



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

Item No.  
**19**

Meeting Date: **FEBRUARY 9, 2012**

**Subject:**

**Grant a 10-Year Lease to Airport Lounge Development, Inc. to Design, Build and Operate an Airport Lounge in Terminal 2 East**

**Recommendation:**

Adopt Resolution No. 2012-0017, authorizing the President/CEO to take all necessary steps to grant a 10-year Lease to Airport Lounge Development, Inc. to design, build, and operate an airport lounge in Terminal 2 East at San Diego International Airport.

**Background/Justification:**

Over the past two years, staff has been in discussions with American Airlines (American) and its code share partner British Airways (BA) regarding American's Admiral's Club, located in Terminal 2 East. The discussions have centered on the June 30, 2013 expiration of the agreement covering the Admiral's Club space (see Attachment 1) and the Authority's desire to redevelop the space for concessions uses. Although the Authority has offered replacement space, American and BA indicated neither is interested in financing the development of a new club in San Diego at this time, and the airlines requested that the Authority pursue engaging a third party to develop and operate a common use lounge that also could be used by American and BA passengers.

In March 2011, staff released a Request for Qualifications (RFQ), and Statements of Qualifications (SOQs) were received from Airport Lounge Development, Inc. (ALD) and Latitude Lounge Corporation dba Airspace Lounge (Airspace) both of which were determined to be qualified to proceed to the Request for Proposals (RFP) process.

After collaborating with American and BA, the RFP was released in October 2011 to ALD and Airspace to develop and operate a 5,100 square foot lounge in Terminal 2 East (see Attachment 2). The RFP established the following minimum requirements:

Minimum Annual Guarantee (MAG)	\$150,000; subject to annual adjustments equal to <u>the greater of</u> (i) 90% of the actual rent paid to Authority during the prior annual period, or (ii) 103% of the MAG for the prior annual period
Percentage Rent	Food/Beverage and Entry Fees – 12% Alcoholic Beverages – 15%
Minimum Capital Investment	\$200 per square foot of leased area

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It also provides for a ten-year lease term to ensure a reasonable time for the tenant/developer to amortize its capital investment and establishes a construction phasing schedule to ensure the Admiral's Club remains operational until the new facility is opened.

**Proposers**

Proposals were received from ALD and Airspace on December 9, 2011. ALD, based in Plano, Texas, has developed common use lounges at Dallas-Fort Worth International, Raleigh-Durham International, and Las Vegas McCarran International (under construction) airports and recently was awarded leases at Atlanta Hartsfield International and Orlando International Airports. ALD is a subsidiary of the Collinson Group Ltd, a London based travel and financial services company. The Collinson Group also owns "Priority Pass" the world's largest independent lounge access provider with more than 600 airport lounges in its network. ALD also has a strategic partnership with Gideon Toal Management Services (GTMS) for lounge operational services. GTMS, headquartered in Fort Worth, Texas, currently operates seven lounges and is proposed to operate the Authority's new lounge.

Airspace, based in Linthicum, Maryland, developed and operates the common use lounge at Baltimore/Washington International Thurgood Marshall Airport (BWI). Its team has experience designing and building over 40 airline lounges throughout the world.

**Financial Offer**

<b>Proposer</b>	<b>Percentage Rent Range (Fixed)</b>	<b>Year One MAG</b>
ALD	Food/Beverage and Entry Fees – 12% Alcoholic Beverages – 15%	\$150,000
Airspace Lounge	Food/Beverage and Entry Fees – 12% Alcoholic Beverages – 15%	\$150,000

**Evaluation Process**

A five member evaluation panel consisting of one Authority Vice President; staff from the Facilities Development, Landside Operations, and Real Estate Management departments; and an outside interior design expert interviewed both firms and evaluated the proposals using the following criteria and weighting factors:

<b>Criteria</b>	<b>Weighting %</b>
Financial Offer	25%
Lounge Design Elements	25%
Operational Work Plan	20%
Project Organization and Key Personnel	15%
Demonstrated Experience	15%

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After reviewing the proposals and interviewing each of the respondents on January 6, 2012, the panel rated each of the respondents and they were ranked, as follows:

	Demonstrated Experience	Project Organization and Key Personnel	Operational Work Plan	Lounge Design Elements	Financial Offer	Total
<b>Maximum Points</b>	75	75	100	125	125	500
Airport Lounge Development	69	68	94	92	125	448
Airspace Lounge	42	50	61	104	125	382

Firms	Panelist 1	Panelist 2	Panelist 3	Panelist 4	Panelist 5	Total	Final Rank
Airport Lounge Development	1	1	1	1	1	5	1
Airspace Lounge	2	2	2	2	2	10	2

**Recommendation**

The panel unanimously recommends that a lease be awarded to ALD to design, build and operate an airport lounge in Terminal 2 East for a term of 10 years with a first year Minimum Annual Guaranteed rent of \$150,000.

