

# County Council of Cuyahoga County, Ohio

## Ordinance No. O2011-0049

<b>Sponsored by: County Executive FitzGerald/Department of Development and Councilmembers Miller, Brady, Germana, Gallagher, Schron, Conwell, Jones, Rogers, Simon and Greenspan</b>	<b>An Ordinance</b> authorizing the County Executive to establish an Economic Development Fund for the purpose of investing in job growth and economic development in Cuyahoga County; and declaring the necessity that this Ordinance become immediately effective.
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WHEREAS, Article VII, Section 7.01 of the Cuyahoga County Charter mandates that “the County shall develop and implement policies, programs and activities for the expansion and enhancement of economic activity in the County so as to create and preserve jobs and employment opportunities for and available to residents of the County;” and,

WHEREAS, the Cuyahoga County Economic Development Commission has proposed, and this Council has adopted, the Cuyahoga County Economic Development Plan in Ordinance No. O2011-0026; and,

WHEREAS, the County Executive/Department of Development has proposed the establishment of a \$100,000,000.00 Economic Development Fund to invest in job growth and economic development in Cuyahoga County under the Economic Development Plan; and,

WHEREAS, the Economic Development Fund shall strive to meet the principal objectives of expanding the economic base in the county, including outcomes consistent with economic growth including job creation and improved quality of life; and,

WHEREAS, the County Executive/Department of Development has proposed that the Economic Development Fund should invest in specific programs for Workforce Development, Property Reutilization, Small Business Growth, and Large Scale Business Growth and Attraction; and,

WHEREAS, the Executive has proposed, and this Council concurs, that the Department of Development shall administer the Economic Development Fund in a manner that promotes inclusion of economically isolated populations, transparency for public accountability, and collaboration with existing economic development organizations as priorities for the department’s approach; and,

WHEREAS, it is necessary that this Ordinance become immediately effective in order that critical services provided by Cuyahoga County can continue and to provide for the usual, daily operation of a County agency.

**NOW, THEREFORE, BE IT ENACTED BY THE COUNTY COUNCIL OF CUYAHOGA COUNTY, OHIO:**

**SECTION 1.** There is hereby created the Cuyahoga County Economic Development Fund, which shall be administered by the County Executive through the Department of Development.

**SECTION 2.** Council hereby approves and adopts the County Executive's plan for the administration of the Economic Development Fund attached hereto as Exhibit A.

**SECTION 3.** The Economic Development Fund shall undertake and administer the following three priorities with the listed programs:

- a) Innovation development
  - 1) Micro Enterprise
  - 2) Pre-Seed Funding
  - 3) Next Stage Funding
  - 4) Innovation Match
  
- b) Commercial Property Reutilization
  - 1) Redevelopment and Modernization
  - 2) Site Expansion
  - 3) Redevelopment Ready
  
- c) Business Growth, Commercialization and Attraction
  - 1) Small Business Growth
  - 2) Incumbent Worker Training
  - 3) Accelerated Growth
  - 4) Large Scale Attraction

**SECTION 4.** The Department of Development, CCCIC or the appropriate approving authority shall have the ability to modify parameters or terms for any individual transaction in the \$100 Million Economic Development Fund including but not limited to loan amount, interest rate and time period. Any changes to the parameters or terms shall be provided to the appropriate approving body as part of the review of documents.

**SECTION 5.** The Department of Development shall make a report to the County Council detailing the operations, performance measures and changes to the Fund



Additional Sponsorships Requested on the Floor: January 24, 2012

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# \$100 Million Economic Development Fund

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## **Executive Summary**

Cuyahoga County's \$100 Million Dollar Economic Development Fund is a first-of-its-kind initiative designed to deliver jobs and prosperity to Greater Cleveland. Specificity, strategy and funding distinguish this plan from thinner attempts at regional economic development.

A yearlong survey of the commercial landscape has identified three vital components of progress: innovation, property development and business growth. It is a fundamental shift away from mega-projects and toward calculated and effective investments in human capital and quality place.

The overarching goal of the Fund is simple: make \$100 million dollars available to spur county job creation and economic growth.

The \$100 Million Dollar Fund will reinvigorate the urban fabric, nurturing the place-based values expounded in the Five Year Economic Development Plan. The Fund will be collaborative and inclusive, binding regional assets together to augment strengths, repair weaknesses and embracing economically isolated populations. All of this will be achieved with uppermost accountability and transparency.

Gleaned through making county operations more efficient, the means to make this critical investment are already in place—without increasing local taxes. The county will marshal flexible, cost-effective and strategic funds to meet the demands—and customer service expectations—for those businesses poised to grow and add jobs.

## **Funding**

The county has committed to fund the Economic Development Fund using the savings generated from making county government more efficient. To ensure the most cost effective and productive use of public funds, the county will adjust the allocation of resources to meet private sector demand.

## **Administration, Approval Process and Public Engagement**

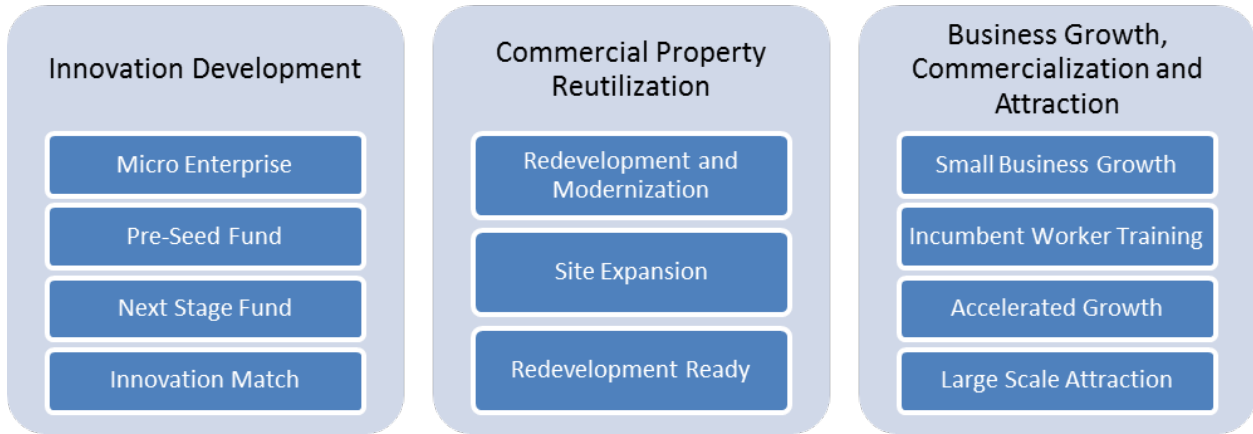
The Department of Development will manage the Fund, relying mostly on staff already in place and resources available in other departments for oversight and Fund administration.

The Cuyahoga County Community Investment Corporate (CCCIC) will be tasked with reviewing, troubleshooting and making funding recommendations. The County Council and County Executive have final authority over Economic Development Fund investments consistent with the county's contracting and procurement ordinances. Transparency and reporting outcomes are critical priorities throughout county government, and especially for the Economic Development Fund

Starting in January 2012, the Department of Development will lead a countywide Economic Development Fund Roadshow to engage the business community and development stakeholders directly, in concert with the County Council and partner Economic Development Organizations. Cuyahoga County will lean heavily on its non-profit and for-profit partners both in the administration and promotion of the Fund.

## Investment Priorities

There are three priority areas for investment available countywide, each with distinct programs:



Innovation Development			
Micro Enterprise	Pre-Seed Fund	Next Stage Fund	Innovation Match
Finances Business Too Small or Unestablished for Traditional Lenders	Early Stage Funding to Accelerate Growth and Attract Investors	Invests in Companies Primed for Full Commercial Launch	Provides Local Match Required by Federal and State Innovation Grants

These four programs are designed to nourish early stage companies. By channeling capital to promising companies with a pipeline of inventive products and services, the county adds critical funding to the creative mixture of concepts, employees and management.

Commercial Property Reutilization, Expansion and Acquisition		
Redevelopment and Modernization	Site Expansion	Redevelopment Ready
Finances Existing Site Improvements, Including Modernization	Finances Environmental Cleanup of Sites Adjacent to Existing End-User	Finances Environmental Cleanup of Underutilized Sites Without End Users

Firms that are growing need to modernize and expand. These resources swiftly address that need for successful companies already in Cuyahoga County, and help them grow in place. Further, local dollars present the opportunity to leverage federal and state grants already in place for remediation.

Business Growth, Commercialization and Attraction			
Small Business Growth	Incumbent Worker Training	Accelerated Growth	Large Scale Attraction
Increases Access to Traditional Lending Market	Reimburses 50% of Expenses for Retraining Workers	Capital for Expansion Via Acquisition, New Markets and Diversification	Gap Financing and Incentives for Large Scale Growth and Attraction

The greatest source of potential job growth lies in small business. The four program portfolio addresses needs gleaned from active engagement with loaned executives, economic development professionals and transition volunteers.

January 23, 2012

*Previous drafts are obsolete.*



## **Introduction**

For the first time in its history, Cuyahoga County has established a Five Year Economic Development Plan that defines development priorities and strategies.

This plan identifies three vital components of growth—innovation, property development and business growth, commercialization and attraction; these crucial areas are supported by 11 strategies. The tools are the result of more than a year of engagement with the public, economic development stakeholders and loaned executives; the outcome is a funding source with the tools to make the county's first Five Year Economic Development Plan a reality.

## **Purpose**

The purpose of the \$100 Million Economic Development Fund is to strategically invest in economic development on a meaningful scale. The Fund is an instrument of the Five Year Economic Development Plan and the means to implement a local strategy for growth. The Fund demonstrates a departure from spending on large scale projects in the name of economic development. Instead, the Fund will support an environment that fosters and attracts job growth, incentivizes collaboration in the name of human capital development and improved quality of life.

## **Goal and Objectives**

### **Goal: Invest \$100 million dollars to spur county job creation and economic growth.**

The bedrock of this plan is straightforward: deliver unprecedented resources for economic development and do so without raising taxes or fees.

The county crafted three objectives to ensure the \$100 Million Dollar Economic Development Fund is implemented correctly.

### **Objective 1: Use evidence-based process for making the most strategic use of the Fund and the means for fulfilling the County's Five Year Economic Development Plan**

By strengthening areas already designated in the county's five year economic plan, the \$100 Million Dollar Fund works with current investments and initiatives.

### **Objective 2: Make the program as user friendly as possible, while maintaining rigorous attention to outcomes**

It is a common crutch for the public sector to be focused on process rather than outcomes. It is the county's commitment to build a Fund and commensurate tools that plug into the robust economic development ecosystem that already exists in our region. The system is comprised of partners from all sectors that represent myriad constituencies. The county's commitment is to make accessing the right county resources easy and deliver decision-making swiftly—not just to potential Fund users, but to the county's non-profit partners in economic development as well.

### **Objective 3: Challenge the private sector to share the public sector's risk by using available resources to accelerate business growth and add jobs.**

The county knows that the private sector is fully capable of producing worthwhile projects and challenges the business community to push outside its comfort zone to do just that. The private sector is expected to shoulder financial risk commensurate with the public. Similarly, it is the responsibility of the public sector to not compete with or interfere with the natural marketplace or displace investments that would occur without the county's partnership.

## **Investment Approach**

### **Leveraging Existing Assets**

Cuyahoga County's many assets are the foundation of the regional economy and its global competitiveness. The Fund will seek to leverage the assets we already have, not endeavor to build new ones.

### **Complement Place-Based Economic Development**

Quality of place is the cornerstone of the Five Year Economic Development Plan. Strong regions are driven by dynamic urban cores. To that end, the county will collaborate to reinvigorate areas well-served by existing infrastructure but challenged by disinvestment. The Fund will invest in order to create high-quality, well-connected places that provide residents with great communities to live, work, play and learn.

### **Collaborative**

Collaboration augments strengths and rectifies weaknesses through smart partnerships. The county will forge a public, private and non-profit coalition centered on the tenet of letting these sectors perform in the functions in which they were bred to excel.

### **Inclusive**

For too long, the county has stood idle while pockets of economically isolated populations languished. Greater Cleveland cannot be an efficient economic engine while significant portions of the region's human capital remain trapped in silos of seclusion. The county will strategically invest in order to tear down these relics of the old paradigm and build jobs with a living wage. This new inclusivity will, in turn, signal to the best and brightest transplants and newcomers that Cuyahoga County is a welcoming place to do business.

### **Transparent and Accountable**

As Cuyahoga County attempts to strengthen its global competitiveness and economic vibrancy, it is essential to measure investment performance, assess economic progress, and examine industrial trends. The \$100 Million Economic Development Plan's performance measures are based, when possible, on those used in the Five Year Economic Development Plan.

### **Sustainable**

The purpose of the fund is to make investments in growth that will have the greatest impact balanced with reasonable execution risk and degree of certainty for positive outcomes. By creating a dedicated fund, Cuyahoga County has established a funding priority in economic development that can be recapitalized as needed in the future. While fund balances may fluctuate, its purpose is to spur growth elsewhere on the county's balance sheet, and most significantly among the household budgets of county residents as a result of public investment in growth.

## Funding

### \$100 Million Available for Economic Development

Using multiple sources of funding to generate capital for an Economic Development Fund will allow the County to diversify sources available for a variety of project uses. To ensure the most cost effective and productive use of public funds, the county will adjust the allocation of resources to meet private sector demand. Capital stacks, similar to those used in individual project financing, will be built by combining the diverse funding sources within an Economic Development Fund and matching those sources of capital or liquidity with strategic economic development initiatives.

POTENTIAL FUNDING SOURCES		
FUNDING SOURCE	FUNDING (\$MM)	DESCRIPTION
Note / Bond Issuance – Round 1	\$25	First round of note or bond issuance to be completed in the fourth quarter of 2011. Proceeds to be deposited in the Loan Fund.
Loan Repayments	\$25	Advance of cash from the General Fund to the Loan Fund in 2012, if appropriate. Proceeds from loan repayments included.
Available Funding as of 12/31/2011	<b>\$50</b>	Combination of note/bond proceeds available for economic development purposes would total \$50 million 12/31/2011.
Note / Bond Issuance – Round 2	\$25	A second round of note or bond financing to occur first half of 2012. Proceeds to be deposited in the Loan Fund.
Sale of County Assets	\$5-\$10	Net cash from sale of County fixed assets and potential leasing concessions would be transferred to Loan Fund at completion of transactions.
County Portfolio Liquidity	\$5-\$10	Loan Fund could offer additional lending capacity through the County investment portfolio under the current investment policy for municipal obligations.
Bond Issuance - Round 3	\$15 (new)	Final round of bond issuance would both take out first two rounds of notes (\$50 million) and add new money of <i>up to</i> \$15 million to build \$100 million in capacity.
Available Funding as of 12/31/2012 or sooner.	<b>\$100</b>	The final cumulative amount of resources made available to the Loan Fund by the end of 2012. Does not include other sources such as loan guarantees.

**Economic Development Revenue Bonds** – The initial share of funding can be raised in a relatively short amount of time through a bond issue. The proceeds would flow into the funding pool as a source of funding for identified projects. Annual debt service for bonds would be paid from a combination of project revenue and county operating revenue. At maximum, a \$100 million bond issue would carry an approximate annual debt payment of \$8.5 million. The amount of development bonds used to generate proceeds for the Fund would vary based on the use of the other fund sources. Capital from bond proceeds could make up the majority share of the funding that goes into the stack.

