CITY OF EL PASO, TEXAS
REQUEST FOR COUNCIL ACTION (RCA)

DEPARTMENT: **Financial Services Department-Purchasing Division**

AGENDA DATE: **October 31, 2006**

CONTACT PERSON/PHONE: **Enrique Acosta, C.P.M.– Procurement Analyst, 541-4321**

DISTRICT(S) AFFECTED: **3**

SUBJECT:

Award RFP 2007-004 "Lease, Develop & Operate Food & Beverage Concessions at the El Paso International Airport" to Host International, Inc. (HMSHost Corporation), which received the highest rating from the Evaluation Committee. The Departments of Financial Services-Purchasing Division and Aviation concur with the results.

The term of this contract is comprised of two parts, the Interim Term and the Primary Term. The Interim Term will begin January 1, 2007 and will terminate upon delivery of newly constructed concession areas to HMS Host Corporation (estimated February 2008). The Primary term is ten (10) years after possession of newly constructed concession areas to HMS Host Corporation.

Host International has committed $6,054,913 to initial capital improvements for all concession areas. Projected gross sales of $105,345,686 for the contract term will result in projected revenue to the Department of Aviation in the amount of $11,444,853.

They have included 5 local companies and 4 well-know national brands in their overall theme.

BACKGROUND / DISCUSSION:

The City of El Paso issued Request for Proposals offering food & beverage concessions totaling approximately 14,453 square feet in 11 locations at El Paso International Airport, in addition to adjacent food court seating of approximately 3,253 square feet. HMS Host Corporation will have the non-exclusive right to develop and operate these facilities.

The Evaluation Committee reviewed and rated the two proposals that were submitted, and HMSHost Corporation received the highest rating. The Committee Evaluation Sheet is included in the agenda backup.

PRIOR COUNCIL ACTION:
N/A.

AMOUNT AND SOURCE OF FUNDING:
Revenue contract

BOARD / COMMISSION ACTION:

N/A

**********REQUIRED AUTHORIZATION**********

LEGAL: (if required) _____ **FINANCE:** (if required) _____

DEPARTMENT HEAD: Patrick Abeln

(Example: if RCA is initiated by Purchasing, client department should sign also)
Information copy to appropriate Deputy City Manager

APPROVED FOR AGENDA:

CITY MANAGER: _____ **DATE:** _____

PROJECT FORM

DATE: October 20, 2006

PROJECT: Lease, Develop & Operate Food & Beverage Concessions at the El Paso International Airport
RFP NO: 2007-004R DEPARTMENT: Department of Aviation
BUDGET NO: Revenue Contracts
FUNDING SOURCE: Revenue Contracts
REPRESENTATIVE DISTRICT(S): 3

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RECOMMENDATION: VENDOR: Host International, Inc. (HMSHost Corporation)
Bethesda, MD
AMOUNT: $11,444,853.00
(Projected Revenue During the Contract's Term)

The Review Committee recommends award as indicated. Host International, Inc. (HMSHost Corporation) submitted the highest ranked and best proposal to meet the needs of the City.

The term of the contract is 10 years, following the completion of construction.

Furthermore, it is requested that staff be authorized to negotiate, the City Attorney's Office to review and the City Manager execute any additional documents and agreements as necessary.

RFPs SOLICITED	10
RFPs RECEIVED	02
"NO BID" RECEIVED	0
CURRENT TAXED PAID	
OUT-OF-TOWN--	X

TOTAL RECOMMENDED AWARD: $11,444,853.00
(Projected Revenue During the Contract's Term)

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COUNCIL APPROVED ☑ REJECTED ☐ MUNICIPAL CLERK _____

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APPROVED:

Terrance Freiburg
Purchasing Manager

COUNCIL:
MEETING DATE-October 31, 2006

El Paso International Airport

MEMORANDUM

TO: Terrance Freiburg
Purchasing Manager

FROM: Patrick T. Abeln, A.A.E. PATRICK Abeln

DATE: October 23, 2006

SUBJECT: Solicitation No. 2007-004R - Lease, Develop & Operate Food & Beverage Concessions at the El Paso International Airport

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The Department of Aviation concurs with the recommendation of the Evaluation Committee to award the above-referenced solicitation to Host International, Inc. (HMS Host Corporation). HMSHost Corporation received the highest rating from the Evaluation Committee. They submitted a comprehensive proposal that favorably addressed all factors within the solicitation, including previous airport experience, capital investment, and inclusion of local concepts.