**Fiscal Impact:**

Annual revenue for the Authority will be no less than the \$150,000 proposed by ALD. The airport lounge shell space construction is part of the Capital Improvement Program; Project #104056 – Expand Terminal 2 East Facilities. Proposed tenant improvement costs, to be paid by ALD, range from \$1.1 million to \$1.3 million.

**Authority Strategies:**

This item supports one or more of the Authority Strategies, as follows:

- Community Strategy   
 Customer Strategy   
 Employee Strategy   
 Financial Strategy   
 Operations Strategy

**Environmental Review:**

- A. This Board action is for a component of the Terminal 2 East project that was determined to be a class of project not to have a significant effect on the environment (Section 15301, Existing Facilities – Class 1) and a categorical exemption was prepared in accordance with the California Environmental Quality Act (CEQA).

- B. This Board action is for a component of the Terminal 2 East project for which the California Coastal Commission issued a Notice of Permit Waiver Effectiveness (Waiver Number 6-11-036-W) effective on July 14, 2011 in accordance with the California Coastal Act.

**Equal Opportunity Program:**

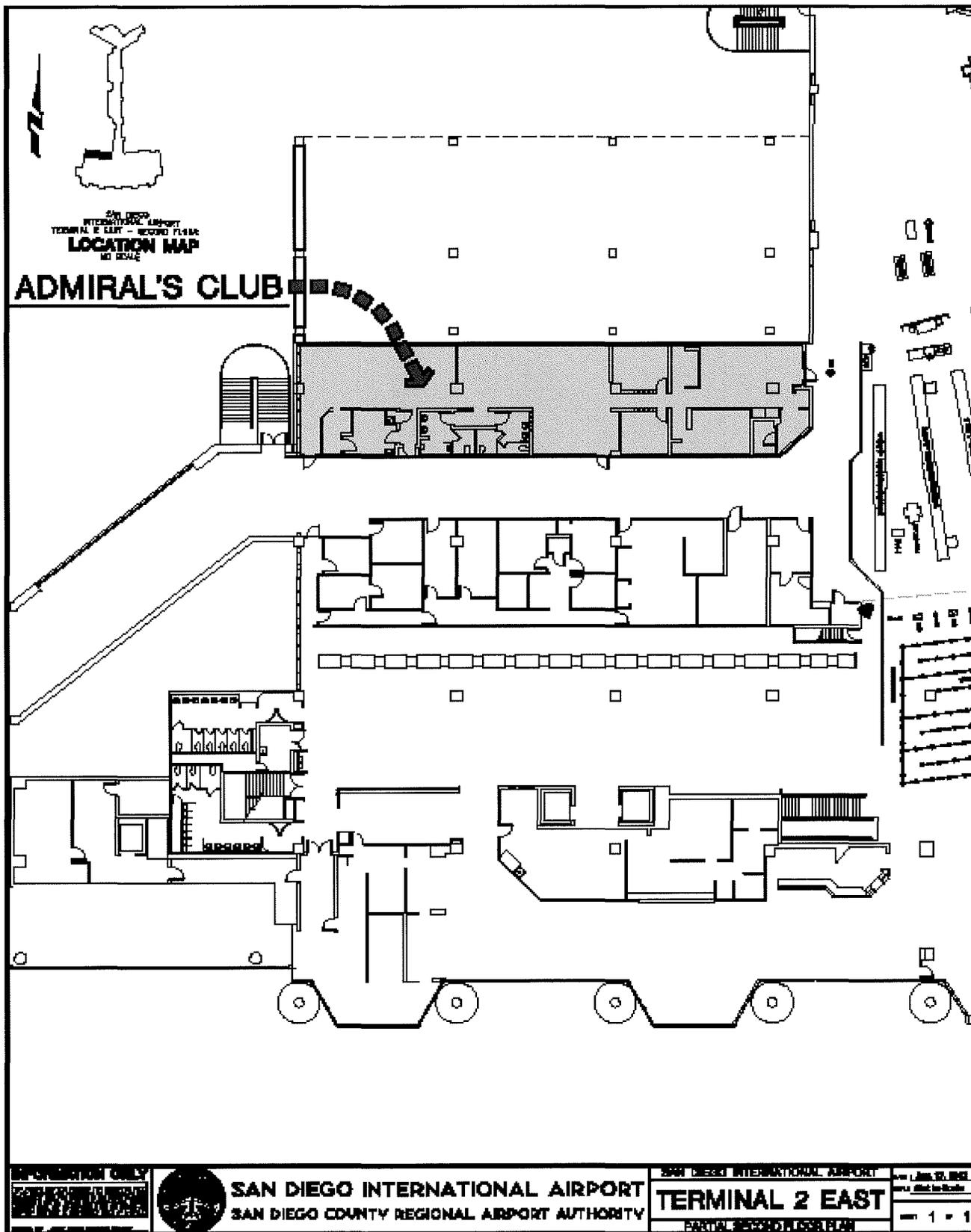
The Authority's small business program promotes the utilization of small, local, disadvantaged, and other business enterprises, on all contracts, to provide equal opportunity for qualified firms. By providing education programs, making resources available, and communicating through effective outreach, 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. ALD is proposing 0% ACDBE participation on this project.

