

## Council OKs \$12M rescue of Shaker Square

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Cleveland City Council on Monday voted 16-0 in favor of a \$12 million plan to pay off the mortgage of historic Shaker Square and avoid foreclosure of the financially troubled property.

Council's approval comes after a four-month pause on the plan, due to reservations from the square's council representatives. The deal still requires approval from Mayor Justin Bibb, though a spokeswoman said he fully supports the plan.

It will also require approval from the bondholders waiting on repayment from the existing mortgage.

The deal involves nonprofits Burten, Bell, Carr community development corporation and New Village Corp., a subsidiary of Cleveland Neighborhood Progress. It is intended to prevent the potential for a sheriff's sale that could land the 1929-built plaza in the hands of an out-of-town buyer.

That's a possibility the city and others involved in the deal wanted to head off, arguing that Shaker Square serves as an economic anchor to the neighborhoods that surround it, and that the right local owner would treat it accordingly.

Of the \$12 million financing package approved by council, all the money will come from the general fund. That's a departure from the Shaker Square plan pitched by the former mayor last year, which called for most of the money to come from Cleveland's share of federal aid from the American Rescue Plan Act.

During a two-hour council committee hearing earlier on Monday, council members did not ask about the reason for the change in payment sources. Asked afterwards, Interim Economic Development Director David Ebersole said using the general fund was easier, because the federal government has issued strict reporting requirements for projects paid with ARPA aid.

Roughly \$6 million of Cleveland's contribution will be a low-interest loan, for which the city is expected to be paid back in full, upon the sale of the property. The other \$6 million is a forgivable loan, of which Ebersole estimated the city would receive up to about \$1.5 million, after loans from other organizations are repaid.

If the deal goes through as expected, the two nonprofits intend to pay off the current mortgage. As the new owners, they will oversee needed capital repairs and stabilize the operations of the complex. The nonprofits would eventually sell the building, likely to a new developer. The goal would be to sell it within five years, Ebersole said. Council President Blaine Griffin Monday said the city would have input on the eventual buyer.

The city's contribution will help pay off fees and the current mortgage, held by developer The Coral Co., which currently owes more than \$12 million on the property, according to Tania Menesse, Linda Warren and Terri Hamilton Brown, representatives of the nonprofits involved in the deal.

The mortgage lender, Wilmington Trust and CWC Capital Asset Management, sued The Coral Co.'s affiliate in late 2020, accusing it of owing millions on the mortgage, which had come due.

A judge appointed a receiver to take control of the property in early 2021 and the potential for foreclosure has continued to loom.

The property was last appraised in February 2020 at \$14 million, the representatives said. (The CEO of The Coral Co., Peter Rubin, filed court records last year, saying the most recent appraisal valued the property at \$17 million.)

Last year, Rubin said he received interest from many prospective buyers, but said it "became clear very early on" that Cleveland Neighborhood Progress would be the best choice to oversee Shaker Square.

After the square's tenuous financial situation emerged, the two nonprofits considered how they could play a role in the shopping complex's future. Separately, prominent tenant Brandon Chrostowski, who runs the Edwins Leadership and Restaurant Institute and the Edwins Too restaurant, led a group that unsuccessfully offered \$5 million for the property.

The nonprofit began discussions with Cleveland officials about potential city support last year. Outgoing Mayor Frank Jackson agreed, sending to council his proposed \$12 million bailout in October. But the plan was paused in December after the home councilwoman at the time, Ward 4's Marion Anita Gardner, withheld support, saying those involved in the deal had failed to provide her with enough information to determine whether the proposal was in the best interest of her constituents. Meanwhile, Chrostowski and others publicly raised concerns about the amount of money the city pledged to spend on the bailout.

Gardner left office at the start of the year and was replaced by current Councilwoman Deborah Gray. Gray did not immediately support the plan, but publicly stated last week that she was now in favor of it.

Gray, on Monday, gave the council committee a few reasons for that decision. Part of it was time; she said it took her months to get up to speed on the deal. But she stressed that a major factor was her desire to see investments elsewhere in her ward, including in the apartment buildings around the square, as well as in the Mt. Pleasant and Woodhill areas.

She said the city must hold accountable the owners of blighted apartment buildings near the square "because if we don't, Shaker Square will continue to decline and the city will be poorer for it." As for the surrounding area, Gray said homes are in need of painting, landscaping and other repairs. Gray said she didn't want to sign off on the Shaker Square plan unless those residents also saw investments.

"I'm moving forward with this deal on the contingency that the entire Ward 4 is developed," Gray said. "Residents have the right, and we demand development throughout the entire ward, not only in Buckeye."

Griffin, whose ward neighbors Shaker Square, said council and Bibb's administration would work together to address deteriorating conditions at the apartment buildings, and other neighborhood needs. Cleveland development Chief Jeff Epstein said the administration shared Gray's concerns and would work on code enforcement issues in the area.

Back at the square, the nonprofits said they'll need to fund a roughly estimated \$4 million in deferred maintenance, including repairs to the roof, sidewalks and other items. The nonprofit representatives said they expect to raise that money from philanthropic organizations and potentially Cuyahoga County.

Shaker Square is currently operating under public subsidies awarded in 2000, which included tax abatement. Between 2000 and 2021, those public subsidies totaled about \$4.5 million, according to county records.

The square was built nearly a century ago by the industrialist Van Sweringen brothers, who also built Terminal Tower. The complex is considered the oldest automobile-oriented shopping center in Ohio and the second oldest in the nation.