

TO: Mayor via City Secretary

REQUEST FOR COUNCIL ACTION

SUBJECT: Retail Concession Agreements for William P. Hobby Airport (HOU)		Category #	Page 1 of 2	Agenda Item #
FROM (Department or other point of origin): Houston Airport System (HAS)		Origination Date March 4, 2015		Agenda Date
DIRECTOR'S SIGNATURE: 		Council District affected: I		
For additional information contact: Kathy Elek <i>see</i> Phone: 281-233-1826 Ian Wadsworth 281-233-1682		Date and identification of prior authorizing Council action: N/A		
AMOUNT & SOURCE OF FUNDING: REVENUE (Annual Estimate): \$ 4.0 million (HOU Retail Package 1) \$ 3.2 million (HOU Retail Package 2) Total \$ 7.2 million		Prior appropriations: N/A		
RECOMMENDATION: (Summary) Enact an Ordinance approving and authorizing Retail Concession Agreements for William P. Hobby Airport (HOU).				
SPECIFIC EXPLANATION: In August 2014, the Houston Airport System (HAS) issued two Requests for Proposal (RFP) for certain Retail Concession locations at William P. Hobby Airport (HOU). An Evaluation Committee reviewed submitted proposals in accordance with criteria described in the RFP. On, February 19, 2015, HAS presented to the Budget & Fiscal Affairs Committee of City Council its recommendations. The recommendations are as follows: Retail Package 1: WDFG North America, LLC Retail Package 2: Paradies – HOU 2014 The pertinent terms and conditions contained in the Agreements are as follows: 1. <u>Term</u> The term will be from the date of countersignature to December 31, 2025. 2. <u>Scope of Service</u> Concessionaire will develop and operate a Retail Concession program at HOU with well-trained, friendly staff and facilities maintained at the highest standards in multiple locations throughout the Airport.				
REQUIRED AUTHORIZATION				
Finance Department:	Other Authorization: 		Other Authorization:	

Date March 4, 2015	SUBJECT: Retail Concession Agreements for William P. Hobby Airport (HOU)	Originator's Initials	Page 2 of 2
------------------------------	---	----------------------------------	------------------------

3. Financial Terms

Concessionaire will pay the City throughout the Term of this Agreement monthly concession fees equal to the greater of a percentage of gross revenues OR a Minimum Annual Guarantee (MAG). No Minimum Annual Guarantee (MAG) shall apply during the first year following the commencement date. Following the first year after the commencement date and for each 12-month period of the Term after, the MAG shall be 85% of the actual compensation due to the City during the preceding 12-month period.

4. Capital Investment

Initially the Concessionaire will expend a minimum of \$300.00 per square foot for build-out of the concession facilities. In year five (5) of the Term, the Concessionaire also agrees to expend a minimum of \$40.00 per square foot for upgrades, renovations, cosmetic improvements and/or concept changes.

5. ACDBE Goal

The Office of Business Opportunity has established a 30% Airport Concession Disadvantaged Business Enterprise (ACDBE) participation goal for Package 1 and a 32% participation goal for Package 2. Both recommended vendors submitted proposals that exceed the participation goals.

6. Performance Security

Concessionaire will provide a performance security in an amount equal to 50% of the first year's projected compensation to the City.