CONCESSIONS PROGRAM – DOING BUSINESS AT THE AIRPORT
Airport Contacts

Brad Wolfe
Commercial Manager
801-575-2949
brad.wolfe@slcgov.com

Mike Rawson
Business Development Mgr.
801-575-2894
mike.rawson@slcgov.com

Raymond Christy
Sr. Planner – ACDBE Coordinator
801-575-2945
raymond.christy@slcgov.com
Introductions
Agenda

• Understanding the Airport
• Doing Business at the Airport – What You Need to Know
• Tenant Design Standards
• ACDBE Program
• Overview of Terminal Redevelopment Program
• Timeframes
• Future/Anticipated Concession Opportunities and Business Arrangements
• The RFP Process
• Wrap Up - Questions
Understanding the Airport
### Passengers (CY2016)

<table>
<thead>
<tr>
<th>Type</th>
<th>Passengers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>22,397,638</td>
</tr>
<tr>
<td>International</td>
<td>759,807</td>
</tr>
<tr>
<td>Total Passengers</td>
<td>23,157,445</td>
</tr>
</tbody>
</table>
Passengers at SLC International

Two Types

Origin & Destination (O&D)
- About 60% of passenger traffic

Connecting
- About 40% of passenger traffic
Passenger Numbers by Month 2013-16

![Passenger Numbers by Month 2013-16](chart.png)
Passengers / Sales Comparison 2013-16

Passengers

Concession Sales

Graphs showing Passengers and Gross Sales from Jan-16 to Dec-16 for the years 2013 to 2016.
Timing of Flights

- Flight operations at SLC begin about 4:00 am and go until roughly 2:00 am
- Flights – particularly with Delta Air Lines – are scheduled in “banks”
“Banks” create customer service and staffing opportunities and challenges.
Sales (CY2016)

<table>
<thead>
<tr>
<th>Product</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food &amp; Beverage</td>
<td>$66,643,740</td>
</tr>
<tr>
<td>News &amp; Gift</td>
<td>16,541,433</td>
</tr>
<tr>
<td>Specialty Retail (including Duty Free)</td>
<td>14,801,787</td>
</tr>
<tr>
<td>Services (day spas)</td>
<td>2,012,187</td>
</tr>
<tr>
<td>Vending (snack foods and beverages)</td>
<td>540,565</td>
</tr>
</tbody>
</table>

Program Total: $100,539,712
Sales

• Sales by store can vary significantly based on concept, location and execution
• Tremendous opportunity and potential
• Also, great exposure with millions of passengers walking by stores and storefront signage

Following slides show sales by category in current program (CY 2016)
<table>
<thead>
<tr>
<th>Category</th>
<th>Range</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full-Service Restaurants (with liquor licenses)</td>
<td>$1,000,000 to $6,000,000</td>
<td>$3,700,000</td>
</tr>
<tr>
<td>Quick Service Restaurants</td>
<td>$800,000 to $3,400,000</td>
<td>$1,800,000</td>
</tr>
<tr>
<td>Coffee Concepts</td>
<td>$500,000 to $2,000,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Market Concepts</td>
<td>$1,000,000 to $1,600,000</td>
<td>$1,400,000</td>
</tr>
<tr>
<td>Snack Food Concepts</td>
<td>$600,000 to $1,300,000</td>
<td>$1,100,000</td>
</tr>
<tr>
<td>Vending (snacks and beverages)</td>
<td>$500,000</td>
<td></td>
</tr>
</tbody>
</table>
## Retail Annual Sales (CY2016)

<table>
<thead>
<tr>
<th>Service</th>
<th>Range</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>News &amp; Gift</td>
<td>$100,000 to $2,100,000</td>
<td>$1,380,000</td>
</tr>
<tr>
<td>Specialty Retail (Including Duty Free)</td>
<td>$122,000 to $2,300,000</td>
<td>$800,000</td>
</tr>
<tr>
<td>Services (Day Spas)</td>
<td></td>
<td>$1,000,000</td>
</tr>
</tbody>
</table>
Doing Business at the Airport – What You Need to Know
Hours of Operation

- **Typically** – Stores open one hour before the first departure and remain continuously open until all flights have cleared.
- This is a requirement **365 days per year**, including weekends and holidays.
- Airport’s discretion and direction on all store hours.
- Concessionaires are required to extend hours with little notice for irregular operations and airline schedule changes.
- Cannot close during the day for breaks or lunches.
Staffing Requirements – Employee Badging