**Transfers of Economic Development Loan Repayments** –A portion of loan repayments from existing economic development loans can be directed and included as an equity investment in the fund pool. There would be a high degree of flexibility on how this source is applied towards project uses.

**Proceeds From Sale of Assets** – The county is evaluating its fixed assets, which may demonstrate opportunities for one-time funding through a sale. Proceeds' net liabilities can provide a secondary equity investment in the development fund capital stack. Revenue from this source would have a high degree of flexibility for project uses.

**County Portfolio Liquidity** – County reserves are held in a fixed asset investment portfolio managed by the County Treasurer. The county investment policy includes a provision that allows investment in unrated municipal obligations. In limited cases several local governments have relied on the county as a source of liquidity to borrow funds in the form of taxable municipal debt with the county being the investor. This aspect of the policy could be repurposed to include a source of liquidity in the Economic Development Fund. The current investment policy allows for a more than adequate limit on this type of investment (10% of portfolio) that could be directed towards investments in local project financing. The purchase of taxable municipal debt would channel local project needs through the Fund and align the strategic investment aims of municipal partners with those of the county's fund. Based on the current policy the county could include close to \$75 million in local municipal investments in the portfolio.

**Economic Loan Guarantees** – The county could pledge a limited portion of its own balance sheet in the form of economic loan guarantees. Loan guarantees can be made available to projects that need a credit enhancement to attain other private financing. The guarantees would require a pledge of General Fund resources and impact the county's ending balance. This tool increases capital diversity and can be coupled with other funding sources.

Aggregating these diverse sources into a unified pool of capital will increase the options for matching funding sources with a potential investment needs. Combining these sources and leveraging outside dollars will prove to be an effective funding mechanism for achieving the strategic goals the county's Economic Development Fund.

## Uses of Funds

The Economic Development Fund targets three funding areas, with its own set of programs. Detailed descriptions follow in subsequent pages.

### **Innovation Development**

1. Micro Enterprise
2. Pre-Seed Fund
3. Next Stage Fund
4. Innovation Match

### **Commercial Property Reutilization**

1. Redevelopment and Modernization
2. Site Expansion
3. Redevelopment Ready

### **Business Growth, Commercialization and Attraction**

1. Small Business Growth
2. Incumbent Worker Training
3. Accelerated Growth
4. Large Scale Attraction



## \$100 Million Dollar Economic Development Fund

	Innovation Development				Commercial Property Reutilization, Expansion and Acquisition			Business Growth, Commercialization and Attraction			
	Micro Enterprise	Pre-Seed Fund	Next Stage Fund	Innovation Match	Redevelopment and Modernization	Site Expansion	Redevelopment Ready	Small Business Growth	Incumbent Worker Training	Accelerated Growth	Large Scale Attraction
<b>Summary</b>	Finances Business Too Small or Unestablished for Traditional Lenders	Early Stage Funding to Accelerate Growth and Attract Investors	Invests in Companies Primed for Full Commercial Launch	Provides Local Match Required by Federal and State Innovation Grants	Finances Existing Site Improvements, Including Modernization	Finances Environmental Cleanup of Sites Adjacent to Existing End-User	Finances Environmental Cleanup of Underutilized Sites Without End Users	Increases Access to Traditional Lending Market	Reimburses 50% of Expenses for Retraining Workers	Capital for Expansion Via Acquisition, New Markets and Diversification	Gap Financing and Incentives for Large Scale Growth and Attraction
<b>Funding Type</b>	Loan	Loan	Debt Investment	Grant	Loan	Loan	Loan	Loan (Bank Backing)	Grant	Debt Investment	Loan
<b>Amount</b>	\$10,000 - \$100,000	\$25,000 - \$125,000	\$400,000 - \$700,000	Up to \$300,000	Up to \$1 Million	Up to \$500,000	Up to \$1 Million	Up to \$500,000	50% of Costs	\$400,000 - \$700,000	\$200,000 - \$2 Million
<b>Forgivable</b>	No	No			Partially (Up to 35%)	Fully	Partially (Up to 40%)	No			Up to 100%
<b>Interest</b>	7% - 12 %	5% (Deferred for 5 years)			4% (2 Years Interest Only)	0%	4% (2 Years Interest Only)				2% -7%
<b>Time Period</b>	3 - 7 Years	5 years	4 - 7 Years		10 Years	10 Years	10 Years			4 - 7 Years	3 - 15 Years
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>Fifteen or Fewer Employees</li> <li>Credit Score Above 550</li> <li>Current on Taxes</li> <li>Personal Guarantee and Collateral</li> <li>Must Participate in Technical Assistance Program</li> </ul>	<ul style="list-style-type: none"> <li>High Growth Technology Company</li> <li>Jumpstart Registered and Supported</li> <li>Not Engaged in Due Diligence</li> <li>Have Not Received Investments Totaling</li> </ul>	<ul style="list-style-type: none"> <li>Entering Broad Market</li> <li>High Growth Technology Company</li> <li>Part of Northeast Ohio Entrepreneurial Network</li> <li>25% Minimum Contribution</li> </ul>	<ul style="list-style-type: none"> <li>Highly Competitive</li> <li>In Target Industry</li> <li>Focused on Research and Development</li> <li>Strong Potential For Marketable Products</li> <li>Seeking State or Federal Funds</li> </ul>	<ul style="list-style-type: none"> <li>For-Profit Borrower</li> <li>Support From Local Municipality</li> <li>Must Oversee Project</li> <li>Own / Operate Site for Minimum of 7 Years After Completion</li> </ul>	<ul style="list-style-type: none"> <li>For-Profit Borrower</li> <li>Support From Local Municipality</li> <li>Must Oversee Remediation</li> <li>Job Creation Requirement</li> <li>Own / Operate for a Minimum of 7 Years After Completion</li> </ul>	<ul style="list-style-type: none"> <li>For-Profit Borrower</li> <li>Support From Local Municipality</li> <li>Must Oversee Remediation</li> <li>Must Execute County Workforce Agreement</li> <li>Own / Operate for 7 Years After Completion</li> </ul>	<ul style="list-style-type: none"> <li>Small Business</li> <li>Referred to County by Bank</li> <li>In Target Industry</li> <li>Wide Latitude of Potential Fund Uses</li> <li>Potential Use Must Create Jobs</li> </ul>	<ul style="list-style-type: none"> <li>Demonstrated Aged Vacancy</li> <li>Must Provide Skill Training for an Incumbent Worker</li> <li>In Target Industry</li> <li>Must Document Job Creation</li> <li>Reimbursement Based</li> </ul>	<ul style="list-style-type: none"> <li>Small-to-Medium Size Business</li> <li>Established</li> <li>In Target Industry</li> <li>High Growth Potential</li> <li>Potential Idea Can Add at Least 20 Jobs</li> </ul>	<ul style="list-style-type: none"> <li>At Least 50 Jobs with Average Salary Above County Median</li> <li>In Target Industry</li> <li>Expanding or Relocating</li> <li>Demonstrated Ability to Repay Loan</li> <li>Adequate Collateral and Credit</li> </ul>
<b>Partners</b>	<ul style="list-style-type: none"> <li>Goldman Sachs</li> <li>Jumpstart</li> <li>ECDI</li> <li>Huntington Bank</li> <li>Cleveland Foundation</li> <li>CNDC</li> <li>NPI</li> <li>WECCO</li> </ul>	<ul style="list-style-type: none"> <li>Jumpstart</li> <li>BioEnterprise</li> <li>MAGNET</li> <li>Nortech</li> </ul>	<ul style="list-style-type: none"> <li>Jumpstart</li> </ul>	<ul style="list-style-type: none"> <li>Jumpstart</li> <li>BioEnterprise</li> <li>MAGNET</li> <li>Nortech</li> </ul>	<ul style="list-style-type: none"> <li>U.S. and Ohio EPA</li> <li>HUD</li> <li>Jobs Ohio</li> <li>Local Land Banks</li> <li>Local Municipalities</li> <li>CCCIC</li> <li>NEO Sewer District</li> <li>Many More</li> </ul>	<ul style="list-style-type: none"> <li>U.S. and Ohio EPA</li> <li>HUD</li> <li>Jobs Ohio</li> <li>Local Land Banks</li> <li>Local Municipalities</li> <li>CCCIC</li> <li>NEO Sewer District</li> <li>Many More</li> </ul>	<ul style="list-style-type: none"> <li>U.S. and Ohio EPA</li> <li>HUD</li> <li>Jobs Ohio</li> <li>Local Land Banks</li> <li>Local Municipalities</li> <li>CCCIC</li> <li>NEO Sewer District</li> <li>Many More</li> </ul>	<ul style="list-style-type: none"> <li>Small Business Association</li> <li>Federal Reserve Bank of Cleveland</li> <li>Participating Lender Institutions</li> <li>Ohio Capital Access Program</li> </ul>	<ul style="list-style-type: none"> <li>Employment Connection</li> <li>Area Employers</li> </ul>	<ul style="list-style-type: none"> <li>Team NEO/Jobs Ohio</li> <li>Greater Cleveland Partnership</li> <li>Jumpstart</li> <li>BioEnterprise</li> <li>MAGNET</li> <li>Nortech</li> <li>WIRE-Net</li> </ul>	<ul style="list-style-type: none"> <li>Team NEO/Jobs Ohio</li> <li>Greater Cleveland Partnership</li> <li>Fund For Our Economic Future</li> <li>City of Cleveland</li> <li>Cleveland - Cuyahoga Port</li> </ul>
<b>Performance Indicators</b>	<p><b>Primary</b></p> <ul style="list-style-type: none"> <li>Dollars Leveraged</li> <li>Follow-on Funding</li> </ul> <p><b>Secondary</b></p> <ul style="list-style-type: none"> <li>Jobs Created</li> <li>Payroll Growth</li> <li>Patents Filed</li> <li>New Revenue Generated</li> </ul>	<p><b>Primary</b></p> <ul style="list-style-type: none"> <li>Dollars Leveraged</li> <li>Follow-on Funding</li> </ul> <p><b>Secondary</b></p> <ul style="list-style-type: none"> <li>Jobs Created</li> <li>Job Placements</li> <li>Payroll Growth</li> <li>Patents Filed</li> <li>New Revenue Generated</li> </ul>	<p><b>Primary</b></p> <ul style="list-style-type: none"> <li>Dollars Leveraged</li> <li>Follow-on Funding</li> <li>Job Created</li> <li>Payroll Growth</li> <li>Technical Assistance Provided</li> </ul> <p><b>Secondary</b></p> <ul style="list-style-type: none"> <li>Patents Filed</li> <li>New Revenue Generated</li> <li>Program Income</li> <li>Investment Exits</li> </ul>	<p><b>Primary</b></p> <ul style="list-style-type: none"> <li>Dollars Leveraged</li> <li>Patents Filed</li> </ul> <p><b>Secondary</b></p> <ul style="list-style-type: none"> <li>Follow-on Funding</li> <li>Job Creation</li> <li>Job Placement</li> <li>Payroll Growth</li> </ul>	<p><b>Primary</b></p> <ul style="list-style-type: none"> <li>Loan Repayments</li> <li>Jobs Created/Retained</li> <li>Dollars Leveraged</li> <li>Acres/Square Feet Returned to Productivity</li> </ul>	<p><b>Primary</b></p> <ul style="list-style-type: none"> <li>Loan Repayments</li> <li>Jobs Created/Retained</li> <li>Dollars Leveraged</li> <li>Acres/Square Feet Returned to Productivity</li> </ul>	<p><b>Primary</b></p> <ul style="list-style-type: none"> <li>Loan Repayments</li> <li>Jobs Created/Retained</li> <li>Dollars Leveraged</li> <li>Acres/Square Feet Returned to Productivity</li> </ul>	<p><b>Primary</b></p> <ul style="list-style-type: none"> <li>Dollars Leveraged</li> <li>Jobs Created</li> <li>New Revenue Generated</li> </ul>	<p><b>Primary</b></p> <ul style="list-style-type: none"> <li>Job Retention of Trained Employees</li> <li>Wage Gain of Trained Employees</li> <li>Jobs Created</li> </ul>	<p><b>Primary</b></p> <ul style="list-style-type: none"> <li>Jobs Created</li> <li>Job Placement</li> <li>Dollars Leveraged</li> <li>Follow-on Funding</li> <li>Payroll Growth</li> </ul> <p><b>Secondary</b></p> <ul style="list-style-type: none"> <li>New Revenue Generated</li> <li>Exports</li> <li>Patents Filed</li> <li>Skilled Workforce</li> <li>Program Income</li> <li>Tax Revenue</li> </ul>	<p><b>Primary</b></p> <ul style="list-style-type: none"> <li>Job Creation</li> <li>Job Placement</li> <li>Dollars Leveraged</li> <li>Follow-on Funding</li> <li>Payroll Growth</li> </ul> <p><b>Secondary</b></p> <ul style="list-style-type: none"> <li>New Revenue Generated</li> <li>Exports</li> <li>Skilled Workforce</li> <li>Tax Revenue</li> </ul>

## Universal Terms

While each program in the \$100 million Economic Development Fund is different, there are certain criteria that span the 11 programs. These basic criteria focus the plan on its mission of providing jobs and prosperity to Cuyahoga County.

## Location in Cuyahoga County

Because the \$100 Million Dollar Economic Development Fund is furnished by Cuyahoga County, all investments are aimed at the county's residents. Business and innovation related programs require the recipient to be either located or planning to locate in Cuyahoga County. Only real estate located in the county are eligible for land related programs. Further, recipients are required to remain in Cuyahoga County on penalty via monetary clawbacks.

## Job Creation

Creating jobs is at the foundation of the Fund. With that in mind, every program aims to put Cuyahoga residents to work, and each program's success or failure will be measured, in some degree, by job creation.

## Target Industries

In order to build a healthy economic ecosystem, the county is focusing its investments on innovative, progressive and growing industries. Investment in these industries not only produces high-paying jobs, it maximizes the potential for follow-on funding, spin-off innovation and the construction of tacit business networks that are the fabric of industry clusters.

