

December 13, 2021

**To:** Members of the Budget and Finance Committee

**From:** William P. Weber, Assistant City Manager *WJW* 202103302

**Subject:** **Emergency Ordinance – Authorizing Lease Agreement with vR Hospitality LLC for Fixed-Base Operator Business**

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Attached is an Emergency Ordinance captioned:

**AUTHORIZING** the City to enter into a Lease Agreement with vR Hospitality LLC or other affiliated organization acceptable to the City Administration, pursuant to which the City will grant a leasehold interest in certain City-owned property at Lunken Airport in the Linwood neighborhood known as Lease Area 52 for a term of up to 40 years to facilitate the company’s establishment and operation of a fixed-base operator business involving the sale of fuel and the storage and servicing of aircraft.

**BACKGROUND/CURRENT CONDITIONS**

Located just outside of the East End’s business district, the Lunken Airport is one of the oldest municipal airports in the country. The historic Terminal Building at Lunken is currently underutilized and primarily functions as office space for DOTE and Flamingo Air. On August 14, 2020, the City released a Request for Information (RFI) to solicit ideas, availability of firms, and proposals for the use of the Terminal Building, located at 262 Wilmer Avenue. Through the RFI, the City elected to enter into negotiations with vR Group (the “Developer”) with the end goal of entering into redevelopment contract(s) for the Terminal Building.

**DEVELOPER INFORMATION**

The vR Group is the private investment management firm of the van Rooyen family. Their company is focused on renovating buildings with notable historic character and an interesting story. Locally, the vR Group is best known for their renovation of Covington’s former City Hall into what is now known as Hotel Covington—a 114 key hotel—paired with the creation of a distinguished restaurant and event space. Additionally, the Developer is currently working on the redevelopment of a former YMCA in Covington into a mixed-use hotel, restaurant, and distillery.

## **PROJECT DESCRIPTION**

Once completed, this project will result in 71,500 square feet of commercial space including a 55-key hotel, a 2,400 sq. ft. of event space, a 5,5000 sq. ft. restaurant space, and a 2,000 sq. ft. bar space. The projected total cost of this project is estimated to be \$20,560,000 and will result in the creation of 100 full time, temporary construction jobs at a total annual payroll of \$5,200,000 over a two-year construction period. The project will also support the creation of about 90 permanent, full-time jobs and \$3MM in annual payroll associated with the hotel, restaurant, event space, and bar. Separately, the Developer is pursuing the development of an 8,900 sq. ft. Fixed Base Operator (FBO)/hanger as a compliment to the hotel project.

This project was approved by Planning Commission on December 3, 2021. This project is consistent with several of Plan Cincinnati's goals including the Compete, Live, and Sustain initiatives. Additionally, City Planning and the Developer conducted a public engagement meeting with East End stakeholders following the City Manager's Community Engagement Policy on December 8, 2021. A written summary of the engagement session can be found on City Planning's website. The Developer has also conducted extensive engagement with the East End Community Council, which has provided its support of the project.

## **PROPOSED INCENTIVE**

Through this emergency ordinance, DCED is recommending a Lease Agreement with vR Hospitality LLC pursuant to which the City will grant a leasehold interest in certain City-owned property at Lunken Airport in the Linwood neighborhood known as Lease Area 52 to facilitate the company's establishment and operation of a fixed-base operator business involving the sale of fuel and the storage and servicing of aircraft. The term of the lease will be five (5) years with seven (7), five-year renewal options for a total term of up to 40 years. Rent under the lease will be determined by City appraisals completed ever 10 years with annual consumer price index (CPI) increases following year five of the lease term. There will also be a commercial activity surcharge rate of 1%.

To support the project, DCED is also recommending under separate ordinances (1) a 32-year lease with a 10-year extension option followed by an 8-year extension option for the hotel portion of the project and (2) 30-year 5709.41 Tax Increment Financing (TIF) exemption.

## **PROJECT TEAM & TIMELINE**

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

- Assistant City Manager: William Weber
- DCED Director: Markiea Carter
- Project Attorneys: Samantha Brandenburg and Marion Haynes

The anticipated council timeline is as follows:

- December 13, 2021: Budget and Finance
- December 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

