Memorandum

DATE December 10, 2010

TO Honorable Mayor and Members of the City Council

SUBJECT Love Field Concessions Theming

On Wednesday, December 15, 2010 you will be briefed on the Love Field Concessions Theming. The briefing material is attached for your review.

If you have questions or need additional information, please let me know.

A.C. Gonzalez
Assistant City Manager

Attachment

c: Mary K. Suhm, City Manager
    Thomas P. Perkins, Jr., City Attorney
    Deborah Watkins, City Secretary
    Craig Kinton, City Auditor
    Judge C. Victor Lander, Administrative Judge
    Ryan S. Evans, First Assistant City Manager
    Forest E. Turner, Assistant City Manager
    Jill A. Jordan, P.E., Assistant City Manager
    Jeanne Chipperfield, Chief Financial Officer
    Frank Librio, Public Information Officer
    Helena Stevens-Thompson, Assistant to the City Manager – Council Office
    Edward Scott, Director, Controller’s Office
    Daniel T. Weber, Director, Department of Aviation

“Dallas – Together We Do It Better!”
Love Field Concessions Theming

City Council Briefing

Department of Aviation
December15, 2010
Purpose

• Review schedule
• Present concessions theme plan
• Receive Council direction on plan
• Next steps
Schedule

- Theme development: Oct/Nov 2010
- Outreach process: Nov – Jan 2011
- Council direction on concession theme: Dec 2010
- RFP development: Oct – Jan 2011
- Issue/receive RFP: Jan/April 2011
- Lottery, proposal evaluations, due diligence contracting: April/May - Sept 2011
- Council briefing/action for awards: Oct/Nov 2011
- Concession design, construction: Jan 2012 - open
- Open stores (Phase 1): April 2013
- Open stores (Phase 2): Oct 2014
### Love Field Modernization Program
Concessions RFP / Store Opening Schedule
Advanced Schedule (with Outreach)

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Legend:
- **City Council Tasks**: Orange
- **Staff Tasks**: Dark Blue
- **Interested Parties Tasks**: Light Blue
- **Contract Awardee Tasks**: Purple

Note: The schedule is an advanced plan with outreach and includes various stages from RFP planning to store opening.

**Star** indicates key milestones or decisions.
Concession Themes

• Background on concession themes
  – Theme design consultant: Gensler
  – What is it?
  – Why do it?
  – How to implement it?
  – How did we do it?
Theme Background

Theme design consultant: Gensler

• Unison expanded their team to include an internationally prominent airport design firm
• History of successfully incorporating thematic elements in terminal design
• Recent theme projects include the following airport terminals:
  – John F. Kennedy International Airport, NY, NY (JFK)
  – John Wayne Airport, Orange County, CA (JWA)
  – San Francisco International Airport, San Francisco, CA (SFO)
Airport Theming Example
JFK – Jet Blue Terminal (NY, NY)

Gensler designed the expansion of the historic T5 at JFK for Jet Blue.

• A melting pot like New York City, Jet Blue concessions provide tastes and products from around the globe, with a uniquely sophisticated and urban design sensibility.

• The concessions’ theme is international - Tapas from Spain, French pastries, notebooks from Japan and silver jewelry from Mexico.

• The latest airport concession trends are represented including pet travel products, service-oriented pharmacy, surf shop and a Jet Blue branded newstand.
Airport Theming Example
John Wayne Airport (Orange County, CA)

Gensler designed a new terminal, adding to the original airport they designed 20 years ago. The concessions program was re-developed and expanded with the addition of the new terminal.

• John Wayne’s concessions center around local Orange County and California themes

• Concession concepts center around the unique LA culture, featuring a local celebrity surf bar, a True Grit lounge and a market place anchored by The Food Network.
Terminal 2 at SFO is undergoing a major renovation designed by Gensler. The terminal will be the future home of virgin America and American Airlines.

• With a strong Bay Area theme, the concession offering centers on sustainable, healthy lifestyle presented in a contemporary environment.

• Concessions focus on natural and organic local foods and products that support an active lifestyle.