With the exception of the Micro Enterprise and the three programs that comprise the Commercial Property Reutilization, Expansion and Acquisition vertical, all programs will target industries that were identified in the county's five year plan:

- Bioscience & Medical Devices
- Advanced Materials
- Instruments Controls & Electronics
- Advanced Energy
- Aerospace, Power & Propulsion
- Advanced Manufacturing



## Innovation Development: Four Programs

1. Micro Enterprise
2. Pre-Seed Fund
3. Next Stage Fund
4. Innovation Match

	<b>Innovation Development</b>			
	<b>Micro Enterprise</b>	<b>Pre-Seed Fund</b>	<b>Next Stage Fund</b>	<b>Innovation Match</b>
<b>Summary</b>	Finances Business Too Small or Unestablished for Traditional Lenders	Early Stage Funding to Accelerate Growth and Attract Investors	Invests in Companies Primed for Full Commercial Launch	Provides Local Match Required by Federal and State Innovation Grants
<b>Funding Type</b>	Loan	Loan	Debt Investment	Grant
<i>Amount</i>	\$10,000 - \$100,000	\$25,000 - \$125,000	\$400,000 - \$700,000	Up to \$300,000
<i>Forgivable</i>	No	No		
<i>Interest</i>	7 % - 12 %	5% (Deferred for 5 years)		
<i>Time Period</i>	3 - 7 Years	5 years	4 - 7 Years	
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>Fifteen or Fewer Employees</li> <li>Credit Score Above 550</li> <li>Current on Taxes</li> <li>Personal Guarantee and Collateral</li> <li>Must Participate in Technical Assistance Program</li> </ul>	<ul style="list-style-type: none"> <li>High Growth Technology Company</li> <li>Jumpstart Registered and Supported</li> <li>Not Engaged in Due Diligence</li> <li>Have Not Received Investments Totaling</li> </ul>	<ul style="list-style-type: none"> <li>Entering Broad Market</li> <li>High Growth Technology Company</li> <li>Part of Northeast Ohio Entrepreneurial Network</li> <li>25% Minimum Contribution</li> </ul>	<ul style="list-style-type: none"> <li>Highly Competitive</li> <li>In Target Industry</li> <li>Focused on Research and Development</li> <li>Strong Potential For Marketable Products</li> <li>Seeking State or Federal Funds</li> </ul>
<b>Partners</b>	<ul style="list-style-type: none"> <li>Goldman Sachs</li> <li>Jumpstart</li> <li>ECDI</li> <li>Huntington Bank</li> <li>Cleveland Foundation</li> <li>CNDC</li> <li>NPI</li> <li>WECO</li> </ul>	<ul style="list-style-type: none"> <li>Jumpstart</li> <li>BioEnterprise</li> <li>MAGNET</li> <li>Nortech</li> </ul>	<ul style="list-style-type: none"> <li>Jumpstart</li> </ul>	<ul style="list-style-type: none"> <li>Jumpstart</li> <li>BioEnterprise</li> <li>MAGNET</li> <li>Nortech</li> </ul>
<b>Performance Indicators</b>	<p><b>Primary</b></p> <ul style="list-style-type: none"> <li>Dollars Leveraged</li> <li>Follow-on Funding</li> </ul> <p><b>Secondary</b></p> <ul style="list-style-type: none"> <li>Jobs Created</li> <li>Payroll Growth</li> <li>Patents Filed</li> <li>New Revenue Generated</li> </ul>	<p><b>Primary</b></p> <ul style="list-style-type: none"> <li>Dollars Leveraged</li> <li>Follow-on Funding</li> </ul> <p><b>Secondary</b></p> <ul style="list-style-type: none"> <li>Jobs Created</li> <li>Job Placements</li> <li>Payroll Growth</li> <li>Patents Filed</li> <li>New Revenue Generated</li> </ul>	<p><b>Primary</b></p> <ul style="list-style-type: none"> <li>Dollars Leveraged</li> <li>Follow-on Funding</li> <li>Job Created</li> <li>Payroll Growth</li> <li>Technical Assistance Provided</li> </ul> <p><b>Secondary</b></p> <ul style="list-style-type: none"> <li>Patents Filed</li> <li>New Revenue Generated</li> <li>Program Income</li> <li>Investment Exits</li> </ul>	<p><b>Primary</b></p> <ul style="list-style-type: none"> <li>Dollars Leveraged</li> <li>Patents Filed</li> </ul> <p><b>Secondary</b></p> <ul style="list-style-type: none"> <li>Follow-on Funding</li> <li>Job Creation</li> <li>Job Placement</li> <li>Payroll Growth</li> </ul>

## **Innovation Development: Micro Enterprise**

### **Overview: background, problem statement, rationale**

Small business is the backbone of the U.S. economy. According to the Small Business Administration (SBA), US small businesses represent 99.7 percent of all employer firms and employ just over half of all private sector employees. Not only do businesses constitute a large segment of the US economy, small businesses are a major source of economic growth and innovation. Over the past 15 years, small businesses have generated 64 percent of net jobs in the US economy and small businesses produce 13 times more patents per employee than large patenting firms.

The availability of capital for small businesses is tight. The SBA reported the number of small loans (less than \$1 million) from depository institutions fell by 15 percent between 2008 and 2009. The SBA's 7(a) loan guarantees and 504 loans followed the pattern, as their combined value was down 4.3 percent. As credit supply in the loan markets remained restricted, small firms needing credit find it difficult to raise the capital they need to grow.

Micro finance is a critical source of capital for small business seeking to grow and thrive. Access to micro finance resources is necessary to support micro enterprise businesses that have traditionally been under-banked. Conventional small business lending programs do not address the unique capital needs of micro enterprises which typically lack sufficient credit and collateral to access traditional loan programs. Additionally, conventional small business programs do not offer the type of capital and services micro enterprises need.

Micro enterprises tend to be service oriented businesses that range from landscaping to pet day care, and products ranging from specialty foods to designer jewelry. These types of businesses seldom have a need for large capital outlays for fixed asset equipment but rather need access to credit and working capital. Currently, the capital resources to support the need of micro enterprises are insufficient. Organizations such as the WECO Fund, Inc. serve this market but lack the resources to adequately address the demand for capital.

Micro finance not only helps financially underserved small businesses grow, but it is also an effective way to generate economic opportunity for low-income individuals or groups who have limited access to financial services. Micro enterprise development is an opportunity to become economically self-sufficient, improve credit, borrow money, and benefit the community. Micro finance seeks to help micro enterprises by loaning small amounts of capital to these businesses.

In 2010 Cuyahoga County established a Micro Enterprise Fund administer by WECO. The demonstration program was created to provide funding to develop and support micro enterprises that are under-represented businesses in the US HUD defined Cuyahoga Urban County. In additional to financial assistance, the program provides intensive financial counseling for entrepreneurs unable to obtain traditional loans. Although the program has experienced marginal results, the need to provide micro financing for small businesses is well established.

### **Investment Strategy: program description, purpose, target industries**

The Micro Enterprise Fund is a program specifically designed to assist small businesses and entrepreneurs that can be capitalized with modest loan and can attain traditional financing within three to five years. The goal of the program is to transform traditionally unbankable micro enterprises into bankable small businesses with positive cash flow. The MEF program will provide both financing and intensive financial counseling for entrepreneurs unable to obtain traditional loans.

Technical assistance is a key component to managing the county's micro lending program. Although access to capital is critical for growing small businesses, understanding how to manage and make sensible investments in the operations will greatly impact the ability of the small business to generate positive cash flow and pay back the loan. This assistance will not only benefit the small business but it also helps to mitigate the high risk involved in micro lending.

Integrating and formalizing the existing network of micro finance service providers within Cuyahoga County is the best way to ensure that small businesses are effectively served. A network approach will efficiently allocate resources and maximize leverage from private, state and federal institutions. In addition to establishing the CMEF, the County will coordinate with other micro finance organizations to provide technical assistance, manage deal flow, vet applicants, and connect to traditional sources of capital to help companies grow.

### **Primary Activities: investment structure and process**

The Micro Enterprise Fund (MEF) is a micro loan program. The MEF provides small, short-term loans to small business concerns. The MEF will make funds available to specially designated intermediary lender(s), which is nonprofit community-based organization that is a certified CDFI. The intermediary will make loans to eligible borrowers. The maximum loan amount is \$100,000, but the average micro loan is about \$20,000.

#### ***MEF Loans***

- Loans from \$10,000 - \$100,000, typical loans in the \$20K - \$30K range
- 3 to 7 years
- Interest rate is 7.00% to 12.00%
- Loan proceeds must be used on a reimbursement basis for a specific project or initiative that will bring the company closer to achieving follow-on funding

#### ***Eligibility***

- Must be a business located in or planning to move to Cuyahoga County with 15 or fewer employees
- Must have a credit score above 550 and be current with all taxes
- Must provide personal guarantee and sufficient collateral to secure the loan – although collateral will not be the sole determinant in approval of the loan, risk exposure is factored in the analysis
- *Technical Assistance:* the borrower is required to participate in business training and technical assistance programs associated with the loan. Applicants for micro loan financing may be

required to fulfill training and/or planning requirements for loan considerations. Business training is designed to help launch or expand your small business

### **Application**

- Submit a business plan and brief description of the specific project that funding is being sought and illustrate how the project will bring the company closer to positive cash flow and closer to follow-on funding from a traditional lender – demonstrate feasibility and viability
- Completed balance sheet and profit and loss statement (projection or actual)
- Monthly cash flow projections for the next two years of business operations showing ability to repay debt and maintain adequate level of permanent working capital
- A detailed sources and uses table for financing of the business or project
- Debt schedule showing existing business debts – creditor name, address, and acct #, interest rate, term, and collateral used to secure the debt
- Personal financial statements of all principals owning 20% or more of the business (SBA 412), past 2 years personal income tax returns, and equity position (current bank statement)
- Personal History Statement of all principals owning 20% or more of the business (SBA 913)
- Verification of costs/invoices in proposals (i.e. quotes, pricing lists, buy/sell agreements, etc.)
- Itemization and verification of collateral (i.e. appraisals, serial numbers, titles, insurance, etc.)
- Verification of customer base (i.e. lists of current customers; market survey summary, etc.)
- Verification of character (i.e. credit report, references, resumes, etc.)
- Adequate managerial and entrepreneurial capability exists

### **Partners: leveraged funds and technical assistance**

Cuyahoga County is currently working with the Cleveland Foundation and other organizations to formalize the existing network of micro finance service providers. The Cleveland Foundation has facilitated a micro lending working group. The group advocates the importance of technical assistance and access to capital, and the need for a more coordinated system that will build upon the current intellectual, financial and leadership resources to increase small business growth.

The working group is currently examining the state of micro lending across the region and is assessing the capacity of regional micro lending organizations to provide robust, diverse, and expansive technical assistance. A successful micro enterprise development strategy requires loan programs be seamlessly embedded in an expansive technical assistance systems approach.

The Cleveland Foundation through the working group has commissioned a study of the regional micro finance landscape. Additionally, several informational benchmarking meetings have been held to gain insight on best practice models. Results of the study are expected in the 4<sup>th</sup> quarter of 2011. The MEF program is closely aligned with this effort and will be integrated into the network. The County is currently working with a wide array of organizations dedicated to micro enterprise development:

- Goldman Sachs 10,000 small businesses & Jumpstart
- ECDI & Huntington Bank
- WECO
- Cleveland Foundation
- CNDC & NPI

January 23, 2012

*Previous drafts are obsolete.*

### **Performance Indicators: metrics, milestones**

There are three sets of performance measure for the loan program: Primary (Year 1) and Secondary (Years 2-5). Metrics are also distinguished between those that are directly, and indirectly a consequence of County activity and programs.

#### ***Primary Metrics – key measures to be targeted within the first year:***

- Dollars Leveraged
- Follow-on Funding

#### ***Secondary Metrics – measures to be targeted within the 2 to 5 years:***

- Job Creation and Job Placements
- Payroll Growth
- Patents Filed

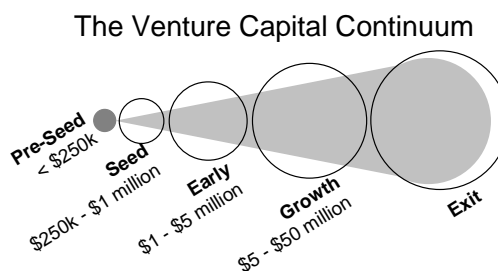
## Innovation Development: Pre-Seed Fund

### Overview: background, problem statement, rationale

Northeast Ohio has created an entrepreneurial ecosystem that is recognized as a national model. This ecosystem is made up of a robust network of entrepreneurial support organizations working together to help high-growth companies grow within the region. The network has created a diversity of capital resources along the venture capital continuum and is accelerating the commercialization of new technologies, products and services.

Despite a strong and expanding entrepreneurial infrastructure, high-growth entrepreneurial companies still face difficulties in raising the necessary capital to bridge the “valley of death”. According to the 2006 Greater Cleveland Venture Capital Report, it was estimated that Northeast Ohio needed \$375 million in early-stage capital to continue funding a stream of emerging companies.<sup>i</sup>

In 2008, Cuyahoga County created the North Coast Opportunities (NCO) Technology Fund to address the need for pre-seed capital within the venture capital continuum. The NCO Technology Fund provides access to critically-needed early-stage capital and enhances the deal flow within the entrepreneurial ecosystem. To date the NCO Fund has invested \$1.6 million across 18 high-growth companies, created 39 jobs, added \$1.2 million in annual payroll, and attracted more than \$6 million in follow-on funding.



Source: 2006 Greater Cleveland Venture Capital Report

NCO Fund is part of a regional collaborative approach to entrepreneurial development. Early stage companies have progressed more rapidly along the venture capital continuum because of the county’s innovative fund. The NCO Fund increases access to pre-seed capital and helps position companies for later-stage funding, strengthening the regional entrepreneurial eco-system. Since 2006, over \$1 billion has been invested in 205 unique Northeast Ohio companies within the region’s entrepreneurial eco-system.<sup>ii</sup>

Although the NCO Fund plays an important role for early-stage companies, there remains a growing need for additional pre-seed capital. Cuyahoga County finds itself with a robust deal flow of companies seeking pre-seed investments. Ramping the NCO Fund up to scale will increase the availability of pre-seed funding to meet demand, increase the number companies reaching later-stage funding rounds, and enhance the overall pipeline of companies within the entrepreneurial network.

### Investment Strategy: program description, purpose, target industries

The goal of Cuyahoga County’s NCO Technology Fund is to invest in and accelerate the development of early-stage companies in Cuyahoga County, create high paying jobs, and increase the flow of private investment. In collaboration with JumpStart Inc., the county identifies and targets high growth companies that are excellent candidates for future capital investment. Companies that are selected receive a payment-deferred, low interest loan to fund a specific project that will make the company significantly more attractive to investors.

Eligible candidates must be high-growth technology companies based in or planning to move to Cuyahoga County and must be part of the Northeast Ohio Entrepreneurial Network (Network). Funded by the State of Ohio Third Frontier program, the Network is a formalized group of entrepreneurial support organizations (investors, advisors and incubators) across the 21 counties of Northeast Ohio. The Network functions as a one-stop-shop to help connect entrepreneurs with the right resources at the right time to grow their companies. The Network helps the county manage deal flow, vet applicants, and connect to additional sources of capital to help companies grow.

This unique public-private partnership has proven to be an effective model for accelerating entrepreneurial development. Early-stage companies have progressed more rapidly along the venture capital continuum because of the county's innovative partnership with JumpStart through the Network.

### **Primary Activities: investment structure and process**

The NCO Fund provides low interest loans to help growing technology companies finance a specific project that is expected to make the company significantly more attractive to follow-on funding. Companies submit a detailed application to a skilled investment specialist known as an Entrepreneurs-In-Residence (EIRs). The EIRs provide NCO applicants with technical assistance across five signature technology areas: advanced materials, biosciences, electronics, information and communication technologies, and advanced energy.

A selection committee comprised of the EIRs and the county analyzes the applications and identifies the candidate that has the greatest prospect for raising follow-on funding. After a company is select and approved, the county works with the company to define the project scope and deliverables, budget, and milestones for the loan. The loan is designed to mimic venture funding and prepare entrepreneurs for future equity investments.

