



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

**Item No.
8**

Meeting Date: **MAY 2, 2013**

Subject:

Approve and Authorize the President/CEO to Execute a Third Amendment to the Advertising Concession Agreement with JCDecaux Airport, Inc. to Add Additional Locations in the Terminal 2 West

Recommendation:

Adopt Resolution No. 2013-0041, approving and authorizing the President/CEO to execute a Third Amendment to the Agreement with JCDecaux Airport, Inc. to add additional locations in the Terminal 2 West ("Green Build").

Background/Justification:

In 2008, the Authority entered into a 10-year Advertising Concession Agreement ("Agreement") with JCDecaux Airport, Inc. ("JCDecaux") that expires June 30, 2018. The Agreement allows JCDecaux to display advertising in 97 locations throughout the terminals at San Diego International Airport (SDIA). It also allows the Authority to require that JCDecaux relocate and/or increase or decrease the number of advertising fixtures. In the event that there is an increase or decrease that constitutes more than 10% of the total number of fixtures, the Minimum Annual Guaranteed rent ("MAG") paid by JCDecaux to the Authority must be adjusted by a percentage agreed to by both parties.

Various construction projects occurring in SDIA terminals have necessitated the removal of 25 advertising fixtures to-date. Many of these fixtures cannot be restored to the prior locations following construction because the walls upon which the fixtures were located no longer exist. To avoid reducing the MAG, Authority staff worked with JCDecaux to identify sites within the expansion of Terminal 2 West (the Green Build) that can serve as replacement locations for advertising fixtures. Staff recommends that the agreement with JCDecaux be amended to add 18 Green Build advertising locations, which are listed in the table below:

Green Build Location	Type of Fixture	Quantity
Checkpoint	Framed Fabric Banner	1
West Concourse	Framed Fabric Banner	1
West Concourse	LCD Digital Fresco	1
West Concourse	6'x6' Backlit Display	2
Sunset Cove	6'x6' Backlit Display	2

Central Concourse	Framed Fabric Banner	1
North Concourse	6'x6' Backlit Display	3
Baggage Claim	Framed Fabric Banner	2
Baggage Claim	70" LCD Screen	4
Baggage Claim	Interactive Visitor's Center	1
Total		18

The Agreement also requires JCDecaux to make a mid-term reinvestment, no earlier than June 30, 2013, in the amount of Two Hundred Thousand Dollars (\$200,000), for the purpose of keeping the advertising program and its technology contemporary and competitive with current advertising trends and methods of advertising. JCDecaux requests that it be permitted to apply its mid-term reinvestment to the fabrication and installation of the Green Build advertising locations listed above (an estimated investment of Four Hundred Thousand Dollars (\$400,000)). JCDecaux's existing fixtures have been well maintained and the program exemplifies a contemporary airport advertising program. Therefore, staff supports this request.

Fiscal Impact:

This proposed action will not impact the MAG requirements and avoids the necessity of negotiating a reduction in the MAG as a result of the removal of more than 10% of JCDecaux's advertising fixtures.

The Agreement provides for annual adjustments of the MAG to reflect the greater of the MAG identified in the Agreement for each year or Eighty Five Percent (85%) of the actual Concession Fees payable to the Authority the prior year. The MAG identified in the Agreement for the remaining term is as follows:

Year 6 (July 2013-June 2014)	\$1.8 Million
Year 7 (July 2014-June 2015)	\$1.9 Million
Year 8 (July 2015-June 2016)	\$1.9 Million
Year 9 (July 2016-June 2017)	\$2.0 Million
Year 10 (July 2017-June 2018)	\$2.0 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. 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 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. JCDecaux Airport Inc. currently has 2.2% ACDBE participation on this project.

Prepared by:

VERNON D. EVANS
VICE PRESIDENT, FINANCE/TREASURER

RESOLUTION NO. 2013-0041

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY APPROVING AND AUTHORIZING THE PRESIDENT/CEO TO EXECUTE A THIRD AMENDMENT TO THE AGREEMENT WITH JCDECAUX AIRPORT, INC. TO ADD ADDITIONAL LOCATIONS IN TERMINAL 2 WEST ("GREEN BUILD")

WHEREAS, in 2008, the Authority entered into a 10-year Advertising Concession Agreement ("Agreement") with JCDecaux Airport, Inc. ("JCDecaux") that expires June 30, 2018; and

WHEREAS, the Agreement allows JCDecaux to display advertising in 97 locations throughout the terminals at San Diego International Airport (SDIA); and

WHEREAS, it also allows the Authority to require that JCDecaux relocate and/or increase or decrease the number of advertising fixtures; and

WHEREAS, various construction projects occurring in SDIA terminals have necessitated the removal of 25 advertising fixtures to-date. Many of these fixtures cannot be restored to the prior locations following construction because the walls upon which the fixtures were located no longer exist; and

WHEREAS, to avoid reducing the MAG, Authority staff worked with JCDecaux to identify sites within the expansion of Terminal 2 West (the Green Build) that can serve as replacement locations for advertising fixtures; and

WHEREAS, the Agreement also requires JCDecaux to make a mid-term reinvestment, no earlier than June 30, 2013, in the amount of Two Hundred Thousand Dollars (\$200,000), for the purpose of keeping the advertising program and its technology contemporary and competitive with current advertising trends and methods of advertising; and

WHEREAS, JCDecaux requests that it be permitted to apply its mid-term reinvestment to the fabrication and installation of the Green Build advertising locations listed above (an estimated investment of Four Hundred Thousand Dollars (\$400,000)); and

WHEREAS, JCDecaux's existing fixtures have been well maintained and the program exemplifies a contemporary airport advertising program. Therefore, staff supports this request.

NOW, THEREFORE, BE IT RESOLVED that the Board hereby approves and AUTHORIZES the President/CEO to execute a Third Amendment to the Agreement with JCDecaux Airport, Inc. to add additional locations in Terminal 2 West (Green Build); and

BE IT FURTHER RESOLVED that JCDecaux will: 1) add 18 advertising locations in the Terminal 2 West Expansion ("Green Build"), and (2) apply the required mid-term reinvestment to the installation of the new advertising locations; and

BE IT FURTHER RESOLVED the Board 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 2nd day of May, 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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