



**SAN DIEGO COUNTY  
REGIONAL AIRPORT AUTHORITY  
STAFF REPORT**

**Item No.  
21**

Meeting Date: **AUGUST 4, 2011**

**Subject:**

**Grant a Concession Lease to High Flying Foods San Diego Partnership (A Joint Venture) for Development and Operation of Food Service Package #7**

**Recommendation:**

Adopt Resolution No. 2011-0101, awarding a concession lease to High Flying Foods San Diego Partnership for development and operation of Food Service Package #7, as included in the Request for Proposals (RFP) for Food Service and Retail Concessions, for a maximum term of eleven (11) years and ten (10) months, which includes a period not to exceed twenty-two (22) months to allow for Package Completion with a first year Minimum Annual Guarantee (MAG) of \$322,200; and authorizing the President/CEO to take all necessary actions to execute the concession lease.

**Background/Justification:**

For the past three years, staff has been planning for a new concession program at San Diego International Airport (SDIA). The Concession Development Program (CDP) incorporates additional concession opportunities from the Terminal 2 West (Green Build) and Terminal 2 East expansion projects and the re-concepting of most existing locations beginning in December 2012. At its October 26, 2009 meeting, the Board was first informed of the CDP including the goals, objectives, and business strategy of the initiative. Staff further informed the Board of different concession management approaches and recommended a hybrid approach of multiple prime concessionaires with the option for direct leasing. At its November 4, 2010 meeting, staff updated the Board on the CDP Request for Proposals planning and business community outreach efforts. Finally, at its January 6, 2011 meeting, the Board was briefed on RFP packaging guidelines and concession locations in advance of the release of the RFP in February 2011.

On February 2, 2011, eight (8) food service and eight (8) retail concession packages were released via the CDP RFP. The CDP will expand from today's approximately 60,000 square feet to approximately 85,000 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 86.

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As previously briefed to the Board, the CDP RFP included the following goals and objectives:

- Diversity of concepts from local, regional, national, and international brands
- Encourage healthy competition
- Optimize concession revenues
- Capture the spirit of the San Diego region
- Create opportunities for local, small and Airport Concession Disadvantaged Business Enterprises (ACDBE)
- Maximize concession opportunities
- Provide an efficient operating environment
- Exceed passengers' expectations

Each package of the RFP required respondents to propose rent terms that included a fixed MAG and percentage rents of gross sales within a specified range. To ensure a diversity of concepts and encourage competition, the RFP also 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 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 pre-qualified entities that submitted proposals during the initial CDP RFP process were eligible to submit proposals under the Supplemental RFP. Proposals for the Supplemental RFP were due on July 26, 2011. Recommendations for awards are planned to be presented for Board consideration on September 1, 2011.

### **Food Service Package #7 Details**

Food Service Package #7 encompasses 7% of the total food service square footage. Food Service Package #7 includes the following three locations and concept types:

<b>Location</b>	<b>Square Footage</b>	<b>Concept</b>
T2W-Core	2,898	Casual Dining Restaurant
T2W North Rotunda	410	Gourmet Coffee w/ Baked Goods
T2W North	373	Snack Food
Total	3,681	

A map depicting the Food Service Package # 7 locations within the terminals is provided in Attachment 1.

The term of the concession lease includes up to 22 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, the MAG requirements set forth below shall apply.

Food Service Package #7 included the following minimum requirements:

<b>Minimum Investment in Fixed Improvements per Square Foot</b>	\$350	
<b>Percentage Rent Range</b>	Food/ Non-Alcohol	13.5% to 16.5%
	Alcohol	16.0% to 19.0%
<b>Minimum Annual Guarantee</b>		
<b>1<sup>st</sup> Annual Period</b>	\$322,200	
<b>2<sup>nd</sup> Annual Period following Package Completion Date</b>	90% of the actual rent paid to Authority during the first Annual Period, or 103% of the MAG for the first Annual Period, whichever is greater.	
<b>3<sup>rd</sup> through 10<sup>th</sup> Annual Periods</b>	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 #7 Proposals**

On May 25, 2011, five proposals were received for Food Service Package #7 from the following entities:

- Host International, Inc. (Host). - Proposed business entity is comprised of 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)
- High Flying Foods San Diego Partnership (High Flying Foods) - Proposed business entity is comprised of a joint venture between High Flying Foods San Diego, LLC (95% ownership) and Procurement concepts, Inc. (5% ownership).

