

Ohio City to follow 'clean and safe' model

Businesses would assess themselves for added security, maintenance

By JAY MILLER
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Ohio City is getting serious about its business.

Cleveland City Councilman Joe Cimperman expects to introduce legislation today, May 2, that will begin a process leading to property owners in the city's Ohio City neighborhood assessing themselves for added security and maintenance in

the district.

Eric Wobser, executive director of Ohio City Inc., the neighborhood's non-profit community development organization, said property owners want to create a business improvement district, or BID, that would add a privately financed "clean and safe" program to existing city police and public



Wobser

service efforts. The BID in Ohio City would be patterned after business improvement districts that already cover a large part of downtown Cleveland and the Gordon Square Arts District on Cleveland's West Side.

Creation of a BID in Ohio City anticipates a reinvigorated neighborhood with the renovation of Market Square Park and the

100th anniversary of the West Side Market, the neighborhood's heart. Both properties are at the intersection of West 25th Street and Lorain Avenue.

Working in one of the city's oldest neighborhoods, Ohio City Inc. has made great strides in the last year to redevelop and focus its business district. Mr. Wobser said the area is using the presence of the West Side Market to brand the neighborhood as a center for artisan foods and other products made in Northeast Ohio in order to capitalize on growing

consumer demand for local products.

The Ohio City group and Charter One Bank recently announced a small business development grant program that is helping West Side Market merchants and other Ohio City retailers expand in the neighborhood. Virginia Houston, the neighborhood group's director of marketing and development, said 20 new businesses opened in Ohio City in 2010 and only six retail storefronts currently are vacant.

According to a fact sheet prepared See **ASSESS** Page 4

THE WEEK IN QUOTES

"When you see consumer commercials talking about the cloud, you know it has hit mainstream."

— Ron McClellan, director of online and hosted services, Hyland Software Inc. Page One

"We have to look outside of Ohio to make our freshman class. To do that, we have to go out and market Kent State and offer those students good financial aid packages to close the deal to get them to enroll."

— T. David Garcia, associate vice president for enrollment management, Kent State University. Page One

"There are very few doctors in the world with as much clinical expertise and leadership in the field of mitochondrial disease as Cleveland's own Dr. Bruce H. Cohen."

— Health Care Hero nomination for Dr. Bruce H. Cohen, a 2011 winner in the physician category. Page H-5

"(Lynda Corea) has educated thousands regarding the power they have to save lives by becoming registered organ, eye and tissue donors."

— Health Care Hero nomination for Lynda Corea, a 2011 winner in the volunteer category. Page H-6

INSIGHT

SMALL STEPS, BIG FUTURE

State, handful of Northeast Ohio investors fill the financing gap for entrepreneurs in search of more modest seed capital

By CHUCK SODER
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In Michael Camp's view, providing entrepreneurs with mentoring and relatively small amounts of seed capital — say, between \$10,000 and \$50,000 — is a fast, low-risk way to create new businesses, jobs and wealth.

Too many investors, however, are looking to make larger deals or consider brand-new startups too risky, said Dr.

Camp, academic director at Ohio State University's Center for Entrepreneurship.

A few organizations in Northeast Ohio, and the state of Ohio itself, are working to fill that gap.

The newest program is the Ohio's New Entrepreneur Fund. Backed by a grant from the state's Third Frontier economic development program, the fund this summer will award \$20,000 grants to 10 teams of entrepreneurs trying to start

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JESSE KRAMER

Shaker LaunchHouse, founded by Todd Goldstein (left) and Dar Caldwell, is one of a handful of investor groups focusing on smaller cash infusions for entrepreneurs.

To help clients grow, LaunchHouse expands

By CHUCK SODER
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Shaker LaunchHouse is preparing for liftoff.

The once-tiny business incubator has grown rapidly of late with the help of the city of Shaker Heights, a new investor and a long list of supporters.

Among those backers are more than 50 clients who plan to pay to use space in Shaker LaunchHouse's new 23,000-square-foot headquarters — the former Zalud Oldsmobile dealership at the

corner of Lee Road and Chagrin Boulevard that the city of Shaker Heights bought in 2005.

Nine clients already have signed up to rent for \$500 a month all 12 offices Shaker LaunchHouse is building inside the dealership's 7,000-square-foot showroom. Another 30 have agreed to pay \$100 a month to have desks in an open work space designed to promote collaboration. And others will pay \$30 a month to use Shaker LaunchHouse's services and work from a coffee bar that will be built into the north side of the show-

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Rise in bank deposits signals more uncertainty

Consumers continue to adopt 'fortress' attitude

By MICHELLE PARK
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Bank deposits are continuing to grow, with the mounting cash seen as another sign that people and businesses remain uncertain about the strength or extent of the economic recovery.

