



Council Communication No. 97-299

SYNOPSIS –

On March 27, 1997, the Purchasing Agent took receipt of three proposal packages within the required time frame for the gift/news concession at the Des Moines International Airport. Upon initial review by staff and the Airport's concession consulting firm, Airport Concession Consultants (ACC), two of the proposers, The Paradies Shops, Inc. (Paradies) and Hudson News Company (Hudson News) were deemed responsive to the Request for Proposal (RFP). After evaluation by the RFP review team and scoring based on the criteria established within the RFP, The Paradies Shops, Inc. proposal was rated the higher of the two.

The following is a summary of The Paradies Shops, Inc. proposal in comparison to the primary evaluation criteria contained within the RFP:

1. Disadvantaged Business Enterprise (DBE) Participation. While Paradies currently has DBE firms who provide goods and services to the company, their proposal did not include DBE operational participation. However, their proposal does indicate that "In the event that we [Paradies] find a qualified DBE firm to operate additional facilities such as carts and kiosks, we will make appropriate recommendation to the City of Des Moines."

2. Capital Improvements. The Paradies Shops, Inc. design and development plan shows an attractive development with separate areas for display of diverse and varied products. In the Main Terminal location, they have submitted an artistic rendering showing inclusions of columns and other architectural details that have been influenced by the State Capitol Building. In the concourse area, their rendering shows a more modernistic influence. The architectural renderings and area layout plans represent proposed ideas of the assigned areas. The City retains the right to final approval of the plans and specifications prior to construction.

3. Financial. The Paradies Shops, Inc. and Hudson News have both met the requirements for minimum annual guarantee, percentage rent, and capital investment as set forth in the RFP. See Fiscal Impact section on page two. The only financial difference between the two responsive proposals was that Hudson News proposed a mid-term capital investment of \$101,250 as opposed to The Paradies Shops, Inc.'s mid-term capital investment of \$50,000. Based on the quality of the proposed capital investment, this differential is deemed insignificant. After an in-depth review of the proposals, an analysis of revenue growth potential under both concepts, and discussions with airports currently being served by The Paradies Shops, Inc. as a concessionaire, staff concluded that The Paradies Shops, Inc. would have the greater ability to generate revenues above the minimum annual guarantee over the term of the agreement.

4. Business Plan. The Paradies Shops, Inc. is one of the largest retailers in the airport market and has proposed a diverse and varied product line to offer the customers of Des Moines. In

evaluating the proposals, this was determined to be one of the primary differences between The Paradies Shops, Inc. proposal and the Hudson News proposal. The Paradies Shops, Inc. proposal contained a much greater diversity of merchandise being offered including everything from small novelty gifts to high price end jewelry and watches. In addition, The Paradies Shops has developed a program which attempts to search out locally developed merchandise for sale in their stores and has committed in writing to include local products to the highest extent reasonably possible.

5. Qualifications. The Paradies Shops, Inc. currently operates approximately 200 stores at 48 locations in the United States and Canada, and services 500 million airport passengers annually. In their proposal, The Paradies Shops, Inc. has included a list of recommendations and references of support from airports where they are located.

Enclosed for your information is: 1) a copy of the May 13, 1997, letter to the Mayor and City Council members from the Airport Board Chairperson; and 2) exhibits showing the existing and proposed concession areas in the Airport Terminal Building.

FISCAL IMPACT –

The following is a breakdown of the two proposers' proposed financial commitment:

Category RFP Requirements The Paradies Shops, Inc. Hudson News

Rent - % of gross revenue

Category I items

Category II and III items

11%

16%

11%

16%

11%

16%

Minimum Annual Guarantee

\$112,000 or

\$0.14 per enplaned passenger

\$.18 per enplaned passenger \$187,418

Minimum Capital Investment \$750,000 and a mid-term investment \$750,000

mid-term investment

of \$50,000 \$750,000

mid-term investment of \$101,250

Based on a very detailed analysis of the proposed product/merchandise lists of each proposer, the proposed concepts, the proposed operating plans, the proposed marketing plan, and the

information obtained by Airport Concession Consultants, Inc. (ACC) through passenger surveys, it was clear to both ACC and to staff that The Paradies Shops proposal presented the greatest opportunity for the Airport and for our patrons. While the first year guaranteed minimum is based on Airport enplanements, our analysis has projected the highest percentage rental payments to the Airport over the term of the proposed agreement to be with The Paradies Shops, Inc. rather than through Hudson News. Additionally, it is believed that gross revenues generated by The Paradies Shops, Inc. will have the potential to significantly increase over that of the current provider.

RECOMMENDATION –

On September 20, 1993, by Roll Call 93-3490, the Des Moines City Council approved Ordinance 12,040 assigning certain rights and responsibilities pertaining to the Airport to the Des Moines International Airport Board, including the right to enter into leases up to three years in duration. As the proposed term of this Agreement will be ten years, it will require approval by City Council. On May 6, 1997, by Resolution No. A97-130, the Airport Board recommended approval to the City Council of the proposed agreement with The Paradies Shops, Inc. for gift and news concession operations at the Des Moines International Airport.

BACKGROUND –

On August 6, 1997, by Resolution No. A96-189, the Des Moines International Airport Board (Airport Board) approved an Agreement for Professional Services between the City and ACC. Under the agreement, ACC produced a Concessions Analysis & Plan which had the following objectives:

- A. Improve the appearance and appeal of the concession facilities
- B. Expand the variety of product offerings in the concessions
- C. Meet the needs/desires of the traveling public and other concession customers
- D. Provide viable opportunities for DBE businesses
- E. Maximize revenues to the airport/minimize airport capital outlay

The development of the final plan included: 1) an analysis of the existing operations; 2) a survey of concession operations at other airports; and 3) surveys of passenger/airport users and airport employees. Utilizing the above data, ACC completed the Plan to include summaries of the current concessions and the potential alternatives for future concession operations at the Airport. Based on the final conclusions of the study, ACC then produced a specific recommendation based on the generated data. That specific recommendation was then translated into the RFP.

On December 10, 1996, by Resolution No. A96-338, the Airport Board approved the Concession Analysis & Plan and approved the RFP for Food/Beverage and Gift/News Concessions at the Des Moines International Airport. On December 30, 1996, the City's Purchasing Agent issued the Invitation to Bid and Notice to Bidders for the "Operation and management of food and

beverage concessions and gift/news concessions at the Des Moines International Airport in accordance with the attached requirements, terms and conditions." Also contained within the original proposal documents were sample concession agreements for each operation. The due date for proposals under the December 30, 1996 Notice was 10:30 AM on February 5, 1997.

On January 9, 1997, Addendum No. 1 was issued extending the time and date for the proposal opening until 10:30 AM, March 12, 1997. On February 3, 1997, Addendum No. 2 was issued extending the time and date for the proposal opening until 10:30 AM, March 27, 1997. Addendum No. 2 also provided clarifications and modifications to the specifications and requirements of the Notice Inviting Proposals.

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