



# Annual Report



CLEVELAND INDUSTRIAL RETENTION INITIATIVE  
A Program of the City of Cleveland

CIRI would like to thank the following companies for their contribution to this report.

A Piece of Cleveland  
Kowalski Heat Treating  
Shoreline Products, Inc.

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WIRE-Net, CIRI's program manager, is responsible for the content of this report, which does not necessarily reflect the views of featured companies, funders, or the city of Cleveland. To express your opinion or concerns, please contact John Colm at 216.588.1440, ext 105 or [JColm@wire-net.org](mailto:JColm@wire-net.org).

# Executive Summary

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The Cleveland Industrial Retention Initiative (CIRI), with our partners at the Cleveland Department of Economic Development and WIRE-Net, provides support to help local companies make the transition to our next economy, as we describe below. This report provides a snapshot of Cleveland's manufacturing base, describes the impact of the CIRI program, and highlights companies we have worked with and opportunities to strengthen the CIRI program.

The national recession has had a significant impact on Cleveland due to so many of our 1,000 manufacturers being tied to the automotive and durable goods industries. Employment in manufacturing in the Cleveland metropolitan statistical area (MSA) has declined by 6,300 employees between January 2009 and June 2009 and by 5,900 employees in durable goods specifically, according to the U.S. Department of Labor, Bureau of Labor Statistics. Manufacturers have been forced to reduce costs and jobs in response to declining sales.

Manufacturing has adapted to changes in its customer base, supply chain, and the poor economy as a whole. Companies are employing many strategies to grow their sales and keep their teams together, including everything from reducing wages and benefits to strategically positioning themselves for future growth by investigating new markets. CIRI has supported companies in these explorations.

CIRI analyzed its database of establishments, using the North American Industry Classification system (NAICS), to identify Cleveland's top industries by firms and by employment. CIRI's database is a dynamic, changing database, not a research database, but this information gives a general picture of Cleveland's manufacturing base.

Cleveland's top three industries by number of firms are:

1. Machine Shops, Turned Product, and Screw, Nut, and Bolt Manufacturing (NAICS 3327); 92 firms

2. Coating, Engraving, Heat Treating, and Allied Activities (NAICS 3328); 60 firms
3. Architectural and Structural Metals Manufacturing (NAICS 3323); 52 firms

All three of these industry sectors are in the general NAICS classification of fabricated metal products (NAICS 332), a sector that continues to be of major economic significance to the City of Cleveland (and to the Northeast Ohio region).

By number of employees, the top industries are:

1. Iron and Steel Mills and Ferroalloy Manufacturing (NAICS 3311); 2,045 employees
2. Machine Shops; Turned Product; and Screw, Nut, and Bolt Manufacturing (NAICS 3327); 1,617 employees
3. Forging and Stamping (NAICS 3321); 1,544 employees

Every regional economy has its areas of concentration, but, while metals is still very important here, Cleveland and Northeast Ohio benefit from having a very diverse manufacturing base, compared to other cities. It has been said that Detroit has auto, Pittsburgh has steel (although more steel is made in the City of Cleveland than in Pittsburgh now), and Cleveland everything in between. This is close to the truth. There are 370 industries among Cleveland's more than 1,000 firms; and five of them have more than 4,000 employees.<sup>1</sup> This diversity speaks to our richness as a major manufacturing supply chain region that attracts business from all over North America and the globe.

The CIRI program is part of Cleveland's strategy to ensure that manufacturers can operate, invest and grow in Cleveland. CIRI's role is to be a resource for Cleveland's 1,000 manufacturing firms. As part of this role, over the last year (May 2008 through April 2009), CIRI visited 447 unique companies, carrying a message of collaboration and acting as a resource and connection service. CIRI also organized

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<sup>1</sup> At the broader three-digit NAICS code level (including fabricated metals, equipment manufacturing, iron & steel manufacturing)

programs and events to assist firms facing common issues. Events like Curb Appeal were organized to show the manufacturing community how the City's departments will work with them to improve local neighborhoods. CIRI also worked with local partners (like WIRE-Net, MAGNET and BioEnterprise) to create awareness of new manufacturing market opportunities in the biomedical and aerospace industry. The City of Cleveland created new programs like the Working Capital Loan fund to respond to the credit needs of manufacturers unable to access traditional bank financing. CIRI staff help promote these and other programs, spending 60% of their time outreaching to companies, uncovering challenges and opportunities, and providing valuable resources to help companies find pathways to growth.

