

September 23, 2020

**202001600**

To: Mayor and Members of City Council  
From: Paula Boggs Muething, Interim City Manager  
Subject: **COUNCIL REPORT – AVONDALE GROCERY STORE**

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**REFERENCE DOCUMENT #202001164**

The Budget & Finance Committee at its session on August 4, 2020 referred the following item for review and report:

MOTION, submitted by Councilmembers Sittenfeld, Kearney, Young and Landsman, WE MOVE that the City of Cincinnati commit \$500,000 to help catalyze the Avondale grocery store project. WE FURTHER MOVE that these dollars come from the City Operating or Capital Budget within the next two Fiscal Year budget cycles. WE FURTHER MOVE that these City dollars be contingent on there being a Community Benefits Agreement between the grocery operator and the neighborhood and its longtime partners who have advocated passionately for this outcome, as represented by the Avondale Community Council, Avondale Community Development Corporation, The Center for Closing the Health Gap and The Urban League in order to ensure that ongoing quality standards for the neighborhood are met; and also be contingent on vetting and due diligence from the City's Department of Community and Economic Development; and finally, be contingent on a financial match against City dollars from other partners.

**BACKGROUND**

In 2016, the City provided assistance to The Community Builders (TCB) to construct a mixed income apartment community with first floor retail at the Avondale Town Center. This development included 119 apartment units and 75,000 square feet of commercial space with 20,000 square feet targeted for a grocery store. The development required significant subsidy including a \$2,000,000 capital grant, \$1,364,500 land sale price reduction, forgiveness of \$1,317,000 of debt outstanding on the Town Center and two CRA tax abatements for the residential units and commercial spaces. While a space was targeted for a grocery store, the effort to find an operator willing to invest the capital needed to start a store had not yet yielded an operator.

## **THE CURRENT PROPOSAL**

The retail space targeted for the grocery is on the ground floor of the three-story mixed-use South Building, which is at the northwest quadrant of the intersection of Reading Road and Forest Avenue. The grocery will occupy approximately 7,000 square feet with 5,250 square feet as the sales floor. The space is adjacent to 10,000 square feet of office space for the future Center for Social Justice office and within the vicinity of other new retail and lifestyle businesses opening in the same building facing Reading Road.

The proposed grocery will operate 9:00 AM to 8:00 PM Monday through Saturday and 9:00 AM to 5:00 PM on Sunday. The store will feature an extremely space efficient interior layout that is dominant in meat, deli, produce aisles, alongside limited grocery sections with lower priced private label products. The proposed store will offer a 5% Senior Citizen Discount day and accept WIC and SNAP (Federal Food Stamps) immediately upon opening.

The grocery space will be leased and operated by Tannel and Chanel Bryant, current owners of The Country Meat Company with two retail divisions (service meat vendors) in farmers markets in Louisville, Kentucky and locally in Findlay Market. The owners also operate a food service division that provides hot and cold meals to schools, government agencies, childcare facilities, and catering events. An experienced urban, grocery manager will be hired to manage the day to day operations of the new Avondale grocery.

Upon completion, the Avondale Market will provide up to 4 FTE and 15 PTE employment positions in the overall Avondale community. The total annual payroll is approximately \$700,000.

## **MARKET STUDY ANALYSIS**

The market analysis conducted by TCB outlines the neighborhood demographics of Avondale and categorizes it as a food desert, where the residents – who are predominantly black and low-income – do not have reasonable access to a grocery store, particularly one with fresh fruits and vegetables. Based on the market research analysis, the Avondale neighborhood is underserved with a population base of approximately 25,627 persons with an average income of \$36,528. Currently, there is not a market within a 1.4-mile radius of the Avondale Town Center. It is important to highlight that 40% of the households in the primary trade area of the Town Center do not own a vehicle. In addition, 16.5% of the households live below the poverty line.

A new grocery to anchor the Avondale Town Center will offer local residents access to lower cost, nutritious and fresh foods and strong perishables. This new store will help achieve the overall goal of providing and promoting better diets and healthier living standards in this relatively low-income and urban area.

The market study concluded that while a new conventional grocery has been difficult to attract to perceptions of cost to operate within the Avondale market, a smaller grocery model can lessen these risks through lower overhead and lower break-even costs to achieve profitability within the Avondale market.

## **CONDITIONS OF SUPPORT**

TCB seeks the \$500,000 to facilitate the build-out of the grocery at the Avondale Town Center. TCB will be performing the build-out work for the tenant as part of the landlord scope of work.

DCED staff have analyzed information submitted by TCB including information about grocery operators and market information to confirm that the operator’s proposal is aware of the complexities of the grocery market.

DCED staff has and will continue to evaluate the partnership between TCB and the tenant to properly execute the project. Our understanding is that the funding appropriated by the City will directly support the tenant improvements needed to build out the space for the grocery. In order to maintain the City’s investment and intention in building a grocery store in the Avondale neighborhood the funds are expected to go directly to TCB who will manage the permanent improvements to the grocery space. For this reason, the Administration recommends providing the appropriated funds in the form of a forgivable loan to TCB which will directly support the development of the grocery store. Further, the Administration recommends the loan be contingent upon execution of a payment guaranty to be provided by the tenant and principals of the tenant, and the City will seek to secure its interests through a lien on the property or other available collateral, such as fixtures, furnishings, and equipment. Following successful operation of the Avondale Grocery for at minimum a five-year period, the City will agree to forgive the loan and release any collateral interests. All terms of the loan remain subject to further discussions between the City, tenant, and TCB.

City funding will be contingent upon secured commitments from the tenant and TCB. The requested assistance of the City represents 12% of the overall investment needed to bring the grocery and Center for Social Justice office to fruition. Below is a list of the investment commitments to date as provided by TCB.

<b>Organization</b>	<b>Funding Amount</b>
TCB Contribution / Other Sources	\$ 2,573,650.00
City of Cincinnati Capital Funding	\$ 500,000.00
Cincinnati Children’s	\$ 600,000.00
Greater Cincinnati Foundation	\$ 150,000.00
Impact	\$ 75,000.00
Fifth Third	\$ 25,000.00
Haile/U.S. Bank Foundation	\$ 75,000.00
Other Community Resources	\$ 75,000.00
<b>TOTAL PROJECT SOURCES</b>	<b>\$ 4,073,650.00</b>

The Administration has identified \$491,000 of existing capital resources previously allocated by City Council under Ordinance 208-2017 for similar purposes. When the conditions listed above have been met, the Administration will propose reallocating these resources for the Avondale Grocery with other resources to appropriate sufficient funding for this project.

**RECOMMENDATION**

The Administration recommends approval of this report. Following approval of this report DCED will enter into negotiations with the tenant and TCB. The administration will bring the necessary agreements to City Council for approval.

Copy: Markiea L. Carter, Interim Director, Department of Community & Economic Development