• This is the first airport dining program in the country to recruit vendors offering wholesome fare from local sources, prepared in a healthful manner.
Theme Background

• What Is It?
  – A distinct, recurring, unifying design concept
  – Can highlight unique attributes, cultural aspects, and heritage of community
  – Presented through building and concession design:
    • Portal, signage, storefront, window displays, material & color choices, interior design
    • Incorporated into base building design as a thematic layer
  – Guides concessions merchandising choices
Theme Background

Why do it?

• Creates a “sense of place”
• Creates a memorable experience for passengers
• Motivates passengers to be shoppers and diners
• Encourages dwell time and lingering, resulting in higher concession sales
Theme Background

• How to Implement It?
  – Include theme presentations as part of the RFP process
  – Embed into tenant design standards
  – Consider presentation of theme in evaluation of proposals
  – Work with concessionaires to develop high impact themed merchandising
  – Work with terminal designers to incorporate the theme into décor and messaging throughout the terminal
Theme Background

How did we do it?

• Consultant produced 3 theme options
  – Represents latest market research and concessions design trends
  – Propose compelling brand positions for Love Field
• Consultant received review and feedback by
  • City Office of Cultural Affairs
  • Southwest Airlines,
  • LFMP design and program Mgmt teams
  • City Manager’s Office
• Developed renderings of potential theme interpretation in the terminal
Theme Presentation

• Airport Concession Trends

• Theming: Areas of Influence

• Three Theme Concept Options
  Texas Outdoors
  Destination Everywhere
  Distinctively Dallas
Airport Concessions Trends

• In America, shopping mall retailing is among the most sophisticated in the world
• However, until recently, the US airports have been light years behind Europe and Asia in creating iconic environments
• Airports are
  – No longer merely shipping points to far-off places
  – Cultural symbols
  – Marketing positioning tools
  – Conduits for business and tourism
  – Lifestyle centers
  – Shopping malls
• All catering to social and entertainment needs as well as merchandise offerings
Airport Concessions Trends

• Primary concession trend categories include:
  – Healthy food and beverage choices
  – Support of local businesses and culture
  – Retail entertainment
  – Branded concepts
  – Personal service retail
  – Specific interest retail
  – Mobile and technology integration

• If travel retail is to experience growth, it must focus on areas that improve the travel experience
  – There is a clear relationship between a relaxed passenger and passenger spend.
  – Need to make the air travel journey as stress free and pleasant as possible.
Airport Concessions Trends

**Retail**
- Beauty Products
- Health / Wellness
- Unique Paper Stores
- Lingerie + Evening
- Museum Shops
- Sports
- Charity Sponsored
- Electronics
- Kids
- Aviation Discovery

**F & B**
- Local Wine and Beer
- Artisan Liquor
- Mini Desserts
- Specialty Iced Teas
- Gift Food
- Local Chef Inspired
- Gluten Free
- Locally Grown Food
- Kids’ Healthy Options
- Culinary Wine and Beer

**Personal Service**
- Play Station
- Wii Gaming Areas
- Business Center Massage Lounge
- Photo Imaging
- Charging Station
- 10 Minute Nail Salons
- Conference Center
- Networking Lounge
- NAP Stations
- 3-D Extreme Theaters
Theming: Areas of Influence

• Concessions theming:
  – is an overlay to the design of the new terminal
  – does not impact the building configuration
  – will enhance areas associated with the concessions program including:
    • Concession concepts and offerings
    • Storefront design and portal condition, including signage, materials & colors and window displays
    • Store interior design
    • Concessions kiosks and seating areas
    • Entertainment programs
    • Public art program
  – will be incorporated into the terminal design by means of décor and messaging
Theme Concept Option 1
Texas Outdoors

It’s hard to think of Dallas without thinking of the great state of Texas - it’s rugged scenery, wide open spaces and the independent spirit of the people who call it home.

What may be more of a surprise to visitors is the variety and beauty of Texas landscapes - whether one speaks of the Guadeloupe mountains, the canyons of the panhandle, the hill country or the white sand beaches of the southern coastal areas.

Love Field concessions can be a reminder of regional resources and a source of pride for Texas and the southwest in general.
It's hard to think of Dallas without thinking of the great state of Texas—its rugged scenery, wide-open spaces and the independent spirit of the people who call it home.

