



City of Phoenix

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Master

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Text of Legislative File 19-0802

Request to Issue Airport Concessions Revenue Contract Solicitation

Request to authorize the City Manager, or his designee, to issue a revenue contract solicitation (RCS) for concession leases at Phoenix Sky Harbor International Airport (PHX), including specific contract packages, evaluation criteria, related business requirements, and the airport contracting policy. Estimated annual revenue for all leases will be approximately \$840,000. The leases may contain other terms and conditions deemed necessary or appropriate by the City Manager or his designee. Additionally, to provide uninterrupted service to the Rental Car Center customers, extend the existing lease with JMC-LLC, concession Lease 123991, month-to-month until a new concessionaire is selected and commences operations. This extension is expected to continue for a period not to exceed 12 months. All other terms and conditions apply.

Summary

On April 22, 2015, the City Council authorized the Aviation Department (AVN) to issue one RCS with two contracting phases for new concession opportunities in Terminal 4 (T4). AVN issued the T4 RCS on July 1, 2015. On June 15, 2016, the City Council approved seven leases for Phase 1. On May 10, 2017, the City Council approved six leases for Phase 2. There was no response to two of the packages.

The RCS will award leases for the four remaining T4 Phase 2 locations; award a new food and beverage location in T4; award new automated and small footprint retail opportunities in Terminal 3 (T3) and T4; award a sleep/suite opportunity in T4; and award a food, beverage, and retail location in the Rental Car Center (RCC). Automated retail has been identified as a new opportunity at PHX. Automated retail locations are self-service and work as fully automated retail stores. A sleep/suite concept provides a private, relaxing, and quiet amenity where customers can work, nap, shower, etc. The food, beverage, and retail location in the RCC will provide snacks, coffee, and key retail items. The RCC location

will be offered as a small business opportunity with the small business threshold set by the Equal Opportunity Department in compliance with Small Business Administration standards.

AVN's concession program goals include encouraging competition and creating opportunities that mirror our community; reflecting our region by including national, regional, and local brands and concepts and current trends; optimizing sales and revenues; increasing the opportunity for local and small business participation; and raising the quality and uniqueness of concessions offerings.

The contract opportunities include:

Retail Package 1

T4 Lobby News and Gifts.

T4 S4 Souvenirs.

T4 S3 Cosmetics.

Automated and Small Footprint Retail Package 2

T4 lobby automated retail.

Multiple automated and small footprint locations in T3 and T4.

Automated and Small Footprint Retail Package 3

Multiple automated and small footprint locations in T3 and T4.

Sleep/Suite Package 4

T4 N4 International Concourse location.

Food and Beverage Package 5

T4 S2 Bar with limited food service.

Rental Car Center Food, Beverage, and Retail Package 6

RCC Lobby.

Procurement Information

AVN will conduct an RCS to select a vendor for each lease. Responsive and responsible respondents will be evaluated according to the following evaluation criteria (1,000 points possible):

Proposed concepts: 0-250 points.

Design/quality of tenant improvements: 0-225 points.

Management/marketing/operations plan: 0-225 points.

Experience and qualifications: 0-200 points.

Proposed business plan: 0-100 points.

The highest ranked respondent for each opportunity will be recommended for award of a concession lease.

In accordance with the City's Employee Retention Policy, the successful respondent must hire affected concession employees and retain them for at least 120 days. The successful respondent may only interview outside of this group of employees when there are no longer any employees in the group that are available to hire. AVN will secure a third-party facilitator to assure that this process is successful.

AVN intends to issue the solicitation in the summer of 2019. It is estimated that leases will be awarded in late 2019. The City's Transparency Policy will be in effect with the release of the RCS and throughout the solicitation process.

Contract Term

The terms of the five leases should begin in late 2019 and will coincide with the terms of the existing T4 retail contracts, which expire on Dec. 31, 2023. The leases will contain one three-year option to extend the term that may be exercised at the sole discretion of the Aviation Director. Finally, extend the existing lease with JMC-LLC, concession Lease 123991, until a new concessionaire is selected and commences operations on a month-to-month basis not to exceed 12 months.

Financial Impact

Minimum annual guarantee for the leases will be based on concession category, using PHX historical and market data, or percentage of gross sales, which will depend on the concession category and range from 10 percent to 16 percent, whichever is greater. Estimated annual revenue for all leases will be approximately \$840,000.

There will be a minimum capital investment as follows:

Package 1:

Retail - \$350 per square foot.

Package 2:

T4 Lobby Location - \$350 per square foot.

Automated and Small Footprint Locations - Connect to power and data as necessary.

Package 3:

Automated and Small Footprint Locations - Connect to power and data as necessary.

Package 4:

Sleep/Suite - \$350 per square foot.

Package 5

Food and Beverage - \$450 per square foot.

Package 6

RCC Food - \$50 per square foot.

Concurrence/Previous Council Action

This item was recommended for approval at the Aviation and Transportation Subcommittee meeting on March 26, 2019, by a vote of 3-0.

Public Outreach

The solicitation process will include all standard and required outreach efforts and conduct targeted outreach efforts to attract interest for each of these unique contracting opportunities.

Location

Phoenix Sky Harbor International Airport, 3400 E. Sky Harbor Blvd.
Council District: 8

Responsible Department

This item is submitted by Assistant City Manager Deanna Jonovich and the Aviation Department.