- Mission Yogurt, Inc. (Mission Yogurt) - Proposed business entity is wholly owned subsidiary of Smokin' Bear LLC, Roderick Tafoya (50% ownership), Reyes Tafoya (50% ownership)
- SSP America, Inc. (SSP) - Proposed business is 100% owned by its principal shareholder of voting stock: SSP America (USA), LLC, a Delaware limited liability company
- SAN Airport Partners; Inc. (SAN Airport Partners) - Proposed business entity is comprised of a joint venture between First Class Concessions (40% ownership), Aero Service Group (40% ownership), Sayed Ali (20% ownership)

A comparison of the proposed concepts associated with the three locations in Food Service Package #7 is provided below:

Location	T2W-2010	T2W-2024	T2W-2036
Square Feet	2898	410	373
Proposer	Concepts		
High Flying Foods	Stone Brewing Co.	Pannikin	Artisan Market
Host	Tony Gwynn SoCal Grill	Starbucks	Pinkberry
Mission Yogurt	30th and SAN	Einstein Bros. Bagels	Jamba Juice
SSP	Mexicoa Cucina/Cantina	Peet's Coffee & Tea	Red Mango
SAN Airport Partners	Rock Bottom Brewery	Coffee Bean & Tea Leaf	Tasti D-lite

**Financial Offer**

Proposer	Proposed Percentage Rent	Year One MAG
Host	<u>Food</u> \$0-\$5.0M 13.5% \$5.0M-\$10M 14.5% Over \$10M 16% <u>Alcohol</u> \$0-\$1.5M 16% \$1.5M-\$2.5M 17% Over \$2.5M 19%	\$ 322,200
High Flying Foods	<u>Food</u> \$0-\$2.75M 13.5% Over \$2.75M 16% <u>Alcohol</u> \$0-\$2.75M 16% Over \$2.75M 19%	\$ 322,200
Mission Yogurt	15.0%	\$ 322,200
SSP	<u>Food</u> 16.5% <u>Alcohol</u> 19%	\$ 322,200
SAN Airport Partners	<u>Food</u> \$0-\$3.25M 15% Over \$3.25M 16.5% <u>Alcohol</u> \$0-\$1.2M 17.5% Over \$1.2M 19%	\$ 322,200

**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.

Proposals were evaluated using the following criteria and weighting factors:

Criteria	Weighting %
Company Background, Experience, Financial Capability and	35
Concept/Brand Development and Merchandise/Menus	20
Designs, Materials, and Capital Investment	15
Management, Staffing Plan, and Training	15
Operations and Maintenance Plan	10
Marketing and Promotions Plan	5

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Additional consideration was given in the 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).

The evaluation panel reviewed the five proposals using the above criteria and ranked the proposals from "1" (best suited) to "5" (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
High Flying Foods	1	1	1	3	1	1	8
Host	2	3	3	2	4	5	19
Mission Yogurt	3	4	5	5	2	3	22
SSP	5	2	2	1	5	4	19
SAN Airport Partners	4	5	4	4	3	2	22

The evaluation panel recommended that a concession lease be awarded to High Flying Foods San Diego Partnership for development and operation of Food Service Package #7 (as included in the Request for Proposals for Food Service and Retail Concessions) for a maximum term of eleven (11) years and ten (10) months with a first year MAG of \$322,200.

Depictions of High Flying Food'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 \$322,200 for Food Service Package #7. 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.

