



Executive Summary and Frequently Asked Questions about the proposal to save Shaker Square

About Shaker Square/Project History

- Shaker Square is the oldest shopping district in Ohio and the second oldest in the nation.
- Added to the National Register of Historic Places in 1976
- Encompasses more than 168,000 square feet of retail, office and mixed-use space on over 10 acres including:
 - Four two-story retail and office buildings
 - Approximately 2.5 acres of green space in the center of the property
 - 593 parking spaces

What is the status of Shaker Square and what led to the current situation?

- The current owner, Coral Shaker Square, purchased property in 2004 for \$7 million, but experienced financial issues due to the 2008 Great Recession and the recent pandemic.
- As a result, there is a delinquent first mortgage totaling \$11.3 million that Coral Shaker Square was unable to pay when it came due in June of 2020. The property was then placed into control of the Cuyahoga County Court.
- The bondholders are seeking to foreclose on the property and go to a public sheriff's sale where the property could go to the highest bidder. That decision remains before the court and would take an estimated 8-12 months.

Who is the group being considered by the Cleveland City Council trying to save Shaker Square?

- To prevent property from being sold to the highest bidder – likely from out-of-state with little concern about the best-interests of the community-at-large.
- Through multiple discussions with private and non-profit developers and community residents and stakeholders in the Buckeye-Shaker and Buckeye-Woodhill Neighborhoods, Cleveland Neighborhood Progress and Burten, Bell, Carr Development were encouraged to step in to ensure The Square was in safe, local hands for the best interests of the community, and for stability to the tenants.
- The two non-profits are partnering to form a new non-profit company that would own the Square, with New Village Corporation (the real estate subsidiary of CNP) as managing general partner with 90% ownership and 10% by BBC for a short-term period.

What experience does this team have with real estate development?

- BBC and CNP have successful track records at developing commercial centers, including Arbor Park Place in Cleveland's Central neighborhood; Bridgeport Place at Kinsman and East 72nd Street; Lee Harvard Shopping Center; the Fries & Schuele Building in Ohio City; and the former Saint Luke's Hospital.
- BBC and CNP were supported by a group of advisors with deep commercial real estate experience in Greater Cleveland, including Mitchell Schneider, principal of First Interstate Properties (Legacy Village and multiple nationwide real estate investments), and Art Falco, former executive director of Playhouse Square and Shaker Square resident.
- Terri Hamilton Brown, seasoned real estate and community development professional and Shaker Square resident, will act as the project consultant for CNP and BBC. She will manage the capital improvements made to the Square and support BBC and the property manager and leasing team to meet tenant and resident expectations.
- CNP and BBC will contract with an experienced retail/office property management company to provide oversight of the day-to-day operations.

What's in it for the proposed new ownership group?

- Furthers the mission and fundamental purpose of both organizations, which is securing economic growth and healthy Cleveland neighborhoods.
- The agencies will receive approximately \$67,000 per year, for three years, which will be used to cover their staff costs.

Why has the City of Cleveland recommended this solution to City Council and the community?

- The Square is an essential community asset in Cleveland, especially its southeast side.
- It supports 159 jobs¹ and is a catalyst for neighborhood development.
- Its success affects property values in nearby neighborhoods.
- A significant investment is required to address flooding and other major capital repairs and improvements urgently needed by tenants.
- Allows CNP-BBC as local owners to address urgent, significant maintenance issues.
- Launches an effort to determine long-term direction and eventual property ownership

What is the property worth?

- The banks hold all the cards in these situations. In this case, the bank is confident that they can get the full \$12 million – or more – for the property. The lender is in no hurry to

¹ Number based on US Energy Information Administration, Commercial Buildings Energy Consumption Survey (CBECS).

unload this property and will not accept a bargain basement deal. Any such representations to the contrary are uninformed and incorrect.

- As part of our preparation, a representative from the CNP-BBC team independently approached the bank **twice** offering nearly \$9 million for the property, which was rejected both times by the bank. Other local offers for less than this amount were also rejected.
- The property was previously purchased for \$12 million. CNP and BBC, in seeking a bank loan, *very* conservatively appraised the property at between \$7.1 to \$9.4 million. Amidst the retail and office challenges presented in a post-COVID era, banks are very hesitant and conservative about such loans.
- It is expected that, after stabilizing the center, it can thrive again and the valuation will increase.

How will this project be financed?

Pending review by Cleveland City Council:

- **City of Cleveland**

- **Acquisition Loan A:**

- Amount of Loan: Up to 50% of the note redemption (max. \$6,000,000)
 - Term: 5 Years; Interest Only; Renewable at the City's option
 - Collateral Position: First
 - Interest Rate: 2% per annum

- **Acquisition Loan B:**

- Amount of Loan: Remaining balance of the note redemption
 - Term: 10 Years; Interest Only; Renewable at the City's option
 - Forgiveness: Lien to be forgiven upon transfer to a permanent owner at the City's option
 - Collateral Position: Subordinate
 - Interest Rate: 0% for first 5 years, 1% thereafter.

- **Forgiveness Requirement**

- City to receive and review relevant information about purchase offers, development, vision for Shaker Square, and financial capacity of purchaser
 - City to make a determination that no excess proceeds are available to satisfy a portion of the City's debt as part of the transaction.

Other Project Funding:

- \$4 million from Cuyahoga County ARPA grant, Village Capital Corp., Cleveland Development Advisors and the Gund Foundation to fund urgent capital improvements
- \$1.25 million from The Cleveland Foundation and Saint Luke's Foundation to cover soft costs and reserves

Is this proposal being rushed? What's the urgency to act?

- Absolutely not. Dialogue amongst the stakeholders has been happening for over a year.
- Until this proposal is closed, critical maintenance issues cannot be addressed.
- Tenants are negatively being impacted now.
- If this acquisition does not close, the process for a sheriff's sale would take an estimated 8-12 months.
- The lack of clarity will exacerbate tenants vacating the center.
- While the receiver may have spent \$18,000 in repairs this is a small portion of the massive capital infusion needed for major repairs and tenant improvements.

What is the timeline on proposed next steps?

- If approved, CNP and BBC will invest \$4 million in vital maintenance and capital projects over the next three years, to stabilize the shopping center's current tenant situation.
- Simultaneously, CNP and BBC the owners will engage in a community visioning process around the future of the Square, and ultimately plan to transfer the property or partner with an experienced, responsible local developer for long term ownership.

What about the green space?

- A private operator might never make the green space a priority because green space doesn't generate income.
- Maintenance and activation of the green space with community programming is important to the project team.
- BBC will lead a community process to engage residents and other stakeholders in discussing what should happen there.