

2007-2009 Plan for ShoreBank Enterprise Cleveland

I. EXECUTIVE SUMMARY

ShoreBank Enterprise Cleveland's 2007-09 strategic plan is designed to achieve the following measurable goals.

- Increase annual investments through Enterprise Finance Fund (EFF) to \$8-10 million by 2009.
- Increase EFF's loans outstanding to \$13.8 million by 2009.
- Increase incremental gross revenues generated by EFF portfolio companies to \$80 million by 2009.
- Eliminate operating deficits at Glenville Enterprise Center (GEC), including replacement reserves, by 2009.
- Expand Jobs Partnership Cleveland (JPC) program to serve 150 students annually by 2008 and 500 students annually 2009. Achieve 100 job placements in 2007 and 2008. Achieve 300-400 job placements by 2009.

SEC's key challenges and the corresponding actions proposed to conquer these challenges are:

Challenge: Need to raise \$8-10 million in new EFF capital.

Priority Actions:

- Leverage recent successes with local investors, especially ShoreBridge members.
- Collaborate with other SBK nonprofits on capital-raising ("Third Coast").
- Establish EFF as separate entity; remove impact of GEC on EFF leveraging potential.
- Secure CDFI certification and funding.
- Pursue capital and operating support for three initiatives that build on current programs: 1.) Northeast Ohio Minority Business Accelerator; 2.) International Attraction Program (with Cleveland Foundation); and, 3.) A Contractor Assistance Program (with City of Cleveland and major Cleveland institutions).

Challenge: Organize EFF so earnings cover operational costs as portfolio grows.

Priority Actions:

- Upgrade loan servicing, internal risk management (credit quality and portfolio quality) systems in concert with shared personnel, policies, guidelines, and technology, platforms used by SEP, NI, SNI, and SED.
- Find ways to use low-cost but reliable technical assistance providers.
- Balance "high touch" portfolio with less labor-intensive investments.
- Add one staff person in 2007 in order to handle increased loan volume.

Challenge: Overcome twin issues relating to sustainability of Glenville Enterprise Center (GEC): Limitations on what current tenants can pay and the rising costs of responsibly managing a large mixed-use industrial facility.

Priority Actions:

- Perform sensitivity analysis on effects of various rent increases...act on results.
- Substantially reduce utility costs through additional conservation improvements.
- Establish an endowment, the earnings on which would be used as replacement reserve
- Establish construction industry training center plus contractor incubator program as anchors in building.
- Work to accommodate growth of ePrep Academy within building.

Challenge: There is no obvious source for putting the Jobs Partnership and Workforce Solutions program on a sustainable footing.

Priority Actions:

- Organize Cleveland faith-based institutions to take over governance of an expanded Jobs Partnership Program.
- Continue Workforce Solutions as an integral part of advisory services provided EFF and GEC customers.
- Mobilize churches to work with SEC and ShoreBank on common E. 105th Street Corridor redevelopment effort.

II. THREE YEAR PLAN

A. Enterprise Finance Funds: Increase loans/investments outstanding (through ShoreGrowth and ShoreBridge) to \$6-7 million per year in 2007 and 2008 and to \$13.8 million in 2009.

Strategy 1: Expand customer targets and products lines serving those customers.

- Continue to reach out to early stage construction, metalworking, and health care firms located in Cuyahoga County.
- Continue to offer “add-on” loans and investments to growing portfolio companies.
- Expand revolving line-of-credit products to serve established but capital-starved firms.
- Initiate program to provide loans to promising minority-owned firms located anywhere in Northeast Ohio (in conjunction with NEO Minority Business Accelerator Program).
- Expand product offerings to small construction firms and real estate developers through contractor lines of credit offered in conjunction with a proposed Contractor Assistance Program (with potential capital support from City of Cleveland and major local institutions.)
- Initiate program to provide equity and equity-like financing of conservation and alternative-energy companies (Third Coast Fund).
- Along with ShoreBank, target small business and real estate development investments in four sub-neighborhoods that are part of the Strategic Neighborhood Initiative (SNI) and adjacent to University Circle (Wade Park area of the Glenville, Upper Chester area of Hough, Buckeye-Shaker, and Fairfax).
- Work with Cleveland Foundation and area business incubators to provided early stage working capital for international firms looking to establish Cleveland operations.
- (Per Board Retreat) As part of long-term plan, consider placing primary emphasis and resources on state-of-the-art program to serve the construction industry.