**Prepared by:**

VERNON EVANS  
VICE PRESIDENT, FINANCE

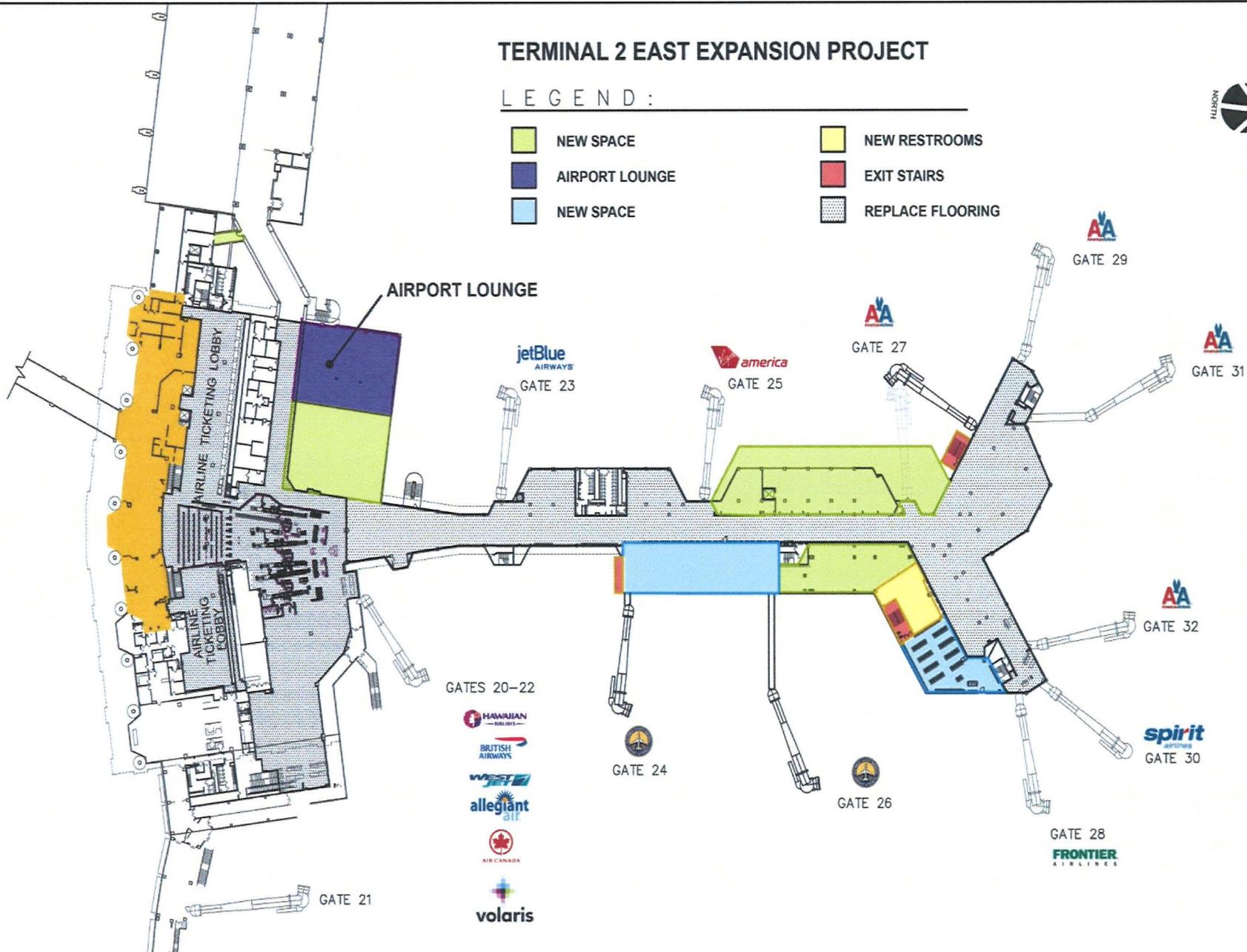


ATTACHMENT # 1

# TERMINAL 2 EAST EXPANSION PROJECT

## LEGEND:

- NEW SPACE
- NEW RESTROOMS
- AIRPORT LOUNGE
- EXIT STAIRS
- NEW SPACE
- REPLACE FLOORING



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ATTACHMENT 2

**INFORMATION ONLY**

This drawing was prepared for information only. It is not intended to be used for construction. All dimensions and quantities shall be verified by the project architect. Construction is subject to the final design and contract documents. No part of this drawing shall be reproduced without the written consent of the project architect.