### **Pre-Seed Fund Loans**

- Loans range from \$25K- \$125K, with typical loans in the \$50-75K range
- Typically the interest rate is 5.00% fixed for the term of the loan
- Payments deferred for 5 years or until a significant financing event - \$1.5 million or greater
- Loan proceeds must be used for a specific project or initiative that will bring the company closer to achieving follow-on funding

### **Eligibility**

- Must be a high growth, technology company judged to have excellent prospects for raising venture capital in the future
- Must be located in or planning to move to Cuyahoga County
- Must be a JumpStart Entrepreneurial Network registered and supported company ([www.jumpstartinc.org/Request](http://www.jumpstartinc.org/Request))
- Companies currently engaged in due diligence or have successfully received investment totaling more than \$1.5 million are not eligible

### **Application**

- Submit a brief description of the specific project that funding is being sought and illustrate how the project will bring the company closer to venture or seed stage funding

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*Previous drafts are obsolete.*

- Companies with the highest potential for attracting future venture capital investment will be ranked highest by the NCO Selection Committee and be invited to provide a short presentation about the proposed project
- The NCO Selection Committee consists of JumpStart Entrepreneurial Network Director and Entrepreneurs-in-Residence, the MAGNET Incubator Director and Entrepreneurial Expert, and a Cuyahoga County representative
- Recommendations are reviewed consistent with the county contracting process
- The county will draft loan documents based on the selected and approved project – the description must identify project milestones

### **Partners: leveraged funds and technical assistance**

The NCO Fund is an example how local governments can play an important role in supporting technology based entrepreneurship. The NCO Fund demonstrates that one of the most effective ways for local governments to support early-stage technology companies is to form strong collaborative partnerships with regional technology based economic development organizations.

Creating a dynamic partnership with Jumpstart and the regional entrepreneurial network is a major factor in the success of the NCO Fund. This collaboration enabled Cuyahoga County to maximize resources, access state-level program funding, leverage institutional core competencies, and develop a fully integrated systematic approach to entrepreneurial development. As the county focuses on growing the NCO Fund, strengthening this public-private partnership will be instrumental.

Rather than creating a new process apart from other regional efforts, the county works with key stakeholders. Working with Jumpstart, BioEnterprise, MAGNET, and Nortech, is an extremely efficient and effective strategy for the county to manage deal flow and identify promising companies with strong intellectual property.

### **Performance Indicators: metrics, milestones**

There are two sets of performance measures for the loan program: Primary (Year 1) and Secondary (Years 2-5). Metrics are also distinguished between those that are directly, and indirectly a consequence of county activity and programs.

#### ***Primary Metrics – key measures to be targeted within the first year:***

- Dollars Leveraged
- Follow-on Funding

#### ***Secondary Metrics – measures to be targeted within the 2 to 5 years:***

- Job Creation and Job Placements
- Payroll Growth
- Patents Filed
- New Revenue Generated



## **Innovation Development: Next Stage Fund**

### **Overview: background, problem statement, rationale**

Northeast Ohio has developed a robust entrepreneurial ecosystem with diverse early-stage funding sources that support innovative start-up companies primed for high-growth. The collaborative environment is composed of organizations that help dynamic businesses expand within the region: over \$1 billion has been invested in 205 companies since 2006.<sup>iii</sup>

Successful early-stage investments build a pipeline of opportunities that increasingly attracts later-stage venture capital funding. At the state level, the Third Frontier Pre-Seed Fund Capitalization Program helped funnel \$521 million in pre-seed funds to Northeast Ohio in the past five years. However, these state funds support companies that are gathering resources for incubating and demonstrating new technologies and products.

Many Northeast Ohio companies have graduated past early-stage investments and are ready to generate customers and sales in the broad market. Unfortunately, the availability of capital to fund the final stages of the commercialization process is limited.

With its strong entrepreneurial network and portfolios of developing businesses, the region needs next-stage funding to support these maturing high-growth companies. The Next Stage Fund targets companies on the cusp of full commercial launch, helping them reach scale while speeding return on investment and creating jobs.

### **Investment Strategy: Program Description, Purpose and Targeted Clusters**

The Next Stage Fund builds on the success of the NCO Technology Fund—a public-private pre-seed initiative—by providing capital to market-ready companies positioned to achieve rapid commercial sales. The goal of this evergreen fund is to transform innovative and high-growth commercial opportunities into viable businesses.

Next Stage will cultivate a deal flow by leveraging the pipeline of companies within the Northeast Ohio Entrepreneurial Network. There are a number of early-stage funds within the ecosystem that have created a dynamic portfolio of companies preparing to scale up and enter the market. Next Stage will rely on this existing expertise to channel its investments into thoroughly vetted early-stage companies. Selected companies will receive an investment to fund capitalized expenses in connection with a commercial launch.

Eligible candidates must be high growth technology companies based in or planning to move to Cuyahoga County and must be part of the Northeast Ohio Entrepreneurial Network. The Network is a formalized group of support organizations (investors, advisors and incubators) spanning the 21 counties of Northeast Ohio. This one-stop-shop connects entrepreneurs with resources critical to their company's development. The Network will help the county manage deal flow, vet applicants, and connect to additional sources of capital to help companies expand.

## Primary Activities: Investment Structure and Process

### *Allowable Project Costs/Uses*

Allowable costs are limited to those that can be capitalized under applicable generally accepted accounting principles (GAAP) including the following:

- Acquisition
- Land and/or building purchase; if the project involves the purchase of an existing building, the business must occupy at least 51% of the premises
- Machinery & equipment purchase
- Building construction and/or renovation costs; if the project involves new construction the business must occupy at least 60% of the premises
- Long-term leasehold improvements
- Ongoing business fixed asset purchase
- Capitalizable costs directly related to a fixed-asset purchase
- Software development
- Creating and protecting intellectual property including costs of securing appropriate patent, trademark, trade secret, trade dress, copyright or other forms of intellectual property protection for an eligible innovation project or related products or services
- Refinancing is ineligible

### *Funding*

- Investments ranging from \$400,000 to \$700,000 with typical investments averaging \$500,000
- Term: 4 – 7 years or upon the useful life of the allowable project costs/uses financed, determined by staff
- Job Creation/Retention: Development requires a commitment to create or retain jobs. While there is not a specified dollar per job ratio, the number of jobs committed, as well as the annual payroll will be considered when determining the funding amount
- Applicant Contribution: Development requires a 25% minimum contribution in the allowable project costs/uses. The required contribution may be higher for early-stage companies and special purpose facilities. In-kind contributions of labor, equipment or similar items are not acceptable as the applicant's contribution

### *Security & Collateral*

Development requires a first and/or shared first priority mortgage and/or lien position on project costs/uses financed with the loan proceeds. Development may require the following additional collateral or credit enhancements:

- Personal guarantees from owners with more than 20% ownership in the company
- Corporate guarantees from related companies
- Full or partial letter of credit
- Life insurance on key business owners and/or managers
- Other types of credit enhancement, if necessary

### ***Application Process***

- Non-refundable \$700 application fee is due upon submitting a completed Financial Assistance Application
- Participation fee equal to 10% of the maximum drawn principal will be payable upon maturity of the loan. This fee is in lieu of Development's ability to take an equity position in the applicant company
- The application will be reviewed by an external evaluator in concert with Development through a due diligence process. The external evaluator has a blanket Non-Disclosure of Confidential Information Agreement with Development. The external evaluator and Development will review all applications received, and consider which applications to submit to the Cuyahoga County Community Improvement Corporation (CCCIC) for review
- A preliminary project term sheet will be provided by Development staff
- Loans will be presented to the CCCIC for review and recommendation
- Loans will be presented to the county approval process for final approval
- A loan approval, confirmation and commitment letter will be issued by Development upon county approval
- Loan closing documents are prepared upon receipt of a signed loan approval, confirmation and commitment letter and processing fee
- Loan proceeds are normally disbursed after project completion and loan closing ("take-out" financing), interim financing may need to be arranged by the business

### ***Evaluation Criteria***

Applications will be reviewed by both Development and an outside reviewer. Factors that will be considered include, but are not limited to:

- Number of high-value jobs to be created as a result of the successful commercialization of a new product
- Level of risk associated with the commercialization of the new product or service
- Degree to which the applicant has attracted or will be able to attract additional third party capital
- Degree to which the company's business plan identifies the market need and demonstrates a feasible plan for serving that need
- Level of financial risk and ability of the borrower to repay the loan

### ***Preliminary Application Notification***

Potential applicants shall submit a short, Preliminary Application that Development will review to determine whether the applicant understands the intent and eligibility requirements of the Next Stage Fund and appears to have merit. Development requests that the document be a maximum of five pages plus financial statements. Potential applicants are asked to:

- Describe the company
  - The company's location, size and operating history
  - The products and/or services currently offered

- Describe the proposed project
  - The innovative product or service to be commercialized
  - Amount of Next Step funds requested and how the proceeds will be used
  - The economic impact, including employment (both direct and indirect) and revenue growth resulting from the project
  - The applicant's position that the uses of loan proceeds can be capitalized under GAAP
  - Total eligible project costs
  - Amount and source of matching funds
- Include three years reviewed and/or audited financials

Development will provide feedback to the potential applicant as to whether the company's planned application meets the eligibility requirements and intent of the Next Stage Fund. Development may also respond with a list of questions that can be answered either (1) before the potential applicant submits a formal application for additional feedback from Development or (2) in the formal application should the potential applicant feel confident the questions will be addressed. The Preliminary Application will not be considered in the evaluation of formal applications; rather, this is an opportunity for potential applicants to gain confidence that the full Financial Assistance Application will meet the intent of loan.

Development prefers that Preliminary Applications be sent electronically to

[Cuyahoganextstagefund@cuyahogacounty.us](mailto:Cuyahoganextstagefund@cuyahogacounty.us). Development will respond to the submission of a Preliminary Application as quickly as possible and in the order they are received. The submittal of a Preliminary Application does not bind the applicant to submit a formal application. Similarly, feedback given by Development does not indicate any intent to provide IOF Loan funding.

### **Partners: leveraged funds and technical assistance**

Cuyahoga County will partner with Jumpstart to establish the Next Stage Fund. This partnership gives the county access to a regional effort to build capacity and connect to an entrepreneur support infrastructure across the 21 counties of Northeast Ohio. This Network has evolved into an extremely efficient construct for developing and advancing entrepreneurs.

As the facilitator of the Entrepreneurial Network, Jumpstart has invested in companies, raised funds for entrepreneurial technical support, and attracted additional sources of capital for entrepreneurs. Jumpstart has attracted more than \$28 million for technical assistance and more than \$19 million for direct investment from the Ohio Third Frontier Program alone.<sup>iv</sup> The entrepreneurial system cultivated by Jumpstart has performed so well that the region now has a growing need for next stage funding to support these maturing high growth companies.

Creating a dynamic partnership with Jumpstart presents the county with the opportunity to collaborate with an organization that has a well-established investment-making process and a track record of raising funds from the state. Partnering with Jumpstart, the county will double its investment capital, mitigate risk by co-investing with private funds, and access a pipeline of deal flow that will ensure greater economic returns and job growth.

### **Performance Indicators: metrics, milestones**

There are two sets of performance measures for the loan program: Primary (Year 1) and Secondary (Years 2-5). Metrics are also distinguished between those that are directly, and indirectly a consequence of county activity and programs.

#### ***Primary Metrics – key measures to be targeted within the first year:***

- Dollars Leveraged
- Follow-on Funding
- Job Creation and Job Placements
- Payroll Growth
- Technical Assistance Provided

#### ***Secondary Metrics – measures to be targeted within the 2 to 5 years:***

- Patents Filed
- New Revenue Generated
- Program Income
- Investment Exits

## **Innovation Development: Innovation Match**

### **Overview: background, problem statement, rationale**

Northeast Ohio possesses a wealth of world class research centers and institutions as well as cutting-edge industrial research lab facilities. Leveraging these assets is an important part of technology commercialization strategy. As Northeast Ohio strives to build, support, and advance innovation and develop its knowledge based economy, it is critical to take advantage of federal and state research and development programs and attract industrial research investment.

Programs like the Ohio Third Frontier, the National Science Foundation and the US Department of Energy help fund basic and applied research, establish research facilities, and support technology demonstrations and transfer for development of new commercial products. Many state and federal innovation grant programs require cost share or local match. Support for business related research and development is also critical for accelerating technology transfer and commercialization.

Entities that need the initial match to leverage these external resources can rely on Cuyahoga County to provide matching funds to enhance research capacity and accelerate the time to commercial market entry of products. The Cuyahoga Innovation Match Fund will secure new research and development funding, help establish new research centers, and advance technology commercialization.

### **Investment Strategy: program description, purpose, and target industries**

The Cuyahoga Innovation Match Fund (CIMF) is a flexible source of funding to ensure that research and development efforts in Cuyahoga county result in commercial products that help drive economic growth. The goal of the CIMF is to accelerate the movement of new technology developed by county based institutions and businesses to the commercial market in sectors important to the county's economy. The CIMF provides local match for technology development efforts seeking state or federal funding. The investment is made in the form of a grant and is conditioned on a funding award from the applicable state or federal program or RFP. The county anticipates that the CIMF will fund 1-2 projects per year at a maximum of \$300,000 per investment and will focus on the target industry clusters.

### **Primary Activities: investment structure and process**

The CIMF will prioritize funding based on the availability of program income from investments made through the Cuyahoga Next Stage Fund. The CIMF provides local match for technology development efforts seeking state or federal funding.

Only the most meritorious proposals are sought for funding. Implicit in the evaluation criteria is the quality of the work plan, budget and cost share:

- Leverage existing research investments and core competencies
- Relevance for key regional industry clusters
- Degree of private industry responsiveness
- Degree of Sustainable Competitive Advantage
- Demonstrated Leadership Assets
- Identified Stage of Market Development
- Impact on Cuyahoga County
- Past Performance (if applicable)

- Potential for Leverage
- Potential for Products
- Size of Opportunity
- Vision for Success

A selection committee comprised of Jumpstart, BioEnterprise, Nortech, MAGNET and the county will analyze the applications and identify the candidate that has the greatest prospect for successfully commercializing technology. After an applicant is selected and approved, the county works with the applicant to define the project scope and deliverables, budget, and milestones for the investment.

#### **Partners: leveraged funds and technical assistance**

Creating a dynamic partnership with Jumpstart and the regional entrepreneurial network is a major factor in the success of the NCO Fund. This collaboration enabled Cuyahoga County to maximize resources, access state-level program funding, leverage institutional core competencies, and develop a fully integrated systematic approach to entrepreneurial development. As the county focuses on growing the NCO Fund, strengthening this public-private partnership will be instrumental.

Rather than creating a new process apart from other regional efforts, the county works with key stakeholders. Working with Jumpstart, BioEnterprise, MAGNET, and Nortech, is an extremely efficient and effective strategy for the county to manage deal flow and identify promising companies with strong intellectual property.

#### **Performance Indicators: metrics, milestones**

There are two sets of performance measures for the loan program: Primary (Year 1) and Secondary (Years 2-5). Metrics are also distinguished between those that are directly, and indirectly a consequence of county activity and programs.

