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TO: Marcelia Nicholson, Chairwoman
Milwaukee County Board of Supervisors

FROM: Margaret Daun, Corporation Counsel
David Farwell, Assistant Corporation Counsel /s/ *DNF*

DATED: June 25, 2021

SUBJECT: Request to Authorize Litigation Against Host International, Inc.- Milwaukee Mitchell International Airport Contract No. CN-1917 (File No. 21-621)

It is requested that this matter be referred to the Committee on Judiciary, Safety, and General Services and Committee on Finance for authorization to file an action against the above-referenced party, Host International, Inc. (“HMS Host”).

Pursuant to section 1.11(c)(5)(2)(b) of the ordinances, the Committee on Judiciary, Safety, and General Services, subject to full board approval, shall approve the initiation of all suits or claims by the county against other persons or entities where the amount claimed exceeds ten thousand dollars (\$10,000.00) or where the rights sought to be declared have a potential fiscal effect on the county in excess of then thousand dollars (\$10,000.00).

As set forth in the ordinance, this memo is our request for authorization to file a large claims civil action against HMS Host, if it becomes necessary to do so in order to protect the interests of Milwaukee County, as determined by the Office of Corporation Counsel and the Airport Director.

HMS Host is one of a number of concessionaires operating retail concessions at Milwaukee Mitchell International Airport (“MKE”), primarily in the food and beverage space. As we all know, the COVID-19 pandemic has ravaged the world over the last eighteen months. During these unprecedented times, as airport passenger traffic first declined and then began earlier this year to rebound, MKE leadership and staff have expended immense effort to keep MKE operating, working with HMS Host and other concessionaires to ensure that service levels and amenities remained available to the traveling public. Part of that effort has included a willingness on the part of MKE to address the financial hardship that concessionaires have experienced and to come to mutually beneficial arrangements that provide relief to the concessionaires while also maintaining sound fiscal operations.

MKE has worked with concessionaires to develop packages that provide relief from certain contractual obligations in exchange for agreeing to payment plans and acceptance of operational requirements that will enable the MKE to get back to full strength as quickly as possible.

Like other concessionaires, HMS Host has engaged in negotiations with MKE on a path forward. Unfortunately, unlike nearly all the other concessionaires, HMS Host not only has been, and continues to be, in default of its obligations under its lease, but also has been unwilling to agree to what MKE believes are very reasonable terms that will enable MKE to exit the pandemic on a good footing. Also unlike most other concessionaires, HMS Host went for many months without making any of the payments it owed under its lease, racking up a delinquency of over two million dollars, of which it has to date paid only a fraction.

Despite these continuing defaults, MKE has tried mightily to keep the relationship going. However, recently it has become evident that these efforts have very likely failed, leaving MKE and the county with little alternative but to pursue its legal remedies. MKE and OCC will continue to engage in last ditch efforts as long as we believe there is a reasonable hope to come to terms, but that window appears to be rapidly closing.

In light of the foregoing, and to enable OCC and MKE to move expeditiously should it become necessary in order to protect the interests of the county in this matter, the Office of Corporation Counsel respectfully requests authorization to commence a lawsuit against HMS Host, including termination of its lease due to default and pursuit of any and all damages to which the county may be entitled.

cc: MaryJo Meyers
Kelly Bablitch
Janelle Jensen