### **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. High Flying Foods San Diego Partnership is proposing 18% ACDBE participation on this project.

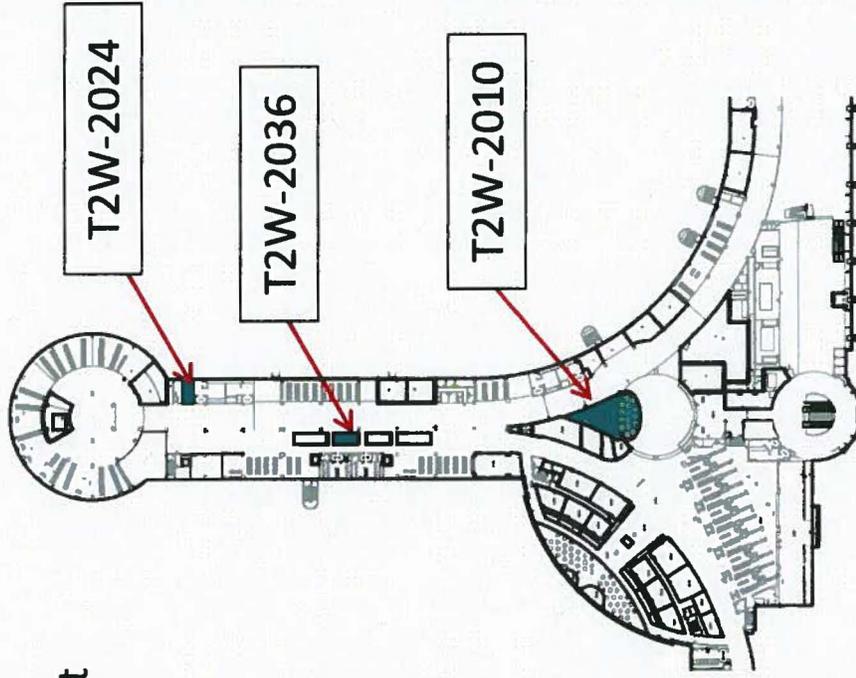
**Prepared by:**

VERNON D. EVANS  
