

Memorandum



CITY OF DALLAS

DATE April 10, 2009

TO Members of the Transportation and Environment Committee: Linda Koop, Chair; Sheffie Kadane, Vice-Chair; Jerry R. Allen; Carolyn R. Davis; Vonciel Jones Hill; Angela Hunt; Pauline Medrano; Ron Natinsky

SUBJECT Love Field Concession Plan

Attached is the briefing entitled, "Love Field Concession Plan" that will be presented to you on April 13, 2009.

Please contact me if you need additional information.



Ramón F. Míguez, P.E.
Assistant City Manager

c: Honorable Mayor and Members of the City Council
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
Jill A. Jordan, P.E., Assistant City Manager
A.C. Gonzalez, Assistant City Manager
Forest E. Turner, Interim Assistant City Manager
David K. Cook, Chief Financial Officer
Jeanne Chipperfield, Director, Budget and Management Services
Edward Scott, Director, Controller's Office
Helena Stevens-Thompson, Assistant to the City Manager - Council Office
Dan Weber, Director, Department of Aviation

Love Field Concession Plan

Briefing to
Transportation & Environment Committee

Department of Aviation
April 13, 2009



Objectives

- Concession Plan for the LFMP (Love Field Modernization Program)
 - 2 in terminal – Food & Beverage and Retail
- Impacts during Construction Period
 - Transition from Existing Concessions to New
 - Parking Concession
- Recommendations and Next Steps

Executive Summary

- The Love Field Modernization Program will double the amount of concession space in the terminal, and afford the opportunity to provide exceptional customer service through high quality Retail and Food & Beverage concession concepts obtained through a competitive process.
- The incumbent concessionaires have served Love Field well and earned a place in the new LFMP facility. The City has committed to allocating comparable space in the new facility as the incumbents have today. The remainder of the new space will be awarded through an RFP process, which will result in a balanced 2-concessionaire business model for each, Retail and Food & Beverage. The incumbents are encouraged to compete in the RFP process, and they will have an inherent advantage by virtue of their existing operations.
- The business model for our Concession Plan of 2 balanced and complementary concessionaires each for Food & Beverage and Retail, will result in the highest level of customer service and revenue generation. However, while the possibility exists that the incumbents will also win the RFP space, their proposals must provide results which are equal in customer service and revenue as the 2-concessionaire model.
- The business terms and rent will be set at industry standards, rather than at premium rates, to ensure a competitive response to the RFP. Increased rental revenue will result from increased sales in a competitive concession environment, thereby avoiding the operator's need to cut costs elsewhere to compensate for higher rents, with unintended impacts on customer service.

Evolution of Concession Plan

- **Past - High Level Planning Phase – TARPS (Apr 2008)**
 - Calculated size of Program (SF) based on planning standards
 - TARPS findings – 72,000 SF revenue *and* support space
- **Present – Schematic Design Phase – “Option C”**
 - Adoption of “Option C” defined the terminal configuration
 - Schematic Design Phase (Nov 2008)
 - Established the available space & locations
 - Enabled development of Concession Plan
- **Future – Design Development Phase (Nov 2009)**
 - Will provide detail plans for marketing Concession Plan RFP

Purpose of Concession Plan

- Defines...
 - Space requirements
 - Business model
 - Category & concept mix
 - Locations & adjacencies of concessions
- ...Based on evaluation of
 - Enplaned passenger projections
 - Characteristics of service (O&D, connecting)
 - Configuration of terminal facility

Evaluation Factors

- Enplaned Passenger & Revenue Space Projections
 - Opening Year (2015) – 5.26 M enpl. pass. = 47,584 SF
 - Projected 2020 – 6.34 M enpl. pass. = 57,302 SF
 - Projected 2025 – 7.34 M enpl. pass. = 66,429 SF
- Characteristics of Service
 - 70% Origination & Destination, 30% Connecting
 - Passenger dwell time in terminal
- Configuration of Terminal “Option C”
 - All gates in a single concourse
 - All passengers flow through central “Concession Village” area
 - Facilitates clustering of additional concession units outside of “Village”

The LFMP Concession Plan



- Space Allocation in Schematic Design – 51,238 SF
 - Nearly double today’s 27,000 SF
 - Accommodates “Opening Year” (2015) passenger projection
 - Expansion capability to 2020 achieved by adding Kiosk Units
 - 2025 pass. projection will require facility expansion to increase concession space to 66,429 SF
 - Expansion programming to be based on future projection updates
 - Plan accommodates more certain near-term needs, and avoids expensive overbuilding for less certain long-term projections

