. This project is utilizing a previously-undevelopable property that underwent a cleanup effort funded by \$2.4 million in city investments and \$3 million in Clean Ohio funds, evidencing the city's commitment to a long-term view of the economic potential of the Corridor.

LAYING THE GROUNDWORK FOR THE FUTURE

While the vision for the HTC – creating a dense network of innovative health-tech and high-tech businesses linking downtown and University Circle – is well on its way towards full realization, tremendous challenges remain. Much of the remaining land to be redeveloped in the industrial midsection of Cleveland is environmentally contaminated and ownership is fractured, which will require persistence and continued public support to address. Series A venture capital in the \$1 million to \$5 million range has proved notoriously difficult to raise, despite a wealth of seed and angel opportunities for viable startups.

Despite these challenges, there has been tremendous alignment and cooperation across sectors on the common goal of tackling these obstacles and growing the HTC. The incubators, hospitals, universities, and public entities are all on board with the HTC strategy and doing what they can to attract business and promote



One of the first historic conversions, a century-old electric car showroom and garage is now home to lab and technology users.

the area. The city and the Cleveland Foundation have led the way in identifying and funding catalytic projects and aggressively pursuing brownfield remediation funding. Regional economic development intermediaries are raising funds to address the capital gap and working with venture capital funds across the country to find funding for promising startups.

Two multi-faceted initiatives, currently in the works, have the potential to accelerate growth in the HTC. First, there have been active discussions among the anchor medical and research institutions about leveraging their supply chain spending to drive national suppliers to create local jobs and have a presence in the HTC. While complex projects, these efforts could bring established national health care businesses into the corridor. Second, numerous public, nonprofit, and private sector

The growth and development of the Cleveland Health-Tech Corridor required collaboration between public, private, nonprofit, and institutional partners, as well as the utilization of multiple pieces of the traditional economic development toolbox, from tax credits to HUD 108 loans to brownfield remediation dollars. The HTC has seen tremendous success, serving as the foundation for continued efforts.

partners have expressed willingness to contribute to an HTC investment fund which would make equity investments in HTC businesses.

The growth and development of the Cleveland Health-Tech Corridor required collaboration between public, private, nonprofit, and institutional partners, as well as the utilization of multiple pieces of the traditional economic development toolbox, from tax credits to HUD 108 loans to brownfield remediation dollars. The HTC has seen tremendous success, serving as the foundation for continued efforts. ④

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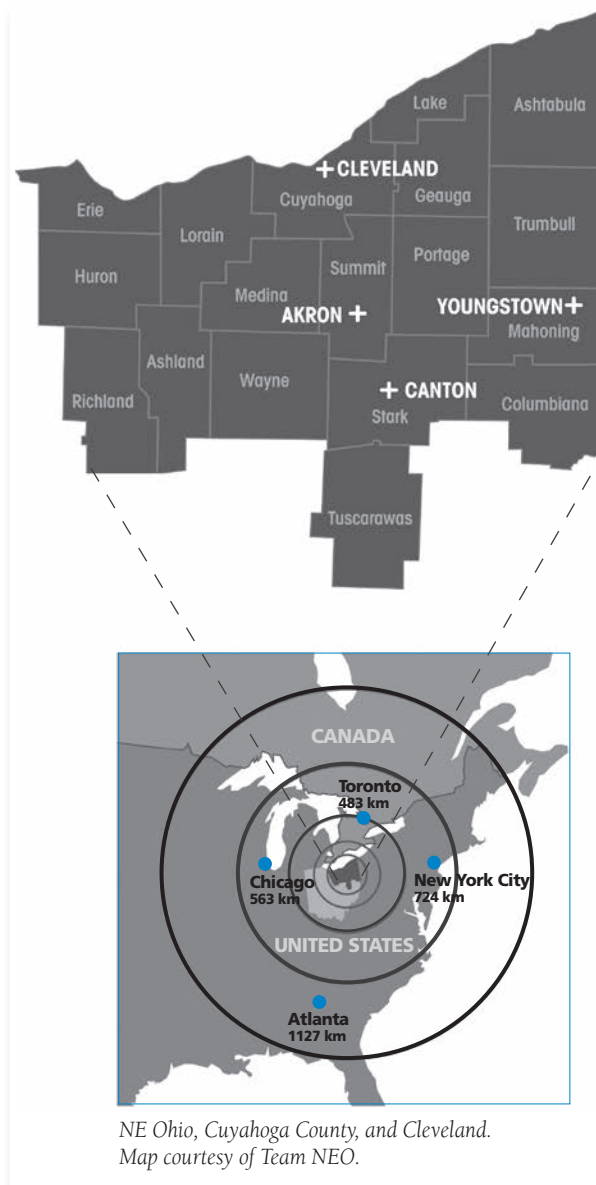
By John Colm

INTRODUCTION

Growing jobs, closing the skills and income gaps, building wealth and tax base...these are all hot topics in regional economic development circles, as they are in Cleveland, Ohio. This article describes a unique partnership that is working to “Accelerate Cleveland Manufacturing” by each year connecting dozens of Cleveland based manufacturing firms and their leaders to expert resources and solutions that help firms overcome barriers to growth, leading to new investment and job creation. In an era of economic transition and restructuring in the manufacturing sector, this strategy must confront and overcome several challenges, which are described here. First, a snapshot of Cleveland’s manufacturing sector helps set the stage.

CLEVELAND MAKES IT

Manufacturing is still a critical component of Northeast Ohio’s regional economy, as it is for Cleveland and surrounding Cuyahoga County. While there is media buzz around artisan manufacturing (young firms making unique products, generally for local niche markets) and the maker movement (driven in part by new technologies like additive manufacturing which enables prototyping and even production runs of products designed on desktop computers and printed using 3-D printing technology), in Cleveland there are still over 750 manufacturing establishments (the Cleveland Industrial Retention Initiative, or CIRI, works with over 1300 firms in the city, using a broader definition of manufacturing). These urban manufacturing firms in Cleveland are significant contributors to the city’s and



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LOOKING BEYOND GAZELLES AND START-UPS

Manufacturing matters in Cleveland, Ohio, where over 20,000 people are employed in the industry. Accelerate Cleveland Manufacturing (ACM) was developed by MAGNET, a Manufacturing Extension Partnership provider, and WIRE-Net, a membership based manufacturing organization. ACM targets companies identified through the Cleveland Industrial Retention Initiative. The goal is to engage companies seeking incremental growth, year after year, but that are challenged with limited resources and capabilities. ACM connects manufacturers to solutions utilizing one-on-one consultations, peer-to-peer Learners Groups, and other strategies. ACM has engaged hundreds of firms and delivered solutions to nearly 40, helping to retain and grow jobs, and assisting them in finding new sales and ways to cut operating costs.

the region's economy, paying about \$1.2 billion in annual wages in 2014. During the first quarter of 2014, 21,468 people were employed in the city's manufacturing sector¹, with another 48,234 employed in Cuyahoga County, outside the city.²

Employment in Cleveland's manufacturing sector has been essentially flat since the Great Recession. Manufacturing employment in the city grew by 148 jobs from 2012-2014, barely a one percent increase. Of the 21 NAICS segments that make up the manufacturing industry, 12 added jobs during this time frame, while seven lost jobs. Among the sectors adding the most jobs were Food, Primary Metal Manufacturing, Nonmetallic mineral products, and Transportation Equipment. Among the sectors contracting the most were Textiles and Leather Products, Fabricated Metal Products, and Electrical Equipment and Appliance manufacturing. Manufacturing employment in Cuyahoga County, which surrounds Cleveland, was also flat, adding just 85 jobs over this time frame.

Ohio's manufacturing sector faces a daunting recovery, as does Cleveland and Cuyahoga County. Between 2006 and 2010, Ohio lost 1,333 manufacturing establishments and 22 percent of its manufacturing jobs or over 175,000 jobs. Cleveland lost 14 percent of its manufacturing establishments and 26 percent of its manufacturing jobs between 2006 and 2010. Cuyahoga County lost 10 percent of its establishments and 22 percent of its manufacturing jobs in that period.

However, it is important to also consider other indicators of the sector's health or decline. Jobs alone do not tell the whole story. The number of manufacturing establishments in the city of Cleveland in 2012 was 782, and in 2014, 750, a decline of 32 or just four percent.³ And according to Team NEO, while manufacturing employment declined 40 percent between 1990-2015, its contribution to gross regional product grew by 13 percent or almost \$5 billion. Manufacturing remains Northeast Ohio's largest sector in terms of gross product produced, making up 19 percent of the

CITY OF CLEVELAND INDUSTRY MIX, 2014		EST	EMP	PAYROLL
NAICS Industry Code	Industry Description	2014	2014	2014
31-33	Total manufacturing	750	21,468	\$ 1,191,149,856
311	Food mfg	50	1,610	\$ 65,629,080
312 & 315	Beverage and tobacco product mfg / Apparel mfg	12	471	\$ 17,112,580
313 & 316	Textile mills / Leather and Allied Product mfg	3	10	\$ 609,808
314	Textile product mills	14	171	\$ 5,147,800
321 & 324	Wood product mfg / Petroleum and coal products mfg	17	219	\$ 8,623,736
322	Paper mfg	19	611	\$ 24,075,884
323	Printing and related support activities	68	1,308	\$ 54,333,248
325	Chemical mfg	44	1,937	\$ 184,913,564
326	Plastics and rubber products mfg	20	676	\$ 27,640,492
327	Nonmetallic mineral product mfg	22	413	\$ 22,270,608
331	Primary metal mfg	25	2,723	\$ 212,172,448
332	Fabricated metal product mfg	255	5,465	\$ 268,834,240
333	Machinery mfg	91	2,422	\$ 143,184,740
334	Computer and electronic product mfg	16	429	\$ 20,509,648
335	Electrical equipment and appliance mfg	15	973	\$ 51,769,040
336	Transportation equipment mfg	28	961	\$ 42,651,960
337	Furniture and related product mfg	14	169	\$ 7,557,488
339	Miscellaneous mfg	37	899	\$ 34,113,492

Source: Ohio Quarterly Census of Employment and Wages, 2014

Note: Data is based on first quarter.

Note: Payroll is annualized from first quarter data.

Note: The Cleveland location is based on the Center for Economic Development's geocoding of addresses.

Analysis conducted by the Center for Economic Development, Levin College of Urban Affairs, Cleveland State University.

region's economy. The sector is an important employer and economic driver. The table shows more details about the city's industry mix, number of establishments by sector, employment and annual payroll.

CHALLENGES

In addition to the global competition in manufacturing, Cleveland's manufacturing sector must contend with several other challenges.

Skills Gap: According to a study for the Cleveland Foundation by FutureWorks, only 43 percent of Cleveland city residents have the education or skill to meet the employment demand predicted for the region by 2020.⁴ The same study found that in key sectors paying family sustaining wages and with projected moderate to high demand, the region's workforce education system was failing to meet the demand. These occupations included metal and plastics workers, installation maintenance and repair, engineers, and skilled production workers.

Slow Growing Manufacturing Sector: Another challenge is the slow manufacturing job growth in Cleveland and that also plagues many older U.S. cities, as noted above. Common approaches to overcoming slow job growth include pursuing high tech growth industries through cluster based strategies, business attraction, and the like. Cleveland and the Northeast Ohio region have pursued technology driven, industry cluster strategies for over a decade and have established a dynamic venture capital and entrepreneurial environment. But deeper analysis of the outcomes of these strategies reveals a disconnect between these strategies and positive economic and employment outcomes for the hard-to-employ and those seemingly trapped in poor, economically isolated communities.⁵

Concentrated Poverty: Like many older, industrial cities, Cleveland also faces concentrated poverty in many neighborhoods. According to the Fund for Our Economic Future, nearly 100,000 Clevelanders live in economically distressed neighborhoods, and in those neighborhoods labor force participation among adults aged 25-64 is just 57 percent, compared to a regional average of 77 percent.⁶

Access to Jobs: Northeast Ohio has seen a hollowing out of its employment base, in manufacturing and in many other sectors as well. Employment change in the cities of Northeast Ohio was negative 28 percent, compared to four percent positive growth in the region's suburbs, from 1994-2013.

Two organizations that were formed to support the region's manufacturing sector and that have worked together for decades, collaborated to form Accelerate Cleveland Manufacturing (ACM) which leverages their respective strengths to address many of these challenges. MAGNET, a partner in the federal Manufacturing Extension Partnership, provides talent, engineering, and product development consulting services to small and medium sized manufacturers across North-

east Ohio. WIRE-Net (formerly known as the West-side Industrial Retention and Expansion Network) is a membership based economic development organization with a mission to strengthen manufacturing to fuel economic growth. WIRE-Net's 360 manufacturing and related company members employ over 20,000 people. WIRE-Net also manages the Cleveland Industrial Retention Initiative (CIRI) for Cleveland's Department of Economic Development, a crucial partner in ACM. Between its long standing membership relationships and its outreach through CIRI, WIRE-Net was intent on quickly opening doors to MAGNET's consulting expertise in order to spur more manufacturing growth in Cleveland.



MAGNET
Manufacturing Advocacy & Growth Network
AN OHIO MEP AFFILIATE

WIRE-Net
Where Manufacturing Matters



THE RESPONSE

Accelerate Cleveland Manufacturing (ACM) targets growing manufacturing firms in the city of Cleveland, regardless of the markets they serve or the technologies they utilize. Most of these manufacturers trade or export their products outside the region and bring new wealth into the region. Traded sector firms drive the economy through its connections to regional supply chains and local population serving sectors like retail and other services. ACM finds ways to grow those firms already in the community that pay family-sustaining wages and that have a future as they adapt and compete. These urban firms are also located where they are accessible to potential job seekers in Cleveland.