- Applicants must pass a 10-year background check that includes fingerprinting
- Before a badge can be issued, applicant must attend security training and pass associated tests
- Currently a $30.00 non-refundable fee for fingerprinting and security threat assessment per employee
- Additional fees are assessed for lost badges or for badges not returned at the end of employment
- The badging process can take up to two weeks or more

Visit [https://slcairport.com/badging/](https://slcairport.com/badging/) for additional information on badging, costs and requirements
Staff Transportation and Parking

- Once hired and badged, associates need to get to the airport
- If they drive, they park about a mile away and take a shuttle to the terminal
- Currently, employee parking passes are $24/month
- UTA (TRAX and bus transport) is a good alternative to driving and parking
- Once at the airport, associates go through security screening then journey to their concession location
Staffing Requirements

• Associates must be neat in appearance with clean uniforms and nametags
• Must be competent with good communication skills (in English) and able to handle the demands of a fast-paced airport environment
• Customers often are rushing to catch their flight – no room for error
Staffing Requirements

- Each concept must be adequately staffed as determined by the Airport with an on-site manager or designated assistant at all times.
- Staffing is challenging in an airport environment due to fluctuating flight schedules.
TSA and Security

• Airport concessionaires must understand they are operating in a highly secure environment. Penalties for security violations can be costly.

• In order to operate, you most likely will have “prohibited items” in your stores. You are solely responsible for ensuring the “prohibited items” stay securely in your possession.

• You are also responsible for employees working in secured areas that are under your supervision and control.

• You must be flexible. Security requirements change regularly and adaptation must not result in service interruptions.
Product Deliveries

**STREET LOCATION**
- Park delivery truck next to store
- Transfer product from truck into store

**AIRPORT LOCATION**
- Delivery truck unloads at central receiving facility away from terminal
- Product is screened (meaning product must be packaged and delivered so that it can be screened)
- Product then delivered to terminal or concourse dock – at times that do not conflict with aircraft operations
- Product then delivered to designated storage area (or in some cases, directly to stores)
The arrangement just described may require the airport to contract with a Third Party Administrator to facilitate all deliveries and distribute all product to the terminals and concourses. Such an arrangement would be an additional cost to concessionaires.
Insurance Requirements

- Commercial General Liability Insurance: $2,000,000 (or $5,000,000 if your concession requires driving on the ramp)
- Business Auto Coverage: $2,000,000 / $5,000,000
- Fidelity Bond: $2,000,000
- Fire and Property Insurance (to cover 100% of value of premises)
- Workers’ Compensation Insurance
- Builder’s Risk Insurance (during construction)
- Business Interruption Insurance
• In the store – must be able to conduct transactions (cash, credit, voucher) efficiently, securely, accurately, continuously.

• Back of house – Secure cash storage, transition and transmission must be worked out by each concessionaire.
Current agreements: 7 years for Retail and 10 years for Food

Final determination on lease terms for the new terminal facilities will be published in the RFP
Liquor Licenses

- Total number of Airport liquor licenses is based on total passengers
- Airport determines which spaces will serve alcohol
- Concessionaires awarded space with alcohol must qualify for the liquor license and will be required to maintain all conditions associated with the Airport liquor license
Other Costs and Factors

- Utilities
- Taxes – You’ll want to research how property taxes are assessed for an airport location
- For F&B – Grease interceptors (typically centralized) and exhaust systems must be cleaned and maintained at a frequency determined by the airport
- Used cooking oil must be piped to a collection container for recycling
- Waste management and recycling
- Depending on your program, you may need to lease space off-property for storage, prep, administration, etc.
Construction Costs

**2010 F&B RFP**
- Minimum $350 per square foot investment required
- Actual $700/sf average

**2010 Retail RFP**
- Minimum $275 per square foot investment required
- Actual $475/sf average
Cat Cora’s Kitchen – Concourse B

1,263 sf

$1,196/sf
Market Street Grill – Terminal Two

4,401 sf

$568/sf
Kiehl’s – Concourse D

208 sf

$508/sf
RMCF – Concourse D

133 sf

$810/sf
No Boundaries
Terminal Two

2,713 sf  $335/sf
• You must maintain locations. Concessionaires must resolve maintenance issues immediately without store closures.

• Mid-Term Refurbishment Requirements – Current agreements are $40 - $50 per square foot at mid-term.

• The Airport also has stringent Tenant Design Standards with material and finish requirements that improve appearance and durability but also add cost.
One Last Note on Building...