##### ***Primary Metrics – key measures to be targeted within the first year:***

- Dollars Leveraged
- Patents Filed

##### ***Secondary Metrics – measures to be targeted within the 2 to 5 years:***

- Follow-on Funding
- Job Creation and Job Placements
- Payroll Growth

## Property Reutilization: Three Programs

1. Redevelopment and Modernization
2. Site Expansion
3. Redevelopment Ready

	<b>Commercial Property Reutilization, Expansion and Acquisition</b>		
	<b>Redevelopment and Modernization</b>	<b>Site Expansion</b>	<b>Redevelopment Ready</b>
<b>Summary</b>	Finances Existing Site Improvements, Including Modernization	Finances Environmental Cleanup of Sites Adjacent to Existing End-User	Finances Environmental Cleanup of Underutilized Sites Without End Users
<b>Funding Type</b>	Loan	Loan	Loan
<i>Amount</i>	<i>Up to \$1 Million</i>	<i>Up to \$500,000</i>	<i>Up to \$1 Million</i>
<i>Forgivable</i>	<i>Partially (Up to 35%)</i>	<i>Fully</i>	<i>Partially (Up to 40%)</i>
<i>Interest</i>	<i>4% (2 Years Interest Only)</i>	<i>0%</i>	<i>4% (2 Years Interest Only)</i>
<i>Time Period</i>	<i>10 Years</i>	<i>10 Years</i>	<i>10 Years</i>
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>• For-Profit Borrower</li> <li>• Support From Local Municipality</li> <li>• Must Oversee Project</li> <li>• Own / Operate Site for Minimum of 7 Years After Completion</li> </ul>	<ul style="list-style-type: none"> <li>• For-Profit Borrower</li> <li>• Support From Local Municipality</li> <li>• Must Oversee Remediation</li> <li>• Job Creation Requirement</li> <li>• Own / Operate for a Minimum of 7 Years After Completion</li> </ul>	<ul style="list-style-type: none"> <li>• For-Profit Borrower</li> <li>• Support From Local Municipality</li> <li>• Must Oversee Remediation</li> <li>• Must Execute County Workforce Agreement</li> <li>• Own / Operate for 7 Years After Completion</li> </ul>
<b>Partners</b>	<ul style="list-style-type: none"> <li>• U.S. and Ohio EPA</li> <li>• HUD</li> <li>• Jobs Ohio</li> <li>• Local Land Banks</li> <li>• Local Municipalities</li> <li>• CCCIC</li> <li>• NEO Sewer District</li> <li>• Many More</li> </ul>	<ul style="list-style-type: none"> <li>• U.S. and Ohio EPA</li> <li>• HUD</li> <li>• Jobs Ohio</li> <li>• Local Land Banks</li> <li>• Local Municipalities</li> <li>• CCCIC</li> <li>• NEO Sewer District</li> <li>• Many More</li> </ul>	<ul style="list-style-type: none"> <li>• U.S. and Ohio EPA</li> <li>• HUD</li> <li>• Jobs Ohio</li> <li>• Local Land Banks</li> <li>• Local Municipalities</li> <li>• CCCIC</li> <li>• NEO Sewer District</li> <li>• Many More</li> </ul>
<b>Performance Indicators</b>	<p><b>Primary</b></p> <ul style="list-style-type: none"> <li>• Loan Repayments</li> <li>• Jobs Created/Retained</li> <li>• Dollars Leveraged</li> <li>• Acres/Square Feet Returned to Productivity</li> </ul>	<p><b>Primary</b></p> <ul style="list-style-type: none"> <li>• Loan Repayments</li> <li>• Jobs Created/Retained</li> <li>• Dollars Leveraged</li> <li>• Acres/Square Feet Returned to Productivity</li> </ul>	<p><b>Primary</b></p> <ul style="list-style-type: none"> <li>• Loan Repayments</li> <li>• Jobs Created/Retained</li> <li>• Dollars Leveraged</li> <li>• Acres/Square Feet Returned to Productivity</li> </ul>

January 23, 2012

*Previous drafts are obsolete.*



## Overview: Background, Problem Statement and Rationale

The most fundamental asset of any economic development strategy that includes government participation is land. The challenge is to make the best use of land for maximum economic benefit.

The challenge is two-fold. Industrial development led to the region's periods of economic growth. Modernization, environmental requirements and market dynamics have forced many businesses to close or relocate, leaving behind vestiges of a historic economy marked by nonproductive and oftentimes environmentally hazardous land. Ironically, these parcels are among those that are best served by the needs of today's growing business: infrastructure and labor supply. The second challenge is meeting the growth and modernization needs of those businesses that have endured through the ages or capitalized on these resources. Where local businesses have the need to grow or modernize, resources should be available to swiftly meet these demands to keep prosperity and growth in place.

As such, the preparation of land for redevelopment and rapid response for the expansion and modernization of existing properties served by developed infrastructure is a key strategy to the county's place-based economic development plan.

## Investment Strategy: Program Description, Purpose and Targeted Clusters

The county is uniquely positioned to **marshal external resources** from the federal, state and local levels and to work across political subdivisions to position properties for redevelopment. The Department of Development has an award-winning, experienced and qualified team to assemble the necessary public-private partnerships that **get these properties back to productivity** with responsible owners and jobs producers.

The myriad strategies and variables in land redevelopment, which incorporate multiple public and private funding sources, will require a comprehensive and **centrally managed approach**. The county will oversee three forgivable loan programs for property reutilization, expansion, acquisition and improvement.

The key to the public-private partnership for land reutilization and redevelopment is to provide applicable, attractive and relevant programs **that provide swift and clear opportunities for companies seeking to locate, expand or modernize** in areas already served by existing infrastructure and transportation networks. Complementing this strategy with the county's demonstrated ability to **leverage existing external programs** (e.g. NEORS's Green Infrastructure Program, Clean Ohio, JobsOhio, Historic Tax Credits, New Market Tax Credits, USEPA grants, and HUD) adds value and velocity to public and private development dollars in Cuyahoga County.

## Universal Requirements

### *Eligibility Requirements*

- The project will require a resolution of support from the local municipality
- The borrower must oversee the remediation or project
- The borrower must have at least 10% equity in the project

### *Application Process*

- Complete application and meet underwriting criteria
- Recommendation for funding from Cuyahoga County Community Improvement Corporation (CCCIC) Economic Development Loan Committee
- County approval process

### *Terms*

- The county will require a second-position mortgage with up to a 90% LTV, minimum DCR of 1.1 and personal and/or corporate guarantees
- Fees: \$250 application fee, \$2,500 loan commitment fee, \$5,000 loan origination fee, legal costs, and 1% annual servicing fee

## Property Reutilization: Redevelopment and Modernization Loan

This partially-forgivable loan program will provide financing to for-profit entities with committed end users for existing site improvements, including asbestos abatement and tenant improvements, as well as the modernization of buildings located in Cuyahoga County.

### Eligibility Requirements

- The borrower must own and operate at the project location for a minimum of 7 years after the completion of remediation
- Up to 25% of the funding may be utilized for acquisition

### Terms

- Loans of up to \$1 million at 4% interest
- 2-year interest only period and maximum loan term of 10 years
- The forgivable portion of the loan will be reduced in equal amounts over 7 years after project completion
- Loan Forgiveness (up to 35%):
  - Percentage of funds spent on vendors located in the county (10%)
  - Project location in Business Attraction Agreement Community or identified area of economic growth (compatible with place based economics) (10%)
  - Job creation credit of 1% per job created above average county wage (up to 15%)

### Partners

United States Environmental Protection Agency  
United States Department of HUD  
Ohio Department of Development, Jobs Ohio  
Ohio Environmental Protection Agency  
Northeast Ohio Regional Sewer District  
Cleveland-Cuyahoga County Port Authority

Cuyahoga County Board of Health  
County and municipal land banks  
First Suburbs Development Council  
National Development Council  
Cleveland Development Advisors  
CDCs and municipalities

### Performance Measures

- Loan repayments
- Job creation/retention
- Dollars leveraged
- Acres/square footage returned to productivity

## **Property Reutilization: Site Expansion**

This fully-forgivable loan program will provide financing to for-profit entities with committed end users for the environmental cleanup and demolition of abandoned, vacant and otherwise underutilized properties that are adjacent to the existing committed end user in Cuyahoga County.

### ***Eligibility Requirements***

- The borrower must obtain an Ohio EPA VAP NFA within two years of project initiation
- The borrower must own and operate at the project location for a minimum of 7 years after the completion of remediation
- The borrower must create and maintain a minimum of 15 jobs within three years of receipt of NFA letter; 75% of which must be Cuyahoga County residents and/or local college graduates. 1 job per \$25,000 loaned
- 50% of funds must be spent with vendors in Cuyahoga County
- Redevelopment of adjacent sites into parking lots does not qualify for funding
- Borrower must execute County Workforce Agreement

### ***Terms***

- Loans up to \$500,000 at 0% interest with a two-year project completion period
- The forgivable portion of the loan will be reduced in equal amounts over 10 years after the VAP NFA has been issued
- Failure to meet job creation requirements will trigger recapture provisions in an amount proportional to 1 job per \$25,000

## **Property Reutilization: Redevelopment Ready Loan**

This partially-forgivable loan program will provide financing to for-profit entities with or without end users for the environmental cleanup and demolition of abandoned, vacant and otherwise underutilized properties in Cuyahoga County.

### ***Eligibility Requirements***

- The borrower must obtain an Ohio EPA VAP NFA within two years of project initiation
- Up to 35% of the funding may be utilized for acquisition
- Up to 15% of the funding may be utilized for infrastructure
- Borrower must execute County Workforce Agreement

### ***Terms***

- Loans of up to \$1 million at 4% interest
- 2-year interest only period and maximum loan term of 10 years
- The forgivable portion of the loan will be reduced in equal amounts over 5 years after the VAP NFA has been issued
- Up to 40% of the loan may be forgiven.
  - Known end user maintained for seven years or more (15%)
  - Percentage of funds that are spent with vendors located in the county (up to 10%)
  - Job creation credit of 1% per job created above average county wage (up to 15%)

## Business Growth, Commercialization and Attraction: Four Programs

1. Small Business Growth
2. Incumbent Worker Training
3. Accelerated Growth
4. Large Scale Attraction

	<b>Business Growth, Commercialization and Attraction</b>			
	<b>Small Business Growth</b>	<b>Incumbent Worker Training</b>	<b>Accelerated Growth</b>	<b>Large Scale Attraction</b>
<b>Summary</b>	Increases Access to Traditional Lending Market	Reimburses 50% of Expenses for Retraining Workers	Capital for Expansion Via Acquisition, New Markets and Diversification	Gap Financing and Incentives for Large Scale Growth and Attraction
<b>Funding Type</b>	Loan (Bank Backing)	Grant	Debt Investment	Loan
<i>Amount</i>	<i>Up to \$500,000</i>	<i>50% of Costs</i>	<i>\$400,000 - \$700,000</i>	<i>\$200,000 - \$2 Million</i>
<i>Forgivable</i>	<i>No</i>			<i>Up to 100%</i>
<i>Interest</i>				<i>2% -7%</i>
<i>Time Period</i>			<i>4 - 7 Years</i>	<i>3 - 15 Years</i>
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>• Small Business</li> <li>• Referred to County by Bank</li> <li>• In Target Industry</li> <li>• Wide Latitude of Potential Fund Uses</li> <li>• Potential Use Must Create Jobs</li> </ul>	<ul style="list-style-type: none"> <li>• Demonstrated Aged Vacancy</li> <li>• Must Provide Skill Training for an Incumbent Worker</li> <li>• In Target Industry</li> <li>• Must Document Job Creation</li> <li>• Reimbursement Based</li> </ul>	<ul style="list-style-type: none"> <li>• Small-to-Medium Size Business</li> <li>• Established</li> <li>• In Target Industry</li> <li>• High Growth Potential</li> <li>• Potential Idea Can Add at Least 20 Jobs</li> </ul>	<ul style="list-style-type: none"> <li>• At Least 50 Jobs with Average Salary Above County Median</li> <li>• In Target Industry</li> <li>• Expanding or Relocating</li> <li>• Demonstrated Ability to Repay Loan</li> <li>• Adequate Collateral and Credit</li> </ul>
<b>Partners</b>	<ul style="list-style-type: none"> <li>• Small Business Association</li> <li>• Federal Reserve Bank of Cleveland</li> <li>• Participating Lender Institutions</li> <li>• Ohio Capital Access Program</li> </ul>	<ul style="list-style-type: none"> <li>• Employment Connection</li> <li>• Area Employers</li> </ul>	<ul style="list-style-type: none"> <li>• Team NEO/Jobs Ohio</li> <li>• Greater Cleveland Partnership</li> <li>• Jumpstart</li> <li>• BioEnterprise</li> <li>• MAGNET</li> <li>• Nortech</li> <li>• WIRE-Net</li> </ul>	<ul style="list-style-type: none"> <li>• Team NEO/Jobs Ohio</li> <li>• Greater Cleveland Partnership</li> <li>• Fund For Our Economic Future</li> <li>• City of Cleveland</li> <li>• Cleveland - Cuyahoga Port</li> </ul>
<b>Performance Indicators</b>	<p><b>Primary</b></p> <ul style="list-style-type: none"> <li>• Dollars Leveraged</li> <li>• Jobs Created</li> <li>• New Revenue Generated</li> </ul>	<p><b>Primary</b></p> <ul style="list-style-type: none"> <li>• Job Retention of Trained Employees</li> <li>• Wage Gain of Trained Employees</li> <li>• Jobs Created</li> </ul>	<p><b>Primary</b></p> <ul style="list-style-type: none"> <li>• Jobs Created</li> <li>• Job Placement</li> <li>• Dollars Leveraged</li> <li>• Follow-on Funding</li> <li>• Payroll Growth</li> </ul> <p><b>Secondary</b></p> <ul style="list-style-type: none"> <li>• New Revenue Generated</li> <li>• Exports</li> <li>• Patents Filed</li> <li>• Skilled Workforce</li> <li>• Program Income</li> <li>• Tax Revenue</li> </ul>	<p><b>Primary</b></p> <ul style="list-style-type: none"> <li>• Job Creation</li> <li>• Job Placement</li> <li>• Dollars Leveraged</li> <li>• Follow-on Funding</li> <li>• Payroll Growth</li> </ul> <p><b>Secondary</b></p> <ul style="list-style-type: none"> <li>• New Revenue Generated</li> <li>• Exports</li> <li>• Skilled Workforce</li> <li>• Tax Revenue</li> </ul>

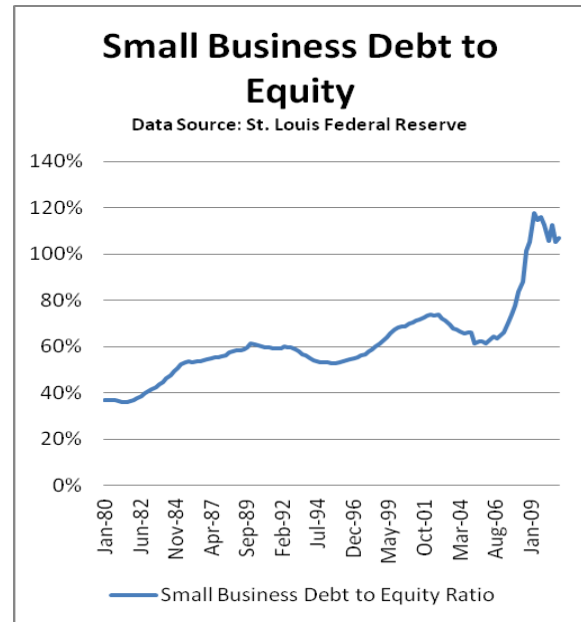
## Business Growth: Small Business Growth

### Overview: Background, Problem Statement and Rationale

Growing businesses assert that banks are not lending. Businesses' cash crunch is exacerbated by tightening credit lines and lending policies. Small businesses are the most nimble of job producers, and without growth, cannot add jobs. Without capital, businesses cannot grow.

