



# Airport Concessions



February 2015

# Concession Program Goals

- Achieve exceptional customer service and experience
- Showcase Houston as a premier, world-class destination
- Create a “Sense of Place”
- Meet the needs of global/international passengers
- Achieve high ACDBE participation
- Offer greater variety and quality in products and services
- Encourage innovative, unique and exciting concepts
- Increase non-airline revenues

# Background

- The concession opportunities were presented to Council at a BFA presentation in July 2014
- The majority of the airport concession agreements will expire by July 2015, including:
  - All retail and duty free at both IAH and HOU
  - Food & Beverage agreement with Delaware North Companies at IAH
- Two Food & Beverage agreements are not expiring now:
  - JDDA/SSP in Terminal C at IAH (expires December 2018)
  - 4Families of Houston at HOU (expires May 2020), which includes rights to the new international concourse
- Concession opportunities for the new Mickey Leland International Terminal (MLIT) that is currently being designed will be offered at later date

# Concession Planning

- Industry-recognized concessions consultant, AirProjects, assisted with the development of RFPs to include industry best practices

## Increased Concept Variety

- Concept specification has a mixture of regional, national and international brands as well as more upscale brands
- Addition of new locations, sub-division of existing locations, and use of retail kiosks allow for more variety

## Enhanced Opportunities and Competition

- Locations spread across a greater number of packages to increase participation by more concessionaires
- Packages structured with a mixture of locations across the airport, so that concessionaires compete for business

## “Win-Win” Business Terms

- Packages sized optimally to provide attractive return on investment for concessionaires, market rent for HAS, and ACDBE opportunities

# Increased Number of Packages

Airport	Category	Existing Contracts	RFP Packages
IAH	Retail/Duty Free	3	3
	Specialty Coffee	0	2
	Food & Beverage	1	2
HOU	Retail/Duty Free	1	2
<b>IAH + HOU</b>	<b>All Categories</b>	<b>5</b>	<b>9</b>

└───→ + 4 Packages ───┐

# Projected Gross Sales

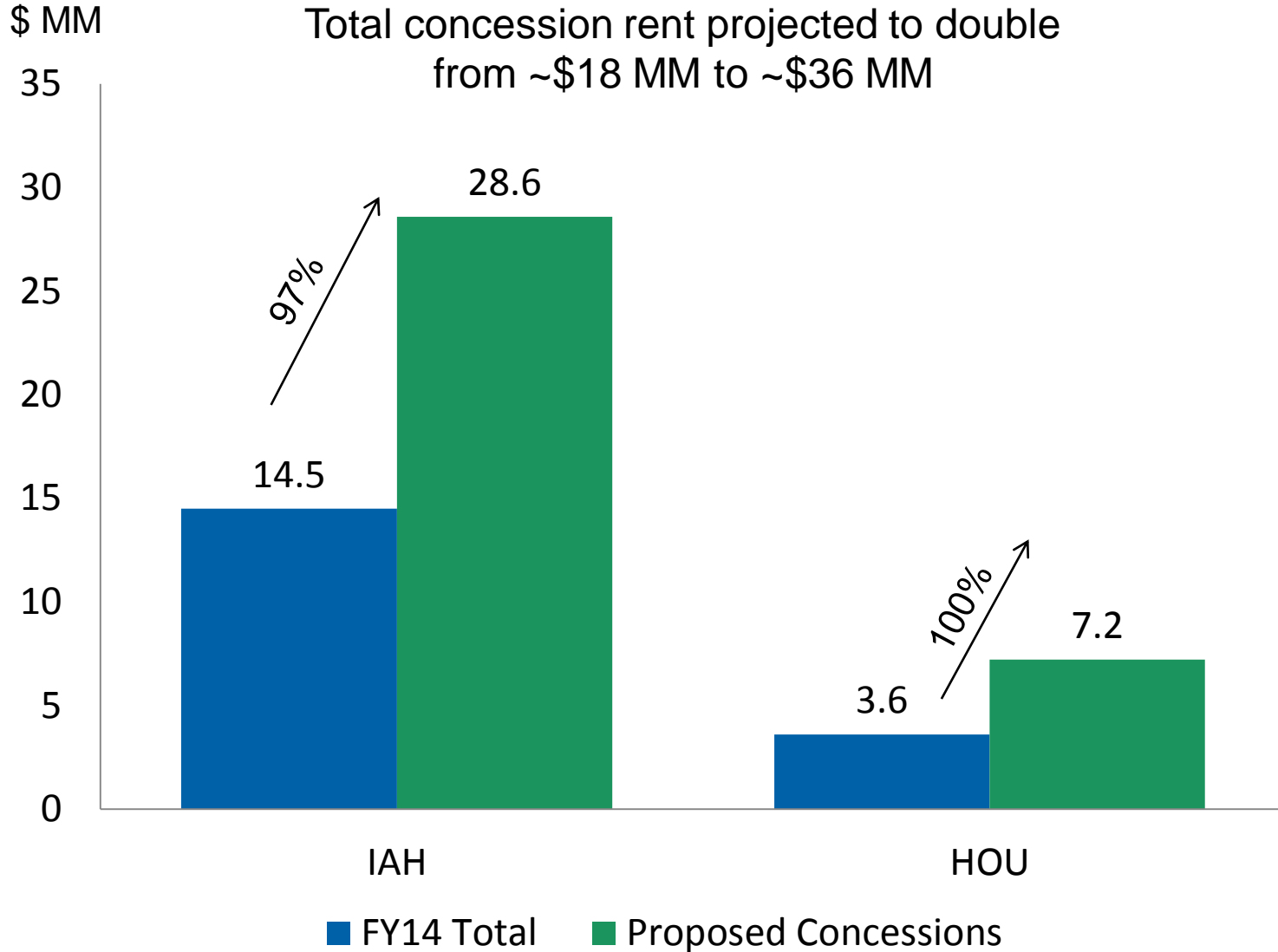
- The 9 RFP packages were estimated to generate \$160 MM in sales annually

