

Department of Port Control

Ord. No.: 304-2021

Director's Office

EXECUTIVE SUMMARY

The Department of Port Control is requesting authority to consent to the assignment of Lease By Way of Concession No. 56693 from Specialty Restaurants Corporation to UCG KAGS TGDFaB, LLC; and authorizing the director enter into an Amendment to the assigned contract regarding certain terms.

Background/Purpose:

The Airport recaptured Specialty Restaurant Corporation's ("SRC") original leasehold premises for the 100th Bomber Restaurant in April of 2002. Construction of Runway 6L-24R and the realignment of Brookpark Road prompted this action.

SRC developed a replacement 100th Bomber Restaurant ("Restaurant") at its present location under Lease By Way of Concession No. 56693 ("Agreement") with the Airport, which the two parties executed on September 25, 2000. The Agreement's term is thirty (30) years, with two five-year options to renew at the lessee's discretion. SRC triggered the commencement of the Agreement term when it took possession of the development site for construction of the Restaurant on June 4, 2002.

SRC is looking to divest from its Midwest locations and the "100th Bomber Restaurant" brand. They have proposed to assign the approximately 21 years remaining on the Agreement to UCG KAGS TGDFaB, LLC ("UGC"), who plans to refurbish the leasehold to operate a new restaurant and banquet concept called the Aviator Event Center. UGC's proposed business model will focus on weddings, showers, end-of-life celebrations, and corporate events, with a small boutique pub to accompany the event venues.

Legislative authority is required to assign the Agreement to UCG and to amend various business terms contained in the document.

Proposed Amendments:

The Department successfully negotiated several amendments to the Agreement in exchange for its consent to the proposed Agreement assignment. Below is a list of the material changes:

- SRC's forgiveness of all outstanding rent credits, including interest payments relating to the recapture of the original 100th Bomber Restaurant, which totals \$ 887,000 as of January 30, 2021;

- UCG investment of \$ 500,000 within the first two years of its assumption of the Agreement and another \$500,000 within 11 years;
- A revised rent schedule that substantially increases the guaranteed minimum rent and the percentage rent currently stipulated in the Agreement; and
- The release of SRC from any stated contractual obligations from the moment of the Agreement's assignment until its termination.

Justification:

The proposed Agreement assignment and amendments are advantageous for several reasons, including but not limited to the following benefits:

- UCG's joint-venture partnership collectively has a successful track record of operating over 21 food and beverage establishments within the last 40 years, including concepts at CLE;
- UCG has proposed a unique and attractive concept that will provide high-quality food and service to both the traveling public and the local community;
- Approximately \$1 million in new investment into an Airport asset will occur as a result of the negotiations;
- The refurbishment and rebranding of the facility is expected to have an exceedingly positive economic impact on the area, generating a projected \$3.75 million in revenues per year, 90 new jobs, and an annual payroll of nearly \$1 million by its fifth year of operations;
- Eliminates all rent credits owed to SRC for the recapture of the original Bomber Squad restaurant; and
- Increases the City's guaranteed income from the property by nearly 350% and the projected maximum rent by approximately 650% over the remaining 21 years of the Agreement.

Schedule or Term of Contract:

The current Agreement is for thirty (30) years, with two five-year options to renew at the lessee's discretion. Assuming the lessee exercises both options, the Agreement will expire on June 3, 2042.

Anticipated Costs:

There are no anticipated costs associated with the proposed assignment or amendments.