ACM was formed by WIRE-Net and MAGNET (Manufacturing Advocacy and Growth Network) in 2014. It is supported by local philanthropic investors like the Cleveland Foundation and the Fund for Our Economic Future, by the Ohio and federal Manufacturing Extension Partnership, and by the Economic Development Administration of the U.S. Department of Commerce through the Make It In America Challenge. The collaboration is managed jointly by WIRE-Net and MAGNET's staff. ACM identifies small and medium sized manufacturers that are willing to engage with external partners and resources to overcome challenges to growth.



MAGNET was founded in 1984. As a part of the Hollings Manufacturing Extension Partnership, MAGNET's \$7 million budget is funded roughly one-third each from state, federal, and industry sources. Its nearly 40 staff persons work in three major divisions: Growth Coaching, Product-Process and Market Development, and Workforce Development. MAGNET has a broad geographic footprint across 18 Northeast Ohio counties. WIRE-Net, incorporated in 1988, has a similar funding structure but also includes membership dues and program fees in its \$2.5 million operating budget. Both organizations are 501(c) 3 non-profits with independent boards of directors that share a similar mission in support of the region's manufacturing sector. With 20 staff, WIRE-Net provides Membership, Manufacturing Assistance (including CIRI), and Adult and Youth Workforce Development services to its members and stakeholders. WIRE-Net works primarily in the city of Cleveland and with manufacturers in five adjacent counties.

MAGNET and WIRE-Net teamed up to leverage their respective expertise to engage manufacturing leaders in the city of Cleveland in programs and solutions to help them overcome barriers to growth. WIRE-Net is leveraging over 25 years of membership and service relationships that developed out of its role as the managing partner of CIRI, a program of Mayor Frank Jackson and the city of Cleveland's Department of Economic Development. MAGNET brings a deep bench of manufacturing improvement expertise as the region's Manufacturing Extension Partner and the developer of PRISM, the Partnership for Regional Innovation Services to Manufacturers.

Through PRISM, the region's many resources that support manufacturing growth through innovation, including university labs, government agencies like NASA's Glenn Research Center and community colleges, were brought together into a network of solutions providers to support MAGNET's growth clients.

ACM is demonstrating that a strategy targeting existing small to midsize manufacturers (10-200 employees) could chalk up solid wins in terms of both capital investment and job retention and growth. The intellectual and theoretical framework – buttressed in large part from concrete action in Cleveland over the past ten years or more, and WIRE-Net and MAGNET's prior collaborations – takes as its jumping off point economic development strategies that target so called

“second stage” companies (existing firms with between 10-200 employees), firms that may have tapped out internal resources in their quest for future growth. In addition, “economic gardening” approaches are utilized instead of high-risk and expensive business attraction programs that are extremely competitive and that also yield a limited return on investment.

The idea is to engage with dozens of firms committed to growth, so that incremental additions in capital equipment, training, and job creation result, year after year. The approach was fine tuned with a high degree of input from company leaders that make up the boards of directors of both WIRE-Net and MAGNET.

WIRE-Net and MAGNET both have received funding from the Cleveland Foundation in support of the collaboration, which also counts many other organizations and institutions as partners, including the city of Cleveland's Cleveland Industrial Retention Initiative (CIRI), NASA's Glenn Research Center in Cleveland, and several university research centers.

ACM is also linked to a broader regional initiative, Advance Northeast Ohio (ANEO), that is part of the cross departmental Make It In America initiative of the Obama administration.⁷ ANEO utilizes an approach similar to ACM: leverage relationships among regional partners like Team NEO, which leads business attraction and supports retention and expansion in Northeast Ohio, Ohio Means Jobs-Medina County, MAGNET, and WIRE-Net. The team identifies firms challenged by barriers to growth and then develops and delivers solutions using a variety of technical, workforce, and other resources. There are some differences between the two initiatives: ACM does not target by industry or market served, just by location (in Cleveland or the inner-ring industrial suburbs) and predilection to growth; ANEO uses an industry cluster approach by targeting firms in the advanced materials sector that serve the transportation, biomedical or advanced energy markets.

The overall direction of ACM was established by the CEOs of WIRE-Net and MAGNET, who then formed implementation teams to hammer out a memorandum of understanding that spells out mutual responsibilities, accountabilities, and problem resolution processes. The teams meet regularly to discuss challenges customers are facing and to develop and deliver solutions.

So far, over 60 firms have been assessed by the twin initiatives, with 36 completing or working on growth solutions (examples of these engagements are described in the case studies below). Nearly 90 percent of the companies state that one of their key customer segments is the automotive sector, with 15 percent in advanced energy, and nine percent in biomedical (several are in more than one of these target markets). Cleveland is still a metals and machinery town, and it shows in the ACM customer mix with 60 percent in metal fab-



rication. The top three challenges ACM firms are struggling with include workforce development, process/continuous improvement, and business growth.

With workforce challenges topping the priority list, the initiative has reached out to other partners in the workforce development field to align resources to support the growing companies. Solutions provided include: support for apprenticeship development, incumbent worker upskilling, supervisory and entry level worker training, and provision of college interns.

In particular, the apprenticeship model is being integrated as a solution. WIRE-Net has lead responsibility to organize this component of ACM by re-educating manufacturers about the apprenticeship model, promoting apprenticeships to future apprentices, and organizing an Apprenticeship Consortium that makes the model easier to use by small companies. The use of apprenticeships in the manufacturing sector has atrophied as manufacturing has restructured over the past 30 years.

The first occupation being targeted is industrial maintenance/maintenance mechanic. It is a common occupation across most manufacturing companies and has a relatively high degree of common elements that can be delivered by the “related technical instruction” partner (typically a community college), and then customized to each member company’s specific needs through the on-the-job training component of the apprenticeship. WIRE-Net intends to pursue a competency-based model, in lieu of the common “seat time” model which awards a journeyperson’s card after so many hours of classroom education and on-the-job training. The competency model can enable apprentices to complete their training in less than four years and gain quicker access to the higher wages associated with the journeyperson status.

WIRE-Net and MAGNET co-branded Accelerate Cleveland Manufacturing, which offers peer-to-peer knowledge sharing and expert led learning events, in

CLEVELAND MANUFACTURING PROGRAMS

Program Name	Acronym	Organizational Lead	Target Sector and Services Offered
Manufacturing Advocacy and Growth Network	MAGNET	MAGNET	Targeting small and medium manufacturing firms. Incubator space and services, product-process-market development, talent development.
Formerly Westside Industrial Retention and Expansion Network	WIRE-Net	WIRE-Net	Targets small and medium manufacturing firms in greater Cleveland. Industrial retention and expansion in Cleveland, manufacturing improvement, workforce development for youth and adults, clean energy supply chain development.
Accelerate Cleveland Manufacturing	ACM	WIRE-Net and MAGNET	Supports growing, small and medium manufacturers located in Cleveland with growth solutions including peer-to-peer learners groups, manufacturing improvement, sales-marketing assistance, workforce development.
Advance Northeast Ohio (part of the Economic Development Administration-US Department of Commerce’s Make It In America Challenge)	ANEO	Team NEO Partners include MAGNET, WIRE-Net, Ohio Means Jobs Medina County	Targets regional small and medium advanced materials manufacturing firms serving transportation, biomedical or advanced energy markets. Provides growth solutions, including manufacturing improvement, sales-marketing assistance, workforce development.
Cleveland Industrial Retention Initiative	CIRI	WIRE-Net and Cleveland Department of Economic Development	Provides Cleveland manufacturers with resource connections in areas including permitting, city services, business assistance, and workforce development.
Partnership for Regional Innovation Services to Manufacturers	PRISM	MAGNET	Planning successful growth, defending and extending core business operations, innovating new products, improve processes or find new markets and finding, attracting, and managing talent.

addition to customized growth solutions for companies with specific technical barriers to growth. ACM is buttressed by CIRI, which annually completes in-plant assessments of 500 city of Cleveland manufacturers to identify challenges to their viability in Cleveland and to connect them to solutions. Initially, a target list of 200 second stage Cleveland manufacturers was identified through CIRI's industrial outreach, and nearly all of the 57 companies visited in an "initial growth visit" were previous CIRI clients. The ACM has given the CIRI team of industrial development managers another tool with which to serve Cleveland's manufacturers.

ACM has certainly generated activity in the two program years since it began.

- 161 unique companies engaged in the first program year, 88 additional firms have been engaged since the beginning of year two;
- 36 growth projects have been started with eight still underway;
- Peer-to-peer Learner's Groups are popular. Two have been organized that bring five to six companies together to implement lean manufacturing projects within each company, and two additional groups were formed to identify new sales strategies.

After over two years of planning and implementation, what are the major lessons learned from Accelerate Cleveland Manufacturing?

Lessons Learned

1. **It's about quality of relationships, not event attendance.** While the first year of ACM focused on attracting large numbers of manufacturing managers and leaders to events, in the second year ACM will focus on company decision-makers and rising leaders. Fundamentally, this is about building a strong engagement process, and to do that decision makers must be involved. Warm referrals by WIRE-Net and CIRI are key to MAGNET's consulting success, not generic post-event follow-up calls and emails. This will require time and effort making personal calls to contacts at these companies, as well as defining and communicating a compelling value proposition.
2. **City-based companies are struggling with operational efficiencies and technological deficiencies more acutely than suburban companies. Due to budgetary concerns, they also have more reluctance and are slower to engage on consulting projects to address critical needs.** The partners are working to aggressively market pay-for-performance as an alternative funding mechanism, so these large-scale projects are more affordable for client companies. Scaled-down consulting projects are needed to fit the limited financial and staff resources of Cleveland companies. In addition, engaging company leaders in group programs is another way to create a value-added service. For example, ACM has enrolled two "Learner's Groups" focusing on



Finish Line Binderies is one of the largest trade binderies in the U.S. The firm has been a customer of the Cleveland Industrial Retention Initiative of the city of Cleveland, and of the Accelerate Cleveland Manufacturing program.

lean manufacturing where each company actually completes two lean projects during the six session series. This model was replicated in the current program year, with a focus on the sales and marketing leaders in each participating company. One size of consulting service delivery does not work. Quarterly Growth workshops are valuable sources of cost-effective information and coaching. Turnout is growing for these half-day training-and-working sessions that focus executives on creating change in their businesses.

3. **MAGNET and WIRE-Net have significantly different but complementary internal cultures.** For example, WIRE-Net's focus on relationship management among its long-time members has created a high degree of trust between the member company and WIRE-Net account managers. This trust has been leveraged to open doors quickly to MAGNET's subject matter experts and growth coaches. Challenges common to most collaborations, including communication and coordination, have largely been overcome. Consistent communication has led to deeper trust and confidence between the two organizations that will lead to more traction in the market.
4. **Learner's Groups have led to real results.** Because of the peer pressure inherent in these small groups, plus the time pressure of a limited six-month engagement, manufacturers are making tangible improvements as a result of WIRE-Net's Learner's Groups. Members of these groups are forming their own informal support networks outside the program to assist in their growth over the long term. Owners are more than pleased with results and offer the following words of recommendation for the Learner's Group platform, which brings together five or six companies and their leadership teams to tackle common concerns and challenges (e.g., lean manufacturing, plant safety, new sales strategies):

“Martindale Electric has gained a lot of lean knowledge for our front-line supervisors through our participation in WIRE-Net’s Lean Implementation Group. Through the reinforcement of plant tours at the different participant companies, that knowledge has been expressed in a practical way and not just in theory. Our company project has tied it all together to benefit Martindale with shop floor improvements and the beginnings of a continuous improvement culture.”

*Linas Biliunas, President,
Martindale Electric Co.*

“Aetna Plastics has greatly benefited from WIRE-Net’s Lean Implementation Group. It has helped us build a foundation and roadmap for our lean program through the unique combination of classroom discussion and on-site plant tours. What makes this group truly special is the ability to share ideas and learn from like-minded businesses in our own backyard.”

*Andrew Gotschall, Manager: Quality and
Process Improvement, Aetna Plastics Corp.*

“The greatest benefit to Cleveland Steel Tool has been spreading the gospel of Lean past the senior management level, to allow foremen and machine operators to hear from their peers about the benefits of the process. Sharing ideas within a controlled environment is a far superior learning technique than internet videos or classroom pedagogues.”

*Mark Dawson, President,
Cleveland Steel Tool Co.*

As Pete Carlson, now with Regional Growth Strategies, put it in his concise paper addressing the regional job creation challenge, “those relatively small, fast growing companies tend to be widely dispersed, not likely to seek assistance, [are] difficult to identify and respond to their needs effectively... there is little capacity in most regions to proactively identify which existing businesses have the most potential to grow, and to help those businesses identify new products, processes, markets or technologies to support their growth.”⁸ Carlson nails the challenges, which MAGNET and WIRE-Net seem to be chipping away at as they move towards their target of providing growth solutions to 50 small to medium sized growing urban manufacturers in Accelerate Cleveland Manufacturing.

Case Studies

Three case studies underline the challenges and needs of local manufacturing firms, and the value of customized growth solutions. The customized approach is critical; but even more important is the long-standing trust and the relationships built over the past eight years through CIRI, and WIRE-Net’s peer-to-peer resource model. CIRI’s success lies in the personal re-

lationships and connections made between Cleveland manufacturers and the customized services it provides. CIRI works on 12-30 company projects a year that meet one of these criteria: new jobs could be added, jobs were at risk, costs were reduced or investment was made. These “impact projects” generate a conservatively estimated two-to-one return on investment to the city of Cleveland’s General Fund in the form of payroll taxes. CIRI and WIRE-Net’s existing relationships allow the solutions definition, development, and delivery to take place quickly, without the costly and time intensive cold-calling and relationship building that would be needed otherwise.

