Item No.

Meeting Date: APRIL 12, 2012

# Subject:

Rescind Resolution No. 2011-0113 Awarding a Concession Lease to High Flying Foods San Diego Partnership (A Joint Venture) for Development and Operation of Food Service Package #6R and Award a Concession Lease to SSP America, Inc. for Development and Operation for Food Service Package #6R

## **Recommendation:**

Adopt Resolution No. 2012-0042, rescinding Resolution No. 2011-0113 awarding a concession lease to High Flying Foods San Diego Partnership (A Joint Venture) for development and operation of Food Service Package #6R, and award a Concession Lease to SSP America, Inc. for development and operation for Food Service Package #6R for a maximum term of twelve (12) years and two (2) months which includes a period not to exceed twenty-six (26) months to allow for package construction completion, with a first year Minimum Annual Guarantee (MAG) of \$603,530; and authorizing the President/CEO to take all necessary actions to execute the concession lease.

# **Background/Justification:**

On February 2, 2011, eight (8) food service and eight (8) retail concession packages were released via the Concession Development Program (CDP) Request for Proposals. The CDP will expand from today's approximately 60,000 square feet to approximately 86,000 square feet of food service and retail space when completed. At full build-out in 2014, the number of food service and retail concession locations will increase from 55 today to up to 82 upon CDP completion.

To ensure a diversity of concepts and to encourage competition, the RFP established the following limitations on the award of concession leases to a single proposer:

- 30% of food service square footage
- 35% of retail square footage
- 30% of total program square footage

On May 25, 2011, a combined total of 48 responsive proposals for food service and retail packages were received from 20 business entities. However, four of the food service packages included in the CDP RFP (Original RFP) either did not receive any proposals or received only one proposal. Interviews were conducted with several proposers who submitted responsive food service proposals to determine aspects of those four packages that may have caused the low number of proposals. Based on their input, staff changed certain elements of the four packages. A new RFP covering the

revised four packages (Supplemental RFP) was released on July 12, 2011. Only responsive entities that submitted proposals during the initial CDP RFP process were eligible to submit proposals to the Supplemental RFP.

# Food Service Package # 6R Details

Food Service Package # 6R is a revised version of Food Service Package #6 from the original RFP and encompasses 9% of the total food service square footage. It included the following seven locations and concept types:

Location	Square Footage	Concept
T1 Pre-Security	348	Coffee w/ Baked Goods
T1 Post-Security	581	Gourmet Coffee w/ Prepared Foods and Baked Goods
T1 Post-Security	798	Bar with food
<del>T2W-Core</del>	794	Food Court Healthy or Open Concept*
T2W-East Conc.	1,456	Bar with food
T2E-Post-Security	844	Food Court Hamburger
T2E-Post-Security	440	Coffee w/ Baked Goods
Total	5,261**	

<sup>\*</sup>Following award, location removed from package due to design constraints and menu conflicts with adjacent location.

A map depicting the Food Service Package # 6R locations within the terminals is provided in Attachment 1.

The term of the concession lease is for 10 years, including up to 26 months to allow build out of all locations included in the Package (Package Completion), during which time percentage rent shall be paid. After Package Completion, Authority rent shall be the Minimum Annual Guarantee or Percentage Rent, whichever is greater.

Food Service Package # 6R included the following minimum requirements:

Minimum Investment in Fixed Improvement per Square Foot	<b>s</b> \$35	0
Percentage Rent (Fixed)	Food/ Non-Alcohol	13.0%
	Alcohol	16.0%
Minimum Annual	Guarantee	
1st Annual Period	To Be Proposed	
2nd Annual Period following Package Completion Date	90% of the actual rent paid to Authori during the first Annual Period, or 1039	

<sup>\*\*</sup>Revised to 4467 sq ft due to removal of the T2W-Core location.

	of the MAG for the first Annual Period, whichever is greater.
3 <sup>rd</sup> through 10 <sup>th</sup> Annual Periods	90% of the actual rent paid to Authority during the prior Annual Period, or 103% of the MAG for the prior Annual Period, whichever is greater.

# Food Service Package # 6R Proposals

On July 26, 2011, four proposals were received for Food Service Package # 6R from the following entities:

- Diego Concession Group, LLC (DCG)
- Proposed business entity is Diego Concession Group as prime concessionaire with Hojeij Brand Foods, Inc. and Foodmaker, Inc. as sublessees.
- High Flying Foods San Diego Partnership (High Flying Foods)
- Proposed business entity is joint venture between High Flying Foods San Diego, LLC (95% ownership) and Procurement Concepts, Inc. (5% ownership).
- Host International, Inc. (Host)
- Proposed business entity is Host International, Inc. as prime concessionaire with a sublease to a joint venture comprised of Host International, Inc. (65% ownership) and Concession Management Services, Inc. (35% ownership).
- SSP America, Inc. (SSP)
- Proposed business entity is SSP
   America, Inc. as prime concessionaire,
   with a sublease to a joint venture called
   SSP America SAN LLC, comprised of SSP
   America, Inc. (75% ownership) and
   Sarah's Pastries and Candies, Inc. (25%
   ownership)

ownership).

