

# Memorandum



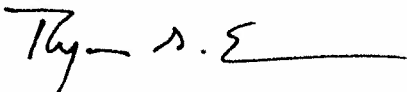
DATE May 29, 2015

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, June 1, 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: Honorable Mayor and Members of City Council  
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  
Karl Zavitkovsky, Director, Office of Economic Development  
J. Hammond Perot, Assistant Director, Office of Economic Development  
Elsa Cantu, Assistant to the City Manager – Mayor & Council



# Dallas Love Field Concessions Update

Economic Development Committee – June 1, 2015



**LOVE** | **EVOLUTION**

# Purpose

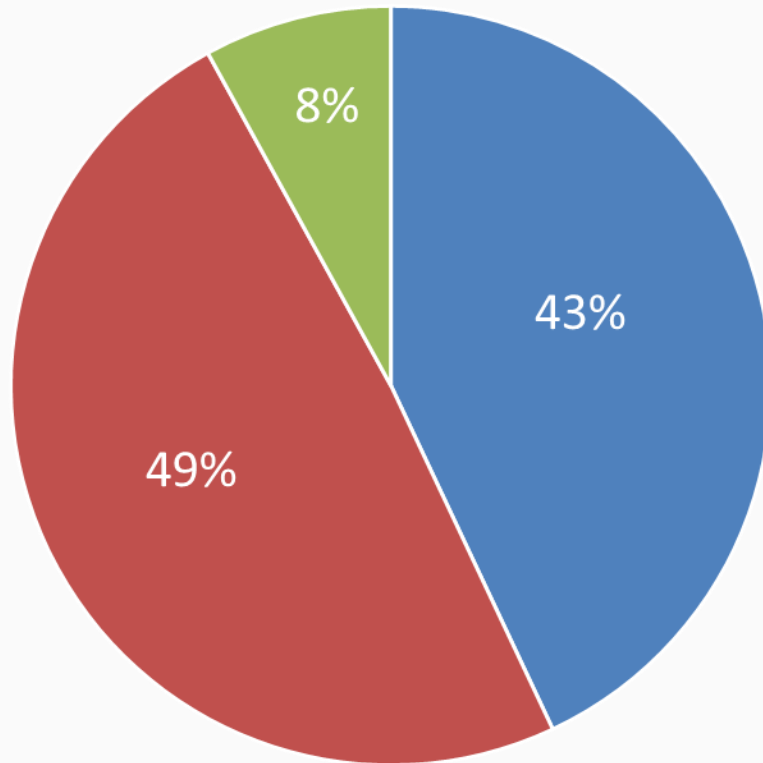
Provide follow up information requested at the May 18, 2015 Committee Meeting

- Summary of DAL vs. other Airport Pricing Methodology, Shared or Common Area Maintenance (CAM) costs
- 2015 DAL F & B Concessions Pro Forma projections vs. actuals
- Profitability of DAL F & B concessions

# Background

- DAL Food & Beverage, Retail concessions contracts are based on the following provisions:
  - 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:
    - Central Distribution Center: Includes third party scheduling, receiving, inspection and distribution of all concessions products
    - Common Area Maintenance Charge: Includes compactor and trash removal costs, Janitorial Services in the food court area
    - Marketing fee
- All concessionaires understood and accepted contract terms prior to award

# Airport Concessions Pricing Methodologies – US & Canadian Airports



- No more than street price
- Street plus a percentage
- Other

- Majority of airports surveyed either charge Street Price or Street plus a percentage for products sold to the travelers
- 2014 ACI-NA Survey incorporates data on Concessions revenue from 88 airports
  - Respondents reflect 90% of passenger traffic in the US and 48% of passenger

Source: 2014 ACI – NA Concessions Benchmarking Survey Summary Results

# Comparison to Other Airports

Airport	CAP on Shared Cost	Total Shared Cost charged %	Percentage Rent	Percentage Alcohol	Pricing Methodology	Comments
AUS	No	No Common Area Maintenance	16% Average	19.5%	Street + 10	Any additional charges are included with rent
DAL	Yes	3%	10 -20%	15-19%	Street	Pro-rated based on Tenants % of sales
DFW	No	No Common Area Maintenance	12 - 15%	18 - 21%	Street + 10	O&M is charged at \$23.39SF per Year
HOU	No	No Common Area Maintenance	0-17M 13% 17M-18.5 14% >18M 15% Merchandise 12%	0-4.5m 20% > 4.5 22%	Street + 10	Billed on a usage percentage on a yearly basis for trash
IAH	No	No Common Area Maintenance	Food & Non alcohol 14- 16% Merchandise 12-19%	14-19%	Street + 10	Billed on a usage percentage on a yearly basis for trash
SAT	No	No Common Area Maintenance	11%	16%	Street + 5	Concessions are charged common area maintenance: -.69 sf - outside food court -\$1.51 sf - inside food court
STL	No	No Common Area Maintenance	10% - 17%	15%	Street + 10	Charge flat rate of \$5,000 per month trash removal to F&B concessions

