

From: Deborah Herrmann
Sent: Tuesday, December 7, 2021 9:10 AM
To: Nancy Levin
Cc: Kim DeNero-Ackroyd
Subject: CPC

I think the following are bullet points that we should develop into statements to use in talking about why we are not continuing with the current lease is:

- The Coventry Peace Campus Board has not demonstrated that they have the finances or staff to operate the building independently moving into the future.
 - No fundraising in 4 years only 2 additional tenants
- As the library moves forward on its own capital projects it can not have library continue to support CPC with either staff time or funding.
- The lease with the CPC board will not be renewed and the library will seek proposals from property management firms to oversee the building operations.
- Current tenants will have 6 months to vacate premises and move, or they have the option of signing a lease with the property management firm.

I think the property management RFP should have a paragraph that states if tenants fall below a number that will not allow for the rent to cover the utilities and fees than we have the right to cancel the property manager contract with 30 days after it fall below that threshold. Then we close up the building and demo.

Deb

Debbie Herrmann
Fiscal Officer
Cleveland Hts.-University Hts. Public Library
2345 Lee Road
Cleveland Hts., OH 44118
216-932-3600 ext. 1238
Fax 216-932-0932



Troubling statement



Misleading at best



False

From: Nancy Levin
Sent: Tuesday, December 7, 2021 5:00 PM
To: Dana Fluellen;Max Gerboc;Vikas Turakhia;Annette Iwamoto;Gabe Crenshaw;Patti Carlyle;Tyler McTigue
Cc: Debbie Herrmann (dherrman@heightslibrary.org);Kim DeNero-Ackroyd;Sheryl Banks
Subject: FW: CPC document
Attachments: Background documents on CPC.pdf

MEMO

To: Board of Library Trustees
From: Nancy Levin, Debbie Herrmann
Re: CPC Lease Option
December 7, 2021

Attachments

1. CPC Submission-Below are thoughts on CPC's revised proposal.
2. Lease-The point at issue is in section 3. C of the lease which is presented here in the document called "Term the CPC tenants must satisfy."
3. IFF feasibility study-Both parties sought expert advice from IFF and their final report is attached for reference. Many recommendations for IFF are not evident in the CPC submission.

Library issues with CPC submissions

- Tenants have less than \$25,000 in bank and no reserve
- Tenants have not provided profit and loss or balance sheet for previous 12 months
- Tenants have not shown that they have accurate books and records of all business during the full lease.
- Tenants have shown that they will need the whole 9 year time period to pay back the repair of the HVAC occurring now. The tenant will now be responsible for roof, structural portions of the interior and exterior of the Building and the leased premises. If any other capital expenses require payback they may be unable to do so.
- Tenants do not have professional support to ensure their success: legal, accountant, facilities manager, advertising and leasing agent. They have relied on volunteer help and continue to state that they "Plan" to expand the board to gain expertise and oversight that is not dependent on the tenants themselves who have their own operations to worry about.
- Tenants do not show occupancy that allows them to break even in year 2-negative cash flow.
- They removed \$495k in improvements and only show \$12k available a year for maintenance. How would a future significant repair or improvement be made?
-

For your information the lease describes what would happen if tenants default on lease.

"Default" is from the Lease section 19. This outlines consequences if payment is not made or if building is not maintained and work is not performed in a "good workmanlike manor"

- If the tenants are delinquent by 15 days on a lease payment they will be charged a late fee and an additional \$50 a month for each subsequent month that any amount remains unpaid.
- If tenant is deemed to be bankrupt or in receivership, we may re-let the premises "and apply the rents received first to the payment of landlord's expenses incurred by the reason of the Tenant's default and tenant remains liable for any deficiencies. This process would incur additional expenses that could be substantial.



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Library is still responsible for maintenance of all exterior areas, walkways, lighting facilities parking and landscaping unless such repairs are the result of tenants' use. This is reinvestment in the property along with the large investment needed in the PEACE park playground and surround park that tenants freely use.

