



Abba Hillel Silver Collection Digitization Project

Featuring collections from the Western Reserve Historical Society and
The Jacob Rader Marcus Center of the American Jewish Archives

MS-4787: Abba Hillel Silver Papers, 1902-1989.

Series III: Personal Correspondence, 1914-1964, undated.

Sub-series B: Alphabetical, 1915-1963, undated.

Reel
144

Box
50

Folder
329

Sovereign Hotel, 1959.

Sovereign Minutes
Meeting called by Edward H. deConingh
Mid-Day Club, 12:00 noon
March 16, 1959

Present: Edward H. deConingh, Chairman	Rabbi Silver
Sidney Congdon	David M. Ward
Edward Ginsberg	William West
Mrs. R. L. Ireland	Neil J. Carothers
James W. Havighurst	Henry Zucker
Edward F. Meyers	W. T. McCullough
Leo Neumark	David Hilliard, guest
Harry Sealy	Mrs. Frank M. Barry, Secretary

Introduction

Those present were introduced. The chairman indicated that others invited to the meeting were not able to be present due to other appointments, but that all had indicated interest in the subject and wished to be kept informed. It was noted that Mr. Thomas F. Patton had asked Mr. Willis Boyer to serve in his place.

Sovereign Booklet

Copies of a notebook entitled "The Sovereign" were distributed (mailed to those not present). The booklet contained the agenda and list of persons invited, as well as information about the Sovereign.

Purpose of Meeting

The chair, in calling the meeting to order, indicated that the purpose was to see whether there is merit in converting the Sovereign Hotel to a retirement housing project, and if so, to see whether the individuals assembled wish to form themselves into a group to launch such a project as a going concern.

Review of the Sovereign Project to date

A. Reasons for interest in the Sovereign. Mr. deConingh indicated that interest in the Sovereign can fall into several divisions. First, there is need for retirement facilities which would enable older persons to live independently and delay the time when nursing home care is required. It is possible that such a program would mean a saving to the community by preserving years before expensive institutional care is needed. In the second place, the present owners, the Jewish Community Federation, wish to make the building available for community use, a use compatible to the interests of the organizations which are close neighbors. The Jewish Federation purchased the building for use as a nursing home, but costs of conversion for that purpose were too high and the owners do not wish to operate a hotel. Therefore, the building is for sale and the Jewish Community Federation has indicated its interest in having the building used for retirement housing purposes. Third, appropriate use of the Sovereign facilities would be of benefit to the University Circle area.

Mr. DeConingh briefly reviewed the interest of the Welfare Federation in housing for older people and the work done by the Federation in developing this project to date. He then called upon Mr. Harry Sealy, president of the Welfare Federation, to present the Federation's point of view.

Mr. Sealy stated that the Welfare Federation has concluded that this is a worthwhile project and that it would aid and support this project; however, because of the money raising aspect, the Federation could not be sponsors, although it definitely recognizes the need for such a facility and is anxious to do what it can.

The chair then called upon Mr. Sidney Congdon, president of the University Circle Development Foundation, to indicate the Foundation's point of view. Mr. Congdon said the Sovereign Hotel is outside the University Circle area as defined under the long term plan. The Foundation finds its hands full with things to do in the area. The Foundation is really the servant of the institutions in the area; its job is not to build institutions but to see that the land is used for the good of the area. Nevertheless, the Foundation is aware that what goes on around the area has an effect on the area itself. On that ground the Foundation has a distinct interest in this project, particularly because of the protection that proper use of the Sovereign would provide to the area. The University Circle Development Foundation is limited as is the Welfare Federation in its ability to sponsor a project officially. It is hopeful, however, that the Sovereign can be used for community purposes of benefit to the community as a whole, as well as to the University Circle area.

At this point Mr. deConingh indicated that he had talked with Mr. Harold Clark (Art Museum) and Mr. Charles Williams (Museum of Natural History) who have indicated a desire to be kept in touch with the project, because both of the institutions are close neighbors to the Sovereign.

B. Financial Review. The chairman stated that the details of the Sovereign Retirement Housing Project had been worked out by a Welfare Federation committee. The major difficulty in getting the project under way was due to financing. He then called upon Mr. Edward Meyers to review the financial situation.

Mr. Meyers referred to the Master Financial Sheet in the Sovereign booklet and reviewed the items in detail. In brief, it is necessary to raise \$400,000 from the community in order to purchase and renovate the Sovereign, finance it through FHA, and provide rentals at rates approved by FHA. Reference was made to the schedules appended to the Master Financial Sheet which itemize necessary repairs, indicate FHA position, and cover proposed operating costs.

The chairman made reference to a communication from Mr. Sidney Lewine to the effect that if the amendments to the Federal Housing Act, now before Congress, are approved, it would be possible to receive direct loans at 3½%, provide up to 98% of the project cost and extend the term to 50 years. (HR 2357). It was pointed out that should such a bill be passed this would reduce the carrying charges, but not have much effect on the need for the initial \$400,000. It was also recognized that we cannot count on passage of the bill.

C. Legal aspects. The chair then called upon Mr. James Havighurst to review the legal aspects of the Sovereign, particularly with respect to eligibility for tax exemption and for receipt of tax exempt donations. Mr. Havighurst referred to the letter from Thompson, Hine and Flory to the Welfare Federation on this subject, a copy of which is incorporated in the notebook. In substance, a favorable ruling could probably be obtained from the Internal Revenue Bureau, making it possible for the organization to be exempt from federal income tax and be one to which contributions are deductible for federal income tax purposes, providing the project is not merely housing, i.e. includes other services and admits some persons at less than cost. The proposal as currently developed (some changes from the original) which is summarized in the descriptive brochure included in the booklet, would appear to make the organization eligible under the internal revenue code.

D. Services. Mr. deConingh asked Mrs. Barry whether there was anything she wished to say about services. A description of these is included in the material and it was felt that these would not need to be reviewed at the present time, since the financial and legal aspects must be settled before the project could continue, providing persons present were interested in continuing at all. Mrs. Barry did comment, however, that the proposed operating budget does not cover all of the services which would eventually be included in the project. Some of these services would probably be developed on a self-supporting basis, others might be financed through special funds, possibly as a part of demonstration programs recommended by the Retirement Housing Research Project of Western Reserve University.

Discussion and Conclusions

The chair then asked the group to address itself to several questions. The following questions were raised by the chair or members of the group and were discussed as indicated.

There has been some question about whether the community is justified in providing facilities for the non-indigent. This project is primarily for those who have had careers of service not in high income brackets, who are in the difficult spot of not being able to call on many community services but who do have needs. Therefore, it was agreed that such persons can justify calling upon some community subsidy.

The chair asked: Can we justify the need for \$400,000 and do we feel that this amount can be raised in the community?

Mr. Ward commented that under this proposal the cost per suite is about \$6600. If we set out to build a new building it would not be possible to build at that cost and provide rentals which would meet FHA approval. There seemed to be agreement that \$400,000 was needed and could be justified.

The committee discussed several questions before returning to the key question as to whether \$400,000 could be raised. There was some discussion as to the time element with respect to ruling by the Bureau of Internal Revenue and questions as to whether question of intent with respect to services would be sufficient in making application. Mr. Havighurst indicated that the application would need to be done carefully. It would not be necessary for all services to be provided initially, but there would need to be some indication of services. He also thought that it might take several months for the ruling to come through, but that requests for funds could be made on a contingent basis.

Question was raised about tenant selection. The proposal calls for the project to be on a non-segregated basis. It was recognized, however, that tenant selection would have to be carefully done on the basis of those suitable to the project, ability to pay rentals, etc. Some of these details are suggested in the booklet.

Mention was made of requests received by several church groups for occupancy in the building at the present time. It was thought that various church groups might be encouraged to take over blocks of rooms, that this would be consistent with the purpose of the project, as well as provide financing. Whether or not church groups might be expected to contribute to the initial financing would need to be explored.

In further discussion of financing, Mr. Zucker said that members of the Jewish Community Federation think this project sufficiently important to warrant their co-operation and that they would be willing to help raise the money. He felt, however, that there should be an expression of opinion on the priority of this project and the

interest of this group, because it cannot be successful unless there is whole hearted interest and support. Mrs. Ireland commented that it would be too bad to let this facility slip through our fingers. We have a need and an available facility and it should be possible to develop the project. Mr. Sealy commented that the Federation believes in the need for this type of project and will do everything possible to aid and abet the cause. Rabbi Silver said the project has great appeal on the basis of serving a segment of the population normally overlooked but entitled to help. It would be pioneering in a field where pioneering would be helpful. If the project is properly presented, it should not be beyond the community's ability to raise money. He is sure there are some individuals in The Temple who would respond. He believes that maintenance of the University Circle area is a subsidiary concern although important.

