



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: April 9, 2013

TO: Mayor and Councilmembers

FROM: Business & Property Division, Airport Department

SUBJECT: Concession Agreement Amendment With M/E, Inc.

RECOMMENDATION:

That Council approve and authorize the Airport Director to execute this first amendment to Concession Agreement No. 23,446 with M/E, Inc. dba Santa Barbara News & Gift, amending Article 2, "Leased Premises" to add an additional 130 square feet, for storage of inventory, in the Airline Terminal, at 500 James Fowler Road, at the Santa Barbara Airport effective April 9, 2013.

DISCUSSION:

M/E Concessions, Inc. (M/E) is the news and gifts concessionaire in the John T. Rickard Terminal (Terminal). Both the news and gift and the food and beverage restaurant concessions are located post-security with the food and beverage concessionaire also operating a coffee bar pre-security. Since the opening of the Terminal in August 2011, both the M/E news and gifts concession and the food and beverage concessions have been very successful and sales have increased significantly. The major concessions' location post-security makes them more accessible to their primary customer, the airline passenger.

M/E maintains extra product on-site to replenish inventory during the day. Currently, the storage is located in the baggage claim area which presents an operational issue for both the concessionaire and airport staff as the product has to be screened by the airport each time the gift shop employees retrieve additional magazines, sodas, water, etc from storage. Recently, the Airport constructed a small storage space post-security near the gift shop. This will allow M/E to screen its product in bulk, store it post-security, and have easy access to it from the shop.

Staff proposes to amend M/E's existing lease to add 130 square feet for the purpose of storing gift shop products. This brings M/E's total space leased to 1,015 square feet. On June 15, 2010 Council executed a 10 year Concession Agreement with M/E, Inc. which provides rental based on a Minimum Annual Guarantee of \$1,000 per month or a graduated percentage of gross receipts, whichever is greater. Percentage rent for

Fiscal Year 2012 totaled \$56,421, an increase of 141% over Fiscal Year 2011. The Agreement Amendment also includes a provision that allows the Airport to relocate the gift shop storage to another location should it become necessary in the future.

The proposed Concession Agreement Amendment has been negotiated based upon the criteria set forth in Resolution 93-127, and has been reviewed and determined to be exempt from environmental review. Airport Commission recommended approval at their March 20, 2013 meeting.

PREPARED BY: Rebecca Fribley, Sr. Property Management Specialist

SUBMITTED BY: Karen Ramsdell, Airport Director

APPROVED BY: City Administrator's Office