ISSUED BY: [Signature]

REVISION	DATE	APPROVED



**SAN DIEGO INTERNATIONAL AIRPORT**  
 SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

DATE	A. VILLALBA
DESIGNER	S. ILYAS
DRAWN	

SAN DIEGO INTERNATIONAL AIRPORT	
<b>TERMINAL 2 EAST EXPANSION</b>	
GATE ALLOCATION - JUNE 2011	

DATE	MARCH 10, 2010
SCALE	NTS
<b>EXHIBIT</b>	

**ATTACHMENT #2**

RESOLUTION NO. 2012-0018

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY, AUTHORIZING THE PRESIDENT/CEO TO TAKE ALL NECESSARY STEPS TO GRANT A 10-YEAR LEASE TO AIRPORT LOUNGE DEVELOPMENT, INC. TO DESIGN, BUILD, AND OPERATE AN AIRPORT LOUNGE IN TERMINAL 2 EAST AT SAN DIEGO INTERNATIONAL AIRPORT.

WHEREAS, over the past two years, staff has been in discussions with American Airlines (American) and its code share partner British Airways (BA) regarding American's Admiral's Club, located in Terminal 2 East; and

WHEREAS, discussions have centered on the June 30, 2013 expiration of the agreement covering the Admiral's Club space and the Authority's desire to redevelop the space for concessions uses; and

WHEREAS, although the Authority has offered replacement space, American and BA indicated neither is able to finance the development of a new club, and the airlines requested that the Authority pursue engaging a third party to develop and operate a common use lounge that also could be used by American and BA passengers; and

WHEREAS, in March 2011, staff released a Request for Qualifications (RFQ), and Statements of Qualifications (SOQs) were received from Airport Lounge Development, Inc. (ALD) and Latitude Lounge Corporation dba Airspace Lounge (Airspace) both of which were determined to be qualified to proceed to the Request for Proposals (RFP) process; and

WHEREAS, in October 2011, after collaborating with American and BA, the RFP was released to ALD and Airspace Lounge to design, build and operate a 5,100 square foot lounge in Terminal 2 East; and

WHEREAS, staff elected to offer a ten year term due to the significant capital expenses associated with the development of the lounge and from researching other airport's common use lounges, the majority of which offered ten year terms; and

WHEREAS, on December 9, 2011 proposals were received from ALD and Airspace Lounge; and

WHEREAS, following proposal review and interviews, the evaluation panel scored the proposals; and

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WHEREAS, the evaluation panel recommends that a lease be awarded to ALD to design, build and operate an airport lounge in Terminal 2 East for a term of ten years with a first year Minimum Annual Guaranteed (MAG) rent of \$150,000; and

WHEREAS, years two through ten, 90% of the actual rent paid to Authority during the Annual period, or 103% of the MAG for the first Annual period, whichever is greater; and

NOW, THEREFORE, BE IT RESOLVED that the Board authorizes the President/CEO to take all necessary steps to grant a 10-year lease to Airport Lounge Development, Inc. to design, build, and operate an airport lounge in Terminal 2 East at San Diego International Airport; and

BE IT FURTHER RESOLVED that the Board finds that this Board action is for a project determined not to have a significant effect on the environment (Section 15301, Existing Facilities – Class 1) and a categorical exemption was prepared in accordance with the California Environmental Quality Act; and the California Coastal Commission issued a Notice of Permit Waiver Effectiveness (Waiver Number 6-11-036-W) effective on July 14, 2011 in accordance with the California Coastal Act.