Optimize efficiency. During a CIRI visit with a Cleveland machine tool and electrical machinery manufacturer, the president confided that he wanted to develop a value engineering program and add customers in NE Ohio. WIRE-Net suggested he pursue a growth assessment with MAGNET. The company employs 76 skilled workers including welders, machinists, and machine builders supported by program managers and engineers. They serve many industries with precision components, assemblies, and systems, with a laser focus on value engineering. The growth assessment, conducted with MAGNET, identified three priorities: 1) Find financing to enable a \$600,000 process automation investment, along with associated work-cell development and process improvement to make best use of the equipment; 2) Increase plant efficiency by engaging employees to take ownership of continuous improvement; and 3) Provide assistance to recruit an open lead manufacturing position.

With most improvements completed by June 2015, the president reported on the intervention’s impact. At the first conversation, he characterized his company as “circling the drain.” Toyota, a major customer, was demanding the company improve quality and eliminate waste. Following the initial Growth Visit, he said a transformational change occurred. The company paid for a PRISM project to optimize efficiency and infuse lean thinking and action throughout the plant. The lean project’s success and credibility convinced the firm’s owners to invest \$700,000 in capital equipment to upgrade the competitiveness of the plant. The company is

While the first year of ACM focused on attracting large numbers of manufacturing managers and leaders to events, in the second year ACM will focus on company decision-makers and rising leaders. Fundamentally, this is about building a strong engagement process, and to do that decision makers must be involved.

now more productive and profitable. Toyota reps now serve as ambassadors for the company back at Toyota-USA HQ to encourage business expansion beyond the 10-20 percent of total sales currently projected. The 2015 company sales were ahead of target, and this transformation gave the president a clear opportunity to add people as volume grows.

This case shows how WIRE-Net's high trust relationships can quickly bring small firms into Northeast Ohio's economic development ecosystem and engage them with MAGNET's PRISM program, resulting in positive outcomes of investment, strengthened tax base and jobs.

Access expert advice. MAGNET and WIRE-Net visited a Cleveland metal heat treater to perform an on-site growth assessment, during which the company's leadership identified a variety of issues. After some discussion, the team offered specific suggestions and a potential consulting engagement to support implementation. The owners chose to begin the work independently, and as a result of the assessment and regular follow-ups, were able to implement significant changes to the operation without formal consulting. Six months later they report remarkable changes in a variety of business metrics, including a 50 percent reduction in scrap. This quality improvement will allow the company to optimize pricing, compete for more contracts, access additional markets, and eventually increase jobs.

Innovate through challenges. MAGNET and WIRE-Net Growth Advisors visited a defense contractor that had been negatively affected by government spending cuts. Together, they secured a \$75,000 grant through

the Federal Defense Manufacturing Assistance Program, matched dollar-for-dollar by the company, allowing MAGNET to assist the company's expansion into alternative markets. MAGNET's innovation consulting will help the company identify and enter new markets, and develop new process control technology that will give them an advantage over competitors. This growth will ultimately result in new jobs, as the company innovates and succeeds in 2016 and beyond. 

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the rebirth of a city

By Kim Calvert

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Youngstown, Ohio, was once known as “Steel Valley” because of a robust steel industry that garnered great attention around the country and resulted in thousands of people moving to the city for work from the 1920s through the 1960s. The death of this industry just a couple of decades later would result in massive job and population loss. At the same time, businesses located in a then-bustling downtown Youngstown began to leave too. What remained were labels like “Murder-town, USA” because of organized crime and corruption that would grow to a feverish pitch before subsiding in the 2000s. Aside from crime-related labels, the city was also portrayed poorly in national publications, conveyed as a place no one should want to live in or move to because Youngstown no longer had anything to offer.

However, Youngstown was not without its champions, despite its quick decay. Situated in a downtown that had become a ghost town nearly overnight, the mayor of Youngstown in the 1980s formulated a plan to try to reverse the dismal outlook. With the help of the Youngstown Central Area Community Improvement Corporation and its management of 52 projects in downtown Youngstown from the late 1990s through today – and, specifically, its oversight of the first new building to be constructed where a historic department store sat vacant downtown for nearly 30 years – the area is growing once again.

During the past six years, Youngstown’s revitalization has caught the attention of national media like the *New York Times*, *Wall Street Journal* and *Forbes*, for all of the right reasons, and the city has earned numerous



The Voinovich Government Center, completed in 1999, was the first new construction project in downtown Youngstown in 20 years.

positive rankings for its economic growth, low unemployment rate, and enjoyable quality of life. The rebirth of downtown Youngstown started with one building.

YOUNGSTOWN, OHIO: THE RISE AND FALL OF “STEEL CITY”

New York native John Young surveyed the land that would bear his name in 1796. Youngstown would become incorporated in 1867 and was named the seat of Mahoning County in 1876. The discovery of coal and the establishment of the steel mills in the 19th century placed the city in the industrial ranks and resulted in

REVITALIZING DOWNTOWN YOUNGSTOWN, OHIO

In the early- to mid-1900s, Youngstown, Ohio, was among the steel capitals of the world. In a matter of only 20 years, the entire industry collapsed, with the culmination of thousands of people losing their jobs in a single day in 1977. The industry would never recover; people left town for other opportunities and the suburbs began to grow with commercial businesses, causing most of the large retailers and other popular businesses to vacate a once-bustling downtown Youngstown. In the 1980s and 1990s, community and business leaders knew if they did not do something with the numerous decaying, empty buildings downtown, the city would never come back to life or experience any growth. Thus, a partnership between the Youngstown/Warren Regional Chamber and Youngstown Central Area Community Improvement Corporation was born, and over the course of 20 years and the completion of 52 projects downtown, Youngstown would rise once more.

thousands of people from all over the world moving to Youngstown for employment. The city was known as an important industrial hub that featured the massive furnaces and foundries of companies like Republic Steel and U.S. Steel.

In 1950, the population of the city peaked at nearly 169,000, as Youngstown had become the third-largest producer of steel in the country.

Shortly thereafter, economic conditions began to change, forcing steel plant closures in the 1970s. Unlike other larger industrial metros like Pittsburgh, Cleveland, and Akron, Youngstown had never become economically diversified. With the closing of steel manufacturers, the community would be devastated. That's exactly what happened on September 19, 1977 – the day still referred to as “Black Monday” – when a large portion of Youngstown Sheet and Tube closed, marking the beginning of the end, as other companies followed suit. In all, Youngstown lost 40,000 manufacturing jobs, 400 satellite businesses, \$414 million in personal income and 33-75 percent of school tax revenues.

At the same time, downtown Youngstown, which had been home to retailers like Strouss (which was later purchased by Kaufmann's and then Macy's) and Higbee's, started to suffer a similar fate and decline. When the suburban shopping malls moved in, these retailers, along with movie theaters and car dealerships, moved out, particularly on the west side of town. When these businesses – many of which were situated in grand buildings that took up whole blocks – left,

residents of Youngstown and surrounding communities no longer had a reason to visit downtown. The companies that moved out left empty buildings that would fall into disrepair over the years.

The decline of downtown was not unique to Youngstown, as retailers were moving out of downtown areas all over the country. But, unlike other metro cities, Youngstown did not have large, major corporations that continued to call their downtown “home.”

PURCHASE VACANT BUILDINGS TO DEVELOP OR DEMOLISH

Patrick Ungaro became the mayor of Youngstown in 1984, at a time when the city's economy was spiraling downward quickly, with no end in sight. Of the downtown area, Ungaro reflects today that, “It was a disaster. I was depressed to have to see it every day.”

Ungaro felt that the key to spurring growth would be to subsidize economic development by controlling the properties that were vacant. Therefore, the city purchased all of the empty buildings downtown, primarily between 1984 and 1988, after they were appraised.

In 1988, the city established and oversaw the Youngstown Central Area Community Improvement Corporation (YCACIC or CIC) under provisions of Ti-



Demolition of buildings at 131 West Federal Street, between South Hazel and South Phelps streets, made way for construction of the Seventh District Court of Appeals.



Street view of West Federal Street between South Hazel and South Chestnut streets prior to renovation.



The parking garage for the long-vacant Higbee's department store building was in disrepair and had to be demolished due to its unstable condition. The Voinovich Government Center was erected in its place in 1999.

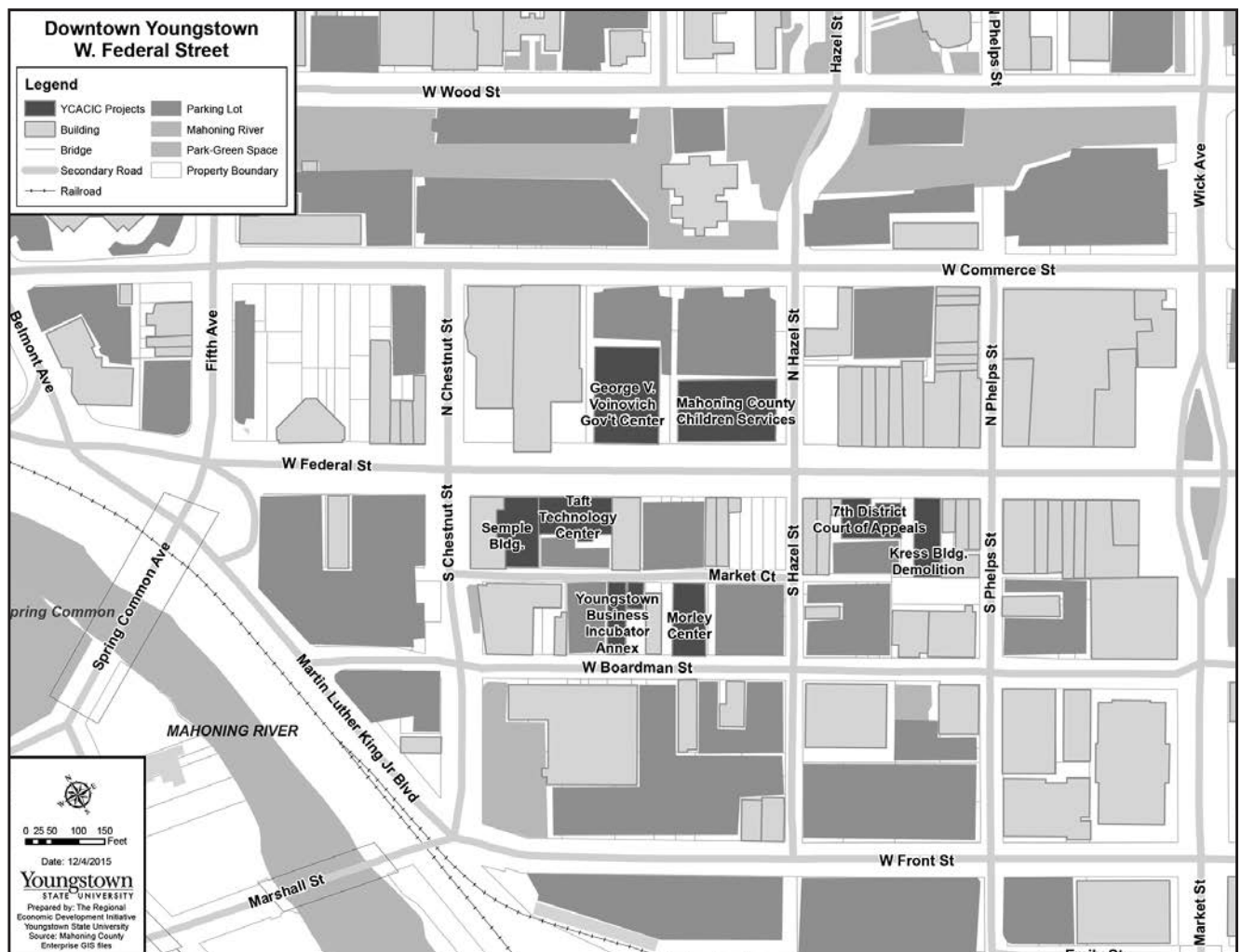
the XVII, Chapter 1702 of the Ohio Revised Code. The non-profit economic development organization operated exclusively for charitable purposes, and its mission was to promote and develop downtown Youngstown. The YCACIC had a couple of downtown properties in its portfolio and was headed by a business retiree when the city decided to turn over to the organization all of the vacant buildings and properties it had purchased,

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Ungaro said there was lots of pressure to tear down all of the buildings, but the city did not want to see the buildings come down unless they could not be renovated due to their deplorable conditions.

The CIC, while backed by a strong 20-person board comprised of city officials and representatives from the business community, wasn't quite sure what to do with all of the properties it now controlled. In 1995, the organization approached the Youngstown/Warren Regional Chamber and its Economic Development division to take the helm and perform all management operations for the entity under contract. The Chamber's team had established a solid track record for attracting companies to the region, helping businesses to expand or maintain their presence in the community and spearheading significant initiatives to promote growth in the area known collectively as the Mahoning Valley (Mahoning and Trumbull counties and county seats Youngstown



Downtown Youngstown W. Federal Street (2015)

and Warren, respectively). Chamber employees were, and still are, part of the management of the CIC. The Chamber's senior management established a contract with the CIC board to develop strategies, action plans, and timelines. The board would approve the scope of work, with the Chamber executing the plan.

Under the direct management of the Chamber's then-Executive Vice President of Economic Development Reid Dulberger and Project Manager Dave Kosec, the CIC tackled its first project. In 1998, the former Elks building reopened as the Morley Center, a 30,000-square-foot facility that would now become home to Ballet Western Reserve and Oakland Center for the Arts, which had both been renting space in a church facility. The \$1.2 million of projected renovations came in under budget at \$900,000, as the team carefully watched every expense. With this first success under its belt, the CIC gained confidence and knew they could do more.