VICE PRESIDENT, FINANCE/TREASURER



# FOOD SERVICE PACKAGE 7

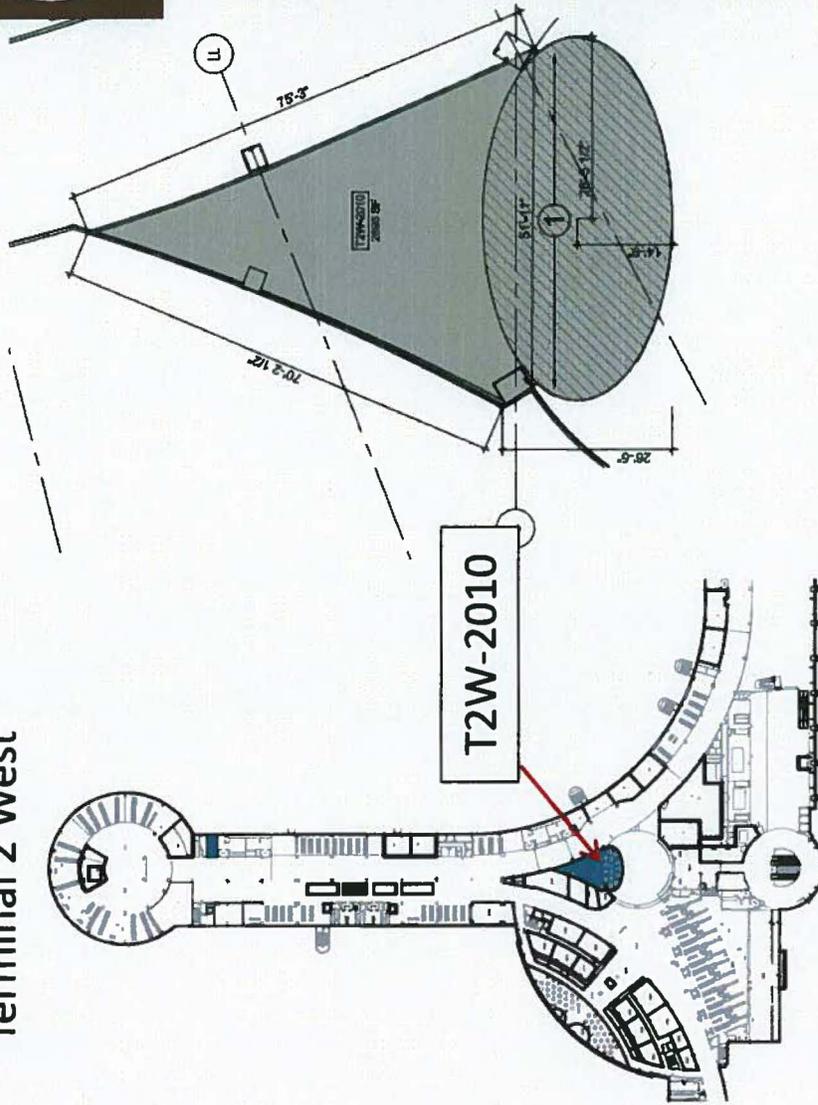
Terminal 2 West



# FOOD SERVICE PACKAGE 7 T2W-2010 SF 2898



Terminal 2 West



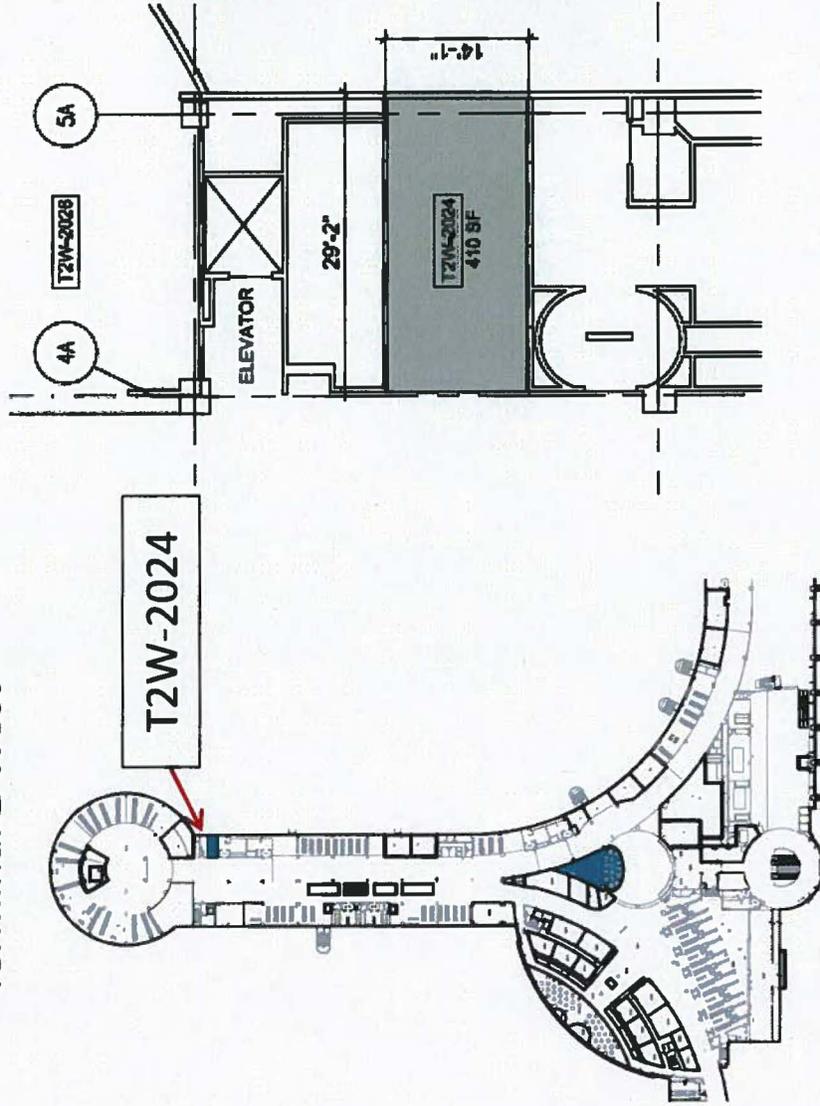
