

Memorandum



DATE May 15, 2015

TO Members of the Economic Development Committee: Tennell Atkins (Chair), Rick Callahan (Vice Chair), Adam Medrano, Lee Kleinman, Jerry R. Allen, Scott Griggs

SUBJECT **Love Field Concession Status**

On Monday, May 18, 2015, you will be briefed on the Love Field Concession Status. The briefing materials are attached for your review.

If you have any questions, please let me know.



Ryan S. Evans
First Assistant City Manager

C: A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Eric D. Campbell, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Mark McDaniel, Assistant City Manager
Joey Zapata, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Sana Syed, Public Information Officer
Mark Duebner, Director of Aviation
Elsa Cantu, Assistant to the City Manager – Mayor & Council



Love Field Concession Update

Economic Development Committee– May 18, 2015



LOVE | EVOLUTION

Purpose

- Provide background of Concessions award
- Impacts of Wright Amendment Repeal
 - Increase in operations/passengers/ projections
 - Concessions performance
- Future concessions development

Love Field Concessions

- Council approved plan for concessions on August 18, 2010, main components included:
 - All new terminal space will be competitively bid
 - A conditional first right of refusal for incumbents on 27% of value
 - New contract terms: 7 – 9 years plus 2 – one year options for F&B, 5 - 7 years plus 2 – one year options for retail
 - Products to be sold at street pricing
 - Performance evaluation criteria
 - Proposal Scoring criteria

Request for Proposal Dates

- Held 4 Pre-solicitation Outreach Events: Approximately 350 vendors notified
- Solicitation advertised
 - February 17, 2011
 - February 24, 2011
- Pre-Proposal Meeting on March 8, 2011
- RFP open for 17 weeks
 - City answered 268 vendor questions
 - Issued 8 addenda
- Proposal Due Date: July 22, 2011 (by Addendum No. 8)

Results

- Proposals closed July 22, 2011
 - 110 proposals were received
 - 85 F&B
 - 25 Retail
 - Oct. 31 – Nov. 16 – All vendors were given the opportunity to give a presentation to evaluation committee members
- February 21, 2012 – Briefing to Economic Development and Budget & Finance Committees
- February 27, 2012 – Briefing to Transportation & Environment Committee
- All successful proposals included bids in excess of MAG required in RFP