A comparison of the proposed concepts associated with the seven locations in Food Service Package # 6R is provided below:

Location	T1W- 1044	T1W- 2013	T1W- 2014	T2W- 2046*	T2W- 2000	T2E- 2035	T2E- 2050
Square Feet	348	581	798	794	1,456	844	440
Proposer				Concepts			
DCG	Abica Coffee	Coffee Bean & Tea Leaf	Diego's Gastro- pub	Green N Things	Cantina Durado	Jack-in- the Box	Coffee Bean & Tea Leaf
High Flying Foods	Pannikin Coffee & Tea	Pannikin Coffee & Tea	Stone Brewing Co.	Fire- wood Cafe	619 Bar & Lounge	The Counter Mini	Pannikin Coffee & Tea
Host	Great American Bagel	Starbucks	Karl Strauss Brewing Co.	Emerald Express	Tequileria Lounge	Hodad's	Starbucks
SSP	Ryan Bros. Coffee	Peet's Coffee & Tea	Urban Crave**	Camden Food Co.	Mango Taco Truck***	Jack-in- the Box	Peet's Coffee & Tea

<sup>\*</sup>Location removed from package due to design constraints and menu conflicts with adjacent location.

# **Financial Offer**

Proposer	Fixed Percentage Rent	Year One MAG	
DCG	13% Food/Non-Alcoholic Beverage 16% Alcohol	\$1,335,000	
High Flying Foods	13% Food/Non-Alcoholic Beverage 16% Alcohol	\$903,192	
Host	13% Food/Non-Alcoholic Beverage 16% Alcohol	\$885,000	
SSP	13% Food/Non-Alcoholic Beverage 16% Alcohol	erage \$703,530	

## **Evaluation Process**

The Authority's evaluation panel was comprised of six panelists: (a) three Authority Division Vice Presidents, (b) one Authority Department Director, and (c) two airport concession program managers from San Francisco International and Seattle-Tacoma International Airports.

Because the Supplemental RFP was available only to those entities that responded to the Authority's Original RFP, the panel already received the following information:

- Minimum Experience;
- ACDBE Good Faith Effort;
- Administrative (All Applicable Forms);

<sup>\*\*</sup>SSP originally proposed the "Casa de Pico" concept

<sup>\*\*\*</sup>SSP originally proposed the "Pacifico Surf Shack" concept

- Management, Staffing Plan and Training;
- Operations and Maintenance Plan;
- Marketing Plan

Consideration was given in the original evaluation process for proposals that met or exceeded the Authority's standards for small business preference (Authority Policy 5.12) and worker retention (Board Resolution 2010-0142R).

As a result, the panel considered the following criteria and weights to rank the respondents to the Supplemental RFP:

	Criteria	Weighting %
Financial Background ar	40%	
Concept Development a	60%	

The evaluation panel reviewed the proposals using the above criteria and ranked the proposals as either "1" (best suited) or "4" (least suited). The results of the rankings of each panel member (PM) are presented in the matrix below:

Proposer	PM1	PM2	PM3	PM4	PM5	PM6	Total
DCG	1	2	4	4	4	4	19
High Flying Foods	2	3	2	2	1	1	11
Host	3	4	3	3	2	2	17
SSP	4	1	1	1	3	3	13

Note: Lowest Total = Best Suited

The evaluation panel recommended that a concession lease be awarded to High Flying Foods for development and operation of Food Service Package #6R (as included in the Supplemental Request for Proposals for Food Service and Retail Concessions) for a maximum term of twelve (12) years and two (2) months with a first year MAG of \$903,192. On September 1, 2011, the Board subsequently adopted Resolution 2011-0113, awarding a concession lease to High Flying Foods San Diego Partnership (A Joint Venture) for Food Service Package #6R.

On March 2, 2012, High Flying Foods notified the Authority that it will be unable to execute the lease for Food Service Package #6R. As a result of not executing the lease for Food Service Package #6R, High Flying Foods San Diego Partnership (A Joint Venture) has forfeited its \$50,000 RFP Proposal Deposit.

As a result of this action, staff is now recommending that the Board award Food Service Package #6R to SSP America, Inc. SSP finished second in the Evaluation Panel's evaluations. (see matrix, above.) Staff has offered this package to SSP pending Board approval, and it has accepted the award. If approved by the Board, SSP's total awarded square footage will remain below the 30% food service limitation established in the CDP RFP. Depictions of SSP's concepts for this package are presented in Attachment 2.

# **Fiscal Impact:**

Annual revenue for the Authority will be no less than the MAG amount of \$603,530 for Food Service Package #6R. In addition, based on the projected gross sales of the concessionaires, the Authority estimates that total CDP annual operating and maintenance costs (including operating costs for the Central Receiving and Distribution Center) will be recoverable from concessionaires.

# **Authority Strategies:**

This item supports	one or more o	f the Authority St	trategies, as follo	ows:
☐ Community Strategy	Customer Strategy	Employee Strategy	Financial Strategy	☐ Operations Strategy

## **Environmental Review:**

- A. This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act ("CEQA"), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Pub. Res. Code §21065.
- B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Pub. Res. Code §30106.

