

**CITY COUNCIL  
COMMUNICATION:**

**02-323**

**AGENDA:**

JUNE 17, 2002

**SUBJECT:**

AMENDMENT TO  
MUNICIPAL CODE  
TO PERMIT LONG  
TERM CONCESSION  
CONTRACTS

**TYPE:**

RESOLUTION  
**ORDINANCE**  
RECEIVE/FILE

**SUBMITTED BY:**

WILLIAM F.  
FLANNERY  
AVIATION  
DIRECTOR

**ITEM \_\_\_\_\_**

**OFFICE OF THE CITY MANAGER  
CITY OF DES MOINES, IOWA**

**SYNOPSIS -**

Two of the Airport concession operators who have been severely affected by the loss of passengers (i.e. customers) have been the food and beverage operator (GladCo), and the gift and sundries operator (Paradies).

The Aviation Director has received formal letters from the presidents of both Paradies and GladCo requesting they be provided rent relief in the form of extending their existing long-term concession contracts.

Originally, these concession contracts were awarded through a request for proposal process. The contracts are for a term of ten years and were approved by action of the Airport Board and the City Council. The concession contracts required \$1.3 million of facility investment by GladCo's parent company Creative Host, and \$750,000 by Paradies. (Although both companies invested substantially more than the minimum investment required.)

A short extension to these concession contracts will give these operators more time to amortize their capital investments and will not directly reduce the concession revenues they pay to the Airport. The Paradies Company is the premier airport retailer in the country, and we are most fortunate to have them. GladCo took over the operation of the food and beverage concession from their parent company, Creative Host, about one year ago and have greatly improved the operation and are providing quality food and beverage services in the passenger terminal.

The Aviation Director and the Airport Board feel it only appropriate and fair that some form of rent relief be provided to Paradies and GladCo but currently the City's purchasing ordinance, specifically (Section 2-723d), does not allow the agreements to be extended by the Council without first changing the City's purchasing ordinance.

Therefore, with the assistance of the Legal Department, a proposed revision to the City's purchasing ordinance has been prepared which,

if approved by the City Council, would permit up to a three year extension to be negotiated with Paradies and GladCo as rent relief for the effects on their business from the tragic events of September 11th.

#### **FISCAL IMPACT -**

Short-term extensions to these agreements will not have any effect on the rental payments due the Airport under these contracts since neither the minimum annual guarantee or the percent of gross revenue rental amounts are to be changed as part of the planned extensions.

#### **RECOMMENDATION -**

**Approval.**

#### **BACKGROUND -**

The September 11, 2001, terrorist attacks severely affected the entire aviation system, but from a business standpoint, affected more severely were the airlines and the airport concession operators who provide services to the passengers and other airport users.

In recognition of this, the federal government provided direct financial assistance to the airlines with the Aviation and Transportation Security Act, signed into law by the President on November 19, 2001. This law states, "an airport receiving Federal financial assistance should meet with the tenants of the airport (other than air carriers and foreign air carriers) to discuss adjustments of the rent of the tenants to account for losses in revenue incurred by tenants on and after September 11, 2001".

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