


2.7 Amendment to the Food and Beverage Concession Agreement with HMS Host International Inc.

Recommendation:

Adopt a resolution authorizing the City Manager or her designee to negotiate and execute an amendment to the Food and Beverage Concession agreement between the City of San José and HMS Host International Inc. to waive HMS Host International Inc.'s responsibility to complete demolition at the Shark's Cage restaurant and provide a credit to the City in the amount of \$145,000 for demolition costs.

CEQA: Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended)
resulting in no physical changes to the environment. (Airport)

CITY COUNCIL ACTION REQUEST

DEPARTMENT(S): Airport	CEQA: Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical change to the environment.	COORDINATION: City Attorney's Office City Manager's Budget Office	Director Approval: /s/ Mukesh (Mookie) Patel
COUNCIL DISTRICT(S): Citywide			CMO Approval:  8/27/24

SUBJECT: Amendment to the Food and Beverage Concession Agreement with HMS Host International Inc.

RECOMMENDATION

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BASIS FOR RECOMMENDATION

City staff released a request for proposal for all retail concession locations at the San José Mineta International Airport (Airport) on August 15, 2024. To ensure a competitive request for proposal process, staff created two attractive retail packages for prospective bidders that provide an even distribution of revenue and concept opportunities through the rebalancing of the two existing concession packages. The rebalancing involved strategically adding new locations in high-traffic areas and removing underperforming locations. As part of the rebalance, the City negotiated with HMS Host International Inc. to return the Shark's Cage restaurant location to the Airport, allowing the Airport to convert it from a restaurant to a retail and café concession location for said request for proposal.

HMS Host International Inc.'s agreement mandates that it demolish the Shark's Cage upon lease termination. However, given the planned conversion of the space to a retail location and café, assigning this task to the new operator offers several advantages.

- **Cost Efficiency:** Consolidating demolition and construction under one entity eliminates the need for separate permits, labor, and equipment, resulting in significant cost savings.
- **Time Optimization:** Streamlining the process through a single contractor accelerates project completion and minimizes disruptions to airport operations.
- **Enhanced Space Utilization:** The new operator can tailor the space to its specific retail concept, maximizing its potential and improving the overall passenger experience.

As part of the conversion to a retail concession, the City would require the new operator to remove all unused fixtures, including the exhaust system and pollution control unit. The City acknowledges that this is an additional cost to the new operator and has negotiated a demolition credit from HMS Host International Inc. in the amount of \$145,000. The demolition credit will be paid to the City who in turn will provide the credit to the new operator to help offset demolition costs during construction.

Following approval from City Council, the City intends to incorporate this provision into the retail request for proposal through an addendum, which will create a more attractive opportunity for prospective bidders by reducing their capital investment.

COMMISSION RECOMMENDATION AND INPUT
This is an administrative function; therefore, no commission recommendation or input is associated with this action.
COST AND FUNDING SOURCE
If approved, no funding will be expended from the Airport, as this will be the sole responsibility of the tenant.
FOR QUESTIONS CONTACT: Mukesh (Mookie) Patel, Director of Aviation, (408) 392-3610