VOINOVICH CENTER: THE PROJECT THAT SPARKED THE REVITALIZATION OF DOWNTOWN YOUNGSTOWN

When George Voinovich was running for governor of the state of Ohio, he had indicated that he would consider moving some of the state's offices to Youngstown if elected. The state had actually been looking to move some of its offices to the downtown area since the 1960s. Voinovich won the governor's seat in 1991, but due to state law, he could not move offices from Columbus to Youngstown. However, he would allow the various state leases that were already situated in the Youngstown-Warren region to be moved into one facility in downtown Youngstown.

In the meantime, the parking garage of the long-vacant Higbee's building had to be demolished due to its unstable condition. Upon its razing, the foundation of the adjacent and also vacant Calahan building cracked. The CIC had no choice but to tear it down, as well. Looking at the huge hole in the ground, Kosec asked Dulberger if they could build a new building for the state leases since the property had already been excavated. The CIC said "Yes."

However, the city of Youngstown said "No," as officials wanted to spread the state leases throughout downtown in existing buildings. At the same time, representatives from the governor's office said they were nervous about the entire situation concerning a new building. Regardless, the CIC decided to move forward.

According to Dulberger, "If the leases were not in one place, the impact would've been equally diffused. There was life in parts of downtown, but the central area was dead. During coverage of the [local and former U.S.] congressman's corruption charges and trial [in the late 1990s], national news media filmed footage of a



The construction of the Voinovich Center would lead to development of the "Tech Belt Block," which includes the Youngstown Business Incubator, Taft Technology Center, and Turning Technologies, pictured here.

dead, dilapidated downtown, painting an even uglier picture of Youngstown, Ohio, not only as 'Murdertown, USA' [due to the mob influence/activity and corruption of the time] but of a ghost town, as well. The community needed a new building, and it had to be built in the middle of town."

Dulberger pointed out that there were three large hurdles in moving forward:

1. The CIC had no money for predevelopment work (the 80,000-square-foot building would cost \$8 million).
2. Landlords where the state leases were already located fought the project.
3. The financing of the building made no sense.

The CIC, while backed by a strong 20-person board comprised of city officials and representatives from the business community, wasn't quite sure what to do with all of the properties it now controlled. In 1995, the organization approached the Youngstown/Warren Regional Chamber and its Economic Development division to take the helm and perform all management operations for the entity under contract.

These challenges were not small by any means, and Dulberger and Kosec had to figure out how to move past them, and they did.

1. Because the CIC had no money for predevelopment work, the team decided to proceed in its request for proposals with a "design-build." Instead of the CIC hiring an architect to create plans in advance of asking for bids, the "design-build" concept enabled the team to define the project to potential builders using words alone so that each bidder/builder would create their own design. The CIC asked incoming tenants exactly what they wanted in a new building/office space. Their wants and needs then defined the request for proposals, thereby saving the CIC on predevelopment costs.

Buildings that could not be renovated or saved were torn down and parking lots put in their place.

2. The landlords challenged the CIC, as design-builds were illegal in Ohio for public entities at that time. But the issue never went to court, as provisions in the city's charter made that law inapplicable to the CIC.
3. The state of Ohio contributed \$2 million to the project. The city of Youngstown and Mahoning County would not contribute, and the CIC had no cash or collateral for loans. They would have to look to private capital markets for funds, and the building would have to stand on its own. After construction, the building was 92 percent leased (today it is 100 percent); there were seven two-year leases, renewable every two years, subject to approval by legislators, with a 12-month cancellation notice. To make the financing work, the term had to be for 30 years, with the state maintaining all tenants and renewing all leases 14 times. If the state had pulled even one tenant, the project could not have gone forward.

With the state's involvement and letter of credit and support, the CIC secured funding through bonds that were given a AAA rating by one of the largest financial intermediaries in the country. The Voinovich Government Center was completed and opened in 1999.

Because of the complexities of the project, "It consumed four years of time and probably never should've happened," said Dulberger, in retrospect. "The CIC never imagined so many problems and issues would arise, and I doubt a project would ever happen in this manner again. We really were supported by lots of political heavy lifting."

VOINOVICH CONSTRUCTION GIVES CIC CONFIDENCE TO MOVE FORWARD

The Voinovich Government Center was the first new construction project in downtown Youngstown in 20 years. Although the project was complex and took four years to come to fruition, the new building served as a catalyst for a new beginning for the center of the city. The building remains 100 percent occupied, and operating costs have been less than expected, resulting in a modest cash flow for the CIC.

The CIC felt invincible after accomplishing this project and learned so much that they would work through the entire portfolio of buildings and projects in the next 16 years, with just one project remaining in 2015.

After the Voinovich project, many more would follow. The Higbee's department store building would finally come down, despite protests due to the perceived



The Seventh District Court of Appeals, a \$3.8 million building located at 131 West Federal Street, was completed in 2006.

historical significance of the building. In 1882, the local and prominent McKelvey family had opened the six-floor McKelvey's department store at that location, and three generations of McKelveys would run the store until 1969, when Higbee's moved in. The sentiment and memories of a time long past would remain, and one woman was so distraught over the demolition of the building that she chained herself to a bulldozer that was onsite.

However, project plans moved forward, and the \$7.5 million Children's Services Building (CSB) was constructed where Higbee's had been, next to the Voinovich Center. The CSB facility opened in 2005. Across the street, the Seventh District Court of Appeals also moved into a brand new, \$3.8 million building in 2006, as it outgrew its space in the county's courthouse.

Buildings that could not be renovated or saved were torn down and parking lots put in their place. In all, the CIC's work has resulted in:

- 365,878 square feet of new construction,
- 325,286 square feet of renovation,
- \$52,190,000 invested in the community,
- 1,818 new jobs, and
- 30 buildings/859,703 square feet demolished.

After the Voinovich project, many more would follow. The Higbee's department store building would finally come down, despite protests due to the perceived historical significance of the building.

VOINOVICH OUTCOME ALSO LEADS TO OTHER NEW GROWTH

Ultimately, construction of the Voinovich Center would lead to three new avenues of growth for downtown Youngstown:

1. *Other government entities* moved downtown. The Mahoning County Children's Services division is now in its own building, while Ohio's Seventh District Court of Appeals also moved to a new home in Youngstown.
2. *Private development* started to occur through organizations like the Youngstown Business Incubator (YBI), which was integral to the building of the Taft Technology Center, renovation of the Semple Building and the nation's first 3D printing facility/innovation hub, America Makes, locating downtown. The YBI was established downtown in 1995 after a \$1.3 million renovation of the historic West Federal building. Its mission is to "facilitate the creation of high-value businesses through collaborative partnerships that promote innovative technologies." In 2000, the YBI decided to focus solely on software and technology companies.

A year later, Turning Technologies, which develops hardware and software designed to allow remote audience response and gather audience feedback data during presentations, joined the incubator and in 2007 became the fastest-growing software company in America. In 2008, Turning Technologies moved into a new, free-standing facility next to the YBI, the Taft Technology Center. The following year, YBI and the CIC renovated the Semple Building, between the Taft Technology Center and Home Savings & Loan Company, creating a "Tech Belt Block."

In 2012, the National Additive Manufacturing Innovation Institute – now known as America Makes – moved into a 12,000-square-foot building on West Boardman Street, an annex of the YBI. In 2015, YBI announced plans to renovate the former Vindicator building, with two floors dedicated to additive and hybrid manufacturing and two floors dedicated to space for graduating YBI portfolio companies.

3. *Youngstown State University* began to link/connect directly to the downtown area. In 2013, a pedestrian walkway between West Commerce and West Wood streets was dismantled and updated. This walkway provides a direct link to campus for students who live downtown. In addition, this walkway will provide a link from campus to downtown to the proposed amphitheater/park area near the Mahoning River (noted in development section that follows). In 2010, Youngstown State University's new Williamson College of Business Administration opened at the corner of Phelps and Wood streets. The \$34 million facility encompasses an entire city block and further extends campus toward downtown.

This development has resulted in even more downtown progress:

- At one time, a downtown worker could be the last person to leave the area at 5 p.m. Today, the streets and lots are packed well into the night as people head downtown to visit popular bars and restaurants, as well as weekly festivals, concerts, and unique events that are held throughout the summer and fall months.

Bars and restaurants that have opened in the past eight-to-ten years include V2 Wine Bar Trattoria, Roberto's Italian Ristorante, O'Donald's Irish Pub & Grill, The Federal, Cassese's MVR, The Fifth Floor, Avalon Downtown Pizzeria, Christopher's Downtown, Suzie's Dogs & Drafts, Charlie Staples BBQ, Overture, and Friends Specialty at the Garden Café. Others include Downtown Circle Deli, Circle Hookah and Bar, Joe Maxx Coffee, Friends Specialty Coffee Shop, Pressed - Coffee Bar & Eatery, Youngstown Doughnut Co., One Hot Cookie, Rust Belt Brewing Company, and the Downtown Draught House.



The \$7.5 million Children's Services Building opened in 2005 at the site where Higbee's department store once stood.

- The Covelli Centre is a 169,000-square-foot multipurpose arena constructed in 2005. The arena is home to the USHL's Youngstown Phantoms hockey team and hosts various events from boxing tournaments to trade shows. Many world-class acts have performed at the Covelli Centre, including Elton John, Barry Manilow, Tim McGraw, Carrie Underwood, and Lynyrd Skynyrd. The Covelli Centre has been a boost to the local economy and revitalization efforts of downtown Youngstown not just because of the acts it books and many sold-out shows, but because attendees frequently patronize many of the downtown bars and restaurants before and after events.

- OH WOW! The Roger & Gloria Jones Children's Center for Science & Technology opened downtown on May 12, 2011. The center rivals any other in the country and displays various STEM-themed exhibits geared toward children up to age 14. In addition, the center offers outreach programs, professional development for educators, volunteering, and internships and research opportunities for college faculty. OH WOW! has welcomed more than 175,000 visitors from across the world and hosts an annual "Silly Science Sunday" block party-style event on Federal Street that draws thousands of visitors from across the region.
- Apartments in the downtown area are becoming available in buildings that have been vacant for years, as hundreds of college students, young professionals, and even retirees are moving in. NYO Property Group has taken the lead on renovating these buildings and remodeling them into beautiful apartment spaces that feel as though they could be in any major metro city across the country. Residential properties downtown include Wick Tower, Erie Terminal Place, and Realty Tower, as well as The Flats at Wick on the Youngstown State University campus.
- NYO will take its next step downtown when it renovates another historic building that has been vacant for more than a decade into a DoubleTree hotel in 2016/2017. The hotel will be the first in the downtown area since an inn closed in 1998.
- The Tyler History Center, a facility of the Mahoning Valley Historical Society, is a regional history and learning center at the west end of downtown Youngstown. The Historical Society purchased this historic building in 2010 to "further its mission of preservation, education, and inspiration through heritage." Once home to Harry Burt's Good Humor company, the building was renovated and opened in November 2014. The building houses the museum's historical archives, exhibits and galleries, a ballroom available for rental and events, and the Anne Kilcawley Christman Educational Resource

Today, 6,000 people work downtown, and 1,000 are living downtown, compared to 3,000 and 400, respectively, just 10 years ago. Although the city's once-robust steel industry has forever changed and is largely gone, other thriving industries make the city and region an attractive place to work and live.

LESSONS LEARNED

Patience and focus: It has taken 20 years to work through all of the CIC projects. There have been many distractions in that span of time that caused efforts to have to be redirected several times.

The effort needed to bring together all of the relevant partners was greater than anticipated: It was, at times, difficult to bring together all of the appropriate partners and regulate within each partnership. We liken these efforts to a 3,000-piece jigsaw puzzle in which all the pieces are exactly the same.

Center, which houses a gallery and classrooms for curriculum-based and public programming.

- In early 2015, the city of Youngstown announced plans to build an amphitheater and riverfront park/greenspace area between the Covelli Centre and the Mahoning River. The amphitheater would be a companion facility to the Covelli Centre and provide an outdoor concert venue. The park would provide space for recreation, fairs, festivals, and other outdoor events during the warmer months.

THE PRESENT, THE FUTURE

After many years of a once-glorious, bustling downtown slowly decaying to a mere shell of what it was, a new day has come. The blight is gone, and many blocks have been transformed. Two brick pedestrian plazas that were built in 1970 and separated the east and west sides of downtown, closing off the main road that connected them, were also torn out in the early 2000s. While the east side of downtown did not experience the same abandonment as the west side, all of the new development and growth was sure to solidify those businesses' place and growth downtown, as well.

Today, 6,000 people work downtown, and 1,000 are living downtown, compared to 3,000 and 400, respectively, just 10 years ago. Although the city's once-robust steel industry has forever changed and is largely gone, other thriving industries make the city and region an attractive place to work and live. The Youngstown region ranks third in the country for its number of aluminum extruders, while other prevalent industries include distribution, food processing, call centers, and automotive (the General Motors Lordstown Complex – home of the Chevrolet Cruze – celebrates its 50th anniversary in 2016).

The revitalization of downtown Youngstown and the city overall has led to lots of positive media coverage and rankings over the past several years, and people and media all over the world are taking note. Although the population of the city has declined and now stands at around 66,000, recent leaders have embraced, rather than fought, the shrinking city concept and planned accordingly. *The Wall Street Journal* covered their efforts in 2007, paving the way for other media to take a look at the change taking place in the city. Most recently, in summer 2015, the *New York Times* wrote a story focused solely on the revitalization of downtown Youngstown.