Banks *are* lending, though they maintain that good borrowers and strong lending opportunities are few and far between. Since 2008, and for the first time in history, small businesses, on average, have more debt than their ability pay those debts. Lenders risk being overexposed. Both banks and small business want to do deals, but they can't: market failure.

Simultaneously, businesses report – through interviews with loaned executives, business leaders, business organizations and lenders themselves – that local businesses need new loans for working capital. Maturing short term debt met with limited ability to refinance those debts (because of more strict lending) constricts firms' ability to operate at its previous scale. Even in more robust times, lenders are loathe to lend for working capital, even to meet the needs of a contract a borrower seeks capital to fulfill contracts.



### Investment Strategy: Program Description, Purpose and Targeted Clusters

The county's Small Business Growth strategy creates a linkage between banks' community development and small business lending strategies and their desire for greater deal flow and credit-worthy borrowers.

The county is partnering with banks' sales and credit organizations to provide a credit enhancement that improves borrowers' credit request in a way that meets banks' underwriting criteria. Based largely on the Small Business Administration's 7a and 8a lending programs, this approach ensures that public dollars are not replacing private capital which meanwhile benefits from banks' underwriting criteria and expertise by integrating public and private efforts. The approach leverages the county's low cost of capital and multiplies the impact of dollars earmarked for economic development by guaranteeing a loan delivered by traditional lenders rather than lending hard dollars.

The Small Business Growth strategy guarantees a portion of loans made by traditional lenders to those borrowers who would have otherwise been unable to access capital needed to grow. The outcome is a larger local pool of borrowers eligible for loans that foster growth and job creation in Cuyahoga County, while leveraging the expertise, systems, and infrastructure of traditional lenders.

The county's network of participating lenders has developed a specific set of criteria for culling through declined applications, which are referred to the county's small business growth application process.

For applicants who meet the banks' underwriting standards, and reinforced by the county's additional due diligence, credit may be extended to the borrower, contingent on securing traditional financing.

The Small Business Growth strategy is supported with required technical assistance to propel business growth and monitor loan performance. Technical assistance is provided as needed (usually monthly) on a one-on-one basis with qualified county representatives.

### ***Eligibility***

- Referred by participating banks after application is declined
- Meets underwriting standards (high growth potential, capable management, demonstrated plan for growth, established market, not a startup)
- Job creation requirement
- In approved cluster

### ***Application Process***

- Complete application and meet underwriting criteria
- Approval letter from participating lenders
- County approval process
- Quarterly disbursements. However, if the company is not making significant progress in accordance with the cash flow projections, county reserves the right to withhold disbursement.

### ***Terms***

- 75% guarantee up to \$250,000
- 60% guarantee up to \$500,000

### ***Eligible Uses***

- The purchase of land or buildings, to cover new construction as well as expansion or conversion of existing facilities
- The purchase of equipment, machinery, furniture, fixtures, supplies, or materials
- Long-term working capital, including the payment of accounts payable and/or the purchase of inventory
- Short-term working capital needs, including seasonal financing, contract performance, construction financing and export production
- Financing against existing inventory and receivable under special conditions
- To purchase an existing business outside the county and consolidate in Cuyahoga
- Targeted growth industries in the Five Year Economic Development Plan



### ***Prohibited uses***

- To refinance existing debt where the lender is in a position to sustain a loss and the county would take over that loss through refinancing
- To effect a partial change of business ownership or a change that will not benefit the business
- To permit the reimbursement of funds owed to any owner
- To repay delinquent state or federal withholding taxes or other such debts
- For a non-sound business purpose

### ***Partners***

- The Small Business Administration
- The Federal Reserve Bank of Cleveland
- Participating lending institutions in Cuyahoga County
- Ohio Capital Access Program

### ***Performance Indicators***

#### ***Dollars leveraged***

Easy goal: \$10 (private) to \$1 (county) match

#### ***Jobs Created***

Total jobs added

Jobs added that are greater than county average salary

#### ***Revenue Generated***

Quarterly assessment of new revenue created

## Business Growth: Incumbent Worker Training

### Overview: Background, Problem Statement and Rationale

Employers report that there are thousands of jobs in the county that go unfilled because of disconnect between the skills employers need and the skills job seekers possess.

Employment Connection is the pioneering workforce development collaboration between Cuyahoga County and the City of Cleveland. In recent years, it has received national acclaim for its effective delivery of federally funded job placement and occupational training by implementing an employer-driven strategy for workforce development. Federal funding limits Employment Connection's ability to implement some effective strategies, despite proven local need.

The workforce component of the county's \$100 Million Economic Development Fund will provide employer-led training and education that enhances the skills of full-time incumbent workers, raising earnings for workers and revenues of businesses by increasing productivity and the quality of services.

### Investment Strategy: Program Description, Purpose and Targeted Clusters

Incumbent Worker Training (IWT) is an employer-driven business service designed to develop a highly skilled workforce which will result in increased financial viability, stability and competitiveness.

Successful Incumbent Worker Strategies fill positions or skill set demand to meet employer need, and create a new job vacancy that can be filled by Employment Connections' existing federally funded strategies. The outcome is a higher skilled, better compensated employee, a newly employed non-incumbent, and a business better positioned to meet its strategic growth goals.

The strategy also has significant job retention and business retention benefits. IWT:

- **Improves employee performance** in quality, quantity, speed, safety, problem solving, attitude, ethics, motivation, leadership, and communication
- **Saves labor** by reducing duplication of effort, time spent on problem solving, and time spent on correcting mistakes
- **Saves money** by creating a higher skilled workforce. A better skilled workforce means fewer machine breakdowns, lower maintenance costs, lower staff turnover, lower recruitment costs, fewer bad debts, fewer customer support calls, fewer help desk calls, less need for supervision, reduced downtime, and increased worker productivity
- **Improves a company's competitive edge** because it is employer driven IWT can respond quickly to market trends and conditions as well as introduce new technology into the workplace
- **Improves customer satisfaction:** Better-quality work translates to improved products and services
- **Improves employee satisfaction and retention** of staff whose skill sets are enhanced as a result of their employer's investment in them are more likely to stay put. Their self-esteem improves, which in turn improves their morale in the workplace and their loyalty to their employer

## Approach

Working within the context of the Fund, the county will partner with Employment Connection to deploy a competitive process for awarding IWT grants to successful company applicants. Companies applying for training grants must complete an application providing the following information:

- Specific strategies that will benefit workers and the local economy including but not limited to wage gains, attainment of credentials, retention and recruitment improvement
- How training supports competitiveness in the industry
- How are training needs assessed within the company
- Types of training to be delivered
- How training providers will be selected and how are they qualified to provide the training
- How workers are recruited and selected for training
- Activities supporting individuals in completing, utilizing and/or building upon the training being provided

## Eligibility Requirements

- Limited for positions with demonstrated aged unfilled vacancy
- Businesses are among the targeted industries
- Reimbursable training expenses include instructors' salaries, tuition, curriculum development and textbooks / manuals

## Terms

- Reimbursement based (must have approved application prior to training and reimbursement)
- 50% employer match
- Borrower must document job creation
- Borrower must execute County Workforce Agreement

## Partners

- Employment Connection
- Area employers

## Performance Measures

- Job retention of trained employees
- Wage gain of trained employees
- Number of new jobs created in Cuyahoga County

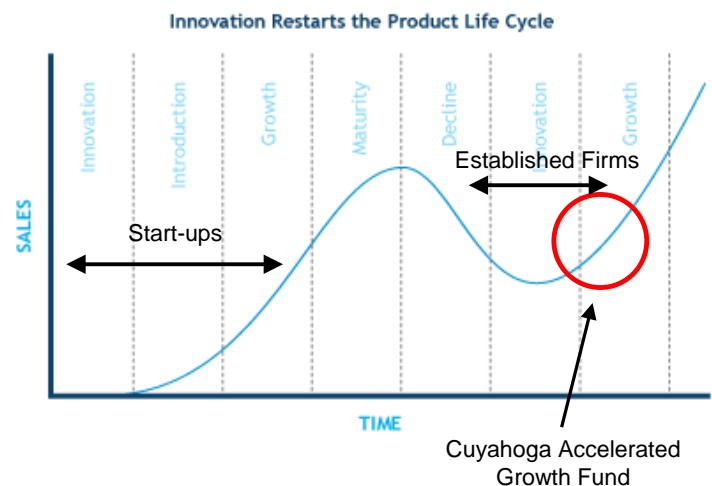
## Business Growth: Accelerated Growth

### Overview: background, problem statement, rationale

Northeast Ohio is an economic region in transition. Several industry sectors have undergone major restructuring as the result of new technologies and globalization. Despite lackluster economic performance, the region maintains a strong, innovative industrial base well positioned for economic growth and industry transformation. The region's rich asset base and continued industrial strength presents Cuyahoga County with a unique opportunity to revitalize its economy.

The foundational strengths of the Northeast Ohio industrial economy must evolve and adapt to new market realities. Companies must integrate new technologies and develop new competencies to remain competitive. Deploying innovations in precision manufacturing, material science, and chemical and mechanical engineering will foster a new paradigm for the region and drive economic growth.

Many industry sectors have responded and have begun to reinvigorate their innovative capacity. Across the region, innovative industry clusters such as the biosciences, advanced energy, instruments controls and electronics, and advanced materials have begun applying new technologies to streamline production and develop cutting edge, high value adding products. This industrial evolution is transforming the regional economy and creating the conditions for



growing the economy.

Advanced manufacturing will play a critical role in transitioning the regional economy. Small and medium sized manufacturers in particular are well positioned to deploy new technologies, adapt to new supply chains, and enter new growing markets. Achieving this transformation at a meaningful scale will require sophisticated and deliberate support systems and resources. Many manufacturing firms need help identifying specific market opportunities. Connecting companies to the appropriate business development and financial resources will enable them to move more rapidly into and advance the emerging clusters.

Cuyahoga County seeks to accelerate this growth and maximize the potential of businesses and industries already in the region. There are myriad organizations and initiatives that seek to build the networks that foster innovation and identify opportunities for growth. Businesses still need the means to take the critical next step. To that end, the county will fill a gap in the region's economic development ecosystem. The Cuyahoga Accelerate Growth Fund will provide access to growth capital to those businesses that want to expand through acquisition, capturing new markets or diversifying their products and services.

January 23, 2012

*Previous drafts are obsolete.*

### **Investment Strategy: program description, purpose, target customer-cluster industries**

Companies seek growth capital to finance a transformational event in their life cycle. These companies are typically established businesses, able to generate revenue and operating profits but unable to generate sufficient cash to fund major expansions, acquisitions or other investments. These companies generally find few alternative conduits to secure capital for growth, so access to growth capital is critical to pursue necessary facility expansion, sales and marketing initiatives, equipment purchases, and new product development. The CAGF targets businesses within target industry clusters that create at least 20 jobs over a 3-5 year period.

Eligible candidates must be established small-to-medium sized (SMSs) businesses with high-growth potential. A company must submit a description of the specific project that funding is being sought and illustrate how the project will bring the company closer to revenue generation. Companies will be assessed based on current operations, business development potential, product pipeline, commercialization process, management team, and compatibility with county industry clusters. Companies with the highest potential for exploiting new markets and increasing revenue and hiring new workers will be ranked highest.

### **Primary Activities: Investment Structure and Process**

The Cuyahoga Accelerated Growth Fund (CAGF) will be structured as a debt investment designed to mimic private equity growth capital. The CAGF targets established small-to-medium sized (SMS) businesses that need access to capital to take the critical next step and restart the innovation process. The Fund will provide resources to businesses that are well positioned to expand and possess the capacity to capture new markets or diversify their products and services.

Selected companies will work with a “Growth-Relationship-Manager” (GRM) to vet and define the parameters of the company growth opportunity. The GRM will provide preliminary market and/or technology validation, connect the SMS to key NEO growth markets, and identify and leverage resources (labor, capital, & technology) necessary to implement the growth plan. The GRM will also work with the company to produce a growth plan prospectus for the business and create an implementation plan that identifies key milestones.

Application for funding is competitive. A company must submit an application to a review committee composed of financiers, accountants, industry specialists, and the county. The application should describe the current business and identify specific opportunities for growth which funding is being sought. The company must illustrate how the project will bring the company closer to job creation.

### ***Eligible use of funds:***

- Acquisition of a business outside the region and relocated to Cuyahoga County
- Commercialize new products beyond the development stage with proven market demand
- Attract businesses that are both new to the county and are complementary to cluster development.
- Facilitate rapid growth by increasing scale, efficiency or both.
- Gap financing needed to attract or close on funding available from other resources.

### *Funding*

- Investments ranging from \$400,000 to \$700,000 with typical investments averaging \$500,000
- Term 4 – 7 years or upon the useful life of the allowable project costs/uses financed
- 2-7% interest
- Job Creation/Retention - Development requires a commitment to create or retain jobs. While there is not a specified dollar per job ratio, the number of jobs committed, as well as the annual payroll will be considered when determining the funding amount.
- Applicant Contribution - Development requires a 25% minimum contribution in the allowable project costs/uses. The required contribution may be higher for early-stage companies and special purpose facilities. In-kind contributions of labor, equipment or similar items are not acceptable as the applicant's contribution.

