



CITY OF LONG BEACH

DEPARTMENT OF PUBLIC WORKS

333 West Ocean Boulevard • Long Beach, CA 90802 • (562) 570-6383 • FAX (562) 570-6012

July 12, 2005

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to enter into a concession agreement with Creative Host Services, Inc., for provision of food and beverage services at the Long Beach Airport. (District 5)

DISCUSSION

The Long Beach Airport Terminal facilities currently have 10,542 square feet utilized for concession service and sales, including food, beverage, gift, news, and convenience items. The current concession operator, El Dorado Services, has operated the Airport concessions since January 30, 1994 under a 10-year (five-year plus five-year option) lease agreement, and for the past year-and-one-half has been operating under a month-to-month holdover agreement.

In May 2004, Airport staff, working with Airport Concession Consultants (ACC), a nationally known airport concessions consultant group, began the process of selecting a concession operator(s) in order to upgrade product offerings, enhance revenue to the Airport Fund, encourage investment/upgrade in facilities, and maximize the potential to blend the concession area theming with the Airport's rich history. A wide outreach was conducted including local, regional, and national exposure.

Initially, interested food/beverage and gift/news/retail operators were required to submit background and financial statements, in order to be pre-qualified to continue in the process. As is common in the industry, interested parties were allowed to provide the pre-qualification information for the food/beverage, gifts/news/retail, or both concession opportunities.

In April 2005, requests for proposals (RFPs) were given to the pre-qualified companies, and a pre-bid meeting was held at SkyLinks Golf Course on April 18. Attendees were briefed on the Airport's concession program selection criteria, which were developed from customer feedback, Long Beach Airline input, consultant's industry benchmarks, and consideration of the Terminal's historical context. These criteria include the following:

- Proposed concepts, theming, product offerings, pricing, marketing plans
- Facility design, quality of improvements, capital commitment, on-going maintenance
- Experience, references

**ADMINISTRATION,
PLANNING & FACILITIES**
333 W. Ocean Blvd., 9th Floor
Long Beach, CA 90802
Ph. (562) 570-6383

AIRPORT
4100 Donald Douglas Dr.
Long Beach, CA 90808
Ph. (562) 570-2600
Fax (562) 570-2601

**ENGINEERING & STREET
MAINTENANCE**
333 W. Ocean Blvd., 9th Floor
Long Beach, CA. 90802
Ph. (562) 570-6634

**ENVIRONMENTAL
SERVICES**
2929 E. Willow Street
Long Beach, CA 90806
Ph. (562) 570-2850

FLEET SERVICES
2600 Temple Avenue
Long Beach, CA 90806
Ph. (562) 570-5400
Fax (562) 570-5414

**TRAFFIC &
TRANSPORTATION**
333 W. Ocean Blvd., 10th F
Long Beach, CA 90802
Ph. (562) 570-6331

HONORABLE MAYOR AND CITY COUNCIL

July 12, 2005

Page 2

- Financial return to the Airport Fund
- Management/operations plan

Minimum bid requirements for food/beverage, based on industry standards, were:

MINIMUM capital investment:	\$2,000,000
MINIMUM annual guarantee (for year 1)	\$450,000
MINIMUM annual guarantee (after year 1)	85% of previous year % rent
MINIMUM percentages:	10% food and non-alcoholic beverages
	15% alcoholic beverages
	10% vending machine sales
	5% in-flight catering
TERM:	10 years

The RFP and proposed concession agreements are for existing concession areas in and around the Airport Terminal. The food/beverage agreement includes a provision that if additional facilities are made available, the selected concession operators will have "first negotiating rights" with the City for such space.

Two food/beverage proposals were submitted on May 23.

El Dorado Services, the current Airport concessionaire, chose not to submit a proposal and has notified the Airport of their willingness to work with the new concessionaire to ensure a smooth transition.

The two food/beverage proposals, both very responsive to the RFP, were reviewed by a team made up of:

1. One principal of ACC
2. The Acting Long Beach Historic Preservation Officer
3. A City of Long Beach marketing/branding consultant
4. A recently retired deputy airport director, who was in charge of terminal concessions at an area airport
5. Public Works Project Manager

A member of the City Attorney's staff participated in an advisory role, regarding the selection process.

Based on the unanimous findings of the evaluation team, Creative Host Services, Inc., was selected as the strongest and most responsive candidate for food/beverage concession services at the Long Beach Airport.

Creative Host Services operates over 170 concessions at 40 United States airports, with revenues of approximately \$150 million. In addition to offering the highest capital investment (\$3.5 million) for the initial five-year term, and an additional \$500,000 for the

HONORABLE MAYOR AND CITY COUNCIL

July 12, 2005

Page 3

second five-year period, they also offered the highest percentage rent of 15 percent for food/non-alcoholic beverages, and 20 percent for alcoholic beverages. Also, Creative Host Services, Inc., was very responsive to local and historical theming opportunities, including proposed licensing agreements with local operators Legends Restaurant & Sports Bar, Rubio's Fresh Mexican Grill, Sweet Jill's, and Polly's (see attached excerpts from Creative Host Services' proposal).

This matter was reviewed by Deputy City Attorney Everett Glenn and Budget Management Officer David Wodynski on July 1, 2005.

TIMING CONSIDERATIONS

Authorization to proceed at this time should permit commencement of new, upgraded food/beverage concession operations at the Long Beach Airport within the August/September timeframe.

FISCAL IMPACT

Implementation of the new food/beverage concession agreement, in addition to the incremental investment in food service facilities and enhanced offerings to the public, will provide a minimum first-year revenue stream of \$450,000 to the Airport Enterprise Fund (EF320) in the Department of Public Works (PW), compared to estimated Fiscal Year 2005 food/beverage revenue of \$420,000.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



CHRISTINE F. ANDERSEN
DIRECTOR OF PUBLIC WORKS

Attachment

APPROVED:



GERALD R. MILLER
CITY MANAGER