- The RFP will be published, selections will be made and contracts will be signed.
- Every concessionaire selected must be able to design and build in the prescribed timeframe so that all stores are open and operational on the opening day of the new terminal facilities.
- Substantial financial penalties will be in place and assessed for any concession not ready to open when the new terminal facilities are scheduled to open.
The Airport will receive as rent the greater of:

• A Minimum Annual Guarantee (MAG) for each store, or group of stores if stores are packaged
• A percentage of gross sales
For example:

1,200 square foot retail concept

Minimum Annual Guarantee (1st year) of $200,000

Percentage of Gross Sales is 14%
Rent Illustration

For example:

Gross Sales for the Year is $2,000,000
14% of $2,000,000 is $280,000
$280,000 is greater than the MAG of $200,000
Rent for that year would be $280,000
For example:

Gross Sales for the Year is $1,000,000

14% of $1,000,000 is $140,000

$140,000 is less than the MAG of $200,000

Rent for that year would be $200,000
• Highly regulated
• All pricing must be submitted in advance to the Airport for review and approval
Tenant Design Standards
The Salt Lake City Department of Airports and its Tenants are responsible for the first impression of most visitors. This first glimpse of the Intermountain Area and Salt Lake City is an opportunity to showcase local and regional themes, natural features, resources and history through high quality, durable, and sustainable products and materials.

The Tenant Design Standards (TDS) have been developed to assist tenants by providing a set of minimum design guidelines to ensure that each project is attractive, well designed, and consistent with the overall design goals of the Airport.

Tenants and their design teams must become familiar with the intent, scope and detailed requirements of the Airport Tenant Design Standards and Design Criteria before the design process can begin.
The Purpose of the Tenant Design Standards is to:

• Enhance the passenger experience while ensuring a safe and convenient facility is available for all users

• Maintain the overall design characteristics and goals of the Airport

• Ensure that a Tenant’s facility design takes advantage of every available option to optimize the potential of the space

• Evoke a sense of personality along with a positive image that captures the customer’s attention

• Promote a unified environment in which tenants can incorporate consistent, creative and harmonious design elements while maintaining their own identity

• Encourage site design that compliments the surrounding area and creates a positive passenger experience
Tenant Design Standards

Except for routine maintenance on tenant installed equipment, Airport approval is required any time a tenant desires to perform interior or exterior modifications and/or construction on Airport property.

- Preliminary Design Review
- Design Development Review (30% Submittal)
- Design Review Committee (DRC) Review
- Construction Document Review (100% Submittal)
- Tenant Improvement Application
- Salt Lake City Building Services Permitting Process
A copy of DRAFT Tenant Design Standards can be found at http://bit.ly/2mfuYa4

A final version will be available when the RFP is published.
ACDBE Introduction

ACDBE stands for **Airport Concessions Disadvantaged Business Enterprise**. This is a Department of Transportation (DOT) program designed to level the playing field for small businesses/business owners wishing to participate in contracting opportunities specific to airport concessions.

Airports have ACDBE goals

Large companies that specialize in Airport Concessions often partner with ACDBE certified business owners to help achieve airport goals.
Introduction

Description of ACDBE program

One program, two components – DBE and ACDBE

- Disadvantaged Business Enterprise (DBE) program
  - Description DBE program
  - Related to construction, including professional services

- Airport Concessions Disadvantage Business Enterprise (ACDBE) program
  - Description of ACDBE program
  - Related to concession or car rental, including professional services, and supplying materials
Through application and interview process with basic business documents, meet eligibility criteria

- Business size –
  - DBE program; company’s gross receipts can’t exceed $22.98 million (3 yrs)
  - ACDBE program; company’s gross receipts can’t exceed $56.42 million (3 yrs)
- Personal Net Worth cannot exceed $1.32 million
- 51% or greater Minority or Woman owned business
- Meets SBA size standard based upon NAICS codes –

ACDBE contract goal

• Contract ACDBE goal established for concessions contracts
• Encourages SLCDA and prime concessionaires to seek out ACDBE firms
  - Joint venture, Partnership, Sub-tenant or Direct contract
  - Assist prime concessionaire, including SLCDA meet or exceed ACDBE goal
SLCDA ACDBE Program

- Certification – Utah Unified Certification Program (UUCP)
  - Application, required documentation, processing time
  - Resource assistance from local programs

- Next steps

Raymond Christy, DBE Program Coordinator – Airport Senior Planner
801 575-2945 office
raymond.christy@slcgov.com
Overview of Terminal Redevelopment Program
Salt Lake City’s Terminal Redevelopment Program
The need for The New SLC: Aging Facilities
Terminal Redevelopment Program – Airfield Challenges