PASSED, ADOPTED, AND APPROVED by the Board of the San Diego County Regional Airport Authority at a special meeting this 9<sup>th</sup> day of February, 2012, 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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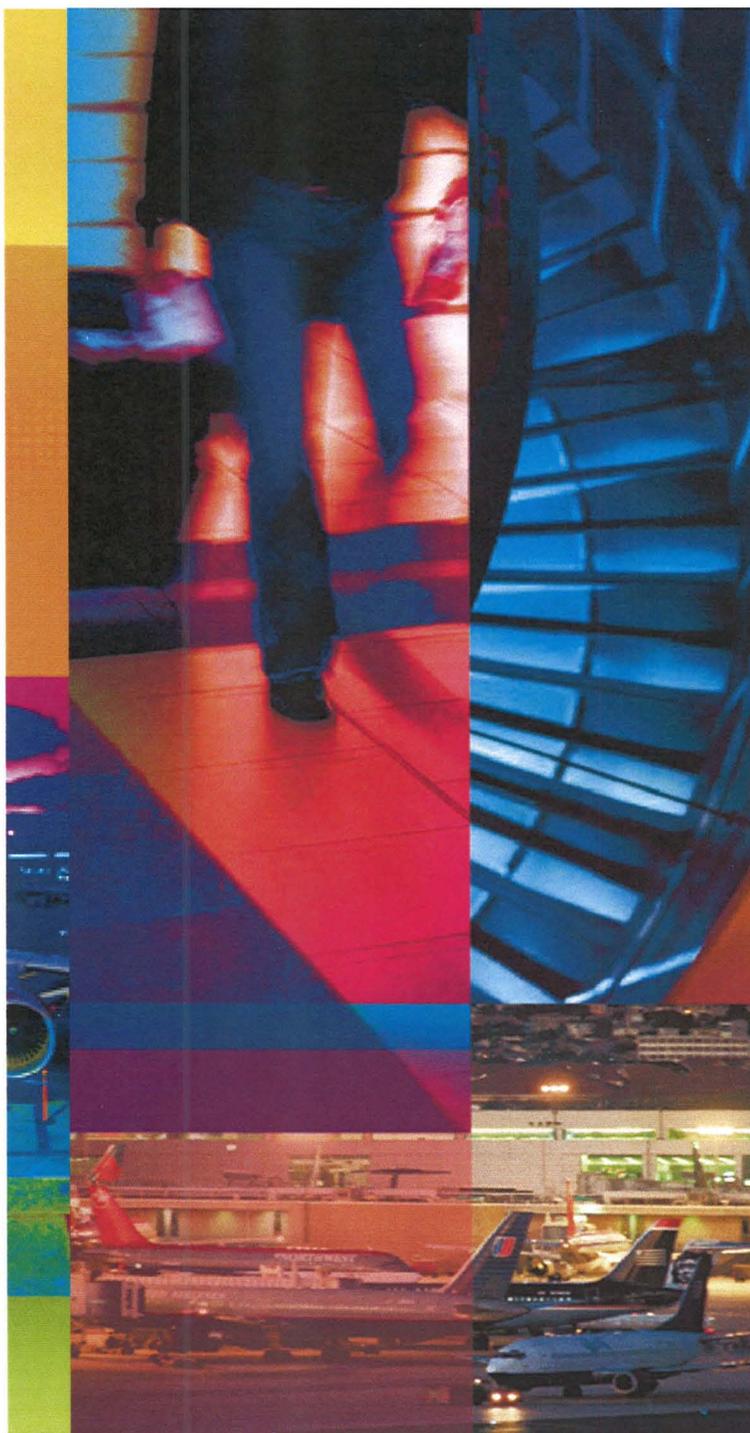
Item 19

# San Diego County Regional Airport Authority

**Grant a 10-Year Lease to Airport  
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Airport Lounge in Terminal 2 East**

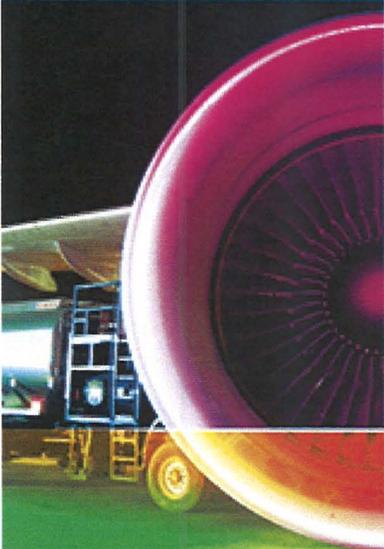
Vernon D. Evans, CPA  
Vice President, Finance/Treasurer

