



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

Item No.
17

Meeting Date: **SEPTEMBER 1, 2011**

Subject:

Grant a Concession Lease to High Flying Foods San Diego Partnership (A Joint Venture) for Development and Operation of Food Service Package #6R

Recommendation:

Adopt Resolution No. 2011-0113, awarding a concession lease to High Flying Foods San Diego Partnership for development and operation of Food Service Package #6R (as included in the CDP Supplemental RFP as Package #4A) 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 \$903,192; 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 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 87 upon CDP completion.

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

- Maximize concession opportunities

- Provide an efficient operating environment
- Exceed passengers' expectations
- Capture the spirit of the San Diego Region
- Ensure a diversity of concepts
- Encourage healthy competition
- Create opportunities for ACDBE, local, and small businesses
- Represent the best local, regional, national, and international concepts/brands
- Optimize non-aviation revenues

To ensure a diversity of concepts and 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. The RFP allows the President/CEO to reject any and all proposals or to withdraw the RFP at any time if it's in the best interest of the Authority [RFP, Part 14.G]. 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.

In addition, the proposal due date was limited to two weeks since proposers were requested to provide only:

- Cover Letter and covenant to execute lease
- Financial Offer
- Financial Projections
- Concept Development

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 includes 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
T2W-Core	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	

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

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. 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 Improvements per Square Foot	\$350	
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 Authority during the first Annual Period, or 103% of the MAG for the first Annual Period, whichever is greater.	
3rd through 10th 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).

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	Casa de Pico	Camden Food Co.	Pacifico Surf Stack	Jack-in-the Box	Peet's Coffee & Tea

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	\$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 responsive 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);
- Management, Staffing Plan and Training;
- Operations and Maintenance Plan;
- Marketing Plan

As a result, the panel used the following criteria to rank the proposals:

Criteria	Weighting %
Financial Background and Rent Offer	40%
Concept Development and Menus	60%

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 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

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.

Depictions of High Flying Foods' 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 \$903,192 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.

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.

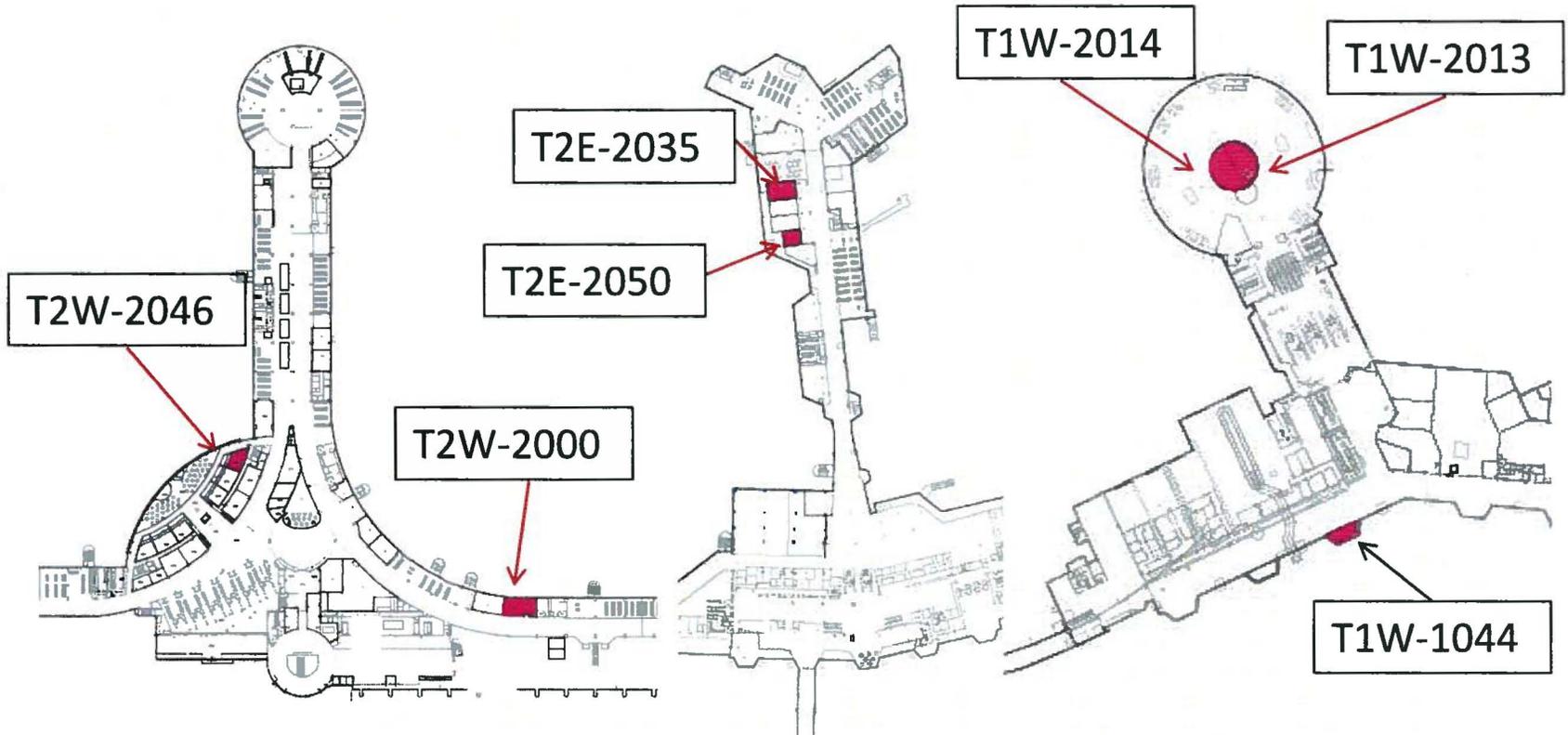
The Authority has an Airport Concession Disadvantaged Business Enterprise ("ACDBE") Plan as required by the Department of Transportation, 49 CFR Part 23. The ACDBE Plan calls for the Authority to submit a triennial overall goal for ACDBE participation on all concession projects.