CIRI's annual customer satisfaction survey, sent to nearly 450 Cleveland manufacturing and related companies, measures our work with Cleveland's manufacturing leaders. We learned the following from our 2008 survey:

- Nearly 60% of respondents said they would recommend CIRI to other companies needing assistance
- 59% of respondents said CIRI was able to refer resources to address their need
- The number of respondents with knowledge of CIRI increased by 5% to 68%, compared to the prior year

Looking forward, CIRI is focused on continuing to improve its value proposition to both the City and to our 1000 manufacturing establishments. CIRI aims to improve its customer satisfaction by reducing the time it takes to close service requests, and by improving our knowledge of the City's and region's evolving manufacturing assistance resources. With partners like WIRE-Net, MAGNET and others, CIRI is also actively helping firms increase sales through new market development, improving their sales and marketing strategies, and identifying ways to reduce costs.

In 2008, in addition to visiting nearly 450 firms, CIRI and the City of Cleveland Department of Economic Development worked together on major or critical interventions with six firms. As a result, 299 direct

jobs were retained or attracted to the City, along with an estimated annual payroll of over \$11 million and annual payroll taxes to the City of Cleveland of \$235,000. These six firms generate annual payroll taxes to Cleveland that totals more than half the total annual investment in the CIRI program.

The stories of some of the 447 companies that CIRI worked with in 2008 demonstrates the ability of CIRI and the City of Cleveland to provide assistance that helps companies remain and grow in the city. Companies were connected to solutions like financing, resources to improve visual quality and safety, and strategic business planning. CIRI helps companies succeed and magnifies the commitment of Mayor Jackson and the City of Cleveland to making Cleveland a great place in which to work and live.

# 2008–2009 Report

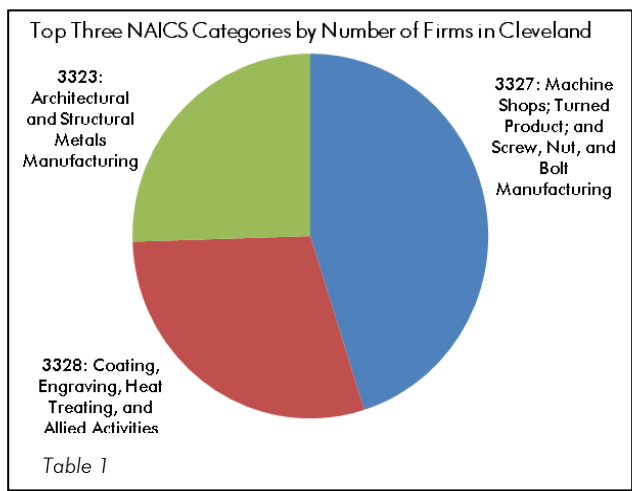
## A Picture of Cleveland’s Manufacturing

While Cleveland has a diverse manufacturing base including everything from chemicals and coatings to metal stampings, basic steel and aluminum, commercial printing and box making, much of the manufacturing base is related to metals: either making it or fabricating it.