Question was raised about the need for clearance with the Welfare Federation should a capital fund drive be launched. It was felt that this would not be difficult to schedule, particularly if it were a quiet campaign.

The Jewish Community Federation representatives were asked whether there was any urgency timewise. Mr. Zucker said there is urgency because the hotel is now operating at a deficit due to a variety of factors, chiefly the fact that the Jewish Community Federation is not in the hotel business and cannot promote the hotel aggressively. He felt that if the majority wanted to go ahead, the Jewish Community Federation would be willing to allow time, but if there is no interest, it would wish to put the hotel on the market. Mr. Neumark commented that the Jewish Federation would be willing to wait a reasonable length of time.

Mr. McCullough said that apparently the three major groups recognize the need and desirability of this project and yet none is able to sponsor the project directly. This sets some limits to advancement. What is needed, therefore, is a self-appointed committee and he wondered whether the group was willing to constitute itself as a self-appointed committee to proceed with the project.

The chair asked for a show of hands of those in favor of proceeding further, on the basis that we would need to proceed promptly, recognizing that the first step would be an approach to sources of funds. He had previously indicated that sources of funds would probably be foundations, corporations and selected individuals. There was unanimous expression in favor of this proposal.

Mr. deConingh then said he would call on members present to help, that he would take responsibility of moving ahead on financing; he hoped Mr. Havighurst would consider the legal aspects including necessary articles of incorporation and material necessary for a tax exempt ruling; and that Messrs. Meyers, West and Ward would continue to take responsibility for buildings, operations, etc; and that Mrs. Barry would work with several members of the committee on the matter of services. Mr. deConingh pointed out, however, that the financial problem is the most immediate and the most difficult and that, therefore, the committee would proceed on that aspect initially.

Respectfully submitted,

Mildred C. Barry, Secretary

Sovereign Committee
Friday, July 10, 1959
Mid-Day Club

Present: Edward H. deConingh, Chairman
Ernest Bohn
Neil Carothers
James Havighurst
Al Levin
W. T. McCullough
Edward Meyers
David Myers

John Millis
Rabbi Abba Hillel Silver
David Ward
Curtis Smith
William West
Henry Zucker
Alex Treuhaft
Mrs. Frank Barry, Secretary

The chair reviewed the meeting of this group held on March 16th. He reminded those present that this is an informal group not officially representative of organizations, although the organizations unofficially represented by members present have an interest either in retirement housing or in the future of the University Circle area. The March 16th meeting was called to explore what merit there might be in converting the Sovereign Hotel to a retirement housing project and if merit was found to determine whether or not the individuals assembled wished to form themselves into a group to launch such a project as a going concern. After discussion the group indicated unanimous approval of proceeding further and recognized that the first step would be an approach to sources of funds. Accordingly an approach was made by the chairman and others at his request to the Beaumont Fund, the Cleveland Foundation and the Hanna Trust Fund.

The chair said that Rabbi Silver had been kind enough to accompany him in approaching Mr. Edgar Hahn to discuss an approach to the Beaumont Fund. The chair called upon Rabbi Silver to report. Rabbi Silver reported that at the time of the conference with Mr. Hahn he and Mr. deConingh thought they were making headway, but it now appears that the Beaumont Fund does not believe that this retirement housing project is within the scope of the Foundation interest.

Mr. deConingh reported on his conversation with Mr. Ellwood Fisher and Mr. John Greene of the Cleveland Foundation. The reaction of these gentlemen was cool to the idea of Foundation support from the Cleveland Foundation.

Mr. deConingh also reported on his approach to Mr. Harold Clark of the Hanna Fund who indicated that their funds were already committed and he felt a new project could not be taken up for some time at least.

Mr. deConingh thus reported the first step as unsuccessful, since none of the three Foundations could be interested in the project, at least at this time. He felt that had one taken leadership, the others might have followed.

Today's meeting was called for the purpose of passing along this information and also to introduce to this group Mr. Al Levin who has shown interest and concern about the Sovereign project. Mr. Levin is chairman of the United Jewish Appeal, is active in the Jewish Community Federation and is experienced in problems such as this group is facing. The chair in introducing Mr. Levin asked him to outline his proposal for the group's consideration.

Mr. Levin said he might be presumptuous in thinking that conversion of the Sovereign Hotel to retirement housing was possible, however, this is a very important building because it sits on the periphery of a cultural and medical center. The Sovereign was purchased because it was on the verge of being sold as a cheap hotel, which would have been a definite detriment to the community. The Jewish Community Federation bought the hotel, three adjacent apartments and a vacant lot for the purpose of conversion to a nursing home. While the structure has not proved satisfactory for such nursing home conversion, it appears to be financially and structurally possible to convert it to retirement housing. Such use would be an asset for the area. Any plan should include purchase of the vacant lot and the three apartments, with the idea that the apartment adjacent to the hotel might be torn down to make the Sovereign building more attractive.

Mr. Levin said he had in mind developing a project in the same manner as that outlined in the Sovereign booklet which was distributed to the group at the last meeting. The hotel would be non-profit and non-sectarian. The project would be developed by a committee of individuals who would be willing to give of their influence and time to assist in development of the project, but Mr. Levin himself would be willing to devote considerable time and effort towards the project's development.

Mr. Levin indicated that he had reviewed the material developed by the committee to date. His first step was to reconstruct Schedule A (in the Sovereign booklet distributed to each member at the first meeting). In consultation with Mr. Ward, he made a quick estimate reducing the \$500,000 figure for estimated improvements to the Sovereign Hotel by about \$220,000, thus cutting the total estimate for repairs and renovations by about half. No change would be made in items necessary to safety or health of occupants, however, it appears unnecessary to install all modern kitchens and to make some other renovations such as conversion of elevators, which could be made at a later date. Also it would be possible to cut architectural fees to about one-third of the amount listed.

Mr. Levin said his first approach would be to the FHA. He would hope that Mr. David Ward and Mr. Alex Treuhaft would sit down with him to review the figures in more detail so that an accurate estimate could be submitted to FHA. If FHA financing were not available, it might be possible to get a loan from local banks, particularly savings and loan companies. Mortgage terms would have to be from 35 to 40 years. Mr. Levin also indicated that he might need to go to Washington for further conferences with respect to FHA approval.

Mr. Ernest Bohn was asked by Mr. Levin whether the plans for the Sovereign project would conflict in any way with Public Housing being developed close by. Mr. Bohn said that quite the contrary was true. His feeling was that the indigent and those in the upper income brackets were better taken care of than the middle group which is getting the squeeze.

Mr. Carothers said that many additions and new buildings were going up in the University Circle Area and the University Circle Development Foundation Board would be happy to see the Sovereign converted to this purpose. The Board is subject to many limitations and no definite commitments could be made, however, he felt that personally each member would be happy to do what he could.

Dr. Millis recognized that retirement housing was a necessity and said he was encouraged by Mr. Levin's optimism regarding conversion of the Sovereign. He said he would be happy not only to help Mr. Levin but to work himself when called upon.

Mr. Levin was asked whether he planned to call on members of this group to assist him in developing this project and he indicated that such was his intention and that he hoped members of the group would be receptive to this idea.

Question was also raised as to whether the proposal as submitted by Mr. Levin would meet with the approval of the Jewish Community Federation. Mr. Myers said that the Jewish Community Federation would sell the building for cost and would help in any way possible. He stressed the need for this type of retirement housing and indicated that it should be possible to raise funds to get such a project underway.

There was discussion on the revised estimate for building repairs and renovations. It was pointed out by Mr. Bohn and others that standards would need to be maintained. Mr. West commented that the original estimate was certainly on the safe side and included all major renovation items so that on a long range basis they might amortize themselves by being included under the original financing.

Various suggestions were posed which Mr. Levin said he would take into account.

The chair asked for some indication from the group as to whether it wished to encourage Mr. Levin in developing this project and would be willing to work with him to accomplish the project discussed today. A show of hands was called for. There was a unanimous showing and the chair stated that the sense of the meeting was that the group was delighted to see Mr. Levin take the initiative and would extend all possible help.

