



CITY OF LONG BEACH

LONG BEACH AIRPORT

R-23

4100 Donald Douglas Drive • Long Beach, CA 90808 • (562) 570-2600 • FAX (562) 570-2601

March 6, 2012

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute all documents necessary to enter into a concession agreement with Paradies-Long Beach, LLC, for provision of gift/news/retail, and Paradies-Long Beach II, LLC, for provision of food/beverage and specialty beverage/food services at the Long Beach Airport. (District 5)

DISCUSSION

The Long Beach Airport is currently constructing a new Passenger Concourse. This long-awaited structure will replace the temporary boarding lounge facilities and provide Airport customers the opportunity to await their flights in a comfortable, permanent building that provides the type and variety of concessions expected by today's travelers. The new concessions will consist of the following facilities:

- Food/Beverage (2 locations)
- Specialty Beverage/Food (i.e., Wine Bar or Brew Pub - 1 location)
- Gift/News/Retail (2 locations)

As part of its due diligence to ensure the best possible food and beverage and gift/news/retail choices for its customers, the Airport commenced the outreach process for selecting concessionaires for its new passenger facilities. This outreach, which began in February 2011, consisted of a series of group and individual meetings with local restaurateurs and other small businesses, advertisements in both local and airport industry publications and an onsite pre-bid meeting with parties interested in the Request for Proposal (RFP) process. Interested parties were informed of the Airport's desire to upgrade product offerings, enhance revenue to the Airport Fund, encourage investment/upgrade to facilities, and maximize the customer experience within the Airport.

The RFP that was developed noted the concession program's goals and objectives, as follows:

- To provide superior customer service
- To enhance the Airport experience for the traveling public

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- To provide quality facility improvements which complement the design of the new concourse
- To provide sufficient initial capital investment and ongoing maintenance programs to significantly upgrade facilities
- To develop exciting new concepts tailored to the Airport's demographic
- To develop an effective marketing program to include: maximizing customer satisfaction; promotional programs; special events; targeted marketing
- To meet Airport pricing guidelines and to maintain competitive pricing
- To optimize the financial return to the Airport

Potential concessionaires were invited to apply for the food and beverage, gift/news/retail and specialty beverage/food locations in the new concourse. The RFP allowed vendors to apply for one, two or all three concession types.

A total of eight proposals were received by the RFP deadline of November 18, 2011. Included within these proposals were four requests to operate the food and beverage facilities, four requests for the gift/news/retail operations and six requests for the specialty beverage/food location.

All eight companies were invited to participate in the interview process, which occurred on December 14 and 15, 2011. The evaluation panel consisted of the following:

- Deputy City Manager, City of Long Beach
- President of the Long Beach Convention & Visitors Bureau
- Chair, Airline/Airport Advisory Council
- Director, Long Beach Airport
- Manager, Finance & Administration / CFO, Long Beach Airport
- Project Engineer, Long Beach Airport

A Deputy City Attorney and a member of the Airport's Leasing Division attended the presentation to ensure proper protocols and processes were followed.

The panel deemed the Paradies-Long Beach, LLC, and Paradies-Long Beach II, LLC, (The Paradies Shops) proposal and presentation to be the best match with the goals and customer experience the Airport desires to create for food and beverage, gift/news/retail and specialty beverage/food concession services in the new concourse facility.

The Paradies Shops operates more than 500 retail concessions at over 70 airports and hotels in the United States and Canada. Their proposal of rent at the Long Beach Airport includes 15 to 22 percent of gross revenue from food and beverages, 16 to 20 percent of gross revenue from gift/news/retail and 21 to 22 percent of gross revenue from specialty beverage/food. They have also proposed that 0.48 percent of gross revenues be paid toward a mid-term refurbishment fund. The minimum total capital investment proposed by the company for the new facilities is \$4,345,150.

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The Paradies Shops is one of the most recognized and acclaimed airport concessionaires. The airport concession industry's leading publication, Airport Revenue News, named the company the nation's "Best Airport Retailer" for 16 consecutive years and the "Concessionaire With the Highest Regard for Customer Service" for 15 consecutive years.

The Paradies Shops has proposed a mix of merchandising brands and concepts for Long Beach Airport, consisting primarily of popular existing local brands. For food and beverage, the company is partnering with:

- Polly's Gourmet Coffee
- Sweet Jill's Bakery
- George's Greek Café
- Taco Beach Cantina
- McKenna's on the Bay

For gift/news/retail, The Paradies Shops has as its partners:

- Long Beach Clothing Company
- Long Beach Business Journal
- CNBC News

The specialty beverage/food operation partner is Long Beach's 4th Street Vine.

The Paradies Shops was selected as the Airport's landside/pre-security gift/news/retail concessionaire in 2005, and will continue to operate the Terminal Building's gift shop, along with the new concourse facilities. The Airport's other landside/pre-security concessionaire, SSP America, will continue to operate the Terminal Building's food and beverage facilities. Both of these existing agreements conclude in October 2015.

This matter was reviewed by Deputy City Attorney Richard Anthony on February 14, 2012, and Budget Management Officer Victoria Bell on February 15, 2012.

TIMING CONSIDERATIONS

Authorization to proceed is requested on March 6, 2012, in order to provide The Paradies Shops and the Airport's concourse project team sufficient time to construct the facilities prior to the opening of the new concourse.

FISCAL IMPACT

Implementation of the new concession agreement will result in \$4,345,150 of capital investment by the Paradies Shops in facilities and enhanced offerings to the public, and will provide the City an estimated first 12 months operating revenue stream of \$2,741,800, which includes a minimum guarantee of \$850,000 to the Airport Enterprise Fund (EF 320). Current annual landside concession revenue is approximately \$1.5 million.

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SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



MARIO RODRIGUEZ
DIRECTOR, LONG BEACH AIRPORT

MR:ME:km

APPROVED:



PATRICK H. WEST
CITY MANAGER