This solicitation is an airport concession opportunity; therefore, it will be applied toward the Authority's overall ACDBE goal High Flying Foods is proposing 5% ACDBE participation on this project.

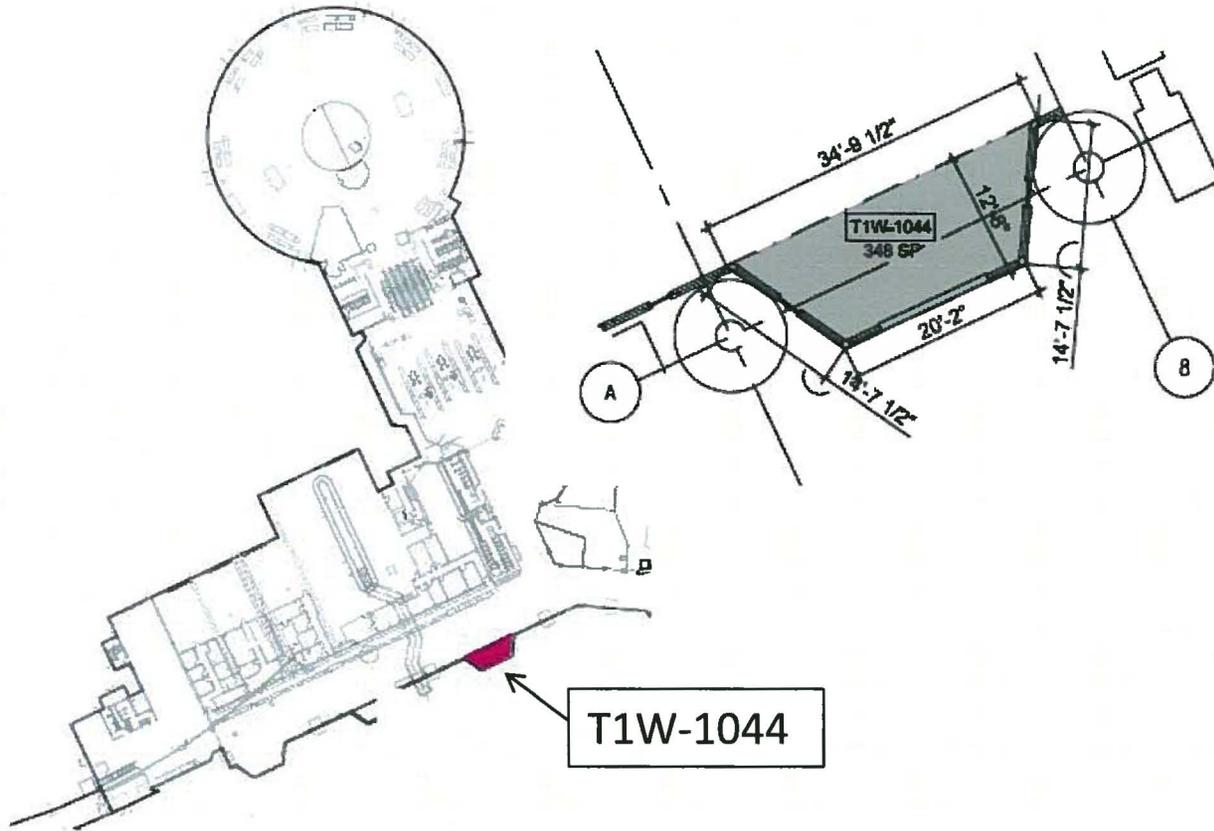
Prepared by:

