



CITY OF LONG BEACH

DEPARTMENT OF PUBLIC WORKS

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July 12, 2005

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize City Manager to enter into a concession agreement with The Paradies Shops for provision of gift/news services at the Long Beach Airport. (District 5)

DISCUSSION

The Long Beach Airport Terminal facilities currently have 10,542 sq. ft. utilized for concession service and sales, including food, beverage, gift, news and retail convenience items. The current concession operator, El Dorado Services, has operated from January 30, 1994 under a 10-year (five-year plus five-year option) lease agreement, and for the past year-and-a-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 operators were required to submit background and financial statements, in order to be pre-qualified to continue in the process. Sixteen companies, from all over the United States, became qualified. As is common in the industry, interested parties were allowed to provide the pre-qualification information for the food/beverage, gifts/news, 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, 2005. 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
- Financial return to the Airport Fund
- Management/operations plan

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Minimum bid requirements for gift/news/retail operators, based on industry standards, were:

MINIMUM capital investment:	\$350,000
MINIMUM annual guarantee (for year 1)	\$100,000
MINIMUM annual guarantee (after year 1)	85% of previous year % rent
MINIMUM percentages:	10% on sale of news/convenience items
	15% on sale of gift items
TERM:	10 years

The RFP and proposed concession agreements are for existing concession areas in and around the Airport Terminal. The gift/news 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.

Four gift/news 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.

Two of the gift/news proposals were both very responsive to the RFP, and 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, The Paradies Shops was selected as the strongest and most responsive candidate for gift/news concession services at the Long Beach Airport.

The Paradies Shops operates over 400 retail concessions at 60 United States airports, with revenues of approximately \$450 million. Their proposal of rent was based on 16 percent of gross from news/retail and 20 percent of gross from retail/gifts, and a minimum annual rent guarantee of \$100,000, along with a proposed capital investment of \$748,400.

Given existing space constraints, Paradies' merchandising concepts were very appropriate, including their "H2O & Paper to Go for \$1" concept, allowing passengers to self-pay without going through a cash register sale. Local merchandise ties were strong, including the sale of Sweet Jill's prepackaged pastries and facility upgrades, which tie-in heavily to the Airport's history. Paradies also offers a "read and return" program, which allows customers

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to purchase books, read them and return them for a 50 percent refund (see attached excerpts from The Paradies Shops proposal).

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

TIMING CONSIDERATIONS

Authorization to proceed at this time should permit commencement of new gift/news/retail concession operators at Long Beach Airport within the August/September timeframe.

FISCAL IMPACT

Implementation of the new gift/news concessions agreement, in addition to the incremental investment in gift/news/retail facilities and enhanced offerings to the public, will provide a minimum first year revenue stream of \$100,000 to the Airport Enterprise Fund (EF 320) in the Department of Public Works (PW), compared to estimated Fiscal Year 2005 gift/news/retail revenue of \$80,000.

SUGGESTED ACTION:

Approve recommendation

Respectfully submitted,



CHRISTINE F. ANDERSEN
DIRECTOR OF PUBLIC WORKS

Attachment

APPROVED:



GERALD R. MILLER
CITY MANAGER