What may be more of a surprise to visitors is the variety and beauty of Texas landscapes—whether one speaks of the Guadalupe mountains, the canyons of the panhandle, the hill country or the white sand beaches of the southern coastal areas. Love Field concessions can be a reminder of regional resources and a source of pride for Texas and the southwest in general.
Traditionally, Love Field has been known for short distance travel, primarily within the southwestern states. As Love Field’s list of destinations continues to expand, travelers will begin to see Love in a different light.

Love Field will become the ambassador to these destinations, ranging from within Texas to all over the nation, by offering concessions that celebrate the elements that make the destination unique.

Concessions would be comprised of restaurants and shops featuring local cuisine, souvenirs, and even maps from Love Field Destinations.
DESTINATION: EVERYWHERE

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Concessions would be comprised of restaurants featuring local cuisine, souvenirs, and even maps from Love Field Destinations.
Theme Concept Option 3
Distinctively Dallas

Love Field is the doorstep of Dallas. You never get a second chance to make a first impression.

Most may think of Southfork Ranch, the Dallas Cowboys, or actual cowboys, but Love Field has the opportunity to shift perceptions. Travelers and residents will discover a new and unexpected side of Dallas, unearth an art-influenced diverse community, and experience unique, regional-inspired amenities.

Restaurants, retail shops and art galleries reflecting a Distinctively Dallas theme will become the cultural portal to Dallas.
DISTINCTIVELY DALLAS

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Most may think of Southfork Ranch, the Dallas Cowboys, or actual cowboys, but Love Field has the opportunity to shift perceptions. Travelers and residents will discover a new and unexpected side of Dallas, unearth an art-influenced diverse community, and experience unique, regional-inspired amenities.

Independent and renowned restaurants, architecture and art galleries would be featured through concession outposts within Love Field, the new cultural portal to Dallas.
Concession Theme Direction

• Three themes presented
  – Texas Outdoors
  – Destination Everywhere
  – Distinctively Dallas

• City Council theme selection
Next Steps

• Key steps
  – Outreach Process
  – RFP development
  – Package Values
  – Selection Criteria
  – DBE
Outreach Process

• Objectives
  – Stimulate interest in opportunities
    • Aggressive marketing and recruitment in advance of formal RFP advertisement
    • Explain how to do business with the City
    • Explain how to operate in the airport environment
  – Reach the broadest possible range of:
    • Local businesses
    • DBE companies
    • National & regional concessionaires
  – Encourage joint venture and other partnership opportunities by
    • Encouraging national & regional concessionaires to attend local outreach events
    • Scheduling networking events as part of local outreach
Outreach Process

• Planning
  – Coordinated with City Purchasing, North Central Texas Regional Certification Agency, Greater Dallas Restaurant Assoc
    • Strategies to reach all interested parties
    • Communicate opportunities
  – Developed informational materials
    • General information on concession opportunities
    • City vendor registration process
    • DBE program
  – Developed materials for local outreach meetings
    • Introduction, background on LFMP
    • Operating a business at the airport
    • How to prepare a proposal
    • DBE networking opportunities
Informational Handouts

**AIRPORT CONCESSION DISADVANTAGED BUSINESS ENTERPRISE (ACDBE) PROGRAM**

- Airport concessions do not fall under the requirements of the City’s M/WBE program, but rather under the US Department of Transportation’s Final Rule for Participation by Disadvantaged Business Enterprises in Airport Concessions, 49 CFR Part 23 (“Part 23”).

- Part 23 requires that Love Field submit an Airport Concession Disadvantaged Business Enterprise (“ACDBE”) Program to the FAA for approval and set an ACDBE participation goal for the airport’s concessions program.

- The goal for ACDBE participation at Love Field on non-car rental concession contracts for the period from October 1, 2008 through September 30, 2011 is 23.5%.

- Firm must be certified as an ACDBE to count toward the Love Field ACDBE participation goal.

- To be eligible for award of a concession contract, a proposer or bidder must either be able to meet Love Field’s ACDBE goal or document a good faith effort to meet the goal.