Summary:

The basic financial situation is not significantly better than it was one year ago, in fact revenue has gone down from October of 2021 to October 2022. In January 2022, just three weeks away their expenses will be \$2000 more than their revenue.

However, they show an additional revenue in 2022 of \$170,559 from new tenants. What guarantee do we have that this will happen? They have asked us to waive the rent as a means for them to achieve a positive cash flow. This minimal rent covers the expenses for the exterior of the building. There is no means for making any significant repair.

The reason we have stressed having a reserve since we entered into this relationship is the ability to weather storms such as having a major tenant depart, or facing an economic downturn that makes it difficult to fill spaces. A neutral expert, IFF, has provided guidance which has not been followed. Decisions are still being made that favor individual tenants but not necessarily the whole building.

The library now has competing goals for the community good which prohibit us from entering into a long-term lease with an unreliable tenant. We all made a good faith attempts to have this project happen.

We feel it would be prudent to reset the situation with the building and seek a public open process for hiring a property manager and attracting new tenants that are more fiscally sound.

What if the tenants are not approved for future relationship with the library?

If it is determined by the Library Board of Trustees that the Coventry PEACE Campus Inc. is not a viable partner and tenant of the former Coventry School Building we have a number of options to explore.

- The existing Term ends on December 31, 2021. [Section 2]
- Without an Agreement to extend the Term, the Tenant (Coventry Peace, Inc.) is expected to vacate the Building at the end of the Term.
 - o All personal property remaining shall be deemed abandoned and forfeited by Tenant following notice and a reasonable period of time in which Tenant fails to remove it. [Section 19b]
- If they do not leave, they become a holdover pursuant to Section 23
 - o IMPORTANT: If Tenant does not vacate the Premises upon the expiration or earlier termination of the Lease, and Landlord thereafter accepts rent from Tenant, Tenant's occupancy of the Premises shall be a "month-to-month" tenancy, subject to all terms of this Lease except that the monthly Base Rent then in effect shall be increased by twenty-five percent (25%); provided, however, if the Parties are engaged in good faith negotiations to extend the Lease, and Tenant is not otherwise in default of its Lease obligations, Landlord shall not charge any increase in Base Rent during the holdover period. [Section 23]
 - The Library will need to be clear about whether or not the Lease discussions are terminated, whether the Lease Term is over, and whether CPC is permitted to continue occupying the Building for a period of time. Not only is that necessary to bringing this to an end, but if they



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continue as holdover Tenant on a month-to-month basis, the rent amount is dependent on whether or not negotiations are continuing.

- Landlord will have to pay Tenant for the difference in Utilities costs paid in excess of actual usage. This happens after the end of the Term, when Landlord delivers the statement to Tenant. [Section 7]
 - o If Tenant ends up owing Landlord after the Term (because its excess went toward the \$10k HVAC repair, or something), then Tenant must pay within 60 days (i.e. by March). If the amount owed for Utilities is more than \$10k, they will have 180 days to pay – this amount seems unlikely under any circumstances.
- If applicable, Tenant will have to pay back and amounts that the Library advanced in excess of \$10k for a repair, within 180 days after December 31, 2021 (i.e. by the end of June). [Section 11b]
 - o This would be the HVAC work that's being contemplated.

From: Deborah Herrmann
Sent: Tuesday, December 7, 2021 4:44 PM
To: Nancy Levin <nlevin@heightslibrary.org>
Subject: CPC document

Debbie Herrmann
Fiscal Officer
Cleveland Hts.-University Hts. Public Library
2345 Lee Road
Cleveland Hts., OH 44118
216-932-3600 ext. 1238
Fax 216-932-0932

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DRAFT Memo

To: Real Estate Committee of Board of Library Trustees

From: Nancy Levin, Director

Date: Dec. 6, 2021

RE: Coventry PEACE Campus

Discussion for Real Estate Committee. Possible sale of property.

What if the tenants are not approved for future relationship with the library?