Some of the rankings that the Youngstown-Warren region has received in the past few years include:

- Top 10 City for Export Assistance, *Global Trade Magazine*, 2015;
- #10 Economic Growth Potential, *Business Facilities Magazine*, 2015;
- #1 University-associated Business Incubator in the World (Youngstown Business Incubator), *International Index University Business Incubator*, 2014;
- #10 Best Economic Performance, 2009-2012, *Manhattan Institute for Policy Research Study*, 2014;
- #8 Economic Development, *Site Selection Magazine*, 2014; and
- #1 in Export Growth Percentage, *Brookings Institution*, 2013.

WHAT'S NEXT FOR THE YCACIC?

After 16 years and 52 completed projects, what is left for the Youngstown Central Area Community Improvement Corporation to do? According to Dave Kosec, who is still the project manager for the organization, the team is considering its second act, as the city has redevelopment needs outside of the downtown area. If the next phase is as successful as the first, the story of Youngstown, Ohio, will become even more exciting in years to come. 🌐

After 16 years and 52 completed projects, what is left for the Youngstown Central Area Community Improvement Corporation to do? According to Dave Kosec, who is still the project manager for the organization, the team is considering its second act, as the city has redevelopment needs outside of the downtown area. If the next phase is as successful as the first, the story of Youngstown, Ohio, will become even more exciting in years to come.

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For more information contact Jenny Murphy, editor, at murp@erols.com (703-715-0147).



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IEDC sponsors an annual conference and a series of technical conferences each year to bring economic development professionals together to network with their peers and learn about the latest tools and trends from public and private experts.

IEDC also provides training courses and webinars throughout the year for professional development, a core value of the IEDC. It is essential for enhancing your leadership skills, advancing your career, and, most importantly, plays an invaluable role in furthering your efforts in your community.

For more information about these upcoming conferences, webinars, and professional development training courses, please visit our website at www.iedconline.org.

CONFERENCES

2016 Annual Conference

September 25-28
Cleveland, OH

2017 Leadership Summit

January 29-31
Jacksonville, FL

2017 Federal Forum

April 9-11
Washington, D.C.

2017 Economic Future Forum

June 4-6
Little Rock, AR

2017 Annual Conference

September 17-20
Toronto, Canada

2016 TRAINING COURSES

Entrepreneurial and Small Business Development Strategies

June 23-24
Baltimore, MD

Economic Development Marketing & Attraction

July 14-15
Orlando, FL

Entrepreneurial & Small Business Development Strategies

July 21-22
Denver, CO

Foreign Direct Investment & Exporting

(advanced course)
July 28-29
San Diego, CA

Managing Economic Development Organizations

August 11-12
Atlanta, GA

Workforce Development Strategies

September 15-16
Baltimore, MD

Neighborhood Development Strategies

September 22-23
Cleveland, OH

Business Retention & Expansion

October 13-14
Madison, WI

Technology-Led Economic Development

October 13-14
Calgary, AB

Technology-Led Economic Development

October 20-21
Atlanta, GA

Economic Development Credit Analysis

October 26-28
Chapel Hill, NC

Economic Development Marketing & Attraction

November 3-4
Phoenix, AZ

Neighborhood Development Strategies

November 17-18
Toronto, ON

Real Estate Development & Reuse

December 8-9
Atlanta, GA

2016 CERTIFIED ECONOMIC DEVELOPER EXAM

September 24-25

Cleveland, OH
(Appl. Deadline: July 26)

2016 WEBINARS

Revitalizing Disinvested Corridors

June 29

DoD Assets for Economic Development (Miniseries)

Capitalizing on Defense Department Tech Transfer Opportunities-Part I
July 13

BRAC and Beyond: Creative Reuse of Former Military Installations-Part II

July 20

How to Win the Site Selection Game Using Data

August 17

Building the Next Generation of Businesses: Promoting Entrepreneurship in Your Community

September 14

Industry Outlook: Strategizing Your Growth

Six sessions-consecutive Wednesdays:

- October 12
- October 19
- October 26
- November 2
- November 9
- November 16

Fermenting Success: Capturing the Economic Opportunity of Craft Beverages

December 14

NEWS FROM IEDC

IEDC CELEBRATING 90TH ANNIVERSARY – CHEERS TO 90 YEARS!

2016 is the Year of the Economic Developer as IEDC celebrates its 90th anniversary as the largest and oldest professional membership organization in the world for economic developers, marking this milestone with numerous activities throughout the year.

During Economic Development Week, May 8-14, economic developers around the world celebrated the profession, recognizing the long-term impact that it has had on job creation, new investment, and improving communities. A new IEDC award for Innovation in Economic Development Week Campaign recognizes outstanding accomplishments during this week.

Economic Development Journal is devoting its Fall issue to all aspects of the anniversary, issuing a call for articles. Economic Development Now is running 52 Weeks of Economic Developers, profiling those who have influenced the profession. And IEDC is celebrating the anniversary at a gala Chairman's Reception at the Annual Conference in Cleveland.

For details on all the 90th anniversary celebration activities and events throughout the year, go to iedconline.org and click top left on the 90th anniversary logo.



IEDC Chairman Barry Matherly announces the first-ever "Economic Development Week" May 8-14 at the 2016 U.S. Economic Development Administration Conference in Washington D.C. as EDA Assistant Secretary Jay Williams looks on.



TOOLS AND STRATEGIES FOR ECONOMIC DEVELOPERS TO SUPPORT RESHORING ACTIVITIES

Reshoring is providing opportunities for job creation in American communities. IEDC's new publication, *Supporting Reshoring in American Communities: Tools and Strategies for Economic Developers*, is filled with recommendations for communities. It provides practical discussion on

the information economic developers need to catch the reshoring wave including:

- Introduction to Reshoring
- Why Companies Reshore and Barriers to Their Decisions
- Developing a Reshoring Strategy
- Setting the Context to Encourage Reshoring
- Marketing and Lead Development Strategies
- Assisting Companies with Location Decisions
- Assisting Companies with Establishing Operations
- Tools for Reshoring
- Introduction to Supply Chains

Download the publication at www.iedconline.org/reshoring

NEW EDRP REPORT ON PROVIDING QUALITY DATA FOR CORPORATE DECISION-MAKERS

Deciding on business locations depends on large quantities of data. While some data, such as sales and customers, are generated in-house, firms depend on external sources for information such as economic conditions.



Economic developers can become trusted providers of this data if it is accurate, up-to-date, and adequately granular. IEDC's Economic Development Research Partners (EDRP) latest paper, supported by the Site Selectors Guild and the Industrial Asset Management Council and released June 14, provides detailed instructions for achieving this goal.

The report explains how economic developers can use new and free sources of information and analytic tools to present the quality data that corporate decision-makers expect, while addressing gaps in the data that can hinder business attraction efforts. A webinar on the topic follows on August 17.

AEDO PROGRAM REACCREDITS THE CITY OF VIRGINIA BEACH DEPARTMENT OF ECONOMIC DEVELOPMENT

The Accredited Economic Development Organization (AEDO) program is a means of recognizing the professional excellence of economic development entities. IEDC announces the recent reaccreditation of the City of Virginia Beach Department of Economic Development (VBDED). The department, led by Director Warren Harris, has been an AEDO member since 2005. Visit www.iedconline.org/AEDO for more program details.



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CARDIOVASCULAR INNOVATION CENTER

By Mark Low and Tom Sudow

“In the past, economic growth of a region in a free market society has seemed haphazard - a result of a seemingly accidental coming together of a variety of factors at a particular point in time. We call these factors economic drivers and growth does not happen without them. . . In Northern Ohio we lived on metal making and metal fabrication for over 100 years – we were fat, dumb and happy, and now these industries have leveled off or are actually declining as happens in any mature industry” (David T. Morgenthaler, Baldwin Wallace College March 23, 2006)

Public policy in Ohio and state financial resources had long been targeted toward the state's existing manufacturing and agricultural base. With tax incentives at its core, the state tried to induce old line industries to locate or grow. As the state began to re-imagine its economy it saw as central to this strategy making key connections and partnerships in the public, private, and nonprofit/institutional sectors. The state set about to reinvent its economy, understanding that economic diversification was the cornerstone to long-term stability.

Former Governor Robert Taft, as he began his second term in office (2004) launched the Ohio Third Frontier – as a ten-year program to invest more than \$1 billion to expand high-tech research capabilities and to promote the creation of quality job opportunities in technology-driven sectors of the economy. The goal of the Third Frontier is to create economic drivers in the state to diversify and grow the state's economy. Core to this vision are public-private partnerships that would help in refocusing the trajectory of the Ohio economy. Since its creation in 2002, the Ohio Third Frontier is an



The GCIC holds a Seminar Series – Pathways to Commercialization – to educate entrepreneurs and inventors on a variety of topics related to the commercialization of cardiovascular technologies.

unprecedented commitment to create new technology-based products, companies, industries, and jobs.

The Third Frontier has grown to a \$2.3 billion initiative which supports applied research and commercialization, entrepreneurial assistance, early-stage capital formation, and expansion of a skilled talent pool that can support technology-based economic growth. The Ohio Third Frontier's strategic intent is to create an “innovation ecosystem” that supports the efficient and seamless transition of great ideas from the laboratory to the marketplace.

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ECONOMIC DIVERSIFICATION AS A CORNERSTONE TO REINVENTION AND LONG-TERM STABILITY OF THE OHIO ECONOMY

The Global Cardiovascular Innovation Center (GCIC) is a multi-institutional product development and commercialization consortium made possible through a \$60 million grant from the state of Ohio's Third Frontier Project. Founded in 2007, the consortium is led by the Cleveland Clinic. GCIC is focused on developing, incubating, and commercializing innovative cardiovascular technology for the benefit of patients worldwide and facilitating economic development in Ohio. The GCIC is a model of effective and efficient economic development focused on the knowledge based economy. Since its inception, the GCIC has helped a new cluster blossom in the state, resulting in nearly 1,000 new jobs growth and over \$750 million in investment.

In targeted areas of technology, the Ohio Third Frontier is catalyzing the growth of existing and emerging industry clusters by:

- Increasing the quantity of high-quality research that has commercial relevance to Ohio companies,
- Expanding access and availability of investment capital to create, grow, and attract technology-based enterprises,
- Growing and nurturing an increasingly experienced pool of entrepreneurial management talent,
- Addressing the technical needs of existing companies pursuing new products and production processes, and
- Contributing to the expansion of a technologically proficient workforce.

The Global Cardiovascular Innovation Center (GCIC) is a multi-institutional product development and commercialization consortium made possible through a \$60 million grant from the Ohio Third Frontier and represents the largest grant in the history of the Third Frontier. Founded in 2007, the consortium is led by the Cleveland Clinic and is comprised of Case Western Reserve University, The Ohio State University, The University of Cincinnati, The University of Toledo, and University Hospitals of Cleveland along with economic development partners BioOhio, BioEnterprise, and Team Northeast Ohio. Further, representatives from the biosciences industry and the venture capital industry from around the globe complete the team.

The Global Cardiovascular Innovation Center (GCIC) is a multi-institutional product development and commercialization consortium made possible through a \$60 million grant from the Ohio Third Frontier and represents the largest grant in the history of the Third Frontier.

GCIC is focused on developing, incubating, and commercializing innovative technology for the diagnosis and treatment of cardiovascular disease for the benefit of patients worldwide and facilitating economic development in Ohio. Cardiovascular disease refers to a disease that primarily affects the heart or circulatory system, and which is typically diagnosed or treated by cardiologists, cardiothoracic surgeons, vascular surgeons or interventionalists. Over the life of the GCIC, the scope of the definition has grown to include some neurovascular diseases, including stroke.

Estimated at more than \$475 billion, cardiovascular medicine is the largest healthcare market opportunity in the U.S. The cardiovascular disease burden poses clear medical, scientific, and commercial challenges. GCIC has built cross-industry partnerships to facilitate the development and adoption of new cardiovascular

technologies geared towards improving patient care and patient outcomes.

Cardiology was selected because it leverages the worldwide leadership enjoyed by Ohio healthcare organizations. For the 21st consecutive year, Cleveland Clinic's heart program has ranked as the best in the nation, earning the No. 1 ranking in *U.S. News & World Report's* "2015-16 Best Hospitals." Since 1994, no hospital in the country has ranked higher than Cleveland Clinic in cardiac care. With this reputation for outstanding care and, along with the statewide strengths of our partner clinical institutions, GCIC built cross-institution partnerships to facilitate the development and adoption of new cardiovascular technologies geared towards improving patient care. Cardiovascular research and development – along with millions of patients – are benefiting from the progress made through companies affiliated with GCIC. And since its inception, the GCIC has helped a new cluster blossom in the state, resulting in job growth and investment.

GCIC developed and manages five core programs to support economic development based on cardiovascular technologies.

1. **Commercialization Funding Program.** A semi-annual RFP-based program to provide development funding to early stage companies developing cardiovascular healthcare solutions. The funding began as a grant program but has developed into an investment program, using convertible debt instruments, as part of the long-range plan to make the GCIC sustainable.
2. **Company Attraction Program.** A program offering incentives to companies to establish new businesses in Ohio to grow the cardiovascular cluster. The program also links companies to Ohio-based resources and markets. It is built on the concept that companies select locations for business-practical reasons such as capital, market, labor force, supply chain, ease of operations, and cost of doing business. Ultimately, where a company decides to build and grow its operation is based on practical business decisions, not on economic development incentives. Companies grow where it makes economic sense for them to grow.

GCIC is focused on developing, incubating, and commercializing innovative technology for the diagnosis and treatment of cardiovascular disease for the benefit of patients worldwide and facilitating economic development in Ohio.



The GCIC Incubator building which opened in 2010 has been home to over 50 companies in the past five years. The building is located on the Cleveland Clinic campus and is within walking distance of University Hospitals Cleveland and Case Western Reserve University.



