DRAFT Commercial Real Estate Assessment
Downtown Madeira

June 19th, 2025

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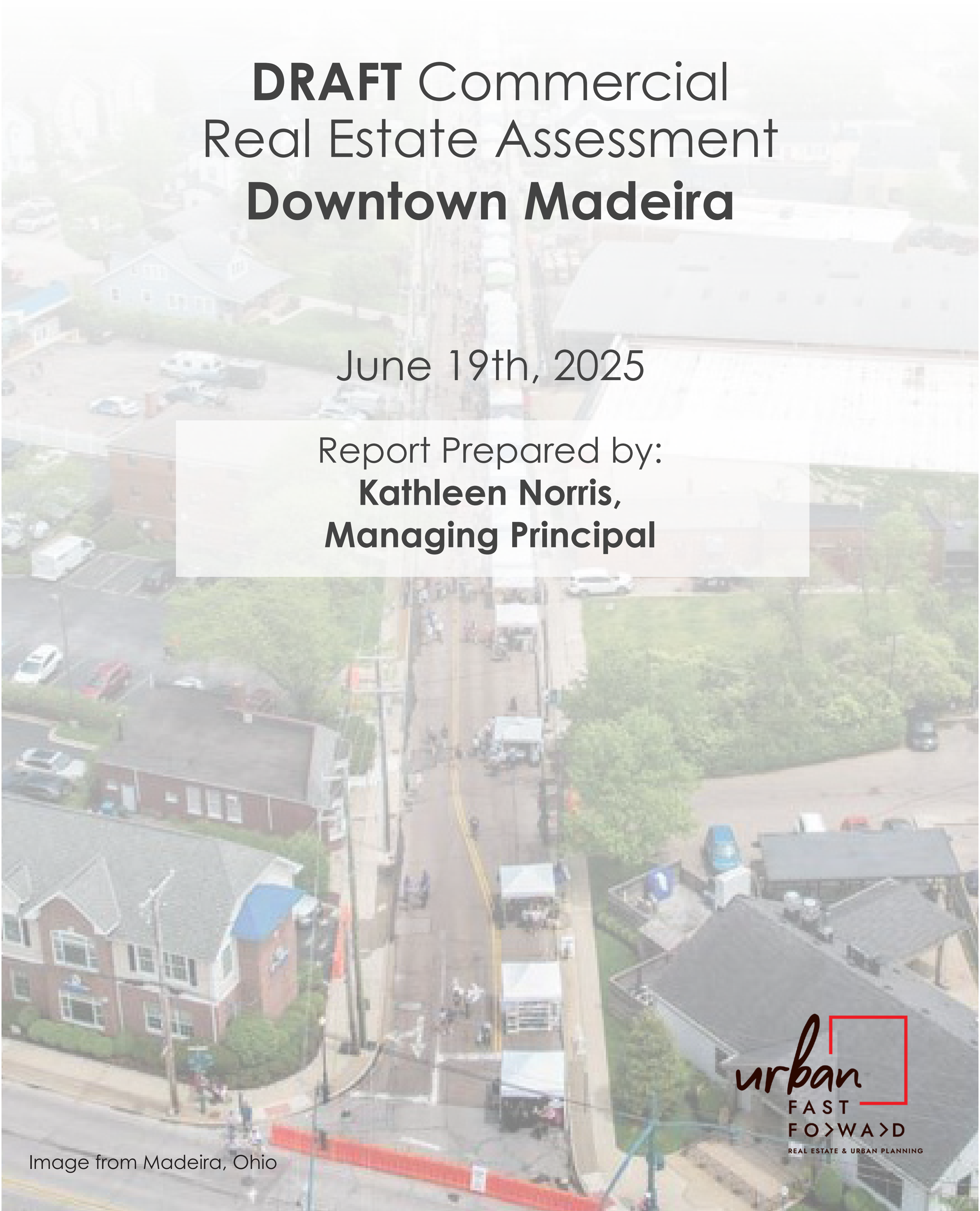

Image from Madeira, Ohio

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Madeira Context

Madeira is a city approximately 10 miles north of Downtown Cincinnati. According to the 2020 census, its population was 9487, an increase of some 700 since the 2010 count. The median age is 38.8, down more than 4 years since 2010. Population over 65 dropped by 3% in that same period.

According to the American Community Survey for the period 2016-2020 the estimated median annual income for a household in the city was $142,917, and the median income for a family was $168,286.