IAH	Package #	# Locations *	Total sf *	Estimated Sales
Retail/Duty Free	1	18	16,100	\$21 MM
	2	17	14,800	\$21 MM
	3 (incl. DF)	8	7,400	\$21 MM
Specialty Coffee	1	6	5,700	\$8 MM
	2	3	1,900	\$3 MM
Food & Beverage	1	15	21,300	\$29 MM
	2	14	19,200	\$27 MM

HOU	Package #	# Locations *	Total sf *	Estimated Sales
Retail/Duty Free	1 (incl. DF)	7	6,950	\$14 MM
	2	14	7,100	\$14 MM

\* Locations and square footage of Automated Retail Units not included

# Concession Rent



# The Process



# RFP Outreach and Timeline

Runway to Business	May 8, 2014
Concessions Industry Day	June 19, 2014
Budget & Fiscal Affairs Presentation	July 8, 2014
Draft RFP and Sample Contract Published	July 10, 2014
Industry Outreach Day	July 17, 2014
Deadline for Feedback	July 22, 2014
RFPs Advertised	August 8, 2014
Pre-Proposal Conference	August 26, 2014
Proposals Due	November 3, 2014

## Minimum Qualifications

- RFPs require experience within category at similarly sized airports, major transportation centers or shopping malls

## Award Limitations

- No proposer will be selected for award of more than one package per category per Airport
  - Proposers must indicate package preference

## Protections for Subcontractors

- Proposers may not require subcontractors to be exclusive to their proposal
- Proposers may not charge subcontractors higher rent than they pay HAS

## Other Requirements

- RFPs establish minimum investment, percentage rent and a marketing fee
- Use of a future centralized receiving/shipping facility is mandated to enhance security and reduce road congestion

# Scoring Approach

- Two teams of 5 middle managers from the Houston Airport System
  - Retail (including Duty Free)
  - Food and Beverage/Specialty Coffee
- Observers from the Office of Business Opportunity and Airport Concessions
- Proposal evaluation strictly adhered to RFP criteria
- Evaluator training conducted in July, October and November 2014
  - Tours of Intercontinental and Hobby
  - Concept and proposal review
  - RFP evaluation
  - Consensus scoring

# ACDBE Goals

IAH	Package #	Goal
Retail/Duty Free	1	30%
	2	30%
	3 (incl. DF)	25%
Specialty Coffee	1	30%
	2	30%
Food & Beverage	1	38%
	2	38%