February 9, 2012

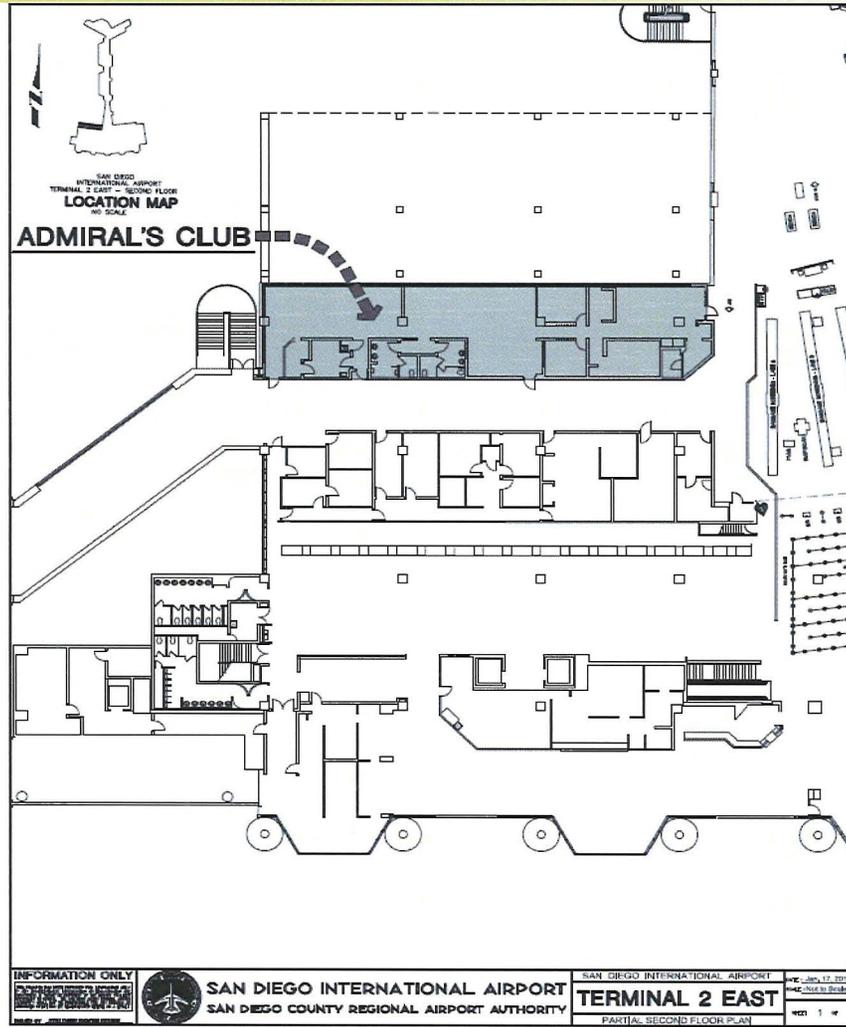


# Background

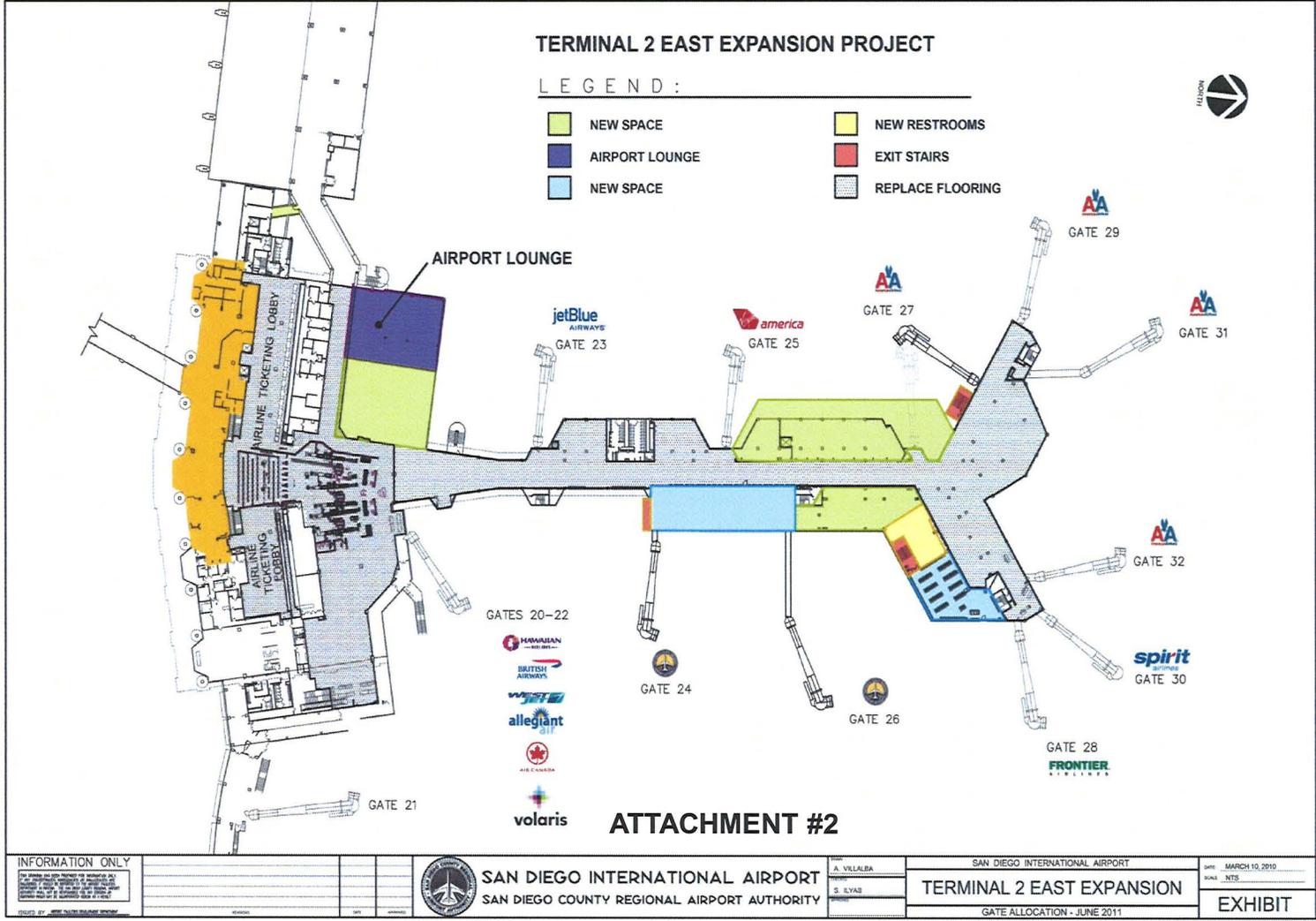
- Status of Existing Admiral's Club
- Discussions with American Airlines/British Airways
- Common Use Lounge Option