Strategy 2: Build staffing, business assistance, and administrative capacities to support a three-fold increase in lending/investments by 2009.

- Add one staff person in 2007 so that EFF team is comprised of a senior manager/lender, two lenders, and one administrator.
- Review and revise ShoreGrowth and ShoreBridge Investment Policies with the goal of bringing those policies in line with the overall ShoreBank not-for-profit policies, wherever possible, by January 2007.
- Fully implement Nortridge Loan System by January 2007.
- Become a full partner in the Internal Risk Management system being developed by ShoreBank nonprofits. Engage shared internal risk management services by January 2007.
- Reorganize credit files to meet Corporate Risk Management standards.
- Implement standardized system for screening, reviewing, and acting on inquiries and applications.
- Leverage services of other organizations to augment technical assistance and underwriting capacities of staff. Ideas include:
 - An ongoing intern-staffed partnership with CWRU and/or Baldwin Wallace College where students would complete some of the tasks associated with underwriting a prospective credit.
 - An agreement with Baldwin Wallace College (through BW's Business Plan Clinic) to provide one-on-one business planning services (for a small fee to be paid by our customers).
 - Expansion of the pilot program through which Redus Small Business Advisors provides intensive business coaching for high potential minority-owned firms.
 - A partnership with the Minority Business Accelerator (proposed regional initiative) to seriously consider credit requests referred by MBA's staff. MBA would agree to provide the subject small business long-term intensive technical assistance, if needed.

Strategy 3: Raise \$8-10 million in new capital.

- Pursue following:
 - A request of the Fund for Our Economic Future to provide \$2.5 million in support of a Northeast Ohio Minority Business Accelerator initiative.
 - A concept to co-create with ShoreBank Enterprise Detroit and ShoreBank Neighborhood Institute a “Third Coast” or “Green Lakes” investment program focused on environmental lending.
 - Funding of a Construction Contractor Assistance program by local institutions and governments.
 - CDFI designation and funding.
 - Seek new investments by ShoreBridge members.
 - Secure technical support and coaching for SEC management on ways to leverage balance sheet.

B. Collinwood Enterprise Center (CEC): Eliminate unproductive drain on resources by selling Collinwood Enterprise Center by end of 2006.

Strategy 1: Close on sale of property to Cleveland Home Repair:

- In September, SEC signed an agreement to sell the property to Cleveland Home Repair, a long-standing local minority construction contractor. The sale would net just enough proceeds to clear the outstanding debt. The sale is only contingent on securing a waiver of a “federal interest” filed on the property by the U.S. Department of Health and Human Services. A request for the waiver is pending HHS action. The closing deadline is November 30, 2006, although Cleveland Home Repair is likely to agree to an extension if the HHS matter isn't resolve by the deadline.

C. Glenville Enterprise Center: By 2009 have GEC revenues cover GEC expenses, including an adequate replacement reserve.

Strategy 1: Strengthen tenant base by expanding use of the facility for programs that foster public education and entrepreneurship.

- By 2008, expand Entrepreneur Preparatory School, a Cleveland Municipal School District Charter School, into the full fourth and third floors of the building's west wing.
- Utilize parts of second floor office space as an incubator for small contractors.
- Utilize the second floor of the south wing (former CET space) for a construction-skills training program.
- Maintain tenancies of existing programs that foster entrepreneurship:
 - Kent State's Entrepreneur Academy
 - Entrepreneurs for Sustainability
 - Sankofa
 - Silent Partners

Strategy 2: Adjust tenant charges (rents plus utility chargebacks) to levels adequate to cover building expenses.

