



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** William F. Sherry, A.A.E.

**SUBJECT:** AMENDMENT TO CONCESSION  
AGREEMENT WITH HOST  
INTERNATIONAL, INC.

**DATE:** 03/01/2006

Approved

Date 3/1/06

**COUNCIL DISTRICT:** Citywide

## RECOMMENDATION

- A. Approval of a fourth amendment to the Airport Food and Beverage Concession Agreement with Host International ("Host"), Inc., to:
- 1) Reimburse Host for the utility stub outs and cost of constructing certain improvements and to bring proposed concession spaces into compliance with the fire requirements of the Uniform Building Code for a total amount, to be paid by the City, not to exceed \$60,000; and
  - 2) Add a new concession location and remove one concession location from the Concession Areas operated by Host; and
- B. Adoption of a resolution authorizing the Director of Aviation to negotiate and execute amendments to the Concession Agreement to:
- 1) Add or remove concession locations, so long as any additional concession locations are subject to the Concession Fees as set in the Concession Agreement; and
  - 2) Reimburse Host for any utility infrastructure upgrades for future new Concession Areas at the Airport for a cost not to exceed \$100,000 per new Concession Area.

## BACKGROUND

On December 12, 1998, Council approved the award of the Airport Food and Beverage Concession Agreement to Host International, Inc. On June 29, 1999, Council approved a First Amendment to the Concession Agreement to reduce the minimum guaranteed concession fee, specifically for the month of July 1999, due to construction delays caused by the removal of the

existing concession fixtures and equipment in Terminal A. On October 15, 1999, Council approved a Second Amendment to the Concession Agreement to reimburse Host for the cost of constructing necessary utility upgrades to the concession areas, in an amount not to exceed \$250,000. On April 9, 2002, Council approved Resolution No. 70914, authorizing the City Manager to negotiate and execute a Third Amendment to the Concession Agreement that added two new sub-concession areas in the new Interim Federal Inspection Services Building (FIS). This Concession Agreement will expire on June 30, 2009.

## **ANALYSIS**

Staff has observed an area in Terminal C that requires an additional food and beverage location in order to ease congestion, increase capture rate, improve passenger experience and increase revenues. Staff proposes the installation of a bar/food concept in the south concourse of Terminal C. The proposed Fourth Amendment also removes from the Agreement the "San Jose International Gateway Lounge" which was removed from the Federal Inspection Services building in order to accommodate changes associated with the construction of the North Concourse.

The Concession Agreement provides that Host will conduct a "mid-term refurbishment" including the refinishing, repair, replacement, redecorating and painting of facilities to keep them in first class condition. Host must expend not less than \$697,580 for the required mid-term refurbishment. Staff has negotiated with Host in order to provide adequate refinishing and the additional food concept as a part of this "mid-term refurbishment" to address passenger needs.

In order to address either a short term need or in some cases a longer-term solution to changes in passenger traffic within the terminals, it is often necessary to add a temporary food and beverage location. Additionally, as the Airport goes through the Master Plan construction process in the next five years, further changes to the current food and beverage program will be necessary.

The Airport provides properly sized utilities to the site in order to accommodate a new concept. In this case the Airport is not building out new space, but changing the use of existing space that may not have enough utility service to accommodate the new use. Such utilities are generally faster and easier installed when done in the context of the entire improvement project managed by the tenant. Airport staff has determined that a reasonable budget of \$60,000 would cover the cost of bringing utilities to the proposed concept.

## **OUTCOMES**

Should Council approve this item, Host will install an additional food and beverage concept in an area that is in addition to its current leased premises. In addition the Director of Aviation would have the authority to change, add or remove food and beverage concepts to the Host agreement at the Airport and authorize payment to Host for any utility upgrades for new concepts at the

Airport for a cost not to exceed \$100,000 per new concept. This change will allow the Airport and Host to respond with greater flexibility and in a more timely, cost-effective manner to changing conditions at the Airport, an ability that will become even more critical as the Airport Improvement Program proceeds.

**PUBLIC OUTREACH**

Not applicable.

**COST IMPLICATIONS**

The proposed amendment would cost \$60,000. It would also give the Director authority to authorize future costs up to \$100,000 per new concept and funding would need to be identified at that time.

**BUDGET REFERENCE**

Fund #	Appn. #	Appn. Name	RC #	Total Appn. 2004-05	Amt. for Contract	FY2005-06 Adopted Budget Page	Last Budget Action (Date, Ord. No.)
527	4035	Terminal Building Mod.	TBD	\$330,000	\$60,000	V-85	10/18/05 Ord. No. 27580

**COORDINATION**

This item has been coordinated with Risk Management, the Office of Equality Assurance, the City Manager's Budget Office and the City Attorney's Office.

**CEQA**

Resolution Nos. 67380 and 71451, PP 05-288

*for*   
WILLIAM F. SHERRY, A.A.E.  
Director of Aviation