Several banks doing business in Northeast Ohio are reporting year-over-year increases in core deposits — an indication that depositors still want to keep cash readily accessible should they desire or need it.

"There are more deposits sitting in the bank today than there might be in two years," said Todd Barnhart, director of retail deposits for PNC Bank, which reported core deposits of \$140.3 billion as of March 31, a 6.5% increase over its deposits at March 31, 2010, and a 17% jump over levels of March 31, 2009.

"I think you really see the continued fortress attitude," Mr. Barnhart said, noting that consumers "want to stay liquid because they're not really sure yet if the economy's taken hold."

Other banks also have seen growth in core deposits, which include savings, checking and money market accounts.

Fifth Third Bank's core deposits were up nearly 10% across its markets as of March 31 from the like date last year. Deposits have grown in part because the Cincinnati-based bank is adding customers and because "many consumers and companies became more risk averse" and have created "cash cushions," said Jerry Kelsheimer, president and CEO for Fifth Third in Northeastern Ohio.

U.S. Bank spokeswoman Lisa H. Clark described the bank as "deposit heavy" currently. Deposits across its 25-state footprint were up 7.3% as of March 31 from the like date last year after rising 4.5% over the previous 12 months.

And growth isn't exclusive to the big boys: Eaton Family Credit Union, with three Northeast Ohio locations, recorded 5% deposit growth in the first quarter and 25% growth in the

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Small: Investors hope funds keep talent here

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new businesses. Those groups will spend 11 weeks working on their ideas in Columbus at the 10x business accelerator, which OSU's Fisher College of Business created in conjunction with the new fund.

If the state likes the results, it will expand the fund to work with incubators elsewhere in Ohio.

Besides this new fund, two existing Northeast Ohio organizations — Shaker LaunchHouse and Hatch Partners LLC — are expanding the number of investments they make in fledgling companies.

The Ohio's New Entrepreneur Fund, LaunchHouse and Hatch are all different, but each typically provides entrepreneurs with \$10,000 to \$50,000 in seed capital and the advisory services of experienced entrepreneurs — a combination that Dr. Camp and some members of Northeast Ohio's business community say is an effective way to grow new companies.

To back up that assertion, Dr. Camp cited two out-of-state programs: TechStars, which operates business incubators in New York, Boston, Seattle and Boulder, Colo., and Y Combinator, which is based in the Silicon Valley region of California.

Together, the Ohio's New Entrepreneur Fund and 10x were designed to work like a nonprofit version of those two for-profit programs, which provide small amounts of money and large amounts of mentoring from experienced entrepreneurs. The two incubators, which take equity stakes in the companies they work with, have helped launch lots of businesses and have become magnets for investors looking for promising companies.

"It's better than the venture capital model, and it's certainly better than the angel model by itself," Dr. Camp said.

Stemming the exodus

The Shaker LaunchHouse business accelerator in Shaker Heights and its affiliated for-profit investment fund also drew inspiration from TechStars and Y Combinator, according to founders Todd Goldstein and Dar Caldwell. Thanks to a \$250,000 cash infusion from an undisclosed investor, the investment fund — Goldstein Caldwell & Associates LLC, which does business under the LaunchHouse name — will make about 15 investments of about \$10,000 each over the next 12 months. The fund made just 12 investments from 2008 through 2010.

At the same time, the two entrepreneurs who founded Findaway World LLC of Solon are ramping up the number of investments they make and the assistance they provide to entrepreneurs through Hatch.

Blake Squires and Christopher Celeste can invest more through Hatch now because last December they sold their shares in Findaway World, which makes Playaway-brand digital audio players.

One reason they wanted to put more time and money into Hatch is because they saw so few groups in the area making smaller investments. Mr. Squires said the need grew last year, when the Cleveland Foundation decided to suspend the operations of the Civic Innovation

Lab, which made \$30,000 investments in for-profit companies and nonprofit groups with ideas that could benefit the region.

"We saw a big gap in those \$30,000 to \$50,000 to \$80,000 opportunities," Mr. Squires said.

Making small investments available to entrepreneurs could help keep talented young people in the region, according to Mr. Caldwell, of LaunchHouse.

"That's one of the big reasons why we've seen this exodus from Cleveland," he said.

Startups need a jump

Ron Copfer, who has started multiple information technology companies in Northeast Ohio, for years has wanted to see local organizations provide more entrepreneurs with relatively small amounts of seed capital.