- CFR 49 Part 23 governs the participation of Airport Concession Disadvantaged Business Enterprises (ACDBEs)
- Under the federal program, ACDBEs must be certified by the State of Texas
- Airports may not use local geographic preference as a basis for selection

HOU	Package #	Goal
Retail/Duty Free	1 (incl. DF)	30%
	2	32%

# Proposals Received

In total, 42 proposals were received from 21 separate companies

- 2 proposals were non-responsive and were not evaluated further

Retail	
1	ATU Americas
2	Delaware North Companies
3	Dufry NA IAH
4	Duty Free Americas Houston
5	HG Houston Retailers
6	Marshall Retail Group
7	Metalsmiths Sterling *
8	Paradies – IAH/HOU 2014
9	Prestige Duty Free Houston
10	Travel Retail Group
11	WDFG North America

Food & Beverage / Coffee	
1	4 Families of IAH
2	Creative Food Group
3	Delaware North Companies
4	H Town Coffee House
5	HBF Houston Partners JV
6	Host International Inc.
7	JDDA Houston 14 *
8	LaTrelle's Galley
9	SSP America
10	Sun IAH Airport Concessions

\* Non-responsive

# Evaluation and Selection Process

Points	Evaluation Criteria	Responsible Party
25	Customer Service/Management and Operation Plans	Evaluation Committee
25	Concept Development	Evaluation Committee
15	Design, Material and Sustainability	Evaluation Committee
15	Background and Experience	Evaluation Committee
10	Compensation to HAS	HAS Procurement
10	Transition Plan	Evaluation Committee
Pass/Fail	Financial Capability of Proposer	HAS Finance
Pass/Fail	ACDBE Participation	HAS OBO
Pass/Fail	Labor Relations Plan (Labor Harmony)	COH Legal
100	TOTAL SCORE	HAS Procurement

# Selection Process

1. Written proposals were evaluated by the evaluation committee
  - Proposals that were clearly uncompetitive were eliminated to develop a short list of the best proposals
  - The short list included proposals that either:
    - won a category decisively (by more than 5 points), or
    - scored comparably to one or more competing proposals (separated by less than 5 points)
2. Short-listed proposers were invited to oral interviews
  - For decisive winners, interviews were used to validate recommendation
  - Others were rescored and decisive winners determined (by more than 5 points)

# Award Recommendations



# Award Recommendations

## HOU Retail/Duty Free

Package	Proposer	Key Concepts	Participation/ Goal
1	WDFG	Culturemap.com, Desigual, Houston Chronicle News, MAC, Southern Living News, Texas Monthly News, World Duty Free	30.2%/30%
2	Paradies – HOU 2014	H-Town, KPRC, Shady Lane, CNBC, Dylan's Candy, Esavvy, Xpresspa, NYS, Space Corner, My Sweets, Brookstone, Houston Mart	35%/32%

# Award Recommendations

## IAH Retail/Duty Free

Package	Proposer	Key Concepts	Participation/ Goal
1	WDFG	Cowboys & Indians, Culture Map.com, Houston Chronicles News, MAC, Quicksilver, SRH, Sunglass Icon, Texas Monthly News, WSJ News, Houston!, Houstonia News, M Fredric	35.9%/30%
2	Paradies – IAH 2014	KPRC, Dylan’s, Brookstone, City Point, eSavvy, Univision, Allen’s Landing, Spanx, Pinto Ranch, Brooks Brothers, Bayou City Marketplace, CNBC, Tumi, Corsa	35%/30%
3	ATU Americas	Duty Free Wall Shop, Duty Free Shop, Specialty Retail	26%/25%

# Award Recommendations

## IAH Specialty Coffee

Package	Proposer	Key Concepts	Participation/ Goal
1	Host International	Starbucks	37%/30%
2	Latrelle's Galley	Peet's Coffee	100%/30%

# Award Recommendations

## IAH Food and Beverage

Package	Proposer	Key Concepts	Participation/ Goal
1	Host International	Jack in the Box, Blaze Pizza, Mockingbird Distillery and Smokehouse, The Breakfast Klub Express, KFC, Cadillac Mexican Kitchen and Bar, Steak 'n Shake, El Real Tex Mex, Ray's Real Pit BBQ Shack, American Craft Tavern, The Local @IAH, Landry's Seafood, Chick-fil-A, Hugo's Cocina, Red Mango	38%/38%
2	SSP America	Subway, Qdoba, The Breakfast Klub, Wendy's, Hubcap Grill, Freshii, La'Brea, Hard Rock Café, Café Adobe, Yogurtology, Pinks Pizza, Tony's Wine Cellar & Bistro	56%/38%

