



**Interlocal Agreement
CITY OF AUSTIN
RECOMMENDATION FOR COUNCIL ACTION**

**AGENDA ITEM NO.: 11
AGENDA DATE: Thu 10/21/2004
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SUBJECT: Approve an amendment to the Retail Concession Lease Agreement for News and Gifts Concessions at Austin-Bergstrom International Airport with News & Gift Shops International-Austin Joint Venture to extend the term for an additional seven years, increase the percentage rent paid to the City, and require the concessionaire to renovate and make improvements to the existing concession facilities.

AMOUNT & SOURCE OF FUNDING: N/A

FISCAL NOTE: N/A

REQUESTING Aviation
DEPARTMENT:

DIRECTOR'S
AUTHORIZATION: Jim Smith

FOR MORE INFORMATION CONTACT: Charles Gates, Director of Finance & Administration 530-7526

PRIOR COUNCIL ACTION: Original Concession Agreement approved by Council on August 6, 1998.

BOARD AND COMMISSION ACTION: Recommended by the Austin Airport Advisory Commission.

PURCHASING: N/A

MBE / WBE: 20% DBE

News & Gift Shops International - Austin Joint Venture was granted an airport news and gifts concession by agreement dated January 4, 1999, and has operated at the Airport since its opening in May 1999. The concessionaire operates the following news and gifts venues at the Airport: Austin Article, Stars of Austin, and Barton Springs Dry Goods.

The original concession agreement was for a term of five years with the option to extend for up to three additional terms of one year each. Under the proposed amendment, the term of the agreement would be extended for a single term of seven years through May 31, 2012.

In consideration of the contract extension, the concessionaire will increase the percentage rent payable under the Agreement, expend \$250,000 to renovate its current news and gifts venues in the Airport terminal, and add an additional news and gifts venue, "In Celebration of Golf & Resort" in the vicinity of Gate 7.

Under the Concession Agreement, the Concessionaire pays the Airport the greater of a minimum annual guaranteed concession fee (MAGCF) or a specified percentage of the gross revenues generated by each food and beverage venue. The MAGCF adjusts annually to equal 90% of previous year's payment to the City. The percentage of gross revenue concession fees under the current agreement and under the proposed amendment are as follows:



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	<u>Current</u>	<u>Proposed</u>
Sundries	18.0%	19.5%
News/Books/Periodicals	12.0	15.0
Gourmet Foods	17.0	18.5
Musical Items	14.0	19.5
Gifts and Souvenirs	18.0	19.5
Clothing and Apparel	18.0	19.5
Specialty Retail	18.0	19.5
Alcohol	17.0	18.5
Golf Items		13.0
Resort-Gifts, etc.		19.5

The new proposed rates are similar to rates received at other airports under new agreements entered into the last two years. Based on current revenues and projected revenues for the golf venue, this amendment will provide additional revenues to the Aviation Operating Fund of approximately \$145,000 the first year under the revised agreement. The Airport's "Street Pricing Policy", which prohibits concessionaires from charging more at the airport than is charged at other non-airport outlets in Austin, remains in effect.