The LFMP Concession Plan

- Business Model
 - 2 Concession Packages each, for Food & Beverage and Retail
 - **Incumbent Package**, approx equal to current space
 - **RFP Package** for remainder of overall Concession Plan space
 - Allocation of Space
 - Food & Beverage – 35,595 SF = 20,588 (Incumbent) + 15,007 (RFP)
 - Retail – 15,643 SF = 7,183 (Incumbent) + 8,460 (RFP)

The LFMP Concession Plan

- Category & Concept Mix

- General Principles

- Both Concession Packages balanced with *complementary*, rather than *competing* concepts
 - Popular national brands, mixed with Dallas’s local “flavor”

- Categories

- Food & Beverage

- Bar/Full Service Restaurant
 - Food Court
 - Quick Service Restaurant
 - Walk Away

- Retail

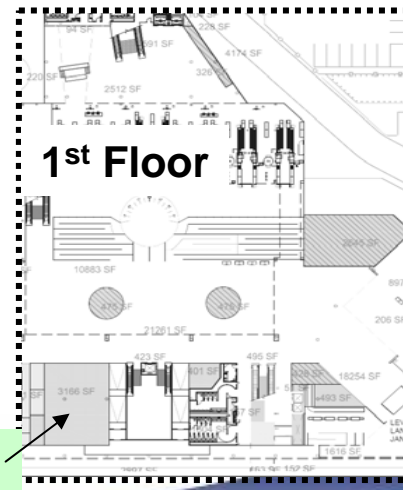
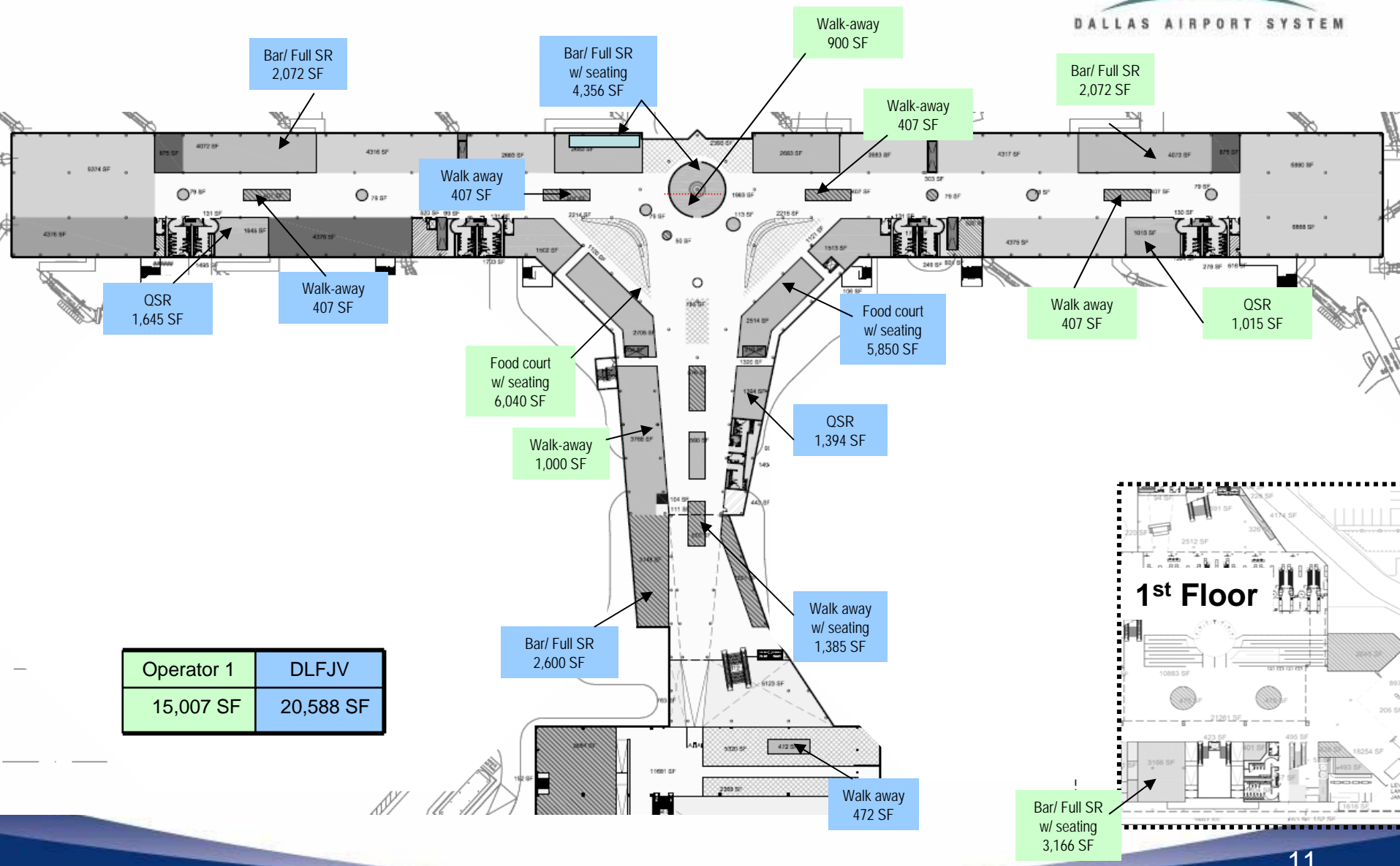
- News
 - News/Convenience
 - Specialty

