



REPORT TO THE CITY COUNCIL

AGENDA ITEM NO.	1A
COUNCIL MEETING	08/30/2012
APPROVED BY	
DEPARTMENT DIRECTOR	<i>[Signature]</i>
CITY MANAGER	<i>[Signature]</i>

August 30, 2012

FROM: RUSSELL C. WIDMAR, AAE  
Director of Aviation

SUBJECT: ADOPT A FINDING OF CATEGORICAL EXEMPTION PURSUANT TO ARTICLE 19, SECTION 15301, CLASS 1 (EXISTING FACILITIES) OF THE CALIFORNIA ENVIRONMENTAL QUALITY ACT GUIDELINES FOR MINOR ALTERATIONS TO VARIOUS LEASED CONCESSION SPACES AT FRESNO YOSEMITE INTERNATIONAL AIRPORT BY HUDSON NEWS COMPANY, DBA HUDSON GROUP.

1. AUTHORIZE DIRECTOR OF AVIATION TO EXECUTE AMENDMENT NO. 1 TO CONCESSION AGREEMENT BETWEEN HUDSON NEWS COMPANY, DBA HUDSON GROUP AND THE CITY OF FRESNO FOR IMPROVEMENTS TO ALL THREE LEASEHOLD AREAS AT FRESNO YOSEMITE INTERNATIONAL AIRPORT, AND EXTEND THE LEASE TERM.

**RECOMMENDATION**

That the Council Adopt a Finding of Categorical Exemption pursuant to Article 19, Section 15301, Class 1 (Existing Facilities) of the California Environmental Quality Act (CEQA) Guidelines for minor alterations to various leased concession spaces at Fresno Yosemite International Airport by Hudson News Company, dba Hudson Group (Hudson).

1. Authorize the Director of Aviation to execute Amendment No. 1 to Concession Agreement between Hudson News Group, dba Hudson Group (Hudson) and the City of Fresno for improvements to all three leasehold areas at Fresno Yosemite International Airport (FYI), and to extend the lease term.

**EXECUTIVE SUMMARY**

Amendment No. 1 to the Concession Agreement (Amendment) will provide for a \$557,000 investment by Hudson to modernize and redevelop all three gift and news concession locations in the terminal at FYI. Consistent with industry standards for this type of investment, the Amendment will also add four (4) years to the original Concession Agreement term, extending it to January 1, 2023.

**BACKGROUND**

Hudson has been operating gift and news concession services within the Terminal since September 2002. The initial development and operation includes three retail shops located in the, (i) main ticketing lobby, (ii) lower gate area, and, (iii) upper gate area. Hudson has been meeting their obligation under the Concession Agreement to keep the facilities updated by making annual investments to the facilities. They are providing staffing levels and hours of operation to effectively accommodate FYI's flight schedules.

Hudson intends to invest a total of five hundred and fifty-seven thousand dollars (\$557,000) on all three stores as part of a retail program development, referred to as their Retail Plan. Hudson's Retail Plan is

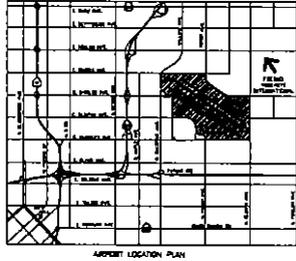
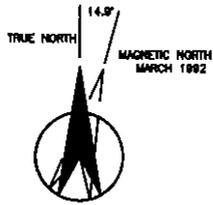
a nation-wide modernization and redevelopment program that has already been implemented at a number of airports. The Retail Plan includes a new concept that is geared to today's traveler that includes new product lines, use of color schemes to identify specific areas of interest, and fixture and point of sales upgrades. Under this new program, sales have been forecasted to increase, which means greater Revenue for the Department.

This Amendment will also eliminate a passenger enplanement trigger clause. Under the current Concession Agreement, Hudson is required to pay rent based on 5% of gross news and sundry sales and 8% of gross gift and specialty retail sales. The current agreement also states that these numbers go up to 7% and 9%, respectively, when enplanements (outbound passengers) reach 800,000. Hudson has agreed to eliminate the enplanement trigger and increase rent paid to 6% of gross news and sundry sales and 8.5% of gross gift and specialty retail sales, effective upon completion of all remodel work. In addition to the projected increase in sales, this is a direct benefit to the Department because FYI is not projected to have 800,000 enplanements before the Concessions Agreement terms out.