# **Equal Opportunity Program:**

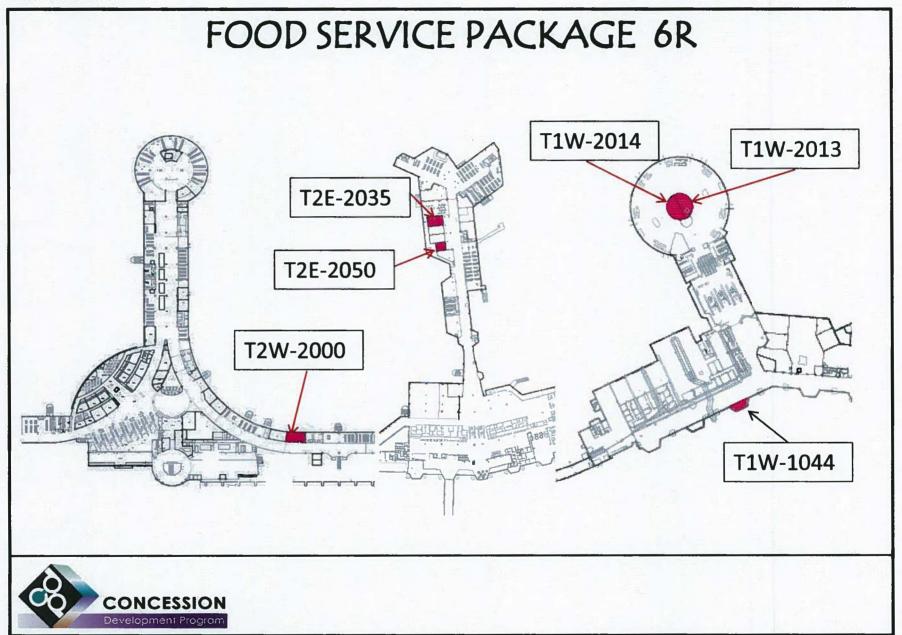
The Authority's small business program promotes the utilization of small, local, disadvantaged, and other business enterprises, on all contracts, to provide equal opportunity for qualified firms. By providing education programs, making resources available, and communicating through effective outreach, the Authority strives for diversity in all contracting opportunities.

The Authority has an Airport Concession Disadvantaged Business Enterprise ("ACDBE") Plan as required by the Department of Transportation, 49 CFR Part 23. The ACDBE Plan calls for the Authority to submit a triennial overall goal for ACDBE participation on all concession projects.

This solicitation is an airport concession opportunity; therefore, it will be applied toward the Authority's overall ACDBE goal. SSP America, Inc. is proposing 25% ACDBE participation on this project.

# Prepared by:

VERNON D. EVANS, CPA VICE PRESIDENT, FINANCE/TREASURER



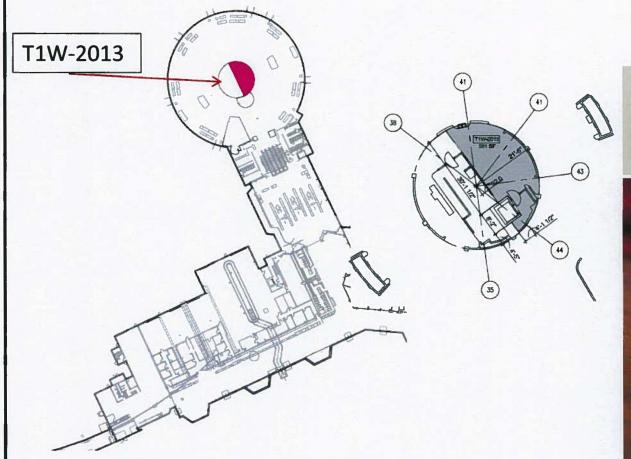
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# Food Pkg 6R: SSP America, Inc.