The LFMP Concession Plan

- Locations & Adjacencies of Concessions
 - Exposure to passenger traffic
 - Convenience to Customer
 - Clustering complementary units
 - Coffee units (F&B) adjacent to book stores (Retail)

REVISED Food & Beverage Plan

2nd Floor



*Note: All scenarios and estimated areas are developed for use in this analysis only and are subject to change based on final terminal design plans.

REVISED Retail Concessions Plan

2nd Floor



Specialty Retail
Kiosks/Carts
SAVE for future

News/
Convenience
2,000 SF

Bookstore
1,783 SF

News/
Convenience
2,683 SF

News/ Convenience/
Books
2,000 SF

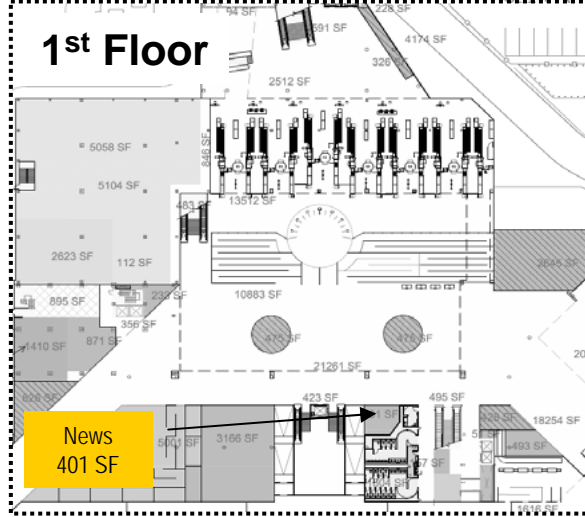
Specialty
2,099 SF

Specialty
2,110 SF