Mr. Treuhaft suggested that it might be possible to work out a plan to have older persons themselves put up \$1,000 or more upon application for living quarters. Mr. Ward commented that another facet of the project which he felt should be developed along with the other aspects, was that of services to be offered the tenants. Mr. deConingh referred to the minutes of the last meeting which stated that "Mrs. Barry will work with several members of the committee on the matter of services." He indicated that he was sure Mrs. Barry would be glad to work with Mr. Levin on this should he so desire. Mr. Carothers pointed out the cultural and educational facilities in the area which would make a contribution to the service programs of the tenants.

Mr. Meyers commented that he feared FHA financing might not be available and since conventional financing would be necessary with savings and loan companies as the best source, he made several suggestions with respect to personnel for Mr. Levin to contact.

Mr. deConingh said in closing the meeting that all of these matters now rest in Mr. Levin's hands and that it is the responsibility of Mr. Levin to call upon the committee members as he needs them and to the extent that they feel they can help. He indicated that the group could be convened again should Mr. Levin so desire.

The meeting was adjourned.

Respectfully submitted,

Mildred C. Barry, Secretary

The Sovereign Committee
Room 300 - 3:00 P. M.
Friday, September 18, 1959

Present: Edward H. deConingh, chairman
Oliver Brooks
Neil Carothers
Edward Ginsberg
Mrs. C. B. Gleason
Mrs. R. L. Ireland
Kimball Johnson
Al Levin

A. Luntz
Edward Lynde
W. T. McCullough
David Myers
Curtis Lee Smith
David Ward
Henry Zucker
Mrs. Frank M. Barry, Sec'y.

The chair called the meeting to order and briefly reviewed the past history of the committee. The committee was originally called together to explore what merit there might be in converting the Sovereign Hotel to a retirement housing project. Financial details were worked out by a Welfare Federation committee which indicated that a \$400,000 subscription subsidy would be necessary if changes required by FHA were made, in order to qualify for a loan. It was hoped that one-half of this might be obtained from foundations and one-half from individuals, however, the foundation approaches were uniformly frustrating and the project appeared rather hopeless. Mr. Al Levin at that time expressed interest in the project and the committee was called together to hear his plan. Mr. Levin has made some headway and we are again together to learn of his progress.

Mr. Levin reminded the committee that Schedule A of the original financial statement drawn up under date of March 22 (in Sovereign booklet) indicated a cost of \$500,000 for rehabilitation and improvements, plus a purchase price of \$680,000, made this project seem impossible financially. Without affecting in any way the safety factors involved, the estimated cost of \$500,000 has been reduced to \$220,000. Mr. Levin reviewed these revised costs (on file). This new plan has been unofficially discussed with local FHA authorities and Mr. Levin has been told that if a non-profit corporation of representative community leaders is established and if \$150,000 can be pledged (\$100,000 as a reserve fund and \$50,000 as a contingency fund) since this corporation will have no initial assets, FHA will again consider a new proposal for rehabilitation of the Sovereign. Rentals of suites will cover operating and other renovation expenses.

Question was then put to the committee as to whether or not it felt that the sum of \$150,000 could be raised from individuals and organizations interested in the University Circle area on whose periphery the Sovereign is located. The area will suffer if the Sovereign is sold for other purposes than retirement housing, since it would undoubtedly become a third rate hotel.

It was agreed that \$150,000 was a realistic amount to raise in contrast to \$400,000 originally indicated. Mr. Henry Zucker volunteered to approach Mt. Sinai, the Temple, and the Jewish Community Federation in an endeavor to raise \$75,000 of the required money, either in loan or grants. Mr. Neil Carothers

said the University Circle Development Foundation had no money to loan but he was willing to sit down with Mr. Upshur Evans of the Cleveland Development Foundation and explore the possibility of obtaining all or part of the additional \$75,000 needed. It was felt that the Museum of Art, the Museum of Natural History and other organizations in the University Circle area might be willing to give or loan money for this purpose (not necessarily the organizations as such but members and individuals interested in the area and its future.)

There was question concerning the three apartments which comprise part of the Sovereign real property. Mr. Levin said these were self-supporting and thus could easily be financed through a building and loan company. In the future the one nearest the Sovereign might be torn down to provide additional parking space and the other two used as an extension of the retirement housing project or perhaps to provide staff with quarters. It was agreed that these apartments should be purchased and be a part of the total project, although not financed through FHA. The question was raised as to the time schedule considered. Mr. Levin said he was leaving the country on November 5 and would like to see a non-profit corporation established immediately, sufficient money pledged and the plan submitted and hopefully approved by FHA before he leaves. He agreed that this crowds time but felt that while FHA was interested, this application should be pushed as fast as possible. If this is impossible, he will pick up on his return.

There was discussion re the legal aspects of the Sovereign, particularly with respect to eligibility for tax exemption and for receipt of tax exemption donations. Mr. James Havighurst has explored this area and reported to the committee (in Sovereign booklet). It was his opinion that a favorable ruling would probably be obtained from the Internal Revenue Bureau, making it possible for the organization to be exempt from federal income tax and be one to which contributions are deductible for federal income tax purposes, providing the project is not merely housing but includes other services and admits some persons at less than cost.

It was the consensus that the first step would be to establish a non-profit corporation. Mr. Zucker moved that the chairman designate a subcommittee of five persons to work out necessary development of the project, recommend a Board and find a means of raising the \$75,000 still needed. This was seconded and VOTED. It was further agreed that there would be no publicity until after the United Appeal drive in order to avoid any conflict.

The meeting was adjourned.

Respectfully submitted,

Mildred C. Barry, Secretary

Following the meeting the chair appointed the following persons as the original incorporators and the sub-committee charged with carrying forward the project: Messers Carothers, Johnson, Levin, Zucker and deConingh with Mrs. Barry to serve as secretary and Mr. Havighurst as legal counsel.

THE WELFARE FEDERATION

Serving the Cleveland Metropolitan Area

1001 HURON ROAD

SUperior 1-2944

CLEVELAND 15, OHIO

Bringing together more than 200 organizations for community planning in health, welfare and recreation

HARRY T. SEALY, *President*

WRIGHT BRYAN, *First Vice-President*

NORMAN F. SMITH, *Second Vice-President*

WILLIS B. BOYER, *Treasurer*

W. T. McCULLOUGH, *Executive Director*

COMMITTEE ON THE CHRONICALLY ILL

Mrs. CHARLES B. GLEASON, *Chairman*

WILLIAM C. TREUHAFT, *Co-Chairman*

COMMITTEE ON OLDER PERSONS

VERNON BURT, *Chairman*

HAROLD GALVIN, *Vice-Chairman*

Mrs. FRANK M. BARRY, *Director*

Mrs. DANIEL R. ELLIOTT, *Administrative Assistant*

November 13 1959

TO: The "Sovereign Committee"

FROM: Edward H. deConingh Chairman

This is to advise you that Mr. Albert Levin has not yet met with success in obtaining FHA approval of our Sovereign Hotel project. He will be out of the country until January and will resume his efforts upon his return. Although he is discouraged at the delay, he is still hopeful that approval will ultimately be forthcoming.

We do not anticipate holding another meeting of our group until after Al Levin's return.

WELFARE
FEDERATION



MEETING
HUMAN NEEDS

A RED FEATHER SERVICE SUPPORTED THROUGH THE UNITED APPEAL

THE SOVEREIGN CENTER

**Residential Apartments and Service Center
established primarily
for
Professional and Business Retirees**

**Under direction and manage-
ment Retirement Centers, Inc.,
a corporation not for profit.**

**Located in the University Circle Area
East Blvd. at E. 105 St.
Cleveland 6, Ohio**

Location

The Sovereign Center
Overlooks Wade Park
Is close to transportation
Is in the vicinity of Churches,
2 Universities, 2 Hospitals
The Art Museum, Severance Hall,
Museum of Natural History
Cleveland Institute of Art,
Frelberger Library, Western
Reserve Historical Society,
Medical Buildings, Hotels,
Stores and Restaurants.

The Sovereign Center

Is a part of the University Circle
Development, which is designed to
meet one of the most forward looking,
carefully planned medical-educational
cultural centers in this country.

Facilities

The Sovereign Center
Has 164 suites
47 apartments: living-room, bedroom, bath,
dinettes, kitchen
87 efficiencies: living-bedroom, bath,
kitchen
30 bedrooms with bath

Available furnished or unfurnished

Offices

Cafeteria

Lounge, Recreation and Hobby Rooms

Health Station and Infirmary

Modernized building, automatic elevator,
gas heat, roof penthouse.