Metals are important here due in no small part to our role as a key supplier to the transportation/automotive sector. Greater Cleveland has more than 13,000 employees in the transportation equipment manufacturing sector (NAICS 336). In 2005, Ohio ranked second to Michigan in terms of employment in the motor vehicle industry; the transportation equipment sector’s share of Ohio’s total employment was more than double that of the U.S.<sup>2</sup>

The top three industries in the city—all involved in metal fabricating—based on number of firms is

- Machine Shops; Turned Product; and Screw, Nut, and Bolt Manufacturing (code 3327) with 92 firms
- Coating, Engraving, Heat Treating, and Allied Activities (code 3328) with 60 firms
- Architectural and Structural Metals Manufacturing (code 3323) with 52 firms



Garfield Metal Products, located in the South Broadway neighborhood, is an example of the machine shop industry (NAICS 3327). The company was established in 1945 and produces automatic screw machine products. Garfield Metal Products is a company focused on high quality and has more than 10 employees in Cleveland. CIRI provided marketing and financing information to the firm during its last interactions with the company.

Kowalski Heat Treating on Detroit Avenue near West 45th Street is a fully integrated modern heat treating facility that specializes in distortion sensitive thermal processing utilizing salt bath, vacuum and ion-nitriding technologies, and is an example of a company in NAICS category 3328. CIRI continues to identify resources to assist the 23-person company in addressing their rising electricity costs. The company has also been working with the Department of Economic Development to develop alternative energy resources.

Farasey Steel Fabricators, in the North Broadway neighborhood, is an example of an architectural and structural metal manufacturing company. They are a complete metal working job shop with light to heavy plate fabrication serving the automotive, aerospace, and steel mill industries and employing just fewer than 10 employees.

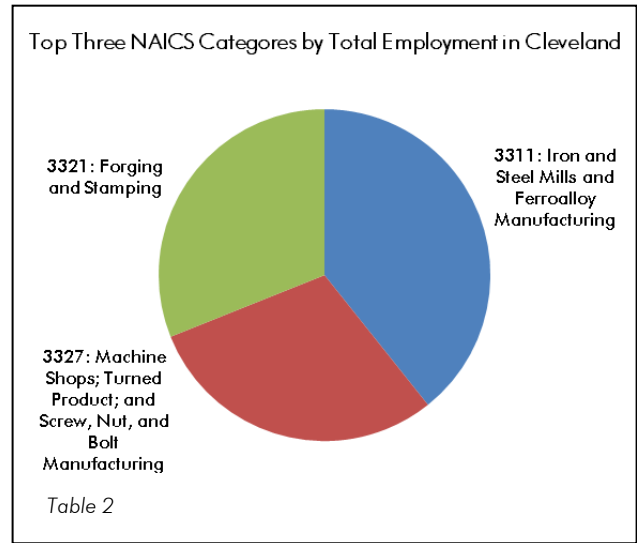
These small firms are typical of much of Cleveland’s manufacturing industry, providing critical services and components to customers across Ohio, North America and the globe. They are usually part of a supply chain that provides parts and services to higher tier customers. It is those customers who assemble parts made here into sub or final assemblies for use in a broad range of markets.

NAICS category Iron and Steel Mills and Ferroalloy Manufacturing (3311) represents the largest sector of manufacturing in Cleveland by total employment with approximately 2,045 total employees. Companies like All Ohio Threaded Rod Co Inc, Cleveland Track Materials, and Buschman Corp. are classified in this category. These companies supply products to a variety of industries including the railroad, paper, automotive and aerospace markets.

<sup>2</sup> U.S. Department of Labor, Bureau of Labor Statistics

Machine Shops; Turned Product; and Screw, Nut, and Bolt (NAICS 3327), appears in the top three again as the second largest category by employment, with over 1,600 employees.

Forging and Stamping (NAICS 3321) represents the third largest sector of manufacturing in Cleveland by total employment, with over 1,500 employees. This category includes companies like WLS Stamping & Fabricating, Presrite Corp., and Mid-West Forge Corporation.



- Company priorities are shifting. For example, the number of inquiries about funding for incumbent worker training has declined over the last few months, as companies focus on generating sales and reducing costs.
- Capital spending plans are delayed or scaled back and requests for working capital have increased.
- Companies are reducing inventories in an effort to get cash into their businesses.
- Companies are reducing benefits, weekly hours, and non-essential purchases to avoid or limit lay-offs.

