

September 1, 2021

**To:** Mayor and Members of City Council 202102648  
**From:** Paula Boggs Muething, City Manager  
**Subject:** **EMERGENCY ORDINANCE – AUTHORIZING LEASE AGREEMENT FOR 2010 AUBURN AVENUE**

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Attached is an Emergency Ordinance captioned:

**AUTHORIZING** the City Manager to execute any and all agreements and take such other steps as may be necessary in order to lease City-owned real property at 2010 Auburn Avenue in the Mount Auburn neighborhood of Cincinnati to Sunnyside Child Development Center, Inc., or other affiliated organization acceptable to the City Manager.

#### **BACKGROUND/CURRENT CONDITIONS**

On August 3, 2011, Cincinnati City Council authorized a five-year lease of 2010 Auburn Avenue to a small business venture, Sunnyside Child Development Center (the “Tenant”) for \$1.00 per year. The lease was conditioned upon conversion of 2010 Auburn Avenue into a daycare facility from a senior service center (previously leased to Cincinnati Area Senior Services by the City). The lease allowed for a purchase option at fair market value if the Tenant met the operating conditions of the lease and the Tenant, and City came to agreeable terms and conditions for a fair market value sale.

During the course of the original lease term, the Tenant defaulted under several terms of the lease agreement and did not meet the requirements for a sale of the property. Further detail can be found in Council Report #201900436, but issues involved failure by the Tenant to pay property taxes, failure to pay utility bills, and failure to appropriately maintain the property in good condition and repair. At this time, the lease term has expired, and the Tenant is in holdover under the lease provisions. Since Council Report #201900436 was issued, the Tenant has remedied the default for failure to pay property taxes and utility bills.

#### **DEVELOPER INFORMATION**

Sunnyside Child Development Center (dba Corbin Early Learning Center) is a for-profit Ohio Corporation owned by Olivia Darks. The business has been in existence for ten years and has operated at the 2010 Auburn Avenue location for approximately eight years.

## **PROJECT DESCRIPTION**

The Tenant has requested to purchase the property for \$1.00. The Tenant has offered to address several deferred capital expenditures to the property including the roof and HVAC, which are the financial responsibility of the Tenant under the existing lease.

The Administration has reviewed the request and does not recommend a sale of the property to the Tenant. The history of default under the current lease agreement and the failure to demonstrate capacity to adequately maintain and operate the building are the basis for this recommendation.

As an alternative to a sale, the Administration is proposing an additional lease term of five years at \$1 dollar per year and capital investment by the City to address the deferred capital needs of the property. This includes replacing the existing roof system and investing in the HVAC system, including reimbursing the Tenant for any recently incurred HVAC maintenance costs. This proposal will provide the Tenant with a subsidized lease for five additional years, will remove the burden of pressing capital needs, will get the building into good condition and repair, and will allow sufficient time for the Tenant to make arrangements to relocate the business at the end of the five-year term.

## **PROPOSED INCENTIVE**

The initial incentive authorized by City Council in 2011 was successful in allowing for the creation of a small business venture utilizing a below fair market value lease of a City-owned building.

Over the ten-year period, this small business has received a direct operating subsidy of \$334,260 in operating cost savings which has allowed the business to grow and expand. The City is proposing an additional five year period of rent subsidy valued at \$108,500 and capital repairs, which have been a deferred responsibility of the Tenant under the existing lease, valued at \$86,400 for a total incentive value of \$194,900 over the five year period.

This will allow the Tenant savings to invest in a new location to purchase or lease for the relocation of the Tenant's business by the end of the five-year period. DCED's small business team will also be available to assist the Tenant in identifying an alternative location.

## **PROJECT TEAM & TIMELINE**

The project team (listed below) will make themselves available at the request of the councilmember(s).

- Assistant City Manager: Billy Weber (Ext. 3318)
- DCED Director: Markiea Carter (Ext. 1953)

AgreementType

*Development Group or Project Name*

Page 3 of 4

- Project Attorney: Samantha Brandenburg (Ext. 4704)

The anticipated council timeline is as follows:

- September 1, 2021: Introduction to City Council
- September 7, 2021: Budget and Finance (#1)
- September 13, 2021: Budget and Finance (#2)
- September 15, 2021: City Council for Final Approval

### **RECOMMENDATION**

The Administration recommends approval of this Emergency Ordinance.

Attachment: A. Property location and photographs

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

**Attachment A: Location and Photographs**



Location



Site Photo