

EMERGENCY

City of Cincinnati

CHM 

An Ordinance No. 487 - 2021

**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.

WHEREAS, the City owns Lunken Airport, including the Lunken Airport Terminal Building located at 262 Wilmer Avenue (the "Terminal Building"), which is under the management of the City's Department of Transportation and Engineering ("DOTE"); and

WHEREAS, the vR Group submitted a proposal outlining its vision for the redevelopment of the Terminal Building in response to a Request for Information ("RFI") issued by the City that solicited offers to redevelop the Terminal Building; and

WHEREAS, after receiving the aforementioned proposal and no others in response to the RFI, the City elected to enter negotiations with the vR Group regarding its proposal to redevelop the Terminal Building; and

WHEREAS, following its negotiations with staff from DOTE and the Department of Community and Economic Development ("DCED"), the vR Group further refined its proposal and the City Administration found that proposal to be suitable and advantageous to the City; and

WHEREAS, the vR Group's proposal involves the lease of certain real property at Lunken Airport known as Lease Areas 53 and 54 (collectively, the "Property"), which Property includes the Terminal Building, to its affiliate, vR Hospitality LLC, a Kentucky limited liability company, or other affiliated organization acceptable to the City Administration ("Developer"), for a period of up to 50 years to allow for the improvement and conversion of the Property into an approximately 71,500 square-foot mixed-use hotel, restaurant, bar, and commercial event space at an estimated cost of \$20,560,000 (the "Project") (such costs include the cost of Developer's planned fixed-base operator facility to be constructed adjacent to the Project and subject to a separate lease agreement between Developer and the City), which Project is projected to create up

to 90 new full-time jobs and 100 temporary construction jobs, as more particularly detailed in the *Lease Agreement* attached to this ordinance as Attachment A and incorporated herein by reference; and

WHEREAS, the City Administration, including DOTE and DCED, has determined that (i) the Property is not needed for any municipal purpose during the term of the *Lease Agreement*, and (ii) leasing the Property to Developer is not adverse to the City's retained interest in the Property or Lunken Airport; and

WHEREAS, pursuant to Cincinnati Municipal Code Section 331-5, Council may authorize the lease of City-owned property without competitive bidding in those cases in which it determines that it is in the best interests of the City; and

WHEREAS, the City Administration, including DOTE and DCED, upon consideration of airport industry standards, Federal Aviation Administration requirements, the extensive work necessary for the preservation and adaptive reuse of the Terminal Building, and the cost savings to be realized by the City by Developer's assumption of responsibility for maintenance of the Terminal Building, and following arms-length negotiations with the Developer, determined that the rent provided for in the *Lease Agreement* reflects the fair market rental value of the Property; and

WHEREAS, Section 13 of Article VIII of the Ohio Constitution provides that, to create or preserve jobs and employment opportunities and to improve the economic welfare of the people of the State, it is a public interest and proper public purpose for the State or its political subdivisions to sell, lease, exchange, or otherwise dispose of property within the State of Ohio for industry, commerce, distribution, and research; and

WHEREAS, the City Administration, including DOTE and DCED, has determined that the City's lease of the Property to Developer constitutes a proper public purpose because the City's lease of the Property will create new employment opportunities at Lunken Airport, enhance the economic viability of Lunken Airport, help the City's Lunken Airport operations achieve self-sustainability, and stimulate economic activity in and around the Linwood neighborhood, thereby improving the economic welfare of the City and its residents; and

WHEREAS, the City Planning Commission approved the lease of the Property to Developer at its meeting on December 3, 2021; and

WHEREAS, contingent upon (i) the City Administration's satisfactory review of all due diligence materials, and (ii) negotiation of a Development Agreement with terms and conditions acceptable to the City Administration (the "Development Agreement"), the City, upon the recommendation of DCED, desires to facilitate the Project by providing a 30-year real property tax exemption for the Project pursuant to Ohio Revised Code Section 5709.41, subject to the passage by this Council of a separate ordinance authorizing such exemption (the "Project TIF" and the "TIF Ordinance," as applicable); and

WHEREAS, upon passage of the TIF Ordinance, Developer desires to enter into a Service Agreement with the City, pursuant to which Developer will make service payments in lieu of taxes; and

WHEREAS, the parties anticipate that the service payments in lieu of taxes will be used: (i) to make payments to the Board of Education of the Cincinnati City School District (the “School Board”) under the City’s *Tax Incentive Agreement* with the School Board effective as of April 28, 2020; (ii) to pay certain administration fees to the Hamilton County, Ohio Auditor and the City; (iii) to make rebate payments to Developer with respect to the Project; and (iv) to support urban redevelopment purposes, in each case in the manner and in the respective amounts as will be set forth in the Development Agreement; and

WHEREAS, subject to the successful negotiation and execution of the Development Agreement, on terms and conditions acceptable to the City Administration, the City has determined that it is in the best interest of the City to rebate the aforementioned portion of the service payments to Developer because the City will receive substantial economic and non-economic benefits from the Project in that the Project will create jobs, stimulate economic growth in the Linwood neighborhood of Cincinnati, and enable the Property to be put to its highest and best use, for the benefit of the people of the City; and