Services and Staff

Freedom to live as one likes, coupled with
opportunity to have the benefit of special-
ized services and congenial association
when desired. This is the philosophy under-
lying the establishment of the Sovereign
Center.

Residents pay a nominal rent, may do their
own housekeeping, cook their own meals, come
and go at will, as in any apartment house.

Residents may, however, eat in the cafeteria,
employ housekeeping service, enjoy the lounge
and hobby shops, meet their neighbors, call
the resident nurse or doctor in emergencies,
use the infirmary for temporary illness, re-
quest the counsel of the Resident Director for
assistance with personal problems.

The staff consists of --

Building Manager -- responsible for
building management maintenance, rent
collection and bookkeeping.

Resident Director -- responsible for
residence relations, program direction,
counseling, referral and use of com-
munity resources--and for making the
Sovereign Apartments a pleasant place
to live.

Clerical, maintenance, housekeeping and
cafeteria staff.

Admission Policies and Fees

The Sovereign Apartments is established pri-
marily for professional and business people
65 and over. Limited accommodations may be
available for younger persons such as doctors
in training, selected faculty, graduate stu-
dents and foreign visitors.

This policy has been made with several objec-
tives in mind; namely, to provide suitable re-
tirement housing at reasonable cost for persons
who would benefit from and enjoy the advantages
of the area, and who would find pleasure and
stimulation from living with persons of various
cultural backgrounds who have similar interests
and experiences.

Rentals depend upon size and location of suite
and upon ability of residents to pay. Non-
paying and low-paying residents are eligible
to the extent that operating costs allow and
subject to other regulations of eligibility.
Suite occupancy is limited to 2 persons, except
in particular situations.

Utilities are included. Other expenses such as
cafeteria meals, housekeeping other than major
cleaning and redecorating, medical services,
telephone service, etc. are available at cost.

Applications will be reviewed by the Building
Manager and Resident Director and are subject
to general policies determined by the Corpora-
tion Directors. In general, the criteria are:
1) Evidence of ability to meet financial obli-
gations as determined upon admission, 2) Phys-
ical and mental health sufficient to warrant
living in this type of facility, and 3) Accept-
ability under the general admission policies as
determined by the Board of Directors.

Gerontological Research

Western Reserve University is engaged in studying housing for the elderly. The findings of such research will benefit the elderly of the future as well as today, and those in other parts of the country as well as in Cleveland.

It is the sincere hope of the sponsors of the Corporation, as well as the Directors, that residents of the Sovereign Apartments will voluntarily participate in certain aspects of the study as they are called upon to do so. Such participation is not required, nor is it a condition of admission, but it will be earnestly requested.

Inquiries and Applications

Inquiries and applications should be directed to:

Board of Directors

of

Retirement Center, Inc.

(List of Board Members)



INDEX

SECTION I -- MEETINGS

- a. Agenda - 3/16/59
- b. List of Persons Invited

SECTION II -- SOVEREIGN CENTER

- a. Sovereign Center at a Glance (Brochure)
- b. Finances
- c. Legal Opinion

SECTION III -- BACKGROUND INFORMATION

- a. Explanatory Statement
- b. Information on Sovereign Hotel Project, Dec. 10, 1958
- c. Addendum Re Sovereign Project, Feb. 18, 1959
- d. Report of Sub-committee to Retirement Housing Committee
October 10, 1958

SECTION IV -- MINUTES

A G E N D A

Sovereign Hotel Meeting
Monday, March 16

1. Purpose of calling meeting - - - - - Edward deConingh
Chairman
 - a. To determine whether the Sovereign Retirement Housing Project has merit and appeal as a worthwhile community project.
 - b. If so, to determine how such a project can be "launched" and whether the individuals present would constitute themselves into a group to sponsor the project.

2. Review of the Sovereign Project to date:
 - a. Reasons for interest in the Sovereign - - - - - Edward deConingh
 - I. The rationale for this type of retirement housing in Cleveland
 - II. The advantages to the University Circle area - - - - - Sidney Congdon
 - b. Building and locale, required renovations, capital and operating costs and financing -- -- -- -- -- Edward Meyers
David Ward
William West
 - c. Legal aspects - - - - - James Havighurst
 - d. Operations and services - - - - - Mrs. Frank Barry

3. Consideration of:
 - a. Merits and appeal of project
 - b. Procedures necessary to launch project
 - I. Formation of sponsoring group
 - II. Determination of next steps.

* * *

Edward H. deConingh, Chairman

Ernest J. Bohn
Einar Carlson
Harold T. Clark
Sidney Congdon
Upshur Evans
Eugene Freedheim
Edward Ginsberg
Mrs. Charles B. Gleason
John Greene
Fred M. Hauserman
Mrs. R. L. Ireland
James W. Havighurst
J. Kimball Johnson
Sidney Lewine
Edward D. Lynde
Maurice Maschke, Jr.
Edward F. Meyers
Dr. John S. Millis
David Myers
Leo Neumark
Laurence Norton
Thomas F. Patton
Harry Sealy
Rabbi Abba Hillel Silver
Curtis Lee Smith
William C. Treuhaft
David M. Ward
William West
Charles Williams

Ex officio:

Neil J. Carothers
Henry Zucker
W. T. McCullough
Mrs. Frank M. Barry

Mueller Electric Co., 1583 E. 31st St. (14)

Cleve. Metropolitan Hsg. Authority, 1332 W. 28
Pennell, Carlson & Rees, Union Commerce Bldg.
1670 Union Commerce Bldg.
National City Bank Bldg.
Cleveland Dev. Foundation, 423 Republic Bldg.
800 National City-E. 6th Bldg.
1114 Hippodrome Bldg.
2520 Wellington Rd.
13515 Shaker Blvd.
E. F. Hauserman Co., 6800 Grant Ave.
19100 North Park Blvd.
Thompson, Hine & Flory, Nat'l City Bank Bldg.
Cleveland Foundation, 1432 Union Commerce Bldg.
Mt. Sinai Hospital, 1800 E. 105th St.
Paine, Webber, Jackson & Curtis
3611 Payne Ave.
Union Commerce Bank, E. 9th & Euclid
Western Reserve University
Byerlite Co., 2300 W. 3rd St.
Jewish Community Federation
1462 Hanna Bldg.
Republic Steel Corp.
C.E.I. Co.
The Temple, Ansel Rd. & E. 105th
Cleveland Chamber of Commerce
Tremco Mfg. Co.
Ward and Conrad, Hanna Bldg.
Ostendorf-Morris Co., Public Sq. Bldg.
Williams and Tilberry, 948 Leader Bldg.

University Circle Development Foundation
Jewish Community Federation
Welfare Federation
Welfare Federation



THE SOVEREIGN CENTER AT A GLANCE

(brochure and descriptive material)
for committee use only

For further details see Section III

March 12, 1959

MASTER FINANCIAL SHEET

Purchase Price of Sovereign Hotel and Furnishings	\$ 680,000
Estimated cost of Rehabilitation (Schedule A)	500,000
Total	<u>\$1,180,000</u>
Maximum FHA Mortgage	877,500
(Based on 90% of Appraised Value of \$475,000 plus \$500,000 estimated cost of Rehabilitation (Schedule B))	
Equity Needed	\$ 302,500
Plus Estimated Working Capital Needs	<u>97,500</u>
Total Needed	\$ 400,000

Estimated Income and Expense

Maximum Gross Rentals permitted by FHA 164 suites @ average of 100/mo (Schedule B)	\$ 196,800
Gross Rentals required to support debt service based on 90% of estimated net income (\$76 for 1 rm, \$91.50-2 rms, 118.50- 3 rms) (Schedule B)	191,615
Less 7% vacancy factor	13,413
Net Rental Income	<u>\$ 178,202</u>
Operating Expense: (See Schedule "C")	\$ 94,205
Management Fee @ 6%	10,690
Contingency 10% of Est. Net	<u>7,331</u>
Total Expense	<u>\$ 112,226</u>
Net Income Before Debt Service	<u>\$ 65,976</u>
Debt Service $7\frac{1}{4}\%$ of \$877,500	<u>\$ 63,619</u>
Net After Debt Service	\$ 2,357
Net Income on Basis of Maximum Rentals and 7% vacancy factor	\$ 7,050

SCHEDULE A

March 22, 1958

ESTIMATED IMPROVEMENT COST OF SOVEREIGN HOTEL MADE BY MESSRS. WARD,
TREUHART AND WEST - March 22, 1958, IN LINE WITH ADDITIONAL REQUIRE-
MENTS OF F. .

