



SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
STAFF REPORT

Item No.
14

Meeting Date: **MARCH 7, 2013**

Subject:

Consent to Sublease Agreement Between Project Horizon, Inc. and Soundbalance SAN, LLC

Recommendation:

Adopt Resolution No. 2013-0026, consenting to a sublease agreement between Project Horizon, Inc. and Soundbalance SAN, LLC, and authorizing the President/CEO to execute the consent agreement.

Background/Justification:

In August 2011, the Board awarded a non-exclusive Concession Lease to Project Horizon, Inc. (Project Horizon), for two retail locations in Terminal 2. The Lease provides that Project Horizon shall not assign the Lease or any of the obligations in whole or in part, without the express written consent of the Authority. Additionally, Authority Policy 6.01 requires that the Executive Director (President/CEO) bring all proposed subleases exceeding five years in duration to the Board for its consent. Project Horizon proposes to sublease the "Soundbalance" store located in Terminal 2 West to a joint venture formed between Project Horizon (55%) and APW Holdings, LLC (45%) under the name of Soundbalance SAN, LLC (Soundbalance) in accordance with its RFP proposal. Attachment A delineates the location of the proposed subleasehold.

Soundbalance will operate under the same terms and conditions as are required by the Lease. The seven (7) year term of the sublease will be coterminous with the Lease. Staff has reviewed Soundbalance's financial capacity and management ability and believes that Soundbalance will be able to develop and operate the concession in accordance with the Lease.

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Fiscal Impact:

The proposed action will not impact the Minimum Annual Guaranteed (MAG) rent to the Authority payable by Project Horizon, Inc., which is \$126,000.

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. California Environmental Quality Act ("CEQA") review: This Board action is not a project that would have a significant effect on the environment as defined by the 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:

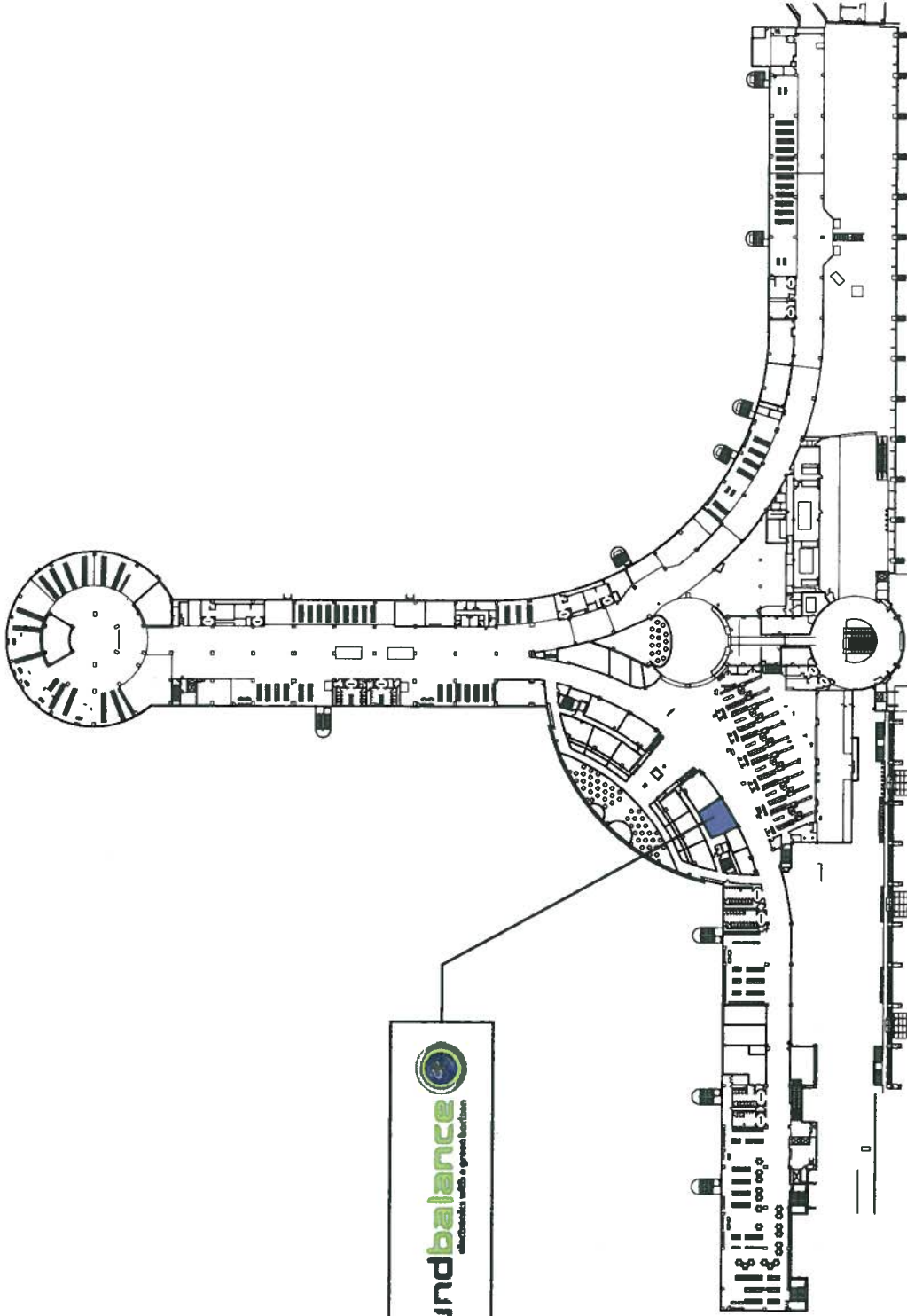
The Authority's small business program promotes the utilization of small, local, disadvantaged, and other business enterprises, on all contracts, to provide equal opportunity for qualified firms. By providing education programs, making resources available, and communicating through effective outreach,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