The lobby of the GCIC Incubator



One of 20 wet labs located in the GCIC Incubator

Paul O'Neill, former CEO of Alcoa and President George W. Bush's first Secretary of the Treasury, said "I never made an investment decision based on the Tax Code . . . if you are giving money away I will take it. If you want to give me inducements for something I am going to do anyway, I will take it. But good business people do not do things because of inducements; they do it because they can see that they are going to be able to earn the cost of capital out of their own intelligence and organization of resources." (The Great American Jobs Scam).

The GCIC works with companies world-wide to select Ohio because of the strengths it has in a number of the critical areas. Further, the GCIC identified opportunities in the Ohio supply chain and recruited companies and worked with others to expand capabilities to build a strong and viable supply chain for cardiovascular companies. The GCIC also works with state and local governments and economic development organizations on the attraction effort and to align incentives as needed, but does not lead with those incentives. The GCIC employs a business-practical strategic approach in working with companies on location selection.

3. Product Development Acceleration. Industry-experienced technical staff provide product management and business planning support. A significant driver has been the hiring of industry-experienced people who have spent time working in both large companies and start-ups in the cardiovascular space. They have brought the needed expertise to effectively mentor and support companies. They are not generalists but have very targeted expertise that fits the GCIC target. This expertise allows for true acceleration of product and company development. The team also has numerous contacts in the field, and they are able to use those contacts to support the companies and their development. This is

a unique aspect of the program which has greatly added to its success.

4. New Company Incubation. In support of its mission to be an international leader in developing, incubating, and commercializing cardiovascular technology, GCIC built an incubator facility to house start-up companies developing innovative solutions for the diagnosis and treatment of cardiovascular disease and contributing to Ohio's economic development. Strategically located near the main campuses of Cleveland Clinic, Case Western Reserve University and University Hospitals, and a large Veteran's Administration Medical Center (all within a two square mile area), the incubator offers 50,000 square feet of prime, state-of-the-art space.

Clients enjoy customizable laboratory facilities for new product research and development activities, flexible office space and conference rooms. The facility provides clients with convenient access to world-leading clinicians and investigators along with all of GCIC's business support services. A key aspect of this part of the program is the ability for the start-up to not have to worry about the details of setting up and running an office – which takes away their focus. It also provides them with a fixed cost structure that enables them to better allocate and budget their resources.

The GCIC incubator is also in very close proximity to three major healthcare centers, two medical schools, a leading university, and over 3,000 doctors and 50,000 healthcare professionals. Few

areas in the world have this kind of concentration in two square miles. The GCIC also works with a network of incubators and accelerators across Ohio and will place companies in the best location to meet their particular needs and access to key resources.

5. Preclinical Investigation Capabilities. Developed through the Atrial Fibrillation Innovation Center at the Cleveland Clinic and now operated as a program by the Global Cardiovascular Innovation Center, the GCIC preclinical research and development facilities provide state-of-the-art interventional and surgical resources for testing the next generation of devices and procedures. Featuring two large procedure suites, each equipped with the latest in imaging, surgical, monitoring, recording equipment, and telemetry capabilities for on-site extended follow-up, the facility is ideal for a wide range of cardiovascular applications.

IMPACT

Since beginning operations in mid-2007, GCIC has achieved significant success in promoting and supporting technology-based economic development throughout Ohio.

GCIC has achieved the following:

- 60 product development awards totaling over \$20 million.
- Supporting 41 companies and seven research institution-based projects.
- 12 products having reached the market to serve patients, 14 having advanced to human clinical trials.
- Constructing and operating a 50,000-square-foot incubator facility, now home to 30 start-up companies, resulting in added jobs and attracting further investment.



Enable Injections, a company located in the Cincinnati, Ohio area, received a GCIC investment for their innovative drug delivery system.

- Greater than 860 new jobs to date in companies funded, attracted or incubated by GCIC.
- Greater than \$800 million in follow-on funding and merger and acquisition transactions secured – a 16:1 return on total state dollars expended.

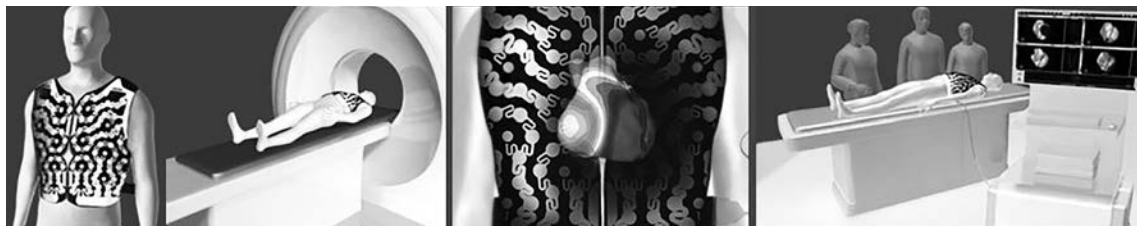
These economic development results are forecast to grow significantly as the early stage companies that are supported continue to mature.

SUCCESS STORIES

Of the different technologies supported by GCIC, there is a significant success rate in advancing projects through product development and into the market. Most are first engaged in the product development stage (eight currently). Nine have advanced to the stage of preclinical validation, 14 are in clinical trials, and 12 have advanced to market launch and commercialization.

Notable examples of companies

- **Juventas Therapeutics** was created in February 2006 to develop and commercialize regenerative medicine technologies. GCIC provided \$1 million in early stage funding to help establish the company and support initial product development. The company's lead product has been shown to protect and repair tissue following organ damage in a broad range of pre-clinical disease models. Juventas employs 11 people in Cleveland. In July 2012, Juventas closed on a \$22.2 million series B fundraise. Funds were used to run two phase II clinical trials in heart failure and CLI indications. The financing also funded an additional study to test a new retrograde delivery method for heart failure treatment.
- **Cleveland HeartLab (CHL)**, established in Q4 of 2009, commercializes unique diagnostic and prognostic technologies enabling nearer-term detection of potentially serious clinical events. CHL has received early funding from GCIC to conduct product development and has gone on to raise over \$35 million in follow-on funding from investors, including premier venture capital firms such as Health Care Ventures and Excel Medical, both of Boston. CHL employs 111 people and is expected to reach an annual revenue run rate in excess of \$25 million by the end of 2015.
- **Explorys** was founded in 2009 as a spinoff from Cleveland Clinic. Explorys addresses the national imperative to leverage big data in healthcare for the improvement of medicine and delivery of care. Originally inspired by physicians and informatics leaders, Explorys combines the most powerful healthcare computing platform in the world with turnkey solutions for clinical integration, at-risk population management, cost of care measurement and pay-for-performance solutions. Explorys' healthcare partners include some of the most prominent healthcare systems in the United States, together accounting for over \$69 billion in care.



CardioInsight, a technology spun out of Case Western Reserve University, was funded by the GCIC. The company was recently sold to Medtronic, which is growing the business in the Cleveland area.

GCIC is laser-focused on the diagnosis and treatment of cardiovascular disease. While a huge market and diverse within itself, it nevertheless has boundaries that help to define areas of involvement. Having a well communicated focus instructs clients and supporters as to the domain of the organization and helps to establish criteria for program implementation. Further, it enables hiring staff with specific relevant expertise.

Explorys' secure cloud-computing platform is being used by healthcare systems to identify patterns in diseases, treatments, and outcomes. In 2015, the company was acquired by IBM, and IBM has stated their intention to grow the company in Cleveland. Today, Explorys employs over 200 people and is projected to grow to over 400 in the next few years.

- **CardioInsight** is a Cleveland, Ohio-based medical device company that has developed a unique, non-invasive advanced cardiac mapping technology to map electrical disorders of the heart. The technology combines body surface electrical data with heart and torso anatomy to provide single beat epicardial 3D electroanatomic maps of the heart. The technology was initially developed by Yoram Rudy, Ph.D., while he was director of Cardiac Bioelectricity Research at Case Western Reserve University in Cleveland. In 2015, the company was acquired by Medtronic which plans on growing the company in Cleveland.

BEST PRACTICE IMPLICATIONS

Many lessons have been learned over the course of GCIC's engagement with hundreds of potential commercialization opportunities.

Have a specific area of focus. GCIC is laser-focused on the diagnosis and treatment of cardiovascular disease. While a huge market and diverse within itself, it nevertheless has boundaries that help to define areas



The team from Venture Med, a GCIC funded company, enjoys the new ProMedica Incubator in Toledo, Ohio, which will be their new home.

of involvement. Having a well communicated focus instructs clients and supporters as to the domain of the organization and helps to establish criteria for program implementation. Further, it enables hiring staff with specific relevant expertise. An important lesson is that you need to know what you don't want to do as much as you need to know what you do want to do. This also helps in targeting and qualifying prospects/clients for engagement.

Leverage core strength. Having a specific area of focus in one thing and having an area of focus where there is a well-known, established and leverageable strength facilitates promotion, attraction, and recognition to enhance program success. GCIC was established by Cleveland Clinic, which has a near century-old history of innovative healthcare delivery and has been ranked the number one U.S. hospital in cardiac care 21 years in a row by *U.S. News and World Report*. Two other Ohio-based partner institutions are in the top 25 of the ranking. Clients seek out GCIC in significant part due to the affiliation with Cleveland Clinic and these partner institutions.

Secure sufficient funding to enable a long-term view. The Ohio Third Frontier showed extraordinary vision in awarding a \$60 million five-year initial grant to establish GCIC. With that level of resources and operational horizon, GCIC has been able to establish programs with longevity; business-appropriate timelines; statewide, national, and international awareness; and the ability to follow and stay involved with our portfolio companies to enhance their probability of success. GCIC has been able to focus on the business of economic development rather than the business of fundraising for ourselves, meanwhile making investments that will establish a return to the organization for sustainability.

Hire industry-experienced staff. Closely linked to having a specific area of focus is having staff that

is experienced in the business of commercialization in that field. Being cardiovascular-focused, the GCIC has recruited its staff from the cardiovascular industry. Although the management and technical staff is lean – comprising only five full time employees – the team represents over 60 years of directly related product development, business development, and marketing experience along with 24 issued patents in the field and dozens of product introductions. This experience is offered as a resource to the portfolio companies to help them make wise product development and business decisions, and as a means for referrals to pre-qualified resources in areas such as clinical, regulatory, reimbursement, and intellectual property strategy. The result is acceleration of product development schedules and avoidance of common pitfalls.

Establish and rely on advisory boards. Despite the deep industry experience of the staff, GCIC established external advisory boards to help guide and govern the process of making funding decisions. The composition of the boards – representing cardiovascular clinical and academic medicine, venture capital, medical industry, and economic development constituencies – brings added perspective and even broader experience to the process, while at the same time helping to shield the process from bias or influence.

Establish selective and business-practical programs. Technology-based economic development, measured by business success and successful commercialization of product, must confront the present day challenges of scarce funding, virtual organizations, pressure to meet milestones and challenging regulatory requirements, to name a few major issues. Program organization, funding criteria, funding mechanisms, and business expectations must be practical in order to enhance a company's probability of success. The programs must be highly selective and commercialization-focused in order to achieve desired outcomes.

A key attribute of the GCIC program is that it encompasses a statewide, multi-institutional collaborative of clinical and academic centers and regional economic development organizations to serve as origins and scouts for commercialization opportunities.

Set goals, measure results, and be willing to adjust.

GCIC was established with specific metric goals for the number of companies created/attracted in Ohio and the number of new jobs created or retained. The organization has exceeded every one of those goals as companies that received funding and businesses supported have progressed through their growth stages. Relentless focus on achieving those goals has kept programs focused, encourages constant review of what is working and what needs adjustment, and helps to identify new approaches or opportunities to fit a changing environment. For example, GCIC learned that the initial concept of attracting companies to the state that were expanding, established businesses was not realistic in a recession economy, so the focus shifted to identifying earlier-stage foreign companies that sought to enter the U.S. market.

The GCIC also began to target companies that could provide needed business support to the growing cluster of medical products developers. The result has been the attraction of 24 companies to establish new operations in Ohio through direct influence of GCIC's activities.

THE ADVANTAGES OF MULTI-INSTITUTIONAL COLLABORATION

A key attribute of the GCIC program is that it encompasses a statewide, multi-institutional collaborative of clinical and academic centers and regional economic development organizations to serve as origins and scouts for commercialization opportunities. Further, the involvement of multiple institutions brings specialized resources and expertise in areas that may not be readily available in a single organization. Such cross-institution collaboration is unusual, if not unique, in technology commercialization and requires constant reinforcement of fair and unbiased processes for engagement.

GCIC conducts regular and frequent outreach visits to all of its partners to work collaboratively in identifying and nurturing commercialization prospects. And when ready to be considered for funding assistance, these prospects are evaluated on merit criteria, not origin. GCIC has worked hard to establish and sustain a reputation of being “nondenominational” and transparent in this way in order to promote effective participation and collaboration among the diverse partners. For example, representatives of all the partner institutions sit on the Commercialization Advisory Board, and a representative of the State Department of Development (today the Ohio Development Services Agency) regularly attends board meetings as part of this open engagement philosophy. With this collaborative participation and input, the program will continue to identify and bring forward new technologies for commercialization, thereby assuring a rich pipeline for economic growth and success.

Ohio understood that it could no longer rely on century-old industries and needed to re-invigorate and diversify its economy. The Ohio Third Frontier has made great strides in taking the lead. The true success of the program and the GCIC has been allowing industry experts to shape the direction and be partners in the effort. Being closely linked to targeted areas of focus helps build the expertise and partnerships necessary to be successful. And Ohio is benefiting today and into the future.