(1)	Convalescent	\$ 5,000
(2)	New stairway	30,000
(3)	Lobby fire doors	2,000
(4)	Enclosing stairways, first & second floor	6,000
(5)	Safety devices, gas ranges	4,000
(6)	Convert one passenger elevator automatic	40,000
(7)	Rehabilitate one freight elevator	15,000
(8)	Remodel kitchens to be comparable	95,000
(9)	Allowance for replacing water lines	50,000
(10)	Heating repairs, boiler conversion to gas, boiler repair	40,000
(11)	Electrical system	10,000
(12)	Repair windows	20,000
(13)	Kitchen, dining room, etc.	65,000
(14)	Incinerator	20,000
(15)	Pointing and roof repairs	<u>20,000</u>
		\$422,000
	Contingencies	42,000
	Architecture, etc.	<u>36,000</u>
		<u>\$500,000</u>

FEDERAL HOUSING ADMINISTRATION

OFFICE OF
THE DIRECTOR
CLEVELAND, OHIO

July 8, 1958

IN REPLY PLEASE REFER TO:

SCHEDULE B

Mrs. Frank M. Barry, Director
Dept. Work with Older Persons
and Chronically Ill
The Welfare Federation
1001 Huron Road
Cleveland 15, Ohio

Re: Proposed Housing for Elderly (Sec. 207)
Sovereign Hotel, East Boulevard
Cleveland, Ohio

Dear Mrs. Barry:

Confirming our conversation of yesterday, we have completed a further study of your proposed project involving the rehabilitation of the Sovereign Hotel as a home for elderly persons.

Preliminary analysis of the existing property, including a review of financial statements covering operations of the past two years, and inspection of the property to determine the physical condition of the existing structure, indicates a fair market value within the range of \$450,000.00 to \$500,000.00 - say \$475,000.00.

Beginning with the premise that the existing property has a fair market value of \$475,000.00, we arrive at the following tentative conclusions:

Market value - existing property	-	\$475,000.00
Estimated cost of rehabilitation		500,000.00
Total		<u>\$975,000.00</u>
Maximum insurable mortgage, based upon 90% of \$975,000.00.	-	\$877,500.00
Equity required		<u>\$ 97,500.00</u>
Debt service (7½% of \$877,500.00.)		\$ 63,618.75

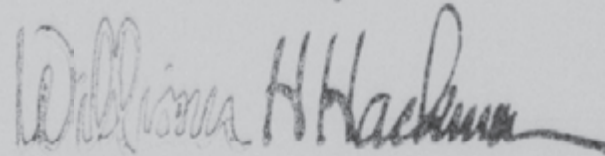
Assuming operating expenses of \$98,605.00 plus an allowance of 5% for management and 7% for vacancy and collection losses, the gross rentals required to support the debt service, based on 90% of estimated net income, would be \$191,615.00, or approximate monthly rentals of \$76.00 for one-room units, \$91.50 for two-room units, and \$118.50 for three-room units. This would not preclude the establishment of higher

Mrs. Frank M. Barry

July 8, 1958

rentals within the rental capacity of the intended market, and the limitation on estimated net income as established by the Federal Housing Administration. In this instance, the estimated net income would be limited to 7 & 3/4% of total estimated cost of the project.

Very truly yours,



William M. Hackman
Director



SCHEDULE C

SOVEREIGN HOTEL
Proposed Housing For Elderly
Non-Profit Basis - Estimated Operating Expense
Annual Est.
Cost

A. <u>Labor</u>		
(1) Day Matron	3,000	
(1) Custodian Couple	4,200 (plus apt)	
(1) Night Watchman and Janitor	3,600	
(1) General Maintenance Man	5,400	
(1) Resident Director	<u>7,200</u>	23,400
B. <u>Materials</u>		
		3,600
C. <u>Contracted Services</u>		
Special cleaning	300	
Heating	500	
Elevator Maintenance (2 pass. - 1 frgt.)	3,600	
Rubbish removal	240	
Painting	500	
Awnings (repair and storage)	400	
Tenant decorating & equipt. replacement		
Carpeting - 10 suites/yr @ 500/yr	5,000	
Stoves & refrigerators, 12 ea/yr	2,700	
Paint & wallpaper 32 apts/yr @ 225	<u>7,200</u>	20,440
E. <u>Utilities</u>		
Electricity	8,000	
Gas	400	
Water	1,200	
Gas heat	<u>9,500</u>	19,100
F. <u>Switchboard (1)</u>		
		5,520
G. <u>Administration & Fixed Charges</u>		
P.R. taxes & W. Comp. @ 6.5% P.R.	1,520	
Insurance	2,400	
Vacation pay and fringe benefits	1,140	
Office supplies	300	
Advertising	600	
Real Estate taxes		
Land \$24,470 & Bldg. 365,890 &		
50,000 imp. = \$440,360 x 3.63/100	<u>16,185</u>	22,145

TOTAL OPERATING EXPENSE BEFORE MANAGEMENT

94,205

SCHEDULE C - Con't

(1) Detail of Switchboard Operation

Estimated income: 164 units @ 4.50/mo x 93%	\$8,236
Labor Cost of Telephone Operators 17 hrs/da @ \$1.25/hr/7 da/wk	7,756
Estimated Cost of Utilities Service	<u>6,000</u>
Total Cost of Operations	\$13,756
Net Deficit or Building Cost	5,520



<u>C</u>	THOMPSON, HINE AND FLORY	<u>C</u>
<u>O</u>	National City Bank Building	<u>O</u>
<u>P</u>	Cleveland 14, Ohio	<u>P</u>
<u>Y</u>	CHerry 1.1880	<u>Y</u>

March 11, 1959

The Welfare Federation
1001 Huron Road
Cleveland 15, Ohio

Re: Hotel Sovereign Project

Gentlemen:

This letter will confirm the substance of our opinion and advice with respect to the above-captioned matter given at a recent meeting in your offices attended by Mrs. Barry and Messrs. McCullough, Lynde and Sealy on behalf of The Welfare Federation and by Messrs. Havighurst and Vesely of this firm.

The contemplated project involves the use of the Hotel Sovereign as a residential housing center for elderly, retired persons. The basic idea of the project is to provide a unique kind of housing and special services for elderly, retired persons, particularly suited to their special needs at a cost which they can afford. As discussed, these special housing facilities would be made available to all qualified applicants, regardless of race, color, or creed, and without regard to the financial ability to pay of such applicants, to the extent that the cost of providing facilities for such persons can be borne by the organization and the project still operated on a financially sound basis. The overall plan also envisages a broad program of educational, social, and cultural activities which will be integrated with, and which will serve the special needs of, the persons residing at the Sovereign, but which will be available without limitation (other than limitations imposed by the amount of space and physical facilities available) to other similar elderly persons in the community who may wish to participate. In addition it is understood that the residents will become participants in programs of gerontological research carried on under the sponsorship of the Western Reserve Medical School and related departments of the University.

Substantial funds will be required to acquire the property and remodel it in order to meet the special requirements of the residents. Part of the financing will be obtained from a United States government insured FHA loan under a special program designed to promote improved housing for elderly persons, but a relatively large amount of private

money also will be required. In order to facilitate the obtaining of contributions of private funds and in order for the project to be operated on an economically sound basis in accordance with its basic concept of providing housing and special services at low, or at little or no cost, for elderly, retired persons, it is essential both (1) that the proposed organization be exempt from federal income tax, and (2) that it be an organization to which contributions are deductible for federal income tax purposes.

Under applicable provisions of the Internal Revenue Code, an organization taking over the operation of the Hotel Sovereign under the contemplated plan would be exempt from federal income tax on its income if it qualified either as an organization not for profit operated exclusively for the promotion of "social welfare," or as a corporation organized and operated exclusively for "charitable" purposes. But in order for the organization to be one to which contributions would be deductible for federal income tax purposes, it would have to qualify as a "charitable" organization, qualification as a "social welfare" organization not being sufficient for this purpose.