The Department of Aviation recommends award of this contract to Host International, Inc. (HMSHost Corporation).

Attached is a detailed memorandum to the Mayor and City Council outlining key issues identified in the evaluation process.

If you should have any questions, please do not hesitate to contact me at 780-4736. Thank you.

6701 Convair Rd. El Paso, Texas 79925-1091 Ph. (915) 780-4700 Fax (915) 779-5452

El Paso International Airport

MEMORANDUM

TO: Joyce Wilson, City Manager
Mayor & Council

FROM: Patrick T. Abeln, A.A.E.
Director of Aviation

DATE: October 23, 2006

RE: Award of El Paso International Airport
Food and Beverage Contract #2006-004R

The purpose of this memo is to discuss the award of the Food and Beverage contract at El Paso International Airport (EPIA) and to provide Council with background and analysis that supports the concurrence of the Department of Aviation with the recommendation of the selection committee.

The selection committee reviewed the defined selection criteria, listed below, which were clearly defined in the RFP and in the presentation at the pre-proposal conference.

- Experience and Qualifications
- Merchandising and Concept Plan
- Facility Design
- Management and Operations Plan

Two companies submitted proposals: Host International, Inc. (HMS) and Delaware North Companies (DNC). The selection panel's cumulative scores were 450 points for HMS and 309 points for DNC, out of a possible total of 500 points.

The selection panel consisted of five city employees: three (3) from the Department of Aviation, one (1) from the Department of Financial Services, and one (1) from the Department of Engineering. The Director of Aviation was not a member of the selection committee.

The significant difference in scores reflects the deficiencies of the DNC proposal in a number of key areas:

6701 Convair Rd. El Paso, Texas 79925-1091 Ph. (915) 780-4700 Fax (915) 779-5452

- The DNC proposal is non-responsive in failing to provide for the minimum capital investment of $487,950 required for finished food court seating area. Contrary to what the RFP specifies and requires, Delaware North proposed that the City incur this cost.
- The DNC proposal requires the City to pay all capital costs in excess of $4 million for investment in food and beverage facilities. In order to complete the DNC concept, the City would be required to expend an unknown amount of capital expenditure, thereby leaving the City with a potentially large liability.
- The DNC proposal is non-responsive in that DNC did not submit an itemized capital investment per each concession location as required in the RFP.
- Additional exceptions were noted within the DNC proposal, specifically exceptions taken to the draft agreement language, which includes language regarding hours of operation, and the City's indemnification language.

The following exhibits prepared by the Department of Aviation and its consultant illustrate differences between the two proposals:

- Exhibit I denotes the local and national concepts proposed by each respondent.
- Exhibit II denotes the projected capital investment by both respondents.
- Exhibit III denotes the projected revenue by respondents, both in terms of gross revenue and in percentage of gross receipts revenue payable to the City.
- Exhibit IV depicts an analysis of investment by concept for each respondent. The minimum required investment is also shown.
- Exhibit V is a terminal diagram showing where each concept will be located.
- Exhibit VI is an analysis prepared by the Airport consultant denoting gross sales, sales per enplanement, and sales per square foot for selected airports for 2005. Information is also included for EPIA regarding gross sales and sales per enplanement.

The Department of Aviation concurs with the recommendation of the selection panel and believes that the goal of selecting a first-class food & beverage concession, featuring both locally and nationally well-known concepts, was accomplished with this process.

Exhibit I

El Paso International Airport

Summary of Local / National Concepts

DNC

Local	National	Other *
Cappetto's Pizzeria	Carl's Jr.	Marty's Cantina
Kinley's House Coffee & Tea	Einstein Bros. Bagels	
Forti's	T.J. Cinnamons	
Jaxon's Restaurant & Brewing Company		
Smitty's Pit BBQ		

HMS Host

Local	National	Other *
Carlos & Mickey's	Burger King	El Paso Vineyard
Mesa Street Bar & Grill	Pizza Hut	
El Taco Tote	Starbuck's	
Keva Juice	Quizno's Subs	
El Paso Chile Co.		

