



Memorandum

**TO: HONORABLE MAYOR
AND CITY COUNCIL**

FROM: Mukesh (Mookie) Patel

SUBJECT: See Below

DATE: June 1, 2026

Approved

Date:

6/11/26

COUNCIL DISTRICT: Citywide

SUBJECT: Amendment to the Retail Merchandising Unit Concession Agreement between the City of San José and PRI-San José, LLC

RECOMMENDATION

Adopt a resolution authorizing the City Manager or her designee to negotiate and execute the Ninth Amendment to the Retail Merchandising Unit Concession Agreement between the City of San José and PRI-San José, LLC for a term of seven years, expiring June 30, 2033, with an annual percentage fee of 4.5% to the San José Mineta International Airport.

SUMMARY AND OUTCOME

Approval of the proposed amendment will allow the San José Mineta International Airport (Airport) to continue providing opportunities for local, small, and artisan businesses while enhancing retail merchandise offerings for the traveling public.

PRI-San José, LLC (PRI) has operated the Airport's Retail Merchandising Unit (RMU) Concession Program since July 1, 2018. Through its self-service kiosk model, PRI provides travelers access to locally sourced products from vendors who may not otherwise have the resources or scale to secure a traditional concession location within the Airport. The program also serves as an entry point for local businesses by providing exposure and potential pathways to future opportunities with prime concession operators.

The proposed extension will maintain continuity of service, preserve a successful small business development program, continue customer access to locally inspired products, and generate additional revenue for the Airport. The initial agreement with PRI was in alignment with the City Council's 2017 direction to increase visibility and opportunities

for local and Airport Concessions Disadvantaged Business Enterprise merchants. PRI has hosted annual outreach events that invite community businesses to present and introduce their products for potential inclusion in the kiosk program. Over the past eight years, this model has supported a diverse group of local entrepreneurs and contributed to a more regionally representative retail offering at the Airport.

BACKGROUND

Since the PRI program started in 2018, the Airport's RMU Concession Program has successfully advanced its goal of showcasing the regional identity of San José and the surrounding area while strengthening opportunities for local and small businesses.

Following extensive outreach and the issuance of a competitive Request for Proposals in April 2017, the Airport received a single proposal—from PRI-San José, LLC—to develop, design, finance, construct, operate, and manage up to nine RMUs. Accordingly, PRI was awarded the contract, and an agreement was executed in November 2017 with a commencement date of July 1, 2018. The RMUs were intentionally designed to be flexible and regularly refreshed, allowing for the introduction of new concepts and merchandise over time. This approach has enabled the Airport to maintain a dynamic retail environment that reflects the diversity, creativity, and innovation of San José, Santa Clara County, and Silicon Valley.

Over the course of the agreement, the RMU Concession Program has supported 27 local businesses by providing access to Airport customers. Several businesses that have participated in the PRI RMU program have since expanded into larger retail opportunities within Airport concession spaces.

Additionally, several local businesses that initially established a presence at the Airport through the PRI RMU program have partnered with prime retail vendors and are represented within the Airport's prime operator retail locations.

In addition to supporting small business inclusion, the program has contributed to enhanced passenger experience through high-quality, locally inspired retail offerings from See's Candies to Greenlee's Bakery, and supporting a local minority woman whose business helps lift women out of poverty by selling Fair Trade, seasonal, handcrafted products made by female artisans from Africa.

The rotating merchandise mix has kept the program fresh and responsive to customer preferences, while also supporting revenue growth and operational performance. Overall, the RMU Concession Program has proven to be a successful model for combining economic opportunity, community representation, and revenue generation, while reinforcing the Airport's role as a gateway that authentically reflects the character of San José.

ANALYSIS

PRI is a California Airport Concessions Disadvantaged Business Enterprise-certified company with more than 35 years of experience in specialty retail leasing and kiosk program management. The company has owned and managed more than 100 RMUs/kiosks, including an award-winning program at Denver International Airport.

PRI has served as a consultant to help retailers enter specialty retail and conducted training seminars on RMU/kiosk programs worldwide. Their understanding of specialty retail and airport concessions, combined with their experience in creating, leasing, and managing high-quality and dynamic specialty retail programs, continues to be a strong fit for our Airport.

After conducting outreach to 124 airports regarding their kiosk programs, responses consistently indicate two primary models: either airports operate under an agreement with a third-party provider, such as PRI, or they manage kiosks through individual leasing arrangements with vendors. The continued success of PRI's program over the past eight years highlights its value as both an economic development tool and a passenger amenity, reinforcing its role in supporting local business growth and enhancing the Airport's sense of place.

The Airport currently has two prime retail concessionaires. Extending this agreement with PRI will continue to enhance retail services by allowing further product diversification, expanding the selection available to the traveling public, including additional specialty and locally sourced products.

During PRI's eight years of service at the Airport, the company has supported 27 local businesses through the introduction, design, installation, and operation of RMUs. PRI has also served as a valuable resource by providing training, sponsorship, and assistance to local vendors throughout the Airport Concessions Disadvantaged Business Enterprise certification process.

Although revenue generation has never been a primary focus for the program over the initial eight years of the agreement, PRI generated more than \$340,000 in revenue to the Airport. If City Council approves the proposed extension, an additional \$340,000 in revenue is anticipated over the next seven years.

PRI has also committed to continued capital reinvestment in the RMU program. Under the extension, PRI will continue updating and modernizing all RMUs, including converting additional units to self-service where appropriate and reinvesting \$10,000 per RMU through updates and modifications. These upgrades will reduce operating costs for merchants while expanding 24/7 retail availability, enhancing customer service opportunities for passengers regardless of time of day.

HONORABLE MAYOR AND CITY COUNCIL

June 1, 2026

Subject: Amendment to the Retail Merchandising Unit Concession Agreement between the City of San José and PRI-San José, LLC

Page 4

EVALUATION AND FOLLOW-UP

No additional follow-up action with the City Council is expected.

COST SUMMARY/IMPLICATIONS

There are no costs associated with this action and the revenue for the seven-year extension of this agreement is estimated at \$340,000.

COORDINATION

This memorandum was coordinated with the City Attorney's Office and the City Manager's Budget Office.

PUBLIC OUTREACH

This memorandum will be posted on the City Council Agenda website for the June 23, 2026 City Council meeting.

BOARD, COMMISSION, COMMITTEE RECOMMENDATION AND INPUT

No board, commission, or committee recommendation or input is associated with this action.

CEQA

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

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Page 5

/s/

Mukesh (Mookie) Patel
Director, Airport Department

For questions, please contact Matthew Kazmierczak, Division Manager, Airport Department, at mkazmierczak@sjc.org or (408) 392-3640.