

**December 13, 2021**

**To:** Members of the Budget and Finance Committee 202103300

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

**Subject:** **Emergency Ordinance – Authorizing Lease Agreement for Lunken Airport Terminal Building and Development Agreement with vR Hospitality LLC**

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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 the Lunken Airport Terminal Building and adjoining real property at Lunken Airport in the Linwood neighborhood for a term of up to 50 years; and further **AUTHORIZING** the City to enter into a Development Agreement and Service Agreement with vR Hospitality LLC or other affiliated organization acceptable to the City Administration, to facilitate the company’s redevelopment activities at the Lunken Airport Terminal Building and adjoining property at Lunken Airport, and providing for City assistance to the project in the form of a rebate of a portion of the service payments in lieu of taxes imposed in connection with a proposed 30-year property tax exemption for improvements pursuant to Ohio Revised Code Section 5709.41, subject to the passage by this Council of a separate ordinance authorizing such tax exemption.

### **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.

### **PRIORITIES RUBRIC**

Pursuant to the *Priorities Rubric* established by City Council, this project is achieving the following policy objectives as outlined herein:

- Improvement of Vacant, Blighted and/or Underutilized Properties  
*This project involves the renovation of the underutilized Lunken Airport Terminal Building as well as the construction of a new hotel on what is currently a surface parking lot. By taking a former airport terminal and transforming it to a hotel, bar, restaurant, and event space, the Developer is bringing modern amenities to a historic building.*
- Environmentally Sustainable Development  
*The Developer will obtain a LEED Silver certification for this project.*
- Inclusion and Local Businesses  
*The Developer has indicated that they will be using Manning Contracting—a 100% women owned business—as their general contractor. Moreover, they will be utilizing the Port's inclusion program which commits them to a goal of utilizing 25% MBEs, 30% SBEs, and 7% WBEs as well as committing to participate in the City's Meet and Confer process. This is in conjunction with their "hyper-local" commitment where they utilize local businesses to operate their commercial space.*

- **Community Outreach**  
*This project has received the overwhelming support of the East End Community Council. Additionally, they have met with the Lunken Advisory Board on several occasions to discuss this project. This is in addition to participating in the City's official Community Engagement Process on December 8, 2021.*
- **Living Wages and Local Jobs**  
*The Developer has committed that all jobs created by the Project will comply with the City's Living Wage Policy.*
- **Job Creation and Retention**  
*Through this project, there will be 100 full-time, temporary construction jobs created over an 18-month period as well as about 90 full-time, permanent jobs created associated with the operations of the hotel, restaurant, bar, and event space with an annual payroll of about \$3MM.*
- **Place Based Investing**  
*This project is located within ½ mile of East End's Neighborhood Business District; moreover, this project is situated directly on a key running & cycling corridor that connects Cincinnati to Cleveland. This path is a destination for runners and cyclists from throughout the region and the State.*
- **Historic Preservation**  
*This project will save one of Cincinnati's most notable historic assets: the Lunken Airport Terminal Building. The Lunken Airport was opened in 1925 as the largest municipal airfield in the world and served as Cincinnati's main airport until 1947. Through this project, the Developer is going to pursue a historic designation for the building and bring it to its historic glory.*

*Our proposal fully intends to restore the Terminal Building at Lunken Airfield with sympathetic care and a careful understanding of the National Park Service's Guidelines for Historic Preservation. These guidelines are relevant both for the restoration and preservation of a culturally significant monument and for the appropriately designed addition of a complimentary new wing.*

*Our research into the history of Lunken Airport has, surprisingly, revealed that the property currently is not a registered historic site. As an integral piece of our design and development process, we will seek to designate the Terminal Building as a registered historic landmark. This designation will mandate that we design our proposed improvements according to the federal government's standards for preservation - a mandate that we believe will add value to the project.*

*A re-stabilization of the terminal building itself will be a project to repair damage and restore significant building elements that have been inappropriately altered over the course of the building's life. Of note: it is recorded that the original control tower has been covered over with a less-than-best roof that we propose be removed to uncover the impressive glass jewel and bring it back to its former*