This is an affluent community increasingly anchored by young professionals and families.

In 2023, the community updated its Comprehensive Plan, first initiated in 2017. As part of that update, the city undertook an extensive Community Engagement program.

As is customary in such a future oriented document, economic development was a key topic area and downtown was an important element of that. Respondents expressed strong opinions, particularly asking for greater retail diversity and more restaurants of all types.

Madeira has a small downtown, anchored by Miami Avenue. where several blocks of shops are along both sides of the street. There is a small strip mall, Kroger, Starbucks and Subway, but most retailers and restaurateurs are independent, potentially a strength for the area.

These businesses are housed in a variety of one- and two-story structures, both old and newer. Occupants of the strip mall and the Kroger center are recessed and thus less visible to passersby Otherwise most storefronts are built in a classic downtown pattern, set immediately behind sidewalks to increase visibility and encourage pedestrian shoppers.

A major deviation from this classic arrangement is at Miami and Railroad. This location is effectively the heart of the retail district, the corner of Main and Main. It is also the site of a three-structure historic district.

Located within this mini sector are a former railroad depot from 1866 and two homes from the 1880s, Hosbrook House and Muchmore House, which were donated to the city in 1989 by Cleo Hosbrook.

These two former residential properties are the subject of this report.

Downtown Madeira
Image of *Redden Fine Meats* (top), *Adrien Pharmacy* (bottom left) and *Madeira Art Fair* (*bottom right)*

Appraisal

An appraisal of both properties was conducted by the Pillar Valuation Group in 2023.

Hosbrook House was valued at $130,000, a decline of 13% from an appraisal completed in 2018.

Muchmore House was valued at $210,000. A 9% decrease in value from 2018.

Lack of parking was cited as an issue pertinent to value decline.

More relevant however was this:

"The subject property is located in the Madeira Historic District.

As a result, the improvements must remain to preserve the historical significance to the community. In an unrestricted scenario, the highest and best use would indicate the value of the underlying land to be higher than the current commercial retail use and the improvements should be demolished for redevelopment.

However, the historic guidelines prevent the removal and redevelopment of the subject site resulting in an inherent functional and external obsolescence."

Hosbrock House

Muchmore House

Existing Conditions - Downtown

As noted above, Comp Plan Focus Groups, when asked about Downtown, indicated a desire for More Variety in Retail Shops (56%) and especially for More Variety in Dining and Entertainment (89%). This was borne out by recent consultant conversations with a small range of local leaders.

However, there were those who felt that dining opportunities are adequate but that what is most lacking are more options for families and young people. Given the changing demographics of the area, that view is understandable as well.

Recent comments included:

"We're a little bit of a food desert – there's been nothing new or exciting in a long time".

"Not enough restaurants – we need someplace with a courtyard or a roof top deck – and put it near to Swing Line so there would be a second place to go in that area".

"Tons of people drive thru every day but there is nothing to stop for.

"We have no place to sit and meet, especially for lunch."

Downtown Madeira
Image from *Madeira Chamber* (left) and *Cincinnati Magazine, Photograph by Hatsue (right)*

Existing Conditions - Subject Sites

As noted, the historic district of downtown Madeira is entirely comprised of three structures, significant by designation rather than use or even physical characteristics.

The Train Depot is now a butcher shop, though the architecture and proximity to tracks clearly denote its previous life.

The nearby two residential structures might be considered less distinctive, especially when compared to the Miller House, elsewhere in Madeira. That 1922 Sears and Roebuck design has been restored as a museum by the Madeira Historical Society, complete with period accurate furnishings.

By contrast, the two homes in downtown Madeira are distinguished mostly because they are remainders of an earlier time. They are unrestored, many recent additions are not of the original era and current use is not of cultural or historic benefit.

Muchmore House is currently leased to a fashion retailer, The Co-Op, which moved from Camargo Road to this more central location. As noted below, they have a lease on the premises. Sales are reported to be good and merchandise mix is appealing.

The two-story property appears to be in reasonable condition, maintenance adequate to good. The structure is set back from the street, in the manner of a residential rather than commercial property. There is a porch on which merchandise is displayed seasonally though it is barely visible from the street.

There is existing period detail, but windows and many other elements have been modernized.

Landscaping has a residential character, with a large tree on the corner which shades but also obscures the property. There is an iron fence on the street facing sides and limited parking behind.