THE ADVANTAGES OF INVOLVING THE PRIVATE SECTOR

The GCIC was established with the expectation that for every dollar provided by the state – \$60,000,000 – the GCIC would bring in at least a 3:1 match; \$190,500,000 was established as the objective. As of March 31, 2015, over \$195 million of cost share has been achieved. Further, outside investors have been enlisted to fund companies as they mature. This has allowed for company growth and job growth.

A central part of the strategy was the creation of the Commercialization Advisory Board (CAB). The CAB is made up of representatives from industry, the venture/funding communities, and heads of cardiology at the partner institutions. This allows for a very rich discussion on companies and technologies as three important constituencies are represented and participating in the discussion. The CAB also provides industry and the funders an early look at promising technologies, which they later can either fund or partner with.

One such company, CardioInsight, a spin-out from Case Western Reserve University, received GCIC invest-

ment. Of equal importance, companies represented on the CAB became investors, and one such company became the eventual acquirer of CardioInsight. While that company is not located in Ohio, upon acquisition of CardioInsight it decided to not only keep the company in Ohio but to grow the operations in the state, which will lead to continued job creation and investment.

Medtronic's decision to grow its CardioInsight business in Cleveland or IBM's decision to grow Explorys in Cleveland following that acquisition

are examples of business-practical decision-making. The pillars on which business-practical decisions are reached in location remain: access to capital, access to workforce, access to market, and cost of doing business. The GCIC has been working on developing, building, and nurturing these pillars within the cluster it is creating. In doing so, the GCIC has created a rational case why companies would want to locate and grow in Ohio. By doing so it has seeded the growth of the cluster, which in the future will be self-sustaining and continue to grow its own economic drivers.

Ohio understood that it could no longer rely on century-old industries and needed to re-invigorate and diversify its economy. The Ohio Third Frontier has made great strides in taking the lead. The true success of the program and the GCIC has been allowing industry experts to shape the direction and be partners in the effort. Being closely linked to targeted areas of focus helps build the expertise and partnerships necessary to be successful. And Ohio is benefiting today and into the future. ☎

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the van aken district

By Tania Menesse



Aerial rendering of the Van Aken District looking south

INTRODUCTION

The Van Aken District is a \$91 million mixed-use redevelopment built on the foundation of an \$18.5 million street reconfiguration, transforming a congested, confusing, and unsafe intersection into a walkable mixed-use environment. The revitalization of the District at the terminus of the Van Aken rail line improves transportation options and livability for neighborhoods and employers (e.g. University Hospitals Management Services Center) in Shaker Heights, Ohio, and surrounding communities to the east and south. The redevelopment strives to bring the character and quality of Shaker Heights' residential neighborhoods into the commercial districts. In creating a "place" with a superior public realm where people work, live, and play, Shaker Heights looks to diversify its tax base and create a meeting place for the near east side of Cleveland.

The reimagining of the Van Aken District is a public/private partnership investing \$73 million of private funds, leveraging \$18M of public loans and grants in a Cleveland first suburb. First suburbs were built in the early 20th century abutting historic industrial cities – they were the first bedroom communities for families escaping the pollution of industrialization. Shaker Heights is a scenic residential suburb based on the popular Garden City movement. The Van Sweringen brothers development – named Shaker Village and incorporated in 1912 – preserved the natural landscape and provided residents with easy access to greater Cleveland on two Rapid transit lines.

By revitalizing an area that has seen considerable disinvestment during the latter half of the 20th century, the city is breathing new life into infrastructure and obsolete office, retail, and residential buildings. This is the greenest type of development as it is redeveloping previously occupied, obsolescent land. Shaker Heights is a community of 28,334 residents, eight miles from the downtown Cleveland business district.

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A MODEL FOR FIRST SUBURB REVITALIZATION

The Van Aken District in Shaker Heights, Ohio, is the result of 15 years of planning, starting with the city's Strategic Investment Plan in 2000 in which thousands of residents identified problem areas in need of investment and developed a long term roadmap to build on the city's considerable strengths. The revitalization of the District is built upon three major themes: the importance of purposeful planning, public-private partnerships, and transit-oriented development as a vehicle for neighborhood and economic revitalization. The Van Aken District is a model of first suburb revitalization.

The 2000 Strategic Investment Plan charted the way to the 2008 Transit-Oriented Plan for the Warrensville/Van Aken/Chagrin intersection reconstruction and the 2010 Economic Development Plan that laid out the tools and investments necessary to attract private developers and businesses to the Van Aken District.

The Van Aken District is the result of 15 years of planning, starting with the city's Strategic Investment Plan in 2000 in which thousands of residents identified problem areas in need of investment and developed a long term roadmap to build on the city's considerable strengths. The revitalization of the District is built upon three major themes: the importance of purposeful planning, public-private partnerships, and transit-oriented development as a vehicle for neighborhood and economic revitalization. The Van Aken District is a model of first suburb revitalization.

BACKGROUND

"Shaker Heights has an illustrious history as a unique community. From the 1820's as a Shaker settlement (a religious sect branched off from the Quakers), to the 1920's "Garden City" suburb, Shaker Heights has continued to be a precedent for community planning. Like many "streetcar communities" in North America, Shaker Heights was conceived of and built by private developers. The Van Sweringen brothers envisioned Shaker Heights as an upscale community free from the City and, to assure that it remained in its intended form, they included 99-year deed restrictions to guide development.

"Today, Shaker Heights reflects the vision of its original founders as modified by changes in society and the economy of the Cleveland area. What has been constant is the existence of transit, which was fundamental to the layout of the original community and continues to define it today."¹

"Shaker Heights achieved international renown in the early 20th century as a planned community. Guided by the ideals of the Garden City movement, the plan was based on an extensive system of parks, public and private gardens. Streets were lined with trees and houses were set on large lots to enhance the sense of open space. The lush gardens on private property were integral to the public experience of the community. The main streets were lined with the most prestigious houses, set well back from the road. Schools and other community facilities were sited in green spaces, as the central and highly visible focus of neighborhoods. The green space formed a continuous system of parks, natural features, boulevarded streets and community facilities.

The street pattern was organized within the framework of the arterial roads of Lee, Warrensville Center, Chagrin and South Woodland Road. The two transit spines are Van Aken and Shaker Boulevards. Within that structure, local residential streets were organized to provide views through to the primary park system and to the transit service. Most of the community has long, narrow blocks with the exception of the northeast corner where the street pattern is curvilinear."²

The original designers were mostly concerned with carrying people from downtown Cleveland to their homes and ignored the need for major north/south streets or neighborhood-serving commercial districts. As a result the commercial areas and surrounding streets were chaotic and were designed as an afterthought in the 1950's. Commercial streets were barren wastelands, devoid of character and scale, with no visible evidence that they belong to Shaker Heights. They have far more capacity than is needed, and therefore too much asphalt, no landscaping, and inadequate pedestrian areas. The intersection and traffic patterns in the Van Aken, Warrensville Center, Chagrin area were dysfunctional.

PLANNING

The city of Shaker Heights is a highly educated, engaged community; its residents expect to be involved in the city's planning efforts. The city administration and council develop plans to guide the actions and investments in the community.

The 2000 Strategic Investment Plan charted the way to the 2008 Transit-Oriented Plan for the Warrensville/Van Aken/Chagrin intersection reconstruction and the 2010 Economic Development Plan that laid out the tools and investments necessary to attract private developers and businesses to the Van Aken District. The realization of the vision developed in 2000 was also driven by an Economic Development Marketing Plan which rebranded the city as a place to work and live. The city in 2012 developed a site plan and pro forma for the Van Aken District that convinced RMS, a major property owner and the ultimate developer of the project, that the city would be a true partner in the development. In the coming years, the city and RMS will partner again with stakeholders in the District on a Connections Plan, which will ensure bike and pedestrian connectivity from neighborhoods and businesses into the commercial district.

Strategic Investment Plan (SIP) (Urban Design Associates, 2000)

The legacy and character of Shaker Heights is the city's greatest asset. The challenge for the city was to respond to changing needs while preserving that character. The essential attributes of the Shaker Heights character formed the basis of the Strategic Investment Plan. The goal of the planning process was to build on that legacy, while stemming and correcting decline in certain areas.

"In discussions with members of the community, the endearing characteristics of Shaker Heights were described: the quality of its residential neighborhoods, the quality of schools, the economic and racial diversity of the community, the network of parks and open space, the diversity of housing stock, and convenience by virtue of location and transit. During those conversations, a series of issues and problems were raised, including: some neighborhoods showing signs of decay and decline, the limited number of quality rental apartments and a number of run down apartments; poor quality of public spaces in retail areas; the general lack of quality retail within Shaker Heights; and the lack of high quality "empty nester" housing. It became clear that economic "stability" and economic "development" for Shaker Heights would consist primarily of continuing to enhance its role as an extremely desirable and highly prized residential community. Although there is interest in improving retail facilities, the goal in doing so is to enhance the quality of life for the residents.

"In public meetings and charrettes there was an unusual degree of consistency about the location of the "best" – and unanimity on the "worst" areas of Shaker Heights. The "common ground" between these neighborhoods of different physical and social character – the places where the northern and southern communities should be coming together – tends to be the areas identified in the process as having the most problems: the Lee Road/Chagrin area and the Warrensville Center Road/Chagrin/Van Aken area. There is a dramatic contrast between the superb character, pedestrian scale, and quality of Shaker Heights' residential streets and the squalid, anti-pedestrian, and bleak quality of the commercial areas which are not conducive to social interaction.

"The bleak, anti-pedestrian qualities of these areas need to be repaired to encourage social and civic interaction. Streets, intersections, and surface parking lots must be rebuilt to reduce the vast amounts of asphalt, improve pedestrian circulation and add the verdant, lush greenery and quality architecture that is characteristic of Shaker Heights in order to create an environment that is conducive to social interaction. The participants in the planning process were clear that the restoration of the pedestrian environment was an utmost priority."³

As early as 2000, the SIP identified the challenge of establishing an office base in Shaker Heights. To the extent that there was demand for office in Shaker Heights, the Warrensville-Van Aken core was the most logical location from a market perspective. The market opportunity for large-scale Class A regional headquarters office development was limited even in the Warrensville-Van Aken core for several reasons. First was the limited availability and accessibility of sites in the city suitable for large-scale development. There were few existing sites that could accommodate a 200,000+ square-foot

regional headquarters office building. Visibility and accessibility to Shaker Heights, if such a site existed, would also be limited and roads would be highly congested during rush hour. Locations perceived to be far from I-271 interchanges were considered inferior (less so today than in 2000). Finally, businesses were not likely to relocate into Shaker Heights due to the high property and income taxes.

While it may have been difficult to attract large-scale office users/development, there was thought to be pent-up demand for well-located, quality professional office space serving small- and mid-sized professional service and medical tenants in Shaker Heights. This office space would be under 10,000 square feet per building, with most in the 3,000 to 5,000 square-foot range. The SIP estimated that the city of Shaker Heights could absorb approximately 10,000 to 15,000 square feet of professional/medical office space per year. Based on these penetration rates, it would be possible to justify 75,000 to 125,000 square feet of space over the next five to ten years.



Rendering of Rapid heading downtown from the Van Aken District station.

The Warrensville/ Van Aken Transit Oriented Development Plan (2008)

The Warrensville/Van Aken (WVA) Transit-Oriented Development (TOD) Plan was the next step in implementing the call to revitalize the District that was explored in the SIP (2000). The SIP recommended reconstructing the Warrensville/Van Aken/Chagrin intersection, improving transit connections and transfer points, redeveloping existing strip shopping centers into a mixed-use downtown, and improving pedestrian connections between the light rail station and surrounding areas.

The TOD noted the following:

"There is tremendous potential to improve transit and the arterial road system and to reconnect both to land use - the legacy of the City's original, historic development plan. An important objective of the Warrensville/Van Aken Transit-Oriented Development Plan is to reinvent this intersection as an

important meeting place and a central node within the City. The Vision is based on the intent to extend the Shaker tradition of transit planning and integrate it into a new vibrant mixed use context. In the process, an important component of the new plan is the creation of a public space that will become a focus for this part of Shaker Heights.”⁴

In 2008, the WVA TOD Plan identified the potential of transit to transform the commercial areas in Shaker Heights. Cities across the country had leveraged a transit line to spur development, but it would take another seven years and the reconstruction of the roads to spur similar development in a Cleveland first suburb.

“The location of a new station at the heart of the development will bring more people to the district and, with the mix of residential and office, result in a 24 hour district, a place for people to live, work, and play. The plan will be described in detail illustrating the mix of residential apartments over retail, office uses, a new transit station all focused on a new urban park which will be a great place for community functions.”⁵

The WVA TOD Plan set out a program of reconfiguring a dangerous intersection and connecting the surrounding community to a new vibrant mixed-use district. The plan called for closing Van Aken Boulevard and Northfield Road where they intersected with Chagrin Blvd. and Warrensville Center Road, creating a four-way intersection.

The vision for the Warrensville/Van Aken District was to create:

- An authentic town center;
- A significant public realm, including beautiful tree-lined streets with wide sidewalks and civic space;
- A vibrant, diverse and mixed-use node that will include higher density residential uses;
- A high quality development and a “made-in-Shaker Heights” solution;
- An intersection that could accommodate a high volume of traffic, which may travel at slow speeds;
- A road pattern that is connected to adjacent areas;
- An intersection that balanced all modes of transportation and included the opportunity to expand transit in the long term;
- The conditions that would foster new retail opportunities while protecting existing retailers;
- An environment that would strengthen adjacent stable residential neighborhoods; and
- A transit station that is integrated into the District, providing a hub of activity and an asset for associated development.



Aerial view of the Warrensville/Van Aken/Chagrin intersection prior to the road construction project, 2014.