### *Security & Collateral*

Development requires a first and/or shared first priority mortgage and/or lien position on project costs/uses financed with the loan proceeds. Development may require the following additional collateral or credit enhancements:

- Personal guarantees from owners with more than 20% ownership in the company
- Corporate guarantees from related companies
- Full or partial letter of credit
- Life insurance on key business owners and/or managers
- Other types of credit enhancement, if necessary

### *Application Process*

- Non-refundable \$700 application fee is due upon submitting a completed Financial Assistance Application
- Participation fee equal to 10% of the maximum drawn principal will be payable upon maturity of the loan. This fee is in lieu of Development's ability to take an equity position in the applicant company
- The Application will be reviewed by an external evaluator in concert with Development through a due diligence process. The external evaluator has a blanket Non-Disclosure of Confidential Information Agreement with Development. The external evaluator and Development will review all applications received, and consider which applications to submit to the Cuyahoga County Community Improvement Corporation (CCCIC) for review
- A preliminary project term sheet will be provided by Development staff
- Loans will be presented to the CCCIC for review and recommendation.
- Loans will be presented for review and approval consistent with the county contracting process.
- A loan approval, confirmation and commitment letter will be issued by Development upon approval by the County Controlling Board
- Loan-closing documents are prepared upon receipt of a signed loan approval, confirmation and commitment letter and processing fee

- Loan proceeds are normally disbursed after project completion and loan closing (“take-out” financing), interim financing may need to be arranged by the business

### *Evaluation Criteria*

- Applications will be reviewed by both Development and an outside reviewer. Factors that will be considered include, but are not limited to:
  - Number of high-value jobs to be created as a result of the successful commercialization of a new product
  - Level of risk associated with the commercialization of the new product or service
  - Degree to which the applicant has attracted or will be able to attract additional third party capital
  - Degree to which the company’s business plan identifies the market need and demonstrates a feasible plan for serving that need
  - Level of financial risk and ability of the borrower to repay the loan

### *Preliminary Application Notification*

Potential applicants may submit a short, Preliminary Application that Development will review to determine whether the applicant understands the intent and eligibility requirements of the Fund and appears to have merit. Development requests that the document be a maximum of five pages plus financial statements, and potential applicants are asked to:

- Describe the company
  - The company’s location, size and operating history
  - The products and/or services currently offered
- Describe the proposed project
  - The innovative product or service to be commercialized
  - Amount of CAGF funds requested and how the proceeds will be used
  - The economic impact, including employment (both direct and indirect) and revenue growth resulting from the project
  - The applicant’s position that the uses of loan proceeds can be capitalized under GAAP
  - Total eligible project costs
  - Amount and source of matching funds
- Include three years reviewed and/or audited financials

Development will provide feedback to the potential applicant as to whether the company’s planned application appears to meet the eligibility requirements and intent of the CAGF. Development may also respond with a list of questions that can be answered either (1) before the potential applicant submits a formal application for additional feedback from Development or (2) in the formal application should the potential applicant feel confident the questions will be addressed. The Preliminary Application will not be considered in the evaluation of formal applications; rather, this is an opportunity for potential applicants to gain confidence that the full Financial Assistance Application will meet the intent of the IOF Loan.

Development prefers that Preliminary Applications be sent electronically. Development will respond to the submission of a Preliminary Application as quickly as possible and in the order they are received. The submittal of a Preliminary Application does not bind the applicant to submit a formal application. Similarly, feedback given by Development does not indicate any intent to provide funding.

### **Partners: leveraged funds and technical assistance**

Cuyahoga County possesses a dynamic regional economic development system. There are several economic development organizations within Cuyahoga County that are focused on helping businesses to transition and deploy new technologies, adapt to new supply chains, and enter new growing markets. The county must actively partner with these organizations to maximize return on investment and achieve the greatest leverage possible. Several new initiatives present an opportunity to establish unique public-private partnerships.

The creation of JobsOhio and the JobsOhio Network by the State of Ohio represents a significant new approach to achieve alignment and maximize state investments. The county can utilize the JobsOhio Network to attract additional funding support for businesses that are pursuing new market opportunities. The State has also identified commercial acceleration funding as an important effort to help companies target new opportunities. Within this new regional and statewide collaborative deal flow management system, the county must cultivate partnership with organizations such as:

Team Neo/JobsOhio	JumpStart
The Greater Cleveland Partnership	BioEnterprise
MAGNET - PRISM	Nortech
WIRE-Net	

Accelerating business transformation at a meaningful scale will require sophisticated and deliberate support systems and resources. MAGNET has recently created the Partnership for Regional Innovation Services to Manufactures (PRISM). This new program was developed in collaboration with the Brookings Institute and initially funded by the Cleveland Foundation. PRISM is an initiative to develop and price out a comprehensive, integrated economic development ecosystem for supporting the growth activities of small to medium size manufacturers. MAGNET is currently in the beta launch of the program. The county will work closely with MAGNET to integrate PRISM and the CAGF programs.

### **Performance Indicators: metrics, milestones**

There are two sets of performance measures for the loan program: Primary (Year 1) and Secondary (Years 2-5). Metrics are also distinguished between those that are directly, and indirectly a consequence of county activity and programs.

#### ***Primary Metrics – key measures to be targeted within the first year:***

- Job Creation and Job Placements
- Dollars Leveraged
- Follow-on Funding
- Payroll Growth



*Secondary Metrics – measures to be targeted within the 2 to 5 years:*

- New Revenue Generated
- Exports
- Patents Filed
- Skilled Workforce
- Program Income
- Tax Revenue: Sales, Property & Commercial Activity

## **Business Growth: Large Scale Attraction**

### **Overview: background, problem statement, rationale**

Cuyahoga County is fortunate to possess a highly sophisticated regional economic development system. There are several economic development organizations within Cuyahoga County focused on business attraction and expansion. However, navigating this system is time consuming and often frustrating for businesses that are seeking to locate or expand in Cuyahoga County. Moreover, to be a partner in this ecosystem, the county must have predictable resources to respond quickly when opportunity arises.

Economic development projects are funded primarily through owner equity and private bank financing, with public economic development funds available for “gap financing”. Oftentimes owner equity and conventional bank financing do not provide all of the funding that is needed for projects with significant economic development benefit. Meanwhile, companies seeking to grow or relocate are coveted: as regions work to retain their best employers, they are in competition with other regions seeking to attract businesses poised to move.

Economic development financing tools exist to help fill this funding “gap” and provide incentives to attract and retain those businesses with dramatic economic impact and community benefit to the region. To respond to large scale attraction and retention opportunities that arise from marketing and participation in large scale growth and attraction efforts, gap financing and incentives must be predictably deployed.

### **Investment Strategy: program description, purpose, target industries**

The Business Growth & Attraction Loan Program provides businesses with financial assistance to support the job creation in Cuyahoga County. The Fund is available to provide gap financing and incentives for large scale growth and attraction opportunities for communities in Cuyahoga County.

The program targets businesses in select industry clusters that create at least 50 jobs with an average annual salary above the median annual wage.

### **Primary Activities: investment structure and process**

The program provides long term, fixed-rate financing at interest rates lower than conventional financing. Loans generally range from a minimum of \$200,000 to a maximum of \$2,000,000, up to forty percent (40%) of total project cost. Forgiveness and non-traditional repayment arrangements will be considered for the most catalytic and large scale opportunities. Loan terms are typically 3-5 years on working capital, 5-10 on leasehold improvements, 7 years on equipment and up to 15 years on land and building. The interest rate is typically between 2% and 7%.

### **Eligibility**

- At least 50 jobs with an average annual salary above the median annual wage
- Businesses within the targeted industry clusters
- For-profit commercial, industrial or service businesses that expand or relocating to the county
- Demonstrated ability to repay the loan, maintain adequate collateral and acceptable credit

### **Terms**

- Up to 40% of project costs

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*Previous drafts are obsolete.*

- 3-5 years on working capital
- 5-10 on leasehold improvements
- 7 years on equipment
- Up to 15 years on land and building
- 2-7% interest rate
- Forgiveness available for unique and very large attraction opportunities

### *Eligible Uses*

Loan proceeds may be used for any legitimate business purpose, including working capital, machinery and equipment, acquisition of land and building, construction, renovations and tenant improvements. Loans cannot be used to refinance debt, purchase inventory or pay other non-capital costs. The County does not finance speculative real estate projects without a committed end-user.

### *Requirements*

- \$150 nonrefundable application fee
- Businesses are required to create one new, full time, permanent job for every \$35,000 loaned within three years of loan closing. The business must document and report on all hiring activity and submit all necessary Job Creation Report forms at the end of each year
- Businesses are required to execute Workforce Cooperation Agreement with the county that designates Employment Connections as first source of referral for mutually agreed positions at the company
- Businesses must provide a minimum of ten percent (10%) equity
- Personal guarantee of business owner and/or majority stockholder(s) are required unless a letter of credit is provided
- Corporate guarantee of a subsidiary or related company are required, unless a letter of credit is provided
- Business Hazard insurance in the amount of the loan, naming Cuyahoga County as a loss payee
- Funds are disbursed based on documentation of costs. The company must submit invoices with their request for payment. Proof of payment, (usually cancelled check or bank statement) may also be required. Disbursements may be made as a lump sum or a partial disbursement and take 3 weeks for processing. The repayment start date is triggered by the initial disbursement, whether or not all funds are drawn at that time
- If the loan is for any type of new construction, rehabilitation, expansion or renovation, State of Ohio Prevailing Wages must be used. All estimates of construction costs for a project using County Economic Development Loan funds for construction must use State of Ohio Prevailing wage & benefit rates. Not required for projects where the county funds are being used to purchase equipment only
- A loan fee equal to 0.50% of the loan amount is due at closing to cover actual costs to process the loan. Fees cover the mortgage, filing fees and/or costs associated with environmental review report. An additional Legal Fee will be assessed at closing to cover the county's legal expenses

### **Partners: leveraged funds and technical assistance**

It is critical for the county to clearly identify its role within the regional economic development system, coordinate deal flow, and leverage regional and state resources in a highly efficient manner. This new county structure for economic development will help to align local efforts within the region, engage partners and coordination with the state. Developing strong collaborative partnerships with other economic development organizations will help the county to leverage its investments and ensure greater success. Within this new regional and statewide collaborative deal flow management system, the county has established a local Deal Team approach. Partners included:

- Team Neo (JobsOhio Partner)
- The Greater Cleveland Partnership
- The Fund for Our Economic Future
- The City of Cleveland
- The Cleveland-Cuyahoga County Port Authority

### **Performance Indicators: metrics, milestones**

There are two sets of performance measures for the loan program: Primary (Year 1) and Secondary (Years 2-5). Metrics are also distinguished between those that are directly, and indirectly a consequence of county activity and programs.

#### ***Primary Metrics – key measures to be targeted within the first year:***

- Job Creation and Job Placements
- Business Leads Generated into Deals
- Dollars Leveraged
- Follow-on Funding
- Payroll Growth

#### ***Secondary Metrics – measures to be targeted within the 2 to 5 years:***

- New Revenue Generated
- Tax Revenue: Sales, Property & Commercial Activity
- Exports
- Skilled Workforce

## Management and Organization

### County Staffing and Administration

The Department of Development will manage the Fund with budgeted staff resources. The department has the talent to implement and administer the Fund, though one additional hire may be required to round out needed skill sets.



## Third Party Investment Review: Cuyahoga County Community Improvement Corporation (CCCIC)

The Cuyahoga County Community Improvement Corporation will be tasked with reviewing, troubleshooting and making final funding recommendations for the Fund. Following their external review, applications are subject to the county contracting process.

The Cuyahoga County Community Improvement Corporation is an existing Community Improvement Corporation authorized by O.R.C. Title XVII, §1724 and §1702 for the sole purpose of advancing, encouraging and promoting the industrial, economic, commercial and civic development Cuyahoga County. Currently, the board is Cuyahoga County's formal review agent for industrial revenue bond financing in regular meetings open to the public.

Consistent with Cuyahoga County Resolution #237321 (July 29, 1982), the CCCIC is composed of five county appointments and six members appointed by the Greater Cleveland Partnership.

<i>Current Composition</i>	
<b>Name</b>	<b>Affiliation - Expertise</b>
Lenora Lockett	County – Office of Procurement and Diversity
Matt Rubino	County – Budget Director
Larry Benders	County – Economic Development Director
Wade Steen	County – Fiscal Officer
Dave Reines	County – Workforce Investment Board
Vince Panichi	Private – Accounting
Jeffrey Bechtel	Private – Banking
Renee Richard	Private – Law
Cedric Beckett	Private – Employer (manufacturing supply)
Kirk Jacobson	Private – Banking
Richik Sarkar	Private – Attorney

With an expanded role and elevated profile, the CCCIC will be reconstituted. State law requires that the County appointments must be elected or appointed officials within the county. Current vacancies provide the opportunity for change from the private sector as well. Further, this plan recommends that a representative of the Inspector General attend all meetings.

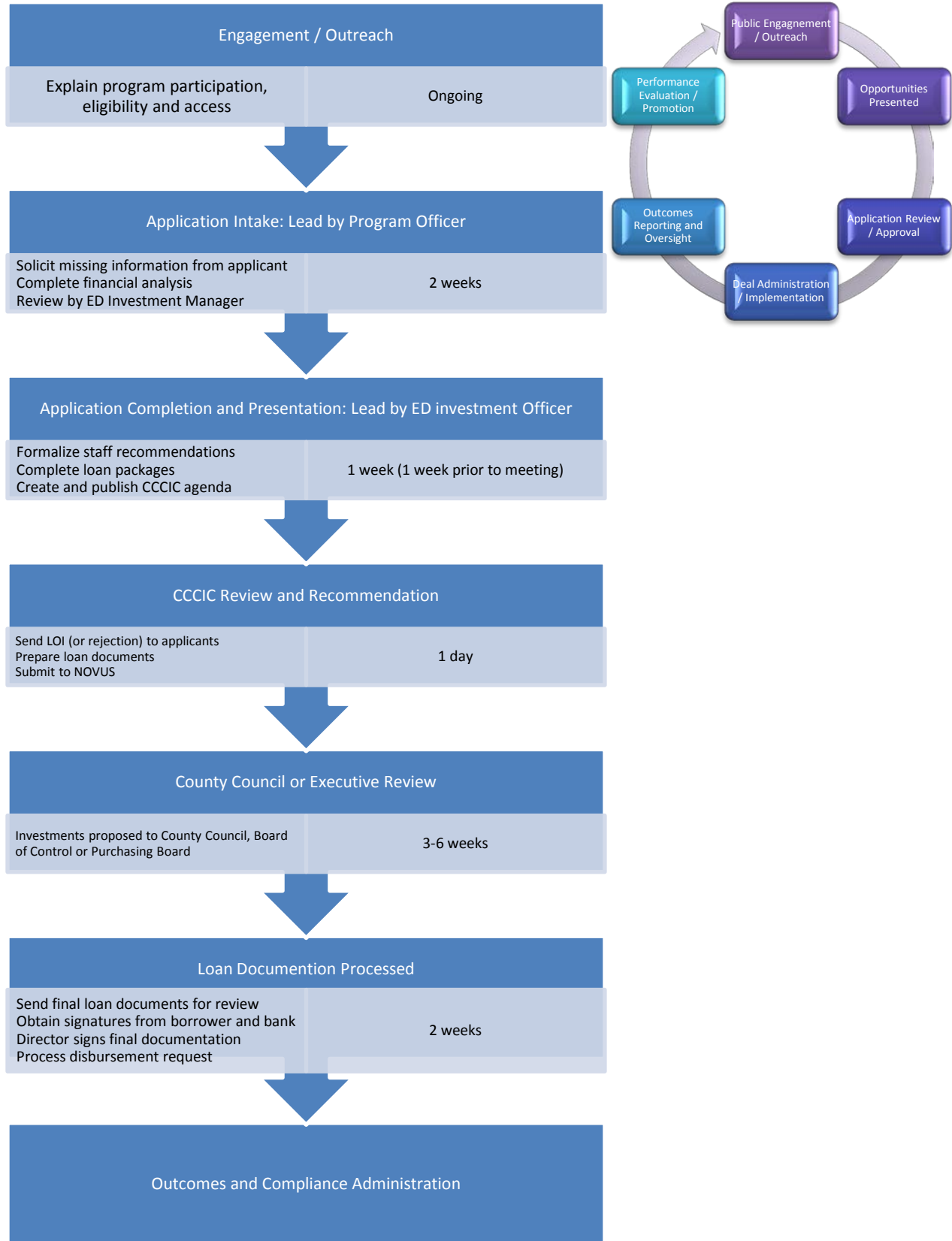
A recommended CCCIC composition to consider:

<i>Proposed Composition</i>	
Name	Affiliation - Expertise
TBD	County – Budget Director
TBD	County – Workforce Investment Board
TBD	County – County Council
TBD	County – Cleveland Economic Development
TBD	County – Suburban Economic Development
TBD	Private –
TBD	Private –
TBD	Private –
TBD	Private –
TBD	Private –
TBD	Private –

The CCCIC will need to amend its article to reflect the County Charter, the board composition recommended above and to add appointment terms and term limits.

