

MEMO

TO: Finance Board
FROM: Burlington International Airport

DATE: February 26, 2013

SUBJECT: Finance Board Approval Request – Specialty Gift Shop Agreement

The Burlington Airport seeks Finance Board and City Council approval for the following item related to a lease of space and operation of Vermont specialty gift shops and newsstands within the Airport terminal.

Authorization to Execute Concession Agreement and Lease Related to Terminal space at Burlington International Airport. On January 31, 2013, the Airport received bids for the lease of space and operation of a Vermont specialty gift shop at three locations within the Airport terminal building. Four bids were received, analyzed and rated by an airport staff team with the recommendation that the contract be awarded to the Hudson Group who had the best overall presentation and plan. Hudson proposes to invest \$912,355 in leasehold improvements, fixtures and equipment. Their plan includes expanding the number of Vermont products currently being offered with emphasis on Vermont crafts. Also, the total area of the gift shops in the three locations will be increased to 3,000 sf from the existing approximately 2,300 sf, an increase of 30%. Hudson will provide a Minimum Annual Guarantee (MAG) of \$201,000 for each of the five years proposed for the contract and their estimate of retail revenues would provide considerable payments to the airport above the MAG amount. Also, Hudson, as part of their current operation at the Airport has paid their employees the City's livable wage, Their proposal indicates that they will continue to pay those wages to employees.

It is requested that authorization be granted to allow the Airport to execute the appropriate Agreement with the Hudson Group to operate at three gift shop locations within the terminal building for a period of five years at a MAG totaling **\$1,005,000.**

A draft resolution has been prepared and included with this Request. It is being reviewed and will be formalized by McNeil, Leddy, and Sheahan

This proposed agreement with Hudson Group was approved by the Airport Commission at a Special Meeting on Monday, February 25, 2013.

Thank you.

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5 **AUTHORIZATION FOR AGREEMENT FOR LEASE AND OPERATION OF**
6 **VERMONT SPECIALTY GIFT SHOPS AND NEWSSTANDS AT**
7 **BURLINGTON INTERNATIONAL AIRPORT**
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11 In the year Two Thousand Thirteen.....

12 Resolved by the City Council of the City of Burlington, as follows:

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14 That WHEREAS, the City of Burlington (“City”) owns and operates the Burlington
15 International Airport (“Airport”) in South Burlington, Vermont, and

16 WHEREAS, the Airport’s Interim Director of Aviation has determined that the provision
17 of Vermont Gift Shop and Newsstand concession services at the Airport will be in the best
18 interest of the City, the travelling public and public airport purposes; and

19 WHEREAS, the Interim Director of Aviation after review of responses to the Airports
20 Request for Proposals for such services, has determined that it is in the best interest of the
21 Airport to contract with the business known as The Hudson Group for Vermont Specialty Shop
22 and Newsstand facilities at three locations within the Airport totaling approximately 3,000 sf,
23 pursuant to an agreement calling for a Minimum Annual Guarantee to the airport of \$201,000 per
24 year with compensation to the Airport of 13% of total retail revenues for a minimum of
25 \$1,005,000 over the five years period of the Agreement,

26 NOW, THEREFORE, BE IT RESOLVED that, upon the **March 11, 2013**, approval of the
27 Board of Finance, and he **March ___, 2013** approval of this body, the Interim Director of
28 Aviation, Gene Richards, be and hereby is authorized to execute said Agreement, and any other
29 documents necessary in order to facilitate said Lease on behalf of the City of Burlington, subject
30 to the prior review of City’s Chief Administrative Officer and the City’s legal counsel, as
31 necessary.

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**AUTHORIZATION FOR AGREEMENT FOR LEASE AND OPERATION OF
VERMONT SPECIALTY GIFT SHOPS AND NEWSSTANDS AT
BURLINGTON INTERNATIONAL AIRPORT**

NAME/PURPOSE OF CONTRACT:	Agreement to operate specialty gift shops and newsstands in terminal building
ADMINISTRATING DEPARTMENT:	Airport
CONTRACT AMOUNTS:	Revenue of \$201,000 MAG per year
CONTRACT TERM:	Five years from execution of Agreement
SOURCE OF FUNDS:	Not applicable
	Fiscal Year: 13-17
ACCOUNT NAME:	Terminal Concessions-Airport
ACCOUNT NUMBER:	400.430.4455