- To apply for certification as an ACDBE, contact the North Central Texas Regional Certification Agency (NCTRCA). They can be reached at www.nctrca.org or 817-640-0606. You may also contact the Texas Unified Certification Program (TUCP), of which the NCTRCA is a certifying agency, for additional information. They can be reached through the Department of Transportation website: www.dot.state.tx.us/business/tucpinfo.htm.

**CONCESSION INFORMATION MEETING AND VENDOR REGISTRATION**

- The City of Dallas Department of Aviation will host a series of meetings, as indicated below, for vendors interested in submitting proposals on upcoming concessions for the New Dallas Love Field Terminal, scheduled to open early 1st half, 2013.

- Numerous in-line and kiosk concession locations will be available for lease in a number of categories, including: Food/beverage, Newsstand, Electronics, Jewelry, Specialty Retail, Apparel and Accessories, Dallas-Themed Merchandise, and Spa Services. A Request for Proposals will be released in the upcoming months.

- To learn more about the developments at the new Love Field Terminal as well as general information about concessions opportunities at the new Love Field Terminal, all interested parties are encouraged to attend the Concessions Informational Meetings to be held in December and January. Please register with the City of Dallas to be informed of the meeting dates, times and locations.

- In order to receive information relating to the City of Dallas Requests for Proposals (RFP) for the Dallas Love Field Concession Program, it is important that you register with the City of Dallas as a vendor at the City’s website: www.bids.dallascityhall.org

- For assistance with the registration process, please contact Rozalind R. Dickerson, City of Dallas ResourceLink Team Business Development Coordinator at 214-671-9814 or Rozalind.dickerson@dallascityhall.com
Outreach Process

• Actions taken or scheduled
  – Met with national concessionaires at ACI-NA Concessions Conference in Phoenix Nov 8-11
    • Encouraged their attendance at local outreach events for partnering opportunities
  – Email blast to City Purchasing’s database communicating Love Field concessions opportunities & vendor registration info
    • 3 email databases used, 25,000 addresses
    • Sent Nov 19
  – Outreach & networking conferences
    • Dec 9 @ City Hall
    • Jan 6 @ Frontiers of Flight
    • Dec16 @ Executive Airport
    • Jan 13 @ East Dallas Fire Training Facility
Outreach Process

• Initial announcement
  – Information regarding the 1st and 2nd Outreach Meeting was communicated via:
    • Email Blast (25,000 addresses)
    • Newspaper Advertising
      – Dallas Morning News (City Wide)
      – El Lider USA (Hispanic Community)
      – El Extra (Hispanic Community)
      – Elite News (Black Community)
      – Dallas Examiner (Black Community)
      – The Dallas Weekly (Black Community)
    • American Minority Advisory Council (AMAC) Upcoming Opportunity/Project posting on website
Outreach Process

• 12/9/10 Outreach Session
  – Approx 100 attended

  – Agenda
    ■ Welcome
    ■ General Airport Information
    ■ Love Field Modernization Program
    ■ Upcoming Concession Opportunities
    ■ Operating in an Airport Environment
    ■ City’s Procurement Procedures
    ■ Request for Proposals and Procurement Procedures
    ■ Airport Concessions Disadvantaged Business Enterprise
    ■ North Central Texas Regional Certification Agency
    ■ Questions
    ■ Networking Opportunities
RFP Development

• Key RFP provisions are being developed, such as:
  – Description of the opportunity
  – Scope
  – Basic Business Terms
  – Bottled Water rights
  – Selection Criteria
  – Proposal Scoring
  – Incumbent Right of First Refusal process
  – Airport Concession DBE program
Package Values

• Per Council resolution, incumbents have first refusal rights up to 27% of concession plan value
• Relative values of the packages will be determined by considering the following methods for each package based on pro forma data:
  – **Area value** – (square footage) % of total square footage
  – **Sales value** – (top line approach) pro forma gross sales
  – **Earnings before interest value** – (bottom line approach) gross pro forma sales minus (operating and depreciation expenses)
Package Values

• Prime objective is to maximize the number of packages by keeping as many spaces independent as possible
  – However, in order to keep low interest spaces financially viable, some packages will combine high with low interest spaces
Selection Criteria