VERNON D. EVANS
VICE PRESIDENT, FINANCE/TREASURER

FOOD SERVICE PACKAGE 6R



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



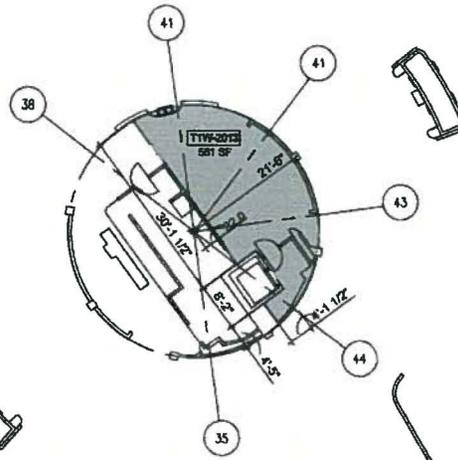
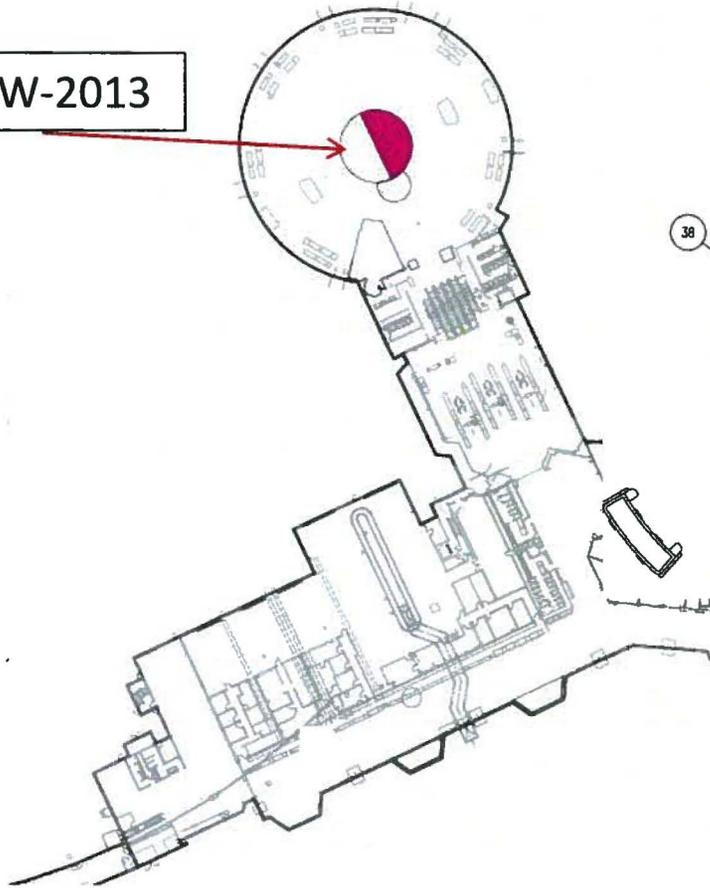
PANNIKIN
coffee & tea