#### **FISCAL IMPACT**

The annual concession revenue paid by Hudson will increase due to higher sales and greater percentage of gross revenue to the Department. The incremental percentage increase is a new revenue source for the Department that was not anticipated in the current budget. It will be included in the FY 2014 budget. There is no impact to the General Fund from this item.

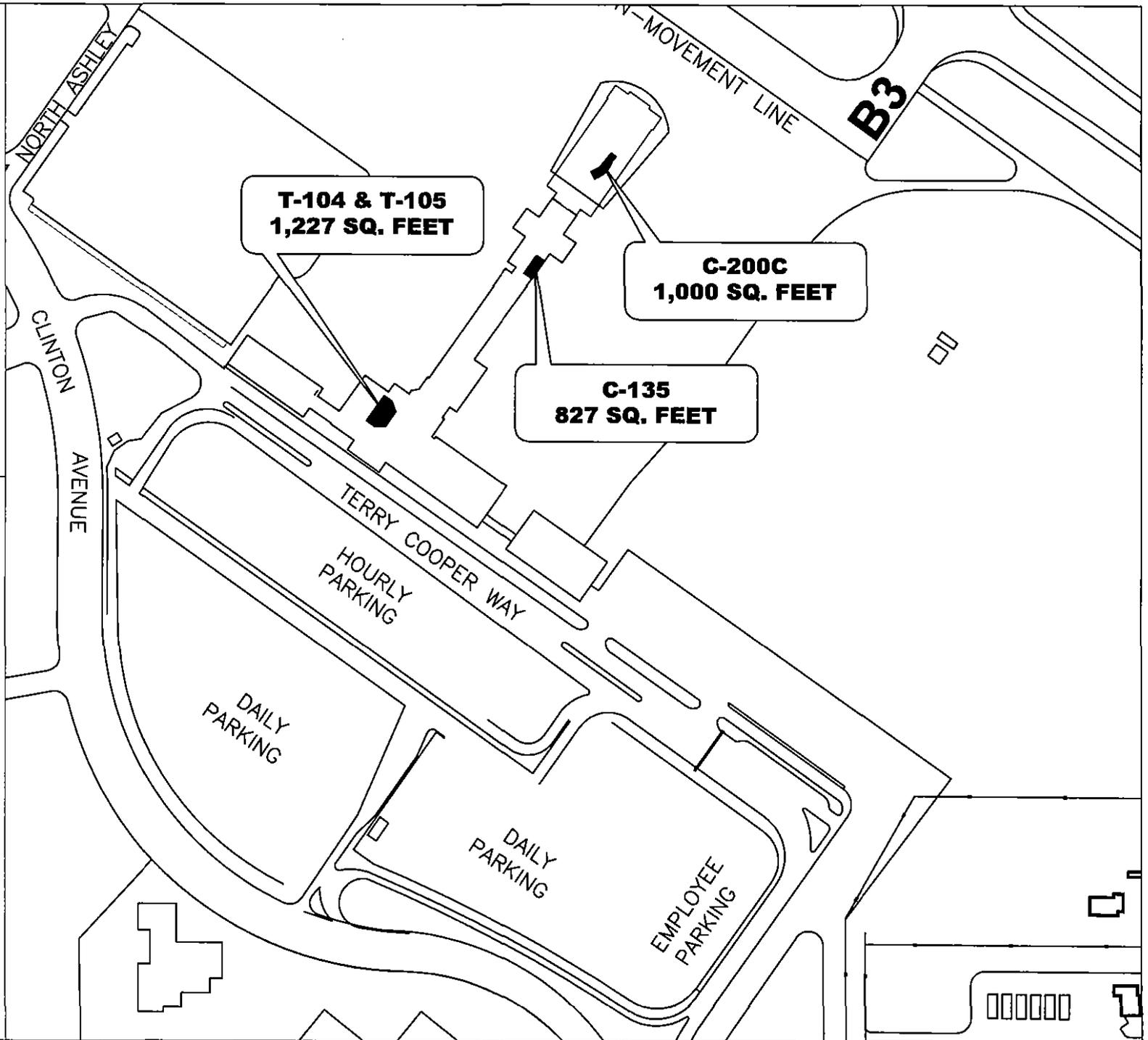
Attached: Site Map  
Draft – First Amendment to Concession Agreement