*** Internal Corporate Concepts that may carry local products.**

Exhibit II

El Paso International Airport

R.F.P. Initial Capital Investment

DNC		HMS Host		% Difference
Lower Level	Not Shown	Lower Level	$2,498,269	-
Concourse A	Not Shown	Concourse A	$ 165,345	-
Concourse B	Not Shown	Concourse B	$2,678,299	-
Food Court	$0	Food Court	$ 503,000	-
Other	$0	Other	$ 210,000	-
Total	**$4,000,000**	**Total**	**$6,054,913**	**51.4%**

1. **DNC proposal is non-responsive in not providing for minimum capital investment of $487,950 required for food court seating.**

2. **DNC proposal is non-responsive in not submitting itemized capital investment per each concession location.**

3. **DNC proposal is requiring City to pay all capital costs in excess of $4,000,000.**

Exhibit III

El Paso International Airport

Projected Revenue

DNC			HMS Host			% Difference
Gross Sales 1st - 11 years			**Gross Sales 1st - 11 years**			
Food & Non-Alcoholic Beverages	$ 71,440,000	*	Food & Non-Alcoholic Beverages	$ 87,140,007	*	21.98%
Alcohol	$ 16,792,000	*	Alcohol	$ 18,205,679	*	8.42%
Total	$ 88,232,000		Total	$ 105,345,686		19.40%
Estimated Revenues To City (Percentage of fees only)			**Estimated Revenues** To City (Percentage of fees only)			
Food & Non-Alcoholic Beverages x 10%	$ 7,144,000	**	Food & Non-Alcoholic Beverages x 10%	$ 8,714,001	**	21.98%
Alcohol x 15%	$ 2,518,800	**	Alcohol x 15%	$ 2,730,852	**	8.42%
Total	$ 9,662,800		Total	$ 11,444,853		18.44%

* Projected Gross Revenues as provided by respondents.

** Projection calculated by El Paso International Airport based on percentage fees of Gross Reciepts (as submitted by Respondent) of 10% for food and non-alcoholic beverages and 15% of alcoholic beverages.

Exhibit IV

El Paso International Airport

HMS Host			DNC			RFP Required Minimum Investment	
Proposed Concept	Capital Inv.	Inv/SF	Proposed Concept	Capital Inv.	Inv/SF	Capital Investment	Cap. Inv./SF
Burger King	$ 565,215	$ 357	Carl's Jr.	Not Shown In RFP		$ 316,600	$ 200
Keva Juice	$ 230,429	$ 230	Cappetto's Pizzeria			$ 200,000	$ 200
Carlos & Mickey's	$ 1,125,450	$ 575	Forti's			$ 391,200	$ 200
El Paso Vineyard	$ 137,500	$ 209	Marti's Cantina			$ 131,400	$ 200
Starbucks	$ 439,675	$ 689	Kinley's House Coffee & Tea			$ 127,600	$ 200
El Paso Market	$ 165,345	$ 198	TJ Cinnamons/ Forti's Express/ Smitty's BBQ				
Dewar's Clubhouse	$ 1,176,500	$ 478	Jaxon's Rest. & Brewing Company			$ 492,000	$ 200
Starbucks	$ 415,800	$ 807	Kinley's House Coffee & Tea			$ 103,000	$ 200
Pizza Hut	$ 297,800	$ 235	Einstein Bros. Bagels			$ 253,800	$ 200
El Taco Tote	$ 245,700	$ 194	Forti's Express			$ 253,800	$ 200
Quizno's	$ 542,499	$ 428	Smitty's Pit BBQ			$ 253,800	$ 200
	$ 5,341,913	$ 397	*Subtotal*	*$ 4,000,000*		$ 2,523,200	$ 200
Food Court Seating	$ 503,000	$ 155	DNC will not invest in FC seating	-		$ 487,950	150
Other	$ 210,000						
Total HMS Investment	*$ 6,054,913*	$ 362	*Total DNC Investment*	*$ 4,000,000*	*$297*	$ 3,011,150	*$ 180*