Specialty
1,367 SF

News/ Books
1,200 SF

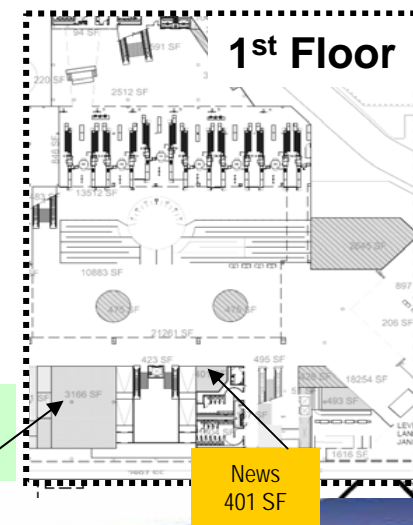
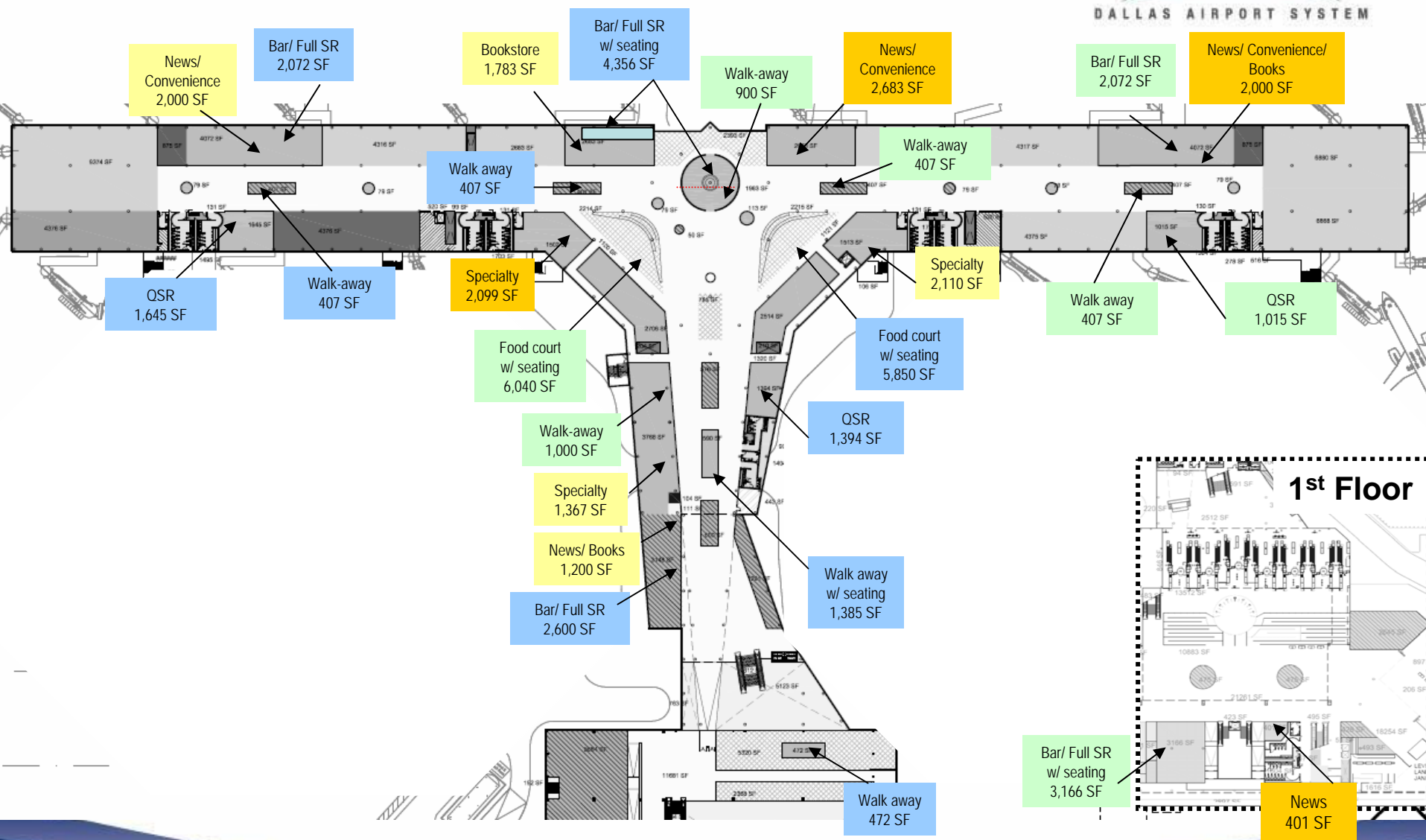
Hudson	Operator 2
7,183 SF	8,460 SF



*Note: All scenarios and estimated areas are developed for use in this analysis only and are subject to change based on final terminal design plans.

REVISED Concession Plan

2nd Floor



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Total Concession Plan: Projections for 2015, Compared to 2008 Actual

Concession	Square Feet	Projected Sales	Revenue to City
2015 Projected F & B	35,595 SF	\$49,979,500	\$6,281,634
2015 Projected Retail	15,643 SF	\$19,728,750	\$2,998,770
2015 Projected Total	51,238 SF	\$69,708,250	\$9,280,404