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

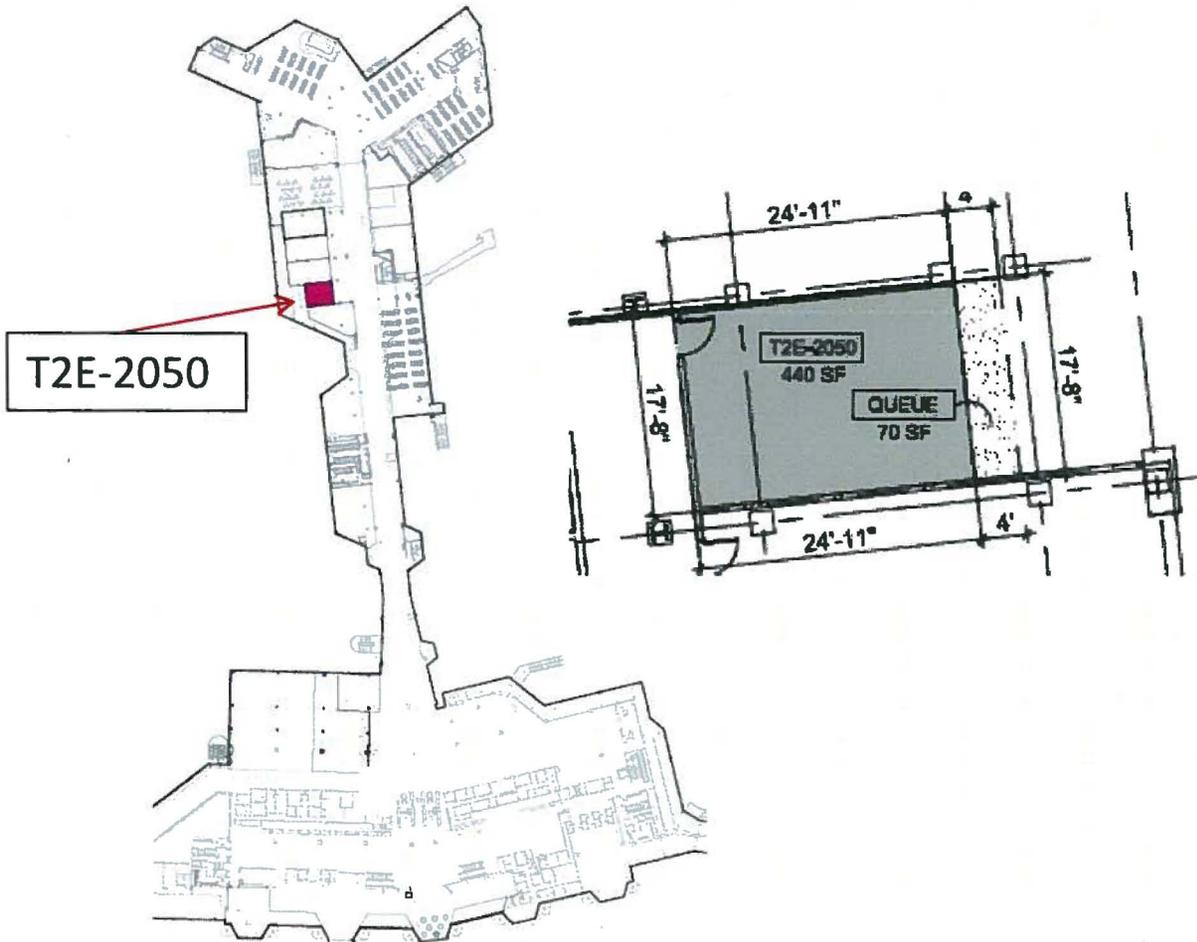
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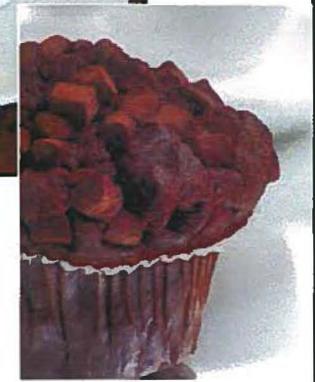
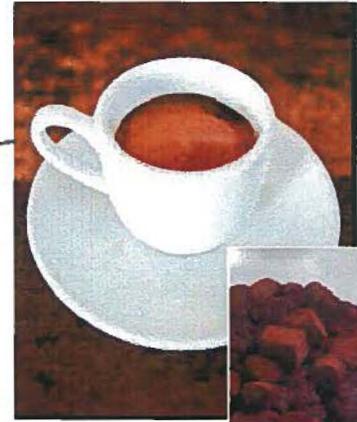
PANNIKIN
coffee & tea