The terms "social welfare" and "charitable" of course do not necessarily describe mutually exclusive areas of activity, and the regulations issued by the Internal Revenue Service recognize that a "social welfare" organization may also qualify as a "charitable" organization. But the existence of certain conditions which might not prevent qualification as a "social welfare" organization may absolutely disqualify an organization as a "charitable" organization. For example, an organization whose purposes ordinarily qualify as charitable, such as a hospital, could not qualify if its practice were to charge all of its patients the full cost of its services and facilities. Thus, if a condition of occupancy of the Hotel Sovereign were that rental (other than a nominal amount) be paid by all occupants and there were an absolute bar on admission unless this condition were satisfied, it is extremely unlikely that the organization would qualify as a "charitable" organization. At the same time it is recognized that even a "charitable" organization must have a financial program which permits it to continue to operate, with the result that there has developed a rule that an organization engaged in recognized charitable activity will not be disqualified if it makes its facilities and services available on a charitable basis "to the extent that its resources permit it to do so."

In view of this rule and the fact that in order to obtain the essential FHA financing it will be necessary to have a plan of operation which will insure servicing and repayment of the loan, in our opinion it will not be necessary to accept a large number of non-paying residents in order to qualify as a charitable organization. On the other hand, the organization must not be operated in such a way as to permit its financial requirements to override its basic charitable purposes. In the circumstances, the planning for the operation of this project should contemplate a policy which will permit elderly persons of little or no means to occupy some of the facilities, while at the same time providing for overall rentals in amounts sufficient to operate the property and repay the FHA loan. If there were no advance assurance that facilities will be

available on a charitable basis, it is extremely unlikely that the Internal Revenue Service would rule the project to be "charitable."

In addition to providing a special type of residence for elderly persons, and providing residences for some elderly persons on a purely charitable basis, the proposed organization, by integrating with its basic plan an organized program of educational, social and cultural activities designed to meet the special needs of elderly persons, and offering this program to all elderly persons in the community, will be better able to qualify as a "charitable" organization. But this latter aspect of the contemplated program will be by no means controlling. In the final analysis qualification as a charitable organization will be determined by the principal purpose of the organization, i.e. providing a specialized kind of residence and related services and activities for elderly, retired persons.

Admittedly a program of this type is new and therefore a somewhat unique kind of charitable activity. Although it is our opinion that if the organization were organized and operated in accordance with the purposes set forth above it would be exempt from income tax as a "charitable" organization and contributions to it would, therefore, be deductible for federal income tax purposes, this is not a matter which is free from doubt. The Internal Revenue Service might take the opposite view, or it might take the position that the existence or non-existence of specific provisions or conditions in the proposed plan adversely affect the otherwise "charitable" status of the contemplated organization.

The regulations of the Internal Revenue Service provide that no organization is exempt from tax until a determination to this effect has been made by the Internal Revenue Service. Ordinarily such a determination is not made until after the organization has operated for a full calendar year and has filed with the Internal Revenue Service an application for exemption from tax based on its first year of operation. Recognizing, however, that certain organizations cannot even begin to operate until some assurance of exemption from tax has been given, the regulations of the Internal Revenue Service provide for the issuance of tentative determinations or rulings of exemption from tax.

These so-called "tentatives" ordinarily are issued only in cases where there is little question that the organization qualifies for tax exemption, such as churches, hospitals, educational institutions, etc., but the regulations also provide for the granting of such "tentatives" to organizations which have public sponsorship and require broad public support and contributions as a condition to operation. It is believed that the proposed organization would qualify for a "tentative" ruling of exemption under the latter provision, since it is understood that an absolute condition to proceeding with the project is the acquisition of substantial private funds which, as a practical matter, will not be available unless there is reasonable assurance that the organization is one to which contributions will be deductible for federal income tax purposes.

Applications for tentative rulings of exemption from income tax are expedited as required by the regulations. But in view of the

somewhat unique character of the contemplated project we believe that an application for a tentative ruling, although filed locally, would be transferred to the National Office of the Internal Revenue Service in Washington. Therefore, it is quite likely that a tentative ruling of exemption could not be obtained in less than six months from the date of filing the application.

In reviewing this matter we have also considered whether, even assuming qualification of the proposed organization as a "charitable" organization, the income which it would derive from rentals would be subject to tax as "unrelated business income". The internal revenue laws were amended in 1951 to provide that when an otherwise exempt organization engages in a trade or business, or derives rental income from a business lease, such income is subject to income tax notwithstanding the organization's exempt status. It is our conclusion that in the circumstances of this case, since the providing of specialized housing facilities and related services and activities is the fundamental purpose of the organization which will determine its character as a "charitable" organization, the rental income which it will derive from renting such facilities cannot be "unrelated" business income within the intendment of the Internal Revenue Code. This is a matter which could likewise be resolved in advance by including it in the application for the tentative ruling of exemption.

We trust that the foregoing summary of the substance of our recent discussion provides you with the information required for further consideration of this matter.

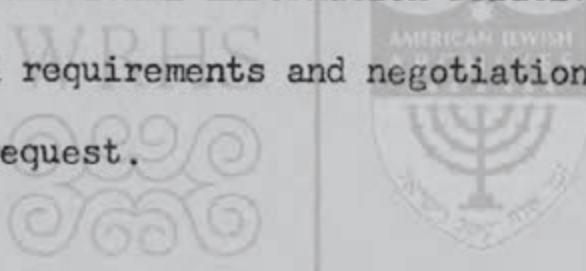
Very truly yours,

/s/

Havighurst) BH
Vesely)

Explanatory Statement

The material included in this section was prepared for use by various committees, which met over a several month period. Certain specifics have been modified, or are not pertinent to present discussion, and thus are crossed out. The material is useful as reference for those who wish to examine in greater detail the background developments and findings to date. Additional information relative to the facilities, to financing, to FHA requirements and negotiations, etc. is on file and available upon request.



INFORMATION ON SOVEREIGN HOTEL PROJECT
for use by Executive Committee
December 10, 1958

Prepared by:
Mildred C. Barry, Director, Depts. on Older Persons and the Chronically Ill

Background Information Relative to Housing for Elderly and the Sovereign Project

1. In developing community services for older persons, we believe it to be socially and economically sound a) to prolong independent living and delay institutional care; b) to encourage self-supporting services for the aging wherever possible and c) to consider needs of older persons of all walks of life.
2. Community concern with housing for the elderly has traditionally been in the institutional field (homes for aged or nursing homes). Currently there is recognition of community responsibility for a) extending services to older people in their own homes (home care, homemaker services, etc.), b) extending and improving institutional services and c) providing facilities that fill the gap between independent and dependent living. These latter "semi-independent" living facilities enable an older person to live independently, manage his own affairs and yet have the protection and advantage of such services as counseling and referral, emergency medical and nursing, meals, recreation, etc., as he needs them and in a manner to sustain his independence or to assist him in transferring to a dependency status.
3. The Housing Committee (Carlson) studied and advocated such semi-independent housing for middle income persons on a non-profit, self-supporting basis, such housing to be at reasonable cost and to include services.
4. The Retirement Housing Committee (Heller and Meyers) was formed to consider the feasibility of setting up a non-profit corporation to develop such housing and specifically to consider acquisition of the Sovereign Hotel. (Data on Sovereign property: Sovereign Hotel, 1575 East Blvd., 164 furnished suites (132 with kitchens). Purchase price, \$680,000. Three adjacent apartment buildings,

self-supporting, not suitable for conversion and not included in FHA negotiations. Desirable as protection and possibly for future development and thus included in lease plan. Purchase price \$155,000).

5. A technical subcommittee of the Heller Committee did a dry-run on the Sovereign. This entailed repeated contacts with FHA (including a trip to Washington), setting up income and expense statements, procuring estimates on building repairs, exploring sources of equity money, etc. It was planned to finance purchase from the owners (Jewish Community Federation) through an FHA insured mortgage under provisions of the Housing for the Elderly section of the 1956 Housing Act. Technical services on this subcommittee were given by Bill West, Ostendorf-Morris, Dave Ward, Ward and Conrad, Architects, and Alex Treuhaft of Keyes-Treuhaft, Builders.
6. Results of the "dry run" showed that the building a) could be purchased at the asking price (\$680,000), b) could be renovated according to FHA requirements (approx. \$500,000) and c) could provide rentals low enough to meet FHA approval (approx. \$100 per month per suite average) and d) could guarantee an adequate net balance only if an initial capital amount of \$400,000 were procured. This amount (\$400,000) included required equity, initial operating funds and an amount sufficient to give a new organization (the proposed non-profit corporation) a reasonable cushion against contingencies.
7. An attempt was made to lease the property from the Jewish Community Federation, but such financing also required about \$400,000 initial capital.
8. The Heller Committee reported its findings to the Executive Committee (Oct. 17 memo). It indicated that such housing was not currently feasible without subsidy and recommended abandonment of the Sovereign project and discharge of the committee, although recognizing need for housing of the type proposed for middle income older persons.