Land area is 0.215 acres.

Hosbrook House is vacant, tenanted until 2023.

The one-story property is of a substantially lesser condition than its neighbor. The exterior appears to be fibro cement siding, with aluminum gutters and downspouts. There is a front porch with wood trim, but one added to the rear in recent times appears to be entirely composite decking and rails.

The interior is in poor condition, and as noted below, substandard for business operations. Flooring is VCT and interior doors are hollow core plastic.

Munchmore Front Entrance
The porch is set back from the street.

Hosbrock Rear Deck
Large outdoor seating area completed in recent times.

There is a low-ceilinged attic which is unimproved. A 3-part kitchen sink and a separate hand sink are in place.

The house is set back from the street and landscaping here is also of residential character. Iron fencing is along Miami Avenue and limited parking behind.

Land area is 0.308 acres.

Total acreage across both sites is 0.523.

In conversation the houses were frequently described as charming, though often also as out of character with the downtown of a forward-thinking city:

"Madeira is putting so much into growing and improving. These may be a hindrance to the future the community deserves".

"That's prime real estate. It's somewhat charming but are there better options?"

"Madeira has so much potential. We need to make it better".

Lease and Expressions of Interest

The Co-Op has a lease on Muchmore House.

The initial term of this lease extends thru 5/31/26, with a tenant option to extend thru 5/31/31.

Current rent is ~$12.00 per square foot. Tenant also pays real estate taxes which add ~$2.98 per square foot for a current total of ~$14.98.

There is no lease on the Hosbrook House.

It is worth noting that while this rent is probably appropriate here, it is low for a quality business district.

Moderate rents, counter intuitively, are not always a good thing. They don't provide enough return for landlords to continually reinvest in properties, and they do attract both hobby businesses and those lower down on the scale of desirability.

They also can make properties harder to sell as the potential for investor return is more modest.

Subsequent to the 2023 appraisals, the city began to explore sale of these two properties. To consultant's knowledge there have been two expressions of interest in purchasing.

The first came from the owners of A Tavola and La Grassa, which had been operating an ice cream business in the Hosbrook House since 2017.

According to one of the owners:

"Converting the small 1,000 sq ft house into a commercial kitchen and retail space was a major undertaking. Plumbing and electrical upgrades were particularly expensive... Structurally, the house has significant limitations...few walls are load-bearing...removing any could affect the foundation, which has clearly shifted over time... the electrical capacity is maxed...most outlets still rely on original wiring... the building simply wasn't designed for growth."

After La Grassa closed in 2023, A Tavola retained interest in the building, potentially to install a wine bar. Ultimately however they found the property unworkable as it stands, specifically citing the limitations of historic designation. They did express interest in continuing discussions if the designation were removed.

The second expression of interest is more recent, coming from former Madeira Mayor Mary Anne Christie. Ms. Christie is the pioneering host of the High Heels and Politics podcast, on air since 2019. She has expressed interest in using the Hosbrook House as a podcast headquarters with a staff of approximately 4.

In an email to the consultant Ms. Christie noted:

"The only presentation made by our company occurred during public meetings, where we participated as guest speakers and submitted a brief written summary of our vision. We have not been granted the opportunity to view the interior of either house, nor have we received any information regarding existing lease agreements."

Thus, to date, circumstances not have allowed Ms. Christie to fully understand the condition of the buildings or the amount of investment which might be required to adapt Hosbrook for her purposes.

However, for the City, the question is more fundamental: is the proposed use best for the business district long term and appropriately aligned with the goals of the comprehensive plan?

In the Comprehensive Plan the community clearly expressed a wish for a livelier and more retail and restaurant focused downtown.

Recommendations and Conclusions

Landlording is often a distracting business for government, unrelated to core functions. City leadership is exploring alternatives for these properties.

The overall condition of the buildings, especially Hosbrook, is a challenge since to attract a tenant at a reasonable market rent, significant investment is likely to be required.

But as previously noted, both are small, with Hosbrook the smaller, and set well back from the street. They are obscured by vegetation and, effectively, walled off by fencing. None of these characteristics contribute to a thriving retail location.

Clearly, they represent opportunity, but the unanswered question is for what? Especially since, again, the Comprehensive Plan calls for uses that add district vibrancy.

Office would be possible but generally this is best sited on second floor and above. Business district activation requires foot traffic to support retailers. Offices in high visibility ground floor spaces do not generate much of that. This is doubly true in small footprints which are likely to employ only a few.

