COUNCIL AGENDA: 12/12/06
ITEM: 2.3

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: William F. Sherry, A.A.E.

SUBJECT: **AIRPORT ADVERTISING RFP TERMS AND CONDITIONS**

DATE: November 20, 2006

Approved

Date 12/5/06

COUNCIL DISTRICT: Citywide

RECOMMENDATION

Approval of the terms and conditions for the Airport advertising concession request for proposals at the Norman Y. Mineta San José International Airport.
CEQA: Resolution Nos. 67380 and 71451, PP 06-173.

OUTCOME

Approval of the terms and conditions for the Norman Y. Mineta San José International Airport (Airport) advertising concession request for proposals (RFP) will permit the Airport to proceed with the advertising solicitation. This RFP will allow for greater potential revenue to the Airport and in turn reduce facility costs. All concession revenue generated at the Airport helps to lower enplanement fees and assists with efforts to remain competitive with other airports in the region.

BACKGROUND

On June 14, 2005, Council unanimously approved the four-concept method of solicitation for the advertising RFP. At that time staff indicated that they would return to Council for the final RFP document approval prior to issuance of the RFP. Staff, with the assistance of our airport concession consultant, The Center for Airport Management, input from concession managers at other airports, statistical information from a variety of sources as well as detailed proforma analysis, completed the advertising RFP.

The advertising concession falls under the Federal FAA Airport Concession Disadvantaged Business Enterprise (ACDBE) regulations. On March 22, 2005, the Federal FAA published revised ACDBE regulations. The new ACDBE regulations revised and updated FAA regulations concerning participation by ACDBEs in the concessions activities of airports receiving federal grants from the FAA Airport Improvement Program (AIP). The new Airport Concession DBE regulations became effective April 22, 2005. These regulations require recipients of FAA grants to develop new programs for ACDBE participation in airport concession contracts. The City, as a recipient of FAA financial assistance for Airport development, updated its ACDBE program to

comply with the new ACDBE regulations. Council approved the Airport's ACDBE program on September 12, 2006.

ANALYSIS

On June 14, 2005 Council approved the use of the four-concept/package method of concession development for the advertising RFP in keeping with the Airport's Vision Statement for the Airport Advertising Concession Program (Program).

The objectives of the Program are to promote:

Economic Development - Increase revenue performance, promote the City of San José (City) and the Silicon Valley area, local participation; provide a mix of local, state and national advertisers; and create unique displays that feature new technology.

Customer Satisfaction - Present an attractive environment for the traveling public, with minimal visual clutter and minimal distractions from way-finding signage, and provide excellent customer service.

City Policy - Insure compliance with the City's Sign Ordinance and City policies regarding sponsorship and naming rights, and insure all construction related to fixture and exhibit installation is consistent with City policies.

The RFP documents address all of the above objectives, and include a minimum capital investment and minimum annual guaranteed (MAG) percentage of sales revenue per package.

Package 1 **Fixed Display In-Terminal Advertising**

- Interior of Terminals A and C including but not limited to wall and floor displays; hotel/motel telephone reservation boards; column wraps; floor wraps; directories and banners
- Interior displays in parking garages and walkway connectors
- Capital Investment: $1,563,000
- MAG: 65%

Package 2 **Outdoor Advertising**

- Approved exterior locations; "Welcome to SJC" sign located at the entrance of the airport roadway system; light poles for banner displays
- Capital Investment: $209,000
- MAG: 65%

Package 3 **Transit/Bus Shelters Advertising**

- Display types that are commonly found on buses and other ground transportation such as trams and light rail systems. Included in this category would be exterior king size posters; tail light displays; wraps and interior cards as an example
- The Airport currently has 26 exterior bus shelters which would have their own unique display fixtures
- Capital Investment: $228,000
- MAG: 50%

Package 4 **Marketing Income**

- Official and exclusive San José Airport product rights sponsorships
- Special events sponsorships and promotions
- Supplier sponsorships
- Naming rights
- Airport brand 'licensing rights'
- Each agreement would be negotiated individually

Package 5 has been added since we last appeared before Council to provide proposers the opportunity to bid on all four options as a comprehensive package

Package 5 **Comprehensive Packages of All Four Packages**
The capital investment and the MAG for Package 5 are the sum of Packages 1, 2, and 3. The Marketing Income component of this Package would be negotiated, consistent with Package 4 above

The MAG on each package would be biddable.

The length of the agreement would be 7 years with one 3-year option to extend the agreement at the sole discretion of the City. In addition, there would be two mid-term refurbishment requirements: one at 3 years and the second in conjunction with exercising the 3-year option.

It is the policy of the City of San José to practice nondiscrimination based on race, color, sex, or national origin in the award or performance of this contract. All firms qualifying under this solicitation will be encouraged to submit bids/proposals. The City plans to meet its ACDBE participation targets through race-neutral means, therefore a contract specific ACDBE goal for the Advertising Concession RFP has not been established.

If this Council Memo is approved the timeline for the RFP is as follows:

Release date for RFP	December 2006
Proposals Due	March 2006
Oral Interviews	April 2006
Council Award	May 2006

POLICY ALTERNATIVES

Alternative #1: *Council does not approve the advertising terms and conditions for the RFP.*
Pros: None.
Cons: Per resolution #62192 major Airport concessions will be subject to a formal Request for Proposal (RFP). Display advertising is listed as one of the major concessions.
Reason for not recommending: To stay in compliance with resolution #62192.

PUBLIC OUTREACH/INTEREST

☐ **Criteria 1**: Requires Council action on the use of public funds equal to $1 million or greater. **(Required: Website Posting)**

☒ **Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting).**

☐ **Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

At various outreach events over the past several years, Office of Economic Development staff and presidents of the local business chambers of commerce have asked staff to see what could be done to promote the local business neighborhoods at the Airport. A provision has been inserted in the in-terminal component of the RFP to allow for up to three advertising units to be made available to promote the local San Jose business neighborhoods. Also, Airport staff will provide dynamic banners on the new Arrival Flight Boards. The banner will rotate and list each neighborhood and simultaneously present a picture representing that neighborhood.

Prior to bringing the advertising RFP back to Council for final approval of the terms and conditions, staff scheduled an industry stakeholder outreach meeting on November 16, 2006 to solicit comments on the basic terms and conditions. The local, regional and national firms that had expressed interest in the RFP were notified by e-mail and phone of the opportunity to weigh in on the various aspects of the solicitation

COORDINATION

Preparation of this memorandum has been coordinated with the City Attorney's Office, Office of Equality Assurance and the City Manager's Office.

COST IMPLICATIONS

This RFP for Airport advertising would provide for greater potential revenue to the Airport.

BUDGET REFERENCE

N/A

CEQA

CEQA: Resolution Nos. 67380 and 71451, PP 06-173.

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Director of Aviation
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Please direct questions to William Sherry, Director of Aviation, at (408) 501-7669.