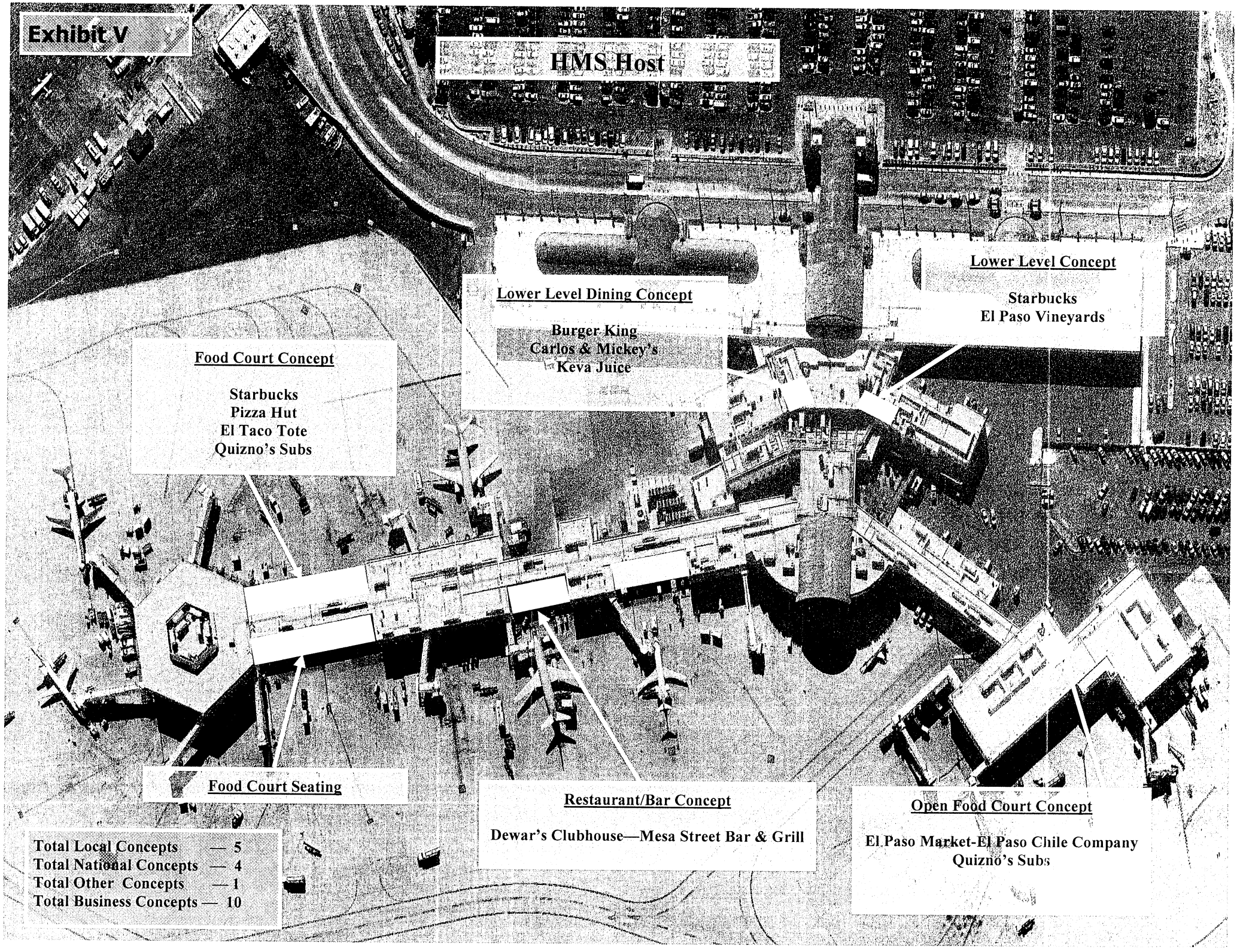
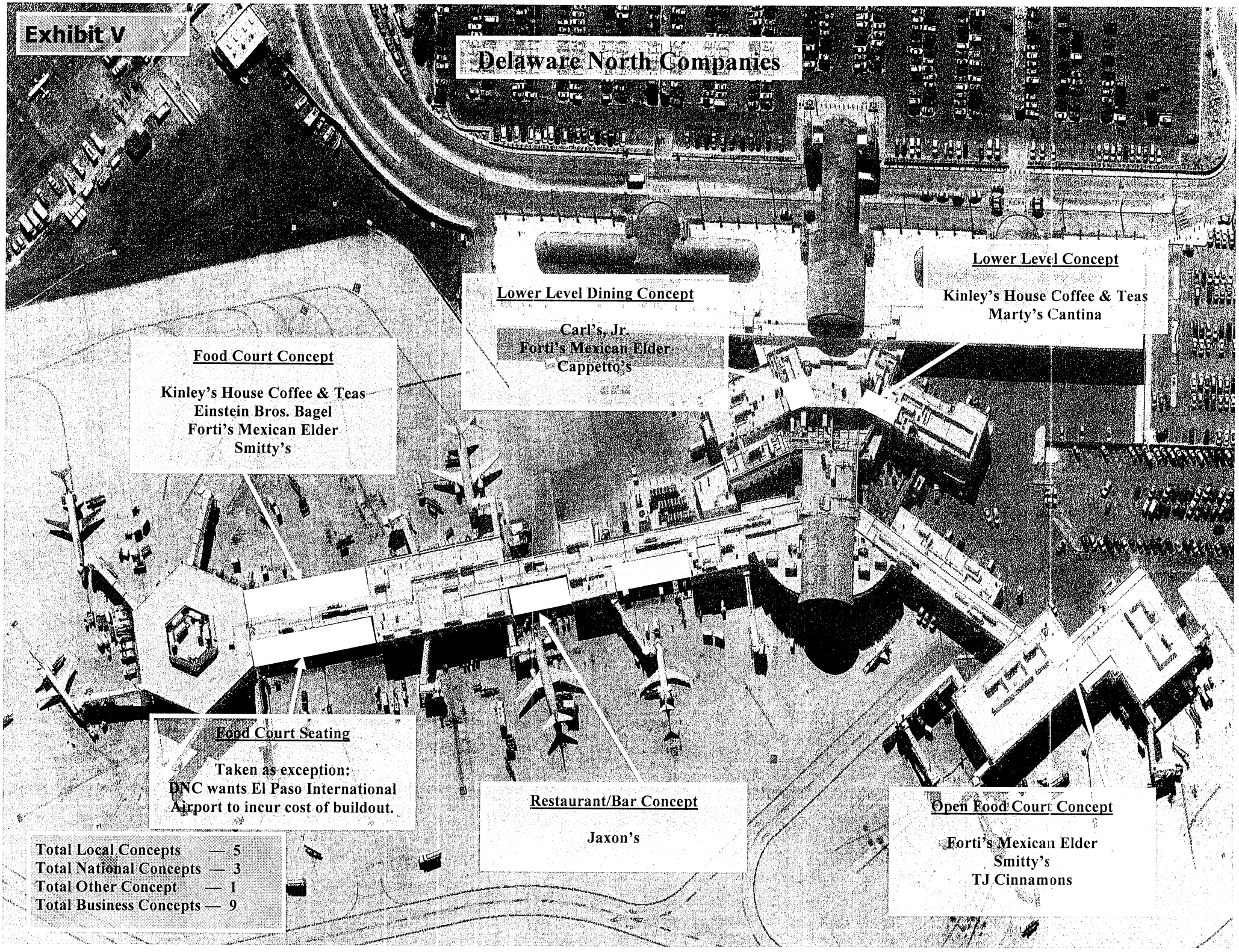