*glory. We propose to remove some building elements and replace them with new construction that is more in line with the style of the original building. A non-historic addition that currently sits at the far southern end of the building will be replaced with a new, appropriately scaled, structure that will house a modest number of thoughtfully designed hotel rooms.*

*These newly built elements, done with care, will help to encourage the general public to experience the Airport in a way they did during the property's more celebrated years.*

- **Transformative Project**

*The redevelopment of the Lunken Airport Terminal is a catalytic project for the East End neighborhood as well as the City as a whole. By transforming this key historic asset into a vibrant, public commercial space, the Developer is creating an attraction that will display Cincinnati's history and its future.*

## **PROPOSED INCENTIVE**

Through this emergency ordinance, DCED is recommending a Lease Agreement with vR Hospitality LLC pursuant to which the City lease the historic Lunken Airport Terminal Building to vR Hospitality LLC to facilitate the development of a new hotel, event and restaurant space at Lunken Airport. The term of the lease will be 32 years with an initial 10-year extension option followed by a second 8-year extension option for a total lease term of up to 50 years. Under the Lease Agreement, rent from years 1-32 will be \$1 for both the Terminal Building and the underlying land. Starting in year 33, rent for the underlying land will increase to fair-market value.

This emergency ordinance separately authorizes the City to enter into a Development Agreement with vR Hospitality LLC pursuant to which the Developer will renovate the historic Lunken Airport Terminal Building and construct on the leased premises a 55-key hotel with event, restaurant and bar space. Per the terms of the Development Agreement, the City will provide assistance to the project in the form of a rebate of a portion of the service payments in lieu of taxes imposed in connection with a proposed 30-year, 5709.41 Tax Increment Financing (TIF) exemption, authorized under a separate ordinance.

To support the project, DCED is also recommending under separate ordinances (1) a lease of City-owned property at Lunken Airport to facilitate the establishment and operation of a fixed-base operator business for a term of up to 40 years 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

Attachment: B. Council Priorities Rubric

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

Attachment A: Location and Photographs



## Attachment B: Council Priorities Rubric

### BALANCED DEVELOPMENT PRIORITIES

Do total costs of the Project exceed \$5 million? Yes  No

Does the present value of proposed City assistance exceed \$3 million? Yes  No

CATEGORY	APPLICABLE?	EXCEEDS	MEETS
<b>BALANCED HOUSING PRODUCTION</b> <ul style="list-style-type: none"> <li>Project creates or preserves, low-income (51%-80% AMI) housing units and/or very low-income housing units (31%-50% AMI) to the extent financially feasible given project conditions.</li> <li>Project creates or preserves extremely low-income housing units (0%-30% AMI) to the extent financially feasible given project conditions.</li> <li>Project creates a mixture of extremely low (0%-30% AMI), very low (31%-50% AMI), and/or low-income (51%-80% AMI) housing units with workforce/middle housing units (81%-120% AMI) and/or market-rate units to the extent financially feasible given project conditions.</li> <li>Project creates additional market-rate or workforce/middle income (81%-120% AMI) housing units that promote a balanced, mixed-income neighborhood without displacing existing lower income residents.</li> </ul>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>IMPROVEMENT OF VACANT, BLIGHTED AND/OR UNDERUTILIZED PROPERTIES</b> <ul style="list-style-type: none"> <li>Project replaces a vacant and/or underutilized property and adds net-new housing units without displacing existing residents.</li> <li>Project activates a previously vacant building or property.</li> <li>Project eliminates a blighted parcel or parcels (as defined in Ohio Revised Code Section 1.08).</li> <li>Project enhances an underutilized site (i.e. vacant parcel or surface parking lot) and adds new amenities (like housing, office, commercial, community space, etc.) to the neighborhood.</li> <li>Project will involve remediation of a brownfield site or involves mitigation of previously existing site conditions that make redevelopment difficult.</li> </ul>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>ENVIRONMENTALLY SUSTAINABLE DEVELOPMENT</b> <ul style="list-style-type: none"> <li>Project will obtain requisite level of U.S. Green Building Council Leadership in Energy and Environmental Design Silver, Gold or Platinum or Living Building Challenge Net Zero or Petal (which must comply with the requirements of LBC).</li> </ul>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>VOLUNTARY TAX INCENTIVE CONTRIBUTION</b> <ul style="list-style-type: none"> <li>Applicant has represented that it (i) will contribute at least 15% of the exempted value of the improvements either in support streetcar operations or to further</li> </ul>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

