



# City of San Antonio

## Agenda Memorandum

**File Number:** 19-2246

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**Agenda Item Number:** 15.

**Agenda Date:** 3/21/2019

**In Control:** City Council A Session

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**DEPARTMENT:** Aviation

**DEPARTMENT HEAD:** Russell J. Handy

**COUNCIL DISTRICTS IMPACTED:** Citywide

### **SUBJECT:**

Award of Food, Beverage and Retail Prime Concessionaire in Terminal A at San Antonio International Airport

### **SUMMARY:**

This ordinance authorizes a Food, Beverage and Retail Prime Concession Agreement with Paradies Lagardère @ SAT, LLC for 10 concepts in over 10,000 square feet in Terminal A at the San Antonio International Airport. Within the post-security concourse, the concessionaire will develop and operate the following food and beverage concepts: The Luxury, Smoke Shack BBQ, Local Coffee, Boss Bagels & Coffee and Chick-fil-A; as well as the following retail concepts: Spurs, IStore and Adina's Market. For locations pre-security, Paradies will develop and operate a Sip Brew Bar and Market (ticketing level) and Sip kiosk (baggage claim level).

The initial term of the agreement is seven years with three, one-year extension options. The opening of the different concepts will be phased with all concepts set to open within 12 months of approval of the agreement by City Council. The minimum annual guarantee (MAG) for first lease year is \$2,165,000 and over the course of the potential 10 years of the agreement, the agreement will generate at least \$21,650,000.00 for the Aviation Operating and Maintenance Fund.

### **BACKGROUND INFORMATION:**

The San Antonio Airport System sought proposals for an experienced and qualified food, beverage and retail prime concessionaire for more than 10,000 square feet in Terminal A.

In 2012, the City Council awarded the first prime concessionaire to bring a mix of local and national concepts

to the San Antonio International Airport in order to provide passengers with a better representation of the culinary offerings in the San Antonio area along with familiar national brands. This process was well-received in the community. In 2017, the airport system developed a new solicitation for a prime concessionaire that included retail as well as a continued focus on showcasing San Antonio area concepts as defined by either category below:

- Have one or more existing locations in San Antonio or not widely operated outside of San Antonio; be popularly associated with San Antonio; operate with a generally consistent menu and trade dress; and, be generally well-known in San Antonio community, or
- Developed by a San Antonio-based personality who is popularly associated with San Antonio; who is generally well-known in the San Antonio community; and who will remain continuously involved with the operation of the proposed airport facility.

In addition, surveys of passengers showed strong support for more food and coffee options pre-security. Therefore, respondents to the solicitation were asked to include a market fresh/farmers market (marche) concept (with the encouragement to include specialty coffee) on the ticketing level of Terminal A currently utilized as a sitting area and a specialty coffee kiosk in the baggage claim area. Respondents were required to provide expanded table-service venues, healthy food options and a Texas-style barbeque concept.

As an airport concession, this solicitation was released under the Airport Concessionaire Disadvantaged Business Enterprise Program (ACDBE) with a goal of 25%.

## **ISSUE:**

The solicitation was briefed to the Audit and Accountability Council Committee as a select item on October 3, 2017. The committee voted for the release of the solicitation, which occurred on January 18, 2018. Four proposals were received on June 29, 2018.

In accordance with City policy for high-profile solicitations, an evaluation committee was developed and included the following voting members:

- Carlos Contreras, Assistant City Manager, City Manager's Office
- Russell J. Handy, Director, San Antonio Airport System
- Valerie Peak, Supervisor of Group & Leisure Travel, Valero Energy
- Darius Dunn, Facility Manager (Alamodome), Convention & Sports Facilities Department
- Steve Milburn, Property & Concessions Manager, San Antonio Airport System

The evaluation criterion was published in the solicitation and the committee scored all four proposals based on the published criteria which included: Experience, Background, Qualifications (20 points); Proposed Plan (40 points); Compensation (20 points); and, Airport Concessionaire Disadvantaged Business Enterprise Programs (20 points). Based on the initial scoring of the four proposals, two proposals were selected for interviews. The selection committee, utilizing the same published criteria, interviewed the short-listed firms, Paradies Lagardère at SAT and Host International, Inc. Paradies Lagardère received 95.80 and the committee voted to enter into negotiations with the firm. Paradies Lagardère met the 25% ACDBE goal. The item was presented to the Audit and Accountability Committee as a post-solicitation item on February 19, 2019. Following the briefing, the Committee voted for the item to go before the full City Council for consideration.