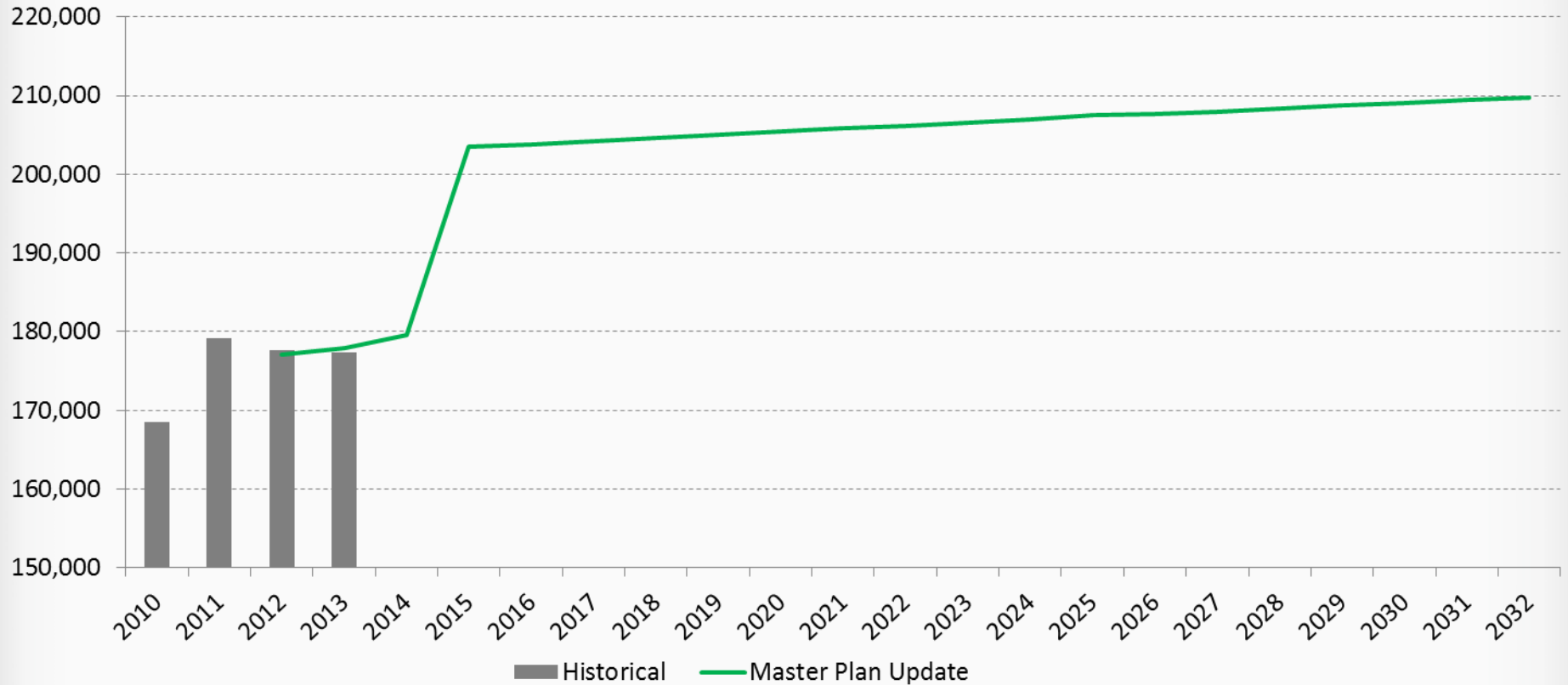
Background

- March 7, 2012 – Council approved concessions contracts
- Contract Provisions Included:
- Proposed or Matched Minimum Annual Guarantees, Percentage rental rates, minimum capital investments
 - Street Pricing
 - 3% of sales as Cap on the shared costs associated with
 - Third party scheduling, receiving, inspection and distribution of all concessions products
 - Compactor and trash removal costs
 - Food Court cleaning costs
 - Marketing fee
- All Concessionaires understood and accepted contract terms prior to award