neighborhood improvements in the neighborhood of the project and affordable housing city-wide and (ii) will execute an agreement with a third-party memorializing such contribution.			
<b>INCLUSION AND LOCAL BUSINESSES</b>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>Applicant has committed to using good-faith efforts to achieve 17% MBE and 10% WBE utilization goals for construction contracts related to the Project consistent with Chapter 324 of the Cincinnati Municipal Code.</li> <li>Applicant has participated, is participating, or will participate in the City's program advancing minority development professionals.</li> <li>To the extent financially feasible, if a new commercial space becomes available as part of this Project, Applicant has committed (or will cause the end-user to commit) to using commercially reasonable efforts to market and offer this space to local businesses and minority businesses.</li> </ul>			
<b>COMMUNITY OUTREACH</b>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>Applicant has engaged all necessary stakeholders in the community in an open and public process, as early as feasible. DCED made information available to Applicant regarding best practices for community engagement.</li> <li>In the interest of mitigating displacement directly associated with the Project, Applicant has engaged any and all tenants, businesses, and persons that as a direct result of the Project may be entitled to relocation benefits pursuant to Chapter 740 of the Cincinnati Municipal Code.</li> </ul>			
<b>LIVING WAGES AND LOCAL JOBS</b>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>Applicant has committed that all jobs created by the Project (during construction and after) will comply with the City's Living Wage Policy.</li> <li>Applicant has represented that it will engage a partner in the Labor community on construction of the Project to ensure good wages and career training.</li> <li>Applicant will (or will cause the end-user to) adopt hiring policies to ensure at least 25% of any new employees hired are residents of the City and such policies will give preference to residents of the City.</li> </ul>			
<b>JOB CREATION AND RETENTION</b>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>Project will create and/or retain significant jobs and payroll.</li> <li>Project will create and/or retain small/neighborhood business jobs and payroll.</li> <li>Project will create and/or retain more than 10 jobs per acre.</li> </ul>			
<b>PLACE-BASED INVESTMENT</b>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>Project is located in a Federally designated NRSA and/or Opportunity Zone.</li> <li>Project is located within 1/2 mile of a Neighborhood Business District.</li> <li>Project is located along a transit corridor.</li> </ul>			
<ul style="list-style-type: none"> <li>Project encourages traditional compact, walkable neighborhood development.</li> <li>Project is placed within a federally designated Hub Zone.</li> </ul>			
<b>HISTORIC PRESERVATION</b>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>Project will directly lead to the preservation of a historic structure.</li> <li>Project will create increased market activity and investment that will support and encourage preservation of proximate historic structures.</li> </ul>			
<b>TRANSFORMATIVE PROJECT</b>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>Project fills a neighborhood need and/or adds a new community asset (i.e. retail, commercial, grocery, housing).</li> <li>Project saves or preserves existing community asset.</li> <li>Project creates or enhances a public space to be utilized by the community.</li> <li>Project creates/repairs City infrastructure.</li> <li>Project is within a "Targeted Neighborhood" as defined in Ordinance No. 275-2017, as amended.</li> <li>Project is a "Catalytic Project" as defined in Ordinance No. 275-2017, as amended.</li> </ul>			

The Balanced Development Priorities outlined herein are intended to be utilized as a starting point for discussions of certain public benefits created by applicable projects, and are not intended to prevent or discourage the City Administration from presenting projects for Council consideration that do not meet the criteria listed herein. Acknowledging that projects may have benefits that are not captured in the criteria set forth in the Balanced Development Priorities, Council encourages the City Administration to bring forth all worthy projects.