# DAL Concessions

## Pro Forma Sales -vs- Actual Sales

Concession	2015 Pro Forma Sales	2014/2015 Sales*	2015 Sales**
Baskin Robins - C2521	\$1,252,068	\$947,389	\$1,073,952
Bruegger's Bagels – C2521	\$1,300,000	\$7,286	***\$664,848
Campisi's - C2077	\$1,750,000	\$1,261,905	\$1,382,199
On The Border (Cantina Laredo - C2596)	\$3,650,000	\$2,646,456	\$3,089,570
Chick-fil-A – C2063	\$1,850,000	\$1,744,450	\$3,545,875
Cowboys Stadium Legend's Club (Chili's – C2396)	\$2,500,000	\$951,907	\$2,672,471
Cool River - C2125	\$5,250,000	\$4,803,688	\$6,132,528
Cru Wine	\$1,900,000	\$1,360,344	\$1,763,123
Dickey's – C2190	\$1,968,750	\$2,098,030	\$2,475,273
Dunkin Donuts - C2174 – post-security	\$2,086,780	\$1,516,472	\$1,740,372
Dunkin Donuts - L2103 – pre-security	\$782,542	\$507,895	\$700,926

\*Sale from May 2014 – March 2015( Hybrid)

\*\*Sale from Jan-March x 4 (Post Wright Amendment)

\*\*\*Opened 3/28/2015: Sales \$7,286 /4 x 365 = \$664,848

# DAL Concessions

## Pro Forma Sales -vs- Actual Sales

Concession	2015 Pro Forma Sales	2014/2015 Sales*	2015 Sales**
Jason Deli – C2346	***\$1,500,000	\$746,638	\$1,612,961
La Madeleine – C2546	\$2,150,000	\$1,561,138	\$1,819,600
Manchu Wok - C2186	\$1,664,000	\$756,952	\$877,944
Moe's SW Grill – C2181	\$1,976,000	\$1,297,545	\$1,512,800
Paciugo Gelato – C2321	\$500,000	\$228,790	\$445,760
Sky Canyon – C2216	\$2,647,500	\$1,564,739	\$1,973,806
Starbucks – C2452	\$1,050,000	\$784,799	\$1,446,585
Starbucks – C2653	\$1,550,000	\$1,534,357	\$1,730,772
TexPress Gourmet - C2215	\$1,304,237	\$1,066,307	\$1,391,741
Wendy's (Whataburger - C2081)	\$3,120,000	\$2,585,695	\$2,999,362

\*Sale from May 2014 – March 2015( Hybrid)

\*\*Sale from Jan-March x 4 (Post Wright Amendment)

\*\*\*Pro Forma for 6 months (\$750,000 x 2= \$1,500,000)



# DAL Profitability

- AVI staff requested DAL Concessionaires to submit financials to demonstrate profitability
  - Concessionaires only required to report sales; not obligated to provide P & L statements
- Of the seven Food & Beverage Concessionaires:
  - Two declined to provide financial information:
    - They were not seeking a price adjustment (Hudson Group) or supplying such information was not a requirement of the contract (Gina Puente, Inc.)
  - One provided partial information but requested more time to provide the remaining (Dickey's)
  - Two have not yet provided information (The Grove, Pop Four)
  - Two provided financial information (Star Concessions, HMS Host)

# Financial Submittals Response

- Of the two concessions that submitted financial statements, the numbers do not show that the concessionaires generated a profit early in the program
- The primary term of the concession contracts did not begin until November 2014
- For the first full quarter of the program (CY15), one concessionaire reported overall positive net income and one concessionaire reported overall negative net income
  - For April 2015 YTD, the concessionaire with an overall negative net income had three units with positive net income and one unit with negative net income

# Next Steps

- Proceed with concessions program with current pricing methodology – Street Pricing
- Advertise RFP for additional F & B Concession space – Summer 2015