# Location Map



# Site Plan



AIRPORTS FUEL REGIONAL ECONOMIES

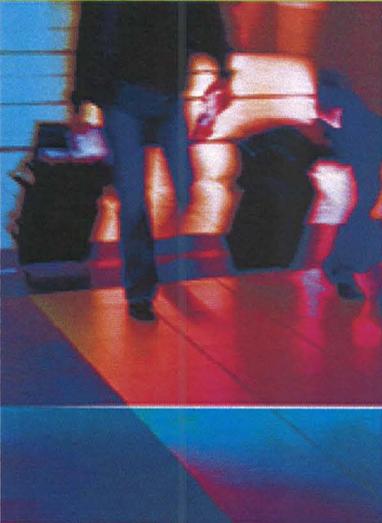
# Airport Lounge Selection Timeline

- Mar 2011 Request for Qualifications (RFQ) Released
- Apr 2011 Two Statement of Qualifications Received from:
  - Airport Lounge Development, Inc. (ALD)
  - Latitude Lounge Corporation dba Airspace Lounge (Airspace Lounge)
- Oct 2011 Request for Proposals (RFP) Released to ALD and Airspace Lounge
- Dec 2011 Proposals Received from ALD and Airspace Lounge



# RFP Provisions

- Admiral's Club Remains Operational
- Financial Offer
- Minimum Capital Investment
- 10-Year Term



# Evaluation Matrix

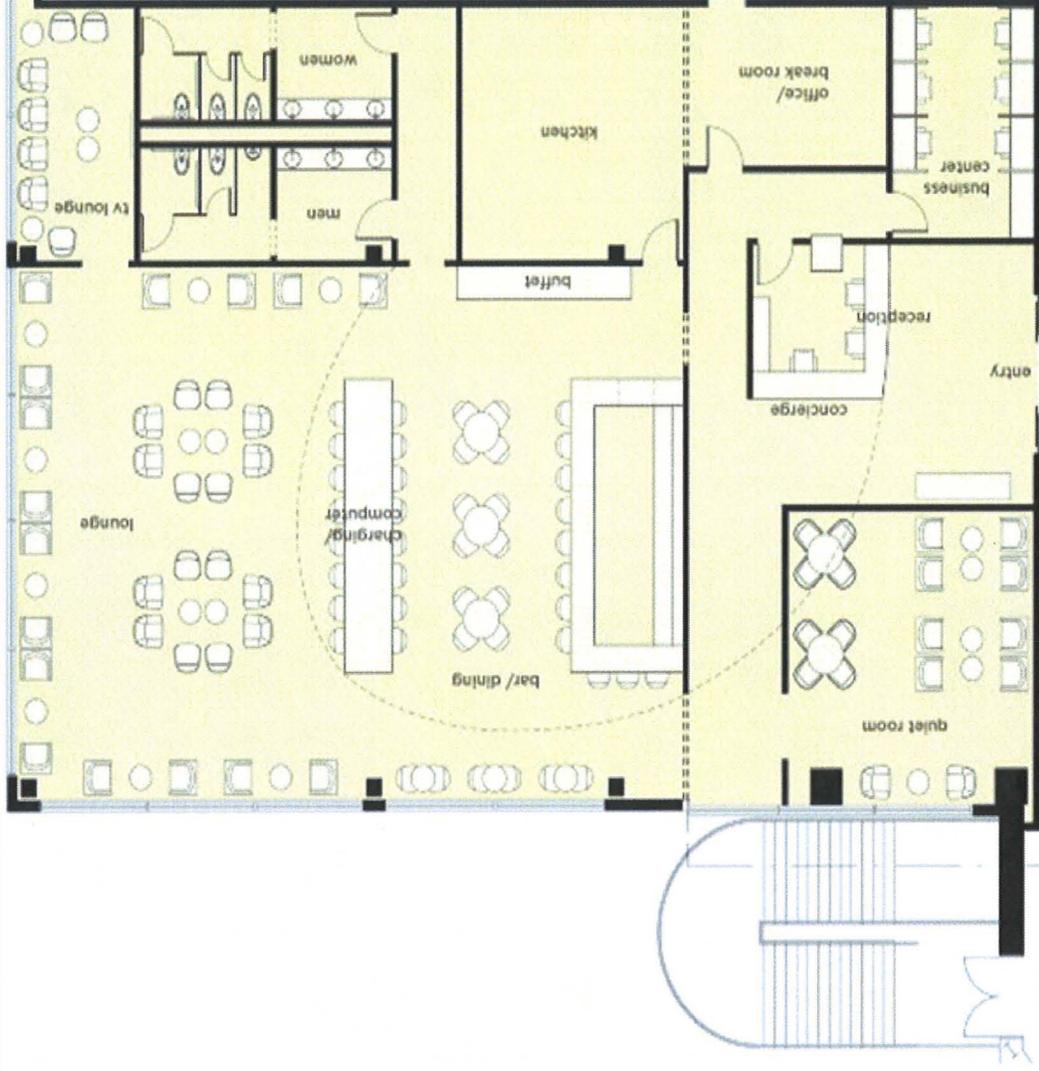
Criteria	Weighting %
Financial Offer	25%
Lounge Design Elements	25%
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Project Organization and Key Personnel	15%
Demonstrated Experience	15%