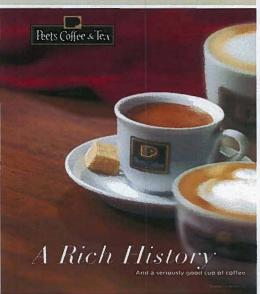




# FOOD SERVICE PACKAGE 6R - T1W-2013, 581 SF







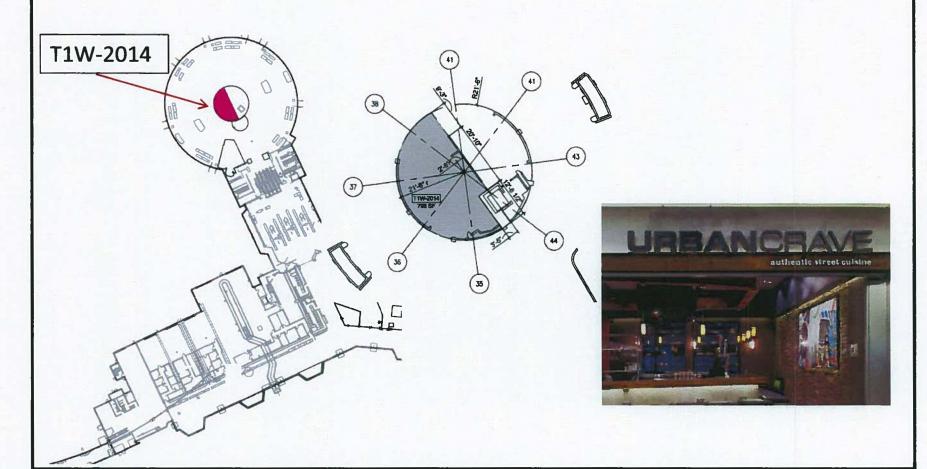


# Food Pkg 6R: SSP America, Inc.



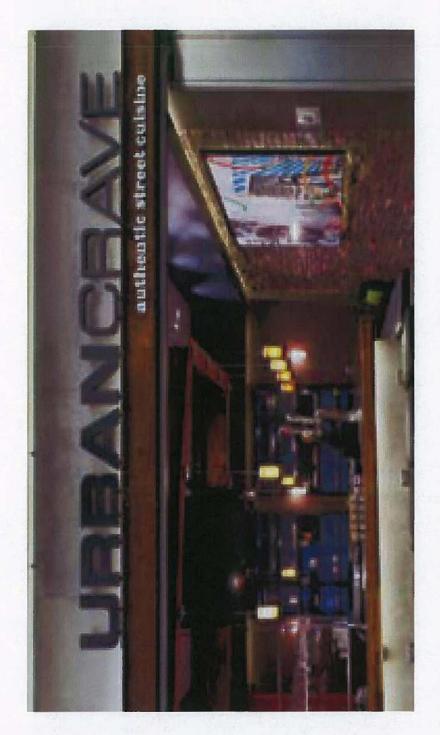


# FOOD SERVICE PACKAGE 6R - T1W-2014, 798 SF



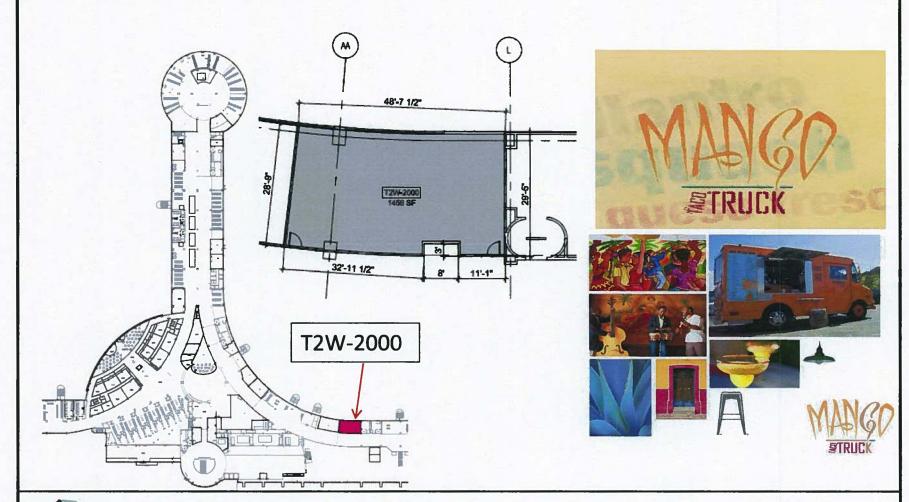


# Food Pkg 6R: SSP America, Inc.



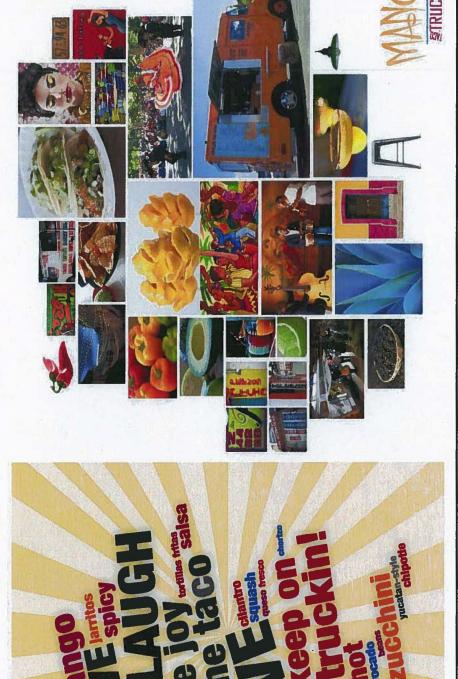


# FOOD SERVICE PACKAGE 6R - T2W-2000, 1456 SF



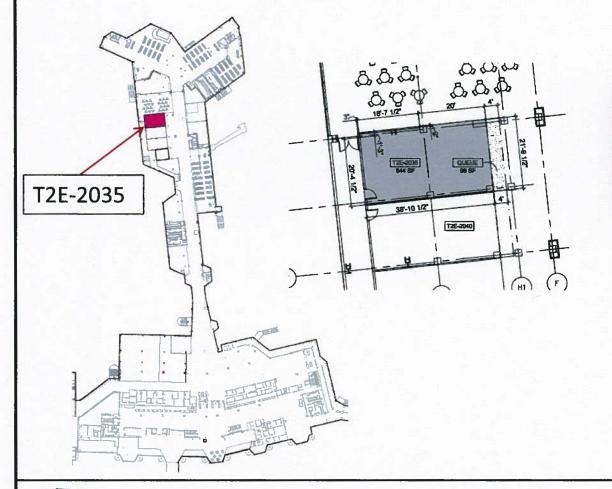


# Food Pkg 6R: SSP America, Inc.





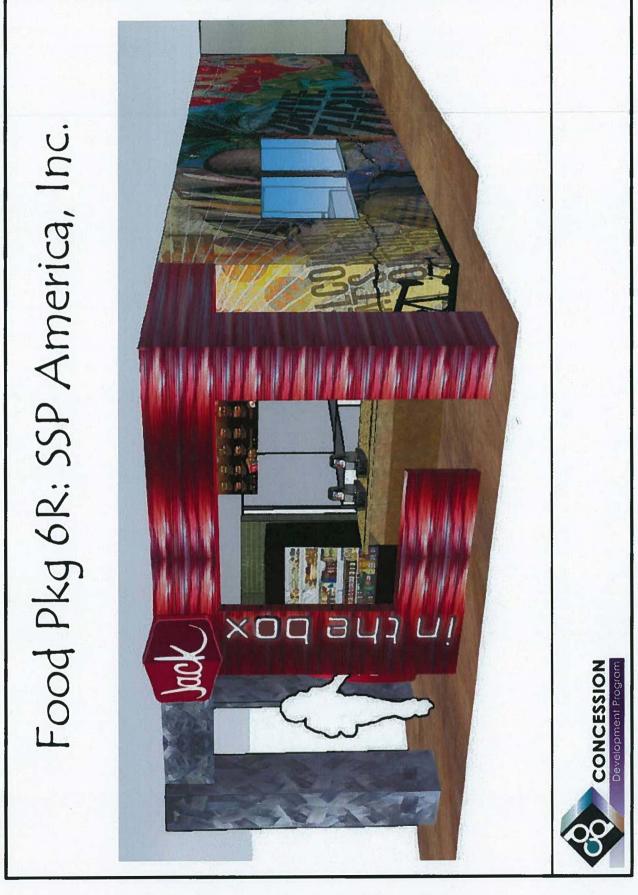
# FOOD SERVICE PACKAGE 6R - T2E-2035, 844 SF