In particular, he'd like to see business development group JumpStart Inc. fill that role. In March, the Cleveland-based nonprofit — which invests a few hundred thousand dollars in individual startups and provides advisory services to those companies and others — organized a public meeting to address a series of criticisms that Mr. Copfer and two other entrepreneurs raised in a chain of emails forwarded to business leaders and politicians throughout the region.

Mr. Copfer in the emails suggested, among other things, that JumpStart should make smaller investments, and more of them. Doing so would give the largest possible number of startups a chance to succeed, Mr. Copfer said. It also would get more companies to the point where they would be ready to receive larger investments, he said.

"The ground-up model will be the fuel for the other models," he said.

JumpStart, which receives nearly half its money from the state of Ohio, does provide operational support to groups that provide small amounts of capital to entrepreneurs. Among them are the Lorain County Community College Foundation's Innovation Fund and the Wooster Opportunities Fund, which was created late last year. JumpStart will provide services to the Cleveland International Entrepreneurs Fund when it launches in June.

JumpStart CEO Ray Leach said the organization invests a few hundred thousand dollars at a time because it wants to prepare companies to attract larger amounts of follow-on capital in the shortest possible amount of time. Attracting follow-on capital is a key metric by which JumpStart is judged when applying for state money, he said.

JumpStart would make smaller investments if its financial backers deemed them a priority. Mr. Leach said he sees unmet demand for investments of all sizes, but he noted that most entrepreneurs are looking for \$50,000 or less.

That level of support often is provided by individuals, be they wealthy investors or an entrepreneur's friends and family, Mr. Leach said. In Northeast Ohio, though, there are only so many people with money to spare, he said.

"There's a heck of a lot less friends and family money here than in other parts of the country, particularly for a first-time entrepreneur," he said. ■

LaunchHouse: Businesses offer mentoring

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room, which is attached to a service bay that will house prototyping equipment as well as seminars and networking events.

About two-thirds of the clients are entrepreneurs, and the rest are service providers who aim to help them, said Dar Caldwell, who in early 2008 founded the incubator with Todd Goldstein.

"This is probably the most affordable work space in, maybe, America?" Mr. Caldwell said to laughs.

Shaker Heights has provided support in the form of \$500,000. Most of the money is helping renovate the city-owned building; the rest goes to fund incubator operations.

A for-profit investment fund that is affiliated with the nonprofit incubator and does business under the LaunchHouse name also recently raised \$250,000 from an unidentified investor, according to Messrs. Goldstein and Caldwell. They declined to say how much of the money will go toward investments and how much will go toward operating costs for the fund, which they created in 2008 as Goldstein, Caldwell & Associates LLC.

However, the money will allow the fund to finance more companies: The for-profit fund plans to invest

"It's awesome to see the (financial) support coming together."

— Dar Caldwell, co-founder, Shaker LaunchHouse

an average of \$10,000 in 15 companies during 2011, Mr. Goldstein said. By comparison, the investment fund financed just 12 companies in its first three years.

"It's awesome to see the support coming together," Mr. Caldwell said.

The incubator began in a 700-square-foot office above a strip mall in University Heights as a vehicle to help the investment fund's portfolio companies grow. One reason Mr. Goldstein, 28, and Mr. Caldwell, 29, created it, however, was to help young entrepreneurs and keep them in the region, they said, noting that the incubator is open to entrepreneurs of all ages.

Incubator as farm team

They are trying to mimic the successes of the Y Combinator incubator in Silicon Valley and a traveling incubator called TechStars, both of which provide entrepreneurs with assistance and small amounts of money. Much of Shaker LaunchHouse's assistance will come

from more than 100 members of the business community who each have committed to providing at least four hours of free assistance every quarter to businesses affiliated with the incubator.

Shaker Heights hopes Shaker LaunchHouse will help develop a "farm team" of companies that grow and move into nearby offices, said Tania Menesse, director of economic development for the city.

Though Shaker LaunchHouse won't move into its new headquarters until early May, it already is helping the city attract companies, Ms. Menesse said. Two businesses, an information technology company and another focused on engineering, have expressed interest in finding office space near the incubator, she said.

"That's exactly what we counted on happening here," she said.

Messrs. Goldstein and Caldwell want to open similar incubators in other Northeast Ohio cities eventually, Mr. Goldstein said, adding that a few municipalities have approached them already. They also would like to keep expanding Shaker LaunchHouse, he said.

"As you can see, we have a whole lot of parking on both sides," Mr. Goldstein said. ■



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