



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

**Item No.  
16**

Meeting Date: **AUGUST 4, 2011**

**Subject:**

**Grant a Concession Lease to NewZoom, Inc. for Development and Operation of Retail Package #6**

**Recommendation:**

Adopt Resolution No. 2011-0096, awarding a concession lease to NewZoom, Inc. for development and operation of Retail Package #6, as included in the Request for Proposals (RFP) for Food Service and Retail Concessions, for a maximum term of six (6) years and six (6) months, which includes a period not to exceed eighteen (18) months to allow for Package Completion, with a first year Minimum Annual Guarantee (MAG) of \$50,000; 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

#### **Retail Package #6 Details**

Retail Package #6 encompasses 1% of the total retail square footage. Retail Package #6 includes the following four locations and concept types:

| <b>Location</b>    | <b>Square Footage</b> | <b>Concept</b>         |
|--------------------|-----------------------|------------------------|
| T1 Post-Security W | 70                    | Automated Retail/Kiosk |
| T1 Post-Security W | 70                    | Automated Retail/Kiosk |
| T1 Post-Security E | 70                    | Automated Retail/Kiosk |
| T1 Post-Security E | 70                    | Automated Retail/Kiosk |
| <b>Total</b>       | <b>280</b>            |                        |

The term of the concession lease includes up to 18 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.

Retail Package #6 included the following minimum requirements:

|   |  |
|---|--|
| <b>Minimum Investment in Fixed Improvements per Square Foot</b>       | N/A  |
| <b>Percentage Rent Range</b>  | 10%-15%  |
| <b>Minimum Annual Guarantee</b>                                       |  |
| <b>1<sup>st</sup> Annual Period</b>                                   | \$50,000   |
| <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 5<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. |

### **Retail Package Proposals**

On May 25, 2011, one proposal was received for Retail Package #6 from the following entity:

- NewZoom Inc. (dba Zoom Systems) - Proposed business is a Corporation

A comparison of the proposed concepts associated with the four locations in Retail Package #6 is provided below:

| <b>Location</b>    | <b>T1W-Post Security #1</b> | <b>T1W-Post Security #2</b> | <b>T1E-Post Security #1</b> | <b>T1E-Post Security #2</b> |
|--------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>Square Feet</b> | <b>70</b>                   | <b>70</b>                   | <b>70</b>                   | <b>70</b>                   |
| New Zoom, Inc.     | Best Buy                    | Clinique                    | Best Buy                    | Clinique                    |

### **Financial Offer**

| <b>Proposer</b> | <b>Proposed Percentage Rent</b> | <b>Year One MAG</b> |
|-----------------|---------------------------------|---------------------|
| New Zoom, Inc.  | 10% of Sales                    | \$ 50,000           |

**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 Financial Offer | 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           |

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 proposal from New Zoom, Inc. using the above criteria and the results of the rankings of each panel member (PM) are presented in the matrix below:

| Proposer       | PM1 | PM2 | PM3 | PM4 | PM5 | PM6 | Total |
|----------------|-----|-----|-----|-----|-----|-----|-------|
| New Zoom, Inc. | 1   | 1   | 1   | 1   | 1   | 1   | 6     |

The evaluation panel unanimously recommended that a concession lease be awarded to NewZoom, Inc. for development and operation of Retail Package #6 (as included in the Request for Proposals for Food Service and Retail Concessions) for a maximum term of six (6) years and six (6) months with a first year MAG of \$50,000.

Depictions of New Zoom, Inc.'s concepts for this package are presented in Attachments 1 and 2.

**Fiscal Impact:**

Annual revenue for the Authority will be no less than the MAG amount of \$50,000 for Retail Package #6. 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. NewZoom, Inc. is proposing 0% ACDBE participation on this project.

**Prepared by:**

VERNON D. EVANS  
VICE PRESIDENT, FINANCE/TREASURER



# Retail Pkg 6: Zoom Systems



2 locations:  
T1W Post Security and T1E Post Security

2 locations:  
T1W Post Security and T1E Post Security



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RESOLUTION NO. 2011-0096

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY, AWARDED A CONCESSION LEASE TO NEWZOOM, INC. FOR DEVELOPMENT AND OPERATION OF RETAIL PACKAGE #6, AS INCLUDED IN THE REQUEST FOR PROPOSALS (RFP) FOR FOOD SERVICE AND RETAIL CONCESSIONS, FOR A MAXIMUM TERM OF SIX (6) YEARS AND SIX (6) MONTHS, WHICH INCLUDES A PERIOD NOT TO EXCEED EIGHTEEN (18) MONTHS TO ALLOW FOR PACKAGE COMPLETION, WITH A FIRST YEAR MINIMUM ANNUAL GUARANTEE (MAG) OF \$50,000; 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, Retail Package #6 includes four locations encompassing approximately 280 square feet; and

WHEREAS, on May 25, 2011 one proposal was received for Retail Package #6; 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 unanimously recommended that a concession lease be awarded to NewZoom, Inc. for development and operation of Retail Package #6 (as included in the CDP RFP) for a maximum term of six (6) years and six (6) months (which includes a period not to exceed eighteen (18) 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 \$50,000; and

WHEREAS, the Board finds that awarding a concession lease to NewZoom, Inc. is in the best interest of the Authority.



NOW, THEREFORE, BE IT RESOLVED that the Board hereby AWARDS a concession lease to NewZoom, Inc. for development and operation of Retail Package #6, as included in the Request for Proposals (RFP) for Food Service and Retail Concessions, for a maximum term of six (6) years and six (6) months, which includes a period not to exceed eighteen (18) months to allow for Package Completion, with a first year Minimum Annual Guarantee (MAG) of \$50,000; 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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