### Paradies Lagardère

The proposal for Paradies Lagardère met all the requirements outlined in the solicitation documents, which included a strong representation of local concepts, pre-security marche with coffee, Smoke Shack BBQ and a

Sip kiosk in the baggage claim area.

*Food and Beverage Concepts:*

- *The Luxury*, Chef Andrew Weissman's version of a food truck located near the San Antonio Museum of Art, will offer breakfast items such as steel cut oatmeal with candied pecans, dried fruit, brown sugar and warm milk and house-made granola with Middle Eastern Labneh (yogurt) and fresh seasonal berries. The lunch and dinner options include the Bangin', a grilled fish banh mi, and the Campo salad of spinach, vanilla bean-poached pears and peppers. The eatery will also have a selection of wine, cocktails and local and national beers such as Busted Sandal 210 Ale and New Braunfels Himmel Weiss. Customers will be able to enjoy charging stations and video games.
- *Smoke Shack*, a San Antonio-favorite barbeque located close to the Witte Museum, will offer authentic and award-winning barbeque. Breakfast options include bowls of cheese grits with choice of toppings, tacos and fresh fruit. Lunch and dinner options include sliders, pulled pork sandwiches and the chopped brisket sandwich.
- *Boss Bagels and Coffee*, which wood-fires its bagels, will offer a variety of bagels and bagel sandwiches (including the Gobble Gobble and Slammin Salmon) throughout the day. Breakfast options also include: The Athlete, scrambled egg whites on a grain bagel, turkey bacon and a pesto schmear. The eatery is located near the McNay Museum off of N. New Braunfels.
- *Local Coffee*, named one of the Top Five local coffee houses in San Antonio by the Express-News, will serve quiche and pastries from San Antonio-based Bakery Lorraine and provide grab-n-go sandwiches and salads for lunch and dinner, with their Merit coffee which is roasted at its South Presa location. Local Coffee has locations throughout the city, including the Pearl and Medical Center.
- *Sip Brew Bar and Market*, another Chef Weissman concept located near the Majestic Theatre, will serve fresh fruit cups; European-style sandwiches such as the Harissa Flatbread with grilled chicken, cucumbers, spinach, tomato and a harissa yogurt drizzle; and, fruit and cheese boxes in the pre-security location in the ticketing area of Terminal A.
- *Chick-fil-A*, which calls itself the home of the original chicken sandwich, will bring their national brand to San Antonio International.

*Retail Concepts:*

- *Adina's*, named for Alamo and the Spanish Governor's Palace preservation champion Adina de Zavala, will sell local gourmet goods and foods as well as Brighton collectibles.
- *Spurs*, a retail store that will sell licensed clothing of the Spurs, Rampage and San Antonio FC, will also sell drink ware, magnets and other local professional sports products.
- *IStore*, a retail electronic store, will sell premium electronics including Apple products such as charging cables, smart phone cases and headphones.

The initial seven-year term with three one-year renewal options, will commence upon the first day of the month following the last store opening for business. As part of the phasing process, Paradies Lagardère will open temporary food and beverage kiosk(s) to provide passengers with offerings while construction is on-going.

**ALTERNATIVES:**

City Council could elect to request the Airport System release a new solicitation for a food, beverage and retail prime concessionaire. The development of the new solicitation could take time and may result in fewer responding proposals. In addition, current concessionaires, who have been operating under a holdover provision of their current agreement, may decide to close their location.

**FISCAL IMPACT:**

This ordinance authorizes a Food, Beverage and Retail Prime Concession Agreement with Paradies Lagardère @ SAT, LLC for 10 concepts in over 10,000 square feet in Terminal A at the San Antonio International Airport.

The minimum annual guarantee (MAG) for first lease year is \$2,165,000 and over the course of the potential 10 years of the agreement, the agreement will generate at least \$21,650,000.00 for the Aviation Operating and Maintenance Fund.

The initial seven-year term will commence upon the first day of the month following the last store opening for business. The MAG for first lease year is \$2,165,000. The MAG for the second lease year and each succeeding lease year shall be calculated by multiplying 85% by the total amount of both the MAG and percentage rent. The MAG should not be lower than \$2,165,000 during any lease year.

During the transition period, Paradies Lagardère will pay a mixture of location MAGs and percentage rent as each location becomes operational.

**RECOMMENDATION:**

Staff recommends award the Food, Beverage and Retail Prime Concessionaire in Terminal A at San Antonio International Airport to Paradies Lagardère.