

# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Ralph G. Tonseth  
Paul Krutko

**SUBJECT:** NORTH CONCOURSE  
CONCESSION DEVELOPMENT  
FOR FOOD/BEVERAGE & RETAIL

**DATE:** December 8, 2004

Approved

Date

12/8/04

Council District: Citywide

## RECOMMENDATION

Approval of the following direction in the development of the Airport's North Concourse Concession Program:

- A single prime operator for the food and beverage element of the North Concourse, and
- One or two prime operators for the retail portion of the North Concourse

## BACKGROUND

With the development and construction of the North Concourse, staff is tasked with creating a concession program that meets the desires and needs of our stakeholders. Towards that end, the following Vision Statement and Objectives were developed:

### Vision Statement

Create a concession program for Food/Beverage & Retail in the North Concourse that provides the highest quality, flexibility and efficiency. The operator should be experienced, financially sound and able to create unique spaces and concepts. Local and small business participation will be strongly encouraged to help create an identity for the City.

### Objectives

- Integrate the concession program with the approved Paseo architectural concept design
- Insure the continuity of an efficient, successful program that can quickly adapt to industry changes

- Continue our outreach program to solicit input from passengers, employees and local business groups
- Encourage uniquely identifiable City of San José concepts
- Encourage local/regional products and artisans
- Showcase the newest and latest in high technology
- Develop a new “Customer-Service Training Program”
- Require street pricing
- Maximize revenue potential
- Incorporate City public policy

## ANALYSIS

Staff, with the assistance of the Airport concession-consulting firm, Sypher-Mueller, developed the basis for a concession program based on historic data and experience from other airports around the country.

The goals for the concession layout plan are based on the following guidelines: passengers should not have to walk more than two gates to purchase a cup of coffee or newspaper; centrally locate the majority of the concessions for passenger convenience; and use the Main Street/clustering effect to drive revenue.

Part of the Vision Statement is to create an identity for the City through local and small business participation. Towards that end, staff developed an Outreach Program that includes presentations at local business events, Chambers of Commerce, Rotary and local and small business groups, to solicit input and ideas and to encourage local businesses to participate in the upcoming Request for Proposals (RFP) processes for the North Concourse Concession Programs. A list of those groups that staff has met with to date is attached as Exhibit A. Additional outreach events will continue over the next several months to promote the benefits of the concession program, and to provide technical assistance and information about operating at an airport.

The focus of the concession program was to determine the best method to include local concepts and operators in the North Concourse Concession Program and promote the long-term success for participants.

Staff recommends that the City utilize the prime operator concept. A prime operator is generally a company whose core business is providing multiple and variable concession services in airports. As envisioned, the City would provide the prime operator with a total square feet of

space and the prime operator would design, build out and allocate the space to concepts and operators that meet the goals and objectives of the City.

The following represent the chief benefits of utilizing a prime operator:

- Ability to finance the high cost of construction and help to provide capital to small/local operators;
- Experience in dealing with City policies and act as an advisor to small/local operators in the differences of operating at an airport;
- Specializes in airport concession trends and concepts, and assists small/local operators in staying ahead of trends and assist in transitions;
- Ability to generate higher revenue due to economies of scale, and provide the benefit of their economy of scale to small/local operators;
- Historically, prime operators include a high level of participation of local and small business operators and local concepts within their programs (staff will continue to strongly encourage local concepts and participation in its food and beverage and retail programs much like it did in the Airport's 1998 Food and Beverage RFP process, which resulted in 50% of the locations operated by local operators);
- Prime operators can replace a failed concept in a short turn-around time, which minimizes revenue losses.

The ability to replace a potential failed concept in a timely manner is a significant concern. Due to the time required for the RFP and construction process, it can take up to a year to replace a failed individual operator, disrupting the aesthetics and vitality of the airport with unoccupied/boared-up space, and resulting in a loss of revenue. A prime operator is better able to respond quickly and replace a concept in a short period of time.

Overall, staff recommends the use of a prime operator concept rather than individual space operators for the retail and food and beverage concessions at the North Concourse as the best approach to achieve the Vision and Objectives of the overall concession program.

The use of the prime operator concept does not preclude local San José entities from having a presence in the North Concourse and, in fact, may better position local entities in establishing an Airport presence.

**PUBLIC OUTREACH**

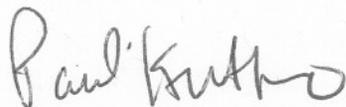
Outreach efforts have been described above. The Airport and the Office of Economic Development will continue to strongly encourage local and small business participation

**COORDINATION**

This item has been coordinated with the City Manager's Office, the City Attorney's Office, the Office of Equality Assurance, the Airport Commission and the Small Business Development Commission.

**CEQA**

Resolution Nos. 67380 and 71451, PP 04-269.



PAUL KRUTKO  
Director of Office of  
Economic Development



for RALPH G. TONSETH  
Director of Aviation, Airport

EXHIBIT A

North Concourse Concessions  
Public Outreach Log

Date	Organization	Event	Attendees
07/22/04	Hispanic Chamber of Commerce	Regular Monthly Mtg	30-40
08/11/04	Small Bus. Development Com.	Regular Monthly Mtg	10-12
08/25/04	Small Bus. Development Com.	Public Input Mtg.	25-30
08/26/04	Santa Clara Rotary Club	Regular Monthly Mtg	50-60
09/28/04	Santa Clara Chamber of Commerce AND CVB	Regular Monthly Mtg - Board of Directors	20
09/30/04	N. 13th Street Bus. Assoc.	Regular Monthly Mtg	10
10/07/04	Japantown Bus. Association	Regular Monthly Mtg	5
10/19/04	E. Santa Clara Bus. Assoc.	Regular Monthly Mtg	45
10/20/04	Story Road & Alum Rock Business Assocs.	Joint Meeting	30
10/20/04	San Pedro Square Bus. Assoc.	Regular Monthly Mtg	10
10/20/04	Fountain Alley Bus. Assoc.	Regular Monthly Mtg	6
10/21/04	Alameda Bus. Assoc.	Regular Monthly Mtg	10
10/21/04	San Jose Entrepreneur Center	Special Event	8
10/27/04	SoFA District Business Group	Regular Monthly Mtg	7
11/03/04	Good Bus. In Tough Times Workshop	Special Event	20
11/09/04	W. San Carlos Bus. Assoc.	Regular Monthly Mtg	18
11/17/04	Santa Clara Chamber of Commerce & CVB	Regular Monthly Mtg - General Membership	5
11/18/04	Tough Times Workshop - Nat'l Hispanic University	Special Event	40
11/22/04	SJ Redevelopment Agency	Coordination Meeting - Closed Session	5
01/20/05	San Jose Entrepreneur Center	Special Event - Call-Back	TBD
TBD	Portuguese Chamber of Commerce	Regular Monthly Mtg	TBD
TBD	Winchester Bus. Assoc.	Regular Monthly Mtg	TBD
TBD	Willow Glen Neighborhood Assoc.	Regular Monthly Mtg	TBD

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