- **Brands**: Strength of quality, variety, reputation, creativity, visual concept
- **ACDBE**: Airport Concession Disadvantaged Business Enterprise plan or policy, historical documentation showing history of ACDBE utilization on previous contracts, meaningfulness of the roles of ACDBE firm(s) in the concessions operations, evidence of acknowledgment of FAA Part 23 requirements to meet the airport’s ACDBE goal or make good faith efforts to meet the goal
- **Economics**: Financial return to the City (MAG, percentage rent, capital investment) (within maximum and minimum bands), reasonableness of sales and payment projections
- **Operations**: Level of management staff and experience, staffing and customer service programs, training, operations plan, inventory and cash control methods, marketing efforts
- **Financial Capability**: Capability to successfully execute the approved development plan, quality of financials and references
- **Experience**: Years of experience with concepts and functions similar to those being proposed, experience in an airport, professional references and quality of existing facilities operated by Proposer
- **Retention Plan for Existing Employees**: Process for considering existing concession employees in proposed staffing plan
Proposal Scoring

• Proposals will be evaluated based on this set of criteria and scored on a weighted value
  – Criteria based on consultation with City’s Purchasing department, consultants, Southwest Airlines and past concession RFP processes

• Responsive proposers will be evaluated as follows:
  Brands: 26%  Operations: 12%
  ACDBE: 15%  Financial Capability: 12%
  Economics: 23%  Experience: 12%
  Total: 100%

• All proposers must meet the ACDBE goal or make a GFE to meet the goal or will be considered non-responsive
Airport Concession DBE

• Airport Concessions are subject to federal regulations
  • City’s M/WBE program does not apply
• Current ACDBE participation goal for non-rental car concession contracts is 23.5%
• ACDBE participation can be fulfilled by:
  • direct ownership
  • joint venture partnership with ACDBEs
  • purchase of goods and services from ACDBEs
• An ACDBE must be certified as of the proposal due date
  – To be eligible for award of a concession contract, a proposer must either meet ACDBE participation goal or document a good faith effort to meet the goal.
• Plan is to use City’s procedures used to evaluate and assign points for design and construction contractors
Other Related Preparations

• Design alterations based on theming
• Central Receiving Facility
  – 23,000 SF +/- to accommodate 20 +/- operators
  – Third party operator to receive, store/handle & distribute to terminal stores under TSA security requirements
  – Location remote from terminal
• Staffing
  – Staff will have responsibilities to
    • Monitor contract compliance and concession performance standards for Food/Beverage & Retail contracts, plus 28 existing contracts
    • Administer ACDBE program, including compiling data, determining goals & accomplishments
    • Plan & conduct on-going RFP process
  – Are reviewing staffing levels in Portland and DFW to benchmark against
Next

• Will continue to keep City Council apprised of progress
Appendix

• Option 4
LOVE FIELD CONCESSION CONTRACT PROPOSAL

• Dallas will be investing over $1 billion in Love Field with the objective of making it the finest mid-size airport in the nation. With this investment and the commencement of non-stop flights to both the east and west coast, Love Field could have an enormous impact on the economy of the City and the region.

• To achieve this, the concessions will need to be of the highest quality and offer the best value to the traveling public. This will require soliciting innovative concepts, strong brands and sound operators while producing opportunities for local and minority businesses. It is also important that the awarding of these contracts be viewed as fair, transparent and producing the best business arrangements for the City and its citizens.

• The following proposal is based on these standards. It affords an open, competitive bid process while encouraging continuity of the operations during the construction period. In addition, to ensure consistent themes and overall marketing and merchandising concepts throughout the airport, which will be critical to eventual success, it shifts to direct contracting by the City with individual space operators.
OVERALL STRUCTURE

• **Modified Direct:** The City will directly manage, including developing overall concepts and space themes, soliciting proposals, evaluating and selecting proposals, and monitoring performance of concessionaires on an on-going basis, the concessions at Love Field for both Food and Beverage and Retail beginning with the opening of the new terminal. The City will identify and add experienced staff for this function.

