

CITY OF KELOWNA
MEMORANDUM

DATE: November 24, 2006

File: 0550-05
2380-20-8090

TO: City Manager

FROM: Airport General Manager

SUBJECT: SKYWAY GOURMET CONCESSION ENHANCEMENTS

RECOMMENDATION

THAT Council approve establishing the rent for a new post-security “Legends” by White Spot at 8% of gross revenue;

AND THAT Council approve establishing the rent for a new post-security “Okanagan Estate Wine Cellar” at:

1. 6% of gross revenue for the first \$500,000 per annum of sales and;
2. 8% of gross revenue for annual sales over \$500,000

AND THAT Council approve establishing the rent for a new pre-security “Orange Julius” concession at 8% of gross revenue;

AND THAT Council approve the City contributing \$70,000 towards construction cost of the new post-security wine shop.

AND THAT Council approve extending the term of Skyway Gourmet’s master concession agreement to December 31, 2020.

BACKGROUND AND COMMENTS

Skyway Gourmet was awarded a long term master concession lease by Council at its regular meeting on June 4, 1996 for all food, beverage and retail facilities in the terminal. Skyway was awarded the contract after an extensive public tender process. The agreement gives Skyway the right of first refusal to provide any additional concessions deemed necessary by the City. The lease expires December 31, 2016.

Since Skyway Gourmet started operating the concessions they have made the following capital investments in facilities:

1996 – \$315,000
1999 – \$253,300
2005 – \$322,000
\$890,300

The proposed development would involve an additional investment of \$895,000 by Skyway Gourmet.

Recent customer satisfaction surveys have indicated a desire for:

1. More choice in food and beverage facilities;
2. Enhanced post-security food service;
3. The addition of brand name concessions.

The centerpiece of the proposed development is a 95 seat distinctive theme restaurant that brings out the design elements of wood, water and rock. The atmosphere will be of natural rock fireplaces, solid timbers and earthy colours. White Spot has a proven reputation as being a "Slice of British Columbia". The facility will offer street pricing.

Since August the revenue from the wine store is down 55%. If this facility is to be economically viable in the long term it will need to be relocated post-security. Airport management is satisfied that the limitations on liquids and gels at pre-board screening is not going to change anytime in the foreseeable future.

The Orange Julius will offer another brand name concession pre-security and has been successful at other locations.

Skyway Gourmet will also develop a complementary retail concession in the existing wine store. Over the next few months a market assessment will be undertaken and a theme selected.



R. Sellick

RS/nr/lab