9. Subsequently the Jewish Community Federation, after consultation with representatives of the University Circle Development Corporation, Mt. Sinai Hospital and The Temple, determined to make a further effort to interest the Welfare Federation in the Sovereign project. In so doing it suggested that funds could be raised with the cooperation of these groups and that the Welfare Federation might convene the interested parties (the above mentioned organizations and possibly others in the University area) to consider the practicality of joint support of the project.
10. The President of the Welfare Federation on November 28, convened a meeting of representatives of the Welfare Federation Board of Trustees, the Jewish Community Federation and the Retirement Housing Committee to consider the Jewish Federation's request. Background data was reviewed and the project considered.

Factors Involved in the Purchase of Sovereign Hotel

- a. The building and location are suitable. The hotel is in good condition structurally, generally well decorated and furnished. It is located at the edge of University Circle area, close to transportation and community facilities. Some believe the value of the property will appreciate. Disadvantages of location are believed substantially outweighed by advantages. Cost per suite is substantially less than new construction.
- b. The need for housing for the elderly supports acquisition of this building and its use as proposed.
- c. The plan for a non-profit corporation to develop housing for the elderly could be started with this project and hopefully, could expand to additional facilities.

- d. Use of the Sovereign for this purpose appears consistent with the development of the University Circle area.
- e. The new retirement housing research project, co-sponsored by Western Reserve University and the Welfare Federation with a grant from the Ford Foundation, would be strengthened by inclusion of this middle income population in the study. Research should benefit future housing developments in Cleveland and elsewhere.
- f. This could be another Cleveland "first" because to our knowledge no other housing of this type has been developed; namely, housing which combines
 - a) the concept of self-support, b) reasonable rentals without down payments, c) independent living coupled with supportive services, d) inclusion of a mixed population and e) opportunity to be studied as part of a significant research project.

Conclusion

There is, apparently, no question about need for or desirability of this type of housing for older persons, but there are policy questions relating to Welfare Federation sponsorship, particularly in view of the need for raising \$400,000 from the community for this purpose.

ADDENDUM RE SOVEREIGN PROJECT

TO: Executive Committee, Welfare Federation

FROM: Mildred C. Barry

Feb. 18, 1959

TENTATIVE

Following are suggested modifications and elaboration of the Sovereign project in light of recent legal opinions on tax exemption. This material is presented to the Executive Committee for information only, not for action; the assumption being that it might be referred, along with previously prepared data, to the appropriate group if the project advances to that stage. It is based upon legal opinions of counsel, committee deliberation and writer's ideas, is tentative and subject to careful review by the appropriate committee.

This statement covers the following:

- A. Amendment to brochure statement.
- B. Suggestions for inclusion in general statement, Articles of Incorporation, etc.
- C. Suggestions for operation of project consistent with objectives and with legal and financial limitations and obligations.
- D. Practical considerations re tenant selection.
- E. Considerations relative to next steps.

A. Amendment to brochure statement

Note that the brochure was devised to describe the Sovereign idea. As a result of legal opinion this idea would be modified as follows:

- 1. Name to be "Sovereign Center" (or "Sovereign Retirement Center"); Residential Apartments and Service Center for Professional and Business Retirees. (Or some such general title that includes in the sub-title the service as well as the residential purpose.)
- 2. Rentals range up to \$135 (?) per month per suite, depending upon size and location of suite and ability of tenant to pay. Non-paying and low-paying residents are eligible to the extent that operating costs allow and subject to other regulations of eligibility. (Substitute for present statement page 3, paragraph 3, 1st sentence.)
- 3. Applications will be reviewed by the Building Manager and Resident Director and are subject to general policies determined by the Corporation Directors. In general, the criteria are: 1) evidence of ability to meet financial obligations as determined upon admission, 2) physical and mental health sufficient to warrant admission to this type of facility, 3) acceptability under the general admission policies as determined by the Board of Directors. (Substitute for last paragraph on page 3.)

B. Suggestions for inclusion in general statement, Articles of Incorporation, etc.

- 1. The Sovereign Center shall be incorporated, not for profit, as a charitable, educational and scientific organization in the State of Ohio, for the purpose of providing a living facility for persons 60 years and over who request and/or require a) housing at rentals lower than is obtainable in comparable private housing, b) health, recreational, educational and social services to enhance healthy, fruitful living and to prevent physical and mental deterioration;

and for the purpose of providing a laboratory for scientific study and demonstration under the direction of accredited auspices to the end that the findings of such research will benefit the residents themselves as well as other gerontological programs.

2. Persons shall not be denied admission on the basis of race, creed, color or lack of economic means but shall be subject to admission policies determined by the Board of Trustees and administered at their direction. In general these regulations would attempt to insure congeniality of residents, sufficient income from rentals and fees to cover operating and amortization costs, and selection of persons who meet the objectives for which the corporation is established.
3. This corporation is established to serve primarily persons 60 years and over, retired from the professions and from business. Facts and experience indicate that many older persons from the so-called "middle-income group" face economic, social and health problems and for financial and various other reasons cannot find suitable living arrangements at prices they can afford to pay which provide services they need.

C. Suggestions for operation of project consistent with objectives, and with legal and financial limitations and obligations.

1. Board of Directors

The Board of Directors would be appointed by, or with the approval of, the various organizations in the community, appropriately selected, who have indicated interest in the development of this project. The Board would proceed to be incorporated as an organization not-for-profit as indicated heretofore. It would thereupon be the sole responsible agent and thus would determine policy, would receive and disburse funds, would employ staff and would oversee the management and operations of the enterprise.

2. Staff

Key staff would consist of the following:

- a) Building Manager responsible for all building management, maintenance, rent collection and bookkeeping. (Management experience.)
- b) Resident Director responsible for resident relations, program direction, counselling, referral and use of community resources. (Social service experience.)
- c) Nurse responsible for infirmary, emergency health care, liaison with physicians and medical facilities. (Registered nurse.)

A management firm would probably handle management and would assign the building manager, subject to Board approval. Over-all administrative authority could reside in the building manager or the resident director.

(Note: This section on staff is tentative, subject to much careful analysis by the Board with the management firm.)

3. Rentals of Suites

Rentals for each of the 164 suites (164 less several for staff and infirmary use) would be periodically determined, based upon operating costs and other factors. It is assumed that the total received from rentals would cover operating costs (including amortization), but would exclude any special services for which fees might be charged. Suites would be priced on a scale ranging from those wholly or partially subsidized to those drawing the highest rentals. Pricing would take into account type and size of suite, as well as location and condition. Suites will probably be rented furnished or unfurnished depending upon tenant choice, recognizing that some older people prefer to live with their own possessions but that furniture now in the building is available for use. Operating costs include an item for furniture replacement.

4. Services

Certain common facilities and central services would definitely be provided; others might be added after further study or experience.

- a. Resident Director's services would include personal counselling and referral, help in using community resources, general program supervision of social, recreational and educational activities, liaison with research personnel, etc.
- b. Health services would include emergency and short term infirmary service under the direction of registered or trained practical nurses and under medical supervision. Nurses would be on duty 24 hours per day. Residents would use own private physicians or a physician arranged for by the management. (It is hoped that some arrangement for service might be worked out with the neighboring hospitals for medical care when necessary.) It would be the responsibility of the director and health personnel to work out transfer to appropriate medical facilitations when warranted.
- c. Meals may be prepared in resident's own suite (except for those in 32 without kitchen facilities) or may be purchased at cost in the dining room (or cafeteria). Building renovations include provisions for dining room and kitchen; operating costs do not reflect this item since it is expected to be a self supporting operation.
- d. Maintenance of the building and periodic major cleaning and re-decorating of suites will be done by maintenance personnel. Daily housekeeping of suites will be the responsibility of tenants. Linens will not be furnished nor laundered for tenants. It is contemplated that maid service can be purchased if desired.
- e. Miscellaneous services for the physical comfort of residents and economy of operations include a) converting one elevator from manual to automatic, b) converting to gas heat, c) providing an adequate communications system (whether existing switchboard or private telephones is not yet determined).

- f. Recreational and educational opportunities would be provided in lounges and hobby shops. Some such facilities will be set up initially, others will await residents' expressed interests and the availability of funds. It is planned to have places where the residents can socialize, watch TV, have meetings or entertainments. Possibly a small library can be developed. It is also hoped that there will be workshops for men, craft and other hobby shops. Room is available in the basement for these latter purposes. Furthermore, educational and cultural programs, outside the building, in the various institutions nearby, are available and can be encouraged.