Some manufacturers are looking to diversify their markets by investigating sectors like medical, alternative energy, and aerospace – markets which are generally expected to grow globally. CIRI’s partner WIRE-Net organized several New Market forums focusing on the public safety, medical instruments, and aerospace industries. Each of the five sessions were sold out, as companies explore ways to get into expanding markets (CIRI co-sponsored several of these).

### Helping Cleveland Manufacturers Through the Recession

The current economic recession has hit Cleveland’s manufacturers in the steel and automobile industry especially hard. Nationally, the metals sector, which includes the machinery and transportation sector, has seen the largest job losses. As Cleveland’s manufacturing employment declined, “downstream” jobs in non-manufacturing sectors (retail and service sectors for example) have also been lost.

	Manufacturing as a percent of total employment (2007)	Manufacturing employment growth since December 2007 (%)	Non-manufacturing employment growth (%)
Cleveland	13.3	-7.8	-1.2

Table 3

Manufacturers are eager to identify new markets, but it is not always easy to adapt to the demands of these opportunities. For example, the wind turbine industry provides opportunities for many firms, a fact recognized by the Cleveland Department of Economic Development, which was a funder of WIRE-Net’s Great Lakes WIND Network (GLWN). GLWN has identified 73 Cleveland firms that are currently supplying or actively pursuing the utility scale wind turbine market. However, not all firms have the machinery, expertise, production skills, or business model that the big international turbine companies want in a supplier in the highly-competitive global wind industry.

Cleveland firms that supply the mining, civil engineering and similar industries where huge, precisely manufactured components are standard fare are well positioned (examples are Horsbugh & Scott, Advance Manufacturing, American Tank and Fabricating, T&B Foundry, and Swiger Coil, among others), but firms in the auto industry are typically NOT well positioned to enter this market. Identified barriers to entry to the utility scale wind market

include outdated equipment, inadequate buildings (e.g. low ceiling clearances), lack of quality systems, lack of certified welders, and inadequate capacity (employment below 50 persons). WIRE-Net and CIRI are working on a New and Emerging Markets initiative that provides information and connections to help companies identify and enter markets that are most appropriate for them.

Through the U.S. Small Business Administration (SBA), the Federal Government responded to the credit crunch by implementing important changes to its loan guarantee program, and reducing application fees to improve access to business credit. Even before the SBA acted, the City of Cleveland created a low-cost Working Capital Loan Fund to enable companies to purchase materials needed to meet their customers' needs.

### **What We Learned...2008 CIRI Survey**

CIRI's 2008 customer satisfaction survey of nearly 450 Cleveland manufacturing and related companies served within the last year returned the following results (our response rate was 14% or 62 surveys returned):

- 68% of respondents had knowledge of CIRI
- 62% said their company received benefit from the program
- 57% said they would recommend the CIRI program to other companies for assistance

Compared to CIRI's 2007 survey we note the following changes:

- The number of respondents having knowledge of CIRI increased by 5%
- The number of respondents that said the frequency of contact with their CIRI representative was "just right" increased by 5%
- The number of respondents that said they were satisfied with the level of contact increased by 7%
- 59% of respondents said CIRI was able to find some solution to their need which is consistent with the response in 2007

CIRI coordinated a wide range of services and referrals in 2008 including: workforce development, safety & security issues, financing, permitting, and infrastructure. The services CIRI coordinated revolved around some of the key issues that companies are facing including:

- Identifying, attracting, and adequately training the future workforce
- Assessing funds for cash flow, equipment purchases, or building improvements
- Increasing sales including attracting new customers, increasing current customer orders, expanding into new markets, and diversifying customer mix.

### **Areas for Improvement**

Compared to 2007, the number of firms that said they had a relationship with their CIRI representative dropped by 7%. This may be due to the turnover in CIRI staff, with half of the CIRI reps replaced in the last 18 months. However, we have now assembled a more skilled staff, with former manufacturing and marketing talent on board. CIRI and WIRE-Net are committed to building quality relationships with the City's manufacturing leaders in order to meet our goals. In particular we are working to achieve the amount of contact and outreach that benefits the manufacturers.