### HUDSON LEASE SPACE IMPROVEMENTS



**FRESNO YOSEMITE**  
INTERNATIONAL AIRPORT



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FIRST AMENDMENT TO THE NEWS / GIFT / RETAIL CONCESSION AGREEMENT

By and Between

CITY OF FRESNO,  
A MUNICIPAL CORPORATION

And

HUDSON NEWS COMPANY  
a Hudson Group

*Subject to Final Approval As to Form by City Attorney*

THIS FIRST AMENDMENT is made this \_\_\_\_\_ day of \_\_\_\_\_, 2012 by and between the City of Fresno California, ("City") and Hudson News Company, dba Hudson Group, ("Concessionaire").

### RECITALS

**WHEREAS**, the City and Concessionaire have entered into a News / Gift / Retail Concession Agreement dated September 1, 2002 ("Original Agreement"); and

**WHEREAS**, the parties desire to modify the Agreement to provide for remodeling of the current retail outlets in the Passenger Air Terminal and modification of the Term of the agreement, upon the terms and conditions herein.

**NOW, THEREFORE**, in consideration of the foregoing premises and the mutual promises herein, the parties agree to amend the Agreement as follows:

1. Concessionaire shall be required to make a minimum investment of Five Hundred Fifty Seven Thousand Dollars (\$557,000) for remodeling and improvements to existing facilities within the Passenger Air Terminal.
2. Section 4.2 of the original agreement shall be replaced with the following:

The Term of this Agreement shall 'begin on the first day of the first month next following the date the Concessionaire commences its business in the reconstructed Leased Premises, but in no event later than January 1, 2003, and shall continue in full force and effect, unless terminated prior thereto as hereinafter provided, and shall terminate at 11:59 PM local time ending on January 1, 2023. Each Lease Year shall be a successive period of twelve (12) calendar months. The first Year of the Term shall include that time after such commencement of the Term prior to the first day of the first month following such commencement date.

3. Sections 9.1(b) and 9.1(c) shall be deleted in their entirety and replaced with the following:
  - b. Percentage Rent

Concessionaire shall pay the City the sum of the following percentages of annual Gross Revenue:

For sales of News and Sundry Merchandise	6% of Gross Revenues
For sales of Gift and Specialty Retail Merchandise	8.5% of Gross Revenues

This becomes effective upon the date of completion of the remodel and improvements of all three (3) locations, but in any event no later than June 30, 2013.

4. In the event of any conflict between the body of this First Amendment and any Exhibit or Attachment hereto or document referenced herein, the terms and conditions of the body of this Second Amendment shall control and take precedence over the terms and conditions expressed within the Exhibit, Attachment or document referenced. Furthermore, any terms or conditions contained within any Exhibit, Attachment hereto or document referenced herein which purport to modify the allocation of risk between the parties, provided for within the body of this First Amendment, shall be null and void.

5. All capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in the Agreement.

6. In all other regards, the Agreement shall be and remain in full force and effect.

**IN WITNESS WHEREOF**, Concessionaire has caused this First Amendment to be executed by its duly authorized officer, and City has caused the same to be executed by its duly authorized person(s)/officer(s), all as of the day and year first above written.

**CITY OF FRESNO, CALIFORNIA**  
A Municipal Corporation

**Hudson News Company**  
**dba Hudson Group**

By: \_\_\_\_\_  
Russell C. Widmar, AAE  
Director of Aviation

By: \_\_\_\_\_  
  
\_\_\_\_\_  
(Printed Name)

Address for Notice:  
City of Fresno  
Airports Department  
4995 E. Clinton Way  
Fresno, CA 93727

Title: \_\_\_\_\_

Address for Notice:

**ATTEST:**  
Yvonne Spence, CMC  
City Clerk

Hudson Group  
One Meadowlands Plaza  
East Rutherford, NJ 07073

By: \_\_\_\_\_  
Deputy

Phone 800.326.7711

**APPROVED AS TO FORM:**  
James C. Sanchez  
City Attorney

By: \_\_\_\_\_  
Robert Abrams, Deputy

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