The properties could continue to be leased but rental rates are unlikely to reimburse either the necessary capital investment or ongoing expenses.

Selling also has complications, especially given the high priority location. Thus, the city would want tenants which are additive to the existing retail mix, responsive to shifting demographics and expressive of community character.

Owner occupied, as suggested by Former Mayor Christie, is a possibility but is the occupant user a true demand driver for the district? And how can the city be assured that successor owners will share the community's goals?

Moreover, once sold, there is no guarantee that an incoming owner/landlord would prioritize community preferences over cash flow, especially if capital costs spiral up. There are current tenants in the business district which may be profitable but which, in conversations, were identified as sub optimal uses for the district.

So, in any sale, the city would want to ensure, to the greatest degree possible, that future ownership and uses enhance downtown.

Complicating the prospect of sale is the historic designation. The potential buyer with whom negotiations were most advanced ultimately deferred because of the limitations these impose.

Specifically: ...the properties *"are to be preserved, protected and left standing upon the same ground the structures were built upon."*

The historic guidelines govern only primary and secondary facades that are readily visible from the street or sidewalk. However, such a restriction fundamentally controls the envelope and the position of the structure on the underlying land and, by extension, their total footprint.

There have been two past proposals which suggested linking the properties together, bridging the ground between and, possibly, adding on at the back. This would require the approval of the Historic Preservation Commission and significant capital investment but, in theory, could be done.

From a purely financial standpoint, as the appraiser noted in their 2023 reports, the greatest monetary value of these properties is that of the underlying land. Moreover, several locals with whom conversations were held, believe realizing that value may be the superior outcome for downtown.

It can be painful for a community to consider

Recommendations and Conclusions

repositioning or demolishing historic structures. For some they are repositories of the emotional history of the area. And change is challenging.

But this is, as proven by recent research, including the US Census, a community actively in the process of change. Average incomes are rising as resident age is falling.

The walkability of Madeira's business district is highly prized even as residents decry the thinness of available offerings.

The gateway corner is occupied by structures which do not favor the desired uses.

So, what way forward?

Option A: Sell as is at the best price obtainable.

Pros: Removes the city from the role of landlord. Reduces cost and realizes financial value.

Cons: Transfers site control to a present or future entity whose objectives may not align with community goals. Historic limitations may negatively affect prices.

Process: Issue an RFP calling for offers, clearly noting historic restrictions and that there is a lease in place through (potentially) 2031.

The city may want to insert restrictive covenants governing future land use, though this, in tandem with the historic controls, will reduce the pool of potential buyers.

Option B: Remove historic designation.

Pros: Increases the range of options available to the City. The land can be sold or leveraged as part of a development agreement. Encourages more diverse land use and increased retail square footage. A two-story structure would offer the opportunity for retail/restaurant on the ground floor with office above. New retail storefronts would give heightened visibility to tenants and add an overall freshness to the area.

Cons: Development will require demolition.

The city may want to create a sale process which ensures that proposed future land use, design and other key elements align with community objectives before property transfer is final.

Process: Designation removal precedes offering the property via an RFP process.

Option C: Offer the historic homes to an entity wishing to move them elsewhere, preserving the structures but freeing the land for more productive use.

Pros: This is a hybrid option. The Historical Society or some other community minded entity may wish to relocate these structures to another part of Madeira. It was suggested in one conversation that they could form the basis of a cottage shopping area on Laurel, perhaps building on and in the style of Cottage Paperie.

They also could be residences again.

In 1962 the Leever House was moved from a location on Laurel to Southside to enable the construction of Kroger.

Cons: This option requires an entity which believes in the residual historic value of these structures and can manage a plan to move and preserve them.

Process: Remove the historic designation which stipulates that the structures must remain in place. Issue an RFP offering to the bidder with the best proposal. Offer could be at a price as low as $1.00 with winning bidder bearing all costs of relocation.

Option D: Remove the historic designation to allow major redesign of the structures, possibly linking the two, adding to the front or rear or other substantial exterior alterations.

Pros: This is also a hybrid option. It increases utility while preserving some elements of historic character.

Cons: This may significantly change appearance. It will require substantial capital investment without fully maximizing site coverage. A buyer may find that the economics of this option are unworkable.

Process: Designation removal precedes offering the property via an RFP process.