## **RESOLUTION NO. 2012-0042**

BOARD OF THE A RESOLUTION OF THE REGIONAL SAN DIEGO COUNTY **AIRPORT** AUTHORITY RESCINDING RESOLUTION NO. 2011-0113 AWARDING A CONCESSION LEASE TO HIGH FLYING FOODS SAN DIEGO PARTNERSHIP (A JOINT VENTURE) FOR DEVELOPMENT AND OPERATION OF FOOD SERVICE PACKAGE #6R AND AWARDING A CONCESSION LEASE TO SSP AMERICA. INC. FOR DEVELOPMENT AND OPERATION FOR FOOD SERVICE PACKAGE #6R

WHEREAS, on February 2, 2011, eight (8) food service and eight (8) retail concession packages were released via the Concession Development Program (CDP) Request for Proposals; and

WHEREAS, the CDP will expand from today's approximately 60,000 square feet to approximately 86,000 square feet of food service and retail space when completed; and

WHEREAS, at full build-out in 2014, the number of food service and retail concession locations will increase from 55 today to up to 82 upon CDP completion; and

WHEREAS, to ensure a diversity of concepts and to encourage competition, the RFP established the following limitations on the award of concession leases to a single proposer: 30% of food service square footage, 35% of retail square footage, and 30% of total program square footage; and

WHEREAS, on May 25, 2011, a combined total of 48 responsive proposals for food service and retail packages were received from 20 business entities, whereby four of the food service packages included in the CDP RFP (Original RFP) either did not receive any proposals or received only one proposal; and

WHEREAS, interviews were conducted with several proposers who submitted responsive food service proposals to determine aspects of those four packages that may have caused the low number of proposals; and

WHEREAS; based on the input received, staff changed certain elements of the four packages; and released a new RFP covering the revised four packages (Supplemental RFP) on July 12, 2011; and

WHEREAS, only responsive entities that submitted proposals during the initial CDP RFP process were eligible to submit proposals to the Supplemental RFP; and

WHEREAS, Food Service Package #6R is a revised version of Food Service Package #6 from the original RFP and encompasses 9% of the total food service square footage which includes seven locations and concept types; and

WHEREAS, the term of the concession lease includes up to 26 months to allow build out of all locations included in the Package (Package Completion), during which time, percentage rent shall be paid; and

WHEREAS, after Package Completion, Authority rent shall be the Minimum Annual Guarantee or Percentage Rent, whichever is greater; and

WHEREAS, following proposal review and interviews, the evaluation panel scored the proposals and recommended that a lease be awarded to High Flying Foods for development and operation of Food Service Package #6R (as included in the Supplemental Request for Proposals for Food Service and Retail Concessions) for a maximum term of twelve (12) years and two (2) months with a first year MAG of \$903,192; and

WHEREAS, on September 1, 2011, the Board subsequently adopted Resolution 2011-0113, awarding a concession lease to High Flying Foods San Diego Partnership (A Joint Venture) for Food Service Package #6R; and

WHEREAS, on March 2, 2012, High Flying Foods notified the Authority that it will be unable to execute the lease for Food Service Package #6R; and

WHEREAS, the evaluation panel ranked SSP America, Inc. (SSP) as the second most suited concession team for Food Service Package #6R and staff has offered this package to SSP pending Board approval; and

WHEREAS, SSP has accepted the award pending approval by the Board; and

WHEREAS, SSP's total awarded square footage will remain below the 30% food service limitation established in the CDP RFP.

NOW, THEREFORE, BE IT RESOLVED that the Board RESCINDS Resolution No. 2011-0113 Granting a Concession Lease to High Flying Foods San Diego Partnership (a joint venture) for Development and Operation of Food Service Package #6R and GRANTS the award of a Concession Lease to SSP America, Inc. for Development and Operation for Food Service Package #6R; and

BE IT FURTHER RESOLVED the Board FINDS this action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act ("CEQA"), as amended. (14 Cal. Code Regs. §15378), is not a "project" subject to CEQA (Pub. Res. Code §21065) and is not a "development" as defined by the California Coastal Act (Pub. Res. Code §30106).

