

COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

DATE: January 3, 2012

TO: Lee Holloway, Chairperson, Milwaukee County Board of Supervisors
Michael Mayo, Sr., Chairperson, Transportation, Public Works & Transit Committee

FROM: Frank Busalacchi, Acting Director of Transportation

**SUBJECT: AMEND AIRPORT AGREEMENT NO. CN-1412 WITH PARADIES-MARK II, LLC TO
EXTEND THE AGREEMENT FOR THREE YEARS AND REDUCE THE SPACE IN
THE MALL AT GENERAL MITCHELL INTERNATIONAL AIRPORT**

POLICY

County Board approval is required for certain agreement amendments at General Mitchell International Airport (GMIA).

BACKGROUND

On July 24, 2003 (File No. 03-392) the Milwaukee County Board authorized Milwaukee County to enter into Airport No. CN- 1412 with Paradies-Mark II, LLC for the construction, operation, and maintenance of news and gift and specialty retail stores in the GMIA terminal building. The Agreement was for a term of seven (7) years commencing March 1, 2004 and ending February 28, 2012 with County having the option to extend the term for up to three additional periods of one year each at the County's sole discretion.

On November 4, 2010 (File No. 10-349) the County Board authorized the Airport to enter into an agreement with Unison Consulting, Inc. to survey passenger retail merchandise preferences, and advise Milwaukee County on the management structure and product offerings of the news/gift and specialty retail concessions that would best serve GMIA and the traveling public. Unison completed its survey work and analysis in summer 2011. The analysis determined that there was a need for additional retail offerings on all three concourses due to record passenger traffic, and a special need for retail technology offerings. Since then the Airline industry continues to change. Passenger traffic is declining slightly, Southwest purchased AirTran, United and Continental merged, and Frontier has reduced its flights at GMIA. These Airline industry changes will continue to affect overall passenger traffic growth or decline, and the distribution of passengers among the three Airport concourses.

In view of the current state of the Airline industry, Airport staff believes that it is prudent to exercise the options for the continuation of the current news/gift operation. There does appear, however, to be a need to add some specialty retail to the program at this time especially in the technology area. Paradies-Mark II, LLC has agreed to have approximately 344 square feet of space removed from its leasehold in the Concession Mall for a technology store. Airport staff would issue a Request for Proposal for the Concession Mall space and additional spaces on the concourses for specialty retail development. The approximately 344 square feet of Concession Mall space would not be removed from the Paradies-Mark II leasehold until the space is awarded to a successor concessionaire. Subsequent to the award of the space to a new concessionaire, Paradies-Mark II would invest approximately \$150,000 to remodel their store to segregate the 344 square feet from their leasehold.

RECOMMENDATION

Airport staff recommend that Airport Agreement No. CN-1412 between Milwaukee County and Paradies-Mark II, LLC be amended as follows:

1. The Agreement be extended for a three year period, beginning March 1, 2012 and ending February 28, 2015.
2. Approximately 344 square feet of space will be deleted from the concession mall space upon award of the space to a successor concessionaire.
3. Upon award of the approximately 344 square feet of space to a successor concessionaire, Paradies-Mark II will invest approximately \$150,000 to remodel the remaining space.
4. The \$150,000 investment shall be amortized over the remaining term of the Agreement.

FISCAL NOTE

No revenue increase or decrease will result from this amendment.

Prepared by: Kathy Nelson, Airport Properties Manager

Approved by:

C. Barry :fl,-man
Airport Director

Frank Busalacchi
Acting Director of Transportation