WHEREAS, the City believes that the Project will promote urban redevelopment in the Linwood neighborhood of Cincinnati, is in the vital and best interests of the City and the health, safety, and welfare of its residents, and is in accordance with the public purposes and provisions of applicable federal, state, and local laws and requirements; now, therefore,

BE IT ORDAINED by the Council of the City of Cincinnati, State of Ohio:

Section 1. That the City is hereby authorized to enter into a *Lease Agreement* with vR Hospitality LLC, a Kentucky limited liability company and affiliate of the vR Group, or other affiliated organization acceptable to the City Administration (“Developer”), in substantially the form attached as Attachment A to this ordinance and incorporated herein by reference, pursuant to which the City of Cincinnati will lease to Developer, for a period of up to 50 years, certain real property at Lunken Airport known as Lease Areas 53 and 54 (collectively, the “Property”), which Property includes the Lunken Airport Terminal Building (“Terminal Building”), to allow for the improvement and conversion of the Property into an approximately 71,500 square-foot mixed-use hotel, restaurant, bar, and commercial event space at an estimated cost of \$20,560,000 (the “Project”) (such costs include the cost of Developer’s planned fixed-base operator facility to be

constructed adjacent to the Project and subject to a separate lease agreement between Developer and the City), which Project is projected to create up to 90 new full-time jobs and 100 temporary construction jobs.

Section 2. That the Property is not needed for a municipal purpose for the duration of the *Lease Agreement*.

Section 3. That leasing the Property to Developer is not adverse to the City's retained interest in the Property or Lunken Airport.

Section 4. That it is in the best interests of the City to eliminate competitive bidding in connection with the City's lease of the Property because following negotiations with the vR Group after receiving its response to a Request for Information soliciting offers to redevelop the Terminal Building, the City Administration, including the Department of Transportation and Engineering and the Department of Community and Economic Development, determined the vR Group's proposal to be suitable and advantageous to the City.

Section 5. That, following arms-length negotiations with the vR Group, and upon consideration of airport industry standards, Federal Aviation Administration requirements, the extensive work necessary for the preservation and adaptive reuse of the Terminal Building, and the cost savings to be realized by the City by Developer's assumption of responsibility for maintenance of the Terminal Building, the rent provided for in the *Lease Agreement* reflects the fair market rental value of the Property. Additionally, the City anticipates that it will receive economic and noneconomic benefits from the *Lease Agreement* in addition to the fair market rental value of the Property because the City's lease of the Property will create new employment opportunities at Lunken Airport, enhance the economic viability of Lunken Airport, help the City's Lunken Airport operations achieve self-sustainability, and stimulate economic activity in and

around the Linwood neighborhood.

Section 6. That, contingent upon the City Administration's satisfactory review of all due diligence materials, and the parties' negotiation of and agreement upon terms and conditions acceptable to the City Administration, the City is hereby authorized to enter into a Development Agreement and Service Agreement with Developer pertaining to the Project (the "Development Agreement" and the "Service Agreement", respectively), which Service Agreement will require Developer's payment of service payments in lieu of taxes with respect to the Project (the "Service Payments"), and which Development Agreement will provide for the City's rebate of a portion of the Service Payments to Developer, all on terms and conditions acceptable to the City Administration.

Section 7. That, pursuant to the Development Agreement, Council finds that the City is engaging in urban redevelopment.

Section 8. That the proper City officials are hereby authorized to take all necessary and proper actions to carry out the provisions and intent of this ordinance and the *Lease Agreement*, the Development Agreement, and the Service Agreement, including, without limitation, executing any and all ancillary documents associated with those agreements, including plats, deeds, easement agreements, and other documents, and further including executing amendments or supplements thereto to incorporate any and all additional or revised terms and conditions as the City Administration determines to be in the City's vital and best interests.

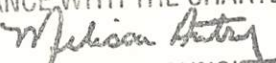
Section 9. That this ordinance shall be an emergency measure necessary for the preservation of the public peace, health, safety, and general welfare and shall, subject to the terms of Article II, Section 6 of the Charter, be effective immediately. The reason for the emergency is the immediate need to enable the City to lease the Property to the Developer so that it may promptly

proceed with its plans to redevelop the Terminal Building and thereby create new employment opportunities at Lunken Airport, enhance the economic viability of Lunken Airport, help the City's Lunken Airport operations achieve self-sustainability, and stimulate economic activity in and around the Linwood neighborhood at the earliest possible time.

Passed: December 15, 2021

Mayor's signature inadvertently omitted  
John Cranley, Mayor

Attest:   
Clerk

I HEREBY CERTIFY THAT ORDINANCE NO 487-2021  
WAS PUBLISHED IN THE CITY BULLETIN  
IN ACCORDANCE WITH THE CHARTER ON 12/28/2021  
  
CLERK OF COUNCIL