PASSED, ADOPTED, AND APPROVED by the Board of the San Diego County Regional Airport Authority at a Special Board meeting this 12th day of April, 2012, by the following vote:

AYES:	<b>Board Members:</b>

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

TONY R. RUSSELL DIRECTOR, CORPORATE SERVICES/ AUTHORITY CLERK

APPROVED AS TO FORM:

BRETON K. LOBNER GENERAL COUNSEL





















Concession Development Program

Rescind Resolution No. 2011-0113 Awarding a Concession Lease to High Flying Foods San Diego Partnership (A Joint Venture) for Development and Operation of Food Service Package #6R

and

Award a Concession Lease to SSP America, Inc. for Development and Operation for Food Service Package #6R

> Vernon D. Evans Vice President, Finance/Treasurer

> > Nyle Marmion, Manager, Concession Development

> > > April 12, 2012





# Timeline

Month/Year	Action
February 2011	Original RFP Released (16 Packages)
May 2011	Responses Received
July 2011	Supplemental RFP Released and Reviewed
September 2011	Supplemental RFP Awards including Food Services Package #6R to High Flying Foods San Diego Partnership (HFF)
March 2012	HFF notifies staff that it is unable to execute the lease for Food Services Package #6R





# Food Service Package 6R

Unit Count	Unit Number	Location	Square Footage	Concept
1	T1W-1044	T1 Pre-Security	348	Coffee w/ Baked Goods
1	T1W-2013	T1 Post-Security	581	Coffee w/ Prepared Foods and Baked Goods
1	T1W-2014	T1 Post-Security	798	Bar w/ Food
1	<del>T2W-2046</del>	<del>T2W-Core</del>	<del>79</del> 4	Food Court-Healthy OR Open Concept*
1	T2W-2000	T2W-East Concourse	1,456	Bar w/ Food
1	T2E-2035	T2E Post-Security	844	Food Court-Hamburger
1	T2E-2050	T2E Post-Security	440	Coffee w/ Baked Goods
7			5,261**	

<sup>\*</sup> Following award, location removed from package due to design constraints and menu conflicts with adjacent location.

<sup>\*\*</sup>Revised to 4467 sq ft due to removal of the T2W-Core location.

# FOOD SERVICE PACKAGE 6R T1W-2014 T1W-2013 T2E-2035 T2E-2050 T2W-2000 T1W-1044 CONCESSION

Development Program



# Supplemental RFP Requirements

Same as Original RFP

# **EXCEPT**:

- Fixed Percentage of Gross Sales by Category of Merchandise
- Biddable First Year Minimum Annual Guarantee



# Food Service Package 6R: Minimum Requirements

Minimum Investment in Fixed Improvements per Square Foot	\$350		
Percentage Rent	Food/ Non-Alcohol	13%	
(Fixed)	Alcohol	16.0%	
Minimum Annual Guarantee (MAG)	TO BE PROPOSED		



# Food Service Package 6R Proposers

Diego Concession Group, LLC (DCG)	Proposed business entity is Diego Concession Group as prime concessionaire with Hojeij Brand Foods, Inc. and Foodmaker, Inc. as sublessees.
High Flying Foods San Diego Partnership (High Flying Foods)	Proposed business entity is a joint venture between High Flying Foods San Diego, LLC (95% ownership) and Procurement concepts, Inc. (5% ownership).
Host International, Inc. (Host).	Proposed business entity is Host International, Inc. as prime concessionaire with a sublease to a joint venture comprised of Host International, Inc. (65% ownership) and Concession Management Services, Inc. (35% ownership).
SSP America, Inc. (SSP)	Proposed business entity is SSP America, Inc. as prime concessionaire, with a sublease to a joint venture called SSP America SAN LLC, comprised of SSP America, Inc. (75% ownership) and Sarah's Pastries and Candies, Inc. (25% ownership).



**Revised 4/10/12** 

# Food Service Package 6R Proposed Concepts by Proposer

Location	T1W-1044	T1W-2013	T1W-2014	T2W-2046*	T2W-2000	T2E-2035	T2E-2050
Square Feet	348	581	798	<del>794</del>	1,456	844	440
Proposer	Concepts						
DCG	Abica Coffee	Coffee Bean & Tea Leaf	Diego's Gastro-pub	Green N Things	Cantina Durado	Jack-in-the Box	Coffee Bean & Tea Leaf
High Flying Foods	Pannikin Coffee & Tea	Pannikin Coffee & Tea	Stone Brewing Co.	Firewood Cafe	619 Bar & Lounge	The Counter Mini	Pannikin Coffee & Tea
Host	Great American Bagel	Starbucks	Karl Strauss Brewing Co.	Emerald Express	Tequileria Lounge	Hodad's	Starbucks
SSP	Ryan Bros. Coffee	Peet's Coffee & Tea	Urban Crave**	<del>Camden</del> <del>Food Co.</del>	Mango Taco Truck***	Jack-in-the Box	Peet's Coffee & Tea

<sup>\*</sup>Location removed from package due to design constraints and menu conflicts with adjacent location.

<sup>\*\*</sup>SSP originally proposed the "Casa de Pico" concept

<sup>\*\*\*</sup>SSP originally proposed the "Pacifico Surf Shack" concept



# Food Service Package 6R Financial Offer

Proposer	Fixed Percentage Rent	Proposed Year One MAG
DCG	13% Food/Non-Alcoholic Beverage 16% Alcohol	\$1,335,000
High Flying Foods	13% Food/Non-Alcoholic Beverage 16% Alcohol	\$903,192
Host	13% Food/Non-Alcoholic Beverage 16% Alcohol	\$885,000
SSP	13% Food/Non-Alcoholic Beverage 16% Alcohol	\$703,530



# Supplemental RFP - Evaluation Criteria

Criteria	Weighting %
Financial Background and Rent Offer	40%
Concept/Brand Development and Merchandise/Menus	60%
	100%



# Supplemental RFP - Evaluation Criteria

- Financial Background and Rent Offer 40% Weighting
  - Financial ratios to assess respondent's financial status
  - Reasonableness of projections and ability to fund the operation
  - Minimum Annual Guarantee (MAG) rent offer



