

# Department of Port Control

Ordinance No.: 334 2023

## Executive Summary

The Department of Port Control (“Department”) is requesting authorization to enter into one or more Lease By Way of Concession Agreements (“Agreement”), with one or more qualified firms to provide the air transportation patrons and employees, of Cleveland Hopkins International Airport (“Airport”), with leading and innovative food & beverage, and retail merchandise concepts (the “Concessions Program”). The qualified firm(s) shall have the requisite experience and background, in the development, management, marketing, leasing, design, construction, and securing of airport concession facilities. The Concession Program, which is one of the primary sources of non-airline revenue at the Airport, shall include leading retail merchandise, food & beverage outlets, in demand service-related concessions, and related storage and administrative space. The Department is requesting a period of ten (10) years for the original term, and one five (5) year option to renew, which the latter requiring additional legislative authority.

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### **Background/Purpose:**

Pursuant to the authority of Ordinance No. 1850-06, passed by Cleveland City Council on April 2, 2007, and Board of Control Resolution 72-08, the Department entered into a Lease By Way of Concession Agreement No. 67743 with BAA USA, Inc., k/n/a Fraport Cleveland, Inc. (“Fraport”). Fraport, managed both temporary and permanent concessions space in the Terminal Complex and remote Rental Car Facility at the Airport; and, Burke Lakefront Airport. These facilities were used for the operation of a Concessions Management Program for the Department. The term was set at ten (10) years with one option to renew set at five (5) years, under the authority of Ordinance No. 844-17.

Moreover, a new procurement for the Concessions Program is a critical part of the non-airline revenue-generating platform set by the Department.

### **Scope:**

The following are provisions to be contained in the Lease:

- A) The Director of Port Control is authorized to enter into a lease for the use and occupancy of space for mixed-use retail, food & beverage, storage and administrative office space, located in the Terminal Complex of the Airport, the remote Rental Car Facility at the Airport and Burke Lakefront Airport (the “Leasehold Premises”). The Department in consideration of the proposed new Airport Development Plan f/k/a Master Plan shall determine the size and location of the Leasehold Premises.
- B) The lease term shall be for ten (10) years with one (5) year option to renew which requires additional legislative authority by Cleveland City Council.
- C) The Leasehold Premises shall be used for the operation of an industry leading and non-airline revenue generating Concessions Program. Said program will include, but not be limited to the following:

- a) Identify and develop all elements of new revenue generating programs and methodologies based on industry and local trends;
- b) Ensure the Concessions Program is of the highest quality, mixed-use retail developments, in the airport industry;
- c) Pricing of goods sold shall be based on “street pricing” plus a percentage to be determined based on industry standards;
- d) Subletting of concession space to a collection of local, Disadvantaged Business Enterprises and national concepts;
- e) The offering of a low interest loan fund to support small, female and minority owned business buildouts, and to conduct or sponsor outreach events; and
- f) All locations, concepts, permitting, pricing, ACDBE sub lessees and the like are subject to the Department Director’s approval, his/her designee and the City of Cleveland policies and processes.

D) The Board of Control of the City of Cleveland shall fix the Concession Payment, commonly known as the greater of a Minimum Annual Guarantee (“MAG”), or a percentage of gross revenues exceeding the MAG, on an agreed upon calculation to be paid to the Department.

**Justification/Urgency:**

The current contract with Fraport is set to expire on January 15, 2024. The Department seeks to continue the support of the airport-wide non-airline revenue generating initiatives and customer enhancements through the aforementioned Concessions Program.

**Anticipated Cost:** None

**Schedule or Term of Contract:**

The Department is requesting a Lease term of ten (10) years with one five (5) year option to renew, exercisable with additional legislative authority.

**Current Contract:**

Name	Term	Contract Number	Annual Concessions Payment
Fraport Cleveland, Inc.	Expires January 15, 2024	67743	> of \$4.1m or 80% of prior years’ Concession Payment Amount