# Proposal Ratings & Rankings

	Demonstrated Experience	Project Organization and Key Personnel	Operational Work Plan	Lounge Design Elements	Financial Offer	Total
<b>Maximum Points</b>	75	75	100	125	125	500
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# Conceptual Layout



# Proposed Renderings

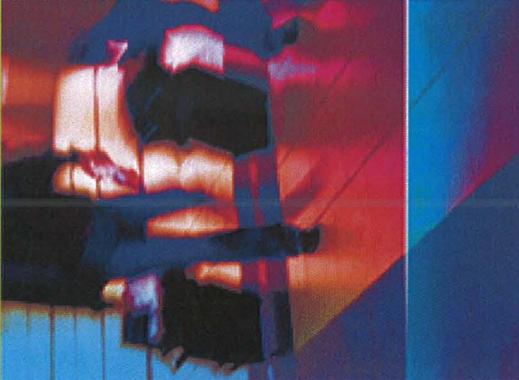


AIRPORTS FUEL  
REGIONAL ECONOMIES

# Proposed Renderings



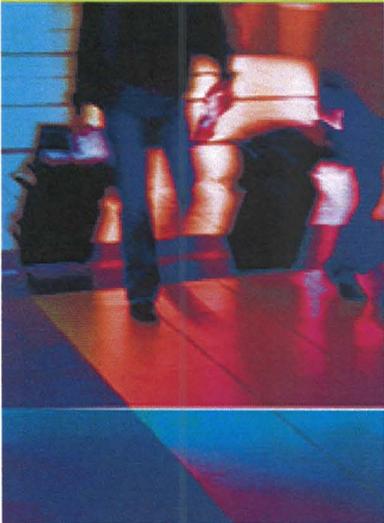
# Proposed Renderings



AIRPORTS FUEL  
REGIONAL ECONOMIES

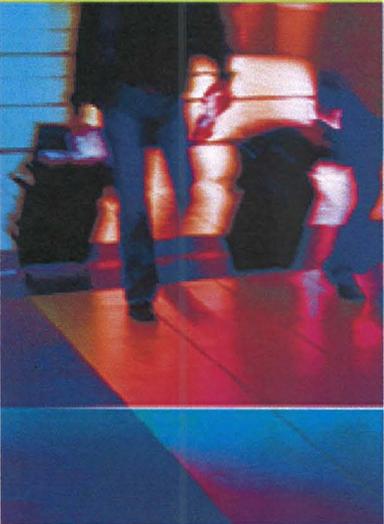
# Recommendation

Adopt Resolution No. 2012-0017, authorizing the President/CEO to take all necessary steps to grant a 10-year Lease to Airport Lounge Development, Inc. to design, build, and operate an airport lounge in Terminal 2 East at San Diego International Airport.



# Next Steps

- Tenant Buildout – 2<sup>nd</sup> Quarter CY2012
- Lounge Operational – 4<sup>th</sup> Quarter CY2012



# Questions

