



## SUMMARY REPORT

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**Agenda Date:** 12/6/2022

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**To:** Board of Supervisors

**Department or Agency Name(s):** Sonoma County Public Infrastructure - Airport Division

**Staff Name and Phone Number:** Johannes J. Hoevertsz, 707-565-2231

**Vote Requirement:** 4/5th

**Supervisory District(s):** Countywide

**Title:**

Charles M. Schulz - Sonoma County Airport Food and Beverage Lease

**Recommended Action:**

1. Approve and authorize the Charles M. Schulz - Sonoma County Airport Manager to execute a pre-security restaurant and post-security wine/beer bar lease with SSP America.
2. Approve the Charles M. Schulz - Sonoma County Airport Manager to amend the pre-security restaurant and post-security wine/beer lease with SSP America, as needed, during the term of the lease.  
(4/5 Vote Required)

**Executive Summary:**

The Public Infrastructure Department (SPI) (combination of the former Transportation and Public Works and General Services Departments)- Charles M. Schulz - Sonoma County Airport Division (Airport) adheres to the Federal Aviation Administration (FAA)'s directives to create and maintain a diversified and fair marketplace to all businesses located on the Airport. To comply with this directive, a public competitive process was conducted by the Airport inviting interested parties desiring to operate a pre-security restaurant and a post-security local wine/beer bar at the Airport to submit proposals. The Airport recommends that the lease for the pre-security restaurant and post-security wine/beer bar be issued to SSP America.

**Discussion:**

Providing food and beverage services to the traveling public has become an essential service that airports provide, especially since many airlines have limited their offerings on flights because of the COVID-19 pandemic. The Airport has leased an area of the terminal for a pre-security full-service restaurant for many years that has served travelers, residents, and neighborhood businesses. The lease for the current restaurant is due to expire at the end of 2022. The Airport conducted a competitive process to lease the existing area full-service restaurant and a new wine/beer bar located in the new Gate 1 of the terminal to comply with FAA requirements. The FAA requires a competitive bidding process at all airports on both aeronautical and non-aeronautical activities. The last public offering to lease the full-service restaurant area was held in 2005.

There are two components to the Airport restaurant lease. The first area is the existing full-service restaurant, located pre-security. The second venue is a new wine/beer bar located post-security.

**Existing Full-Service Restaurant**

The existing restaurant space has been in the Airport since the 1960s and has changed operators several times over the years; the most recent in operation since 2007. It serves traveling passengers, employees that work at the Airport, aeronautical tenants, local residents, and business park personnel. The full-service restaurant includes a bar, dining area, full kitchen and walk in cooler and is 3,500± square feet with an additional 1,710± square feet of outdoor dining. Improvements to the restaurant have included mostly cosmetic refreshes (paint and carpet) in the last fifteen years. Some restaurant features date back to the original construction from the 1960s.

### **New Wine/Beer Bar**

The wine/beer bar will be a new edition to the Airport. It was built as part of the phase II terminal modernization construction and will be available for use after the terminal construction is completed in late 2022 or early 2023. The bar will be in the southeast corner of Concourse A and is approximately 280 square feet. The selected operator will offer wine and beer produced locally from Sonoma, Marin, Napa, Lake, and Mendocino counties and showcase regional products to our traveling public.

### **Competitive Proposal Process**

The RFP for the existing full-service restaurant and a new wine/beer bar was posted on the Sonoma County Purchasing website on May 26, 2022. The Airport received three proposals for the restaurant and five proposals for the wine/beer bar (three of which were from the restaurant proposers as part of their offerings).

### **Scoring of the Proposals**

Each proposal was first evaluated by a panel of two SPI staff members and two Airport Commissioners resulting in a preliminary score. The second evaluation consisted of a panel interview with each operator to further define operations, menus, and construction schedules. The second panel consisted of two Airport staff members, one Airport Commissioner, one Airport Business Park operator, one Airport consultant, a Sonoma County Tourism Board member and a County department Deputy Director. The results were tallied from the ratings of all panel members and SSP America had the highest score.

The interview panel recommended that the wine/beer bar be included with the full-service restaurant lease to optimize the passenger experience and offerings.