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



PANNIKIN
coffee & tea



Food Pkg 6R: High Flying Foods

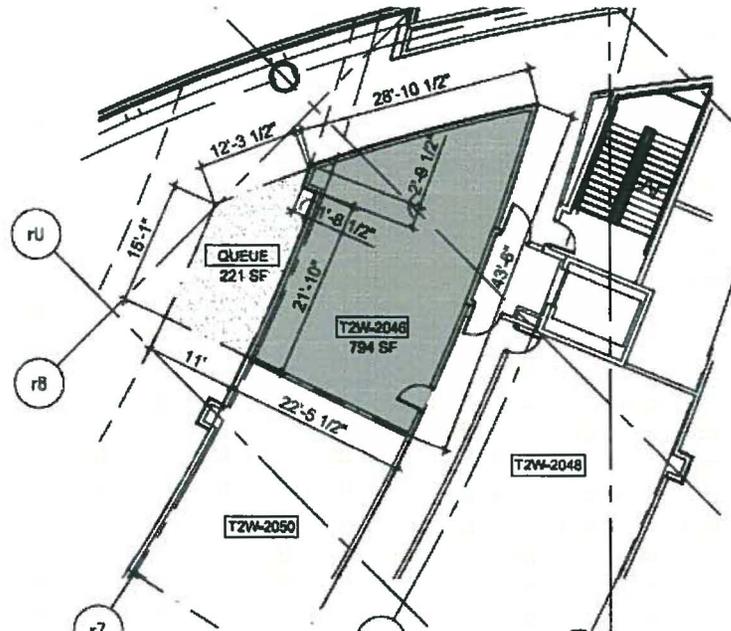
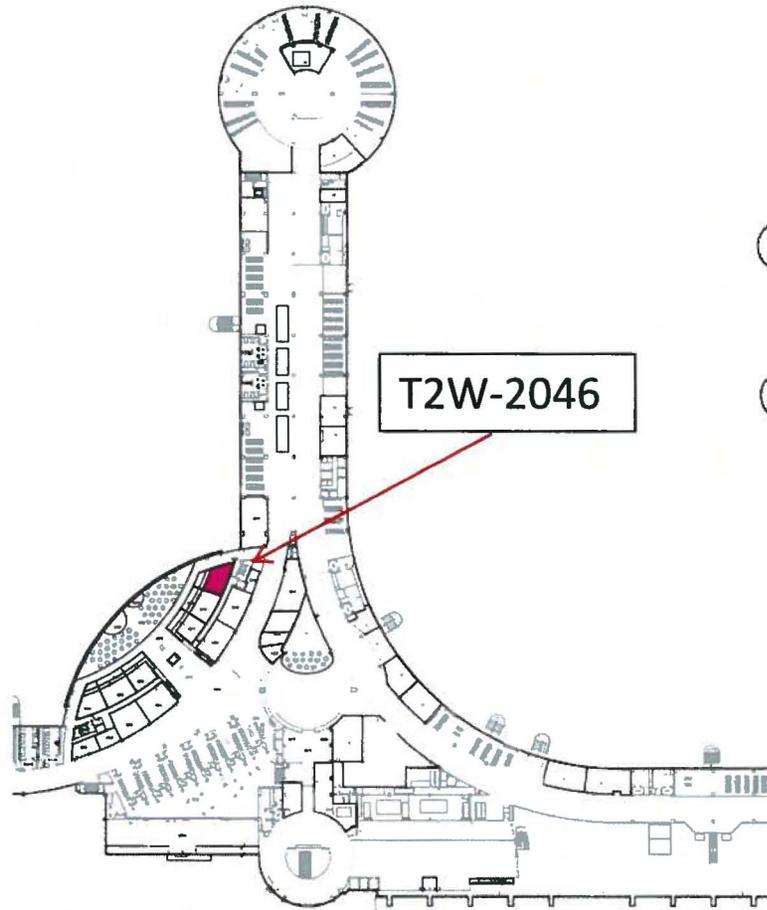