Manufacturers were asked to comment on the services they would like to see CIRI provide, and suggestions include the following:

- Provide more networking opportunities, where businesses can share best practices, communicate employment needs, real estate needs, and cooperative efforts, like pickup and delivery of goods
- Help companies do business with each other and other Ohio companies through communication tools such as an online bulletin board
- Identify grant funds for property improvements
- Continue to improve CIRI's knowledge and sharing of programs and services available to manufacturing firms in Cleveland

- Continue to provide assistance with expansion and relocation projects including site selection

**What’s Coming Next**

In order to support Mayor Frank Jackson’s mission of “making doing business here just a little bit easier” and to respond to what we learned from manufacturers, CIRI is focused on

- Targeting the largest manufacturers for outreach and support
- Adding value to our manufacturing company customers by reducing the average time to close open service requests
- Maintaining a Quarterly Customer Service Satisfaction rating that indicates businesses have a high overall satisfaction with the service provided by CIRI
- Building relationships between CIRI staff and more than one person within each company
- Implementing a training plan to ensure CIRI representatives maintain excellent and current knowledge about resources available to assist manufacturing companies

CIRI will aggressively increase its communication to Cleveland’s 1,000 manufacturers, using the following tools:

- Direct mail and a quarterly electronic newsletter to feature organizations, resources and events that help businesses grow
- Delivery of resource information to each unique company visited and utilize key partners as distribution vehicles

**2008 Economic Impact**

The CIRI program provides value to Cleveland’s manufacturers in at least two ways. First, CIRI proactively calls on nearly 500 firms each year to understand their challenges and connect company leaders to resources to help them maximize their opportunities. CIRI acts as a broker to get problems resolved that can negatively affect company operations.

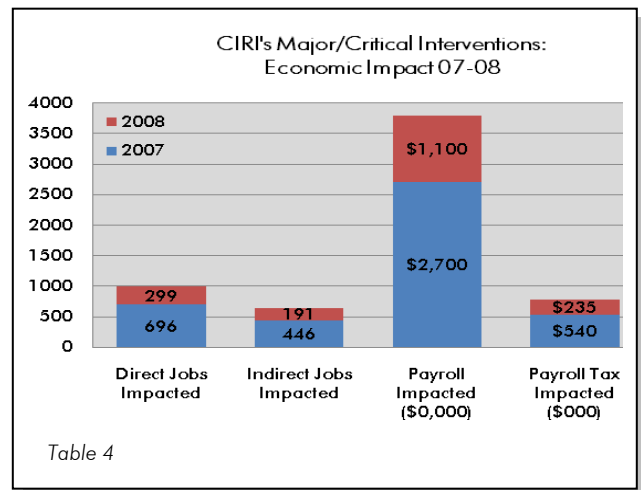
Secondly, CIRI manages more complicated company projects that have a critical or major role in retaining

or attracting manufacturing jobs in Cleveland. We define these as follows:

- Critical role: where our role was central in retaining, attracting, or assisting a company to grow in Cleveland (i.e. without the involvement of CIRI, the project would not move forward and the jobs/investment would not have occurred in Cleveland).
- Major role: where our role was key but not the lead in retaining, attracting, or assisting a company to grow in Cleveland (others were the drivers but CIRI added value in the project that was important to the Company).

We outreached to 447 unique manufacturing firms employing over 18,000 people and provided services to 200 unique manufacturing firms. In 2008, CIRI’s major or critical interventions with six firms had the following economic impacts:

- 299 direct jobs retained or attracted to Cleveland
- Retained an annual payroll estimated at over \$11 million
- These jobs generate an annual payroll tax to the City of Cleveland of \$235,000



These six major or critical intervention projects generate annual revenue to Cleveland that pays more than half the total annual investment in the CIRI program. When 2007 and 2008 economic impact is combined, the payroll taxes paid is more than \$700,000 which is nearly double the annual cost of the CIRI program (see Table 4). All eleven of these firms are active in the City of Cleveland and

generating economic activity that benefits residents, the City's tax base, and creates employment here.