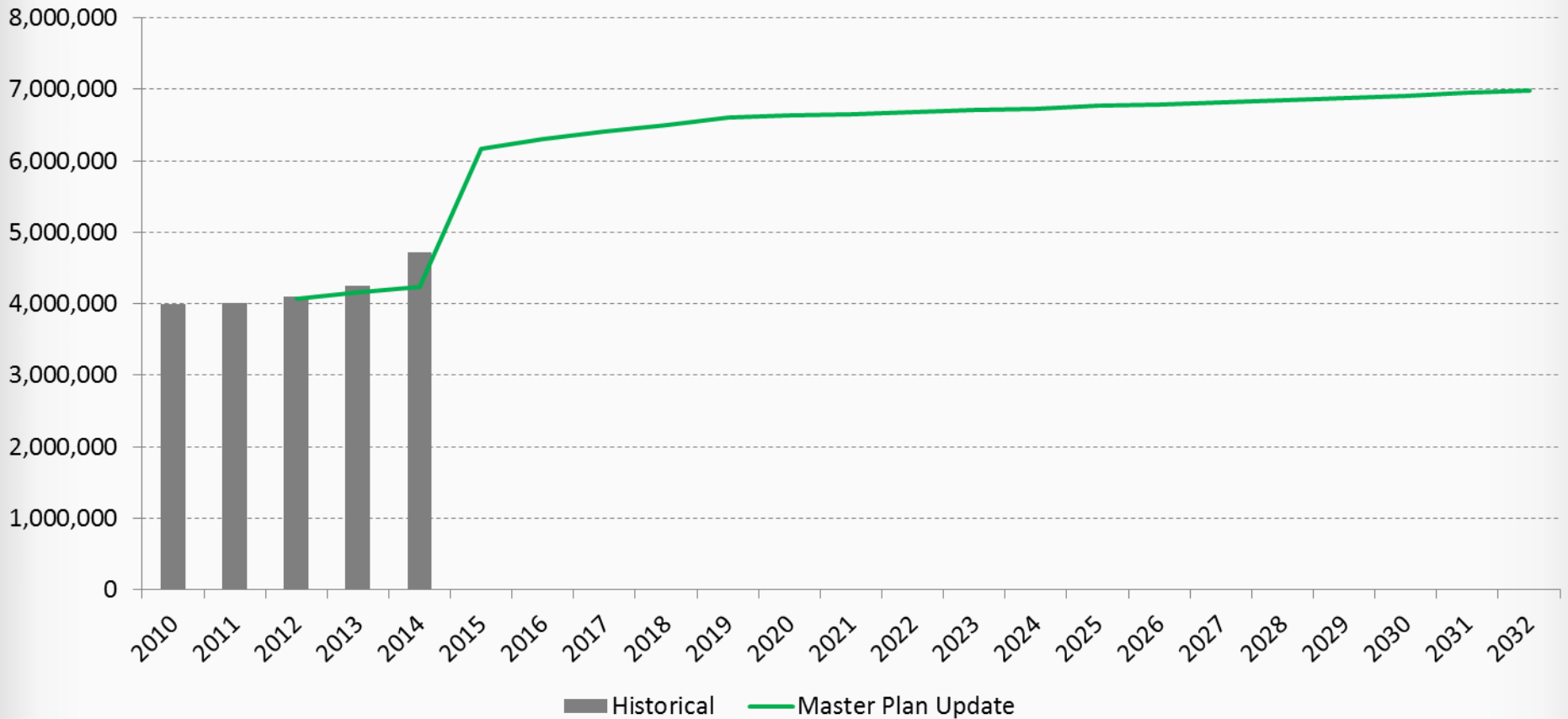
New Paradigm

- Since City Council awarded the concessions contracts, Dallas Love Field has experienced unprecedented growth
- Increases in traffic have come much earlier than forecasted, and have actually resulted in a shortage of concession space based on desired square footage per 1,000 enplaned passengers

Aircraft Operations Forecast



Passenger Enplanements Forecast



Airport Concession Program

Concession Sales

	1 st Quarter 2012 (Old)	1 st Quarter 2013 (Old)	1 st Quarter 2014 (New-Pre-Repeal)	1 st Quarter 2015 (New-Post- Repeal)
F & B Percent +/-	\$4,295,208	\$4,215,145 -1.86%	\$5,963,059 +41.47%	\$10,104,191 +69.45% +139.71% over 2013
Retail Percent +/-	\$1,861,255	\$2,087,617 +12.16	\$2,420,501 +15.95%	\$3,948,235 +63.12%

Airport Concession Program

Concession Program Space

Concession Category	Developed Space Utilization Factor*	Existing Space Plan October 2014	Ideal Space Allocation 2015 5.261m (RFP)	Variance to 2014	Ideal Space Allocation 6m	Variance to 2014
Food & Beverage	5.8	27,967	30,514	(2,547)	34,800	(6,833)
Retail/Specialty	3.2	15,626	17,070	(1,444)	19,200	(3,574)
Total	9.0	43,593	47,584	(3,991)	54,000	(10,407)

*Space Utilization Factor equals the amount of concession area in square feet that is ideal per 1,000 enplaned passengers

Airport Concession Program

Concession Program Space Recommendations

- Per the Space Utilization Factor (SUF), 2,547 sq. ft. of additional Food & Beverage space needed
- F & B RFP will be advertised late Spring 2015 totaling 3,719 sq. ft.
 - Will help meet space recommendation for 2015 based on revised enplanement projections
 - Will have a total of 31,686 sq. ft. of F & B concession space
- Post-Wright, trending 500,000 enplanements monthly or 6 million enplanements annually
 - For 6 million enplanements, 34,800 sq. ft. of F & B space is recommended per SUF
 - Difference of 3,114 sq. ft. still needed to meet 6 million enplanement space needs

Summary

- Concession sales have grown significantly even over last year sales which were post Wright Amendment repeal
 - This is a positive for airport revenues
 - More options have increased customer satisfaction
- With the increase in passenger traffic, additional concessions are needed to maintain levels of customer service
- The airport is preparing to issue Request for Proposal to add Food and Beverage concessions to right-size the concessions program based on the new traffic projections
 - Will use same criteria and contract terms
 - Anticipate the same competitive results as the most recent RFP