If it is determined by the Library Board of Trustees that the Coventry PEACE Campus Inc. is not a viable partner and tenant of the former Coventry School Building we have a number of options to explore.

- The existing Term ends on December 31, 2021. [Section 2]
- Without an Agreement to extend the Term, the Tenant (Coventry Peace, Inc.) is expected to vacate the Building at the end of the Term.
 - o All personal property remaining shall be deemed abandoned and forfeited by Tenant following notice and a reasonable period of time in which Tenant fails to remove it. [Section 19b]
- If they do not leave, they become a holdover pursuant to Section 23
 - o IMPORTANT: If Tenant does not vacate the Premises upon the expiration or earlier termination of the Lease, and Landlord thereafter accepts rent from Tenant, Tenant's occupancy of the Premises shall be a "month-to-month" tenancy, subject to all terms of this Lease except that the monthly Base Rent then in effect shall be increased by twenty-five percent (25%); provided, however, if the Parties are engaged in good faith negotiations to extend the Lease, and Tenant is not otherwise in default of its Lease obligations, Landlord shall not charge any increase in Base Rent during the holdover period. [Section 23]
 - The Library will need to be clear about whether or not the Lease discussions are terminated, whether the Lease Term is over, and whether CPC is permitted to continue occupying the Building for a period of time. Not only is that necessary to bringing this to an end, but if they continue as holdover Tenant on a month-to-month basis, the rent amount is dependent on whether or not negotiations are continuing.
 - o NOTE: Given the reality of the situation, expecting them to agree to leave on 12/31/21 is unrealistic. If the Library is saying no to CPC exercising its option, the Library should require Rent (+ 25% or not), set a period of time for the month-to-month to end, and require CPC to vacate (e.g. status quo rent, out in 3 months or something). Your memo stated that the current tenants will have 90 days to vacate (where did you get that from?) – that seems reasonable.
 - This will require an understanding of the underlying tenant relationships, lease length, etc.



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- Landlord will have to pay Tenant for the difference in Utilities costs paid in excess of actual usage. This happens after the end of the Term, when Landlord delivers the statement to Tenant. [Section 7]
 - o If Tenant ends up owing Landlord after the Term (because its excess went toward the \$10k HVAC repair, or something), then Tenant must pay within 60 days (i.e. by March). If the amount owed for Utilities is more than \$10k, they will have 180 days to pay – this amount seems unlikely under any circumstances.

- If applicable, Tenant will have to pay back and amounts that the Library advanced in excess of \$10k for a repair, within 180 days after December 31, 2021 (i.e. by the end of June). [Section 11b]
 - o This would be the HVAC work that's being contemplated.

Alternative 1. What if we took over the building?

1. *Keep the building and hire a property management company to rent the space at minimum of \$8.00-\$10 a square foot as recommended by IFF. This will pay the bills and alleviate the bookkeeping burden on the library. Assume maintenance of \$300k a year.*
 - *The upside for the library is that we could use some of the space for afterschool programming, including the Gym. We can also use indoor space for supporting park activities and restrooms.*
 - *We are seeing an increase in needs for social services for library customers*
 - *We are increasing the size of library staff and programs but we are out of space in our current buildings.*
 - *We also have storage needs currently that could be alleviated by using some of the space.*

Questions we should ask (from Anthony)

When you say "take over the building", do you mean go back to how it was when you first acquired the property? Library directly leasing to tenants (with the aid of Property Management Company)? Library responsible for building repairs and improvements?

Are you permitting Artful, Reaching Heights, etc. existing tenants to remain, provided they pay your increased rent? If this is offered for discussion, be prepared to state what the Landlord is willing to be responsible for, because these are going to be some frustrated tenant organizations.

Regardless of your answers, if you terminate the Lease with CPC, we will want to define that windup – but after the CPC windup, you will be able to do whatever you want with the Building. Lease it to 1, to many, own it vacant, or demolish it.

What if we demolished the building?