Food Pkg 6R: High Flying Foods



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FOOD SERVICE PACKAGE 6R – T2W-2046, 794 SF



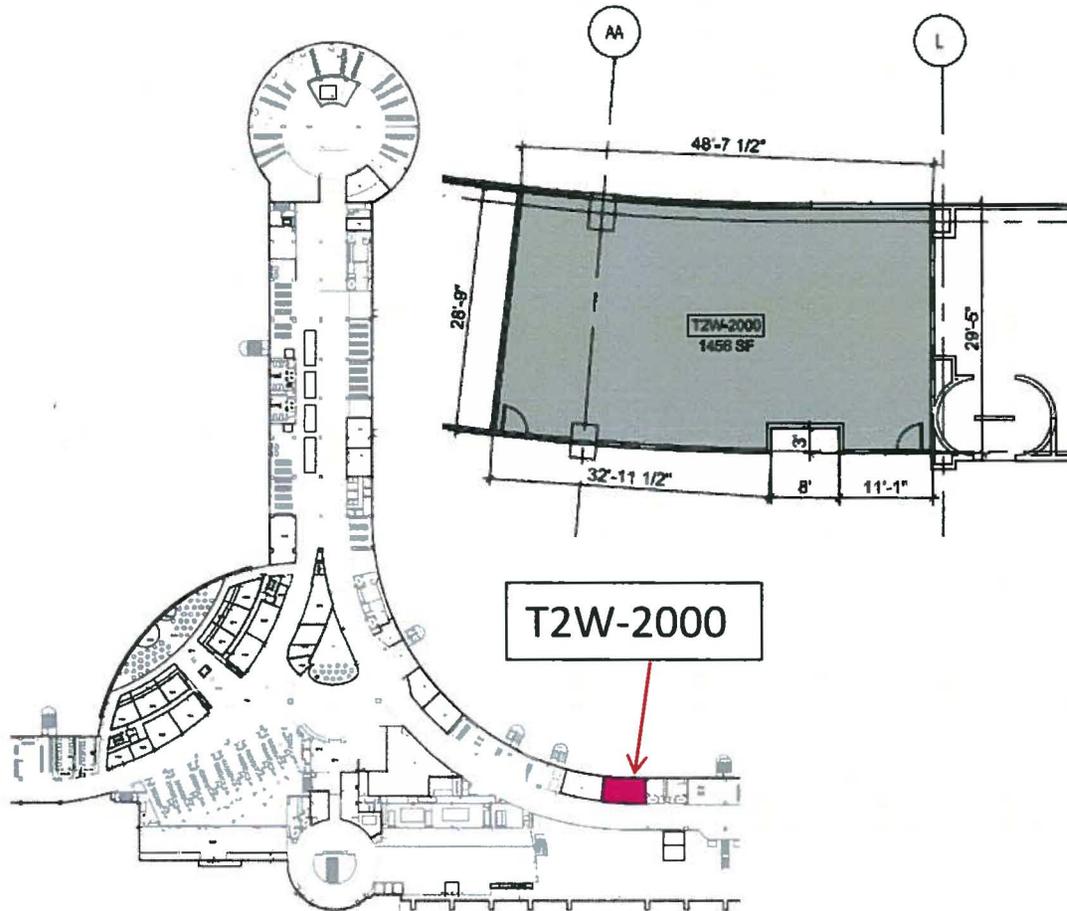
firewood
CAFÉ