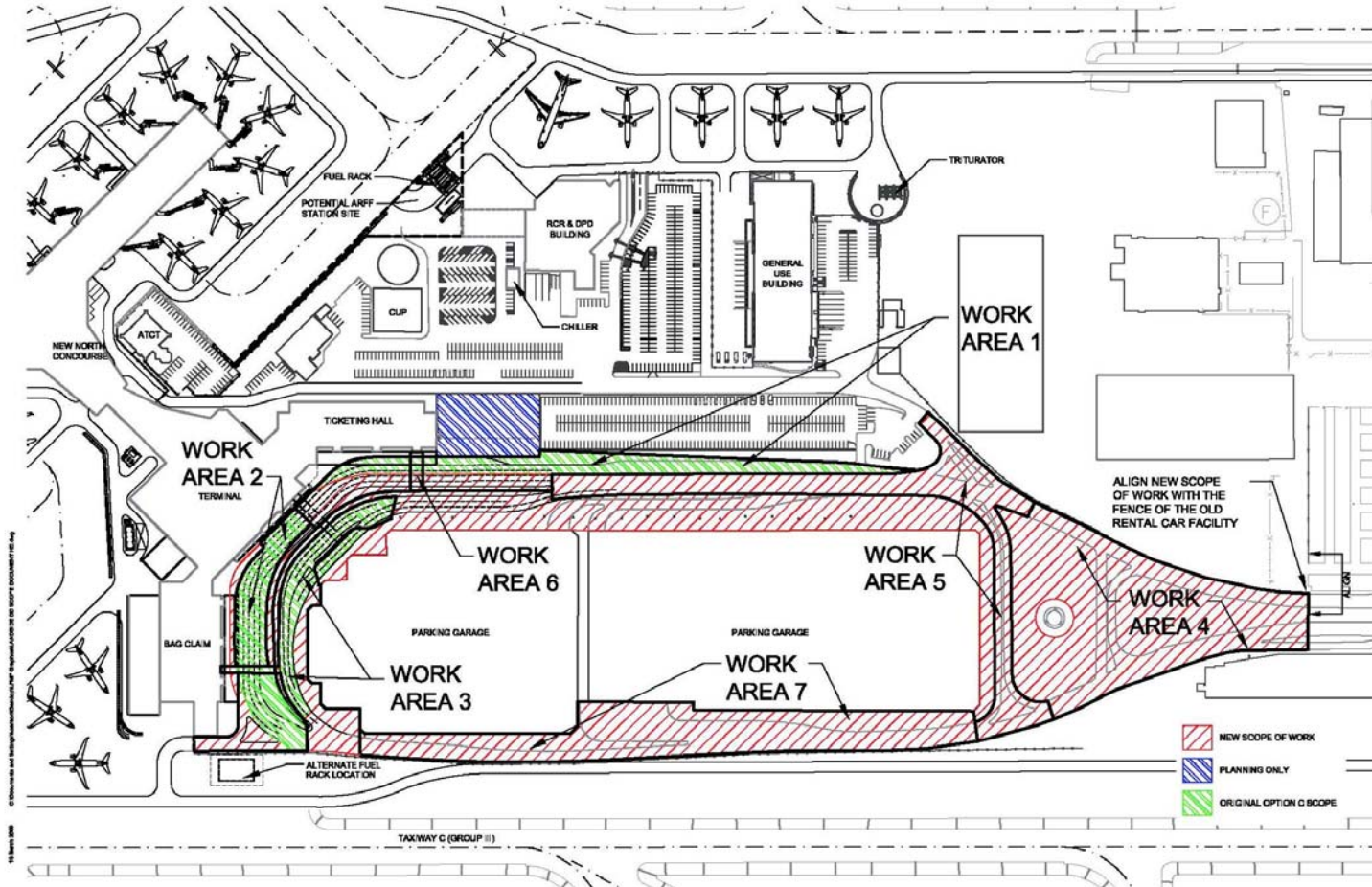
2008 Actual F & B and Retail Total	27,177 SF	\$22,140,055	\$3,375,884
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Concession Plan Implementation



- Amend Incumbent Concessionaire's current contracts
 - Extend term to expire upon occupancy of new space
- Negotiate contracts for new space
 - In accordance with minimum business terms
- Develop RFP documents for remaining new space
 - Upon completion of Design Development Phase (Nov 2009)
 - Advertise Jan 2010
 - Proposals due Apr 2010
- Award new contracts for all 4 packages (Incumbent & RFP)
 - Aug 2010
- Shell space available for Concessionaire finish out
 - Mar 2011
- New Concourse partially open with 12 gates
 - Nov 2011

Impacts During Construction



LANDSIDE

SCOPE DOCUMENT
FIGURE A



Impacts During Construction

- In-Terminal Concessions
 - Major consideration in Schematic Design Phase
 - Food & Beverage and Retail concession phasing incorporated in construction phases
- Parking Concession
 - Garage not part of LFMP, however, roadway impacts significant
 - Current contract expires 2009
 - Current Concessionaire is experienced and competent in Love Field operations
 - 5-year extension to 2014 would enable effective management of impact to vehicle & pedestrian traffic

Recommendations & Next Steps



- Recommendations
 - Approve the LFMP Concession Plan
 - Authorize the City Manager to **negotiate amendments to current Concession Contracts**
 - Dallas Love Field Joint Venture Ltd. for Food & Beverage
 - Hudson Retail – Dallas JV for Retail
 - Authorize the City Manager to **negotiate an amendment to current Parking Concession Contract** with Parking Corp of America, **extending its term 5 years** to August, 2014
- Next Steps
 - All 3 contract amendments to City Council May 2009