The four key impediments to realizing the city’s vision of a transit-oriented neighborhood identified in the WVA TOD Plan set the stage for the road reconstruction and the city’s economic development plan:

1. **Poor Image** - The Warrensville/Van Aken District portrayed a poor image, not equal to the quality of development in other parts of Shaker Heights. Combined with a confusing roadway pattern, misaligned sidewalks, and isolated land uses, the area is not an inviting place.
2. **Under-utilized Transit Facilities** - Accessibility to the transit facility was less than optimal and pedestrian safety highly compromised due to the multitude of vehicular traffic lanes converging and intersecting at the District. In addition, there was no dedicated parking for transit users.
3. **Unsafe Traffic Circulation** - The Warrensville/Van Aken District presented significant safety concerns from the perspective of drivers, transit users, and pedestrians.
4. **Declining Business Opportunities** - Like many older areas, the retail plazas in the Warrensville/Van Aken District had increasing difficulties attracting and retaining tenants. The lack of a clear planning vision for the Warrensville/Van Aken District has ultimately limited the District’s ability to respond to shifting markets and attract reinvestment and redevelopment opportunities.

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The design intent of the WVA Plan was to extend the Shaker Heights tradition of transit planning. Buildings are located to reinforce the edges of streets and public spaces with uses that range from primarily residential and mixed use in the area bordering Farnsleigh Road, to office and mixed use near the main intersection, to a retail focus in the center. The ultimate RMS (the developer) development plan for the mixed-use district followed the 2008 vision of the central focus of the

District being a park intended as an amenity for residents and a meeting and gathering place for employees and shoppers – Shaker Heights' living room. The WVA TOD also identified a necessity that would later be a tremendous financial and site planning challenge for the development: a multi-level parking garage to replace the sea of surface parking that had existed since the original shopping centers were built in the 1950's.

The 2008 plan even laid out an initial program for development. It was too ambitious for a first phase and may have initially discouraged RMS and other developers from engaging with the city because of a perception that the community wasn't realistic about market conditions. In the end, the 2008 plan's program largely mirrors the seven- to ten-year vision of the District that RMS will break ground on in 2016. (See the chart.)

2010 Economic Development

One of the most significant changes from the 2000 SIP to the 2010 Economic Development Plan was the emphasis on office development to first and foremost diversify the city of Shaker Heights' tax base over a ten- to 20-year timeframe. Creating an environment attractive to office development was acknowledged as critical to the health of retailers and restaurateurs in the District and the foundation upon which an office attraction and retention strategy could be based.

The Economic Development Plan laid out four guiding principles:

1. Enhance the climate for investment. Private sector investment would follow placemaking efforts in the Warrensville /Van Aken and Chagrin/Lee commercial districts.
2. Change the perception that the city was not interested in business development.
3. Identify business segments that were uniquely suited to the community.
4. Provide incentives to businesses, building owners, and developers that would level the playing field for investment in Shaker Heights.

The plan analyzed the community's unique assets and identified business segments in which Shaker Heights could have a competitive advantage because of its quality of life and emphasis on place. The industry sectors were not only growing in the region and in the immediate vicinity of Shaker Heights, but also had numerous reasons for preferring a Shaker Heights location. Small businesses in professional services, law, engineering, design, information technology, and ancillary medical services were identified. Brand visibility and connection to place were generally important to these business segments. In addition, talent attraction and retention was increasingly tied to work/life balance and the place where the business was located. Moreover, these businesses promised strong financial returns to the city when considering their relative tax base contribution vis-à-vis the resources required to site them within Shaker Heights.

In order to make Shaker Heights' commercial sectors attractive to these business segments, the Van Aken District would have to be built. As the road work envisioned in the 2008 WVA TOD Plan was completed, the foundation was laid by developing incentives that encouraged current building owners to make investments in their properties. The incentives updated portions of the city's obsolescent building stock, attracted new businesses into the community, and contradicted



Rendering of Van Aken District with parking garage in the foreground.

VAN AKEN DISTRICT DEVELOPMENT SCHEDULE COMPARED TO 2008 WVA TOD PLAN

	2008 WVA TOD Plan	RMS Van Aken District Phase I (Jun 2016 – Dec 2017)	RMS Ten-Year District Vision (current plan)
Retail	Up to 200,000 square feet	100,000 square feet	100,000 square feet
Residential	500-600 rental units	105 rental units	200-300 rental units
Office	Up to 500,000 square feet	60,000 square feet	120,000 square feet
Greater Cleveland Regional Transit Agency	An intermodal facility	Dedicated bus rail interface	An intermodal facility
Structured Parking	Several garages	One 325-space garage	Second garage with intermodal station
On-street Parking	70 on-street spaces	70 on-street spaces	tbd
Public Realm	Central park space	Central park space	tbd

the perception that Shaker Heights wasn't friendly to businesses. These efforts along with a concerted work/live marketing campaign provided market credibility to the idea that a large scale development in the WVA area could be successful.

Beyond addressing the city's need to diversify its tax base, the attraction of jobs and businesses would ultimately serve broader goals. More daytime employment would 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 would naturally expose more people outside the community to its unique qualities. Some of these people would eventually choose Shaker Heights as a place to work and live.

- First suburbs are not eligible for tools traditionally utilized in inner city revitalization because of the population income requirements for eligibility (e.g. New Markets Tax Credits or Community Development Block Grant funds).
- The WVA 1950's obsolescent built environment created significant overhead to demolish with no opportunity to offset remediation and demolition costs with historic tax credits.

Community acknowledgment of these financial impediments to success was a critical first step for the development. RMS was willing to enter into discussions in 2012 about redevelopment of their six-acre parcel once they realized that the city administration, City Council, schools, and residents were willing to face these market conditions head-on.

The next challenge was accepting that first suburb redevelopment would not only require an exceptional amount of local subsidy, it would also require a developer who would accept a more modest return than the risk of redevelopment merited. It was clear from researching projects of similar size and scope in communities like ours, that the developers were normally local and invested in the community. RMS Corporations, the family investment trust of publicly traded Forest City, fit the bill but brought with it additional challenges.



Van Aken District public space in front of the Food Hall.

PUBLIC-PRIVATE PARTNERSHIP

Like many older areas, the retail plazas in the Warrensville/ Van Aken District have had increasing difficulties attracting and retaining tenants. The road reconfiguration was critical to providing pedestrian access to the thousands of people working on the eastern side of the intersection and in the surrounding neighborhoods. It also addressed the safety and congestion problems that were inherent in the six-legged intersection. But the issue remained that there wasn't a planning vision for the redevelopment of the 1950's shopping centers that RMS, the owner of the Van Aken Center (one of the shopping centers), or other developers believed was achievable.

The city worked with a local architect and real estate consultant to develop a site plan for a first phase of development that would have the density and scale to "create the place" critical to attracting office development while providing a return on investment attractive enough to a developer. The pro forma didn't pencil for several reasons that were identified in the Economic Development Plan:

- The city's commercial property tax rate creates a burden close to double what a developer would face in communities east of Shaker Heights.



Van Aken District rendering along Farnsleigh Boulevard.

The local family members were torn between taking the risk to radically transform their community or to assist the city to market their property with the city parcels to other developers. It was clear that the family's Forest City experience more than qualified them to develop an urban mixed-use environment at the end of a rail line, but it also meant that they were used to developing on a much larger scale with deeper pockets and resources.

In addition, RMS Corporations was essentially an investment company by 2012 with few properties still in its portfolio. It would take considerable effort to convince its investors (many of which were family members in other locations) to embark on such a risky project rather than the more profitable and expedient path of demolishing Van Aken Center and creating four or five pads for national fast-casual restaurants and retailers.

The willingness of RMS to embark on a dense, mixed-use transit-oriented development and the city's commitment to public financing set the Van Aken District in motion in 2013 as a public-private partnership. RMS and the city signed a Memorandum of Understanding which committed the entities to fund studies and analysis of their respective properties that would be required to market the development to tenants. Retail, office, and residential market studies revealed that the demographics supported the development of transit-oriented development. The seven- to ten-minute drive time trade area was substantially more educated than the national average, had a household average income of \$97,000, and fit psychographic profiles of those most likely to value the amenities in a mixed-use, walkable environment.

The analysis exposed two major challenges to the development: site control and the ability to leverage the end of the Greater Cleveland Regional Transit Authority (GCRTA) light rail line. The city and RMS controlled approximately ten acres of land for the first phase of redevelopment. While this was enough to begin to create "the place," it did not provide certainty that the authenticity and integrity of the place would be assured in the Shaker Plaza, the five-acre site across from Van Aken Center or on the former Qua Buick, a two and a half-acre site, connecting the first phase of development to Thornton Park, the city's recreation center. Between 2013 and 2015, the city and RMS were able to gain control of both sites, each investing considerable dollars to be able to assure the community and prospective tenants that the quality of the first phase would be maintained throughout the commercial district.

The GCRTA completed a Blue Line extension study in parallel with the city's plans. While the study confirmed the need to provide better transportation routes from the terminus of the Blue Line rail station at Van Aken to the east as well as to University Circle to the west, there wasn't enough density to justify the \$40 million investment required to extend rail through the intersection, plus a rail extension that would allow for future light rail development. Instead, the study supported a BRT or express bus service to provide additional service. As an alternate, it was decided that an



Aerial view of the Warrensville/Van Aken/Chagrin intersection largely complete in December 2015. The four way intersection with 90 second light timing is visible.

intermodal station would be built where rail, bus, car, bike and pedestrian access could be expanded as development and job opportunities increased south and east of Shaker Heights.

RMS Corporation, the city of Shaker Heights, and GCRTA, in another example of public-private collaboration, embarked on a joint Station Area Plan to improve and ultimately extend the intermodal experience in the Van Aken District. The first phase of this plan was realized as the road reconfiguration finished in 2015: a dedicated busway along the GCRTA tracks was established to improve the bus-to-rapid and bus-to-bus experience in the area. This initial phase will also relocate a GCRTA substation, allowing a new north-south public road to be established through the heart of the Van Aken District. The new road begins to reestablish the Shaker Heights street grid and is the first step in integrating the new development into the surrounding neighborhoods. Future phases of the GCRTA plan call for an intermodal station to be built in conjunction with a new office building at the reconfigured corner of Chagrin and Warrensville Center Roads.

The retail, office, and residential market studies went a long way towards convincing RMS, the city and prospective tenants that the Van Aken District was a calculated risk worth taking. But it continued to be difficult to explain the vision of the District to the local and independent restaurateurs and retailers that RMS and the city saw as the anchors of a Cleveland east side gathering place.

RMS hired Little Jacket, the firm that the city had utilized to change perceptions about doing business in the community, to create a brand and mission statement for the District. It was clear that traditional retail brokerage marketing was not sufficient to communicate the unique nature of the project: an urban district along transit in a first suburb. While this continues to be the greatest psychological hurdle of the project, the message has begun to resonate with office tenants in the Economic Development Plan's target business segments and retailers and restaurateurs interested in building their brands through neighborhood main streets rather than malls and lifestyle centers.

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CONCLUSION

A sustainable Van Aken District that lays the foundation for future office development and tax diversification can only be achieved through a distinctive development that reflects the character and quality of the surrounding community: four-sided buildings constructed of the highest quality materials; connections to the neighborhoods; and a preponderance of independent retailers and restaurateurs. While this may be the key to long term success, the financial challenge of building a new development of this caliber cannot be underestimated.

Absent national economic development tools as mentioned earlier, it was incumbent upon the state of Ohio, Cuyahoga County, and the city of Shaker Heights and its schools to augment RMS' \$75 million in private investment. The project was contingent upon a tax increment financing statute that allowed payments in lieu of taxes to be invested in economic development. The city's and schools' willingness to support the TIF and RMS' agreement to monetize the payments without city general fund backing was arguably the most important tenet of the public-private partnership.

State and county low interest loans were the final pieces of the capital stack; the low interest loans with terms greater than ten years were critical to securing private financing. The final commitment of the city to approve a \$6 million grant, to be approved by City Council when all other financing and lease commit-

ments were in place, completed the financing package for the transit-oriented, dense mixed-use development in a first suburb.

The Van Aken District could not have come to fruition without the deliberate planning process that the city embarked on in 1998. Each new plan built on the one before and added physical and strategic elements required for the Van Aken District. The confluence of light rail, bus, car, pedestrian, and bike traffic at the Van Aken District was critical to the development's ability to capitalize on the country's growing appreciation for transit-oriented development. Finally, the partnership between the developer and a myriad of public entities was the only way that the planning vision could be realized.

With infrastructure complete and development agreements in hand, the Van Aken District is now on track to be completed in 2017. At that time, the District will have 452 employees in 120,000 square feet of new offices and 100,000 square feet of new retail space, complemented by 200-300 apartments and serving 2,390 rail and bus transit riders per day. This project is in process to be a national model for redeveloping a first suburb commercial space as an attractive, walkable, and transit-oriented neighborhood. 

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ENDNOTES

- ¹ WVA 2008 TOD Plan, <http://shakeronline.com/assets/downloads/city-plans/wva%20tod%20final%20report.pdf>
- ² WVA 2008 TOD Plan, <http://shakeronline.com/assets/downloads/city-plans/wva%20tod%20final%20report.pdf>
- ³ 2000 Strategic Investment Plan, <http://shakeronline.com/assets/downloads/city-plans/sip.pdf>
- ⁴ WVA 2008 TOD Plan, <http://shakeronline.com/assets/downloads/city-plans/wva%20tod%20final%20report.pdf>
- ⁵ WVA 2008 TOD Plan, <http://shakeronline.com/assets/downloads/city-plans/wva%20tod%20final%20report.pdf>

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