Exhibit V
HMS Host
Lower Level Dining Concept
Burger King
Carlos & Mickey's
Keva Juice
Lower Level Concept
Starbucks
El Paso Vineyards
Food Court Concept
Starbucks
Pizza Hut
El Taco Tote
Quizno's Subs
Food Court Seating
Restaurant/Bar Concept
Dewar's Clubhouse—Mesa Street Bar & Grill
Open Food Court Concept
El Paso Market-El Paso Chile Company
Quizno's Subs
Total Local Concepts — 5
Total National Concepts — 4
Total Other Concepts — 1
Total Business Concepts — 10

Exhibit V

Delaware North Companies



Total Local Concepts — 5
Total National Concepts — 3
Total Other Concept — 1
Total Business Concepts — 9

Exhibit VI

Gross Sales Comparisons with Selected Airports

EPIA Actual 2005	$ 4,390,634	$ 2.64

Comp Airports	Gross Sales	Sales/ EP	Sales/SF	SF	EPs	Operator
Albany	$ 4,796,899	$ 3.09	$ 539	8,893	1,550,402	Creative Host
Atlantic City	$ 1,747,101	$ 4.51	$ 338	5,172	387,739	LC3
Boise	$ 4,430,785	$ 2.82	$ 433	10,236	1,569,734	Anton
Dayton	$ 4,149,864	$ 3.39	$ 372	11,163	1,222,362	HMS Host
Louisville	$ 7,093,949	$ 3.83	$ 392	18,100	1,851,086	HMS Host
Sarasota	$ 2,012,860	$ 3.08	$ 124	16,200	652,483	HMS Host
Savannah	$ 4,550,531	$ 4.34	$ 306	14,851	1,048,372	HMS Host
Palm Beach	$ 13,728,472	$ 3.90	$ 606	22,649	3,523,184	HMS Host
Tucson	$ 5,782,010	$ 2.80	$ 423	13,682	2,067,819	DNC
John Wayne	$ 18,817,026	$ 3.90	$ 1,301	14,460	4,821,459	HMS Host
Reno/ Tahoe	$ 8,657,087	$ 3.47	$ 540	16,020	2,492,764	HMS Host
Omaha	$ 6,445,894	$ 3.07	$ 185	34,782	2,102,251	Rigel Corp
Nashville	$ 16,640,406	$ 3.47	$ 698	23,853	4,795,443	DNC
Milwaukee	$ 12,858,426	$ 3.54	$ 499	25,780	3,629,554	HMS Host
Kansas City	$ 15,857,714	$ 3.19	$ 567	27,987	4,977,602	HMS Host
Hobby	$ 8,830,775	$ 2.13	$ 680	12,983	4,149,917	DNC
Fort Myers	$ 10,851,587	$ 2.90	$ 931	11,653	3,741,071	HMS Host
Buffalo	$ 8,050,575	$ 3.30	$ 494	16,293	2,442,404	DNC
Austin	$ 12,493,032	$ 3.23	$ 559	22,355	3,866,863	DNC
Anchorage	$ 12,066,134	$ 4.85	$ 442	27,298	2,487,065	HMS Host
Average	**$ 8,993,056**	**$ 3.44**	**$ 521**	**17,721**	**2,668,979**	