# Conclusion

# Program Goals Accomplished

- Strong Revenue Growth
  - Doubling of non-airline revenue from \$18 MM to \$36 MM annually
- World Class Concepts
  - Landry's Seafood, Starbucks, Hard Rock Café, Chick-Fil-A, Wendy's
  - Brookstone, Spanx, MAC, Xpress Spa, Tumi, M Fredric
- Strong ACDBE participation
  - ACDBE Goals Exceeded 26% to 56%
  - 26 New ACDBEs included in submitted proposals (7 recommended)
  - First ACDBE recommended as a prime Food and Beverage Operator
- Local and innovative concepts
  - The Breakfast Klub, Hubcap Grill, Pinks Pizza, Ray's Real Pit BBQ, Café Adobe
  - Dylan's Candy, Space Corner, Univision, Pinto Ranch
- Variety of products/services
  - 6 different sit-down restaurant choices, 9 new national food and beverage brands, 8 local/regional food and beverage brands, 6 different news/convenience brands

## Next Steps

- BFA Committee Briefing February 2015
- Council Action March 2015
- Contract Execution April 2015
- Tenant Design Complete May 2015
- City Issues Building Permits June 2015
- Construction Begins June 2015
- Hobby International Open October 2015
- Intercontinental Transition 2015/2016





# Recommended RFP Awards – Team Composition

## IAH Retail – Package 1: WDFG North America

### JV Partners:

Cindy Clifford	Houston 8
Clyde Drexler	Houston 8
Glen Gondo	Houston 8
Renee Logans	Houston 8
Rafael Acosta	Houston 8
Rick Castaneda	Houston 8
Gerald Womack	Houston 8
Lynden Rose	Houston 8

## IAH Retail – Package 2: Paradies – IAH 2014

### JV Partners:

Kenneth James	LaTrelle's Galley
Theldon Branch	Branch/McGowen
Darryl Carter	Law Office Darryl Carter
Darryl King	Principal Partnering Group
Howard Middleton	H&D Consulting & Publishing

### Subtenant:

Mario Cediel (Automated retail machines) Cediel Concession Management

# Recommended RFP Awards – Team Composition

## IAH Retail – Package 3: **ATU Americas**

JV Partners:

George Walker      Air Ventures

## IAH Specialty Coffee – Package 1: **HMS Host**

JV Partner:

Leslie Urano      Blue Ginger Ventures

## IAH Specialty Coffee – Package 2: **LaTrelle's Galley**

JV Partner:

None - LaTrelle's is 100% ACDBE

# Recommended RFP Awards – Team Composition

## IAH Food & Beverage – Package 1: HMS Host

### JV Partners:

Cindy Clifford	Houston 8
Clyde Drexler	Houston 8
Glen Gondo	Houston 8
Renee Logans	Houston 8
Rafael Acosta	Houston 8
Rick Castaneda	Houston 8
Gerald Womack	Houston 8
Lynden Rose	Houston 8

## IAH Food & Beverage – Package 2: SSP America

### JV Partners:

Luis Spinola	Azteca
Bob Borochoff	Café Adobe Investment
Jason Yoo	JDDA Concession Management
Charles Bush	Charles Bush Consulting
Theldon Branch	Branch McGowen Ventures
Harry Johnson	Creative Concourse Concessions
Karen Garcia	KHG Consulting

### Subtenants:

Kenneth James	Latrelle's
Nicki Smith	Express NSB
Jason Yoo	JDDA Concession
Alan Bergeron	Bergeron Management

# Recommended RFP Awards – Team Composition

## HOU Retail – Package 1: WDFG North America

### JV Partners:

Theldon Branch      Branch McGowen Ventures

## HOU Retail – Package 2: Paradies – HOU 2014

### JV Partners:

Kenneth James	Latrelle's Galley
Mario Cediel	Cediel Concessions Management
Darryl Carter	Law Office of Darryl Carter
Harry Johnson	Creative Concourse Concession
Marcus Davis	TBK Food LLC