• In the interim, the City will endeavor to gain an extension of existing vendors through the construction period.
CONTRACT POINTS

- **Stage 1: Construction period**
  The City will offer current concessionaires the opportunity to extend existing contracts through the construction period. This will include the spaces in the old terminal and run until the 2013/14 turnover dates.
  - During this period, concessions would operate under current operating provisions unless otherwise stated.
  - The MAG in existing terminal will be waived upon execution of the extension
  - To encourage the extension, a limited first right of refusal opportunity in the New Terminal will be provided as described in the next section below.
  - Unamortized capital improvements, provided they are approved by the Airport staff prior to the expense incurred, will be reimbursed.
  - If during the construction period, enplanement levels for the West Wing (for the 12 months preceding the date of the execution of the extension) drop more than 5%, incumbents will be eligible for rent reductions of the spaces in the West Wing in proportion to the loss of the traffic.
  - Upon extension, current pricing policy continues during extension period
  - If incumbents choose not to extend contracts within 30 days of Council action, space in the old terminal would be put out to bid as part of the RFP portion as described in Stage 2.
Stage 2: New Terminal

• The entire space for the new terminal will be competitively bid through a process described below. The process will include a limited first right of refusal opportunity for the incumbents, provided they extend their existing contracts through the construction period and meet the competitive standards set below.

• Competitive bids will be solicited for each space in the new terminal beginning upon completion of the new terminal, projected in 2013/14. (Each RFP may be for a single space or a combination of two or three spaces to create best value for the City. Such a package would be designed to encompass a combination of high interest spaces with spaces that may not solicit a high interest if offered individually.)

• The Physical plan and theme will be developed by the City, with assistance from specialists in developing retail and F&B space in airports operations, and include areas designated for:
  – Food and Beverage
  – Retail
• Incumbents, as all other possible operators, will be encouraged to bid for new terminal spaces. If they chose to extend current contracts through the construction period and they are not determined to be the best proposal for at least 25% (changed to 27%) of the overall terminal concession value (in their category), they will be given a first right of refusal to acquire up to 25% (27%) of the bid space value, inclusive of any spaces awarded through the original RFP process (selected on a random basis) under the following conditions:

  – Selection of the packages will be random. For each package selected, incumbents will be given a “right of refusal”.
    • If incumbents choose to match the award in total, they will assume the space under the conditions of the selected proposal.
    • Conditions to be met will include Rent, Capital Investment, Operational Commitments, Comparable Brands and MAG.
    • If incumbent decides not to exercise their opportunity selected at random, the value of that package is reduced from their 25% (27%)
  – After the initial contract term, all first right of refusal rights cease.
• The following provisions will be common to all RFPs and awarded proposals.
  – Products to be sold at street pricing with emphasis on ‘brand names’.
  – Non-alcoholic beverages can be sold at both Retail and Food and Beverage locations.
  – Term will be 7 to 9 years, plus 2 one year extensions at the City’s option for the Food and Beverage.
  – Term will be 5 to 7 years, plus 2 one year extensions at the City’s option for the Retail.
  – City reserves the right to solicit proposals for and designate certain products to be offered throughout the terminal. Rights for exclusive product offerings and the values for this will accrue to the city.
    • Water brand to be sold (except National franchise accounts)
    • Pouring brand rights (except National franchise accounts)
    • Coffee brand (except National franchise accounts)
  – Alcoholic beverage sales within the terminal common areas will need to be researched further; however, the intent is that these will be handled as separate spaces and rights. There will be an opportunity for any concessionaire to competitively propose that service for each identified location.
Other Key Points for all vendors:

- Cancellation for convenience/compensation terms
- Provide for proper transition terms at end of contract
- Vending rights remain with the City of Dallas
- Wi-Fi/ Broadband rights to City of Dallas
- Future product determination rights remain with City of Dallas
- Evaluation of performance to include peer airport and vendor comparison to be added to other criteria

- Customer Service
  - Secret Shopper program
  - Establish strong customer satisfaction measurements
  - Short cure period (time allowed to fix problem)

- Scoring Factors:
  - Brands
  - DBE/MWBE
  - Economics
  - Operations
  - Financial Capability
  - Experience
  - Retention/employment of existing employees