



City of Killeen

Legislation Text

File #: RS-19-002, **Version:** 1

Consider a memorandum/resolution approving an airport concession agreement for Killeen Fort Hood Regional Airport.

DATE: January 8, 2019

TO: Ronald L. Olson, City Manager

FROM: Matthew Van Valkenburgh A.A.E., Executive Director of Aviation

SUBJECT: APPROVAL OF CONCESSION AGREEMENT FOR KILLEEN FORT HOOD REGIONAL AIRPORT

BACKGROUND AND FINDINGS:

Shortly following opening of the Killeen Fort Hood Regional Airport in August of 2004, an agreement was entered into with Subway Corp. as a food service vendor to passengers, customers, staff, and visitors, and Jester's Lounge for serving of alcoholic beverages and light snack foods. Subsequently, as Jester's departed the market in 2010, in that same year agreements were made to provide a coffee and bar concession with Green Beans Coffee, Inc. In September 2016, Subway Corp. made a corporate decision to discontinue their services at the Airport; Green Beans continued operation at the Airport until September 2017. In lieu of these concessions, the Airport requested the vending provider, Automatic Chef, provide additional services in the concession area until such time a vendor was selected.

Realizing the need for a concessionaire at the Airport, staff began drafting a concession request for proposal in August 2017; RFP 18-05 "Food, Drink and Bar Service Killeen Fort Hood Regional Airport" was released in November 2017. The document stated the Airport's desire for a tenant within the terminal building that would sell on-site prepared hot and cold meals, pastries, other snacks, coffee, beer, wine, liquor, soft drinks, and other similar items. Sale of related non-food products would be approved if offered in conjunction with the desired drink and food items. The successful proposer was to be granted exclusive rights to the sale of alcoholic beverages within the terminal. Due to the size of the Airport and the number of enplanements, it was envisioned only one major provider would be selected to handle all the concession concepts. This would ensure competition would not potentially drive one vendor from the market, and to maximize the profitability of the chosen proposer. The proposal deadline was December 19, 2017.

Staff hosted a pre-proposal meeting for potential proposers on December 12, 2017; there were no attendees. When the bid closed in December 19, the City received no proposals. Due to the receipt of no proposals, staff reached out to local businesses, chamber contacts, and the Army / Air Force Exchange Service at Fort Hood. Multiple meetings were held with potential vendors. In June 2018, CCL Ventures, LLC, a vendor offering a multi-venue proposal visited the Airport to review the concession build-out and discuss possible concession options. Following a number of meetings, emails, phone conversations, and site visits, an agreement was reached which will bring a concessionaire to the Airport delivering quality service and product. The venues

will include a Blimpie Sandwich Shop, a Kahala Coffee concession, and a bar service. Discussions were held to expand services into the hold rooms for added service / concession opportunities.

The new agreement is for a single term of five (5) years with an option for one negotiated extension and will commence on March 1, 2019.

On December 31, 2018, Staff received a request from CCL Ventures that the Kahala Franchise required them to complete and have approved by the City a Lease Addendum for his operations. Staff and legal reviewed the proposed addendum, much of which was contained in the original lease agreement, and made several recommendations to the document; these changes were accepted. The significant changes from both groups required that the space would be used solely for a Blimpie operation during the term of the lease, that the City allow the Blimpie trademark to be used on the premises, that the City's consent is required for assignment to a 3rd party franchisee, and that notices shall be sent to Kahala parent company in addition to CCL Ventures, the franchisee Tenant.

THE ALTERNATIVES CONSIDERED:

Alternatives considered: (1) approve the agreement and addendum, or (2) do not approve the agreement and addendum.

Which alternative is recommended? Why?

Staff recommends alternative 1. Approval of the agreement and addendum will provide (1) a first class concession Airport customers, and (2) a consistent revenue source for the Airport for the next (5) years.

CONFORMITY TO CITY POLICY:

Yes

FINANCIAL IMPACT:

Total initial annual revenue to the Killeen-Fort Hood Regional Airport Enterprise Fund represented by these lease agreements is approximately \$20,000; rents and fees will increase annually according to the previous year consumer price index.

What is the amount of the expenditure in the current fiscal year? For future years?

N/A

Is this a one-time or recurring expenditure?

N/A

Is this expenditure budgeted?

N/A

If not, where will the money come from?

N/A

Is there a sufficient amount in the budgeted line-item for this expenditure?

N/A

RECOMMENDATION:

Council approve the concession agreement and lease addendum with CCL Ventures, LLC and authorize the City Manager or designee to execute same as well as any and all amendments as allowed per federal, state, or local law.

DEPARTMENTAL CLEARANCES:

Finance
Legal

ATTACHED SUPPORTING DOCUMENTS:

Agreement
Certificate of Interested Parties