# Supplemental RFP - Evaluation Criteria

- Concept Development and Menus 60% Weighting
  - Overall appeal of proposed concept to passengers
  - Conformance with concept sought in the Supplemental RFP
  - Menus for each concept
  - Unique attributes of proposed concepts



# RFP - Evaluation Criteria

- Board-Adopted Preferences
  - Small Business Preference (Authority Policy 5.12)
  - Worker Retention (Board Resolution 2010 0142R)



### SAN DIEGO INTERNATIONAL AIRPORT Concession Development Program

# Food Service Package 6R Evaluation Panel Rankings

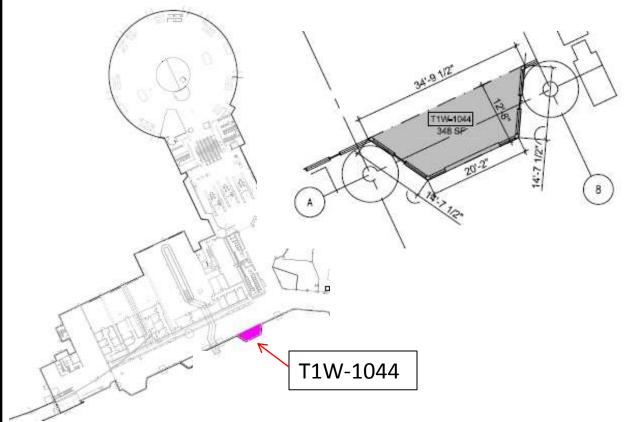
Proposer	PM1	PM2	РМ3	PM4	PM5	PM6	Total
DCG	1	2	4	4	4	4	19
High Flying Foods	<del>2</del>	3	2	2	1	1	<del>11</del>
Host	3	4	3	3	2	2	17
SSP	4	1	1	1	3	3	13

PM = Panel Member

"1" is (best suited); "4" (least suited)