Operational Constraints:
- Congestion in pockets between concourses
- Lack of gate flexibility (only 55 gates with jet bridges)
- No loading bridges in Concourse E
- Limited international gate capacity (3 gates)
- Fueling System misaligned
Terminal Redevelopment Program – Service Level Challenges

Operational Constraints:
- Undersized hold rooms
- Inadequate restroom capacity
- Undersized concessions
- Limited baggage claim capacity
- “Meeter Greeter” congestion
- TSA screening checkpoint congestion
SLC Terminal Redevelopment Downtown Overlay
Completed by 2020

- Terminal / South
  Concourse West,
  Gateway Center,
- Parking Garage
- Central Utility Plant
- Elevated Roadway and
  TRAX realignment
- First Phase of the New
  North Concourse
Completed by 2023
New Facilities

New Concessions
Opportunities
Timeframes
<table>
<thead>
<tr>
<th>Activity</th>
<th>Timeframe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Meetings</td>
<td>2017</td>
</tr>
<tr>
<td>Request for Proposals</td>
<td>2018</td>
</tr>
<tr>
<td>Review and Selection</td>
<td>2018 – 2019</td>
</tr>
<tr>
<td>Design and Build</td>
<td>2019 – 2020</td>
</tr>
<tr>
<td>New Facilities Open</td>
<td>Fall of 2020 (Phase One)</td>
</tr>
</tbody>
</table>
Frequently asked question: If a concessionaire has a presence in the current airport, do they automatically move to the new airport facilities?

Answer: No – Everyone will compete for space in the new facilities.
Future/Anticipated Concession Opportunities and Business Arrangements
Possible Business Arrangements

- Direct Lease Tenants
- Sub-Tenants
- Joint Venture Partnerships
- Franchises
- Licensing Agreements

- Individual Leases Per Space
- Small Packages (2-4 spaces in one lease agreement)
- Large Packages (5 or more spaces in one lease agreement)
Packaged Leases vs. Individual Leases
Illustration: Package of 8 store locations under a single lease
Package of Locations

Prime Operator

- Large firm capable of populating multiple concepts and locations
- May create opportunities for small businesses, locals and ACDBE participation through subtenant arrangements, licensing agreements, franchises and/or joint venture partnerships

Concession Space
- Packaged Spaces

Legend:
- Red = Concession Space
- Green = Packaged Spaces
Direct Lease

= Concession Space
Illustration: Direct Lease

- Owner/operator is entirely responsible contractually and financially
“Prime” packages and “direct lease” opportunities are anticipated in the new terminal facilities for:

- Food and Beverage
- Newsstands and Gift Shops
- Specialty Retail Outlets
- Amenities (day spas, for example)
- Duty Free
- Other?
Upcoming Opportunities

• We will be looking for the ideal mix of *Local*, *Regional* and *National* Concepts

• We will be looking for successful concepts with experienced operators who have the ability to effectively execute in a fast paced and highly structured and regulated environment
Who Determines What Concepts Go Where?
Who Determines What Concepts Go Where?

- Consultants, industry experts, airport administration will determine highest and best use for each space (broad categories)
- Request for Proposal (RFP) process will then be used to populate each space
The Request for Proposal (RFP) Process
Request for Proposals (RFP)

• Formal public invitation to submit proposals about your business/concept for consideration in the new terminal facilities
• Those proposing must rigorously follow all instructions
• Concept categories and locations will be pre-determined
• Proposals must match the format outlined in the RFP
Request for Proposals (RFP)

The following are typically included in the RFP:

- Schedule
- Definitions
- General Overview
- Submission Requirements
- Minimum Qualifications
- Area and Scope
- Description of Concession Opportunity
- ACDBE Goal
- Evaluation Criteria
- Statistical Information / Historical Concession Sales
- Letter of Credit Checklist and Performance Bond Form
- Concession Lease Outline Drawings
Request for Proposals (RFP)

- It is up to you to watch for RFP notifications and publications
- Make sure you are registered on the City’s purchasing and procurement system

If you would like to review the **PREVIOUS RFPs** for Airport Concessions, and a template of a Concessions Lease, the documents can be found at the following links:

- Sample Retail RFP  [bit.ly/2j2bzXT](bit.ly/2j2bzXT)
- Sample Food & Beverage RFP  [bit.ly/2kfHrXS](bit.ly/2kfHrXS)
- Sample Retail Agreement  [bit.ly/2j2c329](bit.ly/2j2c329)
- Sample Food & Beverage Agreement  [bit.ly/2jWzgcH](bit.ly/2jWzgcH)
Wrap Up – Questions
Thank you for your interest and participation!

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