In addition to the scores, there were mandatory submission criteria requested in the RFP, which were considered. Some of the additional criteria included:

### **Disadvantaged Business Entity**

- **SSP America:** This business is in a Joint Venture with a Sonoma County registered disadvantaged business owner.
- **Sky Lounge:** This business is owned and solely operated by one Sonoma County business owner.
- **Tailwind Hospitality:** This business is in North Carolina and would utilize a Sonoma County workforce.

### **Qualifications and Experience**

- **SSP America:** This business has over 50 years in airport concessions in over 500 worldwide locations.
- **Sky Lounge:** This business has over 15 years in restaurant concessions at the Sonoma County Airport.
- **Tailwind Hospitality:** This business has 17 years in airport concessions in over 38 locations nationwide.

#### **Concept, Menu, Pricing and Operations**

- **SSP America:** This business proposed a Northern California menu concept of regional produce, products, and producers. They will price their menu at no more than 10% above those comparable off-airport restaurants. A full cleaning and maintenance schedule was also submitted.
- **Sky Lounge:** This business proposed maintaining the existing concept. Information regarding pricing, cleaning, or maintenance schedule were not submitted.
- **Tailwind Hospitality:** This business proposed a casual, contemporary concept with reference to Peanuts™ characters. Pricing would be street pricing. A cleaning schedule was included, and a maintenance schedule was to be determined.

#### **Business Model and Plan of Improvements**

- **SSP America:** This proposer submitted a business model plan including gross sales and \$1,400,000 in proposed renovations. Construction is estimated to take nine months.
- **Sky Lounge:** This proposer submitted a business model plan with gross sales not included and improvements including patio extension and removing screen from patio fence. No cost or time schedule were submitted for these improvements.
- **Tailwind Hospitality:** This proposer submitted a business model plan with gross sales included and \$600,000 in proposed renovations. Construction is estimated to take four months.

#### **Acceptance of Lease Terms**

- **SSP America** This proposer accepted the lease terms.
- **Sky Lounge:** This proposer did not accept the square foot rent and percentage rent and requested negotiation of an alternate agreement from Airport standard.
- **Tailwind Hospitality:** This proposer increased percentage rent payment to Airport by 40% by changing rent from 10% to 14% of gross sales.

After the thorough review of all proposals SSP America was determined to have received the highest overall scores based on the strength of their proposal.

#### **Elements of the Full-Service Restaurant and Wine/Beer Lease Awarded to SSP America (SSP)**

- To modernize the restaurant space and improve efficiencies, SSP has committed over \$1 million in capital improvements to the restaurant and the patio.
- The full-service restaurant is anticipated to be remodeled by September 1, 2023, due to the extensive construction renovation to the kitchen. They will offer limited services during the renovation period.
- The rent is paid upon a square footage rate and will include a percentage rent of sales over a certain base.
- The lease term is for ten years. The length of the lease is necessary due to the amount of investment from the operator for tenant improvements.
- The wine/beer bar will be operated in conjunction with the full-service restaurant to fully optimize food options and pairings.

### **Federal Funding Requirement**

The Airport operates as an Enterprise Fund in which no local funds or taxes are received by the Airport for operating costs. Instead, the Airport relies on federal grants and concessions for revenue to fund operations and maintain aeronautical infrastructure. The FAA requires a competitive bidding process at all airports to increase disadvantaged and small business participation in both aeronautical and non-aeronautical activities. In addition, federal law (49 CFR §23.75) prohibits airports from entering into long-term agreements for products and services on an airport because they limit these opportunities.

The Airport recommends the Board of Supervisors authorize the Airport Manager to execute the agreement with SSP America for the full-service restaurant and post-security wine/beer bar at the Sonoma County Airport. The Airport is additionally requesting authority to enter into minor lease amendments during the term thereof, which will not change the lease duration, parties, or consideration paid to the County, but may be prudent to address possible minor adjustment in lease area or other operational considerations without returning to the Board.

### **Prior Board Actions:**

None.

### **FISCAL SUMMARY**

#### **Narrative Explanation of Fiscal Impacts:**

Any expense for renovation will be paid for by the proposer.

#### **Narrative Explanation of Staffing Impacts (If Required):**

None.

### **Attachments:**

Concession Operator Lease Agreement

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**Related Items “On File” with the Clerk of the Board:**

Contractor Bid Proposal for Restaurant and Bar