Food Pkg 6R: High Flying Foods



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



619

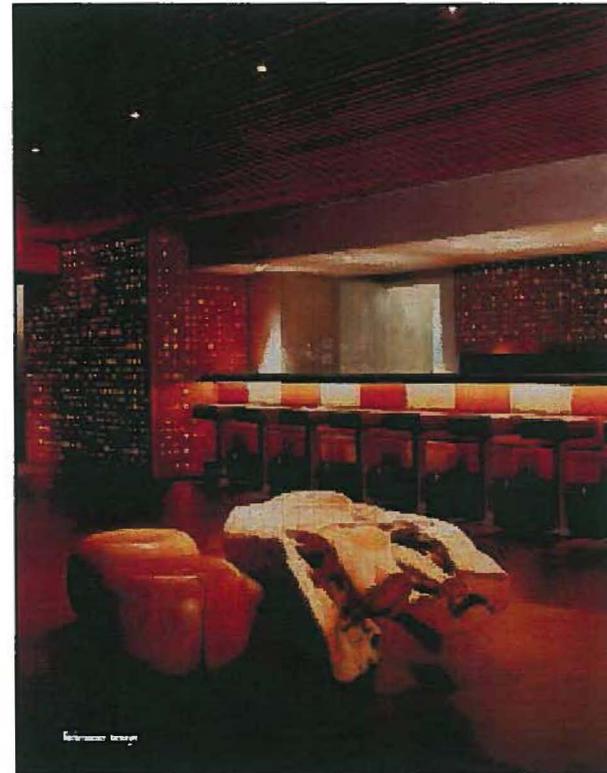
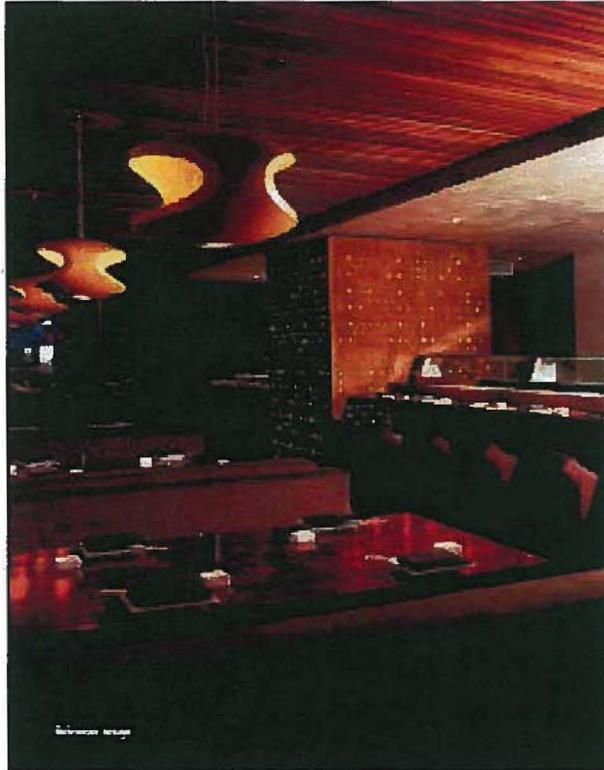
**BAR &
LOUNGE**