CIRI has and will continue to evolve, but the program has become an essential partner in Cleveland's economic development. In nearly every year of its operation, it adds value by creating both

a communication channel directly to thousands of Cleveland business leaders to help them maximize their opportunities to operate and grow in the City; and, by intervening directly in company projects, CIRI helps retain or grow jobs and taxes that benefit the City's economic, employment and tax base.

## Company Stories

(from just a few of the 447 Companies CIRI worked with)

### Shoreline Products: Growing in Cleveland



Shoreline Products is a manufacturer specializing in making double end threaded rods and u-bolts for trucks, military vehicles, and the commercial construction equipment. The company has 22 employees between its two facilities, one in Cleveland and another in Canton. The company was faced with the decision to either expand their Cleveland location or relocate

entirely to Canton. CIRI identified the need, connected the company to the City, and helped to maintain communication. With the help of the City of Cleveland Department of Economic Development, a Vacant Property Initiative (VPI) loan was approved by the city that allowed Shoreline to purchase an adjacent abandoned building leading to consolidation of their facilities in Cleveland. Through this program, the city was able to retain and grow another company. Shoreline plans to add another three to five employees with the additional manufacturing capacity. Speaking about the VPI, Bob Arth of Shoreline said, "This type of commitment by the city shows the business community and the residents of this area that the current leadership is committed to making this city a better place in which to work and to live."

### Curb Appeal:

#### Putting Cleveland's Best Face Forward

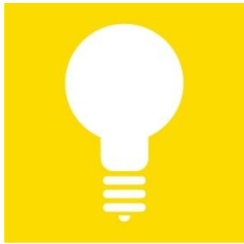
During conversations with several manufacturers in late 2008 it became apparent that many Cleveland businesses face challenges presenting an appealing image to customers and employees. The lack of "curb appeal" and the inability to "wow" customers with the visual appearance of their location was creating challenges in attracting workers and customers. Connecting the dots and addressing those concerns meant connecting companies with city resources and people inside City Hall who could help. The purpose of these introductions was to inform manufacturers about what they can expect from their city's public officials and to thank the companies for their outstanding contribution to our economy.

CIRI's first Curb Appeal event took a positive tack about the City of Cleveland, which encouraged and bolstered confidence that manufacturers could once again invite customers into their factories. The event, held in December 2008, was informal, with city speakers sharing how their department would work with the manufacturing community to address issues ranging from safety and security to dumping prevention and community relations. Manufacturing leaders also had the chance to meet city leaders and network with fellow manufacturers. The "Curb Appeal" events have now been held in several other neighborhoods and are generating a positive reaction from companies and city officials alike.



## Preparing for Growth

A Piece of Cleveland (APOC) is a much-acclaimed, four-person woodworking shop that focuses on making sleek, modern furnishings out of reclaimed woods and other materials removed from “deconstructed” homes in Cleveland and the surrounding areas. APOC has been successful at attracting attention from eco-friendly organizations and green-minded individuals, and their creatively designed furniture has been very well received. The company was coming up with many great and distinct concepts with no clear way to achieve them. The question was how best to grow and stage the opportunities in front of them: should they purchase equipment in order to operate more efficiently, or hire and train staff to implement more widely marketed, inexpensive and easy-to-produce pieces, or focus on producing the more artistic, signature pieces they have become know for?



The answer: All three. After meeting with two CIRI representatives—one a seasoned manufacturer and business development specialist—APOC had a clear understanding for how to achieve their business goals. The plan includes identifying area corporations and businesses as the target market for their signature products, working with architects and designers to be the salespeople for their products and then creating a line of easy-to-produce products that dovetails with the needs of the identified market. CIRI’s “assistance in assembling a credible business plan, finding helpful resources and establishing contacts for us will continue to allow us to be successful”, said Chris Kious of A Piece of Cleveland. CIRI helped APOC to start its business plan that can now be used to attract funding for training, equipment purchases, and other needs.

