



REPORT TO THE CITY COUNCIL

AGENDA ITEM NO.	
COUNCIL MEETING	03/06/2007
<i>APPROVED BY</i>	
<i>DEPARTMENT DIRECTOR</i>	
<i>CITY MANAGER</i>	

March 6, 2007

FROM: RUSSELL C. WIDMAR, AAE
Director of Aviation

SUBJECT: APPROVE TEN YEAR LEASE OF RESTAURANT PREMISES IN CHANDLER AIRPORT
TERMINAL TO KERRY HEDBERG D//B/A MAK'S LANDING

KEY RESULT AREA

One Fresno

RECOMMENDATION

That the Council approve a ten year lease of the restaurant premises in the historic passenger terminal at the Fresno Chandler Executive Airport to Ms. Kerry Hedberg, replacing the Temporary Use Permit under which she began operating the restaurant now known as "Mak's Landing". The rent would be ten percent (10%) of gross receipts from the sale of beer and wine in any month, and five percent (5%) of gross receipts in excess of two hundred thousand dollars (\$200,000) in any year from the sale of food and non-alcoholic beverages. The Lessee would be responsible for the maintenance and care of the premises and for the cost of metered utilities. Either party could terminate the lease at any time on thirty (30) days notice to the other party.

Since the Airports Department is operated as a self-supporting enterprise, there would be no impact to the General Fund from this action.

EXECUTIVE SUMMARY

Kerry Hedberg and her partner, executive-chef-qualified Marc Balucas, took over the Runway Café premises last November 17 under a six-month Temporary Use Permit. They spent a month scrubbing and painting the premises, making minor modifications, and installing a commercial dish-washer and other equipment before re-opening for business with a new menu, new pricing and changing daily specials. They were already operating a successful catering business from another location, and that business continues. That diversification assures a steady income, provides working capital and spreads their overhead, giving them, it is hoped, a good chance of success. Also, Mr. Balucas is exceptionally qualified, and has significant local experience, having owned (with his father), developed and operated "JJ's", a successful downtown restaurant.

The business terms of the proposed lease with Ms. Hedberg are the same as the previous lease with Ms. Robinson, who, incidentally, never achieved annual gross receipts of two hundred thousand dollars and, therefore, never paid a five percent percentage fee on food and beverage sales. And, since she never offered beer or wine, she never paid a ten percent fee on such sales either. She did pay all her utility bills (about \$5,000 per year) and left Chandler on good terms. Ms. Hedberg has no plan at present to offer beer or wine for sale.

BACKGROUND

Restaurants at general aviation airports are mostly marginal businesses. That is certainly true of the restaurant located in the historic old passenger terminal at Chandler.

The most recent operator (from February 2004 to November 2006) was Ida Robinson, who called it the "Runway Café". Although she enjoyed loyal support from the small community of Chandler aircraft owners and pilots, she was never able to consistently attract the off-airport customers needed to supplement the airport customers. The Runway Café was a one-woman operation and Ms. Robinson did not have the time or the operating capital to grow the business to the point of profitability. When offered a salaried managerial position with Denny's restaurant, she took it and reluctantly shut down the Runway Café.

KEY OBJECTIVE BALANCE

Having a restaurant on the airport is a convenience for airport users (Customer Satisfaction) and for airport employees (Employee Satisfaction) and it encourages more use of the airport and more economic activity (Financial Management).

FISCAL IMPACT

There would be no impact to the General Fund from this action.