Food Pkg 6R: High Flying Foods

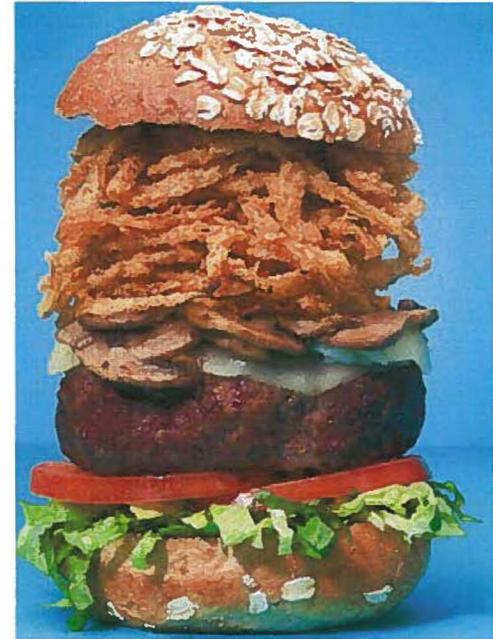
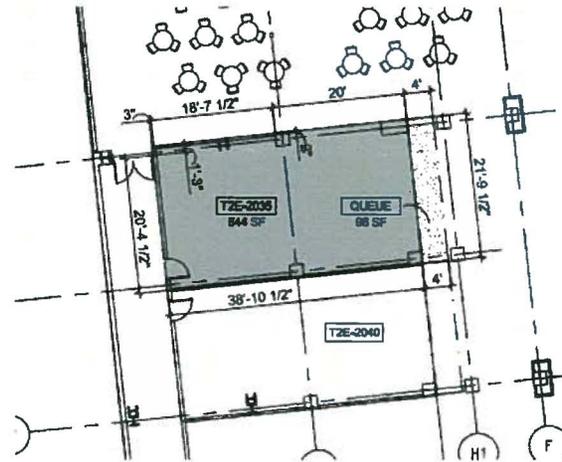
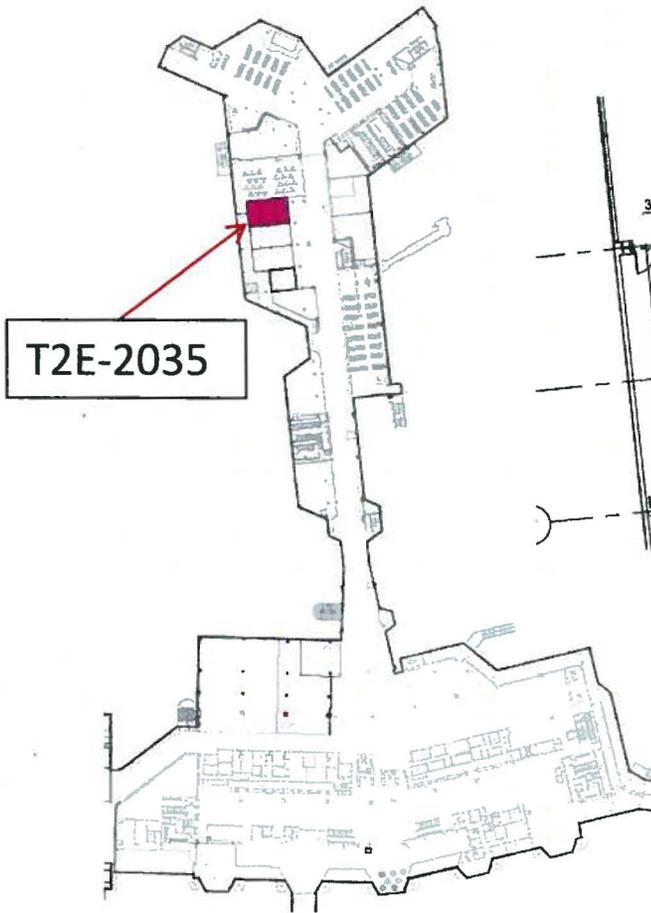
619

BAR &
LOUNGE



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

THE COUNTER 
MINI
custom built burgers



Food Pkg 6R: High Flying Foods



RESOLUTION NO. 2011-0113

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 #6R (AS INCLUDED IN THE CDP SUPPLEMENTAL RFP AS PACKAGE #4A) 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 \$903,192; 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, 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

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- 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; and

WHEREAS, four of the food service packages included in the CDP 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, a new RFP covering the revised four packages (Supplemental RFP) was released on July 12, 2011; and

WHEREAS, the proposal due date was limited to two weeks since proposers were requested to provide only:

- Cover Letter and covenant to execute lease
- Financial Offer
- Financial Projections
- Concept Development; and

WHEREAS, Food Service Package #6R includes seven locations encompassing approximately 5,261 square feet; and

WHEREAS, on July 26, 2011, four proposals were received for Food Service Package #6R; and

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

- Financial background and rent offer;
- concept development and menus; 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 #6R (as included in the CDP Supplemental RFP as Package #4A) 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 \$903,192; 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 #6R (as included in the CDP Supplemental RFP as Package #4A) 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 \$903,192; 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 1st day of September, 2011, by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

TONY R. RUSSELL
DIRECTOR, CORPORATE SERVICES/
AUTHORITY CLERK

APPROVED AS TO FORM:

BRETON K. LOBNER
GENERAL COUNSEL

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