

AGENDA



Thursday, July 24, 2008

**Aviation
RECOMMENDATION FOR COUNCIL ACTION****Item No. 14**

Subject: Authorize an amendment to the airport concession lease agreement with Harlon's Bar-B-Q Bergstrom IV L.T.D./Sierra Concessions Joint Venture to extend the term, require the concessionaire to renovate and make improvements including improved signage to the facility, and to modify and update other lease terms including the authorized menu, percentage rent, and events of default, and to authorize the assignment of the concession agreement, as amended, to NGSI-ACS, LLC a new company formed by News and Gift Shops International.

Amount and Source of Funding: Revenue Generating Lease.

Fiscal Note: There is no unanticipated fiscal impact. A fiscal note is not required.

For More Information: David Petersen, 530-7526.

Boards and Commission Action: Recommended by the Austin Airport Advisory Commission.

Harlon's Bar-B-Q Bergstrom IV L.T.D./Sierra Concessions Joint Venture has operated an airport food and beverage concession in the East Food Court area of the Barbara Jordan Terminal since the Austin-Bergstrom International Airport opened in May 1999. In addition, Harlon's operates a restaurant/bar known as Harlon's Bar and Grill and a newsstand known as Sierra News opposite Gate 5, and a newsstand and coffee shop on the land side of the terminal adjacent to the terminal entrance near American Airlines' ticket counters called Harlon's Espresso News. The term of the lease is ten years, and expires at the end of May 2009.

Harlon's has reached an agreement in principle to assign its concession lease agreement to NGSI-ACS, LLC a new company, controlled by News and Gift Shops International, Inc. (NGSI). Mr. Harlon Brooks, an African American male and principal owner of Harlon's Bar-B-Q or members of his immediate family would retain a 30% ownership interest in the new company. NGSI operates five news, gifts and retail stores at Austin-Bergstrom International Airport under a separate retail concession lease agreement. The venues currently operated by Harlon's would change their names, identity and menu.

The existing Harlon's Bar-B-Q venue in the East food court would be divided in two, with one half remaining a Harlon's Bar-B-Q restaurant, and the other half becoming a Hills Café location. The original Hill's Café is located on South Congress Avenue, and is run by Bob Cole and others. Harlon's Bar and Grill will be renovated and transformed into The Tavern. The Tavern, which is also operated by Mr. Cole, has several Austin locations, most notably on the corner of Lamar and 12th Street. The Sierra News shop will be renovated, but will essentially remain the same. Harlon's Espresso News will be completely renovated and converted into a Ruta Maya Coffee shop.

Under the proposed amendment, the term of the lease would be extended by an additional five years, ending May 30, 2014, with the option for an additional two year extension provided certain performance measures related to contract compliance, customer service, financial goals and DBE compliance are met. In consideration of the lease extension, the concessionaire will be required to modernize and renovate the facility, including converting the various Harlon's venues into Hill's Café, Tavern, and Ruta Maya, as described above.

Under the concession agreement the concessionaire pays as rent the greater of a minimum annual concession fee or a specified percentage of its gross revenue. As further consideration for the lease extension, the percentage rent will be increased. Other provisions of the lease will be updated and revised, including such provisions as default and remedies.

Airport concessions are subject to the Federal Airport Concession Disadvantage Business Enterprise (ACDBE) regulations (49 CFR Part 23), and the Federally approved City of Austin ACDBE plan. As indicated above Mr. Harlon Brooks or members of his immediate family will retain a 30% ownership interest in the new company, thereby exceeding the City's ACDBE Concession goal of 22%. The Brooks have commenced the process to be certified under the Federal ACDBE program. The amendment will not be granted unless and until such time as the Brooks interest becomes certified, or the new company otherwise complies with the City's ACDBE program.