* Source: Airport Revenue News Fact Book 2006

RFP OFFEROR CERTIFICATION

The evaluation of offers for RFP 2007-004R - Lease, Develop and Operate Food and Beverage Concessions at El Paso International Airport has been completed.

The offeror, HMS Host (Proposer's Name), has received the highest score, 450, and is; therefore, certified as rating the highest score this solicitation.

I, Monica Vera (Name), of Aviation (Department)

I, Monica Sombrana (Name), of Aviation (Department)

I, Irene Ray (Name), of Engineering (Department)

I, [illegible] (Name), of City Manager (Department)

I, [illegible] (Name), of AVIATION (Department)

, concur with this certification on this the 20th day of October 2006.

RFP Criteria Committee Score Sheet

RFP 2007-004R - Lease, Develop and operate Food and Beverage Concessions at El Paso International Airport

	Delaware North Companies	HMS Host
Experience and Qualifications – Respondent, Subtenants, and Other Entities (0 - 100 Points)	86	93
Merchandising and Concept Plan (0- 150 Points)	119	130
Facility Design (0 150 Points)	43	135
Management and Operations Plan (0- 100 Points)	61	92
TOTAL POINTS (0 - 500 Points	309	450

CITY OF EL PASO CITY BID TABULATION

ITEM: LEASE, DEVELOP AND OPERATE FOOD AND BEVERAGE CONCESSIONS AT EL PASO INTERNATIONAL AIRPORT DATE: OCTOBER 11, 2006	RFP: 2007-004R DEPARTMENT: AVIATION
DELAWARE NORTH COMPANIES TRAVEL HOSPITALITY SERVICES	BUFFALO, NY
HMS HOST	BETHESDA, MD
RFPS SOLICITED: 10	
RFPS RECEIVED: 2	
RFPS LOCAL: 0	
NO BIDS: 0	

APPROVED BY: [signature], C.P.M.

DATE: 13OCT06

HDS RETAIL, NORTH AMERICA
36 TORONTO STREET, SUITE 1200
(ONTARIO), CANADA, CANADA
M5C 2C5

CREATIVE HOST SERVICES, INC.
CORPORATE HEADQUARTERS
16955 VIA DEL CAMPO, SUITE 110
SAN DIEGO, CA 92127

HMSHOST CORPORATION
6600 ROCKLEDGE DRIVE
BETHESDA, MD 20817

DELAWARE NORTH COMPANIES
GLOBAL HEADQUARTERS
40 FOUNTAIN PLAZA
BUFFALO, NY 14202

BAA USA, INC.
PITTSBURGH INTERNATIONAL
AIPRORT
P.O. BOX 12318
PITTSBURGH, PA 15231

CONCESSIONS
INTERNATIONAL, LLC
566 WELLS STREET S.W.,
ATLANTA, GA 30312

HUDSON GROUP
ONE MEADOWLANDS PLAZA
SUITE 902
EAST RUTHERFORD, NJ 07073

THE PARADIES SHOPS, INC.
5950 FULTON INDUSTRIAL
BOULEVARD, S.W.
ATLANTA, GA 30336

NGSI NEWS & GIFT SHOPS
INTERNATIONAL, LLC
1011 NORTH FRIO STREET
SAN ANTONIO, TX 78207-1811

WESTFIELD GROUP
UNITED STATES HEAD OFFICE
11TH FLOOR,
11601 WILSHIRE BOULEVARD,
LOS ANGELES, CA 90025