The CCCIC will meet at least monthly (the chair has the ability to call special meetings if needed) and will make quarterly reports to the Economic Development Commission. As experience dictates, the frequency of both meetings and reports will be adjusted.

# Application Review and Approval Process



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Previous drafts are obsolete.



## Evaluation Criteria

Distribution of the \$100 Million Dollar Fund will be evaluated consistent with the tenets outlined in Investment Approach (p. 7). Because each program has different uses and users, universal application criteria do not exist. Since applications will be accepted on a rolling basis, they will not be scored against one another. Rather, investment opportunities will be evaluated for their impact. However, some programs may be competitive or have minimum qualification criteria before they are evaluated. Potential evaluation criteria include:

- Potential for Follow-on Funding
- Job Creation/Retention
- Exports Expected
- Potential for Patents Files
- Expected Program Income
- Expected Payroll Growth
- Skilled Workforce Growth
- Tax Revenue Increase
- Leverage
- Potential for Catalytic Results
- Potential for Place Creation
- Community's participation in Business Collaboration Agreement
- Credit
- Acres/Square Footage Returned to Productivity
- Impacted Residents
- Reuse of Existing Public Infrastructure
- Export Potential
- Workforce Development

The following score sheet is to be used by DoD staff, in conjunction with the application, to provide an early, quantitative measure of a project's strategic fit, eligibility, quality, community benefit and financial feasibility.

# Economic Development Fund Project Review Form

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**Project Name:** \_\_\_\_\_

**Fund Vertical:** \_\_\_\_\_

**Vertical Program:** \_\_\_\_\_

**Reviewer:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Council District:** \_\_\_\_\_

This document reflects the review of a project's application to the Fund. Its purpose is to provide the DoD, across all verticals, programs and applications, with a uniform set of measures to ensure that each project is fully and fairly reviewed. It is to be used by DoD staff, in conjunction with the application, to provide an early, quantitative measure of a project's strategic fit, eligibility, quality, community benefit and financial feasibility.

**Reviewer:** Complete only one "Project Specific Measures" section.

# EDF Project Review Form

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## Strategic Fit:

( \_\_\_ of 15 points)

*Narrative that describes how the project comports with our mission, the ED Plan and fund.*

## Universal Measures:

( \_\_\_ of 5 points)

Is the project located or to be located in Cuyahoga County? (If Not , explain and justify)	
Taxes Current?	
Ethics statement signatory?	
Workforce Agreement	
Municipal Resolution of Support	
Duly Organized in OH?	
Other Considerations?	

## Project Specific Measures

( \_\_\_ of 35 points)

### Pre-Seed Program: North Coast Opportunities Technology Fund

<b>Company Qualifications (0 - 11 points)</b>	Industry	Is the applicant a high growth, technology company within a targeted industry sector (advance materials, biosciences, electronics, IT, advanced energy)? Is the company a JumpStart Entrepreneurial Network registered and supported company?
	Deal Stage	Does the company's fund raising to date exceed \$1.5 million? Has the company been selected for due diligence with any equity investors? Has the company successfully received funding from Jumpstart Ventures?
	Job Creation	Has the company identified key positions that need to be hired to sustain the growth of the business? Does the company appear to possess a feasible strategy for hiring essential personnel? Are the five-year employment projection in-line with the company's overall growth trajectory?
<b>Score:</b>	Other	

<b>Company/ Opportunity (0 - 12 points)</b>	Product	Breakthrough potential (vs. "a better mousetrap")? Protectable through patent, trade secret, or highly differentiated business model? Features and benefits clearly articulated?
	Market	Is the market well defined? Is there an urgent market need? Could the market grow to \$1B+ in 3-5 years? Is it a high-growth/hot market? If not currently hot or high growth, is there some fundamental change in the market that could help it become high growth? Does the entrepreneur have a feasible (if not yet perfectly formed) idea on how to go to market?
	Management	Is management experienced in the industry in question, committed to the business at hand (through working full time at the business), and apparently interested in growing the business rapidly through issuing equity/getting outside investors? Have they grown a company before and/or raised outside capital before?
	Venturability	Is the company likely to be able to attract venture capital investment in the future? Is it in a space that the venture community tends towards. Is the market and story compelling enough to attract future investors? Do they fit for the next stage (pre-seed)?
<b>Score:</b>	Other	

<b>Project (0 – 12 points)</b>	Will lead to funding	Will the completion of the project truly make the company more attractive to VC and pre-seed investors? Does it fill a very apparent gap for the company? Has a funding organization told the company that doing the project will make them more interesting for funding?
	Well planned and described	Does the description indicate that the company can plan and execute?
	Feasible	Given the company's resources, the availability of NCO funds and the time allotted, does the project appear to be feasible and likely to be completed successfully?
	Efficient and effective use of funds	Is the proposed project and associated project cost effective and efficient. (a project that costs half as much as an equivalently effective project should score higher)
<b>Score:</b>	Other	

Comments:

## Project Specific Measures

( \_\_\_ of 35 points)

### Business Attraction

#### Large Scale Attraction

Automatic Ineligibility	Yes/ No	
End Use: Commercial or Industrial	If not, then ineligible	
Will project create 50+ jobs with salaries at or above avg County wage?	If not, then ineligible	
Other		
Company Qualifications	(0 – 11 points)	
Commitment from End User	Lease or Letter of Intent	
Does Applicant own or control property area?	If not explain	
Other		
Company/Opportunity	(0 – 12 points)	
In business currently located in Cuyahoga County	Is this an expansion? Are they relocating to Cuyahoga County?	
Targeted Industry Sector	What sector?: (aerospace, automotive, bioscience, healthcare, energy, R&D, steel, food processing, IT, financial, plastic, etc.)	
Other		
Project	(0 – 12 points)	
Is project located in targeted area?	CRA, Improvement Zone, ED Innovation Zone, Disadvantaged Census Tract?	
How long will project take to complete?		
For what purpose will County Assistance be used?	Working capital, Leasehold improvements, Building renovations, Acquisition, Machinery & Equipment	
What is the total project cost?		
What is the % of County participation?		
Other		

#### Comments:

## Project Specific Measures

( \_\_\_ of 35 points)

### Commercial Property:

#### Property Reutilization / Redevelopment Ready

Automatic Ineligibility	Yes/No	
End Use Commercial or Industrial	If not, then ineligible (Parking lots are ineligible unless part of master expansion project)	
Is applicant responsible for the contamination of the site (PRP)?	If so, then ineligible	
Is property currently or formerly a gas station, solid waste facility or green space?	If so, then ineligible	
Is property eligible for the Ohio EPA's Voluntary Action Program?	If not, then ineligible	
Other		
Company Qualifications	(0 – 11 points)	
Commitment from End User?	Lease or Letter of Intent	
Does applicant own or control property for expansion?	If not explain	
Other		
Company/ Opportunity	(0 – 12 points)	
Targeted Industry Sector	List industry sector	
If End User, is existing business in Cuyahoga County	Is Business Expanding? Is Business relocating to Cuyahoga County?	
Other		
Project	(0 – 12 points)	
Have environmental assessments been completed?	Phase I ESA Phase II ESA Remedial Action Plan Asbestos Survey	
Is project located in targeted area?	CRA Improvement Zone ED Innovation Zone Disadvantaged Census Tract	
How long will project take to complete?		
For what purpose will County Assistance be used?	Environmental cleanup, Demolition Acquisition (Not to exceed 35% of loan request) Infrastructure (Not to exceed 15% of loan request) Site Clearance	
What is the total project cost?		
What is the % of County participation?		
Are any green/sustainable techniques being utilized in the redevelopment project?		
Other (add comments on additional pages)		

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Previous drafts are obsolete.

## Project Specific Measures

( \_\_\_ of 35 points)

### Commercial Property

#### Property Reutilization / Redevelopment and Modernization

Automatic Ineligibility	Yes/ No	
End Use Commercial or Industrial	If not, then ineligible	
Commitment from End User?	Lease or Letter of Intent If not, then ineligible	
Is applicant responsible for the contamination of the site (PRP)?	If so, then ineligible	
Other		
Company Qualifications	(0 – 11 points)	
Does applicant own or control property for project?	If not explain	
Other		
Company/Opportunity	(0 – 12 points)	
Targeted Industry Sector	List industry sector	
Is this an existing business located in Cuyahoga County?	Is Business Expanding? Is Business relocating to Cuyahoga County?	
Other		
Project	(0 – 12 points)	
Have environmental assessments been completed?	Phase I ESA? Asbestos Survey?	
Is project located in targeted area?	CRA Improvement Zone ED Innovation Zone Disadvantaged Census Tract	
How long will project take to complete?		
For what purpose will County Assistance be used?	Environmental cleanup Demolition Acquisition (Not to exceed 25% of loan request) Infrastructure Site Clearance	
What is the total project cost?		
What is the % of County participation?		
Are any green/sustainable techniques being utilized in the redevelopment project?		
Other (add comments on additional pages)		

## Project Specific Measures

( \_\_\_ of 35 points)

### Commercial Property Property Reutilization / Site Expansion

Automatic Ineligibility	Yes/ No	
End Use Commercial or Industrial	If not, then ineligible	
Will project create at least 15 jobs within three years of completion? Will 75% of new jobs go to County residents or local college graduates?	If not, then ineligible If not, then ineligible	
Is applicant responsible for the contamination of the site (PRP)?	If so, then ineligible	
Is property currently or formerly a gas station, solid waste facility or greenspace?	If so, then ineligible	
Is property eligible for the Ohio EPA's Voluntary Action Program?	If not, then ineligible	
Commitment from End User in place?	Lease or Letter of Intent? If not, then ineligible	
Other		
Company Qualifications	(0 – 11 points)	
Does applicant own or control property for project?		
Other		
Company/ Opportunity	(0 – 12 points)	
Targeted Industry Sector?		
Other		
Project	(0 – 12 points)	
Have environmental assessments been completed?	Phase I ESA Phase II ESA Remedial Action Plan Asbestos Survey	
Is project located in targeted area?	CRA Improvement Zone ED Innovation Zone Disadvantaged Census Tract	
How long will project take to complete?		
For what purpose will County Assistance be used?	Environmental cleanup Demolition Acquisition (Not to exceed 25% of loan request) Infrastructure Site Clearance	
What is the total project cost?		
What is the % of County participation?		
Are any green/sustainable techniques being utilized in the redevelopment project?		
Other (add comments on additional pages)		

January 23, 2012

Previous drafts are obsolete.



<b>Community Benefits:</b>		<b>( ___ of 30 points)</b>
<b>Job Impact (0 – 15 points)</b>		
Jobs created		
Jobs retained		
Wages relative to County average		
Connectivity – Is project located along public transportation?		
Is project located in an area experiencing greater than avg. unemployment?		
Willing to use County employment resources (eg Veterans, WIA, TANF, MRDD ...)		
Jobs Other		
<b>Funding (0 – 7 points)</b>		
% of County incentive to be used to “buy local/regional”		
% participation by DBE/SBE		
Project leverages adjacent projects?		
Funding Other		
<b>Neighborhood Impact (0 – 8 points)</b>		
Acres and/or ft <sup>2</sup> returned to reuse		
Has property been vacant or abandoned greater than five years?		
Diversity/Inclusion		
Community Need		
Smart Growth – Mixed use?		
Compact building design?		
Redevelopment in existing community?		
LEED/Green/Sustainability		
Neighborhood Impact Other		
Comments:		

<b>Collaboration:</b>		<b>( ___ of 6 points)</b>
<b>Signing</b>		
Protocol (3 points)		
Business attraction alternative (0 - 1 point)		
<b>Active Economic Development Participant (0 – 3 points)</b>		
Comments :		

**Financial Feasibility:****( \_\_\_ of 10 points)**

Financial Statements (3 years)

5-year Proforma

Sources and Uses

D &amp; B Credit Score

% of Owner investment in the project

Loan to Value (LTV) or Letter of Credit

Debt Coverage Ratio (DCR)

Security – strength of guaranty(s)

% Equity

Evidence of other funding commitments

Net worth of company

Sales Growth and/or Industry outlook

Other Considerations?

**TOTAL:****( \_\_\_ of 101 points)**

## Communications Plan

### **Business and Community Engagement Plan**

Starting in January 2012, the Department will lead a countywide Economic Development Fund Roadshow to engage the business community and economic development stakeholders to:

- Promote the use of the Economic Development Fund
- Establish the county's new role in economic development
- Strengthen partnerships with our partners in economic development

Partnering with Employment Connections, the department will use an automated dialer system to invite businesses to one of eleven presentations, generally divided by County Council district. The presentations will provide an overview of the Five Year Economic Development Plan, and information on accessing the \$100 Million Economic Development Fund. With appropriate audiences, the department will also present information regarding county community development (housing) programming.

In addition to this direct engagement with businesses, the department will similarly engage public and private organizations that work with businesses, including the Cuyahoga County Mayors and Managers Association, the First Suburbs Development Council, the Greater Cleveland Partnership, local chambers and rotaries, TeamNEO and other organizations committed to the region's economic development.

## **October / November 2011**

- Meet with editorial boards to share the details of the Fund
- Continue meeting with economic development partners to share and refine plan details

## **December 2011**

- Convene regional banking leaders to announce Small Business Growth program
- Announce Economic Development Fund roadshow schedule

## **January 2012 and beyond**

- Announce Economic Development Fund roadshow results
- Advertise economic development achievements
- Link all economic development achievements to Economic Development Fund
- Report awards
- Relentlessly promote resulting outcomes
- Report progress towards benchmarks

## Operational Plan

		Council Meeting Date							
		1/10/2011	1/24/2011	2/14/2011	2/28/2011	3/13/2011	3/27/2011	4/10/2011	4/24/2011
<b>Programs Launches</b>		5		2		1		4	
Innovation Development									
Micro Enterprise			RFP		Partnership	Launch			
PreSeed Fund		Launch							
Next Stage Fund								Launch	
Innovation Match						JobsOhio		Launch	
<b>Commercial Property</b>									
Modernization		Launch							
Site Expansion		Launch							
Redevelopment Ready		Launch							
<b>Business Growth and Attraction</b>									
Small Business Growth				Launch					
Incumbent Worker Training				Launch					
Accelerated Growth						Partnership		Launch	
Large Scale Attraction		Launch							

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<sup>i</sup> Nortech Study

<sup>ii</sup> Jumpstart 2010 VC Annual report

<sup>iii</sup> Jumpstart 2010 VC Annual Report

<sup>iv</sup> ESP awards from 2007-2012 and Pre-seed awards 2005-2011