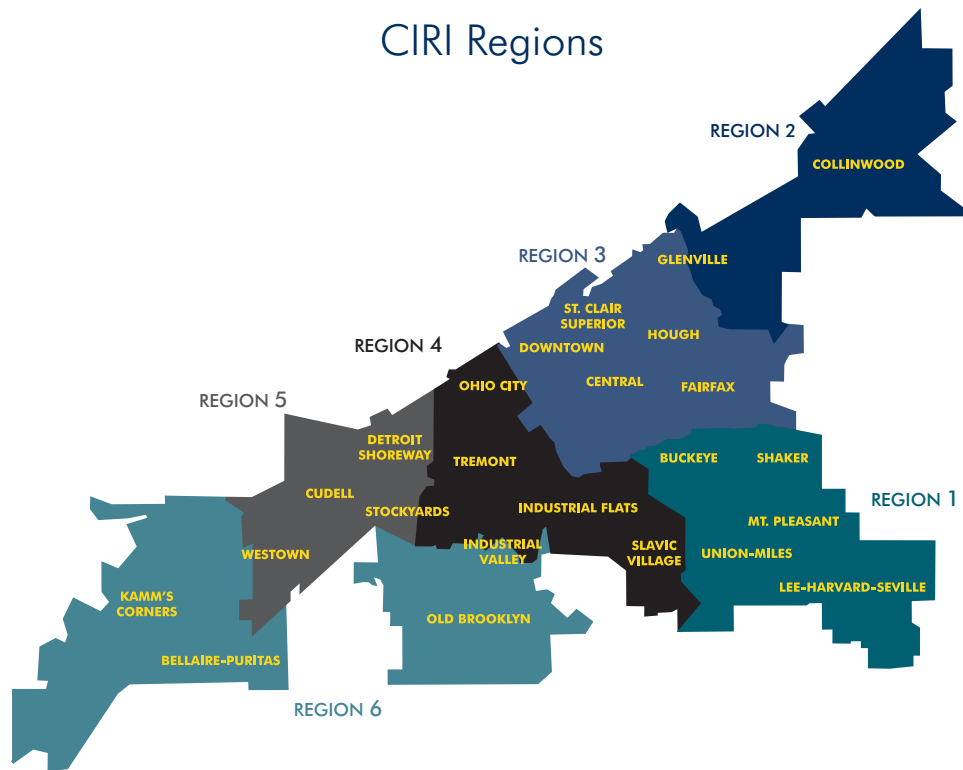
## Conclusion

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Over the last year CIRI implemented an aggressive communication plan that increased visibility; produced an Economic Impact study which demonstrated the financial impact of the investment in the CIRI program; and solidified a staff training plan to increase and update knowledge of available resources. CIRI delivered the message that the City of Cleveland wants manufacturing businesses to stay and grow in the city through the 447 unique companies visited in 2008 as well as events like Curb Appeal, and the CIRI-co-sponsored New Markets forums (on aerospace, safety, and biomedical markets) which provided information to dozens of participating firms. Curb Appeal events were designed to show the manufacturing community how the City departments will work with them to address issues ranging from safety and security to dumping prevention and community relations.

In addition, CIRI completed services to 200 companies with total employment of over 8,800. CIRI saw 317 individuals from 153 Cleveland manufacturing and related companies participate in CIRI and/or WIRE-Net events to get the information they need to make running their business easier. The annual Customer Satisfaction survey was conducted for the second year and helped to target our outreach to manufacturers. With over 60% of CIRI time being spent outreaching and delivering services to companies, CIRI remains the City of Cleveland’s “boots on the ground” resource to make doing business easier for manufacturing firms.

## CIRI Regions



## CIRI Program Staff

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Financing/Working Capital



Real Estate/Land Assembly



Technology/Modernization



Infrastructure



Building/Zoning/Permits



Waste Management/  
Environmental Compliance



Marketing/  
Business Assistance



Safety/Security



Employment



Training



[www.wire-net.org/ciri.html](http://www.wire-net.org/ciri.html)



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