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

This is an airport concession opportunity; therefore, it will be applied toward the Authority's overall ACDBE goal. Soundbalance is a joint venture between Project Horizon, a non-ACDBE and APW Holding, a certified ACDBE. Soundbalance is proposing to achieve 45% ACDBE Participation on this joint venture. If this sublease is approved, Project Horizon will have an estimated 26% ACDBE participation, which is consistent with the original proposal.

Prepared by:

VERNON D. EVANS
VICE PRESIDENT, FINANCE/TREASURER



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TERMINAL 2 WEST



RESOLUTION NO. 2013-0026

A RESOLUTION OF THE BOARD OF THE
SAN DIEGO COUNTY REGIONAL AIRPORT
AUTHORITY CONSENTING TO A SUBLEASE
AGREEMENT BETWEEN PROJECT HORIZON,
INC. AND SOUNDBALANCE SAN, LLC, AND
AUTHORIZING THE PRESIDENT/CEO TO
EXECUTE THE CONSENT AGREEMENT

WHEREAS, in August 2011, the Board awarded a non-exclusive Concession Lease to Project Horizon, Inc. (Project Horizon), for two retail locations in Terminal 2; and

WHEREAS, the Lease provides that Project Horizon shall not assign the Lease or any of the obligations in whole or in part, without the express written consent of the Authority; and

WHEREAS, Authority Policy 6.01 requires that the Executive Director (President/CEO) bring all proposed subleases exceeding five years in duration to the Board for its consent; and

WHEREAS, Project Horizon proposes to sublease the "Soundbalance" store located in Terminal 2 West to a joint venture formed between Project Horizon (55%) and APW Holdings, LLC (45%) under the name of Soundbalance SAN, LLC (Soundbalance) in accordance with its RFP proposal; and

WHEREAS, Soundbalance will operate under all the same terms and conditions as is required by the Lease; and

WHEREAS, the seven (7) year term of the sublease will be coterminous with the Lease; and

WHEREAS, staff has reviewed Soundbalance's financial capacity and management ability and believes that Soundbalance will be able to develop and operate the concession in accordance with the Lease.

NOW, THEREFORE, BE IT RESOLVED that the Board hereby CONSENTS to a sublease agreement between Project Horizon, Inc. and Soundbalance SAN, LLC, and AUTHORIZES the President/CEO to execute the consent agreement; and

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BE IT FURTHER RESOLVED by the Board that it FINDS that this Board action is not a "project" as defined by the California Environmental Quality Act ("CEQA") (California Public Resources Code §21065); and is not a "development" as defined by the California Coastal Act (California Public Resources Code §30106).

PASSED, ADOPTED, AND APPROVED by the Board of the San Diego County Regional Airport Authority at a regular meeting this 7th day of March, 2013, 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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