2. *Demolish the building at a cost of approximately \$400 k and enlarge the park area. This will unburden the cost of all future maintenance of the building and enlarge the green space for the use of the public. We could build a restroom and classroom at a later date.*

Questions we should ask ?

With all of the talented and creative minds in the picture, if the Building is no longer contemplated, I'm sure there will be lots of ideas to fill a bigger blank canvas.

What if we sold the Building?

3. *Split the lot once again and sell the property on the east side for housing. This will probably be a net 0 gain since the school building would have to be demolished anyway.*

Questions we should ask?

This would require some further digging – recall that there were some deed and other restrictions on the property that we identified at acquisition, which became relevant when Paul Volpe was pitching his housing ideas. If splitting and/or selling is a possibility, we'd want to refer back and detail what the Library can and can't do.



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False

From: Nancy Levin
Sent: Monday, December 20, 2021 4:42 PM
To: Dana Fluellen;Max Gerboc;Vikas Turakhia;Annette Iwamoto;Gabe Crenshaw;Patti Carlyle;Tyler McTigue
Cc: Debbie Herrmann (dherrman@heightslibrary.org);Kim DeNero-Ackroyd;Anthony Trzaska
Subject: Analysis of Saturday submissions- here are some bulleted notes. I have not had time to flesh them out yet.

We all agree they are worthy organizations. Future Heights reported to us that they looked all over Cleveland and couldn't find such a nice building with such low rent.

That is because the rent is artificially low and will not sustain the building.

They did their math wrong. The average rent is \$5.25 not \$7.74. P. 13

- Current positive cash flow is \$28,041 due to additional fundraising in December. The extra in utilities is likely to be spent in the next few months. What should the reserve be? They have no credit. Fundraising plan does not represent significant revenue. List of entities to whom they will apply for grants is nice to know, but only a speculation at this point.
- It should be at least \$50k, 80K and should be in a separate restricted account. In their statements they are adding this to the "reserve" which is not a separate fund.
- They are not currently at break even.
- \$12,000 a year in maintenance and repairs is not enough. (For example heat refurbishment project cost \$60,000 and that is just one item.)
- Utilities in 2021 were unusually low because A/C was broken and CPC did not repair and did not ask library to repair. Running the A/C will greatly impact the electric bill. We can dig up 2019 electric bill. Bills for electricity and natural gas will increase when no longer getting library discount.
- Average rent is \$5.25 not \$7.74 as stated by the tenants. The 96 square feet at \$15.00/sq. ft is an anomaly. They did not calculate the number correctly.
- Sherri Skedel. Lake Shore Aikido is a business, Pickup Stix is a business. Not non-profits which jeopardizes the occupancy permit. Studio Institute is a non-profit registered in New York City.
- IFF's letter says that CPC is not there yet to qualify for financing. It needs additional cash and two years of audited statements. It does not have any years of audited statements. CPC is misrepresenting their "willingness in their public statements."
- Happy to see letters of intent because they also revealed some different intent.
 - Lake Erie Ink is only committing for 2 years.
 - Sherri Skedel. Lake Shore Aikido is a business, Pickup Stix is a business. Not non-profits which jeopardizes the occupancy permit and our tax status. Studio Institute is a non-profit registered in New York City.
- The short term tenants are only committing for the following:
 - Dobama 6 weeks
 - Pickup Stix 3 months
 - Sherri Skedel 3 months
 - Not clear how long the Aikido studio
 - We posit that they should not be included in the occupancy rent.
- Assets are not calculated correctly and are irrelevant to this discussion. Furniture and equipment are not assets on a balance sheet. Debbie provided definition: Assets should be liquid. How can these things be turned into



cash, sold or consumed? A "Current Asset" is expected to be sold or used within 12 months. They don't indicate if they are depreciating.

Nancy S. Levin

Director

She/Her

Heights Libraries

2345 Lee Road

Cleveland Heights, Ohio 44118

(216) 932-3600, x 1240

www.heightslibrary.org

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