

Department of Port Control

Ordinance No.:1241-2024

EXECUTIVE SUMMARY

Authorizing the Director of Port Control to enter into an amended and restated Lease Agreement with the I-X Center Corporation, or wholly-owned subsidiary, to change the areas comprising the leased premises, to extend the length of the term, and to change other terms the Director of Law deems necessary to protect and benefit the public interest.

Background/Purpose:

The City of Cleveland and I-X Center Corporation entered into a Lease Agreement in 1999 for a period of 15 years. This agreement was amended to modify the original leasehold and extend the term an additional five (5) years to January 31, 2019, with four (4) additional consecutive five (5) year option periods, exercisable by the I-X Corporation. A second minor amendment extended the agreement an additional seven (7) months.

The Department and I-X Center Corporation desire to enter into a third amendment to accommodate the redevelopment of the leasehold and return critical land adjacent to Cleveland Hopkins International Airport to the City for future development opportunities.

Legislative authority is necessary to amend and restate the lease to change areas comprising the leased premises, to extend the duration of the current term to cover forty-nine (49) additional years, and to change other terms the Director of Law deems necessary to protect and benefit the public interest.

Scope:

The following are the material provisions to be contained in the amended agreement.

- The term of the Amended and Restated Lease shall be 49 years from the date of execution of the amendment;
- As further described in Exhibit A, titled New Leasehold, P.P.N. 029-50-005, shall be deleted in its entirety from the Existing Agreement along with approximately 49 acres from P.P.N. 029-50-001.
- To add language that allows the I-X Center to mortgage the property subject to City of Cleveland approval.
- To add the I-X Center Corporation's current signage leasehold consisting of 3,539 square feet along RT 237 to the amended lease.
- To adjust the annual Rent, based on the fair market appraisal for the current leasehold minus the value of the portions of the premises to be returned to the City of Cleveland, subject to annual consumer price index adjustments.
- In addition to the annual rent, Lessee shall pay Lessor an amount equal to 1% from lease years 1-16 and 1.5% from lease years 17-49 of the Employment Wages allocated to and collected by the City of Cleveland, as submitted through the Lessee's Reconciliation of Municipal Income Tax Withheld and Transmittal of Wage and Tax Statements (Form W-3), subject to an annual cap of \$23 million.
- To change other terms the Director of Law deems necessary to protect and benefit the public interest.

Justification/Urgency:

The amended and restated lease is necessary to provide sufficient lease length and term modifications necessary for the redevelopment of the I-X Center and to return excess property within the current leasehold to the Airport for future aeronautical and non-aeronautical uses.

Term of Contract:

49 years from the date of execution of the amended and restated lease.

Current Contract

Vendor Name	Expiration	Rent
I-X Center Corporation	August 31, 2039	\$2,705,000