# Food Pkg 7: High Flying Foods



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# FOOD SERVICE PACKAGE 7 T2W-2024 -410 SF

Terminal 2 West



**PANNIKIN**  
coffee & tea

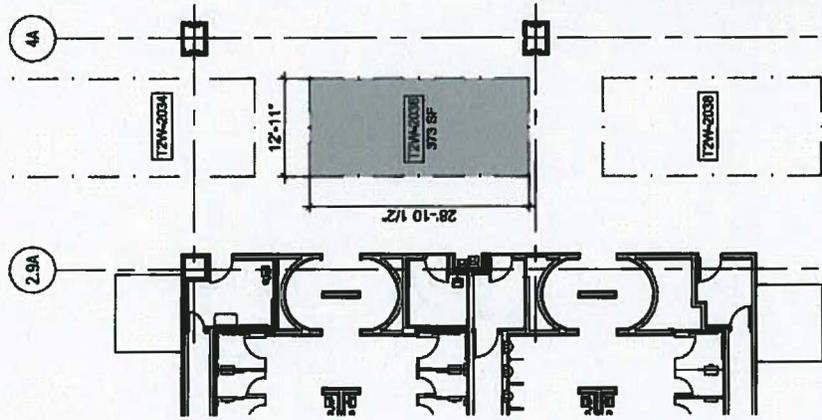
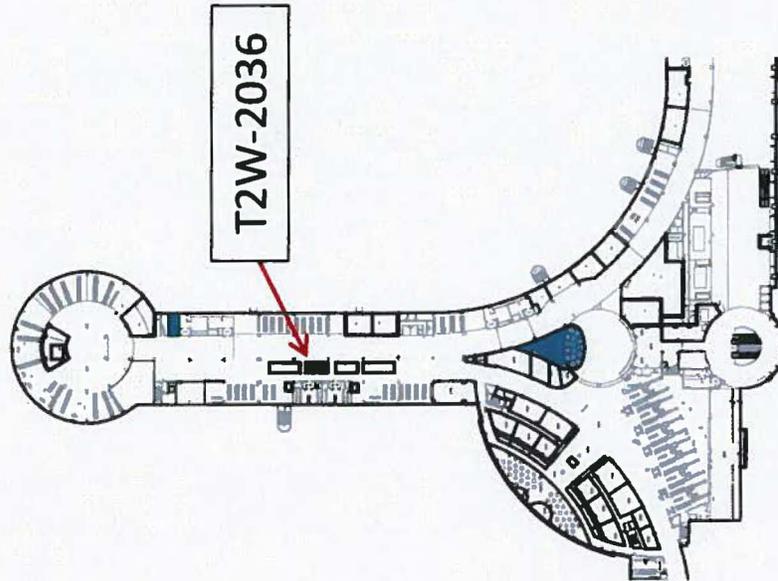