- Prepare detailed revenue/expense projections for 2007 with eye toward adjusting charges.
- Consider and implement cost reductions with respect to energy costs, property taxes, security charges, and maintenance expenses.
- Develop and adhere to rigorous preventative maintenance program.

Strategy 3: Aggressively market unoccupied space – achieve and maintain a 90% occupancy rate.

- Organize community open houses.
- Utilize SEC's website.
- Improve networking with economic development organizations.
- Promote "value-added" services.

Strategy 4: Raise sufficient funds to cover present and future capital improvement needs.

- Raise \$50,000 in 2006 to cover exterior masonry repairs.
- Develop specifications and cost estimates for overhauling inefficient electrical system, replacement of windows, carpet replacement, parking lot repaving, and roof replacements. Pursue capital grants for completing these improvements.
- Develop method for funding a reserve for future capital improvements.

C. Workforce Solutions: By 2009 provide workforce preparation and soft skill training to 500+ seekers per year.

Strategy 1: Spin Jobs Partnership Cleveland off as a separate tax-exempt non-profit organization governed by leaders of participating faith-based organizations and local businesses.

- In 2006 and 2007, convene interested parties to decide on governance structure, establish program goals, and launch fund raising campaign.
- Complete multi-year funding proposal geared to securing sufficient funding to support a citywide initiative, involving 30-40 faith-based organizations, and training 500+ students per year.
- Maintain SEC's support for Jobs Partnership courses – in collaboration with participating faith-based organizations – until the transition to a stand-alone entity is completed. Extend program to 12-15 courses a year: 4 beginning in January, 4 beginning in June, and 4 beginning in September.

Strategy 2: Continue to offer human resource advisory services to portfolio companies and companies located in the Enterprise Center.

- Begin to significantly increase job placements in EFF portfolio companies based on growth of earnings and employment of portfolio companies.
- Determine levels of service that might be supported by fees paid by companies.

Strategy 3: Take the lead in bringing high quality construction training program to the Glenville Enterprise Center.

- Determine interest of local programs to establish east side neighborhood construction training site at GEC (most likely within the former CET space).
- Seek capital improvement funding to retrofit space for such a site.

III. NEW STRATEGIES, BUSINESS LINES OR EXPANSIONS

Threefold expansion of Enterprise Finance Fund Lending Activity

1. **Northeast Ohio Minority Business Accelerator Program**

Anticipated date for preliminary MC review:	1/07
Anticipated completion of business plan for gatekeeper review:	5/07
Anticipated date for requesting final approval and/or capital allocation:	9/07

2. **“Third Coast” or “Green Lakes” Environmental Fund**

Anticipated date for preliminary MC review:	1/07
Anticipated completion of business plan for gatekeeper review:	5/07
Anticipated date for requesting final approval and/or capital allocation:	9/07

3. **Construction Contractor Assistance Program**

Anticipated date for preliminary MC review:	11/07
Anticipated completion of business plan for gatekeeper review:	2/07
Anticipated date for requesting final approval and/or capital allocation:	6/07

Spin-off of Jobs Partnership Program

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| Anticipated date for preliminary MC review: | 11/06 |
| Anticipated completion of business plan for gatekeeper review: | 2/07 |
| Anticipated date for requesting final approval and/or capital allocation: | 6/07 |

IV. MUTUALLY BENEFICIAL INTER-COMPANY COLLABORATIONS AND SYNERGIES

- Joint marketing and cross-referrals with ShoreBank Cleveland.
- Pre-development financings provided by SEC for ShoreBank Cleveland customers.
- Workforce advisory services provided ShoreBank Cleveland customers
- Collaborations with SBK nonprofits on shared services, standards, capital raising.
- Proposed “Third Coast” fund – in conjunction with SED and SNI.