Lowest Total = Best Suited

### FOOD SERVICE PACKAGE 6R – T1W-1044, 348 SF



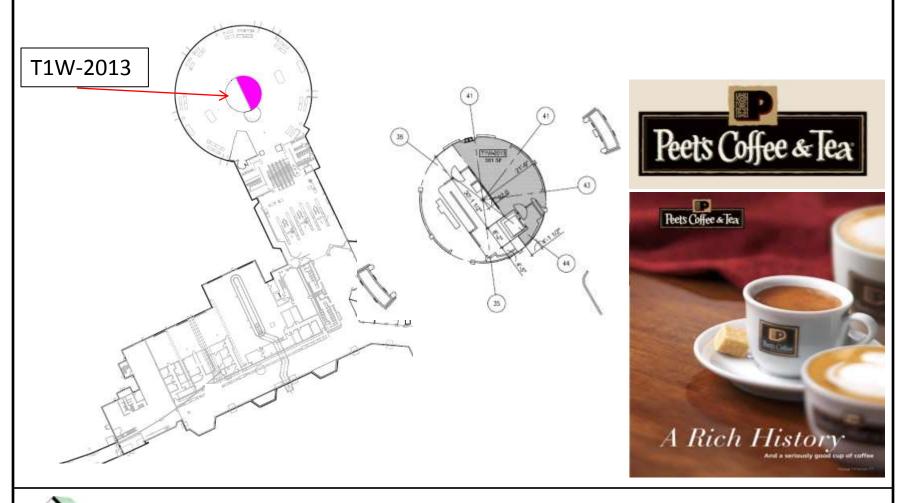






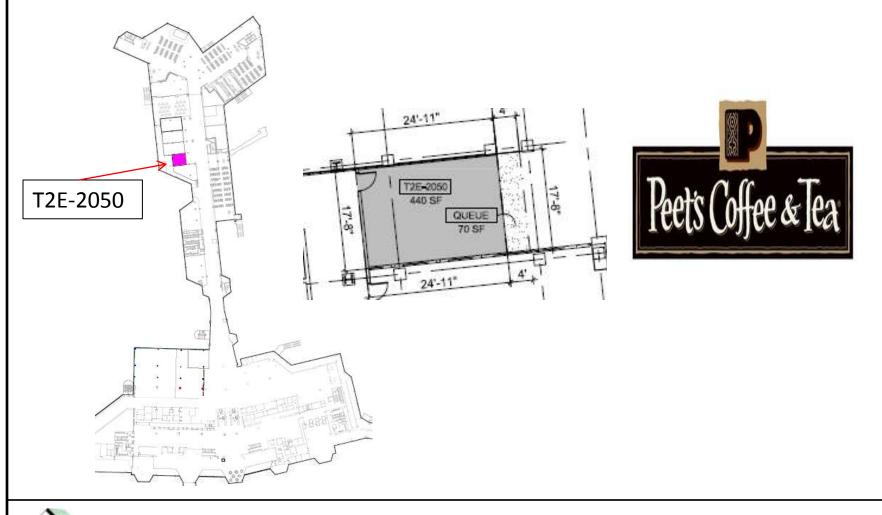


### FOOD SERVICE PACKAGE 6R - T1W-2013, 581 SF





### FOOD SERVICE PACKAGE 6R - T2E-2050, 440 SF



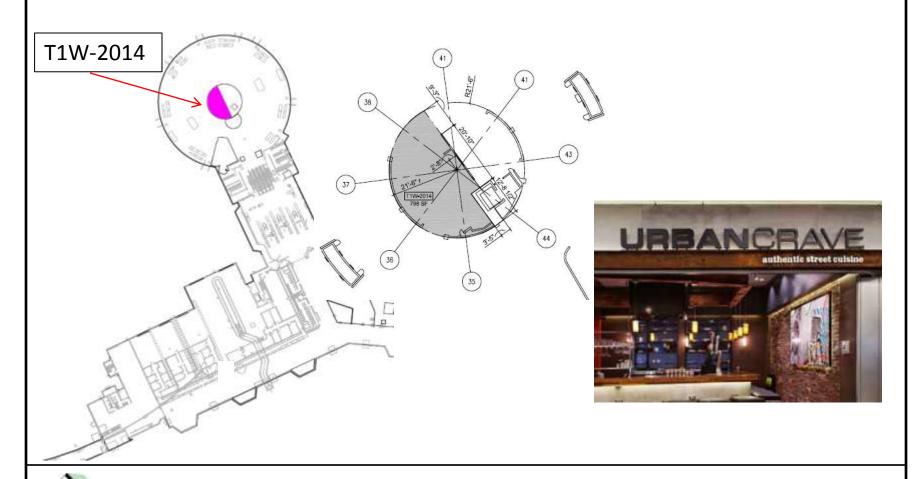




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### FOOD SERVICE PACKAGE 6R - T1W-2014, 798 SF

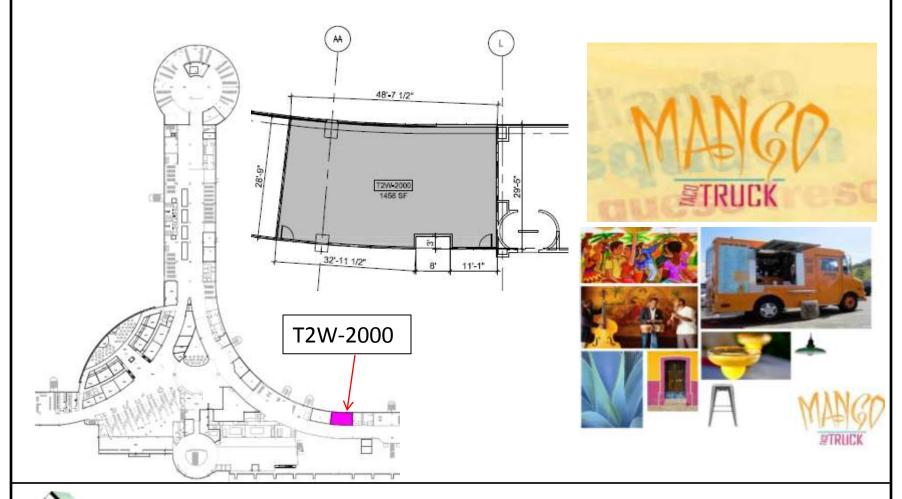




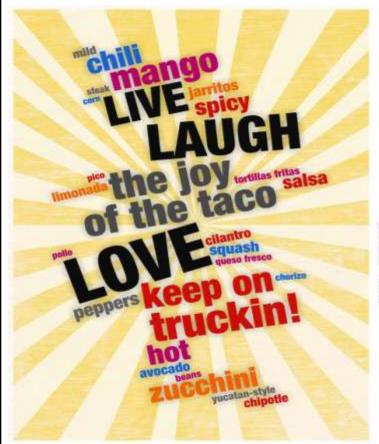




### FOOD SERVICE PACKAGE 6R - T2W-2000, 1456 SF



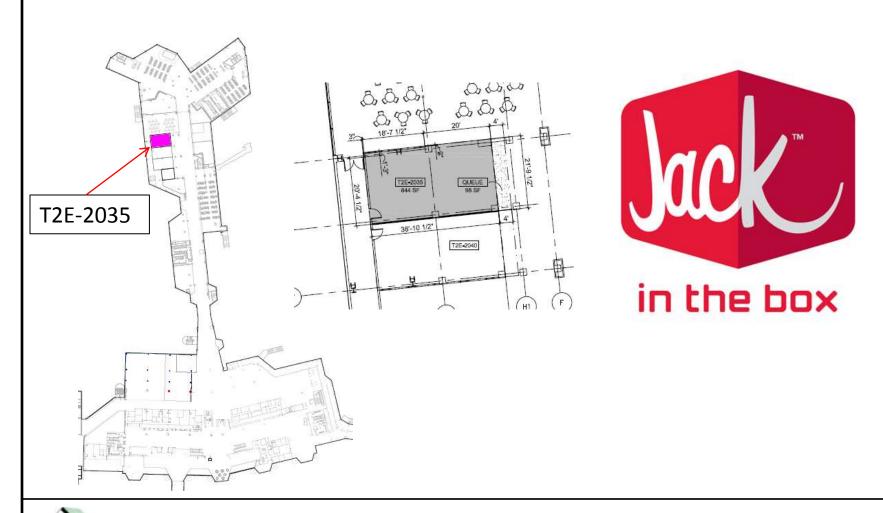








### FOOD SERVICE PACKAGE 6R - T2E-2035, 844 SF











## SAN DIEGO INTERNATIONAL AIRPORT Concession Development Program

# Food Service Package #6R Summary

#### Recommendation:

Rescind Resolution No. 2011-0113 Awarding a Concession Lease to High Flying Foods San Diego Partnership (A Joint Venture) for Development and Operation of Food Service Package #6R

and

Award a Concession Lease to SSP America, Inc. for Development and Operation for Food Service Package #6R

**SSP ACDBE% - 25%** 

#### Worker Retention:

SSP will meet and exceed minimum retention standards established in "Worker Retention Program Resolution 10-0142R"