# Food Pkg 7: High Flying Foods



# FOOD SERVICE PACKAGE 7 T2W-2036 373 SF

Terminal 2 West



# Food Pkg 7: High Flying Foods





RESOLUTION NO. 2011-0101

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY, AWARDING A CONCESSION LEASE TO HIGH FLYING FOODS SAN DIEGO PARTNERSHIP FOR DEVELOPMENT AND OPERATION OF FOOD SERVICE PACKAGE #7 , AS INCLUDED IN THE REQUEST FOR PROPOSALS (RFP) FOR FOOD SERVICE AND RETAIL CONCESSIONS, FOR A MAXIMUM TERM OF ELEVEN (11) YEARS AND TEN (10) MONTHS, WHICH INCLUDES A PERIOD NOT TO EXCEED TWENTY-TWO (22) MONTHS TO ALLOW FOR PACKAGE COMPLETION WITH A FIRST YEAR MINIMUM ANNUAL GUARANTEE (MAG) OF \$322,200; AND AUTHORIZING THE PRESIDENT/CEO TO TAKE ALL NECESSARY ACTIONS TO EXECUTE THE CONCESSION LEASE

WHEREAS, for the past three years, staff has been planning to solicit responses via a Request for Proposal (RFP) for a new food service and retail concession program at San Diego International Airport; and

WHEREAS, the Concession Development Program (CDP) RFP provides for new concession locations from the Terminal 2 West (Green Build) and Terminal 2 East Expansion projects and complete re-concepting of existing locations, beginning in December 2012; and

WHEREAS, at its October 26, 2009 meeting, the Board was informed of the goals, objectives and business strategy of the CDP; and

WHEREAS, at its November 4, 2010 meeting, staff informed the Board of CDP RFP planning, involving business community outreach efforts; and

WHEREAS, at its January 6, 2011 meeting, the Board was briefed on RFP packaging guidelines and concession locations; and

WHEREAS, on February 2, 2011, the CDP RFP was released. The CDP RFP included eight food service packages totaling 46 locations and eight retail packages totaling 40 locations; and

WHEREAS, each package required respondents to propose a fixed Minimum Annual Guarantee and percentage rents within a specified range; and

WHEREAS, to ensure a diversity of concepts and encourage competition, the CDP RFP also 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; and

WHEREAS, Food Service Package #7 includes three locations encompassing approximately 3,681 square feet; and

WHEREAS, on May 25, 2011 five proposals were received for Food Service Package #7; and

WHEREAS, the proposers were evaluated by an evaluation panel using the following criteria:

- company background, experience, financial capability and financial offer;
- concept/brand development and merchandise/menus;
- design, materials and capital investment;
- management, staffing plan, and training;
- operations and maintenance plan; and
- and marketing and promotions plan; and

WHEREAS, additional consideration was given in the evaluation process for proposals that met or exceeded the required standards for small business participation and worker retention; and

WHEREAS, the evaluation panel reviewed the proposals and recommended that a concession lease be awarded to High Flying Foods San Diego Partnership for development and operation of Food Service Package #7 (as included in the CDP RFP) for a maximum term of eleven (11) years and ten (10) months (which includes a period not to exceed twenty-two (22) months to allow for base building construction, Authority shell construction and renovation, and build out of the concession locations (Package Completion)) with a total first year Minimum Annual Guarantee (MAG) of \$322,200 following Package Completion; and

WHEREAS, the Board finds that awarding a concession lease to High Flying Foods San Diego Partnership is in the best interest of the Authority.

NOW, THEREFORE, BE IT RESOLVED that the Board hereby AWARDS a concession lease to High Flying Foods San Diego Partnership for development and operation of Food Service Package #7 , as included in the Request for Proposals (RFP) for Food Service and Retail Concessions, for a maximum term of eleven (11) years and ten (10) months, which includes a period not to exceed twenty-two (22) months to allow for Package Completion with a first year Minimum Annual Guarantee (MAG) of \$322,200; and AUTHORIZES the President/CEO to take all necessary actions to execute the concession lease; and

BE IT FURTHER RESOLVED that the Board of the San Diego County Regional Airport Authority finds that this Board action is not a "project" as defined by the California Environmental Quality Act ("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 regular meeting this 4th day of August, 2011, by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

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TONY R. RUSSELL  
DIRECTOR, CORPORATE SERVICES/  
AUTHORITY CLERK

APPROVED AS TO FORM:

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BRETON K. LOBNER  
GENERAL COUNSEL

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