It should be remembered, however, that this living facility is planned to allow for a continuation of independent living, albeit with services available. Therefore these various services should be available for persons to use or not use as desired. As one committee member stated, "It should be like life on ship-board, lots of interesting things to do but no compulsion to do them."

- g. Other services which might be developed, probably on a cost basis, if the residents so desire and space is available, would be such semi-commercial enterprises as a newsstand, a barber and beauty shop. One caution, however, is not to develop a self-sufficient island which would tend to keep residents from venturing forth into the community.
- h. Extra-curricular and community activities should be encouraged. It is hoped that this project will not serve to isolate older persons in residence, but rather to enable their continued participation in community life. Therefore, planning will take this into account:
- 1) Use of facilities by other groups, i.e. Council on World Affairs foreign visitors (now utilizing the building), other older persons who might come into the building and join in the activities, special programs for the public, etc.
 - 2) Adequate provision for transportation, adequate lighting of grounds at night, police protection, etc. enabling residents to make use of the surrounding cultural opportunities and to have the pleasure of visits to and from relatives and friends.

5. Research

Western Reserve University's developments in gerontological research offer both an opportunity and an obligation for participation. A current study, financed by the Ford Foundation, focuses on examination of living arrangements of older persons and the services they need or desire to ensure maximum functioning in later years. The type of "clientele" to be served by this Sovereign project offers a particularly important population for such study, both because there are relatively few opportunities for study of "middle-class" older persons and because they might be expected to be intelligent participants.

D. Practical considerations re tenant selection

A realistic dilemma on tenant selection faces the planners of this Sovereign project. On the one hand it is agreed that no one should be barred for reasons of race, creed, or color. Yet this may make occupancy appear less attractive to some persons and at least presents an added element of financial risk to the management. Also, to meet requirements of tax-exempt eligibility for the purpose of receiving tax-exempt gifts, this must be a "charitable" institution and thus must not reject applicants on the basis of ability to pay full cost. This condition modifies the original concept of the Sovereign, which was to provide self-supporting but non-profit housing for middle-income older persons.

We would conclude, however, that the modifications in the plan (to insure tax exemption) keeps intact the major purpose of the original plan; namely, to provide living arrangements at reasonable cost for older "middle-class" persons, and to provide services on the assumption, subject to testing by experience and study, that provision of such services can sustain and prolong adequate functioning and independent living. Should such assumption prove valid, a significant contribution will have been made to the persons served, to our knowledge of how better to help older people, and to the economy of our society if we delay costly institutional care.

In view of these objectives, it would be hoped that the risks would not appear too great, nor the possible criticisms of tenant selection too onerous.

With these considerations in mind, we would suggest:

1. No limitation on the basis of race, creed, color or financial status.
2. Preference be given to persons who come from professional and business backgrounds (teachers, ministers, social workers, office secretaries, junior executives, etc.) whose situation in life has not enabled them to acquire sufficient financial resources to retire "in elegance", yet who want a cultural, congenial atmosphere, or persons of higher means who choose to live in this facility.

It should be recognized that there are persons of all races, creeds and colors who fit this concept just as there are persons who do not. Selectivity, therefore, would be based on a careful evaluation of these factors plus the personality factor of "compatibility".

It is also realistic, although unfortunate, that an overweighting of one ethnic group tends to freeze out those of other groups. Such an occurrence would tend to defeat the project. Thus a certain "proportional representation" might be considered advisable, if not too rigidly enforced. If such should be the policy, then those selecting tenants for admission must be in a position to resist the pressures and acrimony of some in the community, and indeed should be able to do so if they weigh carefully and intelligently all factors of selection against the objective this project is designed to meet.

E. Considerations relative to next steps

Assuming that the Executive Committee favors proceeding with the Sovereign project to the extent of co-convening a meeting of organizations to consider the soundness and method of organization of this non-profit corporation, there are a number of steps which would need to be taken before the building can be purchased, renovated and operated. Among these are the following:

1. Appointment of a representative committee charged with reviewing the data on the Sovereign project and recommending on its feasibility.
2. Selection of Board of Directors who would need to
 - a) establish the non-profit corporation
 - b) apply for tax-exempt status under Section 501(c) (3) of the Statute
 - c) plan for raising the necessary capital funds.
 - d) proceed with FHA negotiations (or other system of financing).
 - e) get architect's drawings and contractor's estimates.
 - f) set up the policies and operation plan, including plan of promotion.
3. Obtain personnel necessary to carry out the above.
4. Purchase the building, renovate it and start operations!

We also suggest that it might be wise

1. To ask the University Circle Development Foundation to include the Sovereign in its planning area and to work towards adequate safety precautions in the vicinity.
2. To ask the Jewish Community Federation about their plans for the three apartment buildings adjacent to the Sovereign to see if a mutually satisfactory disposal or use of that property can be determined.

TO: Retirement Housing Committee of
The Welfare Federation of Cleveland

REPORT OF SUBCOMMITTEE

Your Subcommittee has been very active since its appointment, dealing with FHA for a loan to acquire the Sovereign Hotel. After a great deal of negotiation, including a trip to the Washington Office of the Federal Housing Administration and the preparation of several studies for which our special thanks must be given to Bill West and Dave Ward, we learn that the FHA has taken the position that they would be interested in receiving an application for a loan only if we could acquire the building and furniture offered to us at \$680,000 (including furniture) for \$475,000.

Assuming \$475,000 as the purchase price, they require improvements to rehabilitate the property estimated at \$500,000 for a total outlay of \$975,000. On this basis the maximum insurable mortgage (90% of \$975,000) would be \$877,500, requiring equity money of \$97,500 and debt service (7 1/4% of \$877,500) of \$63,618.75 a year.

Assuming operating expenses of \$98,605, plus an allowance of 5% for management and 7% for vacancy and collection losses, the gross rentals required to support the debt service, based on 90% of the estimated net income, would be \$191,615, or approximately monthly rentals of \$76 for one-room units, \$91.50 for two-room units, and \$118.50 for three-room units.

A segment of the valuation committee of the Cleveland Real Estate Board on whom we called for assistance concurs in the \$475,000 price.

Studies made on the basis of \$680,000 purchase price and the \$500,000 of estimated necessary improvements showed that the annual mortgage payments would total approximately \$77,000, requiring correspondingly higher rentals which in the opinion of the FHA are too high.

We talked with a representative of the corporation which owns the building as to whether they would be willing to reduce the purchase price, but have been unsuccessful in this regard.

We then studied the possibility of leasing, rather than owning, and in making this study we included the three apartment buildings with the Sovereign Hotel, making a total purchase price of \$835,000. In this study we reduced materially the cost of improvements, but used the rentals above set forth as approved by FHA and the operating costs which they heretofore agreed to as appropriate.

The result of this study shows that based on a 5% rate and the amortization of the purchase price over a 30-year period, (the lease, however, to be for a period of ten years only with two ten-year options, including the provision to purchase the property outright at the end of each ten-year period), we would have a cushion of net income of only \$647.00 a year over and above fixed charges and estimated allowances for reserves for repairs and improvements.

It seems apparent that if we use as a premise rentals to be charged to tenants in line with FHA's thinking and unless we can acquire or lease the Sovereign Hotel for approximately \$475,000 (or the Hotel and apartments for \$630,000) we will have so little net income left over for contingencies that we cannot go ahead with this particular project.

On the other hand, if we could acquire or lease the Sovereign on the basis of a \$475,000 purchase price (or the whole parcel for \$630,000), either transaction seems feasible.

In this event we would prefer a leasing arrangement to immediate purchase.

It will be remembered that we at all times have planned to solicit foundations for \$200,000. If we go ahead on the asking price, it would mean that we would need an additional \$200,000, approximately; or in other words, we would have to ask for \$400,000 from foundations or others interested.

This brings up the question: does this cause have such a priority as to justify a request for such a grant?

If a way could be found whereby the present owners, if they are unwilling to reduce the purchase price approximately \$200,000, would permit us to go forward on the understanding that the transaction would be closed on a \$475,000 to \$500,000 figure, but that the difference would be covered by an unsecured obligation requiring us to pay it only if earned, the transaction might be concluded.

Edward F. Meyers, Chairman
Subcommittee of Retirement Housing Comm.

